

GLOBAL PRICING OPTIMIZATION FORUM

SEPTEMBER 21ST-23RD, 2008 THE MUSE HOTEL NEW YORK CITY

Improved Pricing and Profitability Management Was the Key Theme at the Global Pricing Optimization Forum in New York This Week

Financial Services Executives and **Pricing** Experts Agree that Improved Pricing **Strategies** Will Play a Key Role in Fixing the Root Cause of the Banking Crisis and Generating Higher Quality Business Moving Forward

John William Snow, Chairman of Cerberus Capital Management (an investor in both Chrysler Financial and GMAC) and 73rd Treasury Secretary, delivered the keynote presentation, discussing the turmoil in the banking and finance market. Along with the Honorable John Snow, **presentations by executives from leading banks and finance companies** echoed similar themes. Snow urged banks and financial institutions to **apply more analytical rigor to pricing**.

Hosted by **Nomis Solutions**, the Global Pricing Optimization Forum assembled more than **80 executives and pricing experts from 25 banks, finance companies**, universities and associated organizations. Pricing experts discussed how the turmoil in the financial markets, impending regulatory changes, and changing consumer behavior will impact the pricing of retail credit and deposit products in the United States, United Kingdom and Canada. Attendees agreed that **improved pricing and profitability management will play a key role** in fixing the root cause of the banking crisis and generating higher quality business moving forward.

In particular, attendees explored how advanced analytics, innovative technology and best in class pricing practices and processes can be used to improve financial performance while providing fair and transparent pricing to consumers. Other themes included:

- **Pricing is the single-most effective yet under-utilized lever** that banking executives have at their disposal to improve business performance tomorrow
- Pricing optimization helps manage increasing costs of funds and capital market constraints by **identifying profit opportunities and “originate to order” portfolios** for a severely tightened ABS market
- Several banks and finance companies reported **profitability increases of 8-20% in consumer credit originations** through the deployment of pricing optimization technology
- Mortgage lenders can capitalize **on renewal pricing before rate resets in existing mortgage portfolios** while effectively balancing the risks of delinquency and refinancing (prepayment)

In today's challenging times, **pricing is one of the few levers that bank and finance executives can pull to immediately improve performance across repricing and portfolio management**. In order to effectively compete and generate high quality assets at appropriate margins, executives are turning to pricing optimization technology. One of the root causes of the current banking crisis is the mis-pricing of assets at the point of origination. Pricing optimization technology allows banks to put in place a rigorous data-driven pricing process that balances risk, profitability, consumer behavior, and market demand. Banks have the opportunity to fix some of the past lending mistakes in their existing portfolios and generate higher quality business going forward.

Financial services industry expert, Bobbie Britting, research director of consumer lending at TowerGroup, who presented at the event commented, **“The banking crisis and potential changes in the capital markets will force banks to get back to the basics of the banking business**, which is centered on gathering deposits and making loans. On both sides of the balance sheet, in the deposits and lending business, this boils down to two fundamental questions where pricing and profitability analytics are going to be essential. First, who should banks borrow from and how much should they pay? Second, who should they lend to and how much should they charge? This is where **pricing optimization allows banks to manage revenue, profits and risk more effectively.**”

Executive Presentation Highlights

Royal Bank of Canada:

- **Why Pricing Optimization?** To maintain profitable growth within slightly deteriorating Canadian credit market, to better understand customer response to our pricing, understand *if and how* to respond to competitor price moves, to continue to add more analytical rigor to our pricing process
- **Implementing Across Products:** Unsecured Personal Lines, Installment Loans and Indirect Auto
- **Achieving Strong Results:** 7.5% increase in net interest income while holding volume constant for lines and 8% increase in net interest income forecasted for installment loans

AmeriCredit:

- **The Challenge:** Dynamic markets, refined loss measurement, capital constraints
- **The Solution:** Pricing optimization, increased pricing granularity, improved price discretion controls, ongoing process enhancements
- **The Results:**
 - **Financial:** increased profits;
 - **Strategic:** pricing becomes a strategic lever;
 - **Operational:** tighter execution.

Chrysler Financial:

Implementing pricing optimization in an effort to:

- **Determine the optimal mix** between market share and profitability within the context of their risk tolerance and ABS conduit agreements
- **Achieve overall volume, ROA and profit targets** and determine appropriate regional targets for our 8 business centers
- **Find the proper balance** between centralized and decentralized pricing
- **Add significant analytical enhancements** to their pricing process and “post mortem” analysis

HBOS:

- **The Goal:** Adjust prices in order to optimize overall profitability of unsecured personal loans
- **The Strategy:** Increase levels of pricing sophistication to achieve business objectives
- **The Results:**
 - **Operational:** Deployed a more efficient and effective process;
 - **Strategic:** Pricing is an executive level discussion and decision. Viable alternative options are developed and financially evaluated prior to each decision being made;
 - **Financial:** step change in financial performance driven by significant increase in until profitability that more than offset downturn in sales

More information on pricing and profitability management can be found at www.nomissolutions.com

About Nomis Solutions

Nomis Solutions enables best-in-class Pricing and Profitability Management for financial services companies. Through a combination of advanced analytics, innovative technology, and tailored business processes, Nomis Solutions delivers quick time-to-benefit, and improves financial and operational performance throughout the customer acquisition and portfolio management processes.

The company's business solutions include the award-winning Nomis Price Optimizer™, the Nomis Offer Optimizer™, and the Customer Portfolio Optimizer™. These solutions are designed to meet the specific requirements of auto finance, home equity lending, personal lending, mortgage, and deposits executives. Select customers include Abbey, AmeriCredit, Chrysler Financial, HBOS plc, Royal Bank of Canada, and Washington Mutual Bank. Headquartered in San Bruno, CA, Nomis Solutions also has offices in London, United Kingdom. Visit www.nomissolutions.com or contact us at info@nomissolutions.com or 650-588-9800.