



Solutions for Commercial Banking

Rising interest rates. Industry consolidation. Increased competition. Growing regulatory pressures. Rising operational costs. The commercial banking industry is consistently challenged by factors beyond its control.

Competition remains fierce, leading to continued pricing and net interest margin erosion. To compete effectively amid these challenges, banks are under increasing pressure to improve client service and retention – without compromising profitability. The demand for customer insight is greater than ever, as commercial banks look to develop differentiating strategies such as relationship-based pricing. At the same time, banks are seeking tools and strategies to better manage and mitigate credit, operational, and market risks.

That's why commercial banks are increasingly turning to business intelligence and performance management solutions from Cognos, an IBM company. Cognos software lets you consolidate information from multiple data sources into a single view of your business. As a result, executives can access needed information quickly, anticipate trends, and respond rapidly to changing market conditions.

The core capabilities of performance management – scorecarding, reporting, analysis, and planning – provide the information that lets you find accurate, reliable answers to these fundamental business questions.

How are we doing?

Why?

What should we be doing?

It's not easy to answer these questions if your decision-makers rely on manual spreadsheet-based processes, or need to pull financial and operational data from multiple, disconnected sources. When systems and data sources are siloed, banks struggle to achieve:

- A single view of the customer for service, sales, or risk purposes

- An integrated risk management capability
- A single view of business performance.

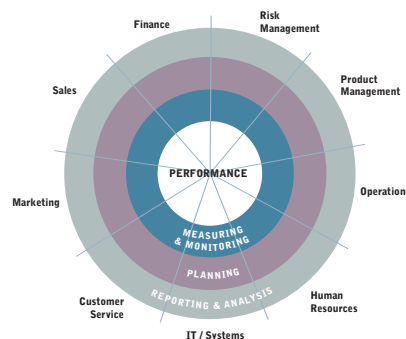
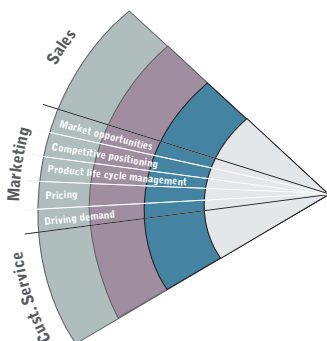
At the same time, a performance management solution shouldn't require a costly overhaul of existing IT investments. To deliver true value, Cognos solutions leverage existing systems and infrastructure to speed time to results, lower cost of ownership, minimize risk, and maximize return on investment.

High-yield solutions

Performance management rests on interlinked capabilities that let you drive, monitor, and understand your performance in a continuous, closed-loop environment. Cognos provides a unified platform in which information is distributed, analyzed, and acted upon across your organization to align tactics with strategy and improve overall performance.

Cognos offers the key capabilities you need to improve performance in every aspect of your business – lending, back office operations, marketing, client service, HR, IT, governance, and finance – for across-the-board gains. This enables you to leverage performance at the functional level, but also instill performance management from the boardroom down to the individual staff member. The breadth and depth of our product suite is unmatched in the industry. Commercial banks worldwide choose Cognos software for its unsurpassed expertise in delivering the information and insight they need to compete effectively, reduce costs, streamline processes, and increase profitability.

In addition to its core performance management products, Cognos has created a set of solutions designed to address key banking challenges. *IBM Cognos Performance Blueprints* are helping commercial banks align sales, marketing, finance, and operations to drive better informed, more effective planning; react quickly to market changes; and measure their progress against key performance objectives. Each *Blueprint* incorporates pre-built models for operational and initiative planning, reporting, and analysis – along with proven best practices we have learned from working with top financial institutions around the world.





IBM Cognos Performance Blueprints provide a model or framework to help our customers rapidly derive value from their Cognos investment. With best practices, a faster route to results, and a proven performance management platform, they can find new profitability and insight for their organization. These *Blueprints* are downloadable free of charge to our customers.

Commercial banking solution areas

Cognos offers particular depth in these solution areas:

- Risk-Adjusted Profitability
- Commercial Banking Scorecards
- Relationship Pricing
- Customer Segment Performance
- Risk Cockpit
- Client Servicing.

Risk-Adjusted Profitability

Integrated risk management and financial planning are a reality with the *IBM-Cognos Risk-Adjusted Profitability Performance Blueprint*. This *Blueprint* allows financial institutions to integrate risk information with an enterprise-wide, distributed profitability management process at the product level, across multiple dimensions. Risk measures include risk adjusted return on capital (RAROC), economic capital, probability of default, loss given default, and expected loss. The *Blueprint* also enables activity-based management and costing capabilities for key customer, product, and business segments, providing the most accurate, reliable profitability planning and reporting data. The pre-built planning model means less time on calculations and more time implementing initiatives to improve performance. Bank executives can achieve greater financial planning accuracy and a stronger connection between the finance and risk departments.

Shared Services Unit Rates	Assigned Expenses	Profit & Loss	Profit & Loss Targets	Risk Return Analysis
2007				
Electronics				
	Northwest	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	114,581,218	199,062,490	236,828,267	550,471,975
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	40,361,220	48,620,344	112,306,584
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%

Commercial Banking Scorecards

Scorecarding is a key capability within IBM Cognos 8 Business Intelligence that helps commercial banks align teams and tactics with strategy, communicate goals consistently, and monitor performance against targets. Managers can build and deploy scorecards quickly using wizards, saving time and resources. Simple menus enable users to define threshold ranges, benchmarks, data source definition, contact names, and URLs for contextual information. Banks can also implement strategy maps, impact analysis and cause-and-effect diagrams, and other elements of the Balanced Scorecard. The result: Ownership and accountability for key commercial banking performance metrics.

