

Deposit Automation

and other ATM market trends

ESTA Annual Conference

Rome

27th April 2009

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Agenda

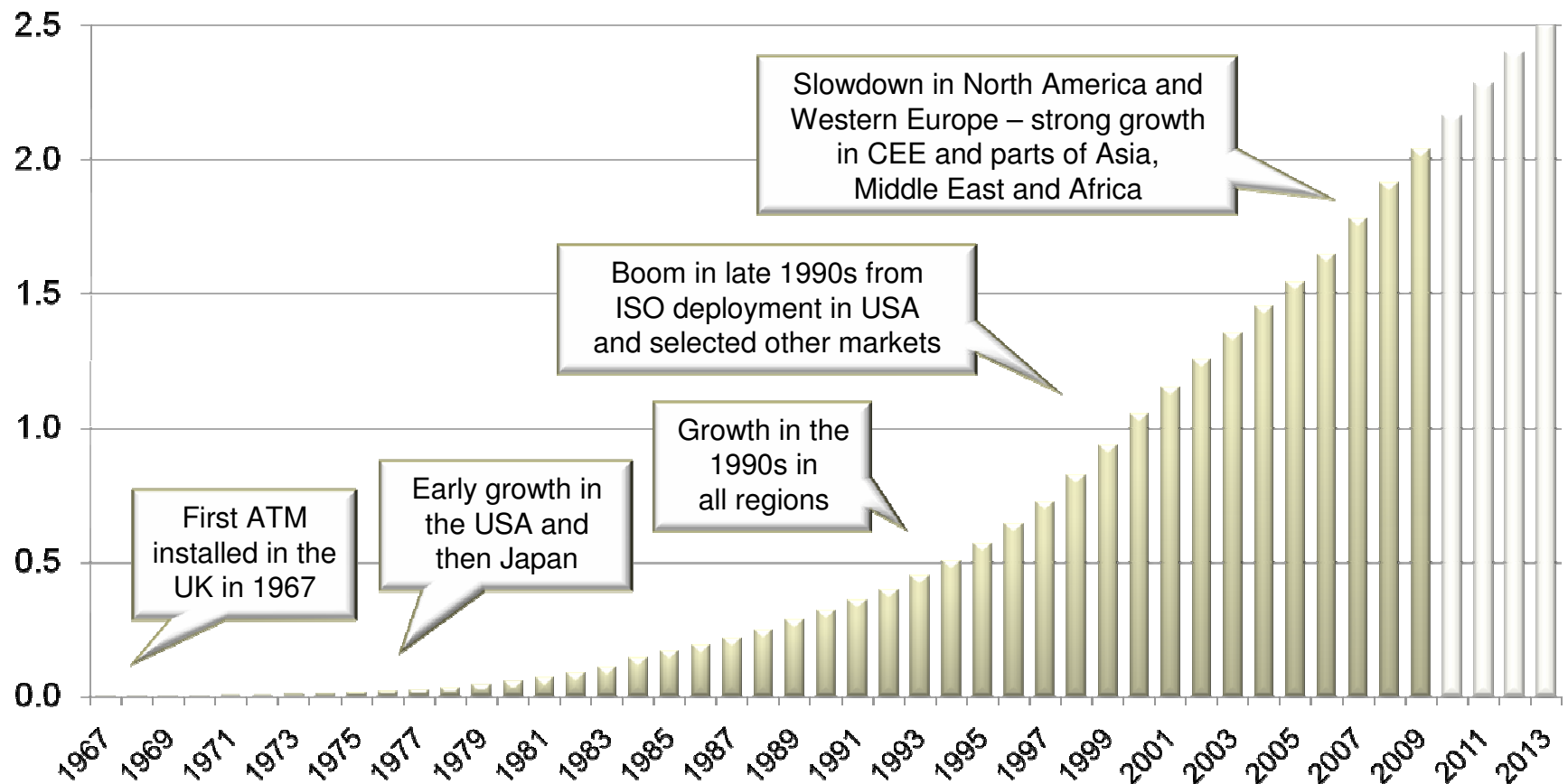
▶ Introduction

- ▶ Overview of the global ATM market
- ▶ Factors driving growth and change in the ATM market
- ▶ Deposit automation – key findings
- ▶ Deposit automation – associated functionality
- ▶ Q&A

Global ATM Market Overview

The global ATM market continues to grow year-on-year, and is forecast to reach 2.5 million by 2013

Number of ATMs Worldwide 1967-2013 (millions)

