

Implementation of FINREP

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- RBI to align financial reporting with EBA financial reporting framework (FINREP) from 1 January 2018
- Various line items in income statement and on balance sheet will be affected. The structure set out in the following presentation will be used for future reporting, starting from Q1 2018
- Financial ratios which will change due to FINREP adoption include the following:
 - Net interest margin
 - Cost/income ratio
 - Provisioning ratio
 - NPL Ratio
 - Loan/deposit ratio
- No impact on historical consolidated profit, balance sheet total, equity or capital ratios
- In parallel, IFRS 9 to be adopted in place of IAS 39 from 1 January 2018. The impact of IFRS 9 has not been reflected in this presentation
- Expected impact of IFRS 9 adoption on capital ratios approximately 15 bps due to higher impairment provisions. Impact will be recognized on the opening balance sheet as of 1 January 2018¹, which will be published with the Q1 2018 results

1) 1 January 2018 opening balance published with the Q1 2018 results may be subject to minor changes during the first year of adoption

FINREP: Changes to the Income Statement (I)

| NEW income statement (EUR mn) | FY 2017 | OLD income statement (EUR mn) | FY 2017 | Change |
|--|----------------|--|----------------|---------------|
| Net interest income | 3,225 | Net interest income | 3,208 | 17 |
| Dividend income | 35 | | | 35 |
| Net fee and commission income | 1,718 | Net fee and commission income | 1,719 | -1 |
| Net trading income and fair value result | 37 | Net trading income | 244 | -208 |
| Net gains/losses from hedge accounting | -16 | | | -16 |
| Other net operating income | 100 | Recurring other net operating income | 57 | 43 |
| Operating income | 5,098 | Operating income | 5,228 | -129 |
| Staff expenses | -1,554 | Staff expenses | -1,554 | 0 |
| Other administrative expenses | -1,157 | Other administrative expenses | -1,222 | 65 |
| Depreciation | -300 | Depreciation | -328 | 28 |
| General administrative expenses | -3,011 | General administrative expenses | -3,104 | 93 |
| Operating result | 2,087 | Operating result | 2,123 | -36 |
| Other results | 0 | Other results | -224 | 225 |
| Levies and expenses from special governmental measures | -163 | | | -163 |
| Impairment losses on financial assets | -312 | Net provisioning for impairment losses | -287 | -25 |
| Profit/loss before tax | 1,612 | Profit/loss before tax | 1,612 | 0 |
| Income taxes | -366 | Income taxes | -366 | 0 |
| Profit/loss after tax | 1,246 | Profit/loss after tax | 1,246 | 0 |
| Profit attributable to non-controlling interests | -130 | Profit attributable to non-controlling interests | -130 | 0 |
| Consolidated profit/loss | 1,116 | Consolidated profit/loss | 1,116 | 0 |

Operating income:

- Net interest income now includes all interest received (paid) from trading book assets (liabilities), including derivatives
- Dividend income is reported separately and current income from associates (valued at equity) appears in other results
- Net trading income now includes valuation results from macro hedging positions but excludes net interest income from trading positions

General administrative expenses:

- Resolution fund contribution removed from other administrative expenses and reported in levies and expenses from special governmental measures
- Impairment of non-financial assets removed from depreciation and reported in other results

Other results now includes current income from associates and impairment of non-financial assets. Bank levies and governmental measures are removed from other results and now reported separately

Impairment losses on financial assets will be in line with EBA definition and include impairments for loans, advances and bonds

FINREP: Changes to the Income Statement (II)

Summary of changes

| Income statement (in EUR mn) | 2017 new | Notes |
|--|---------------|--|
| Net interest income | 3,225 | See table 1 |
| Dividend income | 35 | |
| Net fee and commission income | 1,718 | |
| Net trading income and fair value result | 37 | Incl. macro hedging; excl. trading NII |
| Net gains/losses from hedge accounting | -16 | Previously in other results |
| Other net operating income | 100 | |
| Operating income | 5,098 | |
| Staff expenses | -1,554 | |
| Other administrative expenses | -1,157 | Without resolution fund |
| Depreciation | -300 | Without impairments |
| General administrative expenses | -3,011 | |
| Operating result | 2,087 | |
| Other results | 0 | See table 2 |
| Levies and expenses from special governmental measures | -163 | See table 3 |
| Impairment losses on financial assets | -312 | |
| Profit/loss before tax | 1,612 | |
| Income taxes | -366 | |
| Profit/loss after tax | 1,246 | |
| Profit attributable to non-controlling interests | -130 | |
| Consolidated profit/loss | 1,116 | |

1 Net interest income reconciliation

| in EUR million | 2017 | Notes |
|---|--------------|--|
| Net interest income (old) | 3,208 | |
| Dividends | -35 | New line in operating income |
| Current income from associates | -60 | Now reported in other results |
| Interest from trading book assets and liabilities (incl. derivatives) | 112 | Previously reported in other results or trading income |
| Net interest income (new) | 3,225 | |

2 Other results detail

| in EUR million | 2017 new | 2017 old |
|---|----------|---------------------------------------|
| Impairment on investments in subsidiaries, joint ventures and associates | -51 | Net income from financial investments |
| Impairment on non-financial assets | -29 | Depreciation |
| Negative goodwill recognized in profit or loss | 0 | Other results |
| Current income from investments in subsidiaries, joint ventures and associates | 77 | Net interest income |
| Result from non-current assets, disposal groups classified as held for sale and deconsolidation | 4 | Other results |
| Other results (new) | 0 | |

