

Should Treasury be a profit center and how should the financial result be distributed?

Marcel Burtscher



Agenda

What are the goals of Treasury?

What are possible operating models?

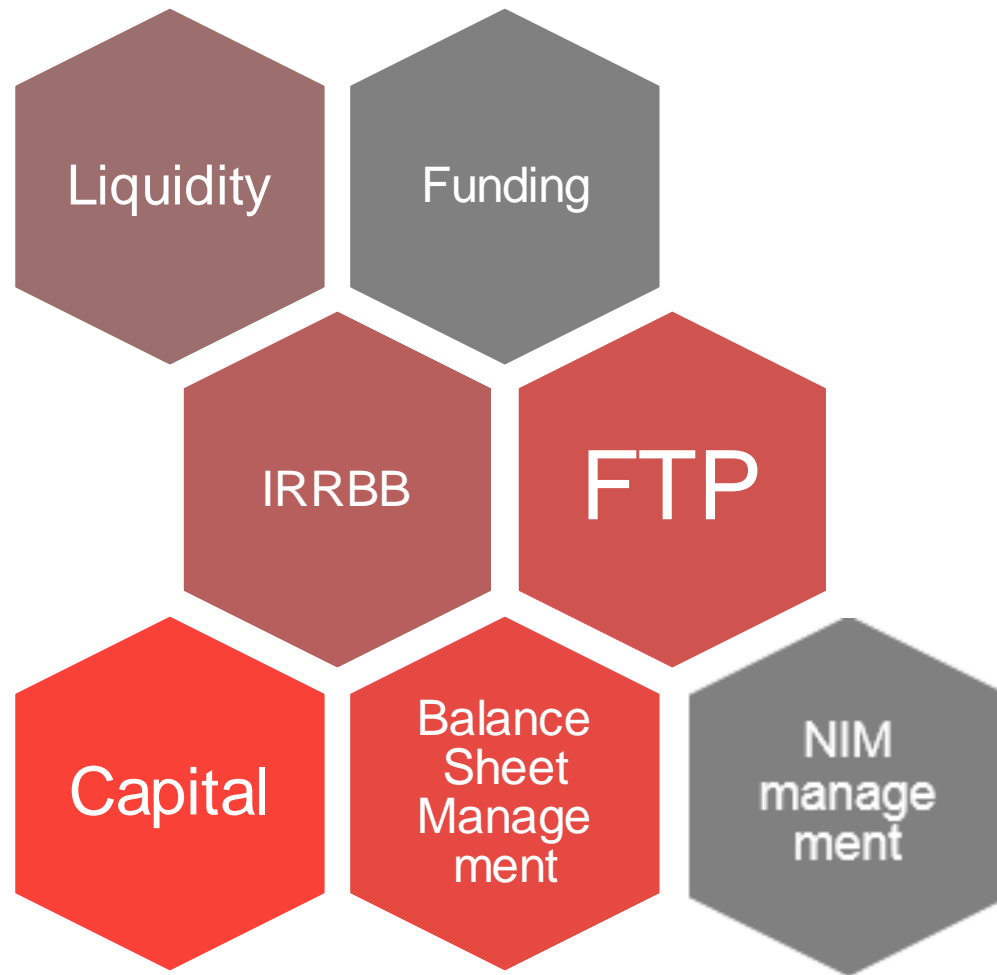
What are the right KPIs?

Should the financial result of Treasury be allocated?

Interactive part



What are the goals of the Treasury function?



Are goals of the bank and Treasury strictly aligned?

Which conflict of interest exists?

How are they (not) reflected in the KPI system?

What are the goals of the Treasury function?





What are possible operating models?

