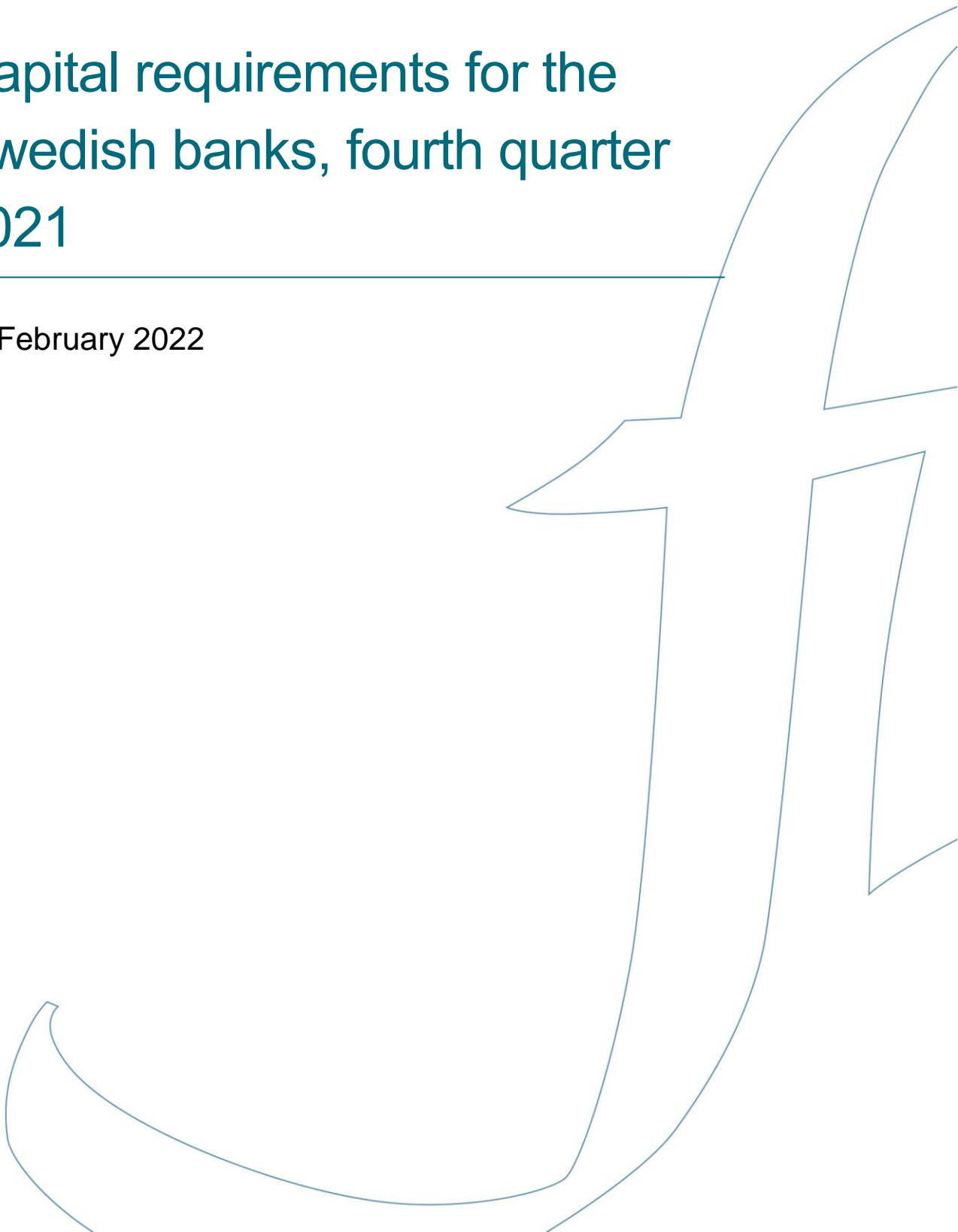




Capital requirements for the Swedish banks, fourth quarter 2021

25 February 2022



Dnr 21-12926

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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 at the end of the fourth quarter 2021.

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 evaluations for Skandinaviska Enskilda Banken (SEB), Svenska Handelsbanken (SHB), Swedbank, SBAB, Nordnet, Kommuninvest, Svensk Exportkredit (SEK) and Klarna were completed in September 2021. FI has decided on Pillar 2 requirements for these companies and communicated to them 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.

