

The Smarter Financial Services Industry

Forging a path to smarter financial services growth, stability and resiliency



Let's build a smarter planet.



Let's build a smarter planet.



The world is smaller and flatter.



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IBM

The reality of living in a globally integrated world is upon us.

- Frozen credit markets and limited access to capital.
- Economic downturn and future uncertainty.
- Unprecedented dislocation across the global financial system.
- Overnight bank failures and widespread government intervention.
- Decades worth of financial industry consolidation in a matter of months.
- Sudden shift from growth to survival across the developed and developing world.

The world is connected: economically, socially and technically.



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The need for progress is clear.

50%

Percentage of customers who would give their bank only two chances to fail before considering a change in banks.

20x

Increase in banks' perceived risk of lending money to other financial institutions during October 2008.

25 billion

Global trading systems are under extreme stress, handling billions of market data messages each day.



The opportunity for progress is clear.

90%
reduction
in manual
process

Streamlined operations:
Bank of New York Mellon

The bank streamlined operations to achieve a 90% reduction in manual touch points in the check-clearing process—cutting processing errors and required remediation.

\$2 trillion
in risk
eliminated

Risk management:
Foreign currency exchange

In the world's largest single market, intraday settlement risk of more than \$2 trillion in volume—over 50% of foreign exchange transactions—has been eliminated.

21x
more
messages

Automated trading:
TD Bank Financial Group

IBM developed a first-of-a-kind system capable of consuming, analyzing and acting on real-time market data while maintaining sub-millisecond response times even under extreme data loads.



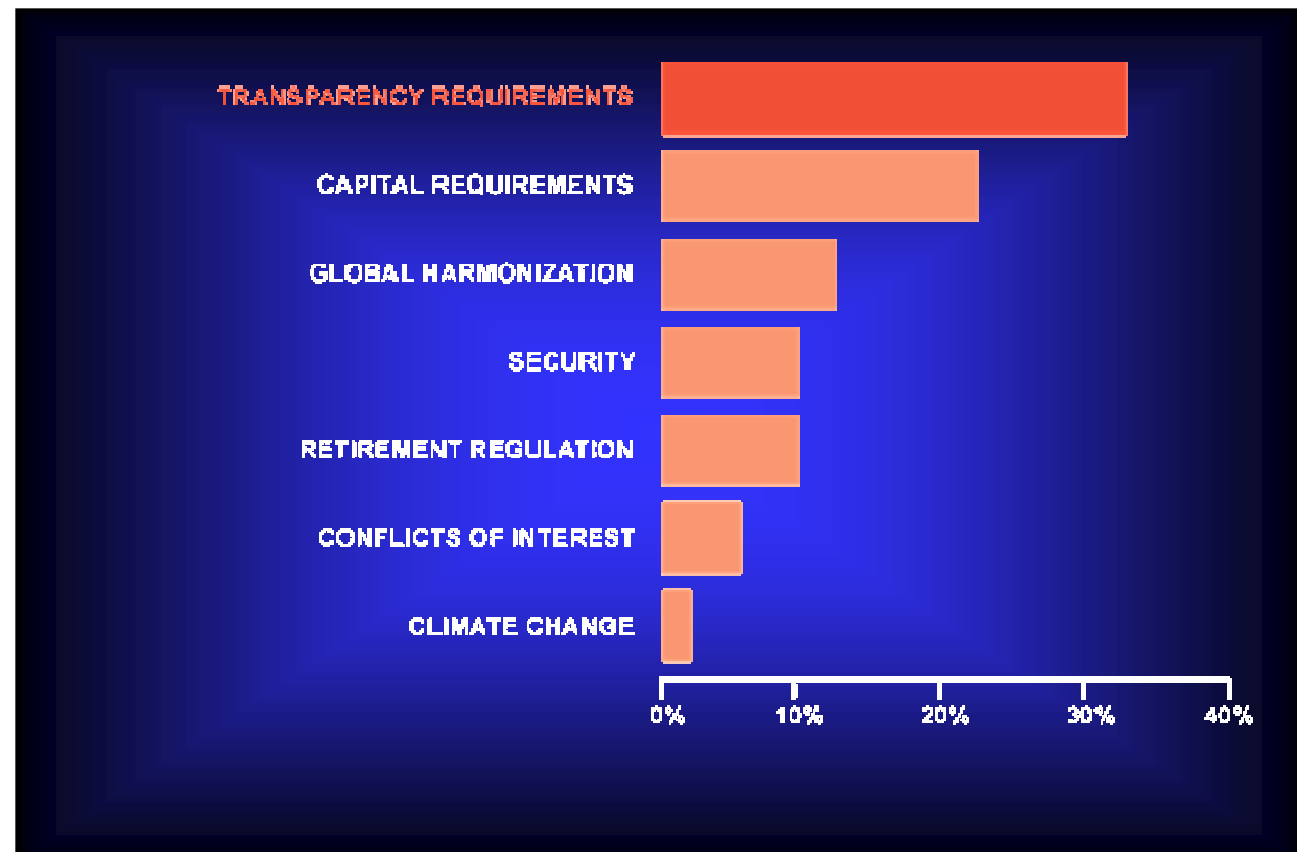
The way the world works is changing—and financial services organizations must innovate their business models to keep up.

