

Pilar III

According to Basel III and

The Capital Requirements Regulation

2019

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1 INTRODUCTION

This document describes the risk and capital management of Maritime & Merchant Bank ASA ("the Bank").

The document thus covers the requirements set out in the capital regulation on the disclosure of financial information (Pillar III) under the Basel III regulations and the Regulations for Capital Requirements part IX.

All numbers and calculations shown in the document are based on numbers per 31.12.2019.

The Bank also conducts a minimum annual analysis of the capital requirement in relation to risk levels and the Bank's capital situation (the Bank's ICAAP and Pillar II ratings). This document is updated according to the reviews made there.

The Bank uses the standard method for calculating capital requirements for credit risk. This implies that officially and standardized risk weights are used to calculate the capital requirement.

For the calculation of capital requirements for operational risk, the basic method is used, which implies that the capital requirement is calculated in relation to income for the last 3 years (Maritime & Merchant Bank uses revenues for 2017, 2018 and 2019). The Bank does not have a trading portfolio and therefore does not allocate capital requirements for market risk in relation to this.

The purpose of having systems, routines and documentation in relation to the Bank's risk profile and capital management is to create certainty that the Bank has adequate capital to cover the risk associated with its business. This helps to ensure that the Bank has a continuous process for assessing overall capital requirements in relation to the Bank's risk profile at any given time. It must be stressed that this is a process that includes all of the Bank's business and that it is the Board of Directors that sets the conditions for this work. The purpose is also to help ensure that this can help the Bank refine and improve its risk management. This is done via the ongoing processes that take place in the Bank in connection with this and also through periodic audits.

The systems, routines and documentation associated with risk assessment and control cover the entire Bank. No areas are omitted. The guidelines and routines for managing and controlling risk in the Bank cover the following risks:

- Credit, concentration and counterparty risk
- Liquidity risk
- Market risk
- Interest rate risk
- Operational risk
- Strategic risk

2 CAPITAL REQUIREMENTS

The Bank's Risk Policy provides a general description of the types of risk the Bank faces and how the Bank should act in relation to these. This is described in the Bank's Risk Policy.

The Bank must at all times maintain control over the risks it faces. In cases where the risk is greater than what is acceptable in relation to our policy, measures must immediately be taken to reduce the risk.

Different risks within the various areas will have different probabilities of occurring and different consequences for the Bank. The emphasis must be on focusing on the risks with the greatest consequences.

Banking entails systematic risk taking versus risk pricing. This means that the risk must not be so high that it threatens the existence of the Bank, while at the same time it must not be so low that it threatens the Bank's earnings. The Bank accepts a moderate risk for its total business.

2.1 COMMON EQUITY TIER 1 (CET 1)

Below is an overview of the Bank's capital and minimum capital requirement regarding Pilar I calculated using the standard method regarding credit risk method and the basic method regarding operational risk. The Bank's capital base consists only of Common Equity Tier 1 (CET 1) capital.

Amounts in 1 000 USD	Calculation Basis	Risk Weight	Balance
Share capital	9 709		9 709
+ Other reserves	98 450		98 450
- Deferred tax assets and intangible assets	-2 037		-2 037
- This year's result	-		-
- Adjustments to CET1 due to prudential filters	-161		-161
Common Equity Tier 1 (CET 1)	105 961		105 961
Credit Risks			
+ Bank of Norway	-	0%	
+ Local and regional authorities	-	0%	
+ Institutions	11 613	20%	58 063
+ Companies	271 531	100%	271 531
+ Covered bonds	13 662	10%	136 624
+ Shares	45	100%	45
+ Other assets	1 262	100%	1 262
Total Credit risks	298 112		
+ Operational risk	19 423		
+ Counterparty risk derivatives (CVA-risk)	2 342		
Total calculation basis	319 878		
Capital Adequacy			
Common Equity Tier 1 %	33.13%		
Total capital %	33.13%		

2.2 LEVERAGE RATIO

Maritime & Merchant Bank's capital target for the leverage ratio is 10.00%.

The requirement from The Financial Supervisory Authority of Norway is 5% (3% + 2%).

The leverage ratio for Maritime & Merchant Bank was 21.03% on 31.12.2019.

2.3 BUFFER REQUIREMENTS

The buffer requirements for Maritime & Merchant Bank is:

Buffer	Calculation basis	Requirements 31.12.2019	
		%	USD
Capital conservation buffer	319 877 719	2.50 %	7 996 943
System risk buffer	319 877 719	3.00 %	9 596 332
Countercyclical buffer (lending)	271 531 652	1.74 %	4 718 069
Countercyclical buffer (other)	48 346 068	2.50 %	1 208 652
Total buffer requirements			23 519 995

Total Buffer requirements (23 519 995)/Calculation basis (319 877 719) = 7.4%

Maritime & Merchant Bank's Countercyclical buffer (lending) is calculated like this:

Lending to customers by geographical location	USD	Country-specific buffer	Capital requirements	
			USD	%
Germany	60 672 652	0.0%	-	
Norway	121 433 364	2.5%	3 035 834	
Singapore	11 121 258	0.0%	-	
United Kingdom	18 358 318	1.0%	183 583	
Other countries	59 946 059	2.5%	1 498 651	
Total	271 531 652		4 718 069	1.74%

3 RISK ANALYSIS

The Bank's risk is managed in accordance with the Bank's various policies and routines. Expertise will be a means of management and control in all areas.

