



E X C E R P T

OCBC: A Truly World-Class Core Banking System

March 2015

Excerpted from the IDC Case Study, "The Tale of Two Super-Regional Banks and Their Core Banking Transformation," (#IDCAP722602W), September 2013, by Sui-Jon Ho and Michael Araneta

Sponsored by Silverlake Axis

About OCBC Bank

OCBC is Singapore's longest established local bank, formed in 1932 from the merger of three local banks, the oldest of which was founded in 1912. It is presently the second largest financial services group in Southeast Asia by assets and one of the world's most highly-rated banks, with an Aa1 rating from Moody's. OCBC was also recently ranked by Bloomberg Markets as the world's strongest bank, an accolade that holds a lot of credibility given the current financial market turmoil.

The bank's consumer, business, investment banking and other specialist financial services solutions are delivered through an extensive global network of over 500 branches and representative offices in 15 countries and territories, including more than 400 branches and offices in Indonesia operated by its subsidiary, Bank OCBC NISP.

OCBC's subsidiary, Great Eastern Holdings, is the largest insurance group in Singapore and Malaysia, while asset management subsidiary, Lion Global Investors, prides itself as one of the largest private sector asset management companies in Southeast Asia. Its private banking services are provided by subsidiary Bank of Singapore, which ranks among the top 5 global private banks in Asia.

With a dominant presence in both the consumer and business banking segments in Singapore and Malaysia, OCBC is among the core bancassurance providers in Singapore and features as one of the top players in unit trust distribution, home loans, personal credit, small- and medium-sized enterprises market and the Singapore Dollar capital market.

During the late 1990s and the early 2000s, OCBC Group quadrupled in assets and total customers and simultaneously, in the various applications and solutions that it has acquired over the years.

While OCBC evaded catastrophic systems failures that seemed to have plagued some of its peers, it was accepted bank-wide that its solutions and systems at that time were rigid, and it took a long time (and an army of programmers) to roll out new products and services, thus retarding time to market

Solution Snapshot

Organization: OBC Bank

Operational Challenges: A technology refresh that aligns with the bank's transformational New Horizon vision; to improve product-to-market, to improve synergies within the Group, and increase cross-sell.

Solution: Continued deployment and upkeep of Silverlake Axis Integrated Banking Solution (SIBS) as the bank's core banking platform

Length of relationship: Since 1994 in Malaysia and since 2001 in Singapore

Benefit: Quicker time and lower cost to market in terms of rolling out innovative best-in-class products and capabilities in Singapore, Malaysia and the rest of the region. OCBC has become one of the most prolific sources of channel, product and process innovation in the Asia/Pacific region.

and escalating operating costs. Then, ongoing maintenance also continued to weigh down the bank, contributing to recurring expenses and reliability issues. All these were in turn, directly affecting the bank's efficiency and cost-to-income ratio.

As such, a technological transformation and refresh was in order, not only to support OCBC's New Horizon strategy but to assist the bank in gaining sustainable competitive advantage by delivering on a differentiated customer experience, deepen its business presence in Singapore, and craft further inroads into the rest of the region. This would for instance, equip the institution to better expand distribution capabilities in Malaysia and capture market shares within the Islamic banking and Takaful insurance markets, grow its burgeoning businesses across Greater China, and build its private banking business through Bank of Singapore.

A technology refresh would also work to better harness aggregated synergies and increase cross-sell and customer referrals among the various entities within the Group, including OCBC Singapore, OCBC Malaysia, OCBC Al Amin, Bank OCBC NISP, Great Eastern Holdings, and OCBC Securities.

The Solution

OCBC has been a client of IBM and Silverlake Axis since 1994 in Malaysia and since 2001 in Singapore. After an extensive nine month long assessment of the various options available in the market, and mapping back to OCBC's long-term, regional, business aspirations, OCBC decided on the Silverlake Axis Integrated Banking Solution (SIBS) on an IBM AS400 (Power Systems) Platform. Choosing the right platform was a very important consideration. OCBC knew that a typical core banking platform has a life-span of 8 to 12 years. The big investment aside, the solution and the platform will need to scale as quickly as the bank's businesses wanted to, and do so in a secure, robust and complaint manner. Given these 'mission-critical' requirements, the Silverlake Axis and IBM Power Systems combination stood neck and shoulder above the rest, as testament from as many as 50 banks in the region that are enjoying the strategic alliance of SIBS sitting on a robust and scalable IBM AS400 (Power System) platform.

The total migration for the Singapore operations from the Tandem system to a more flexible and cost-effective SIBS was completed in November 2001, well on time and within budget, allowing the bank the ability to enhance product delivery and transaction processing capabilities, and deliver innovative products to customers with a shorter turnaround time.

IBM and Silverlake Axis have hitherto served OCBC's technological requirements well, effectively facilitating the account, offering post-implementation support and continually improving on its service quality. As such, the bank did not see the need to reinvent the wheel and invest in any massive core banking system overhaul as part of its latest New Horizon strategy. Instead, OCBC's Head of Group Operations and Technology, felt that it was more crucial to ensure that there was an excellent integration of the core banking system with all incumbent working systems internally, rather than to plug-and-play the newest best-of-breed disparate applications and expect these to elevate the bank's technology platform.

