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ESRB
European Systemic Risk Board
European System of Financial Supervision

Assessment Team on national macroprudential measures

Assessment of a measure taken in Norway pursuant to Article 131 of the Capital Requirements Directive in combination with a measure taken pursuant to Article 133 of that Directive

Introduction

On 15 August 2025 the European Systemic Risk Board (ESRB) Secretariat received a formal notification from the Norwegian Ministry of Finance of its intention to require certain institutions, identified as other systemically important institutions (O-SIIs), to maintain an O-SII buffer in accordance with Article 131 of the Capital Requirements Directive (CRD)[1]. The proposed measure will continue to impose an O-SII buffer of 2% on one bank and 1% on three banks, in line with the previous setting in 2024. In addition, this year's annual reassessment extends the application of the 1% O-SII buffer to an additional bank.

As the sum of the respective O-SII buffers and the existing systemic risk buffer (SyRB) of 4.5% results in a combined rate of above 5% for each of the five banks, the ESRB is required to provide the European Free Trade Association (EFTA) Standing Committee with an opinion in accordance with Article 131(5a) and (15) of the CRD read in conjunction with Annex IX of the Agreement on the European Economic Area.[2] As the recent CRD VI amendments have not yet been incorporated into the EEA Agreement, this obligation applies at each annual resetting of the O-SII buffer, regardless of whether any changes are made to the applicable buffer rates. The EFTA Standing Committee, taking into account the assessment of the ESRB, and if it is satisfied that the O-SII buffer does not entail disproportionate adverse effects on the whole or parts of the financial system of other European Economic Area (EEA) Contracting Parties or of the EEA as a whole, forming or creating an obstacle to the proper functioning of the internal market, is required to adopt a decision authorising the adoption of the proposed measure.

On 4 December 2020 the ESRB issued a recommendation stating that the setting of the SyRB rate applicable in Norway was justified, suitable, proportionate, effective and efficient.[3] The SyRB rate of 4.5% is applied to all domestic exposures in Norway. Following a notification received from the Norwegian Ministry of Finance asking for

1 Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

2 Agreement on the European Economic Area (OJ L 1, 3.1.1994, p. 3).

3 See Recommendation of the European Systemic Risk Board of 4 December 2020 regarding Norwegian notification of its intention to set a systemic risk buffer rate in accordance with Article 133 of Directive (EU) 2013/36/EU (ESRB/2020/14) and the accompanying assessment note: "Assessment of the Norwegian notification in accordance with Article 133 of Directive (EU) 2013/36/EU concerning the application of a systemic risk buffer set between 3% and 5%", ESRB, December, 2020.

reciprocation of the SyRB, the ESRB recommended reciprocation of the measure within 18 months of the publication of the recommendation on 11 June 2021, with a materiality threshold corresponding to about 1% of credit institutions' total risk-weighted exposures in Norway.[4] The materiality threshold was later lowered to 0.16%.[5] On 3 December 2024, the ESRB issued a further recommendation that continued to recommend the reciprocation of the SyRB measure, on a consolidated, sub-consolidated and individual basis.[6]

In 2022, 2023 and 2024 the ESRB issued three opinions assessing that the application by the Norwegian Ministry of Finance of an O-SII buffer, cumulative with the SyRB to which the institutions concerned were already subject, appropriately addressed the identified risks. In its opinion dated 15 November 2022,[7] the ESRB concluded that the application of the cumulative buffers to three credit institutions – DNB Bank ASA (6.5%), Kommunalbanken AS (5.5%) and Nordea Eiendomskreditt AS (5.5%) – appropriately addressed the identified risks. In 2023, SpareBank 1 SR-Bank ASA was added to the list as a fourth O-SII, with an imposed O-SII buffer rate of 1%, resulting in a cumulative SyRB and O-SII buffer rate of 5.5%. The ESRB opinion of 3 August 2023[8] reiterated the assessment that the cumulative buffers were adequate in addressing the relevant risks for all four institutions. In 2024, all the institutions concerned and their respective buffer rates remained unaltered and the ESRB's opinion of 7 October 2024 concluded that the cumulative buffer rates remained appropriate.[9] In 2025, Sparebanken Norge[10] was added to the list as a fifth O-SII, with an imposed O-SII buffer rate of 1%, resulting in a cumulative SyRB and O-SII buffer rate of 5.5%. SpareBank 1 SR-Bank ASA, identified as an O-SII in 2023 and again in 2024, merged with Sparebank 1 Sørøst-

