



# IT/Operations - Competitive platform

- Dirk Berensmann -

Capital Markets Day  
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# Investors' perception of German Retail Banking: No specific thrills ...



**Not thrilling**  
(rather boring)

**Commodity**  
(not much  
differentiation)

and

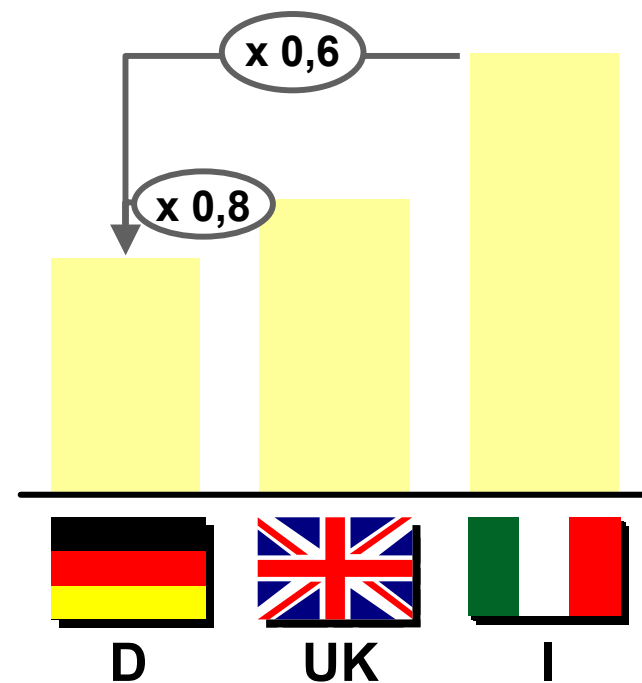
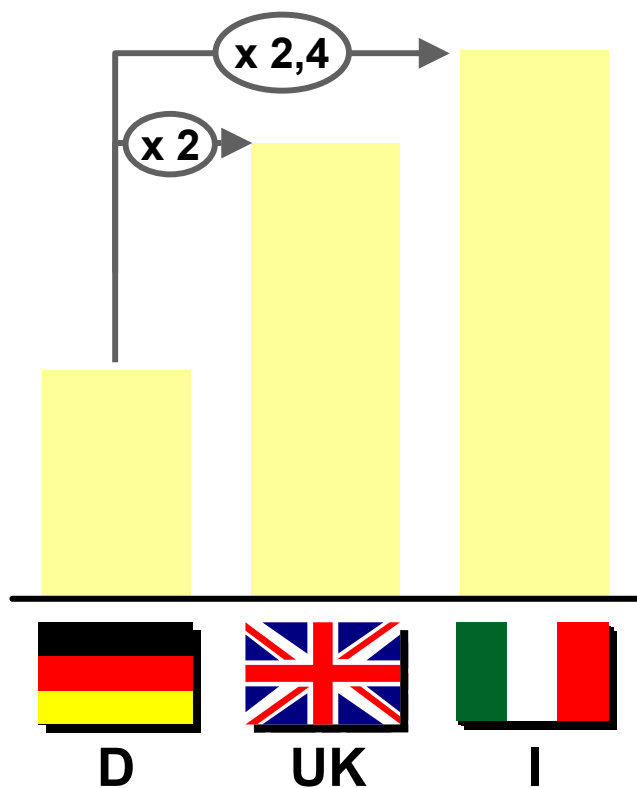
**Utility business**  
(but always  
available)

