THE IBM-COGNOS RISK-ADJUSTED PROFITABILITY BLUEPRINT

A WEB-BASED PERFORMANCE MANAGEMENT APPLICATION

IMPLEMENTATION GUIDE

COGNOS | INNOVATION CENTER
for Performance Management™

INTRODUCTION

This implementation guide demonstrates a Web-based planning and reporting process for the banking industry, specifically focused upon risk analysis with profitability planning, using Cognos 8 Planning and Cognos 8 Business Intelligence.

Performance management systems make it easy to communicate goals and to measure, track, and get feedback on performance against goals. The IBM-Cognos Risk-Adjusted Profitability Blueprint *ensures that a bank can manage such items as exposure, risk, profitability and RAROC. At the regional manager level, managers make decisions to optimize efficiency and profitability as well as control risk and exposure.*

BLUEPRINT OBJECTIVES

The *IBM-Cognos Risk-Adjusted Profitability Blueprint* meets a number of objectives:

- Risk-adjusted planning and forecasting at the industry, product, and regional level
- Involvement of the Chief Risk Officer or Risk Manager in the forecasting process
- Ability to change risk assumptions and see their impact through to the P&L and Risk-adjusted Return on Capital (RAROC) calculations
- Establishes clear P&L and exposure targets for each regional manager at a product and region level
- Calculates revenues and loan losses based on account balances and account levels
- Uses activity based costing to calculate activity volumes from historical activity intensity rates driven by forecasted account activity by product and transaction
- Uses derived volume activity to calculate assigned expenses using shared services rates
- Provides the ability to enter direct expenses associated with the segment
- Allows alternative revenue planning scenarios and a process for choosing the best alternative to meet needs and expectations
- Enables users to plan as many as three unique initiatives for each industry, and then select which initiative(s) to include in the final current forecast
- Provides immediate feedback on planning decisions
- Allows reporting and analysis by industry, product and region.

KEY COGNOS PLANNING BENEFITS

For organizations looking to improve both operational and financial planning, Cognos 8 Planning provides unprecedented power and flexibility to turn sophisticated strategy into discrete plans, budgets, and forecasts. Benefits include:

- Powerful, flexible model development using Cognos 8 Planning Analyst to customize the *Blueprint*
- Web-based deployment of models for process workflow, data collection, and consolidation
- Real-time workflow
- Real-time consolidation
- Real-time browser-based calculations for immediate results
- Scalable architecture with proven deployments to thousands of line managers
- Linking functionality to ensure collaboration between all areas of the enterprise
- Form-based planning with selection boxes to drive application logic and calculations
- Flexible analysis and report development using industry-leading Cognos 8 Business Intelligence Representative Workflow.

REPORTS, ANALYSIS, DASHBOARDS, AND SCORECARDS

The *IBM-Cognos Risk-Adjusted Profitability Blueprint* provides a hierarchy of dashboards and reports that guide users through increasingly deeper levels of understanding. Portals were tailored specifically to the various users involved in the forecast, the Senior Vice President, the Vice President, the Chief Risk Officer or Risk Manager, and Product Managers.

The *Blueprint* begins with the Senior Vice President's portal. The SVP is responsible for the performance of the entire company and must view data at a high level, in this case by region and total company for the entire forecast year. Relevant reports include:

- A full-year forecast and targets for net income, RAROC, pipeline commit, and trend (upward or downward) of these items through the year. This gives a quick view of whether profitability targets are being met for the company as a whole
- A full-year forecast and targets for RAROC and net income by region. The RAROC bar shades red for any region not achieving the hurdle rate for the year
- A pipeline commit forecast vs. target. Since the pipeline drives future revenues, this is an important report for senior executives
- The final SVP report shows the forecast and target concentration of business across the different regions and the volume of delinquencies over time.

The second portal associated with the *Blueprint* is the Regional Vice President portal. This portal allows further analysis by drilling into the detail of a single region.

The reports are the same as the ones on the Senior Vice President's dashboard, but also include results for a single region, broken out by industry. The Vice President can then drill through this report to the product level for further analysis.
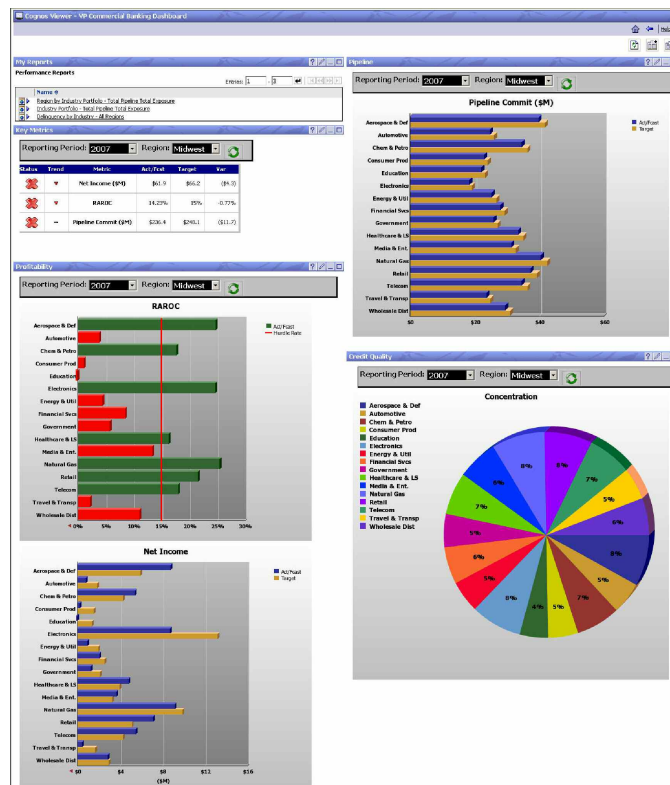
Other reports associated with the *Blueprint* include the Regional – Industry Segment Performance Summary. This report is used to analyze exposure and pipeline across the different industries for a given region or the whole company. This report helps analyze which industries have the most upside pipeline and revenue potential and room for increasing exposure (increasing loan balances).