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[4] See **Recommendation of the European Systemic Risk Board of 30 April 2021 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2021/3)**

[5] See **Recommendation of the European Systemic Risk Board of 6 March 2023 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2023/1)**

[6] See **Recommendation of the European Systemic Risk Board of 3 December 2024 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2024/7)**

[7] See the **Opinion of the European System Risk Board of 15 November 2022 regarding the existing systemic risk buffer pursuant to Article 133 and the Norwegian notification of the setting or resetting of an O-SII buffer pursuant to Article 131 of Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions (ESRB/2022/8)** and the accompanying assessment note: "**Assessment of a measure taken in Norway pursuant to Article 131 of the Capital Requirements Directive which is cumulative with an existing measure pursuant to Article 133**", ESRB, 15 November 2022.

[8] See **Opinion of the European Systemic Risk Board of 3 August 2023 regarding the existing systemic risk buffer pursuant to Article 133 and the Norwegian notification of the setting or resetting of an O-SII buffer pursuant to Article 131 of Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions (ESRB/2023/6)** and the accompanying assessment note: "**Assessment of a measure taken in Norway pursuant to Article 131 of the Capital Requirements Directive which is cumulative with an existing measure pursuant to Article 133 of that Directive**", ESRB, 3 August 2023.

[9] See **Opinion of the European Systemic Risk Board of 7 October 2024 regarding the Norwegian notifications of the resetting of the systemic risk buffer pursuant to Article 133 and of the resetting of the O-SII buffer pursuant to Article 131 of Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions (ESRB/2024/6)** and the accompanying assessment note: "**Assessment of a measure taken in Norway pursuant to Article 131 of the Capital Requirements Directive in combination with a measure taken pursuant to Article 133 of that Directive**", ESRB, 7 October 2024.

[10] Sparebanken Vest and Sparebanken Sør merged on 2 May 2025. Sparebanken Vest was the acquiring bank and, as a result of the merger, changed its name to Sparebanken Norge.

Norge and changed its name to Sparebank 1 Sør-Norge ASA.[11] The buffer rates required from the previously identified O-SII institutions remain unchanged.

The role of the Assessment Team is to prepare a draft opinion on the appropriateness of the combination of the SyRB and O-SII buffer, with regard to relevant requirements under the CRD, from a financial stability perspective.

Description of the proposed measures

The proposed measure concerns the setting of O-SII buffer rates in Norway. It applies to five domestically established Norwegian banks, one of which is a subsidiary of an entity domiciled in Finland. Financial institutions in Norway are identified as O-SIIs when their assets exceed 10% of mainland Norway's GDP and/or their share of total loans to the private non-financial sector in Norway exceeds 5%. This is complemented by an assessment of whether further entities could be designated as O-SIIs on a discretionary basis, on the basis of scores calculated under the European Banking Authority (EBA) Guidelines.[12] This approach to identifying O-SIIs complies only partially with the Guidelines.[13]

In a change from the previous O-SII buffers settings notified on 29 August 2024, one institution was added to the list of O-SIIs following a merger, with its buffer rate set at 1%. Additionally, one bank already identified as an O-SII changed its name. The buffer rates required from the previously identified O-SII institutions remain unchanged. All five banks subject to O-SII buffers are also subject to the SyRB, which is applicable to all domestic exposures in Norway.

