

SRB MREL Dashboard – Q3.2021

Table of contents

1. MREL monitoring Q3.2021	2
1.1. MREL final targets for resolution entities	2
1.2. MREL outstanding stock of resolution entities	3
1.3. Shortfalls against final targets (2024) of resolution entities	4
1.4. MREL binding intermediate targets and shortfalls (2022) of resolution entities	6
1.5. MREL targets and shortfalls of non-resolution entities	6
1.6. MREL gross issuances	8
2. Cost of funding and market access	10
2.1. Cost of funding	10
2.2. Gross issuances	10
3. Methodological annex	12
3.1. MREL monitoring	13
3.2. Cost of funding	14
3.3. Confidentiality criteria	14
4. Abbreviations	15



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 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 Q3.2021 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 Q3.2021

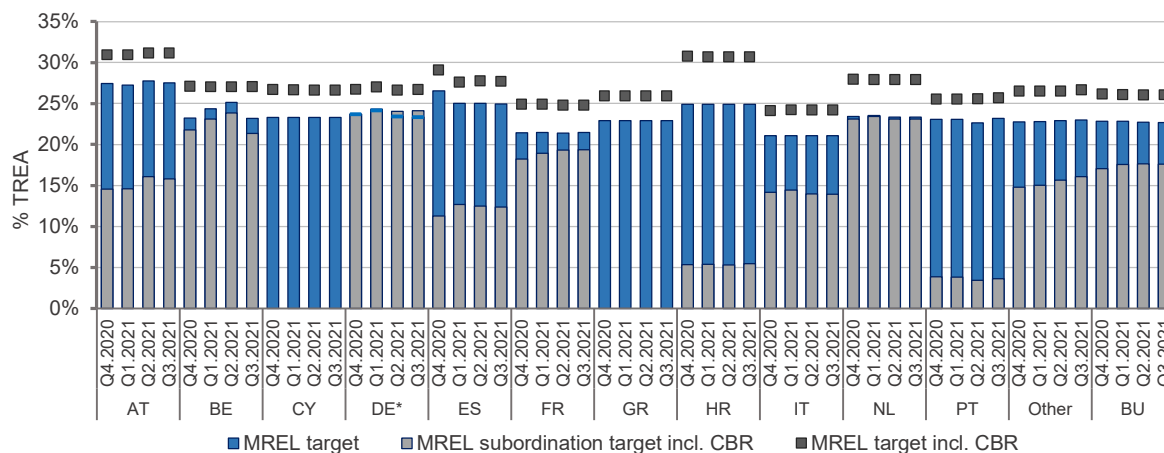
1.1. MREL final targets for resolution entities

The average MREL target for entities in scope remained almost stable at 22.70% of the total risk exposure amount (TREA) and 26.06% TREA when considering the combined buffer requirement (CBR) in addition to the risk-based MREL (cf. Chart 1). In absolute amount, the MREL target amounted to EUR 1,625 bn (or EUR 1,866 bn when including the CBR), growing slightly over the quarter (+ 0.2% and + 0.4%, respectively), mostly due to an expansion of TREA and to a minor extent of LRE. The average subordination target including the CBR was stable compared to Q2.2021 and represented 17.61% TREA. In absolute value, the subordination target including the CBR reached EUR 1,261 bn, increasing marginally from the previous quarter (+0.3%).

¹ The scope is detailed in the methodological annex.

² This publication is based on the templates received as per the Commission Implementing Regulation (EU) 2021/763, COREP templates, 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 the SRB remit 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.

