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Uncertain times call for resilience and preparedness

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Banks continue to report high earnings and few losses on their customers. This is partly due to the resilience of the Danish economy despite global uncertainty and because the resilience of banks is supported by the financial regulation introduced after the financial crisis. Currently, the sharp increases in house prices in the Capital Region warrant attention. However, growth in housing lending remains moderate, and lending rules and sound credit principles in banks are crucial in order to prevent households from over-indebtedness. Cyberattacks remain one of the most significant risks to financial stability. The threat landscape is complex, and hybrid threats increase the risk of operational incidents that may affect critical infrastructure.

The threat landscape requires focus on resilience and strengthened preparedness in the financial sector

Several factors, including the use of hybrid instruments, contribute to making the threat landscape for Denmark more complex. In particularly serious situations, operational incidents may threaten financial stability. Danmarks Nationalbank's cyber survey indicates that resilience is generally high in the financial sector. However, resilience can be strengthened in certain areas.

Lending rules and sound credit policies are a prerequisite for a stable housing market

Sharp increases in house prices in the Capital Region pose a risk that price increases become self-reinforcing and spill over to the rest of the country. It is crucial that banks maintain sound credit principles, as set out in Danish lending rules, which, among other things, limit homebuyers' indebtedness relative to income and the prevalence of risky loan types.

The core of financial regulation must be maintained

The financial sector has proven resilient despite global uncertainty. This is not least because banks continue to have high earnings and solid liquidity and capital buffers. Experience shows that a crisis can become more severe when financial regulation is eased before the crisis hits. It is therefore essential for financial stability to maintain the core of financial regulation, i.e., requirements for capital, liquidity, and crisis management.

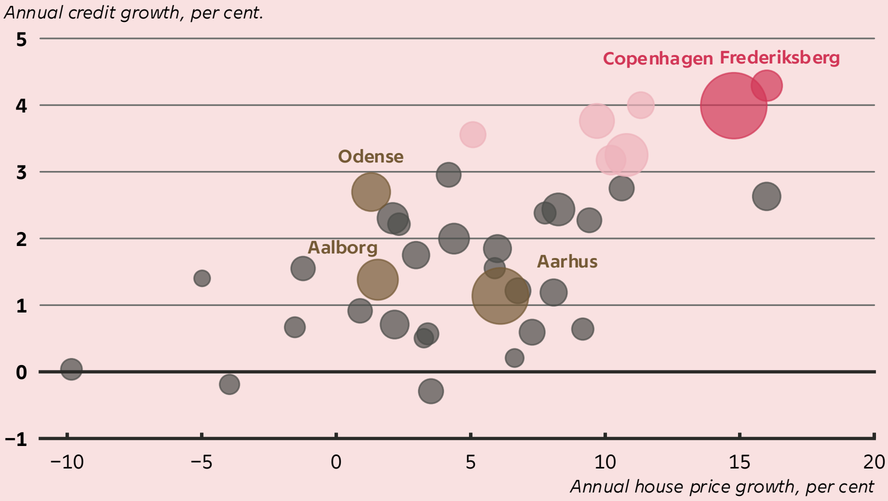
Why is it important?

Financial stability is a prerequisite for the financial sector to fulfil its socially critical tasks. Even during a crisis, customers should still be able to borrow money for sound and creditworthy projects and be able to make and receive payments. This requires the financial sector to be resilient enough to withstand economic and financial crises, helping to ensure Denmark has a resilient economy.

Danmarks Nationalbank publishes its *Financial stability* analysis biannually, which summarises the bank's assessments of and recommendations for financial stability in Denmark. The analysis sheds light on whether vulnerabilities in the financial system can arise due to the lending, liquidity management or capital planning of credit institutions. It also presents the results of Danmarks Nationalbank's biannual stress test, which helps to assess whether the largest credit institutions have sufficient capital to handle a sharp economic downturn. The analysis can also cover other issues relevant to financial stability. Examples include pension and life insurance companies, working with cyber risks, digitalisation or the impact of climate change on the financial sector.

Main chart:

Momentum is strong in the housing market in the Capital Region, but credit growth remains moderate



Note: Annual growth in house prices and nominal mortgage credit to households from Q2 2024 to Q2 2025. House prices at municipal level are an average of the price of owner-occupied flats and single-family houses, weighted by their respective share of the housing stock. Dots are proportional to the size of outstanding loans in Q2 2025. Light pink dots represent municipalities in the Capital Region. The chart includes only municipalities with at least 150 homes sold in Q2 2025.
Source: Own calculations based on Danmarks Nationalbank, Finance Denmark and Statistics Denmark.

Keywords

Financial stability – biannual review and recommendations | Financial stability | Banking and mortgage credit | Financial regulation | Financial stability and financial risks | Financial sector | Financial markets | Households and corporations | Deposits | Loans | Macroprudential policy | Interest rates | Stress test | Financial Sector Forum for Operational Resilience (FSOR) | Climate

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OPERATIONAL RISKS

The threat landscape is evolving and becoming more complex

Critical financial infrastructure may be exposed to serious cyberattacks or other operational incidents that could lead to disruptions and outages in the financial sector. Several factors contribute to making the threat landscape for Denmark more complex, including the spread of hybrid threats. The cyber threat to the financial sector remains high and an increasing number of cyberattacks are leading to major incidents in the financial sector in Europe.

The key actors have a solid foundation to build on to strengthen resilience

Danmarks Nationalbank's latest survey of cyber risks and other operational risks indicates that resilience is generally high in the financial sector. However, resilience can advantageously be further strengthened in some areas. This includes preparing for the implementation of quantum-safe encryption, developing exit strategies for suppliers, and expanding preparedness and recovery of systems and data. The importance of management engagement is also emphasised.

FINANCIAL MARKETS

Volatility has fallen in the financial markets, but there is a risk of a sudden correction in asset prices.

After large movements in the financial markets following the US tariff announcements in April, volatility in international equity and bond markets has declined. Trade and geopolitical uncertainty, however, remain high in a historical context. Equity price increases and low credit spreads on bonds indicate high risk appetite in financial markets, and the IMF continues to warn that certain assets may be overvalued. The overvaluation, together with the high degree of concentration within technology companies in particular, entails a risk of a sudden price correction, which could create large fluctuations in financial markets and potentially have broader global real economic consequences.

Rising public debt levels may have contributed to increases in government bond yields

Global public debt has risen significantly in recent years, and the IMF estimates that total public debt in advanced economies could rise to nearly 120 per cent of GDP by 2030. A high level of public debt and budget deficits increase the risk that a country's debt reaches a level perceived by the market as unsustainable, which can affect government bond yields. Government bonds play a fundamental role in the financial system, and therefore large fluctuations in yields on key government bonds can have significant spillover effects on the rest of the financial system.

The interconnectedness between the crypto market and the financial sector has grown

Cryptoassets, which are generally characterised by high volatility, are gaining greater prevalence globally. This is seen, for example, in the United States, where financial companies are increasingly investing in and offering services with cryptoassets. This increases the interconnectedness between the cryptoasset market and the US financial sector and may potentially mean that shocks to the crypto market could affect financial sector participants in Denmark, where cryptoassets still play a limited role.

CREDIT FOR HOUSEHOLDS

There is momentum in the housing market in the capital region, but credit growth remains moderate

Over the past year, the housing market in the Capital Region has been characterised by sharp price increases for owner-occupied flats. Credit growth remains moderate, but experience shows that sharp increases in house prices can lead to lending growth a certain delay. At the same time, sharp increases in house prices can create expectations of further price increases, which can lead to a self-reinforcing trend.

Lending rules help support homebuyers' resilience

The housing market plays an important role in economic and financial stability in Denmark, and shocks to the housing market have previously spread to other parts of the economy and amplified an economic downturn. If significant price increases continue and a self-reinforcing expectation of price increases occurs and spreads to the rest of the country, the risk of macroeconomic imbalances rises, which could threaten financial stability. In a new analysis, Danmarks Nationalbank finds that homebuyers have generally become more resilient since the financial crisis, where, for example, the debt-to-income ratio of homebuyers has developed stably over the past decade compared to the period leading up to the financial crisis, when the ratio rose sharply. This should be seen in light of the lending rules implemented in the years after the financial crisis.

FIRM CREDIT

High lending growth driven by the largest companies

Growth in banks' corporate lending has increased and has been around 10 per cent year-on-year since the turn of the year. Several banks also report fierce competition for corporate customers on both price and other credit terms and conditions in Danmarks Nationalbank's lending survey. The relatively high lending growth is almost exclusively driven by rising lending to the largest companies. Large companies often have significant international activities, and their borrowing needs therefore depend only to a limited extent on economic conditions in Denmark alone. Several of the largest companies that have contributed significantly to the recent lending growth have also carried out corporate acquisitions in the past year, which have also been financed through a marked increase in the issuance of corporate bonds. In a situation with high competition, it is particularly important that banks continuously ensure sound credit standards and that the risk of losses on lending is not underestimated in pricing.

Banks have experienced rising losses on their lending to companies in the renewable energy sector

Companies engaged in the production and sale of green energy have experienced lower earnings in recent years, and several have encountered financial difficulties. Problems in the sector have also led to impairment charges and losses in credit institutions that have lent to these companies. Credit institutions' lending to companies in the renewable energy sector still constitutes a limited share of total business lending, although lending has increased in recent years.

Credit institutions have limited exposures to companies highly dependent on the United States

As a result of the trade agreement between the US and the EU, EU Member States' exports to the US are subject to a tariff rate of 15 per cent. A significant share of institutions' corporate lending goes to companies with exports to the US, but for only a few does exports constitute a substantial share of turnover. Therefore, the direct credit risks related to higher US tariffs on Danish exports are expected to be limited. Danish exports may, however, be affected if other countries to which Denmark exports are significantly impacted by higher US tariffs. In addition, a global economic slowdown will negatively affect Danish companies and may lead to losses at banks.

EARNINGS

Banks' net interest income has peaked, and earnings on deposits are declining

Systemic credit institutions' earnings fell slightly in the first half of 2025 compared to the second half of 2024 due to lower net interest income. However, earnings remain at a high level over a longer period. In recent years banks' deposit margins have been a significant driver behind the development in net interest income. The deposit margin for households and non-financial corporations has fallen since the peak in autumn 2023, as banks' deposit rates have not been reduced to the same extent as the decline in money market interest rates. This has resulted in lower earnings on banks' deposits.

The low level of lending margins may indicate competition for lending

Lending margins for both households and non-financial corporations have been declining over a longer period. The currently low level of lending margins to non-financial corporations may reflect competition for lending, but may also indicate that banks' perception of risk of loss is lower than previously.

LIQUIDITY

Leveraged investment funds have increased their borrowing in the Danish repo market

The Danish repo market is concentrated among five large investment funds, which have increased their repo borrowing significantly since 2023. This development is due to higher investment assets in the funds, which, as part of their investment strategy, are leveraged using repo loans. The repo market and the mortgage market are closely connected, as nearly 90 per cent of repo transactions in Danish kroner are conducted with mortgage bonds as collateral. A significant share of the five funds' repo borrowing is used to leverage their investments in Danish mortgage bonds. The funds' impact on the Danish mortgage market can therefore be considerable, especially if the funds encounter problems and are forced to sell large amounts of bonds quickly.

CAPITAL AND STRESS TESTS

Capital requirements support resilience in the financial sector

The final part of the Basel III rules entered into force in early 2025 in the EU as part of the capital requirements package. Figures from the SIFIs indicate that the new rules for calculating the underlying risk on institutions' exposures have had limited effect on the size of risk-weighted exposures. The floor requirement in the capital requirements package is expected to be binding for some systemic institutions in 2033, when the requirement is fully phased in.

Simplification of financial regulation must not weaken the sector's resilience

Following the Draghi report, which pointed out that complex and extensive EU regulation hampers competitiveness, work has begun on proposals to simplify financial regulation. Danmarks Nationalbank supports initiatives that can simplify the rules, to the extent that this does not weaken institutions' resilience. It is essential that simplification does not lead to an actual easing of the core of financial regulation, i.e., requirements for liquidity, capital, and crisis management.

All institutions meet the capital requirements in a severe stress scenario

Danmarks Nationalbank stress tests the financial sector every six months to assess whether institutions hold sufficient capital to comply with the authorities' capital requirements. All institutions pass a severe recession scenario. A sensitivity analysis of institutions' earnings shows that a few institutions in the stress scenario either breach or come close to breaching the capital requirements if net interest income falls to the historically low level from the period 2020–2021.

02

Complex threat landscape requires enhanced resilience to operational risks

Critical financial infrastructure may be exposed to serious cyberattacks or other operational incidents that could lead to disruptions and outages in the financial sector. In particularly severe situations, operational incidents could affect both the continued operation of individual financial entities and simultaneously threaten financial stability.

Danmarks Nationalbank's latest survey of resilience against cyberattacks and other operational risks indicates high resilience among the key actors in the financial sector. However, there is still room for improvement in certain areas.

The threat landscape is evolving and becoming more complex

Several factors contribute to making the threat landscape for Denmark more complex, as described below.

Firstly, the Danish Defence Intelligence Service, DDIS, assesses that Russia is currently conducting a hybrid war against NATO and the West and that it is highly likely that the hybrid threat from Russia against NATO will increase in the coming years.[1] According to DDIS, Russia already employs a range of hybrid tools[2] against Western countries and often seeks to conceal its hybrid activities to make it harder for targeted countries to respond effectively. Examples of hybrid incidents include cyberattacks and sabotage of critical infrastructure such as cutting of submarine cables, as well as drone activity, influence campaigns and GPS jamming.

Secondly, the cyber threat to the financial sector remains high according to the Danish Resilience Agency[3] and an increasing number of cyberattacks are leading to major incidents in the financial sector. Data from the European Banking Authority show that the share of banks that have recorded cyberattacks resulting in major incidents increased from 25 per cent in the first half of 2024 to 35 per cent in the second half of 2024.[4]

Finally, technological developments also create a constant need to strengthen resilience to new types of cyberattacks. Advances in artificial intelligence have led to new opportunities for its use in cyberattacks. At the same time, progress in the development of quantum computers is expected, within a few years, to be

[1] See the Danish Defence Intelligence Service, *Vurdering af den hybride trussel mod Danmark* (Assessment of the hybrid threat against Denmark, in Danish only), 3 October 2025 (*link*).
[2] *Hybrid means* are used with the purpose of weakening and undermining other states, especially their cohesion and ability to take effective decisions. This can be attempted, for example, by creating fear or insecurity in populations and among decision-makers. However, states can also use hybrid means to influence the political processes and decision-making of other states in ways that are favourable to their own national interests, see the Danish Defence Intelligence Service, *Intelligence outlook 2024*, December 2024 (*link*).
[3] The Danish Resilience Agency (Styrelsen for Samfundssikkerhed) assesses that the threat of cybercrime against the financial sector is *very high*, the threat from cyber activism is *high*, and the threats from both cyber espionage and destructive cyberattacks are *moderate*, cf. Center for Cybersikkerhed (Centre for Cyber Security), *Cybertruslen mod finanssektoren* (The cyber threat against the financial sector, in Danish only), November 2024 (*link*).
[4] See chart 66 in the European Banking Authority, *Risk Assessment Report of the European Banking Authority*, June 2025 (*link*).

able to break much of the encryption used today. The timing is unknown, but the process of replacing existing encryption could potentially be lengthy. Therefore, the European Commission, among others, has announced that if you are responsible for critical infrastructure, including in the financial sector, you should secure it with quantum-safe encryption as soon as possible and no later than 2030.[5] In the public-private collaboration forum, Financial Sector Forum for Operational Resilience, FSOR, issues related to quantum technology are also being monitored. Preparations for the implementation of quantum-safe encryption, once available, are also being made in FSOR.

Key actors have a solid foundation to further strengthen resilience

Danmarks Nationalbank's latest survey of cyber risks and other operational risks, see box 1, indicates that resilience in the financial sector remains high. However, there is room for improvement in some areas which would further strengthen resilience, as described in the following sections.

BOX 1

Danmarks Nationalbank's survey of operational resilience in the financial sector

The purpose of Danmarks Nationalbank's survey on resilience to cyberattacks and other operational incidents in the financial sector is to provide a snapshot of the current level of resilience among key actors in the Danish financial sector. Data collection was carried out at the end of 2024. Previous data on cyber resilience in the financial sector were collected in 2016, 2018, 2020 and 2022.

Participants in the survey self-report their level and no verification of the responses is conducted. The results are based on responses from 19 key actors in the Danish financial sector, consisting of systemically important banks, mortgage credit institutions, data centres and financial infrastructure companies. Danmarks Nationalbank has published a separate analysis of the survey, which can be read here *(link)*.

Alternative IT suppliers from Europe can be difficult to find

Many companies purchase IT systems and services from external IT suppliers. When a company outsources tasks to a supplier, it remains the company's responsibility to ensure an adequate level of resilience. Third party risk management is therefore a central part of ensuring a company's resilience. Vulnerabilities in the supply chain can cause operational disruptions or be exploited by malicious actors, for example, by installing backdoors in services or software used. In recent years, the number of cyberattacks on suppliers has also increased.

