

# Enhanced Term Deposit Offers

Better Experiences for Depositors and Greater  
Profitability for Financial Institutions

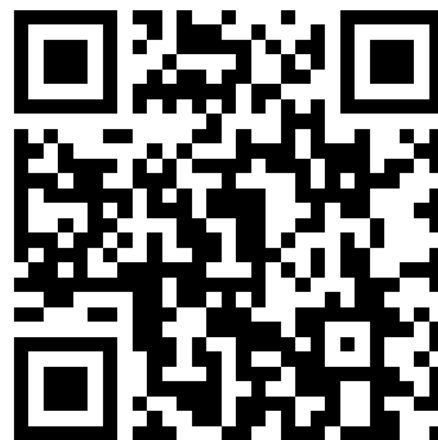




# Presenter

**Neil Stanley**

CEO / Founder, The CorePoint



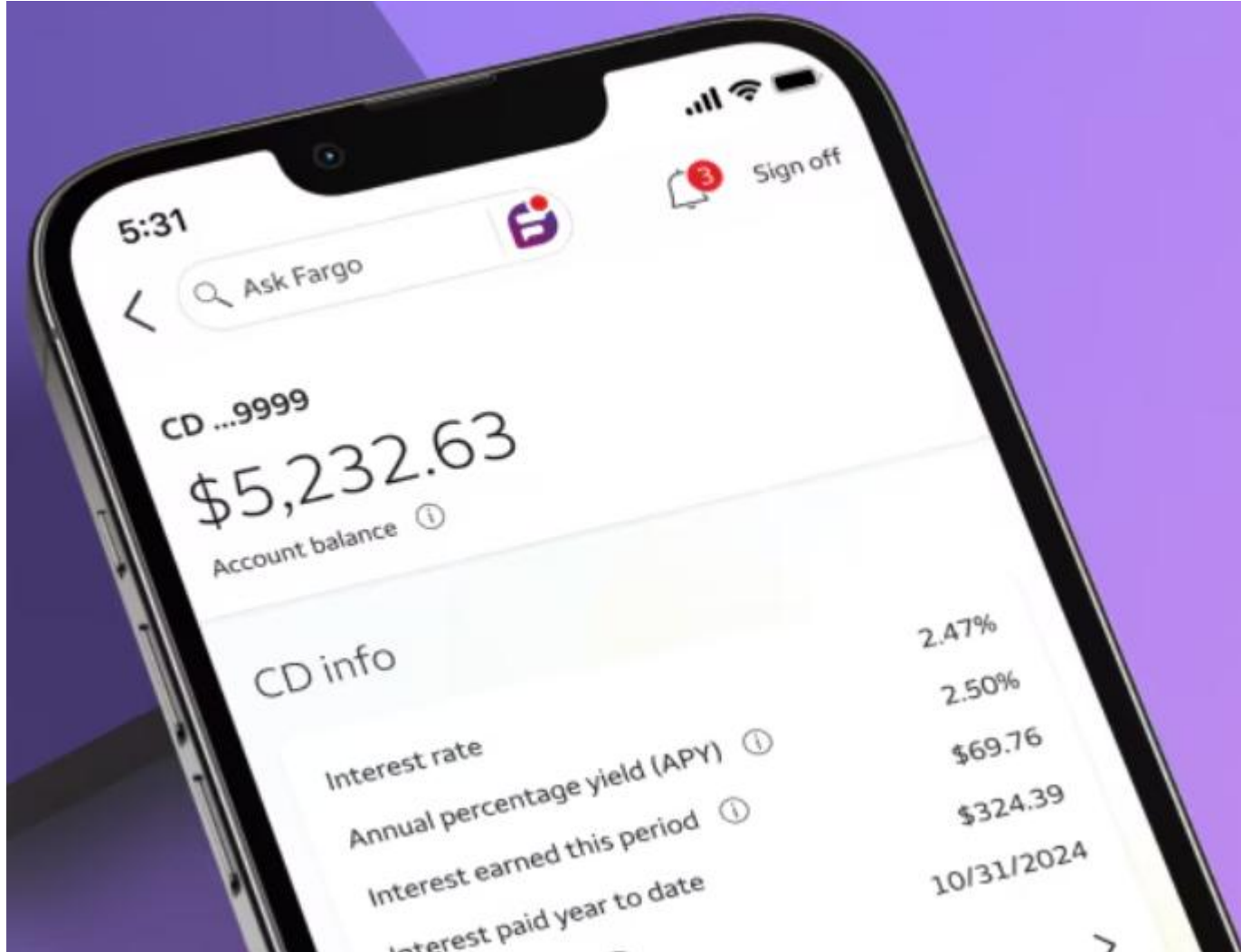
# Providing More Value than Traditional Time Deposits

