



SRB MREL DASHBOARD Q3.2022

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SRB MREL DASHBOARD Q3.2022

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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 (external MREL) and non-resolution entities (internal MREL), the level and the quality of stock of MREL instruments and shortfalls in Q3.2022. The second section highlights recent developments in the cost of funding and provides an overview of gross issuances of MREL-eligible instruments in Q3.2022².

In Q3.2022, for resolution entities the overall MREL shortfall (including the Combined Buffer Requirement (CBR) against final targets continued to decrease, albeit at a slower pace. For non-resolution entities, the MREL shortfall (including the CBR) increased with respect to the previous quarter, while remaining well below the level registered in Q3.2021. The MREL stock continued to increase over the quarter, mainly due to high issuance volume. Overall, the level of MREL gross issuances grew in comparison to the previous quarter and the same period of the last two years. Market conditions improved in the last quarter of 2022; in December funding costs reached the lowest levels since mid-August, remaining however higher than pre-pandemic levels of the beginning of February 2020.

¹ See 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 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.

1. MREL monitoring

Q3.2022

1.1. MREL targets for resolution entities

In absolute amount, all MREL final targets continued to grow over the quarter, driven by the expansions of banks' balance sheets on both TREA and LRE metrics³ (cf. Chart 1). The average MREL final target (2024) for resolution entities amounted to 23.3% of the Total Risk Exposure Amount (TREA), for a total amount of EUR 1,760 bn. The subordination component was equal to 19% TREA⁴, for a total requirement of EUR 1,431 bn. When considering the CBR in addition to the risk-based target, the average MREL final target stood respectively at 26.4% (EUR 1,988 bn) and 19.3% TREA⁵ (EUR 1,454 bn). The level of subordination target varies across banks and is driven by several factors, among which the risk density, the share of Pillar 1 banks and No-Creditor-Worse-Off risk⁶.

Among different categories of banks, the average MREL targets reported by G-SII, Top Tier and non-Pillar 1 banks were overall stable compared to Q2.2022, and amounted to 27%, 25.9% and 25.1% TREA, respectively. As for Other Pillar 1 banks, the average MREL target level was equal to 27.1% TREA, which was less than the previous quarter, when it stood at 27.9% TREA⁷ (cf. Chart 2).

For banks under an SPE strategy, adopted for the large majority of institutions under the SRB remit, the average target amounted to 25.8% TREA. Resolution entities under an MPE strategy registered an average MREL target equal to 29.9% TREA, in light of the additional loss-absorbing capacity needed to minimise the financial contagion effects between resolution groups within the same banking groups. Indeed, the assumption of the MPE strategy is that each resolution group can be resolved credibly and feasibly without creating adverse effects to the other resolution groups of the same banking group.

The analysis of targets by different resolution tools showed that the average MREL target reached 26.5% TREA for banks with bail-in as the main tool, while for institutions with a transfer tool the target was equal to 23.2% TREA (cf. Chart 3). The lower average target for banks under a transfer tool is driven by the lower

³ The total absolute amount of the MREL final target and of the final subordination target was up by 1.4% and by 1.9%, respectively. When including the CBR, the amounts were up by 0.9% and by 1.6%, respectively.

⁴ The average subordinated target is calculated over the full sample. When considering only the banks with the MREL subordination target, the average target was equal to 20.9% TREA.

⁵ Same as for footnote 4. When considering only the banks with the MREL subordination target, the average target including the CBR was equal to 21.3% TREA.

⁶ In the following part of this report, the CBR will be considered as a part of the MREL requirement, unless otherwise specified.

⁷ For Other Pillar 1 banks, the MREL targets in most cases were almost fully subordinated due to 8% TLOF adjustment (as per Article 12c (4) SRMR) and lower risk density of the banks.

recapitalisation needs after resolution, in light of the different perimeter of the bank.

The average MREL intermediate target (2022)⁸ amounted to 25.1% TREA for the resolution entities, and 18.1% TREA for the subordination component⁹, remaining almost unchanged compared to the previous quarter.

Chart 1. MREL final targets (of which subordination) for resolution entities by country, % TREA¹⁰

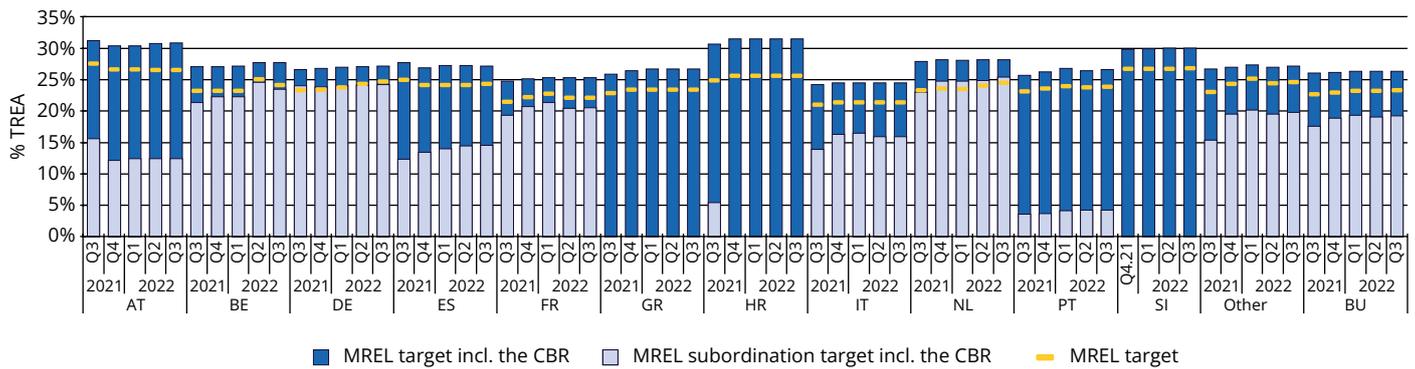
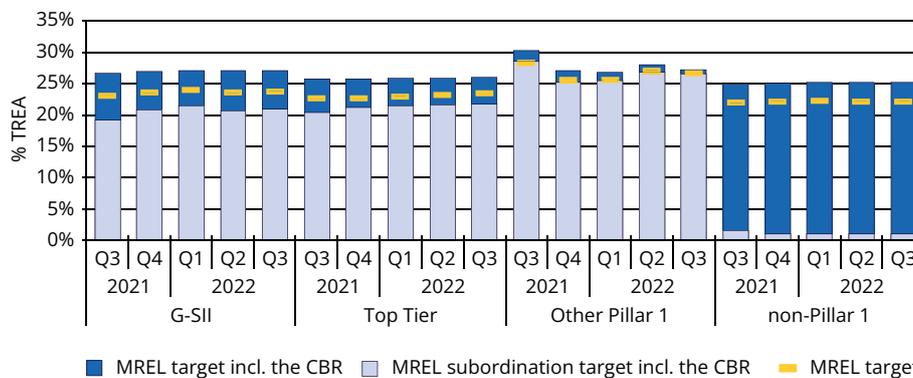


Chart 2. MREL final targets (of which subordination) for resolution entities by bank category, % TREA

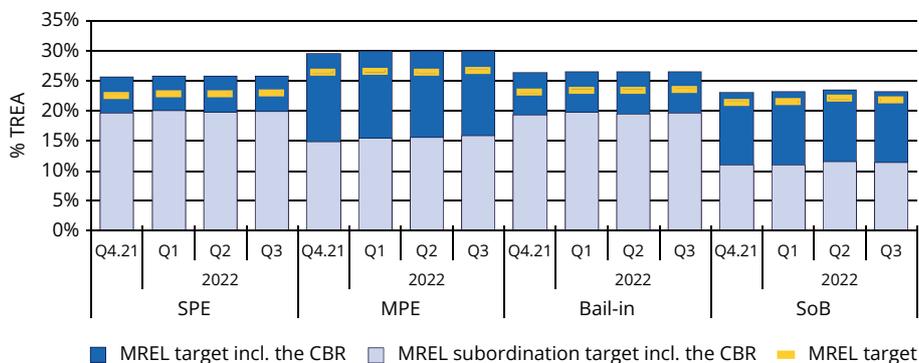


⁸ A reduced sample for average intermediate targets was considered.

