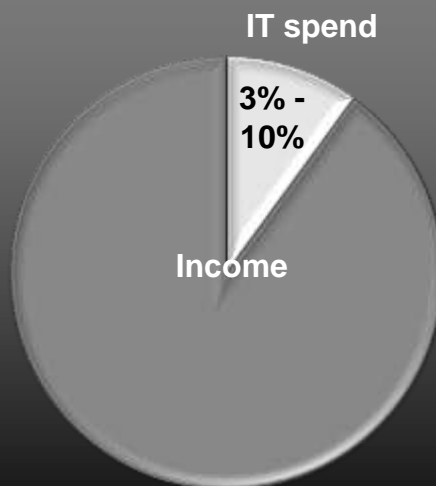


Making The Biggest Bang For Your IT Bucks

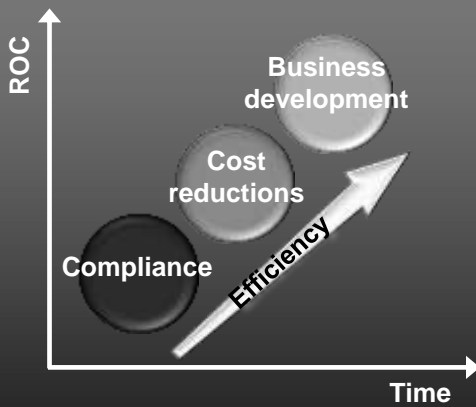
iinventive

Tehran, 7 January 2014

Banking: an IT intensive industry



Business priorities driving IT spending



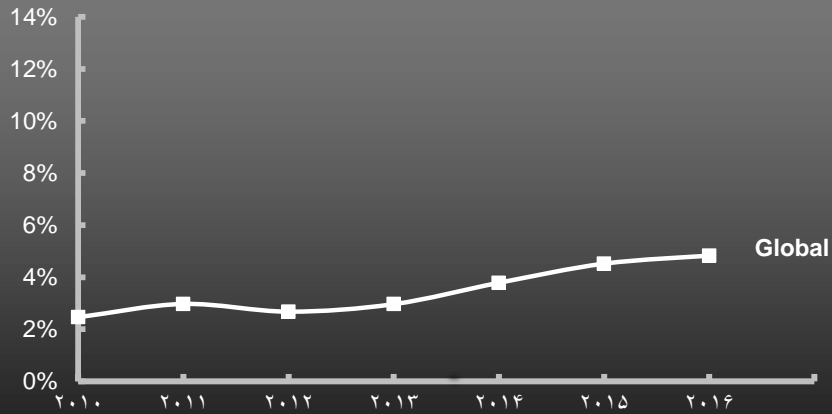
- Automation
- Front office investments
- Infrastructure consolidation
- System simplification

Business priorities driving IT spending



Global IT spend growth will increase to 4%

Retail bank IT spend yoy change

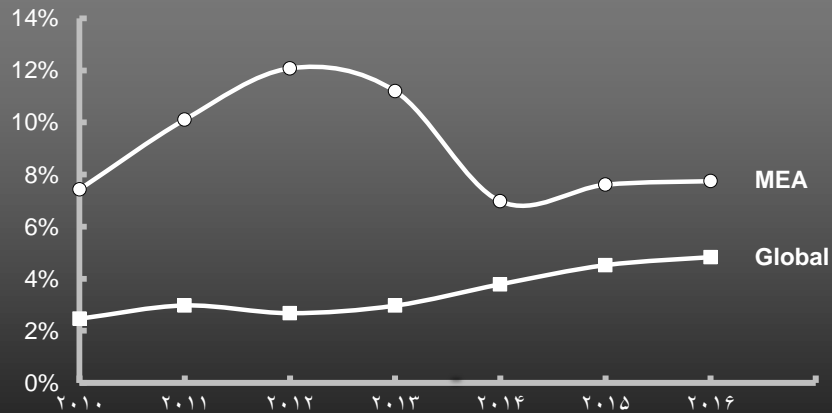


Source: Ovum
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5

MEA banks have a different pattern

Retail bank IT spend yoy change



Source: Ovum
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6

How can banks maximize the benefits of their
IT investments?

