



# PRESS RELEASE

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## ■ Financial stability good at present – but risks need to be managed

*The Riksbank's assessment is that the Swedish financial system is stable at present. However, the size and concentration of the Swedish banking sector, as well as the banks' extensive market funding, create vulnerabilities that may have a negative impact on financial stability. The high and rising level of indebtedness among Swedish households also poses risks to the stability of the financial system and to the real economy. The Riksbank therefore shares Finansinspektionen's assessment that increasing the risk-weight floor for Swedish mortgages from the current level of 15 per cent to 25 per cent is justified. The Riksbank also continues to recommend that the major banks ensure that they have adequate capital and liquidity, and that they improve their public capital and liquidity reporting.*

### **Profitability high at the major Swedish banks**

The earnings of the major Swedish banks continue to develop strongly and loan losses are limited. This has contributed to good profitability and good access to market funding. The Riksbank's assessment is that the Swedish financial system is stable at present.

### **Uncertainty about developments abroad**

A stronger development of the international economy and continued stimulation measures by several central banks have helped to reduce stress on the financial markets. However, the situation is still uncertain as several European countries have structural problems and there are question marks about the state of the European banking sector and about future fiscal and monetary policy, primarily in the United States, but also in the euro area.

### **Household indebtedness poses risks**

Swedish mortgages constitute a significant part of the banks' assets and are in turn funded on the financial markets. The fact that household indebtedness is high and rising poses significant risks to the stability of the financial system and the real economy. The Riksbank considers that these risks need to be counteracted using a range of measures designed to strengthen the banks' resilience and reduce household indebtedness. A number of measures have already been taken to counteract these risks, but the Riksbank's assessment is that further measures are



■ needed. The Riksbank therefore shares Finansinspektionen's assessment that increasing the risk-weight floor for Swedish mortgages from the current level of 15 per cent to 25 per cent is justified. This should be done as soon as possible. It is important to continue to promote a responsible lending and amortisation culture.

### **Structural vulnerabilities in the banking system require measures**

The size and concentration of the Swedish banking sector, as well as the banks' extensive use of short-term market funding, create vulnerabilities that may have a negative impact on financial stability. This means that a financial crisis could require extensive government intervention and thus be costly for the taxpayers. The Riksbank therefore recommends that the major banks continue to reduce their structural liquidity risks and ensure that they have enough capital to cope with future losses and disruptions on the financial markets. This would reduce the vulnerability of the financial system. The Riksbank also recommends that the major banks should further improve their public capital and liquidity reporting.

A press conference with Riksbank Governor Stefan Ingves and Johanna Fager Wettergren, Acting Deputy Head of the Financial Stability Department, will be held today at 11 a.m. at the Riksbank. Press cards or equivalent must be shown. The press conference will be broadcast live on the Riksbank's website, [www.riksbank.se](http://www.riksbank.se), where it will also be available to view afterwards.