

# Minimum requirement for own funds and eligible liabilities (MREL)

Compliance Q3 2023



## Foreword

The Swedish National Debt Office – Sweden’s resolution authority – publishes a quarterly report on the Swedish systemically important banks’ and other institutions’ (institutions) compliance with the minimum requirement for own funds and eligible liabilities (MREL).<sup>1</sup> MREL is to ensure that a financial institution maintains both a sufficient level of own funds and of liabilities that can be written down or converted into equity so that, if resolution were to become necessary, the viability of that institution could be restored. In this report, we show how well the institutions complied with MREL at the end of the third quarter of 2023.<sup>2</sup>

In accordance with the Swedish Resolution Act (2015:1016), the Debt Office sets MREL annually.<sup>3</sup> The statutory amendments that entered into force on 1 July 2021 entail that MREL is to be phased in by 1 January 2024. To enable a linear build-up of MREL, including subordination requirements, until the 1 January 2024 deadline, the Debt Office has set target levels that apply as of 1 January 2022 as well as communicated indicative levels that apply as of 1 January 2023.<sup>4</sup> The indicative levels aim to enable a linear build-up of MREL until 1 January 2024.<sup>5</sup> This report presents compliance in relation to the target levels and for informational purposes, the report also presents compliance in relation to the requirements that will apply starting 1 January 2024.<sup>6</sup> Compliance as of 1 January 2024 will be measured in relation to the updated requirements that apply as of 1 January 2024.

Further information about MREL and its application for Swedish institutions is available in the Debt Office’s MREL policy and on its website.<sup>7</sup> The In-depth part on pages 12–13 provides a general description of how the requirements are calculated and met.

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<sup>1</sup> The formal definition of institutions includes *credit institutions* as well as certain *investment firms* (see Chapter 2, Section 1 of the Resolution Act [2015:1016]).

<sup>2</sup> This report is based on information provided by the institutions to the Debt Office on 18 November 2023.

<sup>3</sup> The requirements presented in this report were set in December 2022 ([see the Debt Office’s website](#)). In June 2023, the Debt Office updated the resolution plan and MREL for Swedish Export Credit Corporation (SEK) since the Debt Office does not consider there to be grounds for managing SEK through resolution ([see the Debt Office’s press release](#)). Hence, there are eight Swedish institutions that are deemed systematically important.

<sup>4</sup> Older versions (up to and including 31 December 2021) of the Debt Office’s quarterly MREL report thus show compliance based on a previous configuration of MREL.

<sup>5</sup> The indicative levels are not binding as the intermediate target levels. However, the Debt Office continuously assess substantial impediments to resolution. Since there is a linear build-up of MREL until 1 January 2024, the indicative levels are reference values the institutions should fulfil.

<sup>6</sup> Because MREL is set annually, the exact levels of the requirements that will apply starting 1 January 2024 could vary due to potential changes to the institutions’ capital requirements (including the combined buffer requirement).

<sup>7</sup> *MREL policy: Minimum requirement for own funds and eligible liabilities (MREL)* from 13 October 2021 (Reg. no. RGR 2021/26). See also the accompanying decision memorandum: *Minimum requirement for own funds and eligible liabilities (MREL)* from 13 October 2021 (Reg. no. RGR 2021/26).

## Summary

- At the end of the third quarter of 2023, all systemically important institutions met the MREL set for them. This means that the institutions reached the target levels for the risk-based and non-risk-based MREL that apply as of 1 January 2022.
- All institutions also had a sufficient amount of own funds and subordinated liabilities for the target levels of the subordination requirement.
- MREL is to be phased in by 1 January 2024. On 30 September 2023, the systemically important institutions had issued SEK 281 billion in subordinated liabilities.

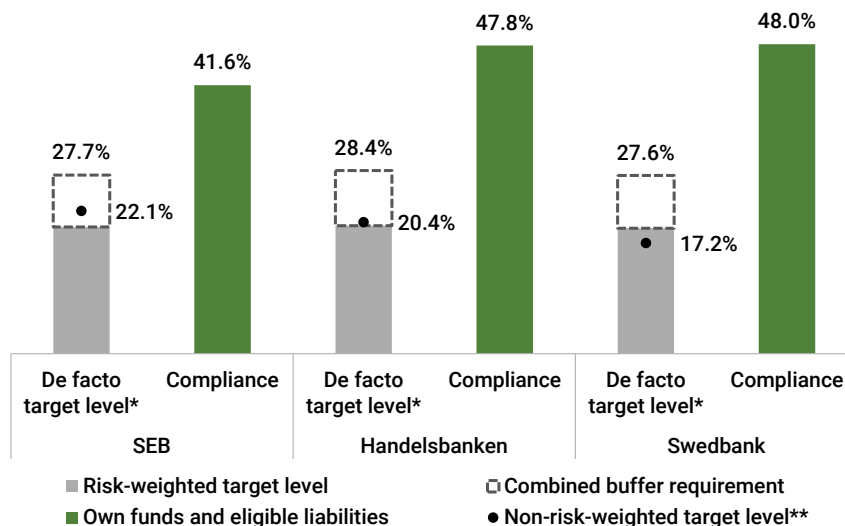
## Compliance with MREL

MREL consists of a risk-weighted and non-risk-weighted requirement. Both requirements apply and are to be met independently of each other. MREL is being phased in and will apply in full as of 1 January 2024. To ensure a linear build-up until then, the Debt Office has decided on target levels for MREL that apply as of 1 January 2022 and communicated indicative levels that apply as of 1 January 2023. The indicative levels aim to enable a linear build-up of MREL until 1 January 2024. The institutions' compliance with target levels and MREL, including the subordination sub-requirement, is shown in the figures below. See the In-depth part on pages 12–13 for more about how the requirements are calculated and met.

