Rabobank: Paving the Way for Innovation with Digitalized Loan Processing

Coöperatieve Rabobank U.A. (Rabobank) operates in a fast-paced Dutch banking market where customer expectations are high and nimble competitors are happy to meet them. Digitalization of its banking operations to meet customers’ needs for speed, reliability, and innovation was a key imperative; however, its legacy system for loans and collateral administration was holding it back. Rabobank sought a robust solution that it could implement with minimal customization. That’s what it found in banking solutions from SAP.
Digitalizing Loans and Collateral Administration with SAP® Solutions

Before: Challenges and Opportunities
• Replace slow and inflexible loans and collateral administration with an automated solution that requires little customization and supports straight-through processing (STP)
• Satisfy customer demand for speedy online transactions and accurate, up-to-date information
• Support the bank’s goal to become the top innovator in the Dutch banking sector

Why SAP
• Banking solutions from SAP supporting STP, which allows smooth transaction processing and eliminates the need for manual data reentry
• Fast time to market and ability to implement standard solutions with flexible configuration capabilities
• Agile approach to project implementation
• Good track record with SAP solutions at Rabobank

After: Value-Driven Results
• Faster transactions, handled in real time instead of batch end-of-day processing
• 95% STP rate, meaning nearly the full loan portfolio is processed fully automated without any manual intervention during the whole lifecycle
• Fewer employees required to process loans, with an effort reduction of 88% and a centralized team of 30 replacing the 250 FTEs dispersed across more than 100 local banks
• Fast and trustworthy loans service that has increased customer satisfaction and provides a solid basis for further digitalization and innovation of banking services

“Our STP rate using banking solutions from SAP is huge. We had an idea we could handle 80% using STP. Even the initial figure of around 90% was beyond expectations, and now we are at 95%.”

Bart Vloet, Senior Delivery Manager Lending and Insurance, Coöperatieve Rabobank U.A.

50%
Increase in efficiency for matching unallocated payments

Higher
Reallocation match with machine learning
Implementing a **New Loan System** to Help Meet Customers’ Needs

One of the biggest banks in the Netherlands, Coöperatieve Rabobank U.A. (Rabobank) serves almost 8.3 million customers at home and internationally through a combination of digital offerings and more than 100 local banks. As the first financial institution in the Netherlands to offer Internet banking, Rabobank has a reputation for innovation. Yet, faced with intense competition from equally agile competitors, very high customer expectations, and a rapidly changing financial services landscape in the Netherlands, Rabobank identified an urgent need to digitalize its business.

A new system for loans and collateral administration needed

A key part of this transformation was replacing the bank’s legacy system for loans servicing. Developed in-house in the late 1980s and 1990s, the loans solution was slow, inflexible, and unable to accommodate new loan products or automate processes. Staff had to enter transactions manually into the system for batch processing, and every local bank had people handling these transactions, amounting to a team of 250 dispersed across all local banks. As well as being inefficient, the legacy system was simply not up to the job of facilitating the instant online access that today’s customers demand.

What Rabobank needed was a system that could **accommodate straight-through processing** (STP) – a streamlined, fully automated handling process across the complete loan-servicing lifecycle.
Removing Manual Handling from Loan Processing

Already a user of SAP® software, such as the SAP HANA® platform, across central processes such as finance, risk, and procurement, Rabobank was aware of the good market reputation of banking solutions from SAP. This made SAP software the logical choice for the bank’s core banking processes and the introduction of STP.

The ability to implement a standardized product was a clear advantage too. As Bart Vloet, senior delivery manager for lending and insurance at Rabobank, explains, “Time to market was one reason for choosing SAP rather than a custom-built solution. The flexibility of SAP solutions was a key driver.”

The bank first conducted a small pilot in which it configured the software for its most difficult products to ensure it could implement the standard solutions with configuration only, without developing additional code. After a successful pilot, Rabobank decided to implement banking solutions from SAP for its loan processing, starting with its commercial loans and collateral portfolio.

Complete automation across the loan lifecycle
With Rabobank’s new system for loans, all transactions from the time a loan contract is closed are now processed automatically. In fact, for 95% of the loans, there is no manual intervention at all until they are fully repaid. All servicing events across the loan’s lifecycle, from onboarding and disbursement to regular transactions such as monthly repayments and nonstandard transactions such as additional payments, are handled automatically by the new solution.
Taking an **Agile Approach** to Implementing the New Solution

The team adopted an agile approach to the project, with a strong focus on the functionality required from a business perspective, and shifted its IT organization internally to support this flexibility. Using this approach, the project was able to move quickly to the DevOps stage, where teams became responsible for operations support. SAP offered special support where help was needed.

The result was a higher quality of delivery and support, a very low number of incidents in production based on a very robust solution, and a reputation for stability with the front and middle offices that use the back-end services.

“An agile DevOps approach definitely increases quality, because teams are multidisciplinary and team members can handle problems very fast. This approach also helps ensure problems don’t reoccur.”

Ad van de Ven, DevOps Manager, Coöperatieve Rabobank U.A.
Rabobank has also started to use machine learning capabilities from SAP to automate loan processes even further.

In some instances, loan repayments cannot be allocated, because information is missing or incorrect. For these cases, Rabobank uses artificial intelligence to propose the account to which payment should be made.

This has proven to be a very effective method of reallocating these payments, increasing efficiency by 50%. More generally, this proof of concept has clearly shown the value of machine learning approaches in the bank’s loan processing activities.

The achievements convinced Rabobank to use artificial intelligence for productive use and further accelerate loans management with intelligent technologies.
Laying a Firm **Foundation for Innovation with Efficient Loan Processes**

Having achieved an STP rate of 95% with its new solution, the bank has been able to reduce the number of people handling commercial loans from 250 to fewer than 30 by automating and centralizing processing. Only a very small volume of exceptions requiring manual intervention are processed by operators.

Another advantage of using banking solutions from SAP was the ability to **cover all transactions and functionality with a standard solution**. As DevOps manager Ad van de Ven explains, "It was really important up front for us to minimize custom development to make solution maintenance much easier. We managed to stick to the standard solution, which also benefits us from an operational point of view. It’s a straightforward job if we have to install support packages or even version upgrades. That is a big benefit."

But the benefits go far beyond efficiency. Customer satisfaction is up, thanks to faster transactions and more reliable data. And the new solution sets the stage for transformation of the whole chain, including middle- and front-office systems, enabling the bank to efficiently develop new products that meet customer demand for fast online services and innovative offerings.

“A high STP rate automatically leads to **high customer satisfaction** because transactions are handled immediately. And this STP rate also says you have very high-quality data, because no mistakes are made by manual handling. So it is very important that we have this solution from SAP.”

Ad van de Ven, DevOps Manager, Coöperatieve Rabobank U.A.
Continuing Its Digitalization Journey to Help Meet Customers’ Needs

Rabobank’s next step is to migrate mortgages from the legacy system to the new solution. The bank wants to develop new channels for servicing customers online, and moving to STP for loan and collateral administration is a cornerstone of these efforts. Rabobank may also look further into areas such as machine learning to identify new ways in which it can digitalize its operations to help it capture customers’ imaginations and innovate with the best.