FINANSTILSYNET
THE FINANCIAL SUPERVISORY
AUTHORITY OF NORWAY

Liquidity Risk Module

Evaluation of liquidity risk level

13 March 2025

1. Introduction

Finanstilsynet uses modules as working tools for on-site inspections at banks, mortgage companies, finance companies and holding companies, hereinafter referred to as institutions, and for assessing the institutions' overall risk and capital needs, SREP (Supervisory Review and Evaluation Process). The liquidity risk module consists of a guidance on the assessment of the institution's system for the management and control of liquidity and funding risk and a guidance on the assessment of the institution's liquidity and funding risk level. The present document is the guidance on the assessment of the institution's liquidity and funding risk level. It describes the indicators and assessments of risk levels that are emphasised by Finanstilsynet and followed up as part of its ongoing supervisory activities.

In its assessments, Finanstilsynet emphasises that the individual institution's liquidity and funding risk level should be adapted to the institution's size, complexity and risk profile. Reference is made to the separate chapter on proportionality in the module for internal governance.

Finanstilsynet's assessments of liquidity risk levels are based on two main elements: the institution's liquidity buffer, discussed in chapter 3, and the long-term horizon and diversification of the institution's funding, discussed in chapter 4. Finanstilsynet's assessments are based on laws or regulations, Finanstilsynet's guidances and international guidelines. Certain assessments are referred to as best practice and are based on Finanstilsynet's experience and observations from inspections, etc.

1.1. Relevant references

Acts and regulations

- Act on financial institutions and financial groups (Financial Institutions Act)
- Regulations on financial institutions and financial groups (Financial Institutions Regulations)
- Regulations on capital requirements and implementation of CRR/CRD regulations (CRR/CRD regulations), in particular Part I Scope and incorporation provisions[1], Part V Liquidity risk management and Part X Risk management and internal control system.

Guidances etc.

- Finanstilsynet's methodologies for assessing risk and capital needs ('SREP Guidance')
- ORBOF (Public reporting for banks and finance companies)[2]
- Module for assessment of internal governance

International guidelines from, among others, the EBA and the Basel Committee

- EBA (European Banking Authority) Guidelines on common procedures and methodologies for the supervisory evaluation process (SREP) and supervisory stress testing (EBA/GL/2022/03)

[1] Cf. the Capital Requirements Regulation, CRR, (EU) 575/2013 with the latest supplement 2024/1623, and Commission Delegated Regulation (EU) 2015/61 ('LCR DA')

[2] Further information: https://www.ssb.no/innrapportering/orbof

- ECB Guide to the internal liquidity adequacy assessment process (ILAAP), 2018
- The EBA Methodological Guide. Indicators for Risk Assessment and Resolutions & Detailed Risk Analysis Tools

Based on the factors reviewed in chapters 3 and 4 below, the actual status of the institution and Finanstilsynet's assessments, questions and conclusions are to be summarised in a review form. Finanstilsynet's internal assessments of the institution's governance and control and risk exposure are graded from 1 to 4. These represent the descriptions 'low risk', 'low to moderate risk', 'less satisfactory' and 'unsatisfactory'. The classification and review form are not communicated externally.

2. Summary

Liquidity buffer		Chap.	Level for supervisory follow-up
	LCR	3.1	100 per cent (regulatory minimum requirement) Possible Pillar 2 requirement of 50 per cent for NOK and 100 per cent for other significant currencies
	The institution's aggregate liquidity buffer Cliff effect	3.2	Qualitative and quantitative assessment of the buffer, including the proportion of covered bonds based on Norwegian cover pools. With respect to the cliff effect, both the magnitude and negative deviations should be assessed against the reference group.*
	Transfer rate	3.3	Level and development over time. Negative deviation from the reference group average*
	Relative OMF potential (ROP) and refinancing capacity under stress (RUS)	3.4	100 per cent for refunding ability under stress – one year.
	Settlement account, unused and granted credit facilities	3.5	Qualitative

Long-term perspective and diversification		Chap.	Level for supervisory follow-up
	NSFR	4.1	100 per cent (regulatory minimum requirement)
	Deposits and deposit-to-loan ratio	4.2	Same as for chapter 3.3
	Deposit composition (e.g. deposits within the guarantee fund limit and share of deposits generated via online deposit platforms – ODPs)	4.3	Same as for chapter 3.3
	Large deposits	4.4	Same as for chapter 3.3
	Share of wholesale funding	4.5	Same as for chapter 3.3
	Maturity composition of wholesale funding – share falling due within one year	4.6	Same as for chapter 3.3
	Debt to other financial institutions	4.7	Same as for chapter 3.3

* The reference group consists of comparable institutions in terms of size and business model.

