Cisco Expo 2007

Transforming your Retail Branch

Cisco Expo 14 November 2007

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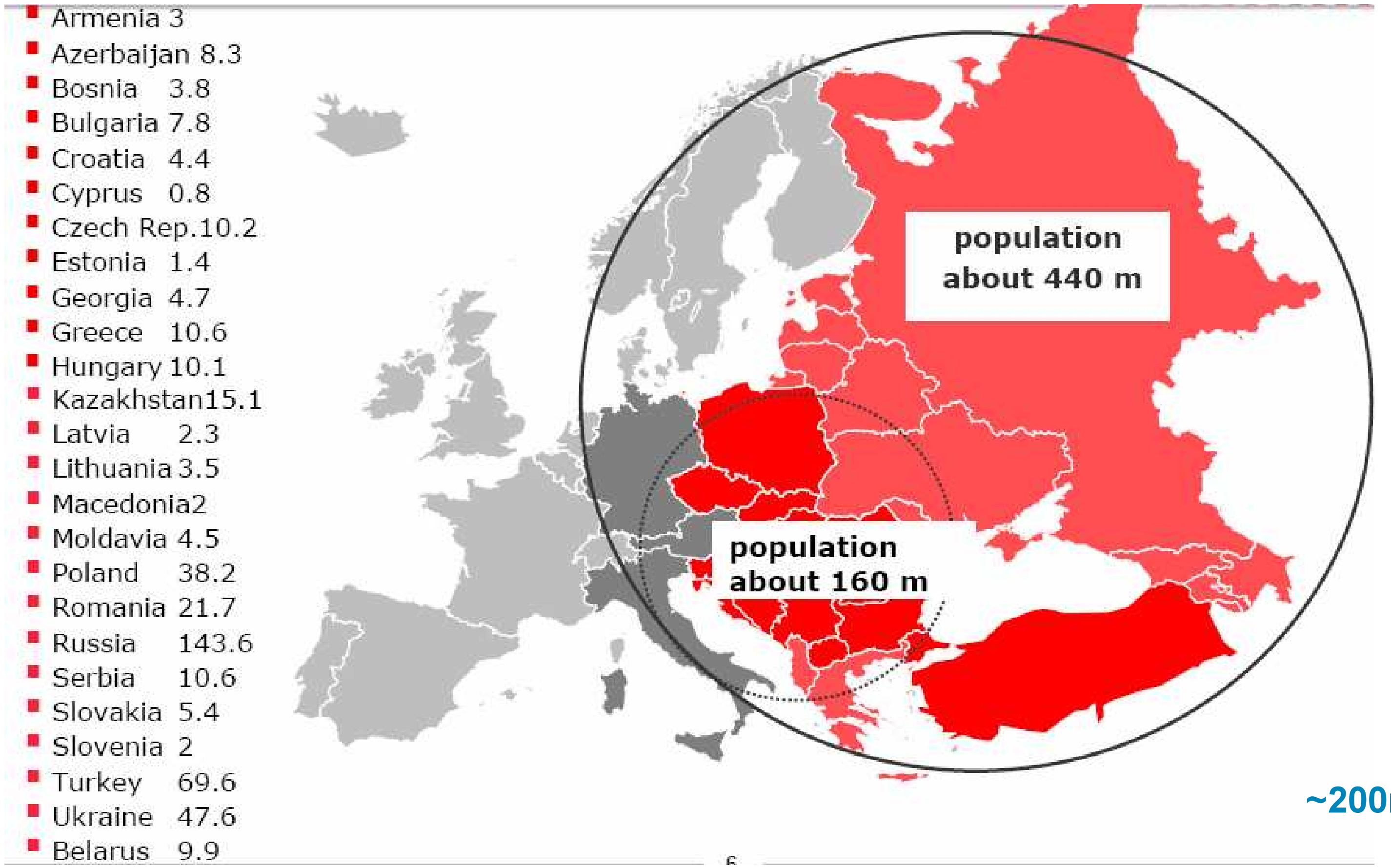
Agenda

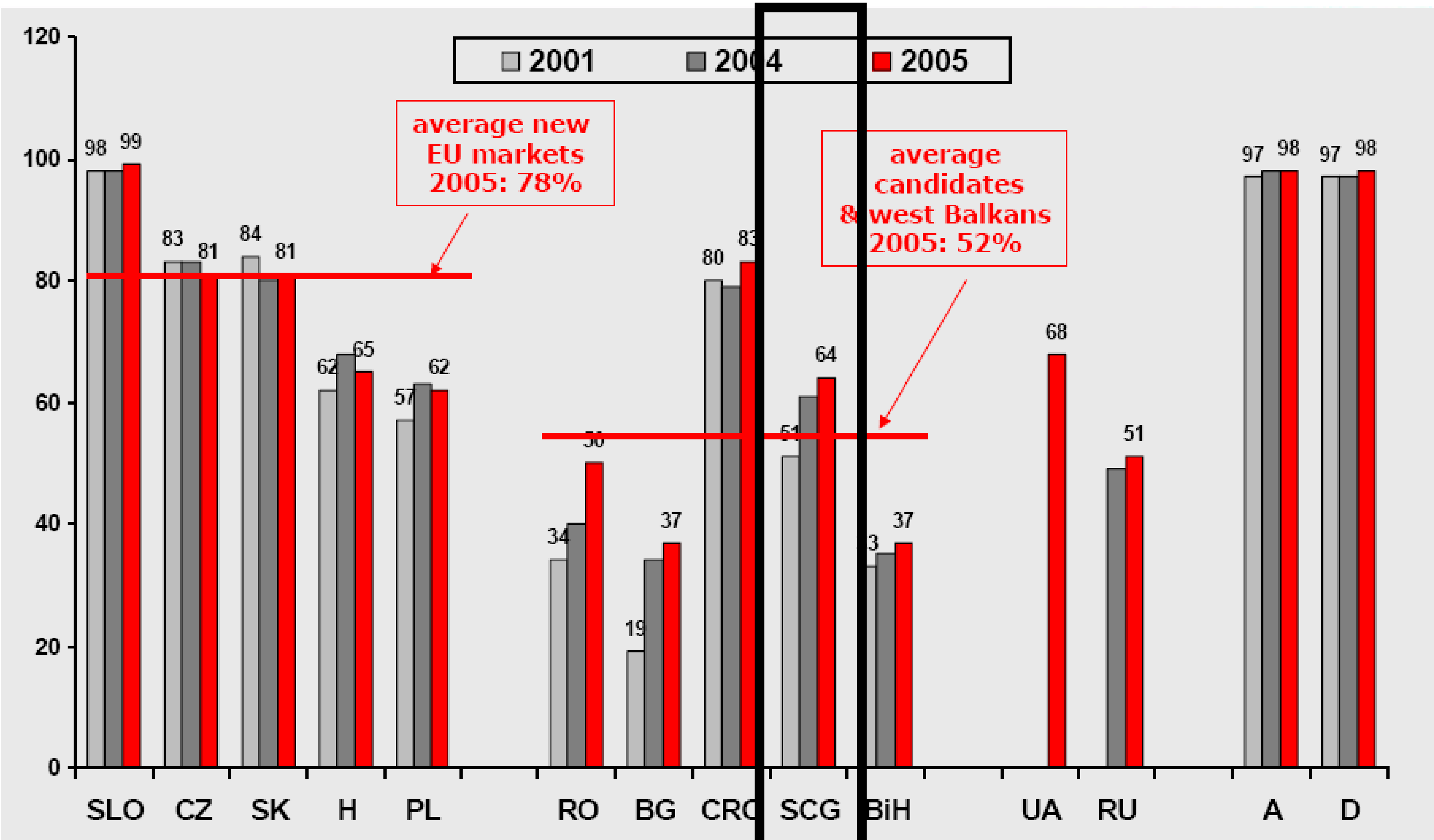
- The Current Challenges
- Cisco's Value Proposition
- How to get there ?

A hugh population...



~200m at ‚CEE'

.... with an unbanked potential

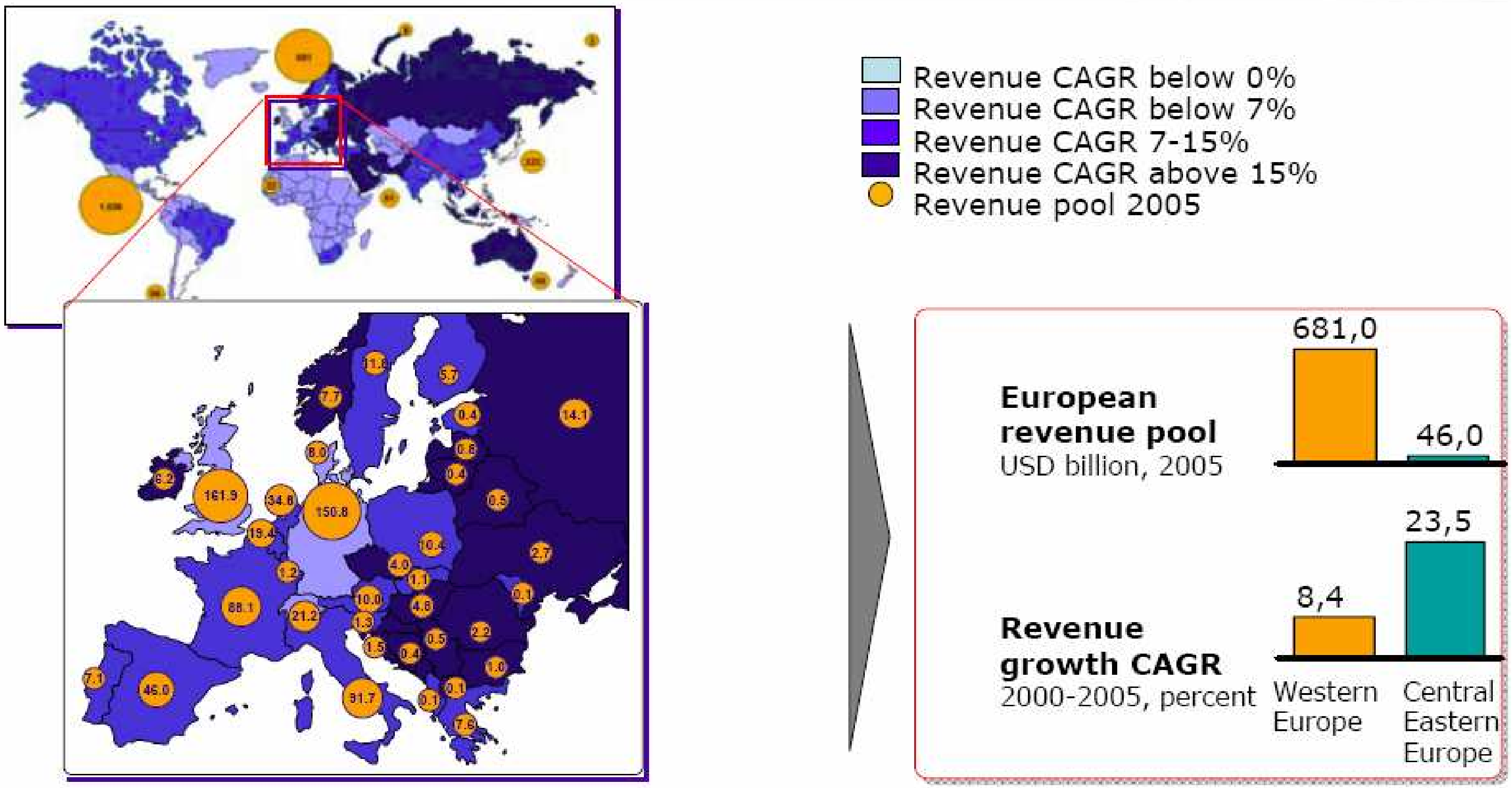


Source: BA-CA Market Research, Fessel&GfK (A, CZ, SK, RO, BG, CRO, UA, RU), RmPlus (SLO, SCG, BiH), TNS MODUS (HU); SMG_KRC (PL)