105 banks studied in three continents



700 KPIs collected across 3 years

Retail banking

- Deposits
- Cards
- Loans
- Payments
- Investments
- Bank assurance

Corporate banking

- Lending
- Financing
- Cash management
- Payments
- Venture capital
- Custody

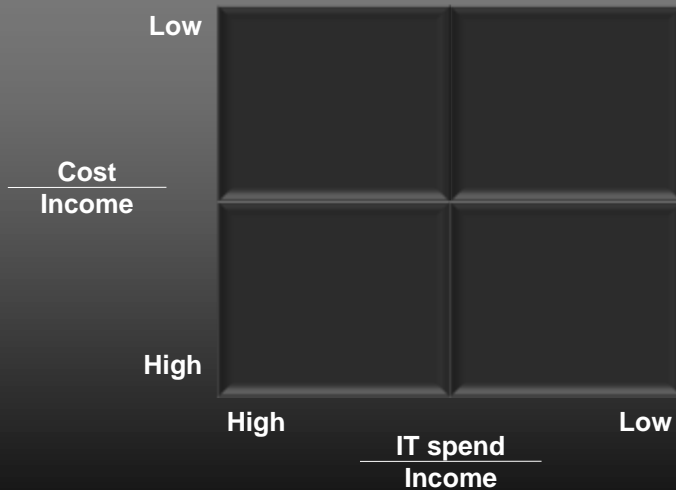
Capital markets

- Equities
- Derivatives
- Fixed income
- M&A
- Treasury

Non-quantitative attributes

- **Governance and organization**
- **IT budget allocation method**
- **Outsourcing / offshoring**
- **Application architecture complexity**
- **Hardware utilization**
- ...

Cross reference business and IT to find effective banks

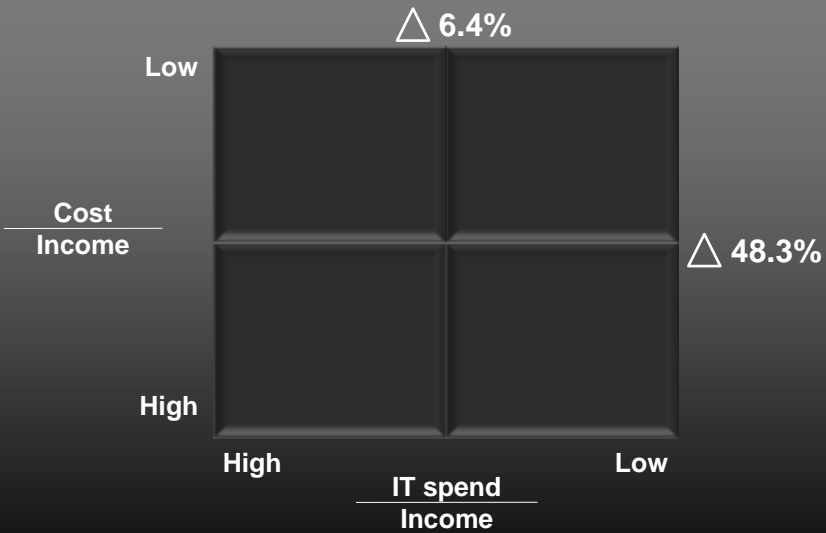


Cross reference business and IT to find effective banks

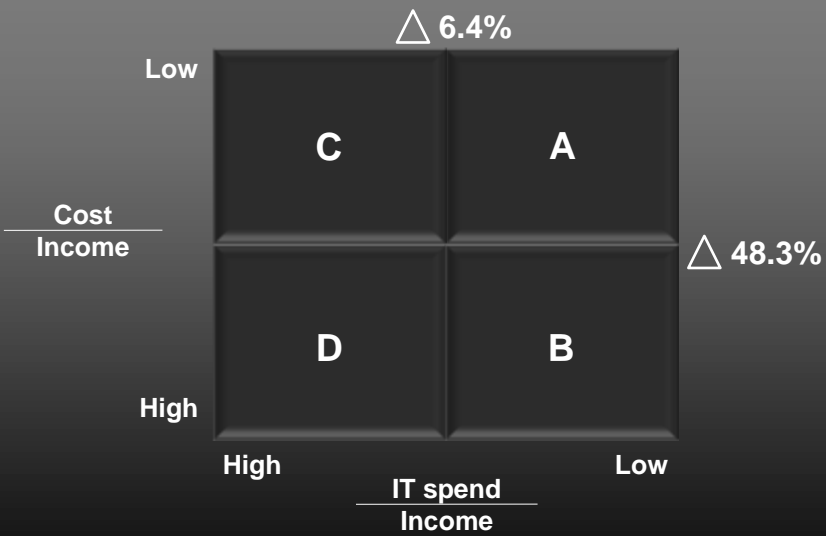
- Opex vs capex
- Infrastructure, application, admin
- Application development vs maintenance
- Front office vs back office
- Hardware, software, personnel
- In-house vs outsource
- Running vs changing the business

