

TRANSACTIONAL BANKING SOLUTIONS FROM SAP

INTEGRATING DEPOSITS, LOANS, AND COLLATERAL MANAGEMENT

SAP® applications leverage SAP technology and service-oriented architecture (SOA) to enable key banking processes. Powered by the SAP NetWeaver® technology platform, the applications form a business process foundation that can help banks reduce costs, increase efficiency, and achieve new levels of differentiation.



To compete in a turbulent financial services environment, banks must adopt new business models and manage business processes with new levels of efficiency and flexibility. At the same time, they must lower costs and master the complexities of product differentiation. To achieve these goals, banks must see clearly, think clearly, and act clearly. Managers and staff must know what's going on in every aspect of the business and its networks.

Traditional IT solutions typically support either increased efficiency or increased differentiation, but not both. Increasing efficiency often involves a rigid, inflexible software landscape that limits using new approaches and innovation. Increasing differentiation can require extra software layers and cumbersome interfaces.

For today's challenges, your bank needs applications based on elements that are modular, reusable, and scalable. You must be able to assemble these elements as needed for various strategic or operational goals – without writing new code or developing new interfaces. Although many activities for managing deposits, loans, and collateral are similar, the processes are often handled by independent applications with redundant functionality. The preferred approach of industry leaders is to create software components once and incorporate them into the functions and activities that require them as they are needed.

To achieve this goal and help banks bring innovative products and services to market more quickly, SAP delivers robust support for your business processes

that leverages SAP technology and service-oriented architecture (SOA). This support brings together:

- A repository of industry-specific enterprise services for transactional banking
- Service-enabled applications that use enterprise services to manage deposits, loans, and collateral
- The SAP NetWeaver® technology platform for composing, provisioning, and managing enterprise services and service-enabled applications
- A technology environment that supports visual modeling of business processes executed within and beyond enterprise boundaries

Applications supporting deposits, loans, and collateral management are integrated with enterprise services, each other, and other software in the SAP for Banking solution portfolio – such as the SAP® Payment Engine application and the SAP Accounting for Financial Instruments application. The applications can also be deployed individually.

The Approach to SOA Advanced by SAP

With SOA, you can compose enterprise services – the building blocks of functionality and process steps – and combine those services into overarching processes. The services and their interfaces are based on a consistent global language, and their design reflects best practices used in the banking industry. The services and the resulting processes use consistent data types, business objects, and messages described by open standards.

SAP NetWeaver provides the best-in-class technology to support comprehensive banking operations using SOA. Its open architecture integrates with existing infrastructures, from “bank-in-a-box” solutions to highly specialized operational systems. The ability to deploy specialized, single-function components helps enterprises scale to a global, regional, or centralized business model.

Real-Time Deposits Management

As a continuous stream of innovative products and services swells the already large volumes of data your bank must manage, IT solutions that can handle this data in real time become increasingly important.

The SAP Deposits Management application within the SAP for Banking solution portfolio provides modular, scalable software that automates and streamlines high-volume deposits processing for the balance-based products of large retail banks, private banks, and corporate banks. The application integrates processing across all types of accounts and supports multiple sales channels.

SAP Deposits Management offers pre-configured products for personal and corporate checking accounts, savings accounts, CDs (time deposits), bank accounts, internal clearing accounts, and one-time accounts. There is support for sophisticated cash management products (such as cash pooling and sweeping, notional pooling, and customer overdraft lines) for corporate banks. A product configuration tool lets you create new products with no programming effort

required, which shortens the time to market for launching those products.

SAP Deposits Management is designed to handle the high-performance batch processing that banks require today. To support contract and transaction services, the application offers key functionality for automated, real-time posting and highly efficient post processing. It supports the opening, settling, and closing of account contracts and card contracts.

Operating within a framework of posting-control rules specifically structured for individual bank segments, SAP Deposits Management can handle millions of accounts and process millions of payments per hour. In addition to its enormous capacity, the application is capable of real-time online processing and is available 24x7. As a result, end-of-day processing runs in parallel with postings processing. This significantly reduces the complexity of posting-control processes and gives you detailed, up-to-date account information.

Loans Management from Acquisition to Payoff

To reduce the time, cost, and potential errors involved with manual processing, leading banks are automating the entire loan lifecycle – from acquisition to payoff. This includes processing for both secured and unsecured loans that involve both scheduled and unscheduled contract and payment events.

With the SAP Loans Management application, you can tailor products to customer needs, streamline the loan origination process, use straight-through



processing to enhance profitability, and comply with today’s complex regulatory environment. The application supports a wide variety of lending products to help you create a more flexible product portfolio with a short time to market for new offerings.