Profit center

**Soft Profit center
(through the cycle)**

**No profit intended /
Advisory**

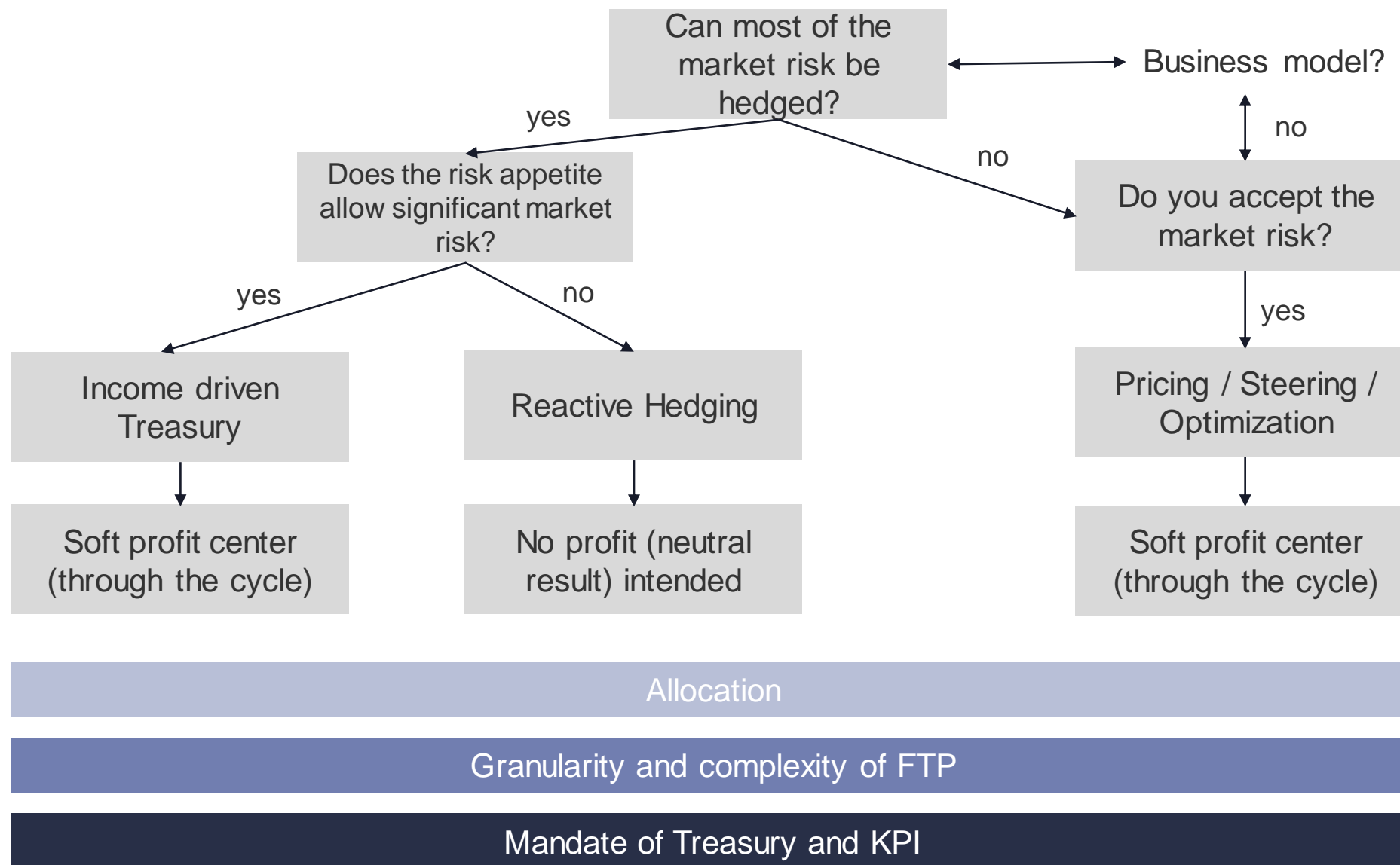
Cost center

Business model?

Steering implications? Granularity and complexity of FTP? KPI system?

