



HYBRID OPERATING MODEL EXECUTION

CAPCO



**IT HAS NEVER BEEN MORE
IMPERATIVE FOR FINANCIAL
INSTITUTIONS TO FIND SUBSTANTIAL
AND SAFE COST SAVINGS.**

OVERVIEW OF HOME MODEL FOR COST SAVINGS

Capco's Hybrid Operating Model Execution (HOME) model allows clients to optimize opportunities in outsourcing through flexible and innovative contracting structures that have delivered up to 30% savings in as little as one year. Our original approach to traditional technology and operations cost-cutting challenges represents the opportunity clients have been waiting for, to free trapped funds and turn towards a transformation to efficiency.

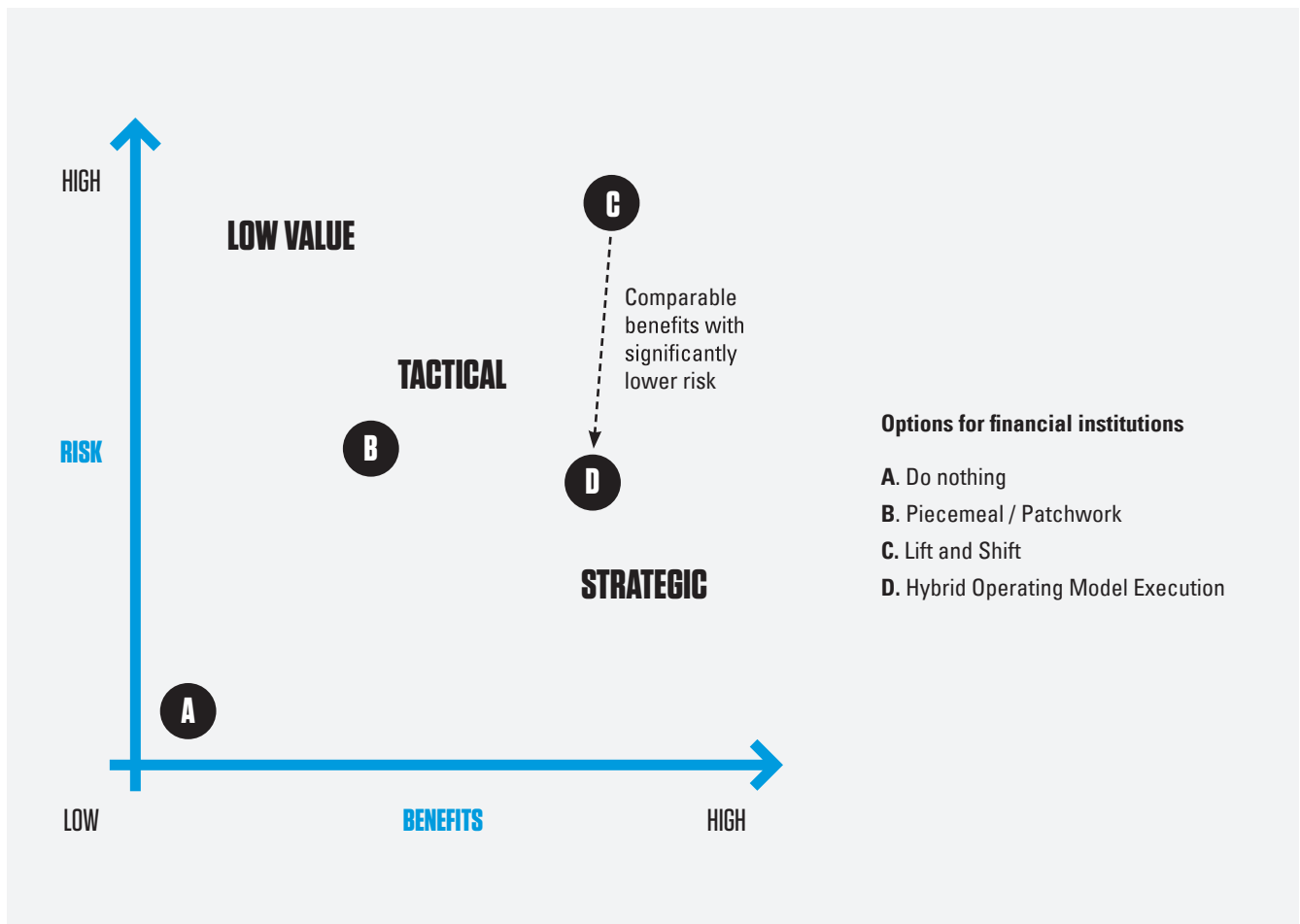
WHAT IS DRIVING THE NEED FOR HOME?

