

# SRB MREL Dashboard – Q1.2021

## Table of contents

---

<b>1. MREL monitoring Q1.2021</b>	<b>2</b>
1.1. MREL final targets	2
1.2. MREL outstanding stock	3
1.3. Shortfalls	4
1.4. MREL binding intermediate targets and shortfalls	6
1.5. MREL gross issuances	6
<b>2. Cost of funding and market access</b>	<b>9</b>
2.1. Cost of funding	9
2.2. Gross issuances	9
<b>3. Methodological annex</b>	<b>11</b>
3.1. MREL monitoring	12
3.2. Cost of funding	13
3.3. Confidentiality criteria	13
<b>4. Abbreviations</b>	<b>14</b>

---

The minimum requirement for own funds and eligible liabilities (MREL) dashboards are based on bank data reported to the Single Resolution Board (SRB) and cover entities under SRB remit<sup>1</sup>. The first section of the dashboard focuses on the evolution of external MREL targets, outstanding stock and shortfalls in Q1.2021 under the BRRD2 framework<sup>2</sup>. It also includes an overview of the gross issuances of MREL instruments during the last quarter. The second section highlights recent developments in the cost of funding.<sup>3</sup>

## 1. MREL monitoring Q1.2021

### 1.1. MREL final targets

In Q1.2021, the average MREL target for entities in scope represented 22.83% of the total risk exposure amount (TREA), and 26.11% TREA when considering the combined buffer requirement (CBR) in addition to the risk-based MREL. The two targets expressed in terms of TREA remained broadly stable with respect to Q4.2020 and decreased slightly compared to Q4.2019 (by 0.08% TREA and 0.03% TREA, respectively). In absolute amount, the MREL target stood at EUR 1,620 bn in Q1.2021 (or at EUR 1,853 bn when including the CBR); both increased by 4%<sup>4</sup> from the previous quarter due to the rise in LRE and to a minor extent in TREA. The growth of the LRE has been partially driven by the ECB Pandemic emergency purchase programme. The average subordination target including the CBR amounted to 17.51% TREA, growing with respect to Q4.2020 (+0.43% TREA) and Q4.2019 (+0.83% TREA) (cf. Chart 1). The subordination target including the CBR in absolute value rose from Q4.2020 (+7%<sup>5</sup>), reversing the trend observed in the previous quarter, and stood at EUR 1,242 bn in Q1.2021.

---

<sup>1</sup> The scope is detailed in the methodological annex.

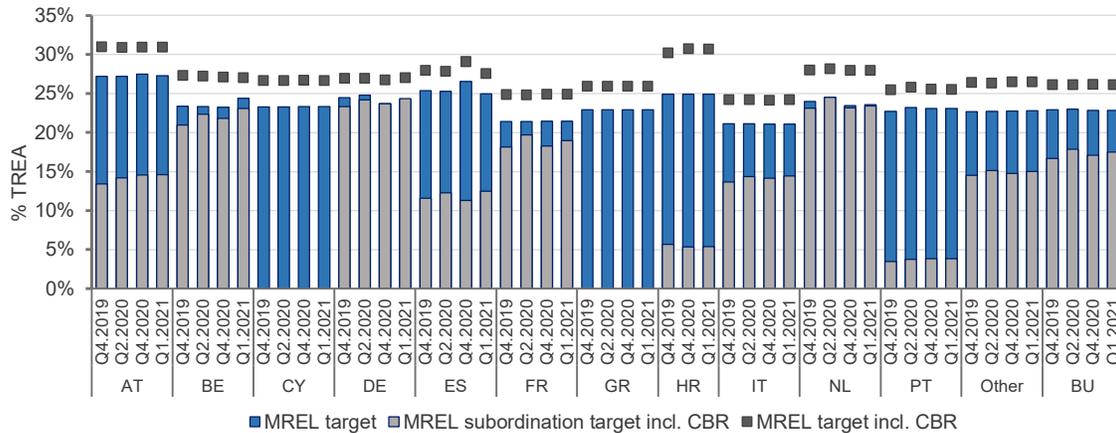
<sup>2</sup> The results presented in this Dashboard are not directly comparable with the SRB MREL Dashboard for Q4.2020. The latter considered for a number of entities draft external BRRD2 MREL targets not officially adopted by the SRB at the time of the production of the Dashboard, which might have been revised after the publication of the Dashboard.

