SRB MREL DASHBOARD Q1.2023

Single Resolution Board

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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 remit[1]. The first section of the dashboard focuses on the evolution of MREL targets and shortfalls for resolution entities (external MREL) and non-resolution entities (internal MREL) and the level and the composition of MREL resources of resolution entities in Q1.2023. The second section highlights recent developments in the cost of funding and provides an overview of gross issuances of MREL-eligible instruments in Q1.2023[2].

In Q1.2023, the overall MREL shortfall including the Combined Buffer Requirement (CBR) against final targets of both resolution and non-resolution entities continued to decrease, although at a slower pace compared to Q4.2022. With reference to the MREL resources of resolution entities, banks continued to make progress in building up their levels, increasing reliance on senior debt for meeting the targets. As for gross issuances, their level in the first quarter of 2023 was significantly higher than those reported during the same period of 2020-2022. After spiking in mid-March following the turmoil generated by the crises of Silicon Valley Bank (SVB) and Credit Suisse, spreads tightened from May onwards, allowing banks to benefit from favourable issuance conditions. At the end of July, funding costs were close to the level ahead of SVB and Credit Suisse crises, showing that market confidence is being restored.

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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 Q1.2023

1.1. MREL targets for resolution entities

The average MREL final target for resolution entities under the SRB remit stood at 23.8% of the Total Risk Exposure Amount (TREA), corresponding to EUR 1,751 bn. When the CBR is considered on top of the risk-based MREL, the final target reached the level of 27.2% TREA, corresponding to EUR 1,999 bn. The MREL subordination requirement was, on average, equal to 20.8% TREA (EUR 1,396 bn), and 21.5% TREA (EUR 1,440 bn) when including the CBR[3]. The level of the subordination target varies across banks and jurisdictions and is driven by several factors, among which the risk density, the presence of Pillar 1 banks and the No-Creditor-Worse-Off risk. On average, targets in percentage of TREA slightly increased[4] compared to the previous quarter. This increase is driven by the expansions of banks' balance sheets on the LRE metric, despite the marginal average decrease observed in targets of banks with TREA as the binding requirement (cf. Chart 1)[5].

G-SIIs registered the highest average MREL target (27.5% TREA), followed by Top Tier (27% TREA), Other Pillar 1 (26.8% TREA) and non-Pillar 1 banks (26.3% TREA, cf. Chart 2). Compared to the previous quarter, the highest increase in the average MREL target was observed for Top Tier banks (up by 0.4% TREA).

For banks under a single point of entry strategy (SPE), which is adopted for the majority of SRB banks, the average MREL target slightly increased to 26.7% TREA and to 30.5% TREA for banks under a multiple point of entry (MPE) strategy (that includes an add-on to minimise financial contagion between resolution groups within the same banking group). For the banks for which the bail-in is the preferred tool, the average MREL target stood at 27.4% TREA, while for banks having a transfer tool it was equal to 23.6%. The lower average target for banks under a transfer tool is driven by the lower estimated recapitalisation needs after resolution (cf. Chart 3).

Looking at the distribution of the MREL final targets, the requirement ranged from 20.1% to 46% TREA among resolution entities (with 75% of resolution entities having an MREL target lower than 28.4% TREA, cf. Table 1).

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[3] Across all banks under the SRB remit (including banks without subordination requirement), the average subordination target was equal to 19% TREA, and 19.6% TREA including the CBR.

[4] The average MREL final target and final subordination target increased by 0.3% and by 0.6% TREA, respectively. When including the CBR, the average MREL final target and the final subordination target were up by 0.2% and 0.4% TREA, respectively.

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

The average MREL intermediate (2022) target[6] amounted to 24.9% TREA for the resolution entities, and 20.6% TREA for the banks with a subordination requirement[7]; both targets increased with respect to Q4.2022.

Chart 1. MREL final targets (of which subordination) for resolution entities by country, % TREA[8]

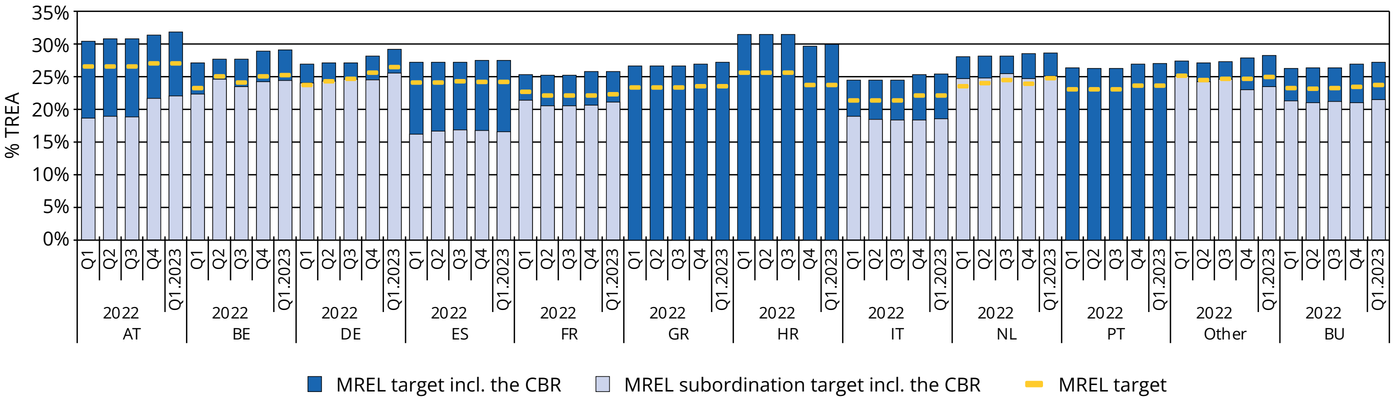
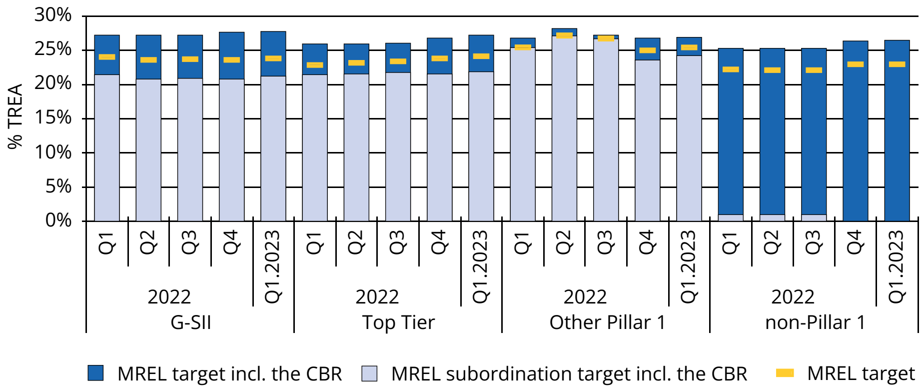


Chart 2. MREL final targets (of which subordination) for resolution entities by bank category, % TREA



6 A reduced sample for average intermediate targets was considered.

7 Across all banks under the SRB remit (including banks without subordination requirement), the average subordination target was equal to 18% TREA.

8 From this edition onwards, average subordination targets presented in Chart 1 include only banks with subordination targets (as opposed to the previous editions, where the average was computed across all banks). See methodological annex.