⁹ Same as for footnote 4, when considering only the banks with the MREL subordination target, the average target was equal to 20.5% TREA.

¹⁰ 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".

Chart 3. MREL final targets (of which subordination) for resolution entities by preferred resolution strategy and tool, % TREA



1.2. MREL stock of resolution entities

In absolute amount, the stock of MREL – own funds and eligible liabilities – reached the value of EUR 2,353 bn (corresponding to 31.2% TREA), up by EUR 34.6 bn (or 1.5%) from Q2.2022 and by EUR 134.2 bn (or 6%)¹¹ year-on-year. This quarterly increase was mainly due to the high issuance volume (cf. Section 2.1) that largely exceeded redemptions, coupled with the positive exchange rate effect on non-euro denominated instruments. The subordinated component of the MREL stock amounted to EUR 1,989 bn (corresponding to 26.4% TREA), up by EUR 23.4 bn (or 1.2%) in the quarter, and by EUR 124.8 bn (or 6.7%) year-on-year¹² (cf. Chart 4).

In percentage of TREA, Top Tier, G-SII and non-Pillar 1 banks registered MREL stocks respectively equal to 32.2%, 31.3% and 24.4%, while for the category of Other Pillar 1 banks this ratio was equal to 44.4% (cf. Chart 5). Other Pillar 1 banks was the only category that registered a slight decrease in the ratio over the quarter, driven by, on average, a higher TREA that offset the reported growth of the MREL stock in absolute amount.

On average, the MREL composition among SRB banks remained broadly stable with respect to the previous quarter. Senior non-preferred liabilities accounted for 20% of the overall MREL outstanding stock, slightly more than in Q2.2022, driven by the contribution of G-SII and Top Tier banks. The share of senior bonds remained, on average, at 16% of the total MREL stock, with Other Pillar 1 and non-Pillar 1 banks registering a slightly higher proportion. Non-covered non-preferred deposits continued to account, on the whole, for a small percentage of the overall MREL stock, while their share was bigger for smaller banks (cf. Charts 6-7).

As concerns the maturity profile of MREL-eligible instruments, around 48% of the overall outstanding stock was of a perpetual nature, 39% with residual maturity between two and 10 years, around 6% above 10 years, and 7% maturing between one and two years. The share of short-term debt slightly reduced in the quarter for Top Tier banks, while remaining overall stable for the rest (cf. Charts 8-9).

¹¹ When considering the same sample of banks, the stock of MREL-eligible liabilities and own funds rose by 4.4% or around EUR 97.9 bn year-on-year.

¹² When considering the same sample of banks, the subordinated capacity grew by 5.2% or EUR 96.4 bn year-on-year.

With reference to the governing law of MREL-eligible instruments, around 18.3% of the overall stock was composed by instruments issued under non-EU law, 96% of which was governed by either US or UK law. Similar to what was observed during the previous quarter, across all jurisdictions eligible liabilities accounted for around two-thirds of all third country instruments. Shares of Tier 2 and AT1 instruments were respectively equal to 20% and 10% of total contracts under non-EU law (cf. Charts 10-11).

Chart 4. MREL-eligible liabilities (of which subordinated) and own funds of resolution entities by country, % TREA

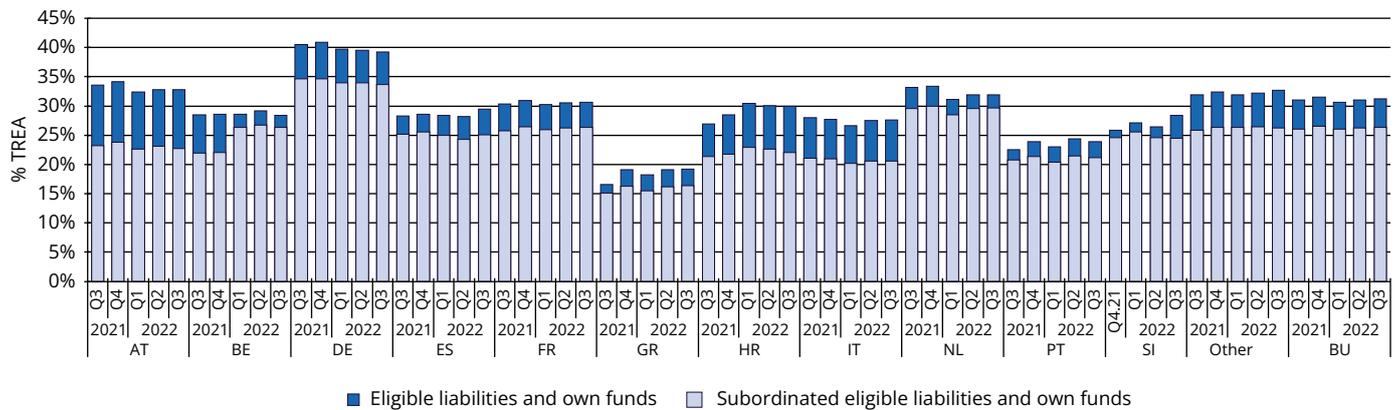


Chart 5. MREL-eligible liabilities (of which subordinated) and own funds by bank category, % TREA

