

Corrected Note (first published 17 August 2012) (See page 31 for details)

Financial Instruments disclosure analysis

2011 Annual Reports of 44 European banks examined in detail

This report provides a **unique, in-depth review of the December 2011 year-end financial instrument disclosures provided by 44 European banks**. We identify and compare the accounting choices made, and discuss the accounting and regulatory capital consequences that result. We have also **summarised the exposure of each of these banks to Greece, Ireland, Italy, Portugal, and Spain**, broken down by accounting category.

- Financial instrument categorization has remained stable over the last three years - both on average and among banks individually. On average (excluding derivatives) **only 22% of financial assets are fair valued** (23% in 2010 and 2009), but the range is wide (in line with different business models) - **Credit Suisse fair values 48%** of its non-derivative financial assets whereas **Alpha Bank only fair values 6%**.
- Use of fair value provides clarity to investors in difficult markets but the resulting volatility can negatively impact CET 1, whereas amortised cost provides some protection. **Swedbank, Deutsche Bank, and Credit Suisse all have significant fair value exposures relative to their capital (>4x).**
- Basel III will require losses on AFS assets to be set against capital - **Montepaschi, BPI, UBI, and CASA** appear particularly exposed (but the transition to Basel III runs until 2018, softening the blow).
- **Alpha Bank and NBG have made the greatest use of the reclassification rules** to avoid the impact of mark-to-market accounting but we identified 7 others that reclassified financial assets during 2011.
- **BPI is the only bank to use mark-to-model on more than 20% of its financial assets. A 10% change in this value would equate to a 31% reduction in its equity.**
- **Our analysis of Peripheral European exposures doesn't reveal any surprises** but provides a useful reference point (Tables on pages 24 to 29). **BBVA is the most exposed** among the larger banks, with **Unicredito second**.
- The underlying data set is available on request - please contact us or your usual J.P. Morgan contact.

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Related accounting and valuation research can be found on MorganMarkets and Bloomberg (JPMA ELWIN <GO>):

[Regulatory Capital: Basel III and IFRS \(a summary\)](#) (28 January 2011)

[FASB and IASB come together on the classification and measurement of debt instruments](#) (25 May 2012)

[Fantasy 'own credit' gains](#) (27 January 2012)

Analysis of 2010 Annual Reports: [Financial instruments disclosure analysis](#) (15 August 2011)

See page 31 for analyst certification and important disclosures, including non-US analyst disclosures.

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Table of Contents

44 European banks covered in this report	3
The four questions we aim to answer.....	4
The IAS 39 ‘mixed model’ - reminder	4
Impairment rules differ	5
Financial instruments analysed by accounting method	6
Amortised Cost remains the most common asset category	6
Banks can choose to fair value their liabilities.....	6
Fair Value Through P&L (FVTPL) – implications	9
Available for Sale (AFS) exposure	10
AFS reserve treatment under regulatory capital rules.....	10
Reclassification of financial assets	13
Reclassification of financial assets in 2011	13
Impact from reclassification in prior years	14
Reclassifications have avoided balance sheet volatility.....	16
Impact of a full Fair Value balance sheet	17
Fair value disclosures - a caveat.....	19
Determination of fair value	19
IFRS 7 valuation hierarchy.....	19
Stressed markets and marking-to-model.....	20
Sensitivity of Equity to changes in level 3 valuations	22
Banks’ sovereign exposure in peripheral Europe analysed by IAS 39 categories	24
Exposure to Greece	25
Exposure to Ireland	26
Exposure to Italy	27
Exposure to Portugal.....	28
Exposure to Spain	29
J.P. Morgan European banks team - contact details	30

44 European banks covered in this report

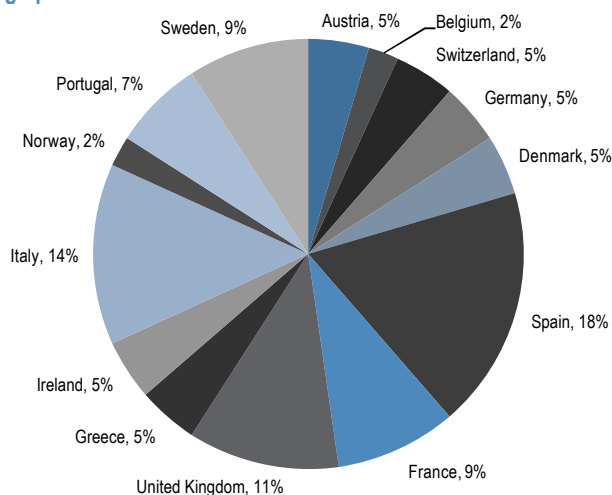
Table 1 lists the 44 European banks covered in this report. We reviewed their 2011 annual reports for information about their financial instruments; in particular the fair value of these instruments and how those fair values are calculated. Our analysis is based on the reported numbers and does not contain any JPM forecasts. To discuss forecasts, valuations, or any other points not covered in this report, please contact a member of our European Banks team (refer to Table 17 on page 30 for their contact details).

Table 1: Banks covered in this report

Bank	Ctry	Cur	Mkt Cap	Auditor	Bank	Ctry	Cur	Mkt Cap	Auditor
Allied Irish Banks	IE	E	25,832	KPMG	Handelsbanken	SE	SK	152,167	KPMG, E&Y
Alpha Bank	GR	E	673	KPMG	HSBC	GB	\$	161,544	KPMG
Banca Popolare di Milano	IT	E	1,178	E&Y	Intesa Sanpaolo	IT	E	18,207	E&Y
Banco Popolare	IT	E	1,799	E&Y	Jyske	DK	DK	11,861	Deloitte
Banesto	ES	E	1,464	Deloitte	KBC	BE	E	6,485	E&Y
Bank of Ireland	IE	E	2,953	PwC	Lloyds	GB	£	22,228	PwC
Bankia	ES	E	3,017	Deloitte	Montepaschi	IT	E	2,252	E&Y
Bankinter	ES	E	1,475	Deloitte	National Bank of Greece	GR	E	1,243	Deloitte
Barclays	GB	£	21,897	PwC	Natixis	FR	E	6,564	Deloitte, KPMG & Mazars
BBVA	ES	E	30,457	Deloitte	Nordea	SE	SK	261,222	KPMG
BCP	PT	E	663	KPMG	Popular	ES	E	3,038	PwC
BES	PT	E	2,077	KPMG	Raiffeisen	AT	E	5,435	KPMG
BNP Paribas	FR	E	42,652	Deloitte, PwC & Mazars	Royal Bank of Scotland	GB	£	25,124	Deloitte
BPI	PT	E	759	Deloitte	Sabadell	ES	E	3,576	PwC
Caixa	ES	E	10,665	Deloitte	Santander	ES	E	52,276	Deloitte
CASA	FR	E	9,987	PwC, E&Y	SEB	SE	SK	109,336	PwC
Commerzbank	DE	E	7,176	PwC	Societe Generale	FR	E	15,500	Deloitte, E&Y
Credit Suisse	CH	SF	22,534	KPMG	Standard Chartered	GB	\$	50,984	KPMG
Danske Bank	DK	DK	91,217	KPMG, PwC	Swedbank	SE	SK	135,841	Deloitte
Deutsche Bank	DE	E	23,823	KPMG	UBI	IT	E	2,146	KPMG
DNB	NO	NK	105,220	E&Y	UBS	CH	SF	40,544	E&Y
Erste	AT	E	5,954	E&Y	UniCredito	IT	E	17,211	KPMG

Source: Datastream. Market cap as at 9th August 2012

Figure 1: Geographical distribution of covered banks



Source: Datastream

The four questions we aim to answer

IFRS 7 (*Financial Instruments: Disclosures*) requires companies to disclose the fair values of their financial assets and financial liabilities so that these values can be compared to the carrying amounts on the balance sheet. We have examined these disclosures in significant detail with the aim of answering these questions:

This report aims to answer 4 questions

1. How much of a bank's balance sheet is measured at fair value, and how does this compare to its peers?
2. To what extent have banks opted to reclassify financial instruments and what effect has this had on equity?
3. What would be the impact if all financial instruments were measured at fair value? What methods have been used for determining fair value (how much is 'mark to model'?) and what is the sensitivity of equity to errors or changes in these valuations?
4. Do the Annual Reports provide further information on the exposure of individual banks to Greece, Ireland, Italy, Portugal, and Spain ('Peripheral Europe') and how do they account for these sovereign assets?

In researching this report we have compiled an extensive data set which is not readily available. **Please contact your usual J.P. Morgan representative if you would like a copy of this data set.**

The IAS 39 'mixed model' - reminder

Table 2: Summary of the IAS 39 financial asset categories

Classification	Abbreviation	Comment	Balance Sheet value	P&L Accounting
Held-to-Maturity	HTM	Must have intention and ability to hold to maturity	Amortised cost less Impairment	Not marked-to-market
Loans and receivables	L&R	Not quoted in active market	Amortised cost less Impairment	Not marked-to-market
Available-for-Sale	AFS	Default category, no specific criteria	Fair Value	Not marked-to-market, unless impaired
At Fair Value Through P&L	FVTPL	Includes trading assets, derivatives and those designated at fair value	Fair Value	Marked-to-market

Source: IASB. 1. All derivatives must be accounted for at fair value (through the P&L unless hedge accounting applies) and cannot be in other categories. 2. Loans and receivables are accounted for in the same way as the Held to Maturity category, but there is no requirement to hold loans and receivables to maturity (or intend to do so). 3. Unquoted equity instruments may be valued at cost if fair valued cannot be determined.

Book values may not be comparable

The IAS 39 rules mean that the same instrument can be fair valued by one bank but shown at amortised cost by another. This is designed to allow managements to better reflect the way that they manage their financial instrument portfolios, but it does mean that great care is required when making comparisons (one bank's 'book value' may not be the same as another's).

Amortised cost (AC) - stable but out of date? (P&L-driven model)

The two amortised cost categories produce smooth P&L and balance sheet figures, designed to reflect a focus on income (the simple concept of paying less interest than the rate charged) rather than market values.

Amortised cost can obscure falling values

In our view, this approach makes sense when information is required as a basis for forecasting future sustainable earnings and cash flows, and when producing a fair value would require extensive use of models and assumptions (e.g. unquoted loans and receivables), but when the focus switches to current values (in relation to questions of solvency, impairment, capital ratios, and/or the break-up value of a company), amortised cost values may be less useful.

For this reason, IFRS also requires the fair values of AC assets to be disclosed (as discussed later in this report).

Fair values (FV) - volatile but current? (B/S-driven model)

In contrast, the fair value categories should reflect market values at the reporting date, providing helpful information in relation to current values (unlike AC) and directly reflecting economic exposures through balance sheet (and potentially earnings) volatility.

In many ways the AFS category represents a compromise between the two extremes: AFS assets are marked to market for balance sheet purposes, but the volatility is 'hidden' by taking gains and losses through Other Comprehensive Income, leaving only interest (or dividend) income and expense to be reported in the P&L.

Criticisms of fair value accounting

Apart from accounting volatility (and the potential volatility this may cause in regulatory capital), we believe the downside of the fair value approach is that it rests on the assumption of active markets with transparent pricing. In many cases, market values are not readily available and banks must resort to applying assumptions to market data, or even simply to using valuation models. While such techniques provide an insight into the economic exposure of the bank in question, the actual values reported will depend to a significant extent on the models and assumptions used, raising questions about the comparability and quality of the outputs (we discuss this issue in more detail later in this report).

Pro-cyclicality, 'fearful' prices, and mark-to-model?

More recently fair value accounting has been criticized for potentially producing pro-cyclical systemic effects and/or reflecting 'market values' that are more to do with fear or greed than rational markets. While both these criticisms cannot be dismissed out of hand, the alternative that is presented often seems to boil down to 'let's assume things will get better and use a higher number now to reflect that expected outcome'. The debate surrounding how to value Greek sovereign bonds during 2011 provides a good illustration of the range of views.

Impairment rules differ

Amortised cost can produce lower impairments

As we have discussed in previous notes, the impairment rules differ depending on the IAS 39 category, and the impact on regulatory capital will usually depend upon how an instrument has been accounted for. This means that the category choices made by a bank, and the extent to which it uses fair value or amortised cost, can have significant consequences (in broad terms AC can allow a bank to avoid impairing its assets to the extent priced in by the market, protecting book values and capital).

Financial instruments analysed by accounting method

We have summarised banks' financial instrument portfolios by accounting technique, split between FVTPL, AFS, and Amortised Cost (AC). As described above, assets are measured at amortised cost if they are classified either as L&R or HTM; we have not reported these two categories separately as in most cases the amount of HTM assets is trivial.

- Table 3 shows the results excluding derivatives since banks have no choice regarding their classification (they must be classified as FVTPL as noted in Table 2).
- Table 4 shows the results including derivatives for completeness.