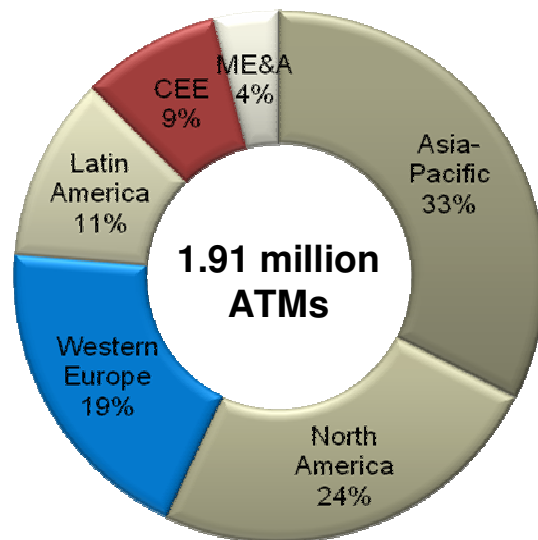


Source: RBR analysis

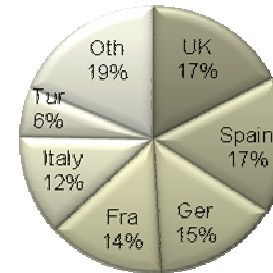
Global ATM Market Overview

Asia-Pacific remains the largest ATM region, while CEE closes the gap on western Europe

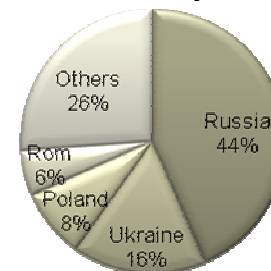
Installed Base by Region, 2008



Installed Base Western Europe, 2008



Installed Base Central and Eastern Europe, 2008

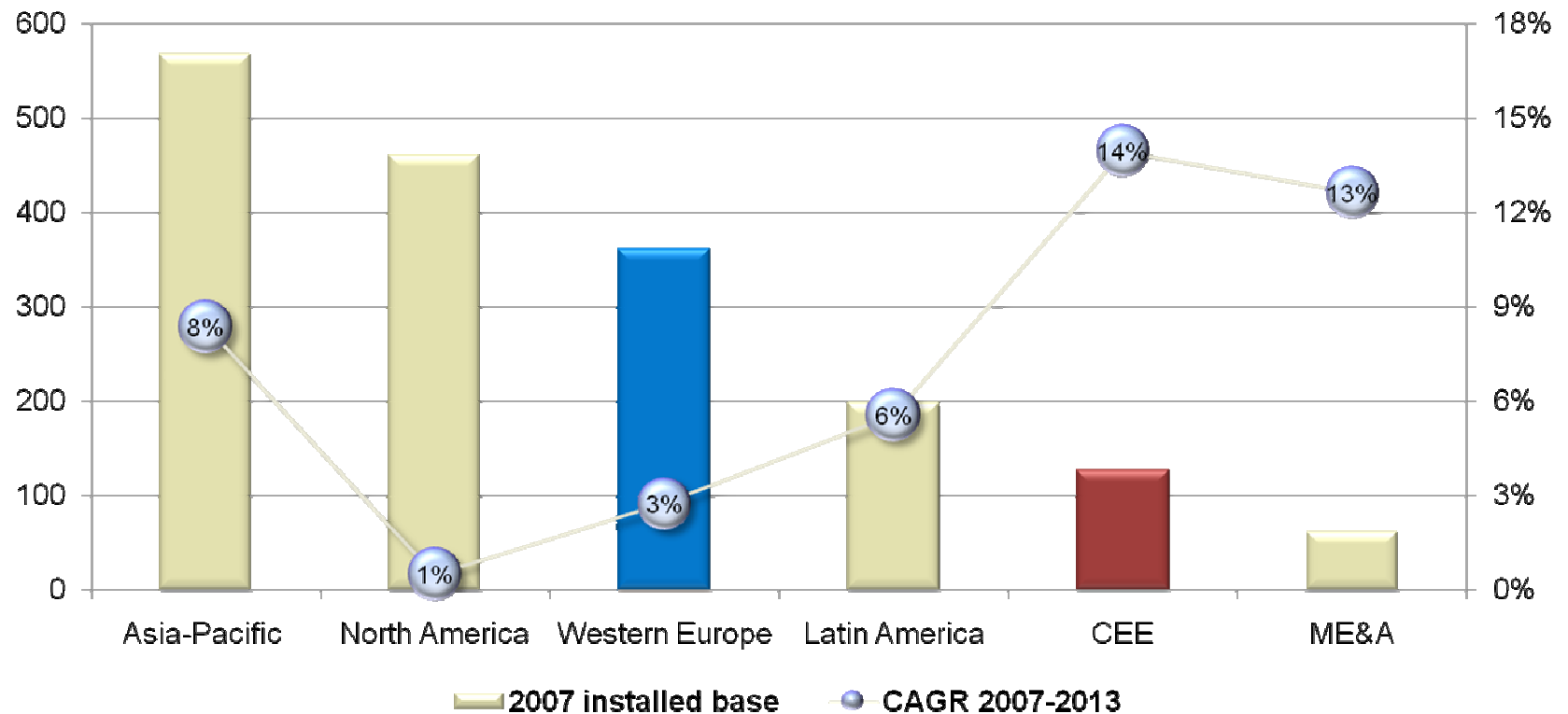


Source: RBR analysis

Global ATM Market Overview

Growth in NA and WE will slow dramatically while CEE and ME&A will continue growing at +10% per year

