FINANSTILSYNET
THE FINANCIAL SUPERVISORY AUTHORITY OF NORWAY

Norwegian Regulatory Update

London 10 March 2016

Director General Morten Baltzersen

Profits, loan losses and return on equity

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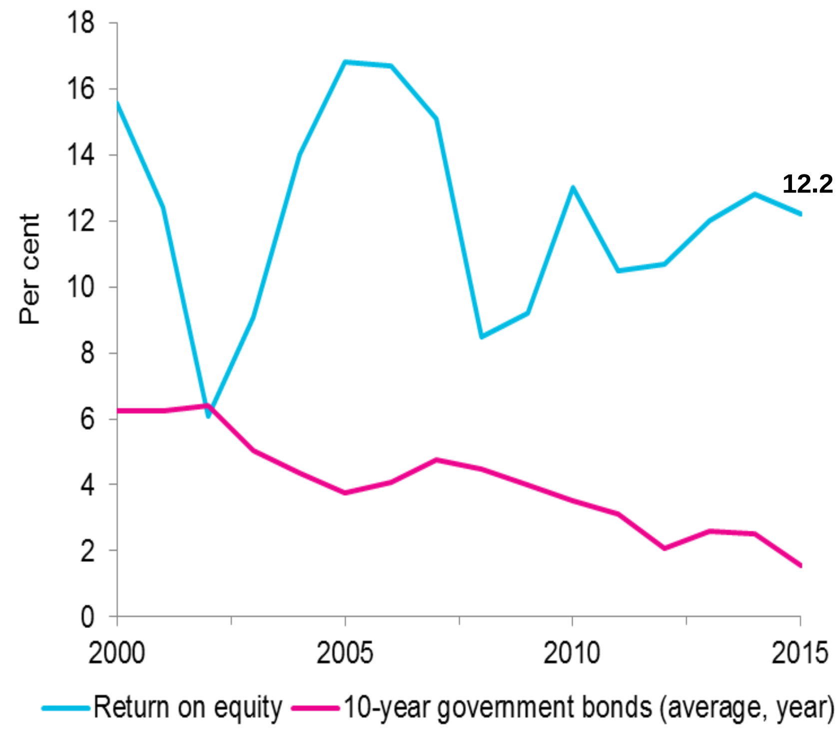
Profits and loan losses

Source: Finanstilsynet

Return on equity



Source: Finanstilsynet

Non-performing loans in Norwegian banks

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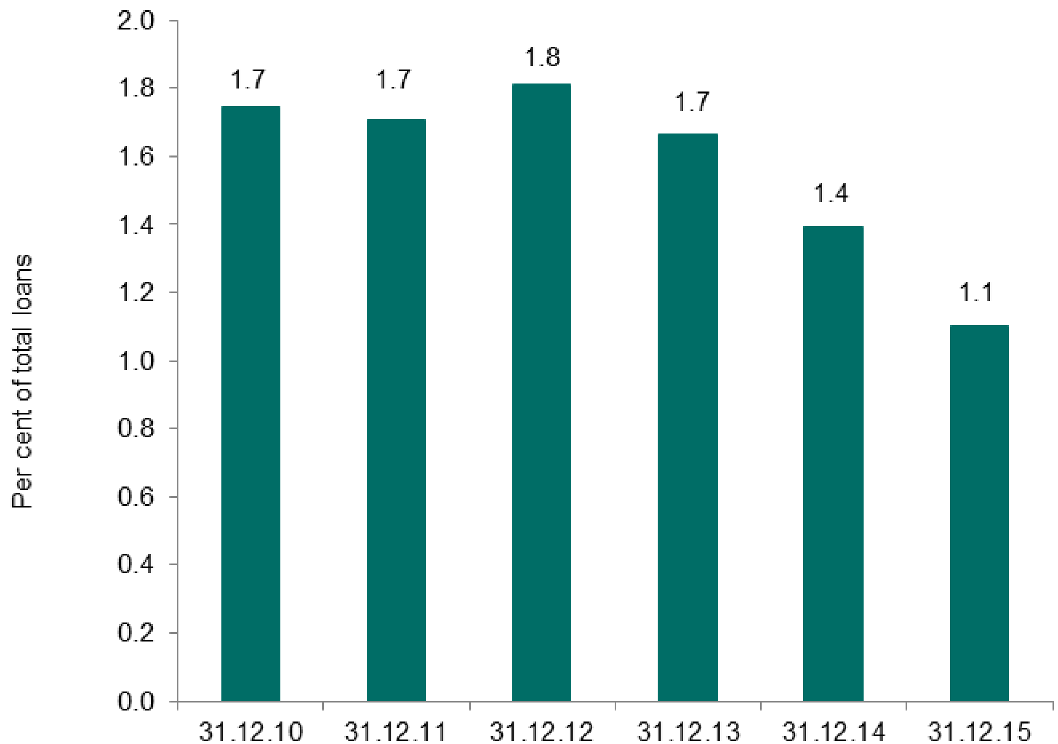

