

Sveriges Riksbank

The Swedish Financial Market

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Introduction

The Riksbank publishes this annual review to provide a regularly accessible account of the function and structure of the Swedish financial market.

Notable changes in the past year are presented. A more comprehensive statistical picture is published in the Riksbank's Statistical Yearbook and the monthly Financial Market Statistics.

This overview is based on the Riksbank's financial market statistics, which are compiled with the primary purpose of monitoring monetary policy effects on the financial market as well as the financial system's stability.

The account is based mainly on statistics produced at the Riksbank. The use of other sources is acknowledged in the text.

The Financial Market

The financial market refers here to the whole of the financial system, which besides the financial markets as such includes financial instruments and institutions. The primary functions of the financial system are the redistribution of saving, risk management and the provision of effective payment facilities. The system includes the securities markets as well as intermediaries, that is, banks and other institutions that bring together savers and those who need to borrow for consumption or investment.

A deregulated market

The financial market evolves in conjunction with general economic developments, fiscal and monetary policy and rule changes.

Prior to 1985 the Swedish financial market was strictly controlled. The regulatory measures were used as instruments for monetary policy; credit restrictions in the form of interest rate regulations and credit ceilings, statutory investment ratios and minimum liquidity ratios are examples. Today the Riksbank's monetary policy instrument is the repo rate,¹ while the primary function of the regulatory system is to promote the financial system's stability and effectiveness.

Today's financial system is characterised by efficient money and bond markets, with a large array of financial instruments (derivatives) that can be used to cover financial risks. The largest borrowers in the money and bond markets are the central government and housing institutions. A characteristic feature of the Swedish financial market is

the mediation of private savings. The non-bank public (firms and households) participates in the money and bond markets to only a limited extent as lenders and hardly at all as borrowers. The credit requirements of these borrowers are met mainly by financial institutions such as banks, housing intermediaries and finance companies. This reflects the fact that the information costs involved in lending to households and small or medium-sized firms are too high for the money and bond market. Indirectly, households and firms are a major source of credit via their savings in banks, investment funds and insurance institutions.

¹ The rate at which the Riksbank arranges weekly liquidity transactions with its counterparties.

The Riksbank's role

Sveriges Riksbank, Sweden's central bank, is responsible for monetary and exchange rate policy, as well as for overseeing and promoting stability in the financial system. The oversight of stability concerns the system as a whole, while the supervision of each institution is a matter for the Financial Supervisory Authority.

The objective of monetary policy is to keep the value of money stable. The Riksbank's specific monetary policy target is to keep the rate of CPI inflation over the longer term at 2 per cent, with a tolerance interval of ± 1 percentage point.

For a period prior to 19 November 1992 the Riksbank operated a fixed exchange rate regime (with the theoretical ecu as the benchmark) as an intermediate target, with price stability as the ultimate objective. The Riksbank then conducted monetary policy so as to defend the fixed exchange rate, by buying and selling kronor in the foreign exchange market. Adjustments to the marginal rate of interest on bank borrowing from the Riksbank were used to manage the flow of foreign exchange so that the exchange rate remained within

a specified interval on either side of the benchmark.

Following the transition to a flexible exchange rate regime, the Riksbank has not formulated a new intermediate target. Instead, various indicators are used to assess the inflationary pressure in the economy. The indicators of real economic activity include industrial capacity utilisation, unemployment and the development of wages. Examples of financial indicators are the money supply and lending by financial institutions. In the assessment of inflationary pressure, the indicators are not viewed as having an inherent order of importance.

or shortage) with the Riksbank, together with the amount of liquidity and the interest terms for this that the Riksbank offers the market, mainly in the form of the weekly repo transactions. The Riksbank's lending and deposit rates² represent the limits for the level of the shortest market rate, while the repoed amounts and their interest terms, together with the Riksbank's management of liquidity, determine the level of the overnight rate inside this corridor. The Riksbank uses the weekly repos to signal where it intends the overnight rate to be in the coming week.

By determining the interest rate for shortest transactions, the Riksbank also influences the market rates for longer maturities. In that loans and deposits in the overnight market are always an alternative to transactions with a longer duration, the longer rates of interest are inevitably affected by expectations of the future level of the shortest rates.

Monetary management

The feasibility of influencing inflation by means of monetary policy rests on the central bank's ability to control the market's shortest interest rate. The instrumental system for monetary policy consists of the interest terms for the banking sector's overnight liquidity position (surplus

² The current rates at which counterparties (the banks) can borrow from and deposit in the Riksbank.

Securities market

The securities market is an umbrella term for the various markets in which interest-bearing securities and equity are traded. Interest-bearing securities are traded at short-term interest rates in the money market and at longer rates in the bond mar-

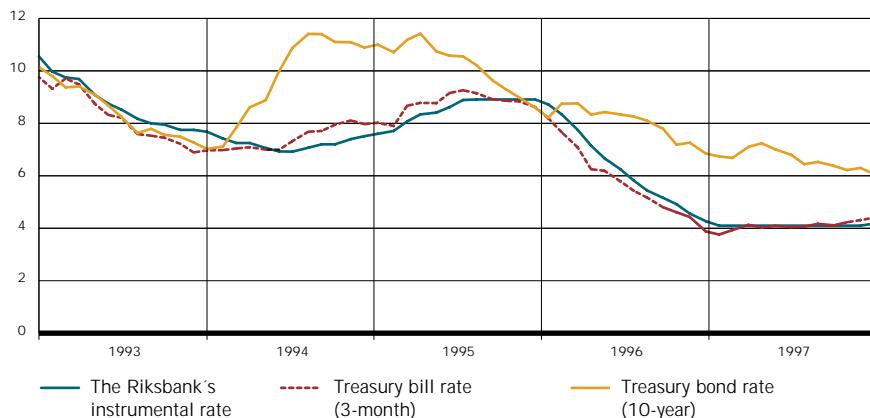
ket. An additional activity in these markets is trading in derivative instruments.

The short-term interest rates (money rates) reflect the current stance of monetary policy and indicate the market's assessment of the

monetary stance in the near future. The longer interest rates (bond rates) primarily indicate the expected future rate of inflation and mirror long-term confidence in economic policy.

Domestic interest rates

Per cent



Money market

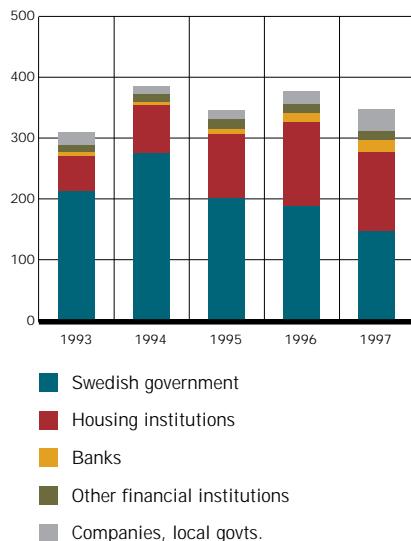
Short-term interest rates normally denote rates on loans with a duration of up to twelve months. The money market is therefore defined as comprising trade in securities with a maturity of up to one year.

The largest borrowers here are the central government and the financial sector; the non-financial sector undertakes very little financing in the money market. The dominant instrument in this market is treasury bills, issued by the National Debt Office.

One reason why the National Debt Office borrows in this market against treasury bills is to manage fluctuations in the government borrowing requirement. Housing institutions borrow here primarily so that the terms on which they obtain loans match those for their on-lending to customers, thereby avoiding or minimising interest rate risks. Their money-market borrowing tends to

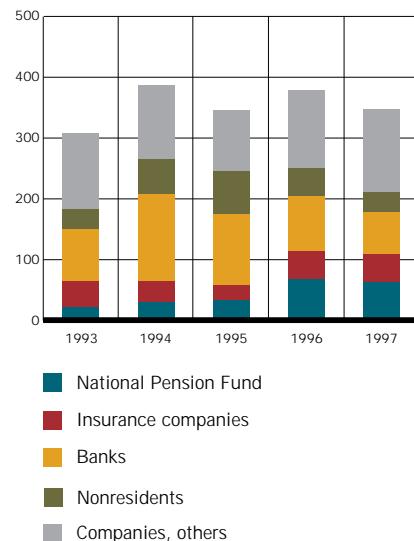
Money market issuers

Stock, SEK billion



Money market investors

Stock, SEK billion



rise in periods when their customers opt for new or renewed loans at either flexible or short-term rates.

The largest investors in the money market are banks and non-financial companies. Nonresidents

are also active in this market but a growing proportion of their investments is being placed in securities with longer maturities (bonds).

Bond market

The securities issued and traded in the bond market have maturities of at least one year. By far the largest borrowers here are the central government and housing intermediaries. The stock of bonds issued by other categories of borrower is comparatively small. Only a minor share of corporate borrowing, for example, is undertaken in this market.

