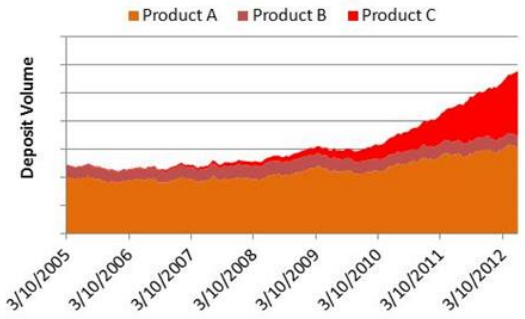
DEPOSIT MODELING FOR RETAIL BANKS

All dummy numbers & graphs for illustrative purposes only

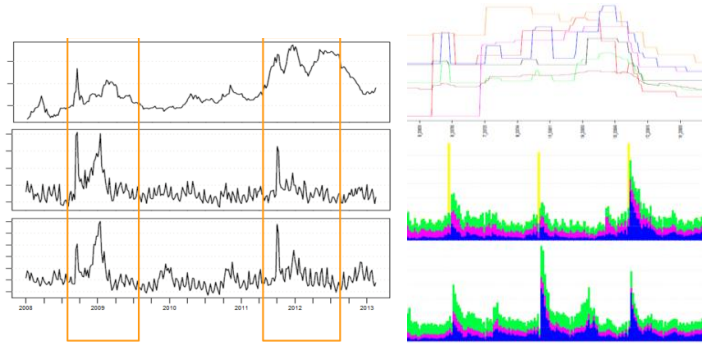
Client Situation

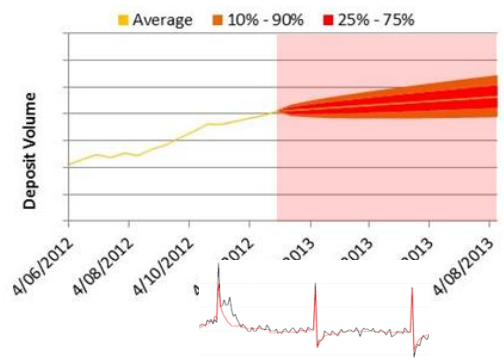
- Belgian retail bank
- Internal needs to assess the stability of the deposit balance (regulated products)
- Internal needs to assess the elasticity of the deposit balance (regulated products)
- Internal needs to evaluate the impact of deposit pricing on the bank P&L



Issues

- The quality of the model and tool delivered depends on the quality of the data offered by the client (availability and granularity of the data)





$$D_i(t) = P_{[\hat{t}+l,\hat{t}+k]}\Big(\mathbf{1}_{\{r_{\max}=r_i\}}\sum_{j\neq i} d_{i,j}V_j(t)(\Delta(r_i-r_j))_+ + V_i(t)\sum_{j\neq i}\mathbf{1}_{\{r_{\max}=r_j\}}d_{j,i}(\Delta(r_j-r_i))_-\Big)$$

Reacfin Contribution

- Implementation of a model completely created for this purpose
- Quantification of the sensitivity of the deposit volumes towards a range of explanatory variables
- Development of an end-user projection tool that simulates the effect of what-if scenarios
- Visualization of the data and the identified behavioral patterns
- Interactive workshops with the stakeholders during the model development cycle to validate all assumptions and to ensure a buy-in of the model

Results & Benefits

- Evaluation of the impact of past strategic and marketing actions and support tool in the development of marketing strategies
- Improved understanding of what drives the volumes on the deposit accounts
- Identification of the main competitors
- Assesment of the stability of the deposit portfolio