European Banking Authority

EBA REPORT – ANALYSIS ON EU/EEA BANKS FUNDING STRUCTURE AND THEIR DEPENDENCE ON ASSET AND LIABILITY EXPOSURES IN FOREIGN CURRENCY

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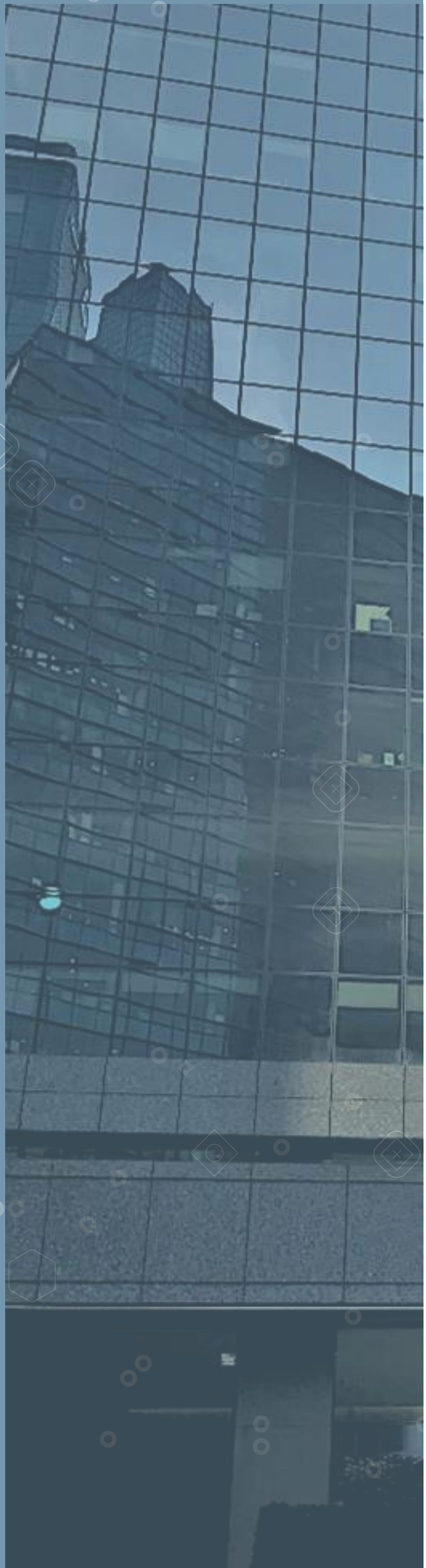

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Abbreviations

ABS	asset backed securities
CCP	central counterparty
CHF	Swiss franc
COREP	Common Reporting
CRR	Capital Requirements Regulation
CZK	Czech koruna
DKK	Danish krone
EBA	European Banking Authority
ECB	European Central Bank
EU	European Union
EUR	euro(s)
FINREP	Financial Reporting
FX	foreign exchange
GBP	pound sterling
GSIIs	global systemically important institution(s)
JPY	Japanese yen
LCR	liquidity coverage ratio
MXN	Mexican peso
NFC	non-financial company
NOK	Norwegian krone
O-SII	other systemically important institution
PLN	Polish zloty
SEK	Swedish krona
SFTs	securities financing transactions
USD	United States dollar

Executive summary

The European Commission mandated the EBA in May 2024[1] to develop every year a set of indicators about 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 currencies. The mandate is expected to be developed every year. This report addresses the second part of the mandate which relates to EU banks' funding structure, their reliance on foreign[2] (significant)[3] currencies for funding, and the breakdown of EU banks' exposures by domestic and foreign currency.

As regards the net stable funding ratio (NSFR), as of December 2023 EU/EEA banks comfortably exceeded the minimum requirement. The weighted average NSFR stood at 127.3%, with none of the banks in the sample close to the threshold of 100%. The NSFR requirement does not need to be fulfilled currency-by-currency as a Pillar 1 requirement, and many EU banks do not cover all their assets denominated in various currencies with 100% stable funding in the same currency. For example, for the USD, the NSFR is below 100% for 60 banks out of the 267 banks reporting USD as a significant currency. For the GBP, the NSFR is below 100% for 25 banks out of the 66 banks which report GBP as a significant currency.

Considering the EU/EEA banks' main total funding sources, sight deposits are the most important, followed by unsecured wholesale funding from non-financial customers and other secured funding (repo funding, covered bonds and ABSs).

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

[2] 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.

Also, the currencies reported under this reporting, are those that are different from the reporting currency. If the reporting currency is different from the currency of the country of domicile (for example, a Swedish bank that reports in USD), the liabilities denominated in USD are not captured in this report as "foreign" because they are not reported, as USD is the reporting currency.

[3] 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.

Regarding funding in significant currencies[4], EEA-registered[5] institutions received 21% of their total funding in foreign currencies (based on individual[6] [7] reporting). Out of this, nearly one third is in Euro or other EU/EEA currencies reported as a foreign currency, and more than two-thirds in other foreign currencies. Unsecured wholesale funding is the main source of foreign currency funding (67% of total foreign currency funding), followed by SFTs (13%), sight deposits (5%) and covered bonds (4%).

EU banks' exposures in significant currencies are higher than their funding in significant currencies. On average, EU-registered institutions hold nearly 30% of their exposures in foreign currencies. These exposures are mostly in loans (67% of total exposures in foreign currency), off-balance sheet exposures (18%), central bank assets (5%) and liquid assets (5%).

The finding that EU/EEA banks hold a third of their assets in foreign currencies, financed by a fifth of their liabilities which are also denominated in foreign currencies, points to a meaningful currency mismatch at the aggregate consolidated level. Reflecting the foreign currency funding deficit, many individual banks fail to comply with the NSFR in significant foreign currencies. Banks and their supervisors should pay attention to any gaps in stable funding requirements and ensure that the currency breakdowns between the banks' assets and liabilities are rendered consistent or adequately hedged.

[4] Results are limited to the sample of EU banks that obtained funding in at least one significant foreign currency. The currencies reported under this reporting (the additional monitoring templates under COREP reporting framework), are those that are different from the reporting currency. For example, a bank that is incorporated in the Eurozone with USD as the reporting currency, reports the additional monitoring templates in all currencies different than USD. Therefore, the ratio of the share of funding in foreign currencies considers as foreign all the currencies that are different from Euro, which is the domestic currency of the country of incorporation but does not consider USD because is the reporting currency of the bank and cannot be considered "significant currency" under Article 415(2) CRR.

[5] 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.

[6] 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.

[7] Looking at consolidated reporting data as of Dec-23, findings show that 29% 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 44% of total funding and 48% of foreign currency funding at the consolidated level. Results based on consolidated reporting need however to be interpreted with caution as, due to data limitations, funding of subsidiaries in their domestic currency is considered as foreign currency funding when their domestic currency differs from the domestic currency of the EU cross-border baking group they belong to.

1. General remarks

1.1 Background and mandate

1. The European Commission mandated the EBA in June 2021[8] 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 report[9] 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 mandate[10] 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 will address the mandate by submitting to the Commission two independent reports. The first report will contain the analysis on EU banks' funding and exposures in funding currencies while the second report will be 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. For this first iteration of the report, the EBA should provide the data on EU banks' funding and exposures in foreign currencies by mid-November 2024 and the analysis on the market share and the activity of subsidiaries of non-EU undertakings by the first quarter of 2025.
6. For the following 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 of each year based on year-end data of the previous year (e.g., November 2025 based on year-end data as of December 2024).

[8] Ares (2021) 4321397-Annex-.pdf (europa.eu)

[9] Report on EU dependence from non-EU entities_Publication.pdf (europa.eu)

[10] 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 analysis included in this report relies, to the extent possible, on supervisory reporting data available to the EBA. The EBA collects COREP data for all institutions registered in the EU and FINREP data on a consolidated basis (excluding solo entities).

1.4 Samples

8. The analysis included in the report rely on different data sources and therefore, they are based on different samples. While the sample for the NSFR relies on the banks that submit the NSFR templates, the sample for the funding structure of EU banks relies on the banks that submit the additional monitoring templates[11]. The following section clarifies which are the samples for each of the analysis[12].

9. In Section 2.1 (NSFR of EU/EEA banks), the sample is based on 2,424 banks with highest level of consolidation in each member state (used in the figures with breakdown by country) and 2,307 banks with highest level of consolidation EEA (used in the EU/EEA averages), with data as of December 2023. The sample covers approximately 99% of the total assets of the EU banking sector. Additional information by country is provided in Table 2 and Table 3 included in the Annex. This sample is also applicable for the breakdowns of available stable funding and required stable funding in significant foreign currencies.

10. In Section 2.2 (Funding structure of EU/EEA banks), the sample is based on 853 banks with highest level of consolidation in each member state (used in the figures with breakdown by country) and 753 banks with highest level of consolidation EEA (used in the EU averages), with data as of December 2023. The sample covers approximately 97% of the total assets of the EU banking sector. Additional information by country is provided in Table 4 and Table 5 included in the Annex. This sample is also applicable for the breakdowns of available stable funding and required stable funding in significant foreign currencies.

a) Methodology

11. All analysis presented across the report are based on data as of December 2023. Where possible, this report provides a comparison with figures as of June 2021, the reference date of the quantitative analysis contained in the previous EBA Report on this subject. In 2021, EU banks reported strong liquidity positions underpinned by a past monetary policy easing together with additional pandemic-related monetary policy measures. As the monetary policy cycle in the EU subsequently turned, central banks increased interest rates, started to reverse their asset purchases and to discontinue exceptional long-term lending operations. These movements had meaningful impacts on EU banks' liquidity and stable funding ratios.

