

## **Notification of countercyclical buffer in Denmark**

When CRD IV/CRR was implemented in Denmark a possibility was introduced whereby the countercyclical buffer could be introduced already from 2015 (up to 0.5 percent). In line with Article 160(6) of CRD IV, Denmark is hereby notifying you of this possibility.

Furthermore, Denmark recognizes the rate of other Member States who have chosen a shorter phasing-in period than specified in CRD IV article 160(2). We are therefore also making this decision known to you.

Finally, we can inform you that the Minister for Business and Growth on 19 December 2014 announced that the Danish countercyclical buffer rate will be set a 0 percent as of 1 January 2015 which applies as of 1 January 2016.

The countercyclical buffer is set based on a qualitative assessment that takes quantitative factors into consideration. The quantitative factors are primarily a buffer guide and five key indicators. Based on this approach there are no signs of cyclical risks building up at present.

The relevant data and reasoning for this buffer rate can be found on the homepage of the Danish Systemic Risk Council: <http://risikoraad.dk/english/the-countercyclical-capital-buffer/>

For your convenience, we have also inserted the relevant figures below.

Credit-to-GDP gap and the buffer guide

Chart 1

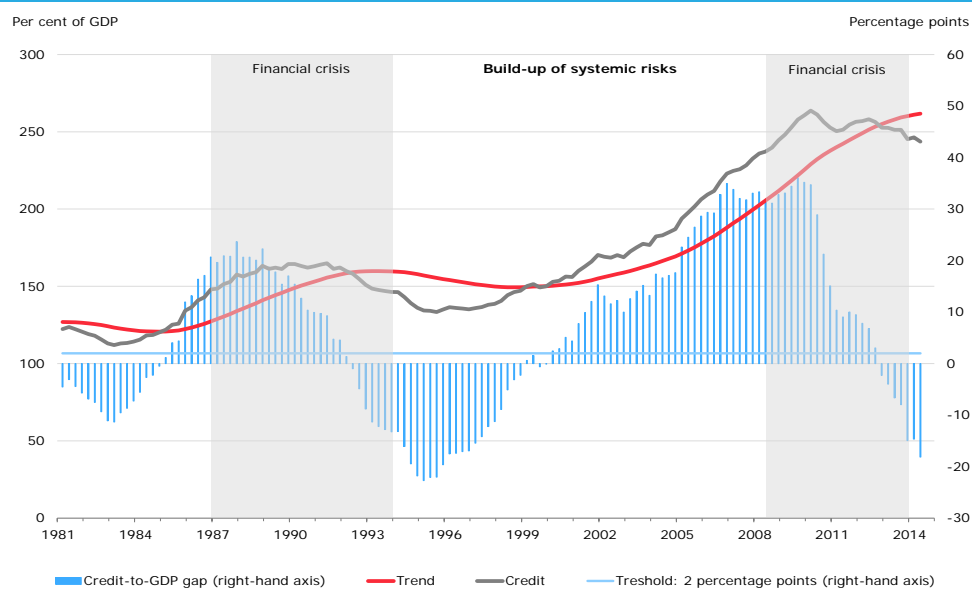


Note: The credit-to-GDP gap is defined as deviations of the ratio of credit-to-GDP from its long-term trend, cf. Chart 2.

Source: Abildgren (2007), Abildgren (2010), Statistics Denmark, the MONA data bank, Danmarks Nationalbank and own calculations.

