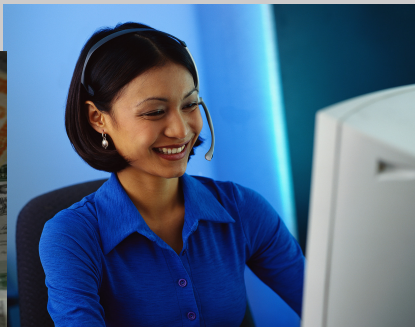


Top 10 Strategic Initiatives for Asia/Pacific Banks in 2009

What is Your Countercyclical Strategy?



Top 10 Strategic Initiatives for A/P Banks in 2009: Talking Points

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- Introduction
 - Top 10 Initiatives: What are these?
 - The Current Environment
 - Counter-Cyclical Strategies
- Top 10 Strategic Initiatives
 - Honorable Mentions
- Essential Guidance
- Questions?

Introduction: Top 10 Initiatives: What are these?

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- **Annual list**
 - Line of business and technology issues
- **Incorporates input from across the industry**
 - Bankers, vendors, analysts, media, consultants, etc.
- **Focus is on strategic, not tactical initiatives**
 - Do not necessarily account for the highest dollar spend or the most media friendly
- **Regional in scope**
 - Country drill downs are essential
- **Validate what we tell you**
 - We welcome feedback

Introduction: The Current Environment

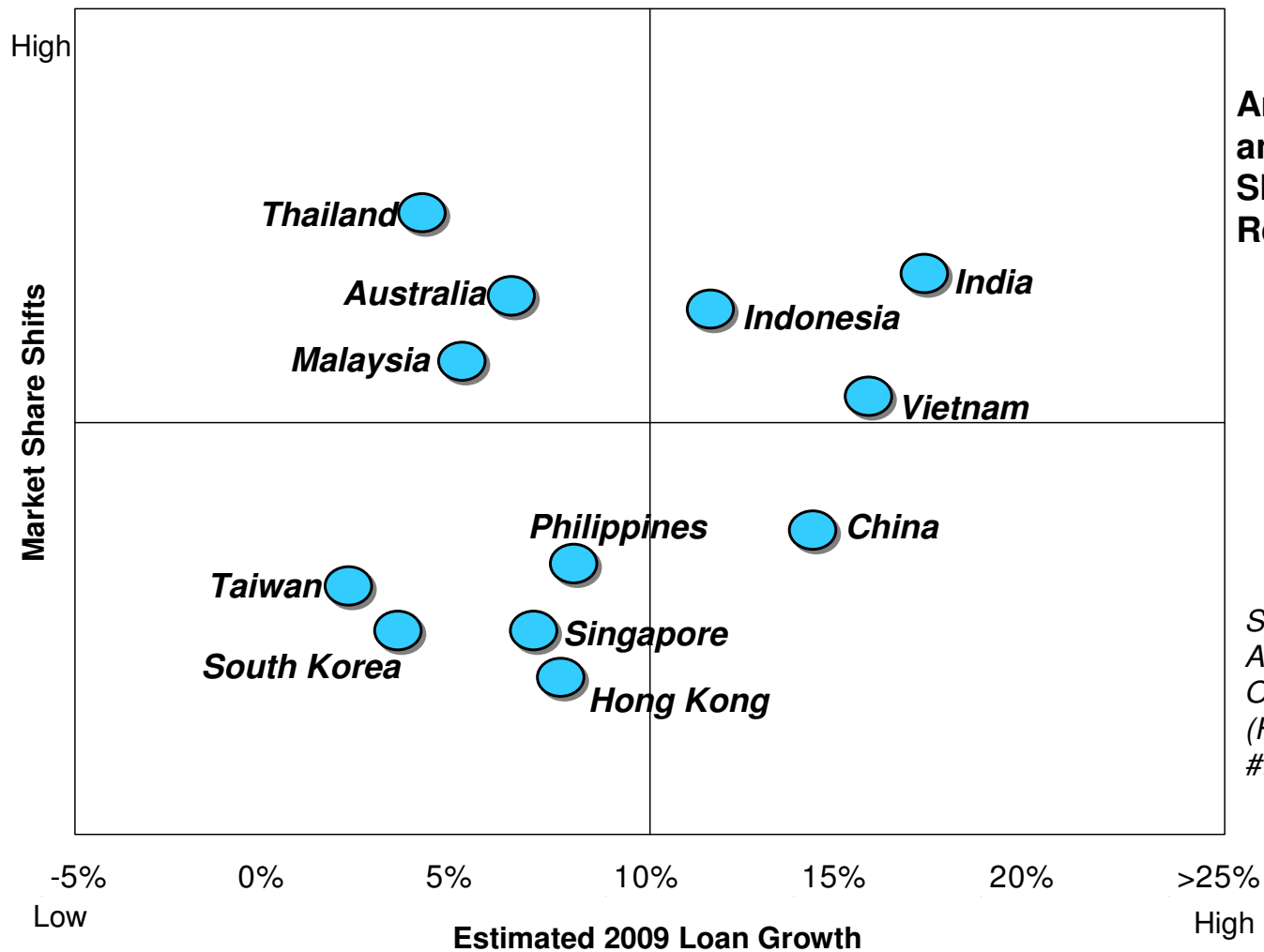
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Asia/Pacific Projected GDP Growth Rates, 2008 and 2009 (%)

