



What is the current attitude to risk among top bankers?

Top Bankers' Survey

- What are the prospects for the world economy, international trade and shipping?

- When is the recovery expected to come?

- Is ship finance expected to recover?

- How much of a problem are loans?



Bankers' Survey

Results of a
Top International Ship Finance Bankers' survey,
conducted by Petrofin Research ©
November 2013

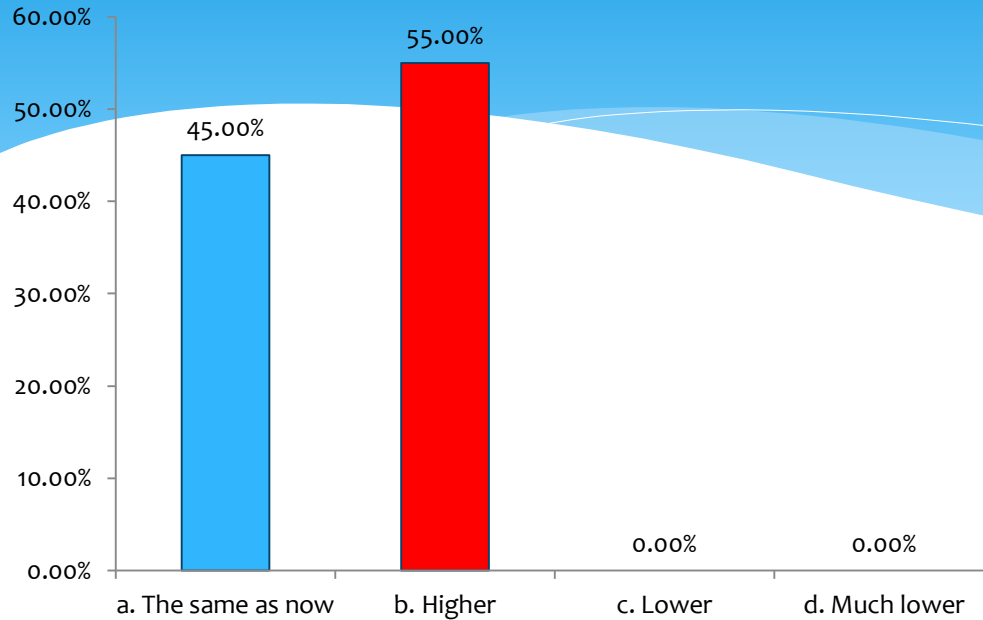


We posed, in October/November, 15 questions to 20 top ship finance bankers, who collectively hold about \$200bn in shipping loan portfolios, or approx. 50% of top 40 international bank shipfinance totals (\$400.89bn).

The results are as follows:



Q1: Do you think that the DRY shipping freight market for 2014



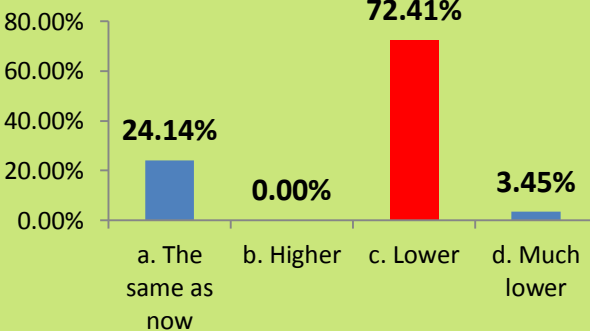
Bankers' responses

a. The same as now	45%
b. Higher	55%
c. Lower	0%
d. Much lower	0%

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Responses - 2011

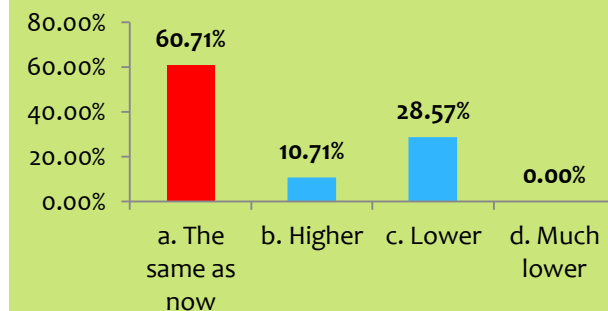
1. Do you think that the DRY shipping freight markets for 2012 shall be:



All bankers expect the same or higher dry shipping market in 2014 in sharp contrast to previous years. No one expects a lower market.

Responses - 2012

Q1: Do you think that the DRY shipping freight markets for 2013 shall be



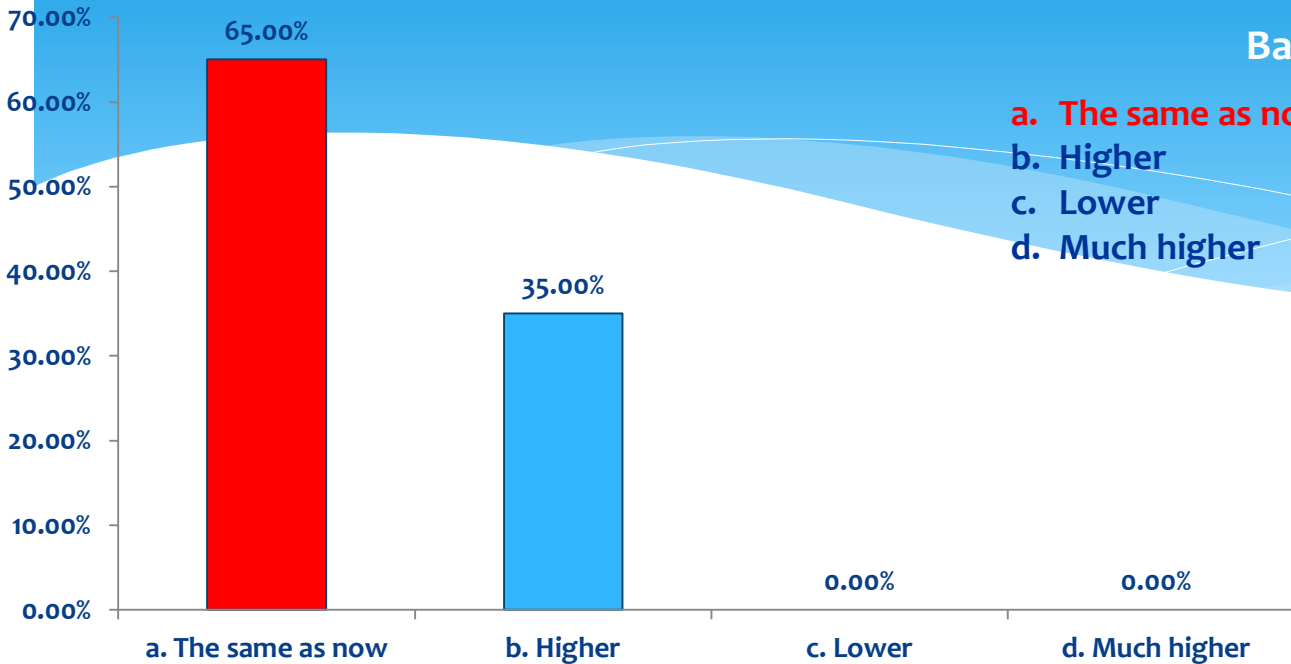


Q2: Do you think that the TANKERS shipping freight markets for 2014 shall be:

Bankers' responses

- a. The same as now 65%
- b. Higher 35%
- c. Lower 0%
- d. Much higher 0%

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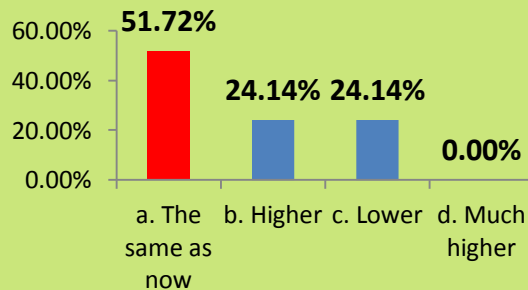


Responses - 2011

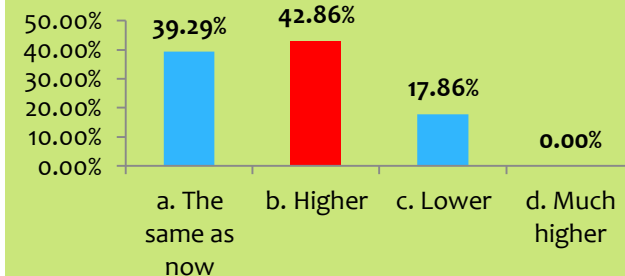
Opinion here too is clearly pointing to 2014 being a similar or higher year to this year. No one expects a lower market.

Responses - 2012

2. Do you think that the TANKERS shipping freight markets for 2012 shall be:



Q2: Do you think that the TANKER shipping freight markets for 2013 shall be



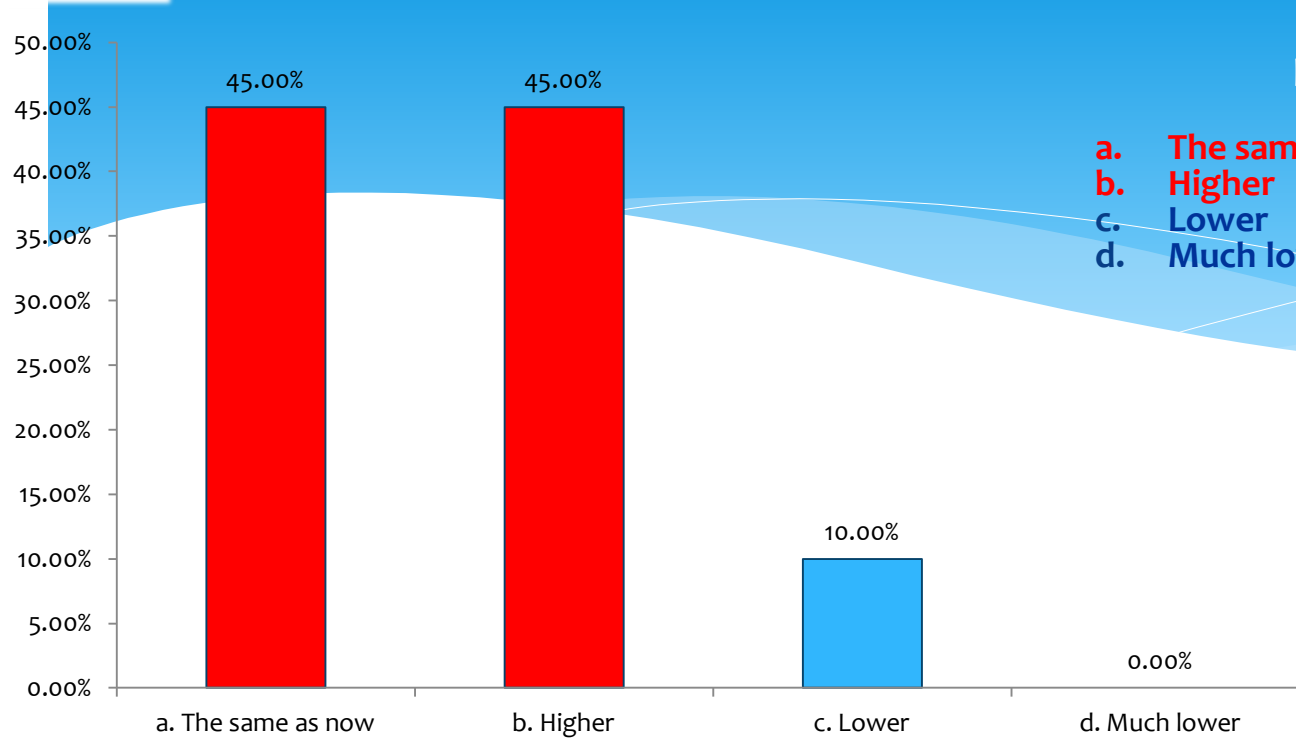


Q3: Do you think that the CONTAINER shipping freight markets for 2014 shall be

Bankers' responses

- a. The same as now 45%
- b. Higher 45%
- c. Lower 10%
- d. Much lower 0%

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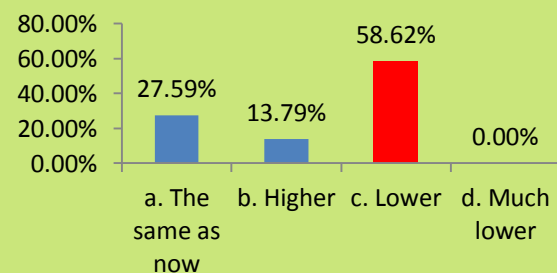


Responses - 2011

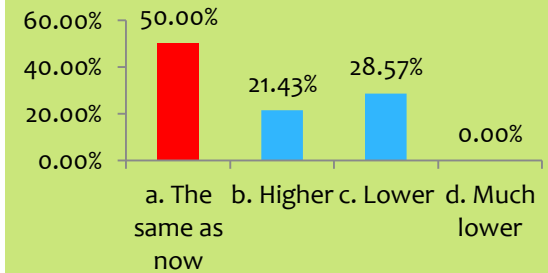
For the container sector, expectations are positive but not for all. The bankers that expect a lower 2014 market have declined from 58.6% in 2011 to 28.6% in 2012 to 10% in 2013. In sharp contrast to those that expect a higher 2014 market.