## Agenda

- ▶ Typical CDs
- ▶ What Institutions Want
- ▶ Enhanced Offerings
- ▶ Sample of Opportunities
- ▶ Q+A



# A Traditional CD Account View



# What Financial Institutions Want

- ▶ All the funding they need at the lowest possible cost
- ▶ Most Recent Bank Call Report Data...

Data from S&P for Banks with CD Portfolios

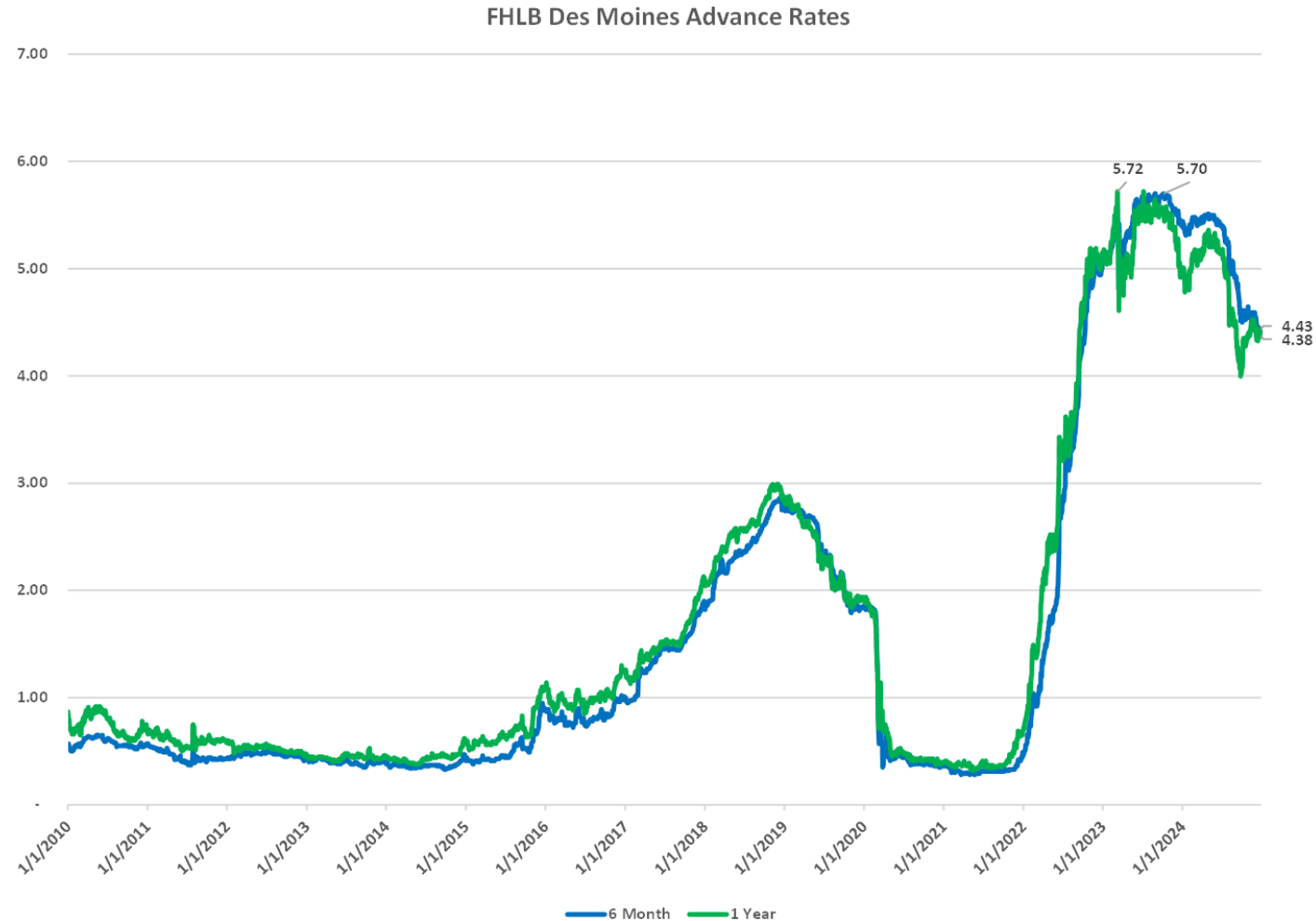
Count	Asset Size	Assets	Median CD Yield	Annualized CD Interest Expense	Average CD Volume	Average CD Yield
614	Assets <\$100 Million	38,517,905	3.99%	445,248	11,099,905	4.01%
2,789	Assets \$100 Million - \$1 Billion	1,074,581,272	4.22%	12,326,464	287,819,916	4.28%
862	Assets \$1 Billion - \$10 Billion	2,416,260,990	4.34%	22,816,164	522,619,237	4.37%
139	Assets \$10 Billion - \$250 Billion	6,581,942,694	4.37%	43,151,848	957,000,696	4.51%
14	Assets > \$250 Billion	13,835,082,734	4.53%	51,305,780	1,154,538,054	4.44%
4,418	Grand Total as of December 31, 2024	23,946,385,595	4.23%	130,045,504	2,933,077,808	4.43%