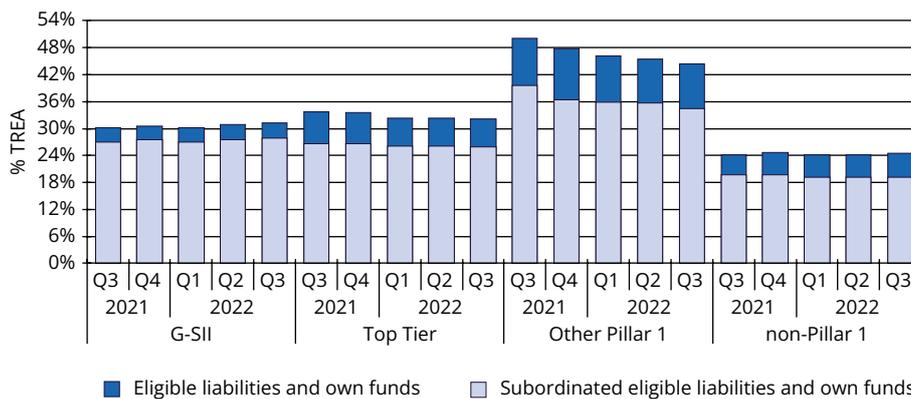
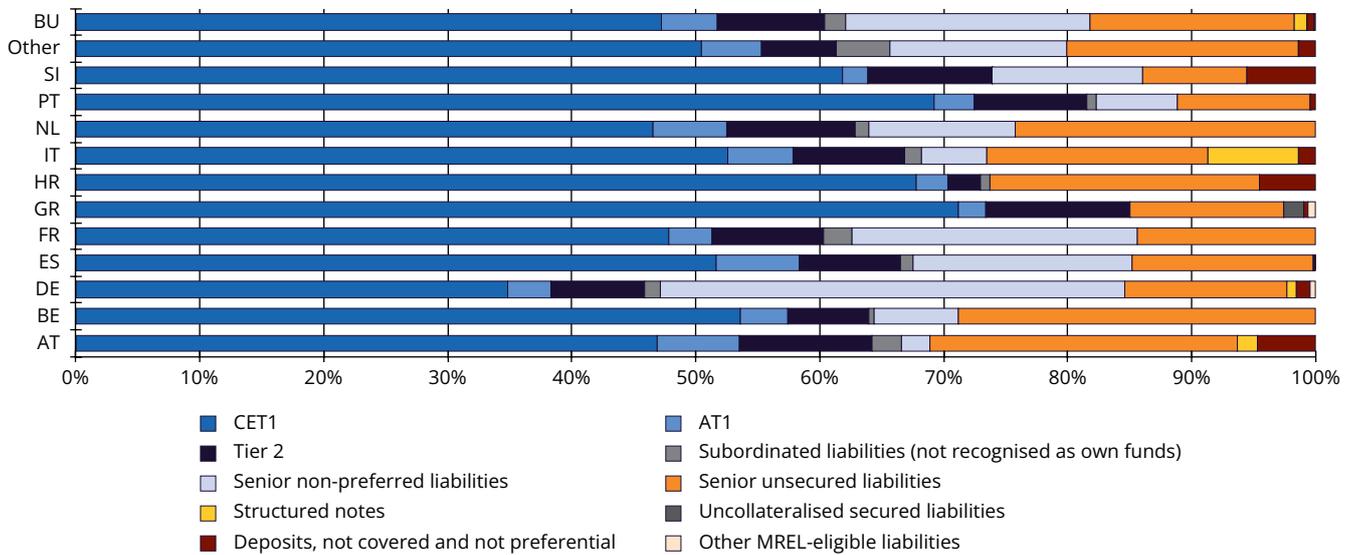
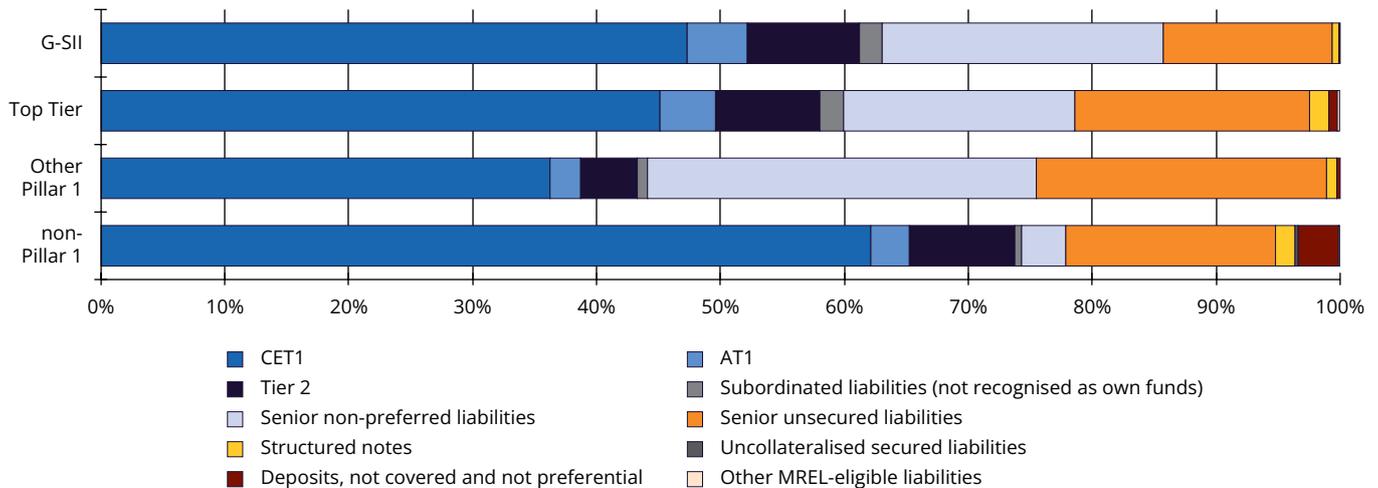


Chart 6. MREL composition by country as of 30 September 2022^{13,14}**Chart 7. MREL composition by bank category as of 30 September 2022**

¹³ Uncollateralised secured liabilities can be recognised as MREL-eligible (i) for, and limited to, the amount exceeding the value of the collateral by which it is secured (i.e. the uncovered amount of the secured liabilities) and (ii) providing they meet all the other conditions defined in both the CRR Articles 72a to 72c and the SRMR Article 12c (1-3).

¹⁴ Some MREL-eligible liabilities are structurally subordinated because they are issued by a resolution entity that is a clean holding company. As a result, for some holding companies – for instance those in BE and NL – senior debt instruments are considered as part of the subordinated capacity.

Chart 8. Maturity concentration of MREL-eligible instruments by country as of 30 September 2022

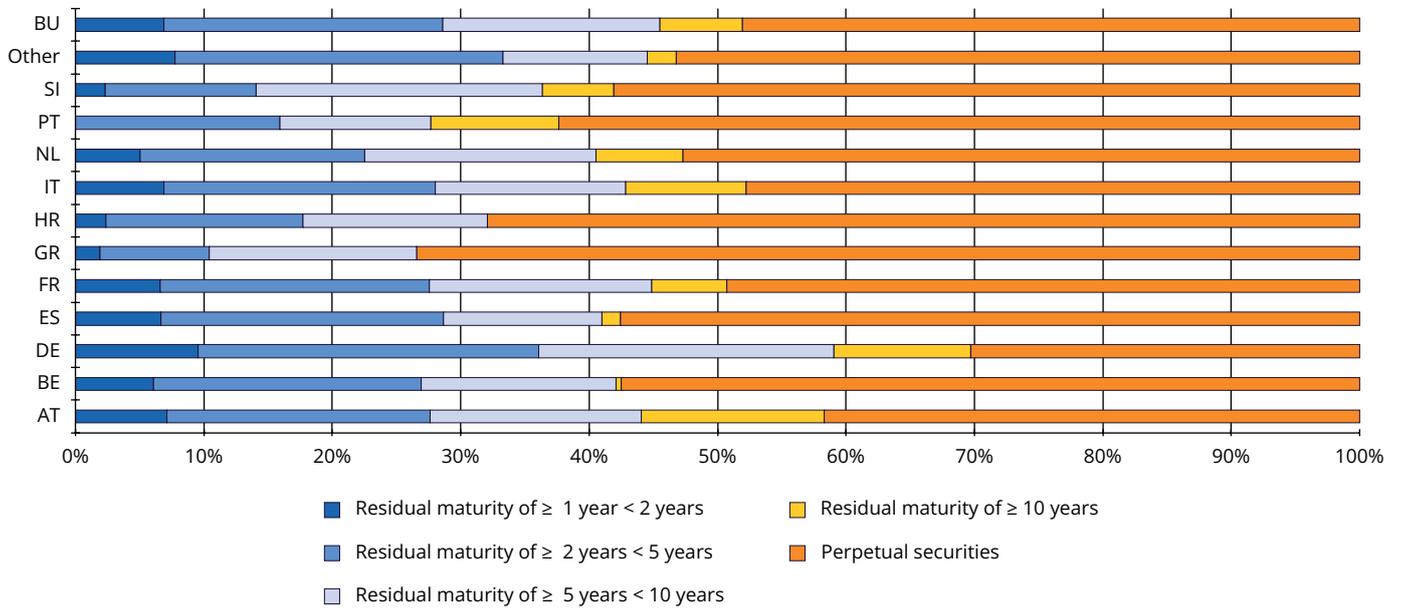


Chart 9. Maturity concentration of MREL-eligible instruments by bank category as of 30 September 2022

