



Ministry of Finance  
P.O. Box 8008 Dep  
NO-0030 OSLO

**OUR REFERENCE**  
22/3836

**YOUR REFERENCE**

**DATE**  
21 March 2024

## Advice on systemically important institutions

According to the regulations on capital requirements and national adaptation of CRR/CRD IV ([CRR/CRD IV regulations](#)), Finanstilsynet shall each year, by the end of the first quarter, give the Ministry of Finance qualified advice on which institutions should be regarded as systemically important in Norway and be required to meet a special buffer requirement of 1 or 2 per cent.<sup>1</sup> According to the regulations, systemically important institutions shall be subject to institution-specific buffer requirements. The main criteria for the identification of systemically important institutions are described below.

### Systemically important institutions based on the main criteria in the regulations

According to the regulations, the assessment of systemic importance shall be based on the institutions' total assets as a share of mainland Norway's GDP and the institutions' lending to the private non-financial sector in Norway.

Institutions that meet at least one of the following criteria shall, pursuant to Section 30, second subsection of the CRR/CRD IV regulations, be considered to be systemically important in Norway and be subject to a special buffer requirement of 1 per cent:

- a. institutions that at the end of the previous year had total assets corresponding to at least 10 per cent of mainland Norway's GDP
- b. institutions that at the end of the previous year had a share of lending to the private non-financial sector in Norway of at least 5 per cent of total lending to this sector

Institutions that meet at least one of the following criteria shall, pursuant to Section 30, third subsection of the CRR/CRD IV regulations, be considered to be systemically important in Norway and be subject to a special buffer requirement of 2 per cent:

- a. institutions that at the end of the previous year had total assets corresponding to at least 20 per cent of mainland Norway's GDP
- b. institutions that at the end of the previous year had a share of lending to the private non-financial sector in Norway of at least 10 per cent of total lending to this sector

<sup>1</sup> See Section 14-3 (4) of the Financial Institutions Act.

Calculations of the indicators shall be based on the institutions' consolidated financial statements as at 31 December 2023 plus loans in partly owned mortgage companies issuing covered bonds that are not included in the consolidated financial statements.<sup>2</sup>

#### Total assets as a share of mainland Norway's GDP

Table 1 shows total assets in NOK billion and in per cent of mainland Norway's GDP for the largest Norwegian banks and mortgage companies.<sup>3</sup> Total assets are calculated at consolidated level, whereby Norwegian institutions' loans abroad are also included in the calculations.

*Table 1 Norwegian institutions (groups) with total assets in excess of 5 per cent of mainland Norway's GDP, nominal values in NOK billion as at 31 December 2023*

	<b>Total assets (in NOK million)</b>	<b>Share of mainland Norway's GDP</b>	<b>Change from 2022 (percentage points)</b>
DNB Bank ASA	3 440	89.2%	-1.5
Kommunalbanken AS	522	13.5%	-0.3
Sparebank 1 SR-Bank ASA	362	9.4%	-0.3
Nordea Eiendomskreditt AS	348	9.0%	-0.2
Sparebank 1 SMN	308	8.0%	0.0
Sparebanken Vest	306	8.0%	0.6
SpareBank 1 Østlandet	249	6.5%	0.0
Santander Consumer Bank AS	212	5.5%	-0.2

Based on this indicator, DNB Bank ASA and Kommunalbanken AS meet the criterion for systemically important institutions in Norway. Pursuant to section 30 of the regulations, DNB Bank ASA shall be subject to a special buffer requirement of 2 per cent, while Kommunalbanken AS shall be subject to a special buffer requirement of 1 per cent.

#### Market share of lending to the private non-financial sector in Norway

In the market share calculation, loans to the private non-financial sector from all banks, mortgage companies and finance companies, including branches of foreign institutions, are included in the denominator. Table 2 shows total loans to the private non-financial sector from Norwegian institutions with the highest market shares in Norway.

<sup>2</sup> Ownership interests below 50 per cent, consolidated proportionately based on holdings in the institutions at year-end 2023.

<sup>3</sup> No finance companies come close to the thresholds for systemic importance set out in the regulations.

Table 2 Norwegian institutions (groups) with market shares for loans to the private non-financial sector above 2 per cent, nominal values in NOK billion as at 31 December 2023

	Loans	Market share	Change from 2022 (percentage points)
DNB Bank ASA	1 566	25.4%	-0.7
Kommunalbanken AS	340	5.5%	0.2
Nordea Eiendomskreditt AS	334	5.4%	0.0
Sparebank 1 SR-Bank ASA	267	4.3%	0.1
Sparebanken Vest	255	4.1%	0.3
Sparebank 1 SMN	234	3.8%	0.3
SpareBank 1 Østlandet	197	3.2%	0.0
SpareBank 1 Nord-Norge	142	2.3%	0.1
Sparebanken Sør	128	2.1%	0.0
<b>Total</b>	<b>1 897</b>	<b>56.1%</b>	<b>0.2</b>

Based on this indicator, DNB Bank ASA, Kommunalbanken AS and Nordea Eiendomskreditt AS will be systemically important institutions in Norway. DNB Bank meets the criterion for a special buffer requirement of 2 per cent. Kommunalbanken and Nordea Eiendomskreditt meet the criterion for a special buffer requirement of 1 per cent.

