THE BANKING SECTOR IN SWEDEN

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The Swedish Bankers’ Association represents banks and financial institutions established in Sweden. Their aim is to contribute to a sound and efficient regulatory framework that facilitates for banks to help create economic wealth for customers and society. This includes:

- Representing the member companies nationally and internationally. The SBA is a member of the European Banking Federation, EBF.
- Working closely with regulators and policymakers in Sweden and Europe.
- Establishing joint rules in matters of common interest in the Swedish banking industry, such as payment infrastructure and security issues.
- Informing the public about the banking sector.

The Swedish financial market  
Source: The Riksbank

The economic role of the financial sector  
Efficient and reliable systems for saving, financing, mediating payments, and risk management are of fundamental importance for Sweden’s economic prosperity. These systems are operated by banks and other credit institutions, insurance companies, securities companies and other companies in the financial sector. The financial sector efficiently channels savings in society to investment and consumption, such as household needs to smooth out the consumption of various life stages and the need for companies to finance investment.

In 2014, the financial industry accounted for 4.8 percent of the total output in Sweden, expressed as its GDP. Over 85,000 people, representing about two percent of the total workforce, work in the financial industry. This can be compared with the manufacturing industry that employs 13 percent of the workforce and hotel- and restaurant sector that employs 3 percent.
Types of financial enterprise
The financial companies’ overall balance sheet in 2013 was SEK 17,000 billion. It can be seen in relation to Sweden’s GDP in 2013 of SEK 3,640 billion. The three largest groups of companies on the Swedish financial market are banks, insurance companies and mortgage institutions. Banks’ share of the total assets of the financial market was 39 per cent at the end of 2013. In addition to the above mentioned companies, there are also private equity companies. Private equity companies mediate risk capital by investing and taking a part of the ownership in companies.

Market changes
The financial sector is experiencing a significant change in its structure. Established companies have broadened the scope of their business, while many new companies, both Swedish and foreign, have entered the market. An important change is that branch offices have become less important for bank customers’ daily services. Today normal bank services are to a large extent performed through computers, mobile phones and tablets/iPads.

Moreover, new ways to perform bank services have been created, e.g. credit applications in chain stores, e-invoices, etc. These new channels of distribution have enabled the development of new services while existing services have changed. The new technology has also paved the way for the establishment of new banks and increased competition in banking.

Mutual funds and insurance savings have become some of the most important forms of household savings. Over 75 per cent of the population have some of their savings in mutual funds. Bank savings are, however, the largest household savings type.

Structure of the Banking

Number of banks
There are four main categories of banks on the Swedish market: Swedish commercial banks, foreign banks, savings banks and co-operative banks.
In December 2014, Sweden had a total of 117 banks. The number of commercial banks and foreign bank branches in Sweden has increased from 48 in 2004 to 68 in 2014.
The increase is due to the fact that, among other things, more foreign banks have been established in Sweden. In addition, the number of Swedish commercial banks have increased, including securities firms and credit market companies that has become banks.

Swedish commercial banks
Swedish commercial banks are divided in three groups. The largest are the four big banks: Swedbank, Handelsbanken, Nordea and SEB.
These banks are important actors on most segments of the financial market. The second group is savings banks that have been converted into joint stock companies, often with Swedbank as a shareholder. The third category constitutes other Swedish commercial banks with a diverse business focus and ownership structure. Several of the other commercial banks were formed during the
mid-1990’s and ahead. At first these banks were mainly focused on the retail banking market and distributed their products and services through telephone and online, but also through e.g. retail stores. In recent years several new banks were established with a background in securities trading and financing business. The new established banks have in course of time increased the selection of financial products and many of these are today regarded as full-service banks for private customers.

**Foreign banks**
The first foreign bank was established in 1986, when foreign banks were first allowed to open subsidiaries. During a few years, in connection with the financial crisis in the beginning of the 1990’s, the number of foreign banks declined. Foreign banks were permitted to open branches in 1990 and, since then, they have increased. In December 2014, they amounted to 29. Most foreign banks focus on the corporate banking and securities market. The largest foreign bank is Danske Bank which is the fifth largest bank in Sweden.

**Savings banks**
There are numerous independent savings banks in Sweden and they are active in regional or local markets. Most savings banks operate in co-operation with Swedbank as regards technical solutions and the provision of Structure of the banking Source: The Riksbank a common range of products and services. The number of savings banks has declined due to small savings banks having merged.

**Co-operative banks**
A co-operative bank is an economic association that has as its purpose to produce bank services for its members. To be able to use the bank services of a co-operative bank the customer must become a member by paying a member share. There are two small co-operative banks in Sweden.

