# A review of Greek ship finance trends and prospects

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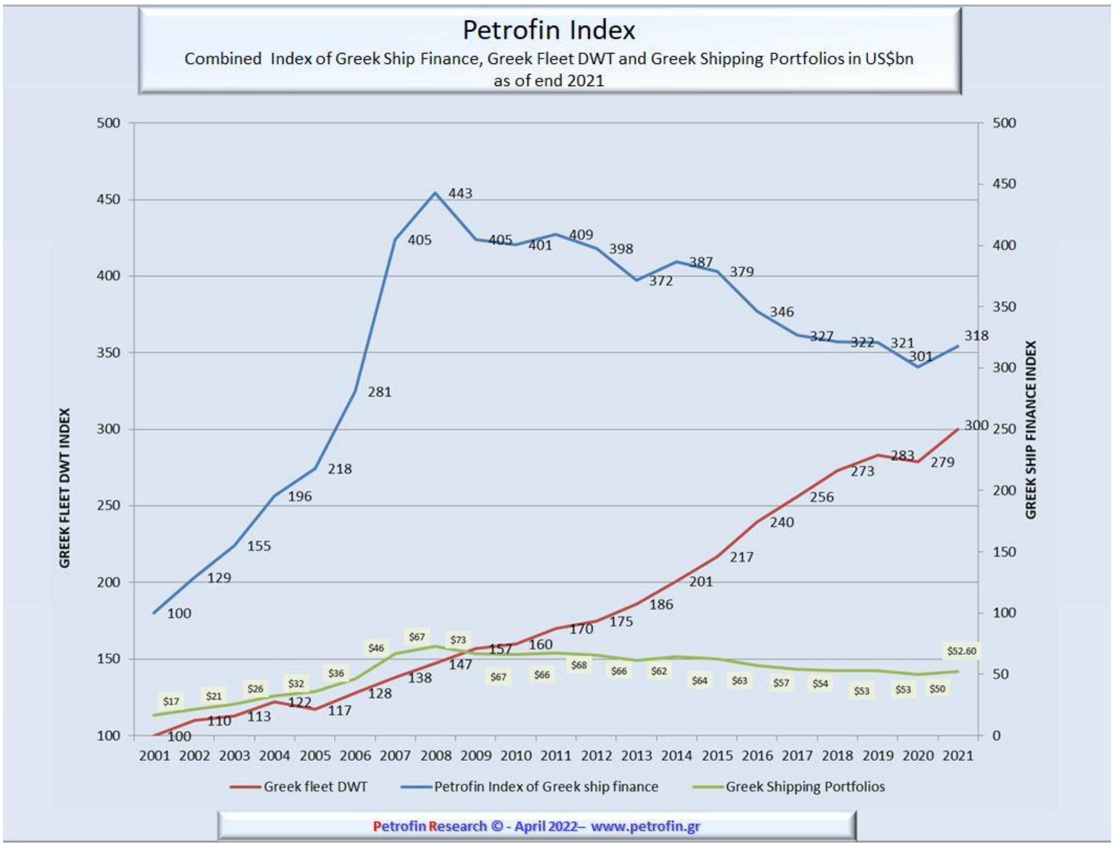
Bank ship finance for Greek shipping has witnessed some major developments in 2021 and 2022.

This is captured in this year's Petrofin Index, (Graph 1), (Petrofin Bank Research ©, April 2022) that grew from 301 in 2020 to 318 in 2021. Since 2008, the year of the banking crisis, the index depicts only 2 points of some recovery with 2021 being the latest.

Graph 1




Furthermore, Graph 1 also depicts the increase of the Greek fleet over the period. Clearly the fleet growth was achieved via additional sources of ship finance, owners' resources, refinancings and considerable newbuilding and S&P investment over the years. Although newbuilding orders have slowed down recently, the Greek fleet is continuing to show some growth of 0.5m GT over the first quarter of 2022 (Clarkson's Research). According to Petrofin Research © there are 69 Greek shipping entities with fleets of over 20 vessels (irrespective of DWT total) and 83 with fleets of over 1m DWT. The drive for bigger size coupled with modern tonnage continues.

