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Here Today, Here Tomorrow.

HOW FINANCIAL INSTITUTIONS CAN CAPTURE DEPOSITS WITHOUT FALLING FOR COSTLY PHANTOM GROWTH

The Quest for Liquidity.

Today's environment has forced financial institutions to face a new reality of dwindling deposits and an urgent need to strengthen liquidity. As a result, most financial institutions are aggressively trying to retain and capture deposits and create stable balance sheets. Unfortunately, that has come at a high cost.

Just a few years ago, liquidity was not on bankers' minds. And no wonder:

> During the pandemic, **$2 trillion of cash flowed into the banking system** as the government created money to prop up businesses and households.[1]

Since banks and credit unions were flush with this cash, deposits weren't a focus. In some cases, it made sense to intentionally run off deposits to ensure balance sheet profitability.

However, the good times quickly ended:

> The banking industry **shed a staggering $1.1 trillion in deposits** from March 31, 2022, to March 31, 2023. That's 5.5% of total deposits.[2] And then Silicon Valley Bank, along with two other large banks in 2023, failed, intensifying the focus on deposits.

The battle for deposits was on.

Of course, there are several ways to create liquidity and boost your balance sheet. You can meet short-term liquidity needs with:

1. Secured borrowings from the Federal Home Loan Banks or even the Federal Reserve through the discount window
2. Certificate of deposit (CD) specials as a quick, easy way to grow deposits

The problem is that these solutions don't lead to sustainable growth. In the case of CDs, you've gained rate shoppers who will stay with you exactly as long as you offer the very highest rate but who will chase the next highest CD rate once the term is up. There are significant downsides to CDs as well, including the high cost of funds (COF), high attrition and unengaged relationships.

"There are a lot of ways you can grow, but if it isn't real growth, you are creating an ongoing liquidity and profitability struggle," explains Alisha Crafton, Chief Growth Officer, Kasasa. "The next special, the next rate change, the next flashy product puts your deposits at risk. You are actually adding more risk to your deposit portfolio."

Here today, gone tomorrow.

> **We call that phantom growth.** It looks like real growth, but it's far from it.

Why this report is must-read.

In a world where it's getting harder and harder for community financial institutions to survive, you need a way to drive strategically significant growth at a fraction of the COF of your competitors. This report will explore why high-yield checking — and its unique COF discount — is the best strategy to reduce fragility in a deposit portfolio.

You'll learn how to identify phantom growth in your organization and how it compares to the real growth that enables you to compete for and retain low-cost consumer deposits. You'll also learn how three community financial institutions are using high-yield checking and savings accounts to reduce COF, build customer and member engagement and compete against fintechs, mega banks and every financial institution in between.

It's a new landscape out there. You can't rely on what worked in the past to grow deposits today. This report gives you the tools you need to change the math, perfect your offer and manage any surprises.

> "The same economic and competitive factors making deposits more costly also will make maintaining market share more difficult going forward. In pizza terms, **many will be paying more per slice for some time—and the slices will be smaller.**"[3]
>
> - **Steve Cocheo,** Senior Executive Editor, The Financial Brand

A Multifaceted Deposit Challenge.

If it seems like everyone is scrapping for deposits, it's because they are.

A lot has changed in just a short time. In the past, as the COF rose and fell, so would the one-year CD rate. Since the beginning of the second quarter of 2023, the funding gap between what banks continue to pay on deposits and what's available in the market is the widest in history, with skyrocketing COF at unsustainable levels for most of the industry.

Throughout 2023 and into 2024, deposit runoff increased dramatically, yet the cost to acquire new deposits and retain current deposits was steeper than ever. Many institutions are even repricing liquid low-cost core funds into high-priced CDs in an effort to stave off declining deposits, cannibalizing their own balance sheet.

There are other factors at work making liquidity a major challenge as well.

Some consumers have always been particularly rate-sensitive. But because rates essentially went from near-zero and quickly rose to where they are today, consumers are programmed to expect ever-increasing interest rates on their deposits. This is prompting them to rate shop even more.[4]

And **with 47% of accounts now opened at fintechs or neobanks,[5] there's a new type of competition for deposits.** Many of these competitors have been quite aggressive in offering high deposit rates to poach your customers and members a little bit at a time.

It's death by a thousand cuts.

