Pricing Competitively With Market Insights

Featuring

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PrecisionLender, a Q2 Company

Thursday, February 13th @1PM EST
But today...

Unlimited data on the used car market that is hyper-specific to me:

- Values for my exact model, in the correct condition, in my own zip code
- Difference between private transactions and trade-ins
- Instant online offers
## COMMERCIAL LOAN MENU

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>S</th>
<th>M</th>
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</tr>
</thead>
<tbody>
<tr>
<td>3 YEAR TERM LOAN</td>
<td>225</td>
<td>250</td>
<td>275</td>
<td>300</td>
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<tr>
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<td>250</td>
<td>275</td>
<td>300</td>
<td>325</td>
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<td>300</td>
<td>325</td>
<td>350</td>
</tr>
<tr>
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<td>240</td>
<td>265</td>
<td>290</td>
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We quoted LIBOR + 265 to hit the bank’s hurdle rate, but the borrower says they will only pay LIBOR + 225.

Do we say yes to the lower price? *Is this a fair pricing exception?*

**ROE Frequency**

Most of our deals get booked at *just over* our hurdle rate.

*How much margin are we leaving on the table?*

**Hurdle**

- <10%
- 11%
- 12%
- 13%
- 14%
- 15%
- >15%
Live Poll: How does your bank fill this gap?

What is your primary source of market intelligence on commercial loan pricing?

- Customer hearsay
- Employee hearsay
- Benchmarking services
- Internal portfolio data
- None
How have banks tried to fill this gap?

- Customer hearsay
- Employee hearsay
- Benchmarking Services
- Internal Portfolios
Market Insights from PrecisionLender

The critical market context you need to make informed decisions on credit opportunities, sales management, & portfolio makeup.

Here are ways to better price to your market:
- Increase Initial Rate by 11 bps to be higher than 25% of similar loans

Here are ways to reach the target:
- Adding $54K of Wells Commercial Property Insurance reaches opportunity target
- Increase the Initial Rate by 20 bps
- Add $94,208 to the Initial Fees

Here are ways to better price to your market:
- Increase Initial Rate by 11 bps to be higher than 25% of similar loans

Here are things to consider:
- Add an upfront fee - 73% of term loans at the bank have an upfront fee. Click here for an internal training video on how to negotiate an upfront fee
- This opportunity requires escalated pricing approval - click here for me to prepare an approval email for you
Market Insights from PrecisionLender

Market-level pricing intelligence

Proposed loan pricing is compared to similar deals from closed loan data at 150+ banks

Delivers coaching to your bankers via Andi as well as to your leaders via reporting and API access

With PrecisionLender Market Insights, reliable pricing intelligence helps you structure better deals and increase revenue and returns
Unparalleled Data

- 10+ years of data
- 150+ unique banks
- Nearly $2 trillion priced in 2019
- Over 15% (and growing) of the commercial loan market
- Deals in all 50 states, covering a wide range of industries and borrower sizes
PrecisionLender Market Offerings

**Market Insights**
- Market-based coaching delivered in the moment by Andi
- Includes reporting, enriched datasets, and API access
- Establish a data feed of your commercial relationships
- Requires PrecisionLender platform license

**Market Analysis**
- Market-based data and analytics
- Includes reporting and enriched datasets
- Strategy and analytics consulting available
- Establish a data feed of your commercial relationships
What is Market Insights?

Andi coaches bankers in-the-moment and gives them confidence that return targets are **achievable**

- Actionable, realistic guidance delivered in-the-moment, not just market “averages”
- Ability to **configure recommendations** based on bank-specific goals

Market Insights helps:

- **Bankers** improve returns while remaining competitive
- **Sales Leaders** gauge whether exception requests are valid
- **Bank** position itself strategically in the market based on portfolio objectives
Market Insights Drives Pricing Performance

Instills confidence and coaches bankers based on what is **achievable** in their market

Andi nudges bankers towards market

**CRE - Medium Performance Market**
Market Insights Drives Pricing Performance

Instills confidence and coaches bankers based on what is achievable in their market.

One Example by the Numbers

- 500 Users
- 90%+ of deals received Market Insights
- ~50% of Users viewed recommendation
- ~20% of Users acted on recommendation
- 100% of deals were improved

Preliminary results
Spreads improved by +2-25 bps lift
Market Insights – Three Primary Audiences

Bankers: RMs, PMs, Analysts

Can improve returns while remaining competitive

Managers, Execs & Deal Approvers

Sales leaders can gauge whether exception requests are valid

Overall Bank

The bank can position itself strategically in the market, based on portfolio objectives

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Construction Loan

$1MM

4.2% fixed rate

48-month term

Risk Rating: BBB

Currently priced at 40th percentile

Market Benchmarks:

25%: 3.91%

50%: 4.34%

75%: 4.74%

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Here are ways to better price your market:

- Increase Initial Rate by 13 bps to be higher than 50% of similar loans
- Increase the Initial Rate by 20 bps
- Add $20,158 to the Initial Fees
- Add 0.523% to the Initial Fees
- Decrease amount to achieve an LTV of 76%
- Reduce Maturity to 60 months
- Adding $322K of Commercial DDA reaches opportunity target

Here are things to consider:

- Have you asked the borrower if they’d consider a Floating or Adjustable rate?
What is your Market?

Product-Performance Markets

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<th>SBA</th>
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Performance Bands

- Low
- Medium
- High

Product-Performance Markets
Coached Up the Performance Ladder

Mapped to Performance Market

Andi “nudges” RM towards next achievable quartile of profitability

New Loan

Product-Performance Market

Frequency

* *nudge*

25% 50% 75%

Rates
Coached Up the Performance Ladder

Coaching provided to the banker “in the moment,” when they’re structuring the deal and can still impact pricing and profitability.

Banker “nudged” to next quartile (50th percentile), coached to offer bank client: 4.34%

New Loan Proposal:

4.20% (40th percentile)

25th%: 3.91%
50th%: 4.34%
75th%: 4.74%

Here are ways to better price to your market:
- Increase Initial Rate by 14 bps to be higher than 50% of similar loans

Here are ways to reach the target:
- Increase the Initial Rate by 21 bps
- Add $27,475 to the Initial Fees
- Add 0.55% to the Initial Fees
- Decrease amount to achieve an LTV of 76%
- Reduce Maturity to 60 months
- Adding $337K of Commercial DDA reaches opportunity target

Here are things to consider:
- Have you asked the borrower if they’d consider a Floating or Adjustable rate?
Let’s see a demo...
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## PrecisionLender Offers a Full Suite of Market Offerings

Can provide market intelligence to both PrecisionLender customers and non-customers.

### Market Insights

- Market-based coaching delivered in the moment by Andi
- Includes reporting, enriched datasets, and API access
- Establish a data feed of your commercial relationships
- Requires PrecisionLender platform license
- Bank can go live in 2 to 4 weeks*

*If you are already sending us relationship data

### Market Analysis

- Market-based data and analytics
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- Contact us at info@precisionlender.com to learn more