Financial Managers Society

fmswhitepaper

Maximizing Performance of Time Deposit Promotions

By Neil Stanley
President, Bank Performance Strategies

Unique Insights | Implementation Guidance | Strategic and Tactical Direction | Immediately Relevant

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Overview

CD specials can have a major impact in both positive and negative ways on the balance sheet and income statement of a financial institution. To maximize the benefit of any initiatives based on promotional pricing, the financial institution needs to forecast and seize the scenarios that give the financial institution the best opportunity to launch a promotional offensive without re-pricing significant volumes of maturing CDs within its own current portfolio.

Understanding the science and art of when and how to promote time deposits is key to creating positive results for volume and spread simultaneously. Promotional CD special offerings must be timed and defined for optimal results. The process of timing and defining specials contributes to securing the largest positive volume impact while keeping cost of funds at the lowest possible levels for the volume attracted.

The Time Deposit Market

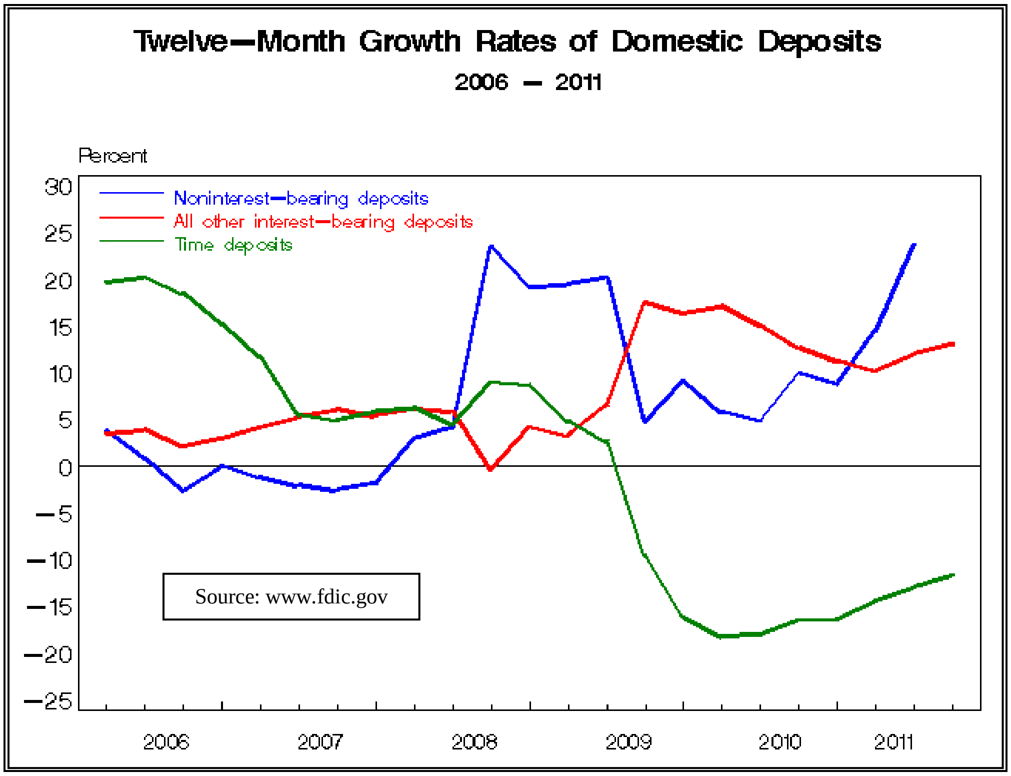
Regardless of the interest rate environment, the goals of a financial institution are multi-dimensional. Profits are derived by creating a spread between funding costs and asset yields. The financial institution creates a secure positive spread when it attracts deposit funds of like terms to its assets at attractive yields. The fastest way to gain volume is to offer “spread compromising” prices, but the fastest way to gain spread is to offer “volume compromising” prices. So, what is the best way to attract volume and maintain spread simultaneously?

In the retail realm, financial institutions offer structure and price, and the market responds with volume. To incent more volume, the financial institution can adjust the features and pricing of its offerings to make them more “volume aggressive.” To incent less volume, the financial institution can adjust the features and pricing of its offerings to make them more “spread aggressive.”

A mature understanding of the retail time deposit market reveals several key considerations and opportunities for financial institutions.

