Expanding and Improving Our HSA Product

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Executive Summary

Our Bancompany has a unique opportunity to expand an existing stable, low-cost deposit source that continues to grow – health savings accounts (HSAs). HSAs are a tax-deferred instrument used to save for future healthcare expenses. Since 2014, HSA assets have grown by nearly $30 million to $59 million with minimal effort to market or improve the product. In today's market, that equates to over $1 million in interest income annually using the fed funds rate of 2.25% as of November 2018.

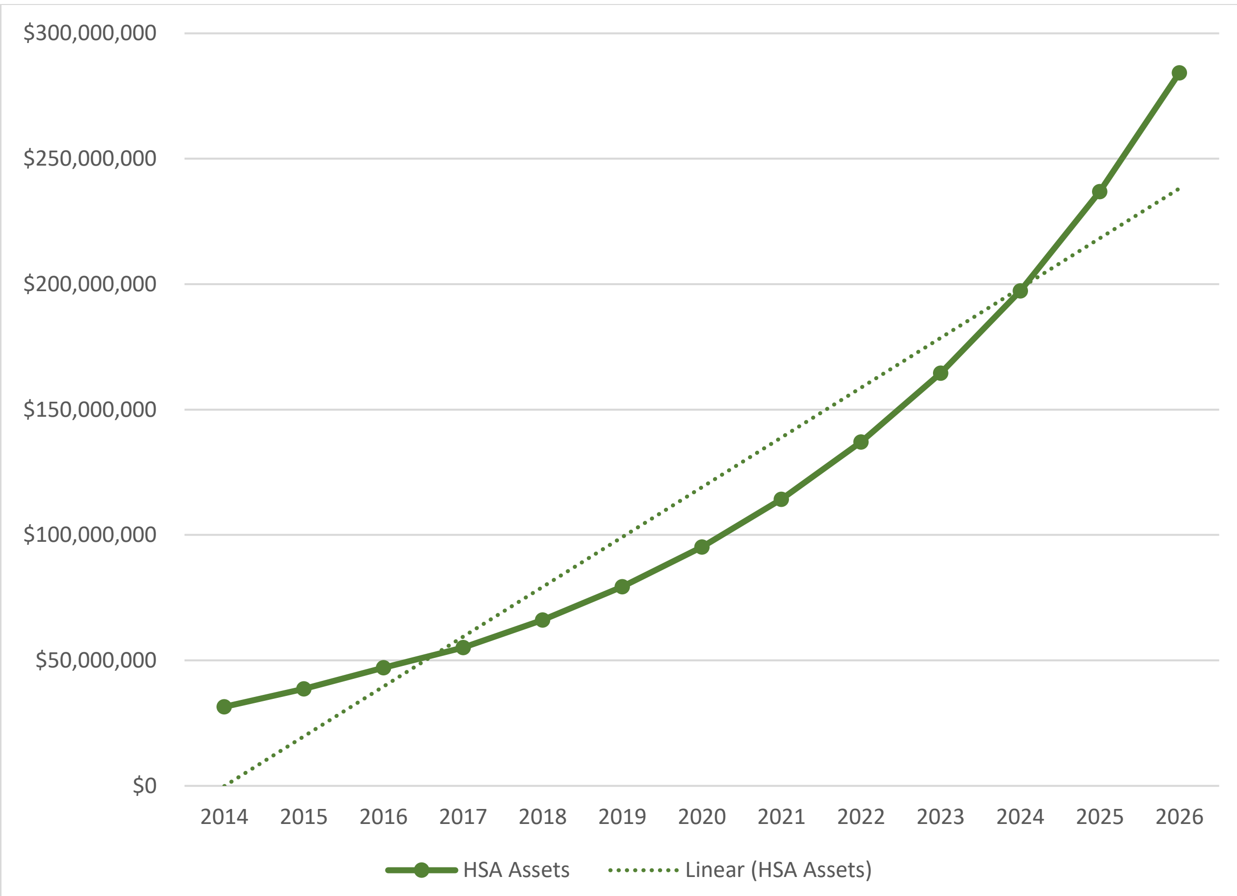
Our Bancompany should make HSAs a business focus by partnering with a vendor to provide additional HSA services, building a holding company HSA team to support our 13 bank affiliates, seeking new HSA business with current and prospective employers and insurance brokers, and creating a new pricing structure. Doing this will continue to differentiate our Bancompany from other banks in our market, attract new customers outside of our footprint and improve customer satisfaction.

Our Bancompany needs to partner with a vendor for a new HSA platform because the company cannot cost effectively develop and maintain a platform to compete in the current marketplace. Most of the technology provided by a vendor platform does not exist inside our bank's core platform today.

With the 13 affiliate bank IRA specialists focused on IRA and HSA administration and day-to-day operations and business banking representatives focused on a suite of other banking products, our Bancompany needs a dedicated team knowledgeable about HSA benefits, functionality and seeking new business. The team should support the affiliates to target our existing 35,000 business relationships and insurance brokers within our markets.

The current HSA product is free to nearly every customer. The local community bank competitors do not even offer HSAs and larger banks are charging $2.00 to $4.00 monthly maintenance fees along with investment, paper statement and other fees. If our Bancompany begins charging a $2.50 per month account fee, these vendor and additional staff costs becomes revenue neutral. Assuming a conservative 15% account growth, net income for Year 1 is estimated at $446,304 with no fee increases. This increases to $1,710,616 by Year 4.

On average, our Bancompany HSA portfolio assets have grown by 20 percent annually. Given new product developments and dedicated staff, one would assume this percentage will rise. However, using the conservative 20 percent estimate means the portfolio will grow to nearly $300 million in 10 years – at least $6 million in interest income annually in today's market.



With a revenue neutral vendor relationship, increase in fee income and potential for expanded loan growth, our Bancompany needs to create an HSA business line immediately to compete and gain a market share in the HSA marketplace. Employers will continue to explore ways to reduce and limit healthcare costs and our Bancompany must provide an attractive HSA product tool to help them meet their cost savings goals.

Introduction/Background

Our bank offers a wide array of products and services, including personal and business banking, investments, merchant services, credit card issuance and lending. Our bank is the flagship bank of the 13-member bank holding company. Our Bancompany has total assets over $13 billion and total capital exceeding $1.7 billion. All banks are individually state-chartered and Federal Reserve member institutions. The company also has three non-bank affiliates, including a technology, trust and mortgage company.

For the tenth year in a row, *Forbes Magazine,* has recognized our Bancompany as one of America's Best Banks in its annual review of the nation's 100 largest financial institutions. The ranking is based on the review of seven criteria: return on average equity, net interest margin, non-performing loans, non-performing assets, reserves, a leverage ratio and two capital ratios. According to *American Banker*, our Bancompany also ranks among the top 100 banks for Commercial Real Estate Loans, Largest Small Business Loan Balances, Most Employees, Largest U.S. Business Loan Portfolios, Most Assets, Most Deposits and Largest Credit Card Loan Portfolios.

Our Bancompany's 13 bank charters are a pillar of strength and a hindrance to efficiency at times. The charters allow the banks to service their communities with a board of directors that understands its competitive market's strengths and weaknesses. Each affiliate has the flexibility and autonomy to make quick and local decisions that benefit its customers, including pricing of deposits and loans, and products and services. However, the decentralization makes implementing new products and marketing programs complex.

Our Bancompany does centralize some functions, including Asset and Liability Management, Call Center, Legal, Human Resources, Marketing, BankCard Services and Technology Services. Technology Services is what makes us distinctly different than other large banks. Rather than contracting with a core provider, such as Jack Henry or Fiserv, we have our own core platform and decide our own technology priorities. Frequently, priorities are determined by our largest public fund customers and because we are not bound by a large provider, we're able to more quickly and easily meet a customer's needs. Our competitive advantage is being a bank that offers large bank products with community bank service.

Strategy/Implementation

HSAs provide a strategic investment opportunity for our bank. They are like no other traditional bank account. A person must be enrolled in a qualified high deductible health plan as defined by the Internal Revenue Service in order to sign up for an HSA. The best selling point for HSAs is that they offer a triple tax advantage – contributions to the account are tax deductible, growth is tax deferred and spending the funds is tax-free if used for qualified healthcare expenses. Employees like them because they own the funds even if they change jobs or retire, balances roll over from year to year, and premiums for a high deductible health plan tied to the HSA are cheaper than traditional plans. Employers like them because moving to a high deductible health insurance plan means lower premiums for them as well. Plus, the contributions they make to employee accounts are deductible and excludable from an employee's gross income making them not subject to income tax withholding or Social Security/Medicare taxes. Contribution limits for 2019 are $3,500 for single coverage and $7,000 for family coverage with a $1,000 annual catch-up contribution for those over age 55.

According to Devenir's 2018 midyear HSA market survey, current HSA assets total $54 billion with balances expected to rise to $74 billion by 2020[1]. A bank within our footprint has seen asset growth from $642 million in 2013 to $2.8 billion in 2018 taking over a larger percentage of their deposit growth from year to year.[2] The HSA marketplace is also consolidating. Well Fargo and U.S. Bank sold their HSAs to OptumHealth Bank and J.P. Morgan sold theirs to HSA Bank. We're also aware of other banks researching ways to sell or better manage their HSA business.

