



EY FSO Consulting Graduate Recruitment

Case Study Assessment

BankOne

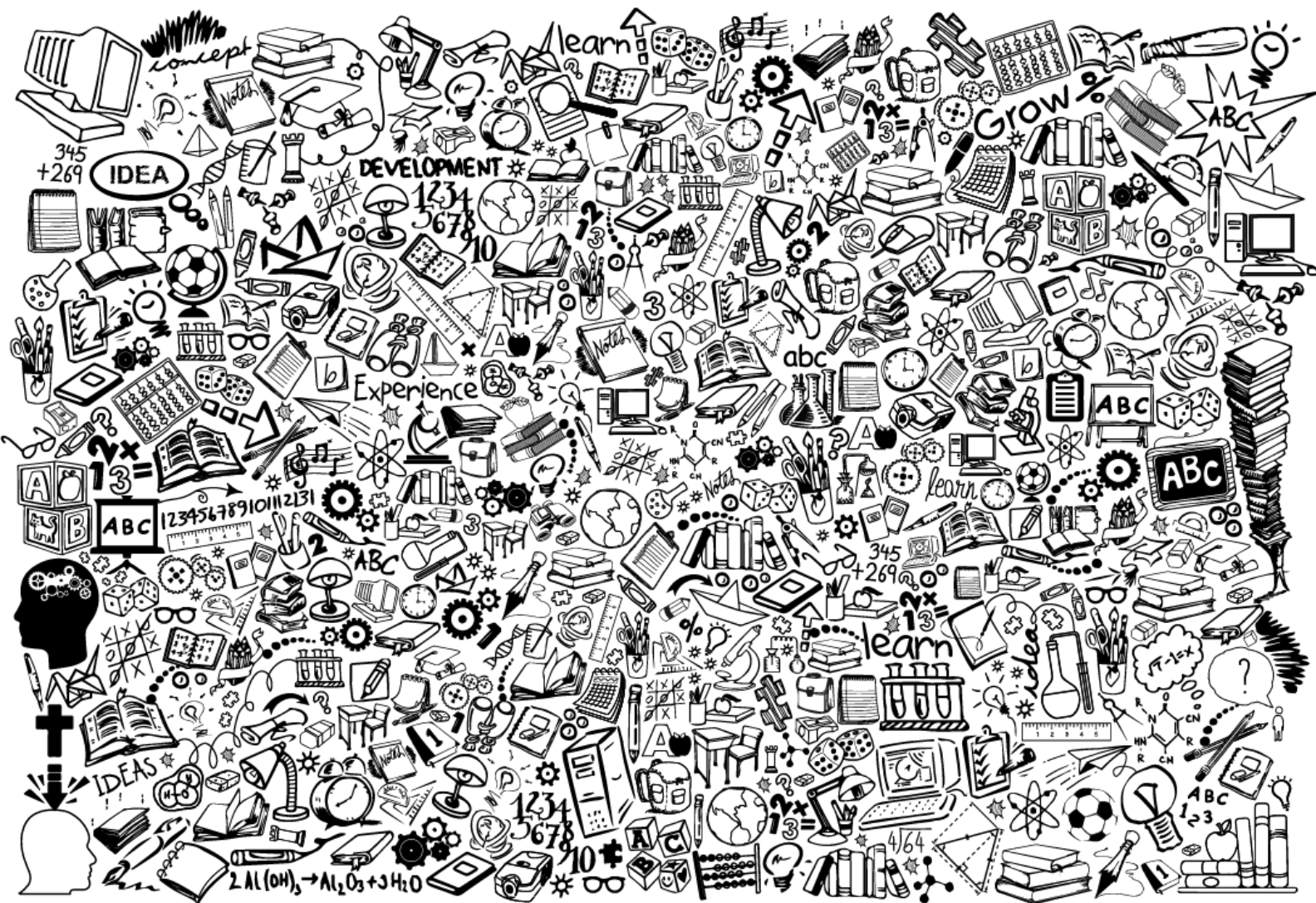
October 2021

Candidate Name: _____

Date: _____

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1. Exercise Instructions

Caroline Farrell, an EY Partner, is due to meet the CEO of BankOne next week. She has left you some information and would like to know what topics she should focus on in her meeting.

