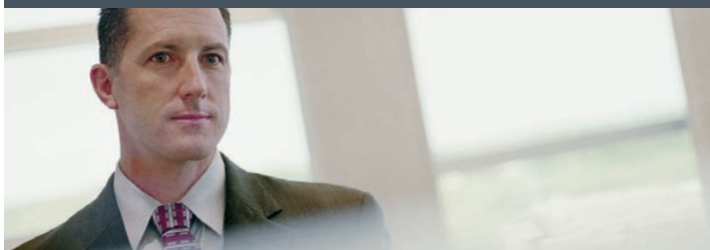


BUSINESS VALUE GUIDE
VERSION 1

COGNOS PERFORMANCE BLUEPRINTS
BRANCH PERFORMANCE

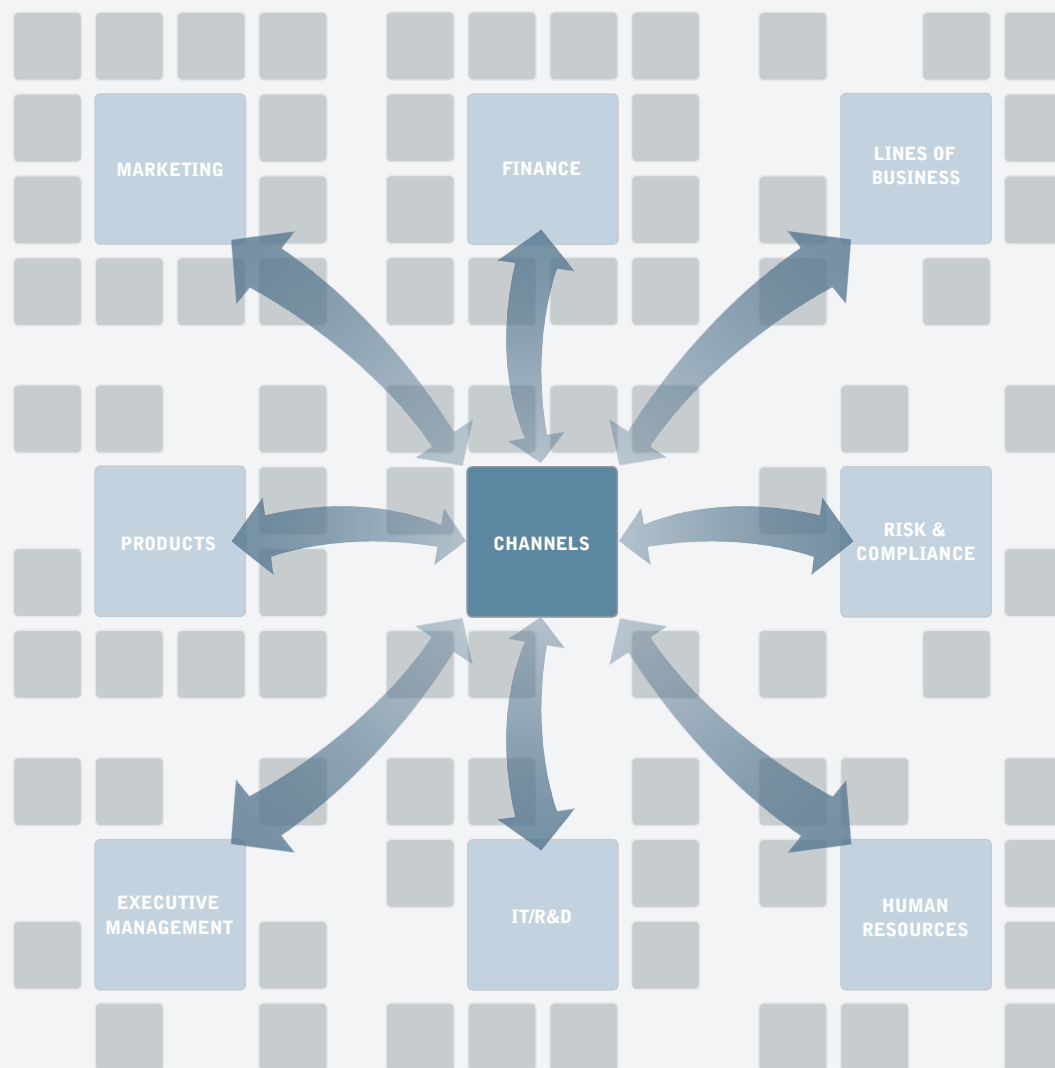


BRANCH, PRODUCT, AND CUSTOMER PROFITABILITY MODEL FOR FINANCIAL SERVICES

Branch Performance lets retail bank branches create rolling forecasts based upon product and customer-segment performance data.

For most banks, managing customers effectively at the branch level is critical to success. Drawing demand deposits from consumers and small businesses funds the crucial lending activities that drive bank profits. Consider the importance of attracting the right customers, providing them with the right products, and retaining them in profitable relationships. The branch-customer relationship, when taken collectively, touches every part of the retail bank.