90%

of executives interviewed believe the returns of the past are over.

85%

believe profit pools will shift significantly.



Note: ¹Question asked: What regulatory actions do you anticipate over the next five years, select top two (IBM / EIU survey); ² Source: IBM / EIU Survey 2008



The imperative for financial services is threefold.

CAPITAL AND LIQUIDITY

Capital

- Raise capital through public and private investment
- Reduce leverage

Liquidity

- Utilize government liquidity facilities
- Leverage alternative forms of financing

M&A

- Jettison all but core assets / restructure business model
- Reduce government ownership over time (if applicable)

COST AND COMPLEXITY

Cost base

- Evaluate headcount & compensation
- Rationalize recent mergers & acquisitions

Strategic simplification

- IT Modernisation
- Outsource non-core components

Partnerships

- Reduce the IT/business disconnect
- Standardize vendors
- Connect to new utilities

RISK AND TRANSPARENCY

Risk exposures

- Address risk models, scenarios, stress testing and model input weaknesses
- Improve governance models

Risk portfolio management

- Ensure comprehensive, accurate and timely data
- Create a risk-based culture

Transparency

- Analyze and report enterprise-wide risk positions
- Proactively create transparency for regulators, shareholders and clients



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There is an imperative for financial services to restore trust and confidence in the global financial system by focusing on transparency as an engine for growth.

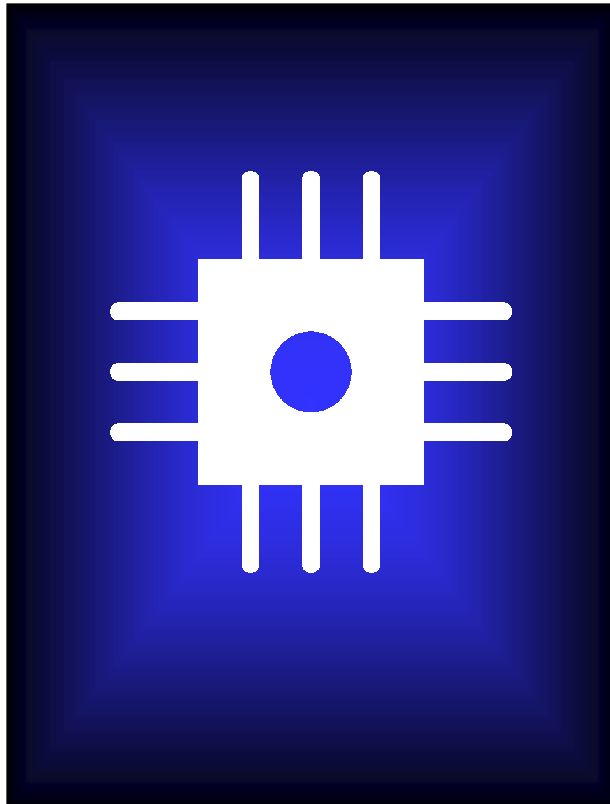
Their success will require new and smarter ways of measuring, modeling and applying information.



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Smart financial institutions are doing so by becoming instrumented, interconnected and intelligent.



INSTRUMENTED

We now have the ability to measure, sense and see the exact condition of everything.

