

How digital services are replacing traditional banking services

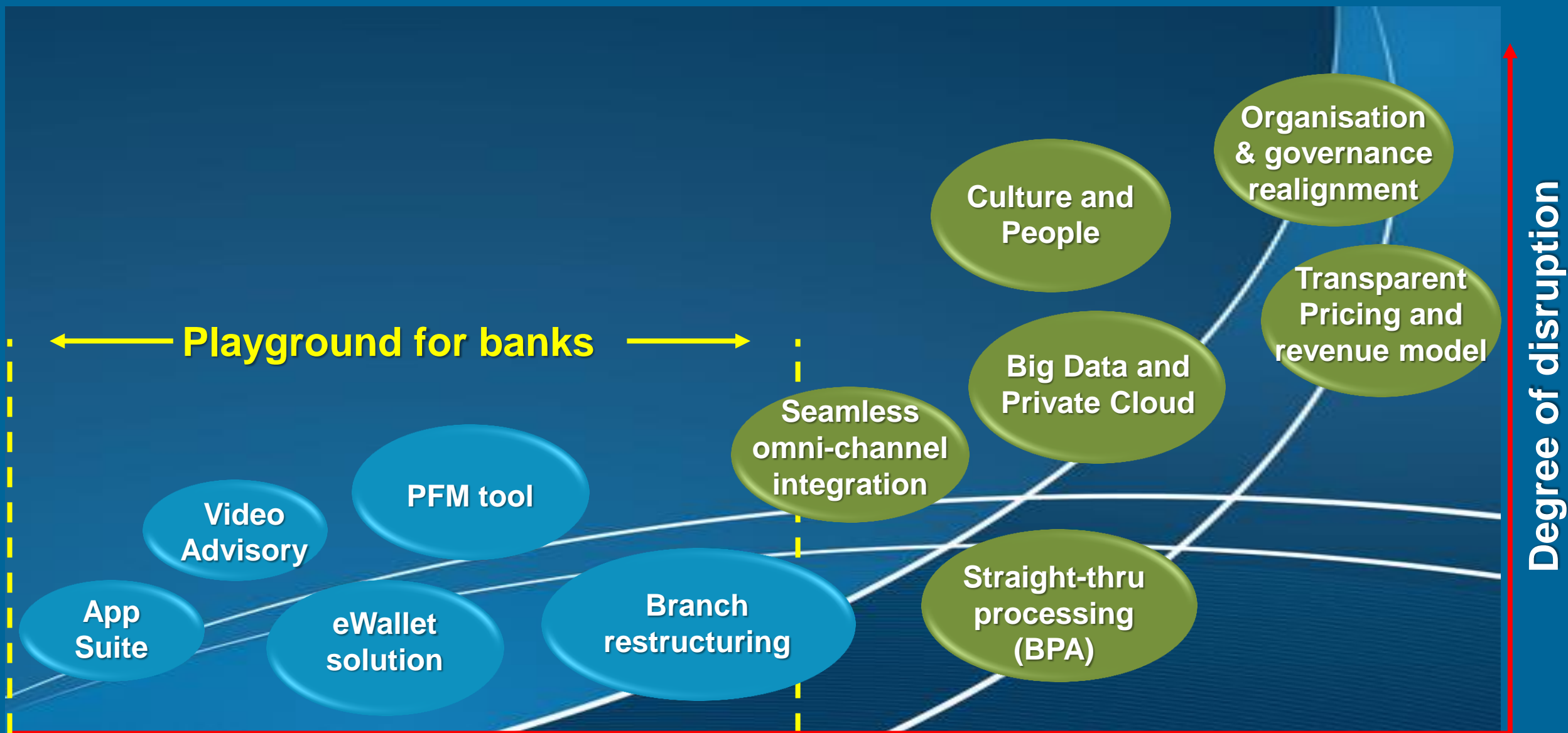
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15:30 – 16:45

Disruptors of The Digital Banking Playground



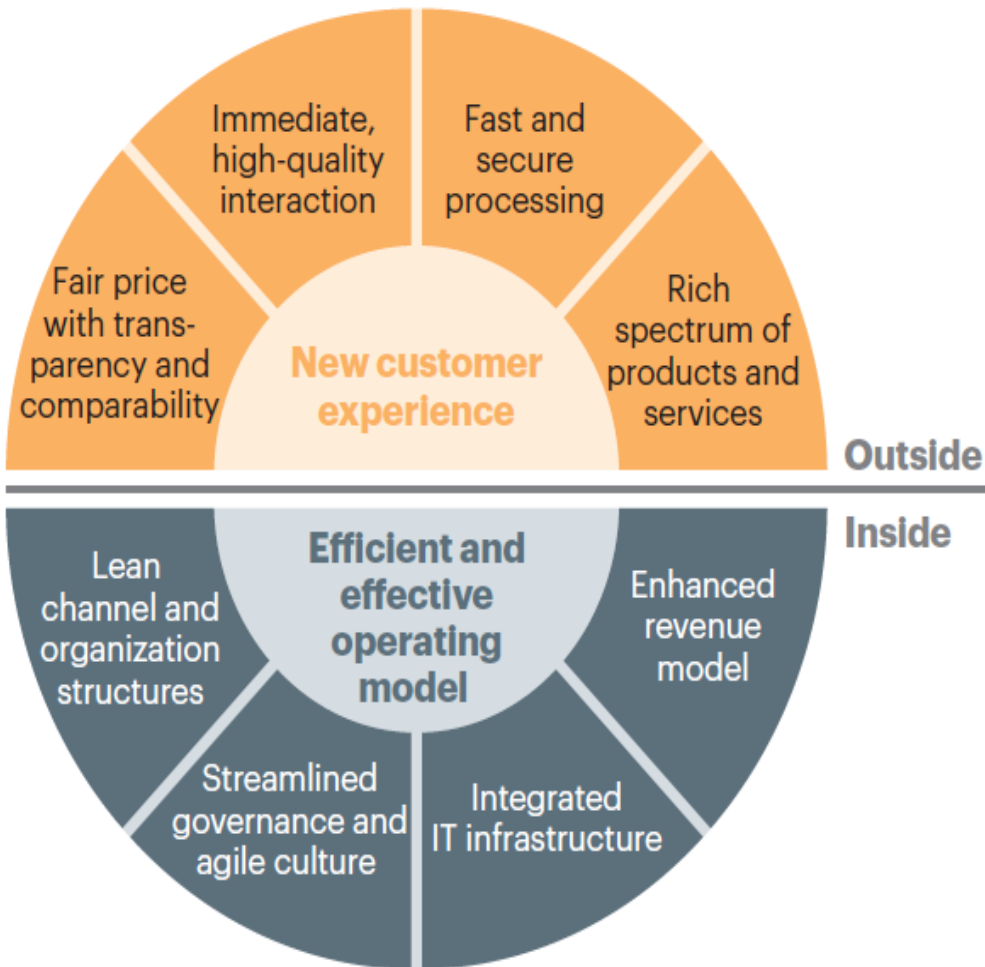
Differentiating Business Models

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Traditional-in-Transformation

vs

All Virtual and only Online



Virtual products and services

- No ATMs, debit cards, or credit cards
- **Self-explanatory deposit and loan products**
- **Cash withdrawal and deposits possible from NFC-enabled retailers**

