



Risk Assessment for Nordic Banks in 2019 and Beyond

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Risk Nordics 2019

Negative Government bond yields across the yield curve

Per cent

Government bond yields														
15 Aug 2019														
	CBrate	1y	2y	3y	4y	5y	6y	7y	8y	9y	10y	15y	20y	30y
Switzerland	-0.75	-0.94	-1.08	-1.09	-1.13	-1.14		-1.11			-1.01		-0.78	-0.62
Denmark	-0.65	-0.91	-0.92	-0.93		-0.88			-0.79		-0.67			-0.50
Germany	-0.40	-0.86	-0.91	-0.96	-0.96	-0.90	-0.90	-0.88	-0.83	-0.77	-0.70	-0.48	-0.34	-0.26
Netherlands	-0.40	-0.88	-0.88	-0.92	-0.91	-0.84	-0.78	-0.75	-0.68	-0.65	-0.59		-0.38	-0.25
Sweden	-0.25	-0.71	-0.65	-0.75	-0.74	-0.69		-0.59	-0.59	-0.51	-0.40			0.02
France	-0.40	-0.75	-0.81	-0.82	-0.85	-0.80	-0.73	-0.58	-0.58	-0.51	-0.43			0.38
Finland	-0.40	-0.81	-0.84	-0.84	-0.82	-0.75	-0.69	-0.66	-0.57	-0.52	-0.39			
Austria	-0.40		-0.78		-0.81	-0.70	-0.81	-0.80	-0.74	-0.68	-0.42	-0.14		0.06
Belgium	-0.40		-0.81	-0.84		-0.70		-0.59			-0.39			0.45
Spain	-0.40	-0.53	-0.58		-0.46	-0.39	-0.31	-0.23	-0.15	-0.08	0.04			0.89
Japan	-0.10	-0.22	-0.28	-0.28	-0.30	-0.32	-0.34	-0.34	-0.32	-0.27	-0.24	-0.04	0.10	0.20
Italy	-0.40	-0.11	0.03	0.33	0.61	0.74	0.87	0.99	1.07	1.21	1.32			2.35
UK	0.75	0.51	0.39	0.33	0.32	0.33	0.30	0.31	0.34	0.41				0.94
Norway	1.25	1.23	1.16	1.10		1.04					1.10			
USA	2.25	1.72	1.48	1.44	1.44	1.42	1.46	1.47	1.48	1.51	1.52		1.80	1.98
China	4.35		2.71	2.77		2.92		3.04			3.01	3.30	3.34	3.60

