



Innovation in Financial Services: Status, Challenges, New Developments in Europe and the Middle East

Bernardo Nicoletti
Pinion Ltd., Director
Abu Dhabi, Feb. 12, 2013

Challenging Environment ... The 6Cs

Customers

Empowered and demanding
Complex and confused
Sometimes Malicious



Competition

Non Bankers



Computers

New Technology
Network



Costs

ROE (EU 0% vs AS 17%)
Europe (68%=>46%)
Outsourcing



Compliance

Security and Frauds
Laws and Regulations
GRC



Culture

Customer-oriented
Balance the interests of shareholders and society
Lean and agile

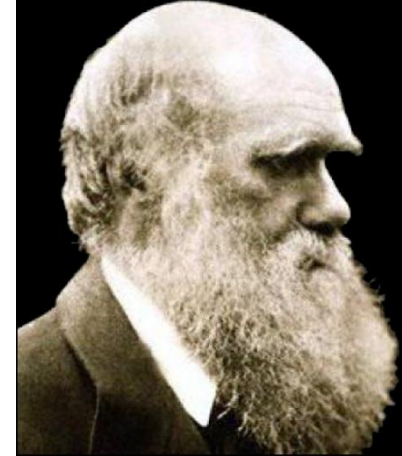


Achieving financing processes in a leaner and more digitized manner

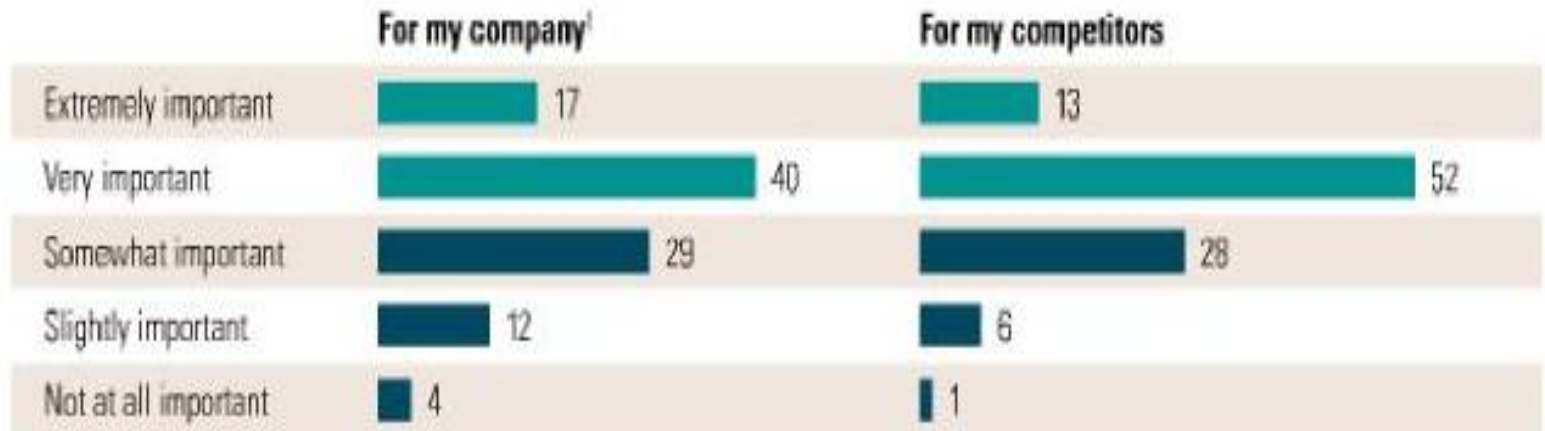
Evolve or Die

“It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change.”

Attributed to Charles Darwin



How important have innovations been to meeting revenue targets over the past 1 to 3 years?



¹ Figures do not sum to 100%, because of rounding.

Source: January 2007 McKinsey Quarterly survey of finance executives

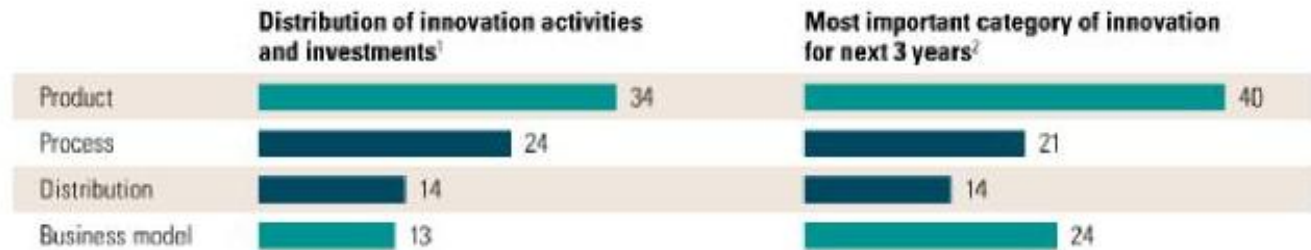
Possible Innovations

- Products
- Processes
- Distribution
- Business Models



To date, how has your company distributed its activities and investments among these categories of innovation?

