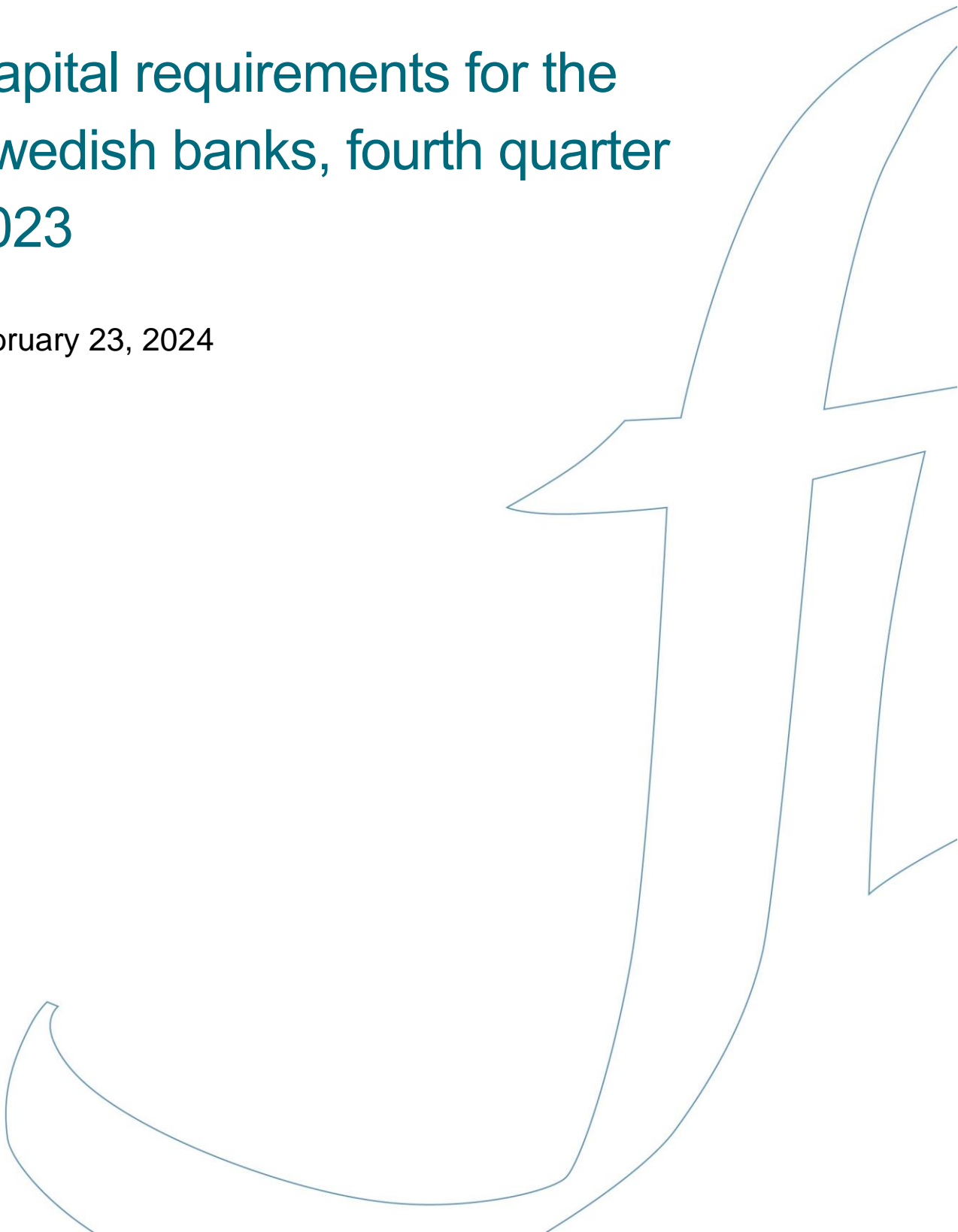




# Capital requirements for the Swedish banks, fourth quarter 2023

February 23, 2024



Dnr 24-334

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## Preface

Every quarter Finansinspektionen (FI) publishes the capital requirements of all Swedish banks and credit market companies under its supervision that have been categorised as Categories 1 and 2.<sup>1,2</sup> This memorandum discloses these companies' capital requirements and capital ratios as of the end of the fourth quarter 2023.

