

MEMORANDUM



Date **2015-05-22**  
 Author **Division for Bank Analysis**

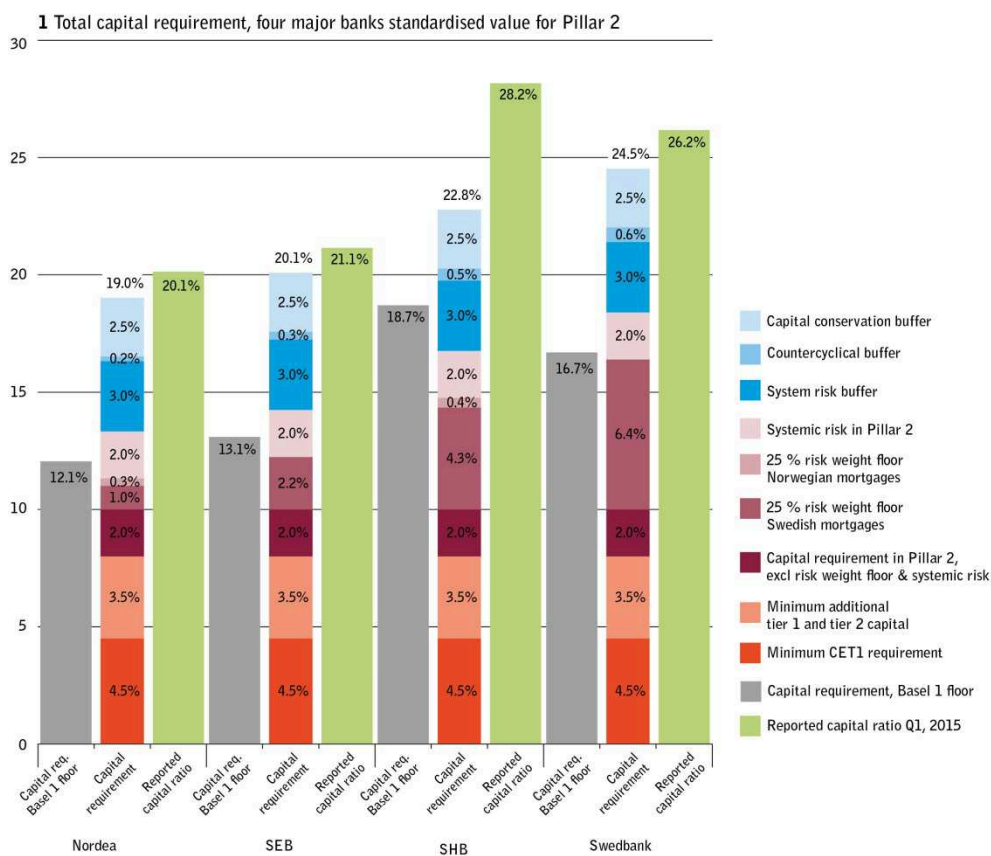
FI Dnr 15-7395

**Finansinspektionen**  
 Box 7821  
 SE-103 97 Stockholm  
 [Brunnsgatan 3]  
 Tel +46 8 787 80 00  
 Fax +46 8 24 13 35  
 finansinspektionen@fi.se  
 www.fi.se