<sup>3</sup> This publication is based on an SRB proprietary database built upon quarterly and annual reporting received from banks under the SRB remit and SRB staff computations. Coverage and definitions have evolved according to policy enhancements, changes in the scope of banks under SRB remit and the new regulatory framework (cf. methodological annex for further details). The data in this publication are 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.

<sup>4</sup> When considering the same sample, both types of target in absolute amounts rose by 1% over the quarter.

<sup>5</sup> When considering the same sample, the subordination target including the CBR in absolute amounts rose by 3% over the quarter.

**Chart 1: BRRD 2 MREL final target (of which subordination<sup>6</sup>), % TREA**



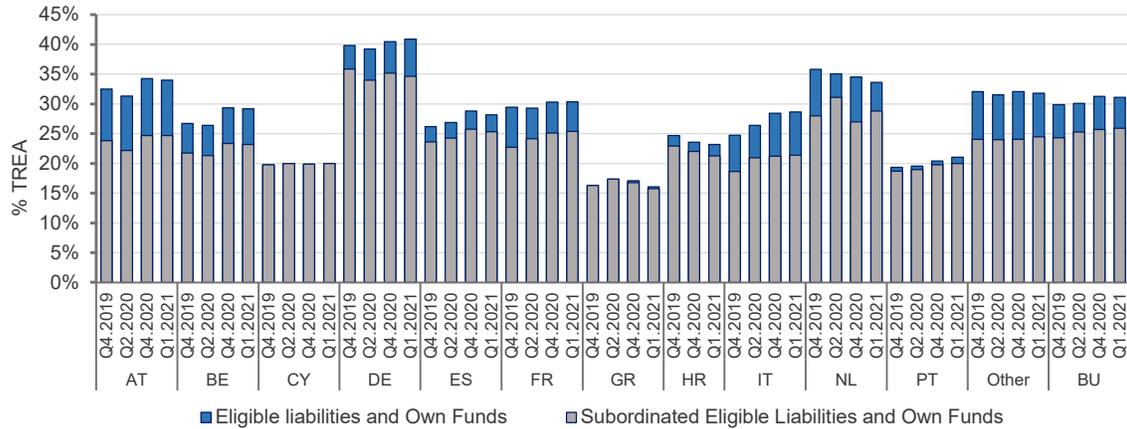
## 1.2. MREL outstanding stock

The average stock of MREL eligible liabilities and own funds, in percentage of TREA, remained broadly stable QoQ at 31.11% in Q1.2021. The overall amount of MREL eligible liabilities and own funds has increased from EUR 2,134 bn to EUR 2,208 bn during the quarter (+ 3%<sup>7</sup>). Hence, in line with the trend observed during the FY 2020, in Q1.2021 gross issuances slightly exceeded eligible liabilities outflows. Specifically, between Q4.2019 and Q1.2021, the stock of MREL eligible liabilities and own funds increased steadily by 6% (+ EUR 118 bn). The subordinated liabilities and own funds increased in Q1.2021 (+0.17% TREA QoQ) up to 25.89% TREA (cf. Chart 2). Similarly to the pattern described above, subordinated eligible liabilities and own funds in absolute amount increased by 8% between Q4.2019 and Q1.2021 (+ EUR 138 bn). The rise in the stocks of both the overall MREL capacity and its subordinated component is also related to the banks' funding plans in order to meet the binding intermediate MREL targets by 1 January 2022.