As far as the management of credit risk is concerned, this is performed in accordance with the regulations for capital adequacy as they are described in Circular 12/2016. The overarching guidelines for managing credit and counterparty risk are described in detail in this document. This specifies that the Bank uses the standard method. Further descriptions are provided in the underlying policies and routines for this area.

Credit risk is the risk of the Bank incurring losses in connection with granting credit due to the customer being unable to fulfil their obligations. This is one of the risks that can have the greatest consequences and is thus one of the risks the Bank must focus on and monitor most.

The key prerequisites for reducing this type of risk are good credit assessments, as well as good routines, systems and tools for granting credit and monitoring loan commitments. A special Credit Policy has been prepared that describes this in more detail. The Bank's Credit Policy states that debt servicing capacity is the most important criteria when considering granting credit. Thereafter, the collateral is assessed. The policy also requires that all credit customers have adequate insurance cover.

The Bank must maintain control over its credit risk at all times through the use of good systems and routines for granting credit and monitoring commitments. The Bank wants to maintain a moderate risk profile when it comes to credit risk. See Credit Policy for more details.

3.1 CREDIT RISK

Credit risk is the major risk to the Bank. Maritime & Merchant Bank ASA may face a loss if the borrower is not able to pay interest or principal as agreed upon, provided the pledged collateral is not sufficient to cover the Bank's exposure.

The Bank monitors market developments in segments where it has exposure and takes a proactive approach towards the risks taken.

The Bank's internal credit strategy has limits for maximum exposure to the various shipping segments, and Acceptable Risk Criteria form guidelines for the lending strategy.

The Bank uses an internally developed scorecard model for assessing the credit risk in the loan portfolio. The scorecard model predicts Probability of Default (PD), Loss Given Default (LGD) and risk class (from 1 to 10). Default is failure to satisfy the terms of a loan obligation or failure to pay back a loan.

Significant judgements are required when assessing models and assumptions, and resulting estimates are thus uncertain in nature. The model is based on experience and criteria well known in scoring models. The model has not been back tested, due to the Bank's short existence and lack of market data.

Forward looking factors, like expected freight earnings and ship values, are based on one year forward estimates. Time charter rates for each specific segment and interest rates that are used in the model are those prevailing at the time of scoring.

Input in the scoring model for establishing the PD for one specific exposure can either be the actual earnings based on freight contracts entered into, or shipbrokers earnings estimates for the next 12 months, normally expressed in the time charter rates for the period going 12 months forward.

When a loan is granted, the PD is estimated for the full tenor of the loan, and projected future cash flow is based on long term time charter rates for similar tenor (if available) in combination with consideration of low rate scenarios.

Risk classification is done once per year as a minimum in connection with annual renewal of exposures, or more frequently if there are shifts in input factors which are not regarded as temporary.

Risk classes and credit score:

Very low risk	Credit score: 1-2	PD: 0.00 – 0.25%
Low risk	Credit score: 3-4	PD: 0.25 – 1.00%
Medium risk	Credit score: 5-7	PD: 1.00 – 3.00%
High risk	Credit score: 8-9	PD: 3.00 – 8.00%
Loss exposed	Credit score: 10-11	PD: > 8.00%

Factors in scorecard PD - model:

Quantitative factors:

- Loan to value (LTV) – Equity
- Interest coverage – Cash flow to support interest payment
- Instalment coverage – Cash flow to support instalments
- Current Ratio
- Free Cash

Qualitative factors

- Corporate structure
- Ownership
- Technical management
- Commercial management

Factors in LGD model:

- Age of vessel
- Liquidity of vessel type (specialised tonnage)
- Yard/Country
- Net loan exposure above scrap value
- Enforcement cost
- Jurisdiction
- Corporate complexity
- Covenant Structure

Expected Loss (EL)

$$EL = PD \times LGD \times EAD$$

$$EAD = \text{Exposure at Default (Notional + Accrued Interest - Cash Reserves)}$$

3.1.1 Loss allowance

The EL is performed on an individual basis. After the transition to IFRS 9, provisions have been presented as expected loss over 12 months (Step 1) and expected loss over the life of the instrument (Step 2).

Non-performing commitments (Step 3) are commitments where the customer has not paid due instalments on loans within 90 days of maturity (or as described in Note 5).

If credit risk has increased significantly after initial recognition but there is no objective proof of loss, an allowance of expected loss over the entire lifetime ("Step 2") has to be made. The individual loss provisions under IAS 39 did not change materially upon the transition to IFRS 9 ("Step 3").

In assessing what constitutes a significant increase in credit risk, the Bank, in addition to the standard's presumption of financial assets with cash flows that have been due for more than 30 days are subject to significantly increased credit risk, assumed qualitative and quantitative indicators. The most important quantitative indicator the Bank assesses is whether it has been a significant increase in credit risk determined by comparing the original likelihood of default and Loss Given Default ("PD x LGD") with the Probability of Default and Loss Given Default ("PD x LGD") at the reporting date. However, when assessing significant increase in credit risk for IFRS 9 purposes, Loss Given Default is not included in the assessment. Based on this the Bank has defined that a doubling in the Probability of Default or an absolute change of 1% constitutes a significant increase in credit risk.

Reclassification of commitments from Stage 2 to Stage 1, is based on an individual assessment. However, there must be some objective evidence that the commitment has recovered.

The Bank follows qualitative and quantitative indicators on a regular basis and in any situation where there is a suspicion that there have been conditions of negative importance for the commitment/customer.

