

Southern Europe

2011 Outlook: Southern European Banks

Rating Outlook

Italy and Spain

STABLE

Greece and Portugal

NEGATIVE

Analysts

Maria Jose Lockerbie (Southern Europe)
+44 20 3530 1083
mariajose.lockerbie@fitchratings.com

Christian Scarafia (Italy)
+39 02 87 90 87 212
christian.scarafia@fitchratings.com

Carmen Munoz (Spain)
+34 93 323 8408
carmen.munoz@fitchratings.com

Cristina Torrella (Greece and Portugal)
+34 93 323 8405
cristina.torrella@fitchratings.com

Related Research

Applicable Criteria

- *Global Financial Institutions Rating Criteria (August 2010)*
- *Short-Term Ratings Criteria for Corporate Finance (November 2010)*

Other Research

- *Global Economic Outlook (October 2010)*
- *Major Greek Banks: Semi-Annual Review and Outlook -- Destination Unknown (November 2010)*
- *Major Italian Banks: Semi-Annual Review and Outlook (October 2010)*
- *Spanish Financial Institutions' Domestic Loan Book Stress Tests (July 2010)*
- *Fund for Orderly Bank Restructuring - Spain (July 2009)*

Rating Outlook

Stable for the Italian banking system: Fitch expects net interest margins to improve slightly in 2011, counterbalanced by subdued lending growth. The agency expects loan impairment charges to continue to absorb a relatively high proportion of pre-impairment profits but not to reach the highs of 2009-2010.

Mixed for the Spanish banking sector: The outlook is stable for the large and more diversified banks and some of the larger savings banks or "cajas". It is negative for the caja sector in general, which has been severely affected by the collapse of the housing sector and is undergoing restructuring. The negative outlook for the cajas remains despite Fitch having downgraded the ratings of several of them, in some cases by more than one notch. Most of the ratings of the medium-sized to small cajas are in the 'BBB' range.

Negative for the Greek and Portuguese banking sectors: Fitch's negative outlook is predicated on funding and liquidity concerns and weak macroeconomic conditions for these countries.

Funding and liquidity constraints: Banks in Portugal and Greece are facing the contagion effect of the loss in confidence of their sovereigns, which has prevented banks from accessing the wholesale markets for funding, resulting in increased funding from the European Central Bank (ECB). Greek banks remain vulnerable to sovereign shocks, which could affect their deposit bases and available liquidity, and possibly their ability to raise capital. Portuguese banks will have to manage significant debt refinancing needs to end-2013 and rebalance their funding towards retail funding.

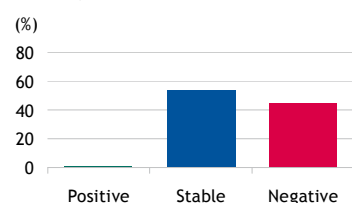
Difficult and more expensive wholesale market access in Spain: Fitch expects the largest banks to continue to access the markets in 2011 and beyond. However, their costs of funding have risen, and are likely to remain high. Most medium-sized to small Spanish banks and cajas are still unable to issue in the markets and it will be very difficult and/or expensive for them to raise long-term funds.

Funding still sound in Italy: Although they have not been immune from the developments of the wholesale markets, funding is a relative strength of Italian banks with high volumes of retail customer funds. However, operating profitability will come under further pressure if increased funding costs persist, and the banks will need to ensure that the maturity profile of their debt remains adequate.

What Could Change the Outlook

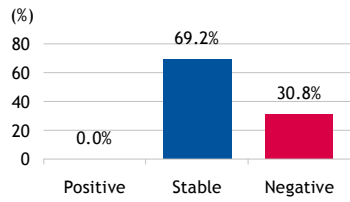
The Rating Outlook on the Italian banks could turn negative if there is further deterioration of the already weak asset quality and profitability. If difficult market conditions and muted economic growth persist over time, the stable outlook of the largest Spanish institutions could also turn negative, and the negative outlook for the rest of the sector would remain. Successful restructuring of the Spanish cajas with more substantial capital injections could improve rating outlook for them. The negative outlook on Greek banks will continue to mirror the rating Outlook on Greece. Improved market sentiment towards Portuguese banks would stabilise their funding position and could result in stable outlook. Fitch expects ECB liquidity to remain available throughout 2011. However, changes in the ECB's monetary policies could drive down ratings in the region.

Southern European Banks' Rating Outlooks



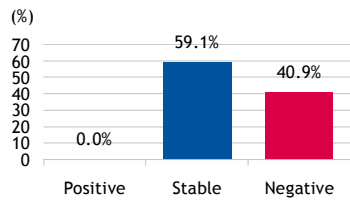
Source: Fitch

Italian Banks' Rating Outlooks



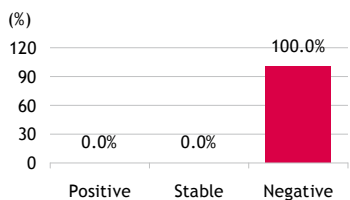
Source: Fitch

Spanish Banks' Rating Outlooks



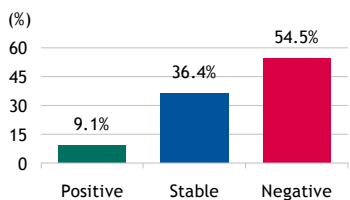
Source: Fitch

Greek Banks' Rating Outlooks



Source: Fitch

Portuguese Banks' Rating Outlooks



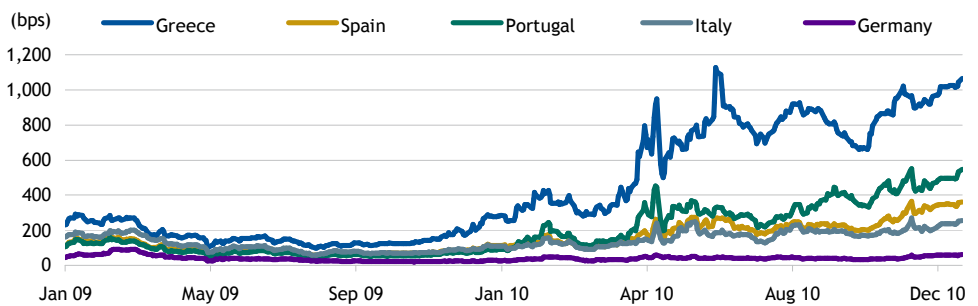
Source: Fitch

Economic Data

Fitch expects the EU economy to gradually recover from 2011, although the pace of the recovery will remain moderate and slow and will vary by country. Fitch expects Italy and Spain to gradually show signs of slow improvement in 2011. This is reflected in Fitch's positive, albeit muted, forecast for GDP growth of 1.1% for Italy and 0.5% for Spain. Fitch's view on Portugal and Greece, however, turned more negative. The agency expects economic contractions of 1% GDP growth for Portugal and 3.3% for Greece.

