

Lloyd's List

Greece ship finance loans down 8.5%

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Total falls in 2009 as banks started turning off tap for fresh newbuilding funds

TOTAL ship finance loans for Greece's shipowners — both drawn and committed — fell by 8.5% in 2009 as banks started turning off the tap for fresh newbuilding funds.

After nine years of mostly rampant growth in lending to the industry, the overall portfolio of existing borrowing and undrawn commitments slumped to \$67bn at end-2009, putting the total Greek ship finance book at end-2007 levels, Petrofin Bank Research said.



This compared with a record portfolio of \$73.2bn at the end of 2008. The number of banks participating in support for Greek shipping — 41 — showed no loss from a year earlier.

The survey concluded that, considering the depth of the banking crisis, international illiquidity and the collapse of trade and vessel values, the effects on Greek ship finance were "modest".

Petrofin's findings showed that the amount of drawn loans to Greek owners actually increased by 2% to \$54.6bn, while the slippage in the overall portfolio came from a 37% slump in committed but undrawn loans, mainly for newbuildings.

"Shipping banks scrutinised their undrawn commitments seeking to minimise these by adjusting facilities to asset values and erasing, if possible, or postponing, commitments," said Petrofin. "The problem was helped by the numerous newbuilding cancellations".

The report estimated that at end-2009 the banks had about \$12bn in forward commitments or financing Greek newbuildings on their books, or about 18% of the overall portfolio.

Almost all the leading banks ended the year with smaller overall portfolios than at the start of 2009 but the top five lenders to Greeks remained intact.

These were led once again by the Royal Bank of Scotland, which saw its portfolio shrink by 4.8% to \$13.3bn, followed by HSH Nordbank, Deutsche Schiffsbank, Credit Suisse and National Bank of Greece.

Two Greek banks were the only institutions among the list 10 lenders to keep the size of their portfolios steady during the year. A 0.9% increase was enough to spring Alpha Bank from ninth to sixth position in the table. A 0.6% increase took Marfin Popular Bank from 10th to ninth place.

With Emporiki Bank remaining in seventh place for the second consecutive year it was the most prominent showing by Greek banks ever among the biggest lenders to the country's owners.

By contrast DNB fell from sixth to eighth and Calyon slipped from eight to 10th.

The first significant expansion in the list of banks was that of HSBC which grew its Greek portfolio by 22.86% last year and rose to 14th place. HSBC's was the fastest-growing portfolio in 2009, followed by Bremer Landesbank.

"We believe that the rate of decline of Greek ship finance has slowed down," Petrofin said. "There is increasing evidence that some fresh lending has begun and about four 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."

According to Petrofin, Greek banks were "willing in spirit" to expand their role but their ability to do so could remain in doubt until Greece's current debt crisis subsided.

- RBS's reign as the financial kingpin of the Greek ship finance market continues seemingly untroubled by volatility in the shipping and financial markets, writes Julian Macqueen.

According to Petrofin's research, the bank's 20% market share remained unchanged in 2009. Its Greek book, of \$13.3bn, accounts for about 70% of RBS's total shipping exposure, and although the Greek portion slipped by 5% over the previous year's figure, the decrease was below that recorded for the whole book.

The bank's total shipping portfolio for 2009 stood at \$18.6bn, compared with \$20.5bn in 2008, amounting to a fall of 9%. Since the bank became embroiled in the financial storm following the collapse of Lehman Brothers and subsequent rescue by the UK Treasury, it has embarked on a policy of separating core from non-core activities with the focus going forward trained on the former.

In shipping, the bank's annual report shows that dry bulk retains its central position in the portfolio. Of the \$5bn dry bulk book, 15% is defined as non-core activity. The tanker portfolio, which stood at just over \$7bn last year, has one third earmarked as non-core activity.

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