IT spend

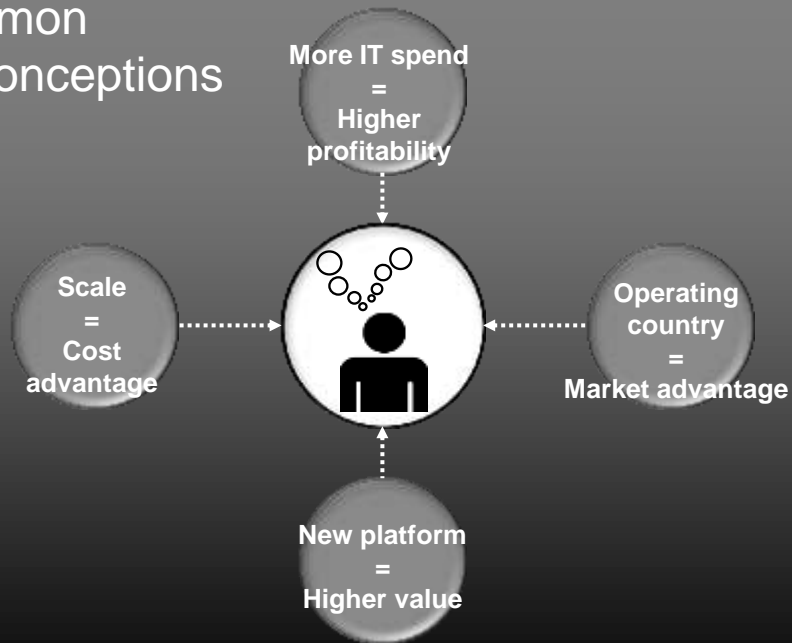
Asian bank averages



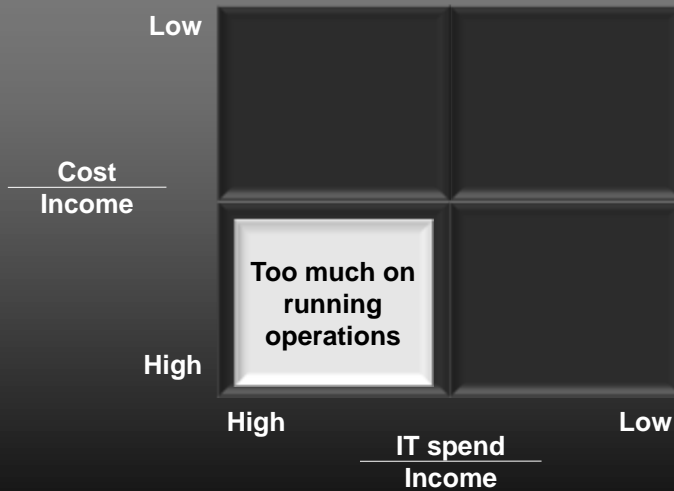
“A” banks relatively spend less get more



Common misconceptions

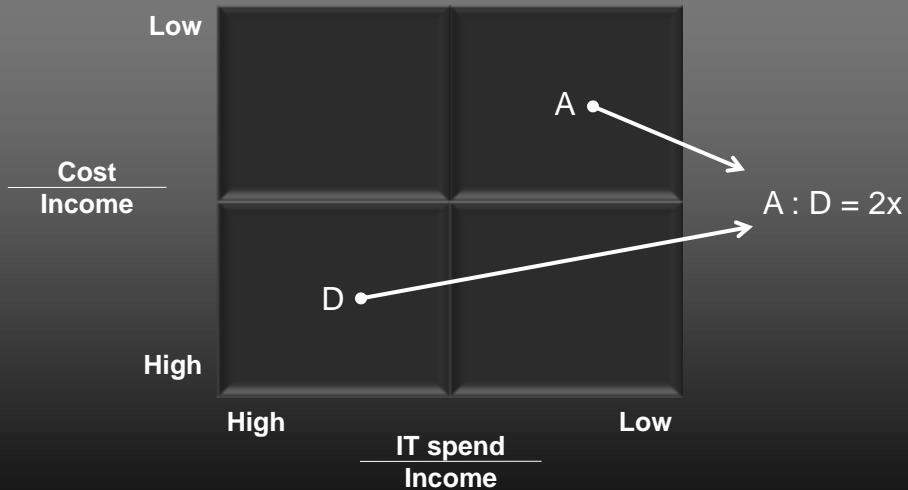


More spend on IT does not lead to more profitability



“A” banks’ app dev vs maint. is 2x of “D’s”

