



Banking on Greek Shipping

by David Glass,

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Greek domestic banks are on the look-out for new business and shipping is viewed as a natural market. David Glass talks to some of the new and established players about the interest now being shown.

Bankers are busy people these days, their calculators working overtime as they watch the various market indicators.

As the frowns deepen, more than a few have been forced to open their bottom drawer and dust off documents which, not so long ago, were almost forgotten as the freights were pouring in.

In centers like Piraeus, whose residents usually sit on piles of cash higher than most, bankers have not been reticent in backing owners interested in acquiring tonnage over past couple of years. However, some bankers are now busier than most reconstructing their loan portfolios.

While bankers up and down the Akti Miaouli insist very few accounts are in trouble, they say the first signs “of some complications are appearing” and relationships with their clients will be important in the months ahead. Bankers conceded any deal done in the past 18 months or so, may have to be looked at again.

“Owners are likely to face cash flow problems and bankers will anxiously wait to see how willing an owner is to put his hand in his pocket”, said **Ted Petropoulos, managing director of financial consultants, PETROFIN S.A.**

There is no doubt owners are being forced to go to their banks for restructuring of loans. How the banks will react to this will be important”, say Petropoulos.

He agrees the relationship between banker and client will be very important, especially as some owners will still want to jump on the opportunities, which he says, are bound to arise in the secondhand market.

Reflecting this, Seatrade Week Newsfront records show that Greeks are presently investing a \$160m on average a month in the S&P market. PETROFIN estimates there are just over 150 banks / institutions that are lending to shipping internationally. About 70 of these are involved in Greek shipping. 36 of these Banks have a physical presence in the form of a branch or representative office in Greece with DET NORSKE BANK and BANQUE CANTONALE VAUDOISE among the most recent to join this community.

Creating a physical presence does not come easily. DnB did not make the move until it was established as the sixth largest lender to Greek shipping. Norway’s minister of Trade and Shipping, Grete Knudsen was in Piraeus for the event at which Finn Hvistendal, DnB group manager, said “the expertise and pedigree in the Greek fleet is something we recognize and find attractive”.

In addition to the foreign banks interested in an on-the-spot presence and the “jet bankers – though with the collapse of the dry cargo market they have become fewer – a key

feature of the Greek shiplending scene is the increasing interest being shown by domestic banks themselves.

The freedom of banking operations within the European Union has put considerable pressure on Greece's oversized domestic banking fraternity. Employers of an estimated 45,000 Greek bankers have seen the necessity to secure new business and the Greek shipping community is viewed as a natural market.

The present environment of deregulation has made it possible for local banks with the resources to become more active. In 1995 domestic bank lending to the shipping sector reached Drs 203,200m (\$833m) up from the record of Drs 150,900m in 1994. Everyone lending to shipping believes 1996 will see another major increase in business.

In particular, the state owned Commercial Bank and National Bank, and the privately owned Alpha Credit Bank, have clearly sign posted their intention to become major players in the sector.

Others like Ergobank, the Latsis-owned Euromerchant Bank, the Mavrakakis-owned Dorian Bank and Egnatia Bank, are among those seen to be building up their shipping portfolios. The Bank of Macedonia Thrace, Ionian Bank and Bank of Central Greece are active to a lesser degree.

Anastasios Fouyias, deputy general manager shipping at the Commercial Bank believes a portfolio of around \$1bn is a reasonable target. It presently stands at "a well spread \$350m" up from around \$80m two years ago. "The bank has the resources to develop and intends to do so," said Fouyias.

He was speaking in his new office on the top floor of a modern eight-story building which in September became the bank's shipping headquarters. He said the bank's purchase of the building was a "demonstration of our commitment to shipping".

Fouyias said Greek banks "up until quite recently did most of their shiplending business with the coastal shipping sector". While this sector will remain important "those which want to be active in shipping a meaningful way need to have a strong balance sheet and be prepared to invest in right people and put into place the procedures necessary to diversify the existing portfolio".

The Commercial has done just this. Fouyias was brought over from Barclays Bank's Piraeus shipping department while other experienced shipping people were also taken on. Further, the ability to diversify was underlined when earlier this year it led a \$78m line of credit to Anek Lines. For eight years the Commercial is in for 75% of the business with Alpha Credit covering the remaining 25%.

Conceding shipping is a volatile business requiring special treatment Fouyias contends: "The potential is there if the homework is done."

As experienced Piraeus-based international shipping banker agrees. He says no one should be surprised by the interest now being shown in shipping by Greek banks.

"The big Greek banks like the National and Commercial have seen their 70% plus share of the domestic banking market being chipped away by the foreign banks locating in Greece as well the growing band of private Greek banks. In the face of this competition they have greatly improve their overall services and shipping is a natural new market for those strong enough to chase it."

He believes the Greek banks will benefit from any decline in the market. "When the market bottoms out, the Greek banks will be in a position to take some good business on board."

There are those who see some of the international banks perhaps willing to sell their entire shipping portfolios. What better way to establish a banking portfolio than acquire it?

At the same time the banking sector in Greece is likely to undergo a degree of rationalization with both the domestic and foreign communities involved. Indeed, there is already evidence of this with the Latsis-controlled Euromerchant recently finalising a \$74.5m deal to purchase the local Inter-Bank from France's Banque Worms. Previously Midland Bank reportedly had been courting Inter-Bank.

The Commercial Bank also went close to purchase Barclays Bank's sizable Greek portfolio a couple of years back after being linked some five years back to similar deal involving the The Royal Bank of Scotland.

But as one prominent lawyer spotted recently entering an Akti Miaouli bank clutching a dossier under his arm remarked: "It has taken me 15 years to understand what is going on in Piraeus, and I'm supposed to smart."

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