



Capital requirements for the Swedish banks, second quarter 2022

25 August 2022



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Preface

Finansinspektionen (FI) publishes on a quarterly basis the capital requirements of all Swedish banks and credit market companies under its supervision that have been categorised as Categories 1 and 2.^{1,2} This memorandum discloses these companies' capital requirements and capital ratios as of the end of the second quarter 2022.

The capital requirements are based on the capital adequacy regulations, FI's application of the buffer requirements and FI's latest review and evaluation of the companies. The most recent evaluation for Skandinaviska Enskilda Banken (SEB) Svenska Handelsbanken (SHB), Swedbank, SBAB, Nordnet, Kommuninvest, Svensk Exportkredit (SEK) and Klarna was completed in September 2021. FI has decided on Pillar 2 requirements for these companies and communicated which level of Pillar 2 guidance that FI considers they should keep. Länsförsäkringar and Avanza were evaluated in 2020 according to previous regulations (see "Capital requirements for Swedish banks", FI Ref. 14-6258). Consequently, the Pillar 2 requirements have not been formally decided and FI has not taken any position on Pillar 2 guidance for these companies.

Further information on the capital requirements and their application to the Swedish banks can be found in the memorandum "New capital requirements for Swedish banks", FI Ref. 20-20990, and on FI's website.³

¹ FI categorises all credit institutions under its supervision on an annual basis. This categorisation enables FI to apply the guidelines issued by the European Banking Authority (EBA). A list of the credit institutions' supervisory categories is available at the following link:

<https://www.fi.se/contentassets/43cf633b47574b2a909b4fd7cc151afc/tillsynskategorisering-kreditinstitut-filialer-2022.pdf>.

² Swedish subsidiaries to foreign bank groups are not included in this memorandum. Hence, Nordea Hypotek's and Danske Hypotek's capital requirements are not included even though they are categorised as Category 1 and Category 2 institutions respectively.

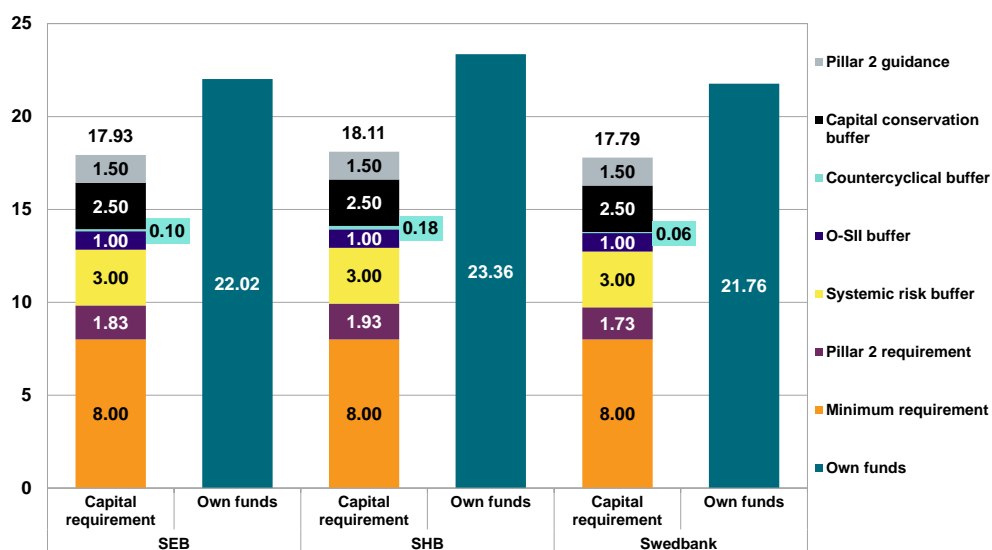
³ <https://www.fi.se/en/bank/Capital-requirements-for-swedish-banks/>.