In this economic environment unemployment is likely to remain high. Fitch expects this to remain flat for Italy (at 8.4%) and Spain. It also expects steady but relatively slow increases in Greece (to 14.6% in 2011 from 12.2% in 2010) and Portugal (from 11% in 2011 from 10.5% in 2010). However, the highest rate will continue to be Spain's 20%.

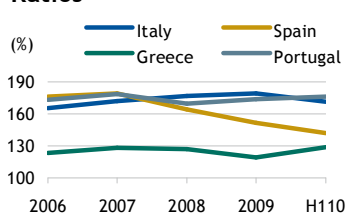
Chart 1: Southern European 5 yrs CDS Spread



Source: Bloomberg

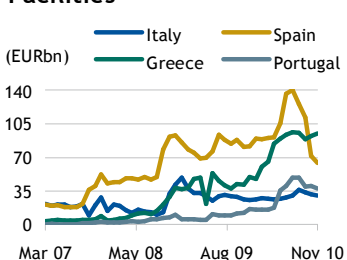
After Greece's bail-out, the CDS spreads of the major southern European countries increased notably (see Chart 1). CDS spreads were also negatively affected by adverse reactions in the capital markets during 2010, which reflected concerns about the economic recovery.

Chart 2: Loans/Deposits Ratios



Source: Bank data reclassified by Fitch

Chart 3: Southern European Usage of ECB Facilities



Source: ECB

Funding and Liquidity Still the Biggest Challenge in 2011

Access to market funding still fragile for most domestic Spanish institutions: The relative inaccessibility of the markets is driven by sovereign concerns about the European peripheral countries and asset-quality challenges. Wholesale funds are becoming more expensive for the larger and more international groups.

The significant loan growth during 2004-2007 was mostly wholesale funded. This increased leverage and made most Spanish banks reliant on this funding source, particularly the *cajas*. The wholesale market has been effectively closed since the start of the sovereign crises in May 2010 for most domestic financial institutions. Emphasis on capturing retail deposits, gradual loan deleveraging, the issuance of government-guaranteed debt and the increased use of ECB facilities have helped fund debt maturities and maintain sound liquidity. A key concern for investors has been in the significant exposure of the Spanish banks to the construction and real estate sectors, and the inability of the *caja* sector to increase capital.

The Fund for Orderly Bank Restructuring (FROB) and the recent reform of the *cajas* law have provided the banking system with a full range of clearly defined instruments, including capital and liquidity, to help support banks and ensure financial stability. Of the 45 *cajas* that existed at end-2009, 40 have undergone or are undergoing consolidation, either through mergers or through the creation of an Institutional Protection Scheme (SIP). This scheme is a legally binding cross-guarantee mechanism that has facilitated the integration of *cajas* from different regions. Although these factors represent a big step forward, market access for liquidity remains difficult and the system faces the challenge of restoring the confidence of wholesale investors.

Although still high for a banking system focused on retail banking, the average loans/deposit ratio for the largest Spanish banks (see Chart 2) has progressively improved since the beginning of the crisis. This has been supported by a reduction in lending and, in some cases, by aggressive commercial strategies aimed at increasing customer deposits. However, focusing on improving the customer deposit base has become challenging and costly, as competition among Spanish banks is intense and as households reduce their debt levels. Most Spanish banks have solid deposit franchises that have proved stable, even for the two *cajas* that were the subject of intervention by the Bank of Spain.

There has been a significant reduction in access to ECB funding by the Spanish banks since the peak in August 2010. Fitch expects this trend to continue in 2011. This reduction has been helped by improved market access for larger banks, with a greater differentiation of the market between individual issuers, and around EUR11.6bn in FROB funds received by integrating *cajas* at end-2010. Another development since the summer of 2010 has been use of tri-partite repo agreements in European counterparty clearing houses such as London Clearing House and Eurex Repo as an alternative to ECB funding.

Fitch expects the largest banks to continue to access the wholesale markets in 2011. However, most small banks and *cajas* will still have very limited access to wholesale funding and remain reliant on the ECB unless there is a deeper restructuring of the *caja* sector and a broader alleviation of market concerns about peripheral euro area risk.

Capital markets still tough for Greece and Portugal: Continued difficulties in accessing the capital markets are putting pressure on banks' funding and liquidity. Wholesale funding sources for Greek and Portuguese banks – much earlier for the former – have gradually completely closed, largely due to increased sovereign concerns. Consequently, banks, particularly Greek ones, are now reliant on ECB liquidity lines for their funding.

Banks will continue to face funding and liquidity challenges in 2011 due to ongoing uncertainties surrounding the sovereigns. However, the banks face this situation from different positions. Greek banks' deposit bases and balance-sheet liquidity have proved vulnerable to sovereign developments, making their funding and liquidity position more fragile than that of Portuguese banks.

Although Greek banks' ECB funding has been largely to finance a net outflow of customer deposits resulting from country systemic issues, Portuguese banks' deposit bases have remained stable and the increased access to ECB funding has been mostly to finance a net repayment of medium and long-term debt securities and other short-term borrowings arising from their traditionally high reliance on wholesale funding. Positively, Greek and Portuguese banks are making efforts to improve their deposit franchises, deleverage their balance sheets and increase the amount of ECB-eligible assets.

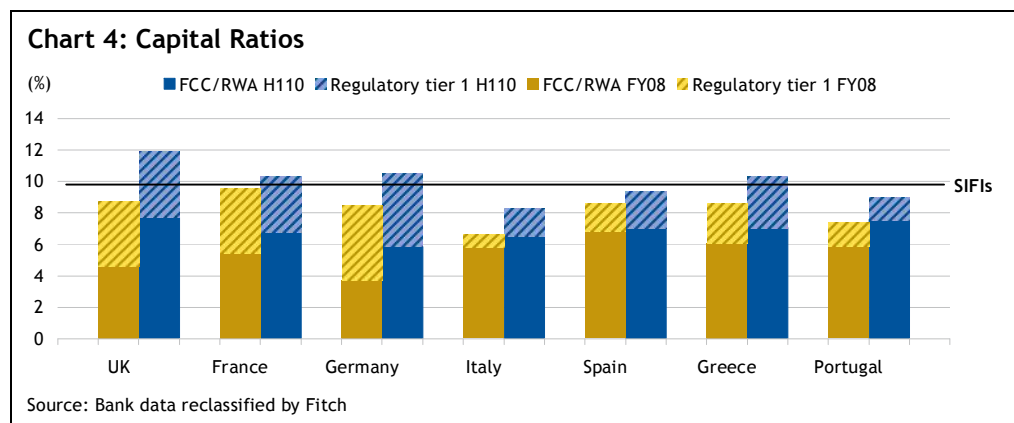
Sound bank funding in Italy: Fitch considers the structural funding of the Italian banks to be generally sound and does not expect availability of funding to pose a serious challenge in 2011. Access to covered bonds – a relatively new instrument for Italian banks – has helped diversify funding sources and reduce funding costs. Italian banks also offer medium-term bonds to their retail clients through their network, a very efficient way for them to raise medium-term debt (including these bonds, the loan/deposit ratio of Italian banks would improve to about 120%). Nevertheless, the banks will have to ensure that the maturity profiles of their liabilities remain adequate.