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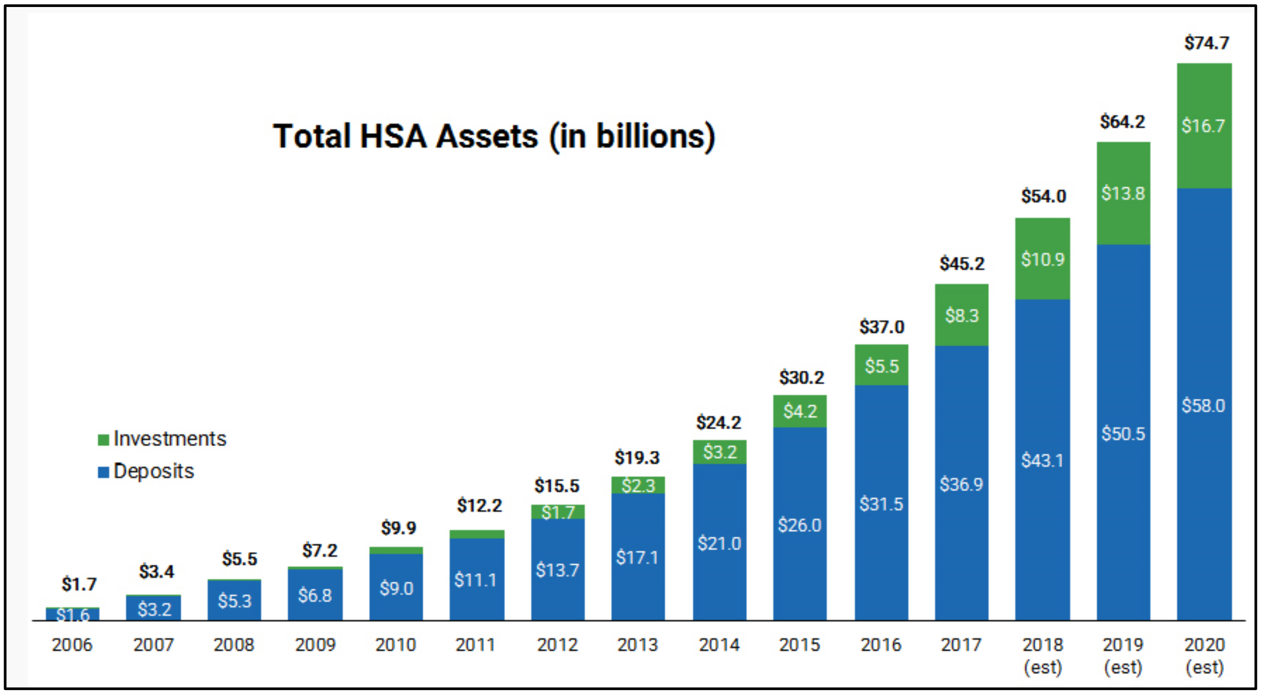
[1] Robb, Jon and Eric Remjeske, "Devenir Research: 2018 Midyear HSA Market Statistics and Trends Executive Summary," Devenir, (2018), http://www.devenir.com/wp-content/uploads/2018-Midyear-Devenir-HSA-Market-Research-Report-Executive-Summary.pdf (accessed October 11, 2018)

[2] Pursley, Nikki, "UMB Surpasses 1.25 Million in Individual Savings Accounts," UMB Financial Corporation, (2018), http://investorrelations.umbfinancial.com/file.aspx?IID=100473&FID=392187921 (accessed October 11, 2018).



Boosting HSA growth is the overwhelming growth of high deductible health plans, specifically in the employer-sponsored health insurance space. According to Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006-2017, HSA-qualified plans have grown from 4 percent in 2006 to 28 percent in 2017.[3] As healthcare costs continue to rise, high deductible health plans continue to be a viable solution to avoid premium increases for employers and employees. With only 28 percent of employers using high deductible health plans, the growth potential for HSAs will only continue.

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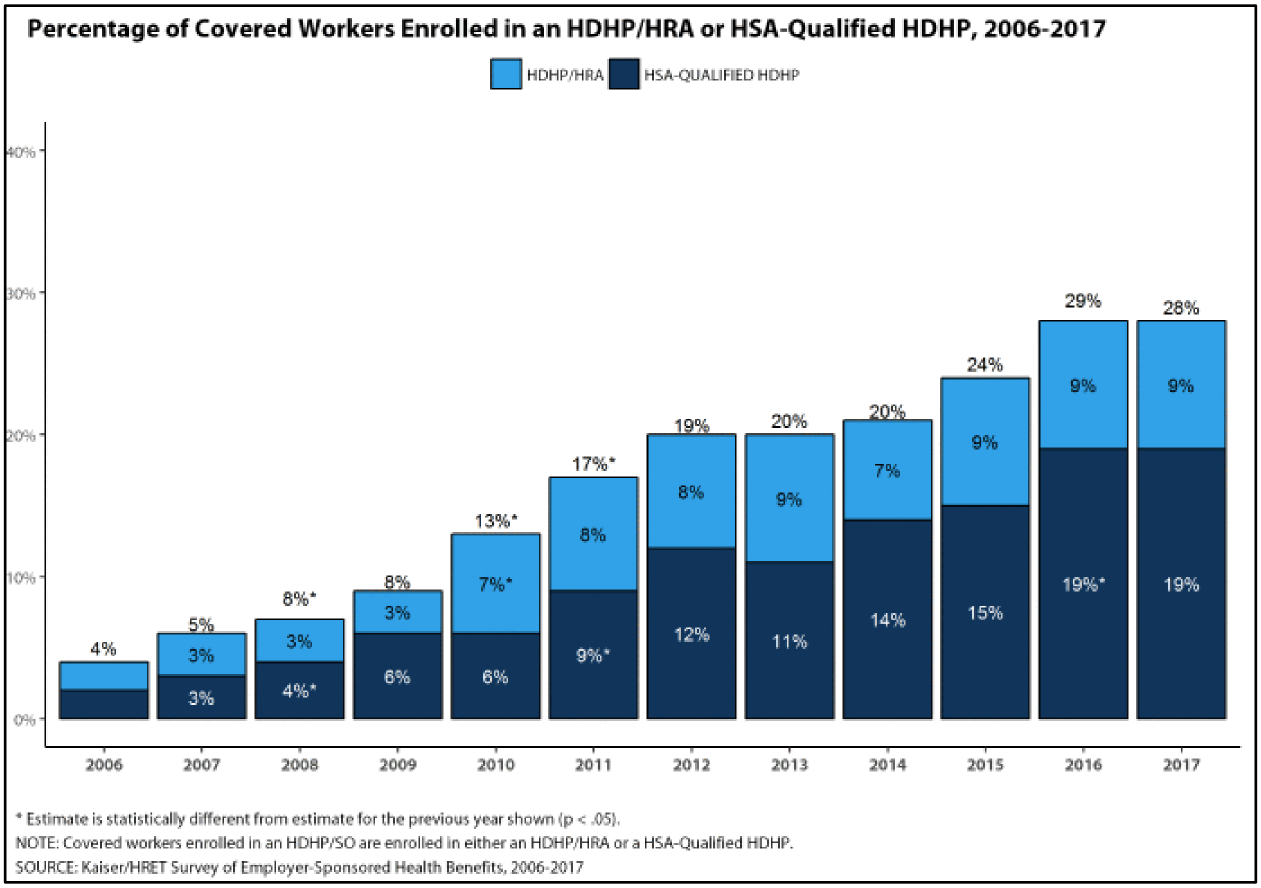
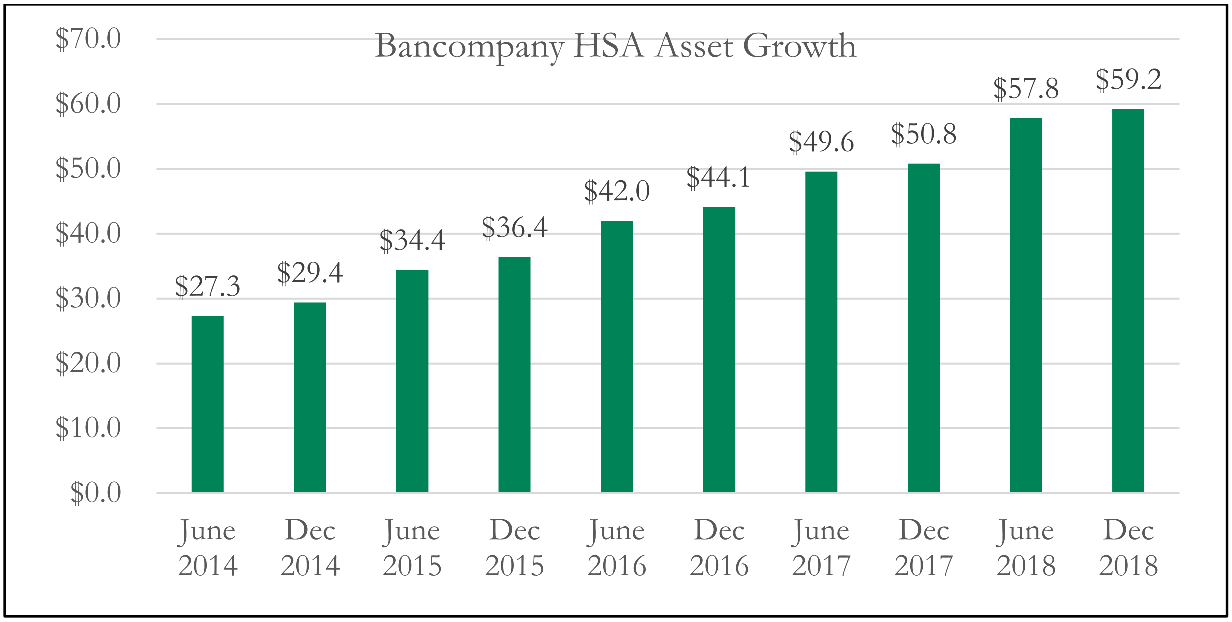
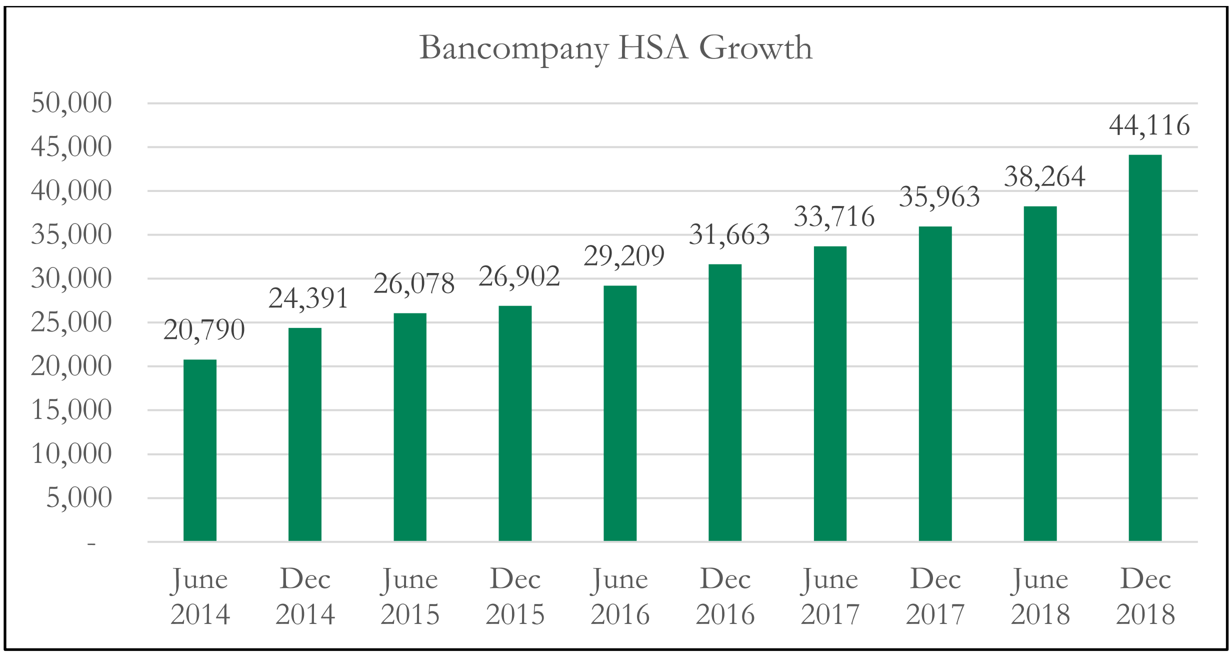
[3] The Henry J. Kaiser Family Foundation and Health Research & Educational Trust, "Kaiser/HRET Survey of Employer-Sponsored Health Benefits," (2017), http://files.kff.org/attachment/Release-Slides-2017-Employer-Health-Benefits-Survey (accessed October 11, 2018).



