



PRESS RELEASE

DATE: 19 May 2005

NO: 32

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■ The Riksbank presents new Financial Stability Report

The risks of disruptions in the Swedish financial system appear at present to be limited. The banks' profitability and capital strength means that their ability to deal with unexpected loan losses is good. Given the current state of the economy, the risk that the banks will be hit by large loan losses in the coming year is small.

Low interest rates and increasingly favourable borrowing terms have contributed to a continued rise in household debt. This could give rise to problems for individual households, especially those with small financial margins. At the same time, the developments, should they continue, entail a risk that more and more households will have to use an increasingly large share of their income for interest payments. That in itself does not have to mean that households are financially vulnerable, but it could affect their future scope for consumption. There is no risk to the payment system and the banks' stability, however.

The Report also includes an article on Swedish private equity investment companies and their connections to the major Swedish banks. The article shows that the banks provide loans for leveraged buyouts but that this kind of financing only constitutes a small share of their total corporate lending. Coupled with the fact that the risk in Swedish leveraged buyouts is lower than the European average and has not risen in 2004, this suggests that the risks to the major banks associated with these activities are relatively limited. On the other hand, the increasing size of private equity investment companies' transactions, higher prices for acquired companies and rising leverage rates indicate that the risks to the investors are most likely higher than they were a few years ago.

A press conference with Deputy Governor Lars Nyberg, Martin Andersson, Head of the Financial Stability Department, and Mattias Persson, Head of the Macroprudential Division, will be held today at 10 a.m. at the Riksbank, entrance from Brunkebergstorg 11. Press cards must be shown.

The Report can be downloaded from the Riksbank's website, www.riksbank.se, under the links Published/Publications/Financial Stability Report, or ordered by e-mail, fornradet@riksbank.se, fax: +46 8 787 05 26 or telephone: +46 8 787 00 00. It is also available at the Riksbank's main entrance at Brunkebergstorg 11.