



FINANSTILSYNET

THE FINANCIAL SUPERVISORY
AUTHORITY OF NORWAY

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Our reference
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Assessment of the systemic risk buffer

1. Introduction

Finanstilsynet refers to the [provision on the decision on the countercyclical capital buffer and advice on the systemic risk buffer](#) established by royal decree on 3 September 2021 (in Norwegian only). Under this provision, the Ministry of Finance shall determine, every two years, the level of the systemic risk buffer rate for Norwegian exposures pursuant to [Section 28 of the CRR/CRD IV Regulations](#). Furthermore, Norges Bank shall, at least every other year, prepare a decision basis for the level of the systemic risk buffer rate. As part of this process, Norges Bank and Finanstilsynet shall exchange relevant information and assessments, cf. Section 4.

In 2024, the Ministry of Finance decided to keep the requirement unchanged at 4.5 per cent in line with advice from Norges Bank and Finanstilsynet's assessments. The requirement applies to financial institutions that are banks, mortgage companies or finance companies.

This letter describes Finanstilsynet's assessments of developments in systemic risk in Norway and the requirement for a systemic risk buffer since [the previous assessment in April 2024](#). The assessments are based on Finanstilsynet's assessments of the prospects for financial stability and the situation of banks as described in the [Risk Outlook report December 2025](#), [the report on banks' performance for 2025](#), [the solvency report for Norwegian banks as at 31 December 2025](#) and [the report on Norwegian banks' liquidity situation as at 31 December 2025](#) (the last three are available in Norwegian only).

Regulations concerning the systemic risk buffer are described in section 2. Risks in the financial system in Norway are described in section 3, while the solvency and capital adequacy of Norwegian banks are described in section 4. Reciprocity and materiality thresholds are discussed in section 5. Finanstilsynet's assessments are summarised in section 6.

2. Regulations concerning the systemic risk buffer

The systemic risk buffer rate is 4.5 per cent for Norwegian exposures. The systemic risk buffer requirement is intended to increase the resilience of the institutions to loan losses and other disruptions that may occur as a result of structural vulnerabilities in the economy and other persistent systemic risk, cf. [Sections 26 and 27 of the CRR/CRD IV Regulations](#).

The systemic risk buffer shall help reduce banks' vulnerability to systemic risk not covered by other capital requirements, such as the countercyclical capital buffer and the buffer for systemically important institutions. Under the European capital adequacy framework, the systemic risk buffer requirement can also be designed to help reduce vulnerability related to exposures in individual sectors, cf. Article 133 of the CRD.

Since the previous assessment of the systemic risk buffer in 2024, several regulatory changes have been implemented.

- The capital requirement floor (output floor) specifies the minimum requirement for risk-weighted assets for institutions that use internal models for one or more risk categories. The floor was introduced by an amendment to the Capital Requirements Regulation (CRR3) and implemented in Norwegian law on 1 April 2025.
- Amendments to the Capital Requirements Directive (CRD6) introduce provisions stipulating that the systemic risk buffer must not be targeted at risks already covered by the output floor rules, and that national authorities shall assess the appropriate level of the systemic risk buffer requirement where it applies to a bank's entire risk-weighted assets and the bank is constrained by the output floor. Amendments to the Financial Institutions Act implementing CRD6 in Norwegian law are under consideration by the Storting (Norwegian parliament).

The transitional arrangement for the capital requirement floor means that the minimum requirement for risk-weighted assets using internal models is 55 per cent of risk-weighted assets calculated according to the standardised approach in the 2026 calendar year. No Norwegian banks using internal models for one or more risk categories are currently bound by the capital requirement floor.

3. Structural risk in the Norwegian financial system

Financial shocks may have wide-ranging effects and be amplified in the financial system. Structural vulnerabilities in the financial system have an impact on how quickly and extensively shocks can spread. Norwegian banks are generally exposed to the same risk factors.

Norwegian households' debt burden has decreased in recent years but is still at a high level, both historically and compared to other countries. Finanstilsynet's 2025 residential mortgage lending survey shows that the average loan-to-value (LTV) ratio for new residential mortgages has increased, and there is a clear shift towards the new requirement in the Lending Regulations for a maximum LTV ratio of 90 per cent for instalment loans. High debt burdens and LTV ratios elevate the risk for both the borrower and the lender. Experience shows that households' debt problems can have major ripple effects on the rest of the economy in the event of a severe economic downturn.

Banks have a high exposure to commercial real estate. Lending to this industry accounts for approximately 45 per cent of banks' lending to non-financial corporations in Norway. Many small and medium-sized banks have a significantly greater exposure to commercial real estate than large and more diversified banks. Banks across the country are exposed to commercial real estate, such as offices, hotels, warehouses, shopping malls and commercial properties. Commercial real estate is a sector that could be severely affected during a broad economic downturn. Experience from banking crises in Norway and other countries shows that losses on lending to commercial real estate can be substantial during crises and may weaken the solvency of the banking sector.

The banks are reliant on funding in the money and securities markets. During periods of strong turmoil in these 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 make up more than half of banks' wholesale funding and also a large proportion of banks' liquidity reserves. Extensive cross-ownership increases the risk of financial problems at one bank spreading to other banks. Large holdings of covered bonds could make it complicated for Norwegian banks to sell covered bonds in a situation where many of them are in need of liquidity.

