

Win the War for Deposits



Presenting today



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We decode the mystery behind money flows.





Deposits are critical to maintain lending capacity, low cost of funds and delivery of value to current and future members.

The last 10 years have been good for Credit Unions



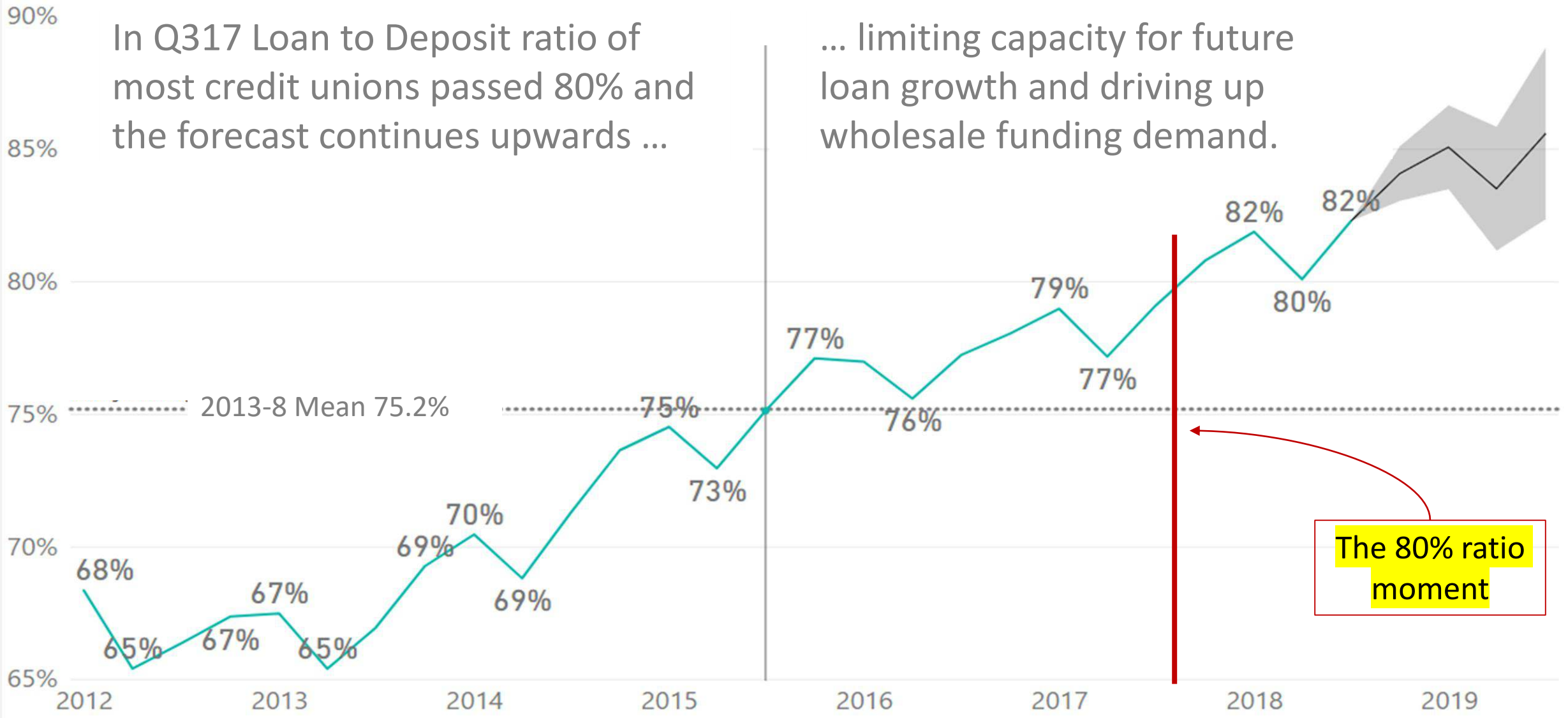
Impressive accomplishments ...

- Weathered the financial crisis well
- Maintained market share against Banks
- Tremendous loan growth, especially Indirect
- 50% Consolidation: from 9,646 (2013) to 4,593 (Q218)

... yet, there were some challenges

- Increased regulatory burden – now \$71 per member avg.
- Rise of digital channels and FinTech payments players
- Decline of relationship depth – indirect versus “True Members”
- Aging Member base & need to engage Millennials / Gen Z

