

CORPORATE BANKING: Customer Segment Performance Blueprint



**A WEB-BASED
PERFORMANCE
MANAGEMENT
APPLICATION**

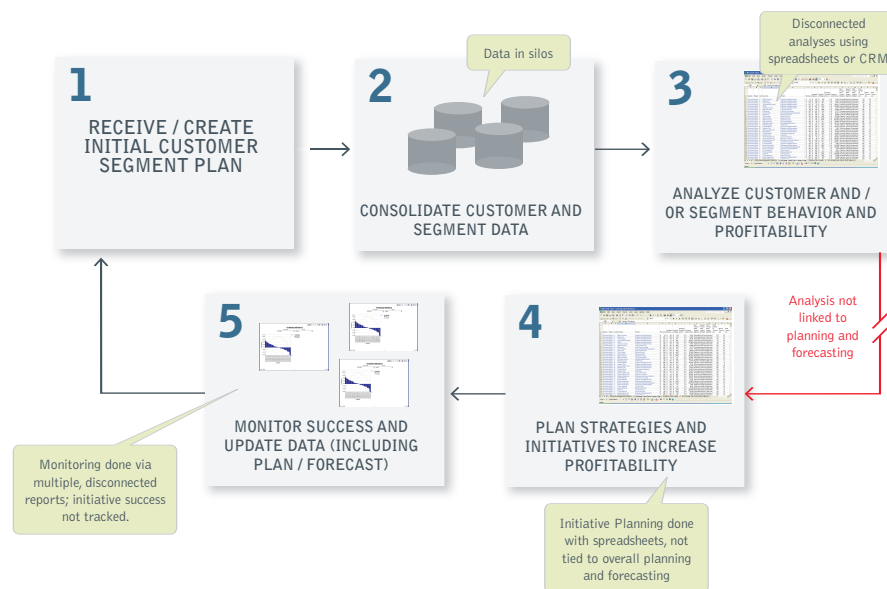
Introduction: driving success one customer at a time

Ask most financial services executives about their key strategies for growth, and the same answers tend to pop up: increase wallet share, improve customer satisfaction and loyalty, serve small and medium enterprises more cost-effectively, and know the customer's needs so that the institution can offer the right product at the right time.

All of these answers are predicated upon having customer segment or individual customer data available, using the data to understand the behaviors and profitability of customers or groups of customers, and then to create strategies and plans that maximize the institution's success.

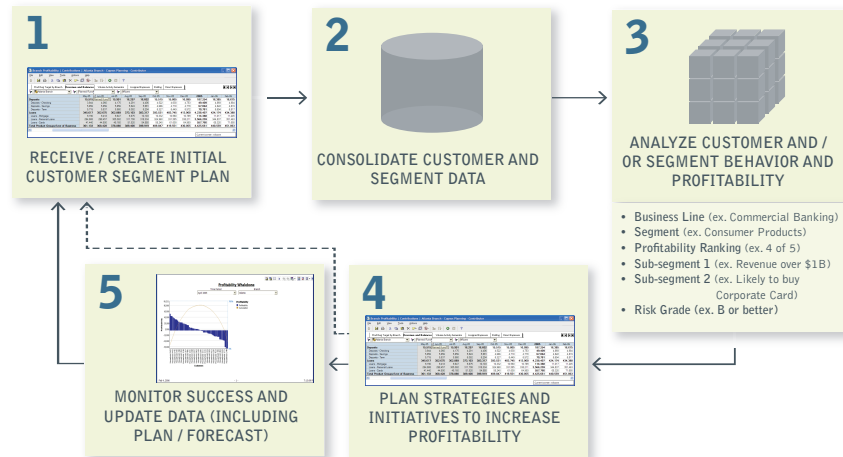
The tools to perform these tasks have existed for years, but in most cases, data resides in disparate systems, customer profitability solutions exist in relative isolation from the financial planning process, customer relationship management (CRM) solutions have been cost-prohibitive and rarely lived up to their promise, and initiative planning and tracking has been an afterthought. Consequently, many institutions have failed to meet their growth and profitability targets.

Customer Profitability Management at Most Banks



Despite the inefficient processes found at many banks, a coordinated, efficient approach to driving customer profitability can be a reality. The first step is to consolidate customer data, storing all relevant transactional, product, demographic, goal, and profile information in an accessible place. Next is applying appropriate reporting and analysis tools to the task of understanding as much as possible about customer segments and individual customers. Once those segments and customers are understood more completely, the bank can use technology integrated with analysis and reporting capabilities to plan initiatives and set very specific targets that improve segment profitability. Finally, the bank can monitor the success of its plans and initiatives and feed information gained back into the process, creating a closed-loop cycle for continual performance improvement.

Driving Customer Profitability (Corporate)



The Cognos Solution: Customer Segment Blueprint

The *Cognos Corporate Banking Customer Segment Performance Blueprint* enables commercial, corporate, and investment banks to create profit-and-loss statements at the customer segment level or—for large corporate clients—at the customer level. The solution allows segment- or customer managers to report on and analyze profitability down to the customer level, to create regional and product P&Ls within a segment or customer, and to plan sales and marketing initiatives to improve segment or customer results. Integration with Acorn Systems' activity-based management software ensures granular, accurate profitability measurement and planning.

The *Corporate Banking Customer Performance Blueprint* comprises three primary components:

- Reporting, analysis, dashboards, and scorecards using Cognos 8 Business Intelligence.
- Planning and forecasting, using Cognos 8 Planning.
- Activity-based costing and management (pre-integrated with Acorn Systems' Profit Analyzer CI, but can be used with any ABC or other costing system or methodology).