Figures 1 and 2 show compliance with the target levels for MREL that apply as of 1 January 2022. The risk-weighted target level consists of the actual target level plus the combined buffer requirement, thereby forming the “de facto” target level. The non-risk-weighted target level amounts to 5 per cent of the leverage ratio exposure measure (LRE) for all institutions. To enable comparison between the target levels, the non-risk-weighted target level is recalculated from per cent of LRE to per cent of the total risk-weighted exposure amount (TREA). The figures thereby show compliance (right column for each institution) in relation to the de facto risk-weighted target level and non-risk-weighted target level (left column for each institution). Figures 1 and 2 show that all systemically important institutions reached the target levels for MREL at the end of the third quarter of 2023.

**Figure 1 Compliance with target level for MREL, 2023-09-30 – major banks**

Per cent of TREA

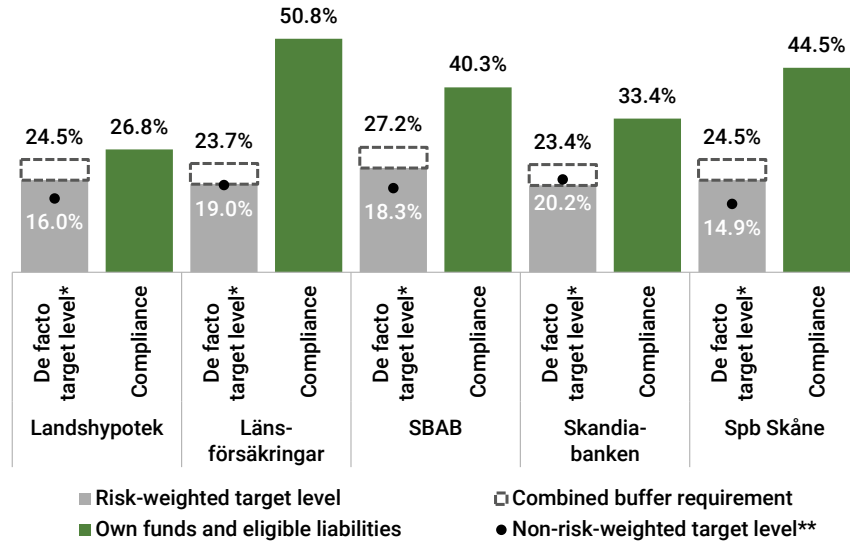


Note: \*The de facto target level consists of the risk-weighted target level plus the combined buffer requirement (see also the In-depth part on pages 12–13). \*\*The non-risk-weighted target level is recalculated to per cent of TREA.

Sources: The Debt Office and Finansinspektionen (Swedish Financial Supervisory Authority)

**Figure 2 Compliance with target level for MREL, 2023-09-30 – medium-sized institutions**

Per cent of TREA



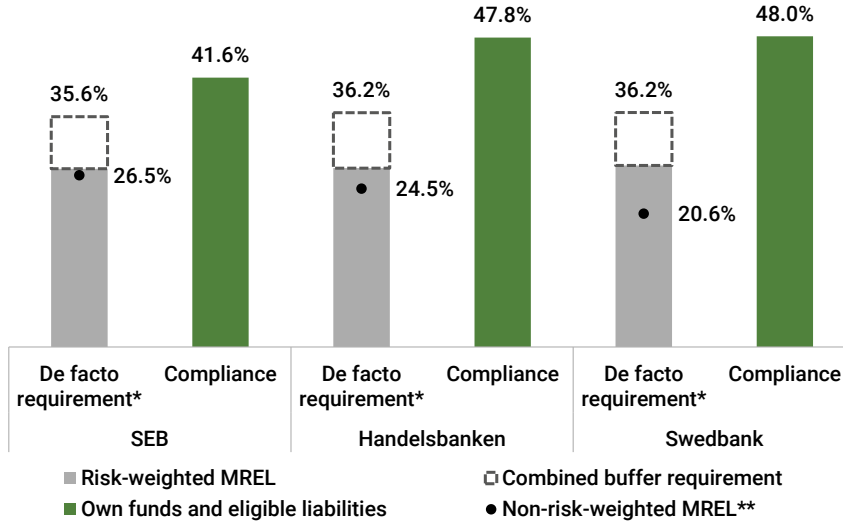
Note: \*The de facto target level consists of the risk-weighted target level plus the combined buffer requirement (see also the In-depth part on pages 12–13). \*\*The non-risk-weighted target level is recalculated to per cent of TREA.

Sources: The Debt Office and Finansinspektionen (Swedish Financial Supervisory Authority)

Figures 3 and 4 show indicative compliance with MREL that will apply as of 1 January 2024. The risk-weighted requirement consists of the actual requirement plus the combined buffer requirement. The non-risk-weighted requirement amounts to 6 per cent of LRE for all institutions. To enable comparison between the requirements, the non-risk-weighted requirement is recalculated from per cent of LRE to per cent of TREA. The figures thereby show compliance (right column for each institution) in relation to the de facto risk-weighted target level and non-risk-weighted target level (left column for each institution).

