Lloyd's List

Banks keep a tight rein on funding

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- by Nigel Lowry

Source: Deutsche Bank

Three-quarters of lending on the Greek-owned fleet comes from foreign banking institutions.

RBS, longstanding market leader in Greek shipping, remained the largest lender despite a 6.5% reduction in its portfol to $12.4bn.

SIGNS of growth in global ship financing last year is eing held up as evidence that the market may be shaking off the paralysing effects of the financial crisis that hit in 2008.

But by the same measure, bank lending to the Greek shipping market is a little behind the curve.

According to Petrofin Bank Research, the consultancy t produces eagerly awaited data on the loan portfolio each year, the global ship finance book, which shrank in 20 9, rose again in 2010 from a total $436bn to $452bn.

“That is a modest recovery which shows that we are beginning to come out of the shock effect of the global fall,” says Petrofin head of research Ted Petropoulos.

“The ability and the willingness to lend to the shippin industry is being very much tested,” says Mr Petropoulos. “It will take time for liquidity to come back to make banks confident to lend across the board.

“They want to feel very secure when it comes to lending to a new project and their willingness is affected by the uncertain prospects of the shipping industry at large,” he says.

“How we deal with overcapacity is the question on every ne’s lips and banks are as concerned about overcapacity as the owners are.”

While the key issues that are preoccupying shipowners d financiers alike around the world also hold good for the Greek shipping community, the overall loan book for Gr ek shipowners is still falling slightly, says Mr Petropoulos.

The portfolio for Greek shipping as a whole shrank for a second consecutive year in 2010, albeit by just 1.2% after a tumble of 8.5% in 2009.

A key reason, according to Petrofin, was that banks did not replenish their support for newbuilding orders at the same pace as before.

“This means that Greek owners are feeling it worse than eir counterparts,” Mr Petropoulos says.

The relative financing squeeze comes despite a positive performance by Greek shipping in steering through crisis years with few company failures.

“Greek shipping overall is cash flow positive and the industry’s cash reserves are an attractive proposition for banks at a time when they are facing liquidity problems,” he says. “Greek ship lending is attractive compared with other lending sectors in Greece.”

Three-quarters of lending on the Greek-owned fleet comes from foreign banking institutions bu e difficulties facing Greece’s own banks contributed to the toll on the aggregate l nding.

“Greek banks are now fighting for survival as independent entities,” says Mr Petropoulos. “I don’t believe they will disappear but there is hardly a Greek bank doing a loan nowadays."

But Greek banks have not been entirely alone in trimming their exposure to the market.

Petrofin's snapshot of lending to Greek owners at end-2010 named Royal Bank of Scotland, HSH Nordbank, Lloyd's TSB, Natixis and Bank of Ireland among banks which have acted "to reduce their shipping exposure for their own considerations".

By contrast, emerging as the star performers in terms of growth last year were BNP Paribas, DNB Nor, DVB, ABN Amro, HSBC, DB Deutsche Shipping, Nordea, ING and China Exim Bank.

"About half the banks are trying to reduce their [Greek] portfolios and about 44% are trying to increase theirs. Only 5% are neutral, so it is mainly clear-cut: banks are either lenders or not in this market," says Mr Petropoulos.

Battered by the Greek financial crisis and ongoing rec ssion, the 12 homegrown banks engaged in shipping saw their collective portfolio drop by 1.6% last year — a "remarkably small" decline given the overall problems faced by the Greek banking system, says Mr Petropoulos.

"This may be explained by the high regard in which Gree banks hold Greek shipping, as one of the country's main industries, as well as the willingness of Greek banks co-operate with their clients to streamline loan repaymen in line with shipping market conditions and obtain higher yields," he says.

Petrofin's latest survey found that two banks exited the market last year, leaving a total 39 banks with an aggregate Greek portfolio of $66.2bn, the lowest total since end-2006.

RBS, the longstanding market leader in Greek shipping, easily remained the largest lender despite a 6.5% reduction in its portfolio to $12.4bn.

The biggest faller was HSH Nordbank. It dropped from second to fourth place as a result of a 40% reduction in its portfolio.

As a result, Deutsche Schiffsbank and Credit Suisse ro to second and third place in the rankings respectively.

National Bank of Greece, at fifth, was the largest Greek bank with a $3bn portfolio despite a 6.5% reduction in its loan book in 2010.

Alpha Bank saw its lending book scaled back by more than 7% to $2.5m, resulting in a drop from second to fourth among Greek banks and from sixth to 10th overall.

The reduction in the Alpha loan book allowed it to be leapfrogged by two other Greek banks – Marfin and Emporiki – albeit by narrow margins.

Six of the Greek lenders to shipping boast portfolios f more than $1bn, while the other six are among the small and medium sized lenders to the sector.

Among the major lenders, DNB Nor and Deutsche Bank's shipping arm Deutsche Shipping were among the fastest-risers, ascending to six and eighth respectively with surges of 13% and 80%.

"There is some competition between lenders but only for first class owners and nothing like it was a few years ago," says Mr Petropoulos. "But it will come back."

There is a preference for quoted shipping borrowers not only because they are transparent but also because they are able to raise more money in the markets, he says.

According to Mr Petropoulos, "Greek ship finance will remain tight for 2011 and 2012 and will ease thereafter. At some point Greek banks will recover," he says.

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