Don't believe us? Here's what three community financial institutions had to say about increasing competition:

> "Everyone is our competitor, from the smaller credit unions to the mega banks. Our research indicates that there are more than 50 financial institutions that people in our Southern Maine region work with."
>
> - **Christopher McGorrill**, Chief Experience Officer, Atlantic Federal Credit Union
>
> **Atlantic Federal Credit Union advertises a rate of 5% on high-interest checking but the true cost is -0.35%.**

> "Members have a perception that community banks and credit unions can't take care of them the way that mega banks can. The mega banks have the resources and latest and greatest products, so we have to combat that by choosing partners that enable us to offer innovative products to our members."
>
> - **Thad Angelle**, President and CEO, MCT Credit Union
>
> **MCT Credit Union's high-yield checking account deposits are 4.5x its CDs, resulting in an institutional COF of 0.70%.**

> "Like a lot of our competitors, we're fighting for the same deposits, although our 100-year legacy of support in our rural communities gives us credibility. We may not be fighting an uphill battle with our reputation, but we are in a competitive rate environment with increasing COF."
>
> - **Mark Galloway**, VP of Leadership and Development, Bank of Tescott
>
> **Bank of Tescott grew its high-interest checking portfolio $3 million in the second half of 2023.**

The competition is only going to intensify. "The time of waiting to see what's going to going to change is over," explains Gabe Krajicek, Chief Executive Officer, Kasasa. "This is the new world. There will never again be a time where getting deposits is easy. To survive, you need a strategy that embraces this new reality."

> "The risks are greater than they've ever been. **We've got to do something different** or we're just going to get slowly eaten away, bit by bit."
>
> - **Ryan Walker,** Senior Vice President, Client Strategy, Kasasa

The Enemy Is Phantom Growth.

> **Phantom:**
> Something existing in appearance only.[6]
> **- Merriam-Webster Dictionary**

Banks and credit unions are pleased when their deposits grow from their latest CD special. But disappointment follows when they realize that the costs to gather those deposits eat up most of the benefits. They wonder why it's a constant struggle to bring deposits in the front door, only to see them leak out the back. Or they have to rely on Federal Home Loan Bank (FHLB) borrowings to boost the balance sheet.

They are victims of phantom growth. Krajicek succinctly describes the phenomenon: "Phantom growth is any type of deposit growth that's gone the second there's a better rate down the street or on the internet. It comes from individuals that don't truly 'bank' with you, creates little to no franchise value and never solves the long-term problem of the need for stable and low-cost core deposits."

Hot money powers phantom growth. Deposits are coming in, but they are expensive and don't last.

Hot money is also dangerous. Now you've got rate shoppers in your portfolio who will bolt to the special rate offered by a competitor when their CDs mature. You're constantly scrambling to replace those deposits and stabilize your balance sheet.

The Hidden Cost of Hot Money:

1. Massive balance sheet repricing without real growth
2. Increased rate sensitivity upon repricing
3. Unengaged relationships
4. Future liquidity and attrition risk
5. Getting lost in the noise

In fact, your liquidity struggle may feel like you're on a treadmill: You're running as fast as you can but you never get anywhere. Relying only on time deposits like CDs leads to a marginal interest rate increase as you cannibalize your existing deposits. You offer a 4.5% CD thinking that your marginal interest rate is 4.5%. **But once you account for the "switchers" moving from low-cost accounts to the higher CD or "new" deposits that merely fill the hole left by the attrition of accountholders who found a better deal with your competition, the real cost of your true incremental deposit growth may be astronomically high.**

Do You Have Phantom Growth? 9 Ways to Tell.

You may suffer from phantom growth if any of the following scenarios strikes a nerve and/or keeps you up at night:

1. Attrition rates are increasing.
2. You're unsure if customers and members are moving parts of their deposit relationship to other providers.
3. You have too many single-product households.
4. The high yield you advertised brought in deposits, but the COF ate up every penny of margin.
5. Your CD special brought in an influx of new accounts, but they all left for a higher rate as soon as the term was up.
6. Funding loans was easy when liquidity was flowing, but now you're saying no to good borrowers.
7. Sign-up bonuses brought in new accounts, but the deposits never followed.
8. You don't know what's working and what's not.
9. Your board wants to know why your balance sheet is unstable.