Loss allowance is Expected Loss adjusted for macro scenarios.

Macro scenarios

Expected Loss from the Bank's risk score model will be adjusted with a macro scenario factor (MF). The Bank estimates three macro-economic scenarios consisting of factors that will or can have an impact on shipping markets and value appraisal of vessels financed in our portfolio in the respective markets. Each scenario gets assigned a probability and a factor. The factor represent change in Expected Loss or Loss Allowance. The forecast, probability assignment and factor estimation are based on own judgment and experience. The probability weighted macro factor (MF) will be multiplied with the Expected Loss and give Loss Allowance (or Macro Scenario adjusted Expected Loss). The factor (MF) is calculated to be 1.14.

Exposure in the scenario model is the same as at year-end (31.12.2019).

Loss Allowance and Impairments

Loss allowance	
Step 1	822 991
Step 2	
Step 3	
Sum	822 991
Impairments	0

Loss allowance sensitivity

The macro scenarios impact on Probabilities of Default (PDs) result in the following sensitivity in Expected Loss Allowance calculation.

Scenario	Change in Loss allowance
Vessel value up 30%	-172 691
Vessel value down 30%	492 060

Positive numbers represent increased loss allowance (Increased cost)

Loss allowance per credit score

Risk Class	
Very low risk	-
Low risk	150 643
Moderate risk	672 348
High risk	-
Loss exposed	-
Sum	822 991

Amounts in USD	Step 1	Step 2	Step 3	Sum
	Classification by first time recognition	Significantly increase in credit risk since first time recognition	Significantly increase in credit risk since first recognition and objective proof of loss	
	Expected loss next 12 months	Expected loss over the life of instrument	Expected loss over the life of instrument	
Loss allowance as of 31.12.2018	665 727	36 332	-	702 059
<i>Lending to customers 31.12.2018</i>	245 124 326	3 900 000	-	249 024 326
Changes				
Transfer to Step 1	6 645	- 6 645	-	-
Transfer to Step 2	-	-	-	-
Transfer to Step 3	-	-	-	-
Reclassification ¹⁾	-32 826	-26 833	-	-59 659
Amortization	-114 615	-2 854	-	-117 469
New commitments	196 991	-	-	196 991
Scenario Adjustment	101 069	-	-	101 069
Allowance as of 31.12.2019	822 991	-	-	822 991
Lending to customers 31.12.2019	295 124 509	-	-	295 124 509
Net Change in Loss allowance	157 264	-36 332	0	120 932

1) Reclassification: Change in Expected Loss calculation

Credit risk: Total

Amounts in USD	Very low risk	Low risk	Moderate risk	High risk	Loss exposed	Sum
Deposit with Central Bank	7 432 474					7 432 474
Deposits with credit institution	63 052 606					63 052 606
Certificates and bonds	151 334 685					151 334 685
Shares and other securities			45 270			45 270
Loans to customers		77 808 751	217 315 758	0		295 124 509
Total	221 819 765	77 808 751	217 361 028	0	0	516 989 544

Lending to customers by segment

Sector	USD	Share %
Bulk	66 888 122	23%
Container	78 080 591	26%
Tank	136 094 014	46%
Gas	6 222 709	2%
Specialized	7 839 073	3%
Offshore	-	
Sum	295 124 509	100%

Lending to customers by geographical location

	USD	Share
Norway	132 343 006	45%
Europe (ex. Norway)	92 926 107	31%
Asia	11 943 477	4%
Oceania	39 988 541	14%
Central America	13 994 067	5%
Liberia	3 929 311	1%
Total	295 124 509	100%

Collateral held and other credit enhancements**Lending to customers**

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security. The Bank takes collateral in the form of a first priority charge over vessels, pledged cash deposits, assignment of earnings and insurances as well as other liens and guarantees.

The credit worthiness of the corporate customer is based on a combination of the customer's value adjusted equity and the customer's cash flow and cash balance. Due to the fact that shipping in general is regarded as a cyclical industry, all loan agreements have provisions related to maximum loan to value, and valuations are assessed on a semi-annual basis, or more often when needed, to establish compliance with the loan agreements. Valuations of collateral are updated if and when a loan is put on watch list, and the loan is monitored closely.

At December 31st, 2019, the net carrying amount of credit-impaired loans amounted to USD 0 (2018: USD 0).

The following table stratify credit exposures to shipping customers by ranges of Loan-To-Value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for shipping loans is based on the collateral value of the last appraisal (semi-annual), the Bank's estimation or observable transactions in the market. For credit-impaired loans the value of collateral is based on the most recent appraisals.

LTV ratio and pledge in vessel

LTV Bracket	Loan Amount	Pledge in vessel
< 40%	78 587 464	78 587 464
40-50%	125 521 153	125 521 153
50-55%	88 639 252	88 639 252
55-60%	2 376 640	2 376 640
> 60%	-	-
Sum	295 124 509	295 124 509

Bonds and certificates: Risk Weight

Risk Weight	Fair Value	Amortized Cost
0%	14 710 190	
10%	136 624 495	
20%	-	
100%	-	
Total	151 334 685	

Bonds and certificates: Rating

Rating	Fair Value
AAA	148 484 335
AA+	2 850 350
AA	0
A	0
Total	151 334 685

Bonds and certificates: Sector

Sector	Fair Value
Supranational	6 848 949
Local authority	7 963 314
Credit Institutions	136 522 422
Bank	0
Total	151 334 685

3.1.2 Calculation basis for companies

Lending to customers	USD	Deposits pledged accounts	Calculation basis
Companies	294 002 600	-22 470 949	271 531 652

3.1.3 Credit management and control

The following management and control protocols have been established for the area to manage and reduce the risk:

- The Bank's Credit Policy
- The Bank's scoring model
- Routines and instructions for the area
- The Bank's credit monitoring systems

3.1.4 Concentration risk stress test

Scenario calculations have been prepared to estimate the effect of the capital calculation for a serious economic setback and downturn. As far as the credit aspect is concerned, stress tests are carried out for loss percentage.

