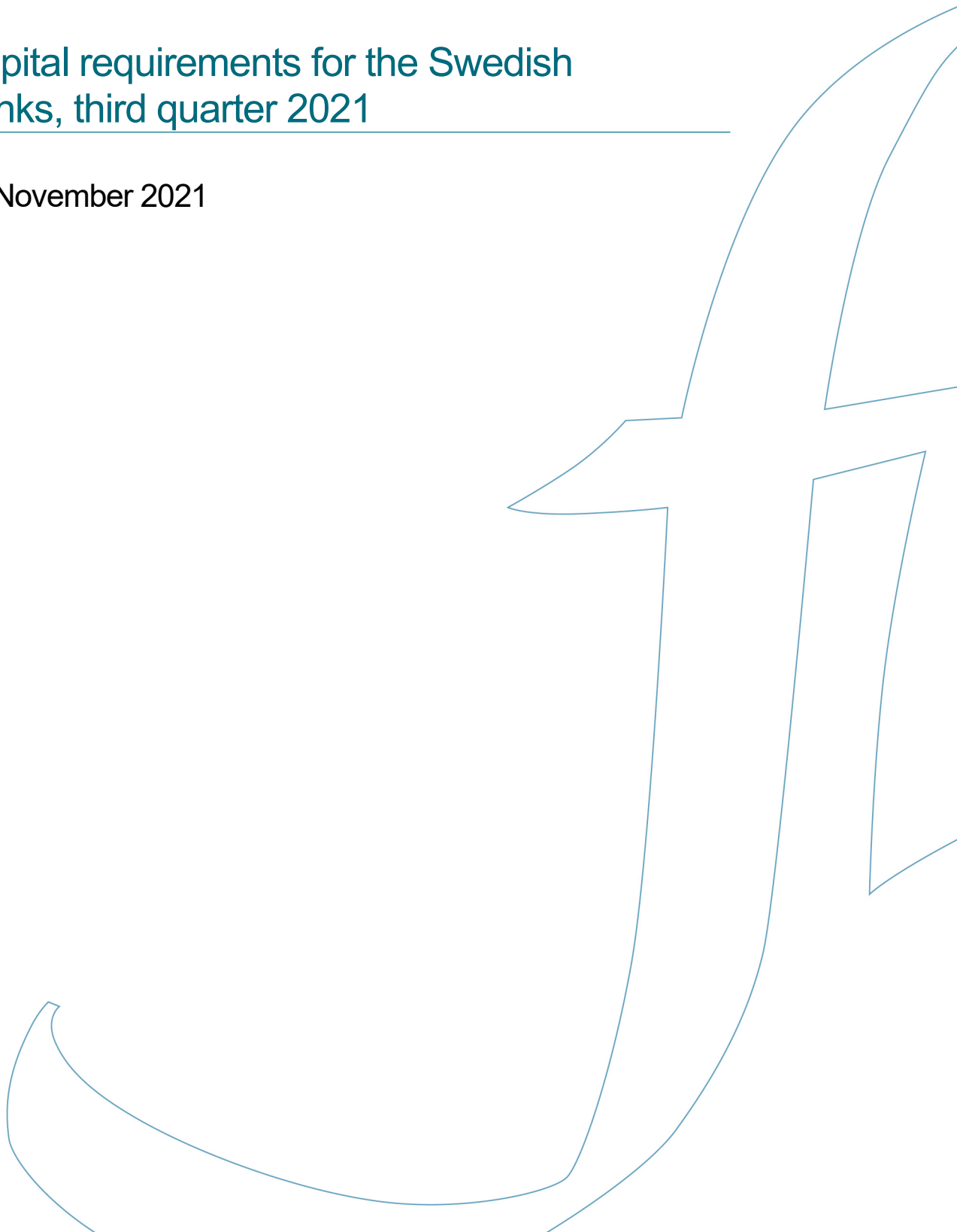




Capital requirements for the Swedish banks, third quarter 2021

23 November 2021



FI Ref 21-12926

Finansinspektionen (FI) publishes on a quarterly basis the capital requirements of the largest Swedish banks and credit market companies under its supervision that have been categorised as Categories 1 and 2.^{1,2} This memorandum discloses these firms' capital requirements and capital ratios as at the end of the third quarter 2021.

Skandiabanken, Landshypotek and Sparbanken Skåne were previously included in this memorandum but have been excluded since they have been transferred from supervisory category 2 to 3 from 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 firms. The most recent evaluation for SEB, SHB, Swedbank, SBAB, Nordnet, Kommuninvest, SEK and Klarna was completed in September 2021. FI has decided on Pillar 2 requirements for these firms and communicated to them which level of Pillar 2 guidance that FI considers that these firms 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 for 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/>.

Description of the calculations

Own funds, risk exposure amount (REA), leverage ratio exposure amount and countercyclical buffer are based on the firms' 2021 third quarter reporting. The reporting was submitted to FI until 11 November 2021. 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 firms have made different choices regarding their handling of profit during the current year in the calculation of the capital adequacy ratio. This means that the own funds for the firms in this memorandum could either include or exclude the revenue recognised during the year based on whether the institutions have applied for and received authorisation from FI to include the recognised revenue following deductions for foreseeable dividends..

Risk-based capital requirements

Minimum requirement, pillar 1

8 per cent of total risk exposure amount. Covered by 75 per cent Tier 1 capital whereof at least 75 per cent is Common Equity Tier 1 (CET1).

Pillar 2 requirement

FI decides on a pillar 2 requirement in conjunction with a supervisory review and evaluation (SREP) of the firms. In support of the decision, FI uses a number of methods that disclose how FI assesses and calculates the requirement for specific risks. FI can also decide on pillar 2 requirements based on other assessments that FI makes.⁴

Pillar 2 requirements, shall be covered with at least 75 percent Tier 1 capital, of which at least 75 percent shall be CET1 capital, but FI can also decide on a higher proportion of Tier 1 capital or CET1 capital.

