

Financial Stability Report

2026:1



The Riksbank's Financial Stability Report

The Riksbank's Financial Stability Report is published twice a year. In the report, the Riksbank presents its overall assessment of the risks and threats facing the financial system and evaluates the system's resilience to them. The stability analysis is therefore directly linked to the Riksbank's task of promoting a safe and efficient payments system. By publishing the results of its analysis, the Riksbank seeks to highlight and warn of risks and events that may threaten the financial system, and to contribute to the debate on this subject.

The Executive Board of the Riksbank has discussed the report on two occasions – on 13 May and 26 May 2026. The report is available on Sveriges Riksbank's website, www.riksbank.se. The report takes into account developments up to and including 21 May 2026.

The Riksbank and financial stability

A necessary condition for the economy to function and grow is a well-functioning financial system. The system shall be able to process payments, convert savings into funding and manage risks. At the same time, providing these functions gives rise to vulnerabilities. For example, banks fund their activities on a short-term basis but lend on a longer-term basis, making them dependent on public and market confidence. If confidence were to deteriorate and funding providers sought to retrieve their money rapidly, serious problems could arise. Moreover, the participants in the financial system are interconnected, for example because they borrow from each other, obtain funding on the same markets, have similar operations or are dependent on the same suppliers. Disruptions affecting a single participant, market or system can spread rapidly, both directly and through concerns that others will also be affected. New participants and technological innovation can make the financial system more efficient, but also more complex and create new contagion risks.

When disruptions occur, the financial system needs to be sufficiently resilient to maintain its key functions. Otherwise, there is a risk of a financial crisis and significant economic costs. Participants in the financial system generally do not have sufficiently strong incentives to take into account the risks that their actions may create for the system as a whole. In light of this, the state has a particular responsibility for safeguarding financial stability. If a crisis were to occur anyway – despite preventive measures – the state may need to intervene. Such interventions should then be carried out at the lowest possible economic cost.

According to the Sveriges Riksbank Act (2022:1568), the Riksbank shall contribute to the stability and efficiency of the financial system. A key task is therefore to monitor the financial system. This includes identifying risks of serious disruptions or significant efficiency losses, assessing whether the financial system is stable and efficient, and publishing these assessments. The Riksbank also has the special task of overseeing the financial infrastructure and other operations that are of particular importance for it. Twice a year, the Riksbank publishes its analyses and assessments of the financial system in its Financial Stability Report. The Riksbank also has important responsibilities related to the provision of liquidity in the event of a financial crisis. To counteract a serious shock to the Swedish financial system, the Riksbank is able to offer liquidity support to one or more financial institutions or markets. Oversight of the financial system is also vital for the Riksbank to be able to act quickly and efficiently in the event of a financial crisis. Since 1 April 2026, the Riksbank has decided on the countercyclical capital buffer within the framework of its macroprudential responsibility, which strengthens the Riksbank's ability to counteract a disruption in the banking system.

The Riksbank shares responsibility for the stability and efficiency of the financial system with the Ministry of Finance, Finansinspektionen (the Swedish financial supervisory authority) and the Swedish National Debt Office. Within this framework of shared responsibility, these authorities have different tasks, but cooperation between them is essential to both preventive work and any crisis management. Cooperation with authorities in other countries is also important as the activities of financial institutions are often cross-border.

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IN BRIEF – The Riksbank’s stability assessment



The war in the Middle East has increased uncertainty. Several commodity prices have risen sharply and developments in financial markets have at times been volatile. Nevertheless, key funding markets have functioned well, and market participants have been able to manage higher margin calls resulting from the increased volatility. However, the longer the war continues, the greater the risk of a scenario in which inflation and interest rates rise while the economy weakens. Market sentiment could then deteriorate rapidly, leading to higher risk premiums and poorer functionality on the financial markets as a result. Several adverse events could also occur simultaneously, especially as there are vulnerabilities in the global financial system that can reinforce one another.



Global vulnerabilities can exacerbate negative developments. Several large economies have high public debt that continues to grow, which limits the ability to use fiscal policy to counter an economic downturn. The problems may be worsened by the growing non-banking sector, where some agents, such as hedge funds, are taking large risks. This can contribute to increased turbulence and impair the functioning of financial markets. In addition, valuations of a few large technology companies are high, and global private credit funds have been forced into write-downs and faced increased redemption requests. In addition, cyber threats continue to increase, and new AI models have raised concerns due to their ability to find vulnerabilities in critical software.



In Sweden, households and property companies could face pressure if the economy deteriorates and interest rates rise. Although credit growth remains subdued, the structural risks associated with the indebtedness of these sectors persist. In a more negative situation, highly indebted households may need to reduce their consumption, which would amplify a downturn. Property companies, already challenged by a weak rental market, risk finding themselves in a situation where they need to take measures to be able to refinance maturing debt and improve their key ratios. Longer interest-rate fixation periods and debt maturities would strengthen the resilience of property companies. It is also important that the Government and the Riksdag (the Swedish parliament) introduce an income-based tool, such as a debt-to-income limit, to prevent household debt from once again developing in a direction that is not sustainable in the long term.



The major banks are well placed to cope with a worse situation. They are profitable, meet their capital and liquidity requirements by a wide margin, and their direct exposures to the Middle East are limited. However, geopolitical uncertainty is contributing to the rise of cyber threats. Banks and other key financial participants therefore need to urgently strengthen their operational preparedness. It is central to both the functioning of the money market and the Riksbank’s implementation of monetary policy that the monetary policy counterparties have an active liquidity management, as well as the operational capacity and willingness to borrow from the Riksbank when necessary.

1 Overall stability assessment

1.1 The war in the Middle East increases uncertainty

Global uncertainty has been elevated for some time, characterised by the unpredictable foreign and trade policies of the US administration. The war in the Middle East has increased uncertainty further. In particular, oil and natural gas prices have risen sharply. This in turn has contributed to higher inflation and rising inflation expectations in several countries. Expectations regarding central banks' monetary policy have therefore shifted in a more contractionary direction. Initially, stock markets fell sharply, while volatility increased and market interest rates rose.

Risk appetite has recently increased, contributing to a recovery in asset prices. However, the situation is characterised by rapid changes in response to new statements by the parties in the war. Despite the occasionally high volatility, key funding markets have functioned well. Nor have market participants had any significant difficulties in meeting the higher intraday margin calls resulting from the increased volatility.

The risk outlook is characterised by the potential economic consequences of the war. The longer the war goes on, the greater the risk that supply disruptions will spread and that inflation and interest rates will rise, while the economy will deteriorate. In such a scenario, market sentiment could deteriorate rapidly and sharply, leading to higher risk premiums and impaired functioning of financial markets. Several adverse events may then occur simultaneously, especially as there are vulnerabilities in the global financial system that may reinforce one another.

1.2 Vulnerabilities can amplify negative developments

Several large economies have long been struggling with high public debt that is still growing, not least the United States. If government bond yields were to begin rising more significantly, investors might start to question the sustainability of public finances, which could push yields up even further. This in turn could limit the ability of highly indebted countries to use fiscal policy to counteract the economic effects of the war. These problems can be exacerbated by non-banks – in particular hedge funds – which, in the event of sharp movements in interest rates, may experience sudden liquidity needs and be forced to sell government bonds. This could amplify turbulence and impair the functioning of financial markets.

In recent years, private credit funds have increased their lending to companies. This applies in particular to the United States. Write-downs and demands for redemptions have increased in several funds, reflecting growing concerns regarding the credit risk associated with the funds' lending. The funds do not have significant maturity mismatches, but their links to other parts of the financial system mean that problems can spread. In particular, US banks' exposures to private credit funds have increased in recent years. It is therefore important to monitor developments, even if the risks are limited from a Swedish perspective.

Asset valuations have moderated but are still high. This applies in particular to the US equity market, where performance has long been driven by a few large technology companies. These companies have invested heavily in data centres in particular, increasingly financing these investments through borrowing on the bond market or via private credit funds. If debt financing continues to increase and firms are unable to meet their high profit expectations, this could ultimately have an impact on the financial system as a whole.

1.3 Geopolitical turmoil and technological developments increase the cyber threat

The increasing geopolitical uncertainty means that the cyber threat continues to rise. The war in the Middle East has made US technology companies – which are key third-party suppliers to financial institutions in Sweden and the rest of Europe – targets of both physical and digital attacks.

In addition, the rapid development of AI is increasing cyber risks. A recent example is Anthropic's AI model Mythos, which has caused concern owing to its ability to find and exploit vulnerabilities in critical software (see BOX – Geopolitical turmoil and rapid technological development amplify cyber risks). This illustrates how the rapid development of AI models can change the balance between defenders and attackers. It is therefore important that institutions in the financial sector, as well as operators of other critical infrastructure, conduct forward-looking risk assessments and act proactively and flexibly. Institutions that have not adapted their cybersecurity programmes to AI need to rapidly increase their capacity and resources in this area.

The Riksbank contributes in several ways to counteracting cyber threats. This includes international exchanges of experience, analytical work, and discussions with market representatives to understand the risks associated with rapid technological developments. Through the TIBER tests – conducted since 2020 – the Riksbank also contributes to strengthening the cyber preparedness of financial institutions, which has generally been high. In addition, the Riksbank will from 1 July lead a new operational crisis management function (see BOX – A new crisis management function).

1.4 Favourable initial position for the Swedish financial system

Stress in global financial markets can quickly affect both participants and markets in the Swedish financial system. This applies in particular to the major Swedish banks, which are dependent on global capital markets for their funding.

So far, participants have coped well with the challenges. The banks have had ample access to funding and liquidity in all currencies. Participants have not had any major problems meeting the higher intraday margin calls brought about by the increased volatility. In addition, the direct stability risks for Sweden have decreased somewhat

after the Swedish central counterparty (CCP) Nasdaq Clearing sold its clearing operations for Nordic electricity derivatives to the Italian CCP Euronext Clearing. Corporate bond funds – which have grown substantially in recent years – have not suffered significant outflows so far, but they still face large structural liquidity risks.

The Riksbank assesses that the initial position of the Swedish financial system is favourable, not least because the major Swedish banks are profitable and have ample margins relative to the capital and liquidity requirements. Pension and insurance companies also have strong resilience. Stable economic policy frameworks and strong public finances also mean that Sweden is relatively well placed to cope with a turbulent global environment.

The covered bond market plays a central role in the Swedish financial system. Banks – as issuers, market makers, investors and financiers of other investors – play a crucial role in this market and bear the primary responsibility for ensuring that the market functions (see ARTICLE – Banks and the Swedish covered bond market).

1.5 Households risk being forced to adapt again

Although housing prices have started to increase slightly recently, they are growing roughly in line with household disposable income. Moreover, the household debt-to-income ratio has declined in recent years but remains high by international standards. In addition, around 80 per cent of their loans are at variable interest rates, which is a historically high level.

Since the outbreak of war in the Middle East, households have become increasingly pessimistic about economic developments. In a scenario in which the war becomes prolonged, and inflation and interest rates rise, households may once again need to make adjustments. The Riksbank assesses that they are well able to service their interest and amortisation payments, but that in a negative situation they may need to reduce consumption, particularly highly indebted households. If there is also a clear downturn in the housing and equity markets, this could have a further impact on consumption (see ANALYSIS – Effects of equity price falls on household balance sheets and consumption). Such a development could in turn reduce corporate profitability, increase unemployment and contribute to an even deeper economic downturn.

To prevent household debt from once again beginning to develop in a direction that is not sustainable in the long term, the Riksbank considers that the Government and Riksdag should introduce an income-based tool, such as a debt-to-income limit. In addition, it is important to improve access to data to enable better analysis of the risks associated with household indebtedness.¹ The Government and the Riksdag should

¹ See opinion piece by Thedéen, E., Bunge, A., Jansson, P. and Seim, A. (2026), 25 January 2026, [DI Debatt: Riksbanken behöver mer fakta om hushållens ekonomi | Sveriges Riksbank](#) [The Riksbank needs more data on household finances]. In Swedish only.

therefore as part of this give the relevant authorities the legal basis required to analyse data using the microsimulation model Fasit, which is proposed to include data on household indebtedness in the future.²

1.6 Higher interest rates and economic downturn could put pressure on property companies

Despite the slight increase in market interest rates and risk premiums in the corporate bond market, financial conditions for property companies are relatively favourable. Their financial situation has improved since the last rate increase in 2022-2023. However, the rental market for commercial premises, particularly offices, has been weakening for several years, and vacancy rates continue to rise, weighing on the earnings of property companies. In addition, the high net asset value discounts in the sector may indicate that the stock market expects some depreciation of property values going forward.

Moreover, structural vulnerabilities still remain in the sector. Companies still have high debt levels and now have even shorter interest-rate fixation periods and debt maturities, meaning that changes in interest rates affect cash flows more rapidly. If the war in the Middle East leads to a rise in market interest rates and risk premiums and a weakening of the economy, this will have an impact on the average interest coverage ratio of property companies. If the interest coverage ratio falls to roughly the same levels as in 2023, when financial conditions for companies were challenging, the companies would likely return to a strained financial situation. At the same time, higher interest rates and a weaker economy could mean that property values need to be adjusted downwards. In such a situation, property companies will again need to take steps to refinance maturing loans and improve their financial ratios.

The property sector is also dependent on funding from corporate bond funds. Large outflows from such funds could increase risk premiums for property companies and make it difficult for them to refinance maturing bonds. They may then need to approach the banks to utilise existing credit facilities and apply for new bank loans. Although the banks currently have sufficient capital buffers to meet such borrowing needs, it is not certain that they will meet all of the property companies' needs. To meet increased borrowing needs, banks may need to tighten their lending to others. Longer interest-rate fixation periods and debt maturities would strengthen the resilience of property companies.

1.7 Safeguarding resilience is key when reforming regulations

The financial system currently has good resilience to shocks, largely thanks to the global regulatory standards introduced after the 2007–2010 global financial crisis.

² See the Riksbank's consultation response regarding memorandum "Sample collection of data on household debt", Ministry of Finance Fi2025/01929. For Government Bill, see 2025/26:255.

These included, for example, higher capital requirements for banks, new liquidity requirements, a resolution framework and central clearing requirements for certain financial instruments. It is important to preserve this strengthened resilience. At the same time, the global banking regulatory framework has become very complex, resulting in economic costs.

Various international initiatives aimed at reforming the regulatory framework have therefore been underway for some time. Simplifying and potentially merging different buffers, they can be made more usable and releasable. In addition, there are reasons to review the many parallel requirements currently in place in order to reduce unnecessary complexity. By introducing proportionate requirements in the EU one could also introduce simpler – but no less strict – regulations for smaller and less complex banks.

Regulatory frameworks also need to adapt to a changing risk landscape. In particular, the rules for the less regulated non-banking sector may need to be reviewed, where some institutions take high risks and the sector as a whole has become increasingly interconnected with the banking system. The European Systemic Risk Board (ESRB), the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS) are doing extensive work in this area, with the purpose to obtain a clearer picture of risks.³ It is also positive that the European Commission is considering measures aimed at this sector, with the objective of strengthening macroprudential policy and increasing the resilience of the financial system.⁴

For the Swedish non-bank sector, the forthcoming fund legislation is particularly important, as it requires funds to implement various liquidity management tools to reduce their liquidity risks. Fund management companies are free to choose the tools they consider appropriate for managing liquidity imbalances, which is important for strengthening resilience. Over time, this could contribute to more stable lending and less volatility in Swedish financial markets. It would also reduce vulnerabilities in the property sector. For the new rules to have full impact, fund distributors, primarily the Swedish Fund Selection Agency and the selection platforms of occupational pension companies, should adapt their frameworks to allow funds that comply with the new rules to qualify for inclusion on their platforms.

³ See ESRB (2026), “Financial stability risks from linkages between banks and the non-bank financial intermediation sector”, February 2026; ESRB (2025), “Non-bank Financial Intermediation Risk Monitor 2025”, September 2025; FSB (2026), “Vulnerabilities in Government Bond-backed Repo Markets”, February 2026, FSB (2026), “Report on vulnerabilities in Private credit”, May 2026, and BCBS (2025), “Banks’ interconnections with non-bank financial Intermediaries”, July 2025.

⁴ See Communication from the European Commission, 4 December 2025: Further development of capital market integration and supervision within the Union.

FACT BOX – Unchanged countercyclical buffer rate of 2 per cent

From 1 April 2026, the Riksbank will decide on the countercyclical buffer rate. The countercyclical capital buffer is intended to strengthen banks' resilience to the build-up of cyclical systemic risks. The Riksbank intends, like Finansinspektionen previously, to apply a positive neutral buffer rate of 2 per cent. In the event of a crisis, the buffer rate can be reduced or set to zero to release capital that banks can use to absorb losses and maintain lending. This helps to mitigate an economic downturn.

