



# Capital requirements for the Swedish banks, first quarter 2022

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# Contents

Preface .....	3
Capital requirements, first quarter 2022 .....	4
Capital requirements in percent.....	4
Capital requirements in SEK .....	10
Exposures .....	12
Description of the calculations.....	13
Risk-based capital requirements .....	13
Leverage ratio requirement .....	14

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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 first quarter 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 companies. The most recent evaluation for Skandinaviska Enskilda Banken (SEB) Svenska Handelsbanken (SHB), Swedbank, SBAB, Nordnet, Kommuninvest, Svensk Exportkredit (SEK) and Klarna was completed 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. 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.<sup>3</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/43cf633b47574b2a909b4fd7cc151afc/tillsynskategorisering-kreditinstitut-filialer-2022.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.

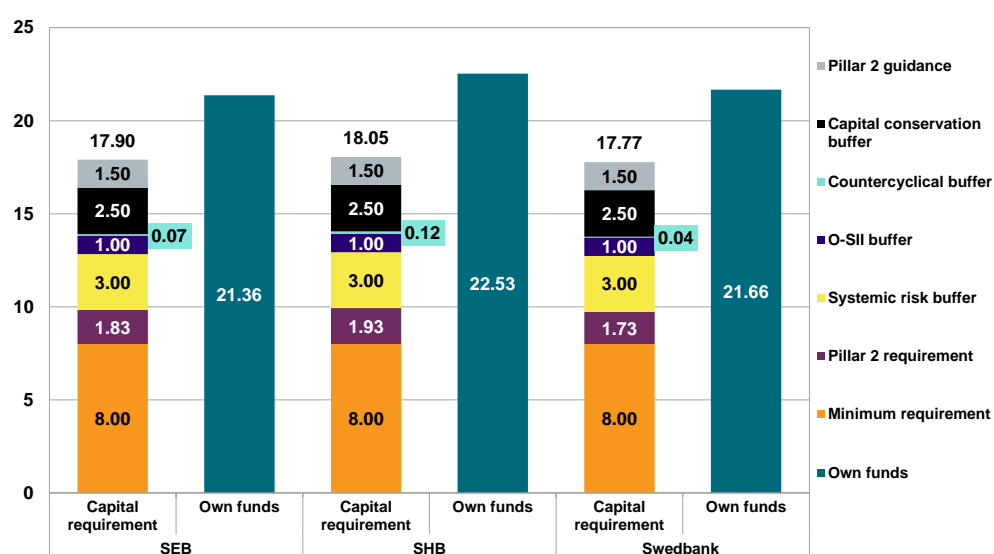
<sup>3</sup> <https://www.fi.se/en/bank/Capital-requirements-for-swedish-banks/>.

# Capital requirements, first quarter 2022

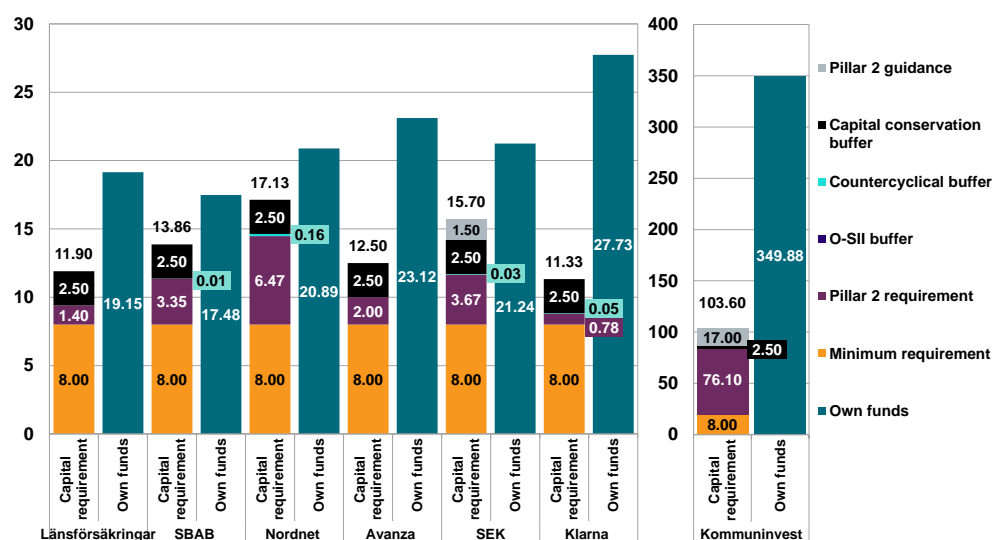
In this chapter we present the capital requirements for Swedish banks as of the first quarter 2022.

