Lloyd's List

Greek ship lending slumps as caution rules European banks

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Petrofin says private equity has filled the gap but banks should bounce back soon

Petropoulos: More time needed before a revival of confidence in the industry could translate to a wider pick-up in lending.

ONE of the largest annual drops in the amount of bank financing for the Greek-owned fleet has been reported in a new survey that identifies lingering doubts in the European banking industry and an influx of private equity financing among factors contributing to the reduction in conventional loan finance.

Petrofin Bank Research's snapshot of the industry showed that Greek ship finance fell by 6.5% last year.

Although the fall was not as dramatic as in 2009, when the aggregate portfolio plummeted by 8.5%, total lending to the industry at end-2013 stood at $61.5bn, back to estimated levels of mid-2007.

According to Petrofin managing director Ted Petropoulos, more time was needed before a revival of confidence in the industry could translate to a wider pick-up in lending activity.

Many shipping banks also needed time to reduce their shipping exposure to a more desirable level or had implemented criteria for lending that was "too strict", ruling out most potential loan transactions.

However, said Mr Petropoulos, more significant reasons for banks' lack of ship lending appetite stemmed from weakness in the liquidity and capital ratios of European banks in the light of Basel III and the new European Central Bank regulatory overview.

"Banks simply lacked the resources and the risk appetite to step on the gas pedal," he said. "European banks especially found themselves bracing for the ECB loan review and proving their financial robustness. In a world of doubt, to banks profitability came second to financial strength."

According to Petrofin's statistics, European banks provided 72% of global ship finance in December 2013, and 90% of finance for Greek owners.

GREEK SHIPPING PORTFOLIOS AS OF END 2013 ($m)

Source: Petrofin Bank Research

Rank	Bank	Drawn	Committed but Undrawn	Total
1	Royal Bank of Scotland	$8,600.0	$213.3	$8,813.3
2	Credit Suisse*	$4,800.0	$900.0	$5,700.0
3	Commerzbank**	$4,000.0	$0.0	$4,000.0
4	Piraeus Bank*	$3,900.0	$0.0	$3,900.0
5	DVB	$3,200.0	$500.0	$3,700.0
6	National Bank of Greece	$2,592.0	$141.0	$2,733.0
7	DNB	$2,082.0	$494.0	$2,576.0
8	Alpha Bank	$2,400.0	$35.0	$2,435.0
9	HSH Nordbank	$1,992.9	$362.0	$2,354.9
10	DB - Deutsche Shipping*	$2,000.0	$0.0	$2,000.0
11	Unicredit	$1,680.0	$75.4	$1,755.4
12	HSBC	$1,750.0	$0.0	$1,750.0
13	ABN AMRO	$1,462.0	$231.0	$1,693.0
14	BNP Paribas	$1,600.0	$0.0	$1,600.0
15	ING*	$1,500.0	$0.0	$1,500.0
16	CHINA EXIM*	$1,000.0	$450.0	$1,450.0
17	Citibank	$1,100.0	$300.0	$1,400.0
18	Eurobank	$1,150.0	$0.0	$1,150.0
19	Calyon*	$1,000.0	$100.0	$1,100.0
20	Nordea	$800.0	$260.0	$1,060.0
21	China Development Bank*	$700.0	$300.0	$1,000.0
22	KFW*	$751.6	$147.6	$899.2
23	Nord LB	$758.5	$96.5	$855.0
24	Bremer Landesbank	$786.6	$41.2	$827.8
25	KEXIM*	$400.0	$300.0	$700.0
26	LBG Shipping Finance **	$400.0	$0.0	$400.0
27	China Everbright Bank*	$250.0	$100.0	$350.0
28	NIBC*	$250.0	$50.0	$300.0
29	Aegean Baltic	$267.8	$1.2	$268.9
30	Natixis**	$150.0	$0.0	$150.0
31	Deka*	$125.0	$0.0	$125.0
32	Bank of Ireland **	$66.0	$0.0	$66.0
	Other banks (14)	**$2,885.0**		**$2,885.0**
	Total Greek portfolio			**$61,497.5**

* Market estimate
** Withdrawing from shipping

European banks' difficulties had a "profound" effect on financing of Greek companies and last year's reduction in portfolios came at the same time as a surge in the size of the Greek-owned fleet to a record capacity of 291m dwt.

However, owners have been able to turn increasingly to US private equity funding.

"As the finance gap widened, private equity funds were for many Greek owners often the only way to take advantage of what promised to be a healthy shipping recovery," said Mr Petropoulos.

Funds were “not only active but often scoured Greece for opportunities to co-invest and lend to Greek owners”.

A trend for the share of mortgage financing for the world fleet to fall was “even more pronounced in Greece”, Mr Petropoulos said.

“We believe that there are over 40 joint ventures in place today,” he said.

Most individual banks saw some reduction in Greek shipping exposure during last year although there were quite a few notable exceptions.

Amid the ranks of top 10 lenders to Greek owners, international banks that increased their activity last year included Credit Suisse, which is estimated to have boosted its portfolio by more than 9%.

With a Greek portfolio of about $5.7bn, including $900m committed but undrawn for newbuildings, the Swiss lender now stands clear second in terms of exposure.

Although it fell one place in the rankings to fifth, DVB increased its lending to the Greek market by 25%, to $3.7bn.

HSH Nordbank, now ranked ninth, also increased its loan book, while the survey also confirmed the market reputation of banks such as ABN Amro and ING as among the more active recent lenders.

The overall leader in Greek ship finance remains Royal Bank of Scotland, with a portfolio at year’s end of $8.8bn, or a market share of 14.4%.

However, it was one of the fastest-shrinking portfolios, marking a 16.5% decrease from 12 months earlier.

Its total includes about $213m in committed but undrawn loans, but another 10 banks — led by Credit Suisse — have committed more in future newbuilding support.

Other sharp reductions were at Commerzbank, which last December was still the third-largest bank in Greek shipping, but it is exiting ship finance, and at Calyon, which is estimated to have shed about 21% of its exposure.

The leading Greek domestic banks also emerged as growing in the field, with fourth-placed Piraeus Bank, sixth-placed National Bank of Greece and eighth-placed Alpha Bank all registering hefty portfolio gains, but these were the result of absorbing other banks’ portfolios, in most cases due to taking over smaller Greek banks.

The number of Greek banks left in ship finance has fallen to five, from 15 a decade ago, while the overall number of banks involved in Greek shipping last year fell from 51 to 46.

A number of Far Eastern banks, including Cexim, China Development Bank and Kexim, also increased their financing of Greek owners last year.

Petrofin said that provided the shipping recovery continued, which it said was “a big ‘if’”, it expected private equity interest in the industry to wane over the next two years.

But this, and a recent slowdown in Chinese ship lending to western owners, would be offset by the increasing confidence and financial ability of European and North American banks.

Western banks would again be “attracted by the high loan yields of Greek shipping based on modern eco design vessels,” said Mr Petropoulos.

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