The Swedish economic recovery that started last year seems to have slowed somewhat. The underlying conditions for a continued recovery are favourable, but the war in the Middle East has increased uncertainty surrounding the economic outlook and conditions could deteriorate rapidly. So far, the war has led to periods of significant volatility in financial markets, although the Swedish financial system has remained resilient.

Households and companies continue to face relatively favourable borrowing conditions and maintain good access to financing, while capital requirements are not currently judged to constitute an obstacle to credit provision. Bank lending to both households and companies continues to increase, albeit from low levels, and growth rates remain moderate. Total household and corporate debt relative to GDP and income also declined somewhat at the end of 2025. This suggests that there is currently no build-up of cyclical systemic risks associated with private sector lending. Against this background, the Riksbank has decided that the countercyclical capital buffer rate should remain unchanged at its positive neutral level of 2 per cent in the second quarter of 2026.⁵

There is considerable global uncertainty, and the risk of weaker economic developments and unexpected disruptions in the global financial system has increased. However, Swedish banks remain resilient and retain substantial capacity to manage various shocks, which the current buffer rate helps to preserve. The current capital buffer rate also allows to lower the requirement if necessary, if the Swedish banking system were to be more significantly affected by the uncertain developments abroad.

⁵ See "Decision on the countercyclical buffer rate", May 2026, Sveriges Riksbank.

2 The macrofinancial situation

The war in the Middle East has increased uncertainty in the global economy and has periodically contributed to turbulence in financial markets. Initially, stock markets fell sharply, while market rates rose and volatility increased. More recently, risk appetite in financial markets has recovered and volatility has subsided, although uncertainty remains elevated. These developments are taking place in a situation with several significant vulnerabilities, including high public debt levels in many countries, high asset valuations and concerns relating to the market for private credit funds. In addition, cyber risks are continuing to increase. These vulnerabilities could amplify adverse developments and challenge financial stability.

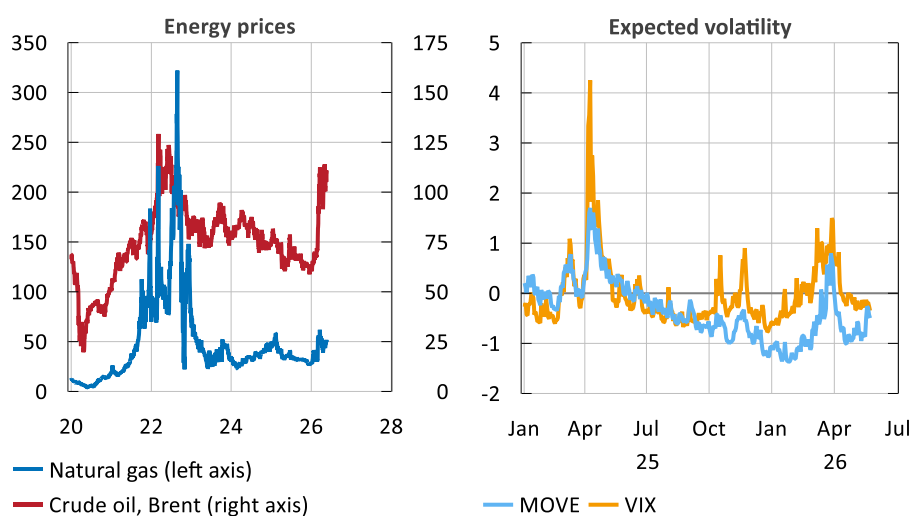
2.1 Difficult-to-assess consequences of the war in the Middle East

The war has caused turbulence in financial markets

Up until early 2026, the global macrofinancial situation had gradually been improving, with a more positive growth outlook and rising asset prices. Since the outbreak of the war in the Middle East, developments have instead been characterised by high volatility, particularly in energy and financial markets. Attacks on energy infrastructure and severely restricted traffic through the Strait of Hormuz, through which a significant share of the world's energy shipments normally pass, have contributed to widespread supply disruptions. This has pushed up the prices of oil, natural gas and other production inputs to high levels (see chart 1). While volatility has subsided somewhat, uncertainty remains high, especially for several energy-importing countries, not least in Asia.

Chart 1. Energy prices and expected volatility on equity and bond markets

EUR/MWh, USD per barrel and standard deviation



Note. In the left-hand chart refers to oil and natural gas prices, where the natural gas price refers to the closing price of the first ICE Dutch TTF futures contract and crude oil in USD per barrel. The right-hand chart shows the expected volatility based on options prices in the US stock and bond markets. The series are standardised.

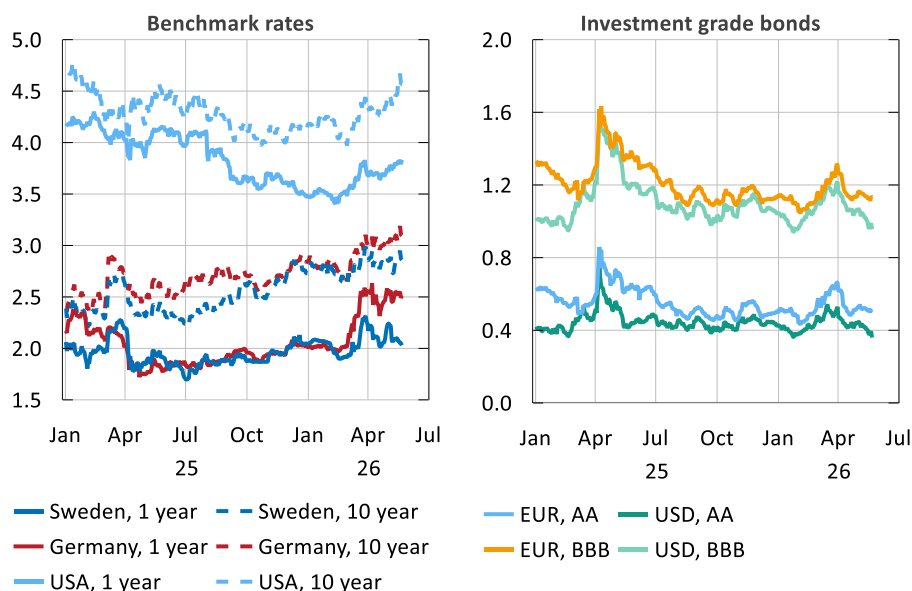
Sources: Chicago Board Options Exchange (CBOE), ICE BofAML and Intercontinental Exchange.

Higher commodity prices have contributed to higher inflation and rising short-term inflation expectations in several countries. This has led markets to adjust their expectations of central bank monetary policy in a more contractionary direction, especially in countries that are heavily dependent on oil and gas and rely on imports of these energy sources. This has contributed to a rise in market rates, particularly at shorter maturities. Although interest rates have now come down slightly, they are still higher than before the war. The outbreak of war also reduced risk appetite. Credit spreads widened from low levels and global equity prices fell rapidly (see chart 2). The US dollar also strengthened against several currencies, partly reflecting a flight to safer and more liquid assets. Some of these price movements have since been reversed. Equity prices have risen significantly, and credit spreads are back to roughly previous levels, but the recovery differs across sectors and regions.

Despite large movements, key funding markets have functioned well, and participants have been able to meet the increased margin requirements resulting from the high volatility. However, market sentiment is fragile and characterised by rapid reversals as a result of political actions and statements by the parties involved in the war. Moreover, these developments are taking place against a backdrop of already heightened geopolitical uncertainty, which includes Russia's full-scale invasion of Ukraine. The longer the war goes on, the greater the risk of a scenario where inflation and interest rates rise while the economy deteriorates. In such a scenario, market sentiment could deteriorate rapidly and sharply, leading to higher risk premiums and impaired functioning of financial markets. Several adverse events may then play out simultaneously, especially as there are vulnerabilities in the global financial system which may reinforce one another.

Chart 2. Government bond yields and risk premiums for European and US companies

Per cent, percentage points



Note. In the left-hand chart, government bond yields refer to benchmark yields. The chart on the right shows the spread between 5-year investment grade corporate bonds and the corresponding government bond yields.

Sources: Macrobond and the Riksbank.

Major challenges with countries' public finances

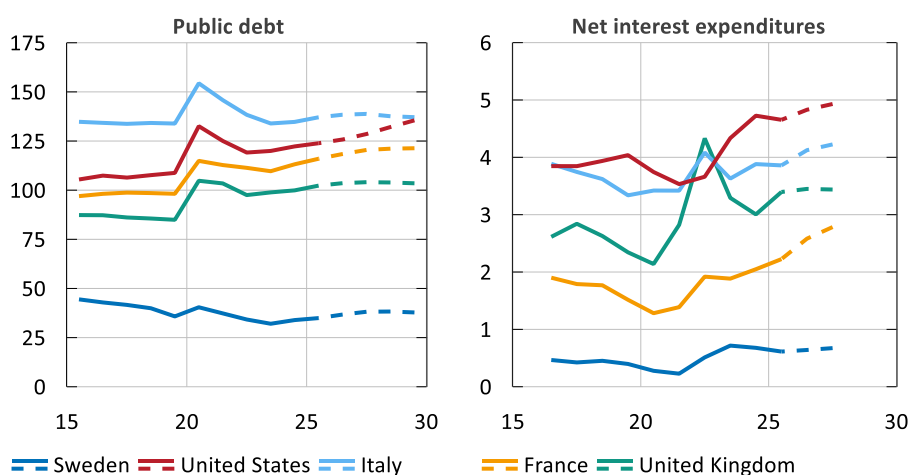
Large and persistent budget deficits have contributed to high levels of public debt in several countries, which continue to rise. In Italy and the United States, for example, public debt is equivalent to around 135 per cent and 125 per cent of GDP respectively (see chart 3). As countries' budget deficits and public debts grow, their scope for fiscal policy action narrows and sensitivity to rising interest rates increases. In a worst-case scenario, investors may start to question the sustainability of debt developments, which could lead to rising interest rates.

The situation in the United States is particularly concerning. Although the term premium on ten-year US Treasuries remains moderate by historical standards, both public debt and budget deficit risk becoming unsustainable. Interest payments already represent almost 14 per cent of total federal budget expenditure, which is broadly in line with the size of the US defence budget in 2026.⁶ At the same time, US military involvement in the Middle East has added to budgetary pressures, a development that will worsen if military operations become prolonged. Current projections therefore point to a continued rise in the debt ratio. This increases the risk that investors will eventually demand higher compensation for holding US government bonds.

⁶ The corresponding figure for Sweden is just under two per cent.

Chart 3. Public debt and interest expenditure

Per cent of GDP



Note. Dashed lines indicate projections by the International Monetary Fund (IMF) and the European Commission (DG ECFIN).

Sources: The IMF and the European Commission.

A rise in US interest rates could also be amplified by highly leveraged participants such as hedge funds, which have built up large positions in government bonds through what are known as basis-spread and swap-spread strategies. These positions are often financed in the repo market, where haircuts are in some cases very low. Because these strategies rely on high leverage, substantial liquidity needs can arise suddenly if interest rates change rapidly.⁷ Hedge funds may then be forced to unwind their positions, which could push government bond yields even higher and lead to increased volatility. This would further increase government borrowing costs. A rapid unwinding of highly leveraged hedge fund positions in the United States could also contribute to higher volatility, lower market liquidity and rising risk premiums in Europe and Sweden.

AI investments increasingly financed by debt

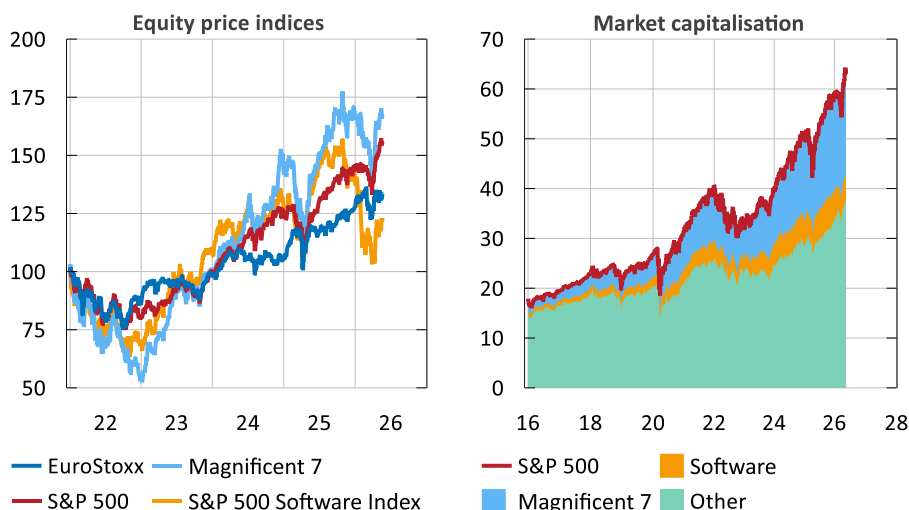
Although asset valuations have moderated somewhat as a result of the recent turmoil, they remain high from a historical perspective. This is particularly true in the US stock market and the technology sector, where risk appetite for AI-related investments has driven valuations higher (see chart 4, left). This is reflected in the growing share of total US stock exchange market capitalisation accounted for by technology companies (chart 4, right). Equity price developments for these companies were relatively subdued in late 2025 and early 2026, and prices fell significantly following the outbreak of war. Since then, however, they have recovered and have recently accounted for a large part of the rise in stock markets. High valuations mean that equity prices are sensitive to shocks or changes in market expectations. Such shocks could

⁷ Swap spread is a strategy of speculating on the difference between government bond yields and swap rates, while basis spread is based on arbitrage between a bond and its forward price. See further description of these strategies in *Financial Stability Report, 2025:1*, Sveriges Riksbank.

arise, for example, if companies fail to generate the profits implied by current valuations or if interest rates rise by more than expected. There is then a risk of price falls. In addition, the rapid development of technology can have a negative impact on other companies and jobs.

Chart 4. Share price developments and market capitalisation of technology companies

Index, 1 January 2022 = 100, USD trillion



Note. Magnificent 7 refers to an equally weighted average of the seven major US technology companies Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA and Tesla. The category Software refers to the Software sector of the S&P 500. Right-hand chart shows market value of technology companies as a share of total US stock market value.

Sources: Nasdaq, STOXX, S&P Global and Macrobond.

The rise of AI is leading to a rapid expansion of data centres and other digital infrastructure, driving demand for AI-related equipment, including semiconductors, and electricity to power the centres. The large technology companies driving a significant share of this investment wave – the so-called “hyperscalers” – have historically maintained lower debt levels than other companies and have largely financed investments using their own cash flows. However, as investment needs have grown, they have increasingly turned to external sources of financing, primarily the bond market but also private credit funds.⁸ This has made them more vulnerable than before while increasing their interconnectedness with the financial system. The current uncertainty, with high energy prices and a possible shortage of semiconductors, could have a negative impact on these companies and, by extension, on other agents.

⁸ Private credit refers to the provision of credit by entities outside the banking system and public bond and loan markets, often in the form of direct lending by funds to companies.

FACT BOX – Geopolitical turmoil and rapid technological developments amplify cyber risks

The tense geopolitical situation has increased cyber risks, both globally and in Sweden. For example, several US technology companies have become targets of both physical and cyber attacks as a result of the war in the Middle East. Many of these companies are important third-party providers to financial institutions in Sweden and the rest of Europe. Even if Swedish institutions are not directly targeted, there is still a risk that the effects of cyber attacks could spread to them. The increasing risk to Sweden over time is also illustrated by the fact that pro-Russian activist groups have attempted – and in some cases succeeded – to carry out cyber attacks against critical infrastructure in several Scandinavian countries.⁹

The rapid development of AI also increases cyber risks. A recent example is the AI model Mythos, from the US company Anthropic. It is said to have a very high capacity to identify software vulnerabilities and find ways to exploit them. Given Mythos' capabilities, Anthropic has chosen not to release the model commercially for the time being, instead allowing certain selected institutions to use it under controlled conditions. The aim is to give suppliers of critical software an opportunity to address identified weaknesses in their systems.

This has led to widespread concern about the impact that the rapid development of AI could have on the financial sector and society more broadly. Authorities globally and in Sweden are therefore in close dialogue with financial institutions to ensure that their protection is appropriate based on knowledge of current technologies and risks. The challenge is not only to deal with current risks, but also to be prepared to manage the risks posed by the rapid development of new and increasingly capable AI models. Over the past six years, the capability of AI models has doubled approximately every seven months on average, and the pace has accelerated over time.¹⁰ These developments clearly illustrate how new technologies can rapidly alter the playing field and the balance between defenders and attackers. Security organisations may struggle to manage vulnerabilities and attacks carried out using AI.