### Foreign branches

Branches of foreign banks are not covered by the regulations. For the sake of overview, it is worth mentioning that Nordea Bank Abp's branch has total assets corresponding to 23.4 per cent of mainland GDP and a market share of lending representing 6.4 per cent of total lending. Danske Bank A/S' branch has total assets corresponding to 10.9 per cent of mainland GDP and a market share of lending representing 4.9 per cent of total lending.

### Other criteria

According to Section 31 of the regulations, Finanstilsynet shall also base its advice on ‘an assessment of, among other things, the institution’s size, the scope of its activities in Norway and in other countries, its complexity and role in the financial infrastructure, and its interconnectedness to the rest of the financial system’. Finanstilsynet has chosen to take [recommendations from the European Banking Authority \(EBA\)](#) on the identification of systemically important national institutions into consideration.

The EBA recommends a set of quantitative criteria, which can be complemented by discretionary assessments, for institutions that are not considered systemically important according to the quantitative analysis. The EBA recommends that the discretionary assessment is made using individual scores on the quantitative criteria or by using 49 optional qualitative and quantitative indicators. Both indicators in the Norwegian regulations are among these. In the quantitative analysis, a score is calculated for each institution based on the following criteria:

Criterion	Indicators	Weight
Size	Total assets	25%
Importance	Value of domestic payment transactions	8.33%
	Private sector deposits from depositors in the EU	8.33%
	Private sector loans to recipients in the EU	8.33%
Complexity	Value of OTC derivatives	8.33%
	Cross-jurisdictional liabilities	8.33%
	Cross-jurisdictional claims	8.33%
Interconnectedness	Intra-financial system liabilities	8.33%
	Intra-financial system assets	8.33%
	Debt securities outstanding	8.33%

For each indicator, a value representing the institution's amount of the indicator value, expressed in basis points, is calculated. These indicator values are then weighted to arrive at a score per criterion and thereafter a total score. Institutions with a total score equal to or higher than 350 basis points should, according to the EBA's recommendation, be automatically designated as systemically important. National authorities may raise or decrease this threshold to reflect national specificities. The recommendation also allows identification of systemically important institution by use of discretion.<sup>4</sup>

*Table 3 Norwegian institutions (groups) with a total score above 100 based on the EBA methodology as at 31 December 2023*

	Total score	Size	Importance	Complexity	Interconnectedness
DNB Bank ASA	<b>4 064</b>	3 281	3 230	6 758	2 986
Kommunalbanken AS	<b>400</b>	550	6	341	703
Sparebank 1 SR-Bank ASA	<b>353</b>	399	313	361	338
Sparebank 1 SMN	<b>255</b>	342	296	112	271
Sparebanken Vest	<b>241</b>	323	296	94	252
Santander Consumer Bank AS	<b>211</b>	223	204	314	103
Nordea Eiendomskreditt AS	<b>198</b>	366	186	7	232
SpareBank 1 Østlandet	<b>189</b>	269	212	59	217
SpareBank 1 Nord-Norge	<b>148</b>	192	158	39	205
Sparebanken Sør	<b>114</b>	166	139	26	127

Table 3 shows the indicators for Norwegian institutions with a total score above 100 based on the EBA methodology as at 31 December 2023. DNB Bank ASA, Kommunalbanken AS and Sparebank 1 SR-Bank ASA have a total score above 350, while Nordea Eiendomskreditt AS has a total score close to 200.

### Overall assessment and advice

Systemically important institutions are of particular importance to the financial system and the real economy. Such institutions shall be subject to a higher common equity Tier 1 capital requirement in order to have a higher loss-absorbing capacity, thus reducing the probability that the institutions

<sup>4</sup> The calculation challenges associated with the EBA's methodology are explained in the appendix to [Finanstilsynet's advice in 2015](#) (in Norwegian only).

will face financial problems that may have serious negative consequences for the financial system and the real economy.

Based on the criteria in the CRR/CRD IV regulations, Finanstilsynet recommends that DNB Bank ASA, Kommunalbanken AS and Nordea Eiendomskreditt AS continue to be designated as systemically important institutions.

Sparebank 1 SR-bank ASA has total assets that are close to the requirements in section 30, second subsection of the regulations. The bank's total EBA score is higher than the threshold for automatic identification of systemically important institutions, according to the EBA's recommendations. The bank has decided to merge with Sparebanken 1 Sørøst-Norge. The merger is subject to approval from Finanstilsynet and the Norwegian Competition Authority. According to Section 31 of the regulations, Finanstilsynet's advice shall be based on a broader assessment. On the basis of an overall assessment, it is recommended that Sparebank 1 SR-bank ASA be designated as systemically important.

Finanstilsynet recommends that DNB Bank ASA shall be subject to a special buffer requirement of 2 per cent, and that Kommunalbanken AS, Nordea Eiendomskreditt AS and Sparebank 1 SR-bank ASA shall be subject to a special buffer requirement of 1 per cent.

For Finanstilsynet

Knut Haugan  
Deputy Director General (acting),  
Risk Surveillance and Macroeconomic Supervision

Anneli Solberg  
Senior Adviser

*This document has been electronically approved and does not require handwritten signatures.*