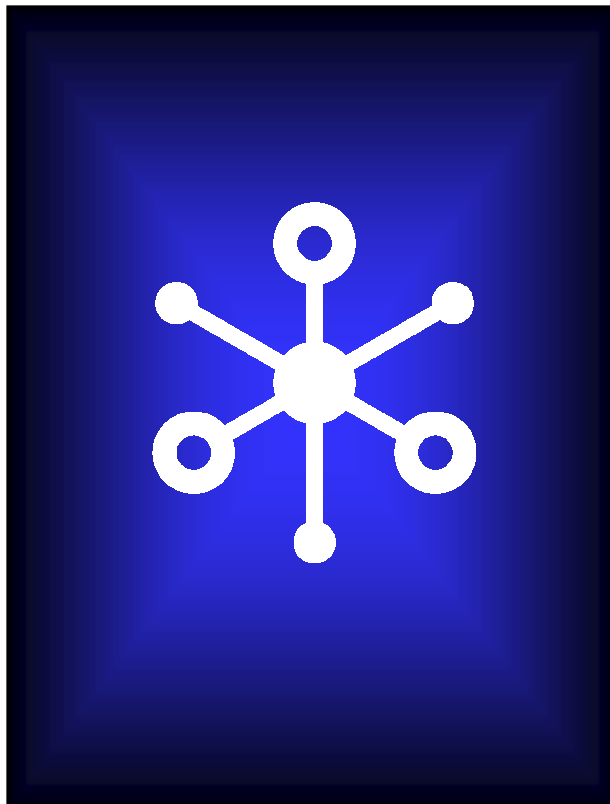
- Today, there are 1 billion transistors for each person on the planet.
- By 2010, 30 billion RFID tags will be embedded into our world and across entire ecosystems.
- Approximately 89% of the U.S. money supply exists entirely in electronic form.

A smarter financial system is instrumented, enabling businesses to measure and control data at the atomic level, allowing them to sense and respond quickly and precisely.



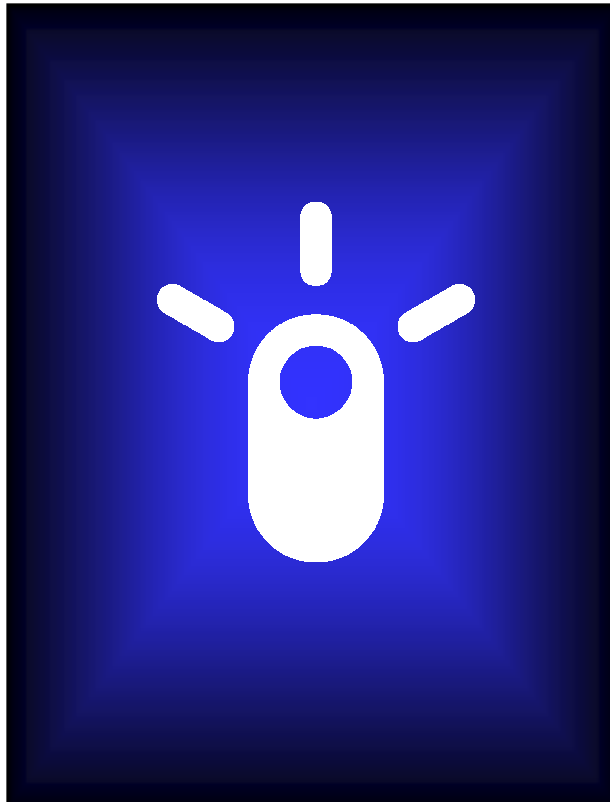
INTERCONNECTED

People, systems and objects can communicate and interact with each other in entirely new ways.



- The Internet of people is 1 billion strong. Some 35% of online banking households will be using mobile banking by 2010.
- Increasing sophistication of mobile phones is bringing over 2 billion unbanked from the cash economy into the banking and microfinance ecosystem.
- The number of non-cash payments are estimated to exceed 110 billion by 2011, totaling more than \$90 trillion.

A smart financial institution's system is built on interconnected data that enables innovation, advances straight through processing and delivers a single source of the truth.

