

SRB MREL Dashboard – Q4.2021

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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 the SRB's 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 Q4.2021. 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 funding².

1. MREL monitoring Q4.2021

1.1. MREL targets for resolution entities

The average MREL final target (2024) for resolution entities under the SRB remit represented 23.02% of the total risk exposure amount (TREA) and 26.20% TREA when considering the combined buffer requirement (CBR) in addition to the risk-based MREL; both growing marginally from Q3.2021 (cf. Chart 1). In absolute terms, the MREL final target reached EUR 1,666 bn (or EUR 1,896 bn when including the CBR), increasing with respect to Q3.2021 by 2.6% (or by 1.7% when considering the CBR)³. The average final subordination target including the CBR rose compared to Q3.2021 and amounted to 18.99% TREA⁴. In absolute values, the final subordination target including the CBR stood at EUR 1,374 bn, increasing from the previous quarter by 9.1%⁵. The overall increasing trend in the level of MREL requirements reported in the quarter was mostly driven by the annual recalibration of MREL requirements⁶ as well as by the increase of the sample of entities and to a minor extent by the evolution of banks' balance sheet. The average MREL binding intermediate target (2022) stood at 21.50% TREA (or 24.97% TREA when including the CBR) and 17.16% TREA for the subordination target including the CBR⁷. All remained broadly stable.

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, the SRB proprietary database built upon quarterly and annual 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.

³ When considering the same sample of banks, the MREL target rose by 1.6% (or by 0.8%) over the quarter.

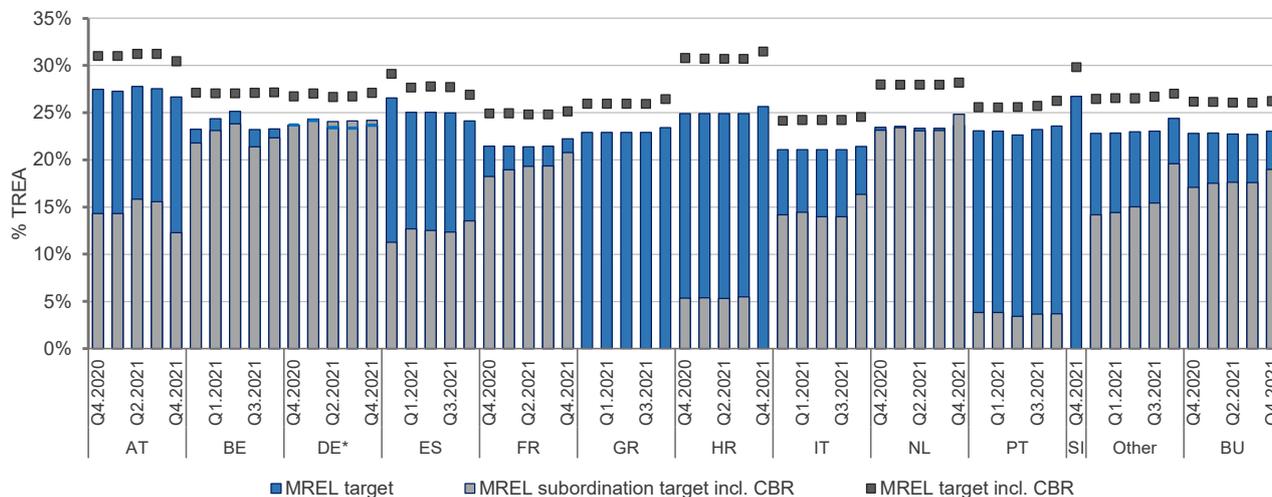
⁴ The average subordinated target is calculated over the full sample. When considering only the banks with a MREL subordination target, the average target including the CBR was equal to 20.98%.

⁵ When considering the same sample of banks, the subordinated MREL target including CBR increased by 8.2% over the quarter.

⁶ Q4.2021 Dashboard is based on the targets set in the 2021 Resolution Planning Cycle (RPC).

⁷ A reduced sample for average intermediate targets was considered.

Chart 1: MREL final target (of which subordination⁸) for resolution entities, % TREA⁹



*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 reached 31.56% TREA, increasing over the quarter as well as from Q4.2020 (+0.6% TREA and +0.4% TREA¹⁰, respectively, cf. Chart 2). The corresponding absolute value of the MREL outstanding stock was equal to EUR 2,284 bn, increasing over the quarter (+ 2.9% or + EUR 65.2bn) and year-on-year (+ 7.2% or + EUR 152.6 bn)¹¹. The subordinated liabilities and own funds rose steadily during the year 2021 and amounted to EUR 1,924 bn (corresponding to 26.59% TREA) in December 2021. Indeed, in absolute amount, the subordinated capacity grew by 3.2% (or + EUR 59.6 bn) over the quarter and by 9.8% (or + EUR 171.5bn¹²) year-on-year.