Italian banks were also able to reduce their need for ECB liquidity facilities, partly as a result of a secured interbank market (the Mercato Intebancario Collateralizzato, or MIC) instituted by the Banca d'Italia. The MIC released some of the constraints on the functioning of the interbank market. Apart from a couple of notable exceptions, Italian banks are not reliant on the ECB for liquidity; none of the large Italian banks have issued debt backed by a government guarantee.

Retail funding remains relatively cheap, although there is increased competition. Some foreign banks are offering deposit products and bonds in Italy, but domestic banks are likely to benefit from their strong franchise. The main competition banks are likely to face will be from investment funds if and when money is gradually re-invested into higher-yielding instruments. The challenge for banks is to ensure that they are able to capture these, at least in terms of commissions generated.

Capitalisation

Despite improvements in major southern European banks' capital adequacy, the current macroeconomic environment, together with the need to start preparing for the adoption of Basel III, will require banks to maintain significant capital buffers over and above the current regulatory minimum.



Comparatively low capital in Spain and Italy: Fitch regards the level of capitalisation among the large Italian and Spanish banks to be weaker than generally internationally, particularly in light of the proportion of impaired loans in their portfolios. Only two of the five major banks, Banca Monte dei Paschi di Siena (MPS) and Banco Popolare, issued hybrid instruments subscribed to by the Italian government (Tremonti bonds) to boost regulatory capital. Both banks expect to pay these back from 2012. Banco Popolare is in the process of a EUR2bn capital increase. Unlike the Italian regulator, Fitch does not include Tremonti bonds in its classifications of core capital.

In Spain, only one of the large banks, Caja de Ahorros y Monte de Piedad de Madrid, has required FROB funds in its integration process with 6 other cajas. One of the reasons for the consolidation in the caja sector is to gain critical mass and cost efficiency. This, together with the recent legislation on cajas, will facilitate the normalisation of the sector and eventually will enable them to raise share capital. The consolidation process is enabling the cajas to revalue assets and liabilities and, along with the FROB funds, front-load expected losses from the loan portfolio.

The latter are being charged against equity, while restructuring costs are being charged against the profit and loss statements over several years. FROB funds are injected in the form of mandatory convertible preference shares. Despite this, it is likely that capital levels will remain low for the Spanish cajas, in part due to the early recognition of future asset impairments. The success for newly formed groups to raise capital in the future will be dependent on restoring market confidence. Virtually all integration processes have only required FROB funds equating to 2% of risk weighted assets which may not be enough at certain institutions.

Making efforts to improved capital in Greece: Major Greek banks' capital levels include state capital support in the form of preference shares, from 5% of Tier 1 capital at National Bank of Greece (NBG) to around 16% at Alpha and Eurobank. However, at some point the state preference shares will have to be paid back or replaced by other forms of capital before potential conversion to common shares owned by the Greek state. This, together with weakening internal capital generation, is encouraging banks to seek alternatives to sustain capital levels. NBG completed a rights issue in October 2010 that increased capital by EUR1.8bn and it plans to raise a further EUR1bn by selling a minority stake in its Turkish subsidiary Finansbank and. Piraeus Bank is in the process of a EUR807m share capital increase.

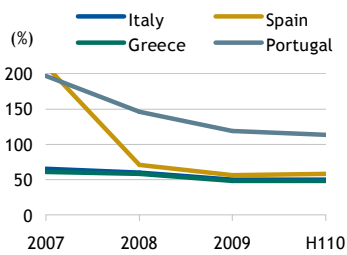
All large Greek banks have considerable exposure to Greek government bonds (GGBs). At end-H110, GGBs accounted for 110%-287% of equity. To avoid volatility in their income statements and equity reserves, since 2009 all banks have reclassified most of their GGB holdings as held to maturity or in their loans and receivables books, with only minor balances left in the available-for-sale and trading books.

If there were a credit event concerning GGBs, the potential impact on the liquidity and solvency of each bank would largely depend on the absolute size but also the duration of the GGB portfolio. Fitch has calculated that all four major banks' capital should be able to withstand a 10% haircut on their GGB portfolios. Bigger haircuts, such as 20%, would in some instances already absorb a considerable proportion of the banks' equity.

Asset Quality a Concern Across the Board; More Problematic for Spain and Greece

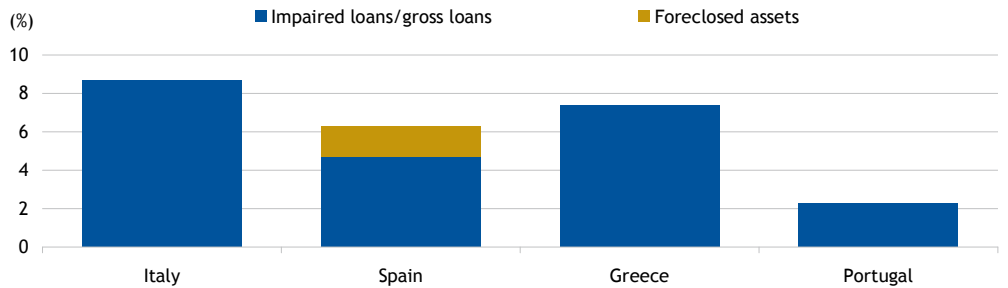
Fitch does not expect as sharp a deterioration in asset quality at Italian or Spanish banks during 2011 as that experienced in 2009-2010, particularly if the economies begin to pick up, as forecast. Nevertheless, some additional impairments resulting from the lagging effect of the negative macroeconomic situation on businesses and unemployment are likely.

