Betri Banki P/F

Risk Report 2019

Contents

Risk Report

Betri Banki P/F

1 Introduction

The aim of this risk report is to provide an insight into Betri Banki P/F's capital and risk management practices.

The report has been prepared in accordance with the legal disclosure requirements in *Executive Order No 900 of 13 July 2015 for the Faroe Islands on Calculation of Risk Exposures, Own Funds and Solvency Need* and the Capital Requirements Regulation (CRR) *(Regulation (EU) No 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms)*. Betri Banki is part of the Betri Group and is therefore included in Betri P/F's risk report. As a SIFI institute of material significance in the local market, the bank has chosen to publish an individual risk report for the bank.

The risk report is published annually when the bank's annual report is released. The risk report is available on the bank's webpage www.betri.fo.

The information in this risk report relates to Betri Banki P/F. The risk report is a separate unaudited document.

The risk report is also available in Faroese. In the event of any discrepancy between the Faroese and the English version, the Faroese version shall prevail.

2 Risk Management

Betri Banki assumes risk based on the business model and the strategic objectives set by the Board of Directors.

The Board of Directors approves risk management policies for the various areas in the bank based on the business model and the strategic objectives; and provides the Executive Board with authorities within these risk areas.

The purpose of Betri Banki's risk management is to ensure that the bank does not take on more risks than stipulated by the Board of Directors, and that the risk profile is appropriate in relation to the bank's own funds.

2.1 Risk Statement

The risk report was approved by the Board of Directors on 3 March 2020.

The Board of Directors finds that Betri Banki's risk management is appropriate in relation to the bank's business model and business strategy. Also, the Board of Directors considers the description below of the bank's overall risk profile associated with the business strategy to give an accurate view of the risk management in the bank.

The statement from the Board of Directors is based on the business model, material and reports submitted to it by the Executive Board, Internal Audit, Risk Manager and Compliance Officer.

A review of the business model and policies shows that the overall requirements for the individual risk areas are reflected in policies and instructions from the Board of Directors to the Executive Board.

Betri Banki's business model is based on the bank's vision and mission. Betri Banki strives to be the preferred banking choice of the Faroese people and to create opportunities and secure financial affairs for its customers. The bank also wants to offer customers a wide range of traditional banking services. Sensible risk management and healthy business operations are important factors in managing the bank soundly. The Board of Directors wants growth to be steady in order to manage risks on sustainable and safe foundations. Risk diversification ensures that risks are not concentrated on individual customers or branches.

Betri Banki wants to maintain safe and robust own funds that support the business model and ensure independence at all times. At year-end 2019, the bank's solvency ratio was 26.9%. The solvency requirement was 10.5% and buffer requirements amounted to 6.5%.

The risk appetite determined by the Board of Directors is managed via the limits specified in individual policies, as well as limits in the instructions to the Executive Board.

The Board of Directors also addresses the limits set in the supervisory diamond from the Danish FSA. The table below shows the maximum limit values of the supervisory diamond and the bank's compliance at year-end 2019.

Table 1: Supervisory diamond from the Danish FSA

	Limit value	Betri Banki
Sum of large exposures	< 175%	124.3%
Lending growth	< 20%	2.52%
Real property exposure	< 25%	4.1%
Funding Ratio	< 1.0	0.69
Liquidity requirement – Supervisory Diamond	> 100%	181.6%

The review also shows that the actual risks are within the limits laid down in policies and delegated authorities, and based on this the Board of Directors finds that there is consistency between the business model, policies, guidelines and the actual risks within the individual areas.

Further information and key ratios regarding the risk profile can be found in this risk report and the bank's annual report.

2.2 Risks

In the daily operations Betri Banki is exposed to the following risks:

Credit risk, defined as the risk of financial losses arising from counterparties or debtors failing to meet all or part of their payment obligations.

Market risk, defined as the risk of the market value of assets and liabilities, as well as off-balance items, being affected as a result of changing market conditions. Betri Banki's market risk is divided into interest rate risk, equity risk, foreign exchange risk and other price risks.

Liquidity risk, defined as the risk that arises from differences in scheduled outgoing and incoming cash flows in the bank.

Operational risk, defined as the risk arising from inadequate and inefficient internal processes, human errors, IT-failures and external factors, including legal risks.

2.3 Division of responsibility

The Board of Directors adopts risk policies for the various risk areas based on the business model and the strategic objectives of the bank. The Board of Directors also determines guidelines for management and control of risks in the bank. The individual risk policies are reviewed annually by the Board of Directors.

The Board of Directors is responsible for ensuring that the bank is organised appropriately and risk policies and limits being established for all risk areas. In addition, all major credit facilities must be submitted to the Board of Directors for approval. The Board of Directors receives regular reports, enabling it to check compliance with risk policies and pre-defined limits.

The Board of Directors regularly, and at least annually, makes an assessment of the bank's individual and overall risks. At the same time, it is also determined whether the risks are acceptable.

The bank's risk management arrangements are also discussed in the Risk Committee and the Audit Committee. Both committees comprise the entire Board of Directors. The Audit Committee monitors accounting and auditing matters, as well as the efficiency of the internal controls. The Risk Committee assesses the bank's current and future risk profile and strategy, and ensures correct implementation of the risk strategy in the bank.

The Executive Board is responsible for the day-to-day management of the bank, and must ensure that the bank is managed according to adopted policies, guidelines and authorities that have been granted in relation to the different risk areas.