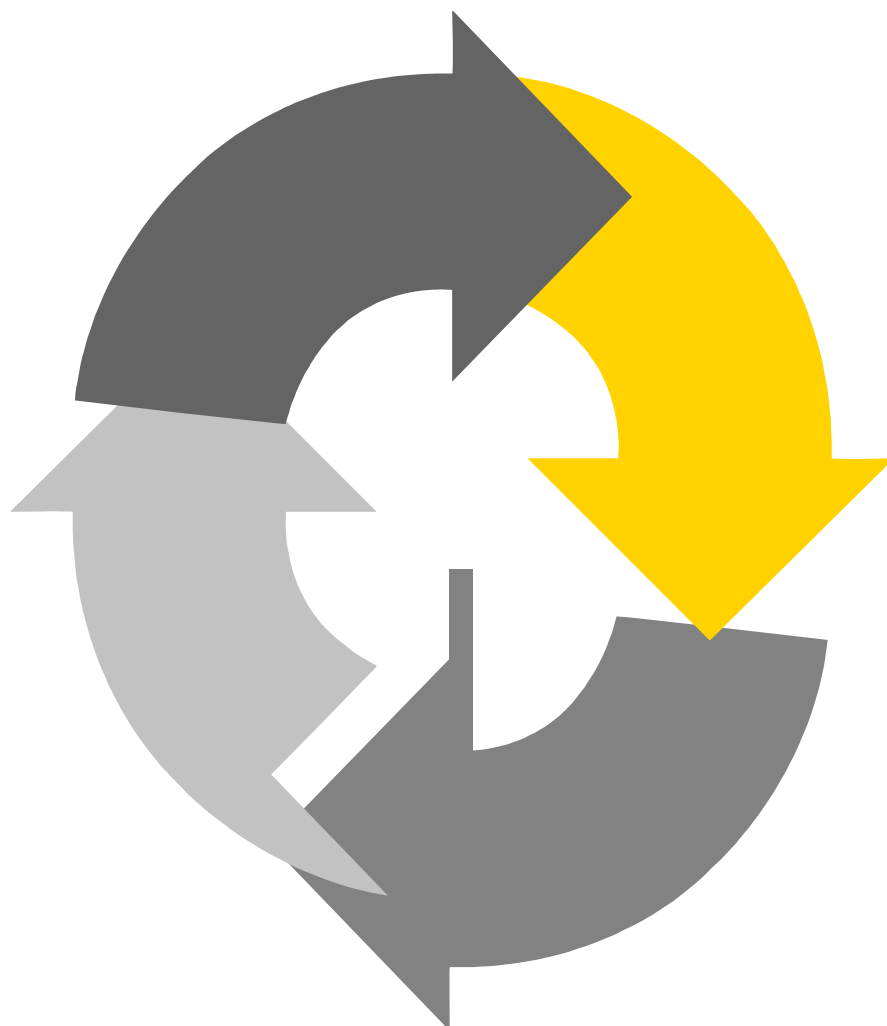
Individually (30 mins)

- ▶ Please analyse the information within this document
- ▶ Note down the key points you think Caroline might cover in her meeting on your individual answer sheet (Pages 11 & 12)
- ▶ You may use information known to you that is not included in these materials

With your interviewers (15 mins)

- ▶ Discuss your answers and agree which key point Caroline should focus on in her meeting

Remember: There are many ways to answer this case study effectively. What is important is that you use a structured approach to identify a solution.



2. Case Study Background Information



Email from Caroline Farrell

From: cfarrell@ie.ey.com

To:

cc:

bcc:

Subject: BankOne

Hi team,

I have just come back from a virtual CFO breakfast briefing where I spoke with a number of interesting potential clients.

One of the people I spoke with was Max Durant, the CFO of BankOne - you may have seen reporting of their stellar rise in the press over the last few years.

BankOne is a very interesting company that is causing disruption in the mature banking market - I think it's a great business opportunity for EY. I didn't have the chance to talk to Max in as much depth as I would have liked to, but we did manage to exchange contact details and he has kindly agreed to set up a meeting either with himself or the CEO of the bank, Kristine Eriksson, next week to talk more about BankOne and how EY might be able to assist the company.

Unfortunately, I have client meetings all day and need you to prepare some notes to brief me for the meeting. I have attached some information on BankOne - can you pull together notes to cover the areas where EY might be able to help?

There is real opportunity here and given the pace BankOne is moving we need to make a strong impression.

Thanks

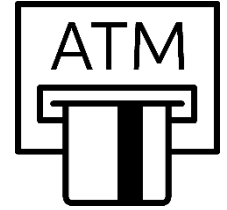
Kind regards,

Caroline



Caroline Farrell | Partner | EMEA FSO
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2. Case Study Background Information



BankOne Overview

Background

Chairman's Statement

BankOne was launched in 2009 to bring a better banking experience to the market; one that is focused on providing customers with unparalleled levels of service and convenience. BankOne is about creating a brand where our customers become advocates spreading the word about their memorable customer service experience with us.

