

MEMORANDUM



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 Author **Division for bank analysis**

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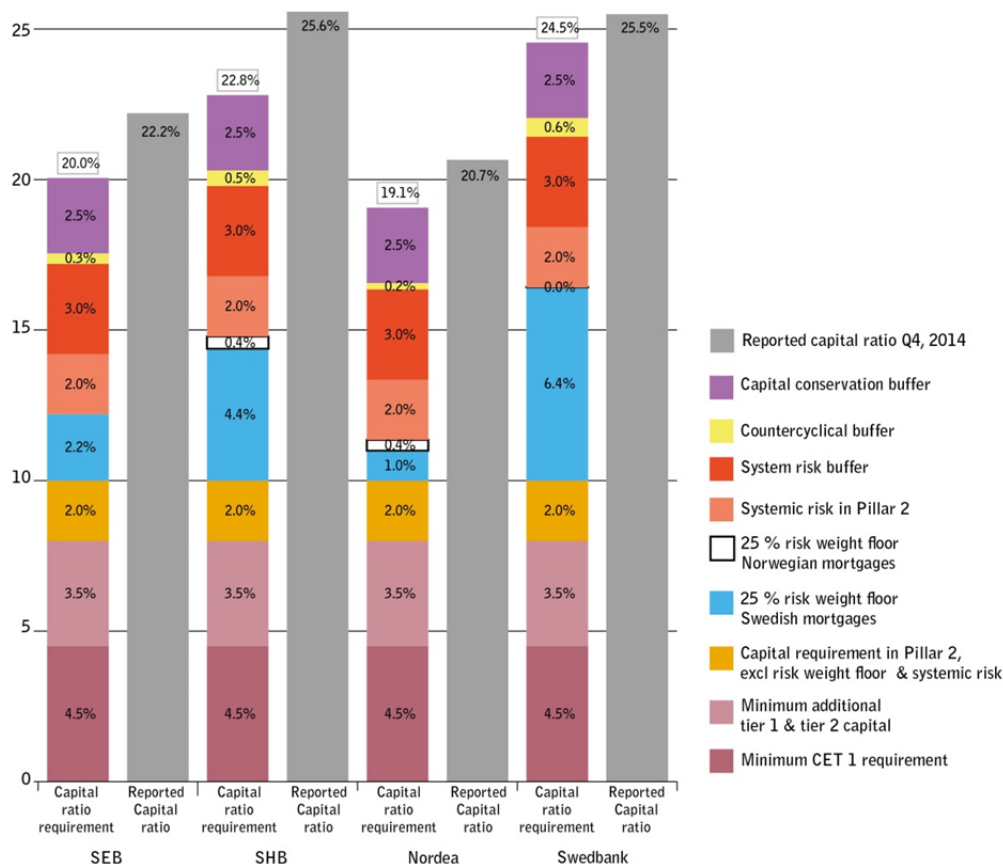
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Capital requirements of the Swedish banks, fourth quarter 2014

