



An Introduction to the Integrated Performance Improvement Program

Improving profitability and achieving sustainable earnings growth

May 2009

Table of Contents



▪ Introduction	3 – 4
▪ IPI Program	5 – 15
▪ Contact Information	16



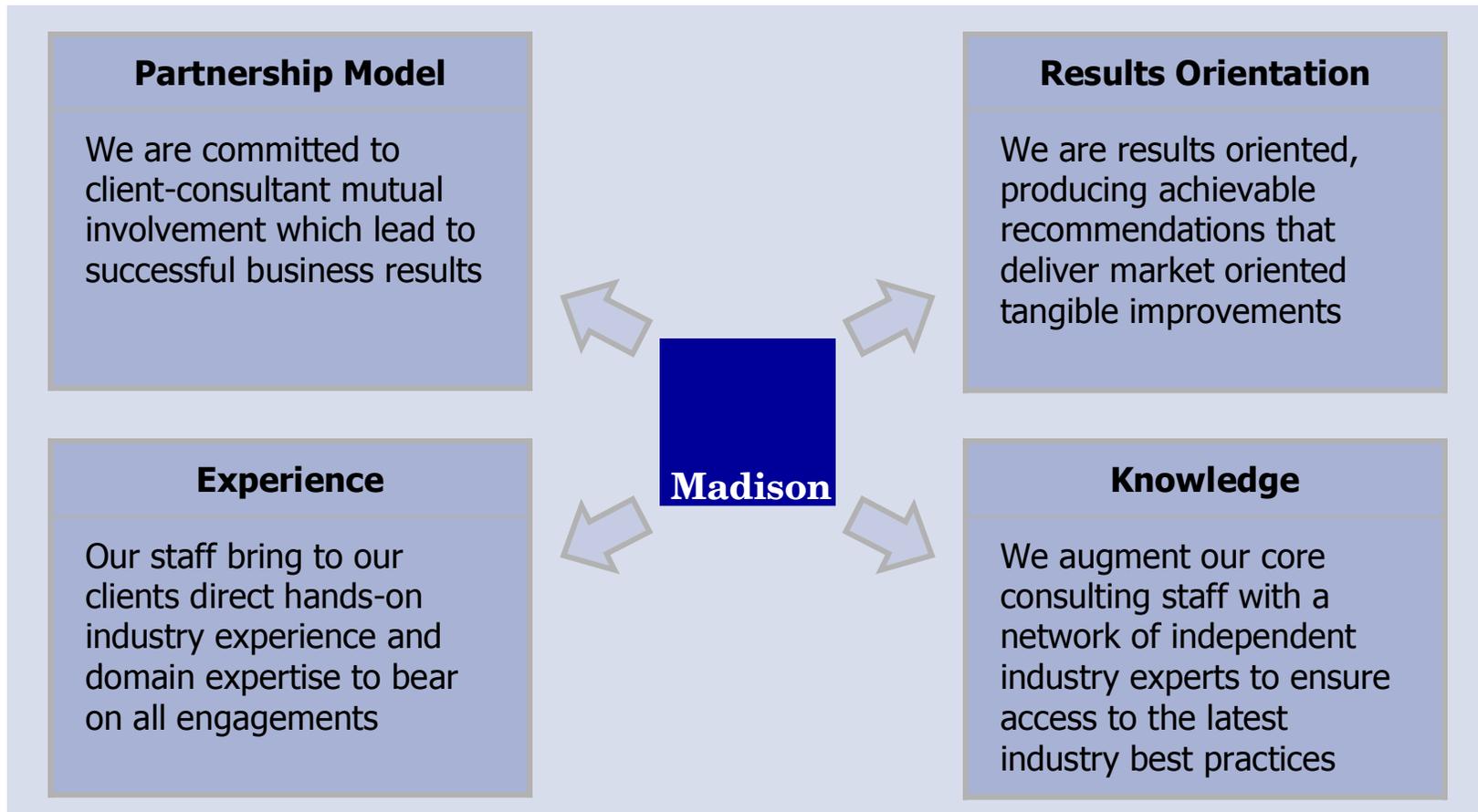
Who We Are

Experience	<ul style="list-style-type: none">▶ Established in 1995, Madison is a management consulting firm that provides issue-based, value-added advisory services and hands-on implementation services to financial institutions.
Financial Services Specialists	<ul style="list-style-type: none">▶ Our clients include international banks, brokerages, insurance carriers and asset management firms in the global top tier of their chosen markets and products, including Citigroup, Deutsche Bank, JPMorgan Chase, BNY Mellon, Societe Generale, Lazard Freres, Merrill Lynch, Oppenheimer Funds, AIG, CNA, ING, and Prudential.
Services	<ul style="list-style-type: none">▶ Madison believes that advisory and implementation are inextricably linked. We operate 3 practice areas, offering realistic recommendations that meet the client's business objectives and are deliverable and achievable based on our extensive implementation services experience.
