



FINANSTILSYNET

THE FINANCIAL SUPERVISORY
AUTHORITY OF NORWAY

Report

Risk Outlook

June 2026



Risk Outlook

Financial stability and well-functioning financial markets help ensure efficient use of society's resources, good services for consumers and other market participants and confidence in the financial system. The financial system should be able to cope with disruptions and unexpected events while carrying out its functions, thus preventing an economic downturn from being amplified. This requires sound and liquid financial institutions with good internal management and control.

The Risk Outlook report summarises Finanstilsynet's analyses and assessments of the stability of the Norwegian financial system. The report builds on Finanstilsynet's ongoing supervision of institutions and markets and provides an important basis for its work. The report is published twice a year, in June and December.

Developments in financial institutions and financial markets are discussed in more detail in the following reports from Finanstilsynet:

- [Residential mortgage lending survey](#) (in Norwegian only)
- [Financial institutions' use of the flexibility quotas in the Lending Regulations](#) (in Norwegian only)
- [Report on alternative investment funds](#) (in Norwegian only)
- [Report on financial institutions' performance](#) (in Norwegian only)
- [Risk and vulnerability analysis for ICT security in the financial sector](#)
- [Solvency and liquidity reports for financial institutions](#) (in Norwegian only)
- [Consumers' situation in the deposit market](#) (in Norwegian only)

Cut-off date 10 June 2026.

Data in the charts updated as at 5 June 2026 unless otherwise stated.

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IN BRIEF



Geopolitical tensions and war increase the risk of financial instability



The cyberthreat level is high, and incidents could have systemic consequences



High household debt and elevated property prices are key domestic vulnerabilities



Risk remains high within property development



Norwegian banks and insurers are profitable, well capitalised and competitive



The regulatory framework should be simplified without undermining the resilience of the Norwegian financial system

SUMMARY

The outbreak of war in the Middle East at the end of February, followed by the closure of the Strait of Hormuz, has led to increased uncertainty regarding the global economic outlook. Prices of products such as oil, gas and fertiliser have risen sharply, leading to higher inflation in most countries. Long-term interest rates have increased, and policy rates are expected to remain unchanged or be raised in the coming period. Several central banks and the International Monetary Fund (IMF) have expressed concern that a prolonged energy crisis could lead to a period of higher inflation and lower growth, known as stagflation, in the global economy.

Equities and corporate bonds are traded at low risk premiums in many markets. There are high expectations regarding future earnings in technology companies and companies developing artificial intelligence. [The IMF points out](#) that investors appear to be underestimating the risk of negative shocks. Pricing in some markets are at levels that have historically been associated with a higher probability of corrections.

In several countries, public debt is at historically high levels and is expected to rise further in the coming years, driven by increased defence spending and an ageing population. Weaker growth prospects and higher interest rates on sovereign debt will put further pressure on public finances. High levels of debt and large deficits undermine countries' ability to use fiscal policy to cushion economic downturns. Uncertainty surrounding the sustainability of countries' sovereign debt could in itself lead to declining asset values and higher risk premiums in international financial markets.

As outlined in Finanstilsynet's [Risk and Vulnerability Analysis 2026](#), the cyberthreat landscape is severe. Rapid developments in artificial intelligence create opportunities for efficiency gains but also introduce new threats and vulnerabilities. Complex value chains, a high degree of outsourcing and service provider concentration heighten the risk that cyberattacks or operational incidents could have negative consequences for critical functions, businesses and the financial system. The geopolitical situation, with wars in Europe and the Middle East, leads to a more severe threat landscape.

In Norway, activity in the mainland economy picked up throughout 2025 and in early 2026. Higher energy prices and more expensive imports, combined with strong wage growth and rising rents, contribute to sustaining inflation. Norges Bank has revised its inflation projections upwards and raised its policy rate to 4.25 per cent in May. High household debt and elevated residential and commercial property prices remain the key vulnerabilities in the Norwegian financial system.

Norwegian household debt, measured in per cent of disposable income, has decreased since late 2021. The debt burden is nevertheless high, both in historical terms and compared with other countries. Credit growth in the household sector has picked up over the last couple of years but remains lower than income growth. Debt servicing problems in the household sector could have major ripple effects on the rest of the economy. So far, there are few signs of serious debt servicing problems for the Norwegian household sector overall.

Price growth in the Norwegian secondary housing market has been relatively moderate in recent quarters. Both sales of new homes and housing starts are at historically low levels, and housing investments remain low. Persistently low housebuilding activity combined with population growth may, over time, lead to an increasing housing shortage, stronger price growth in the secondary housing market and rising demand for borrowing among households. If economic growth were to be significantly weaker than expected, or interest rates markedly higher, house prices could fall sharply, as shown in Finanstilsynet's stress test for 2026.

Higher interest rates have led to declining commercial property values and reduced earnings in many commercial real estate (CRE) companies in recent years. Many of these companies have high levels of debt and weak interest servicing capacity. Yields on commercial real estate remain low compared to returns on long-term risk-free investments. If interest rates remain high or increase, risk premiums

normalise and/or rental prices show a weaker than expected development, property values could decline, and the companies' debt servicing capacity could become more strained.

Risk remains high within property development. The total debt of property development companies that have gone bankrupt, as a share of the sector's total debt, rose sharply in 2025. In addition to higher interest expenses, property development companies are affected by higher construction and material costs and by sluggish sales of new properties. Growth in bank lending to property development companies has slowed considerably, and the banks assess that credit risk has increased.

Norwegian banks enjoy high earnings and strong solvency. Return on equity exceeds the average for banks in the EU. Over the past year, profitability and return on equity have declined as a result of lower net interest income and higher operating expenses. Loan losses have risen slightly in recent years, particularly on corporate loans, but remain at a low level. Credit risk on loans to companies engaged in property development, construction and fishing and aquaculture has increased.

In recent years, the banks' overall common equity Tier 1 (CET1) capital ratio has remained stable. The banks' margins to the CET1 capital requirement have widened over the past year, largely as a result of regulatory changes related to the implementation of the final elements of the post-crisis reforms (CRR3). Measured by the leverage ratio, the banks' solvency has weakened somewhat in recent years and was at its lowest level since 2015 at year-end 2025.

The banks appear to have good access to both short-term and long-term funding, despite increased geopolitical uncertainty. During periods of strong turmoil in the money and securities markets, it may be difficult for the banks to obtain wholesale funding even when interest rates are at a level where liquidity and credit risk premiums are high. Covered bonds constitute a large portion of Norwegian banks' wholesale funding and liquidity buffers. Banks' liquidity risk is therefore linked to developments in the housing market, while extensive cross-ownership gives rise to systemic risk.

Both in Norway and internationally, there are ongoing discussions as to whether the current financial regulatory framework is unduly extensive and complex and hampers innovation and economic development. Finanstilsynet participates in the simplification initiatives led by the European supervisory authorities and is reviewing its own practices in dialogue with the industry associations. In this context, Finanstilsynet focuses on simplification measures that do not undermine financial stability.

Banks' ability to bear losses and provide new loans to creditworthy customers during downturns requires that they have sufficient equity. Finanstilsynet's stress test for 2026 shows that banks' capital adequacy could be severely weakened in the event of a sharp downturn driven by escalating geopolitical tensions and a more fragmented global economy. In the stress scenario, inflation and interest rates rise significantly, corporate profits decline sharply, and unemployment rises. Equity prices and the prices of residential and commercial property are strongly reduced. For the banks, this results in sizeable losses, particularly on corporate loans. For several of the banks, the CET1 capital ratio falls below the current requirement.

Overall, insurers and pension funds have a satisfactory solvency position. Through investments in equities, bonds and property, insurers and pension funds are exposed to significant market risk, and market turbulence and falling equity prices led to weaker returns at the beginning of 2026. Life insurers are increasingly exposed to stock market developments through higher equity exposure. The transition to defined-contribution schemes means that members have greater freedom to choose their equity exposure and bear the return risk themselves. Profits from insurance business in the non-life insurance sector has improved significantly over the past couple of years, mainly as a result of strong premium growth and a lower claims ratio.

Given the complex and evolving risk landscape and significant vulnerabilities in both the Norwegian and the global economy, it is vital that the resilience of the financial system is maintained and further developed. This requires sound governance and control within institutions, with due attention to

emerging risks. Efforts to strengthen emergency preparedness should be intensified, both within supervised institutions and by public authorities. Regulatory requirements should be designed to help maintain underlying solvency within the European regulatory framework.

ECONOMIC DEVELOPMENTS AND RISKS

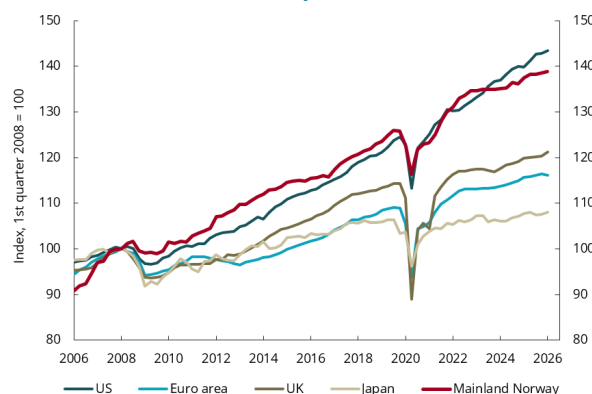
Increased uncertainty surrounding growth prospects

Global economic growth held up well throughout 2025 and in the first quarter of 2026 (chart 1.1). However, uncertainty surrounding growth prospects has increased markedly following the US and Israeli military strike on Iran, followed by the closure of the Strait of Hormuz. In its April forecast, the International Monetary Fund (IMF) assumed that the conflict would be of limited duration and scope, and that the disruptions would gradually ease throughout 2026. Under these assumptions, the IMF estimates global GDP growth of 3.1 per cent in 2026 and 3.2 per cent in 2027, down from 3.4 per cent in 2025. The IMF also emphasises that the risks are tilted to the downside, estimating a 'severe' scenario where growth in global GDP declines to 2.0 per cent in 2026 and 2.2 per cent in 2027. Factors that could contribute to dampening growth include a more prolonged or escalating conflict in the Middle East, a resurgence of trade tensions and weaker-than-expected productivity gains from artificial intelligence. The IMF notes that weaker growth will have the most pronounced effect on emerging market economies and developing countries.

In Norway, activity in the mainland economy has picked up since mid-2024. Unemployment measured by the labour force survey has, however, risen somewhat, largely due to an increase in labour supply. Statistics Norway expects GDP for mainland Norway to rise by 2 per cent in 2026, with growth expected to slightly exceed the estimated trend rate of around 1.5 per cent over the subsequent three years. Growth is expected to be driven primarily by domestic factors, including solid real income growth for households and increased public consumption and investments. Statistics Norway emphasises that there is significant uncertainty regarding future developments due to the conflict in the Middle East coupled with continued high political and economic uncertainty internationally.

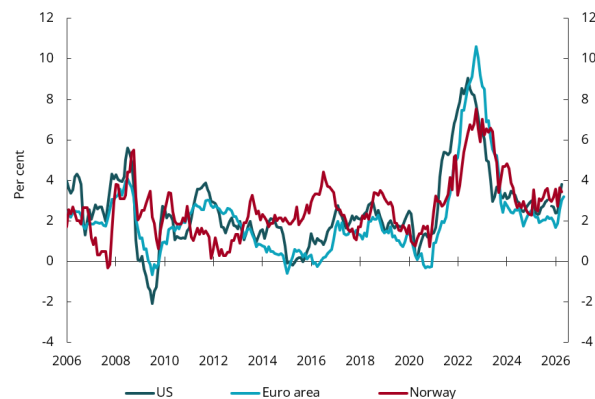
In many countries, inflation picked up somewhat towards the end of 2025 and into 2026, partly driven by higher energy prices (chart 1.2). The IMF estimates that global consumer price inflation will rise to 4.4 per cent in 2026 before declining to 3.7 per cent in 2027. In Norway, underlying inflation (CPI-ATE) has remained around 3 per cent. In March, Statistics Norway estimated that CPI-ATE would increase by 3.1 per cent in 2026 and 2.5 per cent in 2027. Higher energy prices and more expensive imports, combined with strong wage growth and rising rents, continue to put upward pressure on inflation. Norges Bank has revised its inflation projections upwards and expects inflation to once again be close to target in 2029.

Chart 1.1 Gross domestic product



Last observation: first quarter 2026. Source: LSEG Datastream

Chart 1.2 Inflation

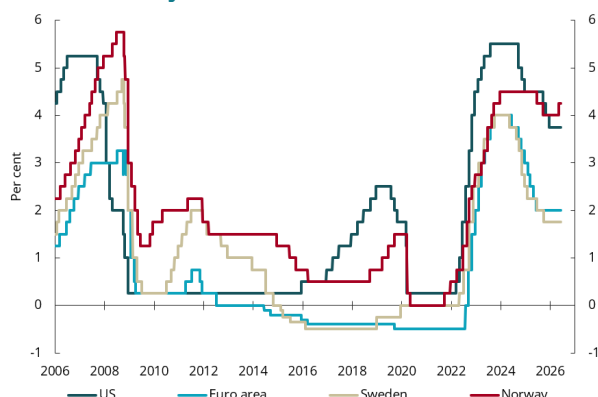


Last observation: April 2026 for the US and Norway and May 2026 for the euro area. Source: LSEG Datastream

Central banks in a number of countries lowered their policy rates in the autumn and winter of 2025 but have since kept the rates unchanged (chart 1.3). Norges Bank raised its policy rate to 4.25 per cent in May after keeping the rate unchanged at 4.0 per cent since September 2025. Higher energy and

commodity prices due to the war in the Middle East have elevated inflationary risks, and central banks have warned that a prolonged energy crisis could lead to stagflation.

Chart 1.3 Policy rates



For the US, the upper limit in the target interval is shown. For the euro area, the deposit rate is shown, which is the lowest of the three official policy rates. Source: LSEG Datastream

Chart 1.4 Oil price, Brent Spot



Source: LSEG Datastream

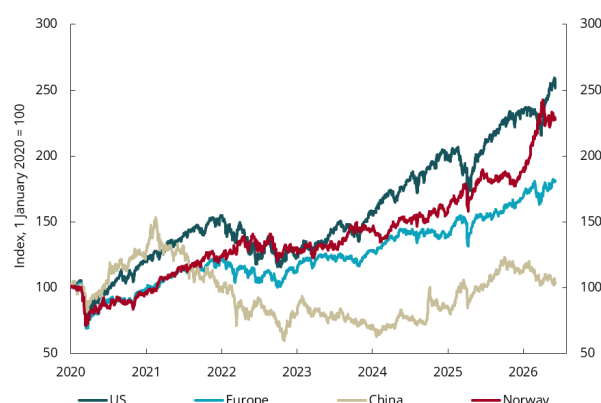
Energy crisis affects the markets

The outbreak of war in the Middle East has caused significant volatility in energy markets, with oil prices rising sharply relative to pre-conflict levels (chart 1.4). The Strait of Hormuz has largely been closed. Shipping through the strait normally accounts for around 20 per cent of global oil and LNG supplies. The International Energy Agency (IEA) has described the situation as the largest supply-side disruption in the history of the oil market. At the end of April, the United Arab Emirates (UAE) announced that the country is withdrawing from OPEC and OPEC+ after being a member since 1967. The UAE aspires to increase its production capacity from the current level of around 3.4 million barrels per day to 5 million barrels per day by 2027. The decision weakens the oil cartel's ability to coordinate production and may ultimately raise oil supply and put downward pressure on prices.

Stock markets in most countries fell immediately after the outbreak of war but have since recovered (chart 1.5). Since late March, several of the major benchmark equity indices have risen sharply and set new record highs. The rise is partly driven by continued strong tech optimism, particularly related to artificial intelligence, as well as expectations of a resolution to the conflict in the Middle East. The Oslo Børs benchmark index rose markedly throughout February and March due to a high proportion of energy companies benefiting from higher energy prices and has since been relatively flat.

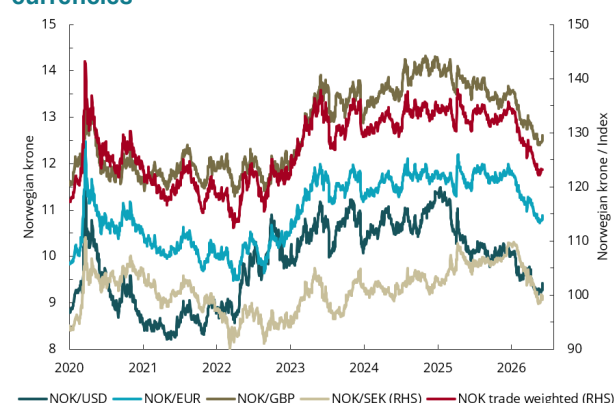
The Norwegian krone has appreciated considerably thus far in 2026 (chart 1.6). This must be viewed in light of the high oil and gas prices and indications from Norges Bank of a tighter monetary policy. Statistics Norway estimates that the import-weighted krone exchange rate against 44 countries will strengthen by approximately 4.4 per cent as an annual average in 2026 compared with 2025.

Chart 1.5 Equities, total return



MSCI indices. Source: LSEG Datastream

Chart 1.6 Norwegian krone against selected other currencies



Higher values indicate a weaker krone, while lower values indicate a stronger krone. Source: LSEG Datastream

Greater risk of international financial instability

The risk of global financial instability is high, reflecting heightened geopolitical and trade policy uncertainty. Structural vulnerabilities such as elevated debt levels in the public and private sectors and highly priced financial assets make economies and the financial sector susceptible to economic and geopolitical shocks.

Financial markets are vulnerable to sudden and large price corrections

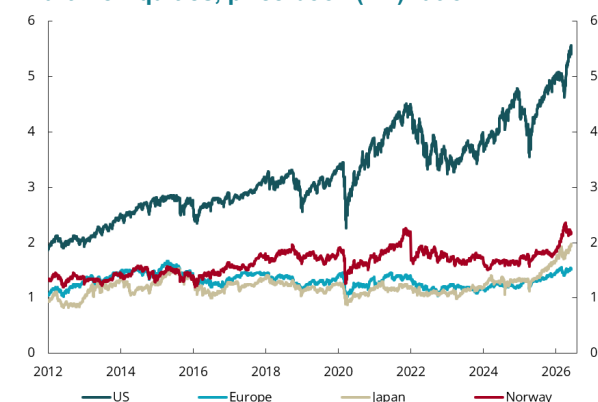
The high level of uncertainty has had only a limited impact on financial markets. Equities and corporate bonds are traded at low risk premiums in many markets. In its most recent Global Financial Stability Report, the IMF points out that investors appear to be underestimating the risk of negative shocks. Pricing in some markets is at levels that have historically been associated with a higher probability of corrections. According to the IMF's assessments, changes in inflation expectations, geopolitics or market liquidity may trigger disorderly and abrupt price declines. Such factors will have a negative impact on the Norwegian economy.

Chart 1.7 Equities, price/earnings (PE) ratio



Datastream indices. Source: LSEG Datastream

Chart 1.8 Equities, price/book (PB) ratio



Datastream indices. Source: LSEG Datastream

Expectations of high profitability within artificial intelligence explain much of the price growth in the stock markets. The strong rise in the US stock market (charts 1.7 and 1.8¹), is largely attributable to the equity price performance of the seven largest US technology companies. These companies constitute one-third of the total market capitalisation of the US S&P 500 index. The concentration in

¹ The charts show developments in the price/earnings (PE) ratio and the price/book (PB) ratio, respectively, for equity indices in various countries. The PE ratio indicates how much investors are willing to pay per unit of earnings in an equity index and may indicate whether the market is overvalued or undervalued. The PB ratio shows the relationship between the valuation of equity indices and the book value of the companies in the index. The ratios indicate whether the equity indices are overvalued or undervalued and reflect market expectations for the companies' profitability and growth prospects.

the US stock market around a few technology companies is now significantly higher than before the dot-com crisis in 2000. The large technology companies are investing substantial amounts in, among other things, data centres. There is considerable uncertainty about whether the investments will generate returns that justify the high valuation.

Risk in sovereign debt markets

Total global sovereign debt rose to 94 per cent of total GDP in 2025 and is estimated by the IMF to exceed 100 per cent of global GDP in 2029. The increase is primarily due to fiscal deficits in large economies, especially in the US and China, but also in several European countries. The war in the Middle East has led to increased energy and commodity prices and weaker growth prospects for the global economy, which has intensified the pressure on public finances in many countries. The rise in long-term interest rates has contributed to raising interest payments on sovereign debt from 2 to 3 per cent of GDP over the past four years.

Geopolitical tensions may cause increased volatility in sovereign debt markets. High levels of debt and extensive persistent refinancing needs make the markets for government bonds sensitive to changes in market participants' risk appetite. If key investors choose to sell government bonds, market liquidity could deteriorate and government bond yields could rise significantly. Earlier this year, Chinese regulatory authorities encouraged Chinese financial institutions to reduce their holdings of US government bonds.

The level of sovereign debt limits countries' ability to stimulate the economy in downturns and handle shocks such as energy crises, geopolitical conflicts and natural disasters. This may exacerbate economic downturns and elevate the risk of financial crises.

Increasing interest rates and high volatility may create challenges for banks and non-bank financial institutions (NBFIs) that have invested heavily in government bonds. Turbulence in the government bond markets may spread and contribute to falling prices and higher risk premiums on other financial assets and commercial properties.

Non-bank financial institutions may amplify shocks

NBFIs include mutual funds, hedge funds, private credit and private equity providers, as well as the insurance and pension sector. This sector now manages approximately half of the world's financial assets, following significant growth over the past decade. A substantial share of global capital allocation thus takes place through non-bank entities that are not subject to the same regulatory framework or benefit from the same safety nets as banks. The growth in the NBFIs sector has contributed to increased diversification for both investors and borrowers but has also led to the emergence of new vulnerabilities.

Today, NBFIs are key players in the markets for government bonds, corporate bonds, repurchase agreements, derivatives and foreign exchange. Entities in the NBFIs sector also invest in real estate and infrastructure and provide credit. Parts of the sector are characterised by high leverage, small liquidity buffers and extensive exposure to high-risk assets, which entails substantial credit and liquidity risk. If market volatility increases, institutions with small liquidity buffers may be forced to sell assets, thereby exacerbating a decline in prices. Potential triggers include higher margin requirements related to derivative contracts and repurchase agreements and significant investor redemptions from investment funds. The European Systemic Risk Board (ESRB) refers to substantial redemption pressure during periods of rising interest rates and falling property prices, particularly in real estate funds and debt funds.

Banks and NBFIs are closely interconnected and often have exposures to the same markets and to each other. They have claims on and liabilities to each other and may also be connected through common owners or group structures. Many banks in the US and Europe have exposures to NBFIs that exceed the banks' Tier 1 capital, and several banks have short-term funding from NBFIs. Negative developments in the NBFIs sector could weaken banks' liquidity and solvency.

The IMF, BIS (the Bank for International Settlements) and the ESRB have developed scenario analyses / stress tests to highlight the significance of the interconnections between NBFIs and banks. These show that vulnerabilities in the NBFIs sector could amplify market turbulence, particularly through forced sales of securities. The IMF, the ESRB and BIS believe that the combination of a growing NBFIs sector and the strong mutual dependence between banks and NBFIs makes the financial system more susceptible to shocks than before.

NBFIs may affect Norwegian banks during periods of stress

The Norwegian NBFIs sector (excluding insurers and pension funds) is of limited size and is subject to regulations that reduce liquidity risk and thus the risk of forced sales of securities. Linkages between Norwegian banks and mutual funds in the form of equity or debt exposures are limited and mainly reflect funds' holdings of bank bonds. See also the separate account in the box about Norwegian mutual funds.

Foreign hedge funds and other alternative funds own an increasing share of covered bonds issued in Norwegian kroner. Covered bonds are both a key source of funding and an important part of banks' liquidity reserves. Banks' wholesale funding is therefore more exposed than before to changes in investor conduct and market conditions. In periods of heightened market volatility, mutual funds and hedge funds may reduce their holdings rapidly and simultaneously, which could lead to declining covered bond prices and impair market liquidity.² This may contribute to procyclical and self-reinforcing market dynamics during stress and affect liquidity and funding risk in the banking system.

On the other hand, the fact that foreign hedge funds and other alternative funds own an increasing share of covered bonds could contribute to greater diversification of the banks' funding sources and reduce cross-ownership of covered bonds among Norwegian banks.

Norwegian funds

NBFIs can offer services such as loans, investments, insurance or payment services. Finanstilsynet is the supervisory authority for insurers, pension funds, investment firms, management companies for mutual funds and managers of alternative investment funds (AIFMs). Mutual funds are subject to strict product regulation.

