



JÖNKÖPING UNIVERSITY  
*International Business School*

# **Swedish banks' Regulations and Risk Management**

## ***- Is it a stricter process of granting credit?***

*Bachelor Thesis within business administration*

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## Abstract

The purpose of this thesis is to analyze whether the Swedish big banks have changed their lending standards as a result of the Global Financial Crisis in 2008. According to the picture of how the Swedish real estate economy is highlighted in media, the way households are allowed to consume, are to many incomprehensible and is something that further needs to be analyzed. To be able to fulfill the purpose, the Swedish banks Handelsbanken, Swedbank and SEB are interviewed about their risk management, regulations controlling them and their credit granting process. An important conclusion is that banks are taking a much greater responsibility today compared to what they did before 2008. The Basel III regulation means that banks have to hold larger buffers of capital and the Basel III is much of the reason that banks have changed their lending standards and become a lot stricter today. It is not only the credit granting process that has become stricter since the Global Financial Crisis. The financial sector experienced a severe lack of information leading to people bought assets without being aware of the risk level of these assets, many lost money they never could have dreamt of as a consequence. After this, the Swedish Financial Supervisory Authority implemented a regulation meaning that every contract between bank and customer must be carefully documented in order for the customer to know the level of risk they take.

## Sammanfattning

Syftet med denna uppsats är att analysera om de svenska storbankernas lånevillkor har förändrats och stramats åt som ett resultat av den Globala finanskrisen som startade i Sverige år 2008. För att kunna uppfylla syftet har intervjuer med Handelsbanken, Swedbank och SEB ägt rum angående deras risk hantering, styrande regler samt deras kreditgivningsprocess. Sett till den bild som media målar upp av den svenska hushållsekonomin idag är det oförståeligt hur hushåll kan tillåtas att låna och konsumera i den utsträckningen de gör och är av denna anledning något som är i behov av att analyseras vidare. En viktig slutsats i uppsatsen är den som visar att bankerna tar ett enormt stort ansvar idag jämfört mot vad de gjorde innan 2008. Basel III reglerna innebär att kapitaltäckningskraven hos bankerna har höjts samt att Basel III är de regler som till störst del har bidragit till att bankernas lånevillkor har stramats åt ordentligt fram till idag. Det är inte bara kreditgivningsprocessen som stramats åt sedan finanskrisen. Den finansiella sektorn upplevde en brist i informationssystemet när det gällde tillgångar så som fonder och optioner, då personer investerade i dessa utan att egentligen veta om vilken risk dessa innebar ledde det till att många förlorade pengar de aldrig kunnat ana. Efter detta ansåg Finansinspektionen att något måste förändras och införde en ny regel som innebar att alla nya förbindelser mellan bank och kund måste noggrant dokumenteras så att kunden vet vilka risker som följer.



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# 1 Introduction

*In this section, the Global Financial Crisis (GFC), the meanings of a real estate bubble and the current situation in the Swedish economy will be introduced. In order to take the reader lengthways the narrower issue of the credit granting process, the problem statement will concern with the term loan, used in relation to home loans if nothing else is stated.*

## 1.1 Background

With today's extremely low rates and subsidies there are not much left that can make it cheaper to loan (Dillén, 2015). The current housing shortage situation in the Swedish real estate market have increased the number of homeless in 22 of 26 large regions and the ones that are affected is primarily young, old people with a low pension, poor families with children and EU immigrants (Stockholms Stadsmission, 2015). There is a strong connection between private debts and financial crisis in the Swedish history. In addition, new research shows that there is a strong connection between increasing real estate prices and financial crisis. Both these connections in addition to extremely low rates and the fact that real estate prices increase as a consequence of the lack of new constructions, not because of a healthy economy, make the state of the market institution claim that people should be right to worry about a real estate bubble in the Swedish market (Ahnland, 2015). Ever since the Global Financial Crisis (GFC), Sweden is second behind Japan regarding the fastest growing debts in the world (BIS, 2015a), adding that to the point that Sweden's real estate prices were left rather unchanged in the GFC in 2008 and thereby have experienced rapid price increases ever since the 1990s make economist flag for a coming burst in the potential real estate bubble (VA, 2015a).

The GFC started with a burst in a real estate bubble and reading about it, you may at first glance draw numerous similarities with the current Swedish economy and the U.S. economy before the GFC started. Kowalski and Shachmurove (2014) analyzes the mechanisms behind the GFC and conclude that the European economies are affected by economic downturns in the U.S.. Furthermore they claim that there was a burst in the real estate bubble and in the derivatives bubble at the same time and that they were the result of loose policies.

In fall year 2005 real estate prices fell in the U.S. and low income people had trouble to pay their loans, which led to the bankruptcy of small credit institution. In 2007 prices kept falling and larger credit institutions came to be affected as well, big banks in both the U.S. and Europe reported huge losses. This was the starting point of what is known as the GFC that was about to drag the whole global financial system down in 2008 (Wissén, P. & Wissén, U. 2011). Although most of the world economies were affected, Sweden is claimed to come out rather intact with house price indexes the same in 2009 as in 2007, *figure 1*.



Figure 1. Swedish house price index.

Source: Valueguard

In a study by Dalhäll and Wass from 2012, it is proved that lending standards have become stricter since the financial crisis in the 1990s. However, the years from the GFC in 2008 have been dramatic to the Swedish economy in numerous ways. A new government in 2014, a flapping real estate market, an amortization restriction is discussed for new borrowers that would mean that some groups, primarily young adults, will be excluded from the real estate market because they are not able to handle a rate increase and by that, not able to handle the higher monthly cost the amortization would imply (Stockholms Stadsmission, 2015). Further, one should not forget the spread views about whether there is a real estate bubble or not. Banks' working standards should have changed as the factors just mentioned in addition to the alarming household debt pose a great risk to the bank.

## 1.2 Problem statement

Many households seem to see the low rates as an opportunity to use their homes as collateral and that way be able to go on a spending spree. This consumption behavior will initially increase a country's welfare but over time the consequences of the aggressive loaning will be that households gather debt instead, hence the consumption behavior and the lower rates are ways of postponing problem to the future. This is the point where the role of banks and financial institutions matter, they are the ones that significantly can affect people to not be overwhelmed with debt as soon as rates increase again and this in turn is when the importance of the credit granting process becomes relevant (FI, 2015a). According to the picture of how the Swedish real estate economy is highlighted in media, the way households are allowed to consume, are incomprehensible and something that further needs to be analyzed.

## 1.3 Purpose

The purpose of the thesis is to analyze the credit granting process in concern to the GFC and how it has changed since the GFC in order to generalize the big banks credit granting process.

In order to fulfill this purpose, four research questions (RQ) will be answered;

*RQ 1: How does the risk management look like today and before?*

*RQ2: What impact does the Basel regulations have on the process of granting credit?*

*RQ3: What criteria's are taken into account in the credit granting process?*

*RQ4: Do households take too high risks?*

## 1.4 Delimitations

Literatures report a number of factors causing the GFC. How interesting it may be, time limit of the bachelor thesis will not allow assessing all these since that is not of importance for this research but I would certainly suggest doing a deeper assessment in the area.

Risk management, Basel regulations and credit granting process will be highlighted. The background for the Basel regulations will have a short description but this thesis will focus more specific on Basel III because that was implemented as a result of the GFC. As well as Basel III, risk management will be analyzed in the range that has an affection of the credit granting process. Further, the crisis in the 1990s is mentioned shortly but there is no need to know about this crisis in detail for the understanding of this research.

## 1.5 Perspective

This thesis is written from the perspective of banks and the people working at banks. There are some technical terms taken for granted that the reader is familiar with in this research, therefore it is written for the reader with some kind of economic background in mind. Though, the content should be interesting to all households and age groups that have an interest in taking a home loan now or in the future, or to the ones that have a genuine interest for the topic.

## 1.6 Definitions

*For a better understanding of this thesis there are a few definitions necessary to be familiar with that will be presented in this section.*

**Real estate bubble:** A real estate bubble is recognized by increases in real estate prices without any explanation of theoretical models. The high prices in Sweden can be explained by extremely low rates at the moment and the low amount of new constructions, which make some claim that there is no real estate bubble (Mårder, 2014). Real estate price levels that are unsustainable compared to household economy or speculation leading to increased real estate prices is also a definition of a real estate bubble that makes other claim that there is a real estate bubble instead (Bolmesson, 2015).

**Real estate bubble burst:** A heavy price correction in real estates would cause a burst in the real estate bubble, prices will fall quickly. The ones with high loans are the most fragile to a burst, if you have to sell you may not return your investment and in worst case you may not even yield enough to cover the loan on the real estate if you must sell it. However, if there were a price decrease there will be winners as well, the first time buyers would now finally have an opportunity to afford a real estate (Magnusson, 2015).

**Financial crisis:** A financial crisis is connected to a situation where the whole financial market is affected, not just one bank, and the trust for banks to fulfill their commitments are gone. If a bank is large enough to affect a whole system such as Lehman Brothers, it can become a financial crisis as well (Finansmarknadskommittén, 2012).

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## 2 Theoretical frame

*In this section, theories relevant for this research are presented. After researching the roots behind the GFC, theory indicates similarities between the GFC and the current Swedish real estate market. The section is started with information about the GFC and a Swedish perspective of it to continue with the focus theories of risk management, regulations, household behavior and the credit granting process.*

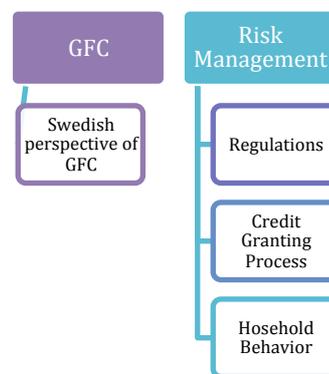


Figure 2. Focus theories of this thesis.

The theories of risk management concern the underlying facts for why the banks credit granting process looks the way it does and will therefore be the focus theory. However, as the Swedish household debt are rising faster than disposable incomes (BIS, 2015a), households behavior may be a risk and reason for the bank to toughen the credit granting process as well as other risks facing the bank. Hence, the consumption behavior of households will be a sub theory to the risk management.

