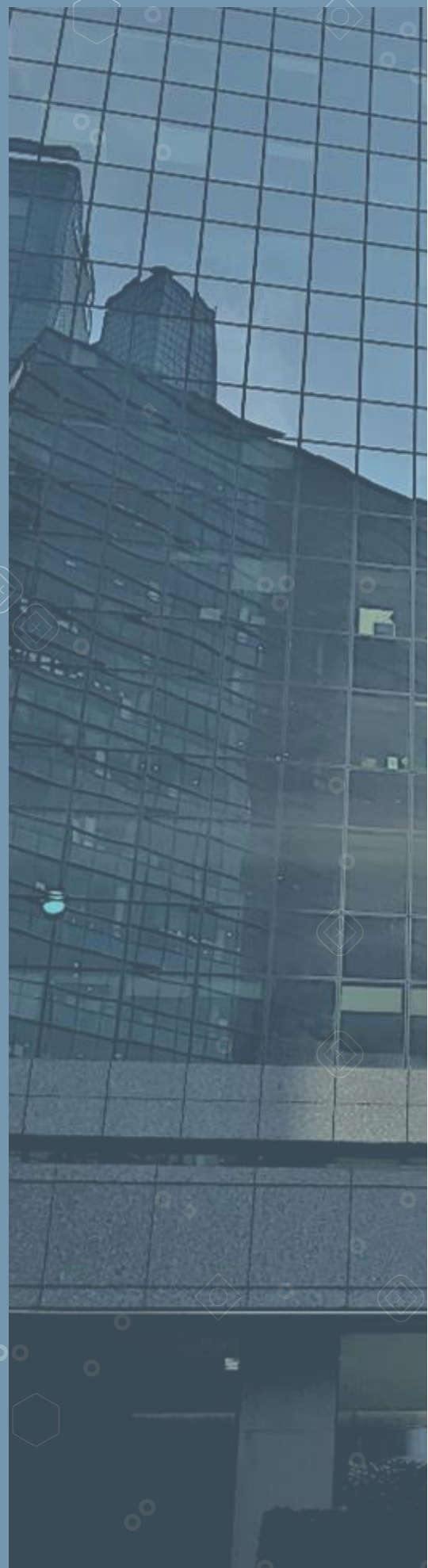

EBA REPORT – ANALYSIS ON THE
MARKET SHARE OF SUBSIDIARIES OF
THIRD COUNTRY BANKING GROUPS IN
THE EU

EBA/REP/2025/09 APRIL 2025



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Abbreviations

COREP	Common Reporting
CRR	Capital Requirements Regulation
EBA	European Banking Authority
ECB	European Central Bank
EU	European Union
EUR	euro(s)
FINREP	Financial Reporting
FX	foreign exchange
GSII s	global systemically important institution(s)
LCR	liquidity coverage ratio
NFC	non-financial company
O-SII	other systemically important institution

Executive summary

The subsidiaries of third country banking groups play an important role in the EU banking market. Although the overall market share remains relatively modest at around 10%, the market shares in certain areas, such as interest rate derivatives, fee income reaped from commodity trading and from providing collective investment services, are substantially higher and are in some cases indicative of dominant role played by non-EU institutions in the EU banking market.

As of December 2023, the market share in EU of subsidiaries of third country banking groups was 10.17% of total assets, 8.17% of loans, 6.06% of debt securities and 33.73% of derivatives. The market share in percentage of assets declined from the level of 12% with data as of June 2021 because of the lower market share for loans and debt securities, while the market share for derivatives increased. By country, the market share increased for subsidiaries controlled by entities domiciled in the United States and Japan.

The market share of subsidiaries of third country banking groups is mainly explained by exposures in loans and derivatives. These two asset classes together represent 75% of the assets reported by subsidiaries of third country banking groups. By counterparty, the market share is highest in assets towards credit institutions and other financial corporations, that represent 78% of all third country banking assets as of December 2023. The market share of subsidiaries of third country banking groups of assets towards credit institutions and other financial corporations is 30.79% and 22.44% of total assets towards these counterparties, respectively.

For third country banking groups, most assets except cash balances at central banks are held towards counterparties located outside of the home country (76% of loans and advances and 87% of derivatives are held towards counterparties domiciled in third countries). The assets located in third countries are towards credit institutions and other financial corporations (44% of the assets towards credit institutions and 45% of the assets towards other financial corporations are held towards counterparties domiciled in third countries).

The EU market share of third country institutions on derivatives is 33.73% as of December 2023, mostly due to the high market share on interest rate derivatives (40.47%). Indeed, 70% of the trading derivatives reported by subsidiaries are interest rate derivatives, while 19% are foreign exchange and gold derivatives, 7% are equity derivatives, 3% are credit derivatives and 1% are commodity derivatives. By counterparty, 50% of trading derivatives are towards credit institutions, 40% to other financial corporations and the remaining to other counterparties.

On the liability side, the market share of subsidiaries of third country banking groups is 6.34% of deposits, 30.85% of derivative liabilities and 24.01% of short positions. Only 22% of deposits and 13% of derivative liabilities are towards home country counterparties. By counterparty, considering all liabilities, 62% of the main liabilities reported by subsidiaries of third country banking groups are obtained from third country entities, 25% from other member states and 13% from domestic counterparties.

In relation to the P&L items, the market share of subsidiaries of third country banking groups is 5.16% of interest income, 1.85% of dividend income, 12.22% of fee and commission income and 32.28% of other operating income. The interest income is mainly obtained from loans and advances

and debt securities. The interest income is coming mainly from credit institutions and other financial corporations (71% of total interest income).

The market share on fee and commission income is 12.22% and the market share on fee and commission expenses is 21.96%. Subsidiaries of third country banking groups enjoy a high market share on fee income originating from commodities (77.34%), fiduciary transactions (48.74%), central bank administrative services for collective investment (30.57%), corporate finance (30.19%), custody (25.68%) and foreign exchange (19.73%).

In terms of the services provided, the market share of subsidiaries of third country banking groups is high in central administrative services for collective investment (53.11%), fiduciary transactions (28.87%) and custody assets (20.55%).

1. General remarks

1.1 Background and mandate

1. The European Commission mandated the EBA in June 2021¹ to study the dependence of the EU banking sector on non-EU banks and the reliance of EU banks in funding of foreign currencies. In that context, the European Banking Authority published in October 2022 a report² containing the analysis of the market share of non-EU entities in the EU banking sector and the funding structure of EU banks, with a special focus on foreign currency funding.
2. Building on this report, during the first quarter of 2024 DG FISMA designed a set of indicators based on supervisory reporting data and mandated the EBA to build these indicators at EU-level on an annual basis.
3. The mandate refers to the investigation of the market share of non-EU entities operating in the EU banking sector and the concentration of their business models in specific countries or sectors of activity. The mandate also requires the EBA to analyse EU banks' asset and liability exposures in foreign currency funding. The mandate³ was submitted to the EBA on May 2024 and is expected to be developed every year.

