

# Exposure to Greece and Portugal – so far

## Disclosure is woeful

We include in Table 1 below the comments of European banks with respect to their exposure to Greece and Portugal. Many investors have asked us to provide these numbers in a single table. In our view, disclosure to date has been poor. Lots of banks, apparently, have ‘negligible’ or ‘marginal’ exposure. Whilst such comments are intended to reassure, if exposure really is de minimis, then why not just disclose the small amount? Especially if, as in our view, the EU/IMF package makes it rather unlikely that any bank would need to raise any provisions against their accrual accounted Greek sovereign exposures in the short-term (which we assume much of this will be). On the basis of current disclosure and our view that any bank with material exposure to Greece or Portugal that wasn’t obvious should probably have revealed it by now, we don’t see that much to worry about in terms of direct exposures so far.

## German banks appear to have the largest single exposures

Hypo Real Estate would appear to have the largest single exposure to Greece, based on banks’ disclosure so far, at €10bn. Several other German banks (e.g. Deutsche Postbank, Eurohypo) have disclosed exposure in excess of €1bn. We would view such exposures as manageable at this stage for the banks and by no means excessive in the context of these groups’ overall balance sheet size. This morning, German banks and insurance companies stated it was their intention to “maintain existing credit lines” to the Greek government and the banks for the duration of the aid program.

## French bank exposures sizeable but probably manageable

According to the BIS data, the French banks have the largest cross-border exposure but we believe big chunks of these are accounted for by the fact that Credit Agricole and SocGen have Greek subsidiaries. These banks’ exposure to their Greek operations, properly speaking, is limited to the equity of their subsidiaries (and to any net cross-border lending from the parent), rather than the loans that the subsidiary makes as consolidated in the parent. The net assets of Emporiki are €1.1bn but CredAg had advanced €10bn to support its subsidiary as of FY 2009. This compares to CredAg’s shareholders equity of €49bn at the same time. SocGen’s Geniki’s total balance sheet is much smaller – only €5bn.

## Santander largest European bank in Portugal

The net assets of Santander’s Portuguese subsidiary, Totta, totalled €2.7bn which compares with Santander’s group equity of €74bn. Totta’s total balance sheet is around €46bn. BBVA’s Portuguese operations by contrast do seem to be de minimis. CredAg and La Caixa also have minority stakes in Portuguese banks (BES and BPI respectively).

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**Table 1: European banks – disclosed exposure to Greece and Portugal**

Bank	Exposure to Greece	Exposure to Portugal
Banco Pastor	EUR40m	EUR130m
Banco Sabadell	-	EUR330m (4.43% stake in BCP)
Barclays	<GBP200m	-
BayernLB	EUR300m	-
BBVA	"Immaterial"	"Immaterial". Total assets of BBVA Portugal around €7bn
BNP Paribas	"Negligible" regards Greek banks; "very limited" loans to Greek companies	-
Commerzbank	EUR3.1bn sovereign (all in Eurohypo)	No comment
Credit Agricole	Emporiki Bank: Net assets: EUR1.1bn;	EUR1.6bn (24% stake in BESPL)
Credit Suisse	Total balance sheet: EUR28.4bn	"Immaterial"
Deutsche Bank	"Immaterial"	No comment
Deutsche Postbank	"Not much" direct exposure	No comment
DnB NOR	EUR1.3bn (sovereign)	-
Erste Group	6% of shipping book is to Greek ship owners (total book of NOK140bn).	EUR0.5bn Portuguese RMBS. All AAA or AA.
Fortis	EUR1bn	-
Hypo Real Estate	EUR4.1bn (sovereign)	EUR3.1bn (sovereign)
Intesa Sanpaolo	EUR7.9bn (sovereign); EUR2bn (non-sovereign)	EUR1.7bn (sovereign); EUR3.7bn (non-sovereign)
KBC	EUR1bn (sovereign)	Part of EUR0.5bn exposure to Portugal, Spain and Ireland
Lloyds Banking Group	c.EUR1.2bn (sovereign)	c.EUR600m (sovereign)
Monte dei Paschi	"Not material"	"Not material"
Natixis	EUR20m	-
Nordea	"Negligible"	"Insignificant"
NordLB	No comment	No comment
Raiffeisen International	"Marginal"	-
RBS	EUR295m	-
Santander	<GBP1bn	GBP1.4bn
SEB	EUR200m	EUR3bn. Also Banco Santander Totta: Net assets: EUR2.7bn; Total balance sheet: EUR 45.7bn
Societe Generale	"Very limited"	No comment
Standard Chartered	Geniki Bank (54% stake): Net assets: EUR269m; Total balance sheet:	Part of EUR13bn sovereign exposure to Portugal, Italy, Greece and Spain
Swedbank	EUR4.8bn	"No exposure"
UBS	"No exposure"	-
Unicredit	SEK72m	No comment
WestLB	"Not material"	No comment
	"Not material"	No comment
	EUR1bn (allocated the EUR1bn in sovereign debt to the Bad Bank (backed by SoFFin))	-

Source: BofA Merrill Lynch Global Research, Bloomberg, Company reports. Note that some of the above exposures could be stated 'net' of any related hedges

## Link to Definitions

### Credit

Click [here](#) for definitions of commonly used terms.

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Overweight-30%	Up to 30% Overweight of investor's guidelines	Good carry, but little spread tightening expected
Underweight-30%	Down to 30% Underweight of investor's guidelines	Unattractive carry, but spreads unlikely to widen
Underweight-70%	Down to 70% Underweight of investor's guidelines	Expected spread underperformance
Underweight-100%	Down to 100% Underweight of investor's guidelines	Material spread widening expected

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