- The marketplace consistently offers a spectrum of prices.
- Bankers will often hold overly simplistic prejudices about CD promotions being good or bad.
- Most financial institutions lack sophistication in deposit pricing.
- Most financial institutions suffer from stagnation in their approach.
- Few financial institutions optimize their prosperity and growth.

The market for FDIC-insured time deposits has experienced considerable volatility since the Great Recession.

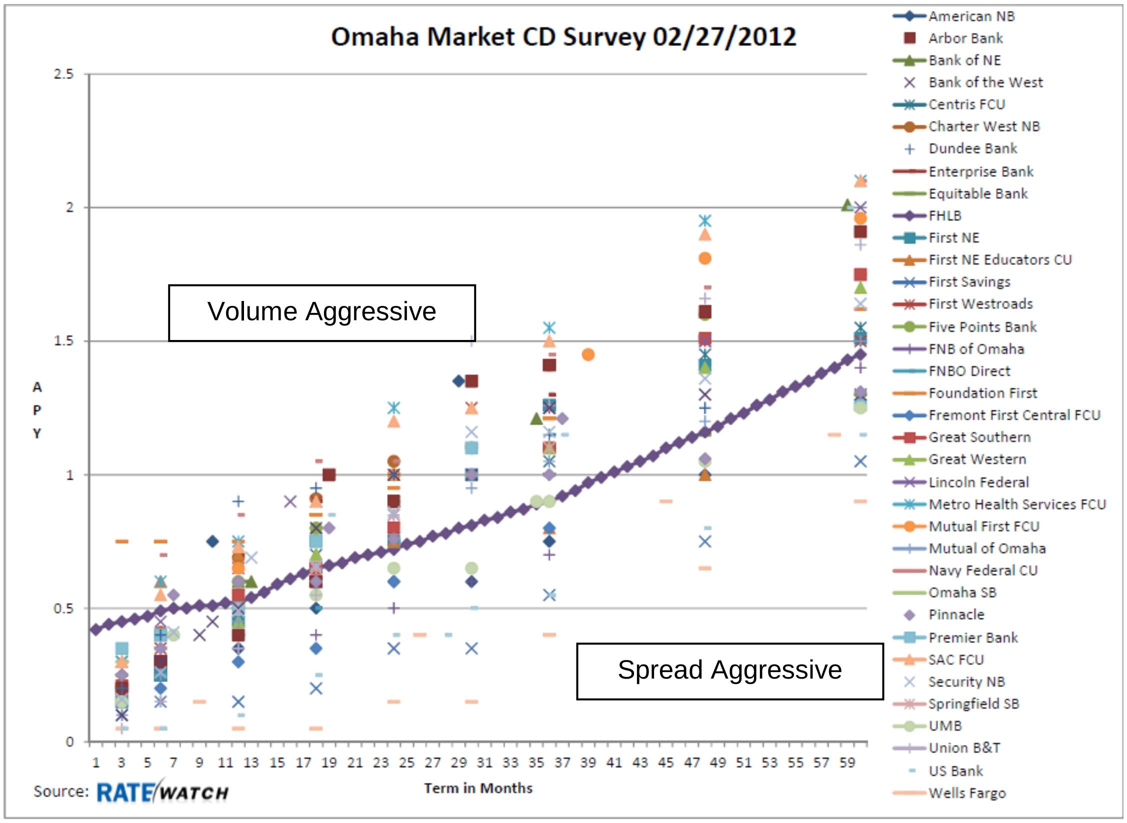


From December 2008 through 2011, FDIC-insured time deposits declined from \$2.8 trillion by \$1 trillion. The market has generally not responded favorably toward time deposits. This result can be attributed to attitudes held by both depositors and financial institutions.

Research about the decision making process behind the offerings of time deposit rates within financial institutions most often reveals very simplistic assessments such as:

- We like to be in the middle third of the market
- We need to grow our deposits, so we raised our CD rates
- We adjust our CD pricing to maintain a certain level of automatic renewal
- We don't like CD specials
- Our customers expect specials

Local market offerings often have significant variations around a market index like Federal Home Loan Bank of Des Moines advance rates.