... strong revenue pressure and

hard-to-achieve efficiency gains

**Revenues\***

**Costs\***



\* Per € 100 Balancesheet volume

**Success criteria for retail banks:  
efficient sales and low-cost production  
(cost/income margin)**

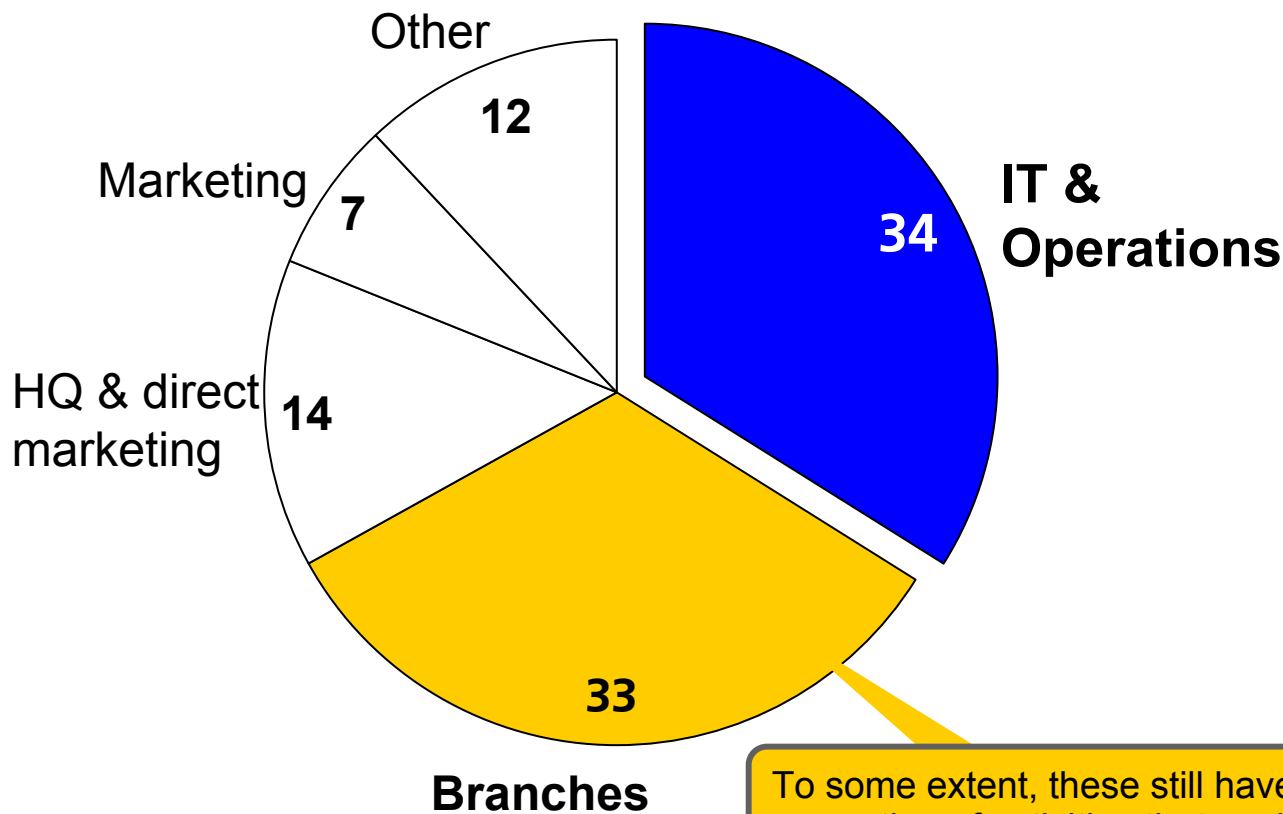
**Change the level of vertical integration  
(commodity: use additional economies  
of scale)**



# ... IT/Operations is the most suited to the job

Costs structure of German retail banks (2001)

