

SRB MREL Dashboard – Q1.2022

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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 the SRB's remit¹. The first section of the dashboard focuses on the evolution of MREL targets for resolution entities and non-resolution entities², the stock of MREL instruments and shortfalls in Q1.2022. The second section highlights recent developments in the cost of funding and provides an overview of gross issuances of MREL instruments in Q1.2022³.

The average MREL shortfall with respect to the final 2024 targets when considering the Combined Buffer Requirement (CBR) increased in comparison to Q4.2021 for resolution entities, while remaining below the level registered in Q1.2021. This increase was largely driven by the marked increase of the LRE base of the MREL requirement for a few entities, due to the increase in cash deposits placed at the central bank and interbank market. For non-resolution entities, the average MREL shortfall including the CBR continued the decreasing trend observed in the previous quarter, although at a slower pace. As concerns MREL gross issuances registered in Q1.2022, their level increased with respect to the previous quarter as well as year-on-year.

1. MREL monitoring Q1.2022

1.1. MREL targets for resolution entities

The average MREL final target (2024) for resolution entities under the SRB remit stood at 23.3% of the Total Risk Exposure Amount (TREA) and 26.3% when considering the CBR in addition to the risk-based MREL; both showing a slight increase with respect to the previous quarter (cf. Chart 1). The corresponding absolute value of the MREL final target was equal to EUR 1,731 bn (EUR 1,957 bn when including the CBR), increasing by 3.6% with respect to Q4.2021 (by 3% when considering the CBR). The final subordination target including the CBR rose compared to Q4.2021, reaching the value of EUR 1,442 bn or 19.4% TREA⁴. The growth in the level of MREL requirements was mainly due to the expansions of banks' balance sheets on both TREA and LRE metrics. When considering the CBR, the highest average MREL final target was observed for G-SII banks

¹ The detailed scope is provided in the methodological annex.

² Resolution entities are entities for which an external MREL target was set at consolidated level of the resolution group. Non-resolution entities are entities that are not themselves resolution entities for which an internal MREL target was set at individual level or sub-consolidated level, where applicable.

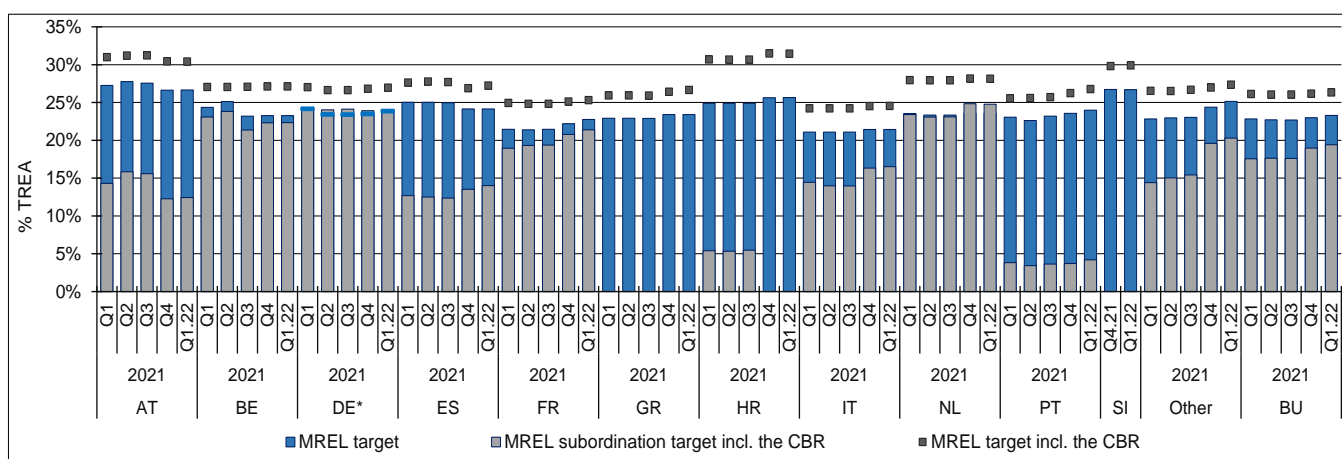
³ This publication is based on the templates received as per the Commission Implementing Regulation (EU) 2021/763, COREP templates, the SRB proprietary database built upon quarterly reporting received from banks under the SRB remit and SRB staff computations (cf. methodological annex for further details). 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.

⁴ The average subordinated target is calculated over the full sample. When considering only the banks with a MREL subordination target, the average target including the CBR was equal to 21.4%.

(27% TREA), followed by Other Pillar 1, Top Tier, and non-Pillar 1 (respectively 26.8%, 25.8% and 25.1% TREA).

