

Erste Group | Enhancement of group limit management and exposure reporting

Background and project objectives

With more than 50,000 employees and a balance sheet total of EUR 214.2 billion in 2010, Erste Group is among the three leading financial institutions in Austria and in parts of Eastern Europe, supporting around 17 million customers in Central and Eastern Europe. Founded in 1819 as “Erste österreichische Spar-Casse” (First Austrian Savings Bank), Erste Group’s strategic alignment still focuses on deposit-taking and loan business, especially in the retail and SME business.

A group-wide credit risk management by means of a group-wide limit management system represents a major challenge for an international banking group with subsidiaries in numerous countries. Erste Group Bank AG therefore opted for a project in cooperation with zeb/ to systematically analyse and enhance the existing group-wide limit management and exposure reporting with regard to practical optimisation potentials.

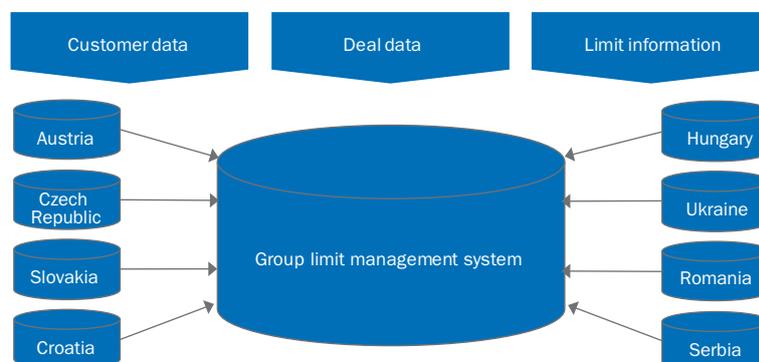


Fig. 1: High-level objective for limit management system enhancement

Special attention was paid to the three core topics customer data, exposure data and integration of the limit management system into the group-wide credit processes (see Fig. 1). Consequently, Erste Group Bank AG aimed at establishing a fully automated system to identify and manage group-wide customer liabilities and limits in several implementation steps. All customers or customer groups with an exposure exceeding EUR 1 million were considered as relevant for the enhancement of Erste Group Bank AG’s limit management system. This also required the compliance with Austrian regulatory requirements such as the grouping of related customers.

Project content and approach

The “Enhancement of Group Limit Management and Exposure Reporting (LIME)” project was divided into three project modules:

1. Status quo analysis

Using a comprehensive questionnaire, the group-wide status quo analysis examined optimisation potentials in the three core areas customer data, exposure and limit administration. On this basis, the project members defined enhancement approaches and set up work packages.

2. Functional, technical and process-based conceptual design

The second stage involved the conceptual design of solution approaches (see Fig. 2). In addition to enhancing the group-wide standards for customer data, groups of affiliated customers and the exposure definition, a new organisational framework was developed for a central responsibility for customer data. Furthermore, a new limit monitoring process was set up and complemented by the definition of alternatives for implementing IT adaptations or a central IT solution for customer data.

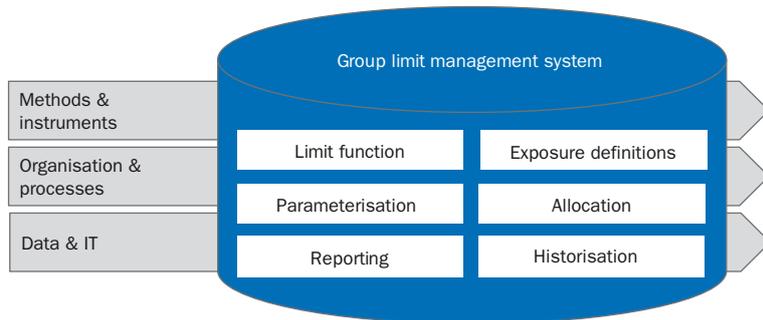


Fig. 2: Conceptual design objective

3. Quick fixes implementation

By drawing on so-called quick fixes, a mostly manual solution for quickly leveraging optimisation potentials in Erste Group Bank AG’s limit management system was pursued until the end of 2011. The subsidiaries were trained in the new group standards for customer data, groups of affiliated customers and processes. Afterwards, the working guidelines were finally rolled out to the subsidiaries which were asked to adapt their relevant customers in the local customer data system. Subsidiaries without automated interfaces to the group-wide limit management system were also asked to manually edit or enter their customer and business data in the limit management system.

Together with zeb/, Erste Group Bank AG worked out the results in quality, time and budget. The project presented a particular challenge since it had to integrate all subsidiaries and consider the individual local requirements.

Project results and outlook

The implementation of the quick fixes by the end of 2011 considerably improved the data quality within Erste Group Bank AG's limit management system. Moreover, group-wide standards for customer data and groups of affiliated customers were enhanced and locally implemented. A comprehensive process analysis identified additional optimisation potentials in some subsidiaries that are now implemented on a gradual basis. The quick fixes implementation has increased the number of benefits offered by the limit management system and thus improved the group-wide operational credit risk management.

The new solution is incrementally transferred to a technically integrated target solution until 2013.



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