



PwC Fusion Solutions

Pricing improvement – liability side (1/2)

Large TOP 7 Bank, Poland

Moderate decreases in the interest rate of term deposits, accepting that the “rate-hunters” will leave the bank – nevertheless they were not the main target group. Pricing logic was redesigned – longer term and/or higher amount pays off better.

- **EUR 9.1 mil** savings/year

1

TOP 5 bank, Hungary

Term Deposits

Customers differentiated the market offers only by the integer part (6.9% is not 7%, but 7.8% is still not much more than 7%), at the same time they did appreciate flexible accessibility conditions (-0.5% was an acceptable trade-off).

- **EUR 2.5 mil** savings/year

2

Large TOP 7 bank, Poland

Savings Account

Pre-conditions seemed acceptable for the savings account customers in exchange for higher interest, even though as it was apparent that c. 85% of the customers could not fulfil those terms (no access to the savings during the month, otherwise no interest paid).

- **EUR 13 mil** savings/year

3



PwC Fusion Solutions

Pricing improvement – liability side (2/2)

TOP 3 bank, Romania

Current Accounts

Customers preferred simple pricing structures relative to transactional fees. No monthly fee for the current account appeared to be the best market fit. We rearranged the pricing structure for the current account to increase profitability.

- **EUR 6.7 mil** savings/year

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1. Case study: Term deposit price optimization in a large TOP 7 Bank, Poland

Client expected to increase overall profitability of retail business by deliberate product re-design based on deep understanding of market and clients' preferences and improved funding efficiency

Recommendation

Well aligned liability pricing structure inspires client to switch for higher amount and/or higher tenor (lower accessibility) – paying consistently higher interests for higher amounts and on longer term.

Goal & Benefits

Lower table rates – to support pricing flexibility from legal aspects – and higher room for negotiation up to the aimed level in cost of funds

1. **Normal deposits cannot be accessed easily without penalty in interests**
2. Pricing should be aligned with market median and effective interest rate should be as well lowered (including negotiations)
3. 3M interest rates increased, 6 and 12m generally remained unchanged
4. Step-Up products give high headline interest rates. They can be terminated without losing the receivable interest of passed whole months
5. Small adjustments are possible if they do not cost too much
6. There is a broader room for negotiation – focusing on retention – on shorter tenors
7. Negotiation supporting tool delivered and to be implemented

Recommended pricing structure

		1–3 months		4–6 months		7–12 months	
Accessibility		"FLEXI"	"NORMAL"	"FLEXI"	"NORMAL"	"FLEXI"	"NORMAL"
Amount	200,000 PLN	(NO PRODUCT OFFER)	5.00% (5.50%)	4.85% (4.85%)	5.25% (5.80%)	5.00% (5.00%)	5.50% (6.00%)
	100,000 PLN		4.85% (5.10%)	4.85% (4.85%)	5.00% (5.40%)	5.00% (5.00%)	5.25% (5.60%)
	50,000 PLN		4.70% (4.90%)	4.85% (4.85%)	4.85% (5.20%)	5.00% (5.00%)	5.00% (5.30%)
	3,000 PLN		4.25% (4.40%)	4.85% (4.85%)	4.50% (5.00%)	5.00% (5.00%)	4.80% (5.10%)
	0 PLN		(NO PRODUCT OFFER)				
		Legend for the table Normal in brackets: aim for cost of funds					

+ EUR 9.1 million savings per annum (assuming & including 24.6% attrition)

2. Case study: Value based pricing for liability products in a TOP 5 Bank, Hungary

Client expected to improve deposit product portfolio attractiveness and optimize it's pricing to support sustainable volume growth and optimal profitability

Research shows there's a large potential also in existing clients – tiering incentivizes clients to bring in more savings in order to reach the I/R in the higher tier

Present tiers and interest rates					New tiers and interest rates				
	Volume tiers	Non fresh promotional	Non promotional	Prepaid interest		Volume tiers	Non fresh promotional	Non promotional	Prepaid interest
3 M	0.1–0.5 million	4.5%	3.6%	4.5%	3 M	0.1–0.5 million	4.0%	2.6%	4.0%
	0.5–2 million		3.7%	4.5%		0.5–1.2 million	4.1%	2.7%	4.1%
	2–5 million		3.8%	4.5%		1.2–2.4 million	4.2%	2.8%	4.2%
	Above 5 million	5.0%	3.9%	5.0%		2.4–5 million	4.3%	2.9%	4.3%
6 M	Volume tiers	Non fresh promotional	Non promotional	Prepaid interest	6 M	Volume tiers	Non fresh promotional	Non promotional	Prepaid interest
	0.1–0.5 million	6.0%	3.9%	5.0%		0.1–0.5 million	5.00%	3.6%	4.0%
	0.5–2 million		4.0%	5.0%		0.5–1.2 million	5.25%	3.7%	4.1%
	2–5 million		4.1%	5.0%		1.2–2.4 million	5.50%	3.8%	4.2%
	Above 5 million		4.2%	5.2%		2.4–5 million	5.75%	3.9%	4.3%
						Above 5 million	6.00%	4.0%	4.5%

