

SRB MREL Dashboard – Q2.2020

09 December 2020

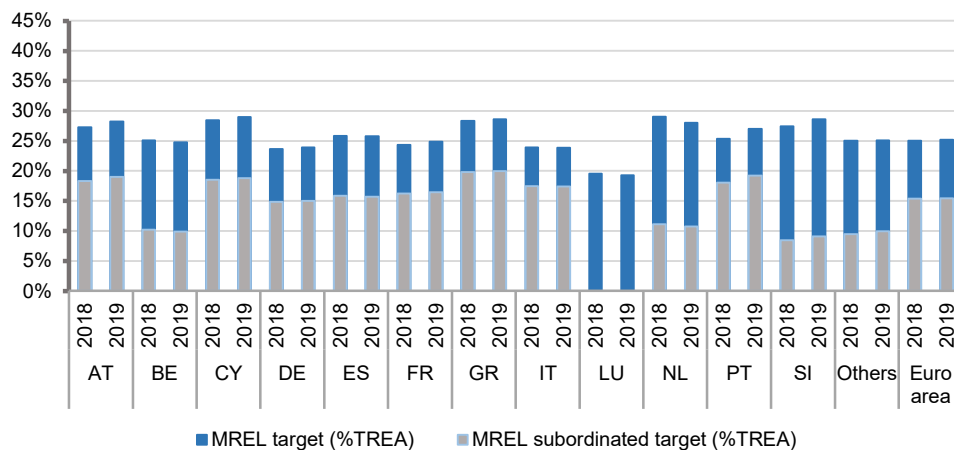
INTRODUCTION

The MREL dashboards are based on bank data reported to the SRB. The first and second sections illustrate the results concerning MREL targets, eligible liabilities and shortfalls respectively in 2018 and 2019 under the BRRD1 framework, and estimates of the MREL requirements under the new BRRD2 framework with reference to end-2019 data. Section 3 lays out the quarterly monitoring dashboard and Section 4 highlights recent developments on the cost of funding.¹

1. BRRD 1 MREL METRICS – 2018/2019

MREL targets. The average MREL targets² have slightly increased to 25.2% TREA (EUR 1,869 bn) in Dec 2019 from 25.0% TREA (EUR 1,824 bn) in Dec 2018. The subordination targets were stable at 15.5% TREA (cf. Chart 1).

Chart 1: BRRD 1 MREL targets (of which subordinated), % TREA

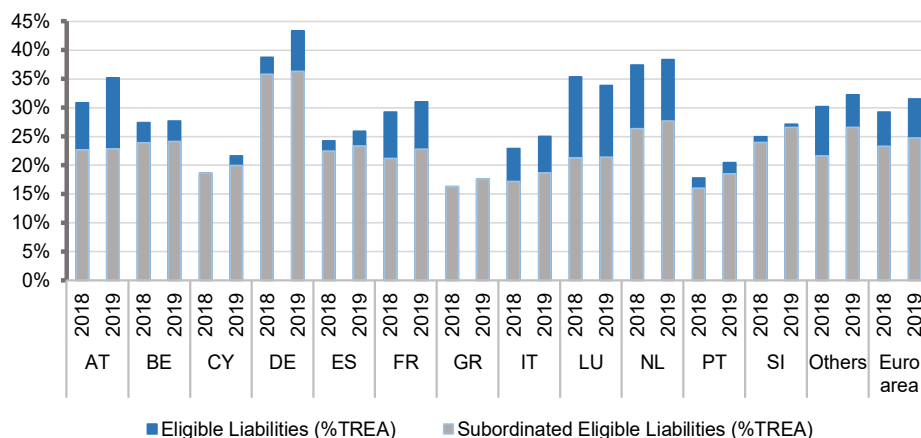


¹ This publication is based on an SRB proprietary database built on quarterly reports received from banks under the SRB's remit and SRB staff computations. Coverage and definitions have broadened over time, evolving with policy enhancements and the new regulatory framework, cf. methodological annex for further details. The data in this publication is provided for information purposes only. This document shall neither be binding nor construed as constituting a commitment by the SRB on how it will exercise its tasks and shall be without prejudice to any stance that the SRB may take with respect to the subject of this publication. The SRB shall not be held liable for any use of the data therein.

