

CASE STUDY



Technology Driven Growth

Federal Bank



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Technology Driven Growth

OVERVIEW

The Challenge

One of the main challenges on the way to growth for Federal Bank's management team was to choose between a packaged core banking solution or to continue with its proprietary system. The bank envisaged aggressive plans for growth – both organic and inorganic, and the team ultimately felt that the existing proprietary system was not capable of meeting requirements due to its rigidity.

The Solution

After a rigorous selection process, Federal Bank decided to adopt innovative technology by procuring Finacle universal banking solution from Infosys to fuel its retail core banking transformation initiative.

The Benefit

Finacle core banking solution has greatly benefited Federal Bank customers and staff. Bank has been able to translate a substantial number of general customers to regular and frequent customers. Around 60% of customers (as per a customer survey conducted by the bank) have noticed a marked improvement in the usefulness and convenience of the features of the new banking system.

PROFILE

Federal Bank is a fast growing premier private sector bank in India with business exceeding INR 3,600 million and INR 61.3 million. The bank has 565 branches, 16 administrative offices and 460 ATMs across India with a customer base of 4 million across the country. Technology has played a major part in the bank's aim to differentiate itself to its customers. ATMs, Internet, mobile banking and other channels have broken the barriers of location and time, and have expanded the reach of the bank's operations, earlier confined to the branches.

Across the globe, banks focus on IT investment protection, best use of available resources and reuse of developed components. Even though the objectives appear to be simple, putting these into practice has been a tough task and very few organizations have accomplished these objectives on a scale that is comparable with the global standards and demonstrated perceivable benefits. Federal Bank is one of the very few organizations that have accomplished these objectives.

KEY BUSINESS DRIVERS



One of the main challenges on the way to growth for Federal Bank's management team was to choose between a packaged core banking solution or to continue leveraging its proprietary system. The bank envisaged aggressive plans for growth - both organic and inorganic, and the team ultimately felt that the existing proprietary system was not capable of meeting requirements due to its rigidity. The commitment to goals and an organization-wide attitude to welcome the change were most important for the final decision in this regard.

As per the management at Federal Bank, to move to a new generation core banking solution, it was essential that:

- The new solution was capable of accommodating and building upon existing products that the bank offers and also help bank release futuristic products
- The new solution significantly improves the customer's banking experience
- The system is capable of interfacing with various delivery channels like ATM, Internet banking and so on

- The new solution helps the bank comply with regulatory requirements

The next step was the selection of the packaged solution.

- Federal Bank framed a well-defined and clear-cut plan for selection of appropriate system identifying the strength and weakness of the recourses and infrastructure available
- A strong pool of experts was identified to lead the mission
- A thorough selection process was initiated which resulted in three shortlisted solutions
- Vertical and horizontal evaluation process was performed by experts taking inputs from all possible sources

The bank's team mapped the capabilities of each system against the business requirements and Finacle from Infosys was selected by the bank.

SOLUTION OVERVIEW

Federal Bank decided to adopt a centralized architecture for better efficiency, more control and for meeting challenges of the future. After a rigorous selection process, Federal Bank decided to adopt innovative technology by procuring Finacle universal banking solution from Infosys to fuel its retail core banking transformation initiative.

The solution was fully equipped to accommodate and build upon existing products that the bank offered to its retail customers and empower the business to introduce futuristic products as well. It promised to significantly improve the customer's banking experience and support it through various delivery channels like the Internet etc. A significant reduction in time-to-compliance was another key solution differentiator.

