

TowneBank



Key highlights

Industry/Market:

Financial Services/Banking

Products/Services

- Sun Fire™ V880 Server
- Solaris™ 8 Operating System
- Kirchman Bankway Software with Sun™ Mainframe Transaction Processing Software
- SunSpectrum Goldsm Service

Key Business Challenges

- Replace costly outsourced IT operations
- Maintain control over quality of services to members
- Select an IT environment to accommodate rapid growth
- Continue using proven Kirchman Bankway software

Key Business Results

- \$500,000 IT operational savings in year one; \$1 million annual savings expected by 2007
- ROI in under one year

“When we were evaluating whether a mainframe or open systems platform would serve the banks needs best, Sun was the only IT vendor whose products met the criteria for ease of migration, scalability, fault tolerance, and lower cost of operations. Because of the features, functions, and cost, Sun is the best solution for our bank.” –Keith Horton, Executive Vice President, TowneBank Technology and Operations

Starting in a garage four years ago, TowneBank has now become the largest FDIC-regulated bank in Virginia. The bank’s growth has far exceeded initial projections, by reaching \$800 million in assets by the end of the fourth year of operation. Because of the bank’s rapid growth, the anticipated plan to move from the original IT service bureau to in-house IT operations was accelerated, as the cost of the outsourced service bureau rose quickly. An in-house IT system was expected to support bank operations at much lower cost and provide the means to offer premium quality member service.

TowneBank undertook a rigorous financial analysis to determine the best option for its IT system. The institution wanted to continue using the proven Kirchman Bankway software for all banking operations. Because Kirchman Corporation had migrated its core banking software from the mainframe environment to the Sun platform, a Sun Fire™ server was the ideal solution for TowneBank.

IT Needs at TowneBank Grow Rapidly

With six branches in Portsmouth, Chesapeake and Virginia Beach, and two additional branches and a new member service center under construction, this locally owned community bank strives to offer high quality personalized service to its members and shareholders.

Launching a bank can be a daunting challenge. When the principals planned for the early operations of the bank, they knew that with many issues facing them —Y2K, staffing, regulatory requirements, and more — they also needed to deploy a wide variety of fully integrated services to be successful. Initially, TowneBank relied on a service bureau for core processing so they could focus resources on building the bank’s services and creating value for its shareholders.

However, the initial idea to grow to \$400 million in assets in four years was quickly eclipsed by the bank’s actual growth, which was two times the original projection. When TowneBank formed, they estimated that the cost of running with a service bureau for the first few years would be less than the cost of an inside IT operation. But with the rapid growth of the institution, the original plan to bring IT operations in-house in five years had to be revisited sooner.

Kirchman relied on Sun™ Mainframe Transaction Processing software to move its banking software to the open systems environment. That endeavor allowed TowneBank to look at options other than mainframes.

Sun is Only Vendor to Meet TowneBank Criteria

“TowneBank undertook an analysis to determine what technologies would form the foundation of our own IT system, and which vendors were capable of providing the products and support required,” explained Keith Horton, executive vice president, TowneBank Technology, and Operations. “Initially, we considered a mainframe, but found that it would be too costly, and certain features and functionality were limited.”

One key factor was having a hardware platform that was fully integrated with the Kirchman Bankway software. Kirchman Bankway provides the necessary support for all of TowneBank’s services — loans, deposits, delivery, interfaces with ATM networks, the teller platform, new accounts, and more. It was important that the selected solution be able to run Kirchman Bankway software that is used by leading banks around the country.

When Kirchman Corporation migrated their software from the original legacy environment to open systems, they created new options for customers like TowneBank who needed to keep operating costs low, but wanted the robust Kirchman solution. Kirchman relied on Sun™ Mainframe Transaction Processing software to move its banking software to the open systems environment. That endeavor allowed TowneBank to look at options other than mainframes.

After considering several options, including the IBM iSeries server, TowneBank found that Sun was the only vendor that could meet their criteria. The most important issues were ease of migration, scalability, fault tolerance, and low cost of operations. In their five year financial projections, TowneBank estimated that by using the Sun Fire™ V880 server, and running the Kirchman Bankway software, the savings would amount to millions of dollars over a mainframe solution or the service bureau.

Sun Solution Provides Growth for the Future

Horton pointed out that TowneBank was deciding on the system that would accommodate rapid growth without changing hardware architecture or operating system platforms.

“We need to spend our time in executive committee discussing products and services for our members and not member service issues. Good people and the right technology solution will allow you to keep running smoothly, day-in and day-out.”

While they considered other Sun server options, they found that the Sun Fire V880 server was the right size to accommodate their 26,000 current members and allow for growth in members and services. Because the bank intends to expand to provide other financial services, they carefully considered how IT requirements would grow over the next few years.

Sun Delivers High Level of Service

In addition to being pleased with the hardware and software offerings from Sun, Horton said that the level of service received through TowneBank’s SunSpectrum Gold™ service support agreement and the responsiveness of Sun Services staff was excellent.

“We’ve been very happy with the support services from Sun,” he commented. “The Sun staff is very prompt in responding; we’re happy that we can get in touch with people quickly when we have questions. That level of service and commitment is important to us, and we will look for more ways to do business with a company that goes out of their way to provide good service.”

TowneBank Depends on Sun for its Future

TowneBank plans to use only the Sun platform for its future banking needs. As the bank grows, Horton said they will remain a local community bank, and will also expand to offer their members more related financial services — insurance, mortgages, and title policies.

As these new offerings drive new IT needs, Horton expects the solutions to come from Sun.

“We see that there will be opportunities to deploy Sun in these other areas, and we’d like to exploit the Sun technology to its fullest potential,” Horton said. “Sun is our vendor of choice.”

In the meantime, TowneBank is quite pleased with the projected financial savings of \$500,000 in annual operating costs over the service bureau, which will grow to savings of \$1 million per year by 2007. With a ROI of less than one year, Horton believes TowneBank made a wise decision selecting Sun.

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