Midwest - Industry Segment Performance Summary

	Exposure ($M)	Pipeline Commit ($M)	Probability of Close	Pipeline Upside ($)
Aerospace & Def	$176.7	$19.9	72%	$113.4
Automotive	$108.0	$12.4	45%	$43.1
Chem & Petro	$152.7	$17.3	63%	$85.1
Consumer Prod	$99.8	$11.5	42%	$36.8
Education	$96.2	$11.1	40%	$34.3
Electronics	$176.7	$9.2	87%	$145.0
Energy & Util	$110.2	$12.6	46%	$44.8
Financial Svcs	$122.4	$14.0	51%	$55.1
Government	$113.1	$13.0	47%	$47.2
Healthcare & LS	$147.6	$16.8	61%	$79.7
Media & Ent.	$138.0	$15.7	57%	$69.8
Natural Gas	$179.8	$20.2	74%	$117.4
Retail	$165.6	$18.7	68%	$99.9
Telecom	$152.7	$17.3	63%	$85.1
Travel & Transp	$103.4	$11.9	43%	$39.5
Wholesale Dist	$129.5	$14.8	54%	$61.5
Total	**$2,172.5**	**$236.4**	**57%**	**$1,103.3**

The Industry Segment Performance Summary is a report that shows exposure, delinquency, and pipeline information by customer within an industry, along with RAROC and Net Income data. This report provides insight into which customer has the most upside potential and would make the best target for additional revenue.

Natural Gas Industry Segment Performance Summary

	Exposure	Delinquency %	Pipeline Commit ($)	Probability of Close (%)	Pipeline Upside ($)	RAROC	Net Income
Illinois Natural Gas	$71,934,513	2.37%	$8,099,956	88.3%	$56,340,380	10.2%	$3,666,215
OKNEAK, LLC	$17,983,628	1.98%	$2,024,989	22.0%	$3,518,880	2.5%	$916,553
Ozark Gas & Light	$44,959,070	2.30%	$5,062,472	55.2%	$22,010,953	6.4%	$2,291,384
Wisconsin Energy	$44,959,070	2.10%	$5,062,472	55.2%	$22,010,953	6.4%	$2,291,384
Total	**$179,836,281**	**2.19%**	**$20,249,889**	**55.16%**	**$88,031,843**	**6.4%**	**$9,165,536**

The Delinquency by Industry Report shows delinquencies over time, broken out by days delinquent and by industry. This report helps users determine where credit issues may exist, reallocate future business investments, and make adjustments to the risk characteristics of that industry in the forecast, if necessary.
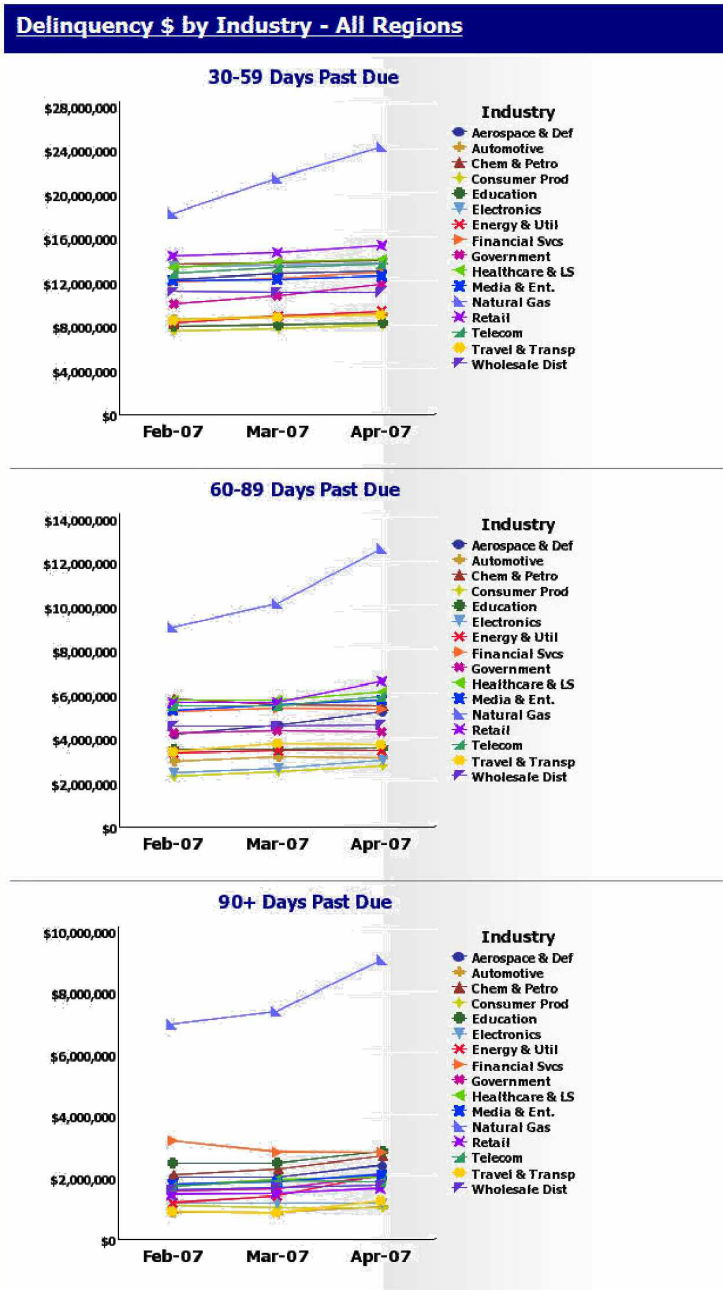
PLANNING OVERVIEW

The *IBM-Cognos Risk-Adjusted Profitability Blueprint* is designed for collaborative use by executives, regional and industry managers, financial planners, financial analysts, risk managers and product managers to help managers align decisions with corporate goals.

