

Swedish banks underestimate mortgage risk

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Swedish regulators said the country's banks have underestimated the risk in their mortgage portfolios and will need to set aside more capital to guard against losses as the nation moves to stop debt bubbles forming, Bloomberg reports.

Household debt levels in Sweden has continued to rise even after it introduced an 85 percent cap on loans relative to property values. Swedish regulators last month set the minimum risk-weight requirement at 15 percent, almost three times existing levels.

Also neighbor Norwegian is hunted by rising debt levels and increased risks, Bloomberg said. Its government said this week it wants to triple the risk weights assigned to mortgage assets.

Michael Wolf, Swedbank's chief executive officer, recently said that the country's housing market probably faces "some sort of adjustment".

"You are seeing it gradually as we speak. I am not concerned about a house bubble -- I am more concerned about the debt level", he told Bloomberg