

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

Compliance Q2 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 second 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>

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 August 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 second 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 June 2023, the systemically important institutions had issued SEK 273 billion in subordinated liabilities. Accordingly, institutions reporting a shortfall will need to issue a further SEK 200 million in subordinated liabilities in order to meet the subordination requirements that will apply as of 1 January 2024.

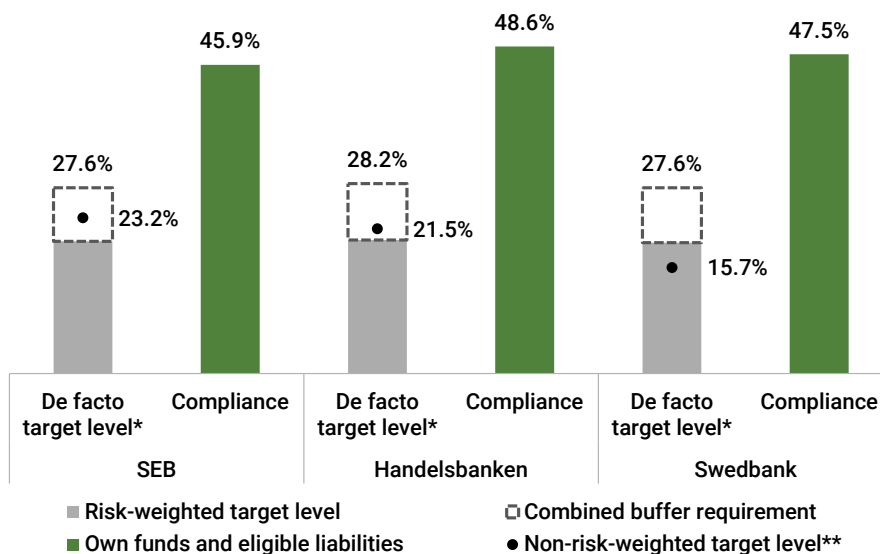
## Compliance with MREL

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 second quarter of 2023.

**Figure 1 Compliance with target level for MREL, 2023-06-30 – major banks**

Per cent of TREA

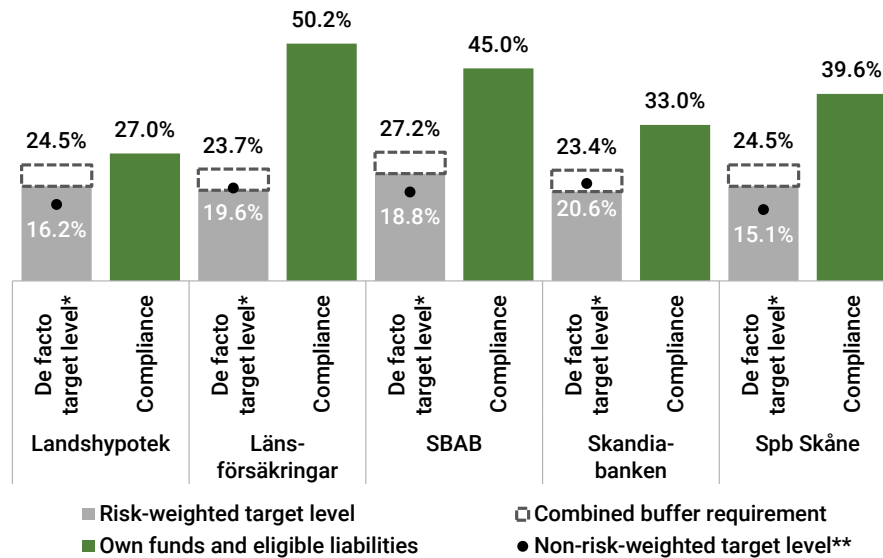


Note: \*The de facto target level consists of the risk-weighted target level plus the combined buffer requirement (see also the In-depth part on pages 12–13). \*\*The non-risk-weighted target level is recalculated to per cent of TREA.