The following describes basic workflows in which an individual contributor would:

- Review corporate targets for an industry
- Plan new initiatives by region and product to influence forecasted revenues, profitability, and risk-adjusted returns
- Forecast revenue and accounts to align baseline plans and corporate targets
- Assess impacts on industry/region/product revenue, expenses, and profitability
- Monitor key performance indicators
- Generate reports and analyses.

The following chart highlights the high-level work and information flows through the *Blueprint*:
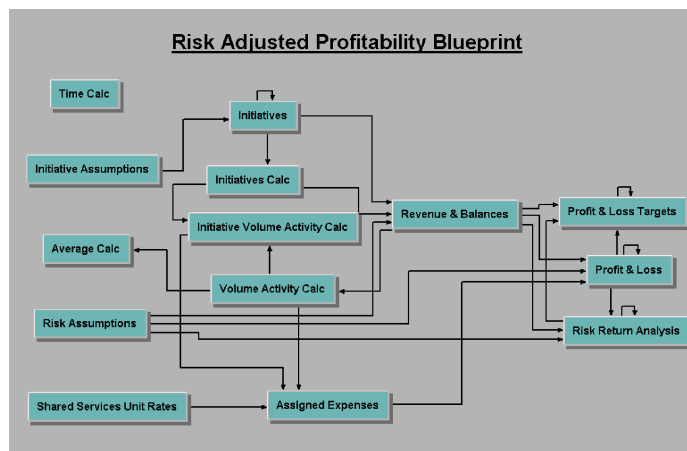
The *Risk-Adjusted Profitability Blueprint* uses as its e-list a list of industries, (Aerospace and Defense, Automotive, Chemical and Petroleum …) that rolls up to Total Commercial and then to Total Company. The hierarchy includes a review level for the Chief Risk Officer (CRO) or Risk Manager to allow input of corporate risk assumptions across all industries.

RISK-ADJUSTED PROFITABILITY APPLICATION

Time Calc

The first tab in the *Blueprint* is the **Time Calc** tab. This is an assumption tab that would be pre-populated before the forecast process begins. The **Time Calc** tab is used to flag months as Actual and Forecast months. The flags are used to allocate data through the model and help determine the three most recent actual months in to enable historical three month average calculations.

Risk Assumptions

The second tab in the *Blueprint* is **Risk Assumptions**. This tab allows the CRO or Risk Manager to provide data for each industry. The tab is populated before the planning cycle begins. Data inputs include Total Target Credit Portfolio, Target Concentration Limit by industry (the previous two items allow target exposure for each industry to be calculated). Also in this tab are inputs for Hurdle Rate, PD (probability of default), LGD (loss given default), EAD (exposure at default), Risk Based Capital Ratio, Credit Risk %, Operational Risk %, and Market Risk. EL (estimated loss) is a formula (PD*EAD*LGD) that can later be applied against balances to get the Provision for Loan Losses in the **Profit and Loss** tab.

Initiative Assumptions

The third tab in the *Blueprint* is **Initiative Assumptions**. This tab is pre-populated with historical revenue per account, expense per account, and life of account information based on past initiatives that were offered. This information is used in the **Initiatives** tab and what links forward is dependent on the selections made there.

Time Calc	Risk Assumptions	**Initiative Assumptions**	Initiatives	Initiatives Calc	Initiative Volume Activity Calc

	Revenue / Unit / Month	Assigned Expense / Unit / Month	Life of Account (Months)
Asset Management	45.00	34.00	60
Benefits and Retirement Services	167.50	56.00	60
Cash Management	168.00	45.00	60
Commercial Credit Cards	172.00	13.00	60
Correspondent Banking	102.70	68.00	60
Foreign Exchange	172.00	32.00	60
Trade Services	102.70	68.00	60
Lending and Financing	55.00	44.00	60
Merchant Services	102.70	68.00	60
Risk Management	435.94	64.00	60
Sales and Trading	141.68	45.00	60

Initiatives

The fourth tab in the *Blueprint* model is the **Initiatives** tab. It allows the user to input several initiatives for their industry and compare the Net Profit and RAROC of these initiatives over the entire life of the initiative (always shown). It also allows the same comparison over a shorter period of months that is selected by the user in the Select # of periods for profitability analysis field (optional). If a choice is made in this field, the calculated result (for the number of months selected) is linked back into this tab after being calculated in the **Initiatives Calc** tab. The user is required to select an initiative type, product type and region, and these selections determine how the initiatives data will flow through the rest of the model. Start and end dates are also required inputs. Revenue per account per month is an assumption that links in and is based on historical initiatives, but the user does have the ability to enter an override if this initiative is expected to generate a unique value for revenue per account.

