



## UPDATE 1-Egypt exposure weighs on French banks

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\* Loan losses seen rising after protests

\* SocGen seen most exposed to Egypt, shares down 2 pct

\* Egypt's banks to remain closed Tuesday - state news agency

(Adds background, analyst comment)

By Lionel Laurent

PARIS, Jan 31 (Reuters) - France's banks are more exposed to Egypt than European and U.S. peers and may see losses on bad loans rise as the country is plunged into political crisis, analysts said.

Protests against Egyptian President Hosni Mubarak's 30-year rule have led to the closure of the country's banks and rattled European financial markets. [ID:nLDE70U0T9]

"It is very possible that we will see a rise in loan-loss provisions...especially seeing as Egypt up until now had pretty weak loan provision levels," said a Paris-based bank analyst.

French banks such as Societe Generale <SOGN.PA> and Credit Agricole <CAGR.PA> provide over one third of all international loans to Egypt, according to the most reliable data on cross-border lending.

Bank for International Settlements data last week showed international loans to Egyptian companies and the government were \$49.3 billion at the end of September, including \$17.6 billion from France, \$10.7 billion from Britain, \$6.3 billion from Italy and \$5.4 billion from U.S. banks.

The predominance of France and Britain underlines their shared colonial past in Egypt, stretching from Napoleon's invasion at the end of the 18th century through to the failed Franco-British-Israeli attempt to seize the Suez Canal in 1956.

Shares in SocGen -- singled out as the most exposed in France -- fell 2.2 percent to 47.25 euros by 1204 GMT, underperforming the sector. Credit Agricole was down 1.2 percent while BNP Paribas <BNPP.PA> slipped 0.9 percent. The CAC40 <.CAC40> index was off 0.3 percent.

The impact of rising loan-loss provisions in Egypt may be offset at Societe Generale by easing provisions in other markets such as Eastern Europe, Alphavalue analyst Christophe Nijdam said.

### SECURITY SITUATION

Egypt has proven a fast-growing, attractive banking market because of its low loan penetration rate and is Africa's second-largest economy, according to Citigroup analysts.

SocGen's Egyptian subsidiary NSGB <NSGB.CA> has 140 branches and posted 148.6 million euros in net profit for 2009, equivalent to 3 percent of this year's expected net profit, according to Keefe, Bruyette & Woods.

Credit Agricole and BNP Paribas' Egyptian operations represent profits equivalent to 1.5 percent and

0.2 percent of 2011 profit, the KBW analysts said.

Egypt's banks would stay closed on Tuesday, the state news agency reported, and companies are repatriating employees from the country.

Britain's Barclays <BARC.L> said it was closely monitoring the situation after shutting its network of 65 branches on advice from the Egyptian central bank.

Rival HSBC <HSBA.L> <0005.HK> said it had set up continuity plans for its Egypt business.  
[ID:nWLA4111]

Italy's Intesa Sanpaolo <ISP.MI> has repatriated all staff bar one. Intesa owns 80 percent of Bank of Alexandria and has 210 branches and a market share of 7 percent, with loans of about 2.3 billion euros. (\$1=.7342 Euro) (Additional reporting by Stefano Bernabei in Rome and Sudip Kar-Gupta in London; Editing by David Cowell)