.....cross countries

	BG	BiH	CRO	CZ	H	PL	RO	SCG	SK	SLO	A	D
Population aged 15yrs+ (in m)	6.7	3.1	3.7	8.2	8.5	29.9	17.9	6.7	4.2	1.7	6.7	64.7
Have bank relationship	37%	37%	83%	81%	65%	62%	50%	64%	81%	99%	98%	98%
Banked in m	2.5	1.1	3.1	6.6	5.5	18.5	8.9	4.3	3.4	1.7	6.6	63.4
Not banked in m	4.2	1.9	0.6	1.6	3.0	11.4	8.9	2.4	0.8	0.0	0.1	1.3

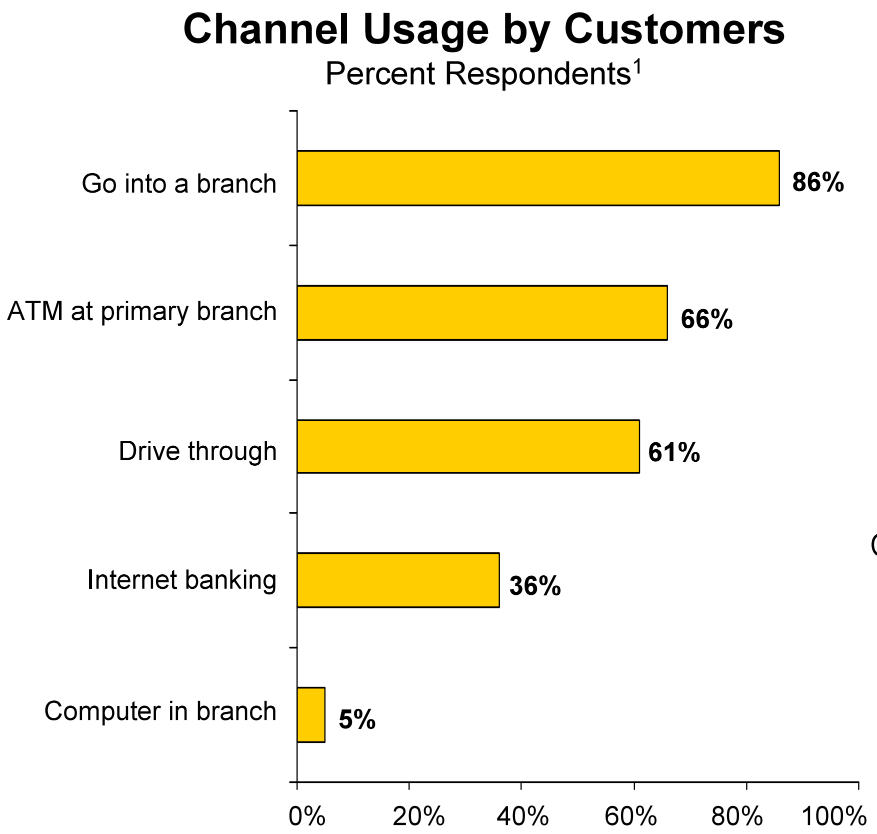
Becomes an important European Banking Sector

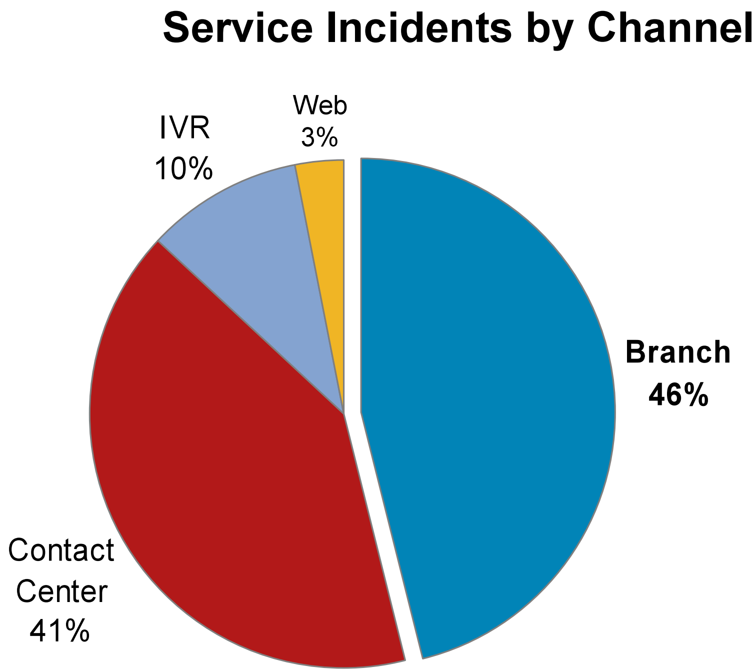


2005 revenues after risk costs; revenue; revenue CAGR 2000-05
USD billion, percent

8

Branches remain a preferred channel

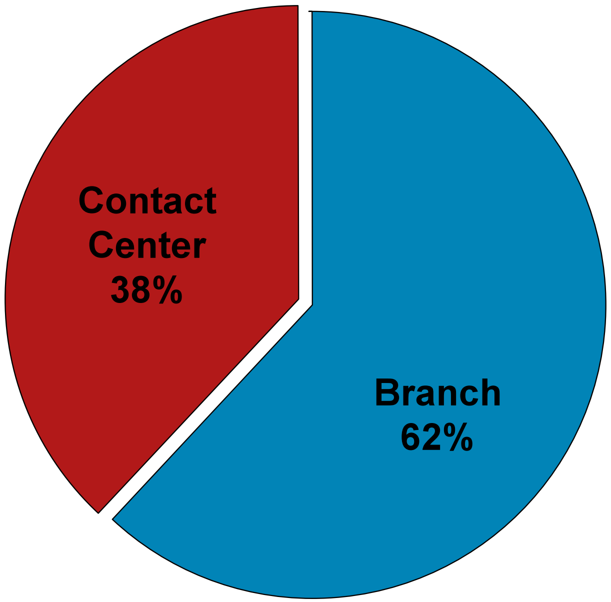




86% of customers use the branch at least occasionally during the year for some interactions, often service-related

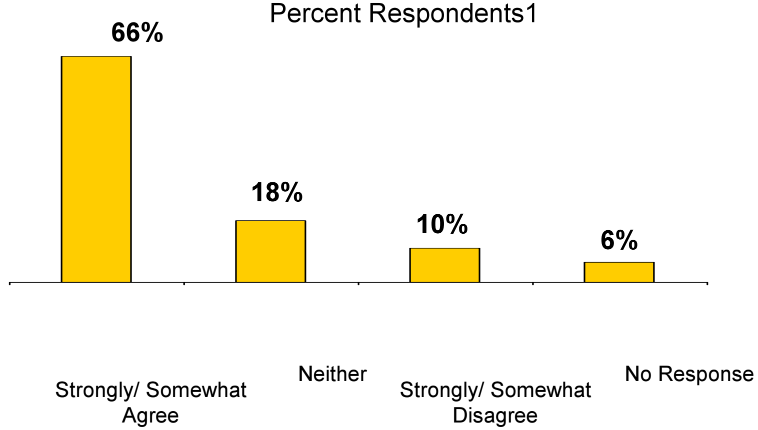
[1]IBT Market Pulse survey of 400 consumers from 6 regional markets (Atlanta, Boston, Chicago, Dallas, Los Angeles and Seattle), multiple responses allowed
Source: emarketer.com; Financial Insights; IBM Institute for Business Value analysis, 2003

Assisted channels for complex transactions

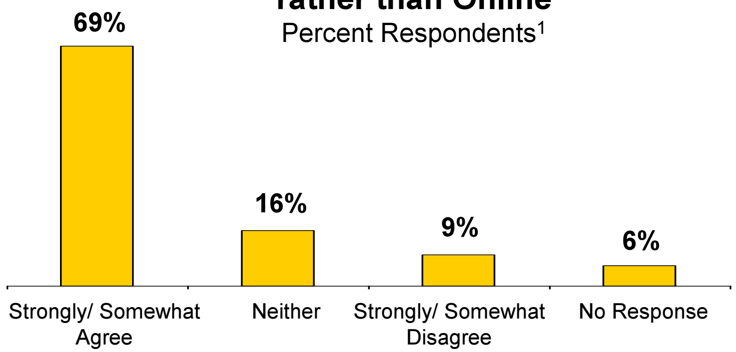


Complex Service Incidents by Channel
Percent

Prefer to apply for Loan or Open Account via Branch rather than Call Center
Percent Respondents1



Prefer to apply for Loan or Open Account via Branch rather than Online
Percent Respondents[1]



Source: Financial Insights; Tower Group, Primary Market Research-2002 Delivery Channels; IBM Institute for Business Value analysis, 2003

The branch represents a significant opportunity for changing the customer experience

How to improve customer experience and sales productivity at your Retail branches ?