ATM Installed Base (000s) and Growth by Region, 2007 to 2013

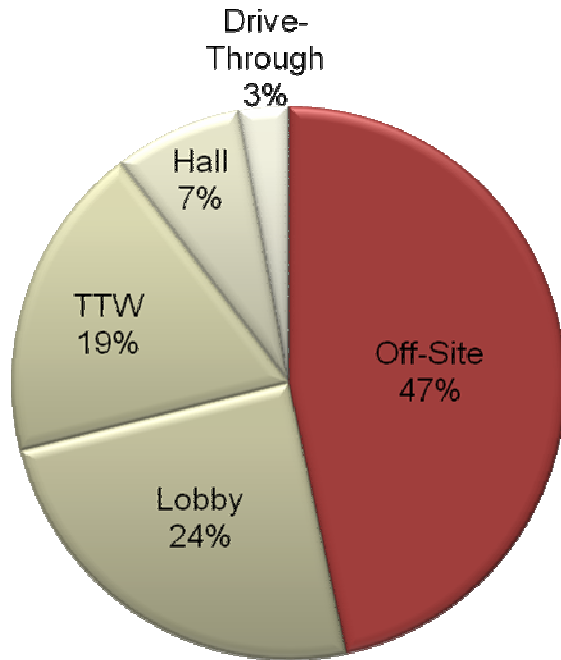


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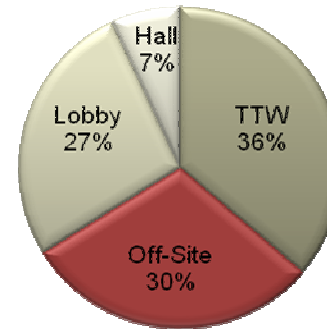
Global ATM Market Overview

While off-site dominates ATM locations in CEE, a more mixed location strategy is seen in western Europe

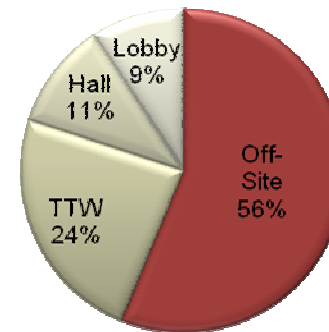
ATM Locations Worldwide, 2008



ATM Locations Western Europe, 2008



ATM Locations Central and Eastern Europe, 2008

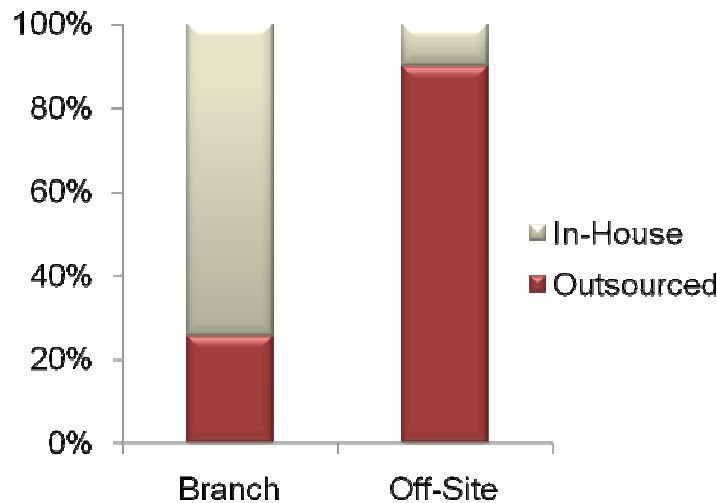


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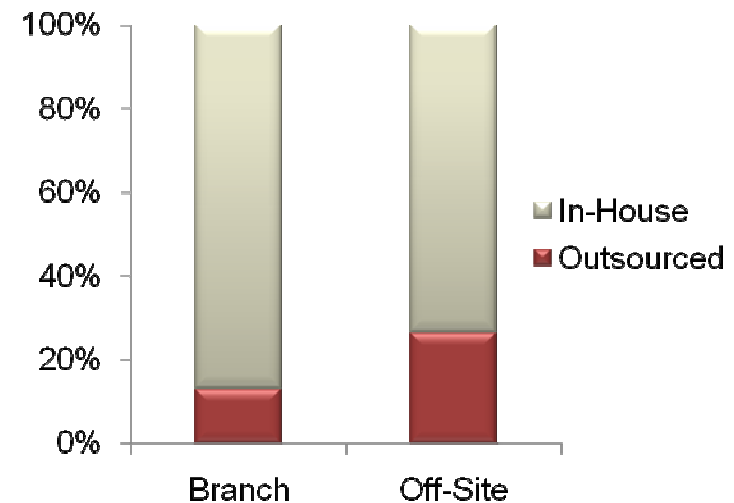
Global ATM Market Overview

Outsourcing of ATM cash replenishment is much more common in WE than CEE, and for off-site ATMs in both regions