in %

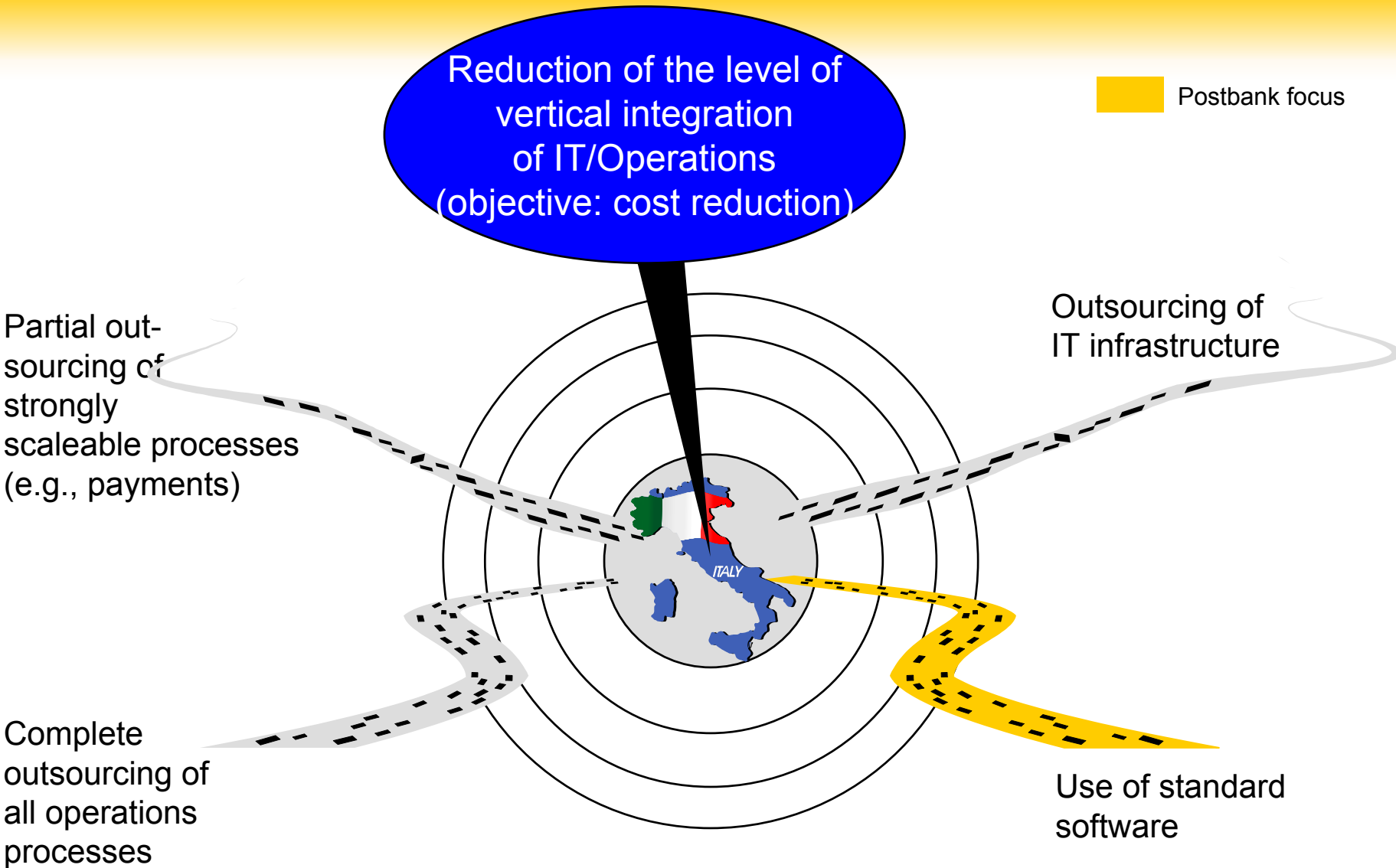


**Preconditions:**

- Significantly large cost block
- Processes can be standardized
- Processes are not dependent upon a particular location



To some extent, these still have a high proportion of activities that could be moved to central operations functions