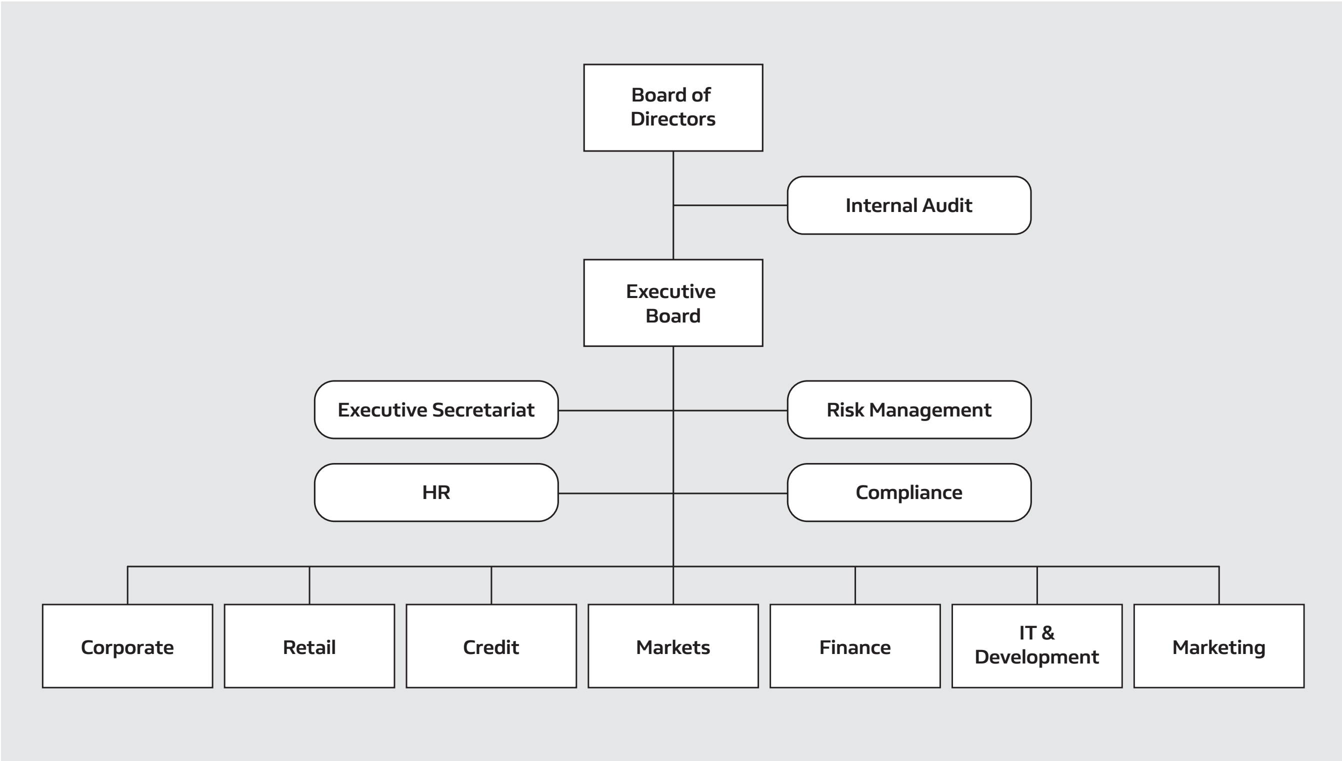
The Executive Board reports regularly to the Board of Directors on the development of risk exposures and pre-defined limits.

General management and control of risks is centralised with organised reporting to the Executive Board and Board of Directors. Daily management, control and reporting are carried out in separate business units in the bank.

Further information regarding governance arrangements pursuant to CRR Article 435 (2) and remuneration policy pursuant to CRR Article 450 can be found in the bank's annual report and on the bank's webpage.

Betri Banki's organisational structure is illustrated on the following page.

Figure 1: Organisational structure



2.3.1 Risk Management function

The bank has a separate risk management function. The Risk Manager heads the risk management function and reports to the Executive Board.

Risk Management monitors credit risk, market risk, liquidity risk and operational risk on behalf of the Executive Board. This also includes monitoring risks across various risk areas and organisational units, in addition to risks deriving from outsourced functions. Risk monitoring is performed in accordance with the tasks of the risk management function as stipulated in *the Financial Business Act, section 71*, and *Executive Order No. 902 of 13 July 2015 for the Faroes on the management and control of banks etc.*

Each year Risk Management prepares a plan for the coming year's activities. The annual plan is approved by the Executive Board.

Risk Management reports to the Executive Board every quarter on the risks that are associated with the bank's operations. In addition to this, Risk Management reports to the Board of Directors annually and attends meetings in the Risk Committee. In 2019, the Risk Committee held four meetings.

3 Capital and solvency requirement

In 2015 the common European capital requirement rules became effective for Faroese credit institutions. CRD IV and CRR are the European implementation of the Basel III framework. The rules contain comprehensive transitional and phase-in provisions regarding capital and liquidity requirements.

The Danish FSA has identified Betri Banki as a systemically important financial institution (SIFI) in the Faroe Islands. SIFI institutions are subject to more rigorous supervision by the FSA. SIFI institutions are also subject to additional requirements, e.g. additional solvency requirements.

Banks in the Faroe Islands have also been subject to a capital conservation buffer, which was 2.5% in 2019. In addition to this, banks may also be required to reserve capital for countercyclical fluctuations in the economy, as well as requirements that will serve as collateral for special fluctuations.

For this purpose, the "Det systemiske risikoråd" has, in consultation with Faroese authorities, recommended the activation of an additional buffer that will serve as collateral for special fluctuations. In 2019 this additional buffer was 2%, increasing to 3% from 1 January 2020.

The countercyclical buffer for the Faroes, which is fixed every quarter by the Danish Minister for Industry, Business and Financial Affairs, has so far been fixed at 0%.

The table below shows the buffers that Betri Banki must comply with.

Table 2: Buffer requirements

	2017	2018	2019	2020	Present
SIFI-buffer - Betri Banki	1.20%	1.60%	2.00%	2.00%	2.00%
Capital conservation buffer	1.25%	1.88%	2.50%	2.50%	2.50%
Buffer - special fluctuations	-	1.00%	2.00%	3.00%	3.00%
Countercyclical buffer, maximum	1.50%	2.00%	2.50%	2.50%	0.00%

As of 1 January 2020, Betri Banki was subject to buffers amounting to 7.5%, which are added to the solvency requirement.

3.1 Own funds and solvency

Own funds are calculated in accordance with the *Financial Business Act* in addition to guidelines on adequate capital base and solvency requirement for credit institutions *(Vejledning om tilstrækkeligt kapitalgrundlag og solvensbehov for kreditinstitutter)* issued by the Danish FSA.

Solvency is calculated as own funds as a percentage of the risk-weighted assets. Own funds are determined in accordance with the requirements in chapter 10 of the *Financial Business Act*, while the weighted assets are calculated in accordance with *Executive Order for the Faroe Islands on Calculation of Risk Exposures, Own Funds and Solvency Need*.

The risk-weighted assets are divided into three main categories: credit risk, market risk and operational risk.

The table below shows the bank's solvency statement.

Table 3: Solvency statement as of 31 December 2019 (DKK 1,000).

Tier 1 Capital	1,719,198
Own funds	1,719,198
Credit risk - weighted assets not included in trading portfolio including off balance items	5,173,938
Market risk - weighted items	641,463
Operational risk	565,784
Total risk weighted assets	**6,381,184**
Total capital ratio	26.9%
T1 Capital ratio	26.9%
Capital demand	
Core Capital before statutory deductions	1,722,716
Proposed dividend	0
Deductible deferred tax assets	1,035
Value adjustments due to the requirements for prudent valuation	2,483
Tier 1 Capital	**1,719,198**
Supplementary capital	
Share capital, not included in Core capital	0
Own Funds	**1,719,198**

3.2 Solvency requirement

The bank's approach to assessing whether the capital is sufficient to support current and future activities (the solvency requirement) follows the bank's ICAAP (Internal Capital Adequacy Assessment Process).