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

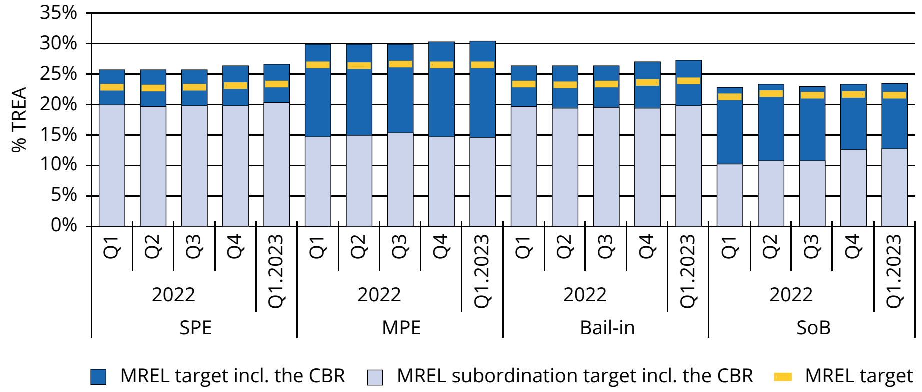
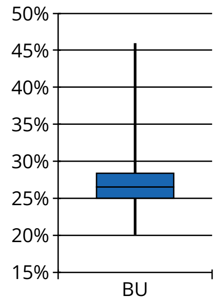


Table 1. Distribution of MREL final targets (including the CBR) for resolution entities, % TREA

Strategy/ tool	Minimum value	25th percentile	50th percentile	Average	75th percentile	Maximum value
SPE	20.1%	24.6%	26.2%	26.4%	27.9%	46.0%
MPE	25.4%	27.8%	29.4%	30.4%	33.5%	36.1%
Bail-in	22.3%	25.4%	27.2%	27.1%	28.5%	46.0%
SoB	20.1%	21.3%	22.7%	23.5%	24.8%	40.4%
BU	**20.1%**	**25.0%**	**26.6%**	**27.0%**	**28.4%**	**46.0%**



1.2. MREL resources of resolution entities

Banks continued to make progress in building up their levels of own funds and eligible liabilities. More specifically, the MREL resources increased to EUR 2,430 bn (33.1% TREA) in the reporting quarter. In comparison to Q4.2022, the total amount of resources was up by EUR 68.3 bn (3%) and year-on-year by EUR 165.1 bn (7%)[9]. Following the same trend, the level of the subordinated MREL resources was equal to EUR 2,022 bn (27.5% TREA), increasing by around EUR 34 bn (2%) from Q4.2022 and year-on-year by EUR 98.3 bn (5%) (cf. Chart 4)[10]. In percentage of TREA, the MREL resources for G-SII, Top Tier, Other Pillar 1 and non-Pillar 1 banks amounted respectively to 32.9%, 34.2%, 40.9% and 26.3% TREA. All categories of banks, on average, reported an increase in percentage of TREA as well as in the absolute amount of resources in the reporting quarter (cf. Chart 5).

Looking at the composition of MREL instruments, on average, SRB banks increased their reliance on senior debt for meeting their MREL targets. The share of senior unsecured liabilities has been progressively growing since last year, reaching the

[9] When considering the same sample of banks, year-on-year the amount of MREL resources rose by 7% or EUR 159.6 bn.

[10] When considering the same sample of banks, year-on-year the subordinated component of MREL resources grew by 5% or EUR 93.7 bn.

level of 16% of the overall MREL resources. This increase was driven, among other factors, by banks' high issuance activity during the last quarters. Non-Pillar 1 banks recorded the most pronounced increase in the share of senior unsecured liabilities year-on-year, gradually increasing from 15% of the total MREL resources in Q1.2022 to 21% in Q1.2023. The share of senior non-preferred liabilities was equal to around 22% of the total MREL resources, increasing marginally from Q4.2022 and year-on-year. Non-Pillar 1 banks remained, on average, the banks with the highest proportion of non-covered non-preferred deposits in their MREL resources (equal to around 3%, with the average among all SRB banks being lower than 1%), although their share reduced slightly with respect to Q4.2022. As for CET1, on average, the share in total MREL resources declined compared to Q4.2022 and year-on-year (cf. Chart 6).

Regarding the maturity profile of MREL-eligible instruments, around 48% of the total MREL resources was perpetual (49% in Q4.2022). The share of MREL resources with residual maturity over 10 years reduced marginally from Q4.2022, representing around 5% of the total, while that one maturing between two and 10 years remained stable at 39% of the total. On average, short-term debt (maturing between one and two years) accounted for 7% of the total MREL resources, with its share increasing over the quarter for all categories of banks except for Other Pillar 1 banks (cf. Charts 8-9).

With respect to instruments governed by non-EU law, while remaining broadly stable in absolute amount, their share continued to decrease over the reporting quarter, representing around 17% of the overall MREL resources. The composition of instruments under non-EU law remained broadly stable, with 96% of the instruments being governed by either US or UK law (95% in Q4.2022) and with eligible liabilities accounting for over two-thirds of all third country instruments (cf. Charts 10-11).

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

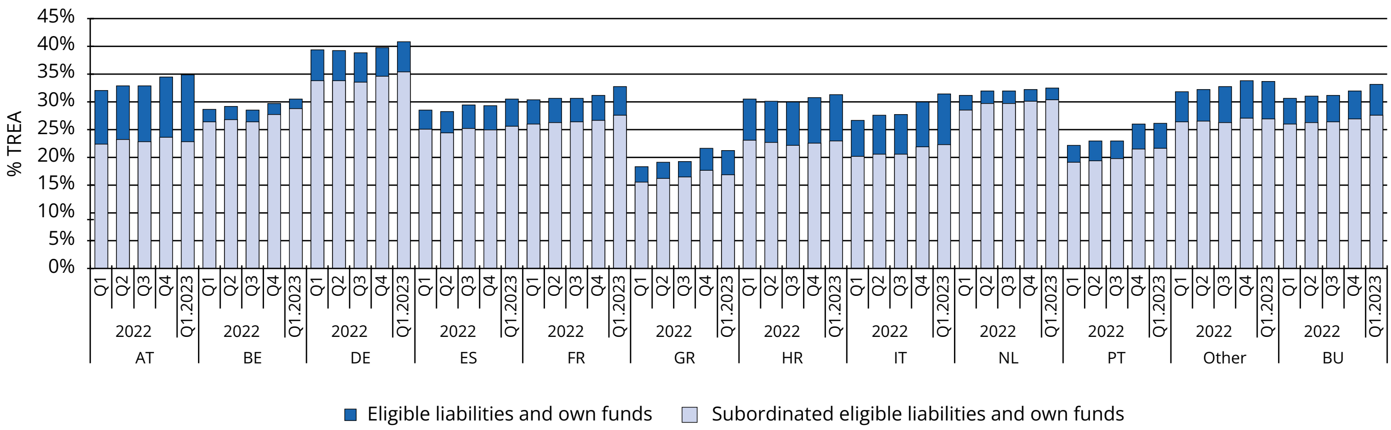


Chart 5. MREL-eligible liabilities (of which subordinated) and own funds by bank category, % TREA

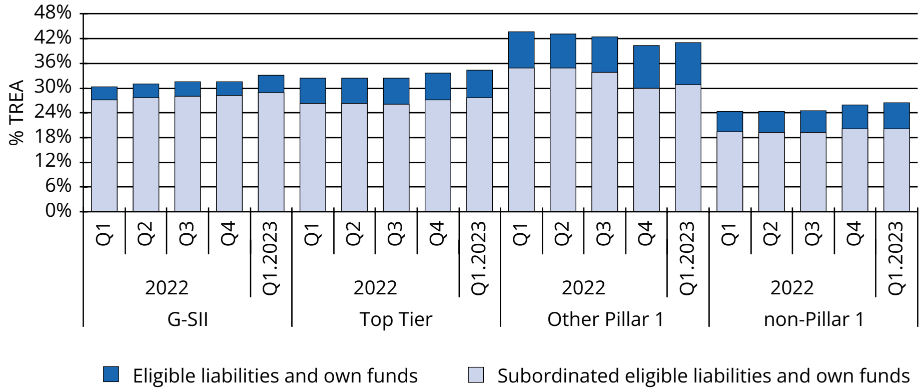
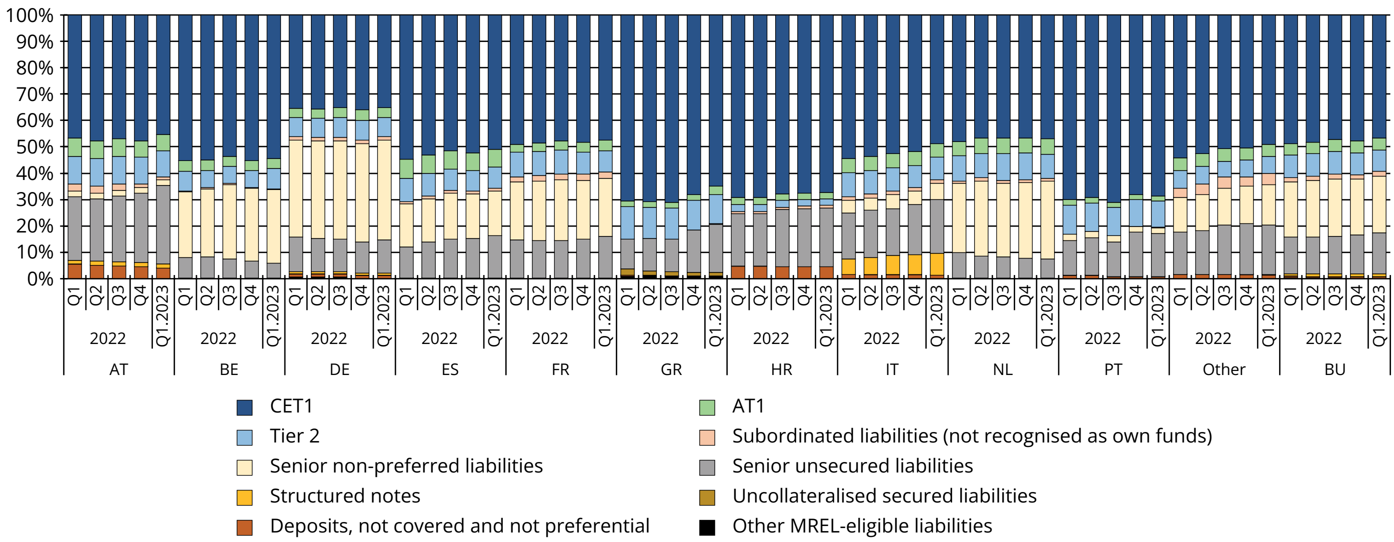


Chart 6. MREL composition by country[11,12]



11 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).