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

**Figure 2 Compliance with target level for MREL, 2023-06-30 – medium-sized institutions**

Per cent of TREA



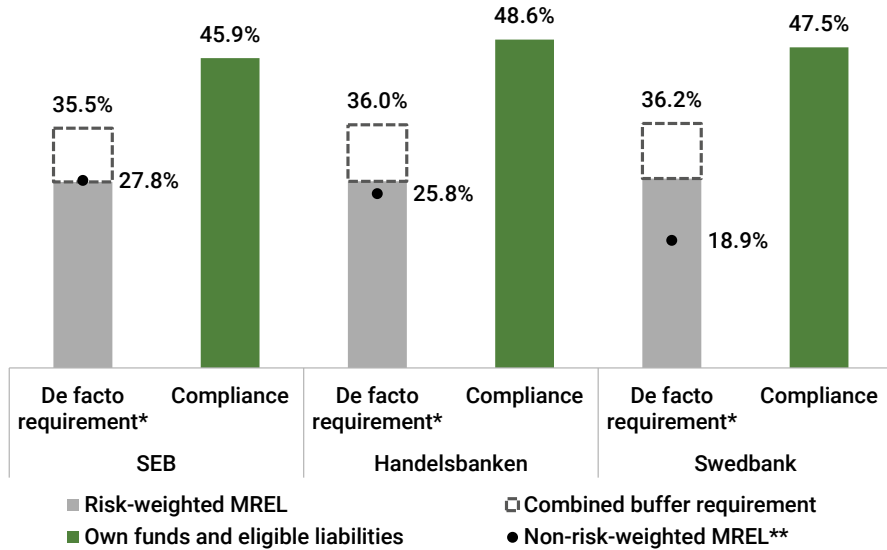
Note: \*The de facto target level consists of the risk-weighted target level plus the combined buffer requirement (see also the In-depth part on pages 12–13). \*\*The non-risk-weighted target level is recalculated to per cent of TREA.

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 2023-06-30 with MREL that will apply as of 2024 – major banks**

Per cent of TREA

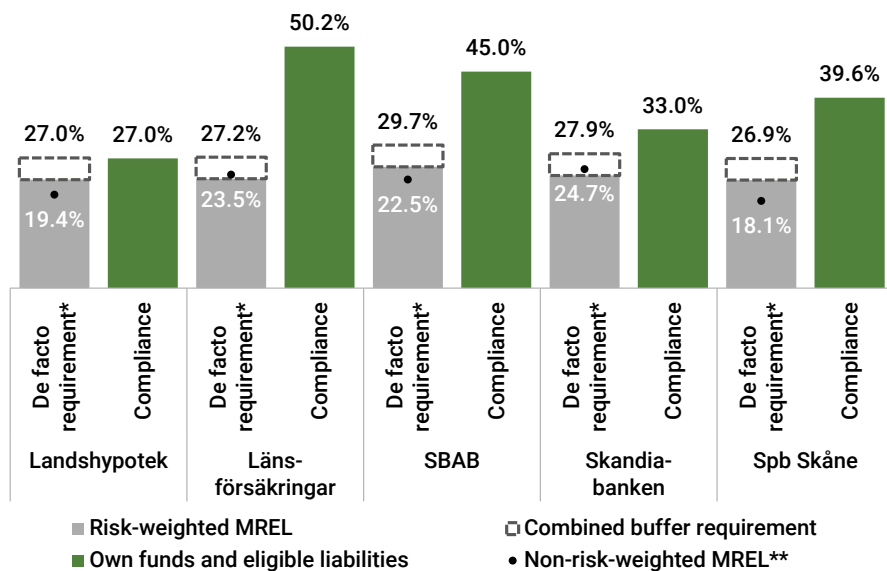


Note: \*The de facto target level consists of the risk-weighted target level plus the combined buffer requirement (see also the In-depth part on pages 12–13). \*\*The non-risk-weighted target level is recalculated to per cent of TREA.