In effect, Table 3 shows the results in relation to financial instruments where banks can be regarded as having a degree of choice over how to classify them (the rankings are not that different between the two tables).

Amortised Cost remains the most common asset category

On average (excluding derivatives), **about 78% of financial assets are measured at amortised cost** (loan books are normally accounted for at amortised cost) while the **remainder (22%) are marked-to-market**. In general, **banks make relatively little use of the AFS category, which represents around 9% of financial assets**. These proportions naturally vary significantly between banks; groups with significant trading activities are required by the rules to make extensive use of FVTPL, while other banks measure over 90% of their financial assets at amortised cost. However, **our analysis suggests that the use of the different IAS 39 categories has remained consistent over the last three years, both at an aggregate level and on an individual bank basis**.

Banks can choose to fair value their liabilities

Liabilities can also be fair valued but the default approach under IFRS is amortised cost (reflected in the fact that on average 89% of liabilities are at amortised cost).

Banks using FVTPL on a significant proportion of their assets will often choose to fair value a higher-than-average proportion of their liabilities to ensure that their balance sheets reflect the underlying economic asset/liability match.

The results of fair valuing liabilities can sometimes be counter-intuitive as a result of the 'own credit' effect. If a bank's credit rating deteriorates then the value of its liabilities in the market will naturally decline as credit investors become more concerned about recoverability, but in accounting terms this fall in value must result in a P&L gain, which in turn increases book capital at the very point when market cap will be reducing. Please refer to [Fantasy 'own credit' gains](#) (27 January 2012) for more details.

Unlike insurers, banks do not favour AFS

Averages: 78% AC, 9% AFS

Table 3: Analysis of financial assets and liabilities (excluding derivatives) – sorted by amortised cost

	2011			2010			2009			2011		2010		2009	
				Financial assets								Financial liabilities			
	FVT PL	AFS	AC	FVT PL	AFS	AC	FVT PL	AFS	AC	FVT PL	AC	FVT PL	AC	FVT PL	AC
Alpha Bank	0%	6%	94%	0%	4%	96%	0%	2%	98%	0%	100%	0%	100%	0%	100%
BCP	1%	6%	93%	4%	3%	93%	3%	3%	94%	3%	97%	4%	96%	7%	93%
National Bank of Greece	3%	5%	92%	2%	7%	90%	5%	14%	81%	3%	97%	3%	97%	2%	98%
Handelsbanken	8%	1%	92%	10%	1%	89%	11%	1%	88%	4%	96%	5%	95%	4%	96%
UBI	2%	7%	91%	2%	9%	89%	1%	6%	93%	0%	100%	0%	100%	0%	100%
Populär	0%	9%	91%	0%	9%	90%	1%	9%	90%	0%	100%	0%	100%	0%	100%
Raiffeisen	7%	3%	90%	10%	0%	90%	8%	0%	92%	4%	96%	3%	97%	0%	100%
Banesto	3%	8%	90%	3%	7%	89%	4%	7%	89%	0%	100%	0%	100%	0%	100%
Bankia *	1%	10%	89%	n/d	n/d	n/d	n/d	n/d	n/d	0%	100%	0%	100%	n/d	n/d
Bankinter	3%	8%	88%	3%	6%	91%	6%	6%	88%	3%	97%	2%	98%	2%	98%
Banco Popolare	3%	8%	88%	7%	5%	88%	8%	2%	91%	23%	77%	24%	76%	24%	76%
Allied Irish Banks	0%	12%	88%	0%	17%	83%	0%	15%	84%	0%	100%	0%	100%	0%	100%
Bank of Ireland	6%	7%	86%	7%	10%	83%	6%	12%	82%	6%	94%	5%	95%	5%	95%
Erste	4%	11%	85%	4%	10%	86%	5%	9%	86%	1%	99%	0%	100%	1%	99%
Sabadell	0%	15%	85%	0%	12%	87%	0%	11%	89%	0%	100%	0%	100%	0%	100%
UniCredito	8%	8%	84%	10%	7%	83%	10%	4%	86%	3%	97%	5%	95%	5%	95%
Caixa *	1%	15%	84%	1%	15%	84%	n/d	n/d	n/d	1%	99%	0%	100%	n/d	n/d
BBVA	5%	11%	83%	7%	12%	82%	9%	13%	78%	1%	99%	1%	99%	1%	99%
Santander	9%	8%	83%	12%	8%	80%	12%	9%	79%	9%	91%	11%	89%	11%	89%
BPI	1%	17%	82%	2%	19%	79%	3%	20%	77%	0%	100%	0%	100%	0%	100%
Montepaschi	8%	11%	81%	11%	10%	79%	7%	8%	85%	17%	83%	22%	78%	17%	83%
Banca Popolare di Milano	2%	17%	81%	5%	17%	78%	4%	4%	92%	3%	97%	2%	98%	4%	96%
SEB	16%	3%	81%	18%	4%	78%	14%	5%	81%	6%	94%	9%	91%	9%	91%
Standard Chartered	5%	16%	79%	6%	16%	78%	6%	18%	76%	4%	96%	5%	95%	4%	96%
Lloyds	16%	4%	79%	17%	5%	78%	16%	5%	79%	4%	96%	4%	96%	4%	96%
BES	5%	16%	79%	7%	16%	78%	7%	11%	82%	17%	83%	14%	86%	22%	78%
Commerzbank	16%	6%	78%	20%	7%	73%	8%	7%	85%	12%	88%	15%	85%	15%	85%
Intesa Sanpaolo	10%	13%	78%	12%	11%	77%	10%	7%	83%	5%	95%	6%	94%	6%	94%
KBC	7%	17%	76%	12%	20%	68%	15%	20%	65%	14%	86%	13%	87%	11%	89%
Jyske	25%	0%	75%	28%	0%	72%	22%	0%	78%	0%	100%	0%	100%	0%	100%
Barclays	19%	7%	74%	20%	6%	74%	21%	6%	73%	14%	86%	17%	83%	15%	85%
UBS	20%	6%	74%	26%	9%	65%	26%	9%	64%	16%	84%	20%	80%	21%	79%
DNB	30%	0%	70%	27%	0%	73%	30%	0%	70%	36%	64%	32%	68%	36%	64%
CASA	12%	19%	69%	15%	19%	66%	15%	19%	66%	10%	90%	11%	89%	12%	88%
HSBC	18%	19%	64%	20%	18%	61%	23%	18%	59%	18%	82%	20%	80%	19%	81%
Deutsche Bank	34%	4%	63%	40%	4%	55%	44%	2%	54%	15%	85%	17%	83%	18%	82%
Nordea	34%	4%	62%	34%	1%	65%	34%	0%	66%	22%	78%	24%	76%	23%	77%
Societe Generale	22%	15%	62%	32%	13%	56%	30%	12%	58%	21%	79%	22%	78%	29%	71%
Royal Bank of Scotland	27%	12%	61%	26%	12%	62%	19%	13%	68%	27%	73%	24%	76%	18%	82%
BNP Paribas	27%	14%	58%	32%	15%	53%	31%	15%	55%	27%	73%	28%	72%	25%	75%
Swedbank	45%	0%	55%	44%	0%	56%	49%	0%	51%	19%	81%	17%	83%	32%	68%
Danske Bank	44%	3%	53%	42%	3%	55%	42%	4%	54%	30%	70%	31%	69%	27%	73%
Natixis	38%	11%	52%	23%	11%	67%	27%	11%	62%	37%	63%	26%	74%	29%	71%
Credit Suisse **	51%	1%	48%	57%	1%	42%	58%	1%	41%	39%	61%	41%	59%	39%	61%
Unweighted average ***	14%	9%	78%	15%	10%	75%	15%	8%	76%	11%	89%	11%	89%	12%	88%
Median	8%	8%	81%	10%	9%	78%	10%	7%	80%	6%	94%	6%	94%	8%	92%

Source: Company Reports. *Bankia and Caixa reorganized their businesses in 2010; Bankia did not provide proforma data for 2010 in their 2011 AR whereas Caixa did (neither provided proforma data for 2009). **Credit Suisse uses US GAAP rather than IFRS and therefore its balance sheet is not fully comparable with other banks in this table. *** Averages do not sum to 100% due to rounding

Table 4: Analysis of financial assets and liabilities (including derivatives, unlike Table 3 which excludes them) – sorted by amortised cost

	2011			2010			2009			2011		2010		2009	
				Financial assets								Financial liabilities			
	FVT PL	AFS	AC	FVT PL	AFS	AC	FVT PL	AFS	AC	FVT PL	AC	FVT PL	AC	FVT PL	AC
Alpha Bank	1%	6%	93%	1%	4%	95%	1%	2%	97%	3%	97%	2%	98%	1%	99%
BCP	3%	5%	91%	6%	3%	91%	4%	3%	93%	5%	95%	6%	94%	9%	91%
UBI	3%	7%	90%	3%	9%	89%	2%	6%	92%	2%	98%	2%	98%	2%	98%
Popular	2%	9%	89%	2%	9%	89%	3%	9%	88%	2%	98%	2%	98%	2%	98%
National Bank of Greece	7%	5%	88%	4%	7%	89%	6%	14%	80%	7%	93%	6%	94%	4%	96%
Bankinter	4%	8%	87%	4%	6%	90%	7%	6%	87%	4%	96%	4%	96%	4%	96%
Handelsbanken	13%	1%	86%	14%	1%	85%	16%	1%	83%	9%	91%	10%	90%	9%	91%
Allied Irish Banks	2%	12%	86%	3%	16%	81%	4%	15%	81%	3%	97%	2%	98%	3%	97%
Raiffeisen	12%	2%	85%	12%	0%	88%	9%	0%	91%	10%	90%	8%	92%	1%	99%
Banco Popolare	8%	8%	84%	10%	5%	85%	10%	2%	88%	26%	74%	26%	74%	26%	74%
Sabadell	2%	14%	83%	2%	12%	86%	3%	10%	87%	2%	98%	1%	99%	2%	98%
Banesto	10%	7%	83%	8%	7%	85%	9%	6%	85%	6%	94%	5%	95%	4%	96%
Bank of Ireland	10%	7%	83%	10%	10%	80%	9%	12%	79%	10%	90%	9%	91%	8%	92%
Erste	9%	10%	81%	8%	9%	82%	7%	9%	84%	6%	94%	5%	95%	3%	97%
BPI	3%	17%	80%	3%	19%	78%	5%	19%	76%	3%	97%	2%	98%	2%	98%
Bankia	12%	9%	79%	0%	74%	26%	n/d	n/d	n/d	10%	90%	0%	100%	n/d	n/d
Caixa	7%	14%	79%	5%	14%	81%	n/d	n/d	n/d	6%	94%	5%	95%	n/d	n/d
Banca Popolare di Milano	6%	17%	78%	7%	17%	76%	6%	4%	89%	6%	94%	4%	96%	7%	93%
BES	8%	16%	76%	9%	15%	75%	10%	11%	79%	20%	80%	16%	84%	24%	76%
BBVA	14%	10%	76%	13%	11%	76%	15%	13%	73%	10%	90%	8%	92%	7%	93%
Santander	17%	7%	75%	18%	8%	74%	17%	8%	74%	17%	83%	18%	82%	17%	83%
Montepaschi	15%	10%	75%	15%	10%	75%	12%	7%	81%	24%	76%	26%	74%	21%	79%
SEB	23%	3%	74%	24%	4%	73%	20%	4%	75%	13%	87%	13%	87%	12%	88%
Lloyds	22%	4%	74%	22%	5%	74%	20%	5%	75%	11%	89%	9%	91%	8%	92%
UniCredito	20%	7%	73%	19%	6%	75%	19%	4%	77%	17%	83%	15%	85%	15%	85%
Intesa Sanpaolo	18%	12%	71%	26%	9%	65%	17%	6%	76%	15%	85%	14%	86%	14%	86%
KBC	14%	16%	70%	17%	19%	64%	21%	19%	61%	23%	77%	21%	79%	20%	80%
Standard Chartered	16%	14%	70%	15%	14%	71%	15%	17%	69%	16%	84%	14%	86%	13%	87%
DNB	33%	0%	67%	30%	0%	70%	33%	0%	67%	38%	62%	35%	65%	38%	62%
Jyske	34%	0%	66%	35%	0%	65%	28%	0%	72%	14%	86%	11%	89%	8%	92%
Commerzbank	33%	5%	62%	34%	6%	60%	28%	5%	66%	32%	68%	32%	68%	35%	65%
HSBC	30%	16%	54%	29%	16%	54%	32%	16%	53%	31%	69%	30%	70%	29%	71%
CASA	33%	14%	52%	30%	15%	55%	32%	15%	53%	35%	65%	30%	70%	32%	68%
Swedbank	48%	0%	52%	46%	0%	54%	51%	0%	49%	23%	77%	21%	79%	35%	65%
Barclays	47%	4%	48%	43%	4%	53%	45%	4%	51%	45%	55%	41%	59%	42%	58%
UBS	48%	4%	48%	50%	6%	44%	50%	6%	43%	46%	54%	45%	55%	46%	54%
Nordea	50%	3%	47%	45%	1%	54%	44%	0%	56%	42%	58%	38%	62%	36%	64%
Societe Generale	41%	12%	47%	45%	10%	45%	44%	10%	47%	42%	58%	39%	61%	36%	64%
Credit Suisse	54%	1%	45%	59%	1%	40%	61%	1%	38%	43%	57%	45%	55%	43%	57%
Danske Bank	54%	2%	44%	48%	3%	48%	48%	3%	48%	43%	57%	39%	61%	35%	65%
BNP Paribas	46%	11%	43%	45%	12%	43%	44%	12%	44%	47%	53%	43%	57%	40%	60%
Royal Bank of Scotland	54%	8%	38%	49%	8%	43%	41%	9%	50%	55%	45%	48%	52%	41%	59%
Natixis	55%	8%	37%	40%	8%	52%	46%	8%	46%	56%	44%	43%	57%	49%	51%
Deutsche Bank	61%	2%	37%	61%	3%	36%	67%	1%	32%	50%	50%	47%	53%	51%	49%
Unweighted average	23%	8%	69%	22%	9%	68%	23%	7%	70%	21%	79%	19%	81%	20%	80%
Median	15%	8%	75%	16%	8%	74%	17%	6%	75%	16%	84%	14%	86%	15%	85%