Customer experience

- **Banking reframed as fun** by leveraging elements of computer games
- **User experience is relevant and engaging** to target digital-savvy consumers

Online and mobile channels

- **No traditional banking channels** (such as branches and ATMs)
- Mobile app and online account servicing (**NFC technology leveraged** to use mobile as payment device)

Social media

- Sign in with Facebook or Twitter
- Consumers' **social behavior** evaluated to assess pricing and risk decisions
- **Consumers rewarded** for recommending MovenBank

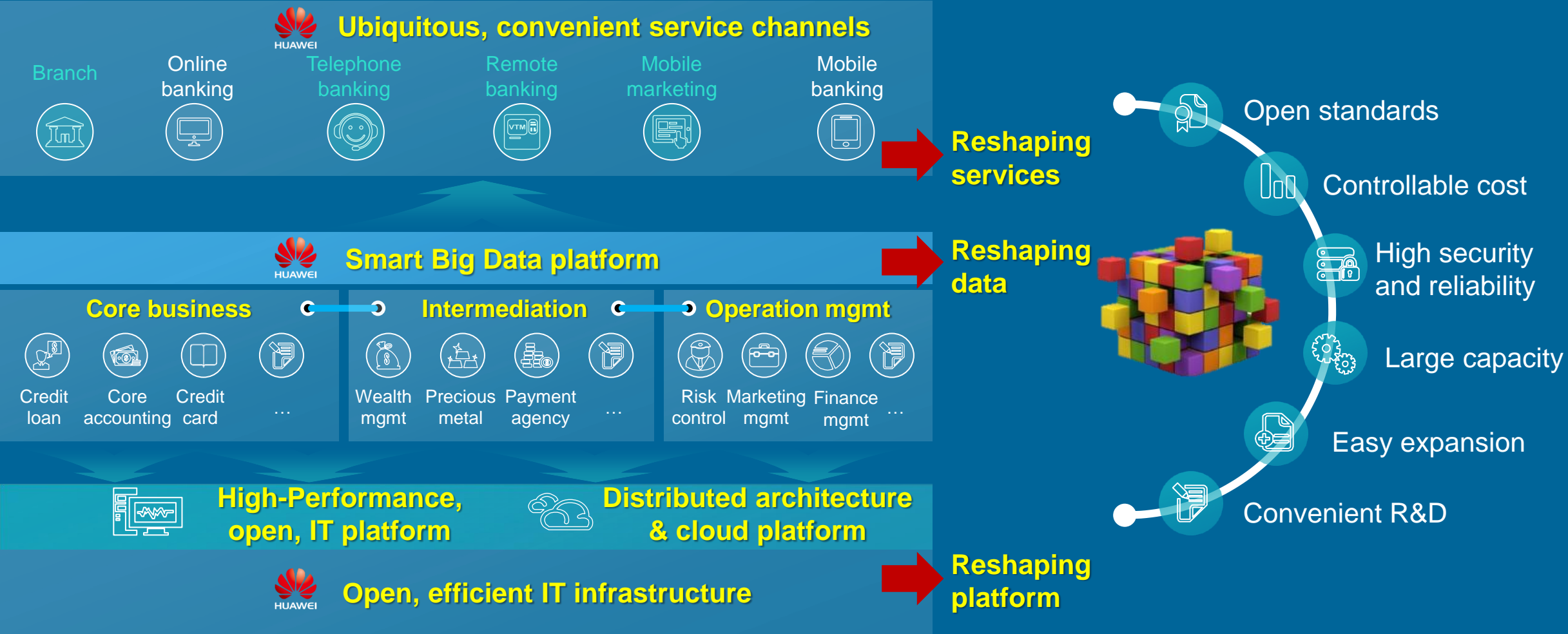
Customer insight

- Questionnaire for **behavioral profile**, dynamically updated through consumer behaviors (spending patterns and balances)
- Behavioral profile used to help consumers achieve **financial goals** (such as savings) and price risk for credit products



Source: Banking in the Digital World, ATKearny + EFMA, December 2013

Reshaping IT to Accelerate Digitized-Internet Business Transformation



Social

- Integrate social media and platforms as a new channel into Banking systems
- Start exploiting social media as a value driver (e.g., digital targeted marketing)



Mobile

- Cater for yearly growth rates of up to 30%
- Ensure consistent user experience across all channels

Analytics/Data

- Allow for live/production access of data
- Paradigm shift: use data, do not move data
- Consolidate processing infrastructure to enable real-time analytics in-memory



Remodel IT for SMAC

Cloud

- Adopt and enhance selective cloud provisioning strategy
- Focus on few strategic providers to limit complexity and ensure security
- Build up management capabilities for cloud solutions

Data-driven operational efficiencies and competitiveness

- Infrastructure optimisation
- Channel use optimisation
- Employee collaboration networks
- Talent capture

Descriptive and predictive risk and fraud solutions from behavioural and event-based models

- Complementary reactive and proactive risk scoring from internal and external data
- Machine learning for fraud

New business opportunities from financial data

- New data products for clients
- New data products for new clients
- Data as a service for third-party application development (through open platform)



Hyper-segmented and dynamic customer vision based on financial and social behaviour

- Descriptive and Predictive models of client and segment behaviour
- Optimisation of channel interface

Competitive Differentiation

- Deploy a variety of **customer contact points** with diverse product and service offerings
- **Integrating channels** for seamless customer experience and promoting **self-directed services**

Value Creation

- **Business process streamlining** to improve operational efficiency
- **Automation** and **self-directed services**
- Greater **transparency** of product offering and pricing

Technology as catalyst for Business Transformation

- **Anytime, Anywhere, Any Device** customer interactions
- Ubiquitous use of **video-across-the-bank** capabilities
- **Multimedia contact centre** facilitates Triple AAA + Big Data + more rigorous Risk & Compliance measures

