

# Will strong growth in the banking industry continue?

## Views on the balance of risks

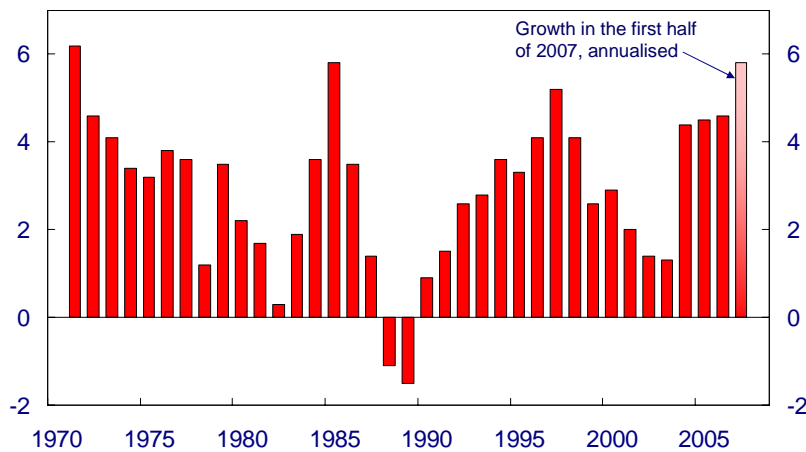
Speech at a banking industry seminar  
on primary capital certificates

13 September 2007

Deputy Governor Jarle Berge

# Mainland GDP

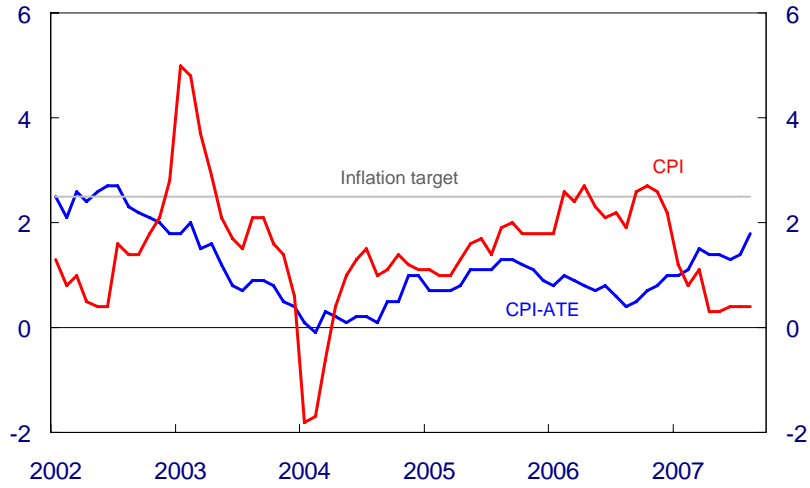
Annual growth in volume. Per cent. 1971 – 2007



Sources: Statistics Norway and Norges Bank

### Inflation

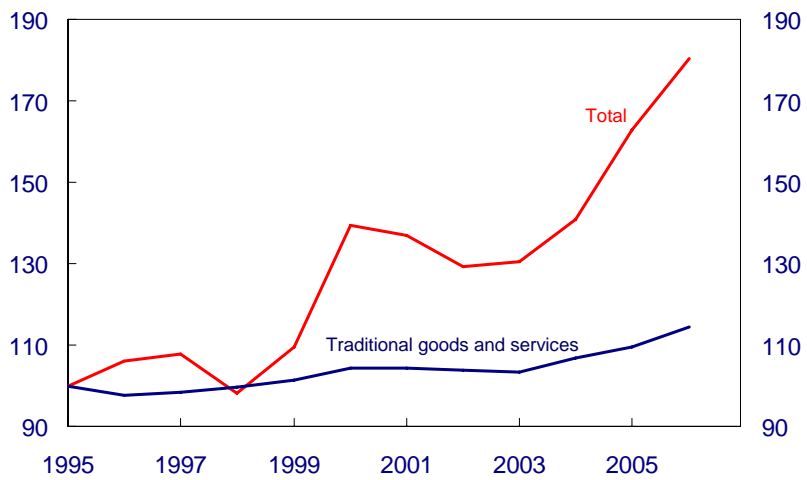
CPI and CPI-ATE. 12-month change. Per cent



