



BUSINESS INTELLIGENCE AND FINANCIAL SERVICES

MAJOR APPLICATIONS OF BUSINESS INTELLIGENCE
SOFTWARE IN THE FINANCIAL SERVICES INDUSTRY

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MAJOR APPLICATIONS OF BUSINESS INTELLIGENCE SOFTWARE IN THE FINANCIAL SERVICES INDUSTRY

The financial services industry is constantly and rapidly changing, making it more and more challenging for financial institutions to keep up with the changes—and with the competition. With a vast range of customers and customer needs, changing regulations, and growing fraud threats, financial services companies need information management solutions that will allow them to make smart decisions. Financial institutions need to use all the tools at their disposal to manage the many industry challenges and ensure their own financial stability through intelligent business solutions.

With such a far-reaching scope of services and concerns in the financial industry, financial institutions handle immense amounts of information. It's hard to keep track of important information and even to know which information is valuable, and financial services companies need the tools to take advantage of the myriad information at their disposal. The information technology available today allows these companies to make better business decisions and to better target performance goals. MicroStrategy offers the financial services industry the business intelligence software to report on, analyze, and monitor the vast corporate data through a business intelligence architecture that helps companies reduce costs, increase revenue, and maximize the value of information.

THE FINANCIAL SERVICES INDUSTRY: NEW CUSTOMERS, NEW ACQUISITIONS, NEW REGULATIONS

Financial services companies need to keep up with their constantly changing industry to stay viable and competitive. As the industry grows, companies' customer bases expand and diversify. That means more and varied customer information, making it more difficult for companies to understand consumer needs, track trends, identify profitable areas, and prevent fraud. Increased customer diversity also means that these companies are always faced with changes consumer demands. Financial services companies must provide low-cost, personalized, and timely service across multiple channels, or their customers will simply find it elsewhere.

In addition, many financial institutions are merging with or acquiring insurance companies. While this growth can bring increased revenue, it also brings a host of new challenges for these financial institutions. First, these companies are accepting the risks associated with the insurance industry, including huge capital outlays in the event of natural or human disasters and the possibility of insurance fraud.

Second, when merging with or acquiring insurance companies, financial institutions are also inheriting a wealth of information on consumer and corporate activity. These new consolidated giants are now dealing with overwhelming amounts of information from many sources thrown together into one giant pool—a pool that's becoming increasingly difficult to manage. Companies must manage and utilize the information they inherit in a way that serves the needs of both their own businesses and of their clients.

Finally, all this merger and acquisition activity gives financial institutions the opportunity to greatly reduce overhead costs by integrating operational processes. But to make the most of this opportunity, financial services companies must identify areas where they can increase efficiency and reduce redundancies.

The financial services industry is also facing many new regulatory developments. The increasing potential for fraud has led to regulations requiring financial institutions to monitor for any potentially illegal activity, as well as provide regular

and accurate financial reporting. While the new regulations are designed to enhance financial stability and consumer security, they present new challenges for financial institutions working to stay in compliance. Failure to maintain regulatory compliance can result in poor credit ratings, difficulty in attracting investment, and customer loss. Financial institutions must make sure they have the tools to properly monitor activity and meet reporting requirements.

INDUSTRY FACTORS DRIVING BUSINESS INTELLIGENCE SOLUTIONS AT FINANCIAL SERVICES COMPANIES

Faced with the above challenges financial services companies are forced to be proactive in managing and utilizing corporate data if they want to keep up with or stay ahead of the competition. That's where business intelligence comes in. Business intelligence software gives financial services companies the capability to analyze the vast amounts of information they already have to make the best business decisions. The software allows financial institutions to tap into their huge databases and deliver easy-to-comprehend insight to improve business performance and maintain regulatory compliance.

The applications of business intelligence in the financial services industry are far-reaching. First, financial institutions must manage large volumes of data from many sources, including a diverse customer base, extensive branch networks, financial advisors, and investors. MicroStrategy's integrated architecture allows companies to easily integrate and cross-reference vast amounts of information from multiple sources, identify relationships within the information, and learn how different factors affect each other and the company's bottom line.

In addition, a financial services company will have many people in different locations with different skills who need to use this information for varying purposes—everyone from executives who need high-level customized summary data with drill-down capabilities to power users who need to create and design custom reports to data analysts who must identify and communicate market trends. MicroStrategy offers a single, easy-to-use Web interface that allows multiple users to access the information relevant to them. MicroStrategy's intuitive analytical capabilities allow different users to manipulate the data to glean the most from the information that affects their decision making.