-- 2006 Results ---

Related to IP Telephony

Overall costs lowered by 20%

- System administration – 50% cost

- Cabling administration – 75% cost

- Service costs reduced

- Call costs reduced 15%

- subscriber in under twenty minutes

2005 Results

Banking profit up 27.2% YTY

Customers +28%

Deposits +29%

Mortgages +65%

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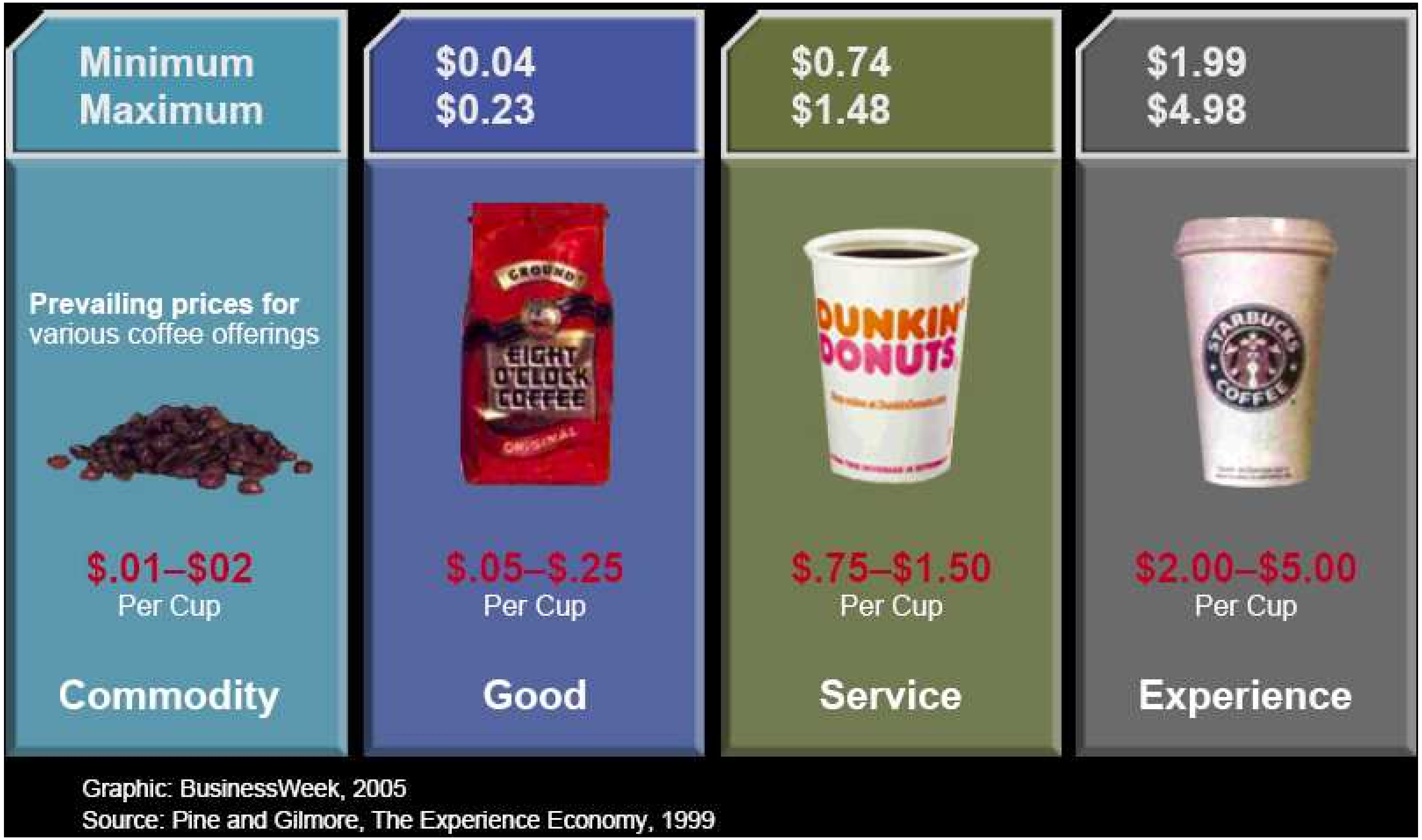
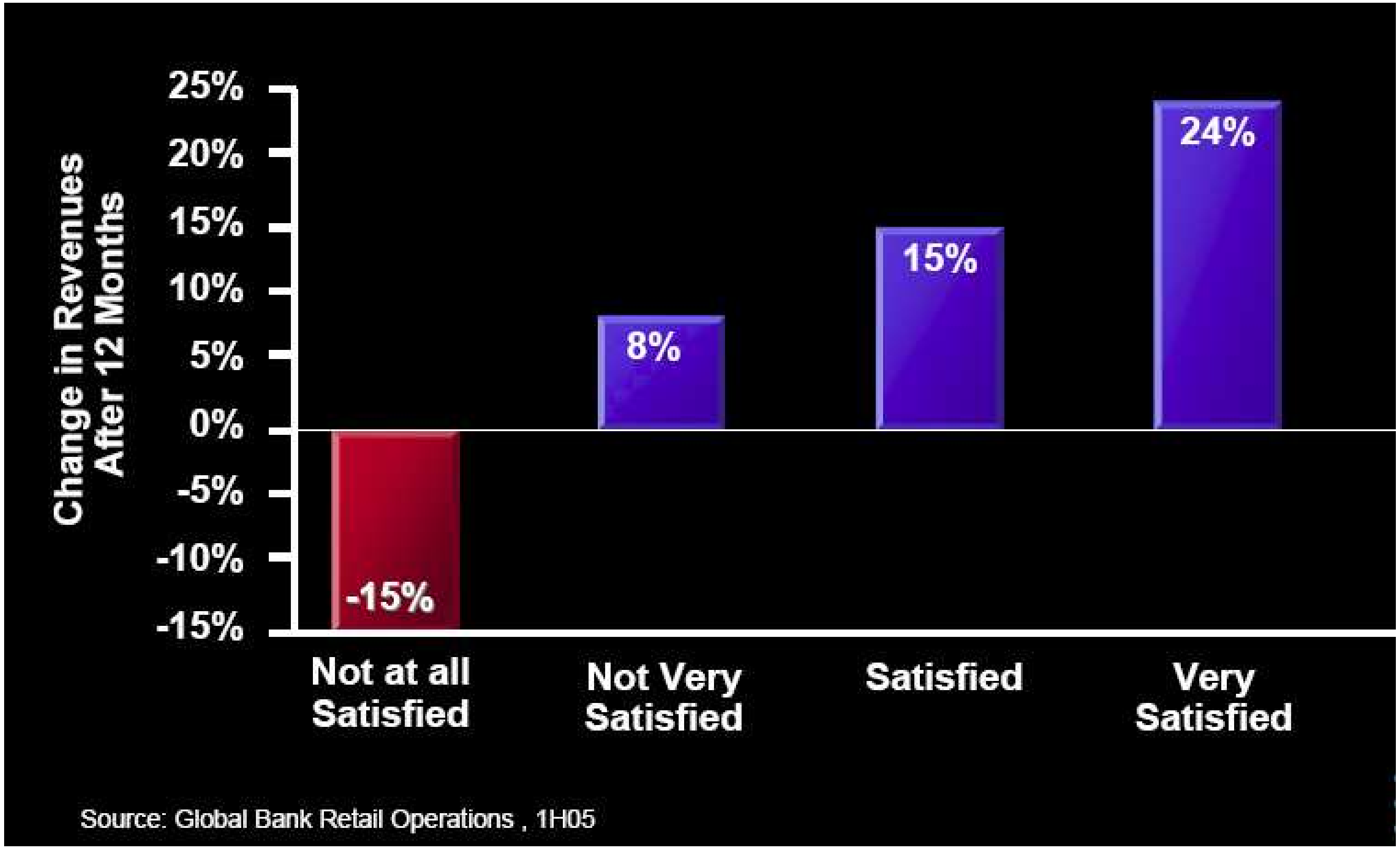
Value Add to Commodity Product



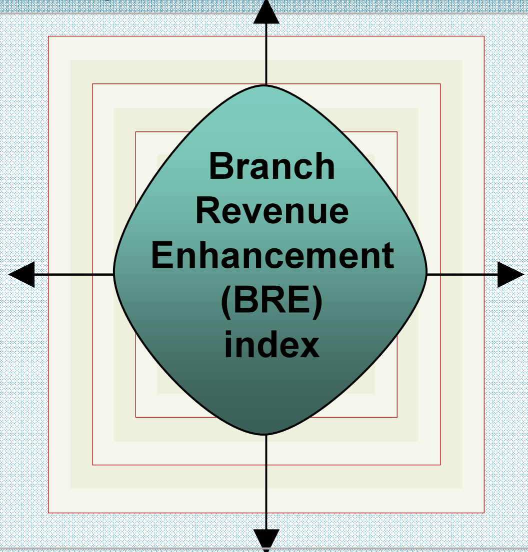
Satisfaction Drives Future Revenue



What drive a Retail bank's branch revenue performance?

Customer insight
- Access to customer data
- Awareness of customer history
- Probe for and use relevant information
- Existing data used to fill forms

Facilities
- Open during the week, and weekends
- Sales and info material available
- Branch staff friendly, branch clean
- Private meeting places
- Convenient location
- IP based web enabled ATM



Product knowledge
- Sales staff able to answer queries / concerns
- Product specialists available
- Products easy to understand
- Offer other products over own

Sales focus: Cross selling
- Proportion of staff on sales
- Identify and react to customer needs
- Provide holistic solutions
- Follow up and proactive approach
- Time to complete sales
- Autonomy to complete sale in branch

Source: Booz Allen Hamilton survey, 2006

Current Focus for Retail Branch Transformation

Figure 1: Current focus and unexploited synergies in branch renewal

Business Functions	Branch Renewal Priorities
Sales	Improve 'sales culture' in branches (facilitate better up and cross selling, improve incentivisation mechanisms, train staff etc.)
Service	Improve customer experience through higher quality and improved targeting of service and advice (implement CRM solutions, develop customer service benchmarks etc.)
Physical Security	Change security infrastructure to suit new branch layout; upgrade outdated technology (e.g. migrate to digital video surveillance and electronic access control)
Marketing	Implement new electronic marketing channels in the branch (e.g utilizing plasma screens or self service terminals)
Facilities	Introduce measures to improve the branch experience for customers (e.g change branch layout; install coffee machines)

- Strong Current Focus
- Unexploited Synergies
- Limited Potential for Synergies

Source: Data Monitor

Re-organise the branch for sales

- **Many European banks focused on improving the sales capability of the branch**

- **Recommendations**
  - **Equip the branch staff to sell effectively**
  - **Redesign the branch layout to emphasise sales over transactions**
  - **Prioritize branches serving attractive customer segments**
  - **Make branches integral to multi-channel marketing and sales**

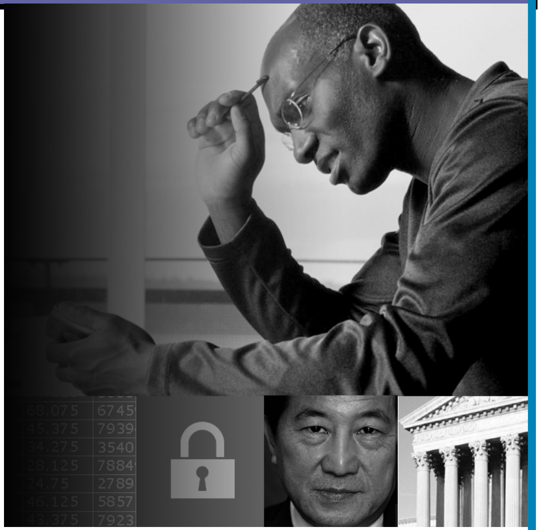
- **What this means: current branch transformation from transactions to sales will be followed by other phases emphasizing advice to customers**

"Forrester Research – March 2004"

Integrated multi channel banking

Top business priorities of banking industry IT executives

- **Optimize multi channel delivery of extended banking services in real time at the customer's convenience**
- **Implement branch transformation — link all branches and disparate legacy applications**
- **Gain broader and deeper customer knowledge to offer products and services directed at the most valued customers**



"Multi channel integration is garnering the attention of a growing number of banks. Although it is far from becoming a mainstream exercise, it is moving away from the early adopter phase to being a more feasible initiative for banks to undertake."

