



Opportunity Analysis

Turning Information Into Action ... and Growth

Today's Presenters



Stephen Nikitas

Senior Strategy Director
Harland Clarke

- 30 years experience, including senior executive at financial institutions in New York, California and Massachusetts
- Loan portfolio and account holder retention specialist

Your Moderator:



Andrew Huber

Product Manager
Marketing Services, Harland Clarke

- 10 years of financial industry experience with extensive knowledge in product management/development, business development, and data and analytics

What We Will Talk About Today

- Financial Trends
- Opportunity Analysis: Gaining Knowledge and Insights
- Building the Plan: Putting Data To Work

Financial Trends > > >

Growth Isn't Easy

Challenges

- Reduced personal debt; delayed purchasing
- Changing consumer behavior
- Cautious economy, crazy stock market
- Increased competition (P2P, Fintech)
- Portfolio changes
- Mortgage purchase vs. refinance
- Auto leasing

Opportunities

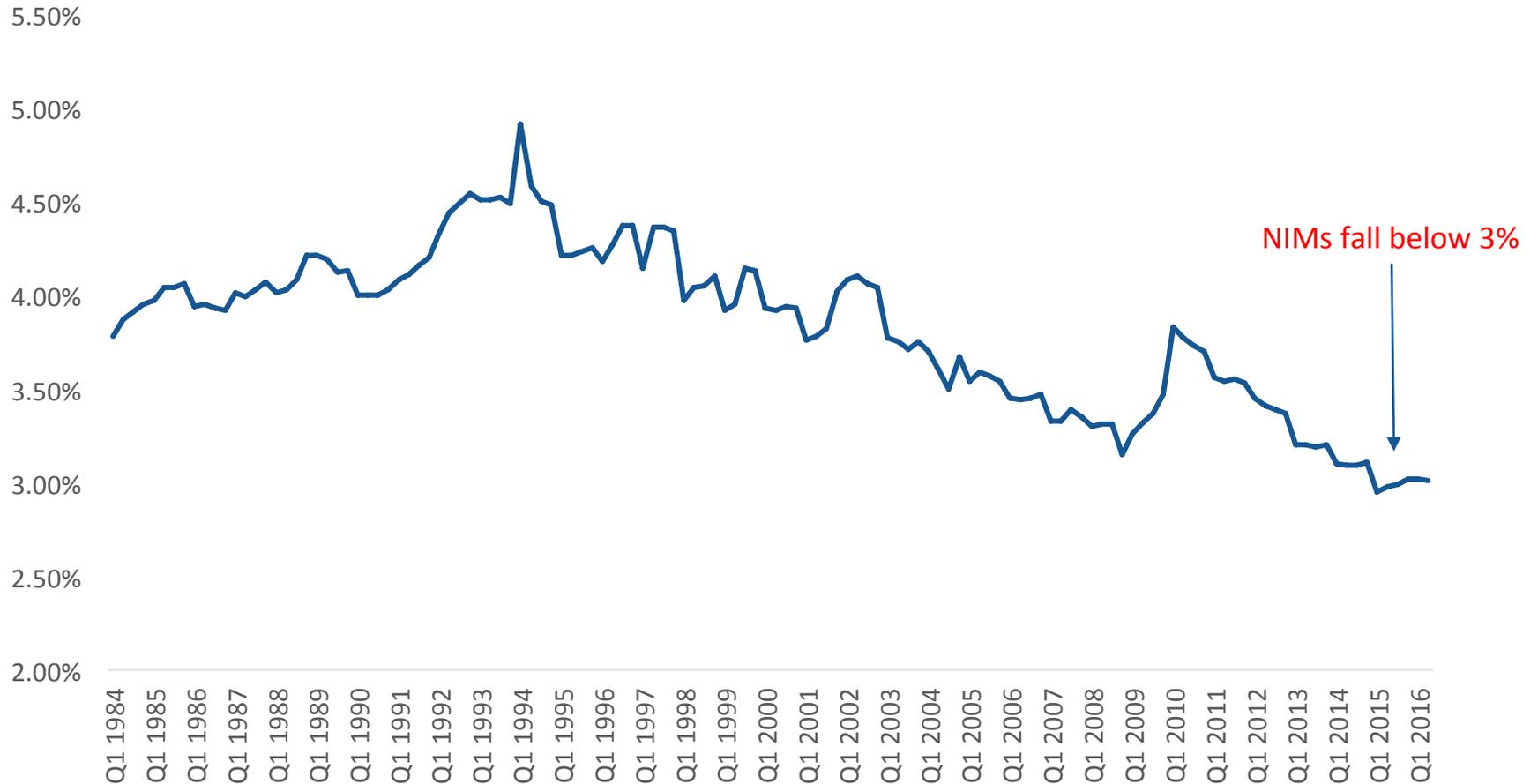
- Home sales/prices
- Auto sales
- Personal loans
- Low unemployment
- Deposits/relocations