It has never been more imperative for financial institutions to find substantial and safe cost savings in order to innovate. New entrants and nimble start-ups are nibbling away at every piece of the financial services value chain, and these institutions need to keep constrained resources targeted at competing in a constantly evolving ecosystem. Banks need to extract funds from organizations that seem strapped for cash and struggling just to deliver on compliance projects. Capco's HOME model can help banks achieve this goal.

SPECIFIC HOME DRIVERS INCLUDE:

- **High onshore costs**
 - Expensive and inefficient business support activities (infrastructure, app development, maintenance, operations change)
 - Increasing cost/premiums for specialized skills
- **Misaligned offshore skills**
 - Diminishing skilled workforce with domain knowledge to support legacy technology environments and complex, business-critical functions
 - Lack of cross-trained, fungible resources
 - Lack of domain skills to allow sourcing of complex, business critical functions
- **High Change Risk**
 - Long-term, inflexible sourcing contracts
 - Risk of ineffective knowledge transfer
 - Risk of attrition during execution
- **Loss of Control**
 - Ineffective governance
 - Attrition of offshore resources due to lack of career paths
 - Ineffective cultural integration

OPTIONS FOR FINANCIAL INSTITUTIONS STRAINED BY COSTS FOR PROJECTS WHICH RESULT IN LITTLE ROI



OPTION

ADVANTAGES

DISADVANTAGES

A DO NOTHING

- Stay the course – wait and see what others do
- Expend significant effort on assessing the problem and little effort on addressing it

- Execution Risk Avoidance

- Continued deterioration of business economics
- Decreased customer / shareholder satisfaction
- Increasing staff retention challenges

B PIECEMEAL / PATCHWORK

- Launch several, disjointed programs to address similar issues without a holistic rationale
- Most firms employ this approach

- Enables adjustments to plan
- Avoidance of long-term commitments
- Easier to obtain stakeholder buy-in

- Lack of holistic strategic alignment
- Risk losing momentum over time
- Marginalizes savings opportunities
- Multiple vendor risk to manage
- Single partner/vendor accountability

C LIFT AND SHIFT

- Transition entire functional groups offshore
- Strategy driven by maximizing labor arbitrage rather than optimizing a global organization

- Immediate cost savings
- Speed of execution
- Long-term benefits

- Loss of influence/control
- One-size-fits-all model
- High transition risks (knowledge transfer, attrition)
- Long-term / inflexible contract
- Generic skill sets
- Focuses on non-business critical functions only