Due to re-tiering and lowering interest rates opportunity of EUR 2.5 million saving was realized

3a. Case study: Saving Account price optimization in a large TOP 7 Bank, Poland

Client expected to increase overall profitability of retail business by deliberate product re-design based on deep understanding of market and clients' preferences

Recommendation #1: Termination withdrawal fee but paying no interest on the money withdrawn for the month of withdrawal. For the majority of the customers interest loss is accepted without significant influence on decision making.

AS-IS	TO-BE	
First withdrawal for free, any additional withdrawals for PLN 10 each, no loss of interest	No withdrawal fee, but only 1% interest is paid for the specific month, if any amount has been withdrawn	<ul style="list-style-type: none"> Accessibility plays a close to insignificant role in choosing the bank where savings account should be opened, even though the profitability effect of this factor can raise extremely high levels „0% interest paid if any amount has been withdrawn during the month” product attribute has been tested and found as well insignificant (or not unacceptable by clients) In order to decrease the number of client claims and to tune the offer more fair, 1% interest paid if any amount has been withdrawn condition is recommended
		+ EUR 8.5 million/ year

Recommendation #2: Strengthening liquidity base and client relationship by introducing Regular Saving Program which offers bonuses for new money but disprefers money withdrawal.

- Paying higher interest rates for regular savers
- Bonus interest paid only for the month when standing instruction is set and fulfilled

	Standard product	Higher expectation in monthly savings = more remuneration	
		Low saver	High saver
Monthly saving (PLN)	–	100	500
Base interest rate	3.5–4.75%	2.1–2.5%	2.4–2.8%
Bonus for standing instruction	0%	2.0%	2.3%
Accessibility	1st PLN 0, from the 2nd PLN 10	1st PLN 0, from the 2nd PLN 10, more strict accessibility conditions to be considered	
Utility points to standard	0	+15 points*	+18 points*
Effective IR	4.26%	4.49%	4.98%
			+ EUR 0.4 million/ year

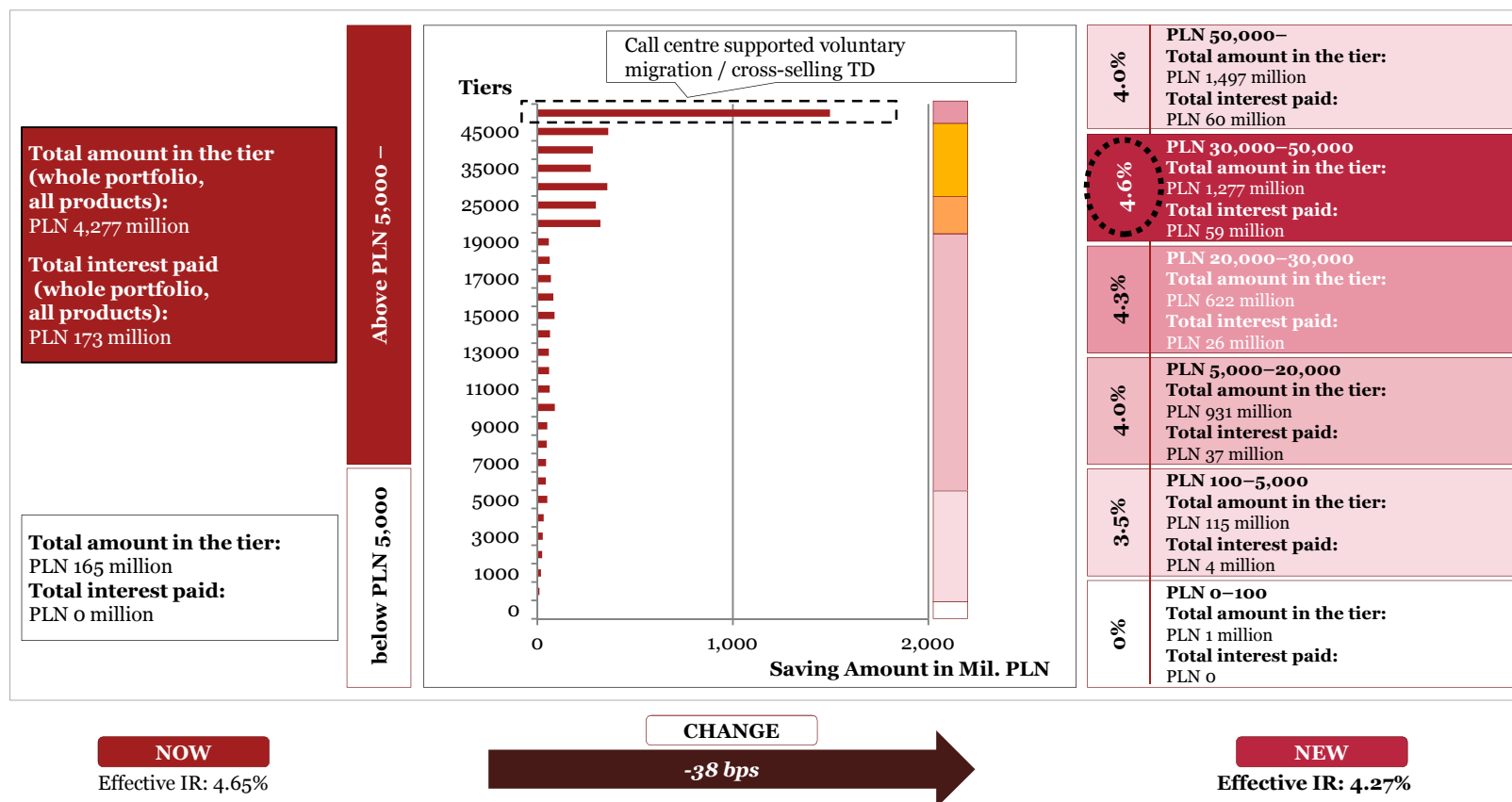
3b. Case study: Saving Account price optimization in a large TOP 7 Bank, Poland