Lending and Regulatory issues took the focus away from deposits

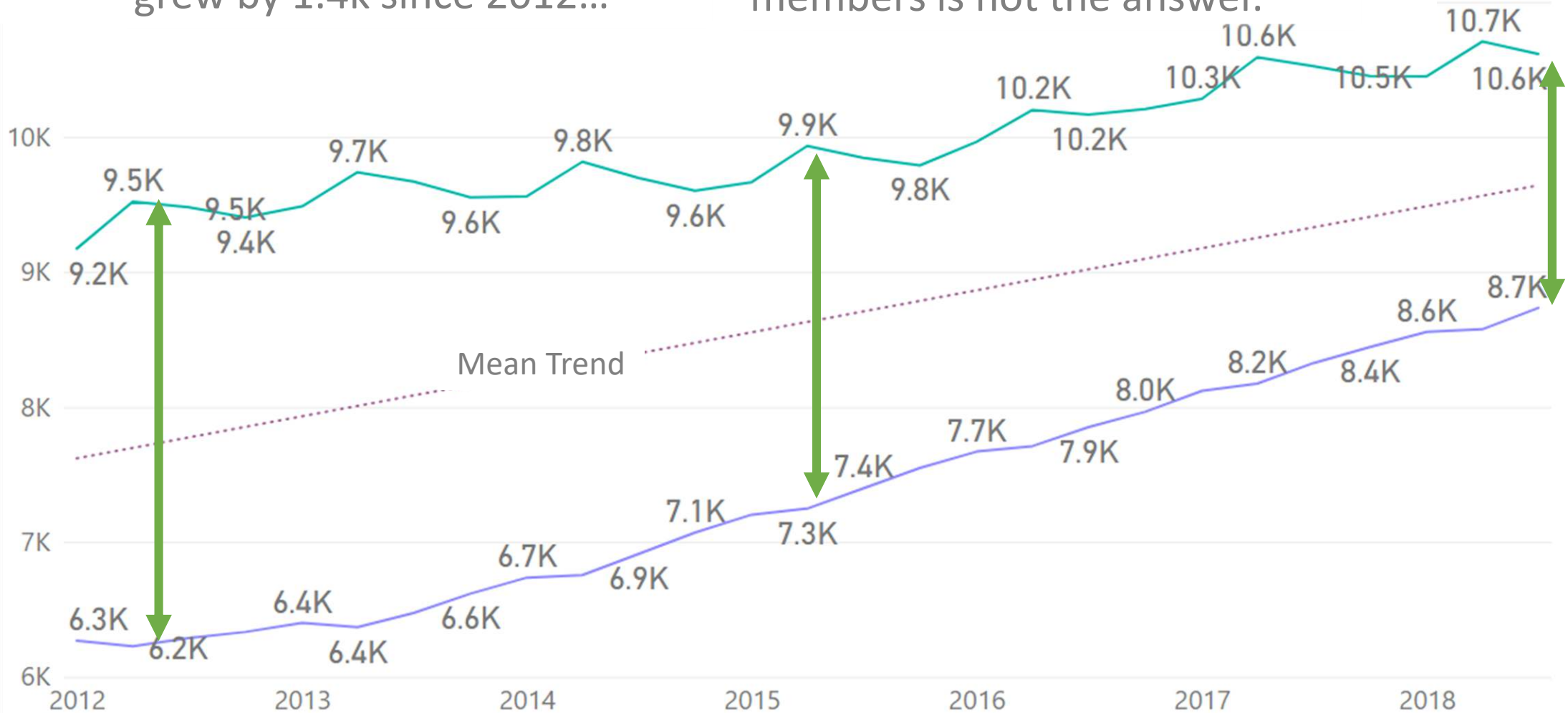




Per-Member Loans growing faster than Deposits

Per-Member Deposit balances grew by 1.4k since 2012...

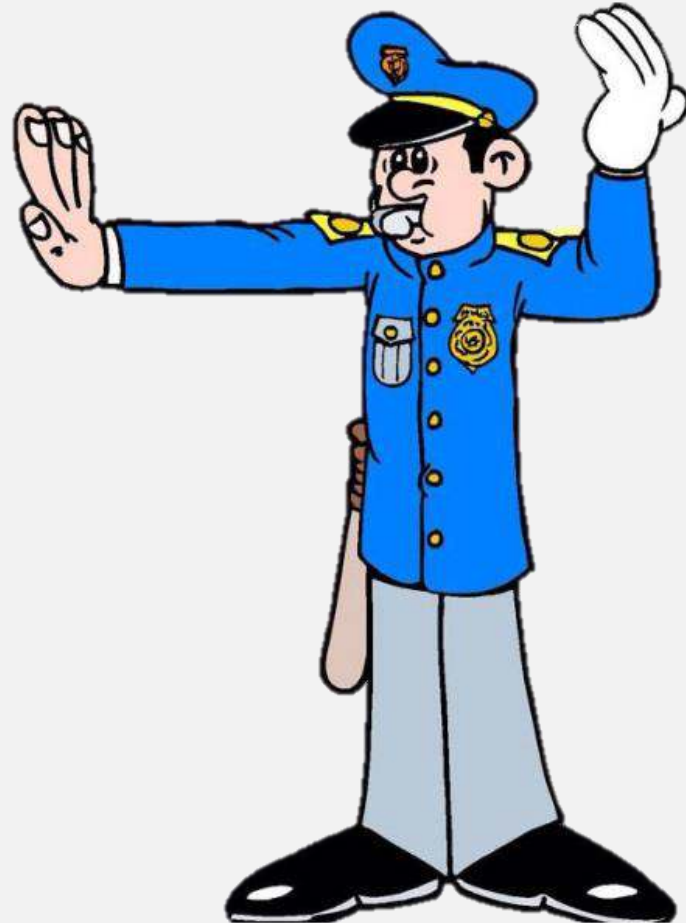
... while Loans grew 2.4k. More members is not the answer.