3. Liquidity buffer

Chapter 3 deals with the key factors considered by Finanstilsynet when assessing the institution's liquidity buffer. The liquidity buffer is a collective term for the various liquidity reserves institutions may hold. The purpose of the buffer is to prevent the institution from experiencing a liquidity crisis.

Chapter 3.1 describes the minimum liquidity coverage ratio (LCR) requirement. Furthermore, Finanstilsynet assesses the composition of the institution's aggregate liquidity buffer, cf. chapter 3.2. Banks' transfer of residential mortgages to covered-bond-issuing entities and the potential to issue covered bonds and/or sell their own holdings of covered bonds are covered in chapters 3.3 and 3.4. The institution’s settlement account and undrawn credit facilities are also included in the liquidity buffer assessment, cf. chapter 3.5.

3.1. Liquidity coverage ratio (LCR)

The LCR is a stress test that shows the volume of liquid assets the relevant institution is required to hold to cover an assumed net liquidity outflow over a 30-day period. The LCR is reported to Finanstilsynet monthly. Finanstilsynet may require more frequent reporting.

The LCR applies at consolidated and solo level (consolidated, sub-consolidated and unconsolidated), and the minimum requirement is 100 per cent, cf. the CRR/CRD Regulations, section 2, second subsection no. 2, Commission Delegated Regulation (EU) 2015/61, Article 6 (2).

Institutions whose liabilities in full, or practically in full, are denominated in Norwegian kroner (NOK) should have a total LCR that consists mainly of liquid assets in NOK. Finanstilsynet sets a Pillar 2 requirement for LCR in foreign currency for institutions that have significant currencies other than NOK. Currencies which separately account for more than 5 per cent of an institution's total liabilities are considered to be significant currencies.[3] The Pillar 2 requirement for LCR for currencies other than Norwegian kroner will normally be 100 per cent, while for Norwegian kroner it will usually be 50 per cent, cf. the Guidance on Finanstilsynet's methodologies for assessing risk and capital needs.

It follows from the CRR/CRD Regulations, section 2, second subsection (2), cf. Article 8 (2) of Commission Delegated Regulation (EU) 2015/61, that the assets comprising the liquidity buffer shall be adequately diversified. It is up to the institution itself to ensure this. Among other things, the various types of securities and the number of issuers, including the issuer's sector and geographic location, must be taken into account. In order to ensure adequate diversification, Finanstilsynet therefore recommends that 'Norwegian covered bonds' account for a maximum of 50 per cent of the total liquid assets eligible for inclusion in the LCR and that the buffer consists of covered bonds from several issuers and is well diversified geographically.[4] 'Norwegian covered bonds' means covered bonds with cover pools based on loans secured on real estate in Norway.

Finanstilsynet's assessments are based on:

- Monthly reported LCR values in total, in NOK alone and in any other significant currencies on an unconsolidated, sub-consolidated and consolidated basis.

[3] The reason for this is that institutions with a high level of debt in foreign currency may be subject to liquidity risk if there is a mismatch in foreign currency cash flows.

[4] Liquid assets eligible for inclusion in the LCR are divided into Level 1, Level 2A and Level 2B. Covered bonds can be included in all of them according to specific criteria.

- More frequently observed LCR values, e.g. on a daily basis, presented in the form of graphs and/or tables in the ILAAP or risk reports or at Finanstilsynet's request.

In its assessment, Finanstilsynet emphasises:

- Current status and development, including volatility and lowest level, for:
    - Total LCR, i.e. in aggregate for all currencies, consolidated, sub-consolidated and unconsolidated, measured against regulatory minimum requirements and the limits established by the institution.
    - LCR in Norwegian kroner (LCR-NOK) measured against regulatory minimum requirements, if applicable, and and the limits established by the institution.
    - If applicable, LCR in significant currencies other than NOK, measured against regulatory minimum requirements and the institution's own limits.
- The institution's holdings of covered bonds with a cover pool consisting of real estate mortgages in Norway as a share of total eligible liquid assets in the LCR. The institution's allocation is considered in the context of the recommended maximum share of 50 per cent along with the recommendation to diversify across multiple issuers and ensure sound geographical diversification.