The risks to which the bank is exposed to are identified in the ICAAP, and the risk profile is assessed. When the risks are identified, an assessment is made of how they can be reduced, e.g. via processes, contingency plans etc. Finally, an assessment is made to determine which risks are to be covered by capital.

The solvency requirement is the bank's own assessment of the capital requirement attributable to the risks assumed by the bank. The Board of Directors has quarterly discussions on the determination of the solvency requirement to ensure that it is sufficient to support the bank's activities. The discussions are based on a recommendation from the Executive Board. The recommendation contains a proposal on the bank's solvency requirement.

In addition, the Board of Directors annually discusses the method of calculation of the bank's solvency requirement.

The solvency requirement is calculated using an 8+ approach, where capital is reserved within the risk areas; credit risk, market risk, operational risk, other risks and supplements due to statutory requirements. The solvency requirement is calculated using the bank's risk profile, external factors and budget assumptions for the coming year, in addition to other factors such as increased provisions for poor and non-performing customers.

The calculation of the bank's solvency requirement is based on a model developed by the Association of Local Banks (The Association of Local Banks, Savings Banks and Cooperative Banks in Denmark) and on guidelines on adequate capital base and solvency requirement for credit institutions issued by the Danish FSA.

The model developed by the Association of Local Banks and the guidelines from the Danish FSA are both based on the 8+ approach (table 4), where the basis is a minimum requirement of 8% of the risk-weighted items (Pillar I). A supplement is added for risks and circumstances, which are not fully reflected in the calculation of the risk-weighted items.

Through the use of the abovementioned model and the guidelines issued by the Danish FSA, the bank considers the calculated solvency requirement to be fair.

Table 4 shows the 8+ approach that is used when calculating the solvency requirement.

Table 4: Solvency requirement based on the 8+ approach

1) Pillar I requirement (8% of the risk-weighted items)
+ 2) Earnings (capital for risk coverage due to weak earnings)
+ 3) Growth in lending (capital to cover organic growth in business volume)
+ 4) Credit risk, of which:
4a) Credit risk on major customers with financial problems
4b) Other credit risks
4c) Concentration risk on individual exposures
4d) Concentration risk on industries
+ 5) Market risk, of which
5a) Interest rate risk
5b) Equity risk
5c) Foreign exchange risk
+ 6) Liquidity risk (capital to cover more expensive liquidity)
+ 7) Operational risk (capital to cover operational risk in excess of Pillar I)
+ 8) Leverage (capital to cover risk related to excessive leverage)
+ 9) Possible supplement caused by regulatory maturity of capital instruments
+ 10) Possible supplement due to statutory requirements
Total = Capital requirement and solvency requirement
- of which credit risk (4)
- of which market risk (5)
- of which operational risk (7)
- of which other risks (2+3+6+8+9)
- of which supplement due to statutory requirements (1+10)

The bank considers the risk factors included in the model to be adequate to cover all risk areas, which the bank's management is required by law to take into account when determining the solvency requirement as well as the risks that the management finds that the bank has assumed.

In addition, the Board of Directors and management must assess whether own funds are adequate to support future activities. In Betri Banki, this assessment is part of the assessment of the solvency requirement. An annual assessment is made to determine how expected growth affects the calculation of the solvency requirement. Stress factors are chosen based on the Association of Local Banks' model, in addition to guidelines on adequate capital base and solvency requirement for credit institutions issued by the Danish FSA.

Credit risk is calculated using the guidelines from the Danish FSA on adequate capital base and solvency requirement for credit institutions. For customers with OEI and weak customers (rating category 1 and rating category 2c, – see 4.1.6) where the exposure is larger than 2% of the bank's own funds, the unsecured exposure is fully reserved. Analyses are also made to determine how much to reserve for exposures smaller than 2% of own funds.

Market risk is calculated using stress factors related to the maximum risks that the bank can assume within the authorities that the Board of Directors has granted to the Executive Board.

The bank uses the basic indicator approach for calculating operational risk.

To calculate other risks the bank mainly uses the Danish FSA's guidelines on adequate capital base and solvency requirement for credit institutions.

The table below shows the bank's individual solvency requirement.

Table 5: Adequate own funds and solvency requirement as of 31.12.2019

Risk area	Adequate own funds DKK 1,000	Solvency requirement
Statutory requirements	510,495	8.00%
Credit risk	74,476	1.17%
Market risk	51,531	0.81%
Operational risk	31,906	0.50%
Other risks	0	0.00%
Total	**668,408**	**10.47%**

At year-end 2019, Betri Banki's capital ratio was 26.9% (DKK 1,719 million). The solvency requirement was 10.5%, and buffer requirements of 6.5%-points.

3.3 Leverage ratio

The leverage ratio is calculated as the Tier 1 capital divided by the total unweighted exposures.

As yet, a final statutory leverage target has not been determined. In a proposal for a revision of the CRD IV and CRR the European Commission has proposed a limit of 3%, equal to a maximum leverage of 33 times the Tier 1 capital.

At year-end 2019, the bank's leverage ratio was 16.15%.

The leverage ratio is monitored and reported regularly to the Board of Directors.

The leverage ratio disclosure template pursuant to CRR Article 451 is included in appendix 1.

4 Credit Risk

In this section Betri Banki's credit risk is described, including objective, policy and credit risk exposures.

4.1 Objective and risk policy

Betri Banki offers loans, credits, guarantees and other services as part of its business model and thereby incurs credit risk. Credit risk is defined as the risk of financial losses arising from counterparties or debtors failing to meet all or part of their payment obligations.

The Board of Directors of Betri Banki has adopted a credit policy, which is prepared in accordance with the *Financial Business Act* and *Executive Order No. 902 of 13 July 2015 for the Faroes on the management and control of banks etc*. The credit policy defines the principles that apply to the bank's management of credit risks, taking into account the bank's business organisation, area of operation and the framework established by the Danish FSA.

The credit policy is updated, if the bank wishes to change the credit terms in order to take into account external or internal changes that could affect the creditworthiness of customers. Such factors may be that the bank changes its terms with regard to financing certain customer groups.

The credit policy is reviewed by the Board of Directors at least annually.

4.1.1 Authority and division of responsibility

Lending authorities are provided according to competence and needs, and with regard to the bank's risk profile. The Board of Directors has provided the Executive Board with lending authorities, which have, in part, been delegated to the Head of Credit, who delegates lending authorities to relevant employees.