D HYBRID OPERATING MODEL EXECUTION

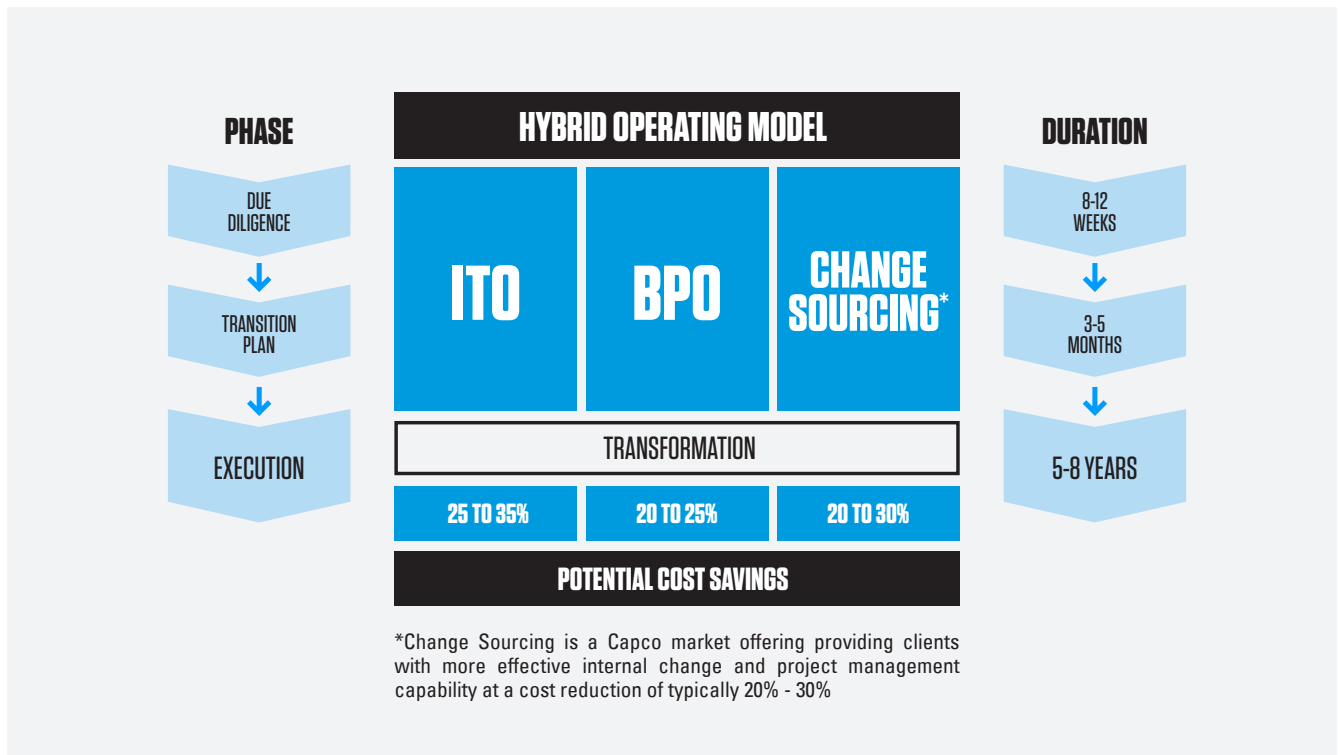
- Utilize your resources and deep domain expertise to execute sourcing model with customizable approach
- Focus on long-term value and resource department, not just short-term savings
- Immediate savings via flat fee structure resulting in lower upfront costs and reduced costs overall

- Flexible contract structure
- Savings (as much 30%) in year 1
- Optionality to customize solution
- Controlled/low-risk execution utilizing your people
- Deep industry expertise

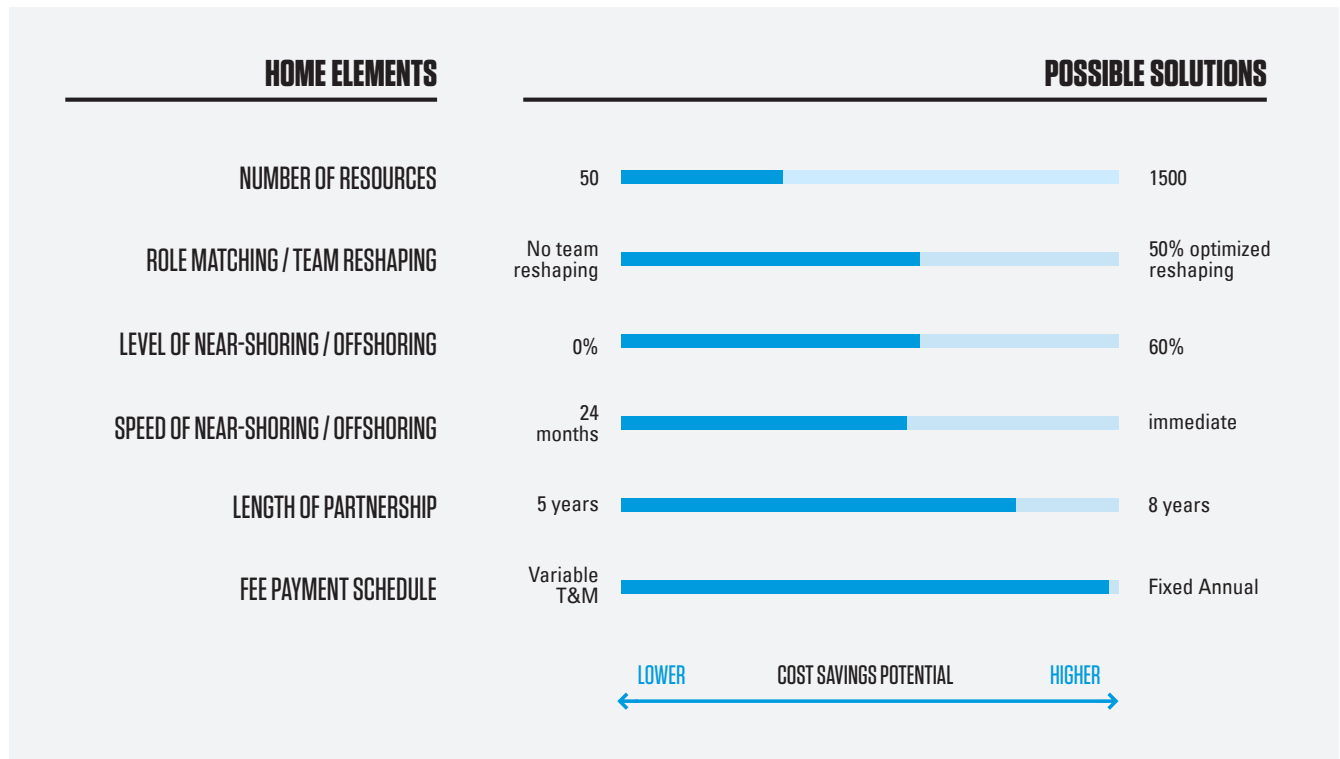
- Requires detailed business case to properly tailor solution and achieve cost benefits

