



# Capital requirements for the Swedish banks, second quarter 2023

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## Contents

Preface .....	3
Capital requirements, second quarter 2023 .....	4
Capital requirements in percent.....	4
Capital requirements in SEK .....	8
Exposure amounts .....	10
Description of the calculations.....	11
Risk-based capital requirements .....	11
Leverage ratio requirement .....	12

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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.<sup>1,2</sup> This memorandum discloses these companies' capital requirements and capital ratios as of the end of the second 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 evaluation for Skandinaviska Enskilda Banken (SEB) Svenska Handelsbanken (SHB), Swedbank, Länsförsäkringar and Avanza was completed in September 2022. SBAB, Nordnet, Kommuninvest, Svensk Exportkredit (SEK) and Klarna was evaluated in September 2021.<sup>3</sup> FI has decided on Pillar 2 requirements for these companies and communicated which level of Pillar 2 guidance that FI considers they should keep.<sup>4</sup>

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>5</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.finansinspektionen.se/contentassets/9c52d6d8183d4572a1206519782e5c5e/tillsynskategorisering-kreditinstitut-filialer-2023.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> Klarna appealed FI's Pillar 2 guidance to The Administrative Court. After The Court overturned the decision and referred the case back to FI for continued examination, FI decided not to determine a Pillar 2 guidance for Klarna for the 2021 SREP. Klarna is however subject to a SREP for 2023.

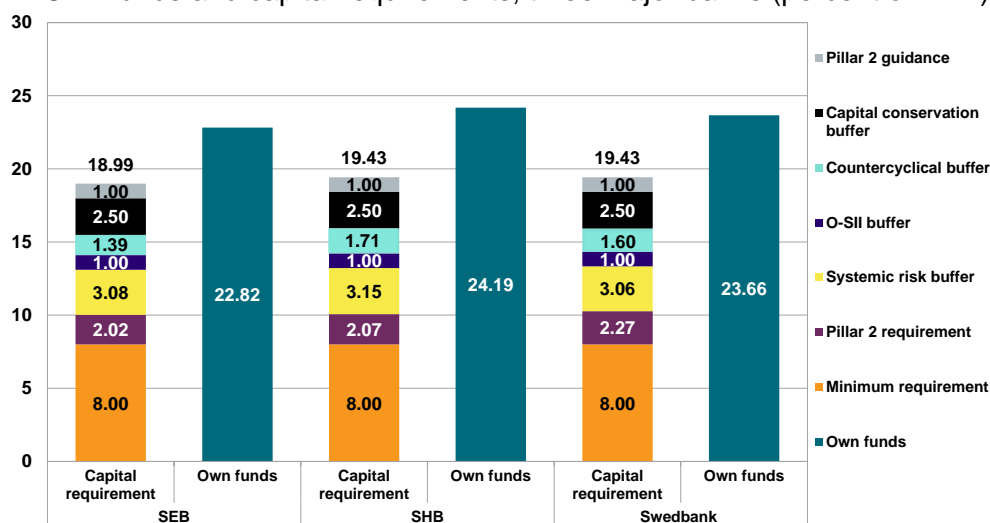
<sup>5</sup> <https://www.fi.se/en/bank/Capital-requirements-for-swedish-banks/>.

# Capital requirements, second quarter 2023

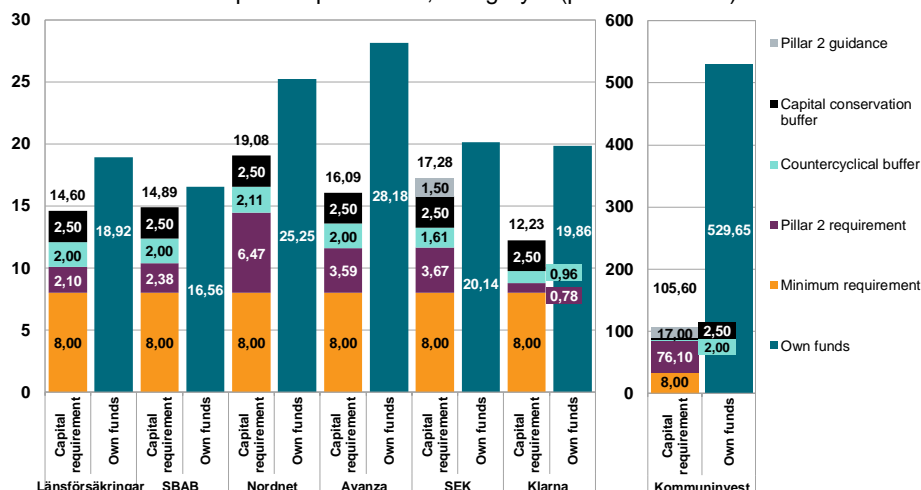
In this chapter we present the capital requirements for Swedish banks as of the second quarter 2023.