Danmarks Nationalbank's survey indicates that the key actors in the financial sector have an overview of their suppliers and contracts, and which critical business processes are supported by the suppliers' services. However, the survey also indicates that several of the key actors could work on exit strategies, i.e., the possibility of replacing a supplier. It can be difficult to find alternative suppliers—especially if you want to avoid the risk of being solely dependent on suppliers from a particular geographical area.

Plans for business continuity and recovery of systems and data must be able to handle diverse, severe scenarios

Despite ongoing work on cyber risks and other operational risks, it will not be possible to fully protect against serious operational disruptions – regardless of the cause. It is therefore essential to have plans for emergency response,

[5] See NIS Cooperation Group, *A Coordinated Implementation Roadmap for the Transition to Post-Quantum Cryptography,* part 1, version: 1.1, EU PQC Workstream, June 2025 (*link*).

business continuity and recovery of systems and data to manage such disruptions. The incident at the payment company Nets on 19 July 2025 is an example of a disruption that affected the Danish payments infrastructure, as Nets is a key actor in card payment systems in Denmark, see box 2.

BOX 2

Follow-up on the operational incident at Nets

On 19 July 2025, Nets experienced an operational incident where a fault in their systems meant that most card payments in Denmark could not be processed as normal for three hours. The incident underscored the importance of robust digital payments and that both citizens and businesses are prepared for a situation where digital payments do not function as usual. In October 2025, Danmarks Nationalbank published a series of recommendations enabling citizens and businesses to help maintain payment options in physical trade if it is not possible to pay as usual.[1]

As a follow-up to the Nets incident, a number of initiatives were launched across authorities and cooperation forums. The Danish Payments Council discussed the consequences of the incident for citizens and payment recipients and the lessons learned. Work on the national payments contingency, which the Danish Payments Council has been working on since 2023, was also discussed. The aim of the payments contingency is that all adult Danes should be able to make offline card payments using both physical payment cards and mobile-based card payments, e.g., Apple Pay and Google Pay, at pharmacies and nationwide grocery chains. This is to ensure that citizens can pay for basic consumption of food and medicine for at least one week if digital payment solutions do not function as normal.[2] Implementation of the contingency is in its final phase, and the last stores are expected to complete implementation by mid-2026.

The Financial Sector forum for Operational Resilience, FSOR, continuously reviews the consequences of incidents such as the Nets incident to assess whether they reveal similar vulnerabilities elsewhere in the financial sector that can be mitigated to its advantage. Similarly, experiences from Nets are shared to extract lessons from the incident for the benefit of other key actors in the financial sector and for FSOR's crisis management at sector level.

Danmarks Nationalbank monitors that the key systems and solutions in the payments infrastructure are well-functioning, secure and efficient. As part of this oversight, Danmarks Nationalbank has also engaged in dialogue with Nets about the cause, scope, and measures to prevent similar incidents.
The Danish Financial Supervisory Authority has issued an executive order to Nets[3] based on an assessment that Nets' communication strategy was not sufficient to ensure that businesses and financial institutions received the necessary information about the incident in a timely manner. The Danish Financial Supervisory Authority will follow up on this at an upcoming IT inspection, focusing, among other things, on how similar incidents are prevented in the future.

[1] See Danmarks Nationalbank, Resilient payments in Denmark, *Danmarks Nationalbank Analysis*, no. 24, October 2025 (*link*).
[2] See Danish Payments Council, Status of the card payment contingency in Denmark, *Danish Payments Council Status Report*, July 2024 (*link*).
[3] See Finanstilsynet.dk, *Påbud til Nets Denmark A/S om utilstrækkelig kommunikationsstrategi* (order to Nets Denmark A/S on insufficient communication strategy, in Danish only), October 2025 (*link*).

The financial sector must also be prepared to handle extreme but plausible scenarios. These are scenarios where a key actor in the financial system is hit by a prolonged outage or where critical data are compromised, altered, or otherwise destroyed. Should a very serious incident occur, it is important to have identified in advance which business activities are most critical to maintain – and that these activities can be carried out independently of the IT infrastructure normally used.

The survey indicates that the key actors in the financial sector have prepared thoroughly to handle operational disruptions, etc., by developing and testing plans for business continuity and recovery of systems and data. However, the plans are not always sufficient to ensure continued operation and rapid recovery of systems and data in extreme, plausible scenarios.

Top management increasingly assumes responsibility

It is important that a company's top management – the board and executive management – engages in work on cyber risks and other operational risks, and that responsibility for security and business continuity planning is anchored at the highest level. This is essential to support the linkage between the company's business areas, IT, and security, and it is a prerequisite for adequate resource allocation and prioritisation within the organisation.

Previous surveys have shown a positive correlation between strong leadership anchoring and the organisation's maturity in other areas. Leadership responsibility has also been an area with potential for improvement, which is why its importance has been emphasised. In this survey, even more participants report that their leadership has improved matters regarding placement of responsibility. However, there are still some respondents who could benefit from further improvements in this area.

03
Calm markets despite global uncertainty

The financial markets have remained stable since May despite higher tariffs and continued high geopolitical uncertainty. International equity prices have risen, particularly driven by large US technology companies, which has increased concentration risk among investors. Combined with low credit spreads on bonds, this indicates a high risk appetite in the financial markets. Rising public debt globally may create greater volatility in bond markets. Danish banks have low exposures to foreign government bonds and there is generally confidence in public finances in Denmark. Cryptoassets currently play a limited role in Denmark. However, a greater global spread of cryptoassets may affect the Danish financial sector in the long term.

Moderate global growth despite trade and geopolitical uncertainty

The International Monetary Fund, IMF, expects global growth to continue at a moderate pace over the next few years. In its latest forecast, the IMF expects growth of around 3 per cent in 2025 and 2026, see chart 1.

The US economy is expected to grow by around 2 per cent in both 2025 and 2026. However, there are signs of slowing job growth and the increased tariffs may affect consumer prices, which overall may erode consumers' purchasing power.[6] In the euro area, growth remains weak, with domestic demand still subdued, while exports are hampered by reduced demand from the US and China. Although the US tariffs have not been as extensive as first announced in April, there is a prospect of weaker world trade, which in turn will also dampen growth in Denmark.[7]

Volatility has fallen in the financial markets, but there is a risk of a sudden correction in asset prices

After large movements in the financial markets following the US tariff announcements in April, volatility in both US equity and bond markets has fallen and is below the historical median. This is despite the fact that trade and geopolitical uncertainty remain high in a historical context, see chart 2.

The rise in equity indices in the euro area and the US has continued in the second half of 2025. In particular, the US S&P 500 has continuously reached new record levels, mainly driven by earnings expectations in seven of the largest companies, the 'Magnificent Seven'.[8] In the euro area, the Eurostoxx index is driven, among other things, by high returns on shares within the defence and aerospace industries, which are expected to benefit from increased defence investments in Europe. The increased risk appetite is also reflected in lower credit spreads, including on the most risky corporate bonds in both the US and the euro area, which are at low levels in a historical context.

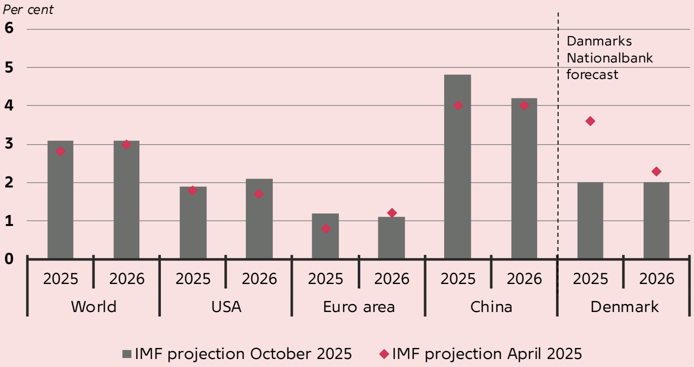
The IMF continues to stress that certain assets may be overvalued. Overvaluation, together with the high degree of concentration within technology companies in particular, entails a risk of a sudden price correction, which could

[6] See IMF, Global Economy in Flux, Prospects Remain Dim, *World Economic Outlook,* Oktober 2025 (*link*).
[7] See Danmarks Nationalbank, Weaker global trade slows growth in Denmark, *Danmarks Nationalbank Analysis (Outlook for the Danish Economy)*, no. 23, September 2025 (*link*).
[8] Nvidia, Microsoft, Apple, Amazon, Meta (Facebook), Alphabet (Google) and Tesla.

create large fluctuations in the financial markets and potentially have broader real economic consequences.[9]

CHART 1

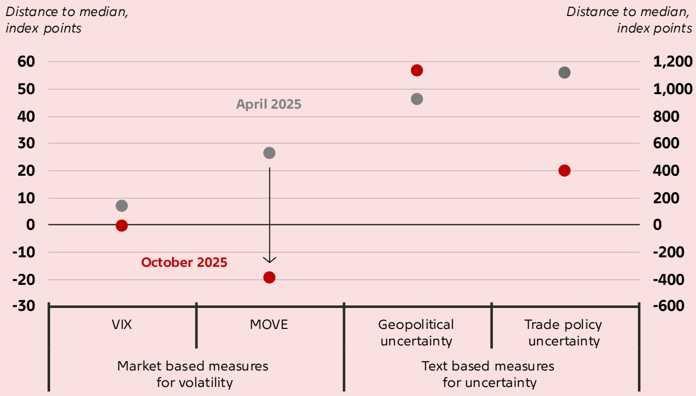
Moderate growth in global GDP and low growth in the euro area



Note: IMF's estimates for global GDP growth and Danmarks Nationalbank's estimates for GDP growth in Denmark. Bars show estimates from the IMF in October 2025 and Danmarks Nationalbank's projection for September 2025. Dots show estimates from the IMF's April forecast and Danmarks Nationalbank's March projection.
Source: IMF and Danmarks Nationalbank.

CHART 2

Market-based measures of uncertainty are at levels below the historical median



Note: Index for geopolitical risk and trade policy uncertainty. This index is based on automated text searches and is calculated by the number of articles on the topic as a share of the total number of articles from a range of US newspapers. VIX index for expected implied volatility for the S&P 500, MOVE index for implied volatility on US government bonds. The median point is calculated for monthly observations since 2000. Latest observation is 30 October 2025.
Source: Dario Caldara and Matteo Iacoviello, Measuring Geopolitical Risk, *American Economic Review*, April, 112(4), 2022, page 1194-1225, Dario Caldara, Matteo Iacoviello, Patrick Molligo, Andrea Prestipino and Andrea Raffo, The economic effects of trade policy uncertainty, *Journal of Monetary Economics*, no. 109, January 2020, page 38-59, Macrobond and own calculations.

Markets expect lower policy rates in the US

Market expectations for the path of monetary policy rates have been relatively stable in the second half of 2025 and uncertainty about future policy rates has generally been declining in recent years.[10]

The market expects further rate cuts from the Federal Reserve in 2026, see chart 3. The expectation of rate cuts in the US is mainly due to the labour market beginning to show signs of weakness and the Federal Reserve has on several occasions signalled that the labour market has received more attention in their dual mandate to ensure stable prices and full employment.

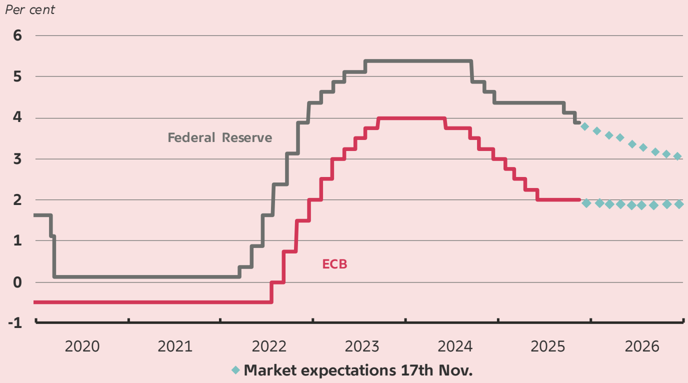
In the euro area, the market expects policy rates to remain at roughly current levels, as inflation is close to the ECB's 2 per cent target, see chart 4.

[9] See IMF, Shifting Ground beneath the Calm, *Global Financial Stability Report,* Oktober 2025 (link).
[10] See Danmarks Nationalbank, Neutral monetary policy in times of global uncertainty, *Danmarks Nationalbank Analysis (Monetary and financial trends),* no. 21, September 2025 (link).

CHART 3

The market expects further declines in policy rates in the US in 2026

Development in monetary policy rates and expectations for development

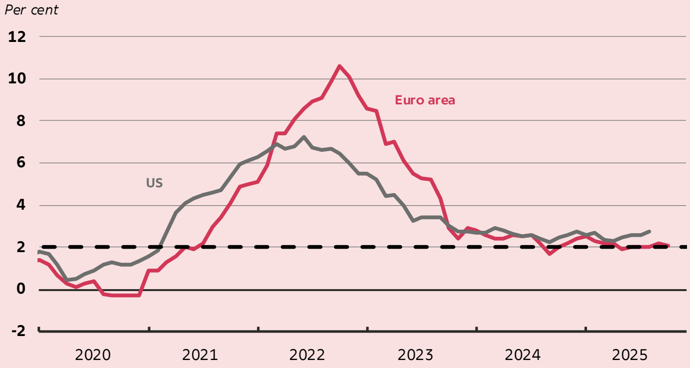


Note: The chart shows the current deposit rate at the ECB and the midpoint of the Federal Reserve's federal funds target range and the market expectation for these at the end of 2026 derived from ESTR swaps and Fed funds futures. Latest observation is 17 November 2025.
Source: LSEG Workspace.

CHART 4

Inflation in the euro area is close to target

Development in inflation



Note: The chart shows annual inflation rates for the US and the euro area by the PCE and HICP indices, respectively. Latest observation is 31 October 2025 for the euro area and 31 August 2025 for the US.
Source: Macrobond.

Rising public debt levels may have contributed to increases in government bond yields

Global public debt has risen significantly in recent years and the IMF estimates that total public debt in advanced economies could rise to nearly 120 per cent of GDP by 2030. A high level of public debt and budget deficits increase the risk that a country's debt reaches a level that the market perceives as unsustainable and the country may eventually be unable to service its debt. In the worst case, the country may lose investor demand and, in practice, be unable to refinance issued debt. As higher debt increases the supply of government bonds, the markets for government bonds have also become more dependent on non-bank financial institutions, NBFIs. The increased dependence on NBFIs is partly due to large investments in government bonds from leveraged investment funds, which are at record levels in several major economies.[11] The greater investment activity from leveraged investment funds is also seen in Denmark, where the funds particularly active in mortgage bond investments, see chapter 7, *Investment funds play a major role in the repo market*.

The high levels of public debt have not yet resulted in large increases in government bond yields. Increased credit spreads on French and US government bonds relative to Germany may, however, indicate that markets have begun to price in some risk regarding fiscal sustainability in these countries, see chart 5, although the spreads remain at very low levels compared to several European countries during the European sovereign debt crisis. In the euro area, the government bond yield spread to swap rates, i.e. a measure of credit risk and funding pressure, has also increased across countries as the supply of government bonds has grown, see chart 6.

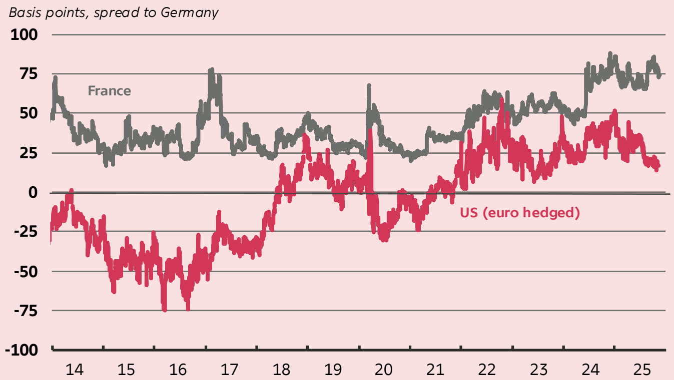
[11] See e.g. IMF, Shifting Ground beneath the Calm, *Global Financial Stability Report*, Oktober 2025 (link) for US, Bank of England, Financial Stability Report, July 2025 (link) for the UK and ECB, Central clearing and the growing presence of non-bank financial intermediation in euro area government bond repo markets, *Macroprudential Bulletin*, January 2025 (link).

The direct risk for Danish banks from higher foreign debt levels is limited, as Danish banks generally have low holdings of foreign government bonds. At the same time, there is great confidence in public finances in Denmark.[12] However, large shifts in government bond yields in international financial markets could potentially have spillover effects on Danish financial assets, such as Danish mortgage bonds.[13] Credit spreads on mortgage bonds, for example, increased during the euro area debt crisis, but were not at higher levels compared to other periods of uncertainty.

