





Lean & Customer Centric Banking

The banking landscape is changing significantly in response to the evolving forces of customer expectations, regulatory requirements, technology, demographics, new competitors and shifting economics.

Banks need to what stance they want to take against this change - be it as a

- shaper of the future
- a fast follower or
- to defensively manage and delay change

Staying the same is not an option. We believe that the winners in 2020 will innovate the future. This future will require institutions to be agile, open and ready to explore different options in an uncertain world. So is this change a revolution or an evolution? In truth, it is both. Many players are innovating and experimenting with new technologies and products, distribution channels and analytics. The industry has changed slowly in the past – an evolutionary change. But certainly too slow! Yet the pace of change is increasing rapidly – banks that fail to shift gears risk staying behind. And if any institution could really master all the challenges, it would indeed be revolutionary. A new entrant in the banking sector will certainly be confronted with a simpler implementation of technologies and products as well as sales channels, since it does not have to concentrate on all the change processes (people, IT, branches, software, sales channels, marketing ...). This would lead to considerable delays and enormous costs.

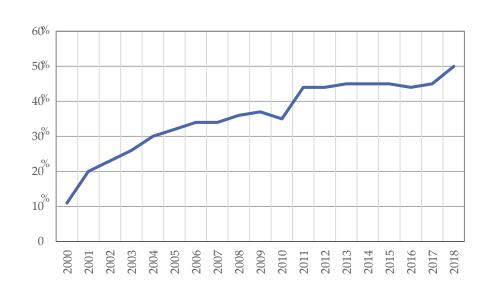




Online & mobile banking is rapidly increasing

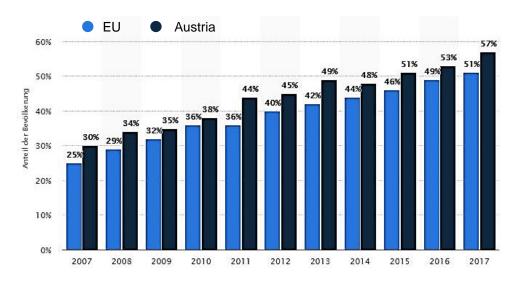
Proportion of users of online banking in Germany in the years 1998 to 2018

Source: Bankenverband/GfK



Proportion of the population in EU & Austria using the Internet for online banking from 2007 to 2017

Source: Statista.com



Around half (51%) of adult Europeans use internet banking. This share is constantly increasing and has doubled since 2007, when it stood at 25% in Europe.

Internet banking is particularly popular among 25 to 34 year olds, with 68% using this facility.

The use of internet banking tends to increase in line with the education level of the user.

While only 24% of those with low education use e-banking, 77% of those with high education use this service.



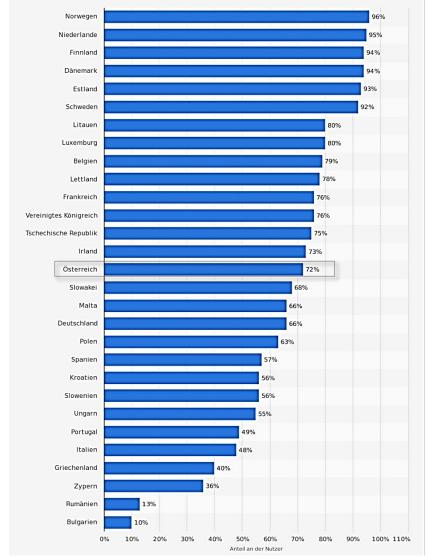
Revolution in Retail Banking

Powerful forces are transforming the retail banking industry

- Growth remains elusive, costs are proving hard to contain and ROEs remain stubbornly low.
- Regulation is impacting business models and economics.
- Technology is rapidly morphing from an expensive challenge into a potent enabler of both customer experience and effective operations.
- Non-traditional players are challenging the established order, leading with customer-centric innovation.
- New service providers are emerging.
- Customers are demanding ever higher levels of service and value.
- Trust is at an all-time low.