HOME BENEFITS

- **Expedited savings** – Ability to front load your savings via flat fee structure
- **Optionality** – Flexibility to combine various options with single vendor point of contact
- **Certainty / continuity** – We can use your resources to retain historical, institutional knowledge
- **Access to innovation** - Sharing of FIS/Capco’s IP and digital innovation lab to drive continuous process improvement
- **Targeted** - Surgically survey and target your most challenging and business-critical functions
- **Retention** - Improved retention of change resources by providing FIS/Capco career path
- **Tailored** - Solution is scaled to the size and attributes of your organization
- **White glove treatment** - We are able to provide tier 1 service to all clients
- **Financial precision** - Determine competitive position vs. peer group; agree on target cost take-outs
- **Proven** - Implementations at diverse set of tier 1 and tier 2 firms, successfully capturing target benefits



CUSTOMIZE THE SOLUTION TO FIT YOUR OBJECTIVES



HOME TRANSFORMATION JOURNEY

Effecting long term changes to optimize our client cost and risk structures

CUMULATIVE VALUE OVER TIME



HOME ANALYSIS

Bench marking your cost vs your peer group

OPS & TECH DUE-DILIGENCE

Sample initiatives

- Current State Assessment
- Cost Take Out Analysis
- Objectives Inventory and Alignment
- Target Operating Model
- Location Strategy

HOME EXECUTION JOURNEY

Cost improvement initiatives should be self-funding

“QUICK HIT” INITIATIVES

Sample initiatives

- Portfolio Management to improve project budgeting, approval and financial management
- Implement an operating model that supports fungibility of resources
- Skilled resource pool that can flex to meet short term demands
- Take advantage of an outsourcer to access “right” skill-sets and variable costs
- Ensure skills sets are fit for purpose
- Document current process and procedures

VALUE REALIZATION

Sample initiatives

- Investment in cost-efficient upgrades
- Cost base transparency to facilitate better control / decision making
- Productivity improvement through integrated methods, processes and tooling
- Services for shared applications
- Local user applications support
- Application architecture rationalization
- Transfer of vendor contracts

VALUE OPTIMIZATION

Sample initiatives

- Business functions as a service
- IT shared services
- Application maintenance and support
- Systems Development Life Cycle optimization
- Desktop servicing/ solution
- Call center optimization
- Data network
- Storage management
- Data Center
- Application innovation
- Infrastructure innovation (cloud, grid, on demand) and rationalization

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ABOUT CAPCO

Capco, an FIS™ company, is a global management consultancy with a focus in financial services including banking and payments, capital markets, and wealth and asset management, plus a dedicated energy division. Our professionals combine innovative thinking with our unrivalled first-hand industry knowledge to offer our clients consulting expertise, complex technology and package integration, and managed services to move their organizations forward. Through our collaborative and efficient approach, we help our clients successfully, innovate, increase revenue, manage risk and regulatory change, reduce costs and enhance control. We serve our clients from offices in leading business centers across North America, Europe, Asia Pacific and Africa.

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