Government bonds play a fundamental role in the financial system and are used, among other things, as the primary collateral in money markets and as liquidity buffers in financial institutions. Large fluctuations in yields on key government bonds in the financial system can therefore have significant spillover effects on the rest of the financial system.

CHART 5

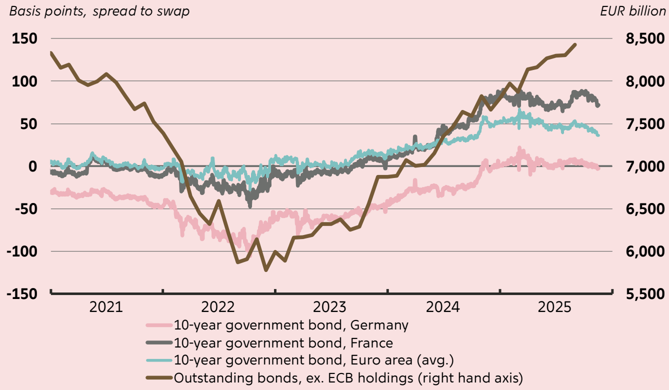
Higher credit spreads to Germany on US and French government bonds



Note: Yield spreads to Germany on 10-year government bonds. Yield spread for the US is approximated via FX forwards on a cross-currency basis. Latest observation is 17 November 2025.
Source: Refinitiv Eikon, Bloomberg, Macrobond, IMF and own calculations.

CHART 6

Greater supply of government bonds has led to increased yield spreads to swap rates



Note: The chart shows the yield spread between the 10-year euro swap rate and 10-year government bonds for Germany, France and the average for 10-year government bonds in the euro area (left axis) and outstanding government bonds in the euro area less bonds held by the ECB (right axis). Credit spreads for the euro area are value-weighted by GDP at year-end 2024. Latest observation is 17 November 2025.
Source: Macrobond, Refinitiv Eikon, ECB and own calculations.

Growing interconnectedness between the crypto market and the financial sector

The market for crypto assets continues to be characterized by high volatility. The global market value of crypto assets has alone in the period October to November 2025 experienced significant fluctuations. For instance the market price of bitcoin, the largest crypto asset by market value, dropped from USD 120,000 in October to about USD 90,000 in November, see chart 7. The stablecoin market has grown significantly and the market value of the two largest stablecoins, Tether and USDC, exceeded USD 250 billion in October, see chart 8.[14] The development in stablecoins should be seen in light of increased

[12] During the European debt crisis from 2011 to 2012, Denmark, for example, experienced an inflow of foreign capital, see Risbjerg and Grønlund, Pressure on the krone in times of crisis, *Danmarks Nationalbank Economic Memo*, July 2020 (*link*).
[13] See Jensen, Madsen, Bentsen and Grenestam, The Danish mortgage bond market is dominated by few market participants, *Danmarks Nationalbank Analysis,* no. 17, November 2024 (*link*), which shows that liquidity in the mortgage bond market is closely linked to implied interest rate volatility in the euro area.
[14] Stablecoins are cryptoassets typically anchored to a currency and intended to maintain a stable value against that currency.

institutional demand for stablecoins and regulatory clarity in the US following the adoption of the so-called GENIUS Act.[15]

Stablecoins have a close and growing connection to the financial system. This is particularly evident as issuers of stablecoins hold liquid assets such as bank deposits and short-term bonds. For example, Tether, the largest stablecoin globally, holds large amounts of US government bonds, making the company a significant player in the market. Stablecoins are also an asset that, like certain bank deposits, can typically be redeemed on demand, while reserve assets – despite their status – are relatively less liquid. This means that there may be a risk of a fire sale if many investors wish to redeem simultaneously. This could also occur if confidence in the quality of reserves is weakened, or if vulnerabilities or operational errors are identified in a stablecoin. A fire sale can destabilise both the stablecoin market and potentially related financial markets, especially the market for short-term bonds.[16] This risk underscores that stablecoins are increasingly able to affect traditional financial markets and impact financial stability as their global spread increases.

In Denmark, recent initiatives also indicate a future increase in interconnectedness between the financial sector and the cryptoasset market. For example, in September 2025, Danske Bank announced a collaboration with eight European banks to issue a euro-denominated stablecoin.[17] The forthcoming stablecoin will be regulated by the EU Markets in Crypto-Assets Regulation (MiCA) and is expected to be issued in the second half of 2026. In addition, Lunar Bank announced in October that it has obtained a licence to offer cryptoasset services under the same regulation.[18]

CHART 7

Large fluctuations in the price of cryptoassets

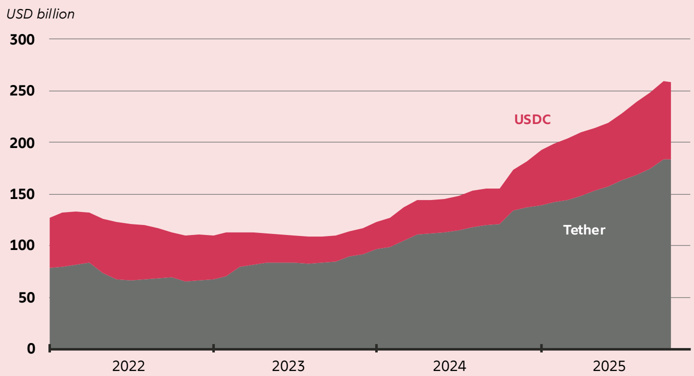
Market price

Note: Latest observation is 17 November 2025.
Source: Bloomberg.

CHART 8

The market for stablecoins is developing rapidly

Market value



Note: Latest observation is 17 November 2025.
Source: Bloomberg.

[15] The Genius Act was adopted in July 2025 and constitutes, among other things, the regulatory framework for the issuance of stablecoins in the US.
[16] See Bank for International Settlements, Stablecoins and safe asset prices, *BIS Working Papers*, no. 1270, May 2025 (link).
[17] See press release from Danske Bank, *Nine major European banks join forces to issue stablecoin*, 25 September 2025 (link).
[18] See press release from Lunar, *Lunar først i Skandinavien med MiCA-licens til kryptotjenester* (Lunar first in Scandinavia with MiCA licence for cryptoservices, in Danish only), 14 October 2025 (link).

Despite international developments, and especially in the US, the spread of cryptoassets among households and financial corporations in Denmark is still considered limited.[19] Therefore, cryptoassets are currently not assessed as posing a risk to financial stability in Denmark.

However, financial corporations in the US are increasing investments in and offering services with cryptoassets. This increases the interconnectedness between the cryptoasset market and the US financial sector and may potentially mean that shocks to the global crypto market could also affect financial institutions in Denmark.

[19] See also Christiansen and Søndergaard, Crypto-assets: Risks, regulation and usage in Denmark, *Danmarks Nationalbank Analysis,* no. 16 November 2023 (*link*).

04

Lending rules are a prerequisite for a stable housing market

Over the past year, the housing market in the Capital Region has been characterised by sharp price increases. This can create expectations of further price rises, potentially leading to a self-reinforcing development where prices climb even higher. However, according to Danmarks Nationalbank's expectations survey, expectations for future house price increases have not changed significantly over the past year. Nevertheless, periods of high house price growth have previously led to over-optimism and have been followed by substantial price declines. The development of house prices in Copenhagen therefore warrants attention. If significant price increases continue and a self-reinforcing dynamic spreads to the rest of the country, the risk of macroeconomic imbalances rises, which could also challenge financial stability.

A new analysis from Danmarks Nationalbank shows[20] that homeowners have generally become more resilient since the financial crisis and that homebuyers' debt-to-income ratio has remained stable compared to the period leading up to the financial crisis, when the ratio increased significantly. This difference should be seen in light of the lending rules that have been implemented in the years following the financial crisis.

Housing market development is fast-paced in the Capital Region, but credit growth remains moderate

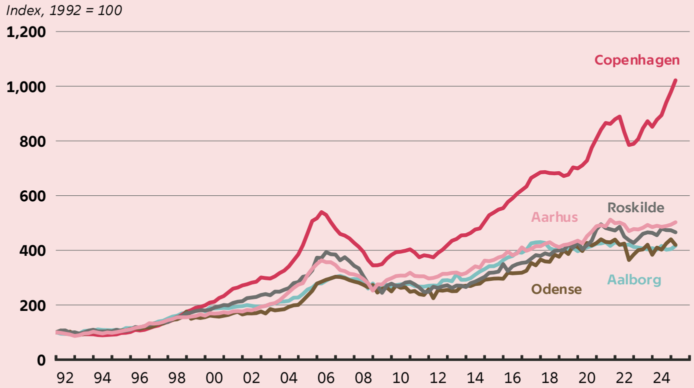
The Danish housing market has generally been on an upward trajectory since the beginning of 2023. Prices for single-family houses nationwide have increased moderately in line with rising incomes among Danish households and falling interest rates, while prices for owner-occupied flats have risen at a faster pace. The development in the Copenhagen owner-occupied flat market is particularly striking, with price growth rates higher than in other major cities, amounting to 16 per cent between Q2 2024 and Q2 2025, see chart 9.

The development of house prices affects the actual cost of owning a home, as indicated by the 'actual cost housing burden'. Since Q4 2023, the actual housing burden for the typical homebuyer has fallen, see chart 10.[21] The majority, around 90 per cent, of this change can be explained by lower payments due to lower interest rates. The remainder is attributable to homebuyers having a higher disposable income. However, the housing burden remains high in Copenhagen and for the 10 per cent of homebuyers with the highest housing burden, at least 45 per cent of disposable income is spent on property tax and housing loan-related expenses.

[20] See Andersen, Gaarskær, Hviid, Klein, Nissen and Vestergaard, Twin speed housing market, *Danmarks Nationalbank Analysis*, no. 27, November 2025 (link).
[21] At the time of publication of this analysis, the latest available figures for the actual housing cost burden are from Q1 2025.

CHART 9

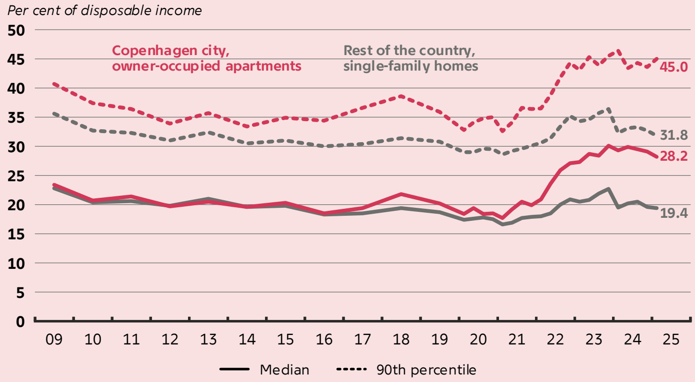
Owner-occupied flat prices in Copenhagen have increased more than in other major Danish cities



Note: Seasonally adjusted price index for owner-occupied flats at the municipal level. Latest observation is Q2 2025.
Source: Housing market statistics, Finance Denmark.

CHART 10

The housing cost burden has fallen slightly since interest rates peaked



Note: The chart shows actual housing cost burden, which is calculated as debt service and property tax divided by the household's disposable income for homebuyers. The chart shows the housing cost burden for the median household and the 90th percentile. Latest observation is Q1 2025. Due to a change in data source in Q1 2020, comparisons across this period should be made with caution. The chart shows annual observations before 2020 and quarterly thereafter.
Source: Own calculations based on Danmarks Nationalbank and Statistics Denmark.

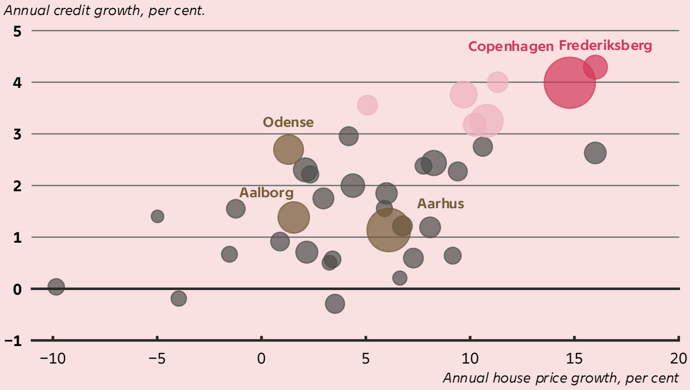
There is generally a close relationship between house price growth and credit growth, see chart 11. Municipalities in the Capital Region, especially Copenhagen and Frederiksberg, where house price increases have been highest, also have credit growth that is significantly higher than the average growth rate nationwide. However, credit growth remains moderate and total housing loans to households were around 3 per cent higher in September 2025 compared to the same month in the previous year.

It is primarily variable-rate mortgage loans that have driven loan growth since the start of 2025, see chart 12. This should be seen in light of the fact that short-term interest rates have fallen more than long-term rates since the peak in 2023, which may have contributed to making variable-rate loans more attractive than fixed-rate loans.

Experience shows that sharp increases in house prices can lead to lending growth with a certain delay. The house price increases in and around Copenhagen therefore calls for continued attention. If the marked price increases continue and a self-reinforcing dynamic spreads to the rest of the country, the risk of macroeconomic imbalances rises, which could challenge financial stability.

CHART 11

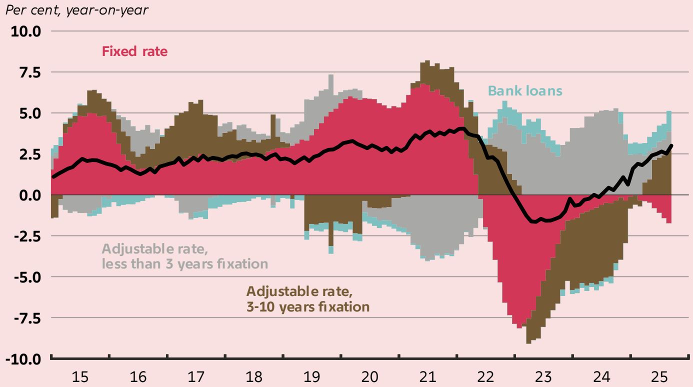
Copenhagen stands out in terms of both price and credit growth



Note: Annual growth in house prices and nominal housing credit to households from Q2 2024 to Q2 2025. House prices at municipal level are an average of the price of owner-occupied flats and single-family houses, weighted by their respective share of the housing stock. Dots are proportional to the size of outstanding loans in Q2 2025. Light pink dots represent municipalities in the Capital Region. The chart includes only municipalities with at least 150 homes sold in Q2 2025.
Source: Own calculations based on Danmarks Nationalbank, Finance Denmark and Statistics Denmark.

CHART 12

Variable-rate loans have driven credit growth in 2025



Note: Growth in total mortgage and bank lending to households (including the self-employed). Bank lending is for housing purposes. The bars represent the growth contribution from each loan type. Long (short) variable rate represents mortgage loans with an interest rate fixation period of at least (less than) three years. Latest observation is September 2025.
Source: Danmarks Nationalbank and own calculations.

Homebuyers make larger down payments when purchasing homes

A contributing factor to house price developments is homebuyers' down payments, which in 2024 were larger than previously, both relative to income and the purchase price. Since the financial crisis, down payments have been steadily increasing, and in 2024 the typical homebuyer in the Capital Region municipalities made a down payment of 22 per cent, see chart 13.[22] A down payment may come from both saved funds, the sale of a previous home, or other sources, including loans and transfers from immediate family.[23] Down payments were particularly high in the Capital Region municipalities and generally higher for repeat buyers than for first-time buyers. Homebuyers' larger down payments are reflected in lower loan-to-value ratios[24], making them more resilient to house price declines and interest rate shocks. In addition, the typical homebuyer has an increasingly higher income compared to the population as a whole. This trend has been particularly widespread in the Capital Region municipalities.[25] This reflects increased competition for the relatively few owner-occupied homes in the Capital Region and thus the high price increases.

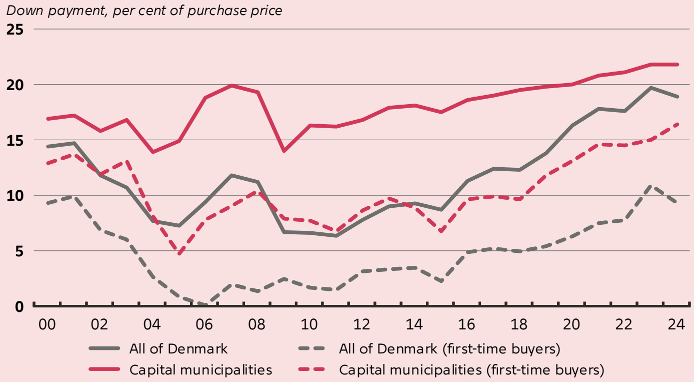
Looking at homebuyers' debt-to-income ratio (DTI), which indicates the relationship between the household's total housing debt and total income, this has been stable nationwide since the financial crisis, see chart 14. The same applies in the capital municipalities, although the ratio is higher than in other

[22] The down payment on actual home purchases is calculated by finding the difference between the purchase price and any loan proceeds from mortgage loans. The actual down payment may be greater than the calculated down payment due to costs associated with taking out loans, such as fixed administrative costs, registration fees, and exchange losses.
[23] See box 2 in Andersen, Gaarskær, Hviid, Klein, Nissen and Vestergaard, Twin speed housing market, *Danmarks Nationalbank Analysis*, no. 27, November 2025 (link).
[24] See chart 30 in Andersen, Gaarskær, Hviid, Klein, Nissen and Vestergaard, Twin speed housing market, *Danmarks Nationalbank Analysis*, no. 27, November 2025 (link).
[25] The Capital Municipalities consist of the 24 municipalities in Statistics Denmark's municipality group 1 (link).

areas. A lower debt-to-income ratio means, all else being equal, that homebuyers are less sensitive to negative shocks. The assessment of a stable DTI is approximately the same, also when considering the homeowners with the 10 per cent highest ratios.

