

CASE STUDY

UNIONBANK



Driving Lower TCO with
Legacy Replacement

Union Bank of the Philippines



YOUR INNOVATION PARTNER



Driving Lower TCO with Legacy Replacement

OVERVIEW

The Challenge

Union Bank of the Philippines (UBP) wanted to become more responsive to ever-demanding customers and innovate rapidly in a highly competitive marketplace, to differentiate themselves continuously.

The Solution

A solution that can help UBP to increase market share and acquire new customers more rapidly than before by offering differentiated products and services, at attractive overall costs.

The Benefit

UBP has benefited in the form of lower Total Cost of Ownership (TCO), improved efficiency, easy management of volume growth and greater responsiveness to market opportunities

PROFILE

Union Bank of the Philippines (UBP) is among the top ten banks in the Philippines aiming to become the most preferred bank by leveraging new-generation technology. It has 111 branches and handles about 250,000 transactions a day (October 2005).

KEY BUSINESS DRIVERS



Business Agility and Speed of Innovation

The key drivers for UBP to initiate this migration from legacy systems to a new-generation technology was to attain business agility and become more responsive to its ever demanding customers. The new system was expected to help them innovate rapidly in a highly competitive marketplace and differentiate themselves.

Need to Grow

UBP wanted to increase its market share and acquire new customers

more rapidly than before. And the only way to achieve this was by offering differentiated products and services, at attractive overall costs.

Lower Costs

UBP realized that while migration is very critical, it cannot be at a very high cost. TCO was a very important factor and the cost of moving to the new technology had to be lower than continuing with the mainframe-based legacy system

UBP - FINACLE PARTNERSHIP

UBP was the first amongst the top tier banks in the region to move from a legacy mainframe platform to open standard UNIX platform and a new-generation core banking solution. The earlier back-office engine was Systematics, running on refurbished mainframes. UBP chose Finacle core banking solution from Infosys to replace its mainframebased legacy system. The project was envisaged to be the first 'big bang' implementation in the Philippines market, in which all 111 branches would go live in around 11 months from the start of implementation. The complete retail operations were to be handled out of Finacle (CASA, Loans, Deposit and GL) from day one. In a market, which has generally seen a phased out implementation of these retail modules, this project was a milestone that was certainly one of the most watched out for.

Highlights of the project

- The first "Big-Bang" Finacle core banking implementation for over 111 branches in the Philippines.
- A bank-wide consolidation of general ledger in Finacle from other systems like Opics treasury system, TFS trade finance system, CardPAC credit card system, home-grown trust system etc.
- Finacle had an interface with all delivery channels of the bank like ATMs (Base24), Corporate and Retail Internet Banking and Megalink inter-bank ATM network.
- Highly transacted with 700 users logging on to Finacle, concurrently, every day.
- 40% of all daily transactions were utility bill payments, which is handled through a customized bill payment module in Finacle.
- Highly user-friendly system with 90% of front-office operations done through Finacle, using a browser.
- A high degree of efficiency with EOD brought down to less than 3 hours.

SOLUTION OVERVIEW

Infosys identified all the applications on the mainframe and proposed viable alternatives for all the existing systems. This was a key component of the proposed solution, which gave the bank an investment proposal that would clearly justify a case for moving out of the mainframe with a clear TCO advantage over a five-year period. Finacle's architecture also enabled the bank to completely do away with the branch IT infrastructure which proved to be a big advantage. The evaluation process also comprised of a detailed solution walk-through that helped highlight the limitations of the existing legacy system and bring out the key solution benefits of Finacle in the following areas:

- Unified CIF
- Integrated front office and back office system
- 24X7 banking
- Integrated channel connectivity
- Time-to-market advantage

Over a brief five-day gap analysis, Infosys was able to bring out key process improvements in the areas of CIF, accounts management, limit monitoring, tracking and collection of charges, customer services and a host of new product offerings, besides the standard USPs. This along with significant process improvements over their current practices and a clear advantage in terms of ROI presented the bank with a very strong business

case to go ahead with replacement of their legacy system with the core banking solution from Finacle.

Finacle Solution Highlights

- Localization of the solution
 - Interface to the clearing house - prompt payment discount, bill payment at the branches, withdrawal tax collections etc.
 - Local signatures without going for local branch server
- Product Enhancements and Customization
 - For clearing purposes, auto loans and parri passu loans
 - Customization to support utility bill payments for various types of billers
 - Customization in the area of payroll accounts
 - Strategy to support both dollar and Peso bookkeeping
- Xtensibility tool kit used to ensure easy account opening and maintenance purpose
 - 120 central bank reports designed and included into the solution which the bank has been able to use effectively from day one



REAPING THE BENEFITS

TCO

Total cost of ownership was a clear driver for the bank to go ahead with the core banking replacement. With the replacement of its legacy solution with Finacle, the bank would be able to get, over a five-year horizon, an estimated 15% reduction in overall costs. The Bank is projected to be able to reduce its hardware maintenance costs by 46% over a five-year horizon and these substantial savings have prompted the bank to go ahead with a decision to replace its legacy system.

Process Efficiencies - Enhancing Ease of doing Business

The migration helped UBP achieve many process efficiencies and helped streamline its business enabling it to be more

responsive to its customers. Processes which were earlier manually done were transformed to an online mode, thus saving on effort and time on charges, reconciliation between GL to sub-GL, limits monitoring, clearing etc. One of the major enhancements in process efficiency was the reduction in time-to-market for new products.

The joint project coordination between Infosys and Union Bank's core team helped to streamline processes, aiding ease of doing business with Union Bank by the customer. This joint effort ensured that project timelines were on-track and deliverables were adhered to, strictly making this challenging implementation a success in the budgeted timeframe.

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“With this migration from legacy to the Finacle solution, we will be able to cut our technology costs by about 15%. The solution itself will reduce the overall costs of scaling up and as we grow larger, costs will come down. Apart from reduced costs, the solution will also help us focus on individual needs of our target customers. Union bank will move from being a product-centric bank to a customer-centric bank with this migration”. “Our old mainframe technology had prevented us from offering new products and services because it was proprietary, hence, could not run other applications from other vendors unlike the present open-systems based solution Finacle from Infosys”.

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Justo Ortiz

Chairman & CEO
Union Bank of the Philippines

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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