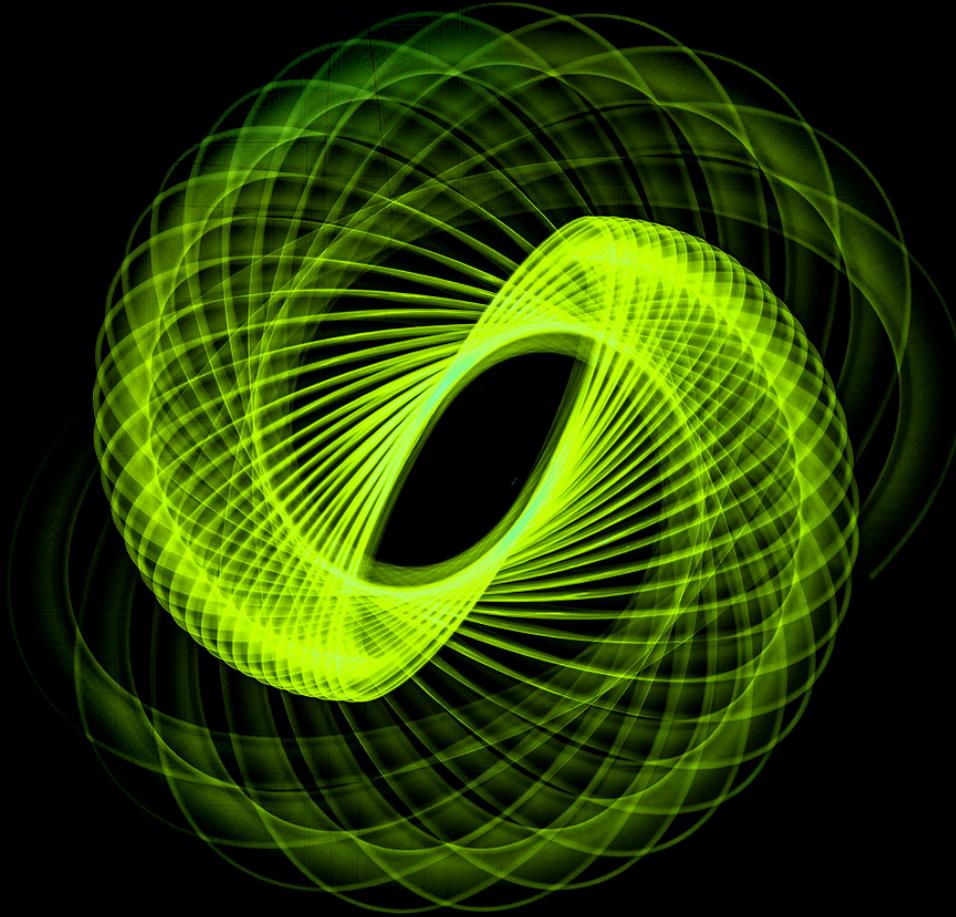


Deloitte.



