

CANADIAN BANK USES NOMIS SOLUTIONS

to Identify a Sustainable Path to Achieve Portfolio Growth Goals



COMPANY RESULTS

- ✓ 20 basis point- increase on new balance net interest margins
- ✓ Creation and execution of a closed-loop pricing process
- ✓ Ability to strategically align promotions to volume goals and growth strategies
- ✓ Advanced forecasting capabilities

AT-A-GLANCE

A large Canadian bank was recently able to increase net interest margins on new balances by 20 basis points, using targeted promotional campaigns that leveraged customer segmentation and price optimization tools designed to foster the growth of a stable, sustainable deposit portfolio. In comparison to prior campaigns, the bank found that their refined promotions resulted in a similar balance growth even though the promotional offers were only extended to *half* as many customers.

CHALLENGE:

Certainty in Competitive Pricing



Despite continued economic pressures, promotional pricing remains an important tool for meeting deposit targets that support the capital requirements of the lending portfolio. However, as one Canadian bank recently experienced, aggressive competitive promotions and a low-rate environment make it difficult for banks to sustain growth by retaining balances long-term, while also protecting margins.

In an effort to build a more profitable deposit portfolio, this bank implemented Nomis Solutions' price optimization and advanced customer behavior analyses to identify a more sustainable way to achieve portfolio growth goals. Well-known for successful promotional deposit campaigns, the bank routinely offered bonus interest rates many times

above other banks' published market rates. As a result, competitors began to launch more aggressive promotions that undermined the initial success of these campaigns, creating volatility as more price-sensitive customers moved their balances to take advantage of competitor rates.

The bank sought a solution that would support ongoing volume growth with the most efficient use of net interest expense.

SOLUTION:

Customer- and Market-specific Price Optimization



Nomis Solutions' customer segmentation approach begins with a thorough analysis of the bank's historical data, analyzing balance movements, account transactions, and customer engagement.

Nomis' sophisticated money market lens is layered on top of this schema to provide a holistic view of the customers' financial capacities, as well as determine price sensitivity across segments.

By implementing the Nomis technology platform, the bank was able to execute and deploy the following capabilities:

- ✓ Robust reporting that helps management quickly evaluate the effectiveness and better identify key trends to create a closed-loop pricing process and improve results over time.
- ✓ Optimized pricing based on customer- and market-specific data that is strategically aligned to the bank's volume and growth goals.
- ✓ New forecasting capabilities leverage sensitivity modeling to project how the deposit portfolio could perform over time while factoring in planned promotions, expected competitor responses, and other important market factors.

SOLUTION:

Accuracy in Forecasting and Promotions



With the promotional targeting and optimized rates confirmed, the bank can now leverage the forecasting function within Nomis Price Optimizer (nPO) to project the deposit portfolio month-over-month, given the planned promotion campaigns. Further, the bank can examine the short- and mid-term impact of different promotional campaigns on the portfolio balance, as well as portfolio stability. By deploying Nomis' intelligent solutions, the bank was able to successfully refresh its promotional strategy to grow volume more efficiently.



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