How important will each category of innovation be to your company's overall success over the next 3 years?



¹ Figures do not sum to 100%, because respondents who answered "don't know" or "equal investment" are not shown.

² Figures do not sum to 100%, because respondents who answered "don't know" are not shown.

Quite a Few Opportunities+ in the Mobile Arena

Market

1b un/under banked

Need a low cost payment solution

Media

5b cellphones and smartphones

No dominant payment structure

Govt.

Progressive Authorities

Growing need for cashless

Credit

Fragmented retail sector

Gift for top tier only

Vision for mobile payments:



Objective

Giving consumers faster, safer ways to pay on mobile devices

**and by
2020**



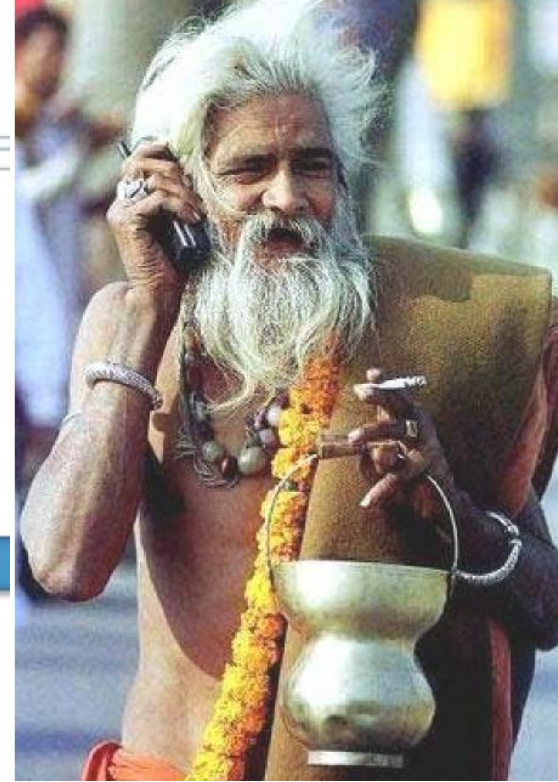
By 2020

50% of Visa transactions will be made via a mobile device

Marriage between Mobile and Payments



- Standards Converging
- Different Technologies
 - SMS
 - QR
 - NFC (Near Field Communications)



