

INTERNATIONAL SAVINGS BANKS

1 August 2023

The Savings Banks Organisation in Sweden

The 59 savings banks in Sweden have a market share of approximately 7% in deposits and 9% in loans. Their central institution, Swedbank, is one of Sweden's four largest banking groups. It is the market leader in retail banking in Sweden as well as in the three Baltic states Estonia, Lithuania and Latvia.

Most Swedish savings banks are still owned by foundations. 14 savings banks have been converted into public limited companies. Swedbank has a stake of between 22% to 50% in five of these savings banks. Conversely, the savings banks and the savings bank foundations together hold 14.96% of the shares in Swedbank. These mutual interdependencies, as well as a long-term cooperation agreement, result in close ties between the savings banks and Swedbank.

Swedbank is a public bank listed on the Stockholm Stock Exchange. Nevertheless, due to its history, it acts in many cases like a savings bank and sees itself as a bank for the people, with an obligation to the people and the economy in the region. With the exception of Sparbanken Syd, all Swedish savings banks are members of the national savings bank association Sparbankernas Riksförbund.

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The Swedish banking market

In macroeconomic terms, the banking sector in Sweden is as important as in other European countries. The balance sheet total of all Swedish banks in 2022 was 2.8 times the size of Sweden's total economic output. By comparison, the European average was 2.4 times GDP. The bank branch network in Sweden is significantly below average, with 6,968 inhabitants per branch. In comparison, the European average is 3,228 inhabitants per branch (see figures 1 and 2).

In 2022, the portfolio of loans at risk of default at Swedish banks was 0.2%, significantly below the average of 1.8% in other European countries. The cost-income ratio of Swedish banks in 2022 was 44.8%, below the level of other European competitors. Profitability, measured by return on equity, was 11.5% in 2022, well above that of other banks in Europe (see figures 3 and 4).

Since the mid-1980s, the Swedish banking market has been extensively deregulated. As a result, there was an increase in the volume of credit, which fueled a real estate and stock boom. At the beginning of the 1990s, this development culminated in a system-wide banking crisis, which could only be overcome through massive government measures (establishment of bad banks and nationalisation of important banks). In the wake of cleaning up the banking crisis, there has been a profound reorganisation of the banking market. The Swedish banking market weathered the financial crisis from 2007 onwards relatively well due to targeted aid measures.

The Swedish financial system has proven resilient. The Swedish economy and its banking market have come through the Corona pandemic well. The resident major banks have good capital and liquidity. However, the risk of overheating in the real estate market and possible price corrections has risen substantially due to recent price increases and the high level of household debt combined with a significant proportion of variable-rate loans. In addition, Swedish banks have considerable exposure to the commercial property segment. However, the banks' financing situation is stable and the ability to provide credit to the real economy remains assured.¹

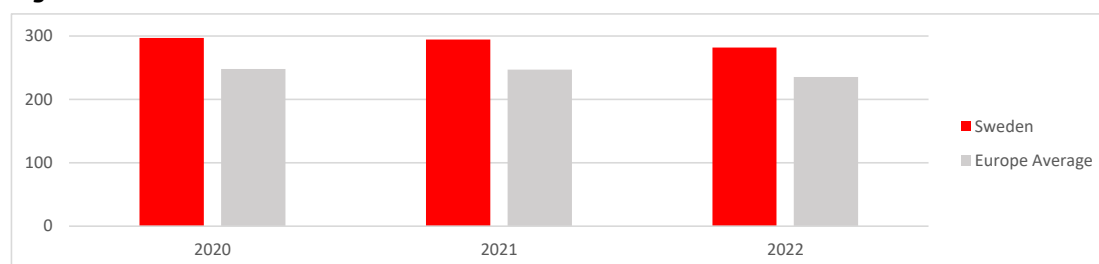
¹ LBBW Research, Financial Blickpunkt of 5.7.2022

Table 1: The largest Swedish banks by balance sheet total

Group	2022	2021	2020	2019
Nordea Bank	595	570	552	555
Skandinaviska Enskilda Banken	316	321	303	272
Svenska Handelsbanken	309	325	312	292
Swedbank	255	267	258	229