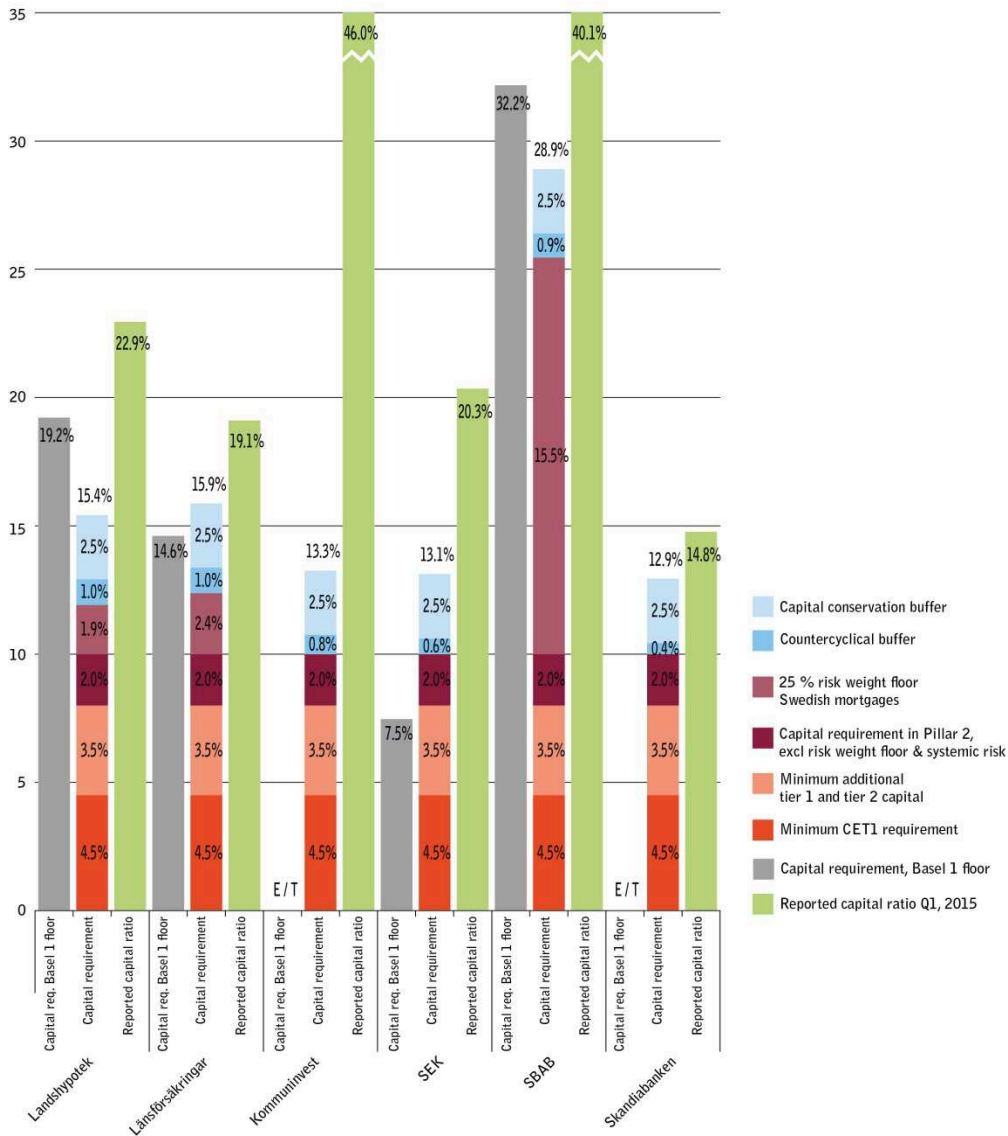
**Capital requirements of the Swedish banks, first quarter 2015**