Of course there is a supply function to every market. Supply is a function of non-price and price variables. Holding all the non-price variables constant, we know that the market will tend to supply more of a resource when offered a higher price. The degree to which volume changes as a result of price change is called the elasticity of supply. A highly elastic market is one in which a price increase produces a much greater supply. A relatively inelastic market is one in which a price change produces a modest change in the volume supplied.

So, with the considerable dispersion of CD pricing, can we conclude this is an elastic or inelastic market? If it is a simple elastic market, a great portion the funding would move from “spread aggressive” offerings to “volume aggressive” offerings. Since that does not appear to generally be the case, can we simply conclude that the market is inelastic? Thousands of bankers will tell you that if they pay more, they will get more time deposits. So, we should not conclude that this market is simply elastic or inelastic. It depends. That is good news. That means we can impact the way the market responds.

When optimizing pricing, a financial institution should be aware that increasing pricing of time deposits to get very little new funding is generally a bad decision. Likewise, missing an opportunity to decrease price when little volume change would result is also generally a bad choice.
Dan Geller in his November 2011 BAI Banking Strategies article points out the immediate opportunities for financial institutions given the overall market

inelasticity of supply for deposits. Mr. Geller suggests that bankers could be more profitable by lowering their deposit offering rates. He suggests that lower prices would produce little change in overall supply of funds and considerably more profitability for financial institutions. While that the broader market elasticity may truly be very low at this time, the dynamics in specific market situations can be more elastic and the broader market elasticity can change over time.

Tom Farin in a document posted on Graduate School of Banking-Madison website entitled A Strategy for Pricing Specials addresses the opportunity. Farin's writing notes the typical market non-reaction to mid-range/neutral pricing and the burden created by paying high rates relative to the market across the board.

Another highlight from his material is the importance of all specials renewing as standard CDs.

> "Design all specials so at maturity the funds automatically roll into a regular CD. We want to force rate sensitive customers to take an action each time a CD matures if they want to continue to get the institution's top rate. Some customers won't. They will let the special roll into the regular CD at the sub-market rate."

The methods described in this whitepaper are designed to create a holistic system to fully seize these opportunities to benefit from the tendency for the market to not respond to some price differentials while responding positively to other price differentials.

To take advantage of these opportunities, your financial institutions must:

- Eliminate the rhetoric about the intrinsic goodness or evil of CD specials.
- Consistently and systematically measure results of newly booked time deposits.
- Routinely evaluate the on-going opportunities for the lowest marginal cost volume increases.
- Define promotional offerings to attract new funds while limiting the potential for damage on likely available cheaper funding.

Regardless of interest rates and balance sheet liquidity, astute managers keep all their tools ready. By recognizing that the tools are often not inherently good or bad, executives give their organizations the ability to seize opportunities by applying the right tool at the right time in the right circumstances. Promotional CD specials are one of these tools.

Organization dynamics require leaders to signal what they support and don't support. When the leadership cannot articulate a concise statement defining when and how tools are to be used selectively, it is often just easier to draw a general conclusion about an approach. Over time some leaders have sought to withdraw from the damaging effects of CD specials. In many of these situations CD specials have been completely eliminated from the management toolkit.

Alternatively, some organizations have become so reliant upon the CD special that it is now a crutch for their staff. The bankers themselves believe that without specials they could not possibly hope to retain depositors and their accounts. Each of these dramatic approaches overstates the market's needs and wants. A more engaged and opportunistic approach will reward the financial institution.

Measure newly booked CD performance consistently. Without a measurement method that is capable of assessing the contribution to profit of the current activity within your portfolio, leadership has no legitimate way of gauging success. By measuring newly booked CD performance, you can monitor your overall volume and spread results. By enhancing your metrics beyond simplistic volume change metrics or current cost of funds, you can probe opportunities and adjust course that create the performance results you seek.

It may be that renewal rates are so low that the low rates on your standard renewal terms are having little impact toward holding down your cost of funds and the promotional specials are over-used. The aggregated spread weighted by volume-term accounts for these factors and helps you consistently evaluate the results of different approaches.