The development of quantum computers and their future ability to break many of today's advanced encryption algorithms, is another example of how technological development can change the threat landscape.¹¹ Although today's quantum computers do not yet have sufficient capacity, it is important to transition to quantum-safe cryptography in a coordinated manner and at pace with the recommended timeline.¹²

⁹ See the Government's press briefing, April 2026, [Pressbriefing om cyberhotbilden mot kritisk infrastruktur - Regeringen.se](#) [Press briefing on the cyber threat to critical infrastructure]. In Swedish only.

¹⁰ See Kwa, T. et al. (2026), "Measuring AI ability to complete long software tasks", Model Evaluation and Threat Research (METR).

¹¹ Cryptography is a mathematical method used to protect information by converting plain text into ciphertext.

¹² The EU Network and Information Security Cooperation Group recommends that the transition should be completed by 2030 for high-risk cases and 2035 for other cases.

Private credit continues to grow globally but is limited in Sweden

The private credit market has grown rapidly internationally, particularly in the United States, and has become an increasingly important source of financing for businesses.¹³ One reason companies choose to borrow through private credit funds may be that these providers can offer longer-term and more tailored financing solutions, often with faster execution than is normally possible in the bond market or through banks. Capital is provided mainly by pension funds, insurance companies and other institutional investors, and channelled to companies through specialised funds. In these funds, redemption opportunities are often limited, which generally entails lower liquidity risks than in funds that are fully open to withdrawals.

In the early part of 2026, concerns have increased among investors in several US private credit funds and business development companies. These concerns have primarily been driven by higher credit risks in the corporate loans held in the funds' portfolios. This includes loans to companies specialising in cloud-based software services, known as Software as a Service (SaaS) companies.¹⁴ In some cases, AI can replace functions currently provided by SaaS companies, which risks weakening long-term demand for their services. This could reduce both the companies' revenues and their creditworthiness. Concerns are further fuelled by limited transparency and uncertainty surrounding loan valuations. As a result, investors' have sought to reduce their exposures by selling all or part of their holdings. However, several funds have experienced difficulties in meeting redemption requests and have therefore imposed withdrawal restrictions or, in some cases, suspended redemptions. Some funds have also been forced to divest assets rapidly. In the case of large redemptions, this could amplify price declines further by forcing sales at substantial discounts. Private credit funds are also interconnected with banks through bank loans and credit facilities, which means that problems in private credit funds can spread to banks.

Private credit funds have grown rapidly, especially in the United States. The development has been slower in Europe, and in Sweden the market is still limited.¹⁵ The number of Swedish providers is small and their lending relatively modest. However, there are indications that Swedish companies have obtained financing to some extent via foreign private credit funds, although the scale of this is difficult to assess owing to limited transparency and data availability. At the same time, Swedish investors – primarily AP funds, pension and insurance companies – have increased their investments in private credit funds somewhat, albeit from low levels. Swedish banks' direct exposures to private credit funds are also very limited. The risks to Sweden therefore mainly relate to the possibility that problems in the global private credit market could lead to disruptions at banks and in financial markets. Overall, the direct risks to financial stability in Sweden are currently considered to be limited.

¹³ See *Global Financial Stability Report*, April 2026, International Monetary Fund.

¹⁴ SaaS stands for Software as a Service. Private credit funds' outstanding loans to SaaS companies amounted to more than USD 500 billion at the end of 2025, representing around 19 per cent of their lending. See *BIS Quarterly Review*, March 2026, Bank for International Settlements (BIS).

¹⁵ See S. Myers (2026), "Private credit in Sweden", *Staff memo*, January, Sveriges Riksbank.

3 Household and corporate sectors

The financial situation of households and companies has gradually strengthened somewhat. Credit growth remains subdued, but structural vulnerabilities related to household and property companies' indebtedness persist. The war in the Middle East is increasing uncertainty about the outlook for economic activity and inflation, and ultimately also about interest rates. A more adverse scenario of higher inflation and interest rates could again put both households and property companies under pressure. Highly indebted households could reduce their consumption, contributing to a deeper economic downturn. Property companies, already challenged by a weak rental market, risk finding themselves in a difficult financial situation where they may need to take measures to re-finance maturing debt and improve their financial ratios.

3.1 Debt declining, but households are still sensitive to interest rates

Increased uncertainty about households' financial prospects

Household sector cash flows have strengthened, but the war in the Middle East is adding to uncertainty surrounding the future path of energy prices, inflation, income and interest rates. This means that it will be more difficult for households to make major consumption and investment decisions, which risks hampering the economic recovery. The marked decline in the household confidence indicator in April is a sign that households have become more pessimistic about economic developments.¹⁶

It is also uncertain how house prices will develop going forward. Stronger cash flows, together with less stringent mortgage regulations, may have contributed to prices beginning to rise recently. This is particularly true for the prices of tenant-owned apartments in the Stockholm region. However, it is possible that the economic effects of the war could weigh on the housing market going forward, particularly if households' interest rate expectations were to rise.

Higher inflation and interest rates may again force households to adapt

Demand for mortgages has gradually increased over the past two years, but from very low levels. For consumer credit, the growth rate has clearly declined. This may be due to the Government's introduction of tighter rules that curb both the demand for and supply of such loans. For example, tax relief on interest on consumer loans has been

¹⁶ See *Economic Tendency Survey*, April 2026, National Institute of Economic Research.

phased out.¹⁷ There are as yet no clear signs that this has led to increased payment problems – for example, applications for payment orders to the Swedish Enforcement Authority decreased in 2025.

Total household debt has continued to decline relative to income and the debt-to-income ratio is now at the same level as ten years ago. Despite this, debt levels remain high by international standards. Around 80 per cent of household loans are mortgages. According to data from 2023, just over one-third of mortgagors had a debt-to-income ratio above 300 per cent, corresponding to almost 700,000 households.¹⁸ About six per cent, in turn, had a debt-to-income ratio above 450 per cent. Mortgagors who had a debt-to-income ratio of over 300 per cent together account for just over half of household mortgages. In addition, a large share of household loans are at variable rates – almost 80 per cent. This is the highest level since Statistics Sweden began measuring households' interest-rate fixation periods.

In March, the Riksbank's main scenario was that the war in the Middle East would have a moderate impact on inflation, but developments are associated with considerable uncertainty.¹⁹ In a more negative scenario, where the war has significantly greater effects on the global economy and leads to a broader and more long-lasting inflationary upturn, interest rates could increase significantly. Although mortgagors are still considered to have ample capacity to meet their interest and amortisation payments, highly indebted households may need to reduce their consumption. This is particularly true if house prices were to fall at the same time. A correction in the equity market could also affect consumption, albeit less clearly (see ANALYSIS – The effects of a fall in equity prices on households' balance sheets and consumption).

The fact that household net lending has increased in recent years could indicate that the effects on consumption will be smaller. However, the lack of up-to-date micro-data on household assets and savings makes it difficult to assess. If this were to happen, a larger fall in consumption could in turn reduce profitability in the corporate sector, increase unemployment and lead to an even deeper recession.

¹⁷ The tax relief for interest on unsecured loans has been phased out in two stages – in 2025, half of the interest cost on these loans was deductible, and from 2026 onwards, no deduction at all was allowed.

¹⁸ Refers to aggregated statistics from Finansinspektionen's mortgage survey 2024.

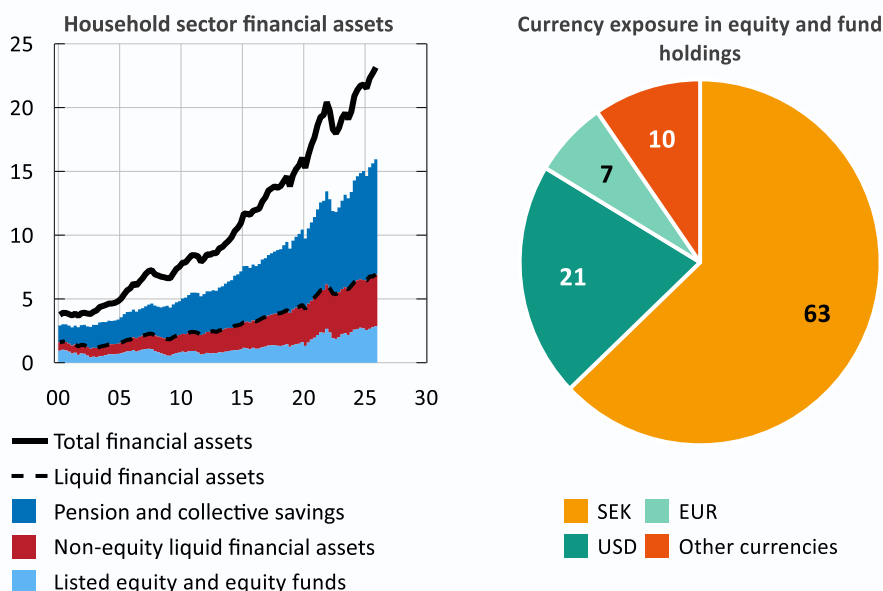
¹⁹ See *Monetary Policy Report*, March 2026, Sveriges Riksbank.

ANALYSIS - The effects of falling equity prices on households' balance sheets and consumption

High valuations, particularly in the US stock market, raise the question of how a large fall in equity prices would affect Swedish households. They currently have liquid financial assets worth SEK 6,900 billion, of which almost SEK 3,000 billion are in listed shares or funds (see chart 5, left). Almost 40 per cent of the assets are invested in currencies other than Swedish kronor, of which just over half are in US dollars (USD). As a result, the value of household assets is also affected by exchange rate movements (see chart 5, right).

Chart 5. Households' financial assets and currency exposure

SEK thousand billion, per cent



Note. In the left-hand chart, households' liquid financial assets are defined as the sum of banknotes, coins, deposits, listed shares and mutual funds. Pension assets, shares in tenant-owned properties and unquoted shares are not considered liquid here. The right-hand chart shows the percentage distribution of households' equity and fund holdings in different currencies. The currency breakdown is based on the aggregate level, i.e. the breakdown of all investment funds. Households' holdings via foreign insurance policies, pension institutions or custody accounts in foreign banks are not captured.

Sources: Statistics Sweden and the Riksbank.

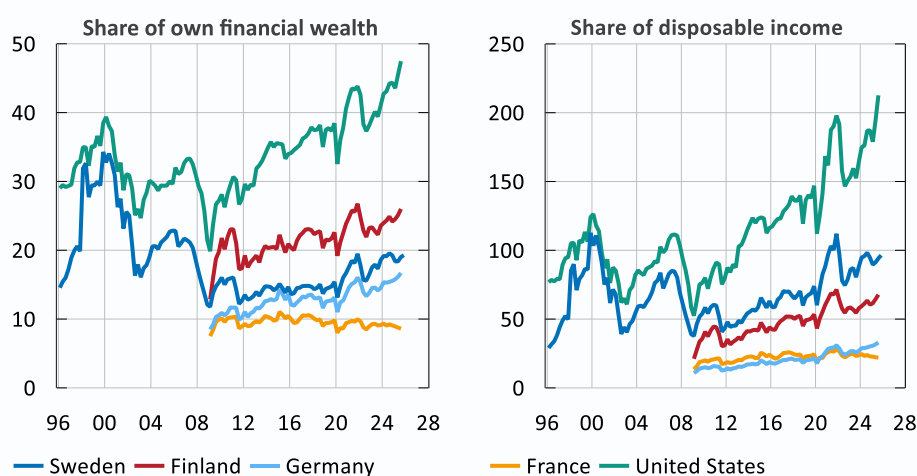
The IT crash of 2000, the financial crisis of 2007–2010, and the rise in inflation and interest rates in 2022 represent the most widespread and sustained equity market declines since the turn of the millennium. In the first two cases, equity prices in the United States fell by around 50 per cent and in 2022 they fell by around 20 per cent. In terms of asset values today, a fall in equity prices of this magnitude would reduce

household financial wealth by SEK 380 billion and SEK 150 billion respectively, corresponding to 5 per cent and 2 per cent of liquid financial wealth.²⁰

Swedish households' listed equity holdings as a share of their own financial wealth are lower today than at the time of the equity price adjustments in the 2000s (see chart 6).²¹ However, if holdings are instead related to their disposable income, the share is comparable to the 2000s. The consequences of a fall in equity prices could thus be comparable to the IT crash, i.e. quite small. In the United States, on the other hand, the proportion has clearly increased, and the impact could therefore be greater.²²

Chart 6. Household assets invested in the stock market

Per cent



Note. Own financial wealth refers to total wealth excluding collective insurance savings. Shareholdings include directly held shares and equity funds (not mixed funds) in Sweden. For Finland, Germany and France, the equity share of funds is estimated on the basis of fund structure, with mixed funds assumed to be 50 per cent equity. For the United States, the calculation is based on fund holdings excluding pension-related assets, multiplied by the equity share of the fund sector. The underlying data is collected from different sources, so the figures are not directly comparable.

Sources: ECB, Eurostat, Federal Reserve, Statistics Sweden and the Riksbank.

A fall in equity prices can affect household consumption through several different channels.²³ First, households may feel poorer when their wealth declines, even if the

²⁰ If this coincides with a strengthening of the krona against the dollar, household wealth in US assets expressed in kronor would decline further.

²¹ The financial wealth shown in the chart excludes pensions but includes households' ownership rights in housing cooperatives. This is to make the time series comparable between countries. If owner-occupied housing is excluded from Swedish households' financial wealth, stock market investments account for a larger share of assets, around 25 per cent, but the trend over time is very similar to that shown in Chart 6, left.

²² See the article in the Economist "Gita Gopinath on the crash that could torch \$35trn of wealth", October 2025. [Gita Gopinath on the crash that could torch \\$35trn of wealth.](#)

²³ Empirical studies generally show that stock market fluctuations have a small effect on household consumption. The impact of stock market declines also depends on the cause of the decline; the consequences are often less severe if the fall is not perceived as permanent or is followed by broader deteriorations in household balance sheets. See for example Poterba, J.M. (2000), "Stock Market Wealth and Consumption", *Journal of Economic Perspectives*, vol. 14 (2), pp. 99–118. Case, K.E., Quigley, J.M. and Shiller, R.J. (2005),

losses are unrealised. This is called a wealth effect. Second, they may feel less confident about the future, which may further dampen their consumption. Such confidence effects are difficult to quantify, but the direct wealth effects in Sweden can be estimated by a study of Swedish data analysing how households adjust their consumption in the face of unrealised equity losses.²⁴ This estimate can then be combined with information from Finansinspektionen on savings in different parts of the wealth distribution.²⁵ When this is done for Sweden, an isolated fall in the US stock market has marginal effects on consumption via the direct wealth channel. A fall of 20 per cent could reduce consumption by an estimated 0.2 per cent, and a halving of stock market values could reduce consumption by an estimated 0.5 per cent. However, equity markets are highly correlated, and it is therefore reasonable to assume a scenario in which the value of all households' assets exposed to the stock market falls.²⁶ If these were to decrease in value by 20 and 50 per cent respectively, the direct wealth effects on consumption would be estimated at 0.7 and 1.8 per cent respectively.

The estimates thus indicate that smaller and more isolated price falls would have limited effects on consumption. Large and broad-based price falls, on the other hand, could have a greater impact. However, the estimates should be interpreted with caution as they only capture a wealth effect, and not all the channels through which a stock market fall might affect household consumption. For instance, the estimates do not take into account the effects of household pension and insurance savings, of which an estimated 60 per cent is invested in the stock market.²⁷ Nor do they capture so-called "multiplier effects", i.e. that lower consumption can lead to higher unemployment, for example, which can lead to even lower consumption, and so on.

Moreover, a larger decline in equity prices would affect more agents and markets, with the economic impact likely to be greater. For example, a fall in US stock markets and a revaluation of the major technology companies could lead to some credit tightening, both globally and in Sweden.²⁸ As the estimates do not take all these factors into account, it cannot be ruled out that a major fall in equity prices, occurring in the context of broad financial turmoil and a sharp deterioration in economic conditions, could contribute to financial instability.

"Comparing wealth effects: The stock market versus the housing market", *The B.E. Journal of Macroeconomics*, vol. 5 (1), pp. 1–34. Lettau, M. and Ludvigson, S. (2004), "Understanding trend and cycle in asset values: Reevaluating the wealth effect on consumption", *American Economic Review*, vol. 94 (1), pp. 276–299.

²⁴ A study based on Swedish data from the period 1999–2007 shows that the more affluent a household is, the less they tend to adjust their consumption when stock prices change. For every SEK 100 in share losses, the wealthiest reduced their consumption by about SEK 3, while the least wealthy reduced their consumption by SEK 23. The results are in line with the findings of other studies internationally. See Di Maggio, M., et al. (2020), "Stock market returns and consumption", *The Journal of Finance* 75, no. 6.

²⁵ See *Household savings in Sweden*, March 2025, Finansinspektionen. However, Finansinspektionen includes savings accounts in its measure of wealth, which is not relevant for this application. The calculations assume that the dollar exposure is the same in all portfolios.