Non-performing loans and coverage ratio (EBA Risk Dashboard Q4 2015)

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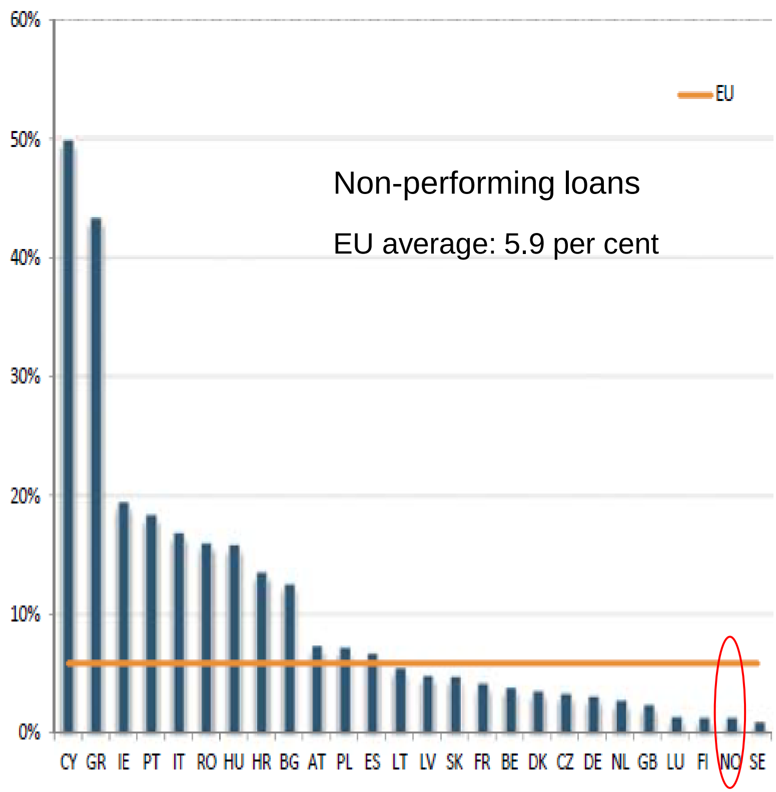
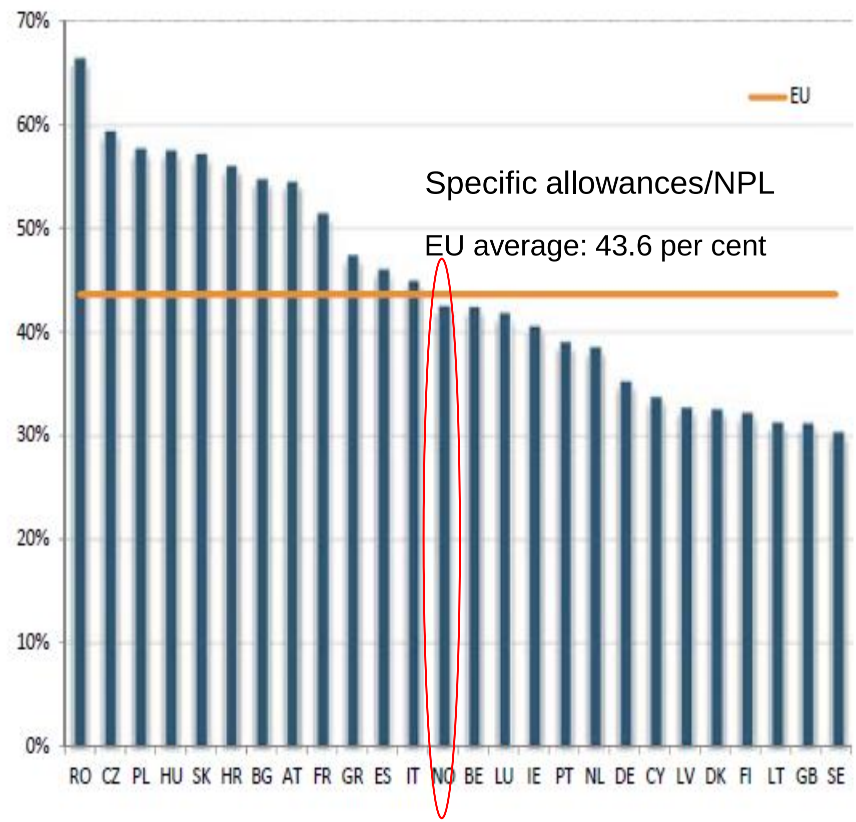
Country dispersion (as of Sep. 2015)



Country dispersion (as of Sep. 2015)