12 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 senior non-preferred instruments.

Chart 7. MREL composition by bank category

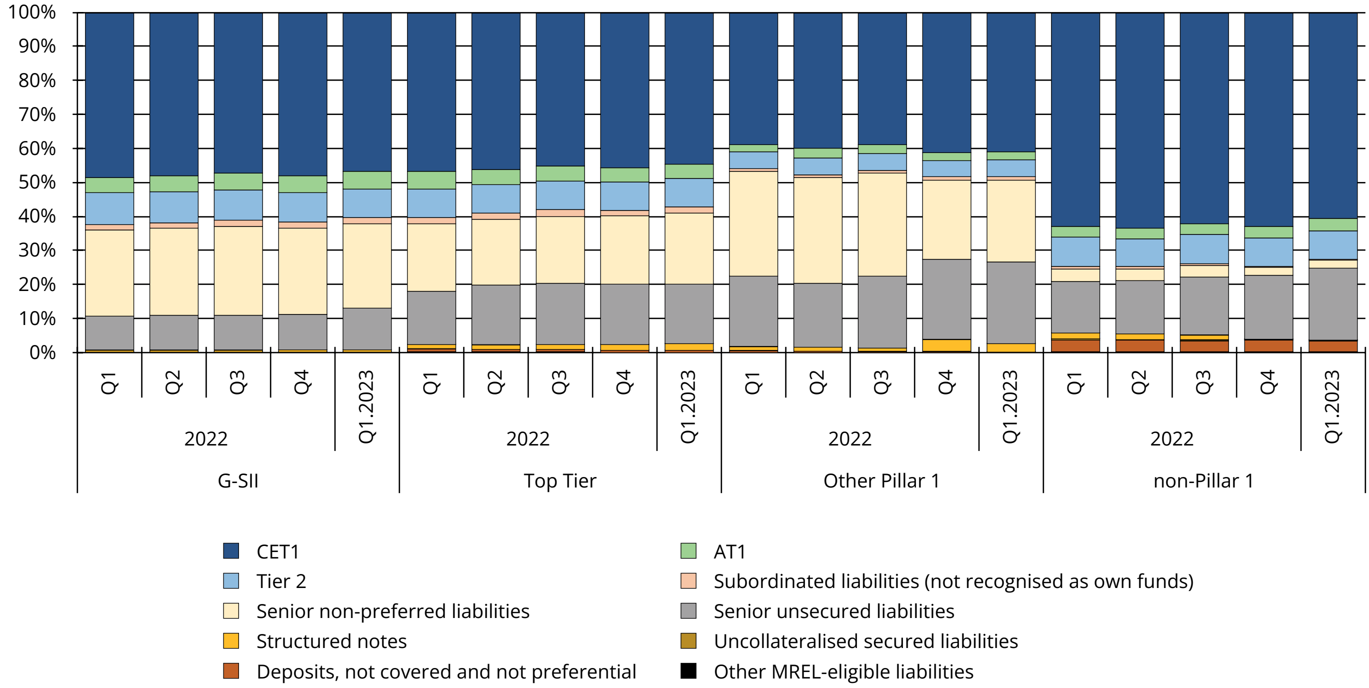


Chart 8. Maturity concentration of MREL-eligible instruments by country

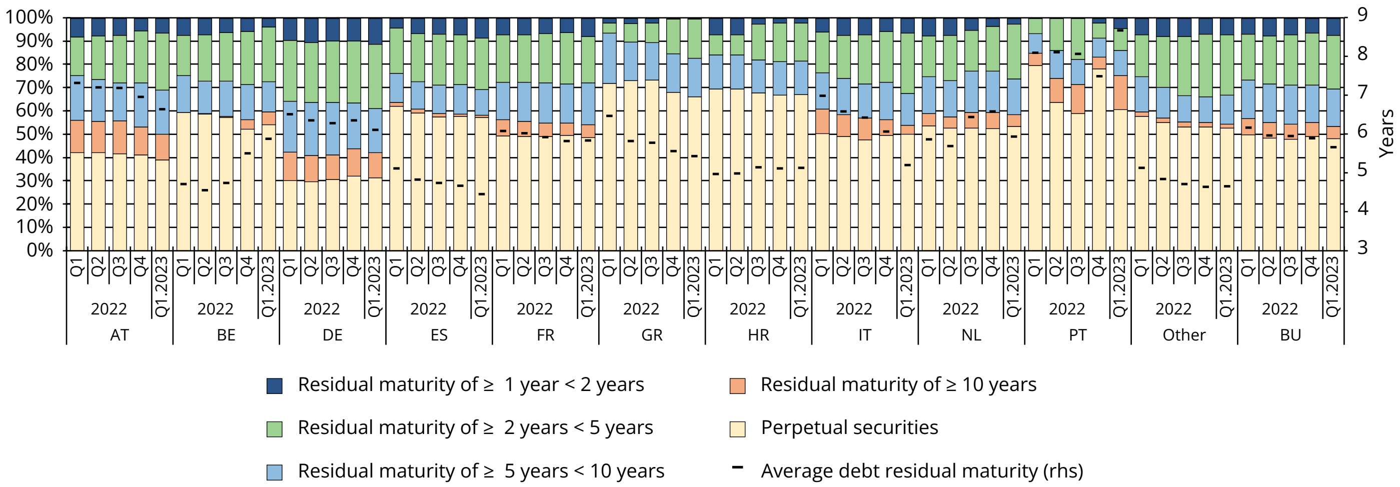


Chart 9. Maturity concentration of MREL-eligible instruments by bank category

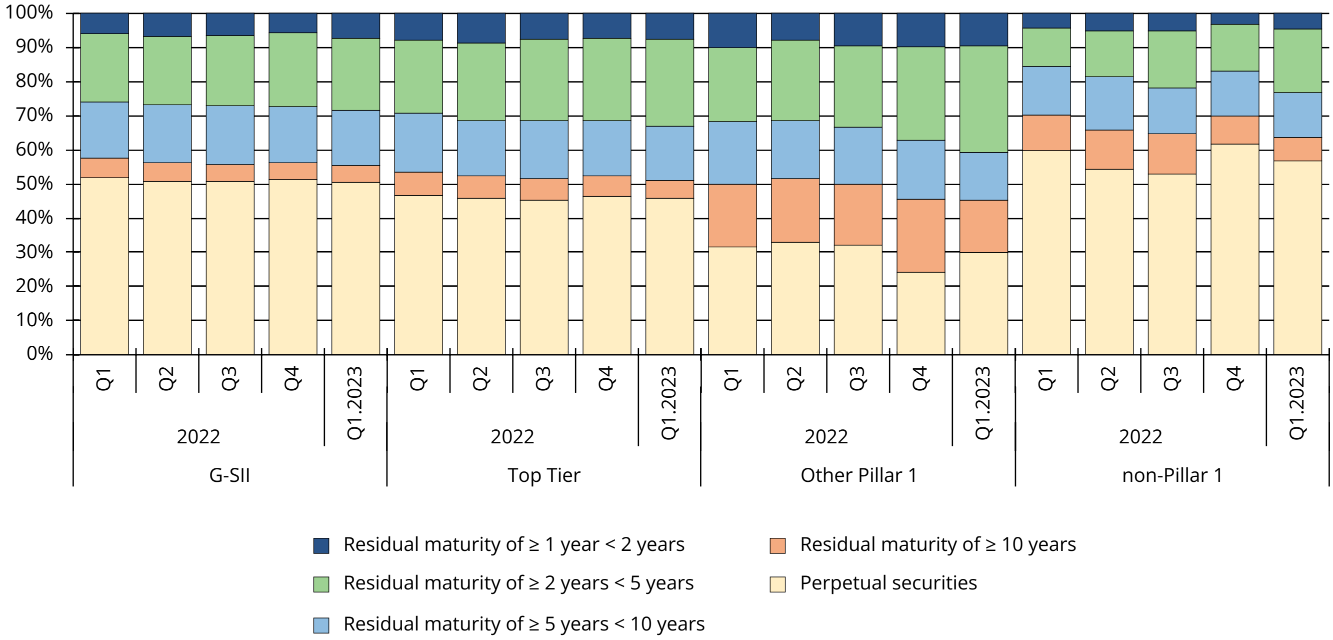


Chart 10. MREL composition - instruments under EU law vs instruments under non-EU law as of 31 March 2023

