

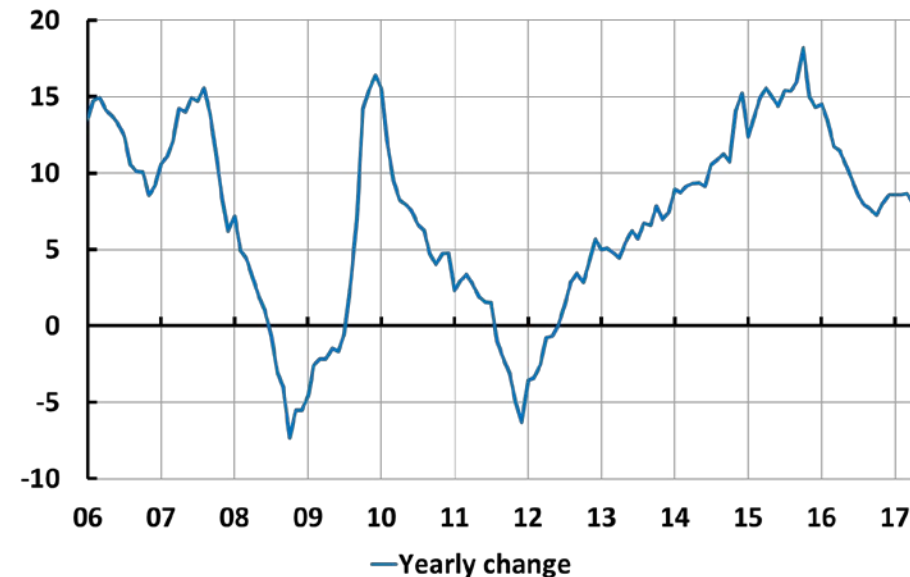
Financial stability

May 2017

Vulnerable financial system exposed to risks

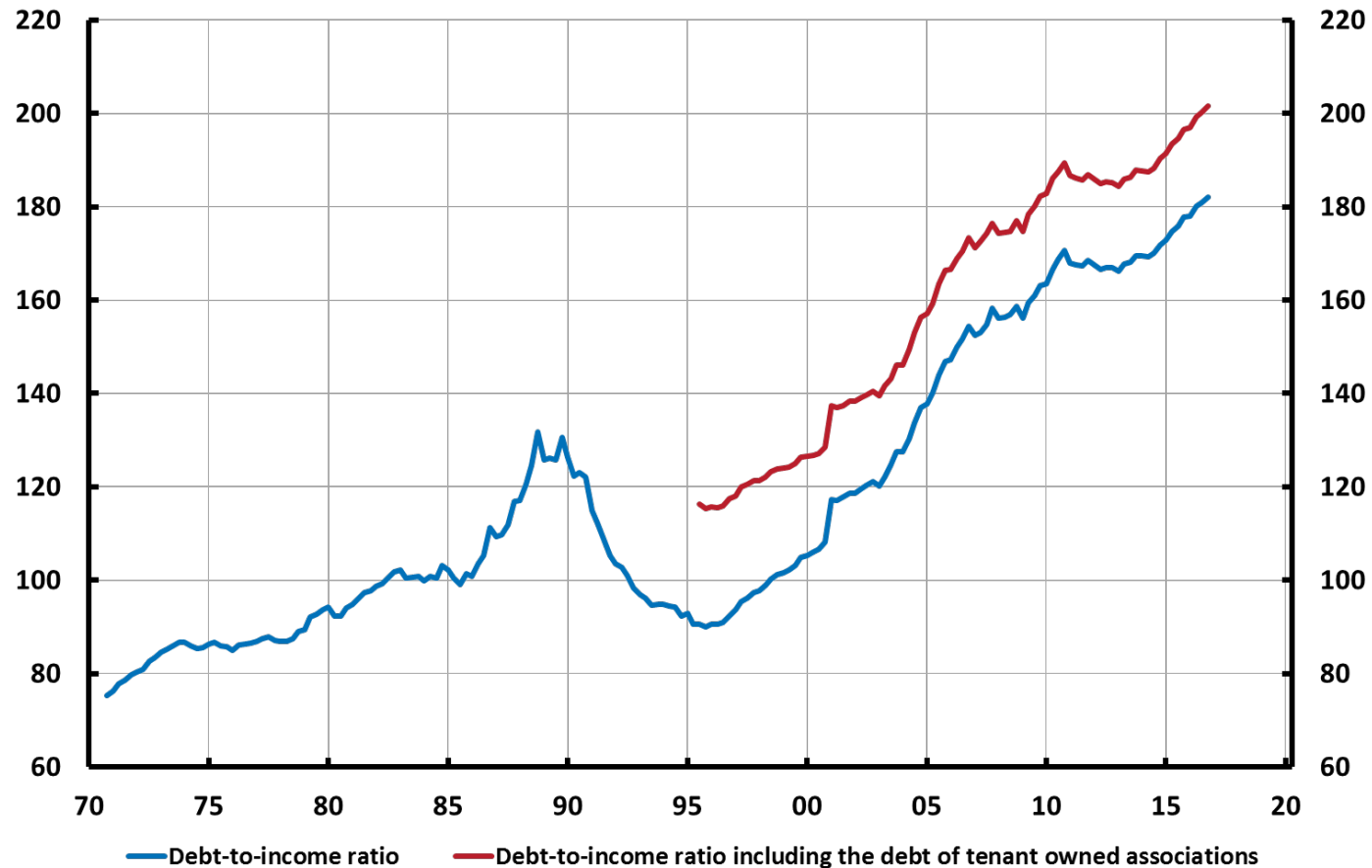
- High indebtedness – the foremost risk
- Low interest rates are contributing towards high valuations
- Political uncertainty and risk of weak macroeconomic development globally

