EBA REPORT - ANALYSIS OF THE EU DEPENDENCE ON NON-EU BANKS AND OF EU BANKS’ DEPENDENCE ON FUNDING IN FOREIGN CURRENCY

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EBA
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Abbreviations

CCP	central counterparty
CHF	Swiss franc
COREP	Common Reporting
CRR	Capital Requirements Regulation
EBA	European Banking Authority
ECB	European Central Bank
EHQCB	extremely high-quality covered bond
EU	European Union
EUR	euro(s)
FINREP	Financial Reporting
FX	foreign exchange
GBP	pound sterling
GSIIs	global systemically important institution
HQCB	high-quality covered bond
HQLA	high-quality liquid asset
LCR	liquidity coverage ratio
NFC	non-financial company
O-SII	other systemically important institution
USD	United States dollar

Executive summary

How reliant is the EU financial sector of counterparties, operators and financing originating from outside of the Single Market? To provide answers to this question this report focuses on two areas. First, what is the role of non-EU credit institutions (branches and subsidiaries) in the EU banking market? And second, to what extent do the EU credit institutions rely on funding denominated in foreign currencies?

Before answering these questions, it is important to recognise the importance of well-functioning and integrated international financial markets and the EU's role as a key global player therein. Cross-border financial exposures are important for the purposes of international risk sharing, to broaden the range of financial services and investment opportunities available and to increase competition in the provision of those services. At the same time, excessive reliance on foreign providers in certain areas of finance can create vulnerabilities. While the present report does not provide any policy recommendations on these issues, it aims at presenting a holistic picture of the variety of EU banks' foreign exposures.

The first part of this report focuses on the role of non-EU entities in the EU banking sector, and the analysis is based on a dedicated data collection.[1] With data as of June 2021, 360 banks controlled by non-EU entities operated in the EU; of those, 243 had the legal form of subsidiaries and 117 operated as branches.[2] This compares to the total number of 3,688 credit institutions operating in the EU-27.

The identification of non-EU entities was made based on the main assumption of control, which is the holding, either directly or indirectly, of more than 50% of the shares of the entity that operates in the EU. The global ultimate parents can be both financial entities (banks, funds) or non-financial entities.3 The banks identified as subsidiaries are controlled by entities located in 39 different countries. Among those, banks with parent companies located in the United States, the United Kingdom, Switzerland, Japan and China represent more than half of the sample. Banks identified as branches belong to entities located in 22 different countries. Of all foreign branches operating in the EU, those controlled by entities located in the United Kingdom, China and the United States represent more than half of the sample.

The EU market share of non-EU branches and subsidiaries is 12.2% of total assets. In terms of absolute amounts, the assets of non-EU entities operating in the EU are mainly concentrated in a few countries. Based on balance sheet data submitted to the EBA as of June 2021, the market share of non-EU branches and subsidiaries is 12.2% of total assets, 11.4% of loans, 6.6% of debt

[1] Findings in this report could also inform on-going discussions on the CRD6 proposals by the EU legislators, in particular on the new proposed rules for non-EU branches. Note however, that the direct provision of banking services, which is addressed in the CRD6 proposal, is not covered in this report which looks only at the activity of non-EU branches and subsidiaries established on the EU territory.

[2] This report analysis all non-EU subsidiaries and branches operating in Europe and it does not distinguishes which third country groups may be come subject to the IPU requirement foreseen in the CRD V.

3 In the context of this work it was deemed important that all kinds of ownership structures are covered, as the potential risks identified in this report may crystallise independent of whether the ultimate foreign parent is a bank or a non-bank institution.

securities and 31.4% of derivatives. These figures may represent an underestimation, as not all non-EU entities are subject to the same reporting requirements across the EU and the market share is calculated only for those entities that submitted data. Moreover, it cannot give the whole picture of third country entities in the EU as the direct provision of banking services to EU markets and customers (permitted differently across EU member states) is not captured in this report. By country of domiciliation of the ultimate parent, non-EU entities with the global ultimate parent located either in the UK or the US represent, on average, more than 75 percentage points of the non-EU institutions' market share in total assets.

Non-EU investment banks and one large non-EU clearing house represent more than half of the assets of all non-EU entities operating in the EU; consequently, the presence of these institutions may drive some of the metrics of the report. One large clearing house and entities identified as investment banks are in total 23 institutions (8% of the total number of institutions in the sample), covering 57% of the total assets of non-EU entities in the EU. Owing to this relatively high share of assets, some of the metrics presented in the report can be to a large extent explained by these two groups of institutions.

For non-EU entities fee and commission income is, on average, the most important source of revenue than interest income. This is different than what can be observed for EU banks and it is particularly the case for countries with the highest concentration of non-EU entities in the EU. By number of countries, interest income still dominates fee and commission income in 10 out of 18 Member States, but the weighted average is affected by large countries with high concentration of non-EU entities.

Based on the quantitative data, the market share of non-EU entities is 7% of the total EU fee and commission income. By activity, non-EU entities account with a significant market share in commodities (63.5%), corporate finance (51.5%), central administrative services for collective investment (47.7%), custody (35.1%) and foreign exchange (32.4%).

The business models of non-EU entities are oriented towards wholesale banking, with EU credit institutions and other financial corporations as their main counterparties. This is mainly explained by the strong presence in the sample of investment banks and one large clearing house. The fact that non-EU entities mostly feature a retail-type balance sheet structure and have mostly financial institutions as counterparties suggests a bias towards wholesale banking activity either as a borrower, a lender, or both. This is also evident from the fact that when excluding investment banks and the clearing house from the sample the share of credit institutions and other financial corporations as counterparties is halved while the share of non-financial sector counterparties increases.

According to the responses of the qualitative questionnaire[4], payment services, clearing and settlement and custody services are the most common types of activities that EU banks source

[4] This report also benefitted from information gathered from a separate qualitative questionnaire. It should be noted that the results regarding fees and commission income and expenses from the quantitative and the qualitative parts of

from non-EU operators. Looking at the fees and commissions paid by EU banks to non-EU operators reveals that, on average, around 20% of EU banks' fees and commissions expenses were credited to non-EU operators (with the median around 10%). The share is above the average (around 30%) both for clearing and settlement services and for payment services related to debit, credit and other cards. To mitigate the medium-term financial stability risks arising from potential disruptions to such services currently sourced from abroad, is important that the EU over time develops competitive alternatives to these types of services.

The second part of the report focuses on EU banks' funding structure and their reliance on foreign[5] (significant)[6] currencies for funding. The analysis here is based on regulatory reporting data (COREP) that is regularly collected by the EBA. Many EU banks show foreign currency LCR levels below 100% and/or a currency mismatch between buffers and outflows. Many EU banks fund at least some of their assets in a different currency than the one in which the assets are denominated, thus creating a risk of currency mismatch in the overall LCR.[7] Among the significant (foreign) currencies, the US dollar (USD) and the pound sterling (GBP) are those that show the lowest LCR levels for EU banks. Differences were also found when analysing the components of the banks' LCRs in USD relative to the overall LCR. The liquidity buffer in USD relies mainly on level 1 securities as opposed to cash and central bank reserves which is the case for the overall LCR. Regarding USD outflows, "other outflows" are the main component followed by outflows from non-operational deposits.

As regards the net stable funding ratio (NSFR), in the inaugural data collection in June 2021 EU banks reported a strong overall NSFR position. However, NSFRs in some significant currencies (USD, CHF, NOK and HRK) were below 100%. The average overall NSFR for a sample that covers 97% of the EU banking sector assets was 128% as of June 2021, with none of the participating banks below the minimum requirement of 100%. The most important sources of available stable funding are financial customers and central banks. The latter are particularly relevant as a source of available stable funding denominated in foreign currencies. Capital and retail deposits represent a less important share of available stable funding in foreign currencies. This finding suggests a

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the data collection are not fully comparable or complementary. This is because quantitative results on fees and commission income and expenses based on FINREP 22 refer to revenues earned/fees and commissions paid in the EU by non-EU banks (EU subsidiaries and branches of third-country banking groups). The regulatory reporting does not distinguish between the source of income/expenses by country of the service client/provider. On the other hand, results regarding fees and commission expenses based on responses to the qualitative questionnaire represent the expenses paid by EU banks to non-EU service providers. It should be noted that non-EU service providers cover not only services provided by non-EU entities operating in the EU via EU subsidiaries or EU branches, but potentially also services provided directly from abroad and from non-banks. For example, clearing services provided from a no-EU operator directly from London would fall under this category.

[5] The analysis is limited to foreign significant currencies, meaning that only significant currencies that are different from the legal currency in the country of origin of each individual bank (henceforth: domestic currency) are included. For example, for a Swedish bank with significant positions in Swedish kronas, euros and US dollars, only the euro and the USD positions will be considered in this analysis.

[6] Article 415(2) of the CRR indicates that a currency shall be considered significant if the banks' liabilities denominated in that currency exceed 5% of its total liabilities.

[7] Note that a foreign currency LCR at 100% is not a regulatory requirement, as the 100% regulatory minimum only applies at the aggregate LCR level including all currencies.

relatively strong reliance on central bank swap lines – a temporary emergency measure put in place by major central banks – for foreign currency NSFR compliance.

When looking at the EU banks' funding in significant currencies[8], EU-registered[9] institutions have on average 19% of their total funding denominated in significant foreign currencies (based on individual[10] [11] reporting). Unsecured wholesale funding is the main source of funding for EU banks, representing 45% of total funding and 67% of foreign currency funding.

EU banks tend to use foreign currency funding mostly to invest in loans and advances extended to retail customers and non-financial corporates. The results of the qualitative survey[12] confirm that most banks use FX funding predominantly to invest in loans and advances, extended to retail customers and non-financial corporates. To a lesser extent, they use FX funding to invest in loans and advances extended to credit institutions, other financial customers and central banks. This finding reflects both the substantial international activity of EU banks beyond the EU and the part of the intra-EU cross-border activity that covers different currency areas within the EU.

Intragroup lending or borrowing from the central banks are not particularly relevant sources of foreign currency funding for EU banks. The survey responses revealed an increase in the number of banks that received funding from central banks between 2019 and 2020, most likely following the increased central bank liquidity provision during the COVID-19 crisis. The same tendency was observed with regard to borrowing from central banks in foreign currencies, using the FX swap lines. Overall, the number of banks that reported having obtained FX funding from central banks was low. Finally, for the majority of EU banks, intragroup funding represents less than 5% of their total FX funding.

[8] Results are limited to the sample of EU banks that obtained funding in at least one significant foreign currency.

[9] EU-registered institutions include standalone banks and individual entities that are part of a banking group. The latter may include subsidiaries from non-EU banking groups if the subsidiary is registered in Europe.

[10] Results based on individual reporting include data from EU based standalone banks and from EU-registered entities of EU banking groups. Results consider as foreign currency funding all funding denominated in currencies different to the domestic currency of each EU individual bank. For example, when looking at FX funding from a cross-border banking group, no data at consolidated level is considered and each individual entity (parent and subsidiaries) is analysed separately. As a result, domestic currency funding of EU subsidiaries of EU cross-border banking groups is always considered as domestic. It should be noted that due to data limitations non-EU subsidiaries are not included in this analysis.

[11] Looking at consolidated reporting data, findings show that 27% of EU-banks' total funding was denominated in foreign currencies. Similarly to the individual reporting figures, unsecured wholesale funding is the main source of funding for EU banks, representing 43% of total funding and 57.12% of foreign currency funding at the consolidated level. Results based on consolidated reporting need to be interpreted with caution as, due to data limitations, funding of subsidiaries in their domestic currency is considered as foreign when their domestic currency differs from the domestic currency of the EU cross-border baking group they belong to.

[12] Results of the qualitative survey are based on a sample of 89 banks that represent approximately 50.5% of the total assets of the EU banking sector. The percentage coverage might be lower for specific countries (see Annex I: Samples and coverage by country). Additionally, data quality issues were found when analysing qualitative questionnaire responses. For these reasons, analysis based on these responses should be interpreted with caution.

1. General remarks

1.1 Background and mandate

1. On the 29 of June 2021 the European Commission addressed a letter to the EBA including a mandate[13] for a study on EU dependence on non-EU banks and on funding in foreign currency. In particular, the European Commission asked the EBA to assess the EU dependence on non-EU operators for the provision of critical financial services and the excessive reliance on funding in foreign currencies of EU banks as potential vulnerabilities for our financial sector.[14] In its letter, the European Commission grouped its request in two analyses:

- Analysis of the provision of financial services in the EU by non-EU banks (operating in the EU via branches or subsidiaries): The analysis should cover the concentration of the EU market on these non-EU providers under different breakdowns. Additionally, it should cover the dependency of EU-banks from non-EU non-banks operators and market infrastructures. The direct provision of banking services, which is addressed in the CRD6 proposal, is, as a general rule, not covered in this report which looks only at the activity of non-EU branches and subsidiaries established on the EU territory.[15]

- Analysis of EU banks dependence on funding in foreign currency: this part of the analysis should cover the levels of the LCR and NSFR in foreign currencies as well as the source and usage of funding in foreign currency.

1.2 Sources of information

2. The analysis included in this report relies, to the extent possible, on **supervisory reporting data** available for the EBA. As of June 2021, the EBA collects COREP data for all institutions registered in the EU and FINREP data on a consolidated basis (excluding solo entities). The analysis on the dependence on funding in foreign currency (second part of the mandate) was mainly based on supervisory reporting data.

3. Additionally, the EBA launched an ad-hoc data collection and a qualitative questionnaire to gather all necessary data/qualitative information not available in the EBA database:

[13] https://www.eba.europa.eu/sites/default/documents/files/document_library/About%20Us/Missions%20and%20tasks/Call%20for%20Advice/2021/CfA%20on%20EU%20dependence%20on%20non-EU%20banks/1017664/Ares%282021%29%204321397-Annex-.pdf

[14] It worth's clarifying that it is out of the scope of this report to define what should be considered as critical financial services and to conclude when there is excessive reliance from such service.

[15] As an exception, analysis based on answers from the qualitative survey may include direct provisions of services as non-EU providers.

- **Data collection** addressed **to non-EU branches and subsidiaries controlled by non-EU entities that provide services in the EU (**collection of FINREP and COREP templates[16]): conducted to complement the supervisory reporting data available to the EBA when addressing the market share analysis and concentration of non-EU entities in the EU market of financial services.

- **Qualitative questionnaire addressed to EU large institutions** included in the EBA sample as per EBA Decision 2020/334[17]: The purpose of the qualitative questionnaire was to gather additional information that is not part of the supervisory reporting data available to the EBA (and where it was considered too burdensome to be part of the data collection). In particular, questions focused on dependency of EU-banks from non-EU non-banks operators and market infrastructures and on particular aspects of funding in foreign currency.

1.3 Samples

4. The analysis included in the report rely on different data sources and therefore, they are based on different samples. The following section clarifies which are the samples for each of the analysis[18].

1.3.1 Analysis based on supervisory reporting data

5. Section 3 of this report relies mainly on supervisory reporting data available for the EBA. The sample for the different analysis included in this section may slightly vary depending on the COREP templates provided by each institution:

    - In Section 3.1 (LCR of EU banks: total LCR and LCR by significant currencies) the sample includes 88 banks (89 banks including subsidiaries) that reported USD as significant currency as of June 2021. This sample represents approximately 62% of the total assets of the EU banking sector.[19] The sample is a subset of the 298 banks (346 banks including subsidiaries), representing on average 88.5% of the total assets of the EU, that are part of the EBA report on liquidity measures[20] published in December 2021. Additional information by country is provided in Table 6 included in the Annex.

    - In Section 3.2 (NSFR of EU banks: total NSFR and NSFR by significant currencies), the sample is based on 472 banks with data as of June 2021. The sample covers

16 The FINREP templates requested included balance sheet data (F.01.01, F.01.02, F.01.03), income statement (F.02.00), fee and commission income by activity (F.22.01), breakdown of assets and liabilities by product (F.05.01, F.08.01.a), geographical breakdown of assets.

17 See decision here.

18 Additional information on the samples and coverage by country are provided in Annex I.

19 The information on total assets of the EU has been obtained from the Statistical Data Warehouse of the European Central Bank (ECB).

20 See last EBA report on liquidity measures here.

approximately 97% of the total assets of the EU banking sector. Additional information by country is provided in Table 7 included in the Annex.

- In Section 3.3 (Funding structure of), 41the sample is based on 466 banks with data as of June 2021. The sample covers approximately on average, 97% of the total assets of the EU banking sector.

1.3.2 Data collection of non-EU branches and subsidiaries

6. The sample is composed by 360 non-EU entities (243 subsidiaries and 117 branches). However, not all of them reported data and, within those that reported data, not all of them reported the same set of templates. In each section, the number of non-EU entities that submitted data is indicated. Additional information by country is provided in Table 9 and Table 10 included in the Annex.

1.3.3 Qualitative questionnaire

7. The sample includes 88 banks (119 including subsidiaries) that responded to the qualitative questionnaire. The sample represents approximately 49.3% of the total assets of the EU banking sector[21]. Additional information by country is provided in Table 8 included in the Annex.

1.4 Methodology

8. All analysis presented across the report are based on data as of 30 June reporting date except for the analysis based on the responses to the qualitative questionnaire that relate to December 2019 and December 2020 reference dates.

9. Results are generally shown at EU level. Some results are shown using the breakdown between G-SIIs/O-SIIs and 'other banks' or by country. Results are excluded from tables/charts if there are fewer than three entities in the cluster.

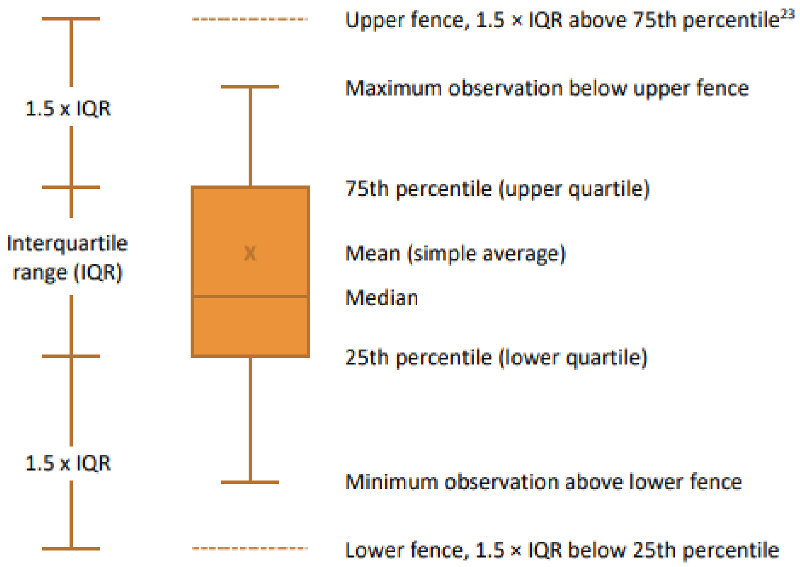
10. Regarding the aggregation method used in this report, unless otherwise stated in the report:

    - all averages are weighted (e.g. average share of liquidity buffer over total assets by country is weighted by country liquidity buffer and total assets);

    - to avoid double counting, EU averages exclude subsidiaries with an EU parent. Averages by country include institutions that are subsidiaries of EU parents, unless they belong to the same country as their parent company.

11. Charts showing box plots give an indication of the distribution of the results among the participating banks. Those box plots are defined as follows:

[21] As of December 2020



1.5 Data quality and interpretation of the results

12. Some incomplete or inconsistent responses were found while analysing the responses provided by banks to the qualitative questionnaire. Based on data quality issues, specific exclusions were applied to the analysis shown in this report. These exclusions justify the different samples included in graphs and tables corresponding to qualitative questionnaire responses.

1.6 Structure/Overview of the different analysis presented in the report

13. The report covers two main areas and includes a subset of analysis under these two main areas:

    1. **Non-EU entities in the EU banking sector:** This section analyses the dependency of the EU financial system on non-EU banks and the dependency of EU banks from non-EU non-banks operators. The section includes the following analyses:

        a. An overview of the branches and subsidiaries of non-EU entities operating in the EU.
        b. Market share of non-EU branches and subsidiaries under different metrics.
        c. Balance sheet structure.
        d. Breakdown of exposures by counterparty's sector.
        e. Breakdown of exposures by country.
        f. Main income items.
        g. Dependency of EU banks from non-EU financial operators.

    2. **Funding structure of EU banks, a focus on foreign currency funding:** analysis of EU-banks level of dependence from foreign currency denominated funding.

        a. LCR in foreign currency – components of the LCR in USD
        b. NSFR of EU banks.

i. Total NSFR and NSFR by significant currencies.
ii. Composition of total available stable funding and available stable funding in significant currencies.
iii. Maturity of available stable funding.

c. Funding structure of EU banks, focused on foreign currency funding: This section provides an overview of the composition of funding by currency between domestic and foreign currency and by currencies. Moreover, a composition of funding by type is presented, in total funding and in foreign currency funding.

   i. Breakdown of EU banks’ funding by currency.
   ii. Breakdown of EU banks’ funding by type.

2. Non-EU entities in the EU banking sector

14. Based on balance sheet data submitted to the EBA as of June 2021, the market share of non-EU entities is 12.2% of total assets, 11.4% of loans, 6.6% of debt securities and 31.4% of derivatives. Non-EU entities are concentrated in a few countries (85.4% of total assets of non-EU branches and subsidiaries are concentrated in DE, FR, IE and LU).

15. Based on income statement data submitted to the EBA as of June 2021, the market share of non-EU entities is 7% of total fee and commission income, with significant market share in some activities (commodities, corporate finance, central administrative services for collective investment, custody and foreign exchange).

16. The business model is highly concentrated in credit institutions and other financial corporations, representing 60% of total exposures and 72% of total liabilities, while households represent only 7% of exposures and 11% of total liabilities. High exposures to credit institutions and other financial corporations are influenced by investment banks and a large clearing house. When excluding the clearing house and investment banks, credit institutions and other financial corporations as counterparties have a lower share than households and non-financial corporations (27% compared to a share of 38% of households and non-financial corporations).

17. With regards the breakdown by country of the counterparty, 73% of total exposures and 67% of total liabilities of non-EU entities are concentrated within the EU. The exposures of non-EU entities towards third countries are above average for DE, FR and LU, which are the jurisdictions that represent most of the total exposures of non-EU entities in the EU.

18. Lastly, fee and commission income of non-EU entities is, on average, higher than the income obtained from interest income. Although in several countries interest income is higher than fee and commission income, in the countries that represent most exposures of non-EU entities in the EU (DE, FR, IE and LU), fee and commission income dominates interest income. For EU banks, for interest income represents 66% of total income, followed by fee and commission income (33%).

19. The activities from which non-EU entities obtain most of fee and commission income are services related to the distribution of customer resources but not managed, custody, asset management, securities, corporate finance, foreign exchange and payment services.

Box 1 Inferring non-EU entities' Business Models from the Balance Sheet Data

Of all the institutions that participated in the survey, 192 institutions have a business model according to the EBA classification (71% of the institutions in the sample, covering 88% of the assets). The non-EU entities with an identifiable business model are mainly classified as cross-border universal banks

(24.1%), custodians & clearing houses (29.6%) and local universal banks (17.1%). A single clearing house operating in the EU, but with the global ultimate parent in the UK, has been identified as a key outlier in the sample and its presence alone may explain some of the aggregate metrics of the non-EU players, as it represents 24% of total assets of non-EU entities in the EU. When excluding this institution, the main business models of non-EU operators would be cross-border universal banks (31.6% of total assets of banks with business models), followed by local universal banks (22.4%) and by corporate-oriented banks (8.5%).

The EBA business model classification does not include a specific category for investment banks. However, in percentage points of assets, one third of non-EU entities operating in the EU are global investment banks, which in the EBA classification fall under several different business models (local universal, cross-border universal, corporate-oriented, custodian and private. All major global investment banks (i.e. those with the largest amount of fees received during 2021) are present in the EU and in the sample used in this report: nine out of ten largest global investment banks have an EU operation, and eight of them are non-EU operators. All these eight entities operate as subsidiaries in the EU, and 3 of these subsidiaries also have a further branch structure covering six different EU countries (DE, ES, IE, IT, LU, PL). Altogether, the branches and subsidiaries of non-EU investment banks represent 33% of total assets of the non-EU entities in the EU. Taken together, the clearing house and the investment banks are in total 23 entities (8% of the total number of banks) that cover 57% of the total assets of non-EU entities in the EU. For this reason, some of the metrics explained below and across all the report can be mainly explained by these two groups of institutions.

Regarding the aggregate balance sheet structure of non-EU entities, loans represent 54% of assets on average (43% excluding investment banks and the clearing house). Those non-EU entities with business models oriented to mortgage, custodian & clearing houses, consumer/auto and savings banks record above-average shares of loans on their balance sheets. When excluding investment banks and the large clearing house, the proportion of loans of total assets drops to 44% for the business model of custodians and clearing houses (44 percentage points lower than the average for custodian & clearing houses).

Regarding the breakdown of loans by product, the relatively high proportion of reverse repurchase (repo) arrangements of total loans is clearly explained by the presence of the clearing house and investment banks (23 banks out of a total of 271 non-EU entities that reported data). For the entire sample repos represent more than half of the loans, but when excluding investment banks and the clearing house, they only represent 7%.

EU credit institutions and other financial corporations are the main counterparties of non-EU entities, mainly explained because of the presence of the sample of investment banks and the clearing house. When excluding the clearing house and investment banks, credit institutions and other financial corporations as counterparties have a lower share than households and non-financial corporations (27% compared to a share of 38% of households and non-financial corporations).

