How is Greek shipfinance faring during the crisis and the prospects for 2010 and beyond.

For Nafs

By Ted Petropoulos
Petrofin

Greek ship finance grew by over 25% per annum on average in the early and mid 2000s as shipping prospered and banks were awash with cash. The rate of annual growth peaked at 44% in the shipping heydays of 2007 and it had seemed that the shipfinance locomotive was unstoppable, fuelled by the enormous newbuilding order spree by Greek owners.

In 2008, the locomotive slowed down with growth just above 9% as a result of the emerging global banking and liquidity crisis initially in the US and later in Europe.

In 2009, the locomotive reversed and overall Greek shipfinance fell by 8.5%, thus putting a stop to a decade of solid growth. (see Table 1)

Table 1

	December 2001	December 2002	December 2003	December 2004	December 2005	December 2006	December 2007	December 2008	December 2009
Growth percentage		28.66%	20.19%	26.61%	11.62%	28.45%	44.31%	9.39%	**-8.478%**
Total Greek Shipping Portfolio	**$16,525m**	**$21,261m**	**$25,554m**	**32,353m**	**$36,112m**	**$46,387m**	**$66,941m**	**$73,228m**	**$67,020m**
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The decline is quite modest in the light of the multiple crisis that hit the global banking system, the world economy and shipping itself. All banks reigned in their ship lending, seeking to preserve their liquidity and as the quality of their loan portfolios all fell. With no fresh lending, it may appear surprising that the fall has been so little, as most banks had run offs in their loan portfolios (via loan repayments) of between 10-20% per annum. There are two main reasons for this apparent less than expected shipfinance fall, namely

1) Banks assisted where needed their clients by providing full or partial loan repayment moratoria and
2) Some stronger banks did provide some well priced finance to their best clients.

Banks' strategy in 2009 was to avoid loan provisions and write offs by being accommodative whilst utilizing every opportunity to increase their loan portfolio yields when granting moratoria, asset cover breach waivers and new loans.

Interestingly, the drawn loans in Greek ship finance in 2009 actually increased by 1.93%, whilst the committed but undrawn loans fell by a massive 36.84%. The main reason behind the above anomaly is that whilst new commitments for newbuilding orders were very scarce in 2009, a large part of the commitments were converted into drawn loans prior and at the time new vessels were delivered. As vessel values fell, banks also adjusted the lendable amounts and there have also been numerous cancellations of finance as a result of newbuilding order cancellations.

Petrofin Bank research © splits all lenders into three categories:

a) International banks with a Greek presence (branch(s) or representative office)
b) International banks without a Greek presence and
c) Greek banks.

In Table 2, you will observe that category (b) banks showed the largest annual fall whilst Greek banks (c), the smallest. Greek banks account for about 25% of the Greek ship finance totals.

Table 2

Petrofin Bank Research © March 2010	Overall Greek ship lending portfolio as of end 2009	Overall Greek ship lending portfolio s of end 2008	Percentage of growth between December 2008 and December 2009	Percentage of growth between December 2001 and December 2009	Average yearly growth since 2001
International Banks WITH a Greek presence	$36,777.31	$38,984.4	-5.66%	421.66%	22.93%
International Banks without a Greek presence	$14,101.65	$17.299.5	-18.49%	128.74%	10.9%
Greek banks	$16,140.55	$16,944.24	-4.74%	387.63%	21.9%
Total	$67,019.51	$73,228.14	-8.48%	305.56%	19.13%
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The top 10 banks are shown in Table 3 for the last 3 years.