²⁶ The correlation between daily changes in the OMX Stockholm PI and the US S&P 500 has averaged 0.5 per cent since 2000.

²⁷ The estimate is based on assumptions about the share of mixed and intergenerational funds' assets invested in equities.

²⁸ See the scenario analysis in *Monetary Policy Report*, December 2025, Sveriges Riksbank, for a model-based general equilibrium analysis of the consequences of an AI-related stock market decline on the real economy.

3.2 Structural risks remain in the property sector

Global uncertainty weighs on the corporate sector

The situation for companies in Sweden has gradually improved after a long period of weak performance. However, the uncertain global environment has contributed to higher costs, and indicators suggest that the Swedish economy has been somewhat weaker. Uncertainty about future developments in energy prices, demand and market interest rates is likely to continue to dampen business sector sentiment and willingness to invest.²⁹

Higher electricity and fuel prices particularly affect companies in energy-intensive sectors such as industry and transport, while import tariffs and other trade barriers mainly affect export-oriented manufacturing companies (see chart 7, left).³⁰ The capital-intensive property sector is more sensitive to rising market rates. Companies in the retail trade and consumer-related services may also face challenges if costs increase at the same time as households are restrained in their consumption.

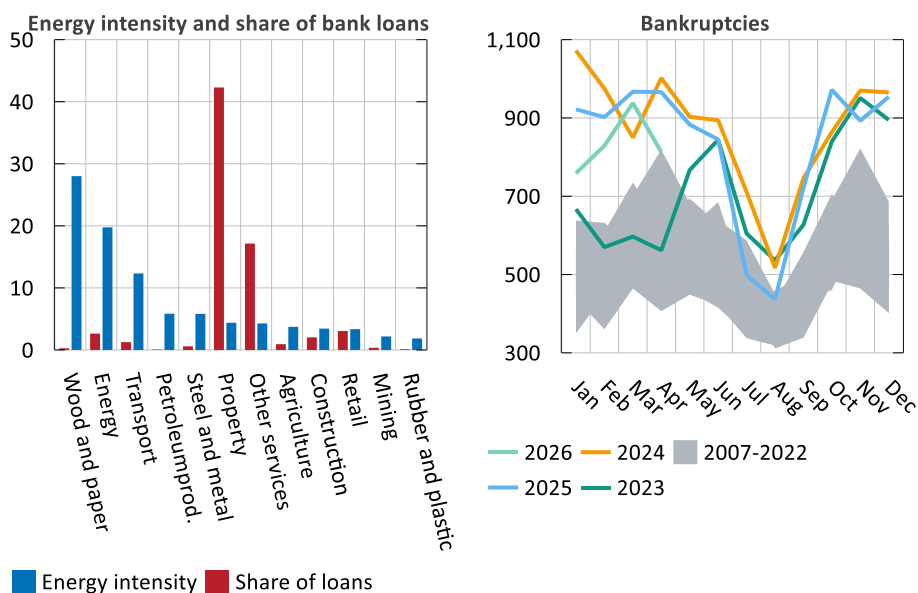
Corporate bankruptcies have been at an elevated level in recent years (see chart 7, right). So far, they have not had a significant impact on the banks, as the companies that have gone bankrupt usually had small or no bank loans. However, if the conflict in the Middle East becomes more protracted and companies' costs rise, bankruptcies could increase. This is particularly true for companies with small margins and limited ability to pass on higher costs to their customers. Energy-intensive companies may also be affected, but these sectors account for a relatively small share of the banks' corporate lending. For such a development to have financial stability implications, the problems would have to spread to more capital-intensive firms, particularly in the commercial property sector.

²⁹ Even before the war in the Middle East, companies were pointing to a continued cautious sentiment as a result of the uncertain international situation. See the report "*The Riksbank's Business Survey February 2026*", March 2026, Sveriges Riksbank.

³⁰ See also "ANALYSIS – Effects of trade tariffs on Swedish companies" in *Money Policy Report*, March 2025, Sveriges Riksbank and Camacho, J., C. Flodberg, M. Löf and B. Persson (2025), "Increased import tariffs in the United States: How extensive are Swedish exports to the United States and which sectors could be most affected?", *Staff memo*, May, Sveriges Riksbank.

Chart 7. Energy and fuel-intensive sectors, share of total bank loans and corporate bankruptcies

Per cent, number



Note. In the left-hand chart, energy intensity is measured as the share of energy and fuel consumption by non-financial companies of total energy and fuel consumption. Fuel consumption is converted to gigawatt hours (GWh). Share of loans refers to the sector share of total loans to non-financial companies from Swedish monetary financial institutions (MFIs). As the chart shows a sample of sectors with the highest energy intensity, the columns do not add up to 100 per cent. “Energy and fuel consumption” refers to 2024. “Other services sector” refers to SNI 69–98 (excl. 84) such as IT and telecommunication companies. The shaded area in the right-hand chart represents the number of monthly bankruptcies over the period 2007-2022.

Sources: Statistics Sweden, the Riksbank and UC.

Corporates’ financing options are favourable despite higher market interest rates

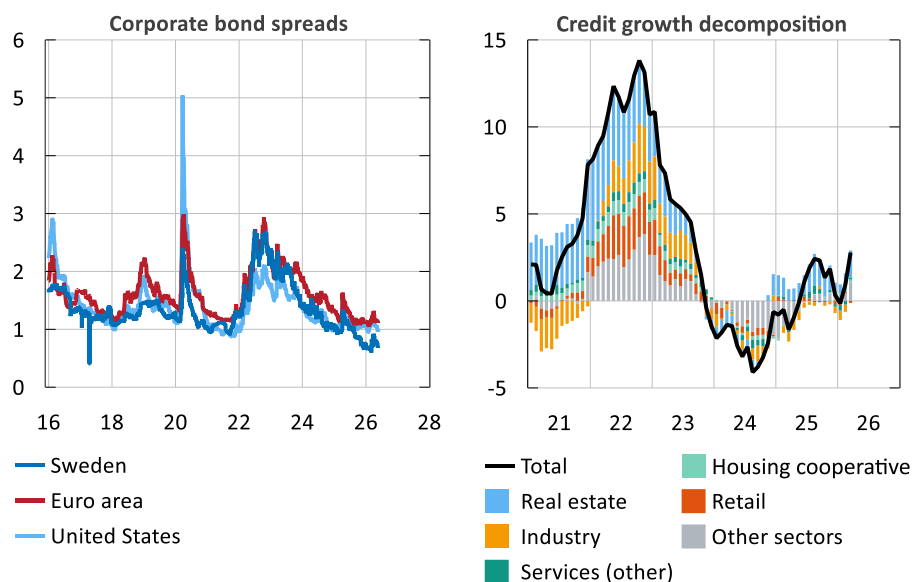
Market rates have risen and credit spreads on Swedish corporate bonds have increased, in line with the euro area and the United States (chart 8, left). However, this should be seen in light of the fact that banks in both the Nordic countries and Europe have been gradually lowering lending rates to corporates for some time now, while credit spreads on corporate bonds remain low from a historical perspective. Corporate financing terms are thus relatively favourable. However, the aggregate corporate interest-to-income ratio is expected to rise somewhat in the future if current market rates persist.

Corporate credit growth has picked up slightly, but the rate of growth is relatively moderate. At the same time, their total earnings and economic performance have been slightly stronger than loan growth. This suggests that the build-up of cyclical systemic risks associated with corporate loans is currently limited. Developments in corporate borrowing are in line with the historical relationship between bank borrowing and corporate sentiment and investment. In particular, corporate borrowing via banks has increased, while borrowing via bond markets, mainly in foreign currency, has

been weaker. Companies in the services, energy and property sectors have increased their borrowing the most (see chart 8, right).

Chart 8. Corporate bond spreads and the contribution of different sectors to credit growth among non-financial companies

Per cent, annual percentage change



Note. The chart on the left shows the yield spread between 5-year corporate bonds with BBB rating and the corresponding government bond yields. The right-hand side refers to the change in stocks, which is not adjusted for exchange rate fluctuations or loans bought and sold.

Source: The Riksbank.

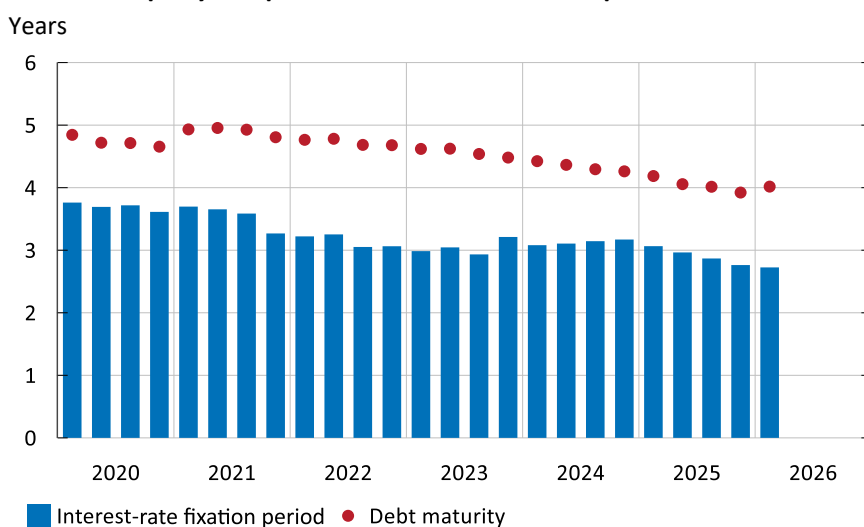
Weak rental market may increase pressure on property companies

Within the corporate sector, property companies are the most capital-intensive, accounting for almost half of total loans to non-financial companies. In recent years, the property companies have taken some steps, such as selling properties and raising new equity, to strengthen their balance sheets after a period of higher interest rates and periodically tight financing conditions.

At the same time, several structural vulnerabilities remain. The property companies still have high levels of debt, although these have fallen to around their historical average in relation to operating profits. The decline in the debt-to-income ratio is due to increased earnings from inflation-indexed leases rather than a reduction in debt. This means that a given rise in interest rates today takes up a smaller share of cash flow than before. However, the property companies' already short-term interest-rate fixation periods and debt maturities have continued to decline, which means that changes in interest rates and financing conditions, such as higher risk premiums, have a faster impact on their cash flows (see chart 9). Overall, the property companies' cash flows one year ahead could be affected just as much by a rise in interest rates as they were in 2023. This means that property companies remain highly vulnerable in

an adverse scenario where market interest rates and risk premiums rise while credit availability deteriorates.

Chart 9. Property companies' interest-rate fixation periods and debt maturities



Note. The chart refers to volume-weighted average interest and capital duration for 34 property companies.

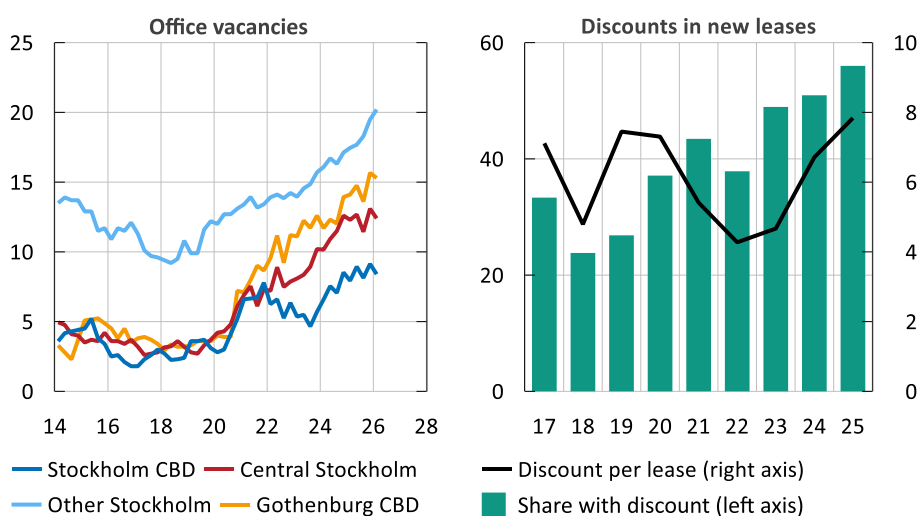
Source: Sedis.

The office rental market has been weakening for several years, with particularly high vacancy rates in Stockholm’s suburbs, dampening property companies’ earnings (see chart 10, left). Demand has been dampened by weaker economic activity, cost-cutting and the earlier adaptation of tenants’ space needs to teleworking. Moreover, in some areas, more offices have been built than are in demand, which has contributed to a further increase in vacancies. Office rental levels appear to have remained relatively stable, but instead property owners have made greater use of temporary rental discounts (see chart 10, right). This means that actual market rents may be somewhat lower than the rent levels on which current property valuations are based. The rental market has also weakened in other segments such as logistics, retail and residential, although the trend is not considered to be as severe as for offices. The residential segment, like the logistics segment, has seen large additions of new properties over time. For the residential segment, future demand may also be further dampened by changing demographics.³¹

³¹ See K. Östling Svensson (2026), “Demographic changes, vacancies and lenders’ credit risk”, *Economic Commentary* no 2, Sveriges Riksbank.

Chart 10. Office vacancies and temporary rent discounts in new leases

Per cent



Note. Left-hand chart shows floor vacancy rates for office properties measured as a proportion of total vacant space. Central Business District (CBD) refers to the most centrally located office properties. The right-hand chart shows the average discount in newly signed leases for offices in central Stockholm, and the proportion of leases signed with a discount.

Source: CityMark.

The weak development of the rental market means that assumptions in property companies' valuation models, such as rent levels, growth and vacancies, may need to be adjusted. Even minor changes in these assumptions can have relatively large effects on property values. If interest rates rise and the economy deteriorates, the rental market risks weakening further. This could put pressure on the earnings of property companies and increase the need to adjust property values downwards, especially in areas with the highest vacancy rates. Already today the uncertainty surrounding property values, together with weak earnings growth and high indebtedness, reduces the prospects for higher future returns. This contributes to the continued low valuation of the property sector by the equity market, which is reflected in a high average net asset value discount of around 35 per cent.³² At the same time, credit market pricing indicates a relatively low credit risk. The difference may partly reflect the fact that credit and equity markets have different investment horizons. Credit investors focus mainly on repayment capacity over a few years, while equity investors focus more on companies' long-term earnings capacity. However, if the repayment capacity of property companies were called into question, for example as a result of even weaker cash flows or continued rising market interest rates, risk premiums could rise rapidly.

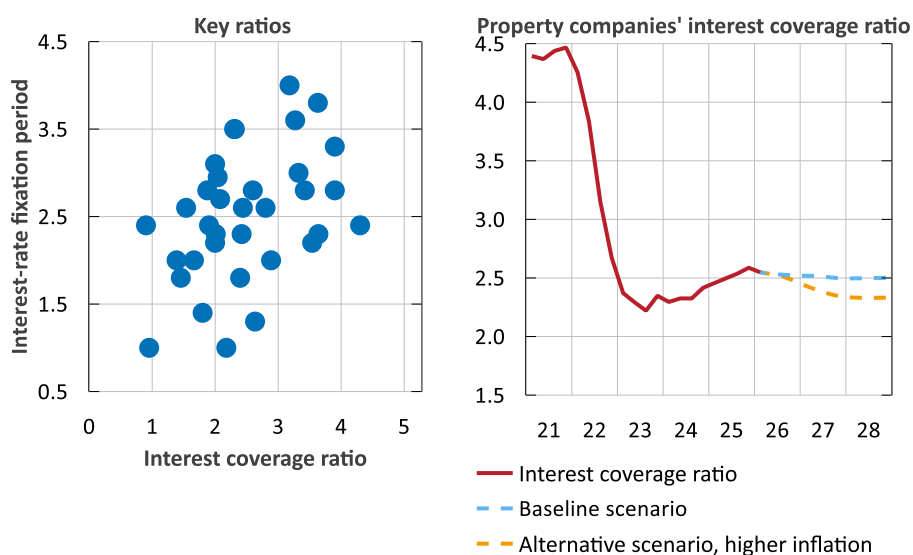
³² Net asset value discount among a sample of property companies as of 2026Q1

Uncertain environment can pose challenges for property companies

The property sector remains sensitive to higher interest rates and will be affected by the recent rise in market rates and by the slightly weaker-than-expected economic situation. However, there is a wide spread among Swedish property companies' key ratios, with some better placed than others to manage a more challenging situation (see chart 11, left). To illustrate how higher interest rates could affect property companies, the Riksbank has made simplified calculations of how their interest coverage ratios could develop. In a baseline scenario, the war is assumed to have moderate effects on inflation, while the policy rate follows the forecast presented in the Riksbank's Monetary Policy Report in March, market rates remain at current levels and the economic recovery continues. Vacancies are then assumed to remain unchanged and rental growth in premises to be weak, in line with inflation. The calculations then show that the interest coverage ratios of property companies only decrease marginally (see chart 11, right).