1.2 Deliverables and timeline

4. For the first iteration of the report, the EBA is addressing the mandate by submitting to the Commission two independent reports. The first report contains the analysis on EU banks' funding and exposures in funding currencies, while this second report is focused on the market share of non-EU entities operating in the EU banking sector and the concentration of their activity in specific countries or sectors.
5. The first iteration of the report was submitted to the European Commission in December 2024. The second iteration of the report will be submitted in March 2025.
6. For the subsequent years, the EBA will provide both analysis (market share of subsidiaries of non-EU undertakings and EU banks' funding and exposures in foreign currencies) in November each year, based on year-end data of the previous year (e.g., November 2025 based on year-end data as of December 2024).

¹ [Ares \(2021\) 4321397-Annex-.pdf \(europa.eu\)](#)

² [Report on EU dependence from non-EU entities Publication.pdf \(europa.eu\)](#)

³ [Request for submitting indicators on the interconnectedness of the EU financial sector with global markets.pdf \(europa.eu\)](#)

1.3 Sources of information

7. The first part of the report (market share of subsidiaries of non-EU undertakings) is based on EBA supervisory reporting data. The investigation of the market share relies mainly on FINREP templates, available at the EBA for banking groups (i.e. institutions that report on a consolidated basis). However, only a limited number of subsidiaries of third country banking groups have established a banking group in the EU and report on a consolidated basis, while the majority of the subsidiaries operate on a solo basis and report FINREP individual templates. For this reason, from a methodological perspective, and having regard to reaching a sufficient coverage of subsidiaries of third country banking groups, the EBA FINREP individual data was retrieved from the ECB to address this shortcoming. In the future, it is important for the EBA to obtain a regular access from the ECB to FINREP on an individual basis and not only on a consolidated basis as is the case today⁴.

1.4 Samples

8. The analysis included in the report relies on a sample of 165 subsidiaries of third country banking groups (43 banking groups and 122 solo entities). The sample is composed of banks operating in the EU with an ultimate parent domiciled in third countries and which are subject to the same reporting requirements as EU banks⁵ (i.e. the reporting of the full set of FINREP/COREP templates). Branches have been excluded because their reporting requirements differ from those applicable to subsidiaries. They are also not subject to the same reporting requirements across all member states. According to the previous study based on data as of June 2021⁶ (which comprised 243 subsidiaries and 117 branches), the branches represent only 4% of the total assets of non-EU entities operating in the EU. Additional information by country is provided in Table 12 in the Annex. The sample between the two reports differs due to the methodology selection under which, in the first report, the identification of non-EU entities was made based on the main assumption of control the holding, either directly or indirectly, of more than 50% of the shares of the entity operating in the EU). Nonetheless, despite the difference in the number of entities considered in the two reports, the total assets of the sample in this report is 7% higher than of the sample considered in the 2021 report.
9. The market share of subsidiaries of third country banking groups is obtained by dividing the amounts reported by subsidiaries of third country banking groups by the amounts reported by all banks operating in the EU banking sector. The denominator includes banks with the ultimate

⁴ The EBA collects COREP data for all institutions registered in the EU and FINREP data on a consolidated basis (excluding solo entities). The need to collect FINREP individual templates from the ECB applies not only to this first iteration of the report but also to all subsequent years (unless the EBA gets regular access to FINREP individual templates for all subsequent years).

⁵ Source: S&P Capital IQ with data as of December 2023 and EBA supervisory reporting data.

⁶ [Report on EU dependency from non-EU entities Publication.pdf \(europa.eu\), Section 2.2 on the market share of non-EU branches and subsidiaries.](#)

parent domiciled in the EU and the subsidiaries of third country banking groups. In total, the denominator includes 457 banks with reported assets of EUR 31 trillion as of December 2023.

a) Methodology

10. All analysis presented across the report are based on data as of December 2023.
11. Results are generally shown at EU level. The mandate of the CfA requests for aggregate indicators at EU level on the market share of assets, liabilities and income items of subsidiaries of third country banking groups.
12. Regarding the aggregation method used in this report, unless otherwise stated in the report:
 - all averages are weighted.
 - to avoid double counting, those EU averages exclude entities that report FINREP on an individual basis and belong to the same banking group of those subsidiaries of third country banking groups that report FINREP on a consolidated basis to the EBA. This exclusion is done because entities reporting FINREP on an individual basis would be double counted in the FINREP consolidated templates of the parent entity.

b) Structure/Overview of the different analyses presented in the report

13. This report covers the area of market share of subsidiaries of third country banking groups on several metrics:
 - a) Market share of non-EU entities on balance sheet items:
 - i) Market share on main asset items.
 - ii) Geographical breakdown of the assets reported by subsidiaries.
 - iii) Geographical breakdown of the counterparties of the reported assets by subsidiaries.
 - iv) Market share on derivatives.
 - v) Market share on main capital items.
 - vi) Market share on the main liabilities reported by subsidiaries.
 - vii) Geographical breakdown of liability products.
 - viii) Geographical breakdown of the counterparties of the reported liabilities by subsidiaries.
 - b) Market share on P&L items and the assets involved in the services provided:
 - i) Market share on main P&L items.
 - ii) Market share on the components of interest income.
 - iii) Market share on the components of interest expense.
 - iv) Market share on fee and commission income and expenses.
 - v) Market share on the assets involved in the services provided.

2. Market share of non-EU entities on balance sheet items

14. This chapter shows the market share of subsidiaries of third country banking groups on the main balance sheet items with data as of December 2023 (section 2.1), with the geographical breakdown of assets reported by subsidiaries (section 2.2), the geographical breakdown of the counterparties of the reported assets by subsidiaries (section 2.3). Lastly, two specific sections are dedicated to the market share on derivatives (section 2.4) and the market share on the main capital items (section 2.5).
15. The business model of subsidiaries of third country banking groups is concentrated in granting loans to wholesale clients (credit institutions and other financial corporations) and the derivative business. Most of their balance sheet is composed by cross-border operations, as domestic clients represent less than a third of total for all asset classes except for cash balances at central banks and other demand deposits. The exposures towards third countries are explained by the services granted to credit institutions and other financial corporations.
16. The derivatives business model is explained by the high exposures on interest rate derivatives, which represent 70% of the amounts of reported derivative exposures. The market share on interest rate derivatives is 40%.