3.2. Information about the institution's aggregate liquidity buffer

Chapter 3.2 addresses the key factors considered by Finanstilsynet when assessing the institution's *aggregate* liquidity buffer, i.e. where assets other than those eligible for inclusion in the LCR can be included. The size of the buffer may be linked to the institution's adopted survival horizon in a 'normal situation' or under liquidity stress. A qualitative assessment of the various components of the buffer is key to being able to say something about the institution's viability.

The institution's reporting of the EBA's 'Additional Liquidity Monitoring Metrics' (ALMM)[5] includes the 'Maturity Ladder' with all of the institution's *contractual* inflows and outflows, as well as the status of the cash reserve.[6] 20 maturity segments are used, ranging from 'overnight', 'one–two days', etc. up to 'over five years'. Reporting shall take place monthly for the largest institutions and quarterly for the others.

An analysis of payments in the maturity segment '30–35 days' makes it possible to assess whether institutions that comply with the LCR requirement *may* have large net payments *after day 30* that will deplete the institution's liquidity buffer, i.e. possible cliff effects on the size of the liquidity buffer *after* 30 days.

Finanstilsynet's assessments are based on:

- With respect to the aggregate buffer, Finanstilsynet obtains the material on request, including for use in on-site inspections.
    - Small and medium-sized institutions:
      Information about individual securities, deposits and/or other instruments included in the liquidity buffer with characteristics, including an indication of whether the securities/mutual fund units are eligible for inclusion in the LCR, listed and approved as ESG instruments ('green securities') and can be pledged as collateral for loans from Norges Bank (or another central bank).
    - Large institutions:
      Same information as for small and medium-sized institutions but at portfolio level.

[5] ALMM, Additional Liquidity Monitoring Metrics, has been prepared by the EBA https://www.finanstilsynet.no/rapportering/fellesrapporteringer/likviditet-lcr-nsfr-almm/?parent=

[6] The reporting is based on the institution's information and assessments but follows the structure of the LCR and should be reconcilable with it.

- Cliff effect 30–35 days (definition): There is a cliff effect if outflows in the 30–35 day maturity segment exceed inflows during the same period *and* this negative gap represents a substantial share of the institution's 'extended liquidity buffer' ('counterbalancing capacity'). Particular attention should be paid to the institution if the gap is close to or larger than the extended liquidity buffer.

In its assessment, Finanstilsynet emphasises:

- For the aggregate buffer:
    - Value, negotiability, maturity date and portfolio concentration, etc. for the institution's various holdings of securities or mutual fund units.
    - Conditions for and volume of deposit and settlement accounts in other banks within and outside any bank alliances.
- Cliff effect
- The magnitude of the cliff effect, possibly measured against the institution's total assets, and viewed in light of previous observations for the institution and figures for the reference group.

3.3. Transfer rate

Chapter 3.3 addresses factors considered by Finanstilsynet with respect to the institution's transfer rate. The transfer rate is the sum of loans secured on residential and holiday properties recorded in the covered-bond-issuing entity, expressed as a percentage of total loans secured on residential and holiday properties recorded by the bank and the covered-bond-issuing entity, respectively.[7] [8]

Finanstilsynet's assessments are based on:

- Quarterly figures from ORBOF, used to calculate the transfer rate.
- The banks' transfer rate limits specified in governing documents and the ILAAP.
- Annual reporting, see chapter 3.4, for banks whose total assets exceed NOK 6 billion.

In its assessment, Finanstilsynet emphasises:

- Current status and developments over time. Comparison with the average for other banks of the same size and with the same business model, and whether the bank is the full or partial owner of covered-bond-issuing entities.
- The bank's reserves of loans that quickly can be transferred to the covered-bond-issuing entity as well as the entity's overcollateralisation and average debt-to-income ratio in the cover pool.
- Risk in the bank's loan portfolio, its capital adequacy and overall liquidity situation.

[7] Few covered-bond-issuing entities have a cover pool based on anything other than loans to residential and recreational property (e.g. loans to commercial property and municipalities), and the value of such cover pools is relatively limited. The transfer rate for such loans is therefore not discussed further but is taken into account when assessing banks' emergency preparedness.