With regards the income structure, fee & commission income dominates interest income for the total sample of non-EU entities. However, this result is heterogeneous across business models. Fees and commissions are the key income source for cross-border universal banks and for custodian and clearing houses, while it is less relevant for corporate-oriented banks and local universal banks.

Lastly, deposits is the main item in the liability structure (79% of total), followed by derivatives (18% of total). For cross-border universal banks and corporate-oriented banks (two of the main business models of non-EU entities), the proportion of derivatives is higher than the sample average.

Table 1: Main metrics by business model of non-EU entities, total sample, June 2021.

Business model	N	Loans/Assets	Breakdown by counterparty			Breakdown by type of loans	Breakdown by collateralised loans	
			Credit institutions + Other financial corporations over total exposures	Households over total exposures	NFCs over total exposures	Repos/Total loans	Other collateralised loans/Total collateralised loans	Loans collateralised immovable property/Total collateralised loans
Consumer/ auto	4	80%	3%	59%	27%	0%	3%	97%
Cooperative	2	49%	48%	12%	19%	-	-	-
Corporate-oriented	28	48%	43%	8%	16%	26%	77%	23%
Cross-border universal	24	30%	68%	2%	12%	27%	86%	14%
Custodian & Clearing houses	15	87%	88%	1%	1%	91%	90%	10%
Local universal	52	46%	26%	22%	18%	10%	49%	51%
Mortgage	1	92%	-	-	-	-	-	-
Other	26	25%	22%	2%	13%	14%	97%	3%
Pass-through	2	2%	-	-	-	-	-	-
Private	34	51%	14%	17%	17%	2%	45%	55%
Savings	4	55%	50%	40%	1%	0%	21%	79%
N/A	79	47%	46%	12%	19%	14%	64%	36%
Total	**271**	**54%**	**60%**	**7%**	**10%**	**54%**	**62%**	**38%**

Source: Data collection of non-EU entities with data as of June 2021 and EBA calculations.

Table 2: Main metrics by business model of non-EU entities, excluding investment banks and the clearing house, June 2021.

Business model	N	Loans/Assets	Breakdown by counterparty			Breakdown by type of loans	Breakdown by collateralised loans	
			Credit institutions + Other financial corporations over total exposures	Households over total exposures	NFCs over total exposures	Repos/Total loans	Other collateralised loans/Total collateralised loans	Loans collateralised immovable property/Total collateralised loans
Consumer/ auto	4	79.8%	3%	59%	27%	0%	3%	97%
Cooperative	2	48.9%	48%	12%	19%			
Corporate-oriented	25	56.2%	17%	0%	52%	8%	79%	21%
Cross-border universal	20	39.2%	45%	9%	34%	12%	83%	17%
Custodian & Clearing houses	11	38.4%	44%	3%	1%	10%	100%	0%
Local universal	51	46.1%	26%	22%	18%	10%	49%	51%
Mortgage	1	91.9%						
Other	26	25.0%	22%	2%	13%	14%	97%	3%
Pass-through	2	2.4%						
Private	32	41.4%	17%	21%	21%	3%	43%	57%
Savings	4	55.3%	50%	40%	1%	0%	21%	79%
N/A	70	44.0%	27%	18%	28%	0%	39%	61%
Total	**248**	**43%**	**27%**	**17%**	**21%**	**7%**	**52%**	**48%**

Source: Data collection of non-EU entities with data as of June 2021 and EBA calculations.

2.1 Overview of branches and subsidiaries in the EU

20. The identification of non-EU entities was made based on the main assumption of control, which is the holding, either directly or indirectly, of more than 50% of the shares of the entity that operates in the EU. The identification of the parent entities is irrespective of the existence of an operational banking entity or group outside the EU. The global ultimate parents are both financial entities (banks, funds) and non-financial entities. Therefore, non-EU entities with parent entities other than banking groups have been included in the sample to provide a comprehensive picture of the banks that are not under the control of EU undertakings and also because the decisions of non-EU non-banking groups could have an impact on the shape of the financial system of some jurisdictions and ultimately on the EU financial system.

21. With data as of June 2021, 243 subsidiaries that are controlled by an entity domiciled in a third country have been identified. The subsidiaries identified are controlled by entities located in 39 countries, of which those that come from the United States, the United Kingdom, Switzerland, Japan and China represent more than half (Table 9).

22. Similarly, 117 branches that are directly or indirectly controlled by entities located in 22 different countries have been identified, of which those controlled by entities located in the United Kingdom, China and the United States represent more than half (Table 10).

2.2 Market share of non-EU branches and subsidiaries: different metrics

23. Based on balance sheet data submitted to the EBA as of June 2021, the market share of non-EU entities is 12.2% of total assets, 11.4% of loans, 6.6% of debt securities and 31.4% of derivatives. These figures may be underestimated, as not all the non-EU entities are subject to the same reporting requirements across the EU and the market share is not calculated for all the 360 identified entities but only for those that submitted data.

24. The market share is above EU average in MT (68.9%), IE (53.4%), LU (36.1%) and EE (31.2%). By country of domiciliation of the ultimate parent, non-EU entities with the global ultimate parent located either in UK or US represent on average more than 75% of the market share in pp of assets.

25. Based on income statement data submitted to the EBA as of June 2021, the market share of non-EU entities is 7% of the total EU fee and commission income. By activity, non-EU entities account with a significant market share in commodities (63.5%), corporate finance (51.5%), central administrative services for collective investment (47.7%), custody (35.1%) and foreign exchange (32.4%).

26. Although non-EU entities operate in 19 EU countries, the exposures are concentrated in a few countries. Thus, 85.4% of total assets of non-EU branches and subsidiaries are concentrated in DE, FR, IE and LU, of which DE and FR already represent more than half.

27. In pp of assets, subsidiaries represent 96% of the total assets of non-EU entities operating in the EU and branches represent 4%. The market share in percentage points of assets of non-EU subsidiaries is 12% and of non-EU branches is 0.2%.

Table 3: Market share on main balance sheet items, data based on FINREP consolidated reporting as of June 2021

Balance sheet item	CA	CH	CN	GB	JP	RU	TR	US	Other	All
Loans	0.10%	0.50%	0.10%	6.90%	0.20%	0.00%	0.20%	2.20%	1.10%	11.40%
Debt securities	0.20%	0.40%	0.20%	1.50%	0.10%	0.10%	0.20%	2.70%	1.20%	6.60%
Equity	0.00%	1.00%	0.10%	0.70%	0.00%	0.00%	0.00%	0.90%	0.60%	3.30%
Total Assets	0.20%	0.60%	0.20%	5.70%	0.20%	0.10%	0.20%	4.00%	1.10%	12.20%

Source: Data collection on FINREP templates as of 2021-Q2 and EBA calculations. 255 banks reported data. In order to obtain the market share, the denominator has been obtained with the aggregated balance sheet items at the highest level of consolidation in the EU.

Table 4: Market share on total assets, data based on FINREP consolidated reporting as of June 2021

Ctry	CA	CH	CN	GB	JP	RU	TR	US	Other	All
AT	.	0.1%	0.1%	0.2%	.	.	0.1%	0.0%	1.0%	1.5%
BE	.	.	0.4%	0.2%	0.0%	.	.	3.5%	0.1%	4.2%
CY	.	.	.	.	.	.	.	.	3.0%	3.0%
CZ	.	.	0.1%	.	.	.	.	.	.	0.1%
DE	0.00%	0.60%	0.10%	0.80%	0.30%	0.10%	0.10%	6.10%	0.10%	8.2%
EE	.	.	.	31.2%	.	.	.	.	.	31.2%
ES	.	0.1%	.	0.2%	.	.	.	0.0%	2.2%	2.6%
FR	0.00%	0.10%	.	10.40%	0.00%	.	.	0.10%	0.10%	10.8%
HR	.	.	.	.	.	.	0.6%	.	0.3%	0.9%
IE	1.9%	.	.	26.3%	.	.	.	23.7%	1.4%	53.4%
IT	.	0.1%	.	.	.	.	.	0.0%	0.0%	0.2%
LU	3.20%	9.20%	3%	0.20%	1.00%	0.50%	0.00%	14.90%	4.10%	36.1%
MT	.	1.5%	.	34.0%	.	.	24.7%	0.7%	8.0%	68.9%
NL	.	.	0.2%	1.8%	0.7%	0.0%	0.6%	.	1.3%	4.7%
PL	.	.	.	0.4%	0.3%	.	.	4.0%	0.7%	5.4%
PT	.	.	0.6%	0.0%	.	.	.	.	10.7%	11.3%
RO	.	.	.	.	.	.	2.20%	3.80%	4.70%	10.7%
SE	.	.	.	0.3%	.	.	.	.	.	0.3%
All	0.20%	0.60%	0.20%	5.70%	0.20%	0.10%	0.20%	4.00%	1.10%	12.20%
EU*	0.10%	0.60%	0.20%	5.10%	0.20%	0.10%	0.20%	3.60%	1.00%	11.10%

Source: Data collection on FINREP templates as of 2021-Q2 and EBA calculations. 255 banks reported data. In order to obtain the market share, the denominator has been obtained with the aggregated balance sheet items at the highest level of consolidation in the EU. The figures for RO have been computed using the total assets referred to the banks reporting to the EBA. This does not include three local banks. Considering also these banks the share of total assets owned by non-EU entities in RO would be 10.7%. One Austrian subsidiary of a non-EU banking group was excluded from the sample as the EU entity was declared failing or likely to fail on 28 February 2022. The averages in the row "all" are referred to the market share considering only the countries that account with non-EU branches and subsidiaries and the averages include in the row "EU" consider all countries in the EU.

2.3 Funding structure of non-EU entities

28. Non-EU entities rely on traditional sources of funding. Thus, deposits and other financial liabilities represent 75% of total liabilities and equity of non-EU branches and subsidiaries. Deposits is the main source of funding for all countries, representing more than two thirds of total liabilities for all except DE, FR, IE, NL and PL.

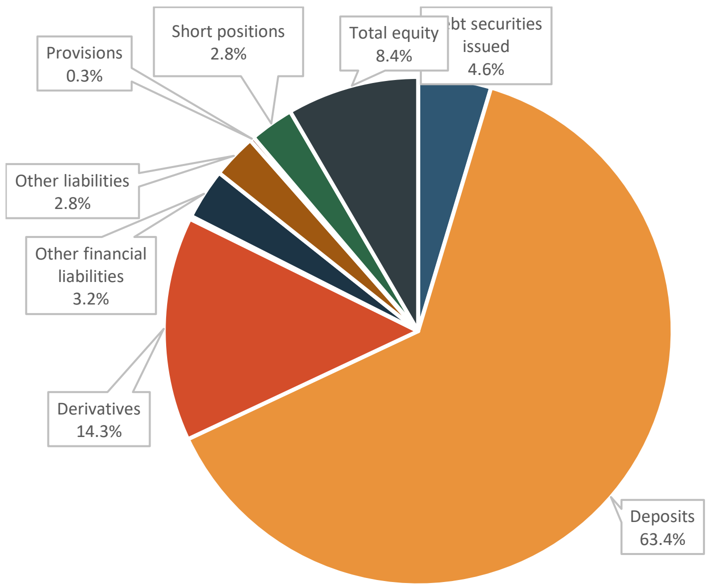
29. The main counterparty of total funding is credit institutions and other financial corporations (72% of total). Funding obtained from households and non-financial corporations represent less than a third of total funding. Deposits obtained from credit institutions and other financial corporations represent 65% of total, and those obtained from households and non-financial corporations represent less than a third.

30. Similar to assets, more than two thirds of the counterparties on the funding side are located in the EU except for credit institutions, for which less than a third of the funding comes from the EU. For deposits, most of the counterparties are located in the EU (69% of total).

31. By country, FR and DE are above average in the funding obtained from credit institutions and other financial corporations (above 80% of total).

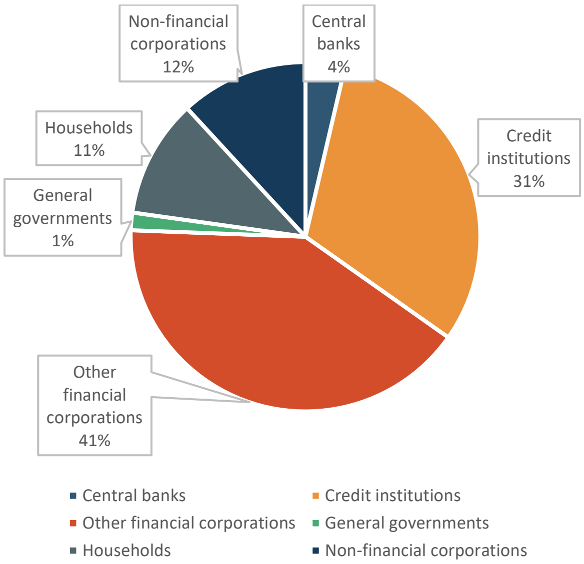
32. Non-EU entities are generally well-capitalised and have comfortable levels of equity in the balance sheet (8.4% on average), which is higher for subsidiaries (8.8%) than for branches (8.4%). For non-EU entities located in AT, CZ, EE, HR, IE, IT, NL, PL, RO and SE the share of equity exceeds 10% on average.

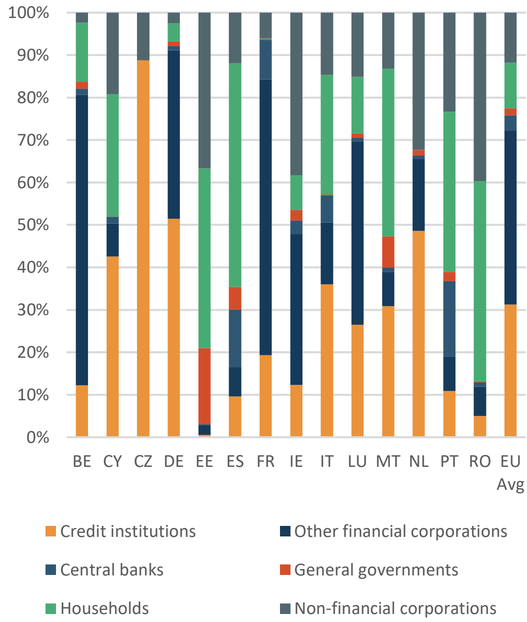
Figure 1: Balance sheet structure of non-EU entities, breakdown by liabilities, June 2021.



Source (liabilities): Data collection on FINREP templates as of 2021-Q2 and EBA calculations. Source: F.01.02 and F.01.03.

Figure 2: Counterparty sector of liabilities of non-EU entities, total sample (left) and breakdown by country (right), June 2021.





Source: Data collection on FINREP templates as of 2021-Q2 and EBA calculations. 214 banks reported data. Data for AT is not disclosed because only 2 banks from AT reported data of F.20.06.

2.4 Balance sheet structure

33. Loans, debt securities, cash and cash balances at central banks and derivatives represent more than 90% of non-EU entities' total assets (Figure 3). The balance sheet structure of non-EU entities differs from the structure for EU banks in cash and cash balances at central banks and derivatives (they are above the share observed for EU banks) and for loans and debt securities (they are below the share observed for EU banks).

34. The structure of the asset side of the balance sheet differs across countries (Figure 31). Also, high levels of concentration of asset items of non-EU entities are observed in a few countries. Thus, loans are mainly concentrated in DE and FR, derivatives and cash and cash balances at central banks are concentrated in DE and IE and debt securities are concentrated in BE, IT and PL.

35. Loans and advances represent, on average, 56% of total assets. This share is similar to the share of loans in the balance sheet of EU banks (60%). Loans of non-EU entities are mainly concentrated in DE and FR, with FR concentrating 48% of the total loans of non-EU entities in the EU. By counterparty, loans are mainly addressed to credit institutions and other financial corporations (see Section 2.4 on the breakdown by counterparty). As explained in the box on business models, the high concentration of loans towards credit institutions and other financial corporations is explained by the presence in the sample of a large clearing house and

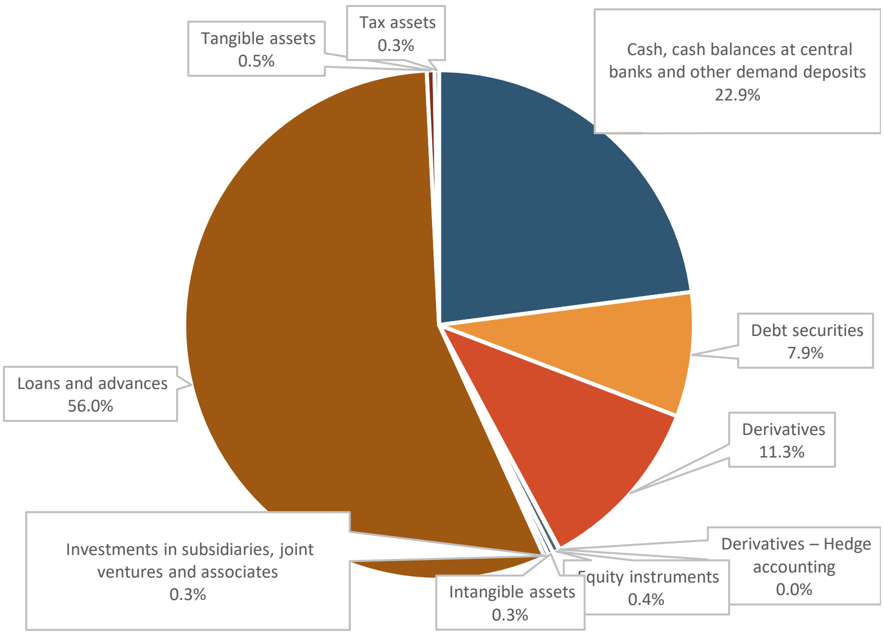
investment banks, because when excluding them, the exposures towards these counterparties are halved.

36. Cash and cash balances at central banks represent, on average, 22% of total assets (above average for EU banks, which is 15%). DE and IE alone represent 57% of the total cash exposures and balances of non-EU entities in the EU.

37. Debt securities represent, on average, 8% of total assets (below the share for EU banks, which is 13%) and are mainly located in BE, IT and PL, concentrating 40% of the total debt securities of non-EU entities in the EU.

38. Derivatives represent, on average, 11% of total assets (well above the average for EU banks, which is 5%) and are mainly located in DE and IE, with these two countries representing, respectively, 58% and 23% of the total derivatives exposures by non-EU entities in the EU. Most derivatives in the asset side of the balance sheet are classified in trading portfolios (99.6%) and are mainly addressed to credit institutions and other financial corporations (88% of total).

Figure 3: Balance sheet structure of non-EU entities, breakdown by assets, June 2021.



Source (assets): Data collection on FINREP templates as of 2021-Q2 and EBA calculations. 271 banks reported data. Source (liabilities): Data collection on FINREP templates as of 2021-Q2 and EBA calculations. Source: F.01.02 and F.01.03.

2.5 Breakdown of exposures by counterparty's sector

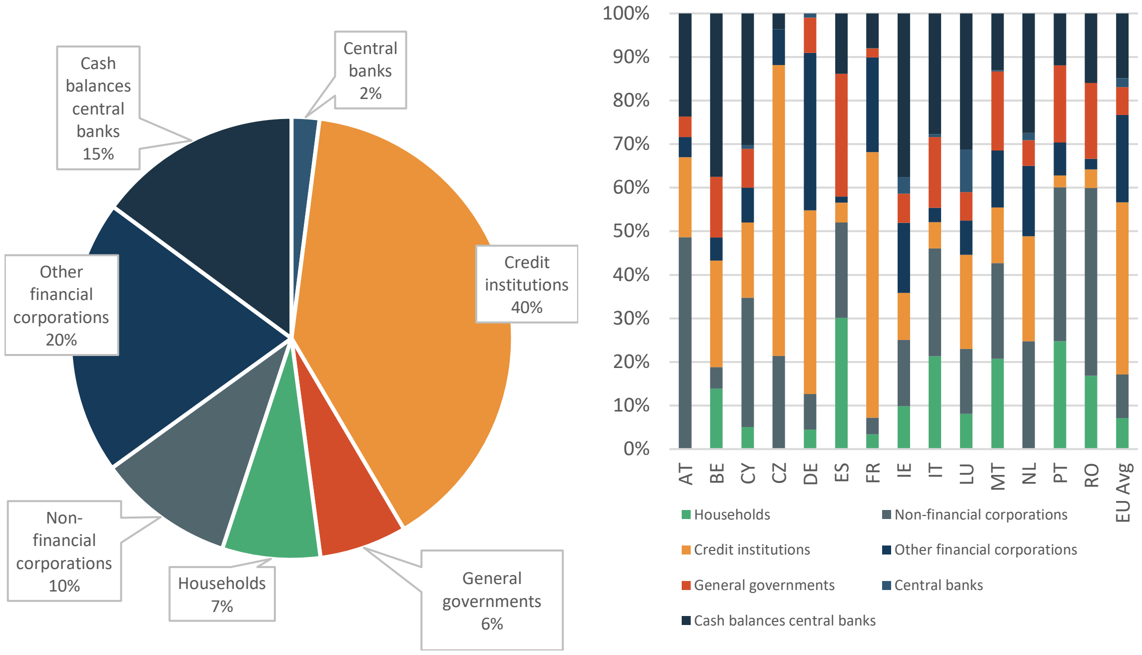
39. The exposures of non-EU entities are highly concentrated in credit institutions and other financial corporations[22] (Figure 4), representing 60% of total, mainly explained by 23 banks in the sample that are investment banks and a clearing house. Excluding them, exposures towards credit institutions and other financial corporations would have a share of 27%. The rest of the counterparties are cash balances at central banks (15%) and others that altogether account for individually with a share of less than 10% (non-financial corporations, households, general governments and central banks).

40. With regards to loans, which is the main asset item, 71% of them are addressed to credit institutions and other financial corporations, followed by non-financial corporations (14% of total) and households (11% of total). Also, the high share observed for credit institutions and other financial corporations is mainly explained by non-EU entities located in DE and FR, which are the countries with more than half of the total assets of non-EU entities in the EU. Non-EU players in these two countries have 78% and 83% of their exposures, respectively, towards credit institutions and other financial corporations.

41. There is a high concentration of the exposures by counterparty in a few countries. Thus, more than 80% of exposures towards credit institutions and other financial corporations are concentrated in FR and DE, 71% of exposures towards non-financial corporations are concentrated in DE, FR, IE and LU, 81% of cash balances at central banks are concentrated in FR, IE and LU and more than two thirds of exposures towards general governments concentrated in DE, FR, ES, LU.

[22] According to the instructions for reporting on financial information, 'other financial corporations' include all financial corporations and quasi-corporations, other than credit institutions, such as investment firms, investment funds, insurance companies, pension funds, collective investment undertakings, and clearing houses as well as remaining financial intermediaries, financial auxiliaries and captive financial institutions and money lenders.

Figure 4: Counterparty sector of assets of non-EU entities, total sample (left) and breakdown by country (right), June 2021.



Source: Data collection on FINREP templates as of 2021-Q2 and EBA calculations. 214 banks reported data.

2.6 Breakdown of loans by collateral

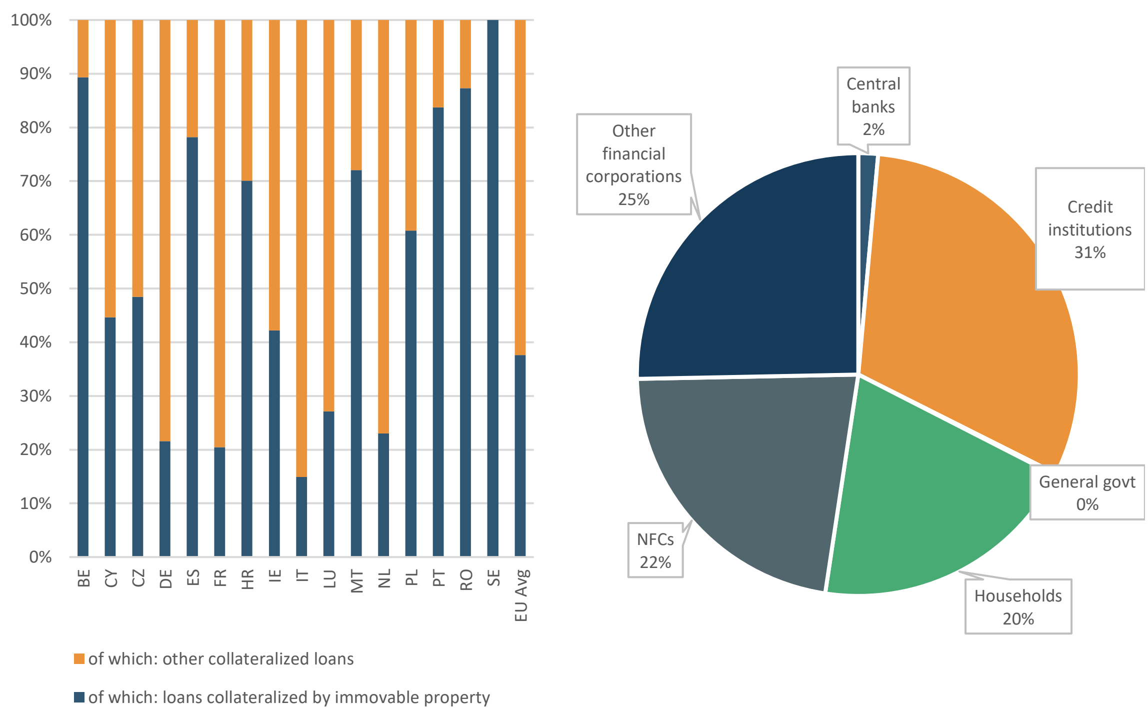
42. The breakdown of loans by collateral also unveils that the business model of non-EU entities is oriented to other entities than households. With data as of June 2021, the breakdown of collateralised loans by type shows that 'other collateralized loans'[23] are more important than 'loans collateralised by immovable property' (that are normally addressed to households). Other collateralised loans represent 62% of total collateralised loans and are mainly addressed to credit institutions and other financial corporations (see right chart). The lower importance of 'loans collateralised by immovable property', which are normally addressed to households, is another evidence that the business of non-EU entities is not addressed to households but to other type of entities (mainly credit institutions and other financial corporations).