Omni-channel Optimization

- **End-to-end IP infrastructure** that also **complies to PCI-DSS** standards wherever customer data is concerned
- Specific **technologies decoupled from specific channels**
- From channel-centric to **customer-service centric** operations

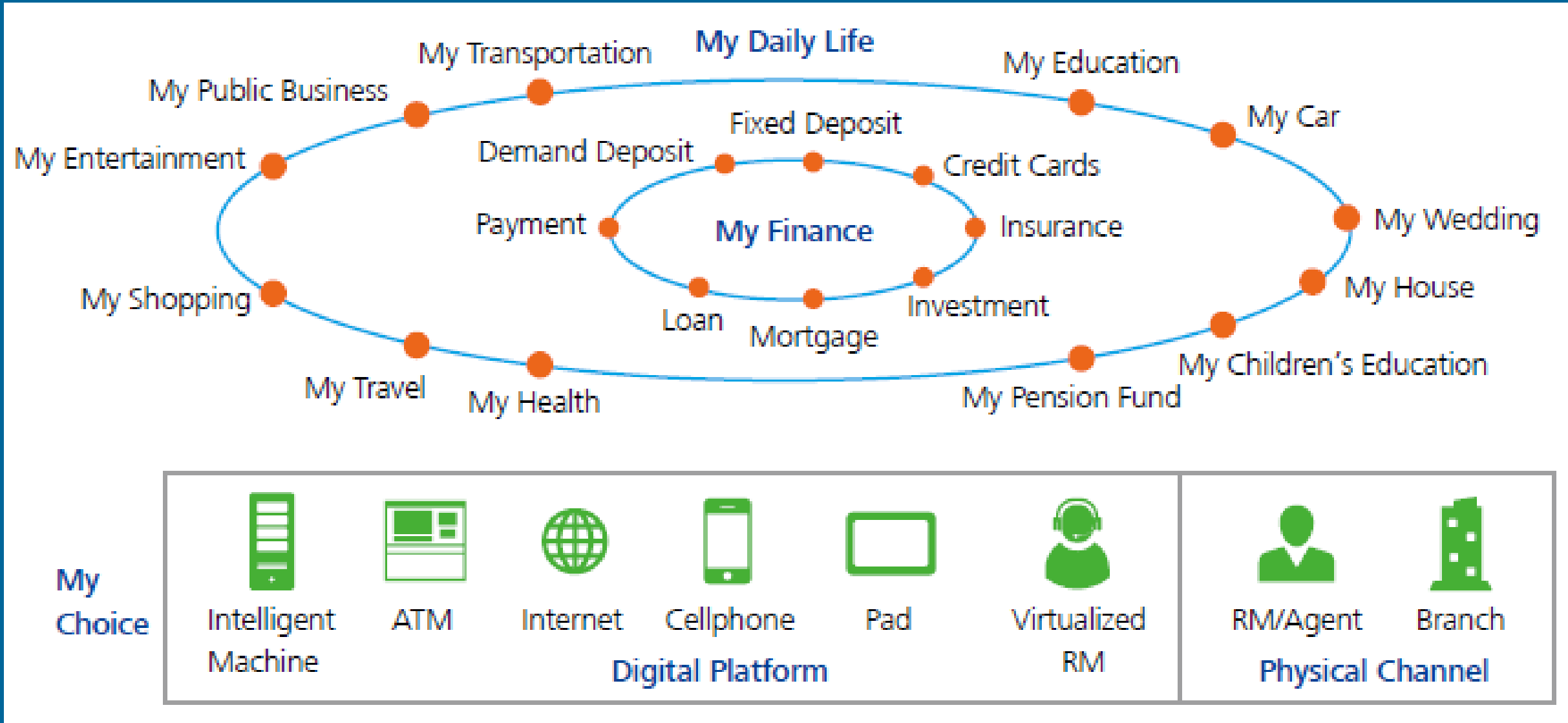
Enhancing Customer Experience

- A well-articulated **customer segmentation** profiling including social, economic, personality, product offerings to match, and suitable means of interacting with the bank
- Strive to offer “**on-demand**” **capabilities across channels**

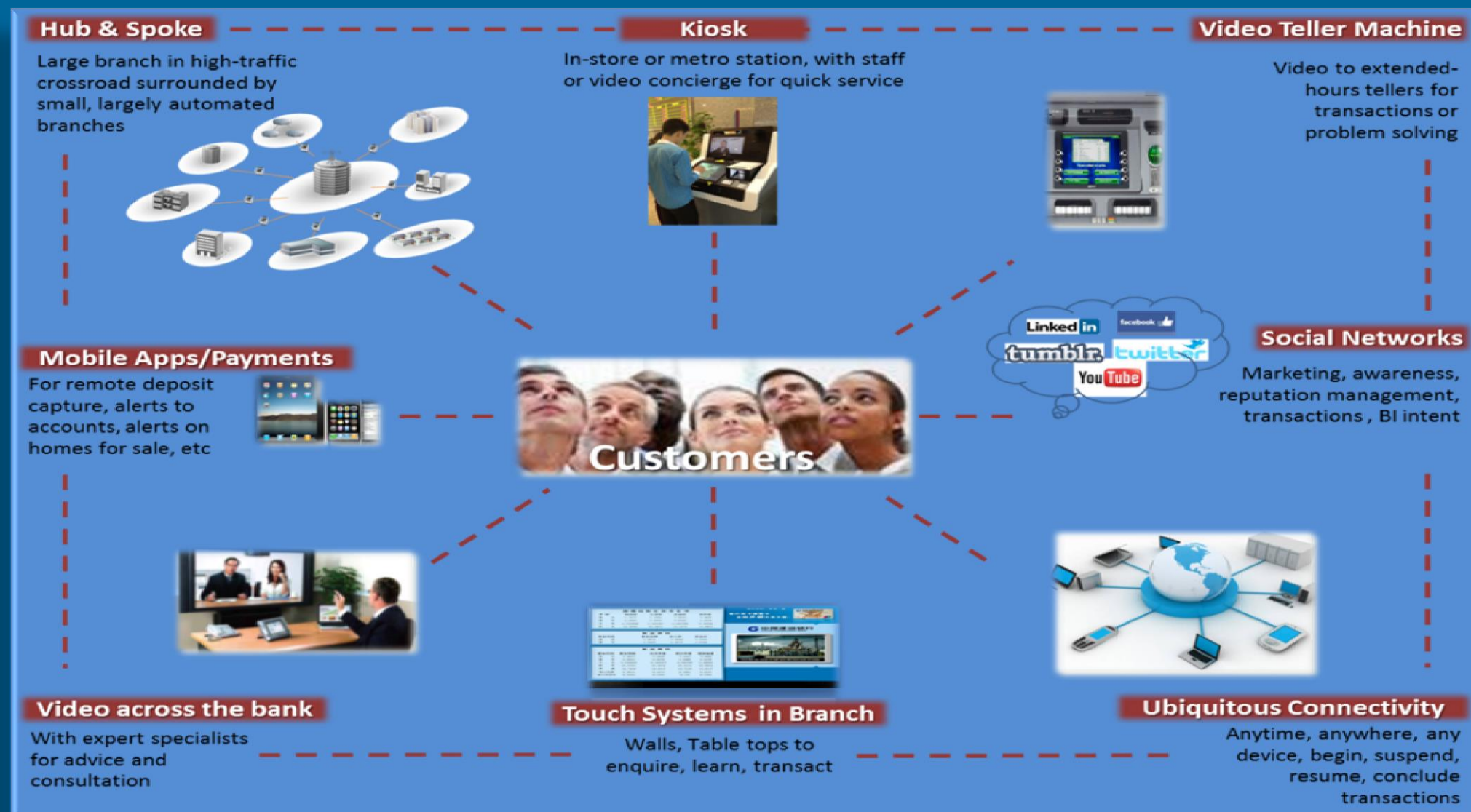
Enabling *Customer Service* Innovation Through *Technology and Business Process* Innovation