Systemic risk buffer

3 percent of the total risk-weighted exposure amount for the major banks. Covered by CET 1 capital.

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

1 percent of the total risk-weighted exposure amount for the major banks. Covered by CET 1 capital.

Countercyclical capital buffer

The countercyclical buffer value is currently zero percent on exposures in Sweden. FI has decided to increase the buffer value to one percent, which applies from 29 September 2022. The buffer value that the banks report is an average value, weighted by the risk exposure amount, of the countercyclical buffer values applied in the countries to which the company has exposures. Covered in by CET 1 capital.

⁴ För mer information se <https://www.fi.se/en/bank/Capital-requirements-for-swedish-banks>.

Capital conservation buffer

2.5 percent of the total risk-weighted exposure amount. Covered in its entirety by CET 1 capital.

Pillar 2 guidance

FI communicate a risk-based guidance in conjunction with a SREP. The guidance is not a formally decided requirement for the firm. Covered by CET 1 capital.

Leverage ratio requirement

Minimum requirement for leverage ratio

3 percent of the leverage ratio exposure amount. Covered by Tier 1 capital.

Pillar 2 requirement

FI has not decided on a pillar 2 requirement for any of the companies in the report. However, FI can decide on a Pillar 2 requirement in a similar way as for the risk-based requirement. Covered by Tier 1 capital unless FI decides otherwise.

Pelare 2 guidance

FI communicate a leverage ratio guidance in conjunction with a SREP. The guidance is not a formally decided requirement for the company. Covered by CET 1 capital.

Risk exposure amount and leverage ratio exposure amount

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

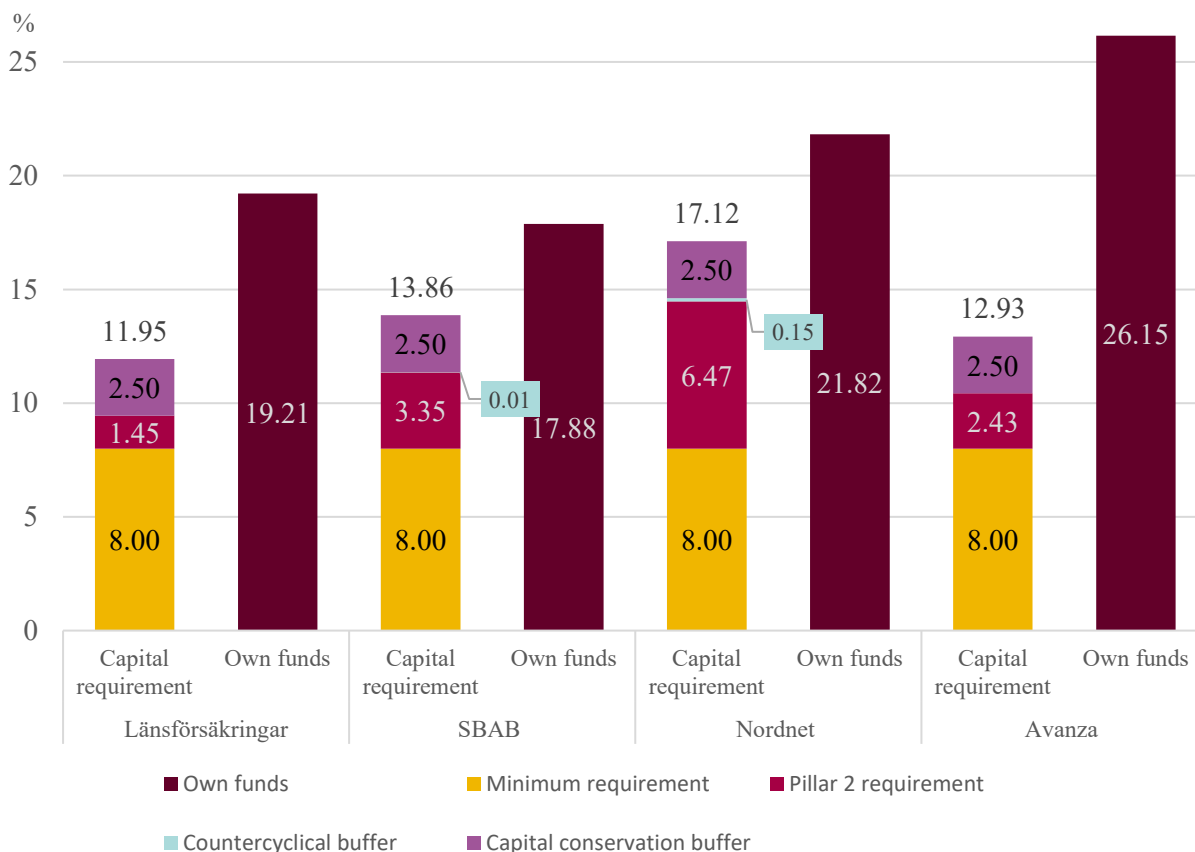
Table 1. REA and leverage ratio exposure amount, 2021-09-30

mkr	Risk exposure amount	Leverage ratio exposure amount
Skandinaviska Enskilda Banken	753 104	3 561 793
Svenska Handelsbanken	763 425	3 374 819
Swedbank	703 220	2 927 123
Länsförsäkringar	114 226	446 482
SBAB	137 666	581 249
Nordnet	15 738	77 285
Avanza	10 703	62 364
Kommuninvest ¹	2 831	67 763
Svensk Exportkredit	87 526	203 278
Klarna	52 850	90 418

⁶ Kommuninvest's leverage ratio exposure amount is after the deduction of exposures Kommuninvest does according the regulation for public development credit institutions.