43. For half of the countries, 'other collateralised loans' are more significant than 'loans collateralised by immovable property' (Figure 6). That happens in DE, FR, IE and LU, which

[23] According to the instructions for reporting on financial information, within 'other collateralised loans', the following items are included as collateral: (i) 'Cash, deposits, (Debt securities issued)' shall include (a) deposits in the reporting institution that have been pledged as collateral for a loan and (b) debt securities issued by the reporting institution which have been pledged as collateral for a loan; (ii) 'Movable property' shall comprise pledges of physical collateral other than immovable property and include cars, airplanes, ships, industrial and mechanical equipment (machinery, mechanical and technical equipment), inventories and commodities (merchandise, finished and semi-finished products, raw materials) and other forms of movable property; (iii) 'Equities and debt securities' shall include collateral in the form of equity instruments, including investments in subsidiaries, joint ventures and associates, as well as in the form of debt securities issued by third parties; (iv) 'Rest' shall include pledges of assets;

altogether represent 85.4% of the total assets of non-EU entities in the EU. For the rest of countries, 'loans collateralized by immovable property' represent more than 70% of loans (BE, EE, ES, HR, MT, PT, RO, SE), but as the exposures of non-EU entities in these countries only represent 8% of total, the highest exposures of these in 'other collateralised loans' are not enough to more the average up.

Figure 5: Breakdown of loans by collateral (left) and counterparties of 'other collateralized loans' (right), June 2021.



Source: Data collection on FINREP templates as of 2021-Q2 and EBA calculations. 254 banks reported data. Source: F.05.01. AT is not disclosed because only 2 banks reported data of template F.05.01, which serves as the source for this chart.

2.7 Breakdown of exposures by country

44. Non-EU entities are established in EU countries under the legal form of either branches or subsidiaries and, from their country of residence, they provide services to counterparties located in the home country, in other EU countries and in third countries.

45. Non-EU entities provide services mainly to European counterparties, as 73% of total exposures are concentrated within the EU (Figure 6) and 27% located in third countries. Of those, the exposures towards counterparties located in home countries represent 33% of total and the exposures towards EU countries other than the home country represent 40%.

46. Non-EU entities located in BE, EE, ES, IE, PT and RO account with more than 75% of the exposures concentrated in the EU, concentrated in the home country for ES, PT and RO.

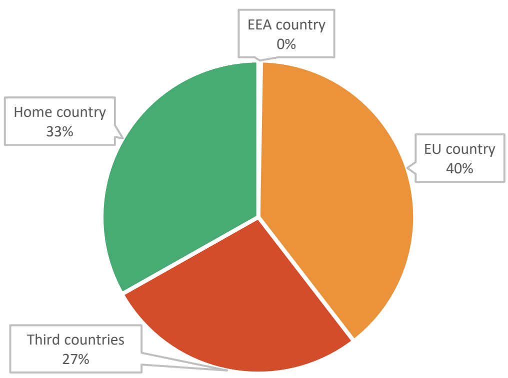
However, the non-EU entities in these countries only represent 22% of the total exposures of non-EU entities in the EU.

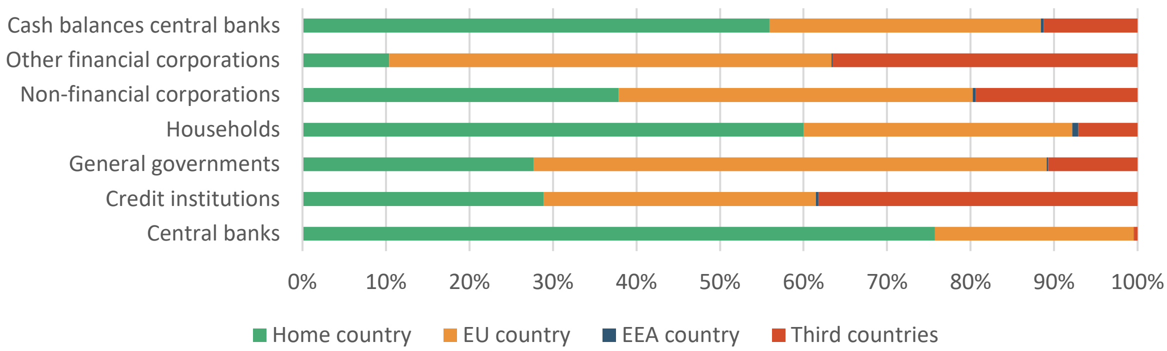
47. The exposures of non-EU entities towards counterparties located in third countries amount to 27% of total, with significant exposures towards third countries of non-EU entities operating in those countries that represent more than two thirds of the total exposures of non-EU entities (DE, FR, and LU). An above average exposure to third countries is observed for DE and LU (with more than the 40% of the exposures located in third countries) and aligned with average in FR.

48. By counterparties, more than 80% of the exposures are concentrated in the EU for all counterparties except for credit institutions and other financial corporations, for which two thirds of the counterparties are located in the EU. Since credit institutions and other financial corporations are the main counterparties for non-EU entities, they drive down the average of the exposures located in the EU.

49. In the countries that represent 87% of the total exposures of non-EU entities in the EU (DE, FR, IE, LU), exposures are concentrated in the EU entirely for IE, more than 50% of total exposures for DE and LU, and more than 70% for FR.

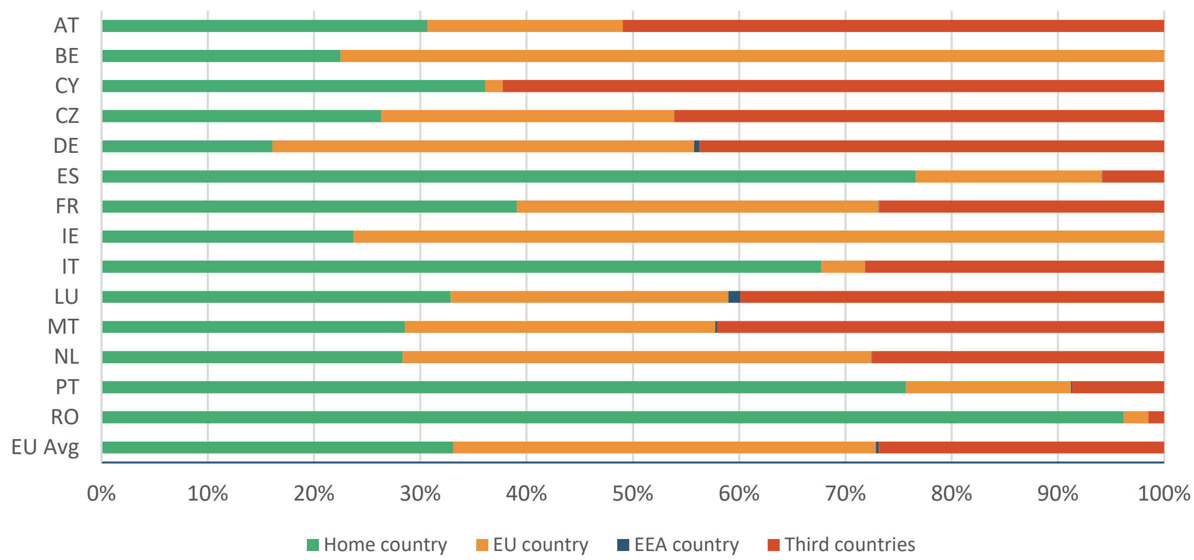
Figure 6: Breakdown by country of asset exposures (total assets and by counterparty), June 2021.





Source: Data collection on FINREP templates and EBA calculations. 213 banks reported data

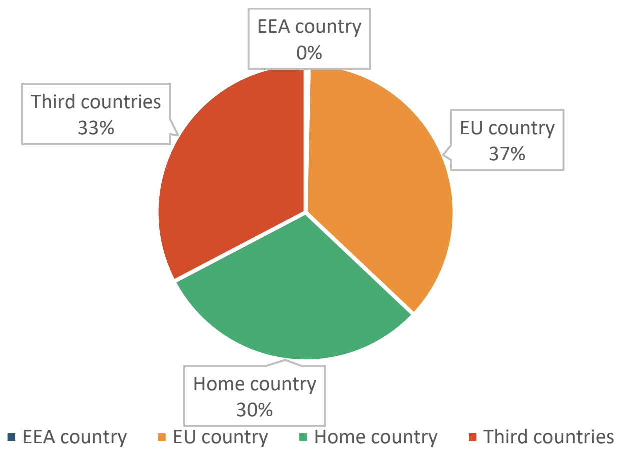
Figure 7: Breakdown by country of total asset exposures, June 2021.

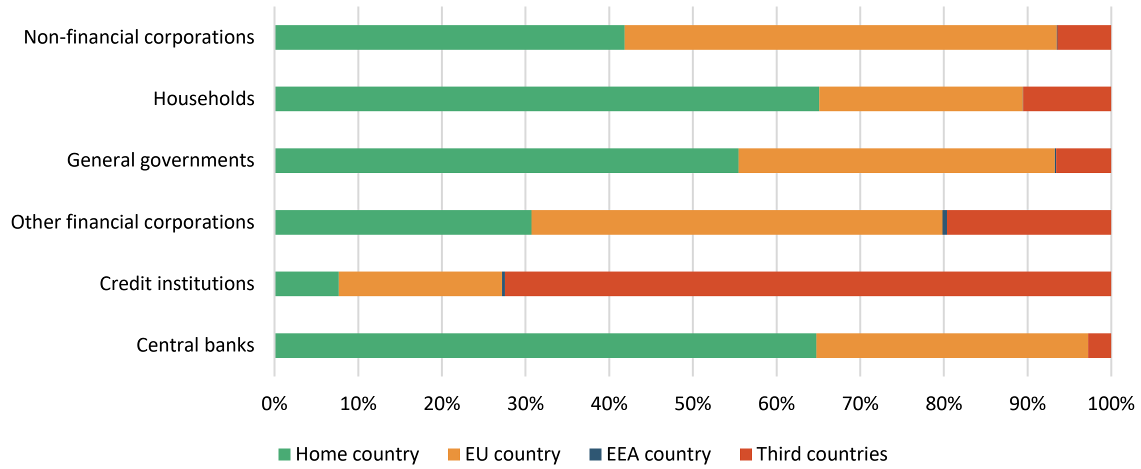


Source: Data collection on FINREP templates and EBA calculations. 213 banks reported data

50. Lastly, on the liability side, 67% of liabilities come from counterparties located in the EU (30% from home countries and 37% from other EU countries). By counterparties, most of the funding is obtained from EU counterparties, except for credit institutions, for which only 27% of the funding comes from the EU.

Figure 8: Breakdown by country of liability exposures (total liabilities and by counterparty), June 2021.





Source: Data collection on FINREP templates and EBA calculations. 213 banks reported data.

2.8 Main income items

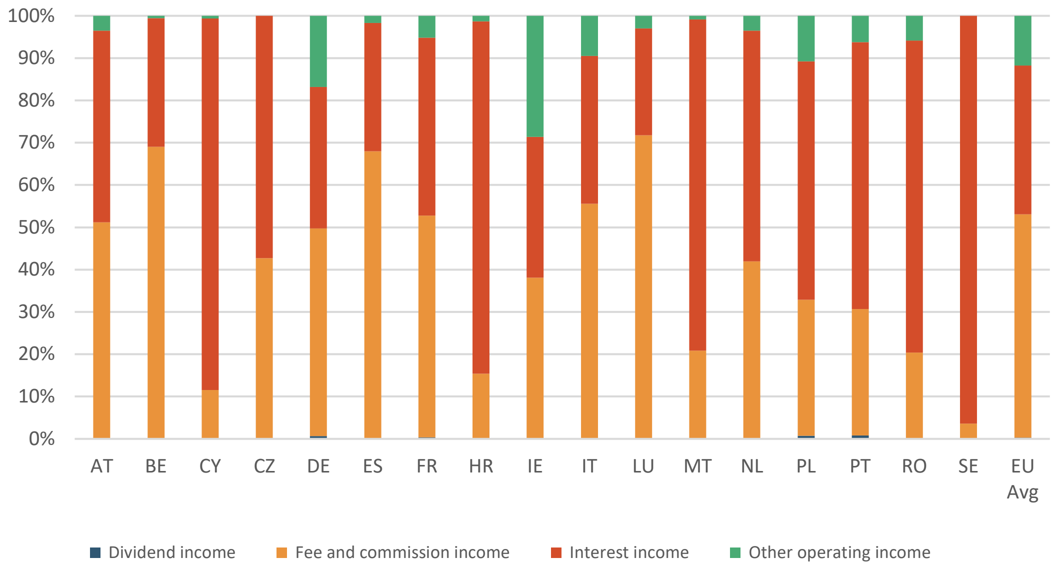
51. Fee and commission income is, on average, higher than income obtained from interest income. This result is explained by the fact that fee and commission income is above interest income in non-EU entities located in the countries that represent most exposures of non-EU entities in the EU (DE, FR, IE and LU), with LU as the main outlier, because by number of countries, interest income is above fee and commission income for 10 countries out of 18. However, the high share of those countries make the average share of fee and commission income appear higher. (Figure 9). On average, it represents 53% of total income, followed by interest income (35% of total income). For EU banks, interest income represents 66% of total income, followed by fee and commission income (33%).

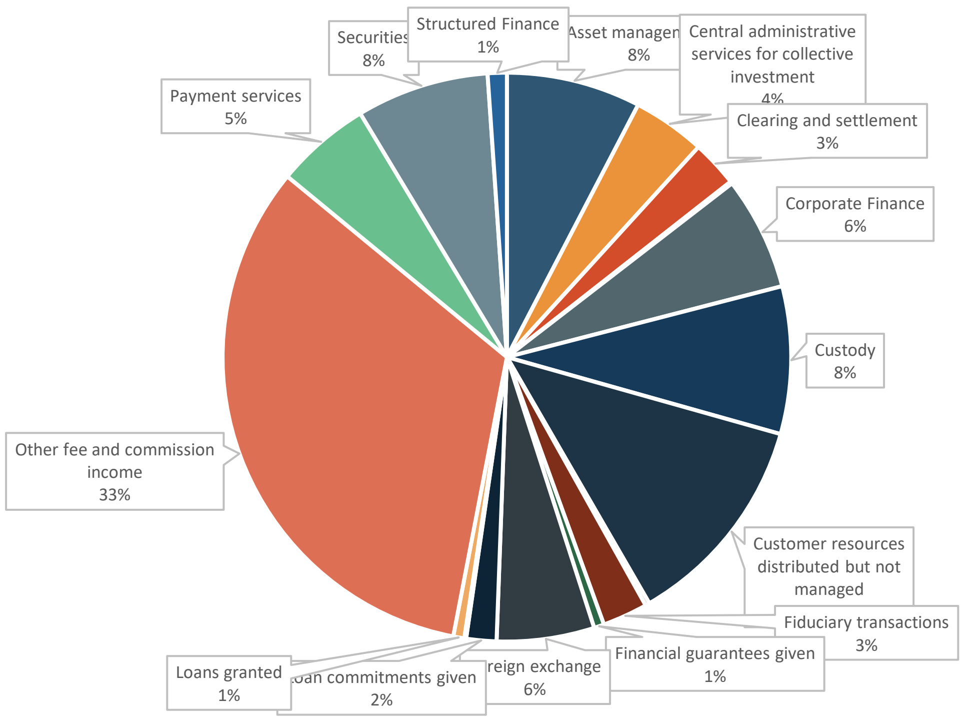
52. The lower share of fee and commission income compared to interest income in the remaining 8 countries is explained in four cases (BE, DE, IE, IT) by the lower-than-average share of loans in the balance sheet.

53. The activities from which non-EU entities obtain most of their fee and commission income are services related to the distribution of customer resources but not managed (12%), custody (8%), asset management (8%), securities (8%), corporate finance (6%), foreign exchange (6%) and payment services (5%). Non-EU entities account with a significant market share in fee and commission income obtained from certain activities (commodities, corporate finance, central administrative services for collective investment, foreign exchange and custody).

54. By countries, LU is the country with the highest commissions from asset management, collective investment, custody and foreign exchange services. Moreover, 93% of the fees and commission income obtained from asset management come from non-EU entities located in DE, FR and LU.

Figure 9: Main income items, June 2021.





Source (left chart): Data collection on FINREP templates as of 2021-Q2 and EBA calculations. For this purpose, F.02.00 has been used. 271 banks reported data. Source (right chart): Data collection on FINREP templates as of 2021-Q2 and EBA calculations. 248 banks reported data. Source: F.22.01.

2.9 Dependency of EU banks on EU and non-EU financial operators

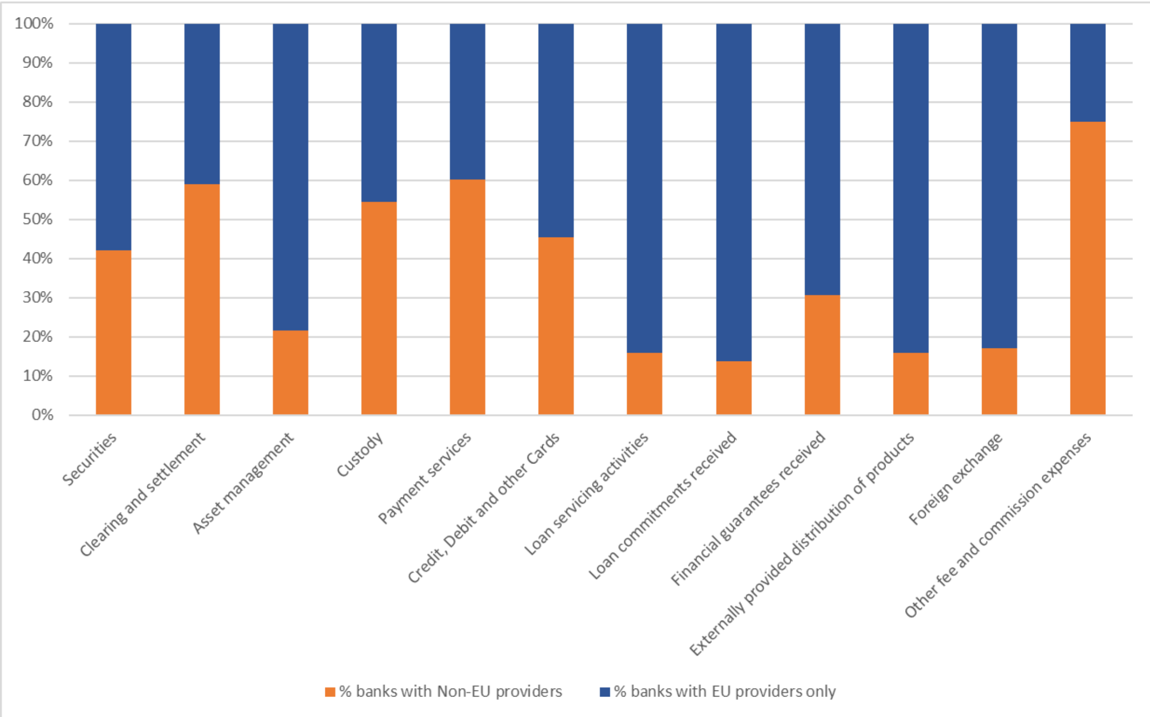
55. Apart from the analysis of the dependence on non-EU banks, banks were asked specific questions to assess their dependence on non-EU financial operators as part of the qualitative questionnaire. Results in this section are based on the answers provided by banks in this survey and should be read together with the information of sample and coverage of the qualitative questionnaire responses (see Table 8: Qualitative analysis sample and coverage by country in Annex I).

56. In particular, banks were asked to indicate if they receive specific types of services by non-EU operators[24]. The list of services that banks were asked about corresponds to the services included in FINREP Template 22.1 that gathers data about fees and commission income and expenses by type of activity. 77 out of the 88 respondents indicated having received some service from non-EU operators. The services for which more respondents indicated having non-EU operators as providers are payment services, clearing and settlement and custody services. 60% of the respondents received services supporting the provision of payment services from non-EU operators (this includes services related to the issuance of credit, debit and other cards for which 46% of the respondents indicated having obtained such services from non-EU operators). 59% of the respondents used clearing and settlement services and 55% received custody services from non-EU operators. Results by country are shown in table in the annex.

[24] For the qualitative questionnaire purposes, the term operator refers to both, financial institutions and non-financial corporations that may provide services to the respondent institution. An operator is defined as Non-EU if:

- In case of standalone operators, it is incorporated in a third-country, or,
- In case of operators which are part of a group, it is it is part of a third-country group, regardless of the geographical area in which it is incorporated, located, and/or regulated.
    - An operator is considered to be part of a group if it is under the control of a parent undertaking and there is an obligation to provide consolidated financial statements. On a best effort bases, respondents should follow the EU notion of control as defined in Article 22 of the Directive 2013/34, even for third country groups.
    - A group is considered third-country group if the parent undertaking that has control of the operator is incorporated in a third country.

Figure 10: Percentage number of banks that responded having received services from Non-EU operators versus Percentage number of banks that responded having received services from EU operators only, by type of service



Source: Qualitative Questionnaire responses and EBA calculations. Sample: 88 banks

Box 2 Dependency from non-EU operators: a focus on non-EU Central Counterparties (CCPs)

In the qualitative questionnaire, 60% of the responding institutions indicated having received clearing and settlement services from non-EU operators. The EBA Risk Assessment report that was published in December 2021 highlighted the risks that could arise from excessive reliance of EU banks on UK-based CCPs. [25] The report points out that EU clearing members have significant exposures to two systemically important UK-based CCPs, LCH Ltd and ICE Clear Europe. Based on Q2 2021 supervisory reporting data, 28 out of 47 EU-based clearing members of LCH Ltd report LCH Ltd as one of their top 20 counterparts in terms of exposures. Similarly, 7 out of 22 EU-based clearing members of ICE Clear Europe report an exposure to ICE Clear Europe as one of their top 20 counterparty exposures. For these EU clearing members, exposures to the named two CCPs accounted on average for 35.7% of their total derivatives notional and 2.9% of their total derivatives exposure value included under the counterparty credit risk framework.

Additionally, supervisory reporting data indicates some degree of dependency on a third non-EU operator, the US-based Chicago Mercantile Exchange Inc which is one of the three systemically important US CCPs.

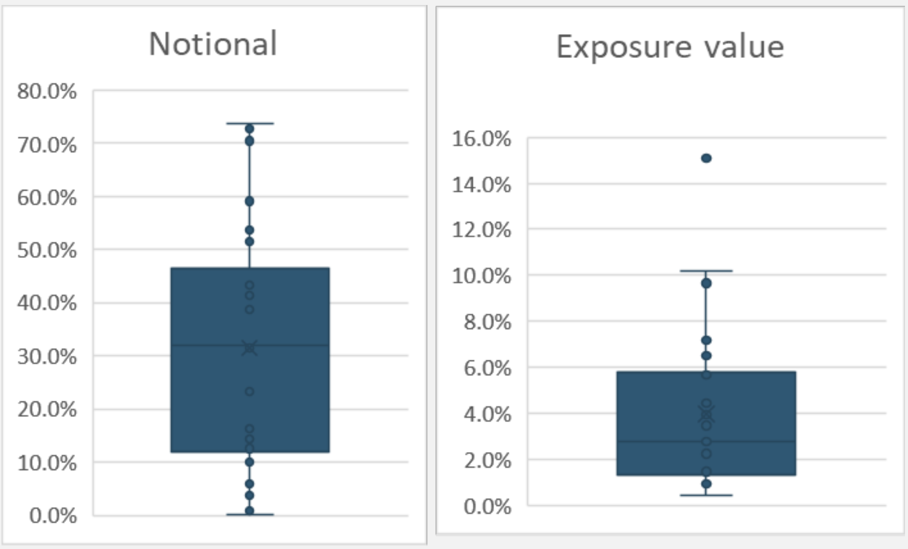
[25] See Box 2: Brexit and risks to the EU financial system from the reliance on United Kingdom (UK)-based CCPs of the EBA Risk Assessment Report (December 2021).

The data doesn't suggest a dependency from CCPs located in any other non-EU jurisdictions[26]. Based on Q2 2021 supervisory data, 4 out of the 8 EU-based clearing members of Chicago Mercantile Exchange Inc. reported an exposure to this clearing house as part of the reporting of their top 20 counterparts in terms of exposures. For these EU clearing members, exposures accounted on average for 2.9% of their total derivatives notional and 2.0% of their total derivatives exposure value included under the counterparty credit risk framework.

Altogether the EU-based clearing members' exposures to the three major non-EU CCPs represent 21% of the total derivatives notional and 2.0% of the total derivatives exposure value in the EU (of which 19.9% and 1.4% respectively represent exposures to the two UK-based CCPs). Regarding the distribution of the individual EU-clearing members, the share of exposures to the three main CCPs ranges between 0.1% and 73.6% of their total derivatives notional and between 0.4% and 15.1% of their total derivatives exposure value. For some of the EU clearing members the exposures can therefore be quite significant.