2.1 Market share on main asset items

17. Based on balance sheet data obtained from FINREP as of December 2023, the market share of subsidiaries of third country banking groups is 10.17% of total assets, 8.17% of loans, 6.06% of debt securities and 33.73% of derivatives (Table 1). The market share in percentage of assets declined from the level of 12% with data as of June 2021⁷. This decline is driven by the lower market share observed for loans and debt securities, which was above the increase observed for equity instruments and derivatives.
18. In amounts, 50% of the assets reported by subsidiaries of third country banking groups are loans, 20% are derivatives, 7% are debt securities and 1% are equity instruments.
19. By country, the market share increased compared to the level observed as of June 2021⁸ for subsidiaries controlled by entities domiciled in the United States and Japan, remained stable for those controlled by entities domiciled in China and declined for the other countries

⁷ Section 2.2 of the [Report on EU dependence from non-EU entities Publication.pdf \(europa.eu\)](#). The sample used for this report differs from the sample used in the report published in 2022 with data as of June 2021. In assets, the sample used for this report that uses data as of December 2023 is 7% bigger than the sample used for the report that uses data as of June 2021.

⁸ Section 2.2 of the [Report on EU dependence from non-EU entities Publication.pdf \(europa.eu\)](#).

disclosed in Table 1. The subsidiaries of entities domiciled in the United States increased their market share in debt securities, equity instruments and derivatives, while declined in loans.

20. The market share of 10.17% of total assets is composed by the market share of the 43 subsidiaries that report FINREP on a consolidated basis to the EBA (3.02%) and the market share of the 123 subsidiaries that report FINREP on an individual basis to the ECB (7.15%).

Table 1: Market share on main asset items, December 2023

Item	Total assets	United States	United Kingdom	Switzerland	Japan	China	Other
Loans and advances	8.17%	2.21%	4.90%	0.20%	0.25%	0.18%	0.37%
Debt securities	6.06%	3.23%	1.53%	0.27%	0.12%	0.37%	0.50%
Equity instruments	7.45%	5.31%	0.94%	0.77%	0.01%	0.08%	0.35%
Derivatives	33.73%	27.69%	4.90%	0.78%	0.16%	0.01%	0.18%
Total assets	10.17%	4.61%	4.15%	0.34%	0.26%	0.20%	0.54%

Source: FINREP and EBA calculations based on a sample of 165 subsidiaries of third country banking groups.

21. By counterparty, the market share is explained by assets towards credit institutions and other financial corporations that represent 78% of total assets reported by subsidiaries of third country banking groups as of December 2023 (48% for credit institutions and 29% for other financial corporations, Table 13). The market share of subsidiaries of third country banking groups on assets towards credit institutions is 30.79% of total assets, followed by other financial corporations (22.44% of total assets) and central banks (12.03% of total assets), Table 2. The rest of the counterparties (general governments, non-financial corporations and households) represent individually less than 5% of total assets reported by subsidiaries of third country banking groups.

Table 2: Market share on main counterparties (% of assets), December 2023

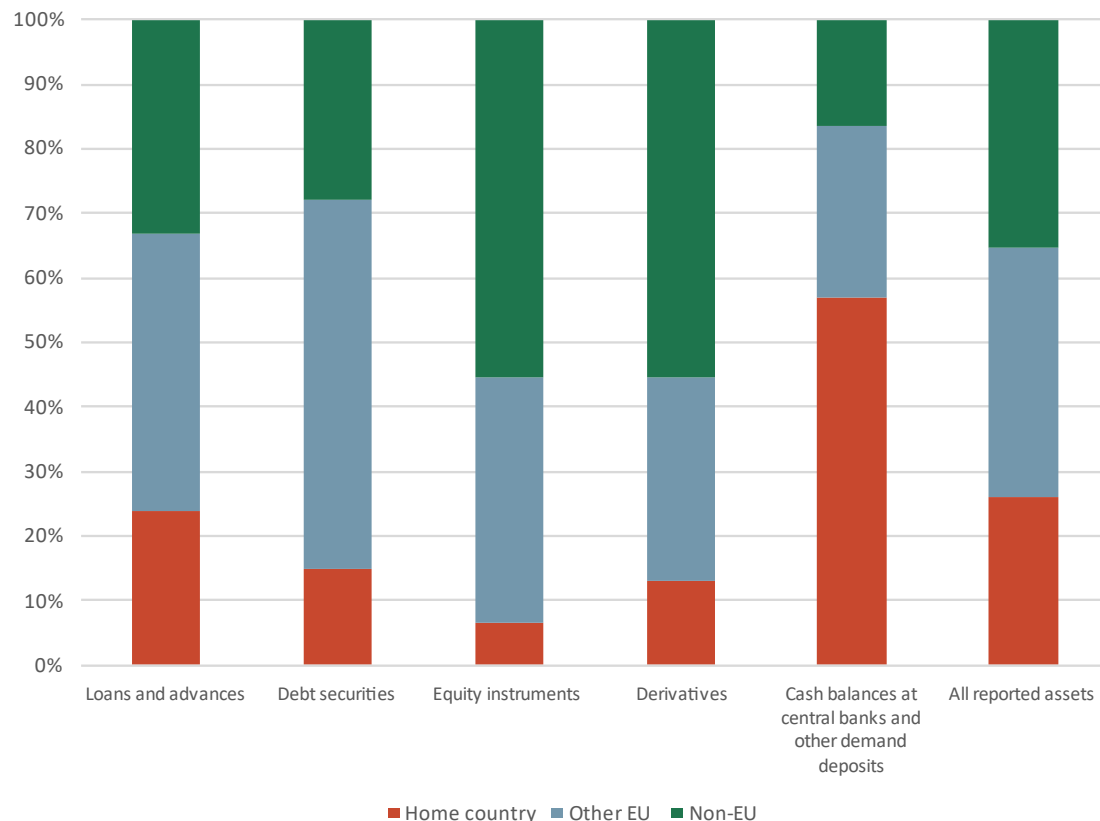
Counterparty	Total market share	Home country	Non-EU	Other EU
Credit institutions	31%	7%	14%	10%
Other financial corporations	22%	2%	10%	11%
Non-financial corporations	3%	1%	1%	2%
General governments	5%	1%	1%	3%
Households	2%	1%	0%	1%
Central banks	12%	8%	1%	3%

Source: FINREP and EBA calculations based on a sample of 165 subsidiaries of third country banking groups.