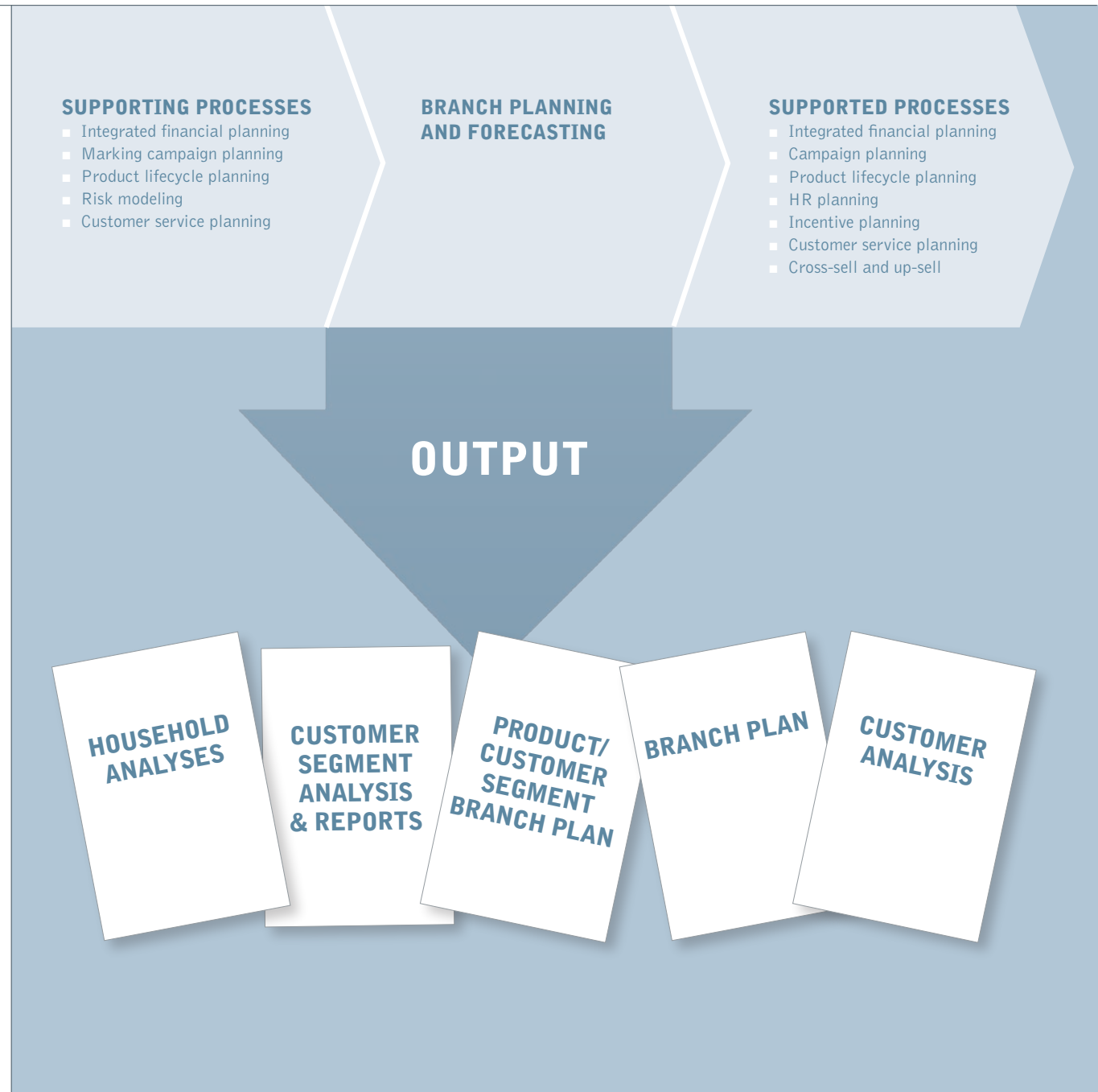
This business value guide examines best practices in branch planning, analysis, and reporting, including customer segment and product planning for revenues, balances, and assigned costs. It addresses challenges typically encountered in the planning process, key planning outputs, a sample workflow across the bank, and the Cognos Branch Performance Blueprint.



Key Branch Performance outputs are a branch plan and customer & product profitability reporting, based on activity-based costing data.

Branch plan creation is impacted by multiple forces within the bank, including new product introductions, marketing initiatives, updated credit guidelines, and corporate directives. The branch plan in turn takes those inputs for its own use and to provide valuable information to other areas in the bank as well. For example:

- The branch assesses revenue, contribution, and so on, by household.
- Finance uses the plan for financial projections.
- Products Group factors product performance feedback—such as product line and product profitability—into creation of new products and adjustments to existing products.
- Marketing reviews campaign effectiveness to plan future marketing activities.
- Human Resources uses branch performance targets to plan headcount needs, both in the branch network and for services shared across the enterprise.
- Account / Relationship managers use customer information to provide appropriate service levels and cross-sell to each customer.

