

SRB MREL Dashboard – Q2.2021

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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 remit¹. The first section of the dashboard focuses on the evolution of MREL targets for resolution entities and non-resolution entities, outstanding stock and shortfalls in Q2.2021 under the BRRD2 framework. It also includes an overview of gross issuances of MREL instruments during the last quarter. The second section highlights recent developments in the cost of funding.²

1. MREL monitoring Q2.2021

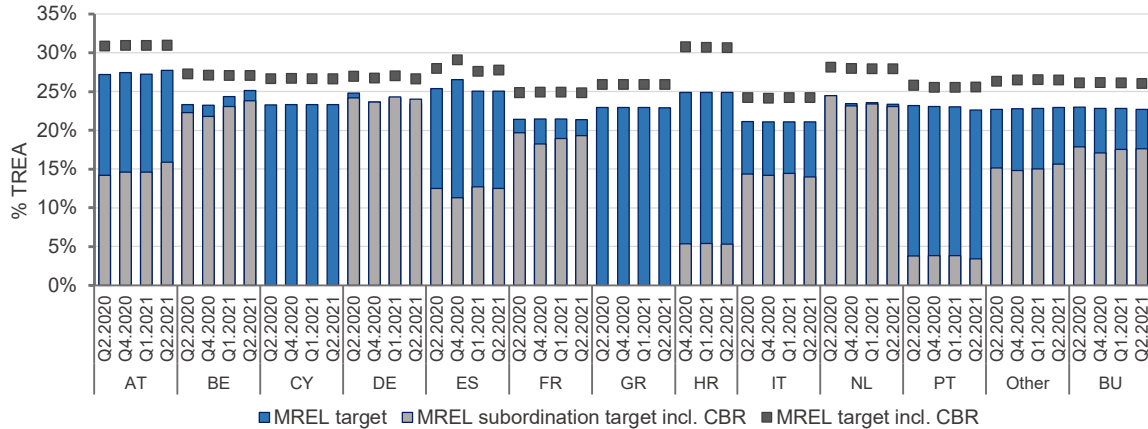
1.1. MREL final targets for resolution entities

The average MREL target for entities in scope amounted to 22.73% of the total risk exposure amount (TREA), and 26.04% TREA when considering the combined buffer requirement (CBR) in addition to the risk-based MREL. Following the trend observed in the previous quarter, the targets expressed in terms of TREA were almost stable over the quarter (- 0.11% TREA and - 0.07% TREA, respectively), driven by a decrease in LRE for the banks for which the LRE-based target was the most stringent one. However, in absolute amount, the MREL target reached EUR 1,622 bn (or EUR 1,858 bn, when including the CBR), increasing slightly from the previous quarter (by 0.3% and by 0.5%, respectively), mostly due to the rise in TREA. The average subordination target including the CBR represented 17.63% TREA, remaining broadly stable with respect to Q1.2021 (+ 0.08% TREA) (cf. Chart 1). In absolute value, the subordination target including the CBR stood at EUR 1,258 bn, growing by 1.2% quarter-on-quarter.

¹ The scope is detailed in the methodological annex.

² 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.

Chart 1: BRRD 2 MREL final target (of which subordination³) for resolution entities, % TREA



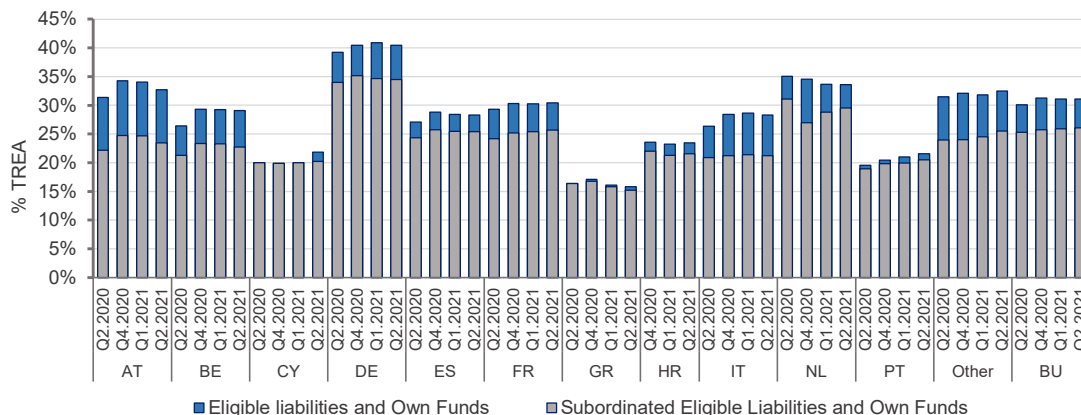
1.2. MREL outstanding stock of resolution entities

