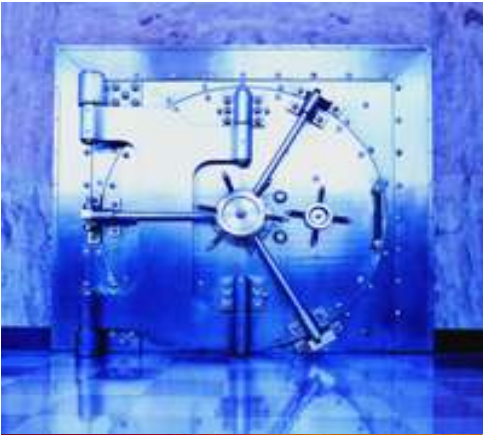


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Profitability: *A Paradigm Shift in Performance Measurement*

Andy Woodhouse
Director, Banking Solutions
Financial Services Industry
Oracle Asia Pacific

Application focus in Asia Pacific

Consolidation, Standardisation and Innovative Customer Service

The Top 10 Strategic Initiatives in Banking in Asia Pacific Are...

1. Core Banking Systems Transformation
2. Channel Investments
3. Profitability and Performance Management
4. Enterprise Payments
5. Selective Sourcing
6. Business Process Automation/Re-engineering
7. Investing in New Market Opportunities
8. Regulatory Compliance and Risk Management
9. Trade Finance and Cash Management
10. Security and Fraud Management

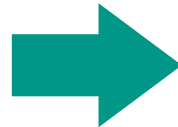
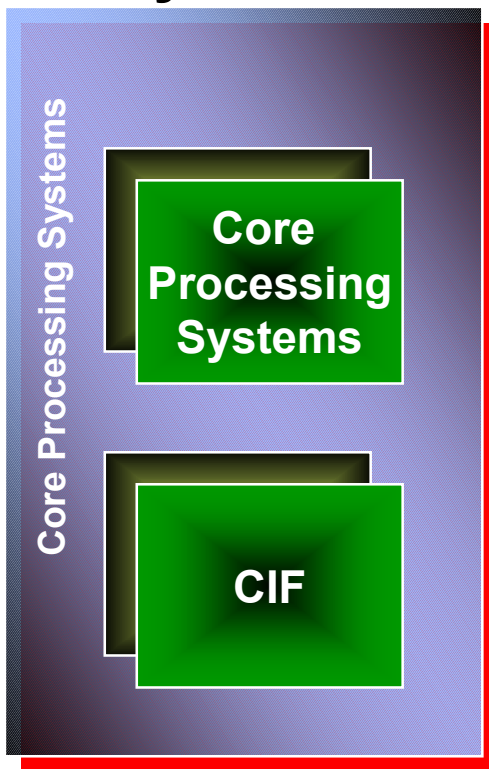
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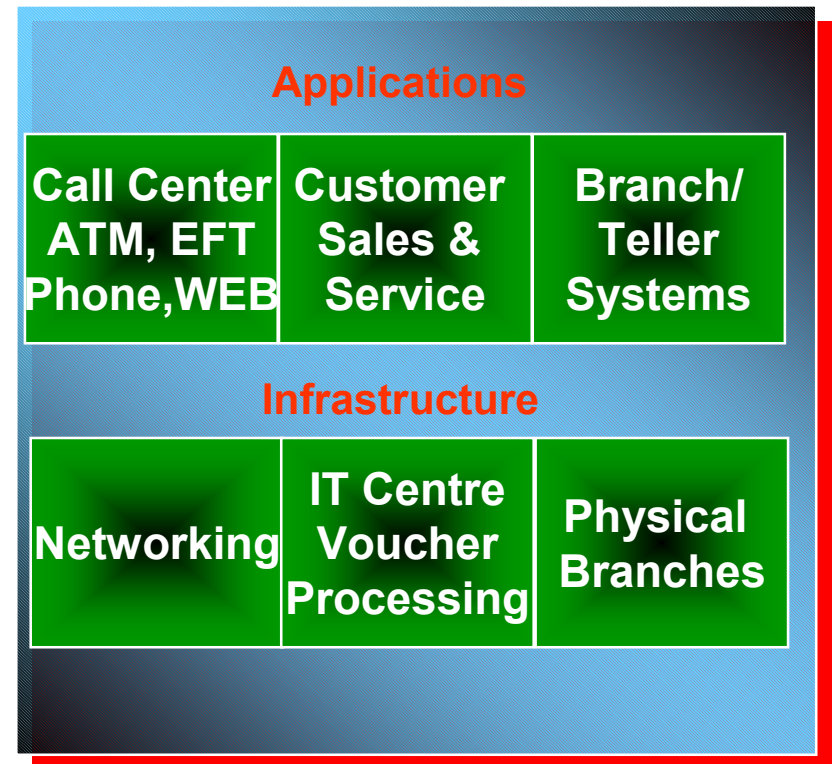
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Building Infrastructure – something's missing

Core Banking Systems





Delivery Channels



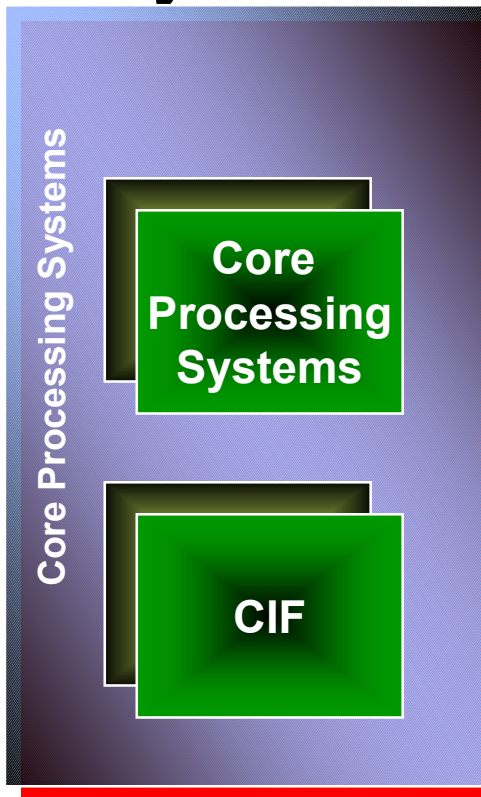
What's the key focus of the CEO?