Betri Banki's credit granting is overseen by the Credit Department, which regularly checks compliance with the credit policy and lending authorities.

The Credit Department is responsible for day-to-day credit granting. This includes developing credit assessment tools, such as rating of customers and drawing up procedures for credit granting and value assessment of collateral. The Credit Department must also ensure compliance with limits regarding e.g. customer concentration and industry concentration. The Credit Department is in charge of the bank's valuation of loans and impairment procedures, in addition to credit risk management, including monitoring the development in overdrafts and arrears.

The Credit Department reports to the Executive Board on developments in the bank's credit risk and whether the respective branches operate within their lending authorities and comply with the bank's credit policy. The Executive Board presents this report to the Board of Directors on a quarterly basis.

4.1.2 Credit management and control

Credit is granted on the basis of the individual customer's financial situation with regard to the ability and attitude to repay the loan, as well as on collaterals. As a general rule, credit is not granted solely on the basis of collateral.

The Credit Department supervises the bank's credit systems and credit granting processes. The Credit Department has higher lending authorities than the individual branches and is therefore involved in the granting of larger credit facilities, as well as more complicated exposures.

Customer advisers, together with their branch manager, are responsible for the daily credit control.

Credit exposures above a certain size are submitted to the Board of Directors for renewal annually. Credit applications must include the customer's financial situation and the conditions for the exposure to be continued by the bank.

The bank's Credit Department must ensure that the annual renewal is performed on time and properly, however, the respective branches, where the customer is registered, are responsible for the exposures being submitted for renewal.

The quality of the overall loan portfolio is assessed by the Credit Department in connection with the annual review of assets. This review is presented to the Executive Board and Board of Directors.

4.1.3 Collaterals

To reduce credit risk the bank requires collaterals. The types of collateral most frequently provided are real estate, ships, financial collateral and personal property.

The value of the collateral is estimated using set procedures, thus ensuring uniform estimations. The bank regularly assesses the value of the collateral provided. The value of the collateral is calculated as the price that would be obtained in a sale.

The bank's agreements with customers on collateral ensure that the bank can realise the collateral in the event of customers defaulting on their payment obligations.

The bank uses the financial collateral comprehensive method as its credit risk mitigation technique for computing its capital ratio. This means that the bank can reduce a commitment's strain on the capital by accepting certain financial items as collateral.

The CRR specifies which items are eligible to banks as collateral under the financial collateral comprehensive method. To be eligible the financial collateral must be issued by a company or country with a particularly good rating.

Under the limitations of the CRR, the bank obtains the following main categories of financial collateral: deposits, bonds/debt securities and equities.

4.1.4 Risk concentration

In order to ensure diversification in the loan portfolio, the credit policy stipulates that no single exposure, with deduction of certain guaranteed claims and collaterals received, must generally be higher than 10% of the bank's own funds. Additionally, it is the bank's aim that the total amount of the 20 largest exposures does not exceed 175% of own funds.

In addition to these limits, the bank aims for an even distribution between retail and corporate lending, and no single industry should account for more than 10% of the bank's total gross loans, except for local authorities and the public sector where the limit is 20%.

4.1.5 Impairments

The bank adheres to the *Executive Order for the Faroes on Financial Reports for Credit Institutions and Investment Firms etc*. and uses the accounting definition of non-performing and impaired exposures as defined in the abovementioned executive order.

According to IFRS 9, expected credit losses on all financial assets recognized at amortized cost are impaired, and provisions are made according to the same rules for expected credit losses on unutilized credit lines, loan commitments and financial guarantees.

A description of the impairment method used by the bank can be found in the section on impairments in "Significant accounting policies" in the bank's annual report.

In relation to the IFRS 9 rules, which became effective on 1 January 2018, it was possible to apply a 5-year transitional arrangement when calculating own funds. It was voluntary for banks to apply the transitional arrangement. Betri Banki decided not to apply the transitional arrangement.

4.1.6 Rating of customers

The bank uses a rating model to describe the credit quality of individual customers. The rating model is used for credit granting, selection of customers to be reviewed for impairments and conditions for the frequency in single customer follow-ups.

The bank uses the following rating categories:

3	Unconditionally good customers
2a	Good customers
2b	Average customers
2c	Weak customers
1	Customers with OEI (objective evidence of impairment)

4.1.7 Customers

The bank's market segment is Faroese retail, corporate and public sector customers with good repayment abilities.

4.1.8 Circumstances that are considered when granting credit

The bank considers credit applications based on an assessment of the individual customer's financial situation.

Retail customers: Credit granting is based on the customer's personal income and assets, in addition to disposable income, debt factor etc.

Corporate customers: Credit granting is based on the company's revenues, solidity, state of collateral, in addition to the owner's experience and willingness to repay the loan.

Jyske Realkredit: Betri Banki collaborates with Jyske Realkredit providing mortgage credit loans for Faroese homeowners. The agreement stipulates that Betri Banki handles all customer communication, conducts customer ratings and forwards loan applications to Jyske Realkredit. Jyske Realkredit provides financing for up to 80% of the market value of properties.

4.2 Credit risk exposures

This section shows credit risk exposures, risk-weighted items and capital requirements as of 31.12.2019.

4.2.1 Risk-weighted exposures and capital requirements

The table below shows risk-weighted items and capital requirements for credit risk, broken down by exposure groups.

Table 6: Risk-weighted exposures in relation to credit risk (DKK 1,000).

Exposure group	Risk-weighted items	Capital req. 8%
Central governments or central banks	0	0
Local authorities	0	0
Public sector entities	377,607	30,209
Financial institutions	81,564	6,525
Retail customers	969,650	77,572
Corporate customers	1,687,756	135,021
Exposures secured by mortgage in real estate	959,672	76,774
Exposures with arrears or overdrafts	885,609	70,849
Exposures in other items, including assets without counterparties	172,238	13,779
Covered bonds	420	34
Equity exposures	39,422	3,154
Total	**5,173,938**	**413,915**

4.2.2 Credit risk exposures

Total value of the exposures after value adjustments and before considering credit risk reduction was DKK 9,549 million.

The table below shows the exposures after value adjustments and impairments before credit risk reduction.

Table 7: Exposures after value adjustments before credit risk reduction (DKK 1,000).

Exposure group	Exposure after value adjustment	Average exposure during the year after value adjustment
Governments or central banks	303,638	304,595
Local authorities	478,447	482,703
Public sector entities	483,533	472,221
Financial institutions	176,599	214,818
Retail customers	1,866,829	1,826,328
Corporate customers	2,488,446	2,462,001
Exposures secured by mortgage in real estate	2,758,886	2,648,617
Exposures with arrears or overdrafts	740,925	699,345
Exposures in other items, including assets without counterparties	208,207	209,581
Covered bonds	4,199	1,050
Equity Exposures	39,422	38,755
Total	**9,549,131**	**9,360,014**

As more than 95% of the bank's credit exposure is to the Faroese market, the bank has chosen not to provide information on the geographical spread of the exposures.