Our bank and its 12 affiliate banks have enjoyed organic growth of the HSA product since 2005 when bank executives decided to enter the business quickly using an existing, homegrown Individual Retirement Account (IRA) platform. Since 2014 alone, total assets have grown by nearly $30 million and accounts have grown by nearly 20,000. On average, the number of HSAs has grown by 15 percent over the last three years with assets growing an average of 20 percent over the same time period.





Our bank's HSA growth is impressive given no one is specifically dedicated to selling or improving the product. Most growth has been from insurance broker referrals, existing customers, public fund request for proposals or through the government division's partnership with a third-party administrator that provides flexible spending accounts and health reimbursement accounts with our bank's health savings accounts to its clients. Because the HSA product does not require a branch to service the account, our bank has clients throughout the United States with the third party administrator relationship.

Our bank's current HSA platform is built on an IRA platform. Money is held in a certificate of deposit (CD) to earn interest and the money sweeps between the CD and demand deposit account (DDA) to make funds available to the customer. The IRA platform is built on a core banking platform and very few employees have access to the system because of the complexity of viewing transactions and information associated with HSAs. The system does allow grouping of HSA customers into an employer group and a file upload system for employers to verify if employees have setup accounts and to send same-day employer and pre-tax employee contributions to the accounts.

Our bank is fortunate that HSA technology improves when DDA improvements are made, but the bank has traditionally looked at an HSA as another DDA. Current customers view HSAs as another checking account within their online banking platform upon login. Customers receive a debit card with Apple Pay, Samsung Pay and Google Android Pay capabilities, ATM access, and online and mobile banking with bill pay, mobile check deposit and electronic statements. IRS tax filing forms are mailed to each customer at no cost.

The accounts provide a stable source of low cost deposits. Sources of income include investment income and debit card interchange that is exempt from the Durbin Amendment. Expenses include debit cards, processing expenses, checks/deposits, account maintenance, interest and IRS reporting and statements. Staff expenses are minimal because IRA specialists at each of the 13 affiliate banks took on the HSA responsibilities when it became a product for the banks in 2005. However, the experience and expertise of each of these specialists varies greatly and most complex circumstances are handled by the IRA specialist at our bank. Because the IRA specialists are busy with day-to-day operations of IRAs and HSAs and because our business banking representatives do not have the HSA expertise to talk with their customers about HSAs, marketing HSAs to existing and potential customers is limited.

Most of our Bancompany's HSAs are not collecting any monthly maintenance fee income. It is only within the third party administrator partnership and some larger employer accounts at other affiliate banks that our bank receives fee income for HSAs. In these cases, the employer or employee is paying a monthly fee ranging from $1.50 to $2.00 per employee per month for the accounts. The only other way fee income is received is on the rare occasion that a customer requests paper statements and uses our bill pay functionality. If a customer signs up for electronic statements, bill pay is provided for free. Other stated fees are rarely charged, such as a debit card replacement fee or excess contribution fee.

The vast majority of our HSA customers pay no monthly fee for their HSAs, which is virtually unheard of in the current marketplace. Fee income can be created through a monthly account fee, monthly investment fee and paper statement fee. Below is a breakdown of the current retail pricing for competitive brick and mortar banks in our bank's footprint as well as some of the larger online HSA providers our bank competes against on a national basis:

Retail Fees	**Monthly Fee**	**Investment Fee**	**Paper Statement Fee**
UMB Bank	$2.50	$3.00	Free
Commerce Bank	$3.00	n/a	$2.50
Bank of America	$4.50	Included in monthly maintenance fee	Free
Health Equity	$3.95	0.033% to 0.113%	$1.00
HSA Bank	$2.50	$3.00	$1.50
OptumHealth Bank	$3.00	$2.50	Free
Select Account	$1.00 to $4.00	$2.50 to $4.00	Free

A review of the retail marketplace indicates that our bank could charge monthly maintenance, investment and paper statement fees. The employer market also shows similar trends but they demand the HSA product provide more technology and functionality than our bank offers today. The HSA product offering has gotten much more sophisticated. HSAs are more than another bank account in the eyes of a consumer and our competition is continually adding functionality to improve a user's healthcare experience. Our bank's Government Division responds to several request for proposals from public fund customers or in partnership with the third party administrator that offers flexible spending and healthcare reimbursement accounts. Over the last couple of years, our bank has struggled to remain competitive because they are unable to meet the bid requirements.

Employers want self-directed investment options, they want contributions tracked so employees do not go over contribution limits, they want more aggregate reporting on whether employees are spenders or savers, they want claims integrated so employees can pay them directly from a portal, they want the debit cards limited to healthcare purchases, so employees are not subject to income tax or tax penalties and they want a place for employees to store receipts should they ever get audited by the IRS. Our bank does not have any of this functionality and already tight programming resources are not likely to be allocated to this project. Even if resources were allocated it would be difficult to not only catch up but keep up with the competition.

Our bank was aggressive and innovative in providing HSAs shortly after the legislation creating the accounts passed, but the current IRA platform is not user friendly for the typical customer service representative, does not provide the scalability for continued growth and does not provide the added features requested by HSA consumers and the current marketplace in which we're competing. It is imperative that we invest in technology and resources to retain our current business and grow new business at a time when the market continues to grow.

Partnering with a vendor to provide additional HSA functionality would significantly reduce development costs for our technology company, remove HSAs from our CD/IRA systems, enhance the customer experience and provide for better scalability to take on new and larger clients. An HSA vendor partner will provide the following improvements for our bank and our customers:

- **Recordkeeping solution:** Removes HSAs from our system and makes the vendor our HSA record keeper, eliminating all IRS reporting requirements and creation of customer tax forms.
- **Contribution tracking:** Our bank is not tracking HSA contributions today to ensure customers do not go over their IRS annual limits. With a vendor, transactions are coded as individual/employer contributions and distributions, and age and health plan type (single or family coverage) are provided by the employer or self-reported by the customer for better tracking.
- **Claims automation:** Our bank provides bill pay to pay healthcare providers or reimburse account holders for qualified healthcare expenses. An HSA vendor allows health plans to upload adjudicated claims to a portal, so a customer can send payment directly to the provider with the click of a button.
- **Receipt storage:** HSA customers need to keep their receipts from qualified healthcare expenses should they ever be audited by the IRS. Plus, customers can always go back at any point in time to reimburse themselves for qualified expenses as long as they have documentation. The IRS puts no time limit in place to recoup the funds. An HSA vendor allows customers to electronically upload receipts with each corresponding transaction in case of an IRS audit or for future reimbursement to themselves.
- **Online investment tool:** Our bank provides an investment tool today, but does not charge additional fees beyond the 0.50% charged by the provider and the customer functionality is limited. The HSA vendor investment platform would provide for single sign-on from the cash account to the investment account, recurring transfers and additional investment guidance tools for our customers. An added feature would allow funds to be invested the moment the cash account reaches a certain threshold or investments sold if the cash account goes below a certain threshold.

- **Employer portal:** Our bank does not provide any employer interface today. An HSA vendor provides an HSA portal for employers to schedule reports, make enrollment and demographic changes, import data and establish recurring contributions. They also can track employee behavior by tracking aggregate account balances, averages and transaction behaviors.
- **Employer control:** Our current HSA cards have no restrictions. The cards can be used for anything including non-eligible expenses. Some employers want there to be restrictions on these cards to ensure they are only used for IRS-qualified healthcare expenses and we do not have this flexibility by employer. Our investment platform also has no restrictions except that the initial investment must be over $100. Some employers want to require employees to keep a certain amount of funds in their cash account before investing funds and we do not have this flexibility by employer. An HSA vendor would allow us to customize the card and investment experience to the employer's specifications.
- **Business intelligence:** Our bank does not analyze HSA customer behaviors today or compare a specific employer's book of business to the rest of our book of business. Are customers savers or spenders? Do they access services via web or mobile? How does the average account balance of one employer compare to the rest of our book of business? What target messaging could we send to specific participants based on this information? We could remind customers at a certain balance level to make contributions before year end. We could remind those age 55 and over of catch-up contributions if they haven't made them for the year. We could tailor a participant's online messaging based on an employer's needs.
- **Research and development:** An HSA vendor spends $20 million annually on research and development. With our other technology priorities and already stretched information technology resources, it would be nearly impossible for us to invest funds to catch up with

our competition and even more difficult for us to continue making improvements to remain competitive in the marketplace.