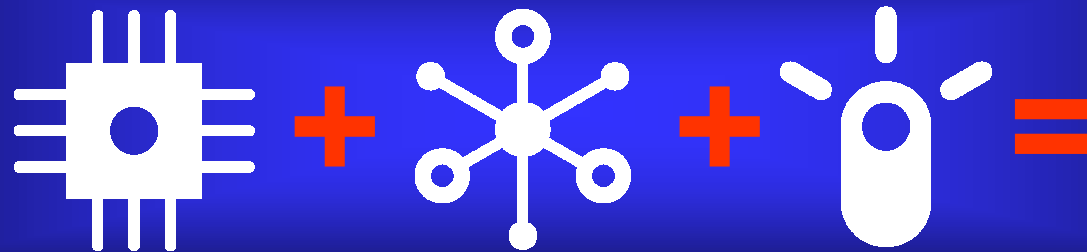


INTELLIGENT

We can respond to changes quickly and accurately, and get better results by improving insights distilled from data in real time.

- Every day, 15 petabytes of new information are being generated. This is 8x more than the information in all U.S. libraries.
- Poor quality data will cost the banking industry \$27 billion in operating costs.
- Banks mine 15 million transactions every day.

A smart financial institution enables the rapid, intelligent analysis of a vast mix of structured and unstructured data to improve insight and enable informed judgment.



An opportunity for financial services
to think and act in new ways.

Develop new intelligence to drive customer-centricity while improving data quality.

Simplify and streamline to become more agile while reducing back-office costs.

Achieve smarter integrated risk management—optimizing financial and operational risk.

Adopt best-in-class infrastructure to ensure security, scalability and flexibility.



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To ensure their own survival as well as the economic well-being of clients, stakeholders and the public at large, smart banks and financial services firms are working to...

DEVELOP NEW INTELLIGENCE.

Eradicate information silos and create an enterprise view that supports new models for intelligent business decisions. Create a single customer view to drive advocacy and profitability.

INTEGRATE RISK MANAGEMENT.

Understand the dynamics of your financial exposure. Align it continuously with your business and prudential objectives. Mitigate operational risks and financial crime. Turn regulatory compliance into competitive excellence.



SIMPLIFY AND STREAMLINE.

Radically simplify architectures to yield business agility while eliminating inefficiencies across the enterprise. Enable rapid assembly of services to drive innovation at every point in the value chain.

ADOPT BEST-IN-CLASS INFRASTRUCTURE.