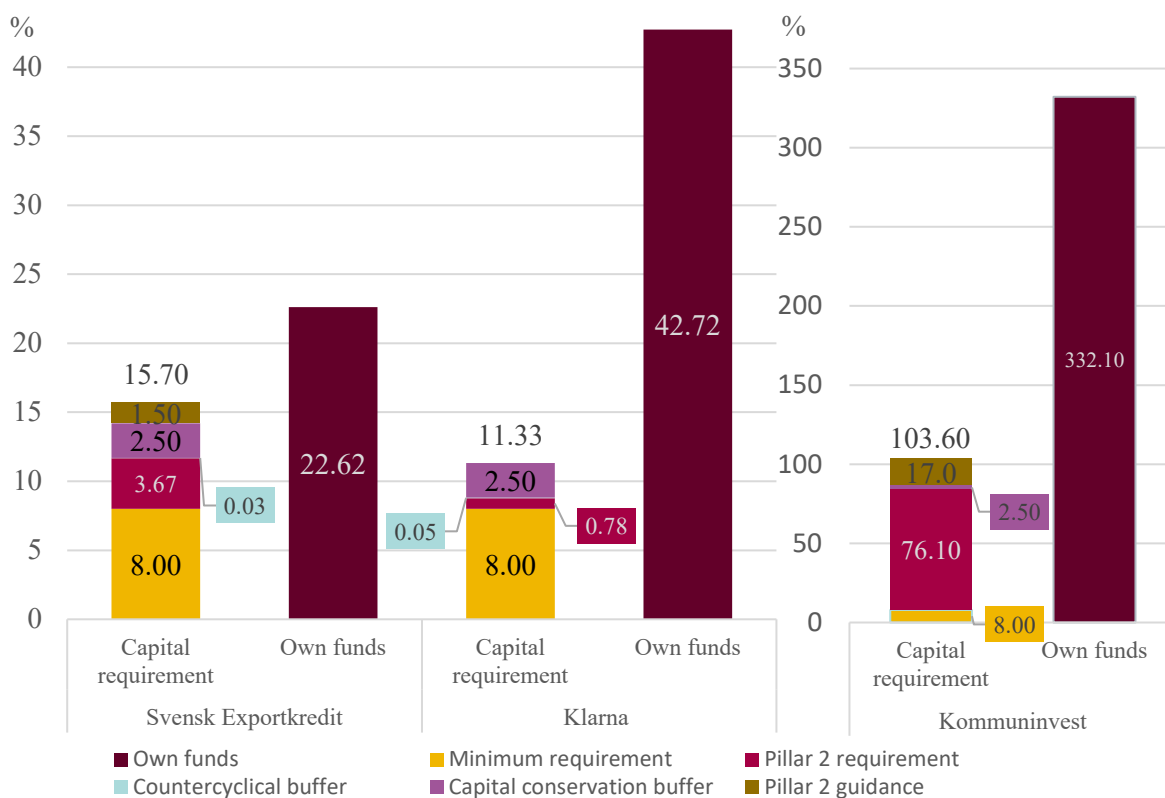
November 23rd 2021

2. Capital requirements, four of the firms in category 2 (percent of REA)



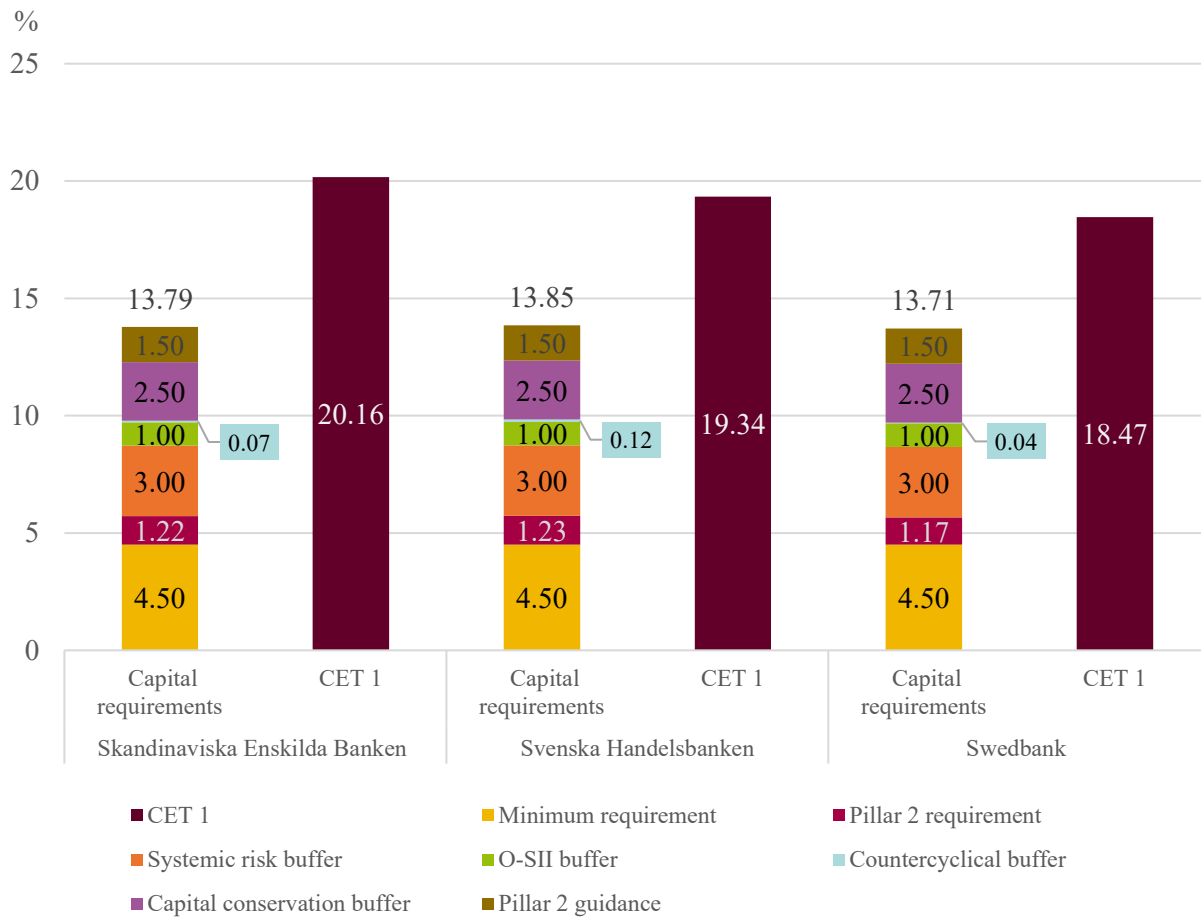
Länsförsäkringar and Avanza were evaluated in 2020 according to previous regulations, see Capital requirements for Swedish banks, FI Ref 14-6258. Consequently, the capital requirements in Pillar 2 have not been formally decided and FI has not taken a position on Pillar 2 guidance.

