

The Way Forward
Experience the Future of Banking

A Note from Marc Andrews

Vice President, Financial Services & Insurance



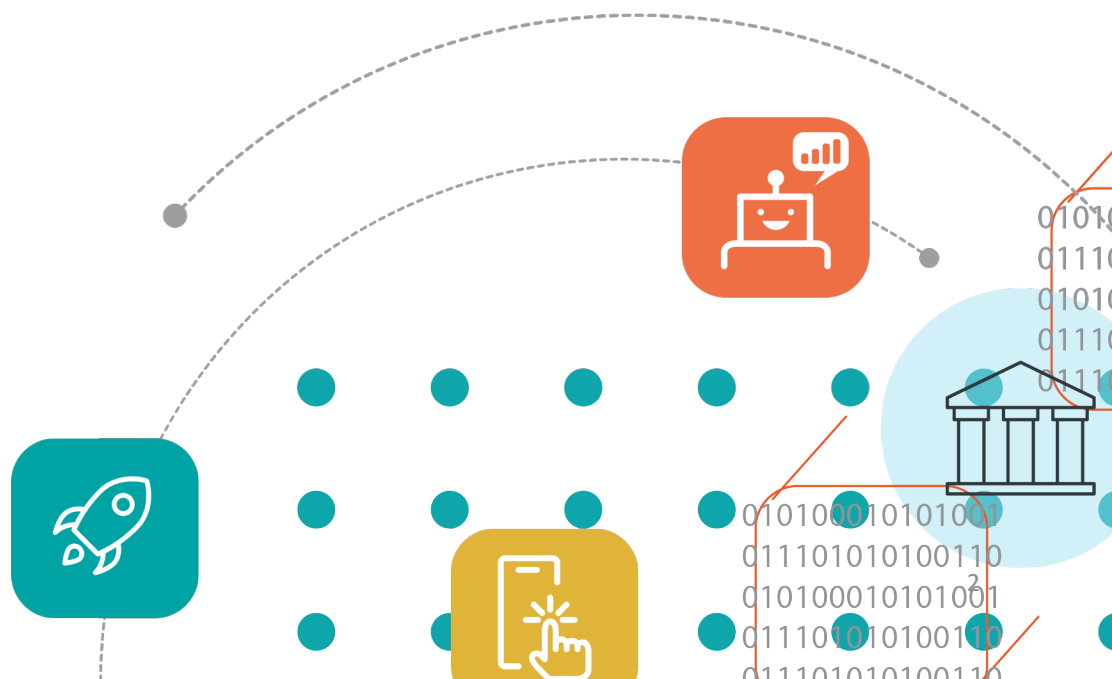
Our commitment has always been to serve our clients in their digital journey. This past year has been no exception and has even seen our clients' digitization efforts increase amidst the Covid 19 crisis. We continue to build our track record to innovate into new digital strategies and drive growth for our clients. The biggest shifts in company fortunes happen when coming out of downturns. This is an excellent time to invest in the future by accelerating digital transformation and building the foundation for long-term growth.

We have seen financial services organizations focus on four key areas as they determine the way forward:

1. Accelerate Digital Transformation
2. Dynamically Personalize Customer Engagement
3. Reduce Manual Workload
4. Enable Flexible Operations

Whether it is improving customer experience, expanding client relationships, improving productivity or reducing operating cost, investing across these four areas will shape your future against an ever-changing competitive landscape. And Pega is focused on helping financial institutions achieve these objectives.

Be the disruptor not the disrupted.