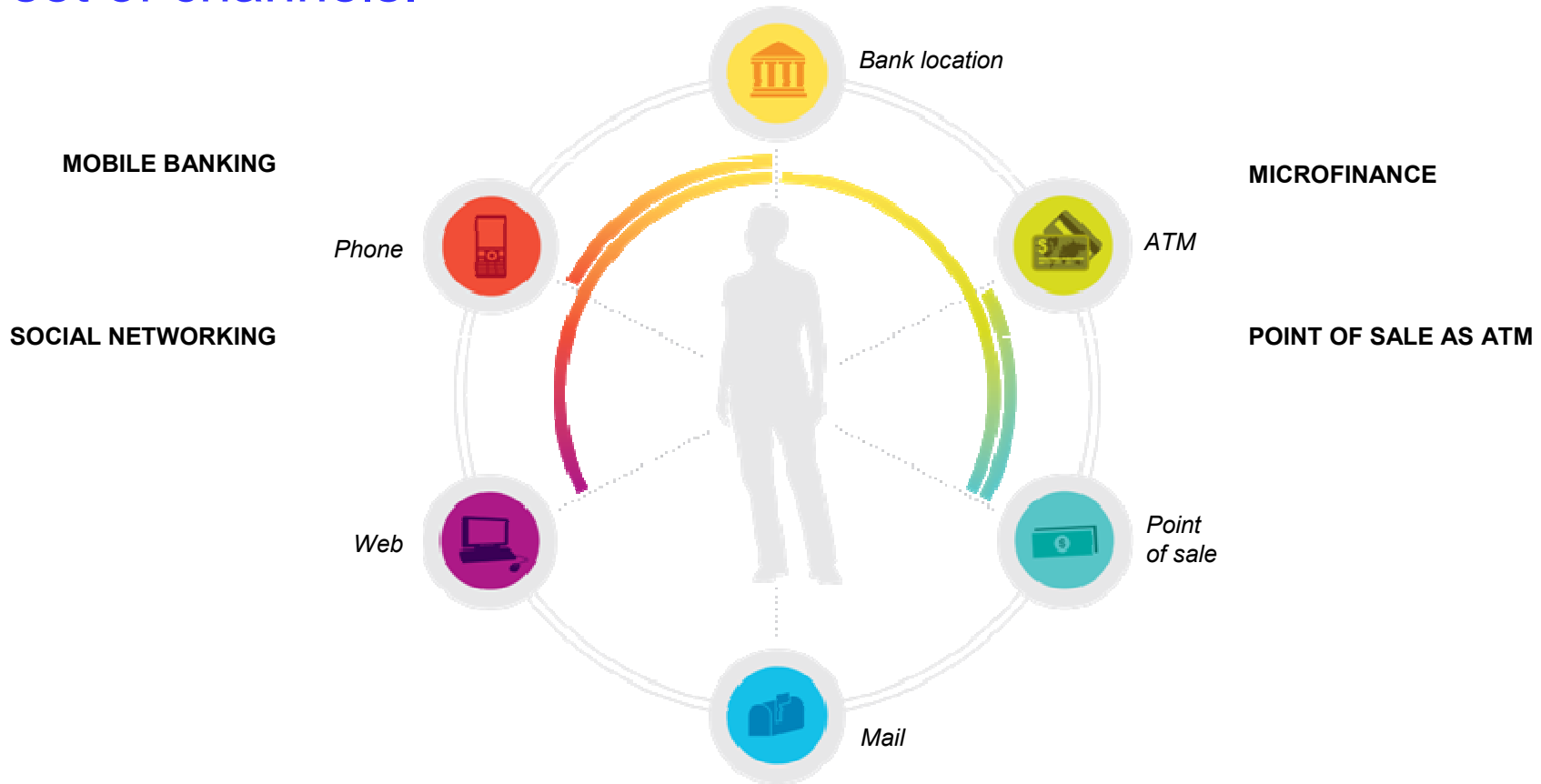
Adapt dynamically. Meet low-latency requirements while performing increasingly large analytical computations. Address severe spikes in capacity requirements. Create energy-efficient infrastructure to cut consumption and costs.




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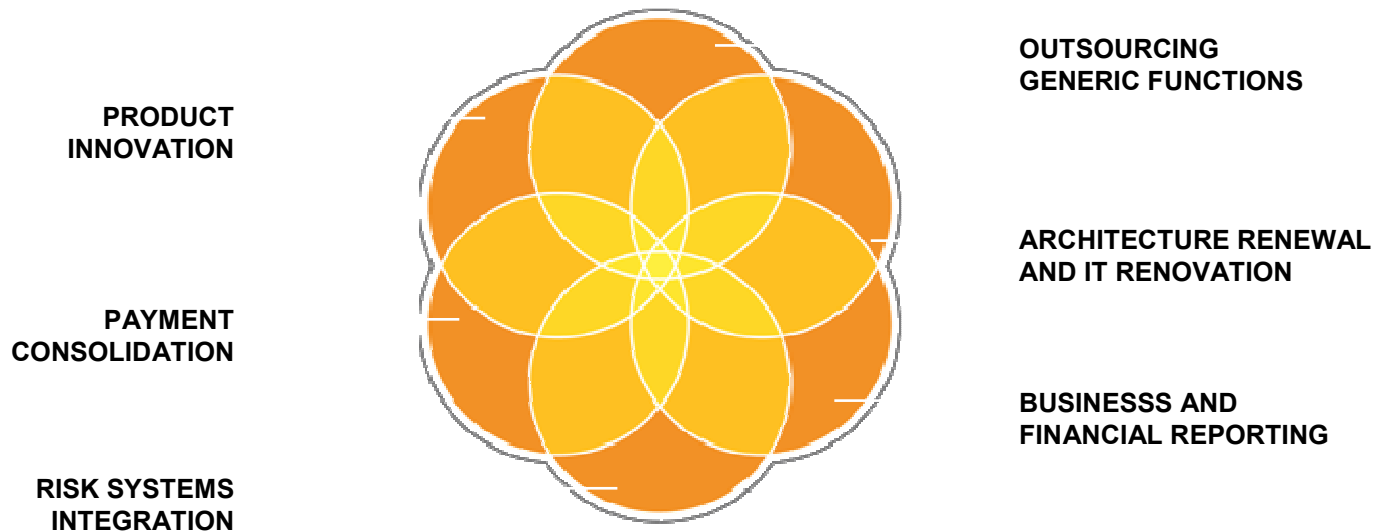
Drawing on marketplace insights and engaging customers as co-developers, a smart financial institution tailors products and services on demand and delivers them through an ever-evolving and increasingly interconnected set of channels.