Chart 6: Reserve Coverage of Impaired



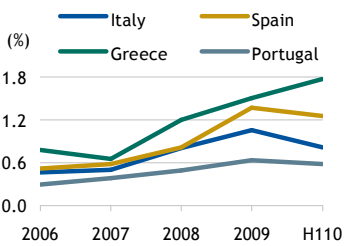
Source: Bank data reclassified by Fitch

Chart 5: Impaired Loans/Gross Loans H110



Source: Bank data reclassified by Fitch

Chart 7: Impairment Charges/Average Gross Loans



Source: Banks' financial statements, Fitch

Historical build-up of impairments in Italy: There are large stocks of impaired loans at the Italian banks, as these are generally not written off at an early stage and often remain on the balance sheet until they are resolved many years later (this is done mostly for tax reasons). However, these are not the result of over-concentration on any particular sector. The major banks' loan books continue to be fragmented by borrower and industry. Furthermore, the problem loans are not the result of the bursting of any particular industrial "bubble" in Italy.

There is a wide difference between the best and the worst performers. For example, UBI Banca reported impaired loans of around 5.45% of gross loans at end-September 2010. Although these are likely to increase in 2011, they are unlikely to reach the levels reported by MPS, whose asset quality suffers from recent acquisitions of banks that needed further restructuring. These acquisitions were a major driver behind an impaired loan ratio of 10.42% at end-H110.

Although there may be some small increase in the stock of impaired loans in 2011 due to a lagging effect, of more concern to Fitch than the stock is the relatively low impairment coverage at Italian banks when compared internationally. This is likely to keep impairment charges relatively high in the medium term. However, Italian banks still have relatively strong collateral backing the loan book, which has historically resulted in relatively low losses.

Real estate collapse in Spain: Fitch included foreclosed assets as impaired loans to more accurately assess asset quality in Spain. Even so, the impaired/total loans ratio of the largest Spanish banks remains relatively low and coverage ratios have remained stable. This ratio will be close to 10% for a large proportion of the rest of the system. Most of the defaults of large real estate developers have already been factored into the impaired/total loans ratio, so a sharp increase in the ratio is unlikely. A further increase in impaired loans is likely to come from smaller real estate developers and/or SMEs, and from unsecured lending.

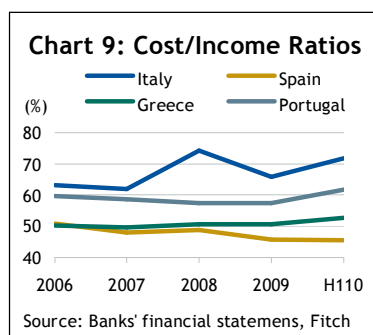
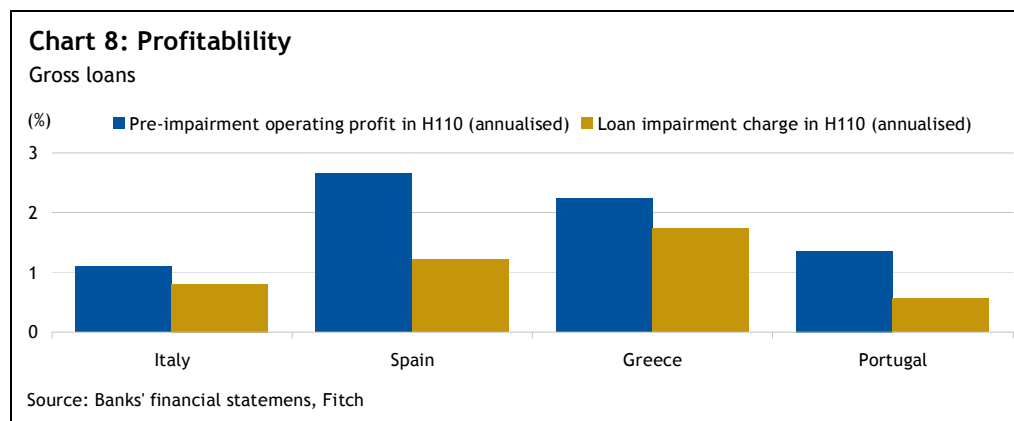
Impairments yet to peak in Greece and Portugal: Fitch expects impaired loans to continue increasing in Greece and Portugal in 2011. Asset quality in Portugal still compares relatively well with that of some of its south European peers, helped by the absence of a property bubble in Portugal. However, with a risk of a recession in 2011, rising unemployment and anaemic medium-term growth, Fitch expects asset-quality problems to increase across all loan segments, particularly unsecured lending. To date, asset-quality problems in Greece have been particularly pronounced in the banks' unsecured retail loans books, while asset quality in the banks' large SME and corporate books has held up better, supported by some restructuring. A prolonged economic recession in Greece is likely to lower asset quality in the banks' SME/corporate books.

The relatively resilient revenue generation allowed the Greek banks to increase loan impairment charges in line with increasing impaired loans, and coverage ratios have generally remained stable at 40%-50%. Although this is comparatively low by

international standards, coverage ratios need to be considered in the context of the banks' large mortgage books and the generally high collateralisation of corporate and in particular SME lending.

Profitability to Remain Under Pressure in 2011

Southern European banks continue to rely on net interest revenue for income. Profitability at pre-impairment operating level has in general remained satisfactory in 2010 despite the difficult operating environment, highlighting the banks' resilient banking earnings. Most southern European banks benefit from healthy margins domestically, and in some cases from international operations.



Fitch expects margins to continue feeling the pressure of low interest rates, higher costs from wholesale funding and deposits, and muted or slow loan growth in 2011. The resulting narrowing of spreads was very sharp in Italy in 2009/2010, but spreads began to widen from Q310 as interest rates started to rise and banks were able gradually to re-price their assets. Fitch expects this to continue into 2011. With a large proportion of variable interest-rate lending, the Spanish banks are particularly affected by low interest rates as their loan books reprice at lower rates, with some banks not having established interest rate floors. Operating profits of Portuguese, Greek and to a lesser degree Italian banks could also be affected by movements of the credit spreads on sovereign debt.

In general, Spanish and Greek banks have good cost efficiency ratios (see Chart 9), and Fitch expects costs to remain under control for most banks in these countries. Restructuring costs for Spanish cajas that are involved in merger processes could be significant and reduce operating income. Costs at Italian banks have been improving gradually but are still high by international standards. This gives the banks some potential for additional cost cuts.

Fitch expects loan impairment charges to continue to increase or remain high in Portugal and Greece. Although they are likely to be lower than the highs of 2009, they may well remain high in Italy and Spain. An increase in loan impairment charges for Spain as from H210 will mostly arise from the application of Bank of Spain's stricter provisioning requirements. The front-loading of expected losses will mean lower loan impairment charges for the cajas involved in consolidation processes until 2016.

