Executing retail deposit pricing strategies in a complex banking landscape

In the U.S., competition for retail deposits is fierce

- Retail deposits are widely considered to be a key source of stable, low-cost funding
- Large incumbent banks are looking to use their scale to capture additional market share
- Both established and upstart neobanks have entered the market and are quickly gaining traction
- A growing number of fintech companies are securing banking charters and even acquiring banks

Even the most well-conceived deposit strategies are constrained

- The inability to operationalize the strategy in its intended form within inflexible legacy core systems
- The inability to rapidly iterate based on previous results and learnings
- The inability to incent and track customer behavior effectively without extensive manual processes
- The cost and timeframe required to execute is often cost-prohibitive
- Many pricing strategies end up getting watered down considerably or shelved altogether

Top attributes that influence and predict deposit behavior

<table>
<thead>
<tr>
<th>Geography</th>
<th>Balance</th>
<th>Account age</th>
<th># of products</th>
<th>Profession</th>
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Successful outcomes require a deposit pricing execution framework

What objective or desired outcome are you trying to achieve?

- Deposit market share
- Deposit balances
- Deposit stability
- Net Interest Margin
- Debit transactions
- Product penetration
- Primary relationships
- Interest expense
- Attrition

What customer segments support the desired outcome?

- New vs. existing customer
- Customer tier
- Geography
- Age/tenure of the account
- Deposit behavior
- Transaction behavior
- Channel behavior
- Relationship breadth
- Customer lifetime value

What benefits will you offer to incent the desired outcome?

- Cash bonus
- Preferred rate
- Fee waiver
- Free banking services
- Non-financial products
- Experiences
- Combination
- Other?

What conditions are required to receive the benefit?

- Minimum balance
- Net new deposits
- Timeframe
- Payroll deposits
- # of bill payments
- # of debit transactions
- # of products
- Product usage
- Combination
- Other?
Modern deposit pricing strategies demand agility and flexibility

- Enable a test and learn execution approach driven by business users, not IT
- Spin up new deposit products quickly
- Configure as many product variants as you need to suit the needs and preferences of customer segments
- Create as many price points as are required
- Run multiple deposit strategies and offers simultaneously

Zafin helps makes it happen

Zafin’s deposit pricing execution solution, powered by the Rates & Fees and Offers & Rewards modules within Zafin’s product suite, enables a bank’s business users to take back control of deposit pricing strategies.

- Drive results through better execution -- deposit growth, Net Interest Margin, etc.
- Utilize both demographic and analytics-driven behavioral segmentation variables
- Tailor product attributes, pricing and offers to the needs of specific segments
- Increase pricing flexibility
- Track behavior and required conditions and assign the correct price automatically
- Reduce interest expense by ensuring each customer receives the correct rate
- Reduce cost and time-to-market for product launches, offers and pricing changes
- Increase pricing transparency and substantiate why a fee or rate was charged
- Offer a range of benefits, including non-financial products and services
- Create multi-product offers across deposits, lending, cards and more
- Price customers holistically based on their entire relationship with the bank

The results our retail deposits clients have realized with advanced pricing execution capabilities speak for themselves.

- 25% increase in deposit balances
- 36% increase in fee-based product uptake
- $ millions in Net Interest Income each year through a combination of a better spread and new deposits business

Unlock the power of personalizing offers to microsegments

Attributes of the Urban Professionals segment:
1. 30-45 years of age; Live in major metro areas.
2. College educated; Annual income above $90K.
3. Heavy users of home delivery and streaming services.
4. 60% of customers have one product with the bank.
5. Consistent deposit balances and credit card spend.