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52nd meeting of the Systemic Risk Council

The Systemic Risk Council
www.risikoraad.dk

For further information, please
contact mail@risikoraad.dk or
Teis Hald Jensen, Communica-
tions and Press Officer, on tel.
+45 3363 6066.

Geopolitical tensions and trade policy uncertainty continue to shape the risk outlook for the financial sector. The war in the Middle East and the resulting effects in the form of rising energy prices risk significantly increasing inflation and curbing economic activity. Global uncertainty has led to volatility in financial markets, although risk appetite remains high. Continued high house price increases in the Capital Region reflect strong demand and may indicate that home purchases are made based on expectations of continued price increases. At the same time, credit growth for housing purposes has increased in the municipalities of the Capital Region throughout 2025. The Council assesses that the countercyclical capital buffer in Denmark should be maintained at 2.5 per cent. In the Faroe Islands, cyclical systemic risks have been building up over a prolonged period and are at an elevated level.

Global growth has proven resilient, but the war in the Middle East and continued high trade policy uncertainty increase the risk of sudden setbacks. In particular, higher oil and gas prices may lead to higher inflation and result in weaker economic growth. Global uncertainty has also caused volatility in financial markets, although risk premia on risky assets remain low in a historical context. Sovereign bond markets in the United States and the euro area may be affected by high levels of public debt and increased refinancing needs which could lead to volatility in long-term interest rates.

The most significant operational risks remain related to cyberattacks. The heightened threat environment has prompted efforts to strengthen preparedness in the event of serious and prolonged disruptions in the financial sector. The objective is to ensure that the activities most critical to society can continue to be performed in the event of disruptions.

Growth in banks' lending to non-financial corporations continues to be driven by loans to the largest companies. Credit institutions report intense competition for corporate customers, which has resulted in an easing of credit standards. The share of non-performing loans, however, remains low. Earnings remain high in credit institutions.

According to Danmarks Nationalbank's latest projection, the main scenario points to a balanced growth path for the Danish economy, with no signs of significant imbalances. However, the global economy risks a slowdown as a result of the war in the Middle East, and the growth outlook is subject to considerable uncertainty due to among other things the ongoing uncertain geopolitical environment and trade policy conflicts.

Continued high house price increases in the Capital Region and increasing credit growth
The housing market in the Capital Region has been characterised by significant house price increases over the past year. At the same time, time on the market and price discounts have fallen to low levels, indicating a strong demand pressure. At the national level, house price increases have been more moderate, but still higher than previously expected. It is now also evident that price increases are starting to spread, particularly to municipalities close to Copenhagen. There are signs that the housing considerations of first-time buyers' are increasingly driven by fear of further price increases. The current high price increases in the Capital Region are not compatible with developments in incomes and interest rates and

may in themselves indicate that homebuyers are acting on expectations of continued house price increases, which may contribute to a self-reinforcing price dynamic.

Credit growth for households in Copenhagen increased throughout 2025 and amounted to 7.1 per cent year-on-year in the fourth quarter of 2025. Total growth in households' mortgage lending was more moderate at 2.7 per cent year-on-year over the same period. Credit growth is primarily driven by variable-rate mortgage bonds.

The Council also discussed the increased prevalence of mortgage-like bank loans granted to customers on individual terms, but which banks can fund in the same manner as mortgage lending.

The Council will closely monitor developments in the housing market and emphasises the importance of maintaining the existing lending rules.

Based on the current risk outlook, the Council recommends maintaining the countercyclical capital buffer rate at the current level of 2.5 per cent

The Council assesses each quarter the appropriate level of the countercyclical capital buffer. The Council stands ready to recommend a reduction of the buffer rate with immediate effect if stress occurs in the financial system and there is a risk of a severe tightening of credit grating to households and companies.

The Council assesses that systemic risks are currently building up in the financial system in the Faroe Islands

The Council is tasked with identifying and overseeing systemic financial risks in the Faroe Islands. Representatives from the Faroese Systemic Risk Council contribute to the Council's meetings when matters relating to the Faroe Islands are discussed.

The Faroese economy has experienced a prolonged economic upswing with a very tight labour market, only briefly interrupted by the pandemic in 2020. House prices have increased over a number of years, with price increases accelerating during 2025. Total credit growth has also picked up over the course of 2025. Overall, the Council assesses that cyclical systemic risks are building up in the Faroe Islands. The Council will discuss the countercyclical capital buffer in the Faroe Islands at its next meeting.

The Council was informed about the growing use of stablecoins and their potential impact on the financial sector

The global market capitalisation of stablecoins has increased markedly over the past year, supported by greater regulatory clarity on the issuance of stablecoins in both the EU and the United States. In Denmark, however, the use of stablecoins remains very limited, and only few households hold stablecoins or other crypto-assets, according to Danmarks Nationalbank's latest survey. A broader global use of stablecoins and increasing interconnectedness between the market for crypto-assets and the financial sector could potentially imply that future shocks to the global crypto market, including stablecoins, may also affect financial entities in Denmark.

Follow-up on the recommendation concerning the easing of the sector-specific systemic buffer

The Council notes that on 6 January 2026 the government requested additional time for consideration in order to finalise its assessment of the Council's recommendation to ease the sector-specific systemic buffer. The Council further notes that the buffer remains in effect and awaits the final response to the recommendation from Minister for Industry, Business and Financial Affairs.

Regarding the representatives of the economic ministries on the Council

The Council's members from the economic ministries have not contributed to discussions of assessments and recommendations, in light of the fact that the government is currently acting as a caretaker government.