



10th Greek Shipping and Ship Finance Conference
Athens

30th and 31st May 2013

**Prospects for Global and Greek Ship
Finance through 2013/2014**

presented by

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HEAD

PETROFIN RESEARCH



Presentation outline

1. Factors affecting global bank lending

2. Factors affecting global ship finance

3. Presenting the latest Petrofin Bank Research © on global ship finance

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1. Factors affecting global bank lending



1. Slowdown both in global GDP Growth (currently approx. 3%) and China's growth, currently at approx. 7.7% p.a.
2. However, growth estimates for 2014 improving, lead by a US recovery and a pick up in China's growth
 - Bank de-leveraging process slowing down
3. Expected relaxation of European austerity programme leading to a slow recovery of the EU in 2014
4. Global economic growth conditions still favouring Far East banks who enjoy better deposit-to-loan ratios

1. Factors affecting global bank lending



5. International liquidity and confidence expected to recover
6. Recapitalization of European banks is gathering pace and this shall increase banks' ability to lend to shipping
7. Rise of financial indices in international stock exchanges a supportive factor for banks' recovery
8. EU bank wide supervision by ECB assumed in 2014 shall bolster confidence by depositors and banks in the inter bank market
9. Channeling of EESF funding to bolster EU weaker banks' capital adequacy a positive factor

1. Factors affecting global bank lending



10. Once banks shall feel safe, risk appetite shall return
11. Basel III rules application over the next years seen as stabilizing and supportive
12. Depositor concentration to move away from central banks and towards financially strong banks
13. Shift away from zero risk sovereign risk perception bolsters banks
14. Western banks will shift towards greater lending to provide a profit growth platform to support their higher capital requirements

1. Factors affecting global bank lending



15. Risk provisions expected to reduce from 2014 onwards
16. Mergers and acquisitions within Europe and from Far East and the US expected to increase
17. Leaner, tighter and more efficient bank management models shall prevail

2. Factors affecting global ship finance



1. Global banking conditions (especially in the West) remain unsupportive for ship finance
2. The current shipping recession involving all shipping sectors (except **offshore, LNG and LPG**) is unsupportive for ship finance
3. Weakening quality of shipping loan portfolios with increased provisions and work outs anticipated due to
 - a. depressed vessel values, b. poor vessel cashflows, c. borrower financial exhaustion, and d. bank patience running out*
4. Charter / owner defaults rising indicative of liquidity asphyxiation

2. Factors affecting global ship finance



5. Rising charterer/owner disputes
6. Ship finance banks expected to increase debt to equity conversion for troubled shipping companies
7. Banks more willing to face write offs and enter into market recovery deals, e.g. HSH/Frangou
8. KG powder keg slowly dissipating
9. Shift of shipfinance and ship leasing eastwards continues
10. Rising shipyard related and export related ship finance in the Far East

2. Factors affecting global ship finance



11. Export finance in the West mainly limited to the offshore sector
12. Ship finance loan margins have increased across the client quality spectrum but have begun to stabilize
13. Private equity funds interest in shipping and distressed bank portfolios rising. (Oaktree, Carlisle, etc)
14. More sales of loan portfolios by ship finance departing banks (RBS, HSH, Bank of Ireland, Lloyds Banking Group, Commerzbank) are expected over the next 2 years.
15. Shipfinance risk/reward at current vessel values is improving

2. Factors affecting global ship finance



16. Appetite for ship finance varies widely between Western banks
17. Despite pick up in newbuilding orders, very few financed by Western banks
18. Loans to non-customers still a rarity
19. Ship finance risk margins attract smaller banks in the Far East towards local owners
20. Client selectivity will continue with emphasis on publicly quoted and large private groups

2. Factors affecting global ship finance



21. Current estimates for international trade growth (IMF, OECD, Clarkson's) indicate relatively weak growth rates for 2013 (4-5% p. a.) but expected to increase in 2014/2015.
22. We anticipate a recovery in syndicated and Club deals as ship finance conditions improve.
23. The lure of inexpensive eco ships with 2015+ delivery will dominate both shipping and ship finance in the next 2-3 years
24. Overall we anticipate a gradual recovery in global ship finance over the next 2-3 years, as shipping markets and bank shipping appetite improve



3. Presenting the latest Petrofin Bank Research © on global ship finance

- Global ship lending figures (drawn and committed) as of 31/12/2012 are estimated at \$525bn.
- The above includes the offshore support sector but excludes rigs and shipyard finance



