

Country Risk Claims

American Banks Do Have European Risk

Richard X. Bove
Vice President Equity Research
Financial Sector

Problem Concentrated in Top 10

I am continuing to pursue the risks that American banks have to foreign nations. In the process, using data developed from five institutions and the Federal Financial Institutions Examination Council (FFIEC), the tables on pages 2 and 3 to 5 have been prepared. They show that American banks do in fact have significant extensions of credit to multiple facilities in countries around the world. The outstanding country risk claims to Greece are \$18.1 billion.

These claims are to multiple parties including governments, banks, associations, companies, and individuals. In some cases the numbers include derivative risks. In others they do not. The bottom line is that big American banks have a bigger stake in this drama than thought and I apologize to those to whom I indicated that the American banks had minimal risks in this situation.

Data Tables

Company Data

The FFIEC requires banks to reveal all countries where the cross-border risks equal 0.75% of assets. In the first of the two tables appended here these numbers were obtained from the 2009, 10Ks of five companies. They are Bank of America (BAC/\$17.53/Buy), Citigroup (C/\$4.18/Buy), JPMorgan Chase (JPM/\$42.63/Buy), Goldman Sachs (GS/\$148.19/Buy), and Morgan Stanley (MS/\$29.29/Buy).

Cross border exposure is defined as:

- Credit outstanding to governments, banks, and other (mainly private businesses), as well as
- Commitments to extend or guarantee credit.

The five companies listed have \$2.5 trillion dollars so exposed. JPMorgan Chase represents 59.8% of the total. Morgan Stanley is heavily concentrated in Europe (65.5%) as is Citigroup (77.7%).

When looking at this table, please keep in mind that if a country's credits are less than 0.75% of assets its name is not provided. Therefore, JPMorgan may have more outstanding to a country than Morgan Stanley but not need to show it. Bank of America has been the most transparent of all of the companies listed.

FFIEC Data

The tables entitled Country Risk Claims is derived from the FFIEC reports. It is broken into two parts:

- Large financial institutions: There are ten of these. The five companies listed above and BNY Mellon (BK/\$31.48/Buy), Deutsche Bank (DB/\$64.01/NR), HSBC Holdings (HBC/\$49.40/NR), State Street Corporation (STT/\$43.41/Buy) and Wells Fargo (WFC/\$32.66/Sell).
- All other banks domiciled in the United States.

It will be noted that the big 10 banks account for 92.57% of the total \$3.1 trillion extended. Moreover, that 66.66% of all extensions were to 26 countries designated as developed. Regional and other banks are not really factors in cross-border lending. They are mainly represented in older developed countries. Slightly more than half of their funds are in Australia, Canada, Germany, and the United Kingdom. Presumably this money is safe.

I will continue to build upon these tables as I find more data.

Note: The tables in this report have been prepared by Rochdale Securities from sources deemed to be reliable. However, accuracy cannot be guaranteed.

Country Risk Claims

Categories	Cross Border Exposure (mil)					Totals
	Universal Banks			Investment Banks		
	BAC	C	JPM	GS	MS	
Latin America						
Argentina	\$520					\$520
Brazil	\$9,131					\$9,131
Cayman Islands		\$22,800	\$39,507		\$36,034	\$98,341
Chile	\$1,428					\$1,428
Columbia						
Mexico	\$5,289					\$5,289
Venezuela						
Other	\$932					\$932
Total Latin America	\$17,300	\$22,800	\$39,507		\$36,034	\$115,641
Middle East & Africa						
Bahrain	\$1,029					\$1,029
Emirates	\$963					\$963
Egypt						
Iran						
Iraq						
Saudi Arabia						
South Africa	\$1,206					\$1,206
Other	\$748					\$748
Total ME & A	\$3,946					\$3,946
Asia						
China	\$12,082			\$13,409		\$25,491
India	\$7,863	\$29,800				\$37,663
Japan		\$45,100	\$102,519	\$24,982	\$17,727	\$190,328
Hong Kong	\$1,101					\$1,101
Pakistan						
Philippines						
Singapore	\$1,023					\$1,023
South Korea	\$5,793	\$36,500			\$12,528	\$54,821
Taiwan	\$875					\$875
Thailand						
Vietnam						
Other	\$1,005					\$1,005
Total Asia Pacific	\$29,742	\$111,400	\$102,519	\$38,391	\$30,255	\$312,307
Europe						
Benelux						
Denmark					\$7,144	\$7,144
Eastern Europe						
France		\$101,200	\$207,488	\$19,355	\$26,560	\$354,603
Germany		\$81,600	\$210,036	\$18,254	\$24,227	\$334,117
Ireland				\$7,468	\$8,442	\$15,910
Italy		\$42,900	\$105,538		\$5,551	\$153,989
Luxembourg					\$12,590	\$12,590
Netherlands		\$86,000	\$107,286		\$14,527	\$207,813
Norway			\$12,258			\$12,258
Russia						
Poland						
Spain			\$69,865		\$6,187	\$76,052
Switzerland					\$11,061	\$11,061
Turkey	\$591					\$591
United Kingdom		\$156,700	\$652,488	\$60,461	\$22,826	\$892,475
Other	\$1,720					\$1,720
Total Europe	\$2,311	\$468,400	\$1,364,959	\$105,538	\$139,115	\$2,080,323
Canada					\$6,979	\$6,979
Other countries						
Total foreign exposure	\$53,299	\$602,600	\$1,506,985	\$143,929	\$212,383	\$2,519,196