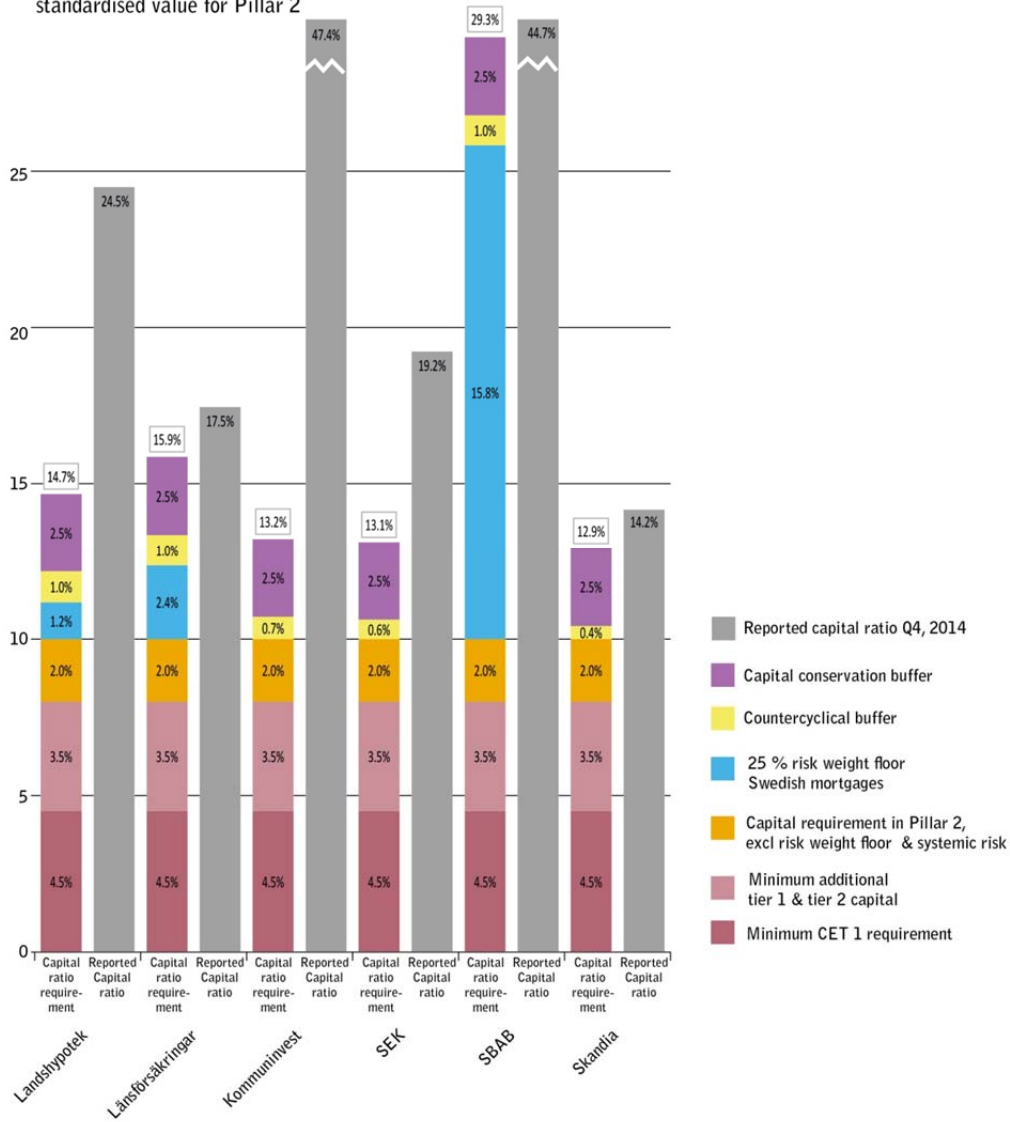
Summary

Finansinspektionen publishes on a quarterly basis the capital needs of the ten largest Swedish banks and credit institutions. This memorandum discloses these firms' capital requirements and capital ratios as of the end of the fourth quarter 2014.