The phantom growth that's happening with deposits is not unlike what you may have experienced with your indirect lending portfolio. Let's say you have a relationship with a Toyota dealer in town that brings in indirect loans. You pay a huge percentage of the loan yield to the dealer for originating the business. Yet few if any of those borrowers turn into core customers or members.

> **"It's a 100% transactional relationship.** What happens when the next car they buy is a Honda?"
>
> - **Ryan Walker,** Senior Vice President, Client Strategy, Kasasa

Real Growth vs. Phantom Growth.

It takes more than hot money and high yields to drive real growth.

Here's a tale of hot money from an actual community bank:

The Good:

The bank offered a special high-rate CD and captured $11.2 million in deposits in 30 days.

The Not-So-Good:

Only $1.2 million was from new deposits paying 4% or $48,000 annually.

The Bad:

The $10 million of deposits that were not incremental had an average increase in COF of 3.2%, costing $320,000 annually.

The Really Bad:

Combining the total interest cost, the bank paid $368,000 for an extra $1.2 million in deposits, a marginal interest rate of 31%, equivalent to 20% of return on assets (ROA). Worse yet, they introduced rate sensitivity to their deposit base, which they will need to confront every time those CDs mature.

VS.

In contrast to phantom growth, here are actual examples of what real growth looks like:

2x increase in profit per account.

45% more non-interest income.

6x higher average balances per account.

38% more ACH transactions per account.

62% increase in monthly debit card transactions.

2x more likely to take a loan.

10 years younger on average.

30% improvement in retention.

Gaining consumers for life.

Getting to Real Growth with High-Yield Deposits.

If you're like many banks and credit unions, you've been offering 0% free checking and using CDs to drive deposits. But what if you turned that approach on its head and used high-yield checking accounts to drive deposits?

Like water flows downhill, deposits flow to the highest rate. When consumers inevitably ask, "What's your best rate?" will they be more delighted to hear the answer is a high-yield checking account or a CD? Clearly consumers will prefer the checking account. The surprise is that these deposits will be much lower cost and will come from people that give the name of your institution as the answer to "Where do you bank?"

> Creating a win-win for you and the consumer is the **key to creating real growth.**

That's been the experience of Atlantic Federal Credit Union, a $1 billion-asset institution with 49,000 members and 10 branches in Maine. "Our promise is to help people do better and our Kasasa products are very much a pillar in making that promise come true," says McGorrill. Bank of Tescott's Galloway agrees that high-yield checking accounts are a long-term strategy because the products provide more benefit to customers and provide the bank with a long-term relationship.

> "It takes work to have a strong, engaged relationship with members, but **these are the relationships that are long-lasting.**"
>
> - **Christopher McGorrill,**
> Chief Experience Officer, Atlantic Federal Credit Union

> "CDs are a great way to bring in fast cash, but you're going to pay for it later. It doesn't help with your long-term goals. We can offer better rates than CDs and build a relationship with the customer. **These accounts are stickier than any other deposit account we have.**"
>
> - **Mark Galloway,** VP of Leadership and Development, Bank of Tescott

We're not suggesting that you abandon CDs. They can remain an important part of your portfolio. For example, the six-branch, Texas-based MCT Credit Union, which has $356 million in assets, offers competitive CD rates to take care of members who want CDs, but CDs aren't the avenue the credit union uses to drive growth, explains Angelle. "We use high-yield checking and savings to drive deposits."

Did you know? Kasasa accountholders stay with their institution 50% longer than consumers in a free checking account.

A 6% Checking Account? How Could that Work?

First off, we aren't suggesting that 6% is right for every institution. We consider a variety of factors in our consultative process and each institution is different. But we have dozens of institutions at 6% (and higher) and hundreds running high-yield checking as their highest-rate product. This is a proven idea that works. Let's see how.

	Shrinking Non-Partner All FDIC/NCUA FI's (Last 5 Quarters)	Kasasa Client Advantage
Total Deposit Change	-0.56%	+4.11%
CD Increase	+117%	+43% 2/3 Less
COF Change	+2.05%	+1.43% 30% Less

Here's the key: As part of that high interest rate on a checking account, accountholders must complete qualifying activities.

You pick the activities that will help your institution become the primary financial institution, including choosing e-statements over mailed statements, a minimum number of debit transactions and/or setting up direct deposit.