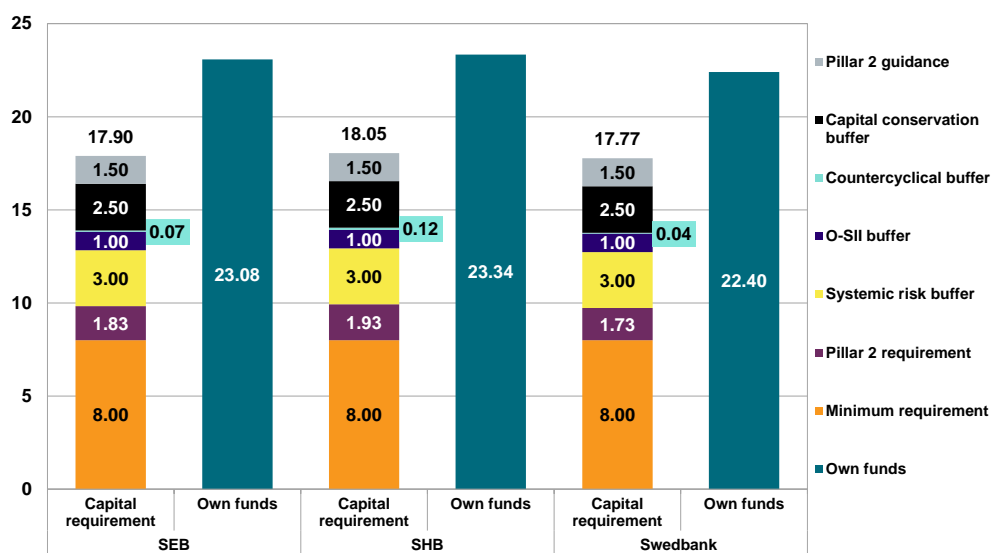
³ <https://www.fi.se/en/bank/Capital-requirements-for-swedish-banks/>.

Capital requirements, fourth quarter 2021

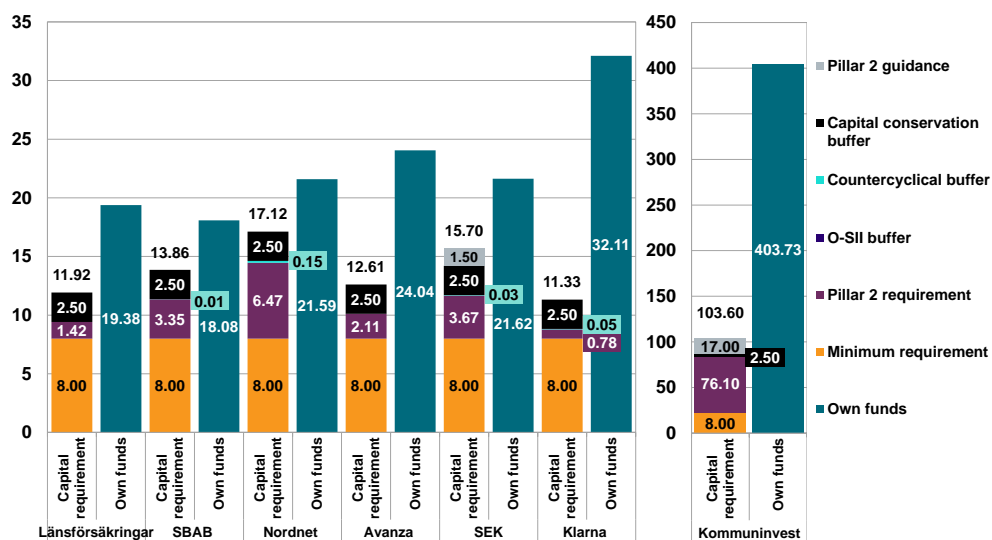
In this chapter we present the capital requirements for Swedish banks as of the fourth quarter 2021.