The concentration of exposures towards CCPs is inherent to the activity of central clearing. However, an excessive concentration of exposures towards non-EU CCPs increases the risks to the EU financial stability as those operators are out of the remit of EU supervisors and not subject to the European framework for CCPs. In such circumstances, EU supervisors may have a reduced ability to anticipate incidents of CCP failures, cyberattacks or other operational issues. In addition, the fact that non-EU CCPs are not subject to the EU framework for CCPs means that there could be lack of clarity on the impact on EU clearing members in the event of a CCP recovery or resolution that follows the local regulations and rules.

Figure 11: Combined share of notional/exposure towards LCH Ltd, ICE Clear Europe and Chicago Mercantile Exchange Inc (as % of total derivative CCR notional/exposure).



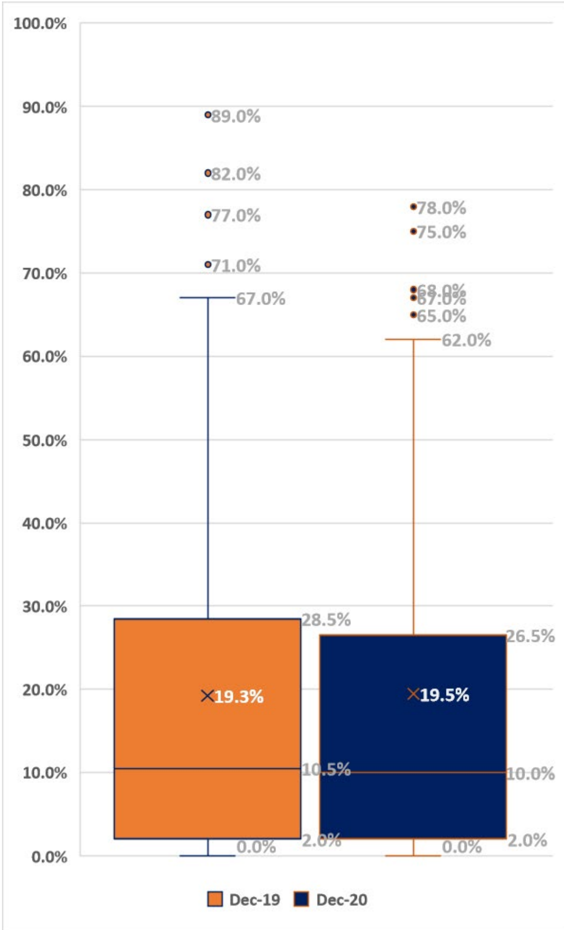
Source: Supervisory reporting data. Sample: 30 banks

57. Additionally, banks were asked to indicate which was the share of fee and commission expenses that was charged to the institution by non-EU operators (over the total share of fees

[26] However this may be result of the limited information stemming from the top 20 counterparty COREP template used for the purposes of this analysis.

and commissions charged to the institution). Figure 12 shows the distribution of the total share of fee and commission expenses. Out of the 88 respondents, 19 banks were excluded from this analysis due to data quality issues. The simple average share of fees and commissions charged by non-EU operators is around 19.5% for the two reporting dates. The median stands at 10% for the two reference dates. There are some outliers for which the share of fees and commissions paid to non-EU operators is above 50%. Putting together supervisory reporting data[27] and the qualitative questionnaire's answers, fees and commissions charged by non-EU operators represent on average 26.4% of the total fees and commissions of EU banks as of December 2020[28] .

Figure 12: Distribution of the total share of fee and commission expenses charged by non-EU operators



Source: Qualitative Questionnaire responses and EBA calculations. Sample: 69 banks

58. Results by type of services are shown in Figure 41 in annex III. To avoid the distortion of the distribution graphs, banks that answered not having received any specific services from non-

[27] FINREP 22 collects data on the fees and commissions charged to banks without distinguishing by EU and Non-EU operators.

[28] Results based on data for 58 banks out of the 69 banks (88 banks in the sample after the exclusion of 19 banks) as 11 banks supervisory reporting data is not available.

EU operators, are excluded from the relevant graphs[29]. Results by type of service show that the simple average share of fee and commission expenses charged to the respondent banks by non-EU operators ranges between 14%-30% for all type of services. The simple average of the share of fees and commissions credited to non-EU operators is above the average (around 30%) for clearing and settlement activities and for services related to debit, credit and other cards. The questionnaire asked banks to provide additional feedback in those cases where the share charged by non-EU operators was above 50% for a given service. In summary, respondents explained the activity of their subsidiaries in non-EU countries as one of the main reasons for this high share. Important non-EU card services providers such as Visa, Mastercard, UnionPay or Amex were the reason for high shares of expenses charged by payment services providers outside of the EU. Respondent also highlighted the importance of clearing services in US, UK and Switzerland as the reason behind high shares of expenses charged by non-EU providers.

59. Putting together supervisory reporting data and the qualitative questionnaire's answers, as of December 2020, results based on weighted averages show slightly different results for some specific activities which could be driven by some big banks driving the results or sample differences between the two analysis[30.] The weighted average share of fee and commission expenses charged to the respondent banks by non-EU operators ranges between 7%-35% for all type of services. Services supporting the provision of payments services (mainly driven by services related to debit, credit and other cards) and clearing and settlement activities show the highest weighted average share of fee and commission expenses charged by non-EU operators (both of them above 30%). Loan servicing and 'other' activities also show high (above 30%) weighted averages shares of fee and commission expenses. To put these figures into perspective, fees and commissions charged by non-EU operators due to 'other' activities and payment services activities, represent respectively 9% and 8.4% of the total fees and commissions charged to banks in the sample, whereas this amount accounted for 2.3% of the total fees and commissions in the case of clearing and settlement activities and only 0.9% in the case of loan servicing activities.

60. Moreover, respondents were asked to clarify which additional services not included in the activities specifically listed in FINREP 22.1, and therefore included in the category 'other' activities, were received from non-EU operators. The most common responses were IT services and the usage of third's party's infrastructure to carry out commercial activities.

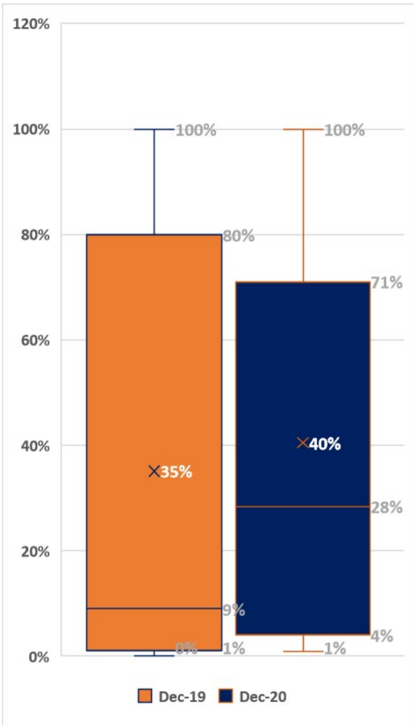
61. The questionnaire also asked banks to use additional metrics to assess the importance of non-EU operators in the provision of specific types of services. The specific metrics and the results are included in Figure 42 to

[29] Additional exclusions may apply based on data quality issues.

[30] Results are based on the sample of banks detailed in Table 16 in the annex limited to institutions for which specific supervisory reporting data was available.

62. Figure 50 in annex III. There were several data quality issues[31] found in the responses to these additional metrics and therefore, results are shown for a limited number of banks only as indicated in the relevant tables and should be interpreted with caution. Again, respondents seem to have a relatively high dependence from credit/debit cards operated by non-EU providers. According to the responses provided, as of December 2019, 35% of the total number of such transactions were carried out by non-EU providers, with the percentage increasing to 40% in December 2020. In terms of the percentage value of the transactions processed by non-EU operators it was 26% in December 2019 and 33% in 2020. However these results should be interpreted with caution as only 23 institutions are included in the sample of this analysis.

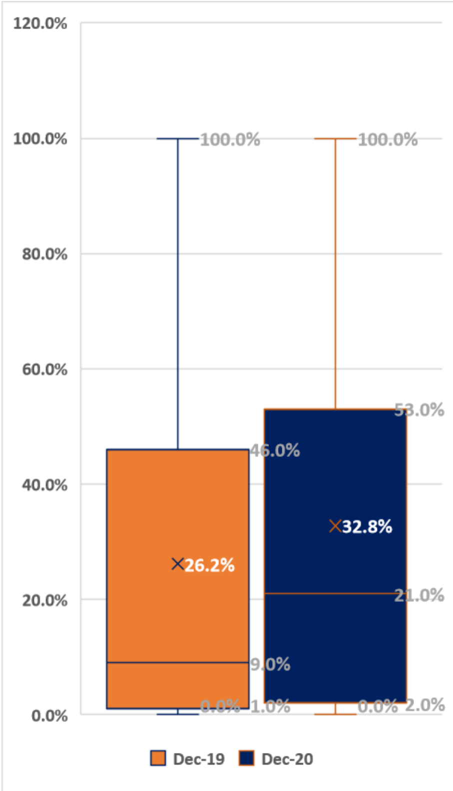
Figure 13: Distribution of the percentage number of transactions processed by non-EU credit and debit cards providers (over total transactions processed)



Source: Qualitative Questionnaire responses and EBA calculations. Sample: 23 banks

[31] Some institutions confirmed using proxies or best estimates when providing data and 2 institutions indicated that responses were provided at individual rather than at consolidated level.

Figure 14: Distribution of the percentage value of transactions processed by non-EU credit and debit cards providers (over total transactions processed)



Source: Qualitative Questionnaire responses and EBA calculations. Sample: 23 banks

3. Funding structure of EU banks, a focus on foreign currency funding

63. Based on results published in the EBA report on liquidity measures, at the end of June 2021, the weighted average LCR across the sample of EU banks[32] stood at 176%, well above the minimum LCR requirement of 100%. The average LCR in USD was 88.6%[33] thus below 100% and significantly below the LCR in all currencies. Differences were also found when analysing the components of banks' LCR in USD.

64. EU banks show a strong position in NSFR, with a weighted average of 128% as of June 2021, with none of the banks of the sample of 472 banks with a NSFR below the threshold of 100%. Regarding the NSFR by significant currencies, as of June 2021, it was below 100% for exposures in USD (83%), exposures in CHF (83%), exposures in NOK (66%) and exposures in HRK (84%). The composition of required stable funding is mainly reliant on loans both for total required stable funding and foreign currency required stable funding.

65. When looking at funding in significant currencies, EU-registered institutions have on average 19% of their total funding denominated in foreign currencies (results based on individual reporting[34]).

3.1 LCR of EU banks: total LCR and LCR by significant currencies

66. The EBA published its report on liquidity measures in December 2021. The report includes a comprehensive analysis of the LCR levels and a detailed assessment of the LCR key components (HQLA and net liquidity outflows). It also includes an analysis of currency mismatches that investigates whether the banks' liquidity coverage in foreign (and significant) currencies differs from their overall LCR. The current report should be read in conjunction with the aforementioned report.

67. The analysis in the EBA report on liquidity measures shows that banks are likely to hold a lot higher liquidity buffer, in relation to their net cash outflows, in their domestic currency than in other significant (foreign) currencies. At the aggregate level, the surplus in liquidity coverage in all currencies offsets the liquidity shortfall in other significant currencies. In the report, the EBA highlighted those low levels of LCR in one significant currency may generate problems during

[32] All banks operating in the EU are included here, including also non-EU subsidiaries, as they are subject to the reporting requirements of COREP.

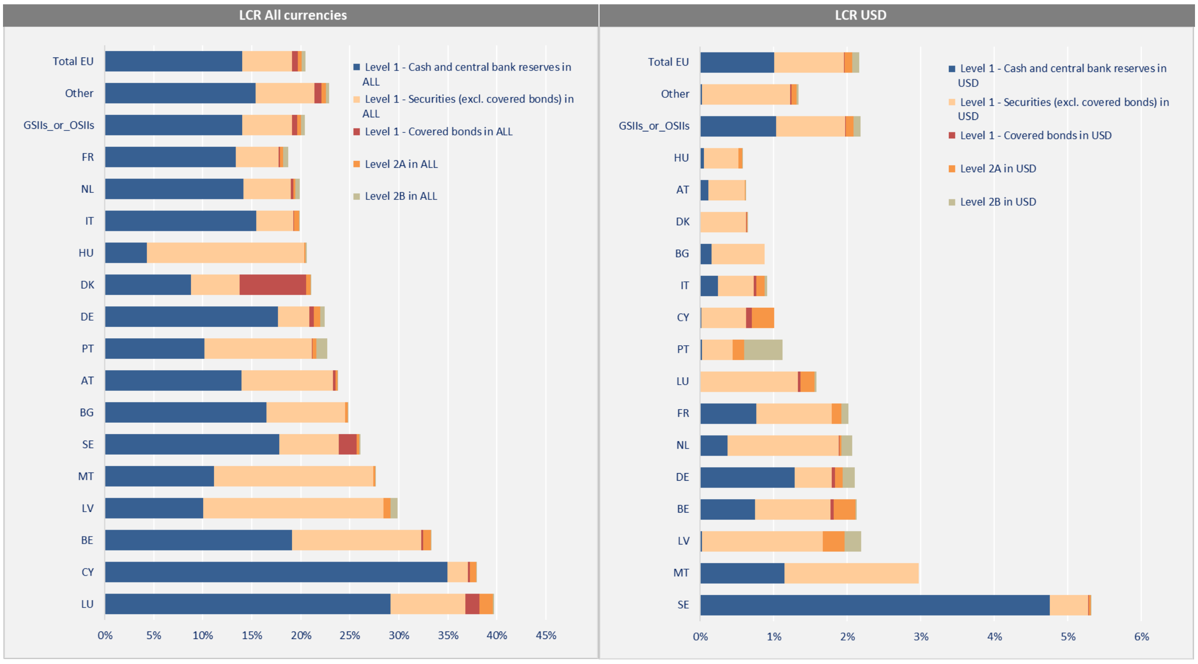
[33] For the sample of banks reporting USD as a significant currency

[34] Results based on individual reporting consider as foreign currency funding all funding denominated in currencies different to the domestic currency of each EU individual bank. For example, when looking at FX funding from a cross-border banking group, no data at consolidated level is considered, and each individual entity (parent and subsidiaries) is analysed individually. As a result, domestic currency funding of EU subsidiaries of EU cross-border banking groups, is always considered as domestic. It should be noted that due to data limitations non-EU subsidiaries are not included in this analysis.

stress periods when liquidity may be constrained, and the FX swaps markets may become difficult to access. Banks need to ensure consistency between liquidity buffers and net outflows for each currency in which they operate.

68. The EBA report on liquidity measures does not enter into details of understanding the composition of the LCR in significant currencies. This report looks at the composition of banks' LCR in USD and contrasts this with the LCR in all currencies, for a consistent sample of banks. Following the analysis shown in the EBA report on liquidity measures, the USD is the currency among all significant (foreign) currencies for which the LCR levels were among the lowest.

Figure 15: Composition of liquid assets (post-share and before the cap) relative to total assets (as of June 2021), consistent sample

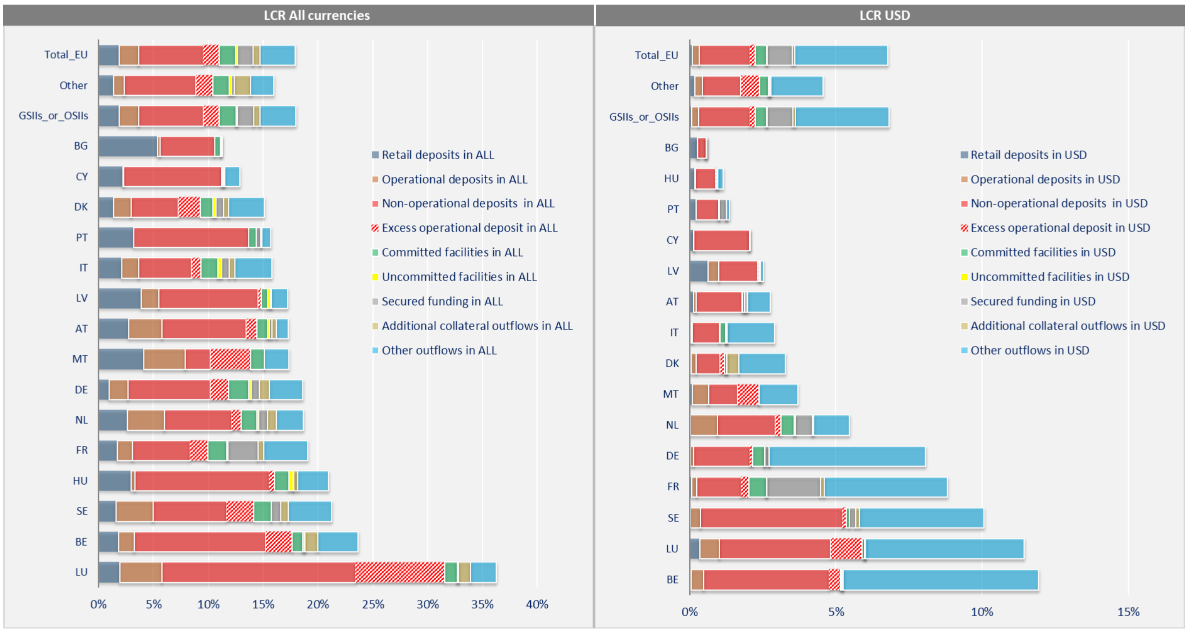


Source: 2021-Q2 COREP data and EBA calculations.
Sample: 88 banks

69. Figure 15 shows the composition of liquid assets as a share of total assets by country as of June 2021 for the LCR in all currencies (left hand side) and for the LCR in USD (right hand side). The graph shows data for 15 countries which are the ones for which at least two banks reported USD as a significant currency. As a first observation, the share of liquid assets in USD is significantly lower than in all currencies. Regarding the composition, the bulk of liquidity buffers in the LCR in all currencies consists of Level 1 assets in the form of cash, central bank reserves and securities (also EHQCBs). In contrast, the liquidity buffer in USD is composed mainly by Level 1 assets in the form of securities. This is particularly relevant for 'other banks' that tend to hold much higher shares of securities (including EHQCBs) and minor shares of Level 1 assets in the form of cash, central bank reserves and securities (also EHQCBs). The same split in composition can be observed across a majority of the countries except for Sweden and

Germany where the liquidity buffers in USD are composed mainly by Level 1 assets in the form of cash, central bank reserves and securities (also EHQCBs).

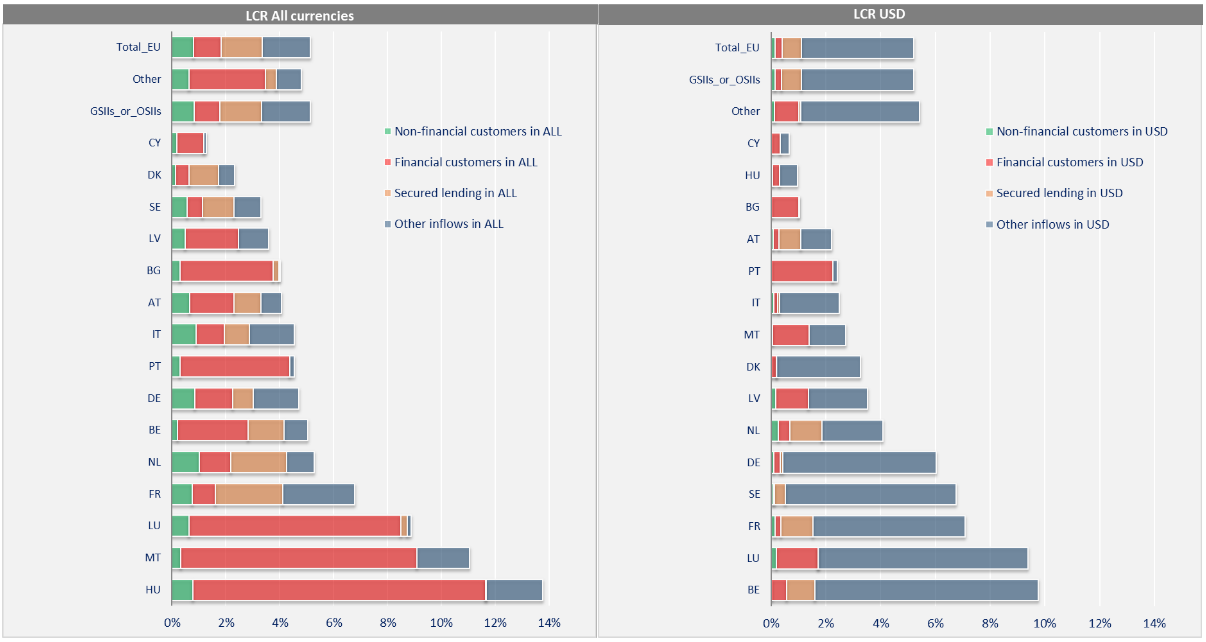
Figure 16: Composition of cash outflows (post-share) relative to total assets, consistent sample



Source: 2021-Q2 COREP data and EBA calculations.
Sample: 88 banks

70. As of June 2021, on average, cash outflows (post-share) in all currencies represent approximately 17.94% of total assets of the banks in the sample, of which 6.8% corresponds to outflows in USD. Similar results are seen when looking at the results by bank type. In the case of GSIIs and O-SIIs, the share of cashflows in all currencies represent, on average, approximately 17.99% (18.98% in the case of 'other banks'), of which 6.8% (4.6% in the case of 'other banks'), corresponds to outflows in USD. Regarding the composition, similar breakdown is shown across bank categories. The main item for outflows in all currencies is non-operational deposits, however other outflows appear to be relatively more important when focusing on outflows in USDs. Non-operational deposits are the second most important component of USD LCRs. Outflows from retail deposits are negligible in USDs for all bank categories, although some divergencies can be found across countries. 8 out of 15 countries show a higher proportion of "other outflows" in USD whereas for the other 7 banks the share of non-retail deposits is higher in USD. For 4 out of the 15 countries, Retail deposits represent more than 10% of total outflows in USD.

Figure 17: Composition of cash inflows in USD (post-share and before the cap) relative to total assets, consistent sample



Source: 2021-Q2 COREP data and EBA calculations.
Sample: 88 banks

71. Cash inflows relative to total assets represent, on average, 5.2% of total assets in all currencies; all of that corresponds to inflows in USD. In terms of composition, for the USD LCR "other inflows" dominate inflows from financial customers.

3.2 NSFR of EU banks: total NSFR and NSFR by significant currencies

3.2.1 NSFR levels: total and by currency

72. Total NSFR for a sample of EU banks is at a level of 128% as of June 2021, on a weighted average basis, with none of the banks of the sample of 472 banks with a NSFR below the threshold of 100%. Regarding the distribution of total NSFR by banks, 80% of the banks of the sample account with a level of total NSFR that ranges from 100% to 177%, with only a few outliers (17 banks) with a NSFR above 330%.

73. The NSFR by significant currencies is below 100% for exposures in USD (83%), exposures in CHF (83%), exposures in NOK (66%) and exposures in HRK (84%) as of June 2021.

Table 5: Total NSFR and NSFR by significant currency, data as of June 2021.

Country	N.	Total	EUR	GBP	USD	PLN	CHF	RON	CZK	SEK	DKK	NOK	HRK	HUF
AT	34	141%	145%	n.a.	119%		67%		165%				n.a.	n.a.
BE	13	152%	157%	121%	271%				n.a.					
BG	5	153%	151%		201%			n.a.						
CY	4	159%			185%									
CZ	2	162%	118%		n.a.				n.a.					
DE	74	126%	145%	n.a.	68%	n.a.	n.a.							
DK	15	139%	125%	n.a.	246%		n.a.			n.a.	197%	n.a.		
EE	8	141%			n.a.	n.a.				n.a.				
ES	42	135%	135%	n.a.	111%									
FI	11	120%	135%		n.a.					n.a.	n.a.	n.a.		
FR	62	118%	124%	88%	75%		91%							
GR	8	121%	137%	n.a.										
HU	10	140%	99%		73%		99%						n.a.	170%
IE	6	142%	156%	90%	n.a.			n.a.	n.a.					n.a.
IT	56	131%	128%	n.a.	93%		n.a.							
LT	7	196%	228%		n.a.									
LU	17	128%	136%	143%	103%		n.a.							
LV	9	166%	165%		175%									
MT	7	172%	172%	n.a.	165%									
NL	24	137%	147%	111%	68%			155%	n.a.	n.a.				n.a.
PL	4	145%	98%	n.a.	n.a.	149%	n.a.		n.a.					
PT	16	144%	154%		n.a.	n.a.								
RO	10	185%	194%		n.a.			174%						
SE	22	122%	178%	n.a.	301%					110%	74%	62%		
SI	5	179%	190%											
TOTAL	**472**	**128%**	**130%**	**100%**	**83%**	**148%**	**83%**	**168%**	**164%**	**107%**	**145%**	**66%**	**84%**	**169%**
EA	**405**	**127%**	**132%**	**92%**	**79%**	**143%**	**86%**	**156%**	**163%**	**105%**	**112%**	**65%**	**70%**	**143%**
Non-EA	**67**	**144%**	**112%**	**153%**	**151%**	**149%**	**72%**	**173%**	**166%**	**108%**	**178%**	**67%**	**91%**	**170%**

Source: 2021-Q2 COREP data and EBA calculations. Data for SK not disclosed in the table because there is only one bank in the sample. The averages labelled with n.a. relates to the fact that there are less than 3 banks in the sample with available data, and therefore the averages cannot be disclosed.