	Scenario 1	Scenario 2	Scenario 3	Scenario Used
INITIATIVE COST				
Initiative Type	SPIF for Lending Products			**SPIF for Lending Products**
Initiative Product	Lending and Financing			**Lending and Financing**
Marketing Media (per initiative)				
TV Advertising	0	0	0	0
Radio Advertising	0	0	0	0
Direct Mail	0	0	0	0
Print Advertising	0	0	0	0
local advertsing	0	0	0	0
e-mail	0	0	0	0
Sales Person Incentive Payments per account	100	0	0	100
Total Targeted Initiative Acquisition Costs	1,750,000	0	0	1,750,000
Targeted Acquisition Cost/Account	100	0	0	100
Initiative Start Month	Jun-07			Jun-07
Initiative End Month	Dec-07			Dec-07
Region	Midwest			Midwest
Target # of Accounts	2,500	0	0	2,500
Revenue per account, per month	55	0	0	55
Revenue per account per month - Override	250	0	0	250
Life of Account	60	0	0	60
Average Account Balance	4,500	0	0	4,500
Assigned Expense	44	0	0	44
PROFITABILITY - SELECT # OF PERIODS				
Select # of periods for profitability analysis	7			
Final Month for profitability analysis	Dec-07			
Revenue for selected # of periods	17,500,000	0	0	17,500,000
Initiative Acq Costs for selected # of periods	1,750,000	0	0	1,750,000
Assigned Expenses for selected # of periods	3,080,000	0	0	3,080,000
Initiative Net Profit for selected # of periods	12,670,000	0	0	12,670,000
Initiative ROI for selected # of periods	262.32%			262.32%
PROFITABILITY - LIFETIME OF INITIATIVE				
Lifetime Revenue	262,500,000	0	0	262,500,000
Lifetime Initiative Acquisition Cost	1,750,000	0	0	1,750,000
Lifetime Assigned Expenses	46,200,000	0	0	46,200,000
Initiative Net Profit	214,550,000	0	0	214,550,000
Initiative ROI	447.45%			447.45%
Choose Scenario	1st Scenario			1st Scenario
Risks				
Warnings (Business Rules)				
Notes				
Target # of Accounts / Week	357.143	0.000	0.000	357.143

Tabs: Time Calc | Risk Assumptions | Initiative Assumptions | **Initiatives** | Initiatives Calc | Initiative Volume Activity Calc | Revenue & Bala

Electronics

Other inputs include any media expenses associated with the initiative (TV advertising, radio advertising, direct mail, etc.), Sales Person Incentives per Account, Target # of Accounts and the Average Account Balance. While several initiative scenarios can be compared on this screen, in order to select an initiative and add it to the forecast, the Choose Scenario field must be filled in with the Scenario to be added to the forecast. This initiative will then show up in the Scenario Used column and will also link through the model and be added to the **Revenue and Balances** tab and the **Profit & Loss** tab.

If a reviewer of several industries opens all of his review nodes at the same time, he would be able to enter and compare initiatives across industries to determine the most profitable industry/initiative for reaching corporate targets. That view would appear as follows (note the Industries as columns and Scenarios as pages):

Time Calc	Risk Assumptions	Initiative Assumptions	Initiatives	Initiatives Calc	Initiative Volume Activity Calc

Scenario 1

	Education	Electronics	Natural Gas
INITIATIVE COST			
Initiative Type		SPIF for Lending Products	SPIF for Fee Based Products
Initiative Product		Lending and Financing	Cash Management
Marketing Media (per initiative)			
TV Advertising	0	0	0
Radio Advertising	0	0	0
Direct Mail	0	0	0
Print Advertising	0	0	0
local advertsing	0	0	0
e-mail	0	0	0
Sales Person Incentive Payments per account	0	100	100
Total Targeted Initiative Acquisition Costs	**0**	**1,750,000**	**1,050,000**
Targeted Acquisition Cost/Account	**0**	**100**	**100**
Initiative Start Month		Jun-07	Jun-07
Initiative End Month		Dec-07	Dec-07
Region		Midwest	Midwest
Target # of Accounts	0	2,500	1,500
Revenue per account, per month	0	55	168
Revenue per account per month - Override	0	250	225
Life of Account	0	60	60
Average Account Balance	0	4,500	3,500
Assigned Expense	0	44	45
PROFITABILITY - SELECT # OF PERIODS			
Select # of periods for profitability analysis		7	7
Final Month for profitability analysis		**Dec-07**	**Dec-07**
Revenue for selected # of periods	0	17,500,000	9,450,000
Initiative Acq Costs for selected # of periods	0	1,750,000	1,050,000
Assigned Expenses for selected # of periods	0	3,080,000	1,890,000
Initiative Net Profit for selected # of periods	**0**	**12,670,000**	**6,510,000**
Initiative ROI for selected # of periods		262.32%	221.43%
PROFITABILITY - LIFETIME OF INITIATIVE			
Lifetime Revenue	**0**	**262,500,000**	**141,750,000**
Lifetime Initiative Acquisition Cost	**0**	**1,750,000**	**1,050,000**
Lifetime Assigned Expenses	**0**	**46,200,000**	**28,350,000**
Initiative Net Profit	**0**	**214,550,000**	**112,350,000**
Initiative ROI		447.45%	382.14%
Choose Scenario			
Risks			
Warnings (Business Rules)			
Notes			
Target # of Accounts / Week	**0.000**	**357.143**	**214.286**

Initiatives Calc

The fifth tab in the *Blueprint* model is the **Initiatives Calc** tab. This tab is used to calculate monthly revenue, expenses, and account activity for initiatives. This data then feeds back into the Initiatives tab to populate the revenue and expense fields if Select number of periods for profitability analysis information was filled in. This data also feeds the **Revenue and Balances** tab and the **Profit and Loss** tab to be combined with other revenues and expenses if the Choose Scenario field was filled in on the **Initiatives** tab.

Initiative Volume Activity Calc

The sixth tab in the *Blueprint* model is the **Initiative Volume Activity Calc** tab. This tab is used to calculate assigned expenses related to new initiative accounts. It uses the activities and associated costs from historical activity based costing data to calculate expenses associated with new initiatives.