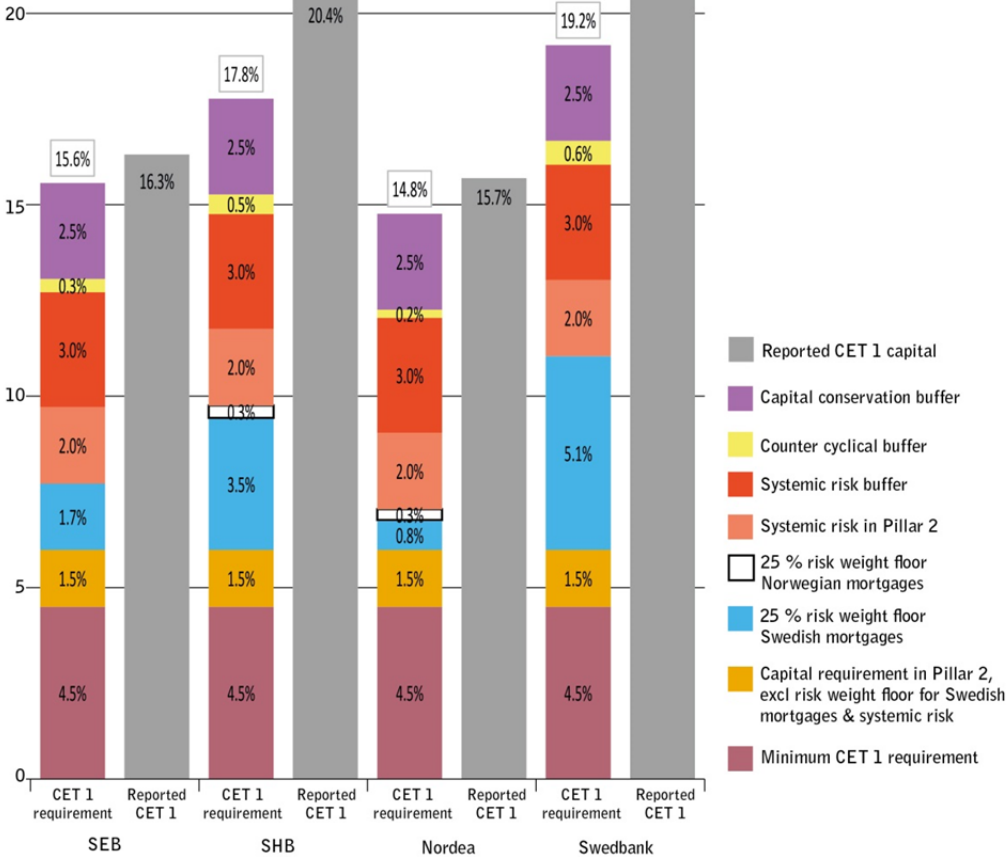
1 Total capital requirement, four major banks, standardised value for Pillar 2



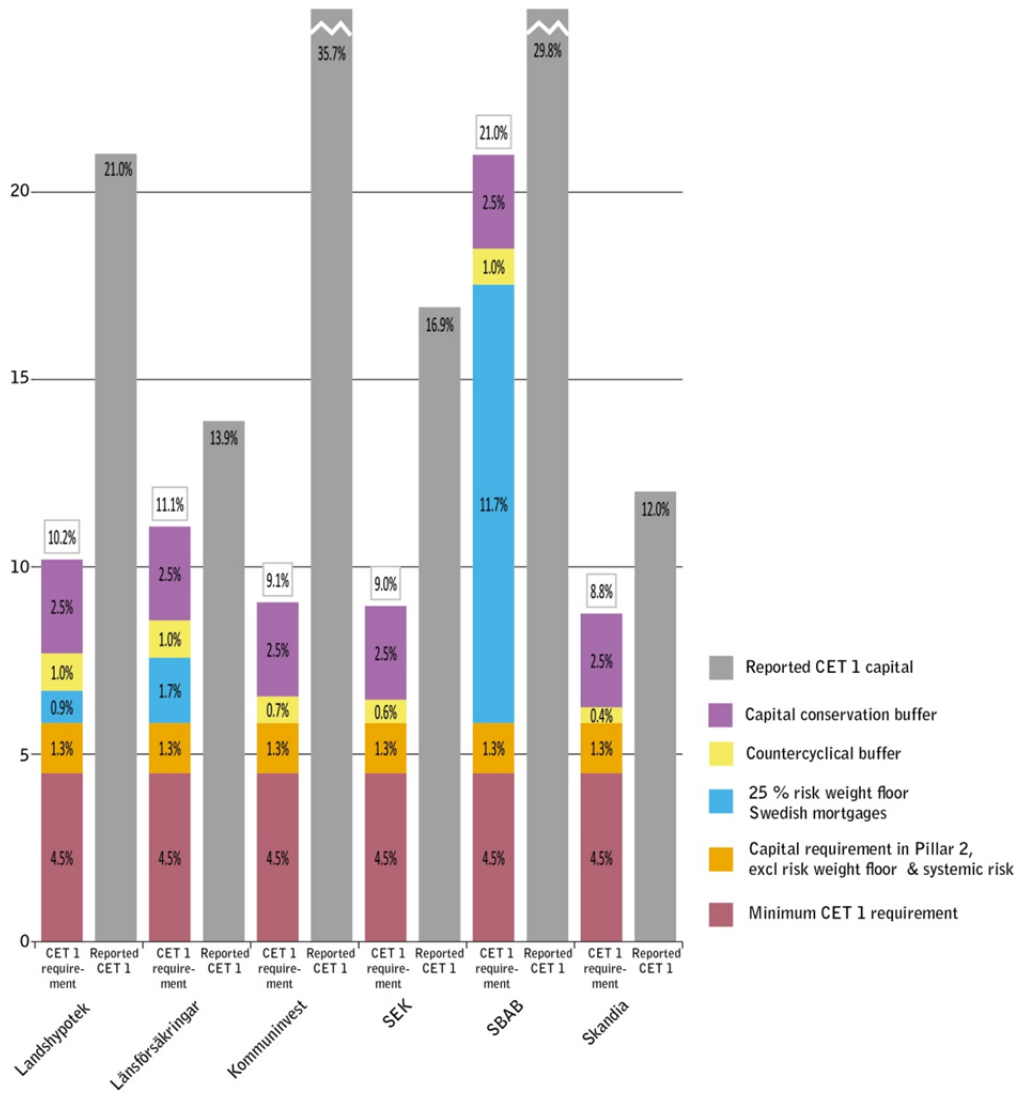
2 Total capital requirement, other six firms, standardised value for Pillar 2