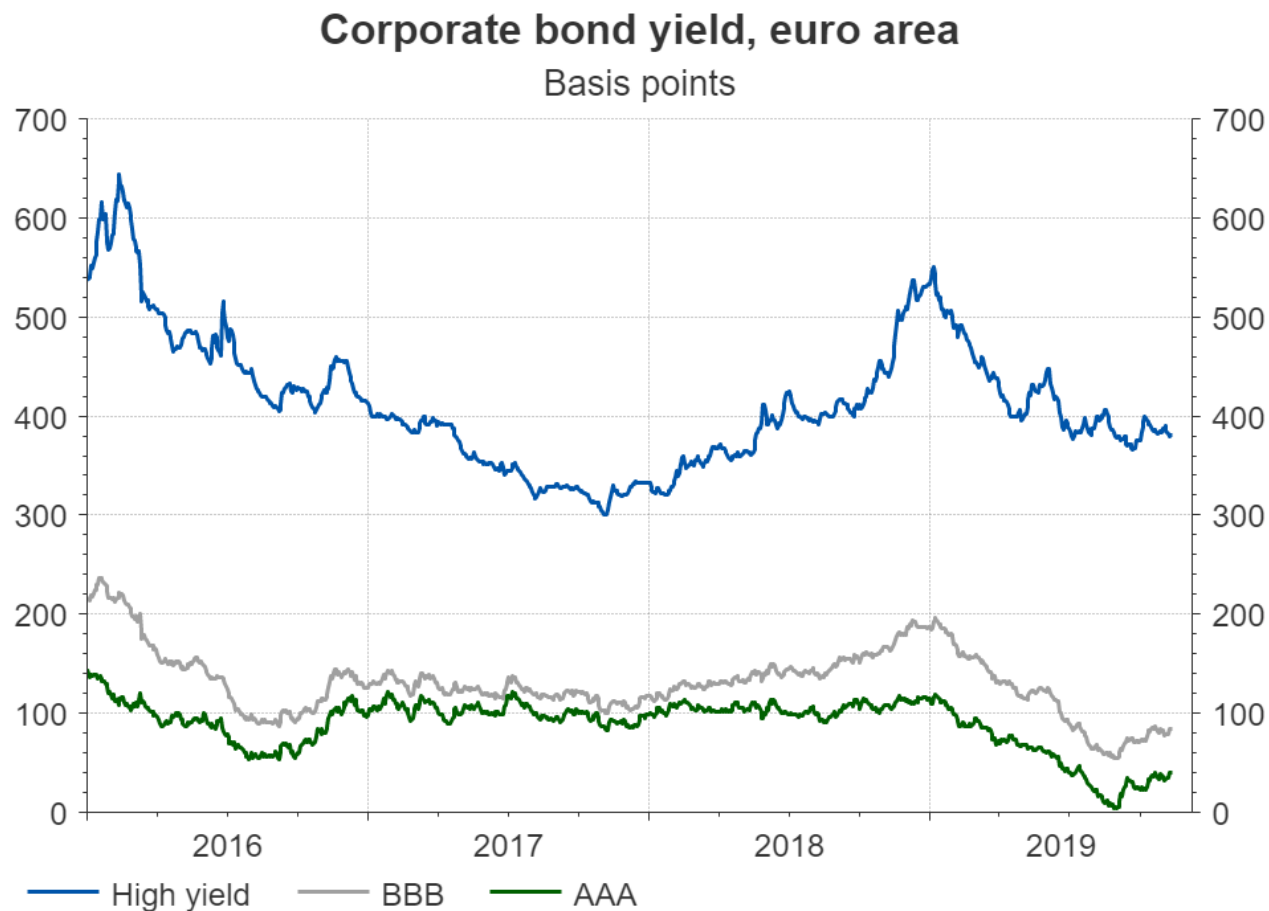
Negative
Positive

Source : Factset/CNBC

Spillover effects of negative interest rates and low for long

- Market liquidity
- Increased risk taking broadly
- Profound changes to some markets
- Misallocations – effects on the exchange rate and export, ...
- Commercial real estate
- Swedish household indebtedness
- ...