3. Capital requirement three of the firms in category 2 (percent of REA)

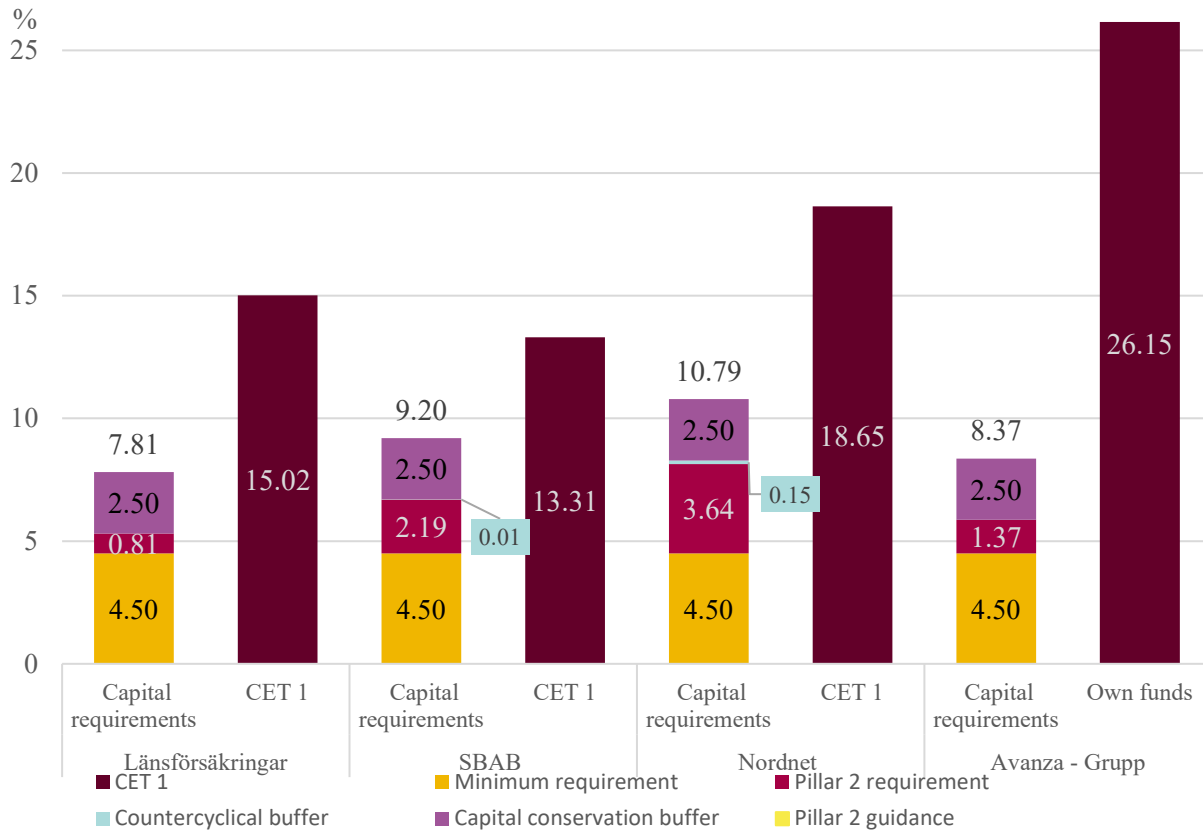


Klarna has appealed FI's Pillar 2 guidance. Pending the decision in court, FI does not apply any Pillar 2 guidance for Klarna.