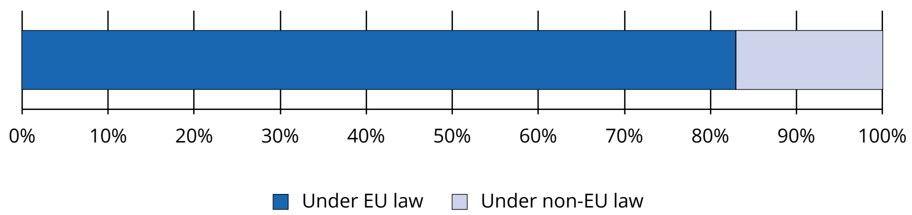
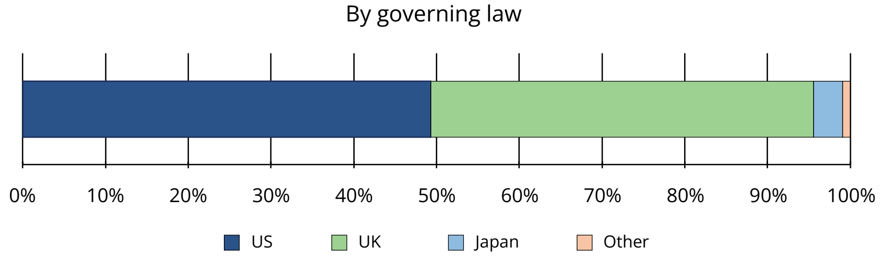
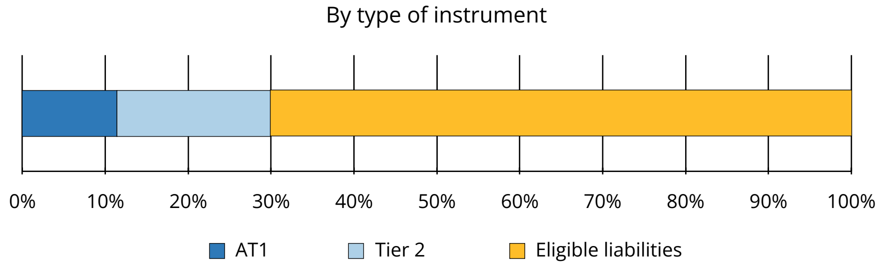


Chart 11. Composition of MREL instruments governed by third country law as of 31 March 2023





1.3. Shortfalls of resolution entities

The overall MREL shortfall against the final (2024) targets[13] continued to decrease in the first quarter of 2023, although at a much slower pace compared Q4.2022. The shortfall reduced to around EUR 8 bn (0.1% TREA), down by 8% (EUR 706 mn) compared to the previous quarter and by over 60% year-on-year (EUR 13.4 bn)[14]. When considering the CBR, the MREL shortfall reached the amount of EUR 20.5 bn (0.3% TREA), down by 5% (EUR 1 bn) compared to Q4.2022, and almost halved year-on-year (EUR 16.5 bn)[15]. The subordination shortfall (including the CBR) amounted to EUR 5.6 bn (0.1% TREA), a reduction of 16% (EUR 1.1 bn) from the previous quarter (cf. Charts 12-13 and Table 2).

Around 13% of the entities in scope (10 banks) were in shortfall against their final targets, and about 30% (24 banks) when considering the CBR. All but one of the 10 banks and 14 out of the 24 banks can count on a longer transitional period to meet their final targets, ending, in most cases, in 2024-2025.

The shortfall reported by non-Pillar 1, Top Tier and Other Pillar 1 banks constituted respectively 62%, 28% and 10% of the overall shortfall (including the CBR). For Top Tier and Other Pillar 1 banks the shortfall decreased over the reporting quarter, while for non-Pillar 1 banks a marginal increase was observed. In percentage of TREA, the shortfall (including the CBR) of non-Pillar 1, Other Pillar 1 and Top Tier banks was respectively equal to 2%, 1.1% and 0.2% TREA. All G-SIIs remained in surplus during the reporting quarter (cf. Chart 14).

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

[14] When considering the same sample of banks, year-on-year the MREL shortfall decreased by 68% or EUR 14.5 bn.

[15] When considering the same sample of banks, year-on-year the MREL shortfall including the CBR decreased by 48% or EUR 17.6 bn.

With respect to the MREL intermediate (2022) target, all resolution and non-resolution entities were compliant in March 2023.

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

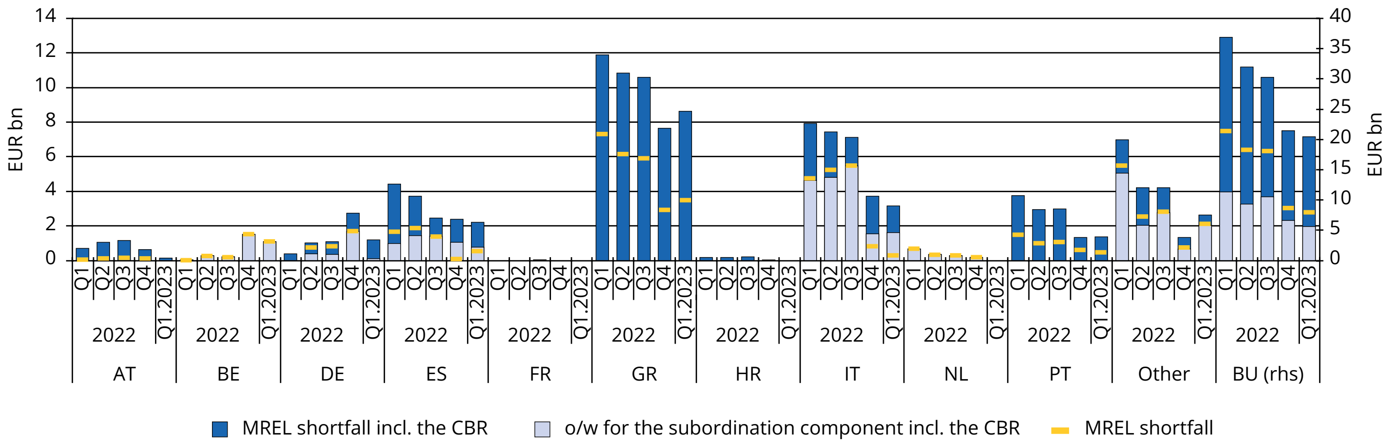


Chart 13. MREL shortfalls (of which subordination) against final targets of resolution entities by country, % TREA