Business and Operations Consulting	<ul style="list-style-type: none">▶ Strategy execution▶ Market and competitive strategies development▶ Operating model and business process redesign▶ Risk and controls
Anti-Money Laundering Compliance Consulting	<ul style="list-style-type: none">▶ Implementation of compliance management structures and cultures▶ Response to regulatory actions▶ Preparation for a regulatory examinations
Resourcing Services	<ul style="list-style-type: none">▶ Project implementation - project managers and business analysts▶ Temporary operational resources - interim managers and operations specialists▶ AML compliance - supervisory managers, researchers, document specialists



How We Operate

Madison uses a ***collaborative approach*** with our clients, bringing ***domain knowledge and expertise*** to bear to issues yielding results-oriented, actionable solutions





Integrated Performance Improvement (IPI) Program



Market Challenges

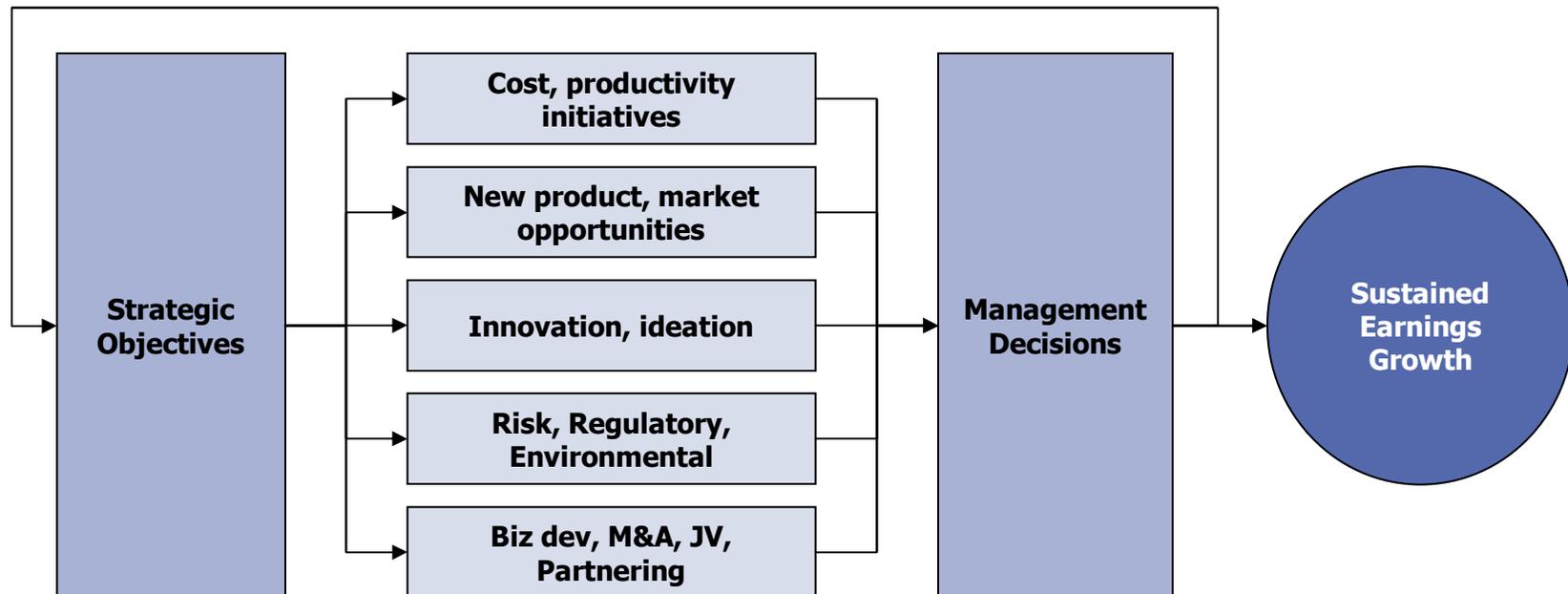
The current market and economic environment is creating very difficult and complex challenges across all industries, but especially in financial services.