Source: Company Reports. Since neither Amortised Cost nor AFS can be used for derivatives one would expect the proportion of assets and liabilities to be in FVTPL to be higher in this Table than in Table 3 (which excludes derivatives)

Fair Value Through P&L (FVTPL) – implications

FVTPL is used extensively by **Credit Suisse** (51%), **Swedbank** (45%) and **Danske Bank** (44%) whereas **Banco Popolar**, **Sabadell**, **Alpha Bank** and **AIB** have no assets at FVTPL.

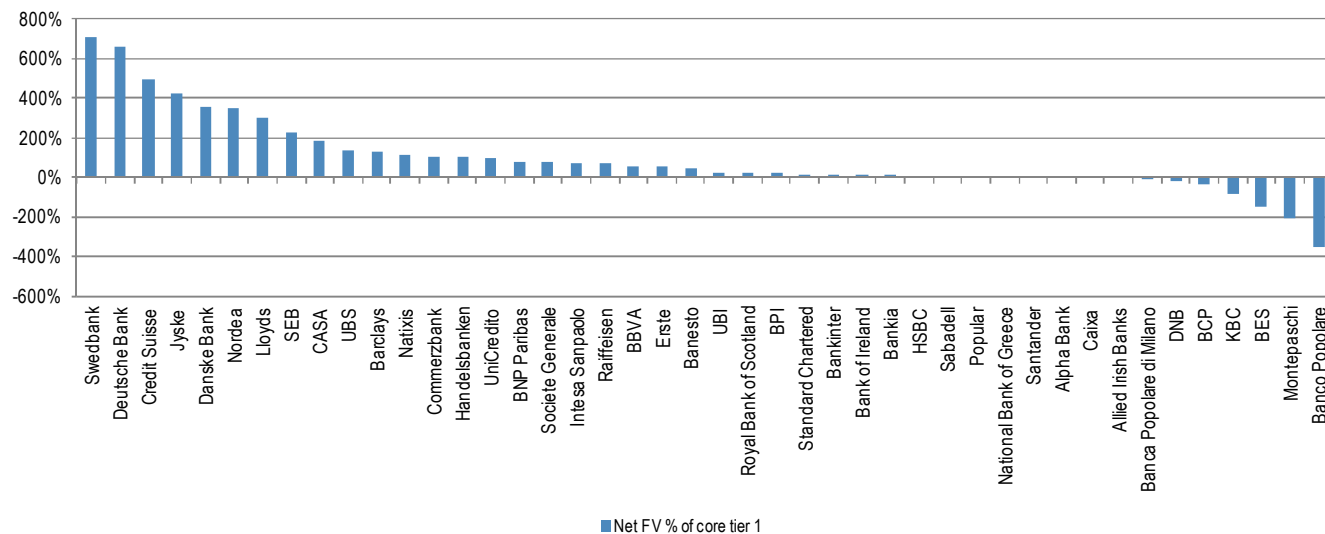
This category provides the greatest clarity for investors in the sense that both the balance sheet and the P&L reflect current values and the volatility associated with them. However, this category exposes the bank to risk since this volatility directly affects CET 1 under the Basel II and Basel III rules.

Risk to CET 1 from accounting volatility

To identify the banks most exposed to this risk we have compared *net* financial assets classified as FVTPL (excluding derivatives) with reported CET 1. The results are summarised in Figure 2. **Swedbank**, **Deutsche Bank** and **Credit Suisse** all have **net FVTPL assets that exceed 4x their reported CET1**.

Banco Popolare, **BES**, **Montepaschi**, **KBC**, **BCP** and **DNB** have more FVTPL liabilities than assets, so their ratios show up as negative in Figure 2, but the sign is much less important than the quantum.

Figure 2: Net financial assets (excluding derivatives) classified at FVTPL as a % of Core Tier 1 Equity

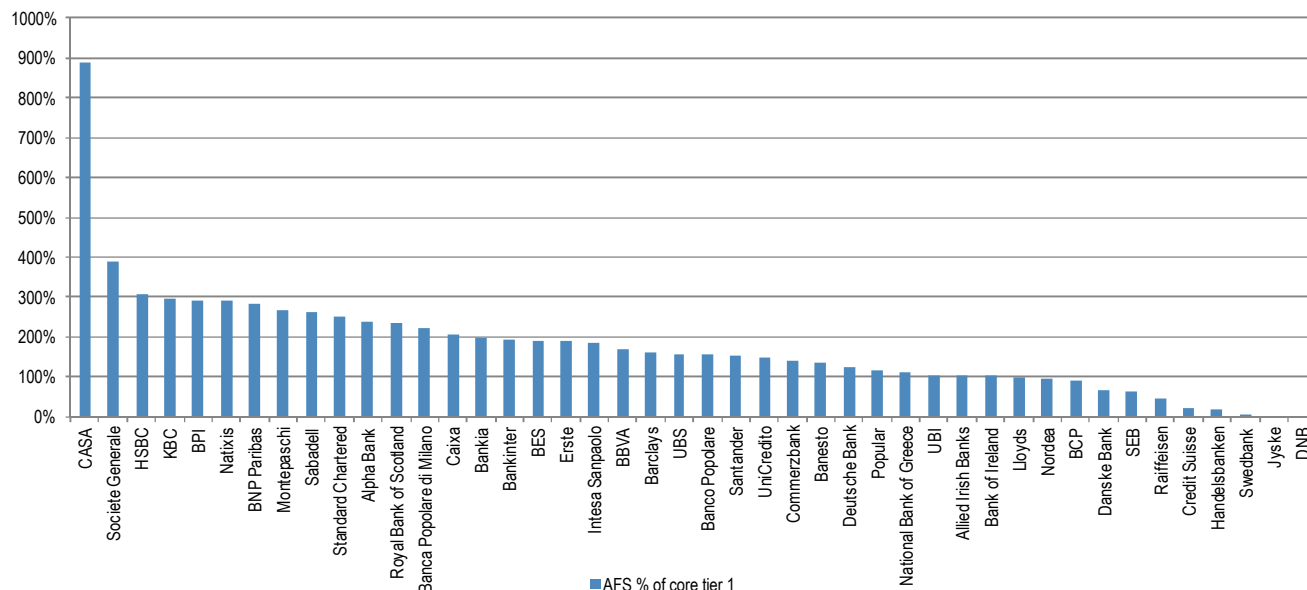


Source: Company Reports.

Available for Sale (AFS) exposure

As discussed above, the classification of financial assets as AFS varies significantly (from 19% to 0%) but when the AFS assets are measured as a percentage of CET 1 then most of the banks appear to have significant exposure (Figure 3).

Figure 3: AFS assets as a % of Core Tier 1 Equity



Source: Company Reports

CASA, Societe Generale and HSBC have significant AFS assets in comparison to their Core Tier 1 Equity (over 3x in each case). Allied Irish Banks increased its Core Capital in 2011 and reduced the proportion of financial assets classified as AFS - as a result its AFS/CET 1 ratio has declined significantly (it was 2nd behind CASA in 2010, with a ratio close to 500%).

AFS reserve treatment under regulatory capital rules

Basel II

Under Basel II unrealised gains and losses arising from AFS assets are not included in CET 1 (unlike the Basel II treatment of gains and losses on FVTPL assets and liabilities), thus protecting regulatory capital from short-term market volatility.

CET 1 ignores unrealised AFS losses, but they crystallize on sale/impairment

However, if AFS assets are impaired or sold¹, the unrealised losses will crystallize and impact CET 1.

Most of the banks in our sample have a negative AFS reserve in their balance sheet at 31 December 2011, representing the cumulative net total of gains and losses on AFS assets that remain owned by the bank. In theory, if these unrealised losses crystallised, regulatory capital would suffer. In practice some local regulators take a more conservative approach than Basel II and require AFS losses to be set against

¹ Or exchanged for another bond as discussed in *Greek debt proposals - negative accounting impact* (29 July 2011)

regulatory capital as they arise (eliminating the difference between AFS and FVTPL from a regulatory capital perspective). Table 5 summarises where we believe the local rules are more conservative than Basel II.

Table 5: AFS reserve adjustment against regulatory capital

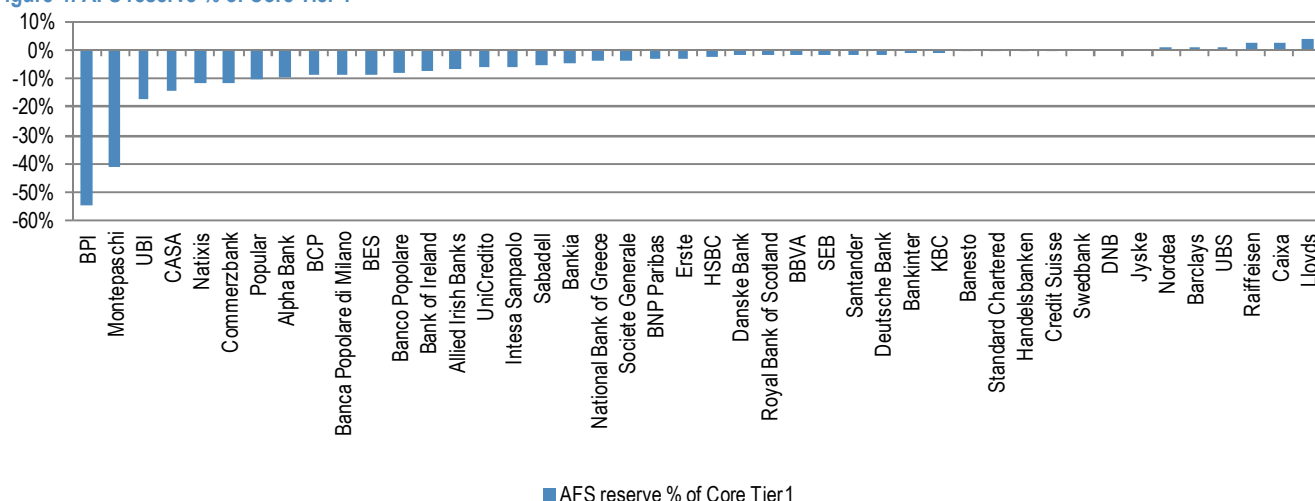
Country	AFS reserve adjustment against regulatory capital
Denmark	100% from Core Tier I
Spain	50% from Tier I and 50% from Tier II
Portugal	50% from Tier I and 50% from Tier II
Sweden	100% from Core Tier I

Source: J.P. Morgan

In Figure 4 we have summarised how much of Core Tier 1 Equity would be at risk if all the unrealised AFS losses crystallized (ignoring any local regulatory treatment). In Figure 5 we have shown the impact taking into account the local regulatory treatment listed in Table 5 (i.e. assuming that AFS losses have already impacted regulatory capital in some cases).

BPI's and Montepaschi's regulatory capital would be reduced by more than 40% if all their AFS losses crystallized. In contrast, although, **CASA** has the highest ratio of AFS assets to regulatory capital (Figure 3), the aggregate unrealised loss associated with those assets is less material, so crystallizing it would have a smaller impact than is the case with BPI and Montepaschi.

Figure 4: AFS reserve % of Core Tier 1



Source: Company Reports.

