

16th February 2012

Transformation for Growth

Indonesia International Banking Convention 2012



Agenda

Transformation for Growth

IBM Global Business Services (GBS)

IBM's Banking Industry Solutions Framework

Summary

Our clients are asking us how they redefine their business models to return to long term health ... Those organisations that get ahead of the curve now will be well positioned to be market leading during the next period of stability in the global economy

Reinvent the business model



Simplified Business Models

- **Strengthening balance sheets** is a multi-year journey that requires a combination of raising equity, redefining business models and retaining profits for multiple years
- **Reduction in the industry profit pool** will require banks to achieve radically lower costs with reduced complexity and to accelerate M&A and divestitures in eco-system
- **Simplifying** operations and products to better manage complexity
- Reallocating fixed cost to **variable cost** and exploit **partnering opportunities**

Focus on the customer



Greater Customer Focus

- Better understanding **customer needs** through **collaboration and information sharing**
- **Leveraging analytics** to make informed decisions and enhanced customer service
- Restoring client trust will require to gather **deeper customer insights and craft products** and services that are in clients' interests too

Integrate risk management



Superior Risk Management

- Radically **increased regulatory oversight** will require financial institutions to approach compliance with a holistic perspective
- **Responsible risk management** with a culture of transparency is vital the health of the eco-system

However in our experience, their current capacity and capability to make such change happen is often insufficient to achieve the C-level goals and timescales



Key Challenges:

- Productivity
- Quality
- Stability of service
- Cost of overhead
- Internal customer satisfaction
- Outsource / out-task
- Alignment between Business and IT
- Project and Program management

