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Decision of the Board of the Financial Supervisory Authority on the application of macroprudential instruments

At its meeting on 17 December 2025, the Board of the Financial Supervisory Authority (FIN-FSA Board) decided that the countercyclical capital buffer (CCyB) requirement referred to in chapter 10, section 4 of the Act on Credit Institutions (610/2014) will be kept at 0.0%. The Board also decided that the maximum loan-to-collateral (LTC) ratio referred to in chapter 15, section 11 of the Act on Credit Institutions and in section 14 of the Act on the Registration of Certain Credit Providers and Credit Intermediaries (186/2023) will remain at its standard level of 90%. The maximum LTC ratio for first-home loans will also be kept at its standard level of 95%.

In addition, pursuant to Article 458(5) of the EU Capital Requirements Regulation (n:o 575/2013, the CRR) and section 10(1)(6) of the Act on the Financial Supervisory Authority, the FIN-FSA Board decided to reciprocate Finansinspektionen's (Sweden)

- decision of 15 September 2025, entering into force on 31 December 2025, regarding a minimum risk weight (risk-weight floor) of 25% for the average risk weights for housing loans of credit institutions that have adopted the internal ratings based (IRB) approach to credit risk, to apply to credit institutions registered in Finland. The risk-weight floor will apply from 31 December 2025, in accordance with Finansinspektionen's decision and notification of 30 April 2025, both on a consolidated and individual basis where the individual credit institution's housing loans in Sweden exceed SEK 5 billion.
- decisions of 15 September 2025 on risk-weight floors for corporate credit secured by real estate collateral, which entered into force on 30 September 2025, to apply to credit institutions registered in Finland. The risk-weight floor is set at 35% for corporate exposures secured by commercial real estate (CRE) and 25% for corporate exposures secured by residential real estate (RRE), on a weighted average basis. According to Finansinspektionen's decision and notification dated 30 April 2025, these floors apply to IRB credit institutions' corporate exposures secured by real estate located in Sweden. The floors apply without a transitional period both on a consolidated and individual basis to credit institutions that have adopted IRB approaches to credit risk and whose exposure to such Swedish corporate credit exceeds SEK 5 billion.

Keeping the countercyclical capital buffer requirement at the level of 0.0%

Uncertainty associated with global economic development has decreased slightly following the trade deals concluded by the United States. Tariffs remained lower than feared, which has improved the prospects for the world economy. However, trade policy continues to involve uncertainty, and

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downward risks continue to be amplified in particular by the ongoing war in Ukraine and the likely persisting tensions in the Middle East. In July, the International Monetary Fund (IMF) estimated global economic growth of 3.0% for this year and 3.1% for the next year.

The Finnish economy remains sluggish, but the Bank of Finland's September interim forecast anticipates a gradual pick-up in growth. Due to the weak performance during the early part of the year, economic growth will remain at 0.3% this year. Growth will accelerate to 1.3% next year and further to 1.7% in 2027. The labour market situation has remained difficult, and the trend of the unemployment rate was very high in August by historical standards. Despite the weak labour market situation, the participation rate has remained high. In fact, the high unemployment rate is partly explained by the elevated participation rate.

Based on developments in the core risk indicators for the CCyB, the financial cycle remains sluggish. In the second quarter of 2025, the value of the primary risk indicator, i.e. the deviation of the private sector credit-to-GDP ratio from its long-term trend, was -18.0 percentage points using a broad definition of the credit stock and -11,4 percentage points with a narrow definition. Aggregate lending remains sluggish although corporate and household loan stocks have recently turned to very cautious growth.

The other core risk indicators do not point to an increase in cyclical systemic risks, either. Real house prices continued to decline in the second quarter as measured by a three-year moving average. The debt-servicing burden of the private sector has somewhat eased due to the decline in interest rates. The situation regarding the materialisation of credit risks is unchanged, without indications of any significant increase in risks.