Outsourcing of ATM Cash Replenishment in Western Europe, 2008



Outsourcing of ATM Cash Replenishment in CEE, 2008



Source: RBR analysis

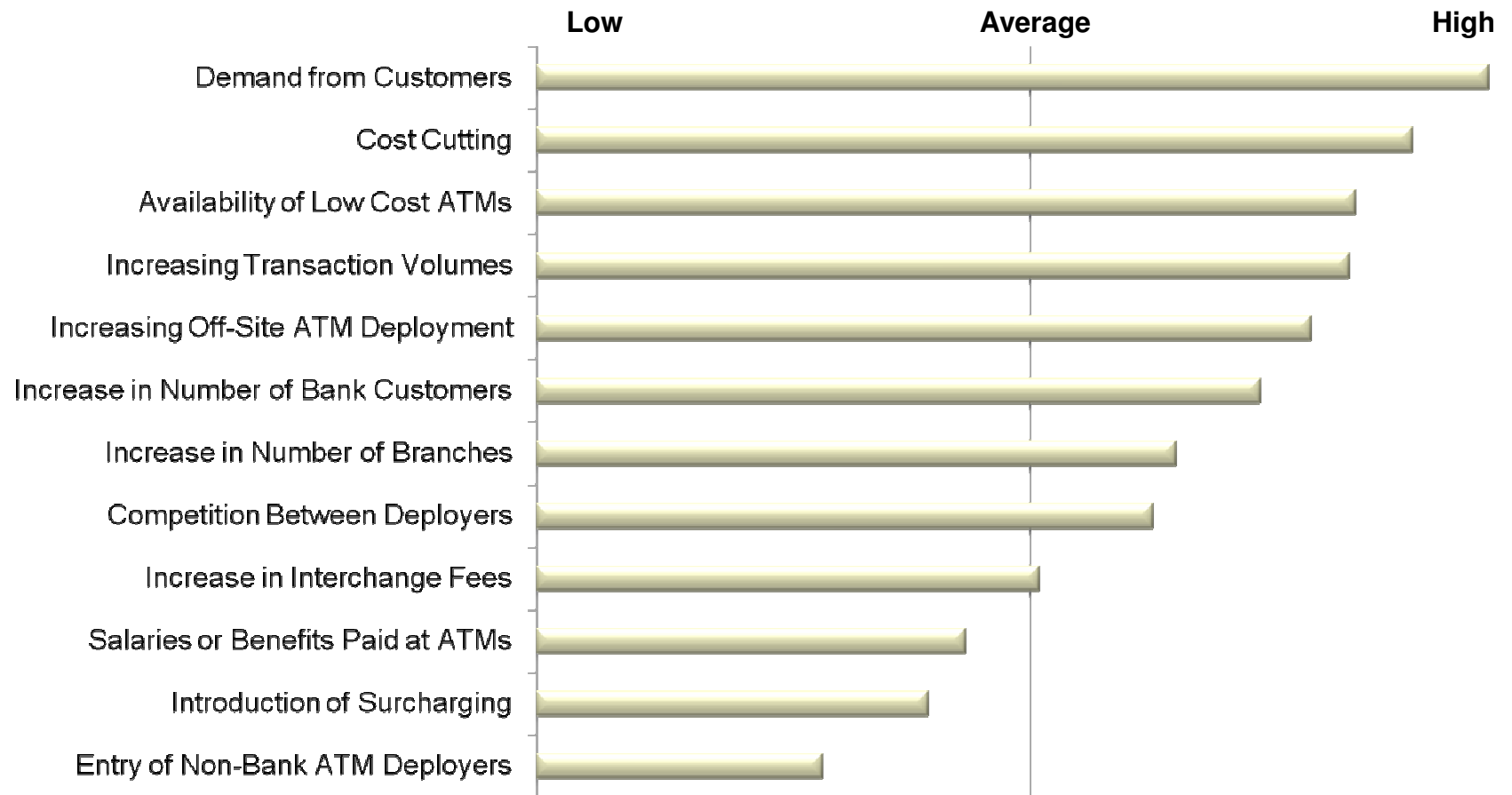
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Market Drivers and Inhibitors

Customer demand and cost cutting are the most important factors encouraging deployment