Source: Statistics Norway

### Terms of trade

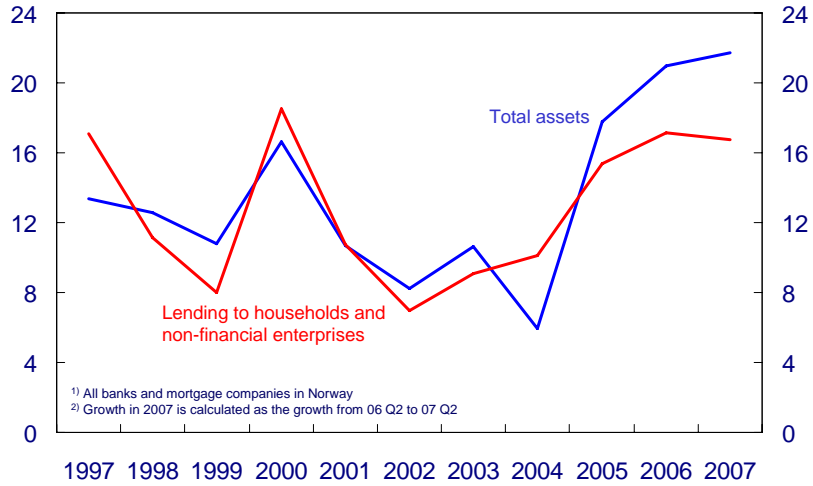
Index, 1995 = 100. 1995 – 2006



Sources: Statistics Norway and Norges Bank

### Growth in lending and total assets for banks and mortgage companies in Norway<sup>1)</sup>

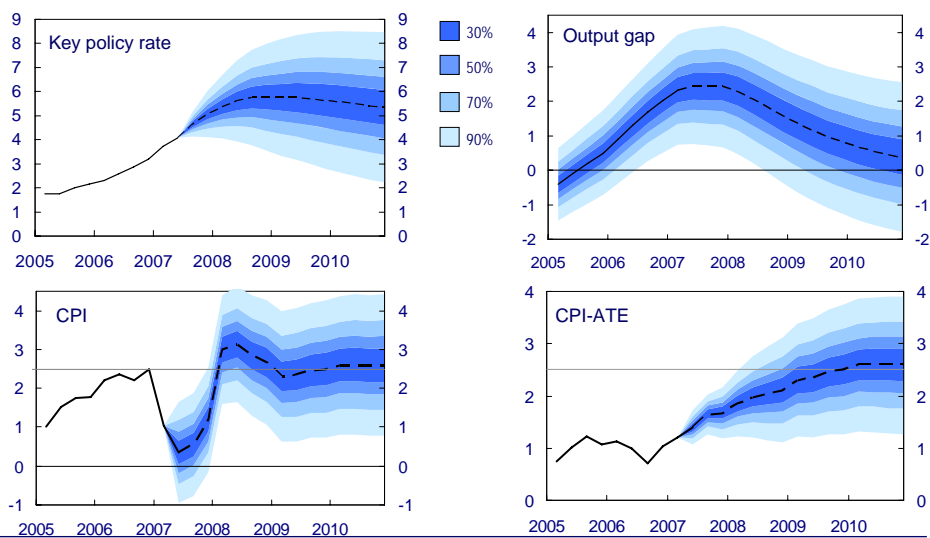
Annual growth. Per cent. 2001 – 2007<sup>2)</sup>