Government borrowing in the bond market, via the National Debt Office, is undertaken to finance the budget deficit and any other unfinanced expenditures approved by the Riksdag (Sweden's parliament).

The housing institutions issue bonds to finance their lending to the non-financial sector, which uses the funds mainly to finance real estate.

The rate for government (treasury) bonds is sometimes called the risk-free rate. The interest rate differential between treasury and housing bonds is a consequence of the latter's higher credit risk and often lower liquidity. The main reason for the large differential in 1992-93 was that loan losses incurred by housing institutions during the so-called financial crisis weakened the solvency of these institutions, so that in-

vestors required a higher return. From 1994 onwards the differential has decreased; in 1996 and 1997 it fluctuated around 0.5 percentage points. In 1998, however, the differential has increased. In recent years a growing proportion of the current spread reflects the circumstance that housing bond liquidity has continued to be comparatively low, partly on account of diminishing volumes.

Active trading in the bond market is undertaken mainly in treasury paper and a number of standardised (benchmark) issues by housing intermediaries. Private bonds are issued by banks and housing intermediaries; they are aimed primarily at private individuals and other small

investors and are traded on the Stockholm Exchange, as a rule with the issuer acting as market maker by offering two-way prices. Instruments which are administered by the issuer (Caisse bonds and National Debt Office saving accounts, for example) are usually also regarded as a form of private bonds.

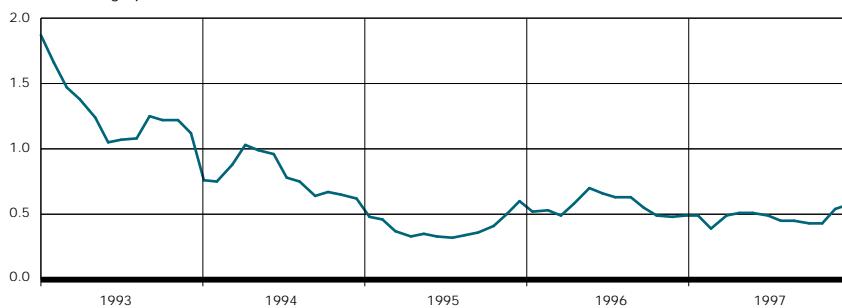
The major bond market investors are the institutions that manage the greater part of the economy's savings, that is, the National Pension Fund, insurance companies and banks. In recent years, nonresident investors have been building up holdings of Swedish bonds; at the end of 1997 they owned just over 14 per cent of the total stock.

Bank holdings of SEK securities

Instrument, SEK billion	Change in 1997	Stock end 1997
Treasury bills	-22	17
Certificates issued by:		
Housing institutions	12	37
Banks	3	3
Other financial institutions	1	2
Companies, local govt., others	-1	7
Treasury bonds	-1	47
Bonds issued by:		
Housing institutions	-45	101
Banks	1	4
Other financial institutions	1	4
Companies, local govt., others	-1	14
Total	-52	236

Spread between treasury bond and housing bond (5-year) rates

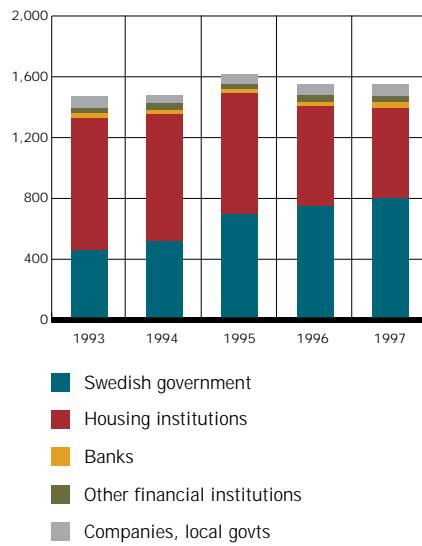
Percentage points





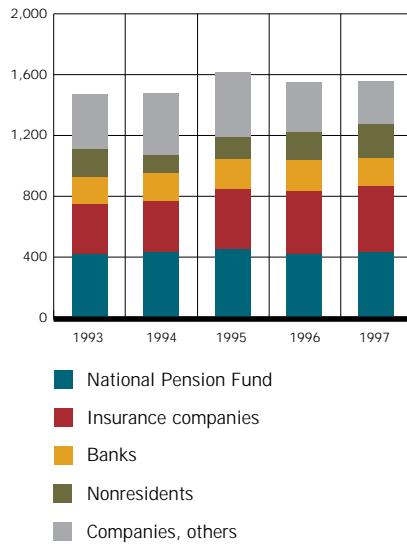
Bondmarket issuers

Stock, SEK billion



Bond market investors

Stock, SEK billion



DECREASED MARKET BORROWING

The money market, which is small compared with the bond market, contracted during 1997 in connection with a reduction of government short-term borrowing against treasury bills. During the first half of 1998 the National Debt Office provided bills in exchange for bonds with a short remaining life; this market management has resulted in a renewed increase in the outstanding stock of treasury bills and caused the money market to expand to its highest level in two years. The size of the bond market did not change from 1996 to 1997. A continued reduction in the stock of housing bonds was offset by increased bond borrowing by the government in particular but also by banks and firms. In the early part of 1998 decreased government bond borrowing was accompanied

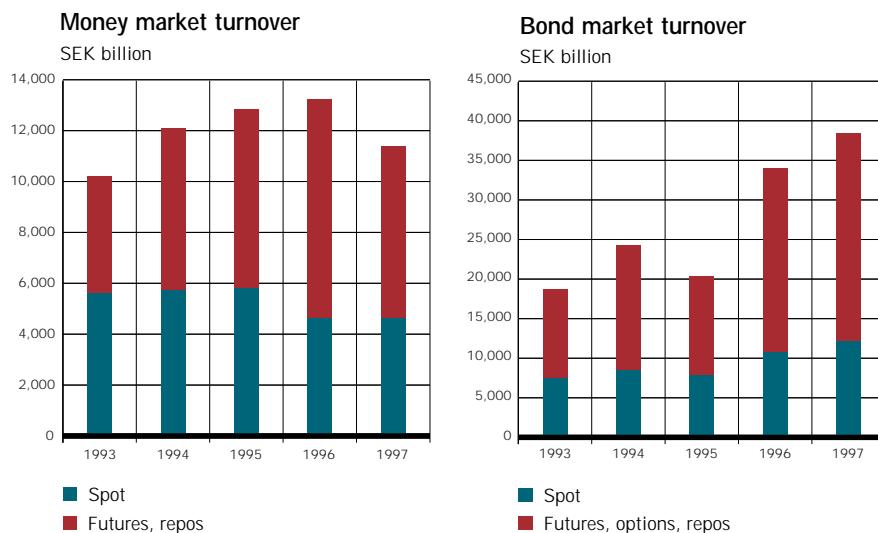
by a tendency for housing institutions to arrange more of their financing in the bond market; the overall stock of outstanding bonds was virtually unchanged.

The 1997 turnover of the Riksbank's primary dealers (banks and securities companies appointed as counterparties for the Riksbank's market operations) totalled SEK

50,000 billion. The increase of just over 5 per cent from 1996 came mainly from trading in treasury bonds. Borrowing by the National Debt Office has been concentrated to a smaller number of issues that are sufficiently large to attract investors who manage their portfolios actively; among other things, this has led to increased trading.

Issuers in money and bond markets

	SEK billion	1995	1996	1997
<i>Money market</i>				
Swedish government		202	189	147
Housing institutions		104	137	129
Banks		9	15	20
Other financial institutions		15	14	15
Companies, local govts.		16	23	36
Total		346	378	347
<i>Bond market</i>				
Swedish government		698	746	802
Housing institutions		792	660	588
Banks		27	28	40
Other financial institutions		36	44	44
Companies, local govts.		61	72	76
Total		1,614	1,550	1,550



DERIVATIVES OF

INTEREST-BEARING SECURITIES

Trade in derivatives (forwards and options), which enables investors to adjust the level of risk in different investments, accounts for a large part of market turnover. OM Stockholm AB is an authorised exchange and clearing organisation for trade in Sweden in both interest- and equity-related derivatives. The instruments underlying short interest-related derivatives in OM trading are 6-month treasury bills and 3-month

interbank interest rates, while those underlying long interest-related products are treasury and housing bonds. Contracts are written as a rule in units of SEK 1 million. In addition to the standardised instruments, there are interest-related OTC derivatives; these are constructed by banks to meet the needs of the final customer and are not traded in organised markets, neither are they normally cleared for settlement, as is done by OM.

Another category of derivatives

is swaps, which are normally used to manage risk exposure when borrowed funds are converted into another currency (exchange rate swap) or another interest rate (interest rate swap). Swaps also feature in active debt management to modify a debt portfolio's cash flow. Swaps are arranged and mediated internationally by large banks. Since their introduction in the early 1980s swap arrangements have become increasingly sophisticated and trading is now very widespread.