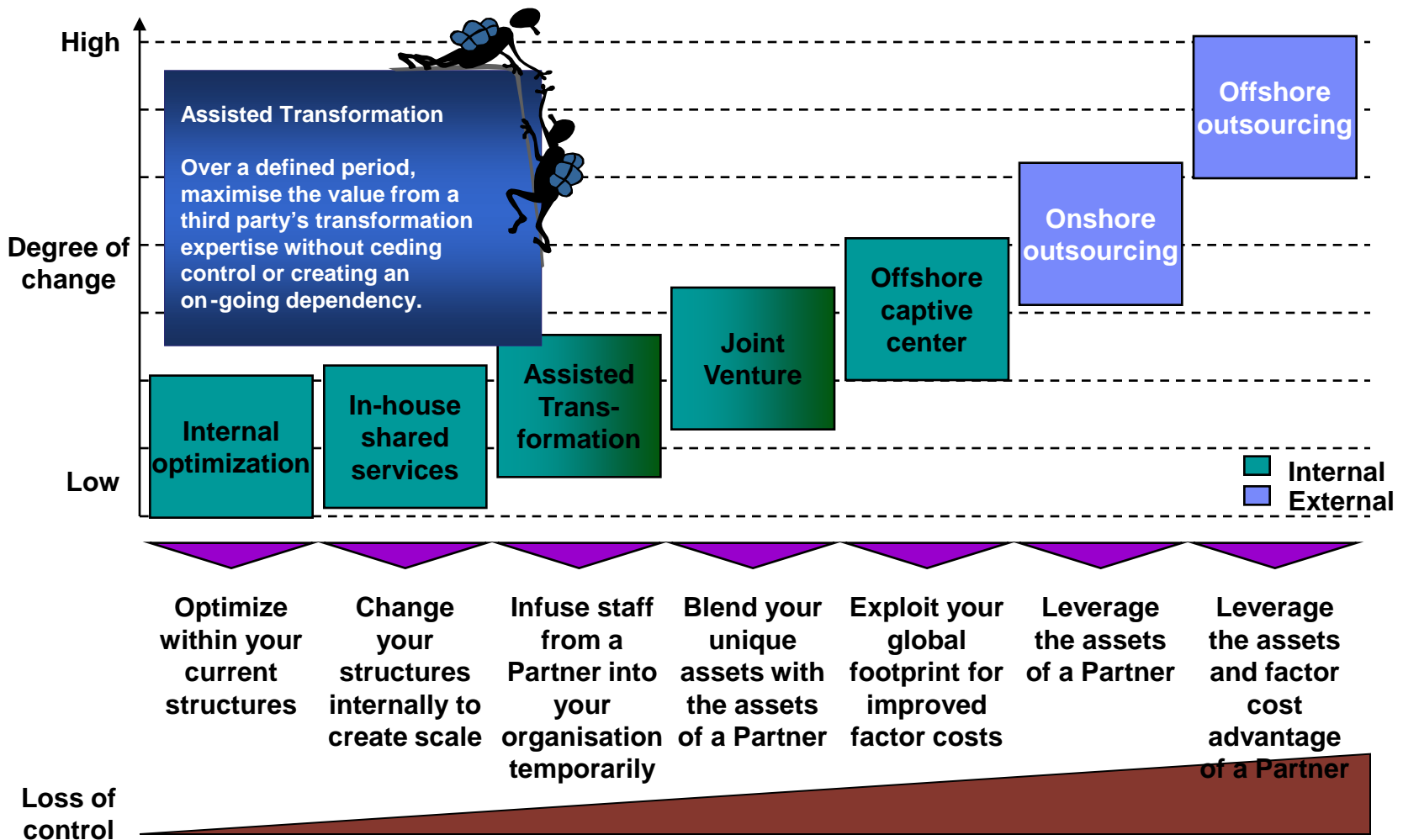
Accelerated Transformation for Growth

- Within the financial services sector, business model transformation is a priority, but at times organisations lack the internal capability to deliver

- Financial institutions face the dual challenge of uplifting business change and IT skills, whilst simultaneously accelerating the pace of business model transformation

- Today IBM is helping our clients with their transformation journeys
 - Partnering to design and develop the capability transformation needed
 - Infusing experienced professionals to work within client teams providing delivery firepower and sustainable skills transfer
 - Tying our commercial success to their value drivers – a true IBM/client partnership

Transformation is a solution which supports our clients through this process, creates sustainable capability improvement and leaves them in control



The Transformation value proposition: Enable banks to achieve faster and greater value by providing IBM resources to work side by side with them to provide transformational leadership, delivery firepower, sustainable skills transfer, and reduced risk – our fees will be based on results

Client Results

Target ROE + Efficiency Ratio

- 📄 Faster Transformation with quicker speed to Value
- 📄 Increased in-house capacity - less distraction in running the business
- 📄 Skills Transfer - step change in in-house capabilities
- 📄 Optimized culture change - people feel more motivated and professional in the new environment
- 📄 Reduced risk based on tried and tested approach
- 📄 Improved productivity
- 📄 Value for money business change and IT functions



IBM Contribution



- Increase in-house client capacity
- Deliver a step-change in in-house client capabilities
- Successfully rewire with the lights on

+



- Provide un-matched transformational experience in Banking
- Deliver deep skills and expertise in delivering business transformation
- Provide the governance to make it work

+



- Systematically measure and track results
- Review progress through a joint transformation scorecard
- Underpin with a business outcomes based commercial structure

A typical engagement would comprise two phases

- 1) An initial mobilisation and planning phase, typically lasting eight to ten weeks

10 week Planning Phase – identifying, planning and initiating value realisation

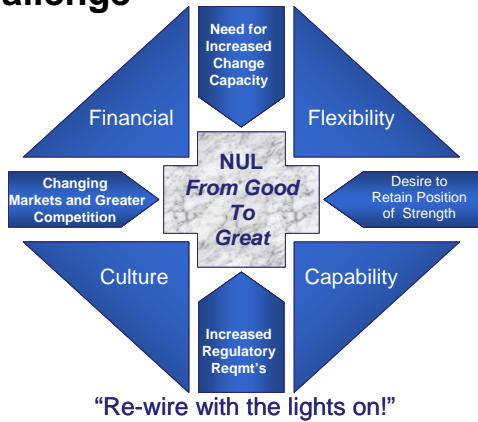


- 2) Followed by full delivery over an 18 month to three year period depending on the bank's Transformation agenda and priorities