Risk based capital requirements

1. Capital requirements, three major banks (percent of REA)

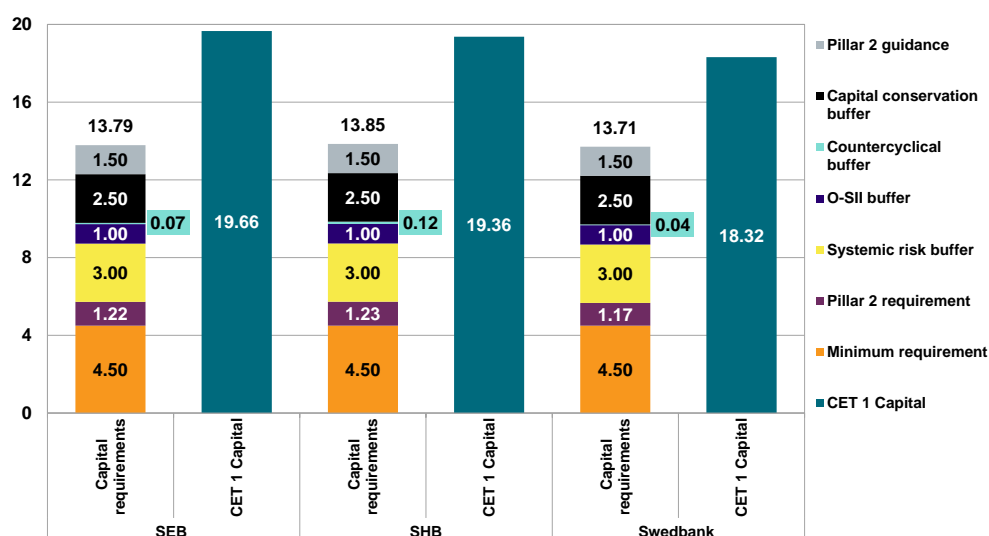


2. Capital requirements, category 2 (percent of REA)

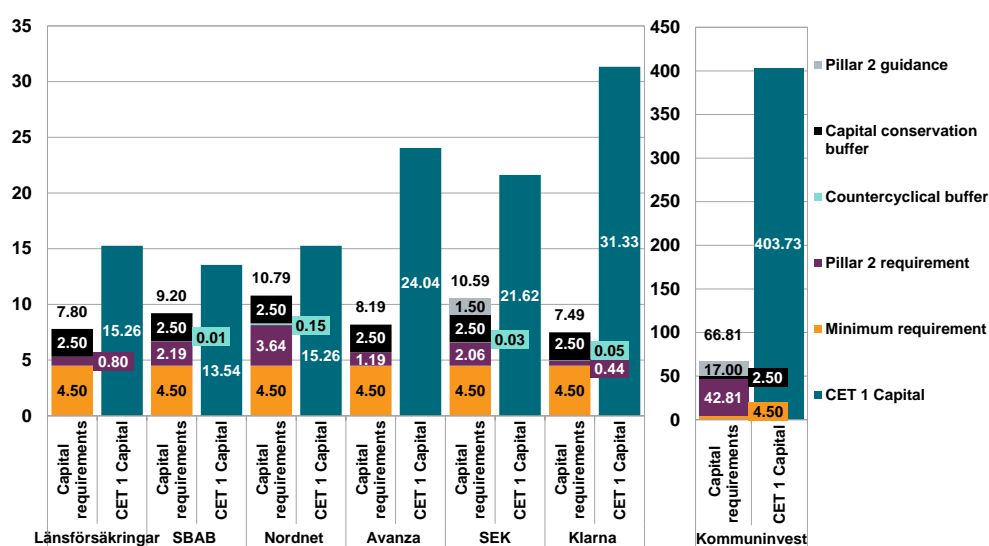


Länsförsäkringar and Avanza were evaluated in 2020 according to previous regulations (see “Capital requirements for Swedish banks”, FI Ref 14-6258). Consequently, the capital requirements in Pillar 2 have not been formally decided and FI has not taken a position on Pillar 2 guidance. Klarna has appealed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

