

# ORACLE FINANCIAL SERVICES PROFITABILITY MANAGEMENT

## KEY FEATURES AND BENEFITS

### FEATURES

- Multi-dimensional modeling and profitability analysis
- Rich allocation features
- Auditability with visual trace of allocation history
- Customer profitability calculations, adjusted for risk
- Unlimited attributes, hierarchies and dimensions
- Dimensional conformity across the enterprise through built-in integration with Oracle Hyperion Data Relationship Management
- Integration of Risk, Performance Management, Customer Insight, and Financial Compliance
- Integrated Rate Management functionality to support multicurrency allocations and transfer pricing
- Single data model and platform

### BENEFITS

- Actively incorporate risk into decision making
- Promote a transparent risk management culture
- Deliver actionable customer and product profitability insight
- Deliver pervasive intelligence throughout the enterprise
- Integrated product suite dramatically decreases the total cost of ownership

*Oracle Financial Services Profitability Management enables financial services institutions to calculate profitability information by products, channels, segments, and even individual customers. Standard profitability calculations may be adjusted for risk in order to enable Risk-Adjusted Performance Management (RAPM), an imperative for financial services institutions operating in this rapidly evolving and complex industry. Oracle Financial Services Profitability Management is a next-generation solution that is fully integrated with Oracle's Financial Services Analytical Applications and shares a common customer account level relational data model.*

### Generating Risk-Adjusted Profitability

Oracle Financial Services Profitability Management integrates the functionality of Oracle Financial Services Profitability Management, Oracle Financial Services Funds Transfer Pricing, Oracle Reveleus Basell II, and Oracle Reveleus Economic Capital applications into a single, comprehensive solution for the generation of accurate, risk-adjusted profitability. Oracle Financial Services Profitability Management's flexible multi-dimensional data model generates profitability results along any dimensions you choose to implement including – but not limited to – product, customer, channel, business unit, geography, relationship manager, or line of business. Oracle Financial Services Profitability Management supports strategic and operational decision-making by providing accurate information to answer questions about your business such as:

- How much does it cost to serve my customers?
- Which customers, products or channels are the most profitable?
- Where are the best opportunities to reduce costs?
- What products or services should we invest in or divest?

Oracle Financial Services Profitability Management's open allocation engine allows you to mix-and-match your preferred methodologies, from the simple to the complex, to generate profitability results. Oracle Financial Services Profitability Management provides you the flexibility you need to build both top-down and bottom-up allocations; its allocation engine can use transaction, customer relationship, or management ledger data. You may use Profitability Management to develop unit costs for use in any type of allocation, or you may import activity rates from any activity-based costing model. Built on the scalable Oracle database and

applications framework, Oracle Financial Services Profitability Management accepts data from multiple sources, supports multiple currencies, and provides confidence in your results by reconciling inputs to source systems of record, and by easily tracing results to calculations.

### **Delivering Enterprise-Wide Analytics**

All of this analytical power and flexibility is of no use if the results cannot be widely disseminated across the enterprise to enable managers to act. Oracle Financial Services Profitability Management is coupled with Oracle Financial Services Profitability Analytics, a companion application built upon Oracle Business Intelligence, to deliver world-class, enterprise-wide analytics. In addition to standard income statement and balance sheet reporting, Oracle Financial Services Profitability Analytics draws upon results generated by Oracle Financial Services Profitability Management to deliver both management ledger level and customer account level multi-dimensional Risk Adjusted Performance Management (RAPM) reporting so you can answer questions such as:

- Which lines of business, relationship managers, or products are truly generating value for my company?
- Which customers are generating the most Economic Value Added?
- How does the risk-adjusted profitability of my new business compare with the total portfolio for each product or line of business?
- How will my risk-adjusted results change over time as loan products reprice or mature?

Using a baseline customer relationship profitability model provided by Oracle Financial Services Profitability Management, Oracle Financial Services Profitability Analytics generates rich, multicurrency income statements for any asset- or liability-based product as well as for any service based product or intracompany service. Designed to be flexible, the baseline profitability model may be rapidly extended or customized to meet your unique implementation requirements.

For on-balance sheet products, sophisticated customer account level net interest margins are generated within Oracle Financial Services Funds Transfer Pricing. Alternatively, you may populate your transfer pricing results using an internal or 3<sup>rd</sup> party application. All Oracle Financial Services Analytical Applications, including Oracle Financial Services Profitability Analytics, are fully multicurrency enabled.

Oracle Financial Services Profitability Analytics supports multiple risk-adjusted profitability metrics including Risk-Adjusted Net Interest Margin (RANIM), Risk Adjusted Return on Assets (RAROA), Return on Risk Adjusted Assets (RORAA), Risk Adjusted Return on Capital (RAROC), Return on Risk Adjusted Capital (RORAC), and Net Income After Capital Charge (NIACC or EVA). Each RAPM measure may use multiple bases of capital: regulatory capital, economic capital, or all-in capital. Oracle Financial Services Profitability Analytics is integrated with our Basel II and Economic Capital applications. You may also build your own capital allocation models within the Profitability Management framework.

### **Powerful Multi-Dimensional Modeling Capabilities**

Oracle Financial Services Profitability Management's multi-dimensional approach takes advantage of the richness of your detailed data. You analyze your organization from multiple points of view (e.g. customer, geography, product, channel, business unit, transaction) and make use of powerful modeling capabilities to capture the nuances of your business. Armed with this information, you are able to make solid, supportable decisions about your customers, your products, as well as your business policies and processes.

