RAHOITUSVAKAUSVIRASTO
VERKET FÖR FINANSIELL STABILITET
FINANCIAL STABILITY AUTHORITY

RESOLUTION CAPABILITIES OF BANKS 2024

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Bank resolution system

1. Introduction

Banks provide essential services to citizens, businesses, and the economy. They also play a decisive intermediary role in the economies of different countries. For this reason, the financial difficulties of banks must be resolved in a controlled, swift, and efficient manner. Historically, the central role of banks in the economy and society has often meant that when banks have faced financial difficulties, they have not been allowed to go bankrupt – instead, it has been considered necessary to rescue banks with public funds in order to safeguard their critical functions and the financial stability.

The use of public funds to support troubled banks has historically led to a negative spiral that has contributed to excessive risk-taking, as the managers, owners and creditors of banks, as well as other actors in the financial markets, have begun to rely on the idea that, no matter what, a struggling bank will always be saved.

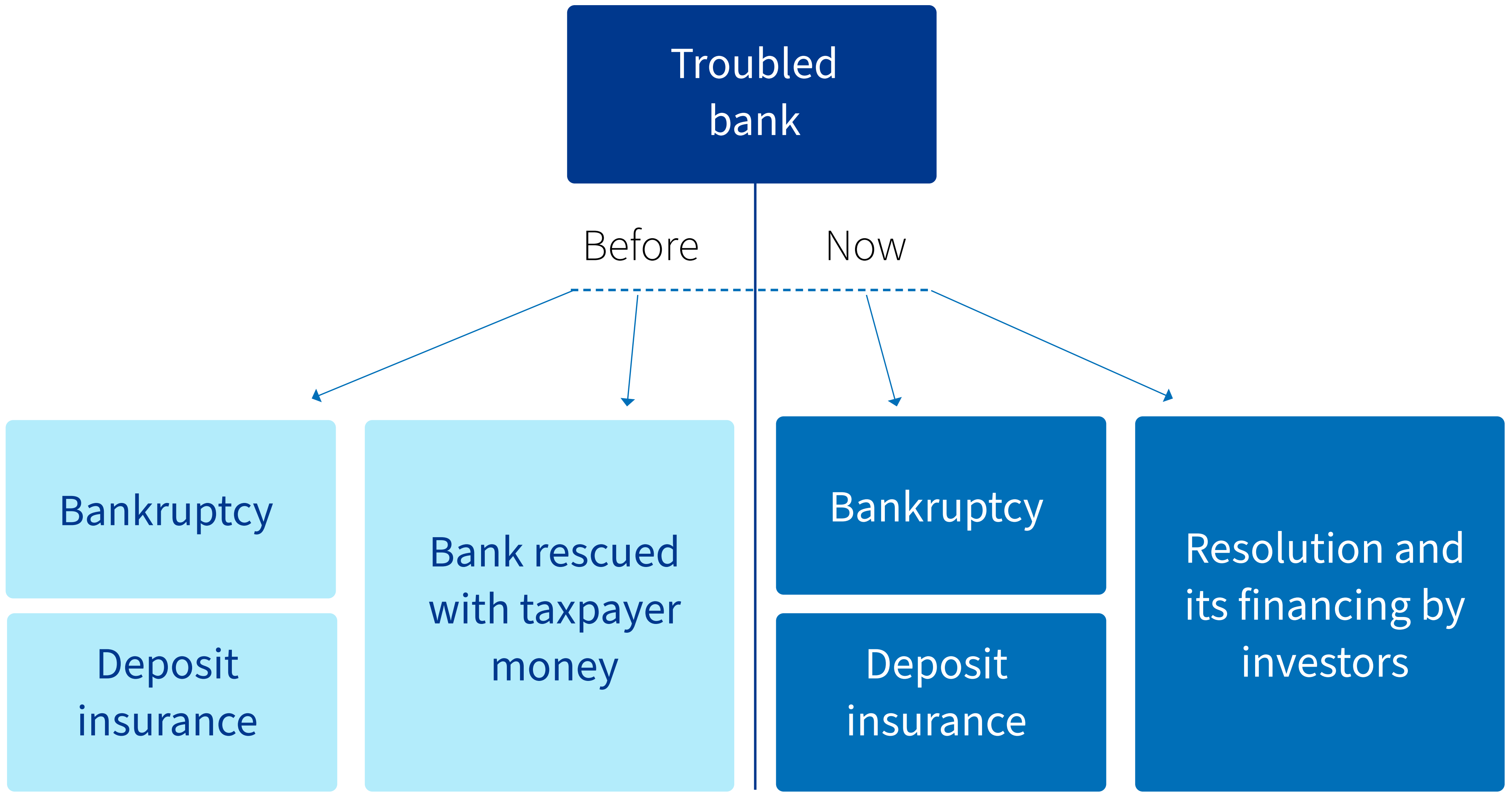
Excessive risk-taking and increased size of banks have led to a situation where the cost of rescuing banks has risen to such an extent that it even threatens the solvency of governments.

Banking crises are also often related to problems in the real economy, in which case the large-scale commitment of public funds to rescuing banks during recessions has served to weaken the fiscal capacity of states, thus further exacerbating the economic crises.

After the global financial crisis that began in 2008, the costs of banking crises had soared to such an extent that it was considered necessary to create a completely new regulatory framework for crisis management and effective powers to implement it. The EU enacted the regulatory reform with the Resolution Directive for credit institutions and investment firms and through the establishment of the European Banking Union, where the decision-making powers concerning the supervision and resolution of the largest banks were appointed to EU-level authorities. The Banking Union currently includes the euro area countries as well as Romania and Bulgaria.

When a bank faces serious financial difficulties, the resolution authority apply resolution tools to ensure continuity of critical banking services and the financial stability. In such situations, the individuals, companies, funds, and public authorities that have invested in the bank's shares and liability would finance these measures, unlike in previous banking crises, where the state used taxpayer money to finance the necessary measures.

The aim is to not only safeguard public funds but also prevent banking crises. A credible resolution system incentivises banks, investors, and other stakeholders to curb unhealthy risk-taking and prevent problems from escalating too far.



The credibility of the resolution system requires that the authorities and banks are well prepared for very challenging and rapidly unfolding crises. Banks and the authorities are legally required to prepare crisis management plans in advance.

Each bank must prepare its own recovery plan, which is reviewed and approved by the supervisory authority. In the recovery plan the bank is to outline the measures it can rely on to ensure the continuity of its operations.