<sup>6</sup> The specific level of subordination targets varies across countries and is influenced by a variety of factors, ranging, among others, from: (i) the risk density, (ii) the share of pillar 1 banks, (iii) the exercise of IRTs and NRAs discretions and (iv) NCWO risk. As a result, banks in CY and GR are not subject to the subordination targets.

<sup>7</sup> When considering the same sample, the stock of MREL eligible liabilities and own funds in absolute amounts rose by 1% over the quarter.

**Chart 2: BRRD 2 MREL eligible liabilities (of which subordinated) and own funds, % TREA**



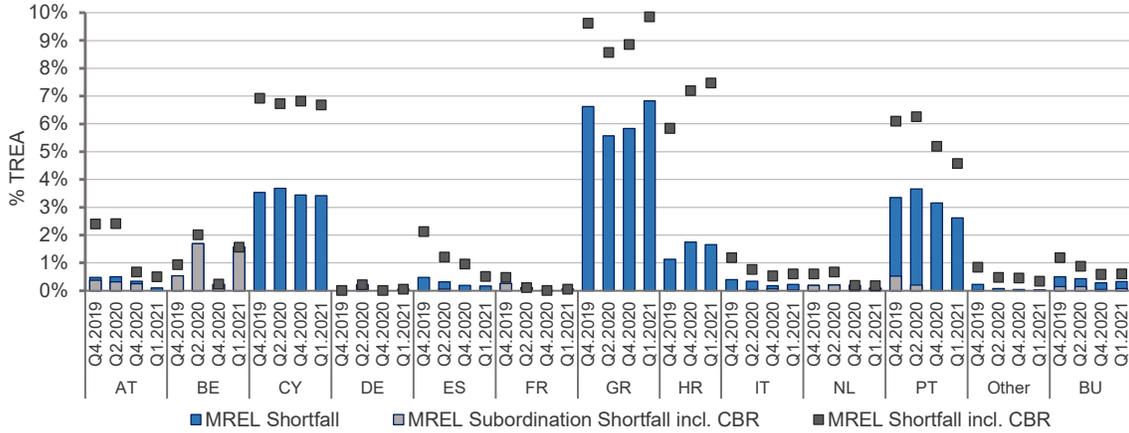
### 1.3. Shortfalls

In Q1.2021, the average MREL shortfalls remained broadly stable QoQ at 0.33% TREA, or 0.60% TREA including the CBR, although remaining below the level of Q4.2019. In absolute value, the overall shortfall amounted to EUR 23.6 bn, or to EUR 42.2 bn including the CBR. Half of the resolution entities in scope reported a shortfall against their MREL targets including the CBR. Specifically, Non-Pillar 1 banks constituted the bulk of the overall shortfall (72.4% of the total) followed by Top Tier banks (22.2%), G-SIIs (3%) and Other Pillar 1 banks (2.4%). The shortfalls increased QoQ by EUR 3.7 bn and EUR 2.2 bn when considering the CBR<sup>8</sup>, but shrank with respect to Q4.2019 (- EUR 11.4 bn and - EUR 41.0 bn, respectively). The QoQ rise of the shortfalls signals that the growth in the stock of eligible liabilities and own funds was more than offset by the increase of the targets in absolute value (cf. section 1). The average subordination shortfalls including the CBR slightly increased by 0.03% TREA (or EUR 2.4 bn<sup>9</sup>) between Q1.2021 and Q4.2020, amounting to 0.07% TREA (EUR 5.1 bn). Overall, between Q4.2019 and Q1.2021, the average subordination shortfalls including the CBR shrank by 0.07% TREA (or EUR 4.6 bn) (cf. Charts 3, 4 and Table 1).