CET1 ratio in Norwegian banks

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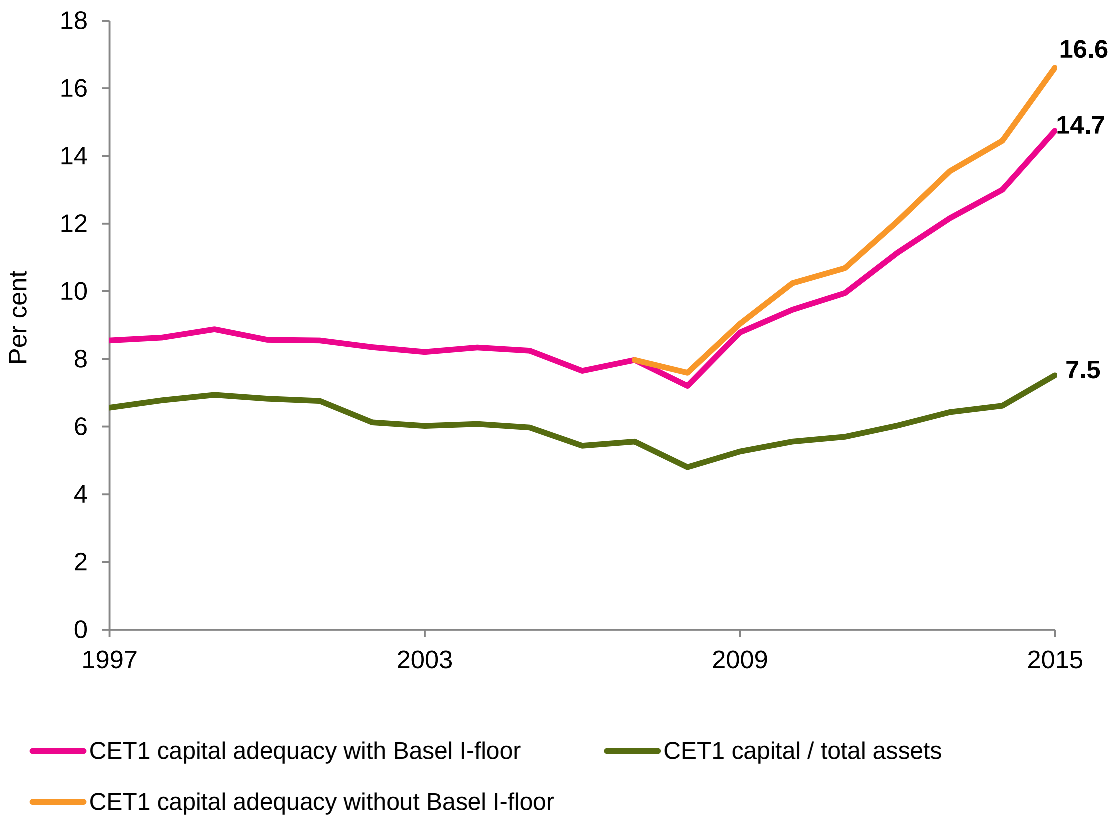