2.2 Geographical breakdown of the assets reported by subsidiaries

22. This section investigates the distribution of the geographical location of counterparties of the main asset classes of subsidiaries of third country banking groups (loans, debt securities, equity instruments, derivatives and cash balances at central banks). This distribution is useful to know if the business model of subsidiaries of third country banking groups is mainly concentrated in the country where they are established in the EU (home country), or if they provide services throughout the EU by only using the subsidiary domiciled in one member state.
23. Most assets except cash balances at central banks are held towards counterparties located outside the home country. On average, 74% of the reported assets by subsidiaries of third country banking groups are located outside the home country (Figure 1). Only 24% of the loans are granted to home country counterparties, while 43% are granted to counterparties located in other EU countries and 33% to counterparties located outside the EU. In the case of derivatives, only 13% are towards home country counterparties, while other EU counterparties and third country counterparties represent 32% and 55%, respectively.
24. Lastly, the share of home country debt securities and equity instruments are the lowest among the five asset classes (15% and 7% of total, respectively), with high shares observed towards third country counterparties. However, this may be the result of market making activities for liquidity management purposes or to seek additional interest income in third country markets.
25. In amounts, 54% of the assets located outside the home country are loans, followed by derivatives (26%), cash balances at central banks (10%), debt securities (9%) and equity instruments (1%).
26. The subsidiaries that report FINREP on a consolidated basis to the EBA show below average exposures to third country counterparties in all items while the subsidiaries that report FINREP on an individual basis to the ECB show above average exposures to third country counterparties in all asset items.

Figure 1: Geographical breakdown of the assets reported by subsidiaries, December 2023



Source: FINREP and EBA calculations based on a sample of 165 subsidiaries of third country banking groups.

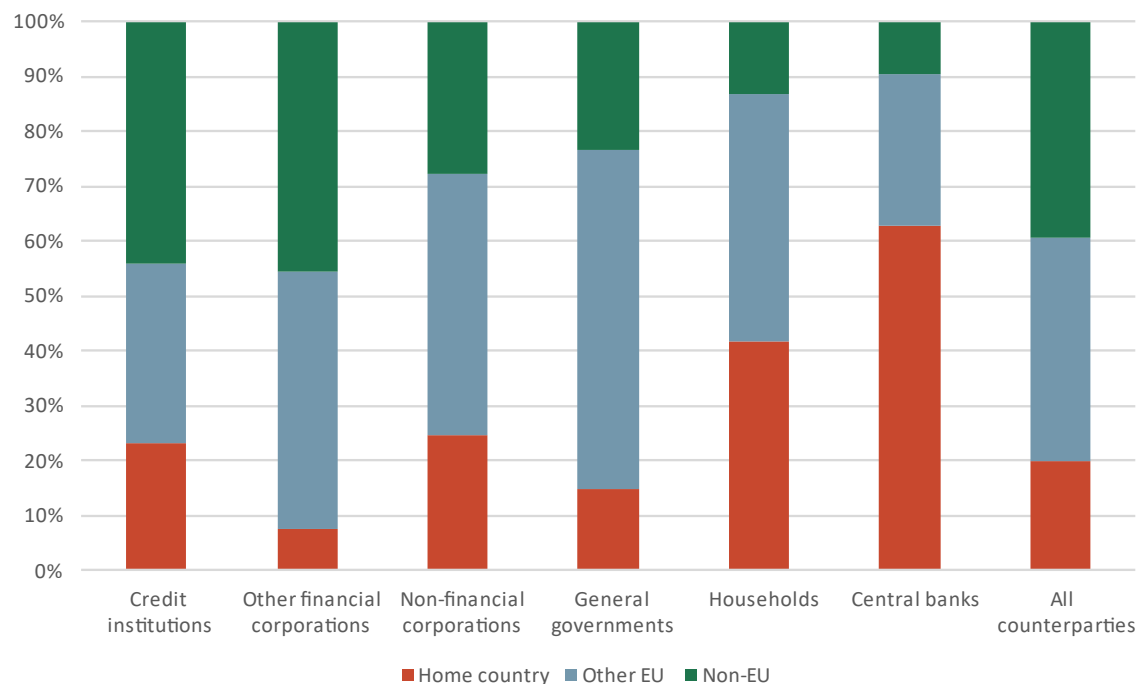
2.3 Geographical breakdown of the counterparties of the reported assets by subsidiaries

27. This section investigates the geographical breakdown by type of counterparty, which is useful to know the type of counterparty that is obtaining cross-border banking services from subsidiaries of third country banking groups domiciled in the EU. These cross-border banking services can be provided to counterparties domiciled in other member states different from the home country of the subsidiary, or to counterparties domiciled in third countries.
28. With data as of December 2023, 80% of the assets reported by subsidiaries of third country banking groups are held towards counterparties domiciled outside the home country (39% towards counterparties domiciled in third country entities and 41% from other member states), (Figure 2). The remaining 20% are held towards domestic counterparties.
29. The assets reported by subsidiaries that are located in third countries are towards credit institutions and other financial corporations. These two counterparties represent 78% of subsidiaries' total assets (48% for credit institutions and 29% for other financial corporations).

30. Credit institutions and other financial corporations are the counterparties with 80% of the assets located outside of the home country (77% for credit institutions and 92% for other financial corporations), Table 13. These counterparties are mainly concentrated in third countries, 44% of the assets towards credit institutions are held towards counterparties domiciled in third countries (45% for other financial corporations). The concentration in other EU member states is also high for these counterparties (33% for credit institutions and 47% for other financial corporations).

31. Third country banking groups establish subsidiaries in the EU and provide services with the entity domiciled in the home country to counterparties domiciled in other member states and to counterparties domiciled in third countries. These services can be provided directly or through branches that depend on the subsidiary that would act as the parent entity.

Figure 2: Geographical breakdown of the counterparties of the reported assets by subsidiaries, December 2023



Source: FINREP and EBA calculations based on a sample of 165 subsidiaries of third country banking groups.

2.4 Market share on derivatives

32. The market share of subsidiaries of third country banking groups is mainly explained by loans and derivatives. These asset classes represent 75% of the assets reported by subsidiaries of third country banking groups, Table 14. As shown in paragraph 17, the market share on derivatives is 33.73% as of December 2023. The high market share on derivatives of subsidiaries of third country banking groups is explained by trading derivatives, which represent 99% of the amount of total derivatives reported by subsidiaries of third country banking groups.

33. This section investigates the market share on the different types of trading and hedge derivatives. The market share of trading derivatives is above 30% for all types except for foreign exchange and gold (Table 3).
34. In amounts, 70% of the trading derivatives reported by subsidiaries of third country banking groups are interest rate derivatives, 19% are foreign exchange and gold derivatives, 7% are equity derivatives, 3% are credit derivatives and 1% are commodity derivatives.
35. By counterparty, 50% of trading derivatives are towards credit institutions, 40% to other financial corporations and the remaining to other counterparties.
36. In conclusion, the business model of subsidiaries of third country banking groups is concentrated in interest rate derivatives towards credit institutions and other financial corporations.