Keeping the maximum LTC ratio at standard level

The cyclical situation of the housing market has continued to strengthen slowly. House sales and borrowing have picked up from the two previous years, but volumes continue to be relatively low. The decline in the interest rates on new housing loans halted in the summer, and transaction and loan volumes remained slightly lower than normal in the autumn. The housing loan stock continued to contract gradually year-on-year but has grown slightly since the spring. House prices have remained weak and construction activity low, which points to continued lack of demand relative to the supply on the market.

The cyclical situation of the housing market is expected to continue to strengthen gradually as uncertainties diminish, the economy and confidence in the economy strengthen, and the purchasing power of households and investors improves. However, downside risks related to the

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Finnish economy and labour markets as well as international trade and geopolitics may still delay the recovery further. On the other hand, a clear reduction in uncertainty and consequent better-than-expected economic performance could boost the housing market, thereby amplifying risks to financial stability and related vulnerabilities in the medium term.

Vulnerabilities related to household indebtedness and housing lending have eased in recent years as borrowing by households has been limited and their total debt relative to disposable income has decreased. At the end of June 2025, the amount of debt relative to disposable annual income (121.3%) was approximately 13 percentage points lower than its peak at the end of September 2022 (134.4%). Indebtedness is estimated to remain largely unchanged over the next few years if the growth of the loan stock and house prices recovers close to the growth rate of income.

At present, there are no indications or early signals of any exceptional growth in positive or negative risks to financial stability. The analysis did not identify any such factors that directly jeopardise the stability of the financial system and/or the economy in relation to (i) the growth in the stock of residential mortgages to households (ii) the threat of overheating in the housing market or (iii) other developments pertaining to the macroeconomy or another significant threat that might have an impact on residential mortgage and housing markets.

Hence, there are no grounds at present to lower the maximum LTC ratio for housing loans from its statutory standard level. However, risks associated with mortgage lending and household indebtedness as well as long-term vulnerabilities and pertinent changes in the operating environment and legislation must be monitored closely.

Reciprocation of Swedish risk-weight floors for housing loans and corporate credit secured by RRE and CRE collateral

On 30 April 2025 Finansinspektionen, which functions as the macroprudential authority for Sweden, notified its intention to extend the validity of the bank-specific risk-weight floors applicable to IRB credit institutions' housing loans as well as commercial loans secured by residential and commercial real estate, under Article 458 of the CRR. On 24 June 2025, the European Commission decided not to propose to the Council rejecting these measures.¹ Finansinspektionen made its final decision on the extension of the risk-weight floors on 15 September 2025.²

¹ https://www.fi.se/contentassets/33f756c9bfe7403f9d104c875e08639a/c_2025_3938_1_en_act_part1_v2_rre.pdf and

https://www.fi.se/contentassets/33f756c9bfe7403f9d104c875e08639a/c_2025_3939_1_en_act_part1_v2_cre.pdf

² <https://www.fi.se/en/published/important-memos-and-decisions/2025/fi-extends-the-risk-weight-floors-for-swedish-mortgages-and-commercial-real-estate/>

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The bank-specific average risk-weight floor for housing loans remains at 25%, and the decision on the extension of the floor enters into force on 31 December 2025. The bank-specific average risk-weight floor for corporate exposures secured by residential properties remains at 25% and the corresponding risk-weight floor for corporate exposures secured by commercial properties remains at 35%. The decision on the extension of the risk-weight floors for corporate exposures entered into force on 30 September 2025.

Finansinspektionen's decision of the risk-weight floor for housing loans entered into force for the first time in December 2018, and the validity of the risk-weight floor has since then been extended in December 2020, December 2021 and December 2023. Finansinspektionen decided on the risk-weight floors for corporate exposures secured by RRE and CRE for the first time in September 2023. Correspondingly, the FIN-FSA Board has made decisions on the application of the risk-weight floors to Finnish credit institutions applying IRB approaches to credit risk and on the extension of the validity of these risk-weight floors.