Leverage ratio – Nordic Banks

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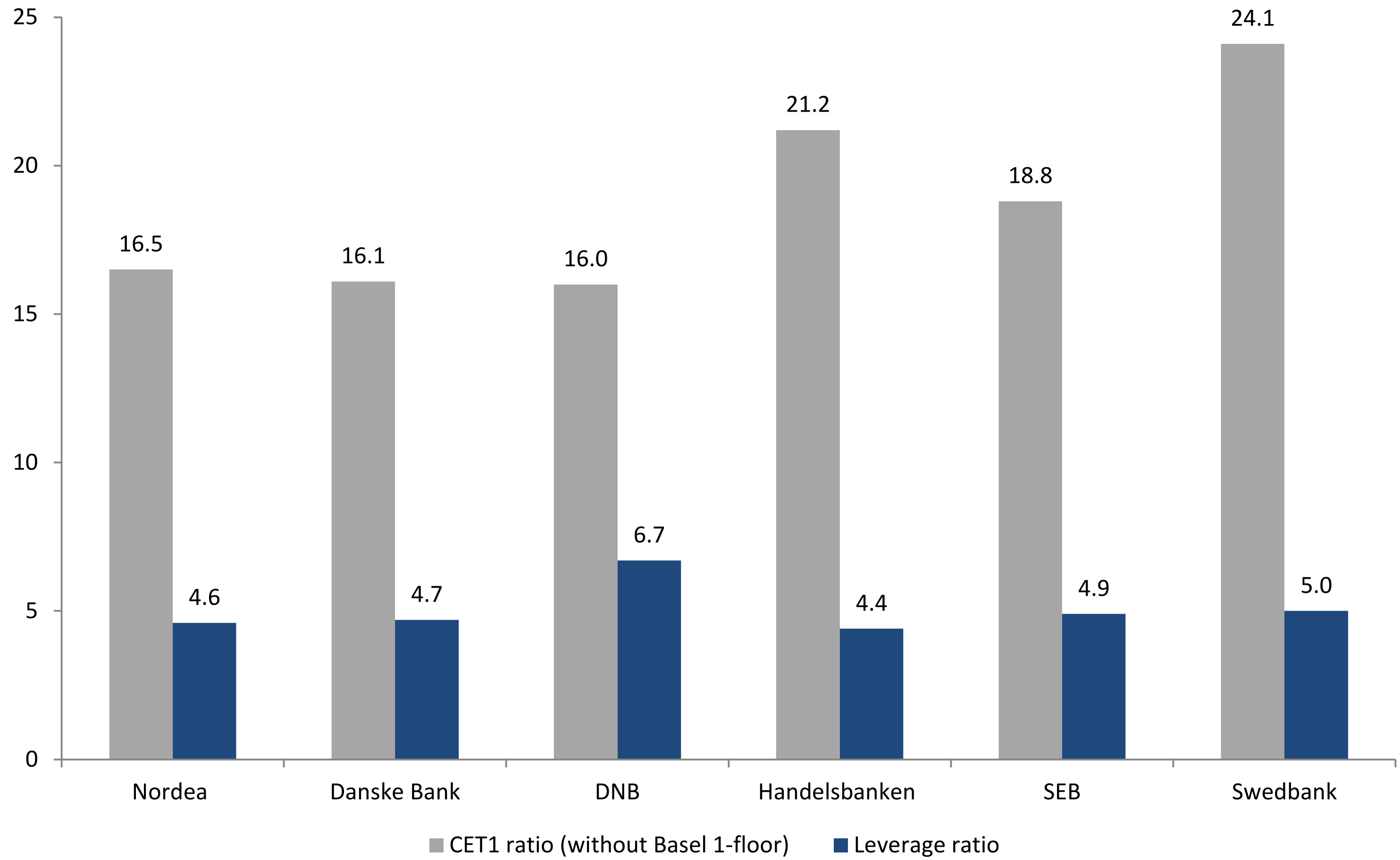

Source: Annual reports

Regulatiory regime

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Norwegian laws and regulations follow the EU-regime

CRD IV	Norwegian implementation
- Capital adequacy	Implemented. Buffer requirements phased in 2013-2016.
- Liquidity requirements (LCR)	Implemented: 100 pct. LCR for systemically important institutions as of 1 January 2016, 70 pct. LCR for others
- Leverage ratio	MoF asked FSA to put forward a draft on national regulations in 2016.
BRRD	Implementation prepared by the Banking Law Commission. Report expected in 2016.
Solvency II (Insurance)	Implemented. As of 1 January 2016, transitional rules (16 Y) for life insurers

CET1 requirements (Pillar 1)

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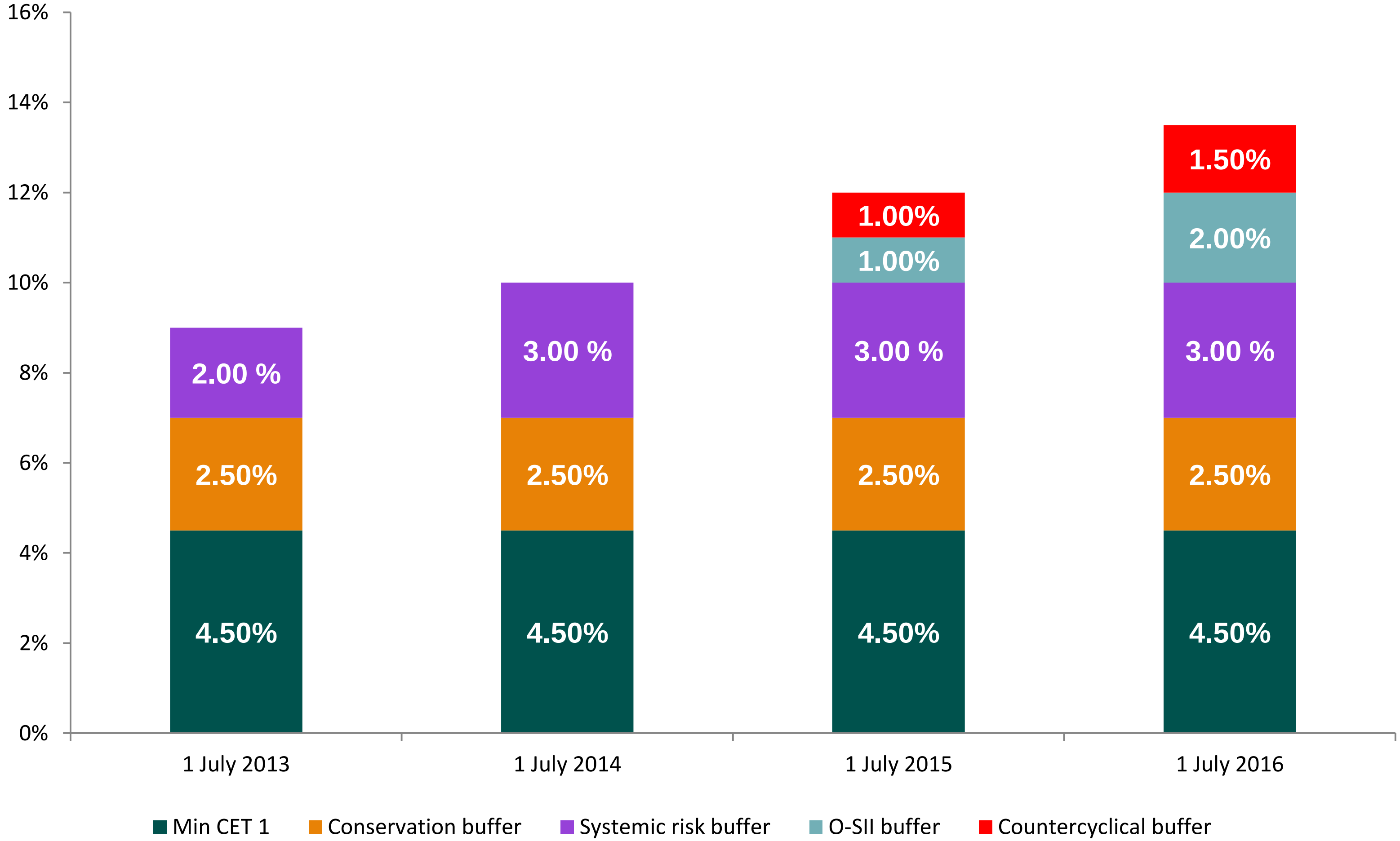

