Core banking transformation:
Get higher-profit products to market quickly.

> **STREAMLINE OPERATIONS AND IMPROVE EFFICIENCY RATIOS**

> **IMPROVE SERVICE AND CROSS-SELLING**

> **MAXIMIZE RESPONSIVENESS TO MARKET VARIABILITY**

> **DYNAMICALLY ADDRESS EVOLVING RISK AND COMPLIANCE REQUIREMENTS**

ON DEMAND BUSINESS™

Transform core banking operations to excel in today's market

As banks vie to capture the loyalty of today's savvy customers who expect highly personalized service, many choose to offer increasingly lower rates and more tailored, compelling products. In the midst of these efforts, new forms of competition have emerged — such as universal banks that market a comprehensive portfolio of products and services, and specialty banks that focus on a specialized set of banking services. While the overall trend toward mergers and acquisitions continues, banks seek to accelerate time to value by quickly integrating new services, people, systems and processes into daily operations.

For more information on this solution, including demonstrations and customer case studies, visit **ibm.com/banking/flexibility**

Furthermore, in an environment marked by alarming fraud incidents and security breaches, maintaining and increasing consumer trust remain priorities. Banks also scramble to comply with regional and global requirements — such as the Basel II Accord — which are extending the focus beyond credit risk to operational risk management.

Although most banks rely on proven business applications to support core banking processes, these systems and applications tend to be independently deployed and managed within individual departments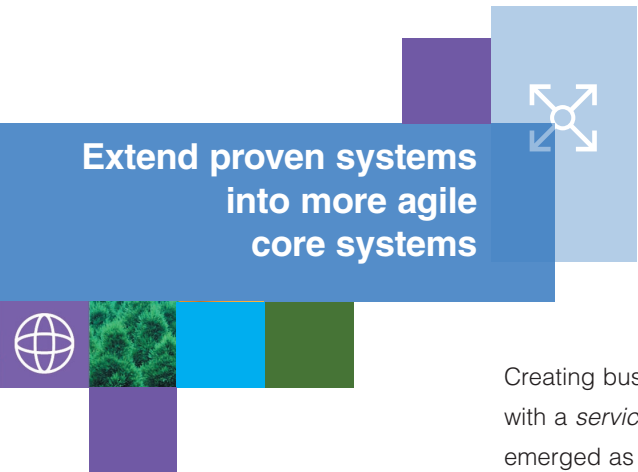. The result is that most core banking systems simply cannot efficiently be adapted to handle today's evolving business demands. They also cannot easily be adapted to use new, game-changing technologies that are available today, including pervasive computing and new approaches to data analysis.

To succeed in a fast-paced, aggressive marketplace, financial services organizations must seek a solution that unites and streamlines core banking systems, applications and operations — without breaking the bank. 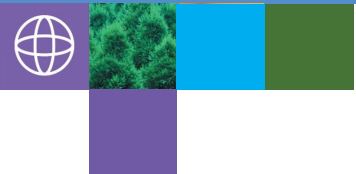By progressively transforming — rather than replacing — your trusted core banking applications, you can speed the time to market for new products, integrate customer information across the bank to strengthen customer relationships and better collaborate across banking channels to enhance marketing and customer service.

Turn the page to learn more about how your bank can:

> **Help get new products to market faster by streamlining and automating core banking operations.**

> **Leverage integrated customer information to help improve service and create new cross-selling opportunities.**

> **Enable the potential to respond more effectively to variable market conditions.**

> **Help create operational resilience and responsiveness to changing risk and compliance requirements.**

Leverage IBM's banking industry expertise to transform your core systems

IBM solutions for the banking industry bring together the extensive IBM portfolio of hardware, software and high-value services — and its wide network of Business Partners — to address the most prevalent challenges for clients in the industry. IBM solutions and banking industry experience help each client accelerate its progress in becoming an On Demand Business — so it can respond with flexibility and speed to virtually any customer demand, market opportunity or external threat.

Creating business processes with a *service orientation* has emerged as the best way to achieve that flexibility and speed, as well as agility and resilience. Service orientation takes everyday business applications and breaks them into individual business tasks, called services. These services can then be shared with other departments within your organization, integrated with your trading partners and exposed directly to customers to create new or modified business processes. As a result, you have the flexibility to easily respond to changing market requirements. And because these services can tie together existing enterprise resource planning (ERP), human

resources (HR), customer relationship management (CRM) and supply chain systems such as SAP, Oracle, Siebel and JD Edwards, there is no "rip and replace" required. Furthermore, these services can be used across multiple processes — rapidly, easily and consistently — to help drive improved time to value and reduced costs.