Source: Norges Bank

### Baseline scenario in Monetary Policy Report 2/07

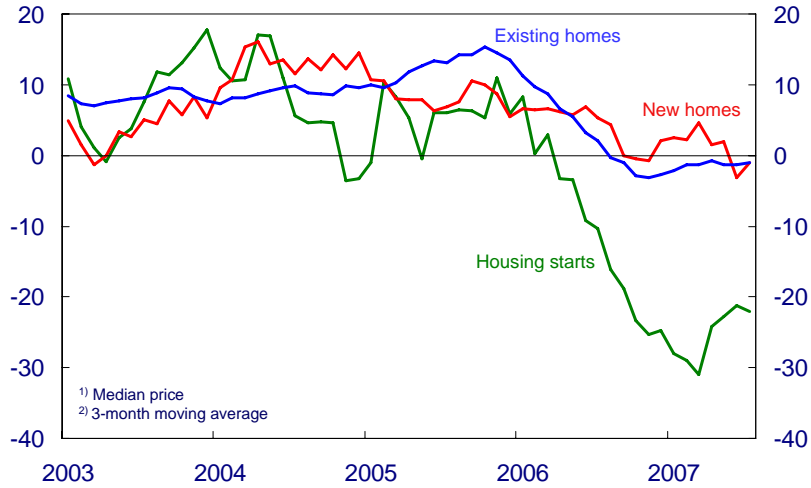
Per cent. 05 Q1 – 10 Q4



Sources: Statistics Norway and Norges Bank

### House prices<sup>1)</sup> and housing starts in the US

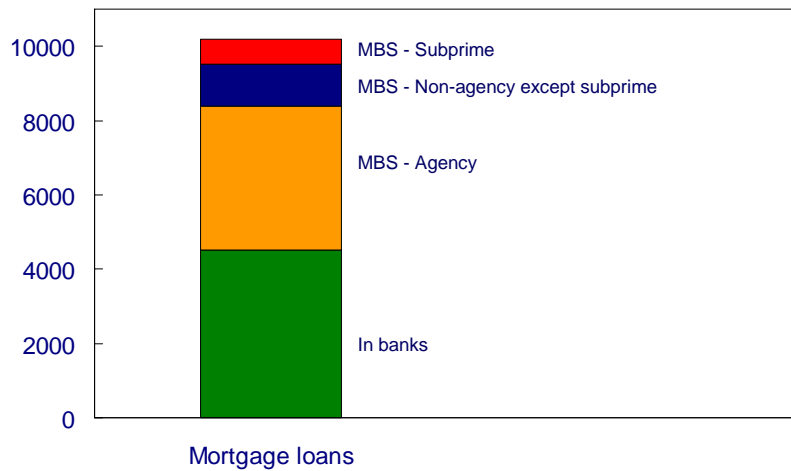
Seasonally adjusted. 12-month growth in per cent<sup>2)</sup>  
Jan 2003 – Jul 2007



Sources: Reuters (EcoWin) and Norges Bank

### Outstanding volume of mortgage loans in the US in 2006

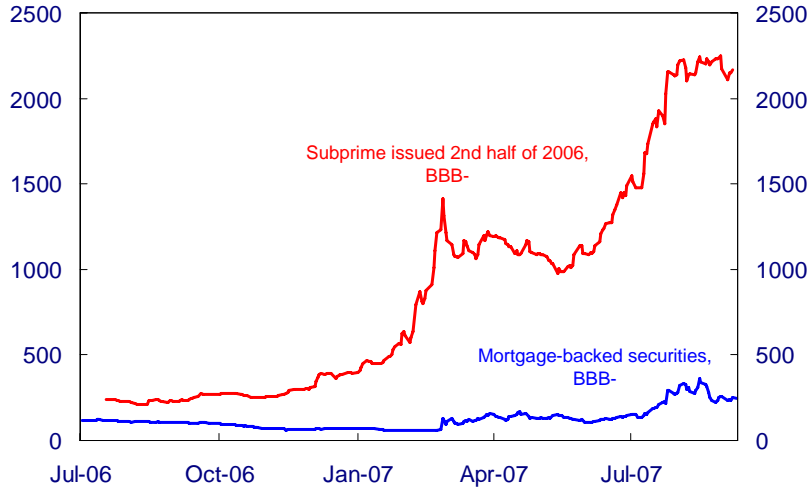
In banks and as mortgage-backed securities (MBS). Billions of USD