The resolution authority is, on the other hand, responsible for planning resolution measures that may be taken if a bank is failing or likely to fail, and the bank's viability cannot be restored through its own or banking supervisory measures.

For the institution-specific resolution plans, the resolution authority conducts a preliminary assessment on whether a bank's bankruptcy would lead to financial system instability that would be contrary to the public interest. In addition, the resolution authority outlines in the resolution plans which resolution tools would be most appropriate in situations where the bank faced serious financial difficulties. The resolution authority also identifies potential impediments that could hinder the successful implementation of resolution measures, should they be needed.

In this report the competent resolution authority in Finland, Financial Stability Authority (FFSA), tells for the first time for which banks within its remit resolution measures would be taken should the bank run into sever financial difficulties. Resolution, rather than bankruptcy, is necessary in order to secure functions critical to many customers and to minimise the impact on financial stability. The report also details how the FFSA's assesses the criticality of bank functions and the financial stability implications.

This is also the first time that the FFSA publishes the assessment of the resolution capabilities of the banks within its remit. The results of the assessment show that the multi-year development work of these banks has yielded results, and that there are no significant impediments to the implementation of resolution measures. However, the banks still need to further develop their processes, procedures and IT systems, so that a potential resolution situation could be smoothly dealt with.

Protecting depositors

Covered deposits are always protected up until 100 000 euros, either as the bank is resolved or through the deposit guarantee system.

Protecting financial stability

The bank is resolved if it is assessed that its failure would have significant adverse effects on other banks and on the functioning of the financial markets.

Protecting taxpayers

Resolution tools are used to restructure the bank. Authorities cannot in the planning phase assume that public funds would be used to support a bank in trouble.

2. The tasks of FFSA

Established in 2015, the FFSA is an independent authority that acts as Finland's national resolution and deposit guarantee authority. In addition, the FFSA is responsible for maintaining the National Emergency Account System, the purpose of which is to safeguard the continuity of daily payments. This report focuses on the FFSA's work related to bank resolution.

As part of the EU Banking Union, the Single Resolution Board (SRB) is responsible for the largest banks, i.e. Significant Institutions (SIs), in the financial system. Bank-specific teams led by the SRB, with members from both the SRB and the FFSA work continuously with these SIs.

The FFSA is responsible for smaller, from the perspective of the financial system less important banks, i.e. Less Significant Institutions (LSIs). In addition, the FFSA participates in the resolution planning for banks operating in countries outside the Banking Union in cross-border resolution colleges led by other resolution authorities.

FFSA's role in the resolution of different type of financial institutions

Institutions covered in the report

FFSA is responsible for resolution
Finnish financial institutions which are less significant for the financial markets

Deposit institutions operating as groups
- Savings Bank Group (14 member banks)
- POP Bank Group (18 member banks)

- Aktia Bank
- Alisa Bank
- Oma Savingsbank
- S-Bank
- The Mortgage Society of Finland (Hypo Group)
- Bank of Åland

Investment firms
- Alexandria Group
- Evli
- Finlandia Group
- Front Capital
- Gasum Portfolio Services
- Lago Kapital
- Pareto Securities
- UB Asset Management

Central securities depository
- Euroclear Finland

FFSA participates in work lead by another authority
Finnish banks which are significant for the financial markets and foreign financial institutions operating in Finland

- Nordea (EU)
- OP Group (96 member banks) EU
- Municipality Finance, MuniFin (EU)

- Danske Bank's Finnish branch and mortgage bank subsidiary (Denmark)
- Handelsbanken's Finnish branch (Sweden)
- SEB (Sweden)
- DNB (Norway)

Central counterparties for derivatives market
- Nasdaq Clearing

Besides banks, the FFSA has tasks also in the resolution of the biggest investment firms, central securities depository and the central counterparty for derivatives market.

3. What happens when a bank fails

3.1 When is a bank placed in resolution

In the event of a serious deterioration in a bank's financial position, the FFSA must assess whether the situation meets the three resolution conditions laid down in legislation:

1. The Financial Supervisory Authority (FIN-FSA) or the FFSA has assessed that the bank is failing or likely to fail, i.e. that the bank is no longer viable.
2. The bank's problems cannot be resolved by private means within a reasonable amount of time; for example, when there are no potential buyers available to purchase the bank at the requested price.
3. The bank's resolution is in the public interest, i.e. that resolution measures are necessary to achieve the resolution objectives.

Resolution is considered to be in the public interest when it is necessary for ensuring the continuation of a bank's critical functions, avoiding financial instability, minimising the use of public funds, safeguarding covered depositors and covered investors in accordance with the law, and safeguarding the customer funds held by the bank. Resolution measures are considered necessary if a bank's bankruptcy would threaten one or more of the resolution objectives. Sections 3.2 and 3.3 describe in more detail how the FFSA assesses the impacts of bankruptcy on the first two resolution objectives.

If the resolution objectives are not threatened, the FFSA would not place the bank in resolution or apply any resolution tools to it, but the bank would instead be subject to bankruptcy proceedings. In connection with the bankruptcy, the FFSA would compensate all guaranteed deposits in the bank up to EUR 100,000. The deposit guarantee compensation would be paid from the Deposit Guarantee Fund which is managed by the FFSA. In resolution, it is not necessary to pay any deposit guarantee compensation from the Deposit Guarantee Fund, as the presumption is that the basic banking operations will continue after the resolution.

3.2 How the FFSA assesses the criticality of functions

Each bank typically provides many different functions, such as household deposits, mortgages, payment services, trading in capital instruments or derivatives, and issuance of covered bonds.

The FFSA considers a bank's function critical if a disruption to it would impact numerous households, companies, other banks, or parties operating in the market, and if these parties cannot get similar services from other players in a sufficiently short period of time.

When assessing the criticality of functions, the FFSA uses the information reported annually by the banks, such as the value on the accounts, the number of transactions on the accounts, and the number of customers. In addition, the FFSA uses surveys to examine the activeness of basic banking service users and their dependence on their banks, as well as the ability of banks to accept new household and corporate customers.

The more a bank's services are continuously used by its customers, the greater the impact of a disruption will be. In addition, the longer it takes for other banks to accept new customers, the more difficult it will be to replace the function in question. If a bank has more so-called reoccuring customers than other banks can be expected to onboard within seven working days, the bank's deposit and payment services functions will be regarded as critical. This assessment is conducted separately for household, SME, and large corporate customers.

