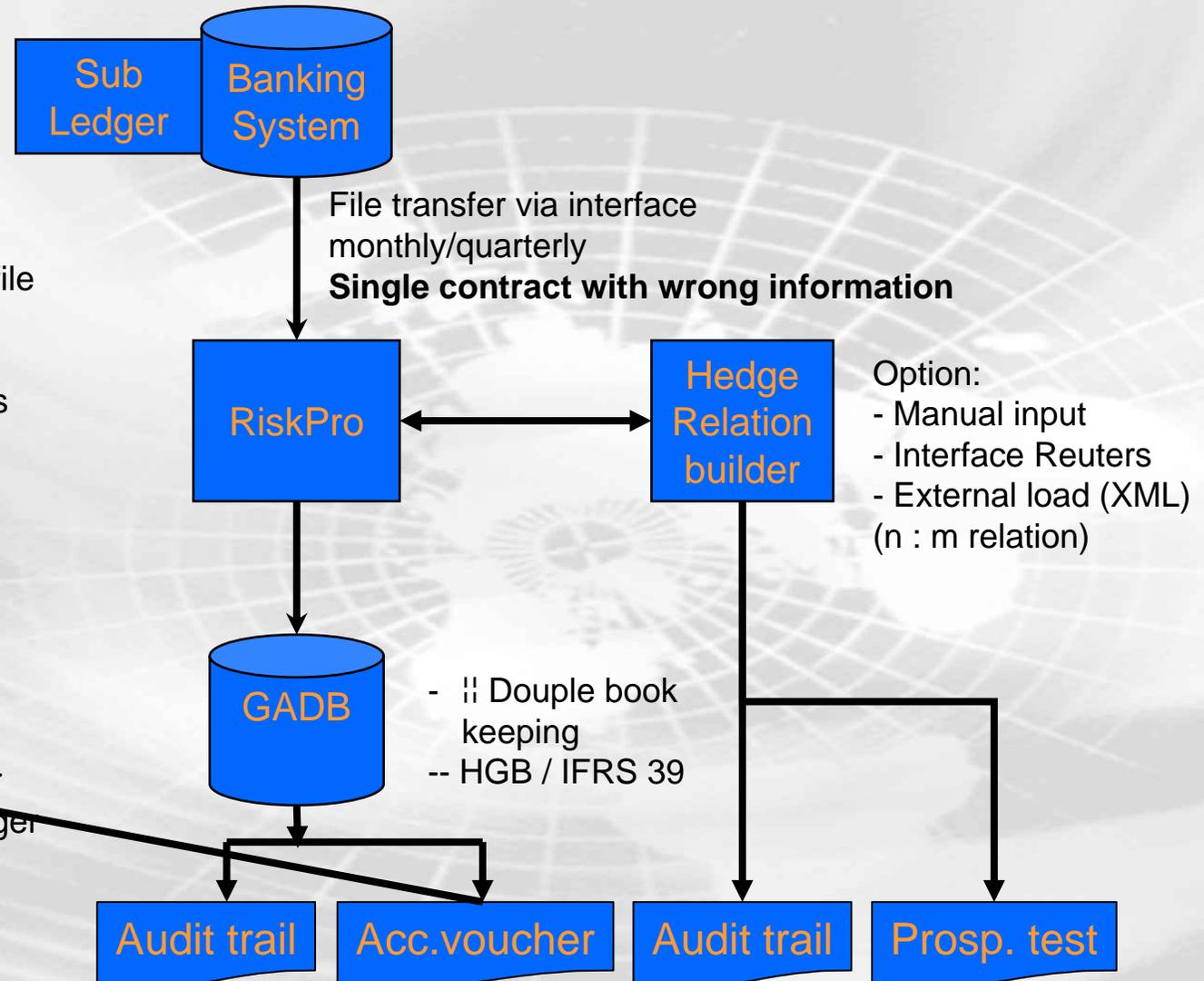


IFRS

**Interface
Book keeping
Historization
with RiskPro™**

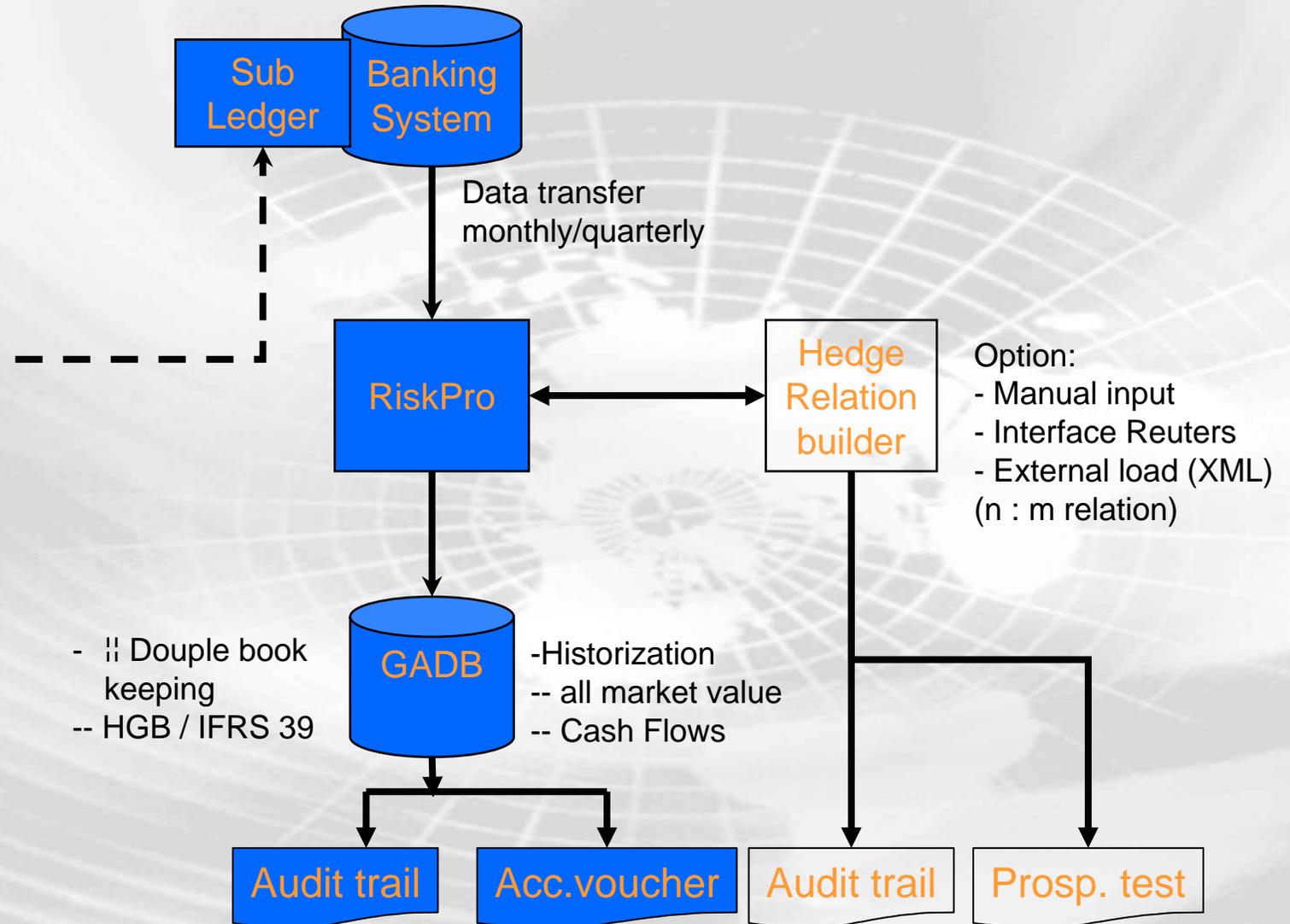
IFRS 39 Book keeping routine current periode

- Check of completeness of the file transfer
 - Plausibility check of format
 - Execution of Exception Reports
 - Calculation of Fair Values
 - Detailed Audit-trail
 - Execution of Log-File
-
- Reclassed, Adjustments and reversal functionalities within RiskPro
 - Execution of log file
 - Execution of accounting voucher for the recording in the sub-ledger
 - Historization of all value



Reclasses adjustments in the sub-ledger bankingsystem

Reclasses, adjustments in the sub-ledger system: Based on the executed accounting voucher by RiskPro e.g. HTM → AFS etc.