Future HSA growth opportunities are endless with improved functionality and scalability of a vendor. Our bank can target four specific groups: current HSA customers, large employers, insurance brokers and banks. Our bank has completed minimal cross-marketing for our current HSA customers. With added reporting from the HSA vendor, our bank can target candidates for additional bank accounts and loan products. Those with larger HSA balances could be contacted by our investment brokers for additional investment management. Our Bancompany has about 35,000 commercial customers and no formal marketing strategy has been targeted to this group. As more and more employers look for ways to save on healthcare expenses, our bank has a unique opportunity to have conversations with these employers about the bank's HSA product. One of the key selling points is that regardless of health insurance changes, employees can keep their account in one place with no interruption. This cannot be said for HSAs connected to an employer's health insurance carrier.

Insurance brokers also are another untapped resource. Our bank does not provide a commission structure for insurance brokers today, but other banks have made this a target market for their HSA business. Creating a reputable partnership with insurance agents throughout the state and beyond will expand the HSA business for our bank.

The HSA marketplace is also consolidating. Banks are researching ways to sell or better manage their HSA business as some banks do not like the additional IRS reporting and expertise needed to manage HSAs. With the new platform, our bank could sell our product to other institutions for fee income or purchase portfolios for future deposit growth.

The only opportunity that potentially closes is that some current HSA customers may move their HSAs because of the monthly charge. The likelihood of this movement is rather low because there are no other banks offering an HSA at no cost in the area. Additionally, the movement of an

HSA is a rather manual process and requires special effort on behalf of the sending and receiving banks for tax reporting purposes making the process rather cumbersome for the consumer. Because the fee coincides with additional functionality, consumers may be more understanding of the fee change. Depending on the customer's other products and accounts with the bank, our bank could decide to waive the fee on a case-by-case basis.

Each of the 13 banks has an IRA specialist responsible for serving HSAs for their respective bank. However, the experience, expertise and duties of each of these specialists varies greatly and most complex circumstances are handled by the IRA specialist at our bank. With the 13 IRA specialists focused on IRA and HSA administration and day-to-day operations and business banking representatives focused on a suite of other banking products, our bank needs a dedicated team knowledgeable about HSA benefits, functionality and seeking new business. The team should consist of two HSA Specialists and one HSA Relationship manager.

The HSA Specialists will work with the HSA vendor to learn the new functionality and work with the affiliate banks and employers to ensure they understand the tools and know how to use them. A dedicated HSA Relationship Manager will sell our HSA product. The manager can meet with the 13 affiliate banks and their larger employer customers to sell the product. This person also could help foster insurance broker relationships in each of the affiliate markets. Another task for the HSA Relationship Manager would be to respond to requests for proposals and keep a pulse on the ever-changing HSA landscape to ensure our product and technology is meeting customer and regulatory needs.

During the first two years of the vendor contract, the vendor will handle all customer service, including call center, HSA transfers, employee and employer enrollment and other operational tasks. This will give HSA specialists time to learn the product and eventually take the operational and servicing portions back while the IRA professionals can provide a sales role in their markets with assistance from business banking staff. The HSA specialists would be focused on servicing all aspects of the product and assisting the IRA professionals with employer setups and ongoing service.

Date	Task	Responsible Party
August 1, 2018	Sign vendor contract	Senior Executive Vice President, Investments; Senior Vice President, Government Division; Second Vice President, Government Division
September 1, 2018 – July 31, 2019	Programming new platform	Technology Services
March 1 – July 31, 2019	Hiring and training HSA Relationship Manager and HSA Specialists	Senior Executive Vice President, Investments; Senior Vice President, Government Division; Second Vice President, Government Division
June 1 – July 31, 2019	Meet with existing employers and train them on the new platform	HSA Relationship Manager and HSA Specialists
August 1, 2019	Convert entire HSA portfolio to new platform	Technology Services, Senior Executive Vice President, Investments; Senior Vice President, Government Division; Second Vice President, Government Division; HSA Relationship Manager and HSA Specialists
January 1 – July 31, 2020	Evaluate and determine if additional staff is needed to take over HSA servicing from vendor	Technology Services, Senior Executive Vice President, Investments; Senior Vice President, Government Division; Second Vice President, Government Division; HSA Relationship Manager
August 1, 2020	Drop vendor servicing	Senior Executive Vice President, Investments; Senior Vice President, Government Division; Second Vice President, Government Division

Financial Impact

Based on the retail information collected, our bank's historical HSA growth and the HSA growth potential based on rising healthcare costs, cost benefit models can be created based on conservative, moderate and aggressive HSA growth. The conservative growth model assumes the same average growth our Bancompany has experienced over the last three years. The moderate growth model assumes increases in accounts and assets by an additional five percent each. Finally, the aggressive growth model assumes increases in accounts and assets by 10 percent from the original conservative model. These models demonstrate best and worst case scenarios. Using the conservative our Bancompany will require some fee income should assist in any lost accounts due to the transition or potential loss of growth in the first year.

Each of the models includes adding fee income, HSA vendor expenses and new HSA staff expenses. The following assumptions must be understood when reviewing these models:

- **Number of HSAs:** 2017 shows the current number of HSAs. The conservative model shows the current average three year growth (15%) that our bank and its affiliates have experienced.
- **HSAs ineligible for fees:** Some of our HSA portfolio cannot be charged a monthly fee based on previously agreed upon pricing. These accounts cannot be used when calculating monthly account, investment or paper statement fee income.
- **HSAs eligible for fees:** The portion of our HSA portfolio that can be assessed account, investment and paper statement fees.
- **Total HSA assets:** 2017 shows the current HSA assets. The conservative model shows the current average three year growth (20%) that our bank and its affiliates have experienced.
- **RIA Investments:** Our Bancompany will serve as the Registered Investment Advisor (RIA) for the online HSA investments creating an income source of 0.10% on invested funds. This assumes 5 percent of assets will be invested through the online solution.

- **HSAs assets earning interest:** Because some funds will be invested and not on deposit at our Bancompany, the assets earning interest must be reduced by the assets in investments.
- **Debit card transactions and volumes:** Each of these estimates is derived from 2016 figures for 31,663 accounts in the portfolio.
- **Deposit:** Assumes our bank and its affiliates are able to make 2.5 percent on the money sitting in the HSAs.
- **Interchange:** Derived from 2016 figures for 31,663 accounts in the portfolio.
- **Migration incentive:** Incentive funds provided by vendor amortized over five years.
- **Interest and interest expense:** The model assumes interest at 0.25%.
- **Card fraud per transaction:** Based on current estimates. This will likely be lower because the HSA card's use will be limited to healthcare purchases rather than open to any purchase.
- **Card association and staff per transaction:** Additional costs for BankCard to manage new card platform and fraud.
- **Bill Pay per transaction:** Uses current transactions and increases 15 percent year over year.
- **Vendor implementation:** Cost of vendor to implement amortized over five years.
- **Programming:** Our bank's programming costs amortized over five years.
- **Vendor flat annual fees:** Paid to the vendor annually.
- **Vendor per account fees with call center and operations:** Cost per account for vendor to provide call center and all operations related to the accounts.

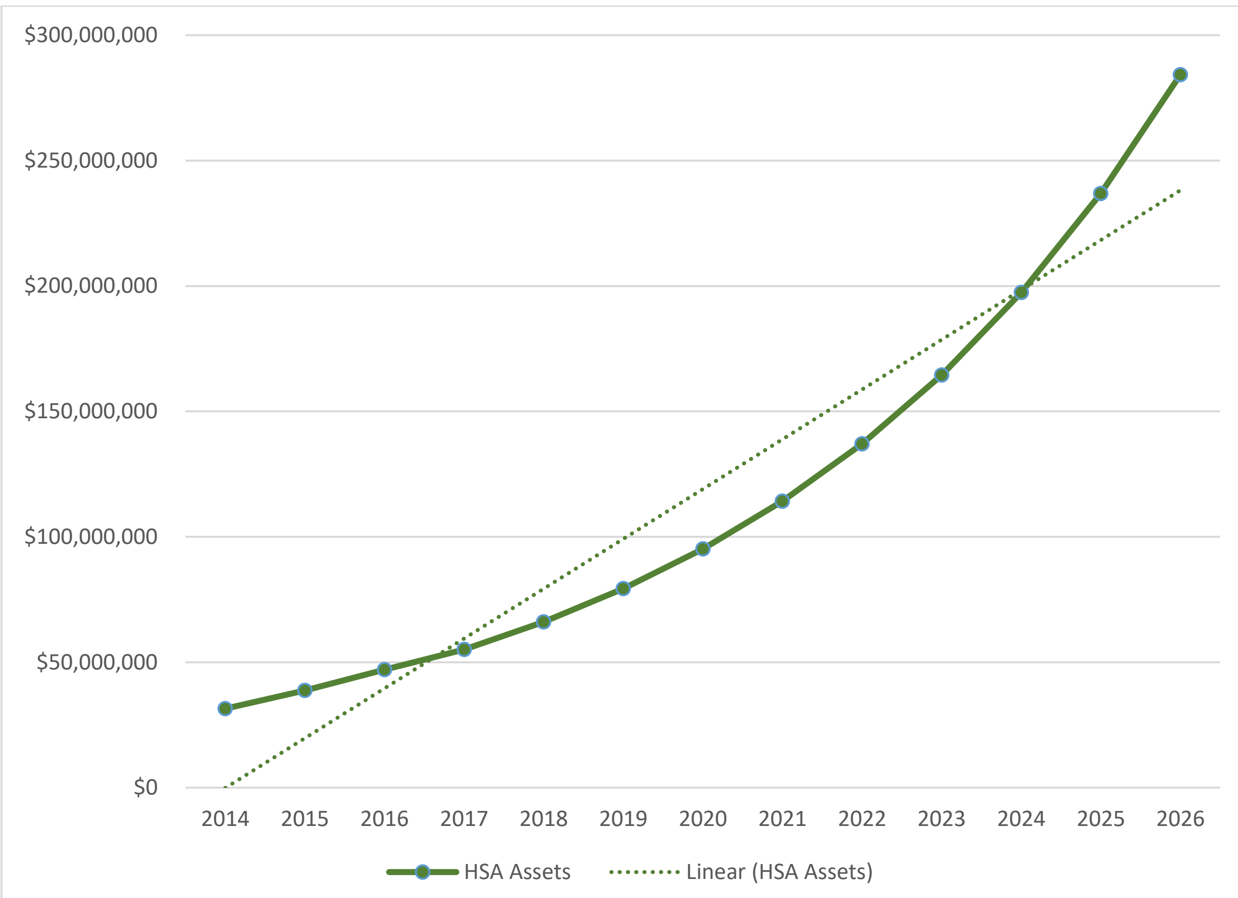
- **Centralized staff:** A portion of funds is allocated to pay the salary and expenses for one HSA Relationship Manager and two HSA specialists with a 3 percent increase year over year.
- **Debit Cards:** Assumes a reissue of 60,000 cards every three years (subscriber and dependent) and gains in cards year over year that will need to be reissued every three years.
- **Customer/Employer Communication:** Assumes initial budget for migration to be $145,000 with multiple mailings and emails to consumers and employers. After year one, budget is cut in half and increases at 3 percent year over year.
- **Cost reduction:** Our bank has some known costs of running our current HSA system. These costs will go away as HSAs are converted to the new platform. These include platform, mailing/printing and call center costs.
- **Account maintenance fee:** Monthly account fee charged to HSAs eligible for fees. Both a $2.00 and $2.50 per month fee are calculated. Corresponding fee income for both monthly fees is added to net income to determine return on assets.