Solution: Minimize the downturns, maximize the upswings



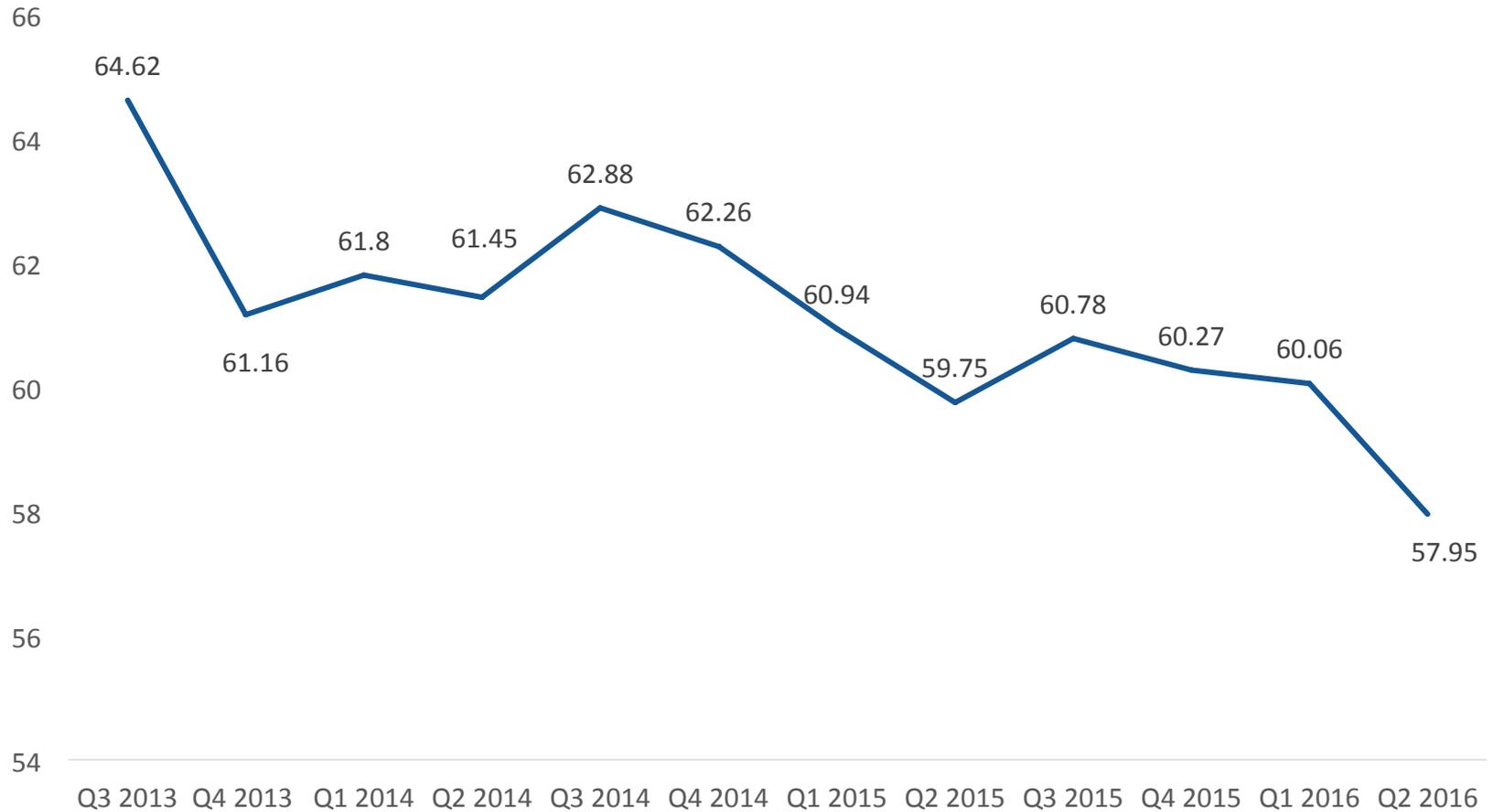
Net Interest Margins

Historical Net Interest Margins



Efficiency Ratios