Country Risk Claims

	Country Risk Claims					
	Millions			Percent of Total Outstanding		
	Top 10 Banks	All Other Banks	Totals	Top 10 Banks	All Other Banks	Totals
<u>G-10 & Switzerland</u>						
Belgium	\$33,600	\$2,121	\$35,721	1.09%	0.07%	1.16%
Canada	\$150,754	\$44,406	\$195,160	4.91%	1.45%	6.36%
France	\$167,875	\$11,332	\$179,207	5.47%	0.37%	5.84%
Germany	\$277,716	\$14,823	\$292,539	9.05%	0.48%	9.53%
Italy	\$71,444	\$3,354	\$74,798	2.33%	0.11%	2.44%
Japan	\$279,334	\$4,104	\$283,438	9.10%	0.13%	9.23%
Luxembourg	\$33,212	\$1,204	\$34,416	1.08%	0.04%	1.12%
Netherlands	\$97,336	\$10,316	\$107,652	3.17%	0.34%	3.51%
Sweden	\$22,578	\$3,304	\$25,882	0.74%	0.11%	0.84%
Switzerland	\$41,383	\$3,601	\$44,984	1.35%	0.12%	1.47%
United Kingdom	<u>\$531,605</u>	<u>\$40,749</u>	<u>\$572,354</u>	17.32%	1.33%	18.65%
Sub-Total	\$1,706,837	\$139,314	\$1,846,151	55.60%	4.54%	60.14%
<u>Non-G-10 Developed Countries</u>						
Australia	\$78,702	\$20,415	\$99,117	2.56%	0.67%	3.23%
Austria	\$13,360	\$616	\$13,976	0.44%	0.02%	0.46%
Denmark	\$26,938	\$902	\$27,840	0.88%	0.03%	0.91%
Finland	\$8,768	\$812	\$9,580	0.29%	0.03%	0.31%
Greece	\$17,984	\$132	\$18,116	0.59%	0.00%	0.59%
Iceland	\$760	\$25	\$785	0.02%	0.00%	0.03%
Ireland	\$68,999	\$1,872	\$70,871	2.25%	0.06%	2.31%
Israel	\$2,387	\$616	\$3,003	0.08%	0.02%	0.10%
New Zealand	\$3,247	\$678	\$3,925	0.11%	0.02%	0.13%
Norway	\$17,746	\$1,000	\$18,746	0.58%	0.03%	0.61%
Portugal	\$5,897	\$762	\$6,659	0.19%	0.02%	0.22%
South Africa	\$11,436	\$144	\$11,580	0.37%	0.00%	0.38%
Spain	\$62,240	\$4,147	\$66,387	2.03%	0.14%	2.16%
Turkey	\$15,992	\$186	\$16,178	0.52%	0.01%	0.53%
Other	<u>\$5,028</u>	<u>\$112</u>	<u>\$5,140</u>	0.16%	0.00%	0.17%
Sub-Total	\$339,484	\$32,419	\$371,903	11.06%	1.06%	12.12%
<u>Eastern Europe</u>						
Bulgaria	\$322	\$7	\$329	0.01%	0.00%	0.01%
Czech Republic	\$3,393	\$50	\$3,443	0.11%	0.00%	0.11%
Hungary	\$3,992	\$46	\$4,038	0.13%	0.00%	0.13%
Macedonia	\$7		\$7	0.00%		0.00%
Poland	\$13,272	\$726	\$13,998	0.43%	0.02%	0.46%
Romania	\$1,323	\$16	\$1,339	0.04%	0.00%	0.04%
Russia	\$13,990	\$315	\$14,305	0.46%	0.01%	0.47%
Serbia & Montenegro	\$102		\$102	0.00%		0.00%
Slovakia	\$702	\$9	\$711	0.02%	0.00%	0.02%
Other Eastern Europe	<u>\$4,185</u>	<u>\$102</u>	<u>\$4,287</u>	0.14%	0.00%	0.14%
Sub-Total	\$41,288	\$1,271	\$42,559	1.35%	0.04%	1.39%

