Pragmatism rules in debate over Greek banks' nationalisation

ASK ship finance players for an assessment of the state of Greece's banks, and the answers will range from deeply troubled to bust already, *write Nigel Lowry and David Osler*.

Most of them are massively exposed to government debt, and unless a bail-out can be arranged by March 20, they could easily end up in state hands. Bank nationalisation would once have been regarded as an act of socialist zeal. But in today's world it is more often a pragmatic forced move, along the lines seen in Britain with Royal Bank of Scotland and Lloyds in Britain, and paralleled in several other European countries.

As New York-based Basil Karatzas points out, the obvious question for the shipping industry is what impact this would have on lending, especially to smaller owners who are simply not attractive to international lenders and would normally expect to fall back on domestic sources of credit.

Janos Koenig, of leading consultancy Eurofin, argued that shipping is so central to the Greek economy that even if the government takes over the banks, there is no way that it will demand an end or even a reduction in financing for Greek shipowners.

"It is a very dissimilar situation to that of the British government and RBS, because there are hardly any British owners. Even there, although we have seen some reduction in the availability of financing, RBS is still a major player. Of course this is not applicable to Lloyds," he said.

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Greek bank privatisation

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"If the banks are recapitalised, and from where is another story. They will be in a position to offer more shipping loans as opposed to now when they are incapable of doing so. I do not think it matters who the owner of the banks will be at the time."

Mr Koenig sees the basic problem as the availability of dollar funding. But if things improve on the euro front and Greek finances are put on a better footing, the funding situation for Greek banks is likely to pick up, he said.

"With regards to the big names, I do not believe that they will suffer, as most shipping financiers will concentrate their activities to satisfy their needs from their limited resources."

Leading Athens-based analyst Ted Petropolous of Petrofin said that he did not see any link between the Greek banking crisis and the prospects for Greek shipping. He described Mr Karatzas' comments as speculative, given that Greek banks would still need a business plan if they passed into state hands.

"At worst a sovereign debt crisis threatens to affect the place where the vessels are being managed, but if need be this can be changed to other service centres whether it be Cyprus or the UK or the Far East. Shipping is international business and if you are meeting the terms of your loan no one can do anything about that.

"If there are worries about future loans that is another matter and it could be the case that some of the smaller owners which might hope for support could be unable to refinance, given the current plight of their Greek bank. But that is about the extent of the risk."

Mr Petropolous saw reasons for Greek banks, however they might be capitalised, to stand by shipping clients. "The relationship between Greek banks and Greek owners is often supported by deposits from Greek owners, which are very highly regarded particularly in these times", he said.

He said that small owners of one or two vessels, which are legion in Greece, may be "more likely" to have an existing loan left with a Greek bank. But from medium-sized owners with a handful of vessels up to the giants of the business, most generally sourced their finance internationally in the past.

Overall, Greek banks' share of the overall loan portfolio to Greek shipping in recent years peaked at no more than 25%. ■

Lloyd's List

January 23, 2012