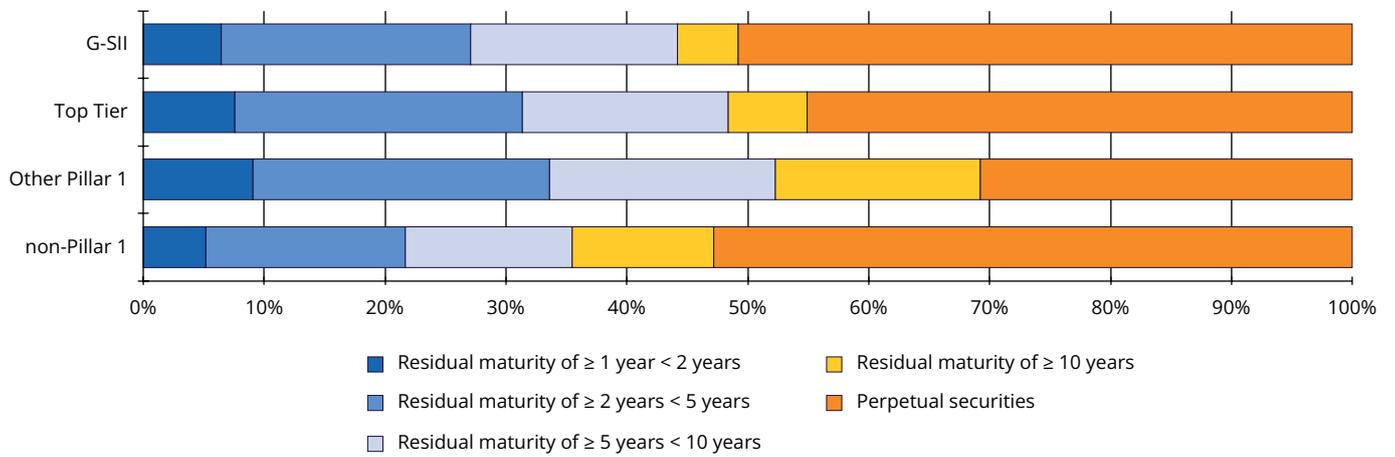


Chart 10. MREL composition - instruments under EU law vs instruments under non-EU law as of 30 September 2022

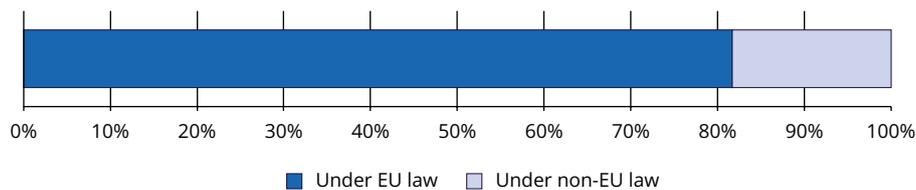
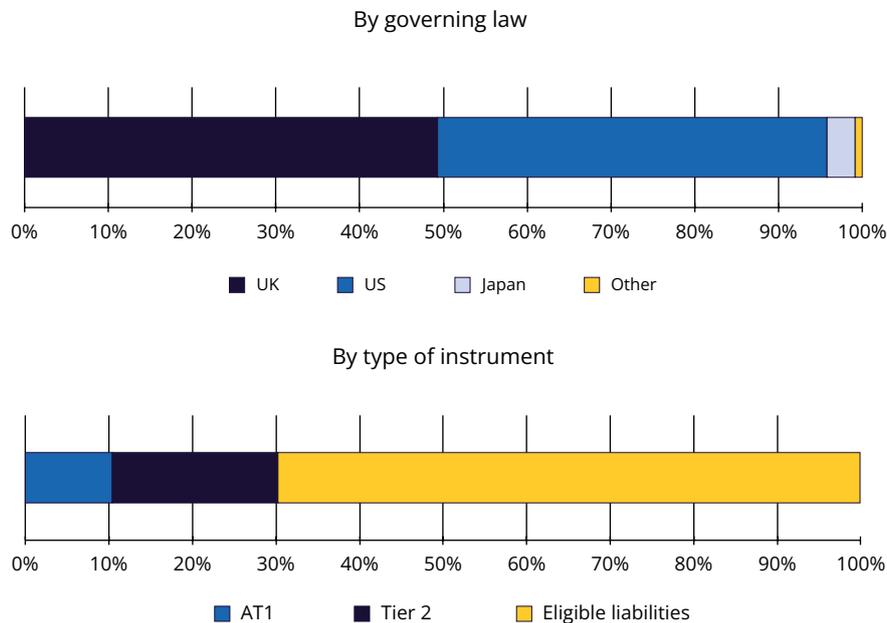


Chart 11. Instruments governed by third country law in the MREL stock as of 30 September 2022¹⁵



1.3. Shortfalls of resolution entities

The overall shortfall against the final 2024 targets¹⁶ continued to decrease in the reporting quarter, albeit at a slower pace. Specifically, the MREL shortfall was equal to EUR 18.1 bn (corresponding to 0.2% TREA), down by EUR 179 mn from the previous quarter. When considering the CBR, the MREL shortfall amounted to EUR 30.5 bn (corresponding to 0.4% TREA), in reduction by EUR 1.7 bn with respect to Q2.2022. Year-on-year, the overall shortfall in absolute amount decreased by EUR 94 mn and EUR 3.2 bn when considering the CBR¹⁷. As to the shortfall for the subordination component including the CBR, its level increased compared to the previous quarter (by EUR 1.2 bn) and amounted to EUR 10.5 bn (corresponding to 0.1% TREA, cf. Charts 12-13 and Table 1).

Around 24% of the entities in scope (corresponding to 20 banks) registered a shortfall against their final targets, and about 44% (36 banks) when considering the CBR. For 11 out of the 20 banks and for 13 out of the 36 banks the transitional period to meet the final target was extended to 2024-2025. Top Tier banks was the only category that registered a slight increase in the shortfall over the quarter. The shortfall reported by non-Pillar 1, Top Tier and Other Pillar 1 banks constituted respectively 60.6%, 34.8% and 4.6% of the total. Although decreasing compared to Q2.2022, non-Pillar 1 banks remained the entities with the highest shortfall in percentage of TREA amounting to 2.5% (including the CBR). The average shortfall

¹⁵ CET1 instruments are not shown in the chart as they accounted for less than 0.01% of the overall MREL stock under third country law.

¹⁶ For some entities, the transitional period ends after 1 January 2024, as per Article 12k (1) and (4) SRMR.

¹⁷ When considering the same sample of banks, year-on-year, the MREL shortfall decreased by around EUR 906 mn, and by EUR 4.3 bn when including the CBR.

considering the CBR reported by Other Pillar 1 and Top Tier banks amounted to 1% and 0.3% TREA, respectively (cf. Chart 14).

With respect to the intermediate MREL targets, nearly all resolution and non-resolution entities were compliant in September 2022. The SRB is strictly monitoring the very few shortfall cases and requiring banks to address them adequately.

Chart 12. MREL shortfalls (of which subordination) against final targets of resolution entities by country, EUR bn

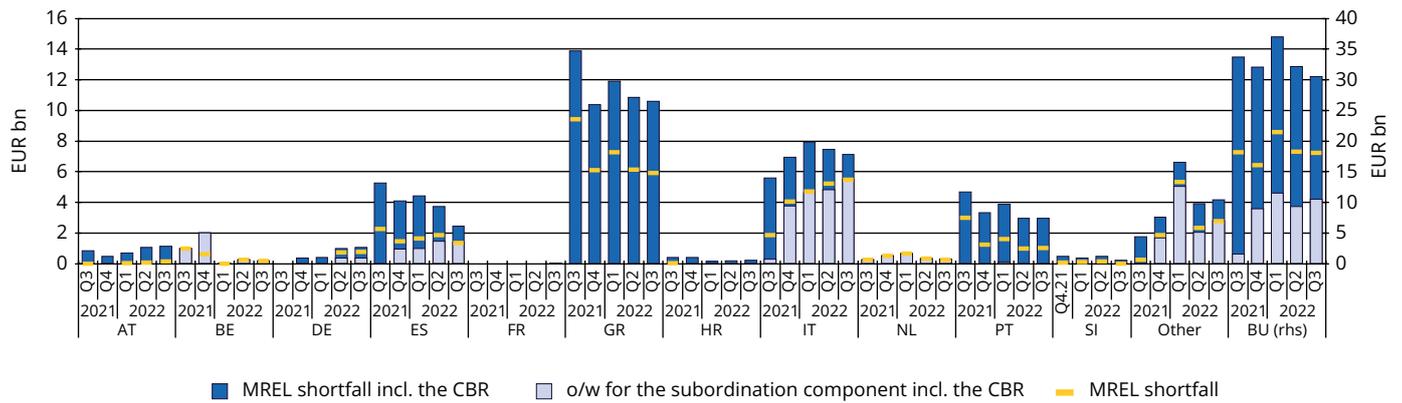


Chart 13. MREL shortfalls (of which subordination) against final targets of resolution entities by country, % TREA