Application development spend \div application maintenance spend



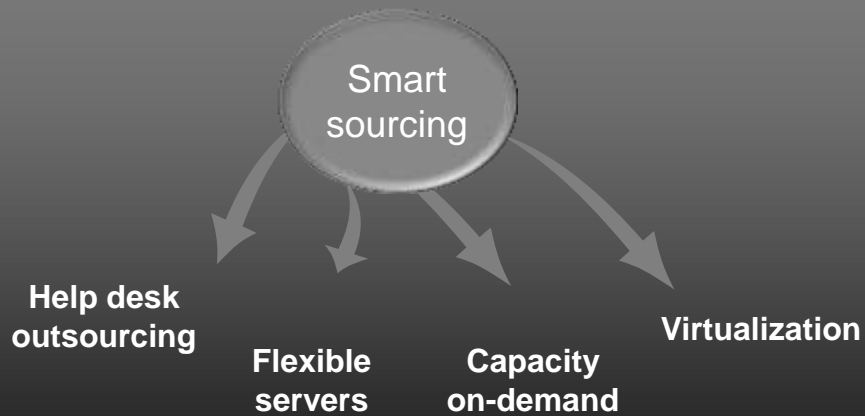
Scale outweighed by complexity

Economies of scale

- Complex environments
- Integration challenges



Small can get cost advantage too

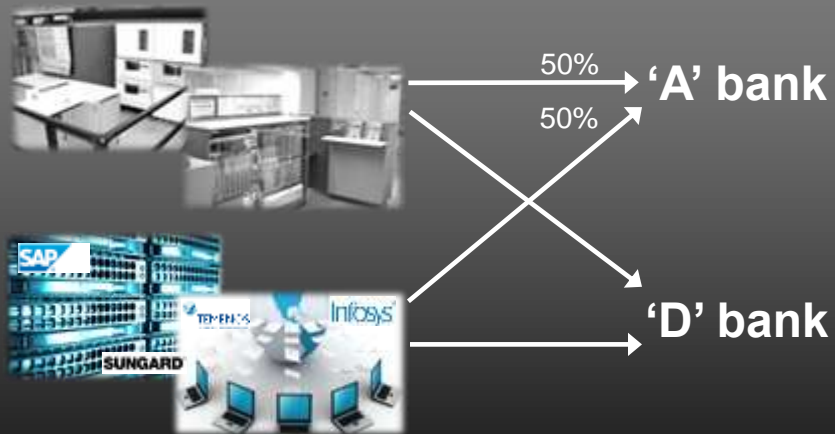


Home country and market advantage has no correlation



Labor costs and skill advantages can be leveraged across countries and continents

Age of core banking system is not relevant



Common benefits realized and not realized in core system replacement



- ✓ Scalability
- ✓ New product time to market
- ✓ Cost of legacy
- ✗ Customer centricity
- ✗ Revenue growth

Translating IT investment to value

Innovation, differentiation



IT Investments



Business
value

Business
engagement

Breaking time and distance limit with video



Increase staff productivity and customer satisfaction with hybrid self service stations



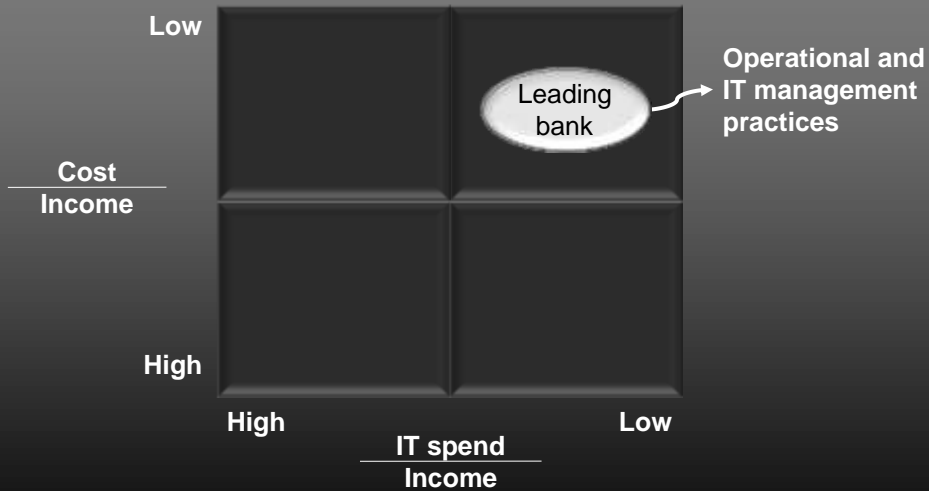
Enrich experience with media emersion



Re-thinking of business economics



Linkage between IT practices and results



IT management and business integration

Strong management

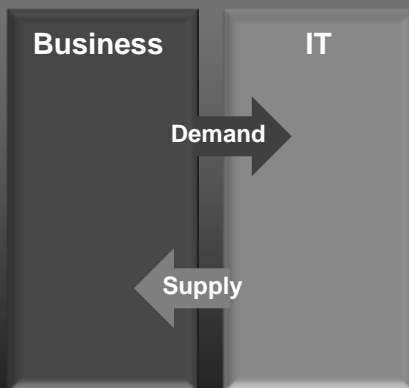
- Executive engagement
- Business engagement

