



***The Modern Mainframe...
At the Heart of Your Business***

Introduction



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Service Oriented Finance

We are a traditional bank with branch offices throughout the country.

Banking competitors and non-bank specialists are taking away our customers.



**Service Oriented Finance
CEO**

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Service Oriented Finance

Our customers demand greater choice, and personal security and control in their banking relationships.

We need a next generation banking system!



Marketing

Service Oriented Finance

Our current IT infrastructure will be hard to change to meet these new business needs!



Service Oriented Finance
CIO

Next Generation Solutions for Banks and Others

What are the key business requirements?

Trends

Vision

Specialization... Customer-insight and time-to-market

Banks will offer specialized products

- Non-bank banks and industry specialists (online banks, financing, securities trading, insurance, etc) will both compel and enable traditional banks to specialize

Regulation

Regulatory burdens intensify

- Heightened requirements around privacy, security and operational and partnership risk will require banks to take an enterprise-wide approach

Technology

Technology improves to enable breakaway value

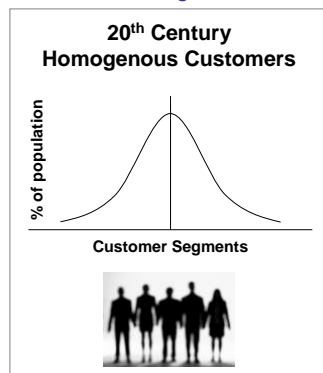
- Advances in service-oriented architecture, global connectivity, computing power, and data analysis will lead to unprecedented function

Source: The paradox of Banking 2015, by IBM Business Consulting Services

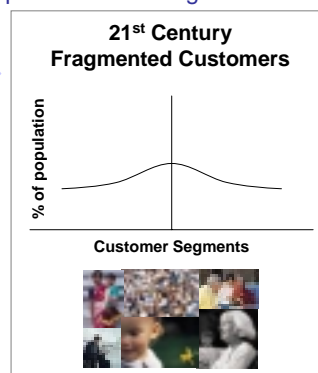
Specialization to Satisfy Diverse Customer Requirements

Customer Value Drivers

"one offering fits all"



"specialized offerings and delivery"



Extreme shifts in:

- Age
- Wealth
- Ethnicity/Culture
- Lifestage patterns
- Household composition
- Value systems

Examples of Specialization Requirements

- Differentiate product offerings for different customer sets
- Customer insight to determine optimal marketing segments
- Extend sales reach via business partners
- 24x7 online access by customers
- Launch specialized products faster

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How Businesses Will Deliver Specialization

- Customers will demand **greater choice**, personal security and control in all relationships
- Businesses will source products and services from a large number of **specialized service providers** – both independents and others providing white label products
- **Rapid Innovation** – in products, processes, relationships and business models – will be the primary path to sustainable growth

Source: The paradox of Banking 2015, by IBM Business Consulting Services

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Regulations Demand Compliance in Business Processes and Applications

Basel II



- International accord for the handling of risk
- Requires the collection of 7 years of data
- Focuses on credit and operational risk
- Specifies the need for supervisory control



International Accounting Standards

- International Financial Reporting Standards
- Enables common understanding of financial reports
- Mandatory in EU, Australia, Russia and some ME and AP countries



Payment Regulations



- SEPA initiative to establish a single euro payments area
- Secure fast and efficient payments in the euro-zone
- Standard service levels to be enacted by 2010

Corporate Governance

- Systems Control Effectiveness
- Decision Support Evaluation
- Internal Control Assessments/ Reviews & Governance
- Financial Reporting Disclosure



Anti Money Laundering

- Many jurisdictions now have AML legislation in force (USA PATRIOT Act, UK Proceeds of Crime Act, etc).



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Rapid Innovation is a Competitive Advantage

- In March 1991, MCI introduced "Friends and Family," a new approach to long-distance telephone service.
 - Under this plan, subscribers could set up "calling circles" in which calls within the circle were made at discounted prices – as long as both parties were MCI subscribers.
- "Friends and Family" immediately changed the dynamic of the market, drew a great deal of attention, and took many customers from AT&T.
- AT&T's billing system was **not able** to deliver new products in a short time frame.
- In 1995, AT&T responded with a new billing system to compete with MCI's 'Friends and Family', which had already won **5 % of market share!**

Lesson learned: flexible, agile business systems are a requirement to remain competitive

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Technology Requirements for Next Generation Solutions

