We are pleased to present this special edition of the TCS BaNCS newsletter, a compilation of case studies featuring some of our most innovative and successful clients in banking.

In this edition, you'll find six case studies spanning five continents with enormous diversity in terms of business models and strategic objectives, plus a summary of a TowerGroup report describing our groundbreaking work with State Bank of India.

We describe how Bank Negara Indonesia, with 10 million customers out of a population of 235 million, achieved rapid speed-to-market for innovative new products; right next to a profile of NLB Group, with a 40 percent market share in Slovenia (population: 2 million), operating using a multibank shared infrastructure that enables rapid compliance with new European regulations.

We explain how Taishin Bank in Taiwan significantly improved the personal touch and quality of customer interactions at its branches, while also describing how Capitec Bank in South Africa created cashless, mobile branches that can welcome new clients with full-service banking services in about eight minutes.

We feature Banco Pichincha in Ecuador, which caters to a wide range of customer segments from microfinance to private banking, alongside of Arab Bank Australia, a specialist in facilitating international trade with the Middle East.

Finally, we look at the world’s largest implementation of core banking at State Bank of India, which is a one-of-a-kind case study. When TowerGroup released their report in February 2009, SBI had 140 million customers at 14,600 branches. As of October, they’re up to 17,000 branches, demonstrating truly amazing growth.

The banks profiled in these case studies couldn’t be more different, but they have one important factor in common: TCS BaNCS.

TCS BaNCS is the universal product suite for financial services from TCS Financial Solutions, a strategic business unit of Tata Consultancy Services.

With scalable and robust solutions for banks, capital market firms, insurance companies, and diversified financial institutions, TCS BaNCS provides organizations with competitive advantages on the basis of operating cost, while providing increased operational efficiency and agility to drive differentiation. Backed by the extensive resources and industry expertise of Tata Consultancy Services and TCS Financial Solutions, we offer certainty in delivery for projects and institutions of any size.

If you’d like to receive our TCS BaNCS quarterly newsletter, which features case studies from across the spectrum of financial services along with valuable insights on technology and business trends, please drop me a line. Or, visit our website www.tcs.com/bancs, to view the latest issue.

We hope to feature your financial institution in a future case study!

Until next time…

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TCS Financial Solutions Offers Clarity in IT Leadership to Financial Institutions

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About TCS Financial Solutions
TCS Financial Solutions is a strategic business unit of Tata Consultancy Services. Dedicated to providing business application solutions to financial institutions globally, TCS Financial Solutions has compiled a comprehensive product portfolio under the brand name of TCS BANCS. Our mission is to provide best of breed solutions that will drive growth, reduce costs, mitigate risk and offer a faster speed to market for our clients. With a global customer base in excess of 240 institutions operating in over 80 countries, TCS Financial Solutions delivers state-of-the-art software solutions for the banking, insurance and capital markets industries worldwide. For more information, visit us at www.tcs.com/bancs

About Tata Consultancy Services
Tata Consultancy Services is an IT services, business solutions and outsourcing organization that delivers real results to global businesses, ensuring a level of certainty no other firm can match. TCS offers a consulting-led, integrated portfolio of IT and IT-enabled services delivered through its unique Global Network Delivery Model, recognized as the benchmark of excellence in software development.

A part of the Tata Group, India’s largest industrial conglomerate, TCS has over 140,000 of the world’s best trained IT consultants in 42 countries. The company generated consolidated revenues of US $6.0 billion for fiscal year ended 31 March 2009 and is listed on the National Stock Exchange and Bombay Stock Exchange in India. For more information, visit us at www.tcs.com

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Occasionally in the business world, an innovator disrupts prevalent business models and gains traction in an established marketplace with a strategy that can’t be ignored.

In financial services, ING Direct started up in several new markets with a savings-only online bank before expanding into home loans and investment services.

Or consider Commerce Bancorp, which pioneered the commonsense concepts of seven-day banking, extended hours and free coin-counting machines. In fact, TD Bank Financial Group recently acquired Commerce to build on its reputation for client service and its well-earned asset base in the New York metropolitan area.

It’s now safe to add Capitec Bank to the industry’s “innovators” list.

In South Africa, an estimated 15.3 million people—almost half of the adult population—remain unbanked. Because the four long-time banks in the country have traditionally focused on high-net-worth individuals and large corporate clients, their service offerings have not been geared to scale up for mass numbers or to scale down for lower balances.

With that target demographic precisely in mind, Capitec Bank has accumulated over 1.3 million clients and has been growing at the rate of 50,000 new clients per month, making a serious dent in the unbanked statistic.

“As South Africa has grown economically, we’ve found quite a glaring need for affordable banking services in the lower-to-middle-income segments of the market,” says Carl Fischer, head of Marketing and Corporate Affairs and one of the founding executives of Capitec Bank in 2001. “We realized there was quite an opportunity.”