# History of Bank Deposits

	<u>2022Q1</u>	<u>2022Q2</u>	<u>2022Q3</u>	<u>2022Q4</u>	<u>2023Q1</u>	<u>2023Q2</u>	<u>2023Q3</u>	<u>2023Q4</u>	<u>2024Q1</u>	<u>2024Q2</u>	<u>2024Q3</u>
Number of institutions reporting	4,796	4,771	4,746	4,706	4,672	4,645	4,614	4,587	4,568	4,538	4,517
Deposits	19,932,264	19,563,036	19,357,272	19,215,124	18,743,117	18,644,716	18,554,296	18,814,085	18,998,139	18,807,643	19,066,305
Foreign office deposits	1,465,656	1,489,189	1,438,522	1,446,000	1,395,232	1,468,084	1,461,372	1,469,101	1,533,168	1,469,101	
<b>Domestic office deposits</b>	<b>18,381,103</b>	<b>18,077,257</b>	<b>17,891,615</b>	<b>17,725,936</b>	<b>17,304,595</b>	<b>17,198,717</b>	<b>17,159,064</b>	<b>17,346,002</b>	<b>17,536,766</b>	<b>17,338,541</b>	<b>17,533,137</b>
Interest-bearing deposits	12,863,167	12,672,593	12,697,528	12,898,137	12,790,924	12,963,774	13,084,705	13,363,597	13,588,579	13,465,574	13,667,347
<b>Interest-bearing deposits - NMD</b>	<b>11,616,385</b>	<b>11,350,441</b>	<b>11,210,932</b>	<b>11,189,506</b>	<b>10,657,843</b>	<b>10,524,020</b>	<b>10,399,426</b>	<b>10,494,080</b>	<b>10,650,128</b>	<b>10,485,500</b>	<b>10,658,421</b>
Non-Maturing Interest Bearing	63.2%	62.8%	62.7%	63.1%	61.6%	61.2%	60.6%	60.5%	60.7%	60.5%	60.8%
<b>Noninterest-bearing deposits</b>	<b>5,517,936</b>	<b>5,404,664</b>	<b>5,194,087</b>	<b>4,827,798</b>	<b>4,513,671</b>	<b>4,234,942</b>	<b>4,074,358</b>	<b>3,982,405</b>	<b>3,948,187</b>	<b>3,872,967</b>	<b>3,865,790</b>
Non-Interest-bearing	30.0%	29.9%	29.0%	27.2%	26.1%	24.6%	23.7%	23.0%	22.5%	22.3%	22.0%
Estimated insured deposits	10,102,822	10,039,063	10,131,493	10,218,047	10,412,003	10,516,455	10,517,110	10,566,290	10,686,599	10,586,068	10,584,762
<b>Time deposits</b>	<b>1,246,782</b>	<b>1,322,152</b>	<b>1,486,596</b>	<b>1,708,631</b>	<b>2,133,081</b>	<b>2,439,754</b>	<b>2,685,279</b>	<b>2,869,517</b>	<b>2,938,451</b>	<b>2,980,074</b>	<b>3,008,926</b>
Interest-bearing time deposits	6.8%	7.3%	8.3%	9.6%	12.3%	14.2%	15.6%	16.5%	16.8%	17.2%	17.2%
<b>Brokered deposits</b>	<b>595,889</b>	<b>649,308</b>	<b>755,675</b>	<b>896,284</b>	<b>1,031,008</b>	<b>1,207,577</b>	<b>1,298,724</b>	<b>1,350,660</b>	<b>1,340,115</b>	<b>1,329,170</b>	<b>1,281,956</b>