IBM software, a key building block of the IBM solutions for the banking industry, is vital to employing a service orientation strategy. It helps our clients achieve business flexibility by enabling them to model, assemble, deploy and manage business processes for today's on demand business environment.

Through IBM core banking systems transformation, you can incrementally transform, rather than replace, your proven core systems. As a result, you'll extend the value of your technology investments as you create more agile core systems to help you respond

faster to market conditions and customer demands — and drive heightened competitive advantage. To capture even more value, you can design your systems to automatically collect, monitor and generate reports of appropriate information to regulating entities — helping lower risk and ease compliance requirements. With IBM software for core banking systems transformation, you help:

- Boost competitiveness and operational efficiency by quickly releasing new products that leverage value from across the bank.
- Earn customer loyalty and open new revenue streams by uniting disparate sources of customer information.
- Enhance your ability to leverage new technology for competitive advantage.
- Implement and centrally manage enterprise-wide risk and compliance policies.

Strengthen competitiveness and operational efficiency

Although current core banking applications are highly reliable and capable of handling massive numbers and types of transactions, most were built in an era when bank mergers and acquisitions were few and far between — and the boundaries between products and divisions were quite distinct. As a result, departmental business systems were developed separately. Rather than allow these powerful systems to continue working independently, banks are increasingly rethinking and transforming business processes and information that cross organizations into shareable, reusable business services.

By streamlining and uniting your core banking services — which span different departments, divisions, new acquisitions, and even external partners and suppliers — you can help speed the release of new, high-profit financial products. You can significantly boost operational efficiency. And you give yourself an edge for competing in a complex, fast-paced marketplace.

Consider a bank that offers traditional mortgage loans to medium-risk home buyers and purchases a smaller institution that served higher-risk clientele. Because the bank now has two separate systems for processing applications and evaluating loan risk, it is difficult for the bank to optimize rates or leverage the acquisition to capture new customer segments. Also, having the applications remain separate invariably increases maintenance costs, yet replacing the two systems with a new one may be cost prohibitive.

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By transforming your core banking systems, you can turn them into a portfolio of shared, reusable services that speed time to market for new products. Using IBM WebSphere® software, for example, you can utilize open industry standards and a service orientation to design a risk management "service" for credit applications. This service can then be shared by multiple applications, whether new or existing. So even though the two banks in our example have separate loan applications, they could use WebSphere software to integrate them with a single shared service for evaluating credit risk — and quickly establish the competitive rates they need to capture new customer segments. Furthermore, you can use IBM WebSphere Extended Deployment to improve service levels and adapt to new volume requirements dynamically.

Increase customer loyalty and revenue

Because banks have the ability to meet more complex needs than those of past generations, banking customers today have more diverse business relationships with their banks. While universal banks often provide broader offerings, customers still crave the personal touch they associate with a small neighborhood bank. As a result, their loyalty to a particular bank is not only driven by the breadth of their offerings, but just as importantly by how well the bank knows them, how well it understands the different

types of business it conducts with them and how well it addresses their unique needs.

Rather than keep relationship information about your clients separated within different departmental applications, you can help build customer loyalty and increase revenue by uniting this information across your bank. Employees and applications across your bank can then leverage that information to help better serve your customers. Tellers and platform managers in your branches, service agents in your call centers, even your monthly statements can all deliver superior service if they leverage a comprehensive

Leverage united information to better serve customers

view of every customer. In addition to illustrating to customers that you understand who they are and what they need, having a complete view of each customer gives you tools to help create more effective up-selling and cross-selling campaigns that successfully target products your customers truly desire.

For example, rather than having to sort through multiple statements every month, customers often want to save time and avoid complexity by getting unified statements for their savings, checking, mortgage and investment accounts. Typically, creating

such a unified statement is a major undertaking for banks, because each statement processing system works separately and does not communicate with other systems. But with core banking systems transformation from IBM, which includes IBM Business Process Management software and IBM Information Management software, you can link multiple statement processing systems to produce a unified customer statement. Then, you can also deliver the same consolidated statement through the Web. When you combine this software

with analytical software from an IBM Business Partner, you can also proactively recommend other relevant banking products to every customer, based on their unique needs. Each customer interaction can become an opportunity to provide additional value and up-sell new products.