4. Common equity tier 1 capital requirements, three major banks (percent of REA)

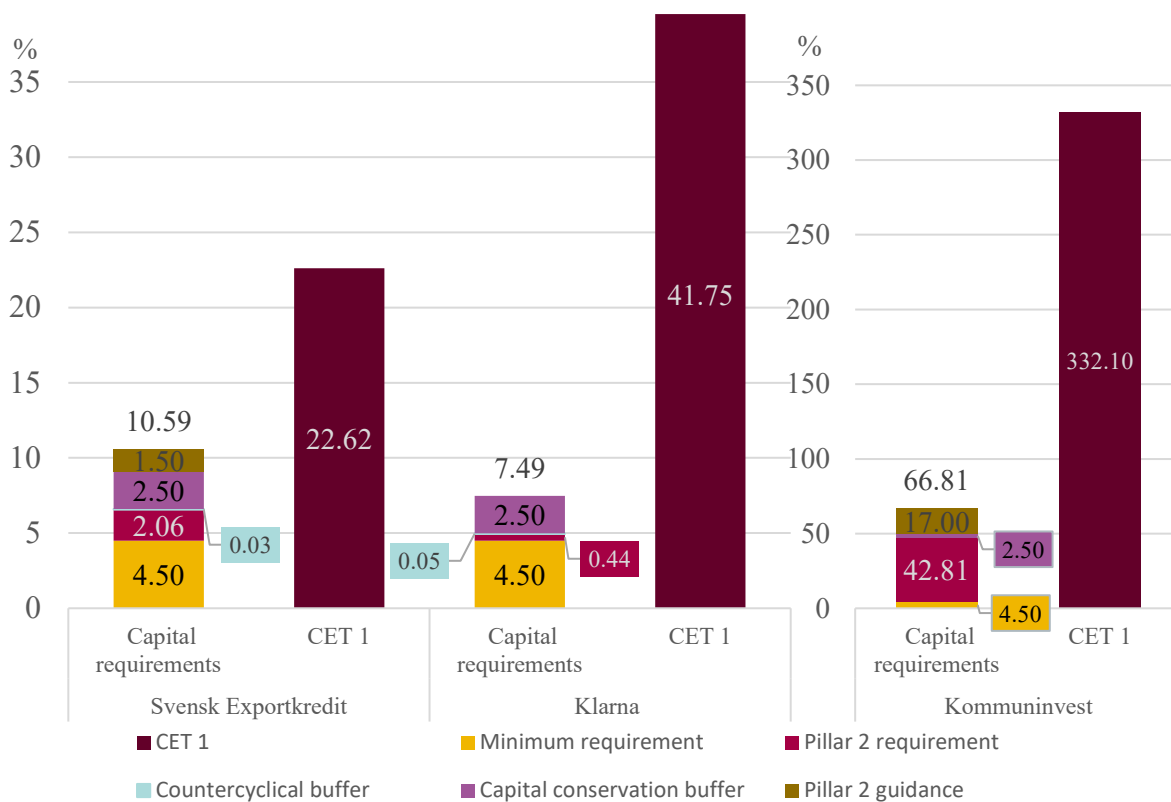


5. Common equity tier 1 capital requirements, four of the firms in category 2 (percent of REA)



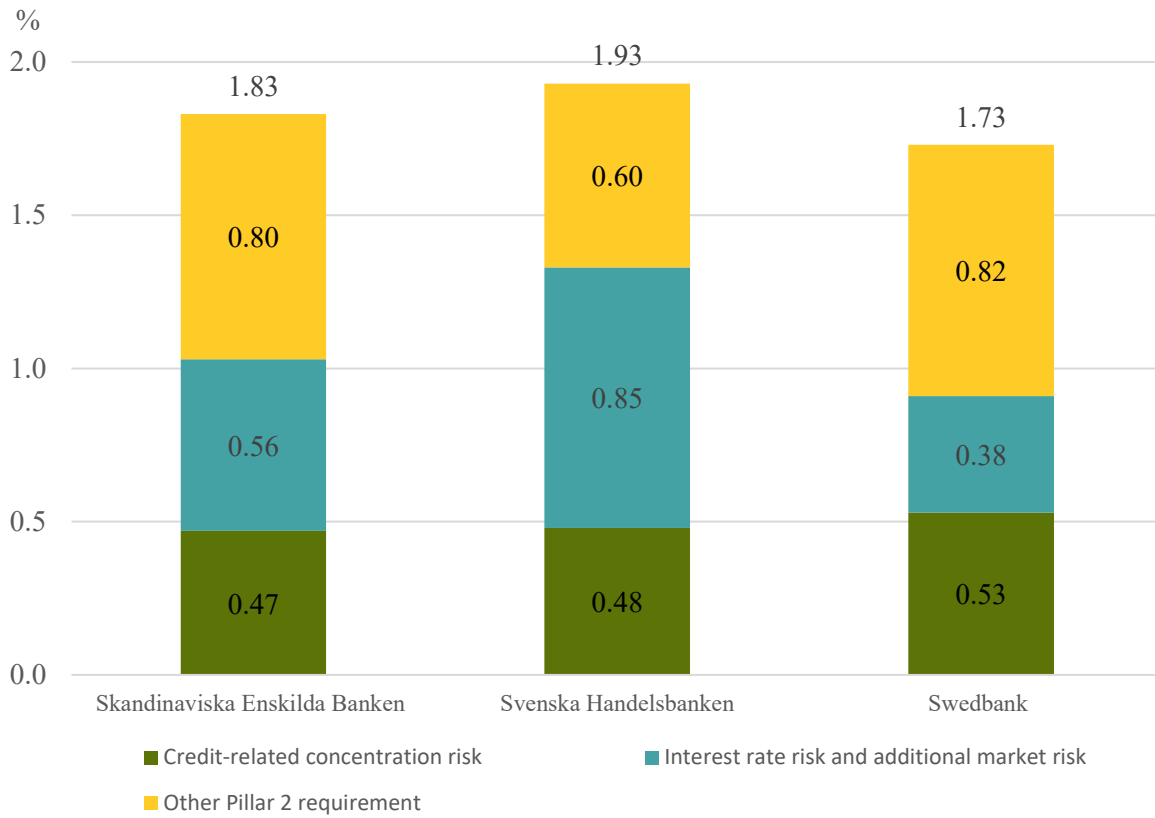
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6. Common equity tier 1 capital requirements, three of the firms in category 2 (percent of REA)