Growth in housing prices



Per cent. Annual change.
Sources: Valueguard and the Riksbank

Growing indebtedness making households more vulnerable



Household debt-to-income ratio, percentage of disposable income.

Sources: Statistics Sweden and the Riksbank

Household indebtedness requires a combination of measures

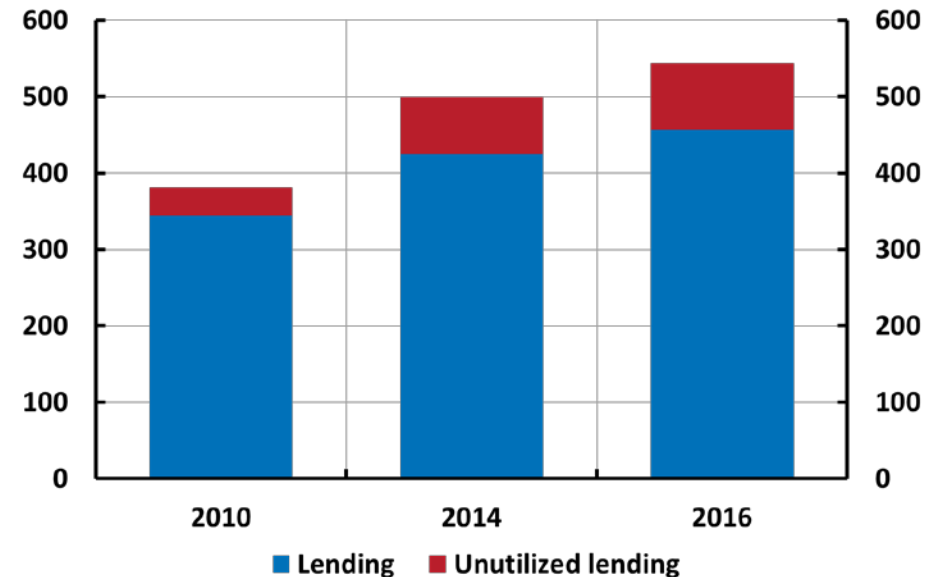
- The functioning of the housing market needs to be improved
- Tax rules need to be revised
- FI needs to be able to act quickly
- Further macroprudential policy measures need to be taken