### 2.1 Global Financial Crisis

In fall year 2005 real estate prices fell in the U.S. and low income households had trouble to pay their loans and some small credit institution had to go bankrupt. In 2007 prices kept falling and larger credit institutions came to be affected as well, big banks in both the U.S. and Europe reported huge losses (Wissén, P. & Wissén, U. 2011).

In 2008 the most devastating and memorable event occurred; the bankruptcy of Lehman Brothers, the largest investment bank in the world were on its way to drag the whole financial system down (Wissén, P & Wissén, U. 2011). Many put the blame on sub prime mortgages; mortgages for which borrowers do not meet typical credit standards, and thus have a high default probability (Berk & DeMarzo, 2014). The main owners of the subprime mortgages were people with no income, no jobs and no assets, so called NINJAs, which indicate that these are mortgages with high risks (Boumans, 2008). Though, the supply of subprime mortgages continued as real estate prices in the U.S. were expected to increase, as that is what they had done the past 50 years, why would they stop now (Boumans, 2008). In 2007 this price increase stopped. People had problem solving their subprime mortgages and as Lehman Brothers

held a high amount of these, it was to become their downfall (Peicuti, 2013). Another dominant cause of the GFC is claimed to be the weak internal information in the banks, reporting standards from the chief risk officer (CRO) to the chief executive officer (CEO) were lacking and vital information did not reach bank creditors who kept offering the risky subprime mortgages (Agur, 2014). In addition to the risks that are followed with the lack of information, high household debt and high differences in income were factors claimed to have contributed to the start of the GFC (Finansmarknadskommittén, 2012).

Just to mention a few of the global effects of Lehman Brothers fall were

- Huge credit losses in Japan, Asia and Europe,
- Small investors were affected since they had bought products from institutions and thereby did not know that they had a risk in Lehman Brothers and
- The stock market fell with 5%, which means the greatest fall since September 11<sup>th</sup> (Wissén, P & Wissén, U. 2011).

The GFC will in the following refer to year 2008 while the fall of Lehman Brothers were detonating the crisis outside the U.S. borders and spread quickly to Europe and since then many countries are still struggling with debts and have never seen an end from this crisis.

## 2.2 A Swedish perspective of the Global Financial Crisis

As *figure 1* in the background section shows, Swedish real estate prices were relatively unchanged during 2007-2009, the period claimed to be the most intense during the GFC (Kowalski & Shachmurove, 2014). The great fall in real estate prices in the 1990s crisis and the low amount of owned dwellings could answer why Swedish real estate prices did not fall this time (Holmqvist & Turner, 2014).

As Sweden “succeeded” in the GFC, meaning neither the Swedish housing market nor the Swedish economy was overheated back then despite most countries in the world were, Sweden is the country most likely to have a price correction in the future (IMF, 2012). This is strengthened by a report from the committee of finance (Finansmarknadskommittén, 2012), claiming that Sweden was *not* in a financial crisis in 2008 according to the definition of a financial crisis, as there only were two banks that were close to a collapse by the time.

However, by judging reports published by Riksbanken in 2010, it is exposed that Riksbanken supported several of the larger banks by offering huge amount of liquidity in the aftermaths of the crisis. Further, previous Minister of Finance, Anders Borg states in an interview made by the Swedish economy magazine, Svenska Dagbladet, that there were two banks especially that was extremely near a collapse in 2008 (Neurath & Borg, 2015) as the result of their relations with the Baltics but he did not mention further which banks that was concerned.

In the aftermaths of the GFC the Swedish market had to make some adaptations in order to keep the market floating. Lowering the value added tax rate for restaurants and catering services, extra funding for infrastructure investment and packages for the labor market were some of the adjustments made (IMF, 2012).

## 2.3 Household behavior

Sweden has experienced a good credit expansion last years. However, looking at history one can see that in the aftermaths of a credit expansion, periods of financial depression may come and the result of the Swedish financial crisis in the 1990s is a proof of that (Dell’Ariccia & Marquez, 2006). In the 1990s Sweden was hit by a financial crisis as a result from a burst in a real estate bubble that affected many households in the market who thought they would make profit on

their homes but as a shock, real estate prices fell drastically and numerous households had to sell their homes with a loss instead, some are still struggling with the economy as a result (Zaar, 2014).

Ever since the GFC, Sweden is the country in which household debt increase faster than almost anywhere else in the world (BIS, 2015a). Before the economic downfall in the U.S., almost anyone could get a loan (Boumans, 2008) hence consumption kept going and debts kept rising. This is a situation that could be compared to the Swedish economy today thanks to the increased number of easy accessible loans available on the market.

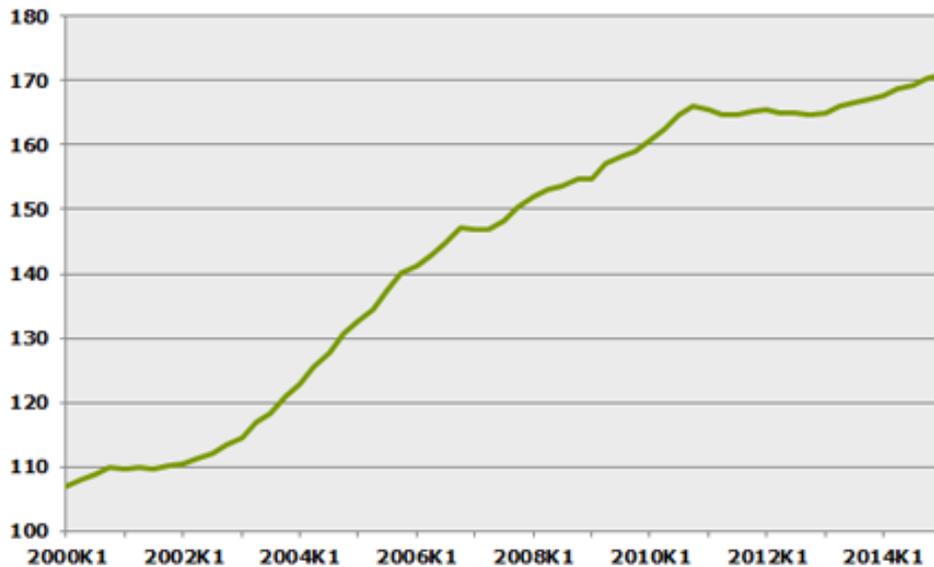


Figure 3. Swedish households debt in % of disposable income

Source: SCB

## 2.4 Risk management in banking sector

The fall of Lehman Brothers came as a result of them holding a large share of the subprime mortgages fluctuating on the U.S. market. The surprising fact is that the subprime mortgages were only a tiny share of banks total exposures back then (Agur, 2014). *“How can a financial system seem so stable, with low default rates and low funding costs, and simultaneously be so vulnerable to shocks?”* (Agur, 2014, p.322). This statement does not originally describe the case of Lehman Brothers but it might as well could have. They went from being a healthy investment bank that, from one day to the other had to file for bankruptcy. The banking sector is one of the most important actors in the financial market (Bessler & Kurmann, 2014) and even though the market seems stable at the moment, the Lehman Brothers-case highlights the importance of banks risk management during stable times as well.

Firms should manage risk to minimize the effect on the value of the firm and the primary method of managing risk is trying to prevent it. Banks can reduce risks by increasing safety standards, making careful investment decisions, and by conducting appropriate due diligence when entering into new relationships (Berk & DeMarzo, 2014). For an economy to work it is dependent on financial stability, chaos can be achieved fast if a financial instability lead to banks' being unable to pay each other. They cannot pay out salaries in time and the consequence will be that private households will have problem paying their bills, which in turn may lead to huge social costs (Riksbanken, 2015a). Risk management in the banking sector is recognized by a team making sure that banks' strive for financial stability, keep capital in proportion to their risks and report these to the regulating institution in the country (Apatachioae, 2014). After previous crisis, banks have in general become stricter in their risk management but Apatachioae

(2014) argue that there still is a lack of international regulations concerning financial crisis, a statement Bessler and Kurmann (2014) conversely debate and mean that because of different risk exposures one regulation cannot be applied to all banks, suggesting that the optimal would be one regulation for small banks and another for large banks.

## 2.5 Regulations

Sweden is a member of the EU and is therefore bound to follow rules and restrictions made by the European Central Bank (ECB) (Finansmarknadskommittén, 2012). Swedish Financial Supervisory Authority (SFSA) is the Swedish financial institution monitoring businesses in the financial market. SFSA affect banks in that manner they set the loan regulations and banks adjust after their standards (FI, 2015b). The regulation that no one can be offered a loan above 85% of the real estate value is one example of the standards implemented by SFSA. Though, ECB has a strong influence over the EU regulations, which instead of making the rules make SFSA to take the role as supervisor and making sure that the Swedish banks' follow regulations set by ECB and Basel regulations (Finansmarknadskommittén, 2012).

The risk of bank losses as a consequence of the borrowers repayment inability is referred to as credit risk. Real estate risk is a form of credit risk and is referred to declining prices in real estate market, together they represent the greatest risk to banks while they have caused major previous banking crisis (Bessler & Kurmann). Traditionally, banks have focused on profit and credit risk transformation but the outcomes of the GFC came to change the regulations through regulatory reforms such as the Gramm-Leach-Bliley Act in the U.S. and the Basel regulations in Europe (Bessler & Kurmann, 2014).

### 2.5.1 Basel Regulations

The Basel regulations is a global standard for banks risk management (Apatachioae, 2014). "The Basel regulations were first established in 1988 by the Bank for International Settlement, this act established a framework to measure bank capital adequacy for banks, initially in the Group of Ten (G-10)<sup>1</sup> and Luxemburg" (Eun & Resnick, 2014, p. 520). The Basel accord has changed through times from Basel I to Basel II and today Basel III. After the GFC the Basel committee decided that a change in Basel II was needed and that was the birth of Basel III. Basel III is planned on being completely fulfilled first in 2019 (Finansmarknadskommittén, 2012).

