

## Statement of the Financial Stability Committee 14 April 2021

The economic impact of the pandemic is still uncertain. Accommodative monetary and macroprudential policies and measures taken by the Government have supported households and businesses. Despite rising asset prices, cyclical systemic risk has not increased to any significant degree in the recent term. There is still some uncertainty about financial institutions' loan quality and how much they will need to write off as a result of the pandemic. The Financial Stability Committee (FSN) therefore decided in late March to hold the countercyclical capital buffer on financial institutions unchanged at 0%.

The three large commercial banks' capital and liquidity are strong, and they have ready access to liquidity in both krónur and foreign currencies. As a consequence, they have the resilience needed to address the repercussions of the pandemic.

The FSN considers it appropriate to continue monitoring the real estate market and credit growth, as it is important that supply and demand be in balance. In the current interest environment, it is vital that both lenders and borrowers be aware that debt service on non-indexed loans could change substantially.

The Financial Stability Committee is prepared to use every tool at its disposal to safeguard financial stability in Iceland.