Enhance your ability to attract technology-savvy customers

Today's technology-savvy customers expect their banks to rapidly provide new and enhanced types of services to complement their fast-paced lifestyles. A bank's marketing executives are constantly looking for new ways to reach the most profitable clients and hone their campaigns. And retail bank executives are looking to use technology to differentiate their offerings.

For example, customers may assume their banks will support round-the-clock Internet banking, along with frequent updates to functionality. But banks are often looking for additional ways to differentiate themselves to the technology-savvy customer, such as providing information and alerts on PDAs or cell phones. For example, when there is a concern that fraudulent transactions on credit cards or ATMs are suspected. Reaching them in real time rather contacting a home phone and message machine could make a big difference to many customers.

But because a large number of core banking systems were built many years ago, they can't easily support requirements driven by the new, changing advances in networking and mobile computing. Many banks try to get around the problem by simply adding a new front end to individual core systems applications so they can be accessed through the Internet or with mobile devices. However, this approach does not deliver an end-to-end solution. Aligning channel activity with product systems' transaction processing remains difficult.

That's why IBM core banking systems transformation includes software components that help you align channel activity and transaction processing. For example, using WebSphere integration software, including IBM WebSphere Everyplace® Access, helps you enhance existing applications so they readily communicate with the Internet, mobile devices and your other core banking applications. Integrating applications and systems strategically and in a modular fashion can help you protect existing investments while capturing the advantages presented by the latest technologies.

Centrally manage risk and compliance

Historically, banks have addressed risk and compliance issues at the departmental level, based on departmental needs. But increases in risk and new government regulations such as Sarbanes-Oxley now require banks to implement compliance policies consistently across the bank. When banks respond to new government compliance requirements by following their traditional approaches to risk and compliance issues, their initiatives are managed by various

teams that use different tools and methods. The problem with this approach? It is invariably slow, complex and expensive.

Consider the example of a large retail bank that offers multiple types of credit cards, such as corporate, personal, small business, private label and government. The cards are managed within several distinct departments at the bank. Each type of card has different acceptable risk levels. Through cross-bank management of credit risk, the bank could lower its costs by

reducing the amount of capital that must be set aside to cover potential risk.

With IBM Banking Data Warehouse — which is part of the IBM approach to transforming core banking — you can create a consolidated view of risk and compliance information from existing departmental applications that contain the most current data. This helps drive the ability to manage credit risk effectively across the bank and vary parameters depending on changes in bank policies.*

Thoroughly plan process changes — and adjust implementation as needed

When you use a service oriented approach to optimize the business processes involved in core banking systems, you can obtain the flexibility and responsiveness needed to bring innovative products, services and strategies to market. But successfully improving your processes depends on having a good plan and diligently tracking your progress. As many as two thirds of process implementations fail to produce the expected benefits because their true impact is not known prior to execution.**

That's why IBM offers industry-leading tools to help your staff plan, monitor and adjust the implementation of process changes. Leverage easy-to-use tools that help your teams:

- Easily reuse, create, modify and collaborate on process models.

- Simulate and analyze the impact of processes before implementation.

- Enable your IT team to quickly create supporting applications by leveraging your process models.

- Monitor and optimize processes by specifying key performance indicators during process design.

Business Partners help further leverage IBM software capabilities

IBM core banking systems transformation is complemented by applications and services provided by our IBM Business Partners — including the hundreds of Business Partners specializing in service orientation — helping to make this solution a world-class foundation for successful, rapid creation of new revenue-generating products. Working together with our clients, IBM and IBM Business Partners can help meet the needs of today's bankers.

For more information

IBM is unique in its combination of unmatched banking industry experience, deep service orientation skills, unparalleled Business Partner network, and software and technology product excellence — and as a result is a clear leader in service orientation. We can help you get started with service orientation, whether for the enterprise, a departmental initiative or a single project. IBM is the ideal resource for banks seeking to meet the challenges of getting new, high-profit products to market quickly for competitive advantage; fostering stronger customer loyalty while leveraging new revenue opportunities; and building agile, efficient core systems that help you respond quickly to changeable market conditions along with multiple risk and compliance requirements.

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