Chart 11. Variation in property companies' key performance indicators

Years, Ratio



Note. The left-hand chart shows the average interest-rate fixation period and interest coverage ratio for 34 property companies in the first quarter of 2026. The interest coverage ratio is calculated as operating profit in relation to interest expense. The right-hand chart shows the volume-weighted average interest coverage ratios for 34 property companies. The broken lines show how the interest coverage ratio could develop on average in two different scenarios.

Sources: Sedis and the Riksbank.

In an alternative scenario where the war in the Middle East is instead protracted, risk appetite could decline, market interest rates could rise further, and economic activity could weaken further. It would also increase risk premiums on new loans to property

companies.^{33,34} Although inflation-indexed leases help to offset higher interest costs, a weak rental market and increased vacancies may counteract this. In such a scenario, the average interest coverage ratio could decline to roughly the same levels as in 2023 (see chart 11, right). At the same time, the risk of property companies having to write down the value of their properties would increase. They would then risk being returned to a challenging situation where they may need to take measures to refinance maturing loans and improve their financial ratios.

The fact that property companies finance themselves via the bond market also makes them sensitive to the performance of corporate bond funds. They have become increasingly important in the financing of property companies and hold around 50 per cent of property companies' outstanding bonds in SEK. This could pose a problem for property companies if uncertainty increases and risk appetite decreases, as it could quickly lead to large fund outflows (see further Section 4 – The Swedish financial system). This will make it more difficult for companies to refinance themselves on the bond market and risk premiums may rise significantly. So far, outflows related to the war in the Middle East have been relatively moderate, but risk premiums have increased slightly. If the outflows become larger, there is a risk that property companies will need to find financing outside the bond market relatively quickly, as happened in 2023. The property companies' credit facilities with the banks can then help to meet some of the short-term financing needs and thereby dampen the immediate liquidity risks. However, this means that risks are shifted rather than eliminated, and that the banks' concentration risk towards a riskier property sector increases. In addition, if refinancing needs exceed the agreed credit facilities, property companies may need to apply for new bank loans. Although the banks currently have sufficient capital buffers to meet such a borrowing need, it is not certain that they will meet all of the property companies' needs. To meet increased borrowing needs, banks may need to tighten other credit lines.

³³ Risk premiums are assumed to change in line with the policy rate, increasing by a total of 0.1 percentage points for companies with a higher credit rating and 0.5 percentage points for companies with a lower or no credit rating.

³⁴ In the calculations, inflation and the policy rate are assumed to develop in accordance with the Riksbank's alternative scenario with higher inflation from March. See *Monetary Policy Report*, March 2026, Sveriges Riksbank.

4 The Swedish financial system

Swedish banks and other financial institutions are well placed to withstand and manage shocks. The major banks are profitable and have sufficient margins in relation to their capital and liquidity requirements, and insurance companies and pension companies have a strong solvency position. The market turmoil during the spring has, so far, only had a limited impact on agents and the availability of financial infrastructure has been high. However, there are several vulnerabilities, which, together with the high level of uncertainty in the external environment, can test the agents' resilience. These include high external dependencies, close interconnections between assets and risks related to cyber attacks. This emphasises the need to strengthen the operational preparedness of key financial institutions, not least with regard to cyber risks.

4.1 Swedish banks are resilient

Favourable conditions to manage uncertainty in financial markets

Swedish banks have low loan losses and are profitable, partly as a result of their net interest margins, which, despite some recent declines, remain at a high level. Banks' asset quality has so far remained stable despite the uncertain global environment. This is partly because their direct exposures to the Middle East are marginal and their exposures to energy-intensive companies are limited. The major banks' capital buffers have decreased somewhat, partly as a result of dividends and share buybacks, but they continue to have ample margins relative to both capital and liquidity requirements. This means the banks are able to maintain their operations even in the event of unexpected disruptions. Moreover, the fact that the countercyclical capital buffer is at the positive neutral level of 2 per cent means that there is scope to reduce the buffer if necessary, which should make it easier for the banks to maintain their lending in the event of a shock.

This resilience is also reflected in the market pricing of the major banks. Premiums on their CDSs and covered bonds remain low, although they have risen slightly during the spring. This suggests that investors do not see a clear increase in risk among the Swedish banks and continue to assess them as safe, even compared with European banks (see chart 12, left).³⁵ The banks' profitability has also long exceeded the market's required rate of return, meaning that their earning power has been strong relative to the risk that the market perceives their activities to entail.³⁶ This is reflected in the

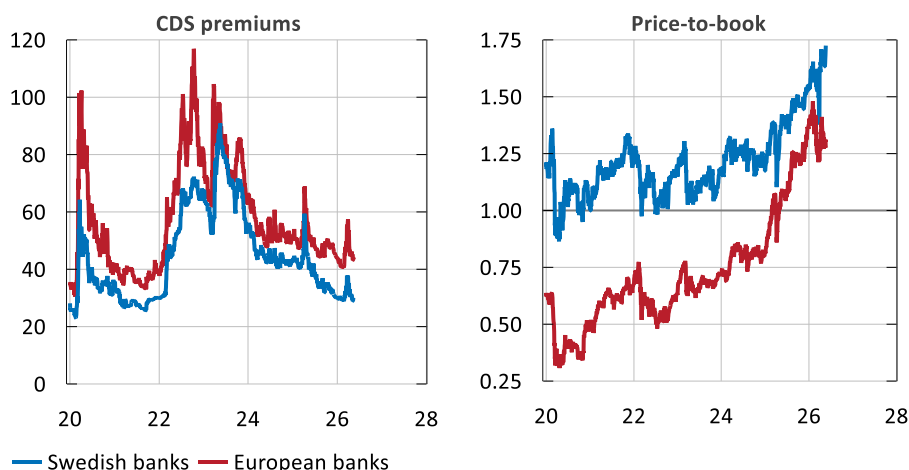
³⁵ CDS is short for Credit Default Swap, a contract between credit market participants that aims to transfer the credit risk of an underlying asset from one participant to another.

³⁶ See Krygier, D. and S. Wollert (2026), "How high is the cost of equity for banks?", forthcoming *Staff memo*, June, Sveriges Riksbank.

fact that the market valuation of the major Swedish banks is clearly above their book value and higher than that of comparable European banks (see chart 12, right).

Chart 12. CDS premiums and P/B ratios for Swedish and European banks

Basis points, per cent



Note. In the left-hand chart, the CDS premium for Swedish banks refers to a non-volume-weighted average for the three major banks. The right-hand chart refers to an average of comparable major banks domiciled in Sweden and Europe. A P/B ratio above 1 means that the market value of the bank's shares is higher than the book value.

Sources: S&P Capital IQ, Bloomberg and the Riksbank.

Geopolitical uncertainty has increased banks' financing costs

The major Swedish banks finance their operations through deposits from the public and various types of market funding. Deposits are generally considered a cheap and stable source of funding that is relatively unaffected by financial turmoil, while market funding is more sensitive to shocks and changes in investors' perception of risk.

The cost of market funding for banks has increased slightly since the outbreak of the war in the Middle East (see chart 13, left). This is mainly because longer risk-free interest rates have risen, but also because short-term market rates such as STIBOR have increased even though the policy rate has remained unchanged (see chart 13, right).³⁷ Risk premiums on covered bonds have also increased somewhat. In a context where risk premiums, and hence the cost of market funding, are increasing in the face of heightened financial market turmoil, a relatively high level of deposits may limit the rise in banks' overall funding costs. STIBOR plays a major role in banks' pricing of variable lending rates, while the interest rates on covered bonds are more important for fixed mortgage rates. Against this background, banks have raised their fixed mortgage rates in particular, but also variable rates in line with the rise in STIBOR.³⁸ However, they have not increased deposit rates to the same extent as lending rates. Banks may

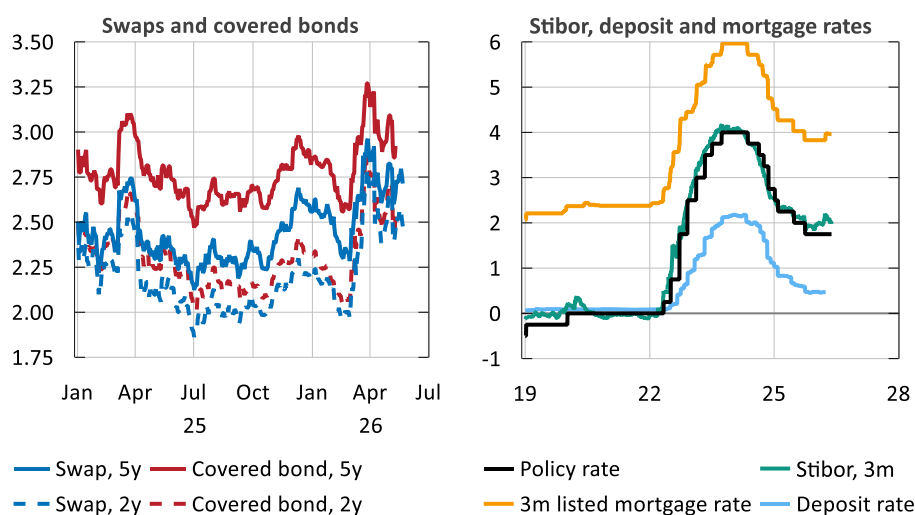
³⁷ See "BOX - The transmission of monetary policy through the reference rate Stibor", *Monetary Policy Report*, December 2025, Sveriges Riksbank.

³⁸ See Eidestedt, R. et al. (2020), "The funding of major Swedish banks and its effect on household mortgage rates", *Economic Commentary* no. 8, Sveriges Riksbank.

also be affected by their activities and operational dependencies in other countries (see BOX – Swedish banks in the Baltic countries).

Chart 13. Swap rates, covered bond rates, STIBOR and deposit and lending rates

Per cent



Note. The left-hand chart shows swap rates and banks' covered bond yields. In the right-hand chart, the list rate refers to an equally weighted average of 3-month list rates on mortgages at Handelsbanken, Nordea, SEB and Swedbank. The deposit rate refers to an average of all maturities of outstanding contracts.

Sources: Macrobond, SCB and the Riksbank.

FACT BOX – Swedish banks in the Baltic countries

The major Swedish banks have extensive operations in the Baltic countries, mainly in the form of subsidiaries of Swedbank and SEB. These operations are aimed at both households and companies and account for a significant share of the groups' earnings. This means that the banking systems in both Sweden and the Baltics are closely inter-linked and that disruptions can therefore easily spread between them. This became particularly evident during the global financial crisis of 2007-2010, when the Baltic countries suffered a deep financial crisis resulting in high loan losses. But the problems were not limited to the local subsidiaries of Swedish banks; they also affected the funding conditions and profitability of the parent banks, and confidence in the Swedish banking system as a whole.

The resilience of the Baltic countries' banking systems has been strengthened in several ways since the financial crisis. For example, the subsidiary banks' funding today consists to a greater extent of local deposits, instead of funding from the Swedish parent banks. The adoption of the euro by the Baltic countries has also made economic developments more stable. Financial regulations and supervision have been tightened and both subsidiaries and parent companies now have larger capital and liquidity buffers.

However, the security situation in recent years has highlighted geopolitical vulnerabilities in the Nordic-Baltic region. In Sweden, the banks' operational dependence on foreign operations has increased and is now significant. This is because the subsidiary banks have become more integrated into the banking groups over time, for example as several group-wide functions are now performed from the Baltic countries. At the same time, the risk of cyber attacks has increased. A cyber attack, widespread power outages or other disruptions to critical digital or physical infrastructure in the region would therefore risk disrupting not only the banks' local operational capabilities, but also those of the Swedish parent banks. Such disruptions can also affect domestic and cross-border payments and access to other critical infrastructure. All in all, this calls for substantial resilience and high crisis preparedness.

Against this backdrop, the banks have been working to strengthen their internal crisis preparedness. The authorities' crisis preparedness has also increased as they have developed broader and closer Nordic-Baltic cooperation since the financial crisis. This increases the potential for early identification of risks and the management of cross-border disruptions and makes it less likely that disruptions in the Baltic countries will spread to other countries' banking systems, or vice versa. However, the close interconnectedness means that this type of work needs to continue in order to safeguard the resilience of the Swedish financial system to regional shocks.

The major banks have ample access to funding in all relevant currencies

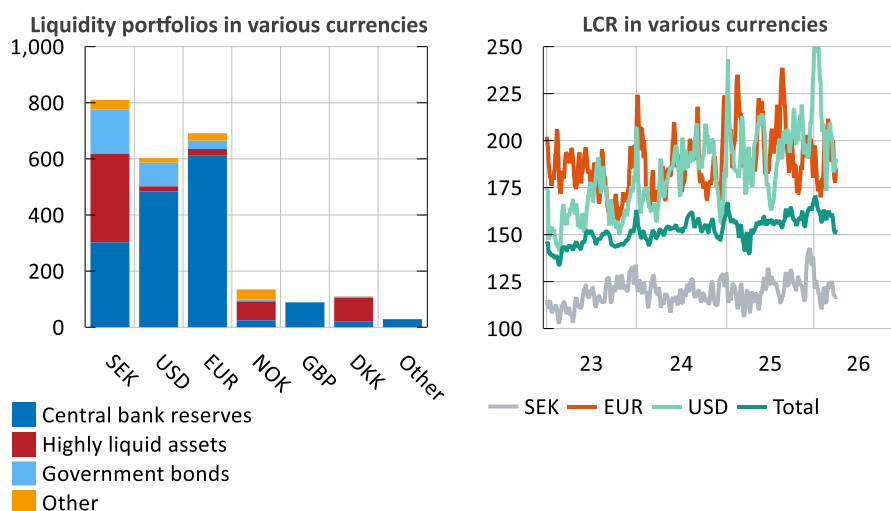
The major banks' market funding currently amounts to just over 40 per cent of their total funding. This makes the banks dependent on the functioning of capital markets and investor confidence in the banking system. Although the cost of market funding has increased slightly as a result of the market turmoil, the banks have continued to be able to issue and renew their funding. At the same time, a significant share of their short-term funding is denominated in foreign currency, primarily dollar and euro. In previous periods of high uncertainty, it has become apparent that access to dollar funding can deteriorate rapidly. A protracted conflict in the Middle East could lead to similar disruptions, with the banks finding it more difficult to fund themselves in dollars.

Against this background, it is important that the banks have high preparedness in those currencies where liquidity needs may arise. Although the banks continue to rely heavily on short-term market funding, the need in foreign currency has decreased over the period of the Riksbank's quantitative tightening programme, while deposits have remained relatively unchanged.³⁹ A relatively large share of the banks' short-term dollar funding is deposited with the US Federal Reserve, thus acting as a liquidity buffer. Their liquidity portfolios also consist of other central bank reserves and highly liquid securities, including euro-denominated securities (see chart 14, left).

³⁹ See also "How does quantitative tightening affect banks?", article in *Financial Stability Report*, 2024:1, Sveriges Riksbank, and "BOX - Concentrated and leveraged foreign holdings in banks' covered bonds", *Financial Stability Report*, 2025:1, Sveriges Riksbank. See also Andersson, E. and P. Kaplan (2026) "Why has the Riksbank's quantitative tightening had so limited effects", *Economic Commentary* no 3, Sveriges Riksbank.

Chart 14. The major banks' liquidity portfolio and LCR in different currencies

SEK billion, per cent



Note. Data for Handelsbanken, SEB and Swedbank.

Source: The Riksbank.

The banks' foreign currency liquidity is also important for other parts of the financial system. The banks use part of their short-term foreign currency funding to offer currency derivatives to insurance and pension companies. These derivatives, in turn, are important for companies' management of foreign exchange risks.⁴⁰ If the banks have poorer access to dollars or euros, they may have to offer shorter maturities, raise prices or, in the worst case, reduce their range of currency derivatives. For the banks to maintain these functions even under stressed market conditions, they need to have ample liquidity in all relevant currencies.

Overall, the banks have ample liquidity and fulfil the liquidity coverage requirements (LCR and NSFR) by a substantial margin, both in total and in individual significant currencies (see chart 14, right). These measures illustrate the banks' capacity to cover their stressed net outflows for 30 days or hold a certain level of stable funding in relation to their illiquid assets in the slightly longer run. The Riksbank's ongoing stress tests also support the view that the banks' liquidity preparedness is high.⁴¹

The banks' daily liquidity management needs to be strengthened

In recent years, the Riksbank's large holdings of securities have meant that there has been a lot of liquidity in the banking system. As the Riksbank reduces its bond holdings, known as quantitative tightening, the amount of liquidity in the system decreases. This requires banks to more actively allocate liquidity among themselves. This adjustment has not always been smooth, which on occasional days has been reflected

⁴⁰ See the article "The interconnectedness of insurance companies, National Pension Insurance Funds and banks via the foreign exchange market", *Financial Stability Report*, 2020:1, Sveriges Riksbank.