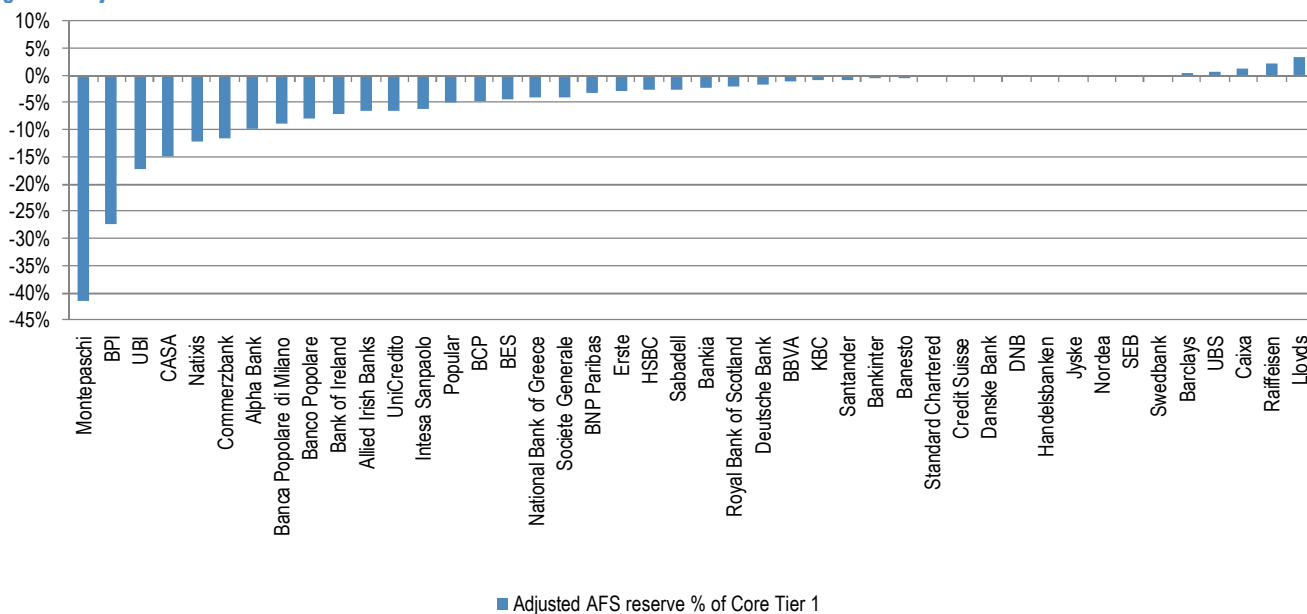
Basel III

Under Basel III banks will have to include unrealised gains and losses when calculating CET 1, eliminating the different treatments of AFS and FVTPL from a regulatory capital perspective.²

Figure 5 provides an indication of those banks most at risk from this change.

² Refer to [Regulatory Capital: Basel III and IFRS \(a summary\)](#) (28 January 2011) for more details. The Basel III transition rules will delay the full impact until 2018.

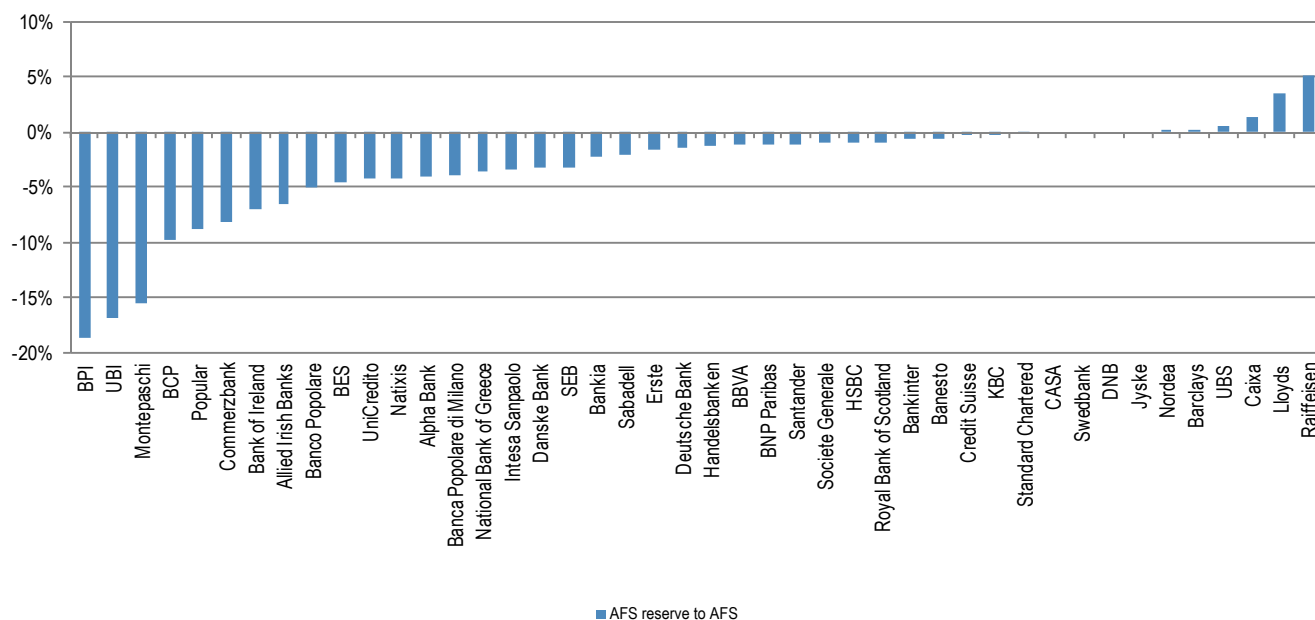
Figure 5: Adjusted AFS reserve % of Core Tier 1



Source: Company Reports

In broad terms the AFS loss reserve also provides information about the implied write-down that would be required if all the AFS assets were sold or impaired to market value. Figure 6 shows this analysis (AFS reserve as a percentage of AFS assets).

Figure 6: AFS reserve as a % of AFS assets



Source: Company Reports

Reclassification of financial assets

In October 2008 the IASB amended IAS 39 to allow companies to reclassify trading assets other than derivatives from FVTPL into any other category, and to reclassify from AFS into amortised cost, as shown below in Table 6.

Reclassifications are restricted

Table 6: IAS 39 reclassification rules - summary

Transfer out of	Permitted into
FVTPL*	AFS, L&R or HTM
AFS	HTM or Loans
L&R	Not Permitted
HTM	Strict limitations**

Source: IASB. * Not permitted for derivatives or FV option. **Only a 'negligible amount' of HTM assets can be reclassified other than in very limited circumstances.

Such reclassifications can only occur in '*rare circumstances*'³ and where the company has the '*intention and ability to hold the financial asset for the foreseeable future or until maturity*'.⁴

Assets reclassified to HTM must be held to maturity and not prematurely sold, whereas classification as L&R does not prevent future sales. However, assets cannot be included in L&R if they are quoted on an 'active market'⁵.

The rationale behind the reclassification rules, and the reason why a bank might want to reclassify an asset, relates to the criticisms of fair value accounting discussed previously. If markets are not operating efficiently (or have ceased to be 'active') then the prices that result might be unrepresentative of the true economic value of an asset. This problem could be alleviated by moving to a mark-to-model approach but that would still leave the bank exposed to fear-driven accounting (and regulatory capital) volatility.

Banks argued that they should not have to reflect this volatility on the basis that they would not be forced to sell at current market prices and could afford to wait until the asset was redeemed (at full nominal value).

Reclassifying avoids volatility; treat with caution

Reclassifying to AFS avoids earnings volatility while maintaining a fair value approach. **Reclassifying to AC freezes the asset at its current value**, avoiding any further volatility, and allowing the bank to ignore any further price falls; as such it creates opportunities for 'creative accounting' and/or earnings management and so should be treated with caution by investors.

Reclassification of financial assets in 2011

Only 9 banks reclassified assets in 2011

9 of the 44 banks in our sample have reclassified financial instruments in 2011 (a higher number than in 2010, when we identified 5 banks out of a sample of 46). Table 7 summaries the reclassifications made by the 9 banks we identified - the majority involved reclassifying AFS assets to Loans & Receivables or to HTM.

³ IAS 39, para 50B - 'rare circumstances' are not defined

⁴ Ibid, 50D

⁵ Ibid, para 9 - an 'active market' is also not defined in IAS 39, but IFRS 7 defines it as one where quotes are regularly available

Table 7: Reclassification in 2011

Amount in millions	Cur	FV → AFS	FV → Loans	AFS → Loans	FV → HTM	AFS → HTM	Total	% reduction in AFS from transfer	Assets Transferred to AC % of Equity
Alpha Bank	E	-	-	-	-	562	562	18%	29%
Banco BPI	E	-	-	182	-	-	182	3%	22%
BBVA	E	-	-	-	-	1,817	1,817	3%	5%
BNP Paribas	E	-	-	6,312	-	-	6,312	3%	7%
Caixa Bank	E	-	-	-	-	411	411	1%	2%
CASA	E	-	169	-	-	-	169	0%	0%
KBC	E	-	-	200	-	1,900	2,100	5%	13%
National Bank of Greece	E	-	-	796	-	-	796	18%	-315%
Raiffeisen	E	-	-	-	81	-	81	0%	1%

Source: Company Reports. *Transfers from AFS to AC vs Reported AFS (adjusted to exclude transfers in)

Two Greek banks (**Alpha** and **NBG**) have **reclassified 18% of their financial assets from fair value (AFS) to amortised cost** (a much higher proportion than any of the others that reclassified AFS assets). These two banks are also the only two that reclassified financial assets in both 2011 and 2010 (in 2010, Alpha Bank transferred financial assets from AFS to HTM whereas National Bank of Greece transferred financial assets into all the categories).

Banco BPI, BNP Paribas, CASA and **NBG** have transferred all their reclassified assets to L&R, allowing for the possibility of resale later. In contrast, **Alpha Bank, BBVA** and **Caixa** have used the HTM category, not L&R, suggesting that the assets remain quoted but that their intentions regarding these assets have changed.

KBC transferred AFS assets into both L&R and HTM but the majority were allocated to HTM.

It is no surprise to find that the banks reclassifying their financial assets have significant exposure to sovereign risk in the Peripheral Europe group of countries (discussed at the end of this report - Table 11).

Table 8 summarises the different securities reclassified in 2011 - the majority of reclassifications involve holdings of Greek government bonds.

Table 8: Analysis of securities reclassified in 2011

Bank	Reclassified securities
Alpha Bank	Greek Government bonds
Banco BPI	Greek Government bonds
BBVA	Sovereign bonds of Greece, Italy and Portugal
BNP Paribas	Sovereign bonds of Greece, Ireland and Portugal
Caixa Bank	Greek Government bonds
CASA	Assets relating to 'syndication operations'
KBC	Hungarian municipal bonds and high-rated government bonds
National Bank of Greece	Greek Government bonds
Raiffeisen	Not disclosed

Source: Company reports.

Impact from reclassification in prior years

Reclassification was much more common in 2008 and 2009 - most of the banks we examined (except all the Spanish banks, **UBI Banca, Nordea, Erste**) reclassified some of their financial assets.

Reclassification protected the reported profits and equity of the banks sector by removing the need to continue to mark these assets to falling markets. IFRS requires banks to disclose the fair values of the assets they have reclassified as well as their year-end book values, providing a measure of the mark-to-market losses they have avoided by reclassifying.

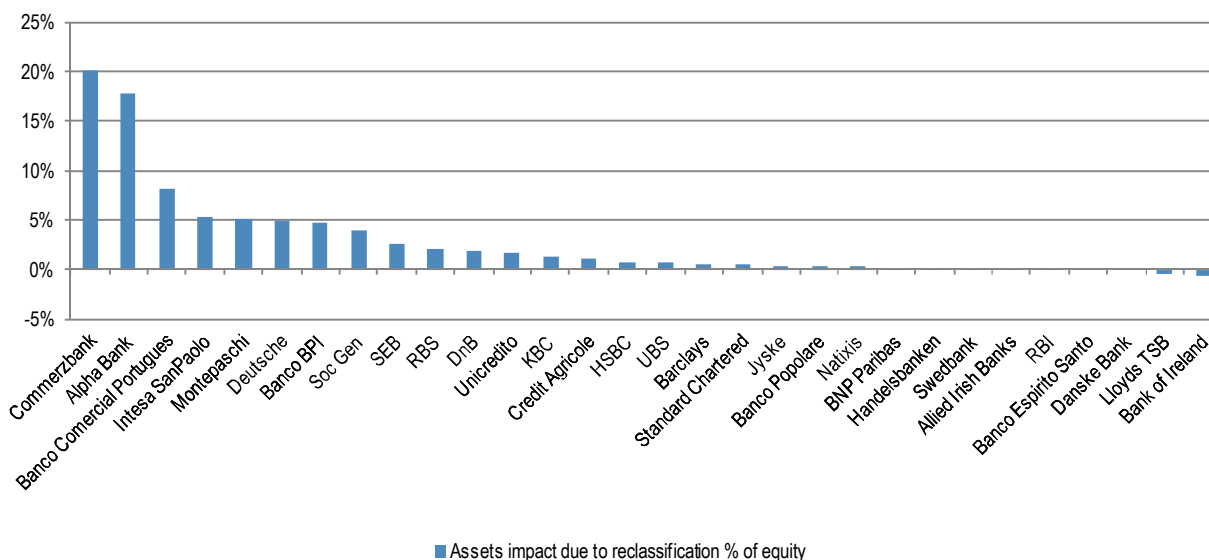
Losses 'avoided' following reclassification

Figure 7 compares these 'avoided losses' with reported shareholders' equity to provide an indication of the extent to which banks have protected their capital by reclassifying assets and thus freezing asset values. This analysis also provides an indication of the extent to which a bank's capital would suffer if it was forced to sell these reclassified assets (and thus the extent to which its activities may be constrained by a desire to avoid such losses crystallizing).