These calculations show that reduced results due to increased losses will affect the Bank's capacity to grow in relation to building up the Bank's equity. The Bank's funding costs are also expected to increase as a result of such high losses. The Bank will continue to work on these sensitivity analyses and at the same time on contingency measures for such a scenario.

3.2 Interest Rate Risk

Maritime & Merchant Bank ASA has defined guidelines that set limits for the maximum interest rate risk. All exposure on the balance sheet and outside the balance sheet will be assessed, and any exposure exceeding the interest rate risk limits shall be mitigated by using hedging instruments. Routines have been established for on-going monitoring and reporting of the interest rate risk to the Board of Directors.

The table below shows notional amounts per interest rate period (time bucket)

<i>Notional in USD million (2019)</i>	Up to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	3 to 5 years
Deposits with Central Bank	7				
Deposits with banks	63				
Certificates and bonds	151				
Loans to customers	295				
Derivatives	192				
Sum Assets	709				
Deposits	398				
Derivatives	192				
Sum Liabilities	590				
Net	119				

3.3 Currency Risk

All exposure on the balance sheet, outside the balance sheet and estimated income and expense items will be identified. Market exposure will be limited and within limits and authorizations granted by the Board. Routines have been established for on-going monitoring and reporting of the currency risk to the Board of Directors.

Funding in NOK is swapped to USD using cross currency basis swaps, with duration around three years. The Bank uses cross currency swaps to match funding in NOK with lending in USD. Assets and liabilities are currency matched. The Bank has income in USD and most of the operating cost in NOK. Current strategy is to hedge between 0 and 12 months forward. The following table shows assets and liabilities in other currencies than USD.

Assets	NOK	EUR
Deposit with Central Bank	65 277 223	
Deposit with Banks	307 577 604	351 309
Bonds	1 286 756 822	
Loans		8 642 850
Derivatives	1 686 874 841	
Other Assets	11 460 499	
Total Assets	3 357 946 990	8 994 159

Liabilities	NOK	EUR
Deposits	3 293 885 167	650 000
Derivatives		8 333 750
Other Liabilities	43 782 215	
Total Liabilities	3 337 667 382	8 983 750
Net Currency	20 279 607	10 409

	NOK
Estimated Monthly Operational Cost	4 556 083
Number of months with hedging	4.5

3.4 CVA Risk

Amounts in 1000	Nominal Value	Nominal Value	Nominal Value	Positive Market values	Negative Market values
	USD	EUR	NOK	USD	USD
Interest Rate Derivatives					
Interest rate swap	0	0	0	0	0
Currency Derivatives					
Cross currency basis swap					
Buy/Sell USD against NOK	190 000		1 605 155	558	8 512
Buy/Sell EUR against NOK		8 334	81 720	23	67
Total Currency Derivatives	190 000	8 334	1 686 875	581	8 579

The Counterparty risk derivatives (CVA-risk) is USD 2 640 117 (cf. point 2.1)

3.5 Liquidity Risk

Maritime & Merchant Bank ASA aims to maintain a low liquidity risk, which means high liquidity buffers and good deposit coverage.

The Bank's liquidity level is assessed by calculating the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). These ratios describe the short liquidity level and the level of stable funding.

The Bank calculates liquidity surplus, which appears as available funding less future liabilities within the defined time interval and required liquidity buffers.

Maritime & Merchant Bank ASA has adopted guidelines for management of the Bank's liquidity position to ensure that the Bank maintains a solid liquidity.

<i>USD</i>	Up to 1 month	1 to 3 months	3 to 12 months	Over 1 year	Over 5 years	Total
Cash and claims on central banks	7 432 474					7 432 474
Loans and receivables from credit institutions	63 052 606					63 052 606
Loans to and receivables from customers	6 105 000	5 469 000	43 510 000	240 040 509	0	295 124 509
Commercial papers and bonds		10 378 298	28 004 615	112 951 772	0	151 334 685
Shares, funds and other securities					45 270	45 270
Assets	76 590 080	15 847 298	71 514 615	352 992 281	45 270	516 989 544
Deposits from credit institutions						
Deposits from and liabilities to customers	376 496 421		2 415 000	19 327 429		398 238 850
Debt from issuance of bonds						
Subordinated loan capital						
Liabilities	376 496 421	0	2 415 000	19 327 429	0	398 238 850
Financial derivatives (net settlement)			-695 871	687 872		-7 998
Total	-299 906 340	15 847 298	68 403 744	334 352 724	45 270	118 742 696

The time buckets are contractual maturity. Assets and liabilities without any time restrictions are put in the "up to 1 month" time bucket.

3.6 Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed processes or systems, from human error, fraud, or external events including legal risk, compliance risk, cyber risk and reputational risk. This type of risk also encompasses administrative risk, i.e. that the day-to-day operations of the Bank do not function properly.

