

Optimal Cost Management for Banks

Achieve optimal levels of efficiency by leveraging our innovative cost management solutions derived from our extensive industry experience and proven methodologies

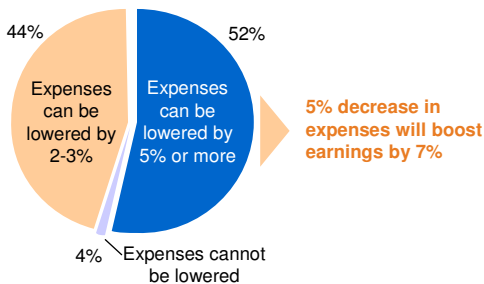
The Challenge

Banks are under more pressure than ever to improve their efficiency. Despite a spike in bank M&A activity, which raised expectations of cost synergies, the largest banks have not become more efficient, on average over the past 5 years. On the other hand, stocks of banks that focused on controlling cost and became more efficient between 2000 and 2005 outperformed their rivals nearly five to one. They also enjoyed faster revenue growth, better access to capital markets, superior return on investment and lower charge-offs than competitors.

The Opportunity

Despite conventional wisdom on economies of scale, opportunities for efficiency improvement exist for banks of all sizes. In a 2006 survey, most top bank CEOs also acknowledged that they can lower expenses by 5% or more if needed.

Top Bank CEOs' Assessment of Opportunities for Lowering Expenses



100% = 93 Top bank CEOs surveyed

Source: UBS Q-series CEO survey, January 2006

Our Offering: Cost Management Opportunities

To maximize cost management program effectiveness, we partner with you to identify as many opportunities as possible before prioritizing them. We explore both firmwide and business-unit specific opportunities:

- ▶ Sample firmwide opportunities
 - Financial flexibility evaluation
 - Margin erosion analysis
 - Customer profitability assessment
 - Balance sheet monetization
 - Firmwide alignment checklist
- ▶ Sample business unit specific opportunities
 - Organization design
 - IT operations optimization
 - Shared services
 - Marketing spend optimization
 - Customer segmentation for servicing
 - Procurement and sourcing optimization
 - Outsourcing and offshoring

Unique C-Metrix Capabilities

- ▶ Highly experienced management consultants. – 10 to 25 years of success in dealing with cost management opportunities in banking
- ▶ Assisted clients in corporate initiatives by delivering more than \$5 Billion in bottom line impact (both revenue generation and cost savings)
- ▶ Deep knowledge and extensive experience in financial services industry through previous engagements with top clients that include 3 of the top 6 banking services companies
- ▶ Best in breed Six-sigma “black belt” and business process automation and quality monitoring services
- ▶ Best-in-class analytics group to provide analytical rigor to consulting engagements
- ▶ Willingness to share in client risk, thereby ensuring complete alignment with the interests and efforts of our clients
- ▶ Willing to partner with management throughout the project lifecycle, from opportunity identification through execution and benefit measurement

C-Metrix Approach to Optimal Cost Management

	Commit to Targets	Identify Opportunities	Prioritize Opportunities	Manage Execution
What needs to be done	<ul style="list-style-type: none"> ▶ Set an ambitious, clear and concise goal for the program ▶ Synthesize targets based on firmwide, business unit specific and expense-type competitive benchmarking ▶ Fine-tune targets based on rigorous analysis of the client's business and try to link them to the compensation of both line management and senior leadership ▶ Procure the resource to successfully run the program 	<ul style="list-style-type: none"> ▶ Identify firmwide cost management opportunities which extract relatively smaller percentage savings but apply to much larger cost base, typically all operating expenses ▶ Identify business unit specific opportunities, which increase efficiency at individual business units and departments and are typically executed from easiest to hardest 	<ul style="list-style-type: none"> ▶ Prioritize opportunities by considering their business impact, ease of execution and fit with client's culture ▶ Place a robust process upfront to ensure generation of new and innovative ideas and sound execution to lock-in on-going incremental saves year over year 	<ul style="list-style-type: none"> ▶ Set-up a Program management office (PMO) to coordinate firmwide initiatives and liaises with business unit leaders to report on execution of business-unit specific initiatives ▶ Track and report performance regularly to allow early identification of problems and corrective action
C-Metrix Approach	<ul style="list-style-type: none"> ▶ Target synthesis ▶ Competitive benchmarking to help senior management develop confidence in cost management program targets 	<ul style="list-style-type: none"> ▶ Comprehensive exploration of firmwide and business unit specific opportunities 	<ul style="list-style-type: none"> ▶ Assistance in developing and applying an appropriate risk / reward prioritization framework 	<ul style="list-style-type: none"> ▶ Quickly establishing a functional PMO until client is able to take over ▶ Assistance in implementing best-in-class tracking and reporting systems to increase the transparency of the program

