Click to Print

New lenders excite with $2.71bn dose

Over a dozen new entrants have increased overall financing with the majority coming from Europe.

Greek shipowning is one of the most heavily bankrolled segments of the industry but like many other areas, it has suffered from the recent combination of world economic and country specific events, not to mention torpid shipping markets.

Figures released at the end of April by Athens-based analyst Petrofin showed that, comparing the same number of banks year on year from the end of 2010 to the end of 2011, the portfolio would have dropped 1.89%, from $66.2bn in 2010 to $65bn last year.

But calling it “an interesting paradox”, analyst Ted Petropoulos says the inclusion of an additional 16 banks from a wide range of countries in the latest Petrofin Bank Research boosted the total portfolio by $2.71bn, bringing it to $67.7bn or 2.2% up on the previous year.

The Petrofin research points out that these newcomers had some limited exposure in the past, which was individually “rather insignificant”, below the market radar and which the banks had elected not to report.

Petropoulos noted that their presence is now visible and manifesting itself via participation in public companies’ syndicated/club deals, as well as restructurings.

Out of a total of 55 banks included in this year’s analysis, 45 were European, six Far Eastern, three from North American and one Australian.

While Far Eastern banks have continued to lend, with a heavy emphasis toward local clients and/or in support of local newbuildings, Greeks who fit into this category have fared better than others, Petropoulos says.

Nevertheless, European banks continue to account for the vast majority of lending to Greeks at 95.58% but the reduction from 97% in 2010 points to new interests elsewhere, the analyst adds.

The Royal Bank of Scotland (RBS) remained the market leader with a portfolio of $11.5bn, way ahead of the next biggest lender, Commerzbank (which owns 100% of Deutsche Schiffsbank) with a portfolio of $5.6bn.

Star growth performers in 2011 were ABN Amro and ING, with increases of 228% and 199%, respectively.

Where Petropoulos has placed particular emphasis is on the decrease by 22.27% in committed but undrawn exposure to Greek owners from $9.2bn in 2010 to $7.1bn last year. This, he believes, shows that once previous commitments — essentially for newbuildings — turned into loans they were not replaced by fresh commitments.

“This affects both the ability of existing newbuilding orders being financed as well as the possibility of placing new orders,” Petropoulos said.

And he adds that large public and private Greek companies may have struggled to obtain satisfactory finance on acceptable terms but the position for small to medium Greek owners “has become dire”.

Many Greek owners have started buying cash or turned to private-capital providers to cover the funding gap.

Indeed, while Petrofin’s research confines itself to bank financing, the analyst notes that there are a number of joint venture funds in existence with Greek owners.

“However, the annual rate of return sought by private capital is in excess of 20% and this can only be achieved via capital gains by investing counter-cyclically.

“In addition to international private equity, individual private-equity providers have been attracted by the upside potential of shipping as vessel values have plummeted,” Petropoulos explained.

The biggest fall in portfolios during 2011 was among the Greek banks, which slumped 8.6%, from $15.9bn in 2010 to $14.5bn last year. Petrofin attributed this to the Greek state crisis, the country’s continuing recession, the high cost of liquidity, losses due to the PSI (bond bailout) and the Greek banks’ capital inadequacy.

“It is hardly surprising that their portfolios have declined and, especially so, their future commitment, which has fallen by 59% in one year,” Petropoulos said.

The analyst believes that once re-capitalised, Greek banks will seek to apply their new liquidity to those sectors offering the highest rewards, while maintaining sufficient liquidity for the future.

“Consequently, the outlook for Greek banks towards ship finance remains hazy,” he said.

The only Greek bank to show growth in 2011 was Aegean Baltic, which increased its portfolio by 10.85% to $326m. Although its owned portfolio is small, the bank has a substantial share of the syndicated loan market, with a managed portfolio of $1.4bn.

Heading the list of the syndicated loan market to Greek shipping was DNB, with a portfolio in excess of $2bn. Petrofin notes that differences reported by some key banks such as Citibank (-87.45%), Nordea (-47.62%) and RBS (-64.13%) were the result of reclassification of roles, redefinition of lead/manager positions and the break-up of syndicates.

“This shows a syndicated market in turmoil,” the analyst said.

For the first time since Petrofin started issuing its annual research, no Greek banks appeared in the top-five lenders to Greek shipping, while former giant HSH Nordbank slipped to 11th ranking among the lenders.

Petropoulos details an extensive list of factors that could have a negative effect on lending to Greek shipowners, adding that 2012 could prove to be “a most difficult year”.

However, he concluded on a more positive note: “All in all, we remain reasonably optimistic of a gradual return of confidence and strong future growth in Greek ship finance.”

By Gillian Whittaker Athens

Published: 18:39 GMT, 30 May 12 | updated: 18:39 GMT, 30 May 12