



The Recipe for Recovery: Prominent Trends in Our Industry

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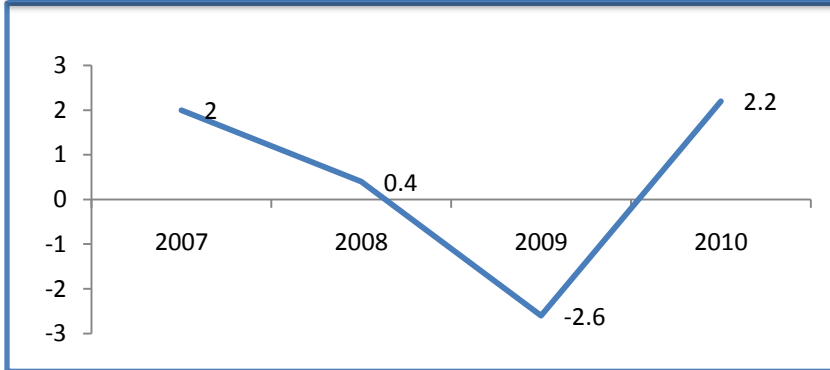
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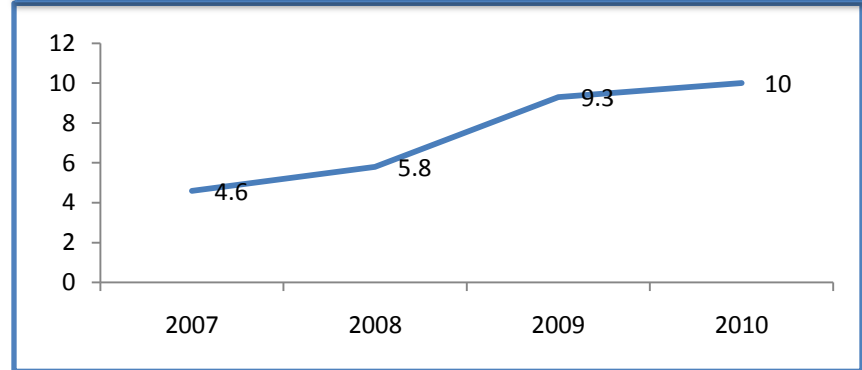
"I want my bubble back."

After a precipitous fall through 2008, the US economy is showing early signs of stabilizing ...

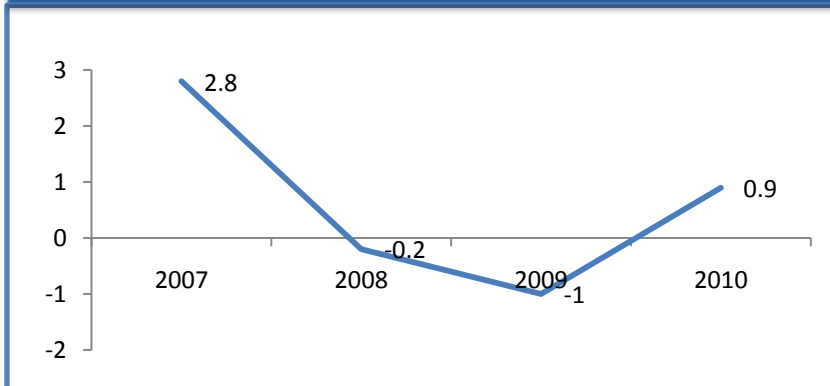
Real GDP Growth Rate



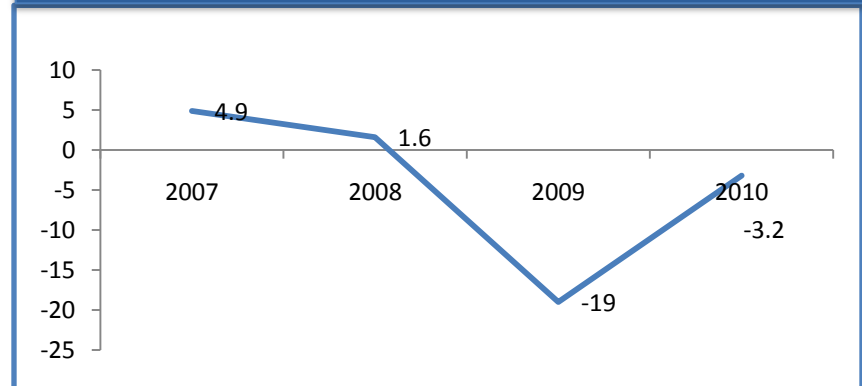
Unemployment (%)