Country Risk Claims

	Country Risk Claims					
	Millions			Percent of Total Outstanding		
	Top 10 Banks	All Other Banks	Totals	Top 10 Banks	All Other Banks	Totals
Countries						
<u>Latin America & the Caribbean</u>						
Argentina	\$5,012	\$1,201	\$6,213	0.16%	0.04%	0.20%
Bolivia	\$51	\$64	\$115	0.00%	0.00%	0.00%
Brazil	\$58,856	\$6,713	\$65,569	1.92%	0.22%	2.14%
Chile	\$10,048	\$4,840	\$14,888	0.33%	0.16%	0.48%
Colombia	\$6,532	\$934	\$7,466	0.21%	0.03%	0.24%
Costa Rica	\$1,556	\$77	\$1,633	0.05%	0.00%	0.05%
Dominican Republic	\$784	\$208	\$992	0.03%	0.01%	0.03%
Ecuador	\$413	\$450	\$863	0.01%	0.01%	0.03%
El Salvador	\$2,649	\$66	\$2,715	0.09%	0.00%	0.09%
Guatemala	\$2,225	\$109	\$2,334	0.07%	0.00%	0.08%
Honduras	\$815	\$12	\$827	0.03%	0.00%	0.03%
Jamaica	\$739	\$26	\$765	0.02%	0.00%	0.02%
Mexico	\$94,375	\$17,077	\$111,452	3.07%	0.56%	3.63%
Nicaragua	\$251	\$2	\$253	0.01%	0.00%	0.01%
Paraguay	\$319	\$4	\$323	0.01%	0.00%	0.01%
Peru	\$2,758	\$353	\$3,111	0.09%	0.01%	0.10%
Trinidad & Tobago	\$590	\$87	\$677	0.02%	0.00%	0.02%
Uruguay	\$514	\$389	\$903	0.02%	0.01%	0.03%
Venezuela	\$2,495	\$454	\$2,949	0.08%	0.01%	0.10%
Other Lat Am Countries	\$8,249	\$855	\$9,104	0.27%	0.03%	0.30%
Sub-Total	\$199,231	\$33,921	\$233,152	6.49%	1.11%	7.60%
<u>Asia</u>						
China - Mainland	\$58,727	\$801	\$59,528	1.91%	0.03%	1.94%
China - Taiwan	\$28,402	\$1,995	\$30,397	0.93%	0.06%	0.99%
India	\$55,320	\$1,495	\$56,815	1.80%	0.05%	1.85%
Indonesia	\$8,007	\$129	\$8,136	0.26%	0.00%	0.27%
Iran	\$26		\$26	0.00%		0.00%
Iraq	\$22		\$22	0.00%		0.00%
Jordan	\$488	\$7	\$495	0.02%	0.00%	0.02%
Korea	\$97,613	\$7,579	\$105,192	3.18%	0.25%	3.43%
Kuwait	\$8,790	\$2	\$8,792	0.29%	0.00%	0.29%
Malaysia	\$13,019	\$397	\$13,416	0.42%	0.01%	0.44%
Oman	\$155	\$10	\$165	0.01%	0.00%	0.01%
Pakistan	\$1,176	\$31	\$1,207	0.04%	0.00%	0.04%
Philippines	\$4,224	\$135	\$4,359	0.14%	0.00%	0.14%
Qatar	\$2,747	\$233	\$2,980	0.09%	0.01%	0.10%
Saudi Arabia	\$10,997	\$155	\$11,152	0.36%	0.01%	0.36%
Sri Lanka	\$345		\$345	0.01%		0.01%
Syria						
Thailand	\$7,828	\$175	\$8,003	0.26%	0.01%	0.26%
United Arab Emirates	\$14,269	\$171	\$14,440	0.46%	0.01%	0.47%
Other Asia	\$2,931	\$45	\$2,976	0.10%	0.00%	0.10%
Sub-Total	\$315,086	\$13,360	\$328,446	10.26%	0.44%	10.70%