To this end, OCBC conducted a holistic internal study to revisit its technology platform in 2008-2009, where it analyzed its core banking, channels, CRM, branches, workflow imaging, risk management, data warehousing processes and requirements, and took stock of its existing technology portfolio, emerging business demands, and the key implementations or refresh required. Following this extensive study, OCBC concluded that the SIBS and IBM partnership had continued to integrate well with all client fronting systems (the Internet, branch, ATM and mobile distribution channels), and provided for the bank's evolving business requirements, especially as it maintains a concerted focus on delivering a superior and differentiated customer experience and invests in design delivery capabilities to gain a sustainable competitive advantage.

While the SIBS solution framework with IBM Power System remained the most apt system, OCBC needed to execute a core banking refresh to enhance some of the existing functionalities. Such a continued spotlight on technology at the front-end system is crucial to the bank as it pursues its core focus of providing quality customer products and experience. The latest core banking modules that OCBC continues to employ from the SIBS are the: Bank-wide Customer Information Facility (CIF); Financing or loans system to handle the complete life cycle of loans from the application stage right up to the settlement of these loans; and, Funding or deposit system to craft new deposit products to meet customer needs.

The Benefits

The benefits are principally measureable in qualitative terms, with OCBC expecting to enjoy operational efficiencies, and quicker time and lower cost to market in terms of rolling out innovative best-in-class products and capabilities in Singapore, Malaysia and the rest of the region. The SIBS continues to serve its intended purpose by enabling the bank to service increasingly capricious and challenging customers better and faster than competitors. For instance, this is illustrated by OCBC enjoying a first mover advantage and appearing as technology innovators by being the first to pioneer a mobile banking application to customers via the Apple iPad and iPhone devices in this part of the region.

From a business perspective, OCBC continues to excel in customer centricity and continue to offer new locations, new channels, new products and new services to both its consumer and corporate customers. From a technology perspective, they evolve, renew and build upon new capabilities to stay relevant to business demands as it forges ahead in the financial industry — all the while being supported by proficient partners — Silverlake Axis and IBM.

Beyond the ongoing core banking implementation or refresh, the near to medium term would see the operational and technology teams focusing on its roadmap to align technology with business and on reviewing these plans on an ongoing basis to ensure that internal strategies are continually in sync. This is the bare necessity given the fact that today's business environment is evolving at break-neck speed and industry practitioners need to react equally promptly to financial and competitive challenges, new regulatory mandates, as well as collaborate with various divisions on businesses and technology innovation and on introducing novel products and services to remain pertinent in the market place.

Essential Guidance for Banks

Banks that are pushing forward with core banking upgrades will have to integrate to their program of work their organization's strategies in traditionally "noncore" areas such as data management and risk management. A truly modern core banking system will significantly scale up a bank's capabilities in these two "hot" areas for 2013 and beyond. A program that neglects these areas will create a run-of-the-mill core system and represent a missed opportunity for real banking modernization.

Core banking vendors such as Silverlake Axis, with partners IBM, have responded and have come up with propositions in these same areas of risk and data/analytics — and others as well, although some of these "others" like social media or peer-to-peer functionalities can prove to be more nice-to-have factors in the meantime. Banks need to understand what exactly their current and alternative vendors have to offer in these new areas and how these fit in the vendors' view of what a "new core system" is. Furthermore, how a vendor addresses the "what is your 'new' core banking vision" question will help the bank in determining whether the vendor will fall victim to the supposed consolidation of the vendor landscape.

Finally, while cost blowouts and timeline extensions are common issues in core banking projects, they will become more pertinent as core banking projects regain momentum in Asia/Pacific. Projects

will compete for skilled and experienced resources for systems architecture and core banking implementation, ultimately making core banking more painful than it should be. However, it is the adherence to the old but still relevant principles of project management that will keep banks on the path to success.

A B O U T T H I S P U B L I C A T I O N

This publication was produced by IDC Financial Insights Custom Solutions. The opinion, analysis, and research results presented herein are drawn from more detailed research and analysis independently conducted and published by IDC Financial Insights, unless specific vendor sponsorship is noted. IDC Financial Insights Custom Solutions makes IDC Financial Insights content available in a wide range of formats for distribution by various companies. A license to distribute IDC Financial Insights content does not imply endorsement of or opinion about the licensee.

C O P Y R I G H T A N D R E S T R I C T I O N S

Any IDC Financial Insights information or reference to IDC Financial Insights that is to be used in advertising, press releases, or promotional materials requires prior written approval from IDC Financial Insights. For permission requests contact the Custom Solutions information line at 508-988-7610 or gms@idc.com.

Translation and/or localization of this document requires an additional license from IDC Financial Insights.

For more information on IDC Financial Insights, an IDC company visit <http://www.idc-fi.com/>. For more information on IDC visit www.idc.com or for more information on Custom Solutions visit http://www.idc.com/prodserv/custom_solutions/index.jsp.

Global Headquarters: 5 Speen Street Framingham, MA 01701 USA P.508.872.8200 F.508.935.4015 idc-fi.com