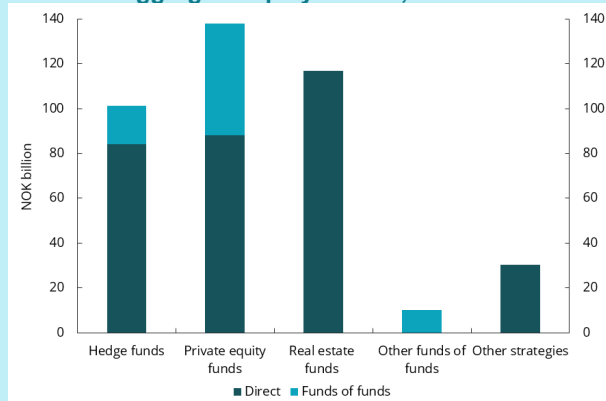
Management companies for mutual funds and AIFMs are key players in the NBFIs segment. In recent years, there has been a significant increase in assets under management in funds. At year-end 2025, the total value of Norwegian funds was NOK 2 790 billion, while banks' total assets were just below NOK 10 000 billion. Assets under management in Norwegian mutual funds (UCITS³ and national funds) came to NOK 2 394 billion at year-end 2025. The funds invest in transferable securities and primarily offer investors daily subscriptions and redemptions. The three largest management companies have a market share corresponding to 75 per cent of combined total assets.

The aggregate equity of alternative investment funds (AIFs) was NOK 396 billion at year-end 2025. The investments were primarily distributed between private equity (35 per cent), real estate funds (29 per cent) and hedge funds (26 per cent) (chart 1.9). This also includes fund-of-fund investments targeting these categories. As a general rule, units in AIFs cannot be redeemed during the fund's lifetime, reflecting the illiquidity of private equity and real estate investments and the reliance of hedge fund strategies on a stable asset base.

² For a further discussion of foreign hedge funds and the covered bond market, see [Norges Bank's Financial Stability Report 2026 H1](#).

³ Undertakings for Collective Investment in Transferable Securities.

Chart 1.9 Aggregate equity in AIFs, 2025



Source: Finanstilsynet

With the exception of real estate funds, Norwegian AIFs rarely finance their investments by taking out loans. Some hedge funds enter into interest rate and currency derivative contracts as part of their ongoing management. Funds that invest in commercial property often purchase one or a few properties within a restricted geographical area. Equity typically accounts for 25 to 50 per cent of the financing, while the remainder is normally financed through bonds or bank loans. Norwegian leveraged real estate funds generally have a higher debt ratio than comparable funds in other European countries.

The five largest real estate funds in Norway do not finance their investments through loans. They offer quarterly to annual redemptions subject to one to twelve months' notice. The manager is often entitled to suspend the right of redemption if it is not deemed to be in the best interest of the investors. Breaches of loan agreements can ultimately force the sale of the fund's assets. Such sales can exacerbate price declines in an already falling market and adversely affect banks and other entities with exposures to the same markets.

AIFs with investments that are partially financed by bank loans or bonds are particularly exposed to shrinking asset values. For closed-end real estate funds, the risk mainly relates to whether there is sufficient rental income to cover interest and instalments on the loans. In addition, there is a risk of failing to meet the lenders' collateral requirements. Lender requires that values are verified on a regular basis. Upon loan renewals, equity requirements may increase. For high-yield funds, extensive redemptions may lead to wider credit spreads on bond financing.

Fund managers are required to have effective systems for managing liquidity risk, thus ensuring that the funds' liquidity profile is aligned with its obligations and strategy. Risk management is conducted through monitoring, stress testing and relevant measures in accordance with the Securities Funds Act and the AIF Act with associated regulations. Linkages between banks and funds through equity or debt exposures are limited and primarily reflect the funds' holdings of bank bonds. Norwegian mutual funds may amplify financial market turmoil during periods of stress but collectively pose a limited risk to financial stability.

High cyberthreat level

The level of cyberthreat against the financial sector is assessed as high, and the effects of malicious cyberattacks may have systemic impacts and affect financial stability. Key actors within security and emergency preparedness point to a continued significant threat from both organised criminals and state actors, see further account in [Finanstilsynet's Risk and Vulnerability Analysis](#). The geopolitical situation and wars in Europe and the Middle East are contributing to a more severe threat landscape.

Artificial intelligence-based solutions can be used both in malicious attacks and in institutions' defence against cyberthreats. The complex value chains in the financial industry, with extensive outsourcing and service provider concentration, elevate the risk that incidents may have consequences across institutions. The European Central Bank points out in [its latest financial stability report](#) that the

likelihood of serious cyber incidents has increased, partly driven by the use of advanced artificial intelligence.

Overall, preparedness in the Norwegian financial sector is considered to be sound, and there is strong awareness of the issue both within the industry and among Norwegian authorities. At the same time, continuous development is required to meet constant changes in the complex threat landscape. The introduction of the Digital Operational Resilience Act (DORA) has led to stricter requirements and better structured efforts to enhance digital resilience, both in the institutions themselves and among their service providers. Experience from actual incidents and exercises also underscores the importance of good collaboration between institutions, service providers and authorities to mitigate consequences and ensure swift recovery after serious ICT incidents.

Advanced AI models ('Frontier AI Models (FAIM)')

In the recent period, models that enable faster and more automated identification and exploitation of technical vulnerabilities have become available. The two most well-known solutions are Claude Mythos and GPT 5.5-Cyber from the US companies Anthropic and Open AI, but it is reasonable to assume that a number of similar solutions have been or are being developed. Based on the rapid progress so far, it is also reasonable to assume that increasingly powerful solutions will become available.

Detailed information on such advanced AI models remains limited, but they are seen as capable of autonomously identifying and exploiting a far greater number of critical vulnerabilities in existing and new ICT systems, and in significantly less time than before. The Norwegian National Security Authority (NSM) points out that the use of large language models to automatically identify and exploit zero-day vulnerabilities is already part of the daily risk landscape or is in the process of becoming so, and emphasises that Norwegian businesses must be proactive in their efforts to reduce the risk of cyber operations.⁴ According to the AI Security Institute (AISi), models such as Mythos are also capable of carrying out autonomous cyberattacks against small and weakly protected systems with existing vulnerabilities. Such models can also be used to uncover underlying security vulnerabilities by analysing service providers' security updates ('reverse engineering'), which in turn can enable cyberattacks in the time window from when updates are made available until they are implemented in the institution's solutions. This threat will challenge institutions' established security and vulnerability management models.

The emergence of advanced AI models from a few suppliers outside Europe entails both concentration risk and dependencies for institutions in the financial sector. Geopolitical tensions amplify this threat. The financial sector also relies on other critical infrastructures such as power supply and electronic communication. Strong defences and resilience in these sectors are also important to mitigate the risk of serious disruptions to the provision of financial services.

⁴ See [About Mythos and Anthropic – Norwegian National Security Authority](#) (in Norwegian only) for a further account of Mythos and Anthropic and the Security Authority's recommendations to Norwegian institutions.

TOPIC: INTERNATIONAL REGULATORY DEVELOPMENT

There is a widespread perception in the EU that an extensive and complex regulatory framework may hamper innovation and economic growth. In January 2025, the European Commission launched the [Competitiveness Compass](#), a strategy to strengthen Europe's global competitiveness, based on the recommendations from the reports prepared under the direction of [Enrico Letta](#) and [Mario Draghi](#).⁵

The reports discuss the competitiveness of the EU banking sector and point to factors such as fragmentation, limited scale and a low degree of cross-border integration. These conditions are linked to the role of banks in financing investments, innovation and economic activity. The Competitiveness Compass builds on this analysis and describes a direction for bringing down such barriers and capitalising on the potential of the single market.

In its communication on the [Savings and Investment Union \(SUI\)](#), the Commission considers a more integrated and competitive banking sector to be a key prerequisite for a well-functioning European economy. The Commission also announced that it would prepare a report on the competitiveness of the banking sector. As part of its preparations, the Commission conducted a consultation with a deadline in April 2026. The Commission has later stated that the report is expected to be published in summer 2026, and that a legislative proposal in this field is planned to be put forward in the first half of 2027.

Consultation on the competitiveness of banks

The consultation covered key issues related to the role and operating parameters of the EU banking sector, structured around three main areas: banking competitiveness in the EU and globally, the development of the single market, and the banking union and the complexity and effectiveness of the regulatory framework. Within these topics, assessments were obtained of banks' contribution to financing the economy, the degree of cross-border integration, competitive conditions, and the importance of digitalisation. Furthermore, factors affecting market integration, including regulatory and non-regulatory barriers, deposit protection and crisis management, were highlighted. The consultation also addressed issues concerning the complexity of the regulatory framework, including the interaction between Pillar 1, Pillar 2, macroprudential supervision and crisis management, as well as the need for simplification and increased proportionality.

In its consultation response, the [European Banking Authority \(EBA\)](#) emphasises that the existing regulatory framework has strengthened the banking sector's resilience and ability to handle economic shocks without significant negative effects on lending activities or funding costs. At the same time, the EBA highlights that banks play a key role in financing the European economy, and that the diversity of business models and types of institutions helps promote both competition and financial resilience. The EBA also points out that developments in lending vary across segments and countries, and that structural factors continue to limit efficient resource allocation and cross-border activity. The EBA emphasises that competitiveness should be enhanced through targeted simplification and better harmonisation of regulations, while maintaining risk sensitivity and safeguarding financial stability. In this context, the need to reduce unnecessary complexity, strengthen proportionality and ensure consistent application of the regulations is stressed, including through increased use of EU rules that are directly applicable in the member states.

In its response to the consultation, the [European Central Bank \(ECB\)](#) emphasises that improved competitiveness in the banking sector requires both deeper integration and the preservation of financial resilience. The ECB points out that continued fragmentation and lack of progress in the European Banking Union limit banks' opportunities to realise economies of scale and ensure efficient resource allocation, and thus their international competitiveness. At the same time, it is emphasised that measures to simplify the regulations should target undue complexity and fragmentation, without

⁵ See also the account in [Risk Outlook June 2025](#).

weakening capital requirements, risk coverage or other key factors for financial stability. The ECB particularly highlights the need for increased harmonisation, the reduction of barriers to cross-border activity and progress on key reforms, such as a European deposit insurance scheme (EDIS).

In its consultation response, the Norwegian [Ministry of Finance](#) points out that banks play a key role in financing the economy, and that there is good access to credit for both households and businesses. The Ministry emphasises that a robust and well-regulated banking system is a prerequisite for financial stability and sustainable economic growth and points out that the regulatory reforms after the financial crisis have contributed to increased resilience in the banking sector. The harmonisation of international rules, particularly through bodies like the Basel Committee and the Financial Stability Board (FSB), is emphasised as important to ensure a level playing field and avoid regulatory arbitrage. The Ministry further emphasises that simplification measures should not be at the expense of financial stability.

These views were later elaborated in a separate [letter from Jens Stoltenberg, Minister of Finance](#) to the EU Commissioner for Financial Services and the Savings and Investments Union. The letter highlights the need for simpler and better coordinated regulations and harmonisation of supervisory processes. At the same time, it is emphasised that financial resilience and competitiveness should not be seen as conflicting objectives, but that well-capitalised banks are a source of competitiveness and make banks better placed to support the economy under difficult conditions.

The letter further points to the need for improvements in the macroprudential framework, including a simplification of the capital buffer structure and notification procedures and mandatory reciprocity of macroprudential instruments. In this context, the Minister of Finance refers to the Nordic banking market, which is characterised by extensive cross-border integration, strong financial interconnections and small and open economies exposed to external shocks. It is also emphasised that national authorities must retain adequate flexibility to tackle country-specific systemic risks, and that more convergence in supervisory practices is needed, partly due to differences in Pillar 2 practices between countries.

The letter warns against increasing regulatory fragmentation and competition in regulatory standards ('race to the bottom') in a time characterised by high uncertainty and pressure on international cooperation. Europe should therefore focus on measures that strengthen the level playing field in the single market and work towards stronger global regulatory cooperation. The letter also highlights the value of a diverse banking sector with both small and large, local and cross-border banks and points to the need to carefully consider further consolidation and market integration.

Simplification proposals

The Letta and Draghi reports have also been followed up by European authorities through a number of specific proposals to simplify the regulations. The proposals have a common objective of reducing complexity and administrative burdens, while preserving requirements and maintaining the financial resilience of the banking system.

[The EBA](#) has presented measures for a more efficient regulatory and supervisory framework. This includes efforts to consolidate and simplify the regulations for banks ('Single Rulebook'). As part of this work, the EBA has put forward proposals for [simplification of the credit risk regulations](#), including harmonisation of key definitions and increased consistency of the regulations, as well as adjustments to both the standardised approach and the IRB framework, partly through simplified approaches to certain calculations and requirements. In addition, [changes are proposed to the regulations for assessing model changes](#), including increased use of quantitative thresholds and the replacement of prior approval requirements with notification. This means that fewer model changes will require prior approval, while a larger proportion will be handled through notification before or after the changes are implemented. Work is also underway on measures that will ensure increased proportionality in the regulations, including through simpler rules for small and non-complex institutions. [Reporting](#) is

another key topic, with measures under consideration to reduce data requirements, improve coordination between authorities and develop a more integrated European reporting system.

[The ECB](#), for its part, is advancing more structural simplification proposals targeting regulations, supervision and reporting. The ECB emphasises the need to reduce the complexity of capital requirements, including by simplifying the capital buffer structure and reducing overlaps in capital requirements and loss-absorbing liabilities. Greater harmonisation of the regulatory framework is also highlighted, including through increased use of common EU-wide rules that are directly applicable in the member states, as a means of reducing fragmentation and strengthening the single market. The ECB also emphasises the need for increased proportionality, with simpler regulations for smaller banks, as well as simplifications in stress tests and in the crisis management framework, including MREL. With respect to reporting, the ECB points to the potential for increased data sharing between authorities and the development of integrated reporting solutions to reduce the burden on banks. Overall, the proposals aim to reduce the complexity and enhance the efficiency of the framework, while maintaining banks' resilience and financial stability.

Several other countries have also put forward simplification proposals in the form of so-called 'non-papers'.

International developments

The further development of EU regulations will be influenced by developments in other major jurisdictions, particularly in the US and the UK. Changes in capital requirements and the general level of ambition in the regulation of these markets could have an impact on European authorities' assessments, inter alia of international competitiveness and the need for a level playing field. This may affect the pace and direction of the work to simplify European regulations. Both [the EU](#) and [the UK](#) have postponed the implementation of parts of Basel III due to uncertainty related to the implementation of the reforms in US. At the same time, developments in Switzerland illustrate that international reform processes may diverge, depending on national experiences and assessments of risk and financial stability.

UK

Following the UK's withdrawal from the EU, UK authorities have initiated extensive reforms for the financial sector. The reforms aim to promote economic growth and strengthen London's position as an international financial centre, while maintaining the financial stability objective.

The UK regulators, the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA, which is part of the Bank of England) have been given a new secondary international competitiveness and growth objective. It is supplemented by new reporting requirements and strengthened parliamentary oversight. Parallel to this, the supervisory authorities' regulatory competence has been extended in areas that were previously covered by EU regulation.

Since 2025, UK authorities have made several assessments of and changes to the capital adequacy framework. In December 2025, the [Financial Policy Committee \(FPC\)](#) established a benchmark for banks' total capital adequacy of 13 per cent Tier 1 capital (11 per cent common equity Tier 1 capital). This is 1 percentage point lower than its previous benchmark. The downward adjustment partly reflects the evolution in the banking system since 2015, improvements in risk measurement and expected effects related to the implementation of Basel 3.1.

There are different views on the decision to reduce the capital adequacy benchmark. According to [some analyses](#), higher macro-financial risk and reduced fiscal capacity since 2015 may point to a need for higher, rather than lower, capital levels. It is also emphasised that lower capital requirements are likely to have only a limited effect on lending but are more likely to be reflected in higher payouts to shareholders, including in the form of dividends and share buybacks.

At the same time, the PRA has revised the [leverage ratio requirement](#), inter alia by increasing the threshold for which banks are in scope. This means that fewer banks are subject to the requirement.

The authorities have also postponed the implementation of [Basel 3.1](#) until 1 January 2027, partly due to uncertainty about the implementation in other jurisdictions. In addition, a simplified capital regime is being introduced for smaller banks operating in the domestic market through the '[Strong and Simple](#)' framework.

The changes point towards a somewhat lower level of capital in the banking system, increased emphasis on proportionality and adaptation of the regulations to developments in other major jurisdictions. At the same time, the authorities have placed greater emphasis on the usability of capital buffers during periods of stress, enabling the banks to better maintain lending without accumulating capital above regulatory requirements.

US

On 19 March 2026, [US regulators](#) submitted a revised package of proposed changes to the capital adequacy framework. The package consists of three main elements: a new risk-based capital framework for the largest, most internationally active banks and banks with significant trading activity, changes to the standardised approach for other banks, as well as changes to the calculation of the surcharge for global systemically important banks (G-SIBs). The proposals must also be seen in the context of previously proposed changes to [the stress testing regime](#) and the adopted reform of the [supplementary leverage ratio standard](#).

Today, the largest US banks (category I and II) calculate risk-weighted assets using both a standardised approach and advanced measurement approaches, with the binding requirement being the higher of the two. This so-called 'dual stack framework' has in effect led to many of the largest banks being bound by the standardised approach through the so-called 'Collins floor'. The proposal replaces this dual stack calculation with an expanded risk-based approach. This means that the advanced measurement approaches are largely phased out for credit risk and operational risk, while the market risk framework still permits the use of internal models, with a standardised approach as an alternative. The framework is simplified and becomes more consistent, and no risk weight floor ('output floor') similar to that introduced in the EU has thus been proposed for advanced measurement approaches.

The proposal also entails changes to the composition of capital requirements. For credit risk, more detailed risk weights are proposed, inter alia for loan-to-value (LTV) ratios for real estate exposures, payment history for retail exposures and creditworthiness for corporate exposures. A standardised capital requirement for operational risk is proposed based on the banks' level of activity, with adjustments for certain business areas.

Furthermore, it is proposed to replace the current market risk framework with a new framework based on the Basel Committee's revised market risk standard. The proposal introduces a new standardised approach for calculating market risk, while banks may continue to use internal models subject to given requirements regarding data and model quality. The market risk framework also provides for greater recognition of diversification across positions.

For CVA (Credit Value Adjustment) risk, changes are proposed in the capital requirement for banks with significant trading activity and large derivatives portfolios, which will cover potential losses due to the impaired creditworthiness of derivative counterparties. The proposal also includes exemptions for client-facing derivative transactions.

For banks outside category I and II, changes to the standardised approach are proposed, with a particular focus on traditional lending activities. The changes include adjustments to risk weights for real estate exposures and corporate exposures. Changes are also proposed to the treatment of certain items in the regulatory capital, including requirements for the inclusion of accumulated other comprehensive income (AOCI) in CET1 capital for category III and IV banks, subject to transitional arrangements. This implies that unrealised gains and losses to a greater extent will be reflected in capital ratios and is intended to ensure that capital ratios better reflect banks' loss-absorbing capacity.

In addition, the Federal Reserve is proposing changes to the calculation of the capital buffer for G-SIBs. This includes modifications to the coefficients used in method 2⁶, changes in the treatment of short-term wholesale funding, changes in the measurement of certain systemic risk indicators, the use of average values rather than point-in-time measurements and the reduction of threshold effects. The changes involve a recalibration of the capital surcharge and are estimated to result in lower buffer requirements for G-SIBs.

Preliminary estimates from US authorities indicate that overall, CET1 capital requirements will be reduced as a result of the proposal. For category I and II banks, the reduction is estimated at 4.8 per cent, including the effect of proposed changes to the stress testing regime. For category III and IV banks, the reduction is estimated at 5.2 per cent, while the reduction for smaller banks is estimated at 7.8 per cent. For the largest banks, the reduction mainly reflects changes in the capital surcharge for G-SIBs and in stress tests, while the Basel III proposals, in isolation, point more towards higher requirements. Changes in the standardised approach are an important driver for other banks.

US authorities consider the proposals to be largely consistent with the Basel standards, albeit with a number of material divergencies, notably in the form of lower capital requirements in some areas. Different views have also been expressed within the Federal Reserve on the scope and consequences of these divergencies, including their significance for the capital level and resilience of the banking system.

Switzerland

Following the Credit Suisse collapse in 2023, Switzerland has implemented a comprehensive reform of its 'too-big-to-fail' framework. The proposals entail, among other things, significantly higher capital requirements for UBS, particularly through stricter requirements for the capitalisation of foreign subsidiaries. The measures are motivated by the need to strengthen the bank's loss-absorbing capacity and reduce the risk of government intervention in a future crisis. The reforms must be seen in light of the fact that UBS, following the takeover of Credit Suisse, has gained a dominant role in the Swiss banking system, and that the authorities have placed emphasis on strengthening the resilience of the country's only remaining G-SIB. The proposals were up for public consultation in 2025. In April 2026, the Federal Council adopted a bill on amendments to the Banking Act and to the Capital Adequacy Ordinance. The legislative amendments will be considered by parliament.

The reform proposals illustrate that international developments are not unambiguous. While some jurisdictions are considering or implementing measures that reduce capital requirements, Switzerland, following the Credit Suisse collapse, has proposed measures that will result in higher capital requirements for UBS.

International comparison

[In an analysis of the EU capital framework](#), the ECB has assessed how EU capital requirements align with the Basel standards and with the frameworks in other major jurisdictions. The ECB points out that the EU capital requirements are mainly based on the Basel standards, but that the framework combines harmonised Pillar 1 requirements with Pillar 2 requirements and macroprudential measures calibrated by supervisory and macroprudential authorities. About two-thirds of the capital requirements derive from the more prescriptive elements of the Basel framework, while about one-third can be attributed to bank-specific risks and assessments of financial stability in the individual member state, including Pillar 2 requirements and macroprudential buffers.

The ECB emphasises that the EU framework contains relatively few requirements that are either stricter than or not directly based on the Basel standards ('super-equivalences') and estimates these to represent around EUR 41 billion or approximately 4 per cent of total capital requirements. Such measures are consistent with the Basel framework, which establishes minimum standards that jurisdictions may exceed when justified by underlying risk conditions. At the same time, the analysis

⁶ Method 1 is based on the Basel Committee's framework for G-SIBs, while method 2 is a US approach that inter alia places greater emphasis on short-term wholesale funding. US G-SIBs must calculate the buffer requirement using both methods, with the binding requirement being the higher calculated G-SIB buffer.

points out that the EU framework contains several adaptations and deviations that overall reduce the requirements by around 10 per cent at the system level, including through supporting factors, certain exemptions in the CVA framework and transitional measures related to the output floor.

The ECB has also made counterfactual calculations in which European banks are hypothetically subject to the key features of the current US framework. Instead of comparing actual capital adequacy ratios between jurisdictions, which may be affected by differences in bank structure, business models and regulatory designs, the analysis considers how capital requirements for European banks would change if key elements of the US regulatory framework were applied to these banks.

The results vary between bank categories. For the largest and most internationally active banks, the analysis indicates that capital requirements would be higher under the US framework, particularly as a result of stricter O-SII buffers and the US 'Collins floor', which limits the effect of internal models when calculating risk-weighted assets. For small and medium-sized banks, the analysis points in the opposite direction, partly because some supervisory capital add-ons and macroprudential measures play a less pronounced role in the US. The ECB concludes that the analysis does not support the notion that large European banks are at a significant competitive disadvantage in terms of capital compared to their US peers.

In Europe, banks face competition primarily from the largest US banks, as other US banks mainly target the domestic market. However, the future development of capital requirements for large banks in the US and Europe will depend both on the outcome of the US reform proposals and on how the EU capital framework will be shaped following the European Commission's review.

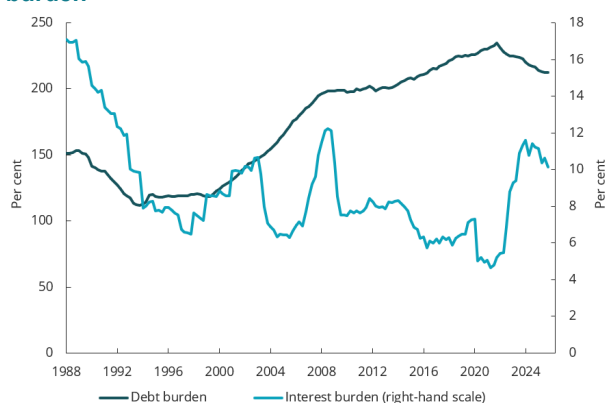
HOUSEHOLDS

Moderate but rising growth in Norwegian household debt

The debt burden⁷ of Norwegian households is high, both in historical terms and compared with other OECD countries. While households in some countries reduced their debt burden in the wake of the international financial crisis in 2008–2009, it continued to rise in Norway up until 2021, when the trend was reversed. From the fourth quarter of 2021 to the fourth quarter of 2025, Norwegian households' average debt burden declined from 234 per cent to 212 per cent (chart 2.1). The reduction is due to lower credit growth and an increase in households' total nominal income during a period of high inflation. Growth in households' domestic loan debt (C2) has risen over the past couple of years but is still below average income growth.

