KaufmanHall



## Expand Your Profitability Insights: Axiom Relationship Profitability and Pricing Analytics

**FINANCIAL INSTITUTIONS** 

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### What is Axiom RPPS?

Kaufman Hall's Axiom Relationship Profitability and Pricing System<sup>™</sup> (RPPS) provides financial institutions with a complete picture of each customer's total relationship, and an understanding of how to accurately price and manage that business based on the customer's empirical profitability.

Axiom RPPS provides a single solution that allows your team to:

- **Build complex relationships,** accurately linking individuals and businesses to a relationship through a flexible and intuitive interface
- Actively manage complex relationships and portfolios.
- **Precisely measure profitability** for every account, customer, and relationship.
- Accurately price potential new business, seeing its effect on the entire relationship
- **Inform business decisions** through analytical reports and dashboard insights, tracking against selected profitability metrics at the institution, portfolio, and relationship manager levels

Axiom RPPS provides over 30 reports and dashboards. This document highlights a sampling to illustrate how both relationship managers and institution leaders can leverage the software—including examples of specific *actionable insights*—to support the institution's profitability goals while providing the best possible client/member experience.



### **Using Axiom RPPS Reports and Dashboards**

Each dashboard empowers teams with unique information, and all share certain features and functionality:

- **Availability:** All dashboards are standard and included with the product. Each may be accessed through the menu structure.
- **Usage:** For most reports, you can make selections using the Filter/ Selection functionality in the Navigation pane.
- **Printing:** You can print and save any dashboard in PDF format.
- **Security:** Report and dashboard access are based on the user permissions you configure.

Axiom RPPS reports and dashboards cover several categories of analysis, including:

- 1 Metric Analysis
- 2 Change Analysis
- 3 Product Comparisons
- 4 Profitability Contribution
- 5 Risk-based Pricing Analysis
- 6 Product & Relationship Manager Spread Analysis



### METRIC ANALYSIS Relationship Ranking



Leaders can use the *Relationship Ranking* dashboard to understand the 10 top- and bottom-performing relationships across the institution. In the KPI panel at the top of the screen, identify relationships with the highest and lowest monthly contribution, 12-month contribution, and Risk-Adjusted Return on Capital (RAROC).

This dashboard guides prioritization as to which relationships within the portfolio should be nurtured and expanded, and which need attention to make them profitable.

TRIC ANALYSIS RM RANKING	DECILE ANALYSIS DEC	CILE BY RM				C	
etric Analysis - Relationship Ranking ember 2017						Actionable Insight:	
ighest Monthly Contribution MOS Construction 337,328 Hationship Manager: Ken Levey	\$460,23	Highest 12 mo Contribution BMOS Construction \$460,238 Relationship Manager: Ken Levey				Relationships managers can wor on cross-sell and other strategies t improve the profitability of the botton	
owest Monthly Contribution S(5,725)	Lowest 12 mo Cont Bailey Co \$(61,174 Relationship Manager: KI	4)	Lowest 12 m Hall Co -1440 Relationship Man	9.55%		performers within their portfolio.	
op 10 Relationships -12 month Contributio	n 🔸	Bottom 10 Relations	hips - 12 month Cor	ntribution			
Relationship         12 month Contribution         % of           BMOS Construction         \$460,238            Arch Technical Services         \$265,986            CC Bath Industries         \$71,664            Sanders Co         \$40,435            Acme Holdings         \$39,619            Jacobs & Kim         \$31,787	Total Relationships         Net-Usnship Mana           36.52%         Ken Levey           21.11%         Fitz Mack           5.69%         Ken Levey           3.21%         Ken Levey           3.14%         Bob Markus           2.52%         Roberta Hall           2.49%         Ken Levey	rger Rank Relationship 186 Bailey Co 185 William Co 184 Debbra William 183 Acevedo, Fred 182 Ball, Lizette 181 Adams, Grace 180 Conrad, Evangeline	12 month Contribution \$(61,174) \$(5,981) \$(2,372) \$(572) \$(348) \$(323) \$(320)	* of Total Relationship -4.85% -0.47% -0.19% -0.05% -0.05% -0.03% -0.03%	s Relationship Manager KM Levey Roberta Hall Roberta Hall Tom Mccarthy Roberta Hall Angelique Collins Roberta Hall	Actionable Insight: If these top relationships leave the institution (especially the top two in thi	