[11] COREP 68

[12] Additional information on the samples and coverage by country are provided in Annex I.

12. Results are generally shown at EU/EEA level. Some results are shown by country. Results by country are excluded from tables/charts if there are fewer than three entities in the country.

13. 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.

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

14. This report covers the area of EU/EEA banks' funding structure and asset and liabilities in foreign currency funding and includes a subset of analysis:

a) NSFR of EU/EEA 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.

b) EU/EEA banks' funding:

i) Overview of EU/EEA banks' funding structure.

ii) Overview of EU/EEA banks' funding by currency.

iii) Overview of EU/EEA banks' available stable funding and available stable funding in significant currencies.

c) Exposure of EU/EEA banks.

The overview of banks' exposures is approached with the amount for the calculation of required stable funding under NSFR framework.

i) Overview of EU/EEA banks' exposures.

Overview of EU/EEA banks' exposures by currency.

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

15. First, this section investigates EU/EEA banks' position in total NSFR and NSFR in significant foreign currencies as of December 2023. The analysis on NSFR is contained in Section 2.1 of the Report. The analysis is based on a sample of 2,307 banks with highest level of consolidation EEA for the averages at EU level (Table 2) and a sample of 2,424 banks with highest level of consolidation in each member state for the results by country (Table 3).
16. Second, the section investigates EU/EEA banks' funding structure (section 2.2.1) and the share of foreign currency funding over total funding (section 2.2.2), based on a sample of 753 banks with highest level of consolidation EEA for the averages at EU level (Table 4) and a sample of 853 banks with highest level of consolidation in each member state for the results by country (Table 5).
17. Finally, section 2.2.3 investigates the funding by maturity for the same sample as the NSFR analysis.

2.1 NSFR of EU/EEA banks: total NSFR and NSFR by significant currencies

18. Regulation requires banks to ensure that the currency distribution of their liquid assets is consistent with the currency distribution of their net liquidity outflows. Article 8(6) LCR DR requires credit institutions to have consistency in the currency denomination between the liquidity buffer and the net outflows in the LCR.

19. As of December 2023, EU/EEA banks' total NSFR stood at 127.3% with none of the banks of the sample with a NSFR below the threshold of 100%.

20. EU/EEA banks' total NSFR declined compared to the level observed in June 2021 (128%)[13]. This decline has been confirmed as well by the EBA Rish Dashboard published with data as of 2024Q1[14].

21. In terms of the distribution, 3% of the banks of the sample have a NSFR below 110%, 54% of the banks of the sample report a ratio between 110% and 130%, 34% of the banks between 130% and 200% and 9% of the banks have a NSFR ratio above 200%. Therefore, most banks feature large buffers above the NSFR minimum requirement to withstand funding shocks.

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[13] Section 3.2 of EBA Report on the analysis of the EU dependence on non-EU banks and of EU banks' dependence on funding in foreign currency.

[14] EBA Risk Dashboard 2024 Q1.

22. With data based on consolidated reporting, the NSFR by significant currencies is above 100% for the main significant currencies. Only for NOK and JPY is below 100%. However, available stable funding denominated in NOK and JPY only represents 2% of total available stable funding. The NSFR in USD improved compared to the level observed in June 2021 (83%) and stood at 107.2% as of December 2023. However, banks in most of the largest Member States, including Germany, France, Italy and Netherlands, continue to report an average NSFR in USD below 100%. In number of banks, NSFR in USD is below 100% for 60 banks out of the 267 banks reporting USD as a significant currency and NSFR in GBP is below 100% for 25 banks out of the 66 banks reporting GBP as a significant currency.

23. Also, the NSFR in CHF improved in December 2023 compared to the level observed in June 2021 (83%). In the case of NSFR in CHF, only three countries show a level above 100% (Germany, Hungary and Lichtenstein). Some countries, such as Austria and Poland, report particularly low NSFRs in CHF (there is no minimum requirement for NSFR in significant currency under the CRR), being at the same time well above the minimum requirement of 100% in the overall NSFR.

Table 1: Total NSFR and NSFR by significant currency, December 2023, percentage

Ctry	EUR	USD	GBP	CZK	DKK	NOK	SEK	CHF	JPY	PLN	Total NSFR
AT	135	136	n.a.	161				75	n.a.		**135**
BE	136	195	87	n.a.				n.a.		n.a.	**139**
BG	158	360									**160**
CY		246									**188**
CZ	103	n.a.		226							**194**
DE	139	77	53			n.a.	n.a.	107	n.a.	n.a.	**126**
DK	109	216	n.a.		167	n.a.	n.a.				**138**
EE		n.a.								n.a.	**142**
ES	137	116	n.a.								**134**
FI	117	n.a.	n.a.		n.a.	85	n.a.				**122**
FR	119	99	92			n.a.		93	n.a.		**116**
GR	144	137	n.a.								**135**
HR	188	161						n.a.			**186**
HU	142	238		102				9116			**149**
IE	158	259	91							n.a.	**157**
IS	106	128	77	n.a.	n.a.	n.a.	n.a.				**123**
IT	124	99	n.a.								**129**
LI	186	425	n.a.					125			**172**
LT	n.a.	1739									**200**
LU	139	135	74		n.a.	n.a.	n.a.	85	236	n.a.	**136**
LV	141	260									**138**
MT	170	197	187	n.a.			n.a.			n.a.	**166**
NL	142	79	100				n.a.		n.a.		**136**
NO	564	374	n.a.		n.a.	89	71		n.a.		**125**

PL	134	504	n.a.	n.a.				50		164	**165**
PT	167	121								n.a.	**151**
RO	176	n.a.									**191**
SE	155	278	122		70	57	113			n.a.	**123**
SI	196										**183**
EU/EEA	**128**	**107**	**112**	**190**	**145**	**85**	**111**	**104**	**89**	**160**	**127**
EU	**128**	**101**	**105**	**169**	**127**	**85**	**108**	**95**	**89**	**141**	**127**

Source: EBA based on COREP reporting. Data is not available when there are less than 3 banks in each country with exposures to a specific currency and "n.a." is indicated in the table whenever less than three banks in each country report the NSFR templates. Data based on consolidated reporting.

2.2 Funding structure of EU/EEA banks

24. This chapter investigates the funding structure of EU/EEA banks (section 2.2.1) and the share of foreign currency funding over total funding (section 2.2.2). Finally, section 2.2.3 includes the breakdown of funding by maturity.

25. Section 2.2.1 covers the funding structure of EU/EEA banks from a twofold perspective. First, results are shown based on additional monitoring reporting available in COREP[15], in which the funding is divided into retail and wholesale funding. Retail funding refers to households and to SMEs or to companies that are eligible for the treatment set out in Article 153(4) of Regulation (EU) No 575/2013[16] where the aggregate deposits by such SME or company on a group basis do not exceed EUR 1 million.

26. The funding structure based on additional monitoring reporting is shown first because the breakdown of funding by currency is based on this reporting, as well as the main funding items that are source of foreign currency funding.

27. Second, for comparison, section 2.2.1 also shows EU/EEA banks funding structure based on FINREP reporting. The classification based on additional monitoring reporting from COREP differs from the breakdown of funding sources from FINREP. While the former is based on counterparty, the breakdown from FINREP is instrument-based (e.g., deposits, other debt securities issued, derivatives, covered bonds, short positions, ABS and other financial liabilities). For example, the most important source of funding according to FINREP reporting is deposits. However, in the classification based on additional monitoring reporting, the most important source of funding is unsecured wholesale funding, which includes both debt securities issued and deposits. Thus, deposits are included both under the retail category and the wholesale funding category.

[15] COREP 68.

[16] Companies where the total annual sales for the consolidated group of which the firm is a part is less than EUR 50 million.

28. Section 2.2.1 also covers the composition of available stable funding based on NSFR reporting. The reporting of the available stable funding is done by counterparty.

29. The share of foreign currency funding over total funding (section 2.2.2) is done for both additional monitoring reporting available in COREP and for the available stable funding obtained from NSFR reporting.

30. Finally, section 2.2.3 includes the breakdown of funding by maturity, only available for the available stable funding obtained from NSFR reporting.

2.2.1 Funding structure of EU banks

31. As mentioned in the previous section, the funding structure based on additional monitoring reporting is done by counterparty (retail vs. wholesale) and, at a lower stage, by product (i.e., deposits). Therefore, there are deposit funding under the retail category (i.e., those held by households, SMEs, or companies with sales lower than EUR 50 million) and under the wholesale category (i.e., those held by large non-financial corporations). The category of unsecured wholesale funding includes loans and deposits from financial customers, from non-financial customers and from intra-group entities. For this reason, the category of unsecured wholesale funding is the most relevant funding source in percentage of total balance sheet and in amount compared to other funding sources, because it contains not only debt securities issued in markets but also deposit funding received from both financial institutions and non-financial corporations.

32. However, the funding structure based on FINREP reporting is done by product (Figure 13) and, based on this classification as of December 2023, deposits are the most relevant category (63.1% of total balance sheet), followed by other debt securities issued (12.1% of total balance sheet), covered bonds (5.4% of total balance sheet), derivatives (4.6% of total balance sheet), short positions (1.3% of total balance sheet), other financial liabilities (1.2% of total balance sheet) and asset-backed securities (0.4% of total balance sheet).