Stock market

In recent years the stock market has been of growing importance as a source of risk capital for both the financial and the non-financial sector. In recent years, new issues and introductions on the Stockholm Stock Exchange have raised around SEK 20 billion a year.

SPOT TRADING CENTRE

The Swedish centre for spot trading in shares is the Stockholm Stock Exchange, which was converted into a limited company (Stockholms Fondbörs AB), owned by members and issuers, on 1 January 1993. The exchange is under the surveillance of the Financial Supervisory Authority. The earlier exchange monopoly was abolished from the same date, which means that, in addition to the existing competition from exchanges abroad, where shares in large Swedish companies are traded, the Stockholm bourse may have to compete with other market places in Sweden.

In recent years a number of unofficial lists have been introduced for shares that are traded locally through brokers or smaller marketplaces. This new arrangement has been used by SBI (Stockholms Börsinformation) and Innovation-

Market for channelling risk capital to comparatively small companies. Trading in unlisted shares has also been promoted by the Stockholm Stock Exchange, which has provided access to its SAX system for its AIM (Nya Marknaden) as well as for 'Share Market' (Aktietorget).

Share trading via the Internet, mainly for private individuals, expanded rapidly during 1997. Services for entering orders via the Internet are now provided by seven members of the Stockholm Exchange. The transaction costs to the customers are considerably lower than those for trading through securities companies and banks.

Automatic ordering facilities were introduced in 1996; briefly, they enable customers to place orders via computer systems and have them transmitted immediately by members to the Exchange's trading system. Eight members of the Exchange were providing such facilities at the turn of 1997.

Membership of the Stockholm Exchange has been rising steadily in the past five years. Seven new members joined in 1997, of which three are remote members. Of the total of forty-eight members at the turn of 1997, fifteen were remote members.

Plans to merge OM and the Stockholm Stock Exchange were

announced towards the end of 1997. OM's offer was accepted by the Exchange's owners and the merger was completed at the beginning of 1998. As a result, Stockholm Stock Exchange and OM have been re-organised as a single commercial entity, Stockholm Exchanges. The new arrangement provides more flexible links between the spot and derivative markets in equity.

EXCHANGE TRADING

Activity on the Stockholm Exchange has been high in recent years. During 1997 aggregate turnover on all the Exchange's lists rose 47 per cent to SEK 1,346 billion. The major part of this increase reflects the rise in share prices, which averaged 24 per cent. The velocity of turnover (annual turnover in relation to the total value of all listed shares) was unchanged at the high level of 66 per cent.

The total market value of all listed shares at the turn of 1997 was SEK 2,164 billion. At the year-end the number of listed companies, including those waiting to be introduced, totalled 269, a net increase of 32.

In 1998, share prices continued to rise until the summer; the high in July was 32 per cent above the level at the beginning of the year. The

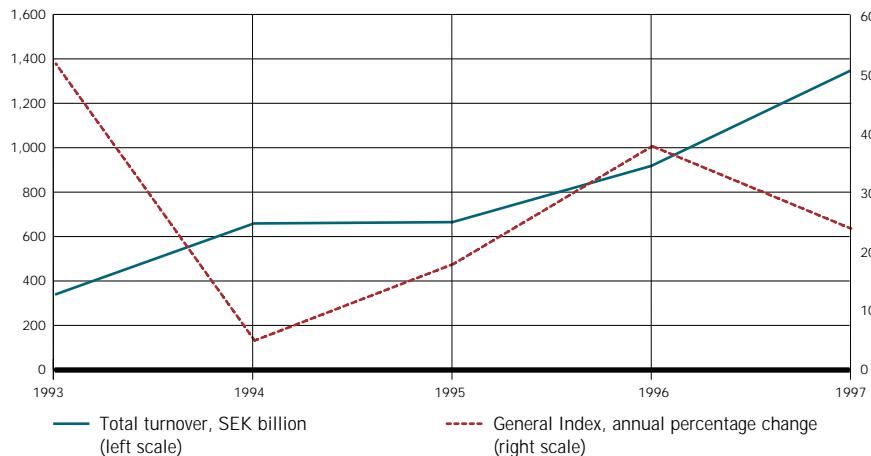
Stock market

	1993	1994	1995	1996	1997
Listed shares					
Turnover, SEK bn	339	659	665	918	1,346
Year-end market value, SEK bn	892	977	1,180	1,688	2,164
Change in General Index, per cent	52	5	18	38	24
Companies listed at year end, no.	205	228	223	229	261
Risk capital supply, SEK bn	27	42	26	24	17

Source: Stockholm Stock Exchange.

Listed shares: turnover and index

SEK billion and per cent



Source: Stockholm Stock Exchange.

steep fall in the following months resulted in a negative trend from the turn of 1997, though there was some recovery towards the end of October.

EXCHANGE TRADING BY NONRESIDENTS

Nonresident investors continue to account for a substantial share of exchange trading: 29 per cent in 1997. Their holdings, moreover, represent approximately one-third of the total market value of the listed shares. During 1997, however, Swedish shares were sold back by nonresidents to such an extent that imports exceeded exports by almost SEK 6 billion. This was followed by a return to a stronger purchasing tendency in the early part of 1998.

SAX AND SOX

The automated SAX system (Stockholm Automated eXchange) is used for trading on the Exchange not only in shares but also in convertible loans, premium bonds and interest-bearing bonds. The Stockholm Bond

Exchange (SOX), affiliated with the Stockholm Stock Exchange, is used for bond trading mainly by small companies and private individuals. In 1997 SOX turnover remained at the lower level of about SEK 12 billion that had been established in 1996. At the year-end the SOX list comprised 253 loans from 20 issuers, with a total market value of SEK 69 billion.

EQUITY-RELATED DERIVATES

Trading in Sweden in options and futures as equity derivatives is largely arranged by OM Stockholm AB. The equity derivatives offered by this exchange relate almost exclusively to Swedish equities and to the exchange's equity index. Contracts here are written in units of 100 shares.

Overnight and repo markets

Efficient overnight and repo markets are a major component of the

Swedish financial system. Banks use the overnight market to manage the daily fluctuations in their liquidity.

The overnight lending rate is confined inside the interest rate corridor which, as mentioned earlier, is decided by the Riksbank. The Riksbank adjusts the corridor so that its mid-point corresponds approximately to the desired level of the overnight rate. This gives banks an incentive to operate in the overnight market; they invest surplus liquidity here and borrow to cover a liquidity shortage. For the banks, this is more advantageous than the alternative of depositing surplus liquidity in the Riksbank and borrowing at the Riksbank's lending rate. Besides banks, the players in the overnight market include housing intermediaries and large manufacturing companies, for example, but for them the interest terms are less favourable as a rule than for the banks. The National Debt Office participates on the same terms as the banks and can, for example, use overnight operations to parry effects of budgetary fluctuations on liquidity.

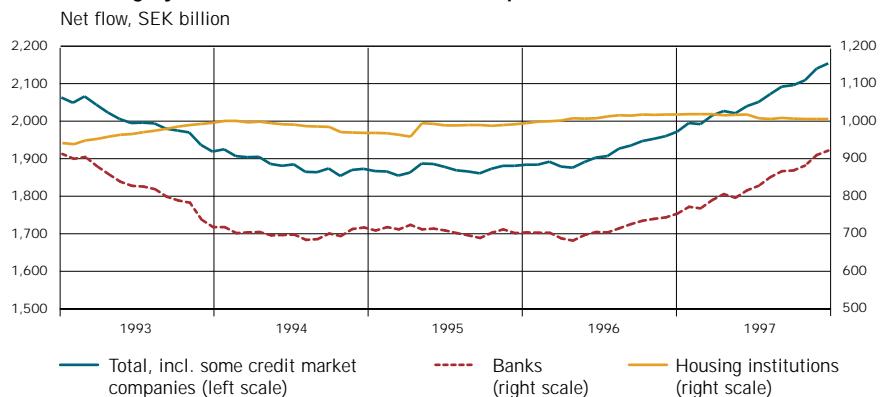
Repos, which are basically loans collateralised with securities, are an alternative to overnight transactions and carry less risk. In its simplest form, a repo involves one party transferring securities for a pre-arranged period to the other party, who lends capital by paying for the securities. Repos can also be used for taking positions in interest rate futures, that is, with a view to increasing the return on a securities portfolio.

Financial intermediaries

Companies can obtain extraneous capital (as opposed to equity capital) by borrowing either in the securities market or via financial intermediaries in the credit market. Financial intermediaries are specialists in the information-intensive assessment and monitoring of risks involved in extending credit to households and to small and medium-sized firms. The costs involved in making such assessments are often too great for the securities market. Small and medium-sized firms in Sweden therefore obtain finance almost exclusively via banks, housing institutions and finance companies.