Table 3

as of end 2009				as of end 2008				as of end 2007			
Rank	Bank	Total exposure in $m	Market Share	Rank	Bank	Total exposure in $m	Market share	Rank	Bank	Total exposure in $m	Market share
1	Royal Bank of Scotland	$13,302	19.85%	1	Royal Bank of Scotland	$13,980	19.09%	1	Royal Bank of Scotland	$12,945	19.34%
2	HSH Nordbank	$5,202	7.76%	2	HSH Nordbank	$5,671	7.74%	2	HSH-Nordbank	$5,900	8.81%
3	Deutsche Schiffsbank	$4,969	7.41%	3	Deutsche Schiffsbank	$5,650	7.72%	3	Deutsche Schiffsbank	$4,800	7.17%
4	Credit Suisse*	$4,000	5.97%	4	Credit Suisse*	$4,900	6.69%	4	Credit Suisse*	$3,500	5.23%
5	National Bank of Greece	$3,217	4.80%	5	National Bank of Greece	$3,545	4.84%	5	Piraeus Bank	$3,376	5.04%
6	Alpha Bank	$2,675	3.99%	6	DNB Nor	$3,042	4.15%	6	Alpha Bank	$2,677	4.00%
7	Emporiki Bank of Greece	$2,620	3.91%	7	Emporiki Bank of Greece	$2,970	4.06%	7	Calyon*	$2,500	3.73%
8	DNB Nor	$2,544	3.80%	8	Calyon*	$2,750	3.76%	8	National Bank of Greece	$2,392	3.57%
9	Marfin Egnatia	$2,450	3.66%	9	Alpha Bank	$2,650	3.62%	9	Marfin - Egnatia - Laiki	$2,250	3.36%
10	Calyon*	$2,000	2.98%	10	Marfin-Laiki	$2,435	3.33%	10	DNB Nor	$2,181	3.26%
	Total	$42,979	64.13%		*Total*	$47,593	64.99%		*Total*	$42,521	63.52%

*Market estimate
Greek banks in blue

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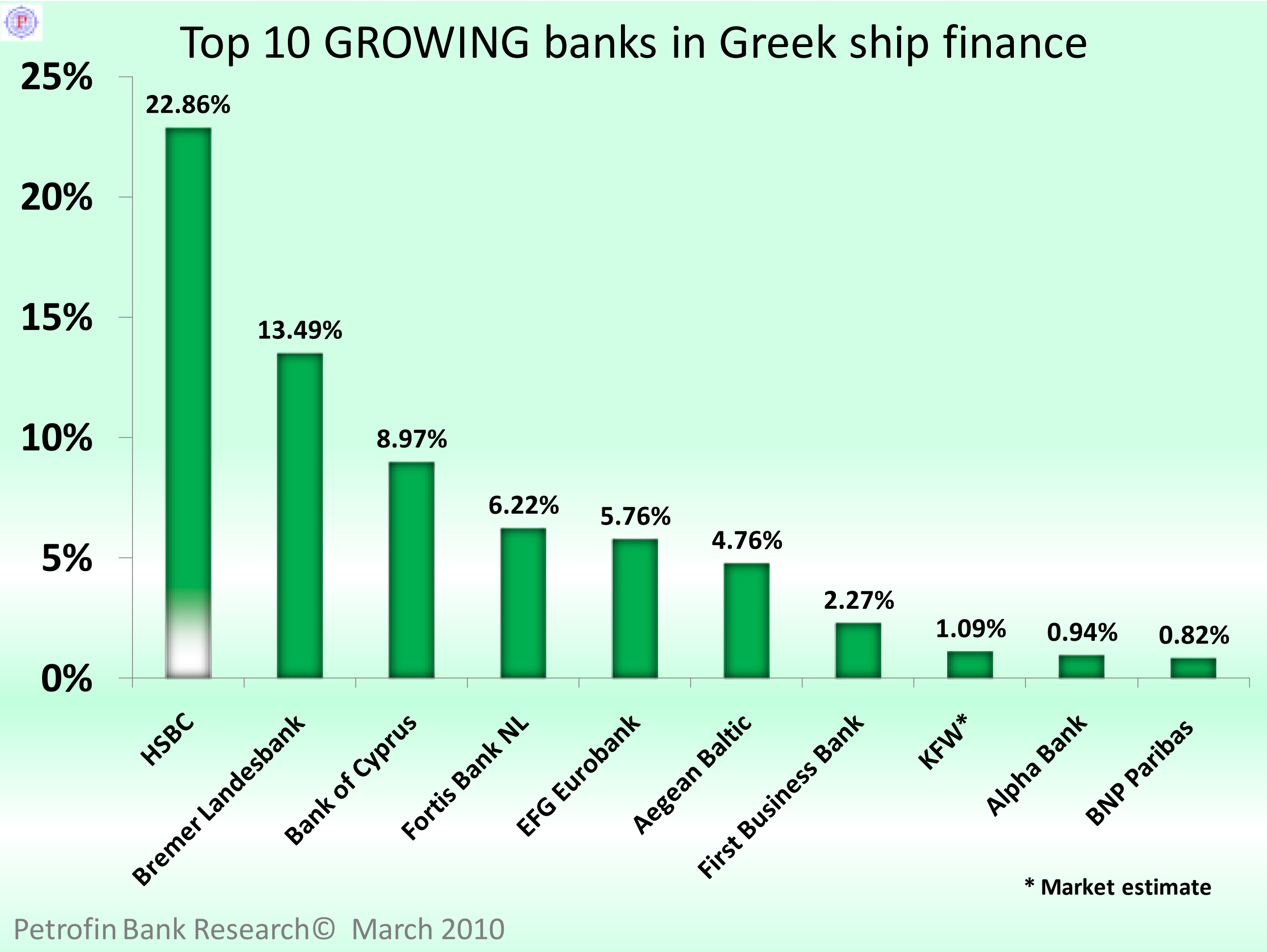
As can be observed, the top 10 banks account for approximately 65% of the totals with Royal Bank of Scotland holding the lead position with almost 20% of the market. Overall, the number of lenders to Greek ship finance remained largely constant at about 40 to 41 banks over the last 3 years. However, their composition has e.g. RBS / ABN, Commerzbank / Dresdner / Deutsche Bank, Lloyds / Bank of Scotland with the numbers being made up by the dynamic entrance of 2 (KEXIM and China Import-Export Bank) Far Eastern banks, as well as a Swiss and a German bank attracted by the high spreads and good terms offered by Greek shipping.