**Summary**

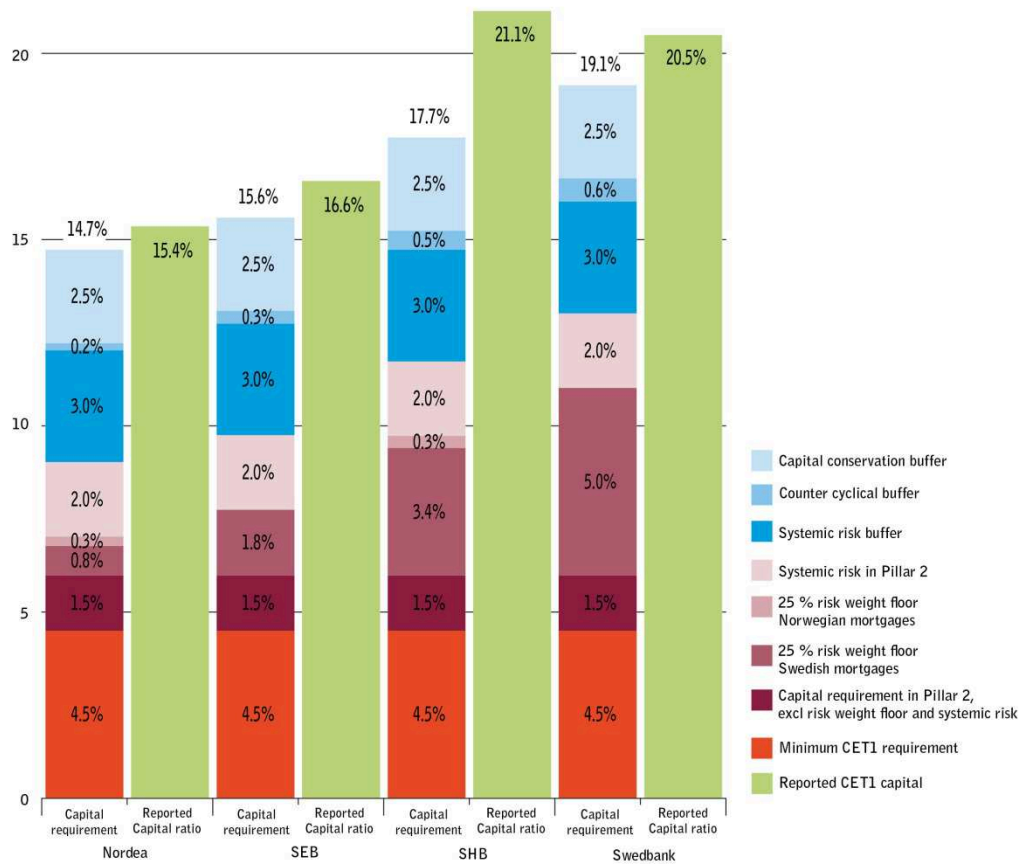
Finansinspektionen publishes on a quarterly basis the capital needs of the ten largest Swedish banks and credit institutions. This memorandum discloses these firms' capital requirements and capital ratios as of the end of the first quarter 2015.