As a leading issuer of finance, or unsecured credit, Capitec Bank has extended over 3 million loans into 2007 with an average loan amount of 1180 rand ($145, €94). But the business model around finance works best when there’s a corresponding savings product that allows clients to earn interest, save towards financial goals and build a more substantive credit history. The last point has become particularly important following South Africa’s enactment of the National Credit Act of 2007, which involves a complicated formula for credit pricing, with origination and administration fees and VAT in addition to interest.

By becoming a real bank instead of a finance monoline, Capitec Bank ably anticipated the current regulatory environment. “The only way to address this situation was in fact to create a full bank platform,” explains Fischer. “The entire bank platform needed to be able to handle high throughput and high transaction volumes with lower account balances—and our entire service model had to handle high numbers of people at peak, month-end periods.”

At the same time, there was no need for Capitec Bank to go beyond products and services with clear appeal to its target market. By carefully examining the essence of what its target clients sought in a bank, Capitec Bank figured out how to perform those tasks quicker, better and where appropriate, differently. “For instance, a checking account is, in our opinion, a rather antiquated, expensive and high-risk facility,” says Fischer. “To that end, we looked to other solutions to provide that core payments service, but not via a checking account.”

Another area for improvement was in savings accounts. “Up until 10 years ago, the middle-to-low-income market really did not save because the returns were just not attractive enough,” says Fischer. “The fees exceeded the interest earned.”

**SMART OPERATIONS**

Spurring savings with market-leading interest rates and minimal fees for its deposit accounts, Capitec Bank approaches potential clients where they work.

For many working South Africans, the choice of a bank has been a passive one. Typically, an employer seeking to institute direct salary payments for its workforce would tend to use the same bank it used for corporate loans and
treasury – that is, one of South Africa’s four traditional banks. “Clients were drawn in to banking at Bank ‘X’, and they never really understood the differences and the various alternatives that were available,” notes Fischer.

Capitec Bank overcomes the service bundle provided by employers’ incumbent banks by focusing on the direct value proposition to the employer and the employee alike. “We provide a very attractive, Internet-based salary transfer and payment system that’s about one-fifth of the cost of our opposition,” relates Fischer. “Also, we present to them the overall service and cost profile of our offer to the retail client – which is anywhere between 35 to 50 percent of the traditional banks’ pricing at this stage.”

In addition, Capitec Bank’s strength as a credit provider offers another service to employers. “Eight or 10 years ago, there wasn’t much funding available to the average employee, and so many employers were drawn into providing it via the company,” explains Fischer. “We’ve been able to say to them, ‘Let us manage that, that’s what we do. Don’t become involved with the financial affairs of your staff’.”

**BRANCH BASICS**

Outside of the workplace, Capitec Bank builds its client base through innovative branch banking.

By keeping the offer simple and focused, the Bank was able to shed many costs associated with full-service banking. “If you’re approaching the entire market, the skill levels required in your branch need to be pretty diverse,” says Fischer. “One client could walk in and want to know about foreign investment, the next might
In 2007, Capitec Bank launched 53 mobile banking terminals that can open accounts in the townships. “Real-time delivery of products and services is fundamental,” says Fischer. “Our entire bank approach has focused on easy, affordable, real-time and system-driven access.”

BOUNLESS OPPORTUNITY
Along with providing value to employers and clients, Capitec Bank seeks to close the loop with a compelling offer for merchants at the point of sale. Instead of charging merchants the discount rate for accepting its clients’ cards, Capitec Bank anticipates merchants earning an income from transactions, thus again disrupting the traditional business model. “We see point-of-sale as an extension of our distribution arm,” explains Fischer. “To that end, what we’re trying to do is develop a point-of-sale platform that’s widespread, low-cost, and in fact, a source of earned income for our vendors.”

By creating an incentive for retail store owners to put point-of-sale devices on top of the counter instead of beneath, Capitec Bank hopes to drive awareness of its services as well as promote the use of non-cash transactions through a safe transaction mechanism. “Cash is just too expensive to handle in South Africa given the risks,” adds Fischer.

Nevertheless, cash still remains quite popular in South Africa. Approximately 43 percent of all salary payments to Capitec Bank clients are cashed out the very next day. In response, Capitec Bank has undertaken several initiatives to encourage cash withdrawals only when necessary, including balance readers in supermarkets, zero fees for card transactions at point-of-sale, and the aforementioned point-of-sale merchant incentive plan.

Despite the challenges, the overall opportunity remains incredibly vibrant. Whether it’s bringing the unbanked into the system, funding home improvements to go along with the electrification of South African townships or attracting higher-income South Africans with a simplified, paperless banking experience, Capitec Bank offers a unique and compelling range of services.

Carl Fischer, Head of Marketing and Corporate Affairs, Capitec Bank
THE PATH TO PAPERLESS
A key aspect of the Capitec Bank service delivery model is that it’s paperless for the client. Within eight minutes, a branch consultant can establish an account for a new client and issue a debit card, without completing a single piece of paper in the process.