Programme Timetable		Year 1	Year 2	Year 3
Capability Building	<ul style="list-style-type: none"> Process & org design and build completed Resource and Professional Development Model Deployed Vision / Direction socialised Comms & Leadership pgms executed PCMM Level 2 achieved 	<ul style="list-style-type: none"> Services model fully deployed and operational Extend processes to Level 3 standards - PCMM Level 3 attainment 100% compliance on all RM and PD tools 100% handover of RM and PD to NUL 		
Fit For Purpose Processes	<ul style="list-style-type: none"> Process audit completed Gap analyses completed Publish agreed processes Commence Education CMMI Level 2 attainment 	<ul style="list-style-type: none"> Complete roll -out of processes Review and measure improvements Process Authority transition complete CMMI level 3 attainment Transition out 		
BRM & Architecture	<ul style="list-style-type: none"> CBM Model completed and operational Business engagement process established Business Consulting restructured Innovation approach established 	<ul style="list-style-type: none"> Ongoing support on BRM and coaching in deployed processes Support on Architectural Compliance Business Consulting support 	<ul style="list-style-type: none"> Ongoing BRM and coaching in deployed processes Transition out 	
Delivery Excellence	<ul style="list-style-type: none"> Design Authority concept Implemented Test competency Implemented Templates & Pathways rolled out Application / Project baseline Conducted Staff infused into 2005 Delivery Programme BA /DA within Component Teams Deployed 	<ul style="list-style-type: none"> Institutionalise project delivery using new processes, methods and tools Monitor and measure through assurance process Infuse staff into 2006 delivery programme 	<ul style="list-style-type: none"> BAU Process monitoring Complete Mentoring Support to 2007 delivery programme Transition out 	
Service Excellence	<ul style="list-style-type: none"> SLA definition and roll -out completed Variable Service Level (VSL) Assessment completed Pilot measurements programme completed Infrastructure review completed Operational Requirements Authority established and initial interventions 	<ul style="list-style-type: none"> Provide Operational and Non Functional stakeholder input to 2006 change programme Manage and monitor VSL programme Transition out 		
		Programme Direction and Management Support		

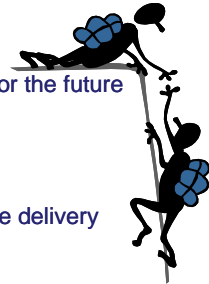
As number one in the UK life and pensions market, Aviva Life set itself stretching objectives to deliver value to clients, keep its promises and be “easy to do business with”

The Challenge



Why Assisted Transformation (ATP)?

- Build a strong, high performing organisation for the future
- Transfer skills and knowledge
- Invest in and develop of our people
- Increase our capacity and capability in change delivery
- Leave a **self-sufficient** organisation



The Transformation Programme

	Year 1 - Implement	Year 2 - Institutionalise	Year 3 – Exit Plan
Capable Team Winning Team	Practice based people management organisation in place Initial staff movement completed Resource Management operational Refreshed Training portfolio linked to skills & PD framework Performance and objectives management deployed PCMM Level 2 achieved	Training takes place to new catalogue Integrated PD and HR processes operational PCMM 3 attained	Transition out
Fit For Purpose Processes Tools	Lifecycle tools and methods deployed Process Authority deployed and operational CMMI L2 achieved All new projects started with new process landscape Baselines established	Process Compliance operational Transition to NU complete Lessons Learnt and rework cycle complete CMMI L3 assessment	
BRM & Architecture	Business engagement process deployed Portfolio & pipeline management process deployed Customer relationship roles and governance implemented	Yr 2 Business Change programme managed through new process Continued input on innovation	
Delivery Excellence	Design Authority operational Independent Test implemented Templates and pathways operationally deployed for Yr1 Change Programme (CP) IBM Staff infused into Yr1 CP New projects operationally using RDM / PDM process	Templates and pathways operationally deployed for Yr2 CP Staff infused into Yr2 CP All projects & programmes follow new process landscape	Complete existing projects Yr3 CP initiated with NU staff All key roles occupied by NU staff
Service Excellence	SLA definition and roll-out completed Variable Service Levels framework deployed		
Programme Direction and Management Support			
<p style="text-align: center;"> Infuse Knowledge and Experience → Increasing Self Sufficiency → Transformation Complete High Performance Culture </p>			

How did it work?

- ▶ Priority: Deliver 'demonstrated' self-sufficiency
- ▶ Shared risks and rewards
- ▶ Transformation delivery measured against Scorecard
- ▶ Significant element of total fee at risk
- ▶ Substantial element tied to sustained performance after contract end



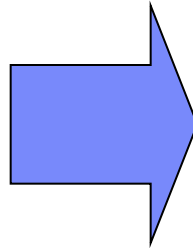
Leave as a stand alone, high performing organisation

The transformation benefits were substantial; IBM's performance was linked to successful outcomes through a joint transformation scorecard

IBM Role

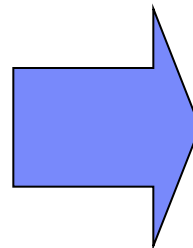
Transformation Expertise

Expertise to help Aviva to create, manage and deliver the right transformation plan – people with real experience of doing it before



