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Credit Agricole, SocGen Face Greek Risks as Debt Crisis Deepens
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By Niklas Magnusson and Fabio Benedetti-Valentini

April 29 (Bloomberg) -- Credit Agricole SA and Societe Generale SA may be among European banks with the most at risk from the Greek crisis because of unprofitable units in the country.

French banks have the biggest exposure to Greece among European lenders, accounting for $78.8 billion of the $193.1 billion of total claims European banks have on Greece, according to the Bank for International Settlements. They also have the second-largest claims on Portugal and Spain, after German banks, and are the biggest holders of Italian debt, BIS figures show.

Bond prices from Italy to Ireland slumped after Standard & Poor's cut Greece's credit rating below investment grade on April 27 and lowered Portugal as well. A day later the rating company downgraded Spain's debt. Contagion from the Greek crisis is "threatening the stability of the financial system" like the Ebola virus, Organization for Economic Cooperation and Development Secretary General Angel Gurria said.

Credit Agricole's Emporiki Bank of Greece SA has 1.4 million clients and 22.7 billion euros ($30 billion) of loans.
The French bank's main risk in Greece comes from possible loan losses as the economy shrinks, said Jaap Meijer, an analyst at Evolution Securities Ltd. in London. Paris-based Credit Agricole also has stakes in Banco Espirito Santo SA, Portugal's biggest publicly traded bank by market value, and in Spain's Bankinter SA.

"The main French banks have direct exposures on Greek sovereign debt and Credit Agricole has the biggest exposure all in all, when including possible losses on its domestic loan book," Meijer estimated. He and other analysts said a lack of precise data from banks makes it hard to pinpoint who holds what.

For a table of European financial institutions' stated exposure to Greece and Portugal, click here. The figures were provided to Bloomberg News in interviews and e-mails, or culled from company reports and presentations.

Contagion Concern

Credit Agricole, France's biggest bank by branches, said yesterday it has 850 million euros at risk from Greek government debt, including 600 million euros at Emporiki. A company spokeswoman declined to provide further detail.

Societe Generale, France's No. 2 bank by market value, owns 54 percent of Greece's Geniki Bank SA, which has 4 billion euros of loans and advances, according to the Athens-based lender's Web site. Geniki's customer deposits stood at 2.7 billion euros at the end of 2009. A Societe Generale spokeswoman declined to comment on the bank's risks in Greece.

Banks in Greece face worsening asset quality, pressure on profitability, negative lending growth and rising loan losses as the economy contracts and the state tries to curb the country's budget deficit. Geniki has made losses every year since 2003, while Emporiki's 2009 net loss widened to 583 million euros.

Financial shares tumbled in European trading yesterday, pushing the 52-company Bloomberg Europe Banks and Financial Services Index down 1.2 percent, on concern the Greek debt crisis will spread. Portugal's Banco BPI SA slumped 8.3 percent.

Credit Agricole dropped 3.4 percent, bringing its decline since the start of this week to 10 percent.

Portugal, Spain

Fortis, the owner of Belgium's biggest life insurer, lost 7.4 percent. The insurer, based in Brussels and the Dutch city of Utrecht, had holdings of Greek and Portuguese government bonds totaling 7.2 billion euros at the end of last year, according to a March 10 presentation.

The cost of insuring against a default on government bonds of Greece, Portugal and Spain rose to records on April 28.

BNP Paribas SA, France's biggest bank by assets, has "negligible" risks tied to Greek banks, Chief Executive Officer Baudouin Prot told French radio BFM yesterday. Natixis SA, based in Paris, also said it has "negligible" risk tied to Greek government debt and "insignificant" exposure to Portugal.

Banks have more at risk in Portugal and Spain than Greece. Claims on Portugal by European lenders amount to $240.5 billion, including $47.4 billion by German banks and $44.9 billion by French firms, according to BIS figures from the end of 2009.

European banking claims on Spain stand at $832.3 billion, with German financial institutions accounting for $238 billion and French companies $211.2 billion.

Commerzbank AG holds 3.1 billion euros in Greek sovereign debt, while Deutsche Postbank AG owns 1.3 billion euros of Hellenic government instruments. Hypo Real Estate AG, the German lender taken over by the state following the credit crunch, has 7.9 billion euros in Greek government bonds and 1.7 billion euros in Portuguese state debt, according to a March presentation on the company's Web site.

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