Bank Executive Audit

 <p>UNITED OVERSEAS BANK</p> <p>MISSION STATEMENT <i>To be a premier bank in the Asia-Pacific region, committed to providing quality products and excellent customer service.</i></p> <p>UOB Group, 2003 Annual Report</p> <p><i>“Our continuous efforts to improve efficiency and, at the same time, reduce costs...”</i></p> <p>Wee Cho Yaw Chairman & CEO</p>	 <p>Standard Chartered</p> <p><i>“Performance is my top priority...and committed to being the right partner for our customers”</i></p> <p>Bryan Sanderson Chairman</p> <p><i>“The key for us going forward is to deliver against a balanced scorecard...”</i></p> <p>Mervyn Davies Group CEO</p>	 <p>ICICI Bank</p> <p>Our customers are our singular focus</p> <p>ICICI, 2003 Annual Report</p> <p><i>“Continue to focus on optimal utilisation of our retail distribution and service capabilities...”</i></p> <p>K.V. Kamath Group CEO</p>
 <p>DBS</p> <p><i>“Banking is about scale, distribution and customer access.”</i></p> <p><i>“With our employees working as a team instead of in silos, DBS responded swiftly throughout the year to changing market conditions, often “reverse engineering” products to suit customer needs.”</i></p> <p>Jackson Tai Chief Executive Officer</p>	 <p>中銀香港(控股)有限公司 BOC HONG KONG (HOLDINGS) LIMITED</p> <p><i>“At present, our chief goal is to achieve higher growth through the transformation of our business.”</i></p> <p><i>“By staying focused and customer-oriented, we achieved success.”</i></p> <p><i>“We aim to gain a better understanding of our customers’ needs...”</i></p> <p>He Guangbei Vice Chairman & CEO</p>	 <p>Westpac Australia's First Bank</p> <p><i>“Customer focus is our strategy and our mission is to be at the forefront for service in our industry by 2005.”</i></p> <p><i>“...aligning our financial performance with best practice corporate governance...”</i></p> <p>David Morgan Chief Executive Officer</p>