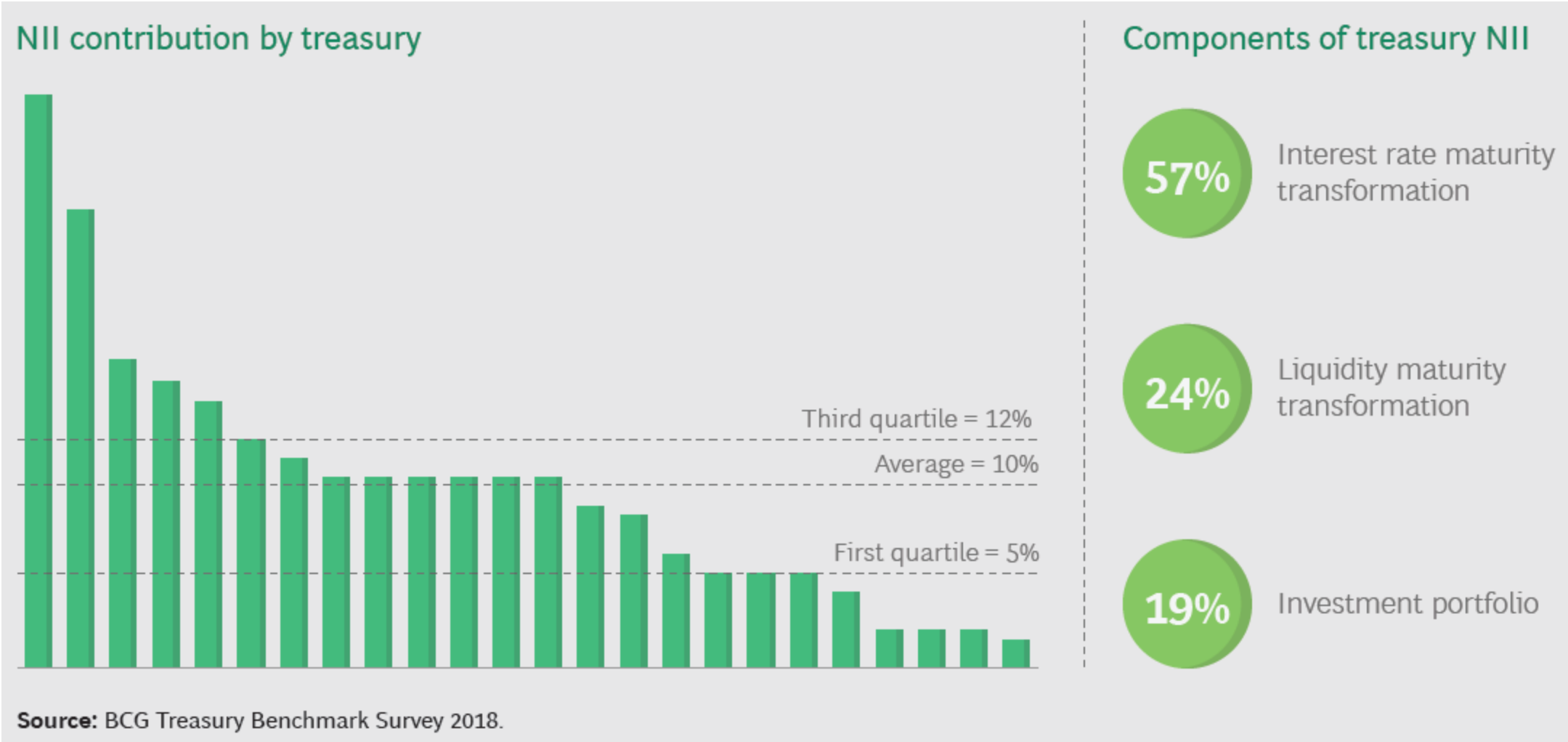
Allocation?

What are possible operating models?