² The sample includes 94 banks.

MREL-eligible liabilities. The average stock of MREL-eligible liabilities reached 31.5% TREA (equal to EUR 2,337 bn) in Dec 2019, compared to 29.3% TREA (equal to EUR 2,132 bn) in Dec 2018. In Dec 2019 subordinated liabilities accounted for 24.7% TREA (EUR 1,834 bn) compared to 23.3% (EUR 1,700 bn) in Dec 2018 (cf. Chart 2).

Chart 2: BRRD 1 MREL eligible liabilities (of which subordinated), % TREA



MREL Shortfall. Driven by the above increase of eligible liabilities, the MREL shortfall significantly reduced to 1.0% TREA (equal to EUR 74.0 bn) in Dec 2019 from 1.8% TREA (equal to EUR 131.4 bn) in Dec 2018. Subordination shortfalls were limited to 0.1% TREA in Dec 2019 (cf. Charts 3 and 4).

Chart 3: BRRD 1 MREL shortfall (of which subordinated), % TREA

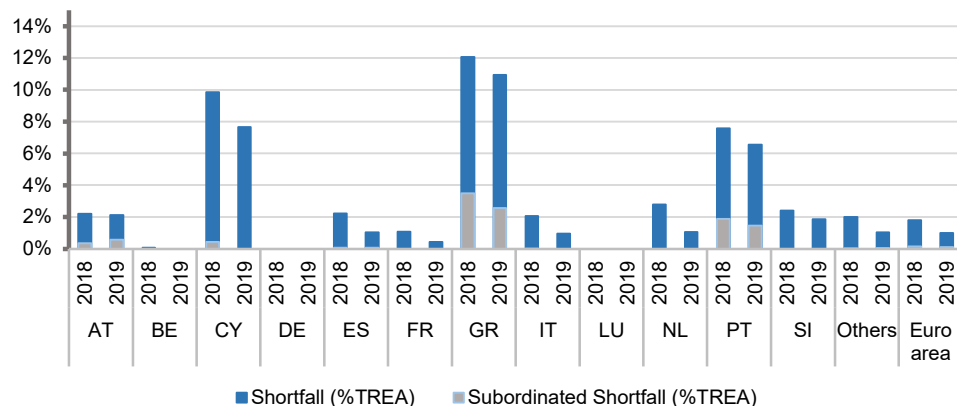
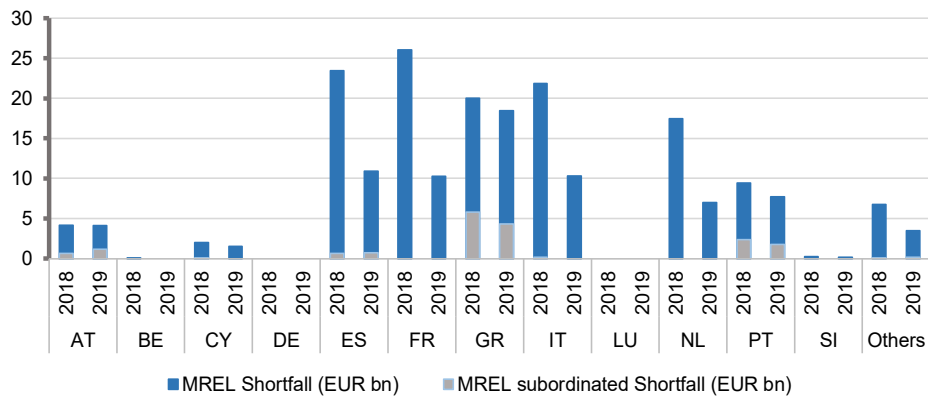