33. Based on additional monitoring reporting available in COREP as of December 2023, wholesale funding represents 62% of total funding, well above retail funding (39%).

34. Wholesale funding is composed by unsecured wholesale funding (44% of total funding) and secured funding (17% of total funding), Figure 1.

35. Unsecured wholesale funding is composed by funding from financial customers (21% of total funding), from non-financial customers (22%) and from intra-group entities (2% of total funding). According to FINREP data, debt securities issued only represent 19.9% of total funding. Therefore, the share of 44% of total funding of unsecured wholesale funding is mainly explained by deposit funding.

36. Secured funding is composed by SFTs (10% of total funding), covered bonds (6% of total funding) and asset backed securities (0.5% of total funding).

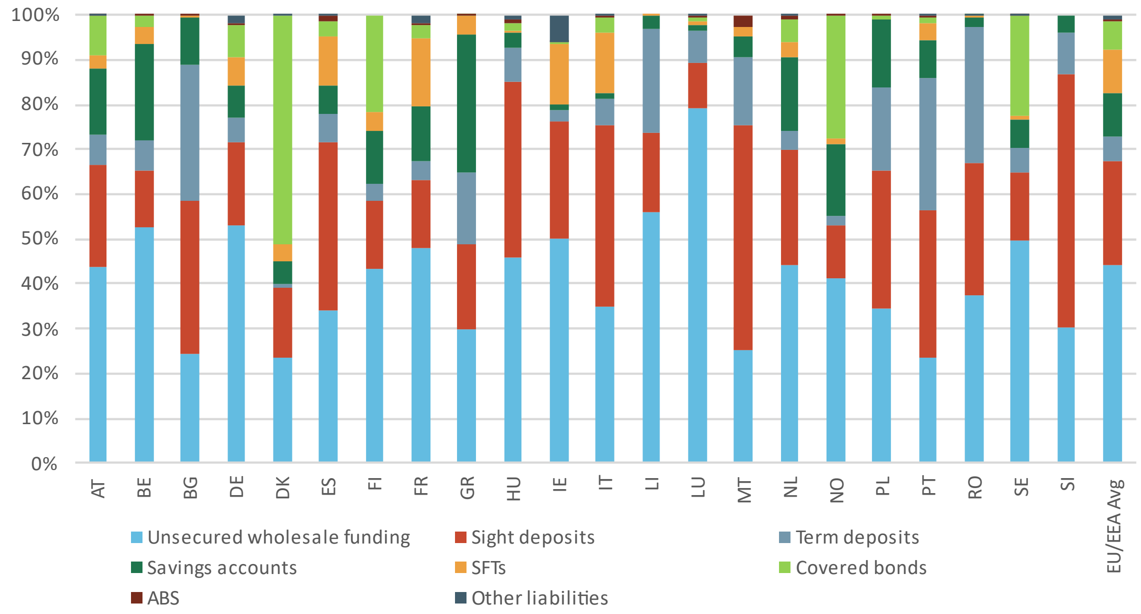
37. Retail funding is composed by sight deposits (23%), savings accounts (10%) and term deposits (6%).

38. The reliance on wholesale funding is above EU/EEA average for banks from Luxembourg (79% of total funding), Germany (53%), Belgium (53%), Ireland (50%), Sweden (50%) and France (48%).

39. Sight and term deposits represent around or more than 60% of total funding for banks from Slovenia, Malta, Bulgaria, and Portugal, well above the average of 39% of total funding. For a second group of banks, sight and term deposits represent more than 41% without reaching 50% of total funding (Poland, Hungary, Italy, and Spain).

40. Finally, secured funding is relevant for banks from Denmark (55% of total funding) and, to a lesser extent, for banks for Finland (26% of total funding) and Sweden (23% of total funding).

Figure 1: EU/EEA banks' funding structure, December 2023

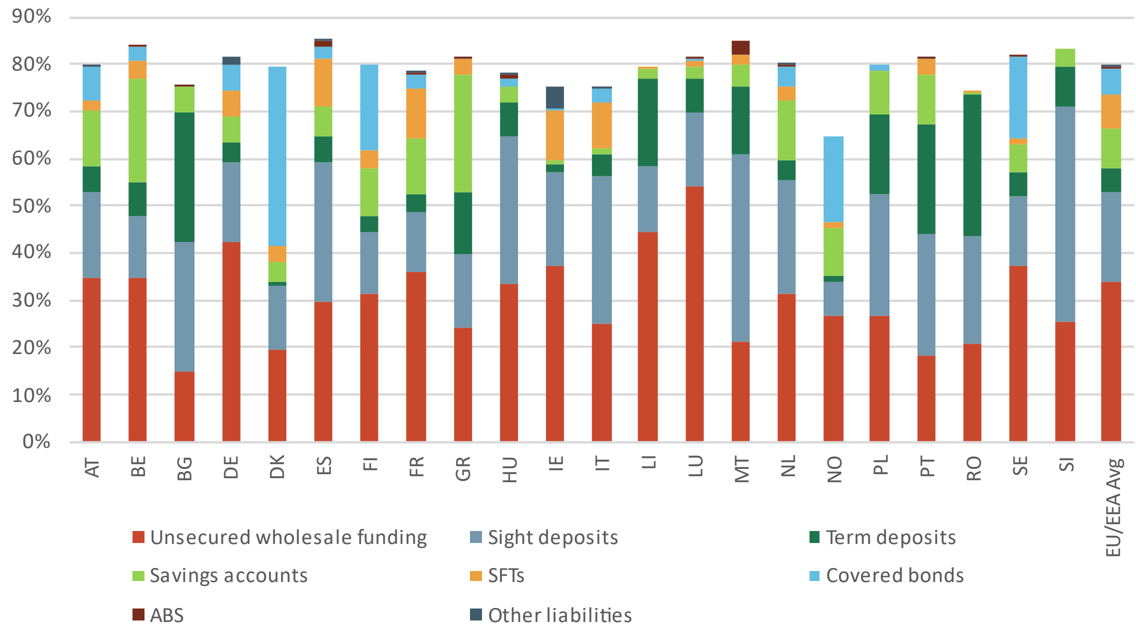


Note: COREP and EBA calculations. The figure does not include data for Cyprus, Croatia, Czech Republic, Estonia, Iceland, Latvia, Lithuania, Slovakia because the data is available for less than three banks for each country. Data based on consolidated reporting.

41. In percentage of EU/EEA banks' balance sheet, based on consolidated reporting data, unsecured wholesale funding represents 34% of total balance sheet (Figure 2), followed by retail funding (32%) and secured funding (13%). Retail funding is composed by sight deposits (19% of banks' balance sheet), savings accounts (8%) and term deposits (5%). Secured funding is composed by SFTs (7%), covered bonds (5%), asset backed securities (0.4%) and other liabilities (0.4%). Within unsecured wholesale funding, the share of funding coming from financial customers (15%) is similar to the share of funding from non-financial customers (18%).

42. By country, unsecured wholesale funding represents more than 40% for Germany, Lichtenstein, and Luxembourg. Retail funding represents more than 40% of banks' balance sheet for Belgium, Bulgaria, Spain, Greece, Hungary, Malta, Netherlands, Portugal, Romania and Slovenia. Finally, banks from Denmark, Finland, Ireland, Norway and Sweden fund more than 20% of their balance sheets through secured funding products mainly in the form of covered bonds with the exception of Ireland for which secured funding is coming in the form of securities financing transactions.

Figure 2: EU/EEA banks' funding structure in percentage of banks' balance sheet, December 2023



Note: COREP and EBA calculations. The figure does not include data for Cyprus, Croatia, Czech Republic, Estonia, Iceland, Latvia, Lithuania, Slovakia because the data is available for less than three banks for each country. Data based on consolidated reporting. Banks balance sheet is approached with the total exposure measure used for the purposes of calculating the leverage ratio.

2.2.2 Funding by currency

43. The analysis in this section shows the shares of foreign currency funding. These shares have been obtained by dividing the funding in significant[17] foreign currencies over total funding[18] including in the sample only those EU/EEA banks that obtained funding in at least one significant foreign currency. The analysis is limited to foreign significant currencies[19], 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 both based on consolidated reporting and on individual reporting. The results include data from EU based standalone banks and those EU-registered entities from EU banking groups. Based on individual reporting data, domestic currency funding of EU subsidiaries of EU cross-border banking groups is always considered as domestic. However, based on consolidated reporting, the domestic currency of subsidiaries with non-EUR currency appears as foreign currency. For this reason, the share of foreign currency funding based on consolidated reporting are above the results based on individual reporting.

44. With data based on consolidated reporting as of December 2023, EU/EEA banks received 24% of their funding in foreign currencies (Figure 3 left), composed by funding in Euro (2%), other EEA currencies (2.2% of total funding) and funding in other foreign currencies (19.6% of total funding)[20]. Funding in foreign currencies has decreased compared to the data observed as of June 2021 (27% of their funding, based on consolidated reporting)[21]. Unsecured wholesale funding is the main source of foreign currency funding (58% of total foreign currency funding), followed by SFTs (20% of foreign currency funding), sight deposits (9% of foreign currency funding), covered bonds (4% of foreign currency funding), savings accounts (4% of foreign currency funding), term deposits (3% of foreign currency funding), other liabilities (1% of foreign currency funding) and asset backed securities (1% of foreign currency funding).