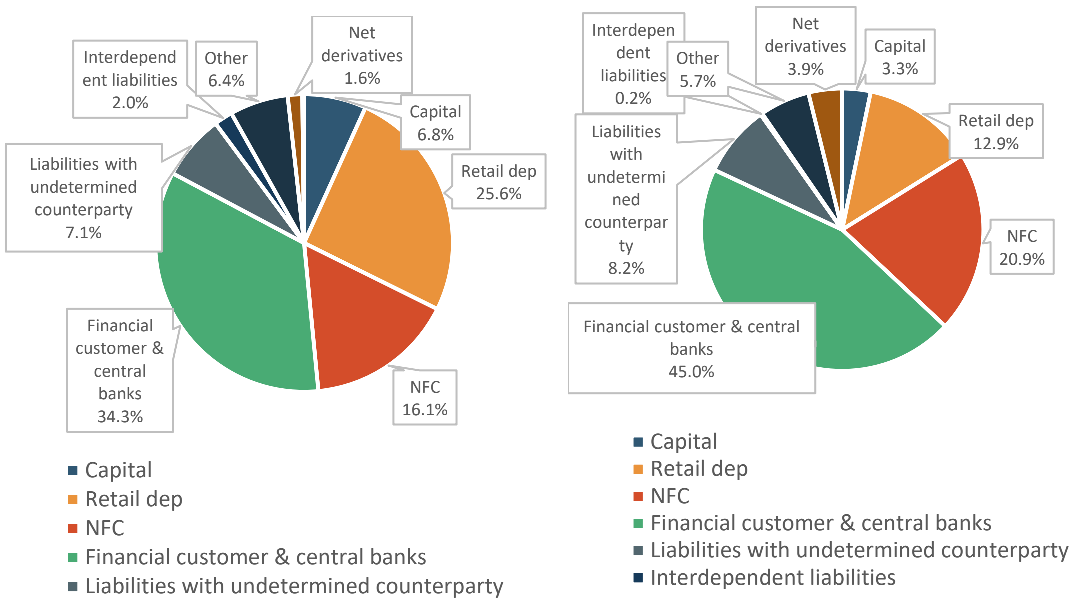
3.2.2 The components of the NSFR: Breakdown of available stable funding and required stable funding (total and significant currencies)

74. With data as of June 2021, the main source of available stable funding is those obtained from financial customers and central banks (34.3% of total). This tendency is even more clear for the composition of available stable funding in foreign currencies (45% of total). The share of capital

in the composition of available stable funding is 3.3% while the share of retail deposits amounts to 12.9%.

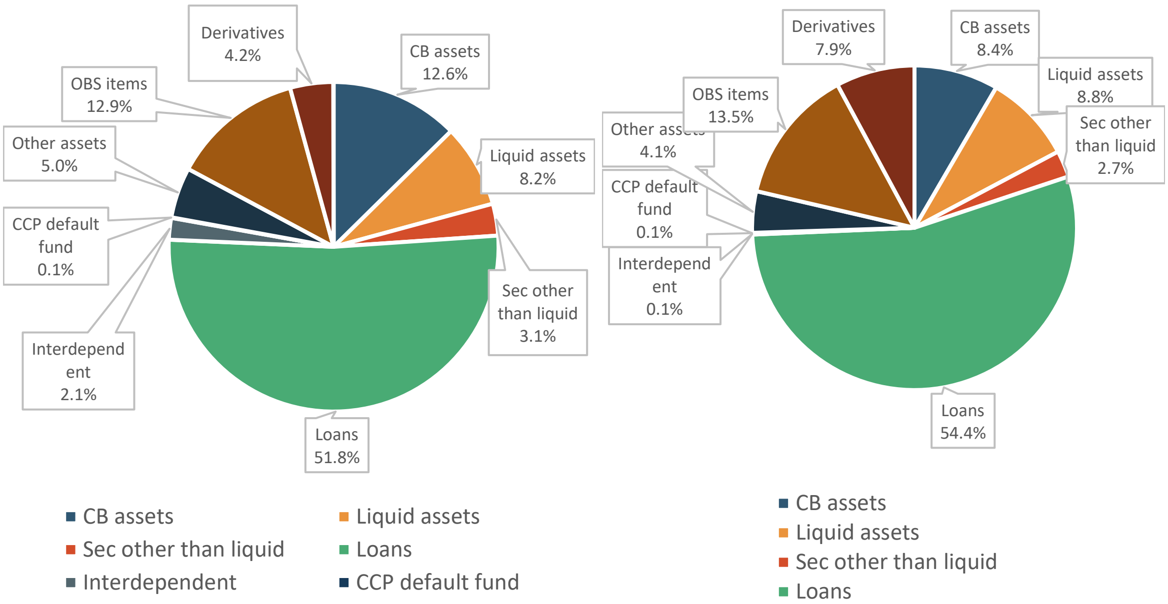
75. With regards to the composition of required stable funding as of June 2021, it mainly relies on loans (51.8% of the total), followed by central bank assets (12.6% of the total). In the NSFR in foreign currencies, the share of loans is higher (54.4% of total) and the share of central bank assets is lower (8.4% of total), while the share of other asset items is broadly similar.

Figure 18: Composition of total available stable funding (left) and available stable funding in foreign currencies (right), June 2021



Source: 2021-Q2 COREP data and EBA calculations.

Figure 19: Composition of total required stable funding (left) and required stable funding in foreign currencies (right), June 2021



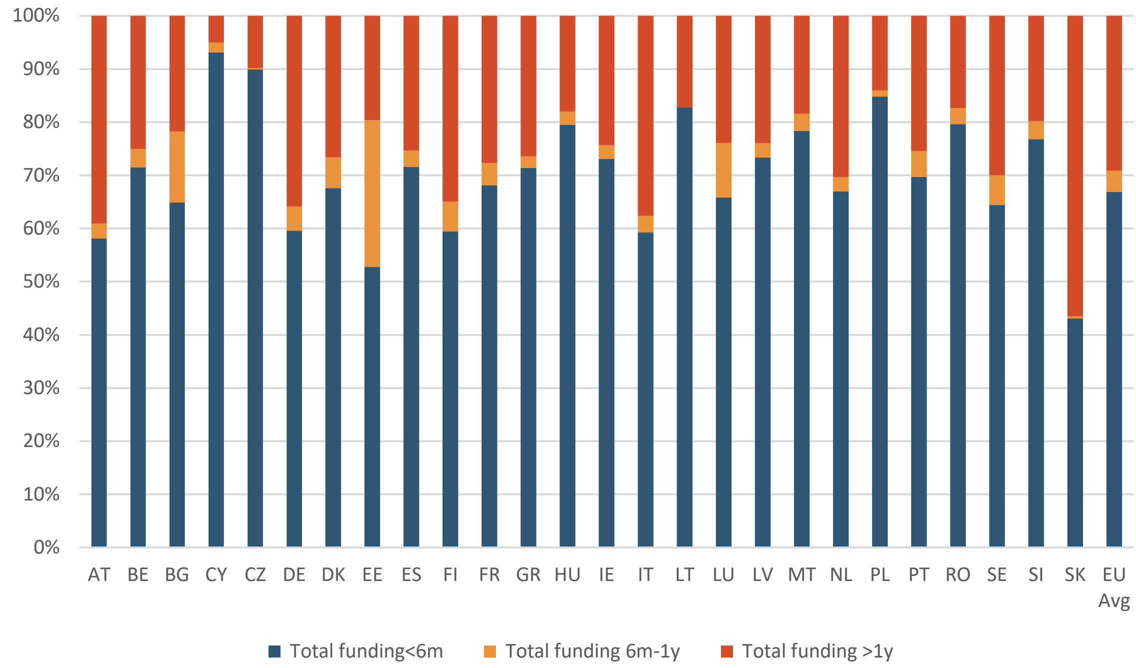
Source: 2021-Q2 COREP data and EBA calculations.

3.2.3 Maturity of available stable funding (total and significant currencies)

76. With data as of June 2021, the reliance on available stable funding in short maturities was 71%. Nine countries show a reliance on short-term funding above 80%, with CY, CZ and PL showing the highest reliance. On the contrary, AT, DE, IT and SK appear with the lowest shares of short-term funding.

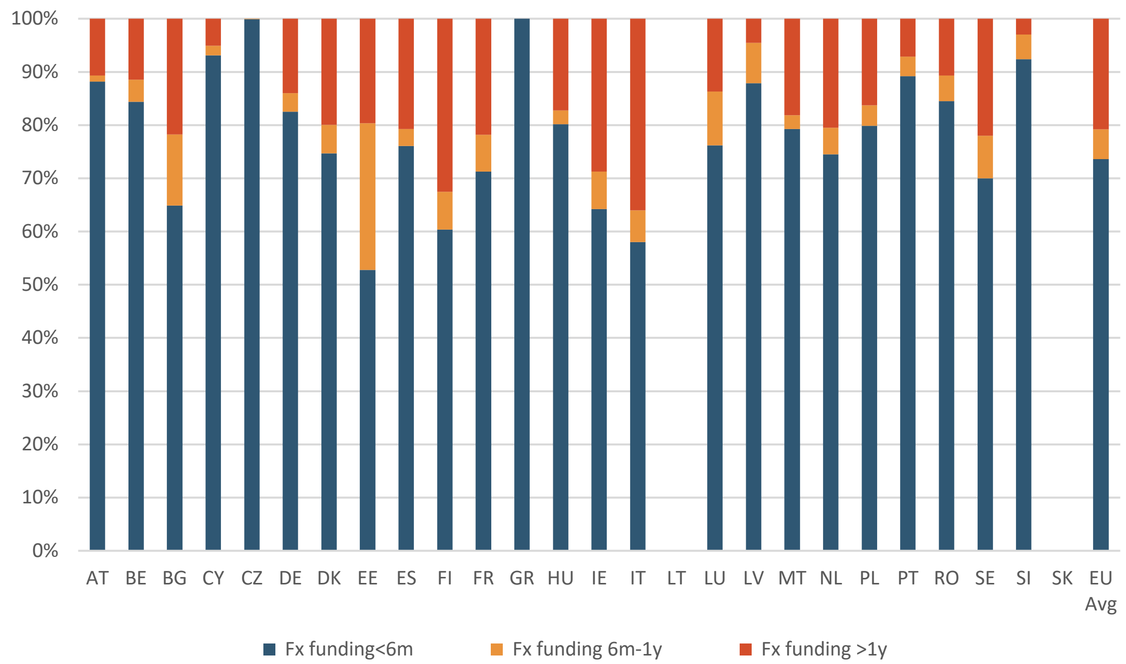
77. Regarding available stable funding in foreign currencies, the reliance on short-term funding is even higher with a share of 79% of total. Reliance was above 80% for sixteen countries. On the contrary, banks in FI and IT showed a low reliance on short-term funding in foreign currencies.

Figure 20: Maturity of total available stable funding, June 2021



Source: 2021-Q2 COREP data and EBA calculations.

Figure 21: Maturity of available stable funding in foreign currencies, June 2021



Source: 2021-Q2 COREP data and EBA calculations.

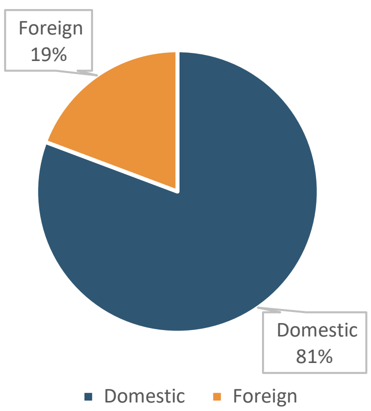
3.3 Funding structure of EU banks

3.3.1 Breakdown of funding of EU banks by currency

78. The analysis in this section shows the shares of foreign currency funding. These shares have been obtained by dividing the funding in significant[35] foreign currencies over total funding[36] including in the sample only those EU banks that obtained funding in at least one significant foreign currency. The analysis is limited to foreign significant currencies, meaning that only significant currencies that are different from the legal currency in the country of origin of each individual bank are included. The results are based on individual reporting and include data from EU based standalone banks and those EU-registered entities from EU banking groups. As a result, domestic currency funding of EU subsidiaries of EU cross-border banking groups is always considered as domestic. Due to data limitations, no data on non-EU subsidiaries is considered in this analysis.[37] [38]

79. With data as of June 2021 from individual reporting, EU banks received 19% of their funding in foreign currencies.

Figure 22: Composition of EU banks funding between domestic and foreign currency with data based on individual reporting, June 2021 data.



Source: 2021-Q2 COREP data and EBA calculations. Individual reporting data is composed by a sample of 1186 banks.

[35] Article 415(2) of the CRR indicates that a currency is considered significant if the currency-denominated liabilities are higher than 5% of total liabilities.

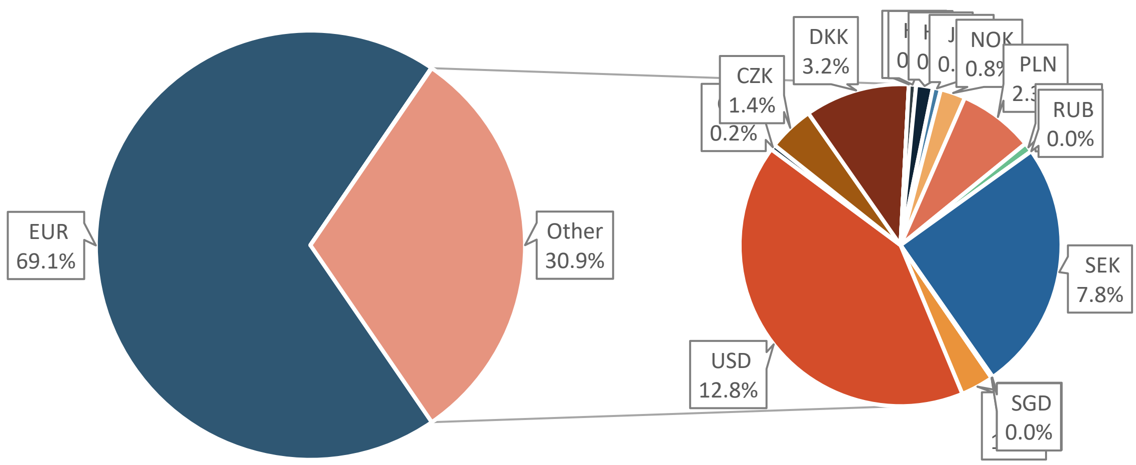
[36] Data of funding in significant currencies obtained from C.68.00w as of June 2021 and data of total funding is obtained from C.68.00a as of June 2021. The methodology to obtain the share of fx funding over total funding is presented as follows: Funding in significant foreign currencies (C.68.00w) / Total funding (C.68.00a). The foreign currencies included in the numerator are other than the domestic currency (i.e. for Euro-area banks, other currencies than Euro, and for non-Euro area banks, all currencies other than their respective domestic currency). The denominator considers the total funding reported in the template C.68.00a, which is the funding in all currencies (significant and insignificant).

[37] For example, considering an imaginary EU cross-border banking group with the parent company located in Germany and subsidiaries located in Italy, Poland and Canada. The consolidated data reported at the group level will not be considered in this analysis. Each individual entity will be considered individually. The analysis of parent company located in Germany and its subsidiary located in Italy, considers as foreign all funding obtained in currencies different to euro. The analysis of the polish subsidiary considers as foreign all funding obtained in currencies different to the polish zloty. Due to data limitations, data for the subsidiary in Canada is not considered.

[38] Results based on consolidated level data are shown in annex 4.

80. With data as of June 2021 based on individual reporting (Figure 23), the breakdown of EU banks' funding by currency shows that 69.1% of the funding is denominated in EUR and 30.9% in other currencies. The breakdown of funding by currency with data by country can be found in the Annex.

Figure 23: Composition of EU banks funding between currencies. Data based on individual reporting, June 2021.



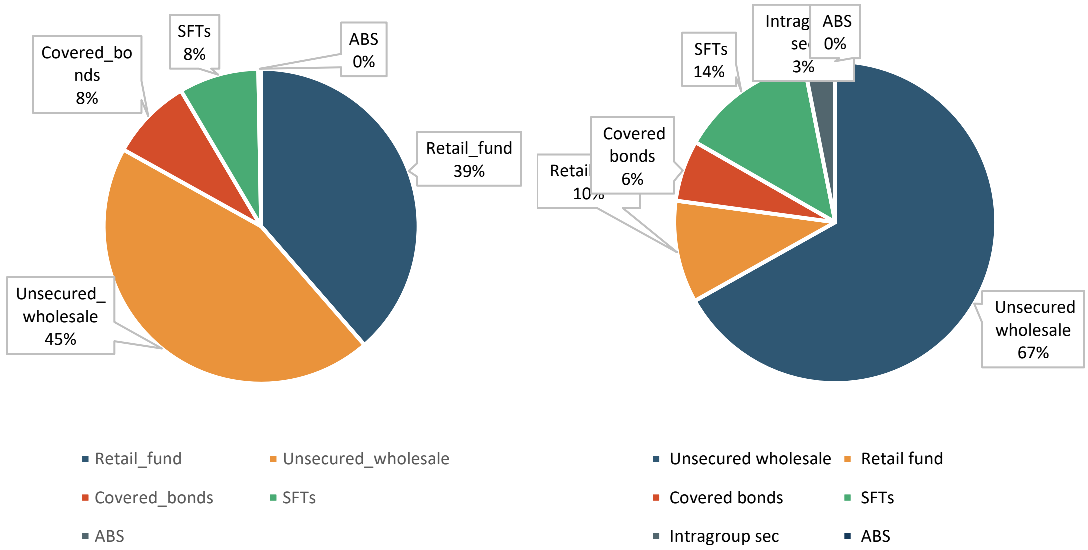
Source: 2021-Q2 COREP data and EBA calculations. Data based on individual reporting.

3.3.2 Breakdown of total funding and foreign currency funding of EU banks by type

81. According to individual reporting as of June 2021, unsecured wholesale funding is the main source of total funding of EU banks, representing 45% of the total (Figure 24). The composition of funding is heterogeneous across countries, with Eastern countries (BG, LT, LV, MT, PL, RO, SI) and southern countries (CY, GR, PT) with high share of retail funding. Unsecured wholesale significant for LU and, to a lesser extent, for FI, NL and SE.

82. Regarding the composition of foreign currency funding, the share of unsecured wholesale funding reaches 67%, followed by securities financing transactions (SFTs) with a share of 14%. Other items (retail funding and covered bonds) account with less share in the composition of foreign currency funding than in the total composition, being the difference of retail funding the most significant. In foreign currencies, wholesale funding appears with higher share and becomes significant for more countries (BE, CY, DE, IT, LU, MT and SE), with all of them with a share of foreign currency wholesale funding above 60%. The breakdown of total funding and foreign currency funding by type for each European country can be found in the Annex.

Figure 24: Composition of total EU banks funding by type (left) and foreign currency funding by type (right), June 2021 data.



Source: 2021-Q2 COREP data and EBA calculations. Individual reporting data is composed by a sample of 1186 banks.

3.3.3 Additional findings on EU banks' funding in foreign currency

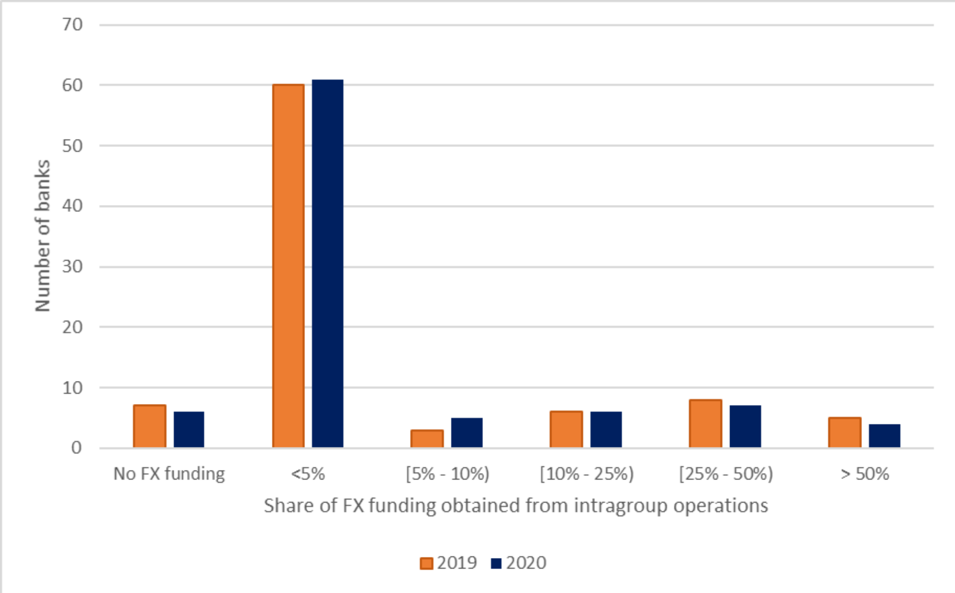
83. In the qualitative questionnaire, banks were also asked specific questions regarding their sources of funding in foreign currency[39] and the use they make of it.

84. In particular, banks were asked what share of their funding in foreign currency was coming from intragroup operations[40]. A significant majority of the respondents answered that less than 5% of their total funding in foreign currency originates from intragroup operations.

[39] For the purpose of the qualitative questionnaire, Foreign currency is considered as every currency that is different from the legal currency in the country of incorporation of each respondent institution (this is usually the reporting currency used for the purpose of supervisory reporting), i.e. (1) a French bank with positions in euros, pounds sterling or USD should consider its positions in pounds sterling and USD as positions in foreign currency (2) a subsidiary of an US bank operating in Italy and incorporated in Italy as a legal entity with positions in euros and USD, should consider its positions in USD as positions in foreign currency. Institutions applying IAS 21 should follow the definition of foreign currency included in these standards where foreign currency is defined as a currency other than the functional currency of the institution. Funding in foreign currency should be understood as loans, securities, deposits, and other liabilities denominated in foreign currency. Funding in foreign currency, should particularly include FX currency swaps and forwards that the institutions may subscribe to exchange the legal currency in the country of its incorporation (or their functional currency for banks under IAS 21) for a different currency (foreign currency).

[40] Intragroup operations include all activities with all entities within a group, not limited to entities located outside the EU.

Figure 25: Number of respondent Banks by share of funding in FX funding obtained through intragroup operations

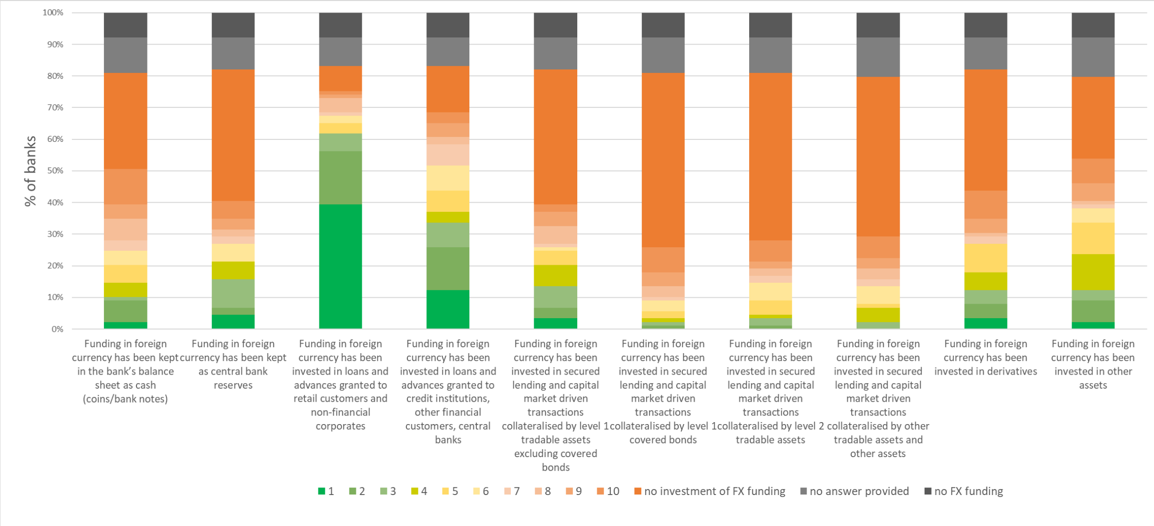


Source: Qualitative Questionnaire responses and EBA calculations. Sample: 88 banks

85. Additionally, to understand which business needs are covered with foreign currency denominated funding, banks were asked to provide a ranking of a set of possible investments, where 1 is the type of assets in which the highest amount of foreign currency denominated funding is invested and 10 the type of assets in which the lowest amount of foreign currency denominated funding was invested. 6 respondents indicated not having foreign currency denominated funding at all as of December 2020 (7 as of December 2019).