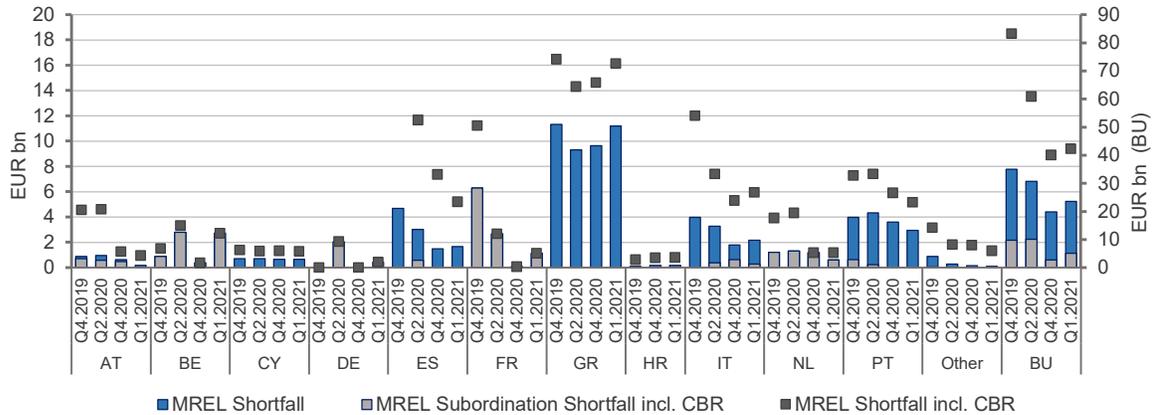
<sup>8</sup> When considering the same sample, the MREL shortfalls rose by EUR 3.4 bn and by EUR 901 mn when considering the CBR.

<sup>9</sup> When considering the same sample, the subordination shortfalls including the CBR rose by EUR 1.9 bn over the quarter.

**Chart 3: BRRD 2 MREL shortfall (of which subordination) against final targets, % TREA**



**Chart 4: BRRD 2 MREL shortfall (of which subordination) against final targets, EUR bn**



**Table 1. Q1.2021 key MREL metrics**

Country	MREL target incl. CBR	MREL subordination target incl. CBR	Outstanding Amount at 31/03/2021		Amount Issued during Q1.2021		MREL Shortfall incl. CBR		Subordination Shortfall incl. CBR	
	%TREA	%TREA	EUR mn	%TREA	EUR mn	%TREA	EUR mn	%TREA	EUR mn	%TREA
AT	30.95%	14.59%	65,217	34.02%	1,472	0.77%	943	0.49%	0	0.00%
BE	27.06%	23.09%	50,459	29.17%	1,465	0.85%	2,706	1.56%	2,706	1.56%
CY	26.67%	0.00%	3,839	19.98%	0	0.00%	1,284	6.68%	0	0.00%
DE	27.02%	24.33%	378,702	40.91%	16,077	1.74%	437	0.05%	437	0.05%
ES	27.54%	12.49%	290,024	28.20%	10,629	1.03%	5,198	0.51%	0	0.00%
FR	24.93%	18.95%	742,312	30.34%	26,945	1.10%	1,126	0.05%	1,126	0.05%
GR	25.93%	0.00%	26,312	16.08%	2,868	1.75%	16,118	9.85%	0	0.00%
HR	30.70%	5.40%	2,508	23.24%	55	0.51%	806	7.47%	0	0.00%
IT	24.23%	14.44%	283,157	28.64%	7,643	0.77%	5,950	0.60%	268	0.03%
NL	27.95%	23.40%	216,381	33.62%	4,680	0.73%	1,175	0.18%	609	0.09%
PT	25.54%	3.83%	23,737	21.02%	900	0.80%	5,168	4.58%	0	0.00%
Other	26.51%	15.03%	124,965	31.80%	3,522	0.90%	1,323	0.34%	0	0.00%
<b>BU</b>	<b>26.11%</b>	<b>17.51%</b>	<b>2,207,614</b>	<b>31.11%</b>	<b>76,257</b>	<b>1.07%</b>	<b>42,235</b>	<b>0.60%</b>	<b>5,146</b>	<b>0.07%</b>