Using Capitec Bank’s services also is a paperless experience. Transacting, savings and finance facilities can all be accessed using a Capitec Bank debit card endorsed by Maestro or Visa. With TCS BC\CNCS, Capitec Bank has launched numerous innovative initiatives across multiple client channels, including:

- **An Internet-based platform** for simplified and easy account access, including funds transfer between accounts and to other financial institutions.
- **A debit card** that allows for easy payments at the most popular shops.
- **A mobile banking terminal offering** transaction facilities without a cash withdrawal function.
- **A Capitec Bank card reader** installed at retailers, for clients to have convenient access to balances on their bank accounts, which will stimulate overall card usage at merchants.

Capitec Bank enlisted the help of TCS Financial Solutions to develop its paperless, cost-effective core banking solution, which is based on the Core Banking and Payments solutions from TCS BC\CNCS, an integrated product suite for financial services. With TCS BC\CNCS, Capitec Bank has high-performance, continuous operations that scale to meet the needs of a growing client base, with the ability to innovate ahead of the competition, at a lower total cost of ownership.

AT A GLANCE
**Company:** Capitec Bank, based in South Africa
**Lines of business:** Retail banking
**Technology:** Core Banking solution from TCS BC\CNCS
**Challenge:** To provide accessible and affordable banking services to clients through convenient and personalized channels
Flexible strength

Remarkable speed

Fast time-to-market assists Bank Negara Indonesia in achieving leadership in services and performance.
Two years ago, our ATMs had about 30 features... last year we had about 100.

—Wisnu Wardana, CIO, Bank Negara Indonesia

Founded in 1946 as the country’s first national bank, Bank Negara Indonesia continues to serve as a pillar of Indonesia’s business community and a diversified provider of financial services to over 9.6 million retail customers and about 150,000 corporate customers. Operating under the “BNI” brand, the institution responds to customer needs with rapid adoption to changes in its operating environment.

“Time-to-market is our biggest challenge—it’s about how fast we can deliver our services, functions or features to customers,” says Wisnu Wardana, CIO of Bank Negara Indonesia. Mr. Wardana heads up the bank’s IT organization, including operation of the data centre, core banking platforms and surrounding applications. By any measure, Wardana’s organization has demonstrated an impressive ability to meet the time-to-market challenge, as Bank Negara Indonesia offers an incredibly diverse set of offerings for retail banking customers, Islamic banking customers, small-to-medium-sized enterprises, corporate customers and government entities.

Powering the bank’s capabilities is the Core Banking solution from TCS BCONCS, an integrated product suite for financial services. Installed in 2005 and internally known as BNI iCONS (Integrated and Centralized Online System), the system handles over 8.5 million accounts and processes an average of 2.8 million transactions daily. Following the deployment, the bank achieved a 30 percent reduction in time-to-market for new products while reducing total cost of ownership by 50 percent. With these improved capabilities, the bank has unveiled numerous initiatives in retail banking (including Islamic banking) and commercial banking, along with innovative industry partnerships.

RETAIL BANKING

With the flexibility of its core banking system, Bank Negara Indonesia offers savings and loan products carefully crafted to fit the needs of the Indonesian people. Popular consumer products include the “BNI Taplus Utama,” an interest-bearing savings account with free accident-protection insurance; “BNI Haji,” a haj pilgrimage savings account including free insurance; “BNI TKI,” convenient funds transfer for Indonesian workers overseas; “BNI Tapenas,” an education fund savings account; “BNI Dollar,” a housing loan product in cooperation with local developers; and “BNI Fleksi,” a credit facility with repayment through direct debit from salary deposits.

Most of these various account types can be accessed from the bank’s versatile ATM network, through which customers can buy shares on the stock exchange, make credit card and bill payments, and even pay off loans at other financial institutions. “Two years ago, our ATMs had about 30 features,” says Wardana. “Last year we had about 100.”

Islamic banking has also been a significant growth area for the bank. Although Islamic
banking branches are separate from conventional branches, and although the assets are kept separate from an accounting perspective, it’s the same TCS BANCs system managing both aspects of the business. “We launched our first Shariah branch about four years ago, and now, we have 30 branches all over Indonesia,” notes Wardana. “Whatever the customer can do in our conventional branches, they have the same features and functions at our Shariah branches.”

Although accounts adhering to the Shariah principles of Islamic banking currently represent less than two percent of total bank assets, that figure is expected to grow, according to Wardana. Part of the reason has been the adoption of central bank regulations supporting the growth of Shariah banking services, as well as the emergence of a secondary market for Shariah assets. Also, Indonesians are becoming better educated about their options in financial services, with Bank Negara Indonesia leading the way with a front-line training program for employees. “Our technology division runs three training classes, and they’re full all year,” says Wardana.