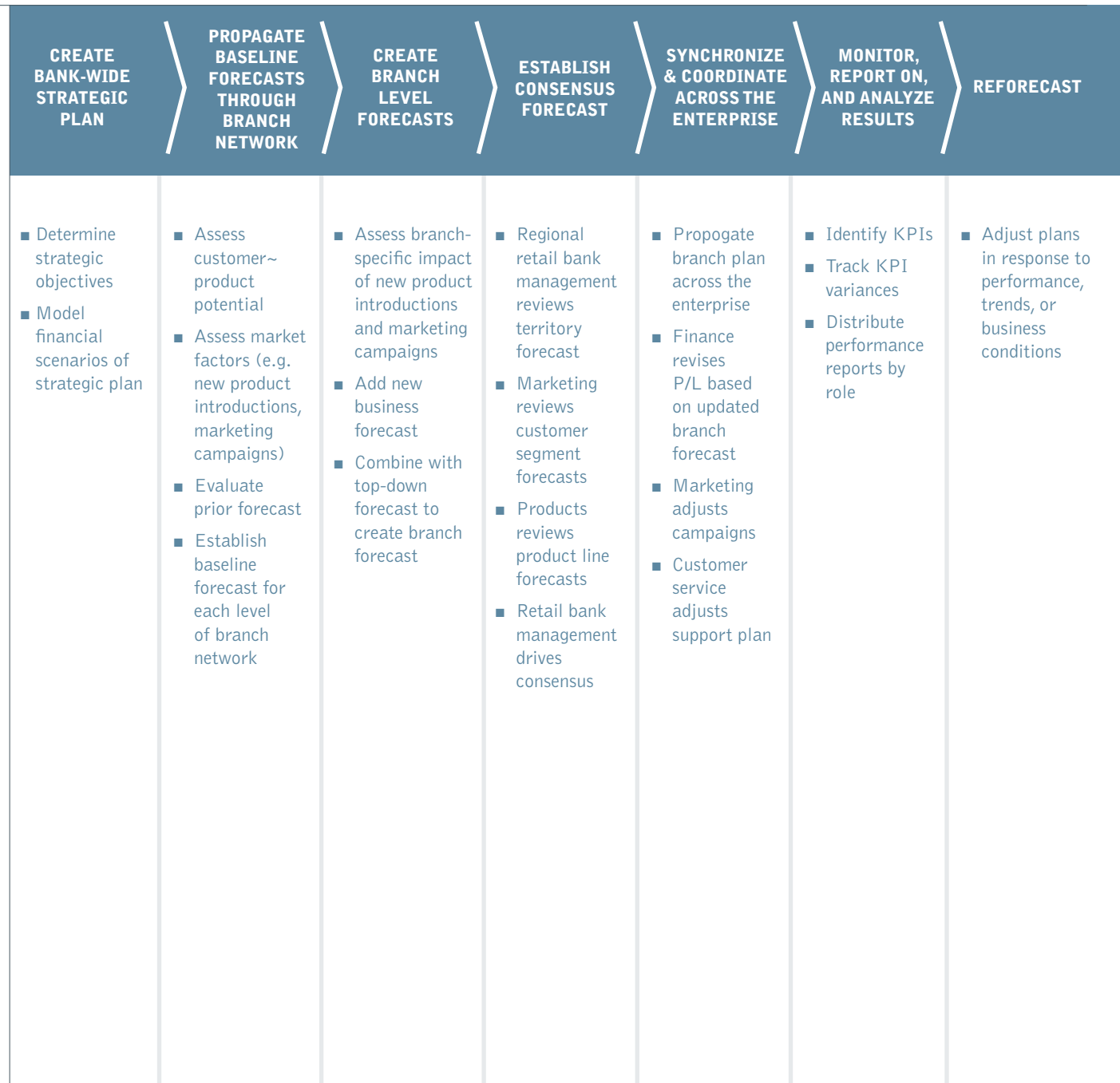


Strategic plans are created for the retail network and for each branch. Branch plans are adjusted to reflect market conditions, product and marketing initiatives, and revisions in top-down expectations. Branch, customer, and product reporting and analysis allow monitoring of branch performance against strategic plan.

A typical branch adds a given growth rate to the prior period's plan. Best practice, however, is to plan by customer segment and product type—even by customer segment-product type combinations wherever possible.

- *Branch management* adjusts baseline plan, reflecting marketing activities, new product introductions, seasonality, and so on, to create a revised forecast.
- *Regional management* reviews the revised forecast to ensure it meets expectations
- *Marketing and product management* executives review the plan against objectives
- *Finance* reviews the plan to ensure company financial goals are reached.