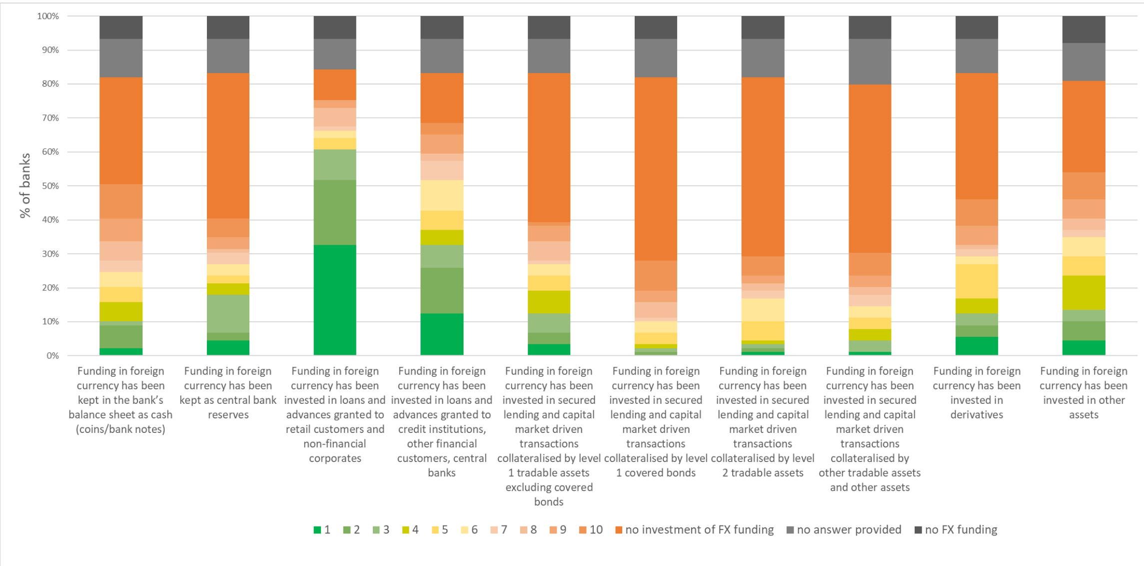
86. Figure 26 shows that respondents more commonly assigned an order of importance between 1 to 3 (high importance) to investments in loans and advances granted to retail customers and non-financial corporates. The second category for which more banks assigned an order of importance between 1 to 3 was investments in loans and advances granted to credit institutions, other financial customers and central banks. Results were similar under both reference dates: December 2019 and December 2020. This finding reflects the substantial international activity of EU banks beyond the EU and the part of the intra-EU cross-border activity that covers different currency areas within the EU. Banks tend to use foreign currency funding to support assets denominated in the same foreign currency, for example when they are active in markets where the transactions are carried out in a foreign currency such as the US dollar. However, banks may also occasionally take advantage of cheaper foreign currency funding and convert it to domestic currency in the FX swap market. To look more into detail of the relative importance of these practices is beyond the scope of the current exercise.

Figure 26: Business needs covered with FX funding (order of importance), reference date December 2019



Source: Qualitative Questionnaire responses and EBA calculations. Sample: 88 banks

Figure 27: Business needs covered with FX funding (order of importance), reference date December 2020

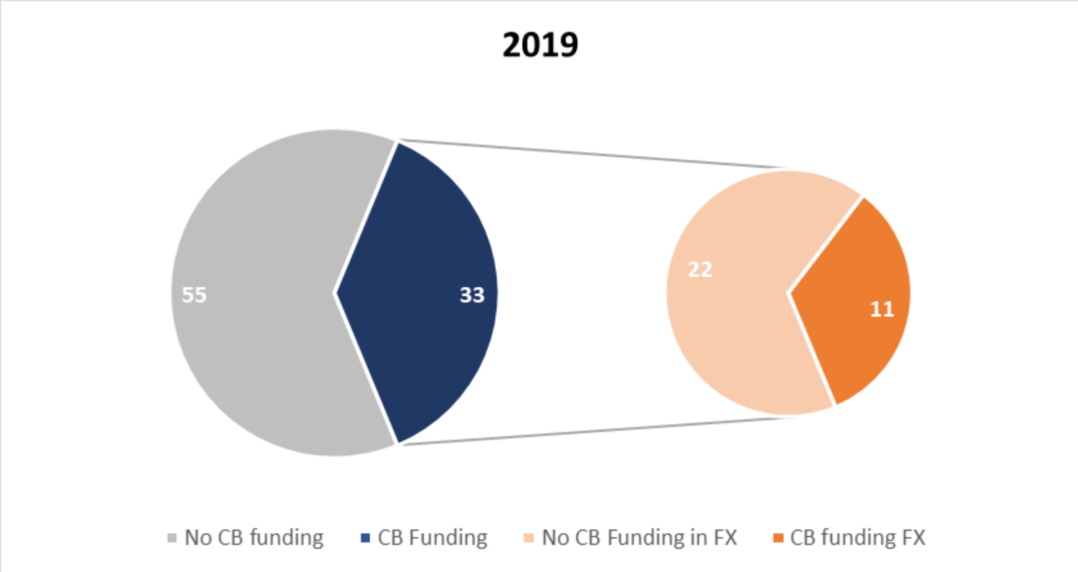


Source: Qualitative Questionnaire responses and EBA calculations. Sample: 88 banks

87. To understand the importance of Central banks in the provision of foreign currency denominated funding, the qualitative questionnaire included a set of specific questions. In particular, banks were first asked if they obtained any type of funding from Central banks. In the case of a positive response, banks were asked if any of this funding was denominated in foreign currencies. As of December 2019, 33 banks confirmed having received funding from central banks, of which 11 (3 GSIIs and 6 O-SIIs) had received foreign currency denominated funding (Figure 28). As of December 2020, the number of banks that obtained funding from Central banks increased to 49, out of which 18 banks (3 GSIIs and 13 O-SIIs) received foreign currency denominated funding. Six banks did not provide any response to this question (Figure

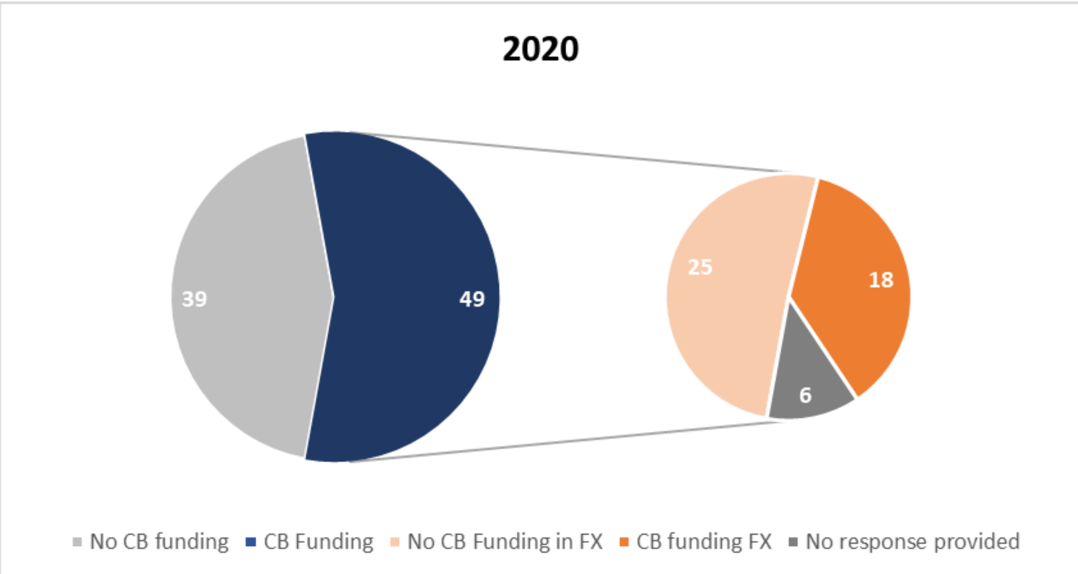
29). The increase between December 2019 and December 2020, is likely related to Central bank actions taken during the 2020 COVID-19 crisis whereby central banks in the EU established or re-established temporary currency swap lines[41].

Figure 28: Central bank funding and foreign currency denominated currency, December 2019



Source: Qualitative Questionnaire responses and EBA calculations. Sample: 88 banks

Figure 29: Central bank funding and foreign currency denominated currency, December 2019



Source: Qualitative Questionnaire responses and EBA calculations. Sample: 88 banks

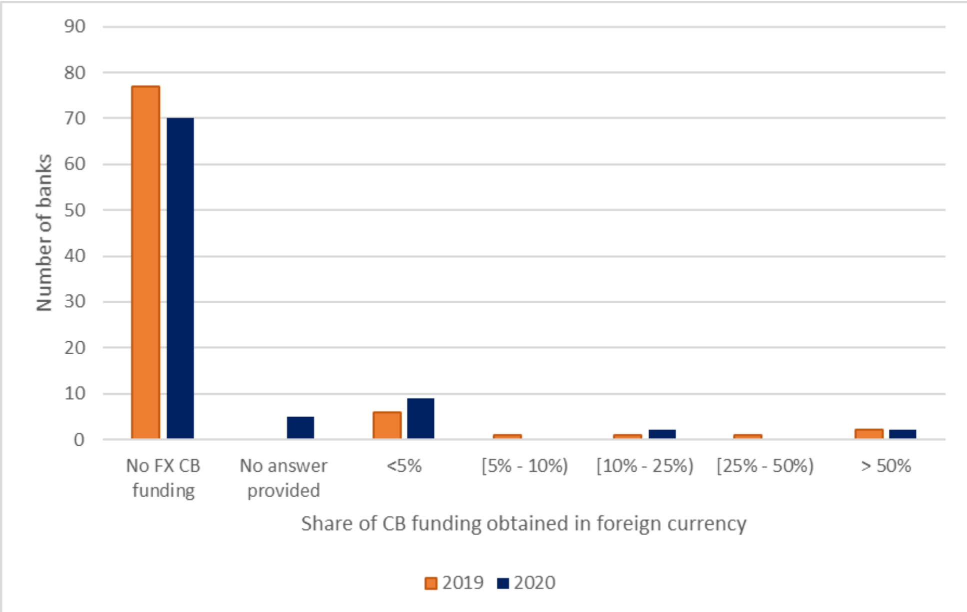
88. Moreover, to understand the importance of foreign currency denominated funding obtained from central banks and its use, the qualitative questionnaire included some additional questions for those banks that confirmed having received foreign currency denominated

[41] See "EBA report on liquidity measures" published in December 2020 for more details on Central Bank operations taken amid the COVID-19 crisis.

funding from central banks. However, these results suffered from data quality issues as many banks did not provide answers to these additional questions.

89. In particular, banks were asked what was the percentage of central bank funding that they obtained in foreign currency. Only 13 banks provided an answer to this question. For a majority of respondents (9 banks), central bank funding in foreign currency represented less than 5% of their total central bank funding (Figure 30).

Figure 30: Number of respondents Banks by percentage of FX central bank funding (out of their total central bank funding)



Source: Qualitative Questionnaire responses and EBA calculations. Sample: 88 banks

90. Additionally, banks were asked to indicate which were the three most common currencies in which they obtained foreign currency denominated funding from central banks. Based on 13 respondents, US-dollar, Hungarian forint and UK pound sterling were the currencies most often quoted in the top 3 foreign currencies.

91. Banks were also asked to indicate the use of central bank foreign currency funding. As of December 2019, 7 out of 11 respondents (8 out of 12 as of December 2020), indicated that Central bank liquidity denominated in foreign currency had been mainly used to cover specific liquidity needs at a certain point in time arising from outflows denominated in the same foreign currency. 4 of them (5 as of December 2020) showed LCR levels in USD below 100% and confirmed that USD was among the three currencies in which they have most liabilities towards central banks. Further actions to improve levels of LCR in USD would likely reduce the dependence on USD swap lines to cover short-term liquidity needs. 2 out of 11 respondents (2 out of 12 as of December 2020), indicated that Central bank liquidity denominated in foreign currency had been mainly used to cover specific liquidity needs at a certain point in time arising from outflows denominated in the legal currency of the country of incorporation of the

institution. 2 out of 11 respondents (2 out of 12 as of December 2020), indicated that they made other use of central bank funding in foreign currency. In an open question these two banks highlighted that they used this funding to support local credit growth or to participate in central bank organised growth scheme.

4. Conclusions

92. **This report focused on the activities of non-EU financial entities in the EU financial system and on the reliance of EU banks' on foreign currency funding.** The overall finding is that – considering the high degree of openness of the EU economy and the benefits from international risk-sharing -the exposures give no raise to concern at the aggregate level. That said, the EU financial system shows some reliance on services provided by non-EU entities, such as payment and settlement services and investment banking activities, therefore the development of competitive EU based capacity may reduce the dependency and could prove to be beneficial in the medium term.

93. **With data as of June 2021, there were 360 banks controlled by non-EU entities operating in the EU.** Of these, 243 had the legal form of subsidiary and 117 operated as branches. Although in terms of number of banks, foreign operators may appear insignificant compared to the total number of banks operating in the EU, their market share is significant in some countries.

94. **Based on balance sheet data submitted to the EBA as of June 2021, the market share of non-EU entities is 12.2% of total assets on average.** The market share in percentage points of assets of non-EU subsidiaries is 12% and of non-EU branches is 0.2%. In percentage points of other asset items, the market share is 11.4% of loans, 6.6% of debt securities and 31.4% of derivatives. Based on income statement data submitted to the EBA as of June 2021, the market share of non-EU entities is 7% of total fee and commission income. Based on income statement data submitted to the EBA as of June 2021, the market share of non-EU entities is 7% of the total EU fee and commission income. By activity, non-EU entities account with a significant market share in commodities (63.5%), corporate finance (51.5%), central administrative services for collective investment (47.7%), custody (35.1%) and foreign exchange (32.4%).

95. **The presence of non-EU entities is unevenly distributed across the EU.** By country of origin of the ultimate parent, non-EU entities with the global ultimate parent located in UK and US represent more than three quarters of the market share of all non-EU entities.

96. **Non-EU entities' business models are concentrated on wholesale banking, clearing and settlement and investment banking services and they have a limited exposure to EU households on both the asset side and the liability side. For these entities, fee and commission income is, on average, more important source of revenue than interest income.** The counterparties of non-EU players are highly concentrated in credit institutions and other financial corporations (wholesale banking business model), representing 60% of total exposures and 72% of total deposits, with the exposures to households representing only 7% of total exposures and less than a third of deposits. Differently than what can be observed for EU banks, fee and commission income is, on average, more important source of revenue than interest income.

97. **The activities and exposures of non-EU entities are mainly located in EU countries (73% of total exposures).** Most of the counterparties of non-EU entities have more than 80% of their exposures located in the EU, except for credit institutions and other financial corporations, for which two thirds of the exposures are located in the EU. Exposures towards counterparties located in third countries are well above average for non-EU entities operating in DE and LU (with more than the 40%) and aligned with average in FR.

98. **Results of the qualitative survey show that EU banks present some dependency on non-EU operators regarding the provision of payment services, clearing and settlement and custody services.** The dependency on non-EU payment services providers mainly arises from the dependency on major US-originating payment card schemes such as Visa, Mastercard, Amex or Union Pay. If these providers would choose to exit the EU market altogether there could be disruptions to the provision of the subset of payment transactions that is card-based. Under such a scenario, EU banks in many Member States could face a significant operational burden to continue providing card-based payment transactions. Likewise, at the current juncture, EU banks' rely significantly on clearing and settlement services provided by UK and US operators.

99. **EU Banks hold higher liquidity buffers, in relation to their net cash outflows, in their domestic currency than in significant (foreign) currencies.** At the aggregate level, the surplus in liquidity coverage in all currencies offsets the liquidity shortfall in significant currencies. The EU liquidity regulation does not require banks to hold LCR levels in significant currencies above 100%, however, low levels of LCR in one or several significant currencies may cause problems during stress periods when liquidity may be scarce and the FX swaps markets may become difficult to access.

100. **EU banks show sufficient stable funding sources to cover required funding needs on the asset side.** The average NSFR for a sample that covers 97% of the EU banking sector assets was 128% as of June 2021, with none of the banks in the sample below the threshold of 100%. However, on average the NSFR is below 100% for four significant currencies (USD, CHF, NOK and HRK).

101. **At the individual reporting level, EU banks receive 19% of their total funding in foreign currencies (27% according to consolidated reporting data).** This finding reflects, on the one hand, the substantial international activity of EU banks and their clients beyond the EU and, on the other hand, the intra-EU cross-border activity of banks covering different currency areas within the EU. By type of funding, unsecured wholesale funding is the main source of funding for EU banks, representing 43% of total funding and 57.2% of foreign currency funding.

102. **Based on the answers to the qualitative survey, a majority of EU banks use foreign currency denominated funding to invest in loans and advances extended to retail customers and non-financial corporates.** This finding again reflects the substantial international activity of EU banks beyond the EU and the part of the intra-EU cross-border activity that covers different currency areas within the EU. Banks tend to use foreign currency funding to support assets denominated in the same foreign currency, for example when they are active in markets

where the transactions are carried out in a foreign currency such as the US dollar. However, banks may also occasionally take advantage of cheaper foreign currency funding and convert it to domestic currency in the FX swap market. To look more into detail of the relative importance of these practices is beyond the scope of the current exercise.

103. **Intragroup operations and central bank funding do not appear as important sources of foreign currency denominated funding on average but in individual cases the recourse to the central bank FX funding can be high.** This could become problematic if the relevant institutions were to start to treat such recourse to central bank emergency funding facilities as a structural feature in their liquidity planning.

Annex 1: Samples and coverage by country

Table 6: Sample and coverage of the analysis LCR of EU banks: total LCR and LCR by significant currencies

	EBA Report on liquidity measures sample	***of which: reporting USD as a significant currency***	
Country	N. of banks	*N. of banks*	*Coverage*
AT	20	*6*	*55%*
BE	13	*4*	*43%*
BG	5	*4*	*16%*
CY	4	*3*	*100%*
CZ	-	-	*0%*
DE	23	*11*	*30%*
DK	4	*3*	*58%*
EE	8	-	*0%*
ES	40	-	*0%*
FI	11	-	*0%*
FR	26	*11*	*92%*
GR	8	-	*0%*
HR	-	-	*0%*
HU	10	*5*	*65%*
IE	8		*0%*
IT	47	*5*	*58%*
LT	6	-	*0%*
LU	14	*12*	*15%*
LV	9	*6*	*31%*
MT	7	*3*	*20%*
NL	21	*9*	*83%*
PL	4	-	*0%*
PT	16	*3*	*3%*
RO	10	-	*0%*
SE	23	*4*	*62%*
SI	5	-	*0%*
SK	1	-	*0%*
IS	3	-	*0%*

Source: Consolidated assets obtained from FINREP and total assets of the EU banking sector obtained from the ECB Data Warehouse as of June 2021.

Table 7: Coverage of the analysis of NSFR and funding structure of EU banks, June 2021.

	Coverage NSFR		Coverage funding	
Country	**N. of banks**	**Coverage**	**N. of banks**	**Coverage**
AT	34	68%	34	68%
BE	13	69%	13	69%
LV	9	81%	8	81%
LT	7	78%	7	78%
LU	17	28%	17	28%
MT	7	62%	7	62%
NL	24	100%	23	100%
PL	4	41%	4	41%
PT	16	90%	16	92%
RO	10	73%	10	73%
SI	5	68%	5	68%
ES	42	100%	42	100%
BG	5	19%	5	19%
SE	22	72%	23	72%
FI	11	84%	11	84%
CY	4	100%	4	100%
DE	74	51%	75	55%
DK	15	85%	15	85%
IE	7	56%	8	56%
HU	10	89%	10	89%
EE	8	66%	8	66%
FR	62	100%	54	100%
IT	56	100%	56	100%
GR	8	97%	8	97%
CZ	2	26%	2	26%
Total	**472**	**97%**	**465**	**97%**

Source: Consolidated assets obtained from FINREP and total assets of the EU banking sector obtained from the ECB Data Warehouse as of June 2021.

Table 8: Qualitative analysis sample and coverage by country

	Sample	
Country	**N. of banks**	**Total assets coverage**
AT	5	45.2%
BE	7	84.2%
BG	3	43.5%
HR	3	64.5%
CY	3	27.6%
CZ	2	40.4%
DK	3	24.0%
EE	3	70.6%
FI	3	79.5%
FR	4	42.4%
DE	11	27.9%
GR	4	84.6%
IE	6	27.9%
IT	9	70.2%
LV	3	55.4%
LI	2	n.a.
LU	6	9.5%
MT	3	50.5%
NL	7	78.9%
NO	2	n.a.
PL	3	34.6%
RO	3	39.8%
SK	3	54.3%
SI	3	36.1%
ES	8	61.2%
SE	7	61.0%

Note: For confidentiality reasons, the sample by country is not shown when there is only one bank in the sample.
Source: Consolidated assets obtained from FINREP and total assets of the EU banking sector obtained from the ECB Data Warehouse as of December 2020.

Annex II: Overview of non-EU entities operating in the EU

Table 9: Overview of non-EU subsidiaries operating in the EU, data as of June 2021

Ctry	Subs	US	GB	CH	JP	CN	AD	AE	AO	AU	BM	BR	CA	EC	EG	GA	HK	IN	IR	JE	KN	KR	KW	KY	LB	LI	LY	MA	MU	MX	NO	QA	RU	SG	SM	TG	TR	TW	VE
AT	12	1	1	3	0	1	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	1	0	0	0	0	0	0	1	0	0
BE	8	2	1	0	1	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1	0
BG	2	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0
CY	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DE	51	16	4	7	5	1	0	0	0	1	2	0	1	0	1	0	0	0	1	0	0	3	1	2	0	0	0	0	0	0	0	0	1	0	0	0	5	0	0
EE	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ES	11	2	0	1	0	0	2	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	1	0	0	0	0	2
FR	33	7	6	5	1	0	0	0	0	0	2	0	1	0	0	1	0	0	0	0	0	0	0	0	5	0	0	2	1	0	0	1	0	0	0	1	0	0	0
HR	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	0	0
HU	4	0	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
IE	17	12	2	0	0	0	0	0	0	1	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
IT	8	3	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1	0	0	0	0
LU	43	4	3	10	6	7	2	0	0	0	0	2	2	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	1	1	2	0	0	0	1	0	0
MT	10	1	3	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	1	0	0	0	0	1	0	0
NL	17	0	2	0	3	1	0	0	0	1	0	0	1	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	1	1	0	0	6	0	0
PL	6	2	1	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0
PT	9	0	1	0	0	1	0	0	3	0	3	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RO	4	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0
SE	4	0	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**243**	**52**	**30**	**30**	**19**	**14**	**4**	**1**	**3**	**4**	**7**	**3**	**7**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**4**	**2**	**5**	**7**	**3**	**2**	**3**	**1**	**1**	**2**	**3**	**4**	**2**	**2**	**1**	**17**	**1**	**2**

Source: Data collection as of 2021-Q2 and EBA calculations.

Table 10: Overview of non-EU branches operating in the EU, data as of June 2021

Country	Branches	GB	CN	LB	JP	CH	AE	AR	AU	BR	EG	IN	IR	JE	JO	KR	PK	QA	TR	TW	UA	US	VN
BE	8	1	0	0	1	0	0	0	0	0	0	3	0	0	0	0	1	0	0	0	0	2	0
BG	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0
CY	13	0	0	9	0	0	0	0	0	0	0	0	0	0	3	0	0	0	0	0	1	0	0
CZ	2	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DE	38	18	5	0	2	0	0	0	1	1	0	1	5	0	0	0	1	0	0	0	0	3	1
EE																							
ES	4	3	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FR	16	4	2	0	2	0	1	0	0	0	1	1	0	0	0	1	1	1	0	1	0	1	0
HR																							
HU	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
IE	1	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
IT	8	1	1	0	2	1	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	2	0
LU	13	1	7	0	0	2	0	0	0	2	0	0	0	1	0	0	0	0	0	0	0	0	0
MT	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0
NL	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	0	0	0
PL	2	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PT	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RO																							
SE	4	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**117**	**35**	**18**	**9**	**7**	**4**	**1**	**1**	**1**	**3**	**1**	**5**	**6**	**1**	**3**	**2**	**3**	**1**	**4**	**2**	**1**	**8**	**1**

Source: Data collection as of 2021-Q2 and EBA calculations.

Table 11: Market share on loans and advances, data based on FINREP consolidated reporting as of June 2021

Ctry	Item	CA	CH	CN	GB	JP	RU	TR	US	Other	All
AT	Loans	.	0.4%	0.2%	1.2%	.	.	0.2%	0.1%	4.0%	6.1%
BE	Loans	.	.	0.6%	0.1%	0.0%	.	.	0.4%	0.1%	1.2%
CY	Loans	.	.	.	.	.	.	.	.	3.5%	3.5%
CZ	Loans	.	.	0.1%	.	.	.	.	.	.	0.1%
DE	Loans	0.00%	0.30%	0.00%	0.40%	0.30%	0.10%	0.10%	2.60%	0.00%	3.80%
ES	Loans	.	0.0%	.	0.3%	.	.	.	0.0%	2.2%	2.5%
FR	Loans	0.00%	0.10%	.	14.90%	0.00%	.	.	0.10%	0.10%	15.30%
HR	Loans	.	.	.	.	.	.	0.5%	.	0.3%	0.8%
IE	Loans	1.4%	.	.	24.1%	.	.	.	21.3%	1.3%	48.1%
IT	Loans	.	0.1%	.	.	.	.	.	0.0%	0.0%	0.2%
LU	Loans	3.00%	11.00%	3.60%	0.10%	0.40%	0.30%	0.00%	14.60%	5.90%	38.90%
MT	Loans	.	2.1%	.	40.1%	.	.	21.8%	0.3%	9.4%	73.6%
NL	Loans	.	.	0.0%	1.1%	0.6%	0.0%	0.6%	.	0.9%	3.3%
PL	Loans	.	.	.	0.4%	0.3%	.	.	2.7%	0.6%	4.0%
PT	Loans	.	.	0.2%	0.0%	.	.	.	.	9.7%	9.9%
RO	Loans	.	.	.	.	.	.	0.80%	1.70%	2.40%	4.90%
SE	Loans	.	.	.	0.3%	.	.	.	.	.	0.3%
All	**Loans**	0.10%	0.50%	0.10%	6.90%	0.20%	0.00%	0.20%	2.20%	1.10%	11.40%

Source: Data collection on FINREP templates as of 2021-Q2 and EBA calculations. 255 banks reported data. In order to obtain the market share, the denominator has been obtained with the aggregated balance sheet items at the highest level of consolidation in the EU.