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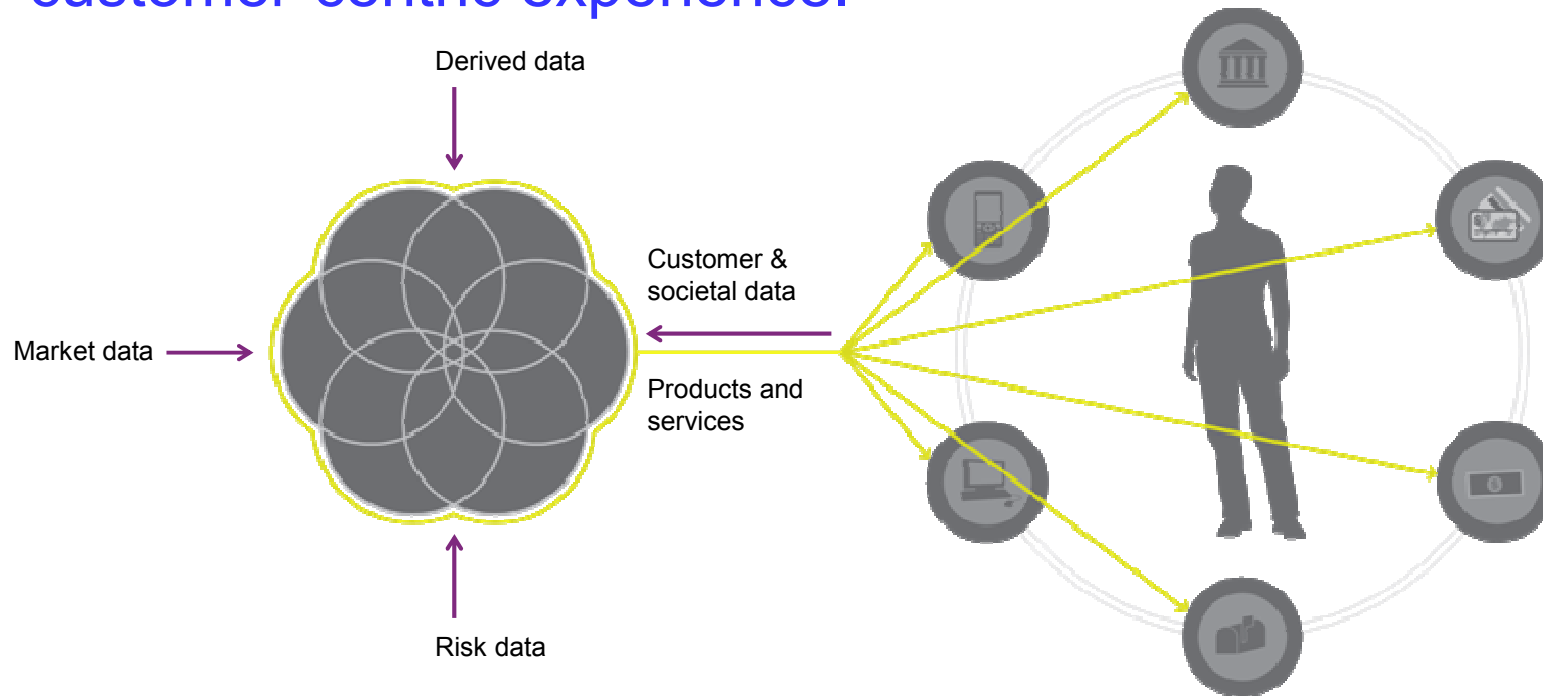


A smart financial institution is built around an optimized and integrated back office—one that leverages advancements in technology, global integration opportunities and a continuous flow of data to cut costs, drive speed and further innovation.





A smart financial institution must constantly absorb, measure and model large volumes of data from a wide array of sources. It must also apply this data quickly to ensure a streamlined, customer-centric experience.