Projected Benefits of C-Metrix Cost Optimization Solutions for Banks

Cost Management Opportunity	Description	Potential Savings	Timeline (months)
Sample Enterprisewide Opportunities: These opportunities extract relatively smaller percentage of savings but apply to much larger cost base, typically all operating expenses			
Financial Flexibility Evaluation	▶ Helps to protect the net income better than competitors in an economic downturn, and increases net income more rapidly during growth periods	▶ 2-5% of non-interest expense saved during a downturn	12-24
Margin Erosion Analysis	▶ Separates factors improving profit margins from those that hurt profit margins, helping to identify cost saving opportunities	▶ 1-3% of non-interest expense	6-12
Customer Profitability Assessment	▶ Helps a firm target its marketing, servicing and product development activities towards the right prospects and customers	▶ 0-5% service cost reduction and/or ▶ 5-10% revenue enhancement	6-12
Balance Sheet Monetization	▶ Releases economic capital currently "trapped" in unproductive or under-productive assets, driving higher return on equity	▶ 5-30% of non-interest expense ▶ 1-2% ROE lift	5-10

Sample Business-Unit Specific Opportunities: These opportunities increase efficiency at individual business units and vary by expense type, they are typically executed from easiest to hardest

People	▶ Outsourcing and offshoring	▶ 40-60% of personnel and compensation costs	4-8
	▶ Organizational design	▶ 8-10% of occupancy and leasing costs	2-6
Process	▶ IT operations optimization	▶ 10-35% of IT costs	6-12
	▶ Shared services	▶ 5-10% of loan processing and customer servicing costs	4-8
	▶ Marketing spend optimization	▶ 10-15% of marketing costs	2-6
	▶ Customer segmentation for servicing	▶ 15-20% of marketing costs	4-8
Supplies	▶ Procurement sourcing optimization	▶ 10-15% of professional services costs	2-6

Our Full Spectrum Solutions & Services for Banks

C-Metrix has worked with several banks to enhance their cost management, risk management, regulatory compliance, marketing, and customer relationship optimization capabilities.

We employ innovative **strategies**, effective **data & analytics**, necessary **process & operations transformation**, and relevant **technology** to address priority business issues of the bank with proven results in reducing costs and improving bottom line performance.

Cost Management

- ▶ Cost/ROI Analysis
 - Core Banking Operations
 - Supporting Functions e.g., Marketing, Sales, Credit & Collections
 - Marketing Programs / Campaigns
 - Retention / Rewards / Loyalty Programs
 - Product Level
- ▶ Profitability Analysis
 - Product Profitability Analysis
 - Customer Profitability Analysis
 - Lifetime Customer Value Analysis

Process & Operations Transformation

- ▶ Core Banking
- ▶ Marketing/Sales
- ▶ Customer Service
- ▶ IT
- ▶ Shared Services

Customer Relationship Optimization

- ▶ Customer Segmentation & Profiling
- ▶ Customer Churn Optimization
- ▶ Rewards / Loyalty Programs
 - Program Impact and ROI Assessment
 - Program Design, Execution & Optimization
- ▶ Customer Experience Optimization
 - Branch / Online / Phone / Direct
- ▶ CRM / BI Platforms & Technology
 - Assessment & Roadmap Development
 - Package Evaluation, Selection, Implementation and Customization

Risk Management

- ▶ Compliance: OCC; Basel II
- ▶ Fraud
- ▶ Credit & Collections