SRB MREL DASHBOARD Q2.2023

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) as well as the level and the composition of MREL resources of resolution entities in Q2.2023. The second section highlights recent developments in the cost of funding and provides an overview of the gross issuances of MREL-eligible instruments in Q2.2023[2].

The total MREL shortfall including the Combined Buffer Requirement (CBR) against the final targets of resolution entities decreased significantly in Q2.2023, with only 4% of the total shortfall (EUR 589 mn) relating to entities whose final MREL target becomes binding on 1st January 2024. With reference to non-resolution entities, their overall MREL shortfall including the CBR also decreased, albeit at a slower pace compared to resolution entities. The composition of the MREL resources of resolution entities remained broadly stable in comparison to the previous quarter. As for MREL gross issuances, they reduced compared to Q1.2023 but remained overall at high levels and with the total issuances volume of the first half of 2023 exceeding largely volumes of previous years. Supported by spreads tightening, the month of September started strong in terms of issuances, with a range of issuers being able to tap the market. In October, bank spreads rose again as a consequence of higher sovereign bond yields, but relaxed again in the beginning of November, decreasing at similar levels registered in September.

[1] See methodological annex.

[2] This publication is based on the templates received in accordance with the Commission Implementing Regulation (EU) 2021/763, COREP templates, and 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 Q2.2023

1.1. MREL targets for resolution entities

The average MREL final target for resolution entities under the SRB's remit stood at 23.7% of the Total Risk Exposure Amount (TREA), corresponding to EUR 1,762 bn. When considering the CBR on top of the risk-based MREL, the target stood at 27.3% TREA (EUR 2,029 bn). The average MREL subordination requirement stood at 20.5% TREA (EUR 1,387 bn), and 21.4% TREA (EUR 1,448 bn) when including the CBR[3]. Banks' risk density, the presence of Pillar 1 banks and the No-Creditor-Worse-Off risk are among the factors that have contributed to the heterogeneity of the subordination targets across banks and jurisdictions. On average, all targets in percentage of TREA decreased compared to Q1.2023 with the exception of the MREL metric including the CBR[4], driven by a decrease in decrease in the LRE metric observed among the banks with LRE as the binding measure (cf. Chart 1)[5].

The highest average MREL target was reported by G-SIIs (27.8% TREA), followed by Top Tier (27% TREA), Other Pillar 1 (26.8% TREA) and non-Pillar 1 banks (26.3% TREA, cf. Chart 2). The average MREL targets of G-SII and Other Pillar 1 banks increased compared to Q1.2023 (by 0.2% and 0.1%, respectively), while they remained unchanged for Top Tier and non-Pillar 1 banks.

For banks with a single point of entry (SPE) strategy, which is adopted for the majority of SRB banks, the average MREL target amounted to 26.8% TREA, while for banks with a multiple point of entry (MPE) strategy (which includes an add-on to minimise financial contagion between resolution groups within the same banking group), the average MREL target stood at 30.6% TREA; for both groups of banks the average target increased marginally compared to Q1.2023. Banks for which the bail-in is the preferred tool reported a slight increase in the average MREL target, amounting to 27.5% TREA, while the target of banks with a transfer strategy remained stable at 23.5% TREA. 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 target varied from 20.1% to 47.7% TREA among resolution entities. In line with the observations for the previous quarter, 75% of resolution entities were subject to 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 18.7% TREA, and 19.5% TREA including the CBR.

4 The average MREL final target and final subordination target decreased by 0.1% and by 0.4% TREA, respectively. When including the CBR, the average MREL final target was up by 0.1% TREA and the final subordination target down by 0.1% TREA.

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 intermediate MREL (2022) target for resolution entities amounted to 25.1% TREA (up by 0.2%), and the subordination component stood at 20.4% TREA[6] (down by 0.2%), for banks with a subordination requirement.

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

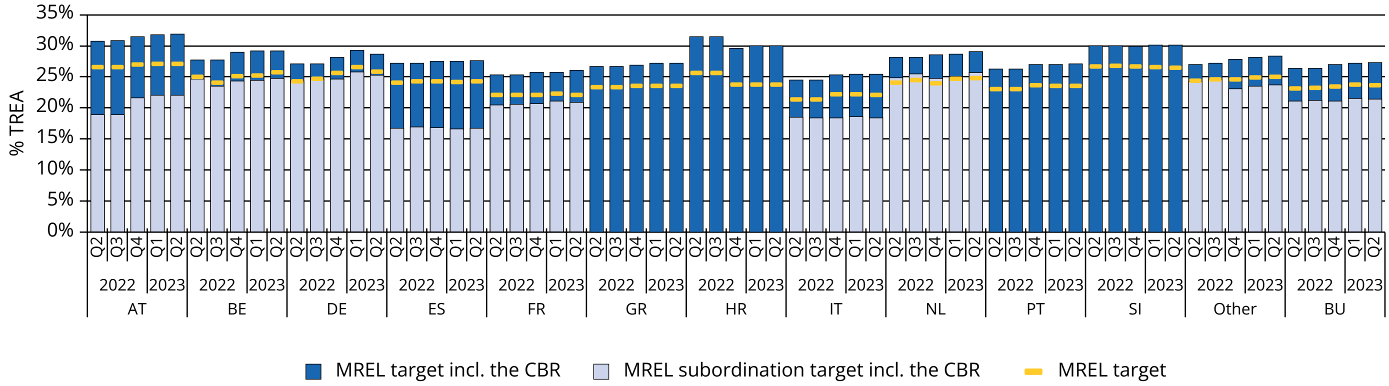
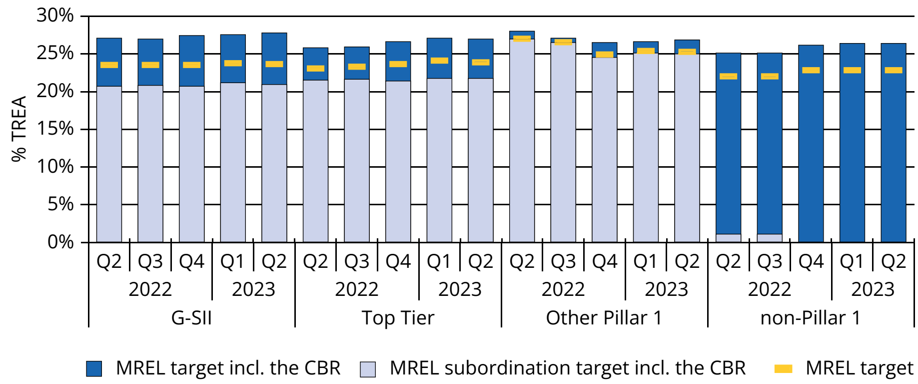


Chart 2. MREL final targets (of which subordination) for resolution entities by bank category, % TREA



[6] Across all banks under the SRB remit (including banks without subordination requirement), the average intermediate subordination target was equal to 17.8% TREA.