— Alenka Grealish.
Manager, Banking Group. Celent Communications

Four critical success factors

1. Create a powerful Customer Experience
3. Streamline processes for Efficiency and Effectiveness

2. Improve the delivery organization to drive Revenue Growth
4. Achieve a flexible Infrastructure and Business

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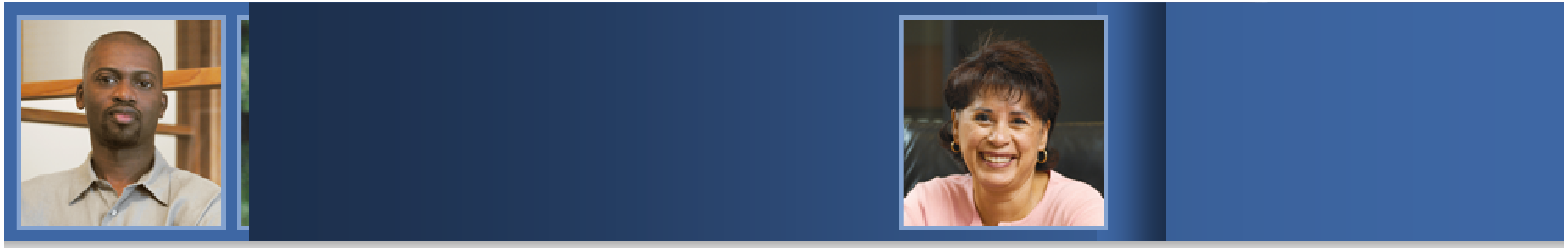
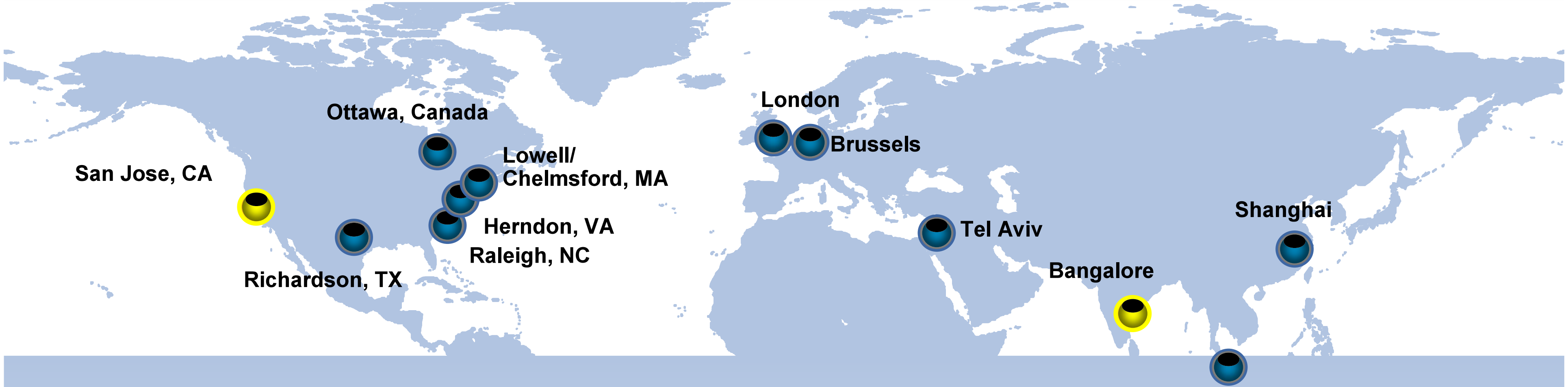
Cisco – The Human Network





- 56,000 FTE in 70 countries
- 300+ office locations
- 1/3 Engineering/IT, 1/3 Sales, 1/3 all others
- $4Bn R&D investments, annually (16% of revenue)
- $37Bn (+26%) Revenue last fiscal year 07

Our aspiration as partner to you

Establish a base for long-term dialogue

- Understand your business needs
- Bring best of breed Cisco knowledge and expertise to FSI
- Have discussions beyond pure IT-focus

Support in meeting business needs

- Advice on how technology can solve IT and business challenges
- Propose solutions for relevant FSI opportunities and pain points

Become a trusted partner on communication issues

- Collaborate openly on business issues and technology solutions
- Jointly develop innovative solutions
- Be recognized as helping achieve business goals and solving business issues

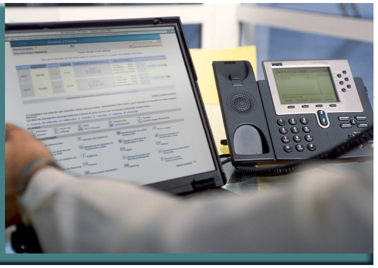
Cisco Industry Offerings for Financial Services

Retail Banking	• Branch / Store Transformation • Web based ATM cash machines over IP • Customer Contact Centre • Data Centre & Wide Area File Servers • Internet Banking & Mobility Banking • Network Security Management • Business and Disaster Recovery - Satellite
Financial Markets Advanced Communications	• Investment Banking • Trading Floors & Exchanges • Market participants • Advanced Technologies: Wireless /RFID • IP Comms Front, Middle & Back Office

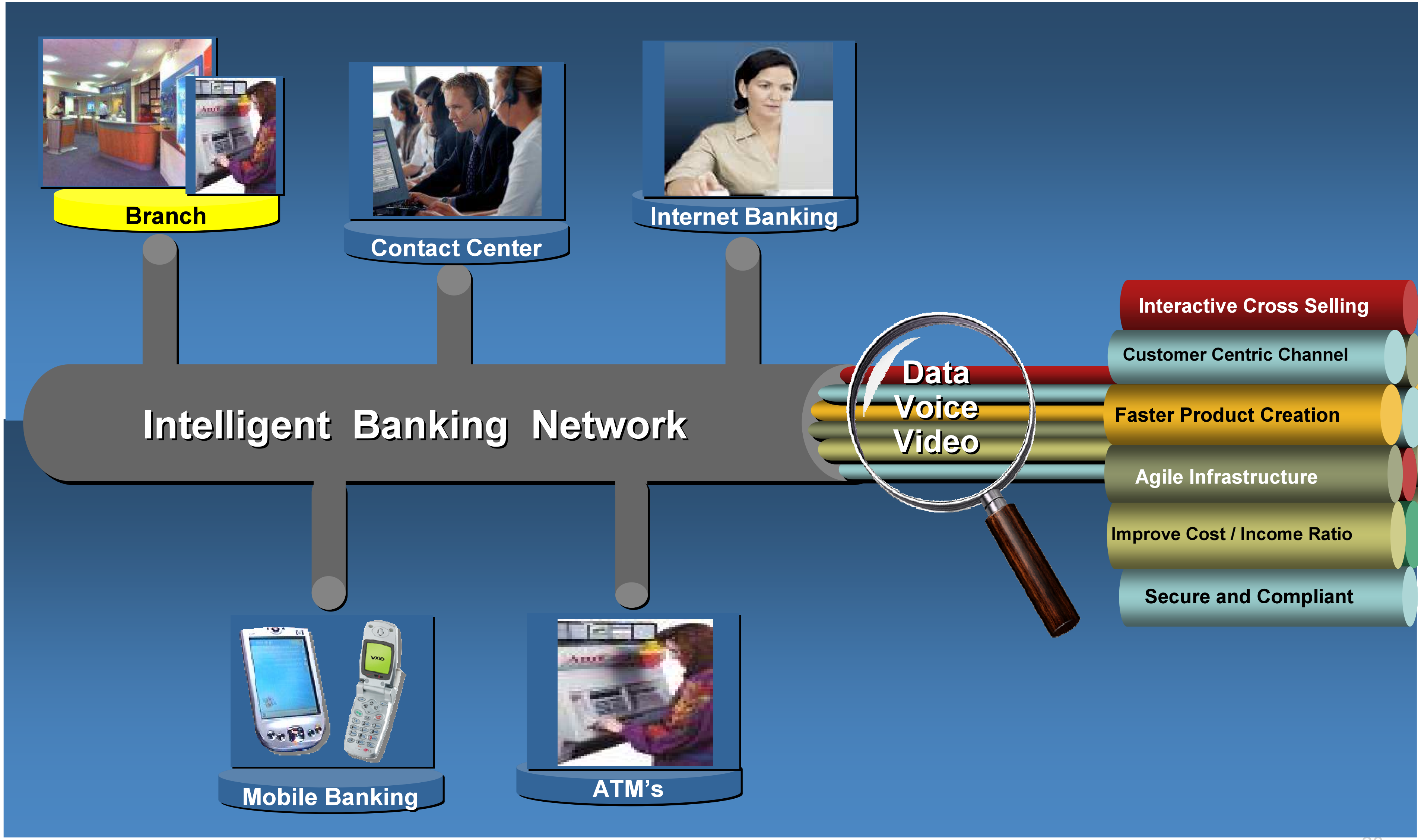
Risk Management & Insurance	• Operational Risk Management
	  • Basel II & MIFID
	  • Governance & Compliance
	  • Insurance
	  • Physical Branch Security solutions
	  • Connected Banking Real Estate

Networking Infrastructure For Banking	• Intelligent Banking Network • Service Oriented Network Architecture (SONA) • Application Oriented Networking (AON) • Work Place Productivity


Branch Transformation



Multi Channel Interaction:
Leverage the value of the IP network …..
…and Transform your customer relationship…



Personalized Interactions
Retail Banking

Production

Neighbourhood offices

Different experts at different branches

Transaction

Online account management

ATM

No single view of customer

Interaction

Multi-channel banking

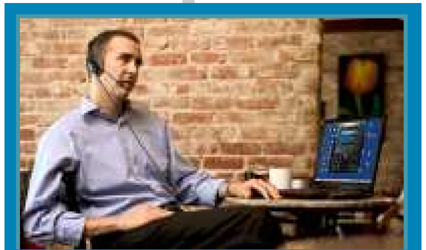
Revitalising branch

Single view of customer

Communications Is Complex

Communication Devices and Apps Proliferating…

6.4 Types of Devices



27% Traveling 1X Month Avg.