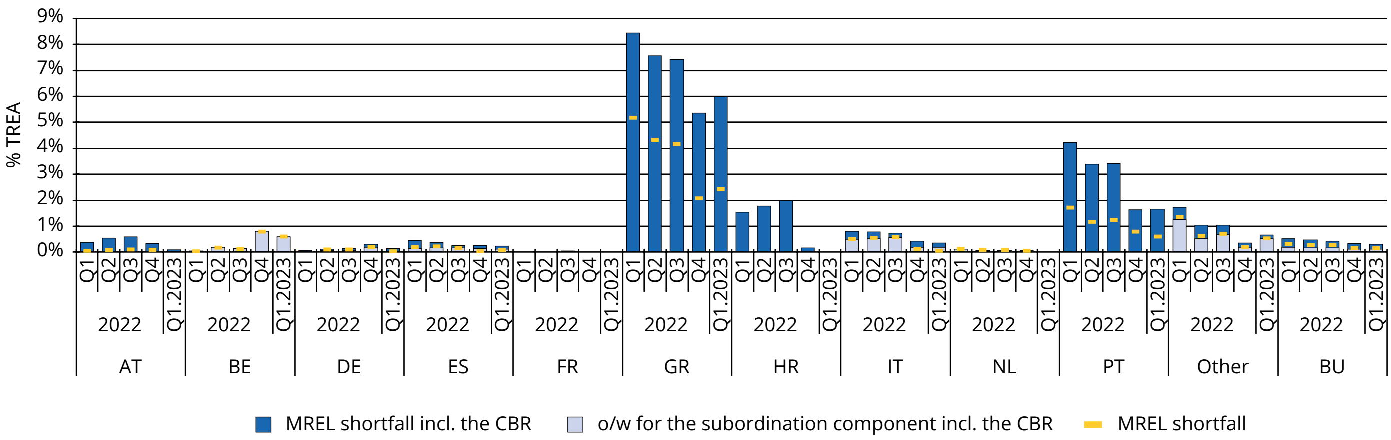
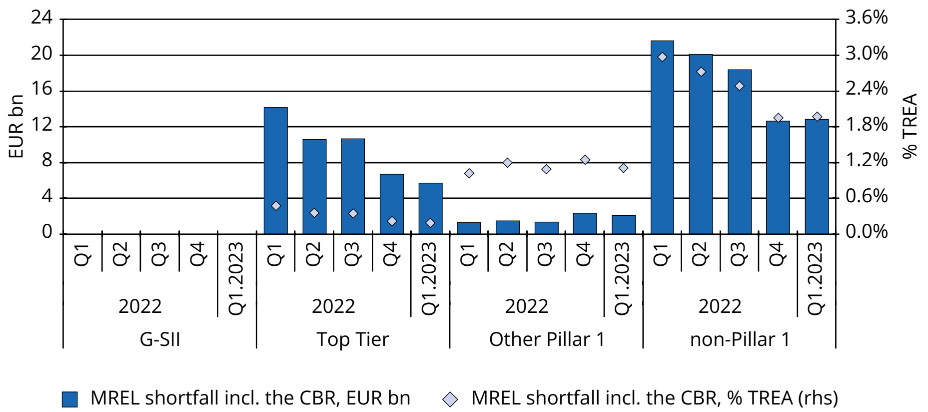


Table 2. Q1.2023 key MREL metrics for resolution entities[16]

Country	Total TREA	MREL final target incl. the CBR	MREL final subordination target incl. the CBR	MREL resources		MREL gross issuances		MREL net issuances (net quarterly change in the MREL resources)		MREL shortfall incl. the CBR against final targets			
	EUR mn	%TREA	%TREA	EUR mn	%TREA	EUR mn	%TREA	EUR mn	%TREA	EUR mn	%TREA	o/w for the subordination component: EUR mn	o/w for the subordination component: %TREA
AT	203,991	31.8%	22.1%	70,994	34.8%	3,697	1.8%	1,940	1.0%	145	0.1%	0	0.0%
BE	191,726	29.1%	24.5%	58,479	30.5%	1,990	1.0%	668	0.3%	1,096	0.6%	1,096	0.6%
DE	1,020,964	29.3%	25.6%	416,436	40.8%	20,533	2.0%	11,260	1.1%	1,198	0.1%	91	0.0%
ES	1,055,756	27.5%	16.6%	321,331	30.4%	13,509	1.3%	7,871	0.7%	2,202	0.2%	776	0.1%
FR	2,546,147	25.8%	21.1%	833,484	32.7%	48,631	1.9%	34,064	1.3%	0	0.0%	0	0.0%
GR	144,210	27.2%	0.0%	30,569	21.2%	984	0.7%	-329	-0.2%	8,654	6.0%	0	0.0%
HR	10,192	30.0%	0.0%	3,185	31.3%	1	0.0%	-12	-0.1%	0	0.0%	0	0.0%
IT	960,457	25.4%	18.6%	301,154	31.4%	17,381	1.8%	10,865	1.1%	3,148	0.3%	1,595	0.2%
NL	714,601	28.7%	25.1%	231,736	32.4%	7,329	1.0%	1,198	0.2%	0	0.0%	0	0.0%
PT	84,025	27.0%	0.0%	21,863	26.0%	10	0.0%	489	0.6%	1,380	1.6%	0	0.0%
Other	418,063	28.3%	23.5%	140,587	33.6%	3,681	0.9%	313	0.1%	2,639	0.6%	2,043	0.5%
BU	**7,350,132**	**27.2%**	**21.5%**	**2,429,818**	**33.1%**	**117,747**	**1.6%**	**68,326**	**0.9%**	**20,462**	**0.3%**	**5,601**	**0.1%**

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



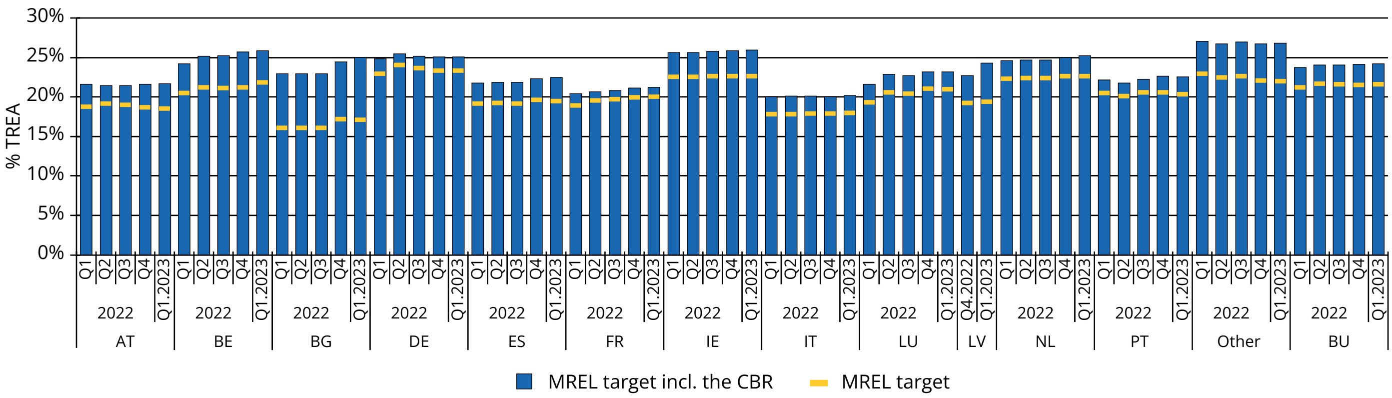
[16] MREL net issuances are calculated as the difference between the outstanding amount of the MREL resources in Q1.2023 and Q4.2022 considering the same sample of banks.

1.4. MREL targets and shortfalls of non-resolution entities

The average MREL final target (2024) for non-resolution entities, including the CBR, amounted to 24.3% TREA (EUR 556.6 bn), while the average MREL intermediate target (2022) was equal to 21.8% TREA (EUR 455.9 bn)[17]. Both targets in percentage of TREA slightly increased compared to Q4.2022, largely due to the growth of LRE metric and, to a lesser extent, of TREA (cf. Chart 15). In line with the trend observed for resolution entities, the overall MREL shortfall of non-resolution entities against the final targets continued to decrease, although at a slower pace compared to the previous quarter. Specifically, the overall MREL shortfall was equal to EUR 6.8 bn (0.3% TREA), and EUR 9.1 bn (0.4% TREA) when considering the CBR. Both shortfalls reduced by around EUR 1.5 bn in comparison to the previous quarter[18] (cf. Charts 16-17).

About 16% of the entities in scope (20 banks) were in shortfall against their final MREL targets, and around 21% (26 banks) when considering the CBR, with both groups of banks decreasing with respect to Q4.2022. Around 55% of the overall MREL shortfall including the CBR was attributable to two banks, for which the shortfall exceeded EUR 1 bn. Four banks (including the above-mentioned two banks), for which the shortfall including the CBR exceeded EUR 500 mn, accounted for around 70% of the total amount.

Chart 15. MREL final targets for non-resolution entities by country, % TREA[19]



17 A reduced sample for average intermediate target was considered.

18 When considering the same sample of banks, the change of both shortfalls is not affected.

19 As a result of the evolution of scope of non-resolution entities in the 2022 RPC, LV is now represented by three institutions. Consequently, starting from Q4.2022, figures for the country are presented in charts in Section 1.4. For the previous quarters, the country was grouped as "Other".