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, Klarna and Avanza were completed in September 2023.<sup>3</sup> Länsförsäkringar was evaluated in September 2022 whereas Kommuninvest and Svensk Exportkredit (SEK) were evaluated 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.

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.<sup>4</sup>

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<sup>1</sup> 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/9e2a1e10fcc9437f98085ec1975f27ea/tillsynskategorisering-kreditinstitut-filialer-2024.pdf>

<sup>2</sup> 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.

<sup>3</sup> On June 20th 2023, FI decided to revise the temporary Pillar 2-requirement for SBAB due to the ongoing review of their internal model.

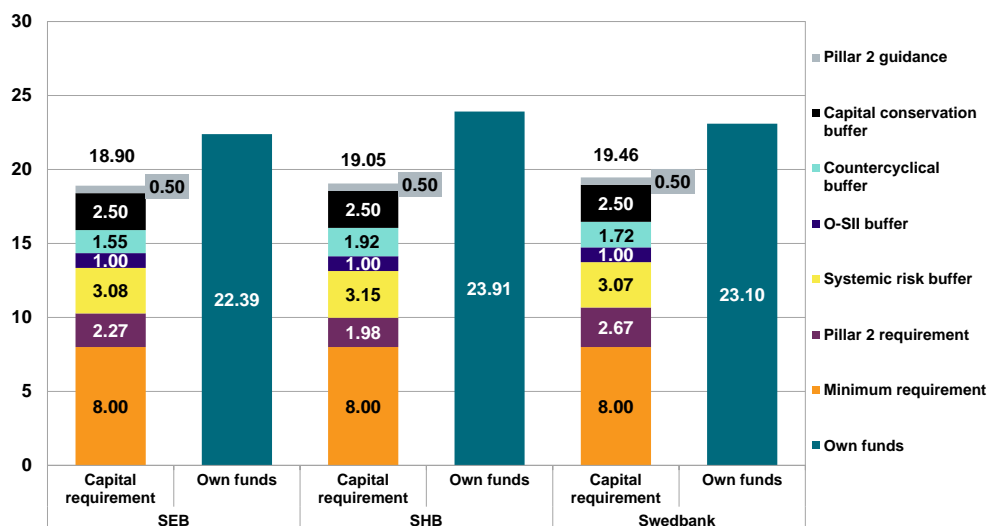
<sup>4</sup> <https://www.fi.se/en/bank/Capital-requirements-for-swedish-banks/>.

# Capital requirements, fourth quarter 2023

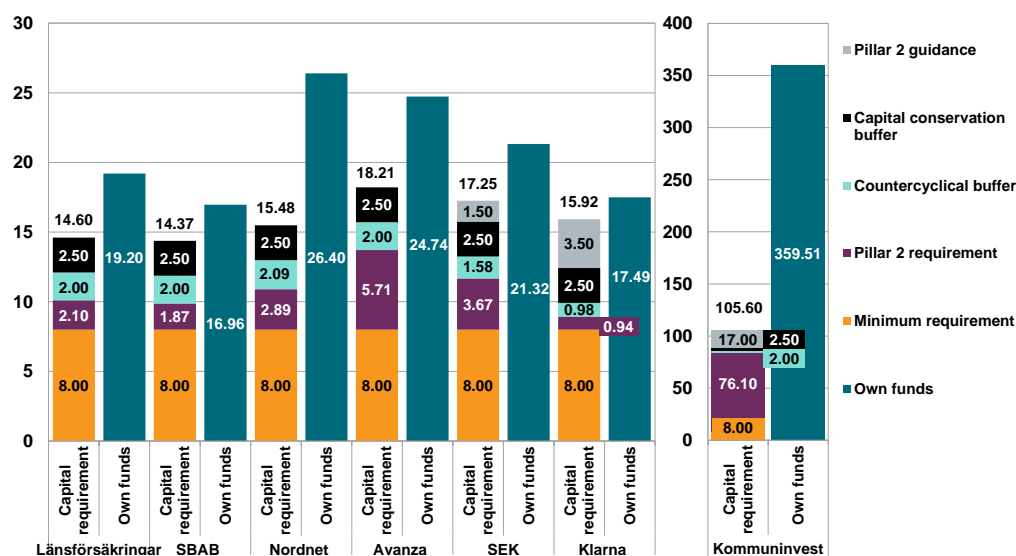
In this chapter we present the capital requirements for Swedish banks as of the fourth quarter 2023.