### 2.5.2 Basel III

The Basel III set the standards for banks risk management and risk control and its purpose is to strengthen capital framework and increase the quality of bank capital (Eun & Resnick, 2014). These measures aim to improve the banking sector's ability to absorb shocks arising from financial and economic stress, improve risk management and governance and strengthen banks' transparency and disclosures (BIS, 2015b).

Basel III includes two new liquidity regulations. The first one is the Liquidity Coverage Ratio (LCR), which will require a bank's liquidity buffer to be at least as great as the estimated net outflow of money over 30 days in a stressed scenario. The liquidity buffer in the LCR may, in simple terms, consist of government bonds and a maximum of 40 per cent mortgage bonds (Riksbanken, 2011). The second one is the Net Stable Funding Ratio (NSFR), which will become a minimum standard from 2018 and contain regulations for banks to reduce the likelihood that

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<sup>1</sup> Belgium, Canada, France, Italy, Japan, the Netherlands, the United Kingdom, the United States and the central banks of Germany and Sweden

disruptions to a banks regular sources will reduce its liquidity in a way that could increase the risk of failure and thereby increased systemic stress (BIS, 2015c).

According to these regulations the Minister of Finance, Anders Borg, announced in 2011 that risk management resources will be extended with 100 million Swedish crowns within three years, which would mean about 80 new posts to the institution of finance (Meltzer, 2011) to improve safety within banks.

## 2.6 Credit granting process

The customers' real estate loans pose the greatest risk to a bank as these represent the largest share of liquidity that banks lend. This makes the credit granting process one of the more important aspects of risk management.

Zaar, B. (2014) argues of the causes of the Swedish financial crisis in the 1990s, he claims that the crisis was a result of aggressive lending in the 80s and the first sign of this was in 1991 when the Swedish bank "Första Sparbanken" cancelled some payments and had to be saved by the state, the same thing happened to "Götabanken" a year later. Back then, except for Handelsbanken all banks used deposits as safety and did not put weight at the borrowers ability to repay their loan, today every credit institution look at the borrowers ability to repay (Dalhäll & Wass, 2012).

The fact that it has become tougher to loan is strengthened by Holmqvist and Turner (2014) who also argues that after the Swedish government implemented the restriction that loan could be offered up to maximum 85% of the real estate price, certain groups in society, mainly poor, first time buyers and young are having problem to fulfill that demand. Holmqvist and Turner (2014) also claim that the risk of housing related crisis increase when poor households buy a house, this is of course a giant problem today as the volumes of new constructions have decreased, production costs have increased and although real estate prices have increased substantially, these poor or low income households have no other choice than to buy because of the real estate shortages.

In the bank interviews made by Dalhäll and Wass (2012), they found out that the general variables taken into account when the bank is offering a borrower a loan were age of the borrower, if the person is divorced or separated, married or single, what income, extra incomes, are the person owner of property or does he rent and how does the credit history look like. The personal relationship between creditor and customer play an important role in the credit decision, that is, there is no exact regulation on how strict the creditor must be, you can as a customer talk the creditor into that you are trustworthy, a statement that will be interesting to analyze in the interviews for this thesis.

## 3 Methodology and Method

*To be able to meet the empirical and theoretical investigation of this study, this chapter discusses the methodological choices that have been made to achieve this purpose.*

### 3.1 Methodology

“Methodology is the theory of how research should be undertaken, including the theoretical and philosophical assumptions upon which research is based and the implications of these for the method or methods adopted” (Saunders, Lewis & Thornhill, 2012, p.674).

Two major research philosophies used in business research is positivism and interpretivism (Bryman & Bell, 2011). The philosophy used in this research is interpretivism. Interpretivism is associated with a qualitative research and usually uses small sample sizes and in-depth investigations as opposed to positivism that usually relates to a quantitative collection of data and is connected to research within the field of natural science (Saunders et al., 2012). The interpretivism philosophy is not fulfilled completely but it is the closest philosophy supporting this thesis research.

When it comes to what approach to apply to the research the major ones are deductive, inductive and abductive approach. The deductive approach goes from theory to data and is associated with reading a lot of academic literature and existing theories and by that be able to narrow down your research to a clear problem statement and a few focus theories. An inductive approach on the other hand goes from data to theory and means that you do the interviews first and creates a theory according to the data collected. An abductive approach may be a mix of the theories mentioned but without any saying about in what order theory must follow. This research start out with a deductive approach as theory is gathered first, though it will be followed up and tested through interviews which make the research approach most similar to abduction (Saunders et al., 2012).

Finally, the research method applied in this research is solely a qualitative research. “A qualitative research strategy usually emphasizes words rather than quantification in the collection and analysis of data” (Bryman & Bell, 2011, p. 27). A quantitative research is often used as a synonym for any data collection technique or data analysis procedure that generates or uses numerical data (saunders, et al., 2012, p. 161) and is therefore appropriate in the field of natural science as they usually uses numbers for their research result. A qualitative research will be done firstly through a literature review of relevant theories and thereafter through semi-structured interviews with large Swedish banks.

### 3.2 Method

“Method is the techniques and procedures used to obtain and analyze data, including for example questionnaires, observations, interviews, and statistical and non-statistical techniques” (Saunders et al., 2012, p.674).

#### 3.2.1 Data collection

*This study relies on primary information collected in interviews. Completing information was collected based on secondary data. Below will be explained in detail how the data was collected.*

##### 3.2.1.1 Secondary data

Secondary data is data that have already been collected by someone else for other purposes and it can be qualitative or quantitative (Saunders et al., 2012). The secondary data in this research was collected through a literature review, which is an evaluative report of the information

that was found in the literature studied for your research (CQU, 2015). As the definitions states, the secondary data was collected through a number of different articles and books with contributing theories for the research. The databases used for finding the literature were databases that could be accessed through Jonkoping University: DiVA and Web of Science in addition to Google Scholar. The primary key words in the search were risk management, banking sector, financial crisis, Basel regulations and credit granting. In addition to articles from databases, course books, annual reports from the banks and economic news magazines were used as secondary data.

The literatures have all been more or less relevant for the thesis. Some articles found was very interesting and concerned banks risk taking but they focus on specific countries like Italy, Spain, Greece etc. Most of these were excluded to focus on theory concerning Europe as a whole and the U.S. simply of the reason that regulations in the U.S. and Europe are major regulations and there is a great amount of trade in between the countries and that has an effect on the global economy (Kowalski & Shachmurove, 2014).

### **3.2.1.2 Interviews**

The primary data was collected through semi structured interviews. Interviews are of importance to see if the respondents' answers are equivalent or not with literature in addition to get a deeper understanding of the credit granting process. The physical interviews with Swedbank and Handelsbanken were held in about an hour in a semi-structured manner. Semi structured means that the interviewer has some key questions to cover that may be changed from one interview to another (Saunders et al., 2012). In a semi structured interview open questions are used i.e. a question designed to encourage the respondent to speak freely and answer my questions in a broad and detailed way and let them add information they thought I have missed in my questions (Saunders et al., 2012). This also made it possible for me to contribute with some deeper additional questions arising during our discussion.

The interviews with Swedbank and Handelsbanken were recorded, of course I asked for permission to do so. As this thesis is written independently, recording was very helpful to me as I could hold a discussion with the respondent and gain much detailed information. If recording had not been possible I would not have been able to ask additional questions in the same range as I did because then focus would be on writing down the most important answers during the interview instead.

As an interviewer you have the responsibility to explain to the respondent what the research is about, why you want to interview that person, what type of questions there will be and what you intend to do with the information you are given (Bell, 2005). All banks were contacted through mail so I could tell them who I am, what my thesis is about and through mail I was able to attach the questions I planned on asking. Analyzing a topic by only reading literature does not gain all the relevant information necessary for a trustworthy analyze of the topic. Therefore, I told in the mail that to get a deeper understanding of how the process of granting credit looks like, it is important to have real life information to be able to find out about these details and therefore, interviews with large Swedish banks will contribute with as an important complement to the literature research.

As a way of showing gratitude to the banks for letting me interview them, I let them decide when and where we should meet. As this period is tense in the banking sector this was appreciated. I would have preferred to make the interviews sooner but that was up to me who did not contact the banks sooner, interviews must be booked as soon as you know you will have them because it can take weeks before you get the chance of an interview. I did not realize that. Further, I estimated the time of the interview to take about an hour to an hour and a half. Both Swedbank and Handelsbanken were generous with time, which allowed us to have an inspiring discussion.

When reading something in a book or an article it is very black and white and the statement can

be perceived in one way, sometimes it could be hard to read between the lines. A valuable factor of an interview compared to the literature review is that the interviewee could add *feelings* to the answers, which make the answers easier to interpret.

Finally, the actuality of this topic serve a lot of information in media, which could be misleading as one do not always know if everything has a reliable source. Therefore it was very interesting to gain expertise of the interviewee's own reflections of the Swedish economy and their thoughts and opinions of a real estate bubble.

### **3.2.2 Choice of banks and respondents**

The aim was to interview Nordea as well as they, together with Swedbank, Handelsbanken and SEB represent the major share of Swedish households but unfortunately that was not possible this time. The chosen banks to interview were Swedbank as they hold the greatest share of Swedish households real estate loans in addition to Handelsbanken and SEB. The impact these banks have of the market is greater than that of smaller banks and since time does not allow interviewing all of the banks in Sweden, it is valuable to get knowledge and information from the big ones.

When it came to the choice of what people to interview there were certain factors that played a central role. The most important was that the respondents had a long experience of the banking industry and the process of granting credit, while this thesis is comparing the potential changes in the credit granting process after the GFC it is fundamental that the respondent have experience from both periods for the credibility of the interview.

### **3.2.3 Data analysis**

As mentioned in 3.2.1.2, interviews were recorded so I could listen to them a couple of times to finally summarize what has been discussed and also to be able to answer the research questions. Recording contribute to that the interviewer can dedicate full attention to the respondent and what this say (Bell, 2005). The interview with Swedbank was 54 minutes long and with Handelsbanken 58 minutes long. This gave me a lot of information and new angle of approach to put down in a transcript. The transcript is time consuming but as I only had two interviews I could keep it under control. When transcript was done I could start with the coding, categorizing the respondents answers to suit my research questions and thereafter taking a few steps closer to the analyzing (Bell, 2005).