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

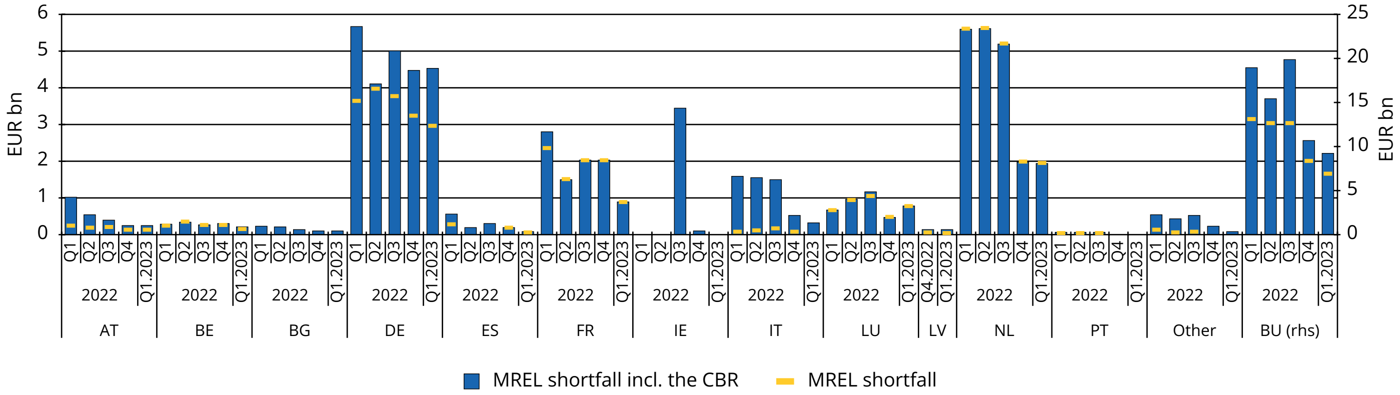
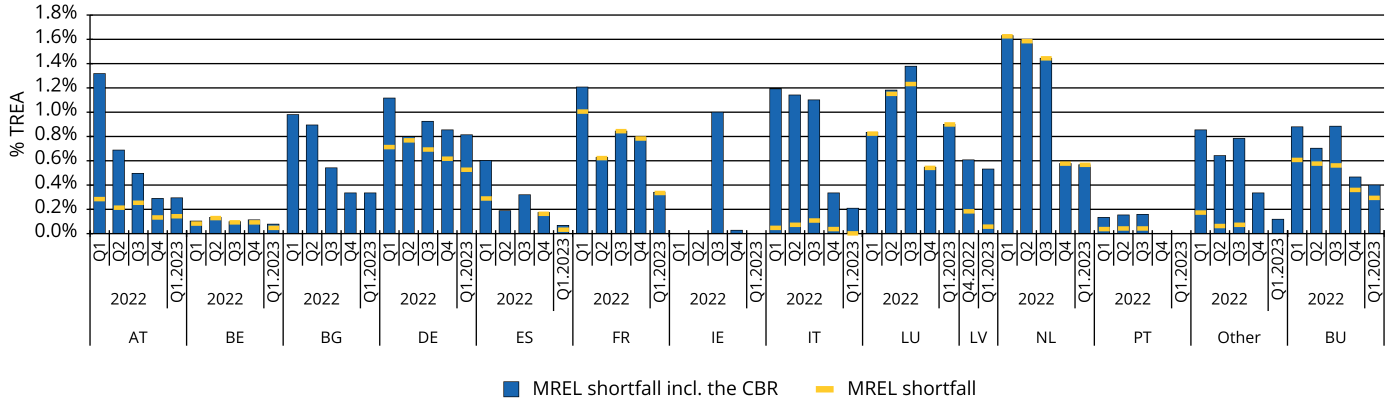


Chart 17. MREL shortfalls against final targets of non-resolution entities by country, % TREA



2. Market activity and cost of funding

2.1. Market access and MREL issuances

The year 2023 started with record issuances, reaching a peak in the second week of January and with overall January issuances surpassing the levels of the same period of 2021-2022. Issuances in unsecured markets remained at high levels between February and the beginning of March, above those of the same period in the previous years.

After limited activity observed towards the end of the first quarter of 2023, amid elevated uncertainty following the turmoil generated by the crises of SVB and Credit Suisse, issuance resumed actively in mid-April, due to resumed confidence. From May onwards, issuance activity on unsecured markets was strong and significantly above the levels registered for the same period in 2022, including market reopening in the Tier 2 segment, in concurrence with tightening spreads (cf. Chart 18).

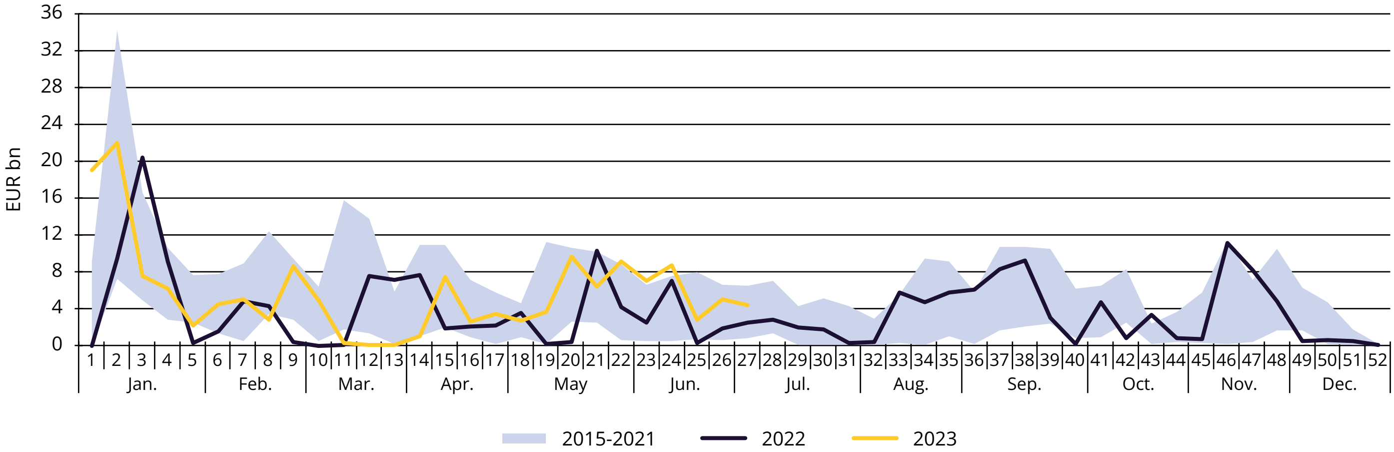
Smaller issuers also took advantage of improved market conditions to return to the market. The significant increase in volumes in senior preferred was attributed to a need for funding cost optimisation to replace TLTRO, while for senior non-preferred bonds the driver of lower volumes is the contained refinancing schedule for 2023. In June, positive signals came also from a couple of issuances in the AT1 segment, though still at high cost in comparison with the period preceding the Credit Suisse crisis.

In Q1.2023, banks under the SRB remit overall issued EUR 117.7 bn (1.6% TREA) of MREL-eligible instruments; up by around two-thirds (EUR 45.2 bn) compared to Q4.2022 (cf. Charts 19-20). While generally being the strongest quarter of the year, the issuance level recorded in Q1.2023 was significantly higher than levels reported during the same period in 2020-2022.

Looking at the MREL issuances by different categories of banks, almost half of total issuances came from G-SIIs, which, on average, more than doubled their volumes with respect to the previous quarter, while being in MREL surplus. An increased issuance volume was also observed for Top Tier banks (up by 35% from Q4.2022), accounting for 42% of total issuances. The share of issuances from banks with total assets below EUR 100 bn (i.e. Other Pillar 1 and non-Pillar 1 banks) accounted for 9% of the total (compared to 16% in Q4.2022). While the overall amount issued by non-Pillar 1 banks was almost in line with the level registered in the previous quarter, the level of MREL gross issuance reported by Other Pillar 1 banks decreased (cf. Charts 21-22).