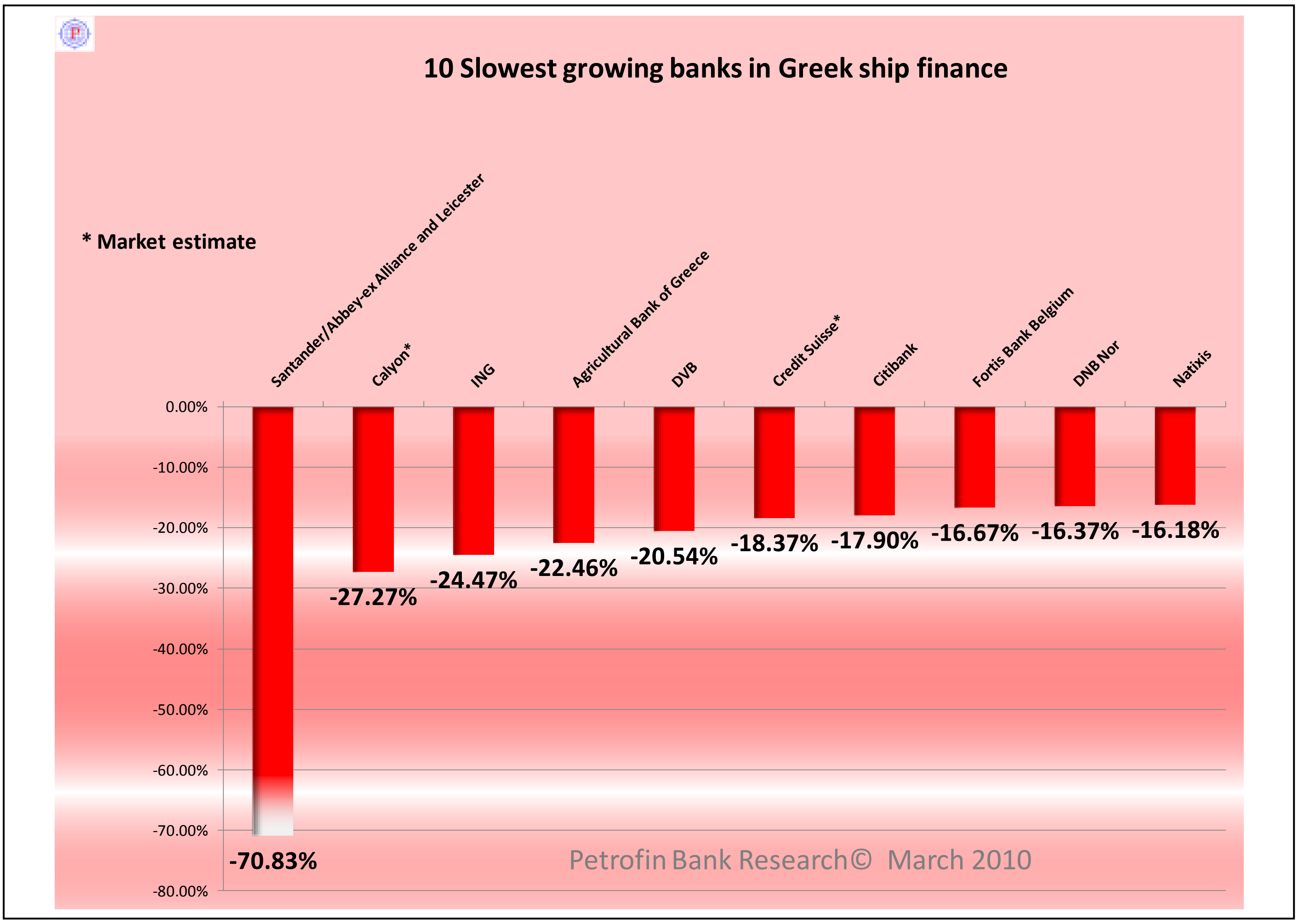
It should be pointed out that European banks make up the vast majority of all lenders and their continued lending and commitment to Greek shipping is of paramount importance.