CHART 13

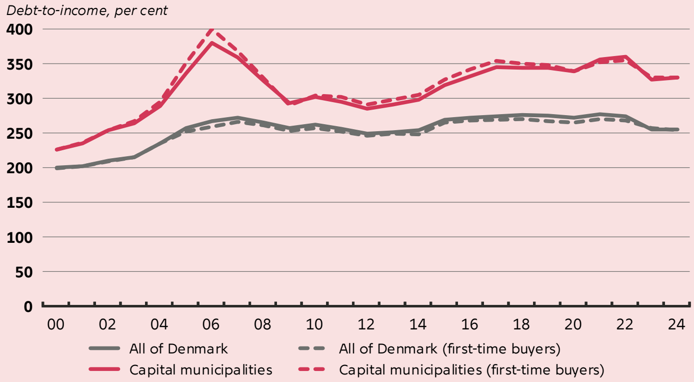
Down payments for home purchases have been rising nationwide



Note: Median down payments as a percentage of purchase price for homebuyers. Down payment is calculated as the difference between housing debt at the end of the year of purchase and the actual purchase price. Capital municipalities follow Statistics Denmark's municipality groups.
Source: Statistics Denmark, Danmarks Nationalbank and own calculations.

CHART 14

Total debt relative to buyer's income has been stable for years – also in the capital, where prices are rising most



Note: Median housing debt relative to household income (before tax) for homebuyers. Housing debt is calculated at the end of the year of purchase, while income is calculated for the entire year of purchase. Income is defined as the household's total annual wage and benefit income before tax. Capital Region municipalities follow Statistics Denmark's municipality groups.
Source: Statistics Denmark, Danmarks Nationalbank and own calculations.

Lending rules help support homebuyers' resilience

The housing market plays an important role in Denmark's economic and financial stability. Shocks to the housing market have previously spread to other parts of the economy and amplified an economic downturn.

In the wake of the financial crisis, lending rules were implemented to limit the consequences of future shocks to the economy. The measures have been implemented as borrower-based initiatives, introduced in *the Executive Order on Governance* and *the Executive Order on Good Practice for Mortgage Lending*, hereafter referred to as *the lending rules* [26]. These are measures based on the individual borrower's financial circumstances, such as loan-to-value ratio, debt-to-income ratio and disposable income. Since the lending rules were introduced, there has been a decline in the share of loans for home purchases that exceed the thresholds stipulated in the rules, see chart 15. [27] The purpose of these is to protect homeowners from taking on excessive risks. This is particularly relevant in periods of high income growth and low interest rates, where there is a risk of

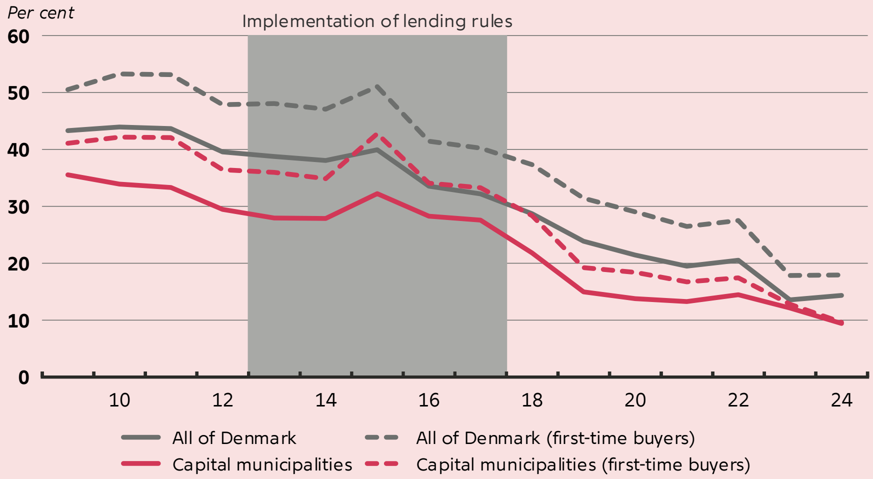
[26] The Executive Order on Governance concerns the 'Growth Area Guidelines' that apply solely to Greater Copenhagen and Aarhus. The Executive Order on Good Practice for Mortgage Lending includes, among other things, a 5 per cent down payment requirement, and requirements for disposable income and restrictions on certain loan types at high leverage and debt-to-income ratios. The measures in the two executive orders are not strictly regulation, although the Danish Financial Supervisory Authority can issue an injunction to credit institutions that do not comply with the lending rules.
[27] The lending rules allow institutions to deviate from the rules based on an individual assessment of the individual customer. This may be the case, for example, if the customer is facing a known increase in income or for other reasons does not present a relevant risk. There is measurement uncertainty in the available data, as it is not necessarily clear exactly which income has formed the basis for the credit assessment in the individual credit institution.

recklessness leading to excessive indebtedness or exposure to interest rate risk.[28]

CHART 15

Fewer loans exceed the lending rule thresholds

Share of loans for home purchases exceeding threshold values



Note: According to the current lending rules, loans exceeding the threshold values are defined as either being granted in spite of a down payment below the 5 per cent requirement or with a loan-to-value ratio over 60 per cent and a debt-to-income ratio above 4 when combined with variable interest rate and deferred amortisation. For a description of the set of loans permissible according to the lending rules, see chart 8 in Danmarks Nationalbank, Economic implications of interest-only mortgages combined with high leverage, *Danmarks Nationalbank Analysis*, no. 8, May 2024 (*link*). Capital municipalities follow Statistics Denmark's municipality groups.
Source: Statistics Denmark, Danmarks Nationalbank and own calculations.

In light of the housing market developments, a number of political proposals have been made on how to make the housing market more accessible, especially for first-time buyers. House prices reflects the balance between supply and demand in the housing market. If policy makers consider house prices to be too high, this can be addressed by either increasing supply or reducing demand. In a situation where the housing market is booming, it is therefore inappropriate to increase demand further, for example through measures that increase purchasing power among selected groups. Such measures would only contribute to further increases in house prices.[29]

In the current situation, where house prices are rising rapidly, especially in Copenhagen, it is particularly important that credit institutions maintain the sound credit principles set out in the Danish lending rules, which have helped to strengthen homebuyers' resilience. Relaxing the current lending rules could mean that households become more vulnerable to interest rate increases, unemployment and falling house prices, which could threaten financial stability.

[28] See Bentzen and Gaarskær, Lending rules in light of higher interest rates, *Danmarks Nationalbank Analysis*, no. 10, May 2024 (*link*).
[29] See Andersen, Hviid, Nissen, Halsnæs and Poulsen, Access to the housing market for younger people with targeted easing of financing, *Danmarks Nationalbank Analysis*, no. 3, February 2025 (*link*).

05
High lending growth is driven by the largest companies

Banks' corporate lending has increased significantly over the past year. This is true particularly in the case of lending to the largest companies, while lending to small and medium-sized companies has remained stable. Growth in corporate lending is primarily driven by large companies' international activities and acquisitions of other businesses, which are also financed by increased issuance of corporate bonds. At the same time, banks report fierce competition for corporate customers.

The higher US tariffs are considered to entail limited credit risks for banks, but indirect effects and global economic slowdown may result in losses.

The Systemic Risk Council has recommended a relaxation of the sector-specific systemic buffer for institutions' exposures to commercial real estate to the Minister for Industry, Business and Financial Affairs, citing, among other things, an improvement in cyclical conditions in the commercial real estate market.

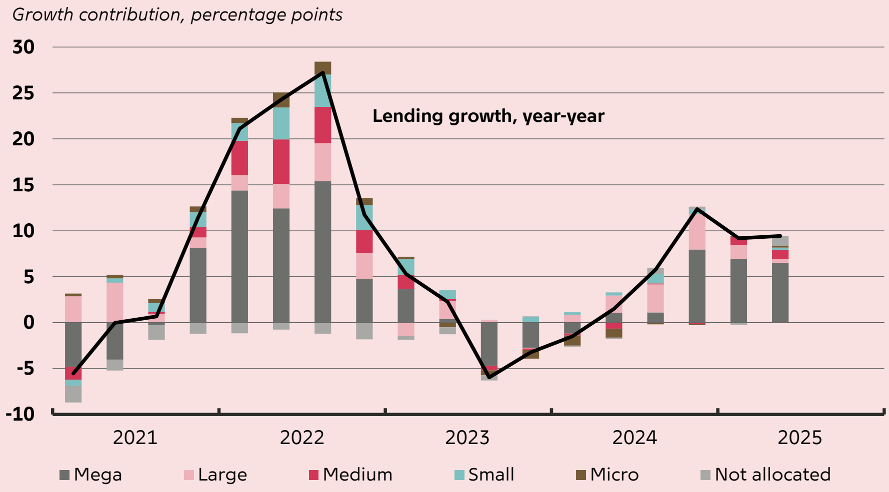
Banks' lending growth is driven by loans to the largest companies

Growth in banks' lending to corporations has increased and has been around 10 per cent year-on-year since the turn of the year, see chart 16. By comparison, mortgage credit institutions' lending to corporations has grown more moderately, with annual growth of around 5 per cent over the past two years.

CHART 16

Lending growth is driven by lending to the largest companies

Contribution to lending growth by company size



Note: Growth contributions for lending growth from large and medium-sized banks to Danish non-financial corporations, broken down by company size. *Micro*: 1-9 employees. *Small*: 10-49 employees. *Medium*: 50-249 employees. *Large*: 250-1,999 employees. *Mega*: 2,000+ employees. Number of employees is reported on a group basis. *Not allocated* refers to companies without information on the number of employees. These are mainly smaller companies.

Source: Danmarks Nationalbank.

The relatively high growth in lending from banks is almost exclusively driven by rising lending to the largest companies. Lending to small and medium-sized enterprises has, on the other hand, remained largely unchanged over the past year. Large companies often have significant international activities and their borrowing needs therefore depend only to a limited extent on cyclical conditions in Denmark alone.

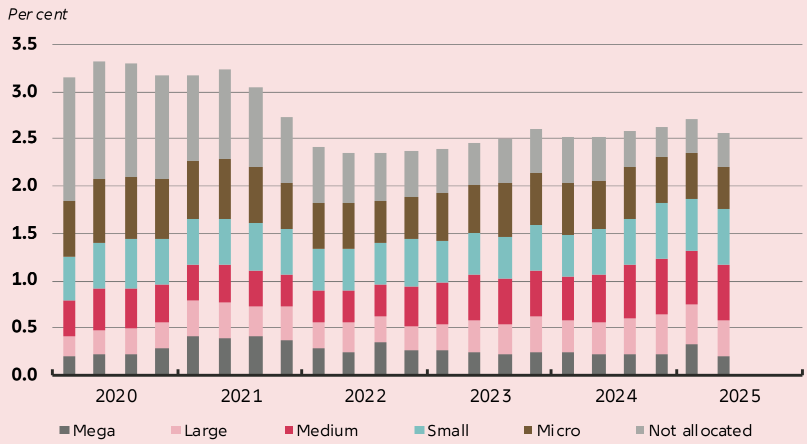
The largest companies are generally more resilient than small and medium-sized companies based on factors such as equity ratio and banks' assessment of credit quality. The largest companies also account for a relatively smaller share of total impairment charges on corporate loans compared to smaller companies, see chart 17. This is despite the largest corporations accounting for a larger share of total lending.

Several banks report fierce competition for corporate customers on both price and other credit terms and conditions in Danmarks Nationalbank's lending survey. The fierce competition may be reflected in the low level of lending margins, see chapter 6, *Profits remain high despite lower net interest income*. Banks report slightly eased credit standards in Q3 2025 and expect minor easing of credit standards in the coming quarter according to the survey. In a situation with high competition, it is important that banks continuously ensure sound credit standards and that the risk of losses on lending is not underestimated in pricing. This reduces the risk of losses when the business cycle eventually turns.

CHART 17

Impairment charges on the largest companies account for only a small share of total corporate impairments

Impairment rate by company size



Note: Impairment rate for loans from large and medium-sized banks to Danish non-financial corporations, broken down by company size. Impairment charges do not include management estimates. *Micro*: 1-9 employees. *Small*: 10-49 employees. *Medium*: 50-249 employees. *Large*: 250-1,999 employees. *Mega*: 2,000+ employees. Number of employees is reported on a group basis. *Not allocated* to companies without information on the number of employees. These are mainly smaller companies.
Source: Danmarks Nationalbank.

The largest companies have increased their issuance of corporate bonds

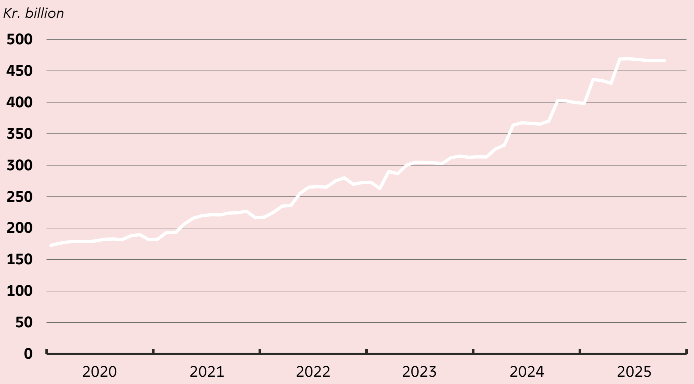
Several of the largest companies, which have contributed significantly to recent lending growth, have carried out business acquisitions over the past year. The financing of such acquisitions typically takes place through share issues and increased borrowing. For the largest companies, debt is typically financed through the issuance of corporate bonds but also includes loans from credit institutions – either as temporary financing or as a supplement to other sources of financing. The largest companies generally finance themselves to a much greater extent with bonds than smaller companies do.

The issuance of debt instruments among the largest companies has increased significantly since mid-2024, and the outstanding amount of bonds has increased by kr. 100 billion, see chart 18. However, bond financing does not constitute a larger proportion of the largest companies' total liabilities, see chart 19. The increased borrowing from credit institutions should thus be seen in light of an increased financing need as a result of acquisition activity.

CHART 18

Marked increase in issued corporate bonds...

Danish companies' issued corporate bonds

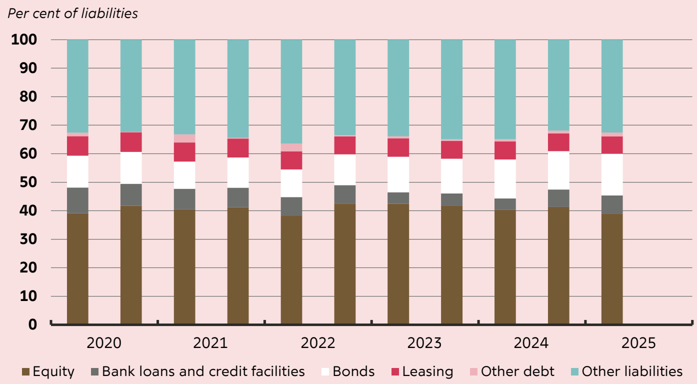


Note: Danish companies' issuance of corporate bonds, nominal values. Issuances include issuances through foreign subsidiaries.
Source: Danmarks Nationalbank.

CHART 19

... but bond debt does not constitute a larger proportion of the largest companies' balance sheet

Distribution of liabilities



Note: Total liabilities for Danish companies with issued bonds.
Source: S&P and own calculations.

Banks have experienced rising losses on loans to renewable energy companies, but lending remains limited

The green transition requires large investments in the production of green energy and infrastructure for delivering energy to users. The most important part of the transition consists of the continued phasing out of fossil fuels and increased production of electricity based on wind and solar energy as well as green gas. For several years now, credit institutions have increased lending to companies active in the production and sale of green energy. Conversely, institutions have had limited lending to extraction and production of oil and gas over the past five years.