Commerzbank stands out as the bank where 'avoided losses' equate to 20% of its shareholders' equity, with Alpha Bank (18%) coming second. The rest are below the 10% mark.

NBG has negative equity and so has been excluded from the charts to avoid distorting the results. It disclosed that its reclassified assets would have been valued at €631m less if they had not been reclassified in previous years (equivalent to a 52% write-down).

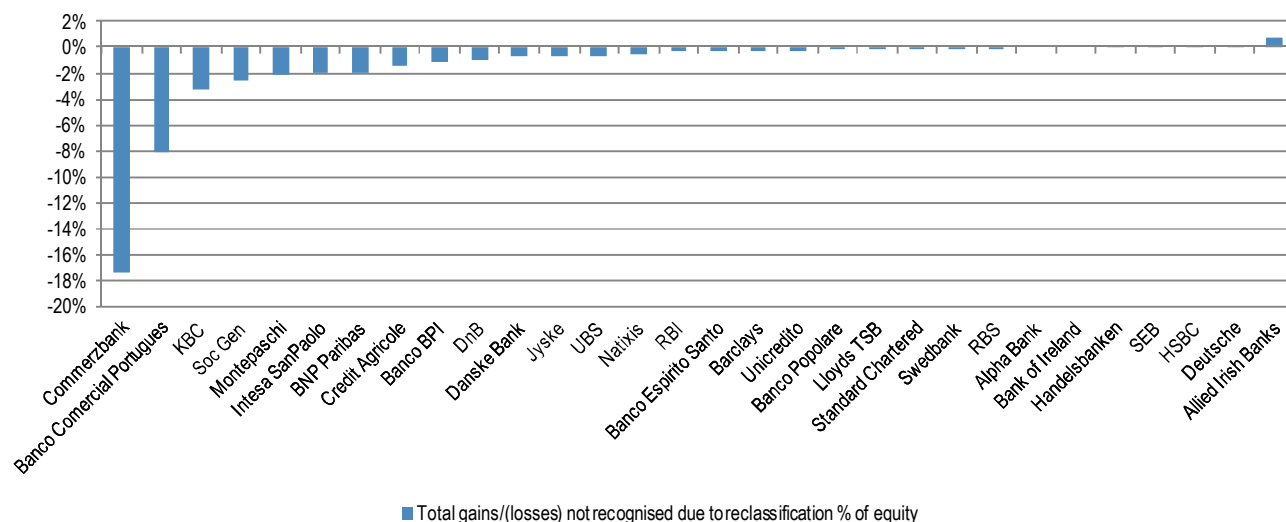
Figure 7: Assets impact due to reclassification



Source: Company Reports. NBG (249%) has been excluded from the chart.

Figure 8 shows the gains or losses that would have been recognized in the income statement during 2011 if the earlier reclassifications had not occurred. This provides similar information to Figure 7 but on a single period basis, which is why the rankings are not identical (NGB has been excluded from this chart as well).

Figure 8: Gains or losses not reported in 2011 due to reclassification



Source: Company Reports. NBG (-66%) has been excluded from the chart.

Reclassifications have avoided balance sheet volatility

On average the reclassified assets held by the banks in our sample would be written down by 11% if they were shown at their fair values, but the range is wide.

At one end of the spectrum **NBG and Alpha Bank would require write-downs of 52% and 62%, respectively**, highlighting the extent to which they have benefitted from ‘freezing’ the values of their reclassified assets; while at the other end of the spectrum **Lloyds Banking Group and Bank of Ireland would write their reclassified assets up by 5% and 20% respectively** (implying that from an accounting perspective they might have done better not to reclassify these assets).

Impact of a full Fair Value balance sheet

IFRS 7 requires that all companies disclose the fair value of all financial instruments in the annual report. So once a year investors can deduce what the balance sheet would look like if all the financial instruments were marked to market.

Fair values of amortised cost assets & liabilities must be disclosed

This is particularly relevant for banks, given that their balance sheets consist largely of financial assets and liabilities, the majority of which are not measured at fair value (as discussed earlier in this report).

Based on the IFRS 7 disclosures provided by all the banks we have analysed the impact on shareholders' equity of measuring financial assets at fair value in Table 9.

Table 9: FV all asset; FV assets & liabilities

To take account of the potential economic offsets that can result from banks' financial liabilities, we have also used the IFRS 7 disclosures to analyse the effect of fair valuing financial liabilities as well as financial assets. To the extent that a bank is adopting an Asset-Liability Matching (ALM) approach, the impact on shareholders' equity should be lower than when only assets are considered. We have summarised our analysis in Table 9 (more than half our sample of banks report that measuring all financial instruments at fair value would be positive or neutral for net asset value).

Even taking account of the offsetting effect of liabilities, **BPI and Bank of Ireland would both have zero shareholders' equity** if such an accounting approach was used for balance sheet purposes (NGB's equity is already negative but would become even more so).

However, not all banks would suffer under such a regime - some banks' financial assets are substantially above book value, as can be seen from the bottom of Table 9.

Table 9: Impact on equity if all financial assets and all financial instruments (assets – liabilities) measured at fair value – sorted by FI impact

Amount in Millions		2011			2010		
Company	Cur	Reduction in financial assets due to FV	Δ equity if all assets at fair value	Δ equity -all FI at FV	Reduction in financial assets due to FV	Δ equity if all assets at fair value	Δ equity -all FI at FV
National Bank of Greece	E	-2,187	-864%	-846%	-3,099	-28%	-28%
BPI	E	-3,102	-377%	-324%	-1,621	-83%	-57%
Bank of Ireland	E	-12,688	-124%	-114%	-11,432	-154%	-98%
Allied Irish Banks	E	-13,488	-93%	-77%	-10,043	-231%	-100%
BCP	E	-5,341	-122%	-48%	-4,216	-58%	-25%
Bankinter	E	-1,597	-52%	-44%	-148	-6%	-32%
Lloyds	£	-17,332	-37%	-19%	-11,277	-24%	-22%
Commerzbank	E	-9,000	-36%	-15%	-3,536	-12%	1%
Royal Bank of Scotland	£	-22,198	-29%	-15%	-14,710	-19%	-10%
Barclays	£	-14,911	-23%	-14%	-11,711	-19%	-16%
HSBC	\$	-24,147	-15%	-14%	-22,894	-15%	-14%
SEB	SK	5,222	5%	-6%	8,315	8%	1%
Handelsbanken	SK	5,915	6%	-6%	3,910	4%	0%
KBC	E	5,209	31%	-4%	1,641	9%	-2%
Societe Generale	E	-1,024	-2%	-2%	6,294	12%	14%
Banesto	E	-90	-2%	-2%	-186	-3%	-3%
Natixis	E	618	3%	0%	96	0%	0%
Swedbank	SK	2,075	2%	0%	-1,479	-2%	-1%
Danske Bank	DK	-16,853	-13%	0%	4,844	5%	10%
Bankia	E	57	0%	0%	0	n/a	n/a
BES	E	-3,361	-54%	1%	-1,963	-26%	25%
Nordea	E	434	2%	2%	22	0%	-2%
Standard Chartered	\$	496	1%	3%	-1,067	-3%	2%
Raiffeisen	E	-633	-6%	3%	393	4%	0%
DNB	NK	-1,175	-1%	4%	1,001	1%	4%
UBS	SF	1,400	2%	4%	2,100	4%	4%
Deutsche Bank	E	-4,359	-8%	4%	-5,994	-12%	-8%
Santander	E	10,965	13%	8%	6,229	8%	2%
Jyske	DK	69	0%	9%	0	1%	11%
Erste	E	2,866	19%	12%	2,214	13%	22%
Credit Suisse	SF	4,265	10%	18%	3,095	7%	-24%
CASA	E	11,938	24%	23%	9,644	18%	18%
Intesa Sanpaolo	E	-7,091	-15%	26%	-1,782	-3%	2%
BNP Paribas	E	21,070	25%	30%	19,245	22%	24%
BBVA	E	7,363	18%	33%	5,895	16%	15%
Montepaschi	E	2,322	21%	37%	1,322	8%	6%
Popular	E	6,031	72%	38%	5,015	61%	39%
Caixa	E	6,033	29%	47%	3,627	25%	68%
UniCredito	E	14,946	27%	50%	11,512	17%	19%
UBI	E	2,945	30%	58%	2,202	18%	-1%
Sabadell	E	5,343	90%	64%	3,965	70%	75%
Banco Popolare	E	3,303	35%	70%	2,269	20%	26%
Banca Popolare di Milano	E	2,292	56%	76%	1,809	47%	55%
Alpha Bank	E	3,587	182%	183%	-1,113	-19%	-20%
Unweighted average			-27%	-17%		1%	1%
Median			1%	2%		1%	1%

Source: Company Reports

The information in Table 9 provides an indication of the extent to which book values may be overstated by banks using amortised cost compared to other banks making greater use of fair values for balance sheet purposes.

Using FV may indicate overstated AC values and/or impairment risks

It may also provide an indication of the potential risks facing shareholders if the markets underlying these fair values take a long time to recover, and/or the assets are judged to be impaired. Conversely, it could also indicate those banks with the greatest leverage to a recovery in asset values.

Fair value disclosures - a caveat

UBS (one of the banks that would gain if all financial assets and liabilities were at fair value) provides the following caveat in its 2010 and 2011 Annual Reports:

'UBS applies significant judgments and assumptions to arrive at these fair values, which are more holistic and less sophisticated than UBS's established fair value and model governance policies and processes applied to financial instruments accounted for at fair value, whose fair values impact UBS's balance sheet and net profit.... because other institutions may use different methods and assumptions for their fair value estimation, such fair value disclosures cannot necessarily be compared from one financial institution to another.'

BNP Paribas also provided a similar warning in its 2010 and 2011 Annual Reports: *'most of these fair values are not meaningful, and hence are not taken into account in the management'* of the banking activities and comparison between banks *'may not be meaningful'*.

These caveats suggest that the information disclosed under IFRS 7 and summarised in Table 9 should be treated with care, but we would not agree with **BNP's** assertion that *'most of these fair values are not meaningful...'* The current sovereign debt crisis and the credit crunch that preceded it have revealed the problems with markets and market prices, but we believe clear disclosure of financial asset fair values is a key part of the solution, and provides useful information for investors.

Determination of fair value

IFRS 7 valuation hierarchy

The final issue we turn to in this report is that of marking to model i.e. using assumptions to produce accounting fair values rather than simply picking the figures off the screen.

IFRS 7 requires companies to disclose the valuation approaches they have applied, and the amounts of their financial assets and liabilities calculated under each different approach, according to the following valuation hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Observable inputs other than Level 1 quoted prices; directly (i.e. price) or indirectly (i.e. derived from prices);

Level 3: Unobservable inputs (i.e. mark-to-model).

Only instruments traded on an exchange or an active market can fall within Level 1 of the hierarchy. A market is active for a financial instrument if quotes are regularly available. Generally, for a price to qualify as Level 1, companies should be able to obtain the price from multiple sources.

A price quote may be a Level 2 or Level 3 input where there are few transactions for the instrument, where the price is not current, or where price quotations vary substantially either over time, or between providers.

Level 3 inputs are based on the company's own views about the assumptions that the market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances.

Stressed markets and marking-to-model

In times of market stress, companies may argue that meaningful quotes are not available and thus that a Level 2 or Level 3 approach would be more appropriate. From an analysis perspective this may be a cause for concern.