Pillar 2

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- EBA published a guideline (Dec. 2014) with an aim to harmonise practices. Finanstilsynet communicated its intention to comply.

- Finanstilsynet is making some adjustments to its SREP methodology and practices. Main principles are described in circular 9/2015: "*Finanstilsynet's methodologies for assessing risk and capital needs*". Methodologies are about to be updated.

- Pillar 2 must be covered by common equity Tier 1 capital.

Pillar 2 ctd.

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- **Letter from MOF January 2016:**
  - **Transparency and disclosure**

    Pillar 2 requirements should be disclosed
  - **Stacking order/MDA restrictions**

    Pillar 2 requirements shall not be taken into account when calculating automatic MDA restrictions, not even when the pillar 2 requirement is formalised by an order

Credit exposures of Norwegian banks*

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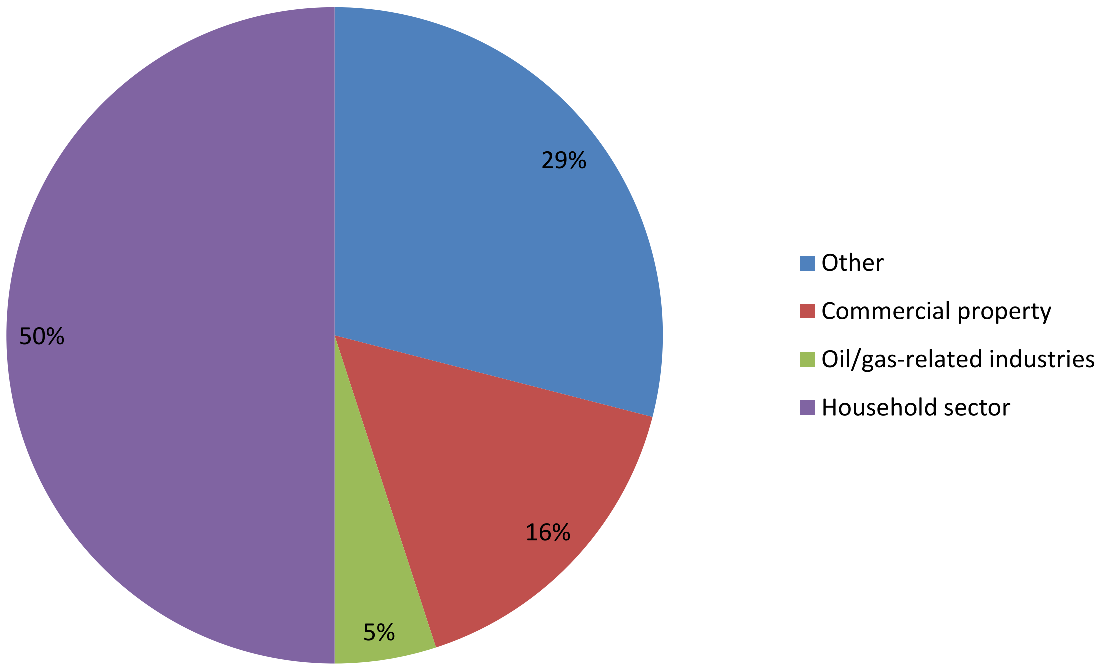