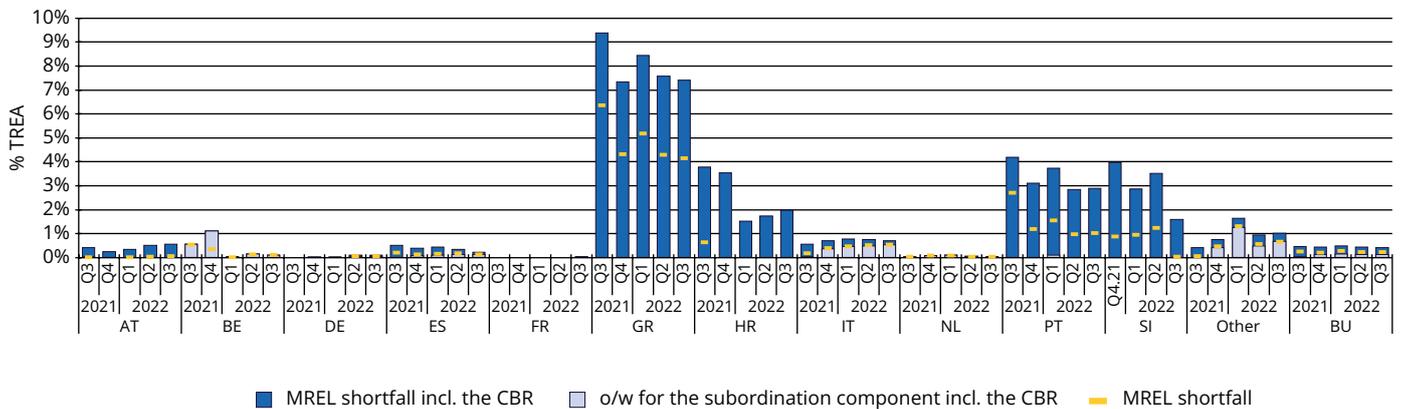
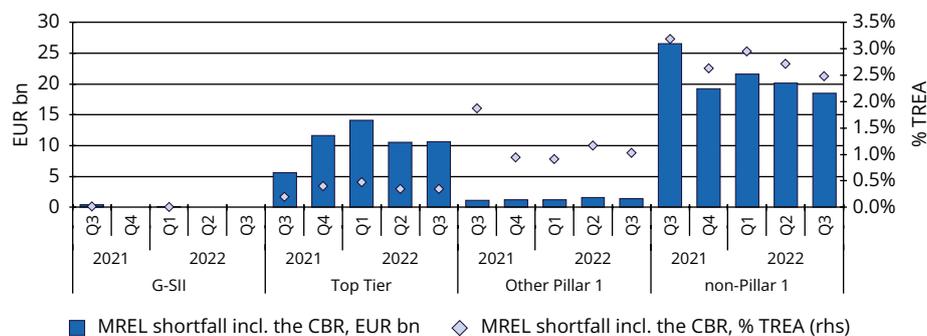


Table 1. Q3.2022 key MREL metrics for resolution entities¹⁸

Country	MREL final target incl. the CBR	MREL final subordination target incl. the CBR	Stock of MREL instruments		Gross issuances		Net issuances (net quarterly change in the MREL stock)		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	30.8%	12.5%	66,967	32.8%	1,720	0.8%	939	0.5%	1,147	0.6%	0	0.0%
BE	27.7%	23.5%	52,442	28.4%	1,451	0.8%	133	0.1%	196	0.1%	196	0.1%
DE	27.1%	24.3%	418,232	39.2%	16,591	1.6%	2,714	0.3%	1,072	0.1%	362	0.0%
ES	27.2%	14.6%	309,277	29.5%	12,838	1.2%	13,652	1.3%	2,443	0.2%	1,387	0.1%
FR	25.3%	20.6%	799,001	30.6%	21,348	0.8%	11,247	0.4%	15	0.001%	15	0.001%
GR	26.7%	0.0%	27,510	19.2%	0	0.0%	144	0.1%	10,608	7.4%	0	0.0%
HR	31.5%	0.0%	3,142	29.9%	200	1.9%	65	0.6%	207	2.0%	0	0.0%
IT	24.5%	15.9%	277,462	27.6%	8,906	0.9%	1,188	0.1%	7,136	0.7%	5,494	0.5%
NL	28.2%	25.5%	235,023	31.9%	4,403	0.6%	2,387	0.3%	288	0.04%	288	0.04%
PT	26.6%	4.3%	24,571	23.9%	0	0.0%	-907	-0.9%	2,973	2.9%	0	0.0%
SI	30.0%	0.0%	3,944	28.4%	401	2.9%	392	2.8%	221	1.6%	0	0.0%
Other	27.2%	19.9%	135,508	32.7%	7,147	1.7%	2,694	0.6%	4,173	1.0%	2,778	0.7%
BU	26.4%	19.3%	2,353,079	31.2%	75,005	1.0%	34,647	0.5%	30,480	0.4%	10,519	0.14%

Chart 14. MREL shortfalls against final targets of resolution entities by bank category

1.4. MREL targets and shortfalls of non-resolution entities

The average final target (2024) for non-resolution entities stood at 24.1% TREA (EUR 547.8 bn) when considering the CBR, remaining broadly stable over the quarter (cf. Chart 15). The average MREL intermediate target (2022)¹⁹ followed the same trend, amounting to 21.7% TREA when including the CBR.

¹⁸ Net issuances are calculated as the difference between the outstanding amount in Q3.2022 and Q2.2022.

¹⁹ A reduced sample for average intermediate targets was considered.

The MREL shortfall against final targets amounted to EUR 13.2 bn (corresponding to 0.6% TREA), decreasing slightly from the previous quarter (by EUR 220 mn). When considering the CBR, the MREL shortfall increased in comparison to Q2.2022, albeit standing well below the level registered in Q3.2021. Specifically, the shortfall rose by EUR 4.4 bn over the quarter, and was equal to EUR 20.9 bn (corresponding to 0.9% TREA, cf. Charts 16-17). This increase was mainly driven by a few institutions, for which the increased MREL requirement over the quarter was not counterbalanced by a larger internal MREL stock.

Around 23% of the entities in scope (26 banks) reported a shortfall against their final MREL targets, and about 39% (43 banks) when including the CBR. A substantial degree of variation among the shortfall levels reported by banks remained, with around 60% of the overall shortfall including the CBR being concentrated in six entities.