One of the interviews (SEB) was held by mail, I sent the questions for the respondent in which she could answer the questions directly and in different width. This way I could get answer on the main questions but although Michaela Edslätt put in an effort in the responses I would have needed to ask some complementary questions for a better understanding, which was complicated through mail conversation. In a time perspective it was positive though while the answers were already written down in the mail, hence I did not need to sit down and write a transcript.

## **3.3 Trustworthiness**

*This study has not the ambition to be generalized to a broader population, this study supports more the developments of the Swedish banks' regulations and risk management, a view that in reality is more of an individual choice. Therefore the focus of this study is more on understanding and not on predicting. Nonetheless, reliability, validity and ethical issues always appears in almost any piece of research as well as it does in this study.*

### **3.3.1 Reliability**

Reliability is a measure of in what range an instrument or method show the same result in

different occasions with circumstances the same (Bell, 2005, p. 117). In this thesis the reliability will be measured from the interviewees answers. As interviews were semi structured, an open discussion was held and allowed for questions arising at the moment. Although the primary questions were the same to all three banks, the discussion led to slightly different bonus questions. Already before the interviews, theory contributed with a lot of information indicating that regulations concerning the credit granting process are fairly standardized. The interviews supported theory and according to the standardization, answers from Swedbank in Jönköping would probably be the same as if the same questions were asked to Swedbank in Stockholm for instance and the same with Handelsbanken with small deviations depending on where discussions are heading. “The value of using semi-structured interviews is derived from the flexibility that you may use to explore the complexity of the topic” (Saunders et al., 2012, pp. 382).

There are some critics that could be addressed to the reliability. The purpose was to analyze and generalize the big banks credit granting processes but there are only three banks interviewed with Nordea missing, therefore reliability is not completely fulfilled. The interviews are focused on the big banks in Sweden as they have the greatest share of the Swedish real estate borrowers, if smaller banks would be interviewed, the risk of different answers are higher. Another point is that the reflections of a real estate bubble are different depending on what town you are in, for instance in Stockholm the situation differs from Jönköping where the interviews were taking place.

### **3.3.2 Validity**

If a question is not reliable, then it also lacks validity. Validity measure if a certain question measure or describe what you want it to measure or describe (Bell, 2005, p. 117). Putting the interviews in a validity perspective it is of importance that the interview questions are well defined in order to not misguide the interviewee. If another student or researcher uses the same instrument as the ones you used, would the result be the same? This is a question one should ask oneself when creating your interview questions (Bell, 2005). In order to make the questions as clear as possible for the interviewee and as valuable as possible for fulfilling the purpose, tutor, friends of mine and other students looked at the questions and gave critics in order to improve them.

### **3.3.3 Generalizability**

“As the qualitative research is based on a rather small number of cases, it is impossible to make a generalization to a whole population for instance hence its generalizability have been criticized” (Saunders et al., 2012, p.383). The findings of qualitative research are to generalize to theory rather than to whole populations (Bell & Bryman, 2011, p. 408-409), which is the situation in this research as the aim is big banks and nothing else.

The research analyzes the big banks so if this research will be used for other purposes, for instances to analyze small banks, it will probably not be reliable or even helpful in the same range. Further, the interview findings may differ if the same questions would be asked in a very small town.

### **3.3.4 Ethical issues**

“A qualitative research is likely to lead to a greater range of ethical concerns in comparison with a quantitative research, although all research methods have specific ethical issues associated with them” (Saunders et al., 2012, p. 250). This thesis is based solely on qualitative research, which is why it is of importance to clarify the ethical aspects of it. As mentioned, you have as an interviewer the responsibility to explain to the respondent what the research is about, why you want to interview that specific person, what type of questions there will be and what you intend

to do with the information you are given (Bell, 2005).

The interviewee should not be asked to participate in anything that will cause harm or intrude on their privacy (Saunders et al., 2012), which was why interview questions and purpose of the interview was declared immediately when the banks were contacted. During the interview, the interviewee was informed that if there was any question that they did not want or could answer, they were free to decline to answer that question. When the transcript of the interviews was finished, the interviewees were asked to approve the data collected from the interviews in case of any misunderstandings in order to prevent data that should not go public does. Furthermore, their approval was crucial to avoid putting the banks, or even more important the interviewees in bad light or causing them any problem. Here I could point critique at a mistake made by me as an interviewer, the interview was held in Swedish meaning that it would be translated, which I forgot to tell Cicki Törnell at Handelsbanken during our meeting. When Cicki was contacted afterwards for approving the interview summary she was also asked if this was acceptable and she was fine with that except for some small changes that we solved.

There is another ethical issue of the thesis that critics may be pointed at, the mail interview. The issue with mail interviews is that the answers in the interview can be angled through forwarding of mail for instance (Saunders et al., 2012) and that way lowers the validity and reliability of the thesis. To ensure that this has not happened in this case is that Michaela Edslätt, interviewee at SEB is a friend of mine in addition to that the information she handed was straightforward and cannot harm Michaela or the bank in any way while the information is not publicly protected. The answers to the questions asked to SEB in the mail interview are questions in which responses can be found by anyone doing a research of it and the answers that was not able to find alone was deleted.

## 4 Empirical Findings

*In this section primary data was collected from interviews with key actors in the bank branch. Summaries of essential parts of the interviews are given, rather than to present the complete interviews. Unrelated information was removed, as it did not present relevance of importance for the purpose of this study.*

### 4.1 Handelsbanken

Cicki Törnell is previously from Norrköping and is now the banking director of Handelsbanken in Jönköping. She has been in the financial sector for many years and has had jobs within finance, insurances and banking.

#### 4.1.1 Credit granting process

The main criteria's taken into account in the credit granting process is the salary, the stability of the company the borrower is working at and the borrowers repayment ability as well as the increased number of divorces. After expenses for rate, rent, amortization and operation costs you must have a certain sum over for living, this sum depends on the number of family members. When counting on the calculus the bank count with the customer to be able to handle a rate at 7,5% rather than the current rate at 1,5%-2%. Handelsbanken has not implemented the amortization plan suggested by Swedish Financial Supervisory Authority yet but that will come in the near future. In the current situation the customer must amortize from 85% down to 70% in a period of 15 years. Before the GFC you could borrow 100% of the real estate value plus the sum for title deed and mortgage deed. Today Swedish Financial Supervisory Authority has implemented a maximum limit for loans to be 85% of the real estate value. This limit can be

tougher as well if the borrower plan to buy a home in a place<sup>2</sup> where the future demand and price increase is hard to forecast.

The limit of 85% is essential for households to not overwhelm themselves with debt but the regulation has consequences mainly as it create class distinctions. Cicki claim that it should be some relief for young, first time buyers to entry the market, it is as good as impossible to buy an apartment if they do not have a parent that is able to help them with the down payment. Parents have traditionally been recommended to open a savings account for their children from their birth already. Today, and in the future, parents are instead recommended to open a savings account in which they save a specific sum every month that will be enough for a down payment to an apartment by the time the children are grown up.

Further, Cicki explain the relevance of the banks rating in the credit granting process. Moody's is one of the three largest credit rating agencies in the world and rate banks in 35 countries, Handelsbanken among these (Moody's, 2015). Handelsbanken rank their customers with different level of ratings and strive after having many customers with good repayment ability that they can rank high. If the bank have many high rated customers this minimize the risk exposed to the bank and will in turn lead to that the bank itself may earn a higher rating by Moody's. A high rating result in that Handelsbanken would loan cheaper in the world market. This statement should not be misinterpreted as if the bank only seeks for the top customers, as that is not the case.

In the 1990s many banks strived to offer home loans in large volumes as the more loans they could get out in the market, the more profit they could make. That was showed to be a risky behavior and is one of numerous reasons that have contributed to stricter rules of that the credit granting process has become stricter and that the customer is more carefully chosen.

#### **4.1.2 Risk management**

The risk management is centralized and has been expanding since the GFC. The main risks facing Handelsbanken, and probably all banks these days, is the risk of an economic downturn and/ or increased rates.

Although risk management has increased, there are new dilemmas facing the teams working with this. Society is different from what has ever been seen before with a negative rate and an inflation that does not seem to increase even if the central bank have put in effort and actions to increase it. Traditional theories of forecasting risks build on statistics but as the external factors look different today, these theories are not applicable in the same range anymore.

Further, the increased number of terror attach's, natural disasters and other catastrophes in the world affect the stock market extremely and these disasters are usually impossible to predict, which pose an additional risk to banks. These facts also contribute to the complex stock market that is not possible to forecast according to firms quarter reports anymore. News headlines look more often like this "Handelsbanken exceeded expectations – the stock fell" what is the logic behind that?

#### **4.1.3 Regulations**

That all regulations, especially Basel III with its capital adequacy policies, have become stricter since the GFC can be seen in literature and is strengthened by Cicki who also claim that they are about to become even stricter in the future. The Basel III regulation are under constant improvement as it is planned to be fulfilled first in 2019 (Finansmarknadskommittén, 2012),

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<sup>2</sup> For instance in a small village in the outskirts of Jönköping

which may be a reason that the regulations can make it tough to even pursue bank activity sometimes.

Further I asked if there is any possibility to deviate from the Basel regulations. It is not possible to deviate from them but they can be interpreted differently, which can be meaningful in a competitive perspective.

The collapse of Lehman Brothers in 2008 was an eye-opener for both financial institutes and private persons. Many people investing in options were not aware of what risk they commit to. For instance, if a person bought a financial asset through a financial institution that only focus on investments such as Navexa<sup>3</sup> (previously named Acta), note that Handelsbanken or other Swedish banks were not included as one of the sellers of these assets, the asset could be a mix of securities and that way the customer may have had a risk in Lehman Brothers without knowing about it. By this time people knew that there was a risk of loosing but not in what range, they could never expect the largest investment bank in the world to collapse and that they would be affected through their bank commitment, or whatever institute the option was bought in. After this, a new regulation was implemented to all financial institutions where the fact that the customer knows their rights and exactly what risks they commit to must be documented. This has resulted in that the financial sector has become more careful.