**Figure 3 Indicative compliance on 2023-09-30 with MREL that will apply as of 2024 – major banks**

Per cent of TREA

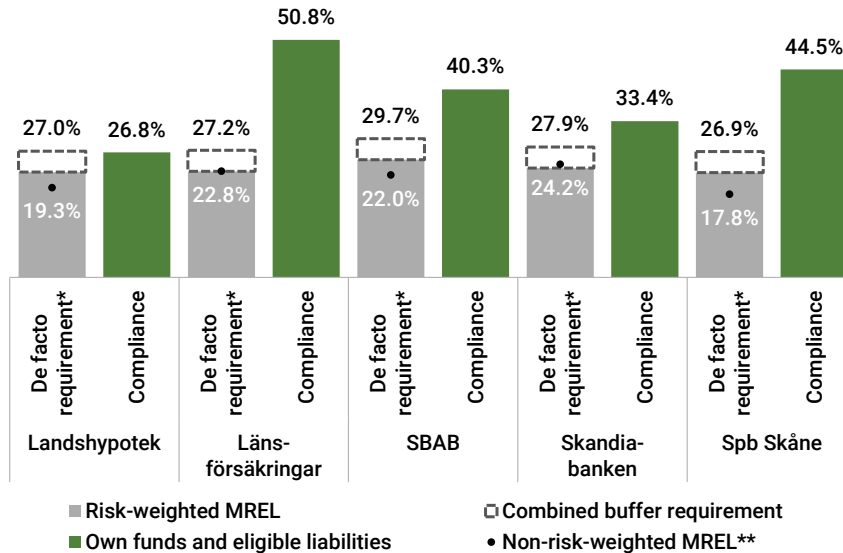


Note: \*The de facto target level consists of the risk-weighted target level plus the combined buffer requirement (see also the In-depth part on pages 12–13). \*\*The non-risk-weighted target level is recalculated to per cent of TREA.

Sources: The Debt Office and Finansinspektionen (Swedish Financial Supervisory Authority)

**Figure 4 Indicative compliance on 2023-09-30 with MREL that will apply as of 2024 – medium-sized institutions**

Per cent of TREA



Note: \*The de facto target level consists of the risk-weighted target level plus the combined buffer requirement (see also the In-depth part on pages 12–13). \*\*The non-risk-weighted target level is recalculated to per cent of TREA.

Sources: The Debt Office and Finansinspektionen (Swedish Financial Supervisory Authority)

## Subordination sub-requirement

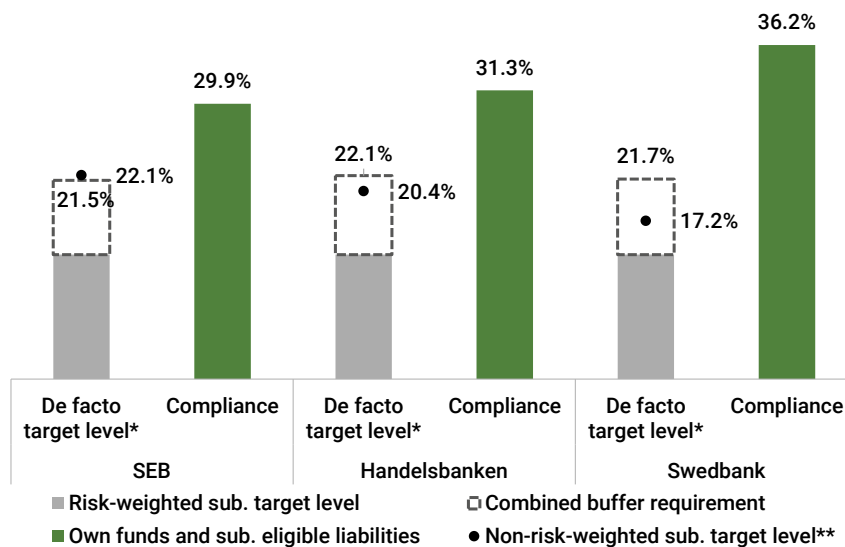
Parts of MREL, in accordance with the so-called subordination sub-requirement, may only be met with own funds and subordinated eligible liabilities.

Figures 5 and 6 show compliance with the target levels for the subordination requirement that apply as of 1 January 2022. The risk-weighted target level consists of the actual requirement plus the combined buffer requirement. For all institutions, the non-risk-weighted target level for subordination amounts to 5 per cent of LRE. To enable comparison between the requirements, the non-risk-weighted requirement is recalculated from per cent of LRE to per cent of TREA. The figures thereby show compliance (right column for each institution) in relation to the de facto risk-weighted target level and non-risk-weighted target level (left column for each institution).

Figures 5 and 6 show that all systemically important institutions met the target levels for subordination at the end of the third quarter of 2023.