One-Stop Financial Service Platform



Source: Huawei & Deloitte: "Transformation and Reconstruction of Banks in the Digital Era" 2015



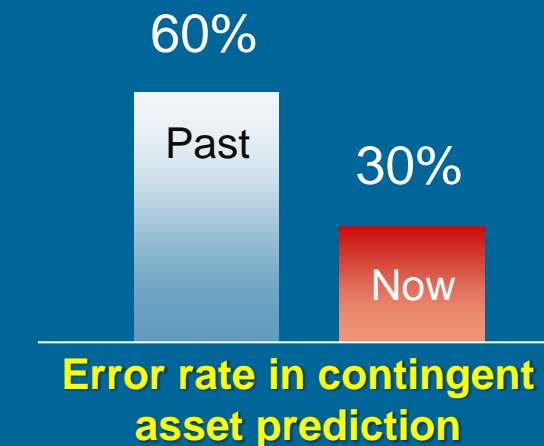
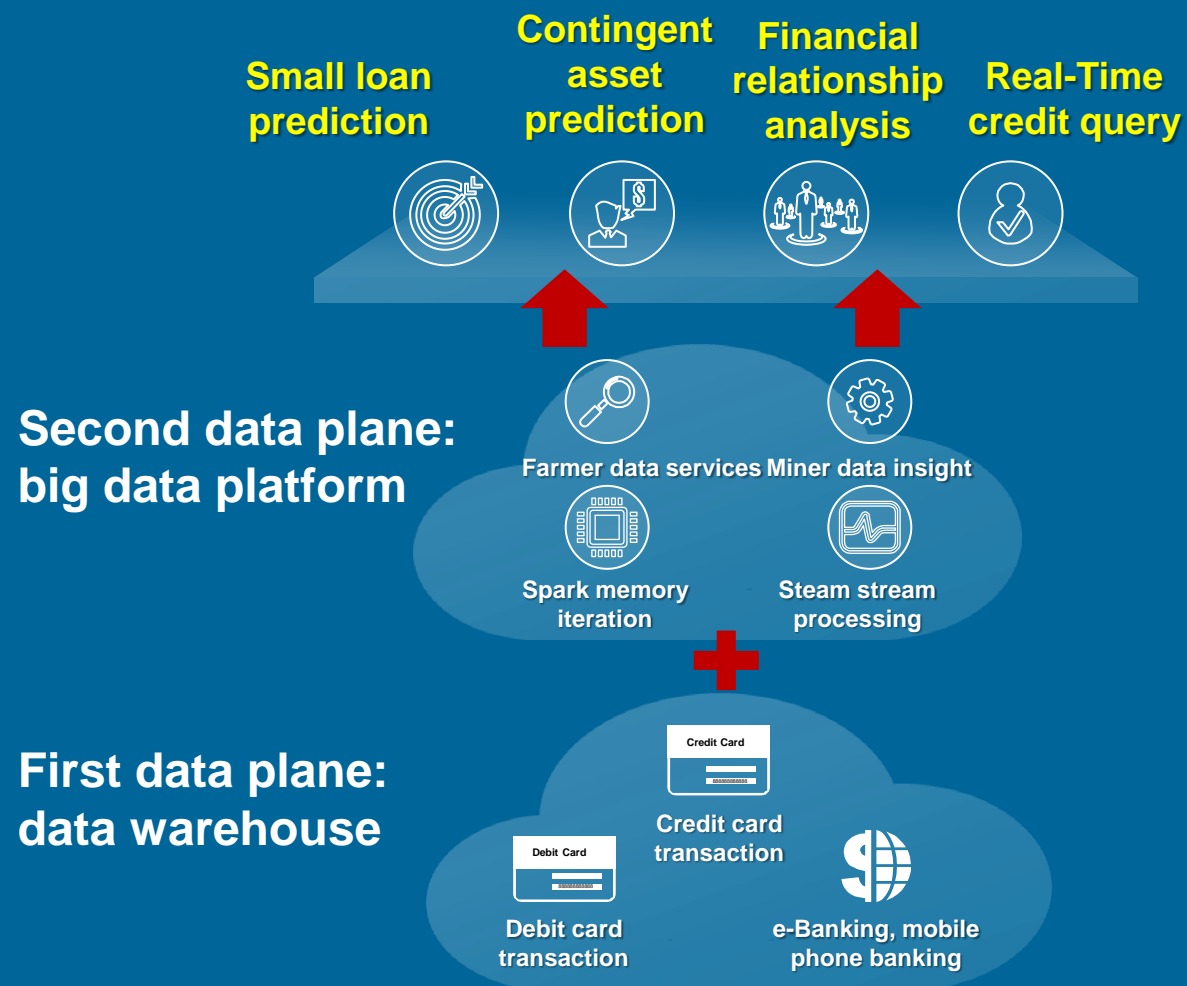
Applying Big Data Analytics across the Financial Sector