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



* 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 outstanding stock of resolution entities

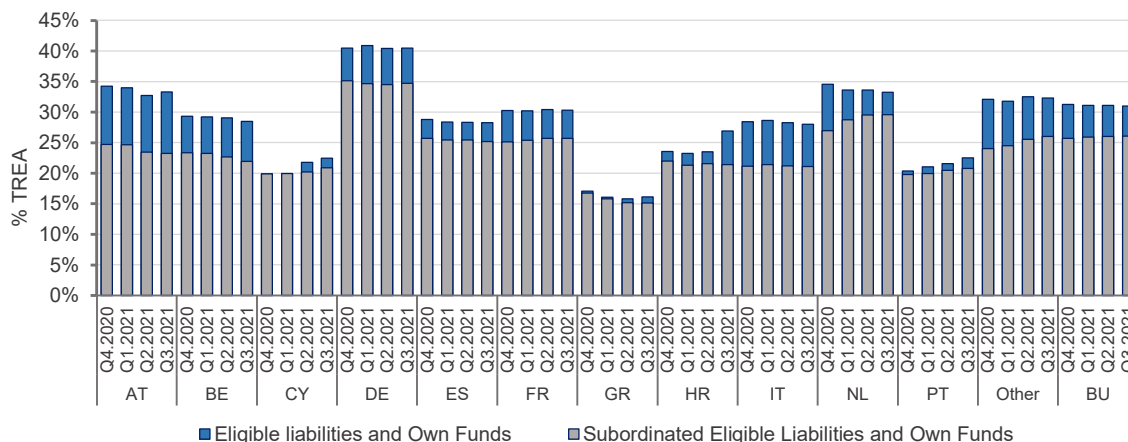
The stock of MREL eligible liabilities and own funds stood at 31.01% TREA, broadly stable over the quarter (cf. Chart 2). In absolute value, the MREL stock reached EUR 2,221 bn, increasing by 0.2% (or + EUR 3.6 bn) over the quarter and by 4.1% (or + EUR 87.3 bn) from Q4.2020⁴. The subordinated capacity reached EUR 1,866 bn (corresponding to 26.06% TREA), increasing by 0.4% (or + EUR 7.8 bn) over the quarter, yet at a slower pace compared to the increase registered in previous quarters. On a longer reporting period (from Q4.2020), the subordinated capacity rose by 6.4% (or + EUR 111.9 bn⁵) in the three quarters of 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 and (iii) NCWO risk and adjustments. As a result, some banks - such as those in CY and GR - are not subject to subordination requirements

⁴ When considering the same sample of banks, the stock of MREL eligible liabilities and own funds rose by 1.2% or EUR 26.5 bn, between Q4.2020 and Q3.2021.

⁵ When considering the same sample of banks, the subordinated capacity rose by 3.3% or EUR 57.6 bn, between Q4.2020 and Q3.2021.

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



1.3. Shortfalls against final targets (2024)⁶ of resolution entities

The average MREL shortfall reduced to 0.26% TREA (or 0.48% TREA including the CBR), from 0.32% TREA (or 0.56% TREA when considering the CBR) in Q2.2021. In absolute amount, the overall shortfall amounted to EUR 19.0 bn (or EUR 34.6 bn including the CBR), decreasing markedly compared to Q2.2021 (-18.2% or EUR 4.2 bn and - 13.7% or EUR 5.5 bn, respectively).

Over a longer reporting period (from Q4.2020), the overall shortfall reduced slightly less, by 4.4% or EUR 881 mn (by 13.5% or EUR 5.4 bn when considering the CBR)⁷, due to the an increase in Q1.2021. Around a quarter of resolution entities in scope still reported a shortfall against their MREL targets, and nearly half when including the CBR. Non-Pillar 1 banks accounted for the highest proportion of the overall shortfall (including the CBR) with 71.5% of the total, followed by Top Tier banks (24.3%), Other Pillar 1 banks (3.0%) and G-SIIs (1.2%). The subordination shortfall including the CBR amounted to EUR 1.5 bn (corresponding to 0.02% TREA), dropping significantly over the quarter (- 70.7% or EUR 3.7 bn) and from Q4.2020 (- 44.2% or EUR 1.2 bn⁸, cf. Charts 3, 4 and Table 1).

⁶ For some entities, the transition period ends in 2025-2026, in line with the legislation.

⁷ When considering the same sample of banks, the overall MREL shortfall decreased by 14.3% TREA or EUR 2.8 bn (by 20.5% or EUR 8.2 bn when including the CBR), between Q4.2020 and Q3.2021.

⁸ When considering the same sample of banks, the change of the subordination shortfall is not affected.

