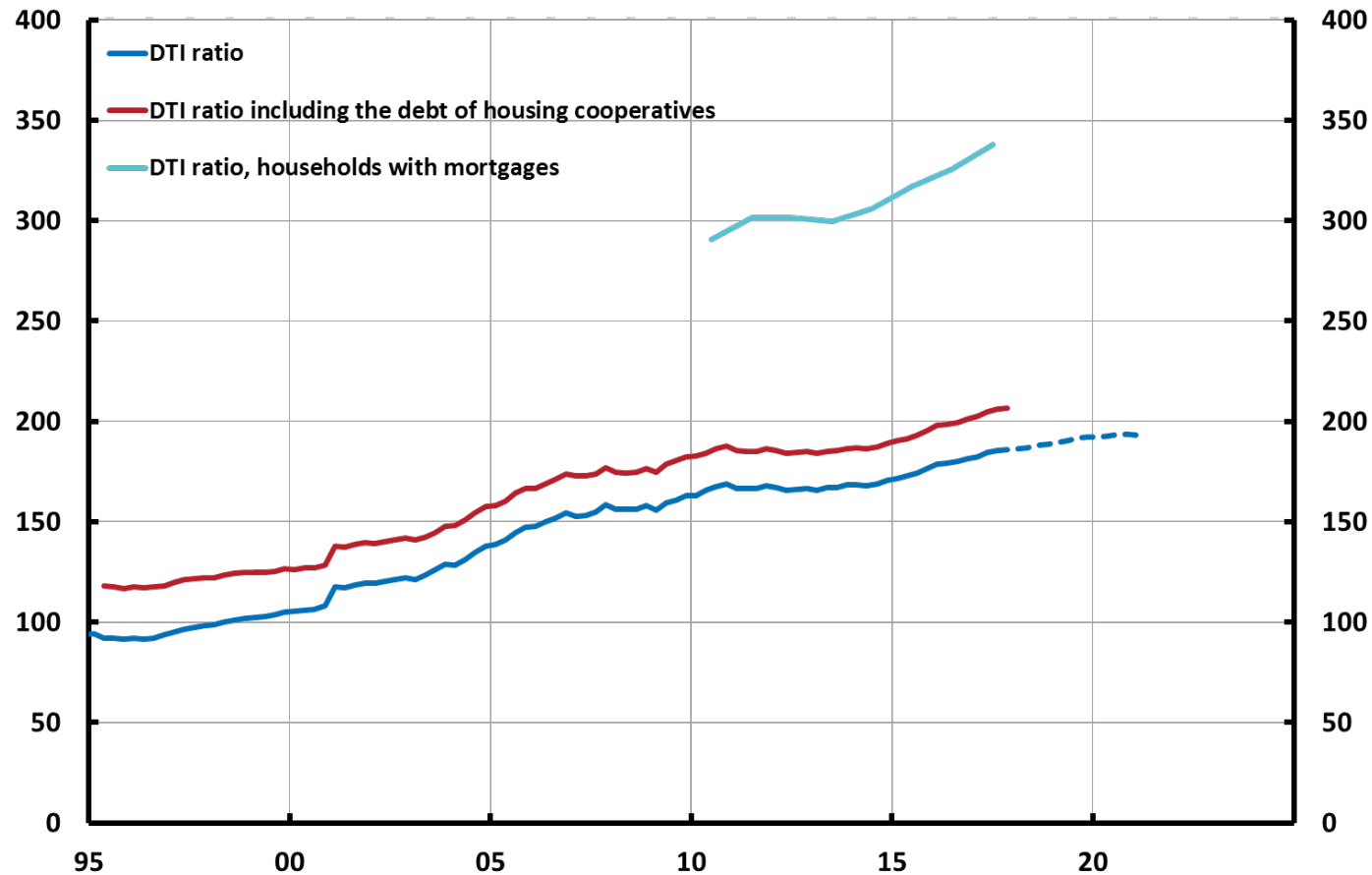


Financial stability

May 2018

S V E R I G E S R I K S B A N K

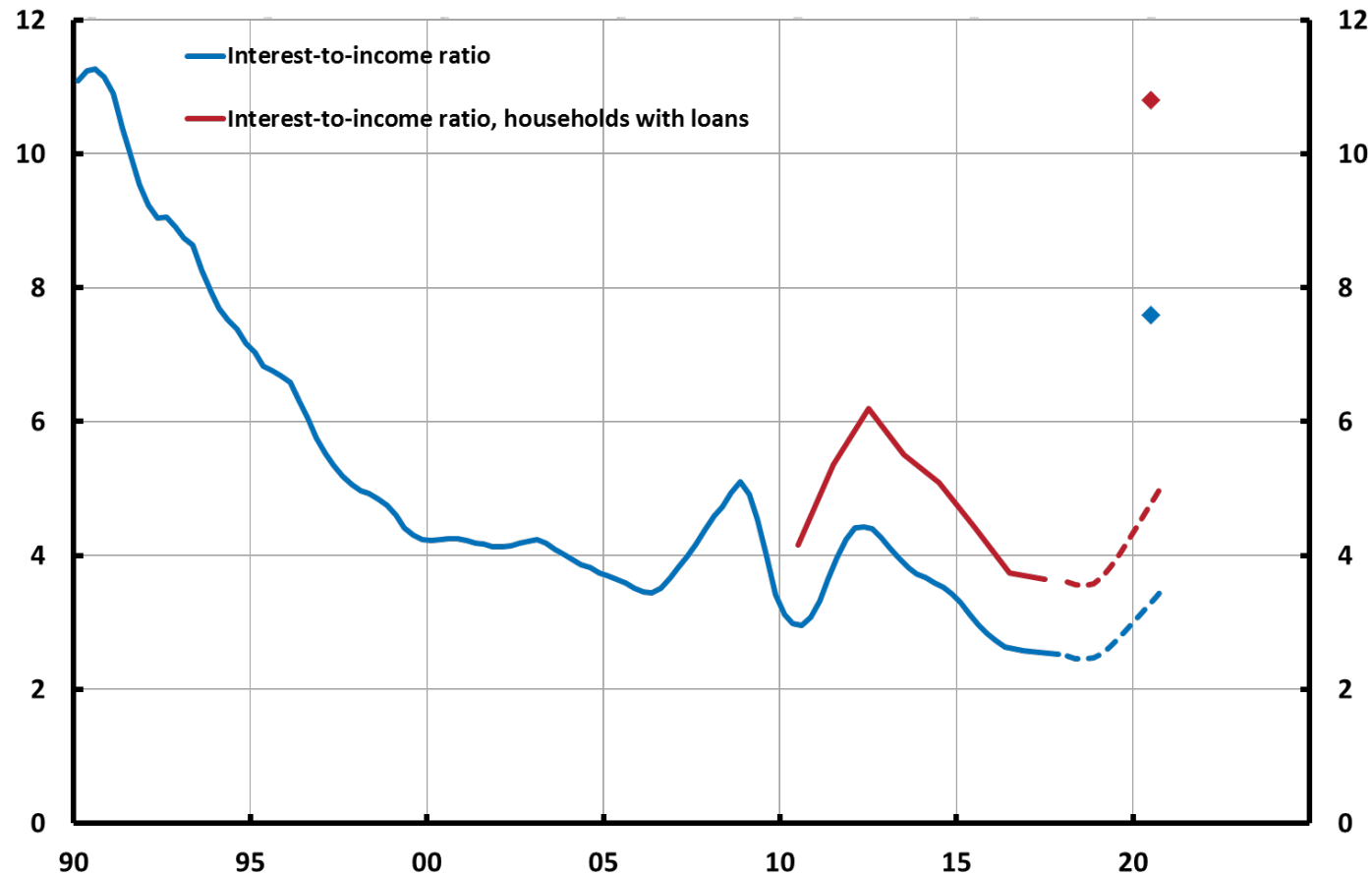
Household indebtedness – the greatest risk



Debt-to-income ratio of households in Sweden, per cent. See note in FSR 2018:1.