COMMERCIAL BANKING AND TREASURY

With a strong footprint among manufacturers and infrastructure providers in Indonesia, Bank Negara Indonesia also takes the lead with commercial banking services. For example, the bank recently launched a financial supply chain management system, connecting bank payments to customers’ ordering and account systems. “We can create seamless supply chain management, delivered not only through the Internet, but also through mobile devices,” says Wardana.

In addition, the corporate banking portal includes account management, statements, scheduled payments, transfers, sweep accounts, and electronic bill payment to approximately 100 billers. “We now connect with the tax department and also some of the government agencies,” notes Wardana. “You can prepare, submit and pay your corporate tax online.”

As domestic companies benefit from favorable economic conditions accompanying Indonesia’s strength in exports and manufacturing, Bank Negara Indonesia stands ready to enable its customers’ global success.

INDUSTRY PARTNERSHIPS

With its flexible technology infrastructure, state-of-the-art data centers and comprehensive disaster recovery sites, Bank Negara Indonesia also has an excellent opportunity to resell its infrastructure capabilities to smaller regional banks. “There’s quite a lot of opportunity for shared services in banking in Indonesia,” says Wardana. “The strong banks can run their infrastructures by themselves, but the smaller ones don’t have the luxury.”

In order to signal its capabilities to potential business partners, Bank Negara Indonesia invited the ISO to perform a series of process audits. “We are now certified in operations and management, the systems development lifecycle and security management,” relates Wardana. “With these three main pillars of IT infrastructures, we can leverage our facility here so that other parties can have access to it.”

Bank Negara Indonesia also participates in multi-bank partnerships to provide enhanced capabilities to its customers. The bank is one of three financial institutions participating in “T-Cash,” a new mobile wallet and digital cash system. The RFID-based payment system operates in conjunction with telecom provider Telkomsel and other technology partners.

The micropayments business has tremendous upside potential in Indonesia. “More than 60 percent of transactions here in Indonesia are still done with cash. The opportunity is for small transactions – less than $10 – to pay for food, drinks, parking and toll roads,” explains Wardana.

“Last year, we finished developing the infrastructure and this year, we are ready to launch.”

“It’s going to be our biggest challenge this year,” he adds.
AT A GLANCE
Company: Bank Negara Indonesia
Lines of business: Retail banking, corporate banking, Islamic banking, and credit cards
Technology: Core Banking and Islamic Banking solutions from TCS BANCSC
Challenge: To achieve fast time-to-market in a diverse market, while enabling ability to resell infrastructure to smaller regional banks
NLB Group, based in Ljubljana, Slovenia, provides universal banking services across Slovenia, Southern, Central and Western Europe, with over 60 subsidiaries in banking, asset management, insurance, leasing and factoring. NLB Group is the largest financial institution in Slovenia with a market share of almost 40 percent and over 3 million customers.

BACKGROUND
In the past, NLB Bank was running an outdated core banking system with functionality accumulated over the course of 30 years, covering both retail and corporate banking activities and processes. In 1999, with the aim of completely renovating its infrastructure, NLB Bank deployed software now part of the Core Banking solution from TCS BâNCNS, an integrated product suite for financial services. To share the costs, NLB Bank entered into a partnership arrangement with two other banks in Slovenia to build a common, shared infrastructure. “We’re sharing the cost among three banks,” says Jure Peljhan, CIO of NLB Group. “With these economies of scale, we have fairly efficient management of costs.”

NLB Group maintains a central IT organization that coordinates and harmonizes activities across the entire organization, while also providing core IT services to NLB Bank. NLB Bank uses TCS BâNCNS for its retail banking services, including core products such as deposit accounts, savings accounts, mortgages and loans. The solution also includes a customer information file. Because of diversity of back end systems, NLB developed its own web based teller application used in NLB branches with fundamental CRM capabilities working together with transactional accounts. “We offer customers several e-channels that are connected to TCS BâNCNS – Internet banking systems, call center and mobile banking,” says Janja Žabjek-Dolinšek, R&D General Manager for IT. “We modernized the system a lot over the last couple of years, with new front-end CRM applications so that data from customers is available to tellers.”

With system enhancements handled by NLB Bank’s IT department along with support staff from TCS Financial Solutions, TCS BâNCNS has continued to form the backbone of the organization’s technology infrastructure through significant changes in its regulatory and operating environment.

“Regulatory requirements have hit the bank significantly in the last year,” notes Peljhan. “We had to introduce the euro as a currency, and other European regulations such as SEPA and Basel II, and that has taken up a major part of our capacity.” In addition, this year NLB Bank merged three of its subsidiaries onto TCS BâNCNS. “It was quite a huge project, but we went through it without major problems,” says Dolinšek.
FUTURE MOVES
Looking ahead, NLB Bank intends to further consolidate its in-house enhancements to TCS BCiNCS, sunset its remaining legacy systems and fully implement new front-end functionality covering business activities across the broader group. “With our expert TCS BCiNCS team, we’ll upgrade the system according to regulatory requirements from the Bank of Slovenia (the national bank) and the European Central Bank, while also implementing new user requirements,” says Peljhan.

