



# TRANSFORMING THE OFFICE OF THE CFO

WHAT'S HAPPENING IN PROFITABILITY

**\$190b+**

**DEPOSITS** increased  
for 2<sup>nd</sup> Straight Quarter

**INTEREST BEARING  
DEPOSITS** increased from  
previous quarter

**1.70% +**

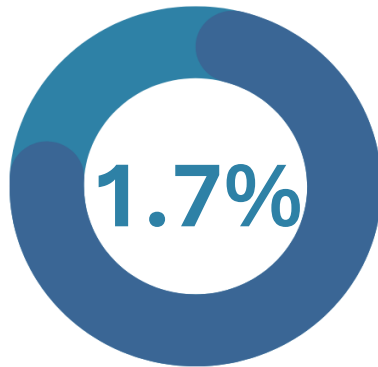
**8**

Consecutive Quarters  
of decline in **NON-INTEREST  
BEARING DEPOSITS**



## WHAT'S HAPPENING IN THE INDUSTRY

(Q1 2024 UPDATE)



### LOAN GROWTH

1.7% in Q1 2024 (year-over-year);  
down from 10% in Q3 2022;  
down 0.3% from previous quarter

**-5% vs. +6%**

Quarterly % Change in **Loan Yields**  
compared to % Change in **Deposit Costs**

**63 Banks** on the FDIC Problem Bank  
list in Q1 2024 (up from 46 last year)



**-100 bp**

### INVERTED YIELD CURVE

10yr - 3mo TSY Spread has been  
-100bp+ for majority of last 18 mos.



**-10 basis points**

### MARGIN COMPRESSION

NIM declined in 2023 and  
was down 10-12bp in Q1 2024

Source: FDIC

# WHAT'S HAPPENING IN PROFITABILITY

## RENEWED FOCUS ON PROFITABILITY

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*Internal & Regulatory pressure to make better, more informed decisions using profitability data and results*



Drive Customer Interactions & Decisions



Ensure Sound Pricing Strategies & Decisions



Determine Product & Marketing Strategies



Align Individual, Team & Organizational Goals



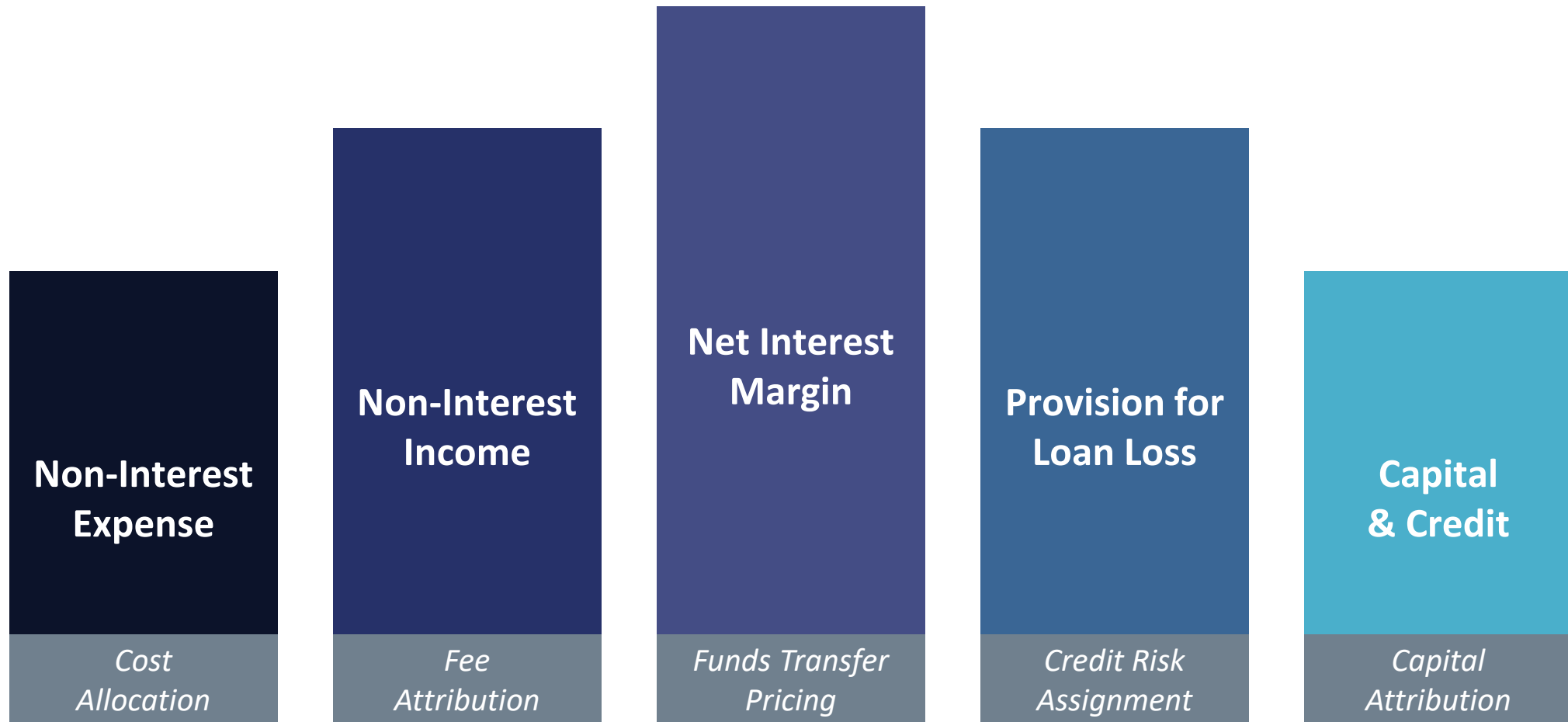
Shape Branch & Channel Strategies



Account for Geographical Nuances

# COMPONENTS OF PROFITABILITY

THE 5 COMPONENTS OF THE PROFITABILITY EQUATION



## PROFITABILITY MEASUREMENT

# WHAT'S HAPPENING IN PROFITABILITY

## EMPYREAN FULL PROFITABILITY OVERVIEW



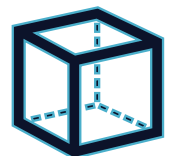
PROFITABILITY DERIVED AT THE INSTRUMENT LEVEL