**Figure 5 Compliance with target level for subordination requirement, 2023-09-30 – major banks**

Per cent of TREA

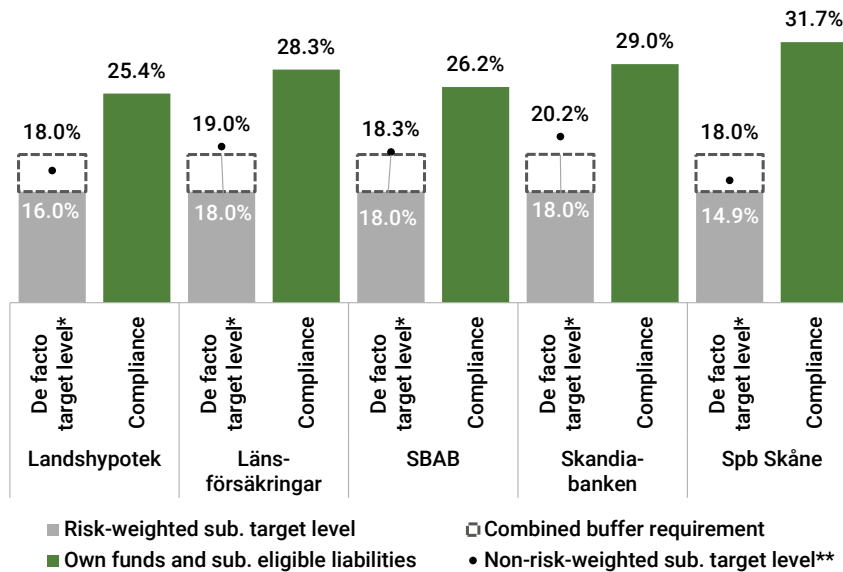


Note: \*The de facto target level consists of the risk-weighted target level plus the combined buffer requirement (see also the In-depth part on pages 12–13). \*\*The non-risk-weighted target level is recalculated to per cent of TREA.

Sources: The Debt Office and Finansinspektionen (Swedish Financial Supervisory Authority)

**Figure 6 Compliance with target level for subordination requirement, 2023-09-30 – medium-sized institutions**

Per cent of TREA



Note: \*The de facto target level consists of the risk-weighted target level plus the combined buffer requirement (see also the In-depth part on pages 12–13). \*\*The non-risk-weighted target level is recalculated to per cent of TREA.

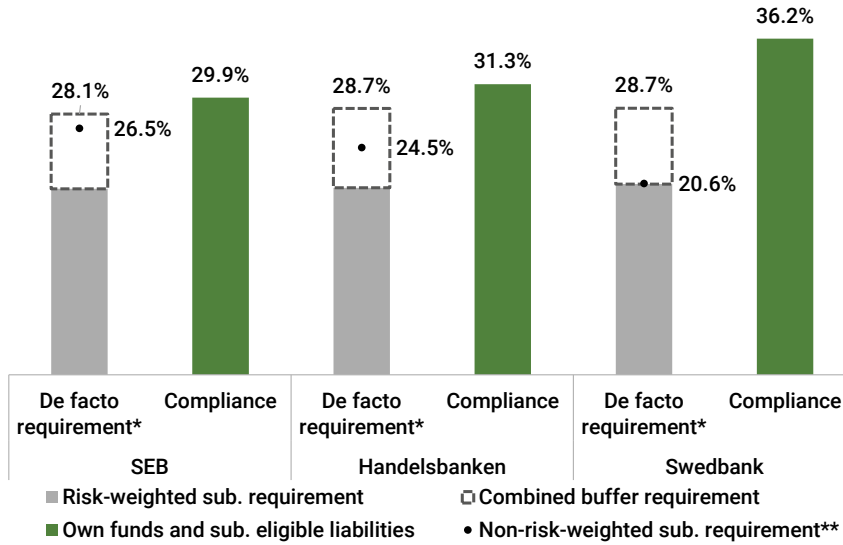
Sources: The Debt Office and Finansinspektionen (Swedish Financial Supervisory Authority)

Figures 7 and 8 show indicative compliance with the subordination sub-requirement that will apply as of 1 January 2024. The risk-weighted requirement consists of the actual requirement plus the combined buffer requirement. The non-risk-weighted requirement amounts to 6 per cent of LRE for all institutions. To enable comparison between the requirements, the non-risk-weighted requirement is recalculated from per cent of LRE to per cent of TREA. The figures thereby show compliance (right column for each institution) in relation to the de facto risk-weighted target level and non-risk-weighted target level (left column for each institution).



**Figure 7 Indicative compliance on 2023-09-30 with the subordination requirements that will apply as of 2024**

Per cent of TREA

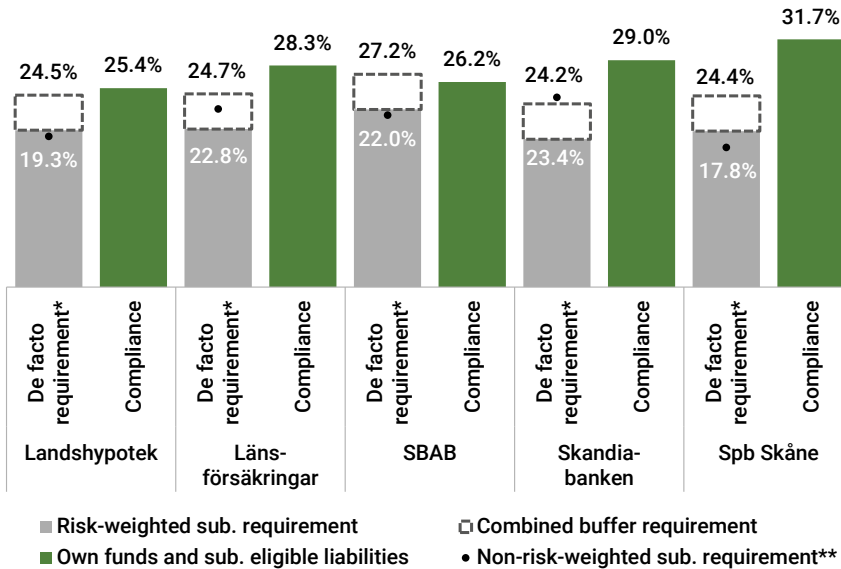


Note: \*The de facto target level consists of the risk-weighted target level plus the combined buffer requirement (see also the In-depth part on pages 12–13). \*\*The non-risk-weighted target level is recalculated to per cent of TREA.