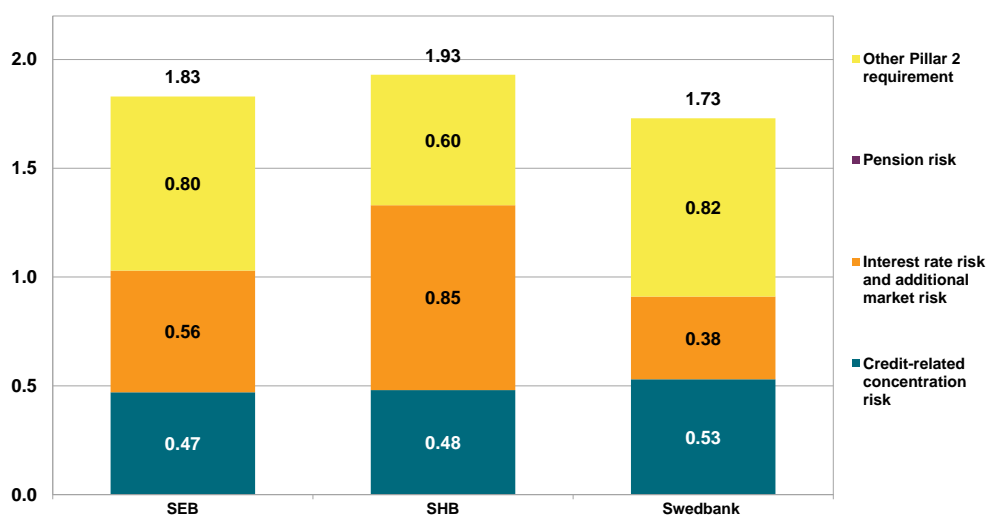


4. Common equity tier 1 capital and common equity tier 1 capital requirements, category 2 (percent of REA)

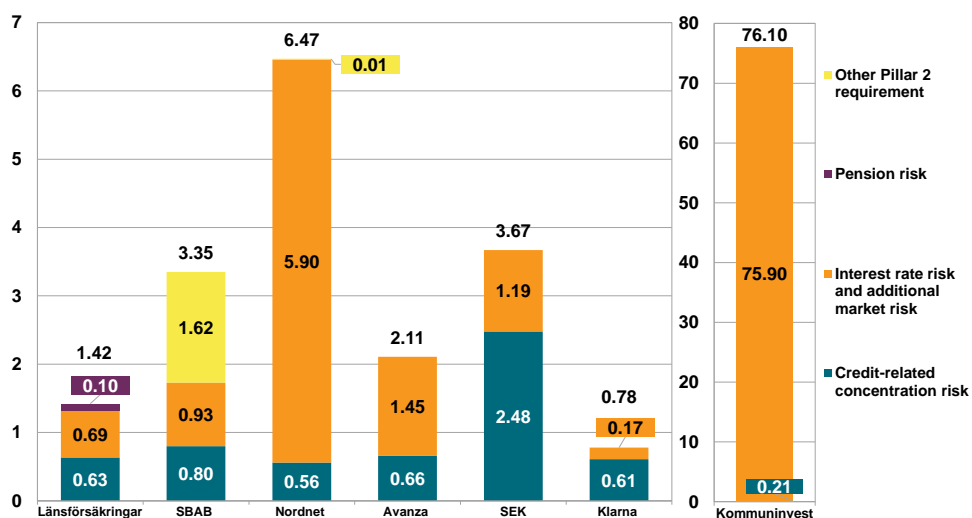


Länsförsäkringar and Avanza were evaluated in 2020 according to previous regulations (see “Capital requirements for Swedish banks”, FI Ref 14-6258). Consequently, the capital requirements in Pillar 2 have not been formally decided and FI has not taken a position on Pillar 2 guidance. Klarna has appealed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