The gap requires filling

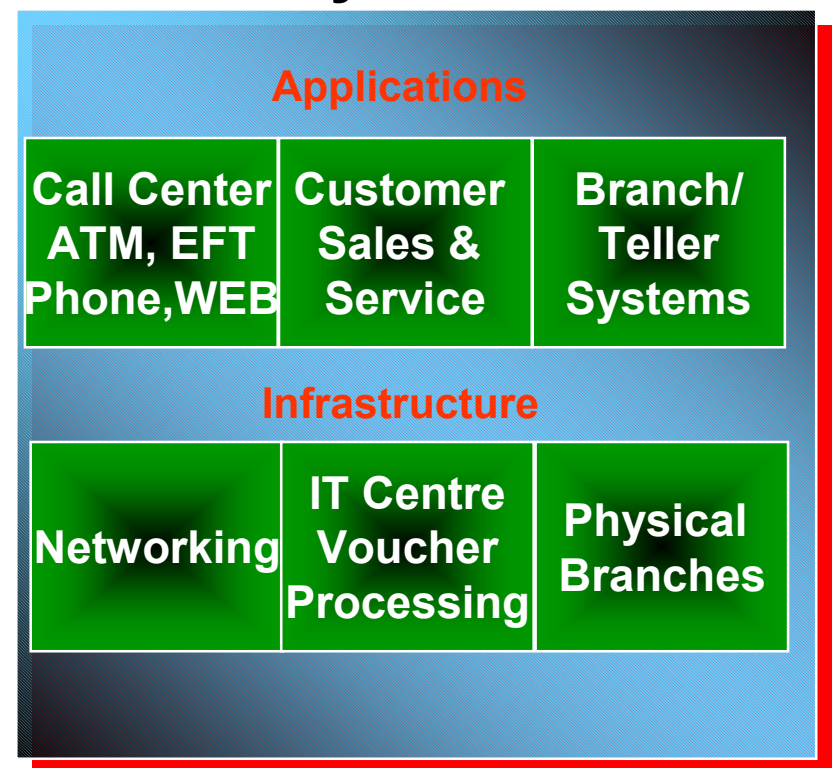
Core Banking Systems



Performance & Compliance

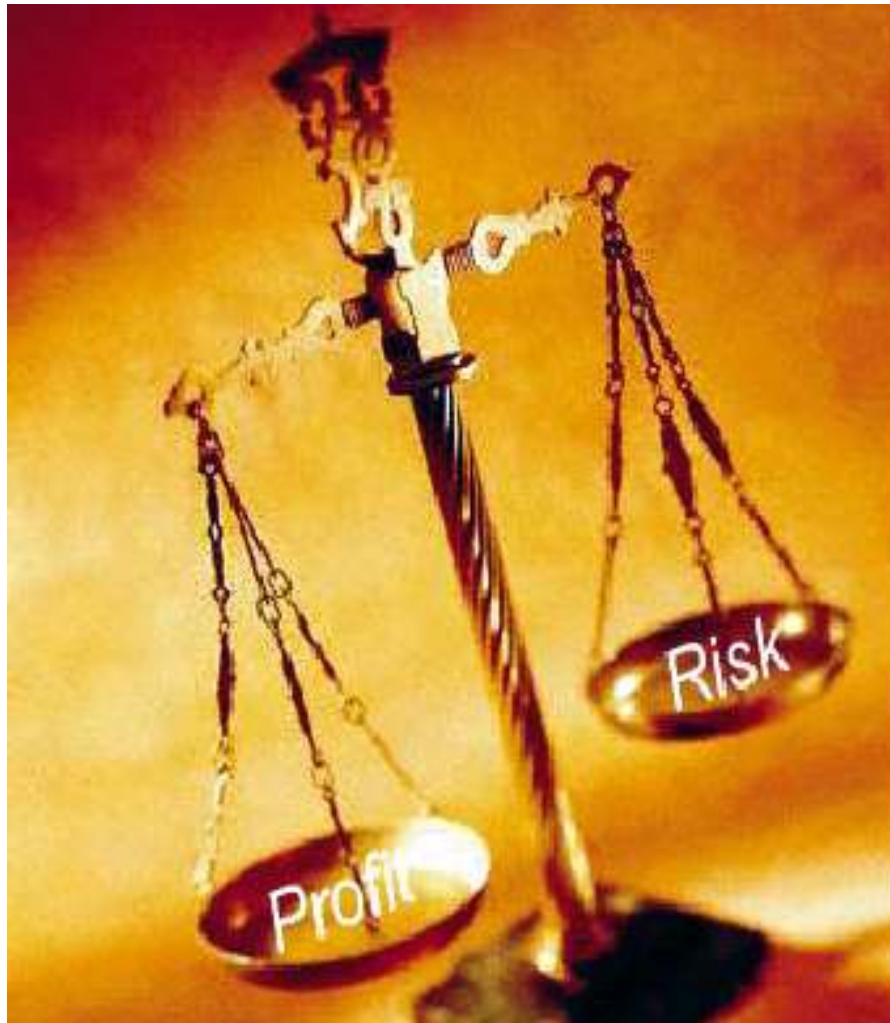
What to Sell
to Which Customer
at What Price/Risk
via What Channel
at an Acceptable
Return?

Delivery Channels



Performance Measurement Paradigm

What is value? What are we measuring?



*Prof. Shanks, PWC iAnalytics Conference,
June 2001*

**What is the source of that
other market valuation?**

- Strong customer value
- Ability to deliver customer value
- Innovative products
- Agility
- Translating vision into action
- Better management systems
- Proactive risk management

**Sustainable Shareholder
Value ↔ Customer Value**

BUT MANAGE RISK

Financial Management v Risk Management

The result is the same if processes are not integrated

© Cartoonbank.com



"Ob, that three billion dollars."