⁸ 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 CY, GR and SI - are not subject to subordination requirements.

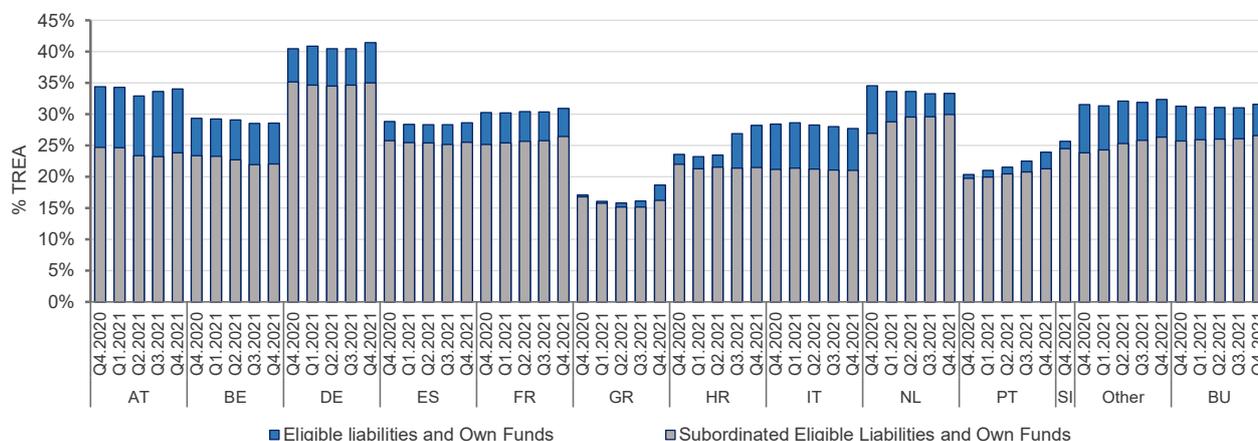
⁹ As a result of the evolution of scope in the 2021 RPC, SI is now represented by three institutions. Consequently, starting from Q4.2021 figures for the country are presented on charts and tables across the Dashboard. For the previous quarters, the country was grouped as "Other".

¹⁰ When considering the same sample of banks, the increase of the stock of MREL eligible liabilities and own funds was equal to 0.4% TREA and 0.4% TREA, respectively.

¹¹ When considering the same sample of banks, the stock of MREL eligible liabilities and own funds rose by 1.5% (or +EUR 33.0 bn) over the quarter and by 2.7% (or +EUR 58.3 bn) year-on-year.

¹² When considering the same sample of banks, the subordinated capacity rose by 1.9% or EUR 35.9 bn over the quarter and by 5.3% or EUR 92.6 bn.

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 targets¹³ continued decreasing over the quarter, yet at a slightly slower pace, reaching the value of EUR 16.6 bn, corresponding to 0.23% TREA (or EUR 32.6 bn and 0.45% TREA when considering the CBR). Compared to Q3.2021 the shortfall in absolute value reduced by 11.6% or EUR 2.2 bn (by 4.9% or EUR 1.7bn when considering the CBR¹⁴). Year-on-year, the reduction of the overall shortfall in absolute value was equal to 16.1% or EUR 3.2 bn (18.2% or EUR 7.2bn when considering the CBR¹⁵).

In line with the trend observed in Q3.2021, about a quarter of resolution entities in scope registered a shortfall against their final MREL targets and around 40% of the sample when including the CBR. Non-Pillar 1 banks remained the entities with the highest proportion of the overall shortfall (including the CBR) although their share in the overall shortfall decreased over the quarter to 61.1% of the total from 71.5% in Q3.2021. The share of Top Tier banks was equal to 35.2% of the overall shortfall while the shortfall attributed to Other Pillar 1 banks amounted to 3.7% of the total. None of G-SIIs reported a shortfall during the reporting period.

The subordination shortfall including the CBR amounted to EUR 8.9 bn in the reporting quarter (corresponding to 0.12% TREA), increasing by EUR 7.4 bn over the quarter and by EUR 6.2 bn¹⁶ from Q4.2020. Such an increase can be attributed, among other factors, to higher recalibrated subordination requirements (cf. section on MREL targets) not yet mirrored by a proportional increase in the MREL subordinated capacity (cf. Charts 3, 4 and Table 1).

¹³ For some entities, the transition period ends in 2025-2026, in line with the legislation.

¹⁴ When considering the same sample of banks, the decrease over the quarter was equal to 12.0% or EUR 2.3 bn (6.2% or EUR 2.1 bn when considering the CBR).

¹⁵ When considering the same sample of banks, the decrease year-on-year was equal to 21.2% TREA or EUR 4.2 bn (by 23.9% or EUR 9.5 bn when including the CBR).