Historical Efficiency Ratios



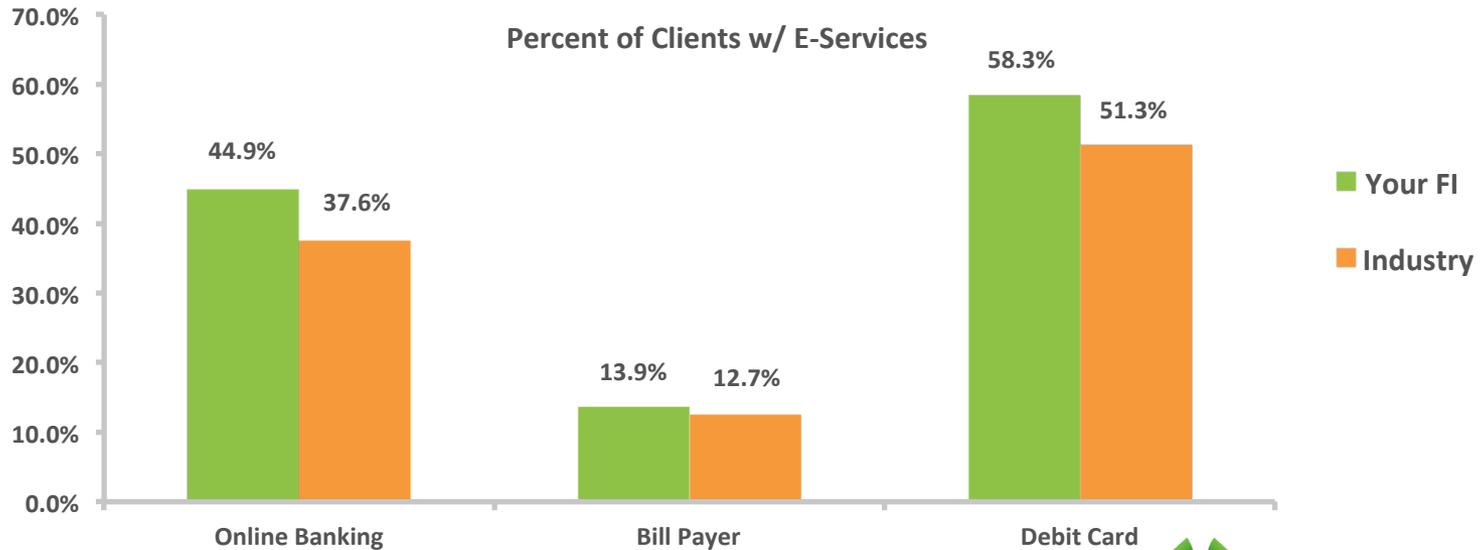
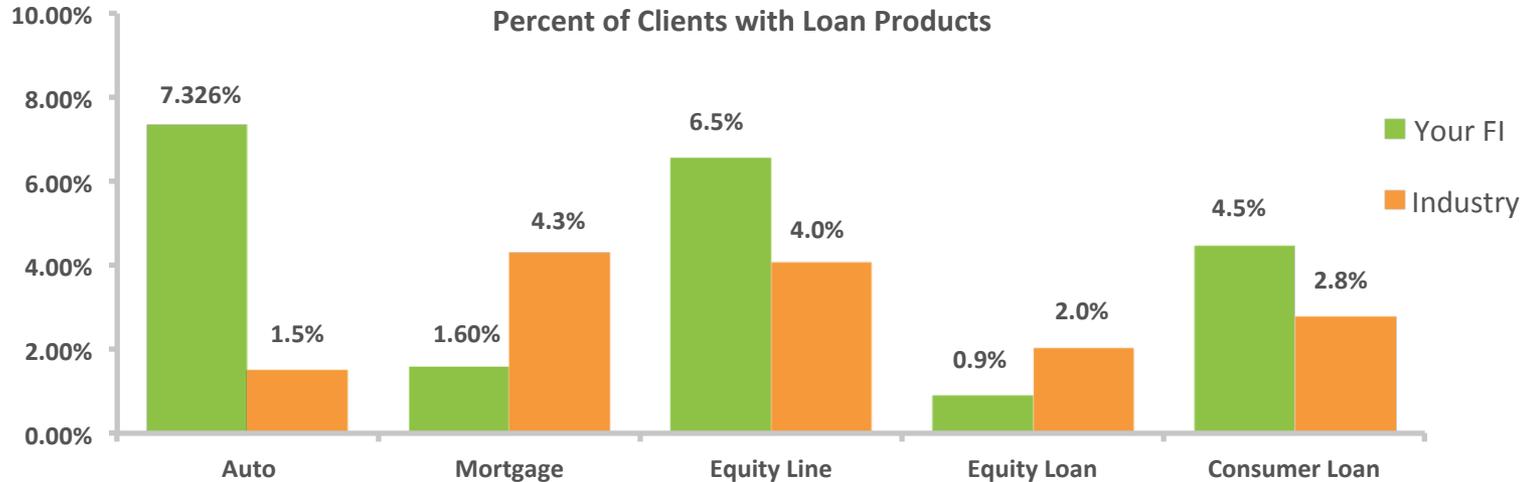
Opportunity Analysis: Gaining Knowledge and Insights > > >