3.3 How the FFSA assesses financial stability impacts

The bankruptcy of a bank can threaten financial stability in many ways. The bank may be significant for the real economy or the financial market, or its bankruptcy may impact other banks and financial market actors either directly or indirectly.

Significance of banks

The FFSA assesses the significance of banks with the help of indicators used in macroprudential supervision to determine which banks are significant for the financial system domestically (Other Systemic Important Institution, or O-SII). The FFSA's assessment places particular emphasis on the size of the bank and its significance in basic banking services.

Direct contagion

The FFSA assesses direct contagion effects by examining the share owners and investors in debt instruments. Simultaneously, it is assessed whether there are other banks whose claims could be affected by the bank's bankruptcy to such an extent that their financial situation would deteriorate alarmingly. In addition, the FFSA assesses whether there are any contagion channels in the financial market infrastructures – for example, if the bank provides another bank with access to a payment system, the bank's bankruptcy could also hurt the other bank.

Indirect contagion

When a bank goes bankrupt, it can result in indirect contagion effects, for example when other banks use covered bonds issued by the failed bank as collateral for their funding. The bankruptcy can also lead to other indirect contagion effects if the covered deposits are compensated from the Deposit Guarantee Fund managed by the FFSA. If the Fund's assets are insufficient for paying the bank's covered deposits, the FFSA will charge additional deposit guarantee fees from the other banks. The FFSA assesses the impact of these fees on the financial situation of other banks. Indirect contagion effects may also arise if customers and investors come to believe that the other banks are facing similar problems. The likelihood of such suspicions will increase in case a bank's business model is similar to that of a troubled bank.

3.4 Which banks would be subject to resolution measures

As part of the resolution planning, the FFSA conducts a preliminary assessment of the need for resolution measures in case the bank would face financial problems. The procedure is basically the same as in a crisis situation, i.e. the FFSA assesses the impact of the bankruptcy proceedings on the resolution objectives described in section 3.1.

The FFSA is preparing for more challenging situations by using two scenarios when conducting its critical functions and financial stability impact assessments.

In the first scenario, the FFSA assumes that the bank's bankruptcy will occur under current circumstances. In the second scenario, the FFSA assumes that there is a major systemic crisis in the banking sector and financial markets. As part of the systemic crisis scenario, the FFSA makes use of the adverse scenario used in the latest stress tests of the European Banking Authority (EBA) and the FIN-FSA, in accordance with the SRB policy.

In addition to factors describing the state of the macroeconomy, the solvency of banks at the end of the adverse scenario is accounted for. In this case, the conclusion is more frequently that resolution is in the public interest rather than bankruptcy proceedings. By accounting for a systemic crisis scenario, it is less likely that there will be a need to change the approach as circumstances change in a crisis.

Nevertheless, the determination of whether resolution is in the public interest may still change in a crisis situation. The circumstances may differ significantly from what the FFSA has considered in its assessment by applying the systemic crisis scenario, and, in addition, the scope of the bank's operations may have changed a lot after the FFSA's latest assessment. For example, if the bank's customer base has shrunk significantly, it is possible that its deposit and payment services functions are no longer critical, which means that resolution measures are not needed to ensure the continuity of these functions.

Based on the critical functions and financial stability analysis carried out during the 2024 resolution planning cycle, the FFSA is planning resolution measures for five banks under its remit: Aktia Bank, Oma Savingsbank, the POP Bank Group, S-Bank, and the Savings Bank Group.

The conclusion that resolution would be in the public interest if these banks were failing or likely to fail, is based on the fact that the household and/or SME deposit and payment services functions are critical, as well as on the fact that their bankruptcy would threaten financial stability, especially in a larger scale financial market crisis.

Based on its analyses, the FFSA has also concluded that, for three of the banks under its remit, bankruptcy proceedings would not threaten the aforementioned resolution objectives. In the case of Alisa Bank, The Mortgage Society of Finland (Hypo Group), and Bank of Åland, the FFSA sees that in a crisis situation, these banks could be declared bankrupt, or their operations could be wound down through other normal insolvency proceedings. In such case, the depositors' position will be protected through the deposit guarantee scheme.

3.5 What tools can the FFSA apply in resolution

The FFSA has four resolution tools at its disposal.

If the bail-in tool is applied, the bank will continue to operate independently, and its liabilities will be restructured by the authority. In connection with resolution, the owners' shares and capital instruments are always written down. This ensures the bank's creditors, and before them, its shareholders, will bear the costs of the crisis. There is no longer the need to use taxpayer money to restore the bank's solvency.

If the sale of business tool, bridge institution tool, or asset management vehicle tool is applied, the bank will not continue to operate independently. Instead, the continuity of its critical functions will be ensured by transferring the bank's assets and liabilities to another party.

The asset separation tool can be applied only in connection with the application of another resolution tool. For example, some of the bank's non-performing loans can be transferred to an asset management vehicle, i.e. a so-called "bad bank", while the rest of the assets are sold to another bank. This ensures the continuity of critical functions. If a buyer cannot be found quickly enough, the functions that could be sold later can be transferred to a bridge institution.

The attractiveness of a bank to buyers can also be improved by writing down its liabilities through the bail-in tool.

The FFSA views the bail-in tool as the primary solution for the resolution of banks under its remit. However, recent banking crises around the world have demonstrated that the bail-in tool may not be the most appropriate for banks with liquidity problems. For this reason, the FFSA is also planning the use of the sale of business tool, in particular in terms of a share deal, in resolution. It is important to be prepared for all types of crises.

The resolution tools that the FFSA can use

Bail-in
The nominal value of the institution's liabilities is written down, in whole or in part, and converted into equity.

Sale of business
The shares or assets and liabilities of the institution are transferred, in whole or in part, to another institution or other party.

Bridge institution
The assets and liabilities of the institution are transferred to a temporary institution established and managed by a resolution authority. Alternatively, the ownership of the institution can be temporarily consolidated into an entity established by the authority.

Asset management vehicle
Some of the assets and liabilities of the institution are transferred to a separate asset management vehicle.

4. How are resolution capabilities developed and maintained

The authorities and banks develop and maintain their resolution capabilities in many ways.