Consumer Spending (Growth)



Business Investment (Growth)



Source: BMO Capital Markets Economics

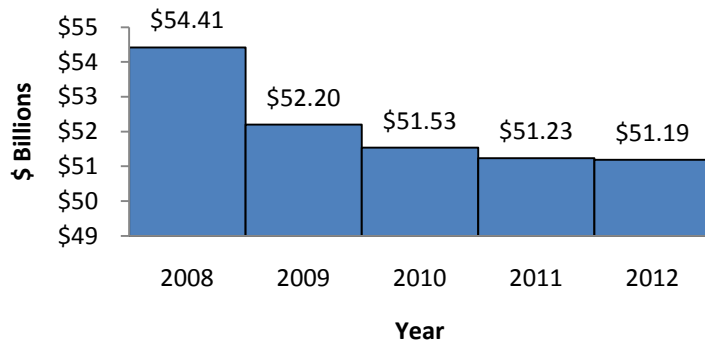
Though the sense of optimism is cautious, economic indicators have started exhibiting positive trends

Economic Indicators Movement		
Key Indicators	Trend	Movement
Housing Starts	Green	<ul style="list-style-type: none"> • Grew by 1.5% in August 2009 • This was the highest level since November 2008
Manufacturing	Green	<ul style="list-style-type: none"> • The ISM's manufacturing index rose to 50.5 in August (48.9 in July) • A reading above 50 indicates the sector is expanding
Retail Sales	Green	<ul style="list-style-type: none"> • Retail sales surged by 2.7% in August • It was the fastest rate in more than three years
Auto Sales	Green	<ul style="list-style-type: none"> • Auto sales in US boomed in August 2009 • Ford reported a 17% growth in sales. Hyundai posted a 47% growth
Unemployment	Red	<ul style="list-style-type: none"> • Unemployment rate rose to 9.7% in August 2009 • Highest since June 1983 and worse than economist s' expectations
Consumer Confidence	Green	<ul style="list-style-type: none"> • Rebounded in August 2009 • Rose more than expected after two consecutive months of decline
Savings Rate	Green	<ul style="list-style-type: none"> • Savings rate declining : 4.2% in July (6% in May and 4.5% in June) • A positive sign so far as consumer spending goes

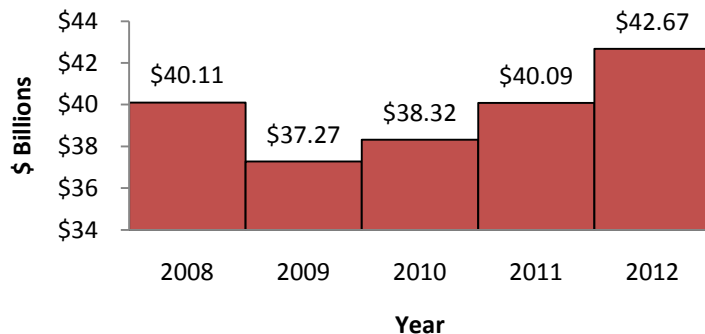
Both Banking IT spending and Securities & Investment IT Spending have been impacted

IT Spending (USD Million)

Banking



Capital Markets



Source: Financial Insights

- 3 of the 5 largest investment banks have ceased to exist as independent entities
- Severe impact on firms' strategies and IT decisions in 2009 and beyond due to prevailing uncertainty
- Securities and Investments' firms IT spend is expected to recover more swiftly than Banking IT spending
- IT spending in Retail Banking and Cards down, tracking unemployment trends
- Customer-facing investments are being prioritized
- Wholesale Banking IT Spend has compensated for weakness in other segments

Several trends have clearly emerged in the current downturn...

