

Funds Transfer Pricing and Profitability

Measure risk-adjusted profitability across segments



Not all growth creates sustainable value. [Strata's Axiom™ Funds Transfer Pricing \(FTP\) and Profitability](#) solution helps banks, credit unions, farm credit associations, and other financial institutions gain visibility into the true drivers of cost and profitability.

With Axiom FTP and Profitability, finance leaders can measure risk-adjusted performance, factoring in overhead costs, capital allocations, loan loss provisions, and risks, such as changing interest rates. The process starts at the transaction level, allowing business users to:

- **Capture profitability** for all dimensions, down to the account level.
- **Generate full profit-and-loss (P&L) reports** for any dimension, such as branch, department, product, or officer.
- **Process millions of transactions** necessary to calculate P&L reports, even at the lowest level.
- **Prepare shared service calculations** to access efficiency of service-providing departments.
- **Create a spectrum of analytical reports and analyses**, including segmenting, ranking, and aggregating data to the desired level.
- **Efficiently update FTP assumptions** around institution and market rates, yield curves, methods, and interest indices in a central web-based location.
- **Create specific rules to adjust the base FTP rate** for liquidity premiums, options costs, and management spread adjustments to accurately apply funding charges and credits for any product, geographic, or customer account attribute.

- **Calculate risk-adjusted return on capital (RAROC)** for any dimension through an allocation of economic capital.
- **Drive desired behavior** by aligning frontline staff with organizational strategies and providing information to incentive compensation plans to support corporate performance.

Profitability Systems Designed for Financial Institutions

The Axiom FTP and Profitability solution calculates and reports profitability for any customer/member, organization level, product, account, and/or role (e.g. loan officer) within the financial institution.

Benefits include:

- **Sophistication without complexity** – Integrate data from any general ledger or instrument system (including core system account and transaction detail, and customer/member information), incorporate unit costs and transaction volumes, execute FTP calculations at the account level, calculate economic capital and loan loss provision, and perform comprehensive reporting and analytics, all on a unified platform.
- **Better, faster decisions** – Use profitability calculations to automate reports and analysis, transforming raw data into actionable information and driving target achievement.
- **Finance ownership** – Access a familiar, non-technical user environment that finance owns and manages. The Axiom FTP and Profitability solution is a profitability management environment that scales for millions

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of records and thousands of users. Finance can control assumptions behind the financial analysis and provide transparency to those assumptions across the institution. This control, combined with rapid deployment, yields a compellingly low total cost of ownership.

- **Broader EPM strategy** – Leverage the Axiom FTP and Profitability solution as part of a broader enterprise performance management (EPM) strategy to effectively measure, analyze, manage, and improve overall corporate performance. Because the solution is part of a unified platform, organizations can use the results across a broad range of activities.

Key capabilities:

- **All-in-one profitability management** – Calculate and report profitability at whatever level you choose with a complete, web-based, end-to-end solution.
- **Comprehensive reporting** – Quickly create reports and dashboards – from ranking reports and distribution analysis to variance analysis – with aggregations by role type, function, geographic location, and organization. View and filter reports online and schedule automatic distribution to the right people.
- **Flexible report development** – Employ intuitive report design capabilities and dynamically drill through consolidated results to account-level or transaction-level detail.
- **Robust visualizations** – Leverage consolidated customer and product profitability data in standard visualizations, or build your own self-service dashboards off the data model.

- **Matched maturity funds transfer pricing** – Perform detailed transfer rate calculations. Create and apply specific base rate and adjustment rate FTP rules and filters to accurately apply costs such as liquidity premiums, options costs, or management spread adjustments.
- **Highly configurable costing engine** – Leverage costing surveys, unit costs, and allocation logic to attribute costs across any dimension.
- **Economic capital allocation engine** – Apply a matrix-based risk assessment approach or other modeling approaches for ascribing economic capital at an account level.
- **Built-in extract, transform, and load (ETL) capabilities** – Easily configure and automate data imports from source systems.
- **Roles-based security** – Grant user access and permissions based on defined roles.

The Axiom FTP and Profitability solution is backed by Strata's dedicated financial institutions team, which has deep expertise in the financial services industry. It incorporates best practices in profitability management with personalized customer service from the best-trained EPM support staff in the industry.

To learn more about Axiom solutions, visit our [website](#) or request a [demo](#). For more information on our Funds Transfer Pricing capabilities, read an [overview](#).