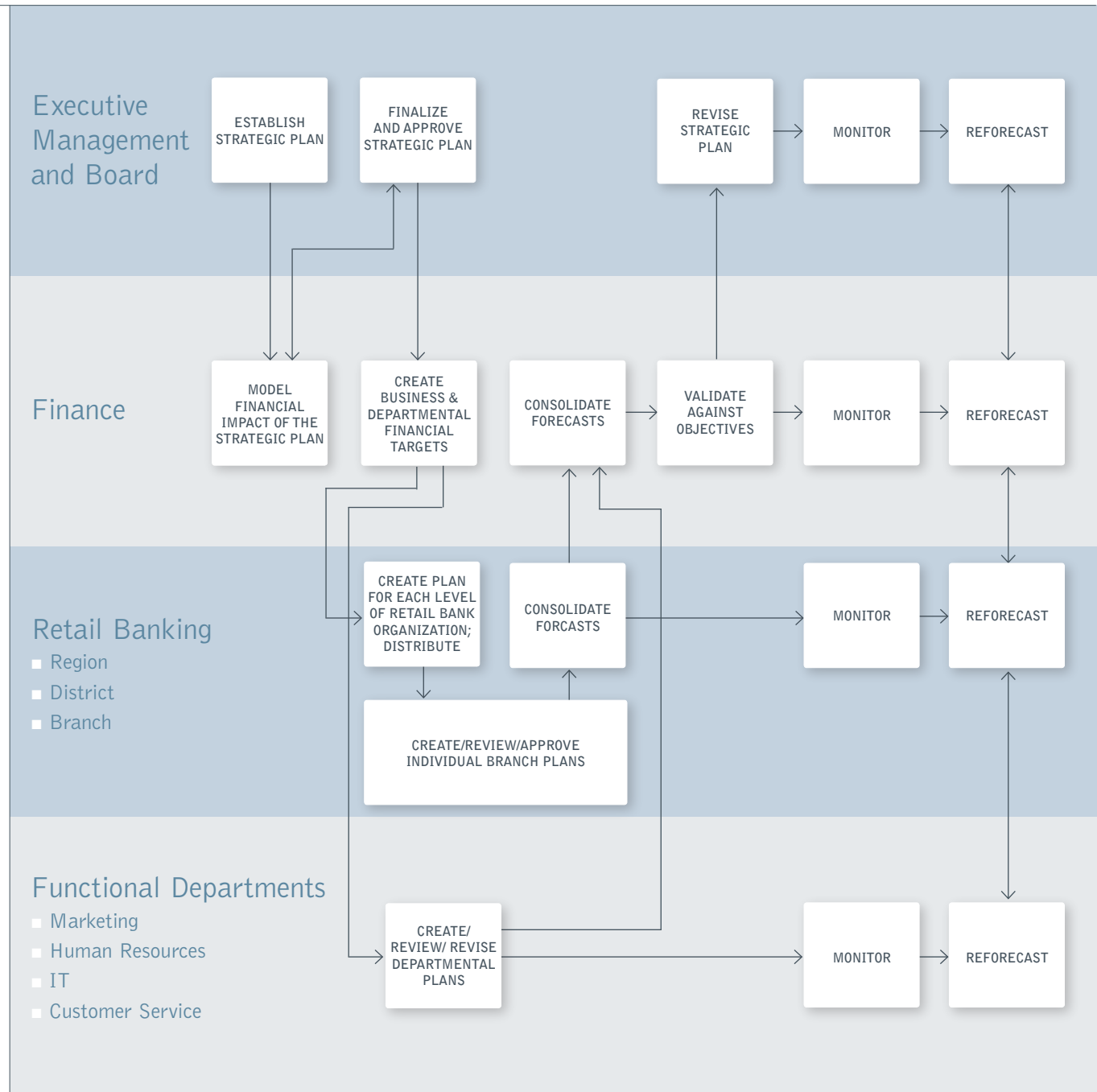
Throughout the process—and over the time period—branch, retail line of business, finance, marketing, and elsewhere review branch, customer, and product-level performance.



A typical workflow for creating a retail branch plan starts with executive management and works through the finance and retail banking organizations.

Most banks follow a strategic planning process that begins with executive management setting the strategic direction for the company. The financial implications of the resulting strategy are modeled by finance and finalized by the executive team.