Banking in uncertain times

Start your Enterprise Model Design Journey now

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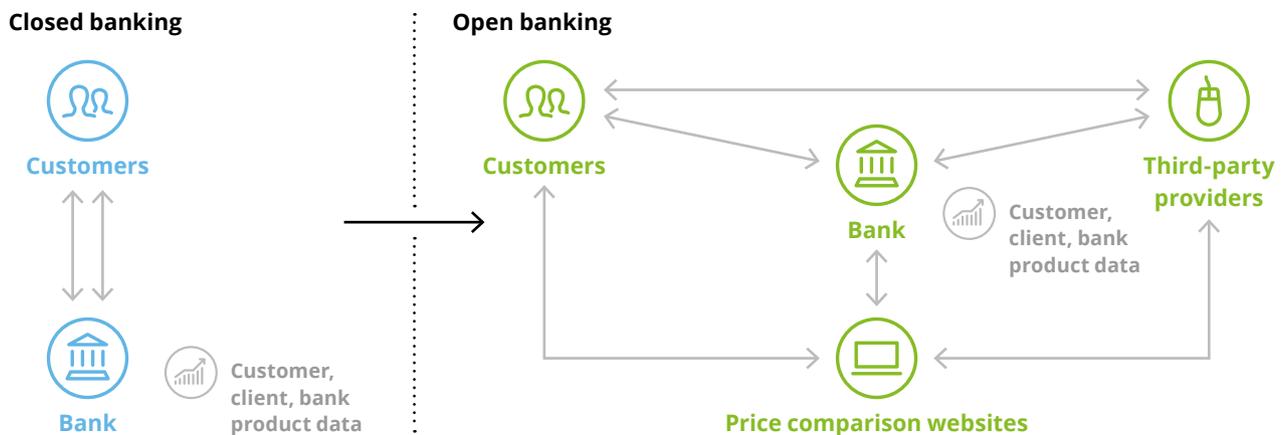
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Fight for customers, data and market share¹

Since the financial crisis European banks have earned returns below their cost of equity. Retail banks have faced increased competition from FinTechs and especially with the Second Payment Services Directive, PSD2, regulation has been driving open banking, which increases the field for new market entrants. We believe this development has the potential to transform the banking landscape radically. Today, traditional banking operating models are largely closed with banks owning

the customer interface, through which they offer their own products. With the Second Payment Services Directive (PSD2), third-party providers will be granted access to customer payment accounts. Even in light of navigating through complex issues around data protection and liability these steps towards opening up bank-held data mark a significant shift in how retail banks operate. If we take the opening up of banking data, technology-enabled innovation and changing customer

preferences into account, a new model is likely to emerge - the marketplace model. In this model, customers will be able to use a single banking interface to access products and services from a multitude of players, including traditional banks, challengers and other third-party providers. This interface would both give customers a holistic overview and use cognitive analytics to help them manage and optimize their finances.