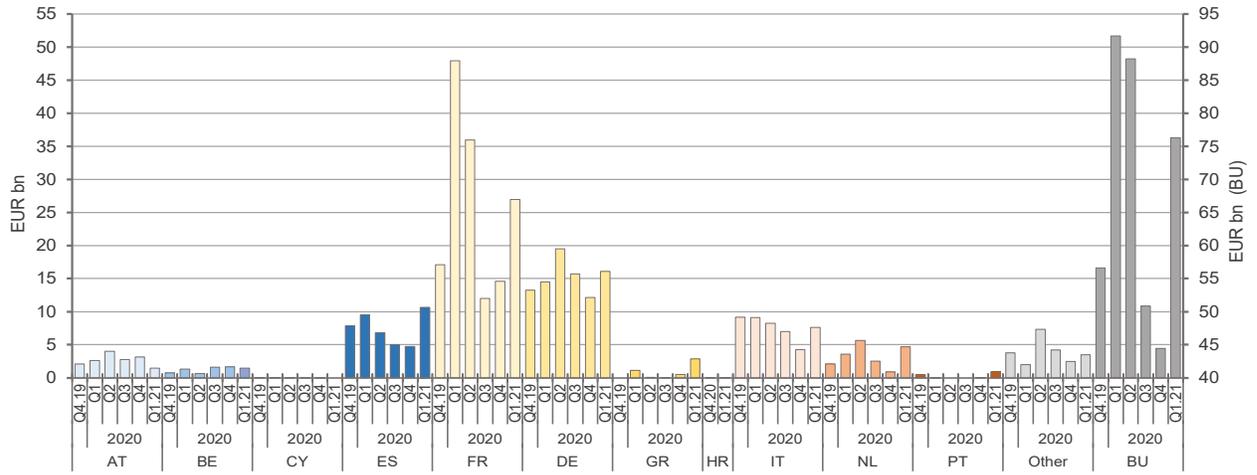
#### 1.4. MREL binding intermediate targets and shortfalls

In Q1.2021, out of the 78 entities in scope, 20 presented a shortfall with respect to the binding intermediate target including CBR. For two of the 20 above mentioned entities, the shortfall was entirely due to the subordination component of the target. The average MREL binding intermediate target represented 21.99% TREA (25.27% TREA, when including the CBR), remained broadly stable from Q4.2020 (-0.01% TREA and -0.07% TREA, respectively). On the contrary, the average binding subordination target including the CBR rose to 17.35% TREA in Q1.2021 (+0.43% TREA QoQ). The average MREL shortfalls against the binding intermediate targets remained stable in percentage of TREA (-0.01% TREA QoQ), while reducing in absolute value (to EUR 283 mn, -EUR 709 mn QoQ). When considering the target including the CBR, the average MREL shortfalls rose to 0.08% TREA (+0.01% TREA). In absolute amounts, the overall shortfall when including the CBR amounted to EUR 5.4 bn in Q1.2021 (+ EUR 1.1 bn QoQ), following the increasing trend observed for the final MREL target. The QoQ increase of the overall shortfall including the CBR is partly explained by the evolution of the scope of entities (cf. Methodological annex). In Q1.2021, the average subordination shortfalls amounted to 0.01% TREA, in line with the level registered in Q4.2020. In absolute value the subordination shortfalls decreased compared to Q4.2020 (-331 mn QoQ) and amounted EUR 661 mn.