Sources: The Debt Office and Finansinspektionen (Swedish Financial Supervisory Authority)

**Figure 8 Indicative compliance on 2023-09-30 with the subordination requirements that will apply as of 2024**

Per cent of TREA



Note: \*The de facto target level consists of the risk-weighted target level plus the combined buffer requirement (see also the In-depth part on pages 12–13). \*\*The non-risk-weighted target level is recalculated to per cent of TREA.

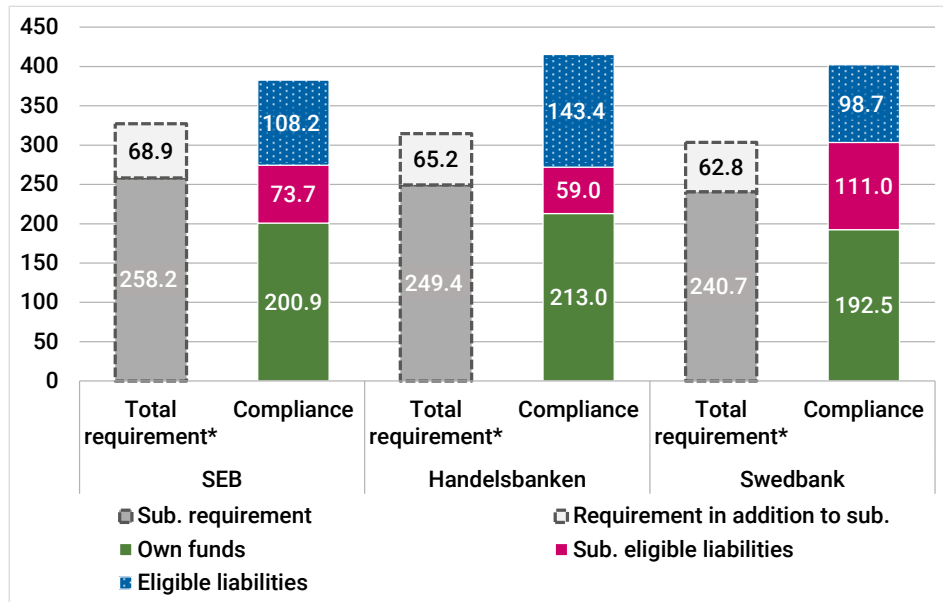
Sources: The Debt Office and Finansinspektionen (Swedish Financial Supervisory Authority)

## Compliance with MREL per type of instrument

MREL and the subordination sub-requirements lead to a total need for own funds, subordinated eligible liabilities, and non-subordinated eligible liabilities (see also the In-depth part on pages 12–13 for a description of what the requirements consist of and how they are met). Figures 9, 10, and 11 show, for informational purposes, the status of the systemically important institutions' compliance at the end of the third quarter of 2023 with the requirements that will apply as of 1 January 2024 (the subordination requirements and total MREL). The requirements and compliance with them are expressed in SEK billion in order to provide an indication of the actual issuance need for each institution.

**Figure 9 Aggregate compliance on 2023-09-30 with the requirements that will apply as of 2024 – major banks**

SEK billion

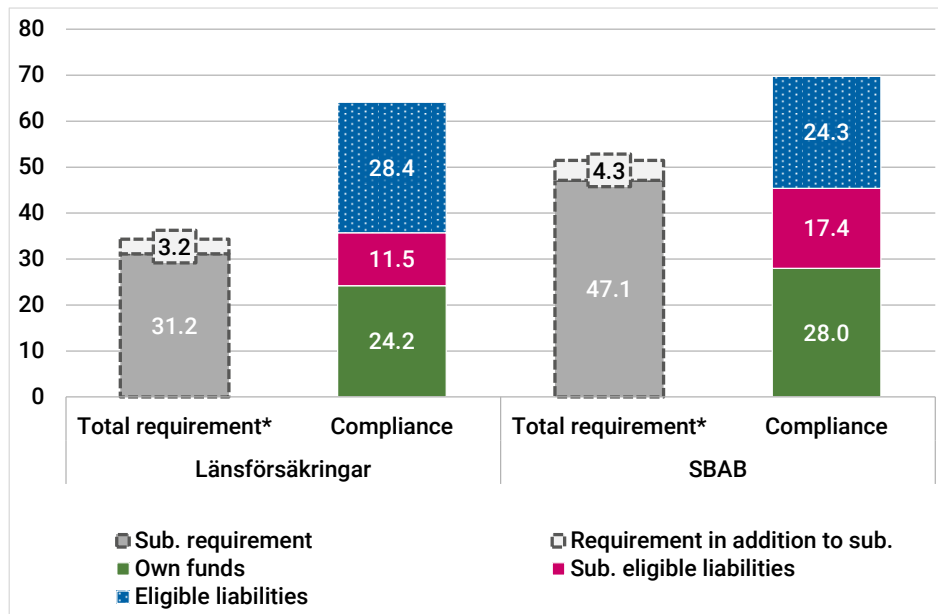


Note: \*Aggregate requirements (de facto risk-weighted and non-risk-weighted) on the basis of total MREL and the subordination sub-requirements (see also the In-depth part on pages 12–13).