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	Asset management	Banking	Capital markets	Insurance
Customer data	<ul style="list-style-type: none"> • Sentiment analysis-enabled sales forecasting • Sentiment analysis-enabled lead/referral management • Quality of leads analytics • Closed loop marketing campaigns • Investment product distribution channel effectiveness • Micro-segmentation • Sentiment analysis-enabled brand strategy management • Cross-asset class product impact analytics • Fund price discovery analytics 	<ul style="list-style-type: none"> • Client experience closed feedback loop • Customer life event analytics • Next best offer • Real-time location based offerings • Sentiment analysis-enabled sales forecasting • Sentiment analysis-enabled lead/referral management • Micro-segmentation • Customer gamification • Sentiment analysis-enabled brand strategy management 	<ul style="list-style-type: none"> • Sentiment analysis-enabled sales forecasting • Sentiment analysis-enabled lead/referral management • Closed loop marketing campaigns • Sentiment analysis-enabled brand strategy management 	<ul style="list-style-type: none"> • Micro-segmentation • Closed loop marketing campaigns • Sentiment analysis-enabled brand strategy management • Client experience closed feedback loop • Customer life event analytics • Next best offer • Real-time location based offerings • Sentiment analysis-enabled sales forecasting • Sentiment analysis-enabled lead/referral management • Customer needs sentiment analysis
Transactions	<ul style="list-style-type: none"> • Best trade templates • Log analytics • Real-time capital calculation • Operational data store (ODS) consolidation • Trading sentiment analysis • Time series data management 	<ul style="list-style-type: none"> • IVR analysis • Business-to-business (B2B) merchant insight • Real time capital calculation • Log analytics • ODS consolidation 	<ul style="list-style-type: none"> • Time series trade data management • Real-time margin calculation • Log analytics • Over-the-counter (OTC) contract optimization • ODS consolidation • Trading sentiment analysis 	<ul style="list-style-type: none"> • Customer experience analytics • Log analytics • ODS consolidation • Claim leakage/increased payout analytics
Risk management	<ul style="list-style-type: none"> • Centralized risk data management • Counterparty risk management • Reputational risk management • Anti-money laundering 	<ul style="list-style-type: none"> • Management information systems (MIS)/regulatory reporting • Disclosure reporting • Real-time conversation keyword tracking • Anti-money laundering • Indirect risk exposure analytics • Reputational risk management 	<ul style="list-style-type: none"> • Centralized risk data management • Counterparty risk management • Insider trading analytics • MIS/regulatory reporting • Disclosure reporting • Reputational risk management 	<ul style="list-style-type: none"> • Social media customer behavior fraud analytics • Reputational risk management

Huawei's Financial Big Data Offers Precision Marketing

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BBVA

Clear Examples That Show the Value of Data Analytics

Value Clients

Discovery of mass affluent clients within our mass clients, based on:

- Behavior within BBVA
- External information

Results

X3

Success Rate of Sales Campaigns

Vs traditional campaigns
(415K Value Clients Identified)

Behavioral Segmentation

Automated customer segmentation, to acknowledge current and potential customer value and channel preference:

- Behavior within BBVA
- Channel Use

6.5M

Clients Segmented in 5 hours

Vs 2 months prior processes

Risk 360

Complementary retailer scoring technology, based on data from:

- 800K POS + 5.9Mn Cards
- Payment Data Attributes

4%

Of rescued loans (originally denied)

(*) Illustrative projects in Spain. All projects to be rolled out in different geographies

Huawei Helps Banks Develop Next-Generation Cloud IT Platforms

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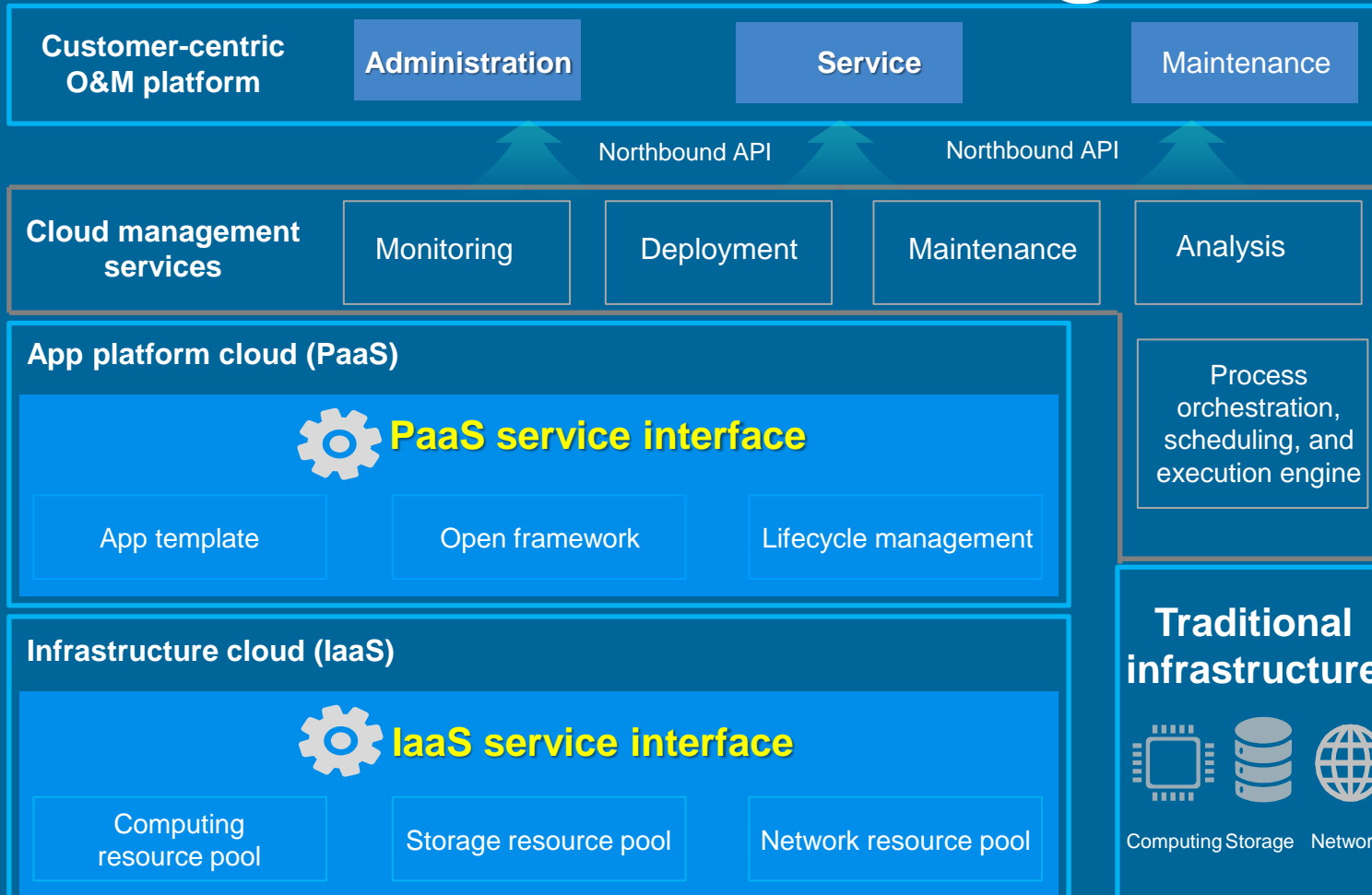
Cloud administrator