3. Presenting the latest Petrofin Bank Research © on global ship finance

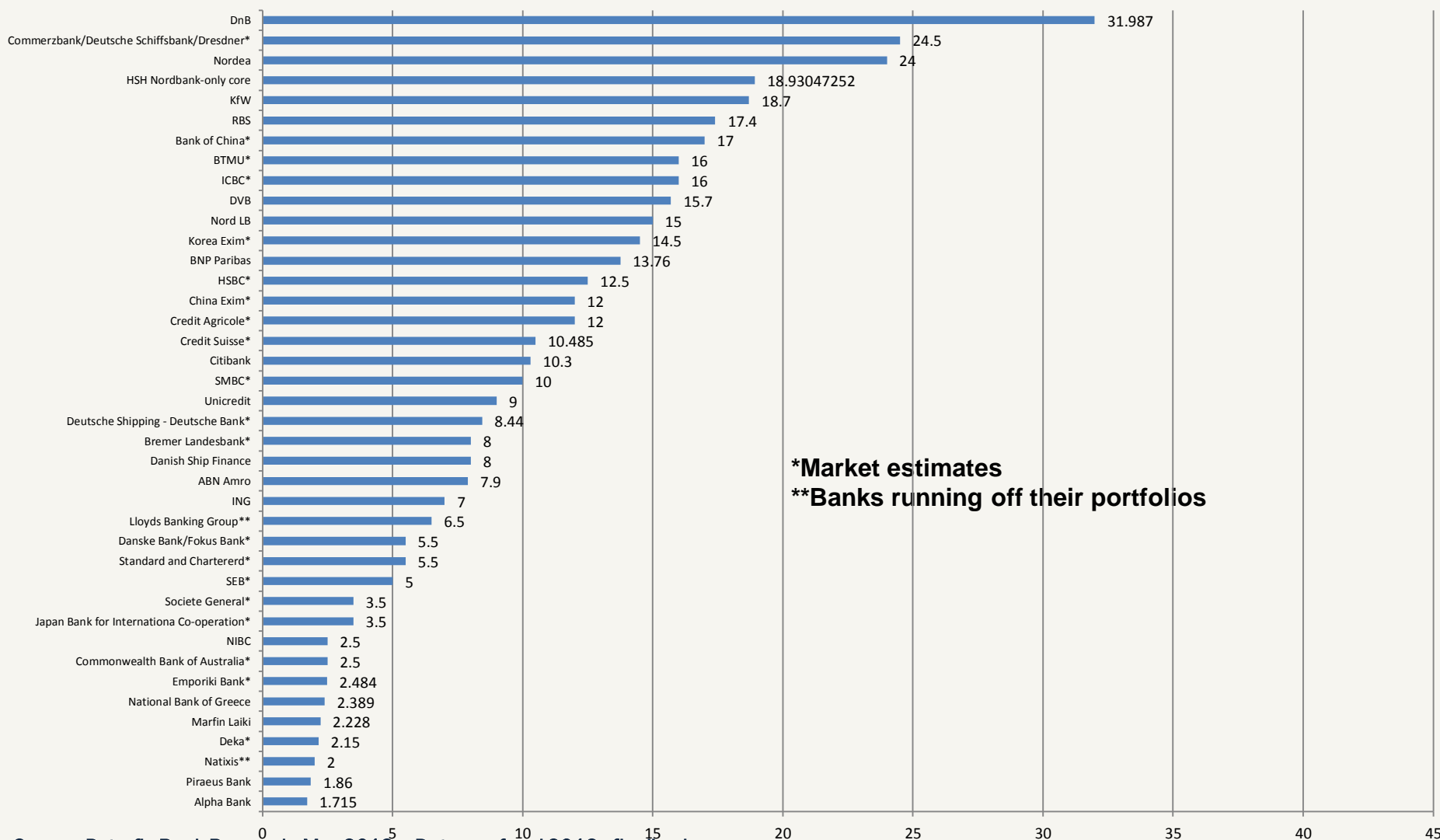
- In Graph 1, we present in this conference the latest Petrofin Bank Research © released today, on the shipping loan portfolio of the top 40 global ship finance banks, as of end 31/12/2012, representing \$408bn of total loans, i.e. 77.7% of their total.
- This represents a reduction of the share of the top 40 banks to the total global ship finance from 83% to 77.7%, due to a shift towards smaller banks offering shipping loans to local customers with or without export finance

Graph 1

This year's Bank Lending to Shipping

Ship finance based on data as of end 2012 - in \$bn

- This year's leading 40 ship finance banks' lending at \$408bn
- Last year's loans of leading 40 ship finance banks at \$436bn



*Market estimates
**Banks running off their portfolios



3. Presenting the latest Petrofin Bank Research © on global ship finance

- A number of banks, e.g. HSH, have now split their portfolios into core and non-core ones. Our research compares core bank portfolios due to bank unwillingness to disclose non-core loan portfolios