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

**Figure 4 Indicative compliance on 2023-06-30 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

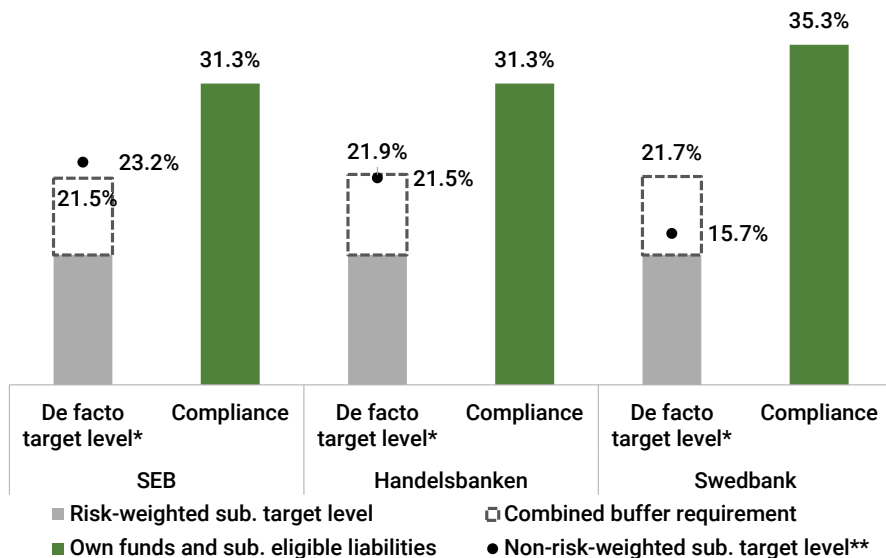
Parts of MREL, in accordance with the so-called subordination sub-requirement, may only be met with own funds and subordinated eligible liabilities.

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 second quarter of 2023.

**Figure 5 Compliance with target level for subordination requirement, 2023-06-30 – major banks**

Per cent of TREA

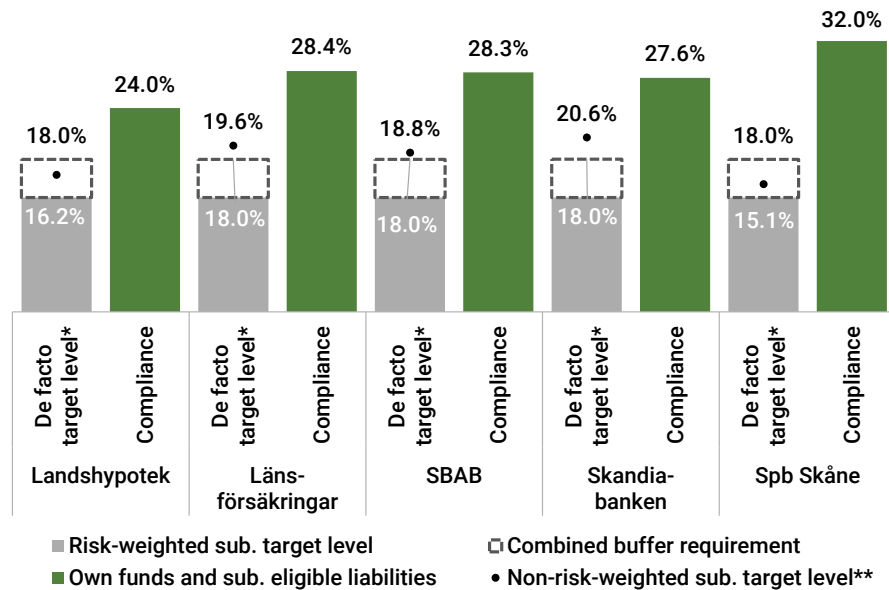


Note: \*The de facto target level consists of the risk-weighted target level plus the combined buffer requirement (see also the In-depth part on pages 12–13). \*\*The non-risk-weighted target level is recalculated to per cent of TREA.

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

**Figure 6 Compliance with target level for subordination requirement, 2023-06-30 – 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.