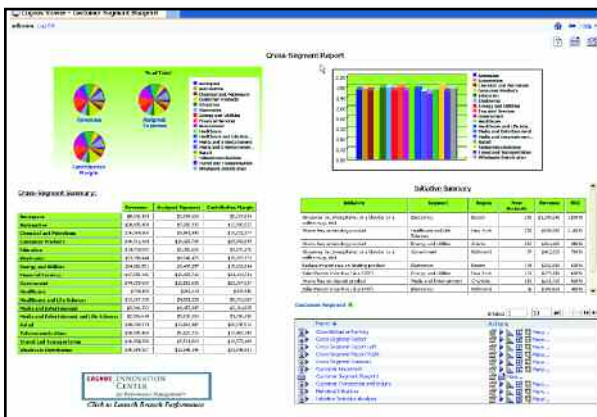
Relationship Pricing

Many commercial bankers are still using spreadsheet-based models to support their pricing activity. Cognos helps commercial bankers implement a deal or loan pricing model for pricing credit and non-credit deals on a daily basis. Models can support large corporate, middle market, and small business customer segments for their credit and non-credit (cash management) deals. The Cognos online loan pricing tool used by relationship managers (RMs) or lenders to calculate future profitability for a product, or a set of products, for a customer, and functions as an integrated component of a bank's workflow process. The solution brings discipline and consistency to pricing, with flexibility around centralized or decentralized control of assumptions, and enables consistent application of lending pricing policy and philosophy.



Customer Segment Performance

To improve corporate customer satisfaction and loyalty, increase wallet share, and maximize their success, banking institutions need to understand the behavior and profitability of their corporate customers, both at the segment level and the individual large corporate level. Cognos offers a *Corporate Banking Customer Segment Performance Blueprint* that enables commercial, corporate, and investment banks to create profit and loss statements for customer segments or for large, individual corporate customers. It allows managers to report on and analyze profitability and plan initiatives to improve segment results. Customer segment reporting, analysis, dashboards, and scorecards let managers understand at a glance how segments are performing across measures such as revenue, contribution margin, and accounts per customer, and then guide them through deeper and deeper levels of customer and segment detail.



Risk Cockpit

By leveraging the IBM-Cognos Risk Cockpit, a risk management reporting and analysis solution, financial institutions can combine the power of the IBM Banking Data Warehouse with IBM Cognos 8 Business Intelligence. The solution helps banks deploy a compliance infrastructure that provides a holistic approach to satisfying Sarbanes-Oxley,

Basel II, the Patriot Act, and other regulatory requirements. The Cockpit provides a consistent, timely, accurate view of risk across the commercial bank, allowing the bank to see concentrations by customer, risk class, rating, geography, industry, product, and regulatory constituency. Therefore, it helps unite customer information into a single view, allowing deeper customer knowledge. In addition, it helps consolidate credit/underwriting, market, and operational risk information into an enterprise-wide view and distribute that information to risk managers, enabling more effective risk management at the point of sale.

Client Servicing

By using Cognos performance management solutions and *Performance Blueprints*, banks can achieve a comprehensive view of their commercial customers across multiple data sources. Clients can be effectively segmented by demographics, financial history across products, and transaction and inquiry history. Banks can analyze the profitability of commercial clients to determine the right level of service to offer, enabling relationship-based pricing or deal pricing. Book of business reporting allows cross-client reporting and analysis. And compelling reporting and analysis solutions for the end-client allow bank clients to understand their financial position, making this a key component of a commercial bank's client servicing and retention strategy.

By providing integrated performance management – planning, monitoring, scorecarding, reporting, analysis, and alerting – Cognos enables commercial banks to:

- Improve service levels, and increase customer satisfaction and retention, by providing timely, comprehensive customer insights.
- Reduce operational expenses via expense monitoring, reporting, analysis, and forecasting.
- Manage and reduce risk via timely, consolidated risk reporting, and analysis.



- Improve responsiveness to interest rates fluctuations, economic shocks, and other outside events with rolling forecasting.
- Price new lending and cash management business more efficiently based on relationship pricing, RAROC, and the evaluation of multiple scenarios.
- Enhance operational efficiency by providing timely, consolidated monitoring, analysis and planning of internal operations.

Why choose Cognos?

More than 3,500 financial services firms have selected Cognos software to increase customer, product, and channel profitability; manage and reduce risk; address compliance issues; and improve the predictability of financial performance. Among them:

- Nine of the top 10 banks in Europe
- All the top 10 banks in the U.S.
- Six of the top 10 Asian banks
- Ten of the top 10 Chinese banks
- All of the top four Japanese banks
- All of the top four South African banks
- All of the world's top 10 investment banks.

With our award-winning Global Customer Services, we consistently top the list for best software support and service innovation among both customers and support professionals. And to best serve your needs, we maintain strong relationships with key financial services application and integration partners, including IBM, Accenture, Deloitte, Bearing Point, Business & Decision, Misys, i-flex, FiServ, Fidelity Information Services, and more.

About Cognos, an IBM company

Cognos, an IBM company, is the world leader in business intelligence and performance management solutions. It provides world-class enterprise planning and BI software and services to help companies plan, understand and manage financial and operational performance. Cognos was acquired by IBM in February 2008. For more information, visit www.cognos.com.



For more information

Visit the Cognos Web site at www.cognos.com/banking



Request a call

To request a call or ask a question, go to www.cognos.com/contactme. A Cognos representative will respond to your enquiry within two business days.