- ▶ Large credit losses and write-offs
- ▶ Revenue erosion
- ▶ Rapidly changing risk environment
- ▶ Slumping stock prices
- ▶ Increasing capital needs and requirements
- ▶ Greater regulatory requirements and oversight



Management Challenge

A key management challenge, even more important in the current environment, is leveraging all of your organizational knowledge as part of an integrated and ongoing process.





Fragmented Approach Today

Enterprises currently implement a variety of performance improvement initiatives, typically in a fragmented one-off manner:

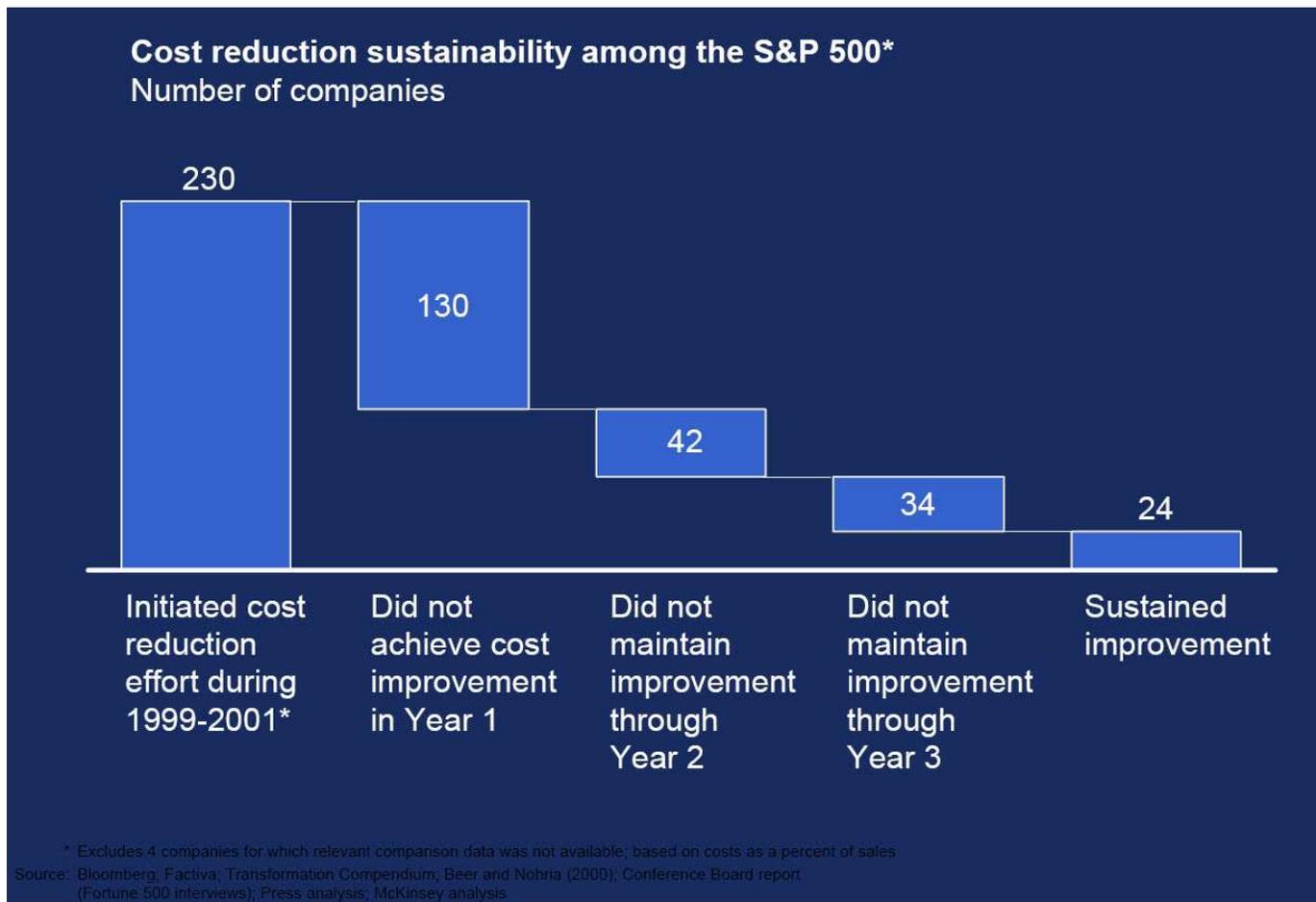
- ▶ **Productivity improvement** programs focus on margin growth that may have high management visibility initially, but are typically one-time initiatives.
- ▶ **Expense reduction** initiatives are typically one-time cost improvement programs – sourcing projects, across-the-board percentage reductions, etc.
- ▶ **Innovation and ideation** initiatives help enterprises with new product development and revenue growth, but are often disconnected from operations areas.
- ▶ **Business intelligence** focuses on analyzing market and internal information to make better management decisions, especially relating to sales and marketing strategies and tactics.
- ▶ **Knowledge management** programs and systems tend to focus on the capture of institutional knowledge and experience to minimize “reinvention” and duplication
- ▶ **Program/Project Management Offices** tend to focus on execution of workstreams, but typically lack the means and measures for tracking business case performance results.