Level 3 (marking-to-model): less reliable

We would regard Level 3 valuations as significantly less reliable than Levels 2 or 1, given the fact that the outputs depend entirely on the model and management assumptions ('*unobservable inputs*'). The range of legitimate assumptions and modeling approaches, combined with the potential for errors in the assumptions and/or the model itself, means that the fair value chosen by management for accounting purposes will, in most cases, lie within a very wide range. IFRS 7 does not require banks to provide any indication of this range nor where the chosen value lies within it.

This means that Level 3 outputs are less likely to be comparable between banks, and provide significant leeway for banks to present an optimistic or pessimistic view of asset values, depending on the circumstances.

The flexibility inherent in Level 3 mark-to-model valuations also creates opportunities for banks to dampen down the volatility inherent in fair value accounting.

Table 10 analyses the usage of different Levels

We have compiled the information on Level 1, 2 and 3 valuations provided by our sample of banks and this is presented in Table 10 below (covering all financial assets including derivatives).

On average, banks make relatively little use of Level 3 valuations, which represents around 3% of financial assets. As one would hope, use of Level 1 & 2 is very common, with 43% of the total value being determined based on quoted prices (Level 1) and the balance (53%) being based on '*observable inputs*'.

Most banks use Level 3 for less than 10% of their assets

Two banks stand out as unusually heavy users of Level 3 in 2011 and 2010: **BPI** (35%, previously 28%), and **DNB** (18%, previously 24%). All the other banks in our sample used Level 3 techniques on less than 10% of their financial assets, although **KBC**'s use of Level 3 has increased from 5% in 2010 to 9% in 2011. Based on their IFRS 7 disclosures, we believe the main reason for **BPI**'s extensive use of Level 3 relates to its AFS holdings of Angolan public debt securities, whereas **DNB**'s use of Level 3 techniques relates to its FVTPL fixed-rate mortgage book (which is fair valued in line with some other Scandinavian banks, unlike many banks elsewhere which hold mortgages at Amortised Cost)⁶.

⁶ Danske Bank also classifies its fixed rate loans as FVTPL but values them using Level 2 '*observable inputs*'

Table 10: Comparison of usage of different valuation techniques – sorted by level 3 valuation

	2011			2010			2009		
	FV assets			FV assets			FV assets		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
BPI	58%	7%	35%	65%	7%	28%	76%	4%	20%
DNB	14%	69%	18%	40%	36%	24%	42%	30%	28%
KBC	57%	33%	9%	65%	30%	5%	63%	33%	4%
Popular	76%	16%	8%	78%	13%	9%	72%	15%	14%
Banca Popolare di Milano	68%	24%	8%	73%	19%	7%	38%	38%	24%
UniCredito	27%	68%	5%	39%	56%	5%	36%	59%	5%
Barclays	12%	84%	4%	12%	84%	4%	16%	80%	5%
Natixis	23%	73%	4%	33%	60%	7%	32%	61%	7%
Deutsche Bank	10%	87%	4%	12%	84%	4%	12%	82%	6%
UBS	19%	77%	4%	25%	71%	4%	28%	67%	5%
BNP Paribas	27%	70%	3%	36%	61%	3%	35%	62%	3%
Lloyds	53%	44%	3%	51%	46%	3%	48%	49%	3%
Credit Suisse	13%	84%	3%	20%	77%	4%	20%	76%	4%
Banco Popolare	65%	32%	3%	70%	27%	3%	60%	35%	4%
Bank of Ireland	69%	28%	3%	74%	25%	1%	77%	22%	1%
Caixa	63%	35%	2%	64%	32%	4%	n/d	n/d	n/d
Societe Generale	35%	63%	2%	43%	54%	3%	42%	54%	4%
Commerzbank	25%	73%	2%	18%	80%	2%	14%	83%	3%
CASA	37%	61%	2%	48%	50%	2%	29%	69%	3%
Intesa Sanpaolo	58%	40%	2%	61%	37%	2%	56%	42%	2%
National Bank of Greece	31%	67%	2%	44%	55%	1%	69%	29%	3%
Standard Chartered	30%	68%	2%	36%	63%	2%	32%	67%	2%
Nordea	24%	75%	2%	26%	71%	3%	26%	70%	3%
Royal Bank of Scotland	14%	84%	2%	17%	81%	2%	18%	80%	2%
Sabadell	78%	20%	2%	76%	22%	2%	70%	27%	3%
HSBC	39%	59%	2%	44%	55%	1%	44%	54%	2%
UBI	76%	23%	2%	80%	18%	2%	60%	38%	2%
BES	30%	68%	1%	42%	57%	1%	40%	59%	1%
Alpha Bank	70%	29%	1%	66%	32%	2%	43%	53%	4%
BBVA	49%	49%	1%	58%	41%	1%	66%	33%	1%
Danske Bank	35%	64%	1%	37%	62%	1%	29%	70%	1%
Allied Irish Banks	75%	24%	1%	76%	23%	1%	40%	50%	10%
Jyske	52%	47%	1%	64%	35%	1%	63%	35%	2%
Montepaschi	50%	50%	1%	49%	50%	1%	49%	50%	1%
Bankia	29%	70%	1%	n/d	n/d	n/d	n/d	n/d	n/d
SEB	35%	64%	1%	38%	60%	2%	35%	64%	1%
Raiffeisen	50%	50%	1%	52%	47%	1%	69%	31%	0%
Handelsbanken	52%	47%	1%	60%	39%	1%	65%	35%	0%
Banesto	52%	47%	1%	61%	39%	0%	58%	42%	0%
BCP	58%	42%	1%	69%	31%	1%	51%	47%	2%
Erste	43%	57%	0%	44%	56%	1%	42%	57%	1%
Santander	41%	59%	0%	55%	45%	0%	55%	45%	0%
Swedbank	23%	77%	0%	24%	76%	0%	25%	75%	0%
Bankinter	55%	45%	0%	52%	48%	0%	54%	46%	0%
Unweighted average	43%	53%	3%	49%	48%	3%	45%	50%	4%
Median	43%	57%	2%	49%	48%	2%	42%	50%	3%

Source: Company Reports

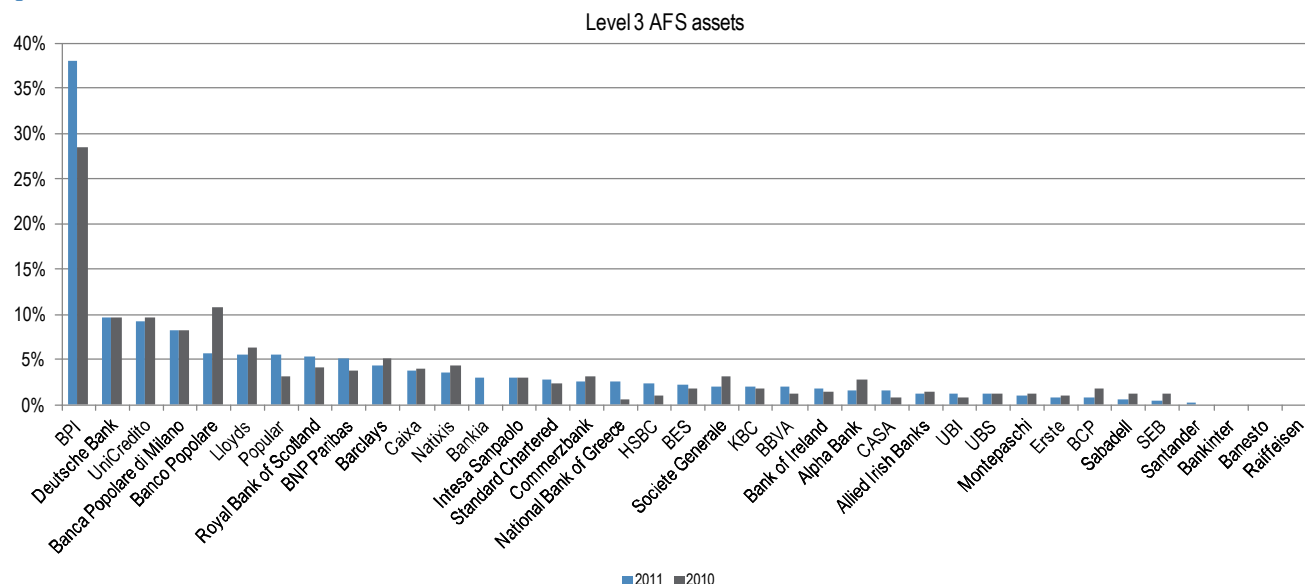
Figure 9: Level 3 usage for AFS

In Figure 9 we have analysed the extent to which individual banks use Level 3 in relation to their AFS assets (to avoid potential distortions caused by derivatives, which must be fair valued and more often require Level 2 or Level 3 techniques to be used).

For a number of banks there is clear evidence of a reduction in AFS Level 3 usage when 2010 figures are compared to 2011 (Figure 9) but the reasons behind these changes will vary from bank to bank. **DNB** does not use the AFS category at all so does not feature in this analysis.

BPI (28% in 2010, and 38% in 2011) is the clear exception to this trend, but not the only one (e.g. **Popular**, **RBS**, and **BNP** have also marginally increased their use of Level 3 techniques in relation to AFS assets).

Figure 9: Level 3 AFS assets



Source: Company Reports

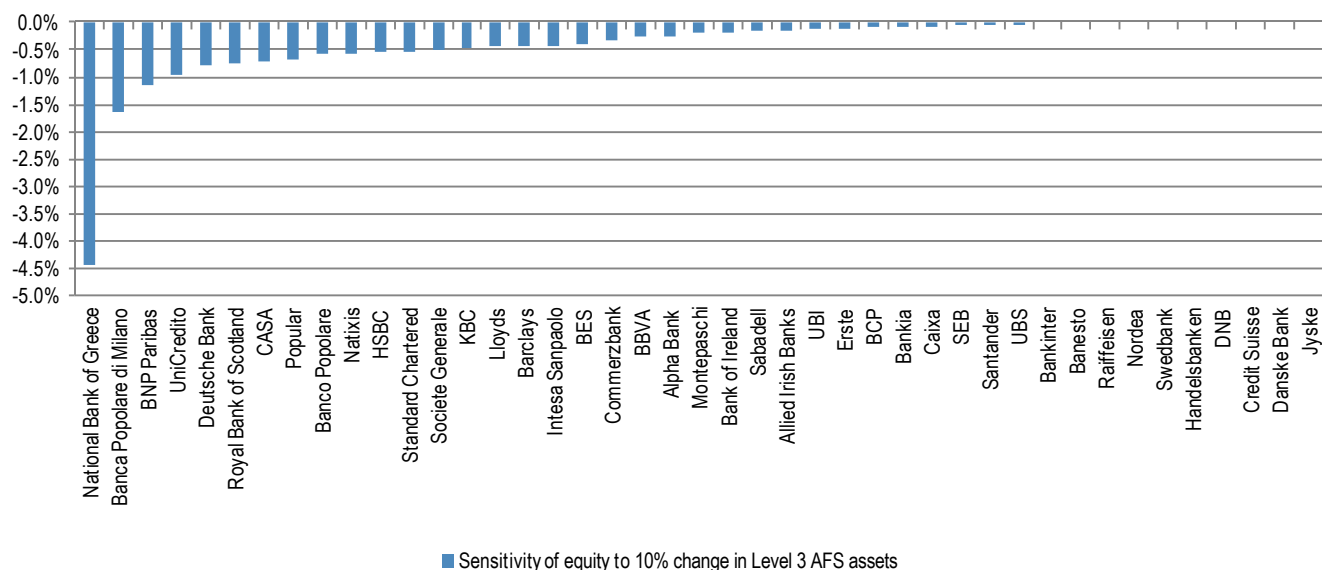
Sensitivity of Equity to changes in level 3 valuations

As discussed previously, we regard **Level 3 (mark-to-model) valuations as less reliable than Level 1 or 2**. Using the IFRS 7 disclosures, we have analysed the sensitivity of banks' equity to a 10% change in the value of Level 3 AFS assets (Figure 10).

BPI would suffer a 31% reduction in equity and has been excluded from Figure 10 to avoid distorting the chart. The maximum impact on the other 43 banks of a 10% fall in Level 3 AFS values is 4% (**NGB**) and less than 2% for the rest.

The fact that **BPI** and **NGB** lie at the top of the range is not surprising given the high levels of AFS assets they each hold relative to their capital (particularly **BPI**, Figure 3), but it illustrates the impact that changing mark-to-model assumptions could have on both banks and the extent to which they are exposed to ‘auditor risk’⁷.