Infused Resources

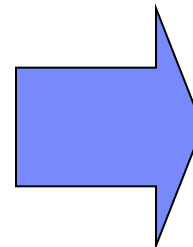
An infusion of skills to accelerate development of Aviva's capability, keep delivery on track (re-wire with lights on) and free up key resources for transformation



Joint Transformation Scorecard

Portfolio Business Outcomes	IBM	Development Productivity	IBM
Cost Reduction	IBM	Portfolio Delivery Quality	IBM
Gold Applications	IBM	Maintenance Productivity	IBM
Silver Applications	IBM	Maintenance Quality	IBM
Bronze Applications	IBM	Applications Sunset	IBM
Customer Satisfaction	IBM	Staff Satisfaction	IBM
Overall Service Score			

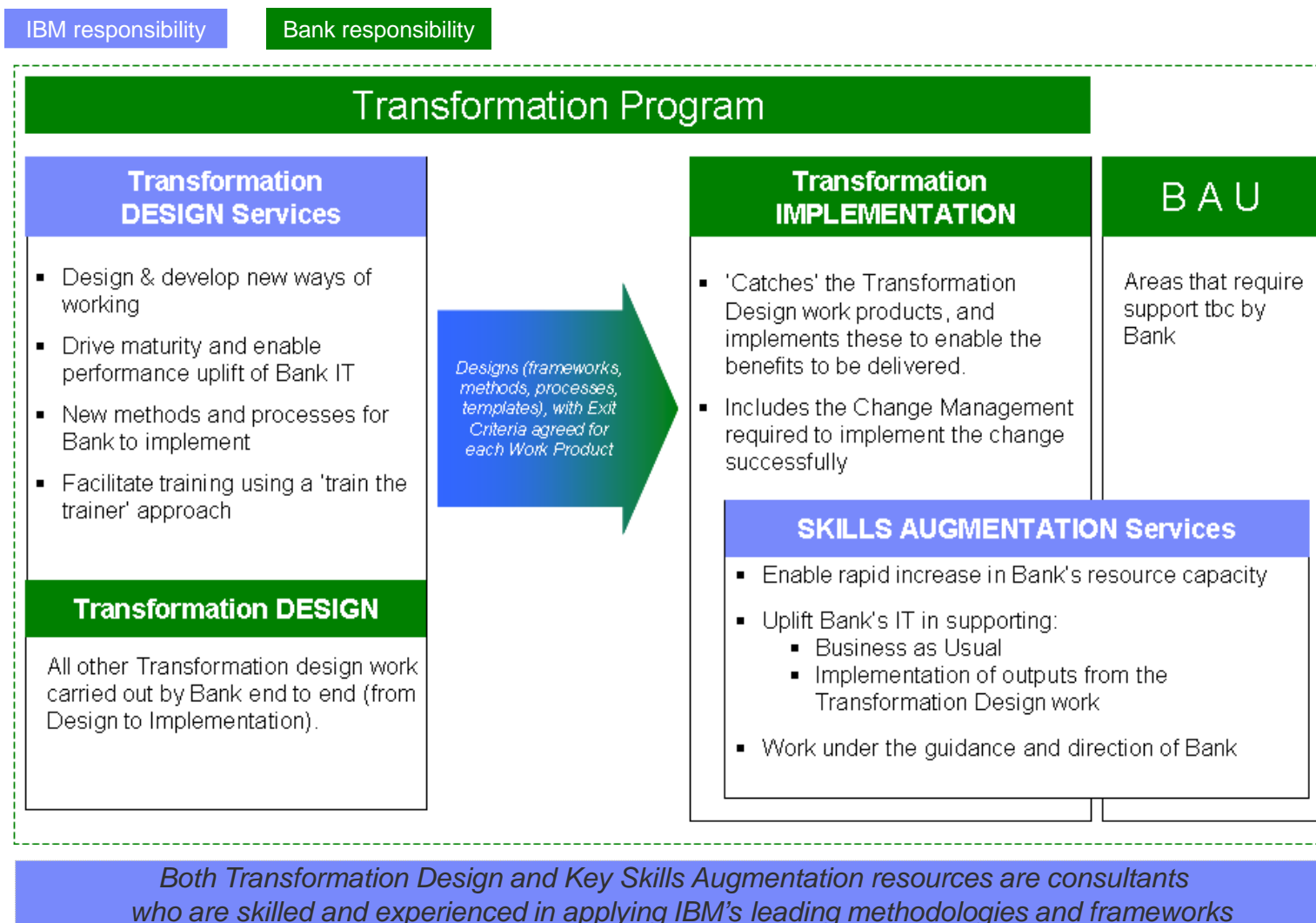
Linkage of fees to Aviva transformation KPIs under a 'gain-share' arrangement operating to agreed partnership principles