The Bank Measures operational risk through incident reporting on main operational areas. The management team handle incidents in the management meetings. This incident reporting is summarized and communicated to the Risk Committee. The Bank reduces operational risk through prudent management and supervision by establishing efficient control procedures, a well-established set of routines, a compliance function, as well as insurance cover against attempts at defrauding the Bank.

4 RISK MANAGEMENT IN MARITIME & MERCHANT BANK

The Bank's organisation

The Bank is staffed by experienced personnel who, besides possessing expertise in all of the relevant banking areas (risk, compliance, credit work, routines, guidelines for credit liquidity, operations, IT and security) also possess in-depth knowledge about the maritime industry and its cyclical nature.

4.1 Corporate governance

Corporate governance encompasses the values, goals and overarching principles that provide a basis for managing and supervising the Bank in order to protect the interests of our owners, depositors and other stakeholders. The Bank's corporate governance is intended to ensure prudent asset management and greater assurance that our publicly declared goals and strategies are attained and realised.

Our corporate governance mainly involves:

- The establishment of general short-term and long-term goals.
- A continuous strategy process aimed at achieving the Bank's short-term and long-term goals.
- Continuous and integrated management of the risks associated with the Bank's goal attainment.
- Regular reporting on the Bank's established goals.
- Following up approved corrective measures.

Section 13-5 of the Norwegian Financial Institutions Act defines the principle of proportionality, which clarifies that management and control arrangements, as well as guidelines and routines, must be proportionate to the risk associated with, and scope of, an institution's business.

Furthermore, chapter 8 of the Regulation on capital requirements and national adjustment of CRR/CRD IV (CRR/CRD IV Regulation) states that undertakings must adjust their risk management and internal control according to the nature, scope and complexity of the undertaking's business. The principle of proportionality has been incorporated into Acts and Regulations in order to clarify that good and adequate risk management and internal control can vary. The principle allows for less comprehensive requirements for the process of risk management and internal control in small banks than in large banks.

4.1.1 Management principles

The Bank has the following hierarchy of governance documents:

- Governing Policies form the top level of the internal control system. These are adopted by the Board. They describe the relationship between the various governing bodies in the Bank and verify the Bank's control environment, culture, values, ethical basis and different governance processes.
- Function Policies specify the frameworks and principles that are to be observed in the various functions and processes. These apply to the entire bank and indicate what to do and what to approve where.
- Work processes and procedures describe more in detail how the principles stated in different policies are to be performed. These are process-oriented and provide a documentation of the processes through different activities and roles. These are important tools for implementing policies and help ensure compliance and follow-up of these.
- Key controls are the most significant control activities in terms of reducing risk to a level consistent with the Bank's risk tolerance in the various areas. The key controls are identified and are part of the various procedures. In addition, there will be a set of key controls at the management level.

4.1.2 Risk limits - risk appetite

The Bank's risk limits and goals are set out by the Board in various documents:

- Limits for the commercial targets in relation to returns, growth, financial strength, etc.
- Limits and goals for liquidity with specified limits (targets) for various management parameters in the areas of LCR, NSFR and liquidity buffers.
- Limits and targets for credit with the distribution of loans to different industries (maximum exposure within different industries), quality of credit customers.

4.1.3 Governing policies

Governing policies are documents that apply to the entire business and all underlying governing documents that describe core values, culture and the management system of the business. The key documents are: Core Values, Code of Conduct, and Management, Governance and Control Policy. The documents are approved by the Board. The documents describe the Bank's culture and the relationship between the Bank's departments, Board and the Executive Management team. The Bank has prepared the following management policies, which must be approved by the Board:

- Code of Conduct (Ethical Guidelines)
- Risk Policy
- GDPR Policy
- Risk Limits Policy
- Operational Risk Policy
- Market Risk Policy
- Information Security Policy
- Remuneration Policy
- Instructions for Identity Verification and Anti-Money Laundering Measures (KYC/AML)

4.1.4 Function policies

The Bank has prepared the following function policies:

- Credit policy
- Liquidity policy, including contingency plan and ILAAP

These documents must also be approved by the Board.

4.1.5 Work processes and procedures

Process descriptions describe and document operation and responsibility in detail based on corporate structure, allocation of tasks and responsibilities, choice of products and services, and instructions and procedures.

These processes are used together with the procedures as guidelines for the performance of the tasks. In the same way as for procedures, process descriptions are subject to periodic internal control and revision.

4.1.6 Key controls

The need for key controls is identified via risk assessments for processes and on a sub-process level. High risk requires measures or key controls whose implementation in practice are documented and monitored. Key controls are documented in control matrices and include risk, control activity, executor, frequency and documentation requirements.

ATTACHMENTS

Standard form for disclosure of Common Equity Capital (in Norwegian)