Factors Encouraging ATM Deployment, 2008

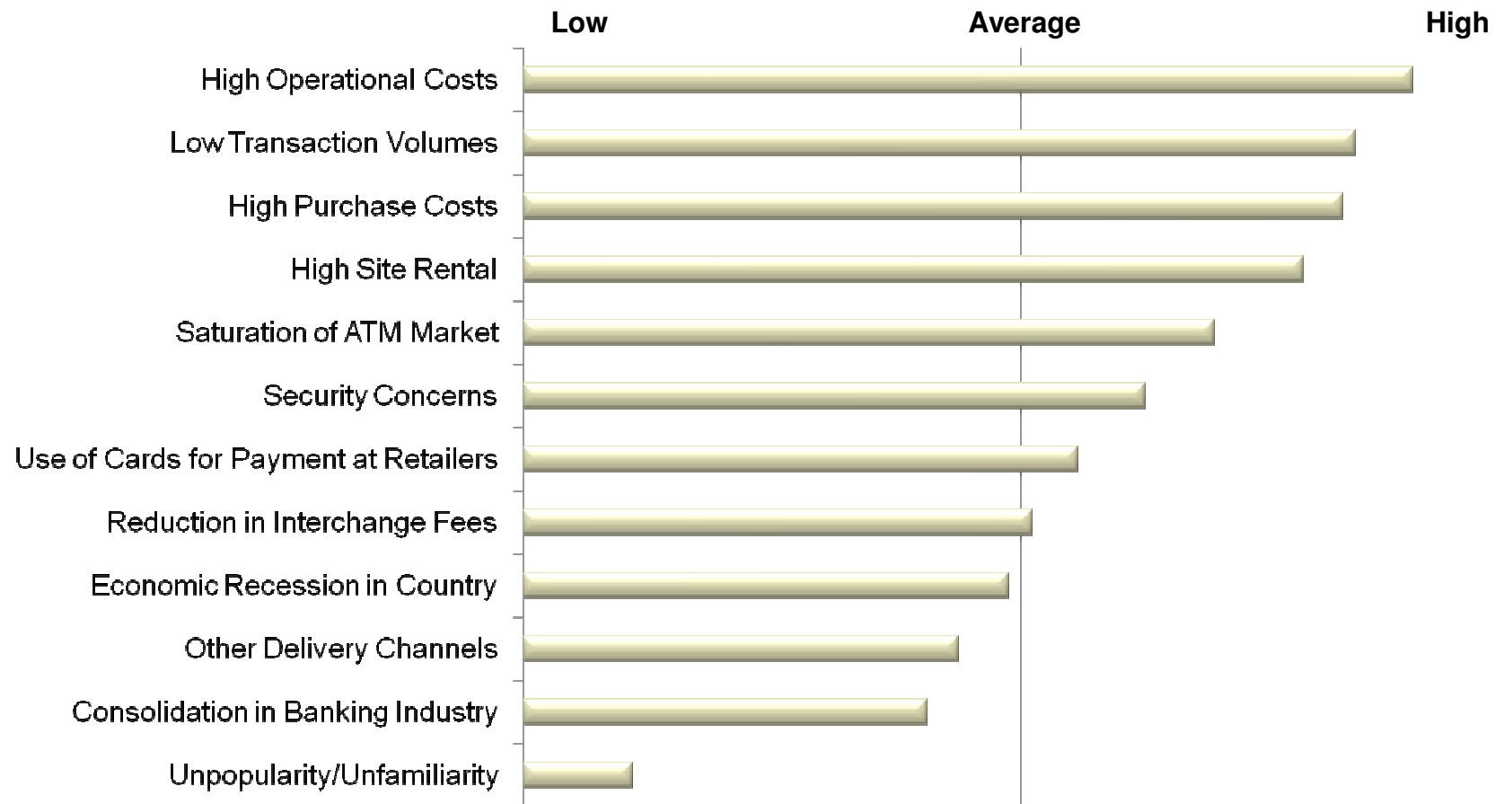


Source: RBR analysis

Market Drivers and Inhibitors

High costs, low transaction volumes and market saturation are the main inhibitors of growth

Factors Inhibiting ATM Deployment, 2008



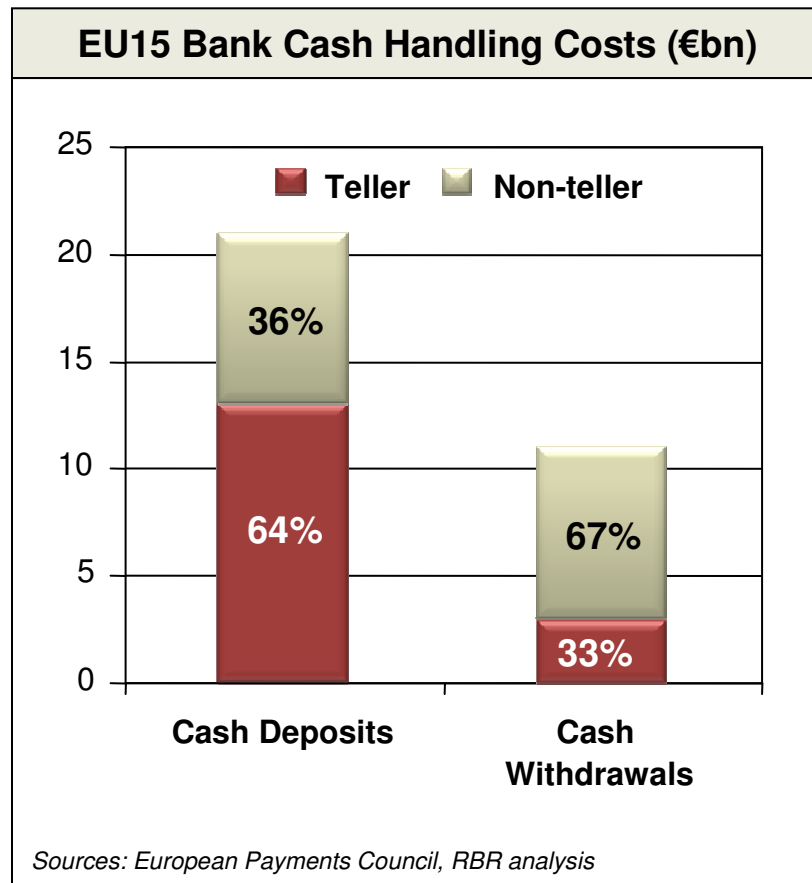
Source: RBR analysis

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Deposit Automation

Deposit automation has the potential to reduce cash handling costs, as previously seen with withdrawals