*16 largest banks

House prices and household debt

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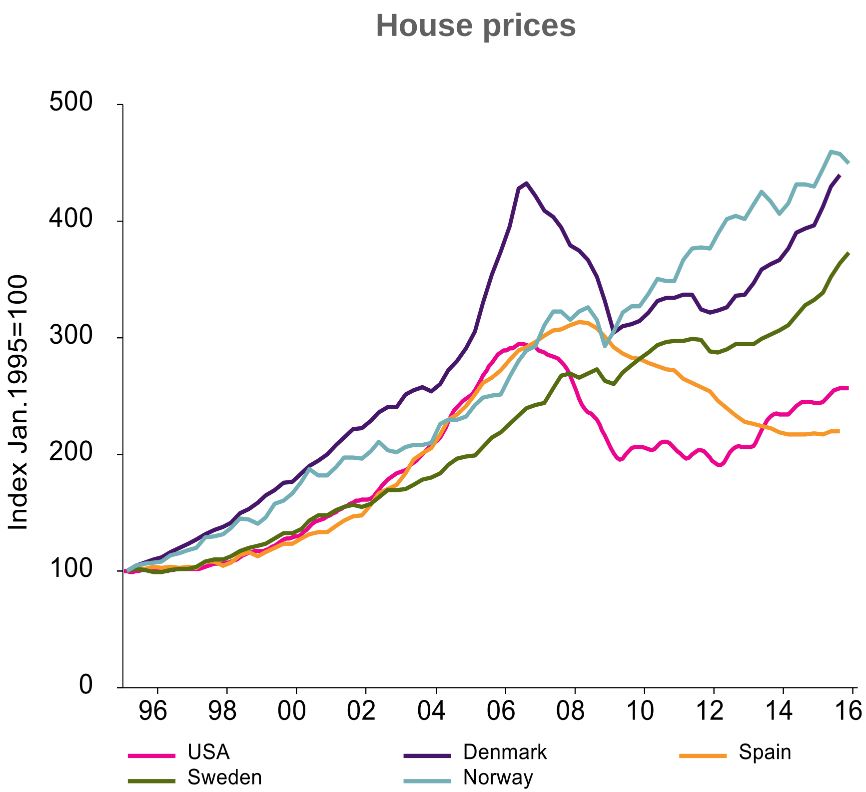