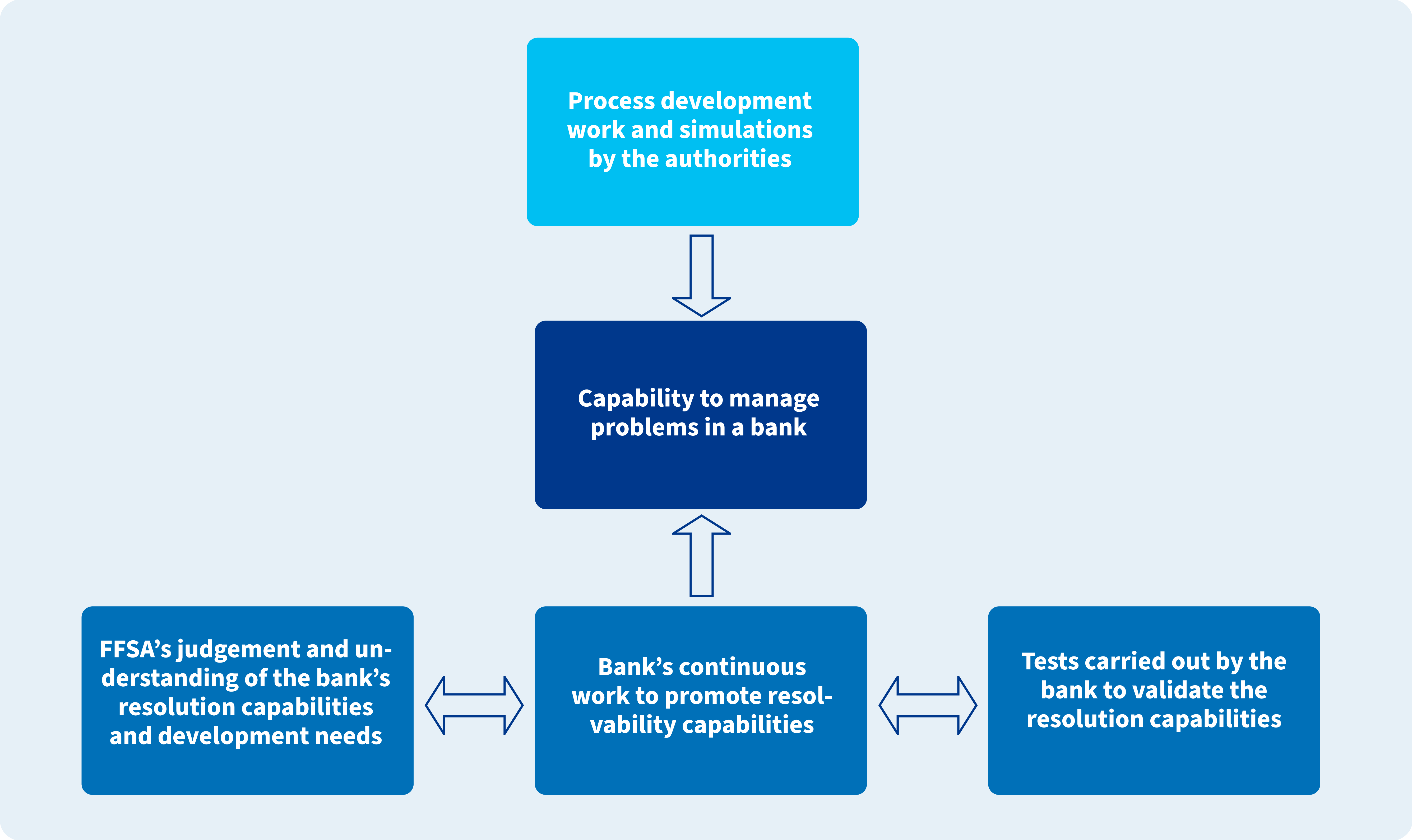
As a rule, the FFSA updates its bank-specific resolution plans once a year. The banks are closely involved in the planning work as they develop the processes and measures needed for resolution and investigate any outstanding questions in discussions with the FFSA. The significance of the preventive preparedness work carried out by banks is vitally important for the effective and controlled management of any possible resolution situation.

In the course of the planning process, the FFSA identifies potential impediments to resolution measures in the bank and assesses whether the bank's development efforts to remove possible impediments have been effective. This annual assessment process is designed to give banks enough time to remove identified impediments well before a possible resolution situation.

As part of the instructions provided by the FFSA, banks are also required to test their capabilities and demonstrate that the described processes, operating methods, and IT systems function as desired in the event of a resolution situation.

In addition, the resolution authorities and other financial market authorities develop their own processes and simulate resolution situations.

Development and maintenance of resolution capabilities



4.1 How plans help in a resolution situation

The resolution plan describes the bank and presents an assessment of the criticality of its functions and the impact that its bankruptcy would have on financial stability. These descriptions and assessments allow the FFSA to quickly describe these in a resolution decision, in case such a decision would be required.

In the resolution planning, one does also prepare for how the FFSA would use the resolution tools which are best suited for the bank and how the banks' financial and operational continuity is to be ensured.

If the FFSA considers that resolution is necessary in case the bank faces financial problems, a Minimum Requirement for Own Funds and Eligible Liabilities (MREL) for the bank will be determined.

Before the regulatory change that entered into force in 2024, the FFSA imposed MREL requirements also on those institutions that could, in a crisis situation, be declared bankrupt or whose operations could be wound down through other usual insolvency proceedings.

Structure of the resolution plan

Strategic business analysis	Description of the bank's structure and business model Identifying critical functions and services
Resolution strategy	Assessment of whether resolution is in the public interest instead of bankruptcy Description of the most appropriate resolution tools
Ensuring continuity	Processes related to determining financing needs Processes related to ensuring operational continuity
Assessing resolvability capabilities	Assessment of resolvability capabilities Defining measures for removing impediments
Setting the MREL target	Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

4.2 How the FFSA assesses banks' resolution capabilities

The FFSA uses the SRB's methodology to assess the resolution capabilities of banks. The starting point is a detailed list of expectations for banks prepared by the SRB, which the FFSA applies to the Finnish LSIs while considering the principle of proportionality.

The expectations for banks cover seven dimensions that have been introduced in stages. The work began with setting MREL targets for banks so as to enable coverage of losses and recapitalisation in a resolution scenario. Since then, new expectations related to the other dimensions have been introduced every year.

The banks are to meet the requirements related to resolution capabilities set by the EBA as of the beginning of 2024.