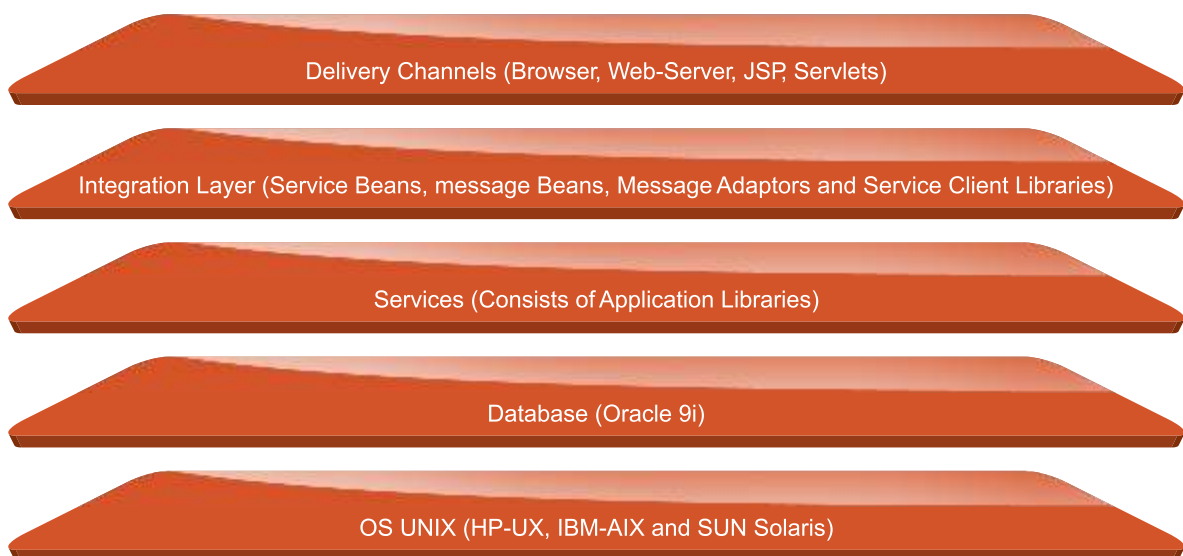
The replacement exercise began with rigorous testing of the Finacle solution using a large number of test cases, representing various types of retail transactions typical of Federal Bank's operational scenario. The setting up of the data centre and disaster recovery site in accordance with international standards, in different seismic zones, was also planned and executed.

Federal bank started an aggressive roll out of the system in the last week of April 2007. Once the full-fledged implementation started, the bank surmounted the change management challenges in human capital. The most important factor was getting the staff to unlearn whatever they had learnt and the staff had to be motivated to assimilate the benefits of migrating to a new environment, explore more of the new solution and draw more from it.

Federal bank is an end-to-end solution provider for customers in a distributed system through various channels such as ATM, telebanking, mobile alerts, e-mail alerts, electronic bill payments, RTGS, NEFT and its flagship offering – anywhere banking. Federal Bank identified 36 channels, which enabled the bank to run a centralized system even though it was running on a distributed system; seamless integration of these entire channels was a major focus during CBS implementation. The solution is designed with Oracle RDBMS back-end; open architecture is developed and tuned on HP, Sun & IBM UNIX platforms.

Finacle solution came ready with almost all channel services. A major business challenge was the