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[17] 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. The currencies reported under this reporting (the additional monitoring templates under COREP reporting framework), are those that are different from the reporting currency. For example, a bank that is incorporated in the Eurozone with USD as the reporting currency, reports the additional monitoring templates in all currencies different than USD. Therefore, the ratio of the share of funding in foreign currencies considers as foreign all the currencies that are different from Euro, which is the domestic currency of the country of incorporation but does not consider USD because is the reporting currency of the bank and it is not reported.

[18] Data of funding in significant currencies obtained from C.68.00w as of December 2023 and data of total funding is obtained from C.68.00a as of December 2023. 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). Therefore, in the analysis based on consolidated reporting data, the domestic currency of subsidiaries with non-EUR currency appears as foreign currency. The denominator considers the total funding reported in the template C.68.00a, which is the funding in all currencies (significant and insignificant).

[19] For calculating the threshold according to reporting templates C 67.00 and C 68.00 by significant currency, institutions shall use a threshold of 1 % of total liabilities in all currencies.

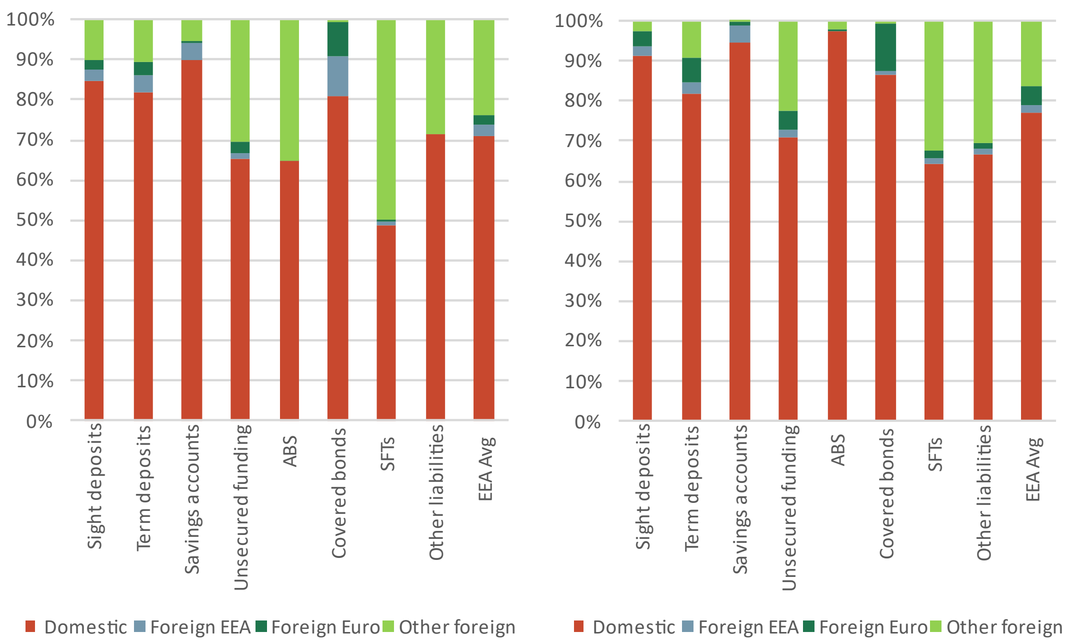
[20] Considering only EU banks, based on consolidated reporting data as of December 2023, EU banks received 24% of their funding in foreign currencies, composed by funding in Euro (1.7%), other EEA currencies (2.3% of total funding) and funding in other foreign currencies (19.7% of total funding).

[21] See Annex 4 of the EBA Report of the analysis of the EU dependence on non-EU banks and of EU banks dependence of funding in foreign currency.

45. With data based on individual reporting as of December 2023, EU/EEA banks received 21% of their funding in foreign currencies (Figure 3 right), composed by funding in Euro (4% of total funding), other EEA currencies (1.9% of total funding) and funding in other foreign currencies (14.7% of total funding)[22]. Funding in foreign currencies has increased compared to the data observed as of June 2021 (19% of their funding, based on individual reporting)[23]. Unsecured wholesale funding is the main source of foreign currency funding (67% of total foreign currency funding), followed by SFTs (13% of foreign currency funding), sight deposits (5% of foreign currency funding), covered bonds (4% of foreign currency funding), other liabilities (4% of foreign currency funding), term deposits (4% of foreign currency funding) and savings accounts (2% of foreign currency funding).

46. Based on individual reporting data as of December 2023, 55% of the unsecured wholesale funding in foreign currencies came from financial customers, 32% from non-financial customers and the remaining 13% from intra-group entities. Therefore, unsecured wholesale funding from financial customers is the main source of funding in foreign currencies for EU banks. This funding coming from financial customers is mainly in the form of deposits, evidenced by the fact that as senior unsecured securities only represent 4.5% of the total unsecured wholesale funding as of December 2023.

Figure 3: Funding items by currency based on consolidated reporting (left) and based on individual reporting data (right), EEA banks.

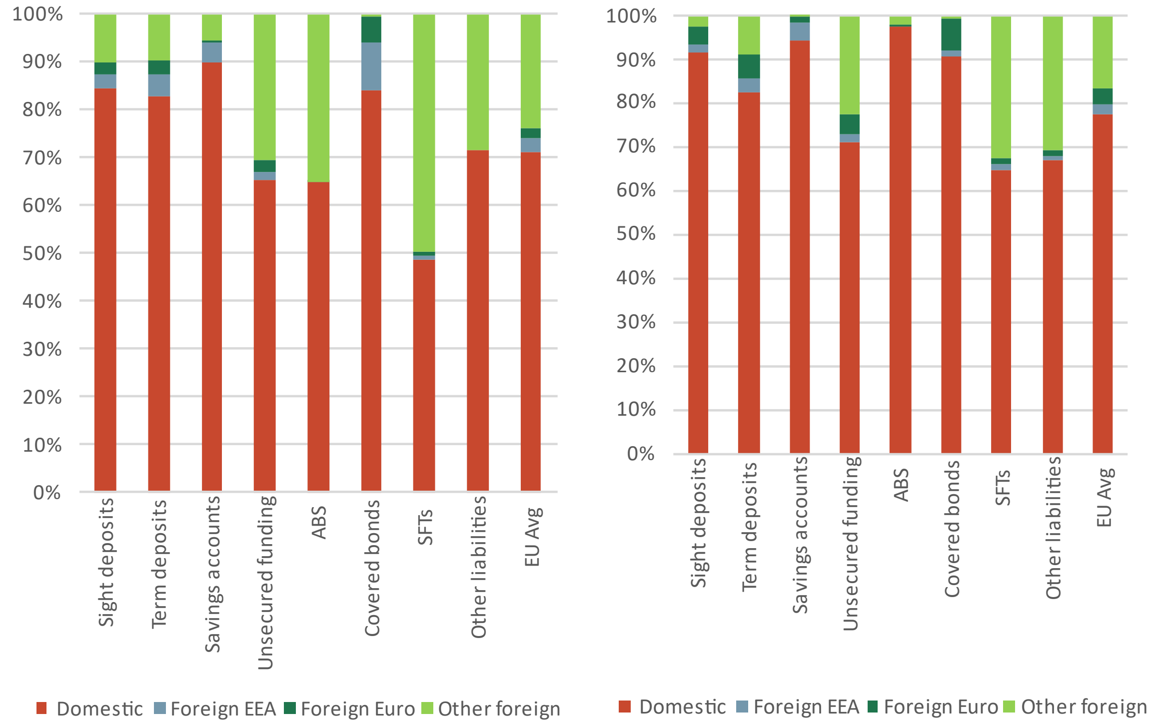


Note: COREP and EBA calculations.

[22] Considering only EU banks, based on individual reporting data, EU banks received 20% of their funding in foreign currencies, composed by funding in Euro (3.5%), other EEA currencies (1.9% of total funding) and funding in other foreign currencies (14.7% of total funding).

[23] See Section 3.3 of the EBA Report of the analysis of the EU dependence on non-EU banks and of EU banks dependence of funding in foreign currency.

Figure 4: Funding items by currency based on consolidated reporting (left) and based on individual reporting data (right), EU banks.



Note: COREP and EBA calculations.

47. The EBA has also obtained the share of foreign currency funding by funding item. Based on individual reporting data as of December 2023, 35% of the funding that banks received from securities financing transactions (SFTs) was in the form of foreign currency (Figure 3 right), followed by other liabilities (33%), unsecured funding (29%), term deposits (18%), covered bonds (13%), sight deposits (9%), savings accounts (5%) and asset backed securities (2%).