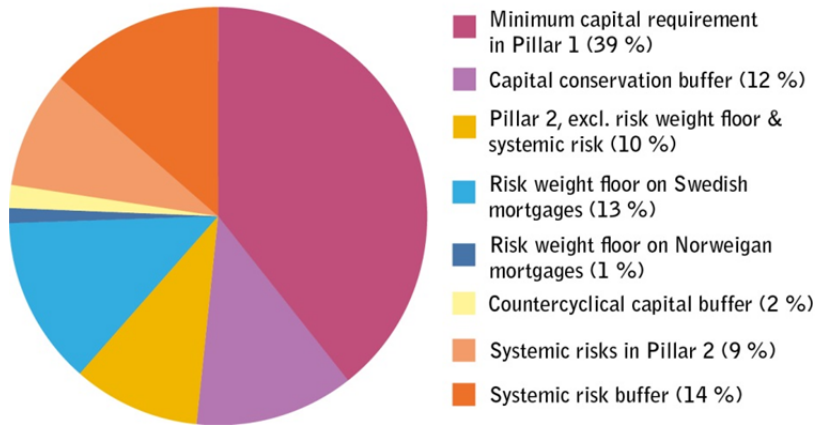
3 Common equity Tier 1 (CET 1) capital requirement, four major banks, standardised value for Pillar 2



4 Common equity Tier 1 (CET 1) capital requirement, other six firms, standardised value for Pillar 2



5 Breakdown of the components of the 10 largest firms' combined total capital need



6 Breakdown of the combined total capital need between the 10 firms

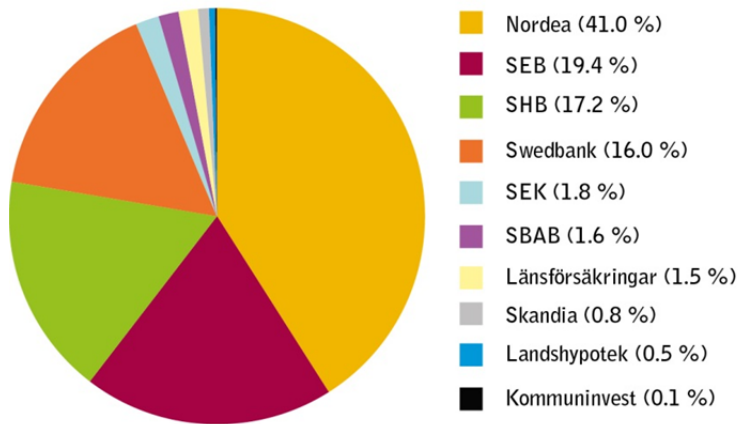


Table 1 Components of the 10 largest firms' combined total capital need (mnSEK)