[8] Some covered-bond-issuing entities are owned by a single bank, while others are owned by a group of banks. These are often referred to as banks with wholly and/or partially owned covered-bond-issuing entities. When calculating the transfer rate for banks that are part-owners of covered-bond-issuing entities, the respective bank's ownership share is used as the basis for the calculations.

3.4. Relative OMF (covered bond) potential and refinancing capacity under stress

Chapter 3.4 deals with Finanstilsynet's assessments of the capacity of the bank, as a full or partial owner of covered-bond-issuing entities, to issue covered bonds (by means of the covered-bond-issuing entity) and/or sell covered bonds from the bank's holdings. [9]

Low utilisation of the opportunity to issue covered bonds today may provide greater potential for new long-term funding in the form of covered bonds in the future. However, high utilisation today could mean that the institution will have limited potential for new issues in the future. High utilisation may therefore be an indication that the institution will be vulnerable in a stressed situation.

Furthermore, a low proportion of well-secured residential mortgages on the parent bank's balance sheet may be manifested in a higher credit risk premium on the bank's senior bonds and a need to offer higher deposit rates.[10]

This can be illustrated by the following two indicators: *relative OMF potential* and *refinancing capacity under stress.*

Both indicators are based on the 'OMF potential', which is the sum of three components:

- available cover pool in the bank's wholly/partially owned covered-bond-issuing entities
- the value of property loans on the bank’s balance sheet eligible for inclusion in the cover pool
- the value of unencumbered covered bonds that are not eligible for inclusion in the LCR[11]

<u>Relative covered bond potential (ROP):</u>

Definition: ROP represents 'OMF potential' in per cent of the covered-bond-issuing entity’s total cover pool (alternatively the bank's share if the entity is partially owned). In other words, the relative OMF potential has certain similarities with overcollateralisation but allows for differences between business models where the bank holds much of the reserves on its own balance sheet and models where the bank has largely transferred eligible residential mortgages to a covered-bond-issuing entity.

<u>Refinancing capacity under stress (RUS):</u>

Definition: The first step is to adjust the 'covered bond potential' for a 30 per cent reduction in house prices. RUS is then determined by viewing this adjusted 'covered bond potential' as a share of the bank's wholesale funding maturing from one month to one year and from one month to two years ahead, respectively. (Maturities from zero to one month are covered by the LCR.)[12]

The RUS result indicates whether the bank's wholesale funding can be refinanced by means of covered bonds. Experience shows that covered bonds are an appropriate funding source during market turbulence.

[9] This primarily concerns medium-sized and large banks that have outstanding senior loans accounting for a not insignificant part of the bank's total funding.

[10] In this context, well-secured residential mortgages are defined as loans with a low loan-to-value ratio (LTV ratio).

[11] These are covered bonds issued by covered-bond-issuing entities wholly owned by the bank (also referred to as 'own covered bonds') as well as covered bonds that are not eligible for inclusion in the LCR due to their magnitude and the LCR haircut rules for covered bonds.

[12] Wholesale funding is defined as senior bonds, senior non-preferred debt, commercial paper, subordinated loans and additional Tier 1 instruments.

Finanstilsynet's assessments are based on:

- Reporting of Finanstilsynet's indicators 'Relative OMF potential' and 'Refinancing capacity under stress'; https://www.finanstilsynet.no/tilsyn/arkiv-fellessider-tilsyn/modul-for-likviditetsrisiko/
- Banks, with the exception of the smallest ones, report these indicators to Finanstilsynet annually.

In its assessment, Finanstilsynet emphasises:

- High figures for the *relative OMF potential* (ROP) indicate that the institution has a strong capacity to manage its liquidity needs. No reference value has been established for the ROP, but a high figure is positive (the indicator cannot be negative).
- High positive figures for *refinancing capacity under stress* (RUS) indicates that the institution has a strong capacity to manage its liquidity needs. All else equal, a figure above 100 will be satisfactory because it indicates that the bank will be able to refinance wholesale funding that reaches maturity from one to two years ahead in time by means of new covered bonds. A low or negative figure indicates that the institution may face problems in a stressed situation.