Responses - 2012

3. Do you think that the CONTAINER shipping freight markets for 2012 shall be:

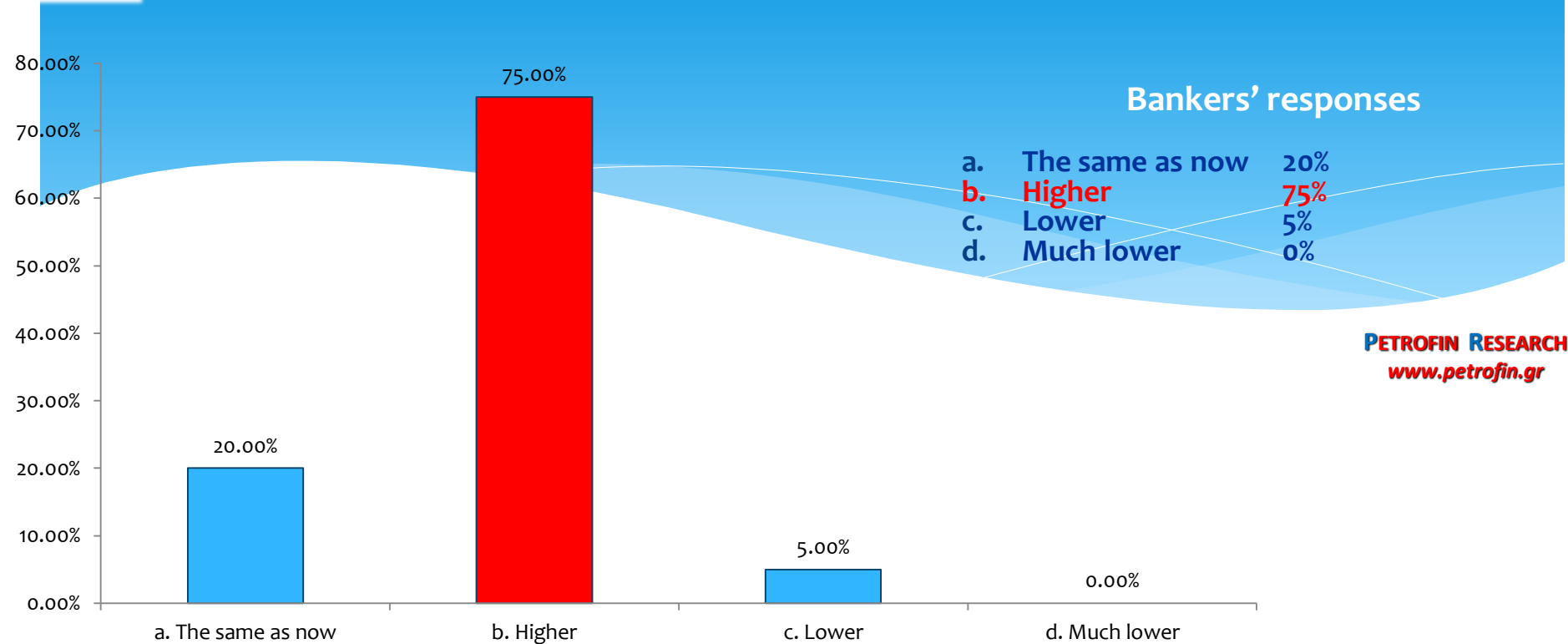


Q3: Do you think that the CONTAINER shipping freight markets for 2013 shall be





Q4: Do you think that second hand vessel prices for dry bulk for 2014 shall be:

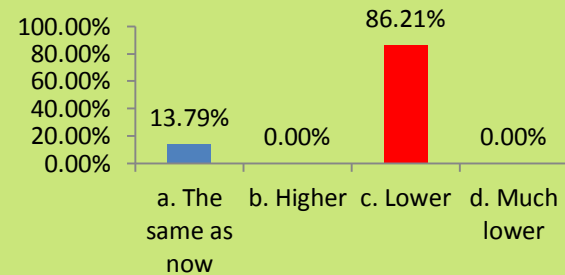


Responses - 2011

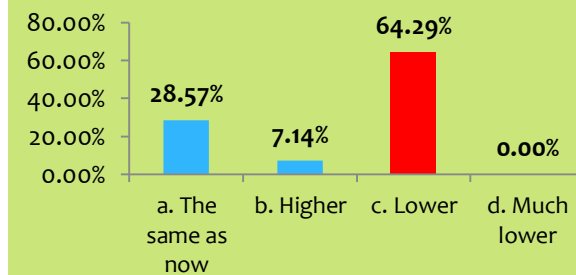
Wide optimism prevails with higher vessel prices expected by 75% of bankers as opposed to 7.1% last year and 0% in 2011. Clearly, bankers believe that a contained recovery has begun.