Employees Increasingly Mobile…

Daily 52%

…Have to Use Multiple Methods of Reaching Coworkers…

…Unable to Reach Coworkers on First Try…

Daily 36%

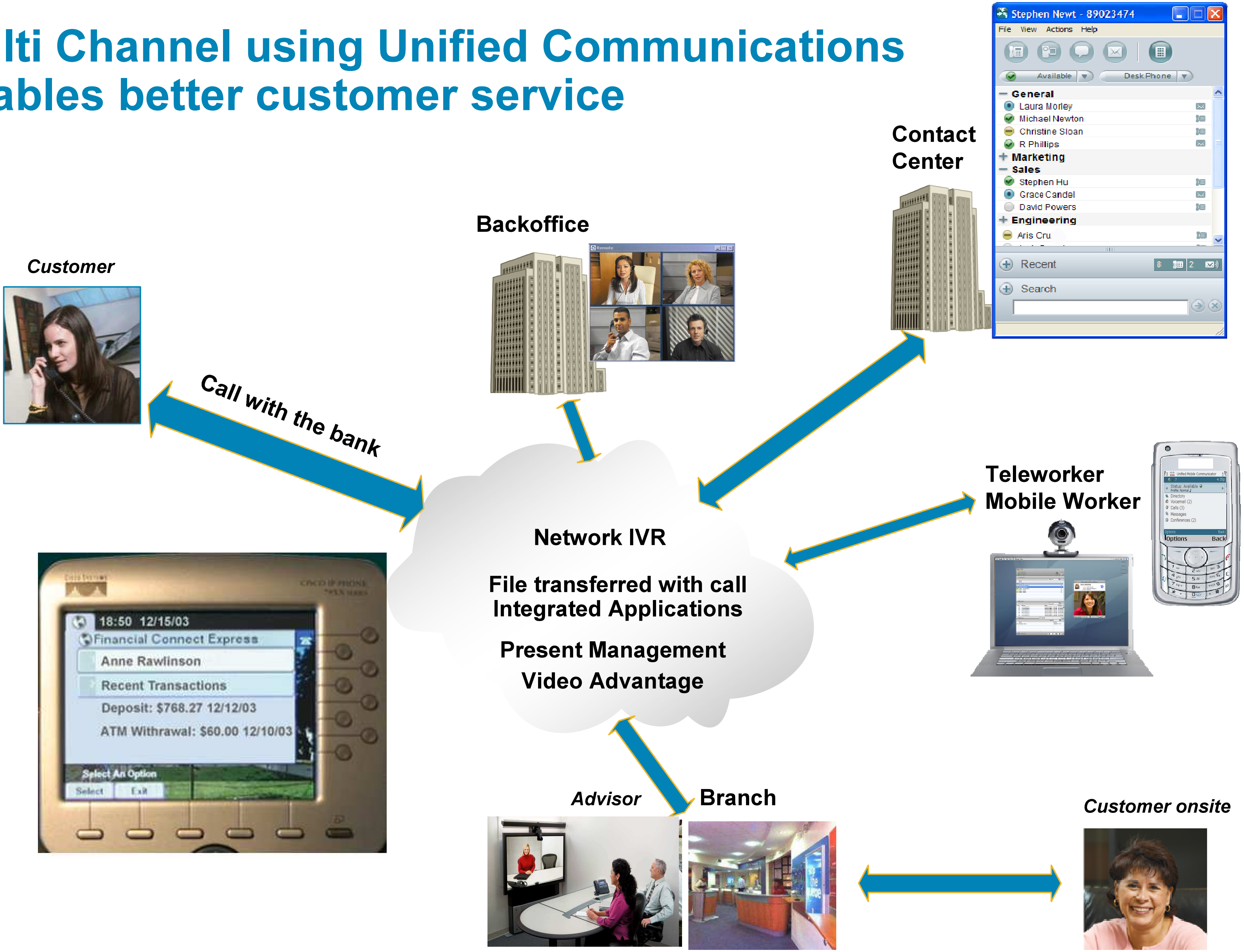
…Results in Delays and Missed Deadlines

Monthly 22%

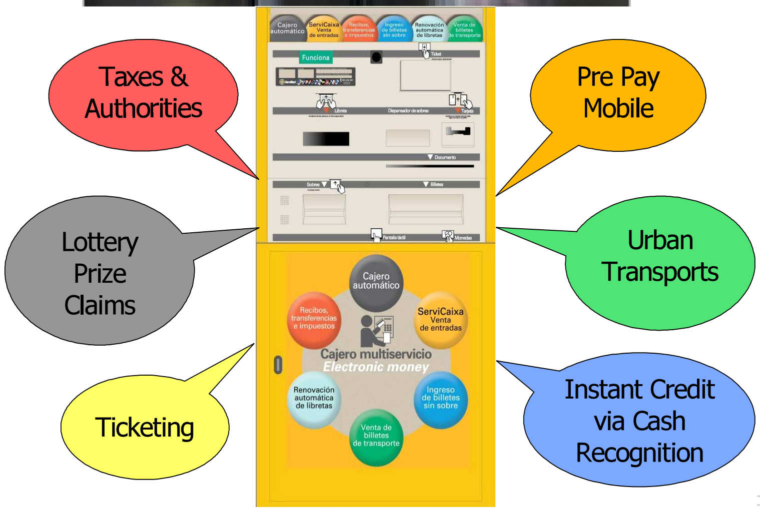
Impacting the Top & Bottom Line

Source: Sage Research

Multi Channel using Unified Communications enables better customer service



ATMs - A Multimedia interface for self services



CRM integrated sales agents

- Enable customers to buy simple products (eg. small credit, concert tickets)
- Pro-actively suggests and up-sells customers through CRM-targeting

Full self-service Multimedia kiosks

- Managing personal account and low-value transactions
- Low cost channel

IP-enabled, web based ATMs

Targeted customer messaging

- Advertising of products targeted at specific customer
- Paid advertising for third parties

Fully integrated with other channels

- Customer can video-link to advisor / call-center for personal contact
- Full access to customer profile

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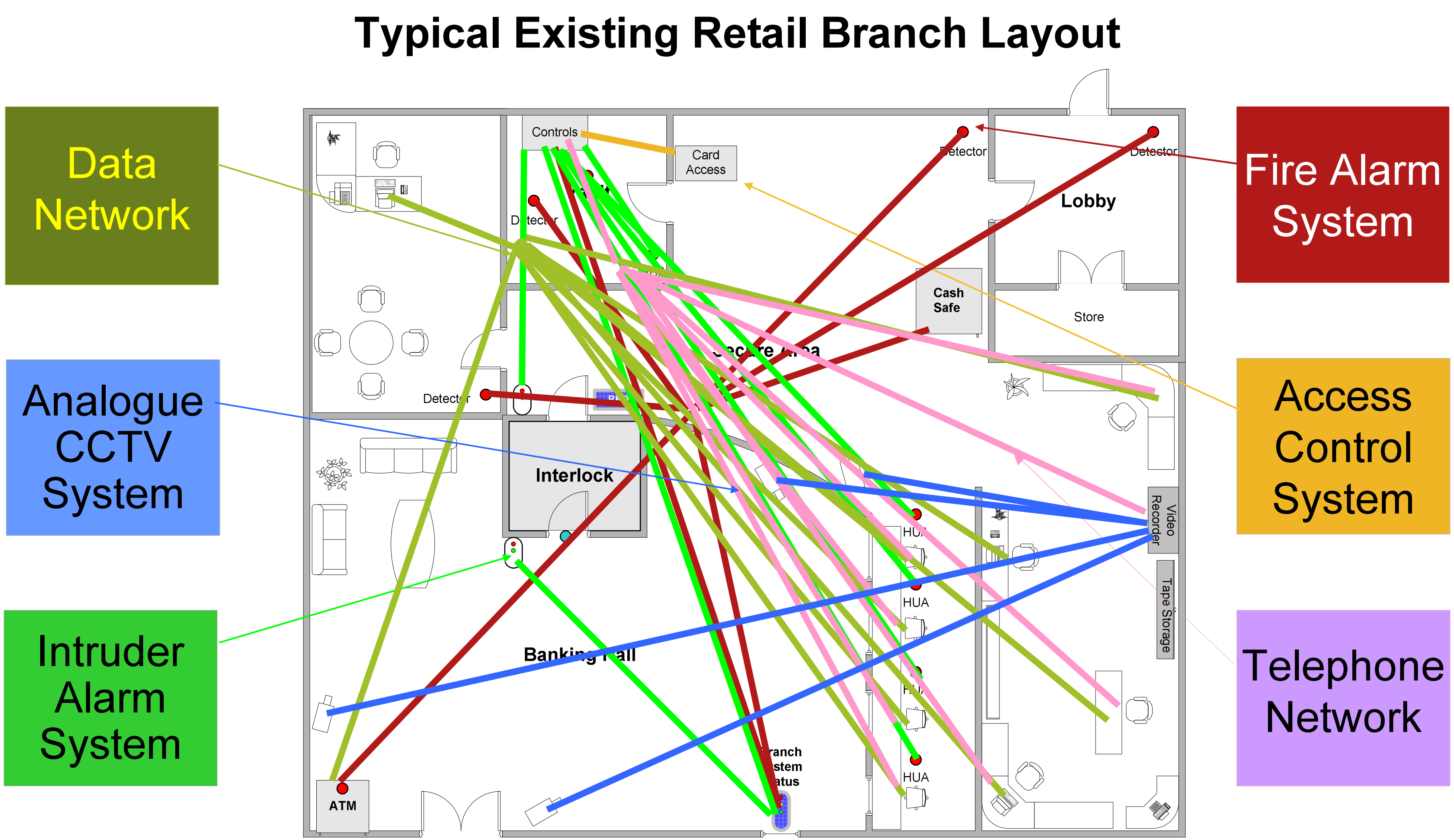
Productivity suffers with independent platforms