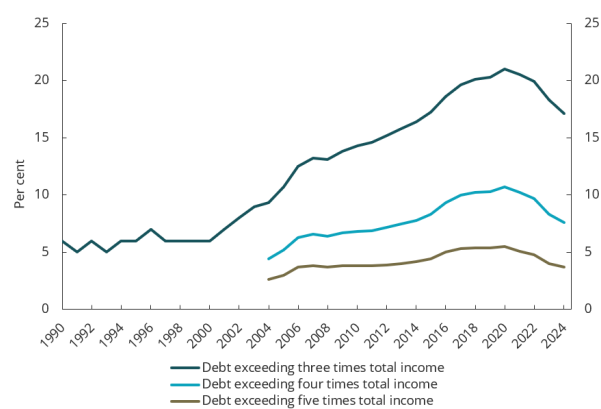
Households' interest burden⁸ rose from a historically low level of 4.6 per cent in the second quarter of 2021 to 11.6 per cent in the first quarter of 2024. Since then, the interest burden has decreased and was 10.1 per cent in the fourth quarter of 2025. Only a small proportion of Norwegian household debt carries fixed interest rates.⁹ Rising interest rates thus quickly lead to higher interest expenses for households. However, many Norwegian borrowers have annuity loans, which means that the liquidity effect of interest rate increases is offset by reduced instalment payments.

Chart 2.1 Household debt burden and interest burden



Last observation: fourth quarter 2025. Sources: Statistics Norway and Finanstilsynet

Chart 2.2 Share of households with a high DTI ratio



Last observation: 2024. Source: Statistics Norway

The share of households with high debt relative to income increased markedly from 2000 to 2020. From 2020 to 2024, however, the share of households with debt exceeding three times total income declined from 21 to 17 per cent (chart 2.2).

Reporting from a selection of financial institutions on the use of the flexibility quotas in the Lending Regulations shows that the proportion of residential mortgages granted outside Oslo that did not meet one or more of the requirements in the Lending Regulations (non-compliance rate) increased from 6.4 per cent (measured in volume) in the third quarter of 2025 to 7.2 per cent in the first quarter of 2026. For mortgages secured on residential property in Oslo, the non-compliance rate rose from 5.7 to 6.0 per cent during the same period. In 2025 and the first quarter of 2026, the proportion of granted residential mortgages (particularly outside Oslo) that did not fulfil the maximum loan-to-value ratio (LTV ratio) requirement set in the regulations was markedly lower than in previous periods. This must be viewed in light of the increase in the maximum LTV ratio requirement from 85 to 90 per cent in December 2024. Over the past year and a half, the proportion of granted consumer loans that do not

⁷ Measured as debt in per cent of disposable income.

⁸ Measured as interest expenses in per cent of disposable income before deducting interest expenses.

⁹ At the end of the first quarter of 2026, 95.8 per cent of households' loans from banks and mortgage companies had no or short fixed-rate periods (up to three months).

meet the requirement in the regulations on the payment of instalments has been higher than that observed up to and including the first quarter of 2024.

The banks participating in Norges Bank's survey of bank lending reported that household demand for loans declined in the first quarter of 2026. Similar to the fourth quarter of 2025, the banks reported stronger competition and narrower lending spreads on residential mortgages in the first quarter. The banks reported broadly unchanged demand for fixed-rate and first-home mortgages in the first quarter. Overall, the banks expect demand for residential mortgages to increase in the second quarter.

Main revision of the national accounts 2024 and measurement of households' debt and interest burdens

Statistics Norway has completed a major revision of the national accounts and, on 4 March this year, published time series in the non-financial sector accounts, revised back to 1978.

The revision entails a significant upward revision of households' estimated production of housing services from owner-occupied homes. This item was revised upwards by approximately NOK 149 billion (around 70 per cent) for 2022 and constitutes the largest single revision in the national accounts. For owner-occupied homes, the production of housing services represents imputed income and does not constitute an actual cash flow. The upward revision therefore affects the level of disposable income in the national accounts but does not change households' capacity to meet ongoing payment obligations.

As a result of higher estimated disposable income, debt and interest burden indicators based on national accounts data have been reduced. This reflects definitional effects of the revision and does not imply that households' actual debt burden or vulnerability has decreased. Household debt in NOK, interest expenses and cash-based income have not been altered by the upward adjustment of the estimated value of housing services.

The changes resulting from the main revision of the national accounts do not affect Finanstilsynet's overall assessment of households' financial vulnerability.

Loan default and payment problems

High inflation and increased interest rates contributed to a decline in households' real disposable income in 2022 and 2023. In 2024 and 2025, there was a rise in income for households overall. According to the Technical Calculation Committee for Wage Settlements, households' disposable real income per capita in 2025 came to 99.8 per cent¹⁰ of the 2021 level.

In spite of a weak trend in households' real disposable income after 2021, there are thus far few signs of serious debt servicing problems for the Norwegian household sector overall. The share of non-performing bank loans in the personal customer market has increased in recent years and roughly matches the level during the pandemic in 2020, although the banks' loan losses remain low.

Statistics Norway and Norges Bank estimate that core inflation will stay above 3 per cent in 2026 and thereafter gradually decline towards the central bank target of 2 per cent in 2029. The interest rate level is expected to follow a somewhat higher path than previously estimated but to decrease by approximately 0.5 to 1.0 percentage points towards 2029.

Unemployment has risen moderately, and forecasting institutions have differing views on whether it will increase or fall towards 2029. However, neither Statistics Norway nor Norges Bank expects any material changes in the unemployment rate during this period. These developments will probably help keep the number of debt collection cases and loan defaults down.

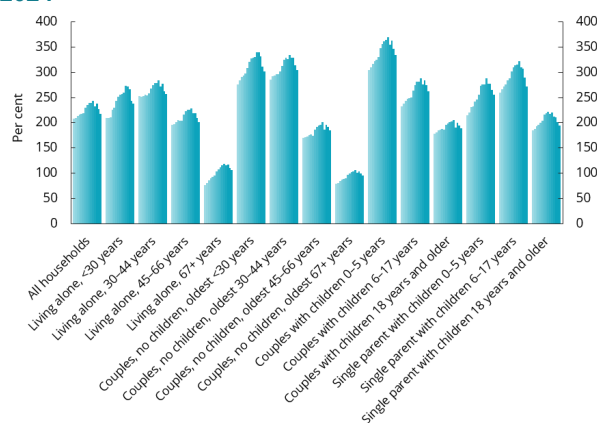
¹⁰ NOU (Official Norwegian Report) 2026: 5 The basis for the 2026 wage settlements, table 9.8 on page 121 (in Norwegian only).

Norwegian households are affected to varying degrees by the higher interest rate level. Their financial resilience also varies. Some households have narrow margins between income and expenses and limited financial buffers to draw on. These households will be particularly vulnerable if faced with a loss of income, higher interest rates or a fall in house prices.

Developments in debt for different household groups

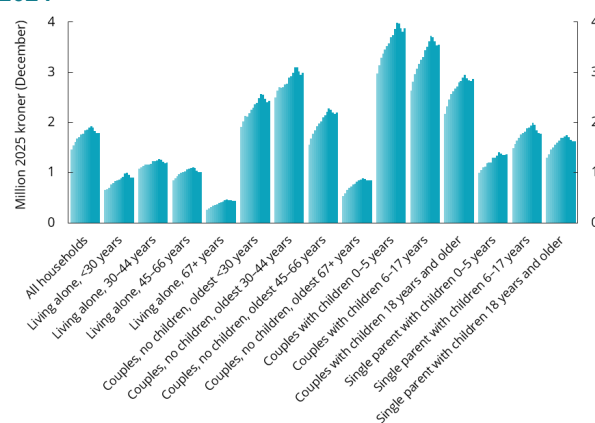
Households' average debt burden increased notably up until 2020 for all age groups (distributed according to the age of the main income earner) (chart 2.3). Among household groups, the group 'couples with children 0–5 years' has the highest average debt relative to after-tax income. In 2020, this group's total debt represented 369 per cent of after-tax income. From 2020 to 2024, average debt relative to after-tax income decreased by between 12 and 51 percentage points across all household groups. During the same period, the real value of average household debt (i.e. debt divided by the consumer price index) fell by 7 per cent (chart 2.4). For the household group 'single parent with children 6–17 years', the decrease was 11 per cent.

Chart 2.3 Debt as a share of after-tax income 2010–2024



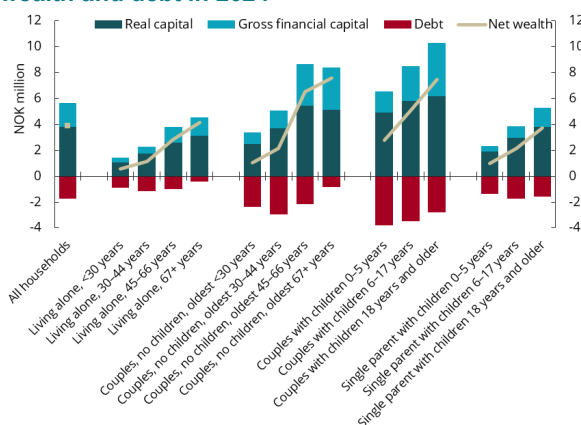
Sources: Statistics Norway and Finanstilsynet

Chart 2.4 Average debt at constant prices 2010–2024



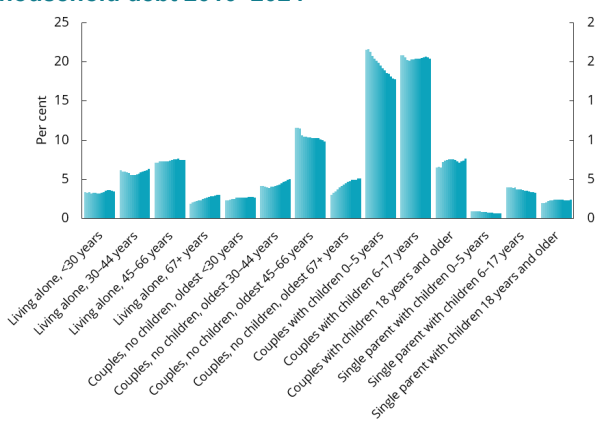
Sources: Statistics Norway and Finanstilsynet

Chart 2.5 Different household groups' average wealth and debt in 2024



Sources: Statistics Norway and Finanstilsynet

Chart 2.6 Different age groups' share of overall household debt 2010–2024



Sources: Statistics Norway and Finanstilsynet

Households' debt and wealth are very unevenly distributed between household groups (chart 2.5).¹¹ Net wealth generally increases with age. For all groups, average net wealth was positive in 2024. Couples with children under 18 accounted for approximately 38 per cent of total household debt in 2024 (chart 2.6). In recent years, however, the household groups without children have increased their share of total debt. This is particularly true of older household groups without children.

¹¹ Within each household group, there are major differences in the distribution of debt and gross financial wealth.

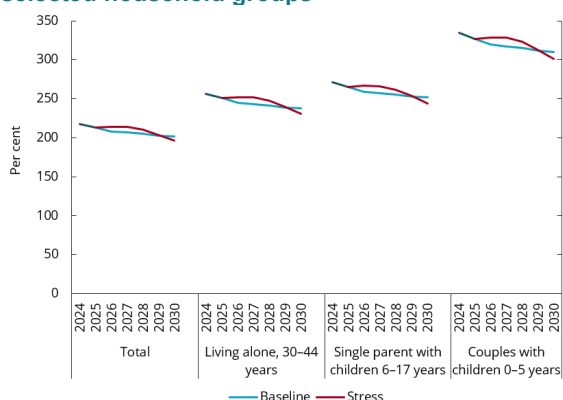
Vulnerabilities for different household groups in a stress scenario

Households' vulnerability in the event of a severe downturn in the Norwegian economy can be illustrated by an example using the scenarios from this year's stress test of banks' capital adequacy. See the description of the stress test later in the report. The calculations are based on the assumption that developments in total household income and debt are the same as in the stress test of banks' capital adequacy. All household groups are assumed to experience the same relative increase in income and debt and the same absolute change in interest rates (measured in percentage points). It is also assumed that there is no migration in or out of the household groups during the projection period.

Overall, the average household debt burden (debt in per cent of after-tax income) is estimated at 213 per cent at year-end 2025. If developments in the Norwegian economy are in line with the baseline scenario, the overall household debt burden will decline to 202 per cent at the end of the projection period in 2030 (chart 2.7). In the stress scenario, the household debt burden is down to 196 per cent in 2030.

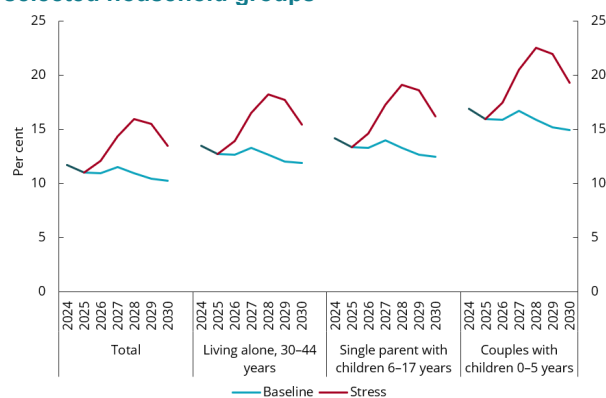
For households consisting of couples with children 0–5 years, the average debt burden in the baseline scenario decreases from 327 per cent at year-end 2025 to 310 per cent in 2030. In the stress scenario, the debt burden is down to 301 per cent in 2030. This group represented 8 per cent of Norwegian households in 2024 and accounted for almost 18 per cent of total household debt.

Chart 2.7 Developments in the debt burden, selected household groups



Sources: Statistics Norway and Finanstilsynet

Chart 2.8 Developments in the interest burden, selected household groups



Sources: Statistics Norway and Finanstilsynet

If interest rates follow the path outlined in the baseline scenario, the average interest burden for households combined increases from 11.0 per cent in 2025 to 11.5 per cent in 2027 and thereafter declines to 10.3 per cent at the end of the projection period. In the stress scenario, the interest burden increases to 15.9 per cent in 2028 and is thereafter reduced to 13.4 per cent in 2030.

For households consisting of couples with children 0–5 years, the average interest burden rises from 15.9 per cent in 2025 to 16.7 per cent in 2027 and thereafter declines to 15.0 per cent in 2030. In the stress scenario, the interest burden of households consisting of couples with children 0–5 years increases to 22.5 per cent in 2028 (i.e. close to 6 percentage points higher than the peak level in the baseline scenario) and declines to 19.3 per cent in 2030 (chart 2.8).

A large share of households have low or no debt and will therefore be little affected by higher lending rates. According to Statistics Norway's 'Income and Wealth Statistics for Households', close to 34 per cent of Norwegian households had debt that was less than or equal to their total income in 2024.

Share of loans to Norwegian households that are not regulated by the Lending Regulations

Based on data and sector classifications from Statistics Norway's Financial Sector Accounts, the table below shows Norwegian households' loan debt at year-end 2025 broken down by lender sector, including an estimated share of loans not subject to the Lending Regulations.

The purpose of the Lending Regulations is to promote financial stability by setting requirements for financial institutions' lending practices to prevent financial vulnerability among households and financial institutions. The household sector includes both consumers, self-employed persons and housing cooperatives. The scope of the Lending Regulations includes '(...) financial institutions' (...) lending to consumers'. This means that financial institutions' lending to housing cooperatives and self-employed persons is not covered by the regulations. Limiting the scope to financial institutions also implies that lending to households from entities other than financial institutions is not covered by the Lending Regulations. A large portion of these loans stems from entities regulated through special legislation, such as the Norwegian State Educational Loan Fund, the Norwegian State Housing Bank and the Norwegian Public Service Pension Fund.

Table 2.1 Norwegian households' loan debt at year-end 2025, broken down on lending sectors, and the share of loans outside the scope of the Lending Regulations

Lender	Loans		Loans not covered by the Lending Regulations	Share of total loans not covered by the Lending Regulations	
	NOK billion	Per cent	NOK billion	Per cent	Per cent
S11 Non-financial corporations incl. reconciliation sector	18.4	0.4	18.4	2.1	100.0
S121 Central bank	0.3	0.0	0.3	0.0	100.0
S122 Banks and mortgage companies	4 093.3	85.5	298.1	33.8	7.3
S123 Money market funds	0.0	0.0	0.0	0.0	NA
S124 Non-MM investment funds	0.0	0.0	0.0	0.0	NA
S125-127 Other financial corporations	436.0	9.1	356.2	40.4	81.7
of which the State Educational Loan Fund Norway	298.4	6.2	298.4	33.8	100.0
Norwegian State Housing Bank	35.5	0.7	35.5	4.0	100.0
and finance companies	88.8	1.9	9.0	1.0	10.1
S128-129 Insurance corporations and pension funds	30.0	0.6	0.0	0.0	0.1
S131 Central government	79.9	1.7	79.9	9.1	100.0
of which the Norwegian Public Service Pension Fund	79.9	1.7	79.9	9.1	100.0
S133 Local government	106.9	2.2	106.9	12.1	100.0
S15 Non-profit institutions	0.0	0.0	0.0	0.0	NA
S2 Rest of the world	22.7	0.5	22.7	2.6	100.0
Total	4 787.4	100.0	882.5	100.0	18.4

Sources: Statistics Norway, annual reports for 2025 for the Norwegian State Educational Loan Fund, the Norwegian State Housing Bank and the Norwegian Public Service Pension Fund, and Finanstilsynet.

Banks and mortgage companies represented the sector with the highest total loan volume to households at year-end 2025 at NOK 4 093.3 billion (i.e. close to 86 per cent of households' total loan debt), according to figures from Statistics Norway's Financial Accounts (table 2.1). Of this, NOK 298.1 billion was loans to self-employed persons or housing cooperatives, etc., representing close to 34 per cent of households' total loan debt outside the scope of the Lending Regulations. Other sectors that accounted for a significant share of lending to households but fall outside the scope of the Lending Regulations are 'Other financial corporations' (including the Norwegian State Educational Loan Fund, the Norwegian State Housing Bank and finance companies), totalling 40 per cent, 'Local government' at 12 per cent, and 'Central government' (including the Norwegian Public Service Pension Fund) at 9 per cent.

Of Norwegian households' loan debt of NOK 4 787.4 billion at year-end 2025, around 18 per cent represented loans that fall outside the scope of the Lending Regulations, cf. Section 2 of the Regulations as worded after 1 January 2023. In these calculations, the exemptions set out in Section 3 of the Lending Regulations have not been taken into account.

Continued growth in house prices

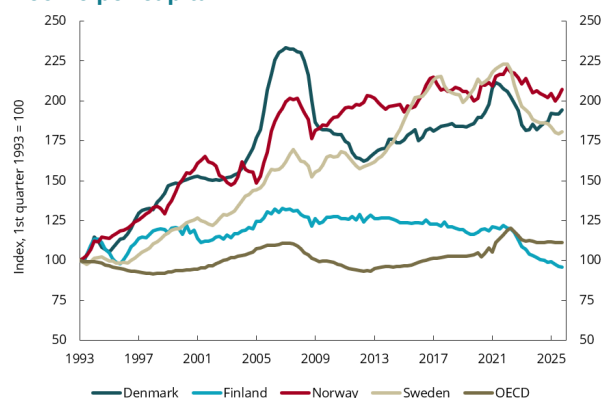
Developments in household debt and in house prices are closely interconnected. When house prices rise, many households will have to take out larger loans to finance home purchases. At the same time, the value of the collateral rises, creating scope for increased borrowing against the owned property. There is a mutually reinforcing effect between developments in house prices and household debt, both on the upside and the downside.

For a long period, house prices have risen at a faster pace than households' disposable income (chart 2.9). The ratio of house prices to disposable income per capita in Norway peaked in the first quarter of 2022 and thereafter showed a downward trend up until year-end 2024 as household income increased more than house prices. This trend reversed in 2025, and the ratio increased throughout the year. In the fourth quarter of 2025, house prices as a share of disposable income per capita were 6 per cent lower than the peak in the first quarter of 2022 and still at a historically high level.

Following a moderate increase through 2024, house price growth picked up throughout 2025 and, as an annual average, was 5.9 per cent higher than the previous year. The easing of the maximum LTV ratio requirement in the Lending Regulations and expectations of interest rate cuts may have contributed to this. So far in 2026, there has been weaker growth in house prices. In May 2026, prices in the secondary housing market adjusted for seasonal variations were 1 per cent higher than in December 2025, and twelve-month growth was 3.8 per cent on a national basis (chart 2.10). There are regional differences in house prices. In Oslo, house price growth so far this year has been lower than the national average, with a 1 per cent seasonally adjusted decline.

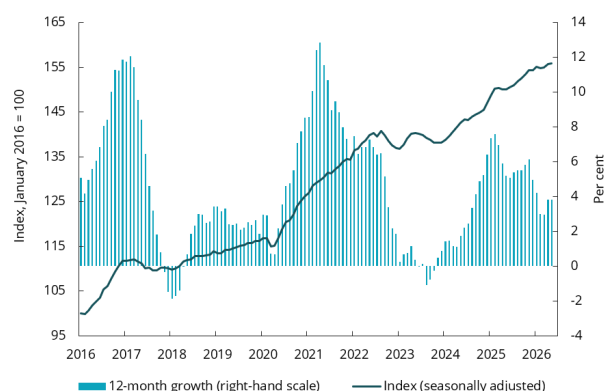
The level of activity in the secondary housing market remained high from January to May 2026 albeit somewhat lower than in the corresponding period in 2025. The number of homes put up for sale during this period was 3.1 per cent lower than the previous year, and 4.6 per cent fewer homes were sold. The number of unsold homes declined slightly during the first quarter of 2026 but increased anew in April and May.

Chart 2.9 House prices in per cent of disposable income per capita



Last observation: fourth quarter 2025. Source: OECD

Chart 2.10 House prices in Norway



Last observation: May 2026. Sources: Real Estate Norway, Eiendomsverdi and Finn.no.

In the new homes market, developments remained weak at the start of 2026. Overall, 15 per cent fewer new homes were sold in the first four months of the year than in the corresponding period in 2025, while the number of housing starts was 3 per cent lower, according to the [Norwegian Home Builders' Association](#). In the period from May 2025 to April 2026, the number of new homes sold was 6 per cent below the previous twelve-month period, while the number of housing starts was 5 per cent higher. Housing starts remain at a historically low level, 42 per cent below estimated housing demand.¹² Figures from Statistics Norway also show that housebuilding activity has lagged behind the

¹² [Prognosesenteret](#) estimates the average annual need for new homes over the next five years (2025-2029) for Norwegian Home Builders. The latest estimate is based on Statistics Norway's population projections at end-June 2024, and the actual decline in the housing stock is included in the calculation. The need for housing includes student homes and care homes, which are not included in the new homes statistics.

rise in the number of households for several years. From 2020 to 2025, the annual increase in the number of households exceeded the number of completed homes by an average of 8 800.¹³

Housing investments fell by 25 per cent through 2023 and 2024 according to revised figures from the national accounts and remained at a low level in 2025. In 2026, [Statistics Norway](#) estimates approximately zero growth in housing investments due to continued subdued sales of new homes. In its forecast, the agency also assumed an unchanged policy rate. In 2027, Statistics Norway expects that the trend will reverse and that housing investments will increase by an annual rate of approximately 7 per cent in 2028 and 2029. [Norges Bank](#) estimates a moderate increase in 2026 and a somewhat higher growth rate in housing investments in subsequent years. Overall, from 2026 to 2029, both expect housing investments to rise by around 20 per cent.

According to both Norges Bank and Statistics Norway, increased purchasing power in households in combination with continued modest housebuilding activity and somewhat lower interest rates later in the projection period will contribute to an annual rise in house prices of between 5 and 6 per cent until 2029.

Future developments in house prices are uncertain. Persistently low housebuilding activity combined with population growth may lead to an increasing housing shortage and stronger price growth. Higher house prices will result in a greater need for larger loans. If credit growth exceeds the rise in households' disposable income, the debt burden will rise again. If economic growth were to be significantly weaker than expected, or interest rates markedly higher, house prices could fall sharply, as shown in Finanstilsynet's stress test for 2026.

¹³ Statistics Norway, [table 05940](#) and [table 10986](#)

NON-FINANCIAL CORPORATIONS

Losses on loans to non-financial corporations represent the most significant risk for most Norwegian banks. In several main industries, corporations with weak debt servicing capacity accounted for an increasing share of the industry's total debt in 2023 and 2024.¹⁴ There were major differences in debt servicing capacity, both between and within industries. Developments in key factors such as interest rates, energy and commodity prices, material and transport costs, exchange rates and demand for goods and services, both domestically and internationally, will be important for future developments. These factors may affect the industries to varying degrees.

Challenges in parts of the business sector

The Confederation of Norwegian Enterprise's (NHO) [member survey for April 2026](#) (in Norwegian only) indicates a generally weaker market situation and subdued market outlook. According to the survey, the current situation is the weakest since the 2020 pandemic year. In [Norges Bank's Regional Network report 1-2026](#), contacts reported that they expected somewhat higher growth in the second quarter of 2026 after more moderate growth in the first quarter. Especially contacts within retail trade and construction expected higher growth from the first to the second quarter. Parts of the survey were conducted before the outbreak of war in Iran. Since the survey was completed, market rates have risen and international growth projections have been revised downwards.

