

Country: Norway

Instrument: Equity certificates

Issuer / Entity: Issued by 58 of 92  
savings banks as per 30.09.2020.

First review performed by: Norway,  
date of first review: 16.02.2021

Second review performed by: [country],  
date of second review: [xx xx 20xx]

## Pre-CRR CET1 instruments: compliance assessment (part 1)

*In addition to this template part 1 please also complete and submit the assessment template part 2, communicating your assessment on the details of the individual provisions/terms and conditions covering the instrument and provide all the relevant documents (including any relevant national laws or terms and conditions or articles of association/statutes/side agreements) to allow the SGOF to perform a thorough assessment.*

### 1. Information on the instrument

#### a. Information as reported in the EBA CET1 list<sup>1</sup>

Use exact same denominations as in the CET1 list corresponding rows

Country	Norway
Name of the instrument as per denomination in the CET1 list (+ indicate row number in the XL file of the CET1 list)	Equity certificate (egenkapitalbevis), row number 12 in the collected XL file of the CET1 list)
Governing law of the instrument with appropriate references (Relevant Article (or Articles) of the civil law/commercial law/banking law/cooperative law).	Chapter 10 of the Financial Institutions Act and chapter 10 of the Financial Institutions Regulation. The provisions of the Public Limited Companies Act (alternatively translated as the Public Limited Liability Act) and the Private Limited Companies Act (Alternatively translated as the Private Limited Liabilities Act) apply when established by a provision in the

<sup>1</sup> Information is to be provided for each class of shares of the new capital instrument, as applicable. Please add columns if needed.

	Financial Institutions Act, cf. Section 7-4 of the Financial Institutions Act. The term "financial institution" is defined in section 1-3 of the Act.
<p>Instrument issued in addition to other CET1 instruments</p> <p>YES <input type="checkbox"/> NO <input checked="" type="checkbox"/></p> <p><i>If YES, please specify the other type(s) of instrument as noted in the EBA CET1 list and articulation between the different types of shares (please specify if different nominal values)</i></p>	<p>A savings bank that has issued equity certificates has two types of equity. One is its "ownerless" equity, which consists of retained earnings built up by the bank over the years. The other is certificate-holders' equity, consisting of equity certificate capital and the certificate-holders' related reserves (the dividend equalisation fund and the premium fund).</p> <p>The provisions for equity certificates are laid down as similarly as possible to the provisions for ordinary shares, taking into account the ownerless capital that was equity in the bank before the equity certificates were issued. The ownerless capital has other stakeholders (who are not owners), such as the local community and the bank customers. The profit in savings banks with equity certificates must therefore be divided between the ownerless capital and the equity certificate holders according to the ratio of the capital for the two classes.</p>
Voting rights of the instrument	<p>Yes, but limited to 40% of the votes. In savings banks, also representatives of the depositors and of the public (for example the county or the municipal councils in the areas where the bank is established) have the right to vote. Important decisions, such as mergers/demergers and decisions to issue equity certificates, require a 2/3 majority.</p>
<p>Instrument fully eligible under Article 28 CRR ('joint stock' companies)</p> <p>/</p> <p>Article 29 ('non-joint stock' companies – mutuals, cooperative societies, savings institutions and similar institutions)</p>	<p>Art. 28 CRR <input type="checkbox"/></p> <p>Art. 29 CRR <input checked="" type="checkbox"/></p>

b. Type of issuer (of the instrument under assessment)

Please provide information on the following aspects:

- 1) if the instrument under assessment *is used/issued by O-SIIs, GSIs and/or other institutions (excluding investments firms),*
- 2) if the instrument under assessment *is used/issued by only one institution, and*
- 3) *the number of O-SIIs / GSIs and/or the approximate number of other institutions using the instrument.*