Newly Booked CD Performance Report

From 12/01/11

To 12/31/11

Office Your Bank

		Auto-Renewed				Not-Auto-Renewed				Total			
Term in Months	FHLB Index Rate	Count	$ Amount	Average Rate	Average Spread	Count	$ Amount	Average Rate	Average Spread	Count	$ Amount	Average Rate	Average Spread
3	0.37	3	21,578	0.08	(0.29)	1	67,002	0.10	(0.27)	4	88,580	0.09	(0.28)
5	0.41					1	57,789	0.51	0.10	1	57,789	0.51	0.10
6	0.43	28	555,196	0.35	(0.08)	2	32,168	0.29	(0.14)	30	587,365	0.35	(0.08)
7	0.44	3	64,025	0.28	(0.16)					3	64,025	0.28	(0.16)
9	0.47	1	3,007	0.25	(0.22)					1	3,007	0.25	(0.22)
10	0.48					1	8,001	0.30	(0.18)	1	8,001	0.30	(0.18)
12	0.60	49	1,234,665	0.59	(0.01)	6	180,631	0.68	0.08	55	1,415,296	0.60	(0.00)
13	0.62	1	14,988	0.80	0.18					1	14,988	0.80	0.18
15	0.67	13	543,276	0.57	(0.10)					13	543,276	0.57	(0.10)
18	0.73	17	573,455	0.89	0.16	9	612,385	0.90	0.17	26	1,185,840	0.90	0.17
24	0.84	7	107,563	0.72	(0.12)	13	413,281	0.75	(0.09)	20	520,843	0.74	(0.10)
30	0.96	8	783,525	1.24	0.28	16	867,779	1.24	0.28	24	1,651,304	1.24	0.28
36	1.08					1	1,286	1.00	(0.08)	1	1,286	1.00	(0.08)
48	1.40	2	19,962	1.27	(0.13)					2	19,962	1.27	(0.13)
60	1.68	3	238,630	1.88	0.20	7	133,000	1.66	(0.02)	10	371,630	1.80	0.12
Total / Average weighted by $		135	4,159,870	0.79	0.05	57	2,373,322	0.98	0.13	192	6,533,192	0.86	0.08
Average Months to Maturity			18.92				24.41				20.92		
Average weighted by Dollar-Months					0.12				0.14				0.13
Percentage of the Total		70%	64%			30%	36%						

Using this approach gives substance and depth to the analysis. Rather than debate the benefits of various pricing approaches on an anecdotal basis, your pricing team can look at results of various pricing initiatives regarding standard rates, promotional specials, and customized CDs which are tailor-made, and dynamically-priced in a consultative sales process.

If you find that the results are moving in the direction you like, you can stay on course. If not, you can probe alternative approaches and continually modify your course.

The Timing and Defining Process

Step 1: Stratify the portfolio

- Marketing region
- Week of maturity/re-pricing
- Term.

Step 2: Identify and rank the weekly periods of lowest overall maturing volumes each quarter.

Step 3: Identify the terms with no or very minimal volumes maturing within the periods with the lowest overall maturing values.

Step 4: Set up promotional specials in the low maturing weeks with no/very low volumes maturing by term.

Stratify the Portfolio

Import the current CD portfolio data from client bank core systems. The required data fields are:

- Current principal amount
- Interest rate
- Rate or APY
- Branch
- Maturity Date
- Original Term in Months

Here is a sample of the data file elements used to create the report…

Branch	Market	Account Number	Type Code	Current Balance	Rate	Maturity Date	Maturity Term
1	1	3005745	3	29,101.90	0.15	9/24/2010	3
1	1	3008870	6	47,909.30	0.3	9/8/2010	6
3	2	3026312	12	10,401.24	0.4	8/3/2010	12

Separate the analysis into pricing regions. A pricing region is defined as the territory where the promotional activities will be readily recognized. For each pricing region organize the data into a matrix defined by maturing time periods and term to maturity. Eliminate accounts from the analysis that are priced outside the normal retail customer pricing process such as brokered or large public fund deposits. The example below shows an elimination in the third week of the analysis.