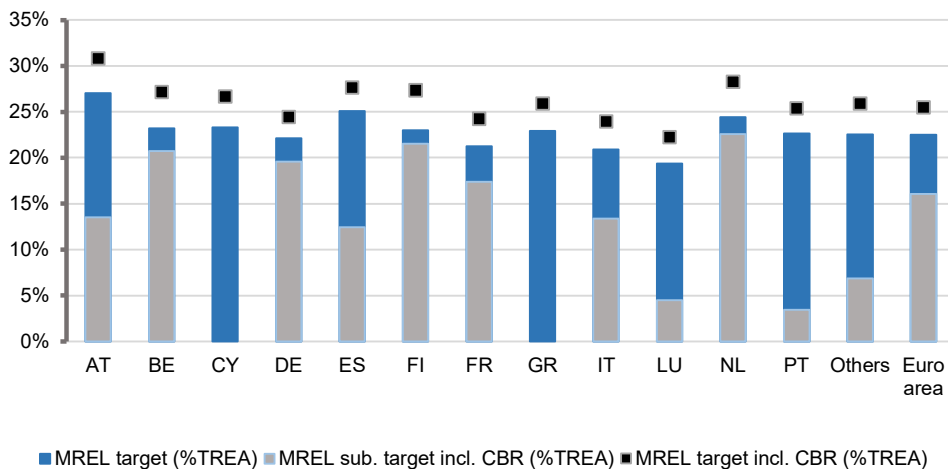
Chart 4: BRRD 1 MREL shortfall (of which subordinated), EUR bn



2. BRRD 2 DRAFT MREL METRICS – 2019

Draft MREL targets. Since decisions under BRRD2/SRMR2 are currently drafted and will be decided upon in the coming months, this section includes *pro forma* calculations – using assumptions consistent with the Banking Package and the 2020 MREL policy – for the future MREL targets³ under BRRD 2. The draft MREL target amounted to 25.5% TREA on average (equal to EUR 1,884 bn) when the CBR was added on top of the risk based MREL. The corresponding MREL subordinated targets represented 16.0% TREA (equal to EUR 1,185 bn) (cf. Chart 5).

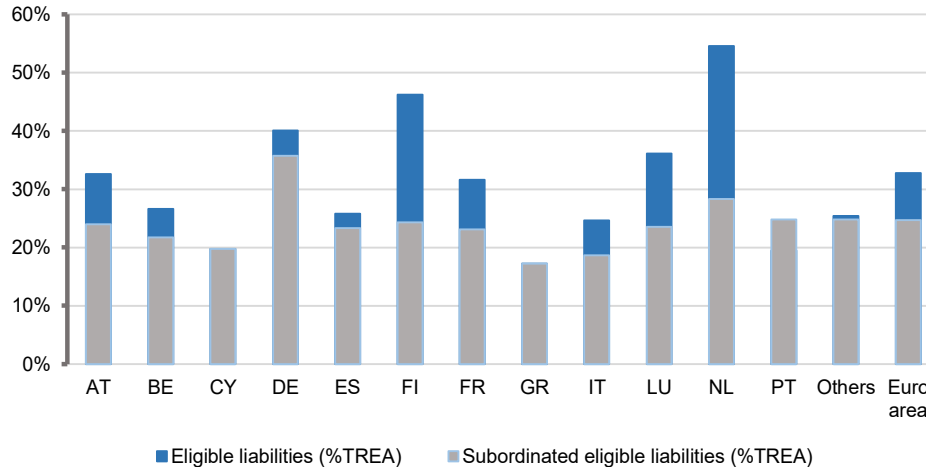
Chart 5: BRRD 2 draft MREL targets incl. CBR on top of the risk-based requirement, % TREA (reference date Dec 2019)



³ The sample includes 99 banks.