Good IT governance

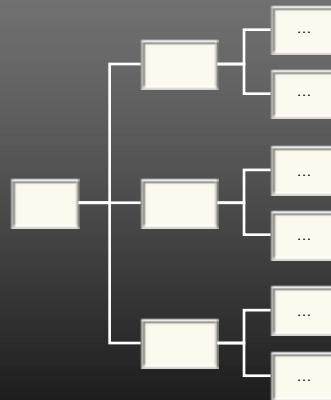
- IT organization
- Project portfolio management

Better business-IT cooperation

Forma governance



Value creation levers

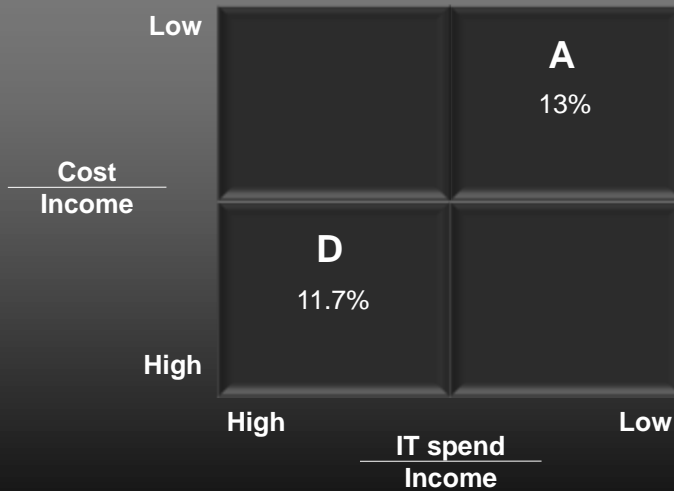


IT governance

- Span of control of IT across the banks
- Organization of the infrastructure
- Application development and application maintenance resources
- Accountability of CIOs
- Financial ownership of IT budgets
- IT staff compensation elements