State of Digital Transformation



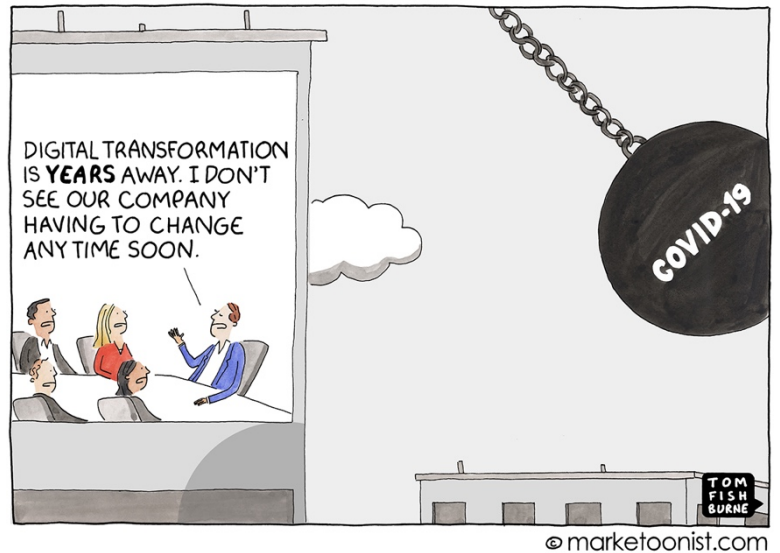
Does not extend across **broad set of service needs**



Not intelligently automated **from front to back end**



Unable to **quickly adapt** processes and policies



Who or what led the digital transformation of your company?

- A) CEO
- B) CTO
- C) CIO
- D) COVID-19**

The COVID 19 pandemic is accelerating the development, delivery, and use of digitization and employee-facing technologies. The businesses that want to survive and thrive are relying on technology to give them the flexibility and fluidity. The upside: Businesses are adopting new technologies at a faster pace. But it also means business need to re-skill or up-skill employees to be able to use new technology and adapt to a more agile operational structure.

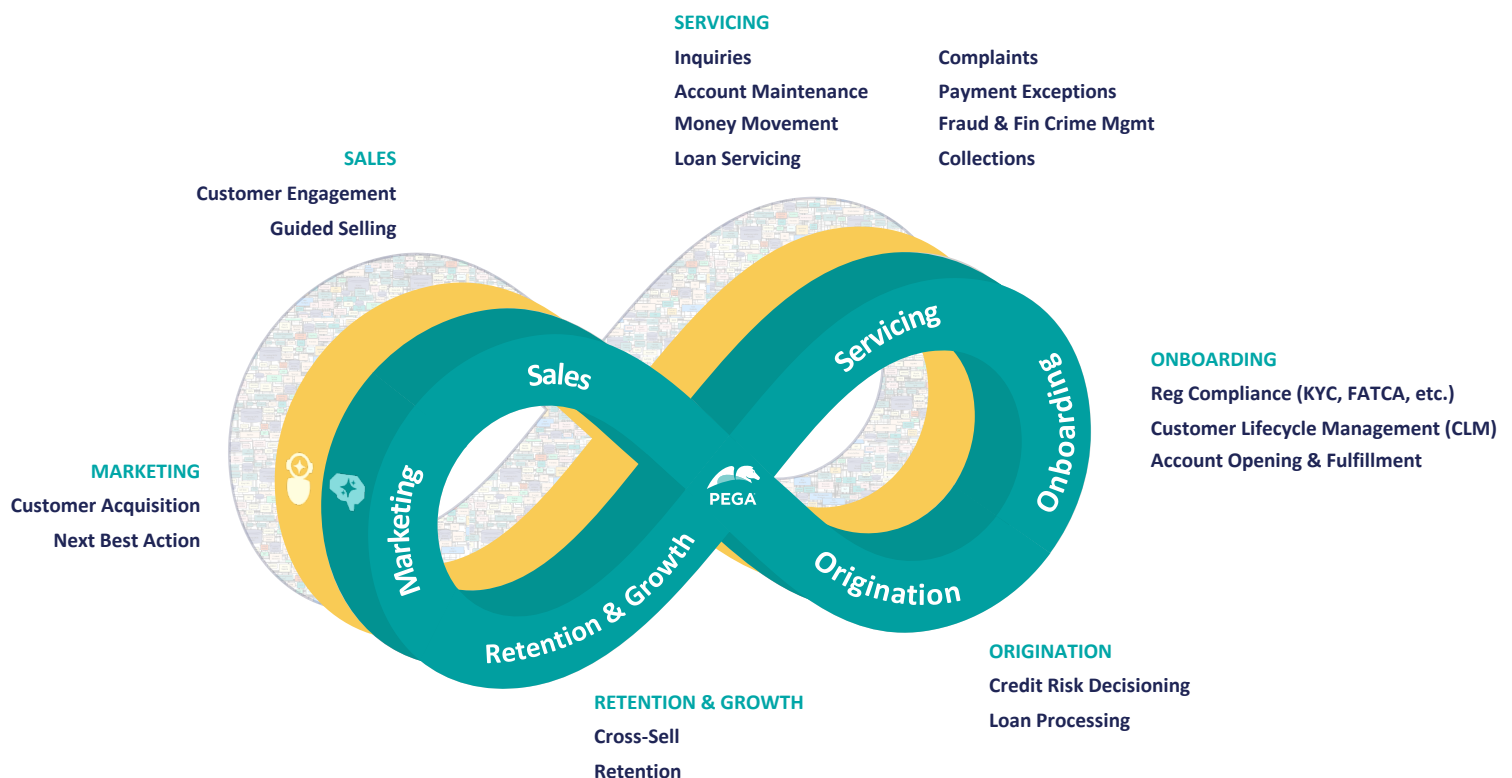
-Dr. Kristine Dery of MIT's Sloan School of Management