Top 40 banks– 2008 – 2012

In USbn

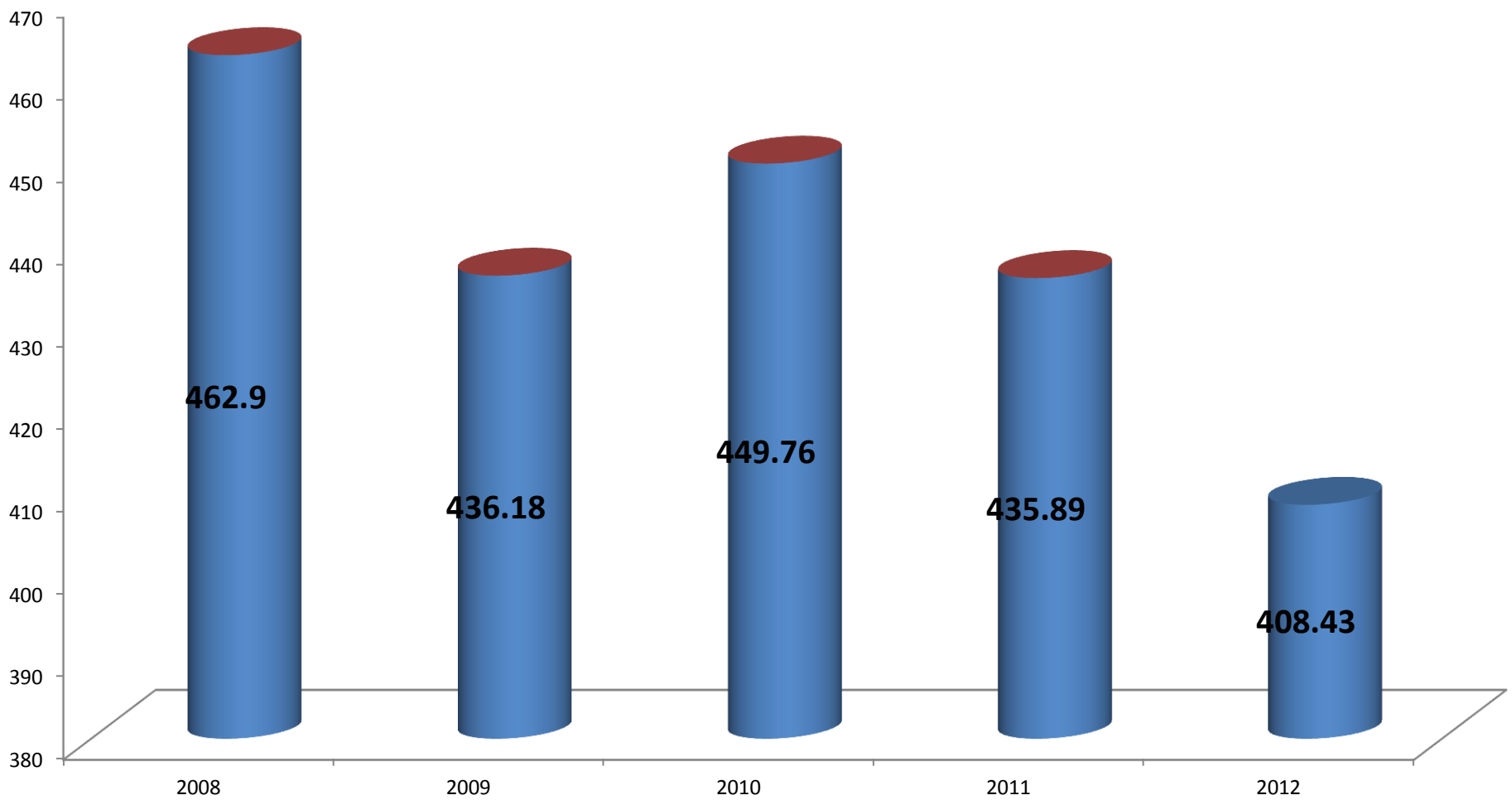


Table 1

Top 40 Banks by nationality, showing change since last year

Rank	Nationality	Bank	Portfolio in \$bn	% of change since previous year
1	Scandinavia	DnB	31.987	-0.13%
2	Germany	Commerzbank/Deutsche Schiffsbank/Dresdner*	24.5	-13.91%
3	Scandinavia	Nordea	24	0.00%
4	Germany	HSH Nordbank-only core	18.930473	-31.88%
5	Germany	KfW	18.7	4.47%
6	UK & Ireland	RBS	17.4	-10.77%
7	Far East + Australasia	Bank of China*	17	6.25%
8	Far East + Australasia	BTMU*	16	-8.57%
9	Far East + Australasia	ICBC*	16	6.67%
10	Germany	DVB	15.7	-1.26%
11	Germany	Nord LB	15	-8.43%
12	Far East + Australasia	Korea Exim*	14.5	45.00%
13	France	BNP Paribas	13.76	-17.45%
14	UK & Ireland	HSBC*	12.5	-13.79%
15	Far East + Australasia	China Exim*	12	-14.29%
16	France	Credit Agricole*	12	0.00%
17	OTHER European	Credit Suisse*	10.485	4.85%
18	USA	Citibank	10.3	37.08%
19	Far East + Australasia	SMBC*	10	-4.76%
20	Germany	Unicredit	9	-8.16%

