Lending to Greek shipping shrinks as banks retrench

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May 5, 2016

Royal Bank of Scotland's (RBS) decision to close its branch at Akti Miaouli in Piraeus and move into a run-of-the-mill high-rise building is a telling symbol of the retrenchment last year by traditional bank lenders to Greek shipping.

The latest survey by Petrofin Bank Research into the state of Greek shipfinance provides a full account of that retreat. The research showed the volume of banks' total loan portfolio to Greek owners shrank by 2% in 2015 to $62.71bn.

At first sight, this may not look like much of a fall.

"It is a surprisingly low rate of decline, taking into account the problems faced by the shipfinance industry and the difficulty of new loans meeting the ever [more] demanding bank requirements," Petrofin wrote in its report.

The decline is worrying, nonetheless. It confirms that the 4.1% rise of 2014 to $64.1bn was a flash in the pan and that the long-term trend for international lenders is to reduce their exposure to Greek shipping, not to increase it.

"We suspect that the decline will continue and may, perhaps, accelerate in 2016, as banks adopt a harder line across both existing and new lending," said the report.

According to Petrofin's data, 2015 was the third year in the past four that lending to Greek owners shrank, and the fifth in the past seven. The loan portfolio volume has fallen significantly from its peak of $73.2bn at the end of 2008.

"Whilst not all banks decided to adopt [a] harder line of 'zero tolerance', unless substantial fresh resources were brought onto the table by their clients, a number of banks clearly did," Petrofin said.

Greek banks and international lenders with a physical presence in the country, such as RBS, are a case in point. With an estimated loan portfolio of $5.2bn, down 14% from last year, RBS lost its position as the top lender to Greek shipping for the first time since Petrofin started its survey in 2001.

RBS has been replaced by Credit Suisse, a bank without a physical presence in Greece, whose estimated loan portfolio expanded by 14% last year to a forecast of $5.58bn in drawn and $1.14bn in committed but undrawn loans.

Other traditional lenders restricting their exposure to Greek shipping last year included Germany's HSH and Commerzbank, with volumes of $2.3bn and $1.5bn, respectively.

The same goes for Greece's five shipping lenders — National, Piraeus, Alpha, Eurobank and Aegean Baltic. After the government's brief and aborted return to international financial markets in 2014, they had made a tentative attempt to expand their shipping loan volumes and defend market share.

However, capital controls and renewed uncertainty about the Greek economy last year stopped this effort dead. Greek banks' shipping exposure shrank by 15% to $9bn last year, with Piraeus remaining the biggest lender with a portfolio of $3bn (excluding loans to coastal shipping companies).

Part of the gap left by traditional lenders was filled by international banks without actual branches in Greece. These include European lenders such as Credit Suisse, Deutsche Shipping and Nordea, but also many lenders from the Far East involved in newbuilding business, in which Greeks have been particularly active.

For the first time, a Chinese bank, The Export-Import Bank of China (China Exim), made it into the top 10, with an estimated loan portfolio of $1.6bn in drawn and $700m in committed loans.

“The involvement of Far Eastern banks is increasing, as more Far Eastern banks are financing Greek owners to place or complete orders at Far Eastern shipyards,” Petrofin wrote in the report.

As a result, financing by banks without a presence in Greece rose for a seventh consecutive year to $26.4bn, just below the $27.1bn extended by international banks that do have at least one branch in the country. This is the first time since 2003 that these two categories have about the same lending exposure to Greek-controlled shipping, claim the Petrofin sums.

“It is self-evident that maintaining a physical presence in Greece is no longer viewed as an advantage that would compensate for the additional cost and risk involved,” Petrofin wrote.

By contrast, it adds that banks with no presence in Greece generally include lenders “with a particularly positive view of shipping”.

One of them — Nordea — almost tripled its exposure through syndications last year, to about $1.5bn in total.

Petrofin estimates that shipping will recover, and its bank finance with it. But, when it does, the landscape will be different.

“European domination will further weaken and banks from the Far East and other nationalities will fill the vacuum,” Petrofin said.