The average stock of MREL eligible liabilities and own funds, amounted to 31.07% TREA, remaining stable over the quarter (- 0.03% TREA) (cf. Chart 2). In absolute amount, the stock of MREL eligible liabilities and own funds rose to EUR 2,217 bn, increasing by 0.7% from the previous quarter and 5.1% year-on-year⁴, signalling that gross issuances exceeded outflows. Similarly to the previous quarter, the banks continued increasing their subordinated capacity, reaching EUR 1,859 bn (+ 1.3% from Q1.2021) or 26.05% TREA (+ 0.13% TREA from Q1.2021).

³ The specific level of subordination targets varies across countries and is driven 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.

⁴ When considering the same sample of banks, the stock of MREL eligible liabilities and own funds rose by 5.0%, between Q2.2020 and Q2.2021.

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



1.3. Shortfalls against final targets (2024)⁵ of resolution entities

The average MREL shortfall reduced to 0.32% TREA (or 0.56% TREA when considering the CBR), from 0.33% TREA (or 0.59% TREA including the CBR) in the previous quarter. In absolute amount, the overall shortfall amounted to EUR 23.2 bn, remaining stable compared to Q1.2021. When considering the CBR, the overall shortfall in absolute amount stood at EUR 39.7 bn, reducing from the value of EUR 41.5 bn in Q1.2021. About half of the resolution entities in scope reported a shortfall against their MREL targets including the CBR. Non-Pillar 1 banks accounted for the highest proportion of the overall shortfall (69.3% of the total), followed by Top Tier banks (27.3%), Other Pillar 1 banks (2.1%) and G-SIIs (1.3%). The overall shortfall dropped markedly year-on-year. Indeed, with respect to Q2.2020, the MREL shortfall reduced by EUR 8.8 bn (- 27.6%) and EUR 22.1 bn, when including the CBR (- 35.7%)⁶. Average subordination shortfalls including the CBR amounted to 0.07% TREA (or EUR 5.3 bn), remaining stable with respect to Q1.2021 (cf. Charts 3, 4 and Table 1).

⁵ For some entities the transition period ends in 2025-2026, in line with the legislation.

⁶ When considering the same sample of banks, the overall MREL shortfall excluding and including the CBR in absolute amount decreased by 28.2% and 37.0%, respectively, between Q2.2020 and Q2.2021.

Chart 3: BRRD 2 MREL shortfalls (of which subordination) against final targets of resolution entities, % TREA

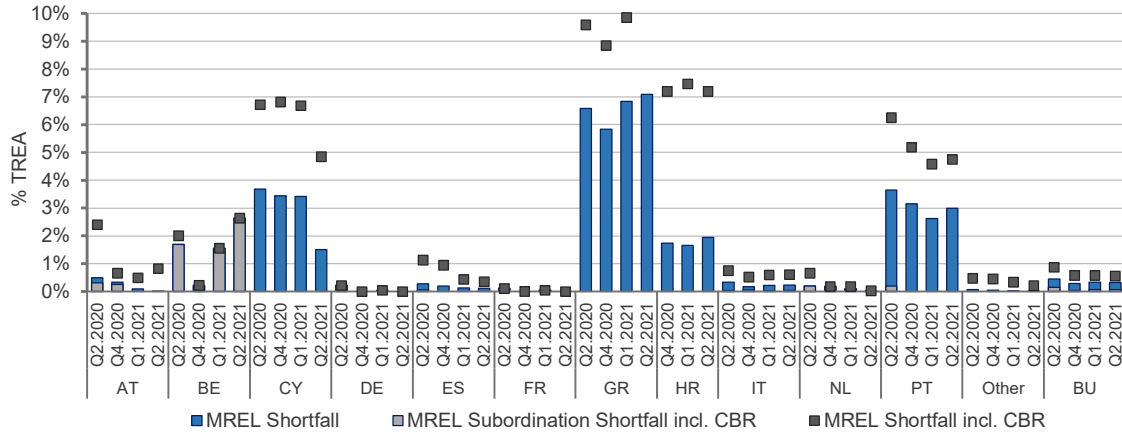


Chart 4: BRRD 2 MREL shortfalls (of which subordination) against final targets of resolution entities, EUR bn