### **Rich Allocation Features**

Delivering accurate profit and performance measures for an entire business is an enormous task. The differences that exist in business lines, regional locations, types of customers, and delivery channels only add to the complexity of your business. Oracle Financial Services Profitability Management is both a flexible and powerful tool. You tailor the application to your specific needs, enabling you to determine the level of complexity that best fits your business. Oracle Financial Services Profitability Management enables you to manipulate general ledger data, customer account data, and customer transactional data to perform the numerous types of financial and statistical allocations. You control the data manipulation at the level of determining whether an allocation is a posted journal entry or a direct update at the customer relationship or customer transaction level.

### **Multiple Hierarchies for Analysis and Reporting**

The Oracle Financial Services Analytical Applications data model upon which Oracle Financial Services Profitability Management is built supports an unlimited number of dimensions, hierarchies, dimension members, and dimension member attributes all of which may be used both in analysis and the creation of modeling rules and business definitions. Starting with 5 seeded dimensions the management ledger may be extended with up to 22 additional dimensions to meet your particular modeling challenges. Detailed account and transaction level data may be defined with an unlimited number of dimensions and facts.

### **Visual Trace of Allocation History for Auditability**

Oracle Financial Services Profitability Management supports detailed analysis of sources and uses of each allocation, so analysts ensure their rules generate intended results. Users hyperlink from the results of one allocation to any upstream source or downstream use. This allocation tracing functionality also allows modelers to demonstrate to line of business or product managers how and why they are receiving allocated costs and revenues.

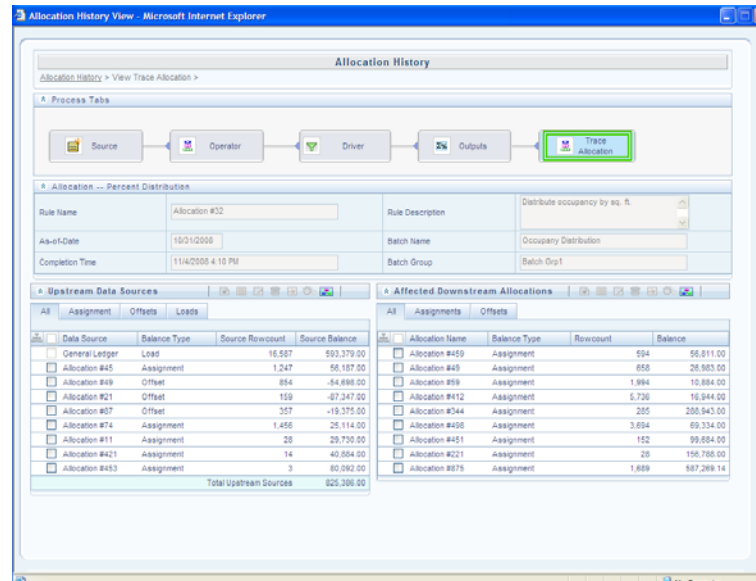


Figure 1. Allocation History

### Easy to Deploy Data Loading and Validation Utilities

Data loading utilities are provided through the functionality of Oracle Financial Services Analytic Applications Infrastructure. These utilities support the importation of dimension members, dimension member attributes, and dimension hierarchies. To ensure dimensional conformity across the enterprise, direct integration is provided to Oracle Hyperion Data Relationship Management. Utilities are also provided to support the loading of transaction data, customer account data, and General Ledger data. For your business facts, you may choose to adopt the Oracle Financial Services Analytic Applications Infrastructure staging data model or you may load directly to processing tables. Seamless data movement utilities are also provided to move data from the staging data model to the processing data model.

### Unified Infrastructure and Data Model

Oracle Financial Services Profitability Management shares a common infrastructure and analytical data model with the other Oracle Financial Services Analytical Applications, including Oracle Financial Services Funds Transfer Pricing and Oracle Financial Services Asset Liability Management.

The underlying set of tools in the Oracle Financial Services Analytical Applications Infrastructure assists with processing, categorizing, selection, and manipulation of data. Oracle Financial Services Analytical Applications infrastructure helps control data quality, manages the metadata, computations and rules underlying Oracle's Financial Services Analytical Applications.

### Summary

Oracle's financial services analytical applications are integrated solutions based on "industry best practice" components. Solutions can be deployed with confidence because all the pieces fit together: data, analytics, business rules, hierarchies, and

**RELATED PRODUCTS AND SERVICES****RELATED PRODUCTS**

The following products are also available from Oracle:

- Oracle Financial Services Funds Transfer Pricing
- Oracle Financial Services Profitability Management Analytics
- Oracle Financial Services Pricing Management, Transfer Pricing Component
- Oracle Financial Services Asset Liability Management
- Oracle Financial Services Analytical Applications Infrastructure

**RELATED SERVICES**

The following services are available from Oracle Support Services:

- Update Subscription Services
- Product Support Services
- OnlineDBA

reporting. Although the suite was designed to be delivered on an integrated basis, each of these product components can:

- Stand on its own as a best-of-breed solution
- Undergo implementation on either a simple or sophisticated basis, and support ongoing evolution of analytical methodologies
- Undergo implementation in any order

With over 250 customers worldwide, Oracle's suite for Financial Services Enterprise Performance Management is the industry standard for managing performance and risk. For over 15 years, industry leading financial institutions have used these applications to not only measure performance, but to improve it. In these turbulent times, there is no better tool for managing the performance of your organization.

**About Oracle Financial Services Analytical Applications**

Oracle Financial Services Profitability Management is part of Oracle Financial Services Analytical Applications, an integrated suite of applications that share a common account level relational data model and application architecture. Oracle Financial Services Analytical Applications enable financial institutions to measure and meet risk-adjusted performance objectives, cultivate a risk management culture through transparency, and lower the costs of compliance and regulation.

**Contact Us**

For more information about Oracle Financial Services Profitability Management, please visit [oracle.com](http://oracle.com) or call +1.800.ORACLE1 to speak to an Oracle representative.



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