



**HD Europe's banks sidestep worst of Lehman crisis**

**BY** By GREG KELLER  
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**LP** PARIS (AP) - Europe's financial sector appears to have largely sidestepped the Lehman Brothers bankruptcy, with the continent's largest banks and insurers all reporting limited potential losses.

Europe's banks and insurers' potential losses from what Standard & Poor's called the "seismic event" of Lehman's bankruptcy are "moderate and manageable," the rating agency said.

**TD** At the high end of institutions that stood to make losses on the largest bankruptcy in American history, France's Societe Generale reported total exposure of euro479 million (\$681 million), although it believes its final loss will be "a fraction" of this amount, and will depend on how Lehman Brothers' assets are sold.

Among the least exposed was Swedbank AB of Sweden, with a total unsecured exposure to Lehman Brothers of 202 million kroner (\$29.8 million).

Analysts attribute European banks' resilience to their broader business model, in which risky investment banking activities are paired with traditional commercial and retail banking businesses in one overall group, which makes them less vulnerable when confidence and money drain from markets.

Across Europe, banks estimated their potential losses in the range of several tens of millions to the mid-hundreds of millions of euros.

Not all of Europe's financial institutions were forthcoming about their possible exposure to the Lehman Brothers' bankruptcy, however. Deutsche Bank, Credit Suisse and HSBC all declined to comment on the subject.

Some banks also detailed their exposure to American Insurance Group Inc., after the Federal Reserve rescued it via a two-year, \$85 billion (euro59.7 billion) loan in exchange for a nearly 80 percent stake in the company. Allianz CEO Michael Diekmann said it had only a "low-default risk" with its AIG relationships, and Swiss Reinsurance Company Ltd, the world's largest reinsurer, valued its AIG exposure at about 200 million Swiss francs (\$179 million; euro125.8 million).

AIG lost billions in the risky business of insuring against bond defaults. Wall Street had feared that the conglomerate, which has its tentacles in various financial services industries around the world, would follow the investment bank Lehman Brothers Holdings Inc. into bankruptcy. The ramifications of the world's largest insurer going under likely would have far surpassed the demise of Lehman.

One European bank has already benefited from Lehman's misfortune.

Barclays PLC, the third-largest British bank, took advantage of Lehman's bankruptcy reorganization to reach a deal on Tuesday for Lehman's North American investment banking and trading operations for just \$250 million (euro175.7 million).

Barclays also picked up Lehman's New York headquarters and two data centers in New Jersey for \$1.5 billion (euro1.05 billion), all subject to court and regulatory approval.

Barclays PLC said Wednesday it may pick up some of Lehman Brothers assets and employees in Europe and Asia, on top of the British bank's deal to acquire key U.S. operations from the failed investment bank.

European economic leaders, meanwhile, voiced confidence in the health of the continent's financial sector, and were quick to highlight their banks' and insurers' relatively strong position compared to their Wall Street peers.

Luxembourg Prime Minister Jean-Claude Juncker, one of Europe's top financial officials, said that while the crisis was not yet finished there was "no need for panic" in Europe, adding that the continent's financial centers were "stable."

French Finance Minister Christine Lagarde also sought to calm jitters among investors and depositors, saying "I'm not worried that there will be very bad repercussions from Lehman Brothers."

Lagarde noted French banks' more diversified operations compared to those of the U.S. investment banks at the center of the current financial tsunami, and pointedly noted that French banks "still do real banking."

That analysis was shared by **Georges Ugeux**, a former vice president at the New York Stock Exchange who now runs the Galileo Global Advisors consulting group in New York.

The share of most European banks' investment banking business "was much smaller on their books and in their balance sheets" than U.S. banks, Ugeux said.

"Therefore even what they were doing in the US was not just purely investment banking but it was also lending and traditional banking business and financing the balance sheet and so on. You are talking about a very different mix of business and that explains why the index for US banks has gone down in one year by 50 percent why the European banks have gone down by 20 percent," Ugeux said.

While European banks may have avoided the worst of the fallout from Lehman Brothers' collapse, they haven't escaped unscathed, noted Barclay's Wealth equities strategist Henk Potts.

The Europeans' "haven't gone bankrupt and folded like Lehman or Bear Stearns, but that's a pretty low benchmark," Henk said.

Among the European banks and insurers that detailed their exposure to Lehman, Germany's Allianz said its maximum default was just euro400 million (\$569 million). Swiss Re said that its estimated overall net exposure to Lehman Brothers was about 50 million Swiss francs (\$44.9 million; euro31.5 million).

Elsewhere in Europe, banks and insurers reported exposure to Lehman Brothers' bankruptcy of a similar scale: \$300 million for UBS in Switzerland; euro300 million (\$427 million) for Axa, euro405 million (\$576 million) for BNP Paribas and euro270 million (\$384 million) for Credit Agricole in France; euro350 million (\$498 million) for Munich Re in Germany; and euro11 million (\$15.7 million) for Banco Santander in Spain.