## Capital requirements in percent

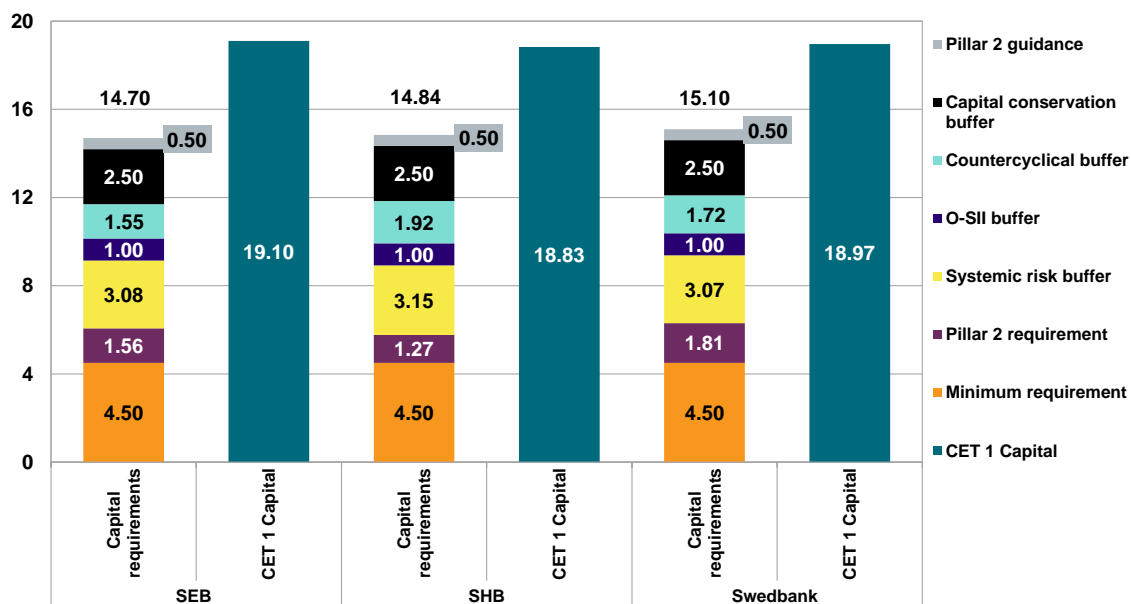
### 1. Own funds and capital requirements, three major banks (percent of REA)



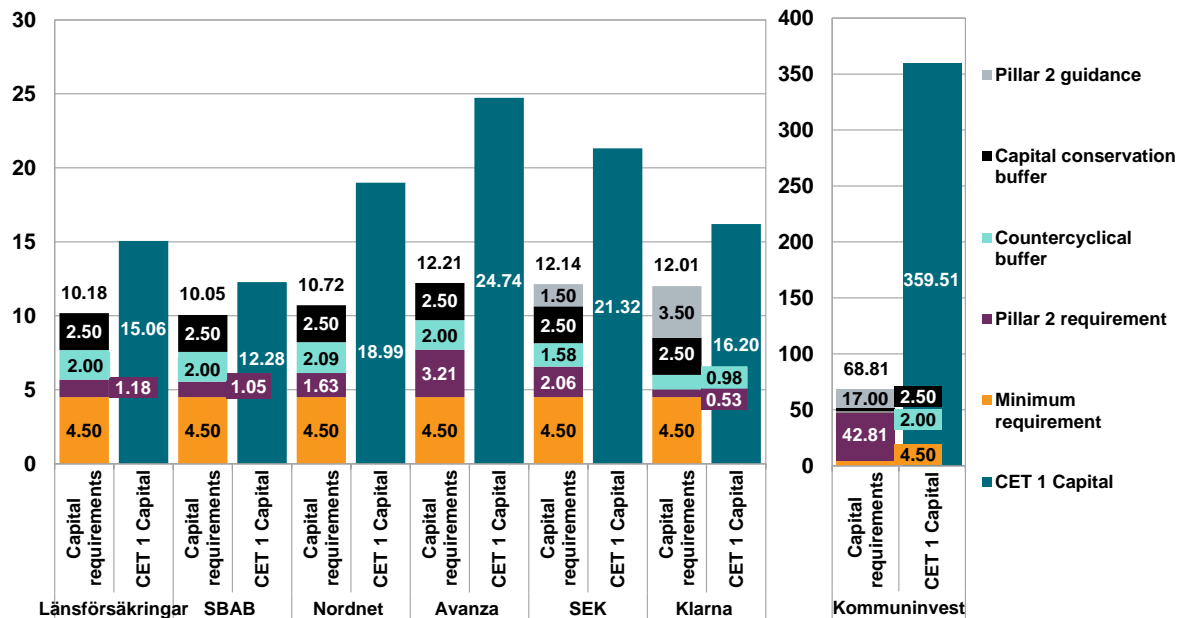
### 2. Own funds and capital requirements, category 2 (percent of REA)