Capital requirements, second quarter 2022

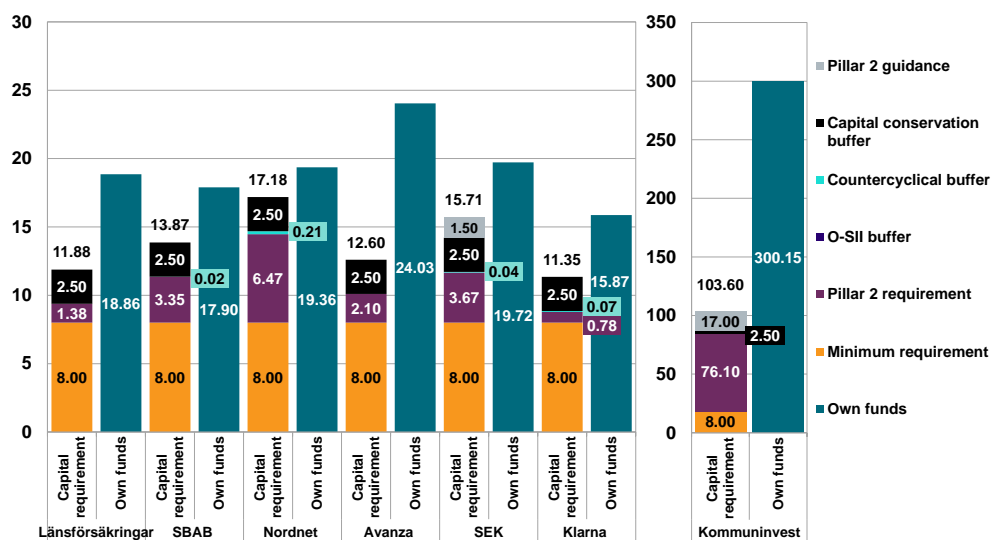
In this chapter we present the capital requirements for Swedish banks as of the second quarter 2022.

Capital requirements in percent

1. Own funds and capital requirements, three major banks (percent of REA)



2. Own funds and capital requirements, category 2 (percent of REA)

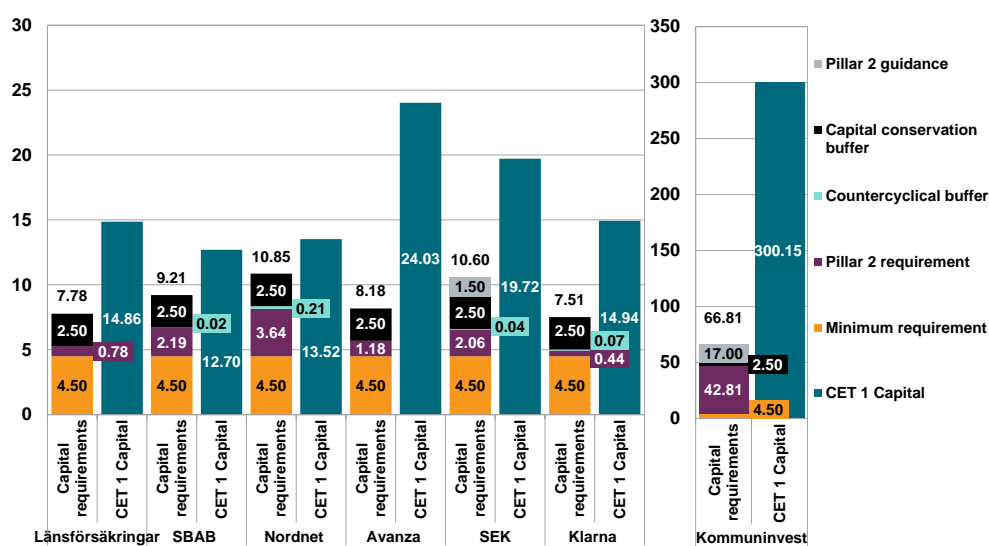


Länsförsäkringar and Avanza were evaluated in 2020 according to previous regulations (see “Capital requirements for Swedish banks”, FI Ref 14-6258). Consequently, the capital requirements in Pillar 2 have not been formally decided and FI has not taken a position on Pillar 2 guidance. Klarna has appealed FI’s Pillar 2 guidance. Pending the decision in court, FI does not apply any Pillar 2 guidance for Klarna.