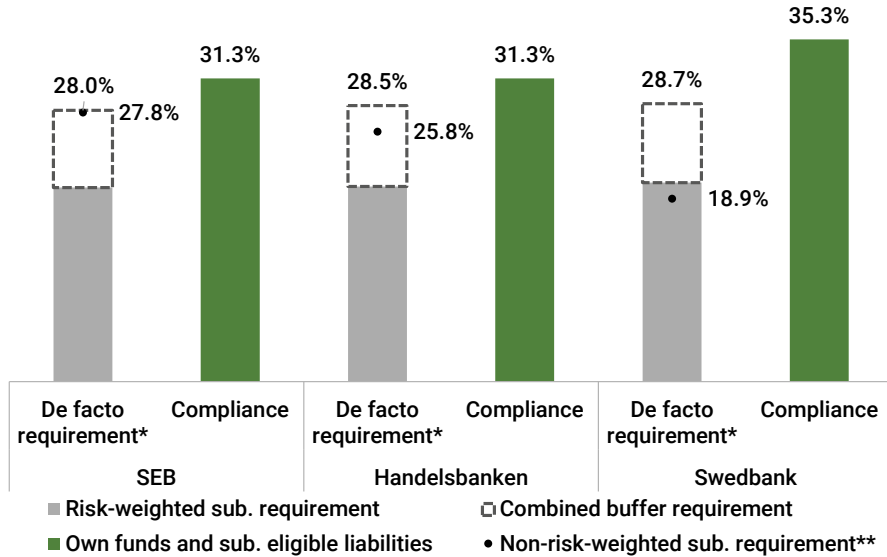
Sources: The Debt Office and Finansinspektionen (Swedish Financial Supervisory Authority)

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 2023-06-30 with the subordination requirements that will apply as of 2024**

Per cent of TREA

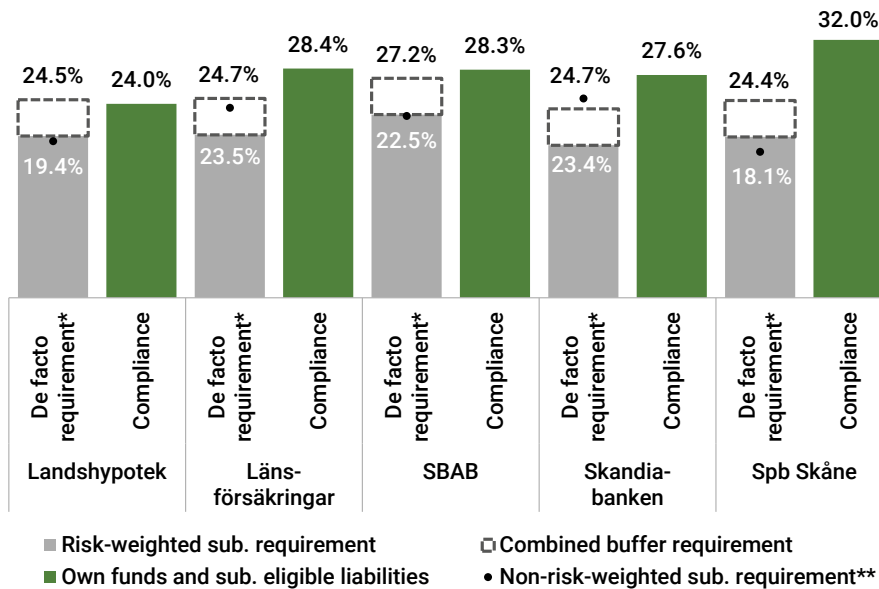


Note: \*The de facto target level consists of the risk-weighted target level plus the combined buffer requirement (see also the In-depth part on pages 12–13). \*\*The non-risk-weighted target level is recalculated to per cent of TREA.