Lending is your lifeblood. You can't afford to curtail it.



At some point (soon!) regulators will tell you to slow down lending if you don't have enough retail deposit funding.



Curtailing loan volume by pricing out of market or refusing credit causes lasting – even permanent - damage to your brand.

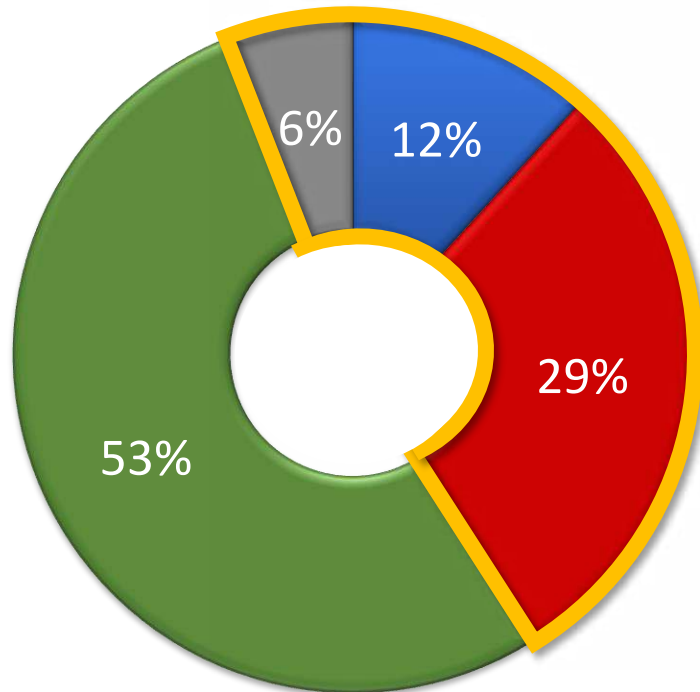
“Their rates are no good”

“I’ll never bank there again”

And the case for balanced growth is substantiated by the numbers



Strategy Focus



- Deposit growth
- Balanced growth
- Loan growth
- Other (please explain)

Strategy vs ROA, ROE	Average of 2016 ROA	Average of 2016 ROE
Balanced growth	0.6	6.67
Loan growth	0.6	3.80
Deposit growth	0.4	3.23
All Respondents Mean	0.6	5.50