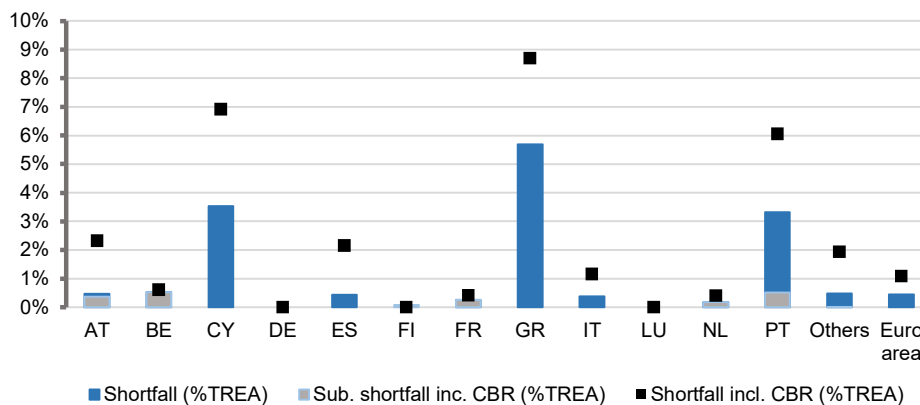
MREL-eligible liabilities. The average stock of MREL-eligible liabilities under BRRD 2 (using assumptions and proxies) reached 32.8% TREA (equal to EUR 2,420 bn), while subordinated liabilities were 24.7% TREA (equal to EUR 1,823 bn) (cf. Chart 6).

Chart 6: BRRD 2 draft MREL eligible liabilities (of which subordinated), % TREA (reference date Dec 2019)



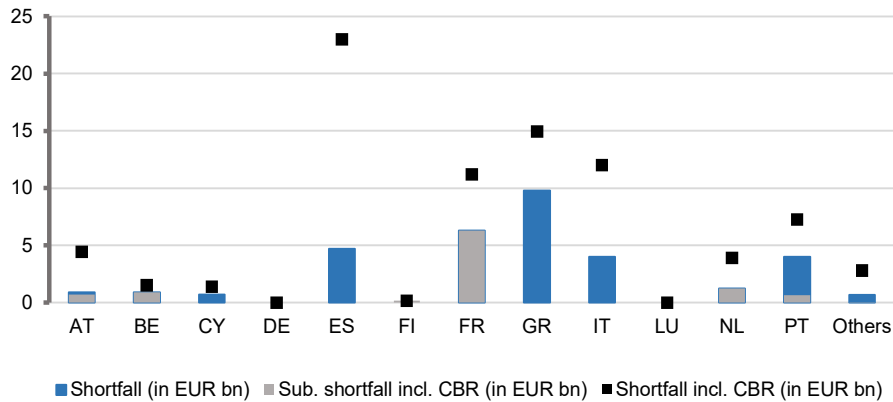
MREL shortfalls. The average MREL shortfall was 1.1% TREA (EUR 82.7 bn) when the CBR was added on top of the risk based MREL. Shortfalls are expected to be closed according to the SRB 2020 MREL policy (cf. Charts 7 and 8).

Chart 7: BRRD 2 draft MREL shortfall, % TREA (reference date Dec 2019)



Note: Shortfalls expected to be closed according to the SRB 2020 MREL policy

Chart 8: BRRD 2 draft MREL shortfall, EUR bn (reference date Dec 2019)



Note: Shortfalls expected to be closed according to the SRB 2020 MREL policy

3. MREL MONITORING – JUNE 2020

MREL targets: The average MREL target⁴ rose to 27.9% (equal to EUR 2,025 bn) in June 2020 from 25.6% TREA (equal to EUR 1,842 bn) in Dec 2019, mostly due to the growth in total liability and own funds (TLOF) following the ECB refinancing operations in the context of Covid-19.

MREL outstanding stock: The outstanding stock of MREL-eligible instruments amounted to EUR 2,262 bn as of Q2.2020, increasing by 1.15% from Q4.19. The marginal increase during the period covering the Covid-19 outbreak indicates that new issuances have been almost offset by outflows.