Ren kjernekapital: Instrumenter og opptjent kapital		(A) Beløp på datoen for offentliggjøring	(B) Referanser til artikler i forordningen (CRR)	(C) Beløp omfattet av overgangsregler
1	Kapitalinstrumenter og tilhørende overkursfond	951 133	26 (1), 27, 28 og 29	
	herav: instrumenttype 1			
	herav: instrumenttype 2			
	herav: instrumenttype 3			
2	Opptjent egenkapital i form av tidligere års tilbakeholdte resultater		26 (1) (c)	
3	Akkumulerte andre inntekter og kostnader og andre fond o.l.		26 (1) (d) og (e)	
3a	Avsetning for generell bankrisiko		26 (1) (f)	
4	Rene kjernekapitalinstrumenter omfattet av overgangsbestemmelser			
	Statlige innskudd av ren kjernekapital omfattet av overgangsbestemmelser			
5	Minoritetsinteresser		84	
5a	Revidert delårsoverskudd fratrukket påregnelig skatt mv. og utbytte		26 (2)	
6	Ren kjernekapital før regulatoriske justeringer	951 133	Sum rad 1 t.o.m. 5a	
Ren kjernekapital: Regulatoriske justeringer				
7	Verdijusteringer som følge av kravene om forsvarlig verdsettelse (negativt beløp)	- 1 412	34 og 105	
8	Immaterielle eiendeler redusert med utsatt skatt (negativt beløp)	- 17 911	36 (1) (b) og 37	
9	Tomt felt i EØS			
10	Utsatt skattefordel som ikke skyldes midlertidige forskjeller redusert med utsatt skatt som kan motregnes (negativt beløp)		36 (1) (c) og 38	
11	Verdiendringer på sikringsinstrumenter ved kontantstrømsikring		33 (1) (a)	
12	Positive verdier av justert forventet tap etter kapitalkravsforskriften § 15-7 (tas inn som negativt beløp)		36 (1) (d), 40 og 159	
13	Økning i egenkapitalen knyttet til fremtidig inntekt grunnet verdipapiriserte eiendeler (negativt beløp)		32 (1)	
14	Gevinster eller tap på gjeld målt til virkelig verdi som skyldes endringer i egen kredittverdighet		33 (1) (b) og (c)	
15	Overfinansiering av pensjonsforpliktelser (negativt beløp)		36 (1) (e) og 41	
16	Direkte, indirekte og syntetiske beholdninger av egne rene kjernekapitalinstrumenter (negativt beløp)		36 (1) (f) og 42	
17	Beholdning av ren kjernekapital i annet selskap i finansiell sektor som har en gjensidig investering av ansvarlig kapital (negativt beløp)		36 (1) (g) og 44	

Ren kjernekapital: Instrumenter og opptjent kapital		(A) Beløp på datoen for offentliggjøring	(B) Referanser til artikler i forordningen (CRR)	(C) Beløp omfattet av overgangsregler
18	Direkte, indirekte og syntetiske beholdninger av ren kjernekapital i andre selskaper i finansiell sektor der institusjonen ikke har en vesentlig investering. Beløp som overstiger grensen på 10 %, regnet etter fradrag som er tillatt for korte posisjoner (negativt beløp)		36 (1) (h), 43, 45, 46, 49 (2), 79, 469 (1) (a), 472 (10) og 478 (1)	
19	Direkte, indirekte og syntetiske beholdninger av ren kjernekapital i andre selskaper i finansiell sektor der institusjonen har vesentlige investeringer som samlet overstiger grensen på 10 %. Beløp regnet etter fradrag som er tillatt for korte posisjoner (negativt beløp)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) til (3) og 79	
20	Tomt felt i EØS			
20 a	Poster som alternativt kan få 1250 % risikovekt (negativt beløp),		36 (1) (k)	
20 b	herav: kvalifiserte eiendeler i selskap utenfor finansiell sektor (negativt beløp)		36 (1) (k) (i) og 89 til 91	
20c	herav: verdipapiriseringsposisjoner (negativt beløp)		36 (1) (k) (ii), 243 (1) (b), 244 (1) (b) og 258	
20 d	herav: motpartsrisiko for transaksjoner som ikke er avsluttet (negativt beløp)		36 (1) (k) (iii) og 379 (3)	
21	Utsatt skattefordel som skyldes midlertidige forskjeller og som overstiger unntaksgrensen på 10 %, redusert med utsatt skatt som kan motregnes (negativt beløp)		36 (1) (c), 38 og 48 (1) (a)	
22	Beløp som overstiger unntaksgrensen på 17,65 % (negativt beløp)		48 (1)	
23	herav: direkte, indirekte og syntetiske beholdninger av ren kjernekapital i andre selskaper i finansiell sektor der institusjonen har en vesentlig investering (negativt beløp)		36 (1) (i) og 48 (1) (b)	
24	Tomt felt i EØS			
25	herav: utsatt skattefordel som skyldes midlertidige forskjeller (negativt beløp)		36 (1) (c), 38 og 48 (1) (a)	
25 a	Akkumulert underskudd i inneværende regnskapsår (negativt beløp)		36 (1) (a)	
25 b	Påregnelig skatt relatert til rene kjernekapitalposter (negativt beløp)		36 (1) (l)	
26	Justeringer i ren kjernekapital som følge av overgangsbestemmelser		Sum 26a og 26b	
26 a	Overgangsbestemmelser for regulatoriske filtre relaterte til urealiserte gevinster og tap			
	herav: filter for urealisert tap 1			
	herav: filter for urealisert tap 2			
	herav: filter for urealisert gevinst 1 (negativt beløp)		468	
	herav: filter for urealisert gevinst 2 (negativt beløp)		468	

