

**Translation from Danish to English by BankNordik. In case of discrepancies, the Danish version prevails**

### **P/F BankNordik as systemically important financial institution in the Faroe Islands**

Pursuant to paragraph 308 of the Financial Business Act,<sup>1</sup> the Danish Financial Supervisory Authority on a yearly basis examines whether institutions designated as systemically important financial institutions (SIFI) in the Faroe Islands still exceed the threshold values regarding one or several of the below stated indicators for being designated as a SIFI institution in the Faroe Islands.

Pursuant to paragraph 308, section 4 of the Financial Business Act, a systemically important financial institution must be below the determined threshold values of the indicators put forth below for three consecutive years in order to cease being designated as systemically important.

The Danish Financial Supervisory Authority has stated that BankNordik still exceeds all three threshold values.

#### **Indicators**

	2017	2016	Threshold
The institution's total assets as a percentage of Faroese GDP	94.7	106.0	> 13
The institution's lending in the Faroe Islands as a percentage of total lending by Faroese banks in the Faroe Islands	43.7	42.8	> 10
The institution's deposits in the Faroe Islands as a percentage of total deposits held by Faroese banks in the Faroe Islands	37.9	38.4	> 10

BankNordik has been given a systemic importance score of 22.8 by The Danish Financial Supervisory Authority. The systemic importance score is calculated as half of the average of the factors set out below as per section 308(6) of the Financial Business Act put into force for the Faroe Islands by Royal Decree. Please note that two of the factors are the same as the indicators shown above.

<sup>1</sup> Put into force for the Faroe Islands by Royal Decree, see Decree no. 693 of 22 May 2015.

## Factors and systemic importance

	2017
The institution's total assets as a percentage of the total assets of Faroese banks and investment services companies I	55.4
The institution's lending in the Faroe Islands as a percentage of total lending by Faroese banks in the Faroe Islands	43.7
The institution's deposits in the Faroe Islands as a percentage of total deposits held by Faroese banks in the Faroe Islands	37.9
<b>Systemic importance</b>	<b>22.8</b>

On the basis of the calculation of systemic importance, the institution is categorised according to the categories of systemic importance as per section 308(7) of the Financial Business Act put into force for the Faroe Islands by Royal Decree. P/F BankNordik is placed into category 3 (see table below).

## Categories of systemic importance

	<i>Systemic importance</i>
Category 1	≤ 5
Category 2	[5-15[
Category 3	[15-25[
Category 4	[25-35[
Category 5	≥ 35

P/F BankNordik must meet a capital requirement in the form of a SIFI buffer requirement amounting to 2 pct., reflecting the institution's systemic importance on the Faroe Islands, see section 2(3) of Decree no. 693 of 22 May 2015. The SIFI buffer requirement must be met with CET1 capital. The requirement will be phased in during the period 2016-2019.

The Danish Minister for Industry, Business and Financial Affairs determines the SIFI buffer requirements within the framework of the systemic buffer, see section 125h, cf. 125a(6), of the Financial Business Act.