

**SAP Solution Brief
SAP for Banking**



FINANCIAL AND MANAGEMENT ACCOUNTING WITH SAP® FOR BANKING

Financial and management accounting applications within SAP® for Banking can help banks improve financial reporting, reporting on organizational performance, and profitability analysis. They provide a consistent, reconciled, auditable set of books for statutory reporting, business consolidation, and management support – as well as a single source of data for regulatory compliance or portfolio and risk management. Such capabilities can mean faster completion of business and statutory accounts, improved transparency, and greater control over corporate finance functions.

Recent changes in accounting standards and compliance, along with greater emphasis on managing risk and value, have introduced new key measures of bank performance and made it more important to coordinate the internal and external reporting of financials and risk. To meet these challenges, banks must more fully integrate their accounting data and processes.

The SAP for Banking portfolio of solutions assists with this integration by supporting key financial accounting activities, key management accounting activities, and the creation of reports based on these activities. SAP for Banking can also help you integrate accounting activities with other analytical banking areas, such as risk management.

Financial Accounting

Today banks face complex reporting needs driven by internal management requirements and external rules for regulatory disclosure. Beginning in 2005, top-tier banks in the European Union must meet new financial accounting requirements under the International Financial Reporting Standards (IFRS). Increasingly, banks outside Europe are adopting IFRS requirements as well. Meeting these goals demands enhanced support for valuing and posting financial instruments, determining financial reporting data, and consolidating data from individual companies.

Valuing and Posting Financial Instruments

Classic subledger functions within SAP for Banking solutions help with valuing financial instruments under these new regulations, posting these valuations, and posting business transactions. SAP for Banking provides full support for IFRS and the International Accounting Standards (IAS), including IAS rules 32 and 39.

You can value, post, and report on diverse financial instruments using a single platform to ensure consistent master data, methods, and market data. There is also support for complex transactions, such as the splitting of embedded derivatives from host contracts, which IFRS requires, and the treatment of multicurrency transactions such as cross-currency swaps.

SAP for Banking makes it easy to manage complicated calculations under the hedge accounting requirements of IAS 39. The software can identify, designate, and dissolve relationships between hedged items and hedging instruments and support the processing of micro fair-value hedges, portfolio fair-value hedges, and macro cash-flow hedges. Prospective and retrospective effectiveness tests are integrated with a hedge management workplace.

Hedge accounting functions respond automatically to changes in the hedging relationships and in the effectiveness of those relationships, as required by IAS 39. The software controls accounting processes such as posting rules and key-date valuation via the hedging relationship.

Determining Financial Reporting Data

Company-wide control and integration of financial information have become essential to strategic decision making. Market capitalization can now be severely impacted by misstatements in financial reports. Meanwhile, corporate executives have become more personally accountable – and liable – for the quality of these reports.

SAP for Banking offers subledger functions to produce detailed reporting data for financial instruments. You can post business transactions and execute calculations and valuations on a single contract level. The criteria used to create items in the balance sheet and the profit-and-loss statement are flexible enough to meet your particular business and reporting needs.

Classic general ledger functions let you track financial accounting data for multiple companies, languages, currencies, and charts of accounts. Besides addressing requirements such as IFRS and U.S. Generally Accepted Accounting Principles (GAAP), SAP for Banking fully reflects legal and accounting changes related to European market and currency unification – as well as the requirements of individual countries. SAP for Banking can also help banks comply with the U.S. Sarbanes-Oxley Act.

SAP for Banking integrates both banking and nonbanking data. Collecting and storing all business events from different systems in a single, integrated system ensures that account management is complete and synchronized at all times.

Consolidating Data from Individual Companies

Today's international conglomerates can have dozens of subsidiaries with large amounts of information that must be consolidated. Historically, companies have translated and then manually rekeyed subsidiary data – broadening the margin for error and complicating the audit trail.

Business consolidation capabilities within SAP for Banking provide a centralized database for producing comprehensive financial accounting data. You get powerful integration, reconciliation, and auditing features that include the following:

- **Controlled support for gathering and validating data from multiple source systems** (both SAP and non-SAP)
- **Submission and storage of data in the currency of the reporting unit**, as well as translated group balances
- **Balance tracking for reporting units that is separate from corporate-level adjustments** and ensures linkage back to initial balances
- **Full consolidation-monitoring capabilities** to ensure centralized control

Management Accounting

SAP for Banking supports the valuation and recording of financial data for financial reporting as well as the reporting of costs and revenues. By integrating reporting activities on a single platform, SAP for Banking provides the same basic data to analysts, managers, and financial accountants.