## Capital requirements in percent

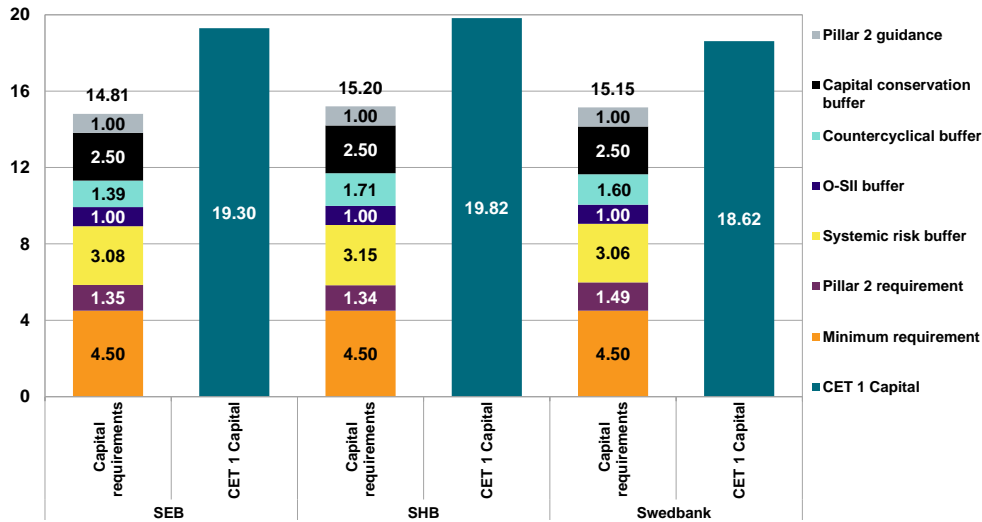
1. Own funds and capital requirements, three major banks (percent of REA)



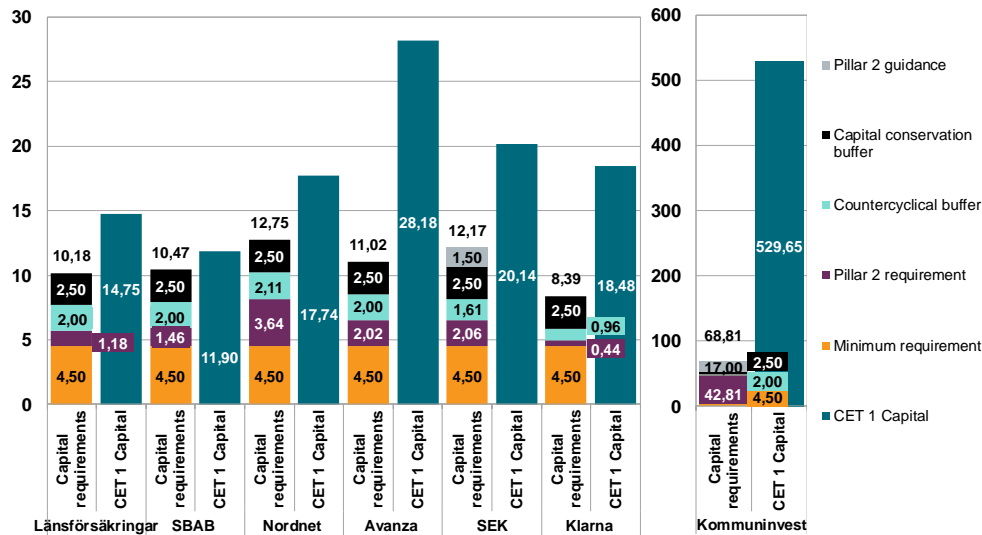
2. Own funds and capital requirements, category 2 (percent of REA)