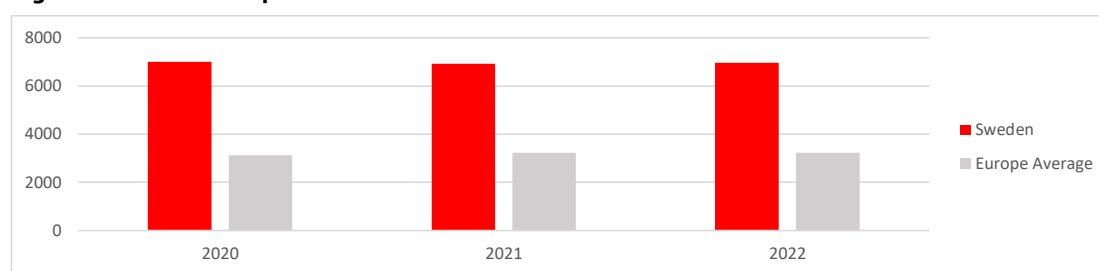
Source: Financial report of the respective group² 2022, in EUR billion

Figure 1: Banks' balance sheet total to GDP in %



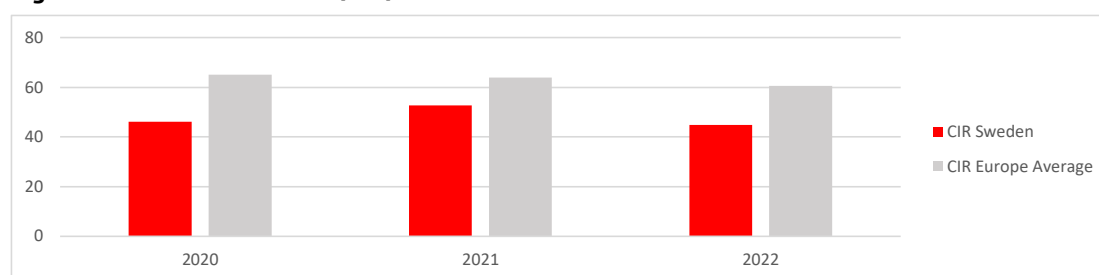
Source: European Central Bank 2023, own calculations

Figure 2: Inhabitants per office



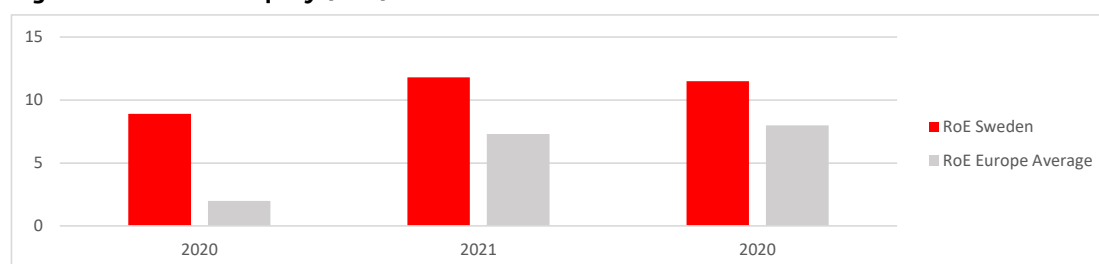
Source: European Central Bank, Eurostat 2023, own calculations

Figure 3: Cost-income ratio (CIR) in %



Source: EBA Dashboard, 2022

Figure 4: Return on equity (RoE) in %



Source: EBA Dashboard, 2022

² Nordea has been a Finnish bank since Oct. 2018, with high business volumes in Sweden, partly through its Swedish bank branches.

The Swedish savings banks

The first Swedish savings bank was founded in Gothenburg in 1820. The Swedish savings banks of the early 19th century were intended to offer financial services to broad sections of the population, especially poorer people. For a long time, there was a deposit ceiling to comply with this target group, which hindered the growth of the institutions. It was not until 1969 that the savings banks and their activities were put on an equal footing with commercial banks.

Respected citizens from the local community managed the savings banks, which were run in the form of foundations. The Swedish savings banks had a local focus from the outset. Even though a limitation of activities to the local framework (regional principle) was not mandatory, it was observed voluntarily.

The number of Swedish savings banks has fallen sharply over the years. In 1928, the peak year, there were 498 savings banks, in 1960 there were 434. In 1980 there were still 164 savings banks, after many small institutions had merged into regional banks. As a result of an increasingly competitive environment, combined with the deregulation of the Swedish banking market, further mergers took place in the following period. An additional driver of consolidation was the concentration of many Swedish companies and the associated relocation of the registered office from the province to the capital Stockholm, which caused the locally operating savings banks to lose competitive advantages.