Important to follow developments on the commercial property market

- Higher property prices
- Good profitability
- Good debt-servicing ability
- Lower funding costs

Lending to commercial property companies



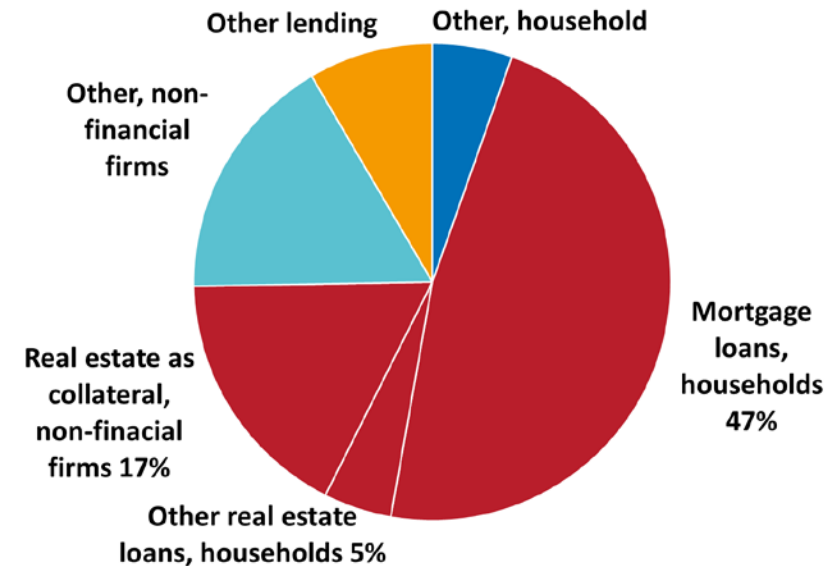
Major banks' lending to commercial property companies in Sweden, SEK billion. Refers to the banks' lending to commercial property companies excluding housing properties.

Source: The Riksbank's survey

The Swedish banking system is vulnerable

- Large, concentrated and interconnected
- Dependent on foreign funding
- Increasingly exposed to the housing market