# Many roads lead to Rome...



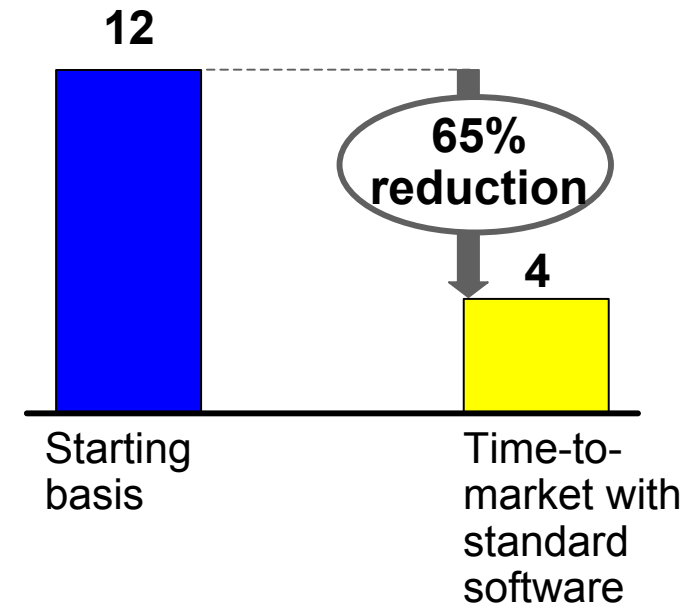
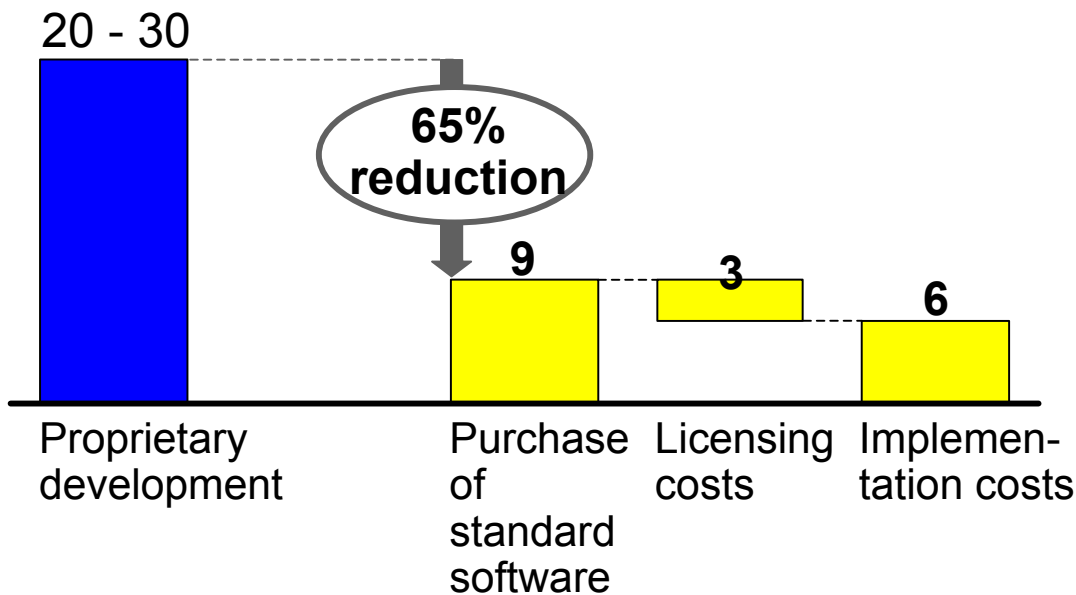
# Advantages of standard software proven for smaller banks