## 2. Information on the issuance (particular form of the instrument)

<p>Type of the issuer / name of the issuer (if relevant<sup>2</sup>)</p> <p>(Please specify the type of issuer (e.g. joint stock company, cooperative institution, other), a short description of the banking group it belongs to (as applicable), and whether the issuer has been identified as a G-SII/O-SII or not.)</p>	<p>Equity certificates are issued by 58 of our saving banks (as of 30.09.2020). None of the saving banks in question is identified as O-SIIs or G-SIIs.</p>
<p>Description of the capital structure of the issuer/shareholders/proportion of different classes of shares/voting rights</p> <p><i>(Ideally, please use a summary table)</i></p>	<p>The issuers have only one class of equity certificates.</p>
<p>Remuneration features</p> <p><i>If different classes of CET1, please specify</i></p> <p>Frequency of remuneration payments</p>	<p>The profit for the year shall be assigned to the holders of the equity certificates and the bank based on the ratio of the equity certificate holders' capital (including the retained earnings of the equity certificate holders and the premium fund) to the ownerless capital of the bank (including the compensation fund). The amounts to be distributed (dividend and gifts) shall be shared between the equity certificate holders and the bank based on the same ratio, cf. section 10-17 (1) of the</p>

<sup>2</sup> If the instrument is to be issued by a specific type of issuer in a given jurisdiction then reference to the name of the issuer can be omitted but description of the type of issuer should be still provided.

	<p>Financial Institutions Act. Savings banks distribute gifts to local generally beneficial causes and some savings banks which has provisions on this in the articles of association, also distribute dividend to bank customers. The remainder of the equity certificate holders' share of the profit is added to the dividend equalisation fund, which may not without Finanstilsynet's consent be reduced by other means than a write-down to cover a deficit shown by the annual accounts which cannot be covered by other means, cf. section 10-8 of the Financial Institutions Act. The amounts to be distributed is determined by the general meeting after the board of directors has presented its proposal. There are detailed rules on dividends in section 10-6 of the Financial Institutions Act; determining inter alia that proposals for dividends that entails that more than one half of the profit is distributed, must be notified to Finanstilsynet, and that Finanstilsynet may, when necessitated, order the institution not to pay out dividend or pay less dividend than proposed.</p> <p>Quarterly <input type="checkbox"/>  Half yearly <input type="checkbox"/>  Yearly <input checked="" type="checkbox"/>  Other <input type="checkbox"/> (if other, please specify frequency)</p>
<p>Preferential distributions/multiple dividends</p> <p>YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>  <i>If YES, please specify</i></p>	
<p>Are there any other CET1 instruments issued by the entity with preferential distributions/multiple dividends?</p> <p>YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>  <i>If YES, please note whether compliance with the RTS on OFs (i.e. Art. 7a-7d) provisions has been assessed</i></p>	

<p>Perpetual</p> <p>YES <input checked="" type="checkbox"/> NO <input type="checkbox"/></p> <p><i>If dated, please specify</i></p>	<p>Equity certificates are perpetual. An equity certificate holder who wants redemption, must sell his certificates in the market.</p>
<p>Loss absorption</p>	<p>The retained earnings of the equity certificate holders (the dividend equalisation fund) absorb the first and proportionally greatest share of losses as they occur together with the ownerless capital, cf. section 10-19 of the Financial Institutions Act.</p>
<p>Ranking</p>	<p>The equity certificate capital including the retained earnings owned by the equity certificate holders (the dividend equalisation fund) and the premium fund rank below all other claims in the event of insolvency or liquidation of the institution, cf. section 10-20 of the Financial Institutions Act.</p>
<p>Are there any other instruments issued by the entity ranking <i>pari passu</i> with the instrument?</p> <p>YES <input type="checkbox"/> NO <input checked="" type="checkbox"/></p> <p><i>If YES, please provide details</i></p>	
<p>Does the instrument qualify as capital within the meaning of Article 22 of Directive 86/635/EEC?</p> <p>YES <input checked="" type="checkbox"/> NO <input type="checkbox"/></p> <p>If NO, please provide details</p> <p>If YES, please provide details on the relevant provisions</p>	<p>In savings banks that have issued equity certificates, equity certificates are regarded as equity capital subscribed by owners, cf. section 10-3 of the Financial Institutions Act.</p>
<p>Accounting treatment</p> <p><i>Is the instrument classified as equity within the applicable accounting standards?</i></p> <p>YES <input checked="" type="checkbox"/> NO <input type="checkbox"/></p> <p>If NO, please provide details</p> <p>Applicable accounting standards</p> <p>IFRS <input checked="" type="checkbox"/> or National Gaaps <input type="checkbox"/></p>	<p>Institutions that are not listed, may apply a simplified IFRS. In simplified IFRS, the note requirements are simplified and the layout plans for the income statement and balance sheet are standardized.</p>

