OptimaFI

CORE DEPOSITS

INSIGHTS

BankDirector

Strong Board. Strong Bank.

CORE DEPOSITS

INSIGHTS

OptimaFI

Banks have faced intense competition for deposits in a changing rate environment, and broadly advertising high yield products can make it challenging to manage margins. But tapping into customer behavioral data — including from peer institutions — can give banks fresh insight into where they can use rates to more effectively drive deposit growth.

KEY METRICS

61%

61% of bank leaders say that deposit pricing is a top obstacle to profitability for their bank.

Source: Bank Director's 2026 Bank M&A Survey

WHY?

Household-level benchmarking can reveal the "why" behind the metrics — such as how one bank achieved 10% higher checking penetration and 14% lower cost of funds than its peers.

Source: OptimaFI

KEY TAKEAWAYS

- Banks have faced stiff competition for core deposits amid a changing rate environment and encroachment by nonbank fintech firms.
- Broadly advertising market-beating rates may initially draw in fresh deposits but can quickly compress net interest margins and put pressure on downstream retention.
- Instead, banks can tap into peer benchmarking and behavioral data from their existing customer base to understand where they can strategically use rates to grow relationships.
- Banks can keep and grow these relationships without paying the highest deposit rates in their markets.

Around mid-2023, BancPlus Corp. in Belzoni, Mississippi, found itself in a position familiar to many of its peers. Competition for core deposits was stiff, with the federal funds rate hovering around 5% or higher for most of that year. In the wake of Silicon Valley Bank's failure that spring, examiners were scrutinizing banks' liquidity more closely.

That's when Rob Armour, chief marketing and product development officer with the $8.1 billion company's subsidiary BankPlus, reconnected with a longtime industry friend who had once pitched some different ideas about deposit pricing. Rather than pricing deposit products to keep up with local competitors, many banks would be better served by identifying customer segments most likely to grow their relationships with the institution and then selectively marketing more modest price points to those customers.

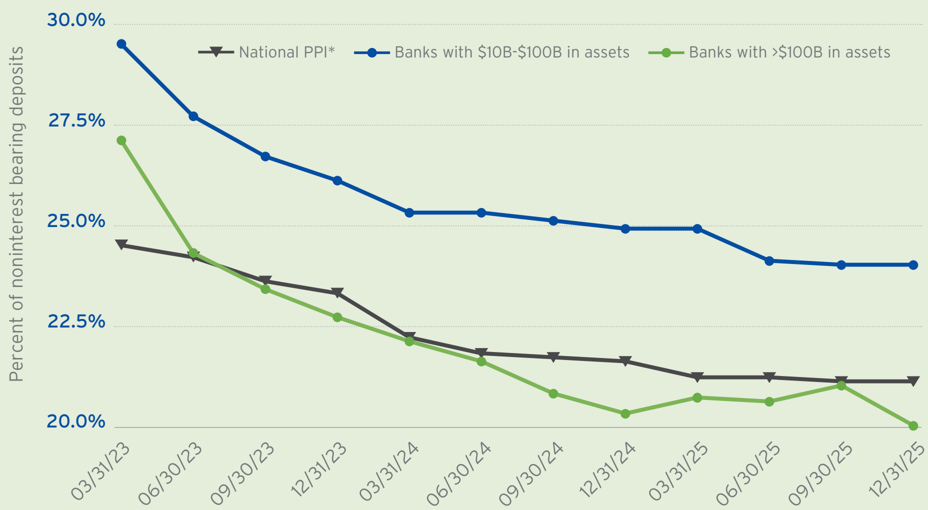
Working with OptimaFI, previously known as Infusion Marketing Group, BankPlus got strategic about how it reached out to customers to grow core deposits. The bank's deposit pricing philosophy has historically depended upon wholesale funding rates, its current need for core deposits and what its competition is doing, Armour says. BankPlus still sticks to essentially that philosophy, but through its work with the analytics firm OptimaFI, it refined its marketing to its depositor base.