Sources: The Debt Office

Figure 10 Aggregate compliance on 2023-09-30 with the requirements that will apply as of 2024 – Länsförsäkringar and SBAB

SEK billion

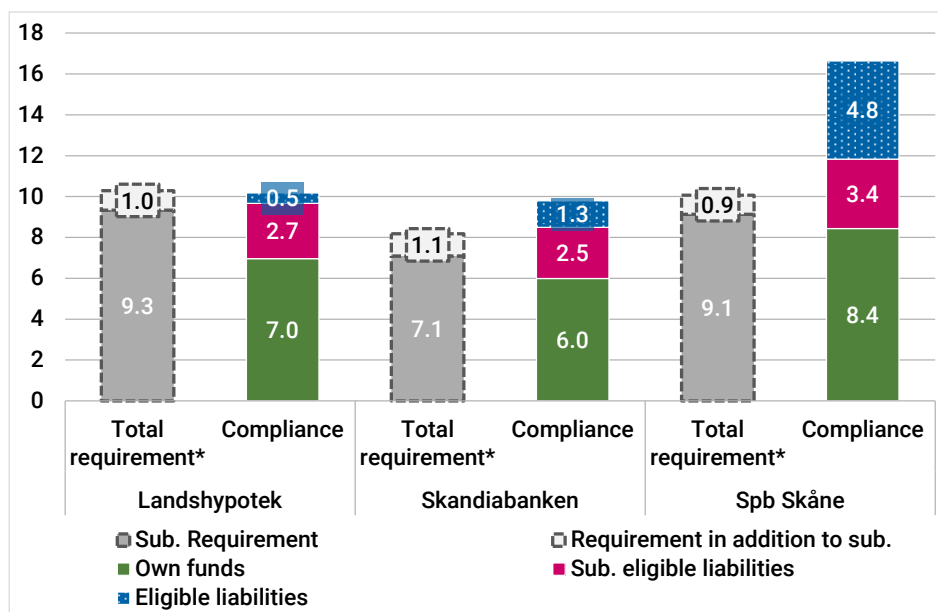


Note: \*Aggregate requirements (de facto risk-weighted and non-risk-weighted) on the basis of total MREL and the subordination sub-requirements (see also the In-depth part on pages 12–13).

Sources: The Debt Office

Figure 11 Aggregate compliance on 2023-09-30 with the requirements that will apply as of 2024 – Landshypotek, Skandiabanken, and Sparbanken Skåne

SEK billion



Note: \*Aggregate requirements (de facto risk-weighted and non-risk-weighted) on the basis of total MREL and the subordination sub-requirements (see also the In-depth part on pages 12–13).

Sources: The Debt Office

## In-depth

### Calculating and meeting MREL

The following is a description of the calculation of, and compliance with, MREL that will apply once the requirements are completely phased in on 1 January 2024.<sup>8</sup>

#### Calculation

MREL is calculated on the basis of an institution's capital requirements and consists of a risk-weighted and a non-risk-weighted requirement. The risk-weighted requirement is expressed as a percentage of the total risk-weighted exposure amount (TREA) and the non-risk-weighted requirement as a percentage of the leverage ratio exposure measure (LRE). Both the risk-weighted and the non-risk-weighted requirements are made up of the sum of a loss absorption amount (LAA) and a recapitalisation amount (RCA).

For risk-weighted MREL, LAA amounts to the sum of the institution's risk-weighted Pillar 1 and Pillar 2 requirements. For non-risk-weighted MREL, RCA amounts to the institution's minimum leverage ratio requirement (3 per cent of LRE).

For risk-weighted MREL, RCA amounts to the sum of the institutions' risk-weighted Pillar 1 and Pillar 2 requirements as well as a market confidence charge (MCC). MCC corresponds to the combined buffer requirement excluding the countercyclical buffer requirement, plus the institutions' Pillar 2 guidance. For non-risk-weighted MREL, RCA amounts to the institution's minimum leverage ratio requirement (3 per cent of LRE).

#### Compliance

MREL is to be met with own funds and eligible liabilities. In addition to the level of MREL, the Debt Office decides on the size of the requirement that is to be met with own funds and subordinated eligible liabilities. The subordination sub-requirement constitutes a part of MREL and can thereby not exceed the risk-weighted or non-risk-weighted MREL. The risk-weighted sub-requirement amounts to twice as much as the institutions' Pillar 1 and Pillar 2 requirements. The non-risk-weighted sub-requirement amounts to 8 per cent of the institution's total liabilities and own funds, although never higher than the non-risk-weighted MREL. In practice, the institutions' MCC can thus be met with eligible liabilities, while other parts of the requirements are to be met with own funds and subordinated eligible liabilities.

The Common Equity Tier 1 capital that is used to meet the combined buffer requirement may not at the same time be used to meet the risk-weighted MREL (this applies to both total MREL and the subordination sub-requirement). The combined buffer requirement shall thus be met in addition to risk-weighted MREL.

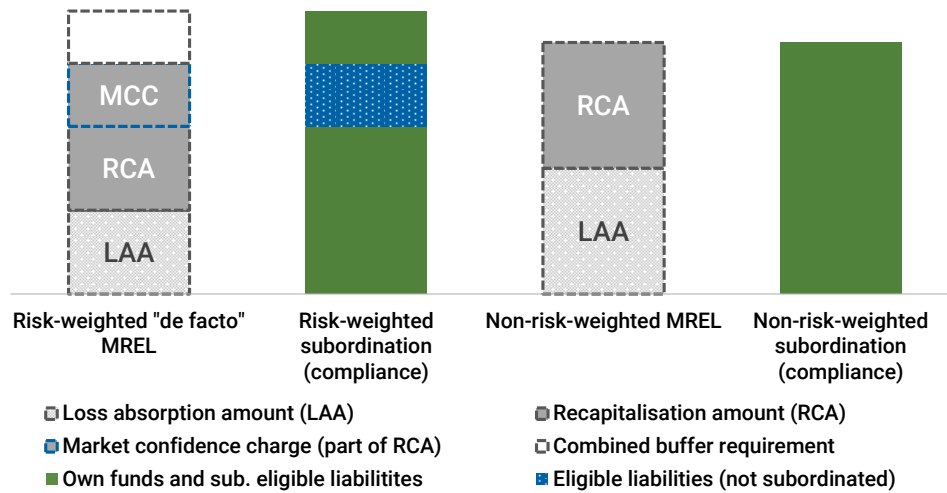
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<sup>8</sup> See also the decision memorandum: Minimum requirement for own funds and eligible liabilities (MREL) from 13 October 2021 (Reg. no. RGR 2021/26) for a more detailed description of the legal conditions and the Debt Office's application of MREL.