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

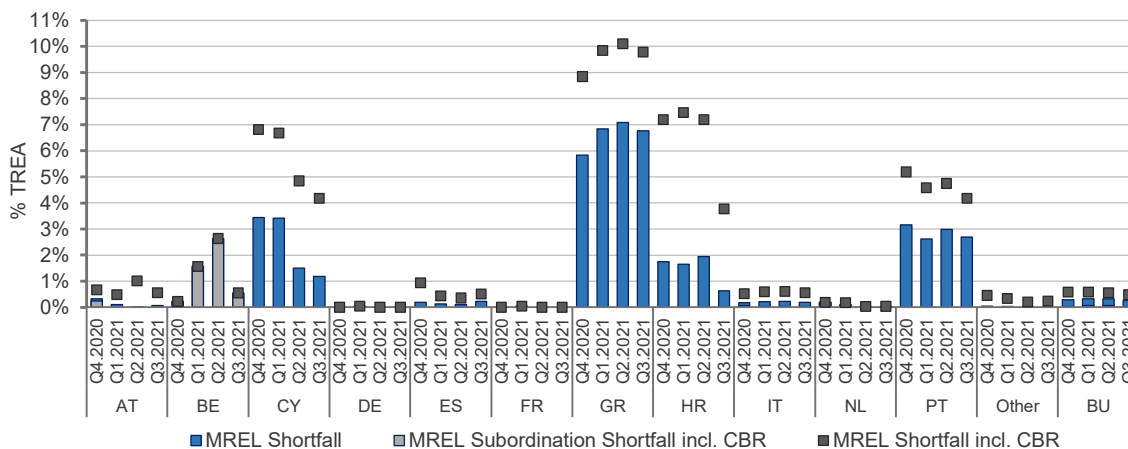


Chart 4: MREL shortfalls (of which subordination) against final targets of resolution entities, EUR bn