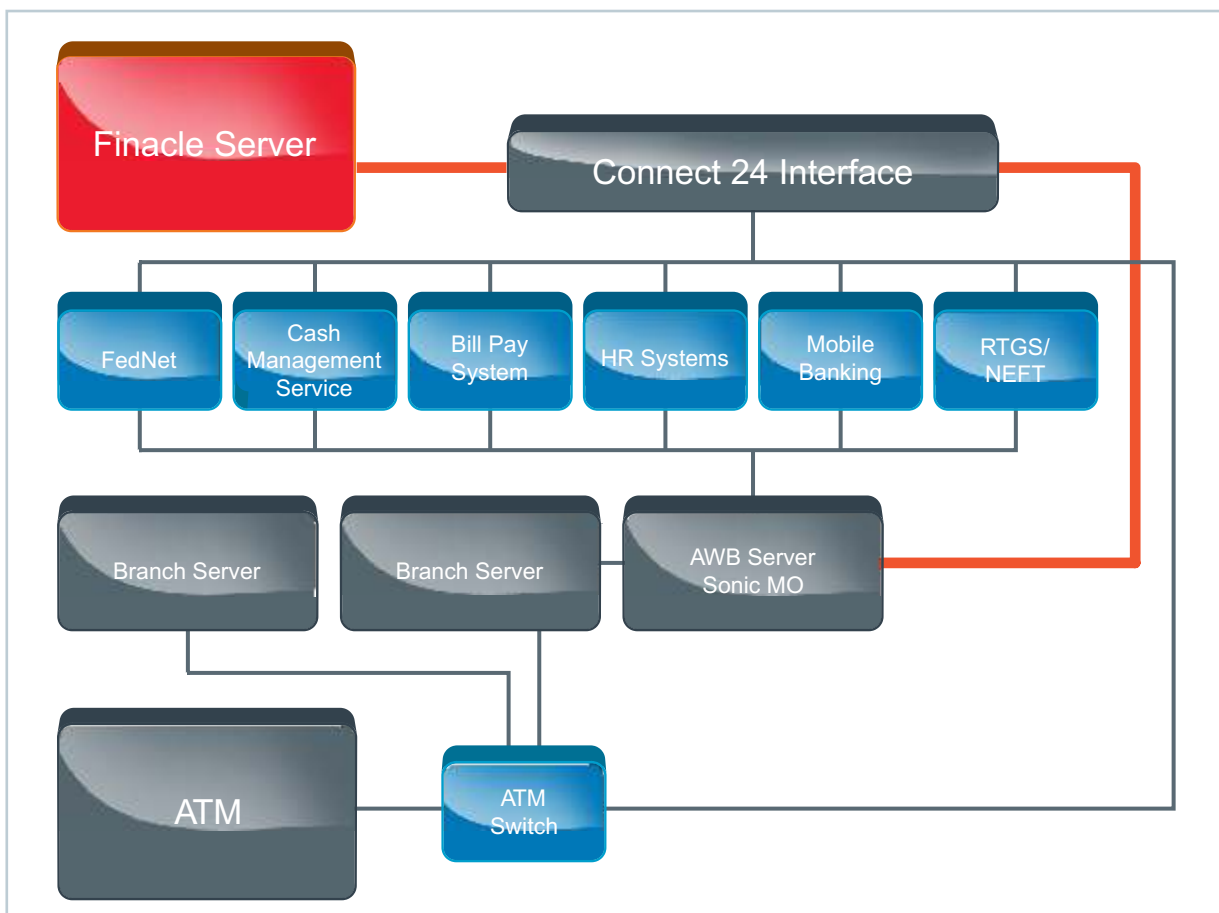
The details of the various components involved in the solution are outlined in the diagram below:



seamless integration of these channels providing customers with un-interrupted service even during the transition period. The technical team identified Finacle channel integrator Connect 24 as the starting point for channel integration. Most of the FedSoft legacy system was integrated with Financial Messaging Service (FMS) and an interface was internally developed for communicating between Fedsoft and Finacle. Every channel was integrated through this interface. The scalability of internally developed interface was remarkable when it handled end-to-end transactions between FedSoft and Finacle.

Some Federal Bank channel features integrated, are listed below:

- Anywhere banking
- Mobile banking
- FedNet (Finacle e-Banking)
- E-mail alerts
- FedFast
- RTGS –FedFlash
- FedEpay
- Cash management system (CMS)



Some of the key highlights of the implementation are mentioned below:

- The implementation across 546 branches and offices was completed in a record time of less than one year
- The bank's decision to migrate 500+ branches in less than 6 months (4 million customers, 2000+ users) was one of the fastest implementations in the banking history of India
- The bank had 0% down time during the entire core banking migration exercise

REAPING THE BENEFITS

In the fast changing environment of the Indian banking space, the speed and efficiency of banking services through effective use of technology will be essential for banks to attract and retain profitable customers. Federal Bank believes that technology enables banks to have better centralized control systems. Finacle core banking solution has positively impacted Federal Bank's customers and staff. Some of the key benefits are highlighted below:

