

LONDON, ENGLAND, September 16, 2013 /24-7PressRelease/ -- The collapse of Lehman Brothers not only caused the banking sector to become one of the most unloved sectors among investors but sent the economy into a precipitous downward spiral, causing indices such as the FTSE All Share to tumble from 2,757* on the Friday before the bank went bust to a post-crash low of 1,781 on 3 March 2009**.

Since the crash, the economy has been on a gradual rehabilitation programme and the FTSE All Share has climbed 95%***. Banks too are looking much healthier - after a painful period of write-downs, boardroom turmoil and cultural change, share prices have recovered somewhat from their lows post-Lehman's, though they still have a long way to go to reach pre-crisis highs.

Against this backdrop, some investors are beginning to re-appraise some UK banks, attracted by the fact that they are now much more conservatively run and transparent businesses.

James Griffin, Portfolio Manager of the Fidelity MoneyBuilder Growth Fund, believes the UK banking industry now offers some rewarding opportunities.

He comments: "We believe that the UK banking industry is a fundamentally different place now from what it was like before the trauma of the financial crisis. Further change is likely over the coming years. We are currently witnessing its rehabilitation and a significant shift towards much more stable, cash-generative business models with a lower tolerance of risk. Valuations and returns in the sector are at historically low levels. While I do not expect returns to reach pre-crisis highs, even a marginal improvement will be very rewarding for shareholders given the negative sentiment around the sector."

Griffin is investing in **Lloyds Banking Group**, which he believes is in a very strong position following its HBOS acquisition in 2009, a deal the regulator would never have allowed under normal circumstances. He adds: "The company has rehabilitated its balance sheet and made significant improvements operationally. It now has the largest market share in UK retail banking, and is capitalising on this strong position. Growth in deposit-taking, demand for mortgages and an improvement in funding markets should allow returns on equity to improve to around 13-15% from around 8% today."

Another bank which Griffin likes is **HSBC Holdings**, which has a uniquely strong position. He said: "It is one of only three truly global banks, and it is unlikely we will see other global banks emerge with such a large international footprint again. In a globalising world, it should be able to

Five Years on From the Demise of Lehman Brothers, Are UK Banks Returning to Health?

Written by Australian Business

make the most of these international links to make strong returns for its shareholders."

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