Benefits Delivered – Significant and Sustainable

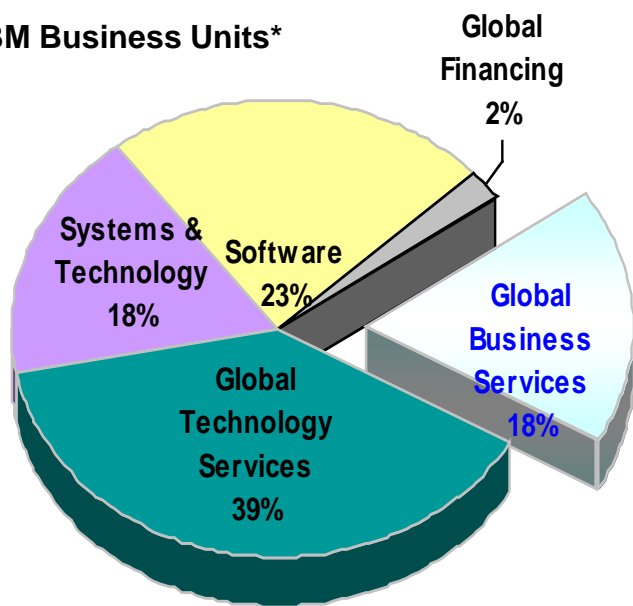
- Achieved sustainable annualised costs savings (some reinvested in more change)
- Gained productivity improvements of 50%
- Achieved change delivery performance of 95%
- Enable quicker 'time to market'
- Improved internal confident and enabled an uplift in change investment
- Increased business improvement (benefits), consistently delivered on time
- Increased Customer satisfaction by 30%
- Gained CMMI L3 accreditation in key processes
- Achieved improvements in Service Management metrics
- Increased Staff satisfaction by 20%

IBM are currently providing two main categories of services to support a leading Middle Eastern Bank in their IT Transformation journey, for which the Bank has retained overall responsibility

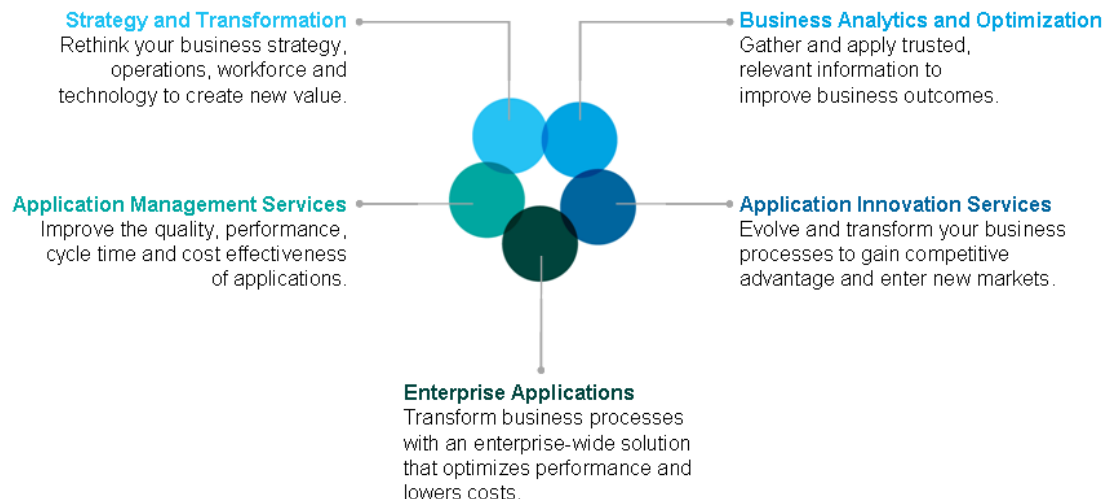


IBM Global Business Services partners with organizations of all sizes, in all industries, from every part of the world to help them navigate change and capitalize on increasing complexity