MREL gross issuances: In Q2.2020 MREL issuances amounted to EUR 88.2 bn, reduced by 4% (EUR -3.5 bn) compared to Q1.2020 mainly due to the impact of Covid-19 disruption. In Q2.2020 banks issued mostly senior unsecured liabilities (44% of total issuances), followed by senior non-preferred liabilities (SNPs) (26%). Eligible deposits represented 13% of the Q2 MREL issuances (cf. Charts 9 and 10).

⁴ For a sample of 79 banks (excluding the banks with a liquidation strategy).

Chart 9: MREL gross issuances by type of instrument, EUR bn

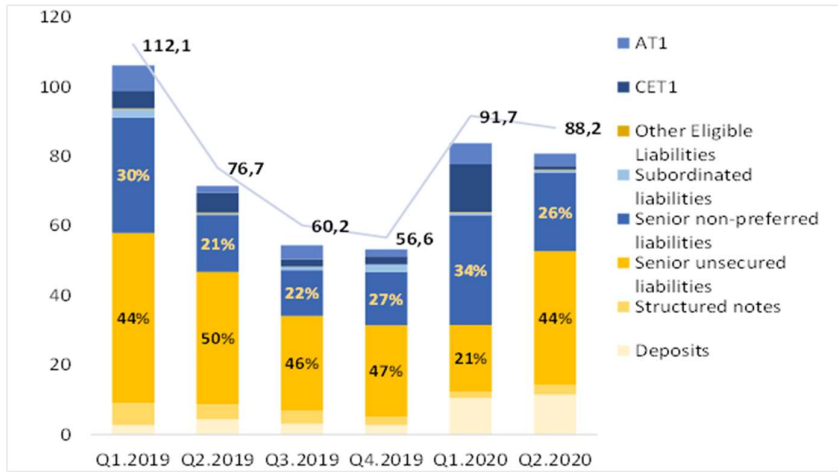
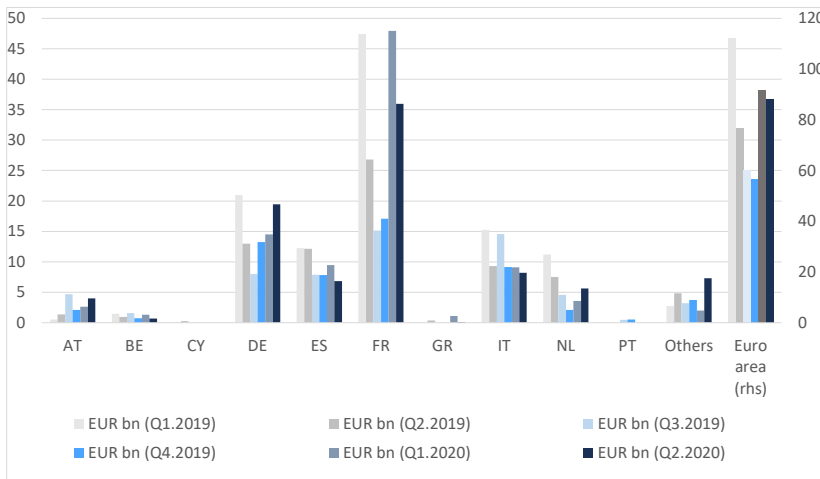


Chart 10: MREL gross issuances by country, EUR bn



Shortfall: The MREL shortfall for the groups in the sample rose to EUR 146.5 bn (2.0% TREA on average) in Jun 2020 from EUR 73.7 bn (1.0% TREA on average) in Dec 2019. The higher shortfall is driven by the increase in MREL targets, which was not offset by the increase in MREL-eligible liabilities (cf. Table 1).