Bank with balance sheet total of USD 3 billion

-  In-house solution
-  Standard software

Cost reduction in terms of development/implementation costs  
in Mio USD

"Time-to-market"-  
improvement  
in months



## Strategic advantages

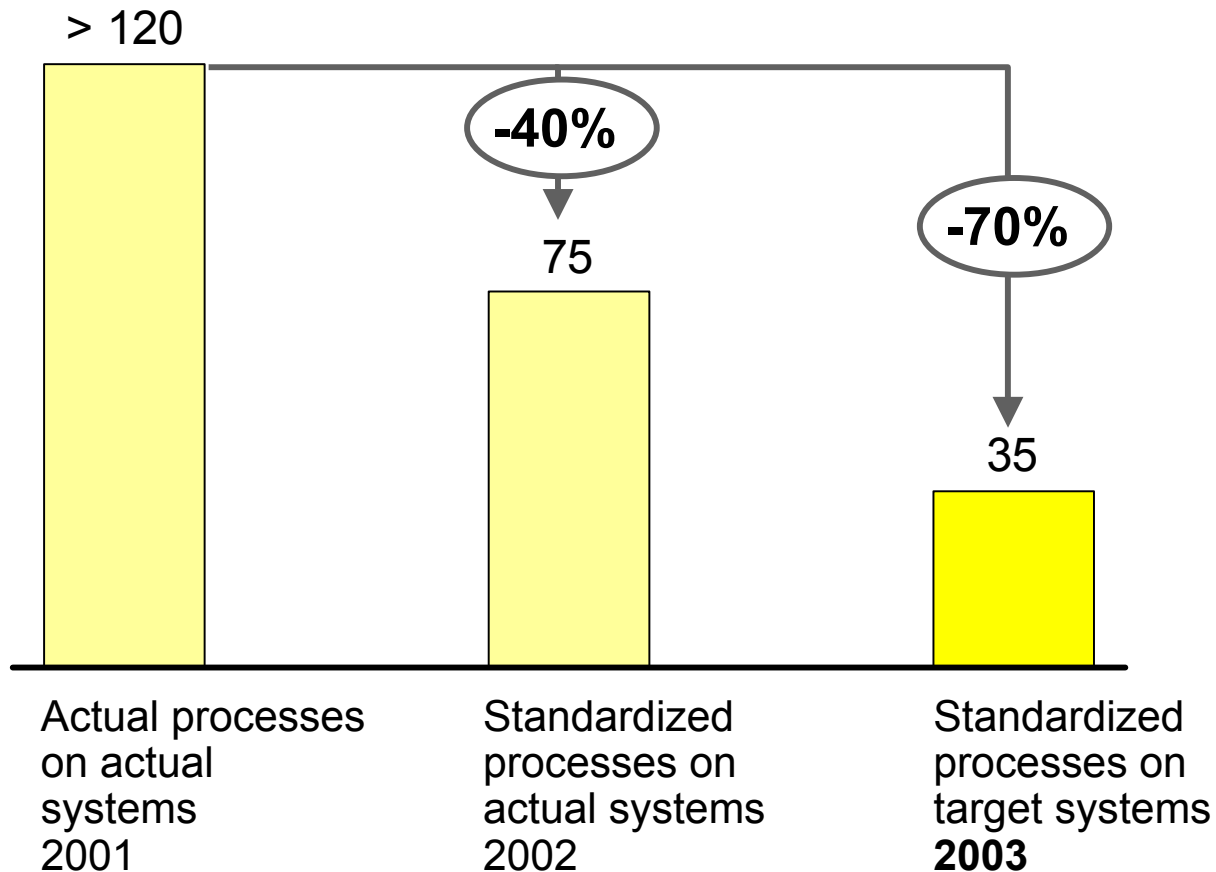
- Improved integration of IT and Operations in the event of mergers
  - Faster (within 1 to 1.5 years)
  - More cost effective (savings of € 50 – 70 million)
- Opportunity for the transformation of Operations functions into profit centers (insourcing of payment transactions, account management etc.)

## Quantitative advantages

- Drastic reduction in running IT costs (up to € 40 million per year)
- Acceleration of „time-to-market“ for products down to only a few weeks – dependent upon the capabilities of the front-end systems
- Further cost reductions via standardized processes and greater innovative ability of IT (up to € 50 million per year)