Source: PWC

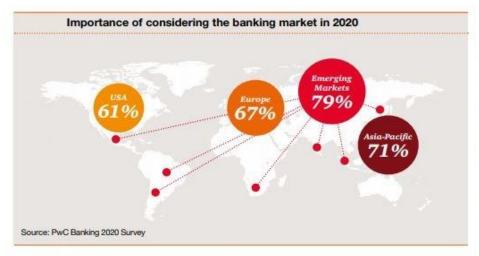
Proportion of the mobile Internet users using online banking in 2017 Source: Eurostat @ Statista 2018

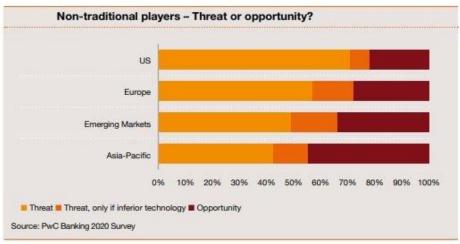




PWC supports our short & long term online banking strategy with their survey:

https://www.pwc.com/gx/en/banking-capital-markets/banking-2020/assets/pwc-retail-banking-2020-evolution-or-revolution.pdf





The acquisition of new customers and the deepening of relationships to improve customer service are the most important goals for the necessary growth.

The impact of compliance with growth and regulatory change will indeed remain the number one challenge for American and European banks, thus, representing main investment priorities.

In the more rapidly developing Asian & emerging economies, where large, established companies operate and banks are less dominant, bankers report attracting talent in the face of fierce competition and new entrants and retaining existing talent is one of the top challenges in the industry.

Research, innovation and the development of new products are among the top investments in these regions.

The following 6 priorities for 2020 are crucial for success:

- 1 Developing a customer-centric business model
- 2 Optimizing distribution
- 3 Simplifying business & operating models
- 4 Obtaining an information advantage
- 5 Enabling innovation, and the capabilities required to foster it
- 6 Proactively managing risk, regulations and capital



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"90% of executives believe that each of these priorities is important - only 20% of executives feel very prepared to address them.

Banks universally agree that they are hindered from addressing these priorities by financial, talent, technology and organizational constraints.

Banks need to take aggressive action to ease these constraints, and manage themselves in a more agile manner to enable innovation and transformation, while preserving their optionality to capitalize on market opportunities and address unexpected challenges.

To succeed in this rapidly changing landscape, banks need to have a clear sense of the posture they wish to adopt – whether to shape the industry, rapidly follow the leaders, or manage defensively, putting off change. And they need to have a clear strategy to deal with these challenges and address these priorities, including considering partnerships with third parties and applying lessons from other industries.

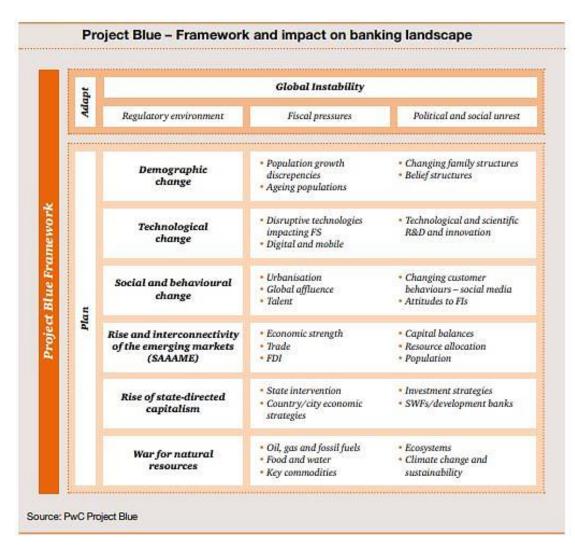
Of course, the level of focus on each of them depends both on a bank's starting point, and its unique strengths and challenges. However, each priority is important, and success will come from a balanced execution across them – and a balance of tactical initiatives and longer term programs, all coming together as an integrated whole."

Source: PWC



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Each of the macro-trends has a different impact on the retail banking industry, as well as on each specific institution.