IBM Business Units*



GBS Consulting Services



Strategy & Transformation

- Business Strategy
- Technology Strategy
- Organization Change Management

Enterprise Applications

- Systems Integration
- Process Improvement
- ERP Implementations

Application Innovation Services

- Portal Solutions
- Mobile Solutions
- Business Process Management

Business Analytics & Optimisation

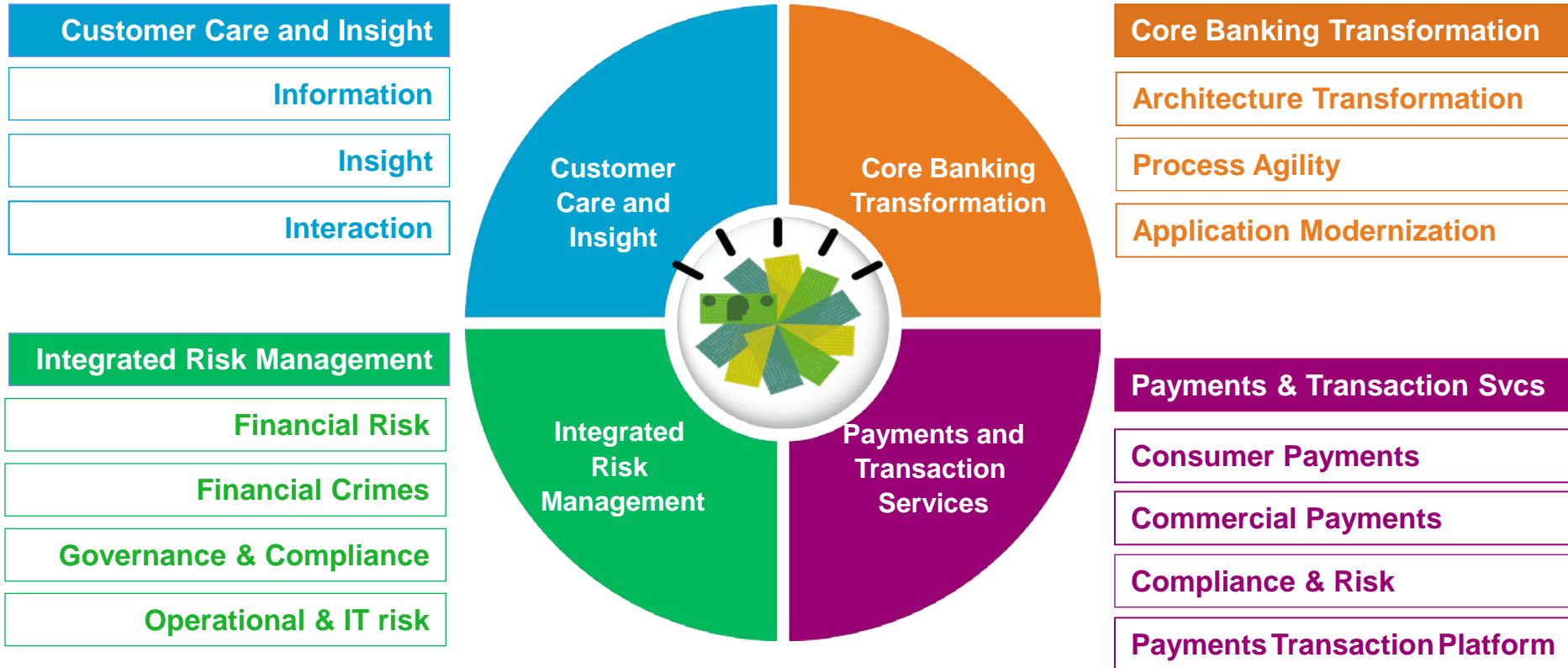
- Business A & O Strategy
- Business Intelligence and Performance Management
- Advanced Analytics and Optimisation

Application Management Services

- Enterprise Application Outsourcing
- Testing Services
- Staff Augmentation



IBM Banking Industry Solutions Framework



IBM's key ISV partners



- There are 35+ IBM business partners (independent software vendors [ISV]) in the framework ecosystem
- IBM is usually the largest deployment partner for each company
- Proven integration between IBM framework middleware and industry-leading partner applications provides...
 - Faster deployment
 - Easier integration
 - Lower cost of operations

How IBM can assist banks in Indonesia

- Our Transformation offering can enable banks to achieve faster and greater value
- IBM has the proven capability to help banks shape, plan and implement transformational change programmes – *one size does not fit all !*
- IBM has a number of unique industry assets and accelerators to enable rapid and de-risked delivery execution
- Please come and talk to us on the IBM Booth to get more details on the above