This leads to an aggregate “de facto” risk-weighted requirement that consists of MREL plus the combined buffer requirement.

The figure below shows what the rules for MREL and the Debt Office’s application entail for the level of MREL (de facto risk-weighted requirement and non-risk-weighted requirement) as well as how they are met.

Figure 12 Illustration of MREL and subordination (compliance)



Sources: The Debt Office

## Appendix of tables

The tables below show the data on each institution's compliance and requirements used for the figures in this report. Differences due to rounding of figures may occur.

**Table 1 SEB aggregate data, 2023-09-30**

<b>SEB</b>	<b>SEK million</b>	<b>% of TREA</b>	<b>% of LRE</b>
Total risk-weighted exposure amount (TREA)	919,298	-	-
Leverage ratio exposure measure (LRE)	4,067,497	-	-
Own funds	200,889	21.85%	4.94%
Own funds and subordinated eligible liabilities	274,541	29.86%	6.75%
Own funds and eligible liabilities	382,738	41.63%	9.41%
Combined buffer requirement	73,982	8.05%	-
<u>MREL (including buffer)</u>			
Risk-weighted target level for MREL (as of 1 January 2022)	254,716	27.71%	-
Risk-weighted target level for subordination (as of 1 January 2022)	198,087	21.55%	-
Non risk-weighted target level for MREL (as of 1 January 2022)	203,375	-	5.00%
Risk-weighted MREL (as of 1 January 2024)	327,157	35.59%	-
Risk-weighted subordination requirement (as of 1 January 2024)	258,209	28.09%	-
Non-risk-weighted MREL (as of 1 January 2024)	244,050	-	6.00%

Sources: The Debt Office and Finansinspektionen (Swedish Financial Supervisory Authority)

**Table 2 Handelsbanken aggregate data, 2023-09-30**

<b>Handelsbanken</b>	<b>SEK million</b>	<b>% of TREA</b>	<b>% of LRE</b>
Total risk-weighted exposure amount (TREA)	868,888	-	-
Leverage ratio exposure measure (LRE)	3,543,920	-	-
Own funds	212,975	24.51%	6.01%
Own funds and subordinated eligible liabilities	272,005	31.30%	7.68%
Own funds and eligible liabilities	415,393	47.81%	11.72%
Combined buffer requirement	74,372	8.56%	-
<u>MREL (including buffer)</u>			
Risk-weighted target level for MREL (as of 1 January 2022)	246,933	28.42%	-
Risk-weighted target level for subordination (as of 1 January 2022)	191,671	22.06%	-
Non risk-weighted target level for MREL (as of 1 January 2022)	177,196	-	5.00%
Risk-weighted MREL (as of 1 January 2024)	314,532	36.20%	-
Risk-weighted subordination requirement (as of 1 January 2024)	249,366	28.70%	-
Non-risk-weighted MREL (as of 1 January 2024)	212,635	-	6.00%

Sources: The Debt Office and Finansinspektionen (Swedish Financial Supervisory Authority)

**Table 3 Swedbank aggregate data, 2023-09-30**

<b>Swedbank</b>	<b>SEK million</b>	<b>% of TREA</b>	<b>% of LRE</b>
Total risk-weighted exposure amount (TREA)	837,943	-	-
Leverage ratio exposure measure (LRE)	2,876,831	-	-
Own funds	192,499	22.97%	6.69%
Own funds and subordinated eligible liabilities	303,495	36.22%	10.55%
Own funds and eligible liabilities	402,183	48.00%	13.98%
Combined buffer requirement	68,565	8.18%	-
<u>MREL (including buffer)</u>			
Risk-weighted target level for MREL (as of 1 January 2022)	231,629	27.64%	-
Risk-weighted target level for subordination (as of 1 January 2022)	181,687	21.68%	-
Non risk-weighted target level for MREL (as of 1 January 2022)	143,842	-	5.00%
Risk-weighted MREL (as of 1 January 2024)	303,524	36.22%	-
Risk-weighted subordination requirement (as of 1 January 2024)	240,679	28.72%	-
Non-risk-weighted MREL (as of 1 January 2024)	172,610	-	6.00%

Sources: The Debt Office and Finansinspektionen (Swedish Financial Supervisory Authority)

**Table 4 Landshypotek aggregate data, 2023-09-30**

<b>Landshypotek</b>	<b>SEK million</b>	<b>% of TREA</b>	<b>% of LRE</b>
Total risk-weighted exposure amount (TREA)	38,037	-	-
Leverage ratio exposure measure (LRE)	122,065	-	-
Own funds	6,962	18.30%	5.70%
Own funds and subordinated eligible liabilities	9,671	25.43%	7.92%
Own funds and eligible liabilities	10,175	26.75%	8.34%
Combined buffer requirement	1,712	4.50%	-
<u>MREL (including buffer)</u>			
Risk-weighted target level for MREL (as of 1 January 2022)	9,334	24.54%	-
Risk-weighted target level for subordination (as of 1 January 2022)	6,847	18.00%	-
Non risk-weighted target level for MREL (as of 1 January 2022)	6,103	-	5.00%
Risk-weighted MREL (as of 1 January 2024)	10,285	27.04%	-
Risk-weighted subordination requirement (as of 1 January 2024)	9,334	24.54%	-
Non-risk-weighted MREL (as of 1 January 2024)	7,324	-	6.00%