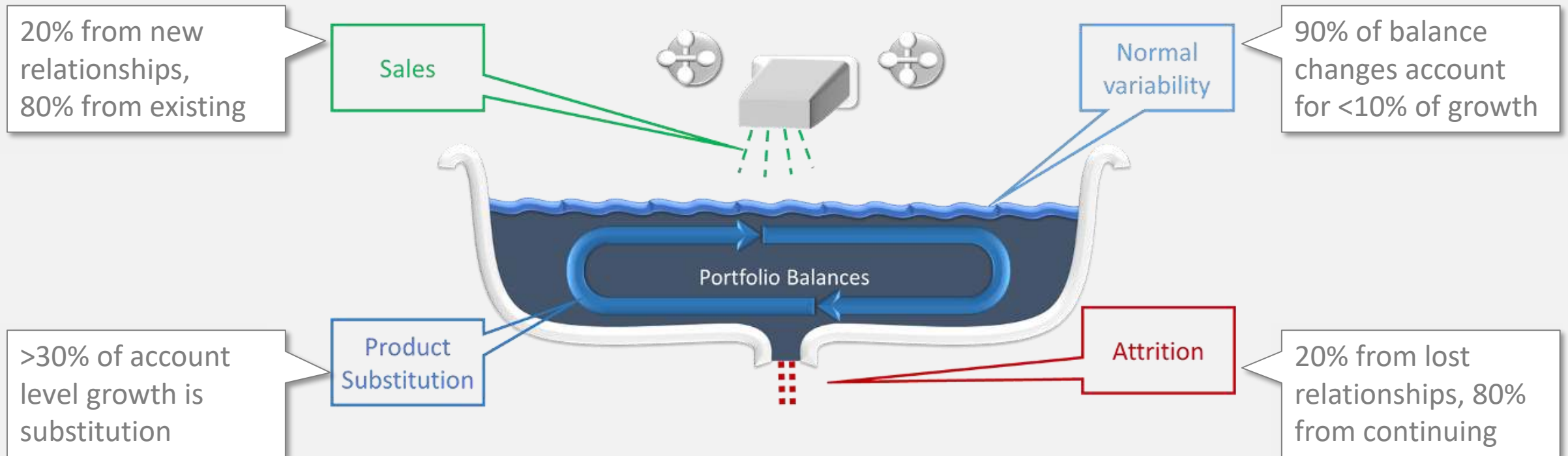
• Imbalance is a drag on performance

Source: FlowTracker Analytics / FMS Research Q417

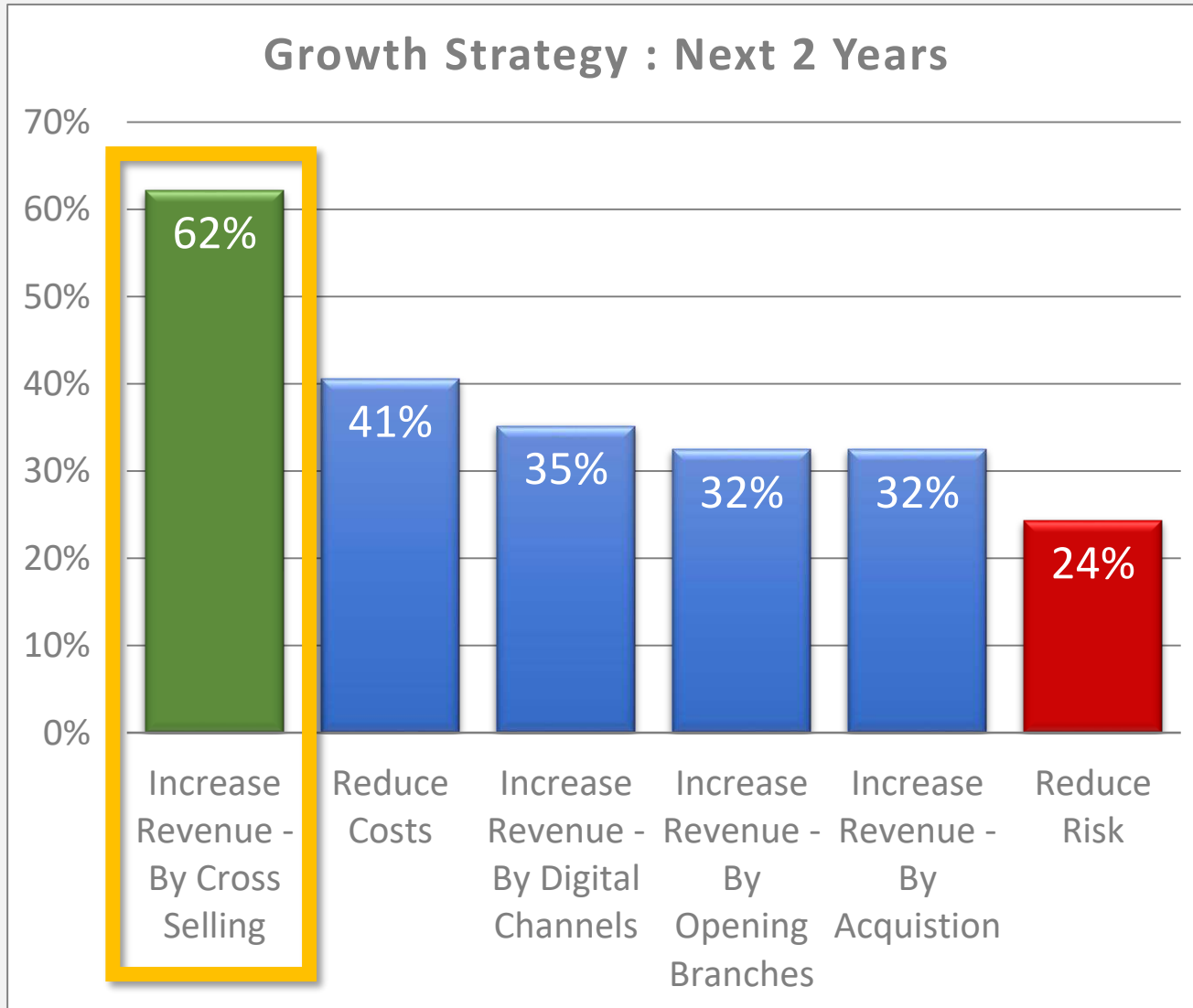
Acquiring new members is only part of the answer



The “bathtub” model of portfolio dynamics



Cross Selling strategy is top of mind. How do you do it?