Executive Summary

Complex processes. Manual activities. Cumbersome workarounds. Long customer wait times. While financial services firms around the world have long experienced at least one of these pain points, the COVID 19 pandemic only brought them into sharper focus.

Whether in retail banking, corporate and commercial banking, captive finance, or wealth management, it's never been more important for financial services firms to:

- 1 Accelerate Digital Transformation**
 Rapidly expand digital capabilities across more banking activities and channels, and connect front- and back-end systems with intelligent automation.
- 2 Dynamically Personalize Customer Engagement**
 Deliver more personalized customer communications in real-time based on the true next best action – balancing the focus between cross-selling, retention and service.
- 3 Reduce Manual Workload**
 Use intelligent systems to automate processing and decision making, reducing reliance on manual activities to streamline end-to-end operations and service.
- 4 Enable Flexible Operations**
 Provide greater flexibility to dynamically reallocate work across distributed teams with codified policies and guided processing, enabling increased leverage of existing staff.



Accelerate Digital Transformation

Deliver increased omni-channel capabilities across loan origination, onboarding/KYC and customer service

CURRENT CHALLENGE

Call center wait times surged from 40 seconds to 40-90 mins, with ongoing backlog



598% ROI*↑

can be achieved with platform/low-code adoption

BANKS WILL NEED TO



Address gaps in **digital servicing** and **self-service capabilities** across functions



Increase automation to **streamline processing** and reduce costs



Enable modifications to **processing rules** to respond to dynamically changing markets and policies



Provide transparency into status and what is needed for full completion, along with **an audit trail for compliance**



Areas Most Impacted

Onboarding

Regulatory Compliance

Customer Service



Faster Processing Equals A Happier Customer

Since the Covid-19 pandemic started, banks now have unique opportunities to reach critical mass by accelerating digital innovation. Providing a superior customer experience is at the heart of it. Yet one survey* finds customer experience initiatives have fallen to 5th place in 2020 from 1st place in 2019. Through a combination of intelligent automation and case management, banks are dramatically reducing processing times to better service their customers. And those taking a “center out” approach and leveraging low code platforms are able to rapidly improve customer experiences and enable service to be delivered more seamlessly across channels. Cumbersome lending processes are being automated and digitized to reduce operations costs and deliver new levels of transparency for customers and for internal management and audit purposes. Banks have also begun consolidating disjointed account opening and Know Your Customer (KYC) processes with a fully digitally automated platform to lower costs, improve the client experience, speed customer onboarding and address regulatory compliance requirements. The results are millions in cost savings, better customer experiences, faster onboarding and more efficient compliance with local and global requirements.

Dynamically Personalize Customer Engagement

Ensure Next Best Actions take into consideration most critical customer needs with a personalized, empathetic approach

CURRENT CHALLENGE

Marketing campaigns focused primarily on cross-selling became ineffective



\$150M NPV/Yr*

can be achieved with personalized, real time messaging

BANKS WILL NEED TO



Enable more dynamic, **personalized actions** in real-time based on interactions across all channels



Proactively identify potential service needs to **pre-empt** inbound pressure



Be more **empathetic in delivery** of offers, addressing their real needs for products, services and assistance



Rapidly change offers and strategies for **faster responses** to constantly evolving market and customer demands