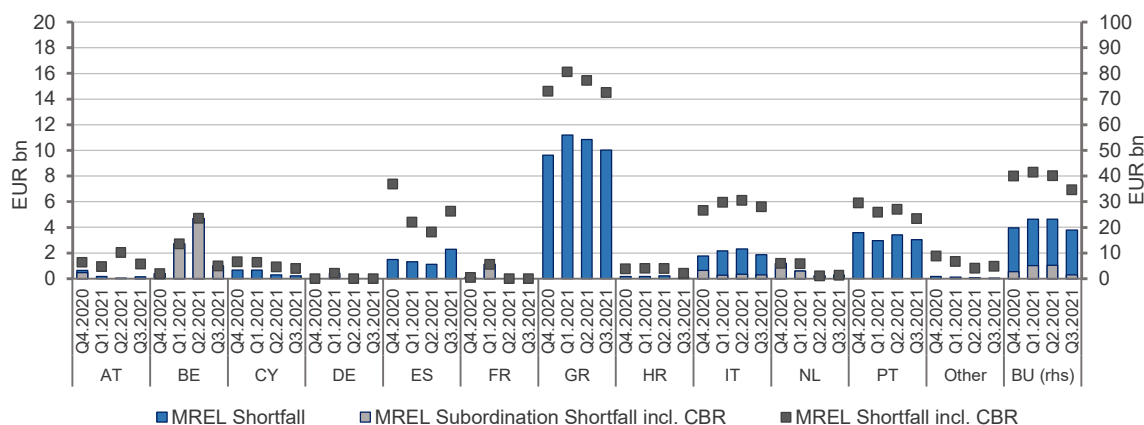


Table 1. Q3.2021 key MREL metrics for resolution entities⁹

Country	MREL target incl. CBR	MREL subordination target incl. CBR	Outstanding Amount at 30/09/2021		Gross issuances during Q3.2021		Net issuances during Q3.2021		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	31.17%	15.82%	67,122	33.33%	1,946	0.97%	1,273	0.63%	1,131	0.56%	11	0.01%
BE	27.08%	21.37%	50,709	28.52%	1,273	0.72%	-977	-0.55%	990	0.56%	990	0.56%
CY	26.64%	0.00%	4,245	22.46%	85	0.45%	144	0.76%	791	4.18%	0	0.00%
DE	26.71%	24.12%	378,751	40.49%	6,114	0.65%	1,023	0.11%	0	0.00%	0	0.00%
ES	27.70%	12.36%	291,442	28.29%	6,005	0.58%	3,409	0.33%	5,267	0.51%	0	0.00%
FR	24.82%	19.37%	757,159	30.34%	11,769	0.47%	3,014	0.12%	0	0.00%	0	0.00%
GR	25.92%	0.00%	23,905	16.14%	1,000	0.67%	-291	-0.20%	14,498	9.79%	0	0.00%
HR	30.68%	5.47%	2,979	26.90%	401	3.62%	405	3.66%	418	3.78%	0	0.00%
IT	24.21%	13.96%	279,208	28.01%	4,585	0.46%	-4,247	-0.43%	5,604	0.56%	282	0.03%
NL	27.94%	23.10%	214,023	33.25%	4,216	0.66%	-319	-0.05%	261	0.04%	261	0.04%
PT	25.70%	3.64%	25,214	22.50%	801	0.71%	674	0.60%	4,684	4.18%	0	0.00%
Other	26.67%	16.07%	126,237	32.32%	4,706	1.20%	-508	-0.13%	952	0.24%	0	0.00%
BU	26.06%	17.61%	2,220,995	31.01%	42,901	0.60%	3,601	0.05%	34,597	0.48%	1,544	0.02%

⁹ Net issuances are calculated as the difference between the outstanding amount in Q3.2021 and Q2.2021.