The financial intermediaries, a category that includes insurance companies and securities companies as well as credit institutions, are basically engaged in the transformation of assets. The structure of the savings invested in these intermediaries (their liabilities) therefore differs, in terms of maturities and risks, from that of their assets.

Lending by credit institutions to non-bank public



STRUCTURAL AND

OPERATIONAL CHANGES

The credit market deregulation in the mid 1980s had considerable consequences for the operations of financial intermediaries and contributed to structural adjustments in the form of take-overs and mergers, above all in the bank sector. This was accompanied by a proliferation of other institutions such as finance companies. With the bank crisis and its effects in the early 1990s, the structure of the credit market changed once more. The number of finance companies decreased sharply, accompanied by mergers and acquisitions that resulted in

fewer banks with subsidiaries. With one exception, however, some more years passed before the changes affected the major players. Nordbanken AB and Merita Abp were combined in 1997 under Merita-Nordbanken, a holding company located in Finland; the two banks continue to exist as legal entities under the holding company and Nordbanken has an indirect link to the euro area via Merita's operations in Finland. Svenska Handelsbanken AB and Stadshypotek AB also merged in 1997 and Handelsbanken Hypotek AB is now a subsidiary of Stadshypotek AB. Östgöta Enskilda Bank AB was taken over by Den

Danske Bank AS and subsequently transformed into a branch. FöreningsSparbanken AB was likewise established in 1997 by merging Swedbank (Sparbanken Sverige AB) and Föreningsbanken AB. This was accompanied by the merger of Föreningsbanken Kredit AB and AB SPINTAB. In 1998, moreover, SEB AB has acquired Trygg Hansa AB and subsequently closed down Trygg-Banken AB.

Government moves to reduce or terminate State ownership in the financial sector have also left their mark. During the bank crisis the State and the banks each set up a credit market company—Securum Finans AB and Retriva Kredit AB—to which problem loans and assets were transferred for management. These companies have now been largely closed down. In 1995, com-

ponents of the state housing loans that had previously been carried on the government balance sheet were transferred to the group of housing institutions. In the group of other credit market companies, structural rearrangements among the former finance companies have led, as mentioned earlier, to sharp reductions in their number and size.

With the deregulation of credit, the provision of credit has virtually ceased to depend on the purpose of the loan; instead, the institutions base their assessments on the borrower's ability to service and repay the loan. It is now primarily the collateral and the duration of the interest rate terms for the loan that determine the institution to which the borrower applies. Thus it is quite common for house mortgage loans to be obtained in order to finance

the purchase of a car or other consumer durables. In such cases the loan may be provided by either a bank or a housing institution. Identifying borrowing for consumption is therefore more difficult in Sweden than in many other countries. A further complication is that credit stocks are regularly transferred between parent banks and their housing subsidiaries. The most representative picture of consumption trends in Sweden is accordingly provided by a weighted sum of lending by banks and housing intermediaries.

The legal construction of a Swedish financial intermediary reflects certain distinguishing features of banks and housing institutions, for example. Today, however, it is mainly a way of guaranteeing the financial system's transparency and security.

Balance sheet totals and assets of financial institutions, end 1997

SEK billion	Balance sheet total	Loans to non-bank sector	Other loans	Securities	Equity	Other assets
Banks	2,150	842	625	341	96	246
Housing institutions	1,218	1,008	165	5	10	30
Other credit market companies	335	214	19	73	3	26
Insurance companies	1,212	27	—	540	542	103
National Pension Fund	583	22	—	498	38	25
Securities companies	25	7	—	3	4	11
Total	5,523	2,120	809	1,460	693	441
Mutual funds	364			51	293	20

Banks

Banks differ from other credit institutions in that they finance illiquid loans (unmarketable, risk-bearing loans) with fully liquid funds deposited by the non-bank public. Banking operations are regulated by the Banking Business Act, which serves among other things to protect the funds of depositors and promote financial market stability. In July 1996 the State bank guarantee was replaced by a deposit guarantee that is designed to strengthen consumer protection for the non-bank public's bank deposits. Deposits up to 250,000 kronor are protected in the event of bankruptcy. To finance the system, banks pay a fee to cover the estimated annual long-term cost.

No. of banks operating in Sweden

	No. in 1997
Banks	124
Swedish commercial banks	16
Foreign commercial banks	21
subsidiaries	4
branches	17
Savings banks	87

Most Swedish banks offer a comprehensive range of services, including fund management and travel currency. They also trade in currency and interest-bearing securities for customers as well as for their own account. The bank sector in Sweden also includes branches of foreign banks as well as niche banks, which tend to concentrate on deposits and offer their services by telephone or the Internet from a single office. Niche banks do not necessarily pro-

vide the full range of bank services, such as the mediation of payments and securities. For some time now, virtually all banks offer customers facilities for doing banking business via the Internet in entities (Internet banks) that are separated from the rest of the bank. Together with new technology for bank vending machines, cash cards, et cetera, this may ultimately replace traditional banking services.

Besides the core operations of receiving deposits and providing credit, the banks perform an important function as payment intermediaries. Their daily discharge of payment instructions, e.g. paying out a loan or crediting a child allowance to a household's deposit account, leads to wide fluctuations in cash liquidity. The banks can parry these fluctuations by using the Riksbank's deposit and lending facilities. Differences in liquidity between the banks are smoothed in inter-bank trading. This is reflected in short-term lending and deposits between the banks and other financial institutions.

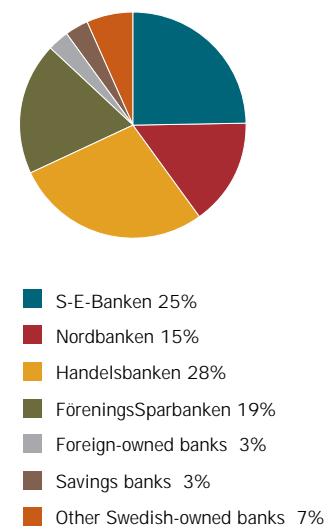
Following the deregulation of the credit market, the banks set their domestic currency lending and deposit rates (with some time lag) in relation to changes in money market rates. In this way, the banks have an important role in the transmission of monetary policy to other parts of the economy. In addition to the repo rate, other factors that banks consider when setting lending and deposit rates are the ability of borrowers to service and repay loans, which is influenced by the general economic situation, and the competition from other types of saving.

The banks are the second largest group of lenders among financial institutions. The balance sheet total for all the banks at the end of 1997 was SEK 2,150 billion, of which four banks contributed just over 80 per cent.

The largest item in bank assets is loans to the non-bank public, above all to non-financial companies. Lending in foreign currency grew

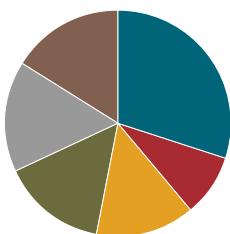
Banks' balance sheet total,
end 1997

Total: SEK 2,150 billion



Bank's assets, end 1997

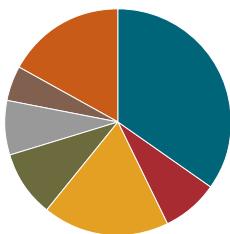
Total SEK 2,150 billion, of which 1,472 billion in Swedish kronor and 678 billion in foreign currencies



- Swedish non-bank borrowers 30%
- Nonresident non-bank borrowers 9%
- Foreign banks 14%
- Swedish financial institutions 15%
- Interest-bearing securities 16%
- Other assets 16%

Banks' liabilities, end 1997

Total SEK 2,150 billion, of which 1,387 billion in Swedish kronor and 763 billion in foreign currencies



- Swedish non-bank depositors 34%
- Nonresident non-bank depositors 8%
- Foreign banks 18%
- Swedish financial institutions 10%
- Issued securities 8%
- Shareholder equity 5%
- Other liabilities 17%

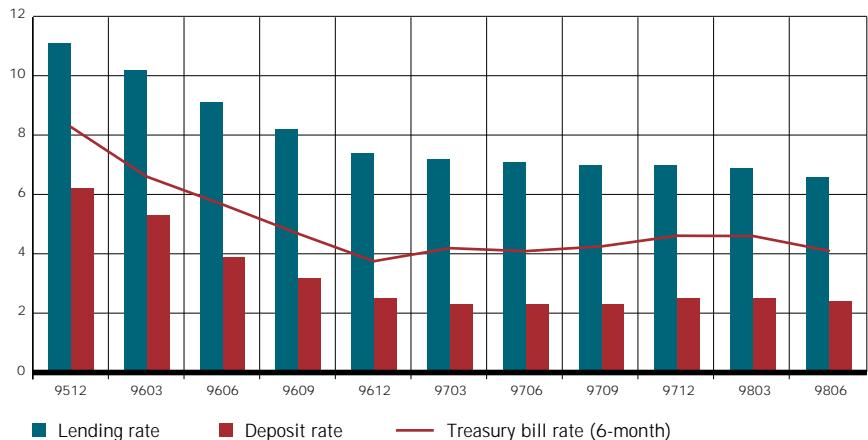
rapidly in the early 1990s but after the move from a fixed to a flexible exchange rate these loans were repaid in the course of 1993 and 1994; since then, their proportion of bank assets has been smaller (about 10 per cent).