ANALYZED ACROSS MULTIPLE DIMENSIONS OF THE INSTITUTION



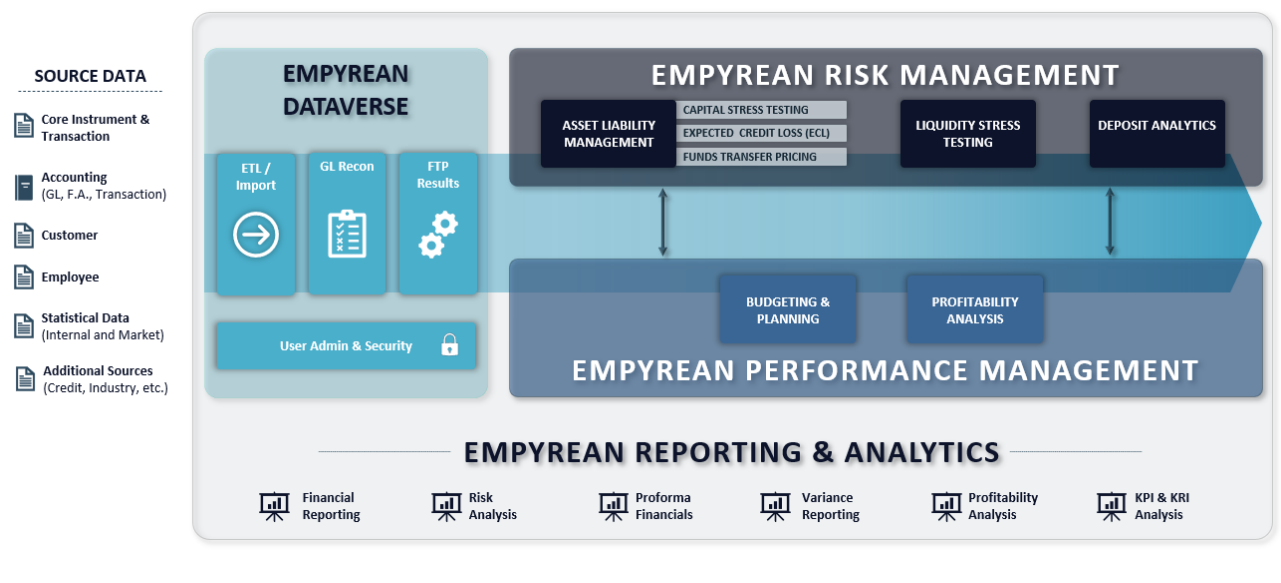
UTILIZING PRAGMATIC & DEFENSIBLE METHODOLOGIES



TRACEABLE DOWN TO THE LOWEST POSSIBLE LEVEL

### RELEASED DECEMBER 2023

(As part of the Empyrean Risk & Performance Platform)



# WHAT'S HAPPENING IN PROFITABILITY

## EMPYERAN FULL PROFITABILITY ROADMAP

### JULY 2024 RELEASE

- **Additional Expense Allocation Methodologies**
- **Usability / User Experience Improvements**
- **Updated Reporting Data Model**
  - More flexibility & easier navigation of dimensions / metrics
  - Foundation for additional standard reports

### Q4 2024 RELEASE

- **Non-Interest Income Allocations**
- **Move some Hierarchies to Dataverse**
  - Entity, Business Unit, Branch, LOB - Sharable between apps
- **Ability to Fully Reconcile Profitability Results to GL**
  - Instrument + GL Account results
- **Workflow Interface to Run Step-by-Step Calculations**
- **Additional Standard Reports**
- **Explicit Dept-to-Dept Expense Allocations**
  - First Step in allocation process, plus saving results at this level
  - Separate Org Profitability Module Available (see next slide)

# WHAT'S HAPPENING IN PROFITABILITY

## EMPYREAN ORGANIZATIONAL PROFITABILITY



### DEPT-TO-DEPT ALLOCATIONS

Non-Interest Income / Expense  
Leveraging Statistical Data to Reverse



### NET INTEREST MARGIN

FTP Aggregation to Instrument Level



### CAPITAL / ACL / PROVISION

from the Instrument Level...either imported or matrix based



### BALANCE RECLASSIFICATION

Move balances (and related credits/charges) from dept-to-dept



### REPORTING

Dept, Branch, LOB, Location and Entity Levels

PLANNED RELEASE IN Q4 2024

# WHAT'S HAPPENING IN PROFITABILITY

EMPYREAN ORGANIZATIONAL PROFITABILITY

BUILT WITHIN THE SAME PROFITABILITY FRAMEWORK, IT IS...

## INCLUDED WITH FULL PROFITABILITY



Dept-to-Dept Allocations can be used as a first step in Non-Interest Income and Expense allocation processes

## LICENSABLE AS A STAND-ALONE MODULE



Limits the options available in the Profitability Application

- Dept level allocations only
- Limited Capital / Credit Methods
- Balance Reclassifications
- Organizational Dimensions Only

## APPLICABLE IN BUDGETING & PLANNING



The same Allocation Rules can be applied against any planning version within Empyrean's Budgeting & Planning application, resulting in a fully allocated budget



# WHAT'S HAPPENING IN PROFITABILITY

FINAL THOUGHT



# QUESTIONS ?

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