

Shipping Finance

Annual observed recovery rates trends

June 2025



2025 Outlook

The global shipping industry in 2025 is navigating a period of sustained disruption, marked by economic uncertainty, geopolitical tension and environmental pressures. Conflicts such as the war in Ukraine and attacks on vessels in the Red Sea have forced route deviations adding operational risks and costs. Shifting trade policies and new tariffs are creating uncertainties for carriers and complicating planning. Climate change and maritime energy transitions will further impact shipping beyond 2025.

Despite this turbulence, GCD recovery rates have remained remarkably stable at an average of 84% over the past 20 years reflecting the sector's ability to absorb shocks and adapt to change.

2,110 Ship defaults in the GCD loss database

We have collected bank internal loss and recovery data from 34 global banks since 2000. Historical observed recovery rates and time to peak recovery are shown here by common risk drivers: lending portfolio; region and deal structure. On the next page we investigate ship specifics, including types, size and security ranking, showing LTV and haircut analysis. GCD members receive raw data in many more categories.

Recoveries and losses in crisis times

Recovery rates on shipping loans remain high, even during periods of market stress. Shipping loan defaults and recoveries are driven by volatile freight rates. When rates fall both borrower cash flow and the value of the vessel used as collateral decrease, which can trigger a default. Banks respond with tools such as keeping cash cushions and renegotiating loans when required. A large majority of defaults are resolved by banks managing the loan until the next cyclic upturn, through restructuring such as extended repayment periods or temporary suspension of interest payments. As a result, recovery rates are not closely aligned to GDP or default rates and consistently outperform those of similarly sized [Corporates](#).

Observed Recovery Rate refers to the historical observed nominal average recovery cash flows divided by outstanding amount at default. **Total Recovery Rates** includes also unresolved defaults.

Time to Peak Recovery is calculated as the center point of recovered cash flow.

2,110

Nr of Facilities

84%

Observed Recovery Rate

1.4

Time to Peak Recovery

Lending Portfolio

	Number of Facilities	Observed Recovery Rate
Ship Finance SL	1,341	86%
Large Corporates	422	87%
SME	285	75%
Other	62	82%

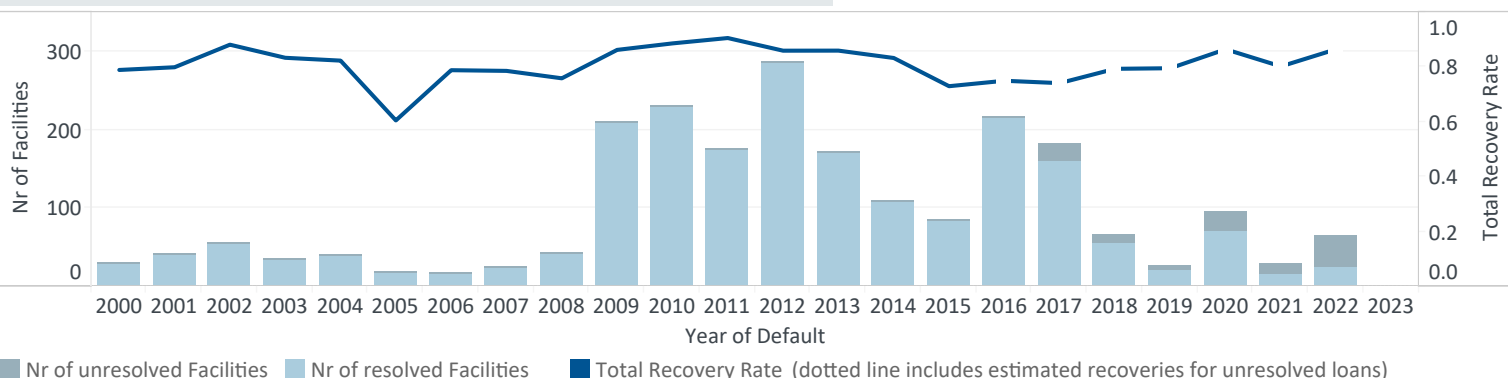
Region

Africa & Middle East	107	92%
Asia & Oceania	198	88%
Europe	1,521	83%
Latin America	47	79%
North America	237	84%

The regional spread reflects the number of defaulted cases in the GCD database not worldwide ship usage.

Deal Structure

Term Loan	1,578	85%
Revolver/Overdraft	356	83%
Capital & Operating Lease	62	87%
ECA Export Finance	12	99%
Other	102	72%



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1,812
Total Ships

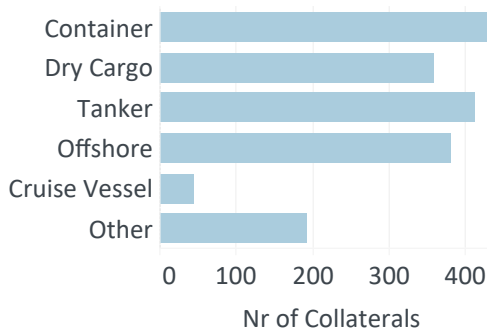
23%
Observed
Haircut

74%
Loan-to-Value
(LTV)