Below is a summary of the results assuming a $2.50 monthly maintenance fee on the accounts showing continued growth with the new platform and added fee income.

	2018	**2026**

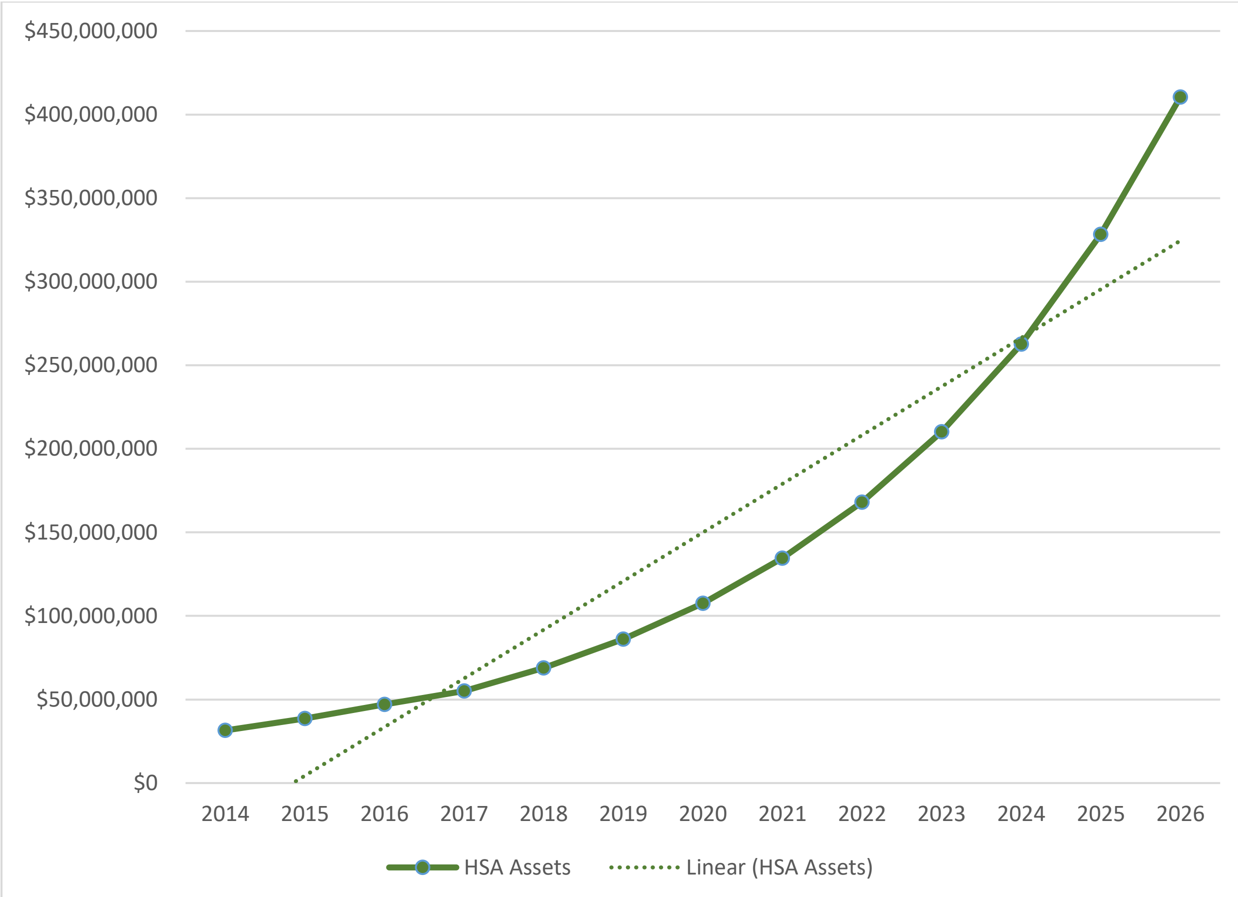
	Net Income	Return on Assets	Net Income	Return on Assets
Conservative 15% account growth; 20% asset growth	$ 1,830,486	2.91%	$ 7,967,055	2.95%
Moderate 20% account growth; 25% asset growth	$ 1,920,984	2.94%	$ 11,772,382	3.02%
Aggressive 25% account growth; 30% asset growth	$ 2,011,482	2.96%	$ 17,028,940	3.07%