Using these components, the *Blueprint* enables customer segment managers (and large corporate account managers), marketing personnel, and other customer-facing bank employees to receive customer segment information, analyze information to determine targets, plan initiatives to drive increased profits in the chosen segment, and manage and update a customer-segment P&L. The descriptions below follow that basic workflow: report and analyze customers and customer segments, plan initiatives, and manage the customer segment P&L.

“The Cognos Banking Customer Segment Blueprint is an excellent solution for reporting on customer segments and customers, planning segment-level profitability, and planning initiatives to drive increased revenue and profitability into a customer segment.”

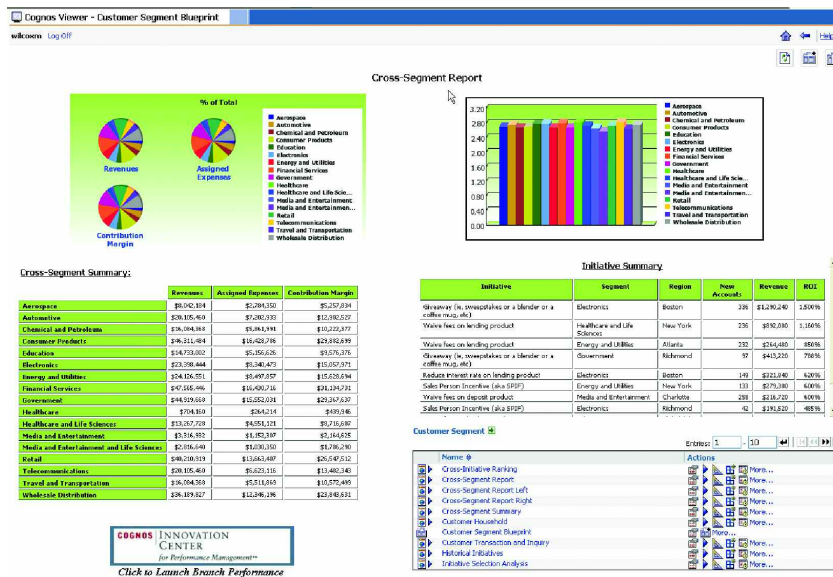
— VICE PRESIDENT, FINANCE, \$20 BILLION USD BANK

Customer Segment Reporting, Analysis, Dashboards, and Scorecards

The *Corporate Banking Customer Performance Blueprint* provides a hierarchy of dashboards and reports designed to guide the user through deeper and deeper levels of customer- and customer segment detail.

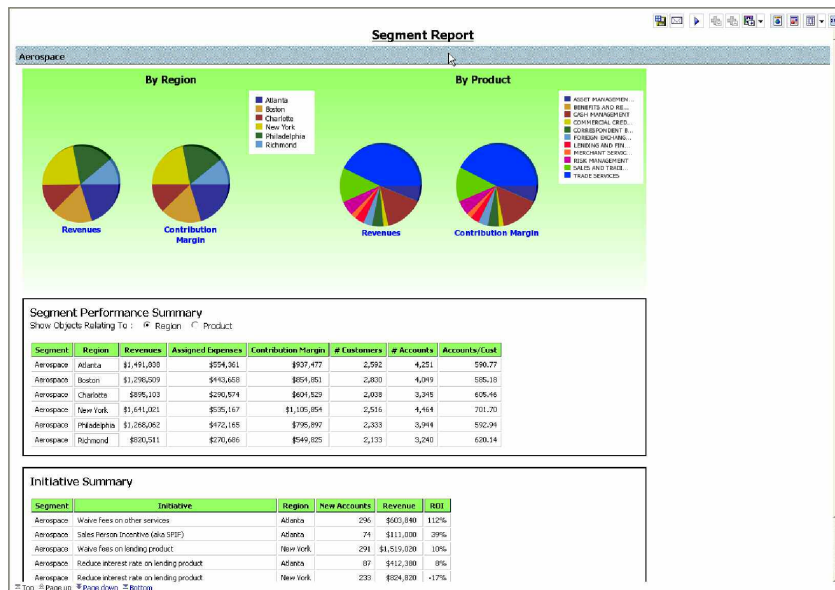
The first level provides a view of all customer segments (*Cross-segment Report*), which allows the user to understand at a glance how segments are performing across measures such as revenue, contribution margin, and accounts per customer. In addition, it highlights initiatives that are most successful at driving higher profitability.

Cross-segment Report



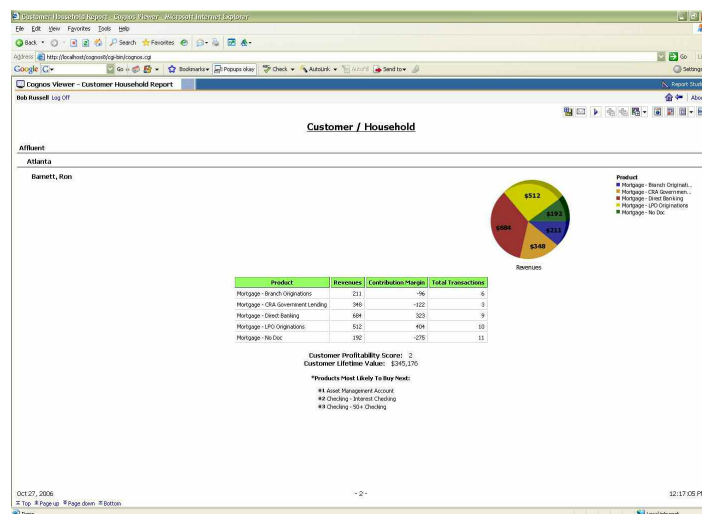
The next level in the hierarchy is the *Customer Segment Report*. This dashboard-style report allows the user to look within a segment to understand differences across regions and products—both comparatively and in absolute financial terms. It also incorporates an initiative summary, which reflects initiatives success within this particular segment.