Table 2: Structural information on the Swedish Savings Banks

Number	<p>59 Savings Banks - of which 58 are members of the Association³</p> <p>Of the 58 Savings Banks that are members of the Association:</p> <ul style="list-style-type: none">- 14 are stock corporations- 44 are private foundations <p>Of the 14 corporations</p> <ul style="list-style-type: none">- 9 are stock corporations 100% owned by local savings bank foundations- 5 are joint stock corporations with Swedbank participation (partly-owned banks) <p>There are therefore a total of 54 savings banks without Swedbank participation (independent savings banks).</p>
Legal form	<p>Originally private foundations. Since 1991, it has been possible to incorporate the banking business into joint-stock companies.</p>

In 2022, more than 1,900 employees provided services in 122 business outlets. The balance sheet total amounted to 25 billion euros. However, the Swedish savings banks are not equally present in all parts of the country. They are predominantly located in the southern third, mainly in smaller and medium-sized towns outside of the metropolitan regions.

In 2014, Sparbanken 1826 merged with Färs & Frosta Sparbank and part of Sparbanken Öresund to form Sweden's largest regional savings bank - Sparbanken Skanje. Sparbanken Skanje is 78% owned by savings bank foundations and 22% by Swedbank . The remaining part of Sparbanken Öresund was taken over by Swedbank.

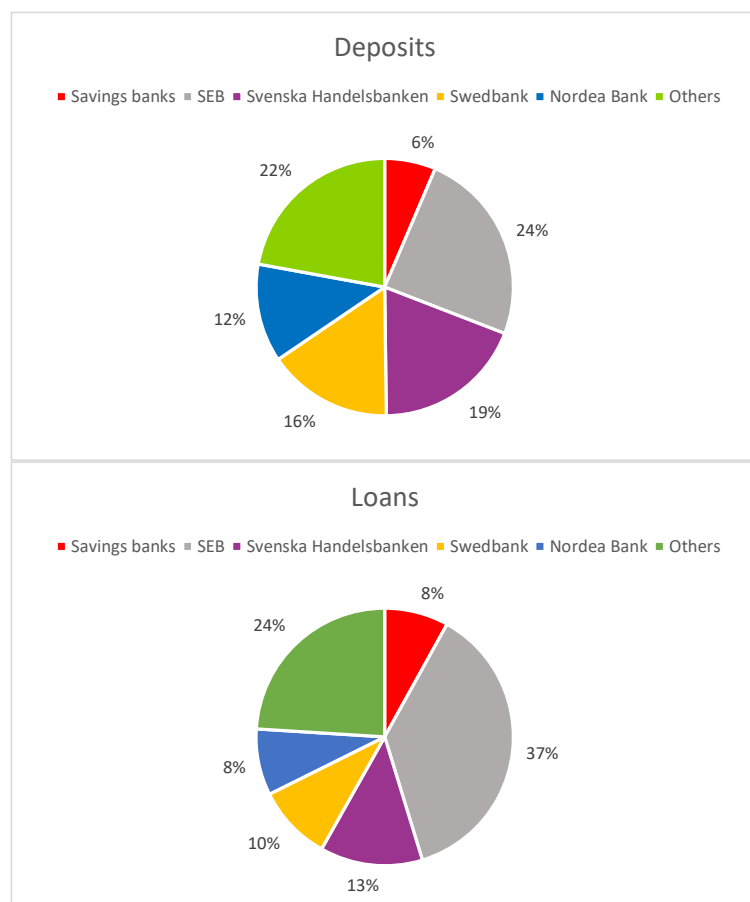
³ Sparbanken Syd is not a member of the Swedish Savings Banks Association.