Conservative Growth



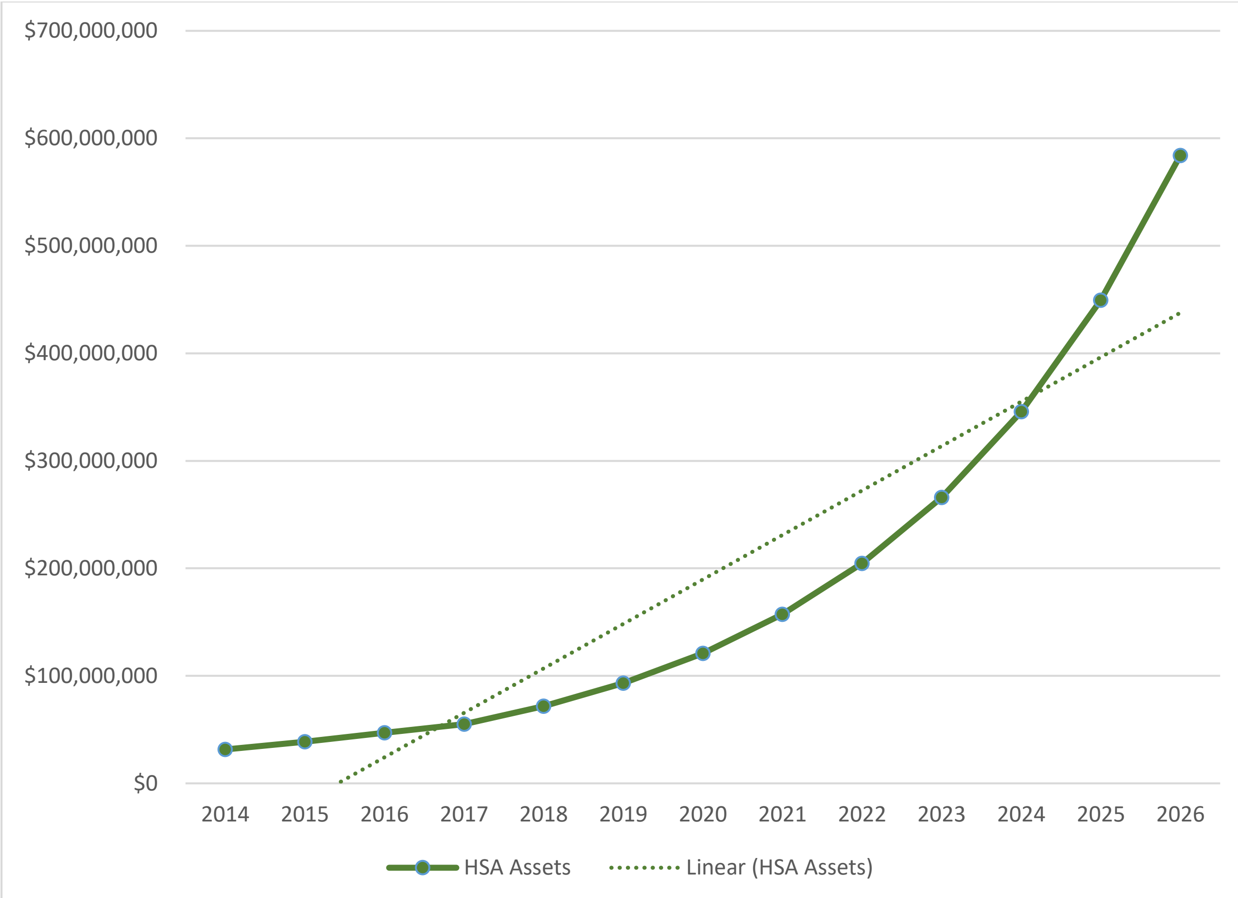
Conservative Growth			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
			2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Number of HSAs	15%	account growth	35,963	41,357	47,561	54,695	62,900	72,334	83,185	95,662	110,012	126,513
HSAs ineligible for fees			6,919	7,957	9,150	10,523	12,101	13,917	16,004	18,405	21,165	24,340
HSAs eligible for fees			29,044	33,401	38,411	44,172	50,798	58,418	67,181	77,258	88,846	102,173
Total HSA Assets	20%	asset growth	$ 55,088,560	$ 66,106,272	$ 79,327,527	$ 95,193,032	$ 114,231,639	$ 137,077,967	$ 164,493,560	$ 197,392,272	$ 236,870,726	$ 284,244,871
RIA Investments		5%	$ 2,754,428	$ 3,305,314	$ 3,966,376	$ 4,759,652	$ 5,711,582	$ 6,853,898	$ 8,224,678	$ 9,869,614	$ 11,843,536	$ 14,212,244
HSA Assets earning interest			$ 52,334,132	$ 62,800,959	$ 75,361,151	$ 90,433,381	$ 108,520,057	$ 130,224,068	$ 156,268,882	$ 187,522,658	$ 225,027,190	$ 270,032,628
Debit Card Transactions			355,003	408,253	469,491	539,915	620,902	714,038	821,144	944,315	1,085,962	1,248,857
Debit Card Volume			$ 28,900,858	$ 33,235,987	$ 38,221,385	$ 43,954,593	$ 50,547,782	$ 58,129,949	$ 66,849,441	$ 76,876,857	$ 88,408,386	$ 101,669,644
Income												
Deposit		2.50%	$ 1,308,353	$ 1,570,024	$ 1,884,029	$ 2,260,835	$ 2,713,001	$ 3,255,602	$ 3,906,722	$ 4,688,066	$ 5,625,680	$ 6,750,816
Interchange		$ 0.72	$ 255,602	$ 293,942	$ 338,034	$ 388,739	$ 447,050	$ 514,107	$ 591,223	$ 679,907	$ 781,893	$ 899,177
Migration incentive			$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000					
RIA income		0.10%	$ 2,754	$ 3,305	$ 3,966	$ 4,760	$ 5,712	$ 6,854	$ 8,225	$ 9,870	$ 11,844	$ 14,212
Total Income			**$ 1,576,710**	**$ 1,877,272**	**$ 2,236,029**	**$ 2,664,333**	**$ 3,175,763**	**$ 3,776,563**	**$ 4,506,170**	**$ 5,377,843**	**$ 6,419,416**	**$ 7,664,205**
Expense												
Interest			0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
Interest Expense			$ 130,835	$ 157,002	$ 188,403	$ 226,083	$ 271,300	$ 325,560	$ 390,672	$ 468,807	$ 562,568	$ 675,082
Card Fraud per transaction	$0.015		$ 5,325	$ 6,124	$ 7,042	$ 8,099	$ 9,314	$ 10,711	$ 12,317	$ 14,165	$ 16,289	$ 18,733
Card Association and Staff per transaction	$0.09		$ 31,950	$ 36,743	$ 42,254	$ 48,592	$ 55,881	$ 64,263	$ 73,903	$ 84,988	$ 97,737	$ 112,397
Bill Pay per transaction	$0.68	1670	$ 1,136	$ 1,306	$ 1,502	$ 1,727	$ 1,986	$ 2,284	$ 2,627	$ 3,021	$ 3,474	$ 3,995
Vendor implementation	$173,733.40	over five years	$ 34,747	$ 34,747	$ 34,747	$ 34,747	$ 34,747					
Programming	$162,500.00	over five years	$ 32,500	$ 32,500	$ 32,500	$ 32,500	$ 32,500					
Vendor flat annual fees			$ 41,600	$ 41,600	$ 41,600	$ 41,600	$ 41,600	$ 41,600	$ 41,600	$ 41,600	$ 41,600	$ 41,600
Vendor per account fees w/call center and ops	$ 1.72	12	$ 742,276	$ 853,618	$ 981,660	$ 1,128,909	$ 1,298,246	$ 1,492,983	$ 1,716,930	$ 1,974,470	$ 2,270,640	$ 2,611,236
Centralized staff (3% increase annually)		3.00%	$ 200,000	$ 206,000	$ 212,180	$ 218,545	$ 225,102	$ 231,855	$ 238,810	$ 245,975	$ 253,354	$ 260,955
Debit Cards (60,000 intial; reissue in 3 years)	$1.97	60000	$ 118,200	$ 10,627	$ 12,221	$ 132,254	$ 21,557	$ 24,790	$ 153,629	$ 38,180	$ 43,907	$ 186,138
Customer/Employer Communications			$ 145,000	$ 74,675	$ 76,915	$ 79,223	$ 81,599	$ 84,047	$ 86,569	$ 89,166	$ 91,841	$ 94,596
Total Expenses			**$ 1,483,569**	**$ 1,454,941**	**$ 1,631,025**	**$ 1,952,280**	**$ 2,073,832**	**$ 2,278,094**	**$ 2,717,058**	**$ 2,960,371**	**$ 3,381,410**	**$ 4,004,731**
Cost Reduction			$ 353,163	$ 406,138	$ 467,059	$ 537,117	$ 617,685	$ 710,338	$ 816,888	$ 939,422	$ 1,080,335	$ 1,242,385
Net Income			$ 446,304	$ 828,468	$ 1,072,063	$ 1,249,170	$ 1,719,616	$ 2,208,807	$ 2,606,001	$ 3,356,894	$ 4,118,341	$ 4,901,859
Return on assets			**0.85%**	**1.32%**	**1.42%**	**1.38%**	**1.58%**	**1.70%**	**1.67%**	**1.79%**	**1.83%**	**1.82%**
Account maintenance fee	$2.00		$ 1,143,360	$ 1,630,083	$ 1,993,919	$ 2,309,305	$ 2,938,771	$ 3,610,836	$ 4,218,334	$ 5,211,077	$ 6,250,652	$ 7,354,016
Return on assets			**2.18%**	**2.60%**	**2.65%**	**2.55%**	**2.71%**	**2.77%**	**2.70%**	**2.78%**	**2.78%**	**2.72%**
Account maintenance fee	$2.50		$ 1,317,624	$ 1,830,486	$ 2,224,383	$ 2,574,339	$ 3,243,560	$ 3,961,343	$ 4,621,417	$ 5,674,622	$ 6,783,729	$ 7,967,055
Return on assets			**2.52%**	**2.91%**	**2.95%**	**2.85%**	**2.99%**	**3.04%**	**2.96%**	**3.03%**	**3.01%**	**2.95%**

Moderate Growth



Moderate Growth			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
			2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Number of HSAs	20%	account growth	35,963	43,156	51,787	62,144	74,573	89,487	107,385	128,862	154,634	185,561
HSAs ineligible for fees			6,919	8,303	9,963	11,956	14,347	17,217	20,660	24,792	29,750	35,701
HSAs eligible for fees			29,044	34,853	41,823	50,188	60,226	72,271	86,725	104,070	124,884	149,861
Total HSA Assets	25%	asset growth	$ 55,088,560	$ 68,860,700	$ 86,075,876	$ 107,594,844	$ 134,493,556	$ 168,116,944	$ 210,146,181	$ 262,682,726	$ 328,353,407	$ 410,441,759
RIA Investments		5%	$ 2,754,428	$ 3,443,035	$ 4,303,794	$ 5,379,742	$ 6,724,678	$ 8,405,847	$ 10,507,309	$ 13,134,136	$ 16,417,670	$ 20,522,088
HSA Assets earning interest			$ 52,334,132	$ 65,417,665	$ 81,772,082	$ 102,215,102	$ 127,768,878	$ 159,711,097	$ 199,638,872	$ 249,548,589	$ 311,935,737	$ 389,919,671
Debit Card Transactions			355,003	426,004	511,204	613,445	736,134	883,361	1,060,033	1,272,040	1,526,448	1,831,738
Debit Card Volume			$ 28,900,858	$ 34,681,030	$ 41,617,236	$ 49,940,683	$ 59,928,819	$ 71,914,583	$ 86,297,500	$ 103,557,000	$ 124,268,400	$ 149,122,080
Income												
Deposit		2.50%	$ 1,308,353	$ 1,635,442	$ 2,044,302	$ 2,555,378	$ 3,194,222	$ 3,992,777	$ 4,990,972	$ 6,238,715	$ 7,798,393	$ 9,747,992
Interchange		$ 0.72	$ 255,602	$ 306,723	$ 368,067	$ 441,681	$ 530,017	$ 636,020	$ 763,224	$ 915,869	$ 1,099,043	$ 1,318,851
Migration incentive			$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000					
RIA income		0.10%	$ 2,754	$ 3,443	$ 4,304	$ 5,380	$ 6,725	$ 8,406	$ 10,507	$ 13,134	$ 16,418	$ 20,522
Total Income			**$ 1,576,710**	**$ 1,955,607**	**$ 2,426,673**	**$ 3,012,438**	**$ 3,740,963**	**$ 4,637,203**	**$ 5,764,703**	**$ 7,167,718**	**$ 8,913,854**	**$ 11,087,365**
Expense												
Interest			0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
Interest Expense			$ 130,835	$ 163,544	$ 204,430	$ 255,538	$ 319,422	$ 399,278	$ 499,097	$ 623,871	$ 779,839	$ 974,799
Card Fraud per transaction	$0.015		$ 5,325	$ 6,390	$ 7,668	$ 9,202	$ 11,042	$ 13,250	$ 15,900	$ 19,081	$ 22,897	$ 27,476
Card Association and Staff per transaction	$0.09		$ 31,950	$ 38,340	$ 46,008	$ 55,210	$ 66,252	$ 79,502	$ 95,403	$ 114,484	$ 137,380	$ 164,856
Bill Pay per transaction	$0.68	1670	$ 1,136	$ 1,306	$ 1,502	$ 1,727	$ 1,986	$ 2,284	$ 2,627	$ 3,021	$ 3,474	$ 3,995
Vendor implementation	$173,733.40	over five years	$ 34,747	$ 34,747	$ 34,747	$ 34,747	$ 34,747					
Programming	$162,500.00	over five years	$ 32,500	$ 32,500	$ 32,500	$ 32,500	$ 32,500					
Vendor flat annual fees			$ 41,600	$ 41,600	$ 41,600	$ 41,600	$ 41,600	$ 41,600	$ 41,600	$ 41,600	$ 41,600	$ 41,600
Vendor per account fees w/call center and ops	$ 1.72	12	$ 742,276	$ 890,732	$ 1,068,878	$ 1,282,653	$ 1,539,184	$ 1,847,021	$ 2,216,425	$ 2,659,710	$ 3,191,652	$ 3,829,983
Centralized staff (3% increase annually)		3.00%	$ 200,000	$ 206,000	$ 212,180	$ 218,545	$ 225,102	$ 231,855	$ 238,810	$ 245,975	$ 253,354	$ 260,955
Debit Cards (60,000 intial; reissue in 3 years)	$1.97	60000	$ 118,200	$ 14,169	$ 17,003	$ 138,604	$ 31,677	$ 38,013	$ 173,862	$ 61,931	$ 74,317	$ 234,788
Customer/Employer Communications			$ 145,000	$ 74,675	$ 76,915	$ 79,223	$ 81,599	$ 84,047	$ 86,569	$ 89,166	$ 91,841	$ 94,596
Total Expenses			**$ 1,483,569**	**$ 1,504,003**	**$ 1,743,432**	**$ 2,149,549**	**$ 2,385,112**	**$ 2,736,851**	**$ 3,370,294**	**$ 3,858,838**	**$ 4,596,355**	**$ 5,633,048**
Cost Reduction			$ 353,163	$ 423,796	$ 508,555	$ 610,266	$ 732,320	$ 878,784	$ 1,054,540	$ 1,265,448	$ 1,518,538	$ 1,822,246
Net Income			$ 446,304	$ 875,400	$ 1,191,797	$ 1,473,155	$ 2,088,171	$ 2,779,136	$ 3,448,949	$ 4,574,328	$ 5,836,037	$ 7,276,563
Return on assets			**0.85%**	**1.34%**	**1.46%**	**1.44%**	**1.63%**	**1.74%**	**1.73%**	**1.83%**	**1.87%**	**1.87%**
Account maintenance fee	$2.00		$ 1,143,360	$ 1,711,867	$ 2,195,557	$ 2,677,668	$ 3,533,586	$ 4,513,634	$ 5,530,348	$ 7,072,005	$ 8,833,250	$ 10,873,218
Return on assets			**2.18%**	**2.62%**	**2.68%**	**2.62%**	**2.77%**	**2.83%**	**2.77%**	**2.83%**	**2.83%**	**2.79%**
Account maintenance fee	$2.50		$ 1,317,624	$ 1,920,984	$ 2,446,497	$ 2,978,796	$ 3,894,940	$ 4,947,259	$ 6,050,697	$ 7,696,425	$ 9,582,553	$ 11,772,382
Return on assets			**2.52%**	**2.94%**	**2.99%**	**2.91%**	**3.05%**	**3.10%**	**3.03%**	**3.08%**	**3.07%**	**3.02%**