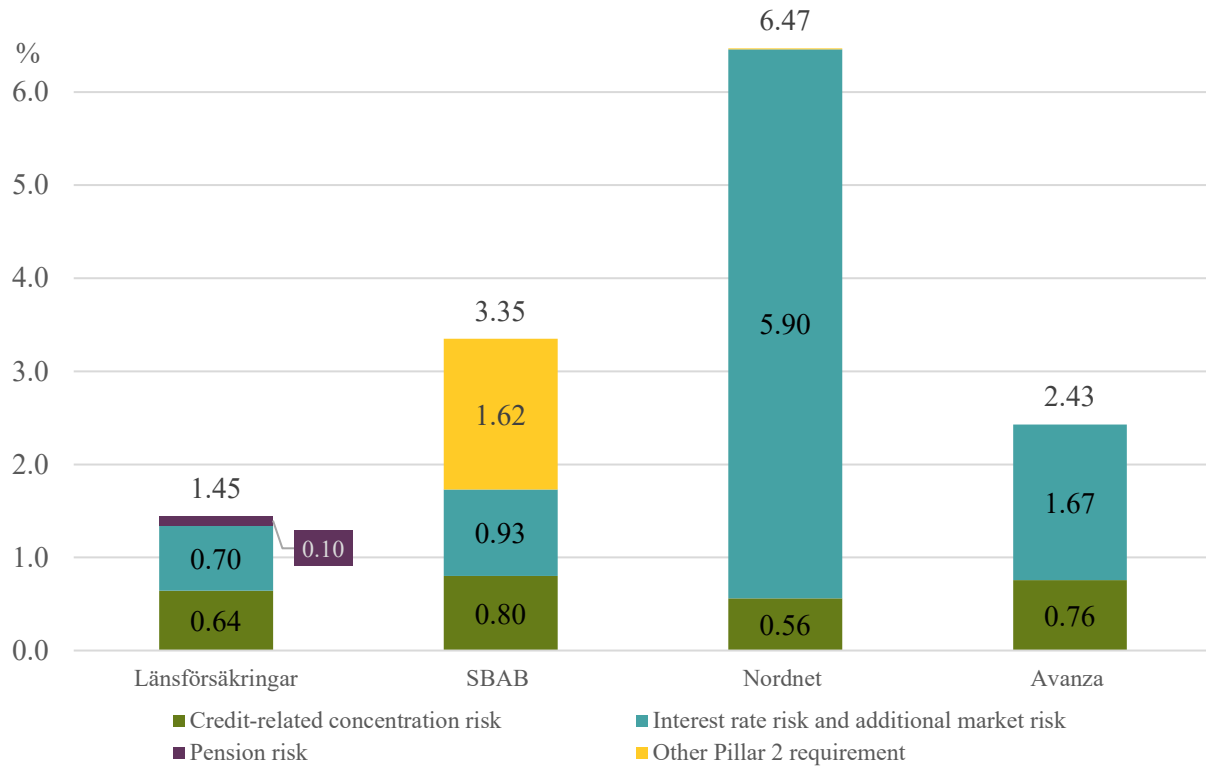


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7. Pillar 2 requirements, three major banks