Source: UBS, US Economic Perspectives, 9 March 2007

### Credit spreads for mortgage-backed bonds with rating BBB- backed by subprime and conventional mortgages

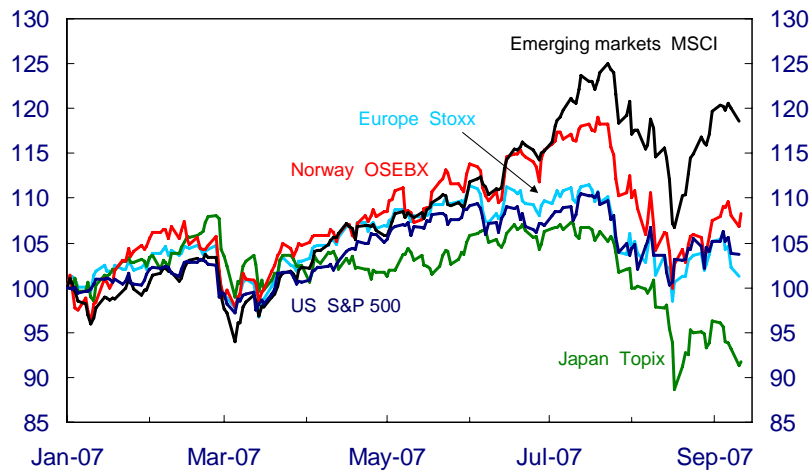
Basis points. 3 Jul 2006 – 10 Sep 2007



Source: Lehman Brothers

### International equity indices

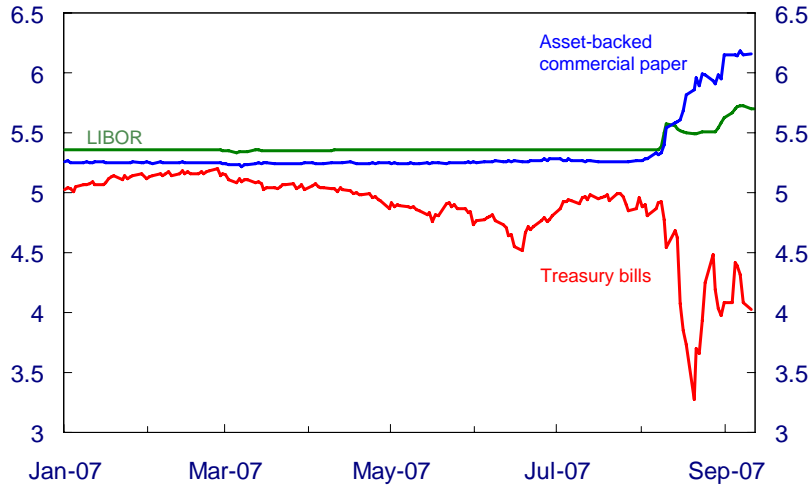
Indexed, 1 Jan 2007 = 100. 1 Jan 2007 – 11 Sep 2007



Source: Reuters (EcoWin)

### US interest rates with varying degree of risk

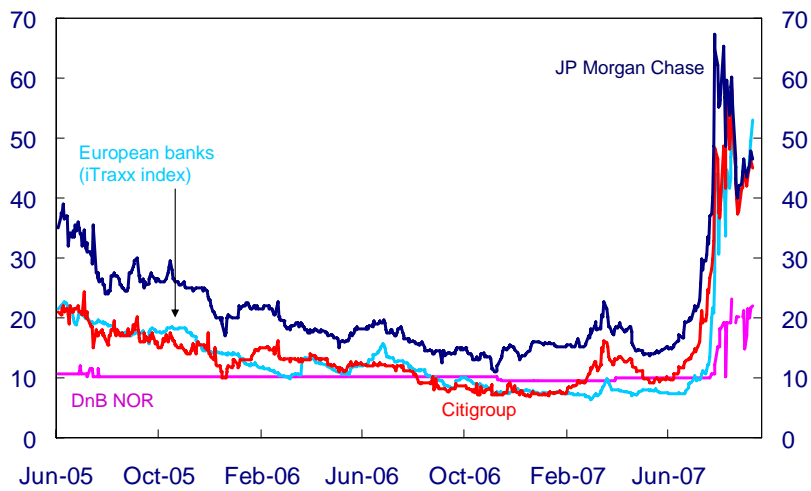
90-day rates. 1 Jan 2007 – 11 Sep 2007



Source: Reuters (EcoWin)