TCS BCiNCS provides the bank with rapid response to new market challenges as they arise. “Previously, we didn’t have all of the products in one place, we didn’t have one single view of the customer, and we had to develop fresh programming for every new product,” says Peljhan. “With TCS BCiNCS, we have all of the information in one place, and bringing in new products involves just setting parameters without programming for the faster implementation of new products.” “TCS BCiNCS is really customer-oriented,” notes Dolinšek. “With the parameterization of new products and processes, we’ve been able to move from being programmers to being technologists.”

FAST FACTS
Employees:
8000 employees in NLB Group, 4,100 employees based in Slovenia
Awards:
Won the Euromoney Award for Excellence for ten years in a row
Ranking:
Ranked by The Banker among the Top 15 banks in Central and Eastern Europe

AT A GLANCE
Company: Nova Ljubljanska banka Group (NLB Group), based in Ljubljana, Slovenia
Lines of business: Banking and investment products for retail clients, corporate clients and financial institutions
Technology: Core Banking solution from TCS BCiNCS
Challenge: Meeting regulatory requirements and market challenges
STRONG FOUNDATIONS
TCS BaNCS provides Taishin International Bank with a single view of the customer

By Thomas Chern, Regional Head of Sales—Taiwan, Japan and Hong Kong, TCS Financial Solutions

In 2004, Taishin International Bank in Taiwan achieved its long-held strategic objective of replacing its legacy system with a highly flexible UNIX mainframe-based core banking system. This advanced system provides 24/7 uptime and availability, outstanding security plus rapid batch processing, and the speed and scalability necessary to cope with increased transaction volumes. Powered by the Core Banking solution from TCS BaNCS, an integrated product suite for financial services, the solution has also lowered operational and maintenance costs at Taishin International Bank. With this successful implementation, Taishin International Bank has received widespread recognition and awards from publications including Asian Banking & Finance, Asia Risk, The Asian Banker, Euromoney, The Taiwan Academy of Banking and Finance. The team at Taishin is particularly proud of recently winning the No.1 award covering the “Best Single-Bank Electronic Trading Platform” in Taiwan by Asiamoney as well as the “Sales Force Automation” Innovation award from Financial Insights.

Since the implementation of TCS BaNCS in 2004, core banking has become a non-issue for the bank’s IT department. “Our team can handle the system by ourselves,” says Josephine Yang, Senior Vice President, Consumer Banking System Division, Taishin Bank. “It is a very robust system.” With the core system firmly established, the bank has been able to continue with other IT initiatives to improve its profitability and competitive positioning in retail banking. Using real-time data from TCS BaNCS, Taishin International Bank has taken steps to provide actionable information about customers to bank employees at the point-of-sale. With up-to-date client information, Taishin International Bank has been able to reformulate the core purpose of selected branches from a transactional focus to a sales focus, enabling meaningful customer interactions that assist to drive increased revenues.
TOUCHING CUSTOMERS’ HEARTS

On top of a solid infrastructure based on TCS BôNCS, Taishin International Bank has been able to implement initiatives that allow bankers to promote a "Message On-Demand" (MOD) through a Single Customer View (SCV). "To provide our services and products according to our customers’ needs, we transferred our systems to support a single view of the customer," says Yang. "We consolidated data so that users not only receive information on the account level or the product level, but all the information from wealth management and the lending side of the bank."

The bank’s sales force automation system, through the examination of customers’ purchasing data, categorizes users by life cycle and life stage to generate predictions of likely customer reactions to marketing campaigns. Furthermore, the bank can also ensure that future contact with those customers involve recommendations most likely to result in an additional sale.

Customer information is provided to bank branches to improve the quality of customer interactions at the branch. “When a customer comes in, [tellers] can type the account number, and get all of the major information about that customer,” adds Yang. “Some information we can aggregate using batch processes, but other information is real-time – and for that we need data from TCS BôNCS,” says Yang.

Tellers also have access to recommendations about new products and other useful data, such as reminders about upcoming payments or birthdays. This teller initiative, known as the “Moment of Truth” program, has led to a significant increase in the sales capabilities of branch bankers. Now, approximately 50 percent of customer interactions at the teller include an attempt to sell at least one of the recommended products to the customer, relates Yang.

SERVICE AND SALES

Another impact of Taishin International Bank’s improved cross-selling ability has been the capability to create bank branches almost entirely dedicated to sales, which has been made possible with the general trend towards non-cash transactions. “This year, we’re building a branch with 10 salespeople and only one teller,” says Yang. “The salespeople have greater opportunities to talk to the customers and to become more familiar with their needs.”

To make it possible for the sales staff to initiate many of the functions that would ordinarily be handled by tellers, Taishin International Bank went through an extensive business process management (BPM) and workflow reengineering project. Except for the one teller still handling cash, the other tellers now work in the back-office. Salespeople are responsible for collecting information from customers, and then scanning forms and vouchers to be sent to the back-office for immediate processing. “The customer still has to wait for the transaction to be posted,” notes Yang. “This gives the salesperson more opportunity to talk to the customer and to become more familiar with their needs.”