Credit-to-GDP ratio, trend and credit-to-GDP gap

Chart 2

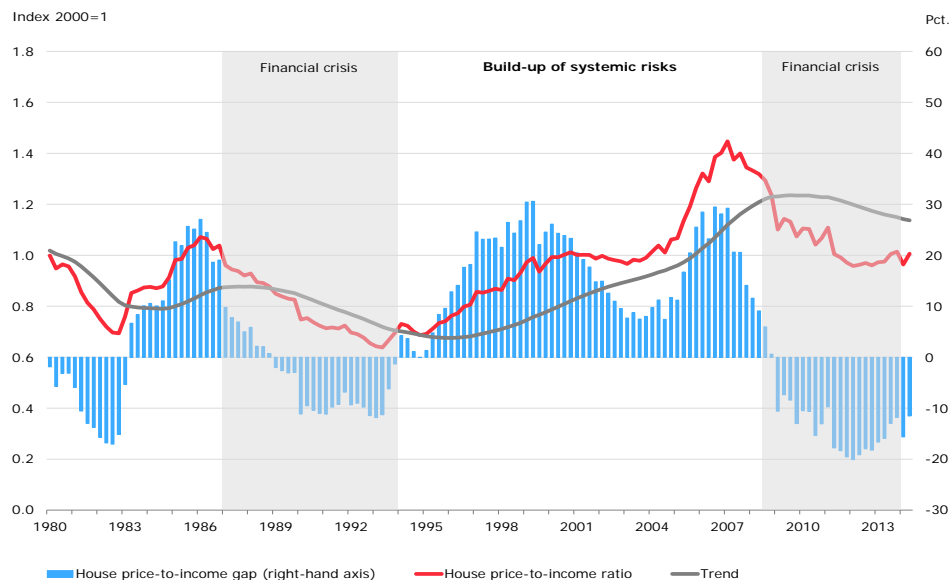


Note: The credit-to-GDP gap is defined as deviations of the ratio of credit-to-GDP from its long-term trend. See Appendix A for more details about the definition of credit and trend calculation. The series have been adjusted for data breaks back in time. The threshold is in accordance with international recommendations, cf. Box 1.

Source: Abildgren (2007), Abildgren (2010), Statistics Denmark, the MONA data bank, Danmarks Nationalbank and own calculations.

## House price-to-income gap

## Chart 3

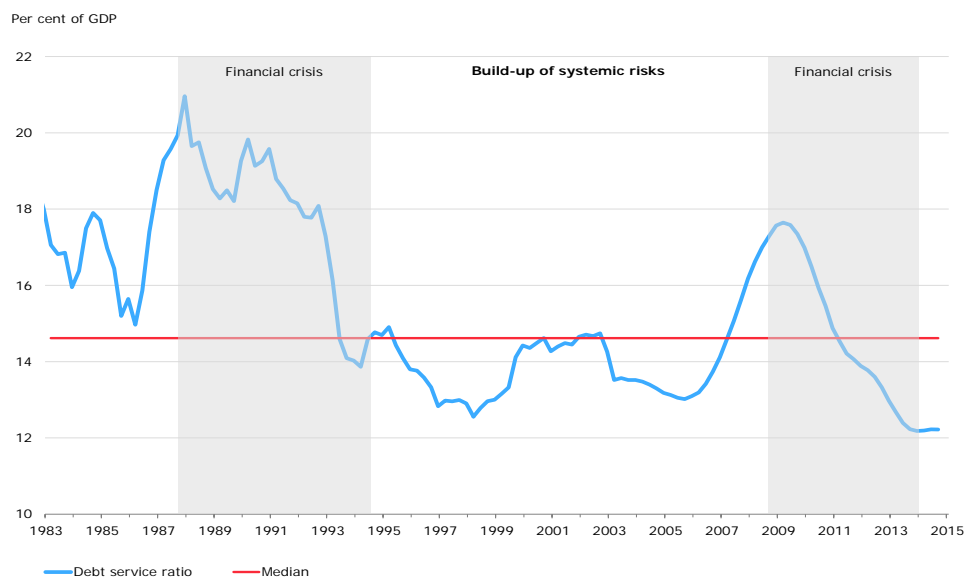


Note: The house price-to-income gap is defined as deviations of the ratio of house price to income from its long-term trend. The trend is estimated for the period from 1st quarter 1973 to 2nd quarter 2014 and calculated in the same way as for the credit-to-GDP gap, cf. Appendix A. The trend is not indexed. The house price is measured by the price of single family houses from Statistics Denmark, and the income is households' disposable income from the MONA data bank of Danmarks Nationalbank. Both series are seasonally adjusted. Disposable income has been adjusted for data breaks back in time.

Source: Statistics Denmark, the MONA data bank and own calculations.