Norway is a small, open economy with a financial market that is closely integrated with the global financial market. This makes the Norwegian economy and Norwegian financial institutions vulnerable to international shocks and contagion effects. Geopolitical changes contribute to greater uncertainty regarding future developments. Trade patterns have changed, energy prices have

increased, and the level of international conflict is high. This could lead to rising inflation and reduced growth globally, which would also spill over to the Norwegian economy. Turmoil in international capital and financial markets will affect pricing in the Norwegian market and could lead to higher funding costs as well as liquidity problems for Norwegian banks and other financial institutions.

Global climate change and the transition to a low-emission economy also entail risks for Norwegian companies and Norwegian banks. Fossil energy is important for the Norwegian economy, and an abrupt transition to a low-emission economy could lead to significant transition costs. The cost of repairing damage from weather and climate-related events are expected to rise. The European Commission has emphasised that, when determining the systemic risk buffer rate, the authorities may take account of both physical climate risk and transition risk. In determining Pillar 2 requirements for Norwegian banks, environmental and climate risk is also assessed as a factor and risk driver within the risk areas to which an institution is exposed. However, the assessment focuses on bank-specific climate risk.

4. Norwegian banks' solvency and capital adequacy

Capital requirements shall ensure that financial institutions' capital levels are commensurate with risk exposure. In Norway, the systemic risk buffer constitutes a significant part of banks' capital buffers. The buffer shall make the banking system resilient by ensuring that banks have a level of capital consistent with structural vulnerabilities in the financial system and in the Norwegian economy.

In assessing the total capital needs of banks, Finanstilsynet emphasises various factors. Stress tests are used to assess whether banks have sufficient buffers to provide loans to creditworthy customers during a severe economic downturn. Stress tests conducted by Finanstilsynet and Norges Bank show that severe economic downturns may lead to high loan losses, causing capital levels to fall short of the sum of minimum and buffer requirements. The analyses indicate that current buffer requirements are necessary and will help enable banks to continue to provide loans to creditworthy customers during a severe economic downturn. With sufficient capital, banks can absorb heavy losses without having to substantially tighten their lending practices, thereby preventing a significant amplification of an economic downturn through the banking system.

Norwegian banks are profitable and financially sound. They have enjoyed particularly strong profitability in recent years, largely driven by a higher interest rate level. Higher lending rates have not led to increased loan losses, which have remained low. Good results and moderate growth in lending have contributed to maintaining the banks' solvency. Norwegian banks' common equity Tier 1 capital ratio has been in excess of 18 per cent over the past two years. Measured as a share of unweighted exposure, the solvency of Norwegian banks has weakened somewhat over the past five years.

Changes in the capital adequacy framework (CRR3), which came into effect in spring 2025, helped increase the estimated capital adequacy ratios of banks using the standardised approach. This led to significantly wider margins to the capital requirements for many of the banks, without any real changes in the underlying risk in the portfolios. For banks using internal models to calculate risk weights (IRB banks), CRR3 resulted in reduced capital requirements in some areas and tightened requirements in others. The combined effect of CRR3 and the increase in the risk weight floor for residential mortgages from 20 to 25 per cent was stricter requirements for some banks and reduced requirements for others.

The systemic risk buffer rate is 4.5 per cent. Since the requirement only applies to domestic exposures, the effective rate is lower because some Norwegian banks have exposures abroad. The effective rate for Norwegian banks overall is approximately 3.8 per cent (as at 31 December 2025).

5. Reciprocity and materiality threshold

The Norwegian systemic risk buffer applies to exposures in Norway for all Norwegian banks and for foreign banks operating in Norway, both via branches and through cross-border activities, with risk-weighted assets above a given materiality threshold. It is a prerequisite that other countries' authorities have recognised the policy measure (through the Voluntary Reciprocity Framework).

It is a principle of the framework that foreign institutions (banks) with non-material exposures in the host country are exempted by setting a materiality threshold. The European Systemic Risk Board's (ESRB) guideline is that the materiality threshold should be set at 1 percentage point of the relevant lending volume. In 2020, the materiality threshold for the Norwegian systemic risk buffer was set at 1 per cent, equivalent to NOK 32 billion. In 2022, the threshold was lowered to NOK 5 billion, corresponding to just under 0.2 percentage points of the relevant market. The threshold was maintained in nominal terms in 2024.

In connection with this year's advice on the systemic risk buffer, Finanstilsynet is reviewing the design and level of the materiality threshold. There are a significant number of foreign banks operating in Norway through both branches and cross-border activities. Some Norwegian banks have argued that the level of the materiality threshold has an impact on the competition between Norwegian and foreign banks. Finanstilsynet will send its review to the Ministry of Finance in May 2026.

6. Summary

In Finanstilsynet's view, the structural vulnerabilities of the financial system have changed little since the level of the systemic risk buffer was set in December 2024. The debt burden remains high in both Norwegian households and non-financial corporations, and Norwegian banks' loan portfolios and funding structure show clear similarities.

The Norwegian economy and the Norwegian financial system are exposed to setbacks in the international economy and turmoil in international financial markets. Geopolitical changes could result in a prolonged high level of risk. Global climate change and the transition to a low-emission economy also entail risks for Norwegian companies and Norwegian banks.

History shows that underlying vulnerabilities can lead to crises in the financial system that can come suddenly, create significant market turmoil and spread rapidly between market participants, both nationally and internationally. Norwegian banks have been highly profitable for several years. The resilience of banks should be maintained. The economic costs of financial crises are high.

In order to ensure financial stability and a resilient financial system, it is Finanstilsynet's view that the systemic risk buffer rate should be retained at the current level.

On behalf of Finanstilsynet

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The document has been electronically approved.