3. Common Equity Tier 1 capital and Common Equity Tier 1 capital requirements, three major banks (percent of REA)

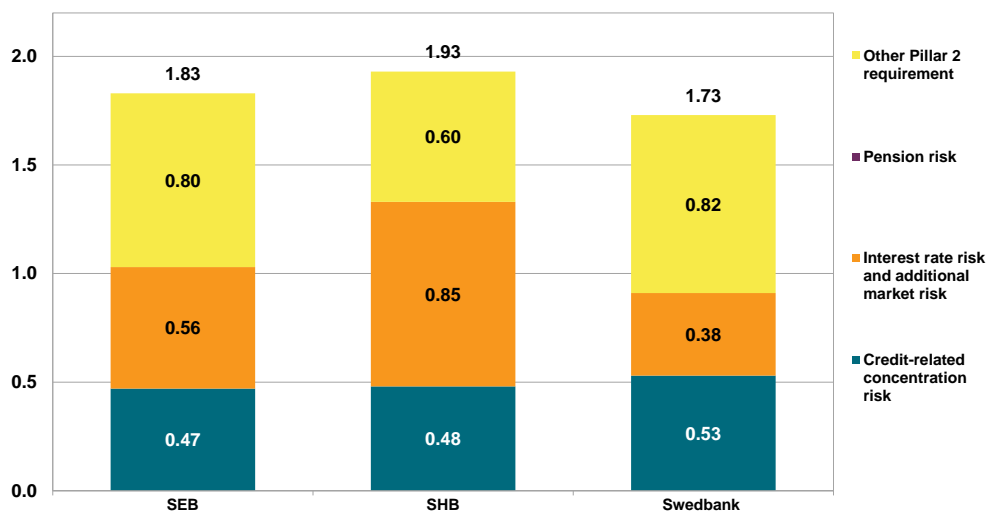


4. Common Equity Tier 1 capital and Common Equity Tier 1 capital requirements, category 2 (percent of REA)

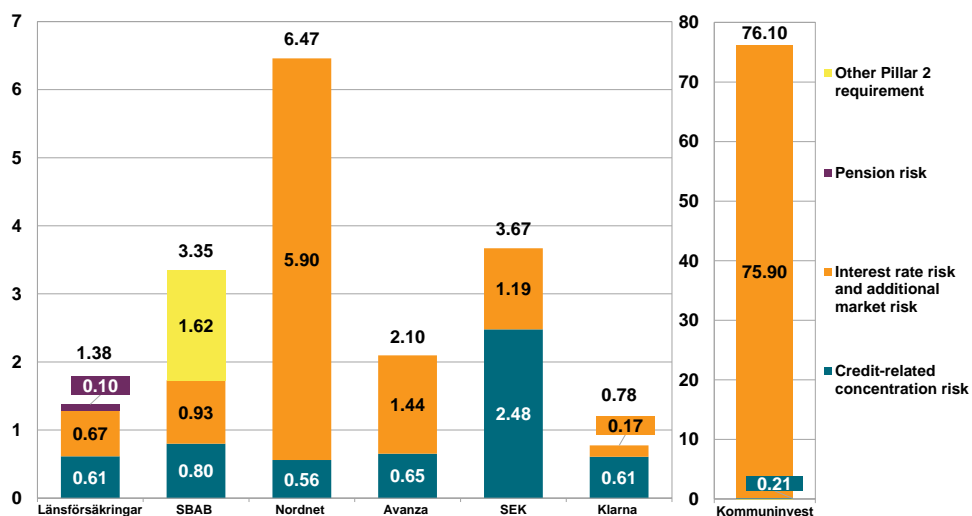


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5. Capital requirements in Pillar 2, three major banks (percent of REA)