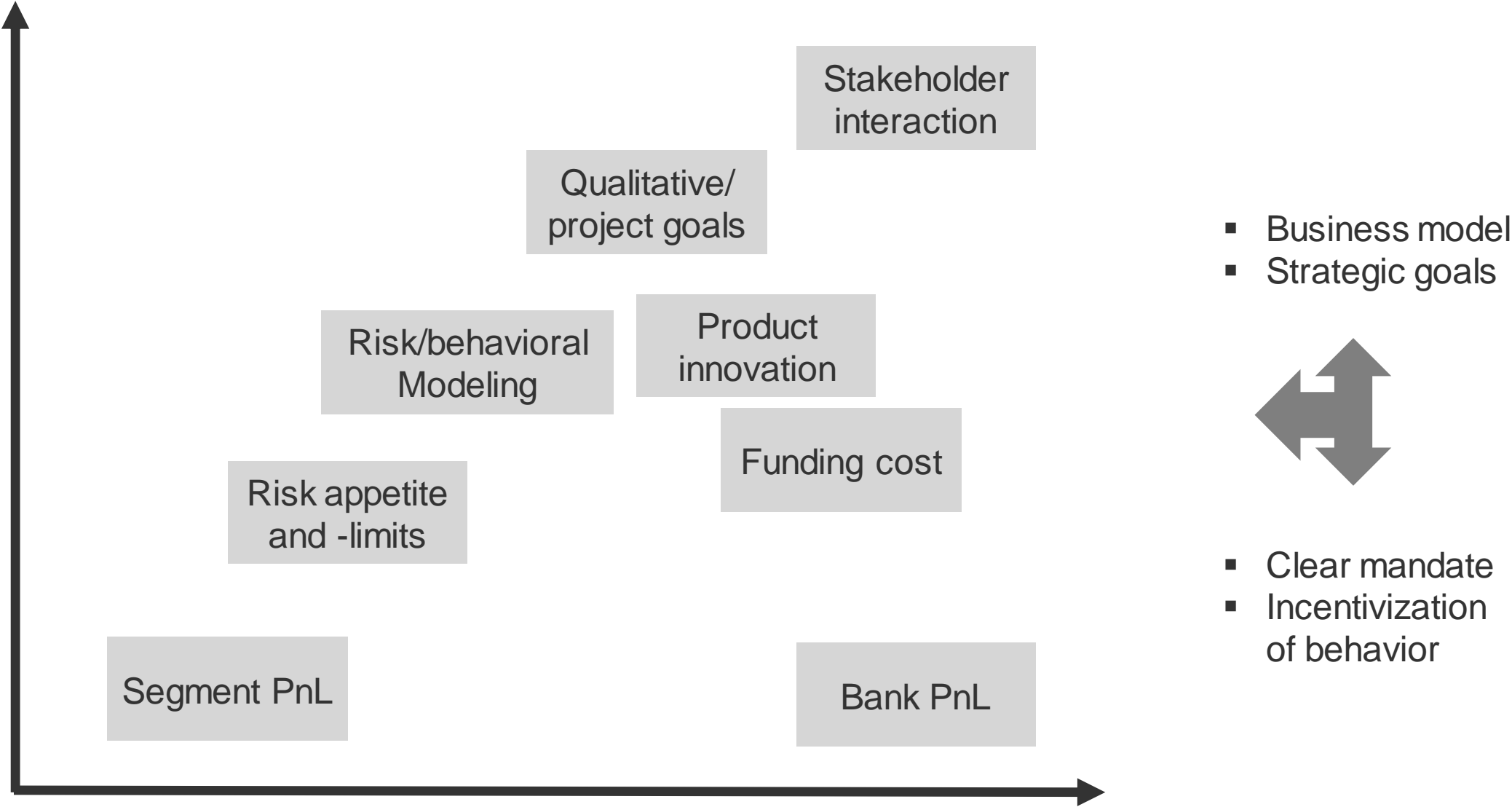


The Treasury NII contribution





What are the right KPIs?





Should the financial result of Treasury be allocated?