#### **4.1.4 Summary**

I asked Cicki to conclude what the biggest differences in the banks are compared to the GFC in which she answer that everything has changed. Risk management, regulation, credit granting, fund management - everything has become stricter as a result of the crisis. Handelsbanken have always been the Swedish bank that has experienced financial crisis with the best result but that does not mean that they have not felt the downturns in the markets.

I wondered about people's general consumption behavior and if they are afraid of a rate increase. People are not concerned about a rate increase in the range they should be, which is a bit worrying to the bank. Further, Cicki experience that the generation that still want to pay off their loan is dying, while the young live after the monthly cost<sup>4</sup> and is not so eager to amortize.

I asked if it is too easy to loan today. Cicki states that it is not too easy to be offered a home loan as calculus are strict but it is absolutely too easy to access small, quick loans with high rates, which people use for renovating, travel, Christmas gifts or consumption. Sometimes a bank customer want to use their house as collateral when it is vacation time and they have a need for it very quick – then one can expect that this extra loan will be used for traveling. The borrower does not need to tell why he or she want to increase the loan amount.

Finally I was interested in Cicki's opinion of whether there is a real estate bubble or not. Cicki claims that one should not be specially worried about buying a real estate in the central parts of Jönköping at least, as it is a popular city with an increased growth in addition to the plans of a station for high-speed train that should make the interest for the city increase even more. It is very hard to forecast whether there is a real estate bubble but even if Jönköping is a popular city and is forecasted to be so in the future as well, Cicki claims that there is definitely risk of an economic setback if rates for instance start to rise. The primary risk group will then be the ones who have bought overvalued real estates in the outskirts of Jönköping and other larger cities. Further I asked if she could mention something about the situation in Stockholm where the real estate prices are most extreme. There are a few reasons against a real estate bubble in Stockholm, first, people move to the suburbs instead and second, the last two months one has actually seen a small slowdown in the real estate prices in Stockholm. However, bubble or not, if

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<sup>3</sup> <https://www.navexa.se>

<sup>4</sup> Putting most costs on subscription (phone, TV, internet).

the economy starts to turn and rates increase, it turns so quickly that many people will probably end up in a tough position although they have been offered the loan in the first place.

## 4.2 Swedbank

Greta Petersson has a long experience from the banking industry, she works as a consultant at Swedbank in Jönköping today but have worked in Länsförsäkringar before that and has been in banking industry since 2001.

### 4.2.1 Credit granting process

The base criteria's taken into account with a new customer is whether they have a permanent job, unemployment benefit, savings account or any other safety. Further, you must have 15% of the real estate value in cash as deposit plus money for title deed and mortgage deed. Except for the standard criteria's the bank recommend to have an income insurance especially for the ones who earn a high salary as their difference will be notable if they loose their job and a life insurance if you have small children in the family.

The official 3 month rate at Swedbank for November is 1,97% and the average rate is 1,51%. When offering a loan to a customer Swedbank count with that the customer must afford a rate at 7%. In addition, you should also need to be able to amortize according to the suggested rules by Swedish Financial Supervisory Authority, which is 2% if your loan is above 70% of the real estate value and 1% if your loan is between 50 and 70% of the real estate value. Though, the Administrative court of appeal in Jönköping is against the amortization policy suggested by Swedish Financial Supervisory Authority.

Further, in addition to rates and amortization there are operation costs, 45 000 if you are buying a house plus rent fee and after all these costs are paid, to be offered a loan you must have 10 200 Swedish crowns left if you are alone, the more persons in the family the higher this number gets. If you have less than that sum, the bank recommend you to look at a cheaper real estate or go in with more cash. The standards are strict although, there is always an individual evaluation of a person. For instance if you lack 50 000 they can make a private loan on the sum or use parents house as a safety. If the borrower have no previous payment defaults like CSN, an overall good calculus, own firm or alike, in general the bank can be flexible because "*gut feeling is usually right*". In risky cases the bank can also demand a higher down payment than 15% and that could be in cases where the borrower will buy a home in a really small village out in the woods where the future prices is very unpredictable. Minimizing of the credit risk.

I asked of peoples consumption behavior; how people can afford nice cars, travel etc. and that is possible because many have a overvalued house and that way they can add the car to the house, but this loan is separated from the house in order for the bank to have control. Greta does not agree that people borrow for the borrowing; people say they do not want to borrow more than necessary. Overall she thinks that people amortize quite well and she thinks that they have an understanding although there are exceptions.

### 4.2.2 Risk management

After the stock market fell in 2008, many people did not know that their fund investments were risky saving strategies, they thought funds more or less was an alternative to a savings account, this resulted in that Swedish Financial Supervisory Authority came with new information demands and implemented the Swedsec licenses<sup>5</sup> as compulsory to all banks.

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<sup>5</sup> See definitions in section 1.6

If the borrower cannot afford their loan, firstly they get a few reminders and the bank try to contact the customer and stop the amortization temporarily to help the customer not slipping after with any payments and end up with even more trouble. The best thing to do for the customer is that the customer let the bank know immediately if they have lost their job or other income that affect the payment ability, so the bank can help relief. In case the person cannot pay even though the bank has made some reliefs, the case goes to the Swedish Enforcement Authority. The household will gain a private loan to cover a potential real estate loss. This means that the bank will not be negatively affected in case of payment default with a customer.

### 4.2.3 Regulations

Swedish Financial Supervisory Authority control that banks follow the main regulations, which include the policy that the maximum amount for a loan is 85% of the real estates value, no matter where in the country you live. This is same for all banks. Though, it is easier for a customer in a big city to get a fair loan rate as competition between banks are tougher in bigger cities where there are many banks and therefore the rate cannot differ too much as the risk of loosing the customer to another bank would be high.

The central bank as a lender of last resort is tougher today. There are greater demands on banks to have a greater capital buffers, this is a change as a result of the GFC. Capital adequacy is one of the biggest differences implemented since the GFC and that is also the most meaningful change in the Basel III regulations.

Finally I asked about the impact of the regulating institutions. The Swedish Financial Supervisory Authority controls the banks and is according to Greta only noticed if something is going bad. The central bank set no guidelines, they control the monetary police and control the repo rate but it is the global economy that really controls the rate of real estate loans i.e. if something happens in Russia or U.S. for instance, this will have a more powerful effect to the Swedish real estate market.

### 4.2.4 Summary

The bank take a really big responsibility today opposed to what they did before the GFC. This is really underlined by Greta. Before GFC you could borrow for more than what your house was worth, today demands are definitely higher. One did not realize how near a collapse Swedish banks were back then. Literature do not give a fair picture of this because reading literature about the Swedish outcome of the GFC there is just a small fraction mentioning that Sweden, as well as Spain and Greece were affected could just as likely have been Sweden instead who collapsed. This was a terrifying period. Greta tells me that at her previous bank job, *“the day after the collapse of Lehman Brothers, telephones were deadly quiet”*.

Customers are affected if banks lack liquidity since banks cannot offer them loan but Swedbank has a great result so this will not happen.

I asked Greta about her thoughts of a real estate bubble. She does not support the statements about a real estate bubble as there is a huge demand for real estates, at least in Jönköping. It is not more costly to live in a dwelling today compared to rent except for the compulsory 15% down payment one must have when buying. She put pros and cons on media – media inform households about not loaning too much etc. but also make “false accusations” about that it is a real estate bubble.

Greta also argues the limitation of the 85% regulation. She claim that it creates class distinctions and making it very hard, if not impossible, to young who are in a position to buy their first home if they cannot have supports from any parent.

## 4.3 SEB

Michaela Edslätt work as a consultant at one of SEBs office in Gothenburg and she has previous experience from the private household market from her former job at Nordea. Because time did permit us to have a physical meeting I sent her my key questions hence the answers below are from the mail interview.

#### **4.3.1 Credit granting process**

SEBs 3 month rate for November is 2,00%. When Michaela is going through a payment plan for her customer she count that the customer should be able to handle a rate at 7%. The most important criteria's that are taken into account are the customer's salary, potential credit notes, CSN-debts, how do they live today (rent or own) and in which town are they looking for a place. I wondered if there are situations when these criteria's can be deviated from - that it is possible but very rare and if that would be the case, another committee at the bank must approve this. When a person has a good savings account, capital to invest in funds or a good pension saving, this may be reason to deviate from the basic criteria.

#### **4.3.2 Risk management**

The bank has a whole team working explicitly with risk management and to avoid a lack of liquidity situation again they keep large buffers in addition to a stricter capital adequacy policy to hold more capital for future risks. In a lack of liquidity case the margin must be higher, but Michaela claims that chances are very small for a similar scenario like that in the GFC. If the customer cannot pay their debts, SEB sells the receivables to Swedish Enforcement Authority that will take over for executive auction.

#### **4.3.3 Regulations**

Further I asked about the risk management and whether the credit granting criteria's have changed as a result of the Basel Regulations since GFC and if so, how they have changed. The answer is that it has definitely has. Today the bank has to use four times as much of their own money when they offer a loan, which of course affect that the price of mortgages increase. This is something done by all banks, not just SEB.

#### **4.3.4 Summary**

The amortization policies suggested by Swedish Financial Supervisory Authority have been debated frequently in media last year at the same time as SEB is preparing for the coming changes that these policies will mean, namely people with a mortgage factor above 70% must amortize 2%, loan amount between 50-70% must amortize 1%. SEB is positive to the potential new amortization policy and recommend their customers to spend 2500 SEK on amortizing and 2500 SEK in saving instead of all 5000 SEK in saving, referred to the low rates we have today. Michaela could tell that she notice that customers are worried about a rate increase, repo rate is extremely low while the mortgage have increased slightly, which have led people in a wider range to tie their loans. The rate is as mentioned close to 2% but back in 2009 it was 5-7%, which is a more normal level.