⁴¹ The stress tests are based on assumptions about how banks have historically been affected by liquidity stress, and therefore do not fully reflect the current uncertainty, see Danielsson, M. and J. Manfredini (2019) "The Riksbank's method for stress testing banks' liquidity", *Staff memo*, November, Sveriges Riksbank.

in temporarily higher money market interest rates, particularly in FX derivatives. This is because banks have not been able or willing to borrow via the overnight market or the Riksbank's facilities.⁴² At the same time, there are signs that behaviour is changing. Activity on the money market has increased, particularly during periods of high demand for Riksbank Certificates. This suggests that the ability and willingness of banks to smooth liquidity between themselves has improved. The utilisation of the Riksbank's lending facility by large and small banks has also increased periodically. It is positive that banks are making greater use of the tools available to manage temporary liquidity needs.

To encourage the banks' adjustment of their liquidity management and to emphasise the importance of the banks having operational capacity, the Riksbank has made several changes to the operational framework for monetary policy and continued the dialogue with the banks.⁴³ By lowering the interest rate on the supplementary lending facility and removing the limit on the proportion of covered bonds that the banks may use as collateral for loans, the incentives for the banks to borrow from the Riksbank when the need arises will increase. In addition, the Riksbank has increased transparency regarding the resale of Riksbank Certificates. Overall, these measures help to reduce the risk of temporary liquidity needs leading to disruptions in the money market.

Platform deposits are an important source of funding for some smaller banks

For some smaller banks, funding in the form of deposits from the public via deposit platforms accounts for a significant share of their total funding.^{44,45} Deposits via such platforms increased by around SEK 60 billion, or 40 per cent, between the end of 2023 and the end of 2024, and have remained relatively stable since then (chart 15, left).⁴⁶ One explanation for the increase in volume is that more banks are now using platform deposits than before (chart 15, right). However, the importance of the platforms varies between banks. For some, such deposits represent around 10 per cent of their total deposits, while for others the share is almost 90 per cent. On average, however, the share of platform deposits per bank has been relatively stable at around 40-50 per cent. For the Swedish banks using deposit platforms, most of the volumes are on the platform provided by the German operator Raisin. This means that the deposits that

⁴² See "The banks need to have more active liquidity management", Article in *Financial Stability Report*, 2025:1, Sveriges Riksbank.

⁴³ See press release "Riksbank cuts interest rate on the supplementary liquidity facility", March 2026, Sveriges Riksbank.

⁴⁴ A deposit platform is a digital marketplace where depositors can move their money from one bank to another with relative ease. This is done by the platform owner acting as intermediary and setting up accounts with the banks on behalf of the depositor. Platform deposits involve affiliated institutions competing with each other for deposits, mainly by offering the best interest rate.

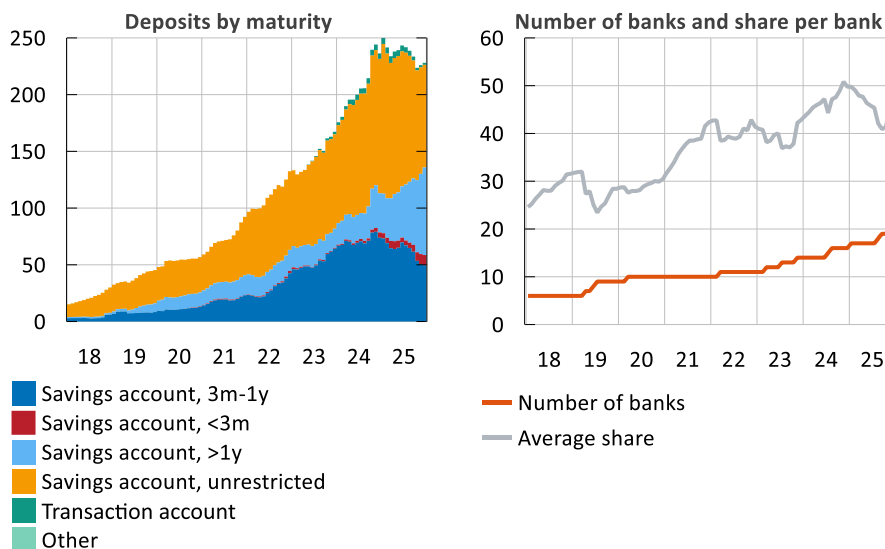
⁴⁵ See *Financial Stability Report*, 2024:1, Sveriges Riksbank.

⁴⁶ Based on the Riksbank's data intake in April 2026. However, the total volumes are not fully comparable with the volumes analysed by the Riksbank in the autumn of 2024, as the 2026 data set includes more banks.

Swedish banks collect via the platforms are very largely denominated in euro, and these deposits have increased in recent years.⁴⁷

Chart 15. Volume of platform deposits by maturity, share of platform deposits and number of banks using platform deposits

SEK billion, per cent and number



Note. “Average share” refers to the share of total deposits received via platforms, calculated as an average for the banks using the platforms.

Source: The Riksbank.

The Riksbank’s previous analysis indicated that deposits via platforms are more flighty than regular deposits and therefore create higher liquidity risks.⁴⁸ For example, depositors can move their money quickly when uncertainty increases or when other institutions offer higher deposit rates. Banks that rely more heavily on platform deposits may then need to quickly find other funding or use their liquidity buffers. The size of this risk depends partly on the maturity of the deposit. New analysis shows that from December 2024 to December 2025, the share of deposits from platforms with a maturity of over one year has more than doubled. However, the majority of deposits via platforms are still unrestricted.

Finansinspektionen has clarified that this type of deposit – within the framework of the liquidity rules – is to be regarded as more flighty than ordinary deposits.⁴⁹ In practice, this means that banks with deposits from short-term platforms need to have a larger liquidity buffer to handle larger withdrawals. The Riksbank assesses that Finansinspektionen’s clarification has helped to strengthen these banks’ resilience.

⁴⁷ Many of the banks that receive a large share of their foreign currency deposits through platforms also have a large asset side in the form of foreign currency loans.

⁴⁸ See “BOX – Saving via platforms”, *Financial Stability Report*, 2024:1, Sveriges Riksbank.

⁴⁹ See “2024:2 Inlåning genom digitala inlåningsplattformar” [Deposits via digital deposit platforms] a legal standpoint, Finansinspektionen.

FACT BOX – Banking regulations can be simplified without reducing resilience

Since the global financial crisis 2007–2010, the banks' resilience to financial shocks has increased. One reason is that the regulatory framework with which banks must comply has become both stricter and more comprehensive. This has made banking regulation more complex and harder to oversee at the same time. For some time now, several international initiatives have been under way to simplify and modernise these regulatory frameworks. The Riksbank's starting point is that the regulatory framework needs to be simplified, but that this should be done without reducing the banks' resilience or jeopardising financial stability.

Some banks in the EU currently have to fulfil nine different parallel capital requirements. These can sometimes be met with three different types of capital and different forms of subordinated debt. This makes banking regulation unnecessarily complex and can hamper effective banking supervision. With properly designed simplifications, the resilience of the banking system can be preserved even with fewer capital requirements and capital types.

In addition, many of the parallel capital requirements consist of several different types of buffer requirements. Here too, there are opportunities to reduce complexity, for example by merging different buffer requirements. Moreover, it is desirable to increase the usability and releasability of the buffers by giving relevant authorities greater scope to reduce buffer requirements in times of financial stress, as well as to restore them in more normal times. In this way, banks' capital can become even more usable with the aim of supporting the real economy by lending money to creditworthy companies and households.

There are many smaller banks in the EU that follow a relatively simple business model. These banks could be covered by simpler, but no less stringent, rules than larger banks with complex cross-border activities. Such proportionate rules have been introduced in several non-EU countries and can both strengthen financial stability and streamline the work of the banks and supervisors.

It is important that the ongoing simplification work does not lead to deregulation that could have major negative effects on financial stability. Extensive deregulation of the banking sector in one country may lead other countries to follow suit in order not to lose competitiveness. One negative effect of such an action could be to weaken the resilience to financial shocks built up in the global banking system. To prevent this, it is important that simplification efforts take place within the framework of international standards adopted by, for example, the Basel Committee on Banking Supervision and the Financial Stability Board.

4.2 Non-banking sector may amplify shocks

Investment funds are important players in key financial markets

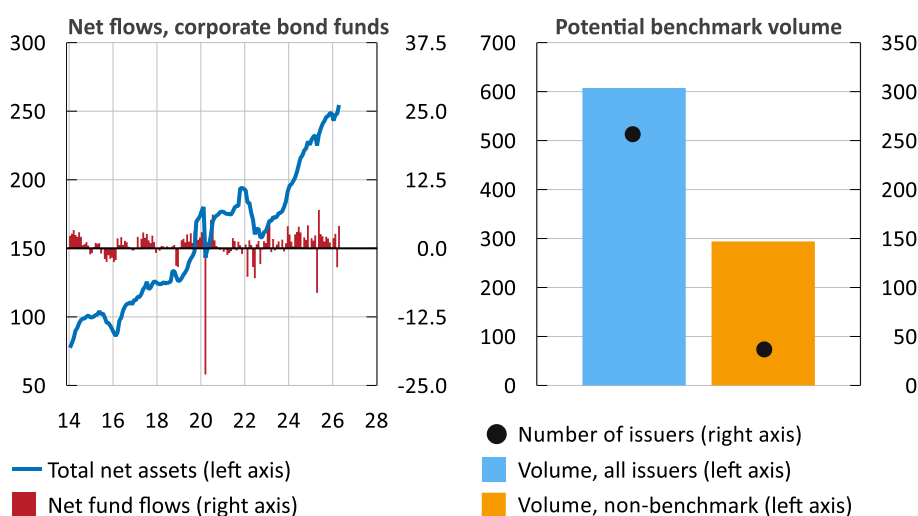
Investment funds are playing an increasingly important role in the financial system, not least as investors in the capital markets where companies obtain funding. Funds have continued to experience net inflows, mainly into short-term interest rate funds and equity funds. Today, they hold just over 14 per cent of the outstanding bonds of Swedish monetary financial institutions and just over 20 per cent of the outstanding bonds of non-financial companies in all currencies. During the year, equity fund investors chose to reduce their exposure to the US to some extent by selling both global and North American funds in favour of Swedish and European funds.⁵⁰ Private credit funds, which have grown strongly globally, are still small in Sweden.

The corporate bond funds' net assets have increased to around SEK 250 billion (see chart 16, left). Over time, this has contributed to increased demand and lower risk premiums for corporate bonds, which has favoured companies' financing options. However, during the heightened market turmoil in March, corporate bond funds experienced net outflows of around SEK 3.5 billion, equivalent to 1.4 per cent of their total net assets. While this is relatively limited compared to other periods of market stress, it shows that fund assets can be volatile in uncertain times, especially as many funds offer daily redemptions while their assets are illiquid. For corporate bond funds, this entails liquidity risks that, in the event of large outflows, could lead to financing problems for companies and impair the functioning of the corporate bond market. Subscriptions and redemptions by unit holders can thus have a major impact on the funds' investments in corporate bonds and contribute to more pro-cyclical lending. The risk is particularly relevant for debt-laden property companies, which finance themselves in the corporate bond market.

⁵⁰ If premium pension funds are included, fund savers' exposure to global funds has increased in 2026.

Chart 16. Net flows in corporate bond funds and benchmark bonds

SEK billion



Note. The left-hand chart refers to fund assets including the premium pension scheme. Net flows are the difference between deposits and redemptions from fund unit holders. The right-hand chart refers to the outstanding volume of bonds in Swedish kronor. Non-benchmark bonds refer to outstanding volume not issued according to benchmark standards, but where the issuer is deemed capable of issuing benchmarks. Issuers are assumed here to be able to issue benchmark bonds if they have outstanding bonds totalling at least SEK 5 billion.

Sources: The Swedish Investment Fund Association, Bloomberg and the Riksbank.

To reduce funds' liquidity risks, the upcoming fund legislation is central, as it requires funds to implement various liquidity management tools.⁵¹ This could also strengthen the functioning of the Swedish corporate bond market. Issuers can also help to strengthen the market by issuing more bonds according to the Swedish benchmark standard. This would lead to larger and more homogeneous issues, which could contribute to better liquidity and more reliable reference prices.⁵² It could also attract more long-term investors, such as insurance and pension companies, which are not forced to sell bonds in times of stress and whose market presence is currently limited. About half of the outstanding corporate bonds in Swedish kronor, around SEK 300 billion, are issued by companies that are deemed to be able to issue larger volumes in accordance with the benchmark standard (see chart 16, right).

Good resilience among insurance and pension companies

Pension and insurance companies are currently resilient. The rise in equity prices in recent years, combined with rising market interest rates – which have reduced the present value of their future liabilities – has contributed to a favourable solvency position. They are therefore well placed to meet their obligations, even in the event of a

⁵¹ See Government Bill 2025/26:186 "En starkare fondmarknad" [A stronger fund market]. In Swedish only. It is proposed that the legislative amendments enter into force on 1 July 2026.

⁵² In line with the Swedish benchmark standard, which involves loans with an issue volume of at least SEK 1 billion, at least two arranging banks and issuance that takes place via syndicated public transactions according to the Eurobond market standard.

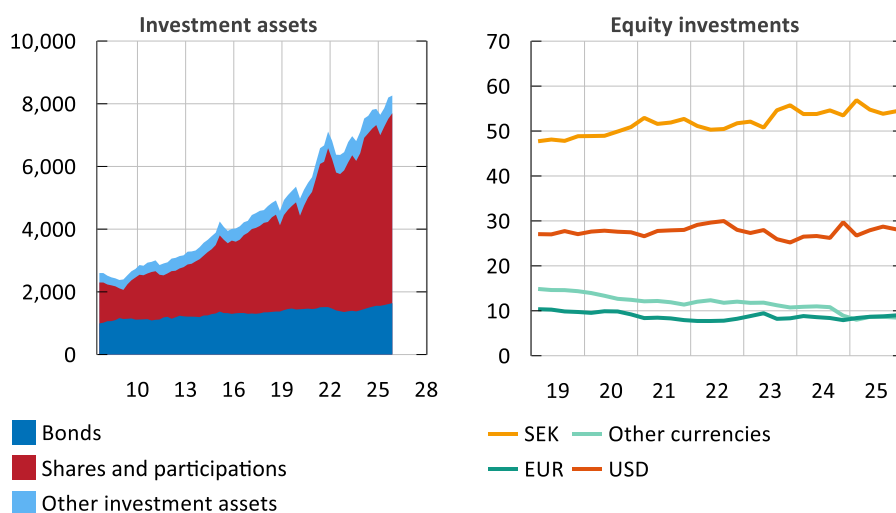
major fall in equity prices. However, together with the AP funds, they are large owners of equities and bonds, which means that their behaviour in times of financial stress can have consequences on these markets, especially the bond market.

Insurance and pension companies' equity holdings have been increasing for several years and account for 44 per cent of companies' investment assets (see chart 17, left). Exposure to equities listed in US dollars has remained broadly unchanged (see chart 17, right). This suggests that, despite periods of high volatility and unpredictability in US trade and foreign policy, there has not been a major shift away from US assets towards Swedish or European assets. This is different from investors in equity funds. However, the share of US dollar bonds has decreased slightly, while the share of euro bonds has increased.

At the same time, insurance and pension companies' funds and the AP funds have become increasingly similar, partly because they are concentrated in a few US technology companies.⁵³ As a result, companies may be similarly affected by large price movements on equity markets. These agents and banks are also closely interlinked through their large holdings of covered bonds.⁵⁴

Chart 17. Pension funds' and insurance companies' investment assets

SEK billion



Note. The left-hand chart shows the investment assets of pension and insurance companies. The right-hand chart shows the currency distribution of the equity assets of pension and insurance companies.

Sources: Statistics Sweden and the Riksbank.

⁵³ This is measured here by the cosine similarity measure, which shows how similar their asset portfolios are, and thus the extent to which they would co-vary in response to changes in the value of the underlying assets, on a scale of 0 (completely different holdings) to 100 (identical holdings). The measure of equity holdings of a large sample of insurance and pension companies and AP funds is currently 65, compared to 45 a few years ago.