Customer Segment Report



The lowest level of reporting is the *Customer Report*, which displays both key financial information for the customer and profitability measures, such as customer profitability score, customer lifetime value, risk grade, and products most likely to be purchased next (these measures can be either supplied by an existing bank profitability system or created independently). There is also a link to the *Customer Transaction and Inquiry Report*, which provides detailed information about recent transactions and inquiries.

Customer Report



Transaction Report

Customer Transaction and Inquiry

American Armament Inc		
Tran Date	Tran Type	Tran Channel
10/18/06	ATM	Deposit
10/06/06	Online	Payment
09/22/06	Online	Payment
09/05/06	Call Center	Payment
08/29/06	Call Center	Payment
Inquiry Date	Inquiry Type	
10/22/06	Online	
10/13/06	Branch	
10/04/06	Online	

Initiative Reporting, Analysis, Dashboards, and Scorecards

From the customer analysis just performed—whether at cross-segment, segment, or customer level—the user is able to identify exactly which customer segment to target for product or service initiatives. To launch a new initiative, the user may look at how past initiatives have performed in order to determine what initiative to proceed with for the chosen target.

Similar to customer segment reporting, there is an initiative reporting hierarchy. The highest level is a cross-initiative report, showing key information regarding all initiatives across segments, regions, and products.

Cross-Initiative Summary Report

Cross-Initiative Ranking								
Initiative	Segment	Region	New Accounts	Revenue (\$)	Initiative Cost (\$)	# Touches	Conversion Rate (%)	ROI (%)
Giveaway (ie. sweepstakes or a blender or a coffee mug, etc)	Aerospace	New York	262	220,000	1,037,520	960	27	-79
Increase interest rate on deposit product	Aerospace	Atlanta	109	224,940	973,440	8,325	3	-77
Reduce interest rate on lending product	Aerospace	Atlanta	87	412,300	393,060	9,749	1	8
Reduce interest rate on lending product	Aerospace	New York	253	824,830	992,580	6,682	3	-17
Sales Person Incentive (aka SPI)	Aerospace	Atlanta	74	111,000	79,820	7,632	1	39
Waive fees on deposit product	Aerospace	New York	158	47,400	293,880	6,820	2	-84
Waive fees on lending product	Aerospace	New York	251	1,519,030	1,379,340	8,934	3	10
Waive fees on other services	Aerospace	Atlanta	296	603,640	284,160	6,680	4	112
Giveaway (ie. sweepstakes or a blender or a coffee mug, etc)	Automotive	Charlotte	322	1,661,820	1,487,640	8,497	6	12
Increase interest rate on deposit product	Automotive	Philadelphia	73	179,500	162,060	3,904	2	11
Reduce interest rate on lending product	Automotive	Charlotte	191	275,040	275,040	4,645	4	0
Sales Person Incentive (aka SPI)	Automotive	Philadelphia	128	999,360	236,080	1,729	7	68
Waive fees on deposit product	Automotive	Charlotte	234	1,109,160	870,480	5,772	4	27
Waive fees on lending product	Automotive	Charlotte	189	827,830	941,220	3,899	5	-12
Waive fees on lending product	Automotive	Philadelphia	283	101,890	101,890	738	38	0
Waive fees on other services	Automotive	Philadelphia	271	1,138,200	1,333,320	118	230	-18
Waive fees on deposit product	Best Buy	Charlotte	177	1,019,530	302,320	6,522	3	167
Giveaway (ie. sweepstakes or a blender or a coffee mug, etc)	Chemical and Petroleum	Boston	101	532,140	543,000	7,449	2	-2
Increase interest rate on deposit product	Chemical and Petroleum	Boston	145	756,900	226,200	2,782	5	235
Increase interest rate on deposit product	Chemical and Petroleum	Richmond	114	136,800	826,680	3,686	3	-74
Reduce interest rate on lending product	Chemical and Petroleum	Boston	45	199,600	102,600	4,365	1	95
Sales Person Incentive (aka SPI)	Chemical and Petroleum	Richmond	349	1,402,000	711,360	3,366	9	97
Waive fees on deposit product	Chemical and Petroleum	Boston	96	420,100	293,440	3,998	3	86
Waive fees on lending product	Chemical and Petroleum	Richmond	263	686,400	390,000	5,789	4	76
Waive fees on other services	Chemical and Petroleum	Richmond	58	146,160	39,280	3,113	2	282
Giveaway (ie. sweepstakes or a blender or a coffee mug, etc)	Consumer Products	New York	156	692,640	926,640	4,825	3	-25
Increase interest rate on deposit product	Consumer Products	New York	137	809,640	394,560	6,774	2	29
Reduce interest rate on lending product	Consumer Products	New York	256	814,080	967,680	8,082	3	-16
Sales Person Incentive (aka SPI)	Consumer Products	Atlanta	323	1,531,030	445,740	4,178	8	243
Waive fees on deposit product	Consumer Products	Atlanta	184	794,880	940,440	9,449	2	-16
Waive fees on deposit product	Consumer Products	New York	339	1,606,860	488,160	320	106	229
Waive fees on lending product	Consumer Products	Atlanta	167	67,320	336,600	1,407	13	-80
Waive fees on other services	Consumer Products	Atlanta	182	163,600	360,360	8,492	2	-95
Giveaway (ie. sweepstakes or a blender or a coffee mug, etc)	Education	Charlotte	103	246,000	186,000	9,994	1	32
Increase interest rate on deposit product	Education	Charlotte	154	794,640	267,960	9,080	2	197
Sales Person Incentive (aka SPI)	Education	Philadelphia	72	34,560	293,760	4,822	1	-68

From the *Cross-Initiative Report*, the user can select a report for a single initiative, which provides an even greater level of detail on any past initiative.