Integrated RAPM

Drivers, Dimensions, Instrument showing Risk v Reward

Income Statement -- Credit Card Loans

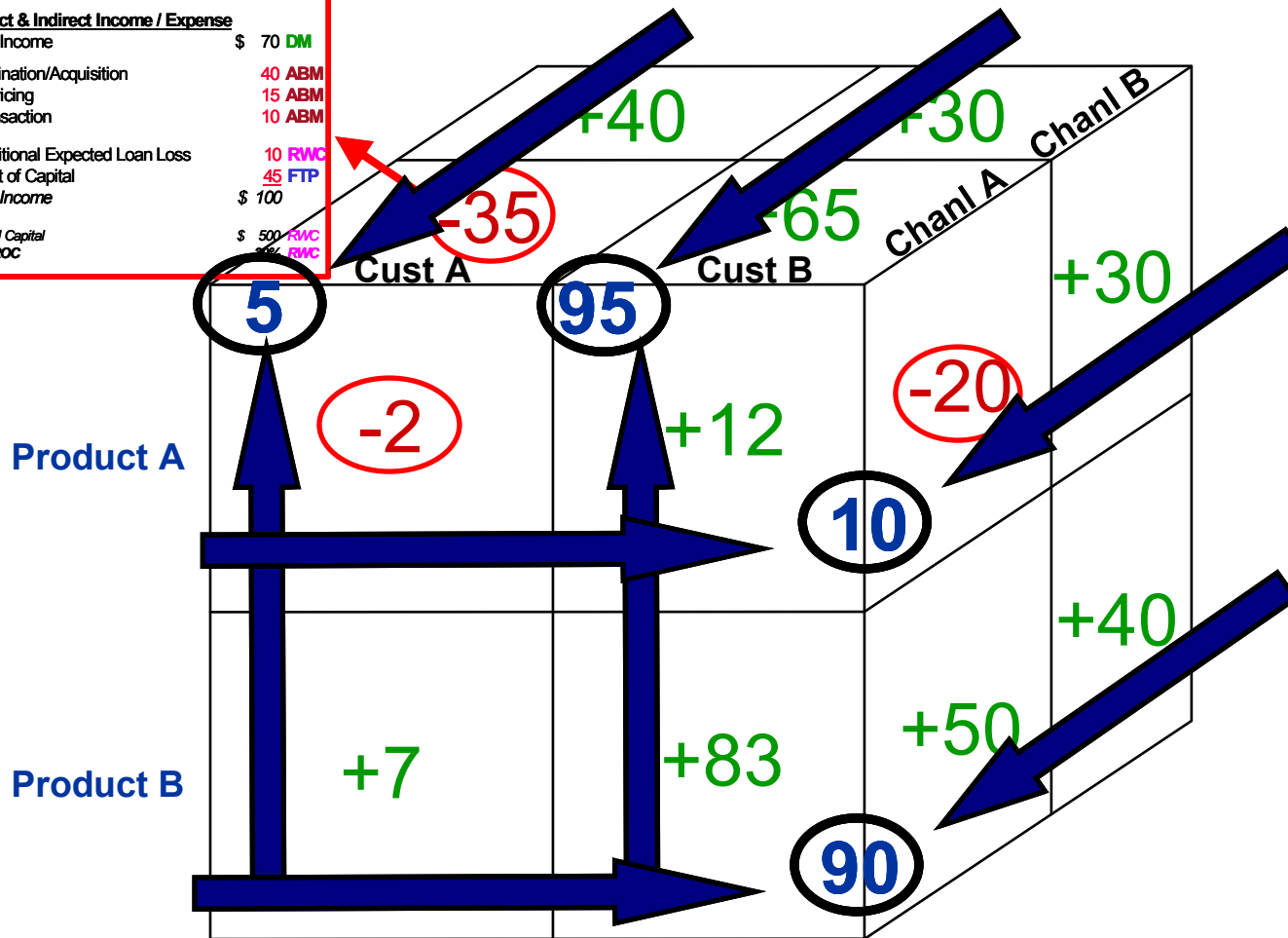
<u>Interest Income / Expense</u>	<u>Total</u>	<u>Loan A</u>	<u>Loan B</u>
Interest Income	\$ 800 Direct		
Interest Expense	<u>650</u> FTP	<u>200</u>	<u>450</u>
<i>Net Interest</i>		\$ 50	\$ 100
<i>Income</i>	\$ 150		
<u>Direct & Indirect Income / Expense</u>			
Fee Income	\$ 70 Direct	30	40
Selling - Loan Origination	40 ABM	27	13
Servicing - Transactions	15 ABM	8	7
Servicing - Other Items	10 ABM	8	2
Expected Loan Loss	10 RWC	5	5
Cost of Capital	<u>45</u> FTP	<u>27</u>	<u>18</u>
<i>Net Income</i>	\$ 100	\$ 5	\$ 95
<i>Total Risk Based Capital</i>	\$ 500 RWC	\$ 300	\$ 200
RAROC	20% RWC	2%	48%

Multi-Dimensional Profitability Analysis

Interest Income / Expense	
Interest Income	\$ 800 DM
Interest Expense	650 FTP
Net Interest Income	\$ 150
Direct & Indirect Income / Expense	
Fee Income	\$ 70 DM
Origination/Acquisition	40 ABM
Servicing	15 ABM
Transaction	10 ABM
Additional Expected Loan Loss	10 RWC
Cost of Capital	45 FTP
Net Income	\$ 100
Total Capital	\$ 500 RWC
RAROC	20% RWC