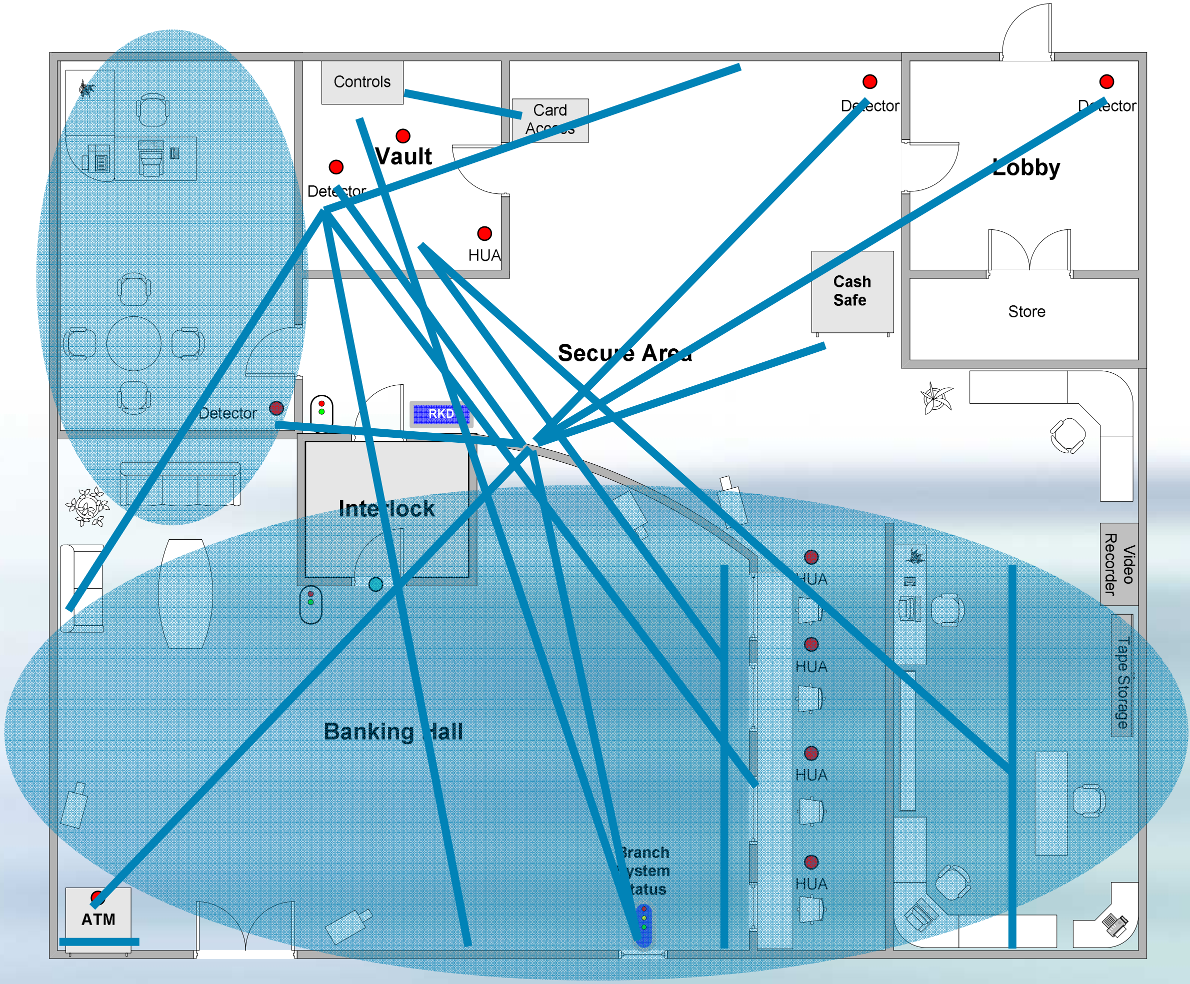
A Converged Banking Network: Estimated Potential Opex savings > 30%

Converged Branch Layout

Data Network

Analogue CCTV System

Intruder Alarm System



Fire Alarm System

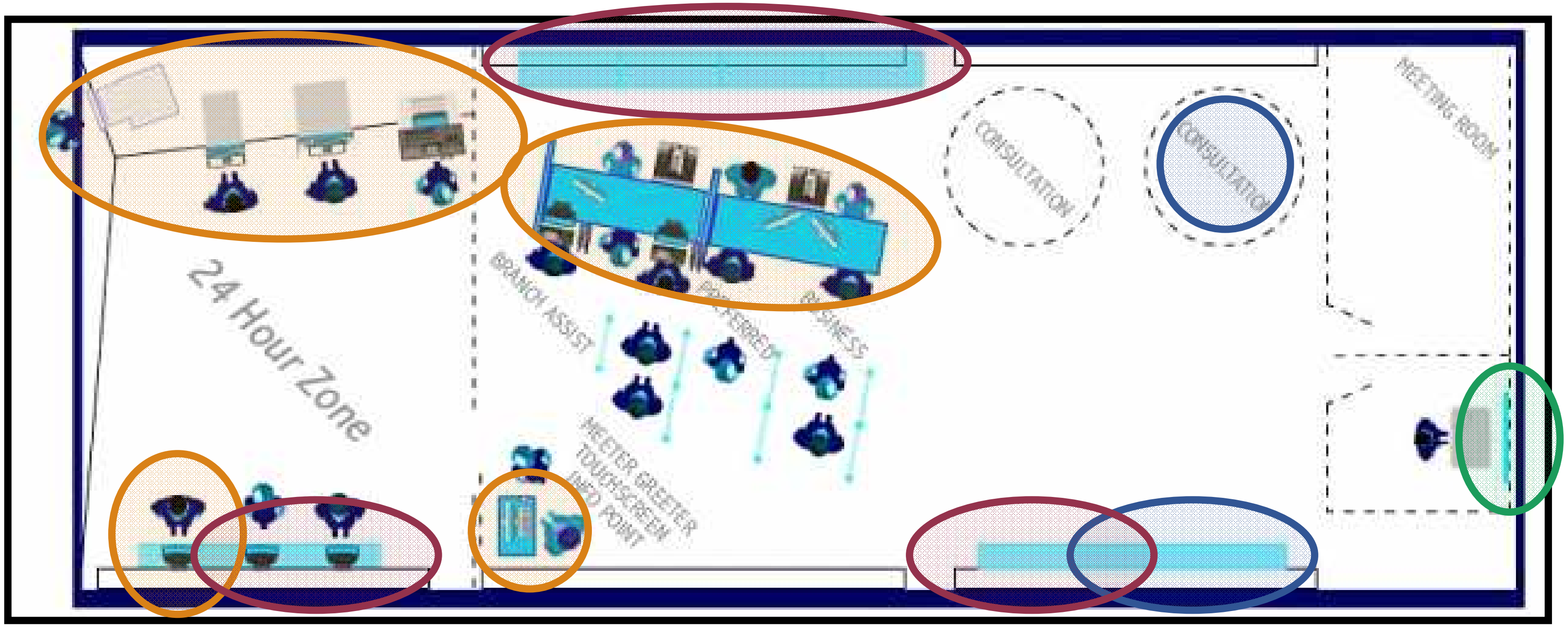
Access Control System

Telephone & Video Conference. Network

Plan Courtesy of ADT

Branch Transformation

Moving from Transaction to Interaction to Sales



Branch Solutions

- Unified Communications
- CTI with Business Applic.
- Adverts/Marketing
- Kiosk / ATM Integration
- Centralized Architecture
- Ready access to SME

Digital Signage

- Dynamic content promotes products
- Reduce perceived wait-time

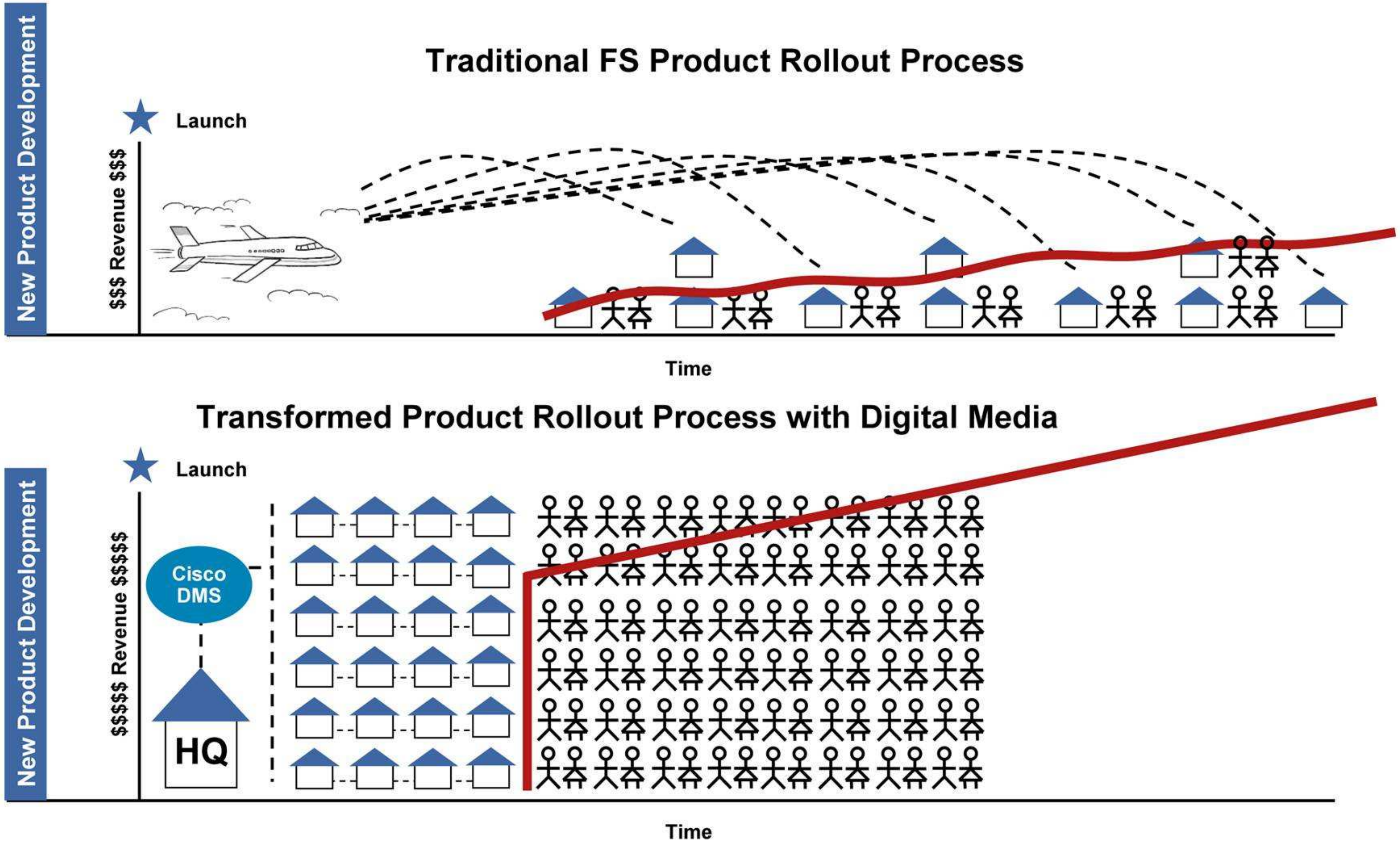
TelePresence

- On-demand expertise
- Shorter sales cycle
- Increased sales

Video on Demand

- Faster on-boarding
- Consistency of corporate messaging

Digital Media: Accelerate Product Introductions



Digital Media: e-Merchandising

Benefits of Digital Signage

- Increased Sales
- Reduced Cost and Marketing Agility
- Better customer service

Digital Signage Opportunity

- Targeted Content Driven by: Customer, Time of Day, Screen, Location
- Integrated Applications enhance customer experience: RFiD, Queue Management, Self Service kiosk, Telephony and Video
- Physical Security

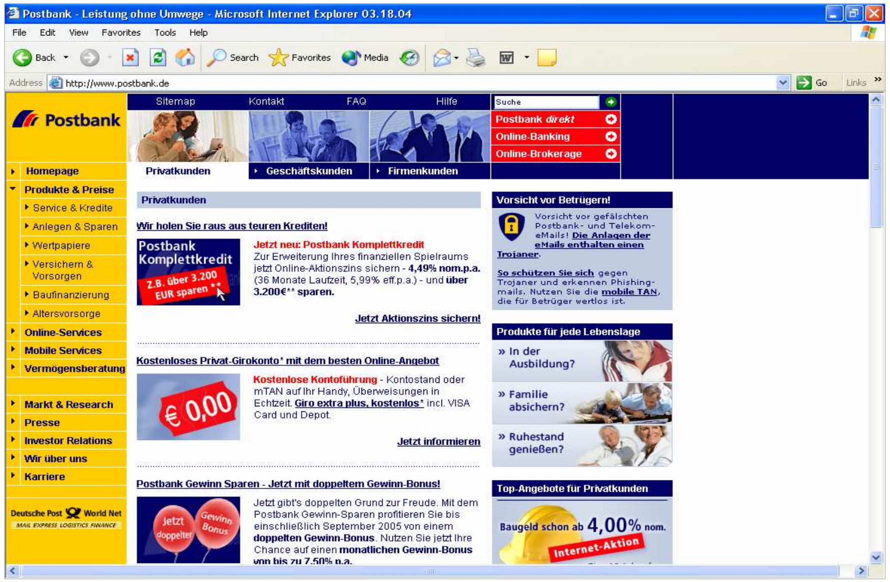
Digital Media: e-Learning

Benefits of e-Learning as a tool

- Cost efficient (anywhere)
- Flexible (anytime, individually targeted)
- Fast (short roll-out time)
- Quality ensuring (traceability for training managers)

Real Business Value…

- A UK Retail bank saw cross selling leads increase by 30% in pilot branches running a Cisco Video solution.
- Following a training video on the benefits available to existing customers by upgrading from a free to a chargeable account, the number of upgrades all most trebled in the branches with a video training solution.
- As a result the Bank has now extended pilot from 400 branches to over 1,200.