In connection with net loan repayment by households and firms, during the bank crisis the banks increased their holdings of securities

from around 10 to over 15 per cent of the aggregate balance sheet total. Another reason for investing in securities was the low level of capital adequacy (equity in relation to risk-weighted assets) on account of massive loan losses; compared with advances to the non-bank public, the risk associated with securities is lower and can therefore be covered with less capital.

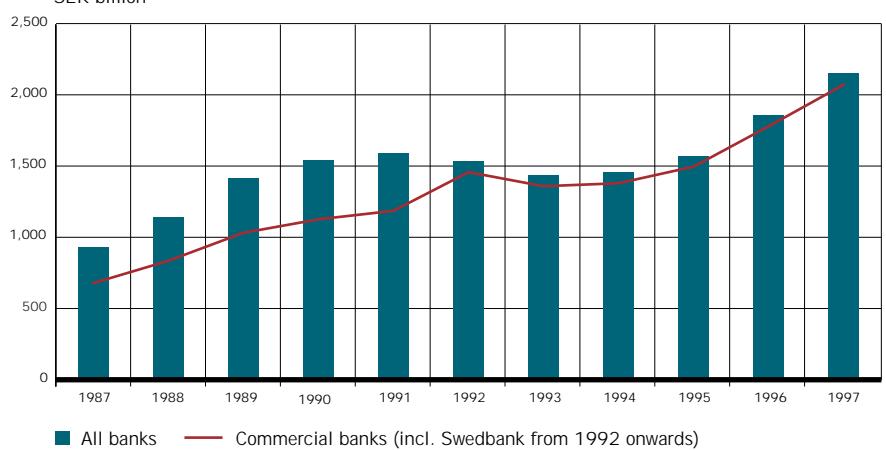
Average bank lending and deposit rates; treasury bill rate

Per cent



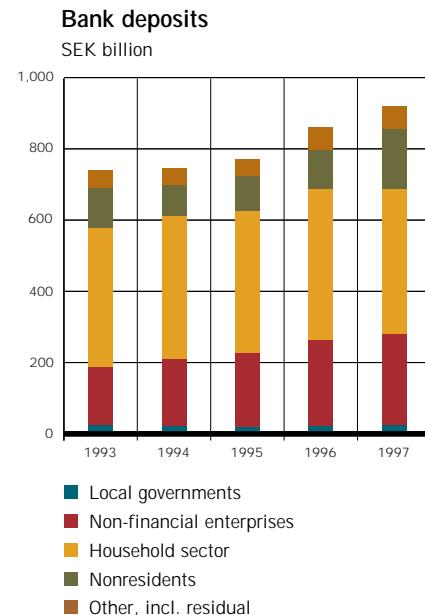
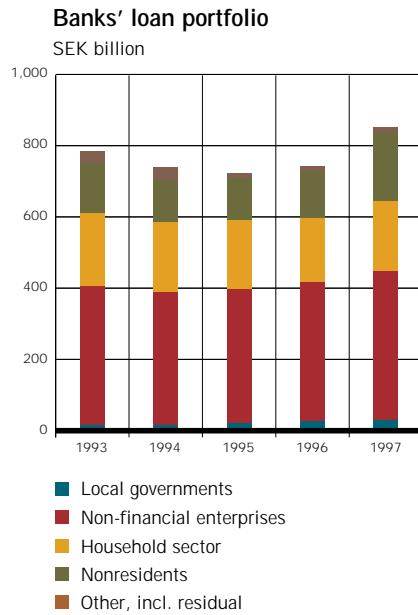
Balance sheet total

SEK billion





Whereas bank lending is directed mainly at non-financial companies, it is financed to a large extent with deposits from the non-bank public. The development of deposits is highly dependent on the alternatives for household saving. This has been particularly apparent since 1995, in that deposits in niche banks and private bonds have given a better return than traditional bank accounts. The generally stronger competition is evident from the narrowing spread between short-term market interest rates and deposit rates. In the past two years the steep upward trend in share prices and the public debate about the new pension system have led to higher household saving in equity, mutual funds and various forms of insurance saving. The negative effect of this on bank saving lasted until the stock market fall began in the second half of 1998.



Household sector's financial assets

SEK billion	December 1996	December 1997	Change per cent 1996-1997
Bank deposits	410	392	-4
National savings accounts	44	30	-32
National Debt Office accounts			
Private bonds	173	150	-13
Premium bonds			
National savings funds*	168	262	56
Other mutual funds*			
<i>in foreign currency</i>	51	63	24
Swedish listed shares*	315	392	24
Individual pension saving*	290	333	15
Insurance saving*			
<i>in foreign currency</i>	18	19	6

*Source: Statistics Sweden.

Credit market companies

Credit market companies, a category defined in legislation that came into force at the beginning of 1994, number more than a hundred specialised financial intermediaries, including the former intermediary institutions and finance companies. The sphere for credit operations is delimited for each institution or group of institutions in the articles of association, which are laid down by the Financial Supervisory Authority.

HOUSING INSTITUTIONS

The operations of the housing institutions cover real estate financing, focusing primarily on residential properties. Loans are secured mainly with real estate mortgages or local government sureties. State credit guarantees are also used. Most of the housing institutions are owned by banks.

The housing institutions have become the largest lending group in the Swedish financial market; with 80 per cent of the aggregate balance sheet total of credit market companies, they are the market's largest group of specialist institutions. There are eleven housing institutions, of which the largest two—Stadshypotek AB and AB SPINTAB—account for over half of this group's balance sheet total, which at the end of 1997 was SEK 1,218 billion.

Lending by the housing institutions has slackened markedly in recent years, partly because demand

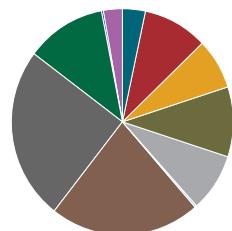
for new credits has been notably subdued in connection with the very low level of residential construction. Moreover, compared with the early 1990s, more saving by households and housing companies has taken the form of advance loan repayment. Low demand for new credit has led the institutions to compete more strongly for the renewal of existing loans. Together with changes in the ownership of certain institutions, this has resulted in sizeable transfers of credits between them.

Net loan repayment by housing companies continued in the latter part of 1997 and the first half of 1998. Household demand for credit rose, on the other hand, as falling interest rates were accompanied by rising sales of owner-occupied and tenant-owned dwellings, with an upward price tendency in the metropolitan regions. The house price appreciation also provided room for additional mortgage loans to finance consumption and property maintenance.

The level of market interest rates, together with customers' expectations of the future level of short- and long-term rates, influence customers' choices of fixed interest periods and this in turn has consequences for the structure of the housing institutions' financing. The duration of fixed interest periods is also of importance for monetary policy transmission mechanism; the longer the interest period, the more it detracts from monetary policy's immediate impact.

Housing institutions' balance sheet total, end 1997

Total: SEK 1,218 billion



Bokredit i Sverige AB	0.5
Föreningsbanken Kredit AB	38.7
Handelsbanken Hypotek AB	115.1
Konungariket Sveriges stadshypotekskassa	91.3
Nordbanken Hypotek AB	119.0
S-E-B BoLån AB	102.5
SkandiaBanken Bolån	4.3
Aktiebolaget SPINTAB	265.8
Stadshypotek AB	303.9
Statens Bostadsfinansiering AB	141.0
Svensk Bostadsfinansiering AB	1.7
Venatius AB	33.8

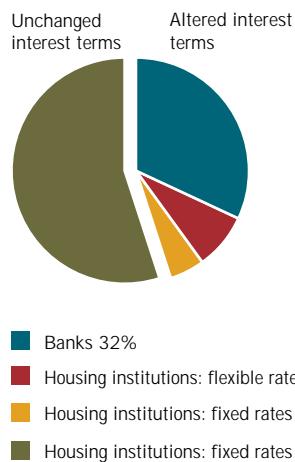
Housing institutions loans to non-bank public

SEK billion

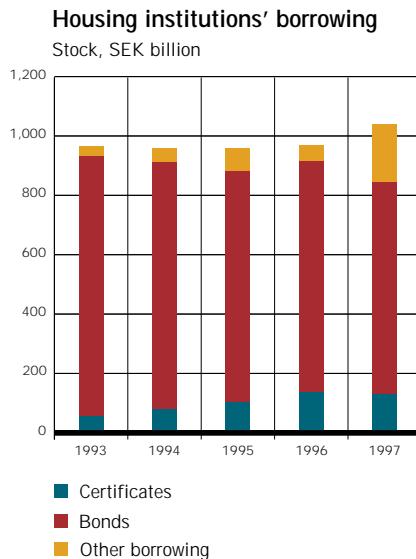


During 1997, when short-term and flexible interest rates were at a lower level than long-term rates, the proportion of loans from housing institutions that have a fixed interest period of five years decreased 12 percentage points to 45 per cent of the total loan stock. During the first half of 1998, the narrowing spread between short- and long-term rates led to a renewed preference for longer fixed interest periods.