#### METRIC ANALYSIS Relationship Manager Ranking – 12 mo Contribution



How are your relationship managers performing? The *Relationship Manager Ranking – 12 Month Contribution* dashboard helps leadership understand who their top- and bottom-performing relationship managers are in terms of 12-month margin contribution and RAROC.

Identify the portfolios of top-performing relationship managers to look for trends, product concentrations, and general success factors that other relationship managers can emulate. Then take a look at the portfolios of lower-performing relationship managers to guide coaching efforts. Relationship rankings and contribution data also helps inform incentive compensation payouts.

METRIC ANALYSIS RM RANKING	DECILE ANALYSIS	DECILE BY RM				
elationship Manager Ranking - 12 mo C	ontribution			12 mc	Contribution 12 mo RAROC	
Top Ten Relationship Managers		Top 10 Relationship Ma	anagers Ranked		Highest 12 mo Contribution	Actionable Insight:
900,000 800,000 700,000 500,000 300,000 200,000 100,000 0	<ul> <li>Ken Levey</li> <li>Fitz Mack</li> <li>Roberta Hall</li> <li>Bob Markus</li> <li>Lisa Spenser</li> <li>Clark Kent</li> <li>Tyler Womack</li> <li>Eric Estes</li> <li>Ginger Scout</li> <li>Angelique Collins</li> </ul>	Rank         Relationship Manager           1         Ken Levey           2         Fitz Mack           3         Roberta Hall           4         Bob Markus           5         Lisa Spenser           6         Clark Kent           7         Tyler Womack           8         Eric Estes           9         Ginger Scout           10         Angelique Collins	12mo Contribution \$769,033 \$266,234 \$118,288 \$61,441 \$22,676 \$21,693 \$20,572 \$8,465 \$6,018 \$5,508	* to Total Relationships 61.03% 21.13% 9.39% 4.88% 1.80% 1.72% 1.63% 0.67% 0.48% 0.44%	Ken Levey \$769,033 # of Relationships: 30 Highest 12 mo RAROC Shana Konschuh 2816.98% # of Relationships: 1	Compare the portfolios of Ken Levey and other top performers to help determine what is driving success. Do they have a concentration of more profitable loar products? Are they including profitable deposit accounts?
Bottom Ten Relationship Managers		Bottom 10 Relationship	Managers Ranked		Lowest 12 mo Contribution	
10,000 0 -10,000 -20,000 -30,000 -40,000 -50,000 -60,000 -70,000	KM Levey Tom Mccarthy tketchum J tuitt mclifford Katie Bogey bcollins Shana Konschuh Roger Strother	Rank         Relationship Manager           26         KM Levey           25         Torn Mccarthy           24         tketchum           23         0           22         Jtruitt           21         mclifford           20         Katie Bogey           19         bcollins           18         Shana Konschuh           17         Roger Strother	12mo Contribution \$(61,174) \$(281) \$(93) \$- \$568 \$868 \$903 \$926 \$970 \$1,364	* to Total Relationships -4.85% -0.02% -0.01% 0.00% 0.05% 0.07% 0.07% 0.07% 0.07% 0.08% 0.11%	* of Relationships: 1 Lowest 12 mo RAROC tketchum -10.31% # of Relationships: 1	

### METRIC ANALYSIS 12 mo Contribution Decile Analysis by Relationship Manager



For each key performance indicator, Axiom RPPS defines 10 deciles, each containing 10% of the relationships institution-wide. Decile 1 is the highest performing 10%; decile 10 is the lowest performing 10%.

In this dashboard, deciles are calculated for the 12-month contribution. The

relationship manager (select in the upper left chart) can see at a glance how many of the relationships

in their portfolio fall within in each decile, and their relative value to the institution, to judge portfolio health today or monitor over time.