Aggressive Growth



Aggressive Growth			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
			2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Number of HSAs	25%	account growth	35,963	44,954	56,192	70,240	87,800	109,750	137,188	171,485	214,356	267,945
HSAs ineligible for fees			6,919	8,649	10,811	13,514	16,892	21,115	26,394	32,992	41,240	51,551
HSAs eligible for fees			29,044	36,305	45,381	56,727	70,908	88,635	110,794	138,493	173,116	216,395
Total HSA Assets	30%	asset growth	$ 55,088,560	$ 71,615,128	$ 93,099,667	$ 121,029,567	$ 157,338,437	$ 204,539,968	$ 265,901,959	$ 345,672,547	$ 449,374,311	$ 584,186,604
RIA Investments		5%	$ 2,754,428	$ 3,580,756	$ 4,654,983	$ 6,051,478	$ 7,866,922	$ 10,226,998	$ 13,295,098	$ 17,283,627	$ 22,468,716	$ 29,209,330
HSA Assets earning interest			$ 52,334,132	$ 68,034,372	$ 88,444,684	$ 114,978,089	$ 149,471,515	$ 194,312,970	$ 252,606,861	$ 328,388,919	$ 426,905,595	$ 554,977,274
Debit Card Transactions			355,003	443,754	554,692	693,365	866,707	1,083,383	1,354,229	1,692,786	2,115,983	2,644,978
Debit Card Volume			$ 28,900,858	$ 36,126,073	$ 45,157,591	$ 56,446,989	$ 70,558,736	$ 88,198,420	$ 110,248,025	$ 137,810,031	$ 172,262,538	$ 215,328,173
Income												
Deposit		2.50%	$ 1,308,353	$ 1,700,859	$ 2,211,117	$ 2,874,452	$ 3,736,788	$ 4,857,824	$ 6,315,172	$ 8,209,723	$ 10,672,640	$ 13,874,432
Interchange		$ 0.72	$ 255,602	$ 319,503	$ 399,378	$ 499,223	$ 624,029	$ 780,036	$ 975,045	$ 1,218,806	$ 1,523,508	$ 1,904,384
Migration incentive			$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000					
RIA income		0.10%	$ 2,754	$ 3,581	$ 4,655	$ 6,051	$ 7,867	$ 10,227	$ 13,295	$ 17,284	$ 22,469	$ 29,209
Total Income			**$ 1,576,710**	**$ 2,033,943**	**$ 2,625,150**	**$ 3,389,727**	**$ 4,378,684**	**$ 5,648,087**	**$ 7,303,511**	**$ 9,445,813**	**$ 12,218,616**	**$ 15,808,026**
Expense												
Interest			0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
Interest Expense			$ 130,835	$ 170,086	$ 221,112	$ 287,445	$ 373,679	$ 485,782	$ 631,517	$ 820,972	$ 1,067,264	$ 1,387,443
Card Fraud per transaction	$0.015		$ 5,325	$ 6,656	$ 8,320	$ 10,400	$ 13,001	$ 16,251	$ 20,313	$ 25,392	$ 31,740	$ 39,675
Card Association and Staff per transaction	$0.09		$ 31,950	$ 39,938	$ 49,922	$ 62,403	$ 78,004	$ 97,504	$ 121,881	$ 152,351	$ 190,438	$ 238,048
Bill Pay per transaction	$0.68	1670	$ 1,136	$ 1,306	$ 1,502	$ 1,727	$ 1,986	$ 2,284	$ 2,627	$ 3,021	$ 3,474	$ 3,995
Vendor implementation	$173,733.40	over five years	$ 34,747	$ 34,747	$ 34,747	$ 34,747	$ 34,747					
Programming	$162,500.00	over five years	$ 32,500	$ 32,500	$ 32,500	$ 32,500	$ 32,500					
Vendor flat annual fees			$ 41,600	$ 41,600	$ 41,600	$ 41,600	$ 41,600	$ 41,600	$ 41,600	$ 41,600	$ 41,600	$ 41,600
Vendor per account fees w/call center and ops	$ 1.72	12	$ 742,276	$ 927,845	$ 1,159,807	$ 1,449,758	$ 1,812,198	$ 2,265,248	$ 2,831,559	$ 3,539,449	$ 4,424,312	$ 5,530,390
Centralized staff (3% increase annually)		3.00%	$ 200,000	$ 206,000	$ 212,180	$ 218,545	$ 225,102	$ 231,855	$ 238,810	$ 245,975	$ 253,354	$ 260,955
Debit Cards (60,000 intial; reissue in 3 years)	$1.97	60000	$ 118,200	$ 17,712	$ 22,140	$ 145,875	$ 43,584	$ 54,480	$ 199,927	$ 94,116	$ 117,645	$ 305,497
Customer/Employer Communications			$ 145,000	$ 74,675	$ 76,915	$ 79,223	$ 81,599	$ 84,047	$ 86,569	$ 89,166	$ 91,841	$ 94,596
Total Expenses			**$ 1,483,569**	**$ 1,553,065**	**$ 1,860,745**	**$ 2,364,224**	**$ 2,737,999**	**$ 3,279,052**	**$ 4,174,803**	**$ 5,012,041**	**$ 6,221,667**	**$ 7,902,198**
Cost Reduction			$ 353,163	$ 441,454	$ 551,818	$ 689,772	$ 862,215	$ 1,077,769	$ 1,347,211	$ 1,684,014	$ 2,105,018	$ 2,631,272
Net Income			$ 446,304	$ 922,332	$ 1,316,224	$ 1,715,275	$ 2,502,900	$ 3,446,805	$ 4,475,920	$ 6,117,786	$ 8,101,967	$ 10,537,100
Return on assets			**0.85%**	**1.36%**	**1.49%**	**1.49%**	**1.67%**	**1.77%**	**1.77%**	**1.86%**	**1.90%**	**1.90%**
Account maintenance fee	$2.00		$ 1,143,360	$ 1,793,652	$ 2,405,374	$ 3,076,713	$ 4,204,697	$ 5,574,051	$ 7,134,977	$ 9,441,608	$ 12,256,744	$ 15,730,572
Return on assets			**2.18%**	**2.64%**	**2.72%**	**2.68%**	**2.81%**	**2.87%**	**2.82%**	**2.88%**	**2.87%**	**2.83%**
Account maintenance fee	$2.50		$ 1,317,624	$ 2,011,482	$ 2,677,661	$ 3,417,072	$ 4,630,146	$ 6,105,862	$ 7,799,742	$ 10,272,563	$ 13,295,439	$ 17,028,940
Return on assets			**2.52%**	**2.96%**	**3.03%**	**2.97%**	**3.10%**	**3.14%**	**3.09%**	**3.13%**	**3.11%**	**3.07%**

Each of the models demonstrates that the fee income generated from HSAs can be used to pay for vendor implementation and ongoing costs as well as HSA staff without interfering from the current sources of profit – money on the money and debit card interchange. Changing to an HSA vendor with user-friendly customer and employer interfaces and sustaining our current growth still proves to be profitable. Improved scalability and functionality with focused marketing on large employers and insurance brokers should prove to be successful for our bank and make it relatively easy for the moderate or aggressive cost benefit analysis to take shape. Our bank could also reach the aggressive position with healthcare expense increases and/or regulatory changes that make HSAs even more favorable, including increased contribution limits, the ability for those on Medicare to contribute to accounts or expanding HSA eligible expenses.

