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SEB AG | IMPLEMENTATION OF IAS 39

Project background and objectives

SEB-Group (Skandinaviska Enskilda Banken) is one of the most important financial services groups in Northern Europe. Its core areas of business include banking, finance and insurance services for companies, institutions and private clients. In Germany, SEB AG offers services for private clients, property financing clients, institutional clients and business clients. In the course of its new positioning, the bank is concentrating on selected growth areas. These include merchant banking, asset management and insurance business. The bank has average total assets of about EUR 27 billion and covers Germany with a network of 175 branches.

Being part of a larger financial group, SEB Germany was obliged to implement the requirements of IAS/IFRS 39 in 2004, since the Swedish parent company was to report the 2005 group balance sheet in accordance with this Reporting Standard.

In parallel to this, SEB had taken the decision to undertake a technical overhaul of its Controlling-IT area. The envisaged duration of eight months only for the first phase of the implementation of IAS/IFRS 39 requirements made the project very challenging.

To solve this problem, a partner was sought who could fulfil the following requirements:

- Elaboration and organisation of the technical requirements according to IAS/IFRS
- Distinctive expertise in the area of integrated bank management
- Availability of a standard software solution for IAS/IFRS and integrated bank management

zeb/ fulfilled the specified requirements. The first stage of the project focused on the implementation of IAS/IFRS. At the same time, an agreement was reached to implement modules of the zeb/ integrated bank management system within 2005.

Project approach

In order to successfully implement the described complex solution in the aggressive timing, an interdisciplinary team was assembled. The team included bank employees, business and technical zeb/ consultants and auditors. The specialists agreed on a project plan aiming at an expert appraisal of technical questions associated with IAS 39 on one hand. On the other hand the plan should ensure adequate data availability in the bank as well as the necessary expansion of the standard software zeb/control.

The implementation of the plan started with the development of the required technical concepts. Simultaneously an initial data requirement catalogue was developed based on zeb/ practical project experience. The requirement catalogue provided a template for data collection from the bank's operating systems. At the same time, IT specialists from the bank and zeb/'s IT consultants analysed all relevant scenarios for the integration of zeb/data-warehouse, calculation kernel and the specialist modules of zeb/ into the infrastructure and the IT architecture of SEB (cf. Fig. 1).

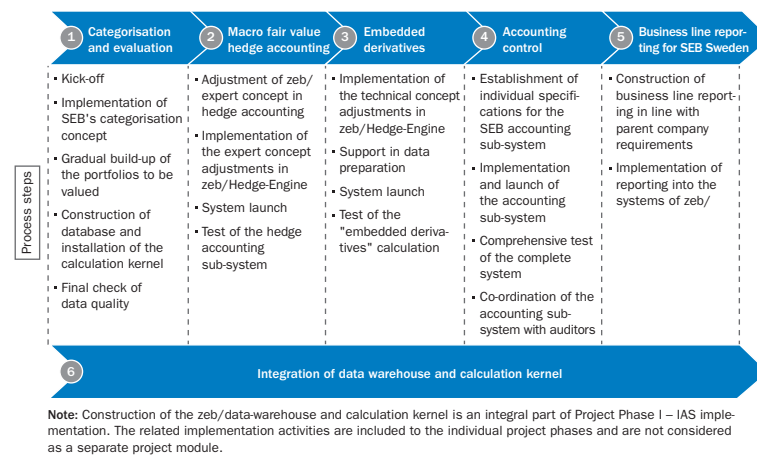


Fig. 1: Overview of IAS/IFRS Project Phase 1 implementation

Two important issues emerged in the course of the project. First, clarification was required within the bank and with the bank's auditors whether IAS/IFRS 39 aligned Macro Fair Value Hedge Accounting (MFVHA) should be introduced. After this issue was answered positively from the methodological point of view, the path was clear to introduce the available zeb/ software. Second, in the course of the project, additional complex questions needed to be analysed in detail together with the functional areas. To solve this issue a special taskforce was set up which was able to address all relevant issues by December 2004 using proven

open issue management techniques. From December 2004 to January 2005 the IFRS solution of zeb/ was then introduced and handed over for inspection.

Project results and outlook

The project was completed within the tight timescales thanks to the effective collaboration of the interdisciplinary team. The IAS/IFRS technical concepts were completed during the project and approved by SEB and the auditors. At the same time the standard zeb/ IFRS components were expanded in accordance with the developed concepts and implemented at SEB on the basis of the zeb/data-warehouse. As a result the bank has at its disposal a flexible steering architecture that can be expanded either horizontally either vertically (cf. Fig. 2).

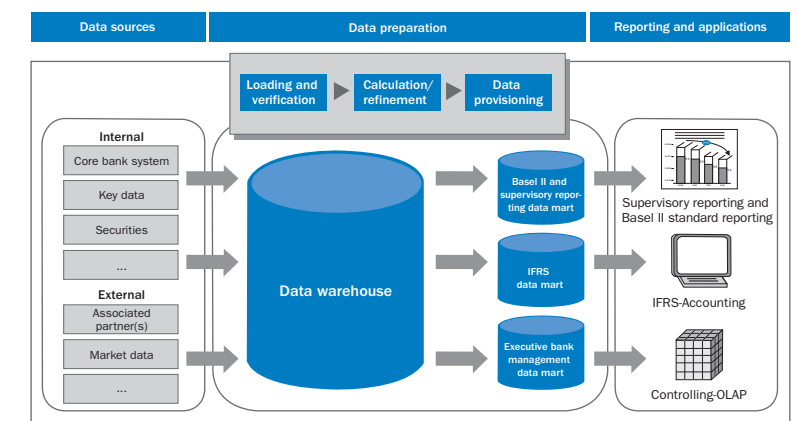


Fig. 2: Overview of Basel II, supervisory reporting, IFRS, executive bank management architecture

The developed IT architecture provides a good basis for the Project Phase II implementation of SEB's balance sheet reporting in line with IAS/IFRS and at the same time for the complete migration of the bank management system to the zeb/ basis.

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