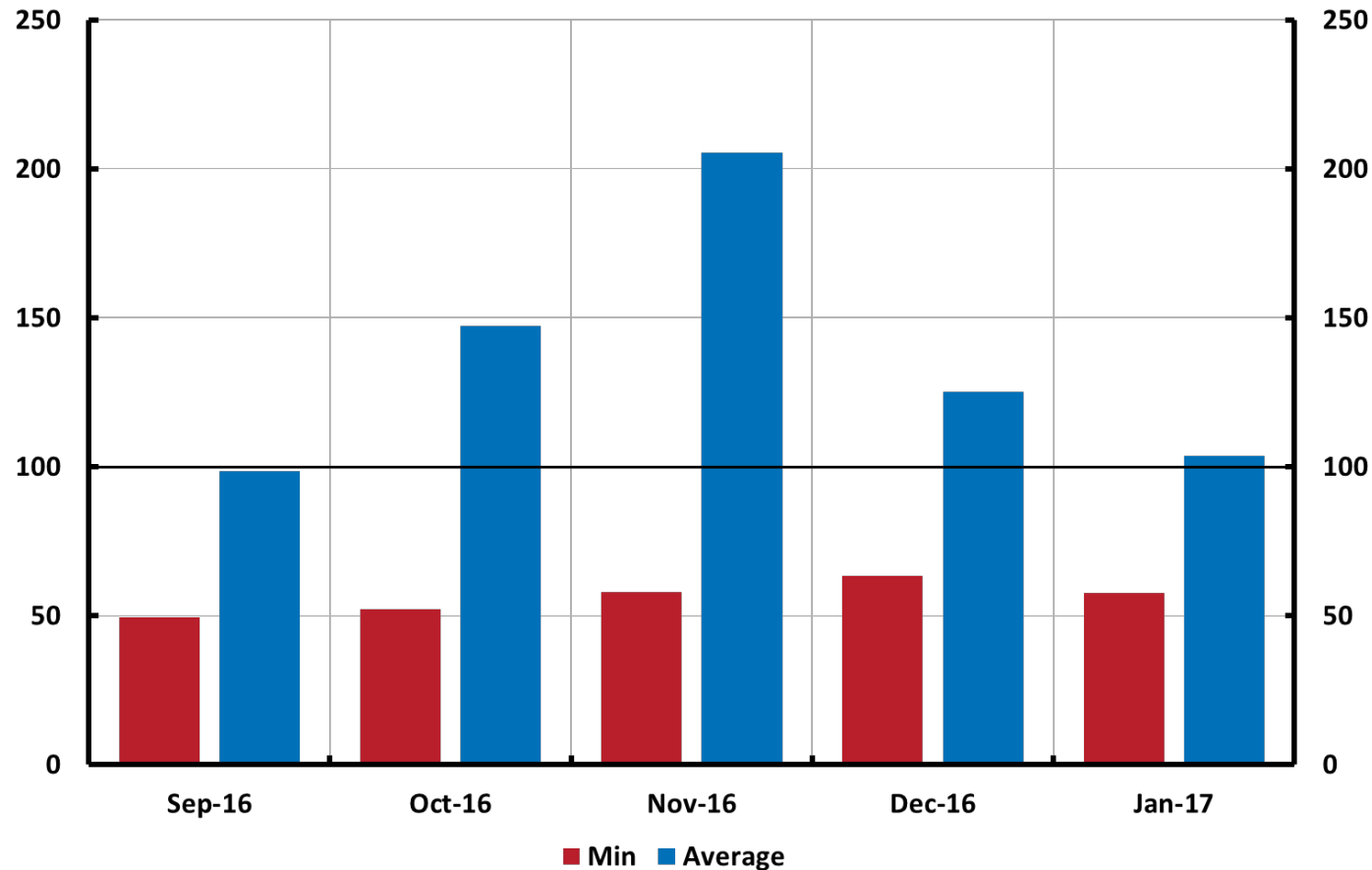
Lending in Sweden



March 2017. Lending by the Monetary Financial Institution (MFI) to Swedish non-MFI.