Did you know? Kasasa accounts average 38% more ACH transactions and 62% more debit card transactions per account.

Qualifying activities create engagement and stickiness.

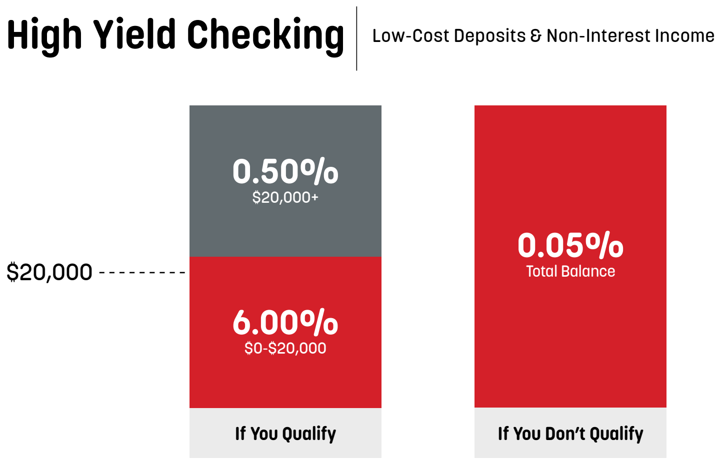
"For example, the more ACHs an institution has with a consumer, the more likely they are to keep that consumer," notes Walker. "If your electric bill comes out of your checking account, you're going to make sure that there's always money in that account. This product design incentivizes the consumer to think of this as their main account and become the default card for their digital payments."

Atlantic Federal Credit Union asks members to swipe their debit card 12 times per month, have one ACH transaction and use e-statements to qualify for high-yield rewards. "These are simple things," notes McGorrill, "but those engagements are really important in making people feel connected."

Since some members swipe much more than 12 times per month, Atlantic Federal has added a second tier to their Kasasa Cash checking account. Members who swipe 15 times per month receive 3% on balances up to $15,000. Those who swipe 30 times per month or more are rewarded with a 5% rate.

If customers or members don't meet the qualifying criteria, no problem. The consumer is informed why they did not qualify and simply earn the published rate—perhaps 0.5%--and the account remains free. No bait and switch.

This type of account inverts the typical rate structure since the high, promoted rate is paid on the portion of balances below a certain cap. Any portion of balances above the "cap" earns a much lower rate. The size of the cap has a tremendous impact on the average balance and allows you to predictably grow deposits to achieve a blended rate that reduces COF significantly.



Banks and credit unions still relying on traditional methods of increasing deposits suffer from deposit runoff, increasing COF and cannibalization of low-cost core portfolios into CDs, and they feel the squeeze on margin.

To drive real growth, focus on three key areas:

1. Change the math: Increase deposits and grow at a lower COF.
2. Perfect the offer: Go to market in a proven way that drives results.
3. Manage the surprises: Optimize program performance through regular analysis and consultation.

> "The ability to cross-sell from a highly engaged checking account is higher than it is for any other product in a bank or credit union. **Kasasa accountholders are twice as likely to take out a loan with their institution.**"
>
> **- Ryan Walker,** Senior Vice President, Client Strategy, Kasasa

Focus #1: Change the Math.

Increase your deposits at a lower COF by changing the math.

We're not here to pick on CDs. There is always a benefit in having some portion of your funding strategy covered with predictable time deposits you can match for duration. But if your goal is to grow and protect core deposits, fund at the lowest cost and become less dependent on rate-sensitive funding, then time deposits are never your best option.

Addressing today's liquidity crisis requires creating long-term deposits, lowering funding costs and developing deeper relationships that drive income with customers and members.

Here are five ways that high-yield checking changes the math and makes the product a winning strategy in the battle for the liquidity:

1 Consumers love high deposit rates.

As consumer confidence recovers from pre-pandemic levels, consumers are on the hunt for higher returns on their deposits. These accounts are automatically attractive.

> "The industry shrank while our Kasasa partners grew 4.11%, needed two-thirds less in new CDs and consequently grew COF 30% less than everyone else. **That's not luck.**"
>
> - **Gabe Krajicek,** Chief Executive Officer, Kasasa

2 Checking accounts are sticky.

Compared to CDs that encourage consumers to take the money and run, checking accounts are much more likely to turn into primary relationships. That translates into more non-interest income and increasing the chance that a consumer will look to your bank or credit union for their next loan. You are basically securing your existing deposit base.