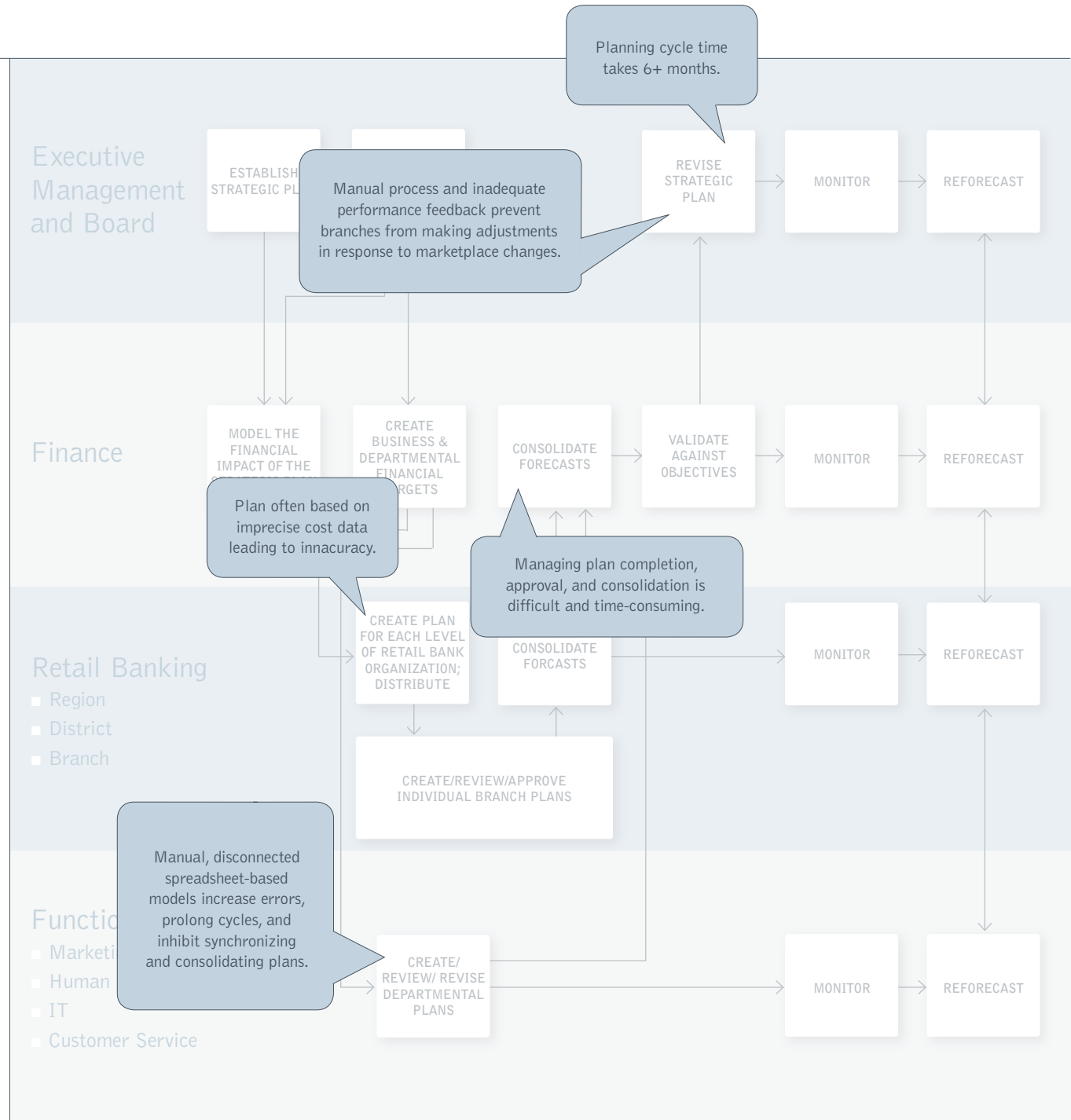
- The retail banking line of business typically receives a set of targets as an output of the strategic planning process. Targets are cascaded through the retail network, often from corporate to region to district and to each individual branch.
- Each individual branch reviews the top-down plan, and modifies it to create its own bottom-up plan. Branch plans follow the path back through the retail network to retail banking management, where they are consolidated and returned to finance.
- Concurrently, other functional groups such as marketing, human resources, IT, and customer service review the retail banking plans and adjust their own plans accordingly.
- The results at each level of the retail banking organization are monitored, and forecasts are periodically revised according to the established policies.
- Historical activity cost data is used to ensure the most accurate plans.



Most banks manage the process with hundreds or even thousands of spreadsheets which typically leads to inconsistent plans, multiple errors, and significantly longer cycle times.

In a bank, transactional core processing systems and general ledger applications are at the heart of the technology infrastructure. However, neither transactional nor G/L systems are well-suited for planning, which explains the proliferation of spreadsheets in most banks.

Spreadsheets, however, do not allow for integrated, enterprise-wide planning, reporting, and analysis. In fact, so much time can be spent trying to consolidate and reconcile spreadsheet-based plans, that they are outdated by the time they are ready for distribution. Consequently, many banks lack the time to ensure that the strategic plan cascades through the organization as it should, and that the goals of the plan are achieved. The result is typically misaligned strategies, inconsistent priorities, ambiguous messages across branches, and—ultimately—lost opportunity to generate revenue or improve profitability.



Banking industry leaders are moving from spreadsheets to enterprise systems for top-down and bottom-up planning. Result: Shortened cycles, reduced error, ensured consistency, improved control, greater visibility, and enhanced accountability.