### Prices for hedging against credit risk. Prices for 5-year credit default swaps (CDS) for banks

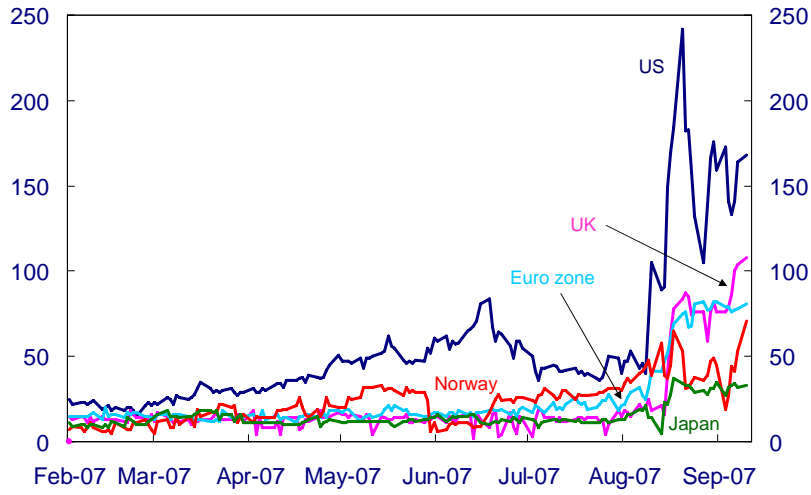
Basis points. 1 Jul 2005 – 10 Sep 2007



Sources: Bloomberg, Reuters and Thomson Datastream

### Interest rate spreads

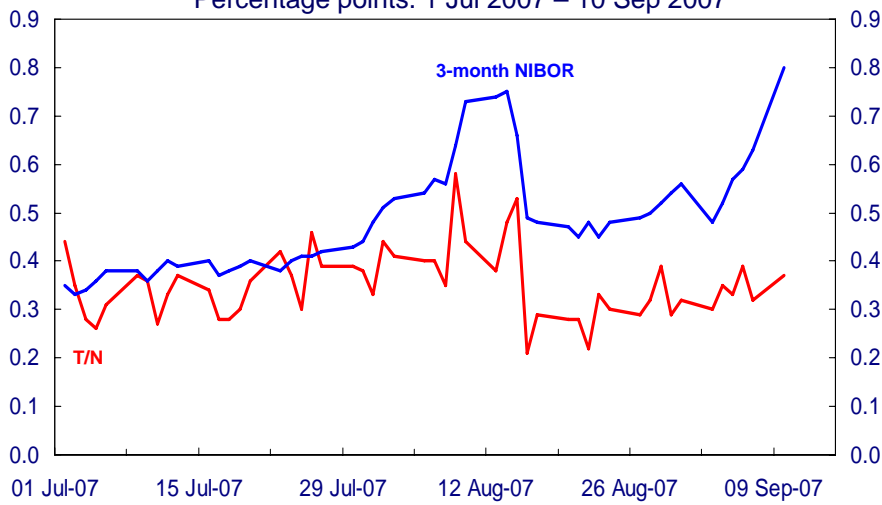
Spread between 3-month interbank rate and treasury bill rate  
Basis points. 1 Feb 2007 - 10 Sep 2007



Source: Reuters (EcoWin)

### The Norwegian money market

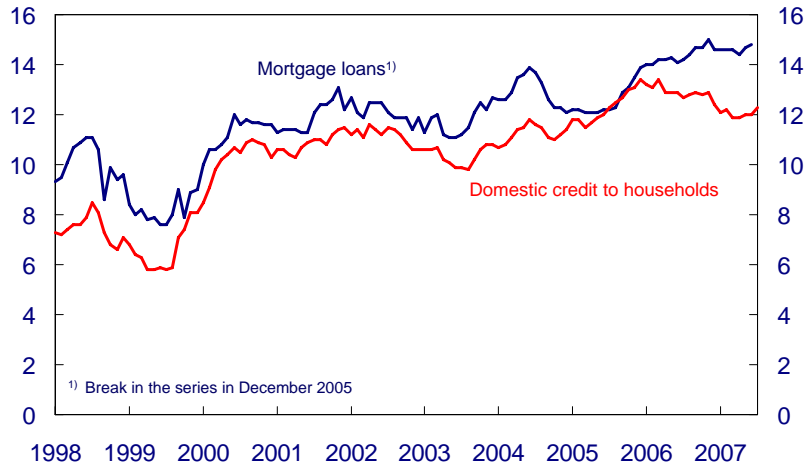
Interest rate spread between T/N, 3-month NIBOR and sight deposit rate.  
Percentage points. 1 Jul 2007 – 10 Sep 2007



Source: Reuters (EcoWin)