## Capital requirements in percent

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

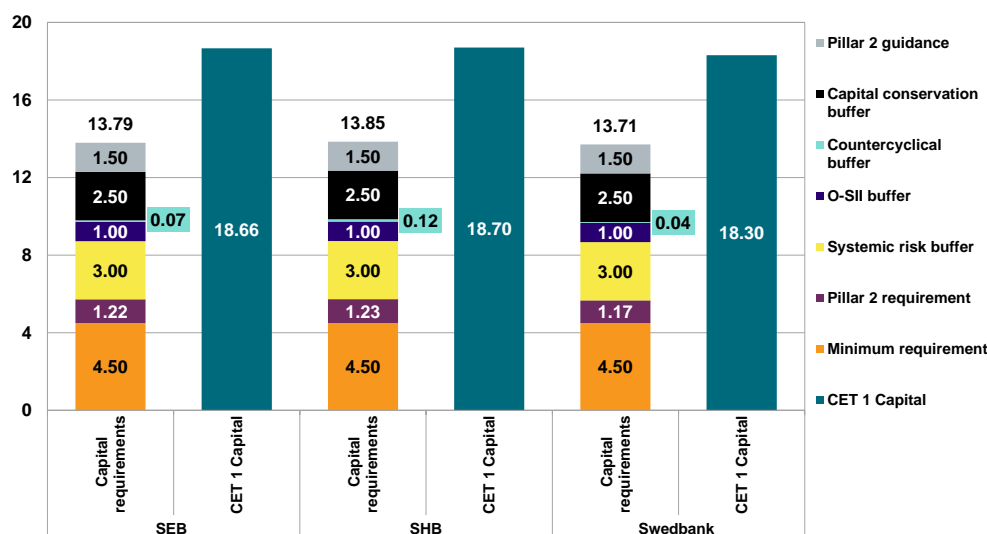


## 2. Own funds and capital requirements, category 2 (percent of REA)

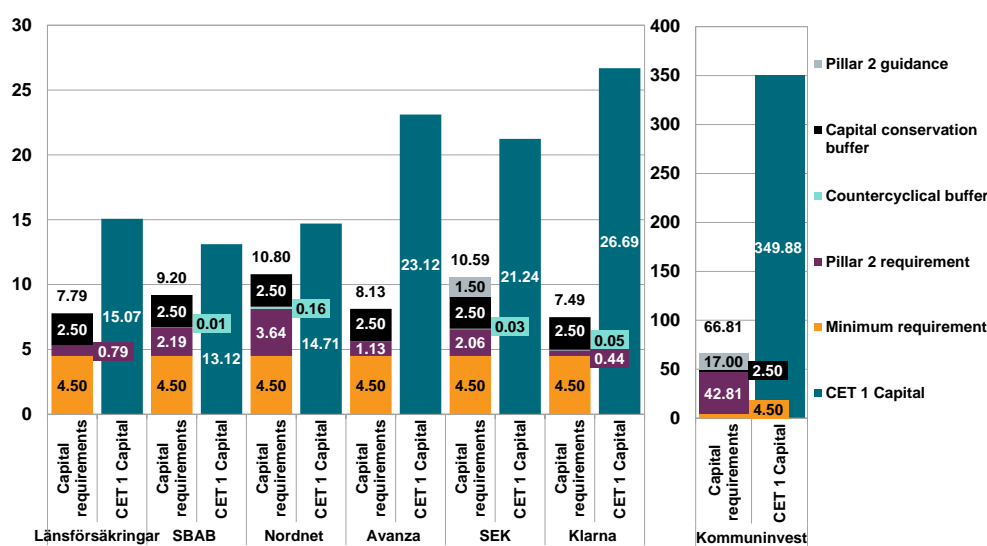


Länsförsäkringar and Avanza were evaluated in 2020 according to previous regulations (see “Capital requirements for Swedish banks”, FI Ref 14-6258). Consequently, the capital requirements in Pillar 2 have not been formally decided and FI has not taken a position on Pillar 2 guidance. Klarna has appealed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