Loans from banks and housing institutions with altered interest terms, 1997 Q4



The housing institutions finance their lending mainly by issuing bonds and certificates. They borrow mainly from the institutions that manage the major financial surpluses in the economy, for instance the National Pension Fund, insurance companies and banks. Borrowing directly from firms and households



in Sweden has become increasingly important in recent years. Borrowing from households took off during 1995, when the high level of nominal interest rates made interest-bearing securities more attractive to households; the institutions responded by issuing private bonds on a larger scale. The housing institutions

have increased their financing in the form of promissory note loans from the parent banks. Following the abolition of exchange controls in 1989, the institutions have also borrowed in markets abroad; the associated exchange and interest rate risks (in that housing credits are predominantly denominated in the domestic currency) can be limited by using derivatives.

NON-HOUSING CREDIT

MARKET COMPANIES

This group consists of the former non-housing intermediaries and finance companies. These institutions concentrate on financing a particular segment of the market, e.g. local governments, agriculture, the corporate sector and/or special operations such as export financing. The former finance companies provide firms and households with various forms of financing, e.g. leasing and factoring (firms), promissory note loans and credit cards (households).

Balance sheet totals for non-housing credit market companies

SEK billion	1993	1994	1995	1996	1997
Non-housing credit market companies	318	287	274	306	335
former intermediary institutions	168	177	176	200	219
former finance companies	150	110	98	106	116

Stock of loans from non-housing credit market companies

SEK billion	Stock at end 1993	1994	1995	1996	1997
Non-housing credit market companies	206	186	186	196	214
former intermediary institutions	104	102	99	106	114
former finance companies	102	84	87	90	100
of which leasing	36	36	40	44	53

Other intermediaries

In addition to banks and the specialised credit market companies, the institutions operating in the financial market include insurance companies and mutual funds.

A breakdown of the assets of these institutions into loans, securities and other assets shows that the dominant investment instrument in every group is securities. Insurance companies and the National Pension Fund also provide loans for firms, local governments and households. The other assets of insurance companies are dominated by real estate.

Securities trading companies combine some of the functions of intermediaries and service providers. Other service providers in the securities market are OM Stockholm AB, the Stockholm Stock Exchange AB, and the Central Securities Depository (VPC AB).

INSURANCE INSTITUTIONS

This group comprises the private insurance companies and the Natio-

nal Pension Fund. The investment capacity of these institutions is determined by the difference between premiums received and investment income on the one hand and, on the other, disbursements arising from pension and insurance commitments.

The private insurance institutions comprise traditional life insurance companies, unit-linked life insurance companies and non-life insurance companies. According to the Financial Supervisory Authority's quarterly report on nation-wide companies, at the end of 1997 the assets of these companies totalled SEK 1,212 billion.

The National Pension Fund has consisted of five separate funds, each with specific administrative statutes; a sixth fund, for investment in the corporate sector, was set up in 1996. The first three funds manage most of the assets in the national supplementary pension system and are responsible for the disbursement of these pensions, while the fourth, fifth and sixth funds invest primarily in equity. The aggregate balance sheet total for the five funds in 1997 was SEK 583 billion.

MUTUAL FUNDS

The mutual funds manage investments on behalf of customers and their assets consist mainly of equity, above all in Swedish companies.

The Act concerning national savings funds was repealed at mid 1998 and such funds are now subject to the same legislation as ordinary mutual funds; the tax relief associated with national savings funds had been terminated earlier. Besides the mutual funds for equity and interest-bearing securities, there are funds for life insurance premiums which enable the policy-holder to decide how the premiums are invested; different levels of risk can be chosen, with consequences for the probable return. Net saving in all mutual funds totalled SEK 71 billion in 1997.

SECURITIES TRADING COMPANIES

The securities trading companies function as brokers, trading in their own name for a commission on behalf of customers, as well as market-makers, which involves offering two-way prices on their own account. Professional trading in secu-

Assets of insurance institutions, mutual funds and securities trading companies, end 1997

SEK billion	Balance sheet, total	Loans to the public	Interestbearing securities	Equity	Other
Insurance companies	1,212	27	540	542	103
National Pension Fund	583	22	498	38	25
Mutual funds	364	-	51	293	20
Securities trading companies	25	7	3	4	11

rities, internally as well as on behalf of customers, requires an authorisation from the Financial Supervisory Authority. These companies are also in a position to extend credit to customers in connection with securities transactions, to provide administrative services and to accept deposits to a limited extent for these services. The companies also participate in market issues of securities.

The securities trading companies, like the commissioned operations of the banks, perform the important functions of mediating between buyers and sellers and of maintaining markets by quoting two-way prices. Trading is undertaken in shares as well as in interest-bearing instruments such as treasury bills, certificates and bonds.

As these companies do not take positions—other than intra-day as a rule—in the securities in which they trade, their aggregate balance sheet total is relatively small; at the end of 1997 it was SEK 25 billion.

The new pension system

A reform of the old-age pension system was decided recently; in this connection the National Pension Fund has been extended to include a seventh fund. The new pension system is of the premium-reserve type with fund insurance; the insurance function is linked to the State. The capital is to be managed in mutual funds administered by independent companies; eligible companies are those that are authorised and supervised as mutual fund companies by the Financial Supervisory Authority. The insurees are entitled to choose funds and fund managers for their pension premiums, defined as 2 per cent of their pensionable income in the period 1995-98 and rising to 2.5 per cent as of 1999. Those who do not exercise this choice have their pension premiums managed instead by the State in the form of the Pension Fund's seventh fund.

Pending the introduction of the new system, in the period 1995-98 a certain proportion of the fees paid

into the national old-age pension system has been invested in National Debt Office accounts. The pension premium entitlements for the income years 1995-98 are to be decided in 1999 and will then be transferred from the National Debt Office's interim management to the Premium Pension Authority for investment either in the mutual funds of the insuree's choice or, for insurees that do not exercise this choice, in the Pension Fund's new seventh fund. The amounts that are to be transferred are calculated to total SEK 37 billion.

The old-age pension reform entails a considerable redistribution of incomes and expenditures between the government budget, the National Pension Fund and the new Premium Pension Authority. One of the effects on government financing is an increased borrowing requirement in the years ahead; but as compensatory transfers are to be made from the National Pension Fund to the central government, the overall effect on the government budget is judged to be positive.

The payment system

The Riksbank and the payment system

The mediation of payments is a primary function of the financial system. All operations in this system that represent monetary value (lending and borrowing, for example) involve some form of payment transaction. The payment system can be seen as a vehicle for transporting money in the economy. The efficiency and security of the payment system are vital for the proper functioning of the financial system and thereby for a practical and effective implementation of monetary policy. Besides being responsible for the conduct of monetary and exchange rate policy, the Riksbank is therefore required by law to "promote a safe and efficient payment system". Because the mediation of payments is closely bound up both with the implementation of monetary policy and with other financial operations, the Riksbank has not only to consider the payment system as such but also examine and analyse the functions of the financial system and its general tendencies. Analysis and oversight by the Riksbank focus on systems and markets, while the

Financial Supervisory Authority concentrates primarily on the supervision of individual institutions..

The Riksbank has three main functions in the payment system:

- to provide means for final payment (notes and coins, as well as deposit and lending facilities for banks), that is, assets that do not entail a credit risk for the holder.
- to provide a basic infrastructure in the form of distribution systems for notes and coins, the RIX system, etc., and
- to oversee the mediation of payments in general.

The basic reason for the Riksbank's commitment is that, like other forms of infrastructure, for example railways and roads, the payment system is associated with external effects. This means that the costs and receipts are not fully visible to or open to the influence of the individual producer. There is therefore a risk that the market will not arrive unaided at the solutions which are best for society in general. Besides specific questions of security and confidence in connection with notes and coins, the most important matter for the overseer is systemic risk,

that is, the risk that effects of the failure of one agent, for example, will spread in ways that other agents are not capable of mastering on their own. Such risks, which may threaten to disrupt the payment system as a whole, are primarily connected with the settlement of payments, often very large, between financial institutions. The Riksbank accordingly concentrates on this segment of the payment system.

For the Riksbank the primary objective is thus to identify and reduce systemic risks. In the event of a risk still materialising, due for instance to the failure of a financial institution, the Riksbank can act in its capacity as lender of last resort in order to limit the damage to society in general. The Riksbank is able to provide temporary liquidity for financial institutions in this context but its task is not to solve problems of solvency.