In 2021 the total Greek shipping portfolio stood at $52.6bn. Last year there was a $5.2bn y.o.y growth, which represents a significant development that notably took place during the

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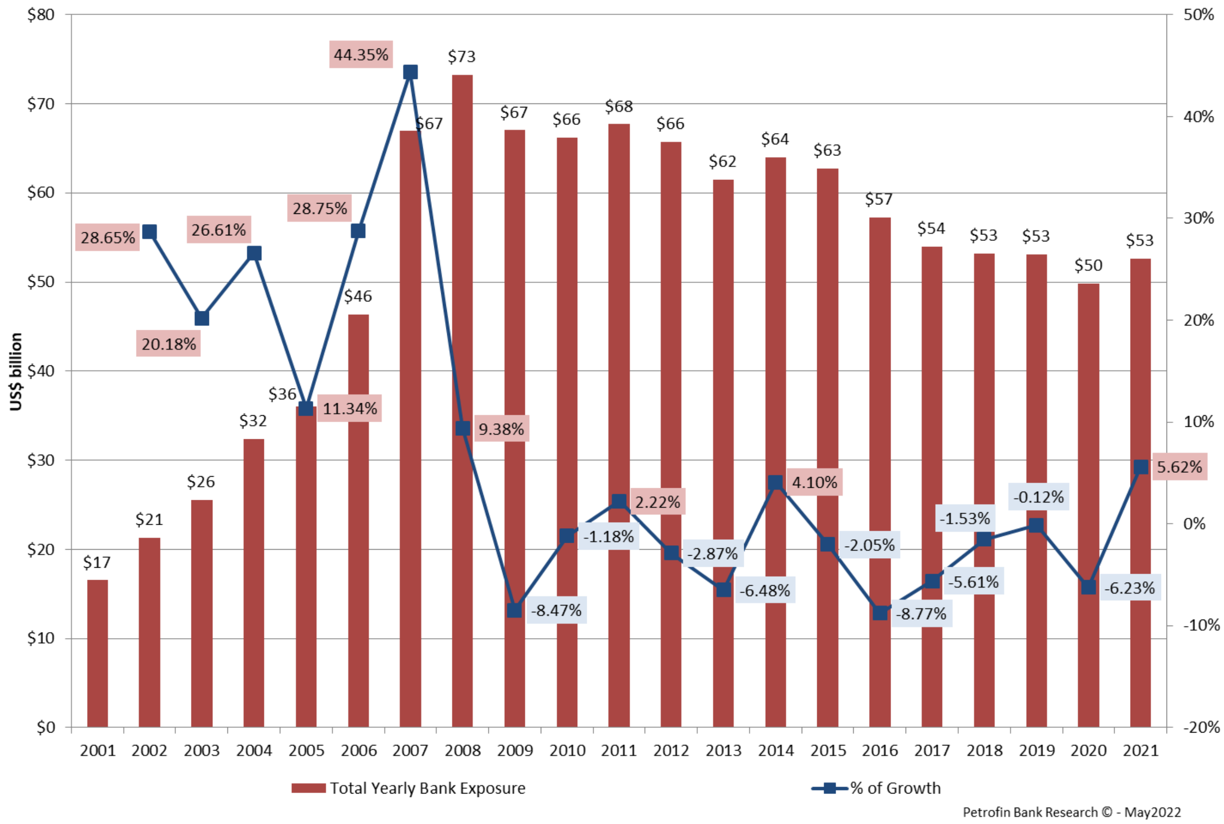
pandemic, a deeply overall destabilizing period. The only other two points after 2008 where Greek ship finance marked an increase were in 2011 and 2014.

Graph 2 – Evolution of Greek ship finance since 2001




It would appear that the departure by prominent banks in the last decade has run its course even though all banks continue to adjust their strategies in terms of clientele, physical location and geographical emphasis. In addition, the ranking of banks in Greek ship finance has seen changes. Eurobank grew by 29.3% to the second position from sixth position in 2020 with BnP Paribas, Piraeus and Alpha banks all being in the top 5. Credit Suisse still remains market leader. Overall, Greek banks have seen an increase of market share from 18.47% in 2018 to 25.81% in 2021.