3.5. Settlement account and unused and granted credit facilities

Chapter 3.5 deals with Finanstilsynet's evaluation of the significance of settlement accounts and credit facilities for the institution's liquidity risk and funding. Settlement accounts are necessary for payments between institutions, while credit facilities serve as a buffer. In Finanstilsynet's opinion, however, there is reason to be cautious about placing considerable emphasis on the institution's unutilised credit facilities as a source of funding for contingency purposes. This is due to the risk that these could be withdrawn for institution that are in a crisis. Such risk has been taken into account in the LCR haircuts for both unused, i.e. credit facilities held by the institutions, and granted credit facilities, as they both may affect the institution's liquidity situation. In practice, however, some institutions may have received liquidity guarantees from financial institutions in the same alliance etc., and may thus be considered more secure. This should therefore be taken into account when assessing the institution's liquidity situation.

Finanstilsynet's assessments are based on:

- For the institution's settlement account:
  - Limits, renewal date, costs and other information about where the bank has its settlement account(s).
- For the credit facilities that the institution holds or has granted:
  - Copies of the relevant agreement(s), or a summary of the main items in the agreement(s) to clarify their purpose, counterparty, agreed maximum amount and amount drawn on the reporting date, the remaining maturity including any termination clauses, price/price structure, as well as material covenants and other additional clauses.

Information is collected in connection with on-site inspections or SREP.

In its assessment, Finanstilsynet emphasises:

- Whether the institution's settlement account structure seems appropriate given the institution's size and business model.

- The importance of the credit facilities for the institution's liquidity. This applies to credit facilities granted by the institution to others, as well as credit facilities held by the institution itself with other financial institutions.

4. The long-term perspective and diversification of the funding

Chapter 4 deals with the key factors considered by Finanstilsynet when assessing the institution's funding. The purpose is to ensure that the institution obtains sufficient long-term and diversified funding. Chapter 4.1 covers the minimum requirement for stable funding (Net Stable Funding Ratio, NSFR), while deposits are discussed in chapters 4.2 to 4.4. Chapters 4.5 to 4.7 deal with other funding (apart from equity).

4.1. NSFR

This stable funding ratio (NSFR) shows the sum total of items that 'provide stable funding' (the sum of equity and liabilities) relative to the sum of the on- and off-balance sheet items that 'require stable funding' (loans etc.). The minimum NSFR requirement is 100 per cent, cf. Section 2, first subsection (g) of the Norwegian CRR/CRD IV Regulations, which implements Regulation 2019/876. The minimum requirement applies at consolidated and solo level (consolidated, sub-consolidated and unconsolidated). The minimum NSFR requirement applies to all currencies combined, but NSFR must also be reported for each significant currency, cf. the definition of significant currency in chapter 3.1.

Finanstilsynet's assessments are based on:

- Quarterly reported NSFR values in total, in NOK alone and in any other significant currencies on an unconsolidated, sub-consolidated and consolidated basis.
- More frequently observed LCR values, e.g. on a daily basis, presented in graphs and/or tables in the ILAAP or risk reports or at Finanstilsynet's request.

In its assessment, Finanstilsynet emphasises:

- Current status and development, including stability over time, any abrupt shifts and the lowest level, for the total NSFR measured against regulatory minimum requirements and the institution's own limits.

4.2. Deposits and deposit-to-loan ratio

Chapters 4.2, 4.3 and 4.4 explain what Finanstilsynet focuses on when assessing deposits as a source of funding. Experience shows that customer deposits have been a stable and important source of funding for banks. In its assessments, Finanstilsynet has therefore attached great importance to a high deposit-to-loan ratio. However, in view of the establishment of banks with business models that largely base their financing on deposits with high interest rates, other aspects must also be given weight when assessing the stability of the deposits, for example depositors' interest rate sensitivity. Furthermore, the customer's relations to the bank, such as whether the bank is the customer's principal bank, will be relevant. Banks that offer a limited range of everyday banking services tend to have customers who have looser ties to the bank. Central to the assessments is also how new technological solutions, such as making it easier for depositors to compare banks and make instant payments, can change customer behaviour. Another key element is the bank's use of various ODPs in Norway and abroad for private customers and the corporate market, respectively, cf. chapter 4.3.

Finanstilsynet's assessments are based on:

- Monthly reported figures in ORBOF:
    - The bank's deposit-to-loan ratio at solo level (parent bank level): customer deposits in per cent of customer loans
    - Deposit-to-loan ratio, taking account of loans transferred to wholly or partially owned covered-bond-issuing entities: customer deposits in per cent of customer loans including loans transferred to covered-bond-issuing entities.
- High interest rates on deposits or other special measures taken by the bank to increase the volume of customer deposits. The assessments are based on publicly available information such as interest rate barometers etc., the bank's website and possibly information obtained from the bank.