- Service Oriented Architecture (SOA) is key to providing flexibility and rapid innovation
- Availability and reliability to conduct online business continuously
- Performance and scalability to allow quick and cost effective response to growth
- Security and auditability for regulatory compliance
- Competitive Total Cost of Ownership

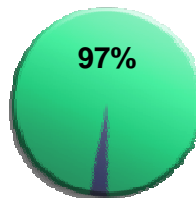
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SOA Delivers Business Values ... Today A Recent Study from IBM SOA Engagements

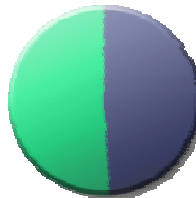
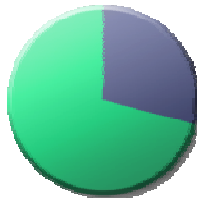
IBM studied a subset of engagements and found:

100% realized improved flexibility



97% justified SOA projects based on cost savings & impact to profitability

71% reduced risk



51% experienced increased revenue

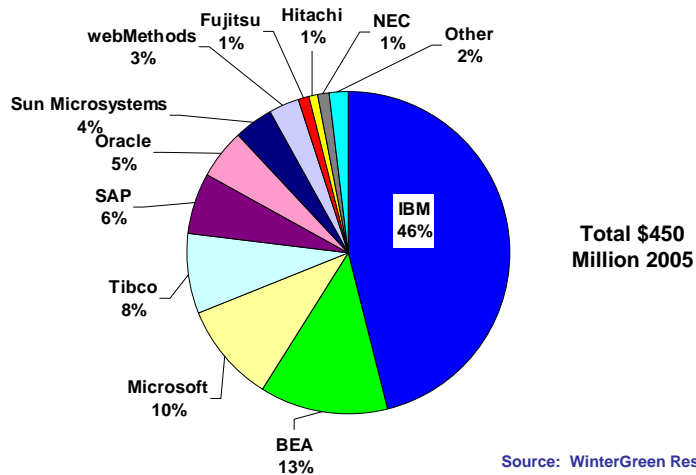
Source: IBM Institute for Business Value "The Business Value of Service-Oriented Architecture" 2006

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IBM is the Market Leader in SOA

Worldwide Service Oriented Architecture (SOA) Market Shares, 2005



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The Role of the Mainframe in Next Generation Solutions

- Most core business systems already run on the mainframe at the heart of the business
 - ▶ Represent huge investments
 - ▶ Key to ongoing business operations
- The modern mainframe will play a central role in SOA next generation solutions
- The mainframe delivers superior qualities of continuous operations, rapid scale up, and security
- The mainframe achieves the lowest TCO for next generation solutions

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Shifting Trends Favor the Mainframe Again

- Continuous availability is even more important in the web world
- Security and compliance are top of mind
- Server sprawl has driven up the cost of labor
- TCO pressure is driving customers to consolidate workloads on virtualized platforms
- Network economics favor consolidation once again
- Cost of power is increasing
- Growing use of Linux
- The mainframe is at the center of SOA
- IBM has delivered dramatic mainframe price reductions

It's time to take a fresh look at the mainframe!

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2006 Major Mainframe Milestones

- 4Q Largest Hardware Revenue Quarter Since 4Q98
- Top 25 Banks in the World
- Record High for Market Share: 37.1%
- Record Year for Specialty Engines
- 10 Million MIPS Installed
- \$1 Billion in Revenue from System Integrators
- First Online Game Client: Hoplon Infotainment