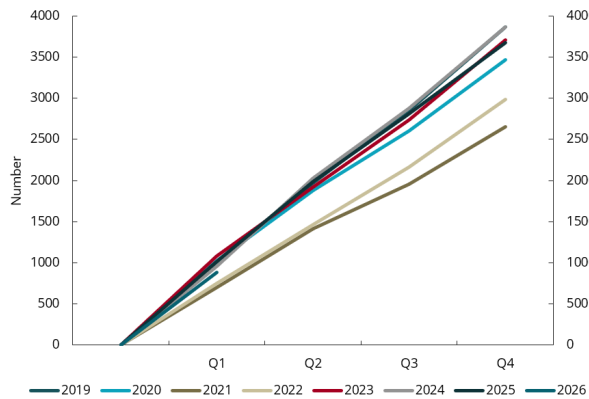
Bankruptcies

There is a close connection between bankruptcy and loan default. Figures from Statistics Norway show that the number of bankruptcies initiated in private and public limited companies in the first quarter of 2026 was somewhat lower than in the corresponding period the previous year (chart 3.1). For the construction industry (including property development) and real estate activities, the level was the same as in the previous year (not shown in chart).

Chart 3.2 shows the debt of corporations that have gone bankrupt in a given year as a share of the industry's total debt in the previous financial year. For all industries combined, the total debt of bankrupt corporations constitutes a very modest share of the industries' total debt. In the construction and property development industries, the share of debt in bankrupt corporations increased to high levels in 2025 compared with the average level in the period from 2009 to 2023. So far in 2026, the share of debt in bankrupt corporations in the construction industry is almost as high as it was throughout 2023. Sales of new homes and housing starts are at historically low levels, and the debt servicing capacity of several corporations within construction and property development has weakened since the pandemic. Higher borrowing rates and more expensive input factors may further impair debt servicing capacity and increase bankruptcy risk.

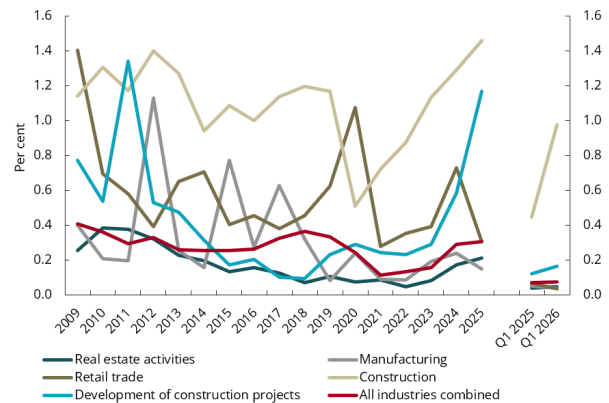
¹⁴See further account in [Risk Outlook December 2025](#).

Chart 3.1 Number of initiated corporate bankruptcy proceedings in private and public limited companies – cumulative across quarters



Sources: Statistics Norway and Finanstilsynet

Chart 3.2 Debt in bankrupt corporations and compulsory liquidations



Debt in bankrupt corporations and compulsory liquidations in various industries in year t , divided by debt in all corporations in the industry from the financial statements in year $t-1$. Debt in bankrupt corporations and compulsory liquidations in the first quarter of 2025 and 2026 is divided by total debt in the respective industry in 2024.

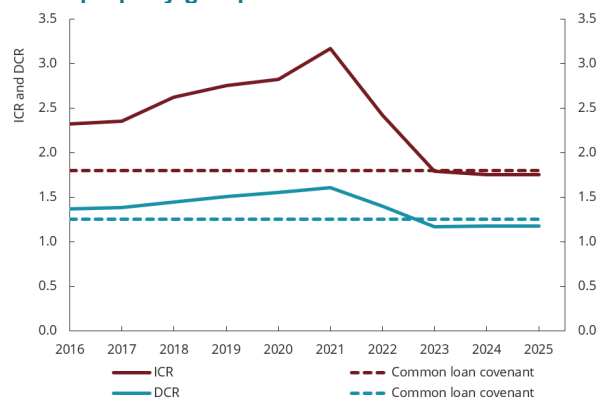
Sources: Dun & Bradstreet and Finanstilsynet

In Norges Bank's survey of bank lending for the first quarter of 2026, four of the nine participating banks reported a somewhat higher risk of default for loans to property development over the preceding six months, and one of the banks reported that the risk had increased substantially. In response to the same question six months earlier, the numbers were three and two, respectively.

Continued challenges within commercial real estate

The interest and debt servicing capacity of groups engaged in commercial property rentals and management ('rental property groups') has deteriorated in the wake of the interest rate hikes from the latter part of 2021 (chart 3.3). The key figures in the chart show the average (weighted) for all rental property groups in the sample. This means that many groups have a servicing capacity that is weaker than indicated in the chart. Total debt in rental property groups with a debt coverage ratio (DCR) below 1.0 (i.e. weak servicing capacity) as a share of the groups' total debt increased from 42 per cent in 2023 to 45 per cent in 2024 (not shown in the chart).

Chart 3.3 Interest coverage ratio (ICR) and debt coverage ratio (DCR). Weighted average. Rental property groups. 2016–2025 ¹⁵



Sources: Finanstilsynet, Dun & Bradstreet (the Brønnøysund Register Centre) and published annual and interim financial statements

¹⁵ The sample includes groups that are mainly engaged in the rental and management of their own properties. For groups that have not yet submitted their financial statements for 2025, the indicators have been projected based on developments in groups that have submitted preliminary financial statements for 2025. See also Risk Outlook December 2025 and Risk Outlook June 2025 for a further description of commercial real estate.

Lenders often stipulate that the ICR¹⁶ shall be around 1.8 or higher and that the DCR¹⁷ shall be around 1.25 or higher. This is intended to reduce the risk that earnings from ordinary activities ('operating earnings') do not cover net interest expenses, self-financing of required investments, instalments, tax and a certain dividend to the owners.¹⁸ Prior to the interest rate increases and in the first year of interest rate hikes (2022), the two indicators were on average significantly higher than 1.8 and 1.25 respectively, while they have been marginally lower since 2023.¹⁹

The main reason for the declining debt servicing capacity is the sharp rise in interest rates. Despite the fact that the annual CPI adjustment of rental prices on average was more than twice as high in 2022–2025 as in 2011–2021, this was not sufficient to fully compensate for the interest rate increases.²⁰ Prior to the interest rate hikes, the rental property groups' net interest expenses represented around 22 per cent of operating income and 37 per cent of operating earnings. The corresponding figures are now 40 per cent and 57 per cent, respectively.

Developments in the consumer price index (CPI) and interest rates in the coming years will be important for rental property groups. The 12-month CPI for November 2025, which was used for CPI adjustment of most leases for 2026, was 3.0 per cent. In the subsequent four years in the baseline scenario in Finanstilsynet's stress test, the CPI averages around 2.5 per cent.²¹ Based on this, the annual CPI adjustment of rental prices in the coming years will average just over half of the CPI adjustments in 2022–2025.

According to the baseline scenario in Finanstilsynet's stress test, banks' average lending rates to non-financial corporations increase by around 0.4 percentage points over the next two years (2026–2027) and thereafter decline by approximately 0.8 percentage points up until the end of 2030. This is roughly in line with expectations in the fixed income markets.²²

If lending rates for rental property groups evolve in line with Finanstilsynet's baseline scenario, average lending rates over the next five years will be slightly lower than at present. However, some rental property groups still have fixed-rate contracts entered into at very low interest rates that are due to expire this year and in the coming years. These groups may experience higher lending rates over the next few years even if the general interest rate level were to decline.

The risk premium paid by the individual corporation or group will also be important. The average risk premium for banks' commercial real estate (CRE) lending was down approximately 25 basis points from year-end 2023 to end-March 2026 (table 3.1). There are indications that commercial property values have generally fallen since their 'peak' in 2021 (chart 5.6). Weaker servicing capacity and reduced property values indicate that, all else equal, risk premiums will increase.

In addition to developments in the CPI and interest rates, tenants' ability and willingness to pay are important factors. For a rental portfolio that is neither expanded with new properties nor significantly upgraded, it will likely be difficult to raise rental prices by *more* than the contractually agreed annual CPI adjustment. Given how the office market has generally evolved in recent years, characterised by flat growth in office employment, rising vacancy rates and limited prospects for significant improve-

¹⁶ Income from ordinary operations minus operating expenses from ordinary operations ('operating earnings') *divided* by net interest expenses.

¹⁷ Income from ordinary operations minus operating expenses from ordinary operations ('operating earnings') *divided* by net interest expenses and estimated self-financing of required investments/instalments.

¹⁸ 'Operating earnings' are income from ordinary activities minus operating expenses related to ordinary operations (rental). Depreciation and write-downs are not included in operating expenses. Payment of interest, instalments and required investments and dividends *may be* postponed and/or financed by loans. In periods of increasing property values, low interest rates and optimistic future prospects, this may be an appropriate solution if the servicing problems are considered to be temporary. However, over time, the properties' ability to generate sufficient operating earnings is crucial for both the lender, the borrower and the corporation's owners.

¹⁹ Note that the indicators, as calculated here, *exclude* tax effects.

²⁰ Lease contracts are usually adjusted annually in line with the 12-month CPI growth in November of the preceding year. In 2020–2021, the average annual CPI adjustment was approximately 2.0 per cent, while in 2022–2025, it was around 4.7 per cent.

²¹ According to the baseline scenario in Finanstilsynet's stress test. The baseline scenario is not a forecast but is based on Statistics Norway's forecasts (see discussion in the chapter 'Stress test of Norwegian banks').

²² See, for example, Akershus Eiendom, Mandagsmakro 1 June 2026 (in Norwegian only).

ment over the next few years, it appears unlikely that the increase in rental prices will exceed inflation. The exception may be rental premises that have undergone significant upgrades, adaptations and modernisation. However, such adaptations require investments, which usually increase the requirement for operating earnings. If the alternative for the landlord is that the commercial premises are left empty or have to be rented out to a new tenant at a significantly lower price than the current rental price, the best alternative may be to renegotiate the current lease contract at a lower price.

Charts 3.4 and 3.5 show a simplified projection of the rental property groups' interest coverage ratio (ICR) and debt coverage ratio (DCR) based on two scenarios and the following assumptions:

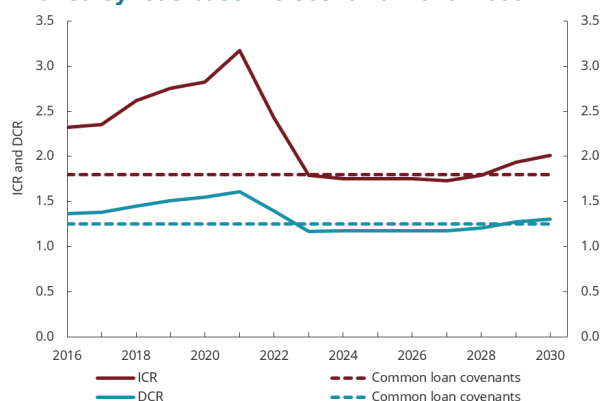
Finanstilsynet's baseline scenario:

- Developments in the CPI and interest rates will be the same as in Finanstilsynet's baseline scenario (charts 5.1 and 5.2).
- 95 per cent of current lease contracts are indexed to the CPI each year, while the remaining 5 per cent retain the current rental price.
- 1 per cent of lease contracts are terminated each year due to tenants being unable to pay the rent or going bankrupt, or for other reasons.

Finanstilsynet's stress scenario:

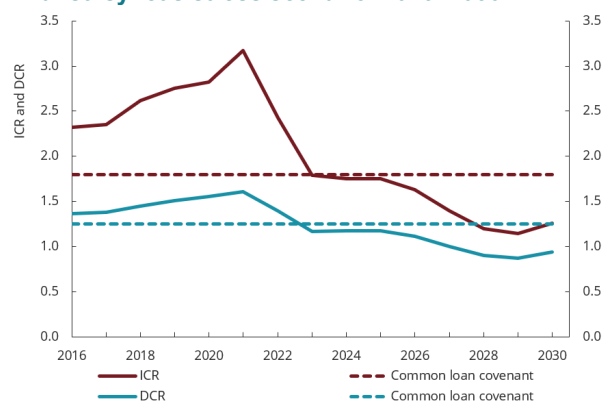
- Developments in the CPI and interest rates will be the same as in Finanstilsynet's stress scenario (charts 5.1 and 5.2).
- 90 per cent of current lease contracts are indexed to the CPI each year, while the remaining 10 per cent retain the current rental price.
- 2 per cent of lease contracts are terminated each year due to tenants being unable to pay the rent or going bankrupt, or for other reasons.

Chart 3.4 ICR and DCR. Rental property groups. Finanstilsynet's baseline scenario. 2026–2030



Sources: Finanstilsynet, Dun & Bradstreet (the Brønnøysund Register Centre) and published annual and interim financial statements

Chart 3.5 ICR and DCR. Rental property groups. Finanstilsynet's stress scenario. 2026–2030



Sources: Finanstilsynet, Dun & Bradstreet (the Brønnøysund Register Centre) and published annual and interim financial statements

Under the baseline scenario, the ICR and the DCR are projected to be broadly unchanged in the first two years (chart 3.4). This means that many rental property groups will experience more years of weak servicing capacity. Even if, according to the projection, the ratios improve marginally in 2028–2030, they will still be well below the levels prior to the interest rate increase.

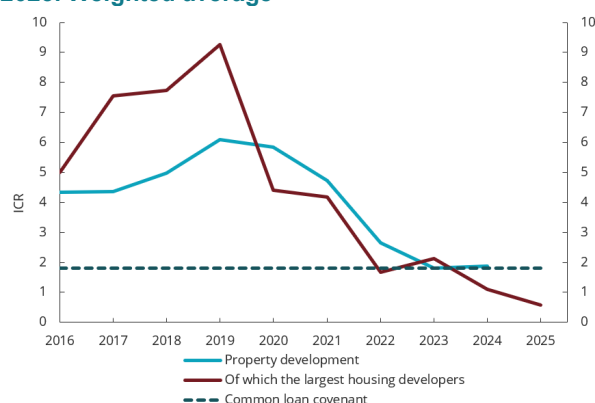
If developments follow Finanstilsynet's stress scenario, the ratios will weaken significantly in the coming years (chart 3.5). In addition, property values in the stress scenario fall sharply (chart 5.6). These developments may lead to sizeable losses on commercial real estate loans. In Finanstilsynet's stress scenario, accumulated losses on loans to non-financial corporations represent 11.3 per cent of total loans to non-financial corporations in the period 2026–2030. A substantial share of loan losses is related to commercial property.

Chart 3.6 Yield gap for 'Oslo prime office'. January 2009–June 2026



Last observation: 5 June 2026 Sources: Akershus Eiendom, LSGE Datastream and Finanstilsynet.

Chart 3.7 ICR. Property development groups. 2016–2025. Weighted average



Sources: Finanstilsynet, Dun & Bradstreet (the Brønnøysund Register Centre) and published annual and interim financial statements

The *yield* indicates the return required by investors to invest in a given commercial real estate segment.²³ In the years prior to the interest rate increases, the yield on Oslo prime office was between 2 and 3 percentage points higher than the virtually risk-free return (i.e. a yield gap of between 2 and 3 percentage points) (chart 3.6). At year-end 2025, the yield gap for Oslo prime office was approximately 0.25 percentage points, compared with around 1.0 percentage point for both Stockholm prime office and Copenhagen prime office.²⁴

A key market participant expects an increase in the yield for 'Oslo Office Central Business District (CBD) prime' and 'Oslo Office CBD normal' in 2026 and 2027.²⁵ This is driven by expectations of higher interest rates and lower capital injection from equity investors. An increase in the yield suggests, all else equal, a decline in property values.

In order for the yield gap for 'Oslo CBD prime' to reach the level of the yield gap for similar office premises in Stockholm and Copenhagen, all else equal, (a) long-term Norwegian interest rates must fall by approximately 0.75 percentage points, (b) property values must decrease by around 15 per cent or (c) there must be a combination of falling interest rates and property values within these intervals.

Significant challenges within property development

Within property development, which mainly comprises the development of commercial, residential and holiday properties, challenges are generally considerably greater than within rental and management of commercial properties.²⁶ In addition to higher interest expenses, property development is strongly affected by higher construction costs (material, labour, transport and regulation costs). This has contributed to a significant reduction in the ICR (chart 3.7). In the years prior to the interest rate hikes, the ICR within property development was typically 4.0 or higher. In 2024, it averaged around 1.9. For the largest housing developers, the ICR (weighted average) decreased further in 2025.

The outlook for property development depends on construction costs, interest rate levels and buyers' willingness and ability to pay for *new* commercial, residential and holiday properties. In some areas, including the Oslo area, sales of new homes are slow, and a significant proportion of fully developed

²³ See box in Risk Outlook June 2025 for further details on the yield gap.

²⁴ Source: Colliers (published in 'Kapital Tema Eiendom 11/2026') (in Norwegian only).

²⁵ See [Malling, Market report, Summer 2026](#) (page 6) and [Malling, Office sector report, April 2026](#) (both in Norwegian only).

²⁶ At year-end 2024, the industry 'Development and sale of construction projects' (68120 in SN 2025) had around NOK 155 billion in debt to credit institutions (mainly banks). This accounts for around 8 per cent of Norwegian non-financial corporations' total debt to credit institutions (oil and gas extraction is excluded). It should be noted that the figures in chart 3.7 are for parent companies in this industry that have submitted consolidated accounts. Since not all corporations belong to a group and not all parent companies are obliged to submit consolidated accounts, this sample is smaller. At year-end 2024, the debt to credit institutions of parent companies which have submitted consolidated accounts totalled around NOK 110 billion.

homes and homes under development remain unsold.²⁷ The same probably applies to many holiday homes. See also the description of the housing market above.

Non-financial corporations' lending rates²⁸

The banks' volume-weighted and unweighted average lending rates to various industries rose in step with the increase in Norges Bank's policy rate after the pandemic and up to 31 December 2023²⁹ (charts 3.8 and 3.9). Interest rates have since fallen somewhat. As shown in chart 3.9, the difference between the lending rates and 3-month NIBOR decreased by 35 basis points from the fourth quarter of 2020 to the first quarter of 2026 for all industries combined. Since the year-end 2023 reporting up to the most recent reporting on 31 March 2026, the volume-weighted interest spread³⁰ narrowed, also for industries where credit risk appears to have increased, for example within property development. The unweighted average interest spread has not declined as much (chart 3.11), and the reduction was largely driven by higher market rates (3-month NIBOR) in March 2026.

For the construction and property development industries, the decline in the unweighted interest spread was slightly smaller than for the volume-weighted interest spread. This suggests that there has been a larger reduction in the interest rate on loans to large corporations than in the interest rate on loans to small and medium-sized corporations. For commercial property, the decline in the unweighted interest spread was broadly in line with the decline in the volume-weighted interest spread (table 3.1). The continued rise in market rates after the reporting period ending on 31 March 2026 may contribute to further downward pressure on spreads unless the increase in market rates is reflected in higher lending rates.

Chart 3.8 Weighted lending rate to Norwegian non-financial corporations and 3-month NIBOR

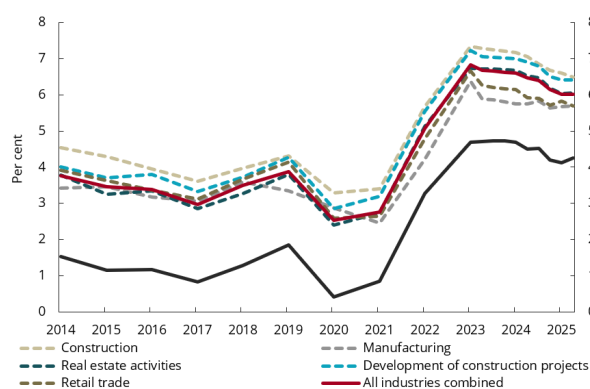
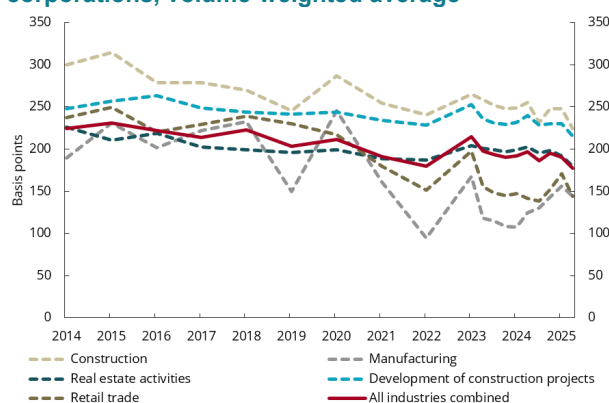


Chart 3.9 Lending spread over 3-month NIBOR, bank loans to Norwegian non-financial corporations, volume-weighted average



Last observation: first quarter 2026. Annual frequency up to 31 December 2023 and quarterly thereafter. The nominal interest rate is weighted based on the reported amount of debt drawn, based on figures in the exposure reporting. Sources: Finanstillsynet and LSEG Datastream

²⁷ According to Real Estate Norway, the number of unsold homes in Oslo at end-March 2026 was at its highest level since the statistics were first presented in 2010.

²⁸ Here, a review is made of banks' lending to Norwegian non-financial limited companies and public limited companies with nominal interest rates specified in the exposure reporting. Exposures for which no interest rate is reported are thus excluded. Both Norwegian banks and foreign branches are included in the reporting. In the analyses of interest spreads in this chapter, one large bank has been excluded from the sample due to reporting errors. For more information about the exposure reporting, see <https://www.finanstillsynet.no/rapportering/fellesrapporteringer/sebra-rapportering/> (in Norwegian only).

²⁹ The reporting used in the analyses takes place annually up to 31 December 2023 and quarterly thereafter. For NIBOR, the average level through the preceding month has been used. The volume-weighted lending rate is the sum of the nominal lending rate multiplied by the drawn loan exposure for each facility divided by the total drawn exposure.

³⁰ In this analysis, the interest spread is defined as the difference between the banks' reported nominal lending rate for the sample of loans and NIBOR. It is thus calculated based on individual exposures and thereafter aggregated to industry level. See also chart 4.4 in the chapter on Norwegian banks for aggregate figures on interest spreads.

Chart 3.10 Average lending rate to Norwegian non-financial corporations and 3-month NIBOR

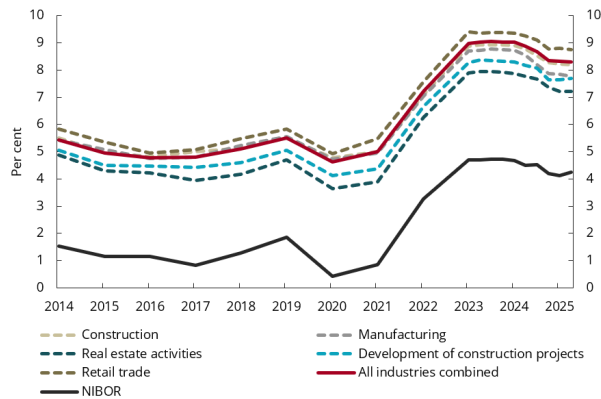
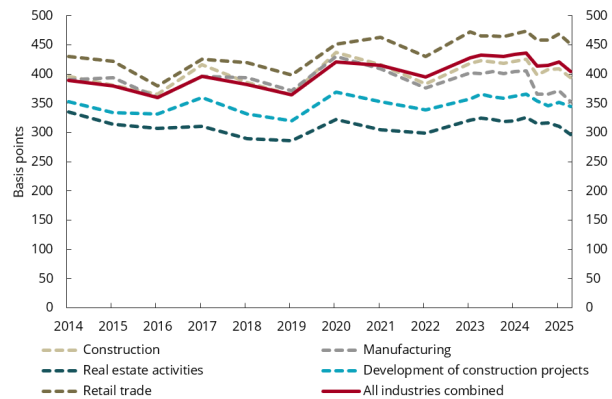


Chart 3.11 Lending spread over 3-month NIBOR, bank loans to Norwegian non-financial corporations, unweighted average



Last observation: first quarter 2026. Annual frequency up to 31 December 2023 and quarterly thereafter. Sources: Finanstilsynet and LSEG Datastream

Table 3.1 Reduction in imputed interest spread over three-month NIBOR from 31 December 2023 to 31 March 2026, basis points

	Construc- tion	Manufac- turing	Commer- cial real estate	Development of construction projects	Retail trade	All industries combined
Weighted average	40	24	24	34	54	38
Average	25	49	25	13	21	23

Sources: Finanstilsynet and LSEG Datastream

NORWEGIAN BANKS

Norwegian banks maintain a strong financial position, with robust profitability and solid capitalisation. Over the past year, profitability has declined from a very high level as a result of lower net interest income and higher operating expenses. Loan losses are low for the banks overall, but credit risk in the corporate portfolio has been increasing in several industries. Banks' margin to the capital requirements has widened over the past year, which mainly reflects regulatory changes, not increased capital. The banks have had ample access to both short-term and long-term funding, despite heightened geopolitical uncertainty.