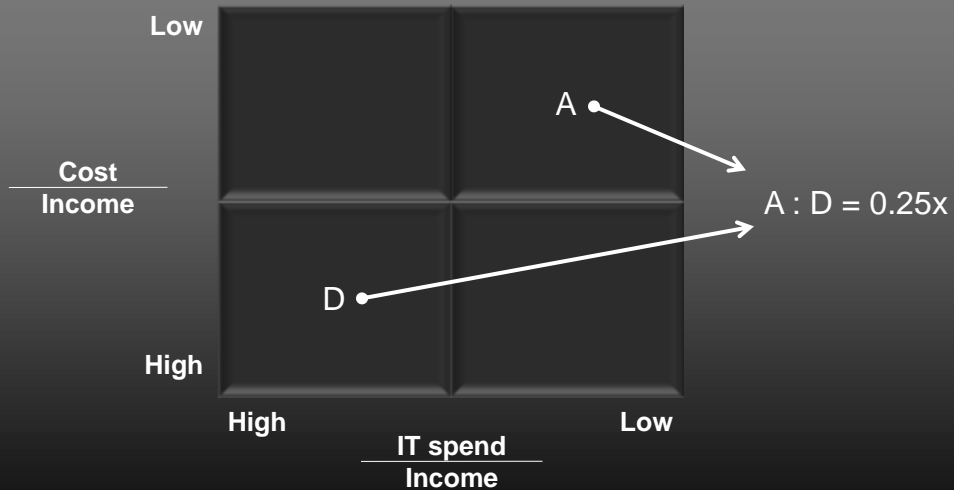
“A” banks scored high on governance

Profit to income ratio, European banks studied

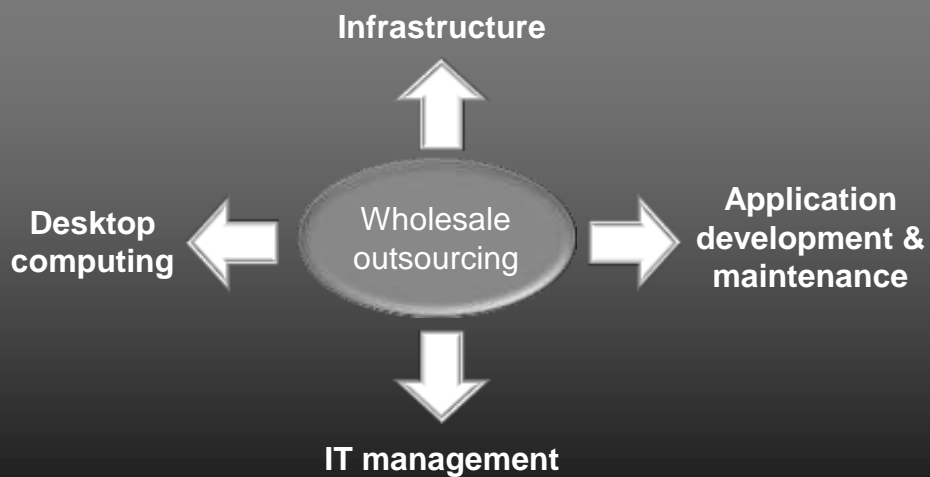


“A” banks drive IT agenda more directly

Outsourcing spend \div income

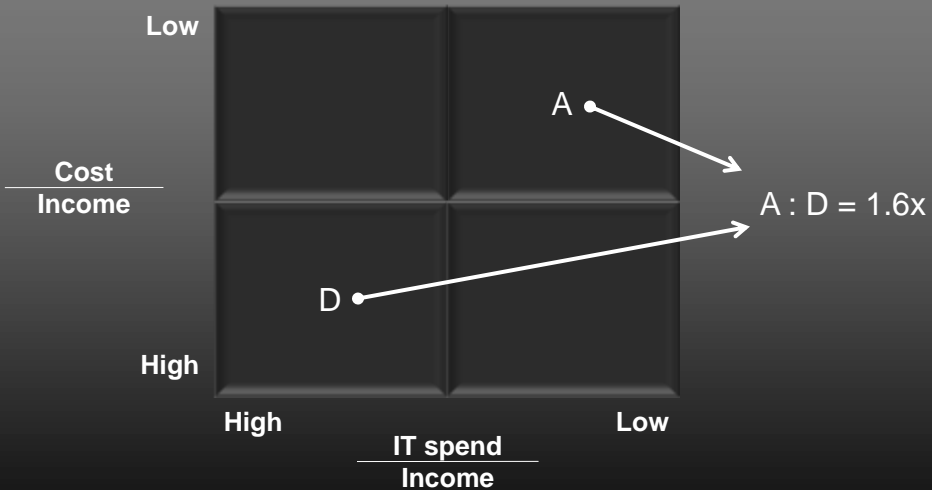


Wholesale outsourcing restricts flexibility



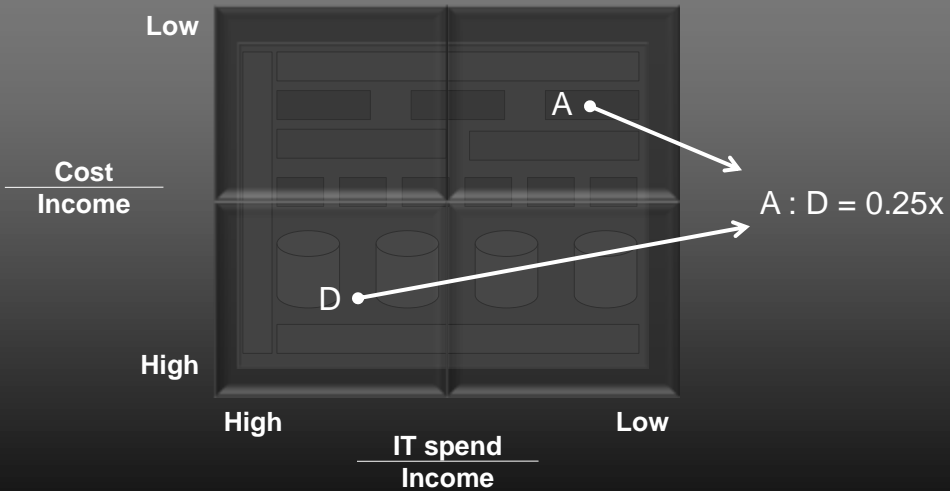
“A” banks emphasize more on innovation

% of IT budget on innovation (new services and capabilities)