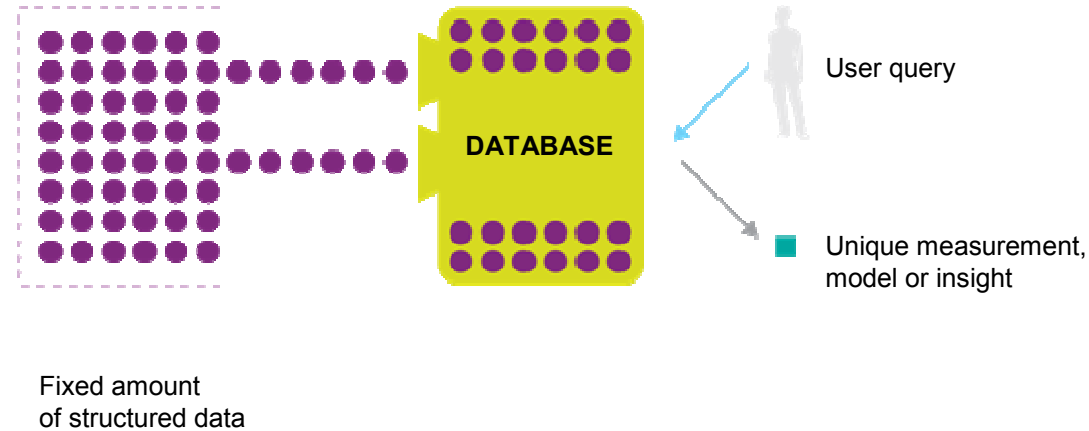
These data processing needs require a new approach to business intelligence.



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The traditional approach to business intelligence has been to collect data in a single format, store it in a database and perform analytics on the data at rest.



This approach can be effective—but not when massive volumes of data are involved, or real-time results required.