Client expected to increase overall profitability of retail business by deliberate product re-design based on deep understanding of market and clients' preferences

Recommendation #3:

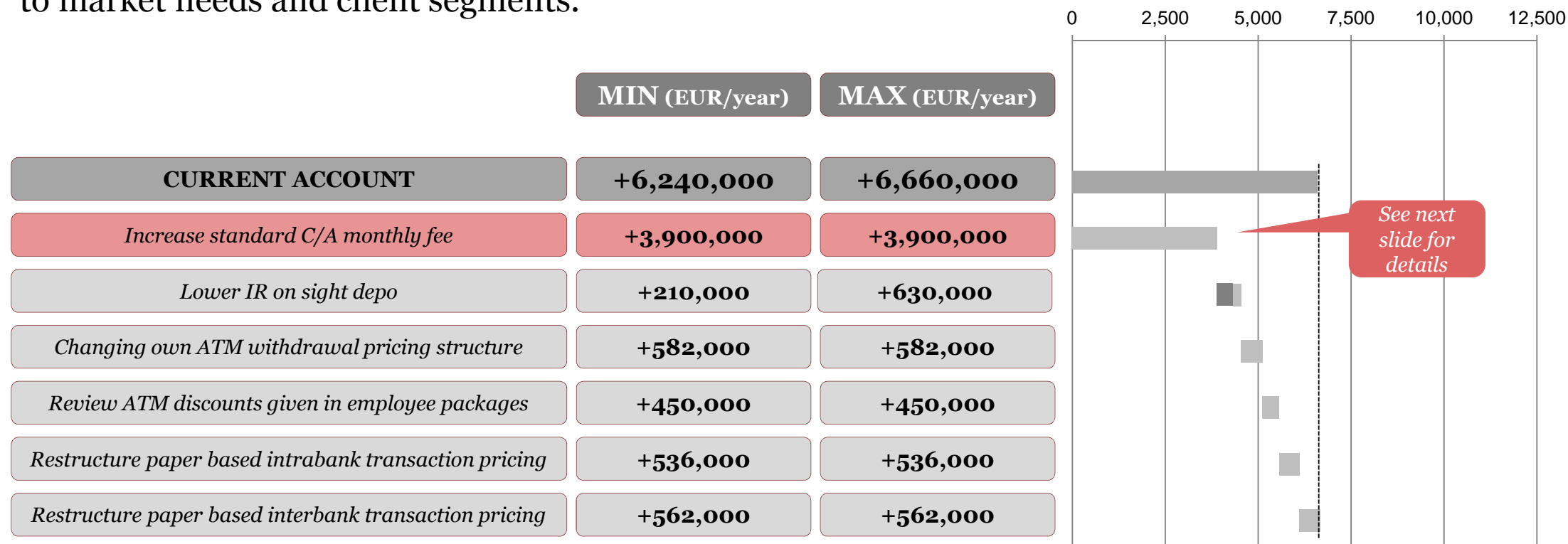
Introducing more levelled tiering system and pushing clients toward TD by offering lower interest on very high amounts