<p>Equity capital for determining balance sheet insolvency (where applicable under national law)<sup>3</sup></p> <p>YES <input type="checkbox"/> NO <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p>	<p>Equity certificates are classified as equity, but balance sheet insolvency-tests are not performed for credit institutions.</p>
<p>Claim on residual assets in liquidation</p> <p>Proportionate <input checked="" type="checkbox"/> Not proportionate <input type="checkbox"/></p> <p><i>If Not Proportionate, please provide details</i></p>	
<p>Voting rights</p> <p>YES <input checked="" type="checkbox"/> NO <input type="checkbox"/></p> <p><i>If YES, please specify</i></p>	<p>The articles of association of savings banks that issue equity certificates shall contain provisions conferring upon the holders of equity certificates the right to exercise at least 20% and not more than 40% of the votes of the general meeting. Each equity certificate confers one vote, cf. section 10-11 of the Financial Institutions Act.</p>
<p>Clearly and separately disclosed on the balance sheet</p> <p>YES <input checked="" type="checkbox"/> NO <input type="checkbox"/></p> <p><i>If NO, please provide details</i></p>	
<p>Participation in the issuer governing bodies</p> <p>YES <input checked="" type="checkbox"/> NO <input type="checkbox"/></p> <p><i>If YES, please specify</i></p>	<p>In savings banks the owners of equity certificates elect members to the general meeting according to rules established in the articles of association. cf. section 10-11 of the Financial Institutions Act.</p>
<p>Investors</p> <p><i>(Please reflect on the type of investors in the specific instrument (e.g. private, public, other) and whether there is any shareholders' agreement with any of them)</i></p>	<p>There are many different private and institutional investors in Norwegian saving banks. Several equity certificates are also owned by savings bank foundations whose purpose is to donate gifts for the public good. For some of the credit institutions owned by groups of savings banks, the owner banks have entered into shareholders' agreements. Based on an assessment of the risk of the shareholders we have decided that the companies in question shall be consolidated.</p>

<sup>3</sup> In case the balance sheet insolvency test is not applicable under the national law this needs to be clearly stated. If there is a balance sheet insolvency test under the national law, and for the purposes of this test the instrument under assessment is excluded as it is not treated as liability then the answer should be "Yes".

<p>Pre-emption rights / Capacity of holders to be diluted</p> <p>YES <input checked="" type="checkbox"/> NO <input type="checkbox"/></p> <p><i>If YES, please specify</i></p>	<p>Yes, it is common for equity certificates to be issued through pre-emption rights issues.</p>
<p>Any holdings restrictions</p> <p>YES <input checked="" type="checkbox"/> NO <input type="checkbox"/></p> <p><i>If YES, please specify</i></p>	<p>Any person intending to carry out an acquisition whereby that person will become the owner of 10% or more of the capital or voting rights of an institution, may only do so if authorized by competent authorities.</p>
<p>Listed</p> <p>YES <input checked="" type="checkbox"/> NO <input type="checkbox"/></p> <p><i>If YES, please specify</i></p>	<p>Yes, many of the savings banks have listed their equity certificates on the stock exchange.</p>
<p>Liquidity provisions<sup>4</sup></p> <p>YES <input checked="" type="checkbox"/> NO <input type="checkbox"/></p> <p><i>If YES, please specify</i></p>	<p>In order to contribute to better liquidity for a bank's equity certificates, the Norwegian authorities have opened up for parts of the ownerless capital to be transferred to a savings bank foundation for non-profit purposes which receives equity certificates in the bank for this amount. There will then be more of the bank's equity certificates in the market, which may improve liquidity.</p>

### 3. Compliance and best practice assessment by the CAs

*Please compare the provisions of the terms and conditions of the instruments (taking into account national provisions for the instrument and by-laws) to relevant articles in the CRR, the RTS on own funds and any further guidance including EBA CET1 monitoring report and Q&As.*

#### 1. General remarks

<sup>4</sup> Provisions which would foresee an explicit role for the institution to ensure some market making of the CET1 instrument to ensure its liquidity and facilitate purchases or exchanges on secondary markets for example. It may be relevant in particular for non-listed institutions/instruments.