IFRS 39 Hedge relation builder

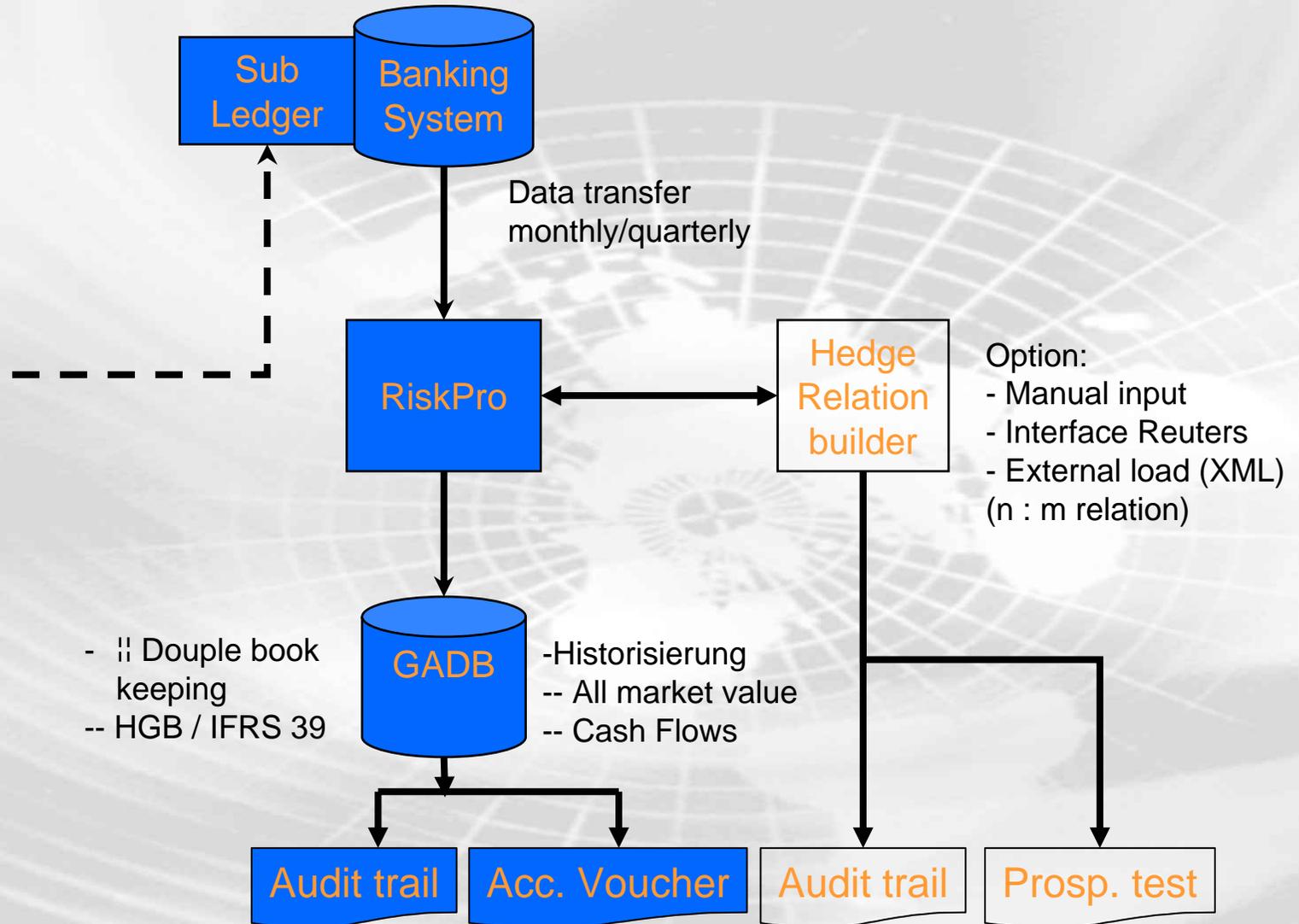


Manual correction for Hedge Accounting

Hedge relation builder with RiskPro for macro-hedge

1 → N

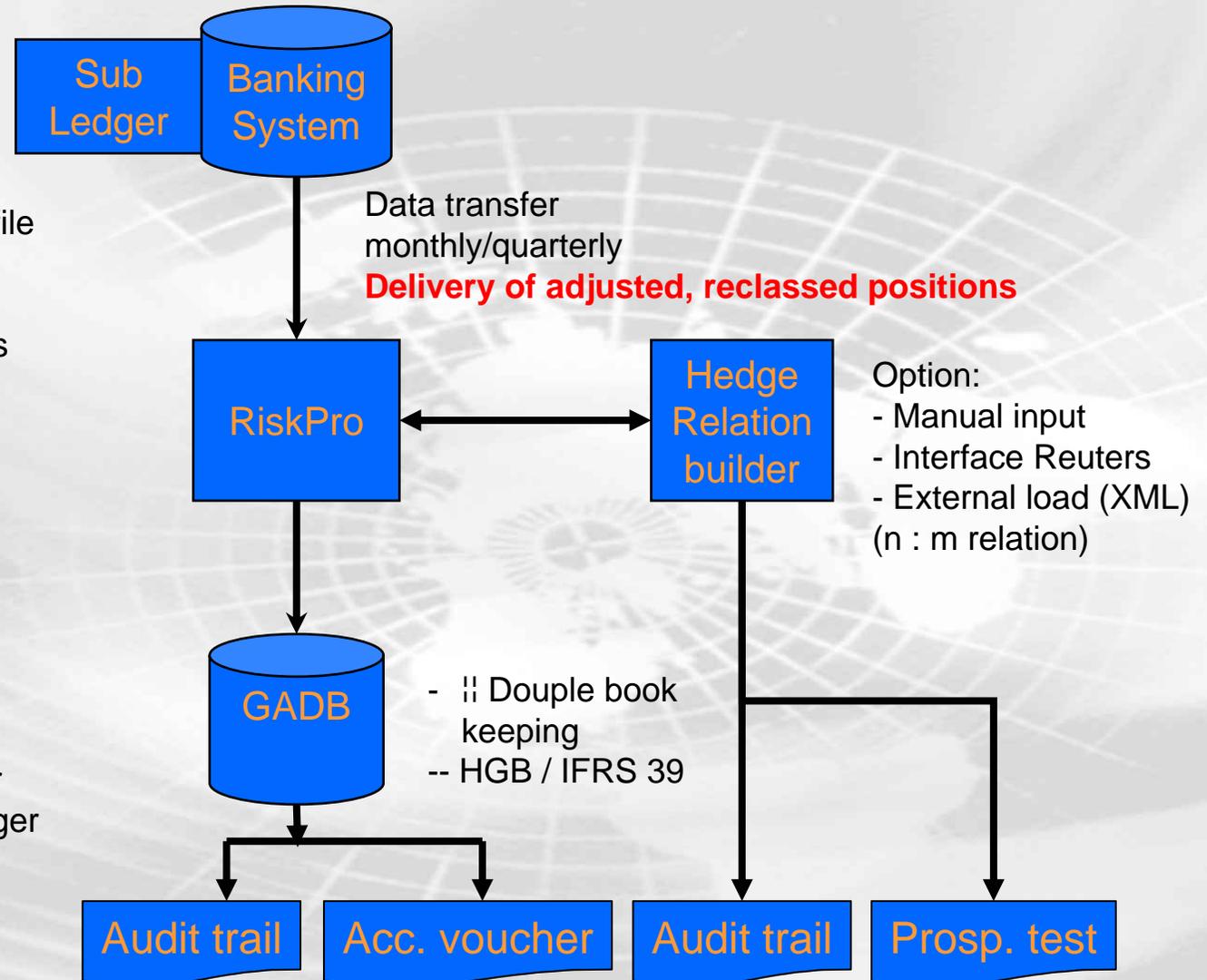
correlation



IFRS 39 Booking routine subsequent period

- Check of completeness of the file transfer
- Plausibility check of format
- Execution of Exception Reports
- Calculation of Fair Values
- Detailed Audit-trail
- Execution of Log-File

- Reclassed, Adjustments and reversal functionalities within RiskPro
- Execution of log file
- Execution of accounting voucher for the recording in the sub-ledger
- Historization of all value



- **Combined_Contract_ID**
- **Hedge_Unit_ID**
- **Hedge_Information**
- **Market_Value_Fair IFRS/US-GAAP**
- **FX_Rate_At_BVD_IFRS/US-GAAP**
- **IR_Reserve**
- **FX_Reserve**
- **Book_Keeping_Rule_IFRS/US-GAAP**
- **Contract_Status (F1820)**

- **This attribute supports the split of a combined contract into the individual components.**
- **A bonds with an embedded option requires a different accounting and valuation treatment. An embedded derivate is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash-flows of the combined instrument vary in a way similar to a stand-alone derivative.**
- **This combined-contract_ID gives the link between host contract and the embedded derivative.**
- In Aggregation this filed has to be treated as:
 - Separation Flag: False
 - Separation Value: Integer Value
 - Aggregation Method: One_Value