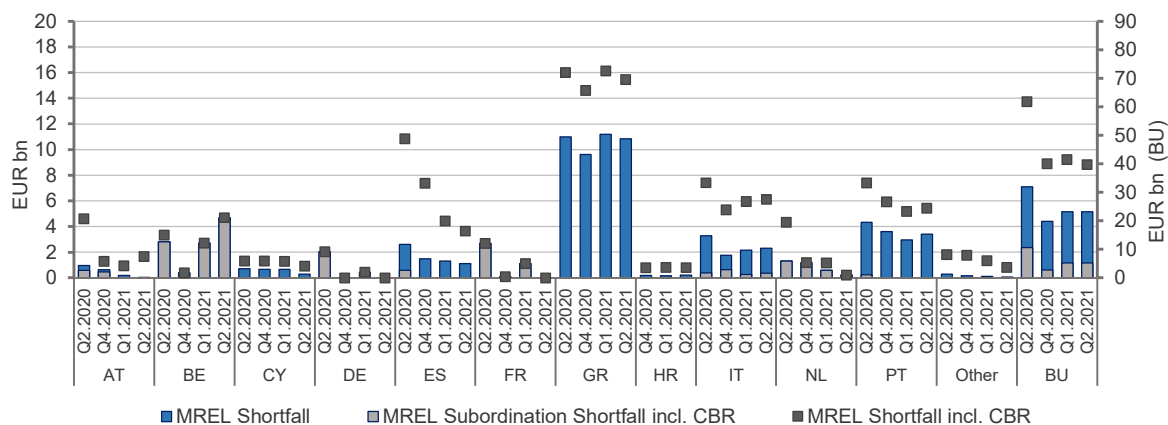


Table 1. Q2.2021 key MREL metrics for resolution entities⁷

Country	MREL target incl. CBR	MREL subordination target incl. CBR	Outstanding Amount at 30/06/2021		Gross issuances during Q2.2021		Net issuances during Q2.2021		MREL Shortfall incl. CBR		Subordination Shortfall incl. CBR	
	%TREA	%TREA	EUR mn	%TREA	EUR mn	%TREA	EUR mn	%TREA	EUR mn	%TREA	EUR mn	%TREA
AT	30.98%	15.89%	65,849	32.72%	2,202	1.09%	632	0.31%	1,670	0.83%	0	0.00%
BE	27.05%	23.83%	51,685	29.07%	1,564	0.88%	1,031	0.58%	4,695	2.64%	4,695	2.64%
CY	26.66%	0.00%	4,102	21.81%	600	3.19%	262	1.39%	912	4.85%	0	0.00%
DE	26.65%	24.05%	377,728	40.43%	11,854	1.27%	-974	-0.10%	0	0.00%	0	0.00%
ES	27.76%	12.50%	288,033	28.33%	8,679	0.85%	911	0.09%	3,633	0.36%	0	0.00%
FR	24.82%	19.31%	754,145	30.41%	25,932	1.05%	14,633	0.59%	0	0.00%	0	0.00%
GR	25.93%	0.00%	24,196	15.83%	2,300	1.50%	-2,116	-1.38%	15,447	10.10%	0	0.00%
HR	30.68%	5.33%	2,574	23.48%	73	0.66%	66	0.60%	789	7.20%	0	0.00%
IT	24.22%	13.98%	283,455	28.29%	5,809	0.58%	298	0.03%	6,112	0.61%	365	0.04%
NL	27.94%	23.08%	214,342	33.61%	4,520	0.71%	-2,039	-0.32%	217	0.03%	217	0.03%
PT	25.58%	3.42%	24,540	21.56%	500	0.44%	803	0.71%	5,410	4.75%	0	0.00%
Other	26.50%	15.66%	126,744	32.50%	5,325	1.37%	1,780	0.46%	823	0.21%	0	0.00%
BU	26.04%	17.63%	2,217,394	31.07%	69,357	0.97%	15,286	0.21%	39,707	0.56%	5,277	0.07%

1.4. MREL binding intermediate targets and shortfalls (2022) of resolution entities

The average MREL binding intermediate target stood at 21.98% TREA (25.24% TREA, when including the CBR), and 17.48% TREA for the subordination target, including the CBR. Out of the 77 entities in scope, 20 were in shortfall against their binding intermediate target including the CBR, of which two for the subordination part. The average MREL shortfall including CBR amounted to 0.07% TREA or EUR 5.0 bn (broadly stable

⁷ Net issuances are calculated as the difference between the outstanding amount in Q2.2021 and Q1.2021.