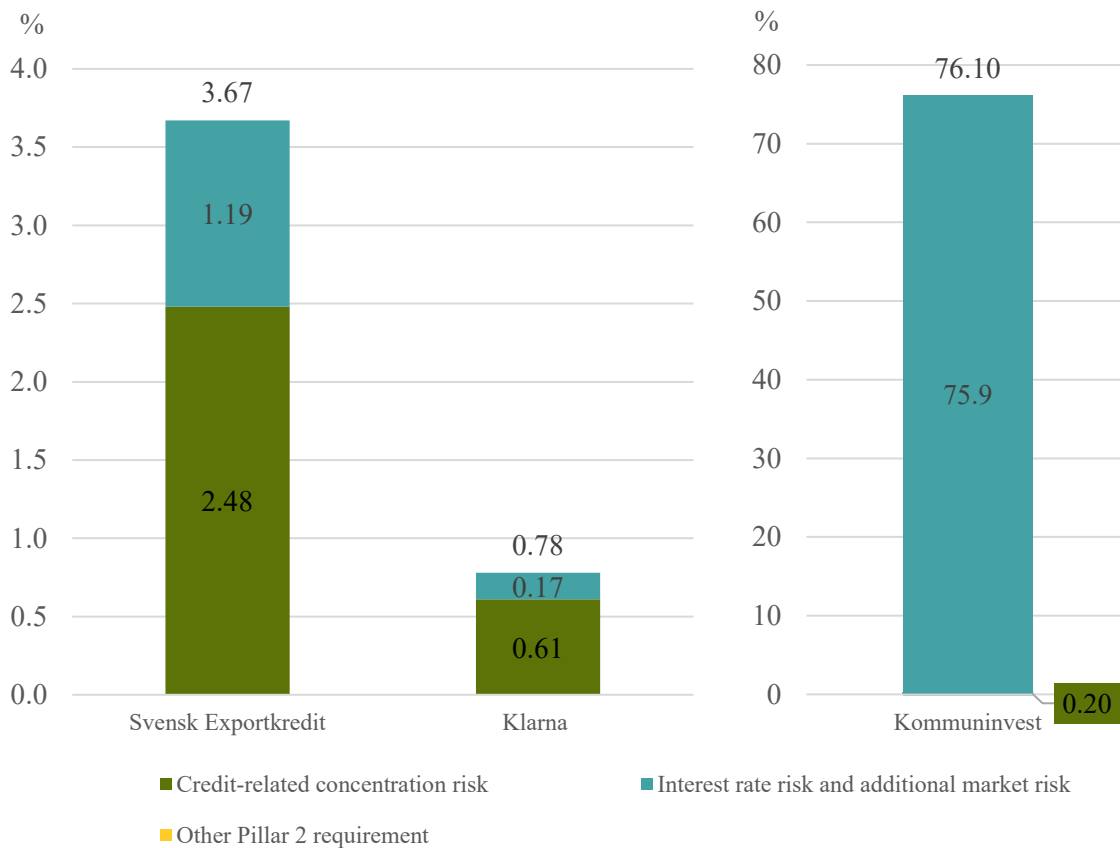


8. Capital requirement in Pillar 2, four of the firms in category 2

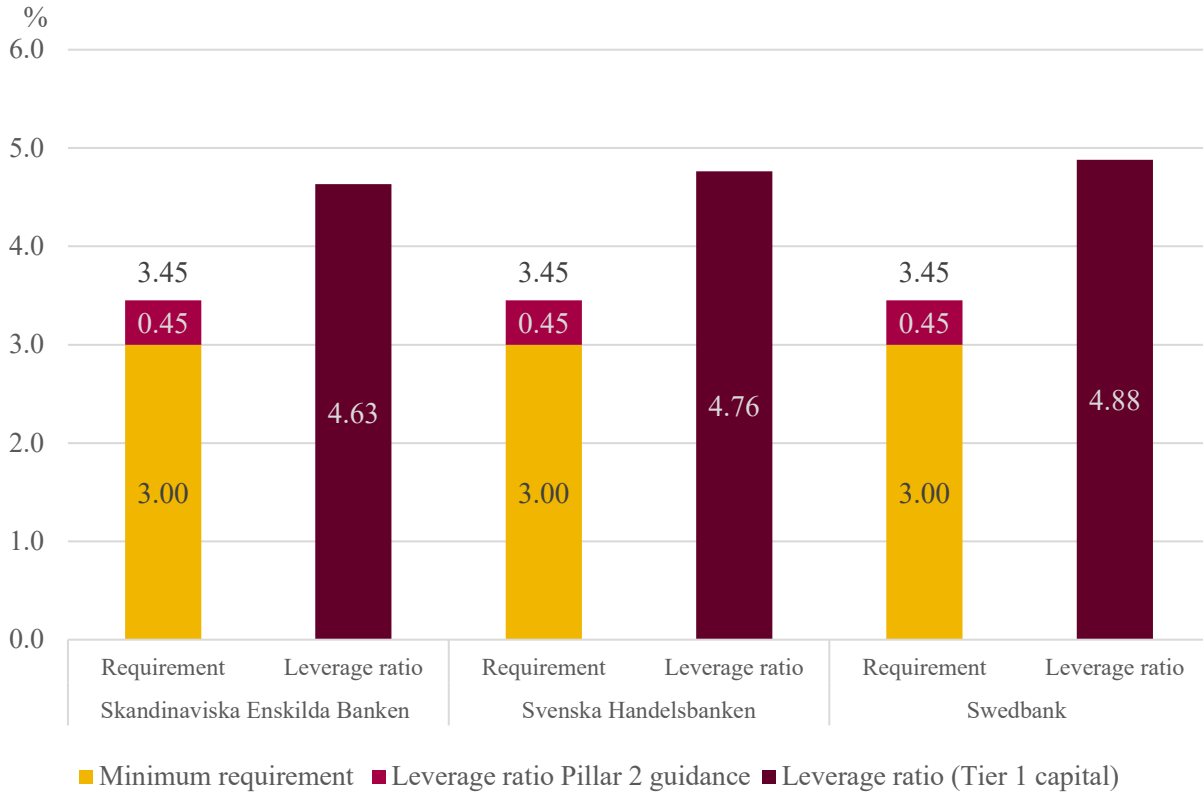


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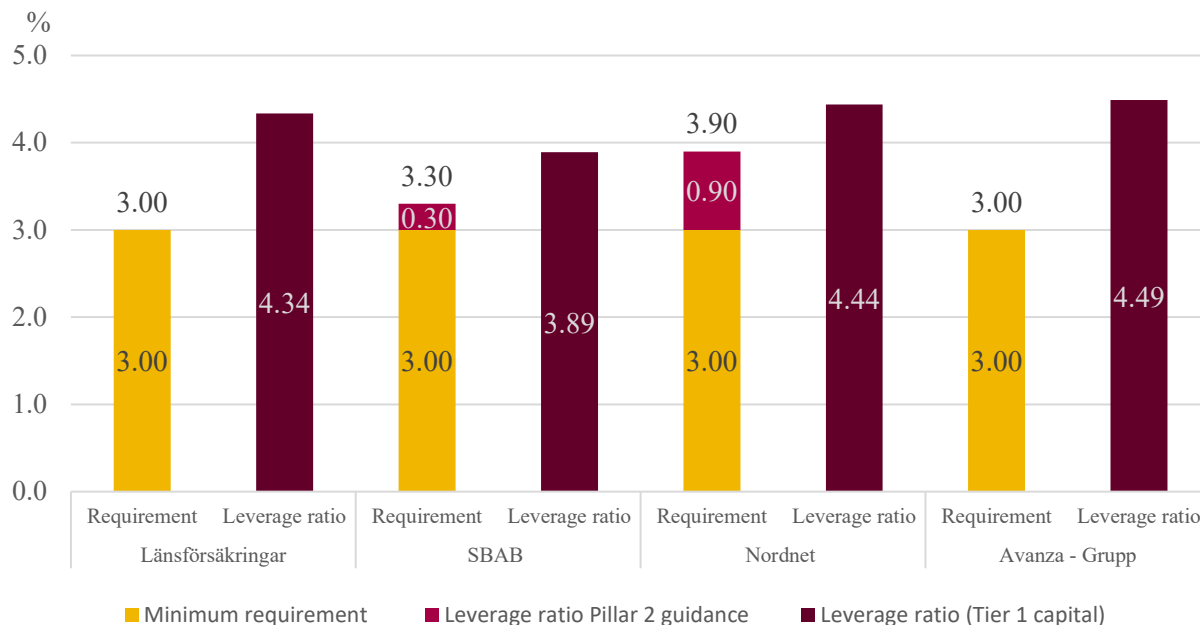
9. Capital requirements in pillar 2, three of the firms in category 2