Preventing “Analysis Paralysis”

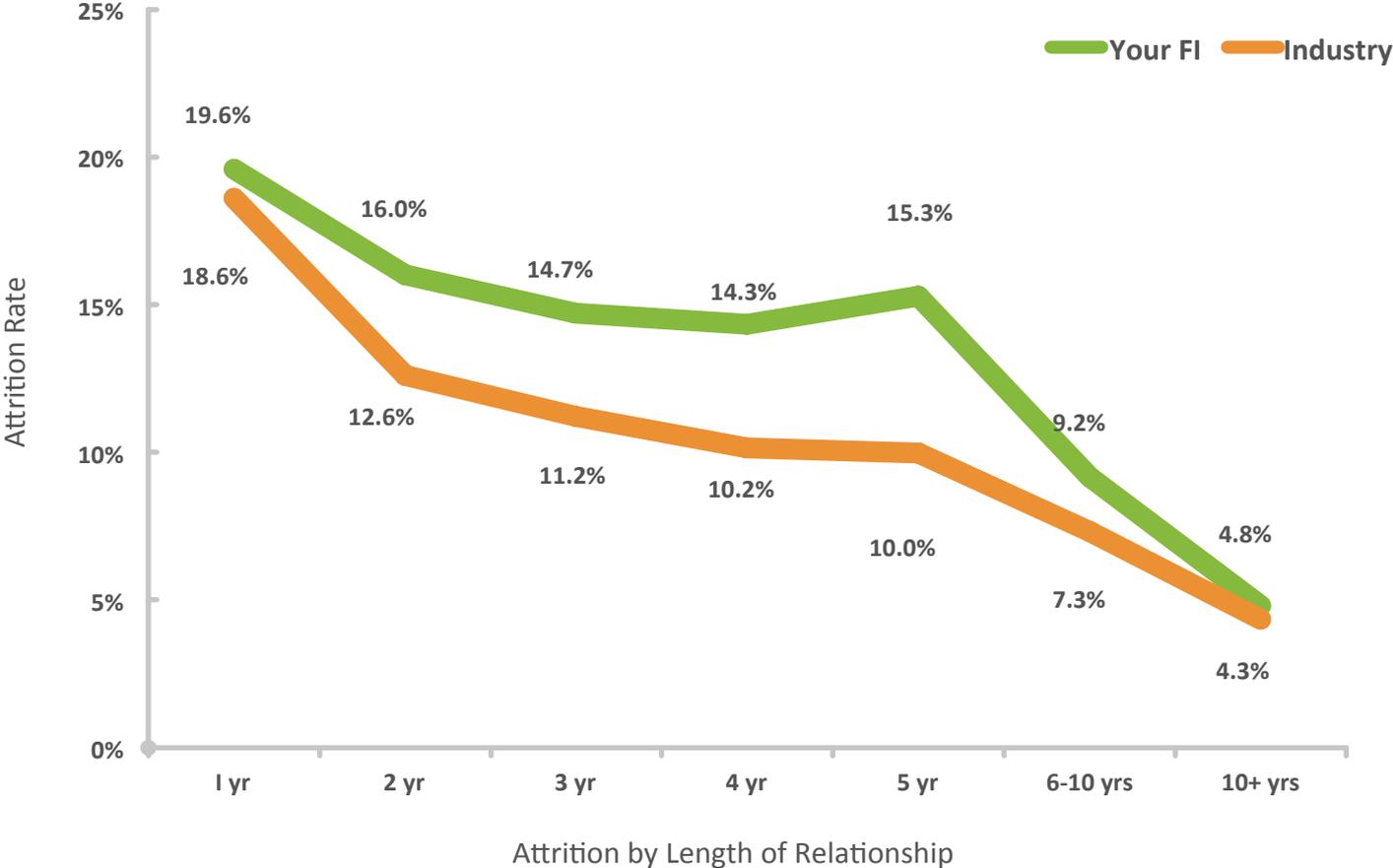
- Provides key insight and information on client’s portfolio
- Identifies opportunities and risks
- Includes product analysis and industry benchmarking
- Provides actionable recommendations and performance measurement