COUNTRY	2008	2009
Australia	1.6	1.5
New Zealand	1.0	-1.0
Hong Kong	3.0	-1.0
Korea	3.7	-1.0
Singapore	1.5	-2.0
Taiwan	2.8	-2.0
China	9.1	6.5
India	6.0	5.0
Indonesia	6.2	5.0
Malaysia	5.1	2.0
Philippines	4.2	3.4
Thailand	4.0	0.5
Vietnam	6.2	5.0
Total	4.2	2.8

Source: Financial Insights, 2009; Analyst estimates

Introduction: Where are Opportunities?



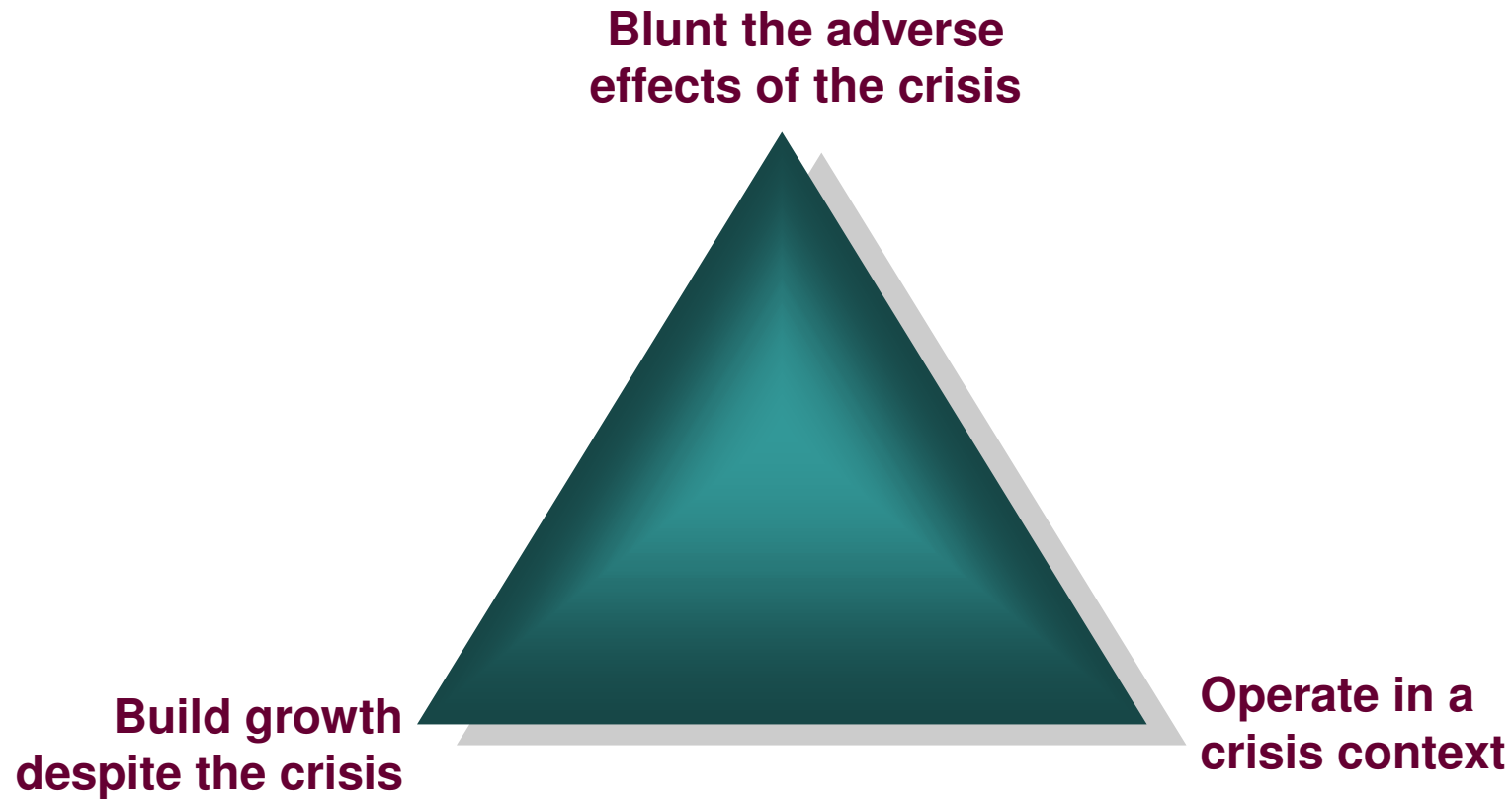
Anticipated Loan Growth and Loan Market Share Shifts in The Asia/Pacific Region, 2009

