

Yellen and Fed Tag Interest Rate Rises: The Numbers at Stake

Nomis Solutions Helps Save Banks 20-30bps or More of Funding Costs During a Rate Increase Cycle

San Bruno, CA March 20, 2014 – Ten of 16 Fed officials recently said they saw the Fed's benchmark interest rate rising to 1% or more by the end of 2015, a slight uptick in projections from December, when only seven officials saw rates at or above the 1% level. Twelve of 16 officials expect the rate to be at or above 2% by the end of 2016. That's up from December, when only eight officials saw rates at or above 2% by the end of 2016.

Exiting a multiyear period of flat and near-zero rates, these changes foretell big changes for retail banks.

“As rates rise, one of the big changes will be massive amounts of deposits looking for better returns,” said Frank Rohde, CEO of Nomis Solutions, a Silicon Valley company that provides big data and cutting-edge analytics to help banks understand their customers. “When returns are close to zero, no one shops around. But as the news of rate increases hits the public, more people will look elsewhere. Deposit rates will quickly increase, with estimates varying widely from between an average of 20-120 basis points for every 100 basis points increase in fed funds target for interest bearing deposits products. Leveraging price optimization technology during a rate increase cycle can save banks 20-30bps or more of funding costs.”

Nomis calculates the value of applying optimization technology to the pricing problem for a mid-sized regional bank at about \$25 million per year in increased deposit profitability.

Nomis Solutions, VP of product, Prashant Balepur explained the calculation: “A mid-sized bank has about \$10 billion of deposits balances. Throughout a typical rate-increase cycle, average deposit rates will increase from effectively zero today to 250-300bps. Using advanced analytics, optimization technology, and the Nomis Data Network, Nomis' customers typically experience an increase in deposit profitability of 10-15% compared to first-generation pricing methodologies. As rates increase, price variance will increase across the typically thousands of pricing cells, and leading banks will be able to widen spreads by 20-30bps or more of funding costs.”

Nomis' solutions are available for banks with at least \$1 billion in deposits balances. Companies that are interested can request an evaluation to determine their performance potential by contacting Nomis at info@nomissolutions.com.

More information about Nomis Solutions, the award-winning Nomis Price Optimizer™, is available at <http://www.nomissolutions.com>

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About Nomis Solutions

Nomis Solutions provides best-in-class pricing and profitability management for financial services companies. Through a combination of advanced analytics, innovative technology, and tailored business

processes, the Pricing and Profitability Management™ Suite delivers quick time-to-benefit, and improves financial and operational performance throughout the customer acquisition and portfolio management processes. With experience working on over 50 implementations in the Banking and Finance world, Nomis Solutions customers have optimized over \$600 billion in banking transactions and generated over \$600 million in incremental profits.

Headquartered in Silicon Valley, Nomis Solutions also has offices in Toronto and London. Visit www.nomissolutions.com or contact us at info@nomissolutions.com or 1-650-588-9800 or +44 0207 812 7251.

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