# Interest Rate Opportunity

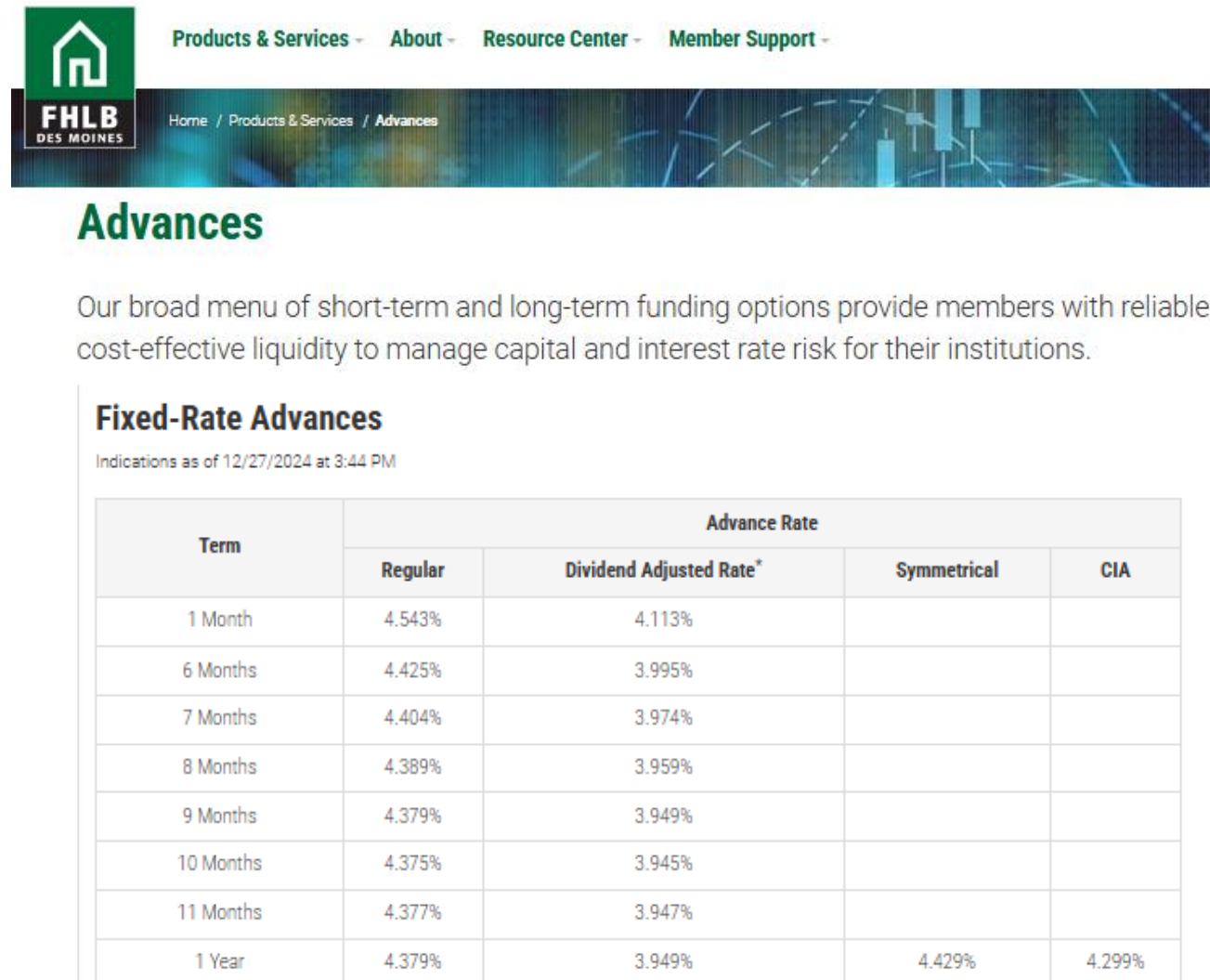
As rates fall, financial institutions would prefer to see their term deposits reprice downward promptly





# What Could You Improve Immediately?

- ▶ If replacing fixed rate, fixed term deposits with FHLB Advances creates a gain, then a depositor produces a win-win effect when they withdraw CD funds early.
- ▶ The benefit can be even greater when funds transferred remain at the institution in a lower-rate account.