The average MREL intermediate target (2022) represented 21.6% TREA (25% TREA when including the CBR)⁵ and 17.5% TREA for the subordination target including the CBR⁶; all remaining broadly stable over the reporting quarter.

Chart 1: MREL final target (of which subordination⁷) for resolution entities, % TREA⁸



*The blue dash symbol represents the MREL target in case the MREL target is lower than the MREL subordination target including the CBR (i.e. for DE).

1.2. MREL instruments of resolution entities

The stock of MREL eligible liabilities and own funds reached 30.7% TREA, reducing from the previous quarter as well as year-on-year (down by 0.9% TREA and 0.4% TREA⁹, respectively, cf. Chart 2). In absolute amount, the stock of MREL instruments amounted to EUR 2,280 bn, remaining overall stable over the reporting quarter while being slightly above the level registered in Q1.2021 (up by 3.6% or EUR 79.9 bn year-on-year¹⁰).

⁵ A reduced sample for average intermediate targets was considered.

⁶ When considering only the banks with an intermediate MREL subordination target, the average target including the CBR was equal to 19.7%.

⁷ The specific level of subordination targets varies across countries and is driven by a variety of factors, in particular: (i) the risk density, (ii) the share of Pillar 1 banks and (iii) NCWO risk and adjustments. As a result, some banks - such as those in GR and SI - are not subject to subordination requirements.

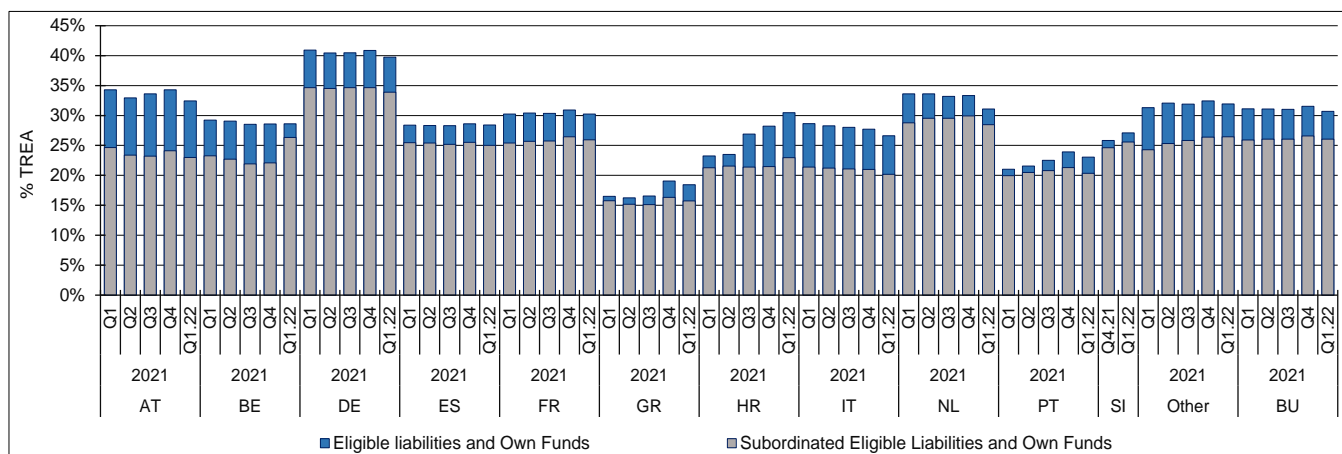
⁸ As a result of the evolution of scope in the 2021 RPC, SI is now represented by three institutions. Consequently, starting from Q4.2021 figures for the country are presented on charts and tables across the Dashboard. For the previous quarters, the country was grouped as "Other".

⁹ When considering the same sample of banks, the year-on-year reduction of the stock of MREL eligible liabilities and own funds was equal to 0.5% TREA.

¹⁰ When considering the same sample of banks, the stock of MREL eligible liabilities and own funds rose by 2.0% or EUR 43.7 bn year-on-year.

The level of the subordinated capacity remained overall stable compared to Q4.2021. Specifically, in absolute amount, the subordinated liabilities and own funds amounted to EUR 1,937 bn (or 26.1% TREA) in the reporting quarter (up by 0.3% or EUR 6.4 bn from Q4.2021). Year-on-year, the subordinated capacity grew by 5.7%, corresponding to EUR 104.1 bn¹¹.