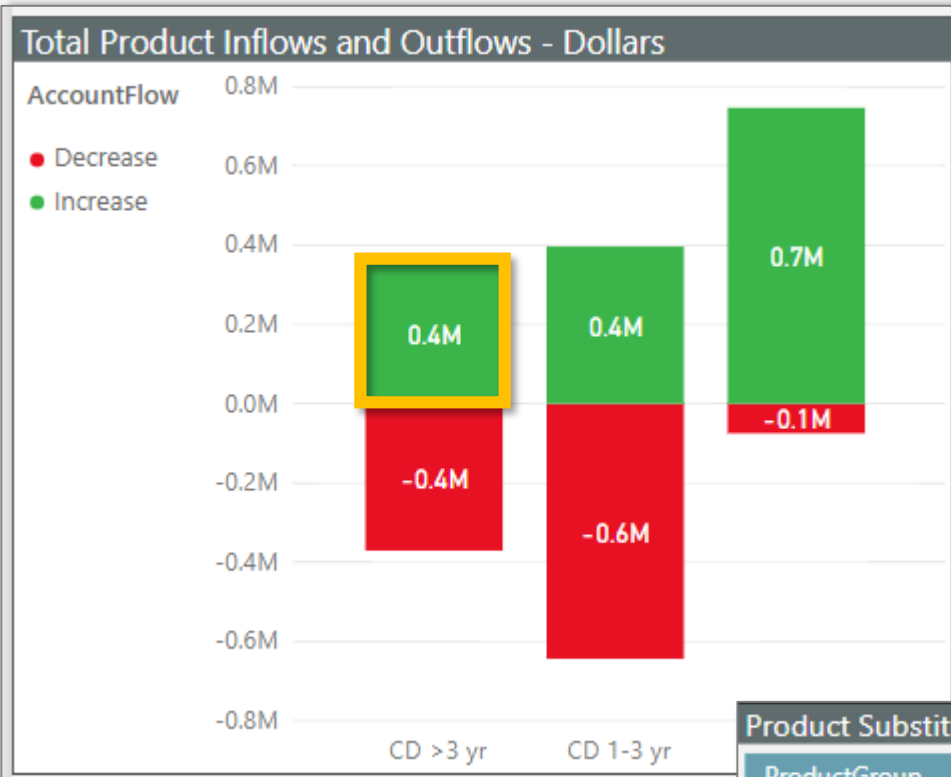


Source: FlowTracker Analytics / FMS Research Q417



The key to grow deposits is to attract new money and retain existing deposits.

From balance change analysis to portfolio dynamics



AccountFlow	Increase
Total DELTA	353,735
NewLost	55,357
InstrumentSwitch	100,000
ProductSwitch	57,718
GroupSwitch	0
ClassSwitch	0
LineSwitch	92,450
DepositLoanSwitch	0
SmallChanges	48,210