Sources: Statistics Sweden and the Riksbank

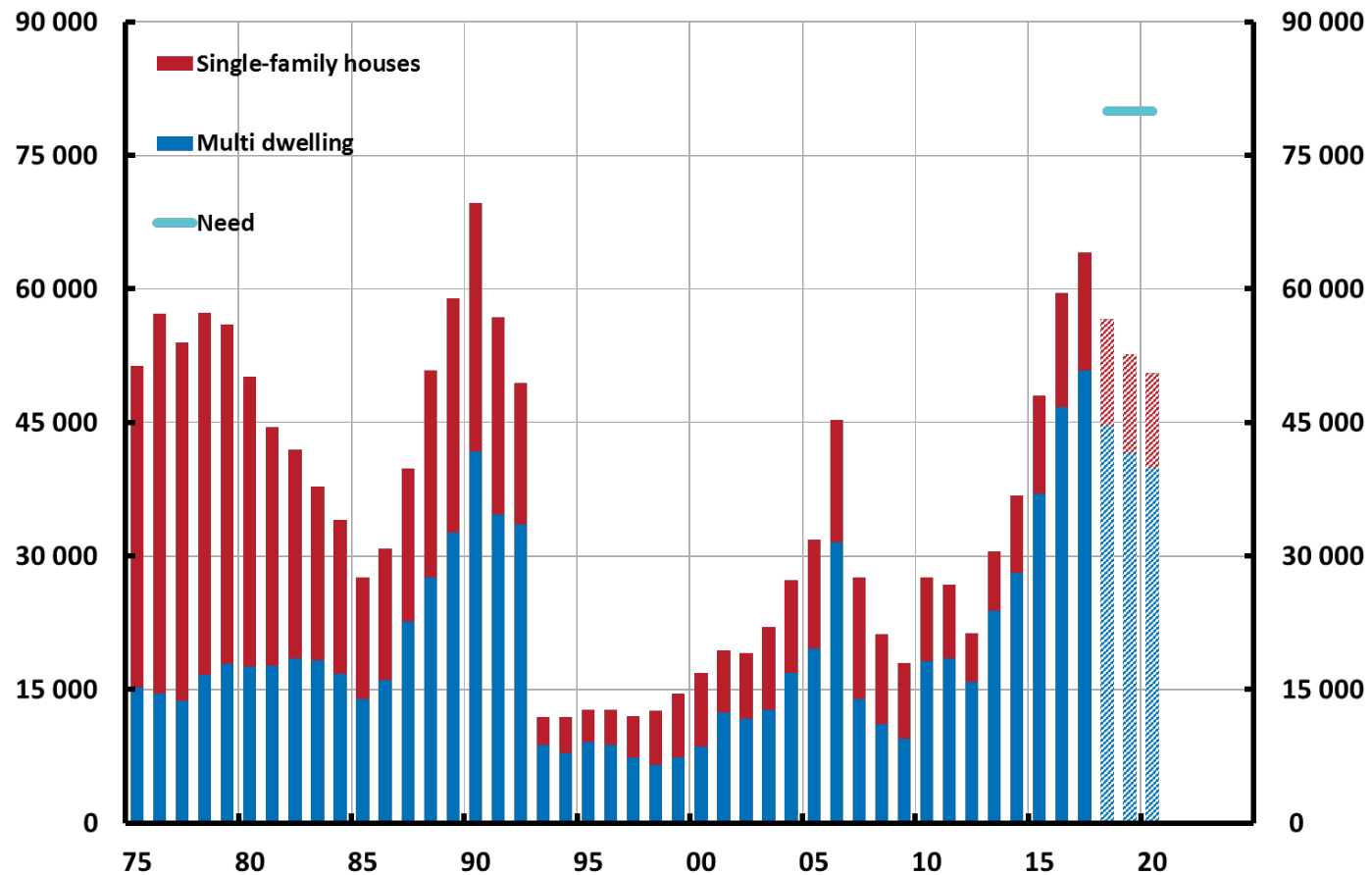
High indebtedness making households sensitive



Households' interest expenditure as a share of disposable income, per cent. The rhombuses illustrate a stressed scenario in which interest rates at the end of the forecast period rise by three percentage points more than predicted in the forecast. See note in FSR 2018:1.