- **In case that the banking system will not support to deliver an ID code to identify the hedge position, RiskPro will provide this functionalities.**
- **This information is required in accordance to IFRS 39 to enable the identification of the hedge positions and to enable proper process of the hedge-effectiveness test.**
- In Aggregation this filed has to be treated as:
 - Separation Flag: False
 - Separation Value: Integer Value
 - Aggregation Method: One_Value

- **In this field we place further information concerning the hedge. So far it is only the information wheter the record refers to the hedge or the underlying. This means, we have the following 2 allowed values:**
 - H:= hedge
 - U:= underlying
 - In Aggregation this filed has to be treated as:
 - Separation Flag: False
 - Separation Value: Var Char
 - Aggregation Method: One_Value

- **This Value will hold the premium discount value according to IFRS/US-GAAP. This value corresponds to Premium/Discount but for the IFRS/US-GAAP**
- Current Nominal Value (F120)
- Book Value (F050)
- Market Value Fair IFRS/US-GAAP (F400)
- Fair Value according to the internal calculation (Fnew)
- Market Value Observed (F410)
- Constant Effective Yield (F140)

- **This field (F640) allows to apply three different valuation standards at the same time.**
 - With this enhancement it is now possible to present 3 FX valuation principles in parallel:
 - Book Value (any chosen book keeping rule)
 - FX Book Value IAS/USGAAP (any chosen book keeping rule)
 - Fair Value according to the internal calculation
 - The value is needed, to ensure a smooth calculation flow over time.

- **This new field holds the amount of value change due to revaluation within the currency but not yet recognized to the P&L. It is on the contract level. It will be shown in the book value report within the specifically marked accounts.**
- In Aggregation this field has to be treated as:
- Separation Flag: False
- Separation Value: Same_Sign
- Aggregation Method: Sum

- **This new field holds the amount of value change due to revaluation of the FX-rate but not yet recognized to the P&L. It will be shown in the book value report within the specifically marked accounts.**
- In Aggregation this field has to be treated as:
- Separation Flag: False
- Separation Value: Same_Sign
- Aggregation Method: Sum

- **This field holds the book keeping rule for IAS/USGAAP on the level of the contract and the type of financial instruments. The same rules apply as for “Book_Keeping_Rule”.**
- In Aggregation this field has to be treated as:
- Separation Flag: False
- Separation Value: Enum_Value
- Aggregation Method: One_Value

- **This field already exists in RiskPro (F1820).**
- **The IFRS module is a component of the accounting system of the bank. Therefore, all positions which are delivered from the banking system will be stored in the GADB. Reclasses, adjustments and reversals will be flagged for identification and stored on the database. An audit trail ensures verifications at any time on a contract level.**

- **In case of combined contracts, e.g. embedded options, each parts needs to be delivered separately.**
- Example:
 - Bond type of contract: PAM
 - Option type of contract: IROPT