Market 1	3/13/2012 3/19/2012	3/20/2012 3/26/2012	3/27/2012 4/2/2012	4/3/2012 4/9/2012	4/10/2012 4/16/2012	4/17/2012 4/23/2012	4/24/2012 4/30/2012	5/1/2012 5/7/2012	5/8/2012 5/14/2012	5/15/2012 5/21/2012	5/22/2012 5/28/2012	5/29/2012 6/4/2012
6 Month												
Amount	$ 220,601.80	$ 81,954.40	$ 219,214.45	$ 193,579.29	$ 493,044.65	$ 137,758.32	$ 212,594.55	$ 87,247.10	$ 95,410.49	$ 122,693.80	$ 431,628.68	$ 28,796.27
Count	6	5	7	5	12	6	7	8	5	9	7	3
Avg Yield	0.35	0.31	0.34	0.47	0.48	0.48	0.29	0.33	0.29	0.34	0.41	0.38
7 Month												
Amount	$ 11,068.32	$ 26,547.95	$ 93,107.49	$ 42,982.12	$ 20,465.04	$ 80,092.79	$ 27,081.86	$ 33,700.69	$ 1,144.63	$ 123,666.73	$ -	$ 20,968.49
Count	1	1	1	4	2	3	1	2	1	3	0	2
Avg Yield	0.50	0.50	0.50	0.51	0.40	0.35	0.35	0.48	0.50	0.35	0.00	0.30
12 Month												
Amount	$ 460,974.02	$ 688,029.68	$ 214,470.71	$ 252,634.42	$ 1,134,609.46	$ 755,749.27	$ 228,824.79	$ 558,865.48	$ 421,262.11	$ 248,674.15	$ 780,062.68	$ 149,819.29
Count	15	16	11	11	20	18	11	15	9	5	10	7
Avg Yield	0.83	0.88	0.87	0.87	0.93	0.88	0.86	0.92	0.95	0.95	0.84	0.82
15 Month												
Amount	$ 607,340.47	$ 24,142.02	$ 183,992.52	$ 80,923.95	$ 70,808.40	$ 148,066.87	$ 70,639.72	$ 52,521.81	$ 164,958.35	$ 84,918.38	$ 5,482.65	$ 46,643.30
Count	7	2	4	2	3	4	3	2	3	2	1	2
Avg Yield	1.22	1.15	1.15	1.15	1.15	1.14	1.10	1.00	1.00	0.95	1.00	1.00
24 Month												
Amount	$ 133,411.25	$ 383,944.45	$ 1,463,534.33	$ 165,342.56	$ 607,739.47	$ 522,637.53	$ 387,695.56	$ 152,762.84	$ 193,207.15	$ 707,368.84	$ 121,347.78	$ 323,361.36
Count	3	11	11	4	10	7	6	3	6	8	5	6
Avg Yield	1.32	1.78	1.97	1.47	1.82	1.71	1.64	1.54	1.69	1.52	1.93	1.63
30 Month												
Amount	$ 213,543.42	$ 111,678.90	$ 151,287.30	$ 111,316.78	$ 39,978.89	$ -	$ 112,102.59	$ 33,491.56	$ 44,568.89	$ 199,596.42	$ 107,185.49	$ 13,547.44
Count	3	5	3	2	3	0	1	2	5	4	5	1
Avg Yield	2.57	2.61	2.58	2.65	2.21	0.00	2.67	2.53	2.53	2.53	2.48	2.53
60 Month												
Amount	$ -	$ -	$ -	$ -	$ -	$ -	$ 106,172.16	$ -	$ 65,200.86	$ 18,756.86	$ 12,330.86	$ 30,000.00
Count	0	0	0	0	0	0	2	0	1	1	1	1
Avg Yield	0.00	0.00	0.00	0.00	0.00	0.00	4.43	0.00	5.00	4.43	4.43	5.35
Report Totals												
Amount	$ 1,646,939.28	$ 1,316,297.40	$ 2,325,606.80	$ 846,779.12	$ 2,366,645.91	$ 1,644,304.78	$ 1,145,111.23	$ 918,589.48	$ 985,752.48	$ 1,505,675.18	$ 1,458,038.14	$ 613,136.15
Count	35	40	37	28	50	38	31	32	30	32	29	22
Adjustments			1,105,356.85									
Adjusted Total	$ 1,646,939.28	$ 1,316,297.40	$ 1,220,249.95	$ 846,779.12	$ 2,366,645.91	$ 1,644,304.78	$ 1,145,111.23	$ 918,589.48	$ 985,752.48	$ 1,505,675.18	$ 1,458,038.14	$ 613,136.15
Average	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59
% of Avg	126%	101%	93%	65%	181%	126%	88%	70%	76%	115%	112%	47%
Opp Rank	11	7	6	2	12	10	5	3	4	9	8	1

Identify and Rank the Maturing Volumes During each quarter spot the weeks where the volumes subject to renewal are least. These are the weeks of opportunity for more modest amounts of re-pricing of your own deposits into higher cost promotional offerings. We shade the report for these weeks of opportunity.