### **4.4 Summary of all banks**

In the 2014 annual report Handelsbanken presented an operating profit of 19 212 million, the highest result in the bank's 143 year old history (Handelsbanken, 2014) compared to 15 300 million in 2008 (Handelsbanken, 2008) and a decline to 13 727 million in 2009 (Handelsbanken, 2009). The result Handelsbanken present show that they have performed very well through the economic downturns. The 2014 annual report for Swedbank present an operating profit of 16 709 million, 10 887 million in 2008 and in 2009 where you can see the consequences of the Baltic relations in the negative result, - 10 511 million. The 2014 annual

report for SEB present an operating profit of 23 348 million, in 2008 12 471 million and in 2009 the result declined to 3 372 million (SEB, 2015).

All banks are satisfied with their result and mention that it is a contributing fact to why they are fairly certain of that a liquidity crisis will not repeat itself. They also agree of that the 85% regulation creates class distinctions and that there should be some kind of regulation that relief for young first time buyers. Further they all agree that banks have more regulations to follow and that they are taking a greater responsibility today.

What can be concluded from the interviews regarding the credit granting process is that the regulations that the banks must follow have led to that all banks' credit granting process is rather standardized.

## 5 Analysis

*In order to fulfill the purpose of the thesis, this chapter analyzes the Swedish banks' regulations and risk management on bases of empirical findings collected from information in interviews and secondary materials. The resulting opinions are analyzed in relation to the theoretical views initially chosen to support the arguments of this thesis.*

### 5.1 Swedish perspective of the GFC

To fulfill the definition of a financial crisis the whole financial system must be affected by the fall of a bank, which was not the case in Sweden in 2008 according to a report by the committee of finance (Finansmarknadskommittén, 2012). This statement can somewhat be supported by the fact that Handelsbanken showed a quite good result in the circumstances and were nowhere near a collapse. However, interviews exposed that two Swedish Banks were extremely near a collapse by this time as a result of their relation with the Baltics, the region that, together with Ukraine took the hardest hit in the European financial crisis (Halvarsson & Olsson, 2010). The interviewees did not want to expose which banks it concerned but after little research I found out that it was SEB and Swedbank that had a big exposure in the Baltics (Estonia, Lithuania and Latvia) in 2008 and that they made big revenues from the establishment until the crisis (Halvarsson & Olsson, 2010). In 2008, the Baltic experienced a burst in the real estate bubble plus a trade deficit as a result of imports greater than exports in addition to a heavy loaning for consumption, where Sweden stood for a large share of the loans (Besér, 2008). Both SEB and Swedbank had to take the last way out before bankruptcy, which means being saved by the central bank because as we saw in the 2009 annual report of Swedbank they had an extremely negative result.

The case with Swedbank and SEB could be explained by the economic downturns in the Baltics rather than downturns in the Swedish market but if Swedbank had not been provided with the help from the central bank they would probably have been forced to file for bankruptcy, which would mean severe consequences for the entire society and then the definition for a financial crisis would definitely be fulfilled. Though, the aim of this research is not primarily to prove that Sweden was or was not in a financial crisis in 2008 but this information matter, as the Baltic situation was a detonating factor of what definitely could have meant a financial crisis in Sweden and why it still is important that banks act.

However, the aim was to find out whether there are similarities with the GFC that started in the U.S. and the current Swedish situation. In theory it was mentioned that subprime mortgages, the lack of information, high household debt and differences in income were factors in the U.S. that contributed to the start of the GFC. It was also assumed that the GFC had many similarities with the current Swedish economy. The empirical finding show that it is true that there are similarities with the detonating facts of the crisis back then but also meaningful differences

(Finansmarknadskommittén, 2012).

The subprime mortgages were accused of being the causing element to the GFC in U.S. as it was many poor households that were offered high rated loans. According to interviews this never was, or is, the problem in the Swedish market, as loans were not mixed up the way they were in the U.S. banks. Credit rating agencies like Moody's who rate the Swedish banks, learned a lesson in the aftermaths of the GFC and do not want to experience a similar situation, which increase their ratings trustworthiness.

The statistics showing that Sweden in last years has had an extremely high and fast growing household debt is alarming, debts arise more than disposable income but in spite of that consumption still remains. A few years ago, this situation could be defended by the fact that the greatest share of debt was held by the high-income households (Finansmarknadskommittén, 2012) but late reports show that every year since the GFC, debts rise faster than ever and high-income households cannot be blamed for holding most of it (BIS, 2015). Banks continuously adapt to the new situation and one should trust that it is under control since regulations regarding safety and capital adequacy demanded on customers change and become tougher every year.

The income difference in the U.S. before the GFC was more obvious as the poor kept being poor, in Sweden the differences did not stagnate the same way (Finansmarknadskommittén, 2012). Though, we seem to have problems here with that the 85% loan restrictions increase the class distinctions in society. The homelessness increase as a consequence of the low amount of new construction and that exclude poor, young and first time buyers from the real estate market. Although some groups is excluded from the 85% regulation, banks must follow this to prevent households from attaining too high debts and maybe more important, prevent themselves from a liquidity crisis that can occur in case of households not being able to handle their debts. I would say that this problem is rather on governmental level than on bank level as Stockholms Stadsmission (2015) claims that it apparently are funding's available for doing something to improve the housing shortages in the market that the government is not using.

Summarizing the contributors to the GFC we can see that there are similarities in the Swedish economy but they are far from as severe as the ones in the U.S. market and should therefore not be enough to forecast a similar outcome.

## 5.2 Basel Regulations

The changed Basel regulations have meant a lot to banks. The main purpose for the Basel III is to prevent that a liquidity crisis like the one in the GFC will not repeat itself. The actions taken to prevent it are through implementation of tougher capital adequacy standards by banks, denoting that they must hold greater buffers to be prepared for a new crisis. The good results presented by every bank in the 2014 annual reports are good indications of that the Basel regulations have fulfilled parts of its purpose.

The empirical finding show that the regulations change quite often, which according to the interviews, make the regulations complex and sometimes hard to follow while there is no possibility to deviate from them. The reason that the regulation is continuously changing and therefore is slightly complex may be explained by that the Basel III should not be completed first in 2019 (Finansmarknadskommittén, 2012).

In the GFC we saw that the Swedish central bank went in as a lender of last resort when SEB and Swedbank were in serious need of liquidity. Basel III states that banks' capital adequacy standards are tougher today to avoid a likely situation to repeat and the central bank have indicated that they will not be as supportive in a new crisis. Though, during the discussion with the interviewees and by judging theory, it seems to be a dilemma here. The central bank has previously acted as a lender of last resort to the big banks as the banks are too big to fail;

meaning that if they would fail it would affect and have terrible consequences for the entire society. The central bank is responsible to strive after financial stability in society (Apatachioae, 2014), so if one of the biggest banks will end up in a liquidity crisis again the question is if it really is possible for the central bank to step back from helping if they alternative for that bank would be to go bankrupt? Due to theory the central bank will be stricter but the interviewees indicate a different opinion, claiming that the consequences of the central bank being stricter would be harmful.

### 5.3 Risk management

The banks that have been interviewed are united in the fact that there is no financial crisis in the near future and in case it would after all, they have reported very good results in the annual reports and further they are prepared with large buffers.

Agur (2014) claims that one big cause of the GFC was the lack of internal information in the banking sector. From the interview with both Handelsbanken and Swedbank it was proved that not only the internal information between bankers were lacking. It was stated that customers did not know all the risks it meant to buy an option or fund contract before the crisis started and as a result of this information issue, a new documentation regulation was implemented in order to increase the internal and external information transparency. Every relation with a new customer must have a signed contract, showing that the customer is aware of the risks and consequences that he or she binds up to, all these contracts must be documented.

The risks taken by investors during the GFC were high but that behavior is also something that has been calmed down after the information regulations were implemented. However, a new risk in the financial market could be the fact that the stock market nowadays is extremely hard to forecast even for the professionals. But one can say that the intended risk, where investors know the risk is high but still take chances in the hunt for profit, has decreased as a result of the regulations.

Another factor that may be slightly far fetched in a risk management perspective is the increased number of divorces. Last years, this is a factor that Handelsbanken have put more focus on in the credit granting process and it is highly relevant as the number of divorces have increased compared to what the number looked like ten years ago (SCB, 2014). How strange it may sound this is an important factor in the matter that it may have consequences on the economy. It is not unusual that one person in the household earns a higher salary then the other and that the one with the lower salary must adjust to another living standard in case of a divorce. It is a risk to the bank in the matter that when there is a divorce there may also be a home loan involved that must be taken care of no matter how the relation looks like and it could be hard for one person to manage the loan alone as it initially was based on a salary of a two person household and the consequence may be that they have to sell.

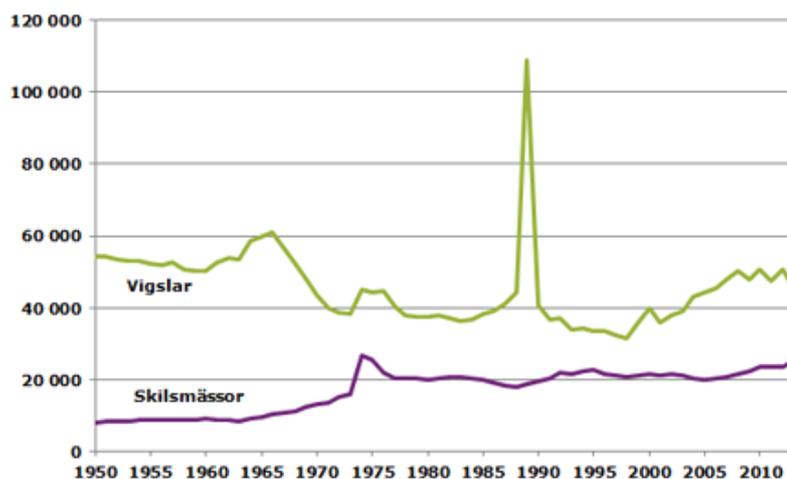


Figure 4. Number of divorces in purple and numbers of marriages in green. Source: SCB, 2014

Risk management involves actions taken to reduce or prevent a financial crisis (Berk & DeMarzo, 2014). One of these actions taken is the Swedish Financial Supervisory Authority's implementation of the Swedsec license that came as a result of the huge global economic losses and the heavy fall in the stock market in 2008 and it is compulsory to all Swedish financial institutions. The purpose of the licensing program is to maintain confidence in the Swedish securities market. One can tell from the empirical findings that the risk management resources have increased since the GFC, meaning that there are bigger teams working exclusive with risk management now than before. However, from the empirical findings we can also tell that our society looks quite different today compared to what it has looked like in many, if not all, previous financial crisis. Parameters like a negative rate and an inflation rate that does not want to rise have never before been experienced in Sweden, which make old theories of forecasting risks no longer applicable. The changes in turn might according to my opinion, have a negative effect on risk management as new models must be tested and analyzed. In a "normal" situation you could look at theories already tested and used in other countries but even outside Sweden it has been extremely rare with a negative rate in historical financial crisis, which weaken the knowledge of how to improve risk management even further.