Key Themes

Core Banking

Payments

Risk Management &
Compliance

Wealth Management

Post Merger Integration,
IT Cost Reduction

Securities Trading &
Processing

Trends

- Replacement of legacy transaction systems to improve agility
- Reducing total cost of ownership of core banking platforms

- Consolidation and Transformation of enterprise payments
- Evolution of new payment standards

- Focus on being agile and smart in managing compliance risk through IT-enabled business transformation
- Overhaul risk management with a focus on enterprise risk views

- Empower the advisor network through improved tools, real time portfolio views
- Effective customer segmentation & improved customer experience

- Realize the targeted value of the merger, effectively manage post merger integration
- Structured enterprise-wide IT cost reduction programs

- Rationalization & consolidation of middle and back office capabilities with a focus on operational efficiency, cost optimization
- Increased focus on risk management

Core Banking Transformation : Banks are starting to look at overhauling their Core Banking platforms

Key Trends	Industry Responses	Examples
<p data-bbox="148 418 593 618">Consolidation and standardization to drive efficiencies and cost reduction</p> <p data-bbox="148 666 593 838">Growing operational complexity</p> <p data-bbox="148 919 593 1090">Leveraging information and transforming delivery channels to differentiate</p>	<ul data-bbox="726 468 1193 1058" style="list-style-type: none">• Integration of consulting and service capabilities• Develop IT Cost reduction frameworks to evaluate spending across multiple dimensions and identify critical levers to reduce IT costs• Develop transformation approach to transform operations and reduce risk	<ul data-bbox="1335 432 1773 1110" style="list-style-type: none">• A US bank is transforming siloed core infrastructure into an Integrated Banking platform• A German bank is launching an online deposit platform to reduce the overall cost of funds• A US financial services firm is rolling out a bank-in-a-box program• Many global banks are implementing large scale core banking transformation programs

Payments: Increasing consolidation in enterprise payments, innovation and rapid evolution of new standards

Key Trends	Industry Responses	Examples
<p data-bbox="148 432 593 601">Consolidation and Transformation of Enterprise Payments</p> <p data-bbox="148 679 593 886">Rapid evolution of new Payments & Clearing standards, regulatory requirements e.g. SEPA</p> <p data-bbox="148 965 593 1136">Commoditization and focus on 'Value added services'</p>	<ul data-bbox="741 432 1203 1158" style="list-style-type: none">• Develop enterprise payments hubs to consolidate infrastructure and transform payments operations• Execute payments programs supporting new payments standards• Leverage competencies across verticals to come up with innovative offerings – e.g. healthcare revenue cycle mgmt, procure to pay	<ul data-bbox="1335 432 1785 1172" style="list-style-type: none">• A European bank is embarking on a multi year program to define a Payment hub solution• A global financial services firm has implemented an Enterprise Money Movement solution that enables consistent and standardized processing• A key US bank has started a multi year program for transformation of end-to-end payment processes

Risk Management & Compliance: Intense regulatory scrutiny and a return to rationality has renewed the focus on Risk Management

Key Trends	Industry Responses	Examples
<p data-bbox="150 444 591 615">Overhauling risk management with a need for enterprise wide risk views</p> <p data-bbox="150 639 591 811">Back to basics in lending as a result of the breakdown of the “originate to sell” model</p> <p data-bbox="150 835 591 1006">Stress testing of current risk models, increase in periodic review of models</p> <p data-bbox="150 1045 591 1216">Reduction of compliance costs while strengthening governance and control</p>	<ul data-bbox="730 444 1219 1239" style="list-style-type: none">• Develop Integrated Enterprise Risk Framework & Methodology to accelerate enterprise risk programs• Develop accelerators / solutions that focus on core lending processes and on topical credit issues like Collections• Develop frameworks to manage liquidity risks and stress test extreme events• Deepen compliance solutions stack through SaaS (Software-as-a-Service) and integrated Governance Risk and Compliance (GRC) offerings	<ul data-bbox="1338 444 1765 1268" style="list-style-type: none">• One of the largest global investment managers in is re-designing their enterprise wide ORM program in a multi year program• One of the leading financial services firm is enhancing global trade surveillance capabilities in a multi year program• Large credit card companies are streamlining their collection and bankruptcy processes