The level of the O-SII buffer rate is decided according to the following rule. The buffer is set at 2% for institutions with total assets corresponding to at least 20% of mainland Norway's GDP or with a share of at least 10% in total loans to the private non-financial sector. This was the case for DNB Bank ASA, with total assets equivalent to 89.2% of mainland Norway's GDP and a 25.5% share in total loans to the private non-financial sector as at year-end 2024. The buffer is set at 1% for institutions with total assets corresponding to at least 10% of mainland Norway's GDP or with a share of at least 5% in total loans to the private non-financial sector. This was the case for Kommunalbanken AS, Sparebank 1 Sør-Norge ASA, Nordea Eiendomskreditt AS and Sparebanken Norge, with total assets-to-GDP ratios of 14.2%, 12.7%, 11.4% and 12.7% respectively and with shares of total loans to the private non-financial sector of 5.6%, 6.4%, 7.2% and 6.6% respectively. For Sparebanken Norge, both indicators were estimated as the sum of the indicator

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[11] SpareBank 1 SR-Bank ASA merged with Sparebank 1 Sørøst-Norge on 1 October 2024. SpareBank 1 SR-Bank ASA was the acquiring bank and, as a result of the merger, changed its name to Sparebank 1 Sør-Norge ASA. SpareBank 1 SR-Bank ASA had been identified as a systemically important institution in the notification submitted in August 2024.

[12] "**Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs) (EBA/GL/2014/10)**", EBA, 16 December 2014.

[13] According to the **compliance table appended to the EBA Guidelines**, "The Norwegian Ministry of Finance adopted a regulation on the identification of systemically important financial institutions in Norway in May 2014… As a general rule, an institution shall be designated as systemically important if it has total assets corresponding to at least 10 per cent of Mainland Norway's GDP, or a share of the Norwegian lending market of at least 5 per cent… In addition to the two main criteria, the Regulation says that the FSA's advice also shall be based on an assessment of the institution's size, the institution's importance in Norway and other countries, the institution's complexity, the institution's role in the financial system infrastructure and to which degree the institution is interconnected with the rest of the financial system. To enlighten these criteria, the FSA will use the methodology in the EBA Guidelines".

values for Sparebanken Vest and Sparebanken Sør as of 31 December 2024, following the merger of the two institutions. Furthermore, in light of the merger, it was considered appropriate that Sparebanken Norge's buffer requirement should not become effective until 31 March 2027.

Risks addressed through the proposed measures

The risks leading to the resetting of the O-SII buffers stem from the particularly important role played by systemically important institutions in the Norwegian economy. The aim of the O-SII buffer is to increase the loss-absorbing capacity of the most systemically important institutions in Norway, thereby reducing financial stability risks that could arise should they run into difficulties. O-SIIs are particularly important in the Norwegian financial system given their size relative to the Norwegian economy and their shares in loans to the private non-financial sector.

The SyRB is intended to ensure that banks hold sufficient capital to withstand future economic downturns and reflects the assessment of structural vulnerabilities. When the SyRB was last evaluated in 2024 and reset at an unchanged level of 4.5%, key vulnerabilities justifying the measure included high household indebtedness, substantial commercial real estate (CRE) exposure among banks, climate-related vulnerabilities and the interconnectedness of banks through interbank exposures such as the cross-holding of covered bonds. Household debt, although slightly reduced, remains high, leaving households exposed to rising interest rates, income shocks and declining property values, which could dampen consumption and increase bank losses. CRE lending, comprising half of corporate exposures, poses solvency risks arising from firms' high leverage and declining profitability, as well as potential structural shifts like reduced demand for property because of remote working. Climate risks, including the energy transition, and weather-related damage could impact banks' exposures to vulnerable sectors such as real estate, shipping and oil extraction, with systemic risks likely underestimated by microprudential regulation. Additionally, the interconnectedness of banks via covered bonds is exacerbating these risks, as challenges in one institution could quickly spread across the system.