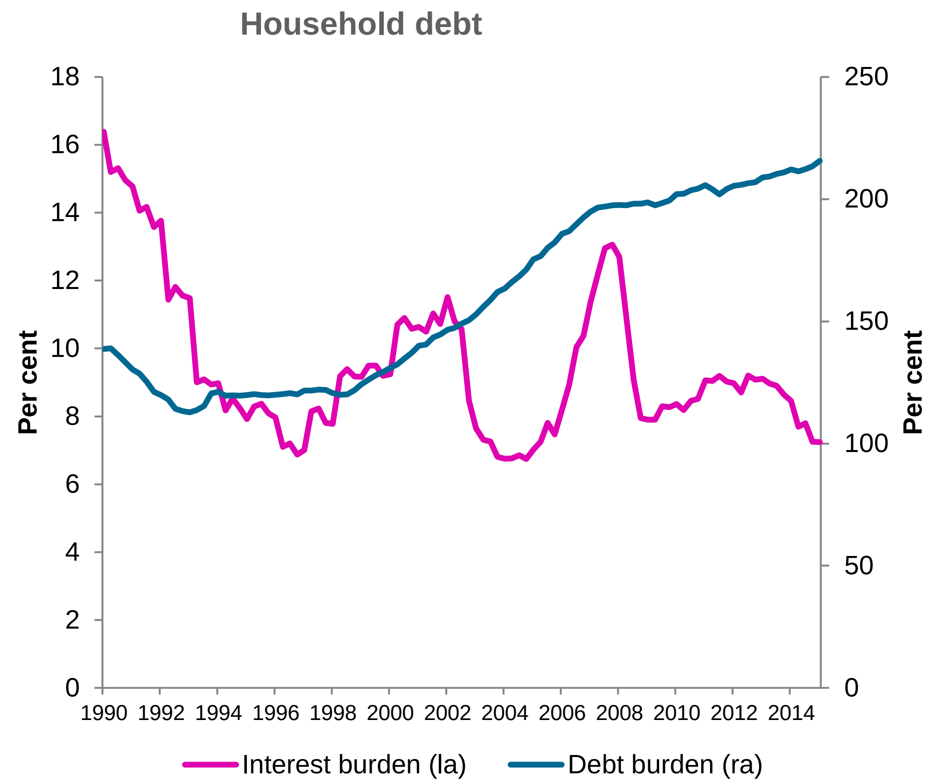

Business cycle and bank losses

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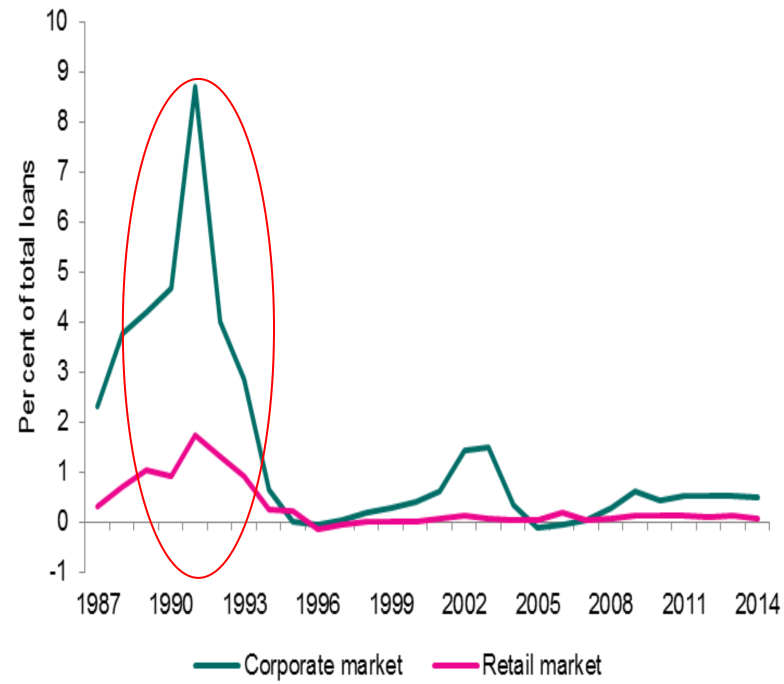
Growth in GDP and private consumption, and total bank losses during banking crisis

Sources: Statistics Norway and Finanstilsynet

Bank losses in corporate and retail market, per cent of total loans



Source: Finanstilsynet

Lower interest rates and increased life expectancy – life insurance

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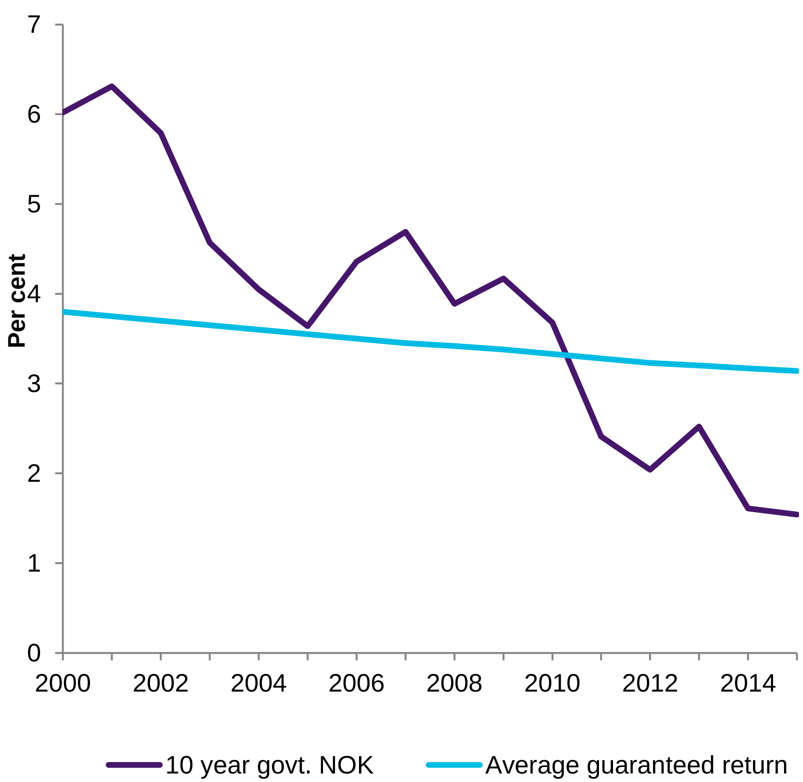
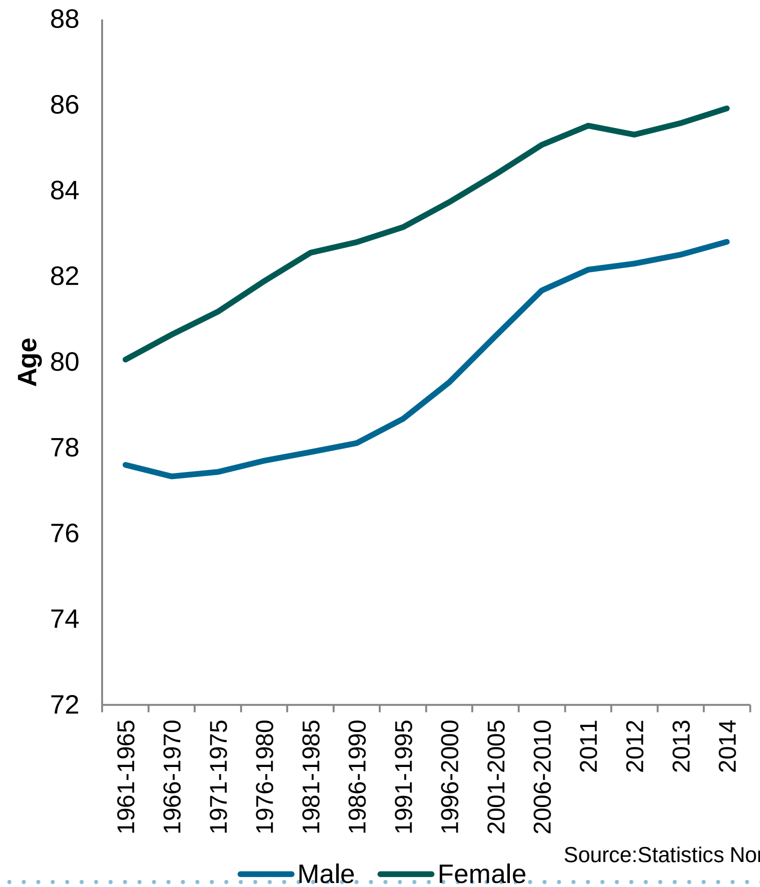
Guaranteed return and interest rate on 10Y Gov