Responses - 2012

4. Do you think that second hand vessel prices for Dry bulk for 2012 shall be:

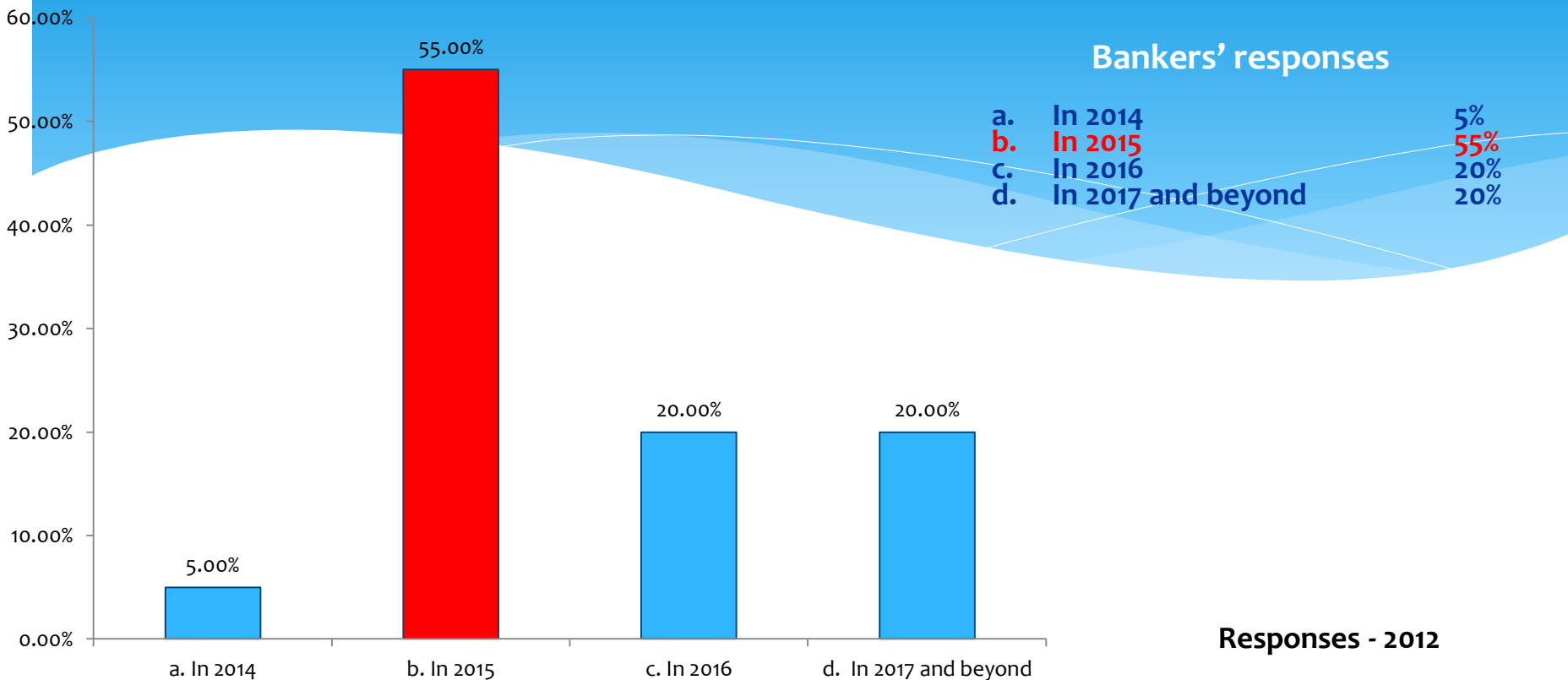


Q4: Do you think that second hand vessel prices for dry bulk for 2013 shall be



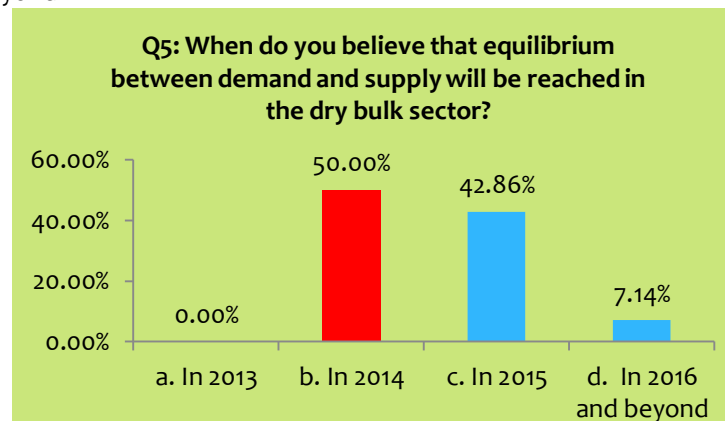


Q5: When do you believe that equilibrium between demand and supply will be reached in the dry bulk sector:



2015 still dominates as the year where there will be equilibrium between demand and supply. However, there has been a shift towards 2016 and beyond.

Responses - 2012



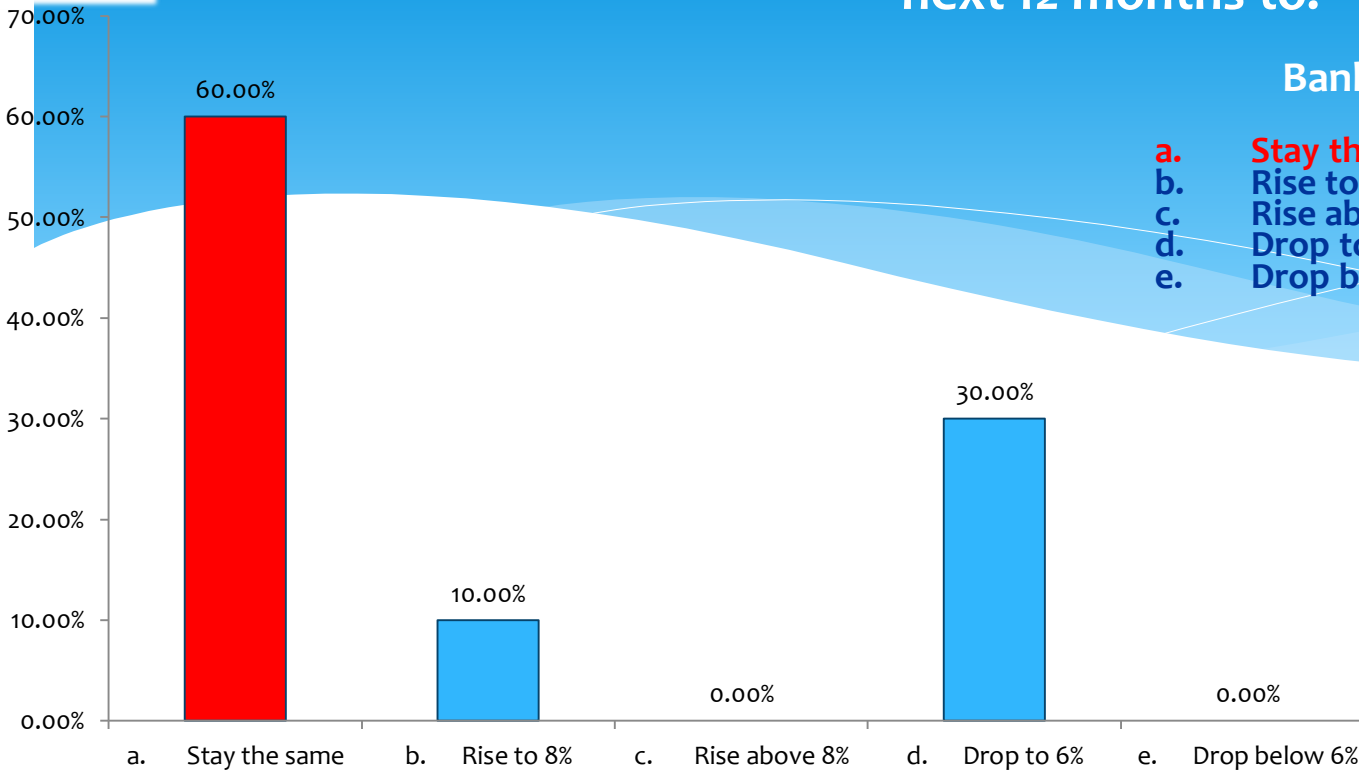


Q6: Do you expect China's growth, currently running at about 7.5%, in the next 12 months to:

Bankers' responses

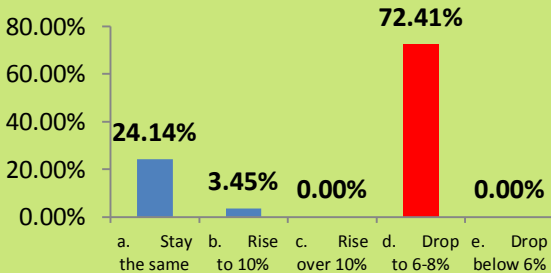
- a. Stay the same **60%**
- b. Rise to 8% **10%**
- c. Rise above 8% **0%**
- d. Drop to 6% **30%**
- e. Drop below 6% **0%**

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Responses - 2011

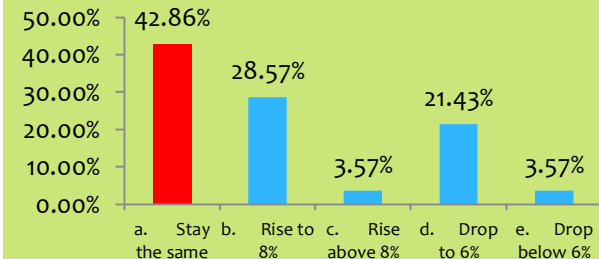
6. Do you expect China's growth currently at about 9.5%, in the next 12 months to:



Mixed results here with most expecting no change in Chinese growth but a significant number expecting a slowdown.

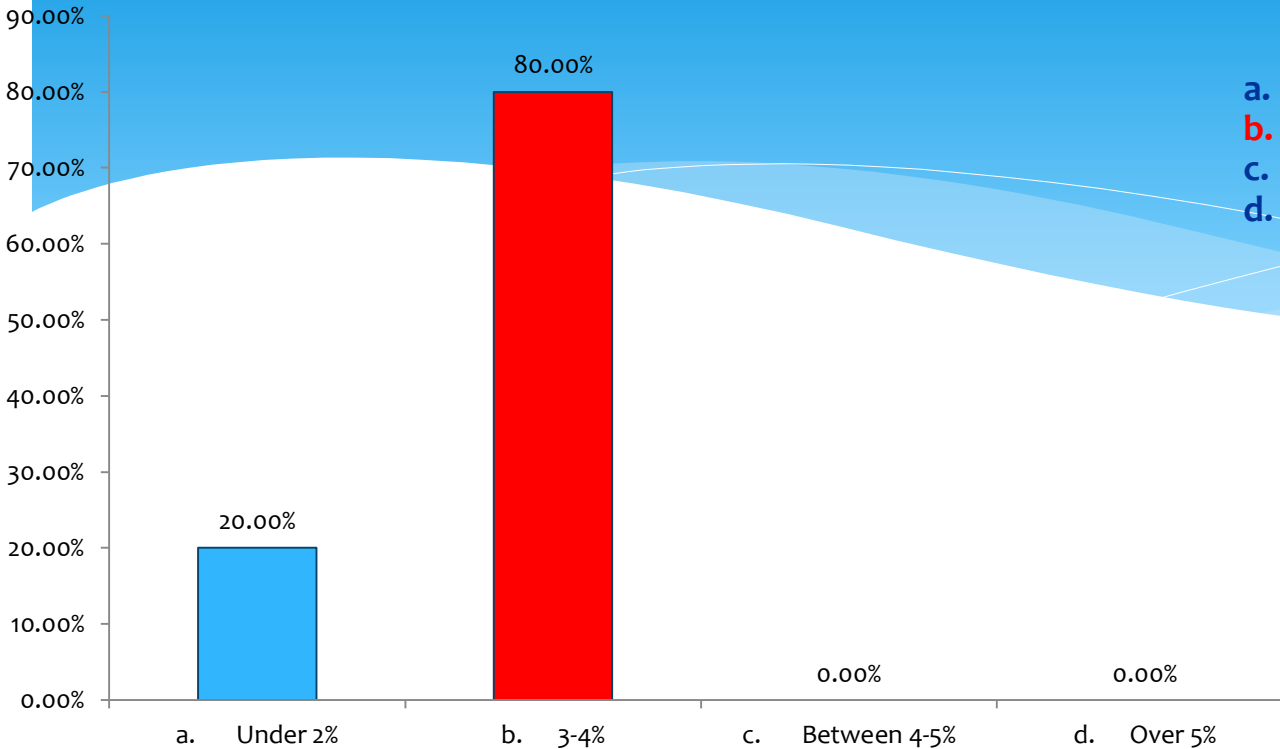
Responses - 2012

Q6: Do you expect China's growth, currently at about 7%, in the next 12 months to





Q7: Do you think that global economic growth over the period 2014-2015 will be:



Bankers' responses

a.	Under 2%	20%
b.	3-4%	80%
c.	Between 4-5%	0%
d.	Over 5%	0%

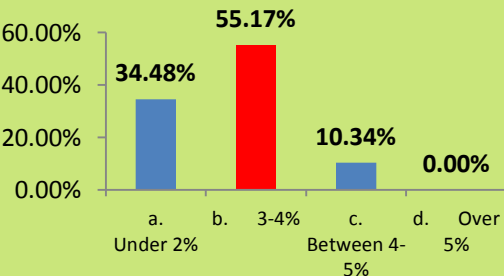
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Responses - 2011

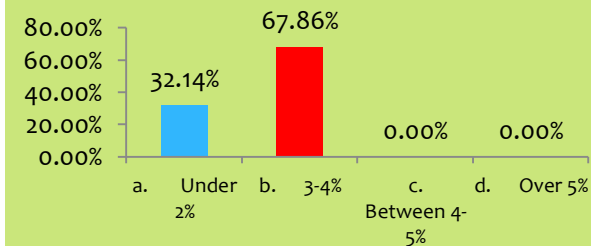
The vast majority of bankers expects a 3-4% rise in global economy which translates to a robust 5-7% increase in international trade.