Operating model

Motivation for allocation

Allocation basis and -mechanism

Implications

Performance assessment

Example

Treasury segment result

YTD 2018; in monetary units

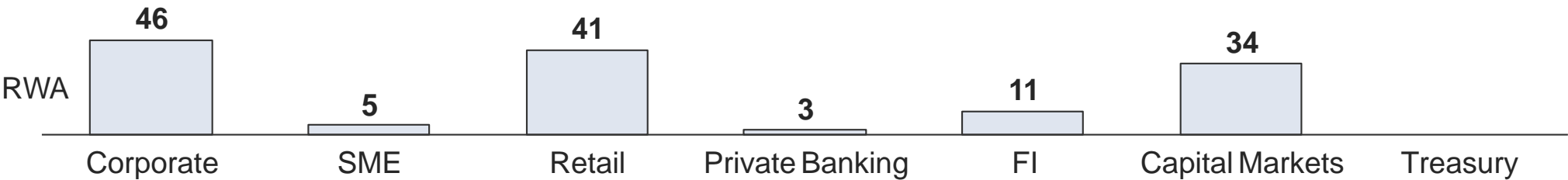
Revenues interest	
Interest rate risk gapping	100
Liquidity risk gapping	50
Optionality premiums (net of realized effects)	30
Valuation result	-20
Gross income	160
OPEX	-20
Net profit before tax	140
Equity cost	-30
Risk adjusted profit before tax	110

	Balance sheet		RWA	
	Assets	Liabilities	avg. RW	RWA
Corporate	100	30	80%	80
SME	20	80	40%	8
Retail	120	150	60%	72
Private Banking	10	70	50%	5
FI	20	15	100%	20
Capital Markets	60	20	100%	60
Treasury	50	15	15%	8
	380	380		245

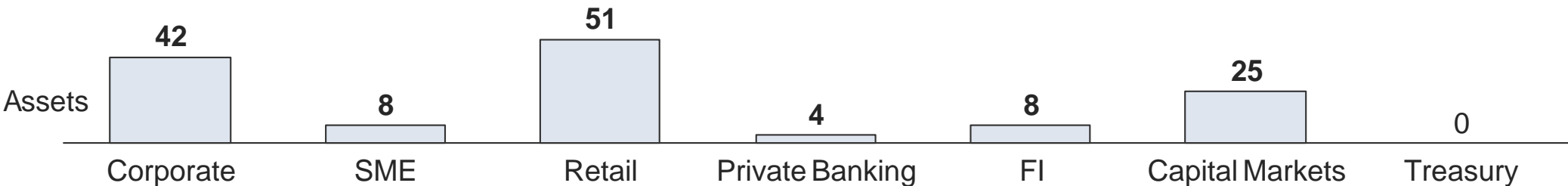


Example

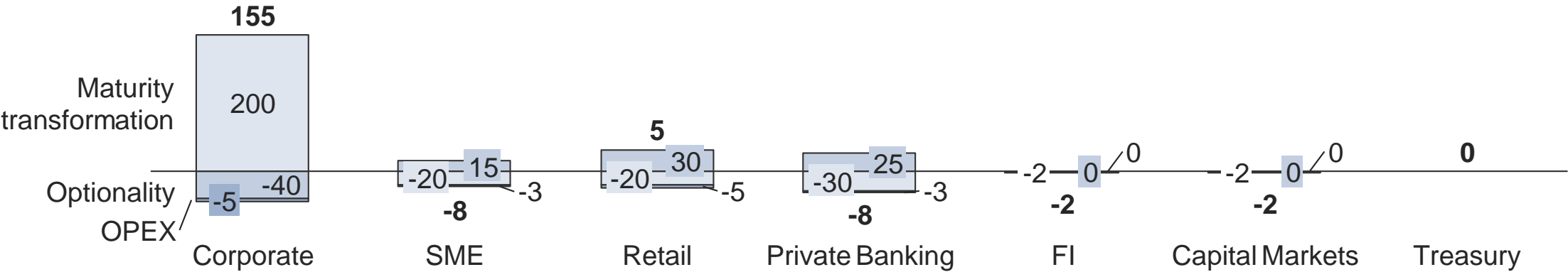
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Interactive part

Thank you!

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