Ren kjernekapital: Instrumenter og opptjent kapital		(A) Beløp på datoen for offentliggjøring	(B) Referanser til artikler i forordningen (CRR)	(C) Beløp omfattet av overgangsregler
26 b	Beløp som skal trekkes fra eller legges til ren kjernekapital som følge av overgangsbestemmelser for andre filtre og fradrag			
	herav: ...			
27	Overskytende fradrag i annen godkjent kjernekapital (negativt beløp)		36 (1) (j)	
28	Sum regulatoriske justeringer i ren kjernekapital	- 19 323	Sum rad 7 t.o.m. 20a, 21, 22, 25a, 25b, 26 og 27	
29	Ren kjernekapital	931 810	Rad 6 pluss rad 28 hvis beløpet i rad 28 er negativt, ellers minus	
Annen godkjent kjernekapital: Instrumenter				
30	Kapitalinstrumenter og tilhørende overkursfond		51 og 52	
31	herav: klassifisert som egenkapital etter gjeldende regnskapsstandard			
32	herav: klassifisert som gjeld etter gjeldende regnskapsstandard			
33	Fondsobligasjonskapital omfattet av overgangsbestemmelser		486 (3) og (5)	
	Statlige innskudd av fondsobligasjonskapital omfattet av overgangsbestemmelser			
34	Fondsobligasjonskapital utstedt av datterselskaper til tredjeparter som kan medregnes i annen godkjent kjernekapital		85 og 86	
35	herav: instrumenter omfattet av overgangsbestemmelser			
36	Annen godkjent kjernekapital før regulatoriske justeringer		Sum rad 30, 33 og 34	
Annen godkjent kjernekapital: Regulatoriske justeringer				
37	Direkte, indirekte og syntetiske beholdninger av egen fondsobligasjonskapital (negativt beløp)		52 (1) (b), 56 (a) og 57	
38	Beholdning av annen godkjent kjernekapital i annet selskap i finansiell sektor som har en gjensidig investering av ansvarlig kapital (negativt beløp)		56 (b) og 58	
39	Direkte, indirekte og syntetiske beholdninger av fondsobligasjonskapital i andre selskaper i finansiell sektor der institusjonen ikke har en vesentlig investering. Beløp som overstiger grensen på 10 %, regnet etter fradrag som er tillatt for korte posisjoner (negativt beløp)		56 (c), 59, 60 og 79	
40	Direkte, indirekte og syntetiske beholdninger av fondsobligasjonskapital i andre selskaper i finansiell sektor der institusjonen har en vesentlig investering. Beløp regnet etter fradrag som er tillatt for korte posisjoner (negativt beløp)		56 (d), 59 og 79	

Ren kjernekapital: Instrumenter og opptjent kapital		(A) Beløp på datoen for offentliggjøring	(B) Referanser til artikler i forordningen (CRR)	(C) Beløp omfattet av overgangsregler
41	Justeringer i annen godkjent kjernekapital som følge av overgangsbestemmelser		Sum rad 41a, 41b og 41c	
41 a	Fradrag som skal gjøres i annen godkjent kjernekapital, i stedet for ren kjernekapital, som følge av overgangsbestemmelser (negativt beløp)		469 (1) (b) og 472 (10) (a)	
	herav: spesifiser de enkelte postene linje for linje			
41 b	Fradrag som skal gjøres i annen godkjent kjernekapital, i stedet for tilleggskapital, som følge av overgangsbestemmelser (negativt beløp)			
	herav: spesifiser de enkelte postene linje for linje			
41c	Beløp som skal trekkes fra eller legges til annen godkjent kjernekapital som følge av overgangsbestemmelser for andre filtre og fradrag			
	herav: filter for urealisert tap			
	herav: filter for urealisert gevinst (negativt beløp)			
	herav: ...			
42	Overskytende fradrag i tilleggskapital (negativt beløp)		56 (e)	
43	Sum regulatoriske justeringer i annen godkjent kjernekapital		Sum rad 37 t.o.m. 41 og rad 42	
44	Annen godkjent kjernekapital		Rad 36 pluss rad 43. Gir fradrag fordi beløpet i rad 43 er negativt	
45	Kjernekapital	931 810	Sum rad 29 og rad 44	
Tilleggskapital: instrumenter og avsetninger				
46	Kapitalinstrumenter og tilhørende overkursfond		62 og 63	
47	Tilleggskapital omfattet av overgangsbestemmelser		486 (4) og (5)	
	Statlige innskudd av tilleggskapital omfattet av overgangsbestemmelser			
48	Ansvarlig lånekapital utstedt av datterselskaper til tredjeparter som kan medregnes i tilleggskapitalen		87 og 88	
49	herav: instrumenter omfattet av overgangsbestemmelser			
50	Tallverdien av negative verdier av justert forventet tap		62 (c) og (d)	
51	Tilleggskapital før regulatoriske justeringer		Sum rad 46 t.o.m. 48 og rad 50	