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

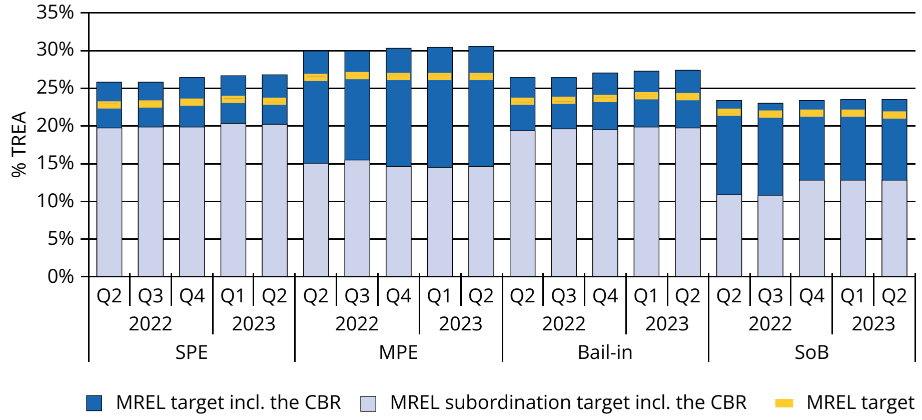
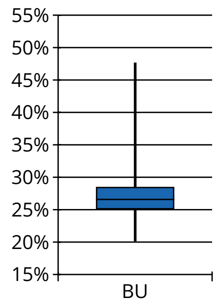


Table 1. Distribution of MREL final targets (including the CBR) for resolution entities, % TREA

Strategy/ tool	Minimum value	25th percentile	50th percentile	Average	75th percentile	Maximum value
SPE	20.1%	24.7%	26.3%	26.8%	28.0%	47.7%
MPE	23.5%	26.9%	28.2%	30.6%	32.0%	36.0%
Bail-in	22.3%	25.5%	27.2%	27.5%	28.6%	47.7%
SoB	20.1%	21.3%	22.8%	23.5%	24.1%	38.2%
BU	**20.1%**	**25.1%**	**26.6%**	**27.3%**	**28.4%**	**47.7%**



1.2. MREL resources of resolution entities

The level of own funds and eligible liabilities (MREL resources) reached the value of EUR 2,476 bn (33.3% TREA), while the subordinated part of MREL resources amounted to around EUR 2,049 bn[7] (27.6% TREA). Both metrics continued the increasing trend observed in the previous quarter, respectively up by EUR 45.1 bn (2%)[8] and by around EUR 25.1 bn (1%)[9] compared to Q1.2023 (cf. Chart 4). In percentage of TREA, the MREL resources for G-SII, Top Tier, Other Pillar 1 and non-Pillar 1 banks amounted respectively to 32.6%, 34.9%, 41.9% and 27.2% TREA. G-SIIs was the only category to report a slight decrease in the ratio over the quarter, driven by, on average, a higher TREA which offset the reported nominal increase of MREL resources (cf. Chart 5).

[7] From this edition onwards, for banks which were granted a permission to reduce eligible liabilities instruments (as per Article 78a(1) CRR), the analysis considers the amount of the subordinated MREL-eligible liabilities and own funds reduced by the amount of the unused predetermined amount of the General prior permission (as opposed to the previous editions, where the amount of subordinated resources without excluding the unused predetermined amount was considered). See methodological annex.

[8] When considering the same sample of banks, quarter-on-quarter the amount of MREL resources grew by 2% or EUR 44.9 bn.

[9] When considering the same sample of banks, quarter-on-quarter the subordinated component of MREL resources grew by 1% or around EUR 25 bn.

On average, the MREL composition of SRB banks remained broadly stable compared to Q1.2023. While remaining on average unchanged (at 16% of the total), the share of senior unsecured liabilities increased significantly in some countries, following a high issuance activity in this market segment over the quarter. Senior non-preferred liabilities accounted for 21% of total MREL resources, in line with Q1.2023. Non-Pillar 1 banks continued to reduce their reliance on non-covered non-preferred deposits and CET1 to meet their target, yet remaining the category of banks with the highest share of these instruments in their MREL resources. On the full sample of SRB banks, the share of non-covered non-preferred deposits was equal to 0.5% of the total MREL resources, while CET1 stood at 47% of the total (cf. Chart 6).

The share of perpetual instruments remained stable compared to the previous quarter, at around 48% of the total MREL resources. The share of MREL resources with residual maturity over 10 years increased marginally compared to Q1.2023, from around 5% to 6% of the total. Instruments with a residual maturity between two and ten years continued to account for 39% of the total (stable since Q3.2022). On average, short-term debt (maturing between one and two years) represented 7% of the total MREL resources, with its share increasing slightly from Q1.2023 for Top Tier and non-Pillar 1 banks, while decreasing for G-SIIs and Other Pillar 1 banks (cf. Charts 8-9).

The share of MREL-eligible instruments governed by non-EU law continued to decline over the reporting quarter, amounting to around 16% of the overall MREL resources (against 17% of the previous quarter). In absolute amount, the level of instruments governed by non-EU law also decreased, reversing the trend observed in Q1.2023. Looking at the composition of instruments under non-EU law, 95% of the instruments were governed by either US or UK law (96% in Q1.2023), while eligible liabilities still accounted 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

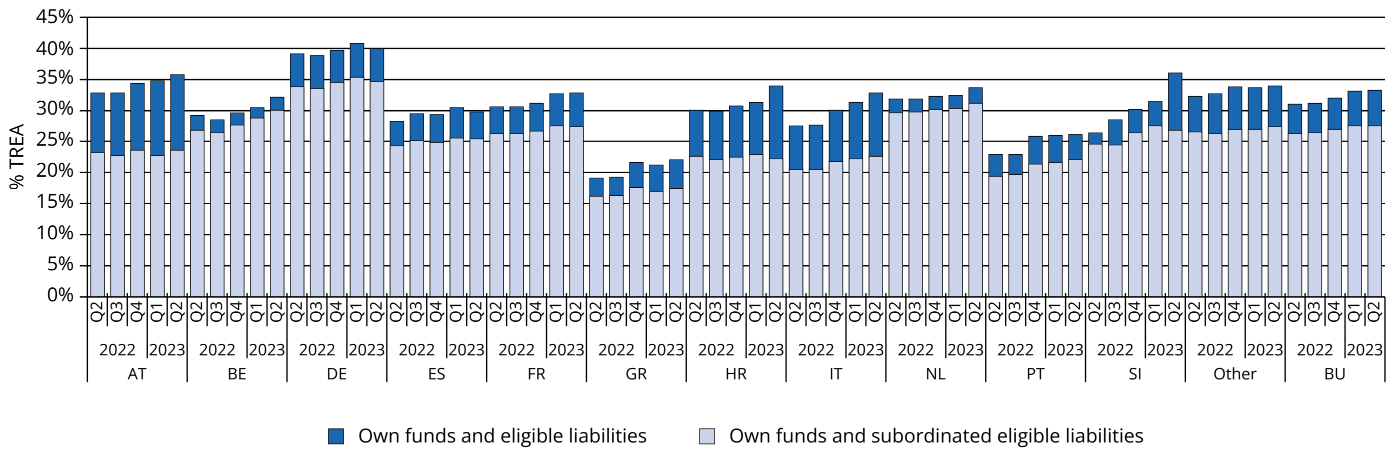


Chart 5. MREL-eligible liabilities (of which subordinated) and own funds by bank category, % TREA