Source:
Asia/Pacific Banking in 2009: Opportunities Amid a Crisis
(Financial Insights #FIN216331, January 2009)

Introduction: Countercyclical Strategy Framework

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Introduction: Countercyclical Strategy

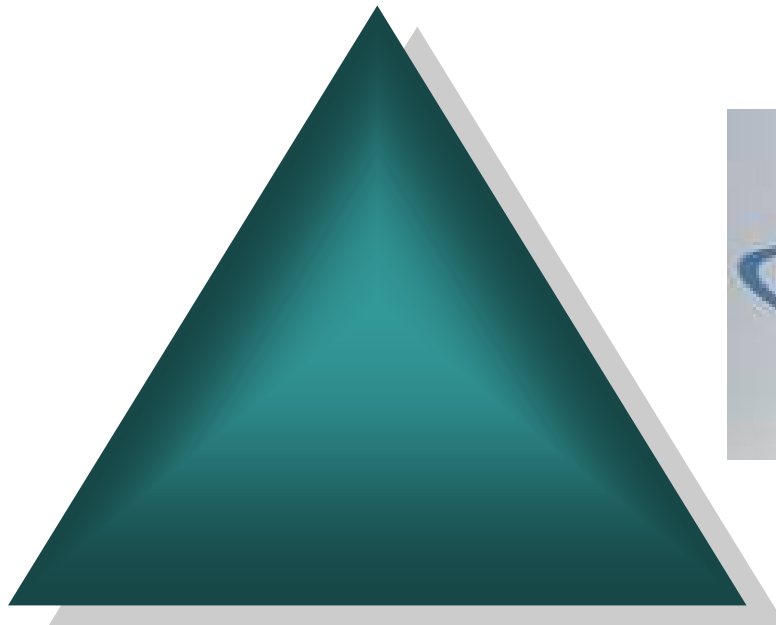
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**Blunt the adverse
effects of the crisis**



**Build growth
despite the crisis**



**Operate in a
crisis context**

Our Top 10 Strategic Initiatives

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1. IT Optimization
2. Risk Management and Compliance
3. Customer Centricity
4. Payments
5. Supporting Growth in Deposits
6. Core Banking Transformation
7. Outsourcing and Alternative Delivery Models
8. Cash and Liquidity Management
9. Security and Information Integrity
10. Mobile Financial Services