Table 3: Market share on the different types of trading derivatives, December 2023

Item	Total assets
Interest rate	40.47%
Equity	33.07%
Foreign exchange and gold	21.07%
Credit	35.04%
Commodity	35.95%

Source: FINREP and EBA calculations based on a sample of 165 subsidiaries of third country banking groups.

37. Hedging derivatives represent only 1% of total derivative assets reported by subsidiaries of third country banking groups as of December 2023. The market share of hedging derivatives is low, with only cash flow hedging derivatives with a market share above 5% (Table 4).

Table 4: Market share on the different types of hedging derivatives, December 2023

Item	Total assets
Interest rate	1.89%
Foreign exchange	3.72%
Fair value hedges	2.19%
Cash flow hedges	5.52%
Hedge of net investments in a foreign operations	0.36%
Portfolio fair value hedges of interest rate risk	0.20%

Item	Total assets
Portfolio cash flow hedges of interest rate risk	0.36%

Source: FINREP and EBA calculations based on a sample of 165 subsidiaries of third country banking groups.

2.5 Market share on main capital items

38. This section shows the market share on the main prudential indicators for the calculation of capital requirements (common equity tier 1 capital, total own funds and total risk exposure amount). The first two are the numerator of CET 1 ratio and total capital ratio while the third is the denominator of those ratios.

Table 5: Market share on main capital indicators, December 2023

Item	Total assets
Total risk exposure amount	8.42%
Own funds	11.70%
Common equity Tier 1 capital	12.16%

Source: FINREP and EBA calculations based on a sample of 165 subsidiaries of third country banking groups.

2.6 Market share on the main liabilities reported by subsidiaries

39. This section shows the market share on the main liabilities (deposits, derivatives and short positions). For the EU banking sector in aggregate, these liability items represent 69% of total liabilities reported as of December 2023 (Figure 5). However, for subsidiaries of third country banking groups, these liability items represent most of their reported liabilities and 82% of their balance sheet (48% for deposits, 30% for derivatives and 4% for short positions).

40. For these liabilities, banks report the sector of the counterparty and the geographical location of that counterparty. These elements help shed light on the type of business model that subsidiaries of non-EU entities undertake in the EU.

41. Based on balance sheet data obtained from FINREP as of December 2023, the market share of subsidiaries of third country banking groups is 6.34% of deposits, 30.85% of derivative liabilities and 24.01% of short positions (Table 6). The market share on deposits, which is below the market share on total assets, show that subsidiaries of third country banking groups undertake a business model focused on derivative business and market making activities and less focused on activities related to a retail business model. Lastly, the high market share on short positions in the liability side mirrors the high market share of equity instruments and debt securities in the asset side (paragraph 24).

Table 6: Market share on main liability items, December 2023

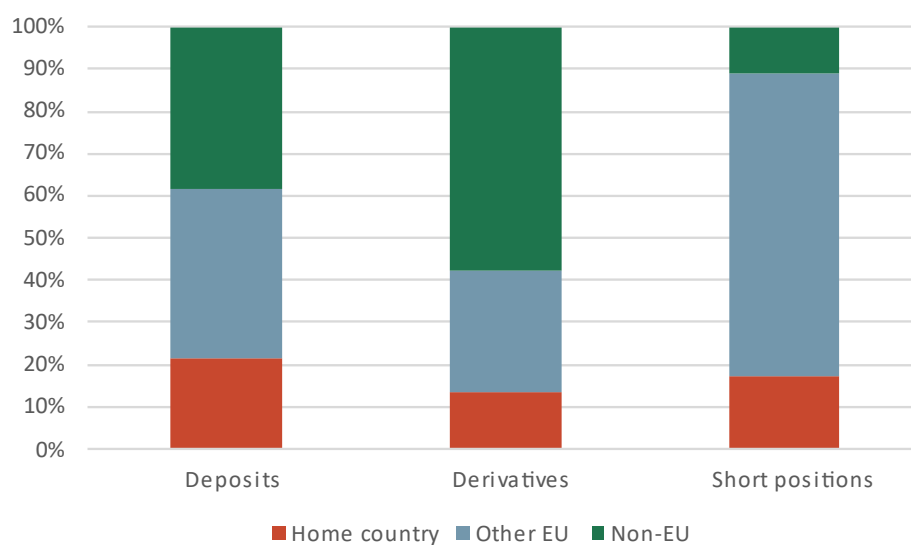
Item	Total assets
Deposits	6.34%
Derivatives	30.85%
Short positions	24.01%

Source: FINREP and EBA calculations based on a sample of 165 subsidiaries of third country banking groups.

2.6.1 Geographical breakdown of liability products

42. This section focuses on the geographical breakdown of the main liability items by home country (if the subsidiary is getting funding from entities domiciled in the country of domicile), other EU (if the subsidiary is getting funding from entities domiciled in other member states) and non-EU (if the subsidiary is getting funding from third countries).
43. Only 22% of the deposits are obtained from home country counterparties, while 40% are obtained from counterparties located in other EU countries and 38% from counterparties located outside the EU. In the case of derivatives, only 13% are towards home country counterparties, while other EU counterparties and third country counterparties represent 29% and 58%, respectively. The high share of cross-border derivative liabilities mirrors the share of derivative assets.

Figure 3: Geographical breakdown of the main liabilities reported by subsidiaries, December 2023