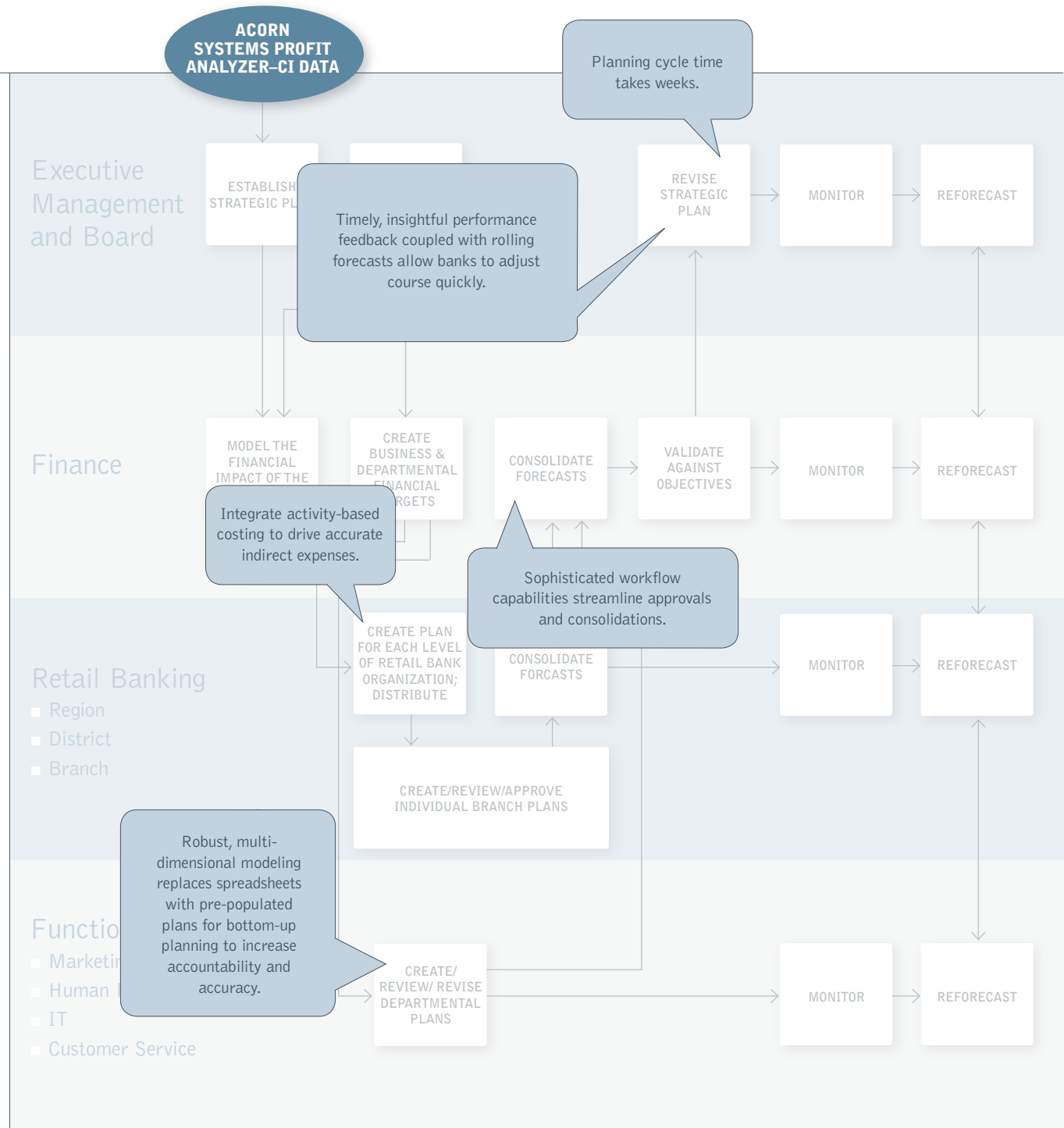
The Cognos Branch Performance Blueprint helps accelerate planning and enables high retail branch participation.

'What-if' modeling capabilities facilitate decision-making, letting branch managers assess options, run multiple scenarios, and simulate contingencies. *Break-back* lets managers pro-rate revenue, costs, or contribution margins to meet goals. *Robust analysis and reporting* offer visibility into branch performance and variance against plan. *Forecasts* are built upon highly accurate, three-way-validated, cost and revenue data from Acorn Systems Profit Analyzer-CI activity-based costing engine.

Once objectives are agreed upon, plans are pre-populated and deployed across the enterprise. Cognos Blueprints are easy to use and offer branch managers visibility and a role in achieving the bank's strategic plan.

Blueprints feature a powerful workflow engine that enables submitted and approved plans to be automatically rolled up, letting management and finance teams review, analyze, and align branch plans with corporate goals and objectives.

Since the planning cycle is easily reduced from month to mere weeks, iterations and meaningful resource decisions can be accomplished in branch plans while adhering to corporate goals. This leads to enhanced accountability and the ability to re-forecast and respond quickly to market changes.



The Branch Performance Blueprint lets banks establish corporate targets and develop integrated, functional, financial and operational plans.