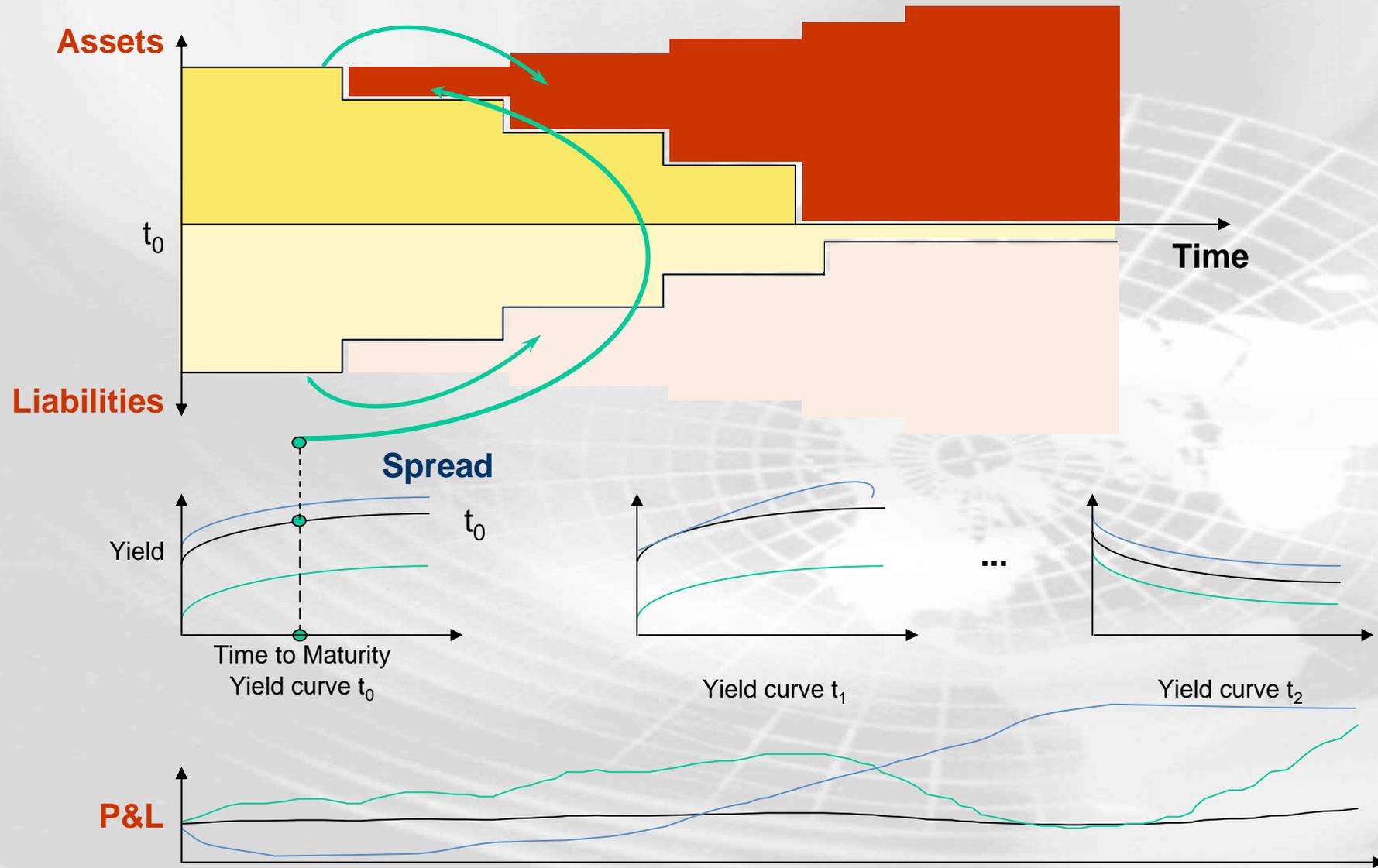
In addition the attribute “Combined_Contract_ID” needs to be delivered.

- **IAS 39 speaks of 2 types of cash flow hedges. The first tests the cash flows of the hedge against the original planned cash flows of the hedged item. The second is a test between the effective cash flows of the hedged item and the hedge.**
- **RiskPro will be enhanced in order to store cash flows in the GADB. The real cash flows will be delivered from the banking a system.**
 - Key (ID, System Name, System Number)
 - Type of cash flows = “real”
 - Date of Cash flow
 - Amount in contract currency
 - Amount in base currency
 - Type of Cash flow (Principal, Interest, Fee, Premium, Settlement)
 - Currency

- **The only difference is, that the cash flows are of the type “expected at CDD”. They are created by RiskPro at CDD.**
- **We need an additional flag in the historization solve: “Create expected cash flows at CDD”. The user must be able to select liquidity, IRsensitivity or both. Expected cash flows will be calculated and stored on the GADB under the following condition set out on the following page.**

- **The flag must be “on”**
- **BVD must be equal CDD on the contract**
- **Explanation of “Type of Cash Flow”:**
- **Principal: Like PRN today (all VD, MD, INC and DEC events)**
- **Interest: Like INT today**
- **Fee: Any Fee cash flow linked to the contract**
- **Premium: Payment at CDD for the contract (usually Options), will only be available after enhancement**
- **Settlement: Cash settlement at the unwinding of the contract**