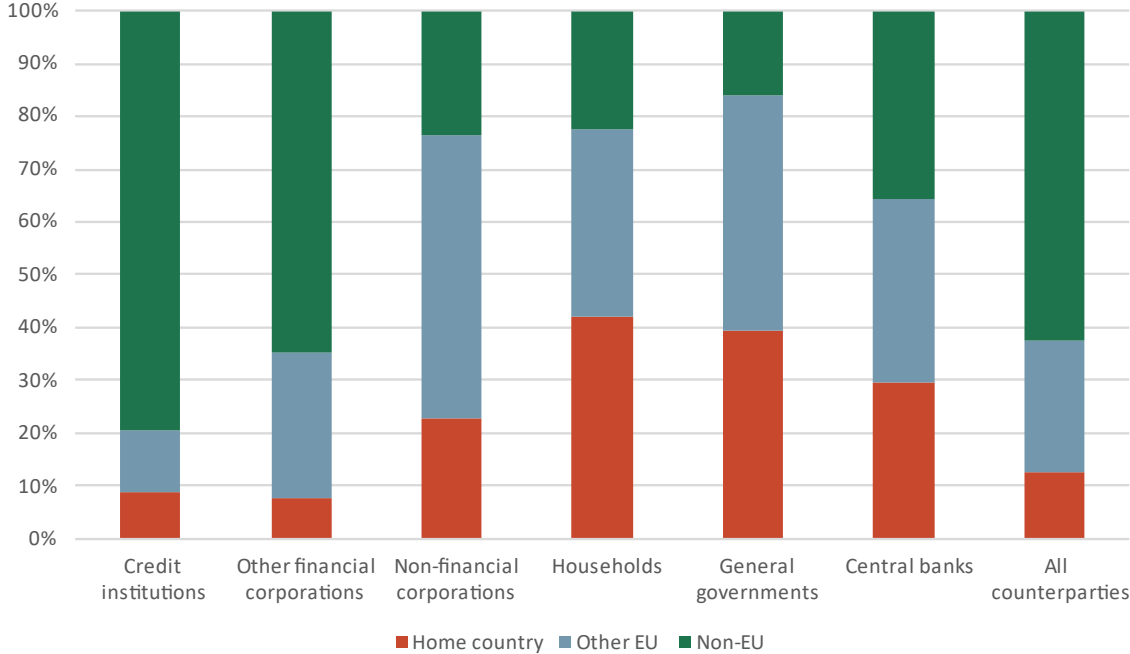


Source: FINREP and EBA calculations based on a sample of 165 subsidiaries of third country banking groups.

2.6.2 Geographical breakdown of the liability counterparties of the subsidiaries

44. This section investigates the geographical breakdown by type of counterparty of the main liability items, which is useful to know the type of counterparty that is providing funding to subsidiaries of third country banking groups domiciled in the EU. These cross-border transactions can be obtained from counterparties domiciled in other member states different from the home country of the subsidiary, or from counterparties domiciled in third countries.
45. With data as of December 2023, 62% of the main liabilities reported by subsidiaries of third country banking groups are obtained from third country entities, 25% from other member states and 13% from domestic counterparties (Figure 4).
46. The high share of third country counterparties comes from the funding obtained from credit institutions and other financial corporations. The main liabilities reported by subsidiaries of third country banking groups are mainly obtained from credit institutions and other financial corporations. These two counterparties represent 81% of subsidiaries' total main liabilities (39% for credit institutions and 41% for other financial corporations). This amount is higher than the assets held towards those two counterparties, meaning that subsidiaries of third country banking groups are net borrowers of credit institutions and other financial corporations in the EU. The rest of the counterparties represent a lower share in subsidiaries' total main liabilities (11% for non-financial corporations, 7% for households, 1% for general governments and 1% for central banks).
47. Credit institutions and other financial corporations are the counterparties that are mainly concentrated in third countries, as 80% of the liabilities obtained from credit institutions are obtained from counterparties domiciled in third countries (65% for other financial corporations), Figure 4.
48. In conclusion, subsidiaries of third country banking groups obtain funding mainly from third country credit institutions and other financial corporations and from domestic households, general governments, non-financial corporations and central banks.

Figure 4: Geographical breakdown of the counterparties of the main liabilities reported by subsidiaries, December 2023



Source: FINREP and EBA calculations based on a sample of 165 subsidiaries of third country banking groups.

3. Market share on P&L items

49. This chapter shows the market share of subsidiaries of third country banking groups on the main P&L items (section 3.1), on the main items and counterparties of interest income (section 3.2) and interest expense (section 3.2) and on the main items of fees and commission income and expense (section 3.4).
50. The main sources of income of subsidiaries of third country banking groups are other operating income, fees and commission income and interest income from loans towards credit institutions and other financial corporations.

3.1 Market share on main P&L items

51. This chapter investigates the market share on the main P&L items (both income and expenses). Based on FINREP data on the profit and loss statement as of December 2023, the market share of subsidiaries of third country banking groups is 5.16% of interest income, 1.85% of dividend income, 12.22% of fee and commission income and 32.28% of other operating income (Table 7). The income sources of subsidiaries of third country banking groups are concentrated in fees and other operating income related to the derivative business and market making activities and less on income sources related to the retail business model.
52. In amounts, 56% of total income comes from interest income, followed by fees and commission income (29%) and other operating income (15%).
53. Entities reporting consolidated FINREP concentrate their income in other operating income, more related to the derivative business and market making activities, while entities reporting individual FINREP show a high reliance on income sources related to the retail business model (such as interest income and fee and commission income). Entities reporting consolidated FINREP represent 44% of the income reported by subsidiaries of third country banking groups. This share is explained by the high share obtained in dividend income (79%) and other operating income (68%). Entities reporting individual FINREP represent the remaining 56% of the income reported by subsidiaries of third country banking groups and is explained by the high share of interest income (54%) and fee and commission income (72%).

Table 7: Market share on the main P&L items, December 2023

P&L item	Total market share	Entities reporting consolidated FINREP	Entities reporting individual FINREP
Interest income	5.16%	2.36%	2.80%
(Interest expense)	5.38%	2.30%	3.08%
Dividend income	1.85%	1.46%	0.39%
Fee and commission income	12.22%	3.46%	8.76%
(Fee and commission expenses)	21.96%	2.69%	19.27%
Other operating income	32.28%	21.82%	10.46%
(Other operating expenses)	30.32%	23.82%	6.51%

Source: FINREP and EBA calculations based on a sample of 165 subsidiaries of third country banking groups.

3.2 Market share on the components of interest income

54. As observed in Table 7, the market share on interest income is 5.16%. The market share on interest income coming from debt securities (5.09%) is similar to the market share on interest income coming from loans and advances (4.87%), Table 8.
55. In amounts, 39% of total interest income comes from credit institutions, 32% from other financial corporations, 17% from central banks, 11% from general governments and 1% from non-financial corporations.
56. By counterparty, the market share on the interest income coming from credit institutions is 14.13% of interest income (11.45% for other financial corporations, 5.92% for central banks, 4.29% for general governments and 3.47% for non-financial corporations).
57. By type of entity there are not significant differences, with entities reporting consolidated FINREP with an above average market share on interest income coming from derivatives while entities reporting individual FINREP having an above average market share on interest income on loans towards credit institutions and other financial corporations.

Table 8: Market share on the components of interest income, December 2023

P&L item	Total market share	Entities reporting consolidated FINREP	Entities reporting individual FINREP
Derivatives - trading	1.10%	0.92%	0.19%
Debt securities	5.09%	2.77%	2.32%
Central banks	1.59%	1.28%	0.31%
General governments	5.60%	2.79%	2.81%
Credit institutions	5.57%	3.09%	2.48%
Other financial corporations	5.54%	3.68%	1.86%
Non-financial corporations	3.46%	2.04%	1.42%
Loans and advances	4.87%	2.29%	2.58%
Central banks	6.43%	4.11%	2.31%
General governments	1.26%	0.42%	0.84%
Credit institutions	16.48%	6.68%	9.80%
Other financial corporations	12.31%	4.49%	7.82%
Non-financial corporations	3.14%	1.58%	1.56%
Households	1.76%	1.03%	0.73%
Other assets	14.90%	6.75%	8.15%
Total interest income	5.16%	2.36%	2.80%

Source: FINREP and EBA calculations based on a sample of 165 subsidiaries of third country banking groups.