Market 1	3/13/2012 3/19/2012	3/20/2012 3/26/2012	3/27/2012 4/2/2012	4/3/2012 4/9/2012	4/10/2012 4/16/2012	4/17/2012 4/23/2012	4/24/2012 4/30/2012	5/1/2012 5/7/2012	5/8/2012 5/14/2012	5/15/2012 5/21/2012	5/22/2012 5/28/2012	5/29/2012 6/4/2012
6 Month												
Amount	$ 220,601.80	$ 81,954.40	$ 219,214.45	$ 193,579.29	$ 493,044.65	$ 137,758.32	$ 212,594.55	$ 87,247.10	$ 95,410.49	$ 122,693.80	$ 431,628.68	$ 28,796.27
Count	6	5	7	5	12	6	7	8	5	9	7	3
Avg Yield	0.35	0.31	0.34	0.47	0.48	0.48	0.29	0.33	0.29	0.34	0.41	0.38
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Amount	$ 11,068.32	$ 26,547.95	$ 93,107.49	$ 42,982.12	$ 20,465.04	$ 80,092.79	$ 27,081.86	$ 33,700.69	$ 1,144.63	$ 123,666.73	$ -	$ 20,968.49
Count	1	1	1	4	2	3	1	2	1	3	0	2
Avg Yield	0.50	0.50	0.50	0.51	0.40	0.35	0.35	0.48	0.50	0.35	0.00	0.30
12 Month												
Amount	$ 460,974.02	$ 688,029.68	$ 214,470.71	$ 252,634.42	$ 1,134,609.46	$ 755,749.27	$ 228,824.79	$ 558,865.48	$ 421,262.11	$ 248,674.15	$ 780,062.68	$ 149,819.29
Count	15	16	11	11	20	18	11	15	9	5	10	7
Avg Yield	0.83	0.88	0.87	0.87	0.93	0.88	0.86	0.92	0.95	0.95	0.84	0.82
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Amount	$ 607,340.47	$ 24,142.02	$ 183,992.52	$ 80,923.95	$ 70,808.40	$ 148,066.87	$ 70,639.72	$ 52,521.81	$ 164,958.35	$ 84,918.38	$ 5,482.65	$ 46,643.30
Count	7	2	4	2	3	4	3	2	3	2	1	2
Avg Yield	1.22	1.15	1.15	1.15	1.15	1.14	1.10	1.00	1.00	0.95	1.00	1.00
24 Month												
Amount	$ 133,411.25	$ 383,944.45	$ 1,463,534.33	$ 165,342.56	$ 607,739.47	$ 522,637.53	$ 387,695.56	$ 152,762.84	$ 193,207.15	$ 707,368.84	$ 121,347.78	$ 323,361.36
Count	3	11	11	4	10	7	6	3	6	8	5	6
Avg Yield	1.32	1.78	1.97	1.47	1.82	1.71	1.64	1.54	1.69	1.52	1.93	1.63
30 Month												
Amount	$ 213,543.42	$ 111,678.90	$ 151,287.30	$ 111,316.78	$ 39,978.89	$ -	$ 112,102.59	$ 33,491.56	$ 44,568.89	$ 199,596.42	$ 107,185.49	$ 13,547.44
Count	3	5	3	2	3	0	1	2	5	4	5	1
Avg Yield	2.57	2.61	2.58	2.65	2.21	0.00	2.67	2.53	2.53	2.53	2.48	2.53
60 Month												
Amount	$ -	$ -	$ -	$ -	$ -	$ -	$ 106,172.16	$ -	$ 65,200.86	$ 18,756.86	$ 12,330.86	$ 30,000.00
Count	0	0	0	0	0	0	2	0	1	1	1	1
Avg Yield	0.00	0.00	0.00	0.00	0.00	0.00	4.43	0.00	5.00	4.43	4.43	5.35
Report Totals												
Amount	$ 1,646,939.28	$ 1,316,297.40	$ 2,325,606.80	$ 846,779.12	$ 2,366,645.91	$ 1,644,304.78	$ 1,145,111.23	$ 918,589.48	$ 985,752.48	$ 1,506,675.18	$ 1,458,038.14	$ 613,136.15
Count	35	40	37	28	50	38	31	32	30	32	29	22
Adjustments			1,105,356.85									
Adjusted Total	$ 1,646,939.28	$ 1,316,297.40	$ 1,220,249.95	$ 846,779.12	$ 2,366,645.91	$ 1,644,304.78	$ 1,145,111.23	$ 918,589.48	$ 985,752.48	$ 1,506,675.18	$ 1,458,038.14	$ 613,136.15
Average	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59
% of Avg	126%	101%	93%	65%	181%	126%	88%	70%	76%	115%	112%	47%
Opp Rank	11	7	6	2	12	10	5	3	4	9	8	1