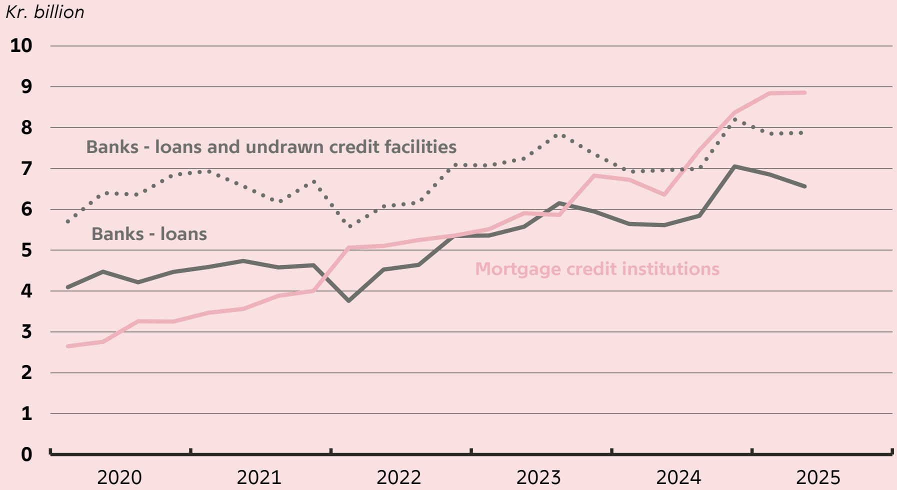
Companies engaged in the production and sale of green energy have experienced lower earnings in recent years, and several are experiencing financial difficulties. Higher interest expenses in recent years may have contributed to making long-term development projects and investments less profitable and led to declines in asset values. Furthermore, since energy prices have fallen back from their high levels in 2022, earnings opportunities have also diminished, which has contributed to some companies writing down their assets. Finally, the US administration's focus on fossil energy sources has also negatively affected expectations for future earnings opportunities in the sector.

Problems in the sector have also led to impairment charges and losses in credit institutions that have provided loans to affected companies. Banks' lending to companies in the renewable energy sector was limited to 1.1 per cent of their corporate lending in Q2 2025, while for mortgage credit institutions it accounted for 0.6 per cent of corporate lending. Credit institutions therefore have only limited exposure to the sector. Banks' lending to companies in renewable energy has increased from just under kr. 4 billion in 2019 to kr. 6.5 billion in mid-2025. In addition, there is a further kr. 1.3 billion in undrawn credit facilities. Mortgage lending has increased from kr. 3 billion to just under kr. 9 billion in the same period, see chart 20. It should be noted that credit institutions' lending to companies in the renewable energy sector is calculated as loans to companies with the industry code "Production of electricity from renewable energy sources".

It is difficult to define exposures precisely, as some of the activities of these companies may be located in other companies with different industry codes. The exposures should therefore be regarded as a lower bound.

CHART 20

Lending to renewable energy companies has increased in recent years



Note: Loans and undrawn credit facilities to companies in the sector "Production of electricity from renewable energy sources".
Source: Danmarks Nationalbank.

Credit institutions have limited exposures to companies highly dependent on the United States

The US and the EU entered into a framework agreement in July 2025[30], which, among other things, entails a unilateral tariff of 15 per cent on exports from the EU to the US. The agreement means that Danish exports to the US are also subject to the higher tariff.[31] Based on the latest available export data from 2022[32], around 20 per cent, corresponding to kr. 220 billion, of the total bank and mortgage lending to non-financial companies went to companies that exported to the US, see chart 21. The majority of the lending, around 16 per cent, is to companies where exports to the US account for less than 3 per cent of total turnover in the respective companies. For bank lending, the proportion is higher than for mortgage lending. This is mainly because industrial companies – which more often export to the US – account for a larger proportion of bank lending, while mortgage lending is more directed towards companies in commercial real estate, which do not export to the US.

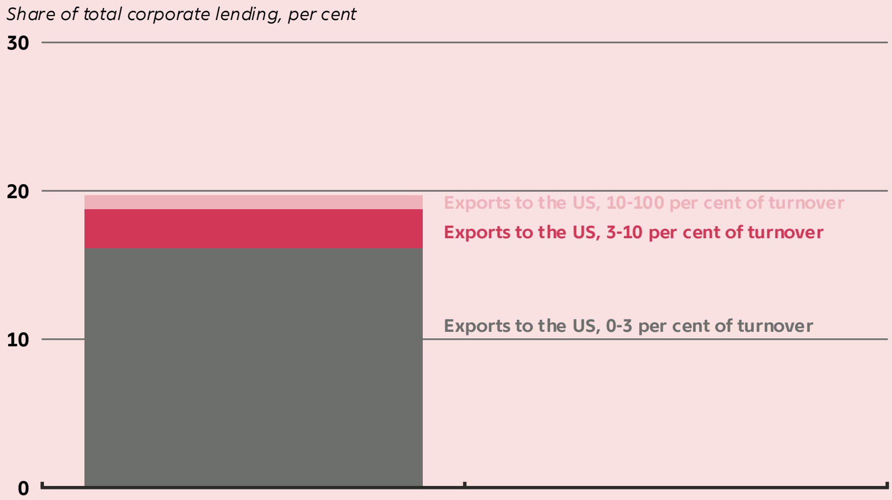
An analysis shows that the expected reduction in Danish exports to the US may amount to between 6 per cent and 11 per cent in the first year after the introduction of a 15 per cent tariff. The analysis is based on historical export elasticities and assumes that there are no alternative markets for selling

[30] See European Commission, *Joint Statement on a United States-European Union framework on an agreement on reciprocal, fair and balanced trade*, August 2025 (link).
[31] See Statistics Denmark, Over 70 pct. Af industrien påvirkes af tolden i USA, (Over 70 per cent of industry affected by tariffs in the US, in Danish only), *Nyt fra Danmarks Statistik*, September 2025 (link).
[32] To test the robustness of the conclusions in chart 21, the analysis was carried out using export data for the years 2020, 2021, and 2022. The proportion of lending to companies with exports to the USA, and the proportion of their total turnover that export companies derive from the US, is stable for all years.

products.[33] Given that only a limited part of total lending to non-financial companies is to companies that derive a significant share of their total turnover from exports to the US, such a tariff is thus expected to result in only a very limited decline in total turnover in the companies. Despite Denmark's export shares to the US having increased slightly in recent years, the direct credit risks related to the higher US tariffs on Danish exports are expected to be limited.

CHART 21

Many of the institutions' corporate customers export to the US, but for only a few do exports constitute a significant share of turnover



Note.: Proportion of total lending to companies with exports to the US in 2022. Export data only include trade in goods and thus not exports of services.
Source: Statistics Denmark and Danmarks Nationalbank.

The impact of US tariffs on other markets and global economic slowdown may affect Danish companies

Danish exports may, however, be affected indirectly if other countries to which Denmark exports are significantly impacted by the higher US tariffs. Increased uncertainty related to the scope and size of tariffs may also negatively affect companies. In a survey by Statistics Denmark from September 2025[34], over 70 per cent of industrial companies responded that the announced tariffs would have a negative impact on the company's business opportunities. Finally, there is a risk that an escalating trade war or global economic slowdown will affect Danish companies,[35] which could lead to losses for banks.

Increasing trading activity for commercial real estate

Credit institutions' lending to commercial real estate companies is significant and accounts for around 40 per cent of institutions' corporate lending.

[33] See Danmarks Nationalbank, Krause and Andersen, *Danish Export Elasticity to Tariffs Changes: Evidence from 30 Years of Microdata* (forthcoming publication).
[34] See Statistics Denmark, Over 70 pct. af industrien påvirkes af tolden i USA (Over 70 per cent of industry affected by tariffs in the US, in Danish only), *Nyt fra Danmarks Statistik*, September 2025 (*link*).
[35] See Danmarks Nationalbank, Weaker global trade slows growth in Denmark, *Danmarks Nationalbank Analysis* (*Outlook for the Danish economy*), no. 23, September 2025 (*link*).

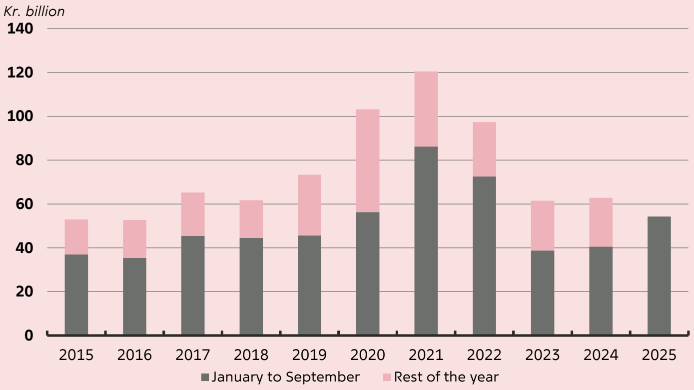
Interest rate increases in 2022 and 2023 contributed to a marked slowdown in activity in the commercial real estate market. Since mid-2024, interest rates have fallen and trading activity has increased in 2025 compared to 2023 and 2024, see chart 22. Thus, from January to September 2025, properties worth kr. 54 billion were traded, which is roughly in line with the historical average.

Vacancy rates have fallen slightly in 2025 for all segments of the commercial real estate market, see chart 23. For office, industrial and retail premises, the decline follows rising vacancy rates since 2022. However, vacancy rates remain low compared to levels before the pandemic. For residential rental properties, vacancy rates have fallen since 2023. This should be seen in light of higher population growth relative to new construction, especially in Copenhagen, which helps support demand for rental housing in the larger cities.

CHART 22

Increasing trading activity for commercial real estate

Transaction volume for commercial real estate in Denmark

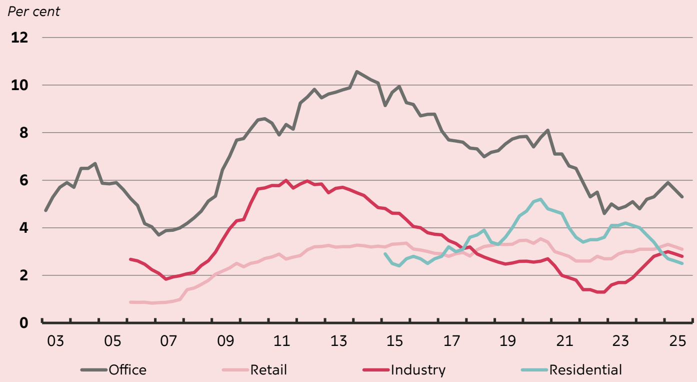


Note: Transaction volume for commercial real estate in Denmark.
Source: ReSights.

CHART 23

Declining vacancy rates in 2025

Vacant square metres as a percentage of estimated building stock



Note: Vacancy rates for office, retail and industry are from Ejendomstorvet. Vacancy for residential is from EjendomDanmark.
Source: Ejendomstorvet and EjendomDanmark.

The Systemic Risk Council evaluated the sector-specific systemic buffer for exposures to real estate companies in October 2025. As a result of, among other things, improvements in some cyclical conditions in the commercial real estate market, the Council has recommended to the Minister for Industry, Business and Financial Affairs that the measure be relaxed by exempting exposures secured by real estate in the loan-to-value interval 0 to 30 per cent, while the buffer rate is maintained at 7 per cent.[36] The Council assesses that there are still systemic risks related to the commercial real estate market that are not adequately addressed by other requirements. The Council particularly highlights that real estate companies' solvency, debt expenses and earnings continue to show elevated risk that some companies may not be able to service their debt in the event of a shock.

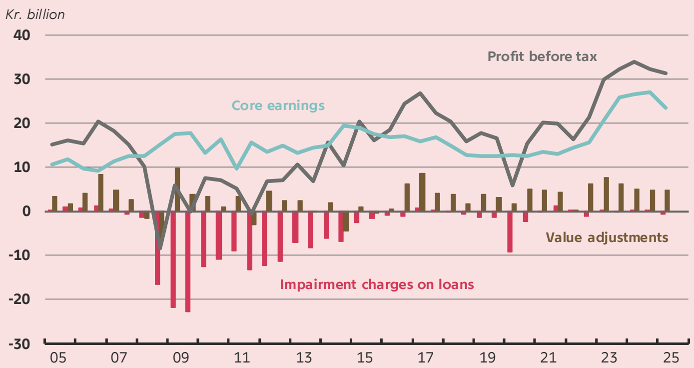
[36] See recommendation from the Systemic Risk Council, *Review of the sector-specific systemic risk buffer*, October 2025 (*link*).

06
Profits remain high despite lower net interest income

Systemic credit institutions' profit before tax amounted to approximately kr. 31 billion in the first half of 2025, which is a slight decrease compared to the second half of 2024. The institutions' profits correspond to an annual return on equity of approximately 15 per cent before tax. Systemic credit institutions' profits remain at a high level over a longer period. The decline in profits is mainly driven by lower core earnings, see chart 24. The lower core earnings are primarily due to lower net interest income, see chart 25. Value adjustments contribute positively to profits, and impairment charges on loans remain low. However, impairment charges on loans once again constitute an expense for the institutions after having been an income in recent years.

CHART 24

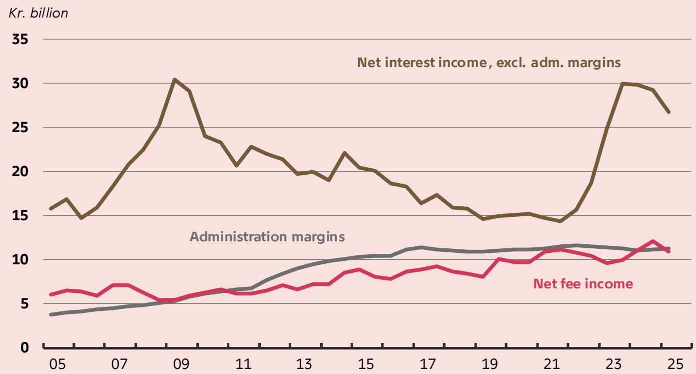
Profits continue to be supported by positive value adjustments and low impairment charges on loans



Note: Biannual data for the systemic credit institutions. *Profit before tax* is adjusted for impairment charges on goodwill and the fine related to Danske Bank's Estonia case. *Core earnings* are net interest and fee income less personnel and administrative expenses as well as other operating expenses. *Value adjustments* are net value adjustments on, e.g. securities, issued bonds and loans at fair value. In the chart, negative impairment charges on loans are an expense for the institutions, while positive impairment charges constitute income. Nykredit's acquisition of Spar Nord means that Spar Nord is excluded from the population after Q1 2025 but is included as part of the Nykredit Realkredit Group from June 2025.
Source: Danmarks Nationalbank.

CHART 25

Lower net interest income has reduced core earnings in 2025



Note: Biannual data for the systemic credit institutions. Nykredit's acquisition of Spar Nord means that Spar Nord is excluded from the population after Q1 2025 but is included as part of the Nykredit Realkredit Group from June 2025.
Source: Danmarks Nationalbank.

Net interest income has peaked

The higher interest rate level since mid-2022 has lifted net interest income, especially in 2023 and 2024, see chart 25. Monetary policy rates have been steadily reduced since mid-2024. The lower interest rates have resulted in a decline in the institutions' net interest income. In the first half of 2025, the institutions' net interest income fell by approximately kr. 2.5 billion compared to the second half of 2024.

Both interest rate level and interest rate development have a significant impact on the institutions' profit. Among other things, the institutions calculate the expected effect on earnings from interest rate shocks in both upward and downward directions. [37] For selected systemic banks[38], a 200 basis point cut in interest rates would reduce their net interest income, albeit with variation across banks. Net interest income would be reduced by an average of approximately 20 per cent over a year compared to a baseline scenario.

Profits from deposits are declining

In recent years, banks' deposit margins have been a significant driver behind the development in net interest income. The bank deposit margins for households and non-financial corporations peaked in autumn 2023 at 2.4 and 1.9 percentage points respectively, and has since fallen to approximately 1 percentage point in September 2025, see chart 26. The high deposit margin in 2023 was a consequence of deposit rates not keeping pace with the rise in the money market rate. Subsequently, deposit rates have not fallen as quickly as the money market rate, which has reduced the deposit margin.

For households, the deposit margin is currently at the level seen in the years before the financial crisis. If monetary policy rates stabilise at their current level in line with market expectations, see chapter 3, *Calm markets despite global uncertainty*, banks will propably be able to maintain a deposit margin in the coming years at roughly the same level as at present. The average deposit rate reflects both banks' deposit rates and the composition of customers' deposits. There will therefore also be an effect on the average deposit rate if customers move towards other types of deposit. Banks currently have a high deposit surplus, which limits their incentive to raise customers' deposit rates.

