Branch Automation/Retail Banking and Cash Recycling Trends

REVIEW SEMINAR 2014 COLOMBO

TAN CHEE MENG
Branch Automation/Retail Banking and Cash Recycling Trends

- Branch Automation
  - Bank Branch Density
  - TAU (Teller Assist Units) Density
  - ATMs

- Recycling/Recirculation

- Case Studies: A Big US Bank, Scotiabank
Current recessionary economic environment may lead to branch rationalisation

Source: RBR
Branch Density end 2010

743,000 branches (C25)
2.3 million tellers (C25)

Spain: 934 branches / mill. pop.
USA: 319 branches / mill. pop.
South Africa: 61 branches / mill. pop.

Source: “Global Teller Assist Units 2011” by RBR
Branch Automation

What are these?

• ATM, CDM, Deposit accepting ATM, Recycling ATM
• VTM
• iTM
• TAU- TCD, TCR
• Universal Teller
New Branch Solution - China

iTM (intelligent Teller Machine)  VTM (Video Teller Machine)

Teller-less branch with full function ATM including video banking
Smart Branch' - Korea

Hybrid ATM

ATM with debit card issuing function

Shinhan “S20”

Woori “Twenties Woori”

Busan “Smart Square”

Hana “Smart Zone”
Self-service ATM with coin dispenser to eliminate ordinary teller work
## Branch Transformation

<table>
<thead>
<tr>
<th>Traditional Branch</th>
<th>Open-Plan Branch</th>
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<tbody>
<tr>
<td>- Routine transactions</td>
<td>- Advisory services and sales</td>
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<tr>
<td>- Security barriers</td>
<td>- No security barriers</td>
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<tr>
<td>- Cost centre</td>
<td>- Commercial profit centre</td>
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Source: RBR
General trends in retail banking:

- More convenience and better service across channels
- Number of branches growing
- Characteristics of the branch and role of the teller evolving
- Cash in circulation increasing
- Cash handling costs (including security) significant and increasing

Source: RBR
TAUs

Drivers for TAUs:

• Improved Security - a safe with time delay lock
• Efficiency Gain - faster transaction, less waiting time
• Accuracy - counting & authentication
• ROI - cost saving, customer focus & product sales
• Resource rationalization - free up tellers
• Regulation - on security of employees & cash
164,000 TAUs (C25)
1.6 million ATMs (C25)

Source: “Global Teller Assist Units 2011” by RBR
TAUs

TAU Installed Base Worldwide (C25)

Source: “Global Teller Assist Units 2011” by RBR
TAUs- Dispensers vs Recyclers

**TAU installed base 2003-15 (C25)**

- Dispensers
- Dispensers/Acceptors
- Recyclers

**TAU shipments 2011-15 (C25)**

- Recyclers: 118k (80%)
- Dispensers: 19%
- Dispensers/Acceptors: 1%

Source: “Global Teller Assist Units 2011” by RBR
The future of ATMs is good:

- Ubiquity- 2.8 million units at public locations
- Ease of use- trusted and well-known
- Universal- can access anywhere in the world
- Lower overall costs- ATM is cheaper than teller even in China
ATMs

COMMERCIAL CAMPAIGNS
Commercial Campaigns aiming to sell products or services
- Banking accounts
- Loans
- Mortgages
- Insurances
- Investments
- Additional Debit Cards
- Credit Cards
- Pre-paid Cards
- Online Banking
- Overdraft Credit

GOOD NEWS
Campaigns not aiming to sell products but adding value to the customer
- “Courteous” Good News
  Benefits, customer care...
- Discounts for museums
- Happy Birthday
- Loyalty Programs
- Contests

“Behavioural” Good News
Win-win campaigns to modify customer’s habits
- Using EVO ATMs
- Debit Card Features
- SMS Alert
- Banking Account Check Up
- Mobile Top-Up

INSTITUTIONAL MESSAGES
Useful information for customers about changes in services
- Changing Opening Hours
- Charity
- Temp. blocks on services

SERVICES

CHARITY

CONTESTS & LOYALTY PR.
ATMs Globally, 2012
Asia Pac accounts for 41% of world’s 2.6 million ATMs and grew by 13%

Source: RBR research
ATM growth - snapshot

Global ATM installations (thousands) and growth

- Asia-Pacific is home not only to five of the world's 10 largest markets by installed base, but also five of the 10 fastest-growing.
- The highest percentage growth is expected in Bangladesh and India, with China fifth by this measure.
- The Middle East & Africa, the smallest region by installed base, is home to four of the top 10 fastest-growing markets.
- USA remained the world's largest ATM market at end-2012, but growth is marginal.

