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Lenders in Greece face hard choices

Bankers say commitments will be honoured but the lack of liquidity is making progress difficult.

The ability of Greek banks to fund shipping projects this year has almost dried up.

Shipping bankers say that little to no business is being done by Greek banks involved in the sector because of a lack of liquidity and the cost of cash.

In 2009, the 12 Greek banks lending to the shipping industry had an aggregate portfolio of \$16.1bn, down by 4.74% on the previous year's figure, according to annual data produced by Petrofin Research. Out of this total, close to \$3bn represented funds committed but not yet drawn.

The biggest Greek lender is the National Bank of Greece, which for 2009 had a total portfolio of \$3.217bn. Alpha Bank came second with a portfolio of \$2.675bn, closely followed by Emporiki Bank with \$2.620bn.

"It is very difficult and expensive to find money, although I would not say it's 'closed doors'," said Christos Kokkinis, head of Alpha Bank's shipping department.

Kokkinis says Alpha, like other banks, is honouring its commitments to owners who had booked newbuildings. At the end of last year, according to Petrofin, Alpha had undrawn commitments of \$400m, less than half of the National Bank's committed but undrawn portfolio.

In its report on Monetary Policy 2009-2010, the Bank of Greece noted that the financial crisis "is also taking its toll on the entire economy, hampering the functioning of the banking sector".

Greek banks are suffering because of the problems of the Greek economy, says George Xiradakis, head of XRTC Business Consultants.

"Banks were drawing funds through the European Central Bank. Now they have to find other sources," he noted.

The pressure on the Greek economy and the banking system in general puts a lot of pressure on those lending to shipping, another shipping banker agrees, while the transfer abroad of substantial deposits from Greek banks, said to be up to EUR 10bn (\$12.1bn), left a hole in the sources of funding.

Shipowners have also reportedly taken big dollar deposits at Greek banks out of the country.

Although bankers are unwilling to go on the record, they do so on the condition of anonymity that if shipowners make deposits with them they are then more likely to consider lending money to the owner.

Nevertheless, Greek bankers tended to agree that the overall reduction in their lending this year will not be substantial because of the existing commitments.

Despite their problems, Greek banks have shown that they are there to support Greek shipping, Xiradakis says.

But while bankers agree that commitments will be honoured, they say new projects and clients are unlikely.

"Our overall position is defensive," said Alpha's Kokkinis.

By Gillian Whittaker Athens

Published: 21:59 GMT, 03 Jun 10 | updated: 20:34 GMT, 02 Jun 10