Chart 15. MREL final targets for non-resolution entities by country, % TREA

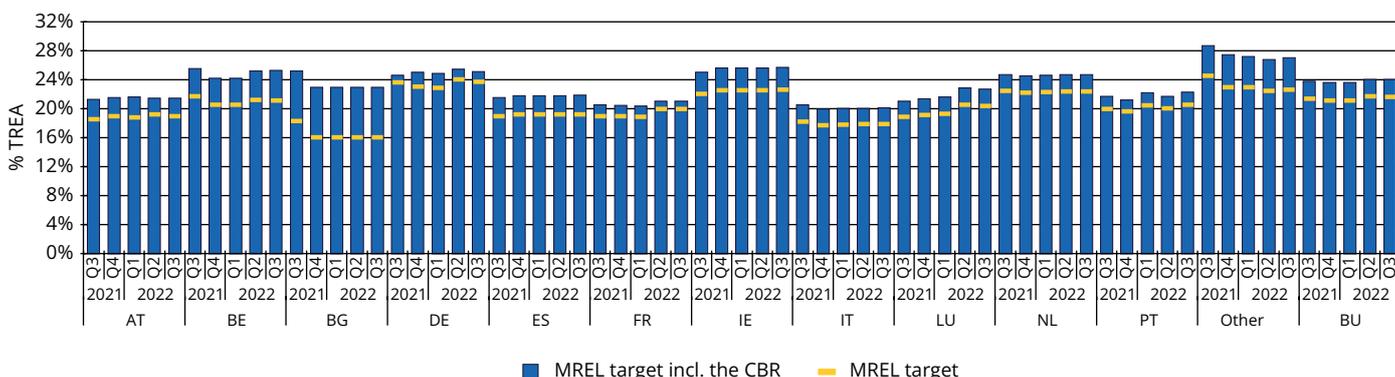
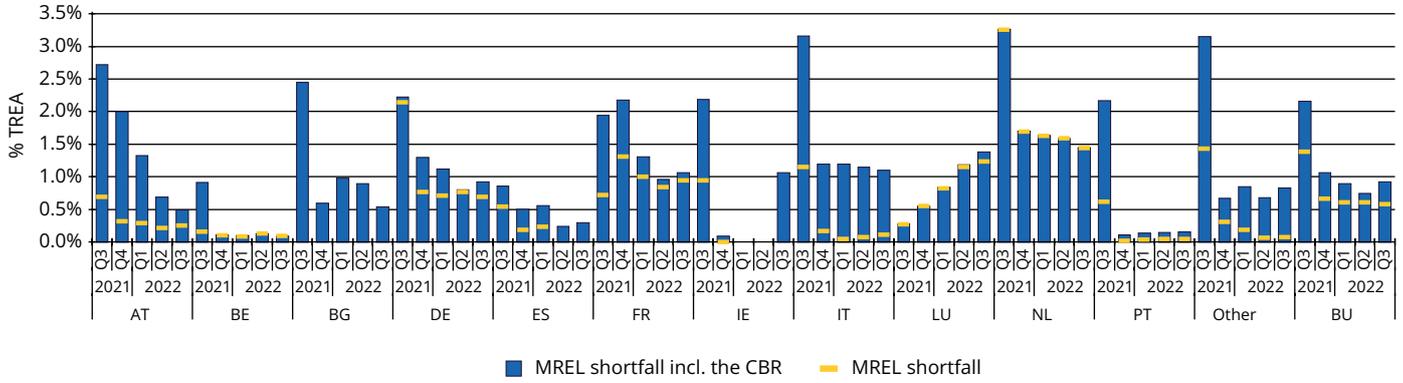


Chart 16. MREL shortfalls against final targets of non-resolution entities by country, EUR bn



Chart 17. MREL shortfalls against final targets of non-resolution entities by country, % TREA



2. Market activity and cost of funding

2.1. Market access and MREL issuances

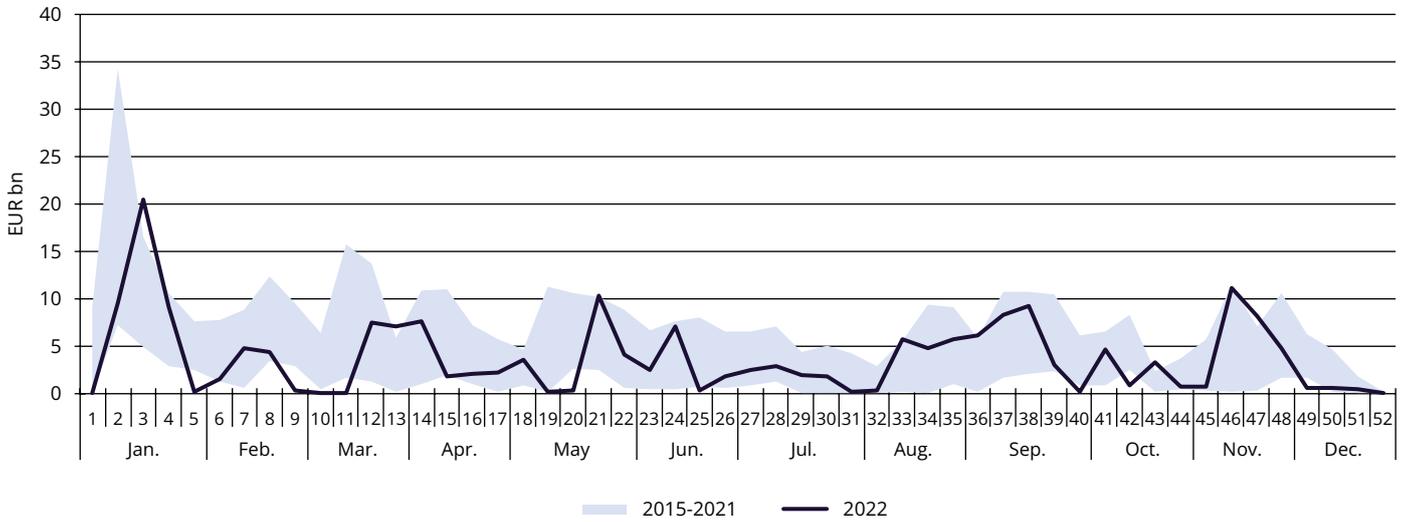
Overall, rather low activity in primary markets observed in the unsecured segment in July was followed by unusually high issuance activity during August, resulting in one of the most active summer months over the last years. Remaining broadly at similar levels during the first half of September as during the same period of 2021, the issuance volume diminished throughout the second half of the month. At the beginning of the last quarter of 2022, issuance in unsecured markets was still contained following a couple of months of increased spreads. Market conditions started to improve from end-October and continued in November, benefitting the Net Interest Income. On top of large banks that are frequent issuers, these factors gave opportunities for less frequent issuers to issue unsecured bonds. The second week of November saw the highest issuance levels since the heightened activity after the summer break, while the year closed with minimal activity during the whole month of December (cf. Chart 18).

During Q3.2022, banks under the SRB remit overall issued EUR 75 bn (corresponding to 1% TREA) of MREL-eligible instruments; up by around 11% or EUR 7.7 bn compared to Q2.2022 (cf. Charts 19-20). In the third quarter of 2022, institutions were particularly active in comparison to previous years, with the issuance volume being markedly above levels reported during the same period of 2020-2021. Overall, year-to-date issuance volume remained rather elevated (equal to EUR 226.3 bn), increasing with respect to the same period of 2021 (up by around 20% or EUR 38.1 bn), while remaining broadly in line with the same period of 2020.

Issuance activity remained concentrated around senior bonds, which accounted for 40% of total issuances. Senior bond issuances were, on average, predominant for all banks except G-SIIs, which showed a preference towards senior non-preferred instruments. Overall, over the quarter an increase in the volume of senior non-preferred issuances was observed, mostly driven by G-SIIs and, to a minor extent, by Top Tier banks. Higher volume of AT1 instruments was reported by banks, while the volume of Tier 2 issuances was broadly in line with the Q2.2022 level. Overall, issued volumes of senior non-preferred, Tier 2 and AT1 instruments accounted, respectively, for 34%, 10% and 4% of the total issuances by SRB banks (cf. Chart 21).

Looking at the MREL issuances by different categories of banks, on average, an increase in the volume of issuance was reported by all banks except G-SIIs, which recorded levels similar to those in Q2.2022. Top Tier banks issued the highest proportion of MREL instruments in the reporting quarter (with a share equal to 52% of the total, in line with Q2.2022), while G-SII banks accounted for 37% (compared to 41% in Q2.2022). The banks with total assets below EUR 100 bn (i.e. Other Pillar 1 and non-Pillar 1 banks) accounted for the remaining 11% of the total (cf. Chart 22).