The challenge for management is to put in place an ongoing approach that: 1) encourages employees to collaborate around performance improvement opportunities; and 2) provides management with the tools to understand, evaluate and monitor current and future performance improvement opportunities.



Difficult to Sustain

McKinsey analysis shows that historically, only 10% of companies sustain performance improvement efforts, based on current program methodologies.





Performance Improvements – An Overview

There are three stages of maturity as enterprises establish performance improvement programs

- ▶ **Stage 1: Ad hoc improvement initiatives** – Enterprise reacts to challenges through targeted projects, but there is no sustained program established to identify and implement performance objectives
- ▶ **Stage 2: Results driven improvement process** – Enterprise utilizes benchmarks or objectives (for BBH, metrics) as performance improvement measures and tracks end-result improvements on an ongoing basis
- ▶ **Stage 3: Initiative Lifecycle Management (“ILM”)** – Enterprise implements tools and processes to provide visibility and support to the underlying actions that drive performance improvement, similar to the way Product Lifecycle Management provides visibility and support to product development objectives



Initiatives Lifecycle Management

Similar to Product Lifecycle Management, Initiatives Lifecycle Management provides an organized means to manage initiatives from idea generation to implementation

- ▶ Provides management with visibility and strategic insight – “we can see ourselves”
- ▶ Provides initiative stakeholders with platform for collaboration, cooperation, and efficiency

Key Benefits

- ▶ Aligns initiatives to business objectives/priorities
- ▶ Aligns initiatives to metric improvements (work smarter/better initiatives, not work harder initiatives)
- ▶ Improved communications and collaboration between stakeholders to reduce duplication of efforts
- ▶ Greater transparency at all levels to reduce effort spent on administration and reporting
- ▶ Reduced cycle time from idea generation to implementation and realization of benefits
- ▶ Framework for optimizing resource allocations

Sampling of Results

These results reflect the power of implementing our highly effective approach.