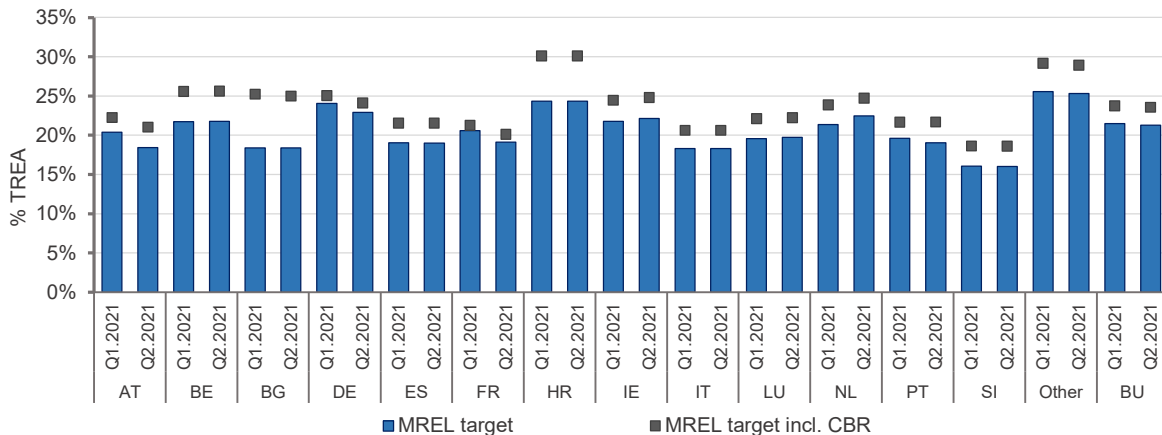
compared to Q1.2021). The average subordination shortfall including the CBR amounted to 0.01% TREA and EUR 562 mn in absolute figures.

1.5. MREL targets and shortfalls of non-resolution entities

The average MREL final target (2024) for non-resolution entities in scope amounted to 21.27% TREA (or 23.59% TREA, when including the CBR, cf. Chart 5). In absolute amount, the final target amounted to EUR 422.1 bn (or EUR 468.3 bn, when including the CBR), increasing over the quarter⁸. The average MREL shortfall against final targets amounted to 1.40% TREA (or 2.16% TREA, when considering the CBR) (cf. Chart 6). In absolute amount, the overall shortfall amounted to EUR 27.8 bn (or EUR 42.8 bn including the CBR) (cf. Chart 7). More than half of non-resolution entities in scope reported a shortfall against their MREL final targets including the CBR, while around one-fifth of the overall shortfall was driven by one non-resolution entity. The overall shortfall in absolute amount rose by 0.7% (or by 4.0% including the CBR), with respect to the previous quarter⁹.

The average MREL intermediate target including the CBR (2022) for non-resolution entities amounted to 21.17% TREA (or EUR 420.3 bn), increasing with respect to Q1.2021¹⁰. The overall shortfall against the MREL intermediate target including the CBR stood at 0.45% TREA, remaining stable over the quarter. In absolute amount, the shortfall amounted to EUR 8.8 bn, increasing by 12.9% with respect to the previous quarter¹¹.

Chart 5: BRRD 2 MREL final target for non-resolution entities, % TREA



⁸ When considering the same sample, both types of target in absolute amounts decreased over the quarter.

⁹ When considering the same sample of banks, the overall MREL shortfall excluding and including the CBR in absolute amount decreased by 34.9% and 20.3%, respectively, between Q1.2021 and Q2.2021.

¹⁰ When considering the same sample, the target in absolute amount decreased over the quarter.

¹¹ When considering the same sample of banks, the overall shortfall against the intermediate MREL including the CBR in absolute amount decreased by 32.1%, between Q1.2021 and Q2.2021.

Chart 6: BRRD 2 MREL shortfall against final targets of non-resolution entities, % TREA