Senior bond issuances remained, on average, predominant for all categories of banks except Top Tier, which mainly opted for senior non-preferred instruments. While senior bonds still constituted the highest share of issuances in the reporting quarter (representing 44% of total issuances compared to 52% in Q4.2022), there was higher activity on other market segments. Specifically, all categories of banks reported increased level of senior non-preferred issuances, accounting for 35% of total issuances (compared to 25% in Q4.2022). The level of AT1 issuances almost tripled with respect to the previous quarter, with banks recording the highest issuances level seen since 2019. Higher volume of Tier 2 issuances observed in the reporting quarter was mainly driven by G-SIIs' higher activity on this market segment.

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

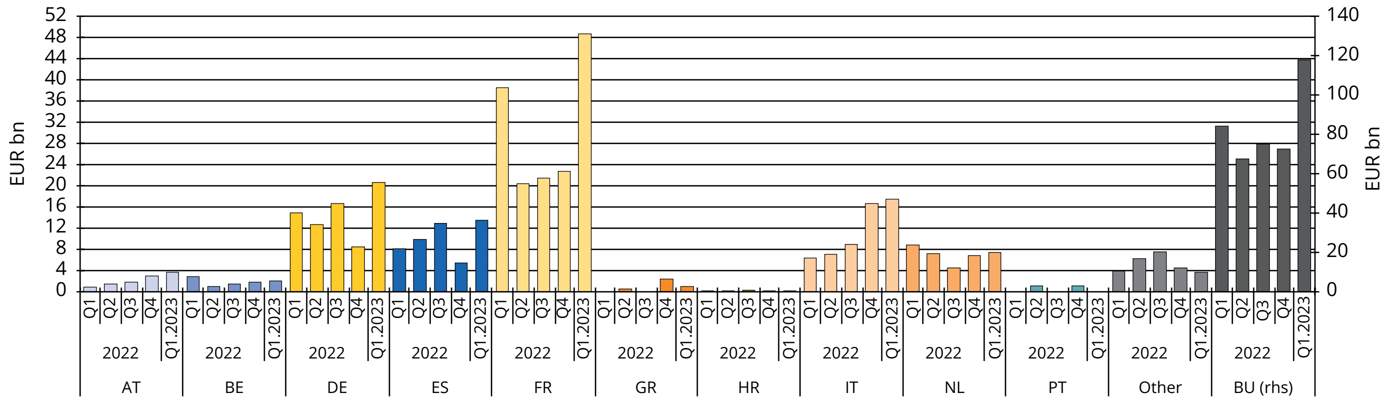


Chart 20. MREL gross issuances by country, % TREA

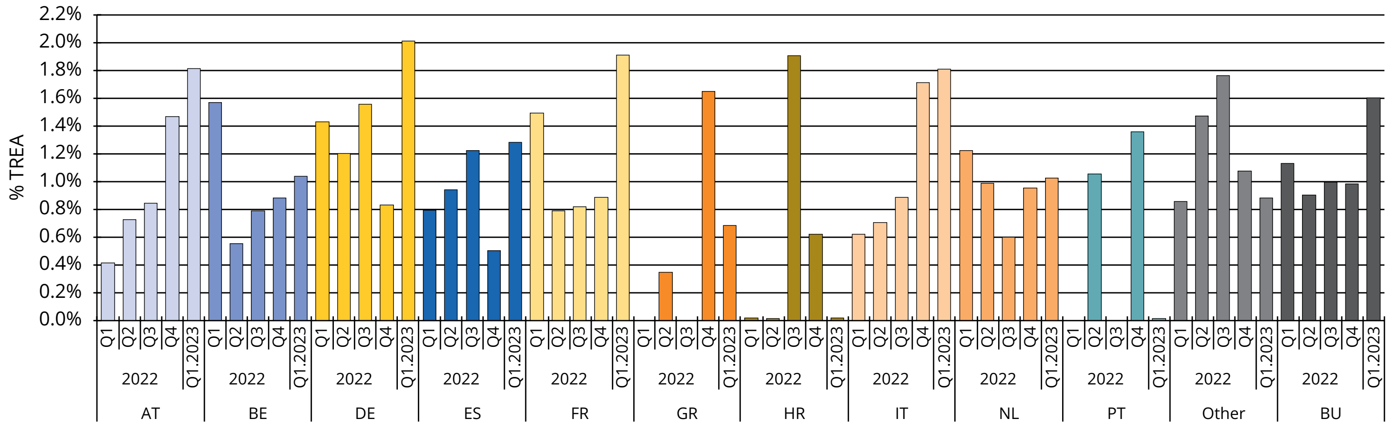


Chart 21. MREL gross issuances by bank category

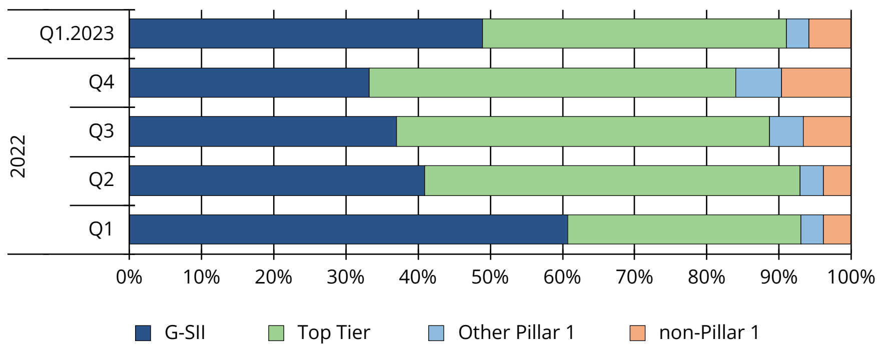
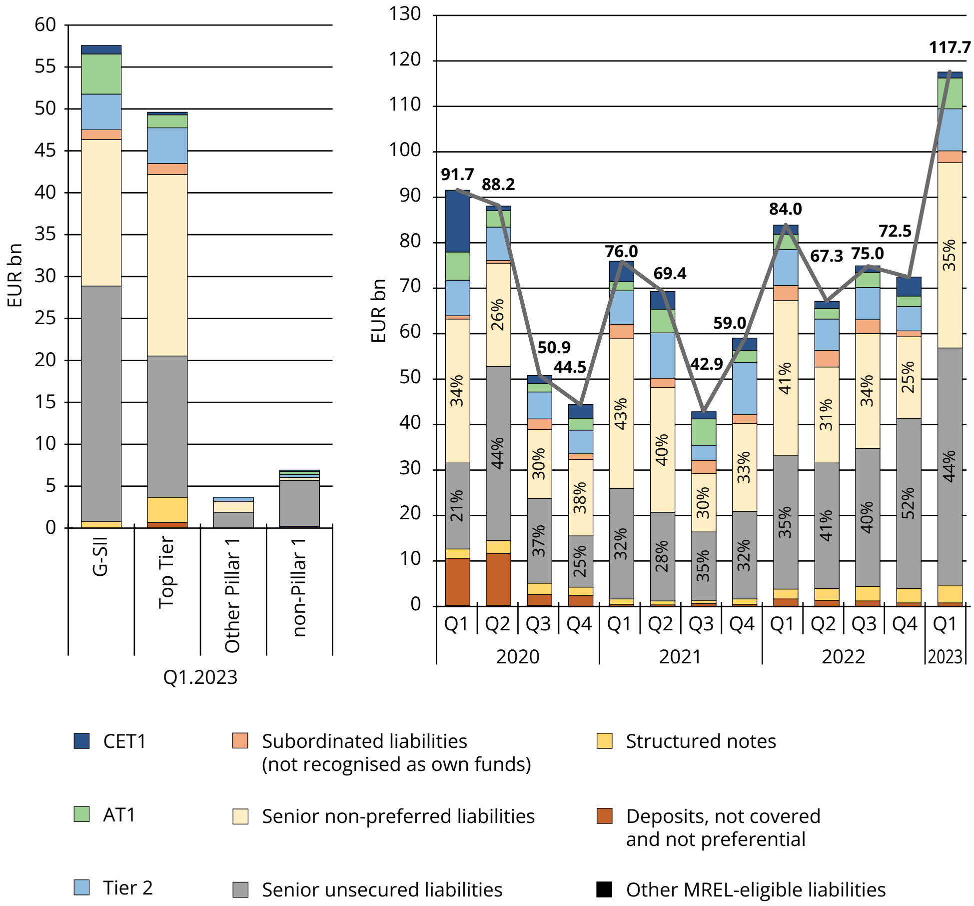