Product Benchmark: Loans and E-Services



Attrition Benchmarks: Relationship



Account Holder Overview

ABC Bank New Customers

Size/Scope

number of households	26,100
percentage of all households	13%
percentage of all deposits	14%
percentage of all loans	5%
average banking relationship	\$30,800
average deposit relationship	\$32,900
average loan relationship	\$7,500
average number of accts per hhld	2.3

Demographics

Average Age	47
Average Household Income	\$64,400
Home Ownership	67%

Product Usage	% of hhlds in segment	average household balance
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Deposits

Checking	66%	\$5,300
online banking	0%	
Bill Payer	10%	
Debit Card	60%	
Savings	27%	\$2,100
Money Market	12%	\$64,300
CD	13%	\$109,600
IRA	1.6%	\$65,100
Investments	1.9%	\$0

Loans

Credit Card	13%	\$4,300
Consumer Loan	0.18%	\$15,200
Auto loan: Direct	0.07%	\$15,200
Auto loan: Indirect	0%	n/a

Home Equity products	0.9%	\$44,800
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Home Equity Loan	0%	\$6,900
Home Equity LOC	0.9%	\$45,800
Mortgage	1.7%	\$235,400

Industry Q3 New Customers

Size/Scope

percentage of all households	8%
percentage of all deposits	5%
percentage of all loans	5%
average banking relationship	\$18,200
average deposit relationship	\$14,700
average loan relationship	\$26,800
average number of accts per hhld	2.2

Demographics

Average Age	43
Average Household Income	\$60,200
Home Ownership	41%

Product Usage	% of hhlds in segment	average household balance
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Deposits

Checking	59%	\$4,100
online banking	36%	
Bill Payer	9%	
Debit Card	52%	
Savings	23%	\$8,000
Money Market	4.5%	\$58,500
CD	3.9%	\$78,800
IRA	0.7%	\$40,800
Investments	1.8%	\$78,100

Loans

Credit Card	3.8%	\$1,800
Consumer Loan	5.6%	\$22,500
Auto loan: Direct	0.7%	\$16,100
Auto loan: Indirect	11.3%	\$17,800