+ EUR 4 million savings/year



4a. Case study: current account package price optimization in TOP 3 Bank, Romania

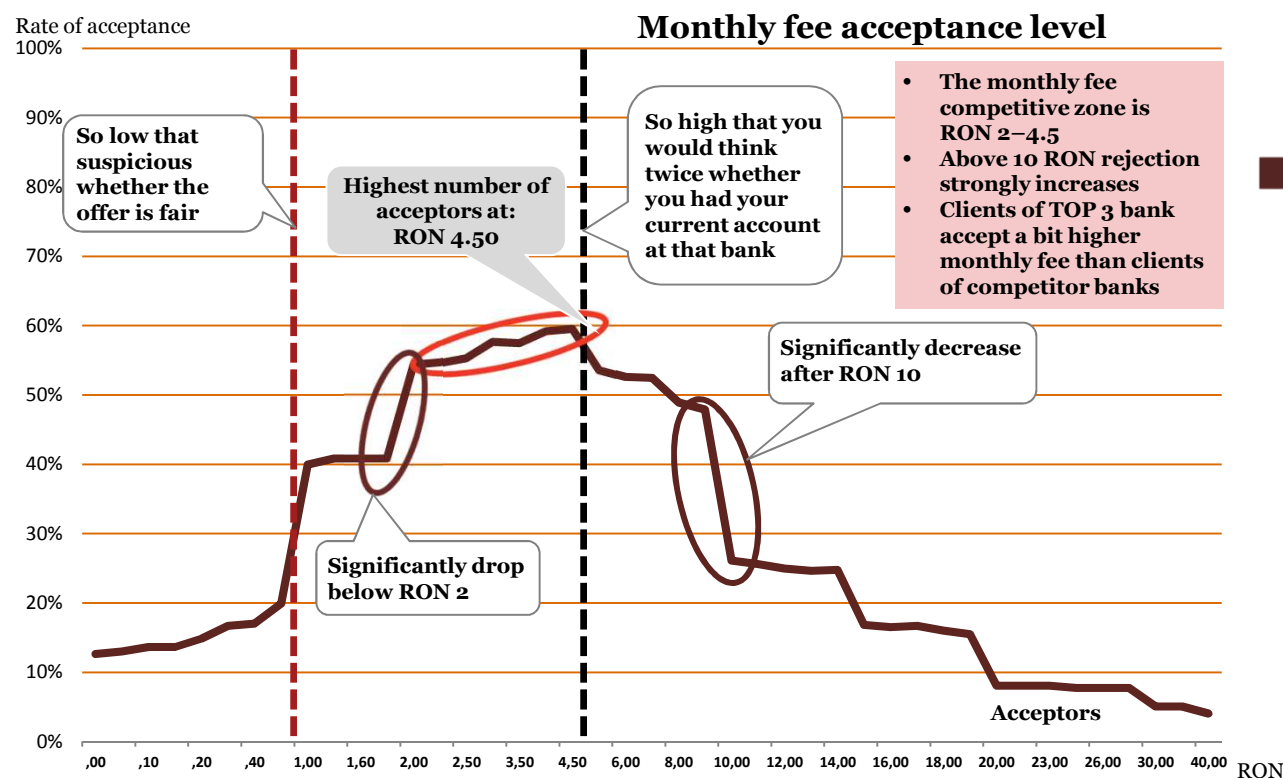
Client expected to identify important savings opportunities in the terms and conditions of new package products and to carry out the adjustment of the existing current account package portfolio to market needs and client segments.



The total expected financial result of our recommendations can reach EUR 6.2–6.7 million/year

4b. Case study: current account package price optimization in TOP 3 Bank, Romania

Client expected to identify important savings opportunities in the terms and conditions of new package products and to carry out the adjustment of the existing current account package portfolio to market needs and client segments.



Levels	
	RON 0
Monthly fee	RON 15
	RON 2.9
	RON 4.9
	RON 6.9
	RON 9.9
	RON 12.9
	RON 14.9
	RON 19.9

Increasing current account monthly fee to the lower limit of competitive zone results only in a small drop in utility points, but large increase in revenue

Additional Income/year
EUR + 3.9 million/year