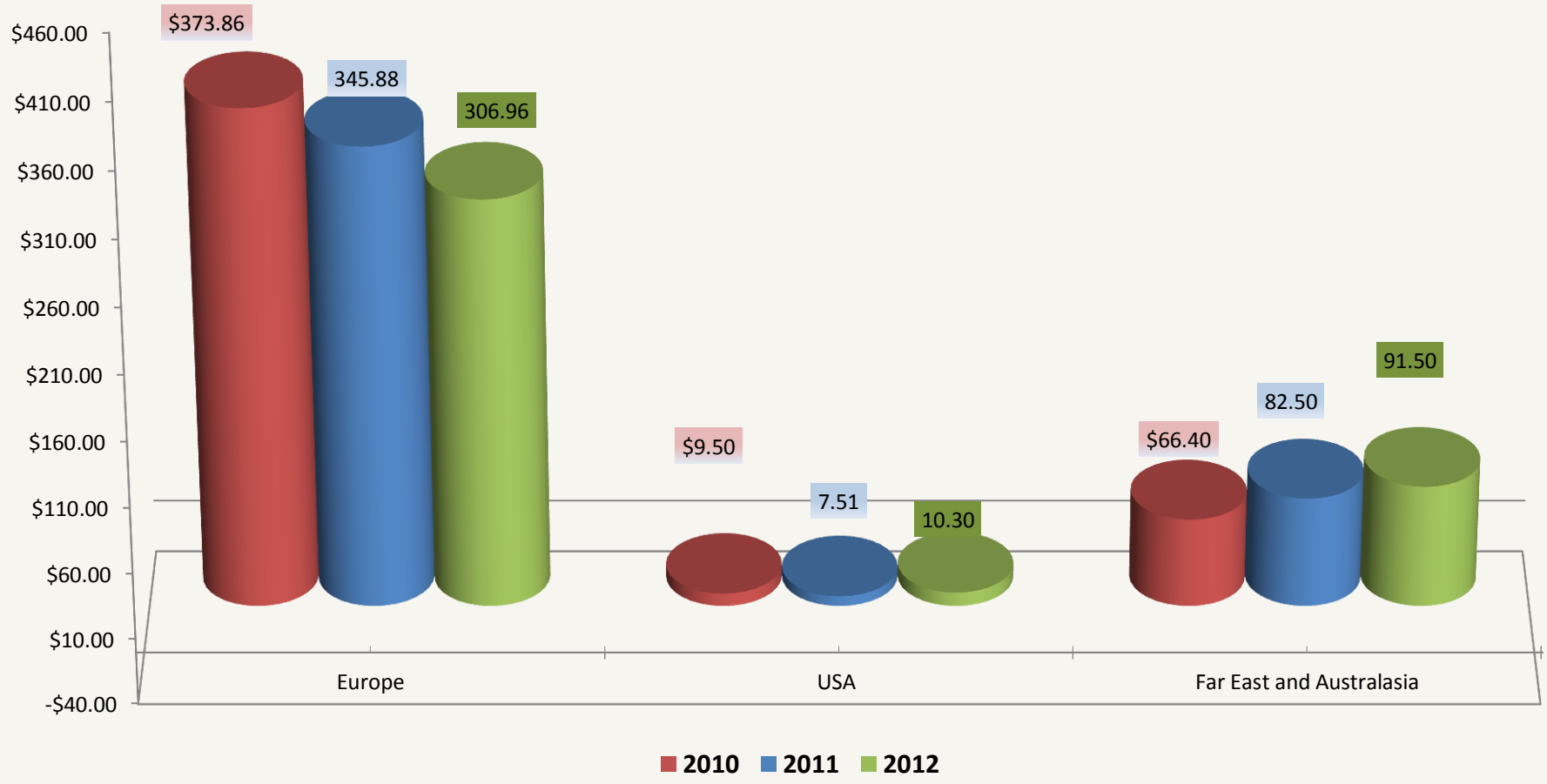
Table 1 cont

Top 40 Banks by nationality, showing change since last year cont.

Rank	Nationality	Bank	Portfolio in \$bn	% of change since previous year
21	Germany	Deutsche Shipping - Deutsche Bank	8.44	-1.17%
22	Germany	Bremer Landesbank*	8	-11.11%
23	Scandinavia	Danish Ship Finance	8	-5.88%
24	Holland	ABN Amro	7.9	3.67%
25	Holland	ING	7	16.67%
26	UK & Ireland	Lloyds Banking Group**	6.5	-56.52%
27	Scandinavia	Danske Bank/Fokus Bank*	5.5	-21.43%
28	UK & Ireland	Standard and Chartered*	5.5	25.00%
29	Scandinavia	SEB*	5	-9.09%
30	OTHER European	Societe General*	3.5	-30.00%
31	Far East + Australasia	Japan Bank for International Co-operation*	3.5	0.00%
32	Holland	NIBC	2.5	-37.50%
33	Far East + Australasia	Commonwealth Bank of Australia*	2.5	25.00%
34	Greece	Emporiki Bank*	2.484	-8.00%
35	Greece	National Bank of Greece	2.389	-6.90%
36	Greece	Marfin Laiki	2.228	-7.28%
37	Germany	Deka*	2.15	-15.69%
38	France	Natixis**	2	-36.95%
39	Greece	Piraeus Bank	1.86	-4.62%
40	Greece	Alpha Bank	1.715	-16.34%