#### 5.4 Credit granting process

In 2012, Dalhäll and Wass interviewed the big banks in Sweden and found out that the base criteria's that the bank put focus on in the credit granting process was the age of the borrower, if the person is divorced or separated, married or single, what income do he or she has, are there extra incomes, is the person owner of property or does this person rent and finally the credit history of the borrower. Although the study by Dalhäll and Wass was assessed as recent as about three years ago, according to the result of the interviews for this research, it seems as the credit granting process have change quite a lot since. The base criteria's are the same but in order to fulfill them today it takes a more careful process. In some cases it is not enough to have a full time job - the company you work in should be stable and the chance of being fired should be small. Divorces are mentioned in the perspective of risk management as well and they are a fact that is becoming more important in the evaluation of the borrower's credit worthiness. On the other hand, when a couple are applying for a loan they probably do not plan their divorce at the same time, which is why this criteria is only a hint and a criteria that could be taken into account if there are uncertainties in the base criteria's. Further, the demand that the borrower must have a particular amount of money left after all expenses are paid has become stricter since the GFC and according to interviews, the demands on the borrower will increase even further in a near future. As the banks have to use four times as much of their own money when offering a loan

today compared to in the GFC, this contribute to the tougher demands on the customers (SEB).

On one hand I think that is really good since the cost of loaning money today is extremely low. To be concluded from the findings, there is nothing that can make it cheaper to loan and that in turn should mean that the only thing that can happen in the future is that the cost of loaning would increase. One of the factors that lies near in time is the discussion of whether or not to slope the rate reduction for next year, which would mean that the possibility you have today to reduce your income tax by subtracting 30% of your rate expenses from the income tax will disappear and that way increase the annual costs you have for the loan (Ränteavdraget, 2015). Further, the rates are expected to increase, not immediately and very slow but still enough to make a meaningful difference for many.

## Europeiska börsnoterade bankers rating hos Moody's

Juni 2015	Lång- fristig	BCA*		Lång- fristig	BCA*
<b>Handelsbanken</b>	<b>Aa2</b>	<b>a2</b>	KBC Bank	A2	baa2
Standard Chartered Bank	Aa2	a2	Société Générale	A2	baa2
HSBC Bank Plc	Aa2	a3	Crédit Agricole	A2	ba1
Nordea	Aa3	a3	Deutsche Bank	A3	baa3
SEB	Aa3	a3	BBVA	A3	baa2
Swedbank	Aa3	a3	Royal Bk Scotland	A3	ba1
DNB	Aa3	a3	Commerzbank	Baa1	ba1
BNP Paribas	A1	baa1	UniCredit Bank AT	Baa2	ba1
Lloyds Bank	A1	baa1	Erste Bank	Baa2	ba1
UBS	A1	baa2	Intesa	Baa2	baa3
Santander UK	A1	baa1	Bank of Ireland	Baa2	ba2
Danske Bank	A2	baa1	AIB	Ba1	b1
Barclays Bk Plc	A2	baa2			

\* Baseline Credit Assessments (BCA) är en indikator for the issuers' standalone intrinsic strength  
Källa: SNL

5

Handelsbanken

Figure 5. Ratings of public European banks' by Moody's

Source: Handelsbanken

What I had not thought as much about before the interview with Cicki at Handelsbanken was the effect of credit ratings in the credit granting process. If a person have a good credit history it is positive for the bank as this type of customer means low risk and if the bank hold many customers of this type, their overall risk minimizes and that way the rating agencies can give the bank a higher rating. A higher rating would mean that the bank could loan money in the global market cheaper than a bank what a bank with a low rating.

The ratings were a big issue with the subprime mortgages in the GFC, as investment banks could make more money if they could obtain high ratings for more of their "securities" and that way wanted as big volume as possible out in the market (White, 2009). This volume thinking existed in Sweden as well in the 1990s but not of the complex, subprime sort that was in the U.S., where the mortgages where packed with other securities in order to obtain higher ratings.

The Basel regulations have led to changes in the credit granting process as well. For the banks to be able to hold the greater amount of buffers that is demanded from them they also need to collect them somehow. That have put pressure on the borrowers who must contribute to increasing the amount of buffers and that is made through the tougher demands on what amount of money they must have left after all costs are paid. This is one of the explanations of why the level of down payment has increased since the GFC. Before the GFC it was possible to loan 100% of the real estate value plus the cost of mortgage and title deed. According to the interviewees, this was changed after 2008 to 90% and in 2010 it was constrained to maximum 85% and no

additional loan for mortgage or title deed.

## 5.5 Household behavior

One of the research questions for this thesis was: *Do households take too high risks?* The background for this questioning was the way I experienced people's consumption behavior. I found that people in my surrounding (job, friends, family) were fairly disrespectful to the value of money and different media channels strengthened that observation to me. By analyzing the results from literature search and more important analyzing the interview result, the concern that Swedish people borrow too much still remains but it is not because of the banks are having to loose lending standards as was one of the cases in the GFC (Kowalski & Shachmurove, 2014). Today, the banks have standardized processes for granting credit which make their base criteria's fairly similar and one could see that they expect their customers to be able to handle a much stricter calculus.

What is of more concern than the banks lending standards is the household's behavior to borrowing and consuming money. Discussing this matter with the interviewees resulted in an overall comparable conclusion with some small deviations in few questions. The answer that differed between them was that about households' concern to amortizing and rate increases. One bank declared more concern to people's behavior than the other, possibly the fact that banks are having different segments of customers can explain their different opinions. But as they both stated, the customers that have been offered a loan have once showed that they have the capability for it and should therefore not be in a risk group. So the risk group is instead the households that take these easy accessible loans on different places and build up small credits every here and there which soon may end up as a huge sum in total. The danger of these loans is the small print and high rates that may follow. These loans are usually taken when it is time to renovate, travel or buying Christmas gifts.

## 5.6 Summary

Although the extreme household debt, unrealistic real estate prices and low rates are factors in the Swedish economy that lead thoughts to a real estate bubble and a financial crisis, interviewees are rather certain that we are not in a real estate bubble. From what can be concluded from the analysis, the interviewees opinion is strengthened - banks take a much greater responsibility today through the implementations of compulsory rules and licenses, increased risk management, tougher lending standards and increased documentation with the outcomes of the GFC in mind. What may be the biggest difference opposed to 2008 are the large capital buffers that are held today as a result of the tougher Basel III regulations. To be able to hold larger buffers, the cost of loaning must increase, which have led to a higher level of down payment and overall stricter lending standards.

Further, similarities of the current Swedish economy can be drawn to the U.S. economy before the GFC but there are great differences as well as other factors contributing to that they are not strong enough to forecast a new crisis.

Actions are also taken to improve risk management through increased resources, which have led to that old risks facing banks are reduced but while there are several external elements that have made society look different today opposed to in the GFC, there are new obstacles to solve.

Household behavior is maybe the most undefined issue of this research and deserves an own research to make a fair statement about. From what can be concluded about the households behavior is that the ones who take easy access loans and build credit at many different stores are in a risk zone for the bank but these are just a small fraction of the banks customers hence they pose no, or a very small risk to the banks at the moment.

Finally, banks have proved that they take a much greater responsibility today and through

all new regulations and improved risk management the credit granting process have become stricter and is planned to become even tougher.

## 6 Conclusion

*In this section, returning to the fundamental purpose and the initial research questions the focus has been on the Swedish banks' regulations and risk management in a context of GFC. The RQs attached to the purpose of the thesis were formulated as follows:*

*RQ 1: How does the risk management look like today and before?*

*RQ2: What impact does the Basel regulations have on the process of granting credit?*

*RQ3: What criteria's are taken into account in the credit granting process?*

*RQ4: Do households take too high risks?*

This research aimed at analyzing whether the Swedish big banks have changed their credit granting processes since the GFC. To go deeper and fulfill the purpose I had had some supporting research questions that helped me. The lending standards have changed in many ways and the reason they have is to prevent that any similar situation like the one in the GFC will never repeat itself. In the aftermaths of the crisis, Sweden was rather intact but Swedbank were extremely near a collapse with a severe lack of liquidity as a result of their relations with the Baltics. If they had collapsed the consequences would have been severe and one could speculate in that it would have resulted in a financial crisis. Further, the Basel III regulations force the banks to hold greater capital buffers, which has increased the demands on the customers when they borrow and thereby proves how the credit granting process have changed since the GFC. Before answering the research questions, an important conclusion is that the banks general working standards have made drastic changes compared to what they were before and during the GFC.

Answering RQ 1; In the GFC as well as today, banks have had teams working with risk management. Nowadays the work differs as a result of the increased number of unpredictable catastrophes in the world. Further, because of the changing behavior of the economy with a negative repo rate, new risk management models must be applied to follow this new behavior.

Answering RQ 2; The Basel regulations are controlling almost everything concerning the credit granting process. Basel III include capital adequacy regulations that have become much stricter since the GFC meaning that banks have to hold greater buffers, which in turn means that they have to demand a greater part from the borrowers. The Basel regulations are impossible for the banks to deviate from and that way the credit granting process has become relatively standardized in the large banks at least.