4 mega-trends are considered to have the greatest impact:

- Rise of state-directed capitalism regulation reshaping the industry and dictating business models
- Technology will change everything as a potent enabler of increased service and reduced cost; innovation is imperative
- Demographics changing priorities and opportunities for growth
- Social and behavioral change rising customer expectations and the need to regain public trust

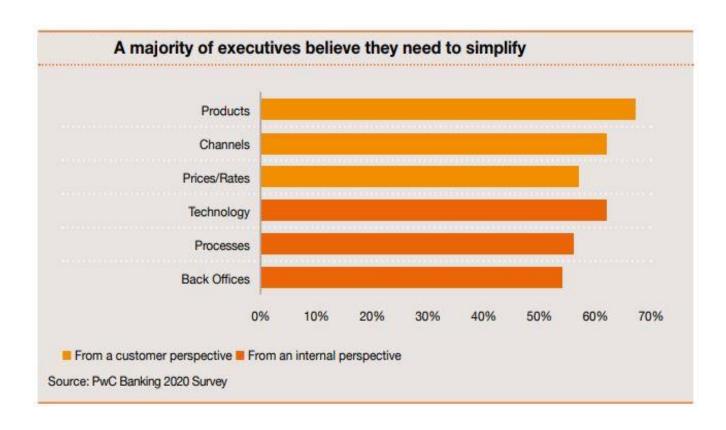
Project Blue: Framing this research around the following seven trends:

- global instability
- demographic change
- technological change
- social and behavioral change
- the rise and interconnectivity of the emerging markets
- the rise of state-directed capitalism and the war for natural resources



PWC Survey supports our short & long term online banking vision:

https://www.pwc.com/gx/en/banking-capital-markets/banking-2020/assets/pwc-retail-banking-2020-evolution-or-revolution.pdf



Simplifying the business and operating model

- The banks' staggeringly complex and costly business and operating models have now to be simplified.
- Rising customer expectations, increasingly active regulators and stagnant shareholder returns are demanding this.
- But, further efforts have to be made by starting with the customer and working backwards.
- Simplifying the experience requires that products, channels, organization, operations, all need to simplify and change.
- In deed, a big deal but getting it right can deliver an improved customer experience, structurally lower cost and reduced levels of operational risk.

MCV BANKING BUSINESS MODEL



BUSINESS STRATEGY - 3-Step Implementation



ROADMAP INTRODUCTION:

For implementation of our banking business model we designed a **2-step strategy implementation plan**:

1st step: implement the MCV stand-alone online app-based banking strategy: to demonstrate the traditional banking profitability

2nd step: **12 months Blockchain implementation period** – SEPA/SWIFT banking software & products shall be connected via the *Power Wallet* with Blockchain technology & products

OUR GOAL:

- We want to create a **combination of traditional and Blockchain banking** "*Made in Austria*" to enable faster, more efficient and more cost-effective banking transactions.
- In addition, our technology should also enable faster and easier **control of Blockchain-enabled transactions** (smart contract/crypto); so payments from crypto wallets should be personalised and easy traceable and National Banks and Authorities shall be empowered to control crypto payments, investments and savings!
- Even more: our system should function as "Barta" business activities.

This will bring Blockchain banking to the broad mass of clients.

MCV BANKING BUSINESS MODEL





OVERALL: A combination of Traditional Banking + Blockchain Banking will be much more profitable for all stakeholders than a stand-alone traditional online solution

- Within the next 10 years profitable banks will be direct banks with leaders offering an anytime, anywhere service. They will introduce new branch
 formats (as franchise), expanding physical points of presence through third-party partnerships, driving sales and cutting costs.
 - ✓ BCB4U Bank will act as an online based bank without own branch-offices.
- Competitive reach is no longer determined by branch networks, rather by banking licenses, technology, communities & networks
 - ✓ BCB4U Bank will act as a technological leader and will use social networks to a large extent.
- Surviving banks will be low-cost producers, with nearly every product profitable on a stand-alone basis. The smart device will grow in importance, and take its place alongside cards as the primary medium for consumer payment
 - ✓ BCB4U Bank will be a bench mark in banking industry in cost efficiency and user experience.
- Most cross-border knowledge transfer of capital, best practices and innovations will take place through new market entrants, third-party partnerships and intermediaries, rather than through cross-border banking institutions
 - ✓ BCB4U Bank will act internationally from an Austrian headquarter with strong local with label partners / EcoSystem partner.
- Wealth management will move alongside deposit-taking as a baseline service for retail banking
 - ✓ BCB4U Bank will continuously implement new value products and will set new benchmarks in wealth management.
- Fee-based revenues will increase as a percentage of total in developed markets and China
 - ✓ BCB4U Bank will be a service bank and will draw its income mainly from fee-based revenues.