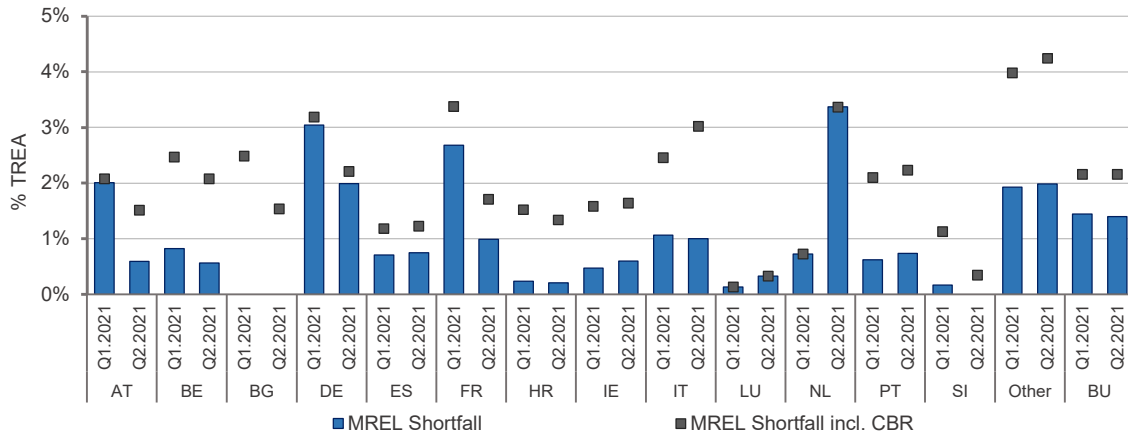
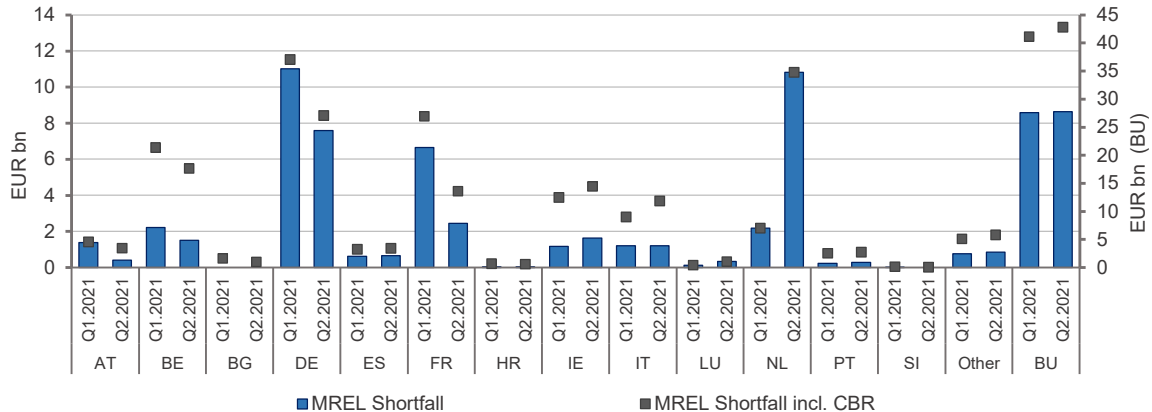


Chart 7: BRRD 2 MREL shortfall against final targets of non-resolution entities, EUR bn



1.6. MREL gross issuances

The issuance activity during the second quarter of 2021 continued being elevated. Overall banks under the SRB remit issued EUR 69.4 bn of MREL eligible instruments, including EUR 8.1 bn from banks with total assets below EUR 100 bn (i.e. Other Pillar 1 and non-Pillar 1 banks). Total issuances decreased compared to Q1.2021 (by 9% or EUR 6.6 bn) (cf. Chart 10), in line with the seasonal pattern. The average MREL issuance in percentage of TREA amounted to 1.0% TREA, in slight reduction from Q1.2021 where it stood at 1.1% TREA in (cf. Chart 9). Issuers' focus was mainly on senior non-preferred instruments, which constituted the highest share of issuances (40%, cf. Chart 10). High volumes of Tier 2 and AT1 issuances were reported by

the banks in Q2.2021, reaching 14% and 8% of total issuances, respectively. In line with the trend observed in the previous quarter, G-SIIs banks were the entities issuing the highest proportion of the MREL instruments (accounted for 48.9% of the total), followed by Top Tier (39.4%), Non Pillar 1 (10.5%) and Other Pillar 1 banks (1.3%).