The international diversification of Santander, BBVA, good prospects in Latin America, and to a lesser extent better prospects in southern and eastern Europe and Turkey for NBB and Unicredit should help sustain the banks' overall performance. These factors will continue to counterbalance the negative pressures in their domestic business.

Fitch does not expect non-operating income from asset disposal, a strong feature of Italian banks in 2010, to continue in the medium term in that country. However, it could boost net income in other countries.

Appendix A: Major European Banks used in Data Sample

Italy: UniCredit S.p.A., Intesa Sanpaolo, Unione di Banche Italiane Scpa - UBI Banca, Banco Popolare, Banca Monte dei Paschi di Siena SpA

Spain: Banco Santander, Banco Bilbao Vizcaya Argentaria (BBVA), Caja de Ahorros y Pensiones de Barcelona (la Caixa), Caja de Ahorros y Monte de Piedad de Madrid, Banco Popular Espanol S.A.

Greece: Alpha Bank, EFG Eurobank Ergasias S.A., National Bank of Greece S.A., Piraeus Bank

Portugal: Banco Espirito Santo, Caixa Geral de Depositos, Banco Comercial Portugues, Banco BPI, Banco Santander Totta SA

Appendix B

Key Financial Indicators – Five Largest Italian Banks

| | UniCredit | | Intesa Sanpaolo | | UBI | | Banco Popolare | | Banca Monte dei Paschi | |
|---|-----------|----------|-----------------|---------|---------|---------|----------------|---------|------------------------|-----------|
| | H110 | 2009 | H110 | 2009 | H110 | 2009 | H110 | 2009 | H110 | 2009 |
| Profit and loss (EURm) | | | | | | | | | | |
| Net interest income | 8,377.4 | 17,979.4 | 5,468 | 11,968 | 1,071.6 | 2,535.7 | 1,249.8 | 2,677.4 | 2,027.7 | 3,996.9 |
| Net fees and commissions | 4,378.5 | 7,780.6 | 2,595 | 4,955 | 605 | 1,130.2 | 653.1 | 1,227.6 | 986.6 | 1,695.3 |
| Net insurance income | 9.7 | 7.3 | -177 | -672 | 0 | 20 | n.a. | n.a. | n.a. | 0 |
| Other operating income | 215.9 | 1,436.9 | 216 | 1,211 | -5.9 | 4.6 | -289.3 | -25.5 | -280.7 | -279.3 |
| Personnel expenses | 4,664.2 | 9,344.5 | 2,802 | 5,788 | 747.5 | 1,477.2 | 815.2 | 1,611.5 | 1,073.1 | 2,290.9 |
| Other operating expenses | 3,187.3 | 7,465 | 2,315 | 4,791 | 480.3 | 1,056.4 | 614.5 | 922.5 | 906.2 | 1,606.2 |
| Loan impairment charge | 3,380.3 | 8,455 | 1,419 | 3,700 | 321.7 | 894.7 | 386.7 | 993.2 | 599.4 | 1,452.7 |
| Other credit impairment charges | 148.2 | 851 | 48 | 263 | 22.2 | 49.2 | 29.7 | 49.1 | 19.1 | 44.2 |
| Operating profit | 1,709.6 | 1,167.7 | 1,529 | 3,481 | 110.4 | 248.6 | -207.6 | 384.9 | 139.7 | 94.1 |
| Performance ratios(%) | | | | | | | | | | |
| Net interest margin | 1.93 | 1.96 | 1.9 | 2.09 | 1.89 | 2.3 | 2.06 | 2.34 | 1.92 | 2.06 |
| Cost/income ratio | 60.48 | 61.79 | 63.16 | 60.58 | 73.49 | 68.65 | 88.6 | 65.32 | 72.41 | 72 |
| Pre-impairment operating ROAA | 1.12 | 1.06 | 0.94 | 1.17 | 0.73 | 0.98 | 0.31 | 1.12 | 0.65 | 0.74 |
| Operating ROAA | 0.37 | 0.12 | 0.48 | 0.55 | 0.18 | 0.2 | -0.31 | 0.3 | 0.12 | 0.04 |
| Pre-impairment operating ROAE | 16.53 | 17.18 | 11.21 | 14.35 | 7.54 | 9.72 | 3.79 | 13.36 | 10.02 | 10.33 |
| Operating ROAE | 5.4 | 1.92 | 5.72 | 6.71 | 1.83 | 2.03 | -3.76 | 3.6 | 1.85 | 0.61 |
| Total credit impairment/pre-impairment operating profit | 67.36 | 88.85 | 48.97 | 53.24 | 75.7 | 79.15 | 199.43 | 73.03 | 81.57 | 94.09 |
| Asset quality ratios(%) | | | | | | | | | | |
| Growth of gross loans | -0.69 | -6.7 | 0.66 | -4.48 | 2.33 | 2.29 | 0.55 | 18.95 | 0.69 | 5.39 |
| Gross loans (EURm) | 590,713 | 594,788 | 393,025 | 390,453 | 102,678 | 100,341 | 100,200 | 99,651 | 161,274.1 | 160,174.5 |
| Impaired loans(EURm) | 55,734 | 49,416.2 | 30,778 | 29,430 | 5,511.7 | 4,960 | 10,356.8 | 11,926 | 16,799.4 | 15,270.7 |
| Impaired loans/gross loans | 9.44 | 8.31 | 7.83 | 7.54 | 5.37 | 4.94 | 10.34 | 11.97 | 10.42 | 9.53 |
| Loan impairment charge | 3,380.3 | 8,455 | 1,419 | 3,700 | 321.7 | 894.7 | 386.7 | 993.2 | 599.4 | 1452.7 |
| Loan impairment charge/gross loans | 1.14 | 1.42 | 0.72 | 0.95 | 0.62 | 0.89 | 0.78 | 1.00 | 0.74 | 0.91 |
| Coverage | 57.31 | 60.31 | 59.21 | 55.79 | 45.73 | 47.05 | 39.04 | 36.06 | 49.96 | 50.82 |
| Balance sheet figures (EURm) | | | | | | | | | | |
| Total assets | 954,644 | 928,760 | 655,041 | 624,844 | 132,099 | 122,313 | 137,706 | 135,709 | 247,567 | 224,815 |
| Gross loans | 590,713 | 594,788 | 393,025 | 390,453 | 102,678 | 100,341 | 100,200 | 99,651 | 161,274 | 160,175 |
| Total deposits | 506,254 | 488,424 | 281,916 | 254,183 | 70,526 | 60,561 | 63,124 | 61,612 | 125,221 | 113,891 |
| Total equity | 60,072 | 62,892 | 53,554 | 53,771 | 11,840 | 12,350 | 10,565.4 | 10,660 | 14,714.6 | 15,556 |
| Funding and capital ratios(%) | | | | | | | | | | |
| Loans/customer deposits | 151.12 | 155.86 | 169.11 | 185.21 | 175.42 | 189.81 | 191.74 | 187.34 | 166.9 | 175.76 |
| Tier 1 ratio | 9.38 | 8.63 | 8.9 | 8.4 | 7.86 | 7.96 | 7.59 | 7.69 | 7.76 | 7.52 |
| Total regulatory capital ratio | 12.74 | 12.02 | 12.2 | 11.8 | 11.86 | 11.91 | 10.26 | 10.75 | 12.16 | 11.89 |
| Fitch core capital/weighted risks | 7.30 | 7.79 | 7.32 | 7.28 | 7.33 | 7.53 | 6.01 | 5.57 | 4.67 | 5.91 |
| Fitch core capital/total assets | 3.51 | 3.80 | 3.98 | 4.21 | 4.82 | 5.28 | 4.04 | 3.80 | 2.27 | 3.18 |