... increase demand for riskier assets



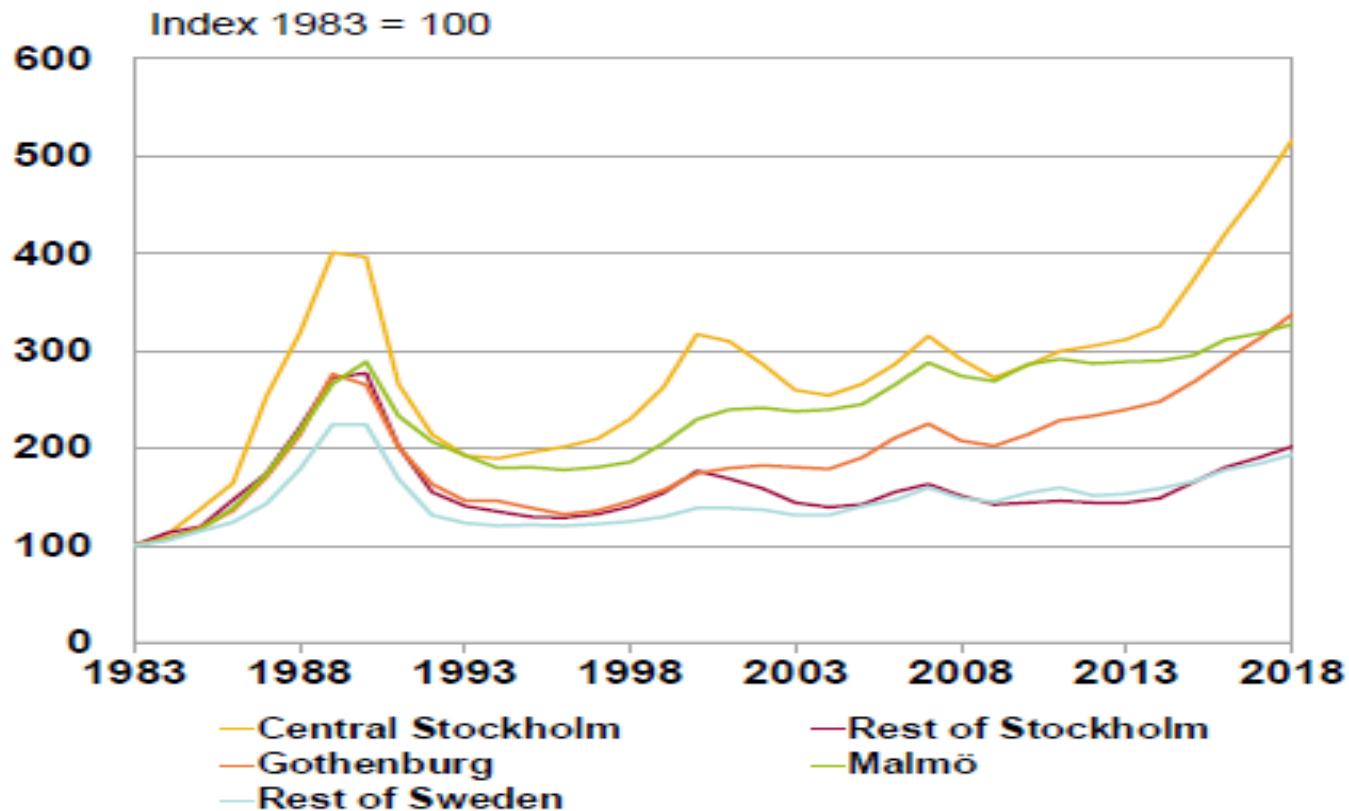
Source: Refinitiv Datastream

Swedish krona to EUR and USD



Source: Refinitiv Datastream and Swedish Debt Office

Fast increasing commercial real estate prices



Source: MSCI

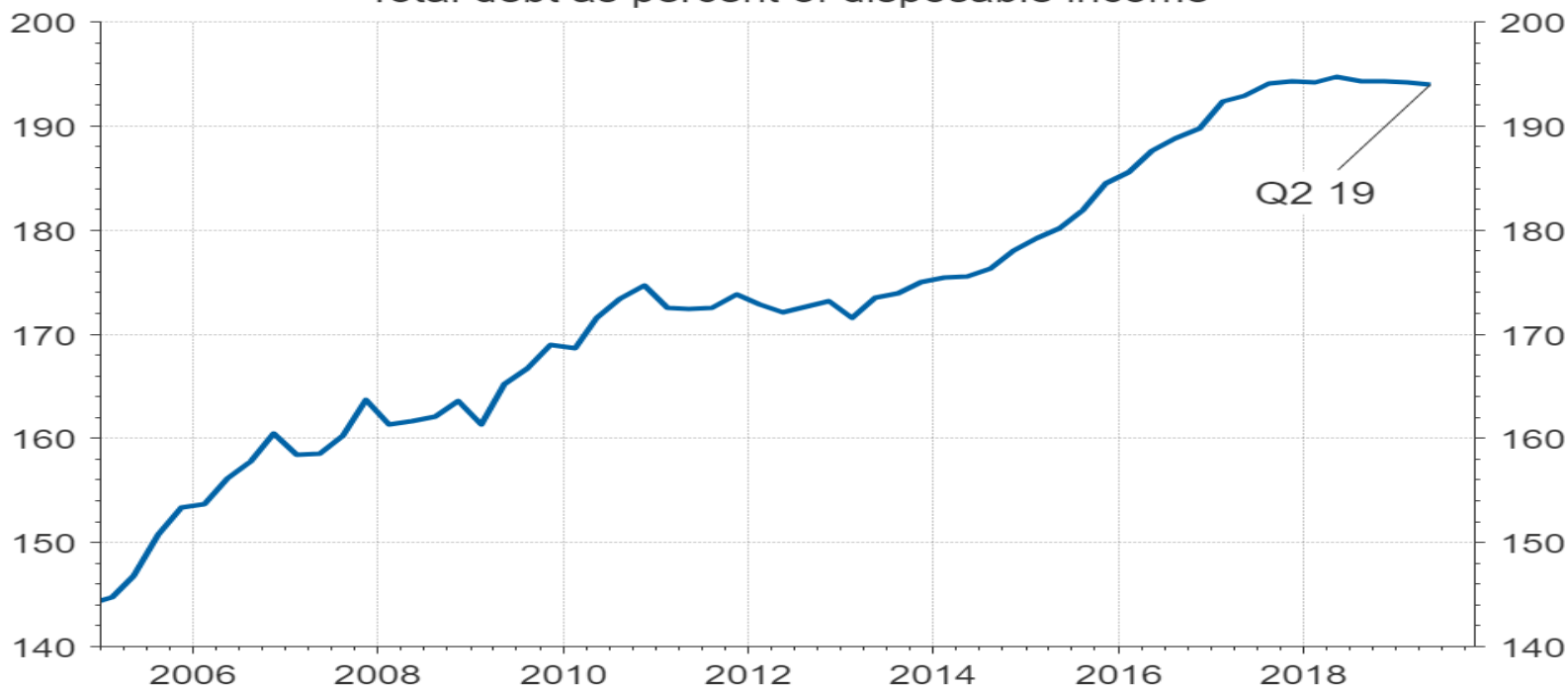
Note: Refers only to office buildings.