Bank Lending to Shipping

Geographical distribution of global ship finance – 2010 -2012 – in \$bn





3. Presenting the latest Petrofin Bank Research© on global ship finance

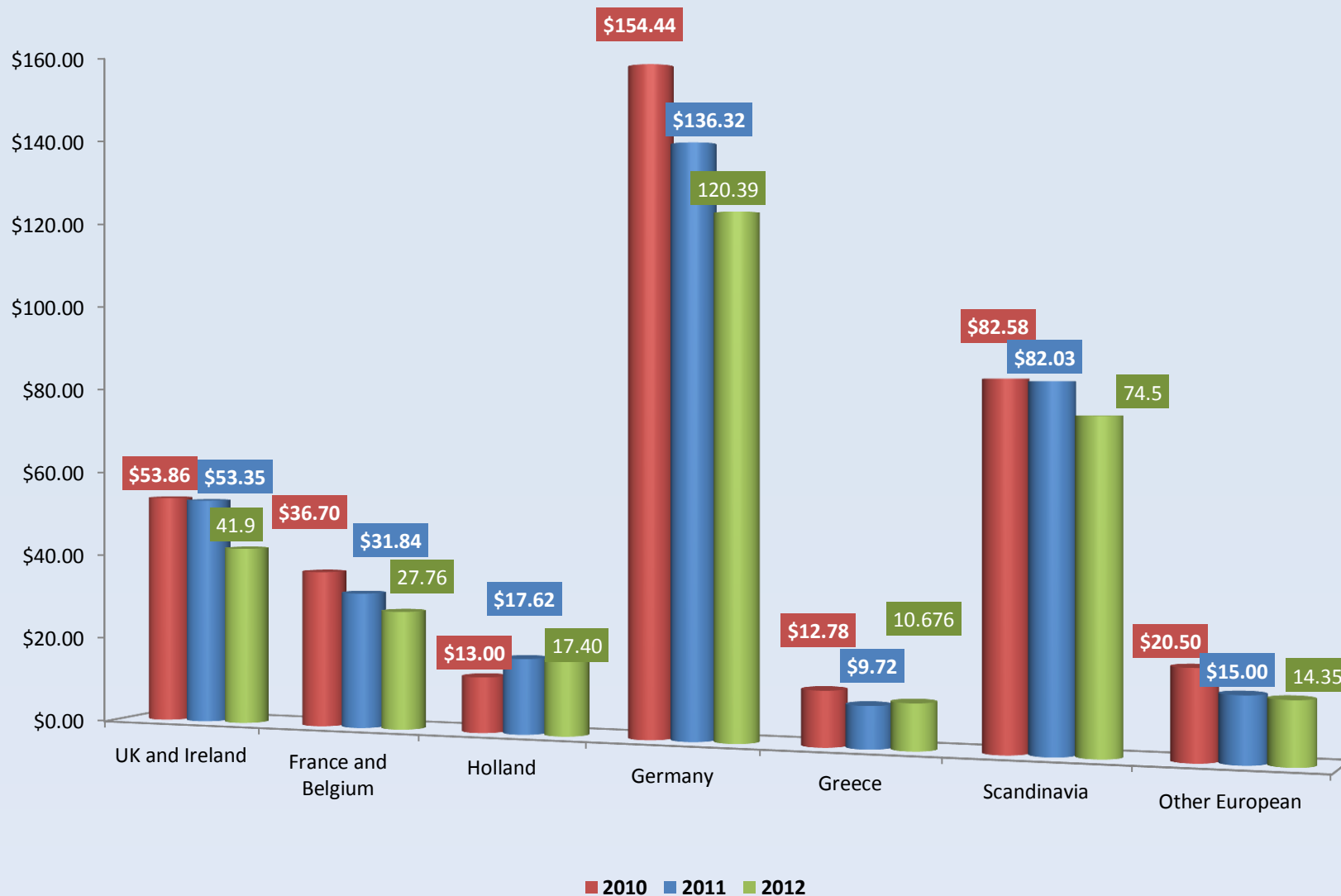
- This year, the top 6 shipping banks, with a combined portfolio of \$135.5 (compared to \$164.8bn the year before), accounted for 33.17% of the top forty, (compared to approx. 31.37% the year before).
- Lastly, European bank exposure accounted for 75.1% of the top 40, whereas last year it was 79.33% as of end 2011.



European banks – Comparison between 2010 and 2012

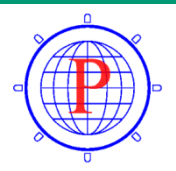
11.25% decrease in European shipping portfolio in 2012

Graph 4



4. Presenting the latest Petrofin Bank Research © on global shipping appetite

- We divided the top 40 banks between banks with a reduced capacity, banks with lending capacity and banks with neutral/unclear policy.
- We compared the findings with those of 2009, 2010 and 2011 to determine if the ship finance climate is improving, has remained static, or is worsening.
- The results are shown in Graph 5, below:



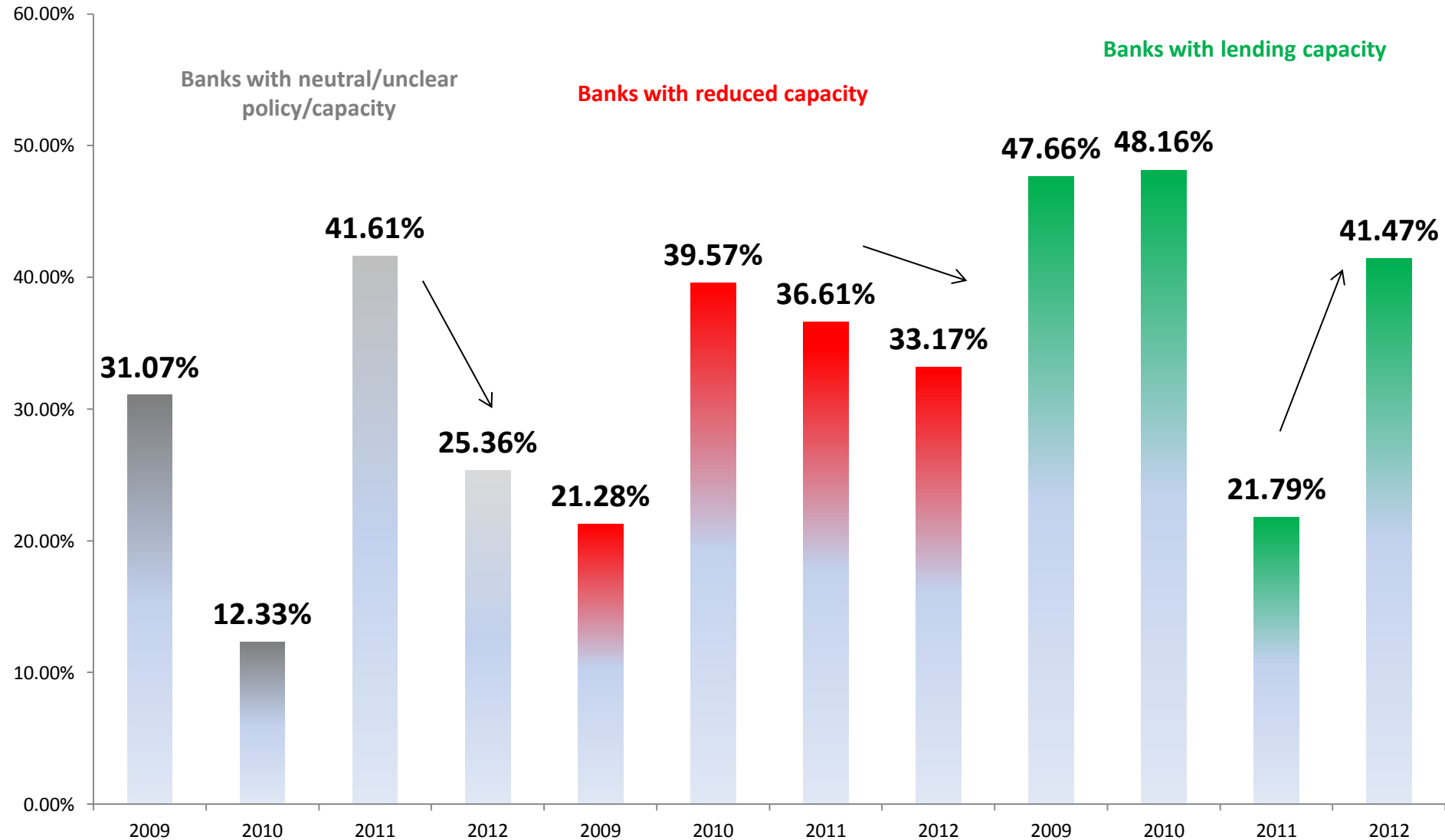


Global ship finance portfolios

2009, Top 40 banks: 462.9bn
2010, Top 40 banks: \$449.76bn
2011, Top 40 banks: \$436bn
2012, Top 40 banks: \$408bn

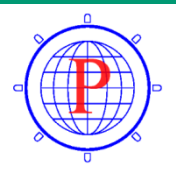
May 2013

Graph 5



4. Presenting the latest Petrofin Bank Research © on global shipping appetite

- The overall portfolio may be down by \$30bn, but banks with appetite to lend are marking a significant increase
- This is actually centred on newbuilding eco orders
- The picture that emerges is, as 2013 unfolds: portfolios are clearing up, bad banks and loans are being absorbed, the financial crisis has ebbed and banks are improving their financial ratios/ability. Hence, banks are showing greater willingness to lend





5. Factors affecting Greek ship finance

1. Greek state crisis abating
2. Greek bank capital adequacy is currently being addressed
3. Extensive mergers and takeovers result in 3 major banks: a. *National Bank of Greece* (possibly with *Eurobank*), b. *Piraeus Bank* and c. *Alpha bank* – plus *AB bank* as the sole private Greek shipping bank left in the field
4. Positive progress for the stabilization of the Greek banking sector and a gradual recovery of Greek ship finance for 2014 onwards
5. Prolific newbuilding orders by Greek owners, a stimulus for Greek ship finance by non-Greek banks



5. Factors affecting Greek ship finance

6. Greek ship finance by non-Greek banks is turning from a liability to an asset
7. Chinese banks' appetite for Greek order-related finance is rising
8. Greek shipping performance to date despite a 5-year shipping crisis has increased interest in Greek ship finance by active lending banks
9. Greek shipping remarkably free of shipping company failures



5. Factors affecting Greek ship finance

10. Greek shipping still attracting massive capital from Greek owners, as well as US equity funds. Such capital supports Greek ship finance opportunities by active banks
11. Confidence in Greek shipping by banks lending to Greek owners is increasing due to Greek owners proving adequate to coping with the shipping crisis

