

## Understanding the Bank's Financial Statements A Two-Day Programme



## Aims and Objectives

This two day program will focus on the financial statements of the XYZ Bank (“the Bank”), including the Parent Company, as presented in the 2008 Registration Document. The program covers a review of accounting principles and methods used in the preparation of the financial statements under International Financial Reporting Standards (IFRS) as adopted by the European Union. Through basic accounting mechanics and illustrations, the program will enable the participant to better understand the accounting methods used by the Group.

At the end of the program, the participant will be able to:

- Review the essential accounting principles and methods used in preparation of financial statements
- Understand XYZ Bank’s balance sheet and income statement
- Understand the impact of differing accounting policies
- Identify the chief accounting disclosure requirements and content in notes to the financial statements
- Have a better knowledge of risk evaluation through selected accounting methods

## Methodology

This programme will include the following elements:

- Short lectures and slide presentations
- Practical exercises using XYZ Bank financials
- Regular learning checkpoints

## Day One

### Session 1

#### Course Introduction and Review of Objectives

### Session 2

#### XYZ Bank Financial Statements – Major Components

- Consolidated Balance Sheet
- Consolidated Income Statement
- Changes in Shareholders' Equity
- Cash Flow Statement

### Session 3

#### Accounting Principles (Part 1)

- Overview of IFRS norms
- Consolidation methods
- Special Purpose Vehicles (SPVs)
- Treatment of acquisitions and goodwill
- Accounting policies and valuation methods

### Session 4

#### Accounting Principles (Part 2)

- Impairment of financial assets
- Lease financing and similar agreements
- Loan commitments
- Provisions and provisioning
- Interest income and expenses
- Consolidation scope and business combinations

### Session 5

#### Fair Value of Financial Instruments

- Valuation methods
- Financial instruments linked to US residential mortgage exposure
- Risk management linked to financial instruments
- Held-to-maturity
- Available-for-sale

### Session 6

#### Hedge Accounting

- Hedging interest rate and exchange rate
- Fair value hedging
- Cash flow hedging
- Hedging of a net investment in a foreign company

## Day Two

### Session 1

#### XYZ Bank Assets

- Cash and due from central banks
- Financial assets and derivatives
- Financial asset prices
- Customer loans and lease financing
- Tax assets
- Fixed assets
- Intangibles assets

### Session 2

#### XYZ Bank Liabilities

- Financial liabilities
- Customer deposits
- Securitized debt payables
- Underwriting reserves of insurance companies
- Derecognition

### Session 3

#### XYZ Bank Equity

- Equity instruments and associated reserves
- Minority interests
- Basel I (formerly the “Cooke ratio”)
- Basel II: the international solvency ratio

### Session 4

#### XYZ Bank Income Statement

- Net interest income
- Net banking income
- Overheads: personnel expenses, other operating expenses
- Cost of risk
- Share-based compensation
- Pension and employee benefits

### Session 5

#### XYZ Bank Off-Balance Sheet Items

- Loan commitments
- Guarantee commitments
- Forward financial instrument commitments
- Credit risk equivalent
- Assets pledged and other commitments

### Session 6

#### XYZ Bank Financial Statements – IFRS/US GAAP Comparison

- IFRS versus US GAAP norms
- Bank balance sheet comparison
- Income statement comparison
- Other significant differences

### Course Summary