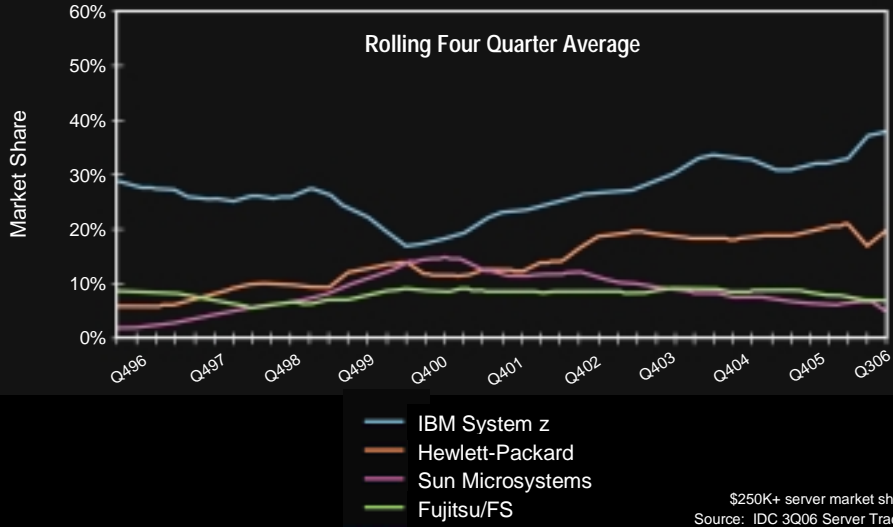
Source: IBM Finance, 1Q07

(1) externally reported, at actual currency

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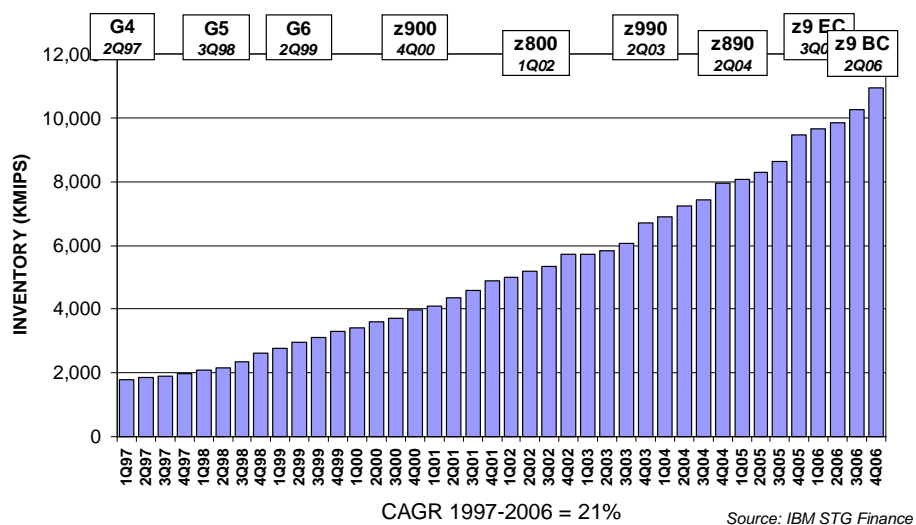
Market Revenue Trend



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Customers Are Installing More MIPS



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System z Today

- DB2 for System z is in 25 of the top 25 worldwide banks, 23 of the top 25 US retailers, 9 of the top 10 global life/health insurance providers
- IMS and CICS systems execute over 80 billion transactions a day
- 490 of IBM's top 500 customers use CICS
- Over 95% of Fortune 1000 companies use IMS
- System z increased market share 14 points while Sun and Fujitsu fell over past 5 years
- 60% of System z revenue is driven by new workloads (Java, Linux, Database, SOA)

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The Value of Distributed Computing

- Rapid application development and deployment
- Separation from core business processes
 - ▶ Flexibility without impacting core business stability
- Focused and controlled investment for special purpose applications
 - ▶ Compute intensive, deep analytics
- Designed for high performance at low cost in a single application environment

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Mainframe or Distributed – or Both

- Distributed Computing does not replace Mainframe Computing
- Side-effects of improper application of Distributed Computing
 - ▶ Proliferation of Servers
 - ▶ Spiraling Labor Costs
 - ▶ Difficult Security Environment
 - ▶ Data and process synchronization challenges
- These side-effects are causing a re-evaluation of the distributed computing model

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When to Use a Mainframe

- Use a mainframe
 - ▶ To consolidate core business workload into a structured, cost contained environment
- Use a distributed system
 - ▶ To run individual applications, which are new, or subject to change in a less controlled environment

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Agenda

9:00 - 9:15	Introduction to Next Generation Requirements	
9:15 - 10:00	<i>SOA – The foundation of your Next Generation Solution</i>	Using SOA to Build Your Next Generation Solution
10:00 - 10:40		Tools for Rapid Development and Deployment
10:40 - 10:55	<i>Break</i>	
10:55 - 11:25	<i>A Mainframe Primer – Clustering to achieve scale</i>	Mainframe Clustering
11:25 - 12:00		Continuous Availability
12:00 - 1:00	<i>Lunch</i>	
1:00 – 1:50	<i>Optimize customer relationships by consolidation</i>	Consolidating Data on System z
1:50 – 2:30		Consolidating Applications on System z
2:30 – 3:00	<i>Business demands on technology</i>	End-to-end Security and Compliance
3:00 – 3:20	<i>Break</i>	
3:20 - 3:50	<i>Business demands on technology</i>	IT service management
3:50 - 4:30	<i>Delivering Next Generation Solutions at the lowest cost</i>	

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