Responses - 2012

7. Do you think that global economic growth over the period 2012-2013 will be:

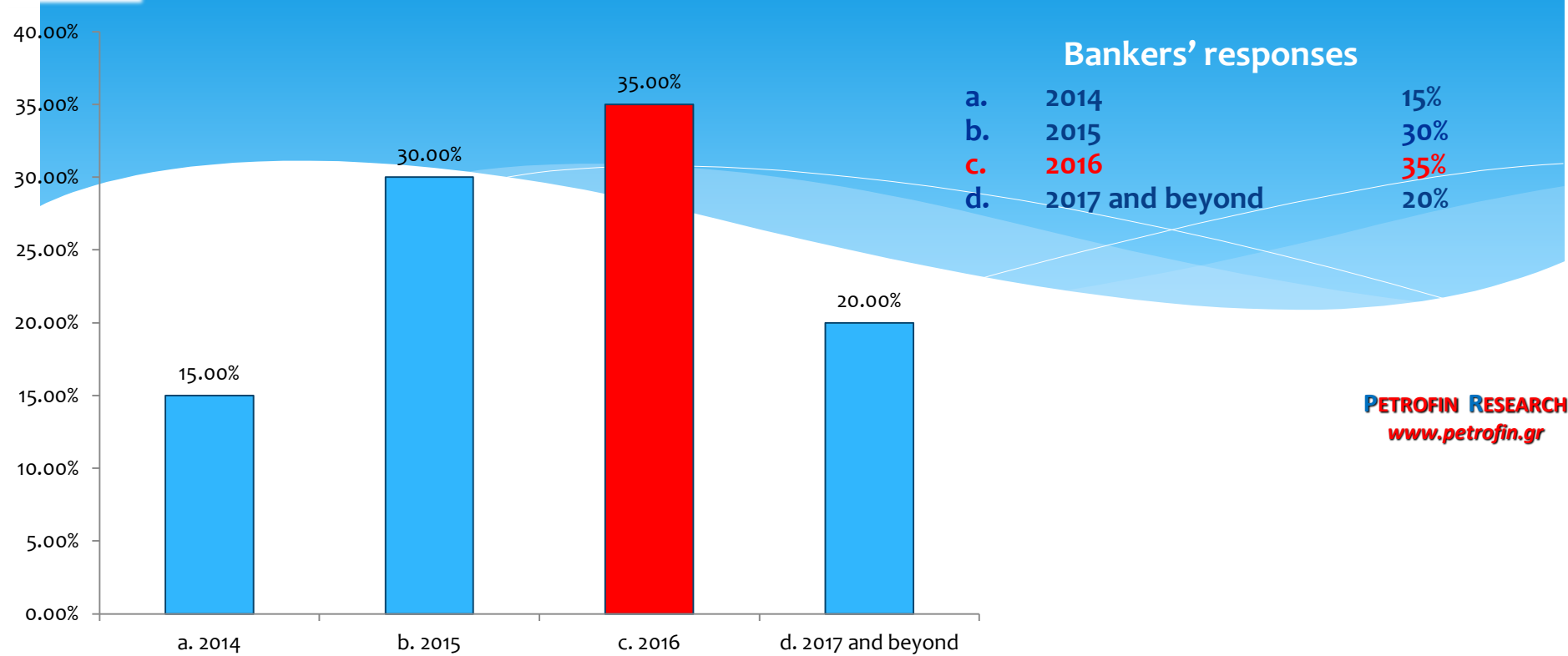


Q7: Do you think that global economic growth over the period 2013-2014 will be:





Q8: Do you think that European ship finance activity will revive in:

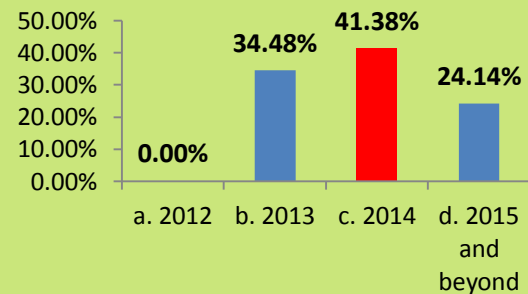


Responses - 2011

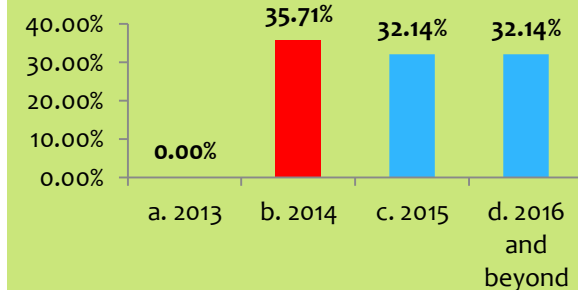
The European ship finance recovery in slipping every year with opinion ranging widely between 2014 to 2017 and beyond.