Country Risk Claims

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	Millions			Percent of Total Outstanding		
	Top 10 Banks	All Other Banks	Totals	Top 10 Banks	All Other Banks	Totals
Africa						
Algeria	\$1,618		\$1,618	0.05%		0.05%
Cameroon	\$204	\$1	\$205	0.01%	0.00%	0.01%
Congo (Kinshasa)	\$45		\$45	0.00%		0.00%
Egypt	\$3,197	\$5	\$3,202	0.10%	0.00%	0.10%
Ethiopia	\$1		\$1	0.00%		0.00%
Gabon	\$149	\$19	\$168	0.00%	0.00%	0.01%
Ghana	\$180		\$180	0.01%		0.01%
Ivory Coast	\$291		\$291	0.01%		0.01%
Kenya	\$586		\$586	0.02%		0.02%
Libya	\$14		\$14	0.00%		0.00%
Malawi	\$8		\$8	0.00%		0.00%
Morocco	\$439		\$439	0.01%		0.01%
Nigeria	\$1,468	\$1	\$1,469	0.05%	0.00%	0.05%
Senegal	\$175	\$10	\$185	0.01%	0.00%	0.01%
Sudan	\$4		\$4	0.00%		0.00%
Tunisia	\$541	\$39	\$580	0.02%	0.00%	0.02%
Zambia	\$322		\$322	0.01%		0.01%
Zimbabwe						
Other Africa	\$2,294	\$23	\$2,317	0.07%	0.00%	0.08%
Sub-Total	\$11,536	\$98	\$11,634	0.38%	0.00%	0.38%
Banking Centers						
Bahamas	\$14,751	\$321	\$15,072	0.48%	0.01%	0.49%
Bahrain	\$2,443	\$148	\$2,591	0.08%	0.00%	0.08%
Bermuda	\$11,841	\$1,207	\$13,048	0.39%	0.04%	0.43%
Cayman Islands	\$117,855	\$1,261	\$119,116	3.84%	0.04%	3.88%
Hong Kong	\$31,486	\$2,447	\$33,933	1.03%	0.08%	1.11%
Lebanon	\$493	\$8	\$501	0.02%	0.00%	0.02%
Liberia	\$416	\$10	\$426	0.01%	0.00%	0.01%
Macao	\$429	\$1	\$430	0.01%	0.00%	0.01%
Netherland Antilles	\$2,711	\$20	\$2,731	0.09%	0.00%	0.09%
Panama	\$1,890	\$324	\$2,214	0.06%	0.01%	0.07%
Singapore	\$29,618	\$1,807	\$31,425	0.96%	0.06%	1.02%
Sub-Total	\$213,933	\$7,554	\$221,487	6.97%	0.25%	7.22%
Organizations						
African Regional	\$286	\$20	\$306	0.01%	0.00%	0.01%
Asian Regional	\$873		\$873	0.03%		0.03%
E European Regional	\$59		\$59	0.00%		0.00%
International	\$4,597	\$101	\$4,698	0.15%	0.00%	0.15%
Latin American Regional	\$535	\$50	\$585	0.02%	0.00%	0.02%
Middle East Regional	\$109		\$109	0.00%		0.00%
W European Regional	\$7,734	\$25	\$7,759	0.25%	0.00%	0.25%
Sub-Total	\$14,193	\$196	\$14,389	0.46%	0.01%	0.47%
Totals	\$2,841,588	\$228,133	\$3,069,721	92.57%	7.43%	100.00%

Country Risk Claims

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-- Richard X. Bove