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Top 10: 1. IT Optimization

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- Over-arching initiative to “**make sense of technology assets**” and “**do more with what we have**”
- Refers to projects in:
 - Virtualization, datacenter consolidation, platform standardization
 - Performance management, SLA monitoring
 - Project management: IT organizations need to make sense of disparate projects competing for attention and how these IT projects meet ontime, onbudget requirements despite increasingly scarce resources.
- Creation of centers of excellence will align business and technology.

Top 10:

2. Risk Management and Compliance

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- Basel II projects will continue on a **scaled down basis**.
 - Regulation are not all-encompassing. Onus is on institutions to drive an enterprise-wide risk management culture.
- Global regulators are **stepping up financial oversight and introducing reforms**. Domestic regulators will likewise tighten regulations.
 - Banks that have to juggle diverse regulatory demands across multiple jurisdictions would be hardest hit.
- With complex products and need for sophisticated approach to managing risk, **asset liability management (ALM) techniques are becoming a necessity**.
 - Banks are building sophisticated ALM models, spending on techniques for assessing asset liability risk.

Top 10:

3. Customer Centricity

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- Drivers for customer centricity have shifted. **Customer centricity has become more tactical.**
- Now, it's all about **protecting existing business and customer bases.**
 - Banks are keen to more effectively understand customers within the current base, to have a comprehensive view of the customers' existing product holdings and interactions, and to see the drivers of cost and revenue within these relationships.
 - Implies investments in analytics and channel efficiency
- Increasing use of industry-wide measures for customer satisfaction.

Top 10:

4. Payments

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- Payments as a way to **bolster fee income and counter uncertainties around fee revenues.**
- Move towards enterprise payments is steady as banks seek to consolidate multiple payment systems on a common, unified platform.
- We anticipate **market shifts in the transactional services business.**
 - Banks with strong wholesale banking franchises will emphasize deep local market expertise and strong liquidity to offer increasingly integrated payments and cash management solutions.
- Select opportunities in remittance and cards.

Top 10: 5. Supporting Growth in Deposits

Top 10
2009

- A strong deposit base provides **cheaper sources of funding, a sustainable franchise, and is key to maintaining consumer confidence.**
 - Banks are actively growing deposits in Australia, India, Vietnam and Philippines.
 - They are offering attractive interest rates and offering "lifestyle" accounts targeted at specific demographics.
- Spending continues on **streamlining and automating account opening processes.**
 - Represents opportunities for vendors to provide workflow and imaging technologies.
- A deposit-building strategy is to **gain mindshare in untapped demographics, such as the Gen Y segment.**
 - Banks need to utilize alternative channels such as mobile banking and the Internet to reach out to this wired generation.

Top 10: 6. Core Banking Transformation

Top 10
2009

- Banks will be hesitant to sign off on new deals. But **whatever the market will miss in the number of deals will be made up for by impact.**
 - New game-changers and market incumbencies appearing.
- Cutbacks in staffing and dwindling support for high-risk, high-value projects would mean that **several ongoing core banking projects will not be delivered on time.**
- Vendors will have to recast their propositions and adjust go-to-market strategies.

Top 10:

7. Outsourcing & Alternative Delivery Models

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- For banks, domain expertise, experience and scale of outsourcers can translate to greater operational cost efficiencies. Also, **global banks coming under pressure to divest or spin off offshore captive centers.**
- The **crisis has revealed vulnerabilities of even the largest outsourcers.**
 - Revisit vendor due diligence and vendor management procedures
 - Vendor risk management has been thrown into the mix of justifications for the shift to shorter-term, multi-sourcing engagements.
- Illustrating the blurring of lines between traditional software and services vendors, the pay-per-use, utility-style model has emerged as a viable IT delivery model.

