

The duration is used to determine the future date when the interest rate risk for a portfolio is completely eliminated. From this point onwards, the actual value of the portfolio, irrespective of any changes in the interest rate, is always greater than or equal to the value predicted at the present time. The following calculation methods are available for calculating duration:

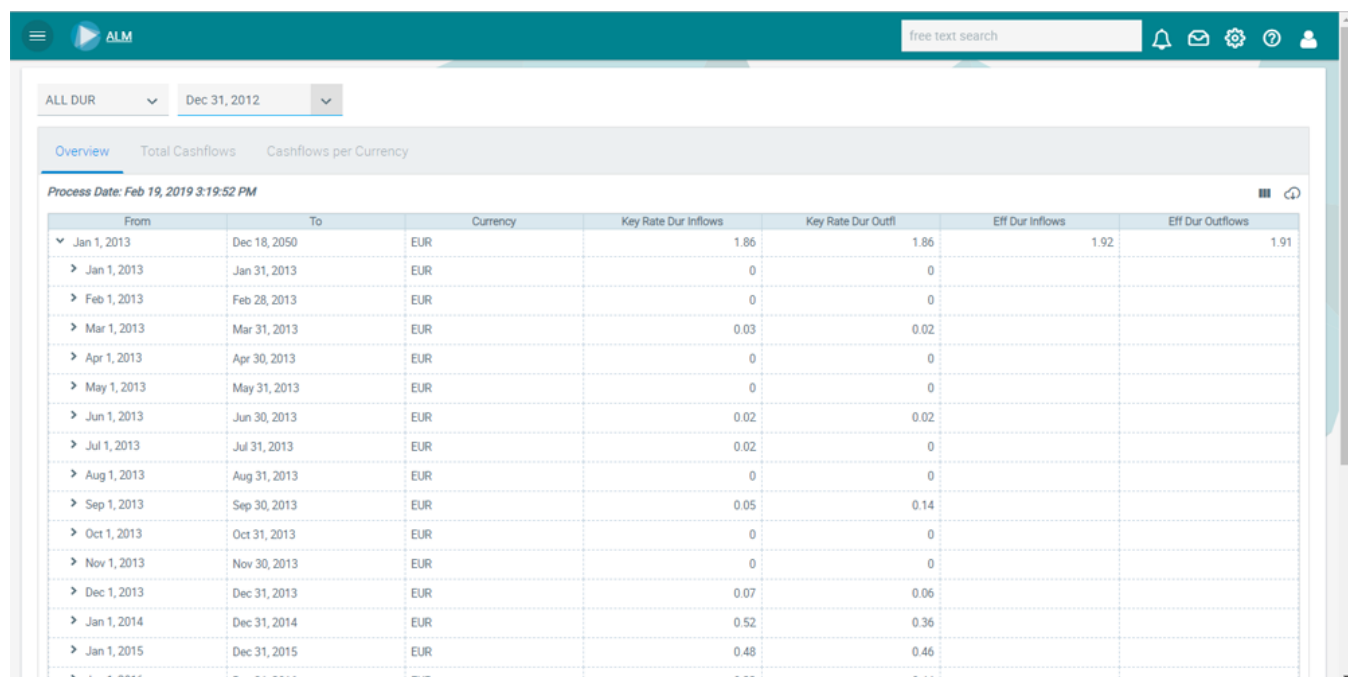
## Effective Duration

The effective duration is a portfolio ratio, meaning that it is only calculated and displayed over all time periods. The current market interest rates are taken from the relevant yield curve and used for the effective duration.

## Key Rate Duration

The key rate duration is the sensitivity of the effective duration to changes in the maturity-adjusted interest rate (key rate). As the formula for the calculation of the key rate duration is additive, the total sensitivity is obtained by adding together the individual sums per maturity. Of particular note here is that the effective term structure of interest rates can be used as a basis for valuation and that the effective interest curve is not flat.

The solution supports the calculation of both duration ratios using interest rate scenarios.



The screenshot shows the FlexFinance ALM/Durations interface. At the top, there is a navigation bar with a menu icon, the 'ALM' logo, and a search bar labeled 'free text search'. Below the navigation bar, there are tabs for 'ALL DUR', 'Dec 31, 2012', and a dropdown menu. The main content area has tabs for 'Overview', 'Total Cashflows', and 'Cashflows per Currency'. The 'Overview' tab is selected, showing a table of duration data. The table has columns for 'From', 'To', 'Currency', 'Key Rate Dur Inflows', 'Key Rate Dur Outfl', 'Eff Dur Inflows', and 'Eff Dur Outflows'. The data is organized by time periods, with rows for each month from Jan 1, 2013, to Dec 31, 2015. The 'Key Rate Dur Inflows' and 'Key Rate Dur Outfl' columns show values for each period, while the 'Eff Dur Inflows' and 'Eff Dur Outflows' columns show values for the entire duration.

From	To	Currency	Key Rate Dur Inflows	Key Rate Dur Outfl	Eff Dur Inflows	Eff Dur Outflows
Jan 1, 2013	Dec 18, 2050	EUR	1.86	1.86	1.92	1.91
Jan 1, 2013	Jan 31, 2013	EUR	0	0		
Feb 1, 2013	Feb 28, 2013	EUR	0	0		
Mar 1, 2013	Mar 31, 2013	EUR	0.03	0.02		
Apr 1, 2013	Apr 30, 2013	EUR	0	0		
May 1, 2013	May 31, 2013	EUR	0	0		
Jun 1, 2013	Jun 30, 2013	EUR	0.02	0.02		
Jul 1, 2013	Jul 31, 2013	EUR	0.02	0		
Aug 1, 2013	Aug 31, 2013	EUR	0	0		
Sep 1, 2013	Sep 30, 2013	EUR	0.05	0.14		
Oct 1, 2013	Oct 31, 2013	EUR	0	0		
Nov 1, 2013	Nov 30, 2013	EUR	0	0		
Dec 1, 2013	Dec 31, 2013	EUR	0.07	0.06		
Jan 1, 2014	Dec 31, 2014	EUR	0.52	0.36		
Jan 1, 2015	Dec 31, 2015	EUR	0.48	0.46		