The table below shows the exposures in accordance with CRR regulations, broken down by industry. The table also shows the breakdown between retail customers and corporate customers.

Table 8: Exposures after value adjustments broken down by industry (DKK 1,000).

Industries	Central governments or central bank	Local authorities	Public sector entities	Financial institutions	Retail customers	Corporate customers	Exposures secured by mortgage in real estate	Exposures with arrears or overdrafts	Exposures in other items, including assets without counterparties	Covered bonds	Equity Exposures	Total
Public authorities	203	478,447	483,532	0	2	1	10,183	1	0	0	0	972,369
Agriculture, hunting, forestry and fishing	0	0	0	0	45,535	459,386	1,574	30,509	0	0	0	537,005
Industry and raw materials extraction	0	0	0	0	55,561	716,735	5,579	100,558	0	0	0	878,434
Energy supply etc.	0	0	0	0	0	0	0	0	0	0	0	0
Building and construction	0	0	0	0	174,411	183,957	13,873	25,421	0	0	0	397,663
Trade	0	0	0	0	117,087	568,880	14,791	51,320	0	0	0	752,077
Transport, restaurants and hotels	0	0	0	0	66,007	132,378	7,389	245,450	0	0	0	451,225
Information and communication	0	0	0	0	37,920	34,989	887	1,799	0	0	0	75,596
Finance and insurance	302,853	0	0	176,599	10,862	57,804	307	863	0	4,199	0	553,488
Real estate	0	0	0	0	58,978	212,648	6,571	21,631	0	0	0	299,828
Other industries	582	0	0	0	199,825	118,405	18,707	15,617	208,207	0	39,422	600,766
Total corporate	**303,435**	**0**	**0**	**176,599**	**766,186**	**2,485,183**	**69,679**	**493,169**	**208,207**	**4,199**	**39,422**	**4,546,080**
Retail	**0**	**0**	**0**	**0**	**1,100,642**	**3,262**	**2,679,024**	**247,754**	**0**	**0**	**0**	**4,030,683**
Total	**303,638**	**478,447**	**483,533**	**176,599**	**1,866,829**	**2,488,446**	**2,758,886**	**740,925**	**208,207**	**4,199**	**39,422**	**9,549,131**

The table below shows the residual maturity of credit exposures.

Table 9: Credit exposures after value adjustments broken down by residual maturity (DKK 1,000).

Exposure group	On demand	0-3 months	3 months – 1 year	1-5 years	Over 5 years	Total
Central governments or central banks	153,699	149,939	0	0	0	303,638
Local authorities	880	58,967	5,153	7,473	405,974	478,447
Public sector entities	108,173	3,692	180	178,611	192,876	483,533
Financial institutions	170,291	74	619	2,596	3,019	176,599
Retail customers	311,117	216,306	163,435	320,655	855,316	1,866,829
Corporate customers	400,232	103,666	338,750	593,202	1,052,595	2,488,446
Exposures secured by mortgage in real estate	395,159	45,059	14,618	199,544	2,104,506	2,758,886
Exposures with arrears or over-drafts	50,553	19,295	99,266	83,254	488,557	740,925
Exposures in other items, including assets without counterparties	208,207	0	0	0	0	208,207
Covered bonds	4,199	0	0	0	0	4,199
Equity Exposures	39,422	0	0	0	0	39,422
Total	**1,841,932**	**597,000**	**622,020**	**1,385,336**	**5,102,844**	**9,549,131**

4.2.3 Past due and impaired claims

This section shows past due exposures and impaired claims.

The table below shows exposures that are more than 90 days past due and impaired claims. The exposures are broken down by industry. The table also shows the breakdown between retail customers and corporate customers.

Table 10: Past due exposures and impaired claims broken down by industry (DKK 1,000).

Industries	Past due exposures (>90 days)	Impaired claims	Impairments/ provisions end of year	Amounts booked as costs concerning value adjustments and impairments/ provisions during the period
Public authorities	**0**	**0**	**1,187**	**128**
Agriculture, hunting, forestry and fishing	4,183	13,193	12,596	2,228
Industry and raw materials extraction	100	104,119	101,125	-12,422
Energy supply etc.	0	0	0	0
Building and construction	2,882	21,955	24,670	808
Trade	12,155	27,383	23,327	8,143
Transport, hotels and restaurants	281	64,059	57,538	-611
Information and communication	143	2,286	1,716	320
Finance and insurance	132	2,421	2,324	1,650
Real estate	12,025	2,567	7,974	4,612
Other industries	8,112	12,438	9,789	3,669
Total corporate	**40,012**	**250,421**	**241,060**	**8,395**
Retail	**46,386**	**87,876**	**47,773**	**-18,313**
Total	**86,399**	**338,296**	**290,020**	**-9,790**

As more than 95% of the bank's credit exposure is to the Faroese market, the bank has chosen not to provide information on the geographical distribution of past due exposures and impaired claims.

The table below shows movements on impaired claims caused by value adjustments and impairment charges.

Table 11: Movements on impaired claims as a consequence of value adjustments and impairment charges (DKK 1,000).

	Stage 1 impairments/ provisions		Stage 2 impairments/ provisions		Stage 3 impairments/ provisions		Impairments/ provisions due to credit institutions	
	Loans	Guaran-tees	Loans	Guaran-tees	Loans	Guaran-tees	Loans	Guaran-tees
Accumulated impairments/provisions at the beginning of the year	10,655	1,069	33,651	13,988	218,537	19,878	556	0
Impairments/provisions during the year	4,756	218	28,732	1,619	16,978	1,238	64	
Reversal of impairments/provisions from previous years, where there is no longer OEI or the impairment has been reduced	-8,377	-858	-9,641	-1,082	-31,292	-3,645	-427	
Loss (written off), previously individually impaired/ provisions made					-6,598			
Total impairments/provisions on loans and guarantee debtors at year-end	**7,035**	**429**	**52,743**	**14,525**	**197,625**	**17,470**	**193**	**0**

4.2.4 Financial collateral

The bank uses the financial collateral comprehensive method as its credit risk mitigation technique for computing its capital ratio.

The bank uses neither on- nor off-balance sheet netting.

The table below shows exposure groups, where financial collateral is used for credit risk mitigation.

Table 12: Financial collateral (DKK 1,000).