3 Levies and expenses from special governmental measures detail

| in EUR million | 2017 new | 2017 old |
|--|-------------|-------------------------|
| Bank levies | -121 | Other results |
| Resolution fund | -65 | General admin. expenses |
| Profit/loss from banking business due to governmental measures | 22 | Other results |
| Levies and expenses from special governmental measures | -163 | |

FINREP: Changes to the Balance Sheet

| in EUR million | 2017 new | EUR million | 2017 old | Change |
|-----------------------|----------------|--|----------------|----------|
| Loans to banks | 10,741 | Loans and advances to banks (less impairment losses) | 14,347 | -3,606 |
| Loans to customers | 77,745 | Loans and advances to customers (less impairment losses) | 78,141 | -396 |
| Securities | 21,967 | Financial investments | 22,575 | -609 |
| Cash and other assets | 24,694 | Other assets | 20,083 | 4,611 |
| Total assets | 135,146 | Total assets | 135,146 | 0 |

| in EUR million | 2017 new | EUR million | 2017 old | Change |
|-------------------------------------|----------------|-------------------------------------|----------------|----------|
| Deposits from banks | 22,378 | Deposits from banks | 22,291 | 87 |
| Deposits from customers | 84,974 | Deposits from customers | 84,831 | 143 |
| Debt issued and other liabilities | 16,553 | Other liabilities | 16,782 | -229 |
| Equity | 11,241 | Equity | 11,241 | 0 |
| Total liabilities and equity | 135,146 | Total liabilities and equity | 135,146 | 0 |

Above data as will appear in the investor presentation is a summary of the balance sheet

The full balance sheet as published in the report and the results file follows IFRS classification

- **Loans to banks and loans to customers** are now reported net of impairments
- Loans and advances to banks/customers were previously reported on a gross basis, with impairment losses reported separately. The above table (2017 old) shows loans net of impairment losses
- **Customer split** according to FINREP framework:
 - General governments
 - Other financial corporations
 - Non-financial corporations
 - Households
- Overnight bank deposits moved from loans to banks to cash and other assets

Changes to Financial Ratios

Summary of Changes

Net interest margin: Net interest income in relation to average interest bearing assets

Change:

- Included: NII from trading book assets/liabilities (including derivatives)
- Excluded: equity investments (i.e. dividend income and other current income)

Cost/Income ratio: General administrative expenses in relation to operating income

Change:

- New structure for operating income
- General administrative expenses exclude resolution fund and impairment on non-financial assets

Provisioning ratio: Impairment loss on financial assets (loans only) in relation to average loans to customers (categories: financial assets measured at amortized cost and financial assets at fair value through other comprehensive income)

Change: New definition of average loans to customers

- Loans to customers new definition according to EBA (general governments, other financial corporations, non-financial corporations, households)
- Impairment losses on financial assets - new definition according to EBA

NPL ratio: change in composition of balance sheet positions used in calculation of NPL ratio

NPE ratio: no change

Loan/deposit ratio: Loans to non-financial corporations and households in relation to deposits from non-financial corporations and households

Change: Only loans and deposits from non-financial corporations and households are included

- Previously, all customer loans and deposits were included (governments, etc.)

Ratios

| FY 2017 | New | Old |
|---------------------|-------|-------|
| NIM | 2.48% | 2.48% |
| CIR | 59.1% | 59.4% |
| Provisioning | 0.41% | 0.35% |
| NPL | 5.7% | 5.7% |
| NPE | 5.1% | 5.1% |
| Loan/deposit | 95.5% | 90.3% |

- **Cost/income ratio** – General administrative expenses in relation to operating income
- **Interest-bearing assets** – Total assets less investments in subsidiaries, joint ventures and associates, intangible fixed assets, tangible fixed assets, tax assets, non-current assets and disposal groups classified as held for sale and other assets
- **Loan/deposit ratio** – Loans to non-financial corporations and households in relation to deposits from non-financial corporations and households
- **Net interest margin (average interest bearing assets)** – Net interest income in relation to average interest-bearing assets
- **NPE coverage ratio** – Individual impairment losses on loans and advances to customers and banks in relation to non-performing exposure to customers and banks
- **NPE ratio** – Non-performing exposure in relation to total loans
- **NPL coverage ratio** – Impairment losses on loans to customers in relation to non-performing loans to customers
- **NPL ratio** – Non-performing loans in relation to total loans to customers
- **Operating income** – Comprises net interest income, dividend income, net fee and commission income, net trading income and fair value result, net gains/losses from hedge accounting and other net operating income
- **Operating result** – Consists of operating income less general administrative expenses
- **Provisioning ratio** – Impairment loss on financial assets in relation to average loans to customers (categories: financial assets measured at amortized cost and financial assets at fair value through other comprehensive income)

Contact and Financial Calendar



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Financial Calendar

| | |
|------------------|---------------------------------------|
| 1 May 2018 | Start of Quiet Period ¹ |
| 15 May 2018 | First Quarter Report, Conference Call |
| 11 June 2018 | Record Date Annual General Meeting |
| 21 June 2018 | Annual General Meeting |
| 28 June 2018 | Ex-Dividend Date |
| 29 June 2018 | Record Date Dividends |
| 2 July 2018 | Dividend Payment Date |
| 26 July 2018 | Start of Quiet Period ¹ |
| 9 August 2018 | Semi-Annual Report, Conference Call |
| 31 October 2018 | Start of Quiet Period ¹ |
| 14 November 2018 | Third Quarter Report, Conference Call |

1) Quiet Period: Two-week period before the publication of the quarterly financial statements and a four-week period before the publication of the annual report. During this period we do not hold investor or analyst meetings