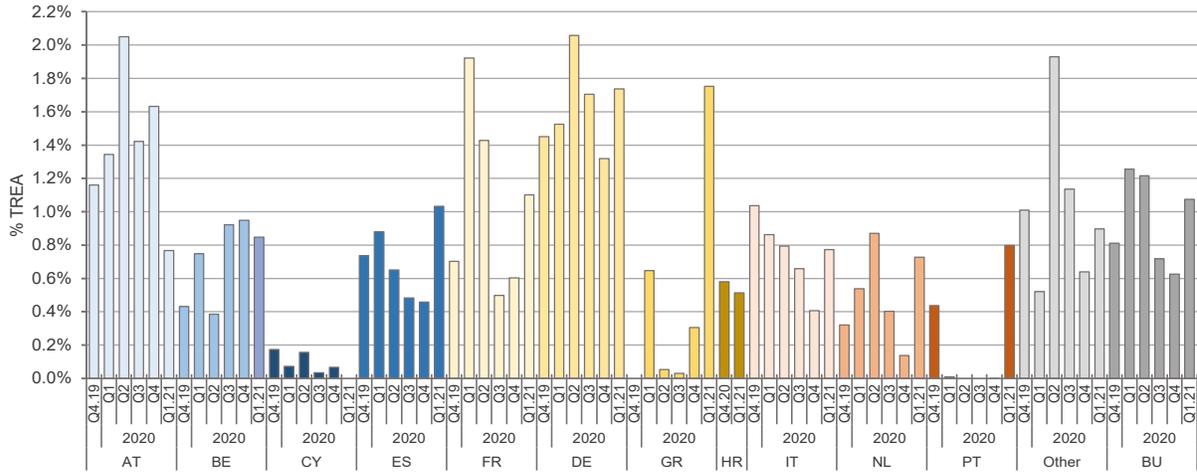
#### 1.5. MREL gross issuances

In line with the trend observed in previous years, the issuance activity during the first quarter of 2021 was more pronounced compared to the previous quarters. In Q1.2021, MREL issuances amounted to EUR 76.3 bn, an increase of 72% (EUR 31.8 bn) in comparison to Q4.2020 (cf. Chart 5). However, the overall issuance volume of Q1.2021 was below the level registered over the same period of 2020 (-17% year-on-year). The average MREL issuances in percentage of TREA amounted to 1.1%, remaining below the level of Q1.2020 (1.3% TREA, cf. Chart 6). Issuers opted mainly for senior non-preferred instruments, which constituted the highest share of issuances (43%, cf. Chart 7). In Q1.2021, issuances by G-SIIs increased with respect to Q4.2020 and accounted for 51% of the total. Top Tier banks, which were the entities issuing the highest proportion of the MREL instruments in previous quarters, registered a lower share of total banks' issuances (38% of the total).

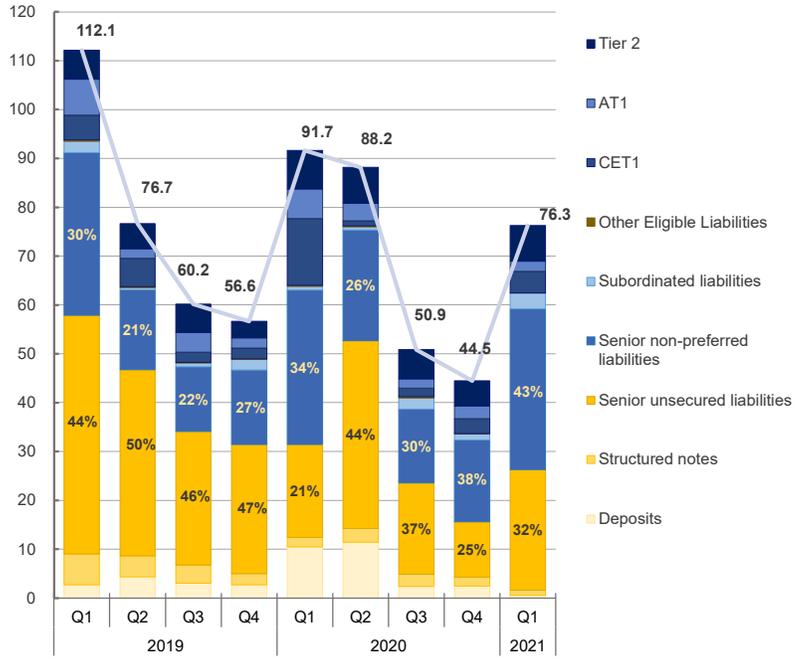
**Chart 5: MREL gross issuances by country, EUR bn**