Exposure group	Exposure after value adjustment	Financial collateral comprehensive method	Guarantees and credit derivatives
Governments or central banks	303,638	0	0
Local authorities	478,447	0	0
Public sector entities	483,533	1	0
Financial institutions	176,599	0	0
Retail customers	1,866,829	75,681	0
Corporate customers	2,488,446	44,462	0
Exposures secured by mortgage in real estate	2,758,886	0	0
Exposures with arrears or overdrafts	740,925	6,791	0
Exposures in other items, including assets without counterparties	208,207	0	0
Covered bonds	4,199	0	0
Equity Exposures	39,422	0	0
Total	**9,549,131**	**126,935**	**0**

4.3 Counterparty risk - derivatives

Counterparty risk is the risk of loss resulting from a financial counterparty defaulting on its obligations under a financial contract.

Betri Banki uses the mark-to-market method when calculating the size of the exposure and risk-weights for derivatives.

The exposure value, using the mark-to-market method for counterparty risk, is derived from the procedure below:

1. All contracts are computed at market value and all contracts with a positive value are included.
2. The contracts' nominal principals or the underlying values are multiplied by percentages fixed in the CRR to establish the potential future credit exposure.
3. The counterparty exposure value is calculated as the sum of positive market values and potential future credit exposures.

When Betri Banki enters into an agreement with a counterparty regarding derivatives, credit limits must be observed.

The limits to financial contracts for commitments with customers in the exposure groups, corporate and retail customers are treated in accordance with the bank's standard credit rating principles.

No extra capital has been allocated to cover counterparty risk in the calculation of adequate own funds except for what is included in the Pillar I requirement under the 8+ model.

At the end of 2019, the positive fair value of derivatives etc. pursuant to CRR Article 273 (8) was DKK 1.2 million.

The bank's total counterparty risk calculated using the mark-to-market method pursuant to CRR Article 274 was DKK 0 million.

4.4 ECAI

Betri Banki has selected Standard & Poor's Ratings Services as its external credit assessment institution (ECAI). The bank uses Skandinavisk Data Center (SDC), which receives external credit ratings from Standard & Poor's Ratings Services via SIX Financial. Regular IT updates are undertaken in relation to the credit ratings from Standard & Poor's Ratings Services.

SDC has converted Standard & Poor's Ratings Services' credit rating classes to credit quality steps using the conversion table from the Danish FSA. Each individual credit quality step is given a weight to be applied to the exposures in the individual steps, when calculating risk-weighted exposures according to the standard approach for credit risk pursuant to Articles 111-134 of the CRR.

The table below shows the Danish FSA's conversion of Standard & Poor's Ratings Services' credit assessment categories to credit quality steps.

Table 13: Conversion table from the Danish FSA

Credit quality step	Standard & Poor's credit rating categories	Exposure to corporates	Exposure to central governments or central banks
1	AAA to AA-	20%	0%
2	A+ to A-	50%	20%
3	BBB+ to BBB-	100%	50%
4	BB+ to BB-	100%	100%
5	B+ to B-	150%	100%
6	CCC+ and lower	150%	150%

The table below shows exposure groups where ratings from Standard & Poor's Ratings Services have been used.

Table 14: ECAI exposures (DKK 1,000).

Exposure group	Exposure before risk weighting	Exposure after weighting with credit quality steps
Governments or central banks	0	0
Local authorities	285,934	0
Public sector entities	377,607	377,607
Financial institutions	402,663	81,564
Retail customers	0	0
Corporate customers	0	0
Exposures secured by mortgage in real estate	10,183	3,564
Exposures with arrears or overdrafts	1	2
Exposures in other items, including assets without counterparties	0	0
Covered bonds	0	0
Equity Exposures	0	0
Total	**1,076,388**	**462,737**

5 Market Risk

Market risk is described below, including objective, policy and market risk exposures.

5.1 Objective and risk policy

Market risk is defined as the risk of the market value of assets and liabilities, as well as off-balance items, being affected as a result of changing market conditions.

Taking on market risk is an integral part of banking. The market risk in Betri Banki is divided into interest rate risk, equity risk, foreign exchange risk and other price risks.

The Board of Directors of Betri Banki has adopted a market risk policy, which is prepared in accordance with the *Financial Business Act* and *Executive Order No. 902 of 13 July 2015 for the Faroes on the management and control of banks etc*. The policy defines the principles that apply to the bank's management of market risks, taking into account the bank's business organisation, area of operation and the framework established by the Danish FSA.

The bank uses derivatives to hedge and manage market risk, if it wants to reduce the market risk, which the bank has assumed.

The market risk policy and the limits defined in the policy are reviewed at least annually.

5.1.1 Interest rate risk

Interest rate risk is the risk of loss caused by changes in market rates.

As a rule, interest rate risk on fixed interest loans is hedged. The largest interest rate risk is in the portfolio of fixed interest rate bonds. This risk is managed within certain limits in relation to the interest rate outlook.

5.1.2 Equity risk

Equity risk is the risk of loss caused by changes in share prices. Equity risk is managed by managing and monitoring the portfolio of shares closely.

5.1.3 Foreign exchange risk

Foreign exchange risk is the risk of loss caused by fluctuating exchange rates.

Foreign exchange risk is calculated according to the Danish FSA's currency indicator 1 and currency indicator 2.

As a rule, Betri Banki hedges foreign exchange risk. The exception is foreign exchange risk between Danish kroner and Euros, which is only hedged under special circumstances.

5.1.4 Other price risks

Other price risks is the risk of loss caused by fluctuating market prices of other assets than those mentioned above, e.g. changes in commodity prices.

At year-end 2019, Betri Banki had no risks in this category.

5.1.5 Reporting and division of responsibility

The market risk policy stipulates the division of responsibility concerning risk taking, monitoring and reporting to the Executive Board and Board of Directors.

The Board of Directors and Executive Board receive regular reports on the market risk and compliance with the limits defined in the policy and instructions from the Board of Directors to the Executive Board. The Finance Department is responsible for these reports.

Betri Markets has day-to-day responsibility for the bank's liquidity, securities portfolio and foreign exchange deposits, on behalf of the Executive Board. Thus, Betri Markets is also responsible for ensuring that the market risk is within the limits that are specified in the instructions from the Board of Directors to the Executive Board.

This is conducted by regularly calculating the interest rate risk on the bank's bond portfolio, a weekly statement on the currency positions and continuous monitoring of the bank's equity portfolio. These calculations and statements are then compared to the limits for market risk that have been authorised to the Executive Board and the authorisation provided to Betri Markets in this area.

5.2 Market risk exposures

The sections below show market risk exposures as of 31.12.2019. These concern risk-weighted exposures with market risk, exposures in securities not included in the trading book, and interest rate risk not included in the trading book.