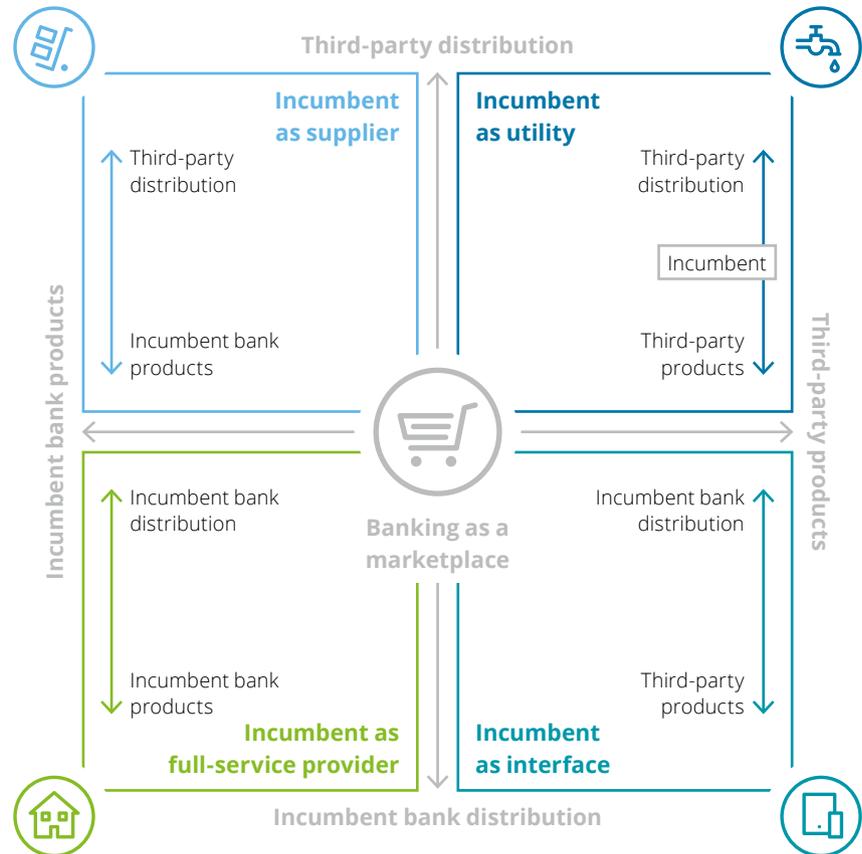


1. "How to flourish in an uncertain future | Open banking", Deloitte LLP, 2017. See also: <https://www2.deloitte.com/uk/en/pages/financial-services/articles/future-banking-open-banking-psd2-flourish-in-uncertainty.html>

In this environment, traditional banks have four non-mutually exclusive strategic choices to consider:

- **Full-service provider** › Continue with a full-service offering, delivering proprietary products via a proprietary distribution network with little or no integration with third parties via application programming interfaces
- **Utility** › Relinquish ownership of products and distribution to operate as a utility, providing other players with infrastructure and non-customer-facing services
- **Supplier** › Continue to offer proprietary products but relinquish distribution to third-party interfaces
- **Interface** › Concentrate on distribution by creating a marketplace interface through which third parties can provide products and services.

Uncertainty surrounds the future of banking. Certain is, however, that traditional banks cannot afford to stand still if they want to become part of the future of their industry.



“Being a robust ship that navigates through rough waters is no longer enough. Agility and adaptability towards change is essential in order to win and retain loyal customers.”



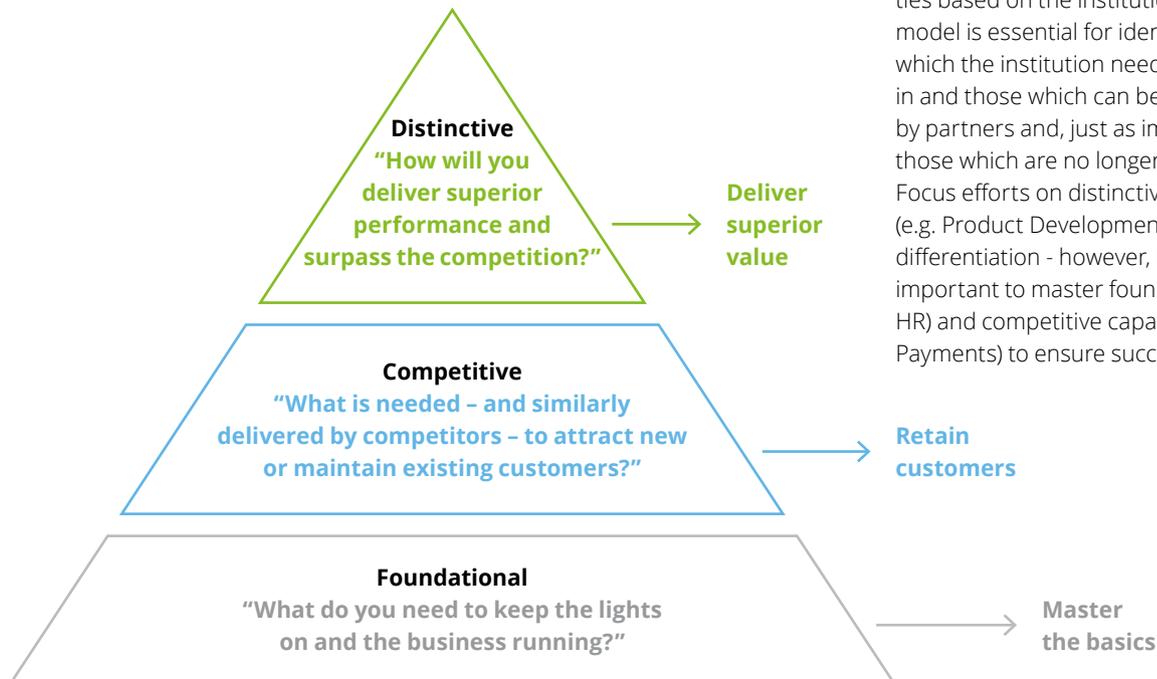
Focus on capabilities

In this environment, a systematic and measured transformation approach needs to be adopted: Business model clarification, capability vision and operating model architecture. The business model needs to clearly state where a company wants to play (e.g. customers, products, geographies) and how it plays to win (e.g. profit model, partnerships).

