



PRESS RELEASE

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■ Riksbank presents new Financial Stability Report

The Riksbank considers that financial stability is sound. The profitability of the Swedish banks has continued to rise and indications points to them being in a good position to cope with unexpected negative events. This is the conclusion of the Riksbank in its Financial Stability Report, which is published today.

There are a number of risks that in time, in a weaker economic situation, can disturb stability. The Riksbank perceives a risk of substantial price adjustments in several asset markets, including those for credit and for commercial real estate. The historically low risk premia may indicate that investors have not required adequate compensation for risk, so that rapid selling may occur in the event of financial turbulence.

Economic developments in the Baltic countries also constitute a risk. This applies primarily to Latvia, but also to Estonia and Lithuania. The signs of overheating are becoming increasingly clear in these economies. Meanwhile, operations in the Baltic countries generate an increasing share of the profits for two of the major Swedish banks. The Riksbank's stress tests show that the banks currently have comfortable margins for coping with a deterioration in credit quality among borrowers in the Baltic markets. However, the tests also confirm that the banks have become more vulnerable to such a development.

A further risk concerns house prices and household debts, which are continuing to increase at a rapid rate. In the shorter term, both house prices and debts could continue to increase at a relatively rapid rate. But in the long run, it would be an unsustainable development for house prices to continue increasing much more rapidly than household incomes.

In a separate article the Riksbank considers the financial stability effects of a foreign investor acquiring a major Swedish bank. The conclusion is that an increased foreign presence would probably benefit financial stability. It can also be positive for competition in the bank market. At the same time, there would be a greater need for authorities in the countries concerned to cooperate on issues regarding supervision and crisis management.



■ A press conference with Deputy Governor Lars Nyberg, Mattias Persson, Head of the Financial Stability Department, and Lars Frisell, Head of Financial Stability Analysis Division at the same Department, will be held today at 11 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, or ordered via e-mail, forradet@riksbank.se, fax +46-8-787 0526 or telephone +46-8-787 0000. It may also be collected from the Riksbank's main entrance, Brunkebergstorg 11.