EXPERIENCE
EXPERTISE
EXECUTION

The '3E's' for Successful
Core Banking Transformation

IDC — ANALYZE THE FUTURE

IDC Financial Insights

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SYMMETRY AT WORK

Core transformation is pursued with different intentions

A new era of core banking transformation is ongoing in the Asia/Pacific region. According to IDC Financial Insights research, the next five years will see at least 6 archetypes of core transformation. Each bank's core transformation roadmap will vary, and will be based on their motivations, urgency, importance, challenges, and risk appetite for undertaking core banking and digital transformation (DX).

Archetypes of Core Banking Transformations Expected in Asia/Pacific, 2021–2025

2021   2022   2023   2024   2025

1 New digital banks
make up most of the early wave of core banking investments in 2021-2023. Up to 100 new challenger banks will emerge in the Asia/Pacific, and their projects will be characterized by use of new agile methodologies. They will set benchmarks for microservices-based and API-enabled core banking system architectures.

2 Channel and engagement focus
will be strong, especially for the first few years of the new wave, providing digital 'hygiene' at the edge, using proprietary channel APIs and a digital wrapper. This approach provides near-term benefits but continues to build technical debt and limit agility.

3 Iterative replacements
will continue as banks use adoptive architectures for core banking systems, taking advantage of maturing technologies. In the future, banks will be able to improve core banking as new technologies of cloud, identity, and product masters emerge. In the interim, they will use a digital wrapper while continuing to mature.

4 Ambitious overhauls
projects are radical, risky, and undertaken simply because banks might not have a choice. The executive team is 'betting the bank' on a prolonged, single initiative at the expense of not doing much else during core transformation. Board and executive leadership as well as staff must be aligned financially and technically to succeed.

5 Cost-efficiency seekers
will redistribute core workloads to cloud or cloud-native platforms, consolidate legacy platforms, and be driven to shed technical debt while building out new digital capabilities. The drive to being ultra-lean potentially comes at the near-term expense of limiting agility.

6 Future process masters
are expected to be agile, especially for business processes that have customer and operational impact. Processes and decision points are automated and dependent on high-quality data, providing a near-term benefit of increased efficiency and improved user experience.

Core transformation is not just a technical pursuit. It will benefit stakeholders throughout the banking organization

Business lines

Business lines will be able to accelerate new product launch and revenue growth, enhance and contextualize user experiences through self-service channels, while reducing costs

✓

Operations

Operations will gain the agility to change continuously and rapidly, hyperpersonalize products and processes, automate operations and provide seamless connectivity across the banking ecosystem

✓

Finance

Finance will be able to leverage an integrated platform for true financial transformation, with increased revenue, lower costs, and real-time monitoring to improve bank liquidity

✓

Risk

Core transformation will reduce operational risks, and improve view of market and credit risks; enable real-time, event-driven identification of risks; and improve compliance and reporting, reducing the need for reserves and contingency funding

✓

It takes a mix of capabilities to succeed in each transformation journey

New digital banks
1

DISTINGUISHING FEATURES

Aggressively launch interest and fee-bearing products

Be most things to most people, not all things to all people

Can quickly build trust and customer stickiness

EXPECTED DURATION
<6 months

EXPECTED COSTS (US$)
<$1 million

Channel and engagement focus
2

DISTINGUISHING FEATURES

Committed to using responsive design and omni-channel architecture and methodologies

Provides enhanced user experience or incentives to forego branch visits and call center

EXPECTED DURATION
1–3 years

EXPECTED COSTS (US$)
$10–$25 million

Iterative replacements
3

DISTINGUISHING FEATURES

Longevity of leadership and patience

Correctly prioritize need

Highly engineered agile and continuous deployment methodologies and processes

EXPECTED DURATION
3–4 years

EXPECTED COSTS (US$)
$50–$250 million

Ambitious overhauls
4

DISTINGUISHING FEATURES

Executive leadership commits significant capital and resources at the exclusion of most other priorities

