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Draghi Slams Virility Statements as Bankers Shun ECB Loans (1)
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(Updates with professor comment in ninth paragraph.)

By Aaron Kirchfeld and Liam Vaughan

Feb. 10 (Bloomberg) -- European Central Bank President Mario Draghi lashed out at bankers who said tapping the ECB's three-year-loan program carries a stigma, after executives including Deutsche Bank AG's Josef Ackermann said they shunned the loans.

"There is no stigma whatsoever on these facilities," Draghi said at a press conference in Frankfurt yesterday. "Some have made some sort of statements that I would call statements of virility, namely it would be undignified for a bank, a serious bank, to access these facilities. Now let me say that the very same banks that made these statements access facilities of different kinds -- but still government facilities."

The statements by Draghi, who didn't identify any banks by name, came a week after Deutsche Bank Chief Executive Officer Ackermann said Germany's biggest lender didn't tap the ECB in December because it could damage its reputation with customers.

The ECB awarded 489 billion euros ($650 billion) in loans to 523 banks on Dec. 21 to keep credit flowing to the economy as Europe's debt crisis drove up banks' borrowing costs. The ECB will offer a second batch of the loans this month.

ING Groep NV CEO Jan Hommen told reporters on a conference call yesterday that the biggest Dutch financial-services company didn't take the loans in December, partly because of reputational risk. It's discussing internally whether to take loans in the second program, he said.

'Careless at Best'

Credit Suisse Group AG, Switzerland's second-biggest bank, didn't access the ECB's lending program in December and won't in the future, CEO Brady Dougan said yesterday in a Bloomberg Television interview. Sergio Ermotti, the CEO of UBS AG, told analysts and journalists on Feb. 7 that the largest Swiss bank didn't borrow from the ECB because its funding and financial position didn't make it necessary.

Some analysts said avoiding the loans is self-defeating.

The last offering "has removed any stigma, making managements who do not exploit the value on offer arguably careless at best," Credit Suisse analysts led by William Porter wrote in a Jan. 16 report to clients.

Banks in peripheral European countries such as Greece, Spain and Italy have been harder hit by the sovereign-debt crisis, driving up their funding costs in lockstep with the countries', while lenders in Germany and Switzerland have been less affected.

"The German banks aren't in need of the ECB money as much as their peers in southern Europe who are pretty much dry," Horst Loechel, a professor of economics at the Frankfurt School of Finance and Management, said before Draghi's comments. "From a macroeconomic perspective it makes perfect sense and was a great move from the ECB."

'Virtuous' Governments

The banking and funding crisis "originates from a sovereign crisis, and so the banks that happen to be located in governments that have no fiscal crisis, that have always done the right reforms, should give more credit to their governments really for having been virtuous all along," Draghi said.

Intesa Sanpaolo SpA, Italy's second-biggest bank, took 12 billion euros from the ECB in December and expects to participate in the February auction, CEO Enrico Tommaso Cucchiani told reporters in Milan on Feb. 7. The loans were "essential for some banks" and "useful for other banks, including Intesa," Cucchiani said. In Spain, Banco Bilbao Vizcaya Argentaria SA, the country's second-biggest lender, announced it borrowed 11 billion euros from the ECB in December.

Lesson Learned

In the U.K., Royal Bank of Scotland Group Plc borrowed 5 billion pounds ($7.9 billion) in the December auction, a person familiar with the matter said, while HSBC Holdings Plc took an undisclosed sum, said a person at the bank. Spokesmen at the companies declined to comment.

Societe Generale SA, BNP Paribas SA and Credit Agricole SA, France's three largest banks, also participated for an undisclosed amount, according to a Morgan Stanley note published Jan. 18 based on conversations with the lenders. Spokesmen at the banks declined to comment.

Ackermann told analysts on Feb. 2 that Frankfurt-based Deutsche Bank may consider participating in the next round of ECB loans if it is "very attractive from an economic point of view." The German lender has impressed customers by not requiring direct government aid during the financial crisis, Ackermann said.

"The fact that we have never taken any money from the government has made us from a reputational point of view so attractive to so many clients in the world that we would be very reluctant to give that up," said Ackermann, 64.

Deutsche Bank's decision to avoid the loans follows the disclosure of its borrowings from the U.S. Federal Reserve's emergency-loan program during the credit crunch in 2008.

"We learned our lesson during the Fed activity, where we were encouraged to borrow money from the Fed on a confidential level and later on the list was disclosed, and we heard that we had to accept help from the government," Ackermann said. "We just don't want to do that, and that's why we have not participated."

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