Life expectancy at age 60



Source:Statistics Norway

Life insurance ctd.

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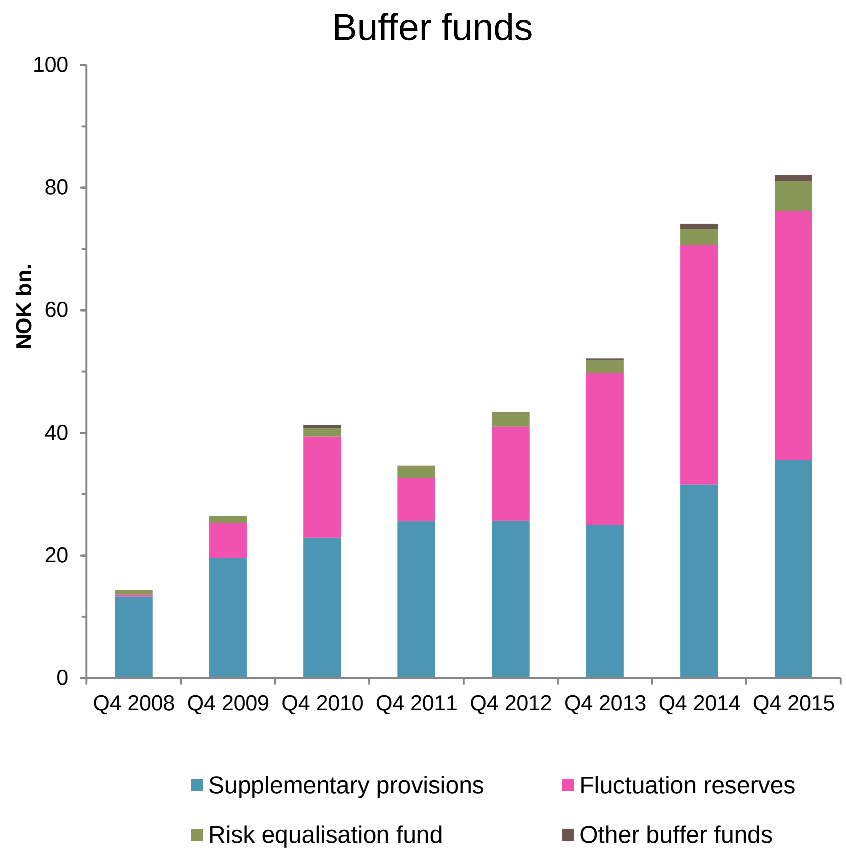
- Strengthened reserves
- Increased buffers
- Reduced costs
- More savings/unit-linked products



Summary

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Banks

- Profitable
- Low losses/NPL
- Low costs
- Strengthened capital position

Oil price plunge

- FSA expects impairments on direct oil-related exposures
- Ripple effects so far limited
- Downside risk: Broad economic setback

Insurance

- Exposed to low interest rates and increased longevity
- Reduced costs
- Increased buffers