Figure 10: Sensitivity of equity to 10% change in level 3 AFS assets



Source: Company Reports and J.P. Morgan analysis. NB BPI (-31.2%) has been excluded from this chart. We have ignored any potential tax effects

⁷ ‘Auditor risk’ is the risk that management assumptions and accounting techniques may be challenged by auditors, and changed as a result. In times of financial stress we believe there is a natural tendency among auditors to adopt more conservative approaches and require similar behaviours from their clients (a trend we identified in [Greek debt proposals - negative accounting impact](#), 29 July 2011)

Banks' sovereign exposure in peripheral Europe analysed by IAS 39 categories

We have analysed banks' sovereign exposure to Peripheral Europe⁸ by accounting category in Table 11 (individual country analysis is included in the tables following). The data are sourced from the annual reports and from our European Banks team.

Table 11: Banks' Exposure to Sovereign Peripheral Europe (Amount in Millions) – sorted by Peripheral Europe Sovereign Exp % of Core Tier 1

Banks	Cur	Core Tier 1	Periph. Europe Sov Exp*	PE Net Trading Book**	PE AFS	PE AC	Periph. Europe Sov Exp % of Core Tier 1	PE Net Trading Book % of Core Tier 1	PE AFS % of Core Tier 1	PE AC % of Core Tier 1
National Bank of Greece	E	4,059	12,753	2,681	3,892	6,180	314%	66%	96%	152%
Montepaschi	E	8,628	23,877	4,207	19,195	475	277%	49%	222%	6%
Banca Popolare di Milano	E	3,677	6,809	29	6,575	205	185%	1%	179%	6%
BBVA	E	34,161	57,267	4,755	15,887	36,625	168%	14%	47%	107%
Bankinter	E	2,496	4,180	80	2,000	2,100	167%	3%	80%	84%
Intesa Sanpaolo	E	37,295	60,907	5,651	47,097	8,159	163%	15%	126%	22%
Banco Popolare	E	6,349	9,979	2,432	7,520	27	157%	38%	118%	0%
BPI	E	2,321	3,661	75	3,221	365	158%	3%	139%	16%
Bankia	E	12,568	18,300	1,000	11,200	6,100	146%	8%	89%	49%
Alpha Bank	E	1,300	1,767	3	88	1,676	136%	0%	7%	129%
Sabadell	E	5,061	6,100	0	6,100	0	121%	0%	121%	0%
UBI	E	7,787	8,512	1,664	5,964	884	109%	21%	77%	11%
BCP	E	5,135	5,174	577	2,179	2,418	101%	11%	42%	47%
UniCredito	E	38,691	37,446	6,060	27,556	3,830	97%	16%	71%	10%
Banesto***	E	5,429	4,521	0	0	0	83%	0%	0%	0%
Popular	E	8,853	7,251	0	4,113	3,138	82%	0%	46%	35%
Santander	E	56,694	41,870	8,549	32,047	1,274	74%	15%	57%	2%
Caixa	E	17,178	12,126	64	6,610	5,452	71%	0%	38%	32%
Commerzbank***	E	21,506	12,300	0	0	0	57%	0%	0%	0%
Bank of Ireland	E	10,106	5,021	770	4,251	0	50%	8%	42%	0%
BES	E	6,020	2,950	125	2,825	0	49%	2%	47%	0%
Allied Irish Banks	E	15,146	5,536	0	5,536	0	37%	0%	37%	0%
KBC	E	13,413	4,600	0	3,600	1,000	34%	0%	27%	7%
BNP Paribas	E	67,635	17,915	1,174	13,113	3,628	26%	2%	19%	5%
DNB	NK	104,191	21,000	0	0	21,000	20%	0%	0%	20%
CASA	E	25,600	4,942	137	4,471	334	19%	1%	17%	1%
Barclays	£	43,066	6,508	677	5,729	102	15%	2%	13%	0%
Societe Generale	E	31,968	4,431	1,512	2,902	17	14%	5%	9%	0%
UBS	SF	34,014	3,878	3,869	0	9	11%	11%	0%	0%
Erste	E	10,681	554	364	158	32	5%	3%	1%	0%
HSBC	\$	122,496	4,500	2,400	2,000	100	4%	2%	2%	0%
Danske Bank	DK	106,826	2,476	2,476	0	0	2%	2%	0%	0%
Natixis	E	12,100	211	133	62	16	2%	1%	1%	0%
Raiffeisen	E	8,615	143	20	0	123	2%	0%	0%	1%
Royal Bank of Scotland	£	46,341	409	-798	1,207	0	1%	-2%	3%	0%
SEB	SK	93,097	416	0	416	0	0%	0%	0%	0%
Swedbank	SK	65,074	79	0	5	74	0%	0%	0%	0%
Lloyds	£	37,991	33	0	0	33	0%	0%	0%	0%
Handelsbanken	SK	79,384	0	0	0	0	0%	0%	0%	0%
Jyske	DK	13,117	0	0	0	0	0%	0%	0%	0%
Nordea	E	20,677	0	0	0	0	0%	0%	0%	0%
Standard Chartered	\$	31,833	0	0	0	0	0%	0%	0%	0%
Deutsche Bank****	E	36,313	-437	-3,027	1,292	1,298	-1%	-8%	4%	4%

Source: Company Reports. *Excluding derivatives. **Net Trading Book = FVTPL (Assets – Liabilities). ***Commerzbank and Banesto have only disclosed the peripheral Europe exposure.

****Deutsche Bank has short sovereign debt position for Italy.

⁸ Greece, Ireland, Italy, Portugal, and Spain - selected based on their debt/GDP ratios and the concerns regarding their fiscal situations currently reflected in their government bond yields

Exposure to Greece

Table 12: Banks' Exposure to Greece (Amount in Millions) – sorted by Greece Sovereign Exp % of Core Tier 1

Banks	Cur	Core Tier 1	Greece Sov Exp*	GR Net Trading Book	GR AFS	GR AC	Greece Sov Exp % of Core Tier 1	GR Net Trading Book % of Core Tier 1	GR AFS % of Core Tier 1	GR AC % of Core Tier 1
National Bank of Greece	E	4,059	12,733	2,661	3,892	6,180	314%	66%	96%	152%
Alpha Bank	E	1,300	1,767	3	88	1,676	136%	0%	7%	129%
BPI	E	2,321	163	0	0	163	7%	0%	0%	7%
BCP	E	5,135	259	3	74	182	5%	0%	1%	4%
Commerzbank	E	21,506	800	0	0	0	4%	0%	0%	0%
BNP Paribas	E	67,635	1,124	78	0	1,046	2%	0%	0%	2%
Societe Generale	E	31,968	423	77	329	17	1%	0%	1%	0%
Deutsche Bank	E	36,313	408	197	211	0	1%	1%	1%	0%
Natixis	E	12,100	121	59	62	0	1%	0%	1%	0%
Royal Bank of Scotland	£	46,341	409	97	312	0	1%	0%	1%	0%
KBC	E	13,413	100	0	100	0	1%	0%	1%	0%
Intesa Sanpaolo	E	37,295	219	2	153	64	1%	0%	0%	0%
CASA	E	25,600	112	1	111	0	0%	0%	0%	0%
Banco Popolare	E	6,349	24	17	7	0	0%	0%	0%	0%
UniCredito	E	38,691	140	9	62	69	0%	0%	0%	0%
HSBC	\$	122,496	400	300	100	0	0%	0%	0%	0%
BBVA	E	34,161	109	0	10	99	0%	0%	0%	0%
SEB	SK	93,097	181	0	181	0	0%	0%	0%	0%
Santander	E	56,694	84	0	84	0	0%	0%	0%	0%
UBS	SF	34,014	37	37	0	0	0%	0%	0%	0%
Allied Irish Banks	E	15,146	16	0	16	0	0%	0%	0%	0%
Erste	E	10,681	4	-9	10	3	0%	0%	0%	0%
Montepaschi	E	8,628	3	0	0	3	0%	0%	0%	0%
Barclays	£	43,066	13	7	6	0	0%	0%	0%	0%
Swedbank	SK	65,074	15	0	0	15	0%	0%	0%	0%
Banca Popolare di Milano	E	3,677	0	0	0	0	0%	0%	0%	0%
Bankinter	E	2,496	0	0	0	0	0%	0%	0%	0%
Bankia	E	12,568	0	0	0	0	0%	0%	0%	0%
Sabadell	E	5,061	0	0	0	0	0%	0%	0%	0%
UBI	E	7,787	0	0	0	0	0%	0%	0%	0%
Banesto	E	5,429	0	0	0	0	0%	0%	0%	0%
Popular	E	8,853	0	0	0	0	0%	0%	0%	0%
Caixa	E	17,178	0	0	0	0	0%	0%	0%	0%
Bank of Ireland	E	10,106	0	0	0	0	0%	0%	0%	0%
BES	E	6,020	0	0	0	0	0%	0%	0%	0%
DNB	NK	104,191	0	0	0	0	0%	0%	0%	0%
Danske Bank	DK	106,826	0	0	0	0	0%	0%	0%	0%
Raiffeisen	E	8,615	0	0	0	0	0%	0%	0%	0%
Lloyds	£	37,991	0	0	0	0	0%	0%	0%	0%
Handelsbanken	SK	79,384	0	0	0	0	0%	0%	0%	0%
Jyske	DK	13,117	0	0	0	0	0%	0%	0%	0%
Nordea	E	20,677	0	0	0	0	0%	0%	0%	0%
Standard Chartered	\$	31,833	0	0	0	0	0%	0%	0%	0%

Source: Company Reports. *Excluding derivatives

Exposure to Ireland

Table 13: Banks' Exposure to Ireland (Amount in Millions) – sorted by Ireland Sovereign Exp % of Core Tier 1

Banks	Cur	Core Tier 1	Ireland Sov Exp*	IE Net Trading Book	IE AFS	IE AC	Ireland Sov Exp % of Core Tier 1	IE Net Trading Book % of Core Tier 1	IE AFS % of Core Tier 1	IE AC % of Core Tier 1
Bank of Ireland	E	10,106	4,684	462	4,222	0	46%	5%	42%	0%
Allied Irish Banks	E	15,146	5,217	0	5,217	0	34%	0%	34%	0%
BPI	E	2,321	298	0	298	0	13%	0%	13%	0%
BCP	E	5,135	210	0	0	210	4%	0%	0%	4%
KBC	E	13,413	400	0	100	300	3%	0%	1%	2%
Danske Bank	DK	106,826	1,503	1,503	0	0	1%	1%	0%	0%
Societe Generale	E	31,968	348	48	300	0	1%	0%	1%	0%
Sabadell	E	5,061	40	0	40	0	1%	0%	1%	0%
Intesa Sanpaolo	E	37,295	233	1	232	0	1%	0%	1%	0%
CASA	E	25,600	146	0	146	0	1%	0%	1%	0%
Barclays	£	43,066	239	34	205	0	1%	0%	0%	0%
Deutsche Bank	E	36,313	200	-32	232	0	1%	0%	1%	0%
National Bank of Greece	E	4,059	20	20	0	0	0%	0%	0%	0%
Erste	E	10,681	47	0	32	15	0%	0%	0%	0%
BNP Paribas	E	67,635	264	-10	0	274	0%	0%	0%	0%
HSBC	\$	122,496	300	200	100	0	0%	0%	0%	0%
Royal Bank of Scotland	£	46,341	103	1	102	0	0%	0%	0%	0%
UniCredito	E	38,691	60	0	0	60	0%	0%	0%	0%
Natixis	E	12,100	15	15	0	0	0%	0%	0%	0%
BBVA	E	34,161	7	0	7	0	0%	0%	0%	0%
Montepaschi	E	8,628	0	0	0	0	0%	0%	0%	0%
Banca Popolare di Milano	E	3,677	0	0	0	0	0%	0%	0%	0%
Bankinter	E	2,496	0	0	0	0	0%	0%	0%	0%
Banco Popolare	E	6,349	0	0	0	0	0%	0%	0%	0%
Bankia	E	12,568	0	0	0	0	0%	0%	0%	0%
Alpha Bank	E	1,300	0	0	0	0	0%	0%	0%	0%
UBI	E	7,787	0	0	0	0	0%	0%	0%	0%
Banesto	E	5,429	0	0	0	0	0%	0%	0%	0%
Popular	E	8,853	0	0	0	0	0%	0%	0%	0%
Santander	E	56,694	0	0	0	0	0%	0%	0%	0%
Caixa	E	17,178	0	0	0	0	0%	0%	0%	0%
Commerzbank	E	21,506	0	0	0	0	0%	0%	0%	0%
BES	E	6,020	0	0	0	0	0%	0%	0%	0%
DNB	NK	104,191	0	0	0	0	0%	0%	0%	0%
UBS	SF	34,014	0	0	0	0	0%	0%	0%	0%
Raiffeisen	E	8,615	0	0	0	0	0%	0%	0%	0%
SEB	SK	93,097	0	0	0	0	0%	0%	0%	0%
Swedbank	SK	65,074	0	0	0	0	0%	0%	0%	0%
Lloyds	£	37,991	0	0	0	0	0%	0%	0%	0%
Handelsbanken	SK	79,384	0	0	0	0	0%	0%	0%	0%
Jyske	DK	13,117	0	0	0	0	0%	0%	0%	0%
Nordea	E	20,677	0	0	0	0	0%	0%	0%	0%
Standard Chartered	\$	31,833	0	0	0	0	0%	0%	0%	0%