**Chart 6: MREL gross issuances by country, % TREA**



**Chart 7: MREL gross issuances by type of instrument, EUR bn**

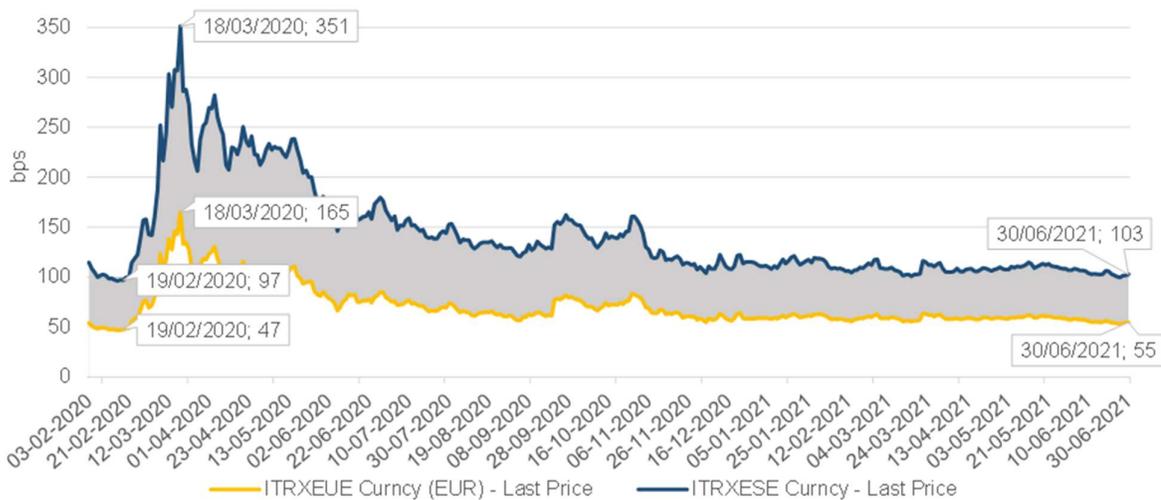


## 2. Cost of funding and market access

### 2.1. Cost of funding

Funding costs remained stable around pre-pandemic levels in the second quarter of 2021, and spreads between senior and subordinated instruments eased. Among other factors, strong market fundamentals (e.g., investor's demand, the ECB Governing Council's decision to maintain the accommodative monetary policy) drove the funding costs evolution in this quarter, despite growing inflationary pressures. The iTraxx indexes on subordinated and senior financial debt showed a stable trend over the period, and the spread between them remained at its tightest levels. As of end-June 2021, the subordinated debt and senior debt index were 1.1 and 1.2 times pre-Covid-19 levels, respectively (cf. Chart 8).

**Chart 8: Cost of funding (iTraxx Europe Financials)**



Source: Bloomberg Finance L.P.

### 2.2. Gross issuances

After a slow start in 2021, issuance activity picked up in the second quarter of the year and stabilised within the 2015-2019 average issuance corridor, if compared to pre-pandemic years. Issuance activity continued the positive trend observed in the first quarter of the year, hitting the highest level in May since March 2021. Among other factors, capital/MREL related funding needs (cf. Chart 9) and benign market conditions drove the rise in issuances volume observed during the second quarter of 2021.