*Please provide a general description of the issuance under assessment and reflect on any further points deemed relevant:*

We believe that the features of the instrument meet all the requirements of the CRR that ensure the quality of Common Equity Tier 1 capital instruments.

## 2. Compliance assessment with existing requirements or guidance

A) Are there any provisions (on subordination, loss absorption, distributions, permanence, or any others provisions relevant from a prudential perspective) that have been identified as non-compliant with CRR or the RTS on own funds and/or any further guidance including EBA CET1 monitoring report and Q&As?

B) In particular, does the instrument contain any provisions that may affect the flexibility of payments of the institution (e.g. preference in the order of payments, gross up clauses, reinstatement of voting rights in case of non-dividend payment, minimum dividend, staple mechanism etc.)?

YES ☐ NO ☒

*If YES, please specify*

C) Are there any provisions to be discussed further regarding compliance or possible improvements needed/recommended in their drafting? In particular, do the provisions follow best practices as identified in the CET1 monitoring report or are there any provisions identified as possibly non-best practices? Please note such provisions clearly as best or as non-best practices.

Best practices in line with the EBA CET1 report: YES ☒ NO ☐

*If YES, please specify:*

The retained earnings of the equity certificate holders (the dividend equalisation fund) absorb the first and proportionally greatest share of losses as they occur together with the ownerless capital, cf. section 10-19 of the Financial Institutions Act, and the instrument ranks below all other claims. Finanstilsynet has authority, when necessitated, to order the institution not to pay out dividend or to pay less dividend than proposed, and the equity certificate capital is perpetual and may not be reduced or redeemed without the consent of Finanstilsynet. Furthermore, the retained earnings of the equity certificate holders (dividend equalisation fund and premium fund) may not without Finanstilsynet's consent be reduced by other means than a write down to cover a deficit shown by the annual accounts which cannot be covered by other means, cf. section 10-8 of the Financial Institutions Act.

Non-best practices as identified in the EBA CET1 report: YES ☐ NO ☒

*If YES, please specify*



<p>Possible new best practices not yet discussed/identified: YES <input type="checkbox"/> NO <input checked="" type="checkbox"/></p> <p><i>If YES, please specify</i></p> <p>Possible new non-best practices not yet discussed/identified: YES <input type="checkbox"/> NO <input type="checkbox"/></p> <p><i>If YES, please specify</i></p>
<p>3. Assessment performed by the issuer/institution, if any</p>
<p><i>Has the institution provided a detailed own assessment confirming the compliance of the instrument with the regulatory provisions in the CRR and RTS on Own Funds?</i></p> <p>YES <input type="checkbox"/> NO <input checked="" type="checkbox"/> <i>(If yes, please provide details)</i></p>
<p><i>Has the institution provided a lawyer/consultant opinion confirming the compliance of the instrument with the regulatory provisions in the CRR and RTS on Own Funds?</i></p> <p>YES <input type="checkbox"/> NO <input checked="" type="checkbox"/> <i>(If yes, please provide details)</i></p>
<p>4. Conclusion of the assessment</p> <p>a) <i>First reviewer</i></p> <p><i>(On the basis of the above, and the information included in assessment template part 2, please provide your view as the first reviewer regarding the compliance of the instrument.)</i></p> <p>Instrument is assessed as compliant: YES <input checked="" type="checkbox"/> NO <input type="checkbox"/></p> <p><i>Please provide details:</i> In Finanstilsynets opinion, the instrument is fully eligible under Article 29 of the CRR.</p>
<p>a) <i>Second reviewer</i></p> <p><i>(Please provide your view as a second reviewer on the CRR compliance of the instrument as well as additional observations you deem helpful/relevant. Please note that</i></p>

*comments/observations from the second reviewer may be also added on all other fields of the assessment template, as deemed necessary, in tracked changes)*

*Instrument is assessed as compliant:* YES ☐ NO ☐

*Please provide details*