Identify Terms with Little or No Maturities During the weeks of opportunity within the current quarter spot the maturity terms which will experience no or modest automatic re-pricing. These are the terms that could be used as promotional special offerings with no or little automatic renewal into higher cost promotional offerings. Take into consideration volumes in immediately previous periods due to grace period opportunities given to customers. We highlight these maturity terms.

Market 1	3/13/2012 3/19/2012	3/20/2012 3/26/2012	3/27/2012 4/2/2012	4/3/2012 4/9/2012	4/10/2012 4/16/2012	4/17/2012 4/23/2012	4/24/2012 4/30/2012	5/1/2012 5/7/2012	5/8/2012 5/14/2012	5/15/2012 5/21/2012	5/22/2012 5/28/2012	5/29/2012 6/4/2012
6 Month												
Amount	$ 220,601.80	$ 81,954.40	$ 219,214.45	$ 193,579.29	$ 493,044.65	$ 137,758.32	$ 212,594.55	$ 87,247.10	$ 95,410.49	$ 122,693.80	$ 431,628.68	$ 28,796.27
Count	6	5	7	5	12	6	7	8	5	9	7	3
Avg Yield	0.35	0.31	0.34	0.47	0.48	0.48	0.29	0.33	0.29	0.34	0.41	0.38
7 Month												
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Count	1	1	1	4	2	3	1	2	1	3	0	2
Avg Yield	0.50	0.50	0.50	0.51	0.40	0.35	0.35	0.48	0.50	0.35	0.00	0.30
12 Month												
Amount	$ 460,974.02	$ 688,029.68	$ 214,470.71	$ 252,634.42	$ 1,134,609.46	$ 755,749.27	$ 228,824.79	$ 558,865.48	$ 421,262.11	$ 248,674.15	$ 780,062.68	$ 149,819.29
Count	15	16	11	11	20	18	11	15	9	5	10	7
Avg Yield	0.83	0.88	0.87	0.87	0.93	0.88	0.86	0.92	0.95	0.95	0.84	0.82
15 Month												
Amount	$ 607,340.47	$ 24,142.02	$ 183,992.52	$ 80,923.95	$ 70,808.40	$ 148,066.87	$ 70,639.72	$ 52,521.81	$ 164,958.35	$ 84,918.38	$ 5,482.65	$ 46,643.30
Count	7	2	4	2	3	4	3	2	3	2	1	2
Avg Yield	1.22	1.15	1.15	1.15	1.15	1.14	1.10	1.00	1.00	0.95	1.00	1.00
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Amount	$ 133,411.25	$ 383,944.45	$ 1,463,534.33	$ 165,342.56	$ 607,739.47	$ 522,637.53	$ 387,695.56	$ 152,762.84	$ 193,207.15	$ 707,368.84	$ 121,347.78	$ 323,361.36
Count	3	11	11	4	10	7	6	3	6	8	5	6
Avg Yield	1.32	1.78	1.97	1.47	1.82	1.71	1.64	1.54	1.69	1.52	1.93	1.63
30 Month												
Amount	$ 213,543.42	$ 111,678.90	$ 151,287.30	$ 111,316.78	$ 39,978.89	$ -	$ 112,102.59	$ 33,491.56	$ 44,568.89	$ 199,596.42	$ 107,185.49	$ 13,547.44
Count	3	5	3	2	3	0	1	2	5	4	5	1
Avg Yield	2.57	2.61	2.58	2.65	2.21	0.00	2.67	2.53	2.53	2.53	2.48	2.53
60 Month												
Amount	$ -	$ -	$ -	$ -	$ -	$ -	$ 106,172.16	$ -	$ 65,200.86	$ 18,756.86	$ 12,330.86	$ 30,000.00
Count	0	0	0	0	0	0	2	0	1	1	1	1
Avg Yield	0.00	0.00	0.00	0.00	0.00	0.00	4.43	0.00	5.00	4.43	4.43	5.35
Report Totals												
Amount	$ 1,646,939.28	$ 1,316,297.40	$ 2,325,606.80	$ 846,779.12	$ 2,366,645.91	$ 1,644,304.78	$ 1,145,111.23	$ 918,589.48	$ 985,752.48	$ 1,505,675.18	$ 1,458,038.14	$ 613,136.15
Count	35	40	37	28	50	38	31	32	30	32	29	22
Adjustments			1,105,356.85									
Adjusted Total	$ 1,646,939.28	$ 1,316,297.40	$ 1,220,249.95	$ 846,779.12	$ 2,366,645.91	$ 1,644,304.78	$ 1,145,111.23	$ 918,589.48	$ 985,752.48	$ 1,505,675.18	$ 1,458,038.14	$ 613,136.15
Average	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59	$ 1,305,626.59
% of Avg	126%	101%	93%	65%	181%	126%	88%	70%	76%	115%	112%	47%
Opp Rank	11	7	6	2	12	10	5	3	4	9	8	1