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

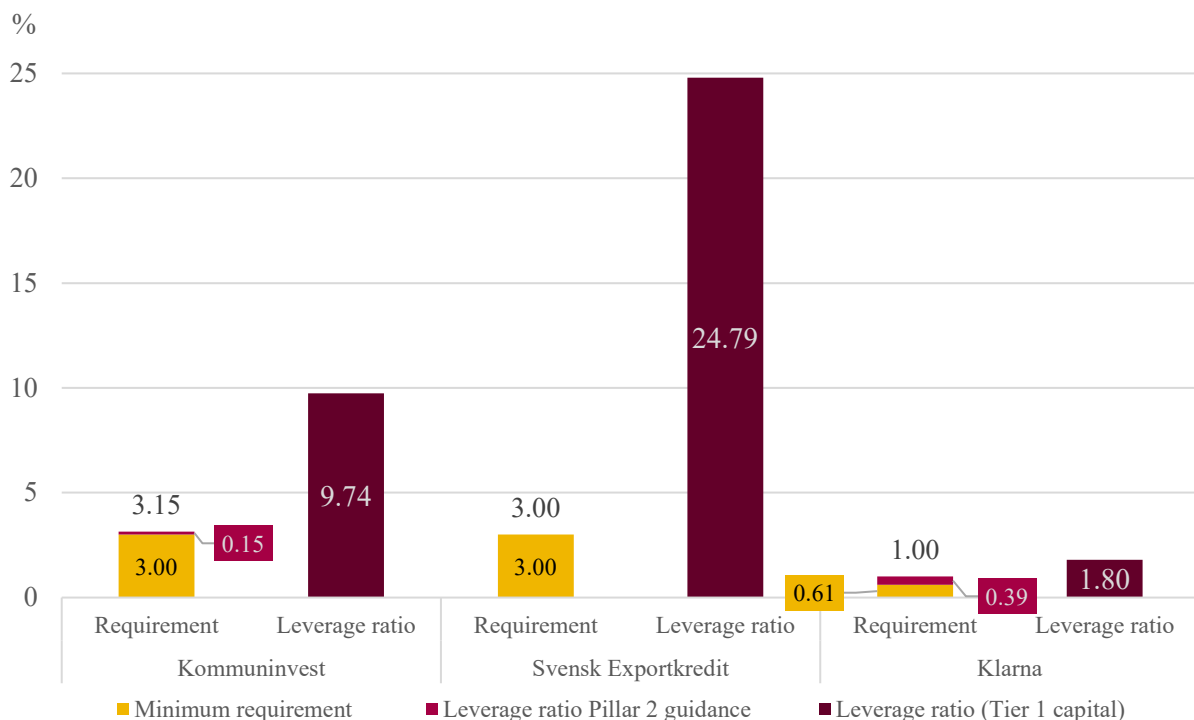


11. Leverage ratio and leverage ratio requirement, four of the firms in category 2 (percent of leverage ratio exposures)



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.

12. Leverage ratio and leverage ratio requirement, three of the firms in category 2 (percent of leverage ratio exposures)



Kommuninvest's Pillar 2 guidance for leverage is calculated by applying a 1 percent leverage ratio on leverage ratio exposures before the deduction Kommuninvest does according to the regulation for public development credit institutions. Leverage ratio exposure before deductions was 524 billion SEK and after deduction 68 billion SEK. Leverage ratio after deductions was 13,9 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

To facilitate comparisons between risk based- and leverage requirements, table 2 shows capital and requirements (including pillar 2 guidance) expressed in million SEK. The table represents a snap shot valid 30 September 2021.

Table 2. Capital and requirements in mSEK, 2021-09-30

Skandinaviska Enskilda Banken	Total	Tier 1	CET 1
Capital	173 162	164 984	151 846
Risk based capital requirements	134 776	116 551	103 824
Leverage ratio requirements		122 882	16 028

Svenska Handelsbanken	Total	Tier 1	CET 1
Capital	177 820	160 705	147 629
Risk based capital requirements	137 760	119 056	105 696
Leverage ratio requirements		116 431	15 187

Swedbank	Total	Tier 1	CET 1
Capital	158 682	142 960	129 867
Risk based capital requirements	124 942	108 135	96 391
Leverage ratio requirements		100 986	13 172

Länsförsäkringar	Total	Tier 1	CET 1
Capital	21 948	19 358	17 158
Risk based capital requirements	13 646	10 948	8 925
Leverage ratio requirements		13 394	0

SBAB	Total	Tier 1	CET 1
Capital	24 613	22 618	18 318
Risk based capital requirements	19 084	15 175	12 669
Leverage ratio requirements		19 181	1 744

Nordnet	Total	Tier 1	CET 1
Capital	3 435	3 435	2 935
Risk based capital requirements	2 694	2 124	1 698
Leverage ratio requirements		3 014	696

Avanza	Total	Tier 1	CET 1
Capital	2 799	2 799	2 799
Risk based capital requirements	1 384	1 105	895
Leverage ratio requirements		1 871	0

Kommuninvest	Total	Tier 1	CET 1
Capital	9 403	9 403	9 403
Risk based capital requirements	2 933	2 338	1 892
Leverage ratio requirements		5 238	3 205

Svensk Exportkredit	Total	Tier 1	CET 1
Capital	19 797	19 797	19 797
Risk based capital requirements	13 744	11 188	9 271
Leverage ratio requirements		6 403	305

Klarna	Total	Tier 1	CET 1
Capital	22 575	22 419	22 064
Risk based capital requirements	5 986	4 823	3 956
Leverage ratio requirements		2 713	0

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.

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