Areas Most Impacted

Customer Outreach | **Client Service** | **Guided Selling**



Personalization Equals A Better Customer Experience

While consumers are demanding more personalized service, most banks are not adequately prepared to meet this change in consumer expectations. Banks need to go beyond traditional marketing campaigns and the analytics that have been used to determine which customers may be interested in any particular offer. They must develop new approaches that determine what will be relevant to each customer at any point in time to foster an emotional connection. Personalization will play a key role differentiating bank's brands and marketing strategy: sending more targeted offers to increase response rates, catering messaging to clients' servicing needs and investment attitudes. And banks have to be able to engage with customers seamlessly and consistently across all channels – mobile, online banking, call centers, chat, branches, social apps. Delivering an offer that highlights a lack of awareness of customer needs and providing inconsistent experiences are recipes for disaster. The leading banks have already begun shifting towards a customer first view, determining what sales or service offer is most relevant for each customer, rather than just identifying all of the customers that may be interested in a particular product offer to generate next best actions that are emphatic and contextualized. This will drive greater loyalty and growth in customer relationships.



Reduce Manual Workload

Improve efficiency and lower operating costs through increased automation to reduce reliance on manual activities and decisions

CURRENT CHALLENGE

80% of time in operations spent on manual tasks across different applications



40% Productivity*↑
can be achieved with process automation

BANKS WILL NEED TO



Focus on **efficiency** to offset reduced revenue, write-offs and increased operational expenses by automating and streamlining manual tasks



Reduce time spent on **data entry and triage** including efforts to access or update information across multiple systems



Identify opportunities for **straight through processing** - even partial STP can make a huge impact



Automate wherever possible to improve **productivity, SLAs, quality and policy adherence**