Home Equity products	1.7%	\$53,500
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Home Equity Loan	0.5%	\$59,300
Home Equity LOC	1.2%	\$51,000
Mortgage	4.1%	\$202,800

Making Decisions Based on Actual Behavior

Proprietary suite of statistical models

True predictive intelligence based on more than 600 actual account holder behaviors

Product and attrition models for retail banking, small business and credit unions



Refining Segments for Your Next Campaign

Includes nearly 50 models and services

Retail

Purchase Potential Models	Checking, Savings, Credit Card, Consumer Loan, CD, Money Market, Home Equity, IRA, Debit Card, Online Banking, Bill Pay, Mortgage, Brokerage, Annuities, P&C Insurance, AD&D Insurance, Term Life Insurance, Credit Life Insurance and Mutual Funds
Next Most Likely Product	1 st , 2 nd and 3 rd products in sequence of customer's likelihood to buy
Attrition Predictor Models	Total HH Deposit, Liquid Deposits & Revolving Credit Balances
Purchase Potential Index	Aggregated view of purchase propensity
Attrition Index	Aggregated view of attrition propensity
Customer Value Segmentation	Cross-sell by attrition segmentation

Small Business

Small Business Purchase Potential Models	Non-Free Checking, Small Business Loan, Credit Card, CD, MM, Savings, Merchant Services, Line of Credit
Small Business Next Most Likely Product	1 st , 2 nd and 3 rd products in sequence of customers likelihood to buy
Small Business Attrition Predictor Models	Total SB HH Deposit, Liquid Deposits & Revolving Credit Balances
Purchase Potential Index	Aggregated view of purchase propensity
Attrition Index	Aggregated view of attrition propensity
Small Business Value Segmentation	Cross-sell by attrition segmentation

Ultra-Segmenting at Work

High Touch

Size/Scope

number of households	57,500 (largest)
percentage of bank's households	33% (largest)
percentage of all deposits and loans	28%
average relationship	\$22,500
average deposit relationship	\$21,600
average loan relationship	\$14,400
number of years with bank	5.9
average number of accts per hhd	2.6

Demographics

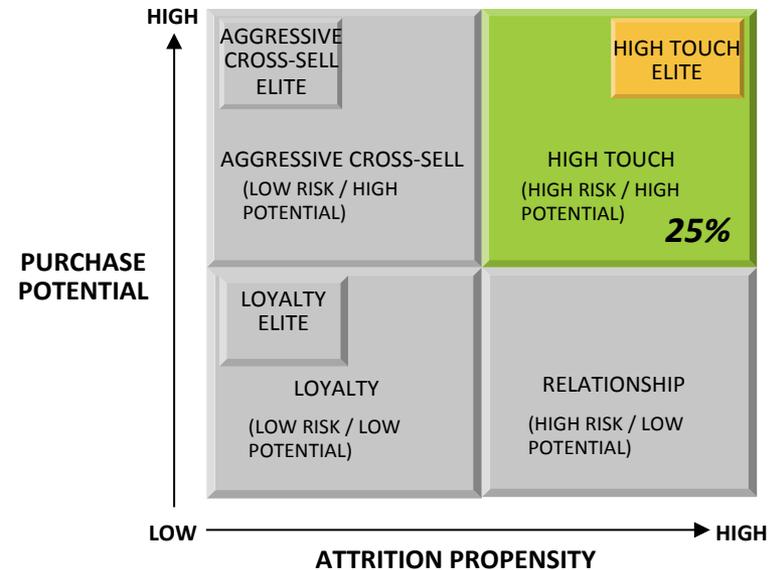
Age	44
Income	\$62,400
Home Ownership	72.5%

Product Usage

	% of hhdls in segment	average household balance
Deposits		
Checking	83%	\$7,500
online banking	0%	
bill payer	9.0%	
debit card	65%	
Savings	28%	\$4,000
Money Market	9.6%	\$86,400
CD	4.6%	\$111,000
IRA	0.5%	\$48,100
Investments	1.2%	n/a