- CBS pilot implementation target of 16 branches by March 2007 was achieved in February 2007, well ahead of schedule
- Phase by phase CBS migration was successful. Currently all branches have been migrated and are running on Finacle. Entire bank's migration was achieved in a record speed of less than a year
- Bank has been able to translate a substantial number of general customers to regular and frequent customers
- Federal Bank conducted a customer survey and around 60% of customer have noticed a marked improvement in the usefulness and convenience of the features of the new banking system
- Improved 24/7 availability - 99% uptime
- Apart from acting as a tool for customer accretion, features and functionalities in Finacle helped to generate revenues by reducing transaction cost, increased speed and reduction of dependencies and there by providing comfort to the customers in the arena of banking transactions and allied services
- Disaster Recovery Setup (DR) became operational offering all the facilities according to international standards (Level 3+). DC/DP switching was performed smoothly without any branch activity being affected
- Realignment of business processes with industry best practices which was achieved by adopting Finacle; this also resulted in reduced support & maintenance costs
- Consolidated MIS is now available as per requirements on a daily basis. Consolidation was earlier done monthly and trade finance business reports excluded from consolidation
- Highly parameterized product definition functionality permitting bank to introduce products in minimum time
 - The bank has already launched:
 - Complete straight through cash management system which handles entire clearing and collection requirements of branch (Complete web-based J2EE solution developed in house)
 - Online account opening and loan processing. (Complete web based (J2EE) solution developed in house)
 - Products in pipe line expected to be launched soon
 - Savings account (4 Categories) current account (4 Categories)
 - Online share trading
 - Straight Through Processing of foreign remittance
 - Mobile commerce
- The bank expects to increase the number of customers to 4.6 million with the help of technology in the next 12 months without increasing any staff resources

- Centralized bank functions - The performance of the bank will improve in all spheres of activities; some of the advantages the bank have been able to reap by implementing a centralized solution like Finacle are:
 - Reduced time to launch and time to market for various products - the availability of the product is simultaneous at all its branches
 - Also interest rate changes, daily exchange rates etc. can be centrally administered. Branches will act as service outlets and cater to the needs of the customers
 - Most back office jobs like account opening, issue of cheque books, customer letters, clearing etc are centralized at a Central Processing Centre. Once field level functionaries are relieved from such drudgeries, they can concentrate on business development, resource mobilization, recovery etc.
 - MIS is available centrally. Hitherto the administrative offices sought various reports from the branches. With the data residing at a central point, any report can be generated centrally
 - With data hosted centrally, various sophisticated software for data warehousing and data mining can help the bank in implementing a decision support system to aid the bank in arriving at decisions in Asset Liability Management or monitoring compliance with regulatory requirements
 - With CRM module in place, it is easy to segment customers and products can be designed to suit each segment of clients
- All channels like AWB, FedFast , FedNet Bill Pay online bill realization, Mobile Alert, and Email Alert were successfully integrated with Finacle enabling the bank to continue to offer the unique services available in FedSoft. Even during the transition period, entire channel service was offered to customers without any Interruption
- Transition period did not pose any hurdles to the expansion strategies of Federal Bank including ATM expansion to 447 numbers. During migration period nearly 100 new ATM's were opened
- New wing "Central Processing Centre" (CPC) has been set up and is fully functional. Nearly 25000 loan and 38000-account opening and modifications were processed through the system during this short span
- Development of complete MIS system was based on Finacle data



“The Finacle platform is a key enabler for Federal Bank to realign our business objectives to the rapidly changing global financial landscape and our partnership with Finacle from Infosys is strategic to our business transformation journey. The responsiveness and execution capabilities of the Finacle team have ensured that all aspects of our retail banking technology transformation initiative were effectively managed.”

M. Venugopalan
Chairman and CEO
Federal Bank

Finacle - Universal Banking Solution

Finacle from Infosys partners with banks to power-up their innovation agenda, enabling them to differentiate their products and service, enhance customer experience and achieve greater operational efficiency. Finacle solutions address the core banking, wealth management, CRM, Islamic banking and treasury requirements of retail, corporate and universal banks worldwide and provide online marketing tools like Finacle finanz tools. Finacle solutions also empower banks with multiple sales, service and marketing channels including e-banking, mobile banking and call centers. These offerings make Finacle a strong innovation-facilitator enabling banks to accelerate growth, while maximizing value from their large scale business transformation.

Infosys. The Organization behind Finacle.

Infosys Technologies Ltd. (NASDAQ: INFY) defines, designs and delivers IT enabled business solutions. Infosys' offerings span business and technology consulting, application services, systems integration, product engineering, custom software development, maintenance, re-engineering, independent testing and validation services, IT infrastructure services and business process outsourcing. Infosys today has more than a third of its business coming from the banking and financial services industry and has a strategic focus on this segment.

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