In its assessment, Finanstilsynet emphasises:

- The bank's business model (as described above).
- The current status and development of the deposit-to-loan ratio compared to the average for other banks of the same size with a corresponding business model.
- Deposits as a share of the bank's total funding.
- The stability of deposits based on factors such as the bank's use of ODPs, deposit brokers, active marketing and the bank's position on the interest rate barometer.

In its feedback to the bank, e.g. in connection with on-site inspections, SREP letters etc., Finanstilsynet may recommend that the bank adapt its deposit level to the bank's risks and business model.

The same applies to its deposit composition, cf. chapter 4.3.

4.3. Deposit composition

The composition of deposits provides an insight into how stable the bank's deposits are. Among other things, experience from banking crises shows that deposits covered by a deposit guarantee scheme are more stable than other deposits. Furthermore, brokered deposits, deposits obtained as a result of a good position on interest rate barometers and deposits mediated to the bank via ODPs, also from abroad, can be assumed to be more volatile.[13] The same applies to deposits from depositors who do not use the bank in question as their primary bank.

Finanstilsynet's assessments are based on:

- Share of total customer deposits in the bank that are covered by the deposit guarantee scheme in the Norwegian Banks' Guarantee Fund (maximum NOK 2 million) or foreign guarantee schemes (EU: maximum EUR 100,000).[14]
- The composition of the bank's depositors by sector category (based on ORBOF), including the volume of deposits from other financial institutions (e.g. other banks).
- Additional reporting from the bank (at Finanstilsynet's request), specifying:
- Deposits in foreign currency and the country of residence of such depositors.
- Information about deposits that have been brokered; volume and terms and conditions.

[13] The EBA is working on an assessment of whether a higher LCR haircut should be set for such deposits, as has already been introduced in Sweden. A survey conducted by Finanstilsynet in 2024 revealed that some banks already apply higher weights when reporting deposits from ODPs. Finanstilsynet supports such an approach.

[14] Not all categories of depositors defined under customer deposits are entitled to coverage under the scheme.

- The volume of deposits from various ODPs in Norway and abroad for personal customers and the corporate market, respectively.

In its assessment, Finanstilsynet emphasises:

- The share of secured deposits: Current status and development for the bank measured against the average for other similar large banks or banks with the same business model. In general, a bank's deposit volume is considered to be more stable if a high proportion is within the guarantee scheme limit.
- The share of deposits (personal and corporate customers) generated via ODPs and the terms and conditions for such deposits, as well as developments over time.
- The composition of the bank's other deposits; current status and developments.
- The dominance of deposits as a source of funding for the bank in light of its business model and whether the bank is the principal bank for the majority of depositors.

4.4. Large deposits

Large deposits may represent a concentration risk for the bank. Especially in turbulent times, there may be a risk that such funds will be transferred and/or that withdrawals of large deposits will create problems for the bank. It is therefore relevant to assess who the depositor is, what is the agreed period before the deposit may be withdrawn (fixed-term period) and the cost of not observing this term. Therefore, the volume of and terms and conditions for large deposits should be viewed in a liquidity risk perspective. A distinction is made between deposits from financial institutions and customer deposits, since the various depositors can be expected to react differently to financial market turmoil.

Finanstilsynet's assessments are based on:

- An overview of the bank's
    - ten largest customer deposits; volume, fixed-term period and interest rate
    - ten largest deposits from other financial institutions; volume, fixed-term period and interest rate
- Information on whether the deposits are brokered or subject to special terms and conditions.
- Information must be obtained directly from the bank, e.g. in connection with an on-site inspection.
- 'Concentration of funding by counterparty' from the EBA's 'Additional Liquidity Monitoring Metrics' (ALMM). The report shows up to ten parties who each owns more than one per cent of the institution's total debt (assumed to be mainly depositors).

In its assessment, Finanstilsynet emphasises:

For the ten largest customer deposits and the ten largest deposits from other financial institutions:

- Who are the depositors, and do they have a long-standing customer relationship with the bank? What are the terms and conditions for the deposit, including interest rate and fixed-term period, as well as the 'penalty' for breaching the fixed-term period.
- The total percentage distribution of total deposits on customer deposits and other deposits.
- The value of the ten largest customer deposits and the ten largest deposits from other financial institutions should be viewed against the value of total deposits. The lower this

ratio, the better prepared the bank is for one or more large depositors withdrawing their funds.

