



CLIENT REPORT in CIB Bank

using SAS[®] Data warehouse

Presentation is given by Krisztián Németh
CIB BANK HUNGARY

June 27, 2002

TOPICS



- What is client profitability measurement?
- What are the main elements of the client report ?
- How can you utilize SAS Data warehouse ?
- DEMO



*„A MARINER WITHOUT A COMPASS
CAN END UP SAILING IN CIRCLES.“*

June 27, 2002

Structure of the MIS



Client Profitability



CPS

Product Profitability



PPS

Organisational Profitability



OPS

June 27, 2002

Client profitability measurement – What ?

The logo for CIB BANK, featuring a stylized white icon of a person or a wave above the text "CIB" and "BANK" in a bold, sans-serif font. The logo is set against a dark green background with a circular glow effect.

CIB
BANK

- Customer profitability means analysing and identifying the incomes and costs of customers and customer groups.
- Previously banks paid little attention to customer profitability calculation, but in the late 90's it came into prominence due to the development of maintaining customer relationships.

June 27, 2002

Client profitability measurement – Why ?

The logo for CIB BANK, featuring a stylized 'C' icon above the text 'CIB' and 'BANK' stacked vertically.

CIB
BANK

- You need a tool to identify the most valuable customers (80/20 rule);
- It's helping the pricing decisions and cross selling;
- Provide information on the behaviour of different client segments (demographical, business, ect.);
- Through top and bottom reports the bank is able to recognize its most and the least profitable clients;
- CPS supports both strategic and operative steps toward the bank's clients;

June 27, 2002

Client profitability measurement – How ?



- It should be the integrated part of the MIS.
- It has to have a client focus
- It has to be very flexible & fast in terms data access.

Client profitability measurement—for Who ?

The logo for CIB BANK, featuring a stylized white icon of a person or a wave above the text "CIB" and "BANK" in a bold, sans-serif font. The logo is set against a dark green background with a circular glow effect.

CIB
BANK

- Business line executives
- Middle management
- Relationship managers
- Branch managers
- Analysts

June 27, 2002

What are the main elements ?

- Interest type earnings
- Commission type earnings
- Expected loan loss
- Operating expense
- Cost of capital
- Asset balances
- Liability balances
- Off BS items
- Turnover (card, c/a)
- Other information



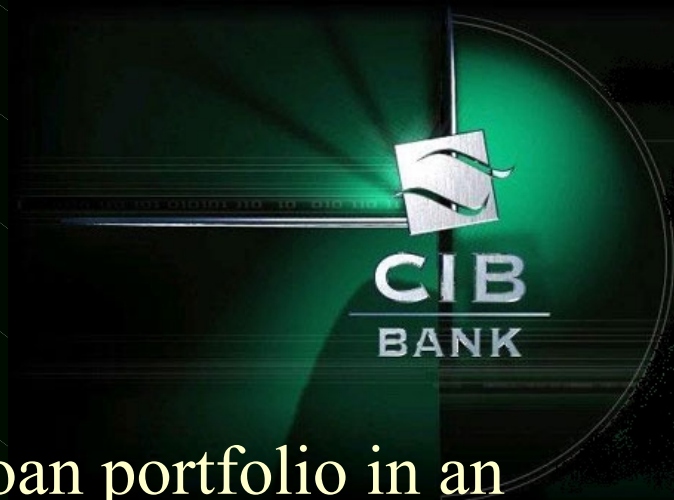
Calculating net interest income using Funds Transfer Pricing & SAS[®]



- Divides the net interest income into smaller parts.
- Transfer the elements to the actual risk bearers.
- Funding centre.
- Matched funding concept.

June 27, 2002

Calculating expected loan loss using SAS®



- The loss that is generated on the loan portfolio in an average business year.
 - Since this loss is expected, it doesn't mean risk and therefore it should be priced
-
- Calculation is based on historical and benchmark rates by customer debt rating
 - Allocation to clients is made on deal level depending on the coverage ratio and debt rating

Calculating operating expenses using Organisational Profitability System & SAS®



- Allocation of general expenses to departments



Using statistical data

- Allocation of all department costs to products (direct, indirect)



Based on simplified activity based costing

- Allocation of product v costs to customers



Using product specific customer data (volumes items, etc)

How SAS® helps the process ?



- Calculating average balances, average interest rates
- Match the transfer rates (calculated else) to every deal and account.
- Allocating incomes to clients which are not booked directly
- Modelling and calculate expected loan losses
- Carry out cost allocations for products and clients

Advantages of using SAS®

- Allows completely integrated database
- Data from different sources can be easily joined
- Can use data from other connected systems
- Powerful tool for carrying out calculations
- Better transaction identification



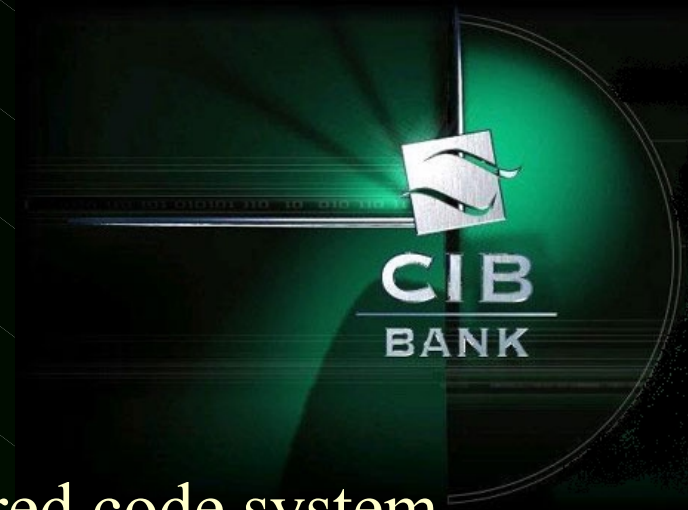
Advantages of using SAS[®] 2.

- Flexible reporting facility
- Easy report definitions
- Easy analysis with powerful functionalities
- Results can be easily justified by analytics



Challenges

- Transparent and well structured code system
- Appropriate data on customers
- Handling many data in a user friendly environment
- Appropriate knowledge of business needs
- Communication



Future

- Customer Profitability System could be the base of a complex CRM system.





Structure of the Client report

Summary table

➤ Provide flash view of the overall profitability on the required level of aggregation. Includes incomes, expected loan loss and expenses for the following main categories :

- loans
- deposits
- current accounts
- cashier transactions
- documentary business
- FX
- bankcards

Structure of the Client report 2.



Detailed tables

- Provide more detail information on the individual modules
- Contains also non P&L elements, like :
 - ending and average balances,
 - spread on deals, current accounts
 - data on volume and transaction numbers.

Structure of the Client report 3.



Filtering :

- General customer characteristics : customer type, branch, business officer, residence country, etc;
- Corporate characteristics : field of activity, size, debt rating, etc.
- Retail characteristics : age, gender, monthly income



DEMO

June 27, 2002