Initiative Report

Historical Initiatives

Initiatives: Giveaway (ie, sweepstakes or a blender or a coffee mug, etc)

Segment: Amropac
 Region: New York
 Marketing Media Types: Print Advertising, Direct Mail, TV Advertising
 Start Date: April, 2004
 End Date: September, 2004

	Target	Actual	Variance	Status
# New Accounts:	44	202	210	
Initiative Revenue:	\$20,200	\$205,000	-12,240	
Initiative Cost:	\$108,240	\$1,007,520	909,280	
# of Touches:	3,926	963	-3,013	
Conversion Rate:	8%	27%	22%	
Initiative ROI:	115%	-79%	-192%	

The final initiative report is quite different from the others, in that it provides a guided path to choosing an effective initiative based on historical data (similar to a “wizard”). *Initiative Selection Analysis* prompts the user to select the customer segment for which an initiative is to be executed, then provides a list of the most profitable products within that segment. The user may select which product to offer the target segment. Based on the product selection, the report then provides a list of past initiatives—and the associated marketing media—that have proved most successful in promoting that product, allowing the user to choose the optimal product—initiative mix.

Initiative Selection Analysis

Initiative Selection Analysis

Segment / Product		Contribution Margin	
<input type="checkbox"/> Financial Services		65%	
<input checked="" type="checkbox"/> Acquisition Financing		62%	
<input type="checkbox"/> Corporate Card		67%	
<input type="checkbox"/> Corporate Investment Management		70%	
<input type="checkbox"/> Credit Card Processing		66%	
<input type="checkbox"/> Equipment Leasing		62%	
<input type="checkbox"/> Payments and Disbursements		62%	
<input type="checkbox"/> Trade and Financing Services		63%	
<input type="checkbox"/> Treasury Management		65%	
<input type="checkbox"/> Retail		64%	

Segment	Product	Region	Initiative Data	New Accounts	Revenue (\$)	Initiative Cost (\$)	# Touches	Conversion Rate (%)	ROI (%)
Financial Services	Corporate Card	Charlotte	Waive fees on other services	232	202,200	668,400	7,760	3	-70
Financial Services	Corporate Investment Management	Charlotte	Increase interest rate on deposit product	97	466,600	174,600	4,566	2	167
Financial Services	Credit Card Processing	Philadelphia	Reduce interest rate on lending product	136	196,300	486,000	9,314	1	-42

Initiative Planning

Having chosen the optimal initiative, the user can now forecast the impact of that initiative on the customer segment's profitability. In the **Initiative Planning** tab shown below, the user chooses the product and marketing mix, as well as start- and end-dates and the target number of accounts (by credit grade) for the initiative. The *Blueprint* provides the initiative's projected net profit, including lifetime revenue, lifetime assigned expenses, and acquisition cost (initiative cost). In addition, a user can compare multiple initiatives side-by-side before making a final choice. Once the choice is made, the user selects the appropriate initiative, which feeds the initiative forecast into the overall profit and loss forecast for the customer segment.

Initiative Planning Tab

	Scenario 1	Scenario 2	Scenario 3	Scenario Used
INITIATIVE COST				
Initiative Type	Wave fees on other services			
Marketing Media				
TV Advertising	0	0	0	0
Radio Advertising	0	0	0	0
Direct Mail	0	0	0	0
Print Advertising	50,000	0	0	50,000
Local Advertising	0	50,000	0	0
e-mail	0	0	0	0
Total Targeted Initiative Acquisition Costs	50,000	50,000	0	50,000
Targeted Acquisition Cost/Account	137	182	0	137
Initiative Start Month	Jun07	Nov06		Jun07
Initiative End Month	Jun07	Jun07		Jun07
Region	Northwest	Total Regions		Northwest
Target # of Accounts (Credit = A)	110	70	0	110
Target # of Accounts (Credit = B)	80	70	0	80
Target # of Accounts (Credit = C)	50	50	0	50
Target # of Accounts (Credit = D)	80	75	0	80
Per Account Profitability				
Revenue per account, per month (Credit = A)	66	66	66	66
Revenue per account, per month (Credit = B)	126	126	126	126
Revenue per account, per month (Credit = C)	169	160	160	160
Revenue per account, per month (Credit = D)	252	252	252	252
Life of Account (Credit = A)	48	48	48	48
Life of Account (Credit = B)	55	55	55	55
Life of Account (Credit = C)	60	60	60	60
Life of Account (Credit = D)	72	72	72	72
Lifetime Revenue (Credit = A)	348,480	221,760	0	348,480
Lifetime Revenue (Credit = B)	631,125	556,875	0	631,125
Lifetime Revenue (Credit = C)	907,200	564,000	0	907,200
Lifetime Revenue (Credit = D)	1,451,520	1,368,000	0	1,451,520
ASSIGNED EXPENSES				
Assigned Expense (Credit = A)	11	11	11	11
Assigned Expense (Credit = B)	34	34	34	34
Assigned Expense (Credit = C)	45	45	45	45
Assigned Expense (Credit = D)	73	73	73	73
Lifetime Assigned Expenses	880,510	719,310	0	880,510
NET PROFIT				
Total Lifetime Revenue	3,336,326	2,651,636	0	3,336,326
Total Lifetime Assigned Expenses	880,510	719,310	0	880,510
Total Initiative Cost	50,000	50,000	0	50,000
Initiative Net Profit	2,407,815	1,923,325	0	2,407,815
Initiative ROI	48.16%	38.66%	0.00%	48.16%
Choose Scenario	1:1 Scenario			
Risk				
Weightage (Business Rules)				
Notes				
Target # of Accounts / Week (Credit = A)	18.333	7.778	0.000	18.333
Target # of Accounts / Week (Credit = B)	14.167	8.223	0.000	14.167
Target # of Accounts / Week (Credit = C)	15.000	6.111	0.000	15.000
Target # of Accounts / Week (Credit = D)	13.333	8.333	0.000	13.333