Capabilities are the building blocks of a sustainable operating model. Identifying, prioritizing and building on those capabilities require a vision supported by a clearly articulated business model. The capability-led approach allows companies to change the way they operate, avoiding hyper-focus on organizational structure.

The approach prioritizes focus on areas that drive the greatest value to the business, surfaces major design decisions required upfront that will guide downstream processes and structure and lastly, it communicates the executive vision to guide detailed design and execution.

Categorizing and prioritizing capabilities based on the institution's business model is essential for identifying those which the institution needs to invest in and those which can be performed by partners and, just as important, those which are no longer essential. Focus efforts on distinctive capabilities (e.g. Product Development) to drive differentiation - however, it is just as important to master foundational (e.g. HR) and competitive capabilities (e.g. Payments) to ensure success.



A proven and structured approach for establishing clarity on the required set of capabilities and their prioritization is described in Deloitte's Capability Vision Framework. The capability design vision provides an executive view of how the capability functions and how it will

change from the transformation effort. Each of the following six components of the Deloitte Capability Hexagon™ enables the capability and its integration as well as helps to determine a best-fit operating model.

Mission › The purpose of a capability, how it will operate, and what value it will deliver. The mission is derived directly from and supports the company's strategy.

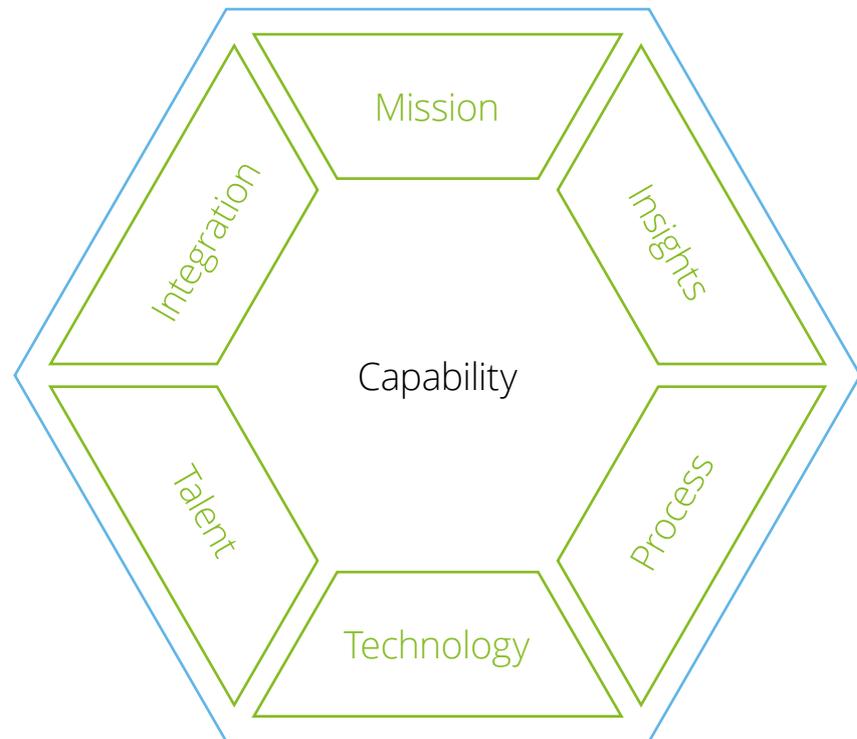
Insights › The decision flow, information, and analytics that drive more informed and timely decision-making.