According to Article 133(8) of the CRD, the SyRB is not to be used to address risks that are covered by the O-SII buffers, as detailed in Article 131 of the CRD. Hence, the justifications for the use of the SyRB should differ from those for the use of O-SII buffers. In its assessments in 2022, 2023 and 2024 the Assessment Team found that some of the criteria for setting the two buffer requirements were similar, but it did not conclude that this could lead to disproportionate adverse effects on the whole or parts of the financial system of other EEA Contracting Parties or the EEA as a whole forming or creating an obstacle to the proper functioning of the internal market. In addition, the Norwegian authorities stressed that the way the SyRB was calibrated took into account the overlap in the methodologies used to set O-SII buffers and the SyRB. During the last SyRB evaluation in 2024, when the buffer was reset at an unchanged level of 4.5%, the Norwegian authorities asserted that structural vulnerabilities in the financial system remained at levels similar to those seen when the SyRB was last reset at 4.5% in 2022. This justified the resetting of the SyRB at an unchanged level. However, it was also concluded that vulnerabilities related to climate transition were more significant than they had been previously, and less emphasis was placed on vulnerability related to the concentration of the banking sector and its importance for the Norwegian economy. This helps to further clarify that the SyRB is not intended to cover vulnerabilities that can be fully addressed by other capital requirements such as the O-SII buffer.

Effectiveness and proportionality

The Assessment Team considers the combination of the SyRB and O-SII buffers to be effective in addressing systemic risk, although it notes that a greater differentiation of O-SII buffer rates might improve proportionality. The Assessment Team notes that there is only partial compliance with the EBA Guidelines and limited use of harmonised EBA scores, even though most EEA authorities rely on bucketing methodologies based on EBA scores. The Assessment Team is of the view that whilst the current differentiation of buffer rates on the basis of the degree of systemic importance of the banks in question contributes to the proportionality of the measure, it could be worth considering even greater differentiation of the buffer rates to more closely reflect their systemic importance. The differences between the O-SII buffer rates are currently relatively small if we consider that the largest institution is almost six times as big and almost nine times as systemically important as the second largest, according to the overall EBA scores. In addition, when a combination of both buffers is considered, the differences in the rates between the institutions are smaller. However, the Assessment Team also recognises that the differentiation of rates cannot fully replicate all the specificities of the measurement of systemic importance of credit institutions and considers the level of combination of the O-SII buffers and the SyRB to be sufficient for mitigating the risks posed by the largest institutions.

The Norwegian authorities are encouraged to monitor the impact of recent regulatory changes on the effectiveness of the SyRB and O-SII buffer measures. The CRD VI and CRR III amendments to the Capital Requirements Directive and Capital Requirements Regulation introduced the output floor and revised risk weight calculation rules. While CRD VI has already entered into force in the EU and will need to be transposed by January 2026, it has not yet been incorporated into the EEA Agreement and thus is yet to be applied in Norway. By contrast, CRR III has been in force in Norway since 1 April 2025. These changes have an effect on banks' risk weights and, therefore, the effectiveness of capital buffers. In addition, risk weight floors pursuant to Article 458 of the Capital Requirements Regulation are also applicable in Norway and have recently been revised by the Norwegian authorities. The Norwegian authorities should monitor and carefully assess the impact of these changes on the effectiveness of macroprudential capital buffers and on banks' overall nominal capital available to absorb losses.

Conclusions

The ESRB is of the view that the proposed combined buffer consisting of the SyRB and the O-SII buffers appropriately addresses the identified risks. The proposal does not entail disproportionate adverse effects on financial stability in Norway or in the EEA and is not expected to form or create an obstacle to the proper functioning of the internal market. Nonetheless, the Assessment Team has observed differences between Norway and other jurisdictions in applying the EBA Guidelines on the criteria for assessing O-SIIs and it suggests that the O-SII calibration methodology could have a higher level of granularity.