



15th Malaysian Banking Summit

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Discussion Topics

1. Positioning for growth is essential
2. Achieving customer centricity establishes a foundation for profitable growth
3. Core banking complexities can serve as significant growth inhibitors
4. Core banking replacement must be viewed holistically in the context of a bank's business objectives and project inventory
5. Mitigating the risk associated with core banking implementations



\$1,264 trillion

The value of global assets will quadruple reaching \$1,264 trillion by 2025.¹

Beyond the recent crisis, there is an unprecedented opportunity for the financial services industry to intermediate and manage the enormous global growth of capital and creation of wealth.

¹ – IBV; Assets are deposits, equity and fixed income

Expanding markets represent tremendous growth potential

5.8% CAGR

Growth in world GDP¹
from 2010 through 2025

Generating a tremendous growth in loan, investment and payments services required by individuals, business and governments

2.5 billion

Population of the world that does not use formal financial services to save or borrow²

Capturing the deposits and flow of these new segments with formal financial services will have a significant impact on future growth and revenue

4.1 billion

Number of worldwide electronic devices capable of conducting a financial transaction³

Enormous opportunity to create new revenue streams and increase brand loyalty through new and innovative payments offerings

1 - <http://www-935.ibm.com/services/us/index.wss/ibvstudy/gbs/a1028544?cntxt=a1000450>