**Number of banks in Sweden**

<table>
<thead>
<tr>
<th>Type of bank</th>
<th>2014</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swedish commercial banks</td>
<td>38</td>
<td>26</td>
</tr>
<tr>
<td>- of which four big banks</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>- of which former savings banks</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>- of which other Swedish commercial banks</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Foreign banks</td>
<td>29</td>
<td>22</td>
</tr>
<tr>
<td>- of which subsidiaries</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>- of which branches</td>
<td>28</td>
<td>19</td>
</tr>
<tr>
<td>Savings banks</td>
<td>48</td>
<td>76</td>
</tr>
<tr>
<td>Co-operative banks</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>117</td>
<td>126</td>
</tr>
</tbody>
</table>

Source: Finansinspektionen
The Major Banking Groups

Swedish banking groups
From the mid-1990’s, Sweden’s leading banks have evolved into financial groups with extensive international activities, especially within the Nordic and Baltic regions. This development is partly due to areas such as life insurance, fund management and mortgage lending becoming an increasingly important part of the groups’ business activities alongside traditional banking.

Nordea is the largest financial company in the Nordic region with around 30,000 employees. The group includes leading banks in Sweden, Finland, Denmark and Norway. Nordea’s lending consists of 75 per cent of lending from countries outside Sweden. The Bank’s Swedish operations include one of the largest finance companies and major players in fund management and mortgage credits. Nordea also owns the credit transfer payment system Plusgirot.

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Torsten Hagen Jørgensen . Deputy CEO and Group Chief Operating Officer (COO), Executive Vice President, Head of Group Corporate Centre.

SEB is the name of the financial group formed around Skandinaviska Enskilda Banken. SEB has developed extensive international activities among others in Germany and the Baltic region. In Sweden, SEB has a strong position in fund management and life insurance, as well as in the mortgage and finance company sectors. SEB is also a strong player on the stock market and in currency trading as well as international payments. They employ around 16,000 people.

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Svenska Handelsbanken (SHB) has more than 460 branch offices in Sweden and around 11,000 employees worldwide. From the 1990’s the bank has also expanded in the Nordic region, both through acquisitions and by opening branch offices. The bank has branches also in United Kingdom and the Netherlands. The wholly owned mortgage institution Stadshypotek belongs to the largest players
on the Swedish mortgage credit market. Handelsbanken also has extensive operations in the fund management and finance company sectors.

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**Swedbank** has an extensive network of around 305 bank branch offices in Sweden and 16,000 employees worldwide. In addition, Swedbank is in close co-operation with the independent savings banks and partly owned banks among the savings banks movement. Swedbank also has major activities in the Baltic region. The group includes Swedbank Robur, Sweden’s largest fund management company, and Swedbank Hypotek, which is one of the largest mortgage finance institutions.

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**Nordic Financial Groups**

Other Nordic financial groups Other Nordic financial groups with a strong position in Sweden are Danske Bank, SBAB, Länsförsäkringar and Skandia.

Danske Bank is Denmark’s largest bank and has banking operations in all the Nordic countries. SBAB is originally a mortgage institution, but received a banking licence in 2010 and expanded its operations to among other things deposit activity. Länsförsäkringar consists of 23 regional insurance companies in co-operation, and together they own Länsförsäkringar Bank.

Skandiabanken is owned by Skandia which has operations among others in property and life insurance.

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**Supervision of Swedish banks**
The main functions of the financial system are to accept deposits and provide credit, mediate payments and to diversify risks. It is of great importance that the function and reputation of the system is maintained and, therefore, society has found it necessary to create laws that regulate the institutions that constitute the financial system. Among these institutions, the banks play an important role and there are a number of laws and regulations that regulate their activities.

Finansinspektionen (the Swedish Financial Supervisory Authority) and The Riksbank (the Swedish central bank) have the main responsibility of monitoring compliance with these laws and regulations, and to maintain financial stability. Finansinspektionen has a direct responsibility to supervise the individual institutions on the financial market. The Riksbank has an overall responsibility to promote a stable function of the financial system. The task of promoting stability in the financial system is shared between the two authorities.

Finansinspektionen and the Riksbank form together with the Government and the Swedish National Debt Office the forum called the Financial Stability Council. In the Financial Stability Council members discuss issues of financial stability and how financial imbalances could be counteracted. If a financial crisis should arise, the Council would also discuss and handle measures.

**Swedish FSA**
Martin Noréus, Deputy Director General
Uldis Cerps, Executive Director - Banks

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