

Market Update

3 October 2008

Credit Crisis Timeline: A look back on how it all unfolded

“Among the words that have been bandied about in recent weeks with relation to the financial markets are superlatives such as “extraordinary”, “exceptional”, “historic”, and “unprecedented”. None of these adjectives are inappropriate or exaggerated.”

While it is true that the markets have been grappling with a severe financial crisis for at least a year, the events since 7 September 2008 when the U.S. government took outright control of the mortgage giants Fannie Mae and Freddie Mac, have provided markets with high drama.

RECAP OF EVENTS

Below we summarise the key events which took place in the run-up to and during the credit crisis.

- Sept 07:** UK bank Northern Rock admits financial difficulties – share prices fall as customers queue up to withdraw their money.
- 16 March 08:** Bear Stearns, the U.S.’s fifth largest investment bank collapses and is taken over by JP Morgan.
- 7 Sept 08:** Fannie Mae and Freddie Mac effectively nationalised by the U.S. Treasury which places them into “conservatorship”.
- 9 Sept 08:** Lehman Brothers shares plummet to lowest level on Wall Street in more than a decade.
- 14 Sept 08:** Lehman Brothers files for bankruptcy. Stock markets plummet; central banks inject billions of dollars into money markets. Bank of America agrees to buy Merrill Lynch.
- 16 Sept 08:** AIG Corp, the world’s biggest insurer, bailed out by the U.S. Federal Reserve. Morgan Stanley and Wachovia enter merger talks.
- 17 Sept 08:** Halifax Bank of Scotland (HBOS) merges with UK bank Lloyds TSB in an emergency rescue plan representing one-third of the UK’s savings and mortgage market.
- 18 Sept 08:** Fed and other central banks inject billions into global markets to help ease the crunch.

RECAP OF EVENTS (cont)

- 29 Sept 08:**
- » UK's Bradford & Bingley nationalized.
 - » U.S. House of Representatives rejects a \$700 billion plan to bail out the U.S. financial system.
 - » German bank Hypo Real Estate is bailed out by a consortium of banks.
 - » Citigroup, the world's largest bank, buys Wachovia.
 - » Belgian insurance giant Fortis is bailed out by the governments of the Netherlands, Belgium and Luxembourg.
 - » Iceland's third largest bank Glitnir nationalized.
- 30 Sept 08:** Belgian bank Dexia bailed out by France, Belgium and Luxembourg.
- 2 Oct 08:** The Senate approved a modified \$700 billion financial rescue plan two days after a vote failed in the House.

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