Chart 6: MREL final target for non-resolution entities, % TREA

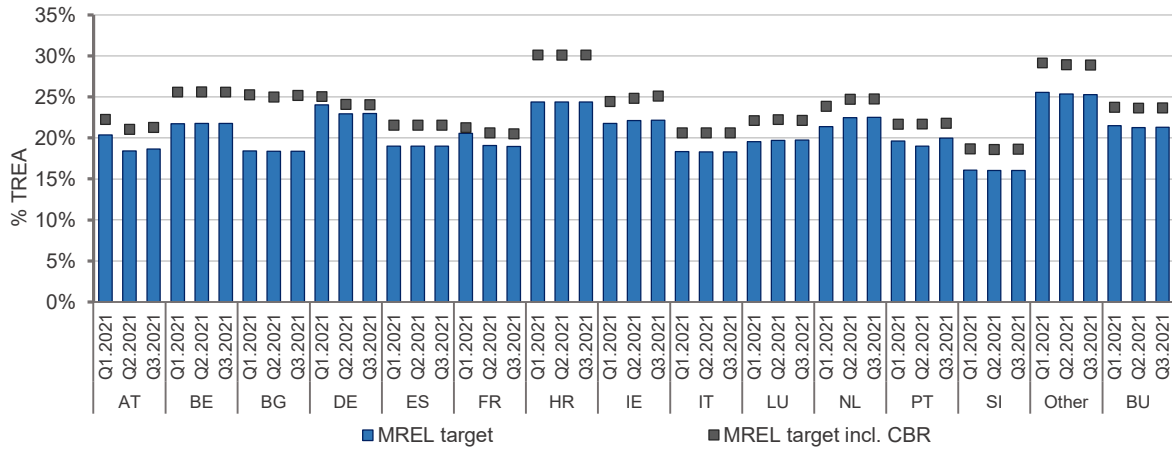


Chart 7: MREL shortfall against final targets of non-resolution entities, % TREA

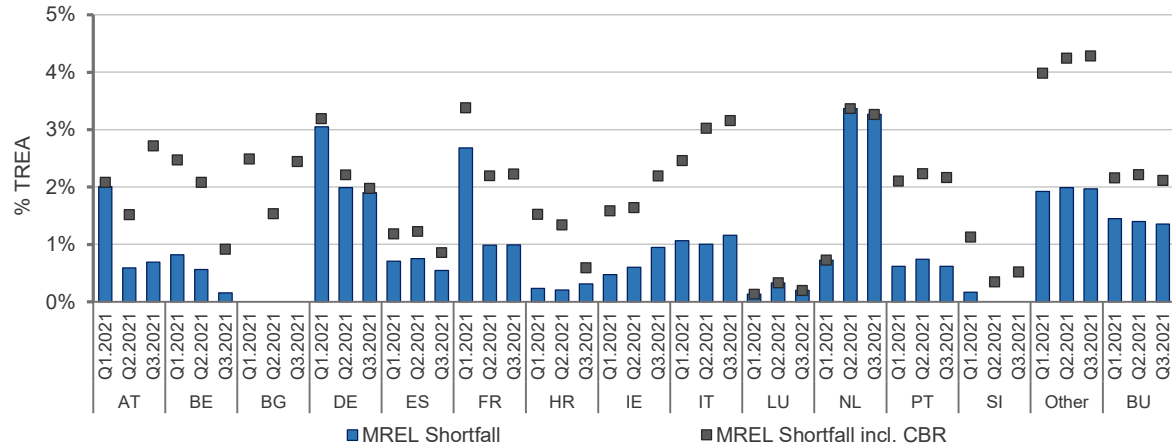
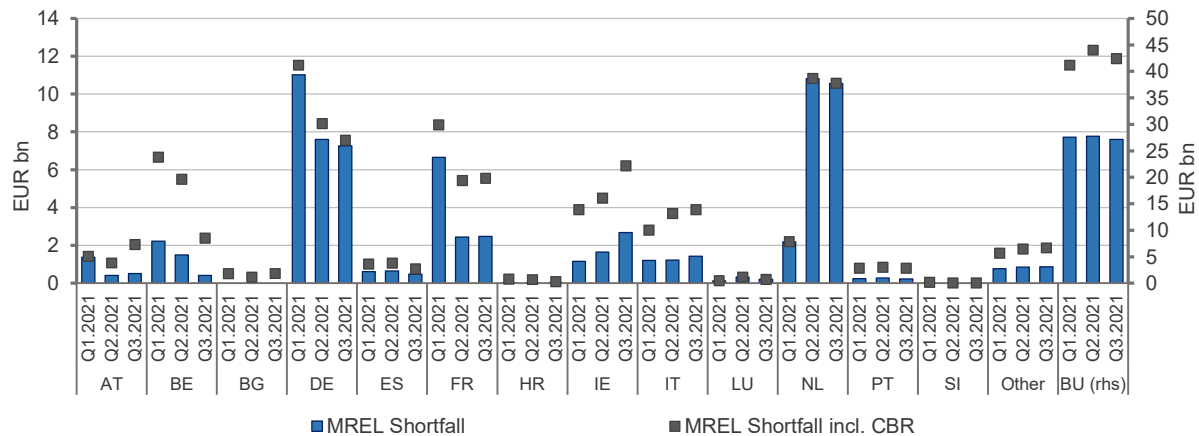
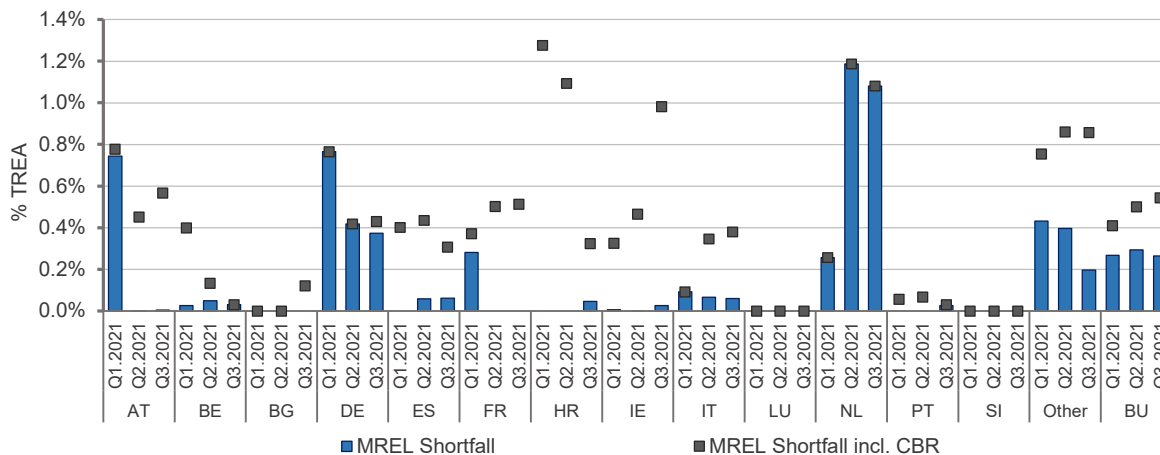