Source: Statistics Sweden

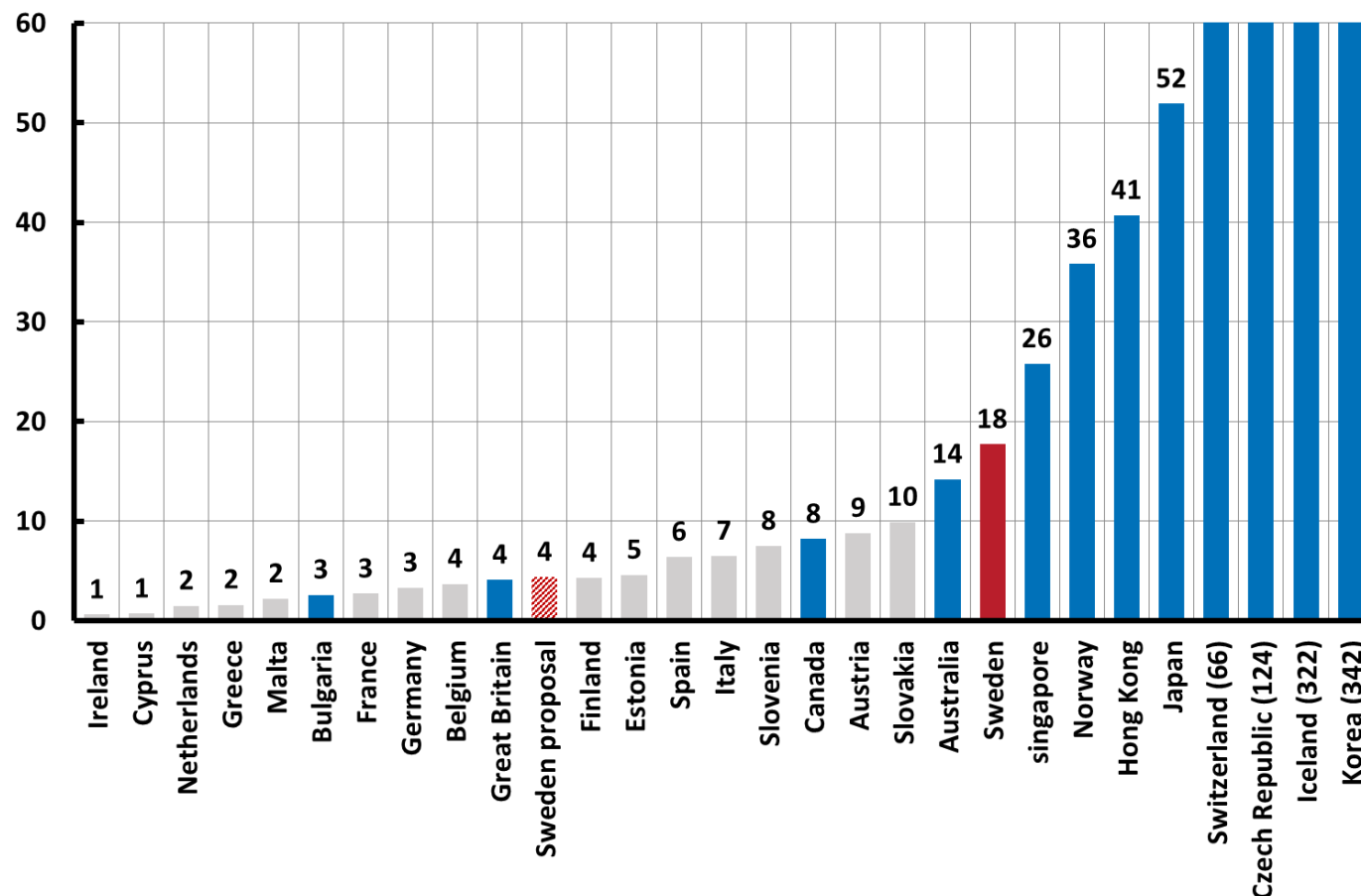
Important that banks manage their liquidity risks



Major banks' LCRs in significant currencies excluding EUR, USD and SEK, per cent. Refers to individual banks' lowest and average LCR levels in specific significant currencies, excluding EUR, USD and SEK, over the period September 2016 to January 2017.