¹⁶ When considering the same sample of banks, the subordination shortfall increased by EUR 7.4 bn over the quarter and by EUR 5.2 bn year-on-year.

With respect to the intermediate MREL targets including CBR, nearly all resolution and non-resolution entities were compliant at the end of 2021. The SRB is strictly monitoring the very few shortfall cases.

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

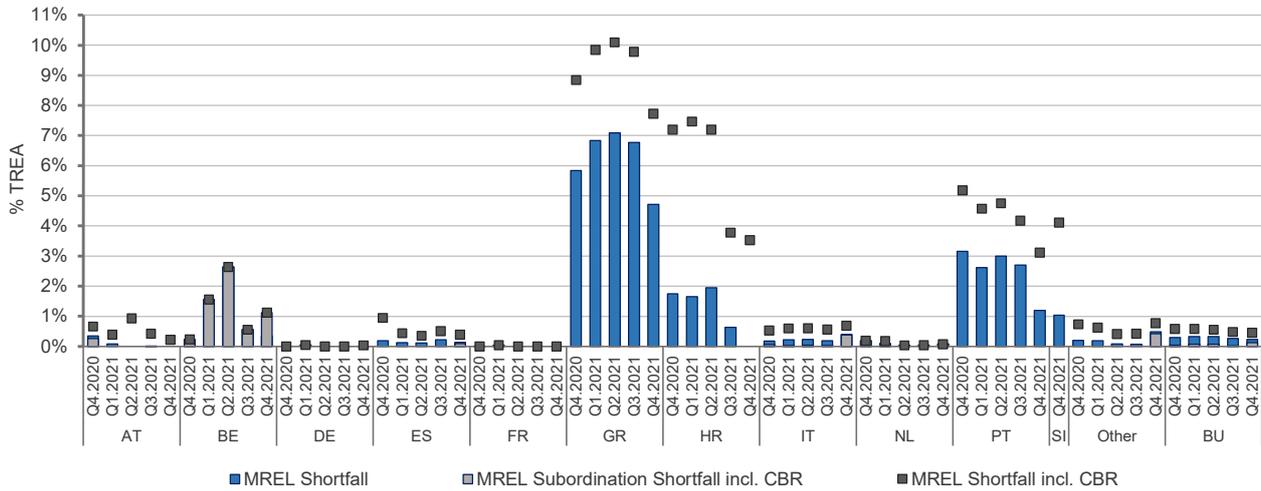


Chart 4: MREL shortfalls (of which subordination) against final targets of resolution entities, EUR bn