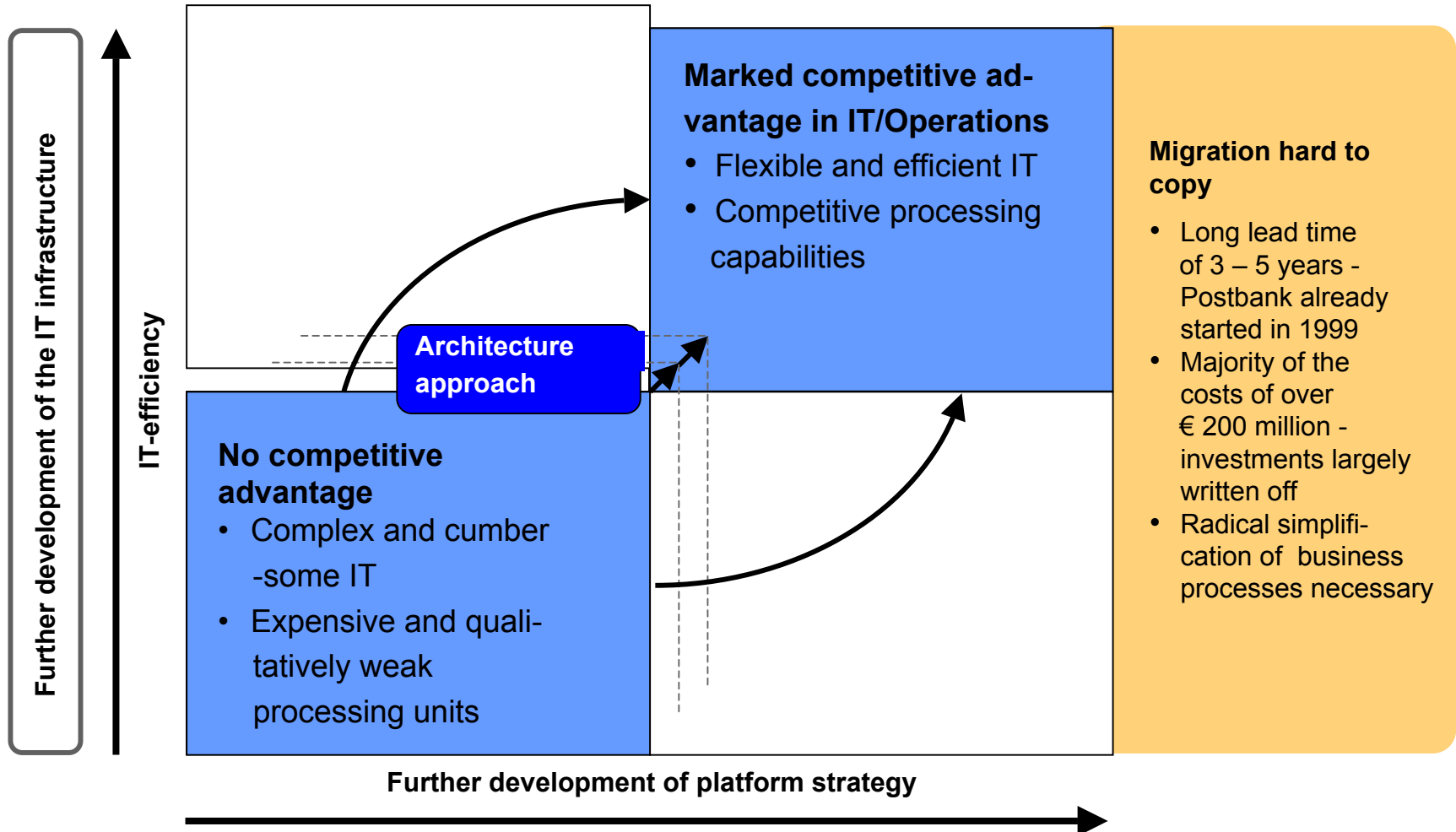
# Reduction of process complexity is required

