

PRESS RELEASE

DATE: 2 December 2010
NO. 40
CONTACT Press office, tel. +46-(0)8-7870200



SVERIGES RIKSBANK
SE-103 37 Stockholm
(Brunkebergstorg 11)

Tel +46 8 787 00 00
Fax +46 8 21 05 31
registratorn@riksbank.se
www.riksbank.se

■ The banks have good resilience

The recovery in the Swedish economy is contributing to a continued decline in the banks' loan losses. At the same time, access to market funding has improved. The Swedish banks are well capitalised in an international comparison, and their resilience to unexpected events is thus good. But the banks are still sensitive to disruptions on the financial markets. They should thus maintain or increase their capital levels and continue to extend the maturities for their funding. These are some of the recommendations made by the Executive Board of the Riksbank in the Financial Stability Report published today.

Low loan losses

The situation of the Swedish banks has continued to stabilise since the summer. The economic recovery has led to loan losses declining. The situation in the Baltic countries also looks brighter. At the same time, the financial markets are functioning more smoothly. The Riksbank's assessment is that the Swedish banks' loan losses will be lower than was forecast in the previous Financial Stability Report. All in all, the Riksbank assesses that the Swedish banks' resilience to negative events is good, and that the Swedish banking system is strong.

Continued uncertainty

There are a number of risks that could lead to the banks' situation deteriorating. A much poorer macroeconomic performance in the rest of the world may lead to increased loan losses. And increased unease regarding countries with fiscal problems may affect the functioning of the financial markets. This in turn could affect the Swedish banks' access to market funding. There are also risks stemming from the Swedish housing market that may entail refinancing risks for the Swedish banks.

The banks can also manage a more negative situation

The Riksbank has tested the banks' resilience to a much poorer economic performance than in the main scenario. The stress test shows that the banks would



■ be able to manage much higher loan losses without any great impact on their capital adequacy. The Riksbank also examines the liquidity risk in the Swedish banks. The tests indicate that the banks' liquidity risks are slightly higher than an average of a sample of European banks.

The Riksbank's recommendations

"One lesson we have learnt from the crisis is that the Riksbank must communicate more clearly what risks we can see and what measures are required to safeguard financial stability in Sweden. For this reason, the Financial Stability Report contains recommendations to participants in the Swedish financial system", says Governor Stefan Ingves.

The Riksbank directs in its report the following recommendations to the Swedish banks:

- the banks should maintain or increase their current capital levels
- the banks should continue to extend the maturities of their funding
- the banks should take greater account of the refinancing risk in their mortgage lending
- the clarity of the banks' public liquidity reporting needs to be improved.

A press conference with Riksbank Governor Stefan Ingves, Deputy Governor Lars Nyberg and Mattias Persson, Head of the Financial Stability Department, will be held today at 11 a.m. in the Riksbank. Entry via the bank's main entrance, Brunkebergstorg 11. Press cards must be shown. The press conference will be broadcast live on the Riksbank's website, www.riksbank.se.

The report can be downloaded from the Riksbank's website, or ordered via e-mail: kontorsservice@riksbank.se, fax: +46-(0)8-787 0526 or by telephone: +46-(0)8-787 0000. The printed version of the Report will be available from 6 December.