Hedge relation Prospektiv Test

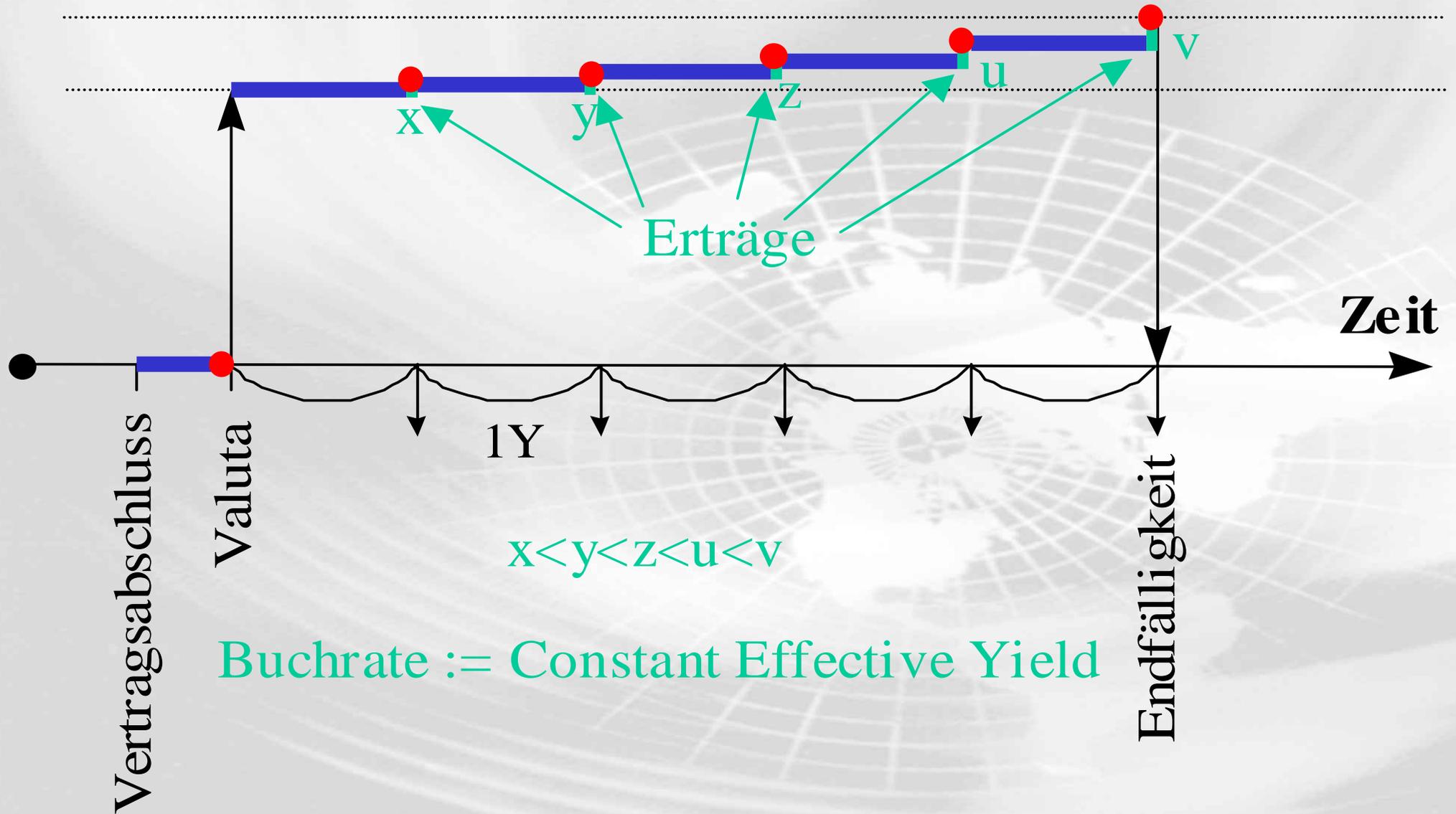


Prospective hedge test



Hedge contract	January	February	March	April	May	June
BOOK VALUE	350.00	355.00	360.00	380.00	370.00	0.00
NOMINAL VALUE	10'000.00	10'000.00	10'000.00	10'000.00	10'000.00	0.00
FAIR FALUE	350.00	355.00	360.00	380.00	370.00	0.00
DURATION	2.11	2.12	2.12	2.10	2.10	0.00
CONVEXITY	60.00	59.00	59.00	59.00	59.00	0.00
...						
BOOKING						
IR_RESERVE	0.00	5.00	5.00	20.00	-10.00	0.00
FX_RESERVE	0.00	0.00	0.00	0.00	0.00	0.00
Hedged item						
BOOK VALUE	368.63	369.44	371.28	372.97	374.69	376.41
NOMINAL VALUE	360.00	360.00	360.00	360.00	360.00	360.00
FAIR FALUE	351.00	354.00	280.00	370.00	370.00	360.00
DURATION	2.11	2.12	2.12	2.10	2.10	2.10
CONVEXITY	60.00	59.00	59.00	59.00	59.00	59.00
...						
BOOKING						
IR_RESERVE	0.00	3.00	-74.00	90.00	0.00	-10.00
FX_RESERVE	0.00	0.00	0.00	0.00	0.00	0.00
Hedge effectiveness	1.00	1.00	1.29	1.03	1.00	0.00