The user can also click into any decile to see its relationships and accounts and their relative profitability—in a *Decile Drill* dashboard.

#### Actionable Insight:

Drill into the top deciles in the Decile Rank list. When will their accounts mature? Are there other manageable risk factors to ensure continued profitability?

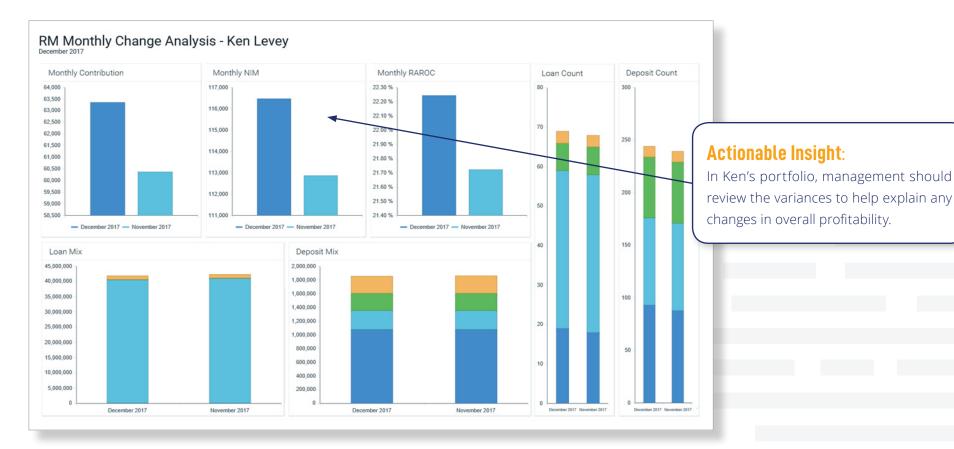
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RIVI % OF DECI	e-count		( non-zero)	Dollars	Declie Ralik				
0 %	10 %	20 % 3	0% 40%	50 % 60 %	Decile	# of Relationships	12 mo Contributio		12 mo RAROC
					Decile 1	10	\$737,943	\$3,419,690	21.58%
Deciled					Decile 2 Decile 3	4	\$19,216 \$6,452	\$138,083 \$15,569	13.92% 41.44%
Decile 2					Decile 4	2	\$2,124	\$8,318	25.54%
Decile 3     Decile 4					Decile 5	3	\$2,429	\$17,148	14.16%
- Decile 5					Decile 6	0	S-	S-	0.00%
- Decile 7					Decile 7	1	\$443	\$1,497	29.58%
Decile 8 Decile 9					Decile 8	2	\$450	\$374	120.16%
- Decile 10					Decile 9	2	\$27	\$5,204	0.52%
					Decile 10 Total	2 30	\$(51) \$769,033	\$5,607 \$3,611,491	-0.91% 21.29%
						30			21.29%
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RM Decile Stra	atification				% of Total	16.13%	61.03%		
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		Decile	Relationship	12 mo Contribution			61.03%		12 mo Contribut
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Top 10 Relation Portfolio Renk 1 2 3	onships Insitution Renk 1 3 4	1	BMOS Construction CC Bath Industries Sanders Co	\$460,238 \$71,664 \$40,435	Bottom 10 Re Portfolio Rank 30 29 28	elationships Insitution Rank 170 169 164	Decile 10 10 9	#VALUE! Relationship Access Garage Doors Atkins Co Adkins Co	\$(32) \$(19) \$(3)
Top 10 Relation Portfolio Renk 1 2 3 4	onships Insitution Renk 1 3 4 4 7	1	BMOS Construction CC Bath Industries Sanders Co WinterHouse	\$460,238 \$71,664 \$40,435 \$31,379	Bottom 10 Re Portolio Rank 30 29 28 27	elationships Insitution Rank 170 169 164 154	Decile 10 10 9 9	#VALUE! Relationship Access Garage Doors Atkins Co Adkins Co Adkins Co	\$(32) \$(19) \$(3) \$30
Top 10 Relation Portfolio Rank 1 2 3 4 5	onships Institution Renk 1 3 4 7 8	1	BMOS Construction CC Bath Industries Sanders Co WinterHouse Abbott and Snyder LLC	\$460,238 \$71,664 \$40,435 \$31,379 \$29,286	Bottom 10 Re Portfolio Rank 30 29 28 27 26	elationships Instution Rank 170 169 164 154 154 145	Decile 10 10 9 9 8	Relationship Access Garage Doors Atkins Co Adkins Co Airfa, Nanette	\$(32) \$(19) \$(3) \$30 \$195
Top 10 Relation Pertfolio Rank 1 2 3 4 5 6	Institution Rank 1 3 4 7 8 10	1	BMOS Construction CC Bath Industries Sanders Co WinterHouse Abbott and Snyder LLC Little and Jones Enter;	\$460,238 \$71,664 \$40,435 \$31,379 \$29,286 \$24,413	Bottom 10 Re Portfolio Rank 30 29 28 27 26 25	elationships Institution Rank 170 169 164 154 154 145 134	Decile 10 10 9 9 8	Relationship Access Garage Doors Atkins Co Amold Co Airfa, Nanette ABC Properties	\$(32) \$(19) \$(3) \$30 \$195 \$255
Top 10 Relation Portfolio Runk 1 2 3 4 5 6 7	nships Insitution Rank 1 3 4 7 8 10 11	1	BMOS Construction CC Bath Industries Sanders Co WinterHouse Abbott and Snyder LLC Little and Jones Entery Abbott Healthcare	\$460,238 \$71,664 \$40,435 \$31,379 \$29,286 \$24,413 \$24,403	Bottom 10 Re Portfolio Rank 30 29 28 27 26 25 24	elationships Insitution Rank 170 169 164 154 145 134 112	Decile 10 10 9 9 8 8 8 8 7	Relationship Access Garage Doors Atkins Co Arhold Co Aifa, Nanette ABC Properties Aguirre Landscaping	\$(32) \$(19) \$(3) \$30 \$195 \$255 \$443