"You have to be careful about shouting high-rate products from the mountaintop or you reprice everything you've just put on the books, and it creates an unending cycle of repricing," Armour says. "You get some new money, but you're shooting yourself in the foot from an earnings standpoint; even though you're solving a liquidity problem, you're causing an earnings problem because you're repricing existing deposits."

Feeling the Pressure

Noninterest bearing deposits are shrinking as a share of banks' funding.

Source: OptimaFI



**The national peer performance index (PPI) is the OptimaFI Peer Performance Index, which includes only true community banks and excludes certain types of institutions.*

A Smarter Way to Compete

Competition for core deposits has emerged as a major industry challenge in the post-Covid-19 years. Not only were banks facing a rising interest rate environment, but they also saw more competition from nonbank fintech firms, such as Chime, that increasingly compete for consumer deposits. While overall industry deposits grew at a fairly steady clip over the past five quarters, the proportion of noninterest bearing deposits has fallen. The industry net interest margin was 3.34% in the third quarter of 2025.

Too many banks tend to price deposits based on competitive parity, says Tim Keith, CEO of OptimaFI. They may look at what their local competitors are paying for a certificate of deposit, for example, and try to match that. Or they price deposits based on a predetermined cost of funding they want to see on their balance sheet. Instead, bankers may be better served by analyzing customers' product mixes and behaviors, and then adjusting pricing based on that data.

"The combination of products and services they hold, the level of balances they hold, the activity in the accounts: Those are all going to be predictive of capacity and propensity factors around how to most efficiently price deposit rates," Keith says.

For example, if a bank sees that a customer has only a CD with their organization, then executives might be able to safely assume that that consumer has a checking account and other deposits with another institution. Or if the customer has a checking account with an average balance above $10,000, it may be reasonable to infer that they have more money elsewhere. Banks can use these kinds of customer insights to figure out where they can strategically apply rates to grow customer relationships, rather than broadly appeal to consumers who are simply shopping around for the best rate, says Dan Marks, partner and president of the OptimaFI Growth division.

Seeing the Full Picture

A bank can look at file extracts from its core system to find those specific insights, Marks explains. They can then use those insights to craft marketing campaigns targeted toward specific customer segments. Having this big-picture analysis of customer behavior and portfolio mixes ahead of time can then be compared with any changes after one of the bank's marketing campaigns.

"Because we're targeting specific customers or specific prospects, we're able to see the change in that customer's behavior," Marks says. "What's their increase or decrease in accounts? What's their increase or decrease in balances? And then for prospects, we ask, 'Did they become a customer and what were the accounts and balances that they brought when they became a customer?'"

Armour has learned some valuable lessons from working to revamp the bank's deposit strategy; chiefly, banks don't need to skimp on rates or pay the very most they can afford to keep the customers they already have.

"When rates are not compressed against zero and there's a balance in the cycle, once you go through the switching process as a customer, there's an inertia that now gets built into wherever that relationship is," Armour says. "When you're talking to your own customers, you don't have to be at the very tip top of the market to get a good response."

OptimaFI provides practical, data-driven solutions that help over 2,500 community institutions to make more informed decisions about growth, risk, and profitability. As the new home of QwickRate, Infusion, and IntelliCredit, OptimaFI brings decades of industry expertise and unique peer performance benchmarking that solve real-world banking challenges, without complexity. OptimaFI supports banks across three core areas: growth strategy and relationship expansion; credit risk oversight and portfolio management; and balance sheet strategy, including funding, liquidity, and financial analytics. OptimaFI combines powerful data, analytical tools, and advisory insights that empower banks to drive stronger, more sustainable results.

Bank Director reaches the leaders of the institutions that comprise America's banking industry. Since 1991, Bank Director has provided board-level research, peer insights and in-depth executive and board services. Built for banks, Bank Director extends into and beyond the boardroom by providing timely and relevant information through *Bank Director* magazine, board training services and the financial industry's premier event, Acquire or Be Acquired. For more information, please visit **BankDirector.com**.