Sources: Statistics Sweden and the Riksbank

More homes still needed



Number of housing starts per year. See note in FSR 2018:1.

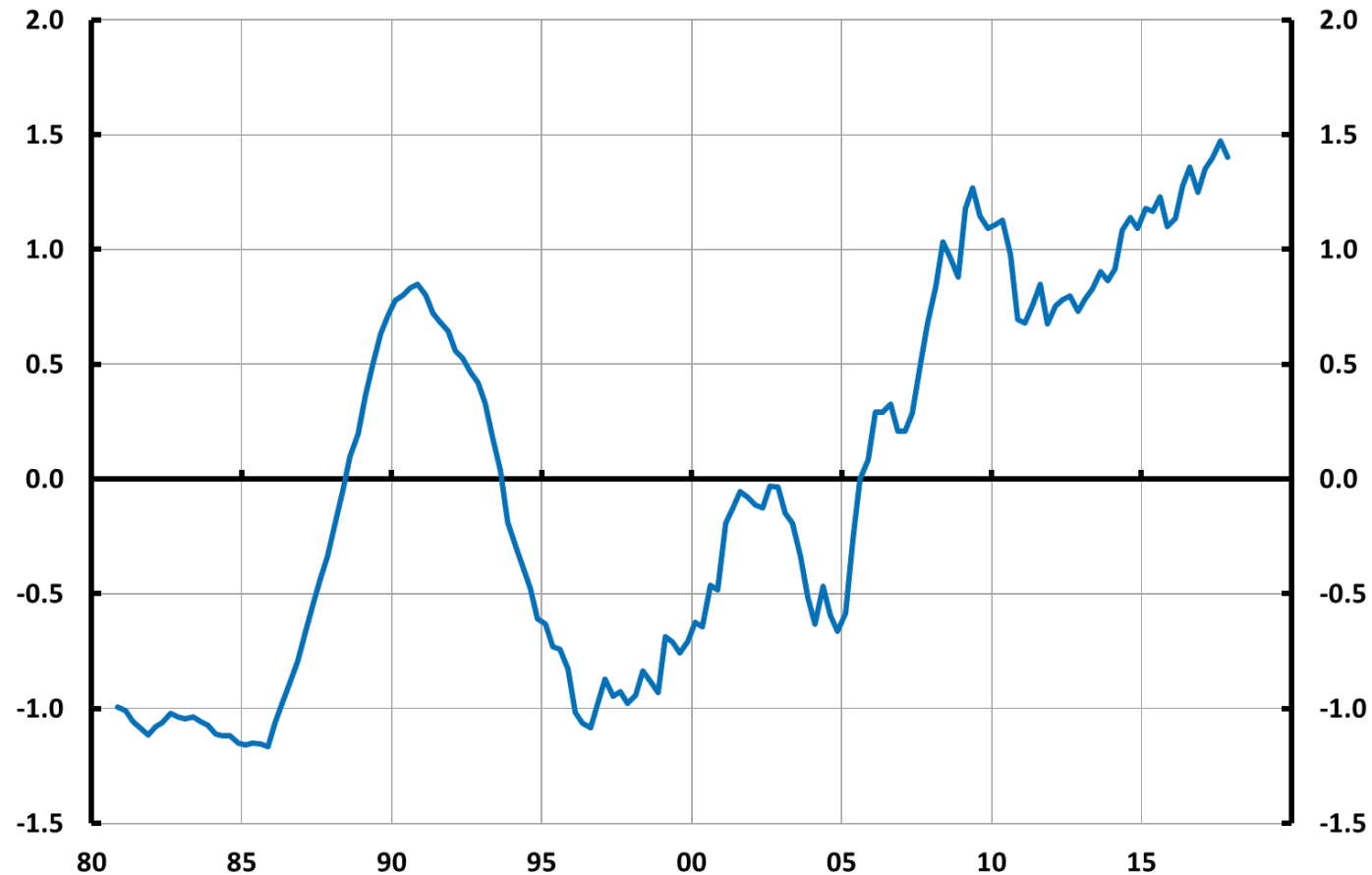
Sources: Statistics Sweden and the Riksbank