#### CHANGE ANALYSIS Relationship Manager Monthly Change Analysis



The *RM Monthly Change Analysis* dashboard reflects the variance between the current date and the preceding month for the selected relationship manager across a variety of KPIs, including contribution, net interest margin, RAROC, loan mix and counts, and deposit mix and counts.

This view is designed for institution leadership to gauge month-to-month performance of each relationship manger; individual relationship mangers may also access their own dashboard view to judge the efficacy of their latest portfolio management efforts.



# PRODUCT COMPARISONS Monthly/Rolling 12-Month Product Ranking



The Monthly Product Ranking dashboard gives leadership a clear understanding of which products are currently performing well and how products have performed over time. Product performance is reported based on highest and lowest contribution, RAROC, margin, and non-interest income earned.

This dashboard allows the user to choose which month(s) to report on, whether to show information monthly or for a rolling 12 months, and whether to look at all products or a rollup by product type.

The information in this dashboard can guide a variety of efforts across the institution, including:

- **Business development:** Where should relationship managers focus their efforts?
- **Pricing flexibility:** Is there room in pricing the most profitable products?
- Marketing/campaign priorities: Where is the institution making money?



#### Actionable Insight:

Using this dashboard to see the relative value of various products, you see this DDA product has the highest risk-adjusted return. Could you run a promotion to open more DDA accounts?

### **PROFITABILITY CONTRIBUTION Product Contribution Vintage Analysis**



The Portfolio Contribution Vintage Analysis allows management to analyze historical contribution trends by product for a designated year.

Use the dashboard to determine how much of the current contribution for the selected product has been originated through time. This allows you to see, for example, how changes in product rates and fee structures for a given product have made it more or less profitable to the institution.