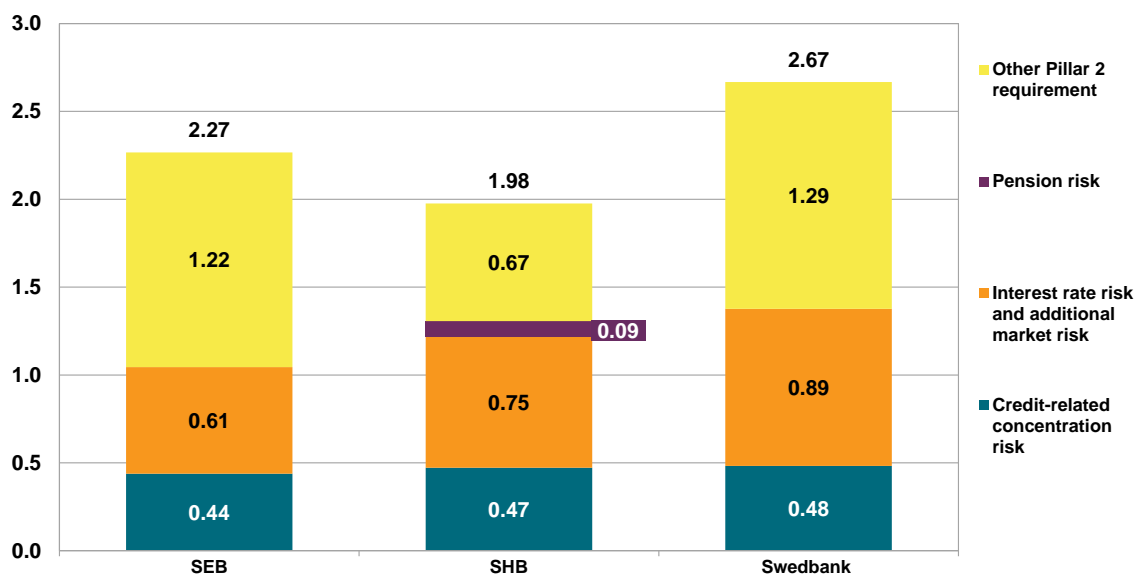
3. Common Equity Tier 1 capital and Common Equity Tier 1 capital requirements, three major banks (percent of REA)



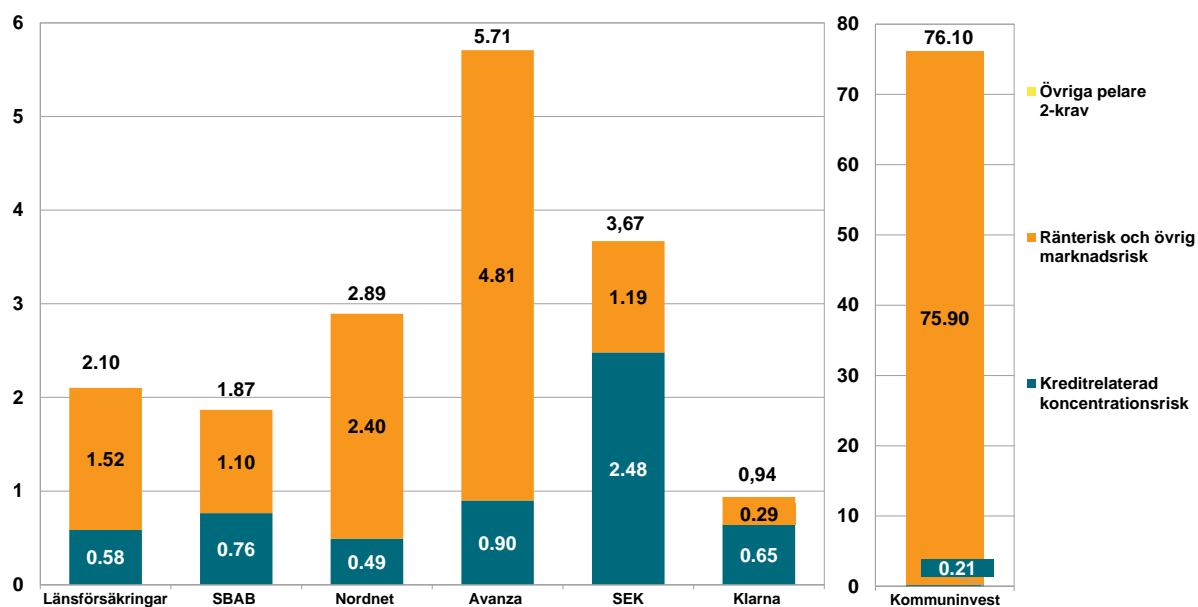
4. Common Equity Tier 1 capital and Common Equity Tier 1 capital requirements, category 2 (percent of REA)