Answering RQ 3; The general criteria's the big banks put focus on when looking at the households credit worthiness are:

- Job situation - does the household have a permanent employment or not. And how does the situation for the place they are working on look like, is it stable?
- How many are they in the household
- Do they rent today or have they bought
- What safety do they have – parents, extra incomes etc.

Answering the last RQ 4; The banks were united that the real estate loans were not too risky because when the households were offered a loan in the first place, it meant that they had economies able to handle the calculus demanded by the banks. The answers to this question differed a little in between the banks and that was when it came to the consumption behavior of people. Many households take one accessible credit after the other for pure consumption like

trips, furniture's etc., that soon is built up to high sums.

## 7 Discussion

*The discussion section includes some personal reflections and information that became obvious along the research process. Those are relevant when performing further research, as those can help to capture better techniques that help researchers to approach a study.*

When I started this research I was rather critical too banks lending standards and expected the standards to be quite loose. What I maybe was even more critical too was the consumption behavior of households, as I experienced that many "low income" households in my surrounding were able to buy homes and consume more than what their salary seemed to afford. As I had read a lot about the GFC and the causes of it and felt that there are at first glance many similarities to the current situation in Sweden I decided to do a deeper evaluation of the risk management and credit granting process of Swedish banks.

Luckily I had to change my mind regarding the banks role along this research. After analyzing the compulsory rules banks follow and the demands the banks set on their customers I must admit that they are quite strict after all. Not anyone could be offered a loan like before the GFC, which I almost though before the thesis. Further, I find that the banks to take a major responsibility today with their risk management and their new stricter safety standards (primarily buffers) they must follow.

During the research I was mostly proved that I was too hard on banks lending standards but there are still some question marks to the central bank and the extreme debts that are in Swedish households. Both the theoretical frame and the empirical findings claim that the central bank would not be as helpful in case of a new crisis as they were when they helped Swedbank in the aftermaths of the crisis. The interviewees told that it would have severe consequences for all banks and thereby the entire society if one of the large banks go bankrupt. So, if one of the biggest banks will end up in a liquidity crisis again could the central bank actually step back from helping this bank? Due to the increased knowledge I have attained during this research about the role of the central bank, I do not think they have any possibility to step back. The central bank has such big influence in case of a crisis that if it will be necessary, they would help the bank in need in no other way than what they did in the GFC because of the consequences that likely would follow otherwise. Further, the increasing Swedish household debt is frightening and one major cause for the high debt is of course the real estate loans. I have attained a much better understanding for the issue and the complexity of the topic and according to me one thing is for sure, the real estate prices cannot keep rising without any backdrop in the near future. This may be also a reason to analyze the

Though, a new risk in the financial market could be the fact that the stock market is extremely hard to forecast even for the professionals. Something I have noticed myself when speculating in what stocks or funds to invest in for the future. Saving your money on a traditional bank account gives no return with the low rates existing; preferably one should invest in funds or alike to have any return. Though, the alternative to invest in funds is also slightly problematic because funds and stocks always include some risk taking. The dilemma would then be, if you want to save money for a 15% down payment you do not want to take risks too high, as you then take a risk of loosing your future down payment. The tough thing today is that the world economy has a different behavior which has led to the issue that as well as you have hard time forecasting future returns, so do professional investors. Besides, risky savings affect borrowers repayment ability and thereby also the banks.

## 8 Critiques to research

*This section draws some criticism to the different sections in the thesis work that has been discovered alongside the research.*

In the thesis I touched upon the theory of household behavior, as one of my research questions was if households take too high risks. The plan was to include household behavior as a risk factor to banks when I started this research but I did not realize how important, wide and time consuming this area would be to give it a fair analyze. In order to give the area of household behavior justice, a further research than what is done in this thesis would have been needed but that was out of my control with the time I had left. After the research it could be concluded that household behavior can on its own be a topic of another independent thesis. As a result of this criticism, the question if households take too high risks cannot be fully answered.

Another criticism that could be drawn to the research is the validity of the interviews. The interviewees responses was mostly in line with what can be found in theory, which increase the validity of the answers. However, there were a few questions of which responses could not be found in literature and be compared to the interviewees' answers. This weaken the validity somewhat instead, as the respondents answers must be trusted 100% and the case might be that they are loyal to the bank they work in hence that will affect their answer. Though, the interviewees gave a very genuine impression and they certainly got my trust.

## 9 Future research

*The following section gives the reader suggestions for further research within the area that has not been dedicated an assessment in this thesis.*

As I do not blame banks for having too loose standards anymore but as debts continuously keep rising, there is still something is the Swedish (and global?) economy that is in need for a change, this change may be the behavior of households when it comes to consumption. It was mentioned in the discussion that household behavior is a risk factor to banks and would therefore be very interesting to analyze in more advance. I would suggest doing such research from a bank perspective, focusing on how the households "borrowing patterns" for consumption and too expensive real estates affect banks and thereby society and what risks do households pose to the banks.

The market offer more and more easy access loans all the time and it would be interesting to see why these loans are not stopped by the government for instance, which also could be a recommendation for future research. These kinds of loans are smaller usually below 30 000SEK and one can have these although previous credit defaults exist. The danger of these is that they are followed by an extreme high rate and they are extremely easy to access, it is not unusual that you send a test message and it is done. If you search for the word on the web, a frightening number of different institutions offering this type of loans will show up.

The more I learned about the Global Financial Crisis and the facts surrounding it, the more I wanted to analyze and include in the thesis. During the literature review, several arguments for what could have caused the GFC is presented and analyzed. In the origins of the GFC, Jawadi (2010) discuss the overconfidence of traders and through interviews with large global banks he assess how much traders were able to influence the huge bank losses. If banks take extra risks with the knowledge that there is someone that can save them in case of failing this is what defines moral hazard, Bjuggren (2011), Lehman Brothers for instance were the leaders in holding very valuable but also very risky subprime papers and if they would fail the federal reserve (the U.S. central bank) were expected to act as lender of last resort (that was the case but

this crash was too big to recover). Sjöberg (2011) claim that moral hazard may pose the greatest risk to banks and McCaskie (1999) argue further that because of the increased competition between credit institutions, as long as there are information asymmetries, the problem of risk of moral hazard will continue to exist. If there are profit opportunities that keep banks, or more important financial institutions focusing exclusively on investing, taking the same risks as before and the fact that moral hazard may have been a key cause of the crisis is something one can only speculate in (Wissén, P & Wissén, U. 2011) and therefore I will not put any more focus on that but moral hazard is something I would assess further in future research. Bjuggren (2011) and Fischer (1999) both discuss the role of lender of last resort and argue that banks seem to take greater risks in normal times because they always have a backup and therefore Bjuggren and Fischer suggest that lender of last resorts should implement a penalty rate to avoid that kind of risk taking. Moral hazard is a very complex topic but the risk taking is something that could be analyzed further in master level or alike.

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## Figures

Figure 1 Available at: <http://www.valueguard.se/index> [2015-10-26]

Figure 2 Focus theories of this thesis (Made by the author)

Figure 3 Available at: [http://www.scb.se/sv/\\_Hitta-statistik/Artiklar/Full-fart-pa-bolanemarknaden/](http://www.scb.se/sv/_Hitta-statistik/Artiklar/Full-fart-pa-bolanemarknaden/) [2015-11-06]

Figure 4 Available at: [http://www.scb.se/sv/\\_Hitta-statistik/Artiklar/Nastan-54-000-aktenskap-tog-slut-2013/](http://www.scb.se/sv/_Hitta-statistik/Artiklar/Nastan-54-000-aktenskap-tog-slut-2013/) [2015-11-23]

Figure 5 Retrieved by Cicki Törnell, Bank director of Handelsbanken Jönköping [2015-11-20]

## Videos

Neurath & Borg (2015). Interview with previous minister of finance Anders Borg Available at: <http://www.svd.se/klart-att-det-ar-kansligt-i-ryssland> [2015-11-26]

## 11 Appendix

### 11.1 Interview questions

Vad är er snittränta på dagens bolån?

What is your rate for home loans?

Hur stor ränteuppgång räknar ni med när ni beviljar ett bostadslån?

When making a repayment plan, how high do you expect the rate to be in future?

Vilka kriterier tar ni hänsyn till när en privatperson ansöker om bostadslån?

What criterias do you take into account when private households apply for home loans?

Påverkar Finansinspektionen något när det gäller dessa kriterier?

Does Finansinspektionen affect these criterias'?

Påverkar Riksbanken något när det gäller dessa kriterier?

Does Riksbanken affect these criterias?

Har kriterierna förändrats sedan GFC och i sådana fall, hur? Jag tänker främst på Basel regleringarna.

Have these criterias' changed since the GFC and if so, in what way? I think especially on the Basel regulations.

Hur strikta är reglerna för vem som beviljas ett lån? Spelar relationen mellan kreditgivare och kredittagare roll? Med relation menar jag: om kredittagaren ligger på gränsen mellan att erbjudas ett lån eller inte, kan det då väga in att kredittagaren verkar vara en pålitlig/ opålitlig person.

How strict are the rules in the credit granting process? Does the relation between creditor and customer matter?

Vad händer om en person inte kan betala sitt lån?

What happen if a person cannot pay their debt?

Vad krävs för att banken skulle hamna i likviditetsbrist?

What does it take for the bank to lack liquidity?

Vad gör banken för att undvika likviditetsbrist?

What does the bank do to avoid this?

Finns det någon/några som arbetar *enbart* med risk hantering?

Is there anyone working explicitly with risk management?

Fanns det någon/ några som arbetade med riskhantering på samma vis under 2007-2009 (globala finanskrisen)?

Were there anyone working with risk management in the same way in 2007-2009?

Vid likviditetsbrist, hur påverkas bolånekunderna?

In the case of lack of liquidity, how is the customers affected?

Borde folk amortera mer?

Do you think people should amortize more?

Märks det att kunder är oroliga för en högre ränta?

Can you notice people are worried for a rate increase?