

## The Piraeus shipping-finance sector is facing uncertainty as struc

The Piraeus shipping-finance sector is facing uncertainty as structural changes on both the local and global fronts spark jitters.

Doubts have been cast over the status of a number of banks, while lending has virtually come to a standstill in the past few weeks.

On the local front, Piraeus Bank is negotiating a merger with the National Bank of Greece. According to sources, the merger deal was agreed two weeks ago and is still subject to negotiations. If the merger does not materialise, market observers note that their combined shipping portfolios will not automatically be augmented but will most likely be trimmed down.

Piraeus Bank is ranked as the largest Greek lender to shipping by Greek finance analyst Petrofin. At the end of 2007, its shipping portfolio was worth \$3.37bn, while the National Bank of Greece ranked third, lending \$2.39bn.

Observers note that a merger between the two banks has been on the agenda for some time and is not directly linked to the current international lending crisis.

The same cannot be said about banks facing major challenges and structural changes on the global front.

The Royal Bank of Scotland (RBS) has been touted as one of the candidates set to close down its Piraeus operation given the challenges it faces. Citibank has also set a plan in place to gradually withdraw from the Greek sector.

RBS global head of shipping Lambros Varnavides dismisses such talk as "nonsense" and says an RBS closure has never been on the table.

The future of Fortis Bank's Greek shipping portfolio is also unclear in light of the recent bailout of the bank's operations in Holland, Belgium and Luxembourg.

Headed by Harris Antoniou, Fortis's global shipping group is based in Rotterdam and is part of the Dutch arm of Fortis that was nationalised by the government last Friday.

The Greek office, however, as well as other offices around the world, falls under the group's Belgium and Luxembourg operations, 75% of which is being taken over by BNP Paribas with 25% remaining in the hands of the Belgian government.

At the end of 2007, Fortis held a Greek portfolio totalling \$1.5bn, according to Petrofin, of which \$650m had been committed but not drawn down. It is unclear how this portfolio is split between the bank's two arms and how it will fare given recent changes.

Another question mark hangs over the Greek shipping operations of ABN-Amro. The operation was acquired by RBS and full integration is believed to be planned for 2009. In view of RBS's decision to accept the UK government's handout to shore up its capital, some observers believe it may be required to divest itself of some parts of its operation.

Petrofin's Ted Petropoulos believes rumours of banks shutting down their Greek operations are premature.

"These things are not decided by knee-jerk reactions," he said, adding that the banks need to see what the situation in the shipping industry looks like over the next six months.

Petropoulos says that shipping finance has stopped while banks evaluate the situation that has come upon them so rapidly.

"Things are at a standstill," he said.

By Yiota Gousas, Gillian Whittaker and Joe Brady Athens and Stamford

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