Top 10:

8. Cash and Liquidity Management

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2009

- Strong cash management (CM) capabilities are important as **companies expand cross-border and demand a global view of financial flows.**
- **Global CM banks like HSBC, Citibank, ABN AMRO, and StandChart have distinct advantages** because of their size, experience, and technological prowess.
- Smaller peers not using white-labeled products are **relying on packaged CM solutions** from vendors like eBworx Berhad, Fundtech's CashTech and Nucleus Software.
- Some **trends affecting demand for CM packaged solutions** include consolidation of Asian banks, banks sunsetting legacy CM systems and seeking replacements, or them rethinking their in-house developed systems.

Top 10:

9. Security and Information Integrity

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- Banks need to **curb fraud incidences**. Internal fraud has risen with the crisis, and with staff mobility within the workplace and between functions.
- Organizations will **lose 5% of their annual turnover through people fraud**, with four in five of these frauds perpetrated by internal staff.
- Investments are being made in:
 - identity access management,
 - security tools in the use of remote access software,
 - fighting data loss through thin-client or diskless environments,
 - disabling downloading functionality,
 - restricting usage of disposable drives and protecting data privacy.
- **Ensure security but not at the expense of efficiency**. A technology solution is not the silver bullet and banks need to establish a risk culture.

Top 10: 10. Mobile Financial Services

Top 10
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- There is an upsurge of mobile banking-based projects, ranging from **increasing use of the mobile device as a payment channel, to pushing banking application functionalities to the mobile devices.**
- Mobile banking services might not have had critical mass, given the lack of common technology standards.
 - However, **interoperability issues are being addressed.** New generation devices will see online and mobile channels continuously converge.
- Convergence of mobile payments and mobile banking and investments in IT security will engender broader adoption of mobile payments.
 - It is already a **market-wide initiative in Singapore and South Korea.**

The Top Ten in Our Countercyclical Framework

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RANK	INITIATIVE	Blunt the adverse effects of the crisis	Ensure business growth despite the crisis	Operate in a crisis context
1	IT Optimization	Yes		Yes
2	Risk Management and Compliance	Yes		Yes
3	Customer Centricity	Yes	Yes	
4	Payments		Yes	
5	Supporting Growth in Deposits		Yes	
6	Core Banking Transformation			Yes
7	Outsourcing and Alternative Delivery Models	Yes		Yes
8	Cash and Liquidity Management		Yes	
9	Security and Information Integrity			Yes
10	Mobile Financial Services		Yes	Yes

Essential Guidance: Banks

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- IT divisions need to **align technology initiatives with current counter-crisis strategies**.
 - Relate investments with the objectives of cost management, growing business despite the crisis, operational efficiency and customer experience.
- “Keeping the lights on” is not a value-building exercise in current turbulent times.
 - **Push more tactical projects with shorter timeframes and higher ROIs** so these get management support.
- Several initiatives are discrete, ad-hoc projects. **Do not make the mistake of managing these in an unstructured manner** – they need to be integrated to a long-term IT portfolio management strategy.
- Effective **vendor management and due diligence** are called for as vendor landscape changes.

Essential Guidance: Vendors

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- Industry's response to the crisis is very disparate.
 - Vendors need to be **client-centric, understand the technology priorities unique to each account** and offer customization accordingly.
- **Preempt the increase in number of canceled or postponed projects.**
 - Identify critical issues within current implementations, actively monitor and resolve them efficiently.
- In order to succeed amid the crisis, **reposition offerings by emphasizing counter-cyclical solutions**, adjusting pricing models, and building synergistic partnerships.
- **Be quick to respond to emerging trends** centering round new outsourcing preferences, SaaS, virtualization, etc.

For more Information...



Related reports by Financial Insights:

- *Asia/Pacific Banking in 2009: Opportunities Amid a Crisis (Financial Insights #FIN216331, January 2009)*
- *Worldwide Financial Services Top 10 Predictions 2009 (Financial Insights, January 2009)*
- *Asian Banks Still Prepared To Spend In Technology Despite Crisis (Financial Insights #FIN214652, October 2008)*
- *Packaged Cash Management Review: Mobilizing your Money in Asia (Financial Insights #FIN213292, July 2008)*



Thank You!

Further Questions?

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