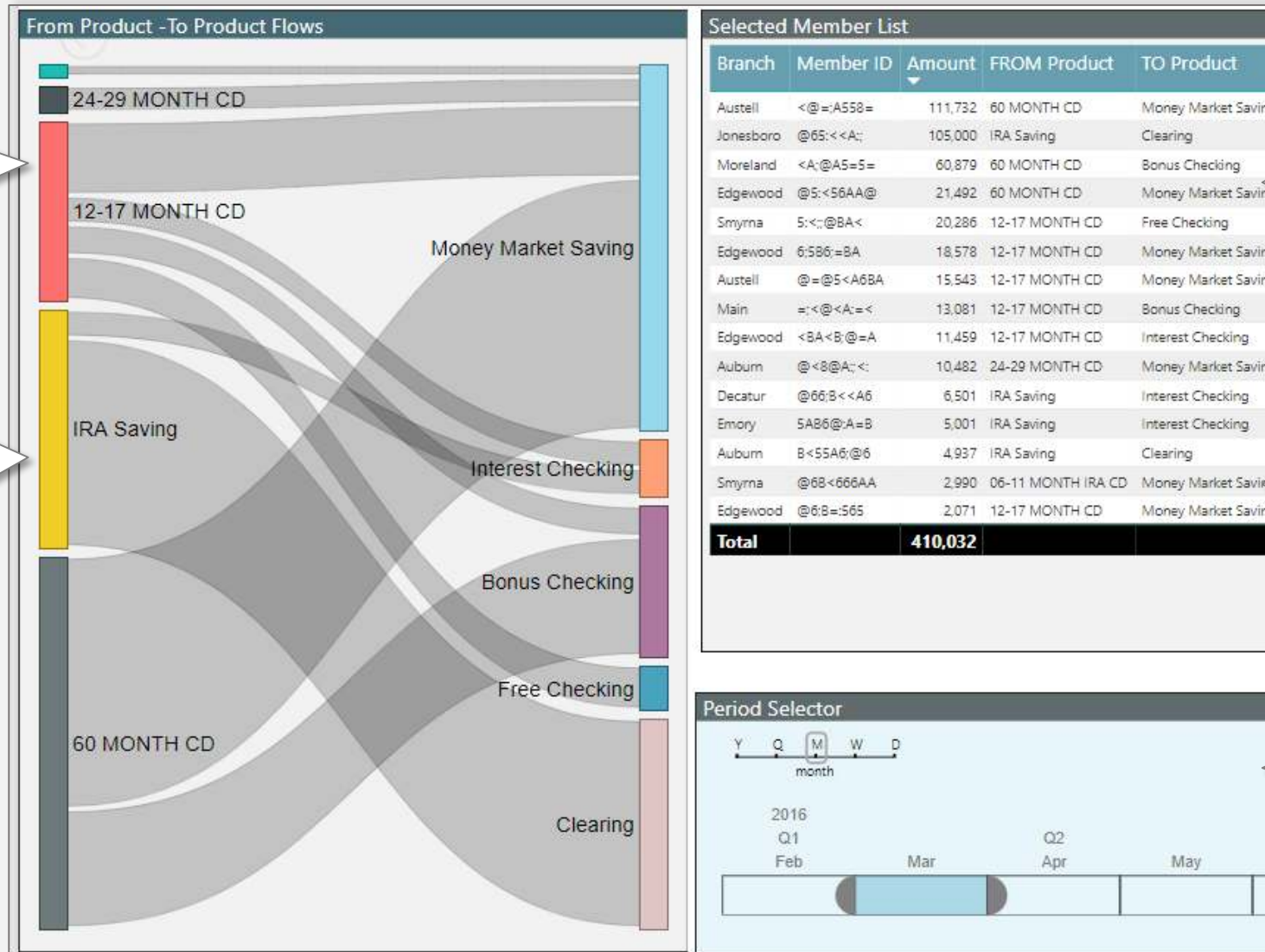
Classified account level flows explain 100% of balance change for every product

From-To money flow analysis unveils internal product substitution behavior

Product Substitution (From ROW to COL) - Dollars

ProductGroup	CD >3 yr	CD 1-3 yr	CD <1 yr	High Interest Savings	Non-interest checking	Online Bill Pay	Savings	Total
CD >3 yr	57,718			133,224	60,879			251,821
CD 1-3 yr			10,190	46,674	33,367		11,459	101,690
CD <1 yr			27,502					27,502
High Interest Savings	50,448	29,953	460,145		320,862	18,070	41,787	921,265
Non-interest checking		6,999		364,276	5,012	14,102	272,956	663,345
Savings	42,002	2,000	73,284	88,350	280,425		172,960	659,021
Total	150,168	38,952	571,121	632,524	700,545	32,172	499,162	2,624,644