3.3 Market share on the components of interest expense

58. As observed in Table 7, the market share on interest expense is 5.38%. When looking at the market share on the main components of interest expense (Table 9), it can be observed that the market share on interest expense on deposits (7.99%) and other financial liabilities (34.65%)

- are above the market share on interest expense. Therefore, these two components are explaining the market share of subsidiaries of third country banking groups on interest expense.
59. By counterparty, the interest expense of deposits is mainly explained from credit institutions and other financial corporations.
60. By type of entity there are not significant differences, with entities reporting individual FINREP having an above average market share on interest expense on deposits towards credit institutions and other financial corporations. These deposits may be repos from credit institutions and other financial corporations.

Table 9: Market share on the main components of interest expense, December 2023

P&L item	Total market share	Entities reporting consolidated FINREP	Entities reporting individual FINREP
Deposits	7.99%	3.47%	4.52%
Central banks	1.75%	1.01%	0.75%
General governments	4.29%	3.11%	1.18%
Credit institutions	13.52%	4.76%	8.76%
Other financial corporations	14.52%	5.83%	8.68%
Non-financial corporations	5.69%	3.28%	2.40%
Households	2.69%	1.39%	1.29%
Debt securities issued	2.19%	1.06%	1.13%
Other financial liabilities	34.65%	14.80%	19.84%
Derivatives - hedge accounting, interest rate risk	0.81%	0.41%	0.40%
Other liabilities	9.01%	3.80%	5.21%
Total interest expense	5.38%	2.30%	3.08%

Source: FINREP and EBA calculations based on a sample of 165 subsidiaries of third country banking groups.

3.4 Market share on fee and commission income and expenses

61. As observed in Table 7, the market share on fee and commission income is 12.22% and the market share on fee and commission expense is 21.96%. Subsidiaries of third country banking

groups are getting a high market share on fee income coming from commodities (77.34%), fiduciary transactions (48.74%), central bank administrative services for collective investment (30.57%), corporate finance (30.19%), custody (25.68%) and foreign exchange (19.73%), Table 10.

Table 10: Market share on fee and commission income and expenses, December 2023

P&L item	Total market share	Entities reporting consolidated FINREP	Entities reporting individual FINREP
Fee and commission income	12.22%	3.46%	8.76%
Securities	11.00%	5.62%	5.38%
Corporate finance	30.19%	2.66%	27.53%
Clearing and settlement	7.87%	2.54%	5.33%
Asset management	3.07%	1.91%	1.16%
Custody	25.68%	16.67%	9.01%
Central bank administrative services for collective investment	30.57%	15.62%	14.96%
Fiduciary transactions	48.74%	47.93%	0.81%
Payment services	2.82%	1.72%	1.10%
Customer resources distributed by but not managed	0.90%	0.75%	0.15%
Structured finance	5.53%	4.11%	1.41%
Loans servicing activities	2.95%	0.29%	2.66%
Loans commitments given	10.84%	5.90%	4.94%
Financial guarantees given	3.19%	2.22%	0.98%
Loans granted	1.78%	1.39%	0.39%
Foreign exchange	19.73%	8.59%	11.14%
Commodities	77.34%	0.00%	77.34%

P&L item	Total market share	Entities reporting consolidated FINREP	Entities reporting individual FINREP
Other	30.39%	6.49%	23.89%
(Fee and commission expenses)	21.96%	2.69%	19.27%
(Clearing and settlement)	11.24%	3.58%	7.66%
(Custody)	21.76%	17.44%	4.31%
(Loan servicing activities)	7.32%	1.33%	5.99%
(Loan commitments received)	5.00%	0.23%	4.77%
(Other)	32.39%	4.25%	28.14%

Source: FINREP and EBA calculations based on a sample of 165 subsidiaries of third country banking groups.

3.5 Market share on the assets involved in the service provided

62. The EBA supervisory reporting also collects data on the breakdown of assets by the service provided. This data shows the market share on the different services provided to the EU single market. As observed in Table 11, the market share of subsidiaries of third country banking groups is high in central administrative services for collective investment (53.11%), fiduciary transactions (28.87%) and custody assets (20.55%).
63. This section shows the market share of subsidiaries of third country banking groups on the services provided. In this reporting template, banks report the assets involved in the services provided either if they belong to the bank or if they belong to clients but are assets under management (or in custody) in the reporting bank. For some services, the market share is concentrated in a few banks with ultimate parent in one or two countries.
64. This is the case of the market share on fees obtained from fiduciary transactions (29%), which comes from one bank with its ultimate parent domiciled in the United States that operates in Ireland.
65. In the case of the market share on fees coming from collective investment (53.11%), more than 60% comes from three banks with their ultimate parent domiciled in the United States that operate in Belgium, Luxembourg and Germany.
66. Regarding custody services, more than 80% of the market share on fees coming from custody services (21%) mainly comes from six banks with their ultimate parent domiciled in the United States that operate in Ireland, Belgium, Germany and Luxembourg.

Table 11: Market share on the assets involved in the service provided, December 2023

P&L item	Total market share	Entities reporting consolidated FINREP	Entities reporting individual FINREP
Asset management	4.04%	3.54%	0.50%
Collective investment	2.92%	2.89%	0.02%
Pension funds	9.19%	9.16%	0.03%
Customer portfolios managed on a discretionary basis	3.23%	1.23%	2.00%
Other investment vehicles	11.15%	11.14%	0.01%
Custody assets	20.55%	13.88%	6.67%
Collective investment	44.39%	25.14%	19.25%
Other	15.32%	11.41%	3.91%
Other entrusted to other entities	31.40%	17.31%	14.09%
Central administrative services for collective investment	53.11%	38.62%	14.49%
Fiduciary transactions	28.87%	23.59%	5.28%
Payment services	5.63%	5.21%	0.42%
Customer resources distributed but not managed	3.56%	2.33%	1.23%

Source: FINREP and EBA calculations based on a sample of 165 subsidiaries of third country banking groups.