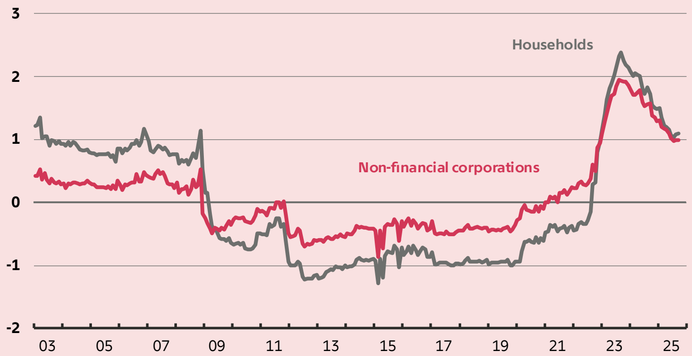
The behaviour of customers in recent years shows that, to a certain extent, they respond to differences in interest rates across different types of deposits. When interest rates rose, the difference in interest rates between deposits with a fixed term and demand deposits widened. In June 2024, the difference was 1.4 percentage points, which led customers to hold relatively more deposits with a fixed term, see chart 27. The difference in interest rates has since been reduced, and the proportion of deposits with a fixed term excluding pooled schemes has declined slightly. Currently, the interest rate on demand deposits is 0.2 per cent. This interest rate covers regular transaction accounts such as salary accounts, where the interest rate is currently close to 0 per cent and savings accounts with a higher interest rate. [39]

[37] The institutions' IRRBB reports include levels and changes in net interest income. Levels of net interest income reflect the bank's expected net interest income for the coming year (baseline). Changes in net interest income are calculated, among other things, for parallel interest rate shocks in both upward and downward directions. Different sizes of interest rate shocks are considered for different currencies, e.g. the interest rate shock for DKK and EUR is 200 basis points, while for GBP it is 250 basis points. Calculations are made for a time horizon of one year and under the assumption of a constant balance.
[38] Danske Bank, Jyske Bank, Nykredit Bank, Sydbank and Spar Nord.
[39] The higher interest rate will typically be conditional on special conditions, e.g. that it is a dedicated savings account, that there is a limited number of fee-free withdrawals within a given period, or that the customer only gains access to the account type if they belong to a certain customer group.

CHART 26

The deposit margin has been reduced for both households and non-financial corporations

Systemic banks' deposit margins

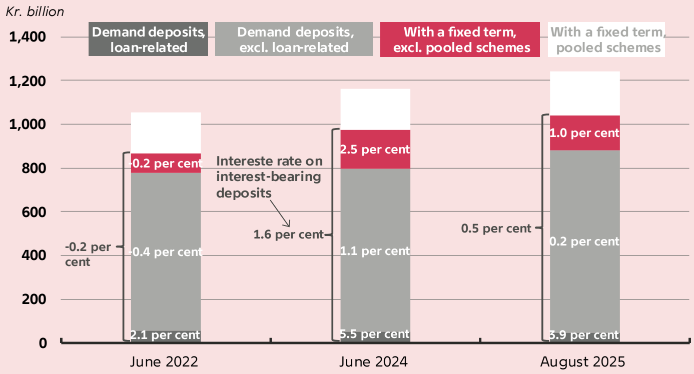


Note: Monthly data for systemic banks. *The deposit margin* is calculated as the money market rate less the deposit rate. The money market rate is given by DESTR, but the T/N rate less 19 basis points is used before April 2022. The deposit rate is the systemic banks' average deposit rate in kroner for households and non-financial corporations. Latest observation is September 2025.
Source: Danmarks Nationalbank.

CHART 27

The overall deposit rate for households is affected by the composition of deposits

Households' deposits



Note: Households' domestic deposits (sector 1430) broken down by demand deposits and deposits with a fixed term. *Demand deposits* cover deposits in ordinary salary accounts and some types of savings accounts (without a fixed term) as well as loan-related deposits. The majority of *deposits with a fixed term* consist of pension savings, while a smaller portion consists of ordinary savings accounts where customers tie up deposits for a period of time. The interest rates indicate the average interest rate on the different types of deposits. The interest rate on loan-related deposits reflects the interest rate level on the associated loan. Deposits in pooled schemes do not have a fixed interest rate but instead a return based on the underlying investments.
Source: Danmarks Nationalbank.

Low level of the lending margin may indicate competition for lending

The lending margins for both households and non-financial corporations have been declining over a longer period, see chart 28 and chart 29. In 2025, the development in the lending margin for non-financial corporations has been roughly flat. At the same time, the lending margin for households has increased. The lending margin is thus again higher for households than for non-financial corporations.

The lending margin can be divided into a term premium and a lending premium.[40] The term premium reflects that bank lending typically has a long maturity and the bank therefore charges a premium for tying up liquidity for a longer period. Since 2024, the term premium for loans to households and non-financial corporations has increased, as short-term interest rates have fallen relative to long-term rates, see chart 28 and chart 29.

In addition to the term premium, the lending margin consists of a lending premium, which covers several different elements, including the risk of loss on the loan, the competitive situation and the bank's funding costs. Since mid-2024, the lending premium for households has remained at a low level of approximately 2 percentage points. The lending premium has previously been relatively stable between 3 and 4 percentage points. The currently low level of the lending premium may therefore reflect competition for lending to

[40] Read more about the breakdown of the lending margin in Danmarks Nationalbank, Geopolitical uncertainty impacts the risk outlook for the financial sector, *Danmarks Nationalbank Analysis (Financial stability – biannual review and recommendations)*, no. 18, November 2024 (link).

households, but may also be due to banks' perception of credit risk being lower than previously.

Over the past year, the lending premium for non-financial corporations has been largely unchanged. Both the lending margin and the lending premium are at low levels, which may indicate that competition for lending to non-financial corporations is fierce. Competition is healthy, but it is important that banks do not underestimate the credit risk on loans and ensure that profit on customers matches the risk.

CHART 28

The lending margin for non-financial corporations is largely unchanged after a longer period of decline

Breakdown of the lending margin for non-financial corporations

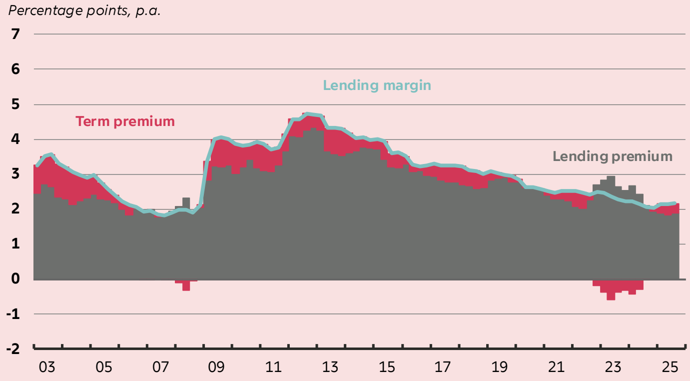
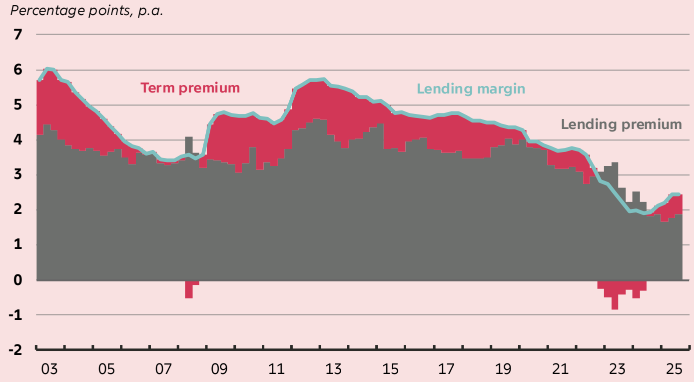


CHART 29

The rising lending margin for households reflects a largely unchanged lending premium and a higher term premium

Breakdown of the lending margin for households



Note: *The quarterly lending margin* is given by the lending rate less the money market rate, which is given by DESTR, but the T/N rate less 19 basis points is used before April 2022. The lending rate is the systemic banks' average lending rate in kroner to households and non-financial corporations. The term premium is an estimate and is based on a 3-month swap curve. As the maturity of loans to households is long, an estimate for the term premium is the difference between a 2- and 10-year swap rate. For non-financial corporations, the maturity is relatively short and therefore an estimate for the term premium is the difference between a 2- and 5-year swap rate. Latest observation is Q3 2025.
Source: Danmarks Nationalbank.

07

Investment funds play a major role in the repo market

Banks must continuously monitor their liquidity and funding position to ensure they can withstand liquidity stress. Liquidity risks rarely materialise, but when they do, they can have a significant impact on banks and their customers, and they can occur suddenly. If there is turmoil in the financial markets, or if a single bank is under stress, it may be expensive or impossible for banks to obtain the necessary liquidity.

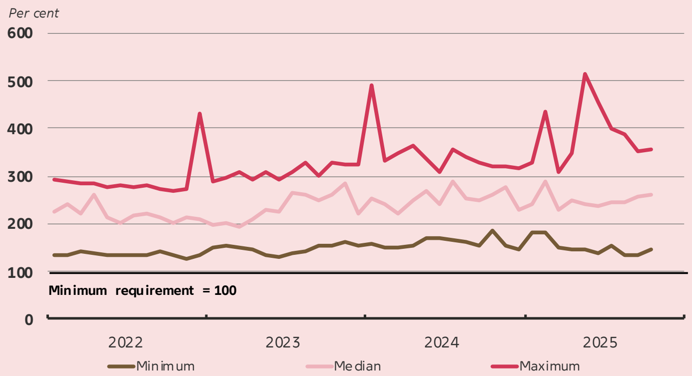
In Denmark, investment funds have increased their investments in mortgage bonds through increased borrowing in the repo market. The funds' investment strategy entails an inherent refinancing risk, which may have spillover effects on both the repo and mortgage markets.

Banks have a robust liquidity position

Both systemic and non-systemic banks have a certain buffer to the regulatory requirement for liquidity, the Liquidity Coverage Ratio, LCR, and the requirement for stable funding, the Net Stable Funding Ratio, NSFR, see chart 30 and chart 31.

CHART 30

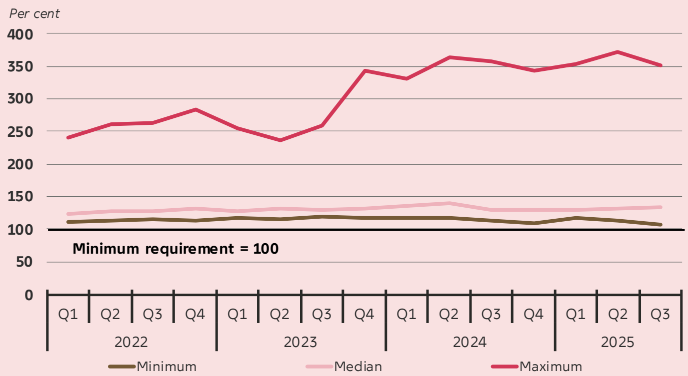
Systemic banks have a certain buffer to the regulatory Liquidity Coverage Ratio, LCR...



Note: The LCR is calculated as the bank's liquid assets divided by net cash outflows over a 30-day stress period. Arbejdernes Landsbank and Saxo Bank are included at group level. Latest observation is end of October 2025.
Source: Danmarks Nationalbank.

CHART 31

...and the regulatory Net Stable Funding Ratio, NSFR



Note: The NSFR is calculated as the banks' stable funding divided by the need for stable funding. Arbejdernes Landsbank and Saxo Bank are included at group level. Latest observation is end of Q3 2025.
Source: Danmarks Nationalbank.

The systemic banks continue to have a robust liquidity position and are able to withstand severe liquidity stress. In Danmarks Nationalbank's liquidity stress test, all systemic banks in Denmark have a survival horizon of at least three months.

This means that they have sufficient liquid assets to withstand a period of at least 3 months of substantial deposit withdrawals and lack of access to funding markets. Most systemic banks have a survival horizon of at least six months.[41]

Leveraged investment funds have increased their borrowing in the Danish repo market

Internationally, leveraged investment funds[42] have increased their exposures, particularly to government bonds in recent years. This has led to increased attention being paid to the role of funds in the financial system and the implications for financial stability by, among others, the Federal Reserve, ECB, and IMF.[43] In Denmark, investment funds have increased their investments in Danish mortgage bonds by borrowing in the Danish repo market. The funds' leveraged investments in mortgage bonds now account for close to 10 per cent of the total mortgage market, making the mortgage market more sensitive to shocks.

In Denmark, the repo market and the mortgage market are closely linked, as nearly 90 per cent of repo transactions in Danish kroner are conducted with mortgage bonds as collateral. When an investment fund buys a mortgage bond, for example, the fund can borrow additional money using the bond as collateral in the repo market[44] thereby leveraging its investments. The repo loans provide the funds with liquidity, which they can use to buy a new mortgage bond. The mortgage bond can subsequently serve as collateral in a new repo agreement, with the chain continuing until internal limits are reached.[45] By using leverage, the funds can thus increase their exposure to mortgage bonds for a given investor portfolio. This increases the funds' expected return, but also the risk of the investment.

The Danish repo market is concentrated among five large investment funds, which at the end of October 2025 had repo loans in Danish kroner totalling approximately kr. 200 billion and corresponding to more than half of the repo loans in the Danish market.[46] This is a significant increase since 2023, when total repo loans were kr. 80 billion and accounted for around 30 per cent of the market, see chart 32. A significant proportion of the five funds' repo loans are used to leverage their investments in Danish mortgage bonds. The Danish mortgage bond market could be significantly affected if investment funds face problems that force them to sell large volumes of bonds quickly.

The increase in repo borrowing and mortgage bond holdings among the five funds is primarily driven by the expansion of their investor portfolios following positive returns. When the investor portfolio increases, the fund increases repo borrowing as part of its investment strategy, which increases the fund's leverage.

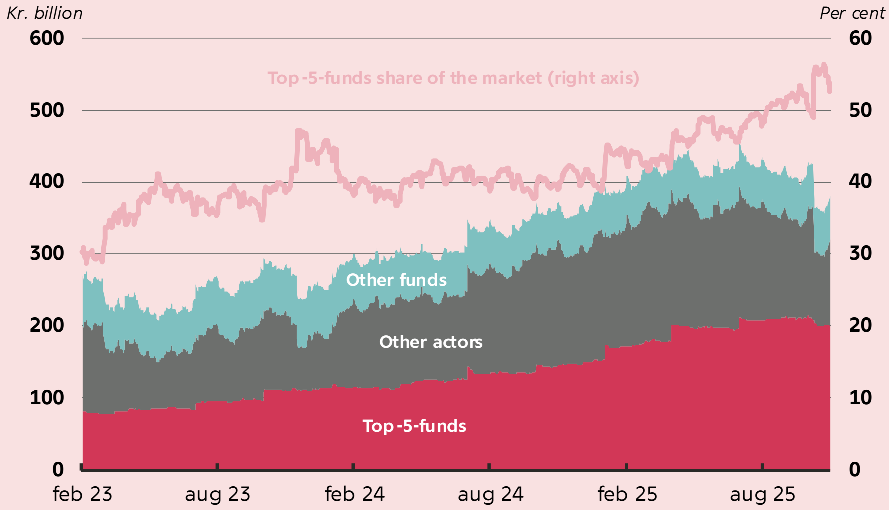
[41] For more information on Danmarks Nationalbank's liquidity stress test model, see box 3, page 28, in Danmarks Nationalbank, Higher interest rates have strengthened the resilience of banks, but also pose a risk, *Danmarks Nationalbank Analysis (Financial stability – biannual review and recommendations)*, no. 11, May 2024 (*link*).
[42] *An investment fund* is a pool of several investors' money (a collective investment), where the fund invests this money in various securities such as shares, bonds, or other assets depending on the fund's purpose and strategy.
[43] See e.g. Bouveret, Ferrari, Grill, Vivar, Schmidt and Weistroffer, Leveraged investment funds: A framework for assessing risks and designing policies, *ECB Macroprudential Bulletin*, no. 26, January 2025 (*link*), IMF, Shifting Ground beneath the Calm, *Global Financial Stability Report*, October 2025 (*link*), and Federal Reserve, *Financial Stability Report*, April 2025 (*link*).
[44] A repo transaction involves the counterparty borrowing liquidity against a security (typically a bond) as collateral for the loan. For a more detailed description of the Danish repo market, see Nouri and Madsen, The secured money market is an integral part of financial markets, *Danmarks Nationalbank Analysis*, no. 12, May 2025 (*link*).
[45] The five funds refinance approximately 95 per cent of all transactions before maturity, which is significantly more than other actors.
[46] In the analysis, the Danish repo market is limited to the nine most active banks in the Danish foreign exchange and money markets.

In periods of market volatility, funds may also need to rebalance their investments rather than increase their leverage.[47]

Among other things, the high leverage means that if a bond falls in value, for example if the credit spread on the bond widens, this could result in a significant loss for the fund. Hence, the investor portfolio will fall and there will be less money to invest. Consequently, the fund may be forced to sell some of its bonds. The high leverage also means that if investors wish to redeem their investments in the fund, the fund may need to sell a significantly larger volume of bonds. If, for example, a redemption amounts to kr. 1 billion and the leverage factor is 20, all else being equal, this would mean a sale of bonds worth kr. 20 billion. As the activities of investment funds can have spillover effects on the mortgage market, it is crucial that the funds take this into account in their risk management.

CHART 32

The Danish repo market is concentrated among five large funds, which in recent years have increased their repo loans significantly



Note: The chart shows the development in net lending in the repo market among the five largest hedge funds and their share of the total Danish repo market. Net lending for the remaining investment funds and other actors (e.g. other banks, insurance and pension companies) is also shown. Latest observation is 31 October 2025.
Source: Danmarks Nationalbank and own calculations.