The calculations derived here are driven from an **Initiative Assumptions** tab (not shown), as well as the **Revenue & Balances** and **Assigned Expenses** tabs which are described in greater detail below.

Calculating and Forecasting the Customer Segment P&L

The **Customer Segment Profit & Loss Statement**—which calculates the customer segment profitability to which each segment is ultimately managed—is created dynamically from revenue, balance, and cost information calculated in other areas of the model.

The Revenue & Balances tab supplies the revenue portion of the Profit and Loss statement, by allowing the customer segment owner or marketing to manage branch Balances, Accounts, and Net New Customers within the segment. The segment manager can forecast number of accounts and account balance items such as Planned Runoff, New Business, and Attrition. A forecast is run for each Product Group, Region, and Credit Grade within the customer segment. To facilitate data entry, the tab may be reoriented as needed. For example, it may be reoriented to work on the Planned Runoff for all product groups in the “Electronics” customer segment. Fields in GRAY are non-editable and consist of historical data (which is locked), data linked over from other tabs, or items calculated based upon information entered in the white (editable) areas. As changes are made, they are highlighted in BLUE along with any cells affected by the change. Balance changes will affect Revenue numbers and flow through the model to subsequent tabs, including the Profit & Loss Statement. Likewise, changes in the Accounts area will affect income (revenue from new accounts) and drive account-related activity volumes. Account-related activity volumes will affect Assigned Expenses, which are discussed below.

Revenue and Balances Tab

	Scenario 1	Scenario 2	Scenario 3	Scenario Used
INITIATIVE COST				
Initiative Type	Wave less on other services	Wave less on other services		
Marketing Media				
TV Advertising	0	0	0	0
Radio Advertising	0	0	0	0
Direct Mail	0	0	0	0
Print Advertising	50,000	0	0	50,000
Local advertising	0	50,000	0	0
e-mail	0	0	0	0
Total Targeted Initiative Acquisition Costs	50,000	50,000	0	50,000
Targeted Acquisition Cost/Account	137	182	0	137
Initiative Start Month	Jan-07	Nov-06		Jan-07
Initiative End Month	Jan-07	Jan-07		Jan-07
Region	Northest	Total Regions		Northest
Target # of Accounts (Credit = A)	110	70	0	110
Target # of Accounts (Credit = B)	85	75	0	85
Target # of Accounts (Credit = C)	90	95	0	90
Target # of Accounts (Credit = D)	80	75	0	80
Per Account Profitability				
Revenue per account, per month (Credit = A)	66	66	66	66
Revenue per account, per month (Credit = B)	136	136	136	136
Revenue per account, per month (Credit = C)	168	168	168	168
Revenue per account, per month (Credit = D)	252	252	252	252
Life of Account (Credit = A)	48	48	48	48
Life of Account (Credit = B)	55	55	55	55
Life of Account (Credit = C)	60	60	60	60
Life of Account (Credit = D)	72	72	72	72
Lifetime Revenue (Credit = A)	348,480	231,760	0	348,480
Lifetime Revenue (Credit = B)	631,125	556,875	0	631,125
Lifetime Revenue (Credit = C)	967,200	554,400	0	967,200
Lifetime Revenue (Credit = D)	1,451,520	1,363,800	0	1,451,520
ASSIGNED EXPENSES				
Assigned Expense (Credit = A)	11	11	11	11
Assigned Expense (Credit = B)	34	34	34	34
Assigned Expense (Credit = C)	45	45	45	45
Assigned Expense (Credit = D)	73	73	73	73
Lifetime Assigned Expenses	680,510	719,310	0	680,510
NET PROFIT				
Total Lifetime Revenue	3,336,325	2,693,835	0	3,336,325
Total Lifetime Assigned Expenses	680,510	719,310	0	680,510
Total Initiative Cost	50,000	50,000	0	50,000
Initiative Net Profit	2,467,015	1,923,525	0	2,467,015
Initiative ROI	48.16%	38.46%	0.00%	48.16%
Choose Scenario	1st Scenario			
Rolls				
Warnings (Business Rules)				
Notes				
Target # of Accounts / Week (Credit = A)	16.333	7.778	0.000	16.333
Target # of Accounts / Week (Credit = B)	14.167	8.333	0.000	14.167
Target # of Accounts / Week (Credit = C)	15.000	6.111	0.000	15.000
Target # of Accounts / Week (Credit = D)	13.333	8.333	0.000	13.333