Sources: Finansinspektionen and the Riksbank

Adequate currency reserve readily available

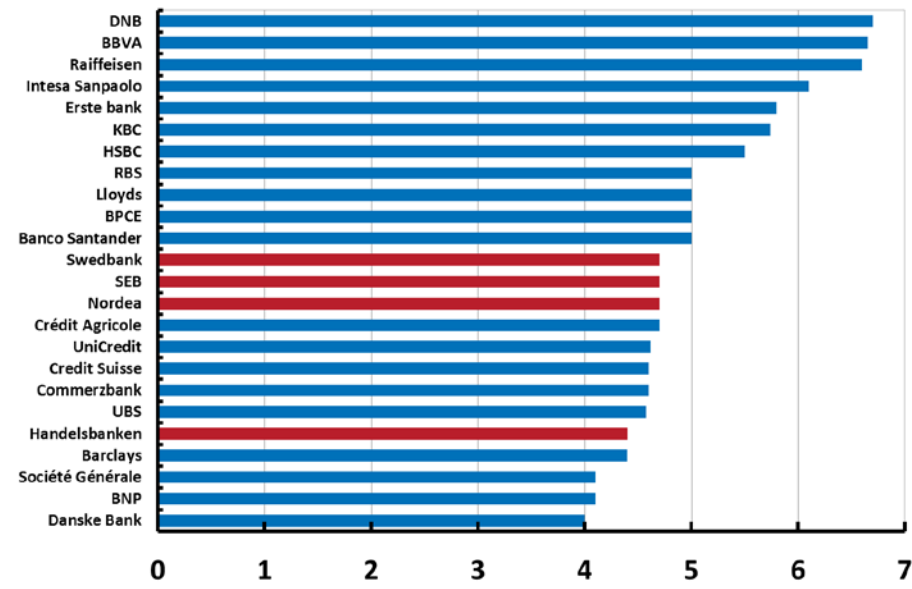


Per cent. Currency reserve in relation to short-term liabilities in a selection of countries. Countries with grey columns are in the EMU. Sweden prior to and after Nordea's transformation into a branch structure and with the Ministry of Finance's currency reserve proposal.

Sources: IMF, Haver Analytics and the Riksbank

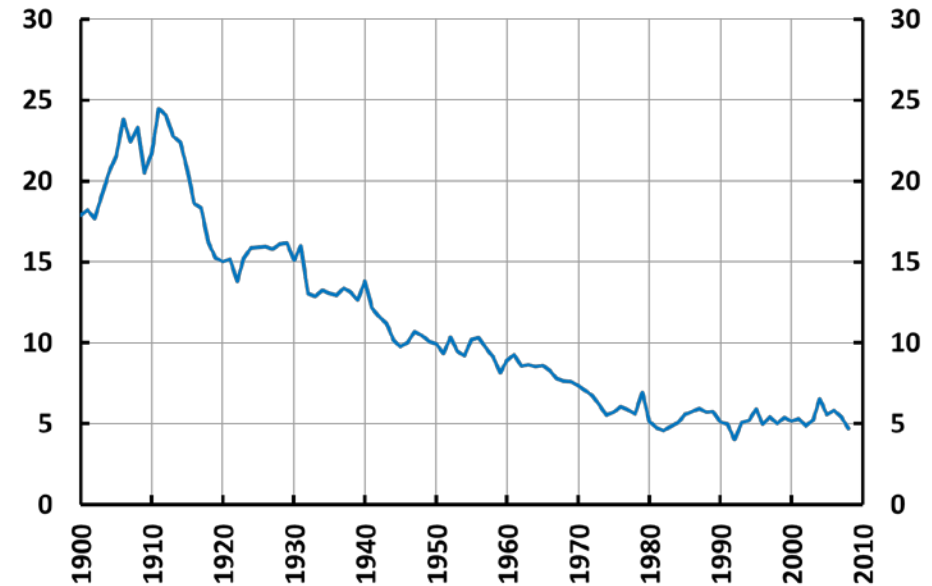
Banks need more capital

European banks' leverage ratios



March 2017, per cent. Refers to banks' reported leverage ratios.
Sources: SNL Financial and the Riksbank

Equity in relation to total assets



Swedish banks, per cent.
Sources: Hortlund, Statistics Sweden and the Riksbank.

