



PRESS RELEASE

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■ Increased resilience in the major Swedish banks

The major Swedish banks are financially strong at present and have good resilience to a deterioration in economic prospects. The sovereign debt crisis in the euro area is the largest single risk to financial stability in Sweden in the short term. However, the Swedish banking system has weaknesses of a more structural nature that could have a negative effect on financial stability in the longer run. Together with the unease on the international financial markets, this justifies additional safety margins at present. The Riksbank therefore recommends that the major banks ensure that they have sufficient capital and liquidity buffers.

The resilience of the major banks is good

The major Swedish banks (Handelsbanken, Nordea, SEB and Swedbank) are financially strong at present, despite the financial unease. The banks' earnings are expected to increase and loan losses are expected to be limited in the coming period. Moreover, the major Swedish banks are well capitalised in an international comparison and have only limited exposures to the euro area countries with sovereign debt problems. These factors have contributed to boosting market confidence in the major banks and to the banks thus having good access to wholesale funding.

Developments in the euro area constitute the largest risk to financial stability in Sweden

Despite the measures taken by central banks and governments to stabilise the situation, the uncertainty over developments in several of the euro-area countries increased during the spring. Although the resilience of the major Swedish banks is good at present, their access to funding could be affected if the situation in the euro area gets worse. This is because the major banks largely use wholesale funding, which has proved to be volatile during periods of financial



■ stress. But according to the Riksbank's stress tests, the major banks would be able to cope with much weaker economic development in the period ahead.

The major banks should ensure they have sufficient capital and liquidity buffers

The continued unease in the euro area means that the financial markets could be subjected to disruptions in the coming period that might also affect the Swedish banks. Moreover, there are weaknesses of a more structural nature in the Swedish banking system that need to be remedied. The Riksbank therefore recommends that the major banks:

- ensure that they have sufficient core equity Tier 1 capital to meet, by a broad margin, the capital adequacy requirements agreed by the Riksbank, Finansinspektionen (the Swedish financial supervisory authority) and the Ministry of Finance in November 2011
- maintain good resilience to liquidity problems, by meeting the short-term Liquidity Coverage Ratio (LCR) both on aggregate for all currencies and separately for the euro and the US dollar respectively
- reduce their structural liquidity risks and approach the minimum level of 100 per cent in the NSFR – which measures a bank's liquidity risks by setting its stable funding in relation to its illiquid assets during a stressed scenario that runs over a period of one year
- improve the public reporting of their liquidity risks.

A press conference with Riksbank Governor Stefan Ingves and Mattias Persson, Head of the Financial Stability Department, will be held today at 11 a.m. in the Riksbank. Press cards or equivalent must be shown. The press conference will be broadcast live on the Riksbank's website (www.riksbank.se), but can also be watched afterwards on the Riksbank's website or on the Riksbank's YouTube channel, www.youtube.com/sverigesriksbank.

The Financial Stability Report can be downloaded from the Riksbank's website, or ordered via e-mail: kontorsservicecenter@riksbank.se, or telephone +46-(0)8-787 00 00. The printed version of the Report will be available from 5 June.