Clarifying whether a bank in need of additional liquidity is solvent or not tends to be a complicated matter that requires knowledge about the institutions and their markets. The Riksbank, as mentioned, therefore monitors the financial markets at a general level, as well as the operations and performance of the

institutions. This is done in close collaboration with the Financial Supervisory Authority.

Payment instruments

Payments between economic agents can be arranged in cash (banknotes and coins) or by transferring funds between bank accounts. The latter arrangement accounts for approximately 90-95 per cent of the total value of all payments. The cashless payments are handled by intermediaries, mainly banks and clearing organisations; they keep the accounts and maintain technical facilities, rules and ancillary financial services whereby money can be transferred safely and efficiently both within and between financial institutions. The payment system can be seen as the sum of these facilities.

A notable feature in the case of retail payments (payments by households and firms) is the rapid spread of electronic techniques. Telephone banks and a steep increase in the

number of payment terminals and cash dispensers have promoted a growing use of various types of account card and of the electronic initiation of payments. A trial with e-money was launched in Sweden in the autumn of 1996, when a cash card or "electronic purse" was introduced in two large towns. The card is intended as an alternative to physical cash for small purchases. The system has been extended since then and work has begun on integrating it with traditional bank cards.

The Swedish version, operated by three of the four major banks, is based on the Proton system that has been in operation for a time in Belgium, for example. As the "money" is stored in a chip, payments can be made off-line (without an identity and card check). Cash-card transactions are therefore cheaper and quicker than those with traditional cards. The technique can also be used with a personal computer for payments via the Internet, though this type of system is still in its infancy.

The introduction of e-money has called, in Sweden as well as else-

where, for studies on the legal and regulatory aspects of this new means of payment, which combines features of cash and deposit accounts. One of the question concerns the right to issue cards; in Sweden, the E-money Enquiry has proposed that this right should be restricted to companies supervised by the Financial Supervisory Authority.



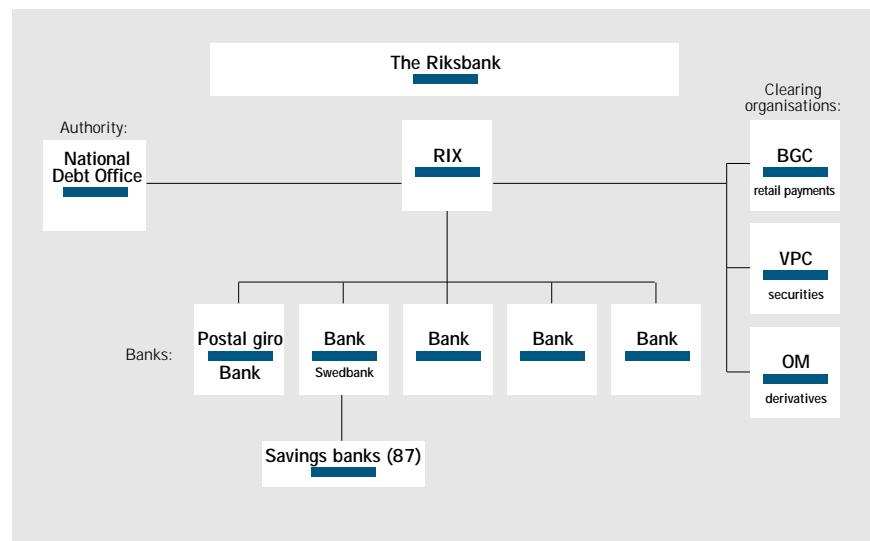
Agents

The payment system is supported by the Riksbank and the banks, with the banks' deposit accounts as its nucleus. The Riksbank can be seen as the hub of this network: the banks' accounts with the Riksbank are used for direct inter-bank payments as well as for the settlement of bank customers' inter-bank payment instructions. This is arranged by means of the Riksbank's RIX system.

In addition to the Riksbank and the banks, important functions in the payment system are performed by clearing organisations such as the BankGiro Centre (BGC), the Central Securities Depository (VPC) and options brokers (OM). In the management of liquidity, these organisations can be said to function as service agencies to the banks; they process payment instructions for final settlement against accounts in the banks.

In recent years, partly new forms of payment services, provided by new agents, have come into being, for instance paycard systems set up by retail chains and petrol companies, in some cases with deposit or lending facilities. To date, however, these companies have not acted as payment intermediaries; they handle payments bilaterally, directly with their customers, but not between two other parties. Recently, moreover, as mentioned above, e-money has been introduced in Sweden on a trial basis.

Structure of the Swedish payment system



The RIX-system

The RIX system settles payments continuously, one by one, by transferring funds between the participants' accounts in the Riksbank, thereby making the funds immediately available for new payments during operating hours. This concept, known as real time gross settlement (RTGS), has been or is being introduced in all the EU countries as a basis for the TARGET system, the forthcoming common network for large-value payments.

Via their accounts in the RIX system the banks can obtain credit from the Riksbank (full collateral in the form of securities has been required as of 1995): intra-day to promote a smooth flow of payments and overnight as part of the practical implementation of monetary

policy. The RIX system is accordingly also a part of monetary policy's infrastructure.

Besides the Riksbank, at the end of 1997 the participants in RIX totalled twenty-seven institutions, made up of twenty-three banks and the BankGiro Centre (BGC), the Central Securities Depository (VPC), OM Stockholm AB and the National Debt Office. In 1997 the number of RIX transactions averaged about 1,500 a day and daily turnover averaged about SEK 300 billion, which is equivalent to about 20 per cent of GDP. In other words, a turnover equivalent to annual GDP is generated by the system about every five days.

DEVELOPMENTS IN THE RIX SYSTEM

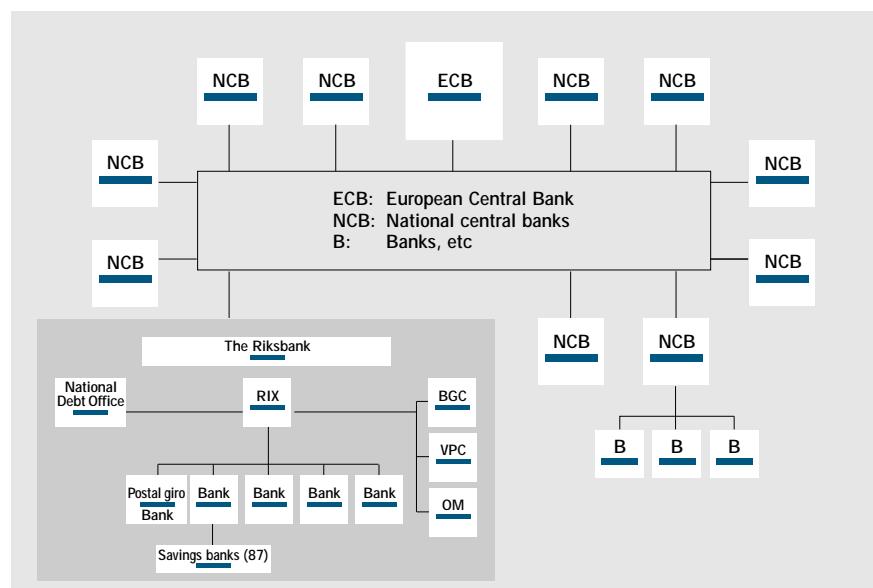
The RIX system has been modified and developed in several respects in recent years. Common features of the changes have been to provide the agents with an incentive to improve their risk management, to render the system more transparent and to adapt it to changes in the rest of the world, in particular to the requirements arising out of European central bank cooperation. To this end the RIX system, along with other national systems, is being adapted so that these systems can be linked up to form the TARGET system, which is to be in operation when the third stage of EMU commences on 1 January 1999. Although Sweden is not participating initially in the euro area, the Riksbank and Swedish banks will be able to use the system for euro payments, subject to certain restrictions as regards the supply of euro liquidity. This means that in practice, from 1999 there will be a second system, E-RIX, for handling payments in euro, while the RIX system will continue to handle payments in Swedish kronor.

Work on the RIX system in 1997 was therefore conditioned by the preparations for and adjustments to

the TARGET system. Besides the preparations for the third stage of EMU, work was done in the domestic field mainly to integrate RIX with the banks' internal computer systems. The specific changes to the RIX system in recent years include new times for the registration and settlement of different payment categories and longer opening hours. A

separate routine has been introduced for customer payments exceeding SEK 20 million, whereby these transactions, like interbank payments, can be settled continuously in real time. Furthermore, a new back-up system has been developed so that the system can be restarted without loss of information within 1-2 hours.