#### Actionable Insight:

What happened in July that triggered such a large contribution gain for commercial loans? Does the institution



# PROFITABILITY CONTRIBUTION Product Contribution Runoff (Maturity) Prospective



Used in conjunction with a vintage analysis, the *Portfolio Contribution Runoff Prospective* allows leadership to analyze how a product's maturing accounts' runoff over the next 12 months will affect margin contribution. The graph on the top displays the projected maturities (balances and contribution) of the selected portfolio, while the graph on the bottom displays the remaining balances and contribution for the same portfolio.

The *Portfolio Recap* summarizes the effects of those maturing dollars/ contribution to the current portfolio.

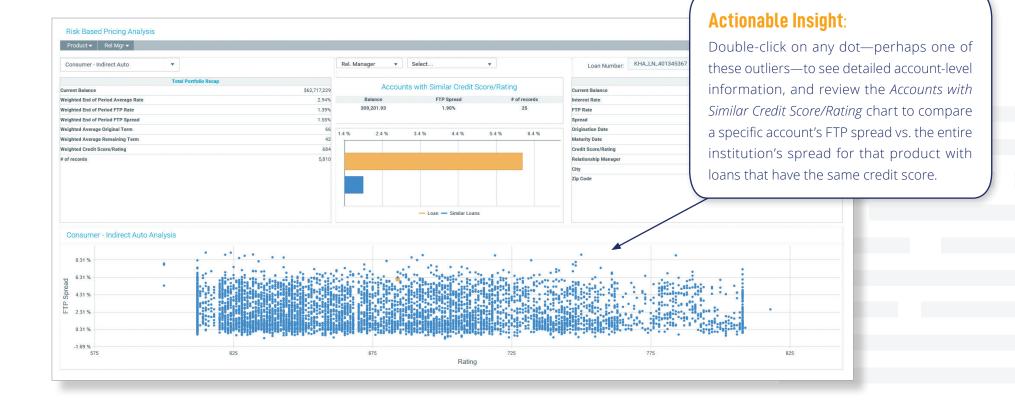


# RISK-BASED PRICING ANALYSIS Variation Based on FICO Rating



The *Risk Based Pricing Analysis* report allows leadership to analyze the riskreturn profile (FTP Spread vs. Credit Score) of any product in the institution. Quickly understand if risk-based pricing is being deployed, within reason, in the pricing framework for the selected product. The chart on the bottom shows the risk return profile for the portfolio, with each dot representing a specific account's relationship of credit score to FTP Spread. In theory, the lower the credit score, the higher the FTP Spread.

**Note:** The weighted rates in the summary section are end-of-period rates, while other reports are typically yields.



### **PRODUCT SPREAD ANALYSIS** Last 3mo Origination Spread by Product

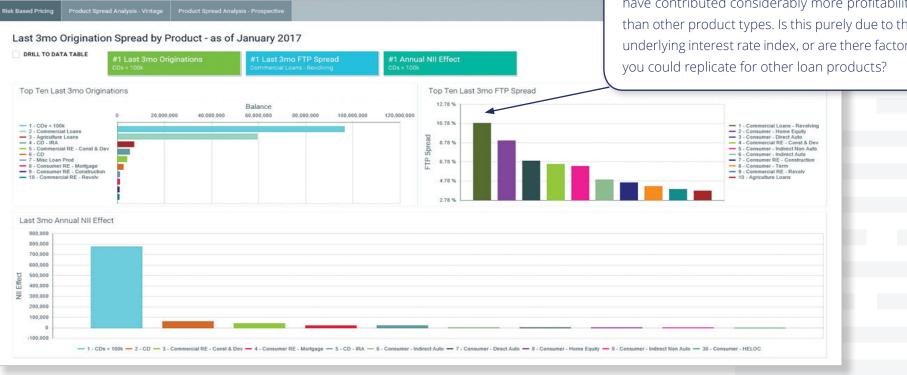


The Last 3mo Origination Spread by Product dashboard helps leadership understand which product portfolios have had the most growth in volume in the defined three-month period. To gain insights into recent pricing decisions, compare volumes booked to rankings of their average FTP Spread.

