

UK banks abandon eurozone over Greek default fears

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UK banks have pulled billions of pounds of funding from the eurozone as fears grow about the impact of a "Lehman-style" event connected to a Greek default.

By Harry Wilson | The Telegraph

Senior sources have revealed that leading banks, including Barclays and Standard Chartered, have radically reduced the amount of unsecured lending they are prepared to make available to eurozone banks, raising the prospect of a new credit crunch for the European banking system.

Standard Chartered is understood to have withdrawn tens of billions of pounds from the eurozone inter-bank lending market in recent months and cut its overall exposure by two-thirds in the past few weeks as it has become increasingly worried about the finances of other European banks.

Barclays has also cut its exposure in recent months as senior managers have become increasingly concerned about developments among banks with large exposures to the troubled European countries Greece, Ireland, Spain, Italy and Portugal.

In its interim management statement, published in April, Barclays reported a wholesale exposure to Spain of Â£6.4bn, compared with Â£7.2bn last June, while its exposure to Italy has fallen by more than Â£100m.

One source said it was "inevitable" that British banks would look to minimise their potential losses in the event the eurozone crisis were to get worse. "Everyone wants to ensure that they are not badly affected by the crisis," said one bank executive.

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