Table 1. Q2.2020 key MREL metrics

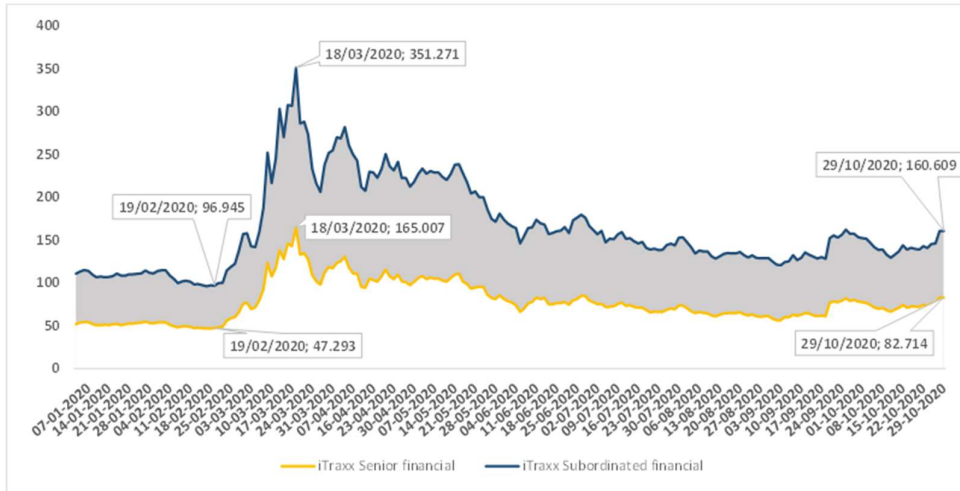
Country	MREL overall target	MREL subordinated target	Outstanding amount			Amount issued		Overall shortfall		Subordinated shortfall	
	%TREA	%TREA	EUR mn	%TREA	%TLOF	EUR mn	%TREA	EUR mn	%TREA	EUR mn	%TREA
AT	30.7%	20.8%	65,973	33.8%	16.9%	3,996	2.0%	9,409	4.8%	4,065	2.1%
BE	26.9%	10.8%	48,277	27.9%	9.6%	666	0.4%	1,137	0.7%	0	0.0%
CY	30.1%	19.6%	3,889	20.3%	9.4%	30	0.2%	2,001	10.4%	331	1.7%
DE	27.8%	18.8%	395,786	41.8%	13.5%	19,475	2.1%	1,022	0.1%	0	0.0%
ES	29.0%	17.7%	278,008	26.5%	11.8%	6,832	0.7%	26,469	2.5%	1,105	0.1%
FR	27.4%	18.4%	795,571	31.6%	10.9%	35,945	1.4%	38,289	1.5%	0	0.0%
GR	31.0%	21.6%	29,015	17.3%	11.1%	88	0.1%	22,869	13.6%	8,547	5.1%
IT	26.1%	19.2%	277,614	26.8%	11.2%	8,226	0.8%	14,133	1.4%	142	0.0%
NL	30.5%	12.0%	224,822	34.6%	11.0%	5,646	0.9%	16,291	2.5%	0	0.0%
PT	28.7%	20.5%	23,104	19.6%	9.3%	0	0.0%	10,733	9.1%	2,368	2.0%
Others	26.8%	9.6%	120,032	31.7%	11.5%	7,303	1.9%	4,192	1.1%	156	0.0%
Total	27.9%	17.4%	2,262,091	31.2%	11.5%	88,206	1.2%	146,544	2.0%	16,715	0.2%

4. COST OF FUNDING AND MARKET ACCESS

Cost of funding: Funding markets reacted negatively to the impact of Covid-19, with the yields on subordinated and senior bonds soaring in March 2020. Overall the indexes had recovered since April until the third week of September, when concerns regarding new lockdowns in EU countries affected the markets again. As of October 29, the index on

subordinated debt value was 1.7 times above the values registered before the COVID-19 outbreak (cf. Chart 11).