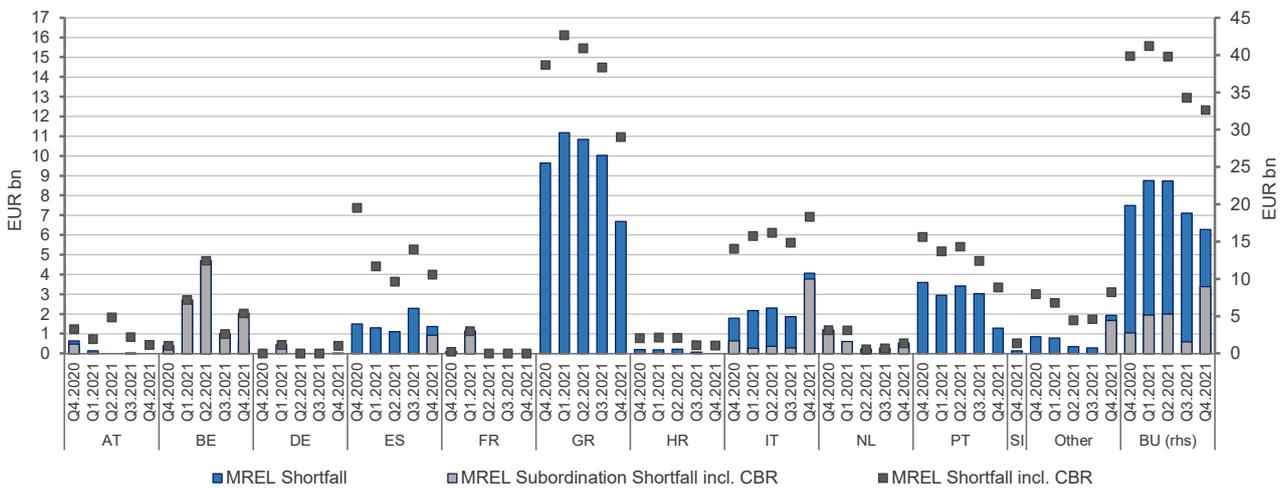


Table 1. Q4.2021 key MREL metrics for resolution entities¹⁷

Country	MREL target incl. CBR	MREL subordination target incl. CBR	Outstanding Amount at 31/12/2021		Gross issuances during Q4.2021		Net issuances during Q4.2021		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	30.43%	12.26%	66,876	34.01%	1,816	0.92%	1,394	0.71%	443	0.23%	0	0.00%
BE	27.12%	22.33%	51,536	28.57%	1,438	0.80%	827	0.46%	2,024	1.12%	2,024	1.12%
DE	27.08%	24.17%	413,031	41.43%	16,486	1.65%	4,668	0.47%	385	0.04%	0	0.00%
ES	26.89%	13.52%	293,531	28.62%	6,961	0.68%	2,089	0.20%	4,000	0.39%	939	0.09%
FR	25.13%	20.78%	775,050	30.91%	19,476	0.78%	17,891	0.71%	0	0.00%	0	0.00%
GR	26.41%	0.00%	26,516	18.69%	940	0.66%	2,611	1.84%	10,966	7.73%	0	0.00%
HR	31.48%	0.00%	3,148	28.23%	196	1.76%	168	1.51%	394	3.53%	0	0.00%
IT	24.53%	16.34%	276,937	27.70%	2,504	0.25%	-4,633	-0.46%	6,929	0.69%	3,771	0.38%
NL	28.17%	24.85%	218,880	33.34%	7,066	1.08%	4,857	0.74%	525	0.08%	525	0.08%
PT	26.24%	3.70%	25,638	23.92%	1,170	1.09%	424	0.40%	3,344	3.12%	0	0.00%
SI*	29.81%	0.00%	3,177	25.69%	58	0.47%	N/A	N/A	509	4.12%	0	0.00%
Other	26.99%	19.58%	129,711	32.37%	2,829	0.71%	2,670	0.67%	3,112	0.78%	1,672	0.42%
BU	26.20%	18.99%	2,284,029	31.56%	60,942	0.84%	33,042	0.46%	32,631	0.45%	8,931	0.12%

*The country data is presented only when there are at least three institutions in the same country. However, in Q3.2021, SI was represented by only two institutions and, consequently, the figure of Net issuances between two quarters was not provided for the country.

1.4. MREL targets and shortfalls of non-resolution entities

The MREL final target (2024) for non-resolution entities in scope amounted to EUR 440.0 bn (or EUR 490.9 bn when including the CBR) in the reporting quarter, corresponding to 21.22% TREA (or 23.68% TREA when including the CBR, cf. Chart 5). In absolute amounts, the final target rose by 6.7% or EUR 27.7 bn (by 7.2% or EUR 32.8 bn when including the CBR)¹⁸, mostly due to the expansion of internal MREL scope in the course of 2021 RPC. The average MREL intermediate target (2022) including the CBR remained broadly stable compared to the previous quarter and accounted for 21.3% TREA (or EUR 420.5 bn).

The MREL shortfall against final targets halved with respect to Q3.2021, in both absolute and relative terms, amounting to 0.65% TREA or EUR 13.5 bn (or 1.06% TREA and EUR 22.0 bn when considering the CBR, cf. Charts 6 and 7). Around a quarter of entities in scope registered a shortfall against their final MREL targets and the share increases to 40% when considering the CBR.

¹⁷ Net issuances are calculated as the difference between the outstanding amount in Q4.2021 and Q3.2021 considering the same sample of banks.

¹⁸ When considering the same sample of banks, the final MREL target rose by 0.9% or EUR 3.5 bn (by 1.3% or EUR 6.0 bn when including the CBR) over the quarter.