The investment is worthwhile because the risks are minimal. Our bank could switch to the platform, charge no additional fees and still make money on the product. Given that the bank has made minimal efforts to grow the current product and continues to grow balances means that with dedicated staff, improved systems and marketing the product could be extremely successful and profitable. Our bank should dedicate resources to this project because they will prove to have a positive financial impact for the bank.

Non-Financial Impact

Our bank has several logistical and organizational challenges to overcome when implementing this project, including marketing and sales for 13 different banks, the community customer service culture, limited technological resources and outsourcing technology.

One challenge is that one of 13 banks has a completely different brand and does not use our logo. In the 1970s, a retail bank was created to target the consumer banking base that our bank was not capturing in its footprint. The name, colors and culture are completely different even though the products supporting them are the same as all the other banks. Two schools of thought have evolved for HSA branding. The first is to use our bank's logo to show our strong connection to nearly all of our banks and to ensure our current customers continue to identify with their new HSA product. This idea works well for all banks except our retail bank as they typically do not like any connection to our bank's logo. Even though the retail bank has less than one-half of one percent of the Bancompany HSA portfolio, they continue to post strong revenue results and earn their voice in developing product lines. The second idea is to create a completely separate brand fir them. This satisfies the retail bank's desires but our bank loses all connection with its traditional and distinguishable logo that a large majority of the current portfolio has come to recognize. A brand new logo will need a new marketing focus to build more awareness locally and nationally. The vendor cannot support two brands without significantly increasing the cost of the contract. Additionally, our technology company and management have no desire to support the old and new HSA system within the Bancompany. Marketing was able to convince upper management that the strength of our bank's logo is more important than a separate brand for the retail and additional dollars to build the brand. Other division brands within the Bancompany family use the logo today including our mortgage and trust companies.

Marketing is different for each affiliate bank and so are the markets and pricing for each, creating another hurdle for implementation. While our new product provides some flexibility in pricing and services, the goal is to provide a more uniform product for the entire Bancompany. The banks will move from a market centric to a product centric service. Retail pricing and interest rates for all HSAs will be exactly the same for all banks and portion of the profits will be provided to our bank to pay for the vendor contract and services provided at the Bancompany level. Banks will keep their deposits and can change pricing based on large employer groups. Executive leadership will need to be clear that consistency will drive efficiency and improve training efforts among staff at the various banks. Additionally, the bank continually considers collapsing the 13 bank charters. This project will align with this philosophy and make the conversion to one bank much easier in the future.

Our bank is known for being a community bank with big bank products. With the community bank culture, comes high-touch, high-quality customer service. Employees work to build relationships and see most customers at the grocery store or sporting events on the evenings and weekends. Customers know who to call if they have questions and concerns and they expect our bank will resolve their issues in a timely manner. Very rarely does our bank outsource customer service functions, so a switch to full-service, outsourced HSA product will be difficult for both bank employees and customers. In some cases, our bank will need to partner with the vendor for calls and meetings to ensure customers understand they are still working with our bank. Our bank will need to be extremely mindful of our vendor's service standards for responsiveness and service quality. Various service level agreements are identified in the contract to ensure customers receive adequate service levels.

Another hurdle is the technical resources to migrate and integrate with the new HSA vendor. Programming resources at CTS are limited and priorities can change when we acquire a new bank, or another project is delayed or takes on a higher priority. HSAs are a small portion of the other personal and business accounts at our bank, so it will be easy for management to push this project aside. To mitigate this risk and hold true to our promise to the HSA vendor, provisions within the vendor contract require our bank to migrate a large portion of our portfolio by a certain date or the bank will start paying the vendor as if they are on the platform. This ensures CTS and management remain focused on the project and that we remain within the timeframes of our vendor's allocated resources.

CTS's resources may be limited for new projects, but they are responsive when issues arrive. Our bank's core banking platform is home grown. The advantage to this is that system changes can occur fairly quickly to meet a customer's unique needs. Our bank's developers and programmers are only a phone call away and responsiveness is generally very good. When moving to a platform, our bank is getting new functionality that it would take years for internal teams to program, but customers will lose some flexibility. Our bank's customer requests will be limited by the priorities of the vendor's other larger partners and priorities. The bank's "know no boundaries" philosophy will not extend to this platform as it will be using a more "cookie cutter" approach to meeting customer needs. Our bank is hopeful the added functionality will surpass consumer and employer expectations and minimize any threat to its innovative reputation. The vendor tracks system suggestions through a formal website, so our bank will need to be vigilant about sharing concerns with the vendor on a regular basis to meet customer needs.

To overcome several of these obstacles, our bank will need to monitor several measures to ensure the program's success. First and foremost, customer satisfaction must be measured. Employee education also will be a key to the program's success. Retaining and acquiring HSA retail customers and employers are also vital components. Lastly, improved employee productivity must be evaluated. Below is a summary of the metrics and baselines used for evaluating each metric:

Metric	**Baseline**
Customer satisfaction	2018 customer satisfaction survey results

Employee education	Pre-test HSA test scores
Retaining HSAs	Number of accounts prior to platform conversion
Acquiring HSAs	Average account acquisition over the last few years
Employee Productivity	Amount of time to open and service an HSA

To ensure customer satisfaction with our bank and vendor staff as well as the technology, our bank will need to conduct a customer satisfaction survey on a regular basis to gauge the program's success. In early 2018, customers indicated frustrations with remembering debit card PINs, logging into the online account and getting correct information about the HSA product. Our bank will want to ensure these responses are improved and contact customers who had concerns in the 2018 survey to see if their service levels and product education have improved.

Another concern is related to our corporate structure of 13 affiliate banks, each with its own local board of directors and staff to educate. As much as we try to streamline our services, processes and pricing with a new vendor, each affiliate's independence could change how the product is presented to customers and managed at each bank. One way to mitigate the risk of 13 different experiences is to create one brand. This presents HSAs as another product line within our banks without taking away from our bank names.

Reorganizing and refocusing the HSA program at the Bancompany level is vital to the success of this program. To measure the success of our HSA product employee education and marketing, our bank could require employees to complete HSA quizzes throughout the implementation process and ongoing as new information becomes available. This will help ensure messaging and processes are consistent throughout the Bancompany. Because the HSA product is different than most retail products, it will be important for employees to understand the differences and help customers navigate the new system. Additional testing can be completed by IRA professionals to ensure they are up-to-date with the latest IRS rules and requirements. The American

Banker Association offers a course to earn an HSA Expert Certificate, which allows key staff members to learn strategies to better serve HSA accountholders.

It will be imperative for our bank to monitor account closures to ensure they are not directly related to platform changes and track consumer and employer feedback to ensure the transition is a positive experience. Our bank will want to retain all current customers, so account closure reports will be important to monitor on a regular basis.

Acquiring new accounts is just as important as retaining existing accounts. Our 13 IRA professionals at the affiliate banks are not focused solely on selling HSAs. They have other duties, including but not limited to, IRA administration, commercial banking services, retail banking services and collaborating with our brokerage team. We will need to gain the buy-in of this group to ensure they understand the new product, so the new product team can partner with them to sell it. We will need to set sales goals for each bank and provide incentives for onboarding new employers. An internal product team site will need to be created to provide marketing materials, such as fliers, videos, PowerPoint presentations, sales tips, pricing and other important resources for IRA professionals. Feedback from these professionals will be vital to ensure the proper materials are provided for them to meet their sales goals. The sales goals will be monitored on a monthly basis to ensure sales goals are met.

Lastly, employee productivity with the new program must be considered. Our bank recently gained a new large employer and it took our most experienced customer service representatives 25 minutes to open each HSA. The new platform will require customers to complete applications online or be charged a fee for a paper enrollment. The customer service representative can walk a customer through the online process, but they will not be entering the information through our core banking platform. Our bank will need to monitor time spent on account opening and answering questions to ensure the processes are more efficient than they have been in the past.

This proposal is conservative from a financial standpoint but it is riskier from a non-financial standpoint. For the organization, the proposal will strengthen the bank's footprint in its current market and in the national marketplace. Our product team can assist with cross-selling retail and commercial products and strengthen current relationships. With the added technology associated with the new HSA platform and expansion of online banking in general, bank location is less and less important to consumers allowing for further expansion of this product. Demonstrating our brand through different channels will not only expand HSA business but banking business as a whole.

Our bank employees will need to adapt to a new platform and outsourced customer service, but the new product launch will help rejuvenate the attention and education for this product that has not occurred for some time within the organization. The additional training and marketing paired with a uniform product across all affiliates will make it easier for employees to sell to customers. High level training will need to occur with IRA specialists but sales training will be needed for commercial banking representatives, so they can target current and future large employers.

Customers will appreciate a new and better product. They will have access to professionally trained staff who can answer any HSA questions. Their cards will only work on IRS-approved healthcare purchases. The mobile app will help them track expenses and pay bills within minutes. Employers will be extremely satisfied with the new product because they'll have access to reports to track employee spending patterns and strategize ways to help their employees become better healthcare consumers.

Long-term profitability for this proposal will come by competing for new business through requests for proposals, meeting with existing commercial customers, creating partnerships with insurance brokers and cross-selling other retail and commercial products to existing HSA customers. Overall, we should see an increase in awareness and sales from the HSA product training, marketing and outreach efforts. The additional focus will help each bank increase production and productivity for HSAs and other products throughout the bank.

Conclusion

If our Bancompany wants to remain a competitor in the HSA marketplace, we must act quickly to meet and maintain customer expectations in this growing market. The strategy, implementation, financial and non-financial impacts of a new HSA product point to a low-risk decision with expanded profit growth and at least $6 million in interest income alone by 2026. Our bank will earn national recognition to market our other products, our community will have access to more funding for loans and more employment opportunities, and our shareholders will find greater value and confidence in our long-term and sustainable growth.

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