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

**Figure 8 Indicative compliance on 2023-06-30 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.

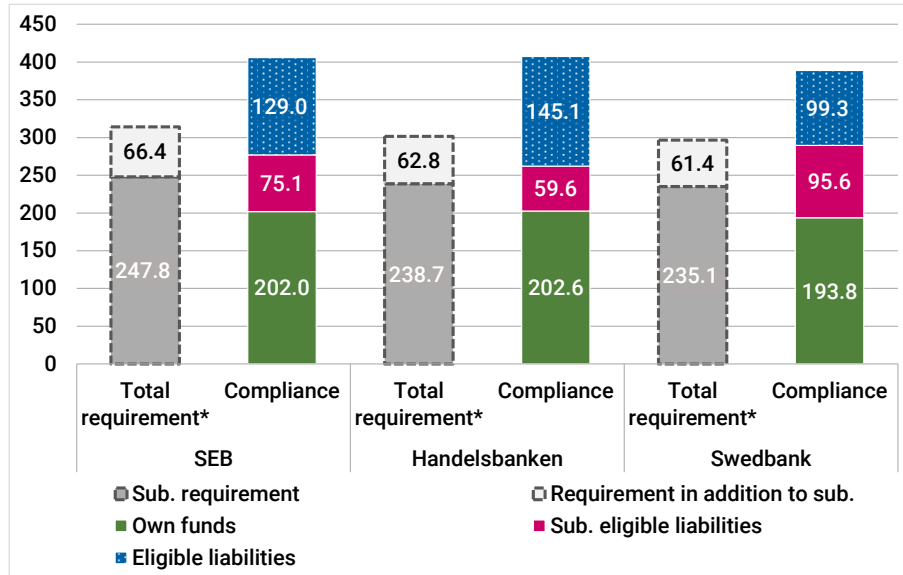
Sources: The Debt Office and Finansinspektionen (Swedish Financial Supervisory Authority)

## 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 second 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 2023-06-30 with the requirements that will apply as of 2024 – major banks**

SEK billion

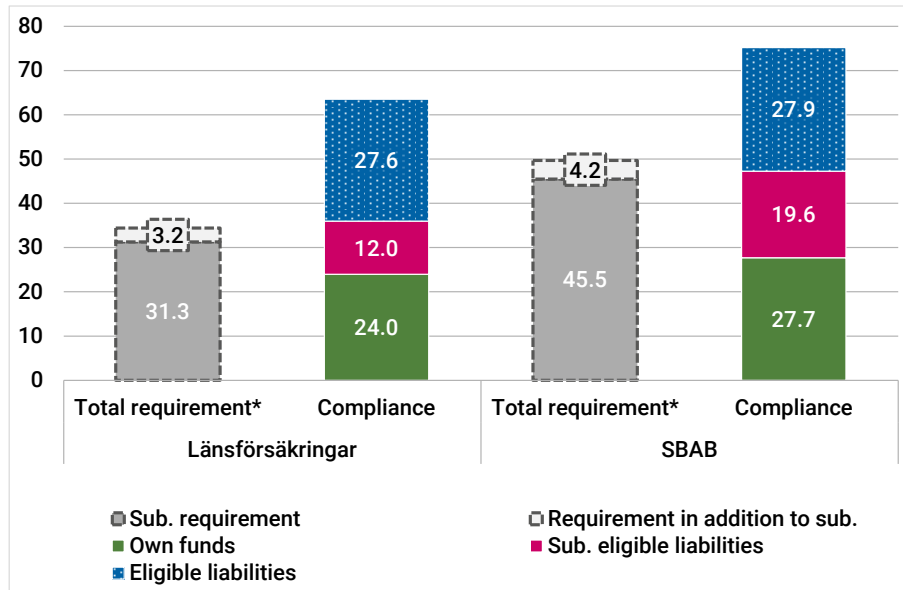


Note: \*Aggregate requirements (de facto risk-weighted and non-risk-weighted) on the basis of total MREL and the subordination sub-requirements (see also the In-depth part on pages 12–13).

Sources: The Debt Office

Figure 10 Aggregate compliance on 2023-06-30 with the requirements that will apply as of 2024 – Länsförsäkringar and SBAB