Chart 18. Gross bond issuances volume of BU banks (weeks start on Wednesdays and end on Tuesdays)



Source: Dealogic, SRB computations

Chart 19. MREL gross issuances by country, EUR bn

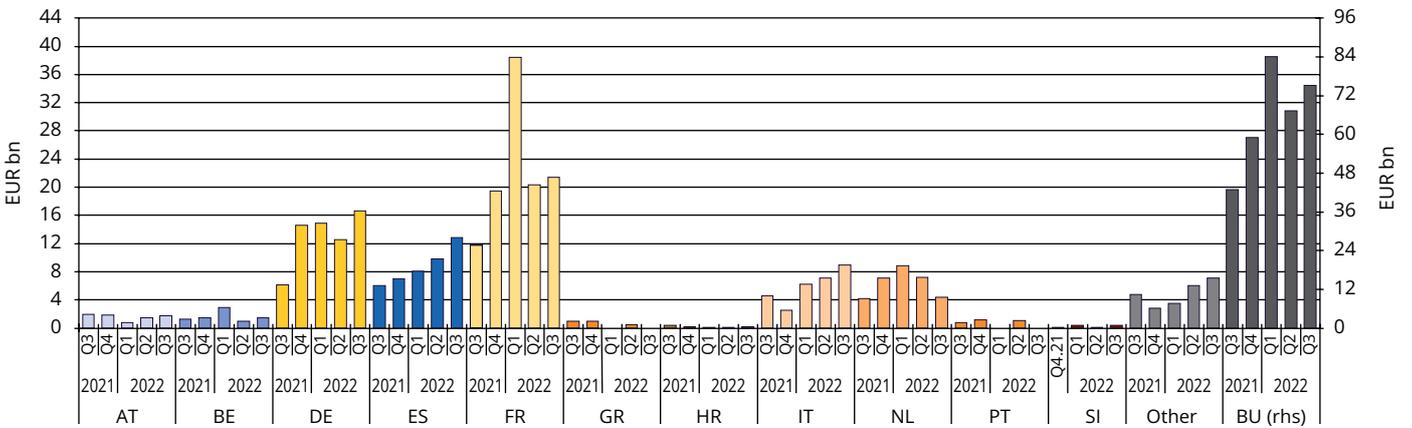


Chart 20. MREL gross issuances by country, % TREA

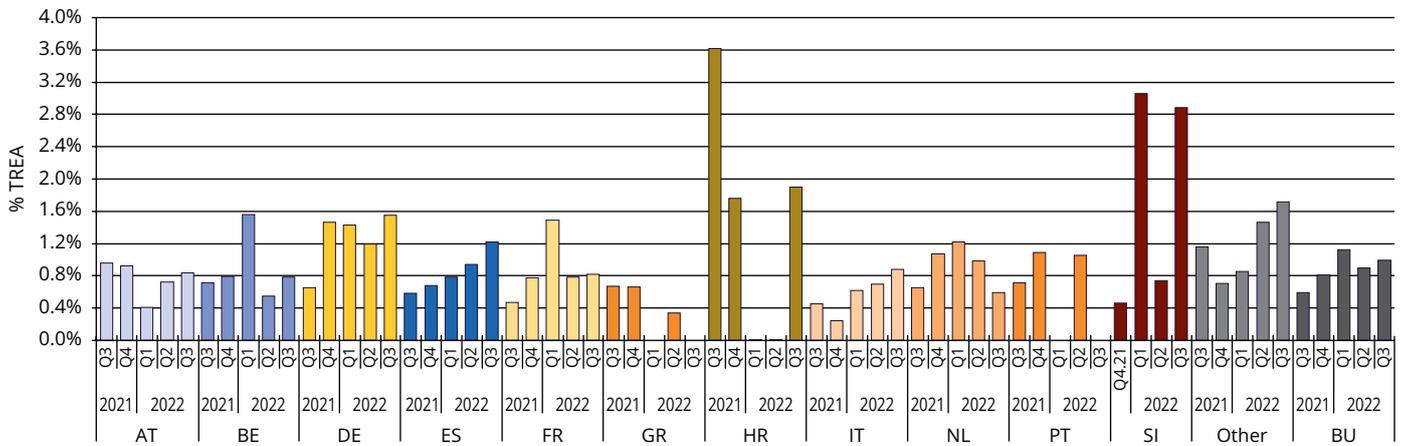
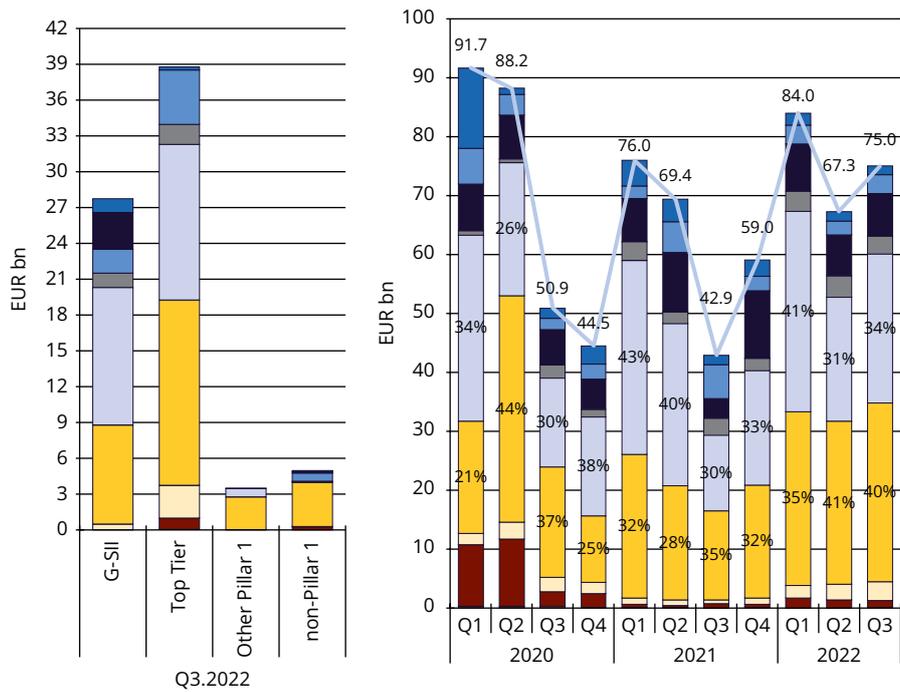
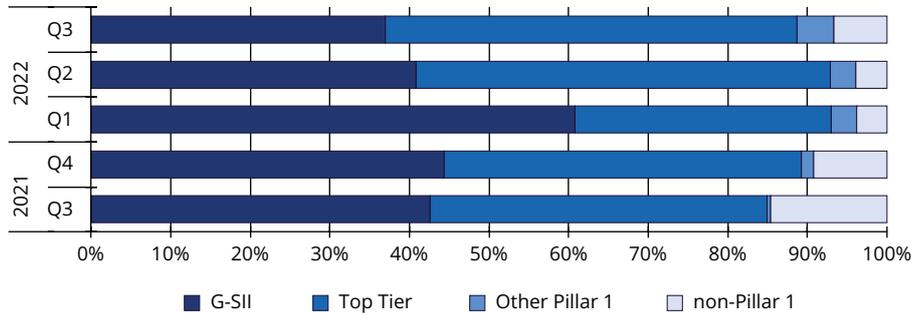


Chart 21. MREL gross issuances by type of instrument, EUR bn



- CET1
- Subordinated liabilities (not recognised as own funds)
- Structured notes
- AT1
- Senior non-preferred liabilities
- Deposits, not covered and not preferential
- Tier 2
- Senior unsecured liabilities
- Other MREL-eligible liabilities