The SRB has developed a tool to support the assessment of resolvability capabilities. In connection with the 2024 planning cycle, the resolution capacity of banks will be assessed at three levels for each dimension. The first level contains very fundamental expectations, and the expectations ramp up in difficulty from level to level. The FFSA conducts the assessment on how well the banks meet the expectations on the basis of the documentation provided by the banks. In the future, the results of the tests carried out by banks will have more weight in the assessments.

In addition to the FFSA's assessment of the banks' resolution capabilities, the banks also carry out self-assessments. As part of this process, the banks prepare a development plan on how they intend to ensure that the expectations set by the FFSA are met within the given timeframe. The development work involves various measures, such as refining and describing processes and operating methods, and developing IT systems to support reporting. When banks engage in extensive self-assessment and development planning, it raises awareness of resolution expectations and ensures that the improvement of resolution capabilities becomes a natural part of the bank's development work.

If the development work for ensuring resolution capability is not at the desired level, and the bank has not drawn up a credible development plan to remedy the situation, the FFSA may exercise its powers. In such situations, the FFSA may demand the bank to remove the impediment that could significantly hinder the implementation of resolution measures.

Dimensions of resolvability

1 Governance

Processes used to ensure:
- The production of high-quality and up-to-date information
- Effective oversight
- Efficient decision-making

2 Loss absorption and recapitalisation capacity

Sufficient capacity of own funds and eligible liabilities that can be used to absorb losses and to recapitalise in resolution.

This capacity is ensured by setting a MREL target that the bank must continuously fulfil.

3 Liquidity and funding in resolution

Processes and capabilities used to:
- Assess liquidity and funding needs in resolution
- Measure and report liquidity in resolution
- Identify and mobilise collateral in resolution

4 Operational continuity and access to financial market infrastructures

Adequate operational arrangements that ensure the continuity of services needed by the bank in resolution.

5 Data and information systems, and information needed for valuation

Sufficient data and information systems that can be used to:
- Develop and maintain resolution plans
- Carry out necessary valuations during resolution
- Implement resolution tools

6 Communication

Capabilities used to ensure timely and consistent communication during resolution.

7 Separability and business restructuring

Capabilities related to the bank's restructuring needs in resolution or thereafter.

4.3 How are resolution capabilities tested

Banks are required to test their resolution capabilities. The purpose of this process is to ensure that the developed capabilities are appropriate and that they are maintained.

The EBA has published guidelines on the testing of resolution capabilities, which the FFSA will apply to the banks within its remit. The guidelines aim to ensure that banks regularly test their capabilities to the extent defined by the resolution authority.

The FFSA carried out its first real tests with banks in 2023, and they focused on producing the information needed in a resolution situation. In 2024, the testing placed particular emphasis on the production and delivery of information needed for valuation of assets and liabilities, as well as on liquidity reporting capabilities. In the future, the testing will be extended to other areas.

Banks report to the FFSA information necessary for the planning work on, for example their legal and operational structure, internal and external links, and debt structure. By providing standardised data to the FFSA once a year, the banks have already practised for several years for a resolution situation.

Resolution capabilities of banks 2024

The FFSA's assessment of banks' resolution capabilities

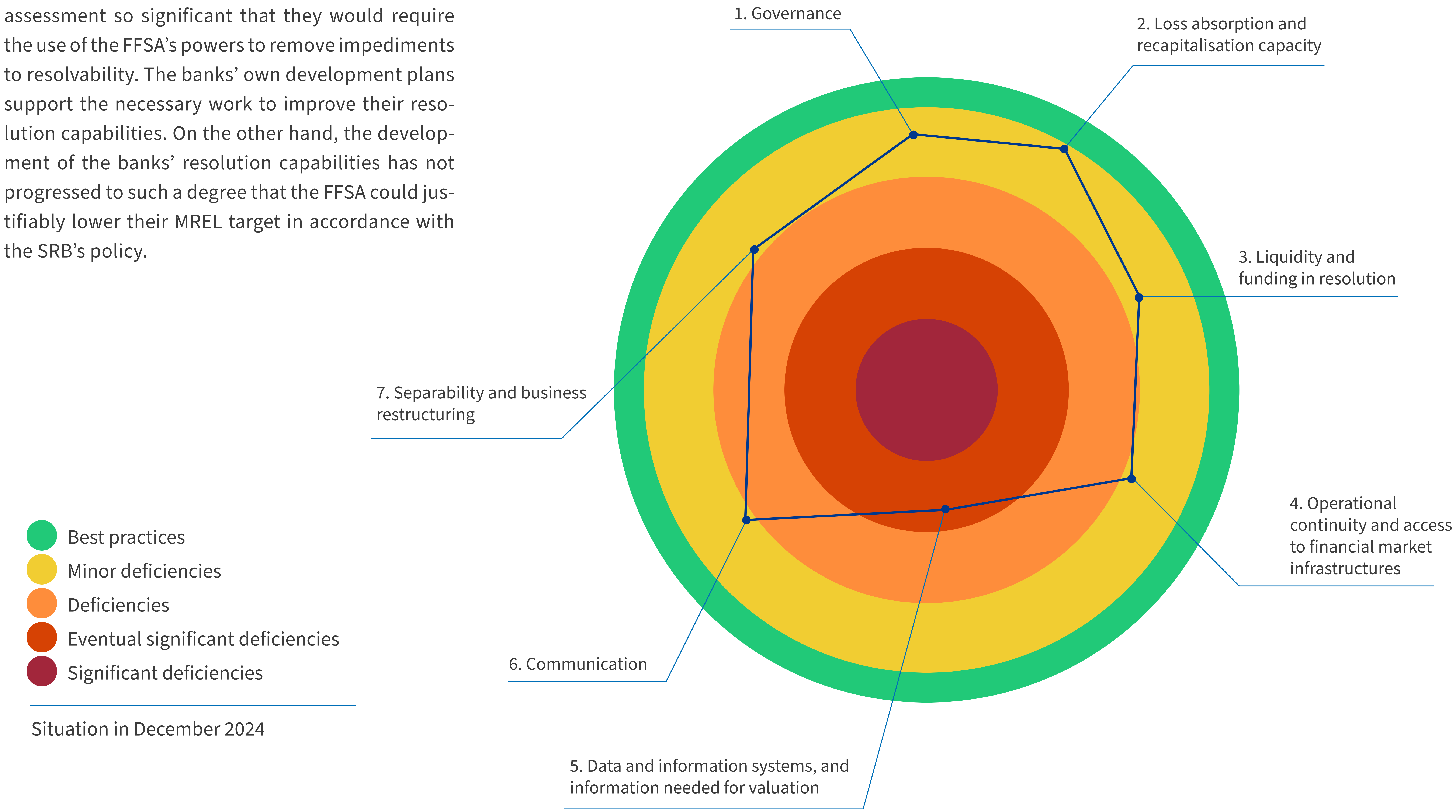
The FFSA assessed the resolution capabilities of banks within its remit at the end of 2024. The assessment presented in this report includes four banks: Aktia Bank, the POP Bank Group, S-Bank, and the Savings Bank Group. For several years, the FFSA has assessed that resolution would be in the public interest if any of the aforementioned banks were failing or likely to fail. Therefore, these banks have developed their resolution capabilities according to the expectations set by FFSA for some time now. In the case of Oma Savingsbank, the FFSA has altered its assessment of whether resolution would be in the public interest as the size of the bank has grown in recent years. As a result, the bank will be required to meet its resolution capability expectations within a transitional period spanning some years.