Since launching, we have seen business and personal customers switch to us for exactly this reason, and, as a result, we have experienced huge levels of growth, with further significant growth in customer accounts, deposits and lending in 2020.

Our core proposition centres on providing our customer with the very best banking experience through every channel. We pride ourselves on our excellent customer care both through our call centres and online through our website chat feature.

Historically, to empower our customers further, we have branches in the most convenient locations including, department stores and busy transport hubs such as railway stations, open at the most convenient times for our customers that prefer the personal touch. However, Covid 19 has resulted in a significant decrease in the use of these branches and management are relooking at their use as we transition to a more digital working environment.

Much of our success to date is down to the hard work of the management and their teams across the bank. On behalf of the Board, I would like to thank them for their continued energy and commitment to delivering excellent service to the bank's customers.

The bank's relentless focus on customer service and convenience across all our channels, supported by a powerful culture and flexible IT, continues to differentiate us and provide a competitive advantage in the UK market.

We look forward to being able to bring our customer focused ethos to many more people, across Europe as we continue to grow.

Company Description

BankOne is a relatively new bank, which is privately owned. It was set up during the financial crisis as an alternative to the large banks that "had caused this mess". It initially experienced a large influx of customers who were attracted by the strong digital strategy of the bank, alongside with the bank's policy of putting customers first. In its first year it won EY's prestigious Entrepreneur of the Year award.

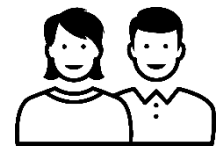
BankOne prides itself on its customer experience - whilst there are fewer branches than the large banks, BankOne branches are open late into the evening and on weekends, to fit in with their customers work/life habits.

The Board is made up of a number of independent non-executive directors and four executives directors, being:

- ▶ Chief Executive Officer - Kristine Eriksson
- ▶ Chief Financial Officer - Max Durant
- ▶ Chief Operating Officer - Lee O'Neill
- ▶ Chief Risk Officer - Morgan Osei



2. Case Study Background Information



Board of Directors Profiles

Kristine Eriksson, Chief Executive Officer

As CEO of BankOne, Kristine Eriksson is responsible for providing executive leadership to the bank's rapidly expanding team.

Kristine is chartered with guiding the bank's evolution from fresh, new entrant in retail banking to trusted financial services partner to its current and future customers.

From helping define BankOne's brand values, to hiring its inaugural employees and ensuring that the bank's staff deliver daily exceptional customer service in order to build their brand; Kris has been instrumental to BankOne from its inauguration.

Max Durant, Chief Financial Officer

Max initially trained as a chartered accountant. Immediately prior to joining BankOne in 2012, he was Director, Business Risk at BNP Paribas and responsible for the development of their risk management policy and strategies.

He worked with Kristine in a previous role at Deutsche Bank and she recruited him due to his extensive experience and strong people management skills.

Lee O'Neill, Chief Operations Officer

At BankOne, Lee is responsible for everything that underpins the smooth running of the bank, including its IT infrastructure, vendor relationships and internal business processes.

Trained as a chartered accountant with KPMG, Lee has worked in the banking industry for more than 15 years. Lee joined BankOne in December 2009 to help build the bank, which gave a deep appreciation for working with like-minded people with a shared vision for success. Before joining BankOne, Lee held the role of Director of UK Operations for AIB.

Lee is the person most responsible for BankOne's customer service reputation, which is a source of pride and Lee sees it as the biggest factor in the bank's success.

Morgan Osei, Chief Risk Officer

As Chief Risk Officer, Morgan is responsible for management and oversight of the risk and control framework across the bank. This includes ensuring that BankOne fulfils its regulatory obligations, while lending safely and sustainably and continuing to give amazing service that surprises and delights customers.

A qualified barrister, Morgan's career started in a number of advisory roles over a ten year period. Morgan's role prior to joining BankOne was as Chief Risk Officer for the Asset Finance businesses of Deutsche Bank. Prior to that, Morgan was accountable for the management of risk and compliance across a range of businesses in major financial institutions.

2. Case Study Background Information



CEO & CFO Interview Transcripts

Kristine Eriksson (CEO) and Max Durant (CFO) were both recently interviewed by a financial journalist (FJ). The transcripts of these interviews are below:

Interview with Kristine Eriksson (KE), Chief Executive Officer of BankOne

FJ: *What made you decide that the time was right to set up BankOne?*

KE: I set up the bank having felt I'd achieved everything that I could at the last bank I was in. I had some exciting ideas about the way a bank should be run, but things weren't moving fast enough for me, so I thought what better way than to set up a new bank from scratch.