Source: Finansinspektionen

Household indebtedness is still high

Household debt

Total debt as percent of disposable income



Source: Refinitiv Datastream and Swedish Debt Office

- *A broad palette of instruments have been used (LTV cap, risk weights, macro prudential)*
- *Structural reforms needed (Land use, capital gains tax, rent control, construction, tax reform...)*

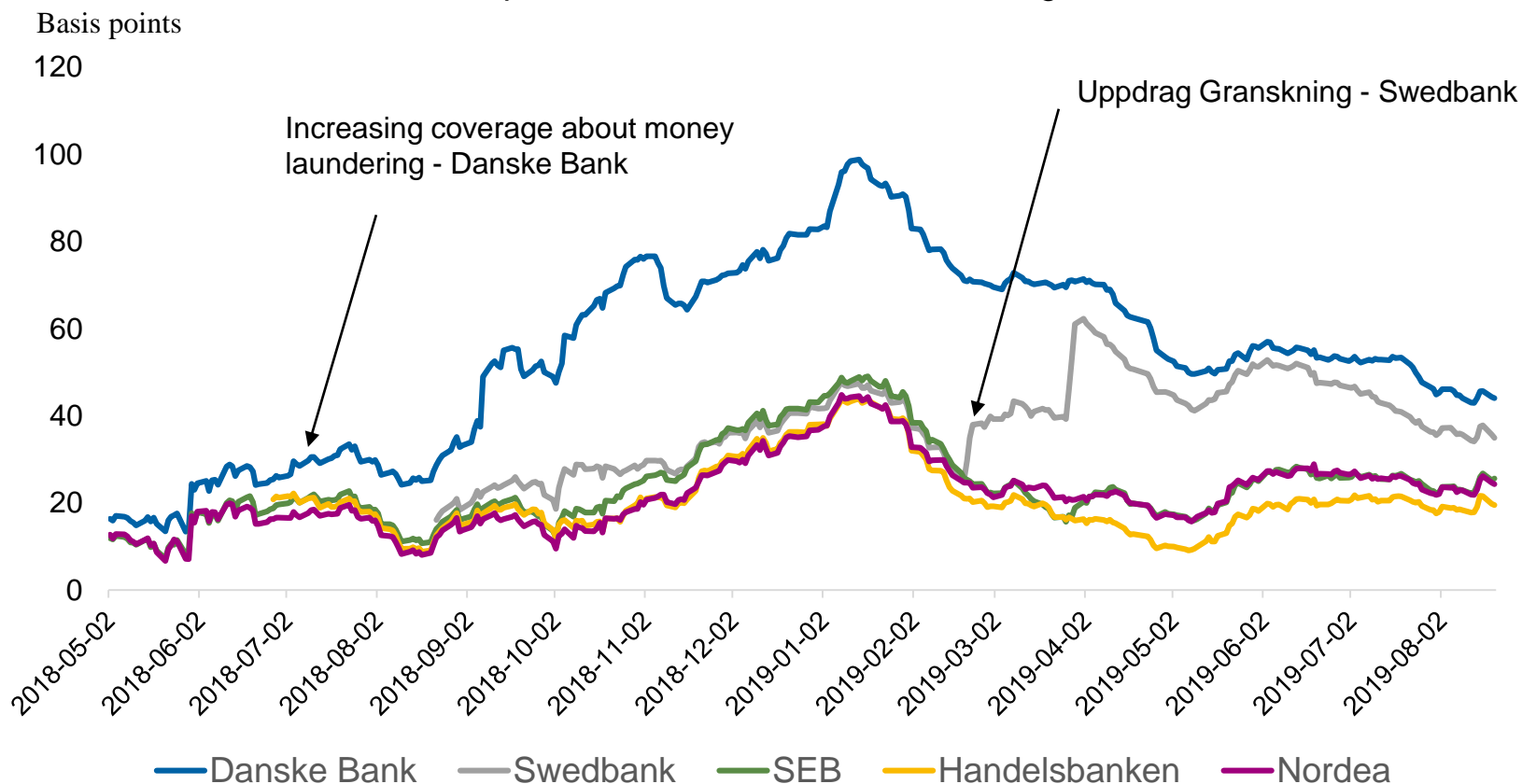
Cyber resilience might affect resolvability

- Cyber risks is one of the greatest threats to the international financial system and its participants
- An cyber attack might cause a systemic crisis
- Important that all participants work to prevent cyber threats
- Banks' cyber defence capabilities might affect resolvability



Money laundering affects the market

Spreads on senior unsecured funding



Note: Mid z-spread. All bonds maturing in 2023.
Source: Riksgälden based on Bloomberg

Time for Swedish banks to issue

- Deadline to meet requirements is 1 January 2022
- Level and composition of current requirements largely compatible with BRRD2
- Investors signal strong demand
- SNDO to start publishing banks' gradual build-up of subordinated debt during autumn 2019



Thank you!

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