Atlantic Federal Credit Union, which has offered Kasasa high-yield accounts for more than a decade, has seen the impact on members. "It's about engagement and we see consistent, real growth," states McGorrill.

3 There's a built-in COF discount.

By design, a high-yield checking account has a significantly lower annual expense. Compare a 5% CD rate with a 6% high-yield checking account. At first glance, the checking account is a loser. But look closer: **The CD's COF is 5% but because not all checking accountholders qualify for the 6% offer, your COF is actually much less.**

The Math Gets Better | Cost of Funds Isn't The End of The Story

	High Yield DDA	CD
Balances	4,969,231	4,969,231
Promoted Rate	6%	5%
Interest Paid	(13,023)	(20,705)
Cost Of Funds	3.14%	5.00%
Non-Interest Expense	(2,412)	0
Non-Interest Income	7,542	0
Cost Of Deposits (Month)	(7,894)	(20,705)
Annual Marginal Cashflow	(94,722)	(248,462)
Effective Cost Of Deposits (%)	1.91%	5.00%

> "Our COF for a 5% CD is 5%. **We offer a 6% checking account and the COF is 1.5%.** It's a no brainer."
> - **Thad Angelle,** President and CEO, MCT Credit Union

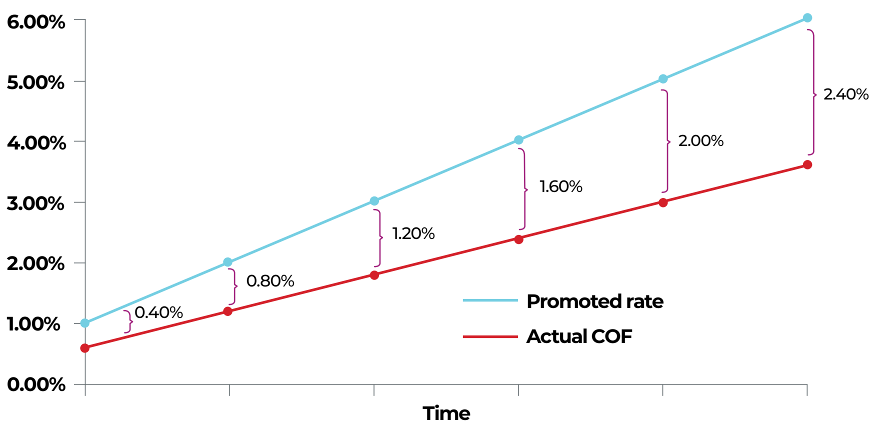
Click here to calculate deposit growth and savings you can earn in one year with high-yield checking vs. CDs.

4 Discounts persist in any rate environment.

You can adjust your promoted rate at any time to suit various different rate environments and you will always enjoy that built-in discount which actually increases the higher the interest rate environment. You are always wielding a competitive advantage in the rate wars.

Compared to alternatives, these funds become cheaper the higher rates go.

Cost of Funds Discount Grows When Rates Rise



5 High-yield checking accounts are profitable.

Qualifying behaviors lead the consumer to dramatically increase their debit card transactions and opt-in to e-statements at rates close to 100%. Those additional incomes and reduced expenses, paired with the value of the increased deposits, will create bottom-line profit well in excess of a free checking account, even after accounting for the interest expense. And because high-yield checking already pays rates that consumers perceive as premium, you can price generously even as rates fall.

6 You can attract younger, more engaged consumers.

Consumers are a widely diverse group and to attract next-generation consumers, you need to offer products that appeal to them. For instance, because younger accountholders tend to have lower account balances, they are not as interested in interest rates as a consumer who has a balance of $20,000. But younger consumers are likely interested in discounts.

Atlantic Federal Credit Union's McGorrill reports that cash rewards and discounts are valued by younger members. "These members don't have high deposits so the higher rate isn't as much a draw as the discounts," he explains.

MCT Credit Union has expanded its product mix to include Kasasa Eats and Kasasa Play, which allow accountholders to redeem rewards at select businesses. "These products attract a younger demographic that is getting used to doing business with us," says Angelle, adding that older members have also embraced these accounts.