Chart 8: MREL shortfall against final targets of non-resolution entities, EUR bn



The average MREL intermediate target (2022) including the CBR remained broadly stable compared to the previous quarter and accounted for 21.29% TREA (or EUR 427.2 bn). The average shortfall against the MREL intermediate target including the CBR stood at 0.54% TREA, broadly stable over the quarter (cf. Chart 9). In absolute terms, the shortfall amounted to EUR 10.9 bn, increasing by 9.6% with respect to the previous quarter.

Chart 9: MREL shortfall against binding intermediate targets of non-resolution entities, % TREA



1.6. MREL gross issuances

Overall, banks under the SRB remit issued EUR 42.9 bn of MREL eligible instruments. Due to seasonality effects, issuances' volume decreased by 38.2% or EUR 26.5 bn compared to Q2.2021 (cf. Chart 10). Although the overall issuance activity over the quarter was moderate, a number of less frequent issuers registered increased activity in the primary market of MREL debt aiming to close their shortfall to the binding 2022 intermediate MREL targets. The average MREL issuance in percentage of TREA represented 0.6% TREA, in reduction from the previous quarter (cf. Chart 11).

Contrary to previous quarters, where issuances of senior non-preferred liabilities were predominant, issuers opted mainly for senior bonds (35.1% of total issuances, cf. Chart 12). Higher volumes of AT1 and subordinated bonds issuances were reported, up to 13.5% and 6.6% of total issuances, respectively. Shares of G-SIIs and Top Tier banks over total issuances were almost similar and accounted for 42.6% and 42.3% of the total, respectively. Issuances from banks with total assets below EUR 100 bn (i.e. Other Pillar 1 and non-Pillar 1 banks) accounted for 15.1% of total issuances.