NEW INITIATIVE REVENUE AND ACCOUNTS								
Initiative Revenue	0	0	0	0	0	0	0	0
Initiative Acquisition Costs	0	0	0	0	0	0	0	0
New Initiative Accounts	0	0	0	0	0	0	0	0
TOTAL REVENUE AND ACCOUNTS								
TOTAL REVENUE	273,851	299,971	327,727	356,350	385,561	425,179	455,983	487,163
TOTAL AVERAGE ACCOUNTS	1.675	1.879	2.083	2.287	2.491	2.695	2.899	3.103

The Assigned Expenses tab—for expenses driven by account activity—provides the cost portion of the Customer Segment Profit & Loss Statement based on activity-based costs fed from Acorn System's Profit Analyzer CI. Assigned Expenses are derived as follows:

- Each product has an associated set of activities. For instance, Customer Inquiry Calls as one of several associated activities. [Note that each activity—such as Customer Inquiry Calls—comprises numerous transactions, in this case, balance inquiries, fee inquiries, and so on.]
- Each activity is performed a certain number of times per month. The volume of monthly activity is calculated in the model's Volume Activity Generator (not shown).
- Each activity has an associated cost, called the Planned Unit Price (provided by the Acorn ABC engine, based on recent historical costs).

The Assigned Expense for each product within a customer segment is calculated by multiplying each activity Volume by its associated Planned Unit Price to arrive at a monthly Cost for that activity, then summing the costs of each activity associated with that product.

As can be seen in the graphic below, the Assigned Expenses tab summarizes the information into the Volumes, Unit Price, and Cost of each Activity for each product type within the customer segment.