Cloud user



Cloud maintenance personnel



IaaS helps banks develop private clouds

ICBC: development and testing cloud

New service deployment:

6 months \geq 15 days

Devices managed per technician:

200 \geq 500

Partners offer SaaS-based cloud apps

- Yusys apps (e-Banking, mobile banking, social media banking), serving 30+ banks

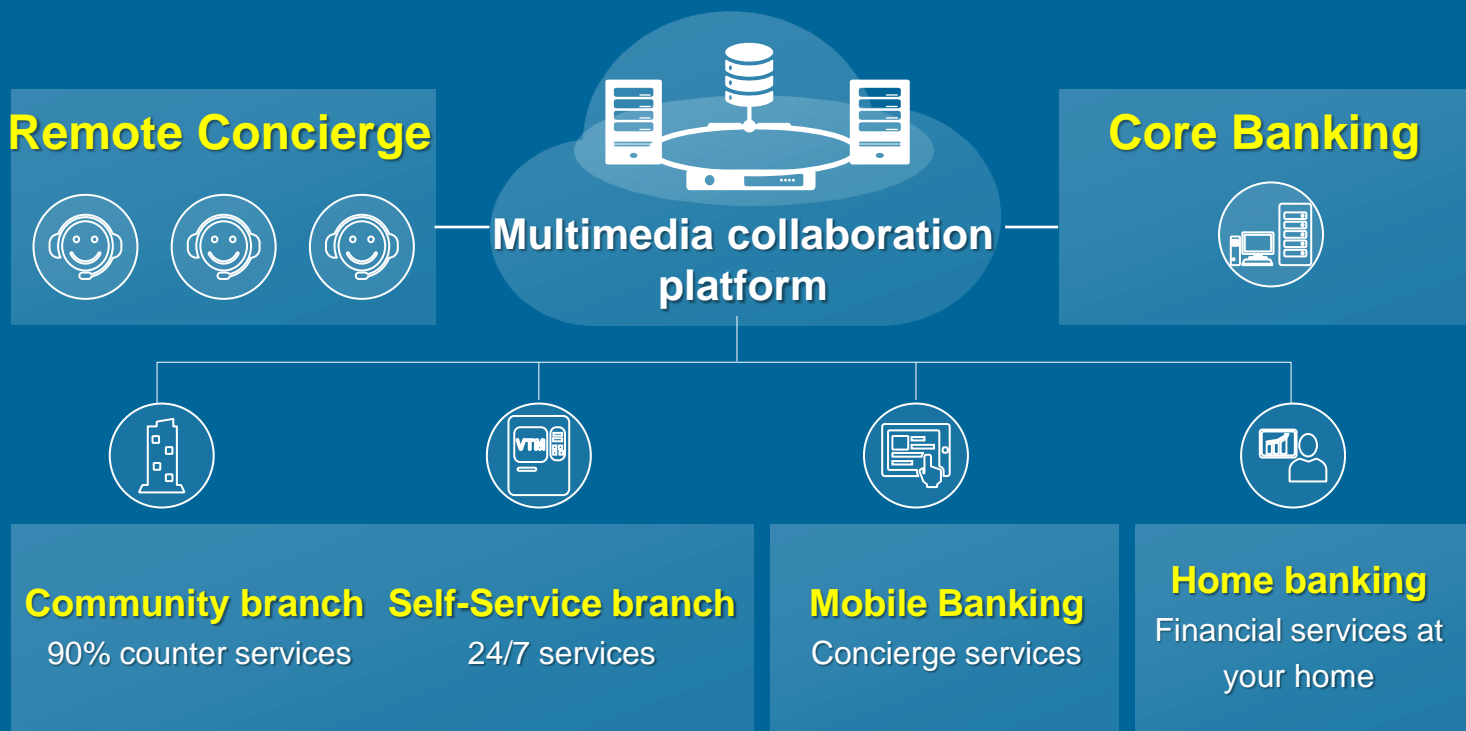
Minute-Level service rollout, reducing TCO by **30%**

- First Data credit card**

11M+ customer, 15+ million consumers

OPEX per card reduced by 50%

eSDK open interfaces: enables **efficient** industry app integration



Remote
Concierge
/ Teller

- 1-to-4 Service
- 1 Concierge:
4 VTMs
- Intelligent CTI
- Collaboration
- Redirect to Any
Device



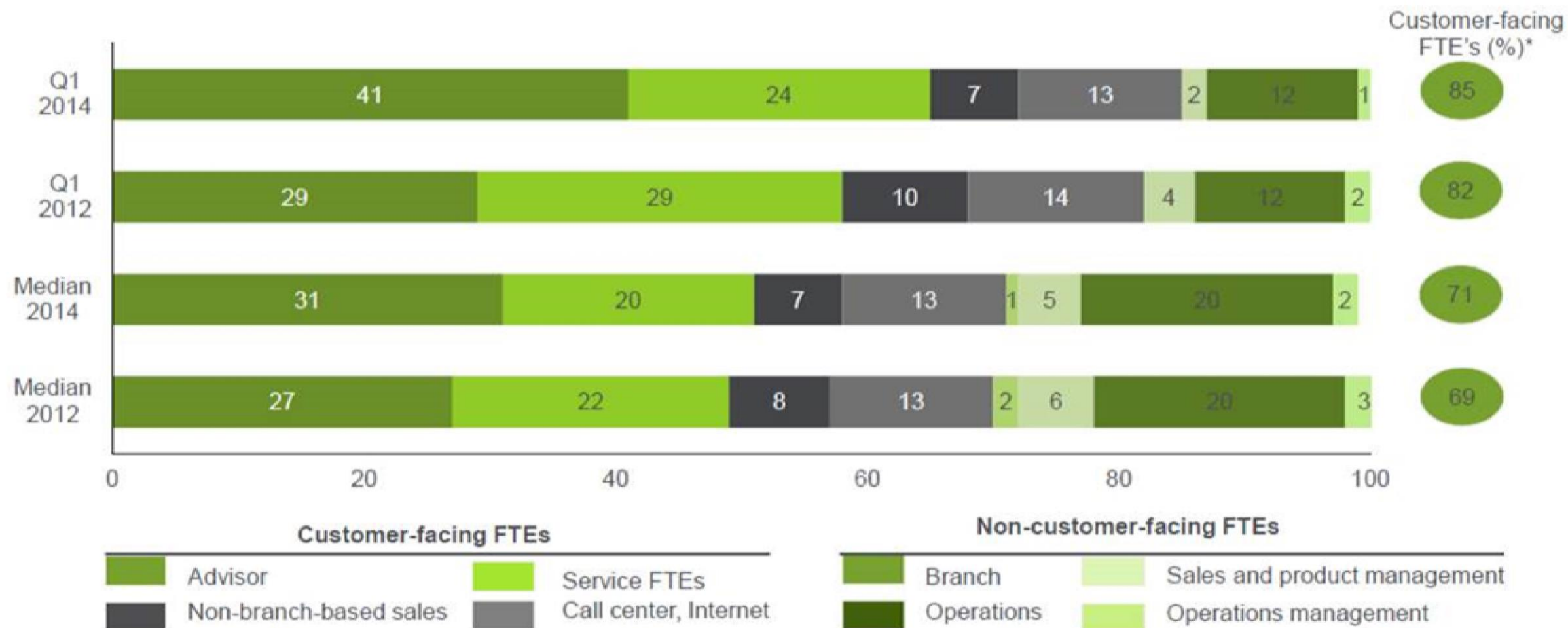
Multimedia, video, collaboration experience for 7×24
mini branch, **70%-90%** traditional branch services