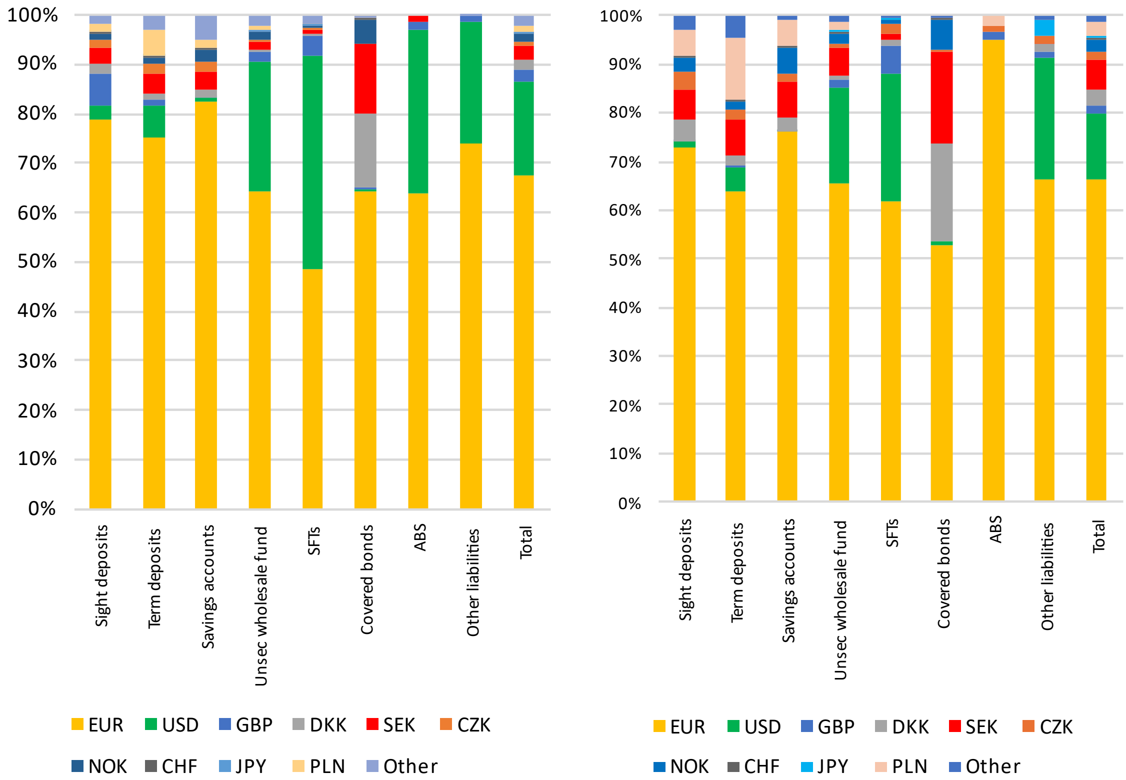
48. Within unsecured funding, the share of funding in foreign currency by counterparty has also been obtained. Thus, 38% of the total unsecured funding received from financial customers was denominated in foreign currencies, followed by funding from non-financial customers (26%) and intra-group entities (14%). Therefore, the high level of unsecured wholesale funding in foreign currencies is explained by foreign currency funding received from financial customers. As mentioned in paragraph 35, the share of unsecured wholesale funding coming from financial customers is similar to the share of unsecured funding from non-financial customers, but the share of unsecured wholesale funding in foreign currencies coming from financial customers is much higher than the share of unsecured wholesale funding in foreign currencies coming from non-financial customers.

49. In terms of funding in significant currencies based on consolidated reporting data (Figure 5 left), 68% of EU/EEA banks' total funding is denominated in EUR, while 19% was in the form of US dollars and 3% in GBP. The remaining share of 9% is denominated in other main significant currencies (i.e., DKK, SEK, CZK, NOK, JPY, PLN, CHF). Finally, other currencies have a share of 2%.

50. Among the different funding sources in US dollars based on consolidated reporting data (Figure 5 left), unsecured wholesale funding represents the major contributor (67% of the total funding in US dollars). Securities financing transactions (SFTs) is the second most important funding source in US dollars with a share of 26% of total funding received in US dollars. However, looking at individual reporting data (Figure 5 right), the main funding source in US dollars is unsecured wholesale funding (76% of total funding), followed by SFTs (16% of total funding). Based on individual reporting data, more than half of the unsecured wholesale funding in USD comes from financial customers (59% of unsecured wholesale funding in USD), followed by non-financial customers (29%) and funding from intra-group entities (12%).

51. By comparing the funding in US dollars obtained from SFTs reported in individual reporting and reported in consolidated reporting, it can be deducted that most of the funding in US dollars obtained from SFTs is obtained via the subsidiaries of EU/EEA banks. SFTs funding in USD reported by the parent entity in the individual reporting templates only represents 27% of the total SFTs in US dollars reported on a consolidated basis. This is probably related to the fact that SFTs funding is mostly raised via vehicles that belong to the perimeter of consolidation but remain separated from the parent entity. In the case of unsecured wholesale funding, the role of the parent entity in getting funding in USD is more relevant, as 50% of the funding in US dollars is obtained is via parent entity.

Figure 5: Funding items by currency based on consolidated reporting (left) and based on individual reporting data (right)



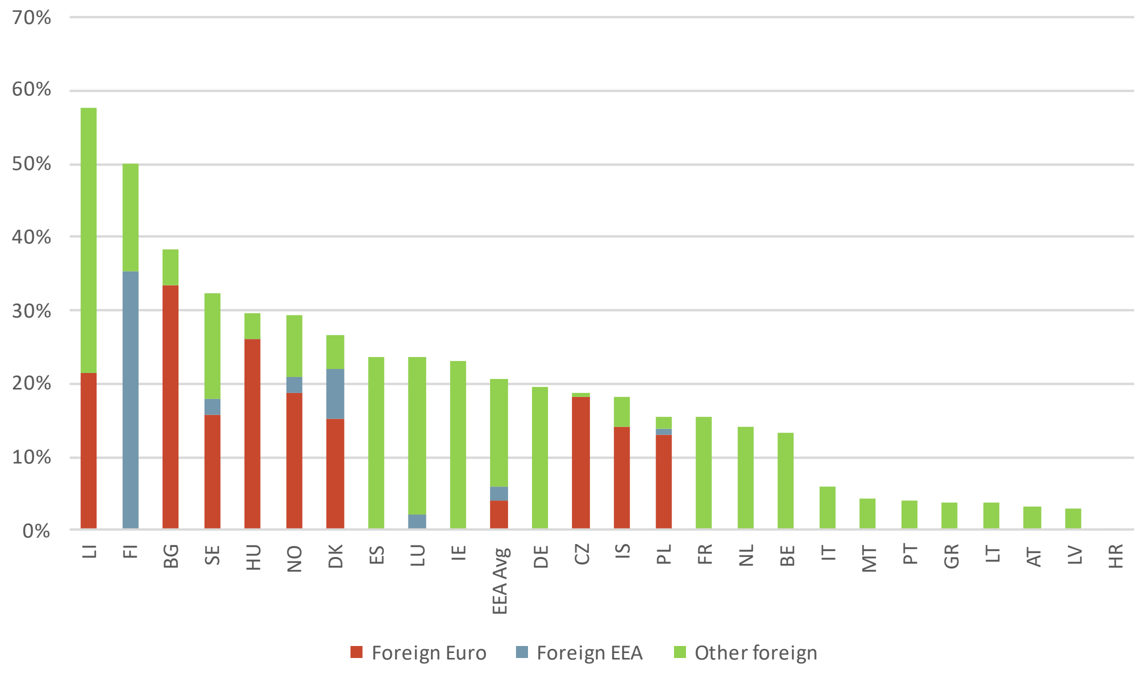
Note: COREP and EBA calculations.

52. The averages by country are based on individual reporting. As mentioned above, individual reporting includes data from EU based standalone banks without considering the subsidiaries of EU banking groups in third countries, for which their local currencies would be considered as foreign for the parent entity, and thus bias the results.

53. As indicated above, the share of total funding in significant foreign currencies is 21% of total funding (Figure 6), composed by funding in Euro (4% of total funding), other EEA currencies (1.9% of total funding) and funding in other foreign currencies (14.7% of total funding). The countries with an above average share of funding in all foreign currencies are Liechtenstein (58%), Finland (50%), Bulgaria (38%), Sweden (32%), Hungary (30%), Norway (29%), Denmark (27%), Spain (24%), Luxembourg (24%) and Ireland (23%).

54. When looking at the funding in other foreign currencies, the countries that are above average are different. The countries with an above average share of funding in other currencies than those domiciled in the EEA are Liechtenstein (36%), Spain (24%), Ireland (23%), Luxembourg (21%), Germany (19%), France (15%) and Finland (15%).

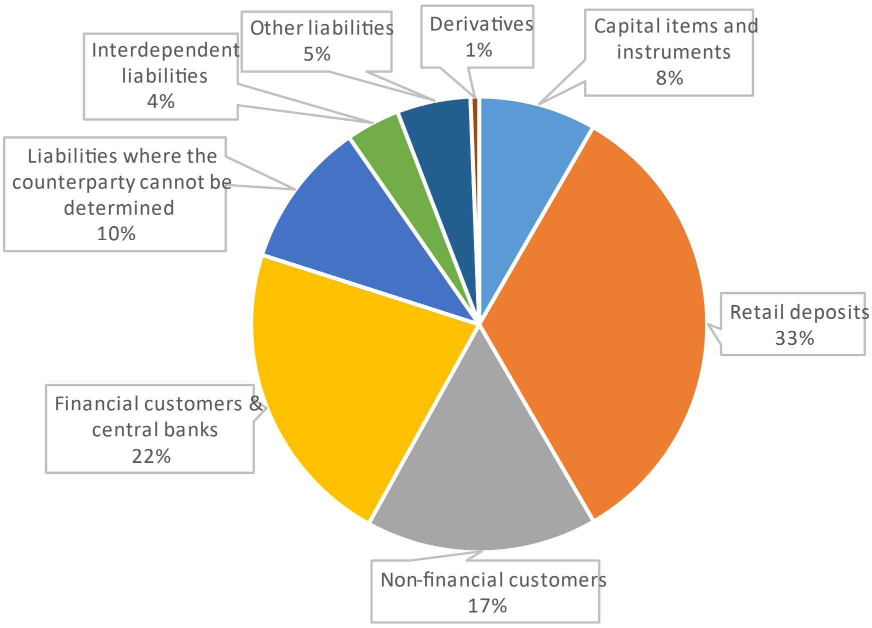
Figure 6: Foreign currency funding (% of total funding), breakdown by country, data based on individual reporting.