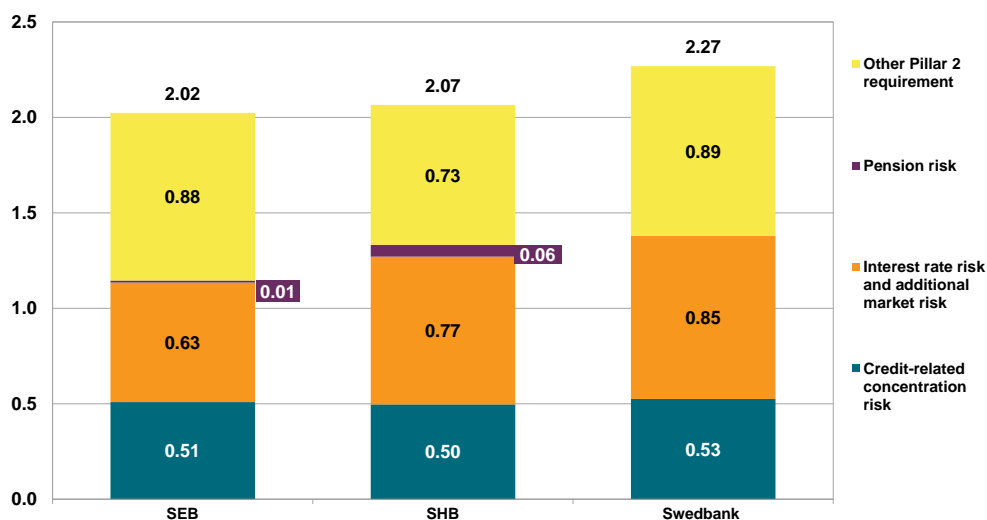
3. Common Equity Tier 1 capital and Common Equity Tier 1 capital requirements, three major banks (percent of REA)



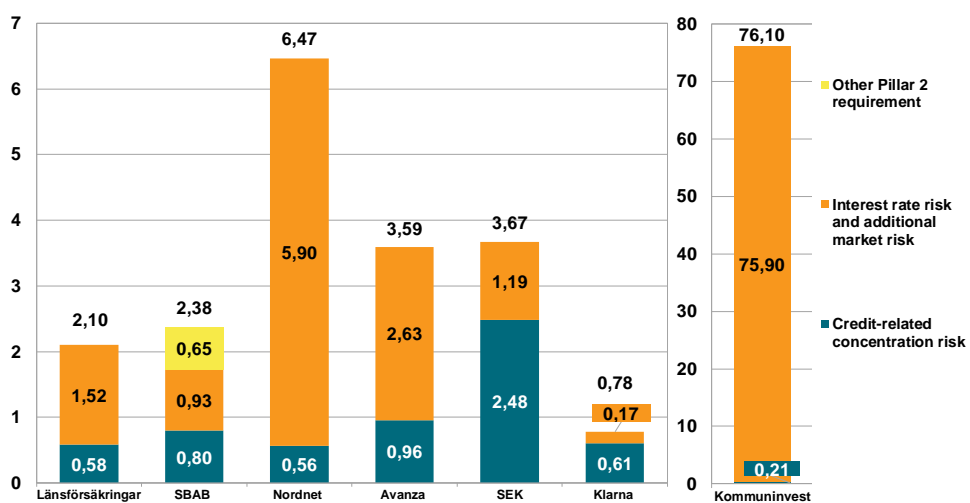
4. Common Equity Tier 1 capital and Common Equity Tier 1 capital requirements, category 2 (percent of REA)



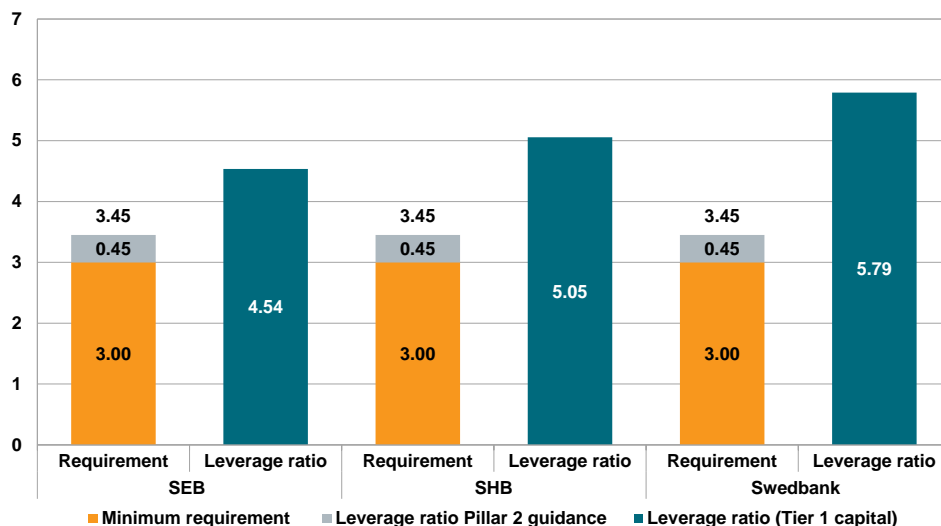
5. Capital requirements in Pillar 2, three major banks (percent of REA)



