

“In order to meet the mounting requirements of a growing, public financial service organization, Erste Group chose Tagetik as its new finance software. With Tagetik, we can fulfill IFRS and FinRep requirements in a single application while establishing a flexible framework for various tasks throughout the group. The easy-to-use solution optimally guides users through the processes of group consolidation, management reporting and statutory reporting. Since it can now quickly respond to new external requirements and internal ad hoc inquiries, we feel well equipped for the future.”

Barbara Kainz, Director Group Consolidation, Erste Group Bank AG

Company

Erste Group Bank AG
Vienna, Austria

Industry

Financial Services

Corporate Performance Management

- Group consolidation
- Reporting
- IFRS and FinRep compliance
- Segment reports and Risk information

Key facts

- One of the largest financial services providers in the Eastern part of EU
- Customer base: 16.6 million
- 700 consolidated companies

Requirements

- Complete CPM solution in one product
- Centralized control, reporting, and planning data

The Challenge

Due to the impressive growth of Erste Group, which currently includes about 700 companies in its scope of consolidation, the finance department had a difficult time integrating new corporate structures into its finance systems. Aside from its internal business development, the team also had to juggle various external requirements both as a public company and as a credit institution, which is subject to comply with the mounting, stringent regulations of the European Banking Authority (EBA). These factors set the scene for the implementation of a new consolidation system at Erste Group – even though a rather practical aspect stood in the spotlight. Maintenance services for the software it had previously used were going to be discontinued.

In the winter of 2011, the department saw the need to take immediate action because, at the time, FinRep* was to come into force in 2013. Even before the new regulations were to take effect, the EBA had already started to require highly granular financial data – on a level that went above and beyond what conventional financial reporting standards require for annual consolidated financial statements – during the course of the year. To further complicate matters, the consolidation scopes required for this new regulatory reporting and its regular statutory reporting did not coincide, and finance needed a new structure to deliver the data. In short, FinRep compliance posed a major challenge for the bank's internal financial systems and processes.

In addition to addressing FinRep requirements, the department also wanted to deploy a common enterprise consolidation system that extended into its subgroups. This would replace its existing subgroup reporting with a direct connection between the individual companies and headquarters. Finance also wanted the subsidiaries to have online access for intercompany matching in order to seamlessly integrate intercompany reconciliations into the consolidation process.

- Analysis and reporting at the instrument level

Benefits and Results

- Smooth implementation
- Fast, flexible consolidation on different group levels
- Common group standards and structures
- Process optimization, transparency and support
- Decentralized intercompany matching with integrated workflow
- Clean flow of information
- Highly granular financial data

The Solution

Process support, a clear assignment of responsibilities, and more transparency were other important criteria for Barbara Kainz, Director Group Consolidation and business-side project manager during the implementation of the new consolidation solution. After a multi-vendor selection process, Erste Group chose Tagetik over SAP. In addition to a good price-performance ratio, the Tagetik/pmOne team stood out for its expertise in financial services consulting.

“We felt that Tagetik/pmOne understood us – not just as finance professionals but also as financial service professionals because the consultants knew exactly what FinRep and Basel III mean,” explained Kainz. “This gave us a solid foundation to quickly implement the project together.”

For Kainz’s colleagues in financial controlling, harmonizing the processes of segment reporting and legal consolidation played an important role. They, too, were impressed with the unified application that offered specialized functionality for segment reporting. Even the IT department echoed the recommendation for Tagetik after the software passed a technical stress test for the integration into the group’s IT architecture.

The project team was assigned and ready to start in May 2012. In addition to the finance and controlling departments and the consultants from Tagetik/pmOne, the IT department of Erste Group was also a key stakeholder in the project. Its job was to connect the companies and network banks to the system and ensure compliance with bank-specific security measures. The entire project – from designing and implementing the system to transferring legacy data, training users, going live and rolling out the new solution internally – took less than a year. During the project, Erste Group even used Tagetik for its 2012 year-end close. In January 2013, the consolidation was completely transferred to the new software.

Extending reporting with segment reports and risk information

With Tagetik, Erste Group has deployed a new, enterprise system for creating fast, flexible financial statements on various levels. All group companies are connected to the system and can use it to send their data packages to headquarters. Since the group is comprised of 700 individual companies, finance has developed a best practice to match the data within the group at an early stage instead of first dealing with discrepancies on a group level at the end of the process. One important component of the new solution, therefore, is the intercompany matching cockpit component in which users can reconcile the intercompany relationships directly between the respective parties early on in the consolidation process.

Erste Group also uses Tagetik to perform the sub-consolidations for different business divisions, including the very complex systems of Erste Group Immorent AG, which is responsible for real estate and infrastructure financing, or its Czech subsidiary, Česká spořitelna. As a whole, Tagetik covers a much broader spectrum of business processes than the previous system. Erste Group has also extended the scope of its reporting, which aside from segment reporting now also includes risk data and information that is relevant for regulatory compliance.