Behavior dynamics reveal opportunities



Visualize money flowing from one product to another

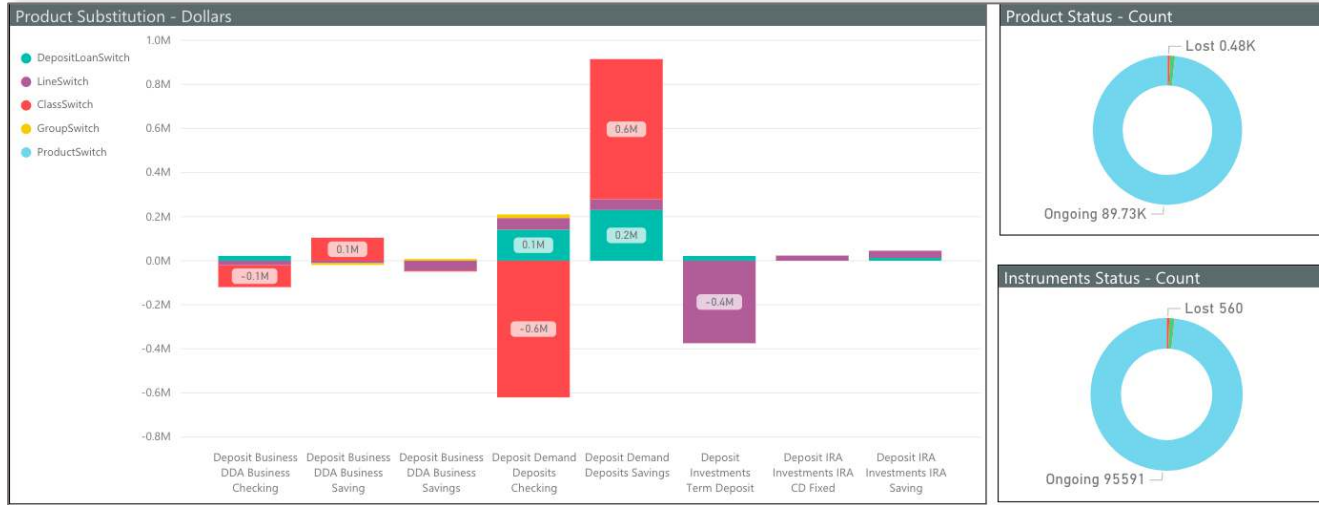
Understand changes in product preference within your client base

Get lists of who has moved money from long term to short term deposits

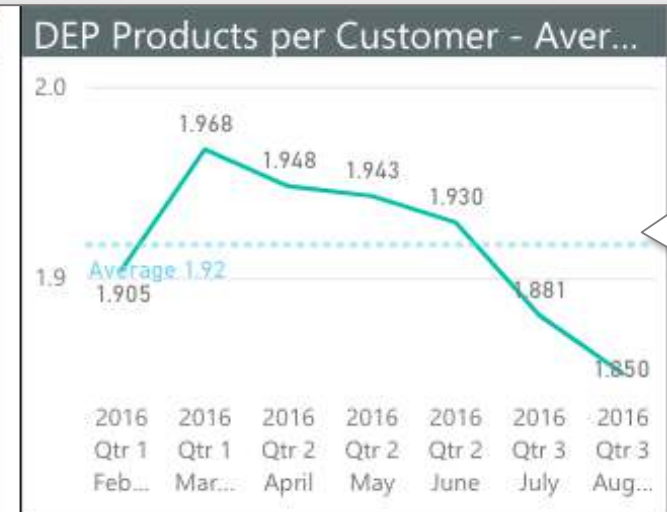
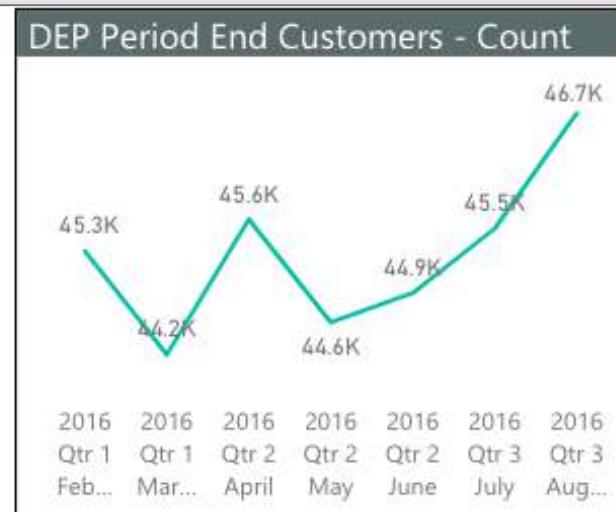
Same for loans – who is paying off secured with unsecured loans?

Across time, branches, service representative....

Monitor the effectiveness of your selling and cross-selling effort



Understand the impact of product substitution and differentiate what is New Money



By branch analysis of the number of new members & products/ member ratio

Act on opportunities to sell and cross-sell your portfolio



New Members with One Product				
Branch	Product	Member	Closing Balance	Product Count
Kirkwood	Money Market Saving	=5B=8B=<<	125,012	1
North Ave.	Money Market Saving	B6<<<;6;8	101,014	1
North Ave.	Bonus Checking	@66:=<=B@	68,692	1
North Ave.	Interest Checking	8B6<;A=;6	66,446	1
Fairburn	Bonus Checking	@@65<5A6B	43,300	1
Smyrna	Money Market Saving	@6;8<B<:B	34,618	1
Jonesboro	Bonus Checking	=B8;@@<<A	34,000	1
North Ave.	Interest Checking	@B:<AB888	29,468	1
Peachtree	Interest Checking	AB@5;A868	26,525	1
North Ave.	Interest Checking	ABA<8A<A8	19,893	1
Moreland	Interest Checking	58@@5@@5:	19,718	1
Piedmont	Interest Checking	5:<@65:5A	15,005	1
Total			793,190	694