5.2.1 Risk-weighted exposures with market risk

The solvency requirements for the various risks that constitute market risk are detailed in the table below.

Table 15: Risk-weighted exposures with market risk (DKK 1,000).

	Risk-weighted items	Capital requirement 8%
Bonds	465,593	37,247
Shares	132,833	10,627
Currency position	43,036	3,443

5.2.2 Exposures in securities not included in the trading book

Exposures in securities that are not included in the trading book include shares relating to the bank's suppliers and securities held without trading intent.

The bank has acquired shares in a number of sector companies in partnership with other banks. The purpose of these sector companies is to support financial institutions within IT, payment services, etc. The bank does not intend to sell these shares as participation in these sector companies is considered necessary for a bank's operations.

In several of the sector companies, the shares are redistributed to the effect that the ownership interest of the respective institution reflects its business volume with the sector company.

The shares are typically redistributed on the basis of the sector company's equity value. The bank adjusts the recognised value of these shares when new information is available that warrants a change of fair value measurement. In other sector companies, the shares are not redistributed, but are measured based on a fair value corresponding to the net asset value or another recognised valuation method.

The table below shows exposures in securities not included in the trading book.

Table 16: Exposures in securities not included in the trading book (DKK 1,000).

	Sector companies	Corporates
Portfolio beginning of period	17,454	0
Additions, purchases	0	0
Additions, reclassification	0	0
Unrealised gains/losses	-26	1,932
Realised gains/losses	2,164	0
Disposals, sales	-5,237	0
Portfolio end of period	**14,355**	**1,932**

Unrealised gains/losses are included in the income statement, and are therefore included in the tier 1 capital.

5.2.3 Interest rate risk not included in the trading book

Interest rate risk not included in the trading book primarily derives from fixed-interest loans and deposits.

Interest rate risk or the modified duration is measured as the expected capital loss, when the interest curve is shifted by one percentage point.

Interest rate risk is calculated regularly. At year-end 2019, interest rate risk not included in the trading book was DKK -2.2 million.

In the bank's solvency requirement process an assessment is made of whether additional funds should be allocated due to interest rate risk.

6 Liquidity Risk

Liquidity risk is described below, including objective and policy.

6.1 Objective and risk policy

Betri Banki's liquidity risk can be defined as the risk that arises from differences in scheduled outgoing and incoming cash flows in the bank.

The Board of Directors of Betri Banki has adopted a liquidity risk policy, which is prepared in accordance with the *Financial Business Act* and *Executive Order No. 902 of 13 July 2015 for the Faroes on the management and control of banks etc*. The policy defines the principles that apply to the bank's management of liquidity risks, taking into account the bank's business organisation, area of operation and the framework established by the Danish FSA.

Clear requirements have been set for daily liquidity and statement of liquidity risks. The bank also has a contingency plan, which lists initiatives to be taken, if liquidity falls below specific limits.

Betri Banki identifies the following as liquidity risks:

- Significant increases in funding expenses
- Lack of funding preventing the bank from maintaining its approved business model
- The bank being unable to fulfil its payment obligations due to a lack of funding

The bank's liquidity policy is to maintain liquidity, which is at least 50% above the statutory minimum requirement in section 152 of the *Financial Business Act*. Betri Banki's excess liquidity coverage at the end of 2019 was 193.1% when compared to the statutory minimum requirement.

The bank must also comply with the provision that banks must have a Liquidity Coverage Ratio (LCR) in excess of 100. According to the bank's liquidity risk policy the LCR should always be at least 125. At year-end 2019, Betri Banki had a LCR of 181.45. Appendix 2 contains further specifications regarding the Liquidity Coverage Ratio.

6.1.1 Reporting and division of responsibility

The liquidity policy determines the division of responsibility regarding risk taking, control and reporting to the Executive Board and the Board of Directors.

The Board of Directors and the Executive Board receive a monthly statement on the bank's liquidity situation from the Finance Department. The statement is prepared in accordance with section 152 in the *Financial Business Act*, which stipulates that the total liquidity must be at least 10% of the bank's debt and guarantee obligations and at least 15% of the bank's total debt, which has a term to maturity less than one month. The LCR is also included in the monthly statement on the bank's liquidity. The report also contains a statement on liquidity risk. This is determined by conducting a 12 month projection of the liquidity under normal market conditions and a 12 month projection of the liquidity under stressed conditions.

Betri Markets has been given day-to-day responsibility for liquidity on behalf of the Executive Board. Betri Markets is also responsible for the daily monitoring of liquidity and liquidity projections. This is done on the basis of known future cash flows.

The Finance Department is responsible for reporting on daily and monthly liquidity; this also includes checking that the bank has sufficient liquidity.

6.2 Encumbered assets

Betri Banki has, to a certain extent, encumbered assets in connection with collateral agreements with other financial institutions.

The table below shows the specifications regarding encumbered assets.

Table 17: Encumbered assets at year-end 2019 (DKK 1,000)

Assets		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
		010	040	060	090
010	**Assets of reporting institution**	155,074		9,231,523	
030	Equity instruments	0	0	105,838	105,838
040	Debt securities	151,783	151,783	2,164,323	2,164,323
050	of which: covered bonds	151,783	151,783	1,673,110	1,673,110
060	of which: asset-backed securities	0	0	0	0
070	of which: issued by general governments	0	0	487,014	487,014
080	of which: issued by financial corporations	151,783	151,783	1,673,110	1,673,110
090	of which: issued by non-financial corporations	0	0	0	0
120	Other assets	3,291		22,999	

Collateral received		Fair value of encumbered collateral received	Fair value of non-encumbered collateral received
		10	40
130	**Collateral received by the reporting institution**	0	0
150	Equity instruments	0	0
160	Debt securities	0	0
230	Other collateral received	0	0
240	**Own debt securities issued**	0	0
250	**Total assets, encumbered collateral and own debt securities**	155,074	0

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued
		010	030
010	**Carrying amount of selected financial liabilities**	6,582	151,783

7 Operational Risk

Operational risk is described below, including objective, policy and actual operational risks.

7.1 Objective and risk policy

Operational risk is defined as the risk arising from inadequate and inefficient internal processes, human errors, IT-failures and external factors, including legal risks.

The Board of Directors of Betri Banki has adopted a policy for operational risks, which is prepared in accordance with the *Financial Business Act* and *Executive Order No. 902 of 13 July 2015 for the Faroes on the management and control of banks etc.* The policy defines the principles that apply to the bank's management of operational risks, taking into account the bank's business organisation, area of operation and the framework established by the Danish FSA. The Board of Directors has also adopted an IT security policy, which defines the overall principles that apply to the banks management of IT-risks.