Designed for automated, high-volume loan processing, SAP Loans Management can be integrated with processing for loan origination, collateralization, and accounting. The software helps you manage loan accounts with specific conditions and repayment agreements, including installment, annuity, and interest only. Key functionality includes:

- Product definition and configuration
- Management of master data for contracts and loans
- Flexible condition handling
- Full and partial disbursements
- Billing and incoming payment distribution
- Open-item management
- Servicing of loan contracts, including loan renewals, payment plan changes, skipped payments, payment extensions, full and partial payoffs, cancellations, and rescissions
- Contract end processing
- Loan accounting

Effective Collateral Management

In the face of stricter regulations and mounting competition, effective collateral management has gained in importance. Banks need support for mapping both simple and complex relationships between borrowings, collateral assets, collateral providers, and collateral assignees. They also need back-office support for international collateral management requirements, such as those in the Basel II Capital Accord.

The SAP Collateral Management application helps you address these needs with robust functionality for handling:

- Collateral agreements such as real estate liens, registered liens, pledges, assignments, and guarantees
- Encumbrances by your institution or a third party
- Collateral scope – deal-specific or borrow-specific
- Relationships between assets, transactions, and collateral agreements – including collateral pools
- Assignment and deletion of collateral
- Relevant calculations – including collateral cover, collateral distribution, loan-to-value ratios, free collateral, and collateral shortfalls

A special feature lets you push exceptions to a productivity-enhancing workplace for the credit administration officer. Corporate banks can use the application to handle large lending portfolios and related collaterals. In addition, SAP Collateral Management includes Web-based services to support processes around loan origination and collateral revaluing.

Greater Adaptability, Openness, and Cost Efficiency

With a business process platform enabled by SAP software and SAP technology, your bank can migrate toward a business-driven software landscape that increases adaptability, openness, and cost efficiency. You can reduce the time and money spent on extending, improving, and maintaining IT resources.

Using this platform with SAP applications for managing deposits, loans, and collateral gives you the flexibility you need for continuous product and service innovation as well as for comprehensive support to speed these new offerings to market. The applications can improve cost efficiency by helping you standardize services and interfaces in controlled phases – without disrupting existing functionality – and maximize your outsourcing opportunities.

The applications can help you navigate today's complex regulatory environment by aligning your system operations and business processes for stronger business controls. Improvements in the accuracy and timeliness of key business information can further enhance your compliance capabilities and help you make better strategic decisions.

Next-Generation Bank Performance

Using the business process platform supported by SAP technology, your bank can begin a low-risk journey based on incremental adoption of new

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applications and components – regardless of whether your infrastructure already contains SAP software or not.

The reuse of process components and enterprise services provides a high degree of flexibility. You can adapt IT assets quickly and cost-effectively, lower total cost of operation, and accelerate the introduction of new products and services. The combination of reduced costs and faster time to market can give your bank a significant competitive advantage.

Find Out More

For more information about how your bank can become a next-generation performer by leveraging SAP software and technology, visit us on the Web at www.sap.com/banking.

Summary

Only the banks that can see clearly, think clearly, and act clearly will survive current conditions and emerge in a stronger competitive position than before. SAP® applications enabled by service-oriented architecture (SOA) support and enhance key banking processes. Powered by the SAP NetWeaver® technology platform, the applications form a robust business process foundation banks can use to reduce costs, increase efficiency, and achieve new levels of differentiation.

Business Challenges

- Adopt new business models that make it easier to compete in a dynamic economy
- Make business processes more flexible, responsive, and cost efficient
- Provide innovative products without adding software layers and interfaces

Key Features

- **Repository of industry-specific enterprise services** – Link transactional banking processes to strategic and operational goals
- **Service-enabled applications** – Manage deposits, loans, and collateral with elements that are modular, reusable, and scalable
- **Service-oriented architecture** – Compose, provision, and manage enterprise services and service-enabled applications
- **Visual modeling of business processes** – Execute processes within and beyond enterprise boundaries

Business Benefits

- **Increase adaptability, openness, and cost efficiency** by migrating to a business-driven software landscape
- **Minimize time and money** for extending, improving, and maintaining IT resources
- **Improve flexibility and speed of product innovation** through standardized services and interfaces
- **Navigate today's complex regulatory environment** by aligning system operations and business processes to create stronger business controls

For More Information

Call your SAP representative, or visit our Web site at www.sap.com/banking.

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