**5 Billions
Mobile**

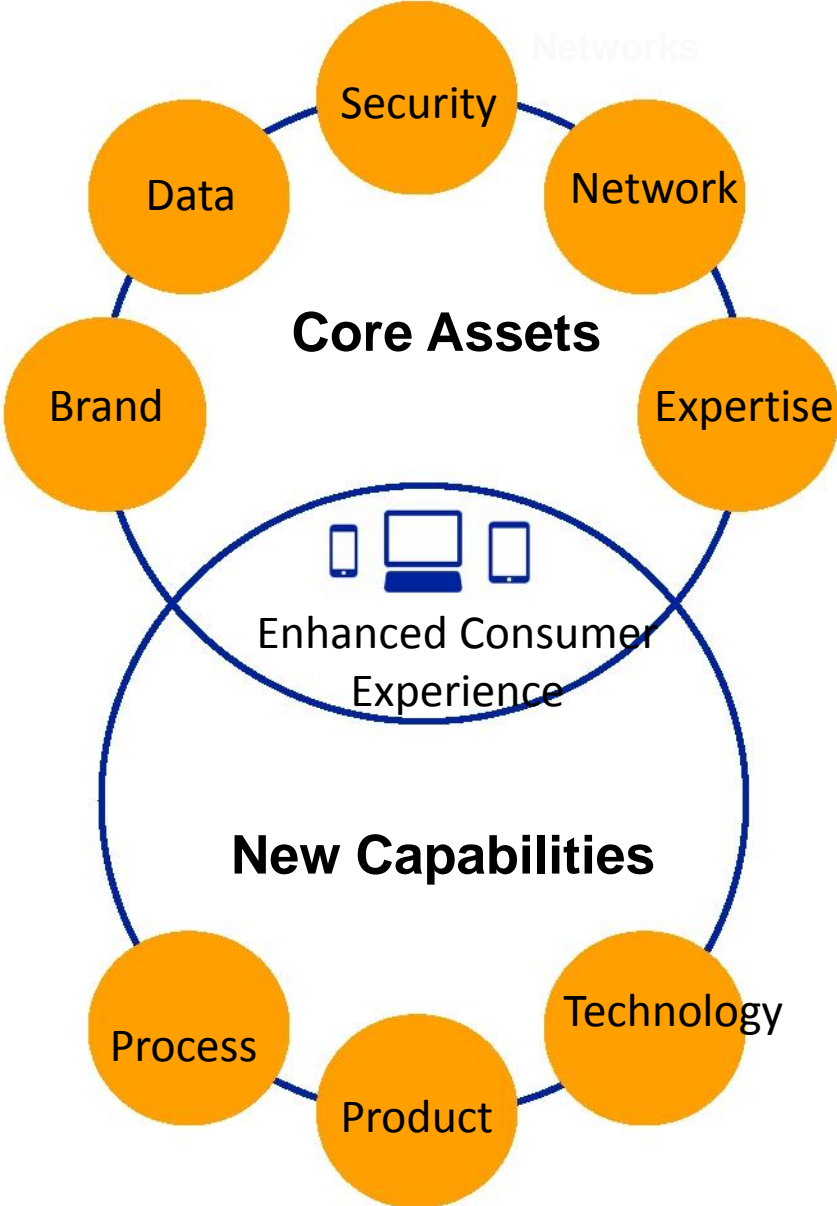
A Disruptive Innovation: The "Mobile Shopping Experience"



Enabling new commerce

Security
Data
Process

Networks



Innovation for the m-Generation

Simplify

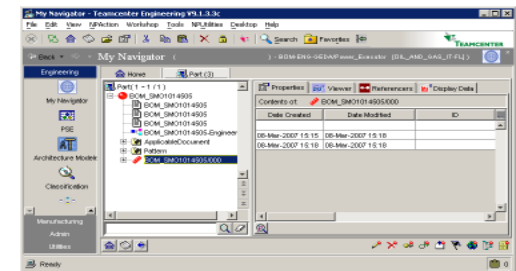
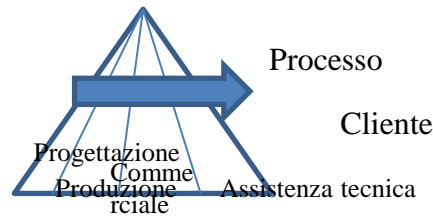
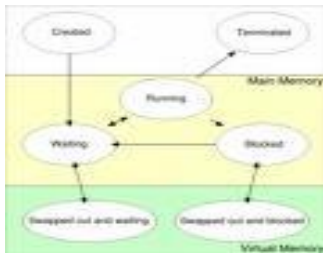
Add Value

Consolidate and Virtualize

Product

Process

Technology



“Financial Services Organization can no longer let BPM pass...” Michael Hammer



Contactless payments are growing across Europe

50

million
cards



64

acquirers

83

issuers

15

markets

500k

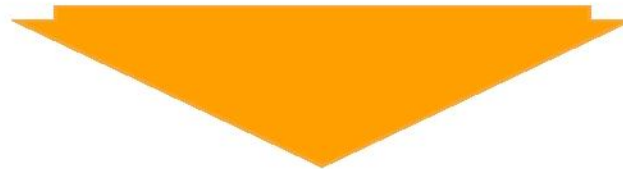
terminals

26

live

mobile NFC
programmes

Transaction
volumes **x5** in last year



Big retailers and transit operators are signing up to accept NFC contactless payments

- Big retailers:
 - Marks & Spencer
 - Ikea
 - Carrefour
 - McDonalds
 - Migros
 - Starbucks
 - Boots