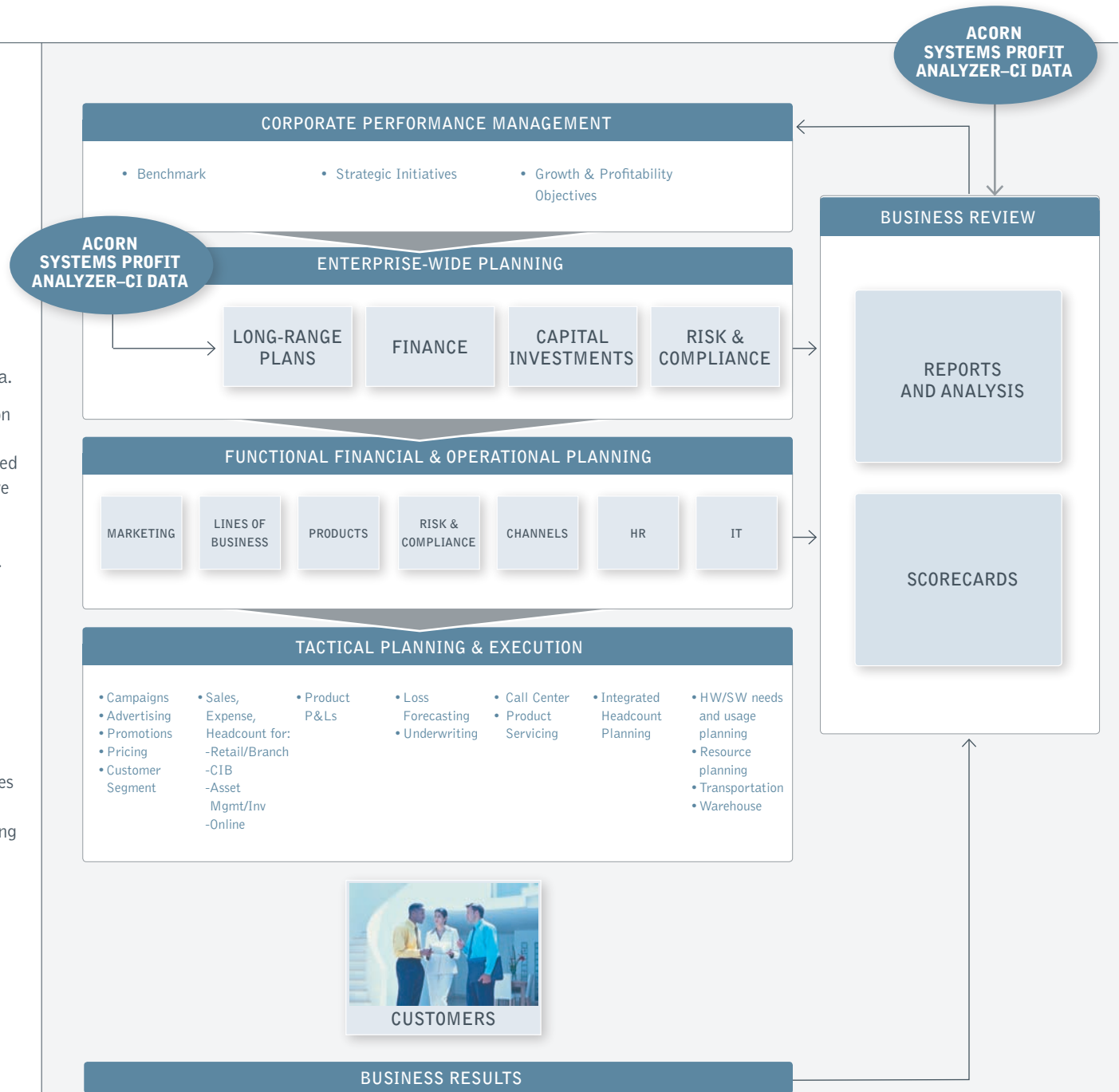
Performance against targets is visible using Cognos 8 Business Intelligence. Integration with the Acorn Systems Profit Analyzer-CI engine ensures accurate, consistent data.

Cognos Performance Blueprints are pre-configured solution building blocks that allow banks to jump-start their implementations. Under the hood, Blueprints are pre-defined data, process, and policy models that encapsulate collective best-practice knowledge from financial services industry experts at the Cognos Innovation Center for Performance Management and input from leading financial institutions.

In the hands of Cognos Implementation Services consultants, or experienced customers, Performance Blueprints reduce implementation schedules and improve project success rates. Integration with Acorn Systems Profit Analyzer-CI ensures that offers rapid time-to-market, reduced risk, and accurate data.

Cognos offers great depth and breadth in delivering performance management solutions to the financial services industry. More than 1,000 financial services companies worldwide rely on Cognos to improve performance, including nine of the top ten banks in Europe and North America.

Cognos delivers an integrated performance management solution that replaces fragmented processes with continuous, collaborative planning, analysis, and reporting to support business drivers and deliver up-to-date insight into performance. Cognos helps you build a foundation for higher performance by connecting strategy to plans, targets, and objectives.