### 12-month growth in credit to households

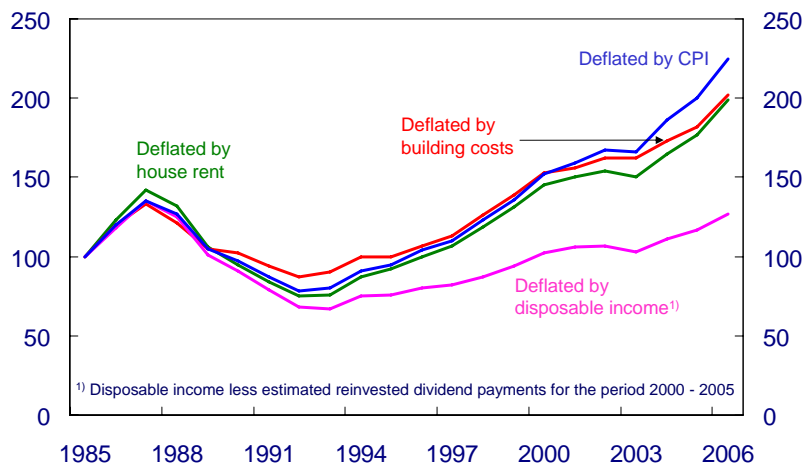
Per cent. Jan 1998 – Jul 2007



Source: Statistics Norway

### Real house prices

Indices, 1985 = 100. 1985 – 2006

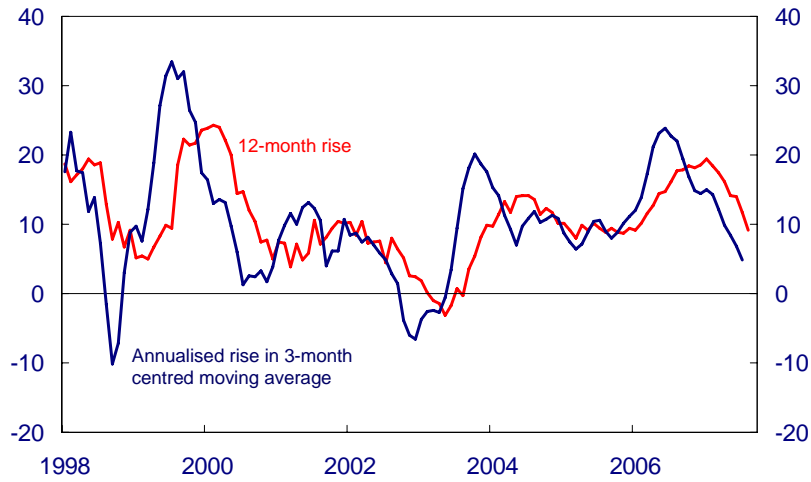


Sources: Association of Norwegian Real Estate Agents, ECON, Finn.no, Association of Real Estate Agency Firms, Statistics Norway and Norges Bank



### Rise in house prices

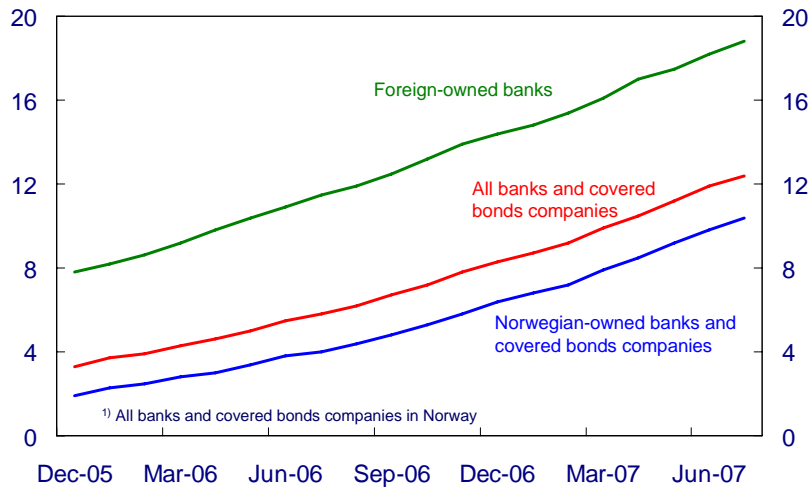
12-month rise and annualised 3-month rise.  
Per cent. Jan 1998 – Aug 2007



Sources: Association of Real Estate Agents, ECON, Finn.no and Association of Real Estate Agency Firms