On 9 July 2025, the European Systemic Risk Board (ESRB) adopted a recommendation on the reciprocation of the Swedish risk-weight floors in other EU/EEA Member States in accordance with Finansinspektionen's notifications. The Recommendation (ESRB/2025/5) was published in the Official Journal of the EU on 22 September 2025.³ The ESRB as well as the European Banking Authority (EBA) recognise in their statements the risks to Sweden's financial stability, which the risk-weight floors have been set to prevent, and they do not object to their imposition.⁴

Finansinspektionen's measures are based on Article 458(2)(d)(iv) of the CRR, according to which a competent authority may implement stricter risk weights for targeting asset bubbles in the property sector to prevent macroprudential risks in the financial system. According to the Finansinspektionen's notifications, it is crucial for the stability of the Swedish financial system that credit institutions operating in Sweden keep enough capital to cover risks related to these exposures and to those stemming from asset price developments. In Finansinspektionen's view, capital levels implied by IRB credit risk models as such are inadequate to mitigate these stability risks. Materialisation of the risks would also be likely to endanger economic growth.

³ <https://eur-lex.europa.eu/eli/C/2025/5112/oj>

⁴ <https://www.eba.europa.eu/publications-and-media/press-releases/eba-issues-opinions-two-measures-address-macroprudential-risk-following-notifications-swedish-fsa> and <https://www.esrb.europa.eu/pub/pdf/other/esrb.opinion250630.cre~275a49a57e.en.pdf?619756450ba9b402fdccfa833e4624a5>

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In accordance with Article 458(5) of the CRR, other member states may recognise measures adopted in accordance with said Article and apply them to domestically authorised institutions, which have branches or exposures in the member state authorised to apply these measures. The reciprocation of the requirement ensures that adequate capital is reserved for risks associated with Swedish credit, which also supports a level playing field in the Swedish housing loan markets. In preparing its decision, the FIN-FSA has, in accordance with Article 458(7) of the CRR, taken into consideration the criteria set in subparagraph 4 of said Article as specified in Finansinspektionen's notifications. In accordance with Article 458(6) of the CRR, the FIN-FSA shall notify the ESRB about its recognition of the decisions.

In applying the risk-weight floors, the FIN-FSA finds it warranted to observe the institution-level materiality threshold proposed by Finansinspektionen, as also recommended by the ESRB. Accordingly, the risk weight floor for residential real estate credit shall apply where a credit institution's residential real estate lending in Sweden exceeds the threshold of SEK 5 billion, and the risk-weight floors for corporate exposures secured by residential and commercial real estate apply if the credit institution's corporate lending in Sweden secured by RRE and CRE collateral exceeds the same SEK 5 billion threshold. The application of the risk-weight floors in accordance with Finansinspektionen's notification at the consolidated and individual level is justified regardless of whether the exposures are based on lending by subsidiary credit institutions, branches or directly across the border. Since the risk-weight floors remain unchanged, the entry into force of the decisions concerning them does not require a special transition period.

For housing loans, the effective impact of the risk-weight floor on Finnish credit institutions' risk-weighted assets remains at approximately EUR 7.0 billion, and approximately EUR 950 million in terms of the CET1 requirement. As regards corporate loans, the risk-weight floors are not currently estimated to have any effective influence on Finnish credit institutions' capital requirements due to the microprudential model constraints already in place.

In accordance with section 34 of the Administrative Procedure Act (434/2003), on 24 November 2025, prior to decision-making on the matter, credit institutions applying IRB approaches to credit risk were provided an opportunity to express their opinion on the matter and to submit an explanation of claims and evidence which may influence the decision. The FIN-FSA received a written response from Nordea Bank Abp.

According to the response, Nordea Bank Abp sees some benefits in the Swedish risk weight floors as they promote a level playing field and reduce supervisory differences between credit institutions under the supervision of the Single Supervisory Mechanism and other credit institutions. Nordea

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Bank Abp also points out that the risk weight floor for credits related to residential real estate may, in many cases, lead to higher risk weights for credit institutions using IRB approaches than those applying the standardised approach.

Nordea Bank Abp calls for a more nuanced analysis by authorities of overlaps in risks covered by various requirements rather than merely focusing on the different purpose of the various requirements (such as micro- and macroprudential requirements). Nordea Bank Abp also finds harmonisation in this respect across the EU area important.

Moreover, Nordea Bank Abp expects authorities to phase out the risk weight floors as the output floor enters into force and to also consider this in setting other requirements.