Note: COREP and EBA calculations.

55. The share of foreign currency funding is also obtained from the reporting of available stable funding for the purposes of the calculation of the NSFR. As of December 2023, EU banks' available stable funding is composed by retail deposits (33%), funding from financial customers and central banks (22%), non-financial customers (16%), liabilities where the counterparty cannot be determined (10%), capital items and instruments (8%), derivatives (1%) and other liabilities (9%), Figure 7.

Figure 7: Breakdown of available stable funding by funding source.



Note: COREP and EBA calculations.

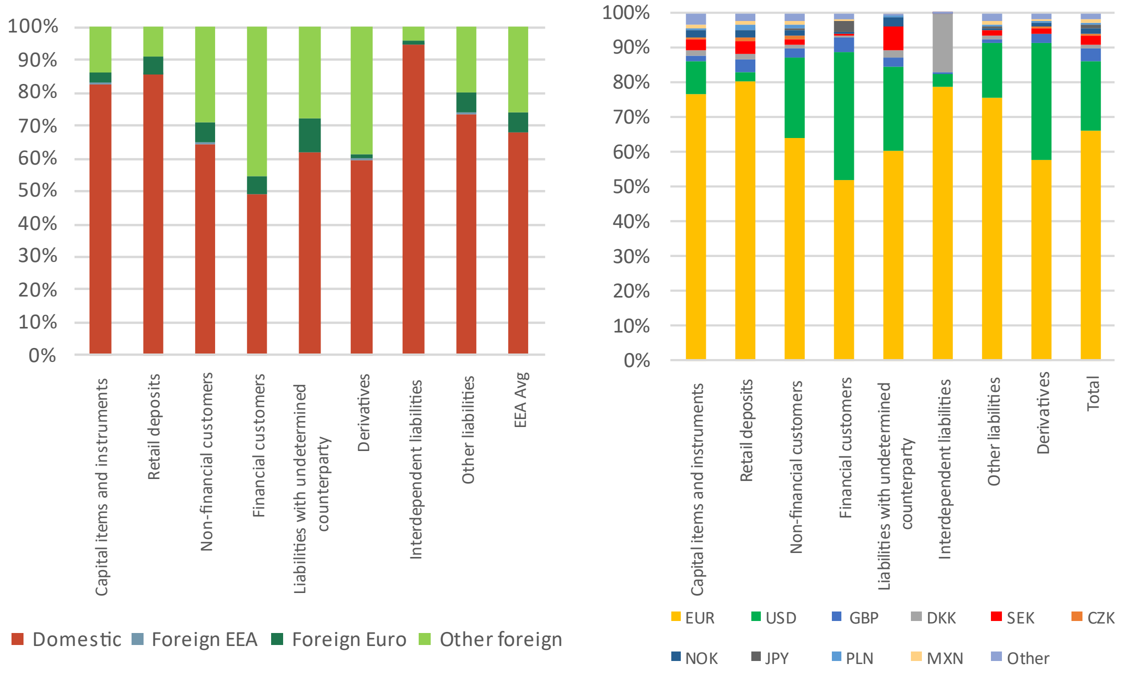
56. With data based on consolidated reporting as of December 2023, EU/EEA banks receive 26% of their available stable funding in the form of foreign currency[24] (Figure 8 left). While retail deposits are the main source of the total available stable funding, funding from financial customers and central banks is the main source of available stable funding in foreign currencies (48% of total available stable funding in foreign currencies), followed by non-financial customers (18%), retail deposits (12%), liabilities with undetermined counterparty (12%), other liabilities (5%), capital items and instruments (4%) and derivatives (1%). This finding is aligned with paragraph 46 that showed that unsecured wholesale funding in foreign currencies mainly comes from financial customers (Figure 3).
57. By individual available stable funding item (Figure 8 left), 56% of the available stable funding that banks received from financial customers and central banks was in the form of foreign currency, followed by derivatives (43%), liabilities with undetermined counterparty (29%), non-financial customers (29%), other liabilities (23%), capital items (13%), retail deposits (9%) and interdependent liabilities (3%).
58. In terms of available stable funding in significant currencies (Figure 8 right), 66% of EU/EEA banks' available stable funding is denominated in EUR, while 20% of it was in the form of US

[24] As explained in footnote 20, this share has been obtained by dividing the funding in currencies different than the domestic currency of the country of domicile of the bank. The currencies reported are those different than the reporting currency, therefore if the reporting currency is different from the domestic currency of the country of domicile of the bank, it is not reported here and therefore it is not captured as "foreign."

dollars, 3% in GBP, while the share of the remaining significant currencies is below 2.5% (i.e. DKK, SEK, CZK, NOK, JPY, PLN, MXN) and other currencies have a share of 1.9%.

59. Among the different funding sources in USD, financial customers represent the major contributor (55% of the available stable funding in USD).

Figure 8: Breakdown of available stable funding by domestic/foreign currency (left) and by individual currency (right)



Note: COREP and EBA calculations. The figure on the left contains the amount of total required stable funding and the figure on the right the amount of required stable funding in significant currencies. Data based on consolidated reporting.

2.2.3 EU/EEA bank's funding by maturity

60. Based on data as of December 2023, the average reliance on available stable funding in short maturities was 74% (Figure 9), up from a level of 71% observed as of June 2021[25]. Retail deposits are the main source of short-term funding (43.4% of short-term funding), followed by funding from financial customers and central banks (22.8% of short-term funding) and funding from non-financial customers (21.3% of short-term funding).

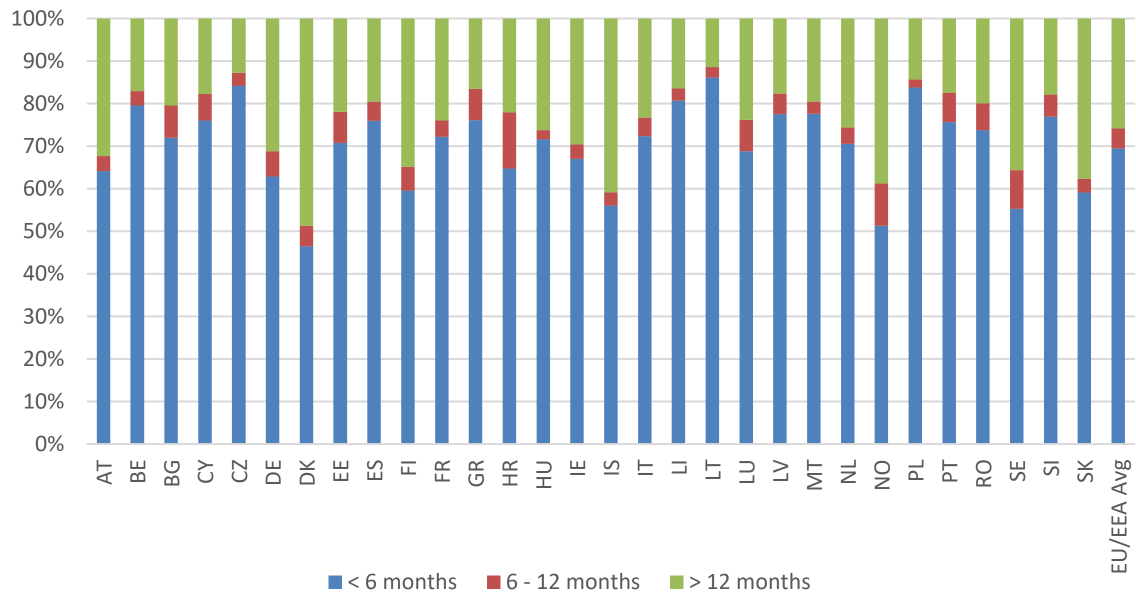
61. The share of short-term funding over total funding is above 85% for Lithuania, Czech Republic and Poland. However, the reliance of these countries on foreign currency funding is low (Figure 6). Therefore, even if these countries are over-reliant in short-term funding, this over-reliance

[25] Section 3.2.3 (maturity of available stable funding) of EBA Report on the analysis of the EU dependence on non-EU banks and of EU banks' dependence on funding in foreign currency.

is mainly in the form of domestic currency and events of market distress in short-term funding in US dollars would not affect them.

62. The countries with the lowest reliance on short-term funding are Denmark, Iceland, Norway, Slovakia, Sweden, Finland, Austria and Germany. For these, the reliance on short-term funding is below 70% of total funding. However, only four of these countries (Denmark, Norway, Sweden and Finland) have an above average foreign currency funding over total funding, with only one country (Finland) with a share above 50% in the foreign currency funding (Figure 6).

Figure 9: Maturity of total available stable funding, based on consolidated reporting data.