BCB4U Bank will be able to offer banking services to even completely unbanked areas (as Africa ...) all over the world

BCB4U

BUSINESS STRATEGY - BCB4U SUCCESS FACTORS



- Banks will organize themselves around customers instead of products or channels
 - ✓ BCB4U Bank will be directly "at the customer" by creating and offering exactly the products requested by the customers.
- · Social media will be the banking media
 - ✓ BCB4U Bank will use social media as the prime source for acquiring customers.
- Evolution and disruption will be an imperative for change
 - ✓ BCB4U Bank practically will represent "Evolution & Disruption" in the banking industry.
- Better customer service is rapidly becoming a baseline expectation, yet most banks are far from delivering it
 - ✓ BCB4U Bank will define its primary goal as value added service "ultimately at the customer".
- Distribution is ripe for digital disruption. The transformation of the music, film, and print publishing industries provides chilling analogies for those banks unable to get ahead of these trends
 - ✓ BCB4U Bank will break new ground in implementing highest professional distribution systems, which have never been used in the banking industry.
- Redefine the operating model including the organizational structure, branch processes & infrastructure to support the franchise model & network design
 - ✓ BCB4U Bank will create and develop top modern and lean structures to achieve benchmark status in cost-earnings-ratio.
- Develop cross-channel enablers (ECO Product Partners)
 - ✓ BCB4U Bank will offer supplementary products from a wide range of daily products important for the clients (module-bundling to solutions)
- Simplifying the business & operating mode
 - ✓ BCB4U will implement state-of-the-art solutions on standardized construction kid model incl. traditional app-based online banking operations; eg. after finishing the forecasted test phase BCB4U intends to implement a "POWER WALLET" in coordination with Austrian authorities enabling the customers to include highly efficient Blockchain-transactions in their normal day-to-day banking activities.

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BUSINESS STRATEGY - BCB4U SUCCESS FACTORS



- Banks will organize themselves around customers instead of products or channels
 - ✓ MCV-CAP Banking Business Model is a directly "at the customer" model by creating and offering exactly the products requested by the customers.
- Obtaining an information advantage. Getting this right will be a game changer. Fast movers will create competitive advantage in every area of the bank customer experience, underwriting and pricing, operations, risk management and financial/ cost management. Few banks will be able to master the skills to integrate, analyze and act upon the insights from the ever increasing mass of data.
 - ✓ Our banking model will operate a Community Club in order to offer up-to-date top products in the wide range of customers' every day's lives and will run a cashback and loyalty system accordingly
- Executing on today's imperatives
 - ✓ A future bank will be a very flexible and fast adapting mover in the banking industry.
- Understanding and leveraging Social Data. Social phenomenon, along with other trends, has shifted the balance of power to consumers, accelerating the need for greater engagement.
 - ✓ A state-of-the-art bank will integrate the analysis of social data in the daily work and, by doing so, will be the closest possible to the customers
- Enabling innovation and the capabilities required to foster it, innovation is the single most important factor driving sustainable top- & bottom-line
 - ✓ A advanced will be a leading innovator in banking industry not only by permanently improving classical instruments of banking, but also by integrating top new products such as Blockchain services, ICO support services, new Blockchain technologies and products and so on



But banks today are not known as places where innovation thrives, nor are they the favored destination for top software engineers and other innovators. Banks need to organize and manage differently – protecting and enabling talent, becoming agile in their development processes and being open to partnerships with outside institutions. Developed market executives will need to take more of an innovative mindset.

We implement a business model where a bank will be:

- The place where innovation thrives
- The place where top "engineers" will put their concepts into effect
- The place where new ideas will be born and developed
- The place where new partnerships will be contracted
- The place where new horizons will be explored ...