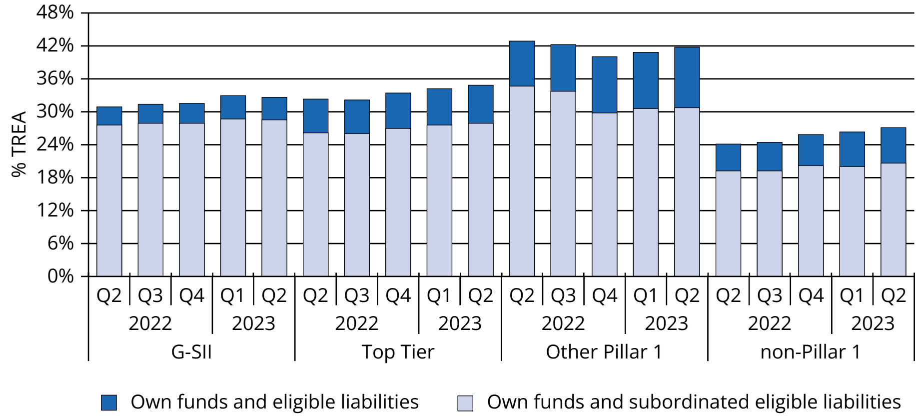
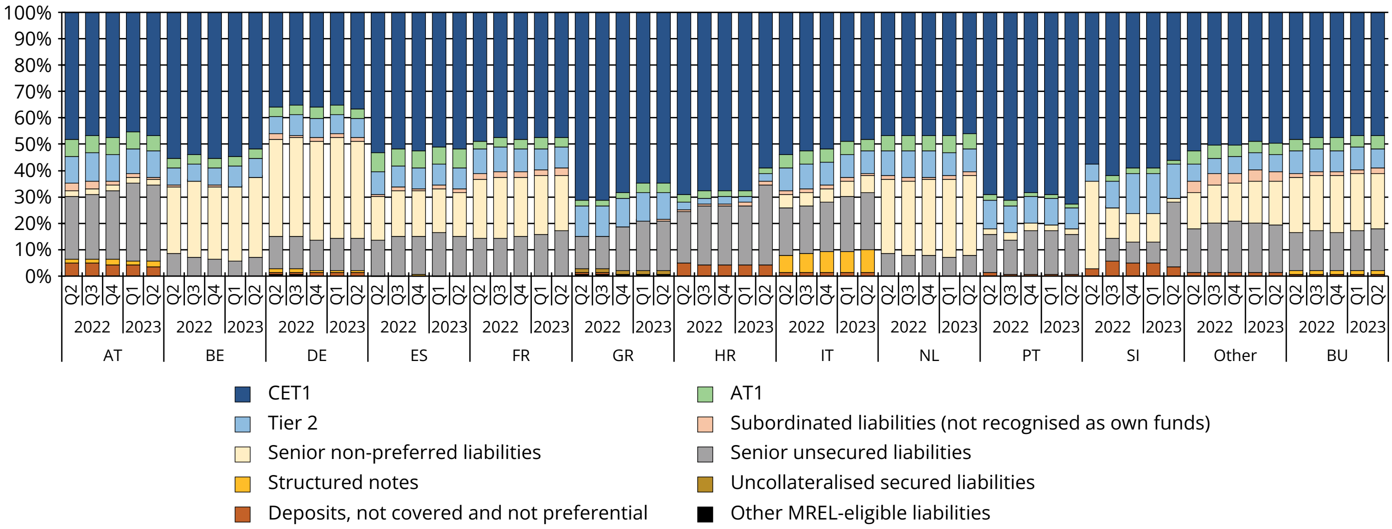


Chart 6. MREL composition by country[10,11]



[10] 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).