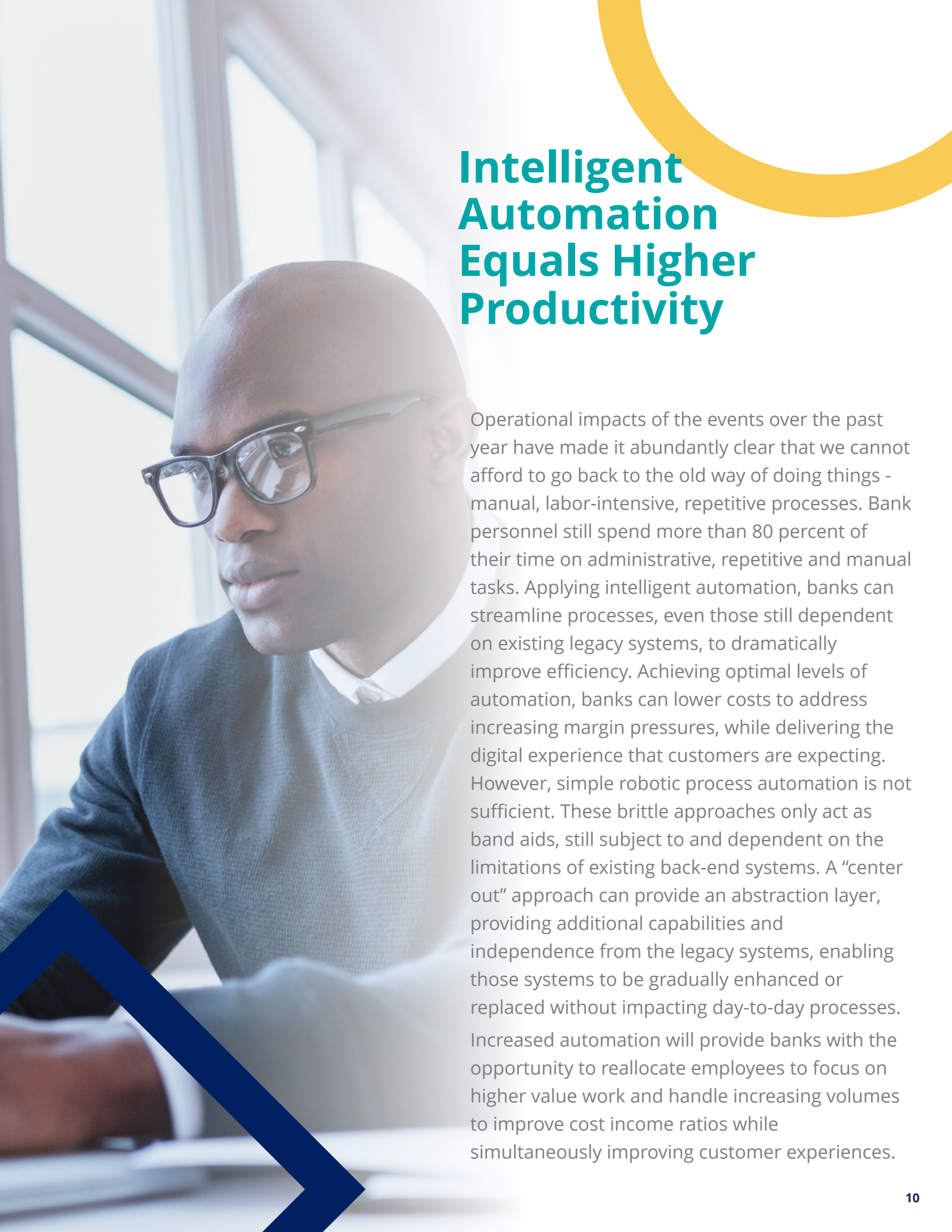


Areas Most Impacted

Process Orchestration

Guided Processing

Operational Excellence



Intelligent Automation Equals Higher Productivity

Operational impacts of the events over the past year have made it abundantly clear that we cannot afford to go back to the old way of doing things - manual, labor-intensive, repetitive processes. Bank personnel still spend more than 80 percent of their time on administrative, repetitive and manual tasks. Applying intelligent automation, banks can streamline processes, even those still dependent on existing legacy systems, to dramatically improve efficiency. Achieving optimal levels of automation, banks can lower costs to address increasing margin pressures, while delivering the digital experience that customers are expecting. However, simple robotic process automation is not sufficient. These brittle approaches only act as band aids, still subject to and dependent on the limitations of existing back-end systems. A “center out” approach can provide an abstraction layer, providing additional capabilities and independence from the legacy systems, enabling those systems to be gradually enhanced or replaced without impacting day-to-day processes. Increased automation will provide banks with the opportunity to reallocate employees to focus on higher value work and handle increasing volumes to improve cost income ratios while simultaneously improving customer experiences.

Enable Flexible Operations

Provide greater flexibility to dynamically re-allocate work across distributed teams to better leverage existing operations personnel

CURRENT CHALLENGE

Rapid shifts in volume of work across different functions and teams



\$16.3M Cost Reduction* ↓

can be achieved with flexible operations

BANKS WILL NEED TO



Support distributed operations teams and seamlessly **reallocate work and resources**



Reprioritize work based on changing market conditions and volumes



Provide **guided processing** to enable use of non-dedicated, on demand resources



Increase automation dynamically based on **changing demands and priorities**




Areas Most Impacted

Multi Channel Delivery

Team Support

Front and Back Office Integration



Operational Agility Enables Increased Efficiencies and Cost Reduction

A sea change is taking place in the financial industry. It is not enough to implement industry leading technology. The core of it must include flexibility and adaptability. The key is to provide the appropriate capabilities and guidance to enable employees to support a broader range of processes. As banks look to transform their operations and reduce costs, greater flexibility will be the building block to facilitate more shared services, enable increased reallocation of work and optimize use of existing resources. Simplifying work across front and back-office systems, automating more parts of the process, and providing systematic guidance to operations staff for streamlined processing decisions are all key to achieving these objectives. These capabilities will also make it easier for banks to simplify complex processes, relieve service pressure, limit points of failure, and reduce operational risk.

Beyond the status quo, banks that most aggressively adapt and extend these new ways of operating will shape the future.

Opportunity to drive value across the Customer Lifecycle

Banks that seize the moment and deliver seamless end-to-end digital innovation will have significant advantages over competitors. Each of these four focus areas will be critical to success:

1. Accelerating Digital Transformation
2. Dynamically Personalizing Customer Engagement
3. Reducing Manual Workload
4. Enabling Flexible Operations

Banks that master these transformations will create significant value in terms of differentiating their brands, creating customer loyalty and improving operating margins. These banks will be the leaders in the dynamic financial landscape and play a dominant role in setting the trends and influencing the future of banking.