In Graphs 1 and 2 you will observe the top 10 growing and the top 10 reducing banks. Interestingly, in the top 10 growing list, 5 are Greek banks, which underlines the commitment of Greek banks to ship finance.

Graph 1



Graph 2



10 Slowest growing banks in Greek ship finance
* Market estimate
Santander/Abbey-ex Alliance and Leicester
Calyon*
ING
Agricultural Bank of Greece
DVB
Credit Suisse*
Citibank
Fortis Bank Belgium
DNB Nor
Natixis
0.00%
-10.00%
-20.00%
-30.00%
-40.00%
-50.00%
-60.00%
-70.00%
-80.00%
-70.83%
-27.27%
-24.47%
-22.46%
-20.54%
-18.37%
-17.90%
-16.67%
-16.37%
-16.18%
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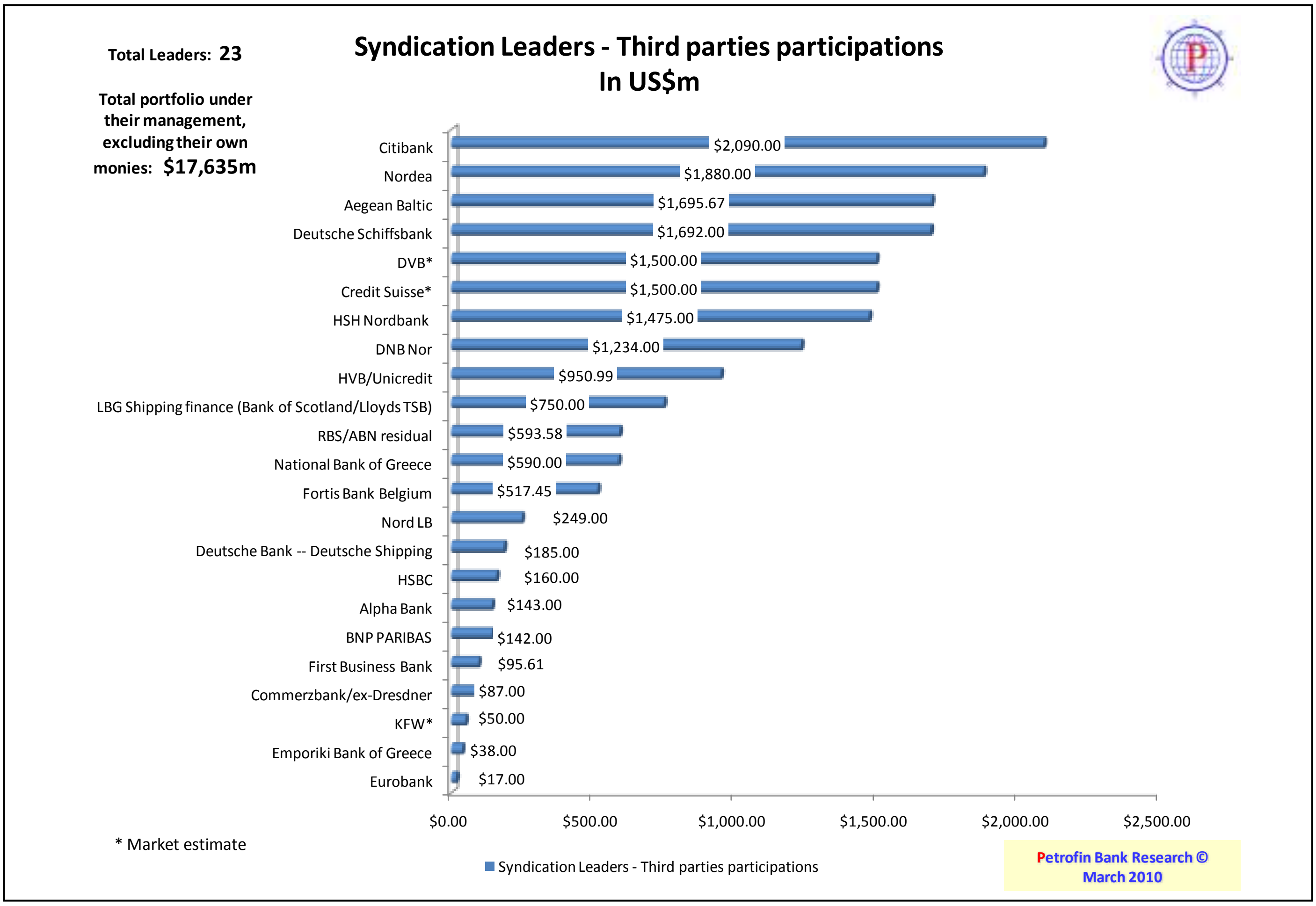
National Bank of Greece is still the top lender, followed by Alpha bank, Emporiki, Marfin Egnatia and Piraeus bank.