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



1.3. Shortfalls of resolution entities

The MREL shortfall against the final 2024 targets¹² reached the value of EUR 21.2 bn, corresponding to almost 0.3% TREA (or EUR 36.7 bn and 0.5% TREA when considering the CBR). Compared to Q4.2021 the shortfall increased by EUR 5.2 bn in absolute value (or EUR 4.7 bn when considering the CBR). This increase was mainly driven by a few institutions whose MREL target (LRE metric) rose due to high level of cash deposits placed at the central bank and interbank market on the grounds of a reduced credit demand in Q1.2022. Year-on-year, the overall shortfall in absolute value decreased by EUR 1.3 bn (or EUR 3.9 bn when considering the CBR¹³). The subordination shortfall including the CBR was equal to EUR 11.5 bn (corresponding to around 0.2% TREA), increasing by EUR 2.6 bn over the reporting quarter (cf. Charts 3-4 and Table 1).

Around a quarter of the sample registered a shortfall against their final MREL targets and when considering the CBR the share increases to about 40%. When considering the CBR, non-Pillar 1 banks remained the entities with the largest share in the overall shortfall (accounting for around 58% of the overall shortfall), followed by Top Tier, Other Pillar 1 and G-SII banks (accounting for 38.3%, 3.3% and 0.3% of the total shortfall, respectively). In percentage of TREA, non-Pillar 1 banks registered the highest level of MREL (including the CBR) shortfall (2.9%) followed by Other Pillar 1 (0.9%) and Top Tier (0.5%) banks, while the shortfall of G-SII banks was negligible.

¹¹ When considering the same sample of banks, the subordinated capacity rose by 4.1% or EUR 75.3 bn year-on-year.

¹² For some entities, the transition period ends in 2025-2026, in accordance with Article 12k SRMR.

¹³ When considering the same sample of banks, year-on-year, the MREL shortfall decreased by EUR 1.4 bn and by EUR 4.3 bn when including the CBR.

With respect to the intermediate MREL targets including CBR, nearly all resolution and non-resolution entities were compliant in March 2022. The SRB is strictly monitoring the very few shortfall cases.

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

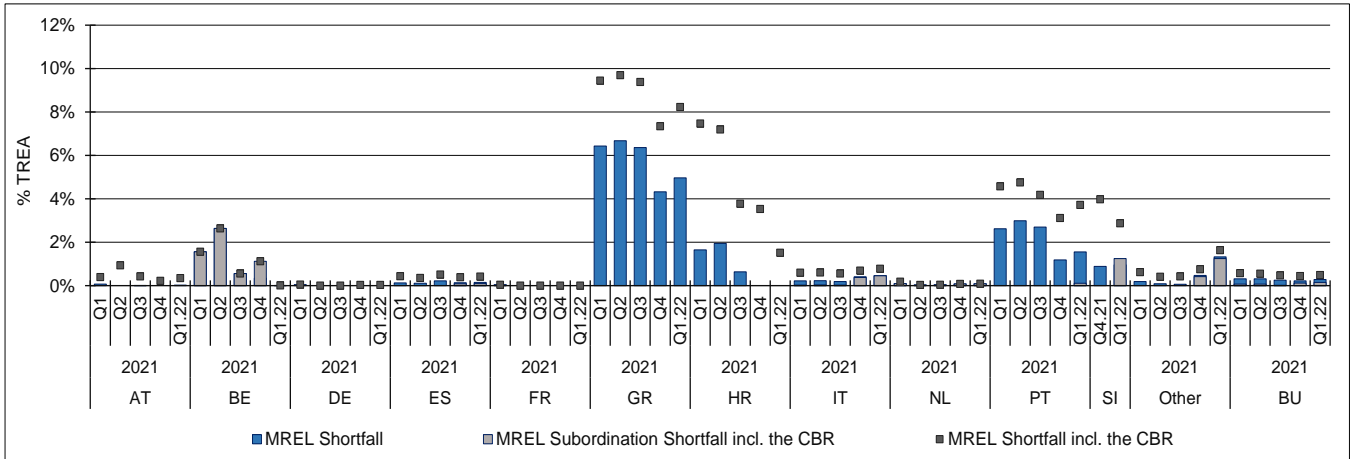


Chart 4: MREL shortfalls (of which subordination) against final targets of resolution entities, EUR bn