Net Profit

Profitability Cube

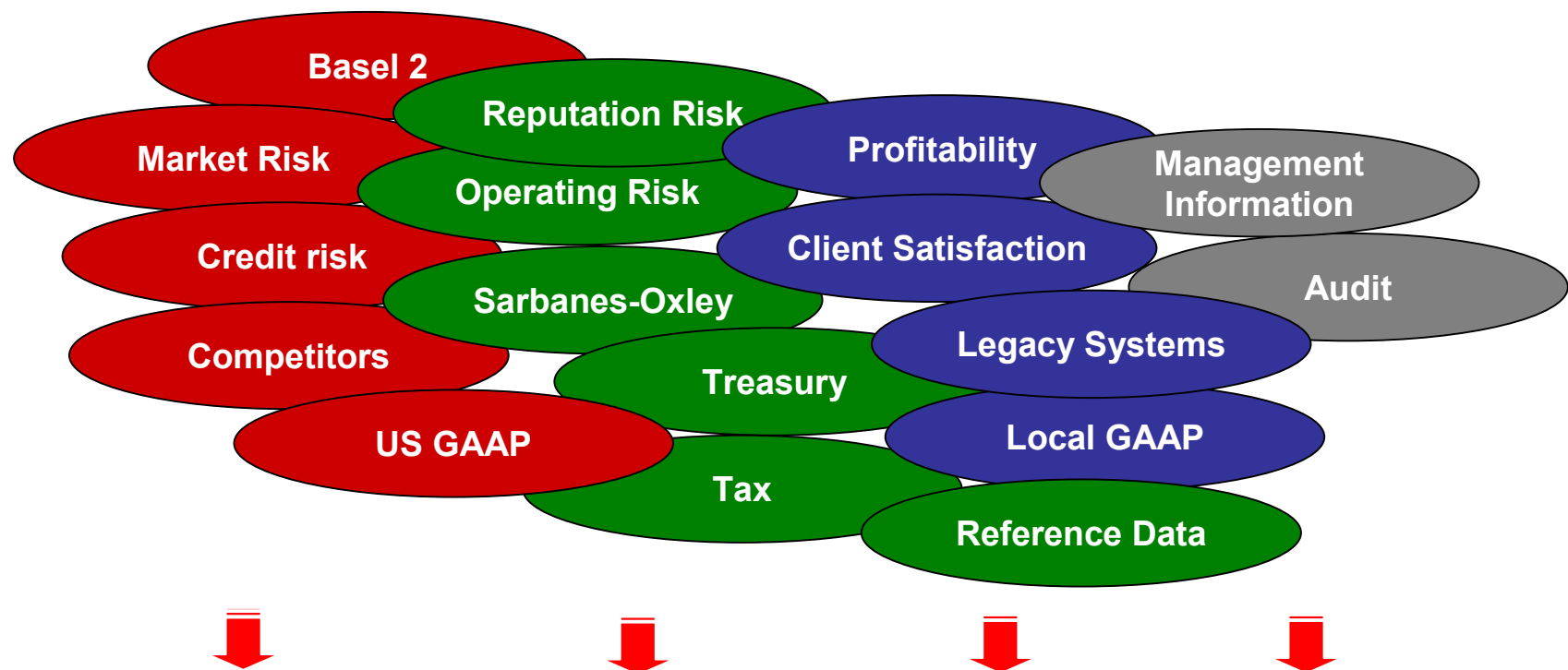


The Corporate Governance Challenge

Functional and Reporting Chaos – poor Corporate Governance

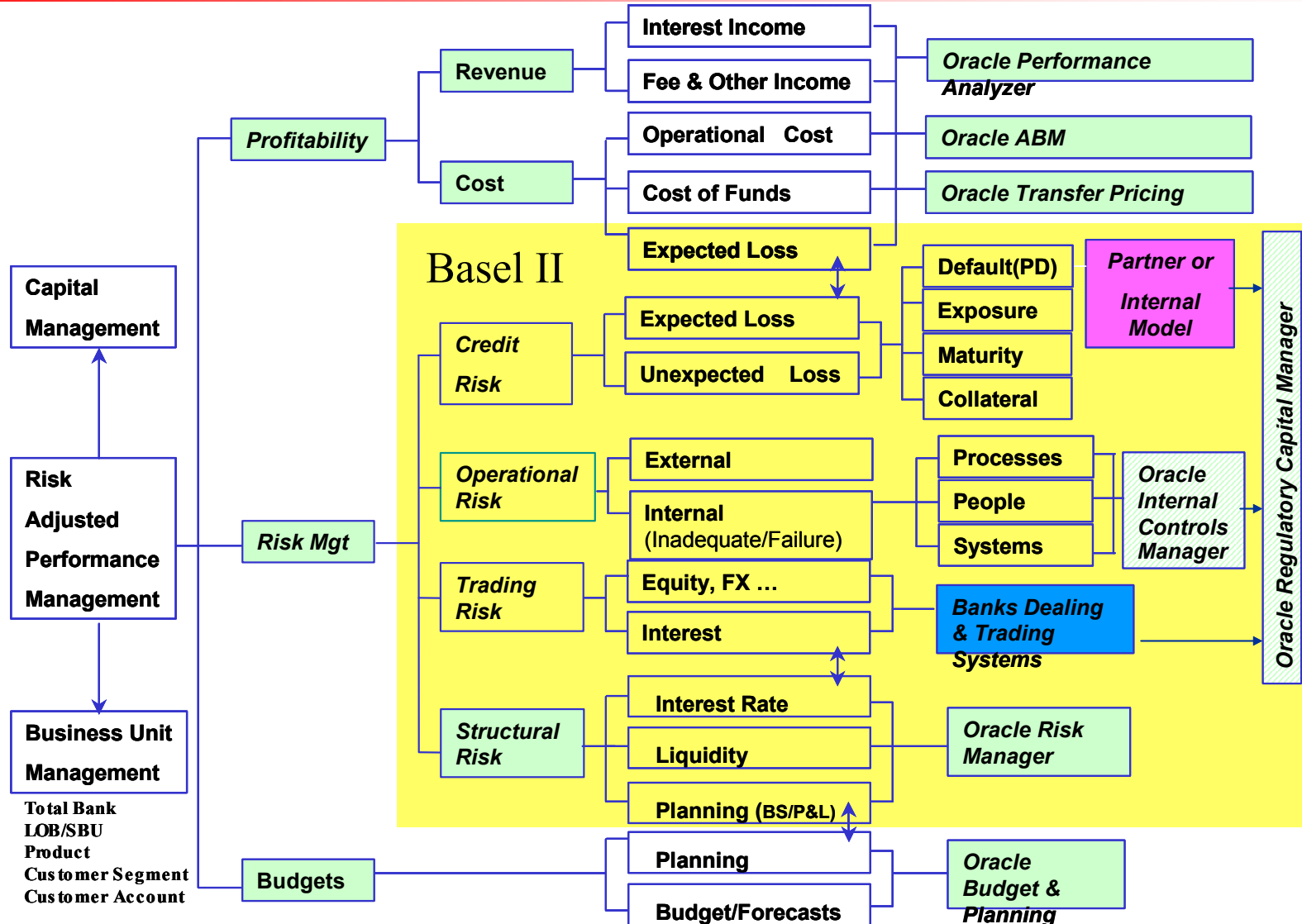
Few companies over the last few decades have had the foresight to position themselves to create integrated risk and financial systems.