Source: Company Reports. *Excluding derivatives

Exposure to Italy

Table 14: Banks' Exposure to Italy (Amount in Millions) – sorted by Italy Sovereign Exp % of Core Tier 1

Banks	Cur	Core Tier 1	Italy Sov Exp*	IT Net Trading Book	IT AFS	IT AC	Italy Sov Exp % of Core Tier 1	IT Net Trading Book % of Core Tier 1	IT AFS % of Core Tier 1	IT AC % of Core Tier 1
Montepaschi	E	8,628	23,469	4,236	18,761	472	272%	49%	217%	5%
Banca Popolare di Milano	E	3,677	6,809	29	6,575	205	185%	1%	179%	6%
Intesa Sanpaolo	E	37,295	59,660	5,555	46,521	7,584	160%	15%	125%	20%
Banco Popolare	E	6,349	9,752	2,415	7,310	27	154%	38%	115%	0%
UBI	E	7,787	8,512	1,664	5,964	884	109%	21%	77%	11%
UniCredito	E	38,691	35,087	5,547	25,910	3,630	91%	14%	67%	9%
BPI	E	2,321	865	0	865	0	37%	0%	37%	0%
Commerzbank	E	21,506	7,900	0	0	0	37%	0%	0%	0%
BNP Paribas	E	67,635	14,271	1,063	12,656	552	21%	2%	19%	1%
CASA	E	25,600	3,897	128	3,577	192	15%	1%	14%	1%
KBC	E	13,413	2,000	0	1,600	400	15%	0%	12%	3%
BBVA	E	34,161	4,124	350	634	3,140	12%	1%	2%	9%
UBS	SF	34,014	3,836	3,832	0	4	11%	11%	0%	0%
Bankia	E	12,568	1,000	0	0	1,000	8%	0%	0%	8%
Societe Generale	E	31,968	2,277	894	1,383	0	7%	3%	4%	0%
Barclays	£	43,066	2,916	567	2,334	15	7%	1%	5%	0%
Erste	E	10,681	473	400	71	2	4%	4%	1%	0%
Bank of Ireland	E	10,106	251	222	29	0	2%	2%	0%	0%
Popular	E	8,853	200	0	0	200	2%	0%	0%	2%
HSBC	\$	122,496	2,300	1,400	800	100	2%	1%	1%	0%
Raiffeisen	E	8,615	143	20	0	123	2%	0%	0%	1%
Allied Irish Banks	E	15,146	175	0	175	0	1%	0%	1%	0%
Santander	E	56,694	653	406	247	0	1%	1%	0%	0%
Royal Bank of Scotland	£	46,341	315	-389	704	0	1%	-1%	2%	0%
Banesto	E	5,429	36	0	0	0	1%	0%	0%	0%
SEB	SK	93,097	235	0	235	0	0%	0%	0%	0%
Natixis	E	12,100	24	9	0	15	0%	0%	0%	0%
Caixa	E	17,178	28	28	0	0	0%	0%	0%	0%
Lloyds	£	37,991	16	0	0	16	0%	0%	0%	0%
Swedbank	SK	65,074	27	0	0	27	0%	0%	0%	0%
Danske Bank	DK	106,826	6	6	0	0	0%	0%	0%	0%
National Bank of Greece	E	4,059	0	0	0	0	0%	0%	0%	0%
Bankinter	E	2,496	0	0	0	0	0%	0%	0%	0%
Alpha Bank	E	1,300	0	0	0	0	0%	0%	0%	0%
Sabadell	E	5,061	0	0	0	0	0%	0%	0%	0%
BCP	E	5,135	0	0	0	0	0%	0%	0%	0%
BES	E	6,020	0	0	0	0	0%	0%	0%	0%
DNB	NK	104,191	0	0	0	0	0%	0%	0%	0%
Handelsbanken	SK	79,384	0	0	0	0	0%	0%	0%	0%
Jyske	DK	13,117	0	0	0	0	0%	0%	0%	0%
Nordea	E	20,677	0	0	0	0	0%	0%	0%	0%
Standard Chartered	\$	31,833	0	0	0	0	0%	0%	0%	0%
Deutsche Bank	E	36,313	-2,154	-3,325	625	546	-6%	-9%	2%	2%

Source: Company Reports. * Excluding derivatives

Exposure to Portugal

Table 15: Banks' Exposure to Portugal (Amount in Millions) – sorted by Portugal Sovereign Exp % of Core Tier 1

Banks	Cur	Core Tier 1	Portugal Sov Exp	PT Net Trading Book	PT AFS	PT AC	Portugal Sov Exp % of Core Tier 1	PT Net Trading Book % of Core Tier 1	PT AFS % of Core Tier 1	PT AC % of Core Tier 1
BPI	E	2,321	2,335	75	2,058	202	101%	3%	89%	9%
BCP	E	5,135	4,705	574	2,105	2,026	92%	11%	41%	39%
BES	E	6,020	2,945	124	2,821	0	49%	2%	47%	0%
Popular	E	8,853	594	0	474	120	7%	0%	5%	1%
Commerzbank	E	21,506	800	0	0	0	4%	0%	0%	0%
Santander	E	56,694	1,824	83	1,741	0	3%	0%	3%	0%
CASA	E	25,600	615	8	589	18	2%	0%	2%	0%
BNP Paribas	E	67,635	1,392	-15	0	1,407	2%	0%	0%	2%
Barclays	£	43,066	810	69	716	25	2%	0%	2%	0%
Montepaschi	E	8,628	159	0	159	0	2%	0%	2%	0%
KBC	E	13,413	200	0	100	100	1%	0%	1%	1%
Societe Generale	E	31,968	420	210	210	0	1%	1%	1%	0%
Sabadell	E	5,061	60	0	60	0	1%	0%	1%	0%
BBVA	E	34,161	279	39	11	229	1%	0%	0%	1%
Allied Irish Banks	E	15,146	98	0	98	0	1%	0%	1%	0%
Natixis	E	12,100	57	57	0	0	0%	0%	0%	0%
HSBC	\$	122,496	500	400	100	0	0%	0%	0%	0%
Deutsche Bank	E	36,313	112	81	31	0	0%	0%	0%	0%
UniCredito	E	38,691	55	0	0	55	0%	0%	0%	0%
Intesa Sanpaolo	E	37,295	40	0	40	0	0%	0%	0%	0%
Danske Bank	DK	106,826	83	83	0	0	0%	0%	0%	0%
Erste	E	10,681	6	0	6	0	0%	0%	0%	0%
Swedbank	SK	65,074	27	0	0	27	0%	0%	0%	0%
Caixa	E	17,178	1	0	1	0	0%	0%	0%	0%
National Bank of Greece	E	4,059	0	0	0	0	0%	0%	0%	0%
Banca Popolare di Milano	E	3,677	0	0	0	0	0%	0%	0%	0%
Bankinter	E	2,496	0	0	0	0	0%	0%	0%	0%
Banco Popolare	E	6,349	0	0	0	0	0%	0%	0%	0%
Bankia	E	12,568	0	0	0	0	0%	0%	0%	0%
Alpha Bank	E	1,300	0	0	0	0	0%	0%	0%	0%
UBI	E	7,787	0	0	0	0	0%	0%	0%	0%
Banesto	E	5,429	0	0	0	0	0%	0%	0%	0%
Bank of Ireland	E	10,106	0	0	0	0	0%	0%	0%	0%
DNB	NK	104,191	0	0	0	0	0%	0%	0%	0%
UBS	SF	34,014	0	0	0	0	0%	0%	0%	0%
Raiffeisen	E	8,615	0	0	0	0	0%	0%	0%	0%
SEB	SK	93,097	0	0	0	0	0%	0%	0%	0%
Lloyds	£	37,991	0	0	0	0	0%	0%	0%	0%
Handelsbanken	SK	79,384	0	0	0	0	0%	0%	0%	0%
Jyske	DK	13,117	0	0	0	0	0%	0%	0%	0%
Nordea	E	20,677	0	0	0	0	0%	0%	0%	0%
Standard Chartered	\$	31,833	0	0	0	0	0%	0%	0%	0%
Royal Bank of Scotland	£	46,341	-60	-116	56	0	0%	0%	0%	0%

Source: Company Reports. * Excluding derivatives

Exposure to Spain

Table 16: Banks' Exposure to Spain (Amount in Millions) – sorted by Spain Sovereign Exp % of Core Tier 1

Banks	Cur	Core Tier 1	Spain Sov Exp	ES Net Trading Book	ES AFS	ES AC	Spain Sov Exp % of Core Tier 1	ES Net Trading Book % of Core Tier 1	ES AFS % of Core Tier 1	ES AC % of Core Tier 1
Bankinter	E	2,496	4,180	80	2,000	2,100	167%	3%	80%	84%
BBVA	E	34,161	52,748	4,366	15,225	33,157	154%	13%	45%	97%
Bankia	E	12,568	17,300	1,000	11,200	5,100	138%	8%	89%	41%
Sabadell	E	5,061	6,000	0	6,000	0	119%	0%	119%	0%
Banesto	E	5,429	4,485	0	0	0	83%	0%	0%	0%
Popular	E	8,853	6,457	0	3,639	2,818	73%	0%	41%	32%
Caixa	E	17,178	12,097	36	6,609	5,452	70%	0%	38%	32%
Santander	E	56,694	39,309	8,060	29,975	1,274	69%	14%	53%	2%
KBC	E	13,413	1,900	0	1,700	200	14%	0%	13%	1%
Commerzbank	E	21,506	2,800	0	0	0	13%	0%	0%	0%
Barclays	£	43,066	2,530	0	2,468	62	6%	0%	6%	0%
UniCredito	E	38,691	2,104	504	1,584	16	5%	1%	4%	0%
Banco Popolare	E	6,349	203	0	203	0	3%	0%	3%	0%
Societe Generale	E	31,968	963	283	680	0	3%	1%	2%	0%
Montepaschi	E	8,628	246	-29	275	0	3%	0%	3%	0%
Deutsche Bank	E	36,313	997	52	193	752	3%	0%	1%	2%
Intesa Sanpaolo	E	37,295	755	93	151	511	2%	0%	0%	1%
BNP Paribas	E	67,635	864	58	457	349	1%	0%	1%	1%
Bank of Ireland	E	10,106	86	86	0	0	1%	1%	0%	0%
Danske Bank	DK	106,826	884	884	0	0	1%	1%	0%	0%
HSBC	\$	122,496	1,000	100	900	0	1%	0%	1%	0%
CASA	E	25,600	172	0	48	124	1%	0%	0%	0%
Erste	E	10,681	24	-27	39	12	0%	0%	0%	0%
Allied Irish Banks	E	15,146	30	0	30	0	0%	0%	0%	0%
BES	E	6,020	5	1	4	0	0%	0%	0%	0%
Lloyds	£	37,991	17	0	0	17	0%	0%	0%	0%
Swedbank	SK	65,074	10	0	5	5	0%	0%	0%	0%
UBS	SF	34,014	5	0	0	5	0%	0%	0%	0%
National Bank of Greece	E	4,059	0	0	0	0	0%	0%	0%	0%
Banca Popolare di Milano	E	3,677	0	0	0	0	0%	0%	0%	0%
BPI	E	2,321	0	0	0	0	0%	0%	0%	0%
Alpha Bank	E	1,300	0	0	0	0	0%	0%	0%	0%
UBI	E	7,787	0	0	0	0	0%	0%	0%	0%
BCP	E	5,135	0	0	0	0	0%	0%	0%	0%
DNB	NK	104,191	0	0	0	0	0%	0%	0%	0%
Raiffeisen	E	8,615	0	0	0	0	0%	0%	0%	0%
SEB	SK	93,097	0	0	0	0	0%	0%	0%	0%
Handelsbanken	SK	79,384	0	0	0	0	0%	0%	0%	0%
Jyske	DK	13,117	0	0	0	0	0%	0%	0%	0%
Nordea	E	20,677	0	0	0	0	0%	0%	0%	0%
Standard Chartered	\$	31,833	0	0	0	0	0%	0%	0%	0%
Natixis	E	12,100	-6	-7	0	1	0%	0%	0%	0%
Royal Bank of Scotland	£	46,341	-358	-391	33	0	-1%	-1%	0%	0%

Source: Company Reports. * Excluding derivatives

J.P. Morgan European banks team - contact details

Table 17: J.P. Morgan equity research - European Banks team contact details

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Source: J.P. Morgan

Corrected Note: Corrected Nordea mkt cap currency to SK in table 1

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