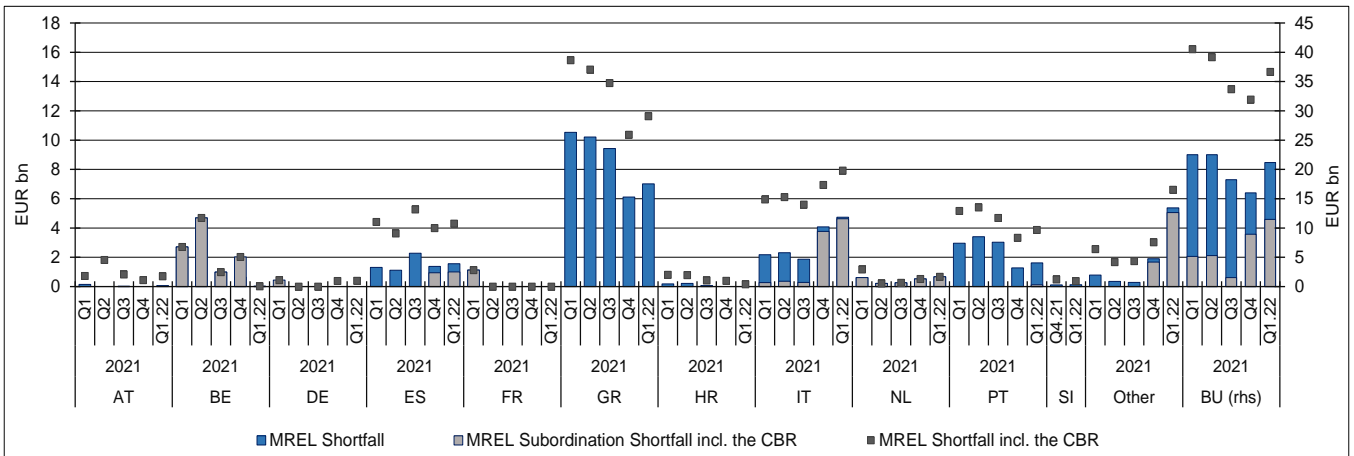


Table 1. Q1.2022 key MREL metrics for resolution entities¹⁴

Country	MREL final target incl. the CBR	MREL final subordination target incl. the CBR	Stock of MREL instruments at 31/03/2022		Gross issuances during Q1.2022		Net issuances during Q1.2022		MREL Shortfall incl. the CBR against final targets			
	%TREA	%TREA	EUR mn	%TREA	EUR mn	%TREA	EUR mn	%TREA	EUR mn	%TREA	o/w for the subordination component	
											EUR mn	%TREA
AT	30.41%	12.43%	65,120	32.44%	827	0.41%	-2,208	-1.10%	704	0.35%	0	0.00%
BE	27.13%	22.34%	52,605	28.61%	2,880	1.57%	1,069	0.58%	16	0.01%	16	0.01%
DE	26.95%	24.05%	412,426	39.74%	14,832	1.43%	-6,017	-0.58%	398	0.04%	0	0.00%
ES	27.25%	14.00%	291,464	28.40%	8,111	0.79%	-2,068	-0.20%	4,306	0.42%	996	0.10%
FR	25.31%	21.38%	779,552	30.25%	38,400	1.49%	4,503	0.17%	0	0.00%	0	0.00%
GR	26.66%	0.00%	26,039	18.43%	0	0.00%	-877	-0.62%	11,632	8.23%	0	0.00%
HR	31.47%	0.00%	3,067	30.48%	2	0.02%	-81	-0.80%	153	1.52%	0	0.00%
IT	24.54%	16.51%	269,577	26.62%	6,272	0.62%	-7,353	-0.73%	7,925	0.78%	4,628	0.46%
NL	28.13%	24.78%	224,148	31.10%	8,823	1.22%	5,267	0.73%	666	0.09%	666	0.09%
PT	26.78%	4.19%	23,921	23.05%	0	0.00%	-1,716	-1.65%	3,865	3.72%	120	0.12%
SI	29.90%	0.00%	3,488	27.10%	394	3.06%	294	2.29%	370	2.87%	0	0.00%
Other	27.35%	20.29%	129,092	31.92%	3,462	0.86%	-787	-0.19%	6,615	1.64%	5,051	1.25%
BU	26.33%	19.41%	2,280,499	30.69%	84,003	1.13%	-9,972	-0.13%	36,650	0.49%	11,478	0.15%

1.4. MREL targets and shortfalls of non-resolution entities

The MREL final target (2024) for non-resolution entities in scope stood at EUR 458 bn (or EUR 511.3 bn when including the CBR), growing by 4.3% in the reporting quarter. In terms of TREA, the average MREL final target was stable, accounting for 21.2% TREA (or 23.7% TREA when including the CBR, cf. Chart 5). The average MREL intermediate target (2022) considering the CBR remained broadly stable compared to Q4.2021, representing 21.4% TREA (EUR 438.3 bn).

The MREL shortfall against final targets was broadly stable with respect to the previous quarter, amounting to EUR 13.2 bn (corresponding to 0.6% TREA). When considering the CBR, the overall shortfall reached the value of EUR 19.3 bn (corresponding to 0.9% TREA), decreasing by 12.2% or by EUR 2.7 bn over the reporting quarter (cf. Charts 6 and 7)¹⁵. In line with the trend observed in Q4.2021, around a quarter of the population of non-resolution entities reported a shortfall against their final MREL targets and about 40% when including the CBR. Around 60% of the overall shortfall including the CBR was concentrated in five non-resolution entities.