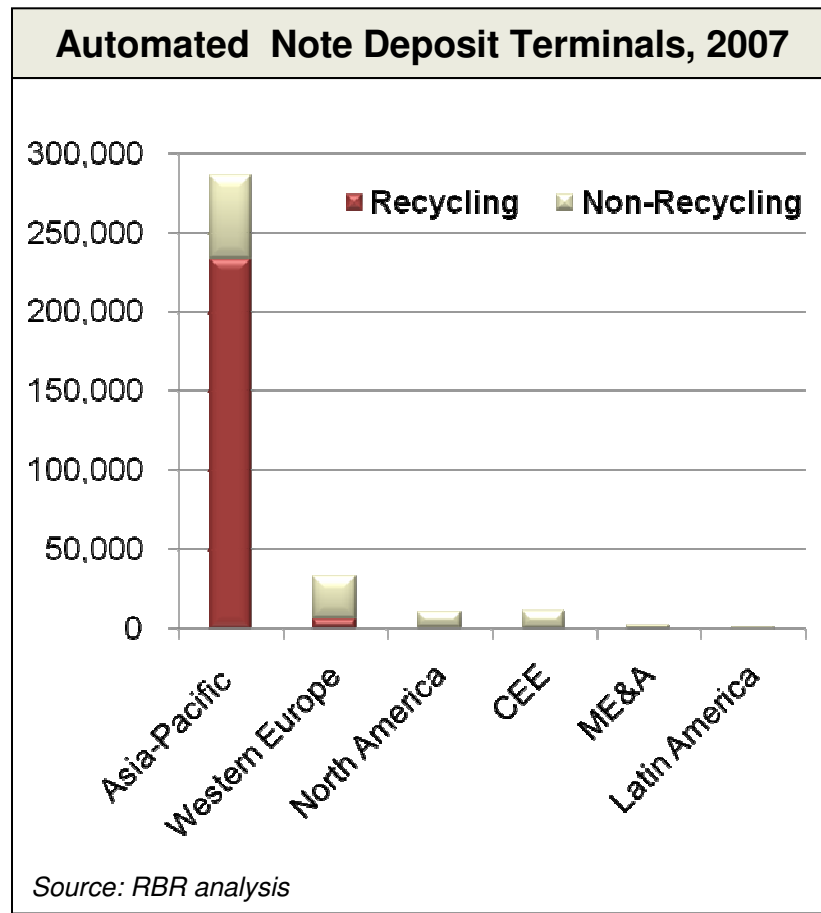


Comments

- ▶ Cash dispensers have driven down cash transaction costs by as much as 50%
- ▶ For deposits, most customers still rely on the teller however
- ▶ In Europe 1% of cash deposits are made through an ATM, compared to +50% of cash withdrawals
- ▶ EU15 banks spend around EUR 32 billion on cash handling
- ▶ Two-thirds of this total relates to cash deposits

Deposit Automation... Key Findings

Japan and Korea are over a decade ahead in terms of deployment of automated deposit terminals

