Lloyd's List

Banks face test of their commitment

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- by Nigel Lowry

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Financial consultant Ted Petropoulos described 2009 as the year the lending locomotive went into reverse. Could 2010 be the year of a train wreck for Greek shipping banks?

FOR a while back there, the larger Greek banks seemed among the more likely candidates to step forward and fill part of the emerging gap in the ship finance needs of the huge Greek-owned fleet. As the thunderbolt of Greece's near-bankrupt condition hit home, however, it became plain that the home-grown financial institutions could find themselves mor handicapped than most when it comes to committing capital to shipping.

That most banks internationally were cooling their ard ur for shipping loans last year was made plain by a recent Petrofin Bank Research survey, which showed that at least 25 of bout 40 banks left financing Greek shipping last year had shrunk their portfolios of drawn and committed but und awn loans.

Of those that appeared to have increased their level o activity in the course of last year, several institutions did only by the most marginal amount, while most of those expanding significantly were Greek banks.

Petrofin's head Ted Petropoulos called it "a year when the locomotive stopped and went into reverse" – a reference to the rampant growth of the Greek shipping loan book in cent years as banks, both Greek and international, took measure of the established success of the industry and opted to follow owners on their expansionary trail, even if it meant supporting historically expensive vessel purchases.

"Should one consider the depth of the crisis in global banking, international illiquidity, loss of confidence by consumers and firms, the collapse of international trade and the plummeting of vessel values and freights, the effects on Greek ship finance have been modest," concluded Mr Petropoulos in a remark that meant to apply not only to the degree of erosion in loan volumes but also to the fact there had been hardly any owner failures.

Overall, ship finance loans for Greek owners, includin facilities that were committed by banks but not yet drawn down, fell in 2009 for the first time in the nine years Petrofin had been charting the course of lending on the Greek-controlled fleet.

At the end of last year, the total portfolio had slump by 8.5% to $67bn, compared with a record $73bn at end-2008.

The biggest reduction was in committed but undrawn loans, which fell nearly 40%, a clear sign that in many cases the tap had been turned off for fresh finance. At the same me, according to Mr Petropoulos, the numbers were affected by some newbuilding cancellations and there was evidence of banks trying to reduce undrawn commitments further by pegging delivery finance to lower asset values.

While virtually all classes of bank were retrenching, local commitment seemed to be a decisive factor in the degree to which individual banks did so.

Foreign banks with an established presence in Greece reduced their exposure by 5.7% in 2009, while the combined portfolio of Greek banks shrank by under 5%.

By contrast, the portfolios of international banks without a local branch or representative office were chopped by an overall 18.5%.

Despite the turmoil, the top five lenders to Greeks remained as before, led once again by the Royal Bank of Scotland, which saw its portfolio shrink by 4.8% to $13.3bn but continued to represent nearly one-fifth of the market.

RBS was followed by HSH Nordbank, Deutsche Schiffsbank, Credit Suisse and National Bank of Greece.

Among the top 10, as elsewhere, reduction of exposure was the order of the day in 2009, with only two Greek banks maintaining the size of their portfolios at end-2008 levels. Increases of less than 1% sprung Alpha Bank from ninth to sixth position and Marfin Popular Bank from tenth to ninth place.

With Emporiki Bank remaining in seventh place for the second consecutive year, it was the most prominent showing by Greek banks ever among the biggest lenders to the country’s owners.

A number of smaller Greek lenders also posted increase in their portfolios, but before the end of the year it was already clear that in the face of Greece’s economic crisis, the one-quarter share of Greek banks in lending to Greek owners may come under severe pressure.

Among the more noteworthy changes to the positions of international banks in the league table, DnB NOR fell from sixth to eighth and Calyon slipped from eight to tenth place.

HSBC was the prominent international bank that actuall anded support for Greek owners last year, growing its portfolio by 22.9% and reaching 14th place among the l st lenders. The second-fastest growing portfolio was that of Bremer Landesbank, which expanded lending by 13.5%.

According to Petrofin’s survey, fresh lending was revived early in 2010 by s e banks. “We anticipate a greater presence by Far Eastern banks and some smaller banks seeking to take advantage of the attractive ‘bankers’ terms’,” it said. Meanwhile, Greek banks were “willing in spirit” to expand their role but their ability to do so could remain in doubt until Greece’s debt crisis subsided.

“We anticipate that the committed but undrawn overall Greek shipping finance total shall continue to shrink in 2010, but at a lesser rate as a number of Greek owners are seeki to take advantage of relatively low new vessel prices and the demand for newbuilding-committed finance shall increase,” said Petrofin.

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