Finally, financial services companies must work to increase revenue while maintaining or reducing costs. Business intelligence software allows financial services companies to analyze profit and loss, including product sales analysis, campaign management, market segment analysis, fraud profiling, and risk analysis. Companies can grow revenue by maximizing customer value over the long term and improving customer acquisition and retention. At the same time, companies can reduce costs by managing risk and preventing fraud, as well as improving operational efficiency.

MicroStrategy's Business Intelligence platform simultaneously accesses immense amounts of information, enabling analysis from many sources at once and providing the most thorough and integrated reporting. MicroStrategy then presents this information in user-friendly reports, scorecards, and dashboards and allows users to look at the information in different ways, offering the simplest and most useful ways to analyze the information to get the desired results—business strategies that increase profits.

APPLYING BUSINESS INTELLIGENCE TO THE NEEDS OF FINANCIAL SERVICES COMPANIES

Financial services companies can use business intelligence in many ways, creating smart business solutions across the myriad challenges in the financial services industry.

OPERATIONAL REPORTING

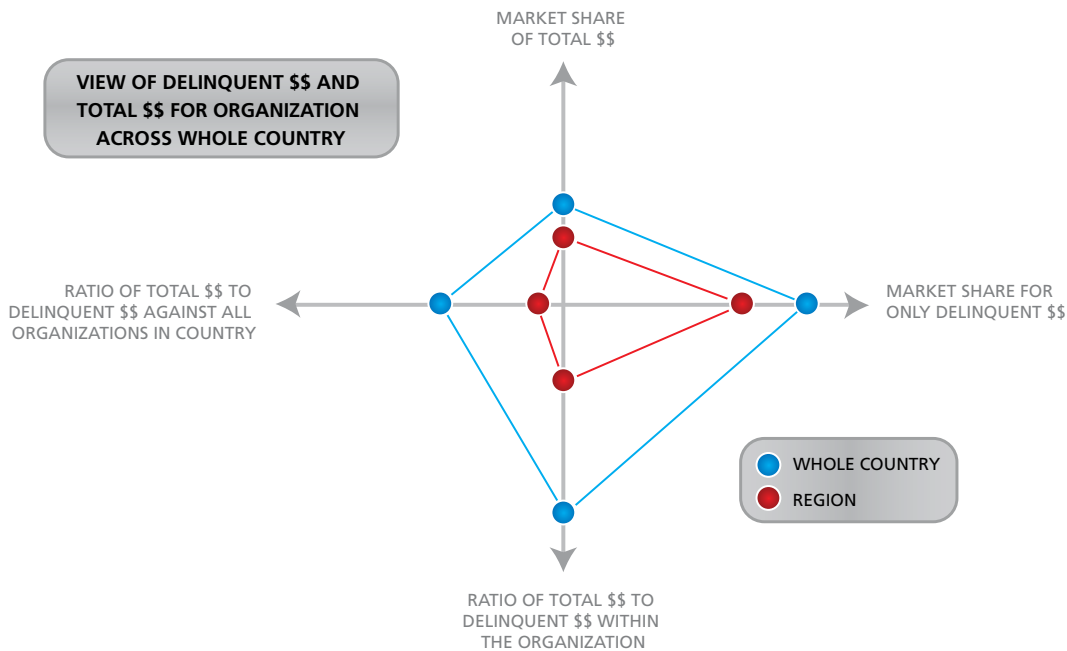
It is easy for a financial services company to get so focused on outside profit building that it overlooks the many cost-saving opportunities within its own operation. By maximizing operational efficiency throughout their entire organizations—everywhere from the accounting office to the call center to the trading desk—companies can reduce costs to help them increase and maintain their profit margins. MicroStrategy allows users to compare operational metrics across the enterprise to create accurate, real-time reports that identify areas in need of streamlining. Users can also create alerts for instant notification of emergency situations requiring rapid response.

Relevant KPIs:

- Benchmark Comparison
- HR Cost Analysis
- HR Data Tracking
- Financial Analysis
- Operational Spend vs. Risk Analysis
- Daily Dashboard
- Total Accounts
- Open & Delinquent Accounts

SAMPLE REPORT :

OPERATIONAL REVIEW AGAINST ALL REGIONS



It is essential for financial institutions to understand where they stand against other organizations across the country, region, or the globe. Using a chart like the one above, an organization can track market share, risk, financial standing, or any other metric that is important for benchmarking.