Chart 8: MREL gross issuances by country, EUR bn

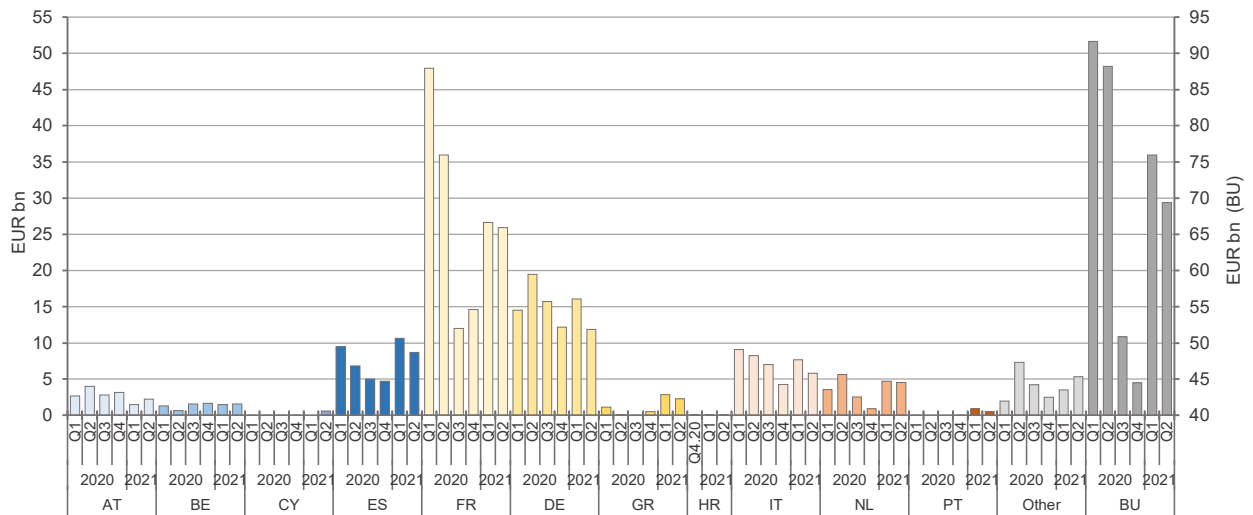


Chart 9: MREL gross issuances by country, % TREA

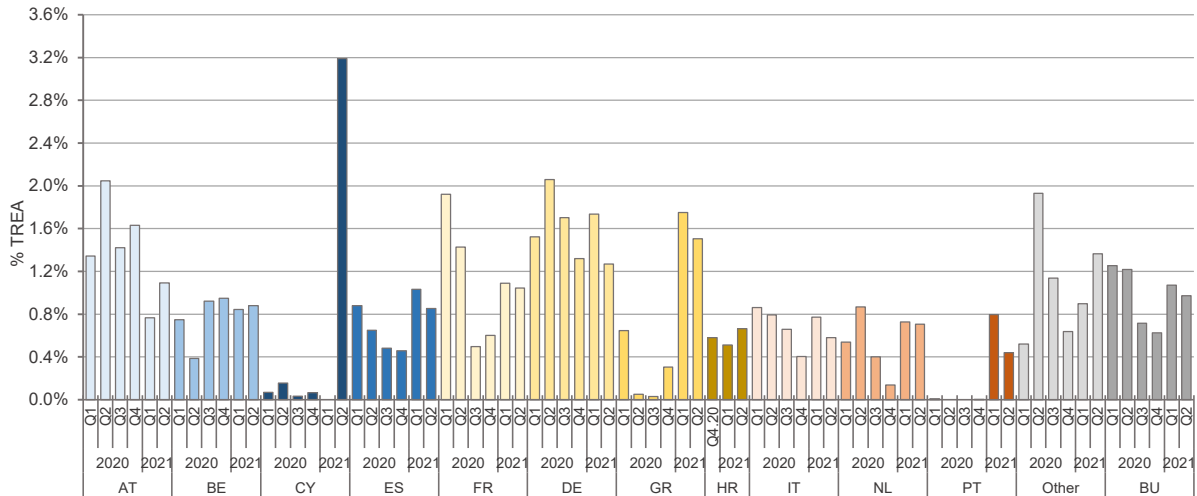
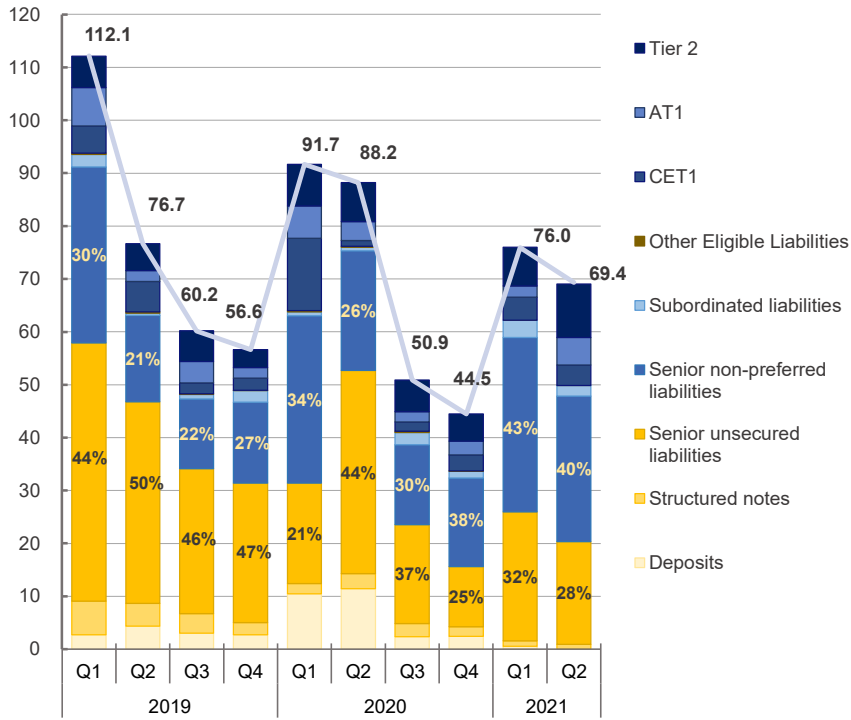


