

# Lloyd's List

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## Good news for shipping proves to be bad news for banks

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- | by [Market conditions spark increased competition among the more than 50 banks active in Greek shipping, writes Nigel Lowry in Athens](#)

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While specialist bankers who have followed the often less-than-stellar fortunes of the trade are no doubt pleased for their customers, and work-outs have for the time being left the lexicon of the industry, the jamboree from freights has also posed problems for shipping bankers.

"Bankers are in a frustrating position," says analyst and consultant Ted Petropoulos, managing director of Petrofin SA. "They cannot just sit around and do nothing, but on the other hand they are a bit scared to lend at today's prices."

The dilemma for banks has been twisted an extra notch by the fact that the buckets of cash tipping into many owners' accounts have enabled an increasing number to start prepaying loans, eroding some banks' portfolios.

Says Mr Petropoulos: "As a banker, you are having to run a lot faster today just to stay still. Some banks are talking about huge prepayments and others relatively few."

In his view, banks lending to medium-sized and smaller owners have been most affected by prepayment of loans, while banks with larger customers are more likely to be financing, which is likely to have a stabilising effect on portfolios. In Mr Petropoulos' estimation, less than one-quarter of the Greek newbuildings on order have yet been financed, with the majority still to be covered.

A loan officer at French bank Calyon — the product of the recent merger between Cr dit Agricole and Cr dit Lyonnais — agrees that market conditions have triggered increased competition among the more than 50 banks active in Greek shipping.

"Some owners are selling their ships to take advantage of high prices and there are a lot of prepayments, meaning that deals have to be done to replace them."

He says: "This means that for the fewer deals that are available here are more banks chasing them. We see that pricing is going down because of this." Calyon looks to front-load its loans to take advantage of the buoyant market and believes in conservative leverage, but the banker adds: "Once again knowing your client is a very important ingredient in the financing."

He, too, confirms the assessment of a "very difficult" environment for ship financiers, saying "in this environment you need to have a very flexible policy".

Front-loading of repayments is stressed by most banks which discussed the matter with Lloyd's List, including ABN-AMRO Bank, one of a couple of overseas-controlled banks that this year celebrated 30 years of having a shipping branch in Greece.

ABN-AMRO's long-experienced head of Greek shipping Dimitris Anagnostopoulos says: "There are a number of things I have never seen in my life before. I had never financed newbuilding for five years with front-loaded payments — but I have now."

He says that the bank has not experienced much pre-paying of loans, but acknowledges it as a significant factor in the current scene.

"Another important result of this market is that it has particularly helped many small- and medium-sized owners that relatively were struggling with a few vessels before this. Now marginal operations are accumulating cash... If they know how to use it wisely they will have solid foundations for future growth."

Mr Anagnostopoulos describes himself, however, as "very cautious".

He says: "If the good market is maintained for the next three or four years then there may not be bleeding noses, but unfortunately it is tempting for owners to forget that prices are excessive and for banks to forget past lessons. Remember that no one predicted this market" — nor, he adds, a number of past economic and shipping crises — "so while supply and demand parameters are always going to influence the market, there is no crystal ball."

His appraisal, though, is that "overall Greek owners are taking a cautious position". With values of certain kinds of vessel doubling in the space of the last year, several bankers in Piraeus have mentioned that leverage of 70% today would leave them 'over-exposed'.

However, anecdotally, it is suggested that there are banks in the market who are prepared to pick up such deals on exactly the same terms.

Another feature of banks' approach has been to try to provide additional services, but, as one banker commented, this has been hard going at a time when almost all other considerations — such as savings or profits through currency swaps and hedges — are dwarfed by daily income from the freight markets.

At the start of 2004, according to Petrofin Bank Research, the total Greek ship finance loans portfolio stood at \$25.5bn, although growth in lending was starting to slow down in the last quarter of 2003. In light of prepayments and opportunist sales, it will be interesting to see from Petrofin's expected research 12 months on whether the overall portfolio has grown or been reduced.

At the end of last year, the market comprised 39 foreign banks — 10 of them with a physical presence in Greece — 15 Greek banks, and 11 Petrofin counted as 'miscellaneous' because their participation was either small or in transition.

The contingent of domestic banks has been steadily rising with General Bank of Greece, Omega Bank and Aspis Bank among the latest to make their presence felt in the shipping industry.

However, according to the most recent figures, foreign banks with branches in Greece account for the largest tranche of the total loan book — collectively about \$10bn.

Among the very largest individual lenders are Royal Bank of Scotland, Deutsche Schiffsbank, HSH Nordbank, National Bank of Greece, Alpha Bank and Calyon.

With RBS as the most notable exception, continental European and Greek domestic banks have largely supplanted British and American banks, which led the surge into Greek shipping in the 1960s and 1970s, as the mainstays of financing the industry.

Most commercial banks financing the community insist that traditional mortgage lending will remain the most important source of financing the Greek fleet, although there have been signs of more owners wishing to surf the market boom to launch their careers as public companies.

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