Loans

Credit Card	10%	\$3,900
Consumer Loan	0.4%	\$18,900
Auto loan: Direct	0.2%	\$6,300
Auto loan: Indirect	0.002%	\$2,600
Home Equity product	1.9%	\$73,400
Home Equity Loan	0.3%	\$34,200
Home Equity LOC	1.6%	\$80,100
Mortgage	0.3%	\$274,000



Summary

Given this is the bank's largest segment, success with these customers is critical. You may be leaving a lot of business untapped with this segment. Typically this is a risky segment. The segment certainly has financial needs, but its low accounts per household ratio (the second lowest of all segments) is indicative that customers within this segment have financial products elsewhere. This is a price focused segment that has the second shortest tenure with the bank and a large percentage of customers who initially came to the bank for low cost checking. These customers are price focused and potentially spinners. That said, given their age, many can be very profitable customers to the bank over time if sufficiently developed.

- 1 Look to increase overall wallet share. At industry portfolio parity, ABC Bank would generate an additional \$448.5 million in incremental deposits and loans.
- 2 Checking penetration is high, but ensure current checking relationships are engaged to solidify their relationship with the bank.
- 3 This segment is at a stage where significant life events create numerous opportunities. This segment has low percentage penetration for credit cards, consumer loans, home equity loans, mortgages, savings accounts and IRAs. For example, at benchmark penetration parity, another 2,875 credit cards representing \$11.2 million in outstanding balances and another 4,082 home equity loans representing \$299.6 million in outstanding balances may be attainable.

Scoring Leads With Precision

Sample of Household ID from Ultra Segmenting

June 2015

December 2015

Score	Number of HHLs	Cumulative Households	Cumulative % of Households	Cumulative New Accts.	Group Response Rate	Cumulative Response Rate	Cumulative % of New Accts. Captured	Cumulative Balance	Cumulative % of Bal Captured	Current View
1	2,487	2,487	4.52%	102	4.10%	4.10%	11.06%	\$ 1,211,011	29.51%	2,527
2	3,993	6,480	11.77%	209	2.68%	3.23%	22.67%	\$ 1,434,117	34.94%	3,707
3	3,512	9,992	18.15%	281	2.05%	2.81%	30.48%	\$ 1,618,793	39.44%	4,022
4	3,904	13,896	25.24%	336	1.41%	2.42%	36.44%	\$ 1,864,554	45.43%	3,090
5	2,457	16,353	29.70%	381	1.83%	2.33%	41.32%	\$ 2,427,599	59.15%	2,925
6		20,082	36.48%							2,600
18	2,552	43,888	82.58%	890	0.51%	1.95%	96.53%	\$ 3,961,955	96.53%	3,958
19	2,520	48,206	87.56%	900	0.40%	1.87%	97.61%	\$ 4,048,687	98.65%	2,537
20	6,850	55,056	100.00%	922	0.32%	1.67%	100.00%	\$ 4,104,291	100.00%	7,787

Building the Plan: Putting Data to Work > > >

Building the Plan Using Key Learnings

Learning

Recommendation

Action

Building the Plan Using Key Learnings

	Learning	Recommendation	Action
High attrition rate	Significant number of account closings within one year		
Cost of funds	CD penetration & balances are high		
Low loan penetration	Below market average		
Large number of households in elite account holder value segments	Strong product penetration and balances		
Strong HELOC penetration	30 – 50% of HELOCs are under-utilized or never activated		

Building the Plan Using Key Learnings

	Learning	Recommendation	Action
High attrition rate	Significant number of account closings within one year	Comprehensive onboarding	
Cost of funds	CD penetration & balances are high	CD maturity campaign	
Low loan penetration	Below market average	Recapture campaign	
Large number of households in elite account holder value segments	Strong product penetration and balances	Retention campaigns	
Strong HELOC penetration	30 – 50% of HELOCs are under-utilized or never activated	HELOC activation and utilization campaigns	