> "CD deposits are here today, gone tomorrow. You're not accomplishing long-term liquidity. **The data proves that our checking account deposits stay with our credit union.**"
> - **Thad Angelle,** President and CEO, MCT Credit Union

Focus #2: Perfect the Offer.

Go to market in a way that drives real results.

Just offering a high-yield checking or savings product doesn't mean that you will be successful and reach all the deposit goals you have for your institution. To succeed, you have to perfectly calibrate your product design and mix. Some institutions think it's as easy as copying and pasting a 5% or 6% promoted rate, adding some qualifiers and calling it a day.

A 5% or 6% rate on a checking account already gets consumers' attention. That rate will likely bring in a number of new accounts as well as retain current accountholders. But is that the right play? There are far more variables than the promoted rate and the qualification criteria. Above-cap rate plays a huge role in account balance realization as does the rate tiering structure. Furthermore, Kasasa Saver, the paired high-yield savings account, has its own rate and tiering structures to consider, which when dialed in correctly encourage savers to voluntarily choose a lower yield thereby reducing the overall blended cost of funds.

But you still need to optimize and perfect the offer by creating compelling campaigns, advertising in the right places and equipping every employee to sell these products.

> **Kasasa makes all of these efforts seamless** for their partner institutions by populating a shared digital asset management system with consumer-tested marketing collateral for all the different channels.

Create Compelling Campaigns.

When creating campaigns, there's no need to reinvent the wheel. Instead, leverage best practices from other financial institutions. Look for ways to simplify and speed up the compliance process.

Many banks and credit unions have small marketing departments working on a shoestring budget. "We create the compliance language for all your marketing channels, whether posters in the branch, ads on social media or direct mail," notes Walker.

Don't be afraid to go old-school. Atlantic Federal Credit Union uses digital channels to promote their high-yield checking, but they also use radio, TV and direct mail. MCT Credit Union uses digital marketing as well, but have also found billboards are very effective.

> "If deposits are your goal, **your marketing has to lead with rate.**"
>
> \- **Alisha Crafton,** Chief Growth Officer, Kasasa

Billboards have also been a winner at Bank of Tescott, a $433 million-asset institution with five branches in Kansas. The bank rented three billboards surrounding their biggest market in Salina to capture traffic coming into the city. The billboards are relatively simple: "They have a big fat 6% on them," Galloway says with a laugh.

Digital advertising is important, believes Galloway, but digital can succumb to becoming almost white noise that consumers ignore. Billboards and other old-fashioned advertising capture consumers' attention, even if only briefly on their daily commute.

Equip Your Employees to Sell.

Equip every team member to sell confidently with training and ongoing support. Consider using mystery shoppers and e-learning materials for frontline staff.

Make sure your front line is leading with the product.

"The frontline staff is critical in making our members aware of our high-yield checking and savings products," says McGorrill. Remember, this may be a transition for the staff. In the past, perhaps you emphasized the importance of loans. That has to change.

That was the case at MCT Credit Union. "Everything we talked about was loans, loans, loans," says Angelle. "We've changed our focus to educate employees about the importance of deposits."

MCT Credit Union educated staff on how liquidity works in the banking system and why liquidity is critical to the credit union's ability to serve its members. They then educated employees on how high-yield checking and savings accounts increase member stickiness while also providing members with a valuable product.

An Innovative Approach to Helping Employees Sell.

Bank of Tescott relaunched its Kasasa portfolio in 2023 and made a serious commitment to getting the message out to customers, offering 6% with a $50,000 balance cap. It was a home run, recalls Galloway.

But the bank took an innovative approach to relaunching the Kasasa products with its employees, using it as an opportunity for team-building.

> The bank gave each employee an envelope **containing between $5 and $100 plus an encouraging note tucked inside the envelope.** No one knew what denomination was in their envelope.

Employees were asked to introduce themselves as an employee of Bank of Tescott to someone they didn't know, hand them the envelope and watch the person open it. The reactions ranged from "thank you" to people breaking down and sobbing.

And it wasn't the money that drew the most heartfelt reactions. It was the notes.

"We had amazing stories," says Galloway. "In addition to being a feel-good exercise, it also helped employees feel more confident talking to customers and to ask qualifying questions to provide the best product for their needs, including high-yield checking and savings."