The funds' financing model implies a strong reliance on the continuous availability of funding from their repo counterparties, i.e. banks. If repo financing cannot be maintained or is reduced, the funds may have to sell the bonds they have purchased with the liquidity from repo loans. Due to the funds' large holdings of bonds, this could result in significant selling pressure in the mortgage market. However, this risk is mitigated by the fact that the five funds have repo agreements with the largest banks in the Danish repo market.
Due to the strong interconnectedness between the repo and mortgage markets, it is important that the banks financing the leveraged investments are aware that a sudden stop in lending to the funds could create knock-on effects.

[47] Se Jensen, Madsen, Bentsen and Grenestam, The Danish mortgage bond market is dominated by few market participants, *Danmarks Nationalbank Analysis,* no. 17, November 2024 (link).

Some investment funds are active across Scandinavian bond markets

Some of the five investment funds have also increased their purchases of covered bonds in Norway and Sweden.[48] Increased investments in bonds across the three Scandinavian bond markets increase the interconnectedness between them. If bond prices fall in one country, this can have knock-on effects in the other two countries. To avoid selling in a stressed market with poor liquidity, for example, the funds may choose instead to sell bonds in the other markets where liquidity is better. Thus, price pressure in one country can lead to selling pressure in another country, spreading the pressure to several of the Scandinavian markets.

How the fund chooses to reduce its holdings of bonds depends on its investment strategy as well as the liquidity and financing conditions in the various markets.

[48] The increase in repo lending in Norway and Sweden is also highlighted by the central banks in Norway and Sweden. See e.g. Norges Bank, Financial stability assessment, *Financial Stability Report 2025 H1,* no. 1, May 2025 (*link*), and Sveriges Riksbank, *Financial Stability Report 2025:1,* May 2025 (*link*).

08
Capital requirements support resilience

The final part of the Basel III rules entered into force in early 2025 in the EU. [49] Data from the systemically important institutions, the SIFIs, show that the new rules have only had a limited impact on risk-weighted exposures (RWE). Following the Draghi report[50], which pointed out that complex and extensive EU regulation hampers competitiveness, work has begun in Europe on proposals to simplify financial regulation. Danmarks Nationalbank supports initiatives that can simplify the rules, provided that this does not weaken institutions' resilience.

Danmarks Nationalbank's biannual stress test of the financial sector demonstrates that institutions would withstand a severe recession scenario.

Final part of Basel III has entered into force

Basel III Endgame, the final part of the Basel III rules, was adopted in 2017 and the standard was incorporated into European legislation as the capital requirements package which was adopted in 2024.[51] The capital requirements package includes, among other things, adjusted rules for the calculation of RVE, so that they better reflect the underlying risk of institutions' exposures.

Institutions' reports from Q1 2025 show that the updated rules have generally had limited effect on the size of institutions' RWE, see box 3.

Institutions have also reported whether the floor requirement – a central element of the capital requirements package – will become binding in 2033, when the phase-in is complete. The floor requirement sets a lower limit for how much capital institutions must hold relative to their RWE.[52] The aim of the requirement is, among other things, to limit variation in institutions' capital requirements, which may arise from the use of internal models for calculating RWE. Among the Danish SIFIs, the floor requirement will be binding for Danske Bank and Nykredit. For Danske Bank, the floor requirement will mean that RWE, with the current balance sheet composition, will increase by 17 per cent and for Nykredit, the increase will be 8 per cent.[53, 54] For some comparable Nordic institutions, a fully phased-in floor would mean an increase in RWE for some institutions of up to 23 per cent.

Risk-weighted exposures are a key element in determining institutions' capital requirements. Pillar II add-ons set institution-specific capital requirements that are not adequately captured by the minimum requirements in the regulation (Pillar I). If the floor requirement becomes binding, parts of Pillar II may become less or no longer relevant. A binding floor requirement may also affect the size of the buffer that institutions must hold in setting their capital targets. Both factors

[49] The revised rules for the calculation of market risk have been postponed until early 2027. The postponement came after first the US and then the UK postponed their implementation.
[50] See European Commission, *The Draghi report on EU competitiveness*, September 2024 (*link*).
[51] Read more about the capital requirements package in Danmarks Nationalbank, Geopolitical uncertainty impacts the risk outlook for the financial sector, *Danmarks Nationalbank Analysis (Financial stability – biannual review and recommendations)*, no. 18, November 2024 (*link*).
[52] According to the output floor, the RWA in an institution must not be lower than 72.5 per cent of the RWA calculated according to the standardised approach. The output floor will be phased in by 2033.
[53] Danske Bank and Nykredit, with their CET1 at the end of Q2 2025 and the binding output floor in 2033, can meet their current capital targets.
[54] Sydbank is disregarded due to the merger with Arbejdernes Landsbank and Vestjysk Bank.

may mean that the effect of the floor on the capital requirement will be less than the increase in RWE would suggest.

BOX 3

The capital requirements package involves adjusted rules for the calculation of risk-weighted exposures

The institutions have not published the effect of the capital requirements package, but a comparison of risk-weighted exposures (RWE) from end-2024 to Q1 2025 can provide an indication of the impact of the rule changes that took effect from the turn of the year, see table.[1] In addition to the new rules, the development in RWE is affected by the size and composition of assets, the business cycle, and any model adjustments made on an ongoing basis.

With the exception of Jyske Bank, the development in institutions' total RWE excluding market risk is very limited, see table, and is assessed to be within the normal quarterly variation. The same applies to the development in RWE for credit risk, excluding Jyske Bank. Regarding the calculation of operational risk, there is considerable variation in how the new method affects individual institutions: For SIFIs, a change in RWE of between -28 and 64 per cent is observed.[2] The modest effect of a large percentage increase in operational risk on total risk-weighted exposures is due to operational risk constituting only a small part of total RWE - between 5 and 18 per cent at the end of 2024.

Among comparable Nordic institutions, a similar development is seen, where total RWE has changed very little with the transition to the new rules. RWE for credit risk has remained unchanged or has fallen, while increases in RWE for operational risk have been very uneven.

Quantitative Impact Studies (QIS) have been conducted on an ongoing basis for banks in the EU, where, based on the new Basel rules and the expected EU adjustments, larger institutions in the EU are asked to calculate what the new rules will mean for them. In the QIS calculations, the expected effect of the new rules on credit risk and operational risk fell by 0.8 percentage points of the total Tier 1 requirement from 2021 to 2023. At the same time, calculations from 2023 showed that Tier 1 capital requirements related to credit risk and operational risk would have been over 3.9 percentage points higher without EU-specific adjustments to the Basel rules.[3]

TABLE

Effects of the capital requirements package on the calculation of risk-weighted exposures (RWE)

Change in RWE from end of 2024 to Q1 2025

Per cent	Credit risk	Operational risk	Total RWE, excl. market risk
Danske Bank*	1	6	-2
Nykredit	-1	24	0
Jyske Bank	7	5	7
Nordea Kredit	-3	64	0
DLR	0	39	1
Sydbank	2	-11	0
Arbejdernes Landsbank	4	-28	-1

Note: RWE for market risk has been omitted because the new rules for calculating market risk have not yet come into force, and because RWE for market risk fluctuates considerably from quarter to quarter. For Danske Bank, kr. 20 billion has been deducted from the credit risk calculation at the end of 2024 to adjust for the reservations Danske Bank made in mid-2024.
Source: Institutions' Pillar III reporting Q1 2025 and own calculations.

[1] Formally, the floor requirement entered into force at the beginning of 2025, but due to transitional arrangements, it will not be binding for any Danish SIFI in the coming years.
[2] Previously, there were three methods for calculating operational risk: the Basic Indicator Approach (BIA), the Standardised Approach (in two variants) and an internal approach. With the transition to CRR III, there is now only one method for calculating operational risk, the Standardised Approach. The method is based on the previous Standardised Approach, but is divided into three groups (interest, etc., service, and financial) and an expression of costs is calculated for each of the three groups.
[3] EU rules for the calculation of CVA capital requirements are also significantly more lenient than those presented in Basel III. Here, the difference is 1.6 percentage points

Simplification of financial regulation must not weaken sector resilience

Regulatory simplification is on the agenda in many areas within the EU. However, this development is not limited to the EU. The UK, for example, is working to introduce simpler requirements for small banks that are not internationally active. The European Banking Authority (EBA) published a report in autumn 2025 that included a number of proposals aimed at making rules within the banking sector simpler. These include a reduction in reporting, simpler rules, and more targeted requirements for the smallest banks. The EBA's objective is to reduce reporting costs by 25 per cent in the medium term. The Danish Financial Supervisory Authority was part of the taskforce that prepared the report's recommendations.

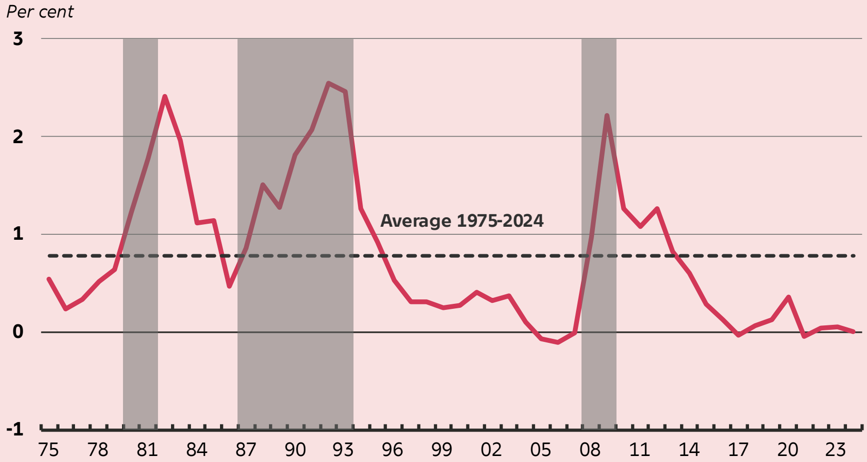
Danmarks Nationalbank supports initiatives that can simplify rules, provided that this does not compromise institutions' financial resilience. Both the capital requirements package rules for calculating RWE for financial undertakings and the EBA's rules support the resilience of the financial sector. The rules stipulate that each item subject to capital requirements must have capital to cover unexpected losses. However, existing financial regulation is highly complex, and the regulatory framework is extensive. Financial regulation has also reached a point where the marginal value of some new rules does not necessarily justify the additional burden that the rules may entail. It is therefore relevant to consider whether the rules can be simplified. However, it is crucial that simplification does not lead to an actual easing of the core of financial regulation, i.e. requirements for liquidity, capital, and crisis management.

In connection with previous crises, there have been examples of easing financial regulation just before a crisis hit.[55] The transition to Basel II in the EU in 2007, for example, took place after a period of favourable economic conditions and low losses. Basel II, together with changed impairment rules, meant lower requirements for capital reserves. At the same time, experience shows that banks' impairment charges have increased sharply when crises have hit, see chart 33. Credit institutions are now significantly better capitalised and thus better prepared to handle severe stress. This is partly a result of the regulation introduced after the global financial crisis.

[55] See speech by Michael S. Barr, *Booms and Busts and the Regulatory Cycle*, bis.org, July 2025 (*link*).

CHART 33

Banks' impairment charges are well below the historical average, but can rise sharply during crises



Note.: Annual loan impairment charges recognised in profit or loss by banks as a percentage of loans and guarantees. The grey areas indicate periods of particularly low economic activity.
Source: Danmarks Nationalbank, Statistics Denmark and own calculations.

Sustainability reporting is another area where the EU is also working on simplification, see box 4. Danmarks Nationalbank agrees with the need to simplify requirements in this area and assesses that it will not affect financial stability. The simplification of requirements should prioritise continued reporting of data on climate and the green transition rather than other sustainability-related topics.

Sustainability reporting is another area where the EU is also working on simplification, see box 4. Danmarks Nationalbank agrees with the need to simplify requirements in this area and assesses that it will not affect financial stability. Simplification of requirements should prioritise continued reporting of data on climate and green transition over other sustainability-related topics.

BOX 4

European Commission proposal to reduce reporting on companies' sustainability

The EU's regulation of sustainable finance aims to integrate sustainability into investment decisions in financial markets. Increased information on sustainability is intended to support investors' ability to make informed decisions. One element of the regulation is the expansion of companies' sustainability reporting, CSRD, which was adopted in the EU in December 2022.

Since then, the Draghi report[1], for example, has focused minds on European competitiveness and reducing administrative burdens. In February 2025, the European Commission therefore presented the Omnibus I proposal[2], which consists of amendments to requirements for sustainability reporting in several regulations, including changes to CSRD.

Continues ...

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Fewer companies required to report – and on less
The first part of Omnibus I has already been implemented with a two-year postponement of new requirements for sustainability reporting for companies that do not already have to report. In addition, the European Commission has proposed that the reporting rules should only apply to companies with over 1,000 employees and turnover of more than EUR 50 million or total assets of more than EUR 25 million. The new thresholds reduce the number of companies covered by around 80 per cent across the EU. At the same time, a voluntary reporting standard on sustainability for small and medium-sized enterprises is proposed. This part of the Omnibus I proposal is currently being negotiated with Member States and the European Parliament. In these negotiations, the European Parliament is arguing for further limits to the reporting obligation, so that only companies with over 1,750 employees and turnover of more than EUR 450 million are required to report.

Finally, the European Commission is proposing to simplify reporting for those companies that still have to report. The Commission has therefore asked the European Financial Reporting Advisory Group, EFRAG, to prepare revised proposals for reporting standards. In July 2025, EFRAG published a significant simplification of the reporting framework.[3] The number of mandatory data points has been reduced by around 57 per cent and the total number of data points (including voluntary) has been reduced by around 68 per cent. Final implementation of the simplified standards is not expected until 2026.

Financial companies can still request data regarding their customers' sustainability conditions
Banks and mortgage credit institutions issue loans to many companies and households and must continuously assess the risk of future losses. Institutions need detailed data on their customers to assess the credit risk of their loan portfolio and other assets. This also applies to customers' sustainability issues, e.g. risk of losses from climate change (e.g. increased risk of flooding of mortgaged buildings due to extreme rainfall or storm surge).

The reduction in the number of companies covered and the number of data points means that CSRD reporting will be less able to cover the data needs of banks and mortgage credit institutions.[4] Banks and mortgage credit institutions should still obtain relevant and necessary information on sustainability issues from their customers – and in some cases from other relevant parties in the value chain.

[1] See European Commission, *The Draghi report on EU competitiveness*, September 2024 (*link*).
[2] For more information on the Omnibus I proposal, see European Commission (*link*). The proposal also concerns simplification of the EU taxonomy for sustainable activities, changes in rules on corporate sustainability due diligence (CSDDD) and changes in the carbon border adjustment mechanism (CBAM) regulation. This box only deals with amendments to CSRD.
[3] See EFRAG's proposals for the 12 simplified ESRS standards (*link*).
[4] In a staff response (*link*), the European Central Bank, ECB, emphasised the need for a balance between simplification of reporting requirements and access to sufficient data. The ECB points out, among other things, that reporting on the financial effects of the materialisation of climate and other nature-related risks should remain a high priority and that sector-specific guidelines should be developed for financial companies.

All institutions meet capital requirements in a severe stress scenario

Danmarks Nationalbank conducts a biannual assessment of the financial sector's ability to comply with regulatory capital requirements under stress.[56] The macroeconomic scenarios are described in box 5 below.[57]

The *severe recession scenario* reflects a situation characterised by a pronounced downturn in the Danish economy. The stress test demonstrates that all institutions meet the aggregate risk-based capital requirements. The development in excess capital adequacy relative to the capital buffer requirement for the systemic institutions, SIFI institutions, is illustrated in chart 34.

[56] The stress test includes systemic credit institutions and larger non-systemic banks. See Appendix A1 for an overview of all the credit institutions and banks included in the stress test.
[57] Institutions must ensure sufficient capitalisation to withstand such a scenario, while complying with future regulatory requirements.

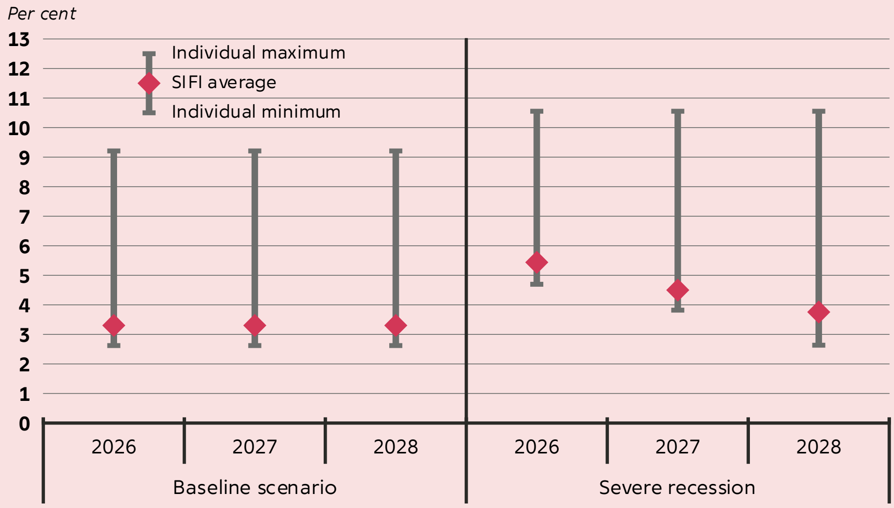
In the severe scenario, it is assumed that the countercyclical capital buffer at the current level of 2.5 per cent is released. The release of the countercyclical capital buffer ensures that the sector maintains comfortable excess capital adequacy relative to the risk-based capital requirements in the scenario. In the last year of the severe recession scenario, SIFI institutions have an aggregate excess capital adequacy of 3.8 per cent, while other institutions maintain an excess capital of 8.2 per cent in the last year of the severe recession scenario.