5. Capital requirements in Pillar 2, three major banks

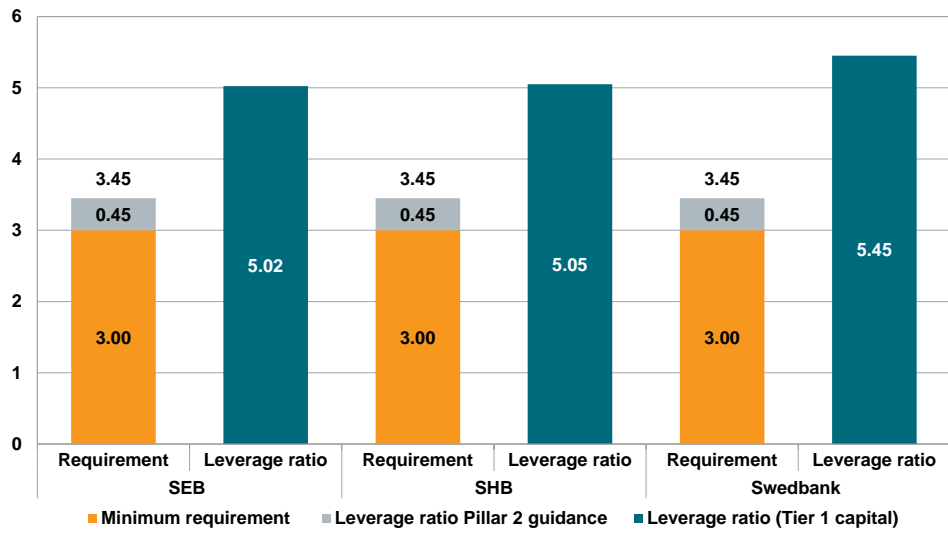


6. Capital requirements in Pillar 2, category 2

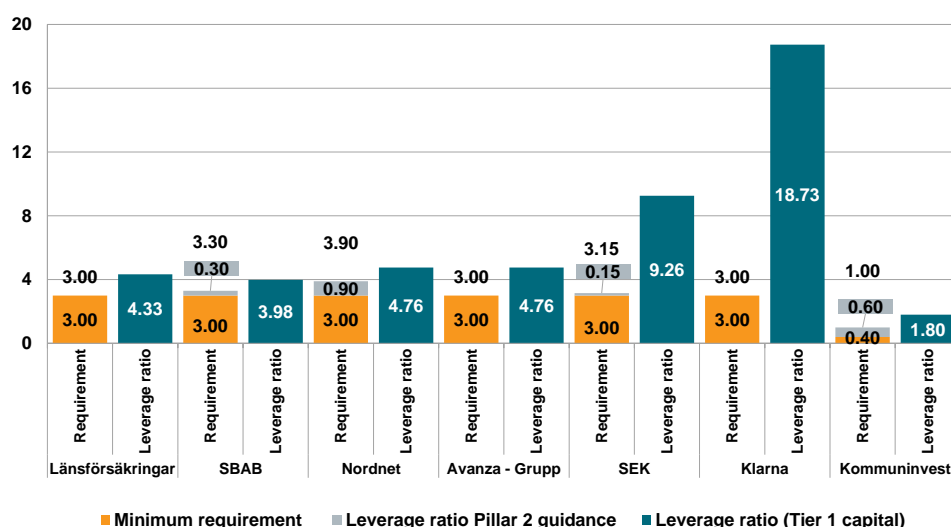


Länsförsäkringar and Avanza were evaluated in 2020 according to previous regulations (see “Capital requirements for Swedish banks”, FI Ref 14-6258). Consequently, the capital requirements in Pillar 2 have not been formally decided and FI has not taken a position on Pillar 2 guidance.

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 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 522 billion SEK and after deduction 61 billion SEK. Leverage ratio after deductions was 15.4 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, 2021-12-31

SEB	Total	Tier 1	CET 1
Capital	181 737	168 375	154 821
Risk based capital requirements	140 947	121 889	108 581
Leverage ratio requirements		115 660	15 086
SHB	Total	Tier 1	CET 1
Capital	180 458	163 222	149 709
Risk based capital requirements	139 535	120 593	107 063
Leverage ratio requirements		111 514	14 545
Swedbank	Total	Tier 1	CET 1
Capital	158 552	143 022	129 644
Risk based capital requirements	125 761	108 846	97 026
Leverage ratio requirements		90 619	11 820
Länsförsäkringar	Total	Tier 1	CET 1
Capital	22 520	19 930	17 730
Risk based capital requirements	13 853	11 116	9 063
Leverage ratio requirements		13 810	0
SBAB	Total	Tier 1	CET 1
Capital	25 106	23 111	18 811
Risk based capital requirements	19 251	15 307	12 780
Leverage ratio requirements		19 157	1 742
Nordnet	Total	Tier 1	CET 1
Capital	3 756	3 756	2 656
Risk based capital requirements	2 978	2 348	1 877
Leverage ratio requirements		3 078	710
Avanza	Total	Tier 1	CET 1
Capital	2 966	2 966	2 966
Risk based capital requirements	1 555	1 244	1 010
Leverage ratio requirements		1 870	0
Kommuninvest	Total	Tier 1	CET 1
Capital	9 410	9 410	9 410
Risk based capital requirements	2 415	1 925	1 557
Leverage ratio requirements		5 221	3 385

Svensk Exportkredit	Total	Tier 1	CET 1
Capital	19 925	19 925	19 925
Risk based capital requirements	14 468	11 777	9 760
Leverage ratio requirements		6 779	323

Klarna	Total	Tier 1	CET 1
Capital	19 855	19 713	19 373
Risk based capital requirements	7 004	5 644	4 630
Leverage ratio requirements		3 157	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 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 522 billion SEK and after deduction 61 billion SEK. Leverage ratio after deductions was 15.4 percent.

Exposures

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

Table 1. REA and leverage ratio exposure amount, 2021-12-31

mkr	Risk exposure amount	Leverage ratio exposure amount
SEB	787 490	3 352 452
SHB	773 158	3 232 291
Swedbank	707 753	2 626 642
Länsförsäkringar	116 201	460 319
SBAB	138 876	580 521
Nordnet	17 399	78 925
Avanza	12 336	62 317
Kommuninvest	2 331	61 213
Svensk Exportkredit	92 140	215 198
Klarna	61 836	105 225

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' fourth quarter reporting in 2021. The reporting was submitted to FI up through 11 February 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 per cent of the total risk exposure amount and must be covered by at least 75 per cent Tier 1 capital, whereof at least 75 per cent 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 per cent 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 1 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 per cent on exposures in Sweden. FI has decided to increase the buffer value to one per cent, and this increase will be applied from 29 September 2022. 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 per cent 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 per cent 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.