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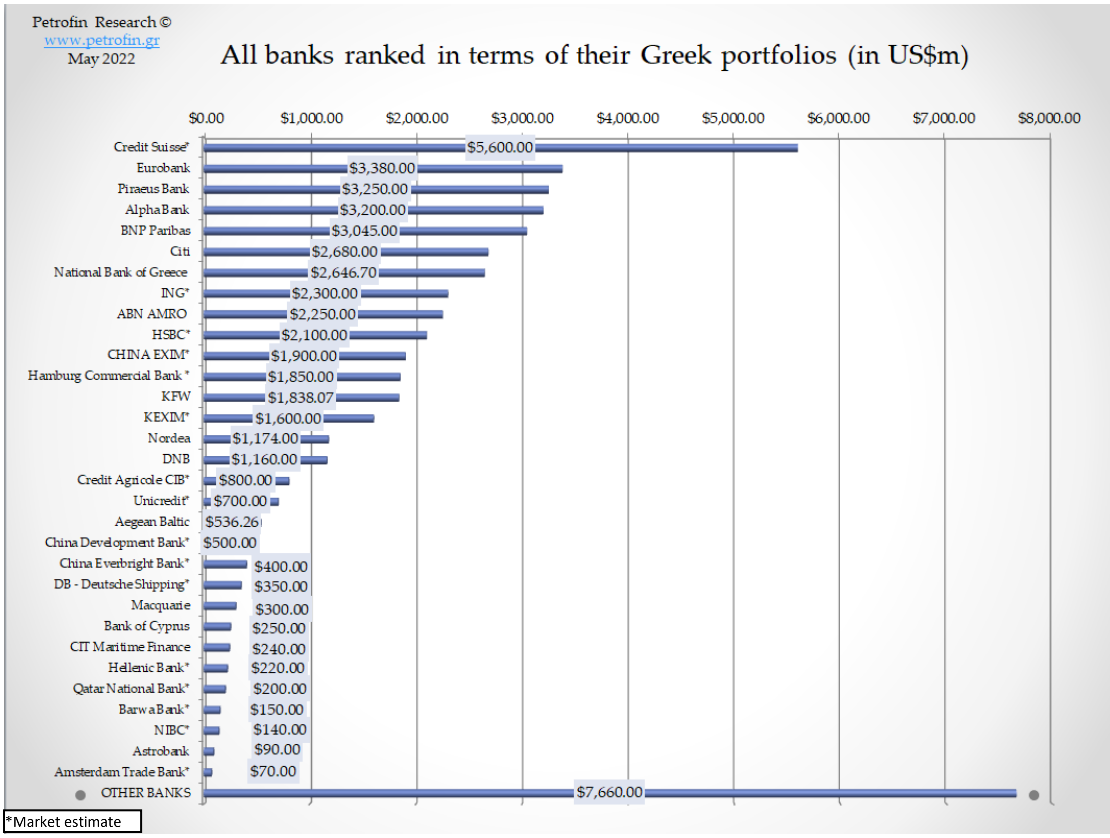
Graph 3




The total number of banks has remained the same since 2020. Greek banks have shown their commitment to Greek shipping and focus on shipping loans. They have been able to lower their margins too and compete with non Greek lenders, especially for medium to small Greek owners. Greek banks have weathered the storm related to the Greek financial crisis since 2010 and are re-emerging stronger in line with the improvement in their own credit ratings, as well as those of Greece. The new Athens Stock Exchange placement by Costamare, Capital Products Partners and Safe Bulkers has attracted support by Greek banks and do represent a further opportunity to grow. Greek banks grew by a significant 14.2%.

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International banks without a Greek presence also managed to show a modest increase of 2.84% y.o.y with International banks with a Greek presence showing a similar modest growth of 2.99% y.o.y.

For the top Greek owners loan terms offered by banks have become keener and there is intense bank competition. Loan margins for such owners are often as low as sub 2% whilst loan to asset lending has been around 60-65% for modern vessels and newbuildings. Small to medium Greek owners have less choice amongst banks but they are still well able to attract finance and compare terms with other non-banking finance offers.

As each market sector has its own dynamics and prospects, loan terms vary considerably but one distinguishing feature has been that there has not been 'exuberant lending'. As vessel values have risen in many sectors, secured employment backed lending has reappeared. The ability of banks to offer competitive loan terms has been affected by regulatory pressures and the need to comply with capital adequacy rules.

Many international banks have sought to differentiate their range of services with offering capital raising advice and placement whilst others through private banking and niche services to their clients.

With the stronger markets across many sectors and despite the headwinds imposed by increased geopolitical sanctions and restrictions, bank ship finance is expected to continue to grow.

Emission related regulations and the required new technology cost to ensure compliance represent interesting challenges for both owners and banks. The recent commodity and energy inflationary environment does threaten global growth but on the other hand port congestion, slow steaming and longer voyages, as well as the modest newbuilding order book do provide counterbalancing support.

Alternative forms of ship finance have been widely used. Global leasing has grown significantly over especially the last 5 years, from US$47bn in 2017 to US$77bn in 2021 (Source: SMarine).

Ship finance does now represent about half of all new business and the relative Greek owners' share has been rising as they have become more familiar with leasing and Lessors and as the latter have offered more competitive terms. Whereas banks still offer on average lower margins, leasing more than makes up by offering higher loans to vessel values, longer loan profiles and more flexibility.

Another major development has been the growth of ship finance provided by Funds with increasing involvement of Greek owners. There exists now a large number of experienced

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shipping Funds which can provide fixed rate loans in USD or Euros at cost to Greek owners of approximately 6-7% and involving loan to value of up to 70-75%. The higher LTV can be seen to justify the higher cost. There is also a plethora of Funds offering even higher LTV with correspondingly higher costs / risks.

In conclusion, the Greek fleet is expected to continue to grow and participate in the development of low / zero emission vessels to maintain its competitiveness. Towards this goal, banks, Lessors and Funds are all expected to provide the necessary support in the years to come. Greek shipfinance provided by both Greek and International banks is expected to show further progress in 2022.