Chart 10: MREL gross issuances by country, EUR bn

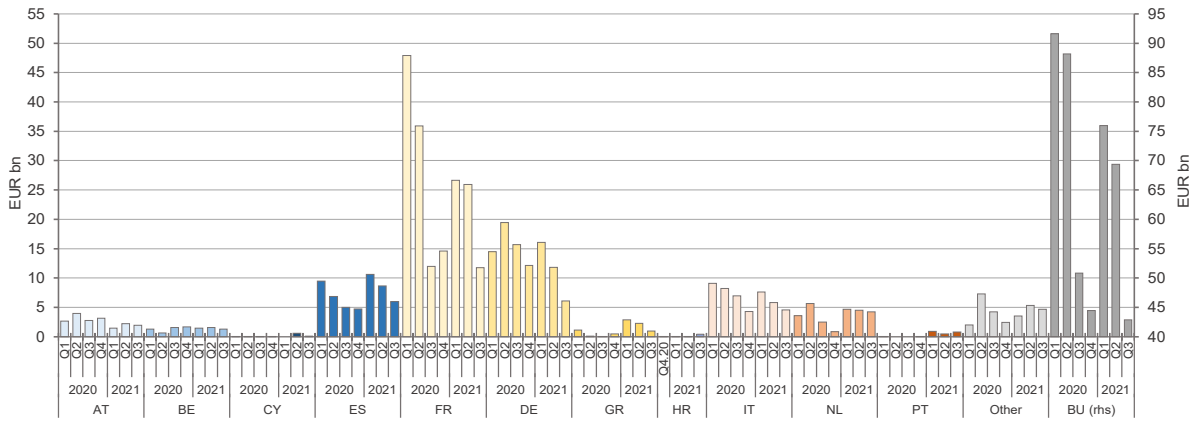


Chart 11: MREL gross issuances by country, % TREA

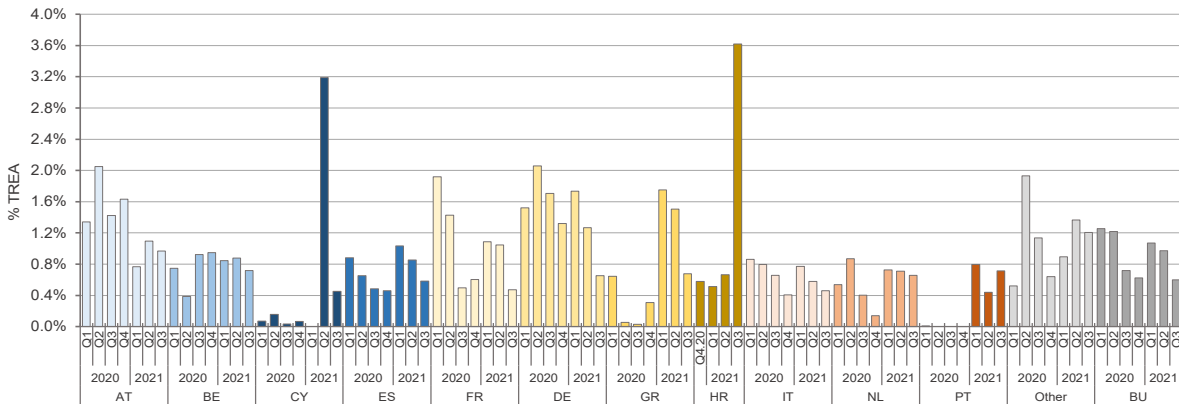
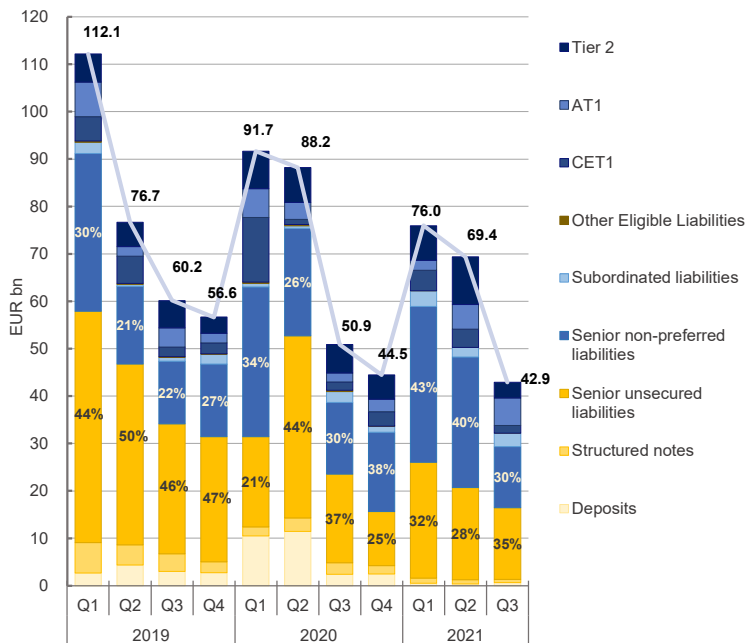