CONSUMER CREDIT MANAGEMENT

With increasing customer diversity, financial institutions want to track their customers' credit habits to discern the most profitable avenues and to protect themselves from loss through customer default on credit. MicroStrategy's integrated architecture allows companies to analyze customers' credit activities to uncover new revenue opportunities through targeted up-sell campaigns and to prevent default through predictive analysis. In addition, the Gramm-Leach-Bliley Act requires financial institutions to protect their customers' personal information. MicroStrategy's monitoring capabilities allow financial institutions to track customers' opt-out notices, and its unique centralized administration and industry-leading security architecture enable financial institutions to ensure the privacy of the vast amounts of consumer data they collect.

Relevant KPIs:

- Outstanding Risk
- Utilized Credit
- Availment (Granted Credit)
- Ratio of Granted to Utilized Credit
- Credit Grade Analysis
- Credit Scores
- WAC (With Approved Credit) Analysis
- Customer Long Term Value
- Risk Grades
- Credit vs. Delinquency
- Credit vs. Purpose
- Purpose vs. Delinquency

SAMPLE REPORT :

SUMMARY OF CUSTOMER CREDIT ANALYSIS

Month	Risk Grade	Count	Current Balance	Pct of Balance Outstanding by Month	Current WAC	FICO	Current Average Balance	WA LTV
2007	(UNDEFINED)	94	\$16,762,911.12	0.34%	8.55	607	\$276,272.96	84.16
01 (Jan)	A+	971	\$117,498,729.88	2.74%	7.92	651	\$232,242.34	89.02
	A	43,096	\$7,322,615,693.14	84.20%	7.91	677	\$244,536.40	85.36
	A-	2,652	\$373,837,527.28	5.87%	8.18	597	\$192,850.49	85.02
	B+	578	\$58,732,119.23	0.63%	9.15	550	\$169,339.64	90.44
	B	1251	\$132,734,942.81	2.01%	9.24	581	\$173,176.75	81.04
	C+	12	\$880,356.21	0.02%	10.11	529	\$146,726.03	74.80
	C	716	\$67,673,615.36	0.74%	10.40	554	\$156,734.12	75.30
	D	186	\$18,514,460.38	0.34%	10.99	568	\$157,849.38	66.61
	D-	4	\$332,488.95	0.01%	8.28	647	\$110,829.65	82.40
	FICO	785	\$158,360,839.28	3.09%	8.35	639	\$310,364.39	78.91
	Total	50,345	\$8,267,943,683.65	100.00%	9.01	600	\$197,356.56	85.11
Total		50,345	\$8,267,943,683.65	100.00%	9.01	600	\$197,356.56	85.11

As institutions monitor their credit and risk portfolio, they will often use reports like the one above to regularly take a snapshot of the credit grades of their customer base. As this changes, they can get a feel for the extra risk they may be facing or drill into customers with improving or declining credit for cross-sell opportunities.

OTHER APPLICATION AREAS IN THE FINANCIAL SERVICES INDUSTRY WHERE BUSINESS INTELLIGENCE ENABLES ENHANCED COMPETITIVE STANDING:

ASSET MANAGEMENT

Financial services companies must keep track of extensive and varied assets in many different forms. MicroStrategy's analysis and monitoring capabilities allow companies to ascertain which assets are most profitable, determine how to maximize profitability of their various assets, and ensure that their many assets are properly managed. In addition, with the consolidation of assets resulting from mergers and acquisitions, business intelligence software allows financial institutions to identify areas where they can reduce redundancies and drive performance improvements.

RISK MANAGEMENT

Financial institutions need intelligent risk management strategies to meet regulatory requirements, as well as to ensure their own security. The regulations within the New Basel Capital Accord (Basel II) are driving financial institutions to determine portfolio risk segments, operational risk levels, and the associated required capital allocation. The reporting and disclosure requirements of the Sarbanes-Oxley Act have prompted financial institutions to conduct extensive risk assessments of both internal and external factors. MicroStrategy's analytical and reporting capabilities allow financial services companies to implement risk management strategies that meet these many needs. Within a financial institution's vast data warehouse and data stores there exist immense amounts of information that can help companies identify potential risk areas and detect fraud. MicroStrategy's in-depth analytical capabilities make use of this immense database and data stores and integrate the relevant data into user-friendly reports with useful, actionable information. MicroStrategy analytics let management uncover internal and external fraud, ensure accountability, and deter fraudulent activity—actions that ultimately increase margins and reduce expenses.