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

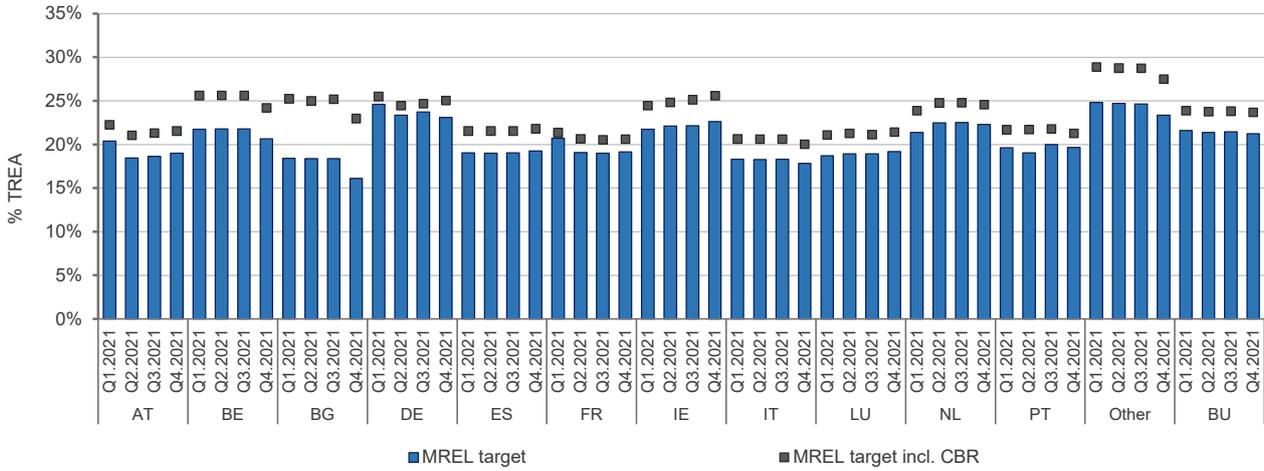


Chart 6: MREL shortfall against final targets of non-resolution entities, % TREA

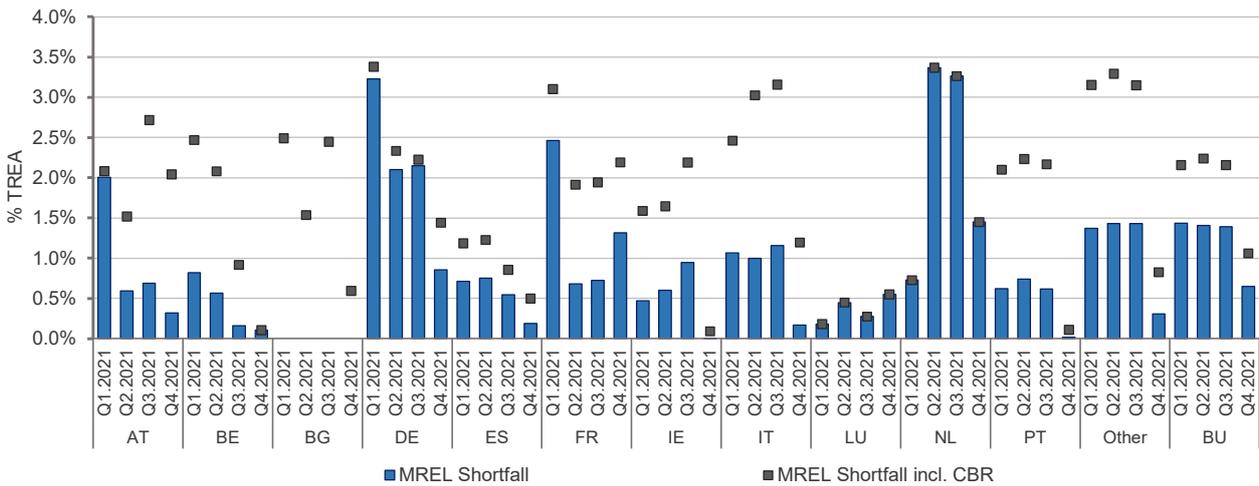
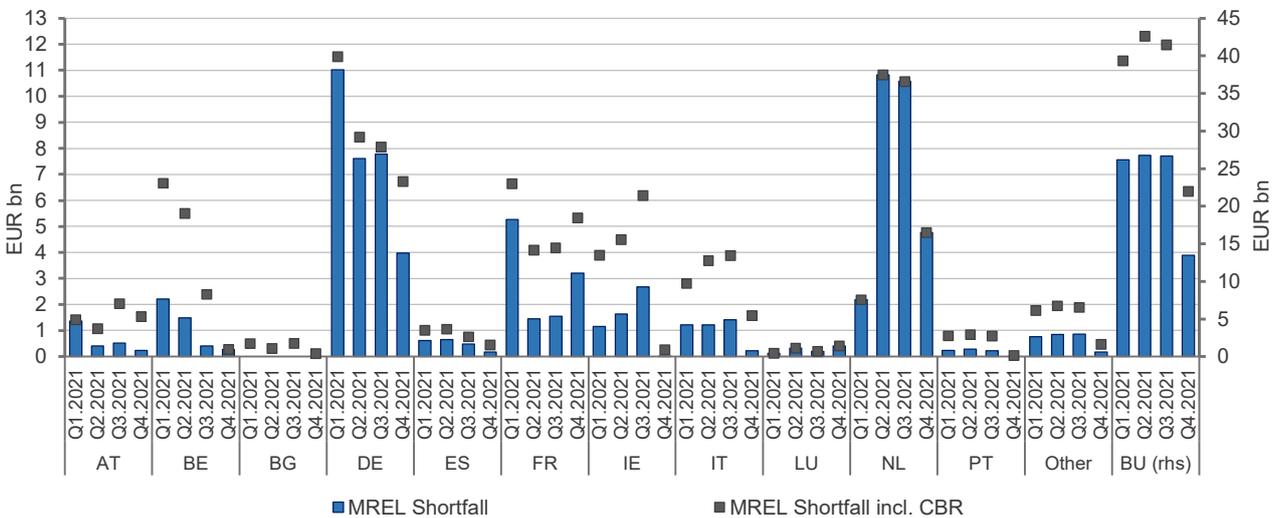