Strong profitability despite a slight year-on-year decrease

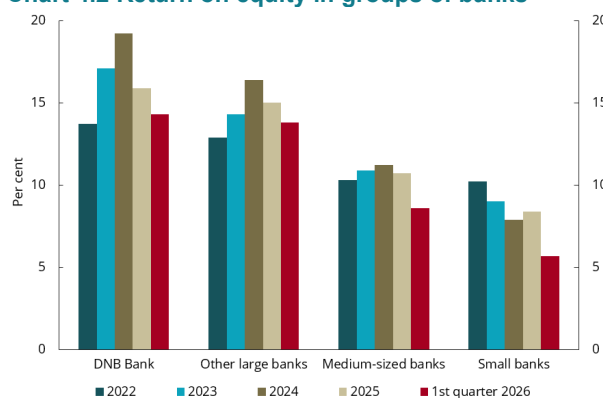
Norwegian banks have been very profitable over the past three years. The most important driver behind the good results, for the banks overall, was increased net interest income in the wake of the marked rise in interest rates from 2022. As shown in chart 4.1, profitability was particularly sound in 2024. Both in 2025 and so far in 2026, profitability has decreased somewhat but is still stronger than in the period prior to 2020. In the first quarter of 2026, the banks' total return on equity was 12.3 per cent. Partly as a result of major differences in equity levels between large and small banks, there are large variations in return on equity between groups of banks, see chart 4.2 and Risk Outlook December 2025.

Chart 4.1 Pre-tax profits and return on equity



Source: Finanstilsynet

Chart 4.2 Return on equity in groups of banks



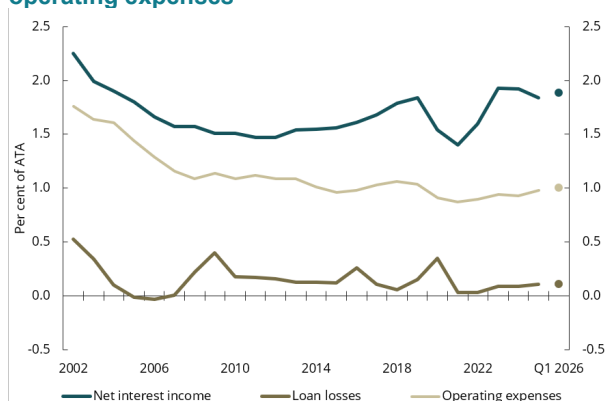
Source: Finanstilsynet

The strong growth in net interest income from 2022 to 2024 has been partially reversed through 2025 and so far this year (chart 4.3). As shown in chart 4.4, banks' deposit spreads increased markedly from 2022, bringing the combined spread to a long-term high. Due to rising money market rates in 2026, the reduction in the deposit spread has been reversed, while the lending spread has declined further. At end-March, the combined spread was almost back to the level prior to the interest rate increases in 2022.

A downward trend in operating expenses has been an important factor behind Norwegian banks' sustained strong profitability. In recent years, however, there has been a certain increase in banks' expenses. As shown in chart 4.3, the cost level in the first quarter of 2026 was the highest since 2019. Wage costs have seen the most pronounced increase recently.

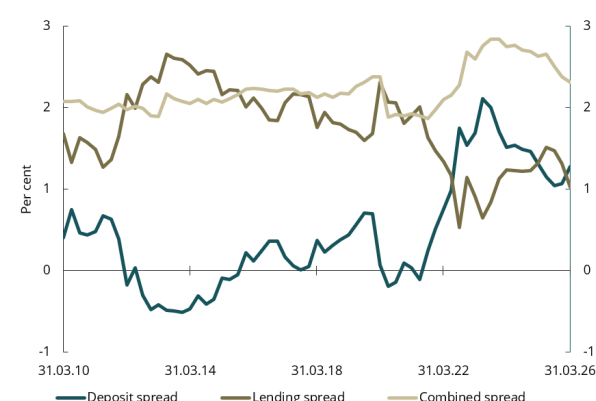
Banks' total loan losses have risen slightly over the past few years, particularly on corporate loans, but remain at a historically low level.

Chart 4.3 Net interest income, loan losses and operating expenses



Source: Finanstilsynet

Chart 4.4 Interest spreads



Sources: Statistics Norway and Finanstilsynet

Consumers' situation in the deposit market

Finanstilsynet has conducted [a survey of the deposit products offered by the banks to consumers and consumers' situation in the deposit market](#) (in Norwegian only). Norwegian households' deposits totalled approximately NOK 1 800 billion at end-September 2025. The Norwegian Consumer Council's switching survey shows that 18 per cent of consumers switched provider or renegotiated the terms of their savings accounts in 2024.

The survey shows that banks' deposit spread has widened as policy rates have been raised. Deposit rates have been adjusted in response to changes in the policy rate, but with a certain lag. Interest rates on different types of deposit accounts vary and have generally been lower for security deposit accounts and guardianship accounts than for savings accounts. Over time, the deposit spread has been wider in Norway than in Sweden, Denmark and Finland, especially during the period of negative market rates in these countries.

According to the survey, weaknesses in the regulatory framework and lack of compliance by the banks imply that consumers' interests are not sufficiently safeguarded. It is necessary to assess possible measures that can strengthen consumer protection and promote competition in the deposit market. Relevant measures may include a statutory obligation to provide ongoing follow-up throughout the customer relationship and a reciprocity principle whereby interest rates are adjusted up or down if the conditions justifying a rate change no longer apply.

The interest rate adjustment clause

On 27 January 2026, the Norwegian Financial Services Complaints Board published its decision in two cases regarding the reasonableness of the interest rate adjustment clause for variable interest rate residential mortgages in Norwegian banks' standard agreements. The majority of the board found that the terms are so broad and so vaguely formulated that an ordinary consumer can neither understand when the bank may change the interest rate nor verify whether an interest rate change is objectively justified. The majority of the board thus concluded that the terms do not meet the Contracts Act's requirements for clarity, predictability, verifiability and balance between the parties and that the interest rate adjustment clauses were unreasonable in their entirety. The respondent banks have not accepted the decisions. The complainants have brought the cases before the Oslo District Court, where they are expected to be heard together.

In an advisory opinion on variable interest rate mortgages in Iceland in spring 2024, the EFTA Court found that the Mortgage Credit Directive and the Unfair Contract Terms Directive require that contractual terms on interest rate adjustments must be intelligible and enable consumers to understand

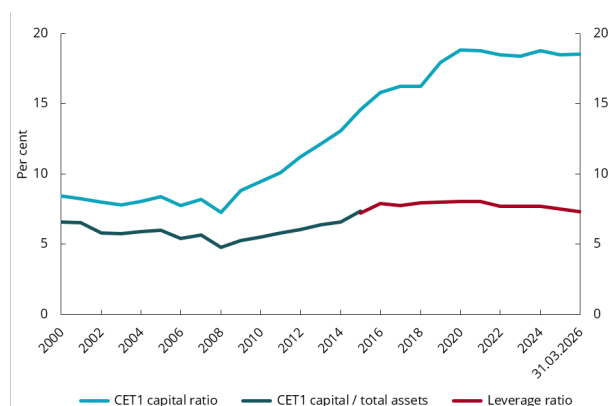
the method used for calculating such adjustments. Norwegian banks' standard agreements have similarities to the agreements used by Icelandic banks.

Capital adequacy levels remain stable, while regulatory changes have led to wider margins to the requirement

The marked increase in banks' common equity Tier 1 (CET1) capital ratio up until 2020 was largely a consequence of changes in the capital adequacy framework. In recent years, the CET1 ratio for the banks overall has remained stable (chart 4.5). The banks' leverage ratio has declined somewhat in recent years and is at its lowest level since 2015.

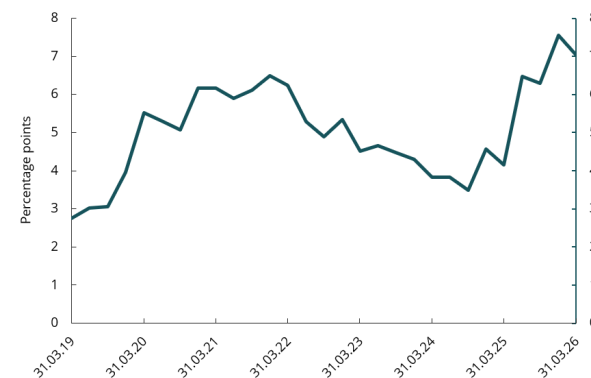
The implementation of the amendments to the Capital Requirements Regulation (CRR3) in 2025 entailed, among other things, a significant reduction in risk weights for well-secured residential mortgages for banks using the standardised approach to calculate capital adequacy. This resulted in a pronounced reduction in capital requirements for many banks, significantly widening the margin between their actual CET1 capital ratios and the requirement (chart 4.6). For banks using internal models to calculate capital requirements, the regulatory changes led to a certain tightening of the requirements, mainly due to a higher risk weight floor for residential mortgages.

Chart 4.5 Capital adequacy of banks



The chart shows CET1 capital / total assets up to and including 31 December 2015 and the leverage ratio as from 31 December 2015. Both are measures of non-risk-weighted capital adequacy. Source: Finanstilsynet

Chart 4.6 Median margin to the CET1 capital requirement

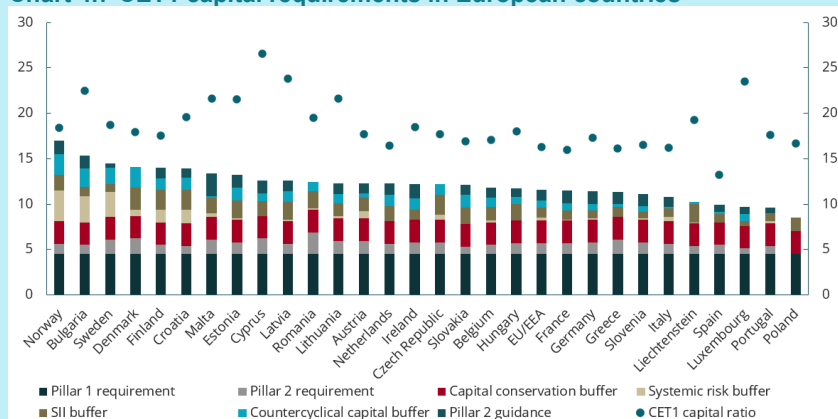


Source: Finanstilsynet

Capital requirements in European countries

European banks' capital requirements are largely harmonised at a minimum level. All banks are subject to a common minimum CET1 capital requirement of 4.5 per cent and additional Pillar 2 requirements and buffer requirements. There are major differences in buffer requirements across countries. The differences reflect national assessments of systemic risk and financial vulnerabilities that are specific to each country. Chart 4.7 shows total CET1 capital requirements for the largest banks in European countries. It illustrates that banks in the Nordic countries are subject to higher overall requirements than in most other countries. In Norway and Sweden, it is primarily the systemic risk buffer that differs, while in Denmark and Finland, the relatively high capital requirements are mainly explained by the buffer for systemically important banks.

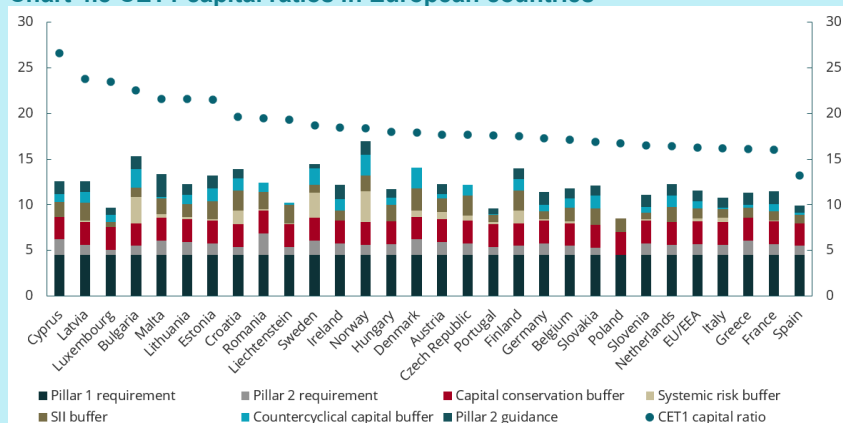
Chart 4.7 CET1 capital requirements in European countries



Figures as at 30 June 2025. Source: EBA Risk Assessment Report, December 2025

In many countries, banks' capital adequacy ratios are significantly higher than the regulatory requirements. This is because banks in practice operate with a margin ('management buffer') to the requirements to avoid situations where their actual capital adequacy falls below the overall capital requirement. In such situations, the supervisory authorities may impose restrictions on dividend payouts, share buybacks and bonus payments. Non-fulfilment of capital requirements will send negative signals to market participants and may lead to higher funding costs. In chart 4.8, the countries are ranked by their CET1 capital ratios. The Nordic countries are in the middle tier among European countries.

Chart 4.8 CET1 capital ratios in European countries

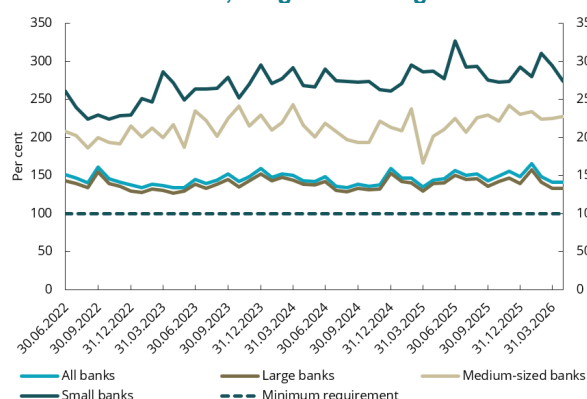


Figures as at 30 June 2025. Source: EBA Risk Assessment Report, December 2025

Strong liquidity but persistent uncertainty related to geopolitical tensions

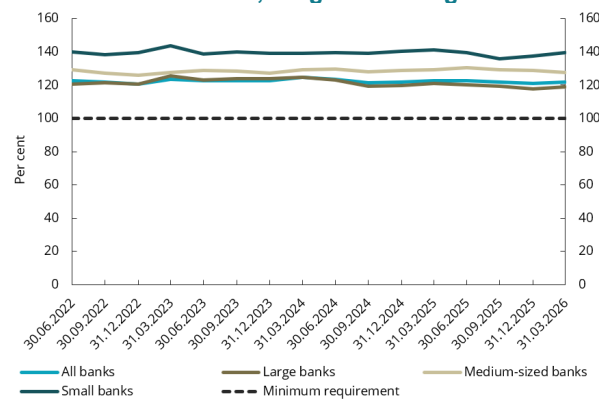
Banks' liquidity risk is primarily linked to their ongoing need for refinancing in the domestic and international money and capital markets. If banks make too extensive use of short-term wholesale funding, their ability to handle periods of market turmoil could be impaired. Liquidity reserves ensure banks' ability to honour their commitments during a short period of limited access to new funding, while long-term, stable funding helps reduce funding risk in the longer term. Norwegian banks meet both the minimum liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) requirements by an ample margin (charts 4.9 and 4.10).

Chart 4.9 Total LCR, weighted average



Source: Finanstilsynet

Chart 4.10 Total NSFR, weighted average

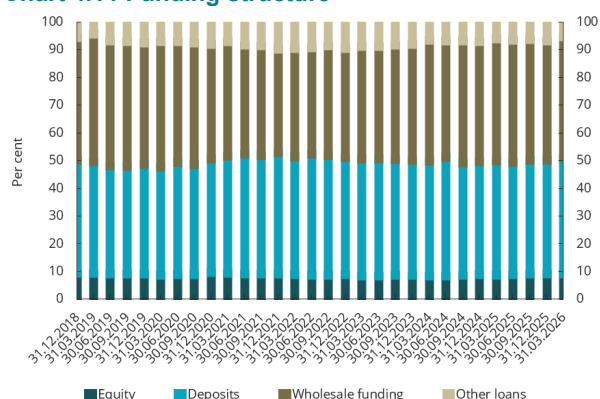


Source: Finanstilsynet

Banks' funding³¹ mainly comprises deposits from customers and funding in the money and capital markets. At end-March 2026, deposits and wholesale funding accounted for 42 and 44 per cent, respectively, of banks' total funding (chart 4.11).

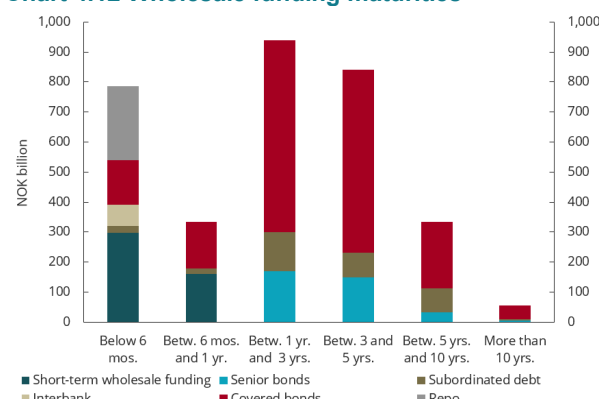
The majority of banks' wholesale funding is of a long-term nature, but a significant share reaches maturity and must be refinanced during 2026. Some of this was refinanced during the first quarter of 2026, but a portion remains to be refinanced by the end of the year. This mainly applies to large banks' interbank funding, repurchase agreements (repos) and other short-term wholesale funding, but also parts of the banks' covered bond financing (chart 4.12).

Chart 4.11 Funding structure



Includes mortgage companies that fund banks. Source: Finanstilsynet

Chart 4.12 Wholesale funding maturities



Source: Finanstilsynet

The funding markets have been robust despite geopolitical tensions, and Norwegian banks have had ample access to both short-term and long-term funding. Future developments remain uncertain.

Continued concentration and systemic risk relating to covered bonds

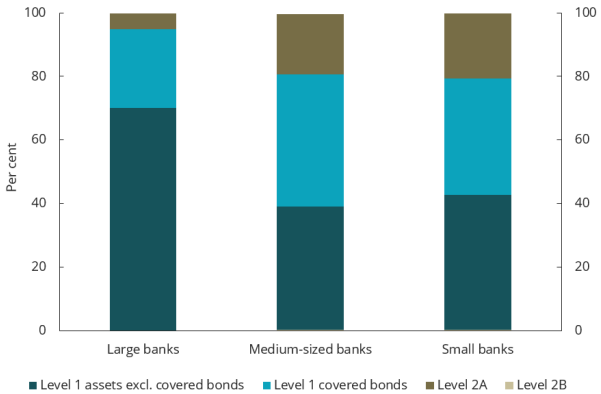
Covered bonds constitute a large portion of Norwegian banks' liquidity reserve (LCR), especially for medium-sized and small banks. In addition, covered bonds account for more than half of banks' wholesale funding (charts 4.13 and 4.14). The high proportion of covered bonds, both as a source of funding and as part of the liquidity reserve, brings increased systemic risk through cross-ownership and also links banks' liquidity risk to developments in the housing market.

Cross-ownership of covered bonds increases the risk of problems at one bank spreading to other banks. Large holdings of covered bonds could create problems if several banks have to sell covered bonds to obtain the necessary liquid funds. Declining house prices will reduce the value of the cover pool backing covered bonds, and the banks may, depending on the degree of overcollateralisation and the extent of the house price fall, have to replenish the cover pool in order to remain compliant with the

³¹ Includes mortgage companies that fund banks.

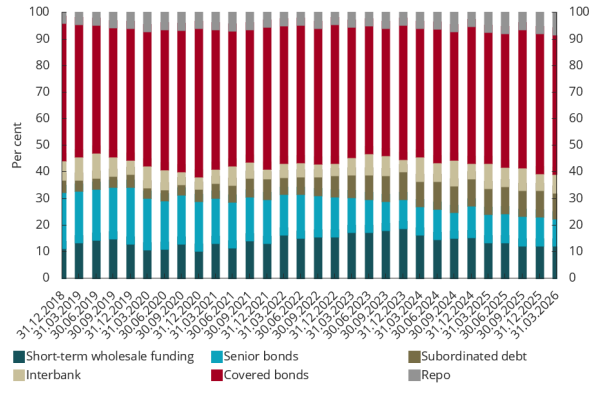
overcollateralisation requirement.³² Falling house price may reduce investors' confidence in covered bonds as an investment object and make it costlier and more difficult for banks to use covered bonds as a funding source. Covered bonds can be pledged as collateral for loans at Norges Bank, which can help mitigate the negative effects of market stress.

Chart 4.13 Composition of the liquidity reserve



Source: Finanstilsynet

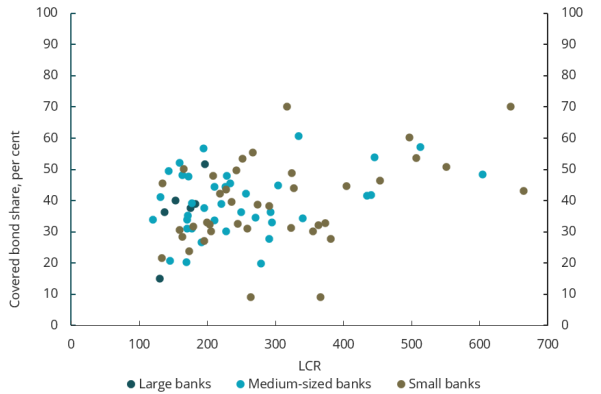
Chart 4.14 Wholesale funding



Source: Finanstilsynet

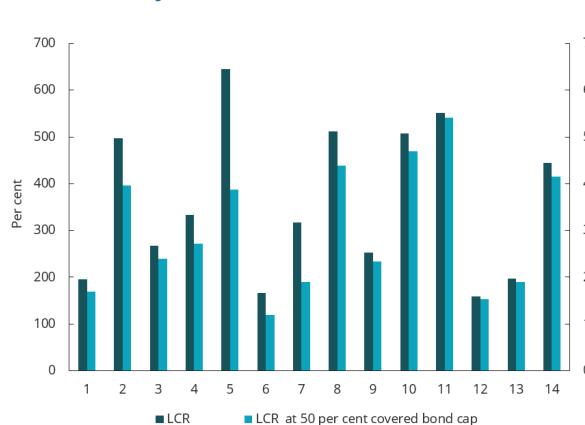
In autumn 2023, Finanstilsynet recommended that covered bonds backed by Norwegian residential mortgages should not exceed 50 per cent of the liquidity reserve. At year-end 2025, 14 banks had a covered bond share above 50 per cent (one large, five medium-sized and eight small banks) (chart 4.15). If the covered bonds that exceed the recommendation are removed from the calculation of the LCR for these 14 banks, the LCR is reduced by between 6 and 258 percentage points. However, all the banks will still meet the LCR requirement (chart 4.16).

Chart 4.15 LCR and covered bond share in the liquidity reserve (LCR)



Some extreme values have been omitted from the chart to improve readability. Source: Finanstilsynet

Chart 4.16 Adjusted LCR



Source: Finanstilsynet

On-site inspections show that several banks have invested in senior bonds issued by other banks. This contributes to elevating concentration risk and systemic risk. In autumn 2026, Finanstilsynet will review the composition of banks' liquidity buffers, both to assess the banks' adjustment to Finanstilsynet's recommendations related to covered bonds and to analyse the banks' holdings of senior bonds issued by other banks.

³² The value of the cover pool must at all times exceed the value of the covered bonds that have a preferential claim on the cover pool.

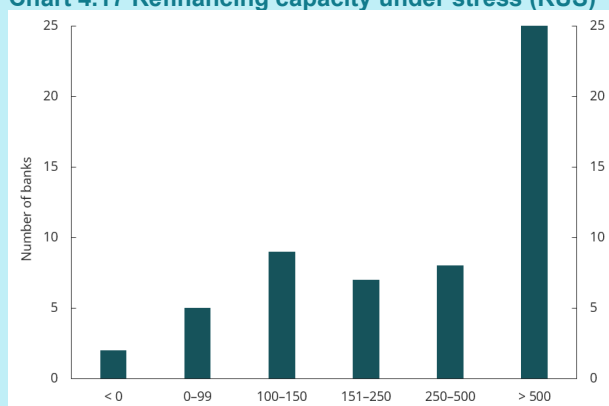
Refinancing capacity under stress

The banks³³ submit annual reports to Finanstilsynet on their refinancing capacity, assuming a 30 per cent decline in house prices. The indicator refinancing capacity under stress (RUS) measures whether the bank's wholesale funding reaching maturity over the next twelve months can be refinanced with covered bonds and is defined as

$$\frac{(\text{Transferable loans} + \text{Available collateral in the covered bond issuing entity})^{34} * 100}{\text{Wholesale funding maturing within one year}}$$

All else equal, a ratio above 100 indicates that the bank's maturing wholesale funding over the next year can be refinanced with new covered bonds, suggesting a degree of liquidity flexibility. A low or negative ratio indicates that the institution may face problems raising funding in a stressed situation. Figures at year-end 2025 indicate that seven of the banks may have problems covering all or part of their funding reaching maturity over the next year in the event of a sharp decline in house prices (chart 4.17).

Chart 4.17 Refinancing capacity under stress (RUS)



Source: Finanstilsynet

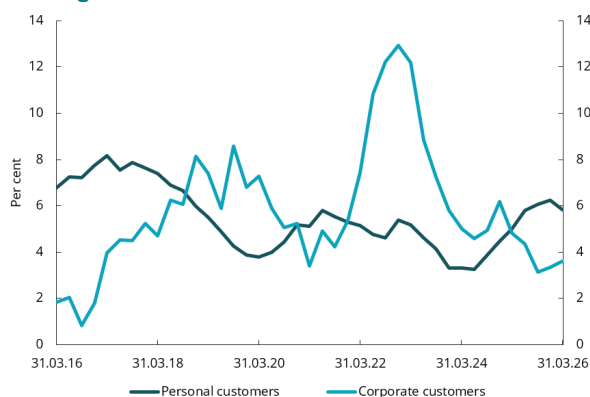
Slowing growth in corporate lending, especially to real estate-related industries

Growth in Norwegian banks' lending to personal customers increased from the summer of 2024 (chart 4.18). For many years, Norwegian banks have recorded far higher growth in the personal customer market than foreign banks, see the account below and the report [Norwegian banks' operating parameters](#) (in Norwegian only) from November 2025. Growth in lending to domestic businesses has decreased markedly after rising to a very high level just after the pandemic.