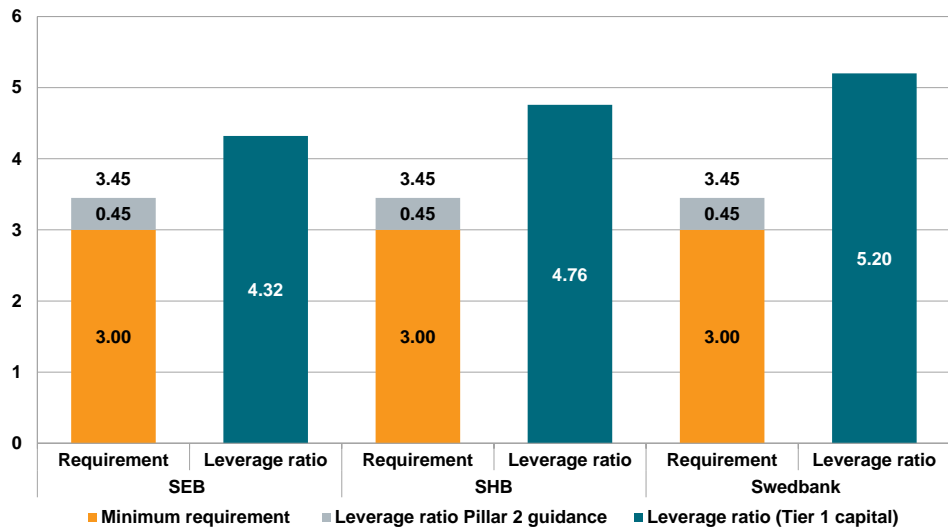


6. Capital requirements in Pillar 2, category 2 (percent of REA)

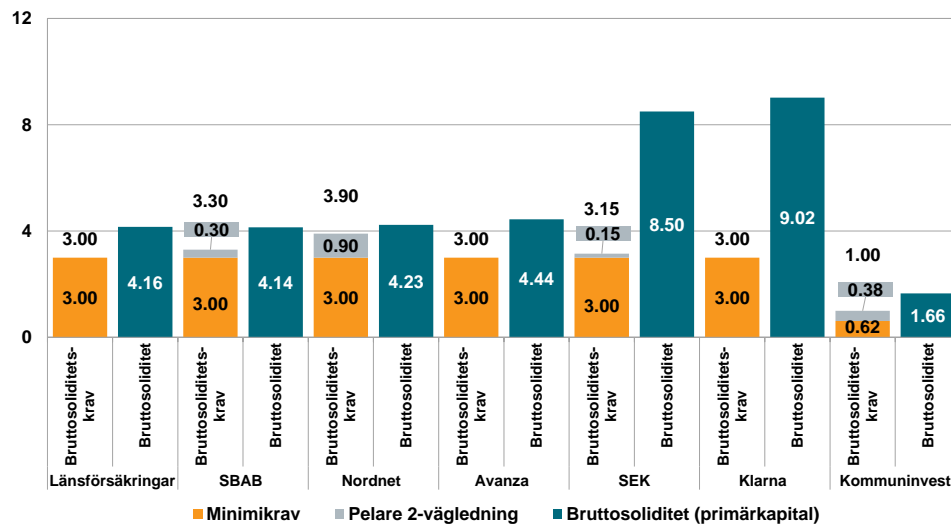


Länsförsäkringar and Avanza were evaluated in 2020 according to previous regulations (see “Capital requirements for Swedish banks”, FI Ref 14-6258). Consequently, the capital requirements in Pillar 2 have not been formally decided and FI has not taken a position on Pillar 2 guidance.

7. Leverage ratio and leverage ratio requirement, three major banks (percent of leverage ratio exposures)



8. Leverage ratio and leverage ratio requirement, category 2 (percent of leverage ratio exposure)



Länsförsäkringar and Avanza were evaluated in 2020 according to previous regulations (see “Capital requirements for Swedish banks”, FI Ref 14-6258). Due to this, the capital requirements in Pillar 2 have not been formally decided and FI has not taken a position on Pillar 2 guidance.

Kommuninvest's Pillar 2 guidance for leverage ratio is calculated so that the company's leverage ratio requirement is one percent of the total leverage ratio exposure amount before the deduction Kommuninvest does according to the regulation for public development credit institutions. The leverage ratio exposure before deductions was 584 billion SEK and after deduction 120 billion SEK. The leverage ratio after deductions was 8.1 percent.