Note: COREP and EBA calculations

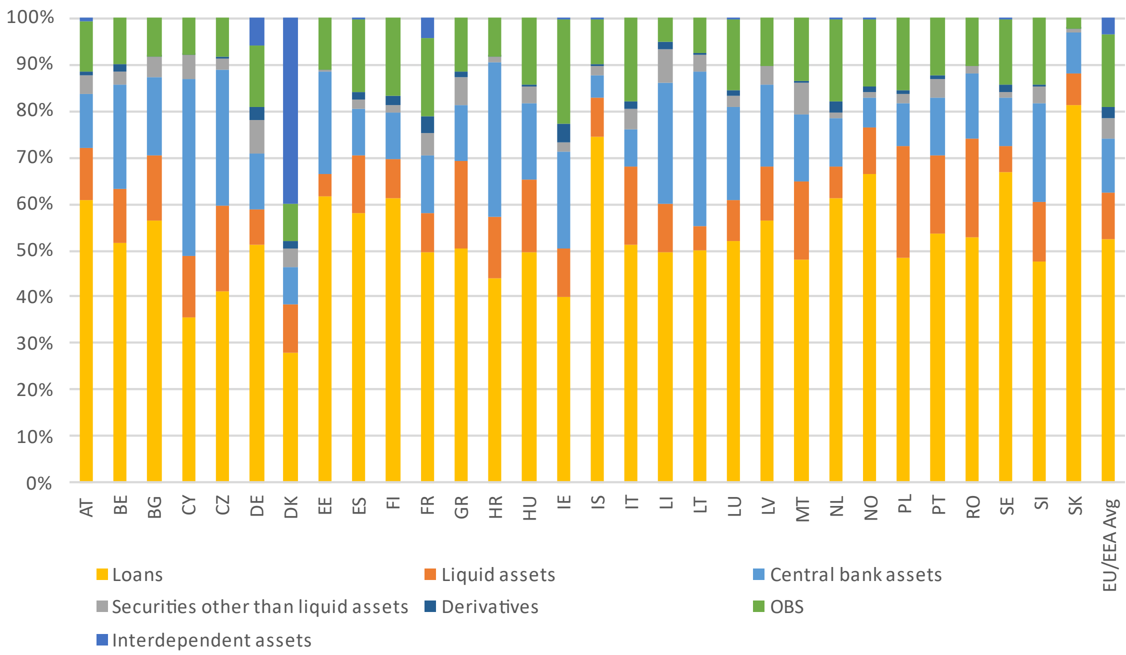
3 EU/EEA banks' exposures by currency

63. First, this section investigates the composition of EU/EEA banks' exposures as of December 2023, contained in section 3.1 of the report. The analysis is based on a sample of 2,309 banks with highest level of consolidation EEA for the averages at EU level (Table 2) and a sample of 2,425 banks with highest level of consolidation in each member state for the results by country (Table 3).
64. Second, the section investigates EU/EEA banks' share of exposures in foreign currency (section 3.2), based on the same sample as section 3.1 of the report. The section shows the breakdown of each exposure item by domestic and foreign currency and the breakdown by individual currencies. Finally, the breakdown by domestic and foreign currency is shown by country for the total exposures.

3.1 Overview of EU/EEA banks' exposures

65. Based on consolidated reporting data as of December 2023 (Figure 10), loans represent the main component of the required stable funding (52% of total), followed by off-balance sheet items (16% of total), central bank assets (12% of total), liquid assets (10% of total), securities other than liquid assets (4% of total), interdependent assets (3% of total) and derivatives (3% of total).

Figure 10: Composition of total exposures, data based on consolidated reporting

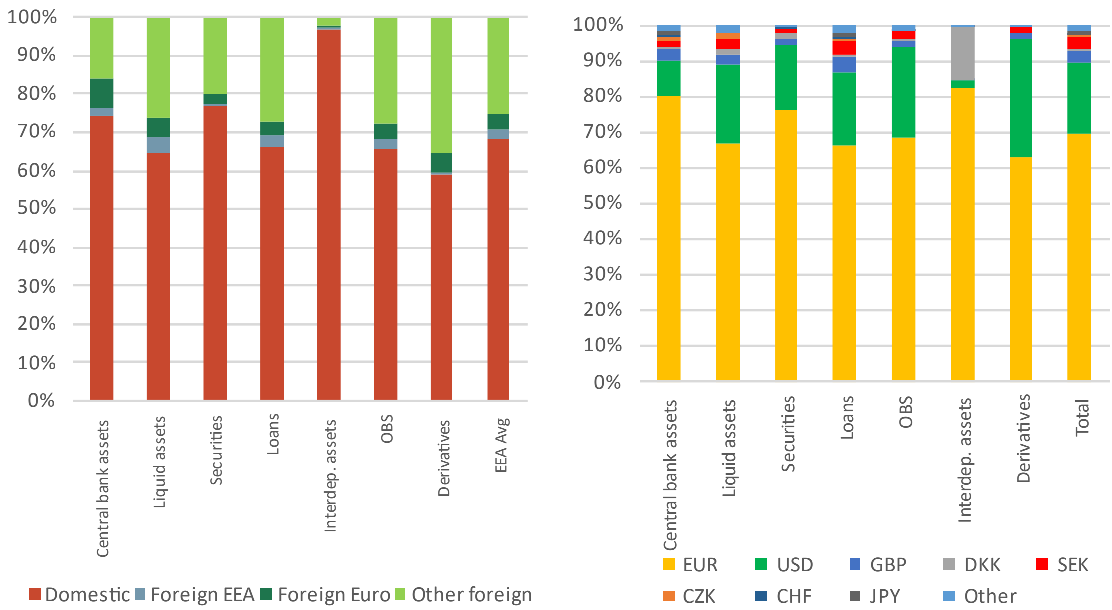


Note: COREP and EBA calculations.

3.2 Overview of EU/EEA banks' exposures by currency

66. With data based on consolidated reporting as of December 2023, EU/EEA banks have 31.7% of their exposures that require stable funding denominated in foreign currencies (4.3% denominated in Euro, 2.6% denominated in other EEA currencies and 24.8% denominated in other foreign), Figure 11. The main source of exposures in foreign currency are loans (58% of total exposures), followed by off-balance sheet items (17% of total assets), central bank assets (9% of total exposures), liquid assets (9% of total exposures), securities other than liquid assets (2% of total exposures), derivatives (4% of total exposures) and interdependent assets (0.3% of total exposures).
67. The concentration of foreign currency exposures is particularly relevant for derivatives and liquid assets. Thus, 42% of the required stable funding that banks hold in the form of derivatives was in foreign currency, followed by loans (36%), off-balance sheet items (32%), central bank assets (23%), securities other than liquid assets (20%) and interdependent assets (3%).
68. By currency, 67% of EU/EEA banks' exposures is denominated in EUR, while 19% of it was in the form of US dollars, 3% in GBP and 3% in SEK. The share of other significant currencies is individually below 1% (i.e., DKK, CZK, CHF, JPY) and other currencies have a share of 1.4%.
69. Among the different exposures in USD, loans represent the major contributor (54% of the required stable funding in USD), followed by off-balance sheet items (19% of the required stable funding in USD).

Figure 11: Breakdown of domestic exposures by domestic/foreign currency (left) and by individual currency (right)



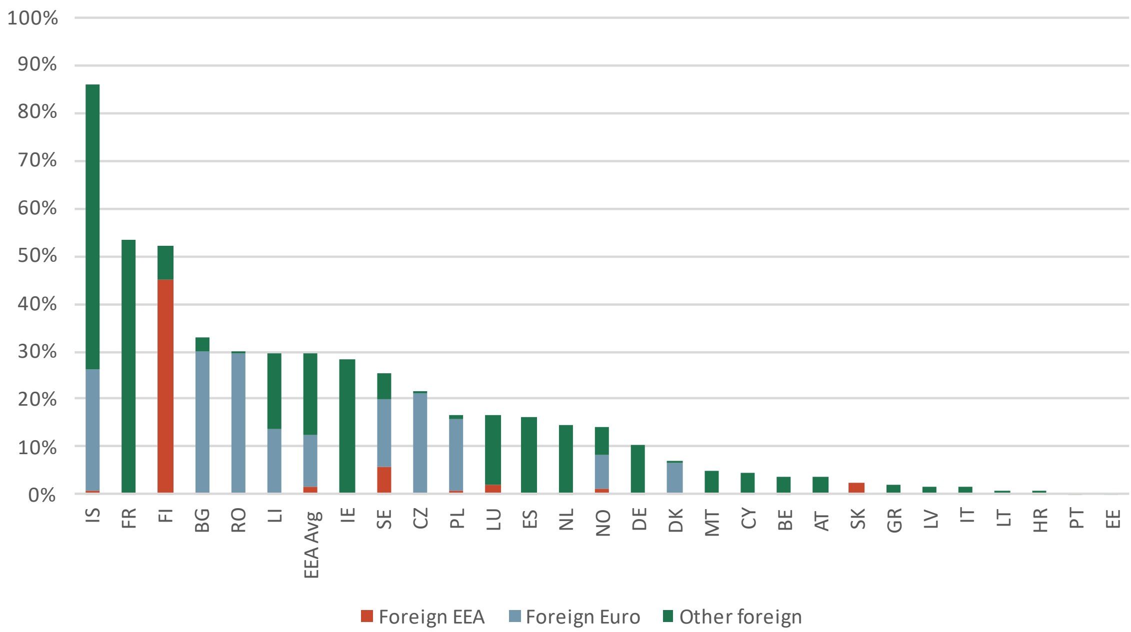
Note: COREP and EBA calculations. The figure on the left contains the amount of total required stable funding and the figure on the right the amount of required stable funding in significant currencies. Data based on consolidated reporting.