- It should also be considered how this 'funding concentration' has developed over time and how the bank compares to banks with a similar business model.

4.5. Share of wholesale funding

The institution's dependence on funding from the capital markets is the subject of chapters 4.5 and 4.6. Wholesale funding is defined as the issuance of commercial paper, bonds (including covered bonds, senior debt and senior non-preferred debt), subordinated loans and additional Tier 1 instruments. Along with deposits (applies to banks only), equity and liabilities to other financial institutions, cf. chapter 4.7, such issuances constitute the institutions' primary source of funding.

Based on ORBOF, Finanstilsynet has developed and monitors various indicators for wholesale funding and debt to other financial institutions, including volume and average remaining maturity. ORBOF is used only at non-consolidated level. This means that wholesale funding for banks and covered-bond-issuing entities is only shown separately for each entity.[15]

Finanstilsynet's assessments are based on:

- The institution's outstanding bond and commercial paper debt (senior debt and senior non-preferred debt), subordinated loans and additional Tier 1 instruments in per cent of the institution's total assets (source: ORBOF).

In its assessment, Finanstilsynet emphasises:

- Current level and developments over time.
- The individual institution's share of wholesale funding is assessed against comparable institutions. A high share *may* indicate that the relevant institution is too dependent on wholesale funding. At the same time, a low share, considering the business model, may indicate insufficient diversification.

4.6. Maturity composition of wholesale funding

The purpose of the assessments is to determine whether the institution's wholesale funding can be considered to be too short-term, or possibly too dependent on foreign markets.

Finanstilsynet's assessments are based on:

- A distribution per quarter end of wholesale funding in the intervals 'less than one year', 'one to three years', 'three to five years', 'five to ten years' and 'more than ten years'. Based on this, the following is calculated:
    - The share of the institution's *wholesale funding* at the end of the quarter that falls due within one year in per cent of the institution's total assets.
    - Weighted maturity composition of wholesale funding with a remaining maturity of more than one year. The indicator is measured in number of years. The weighting is based on how much of the wholesale funding falls within the different intervals, where 'one to three years' is '2', 'three to five years' is '4', 'five to ten years' is '7.5' and 'over ten years' is '12'.
- The proportion of wholesale funding issued in foreign markets.

[15] In annual reports from financial services groups, the average maturity of the group's funding will be a mix of, among other things, bonds issued by the bank and covered bonds issued by residential mortgage companies.

The information is obtained from ORBOF.

In its assessment, Finanstilsynet emphasises:

- Current status and development of the share of the institution's wholesale funding that falls due within one year. The result is assessed in light of how much of the institution's balance sheet represents wholesale funding (chapter 4.5). A high proportion *may* indicate that the institution in question could experience refinancing problems.
- Current status and development of the institution's weighted maturity composition of wholesale funding with a remaining maturity of more than one year. In Finanstilsynet’s opinion, it is important that this weighted average is as high as possible. Assessments are made against comparable institutions.

4.7. Debt to other financial institutions

Chapter 4.7 deals with Finanstilsynet's assessment of the institution's dependence on funding from other financial institutions that is not covered in chapter 4.4. An estimate is made of the proportion of the institution’s balance sheet that represents debt to other financial institutions in Norway and abroad, and the proportion of debt that falls due within one year. The purpose is to highlight how important and diversified this source of funding is for the institution. It is thus vital to clarify whether the financial institution that has granted the loan(s) is also an owner (including cross-border groups) or part of an alliance.

Finanstilsynet's assessments are based on:

- Debt to other financial institutions in Norway and abroad as a percentage of the institution’s total assets.
- The proportion of the debt that is due within one year.
- Information on who is the lender.

The information under the first and second bullet points is obtained from ORBOF while the institution itself must provide the information under the third bullet point.

In its assessment, Finanstilsynet emphasises:

- The result for each institution is viewed in light of its business model, function and ownership structure. For example, financial institutions that are part of a large international group will often have considerable debt to the parent bank, i.e. 'financial institutions abroad'.
- Assessments of long-term stability.

5. Overall assessment of liquidity risk level

An assessment of the institution's liquidity buffer and the long-term perspective and diversification of the funding shall be made, along with an overall assessment of the liquidity risk level. Main emphasis shall be placed on quantitative targets and indicators.

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