



# BANK LINTH |

## INTRODUCTION OF THE ZEB/INTEGRATED.TREASURY-MANAGER IN A SWISS REGIONAL BANK

### Background

With a balance-sheet total of around CHF 4 billion, Bank Linth is the biggest regional bank among the financial institutions in the east of Switzerland. For the re-orientation of its ALM strategy, zeb/ was commissioned in 2005 to develop a framework concept aimed at achieving a reasonable interest result while respecting a maximum risk level. Based on that framework concept, the implementation of the ALM strategy was to be launched in a subsequent step.

### Scope and approach of the project

The objective of the project was the technical and technological introduction of the ALM software zeb/integrated.treasury-manager at Bank Linth covering the automated data flow from the Avaloq core banking system to the interest-risk report to be submitted to the Swiss National Bank. In agreement with Bank Linth, the project was divided into three phases:

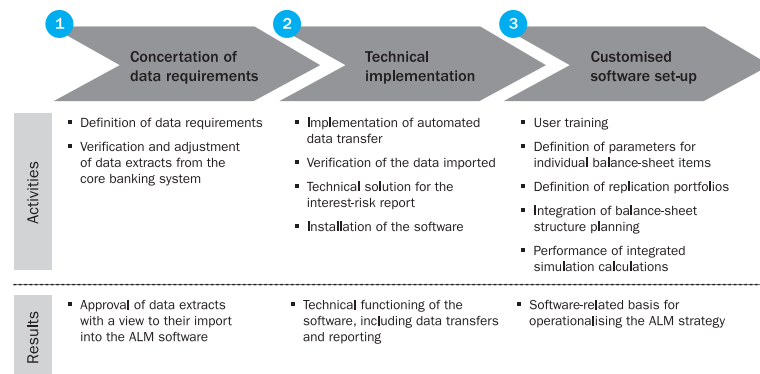


Figure 1: Activities and results of the three project phases

The focus of the first project phase was on the concertation of data requirements and on the extraction of the data needed from the core banking system, which was realised by an implementation partner of Avaloq. On the basis of the verified data extracts, the next project phase served for implementing automated data processing for data import into the zeb/integrated.treasury-manager and for developing a technical solution for the interest-risk report to the Swiss National Bank. The last phase of the project finally covered the setting up of the software in line with the specific business requirements of Bank Linth. In close co-ordination

with the Bank's controlling unit, the parameters for the individual balance-sheet items were defined in a customised fashion with regard to the related interest payment terms, and appropriate control portfolios were established. In this context, special emphasis was placed on defining the replication portfolios for variable customer transactions.

### Project results and outlook

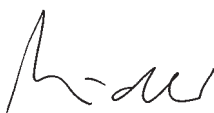
After the introduction of the zeb/integrated.treasury-manager, Bank Linth now has a state-of-the-art ALM solution that:

- based on transfers from periodic interest income accounting to present-value management (and vice versa), offers the possibility to plan in detail the development of asset values in the banking book and their chronological reflection in the interest income as a function of defined balance-sheet structure and market interest rate scenarios and to take suitable control measures in line with the risks identified in the Dual Treasury module,
- based on an integrated reporting module, meets the requirements of the Swiss National Bank for the preparation of interest-risk reports,
- handles the automated import of source data via an interface to the Avaloq core banking system.

Bank Linth is now able to adequately operationalise the ALM strategy developed for the banking book. Thereby, the ALM solution can further pay off and an efficient interest rate risk management can be ensured with fully transparent risks.



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