6. Presenting the latest Petrofin Bank Research on Greek ship finance



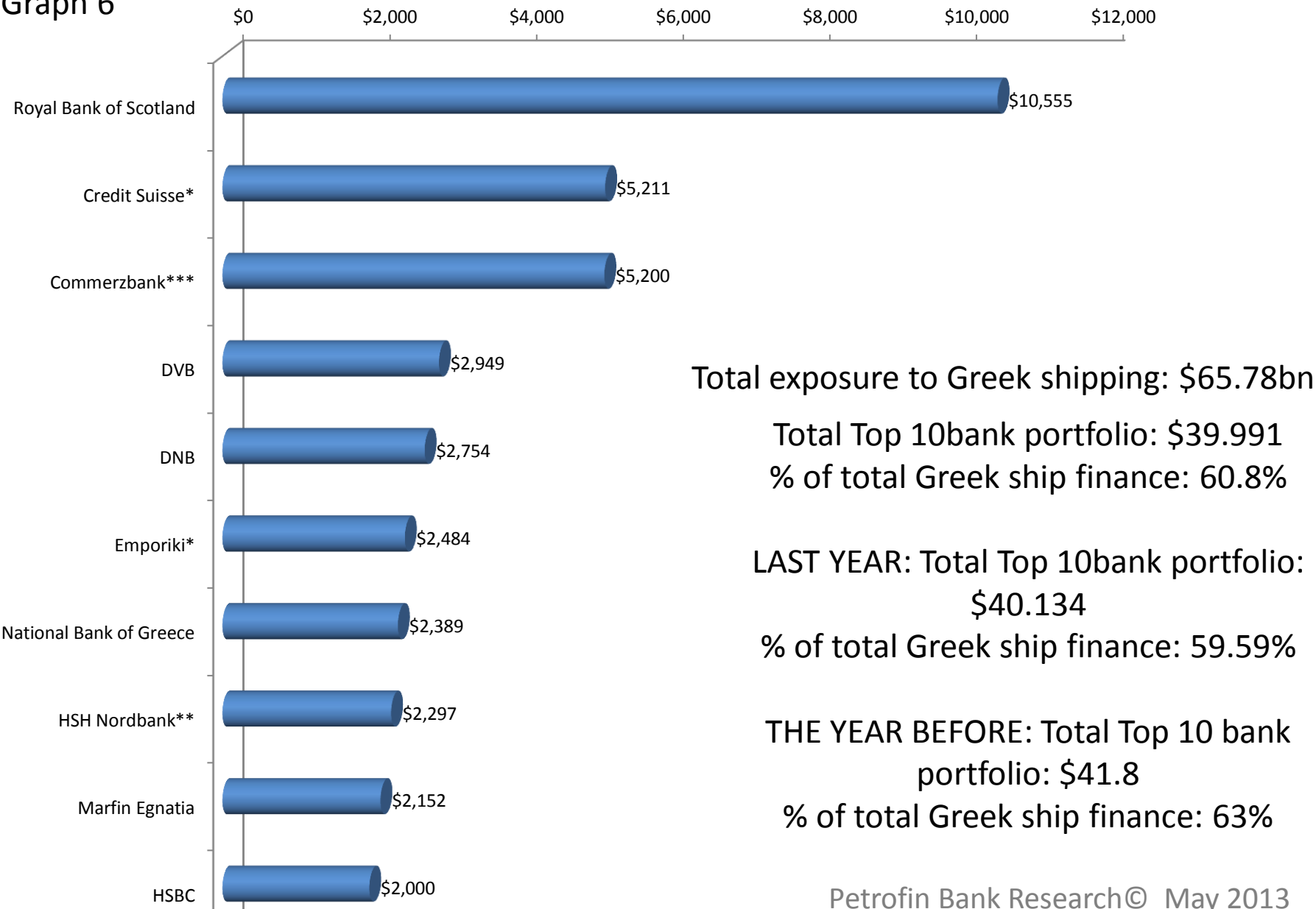
Greek ship finance –

presenting the latest Petrofin Bank Research as of end 2012, released
May 2013



Top 10 banks financing Greek shipping

Graph 6



Total exposure to Greek shipping: \$65.78bn

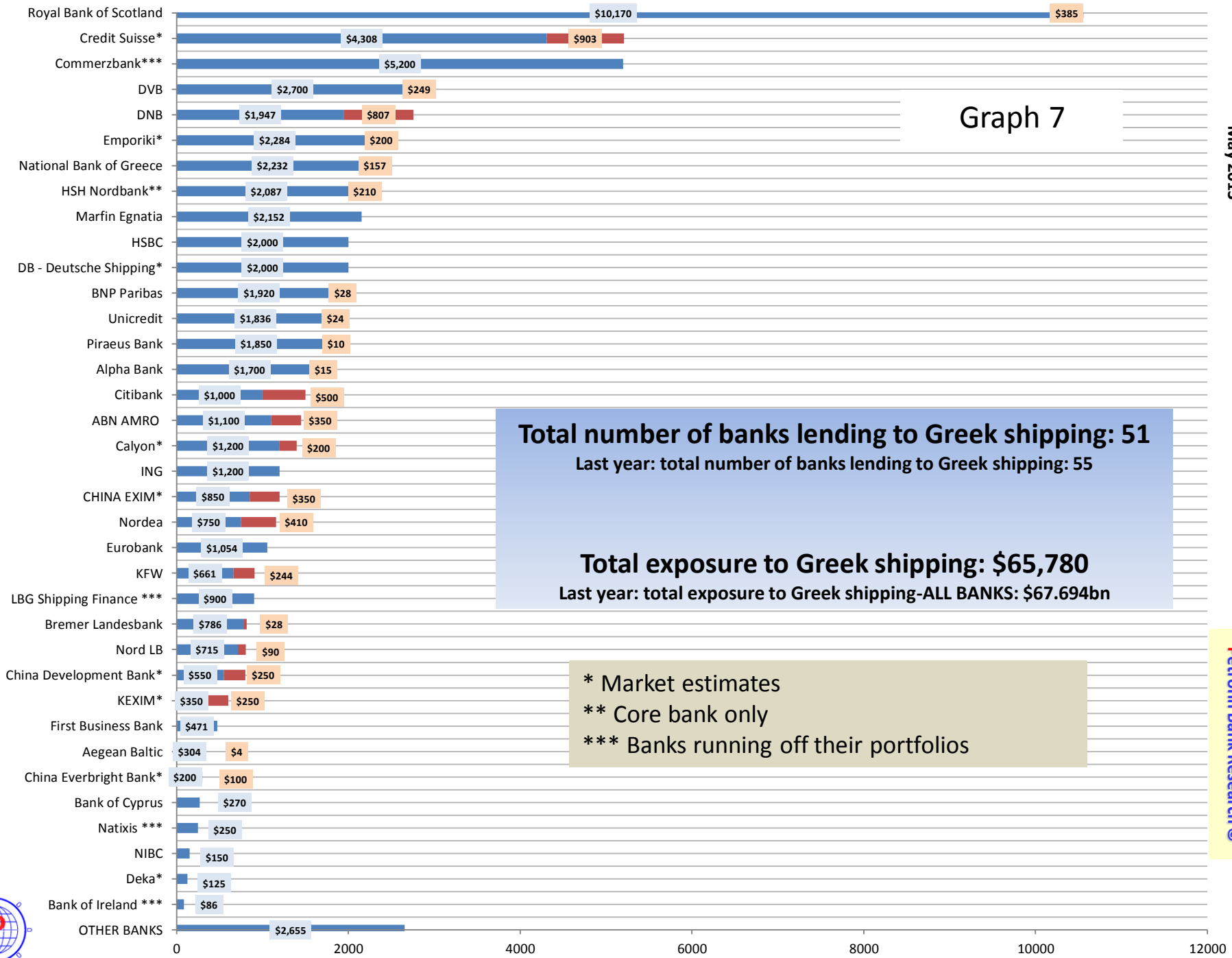
Total Top 10bank portfolio: \$39.991
% of total Greek ship finance: 60.8%

LAST YEAR: Total Top 10bank portfolio:
\$40.134
% of total Greek ship finance: 59.59%

THE YEAR BEFORE: Total Top 10 bank
portfolio: \$41.8
% of total Greek ship finance: 63%

* Market estimate ** Core bank ***In the process of leaving shipping

All banks financing Greek shipping in US\$



Graph 7

Total number of banks lending to Greek shipping: 51
 Last year: total number of banks lending to Greek shipping: 55

Total exposure to Greek shipping: \$65,780
 Last year: total exposure to Greek shipping-ALL BANKS: \$67.694bn

* Market estimates
 ** Core bank only
 *** Banks running off their portfolios



6. Presenting the latest Petrofin Bank Research on Greek ship finance

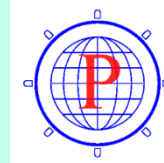


Table 2

	December 2001	December 2002	December 2003	December 2004	December 2005	December 2006	December 2007	December 2008	December 2009	December 2010	December 2011	December 2012
Growth percentage		28.66%	20.19%	26.61%	11.62%	28.45%	44.31%	9.39%	-8.478%	-1.17%	2.20%	-2.83%