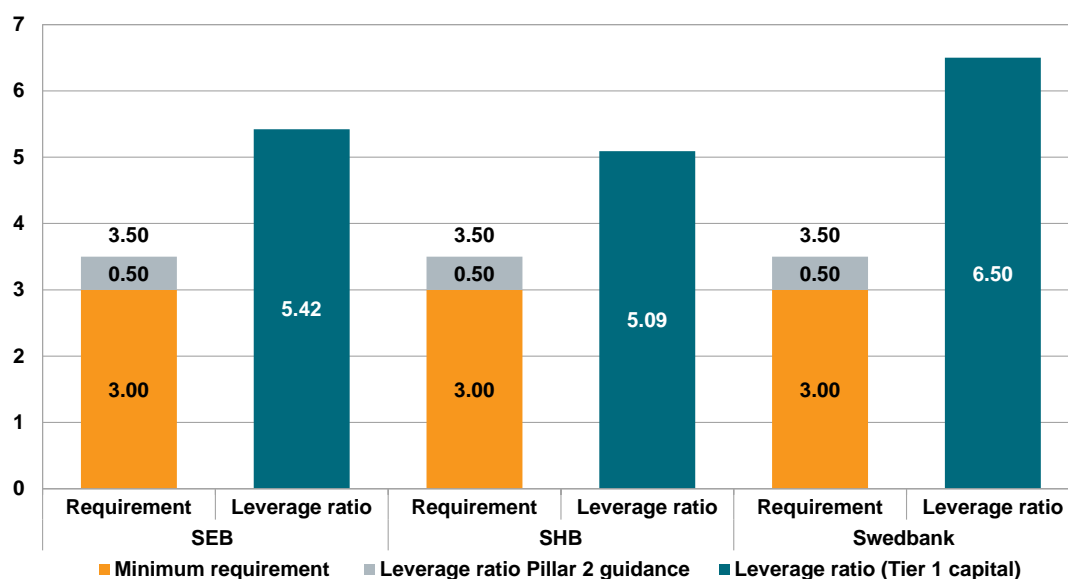
5. Capital requirements in Pillar 2, three major banks (percent of REA)



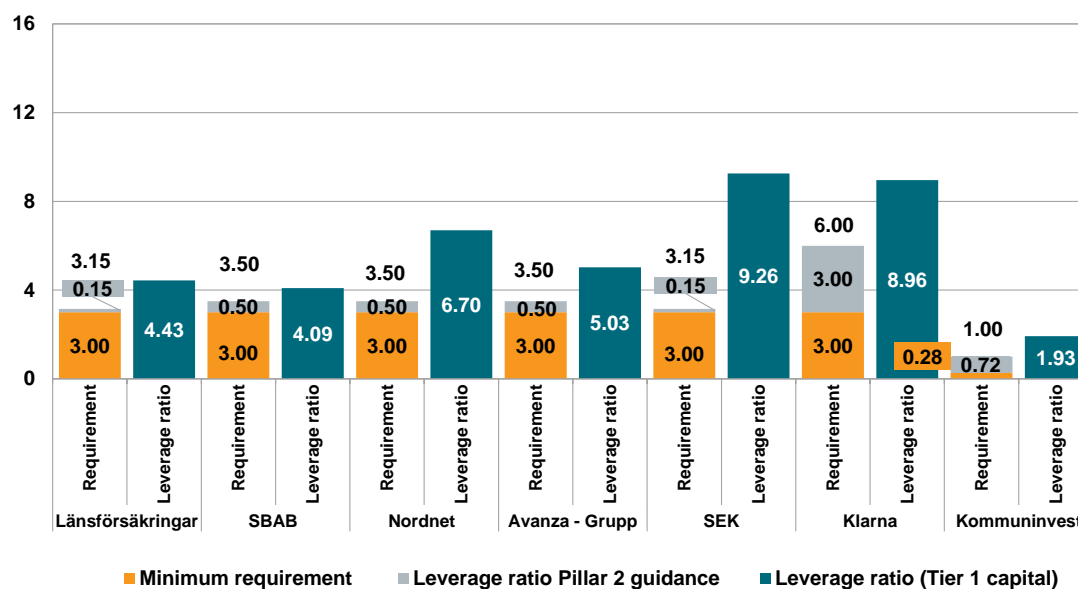
6. Capital requirements in Pillar 2, category 2 (percent of REA)