Constant Effective Yield



Accounting principle Type I



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Interval	...	1.1.2003 - 31.12.2002	1.1.2004 - 31.12.2003	1.1.2005 - 31.12.2004	1.1.2006 - 31.12.2005	1.1.2007 - 31.12.2006	1.1.2008 - 31.12.2007
Nominalwert							
BOOK VALUE	0.00	1000000.00	1000000.00	1000000.00	1000000.00	1000000.00	0.00
NOMINAL VALUE	0.00	1000000.00	1000000.00	1000000.00	1000000.00	1000000.00	0.00
BOOK RATE		16.00%	4.00%	4.00%	4.00%	4.00%	4.00%
BOOK INCOME	0.00	160000.00	40000.00	40000.00	40000.00	40000.00	0.00
INTEREST INCOME	0.00	40000.00	40000.00	40000.00	40000.00	40000.00	0.00
FX INCOME	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SECURITY GAIN	0.00	120000.00	0.00	0.00	0.00	0.00	0.00
Write-Off End							
BOOK VALUE	0.00	880000.00	880000.00	880000.00	880000.00	880000.00	0.00
NOMINAL VALUE	0.00	1000000.00	1000000.00	1000000.00	1000000.00	1000000.00	0.00
BOOK RATE		4.55%	4.55%	4.55%	4.55%	4.55%	
BOOK INCOME	0.00	40000.00	40000.00	40000.00	40000.00	40000.00	120000.00
INTEREST INCOME	0.00	40000.00	40000.00	40000.00	40000.00	40000.00	0.00
FX INCOME	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SECURITY GAIN	0.00	0.00	0.00	0.00	0.00	0.00	120000.00
Linear							
BOOK VALUE	0.00	904000.00	928000.00	952000.00	976000.00	1000000.00	0.00
NOMINAL VALUE	0.00	1000000.00	1000000.00	1000000.00	1000000.00	1000000.00	0.00
BOOK RATE		7.27%	7.08%	6.90%	6.72%	6.56%	
BOOK INCOME	0.00	64000.00	64000.00	64000.00	64000.00	64000.00	0.00
INTEREST INCOME	0.00	40000.00	40000.00	40000.00	40000.00	40000.00	0.00
FX INCOME	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SECURITY GAIN	0.00	24000.00	24000.00	24000.00	24000.00	24000.00	0.00
Const. Effect. Yield							
BOOK VALUE	0.00	900900.03	923246.44	947139.32	972685.70	1000000.00	0.00
NOMINAL VALUE	0.00	1000000.00	1000000.00	1000000.00	1000000.00	1000000.00	0.00
BOOK RATE		6.92%	6.92%	6.92%	6.92%	6.92%	
BOOK INCOME	0.00	60900.03	62346.41	63892.88	65546.38	67314.30	0.00
INTEREST INCOME	0.00	40000.00	40000.00	40000.00	40000.00	40000.00	0.00
FX INCOME	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SECURITY GAIN	0.00	20900.03	22346.41	23892.88	25546.38	27314.30	0.00

Buchwert in Forwardphase := 0.00

Dynamic Overview Properties BOOK VALUE-INCOME-RATE 1

Ready

Start Control Server RiskPro: Res... RiskPro Solv... Microsoft E... C:\Customer... Microsoft Po... 21:53

- **RiskPro will allow the controller to specify reports by offering a wide variety of financial, statistic, mathematical, time and select functions as required to adhere to IFRS 39. It will give the controller almost every flexibility needed. Furthermore customized reports can be saved to a directory under a user defined name. Thus, they can easily be used for future analysis. Customized reports do not have any predefined graphical representations. However, the user will have the flexibility to choose among a set of graphic types implemented in the reporting tool.**



IRIS

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