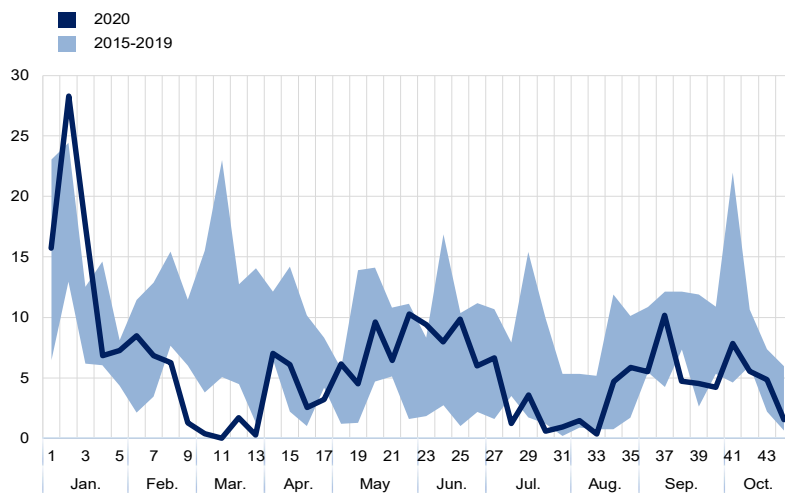
Chart 11: Cost of funding (iTraxx Europe Financials)



Source: Bloomberg Finance L.P.

Gross issuances: In March 2020, banks' issuances decreased below the 2015-2019 average issuance corridor driven by market disruption due to the Covid-19 outbreak. Since April, gross bond issuances started recovering and remained within the average issuance corridor (cf. Chart 12).

Chart 12: Gross bond issuances volume of euro-area banks (weeks start on Wednesdays and end on Tuesdays).



Source: Dealogic, ECB computations

METHODOLOGICAL ANNEX

Section	Sample ⁵	Reference Date	Data Sources	SRB policy
BRRD 1 MREL metrics	94 groups subject to consolidated MREL decisions adopted in 2018 and 2019 RPCs	Dec 2018 Dec 2019	Liability Data Report (LDR) and MREL quarterly data collection	2018 SRB policy ⁶
BRRD 2 draft MREL metrics	99 groups	Dec 2019	LDR and Additional Liability Report	2020 SRB MREL policy ⁷
MREL monitoring (quarterly evolution)	79 groups, excluding groups whose preferred strategy is liquidation	Jun 2020	MREL quarterly data collection	2018 SRB policy

BRRD1 targets (Section 1 and 3)

The MREL targets (%TLOF) – which were set by the SRB under the 2018 and 2019 resolution-planning cycles – are multiplied by TLOF as of 2018, 2019 and 2020 and expressed as percentages of TREA.

Draft BRRD2 final targets (Section 2)

The MREL metrics are based on the draft calculations conducted by the SRB, in line with the provisions of the Banking Package and the 2020 SRB MREL policy. The results may be subject to change, as some assumptions were made with regard to resolution authority discretion, or further policy developments may occur.

Cost of funding

The chart on cost of funding plots the iTraxx subordinated financial index (ticker ITRXEUE Curncy, 5y daily) and the iTraxx senior financial index (ticker ITRXESE Curncy, 5y daily), from Bloomberg.

⁵ BU subsidiaries of third country groups and groups with European resolution college are not in scope.

⁶ https://srb.europa.eu/sites/srbsite/files/srb_2018_mrel_policy_-_first_wave_of_resolution_plans.pdf
and https://srb.europa.eu/sites/srbsite/files/public_mrel_policy_2018_-_second_wave_of_plans.pdf

⁷ https://srb.europa.eu/sites/srbsite/files/srb_mrel_policy_2020.pdf

Confidentiality criteria

Country data are presented only when there are at least three institutions in the same country. Countries subject to this criterion have been grouped and labelled in graphs as “Others”.

ABBREVIATIONS

AT1	Additional Tier 1
BRRD	Bank Recovery and Resolution Directive
CBR	Combined Buffer Requirement
CET1	Common Equity Tier 1
ECB	European Central Bank
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
MS	Member State(s)
SNP	Senior Non-Preferred Instruments
SRB	Single Resolution Board
SRMR	Single Resolution Mechanism Regulation
TLAC	Total Loss-Absorbing Capacity
TLOF	Total Liabilities and Own Funds
TREA	Total Risk Exposure Amount