PROJECT EXAMPLES (with announced \$ impact)	
 Mellon	\$309 million
 Webster	\$50 million
	Confidential
	"Exceeded our \$50 million Target"
	\$66 million

Note: These clients did not implement the IPI Program, but were projects using a similar methodology and approach that our senior leadership worked on and has enhanced. Sources include press releases, Annual Reports, 10-Ks.



Value Proposition

We offer clients the platform and management processes to effectively manage an ILM program of ongoing performance improvement initiatives, creating an environment of sustained earnings improvement and growth.

- ▶ Software platform implemented to provide enterprise-wide integration for managing performance improvement opportunities and initiatives
 - ▶ Facilitates cross-functional collaboration
 - ▶ Captures performance improvement opportunities from idea generation to project implementation
 - ▶ Gives management an enterprise level view and metrics of ongoing projects and new opportunities
- ▶ Establishment of new management processes to:
 - ▶ Help management make decisions of which opportunities to pursue – revenue enhancements, expense management, productivity improvement, regulatory and risk management, strategic
 - ▶ Incorporate funded performance improvement projects into financial forecasts
- ▶ Integration of IPI Program into the management operating model and business culture of the enterprise, thus becoming culturally internalized by the organization to drive continuing value over the long term.



Initiative Portfolio Review

For example, the Initiative Portfolio Review summarizes progress from “ideas” to “results” and then lists important ideas for discussion.

Initiative Portfolio Review

Unit 106: Global Trust Operations

Leadership: Betsy Morgan, Bill Hamilton

Calculations between: 01/01/2008 and 06/30/2008

* Indicates that the value is calculated between the date range above

Baseline	Rev. \$: 321,106	Exp. \$: 243,212	FTE #: 94,000	FTE \$: 132,122
----------	------------------	------------------	---------------	-----------------

Insight Phase Summary

	NUMBER OF INSIGHTS					Total
	VR = 1	VR = 2	VR = 3	VR = 4	VR = 5	
All Insights						
New Insights*						
Promoted Insights*						

Opportunity Phase Summary

LOW RISK	Revenue Optys			Expense Optys			Reinvestment Optys		
	Company \$	#	\$ % of Base	#	\$ % of Base	#	\$ % of Base		
All									
Ready for Disc									
Ready for Dec									
New*									

MEDIUM RISK	Revenue Optys			Expense Optys			Reinvestment Optys		
	Company \$	#	\$ % of Base	#	\$ % of Base	#	\$ % of Base		
All									
Ready for Disc									
Ready for Dec									
New*									

Results Phase Summary

	Status						
	Not Started	Not Started Late	On Schedule	Delayed	At Risk	Withdrawn*	Completed*
# of Projects							
Value - Company \$							
Implementation Quarter							
	Jul 08	Oct 08	Jan 09	Apr 09	July 09	Oct 09	Jan 10
# of Projects							
Value - Company \$							



Engagement Approach

Our engagement approach will advise and guide our clients.

- ▶ **Tool and process implementation** to drive participation and collaboration to all levels of the organization and to consolidate performance improvement ideas and initiatives into a single infrastructure.
- ▶ **Facilitation and knowledge transfer** to help clients jumpstart the program, working with the organization to integrate current performance related projects and other opportunities not currently being pursued or not documented.
- ▶ **Extensive knowledge and experience** to assist management to integrate the program into existing management processes, to expand cross-business and cross-functional communication, and to implement the critical decision support processes associated with the program.
- ▶ **Collaborative approach and training** to help the program become culturally internalized by the organization and become part of the continuing business operating model, ensuring sustainability after completion of the consulting engagement.
- ▶ **High-value engagement** with early phases designed to deliver short term profitability improvement and later phases focused on cultural internalization to deliver sustainable long term earnings growth



Next Steps

Follow up meeting

- ▶ Further discussion on IPI Program in greater detail
- ▶ Demo of e-Impact platform
- ▶ Description of consulting engagement phases and activities as defined by the particular needs of your firm

Bernard Chen
201.434.5678 x201 (w)
646.645.1593 (m)
bchen@madisoncg.com

Annette Corbin
201-434-5678 x205 (w)
201-259-8518 (m)
acorbin@madisoncg.com