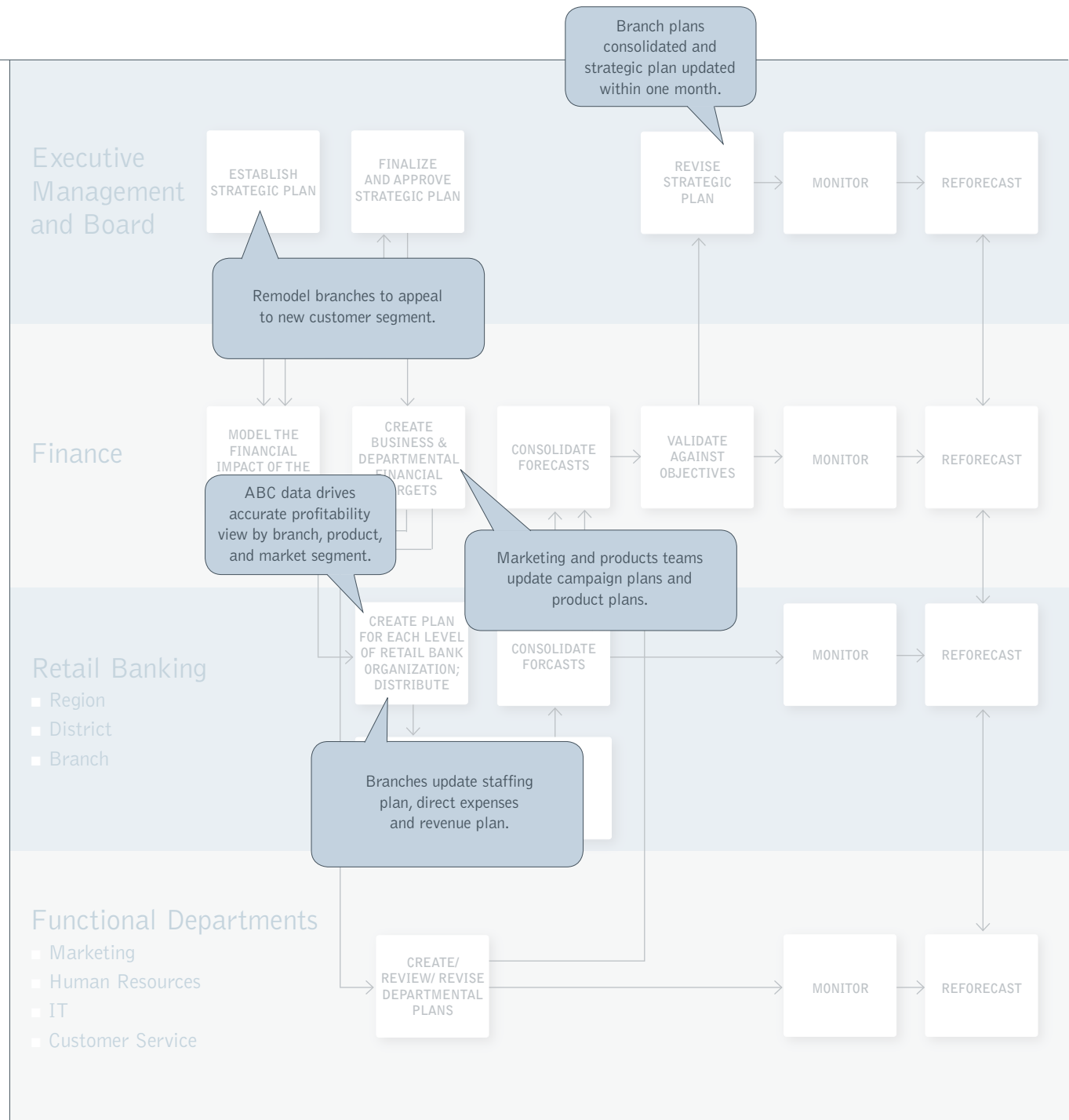


A best-practice workflow quickly adjusts profit forecasts and cascades down to the branches as business conditions change

Consider a bank that decides to transform its branches from traditional branches into “retail store” branches that appeal to new customer segments, raise revenues, cultivate greater customer loyalty, and increase profitability. As part of this strategic initiative, a number of scenarios are modeled, and the one likely to produce the most favorable outcome is selected.

New objectives and financial targets are distributed using automated workflow to the retail banking line of business. Retail branches, marketing, and call centers increase headcount, while investments are made in marketing and new products to support the program. New plans are consolidated back to strategic forecasts and adjustments are made based on revised forecasts.

Within a few weeks, the entire bank is mobilized to carry out the revised strategic objectives and track its performance against those objectives.



Branch Performance Blueprint Benefits

COGNOS BRANCH PERFORMANCE BLUEPRINT DELIVERS KEY BENEFITS TO BANKING ORGANIZATIONS:

- Optimized branch planning process.
- Flexible model development.
- Scalable architecture with proven deployments to thousands of users.
- Branch-level planning by customer, segment, or product.
- Branch, customer segment, and product profitability reporting.
- Simplified gathering and validation of branch input.
- High-participation work flow and Web-based deployment for data collection and consolidation.
- Unmatched accuracy with Acorn Systems Profit Analyzer-CI activity-based costing engine.
- World-class managed- and ad-hoc reporting and analysis
- Real-time workflow.
- Real-time consolidation.
- Real-time, browser-based calculations for immediate view of performance.
- Single operational system can be used across multiple products and channels.

COGNOS | INNOVATION
CENTER
for Performance Management™

The Cognos Innovation Center for Performance Management is dedicated to the understanding, adoption, and implementation of next-generation planning and performance management practices. It is a consortium of industry leaders, practitioners, thought leaders, forward-looking executives, and technology experts experienced in, and committed to, the advancement and successful application of technology-enabled performance management best practices. The Innovation Center seeks to assist organizations in optimizing the alignment of their plans, processes, and resources with corporate goals and strategies.