³³ Excluding the smallest banks.

³⁴ Assuming a 30 per cent drop in house prices.

Chart 4.18 Twelve-month growth in lending for Norwegian banks



Source: Finanstilsynet

Chart 4.19 Growth in lending to individual industries



Average twelve-month growth as at 31 March for the years 2022–2025.
Source: Finanstilsynet

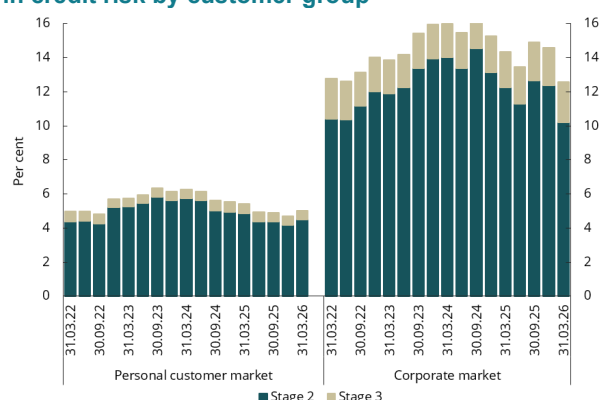
Just under half of banks' lending in the domestic corporate market is to customers within 'real estate activities'. The rise in lending to this industry has been relatively stable during the last few years. A further 10 per cent of banks' corporate lending is to the industries 'development of construction projects' and 'construction'. The financial challenges within property development, as discussed in chapter 3, are reflected in the fact that lending growth to customers in this industry has decreased markedly and been negative since year-end 2024 (chart 4.19). Lending to 'fishing and aquaculture' accounts for around 6 per cent of Norwegian banks' lending to domestic businesses, which makes it one of the largest industries in the banks' aggregate corporate portfolio. Lending growth to the industry has declined over time and was close to zero at end-March 2026.

Both the level of loan losses and the volume of non-performing loans have been moderate in recent years after increasing during the pandemic in 2020–2021. The frequent interest rate increases from autumn 2022 have so far not led to an increase in default rates, neither for corporate nor for personal customers. At end-March 2026, non-performing loans (the sum of payment default and other non-performing loans) accounted for 1.3 per cent of Norwegian banks' total lending volume, down from 1.7 per cent just before the outbreak of the pandemic in 2020.

Loans that are carried at amortised cost or fair value through other comprehensive income shall be classified in three stages according to assessed credit risk. Stage 1 consists of loans that have not seen an increase in credit risk, stage 2 is used for loans with a significant increase in credit risk, while loans that are considered to be credit impaired are classified in stage 3. Chart 4.20 shows developments in loans' credit risk, assessed by the banks, over the past five years. It appears that the proportion of loans to personal customers considered to be credit impaired has been relatively stable during the period at just over 0.5 per cent of lending. Loans considered to have experienced a significant increase in credit risk, without being in default, have decreased somewhat over the past two years, despite a relatively high interest rate level.

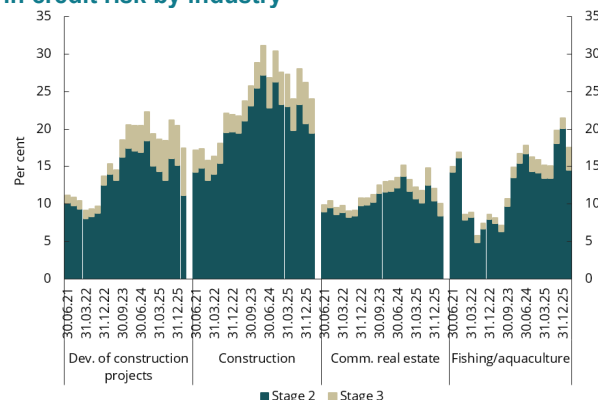
For corporate lending, the proportion of stage 3 loans is markedly higher than for personal customers and has increased somewhat in recent years. The volume of loans that have seen a significant increase in credit risk, without being in default, has varied during the period, but has decreased over the past year.

Chart 4.20 Share of loans with a significant increase in credit risk by customer group



Source: Finanstilsynet

Chart 4.21 Share of loans with a significant increase in credit risk by industry



Last observation: 31 March 2026. Source: Finanstilsynet

Developments in credit risk vary considerably across industries. Chart 4.21 shows that there has been a particularly high proportion of loans with increased credit risk to firms in the construction industry, as assessed by the banks. There has also been a negative trend within the development of construction projects, particularly for credit-impaired loans. For loans to firms within real estate activities, the volume of stage 2 and 3 loans is lower than for the construction industry and the development of construction projects. Total lending to these three industries accounts for around 56 per cent of Norwegian banks' domestic corporate portfolio. Financial problems in these industries, as discussed in chapter 3, can have major consequences for total default and loss levels for Norwegian banks.

Chart 4.21 shows a marked increase in the proportion of credit-impaired loans in recent years, also for lending to the fisheries and aquaculture industries. Lending to these industries accounts for approximately 6 per cent of banks' total lending to domestic firms, and the increase in credit risk has occurred within both traditional fishing and aquaculture.

Considerable variation in banks' lending growth

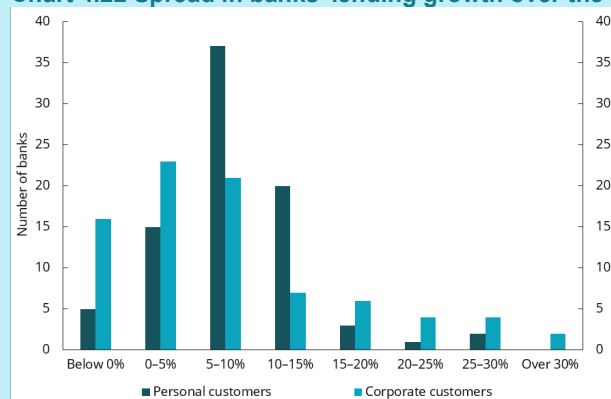
Overall, banks' lending growth over the past year has been moderate and somewhat higher than the increase in nominal GDP. Sluggish growth in several of the largest banks, in both the personal customer and corporate markets, helps keep overall growth down. On the other hand, a number of small Norwegian banks have experienced strong lending growth, even if mergers between banks are disregarded (chart 4.22). About one-third of Norwegian banks recorded growth in lending to personal customers that was more than twice as high as for the banks overall. The same was the case for corporate loans, where every *fifth* bank recorded an increase that was more than three times as high as for the banks overall. For most of the banks with very high growth in corporate loans, the corporate portfolio accounts for between 10 and 30 per cent of total lending.

All banks with significantly higher growth than the average over the past year use the standardised approach to calculate capital adequacy. One of the effects of the implementation of CRR3 in 2025 was that the risk weights on residential mortgages were reduced in the standardised approach from 1 April 2025. For many banks, this led to a notable reduction in risk-weighted assets. For many banks, the margin between their CET1 capital ratio and the CET1 capital requirement thus increased, cf. the account above. As at 30 June 2025, the first reporting date after the regulatory amendment, the median margin to the requirement was close to 1 percentage point higher for the 20 banks with the highest lending growth over the past year than for the 20 banks with the lowest lending growth.

The most significant decrease in risk weights following the implementation of CRR3 concerned residential mortgages calculated using the standardised approach. Nevertheless, many banks have experienced strong growth in corporate loans over the past year, often far above total market growth. Most of the banks with a very strong increase in corporate loans (more than three times market growth)

were traditional savings banks focusing on local markets, in addition to a few commercial banks targeting specific niches.

Chart 4.22 Spread in banks' lending growth over the past year



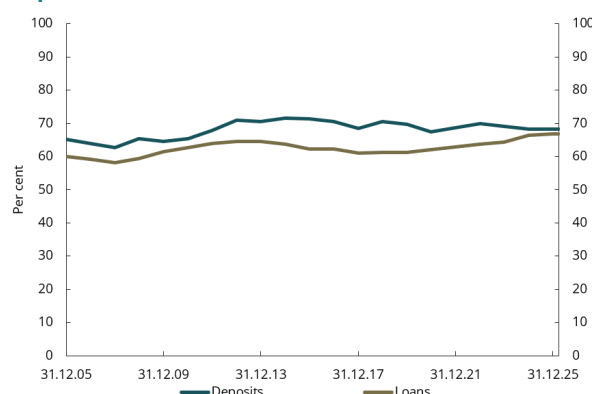
Banks with marginal volume are excluded. Source: Finanstilsynet

Market structure and concentration in the banking market

The Norwegian banking market consists of a few large and many medium-sized and small banks. The savings bank sector has long been undergoing consolidation, with mergers both between large and small banks and among small banks. The number of banks in the Norwegian market has thus decreased significantly, but there are still a large number of small savings banks operating locally. In recent years, several new banks have also been established, particularly targeting specific market niches.

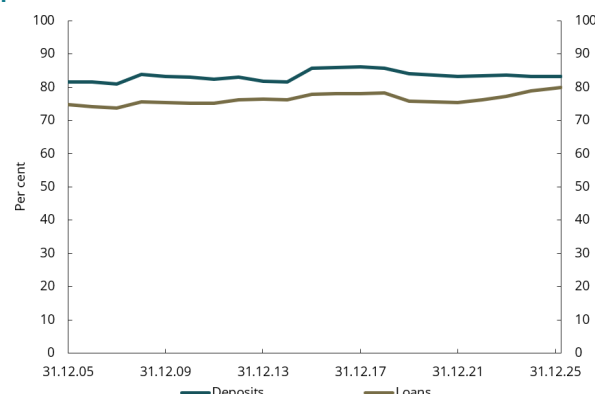
Foreign banks have a strong presence in the Norwegian market, mainly through branches of the largest Nordic banks. The market share of foreign banks is particularly high in the corporate market, where they account for about a third of lending volume. Norwegian banks have increased their market share over many years (chart 4.23). Norwegian banks' market share of deposits from corporate customers has been relatively stable in recent years.

Chart 4.23 Norwegian banks' market shares, corporate customers



Source: Finanstilsynet

Chart 4.24 Norwegian banks' market shares, personal customers



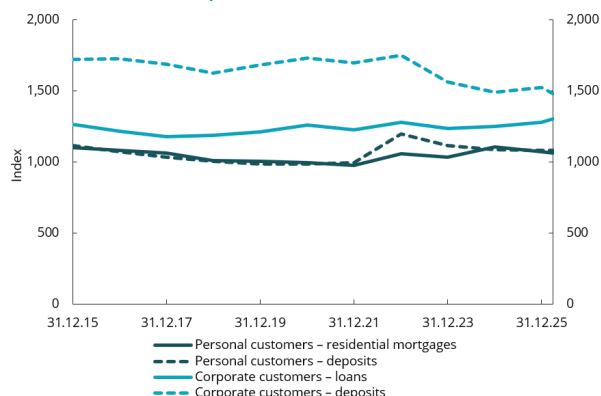
Source: Finanstilsynet

Norwegian banks' market shares are clearly higher for personal customers than for corporate customers. Norwegian banks' market share of lending has increased in recent years (chart 4.24). For deposits, Norwegian banks' market shares have declined somewhat. One explanation is that several consumer loan banks that are largely funded by deposits have moved out of Norway and operate as branches of foreign banks in the Norwegian market.

Concentration in the personal customer market, measured by the Herfindahl-Hirschman Index (HHI), decreased in the years leading up to 2021. DNB Bank's acquisition of Sbanken in 2022 and some

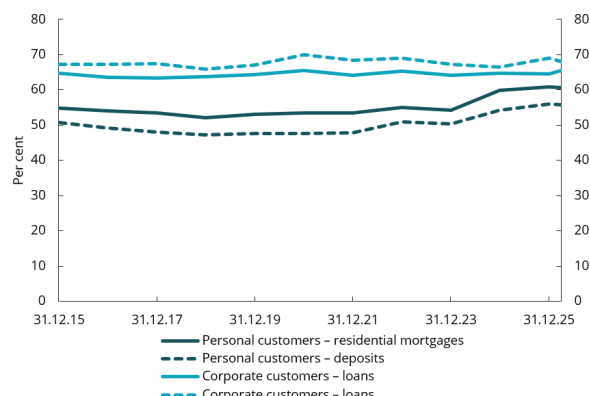
large mergers in the savings bank sector in recent years have contributed to bringing concentration in the personal customer market back to the level seen in 2016 (chart 4.25). There is higher concentration in the corporate market than in the personal customer market. This is particularly true for deposits, although concentration has decreased in recent years.

Chart 4.25 Concentration index (Herfindal-Hirschmann Index)



Source: Finanstilsynet

Chart 4.26 Total market shares of the five largest banks

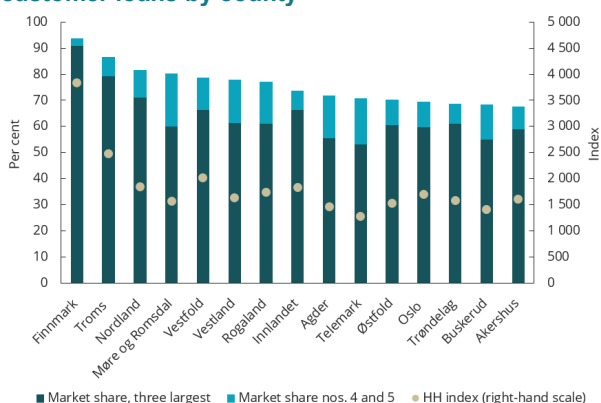


Source: Finanstilsynet

At the national level, the five largest banks have a combined market share of 60 per cent of residential mortgages to personal customers. This proportion has risen in recent years. The market share of deposits has also increased but is somewhat lower than for residential mortgages (chart 4.26). In the corporate market, the largest banks' total market share has been relatively stable for a long period and is higher than in the personal customer market.

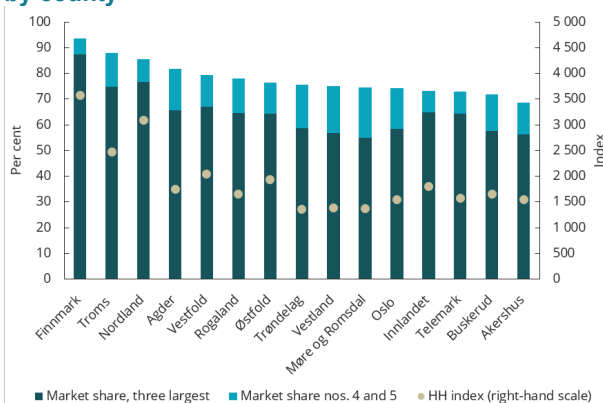
A large number of banks in Norway operate mainly in a limited geographical area, especially the traditional small savings banks. If there are large differences in the size of the customer base, it is to be expected that there will be fewer major players in a small market than in larger markets. This is illustrated in charts 4.27 and 4.28, which present market concentration at the county level and reveal significant differences between counties. The figures show aggregate market shares for the three and five largest banks in each county, respectively, along with the estimated concentration index (HHI). Concentration is highest in the three northernmost counties, with Finnmark standing out in particular across concentration measures and for both personal and corporate customers.

Chart 4.27 Market concentration for personal customer loans by county³⁵



Source: Finanstilsynet

Chart 4.28 Market concentration for corporate loans by county



Source: Finanstilsynet

In a market with an HHI of between 1 000 and 2 000, concentration is generally considered to be moderate, while lower levels indicate low market concentration. Based on this definition, no counties would be considered to have low market concentration. The majority of counties have an index

³⁵ For loans that a bank has transferred to partially owned covered-bond-issuing entities, the county distribution is assumed to mirror the bank's balance-sheet lending.

between 1 000 and 2 000. An HHI above 2 000 indicates high concentration. In the personal customer market, Finnmark, Troms and Vestfold all have an HHI higher than 2 000. For corporate customers, Nordland is also in this category, with a significantly higher concentration than for personal customers.

Securitisation in Norway

Securitisation refers to a process in which financial assets and associated cash flows are pooled and converted into transferable securities. The EU Securitisation Regulation was implemented into Norwegian law in 2025.

In traditional securitisation, a bank typically sells loans to a special purpose entity whose sole function is to own these loans and finance the purchase by issuing bonds. The special purpose entity uses the cash flows from the loans to service its bond debt. The bank uses securitisation to mitigate the risk associated with lending and to finance both existing and new lending.

Synthetic securitisation differs from traditional securitisation in that no loans are transferred from the bank. Instead, the bank purchases credit risk protection in defined, hypothetical tranches of a loan portfolio. Entities that provide such protection and receive remuneration for this can be considered equivalent to investors in tranches of a traditional securitisation. In such cases, the loans remain on the bank's balance sheet, but the bank can reduce its capital requirement for the underlying portfolio if significant credit risk related to the portfolio has been transferred.

According to the capital requirements framework, a reduction in capital requirements resulting from securitisation is conditional on an actual transfer of credit risk to a third party, assessed against the requirements set out in the relevant regulations and guidance, including the European Banking Authority's (EBA) [report on significant risk transfer](#).

The financial crisis in 2007–2009 revealed serious weaknesses in the securitisation markets, where rapid growth, complex and non-transparent structures, as well as adverse incentives, weak risk management and a strong reliance on external credit ratings, contributed to amplifying systemic risk and triggered a widespread loss of confidence that required extraordinary government intervention.

In [FSI Insights](#), BIS states that after the financial crisis, the markets for traditional securitisation contracted significantly worldwide due to reduced investor confidence. In Europe, issuance has since stabilised at modest levels, with a large portion of transactions being retained by the banks themselves, mainly for collateral and liquidity purposes. In the US, however, the market began to recover from 2014, driven by residential mortgage-backed securitisation through government-sponsored institutions and increased CLO issuance³⁶, before higher interest rates once again dampened activity from 2022.

The relatively limited role of securitisation in the EU can largely be explained by the strong position of covered bonds, which are given more favourable regulatory treatment and have become the most important market-based funding tool for European banks. At the same time, the use of synthetic securitisation has increased substantially after the financial crisis, particularly in the EU, as a means of achieving reduced capital requirements. The market is still small compared with traditional securitisation, but volumes have grown rapidly since 2016. [The BIS](#) estimates that at the end of 2024, synthetic structures protected underlying loans of over EUR 700 billion, equivalent to around 2.1 per cent of the total assets of EU credit institutions.

Although the market for synthetic securitisations remains relatively limited, its rapid growth has led to concerns about financial stability, especially if the market were to grow further (see reports from [the IMF](#), [BCBS](#), [BIS](#), and [ESRB](#) for further discussion). These types of transactions could increase the interconnectedness of the financial system, partly because investors often fund themselves through

³⁶ 'Collateralised loan obligations' (CLOs) are securitised instruments issued by a special purpose entity where the underlying loans are highly leveraged (typically syndicated loans from banks) and financed by the issuance of debt and equity tranches with different priorities. CLOs differ from many other securitisation structures in that they are actively managed by a CLO manager, who can normally buy and sell loans in the underlying portfolio within predetermined limits.

banks or other financial institutions. Risks transferred from banks to investors may thus partly return to the banking system, especially when the interconnections are complex and non-transparent. Unfunded synthetic securitisations, where no collateral is pledged for the protected tranche, for example in the form of cash, also entail counterparty risk for the banks and may lead to a concentration of risk on the investor side. Furthermore, capital freed up through synthetic securitisations may finance increased lending growth, dividend distributions or share buybacks, thereby increasing banks' overall leverage and vulnerability in downturns.

Synthetic securitisations also give rise to refinancing risk as maturing transactions must be rolled over to maintain the capital relief. During periods of market turmoil, this can lead to a sudden and pro-cyclical increase in capital requirements, particularly if the investor base is concentrated or there are significant mismatches between the maturity of the transaction and the maturity of the underlying assets. The capital relief may thus be reduced due to the amortisation of the transaction, while the underlying loans remain on the balance sheet or are refinanced.

Since the Securitisation Regulation was introduced in 2025, Finanstilsynet has assessed four transactions with significant risk transfer. Finanstilsynet is expected to receive and assess more notifications of significant risk transfer in 2026. Financial institutions that wish to recognise significant risk transfer shall submit a notification of such transfer to Finanstilsynet in accordance with [Finanstilsynet's guidance](#) (in Norwegian only).

With respect to institutions that have issued securitisation transactions, regardless of whether significant risk transfer is recognised, [Finanstilsynet will also assess](#) whether risks associated with securitisation are sufficiently covered in Pillar 1. Finanstilsynet expects the institutions to comply with all relevant requirements and have sound risk management and controls in place for the risks associated with securitisation.

STRESS TESTS OF NORWEGIAN BANKS

Finanstilsynet conducts annual stress tests to assess the impact of a severe economic downturn on Norwegian banks' capital adequacy. The stress test for 2026 shows that Norwegian banks could fall below the CET1 capital requirement during a severe stress.

Background for the stress test

In Finanstilsynet's annual stress tests of capital adequacy, the effect of various adverse incidents on the banks' profits and capital adequacy is estimated. The calculations illustrate how well banks will fare through such scenarios. The design of the stress tests seeks to capture the interaction between various risks present in the banks and in the economy as a whole. The calculations are based on the banks' financial statements and exposures. The projections are made by using the macroeconomic model NAM-FT.³⁷

The assessments in this chapter are based on a baseline scenario and a stress scenario. The two scenarios describe possible development paths for the Norwegian economy from 2026 to 2030. The scenarios do not represent forecasts of future developments. The probability of the stress scenario or an even more severe scenario occurring is relatively low, but not zero.

Norwegian economy

Baseline scenario

In the baseline scenario, developments in the Norwegian and global economies are largely consistent with the forecasts in Statistics Norway's Economic Survey 1/2026 and Norges Bank's Monetary Policy Report 1/2026.

Table 5.1 Developments in key international variables. Annual growth in per cent unless otherwise stated

		2025	2026	2027	2028	2029	2030
Foreign consumer prices (trade weighted)	Baseline	2.5	2.5	2.2	2.1	2.0	2.0
	Stress	2.5	5.8	7.6	7.3	5.3	4.0
European 3-month money market rate (Euribor, level)	Baseline	2.2	2.4	2.9	2.8	2.8	2.9
	Stress	2.2	3.3	6.1	6.7	5.7	4.4
Oil price in USD (level)	Baseline	69	87	78	75	73	72
	Stress	69	117	136	115	83	72
Export market indicator (trade weighted)	Baseline	4.1	1.9	1.8	1.9	2.0	2.0
	Stress	4.1	-8.7	-6.6	1.3	5.1	2.0

Sources: Statistics Norway and Finanstilsynet

Consumer price inflation in both Norway and internationally slows in the baseline scenario (table 5.1 and chart 5.1). International money market rates are assumed to rise during the projection period. Inflation in Norway is expected to be close to Norges Bank's inflation target at the end of the projection period. It is assumed that Norges Bank will lower its policy rate in line with the central bank's policy rate path, as set out in the Monetary Policy Report 1/2026. The banks' average lending rate rises in step with international money market rates at the start of the period but falls towards the end (chart 5.2). GDP growth for mainland Norway is moderate throughout the projection period (chart 5.3). Unemployment (LFS) falls slightly but remains just over 4 per cent (chart 5.4). Developments in public demand are assumed to be in line with the projections in Statistics Norway's Economic Survey 1/2026. House prices are assumed to grow during the period (chart 5.5). Commercial real estate prices are assumed to end the projection at about the same level as they started (chart 5.6).

³⁷ NAM-FT is based on the Norwegian Aggregate Model (NAM) and has been developed specifically with a view to stress testing of banks and analysis of financial stability. NAM was developed by Professor Gunnar Bårdsen (Norwegian University of Science and Technology) and Professor Ragnar Nymoen (University of Oslo). Documentation of NAM can be found at ³⁷Normetrics.no.