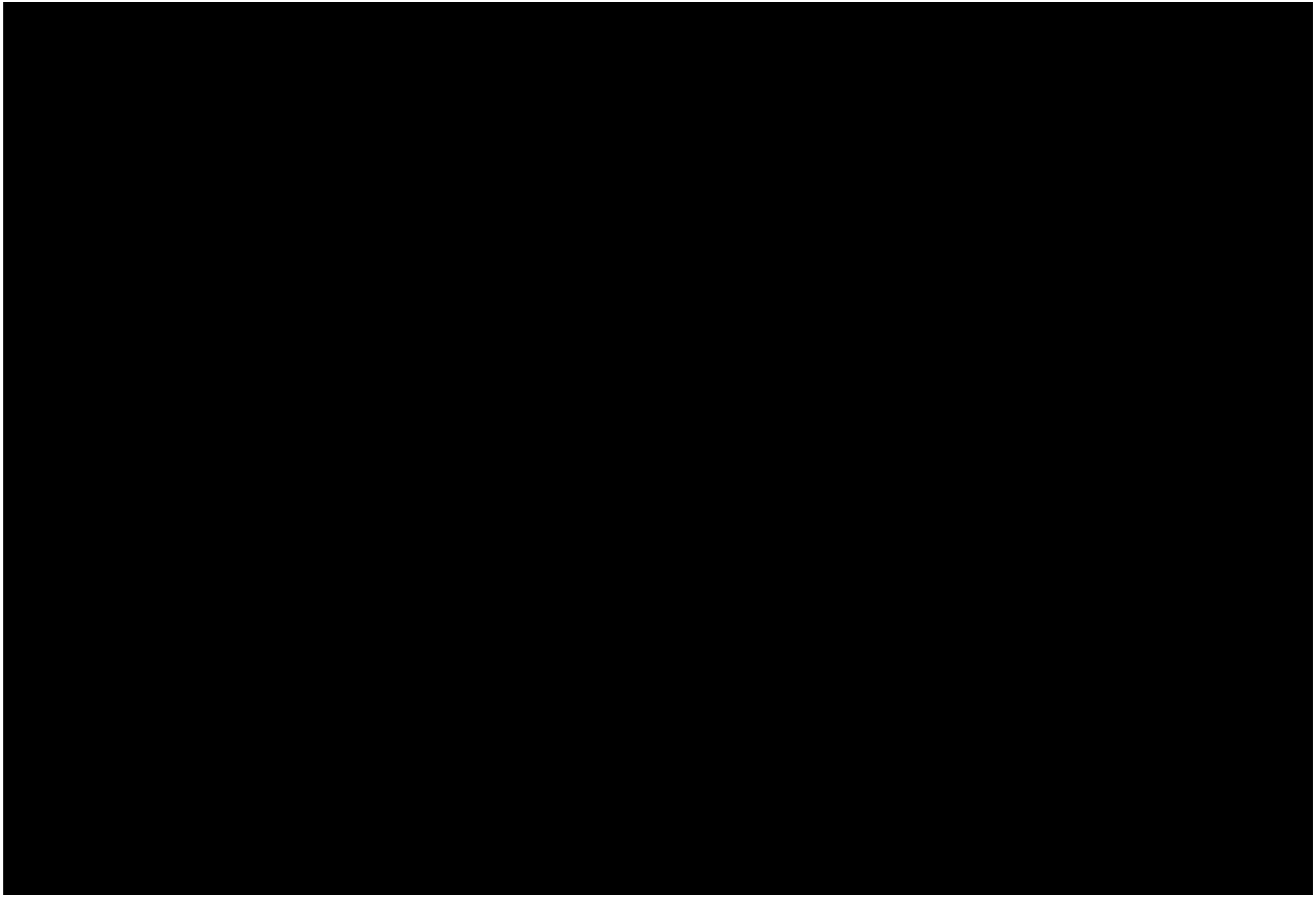
TelePresence:
Business Collaboration with Virtual Branch Expertise

TelePresence solution creates a live, “face-to-face” life-size meeting experience over the branch network—empowering users to interact and collaborate like never before.

- Augments but does not replace existing access channels
- Faster reaction to customers changing circumstances
- Bring new high net worth customers into contact with Branch
- Ability to share documents and collaborate
- Shorten the sales cycle

The Real Experience of Telepresence

132 TelePresence deployed
~44% Average utilization
28,813 meetings
5,883 customer meeting
5,992 meetings avoided ~ **$46m** travel costs
Reduced **7,145,4227** cubic meters of emission
Number of cars off the road equivalent: **3,018**



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Example of Cisco‘s Branch Transformation

Analyze of today‘s CAPEX $ OPEX

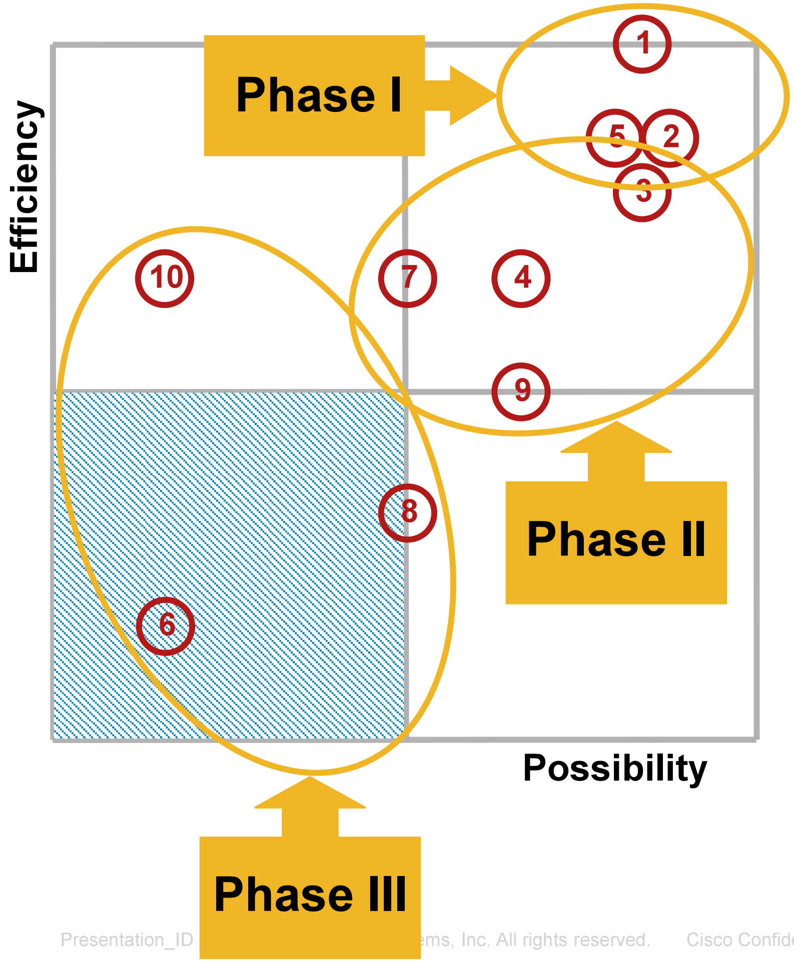
- 35% to 45%* of costs at Bandwith and Cable costs
- 20% to 50%* of total costs at Video and Alertsystems
- 10% to 20%* of total costs at desks systems
- 70%* of total costs of Telekommuncation at Maintenance and Services

* Customer‘s analyze including IT relevant costs at Retail Banking headquarter, branches and self-service PoS over 5 years

Mitarbeiter						
Arbeitsplätze						
Filialfläche						
Anzahl						
SB Technik						
Geldausgabeautomat (GAA)						
Kontoauszugsdrucker (KAD)						
Kontoserviceterminal (KST)						
Cash Recycling System (CRS)						
Summe SB Geräte						
Arbeitsplätze						
PC Arbeitsplatze (inkl. Sevice)						
PC Arbeitsplatze (für 5 Jahre)						
Thin Client Arbeitsplatz (inkl. Service)						
Thin Client Arbeitsplatz (für 5 Jahre)						
Laserdrucker						
Faxgeräte						
Arbeitsplätze						
Telekommunikation						
Telefonanlage						
CAPEX für alle GS						
Wartung (1 Jahr)						
Betrieb in Eigenregie (1 Jahr)						
Wartung & Betrieb (für 5 Jahre)						
Telekommunikation						
Netzwerk						
Netzwerkgeräte						
CAPEX für alle GS						
Wartung (1 Jahr)						
Betrieb in Eigenregie (1 Jahr)						
Wartung & Betrieb (für 5 Jahre)						
Netzwerk						
Video- und Alarmtechnik						
Videoüberwachungssystem		12.500 €	25.000 €	40.000 €	40.000 €	
CAPEX für alle GS		**125.000 €**	**950.000 €**	**480.000 €**	**80.000 €**	**1.635.000 €**
Wartung (1 Jahr)	245.250 € p.a.	1.880 €	3.750 €	6.000 €	6.000 €	
Betrieb in Eigenregie (1 Jahr)	100.000 € p.a.	770 €	1.530 €	2.450 €	2.450 €	
Wartung & Betrieb (für 5 Jahre)		13.250 €	26.400 €	42.250 €	42.250 €	
Video- und Alarmtechnik		**25.750 €**	**51.400 €**	**82.250 €**	**82.250 €**	
Leitungs- Verkabelungskosten						
Kosten für Netzwerkschrank		500 €	1.000 €	1.000 €	1.000 €	
Anzahl der SB Geräte		3	6	9	11	
Anzahl der Arbeitsplätze / Mitarbeiter		0	5	25	50	
Verkabelung	75 €	950 €	3.400 €	9.850 €	17.650 €	
Verkabelung Summe		950 €	3.400 €	9.850 €	17.650 €	
CAPEX für alle GS		**9.500 €**	**129.200 €**	**118.200 €**	**35.300 €**	**292.200 €**
Kosten für Weitverkehrsnetz (1 Jahr)		3.000 €	4.800 €	12.000 €	12.000 €	
Kosten für Weitverkehrsnetz (für 5 Jahre)		15.000 €	24.000 €	60.000 €	60.000 €	
Kosten für Telefongebühren (pro Monat)	75 €	0 €	375 €	1.875 €	3.750 €	
Kosten für Telefongebühren (für 5 Jahre)		0 €	22.500 €	112.500 €	225.000 €	
Leitungs- und Verkabelungskosten		**15.950 €**	**49.900 €**	**182.350 €**	**302.650 €**	

Example of optimized Branch Infrastructure

Results to - 35% at average Branch IT costs ?