They are left with multiple problems causing information “dis-synergies”

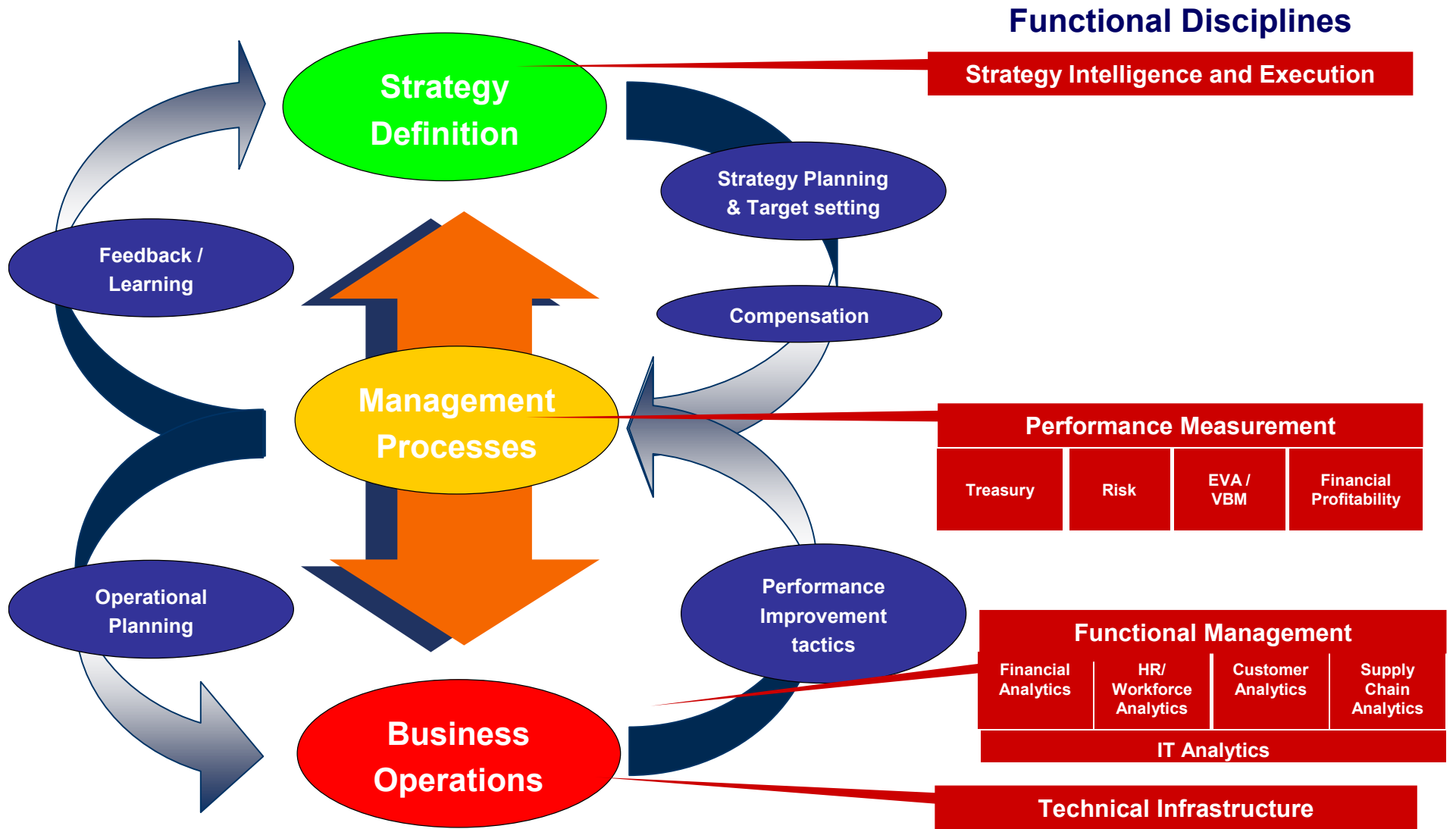


Client erosion...High cost of ownership...Control issues...Reaction time

Risk Adjusted Performance Management (RAPM)