Example: Postbank Operations



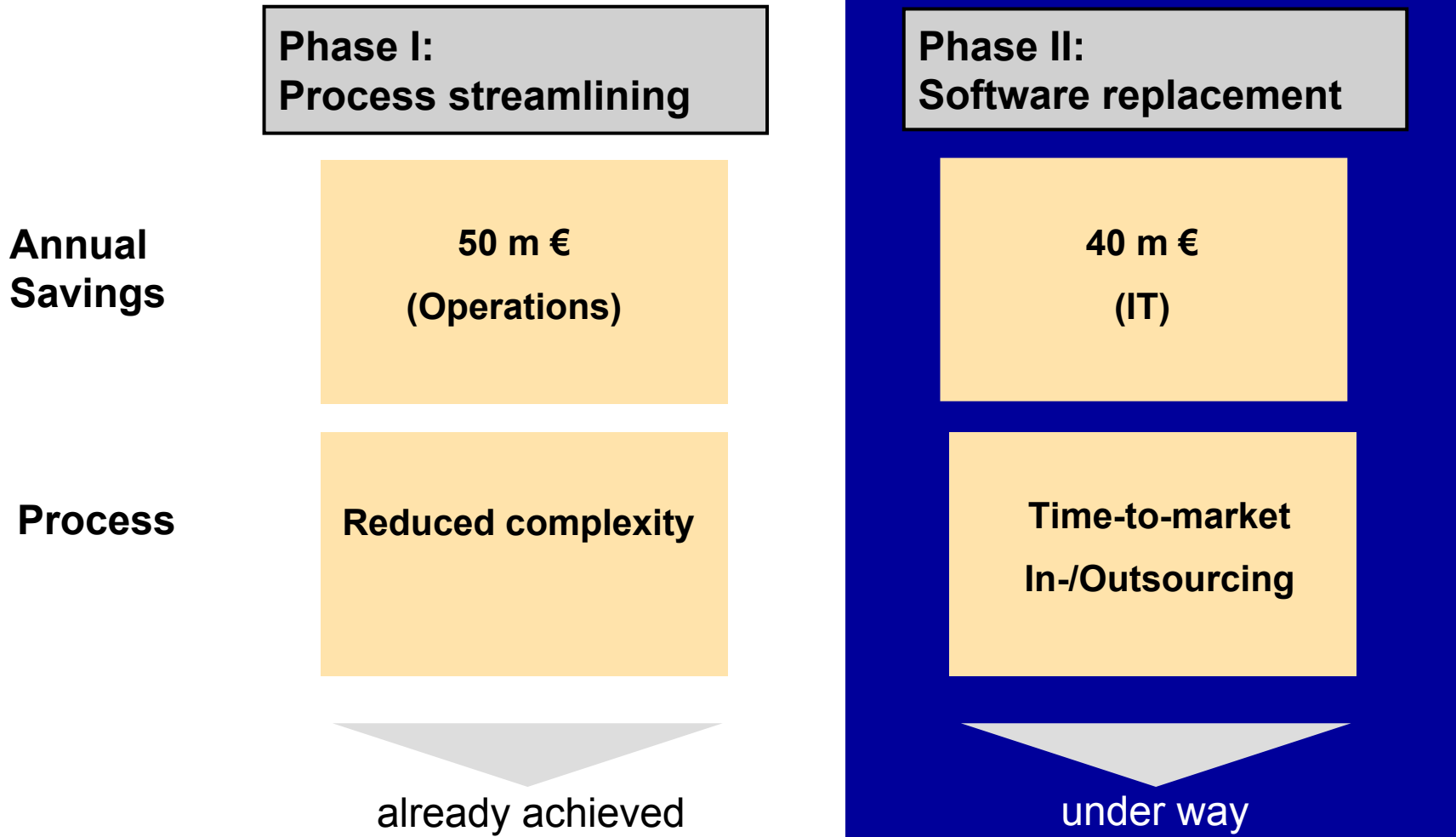
# Postbank is pursuing a radical replacement of core systems

## Migration options for core systems



# Annual savings of 50 m € already achieved - additional annual savings of 40 m € to be reaped

Benefits from core banking system



# Despite immense challenges, the project has run largely according to plan for 3 years

Generated cost savings > 50 € million

Release planning Postbank SAP project (IT 2003)



✓

(✓)

2004

2004

2004/5



✓

✓

✓

✓

(✓)



✓

✓

✓

✓

✓

**Specifications prepared**

**Software delivered**

**Customizing concluded**

**System test completed**

**Used in production**



# Positioning for the Future

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