Table 12: Market share on debt securities, data based on FINREP consolidated reporting as of June 2021

Ctry	Item	CA	CH	CN	GB	JP	RU	TR	US	Other	All
AT	DebtSec	.	0.5%	0.4%	0.4%	.	.	0.6%	0.0%	1.1%	3.0%
BE	DebtSec	.	.	0.2%	0.6%	0.2%	.	.	9.1%	0.0%	10.2%
CY	DebtSec	.	.	.	.	.	.	.	.	1.7%	1.7%
CZ	DebtSec	.	.	0.1%	.	.	.	.	.	.	0.1%
DE	DebtSec	0.0%	0.5%	0.2%	0.3%	0.1%	0.0%	0.1%	3.6%	0.1%	4.8%
EE	DebtSec	.	.	.	84.7%	.	.	.	.	.	84.7%
ES	DebtSec	.	0.0%	.	0.0%	.	.	.	0.0%	2.8%	2.9%
FR	DebtSec	.	0.00%	.	2.40%	.	.	.	0.10%	0.10%	2.50%
HR	DebtSec	.	.	.	.	.	.	0.8%	.	0.2%	1.0%
IE	DebtSec	5.6%	.	.	17.7%	.	.	.	11.1%	0.4%	34.7%
IT	DebtSec	.	0.1%	.	.	.	.	.	0.1%	0.1%	0.2%
LU	DebtSec	1.00%	6.10%	2.20%	0.30%	0.90%	1.10%	0.10%	6.30%	3.50%	21.50%
MT	DebtSec	.	0.0%	.	33.2%	.	.	36.5%	0.2%	9.1%	79.0%
NL	DebtSec	.	.	0.3%	0.8%	0.8%	0.1%	0.8%	.	1.1%	3.9%
PL	DebtSec	.	.	.	0.2%	0.1%	.	.	3.9%	0.9%	5.1%
PT	DebtSec	.	.	1.3%	0.0%	.	.	.	.	10.3%	11.6%
RO	DebtSec	.	.	.	.	.	.	0.70%	1.30%	0.80%	2.80%
SE	DebtSec	.	.	.	0.2%	.	.	.	.	.	0.2%
All	**DebtSec**	0.20%	0.40%	0.20%	1.50%	0.10%	0.10%	0.20%	2.70%	1.20%	6.60%

Source: Data collection on FINREP templates as of 2021-Q2 and EBA calculations. 255 banks reported data. In order to obtain the market share, the denominator has been obtained with the aggregated balance sheet items at the highest level of consolidation in the EU.

Table 13: Market share on derivatives, data based on FINREP consolidated reporting as of June 2021

Ctry	Item	CA	CH	CN	GB	JP	RU	TR	US	Other	All
AT	Derivatives	.	.	.	0.1%	.	.	.	.	0.3%	0.3%
BE	Derivatives	.	.	0.0%	0.0%	.	.	.	1.2%	.	1.2%
CY	Derivatives	.	.	.	.	.	.	.	.	0.0%	0.0%
CZ	Derivatives	.	.	0.0%	.	.	.	.	.	.	0.0%
DE	Derivatives	0.0%	1.4%	0.1%	0.6%	0.0%	0.0%	0.0%	25.1%	0.0%	27.3%
EE	Derivatives	.	.	.	56.4%	.	.	.	.	.	56.4%
ES	Derivatives	.	0.0%	.	0.1%	.	.	.	0.0%	0.1%	0.2%
FR	Derivatives	.	0.00%	.	6.80%	.	.	.	0.00%	0.00%	6.80%
HR	Derivatives	.	.	.	.	.	.	0.0%	.	0.0%	0.0%
IT	Derivatives	.	0.0%	.	.	.	.	.	0.0%	0.0%	0.0%
LU	Derivatives	10.50%	10.70%	0.10%	0.20%	3.60%	0.20%	0.00%	9.90%	7.60%	42.80%
NL	Derivatives	.	.	0.1%	20.2%	0.1%	0.0%	0.3%	.	0.3%	21.0%
PL	Derivatives	.	.	.	0.0%	0.0%	.	.	16.0%	0.3%	16.3%
PT	Derivatives	.	.	2.7%	0.0%	.	.	.	.	10.2%	13.0%
RO	Derivatives	.	.	.	.	.	.	0.10%	0.50%	0.00%	0.70%
SE	Derivatives	.	.	.	0.0%	.	.	.	.	.	0.0%
All	**Derivatives**	0.10%	1.00%	0.10%	11.00%	0.00%	0.00%	0.10%	18.60%	0.40%	31.40%

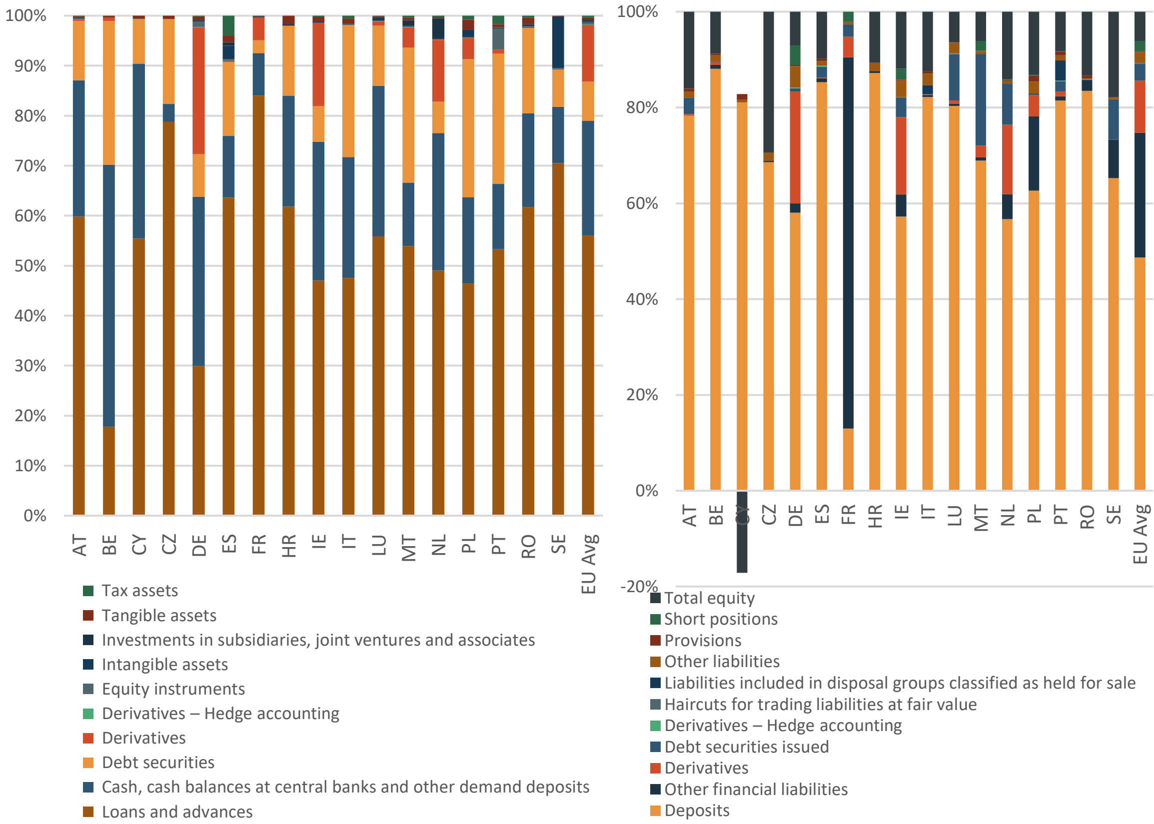
Source: Data collection on FINREP templates as of 2021-Q2 and EBA calculations. 255 banks reported data. In order to obtain the market share, the denominator has been obtained with the aggregated balance sheet items at the highest level of consolidation in the EU.

Table 14: Market share on equity, data based on FINREP consolidated reporting as of June 2021

Ctry	Item	CA	CH	CN	GB	JP	RU	TR	US	Other	All
AT	Equity	.	.	.	.	.	.	.	.	0.3%	0.3%
BE	Equity	.	.	0.5%	.	.	.	.	0.0%	0.0%	0.5%
CY	Equity	.	.	.	.	.	.	.	.	0.0%	0.0%
CZ	Equity	.	.	0.0%	.	.	.	.	.	.	0.0%
DE	Equity	0.0%	1.3%	0.1%	0.6%	0.0%	0.0%	0.0%	1.2%	0.0%	3.3%
ES	Equity	.	0.0%	.	0.0%	.	.	.	0.2%	0.5%	0.7%
FR	Equity	.	0.0%	.	0.2%	.	.	.	.	0.0%	0.3%
HR	Equity	.	.	.	.	.	.	0.0%	.	0.0%	0.0%
IE	Equity	0.2%	.	.	23.4%	.	.	.	19.2%	0.0%	42.7%
IT	Equity	.	0.0%	.	.	.	.	.	0.0%	0.0%	0.0%
LU	Equity	0.00%	2.10%	0.00%	2.50%	0.50%	0.00%	0.00%	0.00%	0.10%	5.30%
MT	Equity	.	0.0%	.	0.0%	.	.	0.0%	0.0%	6.4%	6.4%
NL	Equity	.	.	.	0.0%	.	0.0%	0.4%	.	0.0%	0.4%
PL	Equity	.	.	.	0.0%	0.2%	.	.	4.1%	0.2%	4.5%
PT	Equity	.	.	0.4%	0.0%	.	.	.	.	29.6%	30.0%
RO	Equity	.	.	.	.	.	.	4.70%	0.20%	3.50%	8.40%
SE	Equity	.	.	.	0.1%	.	.	.	.	.	0.1%
All	**Equity**	0.00%	1.00%	0.10%	0.70%	0.00%	0.00%	0.00%	0.90%	0.60%	3.30%

Source: Data collection on FINREP templates as of 2021-Q2 and EBA calculations. 255 banks reported data. In order to obtain the market share, the denominator has been obtained with the aggregated balance sheet items at the highest level of consolidation in the EU.

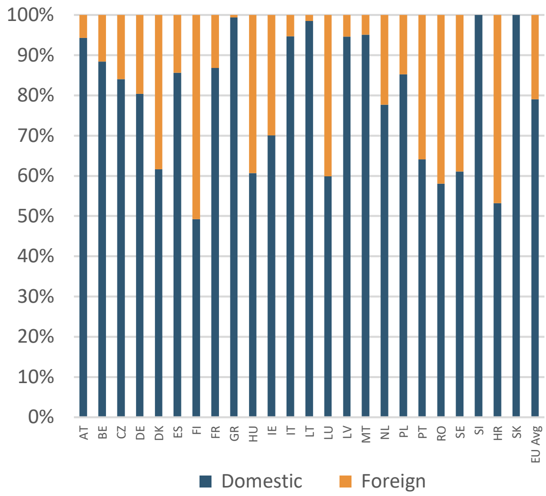
Figure 31: Balance sheet structure of non-EU entities, breakdown by assets (left) and by liabilities (right), June 2021.



Source (assets): Data collection on FINREP templates as of 2021-Q2 and EBA calculations. 255 banks reported data. Source (liabilities): Data collection on FINREP templates as of 2021-Q2 and EBA calculations. Source: F.01.02 and F.01.03.

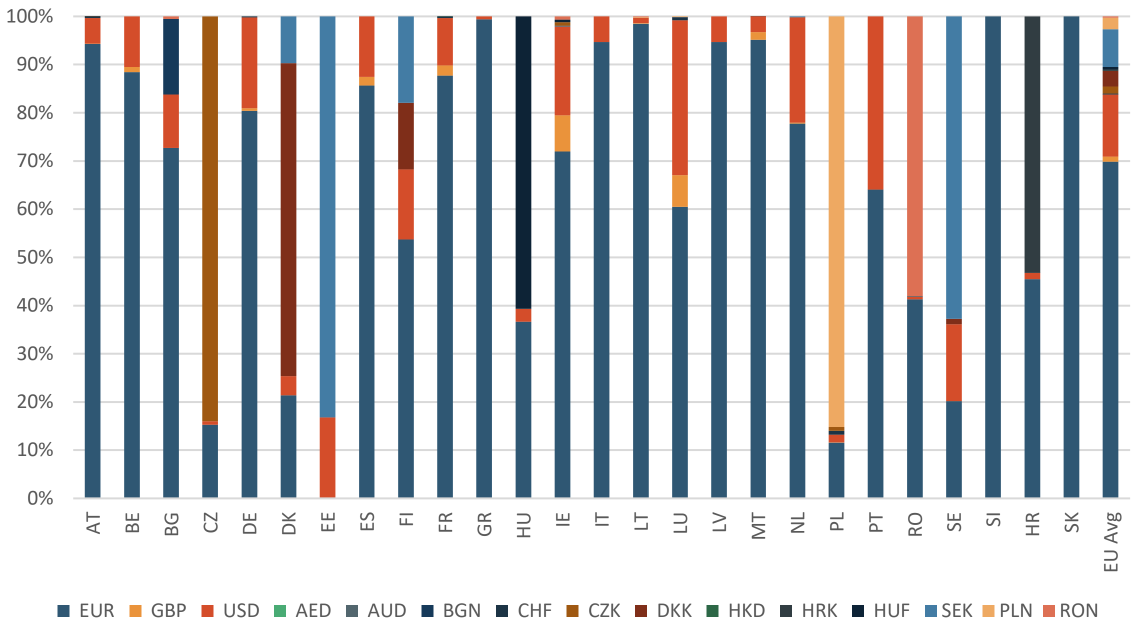
Annex 3: EU banks’ funding – individual reporting additional graphs

Figure 32: Composition of EU banks funding between domestic and foreign currency with data individual reporting, June 2021 data.



Source: 2021-Q2 COREP data and EBA calculations. Consolidated reporting data is composed by a sample of 1186 banks.

Figure 33: Composition of EU banks funding by currencies, data based on individual reporting, June 2021 data.



Source: 2021-Q2 COREP data and EBA calculations. Consolidated reporting data is composed by a sample of 266 banks and individual reporting data is composed by a sample of 1186 banks.

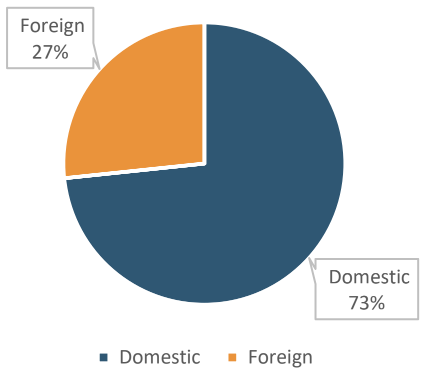
Annex 4: EU banks' funding – consolidated reporting

The analysis in this annex shows the shares of foreign currency funding based on consolidated reporting data. The methodology used in this analysis is the same used in section 3.3. However, results in the annex are based on consolidated reporting instead of individual. Results based on consolidated reporting, consider as foreign funding all funding in currencies other than the domestic currency of the parent. These results need to be interpreted with caution as, due to data limitations, for cross-border banking groups operating in third countries, the domestic currency of subsidiaries may be considered as foreign even if it is the domestic currency of the subsidiary operating in that country. Additionally, for intra EU cross-border banking groups, funding of EU subsidiaries in their domestic currency is considered as foreign when their domestic currency differs from the currency of the EU baking group they belong to.

Breakdown of funding of EU banks by currency

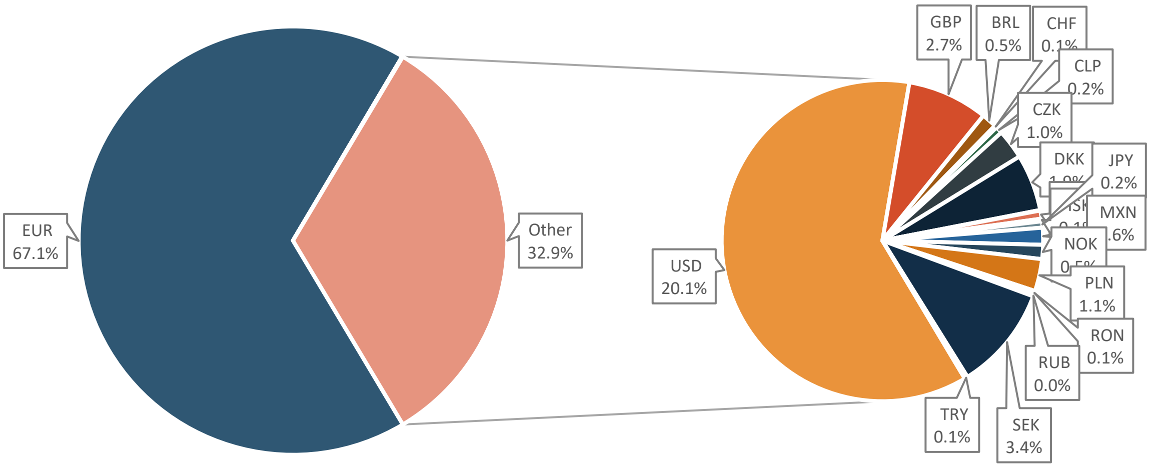
With data as of June 2021 from consolidated reporting, EU banks received 27% of their funding in foreign currencies (Figure 22). The main difference between the results based on individual (shown in section 3.3 of this report) and consolidated (shown in this annex) reporting comes from the fact that the latter includes as foreign, funding of EU cross-border banking groups' subsidiaries in their domestic currency if this differs from the domestic currency of the parent.

Figure 34: Composition of EU banks funding between domestic and foreign currency with data based on consolidated reporting (left) and individual reporting (right), June 2021 data.



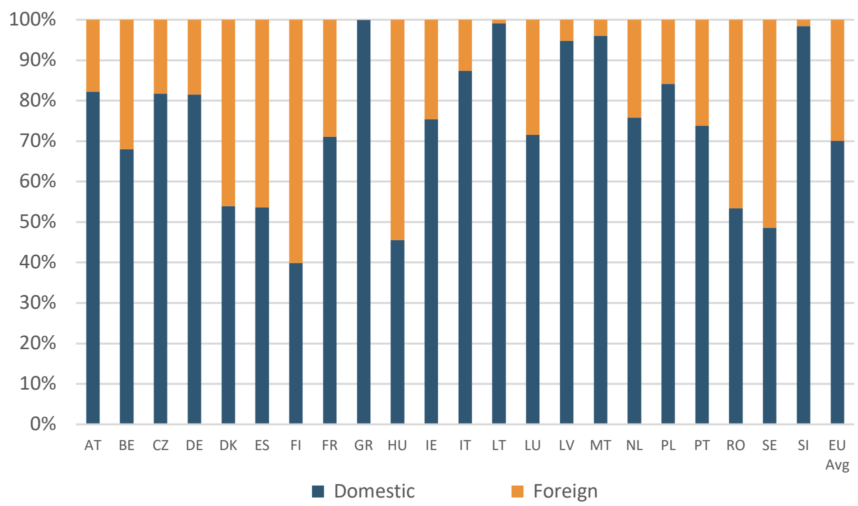
Source: 2021-Q2 COREP data and EBA calculations. Data based on consolidated reporting.

Figure 35:Composition of EU banks funding between currencies. Data based on consolidated reporting, June 2021.



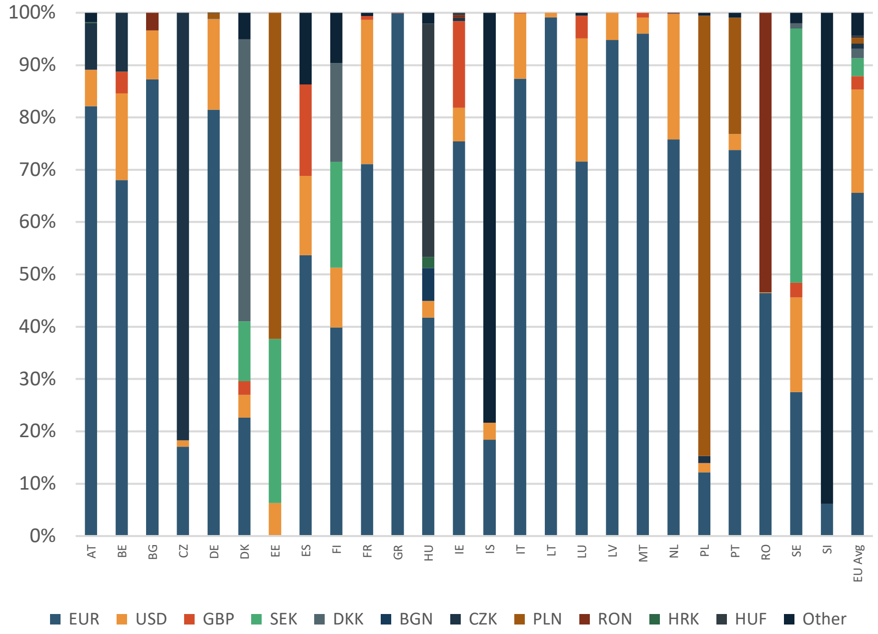
Source: 2021-Q2 COREP data and EBA calculations. Data based on consolidated reporting.

Figure 36: Composition of EU banks funding between domestic and foreign currency with data based on consolidated reporting, June 2021 data.



Source: 2021-Q2 COREP data and EBA calculations. Consolidated reporting data is composed by a sample of 266 banks.

Figure 37: Composition of EU banks funding by currencies, data based on consolidated reporting, June 2021 data.



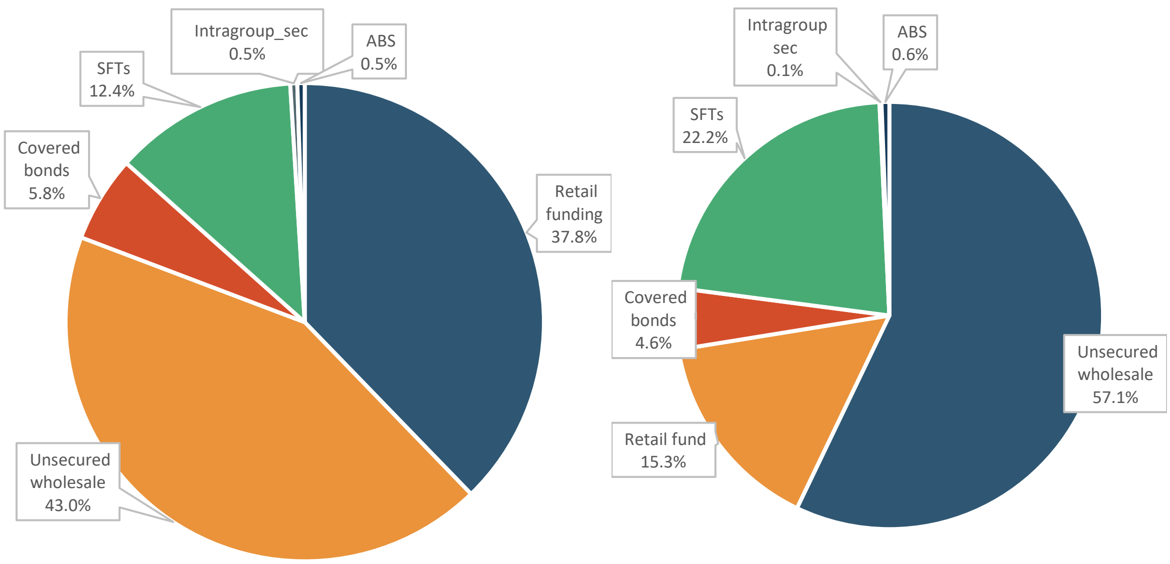
Source: 2021-Q2 COREP data and EBA calculations. Consolidated reporting data is composed by a sample of 266 banks.

Breakdown of total funding and foreign currency funding of EU banks by type

According to consolidated reporting as of June 2021, unsecured wholesale funding is the main source of total funding of EU banks, representing 43% of the total (Figure 24). The composition of funding is heterogeneous across countries, with Eastern countries (BG, LT, LV, MT, PL, RO, SI) and southern countries (CY, GR, PT) with the highest share of retail funding. Unsecured wholesale significant for LU and, to a lesser extent, for FR, DE and SE.

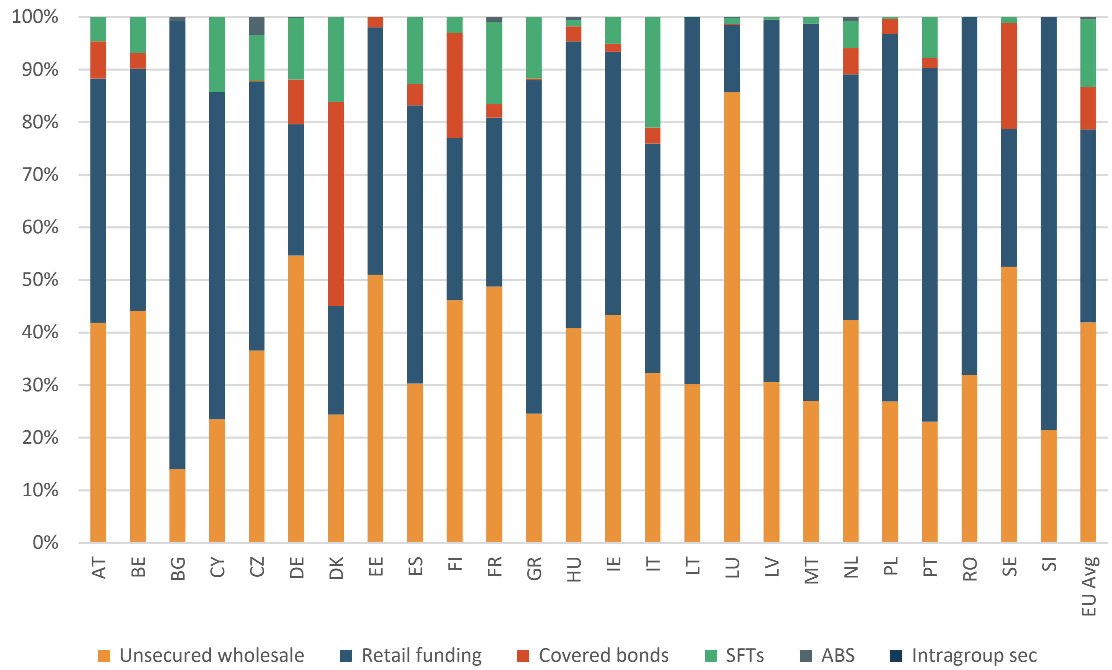
Regarding the composition of foreign currency funding, the share of unsecured wholesale funding reaches 57.2%, followed by securities financing transactions (SFTs) with a share of 22.2%. Other items (retail funding and covered bonds) account with less share in the composition of foreign currency funding than in the total composition, being the difference of retail funding the most significant. In foreign currencies, wholesale funding appears with higher share and becomes significant for more countries (BE, CY, CZ, DE, IT, LU, MT, NL and SE), with all of them with a share of foreign currency wholesale funding above 60%. The breakdown of total funding and foreign currency funding by type for each European country can be found in the Annex.