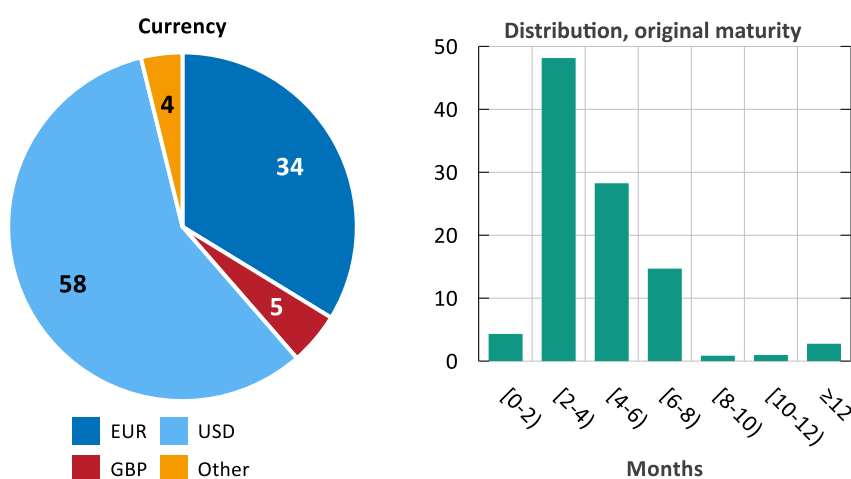
⁵⁴ Cosine similarity for covered bonds of a large sample of insurance and pension companies, AP funds and banks has been around 75.

Currency hedging by AP funds, insurance and pension companies gives rise to risks

The AP funds, pension and insurance companies invest part of their assets under management in foreign assets. To reduce the currency risk involved, they enter into various FX derivatives, primarily currency swaps.⁵⁵ Most of the swaps are denominated in US dollars and euros, reflecting companies' placements (see chart 18, left). The banks are the main providers of foreign currency to companies via these swaps, with Swedish banks accounting for around 70 per cent. Foreign exchange swaps also have relatively short maturities, typically three to four months and rarely longer than seven months (see chart 18, right).

Chart 18. FX derivatives of insurance companies and AP funds

Per cent



Note. The left-hand chart shows the currency distribution of the insurance companies' and the AP funds' FX derivatives that primarily consist of currency swaps. The right-hand chart shows the maturity distribution of the insurance companies' and AP funds' FX derivatives. The x-axis shows the maturity in months and the y-axis the percentage. Data as of 31 March 2026.

Source: The Riksbank.

As companies often invest in foreign assets with long maturities, the short maturity of the FX swaps means that they need to be renewed regularly. Under normal circumstances this usually works without problems, but in times of financial stress it can pose risks. For example, if Swedish banks find it difficult to borrow foreign currency, they can raise their prices, shorten maturities or refrain from renewing FX swaps altogether. For example, during the coronavirus pandemic in 2020 and the global financial crisis of 2007–2010, access to foreign currency deteriorated, while maturities shortened. Foreign banks then also withdrew from the swap market, and Swedish banks needed to maintain the intermediation of foreign currency to a greater extent for the market to continue to function. In a situation where the swaps cannot be rolled over, companies will have a larger open currency position. If companies are unable, unwill-

⁵⁵ In simple terms, this means that they exchange Swedish kronor for, say, US dollars with a counterparty, and at the same time undertake to exchange the currencies back on a given date and at a fixed exchange rate. See the Article "The interconnectedness of insurance firms, National Pension Insurance Funds and banks via the foreign exchange market", *Financial Stability Report*, 2020:1, Sveriges Riksbank.

ing or not permitted to bear the currency risk, they may then have to sell foreign assets when the FX swaps mature.⁵⁶ In a context of falling asset prices, this could lead to losses that affect both companies' earnings and their solvency.

In addition, the companies may need to post more collateral in the event of large movements in the foreign exchange market. In a stressed situation, companies may need to sell assets, such as covered bonds, to meet sudden liquidity needs. As the portfolios of pension and insurance companies are highly correlated, such divestment can lead to negative spillover effects between companies and, by extension, to the rest of the financial sector. Given the large footprint of pension and insurance companies in the covered bond market, such sales could, in the worst case, impair the liquidity and functioning of the market.

4.3 Financial Infrastructure

An uncertain world places high demands on the financial infrastructure

For the financial system to be stable, the financial infrastructure must function well and withstand shocks. In times of stress, it can be particularly challenging for participants in central counterparties (CCPs) to meet increased margin requirements. Such requirements reflect the fact that losses in various derivative positions tend to be larger when the market is volatile.

During this spring's market turmoil, the Swedish CCP Nasdaq Clearing has occasionally issued many more intraday margin calls to its participants than normal. On a single trading day, the combined value of all intraday margin calls issued was higher than during both the pandemic and last year's tariff-related market turmoil. However, participants have had no difficulties in meeting the calls.⁵⁷

An important factor for Swedish financial stability is that Nasdaq Clearing has divested its clearing operations for Nordic electricity derivatives to the Italian CCP Euronext Clearing. This helps to reduce the risk for Nasdaq Clearing, as the margin requirements associated with this type of commodity derivatives have been significantly more extensive than for financial derivatives (see chart 19). However, this does not mean that all risk associated with commodity derivatives has disappeared. Swedish commodity participants still need to be able to post additional collateral if the margin requirements related to their centrally cleared commodity derivatives increase. This is carried out via the banks that are participants in Euronext Clearing, one of which is currently Swedish.⁵⁸ The Swedish banking sector therefore still plays a certain role in

⁵⁶ According to their investment rules, the AP funds may not have an exposure to currency risk that is greater than 40 per cent of the assets.

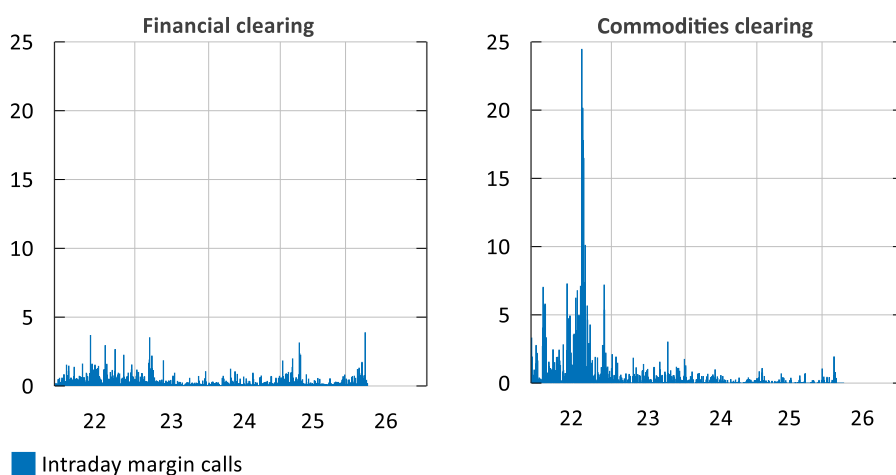
⁵⁷ In mid-March, Nasdaq Clearing transferred the majority of cleared Nordic electricity derivatives to Italian CCP Euronext Clearing, after which Nasdaq Clearing's commodity clearing service was fully wound down on 30 April.

⁵⁸ According to Euronext Clearing, SEB is one of a total of 16 banks that are participants in their commodity clearing.

the management of these risks. Overall, however, the direct stability risks in Sweden are judged to be lower than previously.

Chart 19. Intraday margin calls for Nasdaq Clearing’s participants

SEK billion



Note. The charts show Nasdaq Clearing’s intraday margin calls per clearing service. As volatility increases, a CCP may be forced to collect additional collateral from its members at short notice to cover increased risk exposures, known as intraday margin calls. To make the charts readable, the bars are wider than scale. Lower values therefore tend to be obscured by bars with higher values.

Source: Nasdaq Clearing.

Although there have been some interruptions, availability has generally been high in the infrastructure systems overseen by the Riksbank, despite periods of elevated market volatility. It is important that the infrastructure, and its supporting systems, are stable and resilient, and continue to have the capacity to handle the increased number of transactions that may arise from increased trading in the context of volatility. It is therefore positive that work is under way to replace and upgrade systems in the financial infrastructure that are partly outdated, so that they can meet future requirements regarding, for example, cyber protection and availability. However, this requires operators to have sound risk management and to ensure stable operations even while the work is ongoing. One important measure, which the Riksbank has previously called for, is for the banks to reduce the number of disruptions in their systems linked to Swish.⁵⁹ Since January this year, GetSwish AB has been under the supervision of Finansinspektionen as a clearing company. This places higher demands on the company’s incident management and operational resilience, which may eventually make its service more available.

New conditions for cross-border infrastructure and payments

As part of the work on a Savings and Investment Union (SIU), the European Commission has put forward a package of proposals on market integration and supervision.

⁵⁹ For a Swish payment to be executed, several systems need to be available simultaneously: GetSwish’s own systems, Financial ID Technology’s BankID service, the banks’ systems and the Riksbank’s system for instant payments, RIX-INST.

The aim is to remove barriers that lead to fragmented and underdeveloped capital markets in the EU. Among other things, the Commission proposes measures to make it easier for trading venues and central securities depositories (CSDs) to offer their services in other countries, and to create a more coherent supervision of fund managers by giving ESMA a coordinating role.⁶⁰ For significant CCPs and CSDs, it is proposed that direct supervision be entrusted to ESMA.

The Riksbank is in favour of the aim of the Commission's proposal. EU capital markets play an important role in the future growth and prosperity of the Union. Removing barriers to cross-border activities and streamlining is therefore important. However, it is also important to consider the stability implications of the proposed measures. While more integrated and interconnected capital markets are positive from an efficiency perspective, a more complex system with fewer major players, and increased linkages between banks and non-banks, may contribute to increased contagion risks. As regards ESMA supervision of significant CSDs and CCPs, this could contribute to more efficient supervision through economies of scale and capacity building. However, the proposed retention of responsibility for the resolution of these institutions at national level may lead to an unclear division of responsibilities in the event of a crisis. Therefore, if the proposals are implemented, it is crucial to ensure that national authorities have close cooperation with ESMA and accurate information about the agents operating in the country. Among other things, this is a prerequisite for the Riksbank to be able to fulfil its oversight task efficiently, a task that is not affected by changes in supervision.

The Commission's proposal also allows for targeted measures for non-banks to strengthen macroprudential policy and make the financial system more resilient. This would be particularly welcome if greater consideration could be given to the financial stability of countries in which funds invest, as these are often the hardest hit if individual funds run into problems.

Stablecoins are a relatively new phenomenon which can help make cross-border payments cheaper, faster and more transparent. The market for stablecoins is growing rapidly but remains small relative to the global financial system. However, if the use of stablecoins continues to grow rapidly, it could pose risks, for example by increasing Europe's dependence on foreign infrastructure. Several countries have introduced regulatory frameworks for stablecoins, but the pace of development is so fast that risks may increase, and regulatory frameworks may need to be adapted and harmonised. The cross-border nature of stablecoins is also a strong reason for cooperation and consensus among authorities in different countries.⁶¹

⁶⁰ A CSD (Central securities depository) operates systems for the settlement of securities transactions, provides securities accounts, holds securities in electronic form, and plays an important part in the execution of various types of corporate actions, such as dividends. Euroclear Sweden is Sweden's central securities depository.

⁶¹ See the article "The growing market for stablecoins poses new questions for central banks", *Financial Stability*, 2025:2, Sveriges Riksbank.

FACT BOX – A new crisis management function

Operational disruptions – which can be caused by cyber attacks, operational errors, power cuts or natural disasters, for example – can lead to the failure of critical financial services. Although the disruptions do not necessarily threaten financial stability, they can quickly have significant consequences for society. In the financial field, for example, it can be a matter of payments not working properly.

Financial services have become increasingly vulnerable to this type of disruption due to digitalisation, and the interconnectedness of institutions and markets means that disruptions can easily spread. This means that operational disruptions require coordinated and timely action from multiple agents, both public and private. To facilitate cooperation in such situations, a new function for operational crisis management in the financial sector will be established on 1 July this year.⁶² This function is responsible for responding to operational disruptions that threaten critical financial services, such as payments, savings, credit and insurance.

The function, which is not part of any authority but is led by the Riksbank, includes Finansinspektionen, the Swedish National Debt Office, the Riksbank and companies that are of particular importance for payments. The Riksbank may also decide that the companies covered by the Riksbank's oversight shall be included in the function. Other participants can be invited depending on the situation. This may include other authorities that can provide support and expertise, and financial companies affected by the incident.

In the event of a crisis, the function should contribute to an efficient and coordinated response by the respective participants and the financial sector as a whole. This may include ensuring effective information sharing and a shared situational awareness, establishing a common direction and coordination of actions, and targeting specific support to a participant affected by, for example, a cyber attack.

⁶² See the Bill from the Ministry of Finance "En ny funktion för operativ krishantering i den finansiella sektorn" [A new function for operational crisis management in the financial sector], Government Bill 2025/26:116, 17 February 2026. In Swedish only.

ARTICLE – Banks and the Swedish covered bond market

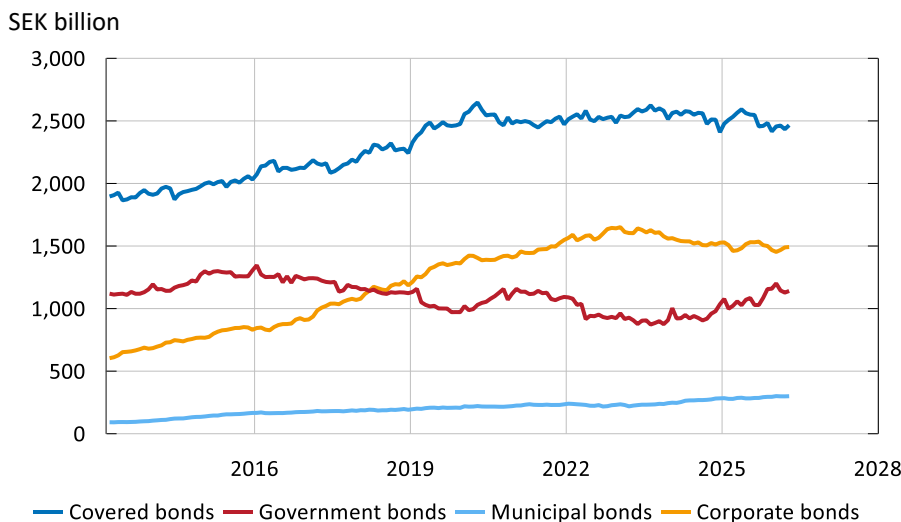
The Swedish covered bond market is a central and unique part of the Swedish financial system. This article describes how banks play a crucial role in this market, acting as issuers, market makers and large investors, as well as financiers of other investors. Banks therefore have both incentives and opportunities to help maintain the functioning of this market and are thus primarily responsible for its functioning. The Riksbank normally provides liquidity via standing facilities. In a crisis situation, the Riksbank can also take supplementary measures to counteract the shock. This can be done by providing additional liquidity via lending to banks or by buying securities. These two types of measures have different stabilising effects, and which one is preferable depends on the nature of the specific crisis. The analysis in this article focuses on the covered bond market. Its unique characteristics mean that lending is generally preferable.

The covered bond market is important and attracts diverse investors

There are two reasons why the Swedish covered bond market has a unique position in the financial system. First, it is large. The outstanding volume of covered bonds amounts to approximately SEK 2,500 billion. This is roughly equivalent to all outstanding government and corporate bonds combined, or close to 40 per cent of Sweden's GDP in 2025. Banks issue covered bonds mainly in Swedish kronor but also in foreign currency, primarily in euro (see chart 20).⁶³ The ability to issue in foreign currency helps to diversify banks' funding.⁶⁴

⁶³ Since 2020, the outstanding volume of Swedish covered bonds has remained relatively constant. Although the volume of mortgages issued has increased, banks' needs to issue debt instruments have decreased. One reason is that the Riksbank's asset purchases have created liquidity and deposits in the banking system. See "How does quantitative tightening affect banks?" in *Financial Stability Report, 2024:1*, Sveriges Riksbank.

⁶⁴ The Riksbank's primary focus is on analysing the market for covered bonds issued in Swedish kronor.

Chart 20. Volume outstanding bonds

Note. The amounts refer to bonds issued, in all currencies, by Swedish actors.

Source: Statistics Sweden.

Second, covered bonds are characterised by a very high credit quality, as they are backed by a cover pool that is legally separated from the issuer's other assets and subject to ongoing supervision. The cover pool consists mainly of high-quality residential mortgages and must fulfil strict overcollateralisation and risk mitigation requirements.⁶⁵ The investor therefore has dual recourse, firstly in the form of the issuer's payment obligation, and secondly via priority access to the assets included in the cover pool in the event of the issuer's default.⁶⁶ This means that covered bonds generally have the highest credit rating. Banks' unsecured funding lacks similar protection.