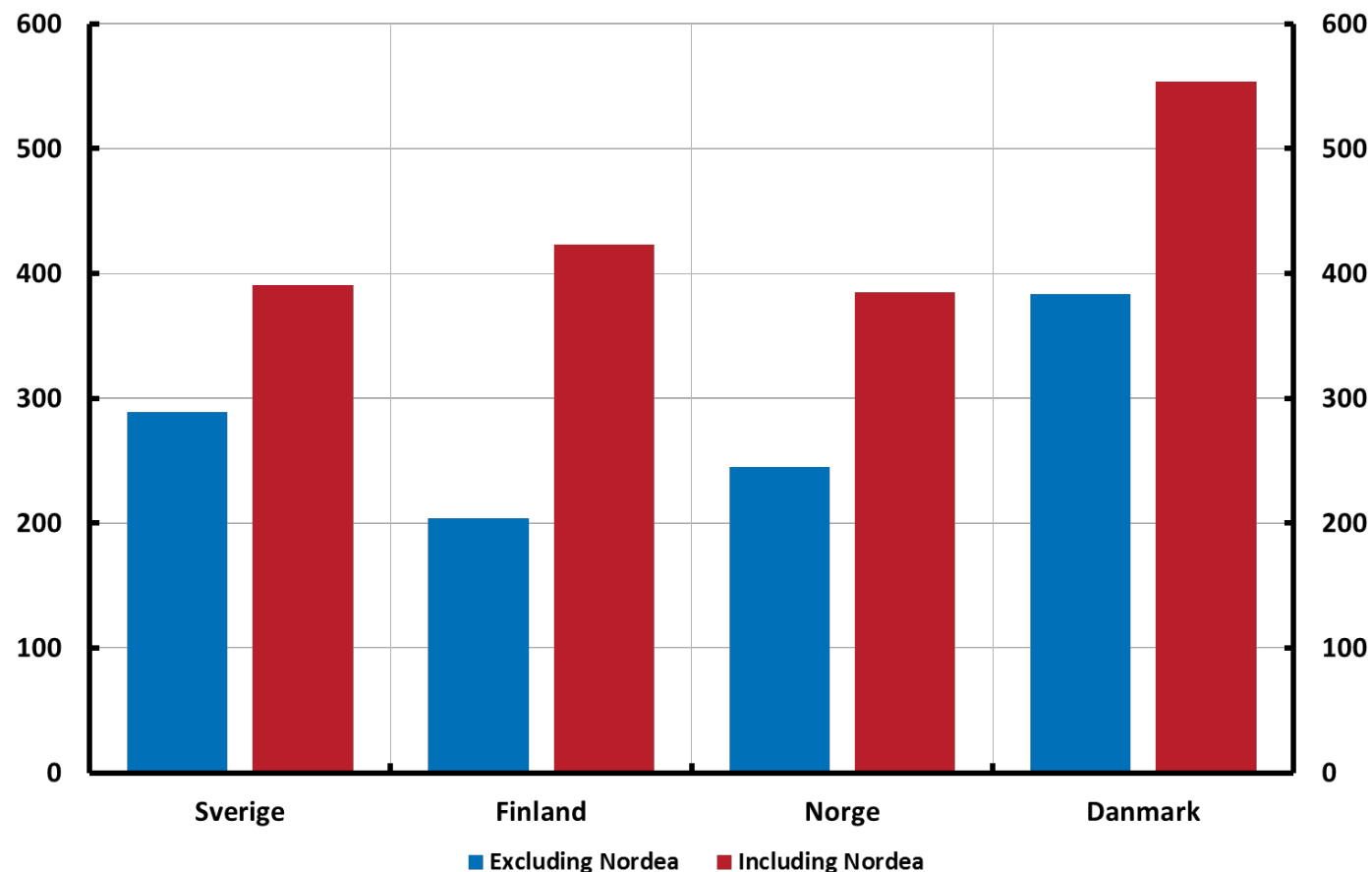
The financial system is vulnerable and exposed to risks

- Strengthen banks' resilience
- Reduce risks linked to household indebtedness



Extra

The size of the banking system in relation to GDP



Per cent. The calculation is based on total MFI assets in each country respectively, as from January 2017. Nordea's assets (apart from mortgage companies which do not move) are added to the other Nordic countries. The results are then put in relation to each country's GDP for 2016.

Sources: Statistics Sweden, ECB, Statistics Norway, Danmarks Nationalbank and Eurostat