Chart 7: MREL shortfall against final targets of non-resolution entities, EUR bn

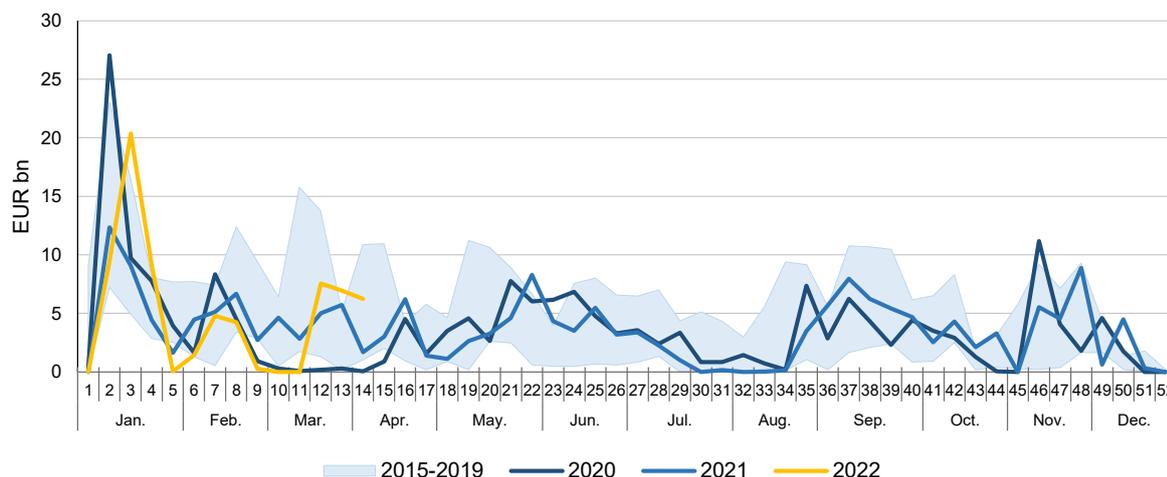


2. Market activity and cost of funding

2.1. Market access and MREL issuances

Despite uncertainty over the inflation and rates outlook, activity in primary unsecured funding markets resumed strongly in the first three weeks of 2022, when the volume of issuances was in the upper bound of the 2015-2019 issuance corridor (cf. Chart 8). By contrast, the deteriorating funding market conditions and seasonality factors underlie a low issuance activity of bank bonds in the last week of January and in the first three weeks of February. The issuance activity stopped with the outbreak of the war in Ukraine in the last week of February and at the beginning of March. The volume of issuances increased in the second half of the month, amid improving market sentiment, despite the uncertainty deriving from the war.

Chart 8: Gross bond issuances volume of Banking Union banks (weeks start on Wednesdays and end on Tuesdays)



Source: Dealogic, SRB computations

Overall, banks under the SRB remit issued EUR 60.9 bn of MREL eligible instruments, increasing by 42.1% or EUR 18.0 bn compared to Q3.2021 and by 37.0% or EUR 16.5 bn compared to Q4.2020 (cf. Charts 9, 11). The average MREL issuance in percentage of TREA rose from the previous quarter up to 0.8% TREA (cf. Chart 10), with some banks recording in Q4.2021 the strongest issuance activity over the year 2021. The approaching deadline to meet MREL binding intermediate target (1 January 2022), among others, motivated the elevated issuance activity, particularly from less frequent issuers.

On a yearly perspective, the total issuance amount in the year 2021 was equal to EUR 249.17, in reduction with respect to the previous two years (by 9.5% from year 2020 and by 18.5% from year 2019). In line with the patterns observed in the previous years, the issuance activity was more pronounced in the first half of the year (EUR 145.33 bn) compared to the second half (EUR 103.84 bn), although overall, during the latter the activity was higher compared to the previous two years.

Issuers' preference was mostly on senior non-preferred liabilities and senior bonds in the reporting quarter, accounting respectively for 32% and 31% of total issuances (cf. Chart 11). Issuance volume of Tier 2 instruments more than tripled compared to Q3.2021, accounting overall for 19% of total issuances. Similar to

Q3.2021, shares of Top Tier banks and G-SIIs over total issuances were almost the same and accounted respectively for 44.5% and 43.0% of the total. Issuances from banks with total assets below EUR 100 bn (i.e. Other Pillar 1 and non-Pillar 1 banks) accounted for 12.5% of total issuances.