Core vendor shares significantly in risk/reward

Project team has integration/migration experience

EXPECTED DURATION
3–7 years

EXPECTED COSTS (US$)
$250–$750 million

Cost-efficiency seekers
5

DISTINGUISHING FEATURES

Embrace cloud and SaaS platforms and pricing

Quickly consolidate and retire legacy platforms

Embrace no-code/low-code development

Maintain lean core and end-to-end E2E API architecture

EXPECTED DURATION
2–3 years

EXPECTED COSTS (US$)
$25–$100 million

Future process masters
6

DISTINGUISHING FEATURES
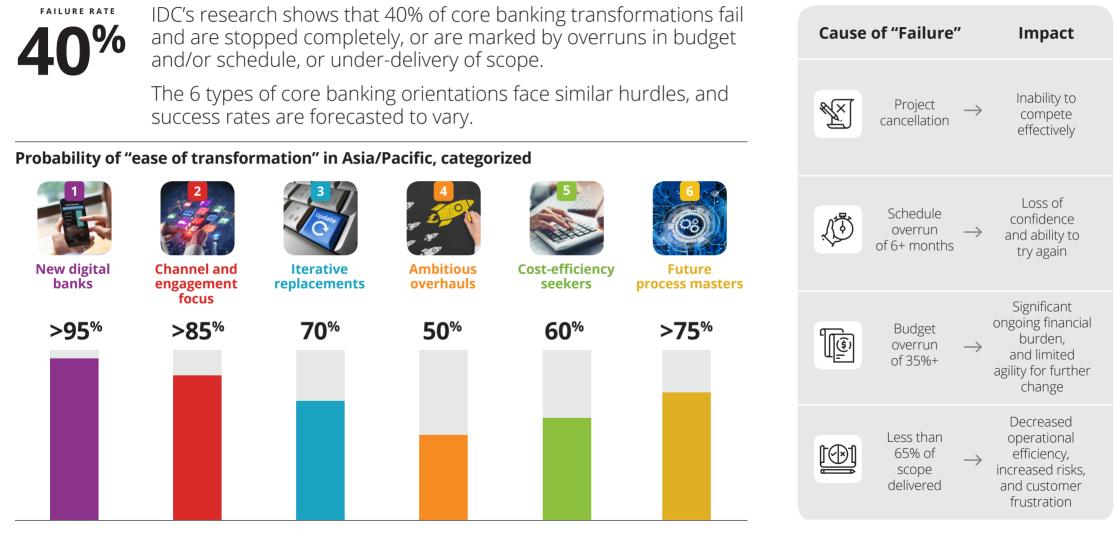
Bank has assigned management as process owners

Experienced in process automation/robotics, AI and machine learning (ML)

Have well-defined delegations of authority (DOA) and role-based access controls (RBAC)

EXPECTED DURATION
2–3 years

EXPECTED COSTS (US$)
$25–$50 million

There has to be a way to make core transformation easier

FAILURE RATE

40%

IDC's research shows that 40% of core banking transformations fail and are stopped completely, or are marked by overruns in budget and/or schedule, or under-delivery of scope.

The 6 types of core banking orientations face similar hurdles, and success rates are forecasted to vary.

Probability of "ease of transformation" in Asia/Pacific, categorized

1	2	3	4	5	6
New digital banks	Channel and engagement focus	Iterative replacements	Ambitious overhauls	Cost-efficiency seekers	Future process masters
>95%	>85%	70%	50%	60%	>75%

Cause of "Failure"		Impact
Project cancellation	→	Inability to compete effectively
Schedule overrun of 6+ months	→	Loss of confidence and ability to try again
Budget overrun of 35%+	→	Significant ongoing financial burden, and limited agility for further change
Less than 65% of scope delivered	→	Decreased operational efficiency, increased risks, and customer frustration

10 ways that core transformation becomes problem transformation

Technical
Reasons for failure

1 Attempting to build on top of legacy architecture instead of renewing or replacing it

2 Using, one-off, proprietary code to create orchestration and APIs

3 Not being able to replicate convoluted, undocumented interfaces to enterprise general ledger (GL) within financial tolerances

4 Inadequate environments and infrastructure scale to achieve required core transformation delivery velocity

5 Attempting to migrate 100% of products and customer contracts

6 Lack of technical readiness in critical areas such as cloud migration, containers, DevOps, data mapping and banking business skills

People/project
Reasons for failure

7 Executive stakeholders/ board not aligned, and neither committed nor compensated on core transformation

8 Inadequate project governance, story-telling and journey management to maintain alignment and commitment throughout

9 Inflexible, unrealistic business case that overpromises scope, under-estimates costs, and lacks understanding of risks

10 Arguments, inability to define/approve scope driven by backward compatibility instead of just moving straight-through to the future

Transformation goal no longer elusive with the right execution and partner

Doing nothing. What was deemed the safest approach is the biggest risk for banks today.

Advances in digital core banking platforms, combined with the lessons learned from proven EXPERIENCE, vast EXPERTISE, and disciplined EXECUTION are the reasons for significantly improved returns from core transformation.