Source: Fitch

Key Financial Indicators – Five Largest Spanish Banks

| | Banco Santander | | BBVA | | Banco Popular Espanol | | Caja Madrid | | La Caixa | |
|--|-----------------|-----------|-----------|---------|-----------------------|-----------|-------------|-----------|-----------|-----------|
| | H110 | 2009 | H110 | 2009 | H110 | 2009 | H110 | 2009 | H110 | 2009 |
| Profit and loss (EURm) | | | | | | | | | | |
| Net interest income | 14,690.4 | 26,735 | 7,193.5 | 14,325 | 1,293.9 | 2,830.4 | 1,026.9 | 2,650.6 | 2,124 | 4,331.4 |
| Net fees and commissions | 4,808.8 | 9,080.2 | 2,272.2 | 4,430 | 375.8 | 763.4 | 376.1 | 770.5 | 679.5 | 1,302.7 |
| Net insurance income | 199.9 | 338.9 | 382 | 720 | n.a. | 19.6 | n.a. | n.a. | 150.2 | 298.3 |
| Other operating income | 1,632 | 3,862 | 1,274.4 | 1,884 | 264.6 | 277.2 | 495.9 | 441.1 | 280.1 | 398.4 |
| Personnel expenses | 4,499.9 | 8,450 | 2,363.6 | 4,651 | 384.8 | 792.1 | 522.3 | 1,155.2 | 1,072.6 | 2,190.9 |
| Other operating expenses | 4,830.1 | 8,744 | 2,445.9 | 4,596 | 356.5 | 544.5 | 355.7 | 735.9 | 721.8 | 1,507.8 |
| Loan impairment charge | 5,000.5 | 11,088 | 2,350.1 | 5,199 | 609.6 | 1520 | 731.1 | 1294 | 871.3 | 1,840.1 |
| Other credit impairment charges | 752.4 | 2,282.5 | 69.2 | 274 | 220.7 | 232.4 | 6.2 | 122.9 | 41.6 | 62.1 |
| Operating profit | 6,309.8 | 9,591.5 | 4,081 | 6,835 | 361.7 | 817 | 279.4 | 434.9 | 1082 | 1,719.5 |
| Performance ratios(%) | | | | | | | | | | |
| Net interest margin | 2.86 | 2.67 | 2.86 | 2.89 | 2.2 | 2.54 | 1.12 | 1.47 | 1.68 | 1.89 |
| Cost/income ratio | 43.74 | 42.97 | 43.24 | 43.29 | 38.32 | 34.35 | 46.24 | 48.96 | 55.49 | 58.42 |
| Pre-impairment operating ROAA | 2.1 | 2.09 | 2.37 | 2.28 | 1.87 | 2.15 | 1.06 | 0.98 | 1.45 | 1.35 |
| Operating ROAA | 1.1 | 0.87 | 1.49 | 1.27 | 0.57 | 0.68 | 0.29 | 0.23 | 0.79 | 0.64 |
| Pre-impairment operating ROAE | 35.45 | 37.75 | 43.97 | 42.61 | 30.29 | 34.59 | 20.36 | 17.84 | 18.87 | 18.16 |
| Operating ROAE | 18.54 | 15.77 | 27.6 | 23.66 | 9.19 | 11 | 5.59 | 4.19 | 10.23 | 8.62 |
| Total credit impairment/pre-impairment operating profit | 47.69 | 58.23 | 37.22 | 44.47 | 69.66 | 68.2 | 72.52 | 76.51 | 45.76 | 52.52 |
| Asset quality ratios(%) | | | | | | | | | | |
| Growth of gross loans | 6.61 | 9.55 | 5.03 | -3.07 | 2.42 | 4.05 | -0.04 | -0.31 | 2.48 | -0.27 |
| Gross loans (EURm) | 746,746 | 700,424 | 348,883 | 332,161 | 99,871.9 | 97,507.8 | 120,824.7 | 120,873 | 179,289.3 | 174,944.3 |
| Impaired loans(EURm) | 26,745 | 24,049 | 15,782 | 15,197 | 5,924.4 | 5,334.3 | 7,247.6 | 7,452.8 | 6,396.1 | 6,228 |
| Impaired loans/gross loans | 3.58 | 3.43 | 4.52 | 4.58 | 5.93 | 5.47 | 6.00 | 6.17 | 3.57 | 3.56 |
| Loan impairment charge | 5,000.5 | 11,088 | 2,350.1 | 5,199 | 609.6 | 1520 | 731.1 | 1294 | 871.3 | 1,840.1 |
| Loan impairment charge/gross loans | 1.34 | 1.58 | 1.34 | 1.57 | 1.22 | 1.56 | 1.22 | 1.07 | 0.98 | 1.05 |
| Coverage | 70.53 | 74.32 | 60.99 | 57.38 | 49.2 | 47.83 | 44.93 | 41.51 | 63.84 | 61.13 |
| Impaired loans + foreclosed assets/gross loans + foreclosed assets | 4.31 | 4.23 | 5.12 | 5.00 | 8.63 | 8.05 | 7.86 | 7.95 | 5.37 | 5.24 |
| Balance sheet figures (EURm) | | | | | | | | | | |
| Total assets | 1,220,025 | 1,110,530 | 568,917.3 | 535,065 | 128,281.6 | 129,290.1 | 199,107.6 | 191,904.5 | 282,034.6 | 271,873 |
| Gross loans | 746,746 | 700,424 | 348,883 | 332,161 | 99,871.9 | 97,507.8 | 120,824.7 | 120,873 | 179,289.3 | 174,944.3 |
| Total deposits | 739,230.6 | 677,780.6 | 370,641.1 | 354,077 | 85,648.8 | 90,217.8 | 116,796.7 | 106,757.4 | 162,618.4 | 157,793.1 |
| Total equity | 71,418.1 | 66,870.6 | 30,851.9 | 28,763 | 8,223.4 | 7,748 | 9,703.9 | 10,297.9 | 21,237.1 | 21,403.3 |
| Funding and capital ratios(%) | | | | | | | | | | |
| Loans/customer deposits | 135.61 | 149.57 | 142.44 | 136.93 | 150.68 | 184.3 | 139.43 | 153.96 | 140.29 | 133.7 |
| Tier 1 ratio | 10.1 | 10.1 | 9.2 | 9.36 | 9.14 | 9.18 | 8.7 | 8.8 | 9.8 | 10.4 |
| Total regulatory capital ratio | 13.5 | 14.2 | 12.7 | 13.55 | 9.46 | 9.66 | 10.76 | 10.6 | 11.6 | 11 |
| Fitch core capital/weighted risks | 6.06 | 6.29 | 5.48 | 5.87 | 7.31 | 7.77 | 7.27 | 7.22 | 9.23 | 10.16 |
| Fitch core capital/total assets | 2.99 | 3.18 | 2.98 | 3.19 | 5.42 | 5.55 | 4.52 | 4.76 | 5.28 | 5.88 |

