

BlackRock's Fink Says AIG to Survive Funding Crisis

Bloomberg

September 16, 2008

BlackRock Inc. Chief Executive Officer Laurence Fink said American International Group Inc. will survive its funding crisis, though the fate of its shareholders is less certain.

Fink, in a televised interview on CNBC, described AIG as a "very solid business" whose insurance products are sold around the world. In contrast with brokerages that have also been felled by the credit crunch, Fink said that AIG is "not like a company that just buys and sells securities."

"I believe there is a strong future for AIG," Fink said. "I'm not sure whether the equity holders of today will have a future or not." New York-based insurer AIG may need capital from the U.S. government or private-equity firms, Fink said.

AIG shares have fallen 84 percent since Sept. 8, threatening the company's ability to raise the capital it needs to continue operating. The U.S. Treasury is now considering a takeover of AIG under a conservatorship, according to two people briefed on the discussions.

Fink, 55, described this week's crisis on Wall Street, during which Lehman Brothers Holdings Inc. filed for bankruptcy protection, as "another wave of deleveraging."

U.S. companies "still have a long way to go" in deleveraging, a process by which they reduce the degree to which their assets are financed with borrowed money, he said.

The "real question" for the remaining independent U.S. investment banks, including Goldman Sachs Group Inc. and Morgan Stanley, is whether their business model can compete with companies such as Citigroup Inc. and UBS AG once these banks improve their balance sheets, Fink said.

No 'Real Change'

The current consensus in financial markets is that all "leveraged institutions" must find a better way to finance their assets, Fink said. The industry is now debating whether the best way is to team up with a financial institution that takes in low-cost bank deposits, he said.

Merrill Lynch & Co., the New York-based brokerage that's being acquired by Bank of America Corp., owns about 49 percent of BlackRock. Fink said today that he doesn't see the transaction resulting in "any real change" in how BlackRock operates.