Define Promotional Specials

Although the financial institution can always initiate a previously unused maturity term for the promotional special, this system facilitates a rotation of use of existing terms for specials. Based on the organization's need for funding in general and for the terms identified in the timing and defining process, the financial institution using this system creates specific promotional plans for pricing and promotional aggressiveness. Circumstances will dictate the breadth of the promotional campaigns, if any, associated with specials.

Through forecasting these opportunities for specials over a rolling 12-week time horizon, all departments within the financial institution can anticipate, prepare, and refine their approach to executing the promotional special.

Impact and Other Considerations

Many bankers who dismiss promotional CD specials justify their position based upon a view that CD specials only attract "hot money." This approach is in stark contrast to the historical results of many bank charters that have developed relatively sophisticated methods of retaining promotional CDs past their introductory term. Bankers who use a four-stage CD sales process are often quite pleased with the results of occasional CD promotions to initiate new relationships.

Results consistently reveal that the use of CD specials that are occasionally promoted along with lower standard base rate offerings produces superior aggregated results--more funding at lower cost. Compared to offering mid-range rates across the board, using differentiated rate offerings with lower-priced standard rates, higher-priced promotional specials, and customized CDs with "in-between" pricing gives the bank the best combination to approach the multi-dimensional profiles within the depositor base.

Equally important, is the ability to measure results and probe on-going opportunities with a complete set of time deposit management tools.

Summary

Using consistent processes a financial institution can be constantly vigilant of the opportunities for profitable growth. Through timing and defining promotional specials, the financial institution can attract the greatest volume of funding at a given level of cost or, alternatively, focus on maintaining the lowest cost for a given level of funding.

These processes create a durable competitive advantage regardless of the current interest rate environment. Whether you are seeking to primarily enhance spreads or broadly expand your market share, these processes give you the ability to generate the best results available from the applied art and science of deposit pricing and sales management.

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Neil Stanley has been a banker for over 25 years. Neil was the CEO of $750 million Northwest Bank in Spencer Iowa which operated in Omaha, Des Moines, Fort Dodge and the Northwest Iowa regions. Prior to Northwest Bank, Neil was an executive for over 22 years with what became the largest privately held banking organization in the country – First National of Nebraska / Lauritzen Corporation. He served First National as Chief Investment and Liquidity Officer and Lauritzen Corporation as Vice President in general administration and supervision of community banks. In 2009, Neil founded **Bank Performance Strategies**. The company helps client financial institutions use proven and innovative methods to lower their cost of funds while retaining and attracting properly-priced, longer-term core retail deposits. Neil also serves WebEquity Solutions as Retained Counsel for Banking Strategies where he created the initial design for WebEquity ALLL.

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