Responses - 2012

8. Do you think that European ship finance activity will revive in:



Q8: Do you think that European ship finance activity will revive in



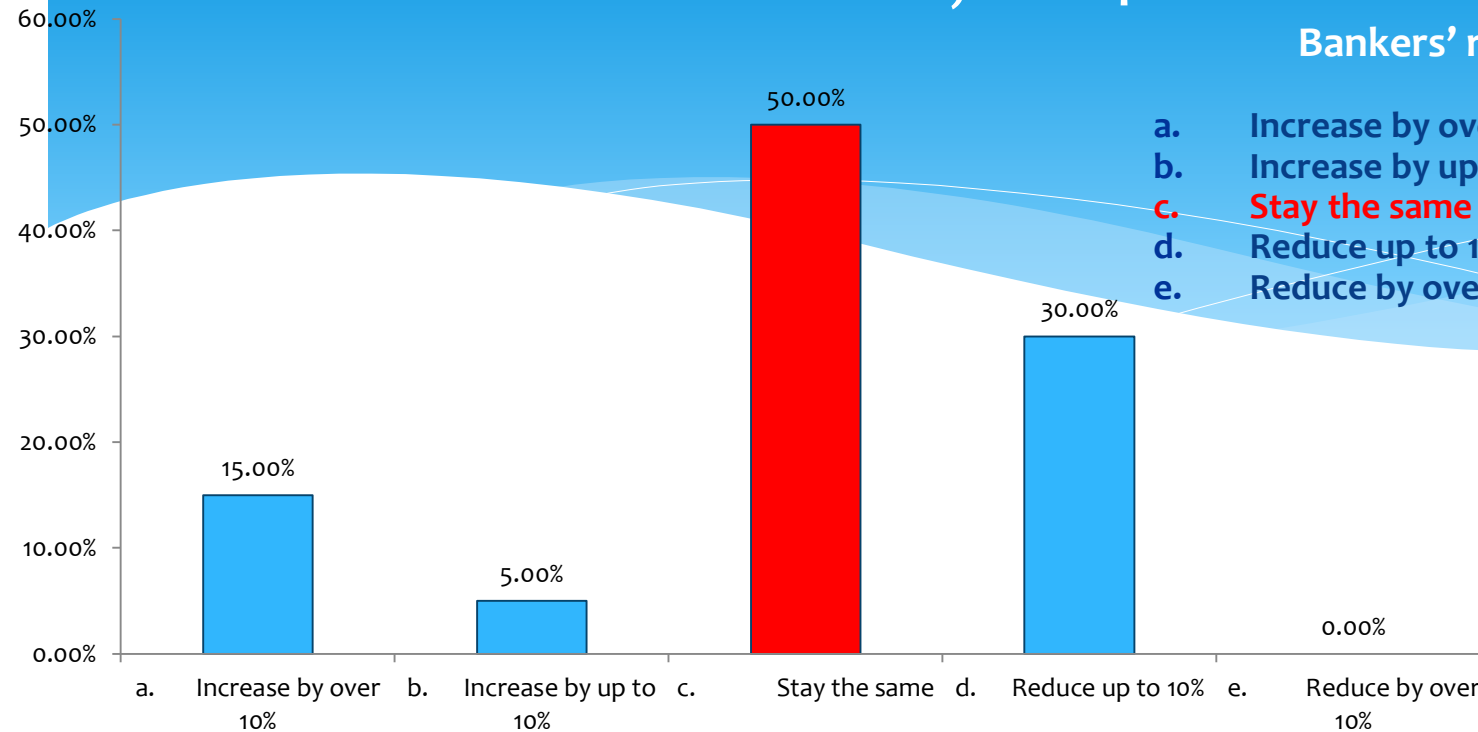


Q9: Do you expect the overall global ship finance loan portfolio (loans + commitments) in 2014 to:

Bankers' responses

- a. Increase by over 10% 15%
- b. Increase by up to 10% 5%
- c. **Stay the same** 50%
- d. Reduce up to 10% 30%
- e. Reduce by over 10% 0%

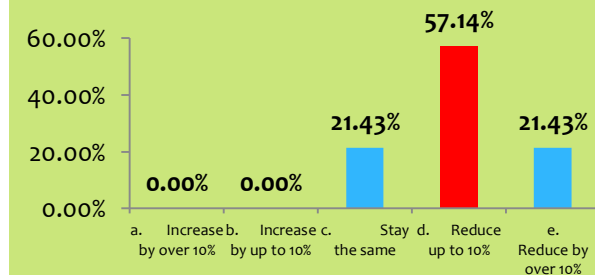
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For the first year, 50% expect stabilization of global shipfinance. Opinions also differ greatly between banks as to future falls and rises.

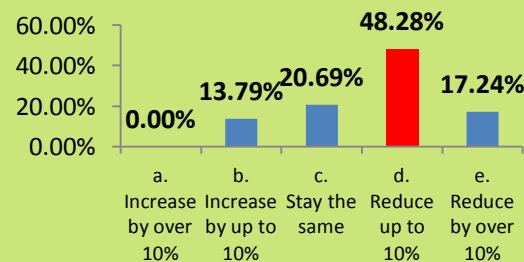
Responses - 2012

Q9: Do you expect the overall global ship finance loan portfolio (loans + commitments) in 2013 to:



Responses - 2011

9. Do you expect the overall global ship finance loan portfolio (loans+commitments) in 2012 to:



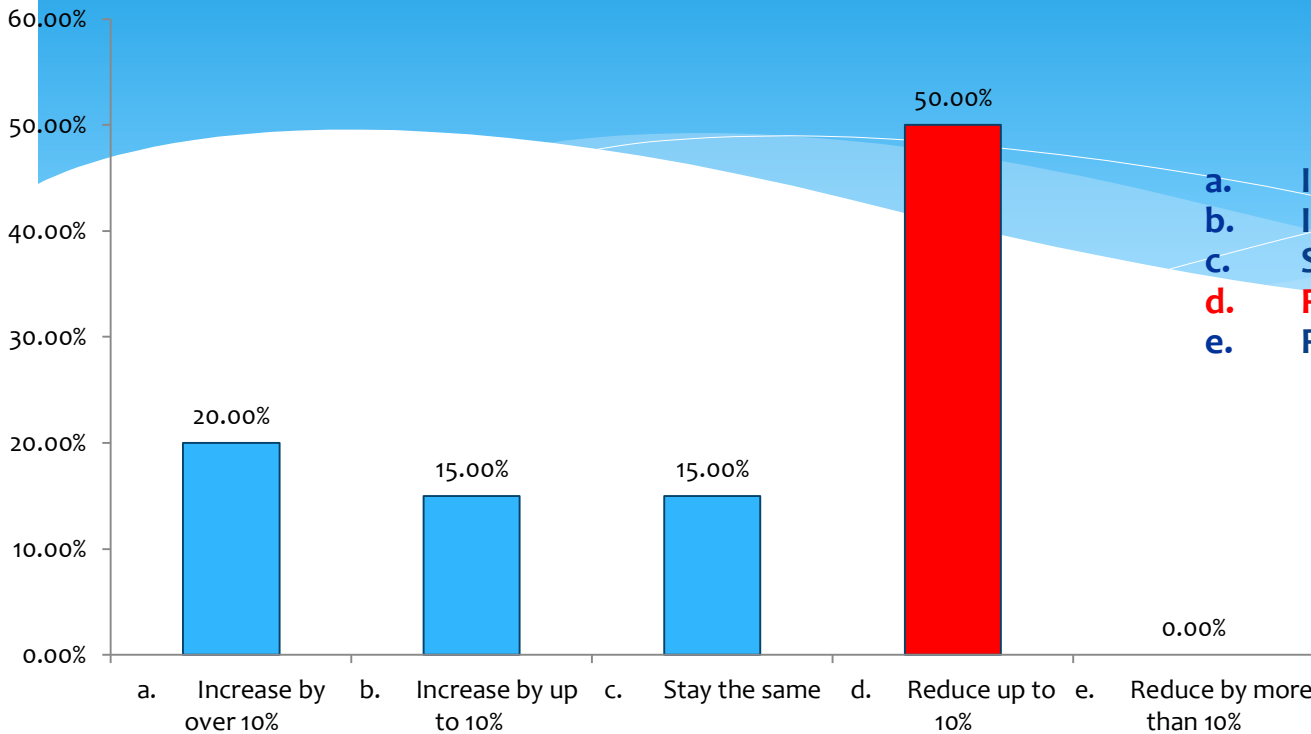


Q10: For your own institution, do you expect your ship finance portfolio (loans + commitments) in 12 months' time to