SEK billion

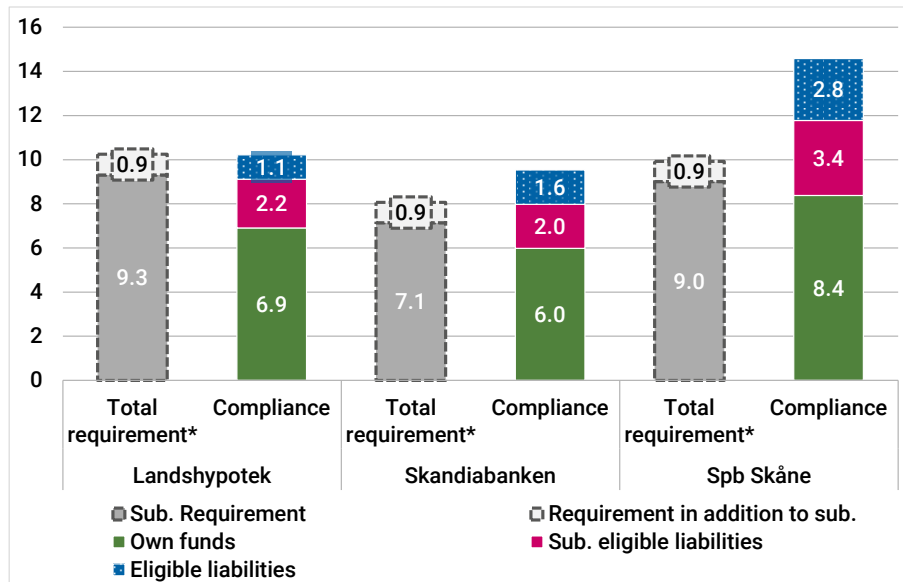


Note: \*Aggregate requirements (de facto risk-weighted and non-risk-weighted) on the basis of total MREL and the subordination sub-requirements (see also the In-depth part on pages 12–13).

Sources: The Debt Office

Figure 11 Aggregate compliance on 2023-06-30 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.

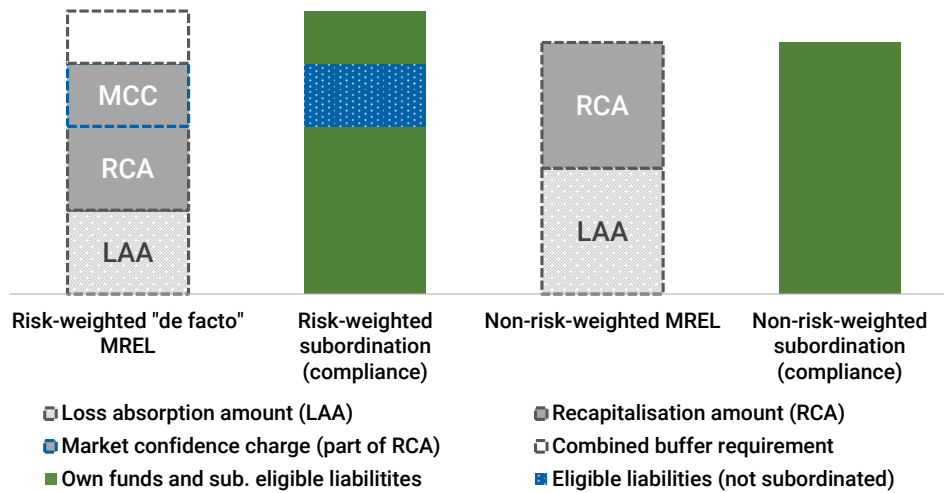
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<sup>8</sup> See also the decision memorandum: Minimum requirement for own funds and eligible liabilities (MREL) from 13 October 2021 (Reg. no. RGR 2021/26) for a more detailed description of the legal conditions and the Debt Office's application of 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, 2023-06-30**

SEB	SEK million	% of TREA	% of LRE
Total risk-weighted exposure amount (TREA)	884,934	-	-
Leverage ratio exposure measure (LRE)	4,097,935	-	-
Own funds	201,976	22.82%	4.93%
Own funds and subordinated eligible liabilities	277,049	31.31%	6.76%
Own funds and eligible liabilities	406,003	45.88%	9.91%
Combined buffer requirement	70,495	7.97%	-
<u>MREL (including buffer)</u>			
Risk-weighted target level for MREL (as of 1 January 2022)	244,473	27.63%	-
Risk-weighted target level for subordination (as of 1 January 2022)	189,961	21.47%	-
Non risk-weighted target level for MREL (as of 1 January 2022)	204,897	-	5.00%
Risk-weighted MREL (as of 1 January 2024)	314,206	35.51%	-
Risk-weighted subordination requirement (as of 1 January 2024)	247,836	28.01%	-
Non-risk-weighted MREL (as of 1 January 2024)	245,876	-	6.00%