[11] 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

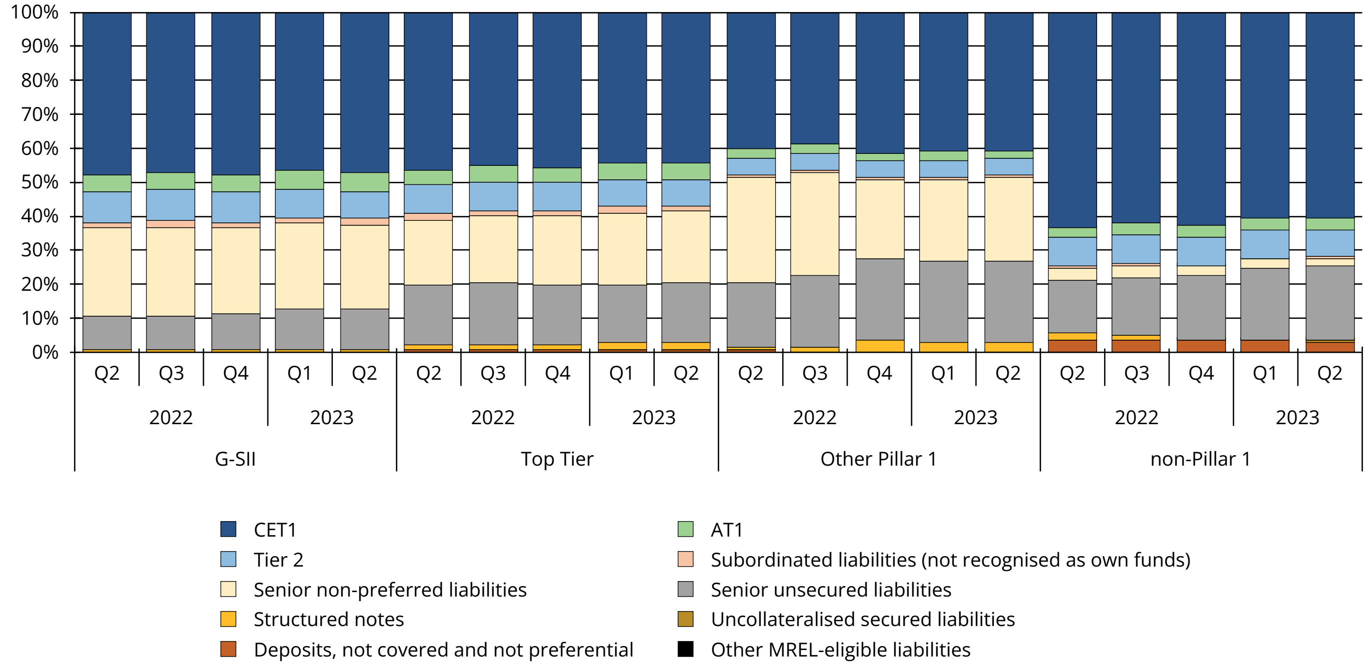


Chart 8. Maturity concentration of MREL-eligible instruments by country

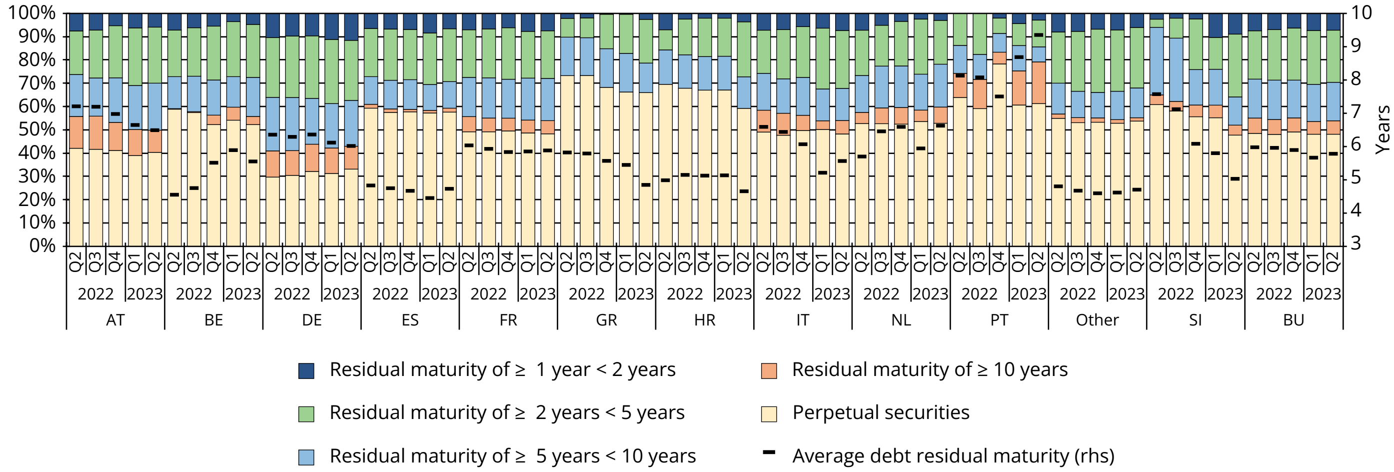


Chart 9. Maturity concentration of MREL-eligible instruments by bank category

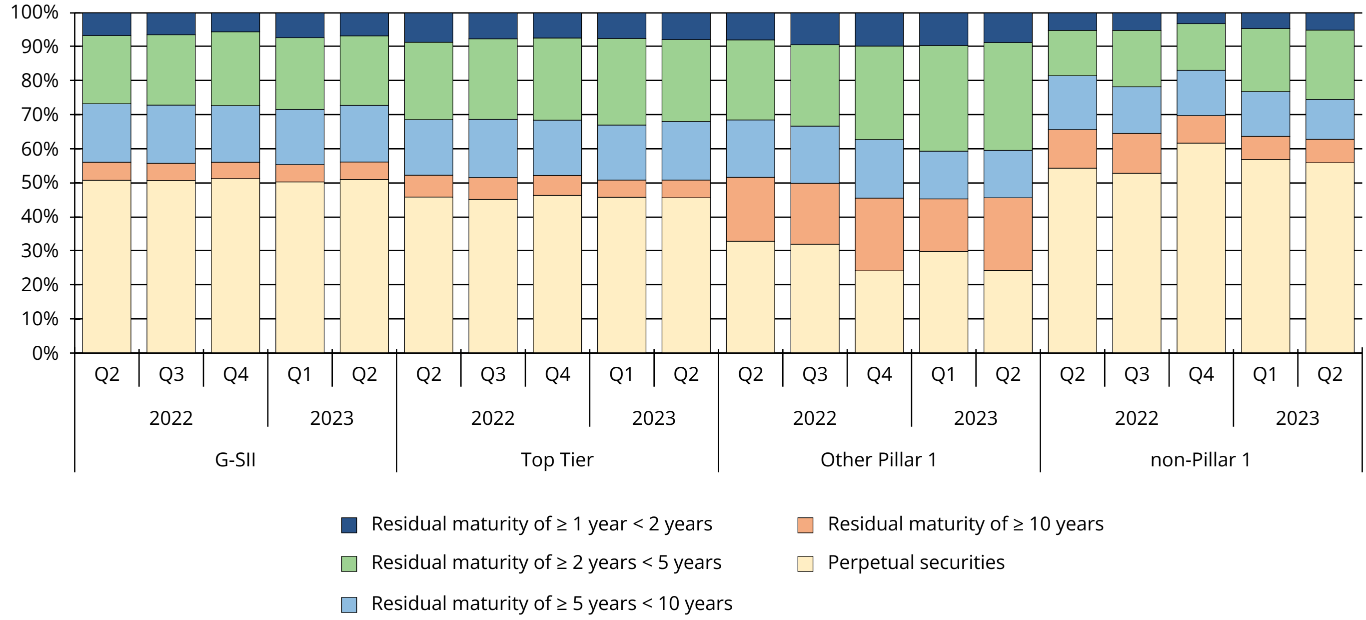


Chart 10. MREL composition - instruments under EU law vs instruments under non-EU law as of 30 June 2023

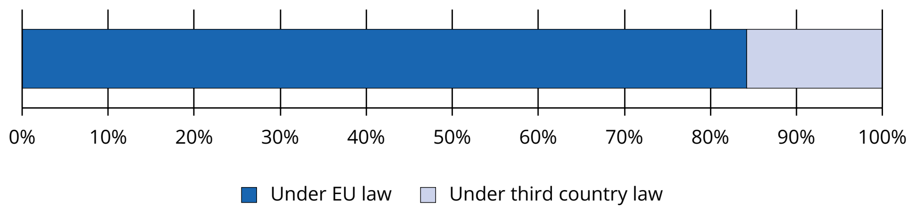
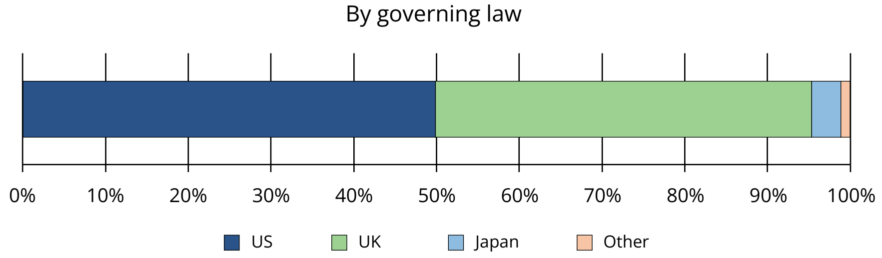
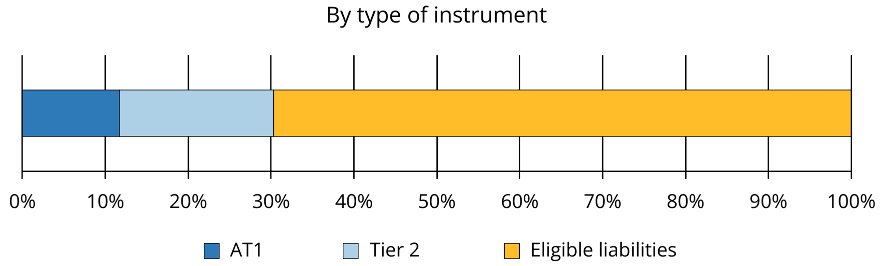


Chart 11. Composition of MREL instruments governed by third country law as of 30 June 2023





1.3. Shortfalls of resolution entities

The overall MREL shortfall against the final (2024) targets[12] decreased significantly in the second quarter of 2023. The shortfall reached EUR 4.4 bn (0.1% TREA), almost halving (down by EUR 3.6 bn) compared to the previous quarter and decreasing by around 76% year-on-year (EUR 13.9 bn)[13]. When considering the CBR, the MREL shortfall was equal to EUR 13.6 bn (0.2% TREA), down by 32% (EUR 6.5 bn) compared to the previous quarter, and by 57% year-on-year (EUR 18.4 bn)[14]. The subordination shortfall including the CBR amounted to EUR 2.6 bn (0.04% TREA), down by more than half (EUR 3.1 bn) from Q1.2023 and by around 72% year-on-year (EUR 6.7 bn, cf. Charts 12-13 and Table 2)[15].

Four banks closed their MREL shortfall in the reporting quarter, leaving eight banks still being in shortfall to their final target (around 10% of the entities in scope). The number increases to 18 banks (22% of sample) when considering the CBR, with seven banks closing their shortfall compared to Q1.2023. However, it is worth noting that all banks with a shortfall against their final targets and 14 (out of 18 banks) when including the CBR have a longer transitional period to meet their final targets ending in 2024-2025. In addition, the shortfall of banks with banks with a longer transitional period accounted for 96% of the total shortfall (equivalent to around EUR 13 bn).

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

[13] When considering the same sample of banks, the MREL shortfall decreased by 45% (or EUR 3.6 bn) from Q1.2023 and by 82% (or around EUR 15 bn) year-on-year.

[14] When considering the same sample of banks, the MREL shortfall decreased by 32% (or EUR 6.5 bn) from Q1.2023 and by 61% (or EUR 19.5 bn) year-on-year.

[15] When considering the same sample of banks, the MREL shortfall decreased by 54% (or EUR 3.1 bn) from Q1.2023 and by 84% (or EUR 7.8 bn) year-on-year.

Around 74% of the overall shortfall (including the CBR) pertained to non-Pillar 1 banks, followed by Top Tier (14%) and Other Pillar 1 banks (12%). While all categories of banks reported a reduction of the shortfall over the reporting quarter, Top Tier banks was the category that had the highest decrease in absolute amount (by two-thirds). In percentage of TREA, the shortfalls of non-Pillar 1, Other Pillar 1 and Top Tier banks were equal respectively to 1.5%, 0.9% and 0.1% TREA. All G-SIIs remained in surplus during the reporting quarter (cf. Chart 14).