Source: Fitch

Key Financial Indicators – Four Largest Greek Banks

| | Alpha Bank | | Eurobank EFG | | National bank of Greece | | Piraeus Bank | |
|---|------------|----------|--------------|--------|-------------------------|----------|--------------|----------|
| | Q310 | 2009 | Q310 | 2009 | Q310 | 2009 | Q310 | 2009 |
| Profit and loss (EURm) | | | | | | | | |
| Net interest income | 1,375.7 | 1,765.2 | 1,706 | 2,350 | 3,108.5 | 3,949.1 | 903.2 | 1,118.3 |
| Net fees and commissions | 255.3 | 378.8 | 308 | 418 | 472.6 | 686.4 | 147.7 | 206 |
| Net insurance income | n.a. | 5.6 | 31 | 48 | 63.3 | 95.6 | n.a. | n.a. |
| Other operating income | 58.9 | 231.8 | 167 | 225 | -320.4 | 355.4 | 45.4 | 338.4 |
| Personnel expenses | 414.9 | 565.5 | 576 | 793 | 1,143.5 | 1,577.5 | 299.1 | 426.2 |
| Other operating expenses | 438.8 | 636.4 | 478 | 678 | 723.5 | 952.5 | 336.2 | 470 |
| Loan impairment charge | 644.3 | 680.6 | 1,022 | 1,177 | 991.5 | 1,041 | 416.1 | 491.2 |
| Other credit impairment charges | n.a. | -4.3 | n.a. | n.a. | n.a. | 254.2 | 2.3 | n.a. |
| Operating profit | 191.9 | 500.2 | 136 | 398 | 465.5 | 1,261.4 | 42.6 | 283.9 |
| Performance ratios (%) | | | | | | | | |
| Net interest margin | 2.88 | 2.75 | 2.87 | 3.05 | 3.9 | 4.07 | 2.39 | 2.33 |
| Cost/income ratio | 50.49 | 50.47 | 47.63 | 48.37 | 56.22 | 49.74 | 57.94 | 53.9 |
| Pre-impairment Operating ROAA | 1.63 | 1.7 | 1.8 | 1.89 | 1.64 | 2.34 | 1.1 | 1.44 |
| Operating ROAA | 0.37 | 0.72 | 0.21 | 0.48 | 0.52 | 1.16 | 0.1 | 0.53 |
| Pre-Impairment operating ROAE | 25.76 | 30.55 | 35.16 | 36.7 | 22.21 | 31.57 | 19.82 | 24.27 |
| Operating ROAE | 5.91 | 12.99 | 4.13 | 9.27 | 7.1 | 15.58 | 1.83 | 8.89 |
| Total credit impairment/pre-impairment operating profit | 77.05 | 57.48 | 88.26 | 74.73 | 68.05 | 50.66 | 90.76 | 63.37 |
| Asset quality ratios (%) | | | | | | | | |
| Growth of gross loans | -1.89 | 2.04 | 0.28 | 0.51 | 3.94 | -4.16 | 1.48 | -2.18 |
| Gross loans (EURm) | 52,039.9 | 53,042.7 | 57,743 | 57,579 | 74,413.6 | 71,591.8 | 39,256.7 | 38,683.2 |
| Impaired loans (EURm) | 4,007.1 | 3,533.9 | 5,209 | 3,850 | 6,253.3 | 4,953.1 | 2,672 | 1,967 |
| Impaired loans/gross loans | 7.70 | 6.66 | 9.02 | 6.69 | 8.40 | 6.92 | 6.81 | 5.08 |
| Loan impairment charge | 644.3 | 680.6 | 1,022 | 1,177 | 991.5 | 1,041 | 416.1 | 491.2 |
| Loan impairment charge/gross loans | 1.63 | 1.28 | 2.35 | 2.04 | 1.77 | 1.45 | 1.42 | 1.27 |
| Coverage | 52.33 | 46.49 | 41.47 | 45.25 | 53.36 | 49.65 | 48.53 | 50.58 |
| Balance sheet figures (EURm) | | | | | | | | |
| Total assets | 67,728 | 69,596 | 86,490 | 84,269 | 123,517 | 113,394 | 57,559 | 54,280 |
| Gross loans | 52,040 | 53,043 | 57,743 | 57,579 | 74,414 | 71,592 | 39,257 | 38,683 |
| Total deposits | 39,856 | 56,151 | 43,590 | 66,536 | 70,134 | 92,838 | 29,490 | 44,690 |
| Total equity | 4,262.5 | 4,449.5 | 4,339 | 4,573 | 8,530.4 | 8,960.9 | 2,992.3 | 3,244.2 |
| Funding and capital ratios (%) | | | | | | | | |
| Loans/customer deposits | 130.57 | 123.6 | 132.47 | 123.01 | 106.1 | 100.56 | 133.12 | 128.67 |
| Tier 1 ratio | 11.5 | 11.7 | 10.7 | 11.5 | 11 | 11.3 | 8.8 | 9.1 |
| Total regulatory capital ratio | 13.1 | 13.3 | 11.9 | 12.7 | 11.3 | 11.3 | 9.7 | 9.8 |
| Fitch core capital/weighted risks | 7.14 | 7.78 | 7.5 | 8.26 | 8.15 | 9.55 | 6.01 | 7.72 |
| Fitch core capital/total assets | 8.26 | 5.72 | 4.57 | 4.69 | 8.78 | 5.68 | 6.43 | 5.32 |