### Credit lines secured on dwellings

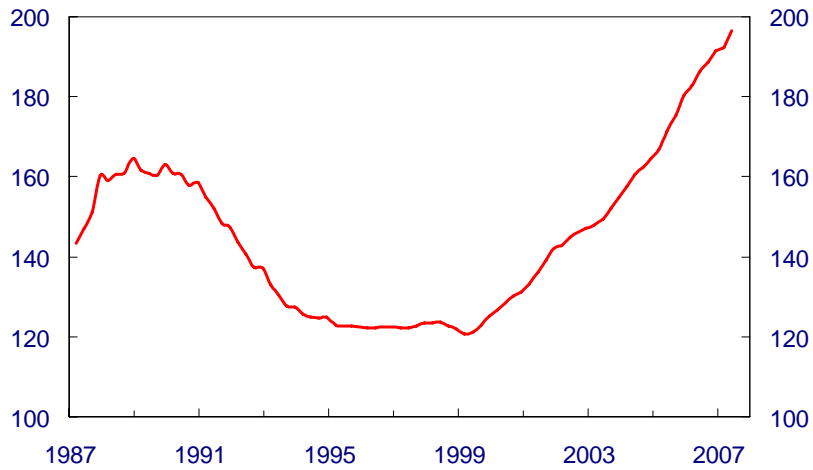
Share of total mortgage loans in banks and covered bonds companies<sup>1)</sup>  
Per cent. Dec 2005 – Jul 2007



<sup>1)</sup> All banks and covered bonds companies in Norway

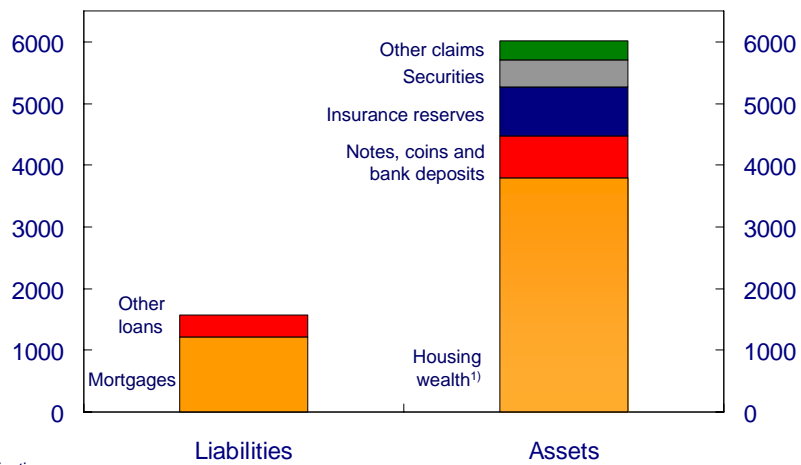
Source: Norges Bank

### Household debt burden Per cent. 1987 Q1 – 2007 Q2



Sources: Statistics Norway and Norges Bank

### Household liabilities and assets Billions of NOK. 2006 Q4

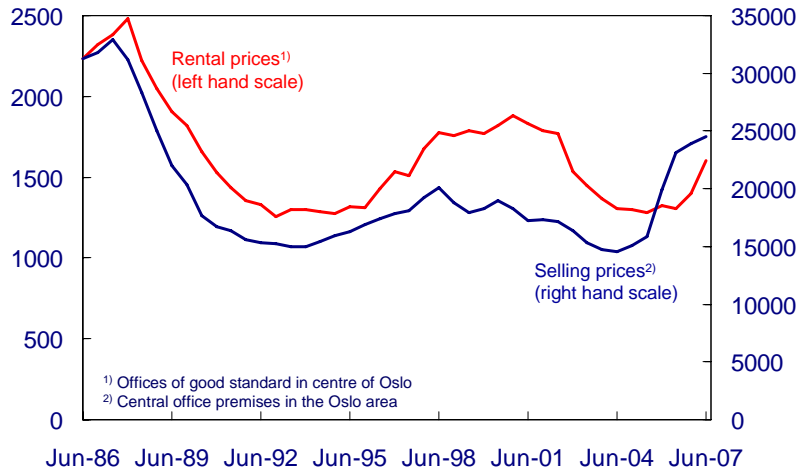


<sup>1)</sup> Projection

Sources: Association of Norwegian Real Estate Agents, ECON, Finn.no, Association of Real Estate Agency Firms, Statistics Norway and Norges Bank

### Rental and selling prices for office premises in Oslo

Constant 2007-prices in NOK per square meter. Jun 1986 – Jun 2007



Sources: Dagens Næringsliv and OPAK