70. With data based on individual reporting as of December 2023, the share of exposures in foreign currencies is 29.4% of total exposures (Figure 12), composed by exposures in Euro (11% of total exposures), other EEA currencies (1.6% of total exposures) and exposures in other foreign currencies (16.8% of total exposures).

71. Loans are the main source of exposures in foreign currency (65% of total exposures in foreign currency), followed by off-balance sheet exposures (18% of exposures in foreign currency), central bank assets (7% of exposures in foreign currency), liquid assets (5% of exposures in foreign currency), derivatives (3% of exposures in foreign currency) and securities other than liquid assets (2% of exposures in foreign currency).

72. Three countries have more than half of their exposure denominated in foreign currencies (Iceland, France and Finland) and other three are also above the EEA average (Bulgaria, Romania and Liechtenstein). All the other countries have values below the EU/EEA average.

Figure 12: Foreign currency exposures (% of total exposures), breakdown by country, based on individual reporting.



Note: COREP and EBA calculations.

4 Conclusions

73. **The findings of this report confirm that EU/EEA banks hold sufficient stable funding to cover required funding needs on the asset side. All EU/EEA banks reported total NSFR above the minimum requirement, and only a subset of banks reported NSFR in significant foreign currencies below 100%.** The average total NSFR was 127.3% as of December 2023, with none of the banks in the sample below the threshold of 100%. The average total NSFR by significant currencies is above 100% for the main significant currencies, with the exception of the NSFR in NOK and JPY that are below 100%. In a number of individual institutions, however, the NSFR in USD and GBP is also below the 100% threshold.
74. **At the individual reporting level, EU/EEA banks receive 21% of their total funding in foreign currencies (24% according to consolidated reporting data).** This finding reflects both the activities of EU banks and their clients outside of the EU, and the intra-EU cross-border activity when the latter covers different currency areas inside of the EU. Not surprisingly, for the EU banks, foreign currency funding denominated in non-EEA currencies is significantly more important than foreign currency funding denominated in EU/EEA currencies.
75. **Unsecured wholesale funding, which also includes deposits from financial and non-financial corporations, is the main source of both total funding and funding in foreign currencies for EU/EEA banks,** representing 47% of total funding and 67% of foreign currency funding (based on individual reporting). Unsecured wholesale funding in foreign currencies mainly originates from financial customers (55% of unsecured funding in foreign currencies), followed by non-financial customers (32%) and intra-group entities (13%). Consolidated data from NSFR reporting also shows that almost half of the available stable funding in foreign currencies comes from financial customers and central banks.
76. **EU/EEA banks' exposures in significant currencies are higher than their liabilities in foreign currencies.** At the latest count, EU/EEA banks hold nearly 30% of their exposures in foreign currencies, composed by exposures in Euro (11%), other EU/EEA currencies (1.6% of total exposures) and exposures in other foreign currencies (16.8% of total exposures). Loans are the main source of exposures in foreign currency (67% of total exposures in foreign currency), followed by off-balance sheet exposures (18% of exposures in foreign currency). Finally, central bank assets and liquid assets represent individually less than 10% of exposures in foreign currency.

5 Annex

Table 2: Sample for the analysis of NSFR, highest level of consolidation at EU/EEA level

Country	G-SIB	O-SII	Other	Total
AT		3	330	333
BE		6	13	19
BG		2	10	12
CY		2	5	7
CZ		4	11	15
DE	1	12	1160	1173
DK		8	39	47
EE		2	5	7
ES	1	5	63	69
FI		3	8	11
FR	4	4	80	88
GR		4	9	13
HR		1	11	12
HU		2	6	8
IE		5	12	17
IS		3	8	11
IT		10	124	134
LI		3	7	10
LT		1	10	11
LU		2	44	46
LV		3	3	6
MT		3	13	16
NL	1	5	23	29
NO		2	42	44
PL		3	18	21
PT		5	21	26
RO		3	7	10
SE		3	99	102
SI		1	5	6
SK		1	3	4
Total	**7**	**111**	**2189**	**2307**

Note: COREP and EBA calculations.

Table 3: Sample for the analysis of NSFR, highest level of consolidation at member state level

Country	G-SIB	OSII	Other	Total
AT		3	332	335
BE		6	15	21
BG		3	11	14
CY		4	6	10
CZ		5	12	17
DE	1	12	1167	1180
DK		9	40	49
EE		3	5	8
ES	1	5	67	73
FI		3	9	12
FR	4	5	85	94
GR		4	9	13
HR		2	13	15
HU		7	9	16
IE		5	15	20
IS		3	8	11
IT		10	127	137
LI		3	8	11
LT		3	12	15
LU		4	68	72
LV		4	3	7
MT		4	13	17
NL	1	5	25	31
NO		2	43	45
PL		9	22	31
PT		7	24	31
RO		9	9	18
SE		4	102	106
SI		3	7	10
SK		1	4	5
Total	**7**	**147**	**2270**	**2424**

Note: COREP and EBA calculations.

Table 4: Sample for section 2.2 of the report on the funding structure of EU/EEA banks, highest level of consolidation at EU/EEA level

Note: COREP and EBA calculations.

Country	G-SIB	OSII	Other	Total
AT		3	33	36
BE		4	8	12
BG		2	9	11
CY		2	5	7
CZ		1	7	8
DE	1	11	189	201
DK		7	34	41
EE			5	5
ES	1	3	32	36
FI		3	6	9
FR	4	3	34	41
GR		4	7	11
HR		1		1
HU		2	1	3
IE		4	10	14
IS		3		3
IT		6	50	56
LI		3	7	10
LT		1	1	2
LU		2	37	39
LV		3	2	5
MT		3	11	14
NL	1	4	19	24
NO		1	12	13
PL		4	98	102
PT		5	8	13
RO		3	6	9
SE		3	20	23
SI		1	1	2
SK		1	1	2
Total	**7**	**93**	**653**	**753**

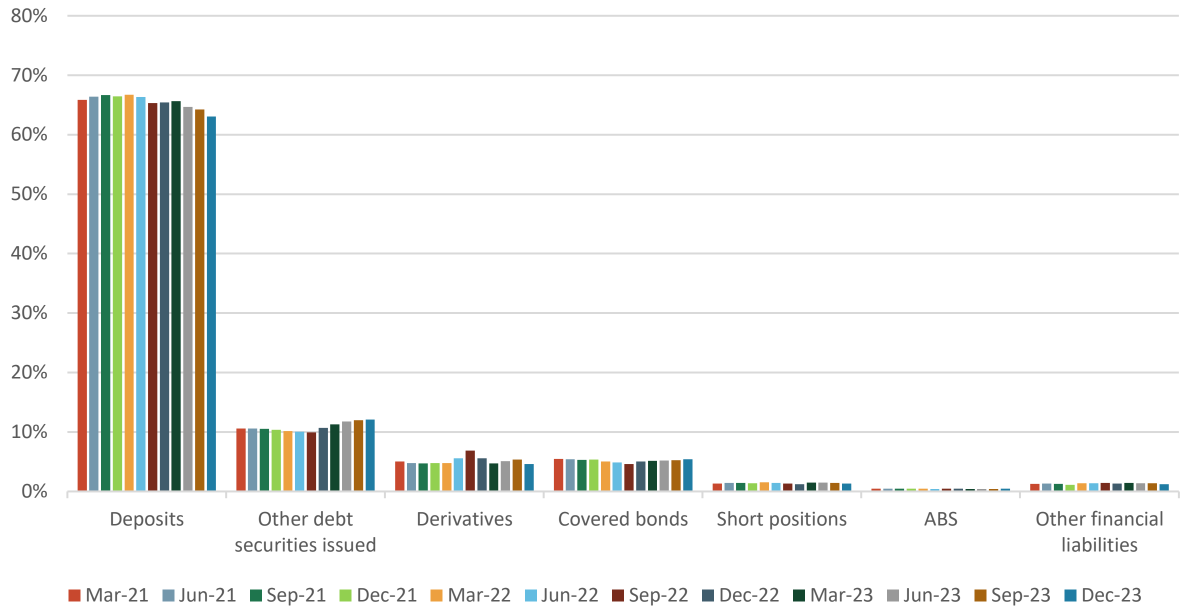
Note: COREP and EBA calculations.

Table 5: Sample for section 2.2 of the report on the funding structure of EU/EEA banks, level of consolidation at member state level

Country	G-SIB	OSII	Other	Total
AT		3	33	36
BE		4	10	14
BG		3	10	13
CY		4	6	10
CZ		2	7	9
DE	1	12	194	207
DK		8	35	43
EE		1	5	6
ES	1	3	35	39
FI		3	7	10
FR	4	3	39	46
GR		4	7	11
HR		2		2
HU		7	1	8
IE		5	12	17
IS		3		3
IT		6	53	59
LI		3	8	11
LT		3	1	4
LU		4	59	63
LV		4	2	6
MT		4	11	15
NL	1	4	21	26
NO		1	13	14
PL		10	102	112
PT		7	10	17
RO		9	8	17
SE		4	22	26
SI		3	3	6
SK		1	2	3
Total	**7**	**130**	**716**	**853**

Note: COREP and EBA calculations.

Figure 13: EU/EEA banks' funding structure, December 2023



Note: FINREP and EBA calculations.

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