This year, for the first time, Petrofin Bank research © included an analysis of each bank's percentage for their committed but undrawn loan exposure that relates to newbuilding finance. The results from 31 banks are show in Table 19 and show that of the total $9.3bn in commitments, 84.62% related to newbuilding finance. This confirms our belief that this was the case but it is still gratifying to see the results.

The 31 reporting banks themselves account for 88.69% of such commitments by all the banks. Should we assume that the remaining 10 banks have similar percentages for newbuildings, then we can reasonably estimate that the total finance currently in place for Greek newbuilding order, amounts to $10.5bn.

In line with the fall of the overall Greek shipfinance market in 2009, the Greek shipping syndications market too fell by 9.3%. In Graph 3 we show the 23 syndication leaders and the portfolios under their management totaling $17.635bn.

Graph 3



The outlook for 2010 and beyond

Looking at 2010, and from other published Petrofin Bank Research analysis, we believe that the rate of decline of Greek ship finance has slowed down. There is increasing evidence that some fresh lending has begun and about 4 in 10 banks have expanded budgets for 2010.

Additionally, we anticipate a greater presence by Far Eastern banks and some smaller banks seeking to take advantage of the attractive 'bankers' terms'. As such, despite the continuing mergers and acquisitions by banks, the overall number of lenders is expected to remain at about 40 banks.

Greek banks remain willing to expand their role and lend to quality clients based on current relatively low vessel values and enjoying unprecedented high margins and very attractive terms. The ability of Greek banks to be active, however, hinges on the evolution of the 'Greek crisis' and the liquidity issues this has put on Greek banks.

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 seeking to take advantage of the relatively low new vessel prices and the demand for newbuilding committed finance shall increase.

A key element in the willingness of banks to provide new loans shall be the outlook of the shipping market and vessel values as well as their clients' cashflows. Should the risk of loan provisions recede and loan run offs increase and should market prospects improve, it would be possible to witness a modest turn-around in Greek ship finance. There remain too many uncertainties at this stage of the year with the shipping and shipfinance industry not 'out of the woods' yet but signalling 'steady as she goes'.

Consequently, any recovery, let alone new growth, is likely to be very tentative for 2010 and driven by the appetite of Far Eastern banks.