According to the latest assessment, the banks' resolution capabilities are particularly good in the dimensions concerning loss absorption and recapitalisation, and governance.

With regard to the other dimensions, the banks still have room for improvement. In particular, the production of necessary information will require further development work from banks. While improving some dimensions may require investments in systems, the gaps in other dimensions can be addressed by refining the descriptions of processes and operating methods, as well as the documents used in a crisis situation.

Although the banks' capabilities still need to be developed, none of the deficiencies, either individually or taken together, are according to the FFSA's assessment so significant that they would require the use of the FFSA's powers to remove impediments to resolvability. The banks' own development plans support the necessary work to improve their resolution capabilities. On the other hand, the development of the banks' resolution capabilities has not progressed to such a degree that the FFSA could justifiably lower their MREL target in accordance with the SRB's policy.

Resolution capabilities of banks at the end of 2024



Situation in December 2024

1. Governance

What is expected from banks

The bank's decision-making in resolution situations is effective. The governance arrangements and related processes support the production of high-quality and up-to-date information, both in the planning and implementation of resolution measures.

Why is this important in a resolution situation

If the bank's governance arrangements do not support the preparation and implementation of resolution measures, the division of responsibilities in resolution situations will be unclear and the implementation, in the worst-case scenario, chaotic and slow, and it will not support the management of the resolution situation.

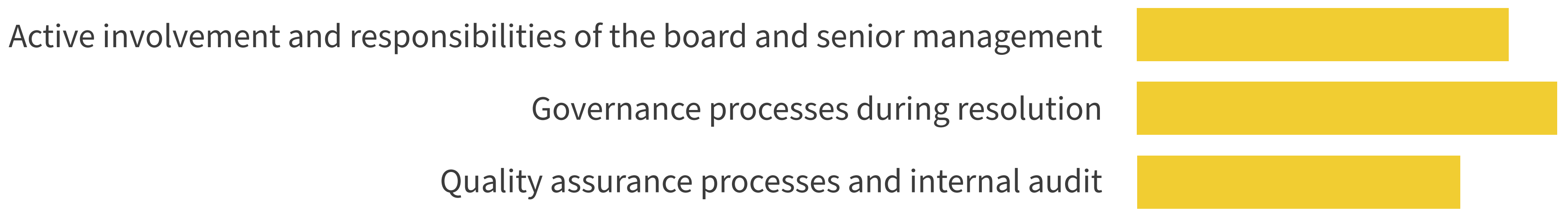
Where have banks made particularly good progress

Over the years, the banks have created play books and other documents describing their governance arrangements for resolution planning and resolution situations. The banks have designated persons who are responsible for resolution, and the banks are able to internally distribute the information necessary for resolution.

Which are the major challenges banks face

The banks need to further improve the descriptions of their governance arrangements to ensure that everyone is aware of how to act in a resolution situation. The quality assurance and documentation of resolution-related information needs to be refined further.

On what level are the resolution capabilities



2. Loss absorption and recapitalisation capacity

What is expected from banks

The banks must ensure that they have sufficient own funds and eligible liabilities in their balance sheets for loss absorption and recapitalisation in resolution. The banks must continuously fulfil their MREL targets. The banks must also ensure that any debt instruments issued in third countries can be written down or converted. The banks are to describe in a playbook how they would act in a situation where the FFSA applied the bail-in tool.

Why is this important in a resolution situation

If the bank's balance sheet does not contain sufficient own funds and liabilities that can be written down or converted into own funds with the bail-in tool, the resolution measures must be financed in another way. In the absence of alternatives, the bank's solvency after resolution will be insufficient, thus jeopardising the bank's viability and attractiveness in the eyes of investors.

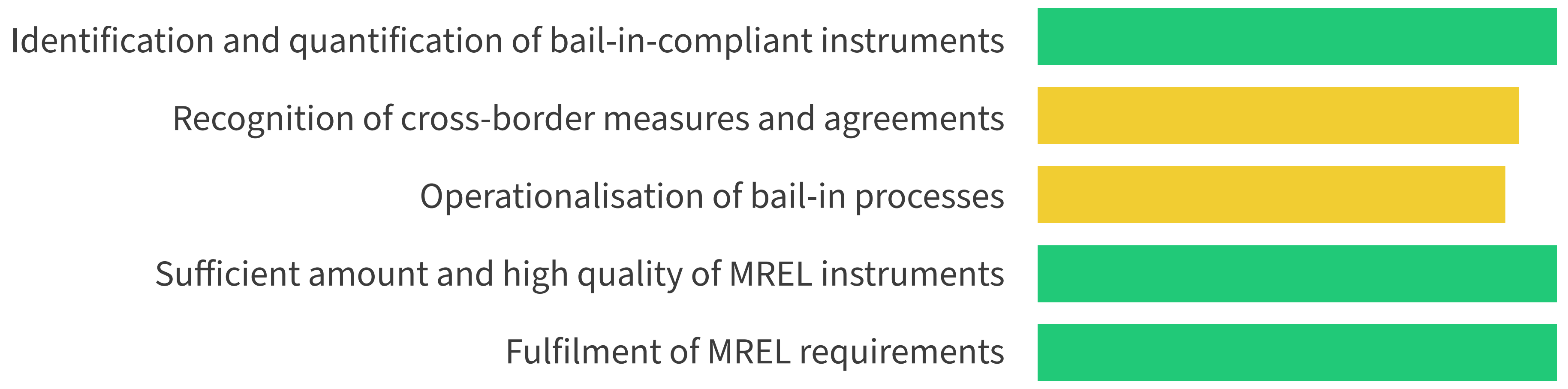
Where have banks made particularly good progress

Over the past several years, the banks have met their MREL requirements, and they have prepared and specified in playbooks how they would act in resolution.