Chart 22. MREL gross issuances by type of instrument, EUR bn

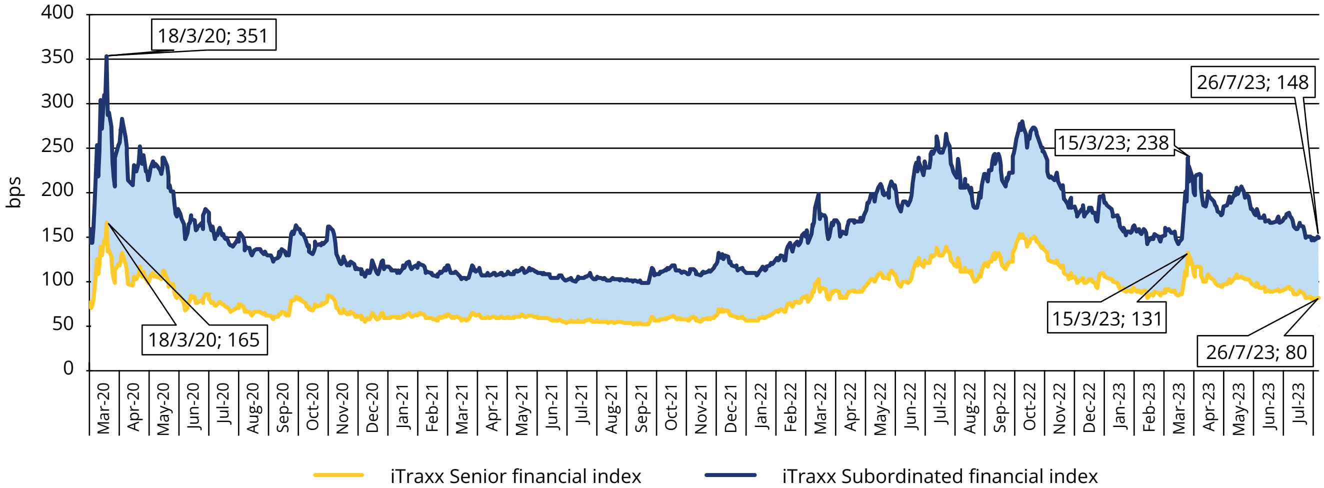


2.2. Cost of funding

In mid-March, spreads experienced a violent increase, due to the SVB and Credit Suisse crises. Confidence resumed towards the end of the first quarter of 2023, which helped the reduction of spreads. After a short period of market volatility, spreads continued their tightening trends from May, which allowed banks to benefit from favourable issuance conditions. At the beginning of July, funding costs were close to their level ahead of SVB and Credit Suisse crises, showing that market confidence is being restored. At the end of July, iTraxx indexes on subordinated and senior financial debt were respectively at 148 and 80 bps (cf. Chart 23).

While yield and credit spreads at the end of July were close to the levels observed at the beginning of March, analysts observed that they might remain higher than the past year due to risk aversion and monetary policy actions.

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 (or is about to be set) under the 2022 RPC, excluding groups whose preferred strategy is liquidation.	Q1.2022 – Q1.2023	SRB MREL quarterly data collection, COREP and Commission Implementing Regulation (EU) 2021/763: template M 01.00 –Key metrics for MREL and TLAC (KM2)
1.2. MREL resources of resolution entities (Charts 4-5)	Resolution groups under the SRB remit for which an external MREL target was set (or is about to be set) under the 2022 RPC, excluding groups whose preferred strategy is liquidation.	Q1.2022 – Q1.2023	SRB MREL quarterly data collection and Commission Implementing Regulation (EU) 2021/763: template M 01.00 –Key metrics for MREL and TLAC (KM2)
1.2. MREL resources of resolution entities (Charts 6-7)		Q1.2022 – Q1.2023	Commission Implementing Regulation (EU) 2021/763: 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 resources of resolution entities (Charts 8-9)		Q1.2022 – Q1.2023	Commission Implementing Regulation (EU) 2021/763: template M 06.00 – Creditor ranking (resolution entity) (RANK)
1.2. MREL resources of resolution entities (Charts 10-11)		Q1.2022 – Q1.2023	Commission Implementing Regulation (EU) 2021/763: 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 (or is about to be set) under the 2022 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.	Q1.2022 – Q1.2023	COREP and Commission Implementing Regulation (EU) 2021/763: template M 03.00 – Internal MREL and Internal TLAC (ILAC)
2.1. Market access and MREL issuances (Chart 18)	—	Until July 2023	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– Q1.2023	SRB MREL quarterly data collection and Commission Implementing Regulation (EU) 2021/763: template M 01.00 –Key metrics for MREL and TLAC (KM2)
2.2. Cost of funding	—	March 2020- July 2023	Bloomberg Finance L.P.

Country	Number of resolution groups		Number of non-resolution entities		
	Q1.2022-Q3.2022	Q4.2022-Q1.2023	Q1.2022-Q3.2022	Q4.2022	Q1.2023
AT	6	6	14	15	15
BE	3	4	6	8	8
BG	—	—	4	4	4
CY	2	2	2	2	2
DE	12	12	15	17	18
EE	1	1	2	2	2
ES	10	10	3	5	5
FI	2	2	2	2	2
FR	6	6	8	9	9
GR	4	4	—	—	—
HR	3	3	2	2	2
IE	2	2	11	11	11
IT	11	12	16	36	23
LT	1	1	2	2	2
LU	2	2	5	6	6
LV	1	1	2	3	3
MT	1	1	1	1	1
NL	4	4	3	3	3
PT	3	3	5	6	6
SI	2	2	2	2	2
SK	2	2	2	2	2
BU	**78**	**80**	**107**	**138**	**126**

Resolution groups in the analysis were divided into four BRRD2/SRMR2 categories:

1. **G-SIIs,** as identified by the Financial Stability Board.
2. **Top Tier**, banks with total assets exceeding EUR 100 bn, consolidated at the level of the resolution group.
3. **Other Pillar 1**, 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.
4. **Non-Pillar 1**, banks not pertaining to any of the previous categories.

The bank category, the preferred resolution strategy and tool considered in the analysis across different sections refer to the 2021 (for metrics with reference date Q1.2022- Q3.2022) and 2022 RPCs (for metrics with reference date from Q4.2022 onwards) as per resolution plans.

Reference date	Category				Strategy		Tool	
	G-SII	Top Tier	Other Pillar 1	non-Pillar 1	SPE	MPE	Bail-in	Transfer tool
Q1.2022- Q3.2022	8	26	8	36	65	13	62	16
Q4.2022-Q1.2023	8	27	10	35	67	13	64	16

3.1. MREL monitoring

For metrics with reference date Q4.2021-Q3.2022, 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 2021 RPC as per official decisions. For metrics with Q4.2022 reference date onwards, 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 (or are about to be set) by the SRB under the 2022 RPC. For resolution entities that fell in 2021 or in 2022 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. For metrics with reference date Q2.2022 - Q3.2022, 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 under the 2021 RPC, as per press release (link).

To obtain targets in EUR amounts, the targets (% TREA and % LRE) 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 or under the same category/strategy/tool (as presented in Charts 1-3 and Table 2). In Chart 1/ Table 2, aggregated MREL subordination targets (% TREA) consider only banks with an MREL subordination target set and are calculated as the weighted average of subordination targets of resolution entities in the same country (as opposed to the previous editions, where the average was computed across all banks). In Charts 2-3, aggregated MREL subordination targets (% TREA) are calculated over the full sample, considering also entities with no subordination requirement (taking the value of zero) and are calculated as the weighted average of subordination targets of resolution entities under the same category/strategy/tool. 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 amount of MREL-eligible liabilities and own funds as per Commission Implementing Regulation (EU) 2021/763 reduced by the amount of the unused predetermined amount of the General prior permission.

The level of the MREL resources is calculated over the sample of banks (resolution entities) described in the table above. Average residual maturities are the weighted average of MREL resources of resolution entities in the same country for each cluster. For the determination of the weights, the mid-point value for each cluster is considered, i.e. 1.5 years for amounts with residual maturity of ≥ 1 year < 2 years, 3.5 years for amounts with residual maturity of ≥ 2 year < 5 years and 7.5 years for amounts with residual maturity of ≥ 5 years < 10 years. For MREL resources with a residual maturity of ≥ 10 years a weight of 15 years is considered. Perpetual securities are excluded from the calculation.

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 or under the same category. 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 average subordination shortfall is calculated over the full sample including banks with no subordination requirement and is defined 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 MREL net issuances (net quarterly change in the MREL resources) presented in Table 2 are calculated as the difference between the outstanding amount of the MREL resources in Q1.2023 and Q4.2022 considering the same 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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