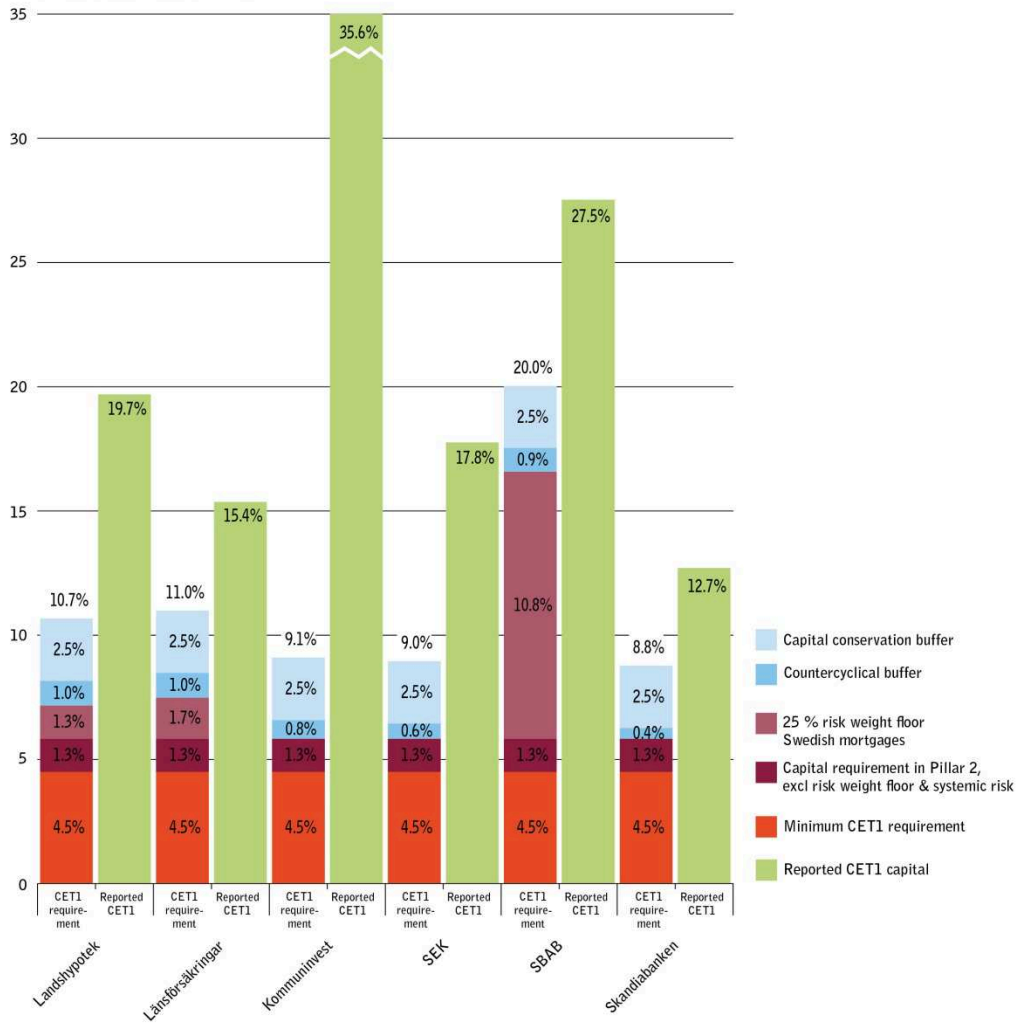
2 Total capital requirement. other six firms, standardised value for Pillar 2



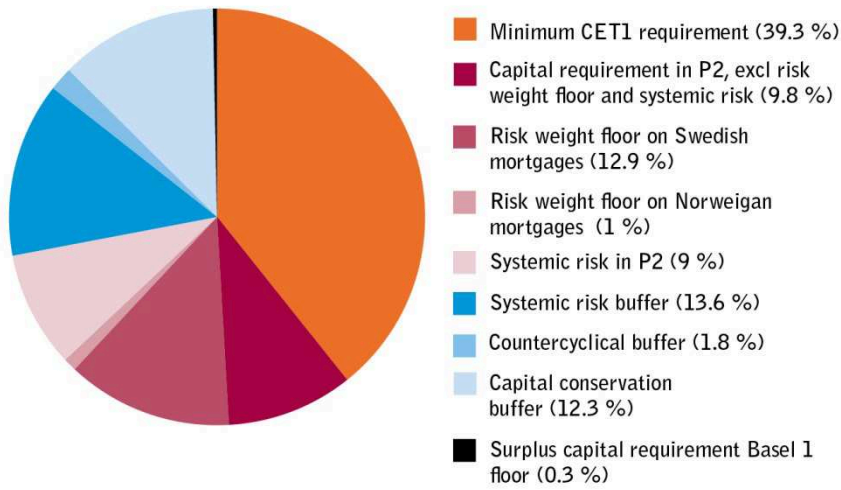
3 Common equity Tier 1 (CET1) capital requirement, four major banks, standardised value for Pillar 2