AT A GLANCE

Company: Taishin International Bank is based in Taiwan, with NT$41.75 billion in capital. The bank operates a Main Branch, Trust Department, International Department, Offshore Banking Unit, and 101 branches, for a total of 105 units.

Lines of business: The personal and consumer banking business provides a wide range of retail banking services including current accounts, credit cards, loans and commercial financing.

Technology: Core Banking solution from TCS BôNCS

Challenge: To increase speed to market, support growth plans, and maximize both IT and operational efficiency.
ACHIEVING TRANSFORMATION

Ecuador’s largest bank extends capabilities and increases efficiency with TCS BCNCS

No bank can take market leadership for granted. Rising consumer power has created demand for novel products and service capabilities, and smaller competitors threaten the established players through better pricing, more granular market segmentation and innovative distribution and service channels.

Awareness of these challenges has driven Quito, Ecuador’s Banco Pichincha to undertake a multi-year transformational initiative, with the ambition to offer a full range of products in multiple segments delivered with a level of efficiency comparable to the most well-run financial institutions in the world. Founded in 1906, Banco Pichincha is currently the largest bank in Ecuador, with approximately 28 percent of deposits and 30 percent of loans in the country. The firm also has international operations in Peru, Colombia and the United States.

“Being such a large bank and the leader in our market, it’s easy to become complacent,” comments Fernando Pozo-Crespo, General Manager of Banco Pichincha. “We need to keep delivering the right products at the right price, and we need to be at least as fast as our competitors to maintain our position in the long term.”

In pursuit of those goals, Banco Pichincha undertook a transformational initiative that will culminate with the launch of optimized business processes and replacement of the firm’s core legacy platform with the Core Banking solution from TCS BCNCS, an integrated product suite for financial services. The initiative began with an organizational restructuring and business strategy refresh, and from 2003 through 2006, the bank worked on increasing market specialization, analyzing customer business, aligning operational activities to business needs and redefining business processes.

The bank’s operational objectives include the following:

- Greater market segmentation capabilities
- Speedier delivery of a wider range of products
- Expanded distribution and service channels
- Overall efficiency reflected in lower unit costs

Banco Pichincha expects to begin reaping the benefits of enhanced workflow and data-
and service-rich sales capabilities between late 2008 and early 2009 with the deployment of TCS BCNCS.

Facing this crucial stage of Banco Pichincha’s transformation during a global economic crisis leaves its general manager undaunted. If anything, the crisis intensifies the need for greater product diversity, market segmentation, improved service and, above all, efficiency, believes Pozo, who is also president of FELABAN, the Latin American Banking Federation.

“The Latin American economy’s fundamentals are good, which gives us powerful weapons for confronting the present crisis,” Pozo comments. “Also, we have the perspective of previous crises where there were lower levels of growth, fewer safety valves and a lower degree of economic liberty.”

In that respect, Pichincha’s leadership has benefited from valuable lessons learned during the 1999 banking collapse. “The relative size of markets will either grow at a slower pace or even shrink, and the only way to respond is with a strong efficiency structure by which costs are in line with market changes.”
“The central issue was to redesign business processes and integrate them with the technology.”

STRIKING OPPORTUNITIES
However, the present realities of the Ecuadorian banking market provide sufficient justification for Pichincha’s ambitious transformation goals. Ecuadorian consumers increasingly demand the same kinds of access that banking customers expect in the wealthiest countries, such as convenient ATM networks and online self-service capabilities. Ecuador’s striking topography and limited infrastructure also increases the importance of mobile applications for customers outside urban centers. And in a country with about 14 million inhabitants and a per capita GDP of around USD $2,800, the microfinance market constitutes an opportunity, if not an outright duty, for a bank such as Pichincha to respond.

“I believe the role the financial system is to serve the neediest segments in the market, but in a profitable and sustainable manner,” remarks Pozo. "Because entering these non-traditional, low-margin markets requires scale, it’s essential to utilize technology.

“As the market leader, Banco Pichincha doesn’t have the luxury to serve only the cream of the private banking market or high-net-worth clients,” Pozo adds. "We need the capability to be equally efficient in private banking, commercial, retail or in microfinance.”

Banco Pichincha determined that serving all those segments effectively required an integrated technology solution with a centralized data repository. In order for Banco Pichincha to keep ahead of market challengers, the solution would also require flexibility in price segmentation while supporting rapid product delivery and state-of-the-art sales, service and self-service capabilities.

“The central issue was to redesign business processes and integrate them with the technology, so that once that integration was complete, our 4,600-strong sales force would have the means to approve and deliver services in a much faster and cost-effective fashion, powered by more information than ever before,” Pozo relates.

“That’s the philosophy we proposed to TCS.”