	Nordea	SEB	Swed- bank	SHB	SBAB	SEK	Länsför- säkringar	Skandia	Lands- hypotek	Kommun- invest	Sum
Minimum requirement pillar 1 (8 %)	109 316	49 322	33 137	38 431	2 740	6 985	4 820	3 333	1 612	544	250 241
Capital conservation buffer (2,5 %)	34 161	15 413	10 355	12 010	856	2 183	1 506	1 042	504	170	78 200
Pillar 2, excl. risk weight floor & systemic risk (2 %)	27 329	12 331	8 284	9 608	685	1 746	1 205	833	403	136	62 560
Risk weight floor mortgages Sweden (25 %)	13 551	13 588	26 604	21 043	5 422	0	1 422	0	236	0	81 865
Risk weight floor mortgages Norway (25 %)	4 897	0	3	1 972	0	0	0	0	0	0	6 873
Countercyclical buffer Sweden (1,0 %)	2 936	2 130	2 588	2 461	329	543	601	175	200	49	12 011
Systemic risk pillar 2 (2 %)	27 329	12 331	8 284	9 608	0	0	0	0	0	0	57 552
Systemic risk buffer (3 %)	40 993	18 496	12 426	14 412	0	0	0	0	0	0	86 327
Total capital requirement	260 512	123 611	101 683	109 544	10 032	11 457	9 553	5 383	2 955	899	635 630

Note: Calculated using data per Q4, 2014.

Description of the calculations

The effects have been assessed based on data primarily pertaining to the fourth quarter of 2014. The calculations pertain to the consolidated level. The minimum capital requirement according to the Basel 1 floor are not reflected in the diagrams. The effects described in this chapter comprise ten firms, eight of these shall comply with the Basel 1 floor; the four major banks, Landshypotek, Länsförsäkringar, SBAB and SEK. The effects of the Basel 1 floor are accounted for in *Finansinspektionen's approach to the Basel 1 floor*.¹

The size of the various components of the capital requirement has been estimated as follows.

Capital requirement under Pillar 2, excluding risk weight floor and systemic risk. A standardised value has been used, which is 2 per cent of the riskweighted exposure amount in total own funds. The share to be covered by common equity Tier 1 capital is determined by the breakdown of type of capital according to Pillar 1 (including buffer requirements besides the countercyclical capital buffer) that applies to the major banks and other firms, respectively.

The firms' actual capital requirement under Pillar 2, excluding risk weight floor and systemic risk, may be higher or lower than the standardized value.

¹ Memorandum published on fi.se on 18 March 2014, FI ref. 13-13990.

Risk weight floor of 25 per cent for Swedish mortgages. The increased risk-weighted exposure amount brought about by the risk weight floor has been multiplied by the relevant capital requirement, including the countercyclical buffer rate for Sweden.

Risk weight floor of 25 per cent for Norwegian mortgages. The increased risk-weighted exposure amount brought about by the risk weight floor has been multiplied by the relevant capital requirement according to the same methodology as for Swedish mortgages.

Systemic risk in Pillar 2. 2 per cent of the total risk-weighted amount for the major banks. Covered in its entirety by common equity Tier 1 capital.

Systemic risk buffer. 3 per cent of the total risk-weighted amount for the major banks. Covered in its entirety by common equity Tier 1 capital.

Countercyclical capital buffer. The Swedish countercyclical buffer rate of 1 per cent has been used in the calculation. The firm-specific buffer value has been estimated on the basis of reported data according to the European common instructions for reporting (COREP). In order to calculate the firm-specific buffer value the Swedish share of the firm's relevant credit exposures is multiplied with the Swedish countercyclical buffer rate.

The Swedish countercyclical buffer is implemented as of 13th of September 2015.

The Swedish firms' capital requirements in response to foreign countercyclical buffer rates will be included in the analysis as they are implemented. Currently, no member of the European union has as of yet implemented a countercyclical buffer rate other than zero percent.²

Capital conservation buffer. 2.5 per cent of the total risk-weighted exposure amount. Covered in its entirety by common equity Tier 1 capital.

² For an overview of the current countercyclical buffer rates, see ESRB's web-page: <https://www.esrb.europa.eu/mppa/html/index.en.html>