Revenue & Balances

The seventh tab in the *Blueprint* model is the **Revenue & Balances** tab. This tab is used to collect and calculate revenue, balance, and account data by month, product and region for each industry. Inputs required on this tab include Planned Runoff, Pipeline Commit, Probability of Close, (Attrition) Balances, New Accounts, and (Attrition) Accounts. This cube then calculates a roll forward of balances and accounts and calculates Net Interest Margin, Fees, and the Provision for Loan Losses. Any initiative revenue and accounts show up in a separate section towards the bottom of this tab. Revenue and balances that are generated by initiatives are separated from 'business as usual' revenue and balances to allow an easy review of the revenue impact of initiatives.

Tabs: Initiative Volume Activity Calc | **Revenue & Balances** | Average Calc | Volume Activity Calc | Shared Services Unit Rates | Assigned Expenses | Profit & Loss | Profit &...

Filters: Electronics | Lending and Financing | Midwest

	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07
EXISTING REVENUE AND ACCOUNTS								
Balances								
Opening Balances/Exposure	98,328,932	97,518,798	96,688,402	95,784,009	92,830,637	88,566,643	95,547,797	102,484,...
Planned Runoff	381,384	379,740	389,385	409,537	392,005	407,063	411,764	428,...
Pipeline Commit	366,567	366,630	275,311	128,068	39,770	47,474	48,325	50,...
Probability of Close	86.6%	86.6%	85.7%	85.7%	86.6%	87.5%	87.5%	87...
New Business (including Initiatives)	317,432	317,401	235,960	109,763	34,454	11,291,540	11,292,806	11,294,...
(Attrition) Balances	746,182	768,056	750,959	2,653,598	3,906,443	3,903,323	3,944,644	3,931,...
Ending Balances/Exposure	97,518,798	96,688,402	95,784,009	92,830,637	88,566,643	95,547,797	102,484,195	109,418,...
Average Balances/Exposure	97,923,865	97,103,600	96,236,205	94,307,323	90,698,640	92,057,220	99,015,996	105,951,...
% Balance Growth	(0.82%)	(0.85%)	(0.94%)	(3.08%)	(4.59%)	7.88%	7.26%	6.7...
Accounts								
Opening Accounts	390	393	396	398	397	397	396	
New Accounts	3	4	2	1	1	1	1	
(Attrition) Accounts	0	0	1	1	2	2	2	
Closing Accounts	393	396	398	397	397	396	396	
% Account Growth	0.83%	0.83%	0.31%	(0.04%)	(0.18%)	(0.16%)	(0.14%)	(0.1...
Planned Margin %	5.897%	5.895%	5.893%	5.948%	5.946%	5.944%	5.999%	5.9...
Net Interest Margin	481,191	477,023	472,617	467,419	449,419	400,296	438,747	473,...
$ Fees per New Account	1,496.99	1,485.38	1,475.31	1,474.33	1,479.04	1,482.50	1,486.12	1,488...
Average $ Fees per Account	343.839	310.340	305.858	304.613	305.062	305.769	306.180	306...
Fees as % of Balance	1.16%	1.16%	1.16%	1.16%	1.16%	1.16%	1.16%	1...
Fee Waivers as % of Fees	13.31%	13.43%	13.55%	13.66%	13.77%	13.88%	13.99%	14...
Fees	139,754	127,662	124,017	122,600	122,491	122,716	122,777	122,...
EL %	0.0225	0.0225	0.0225	0.0225	0.0225	0.0225	0.0225	0.0...
Provision for Loan Losses	183,607	182,069	180,443	176,826	170,060	172,607	185,655	198,...
Existing Revenue	620,945	604,685	596,634	590,019	571,911	523,011	561,525	596,...
% Revenue Growth	0.00%	(2.62%)	(1.33%)	(1.11%)	(3.07%)	(8.55%)	7.36%	6.1...
NEW INITIATIVE REVENUE AND ACCOUNTS								
Initiative Revenue	0	0	0	0	0	625,000	1,250,000	1,875,...
Initiative Acquisition Costs	0	0	0	0	0	250,000	250,000	250,...
New Initiative Accounts	0	0	0	0	0	2,500	2,500	2,...
Average Initiative Accounts	0	0	0	0	0	1,250	3,750	6,...
Total Initiative Accounts	0	0	0	0	0	2,500	5,000	7,...
Average Initiative Account Balance	0	0	0	0	0	4,500	4,500	4,...
New Initiative Account Balances	0	0	0	0	0	11,250,000	11,250,000	11,250,...
Total Initiatives Account Balances	0	0	0	0	0	11,250,000	22,500,000	33,750,...
TOTAL REVENUE AND ACCOUNTS								
TOTAL REVENUE	620,945	604,685	596,634	590,019	571,911	1,140,011	1,011,525	2,471,...
TOTAL AVERAGE ACCOUNTS	392	395	397	398	397	1,646	4,146	6,...

To facilitate data entry, the tab may be reoriented as needed. For example, it may be re-oriented to view Planned Runoff (or any of the other inputs) by product and by month.

Average Calc

The eighth tab in the *Blueprint* model is the **Average Calc** tab. This tab is used to calculate an average of the number of times a specific activity has occurred during the three most recent actual months for each product, region, and industry. These averages will then be applied against current activity to calculate assigned expenses for forecast periods. This tab requires no input from the user and may be hidden by the administrator.

Volume Activity Calc

The ninth tab in the *Blueprint* model is the **Volume Activity Calc** tab. This tab is where the activity-based costing portion of the model is executed. In other tabs planning was conducted at the product level, however we plan at the product and associated activity level in this tab. The number of accounts linked in from the **Revenue and Balances** tab, while the Activity Intensity Rate has been determined using historical data. The Activity Intensity Rate is the number of times that activity would occur per account in any given month. For example, if the average account holder makes two customer service calls each month, the Activity Intensity Rate for customer service calls would be two. The activity intensity rate is then multiplied by the number of accounts to get the expected number of times an activity will occur each month. Once we know the number of times each activity will occur each month, we link this information over to the **Assigned Expenses** tab to calculate the cost of these activities for each industry, product, and region.