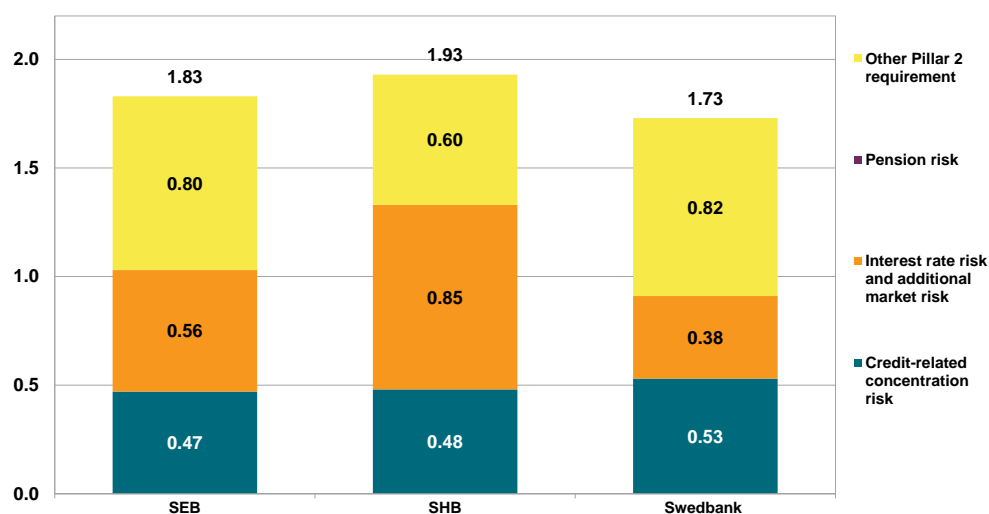


### 4. Common Equity Tier 1 capital and Common Equity Tier 1 capital requirements, category 2 (percent of REA)

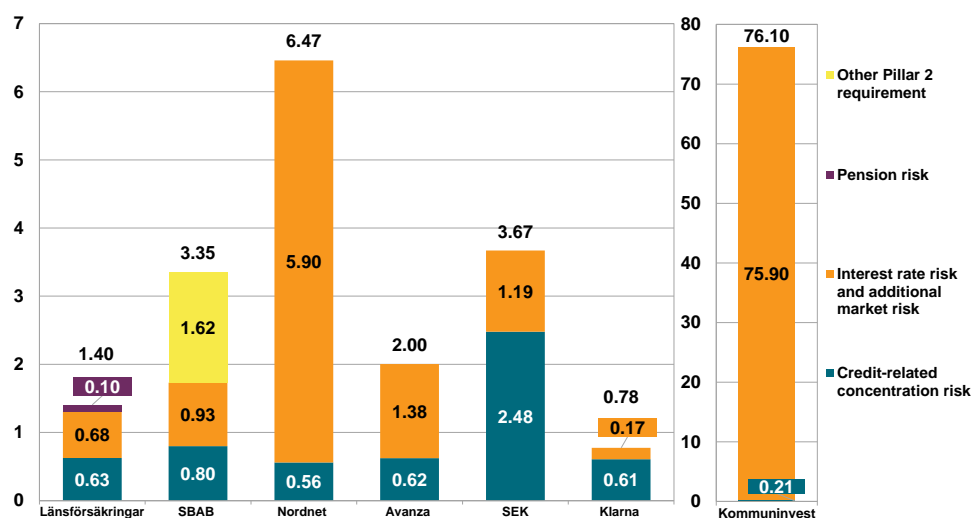


Länsförsäkringar and Avanza were evaluated in 2020 according to previous regulations (see "Capital requirements for Swedish banks", FI Ref 14-6258). Consequently, the capital requirements in Pillar 2 have not been formally decided and FI has not taken a position on Pillar 2 guidance. Klarna has appealed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