Figure 38: Composition of total EU banks funding by type (left) and foreign currency funding by type (right), June 2021 data.



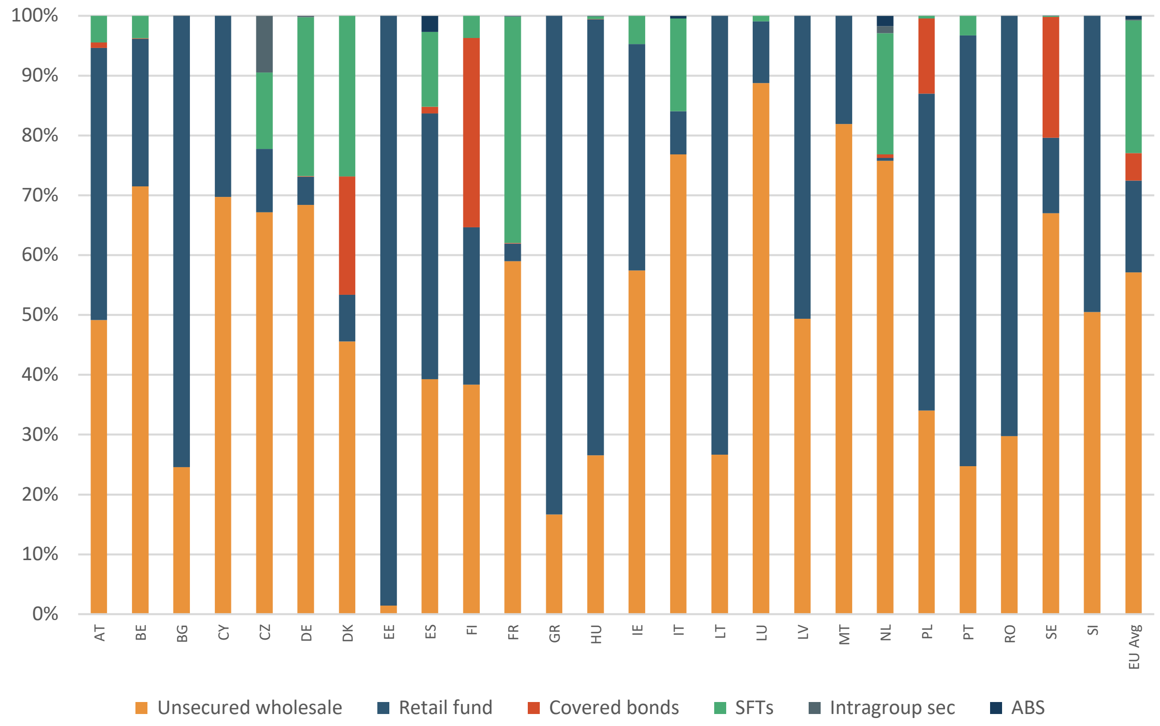
Source: 2021-Q2 COREP data and EBA calculations. Consolidated reporting data composed by a sample of 266 banks.

Figure 39: Composition of total EU banks funding by type, June 2021 data.



Source: 2021-Q2 COREP data and EBA calculations. Based on consolidated data.

Figure 40: Composition of EU banks foreign currency funding by type, June 2021 data.



Source: 2021-Q2 COREP data and EBA calculations. Type of funding in other currencies than the domestic currency of the based on consolidated data.

Annex 4: Qualitative questionnaire - additional findings

Table 15: Percentage number of banks that responded having received services from Non-EU operators, by type of service and by country:

	Securities	Clearing and settlement	Asset management	Custody	Payment services	Credit, Debit and other Cards	Loan servicing activities	Loan commitments received	Financial guarantees received	Externally provided distribution of products	Foreign exchange	Other fee and commission expenses
Austria	80.0%	60.0%	20.0%	60.0%	60.0%	40.0%	60.0%	40.0%	40.0%	40.0%	20.0%	60.0%
Belgium	57.1%	71.4%	14.3%	71.4%	71.4%	71.4%	28.6%	28.6%	57.1%	14.3%	42.9%	85.7%
Bulgaria	33.3%	66.7%	0.0%	33.3%	100.0%	66.7%	0.0%	0.0%	33.3%	0.0%	0.0%	66.7%
Croatia	33.3%	33.3%	0.0%	66.7%	100.0%	100.0%	0.0%	33.3%	0.0%	0.0%	33.3%	100.0%
Cyprus	0.0%	33.3%	0.0%	66.7%	100.0%	66.7%	0.0%	0.0%	0.0%	0.0%	0.0%	33.3%
Denmark	66.7%	66.7%	100.0%	66.7%	66.7%	0.0%	0.0%	0.0%	66.7%	0.0%	66.7%	33.3%
Estonia	100.0%	66.7%	33.3%	100.0%	100.0%	100.0%	0.0%	0.0%	33.3%	0.0%	0.0%	66.7%
Finland	33.3%	66.7%	0.0%	33.3%	66.7%	33.3%	33.3%	0.0%	66.7%	0.0%	0.0%	66.7%
France	75.0%	75.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	25.0%	50.0%	50.0%	50.0%
Germany	27.3%	36.4%	18.2%	45.5%	27.3%	27.3%	9.1%	9.1%	36.4%	27.3%	18.2%	63.6%
Greece	25.0%	25.0%	0.0%	25.0%	25.0%	0.0%	25.0%	50.0%	50.0%	0.0%	0.0%	100.0%
Ireland	33.3%	100.0%	0.0%	50.0%	83.3%	66.7%	33.3%	16.7%	16.7%	0.0%	16.7%	100.0%
Italy	77.8%	55.6%	33.3%	77.8%	88.9%	77.8%	0.0%	11.1%	55.6%	33.3%	44.4%	100.0%
Latvia	100.0%	0.0%	33.3%	33.3%	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	33.3%	33.3%
Luxembourg	33.3%	50.0%	33.3%	100.0%	66.7%	16.7%	16.7%	0.0%	0.0%	33.3%	16.7%	83.3%
Malta	33.3%	0.0%	0.0%	66.7%	66.7%	66.7%	0.0%	0.0%	0.0%	0.0%	0.0%	66.7%
Netherlands	28.6%	57.1%	14.3%	42.9%	42.9%	42.9%	0.0%	0.0%	28.6%	14.3%	0.0%	57.1%
Poland	33.3%	33.3%	0.0%	0.0%	66.7%	33.3%	0.0%	0.0%	0.0%	33.3%	33.3%	100.0%
Romania	0.0%	33.3%	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Slovak Republic	0.0%	0.0%	0.0%	0.0%	66.7%	66.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Slovenia	0.0%	66.7%	0.0%	100.0%	100.0%	100.0%	33.3%	33.3%	33.3%	33.3%	33.3%	100.0%
Spain	12.5%	37.5%	25.0%	37.5%	50.0%	50.0%	25.0%	12.5%	12.5%	12.5%	0.0%	62.5%
Sweden	42.9%	57.1%	14.3%	42.9%	71.4%	28.6%	0.0%	0.0%	14.3%	0.0%	0.0%	85.7%

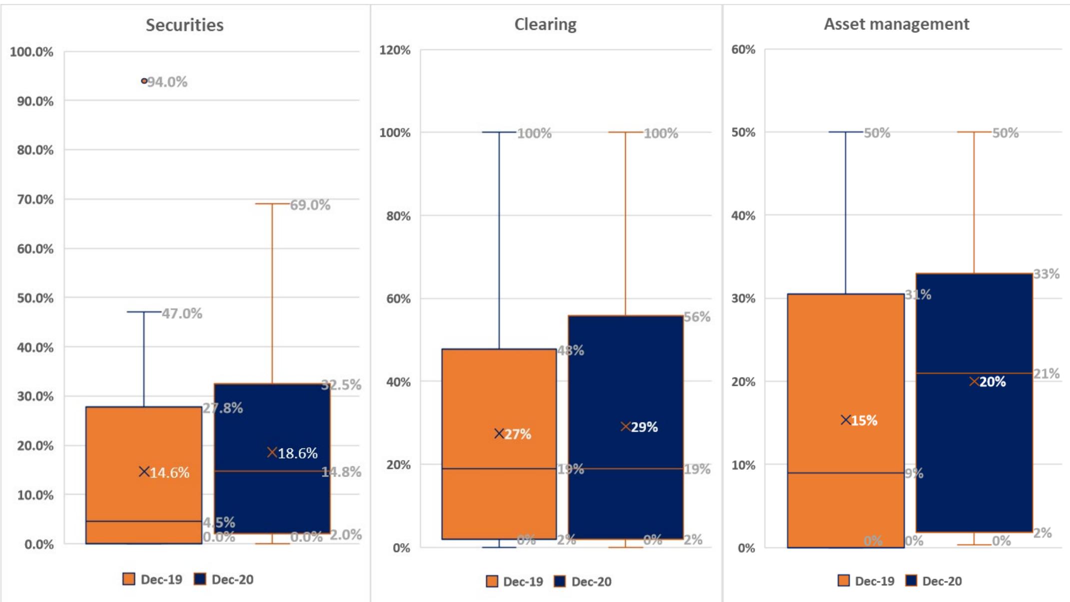
Source: Qualitative Questionnaire responses and EBA calculations. Sample: 119 banks

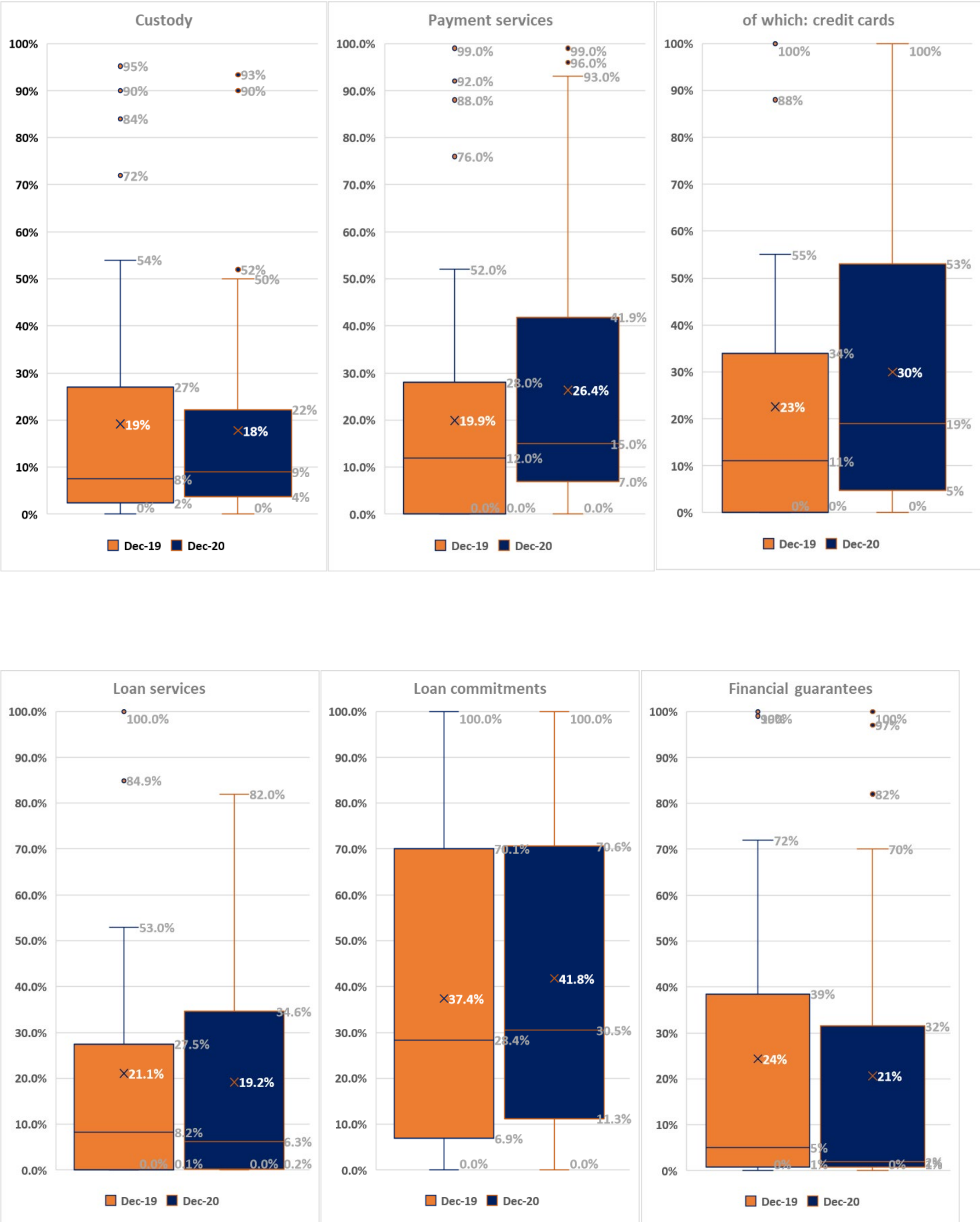
Table 16: Detailed sample Figure 41

Note: Each of the graphs in Figure 37 is based on a different sample based on the number of banks that confirmed receiving each specific type of service from non-EU operators and the data quality of the responses. For each activity, banks are excluded from the analysis if they answered not having received a given service from non-EU operators or, if having answer yes, the data quality was considered insufficient.

	Number of banks that confirmed having received specific services from Non-EU operators	***of which: with enough quality to be included in the relevant analysis***
Securities	37	*32*
Clearing and settlement	52	*46*
Asset management	19	*13*
Custody	48	*44*
Payment services	53	*48*
Credit, Debit and other Cards	40	*36*
Loan servicing activities	14	*14*
Loan commitments received	12	*11*
Financial guarantees received	27	*22*
Externally provided distribution of products	14	*12*
Foreign exchange	15	*13*
Other fee and commission expenses	66	*59*

Figure 41: Distribution of the total share of fee and commission expenses charged by non-EU operators by type of activity




Custody
Payment services
of which: credit cards
Loan services
Loan commitments
Financial guarantees
Dec-19
Dec-20

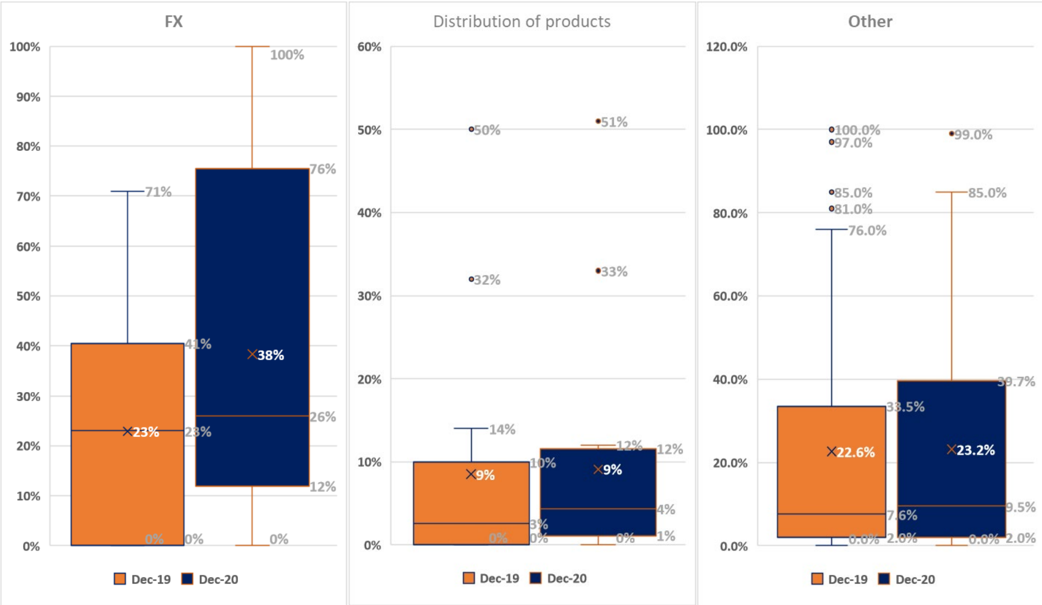


Figure 42: List of additional metrics to assess the dependence from non-EU operators regarding specific activities

	Metric 1	**Metric 2**
(Securities) ***(Row 235 FINREP 22)***	% Value of bank customers' trades executed/transmitted	% Value of banks; proprietary portfolio trades executed (dealing on own account)
(Clearing and settlement) ***(Row 240 FINREP 22)***	% Notional assets cleared	
(Asset management) ***(Row 245 FINREP 22)***	% Value of bank's assets under management	% Value of customers' assets under management (management mandates only)
(Custody) ***(Row 250 FINREP 22)***	% Notional assets under custody (EoY)	
(Payment services) ***(Row 255 FINREP 22)***	% Number of transactions processed	% Value of transactions processed
(of which: Credit, Debit and other Cards) ***(Row 256 FINREP 22)***	% Number of transactions processed	% Value of transactions processed

Table 17: Detailed sample Figure 43 to Figure 50

Note: Each of the graphs in Figure 43 is based on a different sample based on the number of banks that confirmed receiving each specific type of service from non-EU operators and the data quality of the responses. For each activity, banks are excluded from the analysis if they answered not having received a given service from non-EU operators or, if having answer yes, the data quality was considered insufficient.

	Number of banks that confirmed having received specific service from Non-EU operators	*of which: with enough quality to be included in the relevant analysis*
Securities - Metric 1	37	*12*
Securities - Metric 2	37	*13*
Clearing and settlement - Metric 1	52	*24*
Asset management - Metric 1	19	*8*
Asset management - Metric 2	19	*9*
Custody - Metric 1	48	*25*
Payment services - Metric 1	53	*31*
Payment services - Metric 2	53	*32*
Credit/debit cards - Metric 1	40	*23*
Credit/debit cards - Metric 2	40	*22*

Figure 43: Securities - Metric 1- Distribution of % Value of bank customers' trade executed by non-EU operators over total value of Banks customer trades executed

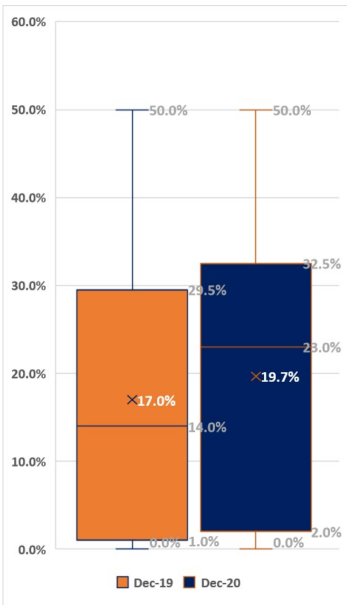


Figure 44: Securities – Metric 2 - Distribution of the % Value of Banks' proprietary portfolio trades executed by non-EU operators over total value of Banks' proprietary portfolio trades executed (dealing on own account)

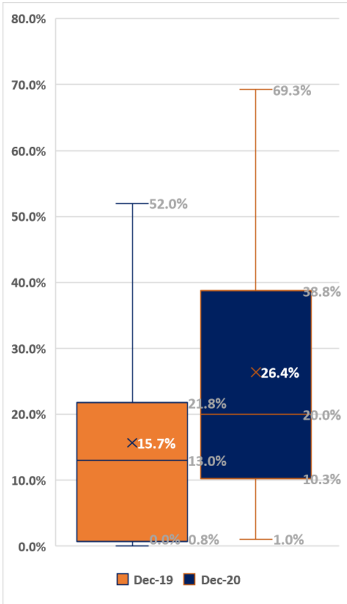


Figure 45: Clearing – Metric 1 - Distribution of the % Notional assets cleared by non EU operators (over total notional assets cleared)

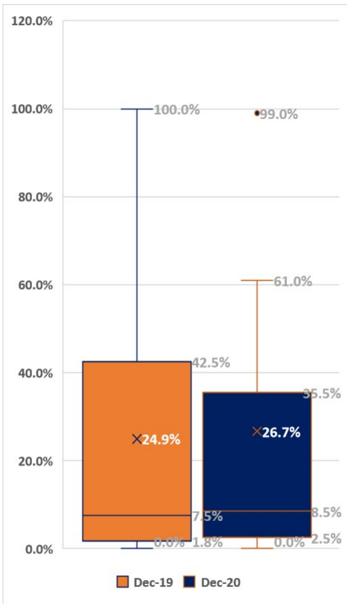


Figure 46: Asset management – Metric 1 - Distribution of the % value of bank's asset under Management by non EU operators (over total value of bank's assets under Management)

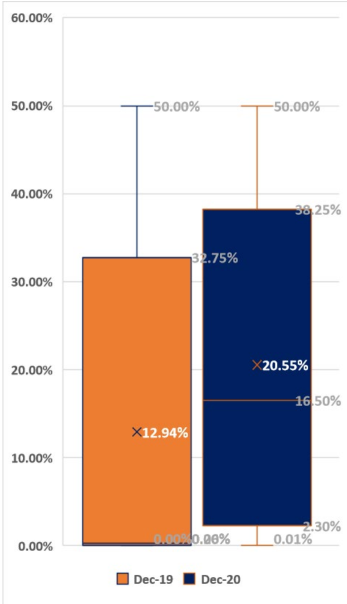


Figure 47: Asset management – Metric 2 - Distribution of the % value of customers' asset under Management by non EU operators (over total value of customer's assets under Management)

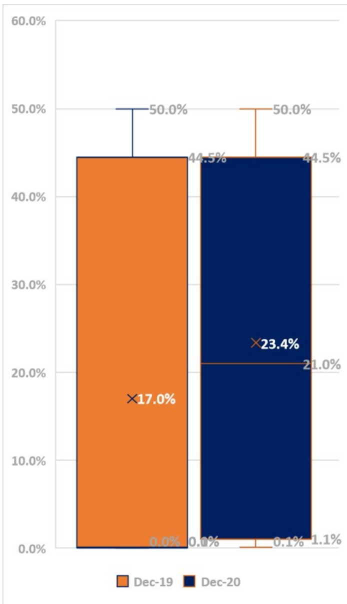


Figure 48: Custody – Metric 1 - Distribution of the % Notional assets under custody by non EU operators (over total notional assets under custody)

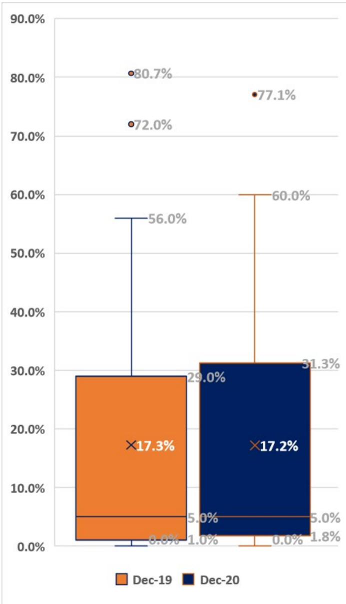


Figure 49: Payment services – Metric 1 - Distribution of the % number of transactions processed by non-EU operators (over total transactions processed)

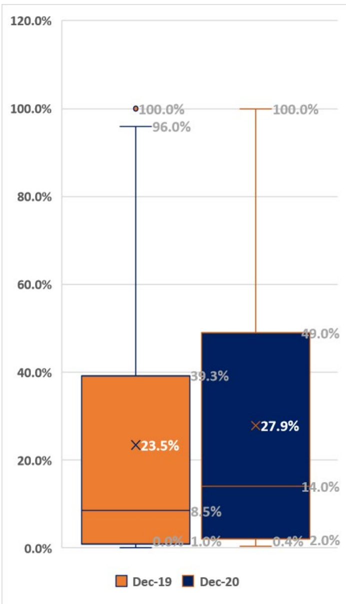
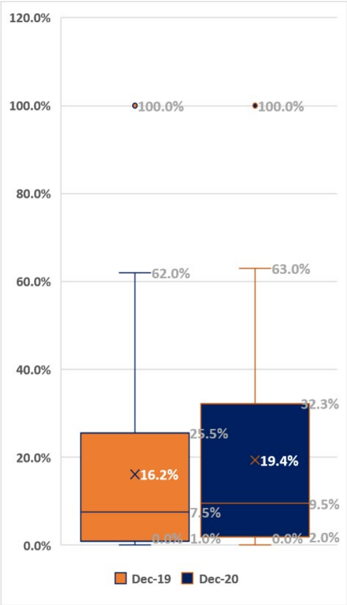


Figure 50: Payment services – Metric 2 - Distribution of the % value of transactions processed by non-EU operators (over total transactions processed)



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