Shared Services Unit Rates

The tenth tab in the *Blueprint* model is **Shared Services Unit Rates**. This is an assumptions tab that contains both historical and forecast rates. These rates are then used in the Assigned Expenses tab and multiplied by activity volume to get the total cost for each activity. When developing these rates, management would take into account historical rates and expected changes in processes and efficiency. No input is required on this tab and the administrator may elect to hide this tab from the users.

	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	2007
Customer Relationship Calls	4.06	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.14
Customer Support Calls	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34
Statement Generation	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
Mailing & Postage	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53
Online Banking	8.65	8.65	8.65	8.65	8.65	8.65	8.65	8.65	8.65	8.65	8.65	8.65	8.65
Multi Channel Issue resolution	9.55	9.55	9.55	9.55	9.55	9.55	9.55	9.55	9.55	9.55	9.55	9.55	9.55
Program Administration	7.93	7.93	7.93	7.93	7.93	7.93	7.93	7.93	7.93	7.93	7.93	7.93	7.93
Account Setup	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
Funds Transfer	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15
Settlement	2.84	2.84	2.84	2.84	2.84	2.84	2.84	2.84	2.84	2.84	2.84	2.84	2.84
Lockbox	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07
Check processing	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
ACH Transfer	4.68	4.68	4.68	4.68	4.68	4.68	4.68	4.68	4.68	4.68	4.68	4.68	4.68
FedWire Transfer	7.08	7.08	7.08	7.08	7.08	7.08	7.08	7.08	7.08	7.08	7.08	7.08	7.08
Check Image CD Creation	22.22	22.22	22.22	22.22	22.22	22.22	22.22	22.22	22.22	22.22	22.22	22.22	22.22
FEDI (Financial Electronic Data Interchange)	3.39	3.39	3.39	3.39	3.39	3.39	3.39	3.39	3.39	3.39	3.39	3.39	3.39
EDT (Electronic Depository Transfers) Clearing	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20
ATM Transactions	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36
Rate Quotation	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88
Online Administration	4.96	4.96	4.96	4.96	4.96	4.96	4.96	4.96	4.96	4.96	4.96	4.96	4.96
Fee Processing	3.26	3.26	3.26	3.26	3.26	3.26	3.26	3.26	3.26	3.26	3.26	3.26	3.26
Administration and Servicing	2.19	2.19	2.19	2.19	2.19	2.19	2.19	2.19	2.19	2.19	2.19	2.19	2.19
SWIFT Transaction	13.45	13.45	13.45	13.45	13.45	13.45	13.45	13.45	13.45	13.45	13.45	13.45	13.45
Currency Derivatives	28.17	28.17	28.17	28.17	28.17	28.17	28.17	28.17	28.17	28.17	28.17	28.17	28.17
Trade or Commercial Letters of Credit (L/Cs)	7.13	7.13	7.13	7.13	7.13	7.13	7.13	7.13	7.13	7.13	7.13	7.13	7.13
Documentary Bankers Acceptance	9.43	9.43	9.43	9.43	9.43	9.43	9.43	9.43	9.43	9.43	9.43	9.43	9.43
Document Generation	7.54	7.54	7.54	7.54	7.54	7.54	7.54	7.54	7.54	7.54	7.54	7.54	7.54
Document Collection	2.56	2.56	2.56	2.56	2.56	2.56	2.56	2.56	2.56	2.56	2.56	2.56	2.56
Reinvoicing	3.05	3.05	3.05	3.05	3.05	3.05	3.05	3.05	3.05	3.05	3.05	3.05	3.05
Credit Insurance	2.74	2.74	2.74	2.74	2.74	2.74	2.74	2.74	2.74	2.74	2.74	2.74	2.74
Collections	8.71	8.71	8.71	8.71	8.71	8.71	8.71	8.71	8.71	8.71	8.71	8.71	8.71
Loan Application	36.92	36.92	36.92	36.92	36.92	36.92	36.92	36.92	36.92	36.92	36.92	36.92	36.92
Loan Closing	43.12	43.12	43.12	43.12	43.12	43.12	43.12	43.12	43.12	43.12	43.12	43.12	43.12
Loan Setup	10.80	10.80	10.80	10.80	10.80	10.80	10.80	10.80	10.80	10.80	10.80	10.80	10.80
Revolving Capacity	4.73	4.73	4.73	4.73	4.73	4.73	4.73	4.73	4.73	4.73	4.73	4.73	4.73
Account Maintenance	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42
Payment Processing	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07
Packaging and Marketing	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66
Funds Disbursement	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60
Securities Settlement	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63
Deposit Account management	22.22	22.22	22.22	22.22	22.22	22.22	22.22	22.22	22.22	22.22	22.22	22.22	22.22
Exposure Identification	11.59	11.59	11.59	11.59	11.59	11.59	11.59	11.59	11.59	11.59	11.59	11.59	11.59
Exposure measurement	25.69	25.69	25.69	25.69	25.69	25.69	25.69	25.69	25.69	25.69	25.69	25.69	25.69
Monitoring Exposure and Evaluation of RM Strategy	58.33	58.33	58.33	58.33	58.33	58.33	58.33	58.33	58.33	58.33	58.33	58.33	58.33
Financial Instruments Disclosure	8.81	8.81	8.81	8.81	8.81	8.81	8.81	8.81	8.81	8.81	8.81	8.81	8.81
Hedging	25.30	25.30	25.30	25.30	25.30	25.30	25.30	25.30	25.30	25.30	25.30	25.30	25.30
Speculation	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Arbitrage	19.94	19.94	19.94	19.94	19.94	19.94	19.94	19.94	19.94	19.94	19.94	19.94	19.94
Process Bill Payments	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Claims administration	22.59	22.59	22.59	22.59	22.59	22.59	22.59	22.59	22.59	22.59	22.59	22.59	22.59
Underwriting services	28.69	28.69	28.69	28.69	28.69	28.69	28.69	28.69	28.69	28.69	28.69	28.69	28.69