COMPENSATION ANALYSIS

Financial institutions have multi-tiered management configurations, involving complex employee compensation structures, as well as diverse performance goals across the enterprise. MicroStrategy's integrated platform allows companies to pull data from multiple sources for more accurate analysis and to support complex incentive compensation plans.

REGULATORY COMPLIANCE

Business intelligence allows insurance companies to identify activities related to fraud and predict potential fraud before it occurs. MicroStrategy's in-depth analytical capabilities help insurance companies recognize fraud before paying fraudulent claims, reducing losses due to fraud and improving recovery rates.

REGULATORY COMPLIANCE

The changing regulatory environment within the financial services industry is requiring financial institutions to measure and report risk and manage their capital in new ways. International Financial Reporting Standards (IFRS) requires improved information on financial instruments in financial statements. Basel II is forcing financial services companies to adopt sophisticated methods for determining risk-adjusted capital, and the Sarbanes-Oxley Act of 2002 calls for accelerated financial reporting and more rigorous disclosures and certifications. MicroStrategy's business intelligence software consolidates, analyzes, and reports on financial and other enterprise information, and it allows companies to categorize risk and improve internal controls.

ENTERPRISE STANDARDIZATION AT FIELDSTONE MORTGAGE

Fieldstone Mortgage Company, a wholly owned subsidiary of Fieldstone Investment Corporation (NASDAQ: FICC), selected MicroStrategy as its enterprise Business Intelligence standard.

Fieldstone Mortgage initially selected MicroStrategy to provide a small group of users with reporting and analysis capabilities for critical areas of the business and expanded its deployment to address increased demand for more reports to more users. As a result of its success with MicroStrategy, Fieldstone Mortgage made MicroStrategy its Business Intelligence standard for the entire organization.

“From our first application, we quickly realized the significant benefits of MicroStrategy’s reporting and analysis capabilities. We are delighted to make MicroStrategy available to our entire organization. The ability to rapidly create reports and modify report content to view different scenarios is extremely valuable in helping us to make analytically-based business decisions, in real-time.”

CUSTOMER RELATIONSHIP MANAGEMENT AT REDECARD

Redecard has deployed MicroStrategy software to enhance its customer relationships and increase overall productivity by improving data access and streamlining the decision-making process. As the company responsible for capturing and transmitting more than 150 million Brazilian credit and debit card transactions per second, Redecard needed a business intelligence system to track and analyze detailed transaction and customer data. The MicroStrategy platform provides Redecard with a better understanding of its market and allows its users to quickly evaluate and predict customer behavior and opportunities.

“We chose MicroStrategy as our enterprise-wide standard because it offered the superior analytics and completely Web-based reporting environment that we required. In order to distinguish ourselves as a service company for our customers, we must constantly analyze our customer relationships, and the MicroStrategy platform offers the customer-focused analysis we need to succeed.”

“The greatest advantage of this application is that there is no more uncertainty—employees know exactly what to do when they arrive for work every day. To achieve this kind of success with our application and to manage quick changes in our business and the market, however, we needed extremely efficient tools and a reliable ally with top-quality business intelligence expertise. MicroStrategy addressed these concerns.”

MICROSTRATEGY: THE CHOICE OF LEADING FINANCIAL SERVICES COMPANIES

At MicroStrategy, we are fully dedicated to helping financial services companies stay competitive in a challenging industry. We believe that business intelligence properly applied to corporate data provides financial services companies with the insight they need to increase revenue, reduce costs, and comply with industry regulations and standards.

Today, four of the top five U.S. diversified financial services companies rely on MicroStrategy's business intelligence architecture for their reporting, analysis, and monitoring of corporate data. MicroStrategy's integrated architecture offers financial services companies far-reaching opportunities for ever-expanding business intelligence. Whether starting with one or several applications, financial services companies can evolve to utilize MicroStrategy's unique capabilities: access for thousands of users, reporting and analysis of tremendous amounts of data across multiple sources, graphical dashboards and boardroom-quality reports, and unconstrained analytical flexibility. MicroStrategy supports financial institution requirements for 24-7 operations, unparalleled data integrity across multiple data sources, and the highest security levels.

With the constant changes and increasing challenges in the financial services industry, financial institutions need to stay one step ahead of the competition. MicroStrategy equips companies with the tools they need to make the best use of the vast amounts of information available to them, allowing them to operate more efficiently and increase revenue. At MicroStrategy, we are committed to helping your company increase its competitive advantage by devising smart business solutions and making better business decisions every day.



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