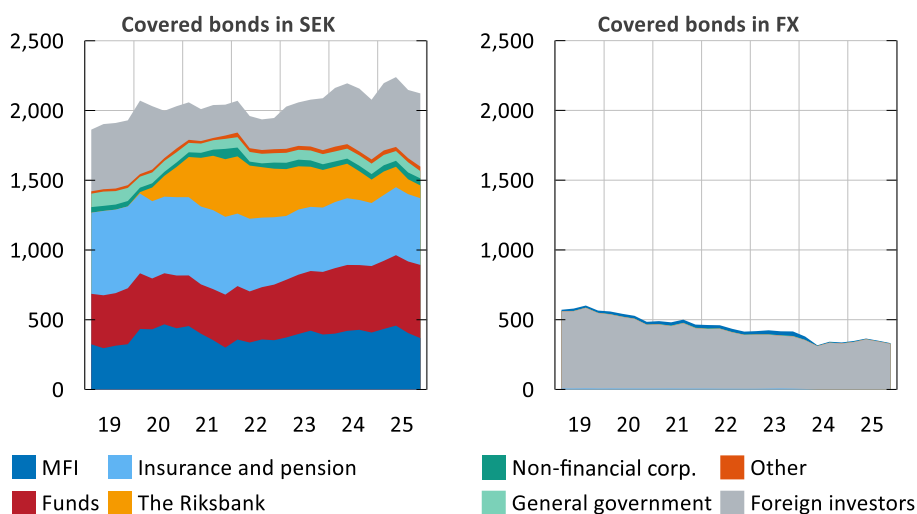
The combination of a high credit rating and a yield slightly above the government bond rate makes covered bonds attractive to different types of investors, contributing to the market's high liquidity, turnover and resilience. Insurance and pension companies, for example, see covered bonds as an attractive way to match their long-term liabilities. Swedish funds are also major investors. Both types of investors have a long-term perspective but at the same time look continuously for relative value opportunities. Foreign investors are another significant investor category. They reduced their holdings of covered bonds in Swedish kronor when the Riksbank, for monetary policy reasons, purchased covered bonds during the coronavirus pandemic of 2020-2022, but have now increased their investments again as the Riksbank winds down its holdings (see chart 21).

⁶⁵ In Sweden, Swedish banks or credit market companies authorised by Finansinspektionen (FI) may issue covered bonds. In addition, a special authorisation from FI is required in accordance with the Covered Bonds Issuance Act (LUSO) (2003:1223). FI has also supplemented LUSO with regulations and general guidelines.

⁶⁶ For a more detailed review of covered bonds and their link to financial stability, see, for example, Fager Wettergren, J., D. Forsman, M. Sandström and J. Stenkula von Rosen (2013), "The market for Swedish covered bonds and links to financial stability", *Economic Review*, 2013:2, Sveriges Riksbank.

Chart 21. Investors' holdings of covered bonds

SEK billion



Note. The amounts refer to covered bonds from Swedish issuers. MFIs are Monetary Financial Institutions (excluding central banks) such as banks and credit market companies, of which banks form the largest part. 'Insurance and pension' includes the national AP funds.

Source: The Riksbank.

Banks fulfil several functions in the market

Banks are at the centre of the covered bond market because they fulfil several different functions. They are, for example, issuers, where covered bonds account for around 18 per cent of the major Swedish banks' total funding.⁶⁷ The high credit rating means that the risk premium (i.e. the difference between the yield on the covered bond and the swap rate with the same maturity) is typically low, making covered bonds a key and cost-effective source of funding for banks, even when other markets are less well-functioning.

Moreover, banks are themselves significant investors in covered bonds, not least because covered bonds are an important instrument in their liquidity risk management. Covered bonds account for around 40 per cent of the banks' high-quality liquid assets (HQLA) in Swedish kronor and are therefore important for banks' ability to meet the liquidity coverage ratio (LCR) requirement. The banks also use the bonds as collateral in various types of repo transactions with other banks and financial agents, and in operations with the Riksbank.

Furthermore, they act as market makers, quoting bid-and-ask prices on an ongoing basis and thereby contributing to liquidity in the secondary market. This gives them a deep insight into developments in supply and demand and allows them to detect increasing market stress. As market makers, banks can also influence market prices and functionality. The availability of market makers, as well as the high liquidity and credit

⁶⁷ The 12 institutions that are currently authorised to issue covered bonds are listed in FI's company register <https://www.fi.se/en/our-registers/company-register/>.

rating, also make covered bonds attractive liquid instruments for non-bank investors, which in itself further contributes to market liquidity. This is reinforced by the fact that the Riksbank accepts covered bonds as collateral for lending to banks.

Finally, banks can finance the covered bond holdings of other agents. A large proportion of foreign investors are hedge funds and other leveraged investors. They obtain funding mainly through repos with banks. By adjusting the pricing of repos, banks can influence how much it costs for these agents to hold covered bonds. These investors then receive returns via what is known as carry trading and the value adjustment that arises from bond holdings over time.⁶⁸ Hedge funds are active in the covered bond market in several Nordic countries, not just in Sweden but also in Norway and Denmark.⁶⁹

There are stability risks in the market

Market participants generally regard the Swedish covered bond market as stable and liquid, but there are still stability risks.

Banks' linkages mean stress can spread quickly

The central position of banks in the covered bond market means that changes in either bank solvency or liquidity can affect the whole market. Banks' linkages to other agents and markets also mean that problems can spread through the financial system, affecting markets such as the repo, swap, government securities and foreign exchange markets. These linkages imply that price formation, liquidity and risk premiums tend to co-vary. It also means that stress in neighbouring markets can quickly affect the demand for and liquidity of covered bonds, even if the problems are not actually in the banks or in the underlying mortgages.

For example, in previous periods of stress, uncertainty about banks' creditworthiness has affected the market for their debt instruments. During the global financial crisis of 2007-2010, deteriorating financing conditions and increased international liquidity shortages led to rising risk premiums (see chart 22). Covered bonds remained relatively liquid and were used extensively to obtain liquidity, but the selling pressure intensified and banks' funding costs increased. As some market participants questioned the solvency of certain banks, the government introduced a programme whereby banks could issue covered bonds with a government guarantee.

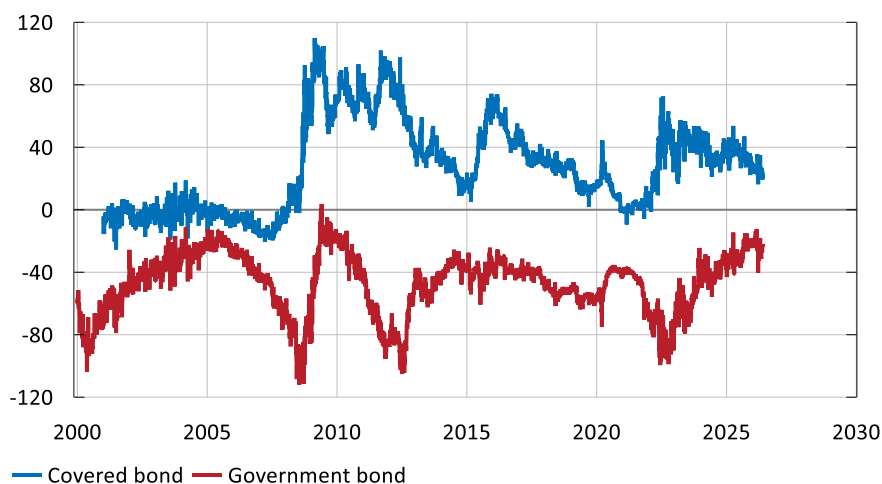
However, the market's international links can sometimes also have a stabilising effect. During the European sovereign debt crisis of 2011-2013, demand for Swedish covered bonds increased as investors sought liquid assets with low credit risk, pushing down risk premiums and improving funding conditions for banks.

⁶⁸ Carry trading normally means that the investor borrows in a currency with a low interest rate and invests in another currency with a higher interest rate to make a profit on the differential.

⁶⁹ See, for example, *Financial Stability Report*, H1 2025, Norges Bank, and "The secured money market is an integral part of financial markets", *Economic Memo* No 12, May 2025, Danmarks Nationalbank.

Chart 22. Risk premiums

Basis points



Note. Refers to a 5-year maturity. Risk premiums are calculated as spreads against the swap rate.

Sources: Macrobond and the Riksbank.

Another link that may contribute to potential instability is that 14 per cent of the major Swedish banks' total funding takes place via money markets in US dollars and euros. Banks use the funds they receive in this way both to finance their own liquidity portfolios and to lend short-term, such as to provide repos. In the event of disruptions in these markets, such as a shortage of US dollars, Swedish banks may need to adjust their funding strategy and issue more covered bonds. This affects the risk premiums of the instrument. Such a scenario could also have contagion effects in the financial system, via reference rates in Swedish kronor and Swedish companies' access to foreign currency.

Leveraged investors create complex dependencies

Leveraged investors, such as hedge funds, own between 20 and 25 per cent of the outstanding covered bonds in Swedish kronor.⁷⁰ This type of investor can either increase or reduce risk in the market. They broaden the investor base and can provide liquidity to the market in times of stress, as they did during the initial stages of the coronavirus pandemic. However, in a situation where they need to sell assets instead, they could trigger or amplify an ongoing stress. During the global financial crisis, this type of investor proved to be relatively flighty.

These investors finance themselves almost exclusively through short-term repos with banks. Thus, the banks' terms for repo lending will have an impact on whether investors choose to maintain their investments in the bonds. This is an important issue for banks, as their funding model relies to some extent on investors that they fund themselves. This is a clear example of how closely markets are interconnected and how

⁷⁰ This refers mainly to Danish funds, but also some US and Swedish funds. See also "BOX – Concentrated and leveraged foreign holdings in banks' covered bonds" in *Financial Stability*, 2025:1, Sveriges Riksbank.

participants are interdependent. Therefore, banks need to take a holistic approach when deciding whether to adjust the volume or terms of the repos they offer.

High risk premiums can become self-reinforcing and reduce lending

Market stress can lead to increased risk premiums. Moreover, such stress affects banks in a similar way. Higher risk premiums make it more expensive for banks to fund new borrowing and also lower the market value of their holdings. If this happens at the same time as selling pressure from other participants increases, risk premiums risk increasing further. Banks can then seek funding in other markets, for example internationally by issuing euro-denominated covered bonds, or via more short-term financing. Another option is for them to reduce their balance sheets, for example by limiting repo supply. However, it could lead to a significant market correction that could spread through the financial system. Overall, this could reduce banks' earnings and lead to higher lending rates and potentially less access to credit for Swedish companies.

If these stability risks materialise, they could have significant consequences throughout the financial system. This could lead to an increase in banks' funding costs, which would worsen the conditions for the supply of credit. It is therefore important that banks act as stabilisers by providing liquidity to the market.

Banks have the incentive and the capacity to reduce market stress

As the covered bond market is important for banks' funding and liquidity risk management, they have a strong incentive to ensure that the market functions effectively, both in normal times and in times of stress. At the same time, the different roles banks play in the market mean that they are well capable of responding to liquidity problems in the market, as they have the tools that can support several key market functions. They can influence the supply of bonds by, for example, postponing or reducing their issuance. They also have several different markets at their disposal if needed and are able to issue covered bonds in both Swedish kronor and euro. Several banks also act as market makers for covered bonds issued by the other banks. In addition, an individual bank may buy back its own bonds on a larger scale if there is selling pressure from other agents. The terms and volumes they offer in repo financing also affect how other agents can operate in the market. In addition, they can also obtain funding in the repo market.

The Riksbank can provide liquidity to the banks

The banks that are monetary policy counterparties can also obtain funding via the Riksbank's standing lending facilities if necessary. In the supplementary lending facility, they can use covered bonds as collateral. If necessary to counteract a severe shock to the financial system, the Riksbank may also conduct market support operations in the form of other credit facilities and, if there are exceptional grounds, purchase fi-

financial instruments. The exact form of such market support operations and the conditions and prices to be applied depend on the circumstances.⁷¹ In the case of broad and acute market shocks, as in the run-up to the coronavirus pandemic, the interplay between banks' own measures and regulatory interventions proved crucial. Then, the Riksbank's lending at longer maturities and purchase of covered bonds helped to stabilise the market, reduce funding costs and ensure that the banks could continue to offer credit.⁷²

It cannot be ruled out that the Riksbank may need to purchase covered bonds to counteract a severe shock – for example if the market stops functioning or if the banks' ability to issue is limited during a longer period. However, there are several reasons why it is generally more economically efficient and less risky that banks borrow from the Riksbank to safeguard financial stability in the event of shocks. This analysis focuses on the covered bond market because of the unique position of banks in this market.

One reason is that private agents are usually best placed to assess different types of risk, such as credit and liquidity risks. The prices that emerge in the market when private agents continuously assess these risks provide valuable information that helps to allocate capital efficiently. If the Riksbank were to buy covered bonds, it could disrupt that process. In addition, the provision of liquidity through lending is based on banks' actual demand for liquidity. This demand-driven approach allows participants to decide for themselves when and how much central bank liquidity they need to borrow. This allows the market's own stabilisation mechanisms to operate more effectively. If the Riksbank instead conducts purchases, it must judge when and how much to purchase, probably in a situation of large information asymmetry. This also risks increasing moral hazard in the longer run by creating expectations that authorities will continue to intervene in the future, which in turn can cause the banks to take greater risks.⁷³

Another reason is that if the Riksbank purchases financial instruments, they must, in accordance with the Sveriges Riksbank Act, be made in a neutral manner and the asset purchases will therefore not necessarily be specifically targeted at the agents with the greatest liquidity needs. This does not guarantee that the liquidity will reach the right recipients but rather may result in the market receiving more liquidity than necessary. This could in turn increase the Riksbank's risk exposure and at the same time affect private market participants more than is justified. The Riksbank avoids this problem with lending because it is demand-driven. Lending also has a clear "exit strategy", as the maturity of the loans defines when the Riksbank withdraws the liquidity.

⁷¹ For more information on general liquidity support from the Riksbank, see "Offering credits" on the Riksbank's [website](#).

⁷² The Riksbank's asset purchases during this period were made with the aim of maintaining the pass-through of monetary policy, in accordance with the legislation in force at the time. For more information, see for example the Swedish National Audit Office's report (2023) "[The Riksbank's asset purchases – a costly experience](#)", RiR 2023:21, which evaluates the Riksbank's asset purchases 2015-2021. See also the Riksbank's letter to the Riksdag Committee on Finance (2024), [The Riksbank's comments on the Swedish National Audit Office's audit of the Riksbank's asset purchases](#), 31 January 2024.

⁷³ See Acharya, V. V., R. Rajan and Z. Q. Shu (2025), "When is Less More? Bank Arrangements for Liquidity vs Central Bank Support", BIS Working Papers 1307, 21 November 2025.

This reduces the risk of extraordinary measures being unnecessarily prolonged or affecting the functioning of the market more than necessary. A clear time limit also contributes to transparency and predictability for market participants. However, experience from many central banks shows that purchased assets can take time to unwind and increase the risk that private agents will find it difficult to manage their liquidity without sustained central bank support. It is also important to be economical with public funds. This also applies to the Riksbank's balance sheet. It is therefore important that the Riksbank does not take excessive risks.

In the case of covered bonds, and for the reasons discussed above, it is normally better for the Riksbank to lend to the banks than to buy these particular instruments. Although it is possible for the Riksbank to buy if necessary to counteract a severe shock, the special conditions prevailing in the Swedish covered bond market mean that the Riksbank will primarily counteract a severe shock by lending to the banks. It is therefore important that banks have the operational capacity and willingness to be able to borrow quickly and efficiently from the Riksbank when needed.⁷⁴ The Riksbank has also made it easier for banks to borrow in the supplementary lending facility by lowering the associated lending rate and expanding the possibilities for banks to use covered bonds as collateral for loans.⁷⁵ The fact that they can do this is important for the monetary policy operational framework to function, but also for loans from the Riksbank to quickly have the intended economic effect in the event of shocks and thus safeguard financial stability.

Banks are responsible for maintaining market functioning

Banks rely on a well-functioning covered bond market to be able to fund themselves and manage liquidity risks. They therefore have strong incentives to manage market shocks. As dominant participants in the market, banks also have ample scope to act to mitigate any shocks, as long as they are solvent. Therefore, when markets are under stress, it is most effective for banks to act to manage the situation. This can help to maintain market functionality and counteract self-reinforcing liquidity problems. Banks also have adequate access to collateral and are therefore well able to borrow from the Riksbank's lending facilities if necessary to manage market shocks. From a financial stability perspective, it is essential that the banks have the operational capacity and willingness to utilise the Riksbank's lending facilities to be able to manage possible shocks. If there is a risk of shocks in the financial system, the Riksbank's role is primarily to help the banks, via lending, to support the market. There are several reasons why this is better than the Riksbank buying bonds, although this cannot be entirely ruled out. Banks have a major responsibility for maintaining the functioning of the market.

⁷⁴ See Thedéen, E. "The banks need to have more active liquidity management", speech on 11 September 2025, Sveriges Riksbank.

⁷⁵ See the Riksbank's press release 2025-03-19, "Riksbank cuts interest rate on the supplementary liquidity facility".



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