Banco Pichincha also proposed that the technology implementation be done within an 18-month timeframe from beginning to live production. TCS BONCS will run parallel with the legacy core platform until that point, and the final stages of the system are due to be complete within 24 months.

“That required proceeding with a well-structured process based on tight alignment between our business team and the TCS Financial Solutions team executing the implementation,” relates Pozo.

“The TCS Financial Solutions team included several very experienced ex-bankers, who made a critical contribution even in the business model changes. There’s no denying that our partner understands the industry.”

The first phase of the technology implementation, due to go live by the end of 2008, includes parallel production for all transaction processing through TCS BONCS and the legacy platform.

“The main thrust will be completed in the first quarter of 2009, when we will complete integration of all assets and liabilities with all the sales channels, along with the process and workflow changes,” Pozo says.

DRIVE TO EFFICIENCY
From the earlier, outsourcing-related stages of its transformation partnership with TCS, Banco Pichincha enjoyed an increase in its loan portfolio from approximately US$770 million in 2003 to US$1.67 billion in 2006. The bank has also increased its profitability ratio from 12 percent to 21 percent, and lowered its efficiency ratio from 82 percent to 62 percent.

With the implementation of TCS BONCS, Pozo expects to drive the efficiency ratio down even further to a target of 50 percent, which is well below the industry average. By being able to deliver more products with greater segmentation, Pozo expects to improve retention, decrease defection and triple the client-to-product ratio.

TCS BONCS will also help to drive increased customer adoption of lower-cost “virtual” service channels, such as self-service mobile communications via telephone and other mobile devices. “Microfinance already represents 12 percent of the bank’s portfolio,” says Pozo. “Our plan is to reach at least 20 percent.”

Above all, Pozo expects that the improved ability to meet customer demand will generate higher sales volumes, and this will increase Banco Pichincha’s return on investment in TCS BONCS.
AT A GLANCE

Company: Banco Pichincha, based in Quito, Ecuador, is the largest bank in the country.

Lines of business: Private banking, commercial banking, retail banking, microfinance

Technology: Core Banking solution from TCS BCiNCs

Challenge: To lower the bank's efficiency ratio from its current level of 62 percent to the target of 50 percent, through deployment of a centralized data repository with multichannel customer access.
Arab Bank Australia Limited was chartered to serve the migrant community in Australia originally hailing from the Arabic-speaking world. As Arab Bank Australia’s market and customers’ needs broadened, so have the capabilities of the bank.

Business migrants have extensive banking needs, including standard retail offerings such as home and personal loans, commercial offerings in support of small-to-medium-sized enterprises (SMEs), and corporate services for local subsidiaries of multinational firms. Serving these customers requires an extensive range of services and capabilities that would normally be the purview of a much larger bank.

With 132 people on staff across 10 branches and the head office, the bank provides exceptional customer service to its clients. “We’ve developed an outstanding name in the corporate community as a bank that has a good knowledge of the property market, the health care sector, the transport industry, international trade with the Middle East, and retail banking to the migrant community, particularly business migrants within Australia,” relates James Wakim, CEO and Managing Director of Arab Bank Australia Limited.

Despite its breadth, the bank hasn’t lost focus on its specific market segment. “Many banks have come to Australia and lost money. In a nutshell, they try to be all things to all people and fail,” says Wakim. “As we’ve evolved over the last 14 years or so, we’ve become specialists in certain fields, and now we’re developing that specialization as part of our strategy.”

That strategy, combined with a conservative lending profile and strength in retail deposits, has brought about solid results. The last 12 months have been particularly rewarding for Arab Bank Australia, in that its strategy has held up even as other banks have faltered, turning in growth rates of over 30 percent. “We tend to excel when the market is not overly heated,” explains Wakim.

“When the market’s good, it’s harder to compete on price with the big players – whereas now, with prices at a more acceptable level, our competitive edge is really starting to show.”

**RETAIL REWARDS**

Another cornerstone to Arab Bank Australia’s success is a funding strategy based on retail excellence. “Arab Bank Australia has, for the last several years, funded our loan book 100 percent through retail and corporate customer deposits,” says Wakim.

With the recent decline of liquidity in the wholesale interbank funding market has come an industry-wide rediscovery of the wisdom of having a strong retail presence. “Now that the market has tightened up, instead of being at 100 percent deposit-to-loans ratio, we’re at 130 percent,” he adds.

**FLEXIBILITY ADVANTAGE**

The Core Banking solution from TCS BOCNCS, an integrated product suite for financial services, powers Arab Bank Australia’s core processing and front-end delivery capabilities to process account opening, deposit and loan processing and international payments that span traditional banking silos. “We’re not strictly a retail bank, a corporate bank, or a commercial bank,” says Wakim. “We cater to small-to-medium-sized enterprises, and so we wanted retail banking capabilities like home loan and personal loan products, but at the same time we also wanted commercial banking capabilities like lines of credit, interest set-offs, contingent facilities and so on.”