Chart 12: MREL gross issuances by type of instrument, EUR bn

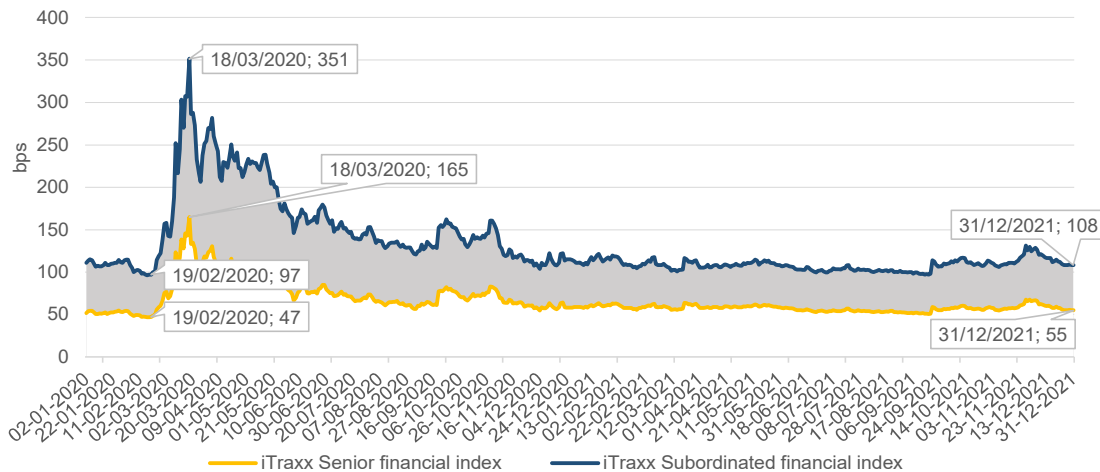


2. Cost of funding and market access

2.1. Cost of funding

During Q4.2021, banks' funding costs marginally deteriorated, staying slightly above their pre-pandemic levels. Among other factors, heightened volatility on global markets amid concerns about growth, inflation, and increasingly hawkish signals from major central banks drove the funding costs evolution during Q4.2021. The iTraxx indexes on subordinated and senior financial debt showed some volatility over the period. Both indexes saw a hiccup during the last week of November due to growing concerns about Covid-19 and increasing concerns that inflation could stay higher during a more extended period. In December, the indexes followed a decreasing trend after the ECB announced cautious tapering during its last annual meeting. End of December iTraxx indexes on subordinated and senior financial debt were at 1.1 and 1.2 times their pre-Covid-19 levels, respectively (cf. Chart 13). Despite the volatility seen in the funding markets, the spread between them remained tight, edging a bit higher than the lowest levels during 2021.

Chart 13: Cost of funding (iTraxx Europe Financials)



Source: Bloomberg Finance L.P.

2.2. Gross issuances

Bond issuance volume in Q4.2021 was at slightly lower levels than in Q4.2020 (cf. Chart 14) and fluctuated around the lower bound of the 2015-2019 average issuance corridor, if compared to pre-pandemic years. Primary bank issuance activity was accommodative during October and November despite market volatility in the funding markets. Many banks used the final opportunities in 2021 to attain pre-funding for the next year. European banks' primary funding activity slowed down in December due to market volatility along with the seasonal blackout period.

3. Methodological annex

Section	Sample	Reference Date	Data Sources
MREL monitoring	<p>BRRD2 metrics</p> <p>Resolution groups under the 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>	Q4.2020 - Q3.2021	<p>MREL quarterly data collection,</p> <p>Additional Liability Report (ALR),</p> <p>COREP and</p> <p>CIR MREL_TLAC report</p>
	<p>Non-resolution entities under the SRB remit for which an internal BRRD2 MREL target was set in 2020 Resolution Planning Cycle (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>	Q1.2021-Q3.2021	
	<p>Issuances</p> <p>Resolution groups under the 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 – Q3.2021	MREL quarterly data collection
Cost of funding	-	Until Q4.2021	Bloomberg Finance L.P., Dealogic

Country	Number of Resolution groups		Number of Non-Resolution entities
	Q4.2020	Q2.2021-Q3.2021	Q2.2021-Q3.2021
AT	7	7	14
BE	3	3	6
BG	1	1	4
CY	3	3	2
DE	8	8	13
EE	1	1	2
ES	8	10	3
FI	2	2	2
FR	6	6	9
GR	4	4	-
HR	3	3	3
IE	2	2	11
IT	10	10	10
LT	1	1	2
LU	2	2	6
LV	1	1	2
MT	1	1	1
NL	4	4	4
PT	4	4	4
SI	2	2	3
SK	2	2	2
BU	75	77	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 date¹¹. 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.

¹¹ 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
G-SIIs	Globally Systemic 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
TREA	Total Risk Exposure Amount