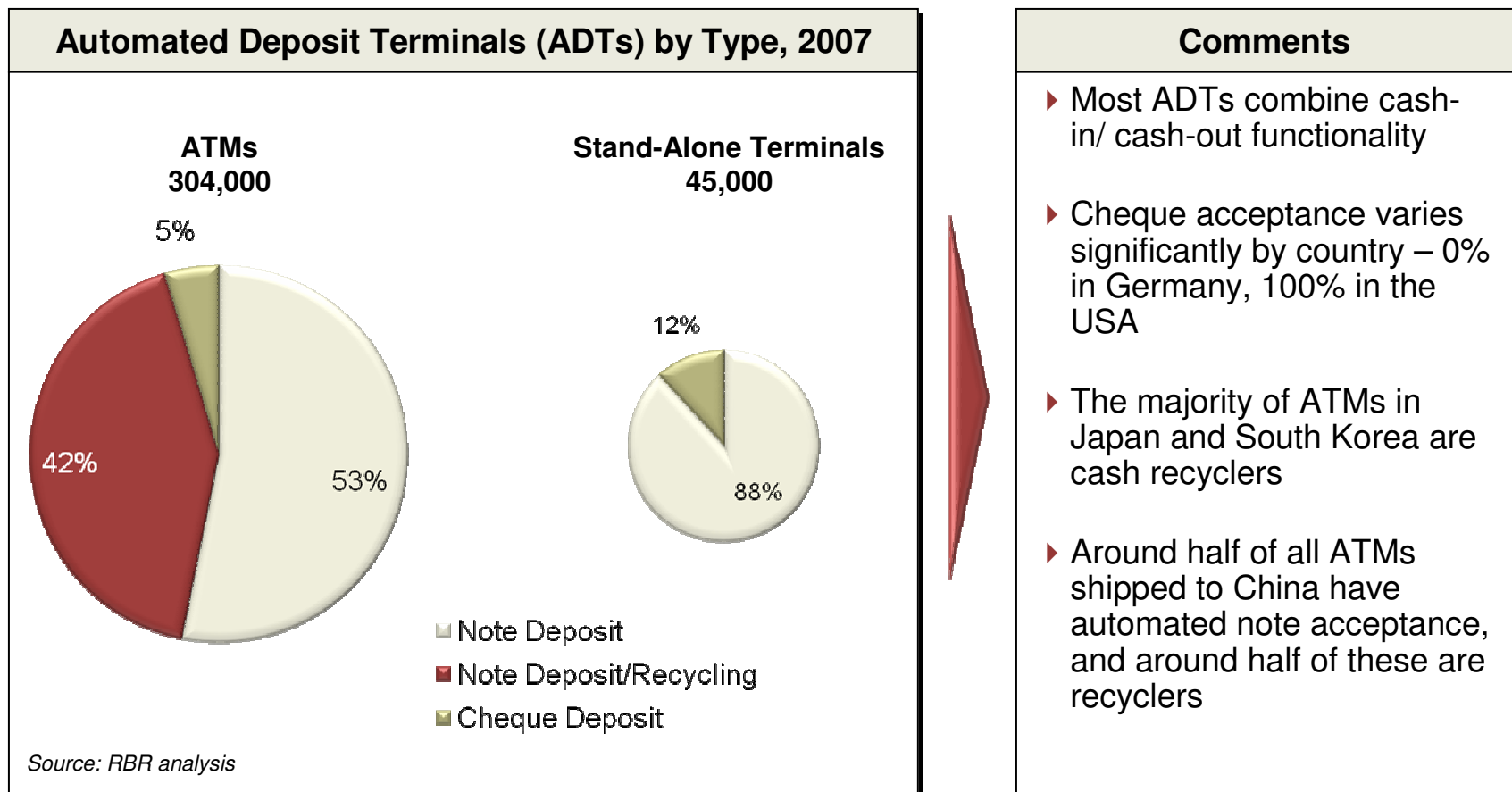


Comments

- ▶ 80% of automated deposit terminals (ADTs) are deployed in just three countries – Japan, South Korea and China
- ▶ Japan and South Korea deploy mostly recycling ATMs, and have done for several years
- ▶ Recycling has the potential to cut cash handling costs significantly
 - Cash replenishment cycles reduced, reducing CIT costs
 - Bank cash handling costs reduced
 - Potential for cutting fraud (and associated costs)
- ▶ ...but is not suitable for all locations
 - Cash in/out not in balance
 - Denomination mix not in balance
 - Can be expensive relative to usage
 - Many recycling units deployed do not currently recycle