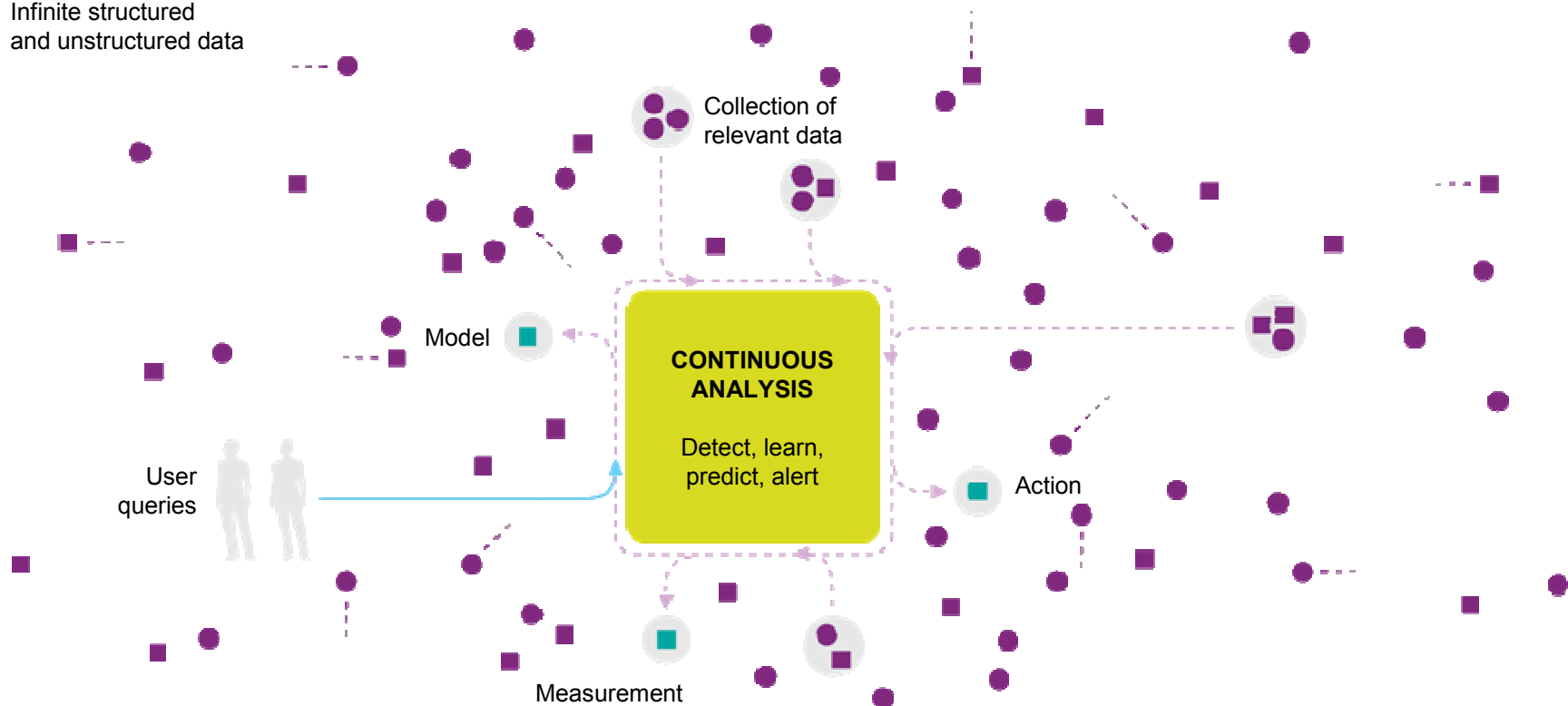


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To capitalize on the vast quantities of information continuously generated in today's marketplace and beyond, smart financial institutions are turning to a new business intelligence approach that can make sense—and use—of data in any format, in any volume, in real time.

Infinite structured and unstructured data





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We must take action now to balance financial stability with healthy financial innovation.

SHIFTING BUSINESS AND OPERATIONAL MODELS

In an industry where keeping information proprietary has long been the secret to banks' success and regulatory harmonization was thought to be decades away, business as usual has proven to be unsustainable and, in many cases, destructive.

PUBLIC DEMAND

Citizens are demanding greater accountability for the stewardship of the financial system as well as greater regulatory participation in the effort to establish market discipline.

EMERGING GLOBAL GOVERNANCE

The features of a global governance framework among regulators and supervisors are emerging.

Banks and financial services firms can either change proactively or be forced into it.



IBM's solution strategy is aligned with the needs of financial services firms.

BANKS ARE FOCUSED ON...



Delivering a richer, integrated customer experience across all banking channels.



Achieving integrated risk management—optimizing financial and operational risk.



Realizing significant cost savings by simplifying, streamlining and smart sourcing.



Addressing current capacity, future growth and flexibility with a holistic approach to all computing resources.

IBM IS INVESTING IN...

Front-office optimization

- Customer care and insight (data and analytics)
- Multi-channel transformation

Integrated risk management


- Financial risk
- Financial crimes
- IT and infrastructure risk
- Governance and compliance

Back-office operations

- Core systems transformation
- Payments

Dynamic infrastructures

- Cloud computing
- Scale out file services

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We've only just begun to uncover what is possible on a smarter planet.

The world will continue to become smaller, flatter and smarter. We are moving into the age of the globally integrated and intelligent economy, society and planet.

There's no better time to start building a smarter financial system—focused on restoring public and governmental trust and breathing new life into a faltering global economy.

Let's work together to drive real progress in our world.



Collaborate with our experts.

How to get started? Here are some of the many examples of how we can get you off to a fast start:

Component Business Modeling

- We can help you get to the core of what you need to do next by using this technique to analyze your enterprise by first partitioning it into non-overlapping business components.

Vendor selection

- Take advantage of our deep knowledge of the industry and of the +/- of today's top application providers to help you determine how to make the right choice and develop the optimum solution.

IT Assessment

- Work with IBM to discover which technology choices you can make today. Which areas can be delayed and how you can leap frog your competitors.

Architecture Assessment

- IBM can reduce your time to market for implementing effective and efficient point solutions and complete architectures; and we'll identify the pitfalls associated with introducing change into the environment.

Benchmarking Analysis


- IBM worldwide benchmark centers perform application benchmarks customized to specific installations as well as generalized application benchmarks.

Briefing Centers

- Learn what IBM innovations are all about and where IBM is taking the industry 3/5/10 years down the road.

Innovation Discovery

- IBM is prepared to partner with you to develop new insight into the opportunities for differentiation in tomorrow's marketplace, today.
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Thank You