Phase I < 1 Year	Phase II 1 – 3 Years	Phase III > 3 Years
▪ MPLS/VPN ▪ PABX to IPT ▪ WLAN as desks	▪ Consolidate Network Infra ▪ Migrate to alternative Data-Backup Services ▪ Digital Media, e-Marketing and Advertising ▪ IP-based Video-Surveilance	▪ Optimize Cash Logistic Solution ▪ WLAN at PoS at Branches ▪ IP-based Alert Systems ▪ IP-based Access Control

Empowered Branch Architecture: Multiple Services – One Cisco ISR Platform

- Routing
- Switching
- Wireless
- Security
- Unified Communications
- WAN/App optimization
- Network Monitoring
- Digital Media Systems

Empowered Branch

Simplified, integrated solution, with latest security, voice, video, data technologies

WAN flexibility, complete WAN optimization solution

Critical Assets Centralized. Guaranteed Performance, Simplified Operations

Pervasive security, integrated VPN, firewall, IPS, NAC, more

Seamless Wireless-Wireline Integration

Branch blueprint, consistent branch-HQ services features and performance

Reference – BPH Poland

-- 2006 Results ---

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Overall costs lowered by 20%

- System administration – 50% cost

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- Service costs reduced

- Call costs reduced 15%

- subscriber in under twenty minutes

- WLAN Hotspot service

Retail Banking Front Office solutions

Smarter Banking in a Multi Channel Environment

“The IBM Cisco Front Office solution merges IBM products, services, and consulting, with Cisco core and advanced technologies and applications, to enable Retail Banks to provide customers with a consistent multi-channel experience, increase sales and service productivity, and gain a compelling return on investment”.

Banking Solution Center @ IBM Barcelona

IBM and Cisco Front Office Solution Elements

Self Service*

Digital Media*

Digital Security Surveillance*

Thin Branch

Unified Communications

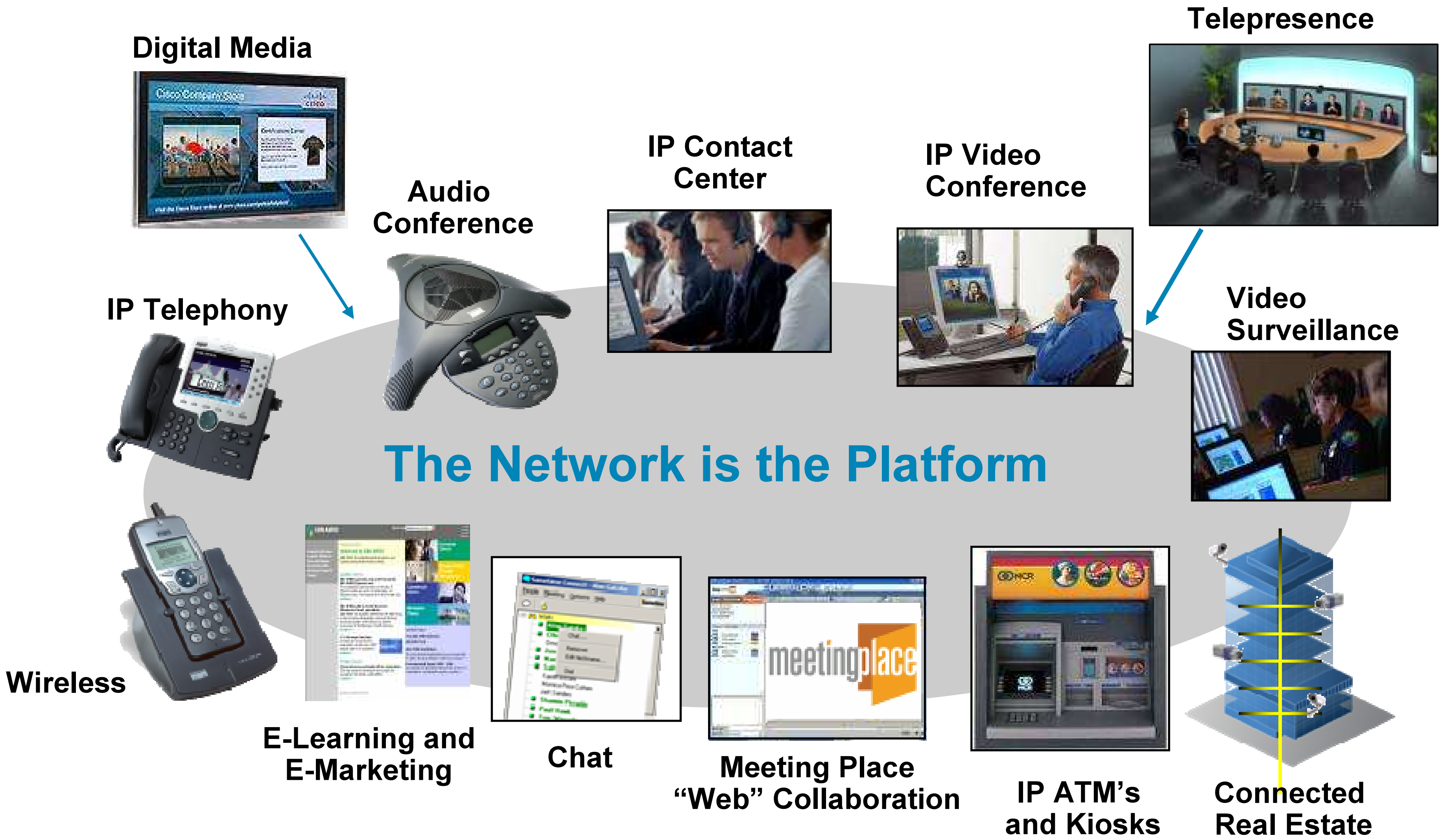
Contact Center

Optimized Network

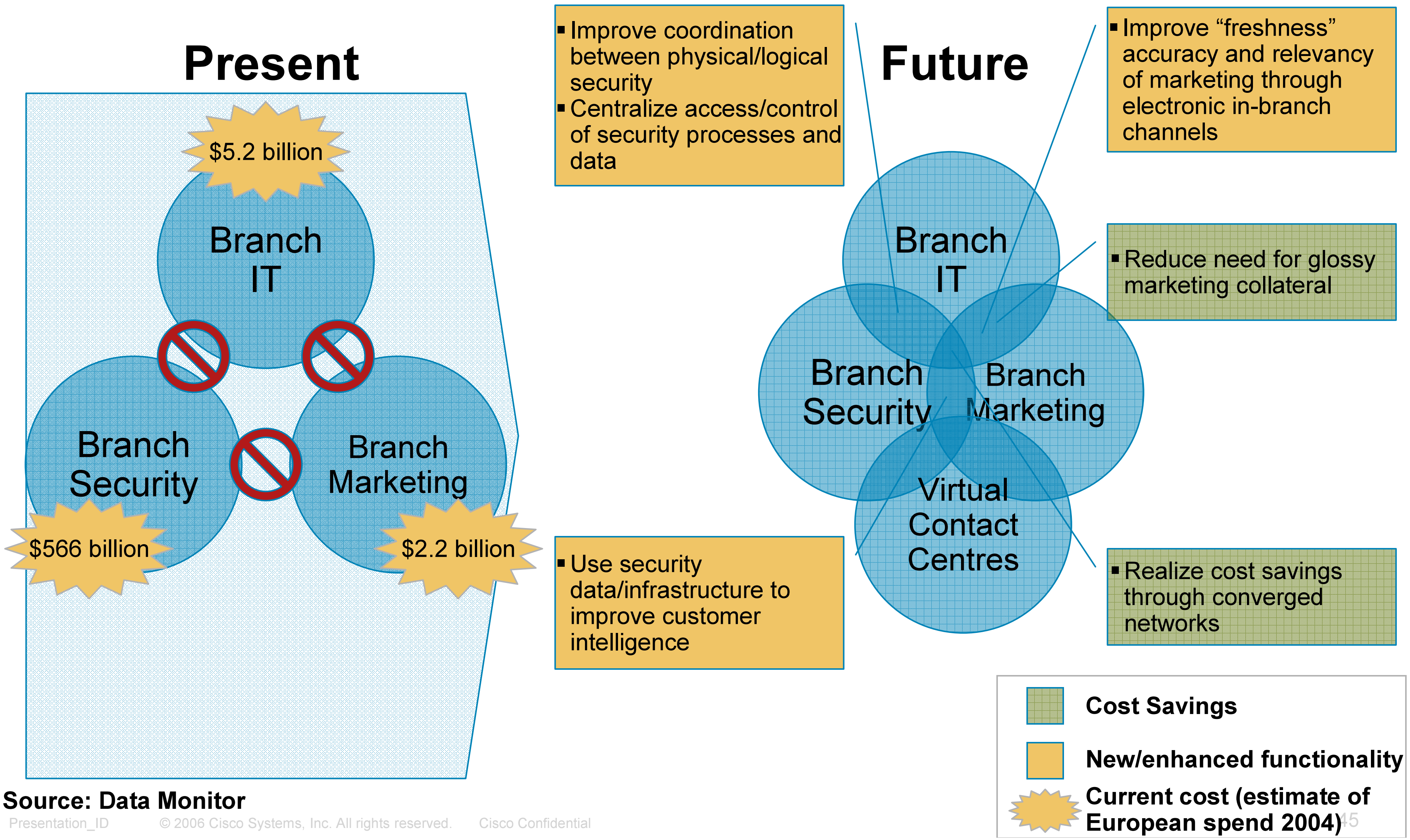
* Under Development

www.ciscoibm.com

An Optimized Network is the Foundation for Banking Applications and Services



Conclusion:
IP based Infrastructure brings opportunities for synergy



Source: Data Monitor

A world leader in networked solutions and services
for the Global Financial Services Industry