Wealth Management: Managing customer relationships through effective segmentation and improved customer experience

Key Trends

Improvement in customer experience through multi channel integration

Creation of unified view of clients leveraging web 2.0 technologies

Differentiation in specific capabilities supported by a single platform

Industry Responses

- Integrated Wealth Management advisor desktop to focus on providing superior user experience
- Customer Data Integration solution to provide the base for a unified view
- Centralized New Account opening to provide for account opening across multiple channels & products

Examples

- A leading financial services firm is developing next gen wealth management portals adopting 'single multiple skin platform and launching a new social commerce based offering leveraging web 2.0 technology
- A large middle eastern bank is creating a strategic vision and roadmap for creating an integrated wealth management portal
- A large Australian Bank is refining its operating model to its new product offering for high net worth customers

IT Cost Reduction: Greater focus in managing costs through structured enterprise-wide IT cost reduction programs

Key Trends	Industry Responses	Examples
<p data-bbox="148 411 593 582">Reduction of IT costs through aggressive programs</p> <p data-bbox="148 661 593 868">Renewed push towards risk based outsourcing</p> <p data-bbox="148 961 593 1132">Leveraged enterprise wide shared services to usher in operational efficiencies</p>	<ul data-bbox="743 415 1205 1079" style="list-style-type: none">• Develop along the IT Capability Framework and Maturity Model• Devise IT cost reduction strategies based on Infrastructure Asset Utilization, Application Portfolio Rationalization and Strategic Sourcing• Program Management & Governance Framework to successfully execute IT cost reduction programs	<ul data-bbox="1338 411 1785 889" style="list-style-type: none">• A leading bank is leveraging IT Frameworks to reduce technology budget s by more than 15% over the next few years• A leading investment bank has partnered with a tier 1 vendor to identify cost savings of approx. 50% over next 3-5 years

Securities Trading & Brokerage - Improving operational efficiency by redesigning core business processes

Key Trends

Improvement of Operational efficiency through adoption of shared services models for middle & back office

Consolidation of trading infrastructure

Integration of systems & processes in a post merger environment

Industry Responses

- Developed transformation approach to help improve operational efficiency
- Develop new engagement models with vendors for large programs (gain sharing, transaction based, etc)
- Leveraged SOA framework to develop global trading & multi asset-class capabilities
- Developed Post Merger Integration framework

Examples

- A large Canadian retail trading firm has defined an IT technology roadmap & transformation for 3-5 years
- A Japanese financial major with global operations has partnered with a leading vendor to standardize operations and practices across geographies for the middle office function
- Two large merging banks conducted an Application Portfolio Rationalization exercise and established a Global Delivery Model-based common development team

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"Tell me the fairytale about the economy."



Thank You

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Appendix: Source data for slide 3

Housing Starts

- <http://www.fxstreet.com/technical/market-view/daily-fx-market-commentary09/2009-09-18.html>
- <http://www.reuters.com/article/ousivMolt/idUSTRE58G2MS20090917>

Manufacturing

- <http://www.reuters.com/article/businessNews/idUSTRE58010520090901>
- <http://www.ft.com/cms/s/0/1700ed54-a1ed-11de-81a6-00144feabdc0.html>

Retail Sales

- <http://www.ft.com/cms/s/0/1700ed54-a1ed-11de-81a6-00144feabdc0.html>

Auto Sales

- <http://economictimes.indiatimes.com/News/International-Business/US-auto-sales-boom-Hyundai-Ford-gain-ground/articleshow/4962354.cms>

Unemployment

- http://www.chinadaily.com.cn/world/2009-09/05/content_8659153.htm

Consumer Confidence

- <http://www.industryweek.com/articles/u-s-consumer-confidence-rebounds-in-august-19850.aspx?SectionID=3>

Savings Rate

- <http://www.dailymarkets.com/stocks/2009/08/30/us-savings-rate-dips-in-july/>