Klarna has appealed FI's Pillar 2 guidance. Pending the decision in court, FI does not apply any Pillar 2 guidance for Klarna.

Capital requirements in SEK

Table 1. Capital requirements in million SEK, 2022-06-30

| SEB | Total | Tier 1 | CET 1 |
|---------------------------------|--------------|---------------|--------------|
| Capital | 187 414 | 172 926 | 158 539 |
| Risk based capital requirements | 152 608 | 132 014 | 117 631 |
| Leverage ratio requirements | | 138 106 | 18 014 |
| SHB | Total | Tier 1 | CET 1 |
| Capital | 194 037 | 170 773 | 155 432 |
| Risk based capital requirements | 150 440 | 130 088 | 115 550 |
| Leverage ratio requirements | | 123 844 | 16 154 |
| Swedbank | Total | Tier 1 | CET 1 |
| Capital | 161 879 | 145 312 | 135 943 |
| Risk based capital requirements | 132 303 | 114 527 | 102 106 |
| Leverage ratio requirements | | 96 480 | 12 584 |
| Länsförsäkringar | Total | Tier 1 | CET 1 |
| Capital | 22 594 | 20 004 | 17 804 |
| Risk based capital requirements | 14 232 | 11 423 | 9 316 |
| Leverage ratio requirements | | 14 434 | 0 |
| SBAB | Total | Tier 1 | CET 1 |
| Capital | 26 871 | 24 876 | 19 076 |
| Risk based capital requirements | 20 819 | 16 555 | 13 822 |
| Leverage ratio requirements | | 19 846 | 1 804 |
| Nordnet | Total | Tier 1 | CET 1 |
| Capital | 3 650 | 3 650 | 2 550 |
| Risk based capital requirements | 3 241 | 2 558 | 2 047 |
| Leverage ratio requirements | | 3 367 | 777 |
| Avanza | Total | Tier 1 | CET 1 |
| Capital | 2 979 | 2 979 | 2 979 |
| Risk based capital requirements | 1 561 | 1 249 | 1 014 |
| Leverage ratio requirements | | 2 012 | 0 |
| Kommuninvest | Total | Tier 1 | CET 1 |
| Capital | 9 668 | 9 668 | 9 668 |
| Risk based capital requirements | 3 337 | 2 660 | 2 152 |
| Leverage ratio requirements | | 5 840 | 2 242 |

| Svensk Exportkredit | Total | Tier 1 | CET 1 |
|---------------------------------|--------------|---------------|--------------|
| Capital | 20 091 | 20 091 | 20 091 |
| Risk based capital requirements | 16 011 | 13 036 | 10 804 |
| Leverage ratio requirements | | 7 444 | 354 |

| Klarna | Total | Tier 1 | CET 1 |
|---------------------------------|--------------|---------------|--------------|
| Capital | 9 971 | 9 770 | 9 386 |
| Risk based capital requirements | 7 131 | 5 751 | 4 721 |
| Leverage ratio requirements | | 3 250 | 0 |

Länsförsäkringar and Avanza were evaluated in 2020 according to previous regulations (see "Capital requirements for Swedish banks", FI Ref 14-6258). Due to this, the capital requirements in Pillar 2 have not been formally decided and FI has not taken a position on Pillar 2 guidance. Klarna has appealed FI's Pillar 2 guidance. Pending the decision in court, FI does not apply any Pillar 2 guidance for Klarna. Kommuninvest's Pillar 2 guidance for leverage ratio is calculated so that the company's leverage ratio requirement is one percent of the total leverage ratio exposure amount before the deduction Kommuninvest does according to the regulation for public development credit institutions. Leverage ratio exposure before deductions was 584 billion SEK and after deduction 120 billion SEK. Leverage ratio after deductions was 8.1 percent.

Exposures

Table 1 shows the companies' REA and leverage ratio exposure amount.