Total Greek Shipping Portfolio	\$16,525m	\$21,261m	\$25,554m	32,353m	\$36,112m	\$46,387m	\$66,941m	\$73,228m	\$67,020m	\$66,235	\$67,694	\$65,780
Petrofin Bank Research © - May 2013												

6. Presenting the latest Petrofin Bank Research on Greek ship finance

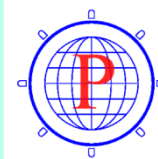


Table 3

	Overall Greek ship lending portfolio as of end 2012	Overall Greek ship lending portfolio as of end 2011	Overall Greek ship lending portfolio as of end 2010	Overall Greek ship lending portfolio as of end 2009	Overall Greek ship lending portfolio as of end 2008	Percentage of growth between December 2011 and December 2012	Percentage of growth between December 2010 and December 2011	Percentage of growth between December 2009 and December 2010	Percentage of growth between December 2008 and December 2009
International Banks WITH a Greek presence	\$33,914.38	\$35,290.47	\$35,882.29	\$36,777.31	\$38,984.4	-3.90%	-1.65%	-2.43%	-5.66%
International Banks WITHOUT a Greek presence	\$19,161.35	\$17,886.81	\$14,468.76	\$14,101.65	\$17,299.5	7.13%	23.62%	2.60%	-18.49%
Greek banks	\$12,704.53	\$14,517.08	\$15,883.60	\$16,140.55	\$16,944.24	-12.49%	-8.60%	-1.59%	-4.74%
Total	\$65,780.26	\$67,694.36	\$66,234.65	\$67,019.51	\$73,228.14	-2.83%	2.20%	-1.17%	-8.48%

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7. Responding to key questions

1. Western banks – when will ship finance activity resume
2. Prospects for new lenders and departing banks
3. Who is financing new orders



8. Summary and conclusions