Table 4:
The 10 largest Swedish savings banks by balance sheet total

Sparkasse	2022
Sparbanken Nord	2,693
Orusts Sparbank	1,328
Westra Wermlands Sparbank	1,290
Sparbanken Syd	1,277
Sparbanken i Enköping	1,236
Falkenbergs Sparbank	1,206
Sparbanken i Karlshamn	1,193
Roslagens Sparbank	1,152
Sparbanken Västra Mälardalen	1,046
Hälsinglands Sparbank	888

Source: Svenska Bankföreningen, Bank and Finance Statistics, 2022, in EUR million

Figure 5:
Swedish savings banks' deposit and loan market shares in 2022



Source: Svenska Bankföreningen, Bank and Finance Statistics, 2022, own calculations

Central institution: Swedbank AG

In 1992, the Association of Swedish Savings Banks, the Central Savings Bank and the banking business of eleven large regional and county savings banks merged to form *Sparbanken Sverige AB*. The 11 savings bank foundations that contributed their banking business to Sparbanken Sverige AB became its shareholders. The merger was forced by the banking crisis of the early 1990s, which had hit the expanding savings bank sector particularly hard. Also, in 1992, more than 350 local cooperative banks in Sweden merged to form *Föreningsbanken AB*. At the end of 1997, Sparbanken Sverige AB merged with Föreningsbanken AB to form *FöreningsSparbanken*, whose name was changed to *Swedbank* in 2006. Although Swedbank grew out the savings banks, it is no longer a savings bank today.

Swedbank and the savings banks are mutually connected. For example, Swedbank has stakes of between 22% and 50% in five savings banks. These include Sparbanken Skåne AB (22%), Sparbanken Sjuhärad AB (47.5%), Sparbanken Rekarne AB (50%), Ölands Bank (49%) and Vimmerby Sparbank AB (40%). This is possible because the savings banks, which were originally private foundations, have had the option of outsourcing their banking business to a joint-stock company since 1991.

Furthermore, the savings banks together with the savings bank foundations hold a total of 15.48% of the shares in Swedbank and thus have a long-term and strategic stake in Swedbank. In order to coordinate the exercising of their voting rights and to act with a common voice vis-à-vis Swedbank's management, the savings banks have joined forces as shareholders in the savings banks group.

Swedbank also cooperates with the vast majority of independent savings banks. This cooperation is governed by a cooperation agreement that Swedbank has entered into with 58 savings banks, which was renewed during 2021. It covers many areas such as IT, marketing, sales, foreign payment transactions, etc. Approximately 30% of Swedbank's product sales go through the savings banks.

The savings banks in turn benefit above all from Swedbank's weight in the Swedish banking market. The savings banks that have concluded a cooperation agreement operate under the same logo as Swedbank. Despite the close cooperation with the savings banks in some cases, Swedbank is one of the largest competitors for different parts of the savings bank sector due to its nationwide presence.

In 2014, Swedbank bought Sparbanken Öresund. Part of the transaction was the sale of eight branches of Sparbanken Öresund to Sparbanken Skanje. In Sweden, Swedbank has approximately four million retail and approximately 300,000 corporate customers.

In addition to its presence in Sweden, Swedbank has a strong market position in the Baltic States and subsidiaries or participations in other countries. Swedbank is the largest universal bank in the Baltic States with 80 branches, 3.4 million retail customers and more than 300,000 corporate customers. In 2016, Swedbank acquired Danske Bank's retail business in Lithuania and Latvia. The purchase included the acquisition of approximately 127,000 retail customers and a loan portfolio of around EUR 0.5 billion.

Table 5: Structural information on Swedbank AB Group

	2022
Shareholders	
Savings banks	11.9%
Savings banks foundations	3.6%
Offices	216
Employees	16,803
Balance sheet total in bn€	255
Equity in bn€	15.7
ROE	13.3%
CIR	40%
Market Shares in Sweden	
Deposits (private)	18%
Deposits (corporate)	15%
Lending (private)	20%
Lending (coporate)	15%

Source: Swedbank Annual Report 2022

The Association: Sparbankernas Riksförbund



The Swedish Savings Banks Association comprises all the Swedish saving banks, with the exception of Sparbanken Syd.

Members 58 Savings banks

Purpose Representation of the interests of the savings banks and savings bank foundations

Tasks

- Protection and promotion of the common interests of the members vis-à-vis authorities and organisations
- Representation in legal matters and acting as negotiator on important issues
- Negotiating partner vis-à-vis Swedbank for members who have opted for cooperation
- Organisation of conferences, seminars, etc. to maintain contacts and promote the exchange of views between the savings banks

The Swedish Savings Banks Association is a member of the World Savings and Retail Banking Institute (WSBI) and the European Savings and Retail Banking Group (ESBG).

Imprint

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Note

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