Chart 10: MREL gross issuances by type of instrument, EUR bn

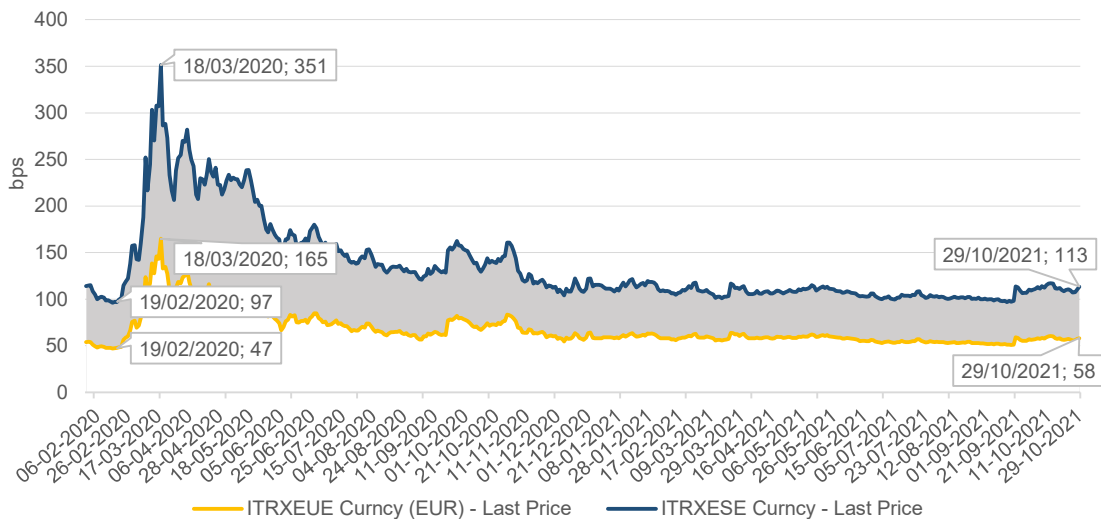


2. Cost of funding and market access

2.1. Cost of funding

During Q3.2021, banks' funding costs remained as favourable as they were before the summer break, almost reverting to some of their pre-pandemic levels. Among other factors, solid market fundamentals and the central banks' (ECB and FED) decision in July to leave their monetary policies mostly dovish and unchanged drove the funding costs evolution during this quarter. The iTraxx indexes on subordinated and senior financial debt showed a stable trend over the period. The spread between them remained at its tightest levels. In October, funding conditions slightly deteriorated, fostered by market volatility amid concerns about inflation, growth forecasts, and increasingly hawkish signals from major central banks. As of end-October 2021, the subordinated debt and senior debt index were 1.2 and 1.1 times pre-Covid-19 levels, respectively (cf. Chart 11).

Chart 11: Cost of funding (iTraxx Europe Financials)

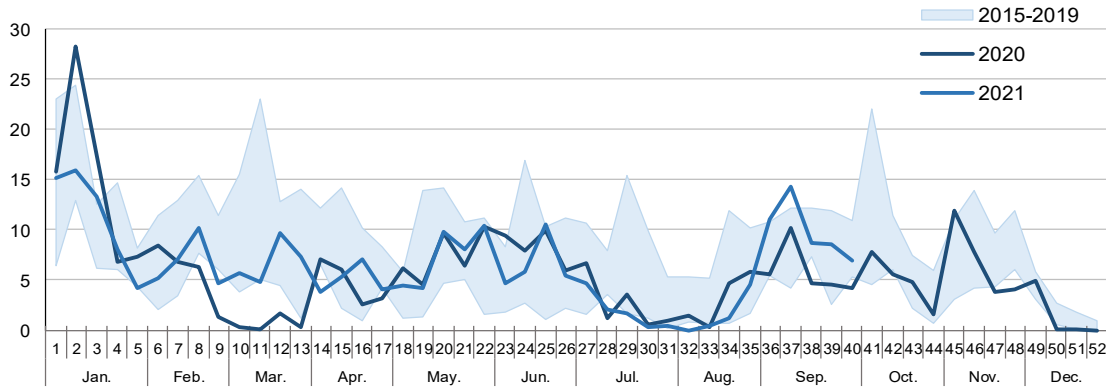


Source: Bloomberg Finance L.P.