Source: Fitch

Key Financial Indicators – Five Largest Portuguese Banks

| | Banco Espirito Santo | | Caixa Geral | | Banco Comercial Portugues | | Banco BPI | | Santander Totta | |
|---|----------------------|----------|-------------|----------|---------------------------|----------|-----------|---------|-----------------|----------|
| | H110 | 2009 | H110 | 2009 | H110 | 2009 | H110 | 2009 | H110 | 2009 |
| Profit and loss (EURm) | | | | | | | | | | |
| Net interest income | 615.2 | 1,290.2 | 801 | 1,641.3 | 724.1 | 1,337.5 | 320 | 617.2 | 377.2 | 806 |
| Net fees and commissions | 370.7 | 680.1 | 248.3 | 447.8 | 405 | 731.7 | 132.6 | 255.9 | 183.1 | 336.8 |
| Net insurance income | n.a. | n.a. | 229.5 | 491.2 | n.a. | n.a. | 6.1 | 11.8 | 20.6 | 35.4 |
| Other operating income | -70.2 | 234.4 | 182.9 | 476.7 | 163.4 | 426.1 | 96 | 288.1 | -3.6 | 111.4 |
| Personnel expenses | 299 | 565.9 | 516.1 | 1,040.4 | 424.2 | 865.3 | 212.5 | 400.3 | 150.3 | 316.9 |
| Other operating expenses | 280.4 | 553.6 | 485.4 | 1,011.8 | 380.3 | 742.5 | 155 | 291.4 | 127.4 | 270.2 |
| Loan impairment charge | 174.5 | 539.9 | 206.8 | 416.8 | 382.1 | 548.6 | 46.6 | 150.8 | 62.9 | 96.3 |
| Other credit impairment charges | 32.1 | 71.9 | 114 | 280.3 | 10.9 | 49.2 | 3.9 | -2.3 | 16.6 | -2.4 |
| Operating profit | 150.5 | 503.4 | 139.9 | 303.3 | 123.9 | 356 | 151 | 351.1 | 220 | 608.5 |
| Performance ratios (%) | | | | | | | | | | |
| Net interest margin | 1.62 | 1.77 | 1.41 | 1.53 | 1.62 | 1.55 | 1.42 | 1.48 | 1.58 | 1.82 |
| Cost/income ratio | 63.27 | 50.78 | 68.52 | 67.13 | 62.24 | 64.43 | 66.25 | 58.97 | 48.1 | 45.53 |
| Pre-impairment operating ROAA | 0.86 | 1.41 | 0.76 | 0.87 | 1.07 | 1.01 | 0.84 | 1.12 | 1.2 | 1.51 |
| Operating ROAA | 0.36 | 0.64 | 0.23 | 0.26 | 0.26 | 0.38 | 0.63 | 0.79 | 0.88 | 1.3 |
| Pre-impairment operating ROAE | 11.27 | 21.37 | 14.09 | 17.71 | 18.46 | 17.89 | 21.01 | 25.81 | 23.27 | 26.04 |
| Operating profit/ average equity | 4.75 | 9.64 | 4.28 | 5.37 | 4.42 | 6.68 | 15.75 | 18.14 | 17.1 | 22.56 |
| Total credit impairment/pre-impairment operating profit | 57.85 | 54.86 | 69.63 | 69.68 | 76.03 | 62.68 | 25.06 | 29.72 | 26.54 | 13.37 |
| Asset quality ratios (%) | | | | | | | | | | |
| Growth of gross loans | 5.59 | 4.84 | 3.75 | 2.83 | 1.07 | 0.92 | 2.04 | 2.56 | 2.77 | -0.75 |
| Gross loans (EURm) | 53,355.1 | 50,531.1 | 82,617 | 79,627.2 | 78,176.4 | 77,348.2 | 31,108 | 30,486 | 33,816.3 | 32,905.8 |
| Impaired loans (EURm) | 1,011.4 | 893.5 | 2,471.4 | 2,283.2 | 2,419.5 | 2,032.1 | 613.8 | 591.4 | 469.4 | 401.6 |
| Impaired loans/gross loans | 1.90 | 1.77 | 2.99 | 2.87 | 3.09 | 2.63 | 1.97 | 1.94 | 1.39 | 1.22 |
| Loan impairment charge | 174.5 | 539.9 | 206.8 | 416.8 | 382.1 | 548.6 | 46.6 | 150.8 | 62.9 | 96.3 |
| Loan impairment charge/gross loans | 0.66 | 1.07 | 0.50 | 0.52 | 0.98 | 0.71 | 0.30 | 0.49 | 0.38 | 0.29 |
| Coverage | 166.25 | 173.73 | 105.16 | 105.34 | 93.25 | 106.15 | 91.53 | 89.69 | 111.78 | 121.39 |
| Balance sheet figures (EURm) | | | | | | | | | | |
| Total assets | 84,874 | 82,297 | 123,579 | 120,985 | 98,993 | 95,550 | 49,351 | 47,449 | 52,274.6 | 48,590.4 |
| Gross Loans | 53,355 | 50,531 | 82,617 | 79,627 | 78,176 | 77,348 | 31,108 | 30,486 | 33,816.3 | 32,905.8 |
| Total deposits | 48,195 | 45,597 | 74,904 | 71,810 | 63,510 | 58,989 | 30,493 | 30,054 | 30,284.2 | 26,726.6 |
| Total equity | 6,315 | 6,338.9 | 6,606.3 | 6,584.6 | 5,299.6 | 5,220.8 | 1,679.8 | 2,040.2 | 2,527 | 2,663.1 |
| Funding and capital ratios (%) | | | | | | | | | | |
| Loans/customer deposits | 208.25 | 204.9 | 141.99 | 136.52 | 177.6 | 167.91 | 142.64 | 140.3 | 210.42 | 218.62 |
| Tier 1 ratio | 8.44 | 8.3 | 8.22 | 8.5 | 8.55 | 9.28 | 8.6 | 8.62 | 11.14 | 10.97 |
| Total regulatory capital ratio | 11.2 | 11.14 | 11.95 | 12.62 | 10.03 | 11.47 | 10.8 | 11 | 12.05 | 11.89 |
| Fitch core capital/weighted risks | 8.53 | 8.84 | 7.22 | 7.39 | 7.52 | 6.92 | 5.51 | 7.45 | 8.97 | 9.29 |
| Fitch core capital/total assets | 6.75 | 7.00 | 4.24 | 4.34 | 4.73 | 4.77 | 3.00 | 4.09 | 4.44 | 5.05 |

Source: Fitch

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