Building the Plan Using Key Learnings

	Learning	Recommendation	Action
High attrition rate	Significant number of account closings within one year	Comprehensive onboarding	Create multiple touchpoints early in the relationship to capture direct deposit and other key products/services
Cost of funds	CD penetration & balances are high	CD maturity campaign	Target account holders to open money market account and/or establish relationships with investment advisors
Low loan penetration	Below market average	Recapture campaign	Target account holders with loans at other financial institutions to encourage refinancing
Large number of households in elite account holder value segments	Strong product penetration and balances	Retention campaigns	Engage to capture future product/service needs
Strong HELOC penetration	30 – 50% of HELOCs are under-utilized or never activated	HELOC activation and utilization campaigns	Use omnichannel, personalized messaging to encourage activation and utilization

High Attrition Rate

**High attrition rate/
low cross-sell ratio**

Learning

Significant number of account closings within one year

Recommendation

Comprehensive onboarding to deepen relationships

Action

Create multiple touchpoints early in the relationship to capture direct deposit and other key products/services

Direct Marketing Calendar

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Totals
Onboarding													
Welcome letter w/email	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	12,300
30 day letter w/email		1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	11,275
60 day letter w/email			1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	10,250
90 day letter w/email				1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	9,225
Onboarding Totals	1,025	2,050	3,075	4,100	43,050								

Cost of Funds

	Learning	Recommendation	Action
Cost of funds	CD penetration & balances are high	CD maturity campaign	Target account holders to open money market account and/or establish relationships with investment advisors

Direct Marketing Calendar													
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Totals
CD Maturity													
CD Maturity - 4,700 CDs	345	345	345	345	345	345	345	345	345	345	345	345	4,140

Low Loan Penetration



**Low loan penetration/
low cross-sell ratio**

Below industry
benchmark

Recapture campaign

Target account holders
with loans at other
financial institutions to
encourage refinancing

Direct Marketing Calendar													
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Totals
Cross-sell													
Cross-sell - Four Products/ Based on Propensity (3,000 each product)	12,000		12,000		12,000		12,000		12,000		12,000		72,000
Loan Engine													
Recapture - 25 percent of account holder base		30,550			30,550			30,550				30,550	122,200
Shopper Alert													
Shopper Alert - 5% of account holder base	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	62,400

Elite Account Holders

	Learning	Recommendation	Action
Large number of households in elite account holder value segments	Strong product penetration and balances	Retention campaigns	Engage to capture future product/service needs

Direct Marketing Calendar													
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Totals
	Retention												
Retention - High Touch Elite, Aggressive Cross-sell Elite and 10% of Relationship			8,500						8,500				17,000

HELOC

	Learning	Recommendation	Action
Increase HELOC balances	30 – 50% of HELOCs are under-utilized or never activated*	HELOC activation and utilization campaigns	Personalized messaging to encourage activation and utilization

Direct Marketing Calendar													
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Totals
Home Equity Activation and Utilization													
HELOC Activation/Utilization - 50% of Call Report total - 2,257		1,130		1,130		1,130		1,130		1,130		1,130	6,780

Balancing and Maintaining Your Engagements

Direct Marketing Calendar													
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Totals
Onboarding													
Welcome letter w/email	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	12,300
30 day letter w/email		1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	11,275
60 day letter w/email			1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	10,250
90 day letter w/email				1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	9,225
Onboarding Totals	1,025	2,050	3,075	4,100	43,050								
Cross-sell													
Cross-sell - Four Products/ Based on Propensity (3,000 each product)	12,000		12,000		12,000		12,000		12,000		12,000		72,000
Loan Engine													
Recapture - 25 percent of account holder base		30,550			30,550			30,550			30,550		122,200
Shopper Alert													
Shopper Alert - 5% of account holder base	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	62,400
CD Maturity													
CD Maturity - 4,700 CDs	345	345	345	345	345	345	345	345	345	345	345	345	4,140
Retention													
Retention - High Touch Elite, Aggressive Cross-sell Elite and 10% of Relationship			8,500						8,500				17,000
Home Equity Activation and Utilization													
HELOC Activation/Utilization - 50% of Call Report total - 2,257		1,130		1,130		1,130		1,130		1,130		1,130	6,780

Q&A Wrap Up

Type your question in the chat panel 

Stephen Nikitas

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