Chart 9: MREL gross issuances by country, EUR bn

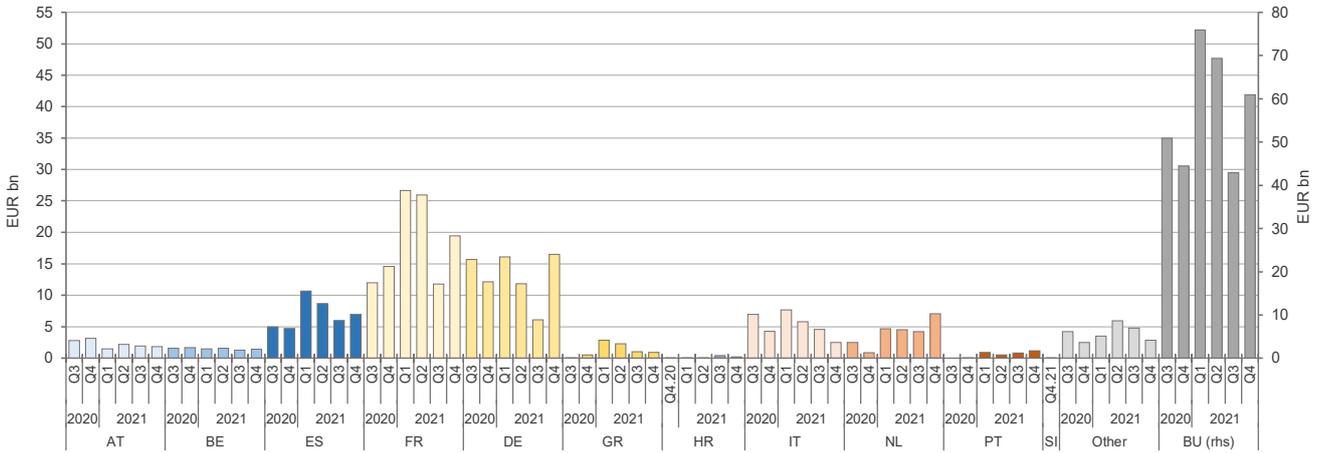


Chart 10: MREL gross issuances by country, % TREA

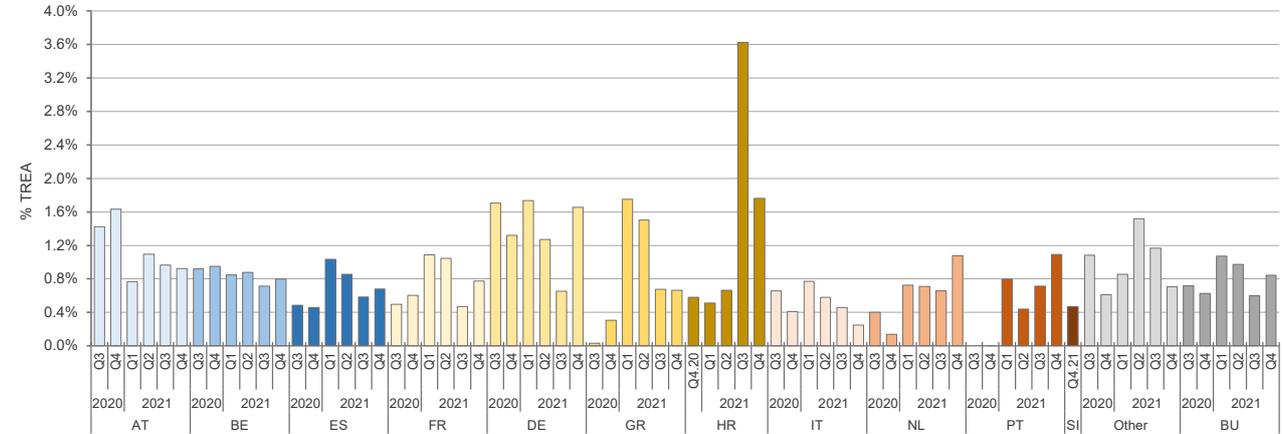
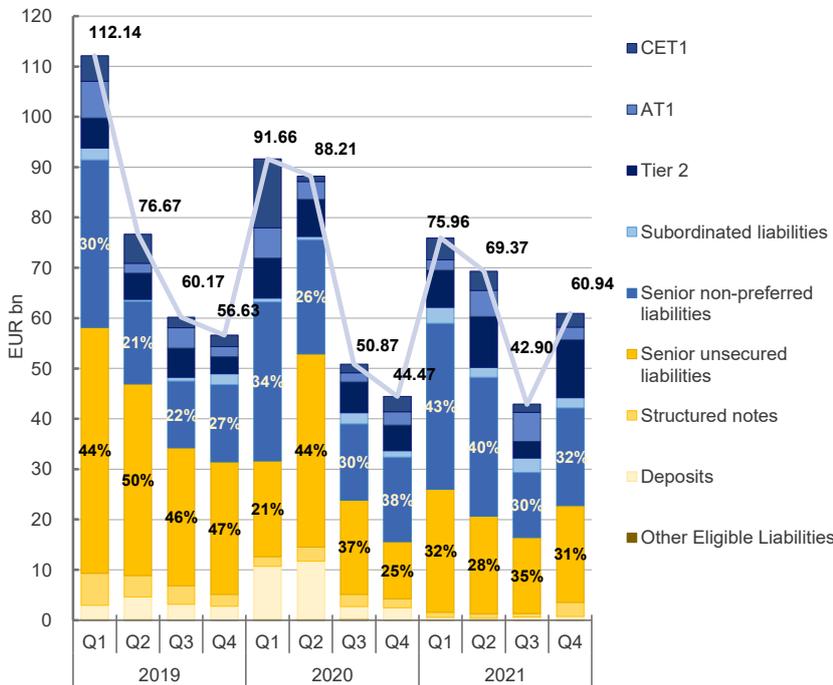