The screenshot shows the FHLB Des Moines website. The header includes the FHLB Des Moines logo and navigation links: Products & Services, About, Resource Center, and Member Support. Below the header is a banner image with the text "Home / Products & Services / Advances". The main heading is "Advances", followed by a paragraph: "Our broad menu of short-term and long-term funding options provide members with reliable, cost-effective liquidity to manage capital and interest rate risk for their institutions." Below this is a section titled "Fixed-Rate Advances" with a timestamp "Indications as of 12/27/2024 at 3:44 PM". A table follows, showing advance rates for various terms.

Term	Advance Rate			
	Regular	Dividend Adjusted Rate*	Symmetrical	CIA
1 Month	4.543%	4.113%		
6 Months	4.425%	3.995%		
7 Months	4.404%	3.974%		
8 Months	4.389%	3.959%		
9 Months	4.379%	3.949%		
10 Months	4.375%	3.945%		
11 Months	4.377%	3.947%		
1 Year	4.379%	3.949%	4.429%	4.299%






# How to Create this Benefit Via CD Servicing?

Let depositors see the “balance” of their CDs within digital banking

<b>Term to Maturity in Months:</b>	12
<b>Current Principal Balance:</b>	<input type="text" value="100000"/>
<b>Current Interest Balance:</b>	<input type="text" value="50"/>
<b>CD APY:</b>	<input type="text" value="5"/>
<b>Estimated Value at Maturity:</b>	\$105,052.50

AND...

# Calculate Redemption Values to Find Win-Win Optionality

<b>Term to Maturity in Months:</b>	12
<b>Current Principal Balance:</b>	<input type="text" value="100000"/>
<b>Current Interest Balance:</b>	<input type="text" value="50"/>
<b>CD APY:</b>	<input type="text" value="5"/> 
<b>Estimated Value at Maturity:</b>	\$105,052.50
<b>Replacement APY for remaining term:</b>	4.78 
<b>Current Principal and Interest:</b>	<b>\$100,050.00</b>
<b>Current Account Redemption Value:</b>	\$100,260.07
<b>Instant Access Adjustment:</b>	<b>\$210.07 Bonus</b> 

# Offer Those Daily Redemption Values

- ▶ Your online banking system could display the potential for the depositor to get more than their principal and interest.
- ▶ This enables the financial institution to set the discount rate used to determine the fair market value of the account.

## Net Present Value of Remaining 12-Month Term Funding

Current P&I	100,000.00
APY of Existing Funding	5.00%
12-Mo Forward Cash Flow	105,000.00

Redeemable CD®

Subject to U.S. Patent




Wholesale Replacement Rate	Present Financial Cost at Wholesale Rate	Opportunity Cost	Spread Retained by F.I.	Discount Rate Offered Depositor	Value to Depositor	Depositor Bonus / (Fee)	F.I. Profit
5.00%	\$100,000.00	-	0.25%	5.25%	99,762.47	(237.53)	237.53
4.90%	\$100,095.33	95.33	0.26%	5.16%	99,847.85	(152.15)	247.48
4.80%	\$100,190.84	190.84	0.27%	5.07%	99,933.38	(66.62)	257.46
4.70%	\$100,286.53	286.53	0.28%	4.98%	100,019.05	19.05	267.48
4.60%	\$100,382.41	382.41	0.29%	4.89%	100,104.87	104.87	277.54
4.50%	\$100,478.47	478.47	0.30%	4.80%	100,190.84	190.84	287.63
4.40%	\$100,574.71	574.71	0.31%	4.71%	100,276.96	276.96	297.76
4.30%	\$100,671.14	671.14	0.32%	4.62%	100,363.22	363.22	307.92
4.20%	\$100,767.75	767.75	0.33%	4.53%	100,449.63	449.63	318.12
4.10%	\$100,864.55	864.55	0.34%	4.44%	100,536.19	536.19	328.36
4.00%	\$100,961.54	961.54	0.35%	4.35%	100,622.90	622.90	338.63



Microsoft Excel  
Worksheet

## Opportunity #2 - Take a Better CD Product to The Market

- ▶ Redeemable CD<sup>®</sup> options provide value similar to other fixed-income securities
- ▶ An improved CD experience also communicates to savers that your institution takes their goals seriously
- ▶ Why not offer these benefits at origination?