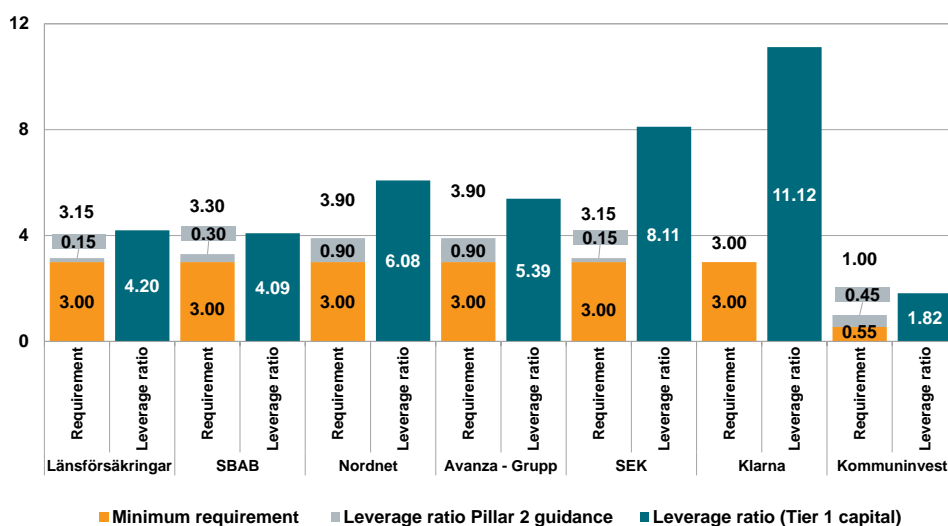
6. Capital requirements in Pillar 2, category 2 (percent of REA)



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 593 billion SEK and after deduction 108 billion SEK. The leverage ratio after deductions was 9.99 percent.

## Capital requirements in SEK

Table 1. Capital requirements in million SEK, 2023-06-30 Large banks

<b>SEB</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	201 976	185 840	170 757
Risk based capital requirements	168 047	146 260	131 085
Leverage ratio requirements		141 379	18 441

<b>SHB</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Kapital	202 556	182 123	166 003
Riskbaserat kapitalkrav	162 736	141 969	127 315
Bruttosoliditetskrav		124 299	16 213

<b>Swedbank</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	193 791	167 442	152 511
Risk based capital requirements	159 124	138 462	124 058
Leverage ratio requirements		99 806	13 018



Table 2. Capital requirements in million SEK, 2023-06-30

<b>Länsförsäkringar</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	23 958	20 868	18 668
Risk based capital requirements	18 488	15 290	12 892
Leverage ratio requirements		15 650	745
<b>SBAB</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	27 698	25 703	19 903
Risk based capital requirements	24 902	20 560	17 507
Leverage ratio requirements		20 735	1 885
<b>Nordnet</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	4 704	4 704	3 304
Risk based capital requirements	3 554	2 880	2 375
Leverage ratio requirements		3 019	697
<b>Avanza</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	3 572	3 572	3 572
Risk based capital requirements	2 040	1 672	1 397
Leverage ratio requirements		2 586	597
<b>Kommuninvest</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	10 796	10 796	10 796
Risk based capital requirements	2 152	1 724	1 403
Leverage ratio requirements		5 929	2 686
<b>Svensk Exportkredit</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	21 450	21 450	21 450
Risk based capital requirements	18 404	15 293	12 960
Leverage ratio requirements		8 333	397
<b>Klarna</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	13 427	12 922	12 494
Risk based capital requirements	8 273	6 789	5 676
Leverage ratio requirements		3 487	0

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 593 billion SEK and after deduction 108 billion SEK. The leverage ratio after deductions was 9.99 percent.

## Exposure amounts

Table 2. REA and leverage ratio exposure amount, 2023-06-30

<b>mkr</b>	<b>Risk exposure amount</b>	<b>Leverage ratio exposure amount</b>
SEB	884 934	4 097 935
SHB	837 505	3 602 883
Swedbank	819 021	2 892 936
Länsförsäkringar	126 600	496 822
SBAB	167 274	628 347
Nordnet	18 631	77 415
Avanza	12 676	66 318
Kommuninvest	2 038	108 117
Svensk Exportkredit	106 527	264 552
Klarna	67 624	116 237

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' second quarter reporting in 2023. The reporting was submitted to FI on the 11<sup>th</sup> of August 2023. 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>6</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

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<sup>6</sup> For more information, see <https://www.fi.se/en/bank/Capital-requirements-for-swedish-banks>.

average value, weighted by the risk exposure amount, of the 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.