“A” banks run with 1/4 of apps of “D” banks

Average number of applications



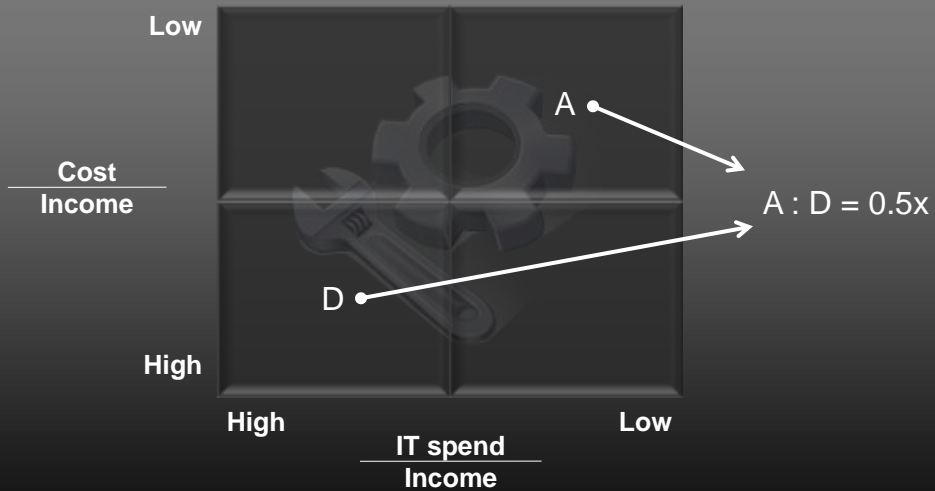
Disciplined approach to architecture

- Flexible architecture
- Standard interface
- Middleware

- Less complex application connection
- Lower labor cost

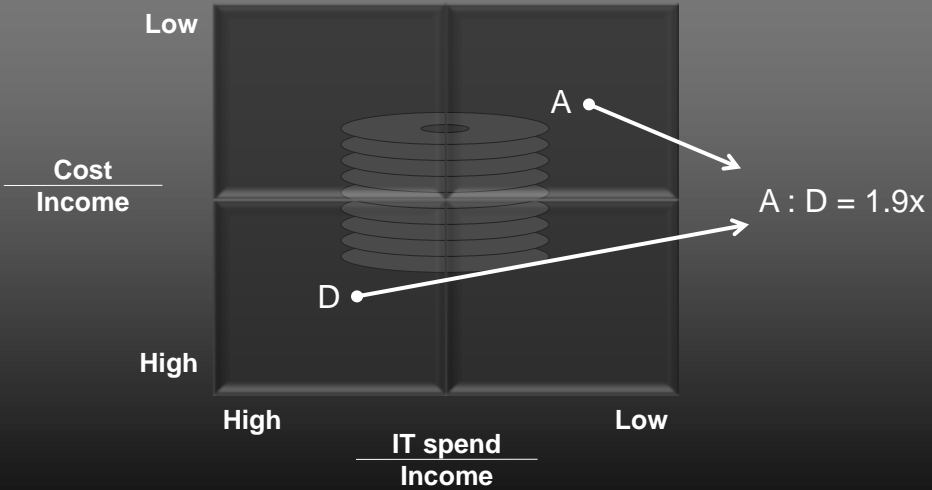
“A” banks customize applications less

% of applications difficult to change due to customization



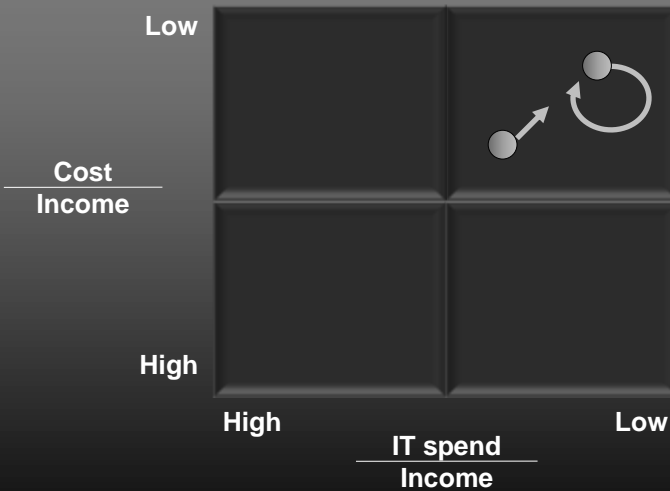
“A” banks utilize infrastructure more

Unix server utilization

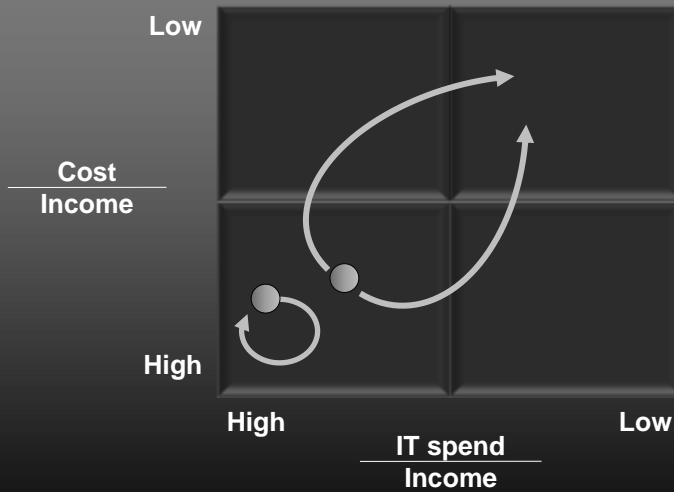


Most top performers stay at the top

Trends over several years



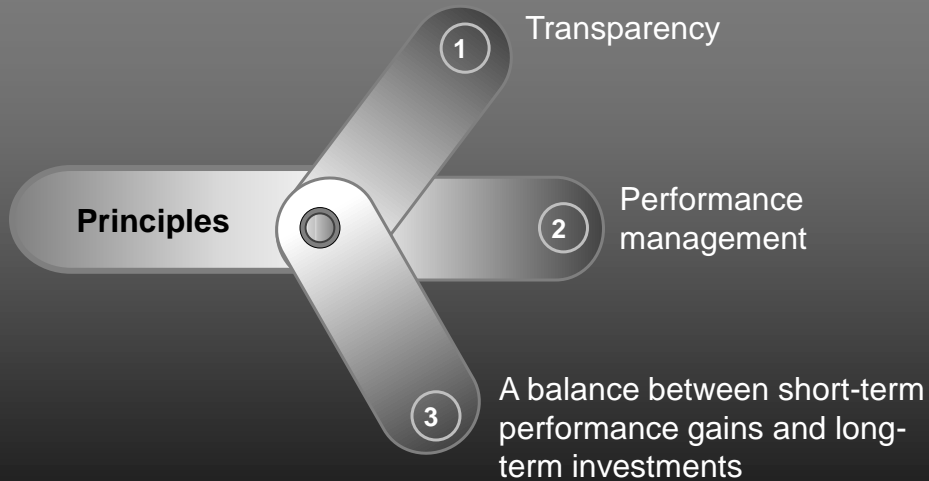
Some banks can improve while some can't



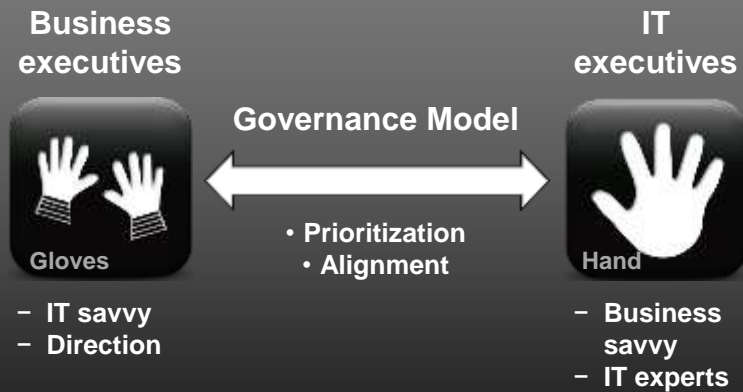
Sustained commitment from top makes the difference



Common principles of leading banks



Engagement from the top ranks