Grow Saving with Total Liquidity	Grow Savings Faster by Locking in at a Higher Rate	Grow Savings Faster without Locking Up Your Money
<i>"I want a good rate but full access to my money."</i>	<i>"I want a better rate and I don't need access to my money."</i>	<i>"I want the best rate available. But I also want early withdrawal options."</i>
Money Market or Savings	Traditional CD	Redeemable CD
<div>  <p>Digital High-Yield Savings</p> <p><b>4.05 % APY*</b></p> <ul style="list-style-type: none"> <li>✓ \$100 minimum opening deposit</li> <li>✓ No monthly servicing fees</li> <li>✓ Interest compounded daily</li> <li>✓ Fast and secure online application</li> <li>✓ FDIC insured</li> </ul> <p>Apply Now</p> </div>	<div>  <p>Digital 6 Month CD</p> <p><b>4.25 % APY*</b></p> <ul style="list-style-type: none"> <li>✓ Interest compounded daily</li> <li>✓ No monthly service fee</li> <li>✓ FDIC insured</li> <li>✓ Guaranteed returns</li> <li>✓ \$1,000 minimum opening deposit</li> </ul> <p>Apply Now</p> </div>	<div>  <p>Digital 6 Month Redeemable CD</p> <p><b>4.25 % APY*</b></p> <ul style="list-style-type: none"> <li>✓ Offers daily redemption values</li> <li>✓ Withdraw some or all funds based on redemption values</li> <li>✓ Returns on early withdrawal always the same or better than a Traditional CD</li> <li>✓ Interest compounded daily</li> <li>✓ No monthly service fee</li> <li>✓ FDIC insured</li> <li>✓ Guaranteed returns</li> <li>✓ \$1,000 minimum opening deposit</li> </ul> <p>Apply Now</p> </div>

# Redeemable CD® Advantages for Depositors

- ▶ Results are exactly the same as a classic CD if held to maturity.
- ▶ Every day the depositor can easily find today's cash value.
- ▶ If interest rates decline during the holding period of the CD, an early withdrawal pays a bonus
- ▶ Under no circumstances is early withdrawal value less than the classic CD

<https://thecorepoint.com/redeemable-cd>



# Redeemable CD Advantages for Institutions

- ▶ Financial institutions give up nothing as they continuously set the discount rate to determine the early withdrawal values
- ▶ Financial institutions get more value by having accounts that eliminate the flaws of classic CDs, so more depositors want to deposit when the rates are equivalent
- ▶ The process is patent protected so only financial institutions that are licensed can use it

<https://thecorepoint.com/redeemable-cd>

# Rate hikes will drive change in long-term deposits

Time deposits with daily redemption options stand to materially improve value for both depositors and financial institutions.

Feb 22, 2022 / Consumer Banking



Insured time deposits are seen as being the same products that were offered when the minivan was first introduced. How can this be when we consider that enhanced product design is such a key part of every industry today?

<https://www.bai.org/banking-strategies/rate-hikes-will-drive-change-in-long-term-deposits/>

# How Does A.I. Assess These Issues?

- ▶ How do you give depositors what they want (yield and liquidity) without overpaying on CDs or being under pressure day-to-day regarding deposit attrition with Money Market Accounts?
- ▶ With everything in the economy moving to personalization how do you personalize your offers to long-term savers? What have you done or could you do to personalize your long-term deposit offerings?
- ▶ As the next generation inherits your depositors' long-term savings, what are you going to do to demonstrate that you are the best choice for them without over-paying?
- ▶ How do you compete with annuities and money market mutual funds which are growing rapidly? When you combine the [growth of annuities](#) and the growth of [money market mutual funds](#), it seems that bankers should be considering the inadequacies of limiting their bank offerings to only the classic checking, savings, and term deposits. It is time to offer a combination of yield and liquidity to compete and win properly priced deposits.
- ▶ When depositors start to use A.I. to guide how they manage money, how do you plan to show up as the best choice for their long-term savings?



## ChatGPT Conclusion:

From a purely rational standpoint, an informed depositor would rarely, if ever, select a standard CD over a market value CD, assuming the features you've described. However, behavioral factors like familiarity, perceived simplicity, or lack of product availability might still lead to the selection of a standard CD.

If financial institutions make market value CDs more widely available and educate consumers about their benefits, these products could become the preferred choice for informed savers.

<https://chatgpt.com/share/e/676de638-a044-8003-9373-6e37491dc764>

# Sample of Current Opportunities

