

## Greek owners study German bad loan write-down plans with care

### **No foreclosures on Greek-owned vessels are expected following demands by Germany's financial regulator that banks need to take a tougher stance on bad loans**

Owners in Greece are keeping a close eye on developments surrounding the German banking sector, but remain confident it will not have a big impact on them.

News from Frankfurt that BaFin, Germany's Federal Financial Supervisory Authority (BaFin) has said lenders need to do more to deal with bad loans, has been a hot topic in Pireaus in the past few days.

"It's a big story this week in Pireaus and the Greeks are certainly looking at it very carefully, but the people we are speaking to don't believe it will have a big impact on Greek shipping," one broker said.

Although German banks' exposure to Greek shipping has been in decline over the past few years, data from Petrofin Bank Research shows that in 2012 they were responsible for close to 26% of all Greek shipping finance, with loans totalling just over \$17bn.

Sources in the Greek shipping financing sector do not expect any foreclosures, particularly on vessels owned by Greeks.

Petrofin's Ted Petropoulos says all signs point to Greek owners servicing their obligations punctually.

He says the repayment schedules and margins on many loans may have been restructured by mutual agreement.

"Given that information, the impact of further tightening in tackling bad loans by German banks is not expected to have a significant impact on Greek shipowners," Petropoulos told TradeWinds.

Other finance experts in Greece believe the German banks will sell their debt portfolios to US funds, which have already shown their willingness to pick them up.

"Most likely it will not translate to a liquidation of assets, but debt sales which will be picked up by American funds," one source said.

Despite that, brokers suggest Greeks with money will be watching closely to see if banks are forced to sell off vessels, but it suits nobody for asset values to drop.

"There are Greek owners that would love to pick up a vessel on the cheap, but they also realise that a huge fire sale and drop in values would have negative developments for their own assets," an Athens-based broker said.

Ioannis Alexopoulos, head of shipping at Eurofin, says BaFin's criticism that some German banks have not done enough to sort out their shipping portfolios is further proof that regulatory bodies are increasing pressure on lenders.

He says the results have already affected the Greek shipowning community as, historically, it has relied heavily on German shipping banks for their funding needs.

"Increased pressure from the regulator is translated, in most cases, to increased pressure from the banks to their shipping clients and Greek owners are already feeling the heat," Alexopoulos said.

He says a number of Greeks have already adjusted to this new reality and are diversifying their capital sources.

"When successful, they have employed the new funding into new acquisitions resulting in an ever increasing supply of vessels, albeit at historically low values with new technology," Alexopoulos said.

(See also Comment, page 10.)

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