Focus #3: Manage the Surprises.

Optimize program performance through regular analysis and consultation.

There will be surprises. The Federal Reserve changes interest rates. A neobank has a rate offer that consumers just can't refuse. A new regulation sends everyone scrambling.

To manage surprises, you've got to know where you are and where you're going. And you do that with regular analysis so you can make decisions and tweak products based on fact rather than gut feeling.

You can't manage what you don't measure, right? Offering a reward account is the easy part. But often, it's incredibly frustrating not to be able to identity what's working and what isn't.

To track your goals and make changes, monitor market conditions using scalable data modeling that can account for every possible scenario and rate environment. You need to slice and dice the data by branch and account type and interpret the results by combining your data with industry knowledge, benchmarking and real-world experiences.

> "We really are quantitative analytical junkies who know how to **grow funding at the lowest possible cost.**"
>
> \- **Gabe Krajicek,** Chief Executive Officer, Kasasa

Change Is Good.

Consumers usually look for a new account due to a life event of some kind. And at any given time, 20% to 25% are open to the idea of a new checking account. Of course, those consumers are looking for the best deal.

A high-yield checking account attracts consumers. But what happens if rates go down and you want to reduce cost? The good news is that reducing the rate won't cause massive deposit bleed. Why? Because unlike CDs, which often have highly rate-sensitive large balance depositors, the overwhelming majority of high-yield checking balances are small. Reducing the promoted rate from 6% to 4% has little actual dollar impact on consumers' lives and it would rarely compel them to switch accounts or move money out.

Additionally, instead of reducing rate alone, institutions can modify how much of consumers' balances qualify for the promoted rate. For example, if the bank or credit union started with 6% paid up to $25,000, the institution could modify to 6% up to $10,000 and only impact about 15% of the consumers and achieve a larger cost reduction than changing the rate to 4% and preserving the $25,000 cap. Banks and credit unions can leverage Kasasa's decades of data from hundreds of institutions on millions of accounts and nearly $20 billion in deposits to help guide these decisions.

Unlike CDs in which you set the rate and term and have to live with it, checking and savings accounts offer unlimited flexibility when markets and your funding needs change. A 50 basis point decrease in the COF for a product can have a big impact over time and the savings can add up — especially when the high-yield checking account has average balances four to five times greater than free checking.

MCT Credit Union loves that it can easily change parameters such as interest, balance cap or rewards. "You have all these buttons to push and see what works at a controlled pace that is not nearly as costly as setting a CD rate that you can't change," explains Angelle. "I may have a more gradual increase in deposits, but it costs me less than one-tenth of what it costs my competitors. I'll take the steady approach any day."

Atlantic Federal Credit Union agrees that being "analytics-focused" is critical. Says McGorrill, "Using analytics to make data-driven decisions is part of what we do."

Real Growth Is Real and Sustainable.

Traditional approaches to growing deposits like CDs, money market accounts and Fed borrowing only lead to phantom growth with high COF, low margins, lack of engagement and high attrition. Instead, community banks and credit unions must drive strategically significant core deposits by taking an innovative approach to checking and savings accounts.

With an epic funding gap and increasing funding costs eroding ROA, growing low-cost deposits is a must to survive. Taking a closer look at the advantages of high-yield reward checking accounts — and their unique COF discount — could be a key strategy to reducing fragility in your deposit portfolio.

Reject phantom growth and get ready for real growth — the kind of growth that is here today and here tomorrow.

Why Kasasa?

Kasasa is a financial technology provider committed to driving real growth for community banks and credit unions to help them recapture market share. Since 2003, their branded retail products, world-class marketing, and expert consulting services have helped their clients attract, engage, and retain consumers nationwide.

> Today **over 600 community banks and credit unions rely on Kasasa to manage over $20 billion of core deposits** — and their combined network of community financial institutions represents the fourth largest branch banking network in the country.

- **Work with a proactive Client Director** who understands community banking and is held accountable for your program's performance.
- **Get the perspective of a partner with decades of experience** powering $20 billion in deposits in every type of rate environment.
- **See exactly where you stand** with frontline performance evaluations by branch and profitability reporting by account type.
- **Figure out the best response to any market change** by getting an instant bird's eye view of what's working and what's not at hundreds of other banks.

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