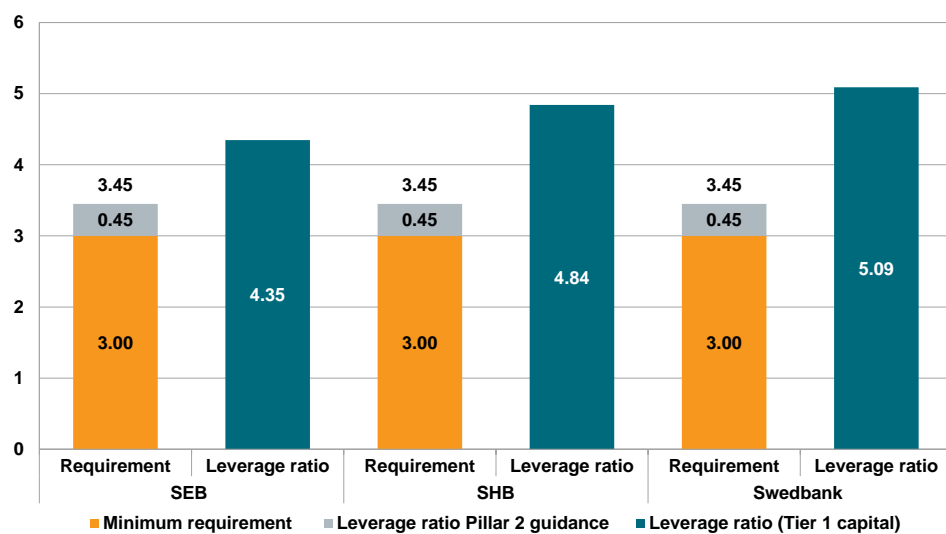


## 6. Capital requirements in Pillar 2, category 2 (percent of REA)



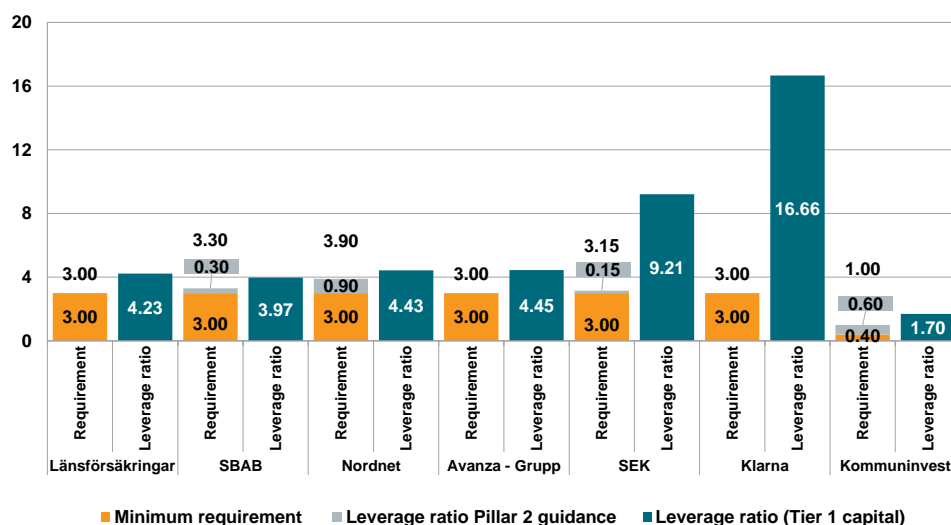
Länsförsäkringar and Avanza were evaluated in 2020 according to previous regulations (see “Capital requirements for Swedish banks”, FI Ref 14-6258). Consequently, the capital requirements in Pillar 2 have not been formally decided and FI has not taken a position on Pillar 2 guidance.

### 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 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 554 billion SEK and after deduction 88 billion SEK. The leverage ratio after deductions was 10.7 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, 2022-03-31

<b>SEB</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	176 971	163 008	154 593
Risk based capital requirements	148 311	128 264	114 265
Leverage ratio requirements		129 370	16 874
<b>SHB</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	183 954	166 576	152 664
Risk based capital requirements	147 371	127 369	113 083
Leverage ratio requirements		118 722	15 485
<b>Swedbank</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	156 954	141 306	132 601
Risk based capital requirements	128 740	111 425	99 327
Leverage ratio requirements		95 728	12 486
<b>Länsförsäkringar</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	22 520	19 930	17 730
Risk based capital requirements	14 001	11 236	9 162
Leverage ratio requirements		14 147	0
<b>SBAB</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	25 215	23 220	18 920
Risk based capital requirements	19 990	15 894	13 270
Leverage ratio requirements		19 280	1 753
<b>Nordnet</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	3 719	3 719	2 619
Risk based capital requirements	3 050	2 406	1 923
Leverage ratio requirements		3 274	755
<b>Avanza</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	3 000	3 000	3 000
Risk based capital requirements	1 623	1 298	1 055
Leverage ratio requirements		2 023	0
<b>Kommuninvest</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	9 395	9 395	9 395
Risk based capital requirements	2 782	2 217	1 794
Leverage ratio requirements		5 542	2 916

<b>Svensk Exportkredit</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	20 032	20 032	20 032
Risk based capital requirements	14 808	12 054	9 989
Leverage ratio requirements		6 848	326

<b>Klarna</b>	<b>Total</b>	<b>Tier 1</b>	<b>CET 1</b>
Capital	17 374	17 185	16 721
Risk based capital requirements	7 095	5 717	4 689
Leverage ratio requirements		3 094	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 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. Leverage ratio exposure before deductions was 554 billion SEK and after deduction 88 billion SEK. Leverage ratio after deductions was 10.7 percent.

## Exposures

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

Table 1. REA and leverage ratio exposure amount, 2022-03-31

<b>mkr</b>	<b>Risk exposure amount</b>	<b>Leverage ratio exposure amount</b>
SEB	828 377	3 749 851
SHB	816 394	3 441 210
Swedbank	724 472	2 774 716
Länsförsäkringar	117 614	471 550
SBAB	144 217	584 238
Nordnet	17 805	83 944
Avanza	12 979	67 442
Kommuninvest	2 685	87 540
Svensk Exportkredit	94 307	217 391
Klarna	62 645	103 126

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' first quarter reporting in 2022. The reporting was submitted to FI up through 12 May 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 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>4</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 is amounting to three percent 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 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 at zero percent on exposures in Sweden. FI has decided to increase the buffer value to one percent, 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

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<sup>4</sup> 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 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.