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

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

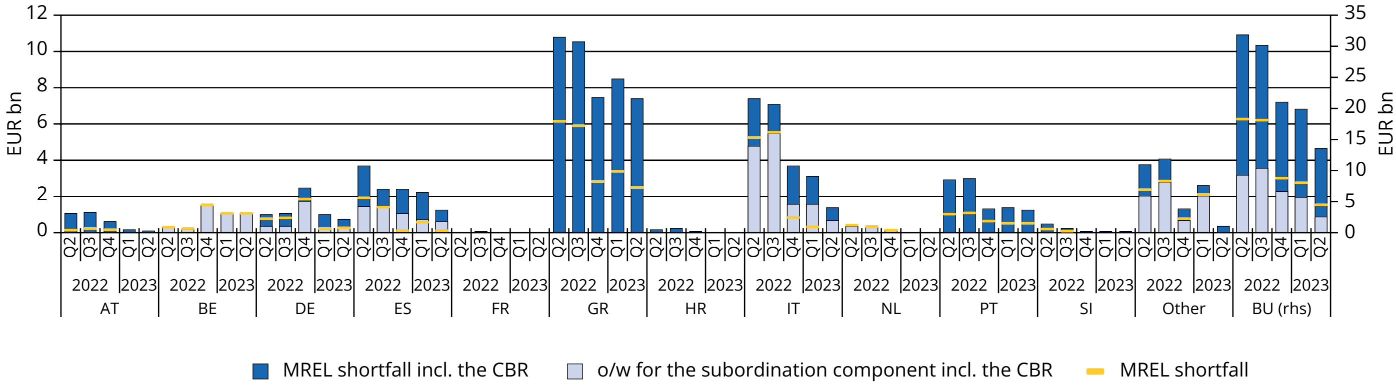


Chart 13. MREL shortfalls (of which subordination) against final targets of resolution entities by country, % TREA

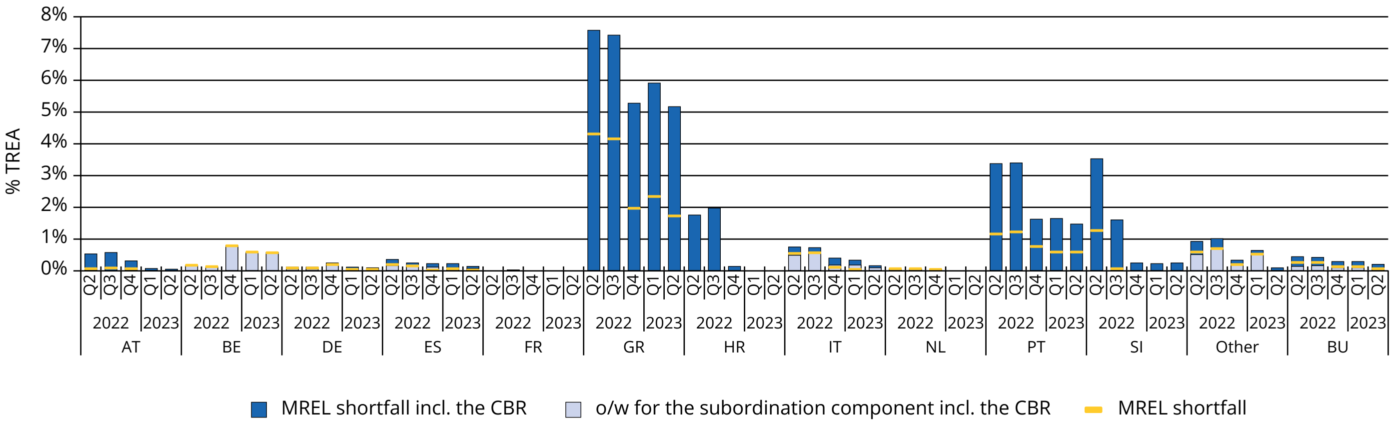
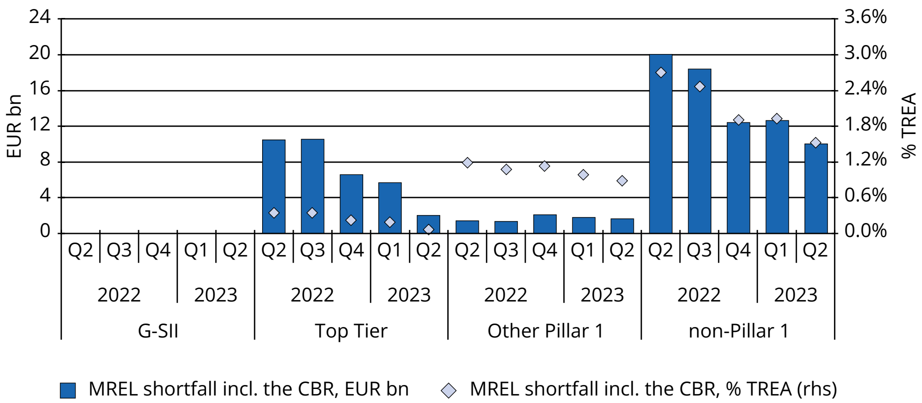


Table 2. Q2.2023 key MREL metrics for resolution entities[16]

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	%TREA
AT	204,085	31.8%	22.0%	72,894	35.7%	1,282	0.6%	1,900	0.9%	80	0.0%	0	0.0%
BE	193,798	29.2%	24.8%	62,269	32.1%	3,946	2.0%	3,790	2.0%	1,082	0.6%	1,082	0.6%
DE	1,035,451	28.7%	25.3%	413,930	40.0%	9,035	0.9%	-2,506	-0.2%	753	0.1%	238	0.02%
ES	1,079,176	27.6%	16.7%	321,768	29.8%	10,702	1.0%	437	0.0%	1,257	0.1%	597	0.1%
FR	2,588,189	26.1%	20.9%	850,341	32.9%	27,392	1.1%	16,857	0.7%	0	0.0%	0	0.0%
GR	144,151	27.2%	0.0%	31,796	22.1%	556	0.4%	1,096	0.8%	7,447	5.2%	0	0.0%
HR	10,532	30.0%	0.0%	3,575	33.9%	392	3.7%	390	3.7%	0	0.0%	0	0.0%
IT	956,910	25.4%	18.4%	313,517	32.8%	13,489	1.4%	12,363	1.3%	1,393	0.1%	692	0.1%
NL	715,246	29.1%	25.7%	240,510	33.6%	6,742	0.9%	8,775	1.2%	0	0.0%	0	0.0%
PT	84,994	27.1%	0.0%	22,236	26.2%	503	0.6%	373	0.4%	1,247	1.5%	0	0.0%
SI	15,269	30.1%	0.0%	5,509	36.1%	909	6.0%	1,081	7.5%	37	0.2%	0	0.0%
Other	406,939	28.4%	23.7%	138,090	33.9%	3,441	0.8%	319	0.1%	334	0.1%	0	0.0%
BU	**7,434,740**	**27.3%**	**21.4%**	**2,476,435**	**33.3%**	**78,387**	**1.1%**	**44,875**	**0.6%**	**13,631**	**0.2%**	**2,610**	**0.04%**

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



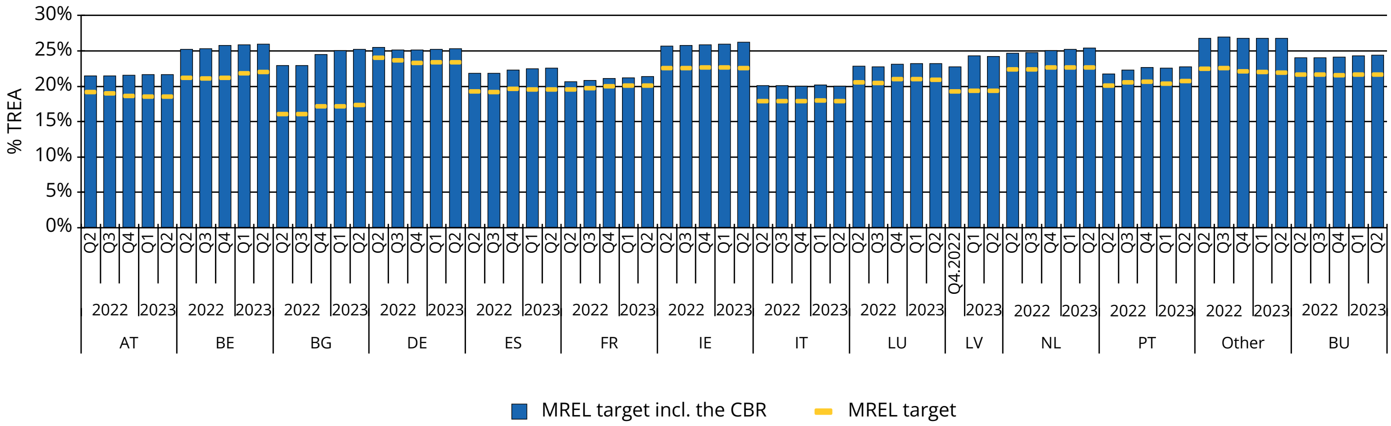
[16] MREL net issuances are calculated as the difference between the outstanding amount of the MREL resources in Q2.2023 and Q1.2023 considering the same sample of banks.