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)



Note. 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 562 billion SEK and after deduction 53 billion SEK. The leverage ratio after deductions was 20.3 percent.

## Capital requirements in SEK

Table 1. Capital requirements in million SEK, Large Banks, 2023-12-31

<b>SEB</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	199 688	184 409	170 364
Risk based capital requirements	168 571	146 222	131 095
Leverage ratio requirements		119 061	17 009

<b>SHB</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Kapital	200 081	172 603	157 576
Riskbaserat kapitalkrav	159 383	138 794	124 192
Bruttosoliditetskrav		118 667	16 952

<b>Swedbank</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	195 648	174 848	160 659
Risk based capital requirements	164 855	142 810	127 917
Leverage ratio requirements		94 126	13 447



Table 2. Capital requirements in million SEK for banks in supervisory category 2, 2023-12-31

<b>Länsförsäkringar</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	24 519	21 429	19 229
Risk based capital requirements	18 650	15 424	13 005
Leverage ratio requirements		15 226	725
<b>SBAB</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	28 209	26 214	20 414
Risk based capital requirements	23 896	19 794	16 717
Leverage ratio requirements		22 432	3 205
<b>Nordnet</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	4 991	4 991	3 591
Risk based capital requirements	2 927	2 412	2 026
Leverage ratio requirements		2 607	372
<b>Avanza</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	3 574	3 574	3 574
Risk based capital requirements	2 631	2 136	1 765
Leverage ratio requirements		2 485	355
<b>Kommuninvest</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	10 838	10 838	10 838
Risk based capital requirements	3 184	2 550	2 074
Leverage ratio requirements		5 624	4 025
<b>Svensk Exportkredit</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	22 322	22 322	22 322
Risk based capital requirements	18 061	15 006	12 715
Leverage ratio requirements		7 591	361
<b>Klarna</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	12 560	11 809	11 632
Risk based capital requirements	11 430	9 826	8 622
Leverage ratio requirements		7 910	3 955

Note 1. 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 562 billion SEK and after deduction 53 billion SEK. The leverage ratio after deductions was 20,3 percent. The figures in Table 2 may in some instances differ from the capital requirements reported by the banks due to differences in rounding of the underlying requirements.

## Exposure amounts

Table 3. REA and leverage ratio exposure amount, 2023-12-31

<b>MSEK</b>	<b>Risk exposure amount</b>	<b>Leverage ratio exposure amount</b>
SEB	891 992	3 401 754
SHB	836 790	3 390 498
Swedbank	847 121	2 689 307
Länsförsäkringar	127 710	483 375
SBAB	166 294	640 914
Nordnet	18 907	74 490
Avanza	14 450	71 011
Kommuninvest	3 015	53 288
Svensk Exportkredit	104 715	240 991
Klarna	71 794	131 831

Note. Kommuninvest's leverage ratio exposure amount is after the deduction of exposures 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 2023. The reporting was submitted to FI on the 12<sup>th</sup> of February 2024. 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.<sup>5</sup>

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 amounts to three percent of the total risk-weighted exposure amount for the major banks and must be covered by CET 1 capital. FI may also recognize systemic risk buffers implemented by other countries, which can lead to a buffer that exceeds three percent.

### **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 to two percent on exposures in Sweden (as of 22<sup>nd</sup> June, 2023). The buffer value that the banks report is an average value, weighted by the risk exposure amount, of the countercyclical buffer

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<sup>5</sup> For more information, see <https://www.fi.se/en/bank/Capital-requirements-for-swedish-banks>.

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.