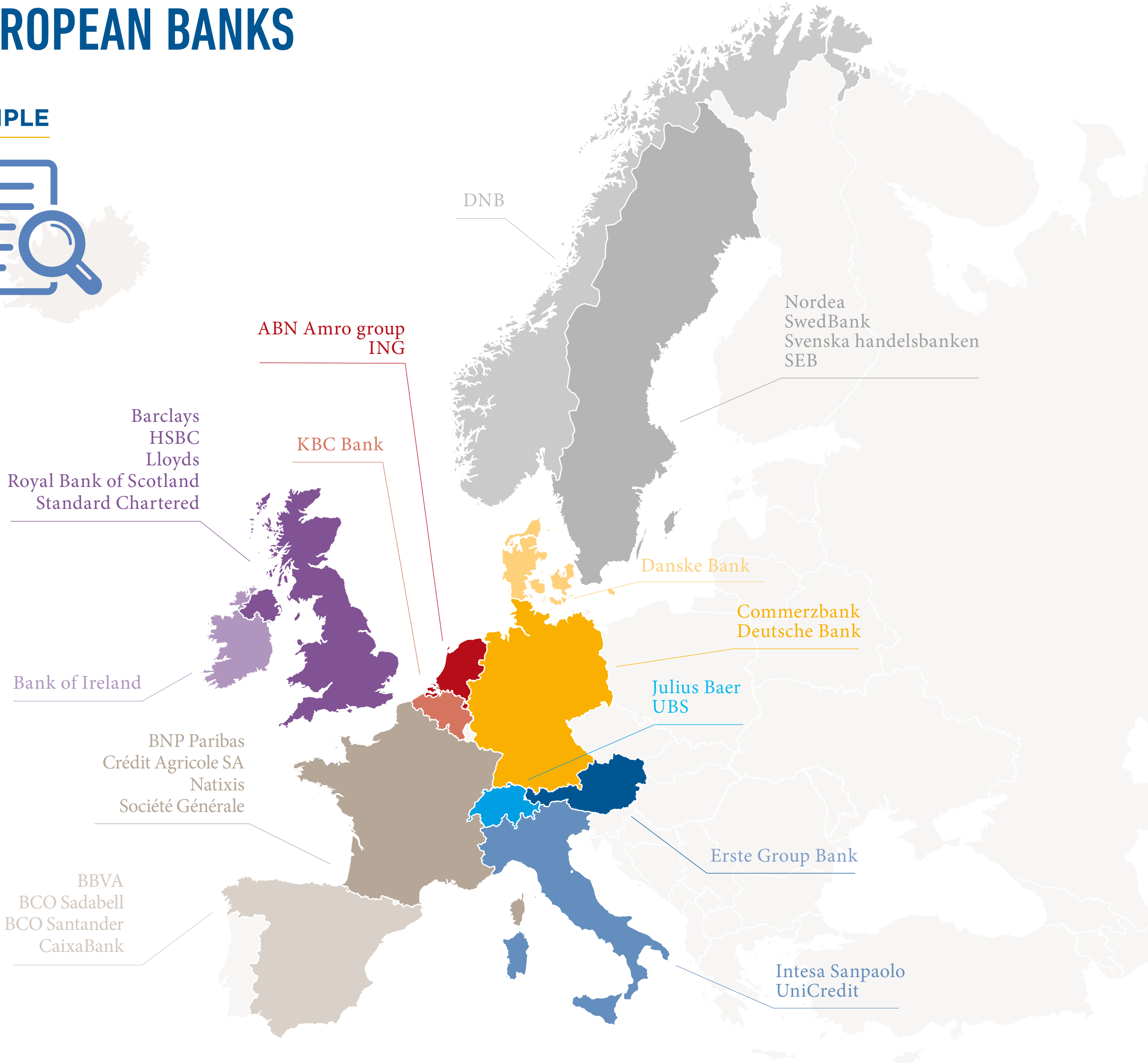
QUANTIFIED IMPACTS OF IFRS 9:
INITIAL FINDINGS

March 2018

MAZARS

SAMPLE OF EUROPEAN BANKS

SAMPLE



30 leading STOXX Europe 600 banks preparing their consolidated accounts under IFRS.

SOURCES OF INFORMATION AS FROM THE END OF FEBRUARY 2018

The main sources used were:

- Analyst presentations;
- Press releases;
- Financial statements;
- 2017 annual reports.

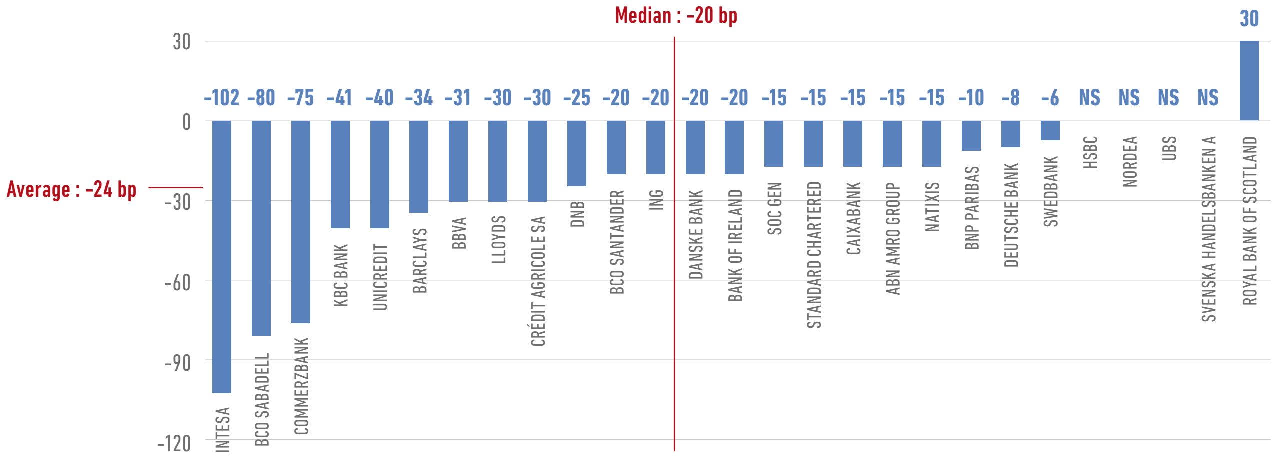
At the end of February 2018, the 2017 financial year analyst presentations were available for all banks in our sample.