2 - http://financialaccess.org/sites/default/files/110109%20HalfUnbanked_0.pdf

3 - <http://www.guardian.co.uk/business/interactive/2009/mar/02/mobile-phones>

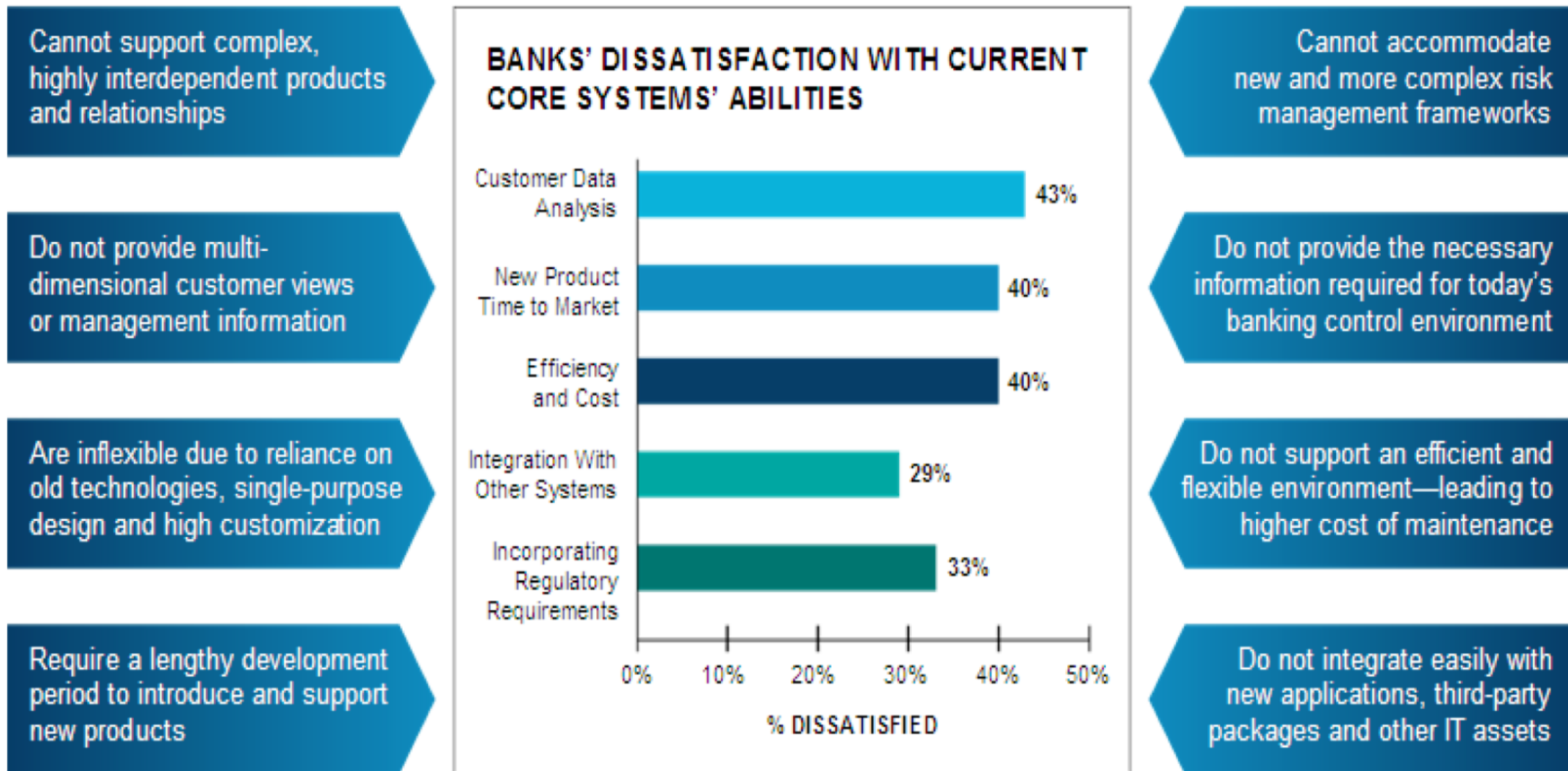
WHY BANKS NEED TO ACT NOW

There is a strong demand for

- (1) differentiated banking products that can be constructed in a competitive way in order to respond to market pressures and a need for consistent information across multiple channels;
- (2) customer-centric business processes which provide a greatly improved customer experience, and
- (3) more effective risk management and regulatory compliance support. Many existing back office systems are too complex and inflexible to enable the agility needed to succeed in today's business landscape.

Why banks NEED to modernize their core banking systems

Common Legacy Systems Failings: A number of key issues are driving the transformation of core banking systems



WHY BANKS NEED TO ACT NOW

Current systems are typically viewed as expense “black holes” that limit business agility, consume excessive resources for BAU support and do not achieve true customer centricity

There is tremendous opportunity to capture profitable growth over the next decade that will only be realized by innovative and agile institutions

Careful planning and preparation is required to achieve success. Modernization cannot be achieved overnight by simply replacing one system with another.

Banks are recognizing that application software licenses are a small portion of the overall modernization spend

Percent of Total Project Costs		
	H	L
Internal Costs	75.7%	25.8%
Project & Implementation Services (SI)	38.2%	12.6%
Project & Implementation Services (ISV)	10.1%	3.4%
Application Software	9.0%	2.8%
Application Maintenance	5.6%	1.9%
Hardware	4.5%	1.4%
Middleware & Database	4.5%	1.4%
Application Custom Development	2.2%	0.9%

The heart of banking...

A core banking conversion can be viewed as the technology equivalent of open heart surgery

Unless the operation is an emergency, the “patient” needs to be properly prepared to improve success rates

Preparation includes a complete physical examination so that the medical team understands the patient’s medical history and identifies the root causes of the symptoms, allowing for more precise, lower risk, treatments.

Preparation may also include certain life style changes that the patient should make before the operation

Getting there. We take ...

.. A **“frameworks-based” approach** that provides **options** to allow the modernization to progress towards the agreed business target, **align business and IT resources**, and **backed by best practices** to **reduce risks** of implementation.



Critical Success Factors

Business / IT Alignment – a clear and well defined business and operating model. Management of initiatives as an integrated program of work.

Business Case Framework – linked to transformation metrics.

To-be Architecture – the foundation of a successful transformation.

Effective, Enterprise Wide Transformation Governance – with clear accountability and ownership.

Highly skilled, experienced resources – in large scale banking transformations.

Strong and effective PMO – supported by robust methods and tools.