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

**Table 2 Handelsbanken aggregate data, 2023-06-30**

Handelsbanken	SEK million	% of TREA	% of LRE
Total risk-weighted exposure amount (TREA)	837,505	-	-
Leverage ratio exposure measure (LRE)	3,602,883	-	-
Own funds	202,556	24.19%	5.62%
Own funds and subordinated eligible liabilities	262,185	31.31%	7.28%
Own funds and eligible liabilities	407,268	48.63%	11.30%
Combined buffer requirement	70,064	8.37%	-
<u>MREL (including buffer)</u>			
Risk-weighted target level for MREL (as of 1 January 2022)	236,392	28.23%	-
Risk-weighted target level for subordination (as of 1 January 2022)	183,127	21.87%	-
Non risk-weighted target level for MREL (as of 1 January 2022)	180,144	-	5.00%
Risk-weighted MREL (as of 1 January 2024)	301,550	36.01%	-
Risk-weighted subordination requirement (as of 1 January 2024)	238,737	28.51%	-
Non-risk-weighted MREL (as of 1 January 2024)	216,173	-	6.00%

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

**Table 3 Swedbank aggregate data, 2023-06-30**

<b>Swedbank</b>	<b>SEK million</b>	<b>% of TREA</b>	<b>% of LRE</b>
Total risk-weighted exposure amount (TREA)	819,021	-	-
Leverage ratio exposure measure (LRE)	2,578,945	-	-
Own funds	193,791	23.66%	7.51%
Own funds and subordinated eligible liabilities	289,441	35.34%	11.22%
Own funds and eligible liabilities	388,768	47.47%	15.07%
Combined buffer requirement	66,831	8.16%	-
<u>MREL (including buffer)</u>			
Risk-weighted target level for MREL (as of 1 January 2022)	226,213	27.62%	-
Risk-weighted target level for subordination (as of 1 January 2022)	177,399	21.66%	-
Non risk-weighted target level for MREL (as of 1 January 2022)	128,947	-	5.00%
Risk-weighted MREL (as of 1 January 2024)	296,485	36.20%	-
Risk-weighted subordination requirement (as of 1 January 2024)	235,058	28.70%	-
Non-risk-weighted MREL (as of 1 January 2024)	154,737	-	6.00%

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

**Table 4 Landshypotek aggregate data, 2023-06-30**

<b>Landshypotek</b>	<b>SEK million</b>	<b>% of TREA</b>	<b>% of LRE</b>
Total risk-weighted exposure amount (TREA)	37,919	-	-
Leverage ratio exposure measure (LRE)	122,557	-	-
Own funds	6,906	18.21%	5.63%
Own funds and subordinated eligible liabilities	9,118	24.04%	7.44%
Own funds and eligible liabilities	10,223	26.96%	8.34%
Combined buffer requirement	1,706	4.50%	-
<u>MREL (including buffer)</u>			
Risk-weighted target level for MREL (as of 1 January 2022)	9,305	24.54%	-
Risk-weighted target level for subordination (as of 1 January 2022)	6,825	18.00%	-
Non risk-weighted target level for MREL (as of 1 January 2022)	6,128	-	5.00%
Risk-weighted MREL (as of 1 January 2024)	10,253	27.04%	-
Risk-weighted subordination requirement (as of 1 January 2024)	9,305	24.54%	-
Non-risk-weighted MREL (as of 1 January 2024)	7,353	-	6.00%