¹⁴ Net issuances are calculated as the difference between the outstanding amount in Q1.2022 and Q4.2021. Starting from Q1.2022, for banks granted an authorisation under Article 78a(1) CRR, the analysis considers the stock of MREL eligible liabilities and own funds as per CIR (EU) 2021/763 reduced by the amount of the unused predetermined amount of the General prior permission.

¹⁵ When considering the same sample of banks, the changes of the MREL final target and shortfall are not affected.

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

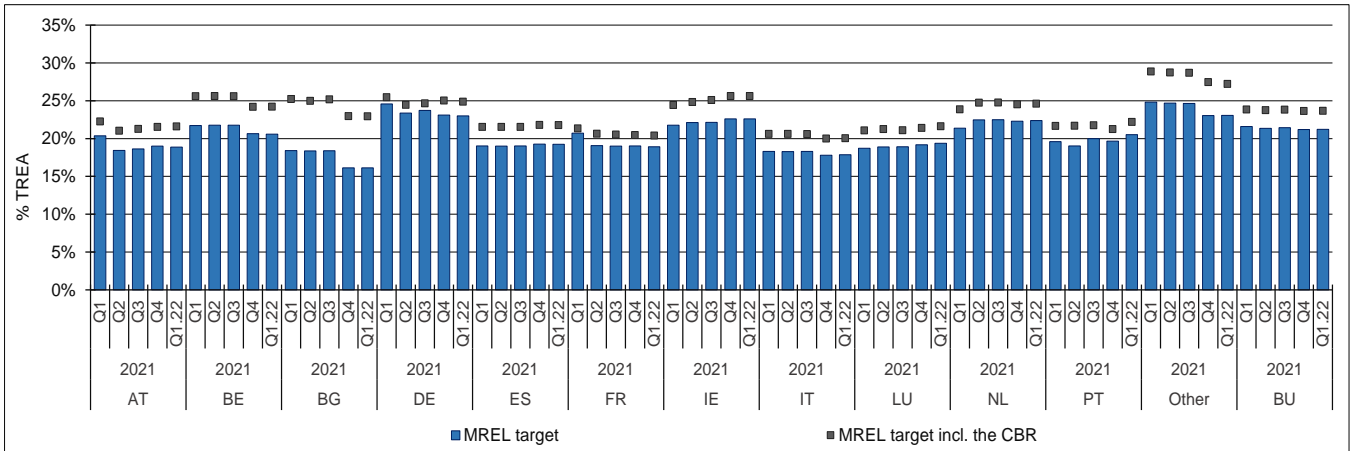


Chart 6: MREL shortfall against final targets of non-resolution entities, % TREA

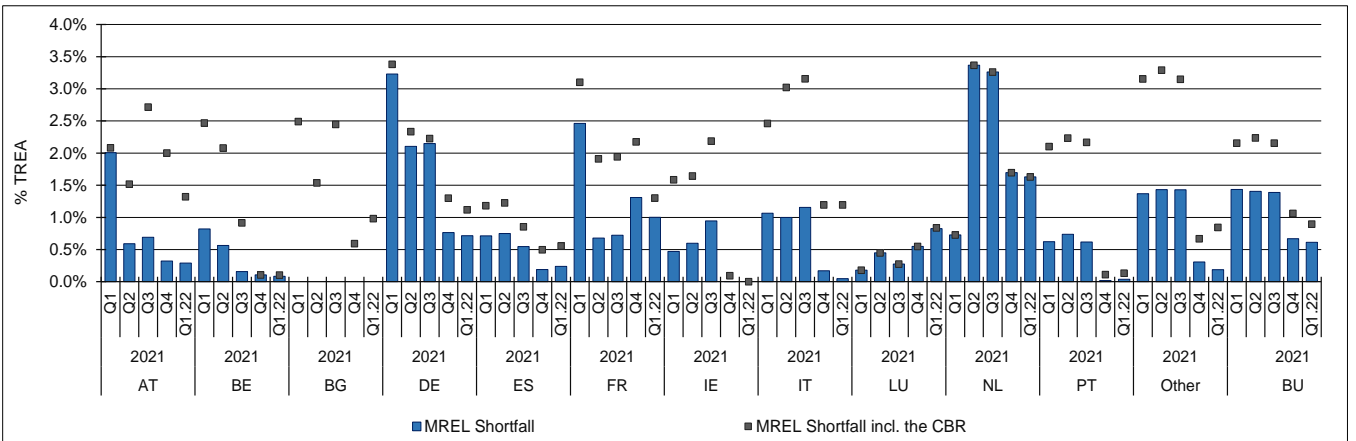


Chart 7: MREL shortfall against final targets of non-resolution entities, EUR bn