## Debt service ratio

## Chart 4

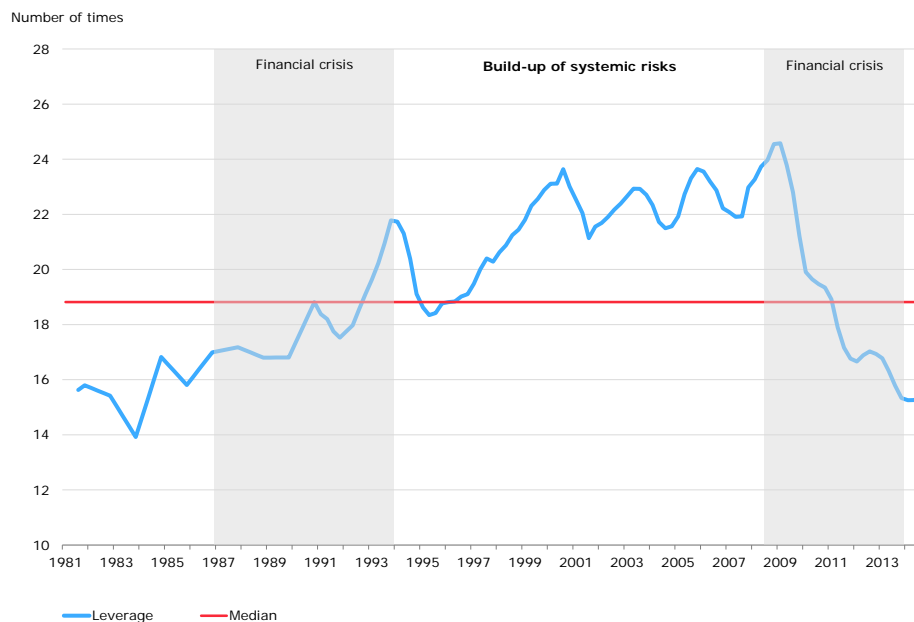


Note: The debt service ratio is defined as households' and non-financial corporations' interest payments and debt repayments relative to GDP. The indicator is estimated in accordance with Drehmann and Juselius (2012), supplemented by actual interest payments and debt repayments for mortgage banks since 2003. The series has been adjusted for data breaks back in time.

Source: Abildgren (2010), Statistics Denmark, Danmarks Nationalbank and own calculations.

## Leverage of banks

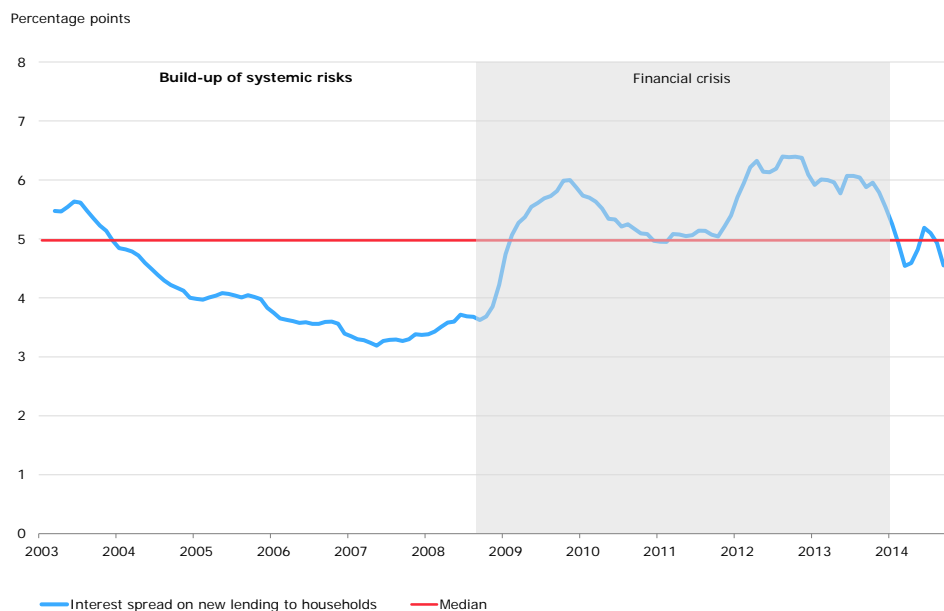
Chart 5



Note: Leverage is defined as the sum of assets, guarantees and commitments divided by Tier 1 capital (including Additional Tier 1 capital). The leverage is shown as a 4-quarter moving average.  
Source: Danish Financial Supervisory Authority.

## Interest spread on new lending to households

Chart 6



Note: The interest spread is shown as a 3-month moving average. The interest spread is defined as the banks' lending rate on new lending, excluding overdrafts, relative to Danmarks Nationalbank's lending rate. Developments in the rate of interest on new lending reflect fluctuations in interest rate levels, but are also very much influenced by the distribution of new lending for the month, meaning that, viewed in isolation, a higher share of collateralised loans will reduce the total. The series has been adjusted for data breaks back in time.  
Source: Danmarks Nationalbank.