Source: RBR
ATM growth - snapshot

Asia-Pacific

ATM growth forecast
Number of installations (in thousands); Asia-Pacific

Source: RBR analysis
ATM growth - snapshot

Share of IAD installations, by region, 2012

North America: 60%
Asia-Pacific: 50%
Western Europe: 10%
ME&A: 10%
CEE: 10%
Latin America: 10%

Source: RBR
ATMs per Million Inhabitants, by Region, 2012

Source: RBR
ATM growth - snapshot

Source: RBR
ATM growth - snapshot

China ATM installations (thousands)

Source: RBR research
Local Cash Recycling

- Self-service- Recycling ATMs
- Teller- TCR
- Retailer- POS solutions
Local Recycling Trends

Dynamics of Recycling:

- Increasing cash demand – average 6% a year
- Central banks delegating to the commercial sector
- Need to cut cost – transport (collect & refill) & sorting, space
- Technological advancement – affordable detectors (fitness, authentication & OCR)
Before 1997

- New & Fit notes
  - BNM
  - 11 BNM Centres

- Unfit & Excess notes
  - Include unprocessed
  - CIT
  - 11 BNM Centres

- CIT
  - Transport
  - Store
  - Transport

- Commercial Banks
  - ATM & CDM
  - Corporate Clients
  - Collect
After

BNM HQ

6 BNM centres

New & Fit notes

New notes

CIT

Unfit & Excess notes
Include unprocessed

Corporate Clients

Commercial Banks

ATM & CDM

P UB LIC

Transport
Store
Collect
Recycle
Collect

Process
Store
Transport
Behavior of the Costs with Recycling

Example: 30% of cash is recycled locally

Max annual cost of a viable recycling solution
Two Types of Recycling:

- Direct or Within-Device Recycling
- Indirect or Manual Loading on site Recycling
THE PRESENT: A PART OF THE SPANISH FINANCIAL STRATEGY

- An extensive branch network.
- Minimum staff per branch.
- High number of ATMs.
- Top level of ATMs maintenance.
- Cash management outsourcing.
- Recycling cash in branches.

Dispensers and Recyclers are in the center.
Recycling Trends

Europe’s Recycling Framework Targets and Changes

The Frameworks’ Starting Point:
- Art. 6 of the Regulation (EC) Nr. 1338/2001 of the EU-council
  (Counterfeit control / Recycling Standards for Automated Teller Machines)

The Frameworks’ Content:
- A Regulation for Recycling at all stages or points in the entire Cash Cycle under continuation of the logic of Article 6

The Frameworks’ Targets
- Establishment of consistent minimum-standards and a „level playing field“ within the Eurosystem for private Banknote-Recycling
- Quality-Assurance of Banknotes in circulation
- Assistance to the Cash-Ac tors with regard to their responsibilities out of Art. 6

Main Changes driven by the Framework
- Allowance to Recycling in all process stages
- Changes of Banknote processing rates at National Central Bank level (=> rate reduction at „involved-style“ NCB’s and vice versa)
- Partial Transfer of original Central Bank tasks (Fitness-testing) to the Cash-Ac tors
- Central Data Collection related to Recycling (master- and operating data)
CONCLUSIONS

• Decreasing equipment prices leading to more convincing business case
• More Central Banks are moving to delegated model - we expect supportive legislation to promote recycling
• There is likely to be an increasing regulatory requirement at least to authenticate recycled cash - but unclear how it can be enforced
Case Studies

- A Big Bank (USA)
- Scotiabank (Canada)
Case Study- Big US Bank

A brief profile of the Bank

- 5600 Retail Branches (#2 in the US)
- 19,000 ATMs (#1 in the US)
- 160,000 Employees
- Served more than 52 Million Consumers & Small Business

Source: ICCOS Asia 2013
Case Study - Big US Bank

What’s Up?

- # of new branch opening
- Cost of managing cash*
- Bank notes circulation

What’s Down?

- Low usage on the existing technologies*
- Tellers x-selling

Source: ICCOS Asia 2013
Case Study- Big US Bank

Teller Activities

Window Activities
- Cash Transaction
- Non Cash Transaction
- X-Sell
- Customer Service

Non-Window Activities
- Buy/Sell
- ATM Deposit Processing
- Night Deposit
- Setup/EOD Processing

Administration
10%
- Branch Admin
- Sales & Service Meeting
- Training

Vault
7.2%
- Buy/Sell
- Cash Shipment (In/Out)

Source: ICCOS Asia 2013
Case Study- Big US Bank

Source: ICCOS Asia 2013
Howard & Swan Branch, FL
The Howard & Swann Team Loves our TCR. It allows us to maintain our drawer levels and buy cash quickly when needed. It also helps us with the cash we pull or need to add to the Self Service Kiosk. The TCR allows us to be more efficient therefore we are spending less time managing entities and operational tasks and more time engaging with customers.
ATM Replacement Program
Case Study - Scotiabank

Scotiabank ATM Network

Canada
Total: 3,519

Caribbean & Central America
Total: 1,362

Latin America
Total: 2,954

7,835 ATMs

Source: ScotiaBank
ATM Replacement Program
Statistics & Practical Lessons

November 2010 - Rollout Launch June 2011
Halfway Point March 2012 - October 2012

Pilot: 19 ATMs
2011: 536 ATMs
2012: 1,109 ATMs

Key Facts
1,665 ATMs Deployed
5.7 Average ATMs Installed Daily
16 Months for Full Rollout

Key Learning's
Pilot Review
Pre-installation Site Visits
No Installations on Friday
Strong Project Management
Single Vendor Solution

Source: ScotiaBank
Summary

Renewing Your ATM Fleet
Strategic Considerations

- Take full advantage of the opportunities presented by the ATM channel.
- Physical presence and branding possibilities differentiate the ATM vs. other self-service channels.
- Select the right technology partner with capabilities for future upgrades.
- Leverage synergies between the ATM and other channels.
- Trusted services partner with breadth and depth of management and support skills.
- Consider the benefits of a single vendor strategy.
THANK YOU