The TARGET system



Statistical appendix

Lending by credit institutions to non-bank public

SEK billion	Total	Banks	Housing institutions
1993			
March	2,044	880	953
June	1,995	828	966
Sept.	1,980	799	980
Dec.	1,937	738	993
1994			
March	1,907	702	1,001
June	1,886	696	995
Sept.	1,865	684	987
Dec.	1,852	694	971
1995			
March	1,867	709	969
June	1,863	724	959
Sept.	1,878	709	989
Dec.	1,861	689	990
1996			
March	1,881	702	992
June	1,892	703	1,000
Sept.	1,891	697	1,007
Dec.	1,927	715	1,016
1997			
Jan.	1,935	726	1,015
Feb.	1,947	735	1,018
March	1,953	740	1,017
April	1,960	744	1,018
May	1,972	754	1,018
June	1,995	772	1,019
July	1,992	768	1,019
Aug.	2,015	790	1,019
Sept.	2,027	806	1,016
Oct.	2,021	796	1,017
Nov.	2,040	816	1,018
Dec.	2,051	828	1,008
1998			
Jan.	2,072	851	1,006
Feb.	2,092	867	1,009
March	2,096	869	1,007
April	2,109	882	1,006
May	2,140	910	1,006
June	2,154	922	1,006

Money supply: M0, M3 and M3+

	12-month change, per cent	M0	M3	M3+
1993				
March	0.1	4.8	-0.9	
June	0.4	5.0	-0.2	
Sept.	3.9	12.3	-5.4	
Dec.	4.3	4.0	-6.6	
1994				
March	7.5	6.2	-0.9	
June	5.2	6.5	1.0	
Sept.	5.7	4.5	4.3	
Dec.	2.6	0.3	3.1	
1995				
March	1.0	-2.8	-0.9	
June	1.9	-2.7	-1.6	
Sept.	3.6	-0.0	-3.8	
Dec.	-0.4	2.7	0.1	
1996				
March	0.4	9.4	6.6	
June	1.9	10.4	8.5	
Sept.	1.9	11.3	9.7	
Dec.	5.3	11.5	10.6	
1997				
Jan.	5.3	7.5	7.6	
Feb.	5.8	7.4	6.6	
March	7.4	6.5	5.5	
April	5.4	4.3	2.3	
May	5.1	4.1	2.7	
June	4.7	5.4	3.5	
July	5.0	3.2	1.1	
Aug.	4.0	4.6	3.0	
Sept.	3.7	2.2	0.3	
Oct.	5.7	3.4	2.0	
Nov.	4.6	1.3	-0.5	
Dec.	3.0	1.3	-0.4	
1998				
Jan.	4.8	3.8	0.5	
Feb.	4.4	3.0	-0.4	
March	1.3	-0.6	-3.9	
April	4.0	2.4	-1.8	
May	4.8	2.6	0.4	
June	4.4	2.8	-0.5	

Financial institutions: balance sheet totals and market shares

December 1997	No.	Balance sheet total, SEK billion	Market share Per cent
Banks	124	2,150	39
Swedish-owned commercial banks	16	2,011	36
Foreign-owned commercial banks	21	66	1
Subsidiaries	4	13	0
Branches	17	53	1
Savings banks	87	73	1
Housing institutions	12	1,218	22
Other credit market companies	108	335	6
Securities trading companies	38	25	0
Insurance companies	109	1,212	22
National Pension Fund	6	583	11
Total	-	5,523	-
Mutual funds	368	364	-

Banks: balance sheet totals, year end

	1996 SEK billion	Per cent	1997 SEK billion	Per cent
Commercial banks	1,784	96	2,077	97
S-E-Banken	458	25	535	25
Nordbanken	283	15	330	15
Swedbank	495	26	595	28
FöreningsSparbanken	367	20	411	19
Other Swedish-owned	125	7	140	7
Foreign-owned	56	3	66	3
Subsidiaries	7	0	13	1
Branches	49	3	53	2
Savings banks	73	4	73	3
Total	1,857	100	2,150	100

Assets of the banks, year end

SEK billion	1996	1997
SEK loans	593	646
Foreign currency loans	134	195
Foreign banks	269	302
Swedish financial institutions	190	323
Housing bonds	392	341
Other assets	279	343
Total	1,857	2,150
In SEK	1,283	1,472
In foreign currencies	574	678

Liabilities of the banks, year end

SEK billion	1996	1997
Deposits, non-bank residents	750	752
Deposits, non-bank nonresidents	111	169
Foreign banks	351	388
Swedish financial institutions	138	207
Certificates of deposit	106	168
Other liabilities	320	363
Capital	81	103
Total	1,857	2,150
In SEK	1,219	1,387
In foreign currencies	638	763

Bank loans to and deposits from non-bank public

Stock figures SEK billion	Loans 1996		Deposits 1996	1997
	1996	1997	1996	1997
Local governments	26	29	22	23
SEK	24	28	22	23
Foreign currency	2	1	—	0
Non-financial enterprises	390	417	240	258
SEK	320	348	219	228
Foreign currency	70	69	21	30
Household sector	179	198	424	406
SEK	177	196	424	406
Foreign currency	2	2	0	0
of which:				
Unincorporated business	45	47	55	47
SEK	44	46	55	47
Foreign currency	1	1	0	0
Nonresidents	134	195	111	169
SEK	16	15	20	24
Foreign currency	118	180	91	145
Other, incl. residual	13	14	63	64
SEK	11	12	57	59
Foreign currency	2	2	6	5
Total	742	853	860	920
SEK	548	599	742	740
Foreign currency	194	254	118	180

Average bank lending and deposits rates; treasury bill rate

	Lending rate	Deposit rate	T-bill rate
1993			
March	13.31	6.19	9.74
June	12.25	5.49	8.00
Sept.	11.55	5.04	7.39
Dec.	11.38	5.12	6.74
1994			
March	10.76	4.69	7.10
June	10.56	4.68	7.12
Sept.	10.60	4.73	8.34
Dec.	10.64	4.91	8.47
1995			
March	10.87	5.26	9.10
June	11.30	5.71	9.52
Sept.	11.29	5.79	9.03
Dec.	11.11	6.16	8.30
1996			
March	10.21	5.28	6.62
June	9.12	3.88	5.68
Sept.	8.20	3.17	4.69
Dec.	7.38	2.47	3.76
1997			
March	7.19	2.33	4.20
June	7.05	2.33	4.10
Sept.	6.99	2.34	4.26
Dec.	7.01	2.50	4.62
1998			
March	6.87	2.46	4.61
June	6.63	2.44	4.11

Housing intermediaries: balance sheet totals, year end

	1996 SEK billion	Per cent	1997 SEK billion	Per cent
Bokredit i Sverige AB	1	0	1	0
Föreningsbanken Kredit AB	36	3	39	3
Handelsbanken Hypotek AB	112	10	115	9
K Sveriges statshypotekskassa			91	8
Nordbanken Hypotek AB	110	10	119	10
S-E-Banken BoLån	93	9	102	8
SkandiaBanken BoLån	4	0	4	0
AB SPINTAB	253	24	266	22
Stadshypotek AB	295	28	304	25
SBAB	145	14	141	12
Sv Bostadsfinansiering AB	2	0	2	0
Venantius AB	24	2	34	3
Total	1,075	100	1,218	100

Housing institutions' stock of loans to non-bank public

SEK billion	1993	1994	1995	1996	1997
1- and 2-family houses	387	389	397	423	439
Multi-family housing	483	484	497	497	471
Commercial and office buildings	46	40	36	37	32
Tenant-owned housing	29	27	25	27	29
Other	28	24	25	29	35
Total	973	966	984	1,012	1,006

Housing institutions's borrowing

SEK billion	1993	1994	1995	1996	1997
Certificates	57	79	104	137	131
Bonds	873	832	778	777	712
Other borrowing	35	49	75	53	196
Total	965	960	957	967	1,077
In foreign currencies	3	5	65	2	1

Issuers and investors in the bond market

SEK billion	1993	1994	1995	1996	1997
<i>Issuers</i>					
Swedish government	457	516	698	746	802
Housing institutions	873	838	792	660	588
Banks	28	27	27	28	40
Other financial institutions	36	41	36	44	44
Companies and local governments	75	58	61	72	76
Total	1,469	1,480	1,614	1,550	1,550
<i>Investors</i>					
National Pension Fund	420	433	448	419	434
Insurance companies	328	334	397	414	429
Banks	177	187	198	207	185
Nonresidents	184	112	143	183	224
Others	360	414	428	327	288
Total	1,469	1,480	1,614	1,550	1,550

Issuers and investors in the money market

SEK billion	1993	1994	1995	1996	1997
<i>Issuers</i>					
Swedish government	213	275	202	189	147
Housing institutions	57	79	104	137	129
Banks	6	5	9	15	20
Other financial institutions	13	13	15	14	15
Companies and local governments	20	14	16	23	36
Total	309	386	346	378	347
<i>Investors</i>					
National Pension Fund	23	30	33	68	64
Insurance companies	42	35	25	45	46
Banks	85	143	116	91	69
Nonresidents	33	56	72	47	32
Companies and others	125	122	100	127	136
Total	309	386	346	378	347