1.4. MREL targets and shortfalls of non-resolution entities

The average MREL final (2024) and intermediate targets (2022) including the CBR of non-resolution entities were equal respectively to 24.4% TREA (EUR 562.6 bn) and 22% TREA (EUR 459.5 bn)[17]. In line with Q1.2023 trend, both targets in percentage of TREA rose slightly over the quarter (cf. Chart 15). The overall MREL shortfall of non-resolution entities against the final targets amounted to EUR 5.9 bn (0.3% TREA) and EUR 8 bn (0.3% TREA) when considering the CBR. Both shortfalls continued to decline over the reporting quarter, down by EUR 867 mn and EUR 1.1 bn compared to Q1.2023, respectively (cf. Charts 16-17).

Around 11% of the entities in scope (15 banks) reported a shortfall against their final MREL targets, and 15% (21 banks) when considering the CBR, with both groups of banks decreasing compared to the previous quarter. Around 60% of the total MREL shortfall including the CBR remained concentrated in two entities, for which the shortfall exceeded EUR 1 bn.

Chart 15. MREL final targets for non-resolution entities by country, % TREA[18]



[17] When not considering the CBR, the average MREL final (2024) and intermediate targets (2022) were equal respectively to 21.7% TREA (EUR 500.4 bn) and 19.4% TREA (EUR 405.7 bn).

[18] 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

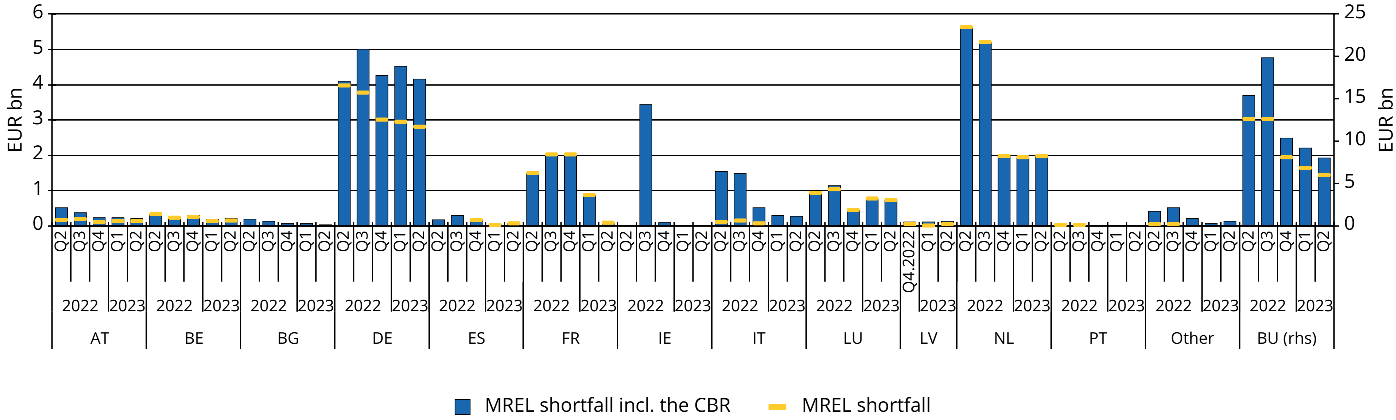
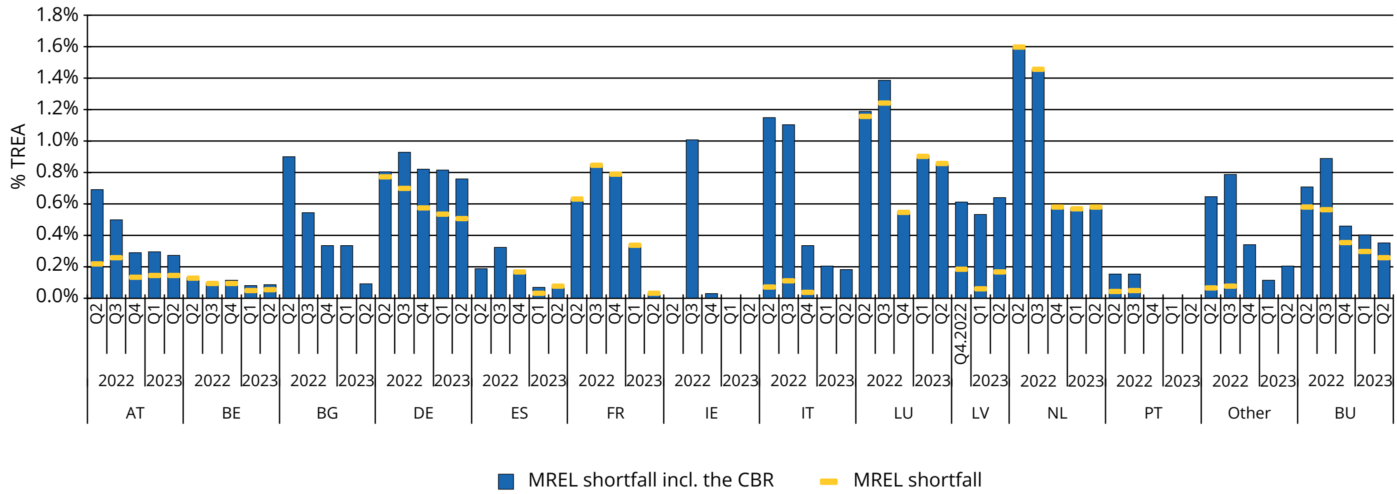


Chart 17. MREL shortfalls against final targets of non-resolution entities by country, % TREA



2. Market activity and cost of funding

2.1. Market access and MREL issuances

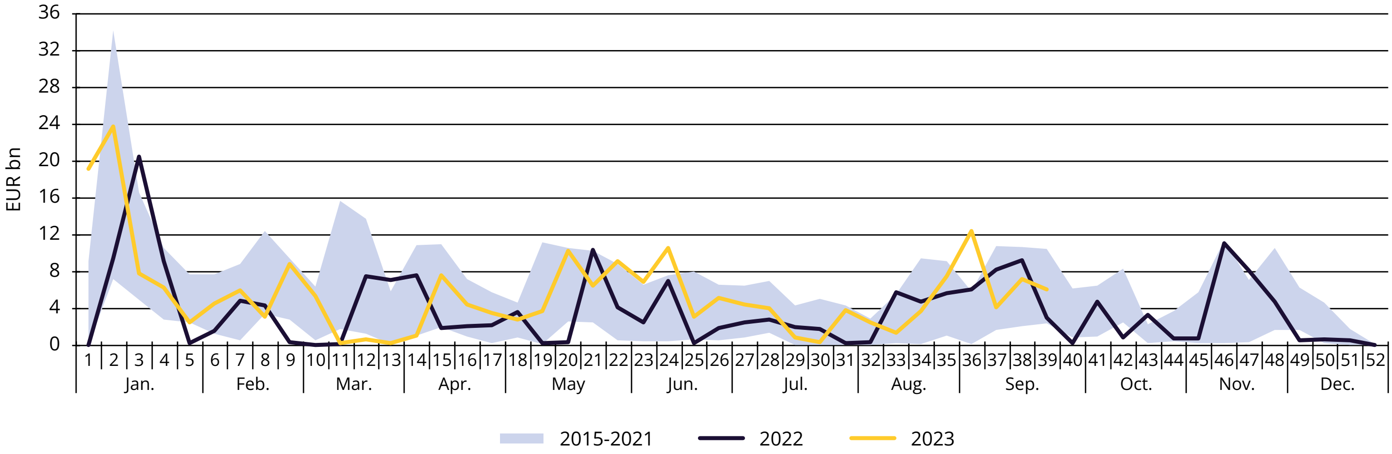
After the limited activity observed towards the end of the first quarter of 2023, following Silicon Valley Bank (SVB) and Credit Suisse crises, market confidence and issuance resumed actively in mid-April. From May onwards, issuance activity in the unsecured markets was strong and well above the levels observed in the same period of the previous year, including the market reopening in the Tier 2 (in May) and AT1 (in June) segments, while spreads were tightening. As expected, issuances in July and August were contained, in line with the seasonal trend. The last week of August saw a resumed interest from investors, and the first week of September was the most active since early 2023, including several AT1 issuances (cf. Chart 18).