Cost-income ratios in Iran: 25% to 85%

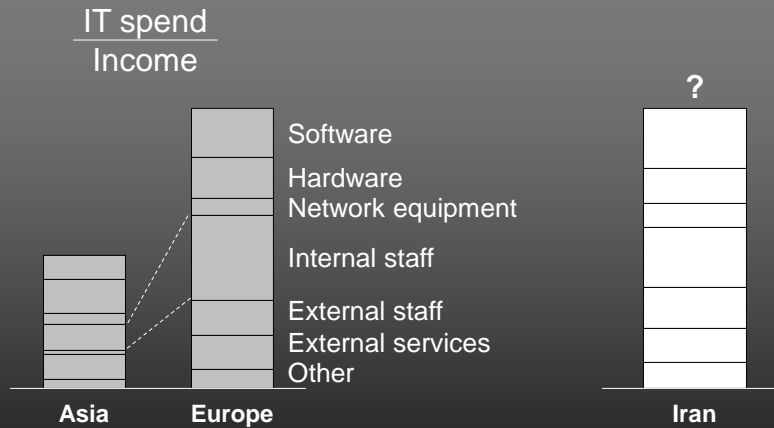


- Vast physical branch network
- Decentralization of operation
- Less automation
- Less sources of revenue

Opportunities of improvement



Need to establish Iran benchmarks



Benchmarking to answer key questions



- How effectively are you using IT resources?
- What IT capabilities do you have to create new business?
- How should you allocate IT resources?
- What governance is required to gain advantage?
- ...

Benchmarking key success factors

- Right participants
- Right questions
- Clear definition
- Consistent interpretation

Objective and
sound judgment
of data

inventive



Hartmut Schnabel
Previously EY, Roland Burger



Miles Au Yeung
Previously EY, McKinsey

**10 consulting projects in Iran since
2009**

Making The Biggest Bang For Your IT Bucks

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