Which are the major challenges banks face

The banks have no major challenges.

On what level are the resolution capabilities



Best practices · Minor deficiencies · Deficiencies · Eventual significant deficiencies · Significant deficiencies

Situation in December 2024

The length of the bar corresponds to FFSA's assessment of the banks' resolvability capabilities. This, as well as the importance of the dimension from a resolution perspective, affect the color of the bar.

3. Liquidity and funding in resolution

What is expected from banks

The banks must be able to forecast their own liquidity, also when facing a crisis. Each bank must have the ability and processes to identify assets that can be used as collateral to obtain liquidity in a resolution situation. In addition, each bank must have the capability to report its liquidity position and the amount of collateral available to the authority.

Why is this important in a resolution situation

If the authority does not have an up-to-date and correct understanding of the bank's liquidity position or the forecasted development of its liquidity, its decisions on the necessary measures may be delayed or incorrect. If the authority does not have an up-to-date and correct understanding of the assets that could be used as collateral in a resolution situation, potential sources of funding may be left unused, making it difficult to implement resolution measures.

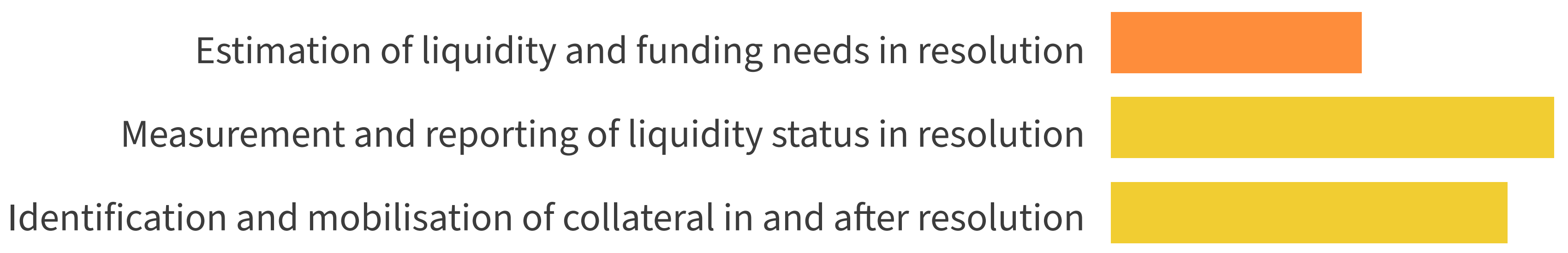
Where have banks made particularly good progress

The banks have generally identified assets that could be used as collateral when obtaining liquidity, and they have generally described their processes for using this collateral.

Which are the major challenges banks face

The liquidity forecasting methods described by the banks require further clarifications.

On what level are the resolution capabilities



4. Operational continuity and access to financial market

What is expected from banks

The bank must determine the processes, risk management, and governance arrangements related to operational continuity. The bank must maintain a list of agreements that are relevant for operational continuity and ensure the resolution resilience of these agreements.

The bank must have the ability to identify and report any direct and indirect links to financial market infrastructures, such as payment systems. The bank must use its continuity plans to describe the requirements for the continued availability of relevant financial market infrastructure services, and the measures for ensuring the availability of these services.

Why is this important in a resolution situation

If the issues related to operational continuity are not clarified in advance or the bank does not ensure that its agreements with external service providers will continue in resolution, the bank's operations may be suspended during the application of resolution measures.

Where have banks made particularly good progress

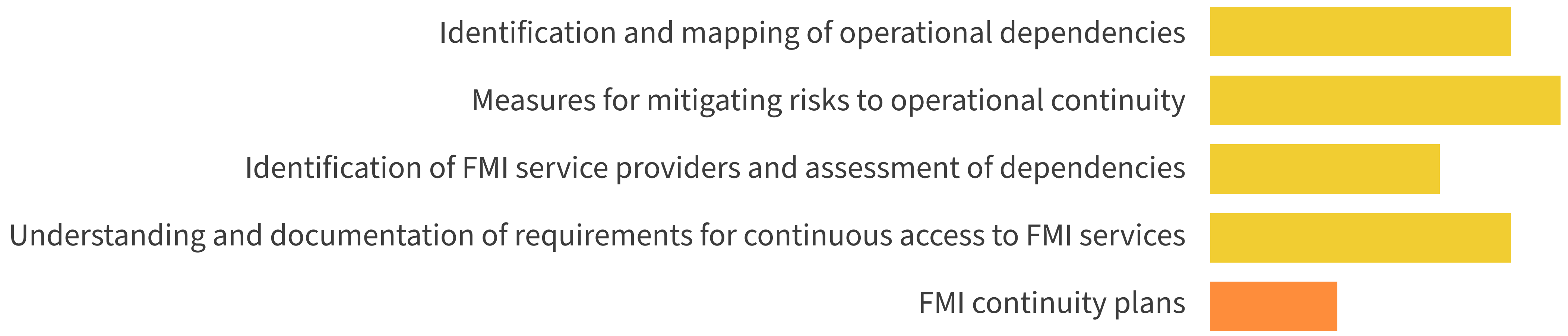
The banks have defined their operational continuity processes, risk management, and governance arrangements. The banks have identified and documented their relevant services and maintain registers on their agreements. The banks have implemented measures to mitigate their operational continuity risks.

The banks have often identified and reported their financial market infrastructure links at an adequate level.

Which are the major challenges banks face

The banks should further improve their continuity plans related to their financial market infrastructure links and, in particular, identify measures to ensure the availability of relevant financial market infrastructure services. The banks must ensure the availability of the information needed in crisis situations.