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

**Table 5 Länsförsäkringar aggregate data, 2023-06-30**

<b>Länsförsäkringar</b>	<b>SEK million</b>	<b>% of TREA</b>	<b>% of LRE</b>
Total risk-weighted exposure amount (TREA)	126,600	-	-
Leverage ratio exposure measure (LRE)	496,822	-	-
Own funds	23,958	18.92%	4.82%
Own funds and subordinated eligible liabilities	35,965	28.41%	7.24%
Own funds and eligible liabilities	63,524	50.18%	12.79%
Combined buffer requirement	5,697	4.50%	-
<b><u>MREL (including buffer)</u></b>			
Risk-weighted target level for MREL (as of 1 January 2022)	29,979	23.68%	-
Risk-weighted target level for subordination (as of 1 January 2022)	22,788	18.00%	-
Non risk-weighted target level for MREL (as of 1 January 2022)	24,841	-	5.00%
Risk-weighted MREL (as of 1 January 2024)	34,435	27.20%	-
Risk-weighted subordination requirement (as of 1 January 2024)	31,270	24.70%	-
Non-risk-weighted MREL (as of 1 January 2024)	29,809	-	6.00%

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

**Table 6 SBAB aggregate data, 2023-06-30**

<b>SBAB</b>	<b>SEK million</b>	<b>% of TREA</b>	<b>% of LRE</b>
Total risk-weighted exposure amount (TREA)	167,274	-	-
Leverage ratio exposure measure (LRE)	628,347	-	-
Own funds	27,698	16.56%	4.41%
Own funds and subordinated eligible liabilities	47,285	28.27%	7.53%
Own funds and eligible liabilities	75,208	44.96%	11.97%
Combined buffer requirement	7,534	4.50%	-
<b><u>MREL (including buffer)</u></b>			
Risk-weighted target level for MREL (as of 1 January 2022)	45,505	27.20%	-
Risk-weighted target level for subordination (as of 1 January 2022)	30,116	18.00%	-
Non risk-weighted target level for MREL (as of 1 January 2022)	31,417	-	5.00%
Risk-weighted MREL (as of 1 January 2024)	49,687	29.70%	-
Risk-weighted subordination requirement (as of 1 January 2024)	45,505	27.20%	-
Non-risk-weighted MREL (as of 1 January 2024)	37,701	-	6.00%

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



Table 7 Skandiabanken aggregate data, 2023-06-30

Skandiabanken	SEK million	% of TREA	% of LRE
Total risk-weighted exposure amount (TREA)	28,904	-	-
Leverage ratio exposure measure (LRE)	118,994	-	-
Own funds	5,981	20.69%	5.03%
Own funds and subordinated eligible liabilities	7,980	27.61%	6.71%
Own funds and eligible liabilities	9,536	32.99%	8.01%
Combined buffer requirement	1,307	4.52%	-
<u>MREL (including buffer)</u>			
Risk-weighted target level for MREL (as of 1 January 2022)	6,770	23.42%	-
Risk-weighted target level for subordination (as of 1 January 2022)	5,209	18.02%	-
Non risk-weighted target level for MREL (as of 1 January 2022)	5,950	-	5.00%
Risk-weighted MREL (as of 1 January 2024)	8,070	27.92%	-
Risk-weighted subordination requirement (as of 1 January 2024)	6,770	23.42%	-
Non-risk-weighted MREL (as of 1 January 2024)	7,140	-	6.00%

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

Table 8 Sparbanken Skåne aggregate data, 2023-06-30

Handelsbanken	SEK million	% of TREA	% of LRE
Total risk-weighted exposure amount (TREA)	36,855	-	-
Leverage ratio exposure measure (LRE)	111,147	-	-
Own funds	8,383	22.74%	7.54%
Own funds and subordinated eligible liabilities	11,780	31.96%	10.60%
Own funds and eligible liabilities	14,580	39.56%	13.12%
Combined buffer requirement	1,659	4.50%	-
<u>MREL (including buffer)</u>			
Risk-weighted target level for MREL (as of 1 January 2022)	9,045	24.54%	-
Risk-weighted target level for subordination (as of 1 January 2022)	6,634	18.00%	-
Non risk-weighted target level for MREL (as of 1 January 2022)	5,557	-	5.00%
Risk-weighted MREL (as of 1 January 2024)	9,927	26.94%	-
Risk-weighted subordination requirement (as of 1 January 2024)	9,006	24.44%	-
Non-risk-weighted MREL (as of 1 January 2024)	6,669	-	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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