6 requirements for success in future banking

- 1 Developing a customer-centric business model
- 2 Optimizing distribution
- 3 Simplifying business & operating models
- 4 Obtaining an information advantage
- 5 Enabling innovation, and the capabilities required to foster it
- 6 Proactively managing risk, regulations and capital

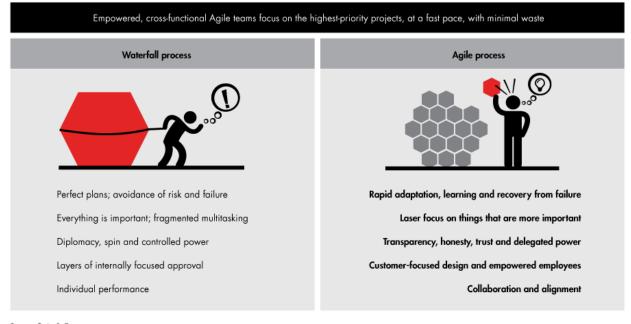


1

Building customer-centric business (CCB) models in retail banking

A customer journey begins with their intent, not with the product. A customer's intent is not to make a payment, but to buy something. A customer's intent is not to get a mortgage, but to create a home. A customer's intent is not to open a current account, but to manage their money. A customer's intent is not to take out life assurance, but to cover their family's needs if they die.

Agile breaks large, complex problems into smaller modules for incremental development



The assets of our bank will not be the Branches, IT, real estate or others, but the clients using our services. Our CCB arrange the organization from the outside-in, not the inside-out. It means continual verification that products, processes, services and customer journeys are being delivered with exceptional services that exceeds expectations.

We have made great efforts to understand its customers and will further and continuously develop an even more complete understanding for the needs of our clients and will dramatically simplify its product set and, by doing so, deliver a significantly improved customer experience with lower levels of operational risk.

Source: Bain & Company



2 Optimizing distribution

Competitive reach is no longer determined by branch networks, rather by online sales channels, third party network (Shops, franchise Partners,..) and technology. When every aspect of banking can be done online, a bank's target market and competitive arena is no longer defined by its physical footprint, but by its technology, regulatory boundaries and marketing budget.

Our pace of expansion will be not constrained by the availability of acquisition targets and/or prime retail locations. In developed markets such as EU we will become an international player without branch network grow rapidly with online-, franchise/shop-, social network- and community sales channels.

Digital capabilities will improve the capability of our sales channels, so that our sales partner (franchise, Shops,...) and bank customers use the same platforms, with the same look and feel. The human touch will always be available, just much more through digital channels.

BCB4U Bank will operate without branch offices as a direct bank. BCB4U will offer an anytime, anywhere service, fully utilizing all banking channels in an integrated fashion. Third-party partnerships will be entered into, thus driving sales and cutting costs.





Simplifying business & operating models

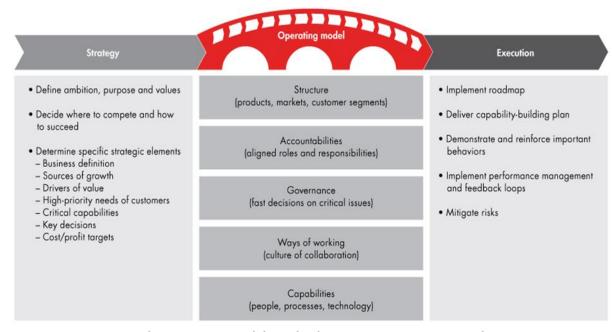
WE PROPOSE A CLIENT CENTRIC TECHNOLOGY COMPANY WITH A BANKING LICENSE - MADE IN AUSTRIA!

Advances in technology make it easier to unbundle the value chain in Banking - we aim to build world-class solutions for specific product needs and client segments. Succeeding through this model hinges on attaining large-scale product leadership and technological expertise. We will rely on third party product providers (as credits, insurance products, ECO products ...) to supply our clients immediately in several EU countries.

Our operating model is the blueprint for how resources are organized and operated to get work done.