Determining Product Profitability

SAP for Banking can help you identify new market opportunities and assess the effectiveness of targeted offerings. Profit management functions let you examine costs and revenues by product, company division, distribution channel, customer segment, or individual customer. The solutions support a broad range of calculation methods for allocating true economic cost on a single contract level, including the following:

- **Funds-transfer pricing methods** such as pooling, matched maturity, or duration
- **Mark-to-market and net present value calculations**
- **Capital and cost allocation**, including equity capital costs and loan-loss provisions

SAP for Banking supports common methods for cost accounting as well as new, activity-based costing strategies.

Predefined reporting and analysis tools let you monitor the contribution margins of current offerings and make fast, accurate decisions about future products. You can calculate results for a single transaction or by product, profit center, or customer. The system collects, compresses, and distributes results of every transaction according to reporting structures and time frames that you define.

Determining Organizational Performance

SAP for Banking can help you calculate the profits for both internal areas of responsibility and your enterprise as a whole—using either period accounting or a cost-of-sales approach. The ability to represent operational results using different points of view and currencies can significantly improve business decision making.

Activity-based costing functions within SAP for Banking help you assign the cost of overhead activities to specific products, customers, or market segments. A supplement to traditional cost accounting, these process-oriented functions let you more precisely determine the income contribution of individual products and related business strategies. Activity-based costing can also provide information about the cost of idle capacity for your resources and help you maximize resources and improve business-process efficiency.

Creating Reports

SAP for Banking makes it simple to gather and analyze all cost, risk, and revenue data. Fully integrated business intelligence functions provide fast access to the detailed information and multidimensional analyses your managers require. Industry-specific content includes prewritten queries, reports, and analysis scenarios. Data selection and extraction routines help you get maximum value from your data. You can define your own variables and characteristics, such as currency for a new market. Based on industry best practices, the prewritten business content can automate the costing and budgeting of new processes, products, and services.

SAP for Banking makes it easy to extract data from any source and then clean, store, and maintain this data at the level of detail you require. An online processing engine turns raw data into in-depth, easy-to-read reports and analyses that provide up-to-the-minute information for business planning, risk assessment, strategic marketing, or customer relationship management. Tools for queries, reporting, and multidimensional analysis support collaborative decision making. The solutions can distribute responses for ad hoc queries to desktops, Web clients, mobile devices, or e-mail.

SAP for Banking provides an integrated, consistent view of your enterprise using data from both internal and external sources. You can include new levels of detail or create additional reports and access data on detail or summary levels. Users can develop their own reporting environments, graphically represent data, and visualize relationships between business information and spatial information to produce geographic analyses.

Multiple Business Benefits

SAP for Banking can help you increase revenue, maximize customer profitability, reduce operating costs, increase efficiency, and manage your resources more effectively. By integrating data across your enterprise and beyond, SAP for Banking improves the uniformity of your source of data, calculation methods, and results – thereby improving the consistency and integration of your general ledger and subledgers. The solutions can also help you integrate processes for enterprise resource planning and provide an audit trail and drill-down functions. The result is increased transparency and a single version of the truth that you can use for timely business decisions.

Automatic capture of revenue and cost information for your customers, products, projects, and services can free up time for data analysis. Improved accounting control can accelerate financial closes and increase the accuracy of financial reporting. Support for international and local accounting standards, along with decreases in manual processing, can reduce the risk of noncompliance.

Meet Today's Accounting Needs

A scalable architecture makes SAP for Banking ideal for institutions of any size. An open platform lets you easily integrate the solutions with existing enterprise applications, operational applications, internal and external data sources, and third-party reporting tools. From its powerful data management functionality to its inherent flexibility, SAP for Banking offers the support you need to master today's regulatory and market realities.

For more information on how SAP for Banking can enhance financial and management accounting for your firm, please visit the SAP Web site at www.sap.com/industries/banking.

Powered by SAP NetWeaver®

SAP for Banking is powered by the SAP NetWeaver® platform, the open integration and application platform that enables change. SAP NetWeaver helps companies align IT with their business. It allows companies to obtain more business value from existing IT investments and to deploy a service-oriented architecture. SAP NetWeaver reduces total cost of ownership and complexity across the entire IT landscape.

SAP NetWeaver powers mySAP™ Business Suite solutions, SAP® xApps™ packaged composite applications, and partner solutions. It provides the best way to integrate all systems running SAP or non-SAP software. SAP NetWeaver unifies integration technologies into a single platform and is preintegrated with business applications, reducing the need for custom integration.