Implementing a new consolidation solution, however, was only the start. Erste Group also used the switch to Tagetik as an opportunity to make structural changes in the group, set up new process, and create a clean flow of information. These measures were necessary so that the group could flexibly and efficiently react to the ever-growing requirements for the banking industry. According to the project director Kainz, revamping the processes was a rather large feat due to sheer number of parties involved. She was positively surprised, therefore, that the actual implementation of the new software went so smoothly.

"We felt that Tagetik/pmOne understood us – not just as finance professionals but also as financial service professionals because the consultants knew exactly what FinRep and Basel III mean. This gave us a solid foundation to quickly implement the project together."

Barbara Kainz
Director Group Consolidation,
Erste Group Bank AG

More responsibility for subsidiaries

The subsidiaries of Erste Group were confronted with a number of changes within a relatively short time. In the course of the transition, they received more obligations but also gained self-dependency. While the subsidiaries previously handed over responsibility for their data once they had delivered it, today they are involved in the entire process. On the one hand, they now are responsible for collecting, uploading and transferring the data, matching intercompany transactions, and understanding the validation rules. On the other, however, being connected to the system has opened many new possibilities because they can follow the progress of the consolidation process at any time – just like the users in headquarters. During the transition phase in particular, coordinating the activities in group companies took a considerable amount of time and effort, and the headquarters had a great deal of convincing to do. However, "With Tagetik, we have laid the framework so that we can assign clear responsibilities within the group," stated Barbara Kainz.

Common consolidation standards throughout the group

Even if the transition initially meant more work for everyone involved, the project management team has received a great deal of positive feedback – especially from the subgroups. Instead of resorting to Excel, the responsible users in the subgroups can now use Tagetik, a comfortable system that also supports them in consolidating their accounts. For the central group accounting department, the added transparency was well worth the effort. The ability to view accounting transactions at any time and to follow each step of the process including the consolidation of subgroups is a major step forward. Another benefit from the view of the group accounting department is that the consolidation process applies a common set of verifiable formats and rules throughout the group.

Although it has already booked the first successes for the project, the project team still sees additional potential to better utilize the vast capabilities that Tagetik offers. For example, it plans to extend internal reporting so that it can make comparisons of the subgroups for the first time ever. Due to the common structures and definitions, this is no longer an issue from a technical standpoint.

The team also intends to tackle the topic of disclosure management in the near future. The objective here is to prepare the information that is available in Tagetik so that Erste Group can produce its annual report directly from the system. Other pending projects include creating and consolidating budget and forecast data.

Even though FinRep did not come into effect in 2013, Erste Group feels well prepared with its flexible financial software from Tagetik. Previously, the group accountants had to rack their brains to meet external requirements such as delivering new consolidated accounts for groups or subgroups. Today, this is no major issue. Kainz also feels confident answering internal questions such as

"What would the group look like with five fewer companies?" "The system is very flexible so that we can respond quickly," she explained. "When we previously had an ad hoc inquiry, we had to rely on estimates or do a great deal of manual work to find the answers."

About Erste Group

Erste Group was founded in 1819 as the first Austrian savings bank. In 1997, Erste Group went public with a strategy to expand its retail business into Central and Eastern Europe (CEE). Since then Erste Group's customer base has grown through numerous acquisitions and organic growth from 600,000 to around 16.6 million. More than 99% of all clients are citizens of the European Union, which gives the countries a stable regulatory framework that supports their economic development.

Today Erste Group is one of the largest financial services providers in the Eastern part of EU in terms of clients and total assets. Its core activities, besides the traditional strength in serving private individuals, include advisory services and support for corporate clients in financing, investment and access to international capital markets, public sector funding and interbank market operations.

* FinRep, which is short for "Financial Reporting", is a reporting framework that was developed by the Committee of European Banking Supervisors and, later, the European Banking Authorities (EBA) to standardize the creation and transfer of financial reports among banks and credit institutions. FinRep is designed for credit institutions that publish their financial reports using IAS/IFRS and need to transfersimilar reports periodically to their supervisory authorities. FinRep creates common standards to simplify the international transfer of data.

About Tagetik

At Tagetik our mission is understanding the complex challenges that face The Office of Finance and translating that knowledge into intuitive, enterprise-scale performance management software solutions that drive business results. With Tagetik Cloud, or on-premise, you can unify financial and operational planning; shorten your consolidation and close process; immediately analyze results, model and compare full financial statement impact of business scenarios; adjust your strategic plan; seamlessly update rolling forecasts; produce formatted and auditable financial statements and management reports; collaborate on business reviews, and automate disclosure and board reporting. We've built-in the financial intelligence so you can orchestrate some or all of this in one place. Find out why more than 750 customers in more than 35 countries count on Tagetik to improve efficiency, reduce risk, save money and delivers results, visit www.tagetik.com.

We get Finance. You get results.