There is a considerable spread in the individual level of excess capital adequacy. For SIFI institutions, there is an 8.0 percentage point difference between the institution with the highest and the institution with the lowest excess capital adequacy. For the remaining institutions, the difference is 14.5 percentage points.

CHART 34

All institutions meet capital requirements in a severe stress scenario

Excess capital adequacy in relation to risk-weighted exposures



Note: The chart shows excess capital adequacy for systemic credit institutions as a percentage of their total risk-weighted exposures. *SIFI average* indicates the aggregate excess capital adequacy for systemic credit institutions. *Individual minimum* (*maximum*) refers to the institution with the lowest (highest) excess capital adequacy. The stress test assumes that the countercyclical capital buffer (CCyB) is released in a severe recession. The additional excess capital adequacy is illustrated in the severe recession. Spar Nord is incorporated in the stress test as part of Nykredit Realkredit A/S, alongside Nykredit Bank and other subsidiaries.
Source: Danmarks Nationalbank and own calculations.

BOX 5

Macroeconomic scenarios used in the stress test

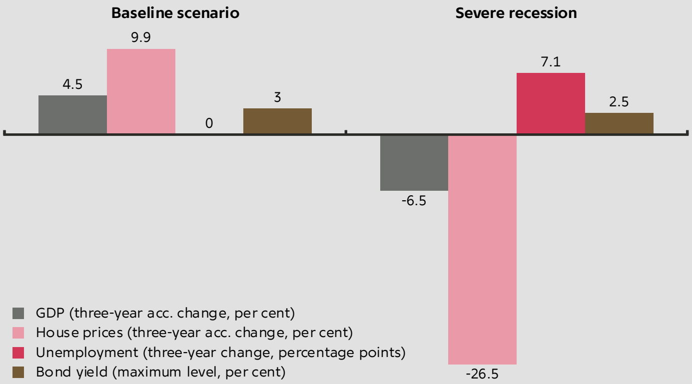
The stress test is based on scenarios for macroeconomic developments in Denmark over the period 2025–2028.

A baseline scenario follows Danmarks Nationalbank's latest projection.

A severe recession scenario reflects a situation of severe global recession. This entails a cumulative three-year decline in GDP of 6.5 per cent and a cumulative three-year fall in house prices of 25.6 per cent. Unemployment rises simultaneously by 7.1 percentage points between 2025 and 2028. In the scenario, export market growth is reduced further compared to the baseline. Consumer and business confidence is subdued, resulting in negative shocks to private consumption, private investment, and the cash price of single-family homes. Central banks only respond to a limited extent by lowering interest rates, so market rates fall by around 0.5 percentage points over three quarters compared to market expectations in September.

CHART

Macroeconomic scenarios
Denmark between 2025-2028



Note: Figures are calculated based on annual averages. The bond yield indicates the average bond yield (per cent, p.a.). See also Appendix A2 for a detailed description of the stress test scenarios.

Source: MONA, Danmarks Nationalbank's macroeconomic business cycle model, and own calculations.

[1] See Danmarks Nationalbank, Weaker global trade slows growth in Denmark, *Danmarks Nationalbank Analysis (Outlook for the Danish economy)*, no. 23, September 2025 (link).

Beyond the risk-based capital requirements, all credit institutions must comply with a 'leverage requirement'. The leverage requirement is a minimum requirement for Tier 1 capital of 3 per cent of non-risk-weighted exposures.[58] All institutions meet the leverage requirement in the stress scenario.

A stress test based on the systemic institutions' capital targets shows that all institutions are able to maintain excess capital adequacy relative to the aggregate capital requirements in the severe recession scenario, provided capitalisation is at the target level at the outset of the stress test.[59, 60]

Institutions must also comply with a requirement for sufficient eligible liabilities, the risk-based minimum requirement for own funds and eligible liabilities (MREL).[61] In the severe recession scenario, the systemic credit institutions collectively will not need[62] to raise new MREL funds until the third quarter of 2027. In the scenario, the credit institutions in the analysis are collectively well-positioned in terms of the issuance of MREL funds.

[58] The leverage requirement is further described in Danmarks Nationalbank, Banks face new requirements in the stress test, *Danmarks Nationalbank Analysis*, no. 10, May 2019 (link).
[59] Saxo Bank and Nordea Kredit are not included, as they do not have published capital targets.
[60] The stress test is conducted under the severe scenario, where the only change is the credit institutions' excess capital adequacy at the start of the stress test. For example, a credit institution that has published a capital target of 16 per cent will have a capital ratio of 16 per cent at the start of the stress test.
[61] The MREL requirement aims to ensure that institutions can be restructured or resolved in a way that minimises the need for public funds while preventing significant negative consequences for financial stability.
[62] The need is measured in relation to the estimated MREL requirement and combined buffer requirement. Compliance with institutions' internal targets for excess capital relative to the MREL requirement and the combined buffer requirement is expected to result in an issuance need at an earlier stage.

A sensitivity analysis of earnings indicates potential challenges in meeting capital requirements in a severe recession

A sensitivity analysis of institutions' earnings shows that a few institutions in the stress scenario either breach or come close to breaching the aggregate capital requirements if net interest income falls to the historically low level observed in 2020–21. This stems from the fact that lower earnings at the institutions mean that losses must increasingly be covered by reductions in the institutions' capital. It is uncertain how a severe recession would specifically affect the Danish financial sector, underscoring the need for robust capital planning that accounts for both macroeconomic risks and institution-specific factors.

Data from green transition projects can contribute to the development of climate scenario analysis in banks and mortgage credit institutions

Danmarks Nationalbank's stress test is based on stress that can be expected to arise within a period of 3 years. The stress test therefore reveals to a lesser extent risks that may materialise in the medium term. These include risks related to climate change and green transition, which banks and mortgage credit institutions increasingly need to incorporate into their risk management.[63]

The European Banking Authority published guidelines in November for banks' development of scenario analyses focusing of the risks related to climate change and green transition.[64] Danmarks Nationalbank has also developed a scenario analysis on risks associated with the green transition for the Danish economy and the banking sector, see box 6. The results show that higher carbon taxes are only expected to increase losses on loans to a limited extent – although with differences across individual institutions. These differences underline that banks and mortgage credit institutions should assess the risks from the green transition that are significant for their own business model.

Climate scenario analysis is a field under continuous development, and there are still major differences in purpose and method. To promote development and transparency regarding the methods used, Danmarks Nationalbank has published detailed data on the scenarios included in the published analysis. In May 2025, Danmarks Nationalbank also held a conference on the financial sector's assessment of climate-related risks with broad participation from the banking sector.[65]

BOX 6

Higher carbon taxes only cause small losses on loans in banks and mortgage credit institutions

A new analysis from Danmarks Nationalbank examines the potential economic and financial risks associated with the green transition up to 2035.[1] The analysis shows that even significantly higher carbon taxes do not pose major challenges for the Danish economy or the financial sector. This reflects the fact that most Danish production takes place in industries with low carbon emissions and that a basic allowance has been introduced in industries with significant emissions.

Continues ...

[63] See Danmarks Nationalbank, The most significant financial risks from climate change and green transition, *Danmarks Nationalbank Analysis*, no. 6, April 2024 (*link*).
[64] See the European Banking Authority, *Guidelines on environmental scenario analysis*, November 2025 (*link*).
[65] See all presentations from the conference on Danmarks Nationalbank's website (*link*).

... continued

Risk scenario with delayed technological abatement and continued high production among major emitters

A risk scenario is defined in the analysis in which delayed abatement technology for the capture and storage of CO_2 and continued production among major carbon emitters leads to an additional reduction requirement of approximately 2.2 million tonnes of CO_2e in 2035.[2] This corresponds to 10 per cent of the total reduction requirement from 2023 to 2035. The necessary reductions can be achieved by increasing already adopted carbon taxes by kr. 320 per tonne of CO_2e. The tax changes will be announced in 2029 and phased in linearly during the period 2031-2035.

Higher carbon taxes result in small losses for banks and mortgage credit institutions

Banks and mortgage credit institutions will only incur limited additional losses on loans to companies hardest hit by higher carbon taxes. Overall, banks and mortgage credit institutions must increase their impairment charges for loan losses by just under kr. 200 million by 2035. By comparison, large and medium-sized credit institutions had a total pre-tax profit of kr. 70 billion in 2024. The increase in impairment charges occurs from a low starting point, as institutions have had limited provisions for loan losses in recent years.

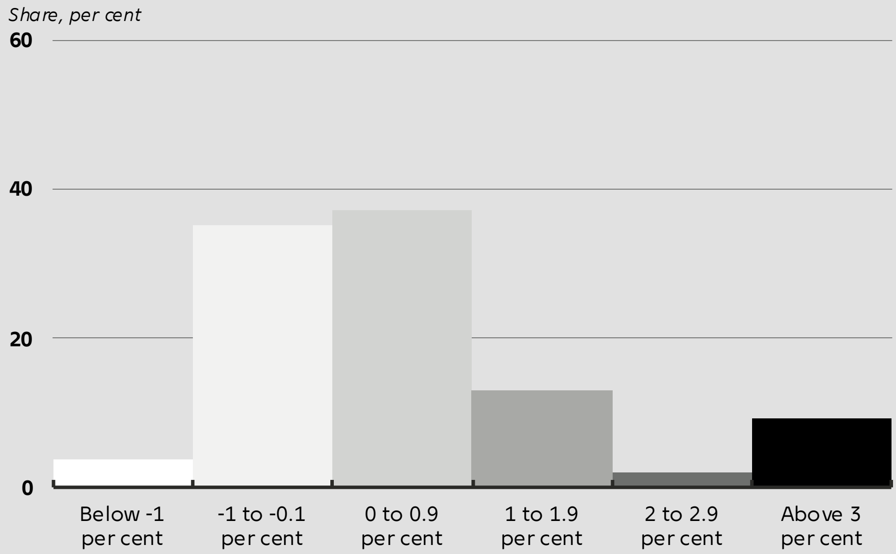
The required impairment charges vary across institutions

Some institutions are more affected by increasing impairment charges than others, see the chart below. In just under 7 out of 10 institutions, impairment charges will increase, and decrease in the remaining institutions. This reflects differences in the composition of institutions' loans across sectors, where higher loss risk in certain industries is offset by lower risk in others. Increases in impairment charges are mainly due to loans to certain agricultural customers and, to a lesser extent, loans to the construction sector and the energy sector. The differences emphasise the importance of banks and mortgage credit institutions assessing the risks from the green transition that are material to their business model.

CHART

Required impairment charges vary across institutions

Breakdown of change in accumulated impairment charges in credit institutions



Note: Breakdown of change in accumulated impairment charges from end-2024 to 2035 on corporate loans. Breakdown of change among the 54 credit institutions included in the analysis.
Source: DREAM through GreenREFORM, credit register, accounting database and own calculations.

[1] See Deis-Bach and Ingholt, Carbon taxes can be increased without affecting economic and financial stability, *Danmarks Nationalbank Analysis*, no. 25, November 2025 (link).
[2] The Climate Act does not specify an interim target for 2035. The baseline scenario is therefore based on an illustrative assumption that emissions must be reduced by 80 per cent by 2035 compared to 1990 levels. The illustrative target was chosen as a linear interpolation between the 70 per cent target for 2030 and the government platform's target of climate neutrality by 2045.

09
Appendix A1: Analysis data basis

Analysis data basis

In the analysis, the term credit institutions is used when the topic includes the bank and mortgage credit institution part of the business. The term bank is used when referring specifically to the financial institution. These institutions are listed in table A1.

The analysis of the profits of Danish credit institutions, liquidity and own funds includes eight systemic credit institutions designated by the Danish Financial Supervisory Authority in 2025. The analysis also includes the non-systemic banks. This group consists of the institutions in Group 2 in the Danish Financial Supervisory Authority's size grouping for 2024 with the exception of Danmarks Skibskredit, which is excluded due to its business model. The grouping applies retrospectively.

In the analysis and assessment of lending activity, focus is on the grouping of large and medium-sized banks in Danmarks Nationalbank's lending survey. Large banks comprise the Danish Financial Supervisory Authority's group 1 and Nordea Denmark, while medium-sized banks comprise the Authority's group 2 and Santander Consumer Bank.

TABLE A1

Institutions in the analysis with balance sheet totals as of 30 June 2025, kr. million

Systemic credit institutions	Amount
Danske Bank (incl. Danica)	3,739,632
Nykredit Realkredit	1,949,429
Jyske Bank	766,804
Nordea Kredit	433,066
DLR Kredit	213,019
Sydbank	197,850
Arbejdernes Landsbank	134,624
Saxo Bank	98,680
Total systemic credit institutions	**7,534,103**

Continues….

...continued

Systemic banks	
Danske Bank	2,225,948
Jyske Bank	400,783
Nykredit Bank	245,031
Sydbank	197,850
Spar Nord	145,341
Arbejdernes Landsbank	134,624
Saxo Bank	95,951
Total systemic banks	**3,445,528**

Non-systemic banks	
Sparekassen Danmark	85,625
Ringkjøbing Landbobank	81,065
Sparekassen Kronjylland	47,949
Lån & Spar Bank	40,218
SJF Bank	33,560
Middelfart Sparekasse	22,666
Danske Andelskassers Bank	18,363
Total non-systemic banks	**329,447**

Mortgage credit institutions	
Nykredit Realkredit	1,738,761
Realkredit Danmark	814,415
Nordea Kredit	433,066
Jyske Realkredit	406,832
DLR Kredit	213,019
Total mortgage credit institutions	**3,606,094**

Note: The balance sheet total for the systemic credit institutions is stated at group level. The credit institutions have thus been stated inclusive of assets in their subsidiaries in the form of, for example, mortgage credit institutions. Spar Nord is therefore included in Nykredit Group's half-year report. The balance sheet total for systemic banks, non-systemic banks and mortgage credit institutions is stated at institution level. Exceptionally, Arbejdernes Landsbank has been included at group level to reflect the consolidation with Vestjysk Bank. Spar Nord is included as an independent institution in the statement of systemic banks and Nykredit Group expects Nykredit Bank and Spar Nord to be merged in spring 2026. The assets in the financial statements of Nykredit Realkredit also reflect the Nykredit Group's funding of its subsidiary Totalkredit.
Source: Danmarks Nationalbank.

10
Appendix A2: Stress test scenarios

TABLE A2

Selected key figures in Danmarks Nationalbank's stress test scenarios

	Baseline scenario	Severe recession
2026		
GDP, per cent year-on-year	2.0	-0.4
Private consumption, per cent year-on-year	2.0	0.0
Export market growth, per cent year-on-year	1.9	-3.3
House prices, per cent year-on-year	3.6	-3.5
Gross unemployment, per cent of labour force	2.7	3.1
Average bond yield, per cent p.a.	2.6	2.5
2027		
GDP, per cent year-on-year	1.7	-6.9
Private consumption, per cent year-on-year	2.0	-7.5
Export market growth, per cent year-on-year	2.9	-10.3
House prices, per cent year-on-year	3.3	-20.5
Gross unemployment, per cent of labour force	2.7	8.4
Average bond yield, per cent p.a.	2.8	2.1
2028		
GDP, per cent year-on-year	0.7	0.8
Private consumption, per cent year-on-year	2.0	-1.5
Export market growth, per cent year-on-year	3.0	2.4
House prices, per cent year-on-year	2.7	-4.3
Gross unemployment, per cent of labour force	2.7	10.1
Average bond yield, per cent p.a.	3.0	2.1
Cumulative change		
GDP, three-year cumulative change, per cent	4.5	-6.5
House prices, three-year cumulative change, per cent	9.9	-26.5

Note: Annual average. *House prices* indicates the cash price of single-family homes. The baseline scenario follows Danmarks Nationalbank's projection up to 2026, while the development in 2027 is a technical projection. Due to rounding, the cumulative growth shown may not necessarily correspond to the cumulative growth that can be calculated from the figures in the table.

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The analysis consists of a Danish and an English version. In case of doubt as to the correctness of the translation, the Danish version will prevail.

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DANMARKS NATIONALBANK