In Q2.2023, banks under the SRB remit overall issued a total of EUR 78.4 bn (1.1% TREA) of MREL-eligible instruments. While in reduction compared to the particularly strong first quarter of the year (by around a third), the issuances volume remained above the levels reported for the same periods of 2021 and 2022. Overall, issuance in the first half of 2023 was at a high level, with volumes (EUR 196.1 bn) largely exceeding those reported in previous years, particularly for senior bonds.

Lower issuances were reported by all categories of banks, with G-SIIs and Other Pillar 1 banks recording the largest decrease during the quarter (by 52% and 38%, respectively). Looking at the distribution of total issuances across the different categories of banks, Top Tier banks issued around half of the total (54% compared to 42% in Q1.2023), followed by G-SIIs, which issued 35% of the total amount (down from 49% in Q1.2023). 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 10% of the total, remaining broadly in line with the previous quarter (cf. Charts 21-22).

When analysing issuance by instrument type, senior bonds were predominant (54% of the total) across all bank types except Other Pillar 1, which opted mainly for senior non-preferred instruments (51% of their total issuances). Overall, senior non-preferred issuances accounted for 23% of overall issuances, recording the lowest share over the last three years, which was mostly driven by G-SIIs' and Top Tier banks' lower activity in this market segment. Non-Pillar 1 banks was the only category reporting an increased volume of senior non-preferred issuances (the overall amount reported by them tripled compared to Q1.2023). AT1 issuances accounted for only 3% of the total (6% in Q1.2023), while the share of Tier 2 issuances remained unchanged (equal to 8%).