FJ: *How does BankOne differentiate itself from its competition?*

KE: BankOne's two core value propositions are our customer service and our digital strategy.

Traditional banks with branches that only open from 9 to 5 on a weekday really didn't seem like good customer service to me. BankOne branches are open early and close late during the week and are open on both days of the weekend. We put a premium on giving our customers the service they deserve, which is embodied by our "Customer First" mantra.

We also invested heavily in our largest branch, our online digital channel, which is our number one way to interact with our customers. The way that consumers shop and purchase and the way we service banking products and services are being transformed. Our relentless focus is on agility and intelligence, to be able to move and respond quickly and to have the insights about our customers in order to make informed decisions quickly and this really played to our advantage this year as we saw a lot of our competitors struggle to adapt to more digital ways of working when the COVID19 pandemic hit.

FJ: *How is BankOne positioned to take advantage of what you believe to be opportunities for growth?*

KE: To be honest, traditional banks made a mess of things in the run up to the financial crisis. They lost the trust of their customers, treating them like a commodity. They underinvested in their IT platforms, leaving creaking legacy systems in place, resulting in less agile IT capabilities and ultimately a poorer customer experience.

They opened up the playing field for new entrants, like BankOne, who are willing to give customers what they want. We have an aggressive growth strategy and are currently looking to continue to disrupt the market in Ireland, the UK and in the wider European market.

FJ: *Will the bank be able to continue to put its customers first and maintain its competitive advantage as it grows?*

KE: Absolutely. I've made it my mission to ensure that "Customer First" isn't just a tagline but is the core value of BankOne and that it permeates throughout its culture.

FJ: *There have been a number of high profile reports of data breaches across the banking industry recently. With a specific focus on an increase in remote working, how do you intend to ensure that your customers' information and accounts are safe?*

KE: I've been following the media coverage closely given the focus on our digital strategy. I am confident that our current systems and controls are fully robust; however, we intend to further invest and strengthen these areas as a priority, in order to provide our customers with absolute confidence in BankOne.

FJ: *How has the bank embraced remote working post Covid-19 and how has it impacted the bank's existing business culture?*

KE: We have managed the transition to a hybrid model of working, with a blend of remote working and some employees maintaining a presence in offices. Critical in the move towards remote working was security and an increased focus on protecting against threats across infrastructure, products, and people in order to mitigate against cyberattacks. We have found remote working to have positively impacted BankOne's culture as productivity has increased, communication has become more efficient, and employees feel they have more flexibility and freedom over their workday.

FJ: *Kristine Eriksson, thank you very much for your time.*

2. Case Study Background Information



CEO & CFO Interview Transcripts (continued)

Interview with Max Durant (MD), Chief Financial Officer of BankOne

FJ: You joined BankOne from the outset, what made you decide to join what was effectively a start-up venture?

MD: I knew Kristine Eriksson, our CEO, from years ago. She approached me with the idea for BankOne and the focus on relationship banking really sold it to me. I also knew that Kris is incredibly adept at driving change and I've never known her not to achieve a goal, so couldn't see BankOne not being successful. That's not to say there haven't been some tensions between us along the way, but we both recognise what each of us brings to the table.

FJ: How does BankOne differentiate itself from its competition?

MD: We focus on our relationship with our customers. We get to know them, and we make sure that what we offer is what they want.

Our branches are open until late and at weekends, to fit around our customers' busy schedules. This enables us to spend more time with our customers rather than have them rush in during the working day and not receive the service they expect.

Taking this a step further, given the way in which our customers now interact with their banks, we've invested heavily in our online capability. This allows us to deepen our relationships with our customers, understand what they need and deliver it.

FJ: How is BankOne positioned to take advantage of what you believe to be opportunities for growth?

MD: BankOne looks back to a core fundamental of banking - the trust of our clients. Our competitors forgot what this meant. It's about knowing your customer on a personal basis. It's about knowing what they want and need.

We also leverage fresh tools and the newest technologies to continue to engage with our clients, to ensure we are fully responsive.

We have experienced incredible growth since we started, by leveraging new technologies, building trust and always putting our Customers First.

FJ: Will the bank be able to continue to put its customers first and maintain its competitive advantage as it grows?

MD: Our focus on understanding our customers' expectations and following through on our commitment to our value of "Customer First" will allow us to continue to build strong relationships with new and existing customers who are disillusioned with the impersonal service they've received at the traditional banks.