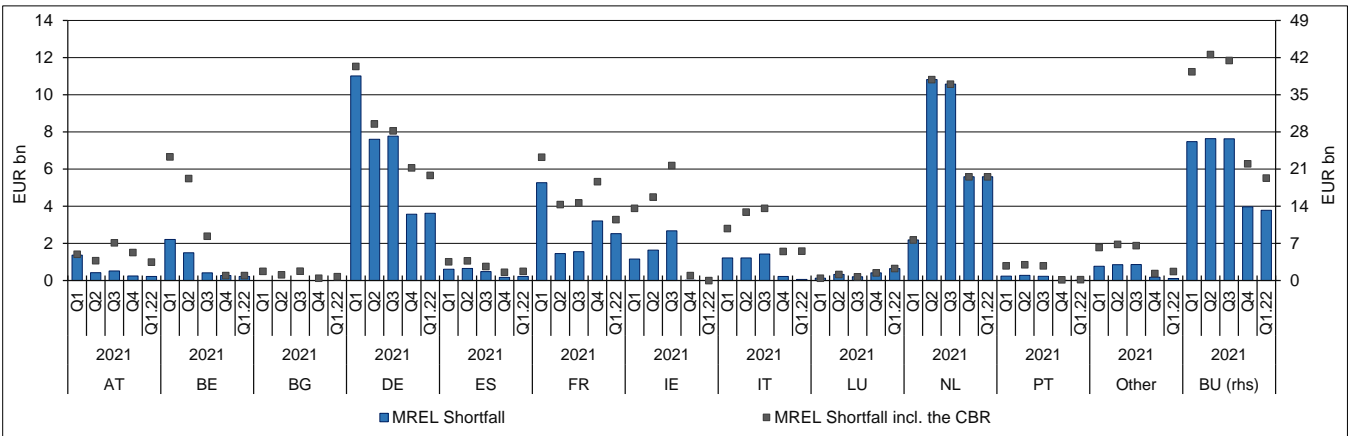


Chart 9: MREL gross issuances by country, EUR bn

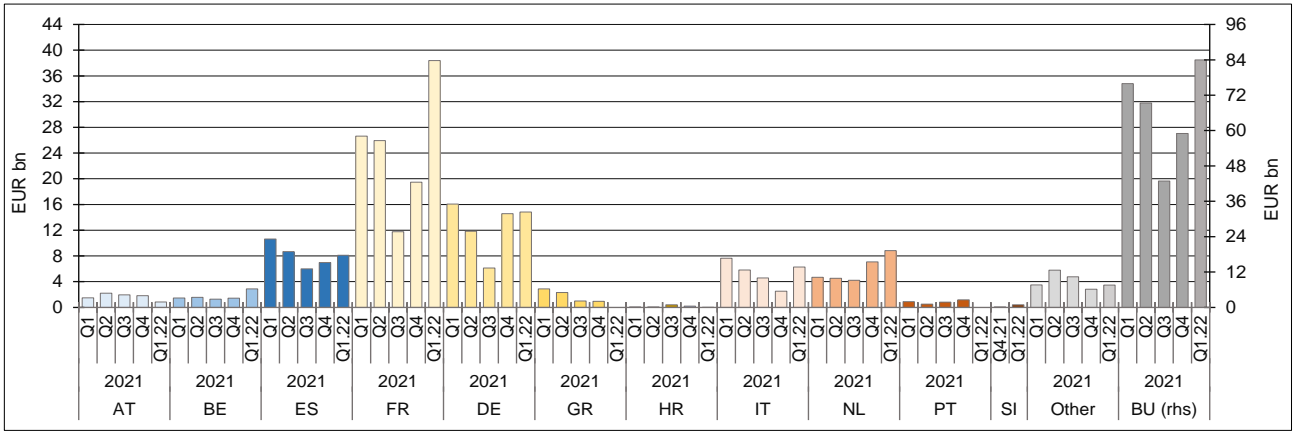


Chart 10: MREL gross issuances by country, % TREA

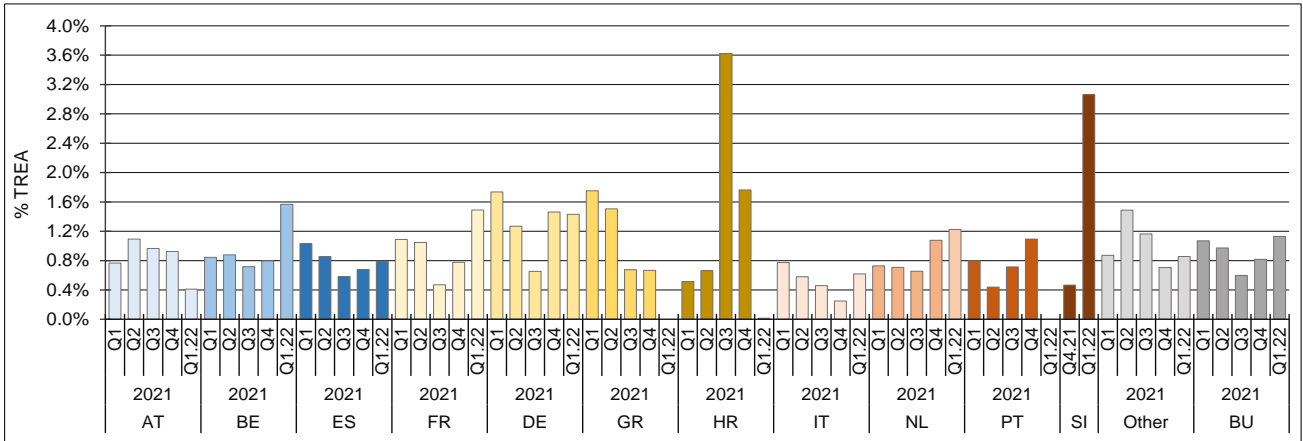
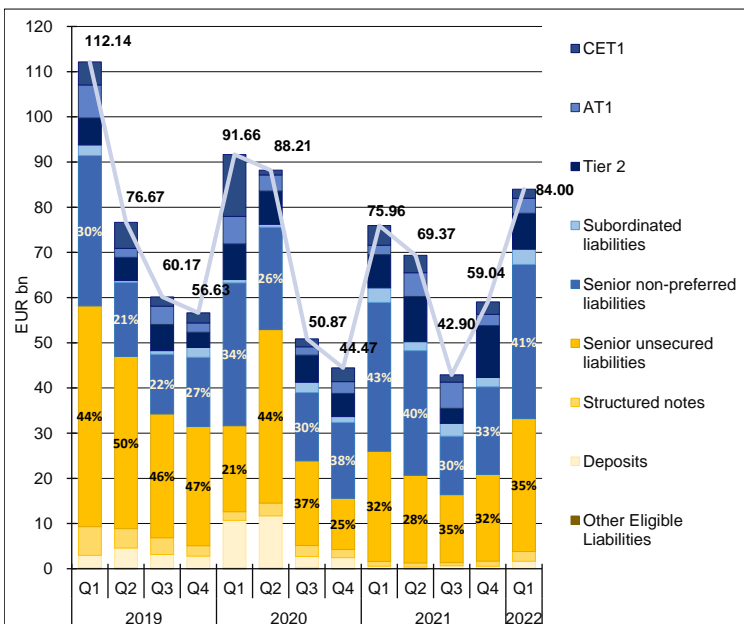


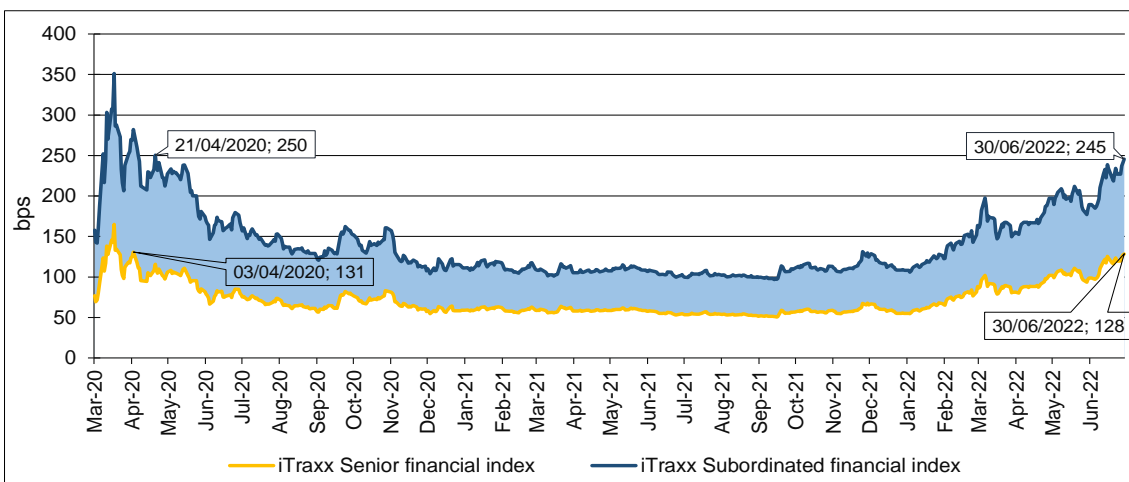
Chart 11: MREL gross issuances by type of instrument, EUR bn