Sources: The Debt Office and Finansinspektionen (Swedish Financial Supervisory Authority)

**Table 5 Länsförsäkringar aggregate data, 2023-09-30**

<b>Länsförsäkringar</b>	<b>SEK million</b>	<b>% of TREA</b>	<b>% of LRE</b>
Total risk-weighted exposure amount (TREA)	126,118	-	-
Leverage ratio exposure measure (LRE)	478,362	-	-
Own funds	24,215	19.20%	5.06%
Own funds and subordinated eligible liabilities	35,731	28.33%	7.47%
Own funds and eligible liabilities	64,110	50.83%	13.40%
Combined buffer requirement	5,675	4.50%	-
<u>MREL (including buffer)</u>			
Risk-weighted target level for MREL (as of 1 January 2022)	29,865	23.68%	-
Risk-weighted target level for subordination (as of 1 January 2022)	22,701	18.00%	-
Non risk-weighted target level for MREL (as of 1 January 2022)	23,918	-	5.00%
Risk-weighted MREL (as of 1 January 2024)	34,304	27.20%	-
Risk-weighted subordination requirement (as of 1 January 2024)	31,151	24.70%	-
Non-risk-weighted MREL (as of 1 January 2024)	28,702	-	6.00%

Sources: The Debt Office and Finansinspektionen (Swedish Financial Supervisory Authority)

**Table 6 SBAB aggregate data, 2023-09-30**

<b>SBAB</b>	<b>SEK million</b>	<b>% of TREA</b>	<b>% of LRE</b>
Total risk-weighted exposure amount (TREA)	173,220	-	-
Leverage ratio exposure measure (LRE)	634,379	-	-
Own funds	27,968	16.15%	4.41%
Own funds and subordinated eligible liabilities	45,403	26.21%	7.16%
Own funds and eligible liabilities	69,738	40.26%	10.99%
Combined buffer requirement	7,799	4.50%	-
<u>MREL (including buffer)</u>			
Risk-weighted target level for MREL (as of 1 January 2022)	47,120	27.20%	-
Risk-weighted target level for subordination (as of 1 January 2022)	31,184	18.00%	-
Non risk-weighted target level for MREL (as of 1 January 2022)	31,719	-	5.00%
Risk-weighted MREL (as of 1 January 2024)	51,451	29.70%	-
Risk-weighted subordination requirement (as of 1 January 2024)	47,120	27.20%	-
Non-risk-weighted MREL (as of 1 January 2024)	38,063	-	6.00%

Sources: The Debt Office and Finansinspektionen (Swedish Financial Supervisory Authority)



Table 7 Skandiabanken aggregate data, 2023-09-30

Skandiabanken	SEK million	% of TREA	% of LRE
Total risk-weighted exposure amount (TREA)	29,283	-	-
Leverage ratio exposure measure (LRE)	118,244	-	-
Own funds	5,994	20.47%	5.07%
Own funds and subordinated eligible liabilities	8,493	29.00%	7.18%
Own funds and eligible liabilities	9,794	33.45%	8.28%
Combined buffer requirement	1,324	4.52%	-
<u>MREL (including buffer)</u>			
Risk-weighted target level for MREL (as of 1 January 2022)	6,858	23.42%	-
Risk-weighted target level for subordination (as of 1 January 2022)	5,277	18.02%	-
Non risk-weighted target level for MREL (as of 1 January 2022)	5,912	-	5.00%
Risk-weighted MREL (as of 1 January 2024)	8,176	27.92%	-
Risk-weighted subordination requirement (as of 1 January 2024)	6,858	23.42%	-
Non-risk-weighted MREL (as of 1 January 2024)	7,095	-	6.00%

Sources: The Debt Office and Finansinspektionen (Swedish Financial Supervisory Authority)

Table 8 Sparbanken Skåne aggregate data, 2023-09-30

Sparbanken Skåne	SEK million	% of TREA	% of LRE
Total risk-weighted exposure amount (TREA)	37,380	-	-
Leverage ratio exposure measure (LRE)	111,058	-	-
Own funds	8,440	22.58%	7.60%
Own funds and subordinated eligible liabilities	11,837	31.67%	10.66%
Own funds and eligible liabilities	16,640	44.52%	14.98%
Combined buffer requirement	1,683	4.50%	-
<u>MREL (including buffer)</u>			
Risk-weighted target level for MREL (as of 1 January 2022)	9,173	24.54%	-
Risk-weighted target level for subordination (as of 1 January 2022)	6,729	18.00%	-
Non risk-weighted target level for MREL (as of 1 January 2022)	5,553	-	5.00%
Risk-weighted MREL (as of 1 January 2024)	10,069	26.94%	-
Risk-weighted subordination requirement (as of 1 January 2024)	9,132	24.43%	-
Non-risk-weighted MREL (as of 1 January 2024)	6,663	-	6.00%

Sources: The Debt Office and Finansinspektionen (Swedish Financial Supervisory Authority)

**The Swedish National Debt Office is the central government's financial manager and the national resolution authority. The Debt Office plays an important role in the Swedish economy and financial markets.**



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