Chart 5.1 Consumer price index in Norway, year-over-year growth

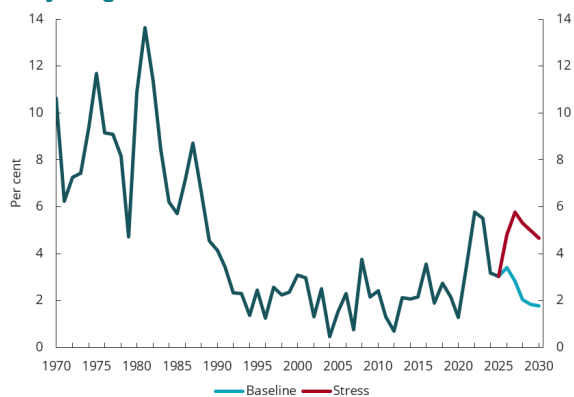


Chart 5.2 Banks' average lending rate

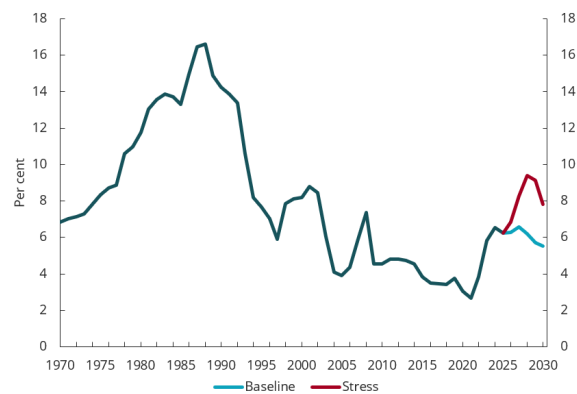


Chart 5.3 GDP for mainland Norway, year-over-year growth

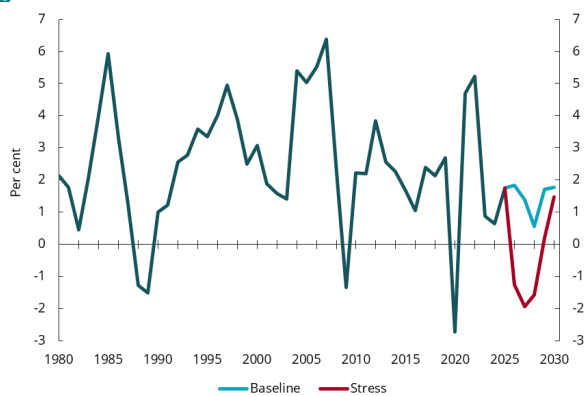


Chart 5.4 Unemployment (LFS)

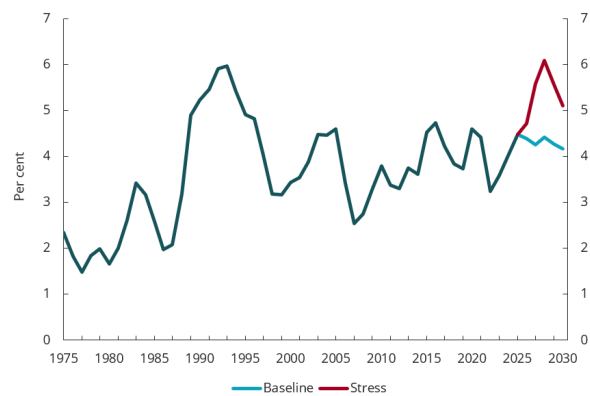


Chart 5.5 House prices

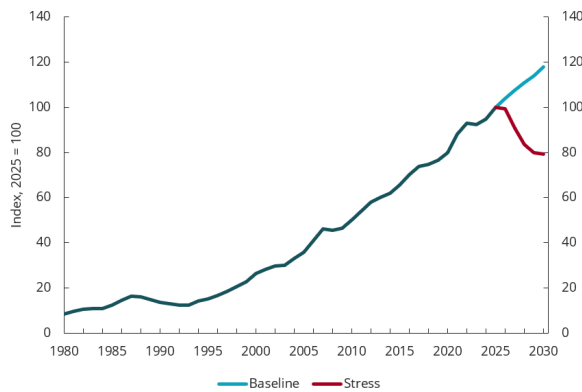


Chart 5.6 Commercial property prices

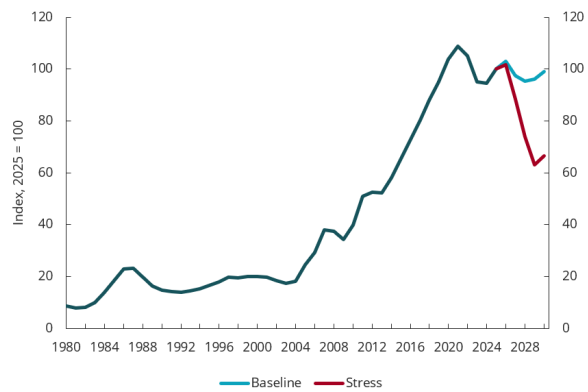
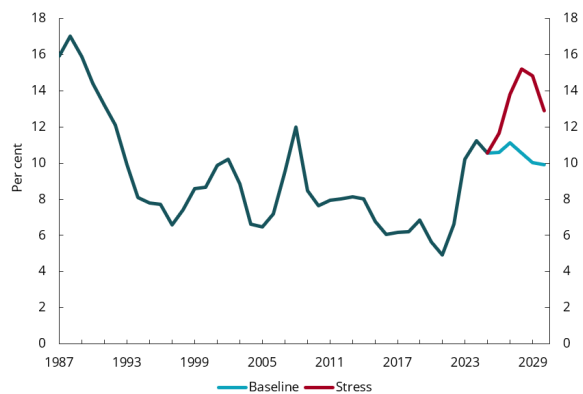


Chart 5.7 Household debt burden



Chart 5.8 Household interest burden



Sources: Statistics Norway, Finanstilsynet, Dagens Næringsliv, OPAK and Entra

Households' debt burden declines during the projection period, from 213 per cent in 2025 to 200 per cent in 2030 (chart 5.7). Households' interest burden³⁸ is reduced to just below 10 per cent in 2030 (chart 5.8). Banks' losses on loans remain low during the projection period in both the personal customer and corporate markets.

Stress scenario

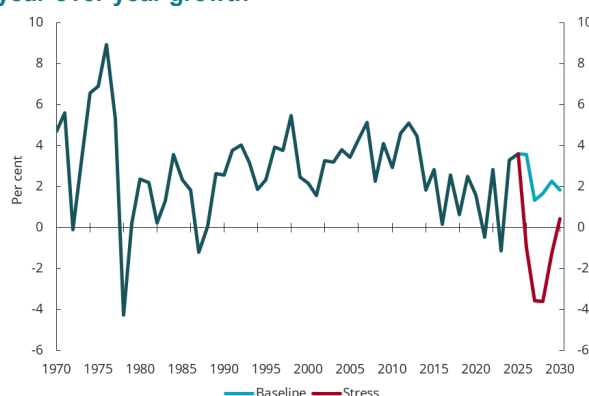
The stress scenario assumes significant geopolitical turmoil throughout the projection period, with increasing fragmentation and heightened trade barriers in the form of tariffs and blockades. This results in a marked weakening of supply chains, a pronounced decline in international trade and widespread shortages alongside steep increases in commodity prices. The price of oil continues to rise from USD 69 per barrel in 2025 to USD 136 per barrel in 2027. There are mounting inflationary pressures both internationally and in Norway. International inflation (trade weighted) is assumed to rise from 2.5 per cent in 2025 to 7.6 per cent in 2027 (table 5.1). Central banks are expected to raise their policy rates in an effort to curb inflation, and risk premiums in the money and bond markets increase. This results in higher market rates, repricing in the financial and property markets and a setback in the global real economy.

Norway is strongly affected by international developments and experiences a substantial decline in foreign demand, higher import prices and increased tariffs on export goods. Exports of traditional goods and services therefore fall steeply (chart 5.11), contributing to a reduction in corporate investment and mainland GDP, as well as rising unemployment. Increased revenues from oil exports are transferred to the Government Pension Fund Global and will not lead to higher investment in the petroleum sector.

In the stress scenario, consumer price inflation is up from 3.0 per cent in 2025 to 5.8 per cent in 2027 (chart 5.1). The Norwegian money market rate (3-month NIBOR) rises from 4.4 per cent in 2025 to 7.9 per cent in 2028. The banks' average lending rate is up from 6.2 per cent to 9.4 per cent during the same period (chart 5.2).

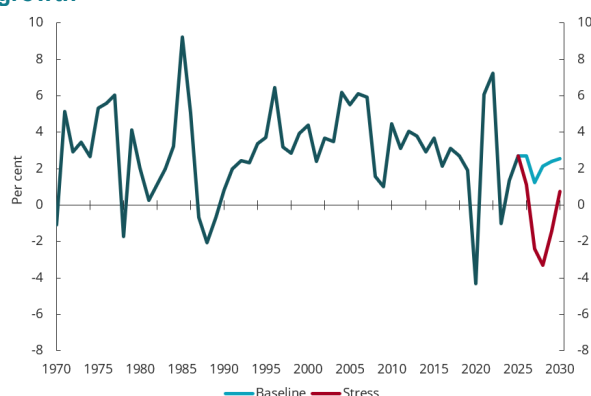
Such an interest rate increase has major consequences for Norwegian households due to their high level of debt and the fact that more than 95 per cent of household debt carries floating interest rates. Households' interest burden rises from 10.6 per cent in 2025 to 15.2 per cent in 2028 (chart 5.8). This is higher than the interest burden during the global financial crisis and almost as high as the level during the late 1980s. The interest burden thereafter declines to 12.9 per cent in 2030. Higher lending rates also have a strong impact on firms, whose interest burden increases from 13.0 per cent in 2025 to 19.9 per cent in 2028.

Chart 5.9 Households' real disposable income, year-over-year growth



Sources: Statistics Norway and Finanstilsynet

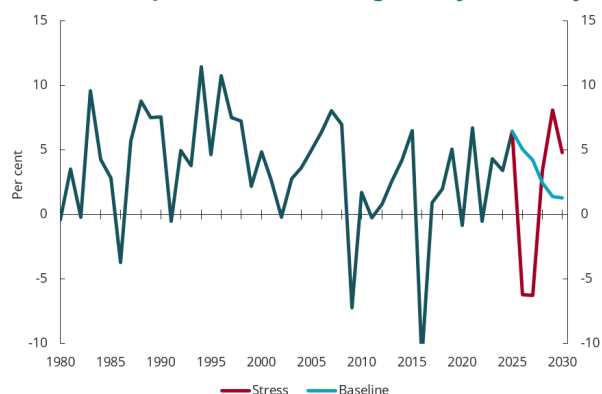
Chart 5.10 Private consumption, year-over-year growth



Sources: Statistics Norway and Finanstilsynet

³⁸ The interest burden is interest expenses in per cent of the sum of interest expenses and disposable income excluding dividends received.

Chart 5.11 Exports of traditional goods, year-over-year growth



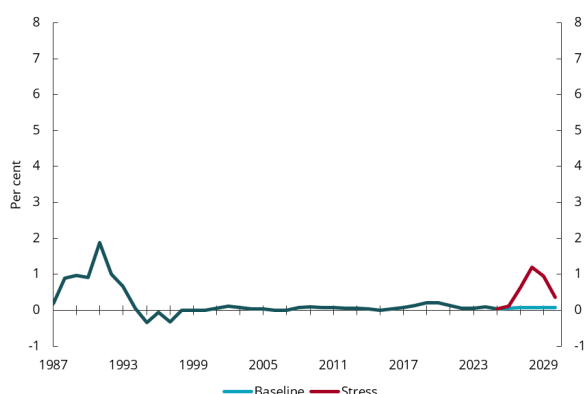
Sources: Statistics Norway and Finanstilsynet

Income growth exceeds the increase in household debt during the projection period, and the debt burden is reduced from 213 per cent in 2025 to 196 per cent in 2030 (chart 5.7).

Households' real disposable income declines in the first few years of the stress scenario, reflecting a higher interest burden, lower employment levels and a reduction in real wages (chart 5.9). This leads to a fall of 7 per cent in private consumption from 2026 to 2029 (chart 5.10). Combined with the decline in mainland exports and in corporate investments, this puts a significant damper on economic activity in Norway. Reduced demand for finished products, rising input costs and higher interest expenses lead to a pronounced decline in corporate profitability. Public demand and exports of oil and gas are kept unchanged from the baseline scenario.³⁹ GDP for mainland Norway declines by 4.7 per cent from 2025 to 2028 before rising by 1.7 per cent from 2028 to 2030 (chart 5.3). Unemployment (LFS) increases from 4.5 per cent in 2025 to 6.1 per cent in 2028 and declines to 5.1 per cent in 2030 (chart 5.4).

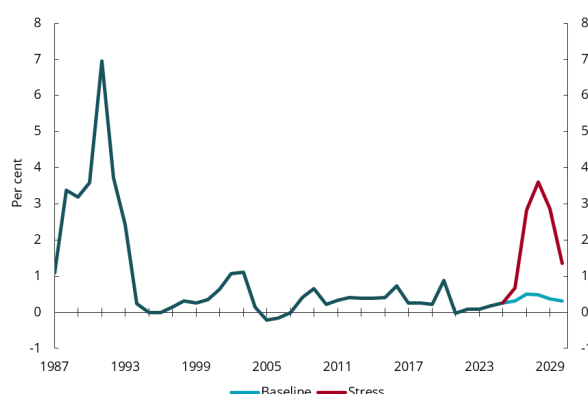
The economic downturn in Norway results in a pronounced fall in prices of residential and commercial property. Measured as an annual average change, house prices are down 21 per cent in nominal terms during the projection period, while commercial property prices are reduced by 38 per cent from their highest level in 2026 to their lowest level in 2029 (charts 5.5 and 5.6).⁴⁰ Overall, there is a decline of 44 per cent in the Norwegian stock market from 2025 to 2028.

Chart 5.12 Banks' losses on loans to personal customers



Source: Finanstilsynet

Chart 5.13 Banks' losses on corporate loans



Source: Finanstilsynet

³⁹ No fiscal policy measures are assumed to be implemented in response to the stress scenario, such as increased transfers to households and firms or a rise in public demand. This is a common assumption in stress tests of bank solvency, as the purpose is to analyse whether banks are adequately capitalised to withstand a severe economic downturn regardless of economic policy.

⁴⁰ By way of comparison, house prices in Norway fell by 24 per cent in nominal terms (measured as a change in the annual average) from 1987 to 1992. During the same period, prices of office premises were down 40 per cent.

Banks' losses on loans to both personal customers and firms rise in the stress scenario. Losses on corporate loans increase the most and represent the highest volumes (charts 5.12 and 5.13). Accumulated losses on corporate loans during the period come to 11.3 per cent of lending to this sector. For loans to personal customers, accumulated losses represent 3.3 per cent. Losses in the stress scenario are high but clearly lower than the banks' losses during the banking crisis in the early 1990s. In the five-year period from 1988 to 1992, banks' losses on corporate loans came to 20.8 per cent and losses on loans to personal customers 5.7 per cent.

In the macroeconomic model NAM-FT, banks' loan losses are estimated on the basis of historical data covering the period 1987 to 2025. Household debt in 2026 is considerably higher than during the Norwegian banking crisis. In the stress scenario, households' interest burden increases to a level not observed since the late 1980s parallel to a rise in unemployment. In such a scenario, banks' losses on loans to households may be higher than projected. Losses on loans to non-financial corporations may also exceed the level in the stress scenario.

Developments in banks' financial results and capital adequacy

The banks' results in the baseline scenario

Due to strong profitability and low loan losses, the banks record good results in the baseline scenario. Developments in net interest income in per cent of average total assets mirror the trend in the NAM-FT banking module and remain more or less constant throughout the period. Additional assumptions are a dividend payout ratio of 60 per cent and total tax on profits of 25 per cent.

On account of the strong results and high profits, the banks' common equity Tier 1 (CET1) capital increases throughout the period. For the aggregate bank (the largest banking groups combined), the CET1 capital ratio increases from 17.81 per cent in 2025 to 19.76 per cent in 2030.⁴¹ The leverage ratio widens from 7.08 per cent in 2025 to 7.74 per cent in 2030.

Assumptions underlying the stress test

High inflation and elevated risk premiums push up policy rates and market rates in Norway and abroad, leading to higher funding costs for Norwegian banks. It is also assumed that intensified competition for bank customers results in higher deposit rates. Lending rates are assumed to increase less than deposit and wholesale funding rates, partly due to weaker debt-servicing capacity among non-financial corporations and households. This contributes to a narrower interest margin for the banks and lower net interest income.

Developments in key figures are in line with those in the banking module of NAM-FT. Net interest income in per cent of average total assets declines cumulatively by a total of 25 per cent over the first three years, before increasing by 2 and 6.4 per cent, respectively, in the final two years of the period. Net commission and fee income in per cent of average total assets is down 10 per cent in the first year and remains relatively constant during the remainder of the stress period. Administrative expenses follow the wage growth figures in NAM-FT and rise by an average of 2.5 per cent a year.

In consequence of the fall in stock markets and higher market rates, values in the banks' equity and bond portfolios decline. The changes in value are recognised in the income statement during the period. Other operating income, dividends and depreciation are unchanged. A slight increase in risk weights is also assumed in reflection of heightened economic uncertainty.

The assumptions concerning the payout ratio and total tax on profits are the same as in the baseline scenario. In years with a net loss, dividends and tax are set to zero. Furthermore, it is assumed that the banks will not make any strategic moves or inject new equity from their owners during the stress period.

⁴¹ The increase in capital adequacy supports stronger credit growth, but this effect is not modelled in NAM-FT. Profits after tax therefore only affect the banks' equity.

Stress test results for Norwegian banking groups

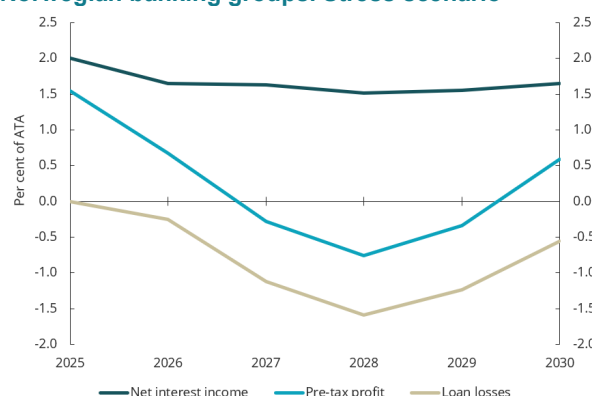
Finanstilsynet's stress test includes all Norwegian banks. The stress test for banking groups encompasses the 18 largest banks in Norway. Branches of foreign banking groups are not covered by the stress test.

For the aggregate bank, the aggregate of the banking groups in the sample, net interest income in per cent of total assets declines from 2.0 per cent in 2025 to a minimum of 1.52 per cent in the stress period in 2028 and thereafter rises to 1.65 per cent in 2030. Net commission and fee income in per cent of total assets is reduced from 0.46 per cent in 2025 to 0.41 per cent in 2026 and remains fairly stable for the rest of the period.

High losses on loans to personal and corporate customers result in significant costs for the banks. For the aggregate bank, loan losses will be at their highest in 2028 at 1.59 per cent of average total assets. Losses in the aggregate bank's trading portfolio peak in 2027 and are estimated at 0.15 per cent of average total assets.

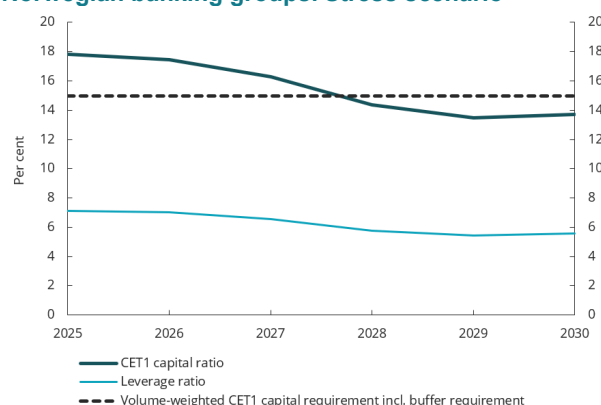
Taken together, these effects result in a pre-tax loss in the years 2027, 2028 and 2029. Pre-tax profits in per cent of total assets decline from 1.54 per cent in 2025 to a low of minus 0.76 per cent in 2028 (chart 5.14). The negative results reduce equity and result in a lower level of CET1 capital. The CET1 capital ratio narrows from 17.82 per cent in 2025 to a low of 13.48 per cent in 2029 (chart 5.15). The leverage ratio decreases from 7.09 per cent in 2025 to a minimum of 5.44 per cent in 2029.

Chart 5.14 Profits and main profit components. Norwegian banking groups. Stress scenario



Source: Finanstilsynet

Chart 5.15 Developments in capital adequacy ratios. Norwegian banking groups. Stress scenario

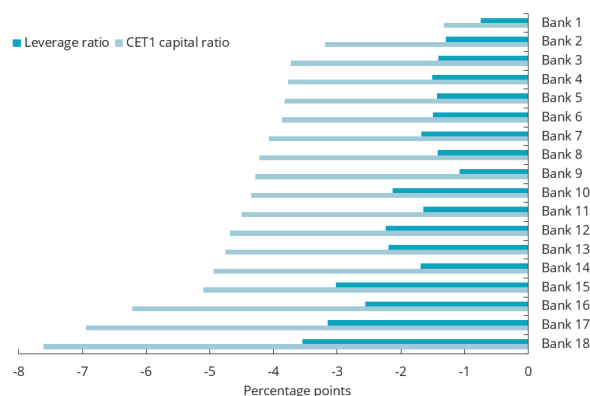


Source: Finanstilsynet

Chart 5.16 shows developments in CET1 capital ratios, from 2025 to the minimum level, for banks included in the aggregate bank. 12 of the 18 banks included in the aggregate bank fall below the CET1 capital requirement. If the countercyclical capital buffer is set at zero, three of the 18 banks will fall below the CET1 capital requirement.

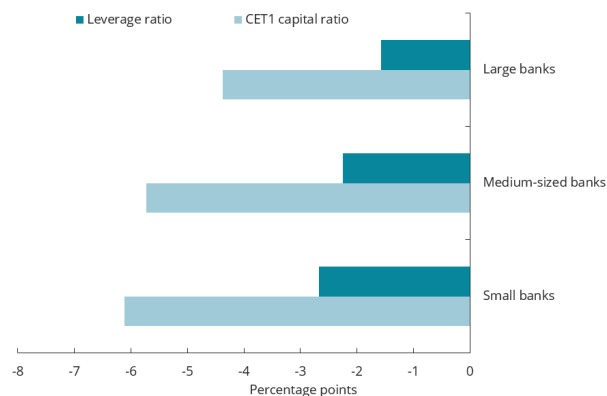
Variations in the banks' results reflect their different starting points. Banks with higher CET1 capital ratios and higher earnings are relatively less affected in the stress scenario than banks with lower CET1 capital ratios and lower earnings. In addition, banks with a higher probability of default in their corporate portfolio or a higher share of corporate loans will account for a relatively higher share of loan losses than banks with a lower probability of default or a lower share of corporate loans.

Chart 5.16 Change in capital adequacy from 2025 to the minimum level. Norwegian banking groups. Stress scenario



Source: Finanstilsynet

Chart 5.17 Change in capital adequacy from 2025 to the minimum level. Banking groups. Stress scenario



The banking groups comprise all the banks included in the stress test and are categorised by total assets. The 'Large banks' group consists of the six largest banks. Source: Finanstilsynet

Stress test results for other Norwegian banks

Other Norwegian banks (75 in total) mainly comprise small and medium-sized savings banks. The capital adequacy of these institutions is stress tested at single company level (parent bank). The same macro scenarios and largely the same methodology as for banking groups are used.

The aggregate for other Norwegian banks (the parent bank) shows a net pre-tax loss in the years 2027, 2028 and 2029. Pre-tax profits decline from 1 per cent of total assets in 2025 to minus 1.02 per cent in 2028. This weakens the CET1 ratio, which is down from 25.45 per cent in 2025 to 19.31 per cent in 2029, i.e. 6.14 percentage points. The leverage ratio is reduced from 10.2 per cent to 8.09 per cent in 2029.

Ten of the 75 banks fall below the CET1 capital requirement. If the countercyclical capital buffer is set at zero, eight of the 75 banks will not meet the requirement. The results reflect that many small and medium-sized banks have a high CET1 capital ratio and are well above the required level. This means that the banks are better able to absorb significant loan losses.

INSURERS AND PENSION FUNDS

Satisfactory solvency ratio

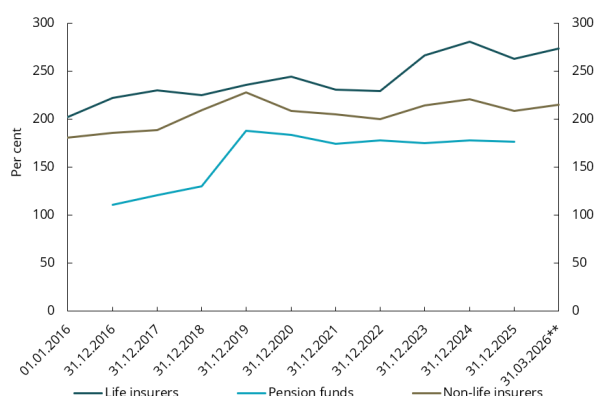
Overall, Norwegian insurers and pension funds have a satisfactory solvency position (chart 6.1). At end-March 2026, life insurers' solvency ratio was 273 per cent. This is 9 percentage points lower than at end-March 2025 and 11 percentage points higher than at year-end 2025. The increase in the first quarter of 2026 is partly due to higher interest rates and increased volatility adjustment as well as lower symmetric adjustment of the equity price shock in the solvency capital calculation. Most Norwegian life insurers use EIOPA's volatility-adjusted interest rate curve, which results in an add-on to the risk-free interest rate and gives an increase in the interest rate used to calculate the present value of insurance obligations. The symmetric adjustment of the equity price shock implies that the capital requirement for equities is reduced following periods of market decline and increased following periods of significant market recovery.

