



## Deutsche Postbank: Building a Payments Processing Business

Partners since 1999, Deutsche Postbank and SAP developed a core banking platform based on SAP® technology. Having achieved leadership in retail and corporate banking via IT and process standardization, Postbank co-developed a payments engine with SAP that helped build a competitive advantage in low-cost payment processing and enabled it to offer outsourced transaction services to other banks.

# Executive overview

## Company

Deutsche Postbank

## Headquarters

Bonn, Germany

## Industry

Banking

## Products and Services

Retail banking, corporate banking, transaction banking, financial markets

## Employees

21,000

## Revenue

€4.3 billion

## Web Site

[www.postbank.de](http://www.postbank.de)

## Partners

SAP® Consulting, SAP Active Global Support, and SAP Custom Development organizations; Accenture;  and others

## BUSINESS TRANSFORMATION

### The company's top objectives

- Achieve leadership in transaction banking in Europe, reducing cost of operations via process automation and optimization
- Speed up time to market of new, differentiated products in the retail payments area
- Strengthen competitive position by offering payment processing services to leading banks

### The resolution

- Added end-to-end payment processing capability to existing SAP® core banking landscape
- Upgraded to the latest version of SAP for Banking solutions including SAP Loans Management and SAP Deposits Management applications

### The key benefits

- Single platform with standardized processes for all payment types
- High-volume payment processing for 14 million customers
- Secure straight-through processing of more than 7.4 billion payment transactions a year

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## TOP BENEFITS ACHIEVED

**80%**

Reduction in time to market of new payments products

**40%**

Reduction in time to respond to mandatory regulatory requirements

**>98%**

Straight-through processing (STP) rates

See more metrics ►

“The payments engine developed with SAP has opened new perspectives for Postbank, making it a technology leader with a competitive advantage in the payments area.”

Waldemar Nickel, Head of Competence Center Banking and Payments, Deutsche Postbank

Executive overview

## Company objectives

Resolution

Business transformation

Future plans

# Transforming payments at Deutsche Postbank

Deutsche Postbank is Germany's largest retail bank, serving 14 million customers, including 30,000 corporations and 260,000 small and midsize companies. It is a market leader in retail with innovative products and multichannel customer-centric offerings via its online and telephone banking capabilities.

Postbank needed to build an industrial-scale platform to cater to its own customers' payments requirements as well as to several German banks including HSH Nordbank and their parent bank, Deutsche Bank, that have outsourced their payment operations to Postbank since 2005.

In the past, the bank ran its payments operations using up to 18 different Kordoba-based legacy systems in each of its operating centers. This fragmented environment posed problems in many areas. With multiple complex user interfaces to build, tailoring products and services to changing customer needs and accommodating new regulatory requirements was time-consuming and inflexible. Manual interventions during processing meant higher probability of errors and high operating costs. Furthermore, the IT maintenance spend was high and IT development costs prohibitive.



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# Innovation in payments, on the strength of SAP solutions

From 2005 to 2008, Deutsche Postbank and SAP co-developed a multibank platform designed for industry-wide use in effectively processing mass volumes of payments to serve all payment channels. Postbank provided requirements to SAP, which worked with Accenture to develop the application. One requirement was to integrate the processing of payments with the SAP Deposits Management application that had been running in Postbank since 2003.

The industrial strength of the platform was rigorously tested during the development phase. In 2007, an independent performance benchmark test showed that the payments engine could process almost 60 million transactions in less than 5.5 hours. The performance test confirmed that the SAP solution had the scalability to handle mass processing of retail payments in times of growing volumes.

In 2008, Deutsche Postbank went live with the payments engine for domestic payments for in-house operations (Postbank customers). From 2009 onward, the platform was enhanced for full compliance with Single Euro Payments Area (SEPA) formats within the deadlines set by EU regulators.

“The payments engine is a result of a co-development project between Postbank and SAP,” says Klaus Weber, executive VP of the SAP Custom Development organization. “Great minds came together to develop a high-performance payments machine that handles 20 million transactions per day – with the ability to scale much higher. This was a highly replicable success shared with SAP customers globally as an SAP standard solution.”



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# Offering payments services at the lowest possible cost

Deutsche Postbank currently processes payments for 14 million customers in Germany. Payments can be made via all channels such as a branch, an ATM, or the Internet. They are checked for accuracy and directly processed into customers' bank accounts. The bank is fully SEPA compliant and is well prepared for the upcoming SEPA end date in February 2014.

Highly standardized real-time processing has transformed the payments function and significantly lowered costs. End-of-day processing now takes only

3-4 hours compared to 8 hours. New payment types can be implemented in days rather than months, and regulatory requirements can be accommodated 40% sooner.

The payments engine is based on the SAP NetWeaver® technology platform, which is compatible with Postbank's existing IT infrastructure, easing integration with surrounding applications and allowing consolidation of 18 legacy systems onto a single platform.

## KEY BENEFITS

### 80%

Reduction in time to market of new payments products

### 70%

Reduction in nonstandard payment processes

### 30%

Reduction in IT development spend

### 40%

Reduction in time to respond to mandatory regulatory requirements

### 50%

Reduction in day-end transaction processing time

### 35%

Reduction in IT maintenance spend



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## Building a competitive advantage

The bank will continue to serve its existing and potential customer base with cost-efficient and differentiated payments services both in retail and in the small business sectors. The acquisition of Postbank by Deutsche Bank in 2010 provided a new opportunity to leverage the cost advantage provided by the SAP solution. "The payments engine is the best, most flexible platform in the market, built on the most modern technology in the world," comments Dr. Ralph Müller, chairman of the Management Board of Betriebs-Center für Banken AG, a subsidiary of Deutsche Postbank. "Thanks to this new platform, there are no longer any technical limits to our growth. The software is scalable and therefore can easily handle rising transaction volumes."



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