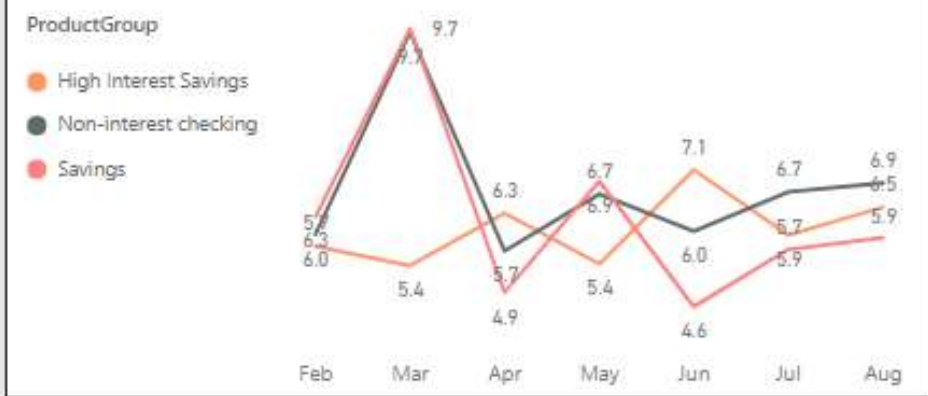
60-70%
opportunity

Look for members with few products that look like your best members.

As you sell, do not forget to close the backdoor



DEP-DEMD Attrition Rate by Product Group - % of Products



DEP-DEMD Attrition by Product Group - Dollars



DEP-DEMD Attrition Rate by Product Group - % of Instruments



DEP-DEMD Attrition Rate - % of Customers



Understanding the cyclical nature of the Attrition enables us to create awareness in the channels to work to reduce it

Set goals and measure for ensure better results



ProductCategory	ProductLine	ProductGroup	Product	Amount	AccountFlow	Branch	Customer	Product	Account
Deposit	Demand Deposits	Savings	VACATION SHARE	90,008	Increase	60	<==68<;66	S25	PAAAAA;=5A;=5
Deposit	Demand Deposits	Savings	SHARE	60,174	Increase	60	@6<;B5:5	S00	PAAAAA;<B8AA
Deposit	Demand Deposits	Savings	Special Purpose Savings Ac	56,198	Increase	60	@=6;AA:B=	S26	PAAAAA:B=8<AB
Deposit	Demand Deposits	Savings	SHARE	48,057	Increase	60	58:@@6;;6	S00	PAAAA6B6AB8AA
Deposit	Demand Deposits	Savings	SHARE	45,000	Increase	60	5:=;6@8@=	S00	PAAAB@8A<<<AA
Deposit	Demand Deposits	Savings	SHARE	37,984	Increase	60	58:@88;AA	S00	PAAAAA8B6@5AA
Deposit	Demand Deposits	Savings	SHARE	30,297	Increase	60	=A656A@B<	S00	PAAAAA6;5:5AA
Deposit	Demand Deposits	Savings	SHARE	25,027	Increase	60	BB5<@; <;5;	S00	PAAAB@8<;;8AA
Deposit	Demand Deposits	Savings	SHARE	24,833	Increase	60	BB:5A@8:6	S00	PAAAA8:AA=AA
Deposit	Demand Deposits	Savings	SHARE	23,710	Increase	60	AA;66;;;8	S00	PAAAAA;@6@6AA
Deposit	Demand Deposits	Savings	SHARE	21,949	Increase	60	<@A6A;:=	S00	PAAAAA@=B=5AA
Deposit	Demand Deposits	Savings	SHARE	20,803	Increase	60	@66888<A	S00	PAAAAA5;:BAAA
Deposit	Demand Deposits	Savings	SHARE	10,005	Increase	60	@6585655;	S00	PAAAAA5;:=5AA
Deposit	Demand Deposits	Savings	SHARE	10,000	Increase	60	@=;<;8@;<;	S00	PAAAB@;A5BAAA

Set goal based on historical results and get buy in to push for results

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Deposit	Demand Deposits	Savings	SHARE	24,833	Increase	60	BB:5A@8:6	S00	PAAAA8:AA=AA
Deposit	Demand Deposits	Savings	SHARE	23,710	Increase	60	AA;66;;;8	S00	PAAAAA;@6@6AA



Deposit Growth

Monitor the dynamics of your portfolio –
Understand who brings New Money

Monitor the effectiveness of your selling and
cross-selling efforts

Do not forget to close the backdoor - Zero in on
Money at Risk



Want to Learn More?



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