At year-end 2025, pension funds' solvency ratio was 176 per cent, down 2 percentage points from the previous year, reflecting a larger increase in the solvency capital requirement than in own funds. For private pension funds, the solvency ratio was 183 per cent as at 31 December, down from 188 per cent a year earlier, while it was 169 per cent for municipal pension funds, up 2 percentage points from 2024. Pension funds with total assets in excess of NOK 10 billion (13 pension funds) report their solvency ratios every quarter. For these, the total solvency ratio rose by 6 percentage points to 185 per cent at end-March 2026, partly as a result of lower capital requirements for equity risk.

The profitability of pension institutions (life insurers and pension funds) was somewhat lower in 2025 than in 2024 following a period of improvement. The return on life insurers' collective portfolio was 7.0 per cent in 2025, compared with 7.3 per cent in 2024 (chart 6.2). The return on the unit linked portfolio was down 3 percentage points to 11.8 per cent, which is still the second highest return in the last ten years. The decline can mainly be explained by somewhat lower income from equity investments. Life insurers' pre-tax profits represented 0.5 per cent of average total assets in 2025, the same as the previous year. Pension funds' return showed a similar development.

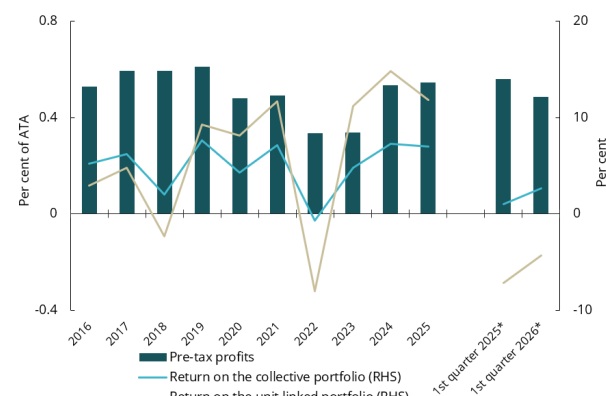
In the first quarter of 2026, adverse developments in international stock markets remained the main factor behind the weaker returns, partly due to the outbreak of war in the Middle East and rising energy and oil prices. The return on the collective portfolio was 2.7 per cent, while there was a negative return of 4.3 per cent on the unit linked portfolio.

Chart 6.1 Solvency ratios of insurers and pension funds⁴²



* Assuranceforeningen Skuld has a diverging financial year and has been excluded for this period. Source: Finanstilsynet

Chart 6.2 Life insurers' profits and returns⁴³



*Annualised return. Source: Finanstilsynet

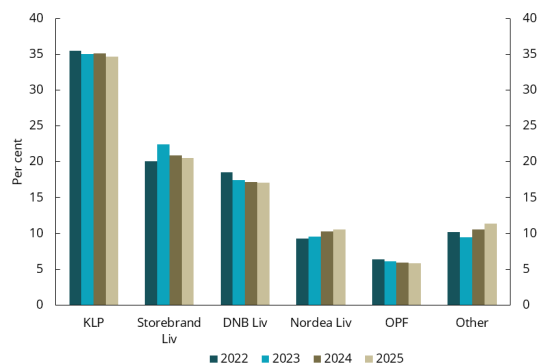
Concentrated life insurance market and uneven competition across products

The life insurance market is characterised by a high concentration of activities in the management of private and municipal occupational pension schemes, where employers are the customers. The investment horizon is long, and life insurers manage sizeable funds. The market is dominated by a limited number of players (chart 6.3). Pension funds also manage pension schemes, but for specific enterprises and municipalities, etc., and an important driver of competition is that portfolios can be transferred to life insurers, or that new pension funds can be established for schemes managed by life insurers.

A large part of the market consists of guaranteed pension products, for which the transfer market is limited. There has been little competition for these products since 2012.

There are several players in the defined-contribution pension market, but there has been some consolidation in the market.

Chart 6.3 Market shares within life insurance in per cent of total assets



Source: Finanstilsynet

Growth in life insurers' investments

Life insurers' assets mainly comprise long-term investments in various sectors and different types of instruments. At end-March 2026, the total value of their investments was NOK 2 632 billion, an

⁴² The requirement for a solvency ratio above 100 for pension funds was introduced on 1 January 2019. The basis of the calculations was also changed.

⁴³ The references to book and adjusted returns have been removed from the Regulations on the calculation of return on the collective portfolio of life insurers as a result of the introduction of regulations on the implementation of rules on buffer funds for private guaranteed pension products. Consequently, as from 1 January 2024, only one return shall be calculated for the collective portfolio, corresponding to the previous adjusted return.

increase of 10 per cent since 2024. Of this, NOK 1 653 billion was invested in the collective and corporate portfolios and NOK 979 billion in the unit linked portfolio. There are significant differences in the distribution on asset classes between unit linked portfolios and portfolios without investment choice. Bonds, including debt funds, account for the largest share of investments in the collective and corporate portfolios (43 per cent) (chart 6.4).

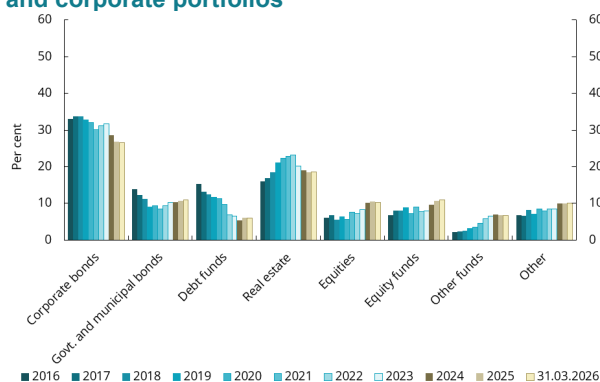
At end-March 2026, life insurers' equity investments (excluding equity funds) totalled NOK 342 billion, representing 21 per cent of the collective and corporate portfolios. Equity investments consist of equity interests in subsidiaries, etc. (56 per cent) and other equities (44 per cent). Equity interests in subsidiaries are primarily in real estate companies. In charts 6.4 and 6.5, real estate is presented as a separate asset class.

Investments in subsidiaries and associated companies amounted to NOK 190 billion, most of which is in real estate subsidiaries, etc. (NOK 169 billion) with property in Norway, Sweden and Denmark. Life insurers also have subsidiaries in the banking and insurance sectors. Other equity investments came to NOK 152 billion, of which US equities constituted 53 per cent, followed by Norwegian and Japanese equities.

Equity investments in the US totalled NOK 80 billion, of which the 15 largest investments represented 43 per cent. The largest technology companies (the so-called 'Magnificent 7') accounted for 32 per cent of life insurers' total US investments. Investments in Norwegian equities came to NOK 30 billion, of which the 15 largest investments accounted for 63 per cent.

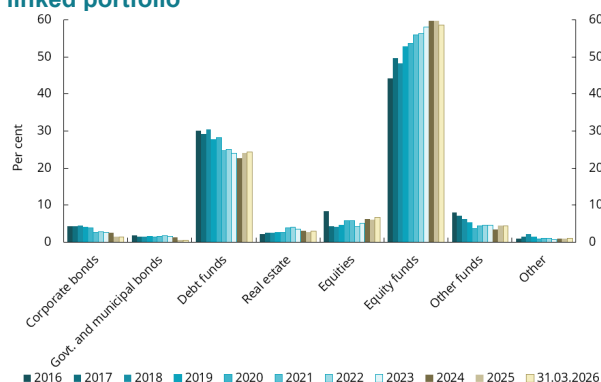
Values in the unit linked portfolio increased by a total of 17 per cent in 2025 and the first quarter of 2026, driven by funds contributed by policyholders and positive returns in the financial markets in 2025. The transition to defined-contribution pension schemes means that members of the pension schemes increasingly choose the allocation and bear the investment risk themselves. Equities, including equity funds, constituted a major part of investments in the unit linked portfolio at 65 per cent at end-March 2026 (chart 6.5). Since 2016, the proportion of equities has risen by 13 percentage points.

Chart 6.4 Life insurers' investments in the collective and corporate portfolios



Source: Finanstilsynet

Chart 6.5 Life insurers' investments in the unit linked portfolio



Source: Finanstilsynet

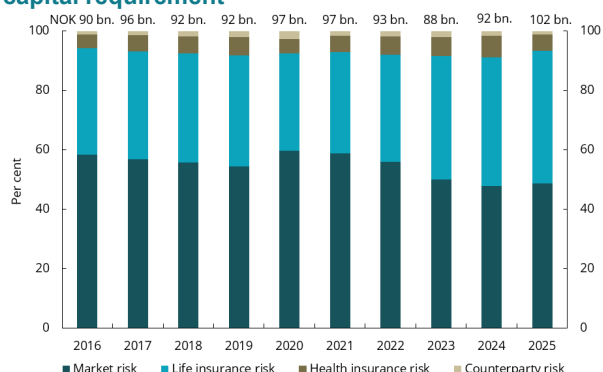
Higher equity risk in pension institutions

Life insurers are exposed to market risk through investments in bonds, equities and real estate, as well as through insurance obligations, including the guaranteed rate of return on guaranteed products. In 2025, market risk constituted 49 per cent of total risk (before deducting diversification effects) and was the largest risk component of the solvency capital requirement for life insurers (chart 6.6). Life insurance risk accounted for 45 per cent of total risk, up 2 percentage points from year-end 2024. Health insurance risk declined by 2 percentage points, while counterparty risk was limited and virtually unchanged, partly due to the high creditworthiness of counterparties.

Equity risk remained the largest contributor to market risk for life insurers at year-end 2025 after rising by 4 percentage points through the year, to 44 per cent of total market risk (before diversification) (chart 6.7). The increase is partly attributable to the positive stock market trend in 2025, which pushed up the market value of the equity portfolio, and to a higher stress factor in the calculation of the capital requirement (equity price shock).⁴⁴ The adjustment mechanism amplifies the equity price shock when equity indices are high relative to the three-year average and moderates it when the indices are low.

For pension funds, market risk also accounted for the largest share of total risk (before diversification) at 88 per cent at year-end 2025. The capital requirement for equity risk represented the far largest market risk at 55 per cent of total market risk (before diversification), followed by currency risk at 15 per cent.

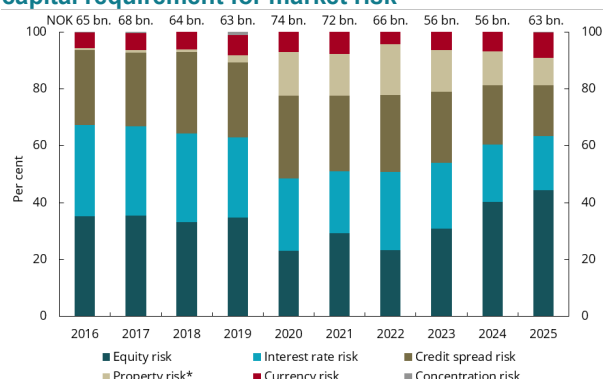
Chart 6.6 Breakdown of life insurers' solvency capital requirement*



* Before deducting diversification effects.

Source: Finanstilsynet

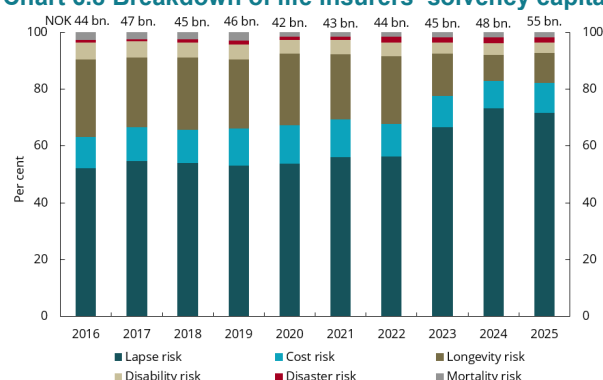
Chart 6.7 Breakdown of life insurers' solvency capital requirement for market risk*



* Before deducting diversification effects. The increase in property risk and the reduction in equity risk as from 2020 are mainly a consequence of regulatory changes whereby investments in related real estate companies are no longer treated as equity risk when calculating insurers' solvency capital requirement but as property risk. Source: Finanstilsynet

Lapse risk includes the risk that policyholders move their contracts, constituted the largest insurance risk, accounting for 72 per cent of total life insurance risk before diversification at year-end 2025 (chart 6.8). Lapse risk relates to products where the funds available to the policyholder when transferring to another insurer (transfer value) are higher than the technical provisions under Solvency II and arises, among other things, on unit linked products and one-year risk products.

Chart 6.8 Breakdown of life insurers' solvency capital requirement for insurance risk*



* Before deducting diversification effects. Source: Finanstilsynet

⁴⁴ The equity price shock was amplified from 42 per cent for listed equities in OECD countries and 52 per cent for other equities as at 31 December 2024, to 47 and 57 per cent, respectively, as at 31 December 2025. The adjustment mechanism in the equity price shock implies that the shock varies from quarter to quarter depending on prior equity price developments, with the adjustment ranging up to +/- 10 percentage points from the standard shocks of 39 and 49 per cent, respectively.

Guaranteed pension products. Introduction of rules on conditional equity contributions, etc.

Guaranteed pension products are contracts under which the insured is entitled to a specified annual pension benefit from the time of retirement. The premiums are paid based on the assumption of an annual (guaranteed) return. Guaranteed products include municipal pension schemes, private defined-benefit pension schemes and paid-up policies. For paid-up policies in particular, totalling NOK 450 billion in technical provisions, life insurers have pursued a low-risk investment strategy for the pension assets. This has resulted in low returns and limited pension indexation for holders of paid-up policies.

The Storting (Norwegian parliament) has adopted rules on so-called conditional equity contributions as a measure to increase pension providers' incentives to take investment risk. Conditional equity contributions entail that any shortfall in returns in a given year may be covered by allocating future returns to the pension provider that would otherwise have been credited to policyholders, instead of being charged permanently to the provider's equity.

Through the introduction of conditional equity contributions, investment risk will be transferred from the provider to policyholders. Under current market conditions, where the risk-free market interest rate is above the guaranteed return, conditional equity contributions are expected to both bring down life insurers' solvency capital requirements for market risk and reduce estimated technical provisions. Seen in isolation, this will increase life insurers' solvency ratio. The effect of conditional equity contributions will depend on prevailing market conditions. In situations with lower market interest rates, the effect will be reduced, and life insurers' solvency capital requirements will increase. The undertakings must take such scenarios into account in their capital planning and their assessments of dividend payments.

The purpose of introducing the new regulations is to ensure a higher expected return for policyholders with guaranteed pension products by using the undertakings' enhanced risk-bearing capacity to raise the investment risk on policyholders' funds. To monitor how pension providers change their risk-taking in asset management, the conditional equity contribution scheme will be evaluated by 2030.

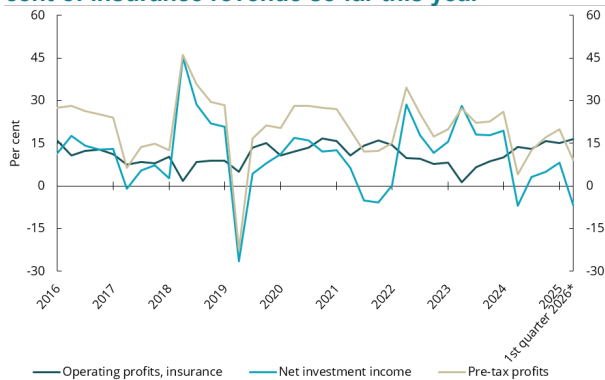
Improved profitability within non-life insurance

Non-life insurers' total solvency ratio was 208 per cent at year-end 2025, which is 12 percentage points lower than at year-end 2024 (chart 6.1). The decrease is due, among other things, to one insurer reducing its reinsurance share during the period. At end-March 2026, non-life insurers' solvency ratio was 215 per cent. Developments are partly driven by positive results and a reduction in the solvency capital requirement.

Non-life insurers combined generated lower pre-tax profits in 2025 than in 2024 (chart 6.9), mainly due to lower investment income. At the same time, operating profits from insurance business in per cent of insurance revenue climbed from 10.1 to 15.0 per cent in 2025. The net combined ratio declined from 90 to 85⁴⁵ per cent (chart 6.10). The last time the combined ratio was at a similarly low level was in 2021 and 2022, a period characterised by more sluggish activity because of the Covid-19 pandemic. The decrease in the combined ratio is solely due to a lower claims ratio⁴⁶, driven by higher premium income, a lower claims frequency and fewer large claims in 2025. In the first quarter of 2026, falling equity prices contributed to negative investment income and a decline in pre-tax profits, while profitability from insurance business increased compared with 2025.

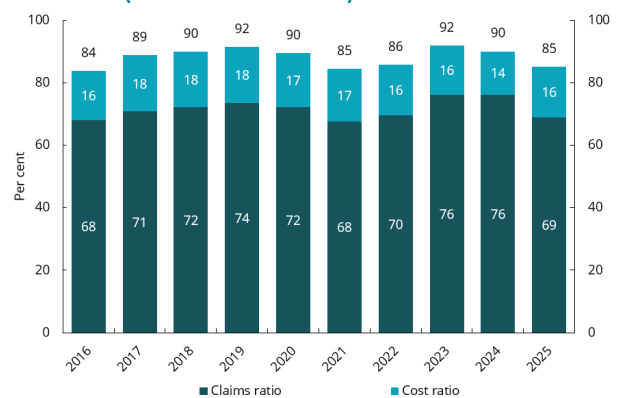
⁴⁵ The claims ratio shows claims payments for own account as a share of premium income for own account, while the cost ratio shows operating expenses as a share of premium income for own account.

Chart 6.9 Overall profits of non-life insurers. Per cent of insurance revenue so far this year



* Assuranceforeningen Skuld has a diverging financial year and has been excluded for this period. Source: Finanstillsynet

Chart 6.10 Non-life insurers' total claims ratio and cost ratio (net combined ratio)



Source: Finanstillsynet

Several lines of business within non-life insurance have seen an improvement in profitability. 'Fire and other property damage' is the largest line of business (chart 6.11). The claims ratio for this line of business was reduced from 73 per cent in 2024 to 63 per cent in 2025 and is now at a ten-year low (chart 6.12). This development is mainly driven by price increases in connection with contract renewals. Earned premiums for own account are up 19 per cent, while claims incurred have risen by only 3 per cent compared with the previous year. The same development can be seen in the 'Other motor insurance' line of business. The claims ratio is down 13 percentage points, which is due to a 20 percentage point increase in earned premiums. Claims payment expenses are at approximately the same level as in 2024.

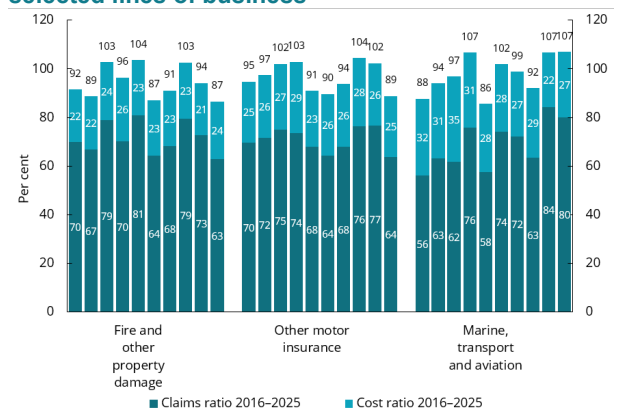
Although part of the increase in premiums reflects a higher claims frequency and claims payments and, in isolation, weighs on profitability, the insurance service result remains high compared with previous years (chart 6.9). At the same time, there is significant variation in the undertakings' profitability. Developments in premiums may affect financial inclusion and access to non-life insurance products providing significant benefits to society, especially if rising premiums over time reduce access for households and businesses. In future, Finanstillsynet will pay increased attention to developments in premiums and profitability.

Chart 6.11 Non-life insurance by lines of business. Per cent of gross earned premiums. 2025



Source: Finanstillsynet

Chart 6.12 Net combined ratio for own account for selected lines of business



Source: Finanstillsynet

The greatest risk for non-life insurers overall is insurance risk (non-life and health insurance risk), which accounted for 65 per cent of the basic solvency capital requirement before diversification effects and capital add-ons (chart 6.13). Furthermore, market risk and counterparty risk accounted for 31 per cent and 4 per cent of the basic solvency capital requirement, respectively. These percentages have been stable in recent years.

Heightened war risk in the Middle East

Finanstilsynet supervises Norwegian maritime insurers. The US and Israeli attack on Iran led to a marked increase in operational and insurance risk. As a result of reinsurers withdrawing their war risk coverage, several Norwegian marine insurers have issued notices of cancellation of commercial war risk insurance or have warned that such cancellations may be forthcoming. The measures primarily relate to war risk and do not affect standard third-party liability insurance for shipowners (P&I cover) or mutual and member-based covers. The measures entail cancellation of war risk coverage at short notice as well as the possibility of offering new, time-limited coverage on changed terms. Such coverage is offered after cancellation and is dependent on availability and prices in the reinsurance market.

In such situations, Finanstilsynet maintains close contact with the largest Norwegian marine insurers. Overall, the solvency situation of these insurers is considered to be robust. The region is already considered high-risk from a sanctions perspective, and the military escalation also increases operational risk related to commercial shipping, including navigational disruptions and some ships turning off their AIS (Automatic Identification System). This heightens the risk of both claims under war risk covers and of ordinary claims and may complicate claims handling and compliance with sanctions regulations.

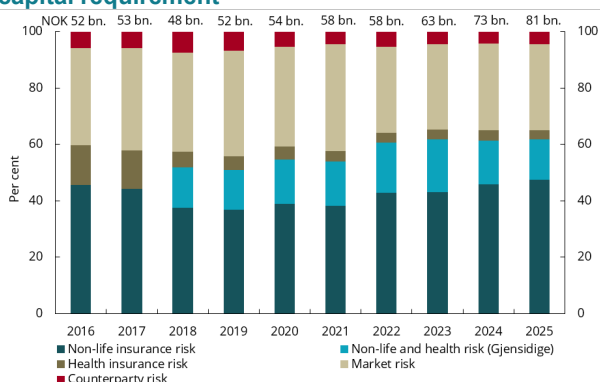
Large players dominate the non-life insurance market

The non-life insurance market is characterised by one-year risk covers. Finanstilsynet supervises 45 Norwegian non-life insurers. The market is dominated by a few large Norwegian players and large branches of foreign undertakings, which together have a more than two-third market share measured in per cent of insurance revenue (chart 6.14). At the same time, there are several smaller Norwegian and foreign players in this market.

The group of non-life insurers offering land-based insurance constitutes the largest part of the market. This group comprises the large insurers that offer a range of insurance products to individuals and businesses. Large insurers are highly cost efficient, which makes it challenging for smaller undertakings to compete and operate profitably.

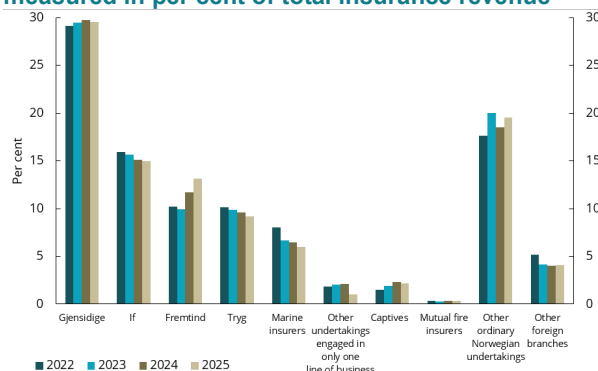
Other parts of the non-life insurance market have different structures. The marine insurance market includes global players and small mutual marine insurers offering insurance in their local markets. In addition, there are various types of captives and niche players that offer one product and only to a limited extent compete with other companies.

Chart 6.13 Breakdown of non-life insurers' solvency capital requirement*



* Before diversification effects and capital add-ons. With the exception of Gjensidige Forsikring, which calculates non-life and health insurance risk together. The undertaking uses a partial internal model (PIM), as do Assuranceforeningen Gard and Gard M&E Insurance (Europe).
Source: Finanstilsynet

Chart 6.14 Market shares within non-life insurance, measured in per cent of total insurance revenue



Source: Finanstilsynet

Different practices in insurers' internal audit function

Finanstilsynet has reviewed [insurers' internal audit function](#) (in Norwegian only). The review encompassed ten life insurers and 47 non-life insurers. The internal audit is a tool for the board of directors to ensure that the insurer is properly organised and managed. This requires that the internal audit is provided with sufficient resources and expertise. There were large variations in how much resources the insurers spend on internal auditing, even within groups of comparable undertakings. Finanstilsynet emphasises the importance of good, entity-specific risk assessments as a basis for selecting audit projects. This is important to ensure that internal audit activities focus on the areas of greatest significance to the entity.

The survey shows that in a relatively large number of audits, the internal audit concludes that the insurer's practices are acceptable ('green'), while the audits appear to cover relatively limited parts of the business. The board of directors must ensure that it has a good understanding of what the internal audit has tested and not tested as part of the project. The board must ensure that the internal audit function is effective, covers all relevant risk areas and sets adequate standards. Furthermore, the review shows that outsourcing of the internal audit function may give rise to conflicts of interest that the board should be aware of and assess on a regular basis.

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