Greek shipping bank debt falls again

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At end-2017, loans drawn or undrawn but committed for Greek owners stood at $54m, versus a peak of $67.7bn at end-2011.
Petrofin survey charts further contraction in ship finance portfolio, but Greek banks lift their game

BANK debt on the Greek-owned fleet has dropped significantly for the second year in succession, according to an annual survey of the Greek ship finance scene undertaken by Petrofin Bank Research.

The fall — of more than 5.6% coming after a contraction of almost 8.8% in 2016 — is even more dramatic when seen in the light of a significant expansion of the Greek-owned fleet in the last two years.

At end-2017, the total of loans drawn or undrawn but committed for Greek owners stood at $54m, compared with a peak of $67.7bn at end-2011.

International banks with an established presence in Greece were once the mainstay of the Greek loan book but for the last two years their aggregate portfolio has been surpassed by international lenders with no Greek presence.

Both groups registered a decrease in their portfolios last year but in contrast Greek banks, which were threatened with marginalisation as a result of the country's protracted economic crisis, have modestly expanded lending.

Four of the five Greek lenders showed a measure of growth in 2017, with Eurobank expanding its portfolio by 24%.

As a result, the five Greek banks' share of the overall ship finance portfolio has gone up to more than 15% from 14.6% at end-2016.

"Greek banks are clearly committed to Greek shipping as one of the very few sectors in which they can provide their full range of services and build up quality client relationships," in its outlook for 2018 and beyond.

"Despite the Greek economic difficulties and the high levels of nonperforming loans — the vast majority outside Greek shipping — these banks have nurtured their Greek clients and have increased their lending."

Credit Suisse remained comfortably the largest individual lender to Greek owners at the end of last year, despite a 4.2% drop in exposure, with a $6.2bn portfolio, or 11.5% of the total market.

This was ahead of DVB in second place with a $4.3bn portfolio, and PNP Paribas, which rose to third place for the first time with a $2.8bn portfolio including $400m of commitments.

The largest Greek lender was Piraeus Bank in fourth place and the top five was rounded out by Citi.

Two other Greek banks — National Bank of Greece and Alpha Bank — were in the top 10 , which also included HSBC, ABN Amro and, for the first time, ING Bank.

The number of banks with Greek shipping portfolios, whether booked in Greece or abroad, remained the same as a year earlier at 51.

Petrofin noted the entry into the market of one new player, Amsterdam Trade Bank, but this was offset by Nord LB's absorption of the Bremer Landesbank portfolio.

While European banks still account for 78% of the loan volume, their share has been dropping.

Also, commented Petrofin, with demand for loans far outstripping supply, it was "not surprising" that other forms of finance were becoming more popular among Greek owners.

Leasing had become "the main choice of many small to medium owners", even though Chinese leasing companies generally preferred larger transactions.

Such finance was typically more expensive than bank loans but as timing was critical for Greek owners the extra cost was seen as being absorbed by the vessel acquisition cost.

Petrofin said that Japanese leasing companies had also appeared in the market, especially for Japanese newbuildings, and the presence of private equity funds had not only increased their presence in providing investment partnerships to Greek owners but also in offering finance.