Digital Channels – Quantifying benefits of video

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	Driver	Evidenced by	Size of benefit
Financial	Revenue growth	Increased customer contact Increased customer opportunities Acquisition of new, profitable customers Increased volume of customers served Better qualified customer opportunities Ability to cross- and up-sell appropriate products	\$\$\$\$\$
	Cost reduction	Streamline customer acquisition and onboarding Lower cost structures Reduce travel expenditure Lower headcount costs Reduced sales cycles Reduced property estate costs	\$\$\$\$\$
	Channel effectiveness	Sales of a higher margin Increased closure ratio Higher overall staff productivity Drive customer traffic to branch network	\$\$\$\$
Operational	Improve customer experience	Ease of access to specialist SME Recommendation of appropriate financial products Increased levels of customer advocacy Video seamlessly blended into channel strategy Use of innovative technology Creation of a Chief Video Officer role	\$\$\$\$
	Efficiency and productivity gains	Improved communication, training, and collaboration Network savings Improved staffing balance and support Increased employee productivity Reduced queue leakage	\$\$\$\$
	Improve employee experience	Increased levels of employee satisfaction Reduced attrition rates Improved cross-functional working	\$\$\$
	Achieve and maintain compliance	100% recording capability of visual session Appropriate financial advice offered by SME	\$\$
	Corporate social responsibility	Commitment to green initiatives Reduced carbon footprint	\$

Figure 116. The Share of Customer-Facing FTEs Continues to Rise



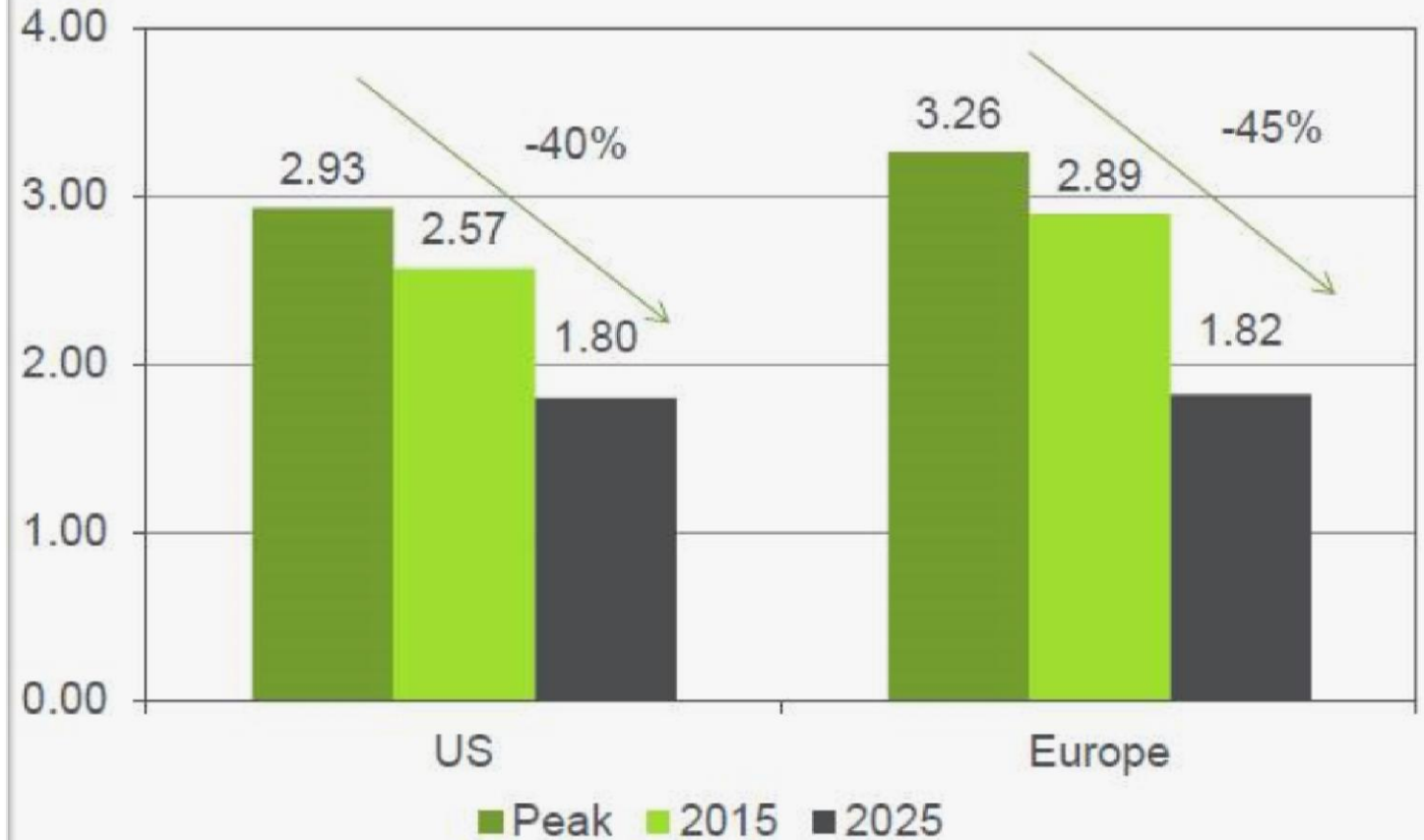
Source: BCG, Operational Excellence in Retail Banking 2015, Four Trending Practices of the Leading Banks; Q1 = top quartile