FJ: As a private equity owned bank, there is consistent speculation in the market as to whether you will list or be sold so the PE houses can realise the value of their investment. Can you give us any insight into this?

MD: Yes, we certainly have plans on that front. I can't go into specifics at this stage. Prior to a listing we'd would probably look for a Big Four firm to review of our system of governance and controls, in order to ensure we can extract maximum value from any listing or sale.

FJ: Max Durant, thank you very much for your time.

2. Case Study Background Information



BankOne Financial Information

Consolidated Statement of Comprehensive Income

For year ended 31 December 2020

	2020 €'000	2019 €'000
Interest income	27,747	10,711
Interest expense	(11,515)	(4,681)
Net interest income	16,232	6,030
Fee and commission income	5,680	2,432
Fee and commission expense	(189)	(224)
Net fee and commission income	5,491	2,208
Net gains on sale of investment securities	6,508	1,677
Other income	3,303	1,107
	31,534	11,022
Impairment charges	(1,026)	(190)
Operating expenses	(73,320)	(50,332)
Depreciation and amortisation	(10,369)	(6,228)
	(83,715)	(56,750)
Loss before tax	(52,181)	(45,728)
Taxation	10,383	11,177
Loss for the year from continuing operations	(41,798)	(34,551)
Other comprehensive income for the year		
Change in value of available for sale financial assets	(16,091)	8,491
Total comprehensive loss for the year	(57,889)	(26,060)

2. Case Study Background Information



BankOne Financial Information (continued)

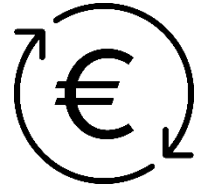
Consolidated Statement of Financial Position

As at 31 December 2020

	2020 €'000	2019 €'000
Assets		
Cash and cash equivalents	238,979	46,667
Loans and advances to banks	24,205	27,441
Loans and advances to customers	751,058	167,755
Investment securities	696,434	431,220
Intangible assets	23,830	10,945
Property, plant and equipment	104,506	53,554
Prepayments and accrued income	4,983	1,854
Deferred tax asset	35,773	25,277
Other assets	11,800	6,438
Total assets	1,891,568	771,151
Liabilities		
Deposits from customers	1,315,389	576,284
Other liabilities	521,166	82,357
Total liabilities	1,836,555	658,641
Shareholders' equity		
Called up share capital	-	-
Share premium	180,463	180,463
Retained earnings	(118,686)	(76,888)
Other reserves	(6,764)	8,935
Total shareholders' equity	55,013	112,510
Total equity and liabilities	1,891,568	771,151

2. Case Study Background Information

Banking in the Media



Second bank cyber-attack detected by Swift after Bangladesh raid

13 May 2016 | Technology

A cyber-attack, similar to one that saw \$81m (£56m) stolen from Bangladesh's central bank, has hit a second bank.

The warning about the second attack came from Swift, which oversees the financial messaging network that underpins global money transfers.

Swift said the target was a commercial bank but did not name the organisation or reveal if any cash had been taken.

The attack used techniques and tools resembling those used to steal cash from

BankOne identified a problem that was affecting customers getting wages, still working on it
By AOIFE MURPHY

Apologising for the issue, the bank said it was working to resolve it but it could not say how many customers have been affected.
"We continue to provide updates to customers across all our channels and we apologise for any inconvenience. We will have a further update

All Irish-based lenders offering tracker mortgages to be investigated

BankOne perform badly in EU stress tests

Irish banks "vulnerable" to Brexit effects, says Philip Lane

The Central Bank Governor notes, however, that AIB and Bank of Ireland are well capitalised



16:49 2 Aug 2016

Craig Fitzpatrick
16:49 Tuesday 2 August 2016

Professor Philip Lane, Governor of the Central Bank, has warned that Ireland will be especially vulnerable to a downturn in global financial confidence as the make-up of the new relationship between the UK and EU becomes clearer over the coming months.

Speaking to the Institute for International and European Affairs in Dublin, Lane said that while the Brexit vote hadn't caused a decline in confidence as yet, if it seems that a "harder" form of Brexit is the likely outcome, it could cause problems.

While he sees the leading Irish banks as "adequately capitalised", Ireland

By STEPHEN MAHON

surprisingly poor EU stress test results have been a reminder that Irish banks need a few more years of strong economic growth to complete their post-crisis rehabilitation, and that Brexit may complicate.

The country's main lenders, AIB

3 Related articles



Central Bank seeks

3. Your Individual Responses

Please note the key points that you believe Caroline should focus on in her meeting with the CEO of BankOne. Include any reasoning.

3. Your Individual Responses (continued)

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