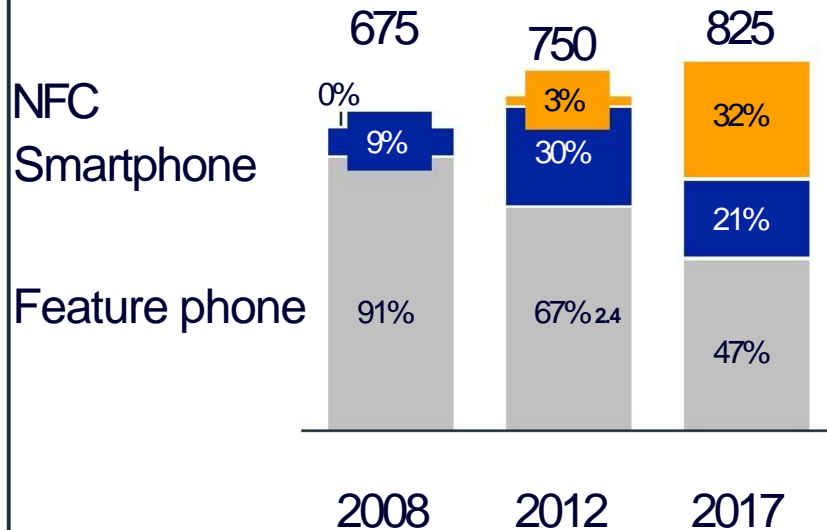


- Contactless payments launched on London buses December 2012
 - Phase Two (entire network including underground, variable fare) scheduled for December 2013

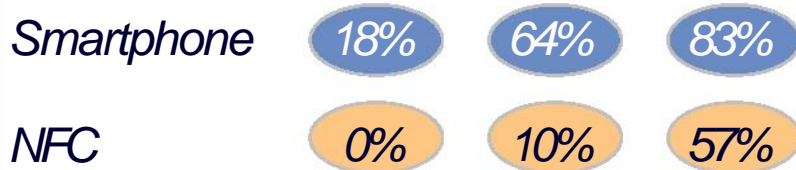


NFC Enabled Smartphones are becoming visible

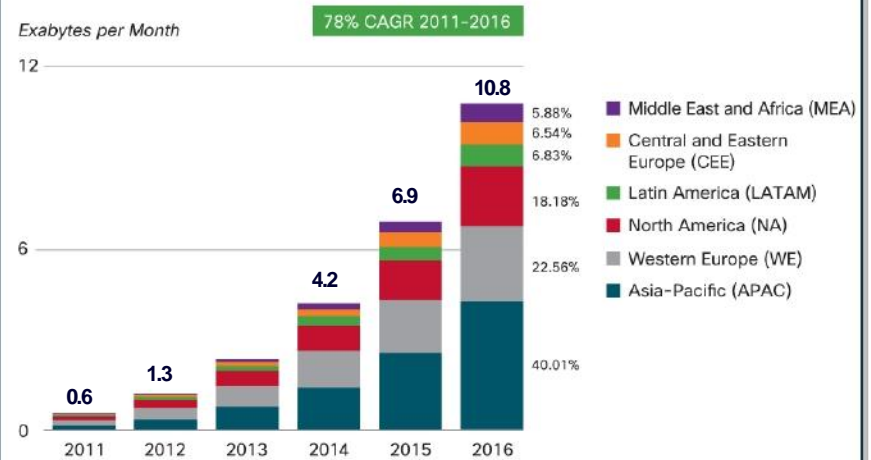
European mobile phones installed base, million¹



Share in new device sales



Global Mobile Data Traffic, Exabytes per Month²



"Mobile connection speed to increase 6-fold with 4G impact by 2016"

"2011's mobile data traffic was eight times the size of the entire global Internet in 2000"