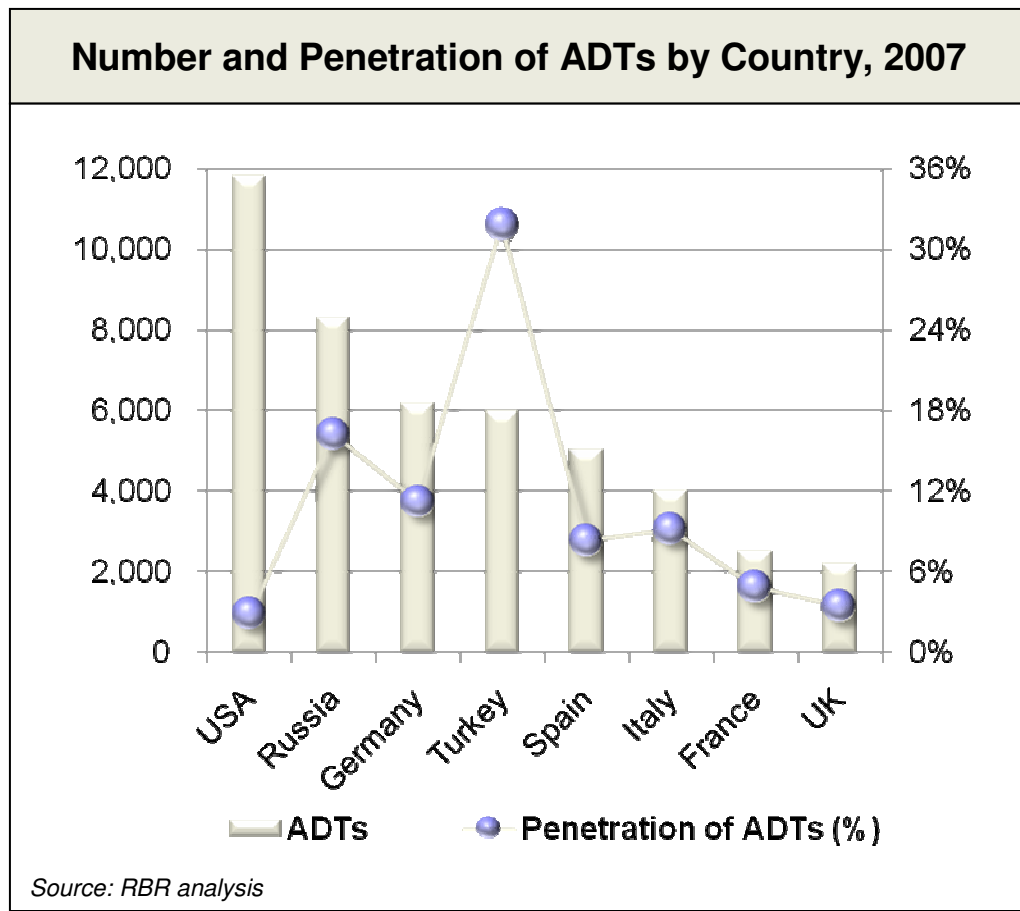
Deposit Automation... Key Findings

Note recycling is expected to become more widely deployed in mature markets



Deposit Automation... Key Findings

While roll out across Europe and the USA is gaining momentum, penetration is still relatively low



Comments

- ▶ USA and Russia are now the largest and 2nd largest market for ADTs outside of Asia-Pacific
- ▶ The number of ADTs in the USA tripled during 2007
- ▶ Turkey has highest penetration of ADTs outside of Asia-Pacific
- ▶ The UK and France are lagging behind other major ATM markets
- ▶ 95% of Japan's 182,000 ATMs have automated note acceptance

Deposit Automation... Key Findings

The principal factor driving deployment is a strong business case build around operational cost savings

- ▶ Operational cost savings
 - Relating to cash and cheque handling (e.g. transport, processing, fraud)
 - Generally perceived to be stronger in cash and cheque intensive countries (e.g. China, Malaysia, Spain, Switzerland, Taiwan, USA)
 - Not all cost savings are easy to quantify (e.g. customer service)
 - If business case not positive, then unlikely to make substantial investments
- ▶ Improved customer service
 - Branch-level and self-service related (e.g. convenience, availability, reach)
 - Earlier clearing of deposited cheques and immediate crediting of cash deposits
- ▶ Branch strategy
 - Enhance commercial and operational efficiency of branches by migrating routine transactions away from teller to self-service channel
 - Open-plan, cash-less branches aimed at enhancing customer acquisition and retention by cross-selling value-added services (e.g. insurance and investment products)
 - Extend market reach through self-service centres or “virtual branches”

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Deposit Automation... Associated Functionality

Deposit technology is an enabler for other advanced functionality such as foreign currency exchange

- ▶ Foreign currency (forex) exchange at ATMs
 - Users do not need to be existing bank customers
 - Touch the ATM screen to activate service
 - Insert foreign currency notes into ATM
 - ATM calculates conversion, less transaction fee and rounding to nearest denomination
 - Local notes dispensed to customer
- ▶ Business drivers for banks
 - Build on existing ATM infrastructure
 - Expand services without needing to expand branch network
 - Migrate transactions from the teller to self-service (free up staff for more value adding roles)
 - Increase forex transaction volumes and fees
 - Attract new customers, including tourists and customers of competitors
 - Source of foreign currency
- ▶ Benefits for customers
 - Reduced queuing in branches
 - 24/7 access
 - Increased number and variety of service locations

Deposit Automation... Associated Functionality

Bill payment provides customer service and new revenue streams for the ATM

- ▶ Bill payment at ATMs
 - Users do not need to be existing bank customers
 - Customers identify themselves either by scanning a barcode or entering customer number
 - Pay bills either from existing bank account or cash deposited at the ATM
 - ATM provides receipt to confirm payment
- ▶ Business drivers for banks
 - Build on existing ATM infrastructure
 - Expand services without needing to expand branch network
 - Migrate transactions from the teller to self-service (free up staff for more value adding roles)
 - Utility, telecom, postal and government organisations keen to reduce cost of collecting payments
 - Potential for bank to earn revenue from both customers and partners
 - Attract new customers
- ▶ Benefits for customers
 - Reduced queuing in branches
 - 24/7 access
 - Increased number and variety of service locations
 - Attractive for customers without bank accounts or without access to alternative delivery channels

Deposit Automation... Associated Functionality

CRM and personalisation of the ATM are enabling numerous new advanced functionalities

- ▶ Mobile phone top-ups
 - Users do not need to be existing bank customers
 - Profitable due to high-margins on cell-phone call charges
- ▶ Customer loan repayments and microrepayments
 - Efficient delivery mechanism
 - High customer convenience due to speed of transaction, location and availability
 - Repayments via the ATM are convenient and low cost
- ▶ Online remittances
 - Send payments via the ATM, for collection by card or at another ATM (options include: cash-to-cash, cash-to-card, card-to-card, and card-to-cash)
 - Attractive in locations with migrant workers
 - Typically partner with other providers, such as Western Union and MoneyGram
- ▶ eIPO
 - Customers subscribe to IPOs (buying shares) via the ATM
 - High profile service (marketing benefit)
 - New revenue stream

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Thank you for your attention!

- ▶ **Dominic Hirsch**
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