Assigned Expenses

The eleventh tab in the *Blueprint* model is the **Assigned Expenses** tab. It calculates expenses based on account activity. Volumes are fed in from the **Volume Activity Calc** and **Initiative Volume Activity Calc** tabs. The planned unit price is linked in from the **Shared Services Unit Rates** tab. The planned unit prices would be set at a corporate level based on historical prices and adjusted for any expected efficiency changes that would impact unit prices. The volumes are then multiplied by price to get cost data which is then consolidated appropriately and linked to the **Profit and Loss** tab.

Profit & Loss

The twelfth tab in the *Blueprint* model, the **Profit & Loss** tab, consolidates all data collected and calculated in the model up to this point in order to display the full income statement along with key performance indicators. The Profit & Loss tab also contains finance, executive and human resources overhead expense information that can be adjusted and FTE information loaded from an external source. The **Profit & Loss** tab may be viewed by industry, region, or product. A reviewer would be able to view the consolidated **Profit & Loss** for the current forecast and drill-down into the detail to examine industry, region, or product trends.

Profit & Loss Targets

The thirteenth tab in the *Blueprint* model, the **Profit and Loss Targets** tab, allows the user to input targets for revenue, net income, and several key performance indicators. The current forecast (or Actuals for past months) is linked into this tab for these same line items. The variance between the two, or **Gap** as it is called in the model, helps users evaluating performance against goals. A monthly trend analysis on the **Gap** can help determine whether they are moving closer to or further away from targets. It can also guide the user on the necessary adjustments needed to the current forecast to help meet targets.

Risk Return Analysis

The fourteenth and final tab in the *Blueprint* model is the **Risk Return Analysis** tab. This tab consolidates data by industry and region. It provides a high level look at profitability, risk metrics, and risk concentrations at a consolidated level by industry or region. There is a system link in the model that will recalculate concentration at the regional and industry level for comparison again the target risk concentrations that were set in the **Risk Assumptions** tab.

	Shared Services Unit Rates	Assigned Expenses	Profit & Loss	Profit & Loss Targets	**Risk Return Analysis**

2007

		Electronics		
	Northeast	Southeast	Midwest	Total Regions
Average Balances/Exposure	116,342,152	201,380,598	242,348,115	560,070,866
Total Portfolio Exposure	6,191,152,006	6,191,152,006	6,191,152,006	6,191,152,006
Target Exposure	114,981,218	199,062,490	236,828,267	550,871,975
Risk Based Capital Ratio	0.08	0.08	0.08	0.08
Regulatory Capital	9,307,372	16,110,448	19,387,849	44,805,669
Credit Risk % (as a % of Total Exposure)	0.20	0.20	0.20	0.20
Credit Risk	23,268,430	40,276,120	48,469,623	112,014,173
Operational Risk % (as a % of Total Revenue)	0.05	0.05	0.05	0.05
Operational Risk	56,589	85,108	150,721	292,418
Market Risk	0	0	0	0
Economic Capital	23,325,020	40,361,228	48,620,344	112,306,592
Net Income	8,061,792	12,532,634	14,583,927	35,178,354
EL %	0.0225	0.0225	0.0225	0.0225
RAROC	34.56%	31.05%	30.00%	31.32%
Hurdle Rate (Required Return on Capital)	15%	15%	15%	15%
Overage/(Shortfall)	19.56%	16.05%	15.00%	16.32%
Target Concentration Limit	2%	3%	3%	8%
Actual Concentration Limit	2%	3%	4%	9%

Another way to look at the data is by month.

	Revenue & Balances	Average Calc	Volume Activity Calc	Shared Services Unit Rates	Assigned Expenses	Profit & Loss	Profit & Loss Targets	**Risk Return Ana**

Electronics Total Regions

	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	2007
Average Balances/Exposure	516,222,290	535,255,758	565,524,692	607,034,165	659,810,655	723,840,171	560,070,866
Total Portfolio Exposure	6,116,157,994	6,064,139,449	6,028,505,492	6,009,230,552	6,006,631,982	6,020,532,711	6,191,152,006
Target Exposure	555,660,000	569,382,066	583,443,000	597,851,170	612,615,150	627,743,728	550,871,975
Risk Based Capital Ratio	0.08	0.08	0.08	0.08	0.08	0.08	0.08
Regulatory Capital	41,297,783	42,820,461	45,241,975	48,562,733	52,784,852	57,907,214	44,805,669
Credit Risk % (as a % of Total Exposure)	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Credit Risk	103,244,458	107,051,152	113,104,938	121,406,833	131,962,131	144,768,034	112,014,173
Operational Risk % (as a % of Total Revenue)	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Operational Risk	271,851	307,807	346,980	392,718	439,472	487,824	292,418
Market Risk	0	0	0	0	0	0	0
Economic Capital	103,516,309	107,358,959	113,451,919	121,799,551	132,401,603	145,255,859	112,306,592
Net Income	2,216,270	2,751,256	3,342,909	3,426,784	5,165,023	4,295,233	35,178,354
EL %	0.0225	0.0225	0.0225	0.0225	0.0225	0.0225	0.0225
RAROC	25.69%	30.75%	35.36%	33.76%	46.81%	35.48%	31.32%
Hurdle Rate (Required Return on Capital)	15%	15%	15%	15%	15%	15%	15%
Overage/(Shortfall)	10.69%	15.75%	20.36%	18.76%	31.81%	20.48%	16.32%
Target Concentration Limit	8%	8%	8%	8%	8%	8%	8%
Actual Concentration Limit	8%	9%	9%	10%	11%	12%	9%