Process › An integrated and efficient set of processes and activities designed to achieve a desired outcome.

Technology › The technologies (software and hardware) and tools required to enable the capability.

Talent › The competencies, skills, talent infrastructure, and workforce planning that enable an optimal talent base to execute the capability.

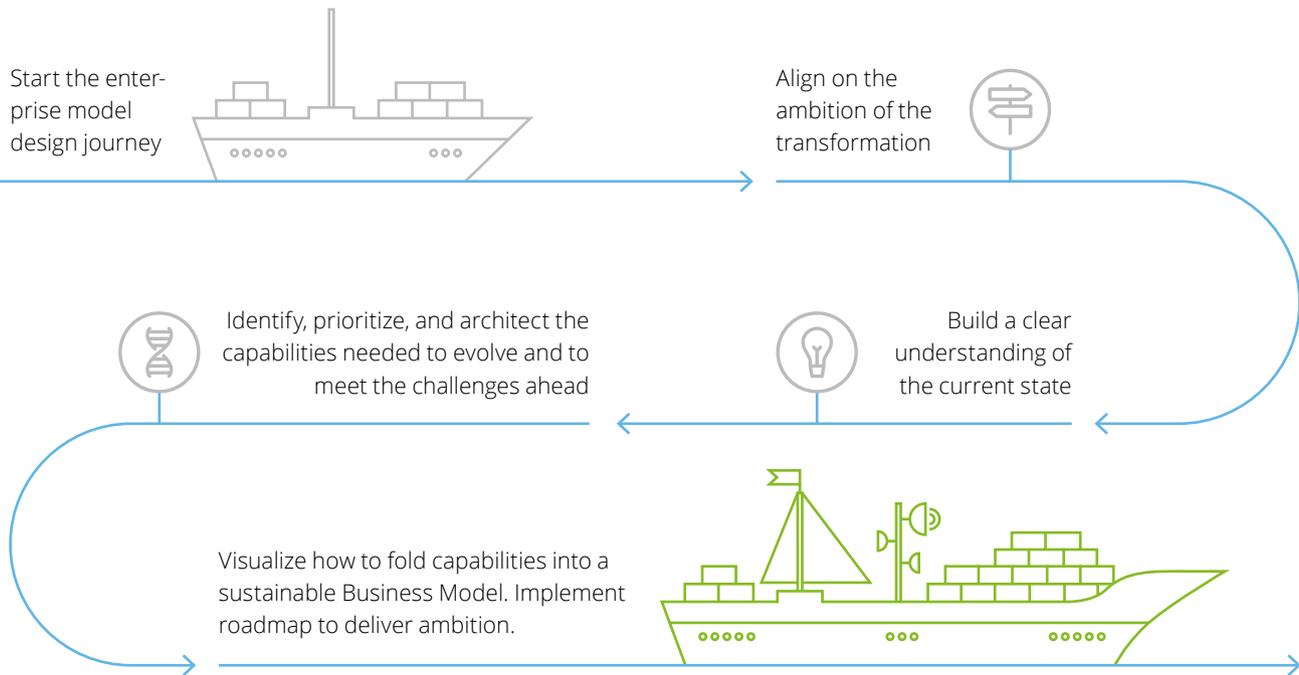
Integration › Clear roles, decision rights, and policies that facilitate integration within and across other capabilities, functions, and partnerships.