2.2. Cost of funding

During Q1.2022, the financial markets were negatively impacted by a volatile and uncertain environment, with the iTraxx indices reaching their highest levels since May 2020, but stabilising and decreasing slightly at the beginning of March. In the last two weeks of April, spreads started widening again. Geopolitical tensions, including concerns over the supply of Russian gas to Europe and the growing inflationary pressures, weighed heavily on market sentiment. This was reflected in a deterioration of funding market conditions, resulting in a substantial and continuous spread widening over the quarter. At the end of June, the iTraxx indexes on senior and subordinated indexes reached their highest levels since April 2020, respectively 128bps and 245bps (cf. Chart 12).

Chart 12: Cost of funding (iTraxx Europe Financials)



Source: Bloomberg Finance L.P., SRB computations

3. Methodological annex

Section	Sample	Reference Date	Data Sources
MREL monitoring	<p>MREL aggregates</p> <p>Resolution groups under the SRB remit for which an external MREL target was set in 2021 Resolution Planning Cycle (RPC), excluding groups whose preferred strategy is liquidation.</p> <p>Non-resolution entities under the SRB remit for which an internal MREL target was set in 2021 RPC, excluding entities earmarked for 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>Q1.2021 – Q1.2022</p> <p>Q1.2021-Q1.2022</p>	<p>SRB MREL quarterly data collection,</p> <p>COREP and</p> <p>CIR MREL_TLAC report</p>
	<p>Issuances</p> <p>Resolution groups under the SRB remit at each reference date (according the applicable legislation), excluding groups whose preferred strategy is liquidation.</p>	<p>Q1.2019 – Q1.2022</p>	<p>SRB MREL quarterly data collection</p>
	<p>Cost of funding</p> <p>-</p>	<p>Until Q2.2022</p>	<p>Bloomberg Finance L.P.,</p> <p>Dealogic</p>

Country	Number of Resolution groups		Number of Non-Resolution entities	
	Q1.2021	Q4.2021 - Q1.2022	Q4.2021	Q1.2022
AT	6	6	14	14
BE	3	3	6	6
BG	1	1	4	4
CY	2	2	2	2
DE	8	13	15	15
EE	1	1	2	2
ES	10	10	3	3
FI	2	2	2	2
FR	6	6	11	11
GR	4	4	-	-
HR	3	3	2	2
IE	2	2	11	11
IT	10	11	16	16
LT	1	1	2	2
LU	2	2	5	5
LV	1	1	2	2
MT	1	1	1	1
NL	4	4	4	4
PT	4	4	4	5
SI	2	3	2	2
SK	2	2	2	2
BU	75	82	110	111

3.1. MREL monitoring

The targets considered in the analysis are external (for resolution entities) and internal (for non-resolution entities) final and intermediate MREL targets (expressed as % TREA and % LRE) set by the SRB under the 2020 (for metrics with reference date Q1.2021-Q3.2021) and 2021 RPCs (for metrics with reference date from Q4.2021 onwards) as per official decisions. For resolution entities that started to be in the situation referred to in Article 12d (4) or (5) SRMR in 2021, the analysis considers the MREL targets applicable after the three years period as per Article 12k (4) SRMR. 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 set in the MREL decisions are multiplied by TREA and LRE at the respective reference 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 respective reference date.

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

For resolution entities, MREL and subordination shortfalls are calculated with respect to the most stringent between the TREA-based target (excluding and including the CBR on top) and the LRE-based target. The amount of the MREL shortfall presented is the highest between MREL and subordination shortfalls (as defined above). 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 on top) 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 with respect to the most stringent between the TREA-based target (excluding and including the CBR on top, when applicable) 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.

The net issuances presented in Table 1 are calculated as the difference between the level of the stock of MREL instruments in the current quarter-end and in the previous quarter-end, based on a common sample of banks.

3.2. Market activity and cost of funding

Between Q1.2019 and Q4.2020, MREL gross issuances are reported under BRRD1 framework, while from Q1.2021 data are reported under BRRD2 framework. Due to the evolution of scope of entities under the SRB remit, the sample of bank may vary across reporting quarters. Therefore, the comparison of MREL gross issuance levels across quarters should be taken as indicative due to the different reporting framework and the different samples. The results may be subject to changes in case of banks' resubmission of relevant reports.

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
G-SIIs	Globally Systematic Important Institutions
LRE	Leverage Ratio Exposure Measure
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
NCWO	No Creditor Worse-Off
RPC	Resolution Planning Cycle
SRB	Single Resolution Board
SRMR	Single Resolution Mechanism Regulation
TREA	Total Risk Exposure Amount