EXPERIENCE

EXPERTISE

EXECUTION

Ways that a tech partner's 3E's help resolve technical and people/project issues when migrating core

EXPERIENCE

- Proven project delivery with data migration and integration
- Has worked with multiple relevant cloud, data governance, and process automation platforms
- Knows when to adhere to/break technical guidelines as required
- Balances rigid, flexible project governance
- Has successfully delivered numerous similar projects
- Has grown in project experience size, scope, complexity
- Confidence challenging and navigating stakeholder politics

EXPERTISE

- Understands core banking source and target domains
- Data mapping capability
- Strong microservice, API, cloud, data mapping, data migration, integration across multiple team members
- Ability to solve multiple, related issues as one
- Great communication skills up-and-down and across stakeholders
- Multiple skills to take on other roles as required
- Ability to quantifiably manage risks and contingency
- Can drive scope completion and approval

EXECUTION

- Proven ability to achieve deadlines
- Challenges team members
- Documented knowledge sharing
- Regular status reporting
- Resolves/mitigates risk
- Sources/solves problems
- Engineering mindset
- 100% dedicated focus
- KPI definition/monitoring
- Well-define Project Management Plan (PMP)
- Proven high efficiency/velocity
- Quality Management Plan (QMS)
- Shared risk/rewards

New standards of banking transformation have emerged, thanks to a bank's ability to partner based on Expertise, Experience, and Execution

Core Banking Transformation KPIs*

KPI	2015 BENCHMARK		2020 BENCHMARK	BENCHMARKS THAT 3E-TYPE PROJECTS DELIVER
Core Project Success Rate	~50%	⟶	~70%	>90%
Total Core Budget	$100^{mil}–$1^{bil}	⟶	$10^{mil}–$100^{mil}	$100^{K}–$5^{mil}
Capital Commitment	70% Capex	⟶	20% Capex	<5% Capex
Time to Launch	3–5 years	⟶	1–3 years	1–3 months
Resources to Launch	200–1,000	⟶	50–100	10–25
Cost/income Ratio Impact	50%–60%	⟶	45%–50%	25%–35%
Cutover Downtime	2–4 days	⟶	1–2 days	Zero
Change Frequency	Quarterly	⟶	Monthly	Daily

* IDC research of Core Banking Transformation in Asia/Pacific regions

Successful core transformation

Migrate to fourth-generation core banking

Fourth-generation core banking rids technical debt, provides easier migration and integration, and significantly amplifies value, while reducing risks when transforming core banking.

Core vendor selection

Core banking transformation fails more because of people issues than technical ones. **Experience**, **expertise** and **execution** matters, so base core selection weighting more on project team than technology.

Measurable metrics

There are quantifiable project 'laws' defining core transformation success. Ensure bank and vendor performance management systems (PMS) and KPIs are measurable and aligned.

Proven migration roadmap

Do not license a core banking platform without, first, a well-understood and believable journey roadmap; and second, disciplined project governance. These are two certain signs of **experience**, **expertise** and **execution**.

Consider a hybrid project type

The project type significantly impacts migration approach, resourcing and KPIs. Blending elements of several can deliver early results without compromising long-term delivery of straight-through digital banking.

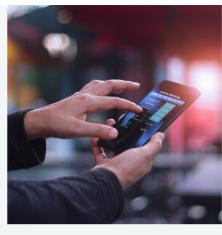# Three decades of '3E's' for successful core banking transformation

Since 1989, **Silverlake Axis** has continually evolved and successfully journeyed with our customers on their core banking transformations. We understand that every customer is unique; hence we bring hyper-personalized and configurable technology together with experience to execute transformation.

Experience, Expertise and Execution

We have been involved in numerous transformative projects across the region, and even called in to rescue projects involving big bang roll outs, complex mergers and acquisitions, super-regional deployments, and digital transformation.

With a proven track record and 100% success rate, it is no doubt that we are the partner of choice for more than 40% of the top 20 largest banks in Southeast Asia.

Our solutions are always ahead of technology trends. Coupled with hyper-personalized avant-garde technology that involves continuous improvements through

innovation that is proven, reliable, scalable and based on secured technology. These skills, combined with our unparalleled expertise, are known to provide compelling and differentiated benefits to our customers for the past decades.

Our computing principles, which are grounded on mathematical models, sets Silverlake apart in terms of technology and innovation. Through mathematical models, we have refined, expanded, and broadened our skillsets as a team of highly skilled professionals ready to communicate, understand, and listen to our customers.

Recognizing **every customer is unique** and with its own unique identity, Silverlake has a **straight through** solution, regardless of the customers' preferred path or roadmap. Our methodologies are proven not solely on technology, but it is the commitment and expertise behind that technology that is the key reason that has ensured our 100% successful track record for over 30 years.

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SYMMETRY AT WORK

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