### 3. Methodological annex

Section	Sample <sup>10</sup>	Reference Date	Data Sources
MREL monitoring	<p><b>BRRD2 metrics</b></p> <p>Resolution groups under SRB remit for which an external BRRD2 MREL target was set in 2020 Resolution Planning Cycle (RPC), excluding groups whose preferred strategy is liquidation</p>	Q4.2019, Q2.2020, Q4.2020 and Q1.2021	<p>MREL quarterly data collection,</p> <p>Additional Liability Report (ALR),</p> <p>SRB survey to banks and</p> <p>COREP</p>
	<p><b>Issuances</b></p> <p>Resolution groups under SRB remit for which a consolidated BRRD1 MREL target was set in previous cycles and/or an external BRRD2 MREL target was set in 2020 RPC, excluding groups whose preferred strategy is liquidation</p>	Q1.2019 – Q1.2021	MREL quarterly data collection
Cost of funding	-	Until Q2.2021	Bloomberg Finance L.P., Dealogic, ECB

<sup>10</sup> BU subsidiaries of third country groups and groups with European Resolution College are not in scope.

Country	Number of groups	
	Q4.2020	Q1.2021
AT	7	7
BE	3	3
BG	1	1
CY	3	3
DE	8	8
EE	1	1
ES	8	11
FI	2	2
FR	6	6
GR	4	4
HR	3	3
IE	2	2
IT	10	10
LT	1	1
LU	2	2
LV	1	1
MT	1	1
NL	4	4
PT	4	4
SI	2	2
SK	2	2
<b>BU</b>	<b>75</b>	<b>78</b>

### 3.1. MREL monitoring

The targets considered in the analysis are BRRD2 external binding MREL targets (%TREA and %LRE) set by the SRB under the 2020 resolution planning cycle at 31 December 2019 reference date<sup>11</sup>. To obtain targets in EUR amounts, the targets are multiplied by TREA and LRE at the respective date, and expressed as percentages of TREA. Aggregated MREL targets (%TREA) are the weighted average of targets of resolution entities in the same country. The CBR used in addition to the risk-based MREL is the CBR reported at each reference date.

MREL outstanding stock is calculated over the sample of banks described in the table above.

MREL shortfalls and subordination shortfalls are calculated considering the binding MREL and subordination targets. MREL and subordination shortfalls are calculated with respect to the most stringent target between TREA-based (including the CBR on top) and LRE-based one. MREL and subordination shortfalls (%TREA)

<sup>11</sup> For two entities the reference date was different (for one 31 March 2020, for the other 30 June 2020).

are the weighted average of shortfalls of resolution entities in the same country. The results may be subject to changes in case of banks' resubmission of relevant reports.

Between Q1.2019 and Q4.2020, MREL issuances are reported under BRRD1 framework, while from Q1.2021 data are reported under BRRD2 framework. Therefore the comparisons across quarters should be taken as indicative due to the different reporting framework.

### **3.2. 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. The iTraxx financials indexes are standardized credit derivatives used to hedge credit risk. Each index is composed of 25 investment-grade entities from the European financial sector.

### **3.3. Confidentiality criteria**

Country data are presented only when there are at least three institutions in the same country. Countries that do not meet this criterion have been grouped and labelled in the charts and the table as "Other".

## 4. Abbreviations

<b>AT1</b>	Additional Tier 1
<b>BRRD</b>	Bank Recovery and Resolution Directive
<b>BU</b>	Banking Union
<b>CBR</b>	Combined Buffer Requirement
<b>CET1</b>	Common Equity Tier 1
<b>ECB</b>	European Central Bank
<b>FY</b>	Fiscal year
<b>G-SIIs</b>	Globally Systematic Important Institutions
<b>LRE</b>	Leverage Ratio Exposure Measure
<b>MREL</b>	Minimum Requirement for Own Funds and Eligible Liabilities
<b>MS</b>	Member State(s)
<b>NCWO</b>	No Creditor Worse-Off
<b>QoQ</b>	Quarter-on-Quarter
<b>RPC</b>	Resolution Planning Cycle
<b>SNP</b>	Senior Non-Preferred Instruments
<b>SRB</b>	Single Resolution Board
<b>TREA</b>	Total Risk Exposure Amount