

Jens Benecke, DZ BANK AG
Achim Schmitt, ifb group

Successful project strategy in response to a challenging situation

DZ BANK AG are relying on a combination of different approaches to ensure the successful introduction of IFRS

As an issuer of debt securities, the preparation of balance sheets according to international reporting standards will become compulsory for the DZ BANK group in 2007; and as providers of IFRS-compliant results data, the group companies and subgroups will also be required to prepare their own IFRS financial statements. DZ BANK AG serves as a central bank for around 1,100 credit cooperatives in Germany and acts as a commercial bank with international and, in particular, European focus. The bank provides products and services to the Volksbank and Raiffeisenbank in their dealings with both corporate and private customers. DZ BANK AG tasks also include liquidity equalisation between cooperative banks and refinancing.

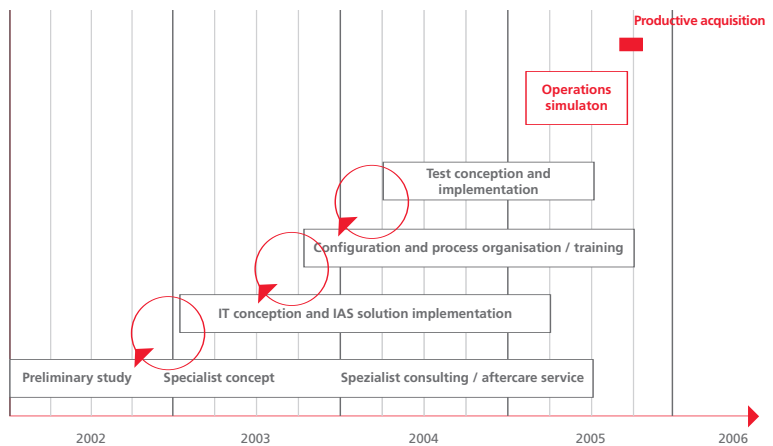
IFRS have placed high demands on Germany's fifth largest bank in a number of respects. Given that they do not replace accounting in accordance with the German Commercial Code (HGB) on an individual accounts level, in future, the group will have to maintain two fundamentally different accounting systems. DZ BANK AG opted to keep the influence of IFRS on operative controlling processes and business policy to a minimum. In order to implement this strategy, two projects were drawn up, each encompassing subprojects. The scope of the project work required intensive cooperation between accounting and IT. In addition, other areas, such as controlling and trading, were involved in the structuring of the IFRS solution at an early stage via committees and project cooperation. This procedure promoted acceptance of the project and the interdepartmental transfer of know-how.

We are proud to say we have continually used the IAS solution in day-to-day operations from the beginning of the year. As such, we have created a secure basis for meeting all current and future IFRS requirements.

*Jürgen Haußmann
Head of Accounting
DZ Bank AG*

Ambitious project strategy

Due to the extensive range of DZ BANK AG products, the IFRS solution needed to cover a wide spectrum of both simple and complex financial instruments. Simultaneously, the system also had to provide the capacity for



Project advancement in product groups (revolving, parallel)



mass processing of transactions on an individual basis in line with the business volume of the bank. DZ BANK AG chose to develop the IAS solution together with a number of other banks within the scope of a development partnership with SAP. Contextual uncertainties in the project arose from the IASB's ongoing review of the financial accounting regulations. Committee decisions, such as the formulation and valuation of financial instruments, had to be integrated on a technical and implementation basis during the course of the project, while, at the same time, observing legal time frames. These circumstances prompted the project team to develop the technical concept, its implementation and the IFRS financial accounting processes in a parallel and time-offset manner, as opposed to using a sequential approach. The risk of possibly having to modify solutions following the publication of specific IASB decisions was accepted in light of the benefits to be gained. This project strategy inevitably required greater coordination of subprojects, but did also give rise to significant benefits: alongside development, solution stabilisation was achieved at an early stage through the quality assurance of major functional interfaces. Conceptual adaptation requirements were identified and processed in various test phases, while a "project monitoring" inspection allowed auditors to be included in the preparations for productive application of the system during the entire parallel operation phase.

Banking

Comprehensive transfer of expertise

As part of extensive overall operational tests, productive operation simulations served to check and further develop the newly defined processes. During the test phase, the project team was gradually expanded and, consequently, not only were the original test objectives achieved, but fundamental know-how was transferred to a large group of employees. This transfer of know-how encompassed process logic, the principles of IFRS accounting and the mode of operation of various accounting instruments. In turn, the know-how recipients were subsequently employed as multipliers to prepare users in terms of the new requirements. Following a four-year project period, the IFRS solution was put into productive operation on 30 September 2005, thus enabling isolation from the point of the opening IFRS balance sheet on 1 January 2006.

DZ BANK AG drew up the opening balance sheet in compliance with the technical requirements of IFRS 1 as of 1 January 2006. A decisive prerequisite for the technically and functionally conclusive result was the diversified project strategy, whereby dependent project phases were carried out in parallel, departmental and IT personnel were thoroughly integrated and the system was operating productively at an early stage to enable comprehensive testing. On the basis of these factors, the complex initial situation was successfully mastered.

IFRS financial accounting is still in the early stages of its development. Product innovations, modified controlling processes and IASB decisions will be bringing new challenges to all the participants in the future.