On what level are the resolution capabilities



Best practices | Minor deficiencies | Deficiencies | Eventual significant deficiencies | Significant deficiencies

Situation in December 2024

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5. Data and information systems, and information needed for valuation

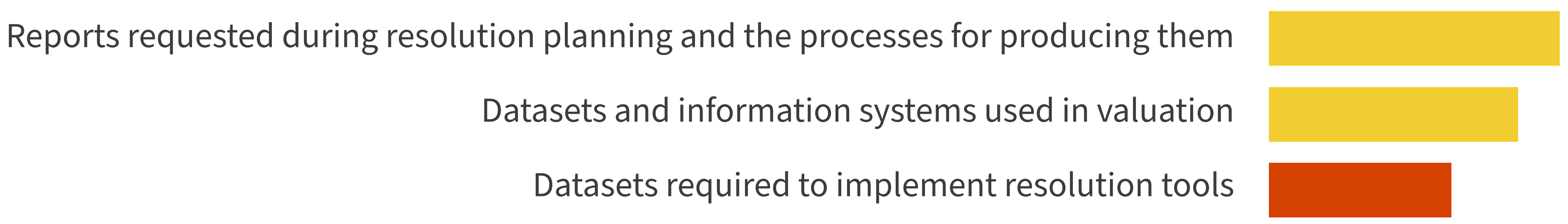
What is expected from banks
The banks must be able to provide data that will allow the FFSA to develop and maintain resolution plans, carry out the necessary valuation of assets and liabilities during resolution, and apply resolution measures. In addition, the banks are asked to provide a description of their processes for producing, compiling and delivering data, as well as the related quality assurance controls and continuity arrangements. The banks must also have the capability to produce material for a virtual data room for prospective buyers.

Why is this important in a resolution situation
If the bank is unable to provide the necessary data for the preparation and implementation of resolution measures, the FFSA will be forced to make decisions on the basis of incomplete and, at worst, erroneous data.

Where have banks made particularly good progress
Banks have started testing the data needed for valuation of assets and liabilities, which has improved the quality of the data, and the processes related to the production of the data.

Which are the major challenges banks face
Banks need to further develop their ability to set up a virtual data room, to allow potential buyers to review the bank's information in a secure environment. The banks have not yet been provided with a detailed description of the data points needed by the FFSA for the implementation of the bail-in tool. Therefore, the banks have yet to begin the related development work.

On what level are the resolution capabilities



6. Communication

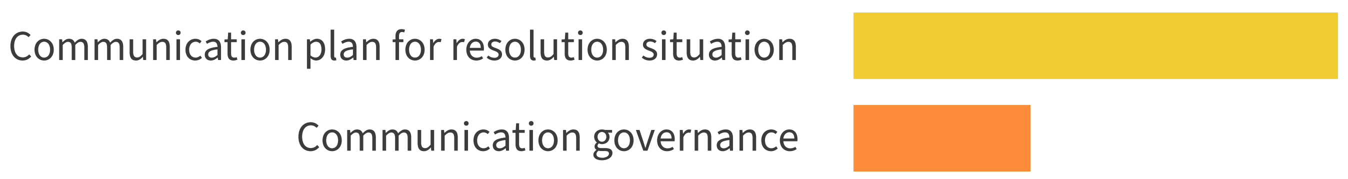
What is expected from banks
The banks are expected to provide a description of the governance arrangements and processes that they will use to ensure timely and consistent communication during resolution. The banks must prepare operational documents for their communication activities in resolution situations, such as press release templates and pre-prepared lists of frequently asked questions.

Why is this important in a resolution situation
If the bank has not prepared for communication in a resolution situation, its comments to the media or other communication activities may jeopardise the credibility of the FFSA's resolution measures and, at worst, deepen the general disbelief in the banking sector more broadly.

Where have banks made particularly good progress
The banks have prepared communication plans for resolution situations. For most part, the banks have defined the different target groups for their communications and specified the main messages for each group.

Which are the major challenges banks face
In general, the banks have not yet tested their communication plans for resolution situation. In addition, the banks must describe their governance arrangements for communication with sufficient accuracy.

On what level are the resolution capabilities



Best practices | Minor deficiencies | Deficiencies | Eventual significant deficiencies | Significant deficiencies

Situation in December 2024

The length of the bar corresponds to FFSA's assessment of the banks' resolvability capabilities. This, as well as the importance of the dimension from a resolution perspective, affect the color of the bar.

7. Separability and operational restructuring

What is expected from banks

The bank must be able to assess the separability of the bank's parts for sale and the interest of the market in purchasing these parts. The bank must have the capability to prepare a restructuring plan in connection with the use of the bail-in tool.

Why is this important in a resolution situation

If the bank fails to provide the necessary information on the separability and marketability of its different parts, the authority will not receive sufficient information to assess the separability of business units or different assets, or the market's interest in purchasing these entities. This will limit the authority's ability to sell the bank or parts of it to solve the bank crisis.
If the bank fails to demonstrate its ability to prepare a restructuring plan in connection with the use of the bail-in tool, doubts may emerge during a possible resolution scenario on the bank's ability to prepare and implement the said plan in a reliable manner.

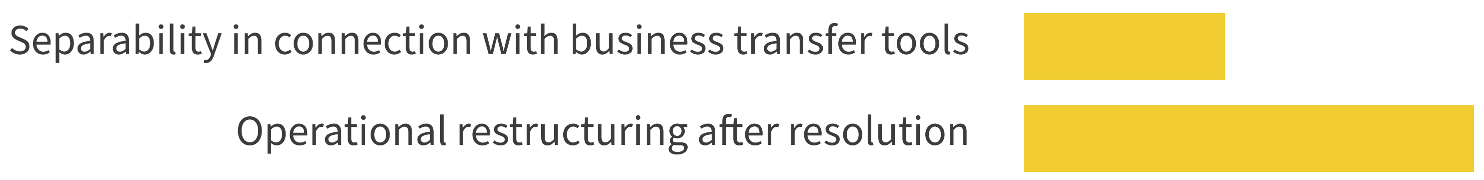
Where have banks made particularly good progress

The banks were asked to submit their comprehensive separability analyses by the end of 2024. Based on these, the banks' capabilities will be assessed in 2025. In general, the banks have described their capabilities for preparing a restructuring plan to an adequate degree.

Which are the major challenges banks face

The FFSA will assess the capabilities related to separability in 2025.

On what level are the resolution capabilities



Best practices · Minor deficiencies · Deficiencies · Eventual significant deficiencies · Significant deficiencies

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RAHOITUSVAKAUSVIRASTO
VERKET FÖR FINANSIELL STABILITET
FINANCIAL STABILITY AUTHORITY

FFSA
Työpajankatu 13
PO Box 70, 00581 Helsinki, Finland

www.rvv.fi
+358 295 253 500