New Rules and Regulations

System structure

Risk handling

Traceability

Reporting

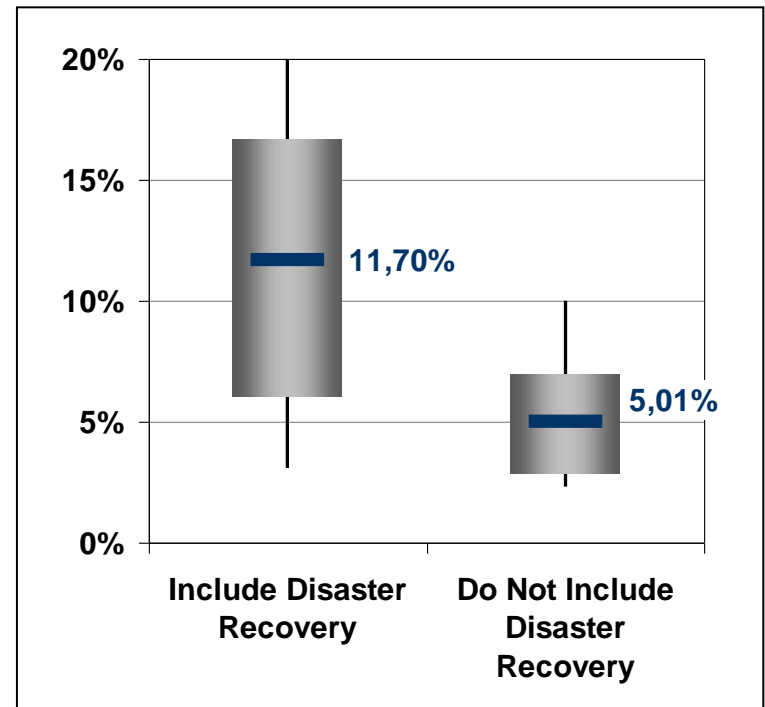
Transparency / Openness

Directive on Electronic
Signatures

Directive on Money
Laundering

Throwing Money at Security Isn't the Answer

- Security spending growing twice as fast as IT spending
- Almost no correlation between security spending and security level
- Real progress in security should **reduce** security spending



Source: Gartner Consulting Worldwide IT Benchmark Service
Gartner Information Security Research Service 2007

Managing Risks and Security



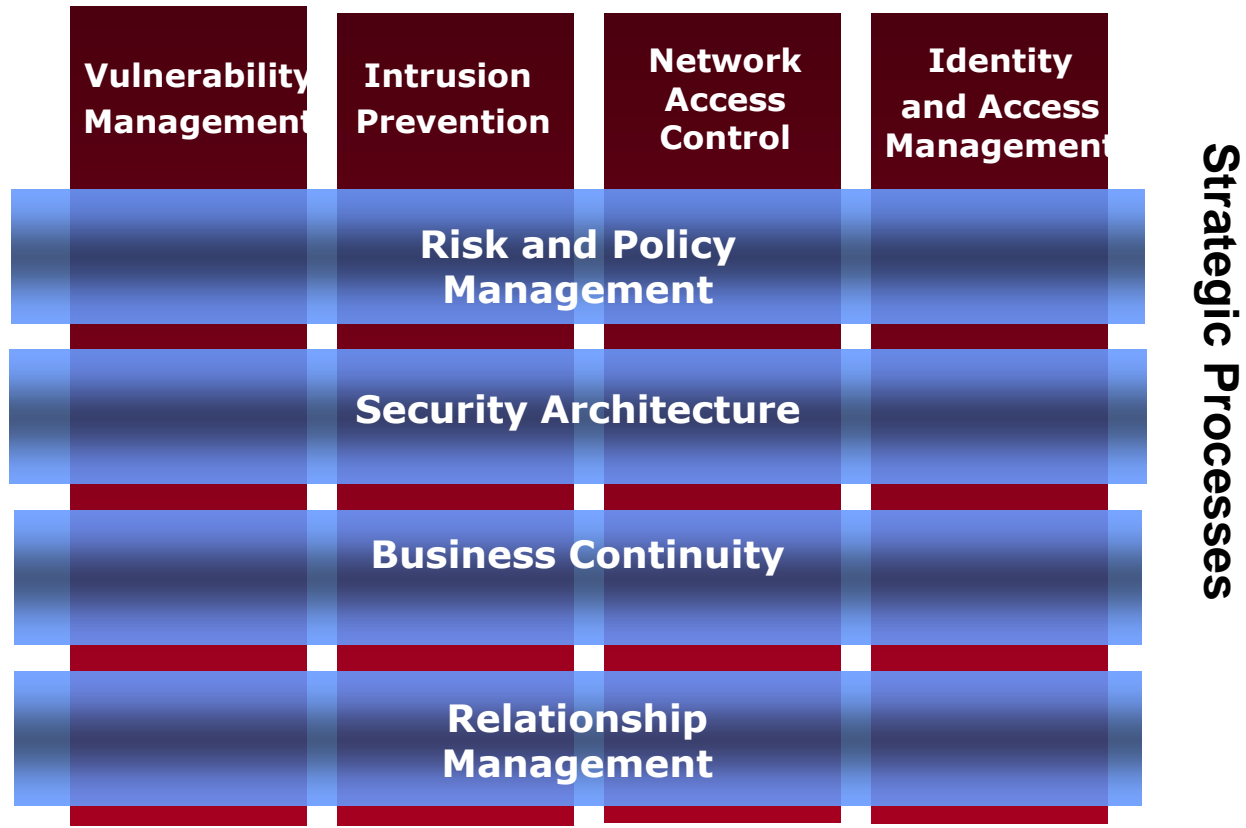
We have the experience and technology to manage:

- Security: Access Control, Transmission
- Fraud
- Anti-Money Laundering

It is important to take a Security Process Portfolio approach

Security Process Portfolio

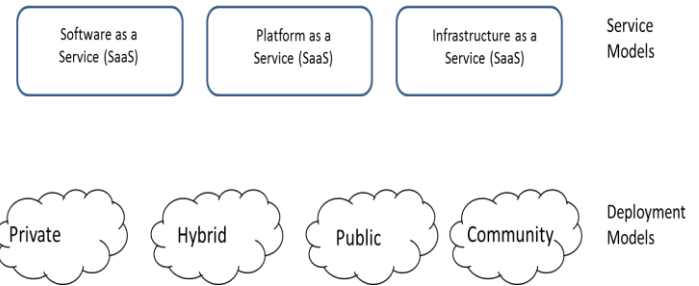
Protection Processes



A Great Opportunity: Cloud Computing



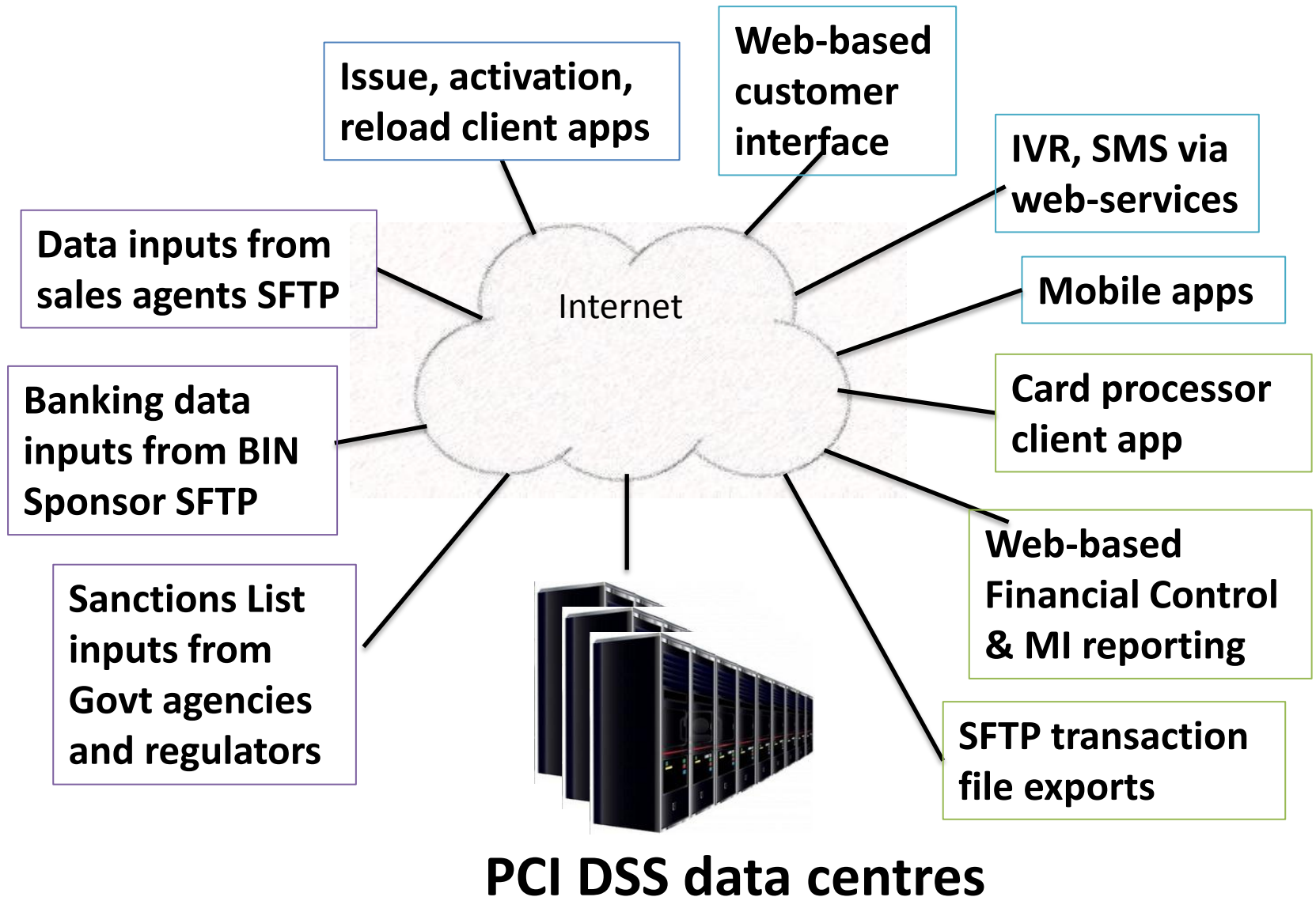
Cloud Computing



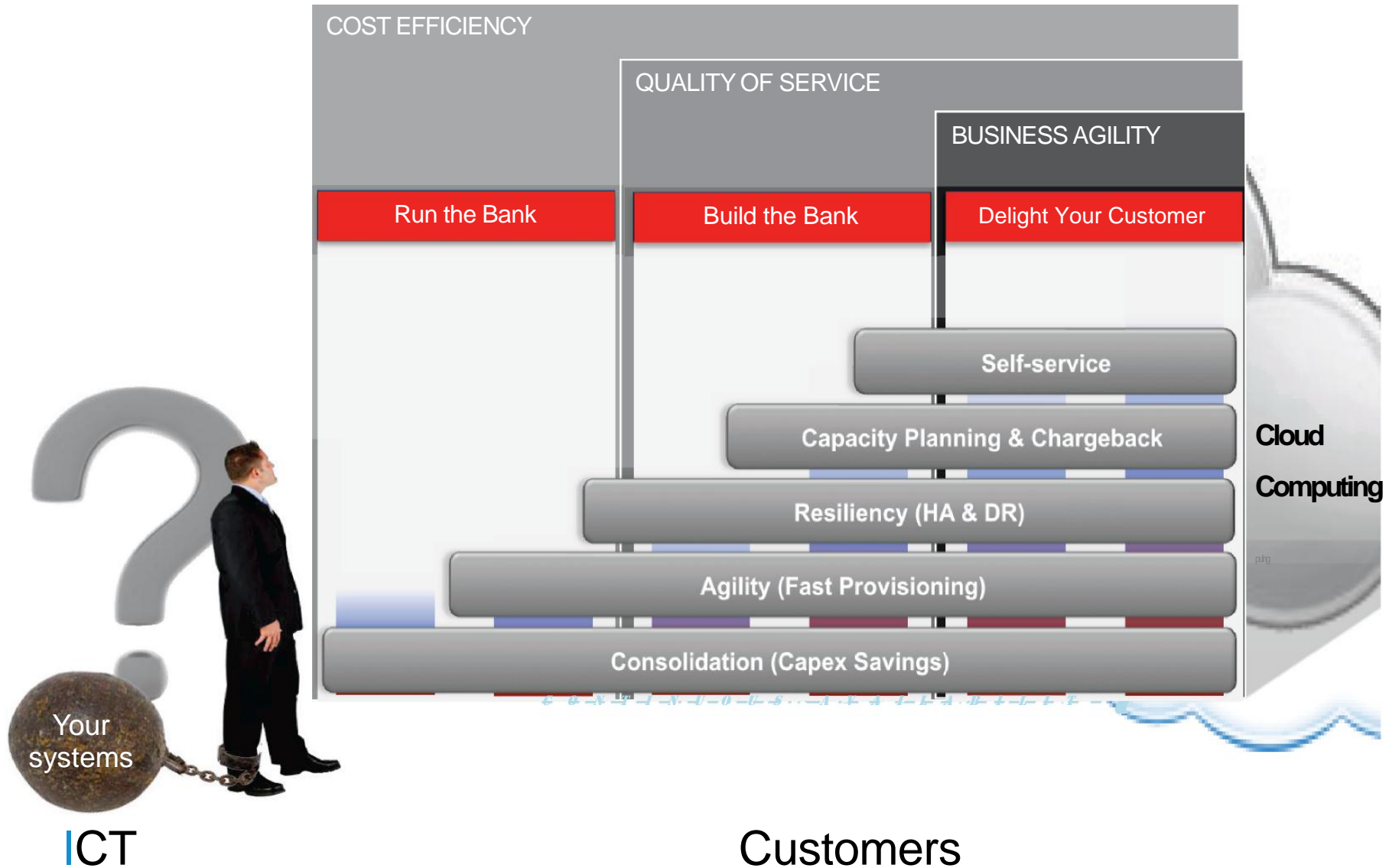
A New Paradigm. Providing ICT Services:

- Infrastructure, Platform, Application, Business Processes
- On Demand;
- Over Internet
- On Pay per Use
- Everywhere, Every Time, On Every Device

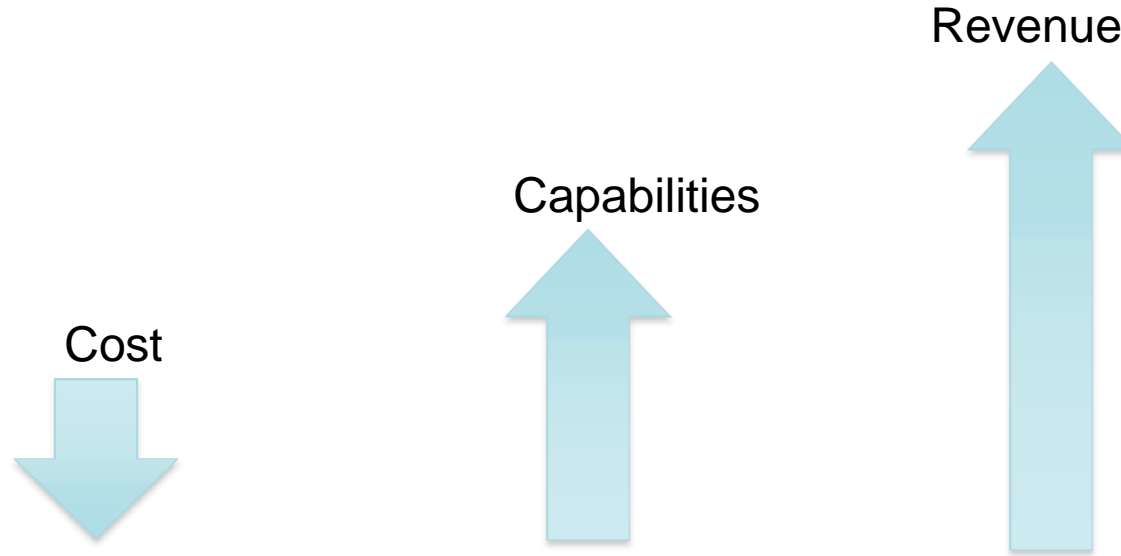
An Example of Using Cloud Computing



The Path to the Cloud



Efficiencies and Economics with the Cloud



- **Flexibility**
- **Total Cost of Operations - TCO**
- **Capabilities increased**

Change of Culture

Concentrate on the Core Business

Lower your costs

Lean and Agile Solution

• **to your Business**

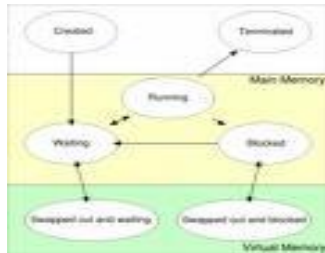


**Delight the
Customer**

The (Near) Future

Integrate

Product



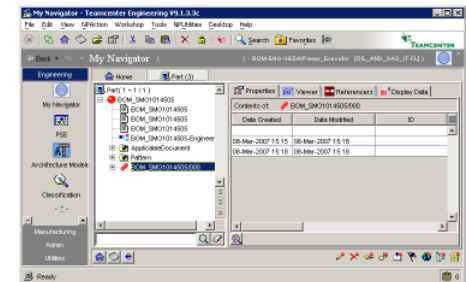
Be Each
Customer-Centric

Process



Mobilize

Infrastructure



Mobile Banking Will Grow 300% Over the Next Four Years Says Aite

The Final Message To Beat Your Competition... ... Strive For Perfection



- Continuous improvement
- The policy of the Bonsai, small steps at a time

Bernardo Nicoletti

Pinion Services, CEO

Professor at the Master in procurement at
the University of Rome, Tor Vergata, Rome,
Italy.

Consultant and Coach

Worked in 10 Countries in several companies

MIS and CTO in Alitalia

Project Leader in Airplus

Program Leader in Galileo

CEO in Sigma Plus

CTO in GE Money

CIO in GE Oil & Gas

CIO in AIG UPC Latin America

Management Consultant for Pinion with projects in several countries, Europe, Saudi Arabia,
Bahrain

Master Black Belt

bernardo.nicoletti@katamail.com

+39 348 470 7016