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

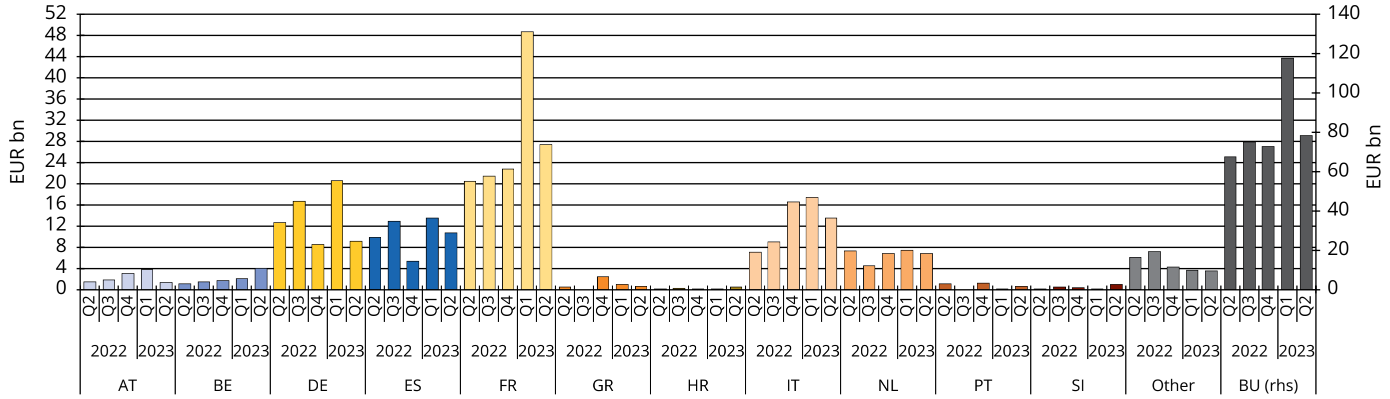


Chart 20. MREL gross issuances by country, % TREA

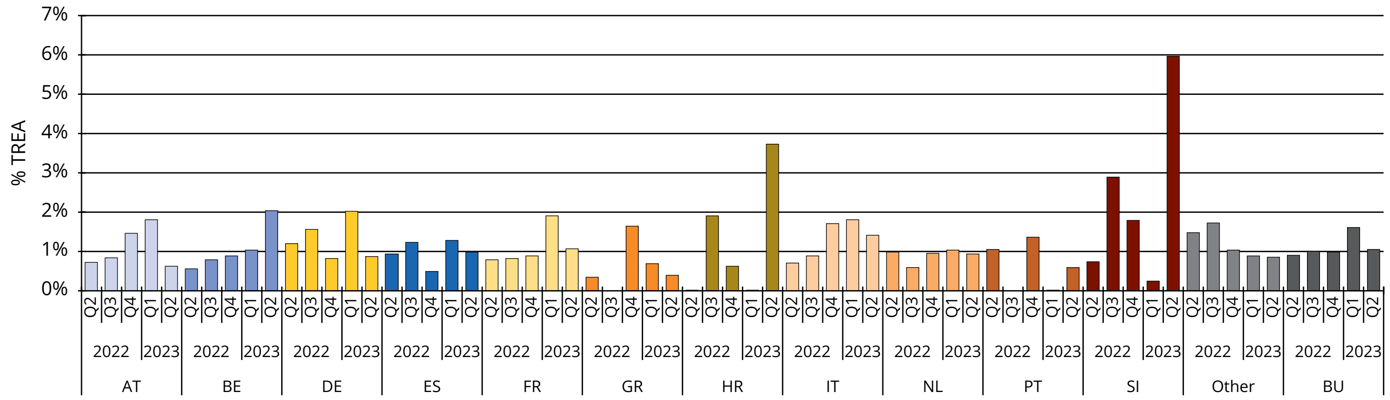


Chart 21. MREL gross issuances by bank category

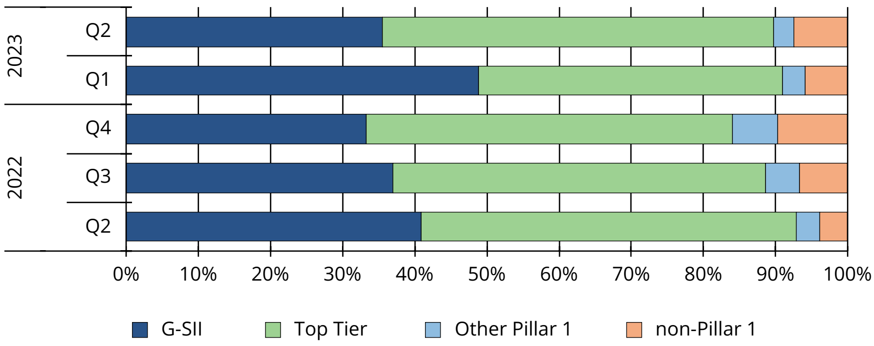
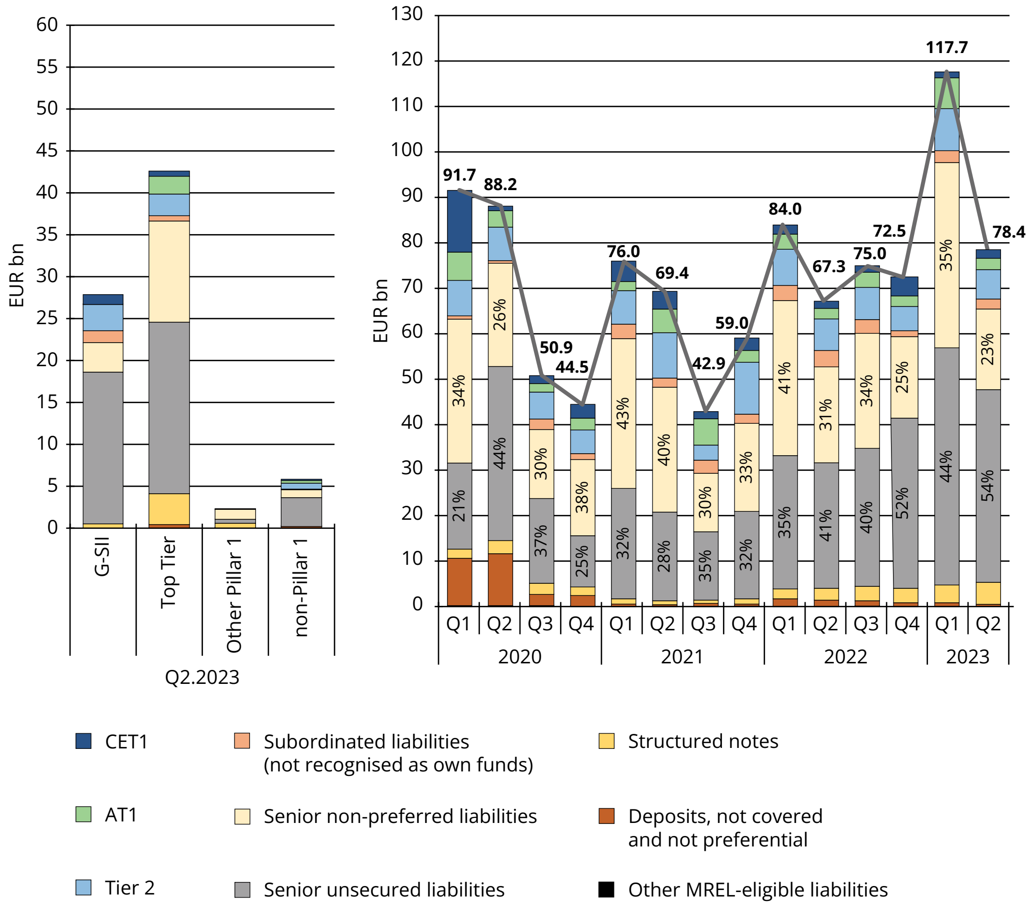


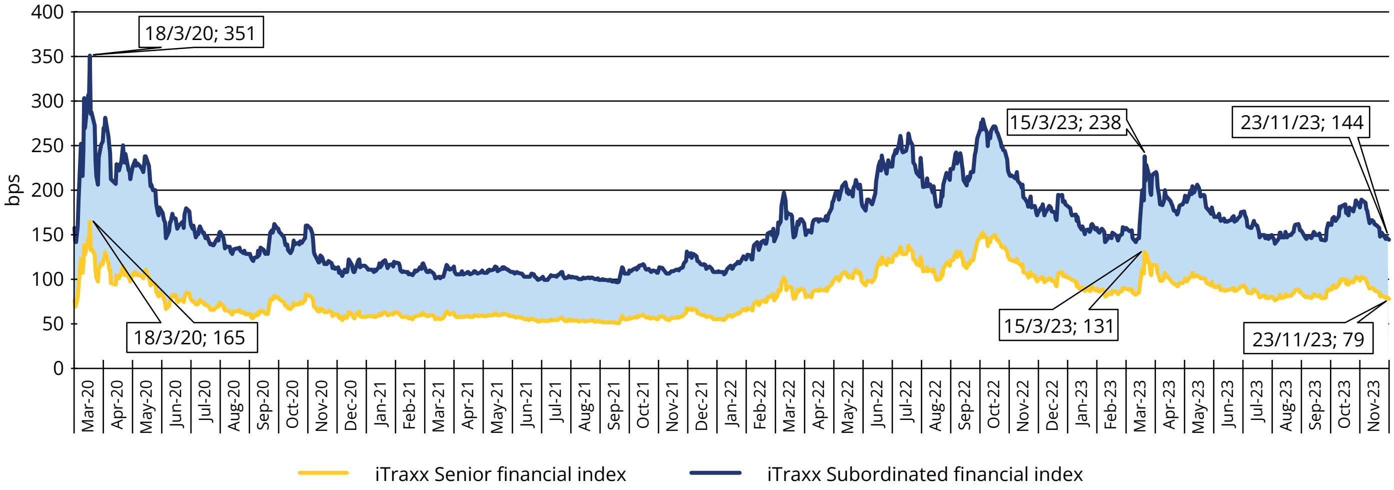
Chart 22. MREL gross issuances by type of instrument, EUR bn



2.2. Cost of funding

At the beginning of July, funding costs returned to levels close to the period preceding the SVB and Credit Suisse crises, showing that market confidence had restored. In August, spreads experienced again a slight increase, providing attractive rates for investors. Supported by spreads tightening, the month of September started strong in terms of issuances, with a range of issuers being able to tap the market. In October, bank spreads rose again as a consequence of higher sovereign bond yields, but relaxed again in the beginning of November, decreasing at similar levels registered in September (cf. Chart 23).

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 during the 2022 RPC, excluding groups whose preferred strategy is liquidation.	Q2.2022 – Q2.2023	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)		Q2.2022 – Q2.2023	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)	Resolution groups under the SRB remit during the 2022 RPC, excluding groups whose preferred strategy is liquidation.	Q2.2022 – Q2.2023	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)		Q2.2022 – Q2.2023	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)		Q2.2022 – Q2.2023	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 during 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.	Q2.2022 – Q2.2023	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 September 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– Q2.2023	SRB MREL quarterly data collection Commission Implementing Regulation (EU) 2021/763: template M 01.00 –Key metrics for MREL and TLAC (KM2)
2.2. Cost of funding	—	March 2020-November 2023	Bloomberg Finance L.P.

Country	Number of resolution groups			Number of non-resolution entities			
	Q2.2022-Q3.2022	Q4.2022-Q1.2023	Q2.2023	Q1.2022-Q3.2022	Q4.2022	Q1.2023	Q2.2023
AT	6	6	6	14	15	15	15
BE	3	4	4	6	8	8	8
BG	—	—	—	4	4	4	4
CY	2	2	2	2	2	2	2
DE	12	12	12	15	17	18	18
EE	1	1	1	2	2	2	2
ES	10	10	10	3	5	5	5
FI	2	2	2	2	2	2	2
FR	6	6	6	8	9	9	9
GR	4	4	4	—	—	—	—
HR	3	3	3	2	2	2	2
IE	2	2	2	11	11	11	11
IT	11	12	12	16	36	23	36
LT	1	1	1	2	2	2	2
LU	2	2	2	5	6	6	6
LV	1	1	1	2	3	3	3
MT	1	1	1	1	1	1	1
NL	4	4	4	3	3	3	3
PT	3	3	3	5	6	6	6
SI	3	3	4	2	2	2	2
SK	2	2	2	2	2	2	2
BU	**79**	**81**	**82**	**107**	**138**	**126**	**139**

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	37	66	13	63	16
Q4.2022-Q1.2023	8	27	10	36	67	14	65	16
Q2.2023	8	27	10	37	67	15	65	17

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 by the SRB under the 2022 RPC (targets set in 2021 RPC may be exceptionally used). 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). From Q1.2023 edition onwards, 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 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 reduced by the amount of the unused predetermined amount of the General prior permission.

From Q2.2023 edition onwards, to monitor the level of subordinated MREL for banks granted a permission to reduce eligible liabilities instruments (as per Article 78a(1) CRR), the analysis considers the amount of the subordinated MREL-eligible liabilities and own funds reduced by the amount of the unused predetermined amount of the General prior permission (as opposed to the previous editions, where the amount without excluding the unused predetermined amount of the General prior permission was considered).

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 Q2.2023 and Q1.2023 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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