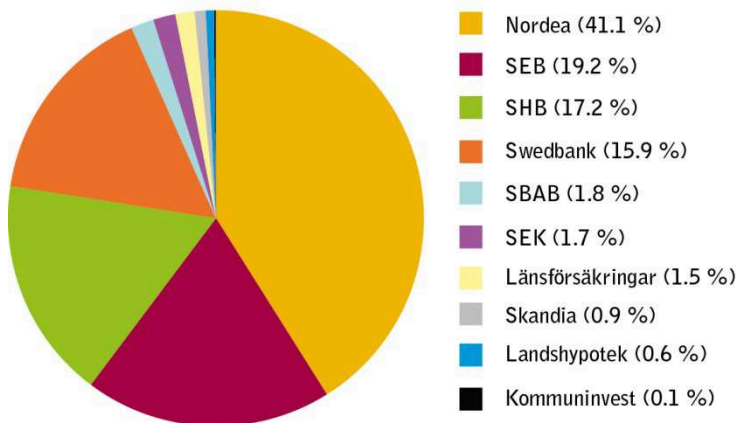
4 Common equity Tier 1 (CET1) capital requirement, other six firms, standardised value for Pillar 2



**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	SHB	Swed- bank	SBAB	SEK	Länsför- säkringar	Skandia	Lands- hypotek	Kommun- invest	Total
Minimum requirement pillar 1 (8 %)	112 603	49 876	39 438	33 787	2 906	6 836	4 910	3 484	1 720	541	<b>256 102</b>
Capital conservation buffer (2.5 %)	35 189	15 586	12 324	10 558	908	2 136	1 535	1 089	538	169	<b>80 032</b>
Pillar 2, excl. risk weight floor & systemic risk (2 %)	28 151	12 469	9 859	8 447	727	1 709	1 228	871	430	135	<b>64 026</b>
Risk weight floor mortgages Sweden (25 %)	14 126	13 977	21 421	27 009	5 614	0	1 457	0	412	0	<b>84 017</b>
Risk weight floor mortgages Norway (25 %)	4 554	10	2 048	4	0	0	0	0	0	0	<b>6 616</b>
Countercyclical buffer Sweden (1.0 %)	2 763	2 126	2 522	2 641	345	530	612	189	215	51	<b>11 994</b>
Systemic risk pillar 2 (2 %)	28 151	12 469	9 859	8 447	0	0	0	0	0	0	<b>58 926</b>
Systemic risk buffer (3 %)	42 226	18 704	14 789	12 670	0	0	0	0	0	0	<b>88 389</b>
Surplus capital requirement, Base 1 floor	-	-	-	-	1 185	-	-	-	816	-	<b>2 001</b>
<b>Total capital requirement</b>	<b>267 763</b>	<b>125 218</b>	<b>112 260</b>	<b>103 564</b>	<b>11 685</b>	<b>11 211</b>	<b>9 742</b>	<b>5 633</b>	<b>4 131</b>	<b>896</b>	<b>652 102</b>
Capital requirement, Base 1 floor	169 628	81 615	92 209	70 477	11 685	6 378	8 966	E / T	4 131	E / T	446 683

Note: Calculated using data per Q1, 2015.

## Description of the calculations

The effects have been assessed based on data primarily pertaining to the first quarter of 2015. The calculations pertain to the consolidated level. 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 below as well as in *Finansinspektionen's approach to the Basel 1 floor*.<sup>1</sup>

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.

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

The firms' actual capital requirement under Pillar 2, excluding risk weight floor and systemic risk, may be higher or lower than the standardized value. As of the third quarter 2015 firm specific values will be published for three of the most important sources of risk; credit-related concentration risk, interest rate risk in the banking book and pension risk.

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 13<sup>th</sup> 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.<sup>2</sup>

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

Capital planning buffer. As a part of the specific own funds requirement the aim of the capital planning buffer is to cover the potential deterioration of the capital adequacy that may arise in severe but plausible financial stress. The capital planning buffer is calculated separately from the capital conservation buffer and can exceed as well as fall below the latter buffer which implies that

---

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

the capital planning buffer can become an additional capital requirement . The capital planning buffer is not being considered in this memorandum.

Basel I-floor. According to Swedish law, the Basel I-floor represents a minimum capital requirement calculated in Swedish kronor. The capital requirement is 8 per cent of the total risk weighted assets calculated in accordance with the Basel I rules. The minimum own funds requirement is 80 per cent of the capital requirement calculated according to the Basel 1 rules.