Integrated Performance Measurement

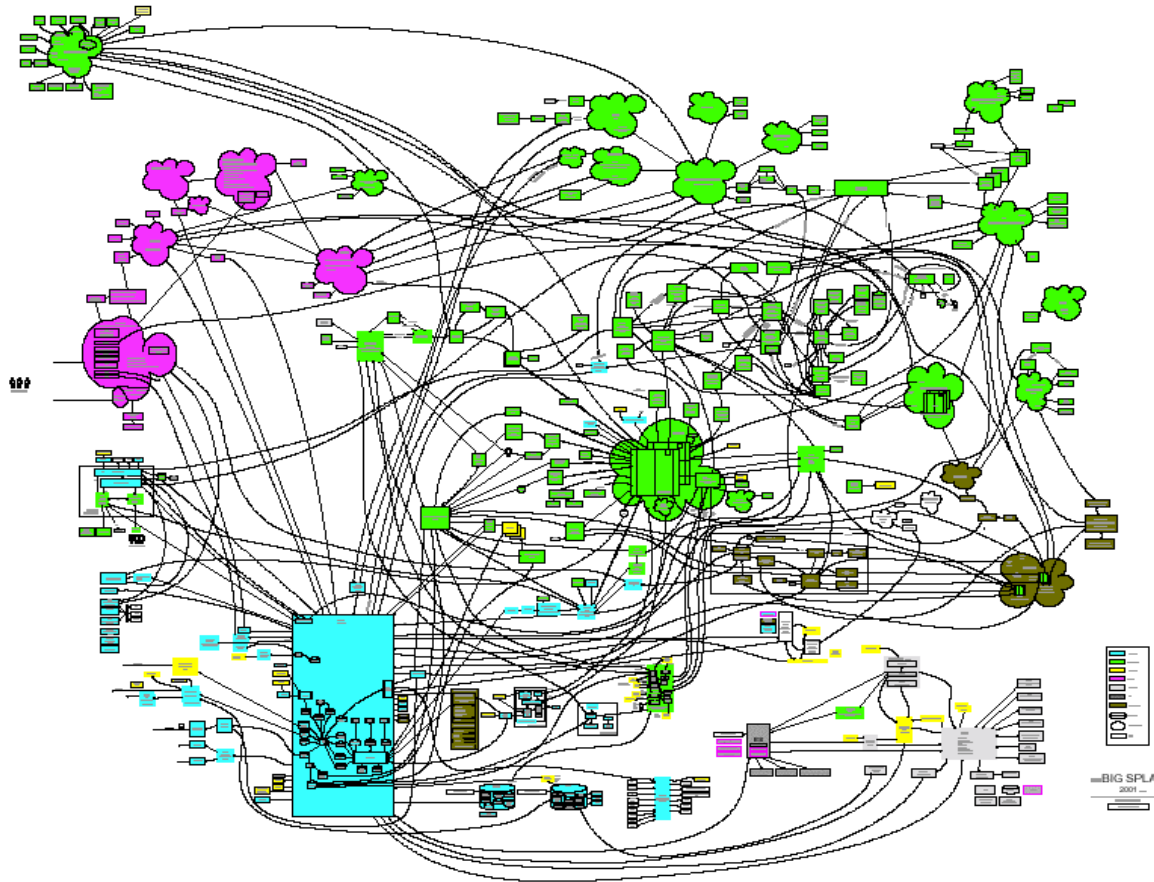


has to be

Technology can be the enabler!

A Typical IT Landscape

The result of Fragmented Systems



Results in:

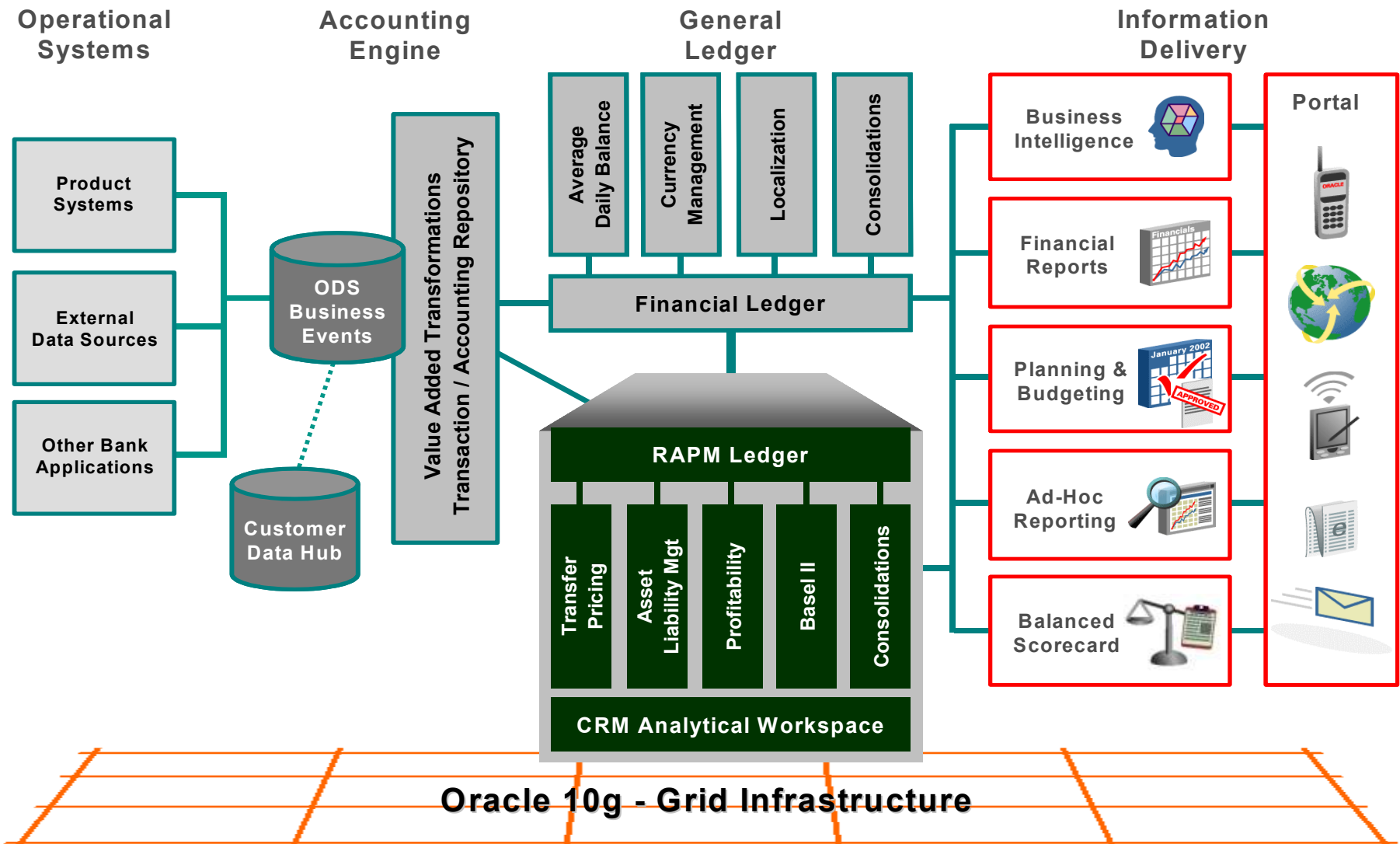
- Many Applications
- Duplicated & Fragmented Data
- Non Standard Interfaces
- Range of Technology

