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Greek banks rein in shipping loans in troubled times

Lending by Greek banks to shipping is on the decline as they struggle with liquidity problems and the fall-out from the recent debt write-down.

Despite the fact that shipping loans are considered safer than some other areas of business, such as corporate lending or real estate, financial analysts believe the year-on-year reduction in funds from Greek banks to Greek shipping could be around 12% to 14%.

Athens-based analyst Petrofin issues annual research on bank financing but has not yet completed its data collection for 2011.

As of the end of 2010, Petrofin's figures showed a dozen Greek banks with a total portfolio of $15.9bn in shipping loans, $13.7bn of which were already drawn, the remainder being committed but undrawn funds.

George Xiradakis, head of XRTC Business Consultants, believes this total could now be down to around $14bn.

"There were a lot of restructurings and grace periods, so it has messed up the normal system of calculation, but I would put it at about that level given that there were no new loans," he said.

Xiradakis notes that on loans that are being serviced normally, but on which the profitability and margins are lower than the funding costs, it seems certain that banks would like to have them paid off in order to mitigate losses.

He sees a continuing trend for a further reduction in lending from Greek banks but says that as yet no moves to sell portfolios have been seen.

"From the moment banks are recapitalised they may want to pull out of shipping because losses would be small and they are going to replenish their liquidity at a low cost," Xiradakis said.

On the other hand, Petrofin head Ted Petropoulos believes that if the Greek banks get their capital adequacy right by, say September, and depositors feel more confident, there might be a turnaround.

"The shipping portfolio has been a good, stable performer. If there is spare liquidity, I am sure shipping will take a part," he said.

Nevertheless, both analysts confirm that as far as the physical staffing of shipping divisions within Greek banks is concerned, there has been a definite reduction.

Some personnel have found jobs outside Greece, either in other European countries or the Far East, some have moved over to shipping companies themselves, while others have taken advantage of special provisions introduced by certain banks to stop work for a specified period at a minimal salary but with a view to returning at a later date.

As profitability has been reduced or wiped out, salaries have been reduced by anywhere between 10% and 25% and no bonuses are being given at all, says Xiradakis.

By Gillian Whittaker Athens

Published: 18:56 GMT, 04 Apr 12 | updated: 18:56 GMT, 04 Apr 12