

# Lloyd's List

## Banks put faith in new-look Greek operations

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| by [Public equity activity dwarfed by surge in traditional borrowing, writes Nigel Lowry](#)

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In recent months, TOP Tankers, Angeliki Frangou's International Shipping Enterprises, DryShips and Diana Shipping have all made their publicly traded debuts in the US and a number of other shipowners are expected to follow suit.



While the funds Greeks have raised through initial public offerings over the year remain shy of \$1bn, though perhaps not for long, the total amount is dwarfed by a surge in traditional bank lending for the Greek fleet.

## Banks put faith in new-look Greek operations

Fresh figures produced by Petrofin Bank Research, mostly in direct consultation with the banks themselves, show that total lending ballooned by 26% in the course of last year, leaving a total portfolio of \$32bn.

That includes loans committed but not drawn at December 31.

Petrofin's managing director, Ted Petropoulos, does not necessarily see portfolios growing at quite the same startling pace in future, although the average expansion of overall lending over the past four years now has been an annual 24%-25%.

"There is some evidence of banks, especially Greek banks, becoming increasingly cautious as to increasing their exposure at today's high vessel values," he says.

"The recent IPO activity may result in significant loan reductions as equity is used to substitute bank debt."

He adds that the pace of newbuilding orders has slowed.

Combined, these factors, together with an element of "natural caution", could result in "a slowdown in the rate of growth of shipping loans to Greek clients over the next couple of years", Mr Petropoulos reasons.

But the overall message is clear. "It is evident that Greek ship lending has been going from strength to strength," the just-released study states.

"Irrespective of the number of banks that have entered or left the sector, the overall picture of the past four years is one of continuous commitment and growth."

Petrofin sees the impressive increase in lending as "associated with the development of Greek shipping" generally, especially a widespread conversion to modern tonnage. Despite questions over the longer-term health of shipping markets, Mr Petropoulos says experienced banks are analysing all factors and "are quite happy with their results so that the high prices of such volatile assets as vessels are not considered a prohibitive lending factor.

"It is important to observe that the loan structure has been altered fundamentally compared with previous lending policies..."

"This time round loan repayment is heavily front-loaded so that the high charter incomes can repay the loan almost down to scrap very quickly."

Among individual lenders Royal Bank of Scotland remains far and away the largest backer of Greek owners with a total Greek portfolio of \$6.77bn after a 50% increase last year.

Particularly large increases during the 12 month period were attributed to Cr dit Suisse, estimated to have boosted its Greek ship lending by 77% to \$1.6bn last year, and Citibank, which increased its bilateral portfolio by 75% to \$1.2bn.

Citibank now ranks eighth among the largest providers in the Greek market, says Petrofin, but is dubbed the market leader among lead managers for syndications and club deals with control of a further \$1.47bn in loans for third party banks.

Other prominent lead managers include Aegean Baltic, Deutsche Schiffsbank and ABN-Amro, according to the study.

Not surprisingly, Greece is the country represented by the most banks involved in Greek ship financing — 14 out of the total of 50 institutions active in the market.

But other European institutions, and German banks in particular, are also very prominent in supporting the fleet.

Only four banks out of the total, three from the US and one from Asia, are said to be based outside Europe.

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