Which Leads To:

- Poor Management Information
- Escalating costs
- A management nightmare!
- Increased specialised staffing
- Inadequate Security
- Total dependence on customised integration

Oracle's Performance Architecture

Integration across ALL dimensions



Today's reality of information delivery

- Disconnected information
- Disconnected user
- Not business process oriented
- Difficult to learn
- Expensive to maintain

The collage illustrates the fragmented nature of information delivery in the late 1990s and early 2000s. It features several overlapping windows:

- Microsoft Excel:** A spreadsheet with columns for 'Start Date of Model', 'Pricing Growth', 'Unaudited Sales Base (Annual)', and 'Seasonality Index'. It includes a table with quarterly data and a 'Scenario Analysis' section.
- Yahoo!:** The homepage of the popular web portal, showing search, news, and various services.
- Yahoo! Messenger:** A chat application window showing a list of contacts and a message from 'Ex-Groundswell'.
- iVigilant Instant Message:** A window for instant messaging with a contact list and a message input field.
- Microsoft Word:** A document window with a blank page.
- FASTSYNC:** A terminal window displaying system configuration options like 'EMULATOR TYPE', 'BLOCK SIZE', and 'RECORD SIZE'.
- alliance portal:** A website interface with a search bar and various links.
- Reports:** A window displaying a table of data with columns for 'Selected Periods' and 'Project Activities'.

Embedding performance into business process

Empower the user!

- Streamlined business processes
- Community based collaboration
- Increased precision
- Faster decision making

- People connected with business processes
- Single repository for all information
- Standardize/ common UI

Welcome John -- Today is Monday, 3 December 2001

My GBI Inc.

My Page | Products & Technology | Marketing | Finance

Personalize Content | Layout

Communities

Analytics

Web Publishing

Enterprise Search & Menu

Personalization

Alerts

Self Service

Any Content from Any Source

Calendar and eMail

Web Services

Key Performance Indicators

Description	% of Tgt
1 Days Sales Outstanding	86.75
2 FX Exposure	69
3 FX Exposure	100
4 FX Exposures - Sterling Slv	74.50
5 Headcount Off	98.67

Problem Reports Closed

Last 1 Week(s)

Problem Reports Closed = 243

My Directory

Name	Phone Number
Bergmann, Peter	2447948
Bragg, Ben	8673027
DeGeorge, Don	7748071
Geib, Bob	7742574
Pugsley, Ken	7741968
Rossi, Mark	7742215
Scherer, Joseph	7741249
Stoltenberg, Russell	7743880
Thompson, Greg	7749884
Tesby, Shawn	7741788

Tasks

Task	Due	Status	Priority
4 EEs need training this qtr	01/18/2002	In Process	Medium
Julie Smith's Birthday	01/18/2002	In Process	Medium
Performance Reviews Due	01/18/2002	In Process	High
John Brown negative PTO	01/25/2002	New	Low
Proposed salary increases...	01/25/2002	On Hold	

iNotes Mail

Who	Date	Size	Subject
Jay Challenger	11/28/2001	2072	naty's rarewe
Andrew Bediz	11/28/2001	7877	Portal and Proxy Server configuration
Paul Isherwood	11/28/2001	5896	Re: Portal and Proxy Server configuration
Russell Stoltenberg	11/28/2001	3369	Re: link to CFI Portal
	11/28/2001	3421	Re: link to CFI Portal
	11/28/2001	1119	link to CFI Portal
	11/28/2001	11775	Re: TPRD

Performance Measurement Paradigms

- **Know your value map, the KPIs that support measurement and who is responsible**
 - **Right data** to the **Right people** at the **Right time**
 - **Drivers v Results, Lagging and Leading, Tangible v Intangible**
- **Drive human behavior, not calculations, not technology**
 - **External, customer focused** v internal customer ownership
- **Align personal remuneration with KPIs**
 - Information supports value creation, **the hip pocket pushes value creation**
- **Change Management x 100**
 - **Know your customer** and management expectations and goals
 - **Power users** are a must have

Performance Measurement Paradigms

- **One version of the truth – cliché but still a truism!**
 - **Not just data**, reports
 - Rules, **collaborative business logic** is the heart of information rather than the final results
 - **Structured and unstructured** – collaboration brings external focus
 - Analytic Integration = **technology enabled collaboration**
- **Self service – users must be self sufficient**
 - **Kill the IT reliance** syndrome but build the support service levels
- **Ensure budget, forecast, actuals methodologies are aligned both to remuneration measurement and actuals transformations**
- **Accounting v MIS:**
 - **Reconciliation** to GL is not negotiable
 - **Drill through** to the underlying rules: technology enabled change management

Performance Measurement Paradigms

- **Treasury is your friend, must be your mentor**
- **Understand the internally competing forces**
 - **Marketing (New Business Growth) v Treasury (Funding) v Risk (watch dog) v CFO/CEO (Shareholder Value growth)**
...and the information they use and need
- **Requirements are never known, always misunderstood – flexibility is key**
- **‘C’ LEVEL EXECUTIVE SPONSORSHIP**
- **‘C’ LEVEL EXECUTIVE OWNERSHIP**
- **‘C’ LEVEL EXECUTIVE CHANGE MANAGEMENT**

Oracle Financial Services Selected Customers



Trusted Business Advisor

Our mission statement



"No! — I can't be bothered to see any crazy salesman
— we've got a battle to fight!"

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