A combination of measures to reduce the risks associated with household indebtedness

- Structural measures on the housing market
- Tax rules need to be revised
- Incentive for longer interest-rate fixation periods
- Credit information service data on all household credit



The financial system increasingly vulnerable



Indicator of financial vulnerability, index. See note in FSR 2018:1.

Sources: Statistics Sweden and the Riksbank

Concentrated and interconnected banking system

Large

Banking system's total assets amount to 400 per cent of GDP

Concentrated

Major banks responsible for 75 per cent of lending in Sweden

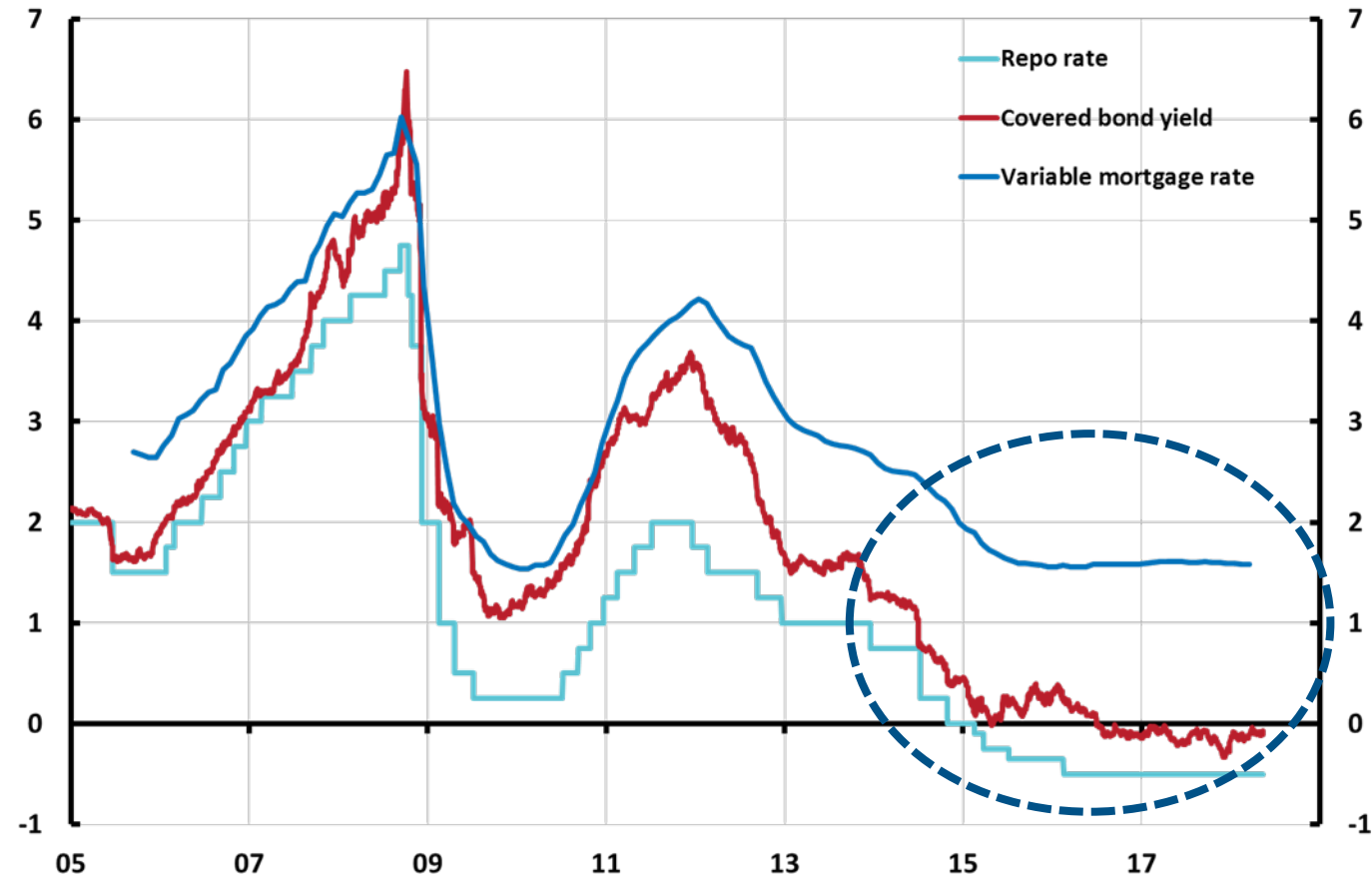
Interconnected

Major banks own 16 per cent of covered bonds

**Exposed to the
housing sector**

60 per cent of the major banks' lending is to households for housing purposes

Profitable mortgages make the market attractive for new players



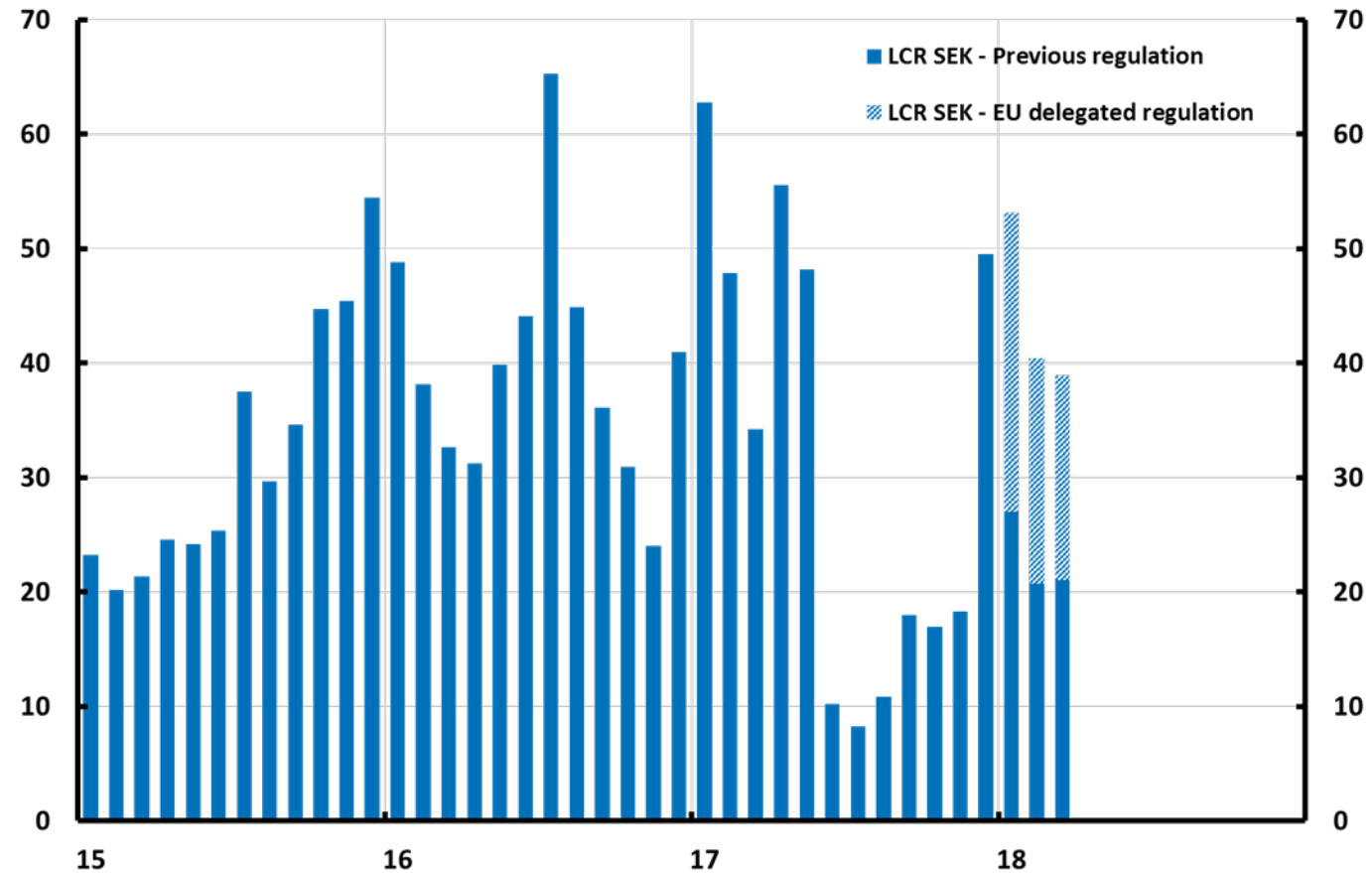
Variable mortgage rates and covered bond yields, per cent. See note in FSR 2018:1.