Assigned Expenses Tab

Profit & Loss Targets		Profit & Loss		Initiatives		Initiatives Calc		Revenue & Balance		Volume Activity Calc		Initiative Volume Activity Calc		Assigned Expenses		Initiative Assumptions	
Economics		Cash Management		Northeast													
		Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	2006	Jan-07	Feb-07	
Customer Relationship Calls	Volume	4,538	5,198	5,384	4,433	4,174	4,743	4,904	5,959	4,288	6,340	6,023	6,823	64,295	11,072	12,895	5
	Planned Unit Price	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27	
	Cost	5,763	6,589	6,837	4,360	5,301	6,024	6,228	7,568	5,457	8,013	7,643	8,652	81,655	14,074	16,353	
Customer Support Calls	Volume	4,601	4,171	4,458	5,781	3,883	4,188	4,456	5,768	5,795	9,224	8,366	12,338	73,620	16,168	15,167	
	Planned Unit Price	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	
	Cost	6,119	5,547	5,930	7,648	5,181	5,570	5,927	7,671	7,788	12,288	11,127	16,489	97,116	21,423	20,092	
Statement Generation	Volume	5,227	4,120	4,595	3,179	4,528	5,436	3,812	4,500	4,832	18,298	21,034	19,336	98,214	26,261	19,146	
	Planned Unit Price	0.92	0.92	0.92	0.92	0.92	0.92	0.92	0.92	0.92	0.92	0.92	0.92	0.92	0.92	0.92	
	Cost	1,673	1,321	1,467	1,017	1,449	1,759	1,228	1,448	1,290	5,855	6,750	6,187	31,428	6,464	4,947	
Mailing & Postage	Volume	4,207	4,505	4,523	4,428	4,420	5,223	5,408	5,063	4,348	11,167	14,465	15,110	83,362	17,051	14,919	
	Planned Unit Price	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47	
	Cost	1,977	2,119	2,130	2,081	2,077	2,460	2,542	2,379	2,044	5,248	6,799	7,102	39,190	8,296	7,012	
Online Banking	Volume	5,383	3,566	3,673	5,571	5,683	4,790	5,537	4,429	5,836	18,021	18,768	12,948	96,612	16,534	18,847	
	Planned Unit Price	2.65	2.65	2.65	2.65	2.65	2.65	2.65	2.65	2.65	2.65	2.65	2.65	2.65	2.65	2.65	
	Cost	14,252	9,449	9,743	14,762	15,059	12,603	14,674	14,387	13,346	47,754	49,729	32,721	254,431	44,610	49,944	
Multi Channel Issue resolution	Volume	4,278	4,050	5,065	4,296	5,052	4,481	3,826	5,619	3,183	9,433	12,150	8,334	68,623	13,328	14,389	
	Planned Unit Price	2.93	2.93	2.93	2.93	2.93	2.93	2.93	2.93	2.93	2.93	2.93	2.93	2.93	2.93	2.93	
	Cost	12,510	11,847	14,815	12,586	14,830	13,107	10,987	16,435	9,340	27,593	35,540	24,376	203,846	38,988	41,954	
Program Administration	Volume	4,387	4,584	3,887	5,253	4,663	6,628	6,284	4,724	4,552	9,146	8,436	11,579	25,081	13,582	12,884	
	Planned Unit Price	2.43	2.43	2.43	2.43	2.43	2.43	2.43	2.43	2.43	2.43	2.43	2.43	2.43	2.43	2.43	
	Cost	12,119	11,362	9,580	13,007	11,330	16,105	15,367	11,583	11,060	22,226	20,646	28,137	182,471	33,006	29,316	
Account Setup	Volume	3,229	3,939	2,827	4,656	3,573	2,885	5,955	4,018	4,258	11,887	15,205	16,363	78,573	16,982	11,588	
	Planned Unit Price	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	
	Cost	634	680	481	689	625	477	999	619	724	1,989	2,585	2,782	13,425	2,887	1,962	
Funds Transfer	Volume	3,980	3,325	4,883	3,259	4,480	3,888	4,938	3,013	4,389	9,444	3,719	17,432	71,862	16,059	10,430	
	Planned Unit Price	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66	
	Cost	2,574	2,251	3,178	2,217	2,997	2,563	3,181	1,988	2,838	6,233	2,430	11,545	47,297	11,026	6,984	
Settlement	Volume	2,681	1,908	3,864	3,386	2,883	2,287	2,822	2,218	2,125	10,863	8,481	12,133	66,388	8,064	5,154	
	Planned Unit Price	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	
	Cost	2,341	1,859	3,449	2,946	2,598	2,287	2,281	2,800	1,849	9,491	7,388	10,556	49,232	7,016	4,964	
Lockbox (Wholesale, Retail, Wholesale)	Volume	1,205	1,210	1,140	1,308	1,420	1,816	1,884	1,486	1,223	2,951	1,244	1,688	12,744	2,031	2,885	
	Planned Unit Price	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	
	Cost	24	26	23	26	30	36	36	28	26	41	26	34	305	54	60	
Check processing	Volume	4,372	3,219	4,881	23,598	4,208	4,639	4,402	4,081	3,371	11,018	12,717	13,014	73,253	19,486	14,238	
	Planned Unit Price	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	
	Cost	175	129	163	102	168	188	176	160	135	472	509	503	2,930	779	570	
ACH Transfer	Volume	3,733	2,550	1,777	2,629	2,456	2,851	3,051	2,941	3,940	8,972	9,446	7,979	51,746	10,358	10,086	
	Planned Unit Price	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	
	Cost	5,375	3,650	2,549	3,773	3,538	4,082	4,367	4,221	5,654	12,875	12,264	11,306	74,255	14,620	14,359	
Fed/Wire Transfer	Volume	3,242	2,116	3,455	3,051	2,432	2,421	3,784	3,583	3,545	12,889	11,857	12,902	64,568	7,827	14,932	
	Planned Unit Price	2.17	2.17	2.17	2.17	2.17	2.17	2.17	2.17	2.17	2.17	2.17	2.17	2.17	2.17	2.17	
	Cost	7,036	4,592	7,496	6,706	5,498	5,254	8,211	7,883	7,894	28,059	25,368	27,998	140,112	16,289	32,462	
Check Image ED Creation	Volume	4,66	212	1,885	312	795	214	481	788	368	1,581	3,196	12,227	2,185	1,613	2,613	
	Planned Unit Price	6.81	6.81	6.81	6.81	6.81	6.81	6.81	6.81	6.81	6.81	6.81	6.81	6.81	6.81	6.81	
	Cost	2,888	1,443	12,842	2,121	5,408	1,463	3,344	5,336	2,506	10,758	21,736	83,969	14,800	10,194	17,194	
RED (Financial Electronic Data Interchange)	Volume	3,277	3,295	2,624	3,029	4,305	3,421	4,273	4,099	3,517	16,476	8,430	9,678	62,883	13,122	9,912	
	Planned Unit Price	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	
	Cost	3,408	3,427	2,729	3,036	4,477	3,598	4,444	4,263	3,658	16,896	8,807	10,208	64,566	13,647	10,204	
EDT (Electronic Depositary Transfer) Clearing	Volume	2,882	2,258	2,289	3,013	2,527	2,827	2,954	4,237	3,804	16,513	8,281	12,086	64,498	9,049	14,944	
	Planned Unit Price	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	

The Profit & Loss Statement tab is the recipient of the revenue, assigned expenses, and new initiative revenue planning that have been described. This tab combines revenue information with assigned expenses to forecast the contribution margin for the customer segment. In addition, it allows for overhead items, such as finance, executive, and HR, before arriving at Net Income Before Taxes and ultimately Net Income for the customer segment. Note that new initiative revenue is included on the Profit and Loss Statement, but has its own revenue and cost lines. This separation allows new initiative information to be differentiated easily, and also allows for seasoning of new accounts if the bank so desires. Finally, the Profit and Loss Statement also includes a number of Key Performance Indicators (KPIs), allowing the customer segment manager to track important pieces of information. There is also a tab (not shown) in the model in which the KPI targets are set and tracked.