Table 1. REA and leverage ratio exposure amount, 2022-06-30

| mkr | Risk exposure amount | Leverage ratio exposure amount |
|---------------------|-----------------------------|---------------------------------------|
| SEB | 851 025 | 4 003 075 |
| SHB | 830 705 | 3 589 683 |
| Swedbank | 743 767 | 2 796 534 |
| Länsförsäkringar | 119 811 | 481 131 |
| SBAB | 150 145 | 601 402 |
| Nordnet | 18 858 | 86 337 |
| Avanza | 12 395 | 67 061 |
| Kommuninvest | 3 221 | 119 917 |
| Svensk Exportkredit | 101 898 | 236 333 |
| Klarna | 62 841 | 108 327 |

Kommuninvest's leverage ratio exposure amount is after the deduction of exposures Kommuninvest does according to the regulation for public development credit institutions.

Description of the calculations

Own funds, the risk exposure amount (REA), the leverage ratio exposure amount and the countercyclical buffer are based on the companies' second quarter reporting in 2022. The reporting was submitted to FI up through 11 August 2022. The rounding of each component of the capital requirement may result in a discrepancy between the sum of all parts and the total capital requirement. The data is reported at group level.

Companies have a choice to either exclude or include the revenue recognised during the year when calculating their capital adequacy ratio. The latter requires authorisation from us. This means that the own funds for the companies as presented in this memorandum could either include or exclude the revenue recognised during the year.

Risk-based capital requirements

Minimum requirement, Pillar 1

The Pillar 1 minimum requirement is amounting to eight percent of the total risk exposure amount and must be covered by at least 75 percent Tier 1 capital, whereof at least 75 percent must be Common Equity Tier 1 (CET 1).

Pillar 2 requirement

FI decides on a Pillar 2 requirement in conjunction with our supervisory review and evaluation of the companies. In support of the decision, FI uses a number of methods that disclose how we assess and calculate the requirement for specific risks. FI can also decide on Pillar 2 requirements based on other assessments that we make.⁴

Pillar 2 requirements shall be covered by at least 75 percent Tier 1 capital, of which at least 75 percent must be CET 1 capital, but FI can also decide on a higher proportion of Tier 1 capital or CET 1 capital.

Systemic risk buffer

The systemic risk buffer is amounting to three percent of the total risk-weighted exposure amount for the major banks and must be covered by CET 1 capital.

Buffer for other systemically important institutes (O-SII buffer)

The O-SII buffer is amounting to one percent of the total risk-weighted exposure amount for the major banks and must be covered by CET 1 capital.

Countercyclical capital buffer

The countercyclical buffer value is currently set at zero percent on exposures in Sweden. FI has decided to increase the buffer value to one percent from 29 September 2022 and two percent from 22 June 2023. The buffer value that the banks report is an average value, weighted by the risk exposure amount, of the

⁴ For more information, see <https://www.fi.se/en/bank/Capital-requirements-for-swedish-banks>.

countercyclical buffer values applied in the countries to which the company has exposures. The countercyclical capital buffer must be covered by CET 1 capital.

Capital conservation buffer

The Capital conservation buffer is amounting to 2.5 percent of the total risk-weighted exposure amount and must be covered by CET 1 capital.

Pillar 2 guidance

FI communicates a risk-based guidance in conjunction with our supervisory and review of the companies. The guidance is not a formally decided requirement for the company. It must be covered by CET 1 capital.

Leverage ratio requirement

Minimum requirement for leverage ratio

The minimum requirement for the leverage ratio is amounting to three percent of the leverage ratio exposure amount and must be covered by Tier 1 capital.

Pillar 2 requirement

FI has not decided on a Pillar 2 requirement for any of the companies included in the memorandum. However, we can decide on a Pillar 2 requirement in a similar way as for the risk-based requirement. The Pillar 2 requirement must be covered by Tier 1 capital unless we decide otherwise.

Pillar 2 guidance

FI communicates a leverage ratio guidance in conjunction with our supervisory review and evaluation process. The guidance is not a formally decided requirement for the company. This requirement must be covered by CET 1 capital.