Sources: Statistics Sweden and the Riksbank

Nordea relocation increases risks in the near term – but may reduce them in the long term

- Structural vulnerabilities would remain
- Swedish authorities' influence would decrease
- Nordea's capital and liquidity requirements should not be lower
- Bank of Finland expected to provide any emergency liquidity assistance, also in SEK
- Fully developed banking union could lead to lower risks

Banks need to strengthen their resilience

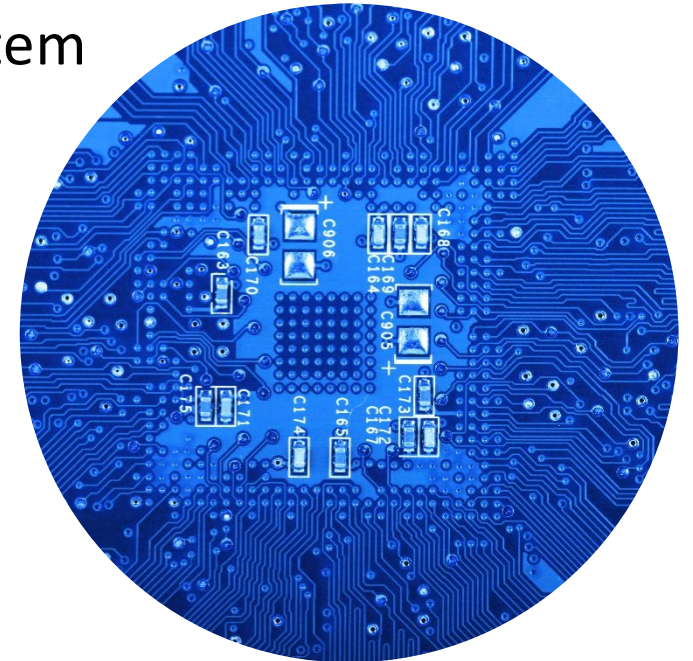


Lowest monthly LCR observations in SEK for any of the four major Swedish banks, per cent. See note in FSR 2018:1.

Sources: FI and the Riksbank

Interconnected financial infrastructure

- Operational risks among individual agents
- Interconnectedness poses risks to the financial system
- Infrastructure functioning well at present
- Elevated operational risks - cyber-risks



Vulnerable financial system exposed to risks

- Reduce risks linked to household indebtedness
- Strengthen the resilience of the financial system