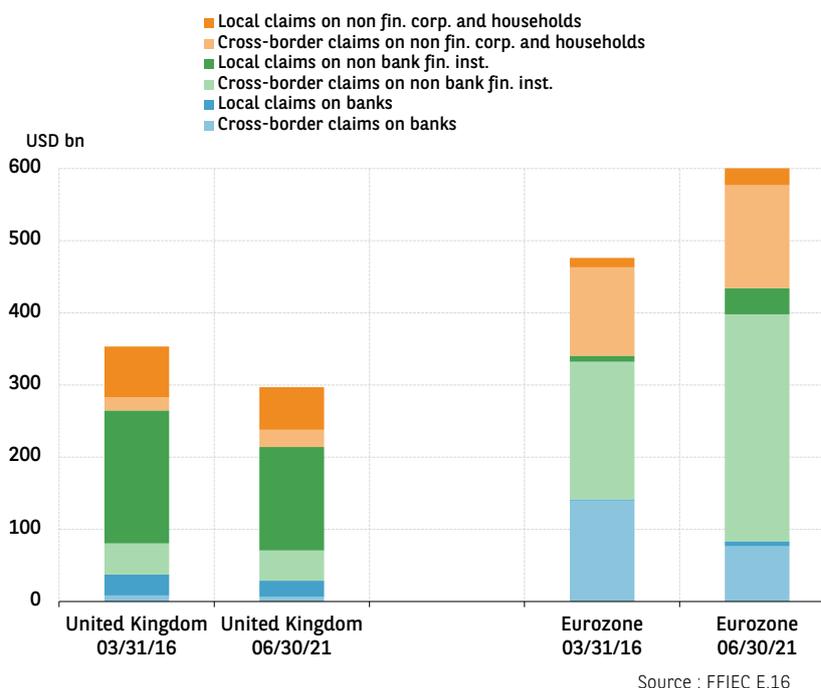


24 November 2021

## UNITED STATES: REALLOCATION OF BANK PORTFOLIOS TOWARDS THE EUROZONE SINCE BREXIT

Céline Choulet

### Foreign claims of the 8 biggest US banks on the United Kingdom and the Eurozone



Source : FFIEC E.16

The US banking system's exposure to the Eurozone has significantly increased since 2016, the year of the referendum in favour of the UK's exit from the European Union. Between 31 March 2016 and 30 June 2021, claims of the eight biggest US banks<sup>1</sup> on Eurozone<sup>2</sup> residents (excluding the public sector) have grown by more (USD 125.6 billion) than claims on the UK economy have fallen (USD 56.3 billion). The main beneficiaries of this switch include France (up USD 66.3 billion, or +47%), Luxembourg (up USD 36.5 billion, +97%), Ireland (USD 28.8 billion, +46%) and Germany (USD 5.8 billion, +7%). Most of this expansion has been concentrated at Goldman Sachs and JP Morgan.

US banks' cross-border exposure to the Eurozone (i.e. that held by legal entities established in the US) still outweighs the local exposure of their European subsidiaries and branches (89% vs 11%). Brexit has nevertheless been accompanied by a stepping up of their local activities. Local claims of major US banks in the Eurozone have increased threefold over the period (rising by USD 44.5 billion), to the detriment of the UK (down USD 58.8 billion, or -20%). Cross-border claims on the Eurozone grew more slowly at an aggregate level (+18%, against +4% for the UK).

1 The breakdown of foreign exposure for the US banking system taken as a whole is incomplete prior to Q3 2016. At 30 June 2021, the 8 major US banks (JP Morgan, Bank of America, Citigroup, Wells Fargo, Goldman Sachs, Morgan Stanley, Bank of New York Mellon, State Street) accounted for 74% of US exposure to the UK economy and 83% of US exposure to the Eurozone.  
2 Foreign claims of a banking system include cross-border claims and local claims by foreign subsidiaries and branches in foreign or local currency. They exclude claims resulting from positions on derivative contracts, guarantees extended and credit commitments. Data is given here on an ultimate risk basis, that is to say allocated to the country where the final risk lies (country of residence of the guarantor of a loan and/or of the parent company of the borrower).

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