Ren kjernekapital: Instrumenter og opptjent kapital		(A) Beløp på datoen for offentliggjøring	(B) Referanser til artikler i forordningen (CRR)	(C) Beløp omfattet av overgangsregler
Tilleggskapital: Regulatoriske justeringer				
52	Direkte, indirekte og syntetiske beholdninger av egen ansvarlig lånekapital (negativt beløp)		63 (b) (i), 66 (a) og 67	
53	Beholdning av tilleggskapital i annet selskap i finansiell sektor som har en gjensidig investering av ansvarlig kapital (negativt beløp)		66 (b) og 68	
54	Direkte, indirekte og syntetiske beholdninger av ansvarlig lånekapital i andre selskaper i finansiell sektor der institusjonen ikke har en vesentlig investering. Beløp som overstiger grensen på 10 %, regnet etter fradrag som er tillatt for korte posisjoner (negativt beløp)		66 (c), 69, 70 og 79	
54 a	herav: nye beholdninger som ikke omfattes av overgangsbestemmelser			
54 b	herav: beholdninger fra før 1. januar 2013 omfattet av overgangsbestemmelser			
55	Direkte, indirekte og syntetiske beholdninger av ansvarlig lånekapital i andre selskaper i finansiell sektor der institusjonen har en vesentlig investering. Beløp regnet etter fradrag som er tillatt for korte posisjoner (negativt beløp)		66 (d), 69 og 79	
56	Justeringer i tilleggskapital som følge av overgangsbestemmelser (negativt beløp)		Sum rad 56a, 56b og 56c	
56 a	Frdrag som skal gjøres i tilleggskapital, i stedet for ren kjernekapital, som følge av overgangsbestemmelser (negativt beløp)		469 (1) (b) og 472 (10) (a)	
	herav: spesifiser de enkelte postene linje for linje			
56 b	Frdrag som skal gjøres i tilleggskapital, i stedet for annen godkjent kjernekapital, som følge av overgangsbestemmelser (negativt beløp)			
	herav: spesifiser de enkelte postene linje for linje			
56c	Beløp som skal trekkes fra eller legges til tilleggskapitalen som følge av overgangsbestemmelser for filtre og andre fradrag		468	
	herav: filter for urealisert tap			
	herav: filter for urealisert gevinst		468	
	herav:...			
57	Sum regulatoriske justeringer i tilleggskapital		Sum rad 52 t.o.m. 54, rad 55 og 56	
58	Tilleggskapital		Rad 51 pluss rad 57 hvis beløpet i rad 57 er negativt, ellers minus	
59	Ansvarlig kapital	931 810	Sum rad 45 og rad 58	

Ren kjernekapital: Instrumenter og opptjent kapital		(A) Beløp på datoen for offentliggjøring	(B) Referanser til artikler i forordningen (CRR)	(C) Beløp omfattet av overgangsregler
59 a	Økning i beregningsgrunnlaget som følge av overgangsbestemmelser		472 (10) (b)	
	herav: beløp som ikke er trukket fra ren kjernekapital		469 (1) (b)	
	herav: beløp som ikke er trukket fra annen godkjent kjernekapital			
	herav: beløp som ikke er trukket fra tilleggskapital			
60	Beregningsgrunnlag	2 815 594		
Kapitaldekning og buffere				
61	Ren kjernekapitaldekning – se tabell	33,13 %	92 (2) (a)	
62	Kjernekapitaldekning	33,13 %	92 (2) (b)	
63	Kapitaldekning	33,13 %	92 (2) (c)	
64	Kombinert bufferkrav som prosent av beregningsgrunnlaget (4,5 % + 2,5 % + 2 % + 3 %)	12,5 %	CRD 128, 129, 130, 131 og 133	
65	herav: bevaringsbuffer	2,5 %		
66	herav: motsyklisk buffer	1,7 %		
67	herav: systemrisikobuffer	3,0 %		
67 a	herav: buffer for andre systemviktige institusjoner (O-SII-buffer)		CRD 131	
68	Ren kjernekapital tilgjengelig for oppfyllelse av bufferkrav (33,13 % - 4,5 %)	28,63 %	CRD 128	
69	Ikke relevant etter EØS-regler			
70	Ikke relevant etter EØS-regler			
71	Ikke relevant etter EØS-regler			
Kapitaldekning og buffere				
72	Beholdninger av ansvarlig kapital i andre selskaper i finansiell sektor der institusjonen har en ikke vesentlig investering, som samlet er under grensen på 10 %. Beløp regnet etter fradrag som er tillatt for korte posisjoner.		36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 66 (c), 69 og 70	
73	Beholdninger av ren kjernekapital i andre selskaper i finansiell sektor der institusjonen har en vesentlig investering, som samlet er under grensen på 10 %. Beløp regnet etter fradrag som er tillatt for korte posisjoner.		36 (1) (i), 45 og 48	
74	Tomt felt i EØS			
75	Utsatt skattefordel som skyldes midlertidige forskjeller redusert med utsatt skatt som kan motregnes, som er under grensen på 10 %.		36 (1) (c), 38 og 48	
Grenser for medregning av avsetninger i tilleggskapitalen				
76	Generelle kredittrisikoreserver		62	
77	Grense for medregning av generelle kredittrisikoreserver i tilleggskapitalen		62	
78	Tallverdien av negative verdier av justert forventet tap		62	

Ren kjernekapital: Instrumenter og opptjent kapital		(A) Beløp på datoen for offentlig- gjøring	(B) Referanser til artikler i forordningen (CRR)	(C) Beløp omfattet av overgangs- regler
79	Grense for medregning i tilleggskapitalen av overskytende regnskapsmessige nedskrivninger		62	
Kapitalinstrumenter omfattet av overgangsbestemmelser				
80	Grense for medregning av rene kjernekapitalinstrumenter omfattet av overgangsbestemmelser		484 (3) og 486 (2) og (5)	
81	Overskytende ren kjernekapital omfattet av overgangsbestemmelser		484 (3) og 486 (2) og (5)	
82	Grense for medregning av fondsobligasjonskapital omfattet av overgangsbestemmelser		484 (4) og 486 (3) og (5)	
83	Overskytende fondsobligasjonskapital omfattet av overgangsbestemmelser		484 (4) og 486 (3) og (5)	
84	Grense for medregning av ansvarlig lånekapital omfattet av overgangsbestemmelser		484 (5) og 486 (4) og (5)	
85	Overskytende ansvarlig lånekapital omfattet av overgangsbestemmelser		484 (5) og 486 (4) og (5)	