The Higher Number of Customers Per FTE... The More Profitable a Retail Bank

- ✓ Measured by Risk Adjusted Income/FTE
(Total Income minus Loan Loss Provisions)
- ✓ Measured by Revenue/FTE
- ✓ Measured by PBT/FTE
- ✓ Measured by GOP/FTE (Total Income minus Total Expenses)



Figure 11. At the Tipping Point of Full-Time Employee Reduction (million)

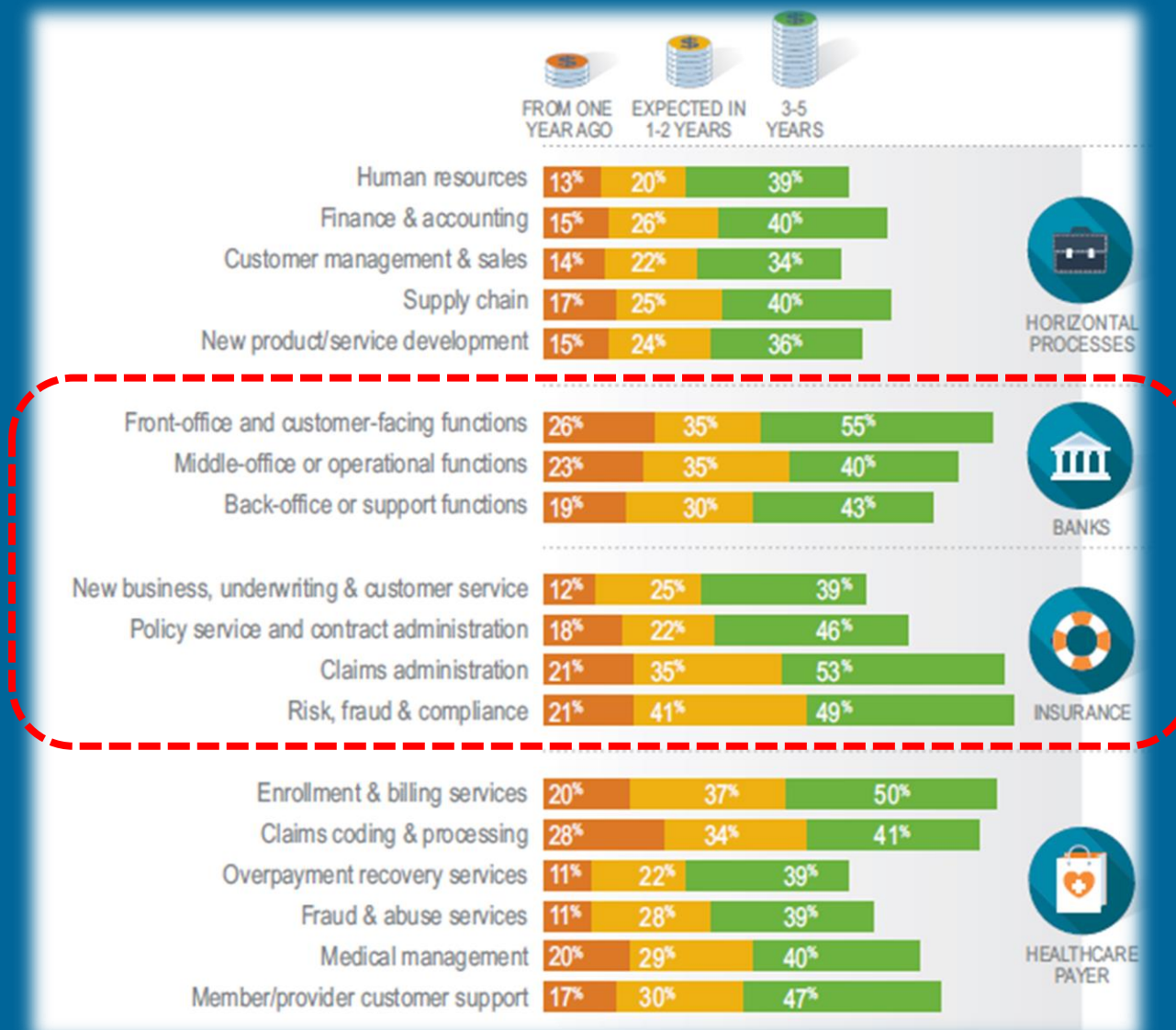


Source: ECB, United States Bureau of Labor Statistics, Citi Research estimates

Allocating Resources – Automation and Robotization

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- Bank Teller
- Loan Officer
- **Financial Advisor**
- Mortgage Broker
- Insurance Claims and Policy Processing Clerk
- Insurance Underwriters
- Claims Adjusters, Examiners, Investigators
- Bookkeeping, Accounting, Auditing Clerks & Tax Preparers



Source: Cognizant: The Robot and I...Automating Rote Work, March 2015

Allocating Resources – The Rise of Robo-Advice

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Robo-advisor - 2015						Robo-advisor – 2020 and beyond						
	Primary target market	Millennials		Mass affluent and affluent		Millennials	Mass affluent and affluent	Baby boomers	HNIs and UHNIs			
	Primary services	Automated asset allocation		Automated rebalancing		Tax-loss harvesting	Automated asset allocation	Automated rebalancing	Tax-loss harvesting	Financial planning	Tax planning	Estate planning
	Asset classes	Exchange traded funds (ETF)				Exchange traded funds (ETF)	Stocks	Bonds	Mutual funds	Alternative investments		
	Differentiating factors	Low fees	Rich digital experience	Simplicity of use	Transparency of fees		Quality of advice		Improvement in productivity of human advisors			
	Perception	Threat to human financial advisors		vs.	Complements human financial advisors		Advisory assistant to human financial advisors will be the accepted reality					
	Major applications	Client acquisition				Client acquisition	Client retention	Client delight	Advisor delight			
	Perceived and realized benefits	Lower cost to clients	Better customer experience	Digital offering to clients		Financial advisor as trusted financial coach	Higher efficiency	More bandwidth for advisors	More secured end clients			

Source: Infosys, “Increasing the Efficiency and Effectiveness of Financial Advice with Robo-Advisors”, 2016

Create a Digital Strategy for Me!

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THANK YOU

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