It takes shape through choices in five areas:

- **structure** the matrix of products, geographies and segments that will work best for our customer and distribution:
- accountabilities aligning roles and responsibilities to excel in key capabilities;
- governance speeding up the critical decisions in capital allocation, IT, capex, product design and vendor choice:
- ways of working calibrating a culture that fosters collaboration across functions and with vendors, and
- capabilities combining people, processes & technology to reinforce the elements of the strategy to enable our bank to stand apart from the pack.



The operating model is a bridge connecting strategy and execution Source: Bain & Company



3

Simplifying business & operating models

WE PROPOSE A CLIENT CENTRIC TECHNOLOGY COMPANY WITH A BANKING LICENSE - MADE IN AUSTRIA!

Customer priorities at the center of the design: Viewing products and services from the customer's perspective is essential for delivering an end-to-end experience that will reliably delight customers. A strong customer loyalty based on a high product penetration is our maximum goal. Herefore, a state-of-the-art loyalty and cashback program shall be implemented.

BCB4U bank will develop simple, clear and straight forward products and business & operating models. By doing so, both rising customer expectations and requests of increasingly active regulators can be met. Simple products, channels, organisation, operations will deliver an improved customer experience, structurally lower cost and reduced levels of operational risk.

Technology design Workforce evolution Customer focus Outside expert partners Deliver a great Improve Accelerate time Accelerate IT Redeploy talent change to flex for future needs customer experience go-to-market to market effectiveness as strategy adjusts Modular Design & platform kid box

An operating model for the future will address five critical areas





Obtaining an information advantage

WE PROPOSE A CLIENT CENTRIC TECHNOLOGY COMPANY WITH A BANKING LICENSE - MADE IN AUSTRIA!

In following areas Smart Data & Business Intelligence (BI) will support our team substantially:

- 1. Risk management: The banking industry is built on risk, so every loan and investment needs to be evaluated. BI tools can give us and our product partners new insights into their systems, transactions, customers and environments to help us and them avoid certain risks. We can analyze the factors that cause borrowers to default on loans and craft new programs to circumvent those factors. BI can also make systems more transparent so that institutions can detect internal or external fraudulent activity and identify past patterns to prevent future fraud.
- 2. Marketing and sales automation: With the volumes of data available today, we can gather previously unimaginable information about each of their customers. This gives us a better understanding of customers' needs and helps them to address these needs proactively. It also allows different departments within a bank, such as marketing, sales and IT, to work more cohesively as a single unit. For example, rather than pushing out products to all customers, banks can now merge BI and sales force automation tools to market products tailored to customers' current situations, whether they're building new homes, opening small businesses or starting families.
- **3. Customer profitability:** Bl also gives us up-to-date information on the most profitable customers and the banking product choices they make. So we will use that information to retain high-value customers, market the right products to them and decide which products to invest in for the greatest return.
- **4. Performance analytics, budgeting and product innovation:** We will use BI to measure business and sales channel performance and then create budgets and goals based on past achievements. In addition, we can target training and education of our sales partner for off-peak times and monitor progress toward goals in real time. We will also use performance data about products, features and services to create new offerings designed around current customer demand.
- **5. Historical analysis:** Looking at past internal and external data, we can plan for the future. BI can help us spot patterns, address issues going forward and set goals that improve upon historic metrics.

BCB4U

BUSINESS STRATEGY - BCB4U SUCCESS FACTORS





Obtaining an information advantage

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In following areas Smart Data & Business Intelligence (BI) will support our team substantially:

6. Executive dashboards:

Using graphs, charts and animation, customizable interfaces help managers and supervisors visualize data. Managers can run queries and pull reports based on their needs. They can analyze the percentage of products by type, monthly operating expenses or profit and loss by region.

7. Regulatory compliance:

When asked to name their greatest business concern, 68 percent of bank executives cited regulatory compliance. Business intelligence will help us gather, organize and analyze data, compile reports and comply with requirements.

The use and implementation of Blockchain technology will support these BI optimization even more.