Start your Enterprise Model Design - Journey

In order to design, plan and develop operations that can drive sustained competitive advantage, companies need to take a fresh look at strategic choices, competitive threats and required capabilities. Your strategy can

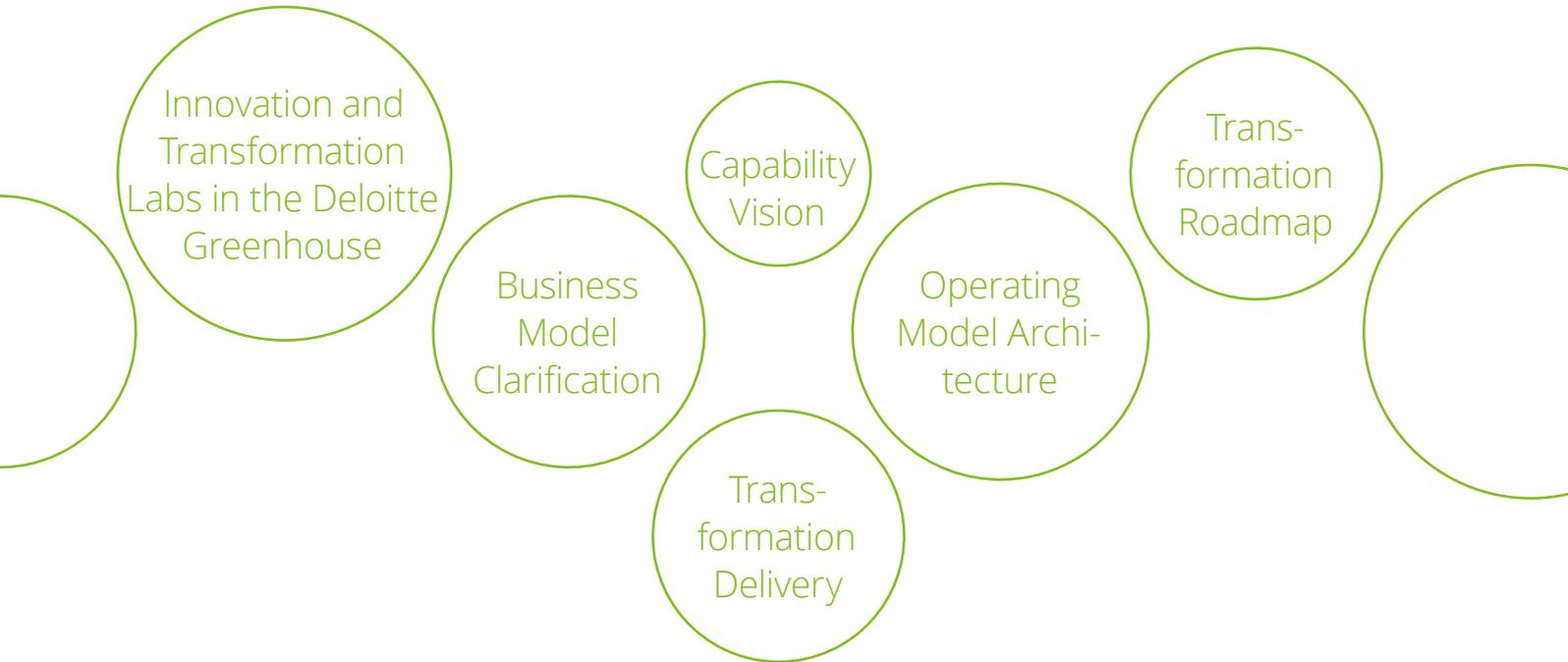
only be as effective as your organization's ability to execute it. That means your operating model should be designed to drive your strategy and make your business model a reality and success.



Our Service Offering

Deloitte's Enterprise Model Design (EMD) practice works with organizations to validate their transformation ambition, identify and prioritize the required capabilities, and design the operating model to effectively deliver on their strategy. We help companies to navigate and accelerate change by prioritizing focus areas that drive sig-

nificant value. This often involves two important activities: communicating a new vision that translates strategy into action, and facilitating up-front discussions to guide detailed process, organizational and technology design. Contact us for a discussion and tailored offering.



Contact

With our robust experience-led approach, we successfully support clients globally in reinventing and transforming their business. Whether it be the global, game-changing transformation of a company's entire business model, or

the targeted transformation of particular functions or business- units, our accelerators, experience, and unrivalled leadership in Business Transformation offer you market advantages.

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