MAIN FINDINGS

KEY INDICATORS

90% of the banks in the sample reported the impact of IFRS 9 on their CET1 ratio, either quantitatively, or by indicating that the expected impact was not significant.

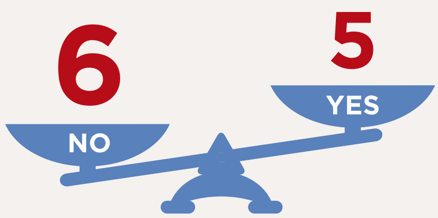
THE AVERAGE IMPACT OF - 24 BP ON THE CET1 SOLVENCY RATIO CONCEALS VARIED INDIVIDUAL SITUATIONS



NB : these assessments are based on data that is presented as "fully loaded" (or is presumed to be if not explicitly mentioned) and without taking into account IFRS9's optional phase-in transitional arrangements. The calculated average of -24 bp is based on the assumption that impacts qualitatively described as insignificant are equal to 0bp. Without taking into account these insignificant impacts (4 banks) from the sample, the average impact is -28 bp and the median remains at -20 bp.

For three-quarters of the banks, the adverse impact on the CET1 ratio does not exceed 30bp.

Prudential transitional arrangements for CET1 ratio impact



INTENTION TO APPLY THE IFRS 9 PHASE 2 PHASE-IN OPTION ?

ANALYSIS OF IFRS 9 IMPACTS BY PHASE

73% of banks in our sample reported on the impacts of IFRS 9 by phase.

REMINDER

- **Phase 1** of the standard introduced new requirements for the classification and measurement of financial instruments;
- **Phase 2** of the standard introduced new impairment principles;
- **Phase 3** of the standard introduced new rules for hedge accounting.

PHASE 1 IMPACTS

Just over half of the banks in our sample (16 of 30) reported the impacts of phase 1 of IFRS 9:

7 reported a zero or insignificant impact

5 reported an adverse impact

4 reported a positive impact

Six of the nine banks reporting a non-zero phase 1 impact provided quantified information, either in CET1 ratio bp or in terms of the impact on book equity or on prudential capital.

PHASE 2 IMPACTS

Only one bank (Swedbank) reported that it expected phase 2 to have a positive impact on its CET1 ratio.
All the other entities that indicated the impact of phase 2 reported an adverse or (more rarely) zero impact.

19 institutions provided quantitative information on the impacts of phase 2.

12 reported the impact on book equity or on regulatory capital (in reporting currency);

10 reported the expected amount of impairment allowances (in reporting currency);

9 reported an impact on their CET1 ratio (in bp).

WHICH PHASE OF IFRS 9 HAS MOST IMPACT?

Among the 13 banks that presented quantified information enabling a comparison of the impacts of phases 1 and 2 respectively:

Phase 1

4 banks reported that phase 1 has had the most impact.

Phase 1 & Phase 2

1 One bank reported that phase 1 and phase 2 have had equal impact.

Phase 2

8 banks reported that phase 2 has had the most impact.

WHAT ABOUT PHASE 3?

Only one bank (SwedBank) reported on the impact of phase 3 of IFRS 9 (estimated at +1 bp of its CET1 ratio).
Note that the great majority of banks took the option offered by IFRS 9 to defer the application of phase 3 to a still undetermined later date.

DIVERSE LEVELS OF INFORMATION

Banks reporting on IFRS 9 is very diverse. Without going into too much detail, the following institutions drew our attention:

INSTRUCTIVE

While **Société Générale** provided few figures, it reported the impact of IFRS 9 on its accounting principles in a very instructive and detailed way;

QUANTIFIED RECONCILIATION BETWEEN IAS 39 – IFRS 9

Nordéa was one of the few banks to provide, as from the end of February 2018, tables reconciling outstanding loans under IAS 39 and IFRS 9 (accounting classification, amount of impairment allowances, staging, etc.)

NPL

BCO SABADELL made the effort to reconcile the interaction between IFRS 9 and the monitoring of outstanding non-performing loans

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ABOUT MAZARS

MAZARS IS AN INTERNATIONAL, INTEGRATED AND INDEPENDENT ORGANISATION, SPECIALISING IN AUDIT, ACCOUNTANCY, ADVISORY, TAX AND LEGAL SERVICES. AS OF 1ST JANUARY 2018, MAZARS OPERATES THROUGHOUT THE 86 COUNTRIES AND TERRITORIES THAT MAKE UP ITS INTEGRATED PARTNERSHIP. MAZARS DRAWS UPON THE EXPERTISE OF 20,000 WOMEN AND MEN LED BY 980 PARTNERS WORKING FROM 300 OFFICES WORLDWIDE. WE ASSIST CLIENTS OF ALL SIZES, FROM SMES TO MID-CAPS AND GLOBAL PLAYERS AS WELL AS START-UPS AND PUBLIC ORGANISATIONS, AT EVERY STAGE OF THEIR DEVELOPMENT.

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