The following drop-down would be available for this view:

Electronics Northeast
Electronics Southeast
Electronics Midwest
Electronics Total Regions

Using this view, the Senior Vice President would be able to review this cube for all regions in order to drill into any variances from targets. The Senior Vice President view would look as follows, showing total industries by region and then a breakout of each industry by region across the columns.

| Revenue & Balances | Average Calc | Volume Activity Calc | Shared Services Unit Rates | Assigned Expenses | Profit & Loss | Profit & Loss Targets | **Risk Return Analysis** |

2007

	Total				Aerospace and Defense				
	Northeast	Southeast	Midwest	Total Regions	Northeast	Southeast	Midwest	Total Regions	N
Average Balances/Exposure	1,440,156,219	2,482,256,927	2,268,738,860	6,191,152,006	119,312,009	202,956,740	176,678,183	498,946,932	
Total Portfolio Exposure	6,191,152,006	6,191,152,006	6,191,152,006	6,191,152,006	6,191,152,006	6,191,152,006	6,191,152,006	6,1
Target Exposure	1,615,451,716	2,778,814,164	2,491,633,811	6,885,899,691	99,709,895	168,822,678	144,621,409	413,153,981	
Risk Based Capital Ratio	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	
Regulatory Capital	115,212,498	198,580,554	181,499,109	495,292,160	9,544,961	16,236,539	14,134,255	39,915,755	
Credit Risk % (as a % of Total Exposure)	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	
Credit Risk	288,031,244	496,451,385	453,747,772	1,238,230,401	23,862,402	40,591,348	35,335,637	99,789,386	
Operational Risk % (as a % of Total Revenue)	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	
Operational Risk	555,100	832,194	805,659	2,192,952	56,462	83,426	68,237	208,126	
Market Risk	0	0	0	0	0	0	0	0	
Economic Capital	288,586,344	497,283,579	454,553,431	1,240,423,354	23,918,864	40,674,774	35,403,874	99,997,512	
Net Income	59,606,661	96,406,460	68,817,435	224,830,555	8,056,670	12,140,451	8,773,599	28,970,721	
EL %	0.0229	0.0229	0.0230	0.0229	0.0225	0.0225	0.0225	0.0225	
RAROC	20.65%	19.39%	15.14%	18.13%	33.68%	29.85%	24.78%	28.97%	
Hurdle Rate (Required Return on Capital)	15%	15%	15%	15%	15%	15%	15%	15%	
Overage/(Shortfall)	5.65%	4.39%	0.14%	3.13%	18.68%	14.85%	9.78%	13.97%	
Target Concentration Limit	23%	40%	36%	100%	1%	2%	2%	6%	
Actual Concentration Limit	23%	40%	37%	100%	2%	3%	3%	8%	

The view could also be reoriented to show a single region. In the following example we are looking at total industries for the Midwest region by month. With this view we can examine trends across the months and determine if any shortfalls are occurring and target our reforecasting efforts, initiatives, and sales strategies to counteract the shortfall.

| Revenue & Balances | Average Calc | Volume Activity Calc | Shared Services Unit Rates | Assigned Expenses | Profit & Loss | Profit & Loss Targets | **Risk Return Analysis** |

2007

	Total				Aerospace and Defense				
	Northeast	Southeast	Midwest	Total Regions	Northeast	Southeast	Midwest	Total Regions	N
Average Balances/Exposure	1,440,156,219	2,482,256,927	2,268,738,860	6,191,152,006	119,312,009	202,956,740	176,678,183	498,946,932	
Total Portfolio Exposure	6,191,152,006	6,191,152,006	6,191,152,006	6,191,152,006	6,191,152,006	6,191,152,006	6,191,152,006	6,1
Target Exposure	1,615,451,716	2,778,814,164	2,491,633,811	6,885,899,691	99,709,895	168,822,678	144,621,409	413,153,981	
Risk Based Capital Ratio	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	
Regulatory Capital	115,212,498	198,580,554	181,499,109	495,292,160	9,544,961	16,236,539	14,134,255	39,915,755	
Credit Risk % (as a % of Total Exposure)	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	
Credit Risk	288,031,244	496,451,385	453,747,772	1,238,230,401	23,862,402	40,591,348	35,335,637	99,789,386	
Operational Risk % (as a % of Total Revenue)	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	
Operational Risk	555,100	832,194	805,659	2,192,952	56,462	83,426	68,237	208,126	
Market Risk	0	0	0	0	0	0	0	0	
Economic Capital	288,586,344	497,283,579	454,553,431	1,240,423,354	23,918,864	40,674,774	35,403,874	99,997,512	
Net Income	59,606,661	96,406,460	68,817,435	224,830,555	8,056,670	12,140,451	8,773,599	28,970,721	
EL %	0.0229	0.0229	0.0230	0.0229	0.0225	0.0225	0.0225	0.0225	
RAROC	20.65%	19.39%	15.14%	18.13%	33.68%	29.85%	24.78%	28.97%	
Hurdle Rate (Required Return on Capital)	15%	15%	15%	15%	15%	15%	15%	15%	
Overage/(Shortfall)	5.65%	4.39%	0.14%	3.13%	18.68%	14.85%	9.78%	13.97%	
Target Concentration Limit	23%	40%	36%	100%	1%	2%	2%	6%	
Actual Concentration Limit	23%	40%	37%	100%	2%	3%	3%	8%	

SUMMARY

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