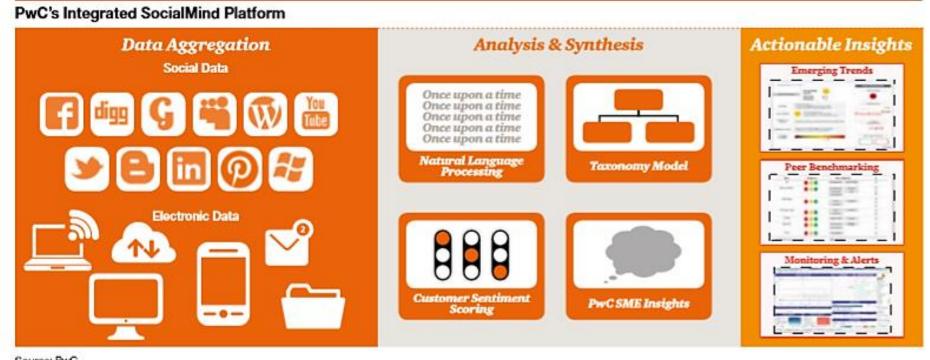




Obtaining an information advantage

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Our Business Intelligence (BI) employs tools to gather those ever-growing volumes of disparate data types from various sources, process them at record speeds, analyze and use that data to gain new business insights. Our concept of BI was created as powerful tools to harness the future bank data explosion. We will use BI to contain costs, boost profits and compete locally and globally.





5

Enabling innovation and capabilities required to foster client centric rapid processes

Innovation will be the single most important factor driving sustainable top- and bottom-line growth in our banking over the next five years. Innovation is doing things differently. Not just new products or a new customer experience, but doing things differently across the entire business model including transforming the business model itself.

Our third-party relationships will be one further way to benefit of new innovation. To succeed as innovators, we will organize and manage ourselves differently.

We focus on a new type of talent and a new way of managing it. We will attract people who think big and who challenge the status quo, people who are obsessed with the customer and not with the process. These people need inspirational oversight and cultivation, not check-the-box management.

We focus on agile product and technology development skills – to bring new products and capabilities to market much quicker than today. This requires continual iteration, real-life pilot testing and rapid learning from customers. This does not require writing and rewriting business requirements documents, 12-month product release cycles, or technology organizations far removed from the customer.

Our major innovations will take place outside of traditional bank organization (as Blockchain foundation). Our forecasted partnerships with product and technology innovators will create new ecosystems for innovation – ranging from technology start-ups to academic institutions, or even with non-bank players.

Because of these challenges, the entire innovation effort will need very senior sponsorship. When people are asked to do things differently, they need to believe they will be rewarded, not penalized, for doing so.

We will develop a Bank operation, where innovation thrives, and will care that top software engineers and other innovators will find a fertile line of action, thus enabling fast developments and innovative mindsets.

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BUSINESS STRATEGY - BCB4U SUCCESS FACTORS



6

Proactive Managing Risk, Regulations and Capital

Enhanced capital and risk management, global regulation of capital, liquidity and related stress-test requirements, as well as enhanced prudential standards, influenced heavily our business strategy to focus on none-risk product and intermediation of risk products.

Given the enormity, complexity, and inherent linkages and interdependencies of regulation and supervisory expectations in each of these respective areas, there are tremendous challenges as well as opportunities to address this in a manner that drives for long-term efficiencies and sustainability.

Banks that are taking a proactive approach to addressing these challenges in a systematic and disciplined manner will see tremendous benefit driving both operational efficiencies as well as bottom-dollar benefit.

Establishing a common thread of consistency to support a sound, robust and integrated enterprise risk framework will be key meeting regulatory expectations from both micro- as well as macro-prudential perspectives.

By excluding risk product from our own books we

- shall manage our funding most effectively
- ensure a positive balance of deposit taking in each country in which we operate
- simplify product implementation in individual countries (white label product intermediation)
- simplify the future IPO of our bank

We want to embrace regulatory intent, and create sound, secure, unbiased businesses, where regulatory compliance and sound conduct is embedded in the processes and values of everyday operations. We will embrace regulation, and embed it in our core business processes.

Underpinning truly proactive regulatory management is a strong global regulatory lead and team, overseeing and coordinating our bank-wide activity.