2.2. Gross issuances

Bond issuances in Q3.2021 volume was at similar levels as in Q3.2020 (cf. Chart 9) and stabilised within the 2015-2019 average issuance corridor, if compared to pre-pandemic years. During July and August, the primary bank issuance activity was low amid the Q2.2021 results reporting period and the seasonal summer slowdown. European banks' primary funding activity resumed in September, proving that market conditions remained as favourable as they were before the summer break. The traditional high activity was pushed further by banks frontloading their deals ahead of the September ECB meeting.

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



Source: Dealogic, ECB computations

3. Methodological annex

Section	Sample	Reference Date	Data Sources
MREL monitoring	<p>BRRD2 metrics</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> <p>Non-resolution entities under SRB remit for which an internal BRRD2 MREL target was set in 2020 Resolution Planning Cycle (RPC), excluding entities whose preferred strategy is liquidation. The sample of non-resolution entities for a country consists of subsidiaries of national and foreign banking groups domiciled in the country.</p>	<p>Q2.2020, Q4.2020, Q1.2021 and Q2.2021</p> <p>Q1.2021 and Q2.2021</p>	<p>MREL quarterly data collection,</p> <p>Additional Liability Report (ALR),</p> <p>SRB survey to banks,</p> <p>COREP and</p> <p>EBA MREL and TLAC template</p>
	<p>Issuances</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>	<p>Q1.2019 – Q2.2021</p>	<p>MREL quarterly data collection</p>
	<p>Cost of funding</p>	<p>-</p>	<p>Until Q3.2021</p>

Country	Number of Resolution groups		Number of Non-Resolution entities	
	Q2.2020	Q1.2021 and Q2.2021	Q1.2021	Q2.2021
AT	7	7	14	14
BE	3	3	6	6
BG	-	1	4	4
CY	3	3	2	2
DE	8	8	12	13
EE	1	1	2	2
ES	10	10	3	3
FI	2	2	2	2
FR	6	6	9	9
GR	4	4	-	-
HR	-	3	3	3
IE	2	2	10	11
IT	10	10	10	10
LT	1	1	2	2
LU	2	2	6	6
LV	1	1	2	2
MT	1	1	0	1
NL	4	4	3	4
PT	4	4	4	4
SI	2	2	3	3
SK	2	2	2	2
BU	73	77	99	103

3.1. MREL monitoring

The targets considered in the analysis are BRRD2 external (for resolution entities) and internal (for non-resolution entities) binding MREL targets (expressed as % TREA and % LRE) set by the SRB under the 2020 resolution planning cycle at 31 December 2019 reference date¹². In order to maintain the consistent sample for all the graphs and calculations, the subordination target takes the value of zero for the entities with no subordination requirement. To obtain targets in EUR amounts, the targets are multiplied by TREA and LRE at the respective date. The most stringent targets in EUR amounts are then expressed as percentages of TREA. Aggregated external MREL targets (% TREA) are the weighted average of targets of resolution entities in the same country. Aggregated internal MREL targets (% TREA) are the weighted average of targets of non-resolution entities in the same country. The CBR used in addition to the risk-based MREL is the CBR reported at each reference date.

¹² For four entities, (i.e. two resolution entities and two subsidiaries of one of the aforementioned resolution entities) the reference date was different (for one 31 March 2020, for three others 30 June 2020).

MREL outstanding stock is calculated over the sample of banks (resolution entities) described in the table above.

For resolution entities, 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 between the TREA-based target (including the CBR on top) and the LRE-based target. MREL and subordination shortfalls (% TREA) are the weighted average of shortfalls of resolution entities in the same country. The average MREL shortfall (excluding and including the CBR) is calculated as the ratio between the aggregated shortfall and the aggregated TREA of all the resolution entities in scope. The results may be subject to changes in case of banks' resubmission of relevant reports.

For non-resolution entities, MREL shortfalls are calculated considering the binding MREL targets. MREL shortfalls are calculated with respect to the most stringent between the TREA-based target (including the CBR on top) and the LRE-based target. MREL shortfalls (% TREA) are the weighted average of shortfalls of non-resolution entities in the same country. The average MREL shortfall (excluding and including the CBR) is calculated as the ratio between the aggregated shortfall and the aggregated TREA of all the non-resolution entities in scope. 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 standardised 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 is 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

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