Profit & Loss Tab

Profit & Loss Targets	Profit & Loss	Initiatives	Initiatives Calc	Revenue & Balances	Volume Activity Calc	Initiatives Volume Activity Calc	Assigned Expenses	Initiative Assumptions								
Net Interest Margin	201,174	210,701	219,686	228,627	237,671	253,122	264,349	275,577	286,810	298,046	309,284	333,470	3,119,107	345,155	387,639	415,207
Fees	0	0	0	0	0	0	0	0	0	7,136	14,253	21,359	43,179	37,499	53,396	70,195
Revenues	492,892	622,985	473,086	483,331	693,553	910,135	922,477	534,291	947,141	968,790	598,234	630,731	6,262,173	651,712	717,838	752,910
Loan Losses	32,273	32,334	32,395	32,465	32,531	32,591	32,648	32,697	32,758	32,823	32,881	32,928	391,324	32,982	33,962	33,113
Initiative Acquisition Costs	0	0	0	0	0	0	0	0	0	17,500	17,500	17,500	52,500	25,833	25,833	25,833
Assigned Expenses	103,820	103,713	111,379	106,455	109,971	112,715	115,325	124,612	109,344	284,636	299,482	303,744	1,885,206	338,396	390,725	388,851
Executive Management Assigned Expenses	103,820	103,713	111,379	106,455	109,971	112,715	115,325	124,612	109,344	284,636	299,482	303,744	1,885,206	338,396	390,725	388,851
Total Assigned Expenses	103,820	103,713	111,379	106,455	109,971	112,715	115,325	124,612	109,344	284,636	299,482	303,744	1,885,206	338,396	390,725	388,851
Revenue Less Assigned Expenses	389,072	519,272	361,707	376,876	583,582	797,420	807,152	410,133	837,797	684,154	298,752	327,024	4,376,967	313,319	326,914	364,059
Total Controllable Expenses	103,820	103,713	111,379	106,455	109,971	112,715	115,325	124,612	109,344	302,136	316,962	321,244	1,937,706	364,230	416,599	414,684
Contribution Margin	285,252	415,559	250,328	270,421	473,611	684,705	691,827	285,521	728,453	382,018	281,790	205,780	2,439,261	249,089	210,315	249,375
Overhead	44,616	45,417	46,162	45,848	45,365	44,886	47,274	47,033	43,618	44,674	45,315	48,845	548,769	10,468	11,330	10,464
Finance	32,833	37,076	36,626	39,466	36,587	35,809	38,126	39,324	38,269	37,265	39,982	455,070	9,745	9,980	9,462	9,462
Human Resources	24,808	28,353	28,438	26,382	24,566	25,069	26,981	23,510	26,624	25,411	26,149	24,410	388,740	5,002	6,415	6,449
Net Income	209,439	218,885	221,895	232,641	244,533	258,066	263,103	267,569	296,962	116,280	112,251	128,724	2,578,270	190,623	187,284	208,123
Number of FTE's	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Key Performance Indicators:																
Revenue Growth	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Revenue Growth	0.00%	16.36%	15.42%	14.61%	13.80%	22.27%	15.23%	14.43%	13.84%	13.27%	12.71%	25.55%	16.13%	15.62%	16.26%	14.85%
% of Income from Fees	44.5%	45.5%	45.4%	47.3%	48.2%	49.6%	50.6%	51.5%	52.4%	54.1%	55.9%	54.1%	55.9%	50.3%	58.9%	59.9%
Profitability Movement Indicator	0.00%	2.93%	0.68%	4.18%	1.78%	3.61%	2.45%	0.74%	6.74%	(35.55%)	1.67%	8.81%	(0.84%)	(0.63%)	4.34%	11.24%
Efficiency Ratio (Costs / Revenue)	41.13%	48.22%	41.94%	39.88%	38.09%	37.33%	38.42%	39.45%	34.91%	38.82%	38.00%	38.00%	47.55%	62.63%	65.91%	63.64%
% Controllable Expense Growth	0.00%	(0.10%)	7.35%	(4.42%)	3.80%	2.45%	2.32%	0.94%	(12.25%)	176.32%	4.91%	1.34%	13.45%	13.36%	14.37%	(9.45%)
Revenue per Employee	268,288	272,244	278,288	284,212	290,225	300,080	307,339	314,560	321,840	329,173	338,438	351,260	364,383	361,135	390,378	401,367
Net Income per Employee	123,200	128,756	130,956	136,366	143,843	151,063	154,766	157,394	174,466	68,400	65,808	76,308	1,25,399	112,131	116,128	122,425

Revenue per Employee	62,766	66,811	71,121	75,558	80,074	84,982	89,623	94,302	99,016	10
Net Income per Employee	31,719	37,536	40,814	46,410	47,749	61,395	58,007	63,540	69,651	2
Lag Total Controllable Expenses(Hide)	0	772,198	715,047	739,983	708,296	826,304	568,646	780,545	745,106	69
Opening Balances (Hide)	0	0	0	0	0	0	0	0	0	0
Lag Total Revenue(Hide)	0	1,847,436	1,964,284	2,089,831	2,219,517	2,351,703	2,495,600	2,631,671	2,768,930	2,90
Lag Revenue Less Assigned Expenses (Hide)	0	1,075,238	1,249,237	1,349,848	1,511,221	1,525,399	1,926,954	1,851,127	2,023,824	2,20

Activity-based Costing and Management

Customer segment profitability planning is just as effective as the data upon which the planning is based. To ensure the most accurate data, Cognos has integrated Acorn Systems' Profit Analyzer CI, which provides activity-based costing and management information. However, this solution can be used with any costing provider (activity-based or other methodologies) or the bank's existing systems.

For more information about how the Cognos Corporate Banking Customer Segment Performance Blueprint can help your bank improve its customer segment performance, please visit the Cognos Innovation Center at: www.cognos.com/innovationcenter/blueprint_industry.html

About the Cognos Innovation Center for Performance Management

The Cognos Innovation Center was established in North America and Europe to advance the understanding of proven planning and performance management techniques, technologies, and practices. The Innovation Center is dedicated to transforming routine performance management practices into “next practices” that help cut costs, streamline processes, boost productivity, enable rapid response to opportunity, and increase management visibility.

Staffed globally by experts in planning, technology, and performance and strategy management, the Innovation Center partners with more than 600 Cognos customers, academics, industry leaders, and others seeking to accelerate adoption, reduce risk, and maximize the impact of technology-enabled performance management practices.



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