Betri Banki identifies the following as possible operational risks. The risk of financial loss due to:

- operational risks in the areas of credit, liquidity, securities, markets and real estate
- operational risks in relation to advising retail, corporate and public sector customers
- operational risks in staff functions and management
- manual procedures, guidelines and/or quality of these
- ineffective internal controls
- insufficient integration, stability and usability of IT-systems
- operational risks of hosted services
- inadequate insurance
- insufficient employee competences in relation to diversity of tasks
- inadequate security in premises

Increased risk may also be a result of new services, products as well as external factors.

7.1.1 Reporting and division of responsibility

The operational risk policy stipulates procedures, registration and reporting obligations.

Operational risk is managed through business procedures and internal control measures developed to ensure optimal working procedures. Operational risks are reduced by among other things separating the execution and control of activities.

The bank has procedures for recording and reporting operational events. Employees are responsible for reporting operational events to their nearest manager and Risk Management. Risk Management registers events and reports to the Executive Board every quarter.

7.2 Operational risk exposures

Operational risk can be limited but not eliminated. Regular processes are in place to check for risks that may have a negative impact on Betri Banki. The bank continuously focuses on developing and improving the management of risks, e.g. by strengthening and reviewing procedures and controls, ensuring documentation, controlling changes and registering, reporting and reassessing risks.

Betri Banki's IT-systems are hosted by Skandinavisk Data Center (SDC) and Elektron. A risk analysis of significant IT-systems is made annually in order to determine what business impact the risk has on Betri Banki. This is conducted in accordance with the Business Impact Assessment framework from ISF, International Security Forum. The latest risk analysis was carried out in February 2020.

The capital needed to cover Betri Banki's operational risk is calculated using the basic indicator approach. At year-end 2019, operational risk was DKK 566 million, which amounts to a capital requirement of DKK 45 million. The bank assesses the capital requirement for operational risks on a regular basis.

Appendix 1: Leverage ratio – disclosure template

Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable amounts
1	Total assets as per published financial statement	9,386,597,738
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	0
4	Adjustments for derivative financial instruments	6,899,409
5	Adjustments for securities financing transactions "SFTs"	
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1,253,061,798
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	-3,456,411
8	**Total leverage ratio exposure**	**10,643,102,534**

Leverage ratio common disclosure

		CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	9,386,597,738
2	(Asset amounts deducted in determining Tier 1 capital)	-3,456,411
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**9,383,141,327**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	0
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	6,899,409
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivative exposures (sum of lines 4 to 10)**	**6,899,409**

		CRR leverage ratio exposures
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	0
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**0**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	2,486,933,956
18	(Adjustments for conversion to credit equivalent amounts)	-1,233,872,158
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**1,253,061,798**
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
Capital and total exposures		
20	Tier 1 capital	1,719,198,349
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**10,643,102,534**
Leverage ratio		
22	**Leverage ratio**	**16.15%**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	0

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	
EU-2	Trading book exposures	2,387,048,955
EU-3	Banking book exposures, of which:	
EU-4	Covered bonds	4,199,179
EU-5	Exposures treated as sovereigns	303,441,227
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	634,290,991
EU-7	Institutions	226,092,935
EU-8	Secured by mortgages of immovable properties	2,349,476,743
EU-9	Retail exposures	1,149,679,896
EU-10	Corporate	1,437,815,740
EU-11	Exposures in default	643,466,645
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	247,629,016

Appendix 2: Liquidity coverage ratio – disclosure template

Currency and units – DKK 1,000	Total unweighted value				Total weighted value			
Quarter ending on	31 Mar 19	30 Jun 19	30 Sep 19	31 Des 19	31 Mar 19	30 Jun 19	30 Sep 19	31 Des 19
High-quality liquid assets								
1 Total HQLA					2,764,032	2,650,267	2,461,476	2,384,966
Cash outflows								
2 Retail deposits and deposits from small business customers, of which:	**3,658,584**	**3,806,521**	**3,829,459**	**3,822,696**	**291,088**	**294,076**	**300,952**	**301,044**
3 Stable deposits	2,565,912	2,726,743	2,702,267	2,658,627	128,296	136,337	135,113	132,931
4 Less stable deposits	1,092,671	1,079,777	1,127,191	1,164,069	162,792	157,738	165,838	168,113
5 Unsecured wholesale funding, of which:	**2,514,335**	**2,328,260**	**2,105,184**	**1,967,966**	**1,272,297**	**1,188,919**	**1,073,281**	**1,017,319**
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks								
7 Non-operational deposits (all counterparties)	2,514,335	2,328,260	2,105,184	1,967,966	1,272,297	1,188,919	1,073,281	1,017,319
8 Unsecured debt								
9 Secured wholesale funding								
10 Additional requirements, of which:	**1,250,175**	**1,089,959**	**1,081,872**	**1,154,865**	**142,872**	**122,760**	**122,387**	**126,686**
11 Outflows related to derivative exposures and other collateral requirements	475	653	309	950	475	653	309	950
12 Outflows related to loss of funding of debt products								
13 Credit and liquidity facilities	1,249,700	1,089,306	1,081,562	1,153,915	142,396	122,107	122,078	125,736
14 Other contractual funding obligations	**53**	**36,244**	**1,146**	**136**	**53**	**36,244**	**1,146**	**136**
15 Other contingent funding obligations								
16 TOTAL CASH OUTFLOWS					**1,706,309**	**1,641,999**	**1,497,766**	**1,445,185**
Cash inflows								
17 Secured lending (e.g. reverse repo)								
18 Inflows from fully performing exposures	**216,742**	**209,144**	**196,953**	**143,429**	**198,090**	**190,654**	**191,236**	**129,929**
19 Other cash inflows	**262**	**9,090**	**3,138**	**3,497**	**262**	**7,725**	**1,551**	**832**
19a (Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
19b (Excess inflows from a related specialised credit institution)								
20 TOTAL CASH INFLOWS	**217,004**	**218,234**	**200,091**	**146,926**	**198,352**	**198,379**	**192,786**	**130,760**
20a Fully exempt inflows								
20b Inflows Subject to 90% Cap								
20c Inflows Subject to 75% Cap	217,004	218,234	200,091	146,926	198,352	198,379	192,786	130,760
					Total adjusted value			
21 Total HQLA					**2,764,032**	**2,620,590**	**2,461,476**	**2,384,966**
22 Total net cash outflows					**1,507,957**	**1,443,620**	**1,304,980**	**1,314,424**
23 Liquidity coverage ratio (%)					**183.30**	**181.53**	**188.62**	**181.45**

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