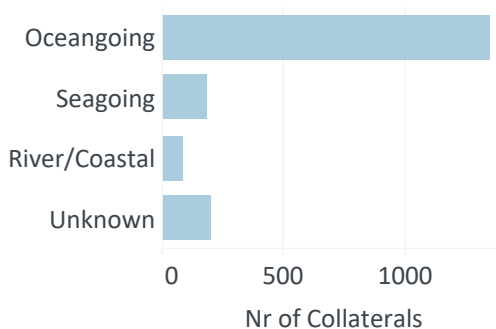
This section explores the collateral dimension of the defaulted facilities from the previous page. A single loan can be secured by multiple ships and a single ship can be used as collateral for multiple loans. Therefore, the number of ship collaterals and the number of loans will not be equal. At the same time, where there are shipping industry facilities without a ship collateral then these cases are excluded.

Ship Collateral Characteristics

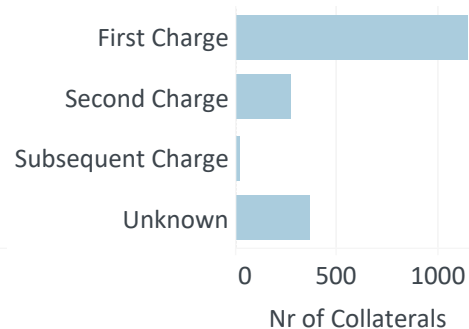
Ship Type



Ship Size



Rank of Security



Haircut and Loan-to-Value

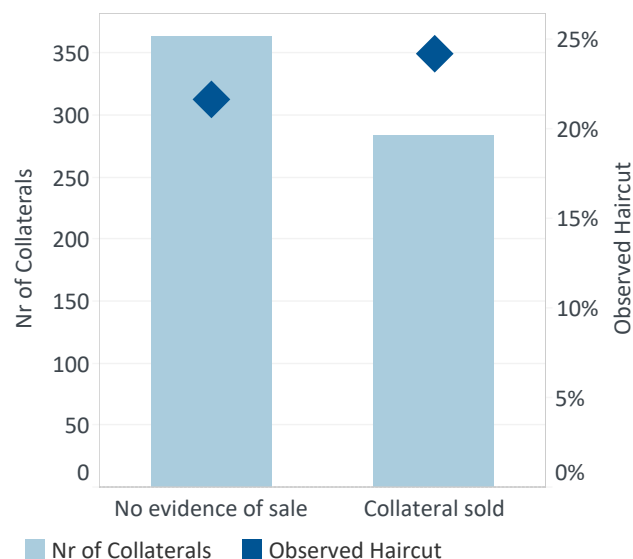
Haircut

Typically the value of collateral declines during the default and workout process. On average, this decline (haircut) is observed as 23%. When the ship is not sold, this decline is seen in lower valuations after default representing the general market decline for second-hand ships due to age depreciation and market circumstances e.g. downturn. The low number of sold collaterals indicates that a sale is not the most likely workout scenario. Banks tend to not sell the collateral at the bottom of the market but wait for better market conditions.

Loan-to-Value

A typical ship financing case involves a long-term loan which amortizes as the value of the ship financed declines with depreciation and a final balloon payment. The data indicates that cases with high loan-to-value prior to default produce lower recovery rates. Ships are recognized as high quality collateral with a liquid second hand market despite some volatility. For lenders, this results in generally high recovery rates after default even when lending at approximately 74% loan-to-value.

Collateral Haircut



Observed Haircut is the collateral value prior to default (e.g. date of sale or resolution) minus the collateral value after default (max. 2 years prior) divided by the collateral value prior to default.

Loan-to-Value (LTV) refers to the ratio of the outstanding amount of a loan to the value of the collateral at the default date.

GCD members receive data in many more categories. They use this to create LTV and haircut-based ship financing models.

Global Credit Data maintains the world's most exhaustive and high quality, member-bank contributed data source for credit risk.

More from Global Credit Data

This report draws on verified information collected from 50+ global or regional banks over 20 years and covers over 300,000 defaulted facilities in total.

[Explore our other reports.](#) They provide an instant insight into observed Recovery Rates and other key benchmarks for various exposure classes, industry sectors and collateral types:

Corporates, Banks and Financial Institutions, Sovereigns, Real Estate Finance, Shipping Finance, Aircraft Finance.

To meet the standards set by global regulations like BCBS239 or RDARR GCD has established a robust framework to continuously measure, monitor and improve [data quality](#).

About

At GCD we pool credit loss data directly from banks' books, providing vital insights into the financial industry since 2004. As a non-profit organization owned by over 50 member banks we focus on collecting detailed credit risk data, particularly for low default portfolios.

Beyond data pooling we offer a platform to exchange knowledge and foster research. We are actively engaged in understanding and assessing climate risk, demonstrating our commitment to addressing contemporary and future financial challenges.

Joining GCD grants you access to an exclusive community of banks and deep data insights. Gain market understanding and benchmark your performance.

www.globalcreditdata.org

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