The bank’s previous systems were unable to meet these diverse needs, and was “impeding the bank’s growth and capability to explore new markets,” relates Farid Khoury, Manager, Information Technology, Arab Bank Australia. Now, TCS BOCNCS provides the flexibility to take on a wide range of business challenges, in line with the expansive needs of its core customers. “The ability to tailor the parameters in the system to the organization’s
FAST FACTS
ARAB BANK AUSTRALIA
Assets: AUD $1.3 billion in assets
Branches: 10
Employees: 132

James Wakim, CEO and Managing Director,
Arab Bank Australia
needs has been a tremendous benefit for Arab Bank Australia," says Khoury. "This, coupled with our innovative IT staff and dedicated field staff, gives us a continuous advantage in our market – especially in such an unusual and volatile business climate."

"As a parameterized application, TCS BCNCS increased speed-to-market for product development and new services, and provides us with an advantage to grow our business," says Khoury. "The product development process allowed us to innovate in products and services to fit our customer base. We continue to develop products and services that fit the business environment, benefiting both Arab Bank Australia and its customer base."

In many ways, the bank itself resembles many of its nimble SME customers. "We are an SME – agile and quick enough to respond to changes in the market and business environments. Our dedicated staff has proudly built the business on a traditional relationship banking approach. We know our customers and their needs," says Khoury.

"With the implementation of TCS BCNCS, we have improved our lending products, improved workflows in the lending application cycle, and continued our success with our deposit products," Khoury adds.

With TCS BCNCS, Arab Bank Australia is positioned to continue its pattern of success, executing on a well-defined plan. "We’re fairly focused on what we do, and we have a clear strategy for the next five years or so," says Wâkim. "We’re looking forward to developing the relationship with TCS Financial Solutions and enhancing TCS BCNCS."

AT A GLANCE
Company: Arab Bank Australia Limited, based in Sydney, Australia, is a wholly-owned subsidiary of Arab Bank plc, based in Amman, Jordan
Lines of business: Retail banking, commercial banking, corporate banking, specializing in supporting customers with personal and business connections to and from the Arab world
Technology: Core Banking solution from TCS BCNCS
Challenge: To provide, as a relatively small financial institution, a wide range of customized services for individuals, small-to-medium-sized businesses and corporations
**REPORT: STATE BANK OF INDIA**

*Focus on world’s largest centralized core processing implementation*

By **Dennis Roman**, Chief Marketing Officer, TCS Financial Solutions

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**KEY TAKEAWAYS**

- The State Bank of India is the oldest and largest bank in India, with more than USD 250 billion in assets. It is the second largest bank in the world in number of branches. The bank has 84 international branches located in 32 countries. Additionally, SBI has controlling or complete interest in a number of affiliate banks, resulting in the availability of banking services at more than 14,600 branches and nearly 10,000 ATMs.

- Although State Bank of India had computerized its branches in the 1990's, it was losing market share to private sector banks that had implemented more modern centralized core processing systems.

- In 2002, the State Bank of India began the largest centralized core system implementation ever undertaken in the banking industry.

- The State Bank of India selected Tata Consultancy Services to customize the software, implement the new core system, and to provide ongoing operational support for its centralized information technology.

- Although the initial project called for the conversion of 3,300 SBI branches, the success of the initial effort resulted in the expansion of the project to include all of the bank branches of SBI and its affiliates — more than 14,600.

- The State Bank of India has achieved its goal of offering its full range of products and services to all its branches and customers, bringing economic growth to rural areas and fulfilling the banks goal of financial inclusion for all of India’s citizens.

For a full copy of this amazing case study, please contact TowerGroup directly or visit our website at www.tcs.com/bancs

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**TIMELINE OF CORE SYSTEMS MODERNIZATION**

![Timeline Diagram](image-url)
Enabling State Bank of India to create the world’s largest homogenous banking network.

That’s certainty

State Bank of India (SBI), with its associate banks, is India’s largest bank servicing over 170 million customer accounts with a banking network of over 14,000 branches and 8,500 ATMs. SBI wanted to widen the scope of serving their customers by providing banking solutions anytime and anywhere rather than being restricted to a single bank branch. To achieve this, SBI required a unified technology platform that would consolidate the banking services. Tata Consultancy Services (TCS) implemented TCS BONCS Core Banking Solution which provides for multi-entity, multi-currency and multi-language operation based on international messaging standards. This state-of-the-art architecture provided SBI with unprecedented scalability, fault resilience and business continuity. Enabling them to integrate and centralize their customer base across the country. As one of the world’s fastest growing technology and business solutions providers, TCS played the dual role of technology partner and innovative solutions provider, thereby, helping SBI infuse a superior technology into mass banking to provide consistent service levels. Also enhancing customers’ satisfaction by providing them with a true 24x7 multi-channel banking service on the world’s largest homogenous banking network. And of course, enabling SBI to experience certainty.