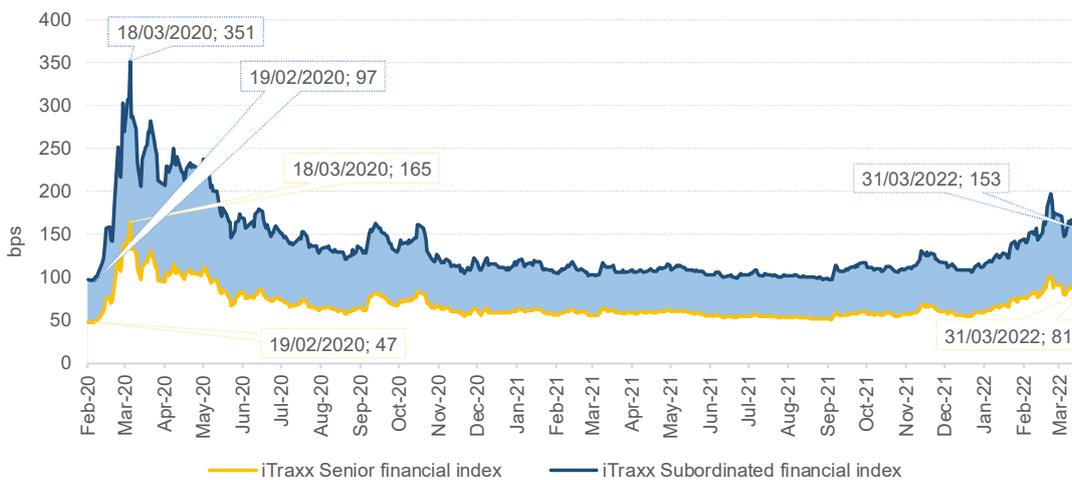
Chart 11: MREL gross issuances by type of instrument, EUR bn



2.2. Cost of funding

During Q1.2022, the financial markets were negatively impacted by concerns on inflationary pressures and rising geopolitical risks, energy and oil prices, which caused a volatile and uncertain market environment. In the first weeks of March, the iTraxx indices reached their highest levels since May 2020. At the end of March, the market conditions became more stable and the indices decreased slightly, although remaining above 2021 levels (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 (or is about to be set) in 2021 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 (or is about to be 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>Q4.2020 – Q4.2021</p> <p>Q1.2021-Q4.2021</p>	<p>MREL quarterly data collection,</p> <p>Additional Liability Report (ALR),</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 – Q4.2021</p>	<p>MREL quarterly data collection</p>
	<p>Cost of funding</p>	<p>-</p>	<p>Until Q1.2022</p>

Country	Number of Resolution groups			Number of Non-Resolution entities	
	Q4.2020	Q3.2021	Q4.2021	Q3.2021	Q4.2021
AT	6	6	6	14	14
BE	3	3	3	6	6
BG	1	1	1	4	4
CY	2	2	2	2	2
DE	8	8	12	13	15
EE	1	1	1	2	2
ES	8	10	10	3	3
FI	2	2	2	2	2
FR	6	6	6	9	11
GR	4	4	4	-	-
HR	3	3	3	2	2
IE	2	2	2	11	11
IT	10	10	11	10	16
LT	1	1	1	2	2
LU	2	2	2	6	5
LV	1	1	1	2	2
MT	1	1	1	1	1
NL	4	4	4	4	4
PT	4	4	4	4	4
SI	2	2	3	2	2
SK	2	2	2	2	2
BU	73	75	81	101	110

3.1. MREL monitoring

The targets considered in the analysis are 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 and 2021 RPCs 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 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.

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. Due to the evolution of scope of entities under the SRB remit, the sample of bank may vary across reporting quarters. Therefore, the comparisons across quarters should be taken as indicative due to the different reporting framework and the different samples. The net issuances presented in Table 1 are calculated as the difference between the level of MREL outstanding stocks in the current quarter-end and in the previous quarter-end, based on a common sample of banks.

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 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
TREA	Total Risk Exposure Amount