

How do you plan to meet the goals for your deposits business in 2012 and beyond?



The Nomis Software Suite for Deposits can help you:

- Run a profitable business with proactive management of Interest and Fee Income
- Acquire and Retain valuable customer relationships with targeted value propositions
- Grow Core deposits and manage funding profile

Do You Have the Ability to Quickly Adapt Your Business to the Dynamic Market?

Consumer deposit business owners are doing their best to manage through the unprecedented challenges of the current economic climate while identifying initiatives that will make an impact this year. Most are facing increased pressure to:

- **Run a profitable business**

Today's low base rate environment combined with a volatile competitive and changing regulatory landscape is contributing to Net Interest Income (NII) and Fee Income compression.

- **Acquire and retain valuable customer relationships**

Market uncertainties and the money center banks' loss of equity and trust are driving rapid changes in consumer loyalty and price sensitivity. Banks with strong brands have the immediate opportunity to capitalize on these shifts to acquire and retain attractive customers.

- **Provide stable levels of core funding for the bank**

Though government intervention has lessened the scramble for liquidity, core deposits remain central to long-term health.

Traditional pricing of consumer deposits is based largely on market rates and target spread. **This approach fails to appropriately consider how consumers will respond to the prices being set, leaving executives with an inability to make fully-informed decisions about NII, balance and other portfolio trade-offs.** Traditional pricing approaches also limit into how pricing will impact the flow of balances between products, hindering the ability to meet strategic goals at the overall portfolio level.

To move beyond traditional pricing approaches, some banks have invested in consulting services, in-market testing with various pricing approaches, and the creation or purchase of sophisticated spreadsheets to execute their pricing strategies.

These initiatives generally help consumer deposit executives better understand their business at a particular point in time. However, the benefits achieved from these approaches are limited by their lack of flexibility and responsiveness, two qualities necessary to operate in a dynamic market.

Take Your Deposits Business to the Next Level

In order to efficiently manage your business over time and align your pricing strategies with the shifting priorities of the consumer deposit business, it is critical to reach the next level of sophistication. Your pricing process should enable you to evaluate the effectiveness of all pricing actions and incorporate continuous learnings based on in-market results.

Case Study:

Company: Top Tier EMEA Retail Bank in a competitive market for deposits

Challenge: Increase margin at stable balance in a flat interest rate environment and align rates with customer needs while improving retention efforts and avoiding "buying" retention through rate

Approach: Five-month in-market test on 2 key products with a targeted retention strategy for hot money vs aging funds

Results of in-market test: 18% Spread and 12% in NII with less than 1% impact on balances. No negative customer, sales force or competitive responses.

Next Steps: Roll-out Nomis Solution approach for entire portfolio of Retail Deposits products

The Nomis Software Suite for Consumer Deposits

Nomis' award-winning end-to-end software solution enables executives to link deposits pricing strategy with best-in-class execution. Through a quantifiable understanding of how consumers respond to prices, Nomis software anticipates the impact of price changes on profitability and balances before they are executed. **By optimally balancing the trade-offs between rate increases and decreases across elastic and inelastic market segments, pricing optimization enables you to generate increased balances, margins or both.**

Nomis software also drives more effective and efficient price execution, bridging the gap between pricing insights and in-market results. By using a more sophisticated pricing approach and process, you will gain a measurable competitive advantage that will carry through to more stable market conditions. Benefits include:

Increased portfolio growth without sacrificing profitability

- Grow the deposit base to achieve up to a 10% increase in balances or 5-10 bps margin improvement per portfolio, translating to a 5-10x+ ROI
- Attract and retain customers with the right product at the right price to achieve the most profitable product mix

A greater understanding of customer preference around prices

- Use insight into customer-level preference for price to better tailor value propositions and manage portfolio goals and tradeoffs
- Seamlessly adapt to changing business priorities in the face of evolving macroeconomic, competitive, regulatory and internal strategic factors
- Advance competitive position through early-adoption

Sustainable and efficient price execution

- Enable a more transparent and consistent pricing process with a common platform for data-gathering, analytics and execution
- Make price changes more frequently and with a higher level of accuracy
- Continuously evaluate the effectiveness of your pricing decisions
- Empower front-line staff with optimized negotiation guidelines and tools

Nomis Software Suite for Consumer Deposits can help you answer the following key questions about your business:

1. How can I understand historical flow of funds and forecast flow of funds to better manage portfolio growth and mix?
2. Which are the segments with high amount of attrited balances and how does it change over time?
3. What impacts to balance and profitability can we expect from external pressures, and how can we respond effectively while keeping business objectives in mind?
4. What is the duration mix of the portfolio and how is it changing over time? How do I proactively manage the duration mix of the portfolio?
5. How can we use price as a strategic lever to profitably grow our consumer deposits portfolio?



“Our research has shown that approximately 75% of deposit accounts are mispriced relative to underlying price sensitivity.”

The Nomis Software Suite enables consumer deposit business owners to more effectively pursue portfolio goals by attracting and retaining customers with the right product at the right price.”

— Dr. Robert L. Phillips, Founder, Chief Science Officer & Vice President, Research & Development at Nomis Solutions

The Nomis Solutions Advantage

Nomis Solutions materially improves the financial and operational performance of financial services companies. Leading banks and finance companies choose to work with Nomis Solutions for the following reasons:

- Most customers and experience
- Exclusive focus on financial services
- Best-in-class technology and science
- Pricing best practices and processes
- Fastest time-to-benefit

About Nomis Solutions

Nomis Solutions enables best-in-class Pricing and Profitability Management for financial services companies. Through a unique combination of data, advanced analytics, innovative technology, and tailored business processes, Nomis Solutions' **Pricing and Profitability Management™ Suite** enables banking executives to make more intelligent, data-driven decisions to align their pricing practices with customer needs and business goals. Through predictive insights about customer price-sensitivity, the Pricing and Profitability Management Suite™ provides banking professionals the ability to unlock the profit and volume potential of their consumer lending and deposits portfolios while satisfying risk, funding, and regulatory constraints.

The Pricing and Profitability Management™ Suite of business solutions includes the award-winning Nomis Price Optimizer™, the Customer Portfolio Optimizer™, and Nomis Insights™. Driven by each customer's data and the Nomis Data Network™, our solutions provide analytic insight through predictive price-response models, the Nomis Score™, and the Nomis Market Schema. Each engagement is a collaborative process between our customers and our team of pricing experts, spanning data, analytics, software, and business consultants.

Nomis Solutions has the **largest depth and breadth of Pricing and Profitability Management experience** in the financial services industry. We leverage this experience to bring similar results to your unique business environment and deliver the fastest time-to-benefit. Our solutions are used by executives responsible for pricing, product management, marketing, finance, and risk across consumer lending and deposits with over \$400 billion in consumer accounts and generated \$400 million in incremental profits through the use of Nomis technology.



Pricing is the most immediate way to impact results. With NPO, improved financial results can be seen within 4-5 months.

What other initiatives are you considering that can deliver this type of speed-to-benefit?

Contact

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