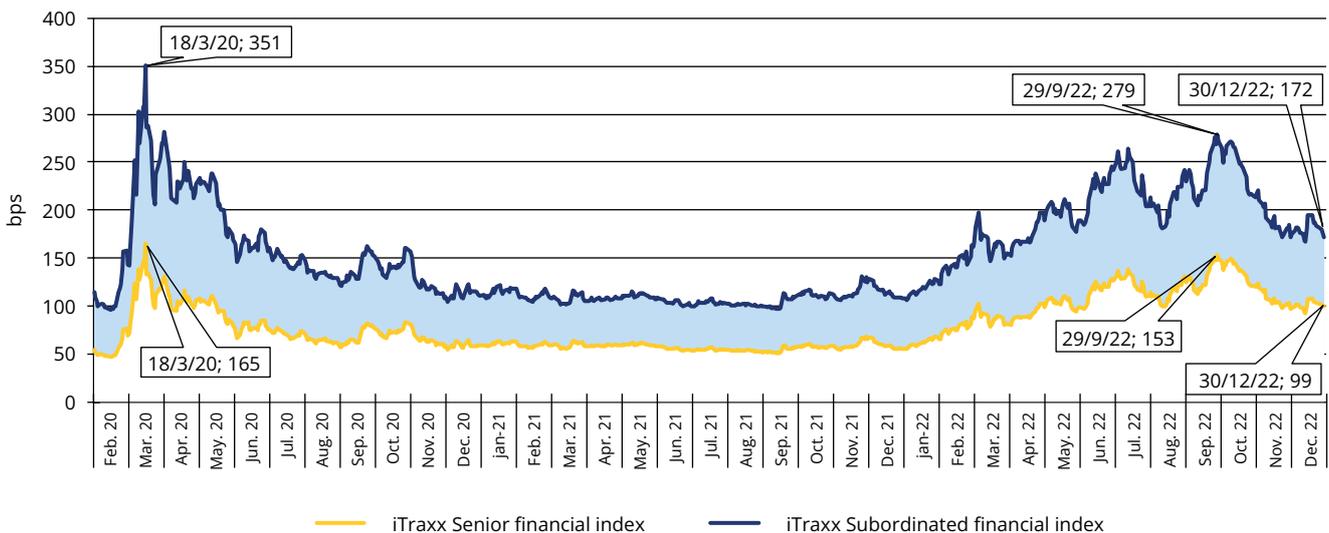
Chart 22. MREL gross issuances by bank category



2.2. Cost of funding

After tightening markedly from mid-July to mid-August, both indexes on senior and subordinated financial debt showed a significant increase starting from the second half of August, and by the end of September reached the highest level since the beginning of the year. In the last months of the year, market conditions improved significantly and investors’ demand in unsecured primary markets was strong. From October to December, funding costs reached the lowest levels since mid-August, and at the end of December iTraxx indexes on subordinated and senior financial debt stood respectively at 172 bps and 99 bps (cf. Chart 23). These levels were however higher than those prevailing at the beginning of February 2020 before the pandemic.

Chart 23. Cost of funding (iTraxx Europe Financials)



Source: Bloomberg Finance L.P., SRB computations

3. Methodological annex

Sub-Section	Sample	Reference Date	Data Source
1.1 MREL targets for resolution entities 1.3 Shortfalls of resolution entities	Resolution groups under the SRB remit for which an external MREL target was set in 2021 RPC, excluding groups whose preferred strategy is liquidation.	Q3.2021 – Q3.2022	SRB MREL quarterly data collection, COREP and CIR MREL_TLAC report : template M 01.00 –Key metrics for MREL and TLAC (KM2)
1.2. MREL stock of resolution entities (Charts 4-5)	Resolution groups under the SRB remit for which an external MREL target was set in 2021 RPC, excluding groups whose preferred strategy is liquidation.	Q3.2021 – Q3.2022	SRB MREL quarterly data collection and CIR MREL_TLAC report: template M 01.00 –Key metrics for MREL and TLAC (KM2)
1.2. MREL stock of resolution entities (Charts 6-7)		Q3.2022	CIR MREL_TLAC report: templates: i) M 02.00 – MREL and TLAC capacity and composition (resolution groups and entities) (TLAC1) and, ii) M 04.00 – Funding structure of eligible liabilities (LIAB-MREL)
1.2. MREL stock of resolution entities (Charts 8-9)		Q3.2022	CIR MREL_TLAC report: template M 06.00 – Creditor ranking (resolution entity) (RANK)
1.2. MREL stock of resolution entities (Charts 10-11)		Q3.2022	CIR MREL_TLAC report: template M 07.00 – Instruments governed by third country law (MTCI)
1.4. MREL targets and shortfalls of non-resolution entities	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.	Q3.2021 – Q3.2022	COREP and CIR MREL_TLAC report : template M 03.00 – Internal MREL and Internal TLAC (ILAC)
2.1. Market access and MREL issuances (Chart 18)	—	Until December 2022	Dealogic
2.1. Market access and MREL issuances (Charts 19-22)	MREL gross issuances: resolution groups under the SRB remit at each reference date (according to the applicable legislation), excluding groups, whose preferred strategy is liquidation.	Q1.2020– Q3.2022	SRB MREL quarterly data collection CIR MREL_TLAC report : template M 01.00 –Key metrics for MREL and TLAC (KM2)
2.2. Cost of funding	—	Until December 2022	Bloomberg Finance L.P.

Country	Number of resolution groups		Number of non-resolution entities
	Q3.2021	Q2.2022 - Q3.2022	Q2.2022 - Q3.2022
AT	6	6	14
BE	3	3	6
BG	1	1	4
CY	2	2	2
DE	8	13	15
EE	1	1	2
ES	10	10	3
FI	2	2	2
FR	6	6	11
GR	4	4	-
HR	3	3	2
IE	2	2	11
IT	10	11	16
LT	1	1	2
LU	2	2	5
LV	1	1	2
MT	1	1	1
NL	4	4	4
PT	4	4	5
SI	2	3	2
SK	2	2	2
BU	75	82	111

The bank category, the preferred resolution strategy and tool considered in the analysis across different sections refer to the 2020 (for metrics with reference date Q3.2021) and 2021 RPCs (for metrics with reference date from Q4.2021 onwards) as per resolution plans. Other Pillar 1 Banks are banks chosen by the respective NRA, which are not Top Tier Banks but are assessed as likely to pose a systemic risk in the event of failure.

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 Q3.2021) and 2021 RPCs (for metrics with reference date from Q4.2021 onwards) as per official decisions. For resolution entities that fell in 2021 within the scope of subordination requirements (as per Article 12d (4) or (5) SRMR), the analysis considers the MREL targets applicable after the three years period as per Article 12k (4) SRMR. From Q2.2022 onwards, for resolution entities that applied for the ECB leverage relief measure and where any change in the LRE due to its discontinuation materially impacted their external MREL target, the analysis considers the notional targets that would have applied in the absence of the LRE relief measure in 2021 RPC, as per press release ([link](#)).

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.

To monitor the level of MREL from Q1.2022 onwards of banks granted a permission to reduce eligible liabilities instruments (as per 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.

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 (net quarterly change in the MREL stock) 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 Q1.2020 and Q4.2020, MREL gross issuances are reported under BRRD1 framework, while from Q1.2021, data is 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
CRR	Capital Requirements Regulation
G-SIIs	Globally Systematic Important Institutions
ECB	European Central Bank
LRE	Leverage Ratio Exposure Measure
MPE	Multiple Point of Entry
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
NRA	National Resolution Authority
RPC	Resolution Planning Cycle
SoB	Sale of Business
SPE	Single Point of Entry
SRB	Single Resolution Board
SRMR	Single Resolution Mechanism Regulation
TREA	Total Risk Exposure Amount

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