The Drill to Data Table checkbox provides these same insights for all products in the institution's portfolio, not just top 10.

#### **Actionable Insight:**

In the last 3 months, Revolving Commercial Loans have contributed considerably more profitability than other product types. Is this purely due to the underlying interest rate index, or are there factors



## PRODUCT SPREAD ANALYSIS Product Spread Vintage Analysis



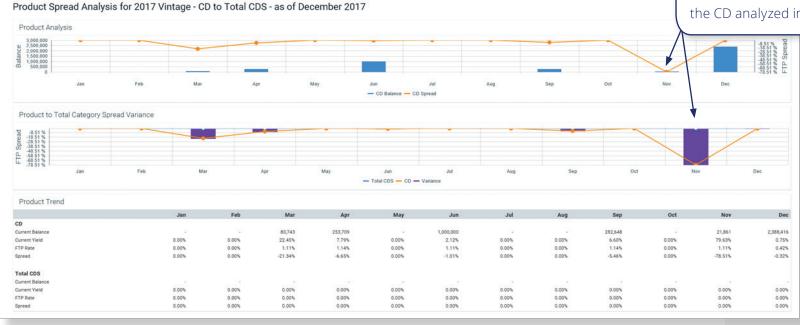
Used in conjunction with the preceding origination analysis, this vintage analysis dashboard, *Product Spread Analysis (Vintage),* allows leadership to analyze historical pricing trends by product for the selected year.

How has this product performed in the last year? Based on the numbers in the lower half of the dashboard, review the top chart to understand the

balances and FTP spreads for this product by month, and examine the second chart to see how the FTP spread compares to the spread for all products in this product group.

#### Actionable Insight:

What happened in November that had such a dramatic impact on CD profitability overall (as shown in the second graph), but minimally affected the CD analyzed in the first graph?



# PRODUCT SPREAD ANALYSIS Product Spread Maturity Analysis

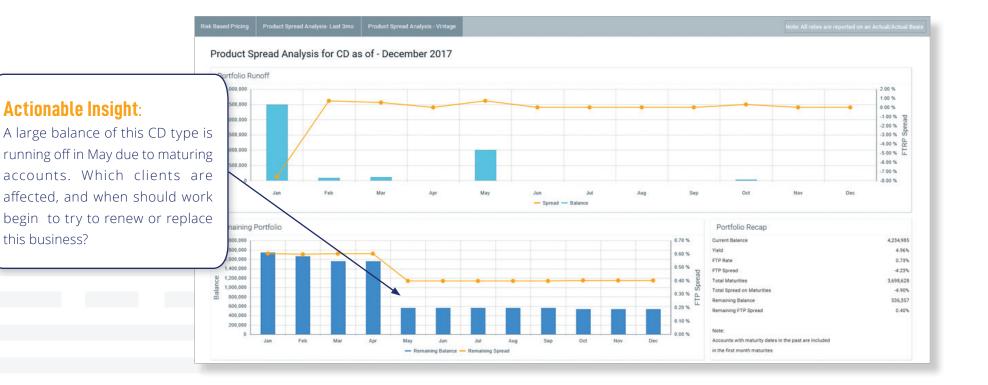


The *Product Spread (Maturity) Analysis* gives leadership insight into the future maturities of the current portfolio for the selected product.

Reviewing the Portfolio Runoff and Portfolio Recap, you can determine the effect of those maturing balances and FTP Spreads on overall portfolio performance, providing an "early warning system" for replacing that margin.

Review the Remaining Portfolio graph on the bottom to understand what is left in the product portfolio after this runoff.

A version of this dashboard is also available for individual relationship managers to assess their own portfolios.



Axiom RPPS analytics give individual relationship managers and institution leaders a powerful window into how the institution is performing, how portfolio runoff will affect the metrics, and where improvement opportunities can be found. Understanding top and bottom-performing relationships, products, and relationship managers guides informed decision making across the institution.

Learn more on our website: www.kaufmanhall.com/rpps Request a demo: https://www.kaufmanhall.com/software/axiom-financial-institutions/demo-request