Conclusions

67. **The market share of subsidiaries of third country banking groups has slightly decreased** from 12% of total assets as of June 2021 to 10.17% of total assets as of December 2023, despite the increase verified in assets in scope.
68. **The findings of this report confirm that subsidiaries of third country banking groups enjoy high market shares** in the derivative business (33.73% of derivatives) and on all the assets towards credit institutions (30.79% of total assets) and other financial corporations (22.44% of total assets).
69. **Most assets reported by subsidiaries of third country banking groups are located outside the home country.** In amounts, 54% of the assets located outside the home country are loans, followed by derivatives (26%) and cash balances at central banks (10%). By counterparty, 80% of the assets located outside the home country are towards credit institutions and other financial corporations, the rest of the counterparties have a share below 10% of the assets outside the home country.
70. **The high market share of subsidiaries of third country banking groups in derivatives is explained by trading derivatives, which represent 99% of the amount of total derivatives reported by subsidiaries of third country banking groups.** In amounts, 50% of trading derivatives are towards credit institutions, 40% to other financial corporations and the remaining to other counterparties. Among the trading derivatives, a high market share is observed for interest rate derivatives (40.47%).
71. **The main sources of income for subsidiaries of third country banking groups are interest income from loans and advances towards credit institutions and other financial corporations, fee and commission income and other operating income.** In amounts, 56% of total income comes from interest income, followed by fees and commission income (29%) and other operating income (15%).
72. **The interest income from credit institutions and other financial corporations represents 71% of total interest income,** followed by interest income from central banks (17%), general governments (11%) and non-financial corporations (1%).
73. **The market share of subsidiaries of third country banking groups is high** central administrative services for collective investment (53.11%), fiduciary transactions (28.87%) and custody assets (20.55).

Annex

Table 12: Subsidiaries of third-country banking groups, December 2023

Ctry	United States	Switzerland	United Kingdom	Japan	China	Turkey	Lebanon	Andorra	Canada	Australia	Singapore	South Korea	Other countries	Total sample
AT		3	1		1	1					1		4	11
BE	2		1		1		1						1	6
CY							1						0	1
DE	9	6	5	3		4						3	6	36
EE			1										0	1
ES	1	1						3			1		3	9
FR	4	3	2	1			5			1			4	20
HR						1							1	2
IE	8		1						2	1			0	12
IT	1	3							1				2	7
LT			1										0	1
LU	4	9		5	7			1	1				4	31
LV	1												0	1
MT	1		2										3	6
NL	1		1	4		3				1	1		1	12
PL	1		1	1									0	3
PT					1								2	3
SI		1											0	1
SK			2										0	2
Total	35	24	18	14	11	9	7	4	4	3	3	3	31	165

Note: FINREP and EBA calculations. The sample contains all subsidiaries of third country banking groups that report consolidated FINREP data to the EBA and subsidiaries of third country banking groups domiciled in the euro area that report FINREP data on an individual basis to the ECB.

Table 13: Exposures of subsidiaries of third-country banking groups by counterparty (A), exposures by counterparty located outside the home country (B) and geographical distribution of total exposures by counterparty (C, D and E), December 2023

Counterparty	Exposure by counterparty / Total assets (A)	Exposure by counterparty outside the home country / Total assets (B)	Home country / Total assets (C)	Other EU / Total assets (D)	Third country / Total assets (E)
Credit institutions	48%	46%	23%	33%	44%
Other financial corporations	29%	34%	8%	47%	45%
Non-financial corporations	9%	9%	25%	48%	28%
Central banks	2%	1%	63%	28%	10%
General governments	7%	7%	15%	62%	23%
Households	5%	3%	42%	45%	13%
All counterparties	100%	100%	20%	41%	39%

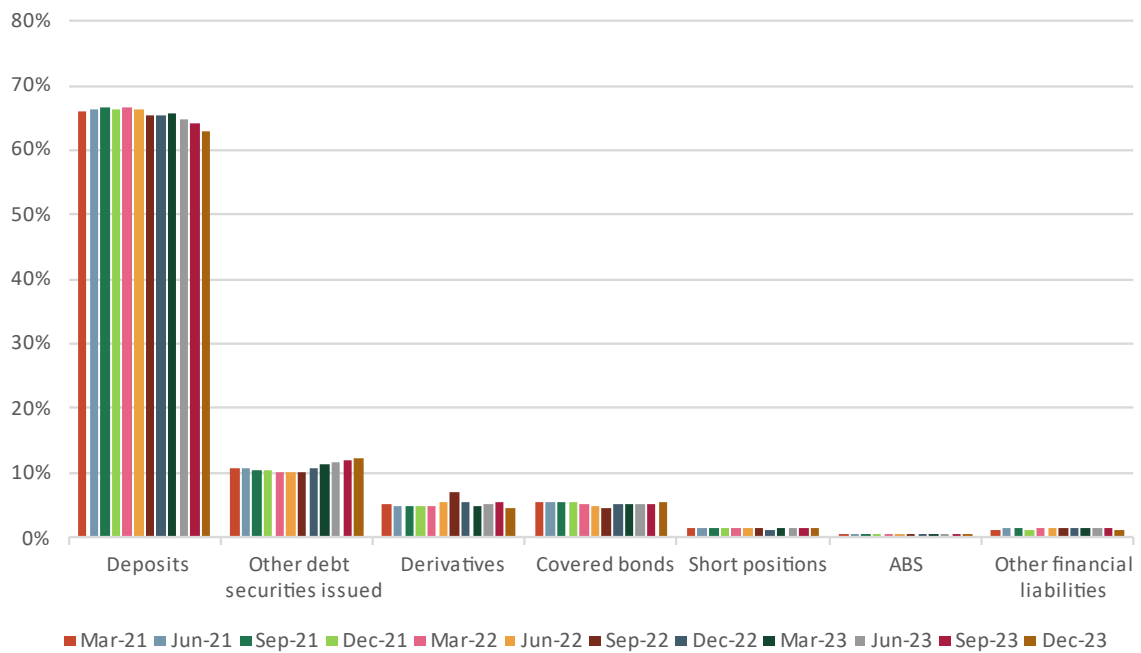
Note: FINREP and EBA calculations.

Table 14: Exposures of subsidiaries of third-country banking groups by asset item (A), exposures by counterparty located outside the home country (B) and geographical distribution of total exposures by counterparty (C, D and E), December 2023

Asset item	Exposure by product / Total assets (A)	Exposure by counterparty outside the home country / Total assets (B)	Home country (C)	Other EU (D)	Non-EU (E)
Loans and advances	53%	54%	24%	43%	33%
Debt securities	8%	9%	15%	57%	28%
Equity instruments	1%	1%	7%	38%	55%
Derivatives	22%	26%	13%	32%	55%
Cash balances at central banks and other demand deposits	16%	10%	57%	27%	17%
EU Avg	100%	100%	26%	39%	35%

Note: FINREP and EBA calculations.

Figure 5: Evolution of EU/EEA funding sources (% of the balance sheet), December 2023



Source: FINREP and EBA calculations based on a sample of 419 banks.



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