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Greeks set to avoid worst of banking crisis

Wednesday 29 October 2008

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FUELLED in particular by the dry bulk boom, ship finance for the Greek fleet has grown to unprecedented levels but came to a virtual standstill this month as the effects of the financial crisis swept the globe.

Are there any new loans being advanced? According to one financial source, the answer is "apparently" yes. "I heard that one big Greek bank approved one deal for one public company with a first class charterer on such tough terms that he wouldn't disclose the spread," said the source.

On the other hand, some other bankers in the Greek market said "they would not risk their future to propose finance in these times to their head offices".

Without downplaying the severity of the crisis, one prominent financial consultant believes Greek owners are in a better position than owners in other countries — at least in regard to financing the newbuilding orderbook.

Earlier this year, Petrofin's Ted Petropoulos estimated that about 77% of the Greek newbuilding orderbook had already been financed. He says that the superior financed position is "still the case".

He estimates that on the existing orderbook this could leave a further \$5bn in additional finance for Greeks to arrange in due course. "The additional requirement spread over the next few years appears not to present a problem," he said.

Mr Petropoulos added: "No doubt the strong owners will keep their orders, provided the shipyards can deliver. The weaker owners, without finance, may well be forced by the weak shipping market to sell their orders or default. Premia for newbuilding contracts have been coming down sharply.

"In view of the liquidity crisis, Greeks — just like everyone else — would be unwilling to commit good money after bad. This may lead to failed orders and berths being remarketed by shipyards.

"I see many opportunities for the Greeks who are capital strong and committed to shipping and lots of problems for the weaker owners."

More broadly, Petrofin calculates that the capital required for shipping over the next few years may not be as astronomic as in some recent studies. Taking into account repayment of existing loans, the total amount of net new finance for the industry could be as little as \$37.5bn-\$82.5bn, according to Petrofin.

"What is demanded from the banking industry is an additional 2%-4.6% per annum of their portfolio to be added yearly to their exposure," said Mr Petropoulos.

"This annual ship finance increase is far lower than the average increase over the last few years."

He adds, however, that fears of lack of finance to support the industry in the medium term are not related to the amount required but rather to the ability of banks to provide due to their own financial problems and lack of liquidity.

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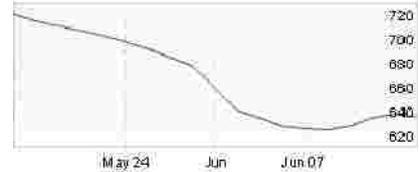
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