Greek shipfinance key developments and growth

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Greek shipping has continued to attract the interest of the international banking community.

As supported by the latest Petrofin Bank research lending to Greek shipping entities by Greek and non-Greek banks has increased 28.66%. From $16.525bn (40 Banks) in 2001 and $21.261bn (51 banks) in January 2003. In the research, the banks are divided into 3 subcategories:

A. Foreign (non-Greek) banks with a Greek presence, either in the form of a branch network or a representative office.
B. Foreign banks without a Greek presence, and
C. C Greek banks

Whereas in the past a large number of the information was based on market estimates, this year the vast majority arises from direct input from the banks themselves. This enhanced transparency by banks and support towards research is for the benefit of the international and Greek shipping and banking communities.

This year, two major improvements to the analysis designed to provide a greater insight to the world of Greek shipfinance were installed.

“Firtsly, we have made a distinction between loan outstandings per bank on the one hand and committed but undrawn loans on the other. This information is important in identifying the overall Greek shipfinance risk for each bank and the sector as a whole, especially in a period when Greek owners have developed a pronounced shipbuilding activity.

Secondly, for a long time, some banks such as Citibank, ABN and others have commended a larger presence their own loan portfolios would justify as a result of their lead manager activities in syndications and club deals. For the first time, Petrofin Bank Research addresses this important area of Greek shipfinance by providing information as to each bank’s lead manager activities and shows the amounts of third bank participations managed by each bank. A number of banks have developed strategies of enhancing their shipfinance yields by providing investment banking services to their clients which include putting together and managing large deals which are increasingly done on a club basis.”

In summarizing the research, lending to Greek shipping entities by Greek and non- Greek banks has grown from $16.525bn (40 banks) in 2001 and $21.261bn (51 banks) in January 2003.

This growth in lending volume is in contradiction to the consolidation that has taken place in the banking industry over the last 5-10 years and demonstrates that the surviving banks regard Greek shiplending as a core activity within their overall shipfinance lending policy.

The growth in Greek shipfinance has taken place over a period, which the shipping market has been in recession, which renders it even more important. Banks and shipowners are in the process of assessing and repositioning themselves in anticipation of the BASEL II agreement. Although it will not directly affect banks until 2006, the adjustment process has already begun in earnest with credit assessment ratings and spread / fees adjustments already reflecting the BASEL II requirements.

Thus far, Greek shipowners have reluctantly accepted the increase in spreads in anticipation of BASEL II, a decision made easier by the low prevailing interest rates.

A combination of higher loan yields and a recovery in the world economy, international trade and the shipping industry will act as powerful incentive for further loan volume growth for Greek shipfinance as well as a magnet for additional banks (especially European) entering the Greek shipfinance market.

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