Bankers' responses

- a. Increase by over 10% 20%
- b. Increase by up to 10% 15%
- c. Stay the same 15%
- d. Reduce up to 10% 50%
- e. Reduce by more than 10% 0%

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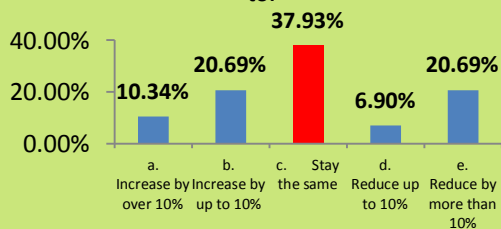


Responses - 2011

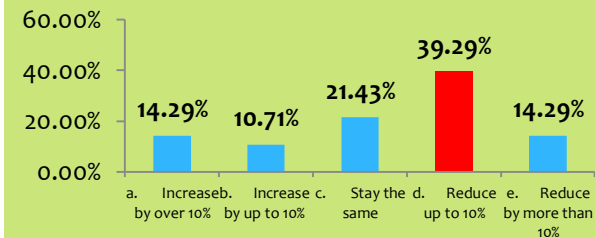
Interestingly, the largest percentage expects a decline in contrast to the global shipfinance market. In antithesis, 35% expect increases as opposed to 25% last year.

Responses - 2012

10. For your own institution, do you expect your ship finance portfolio (loans+commitments) in 12 months' time to:

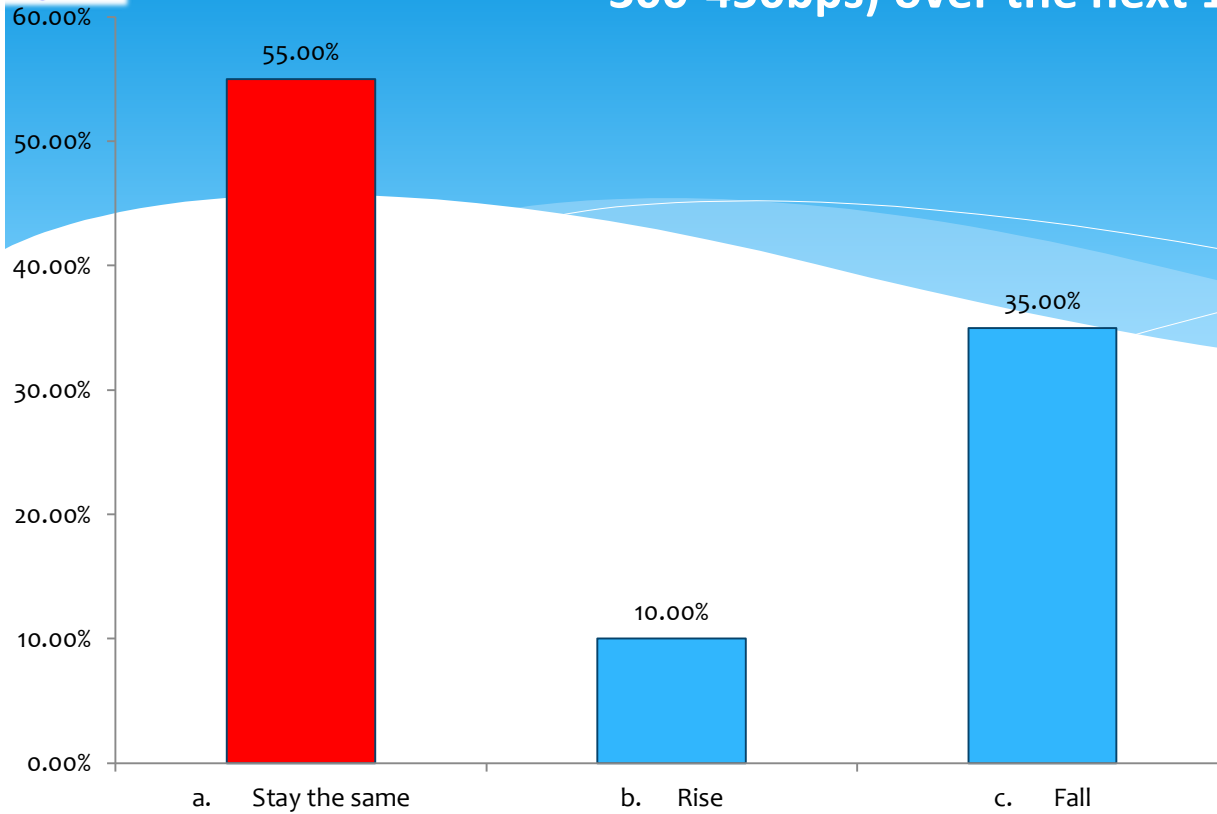


Q10: For your own institution, do you expect your ship finance portfolio (loans + commitments) in 12 months' time to:





Q11: Do you expect loan spreads for new shipping loans (currently about 300-450bps) over the next 12 months, to:



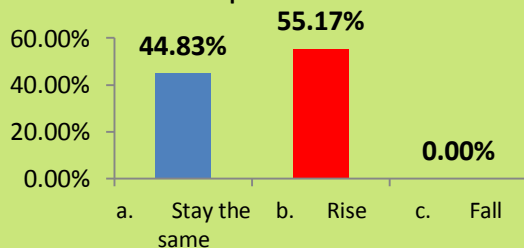
Bankers' responses

- a. Stay the same 55%
- b. Rise 10%
- c. Fall 35%

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Responses - 2011

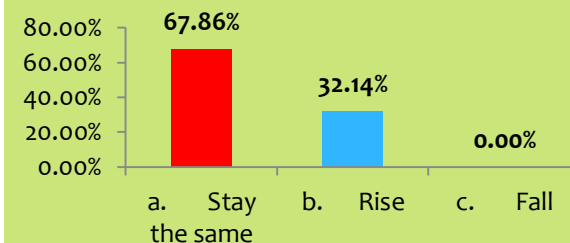
11. Assuming for new shipping loans that loan spreads (currently about 300-750bps) over the next months, do you expect loan spreads to:



It is significant that in sharp contrast to 2011 and 2012, 35% now expect a fall. The percentage of those expecting a further rise has dropped from 55% in 2011 to 10% in 2013.

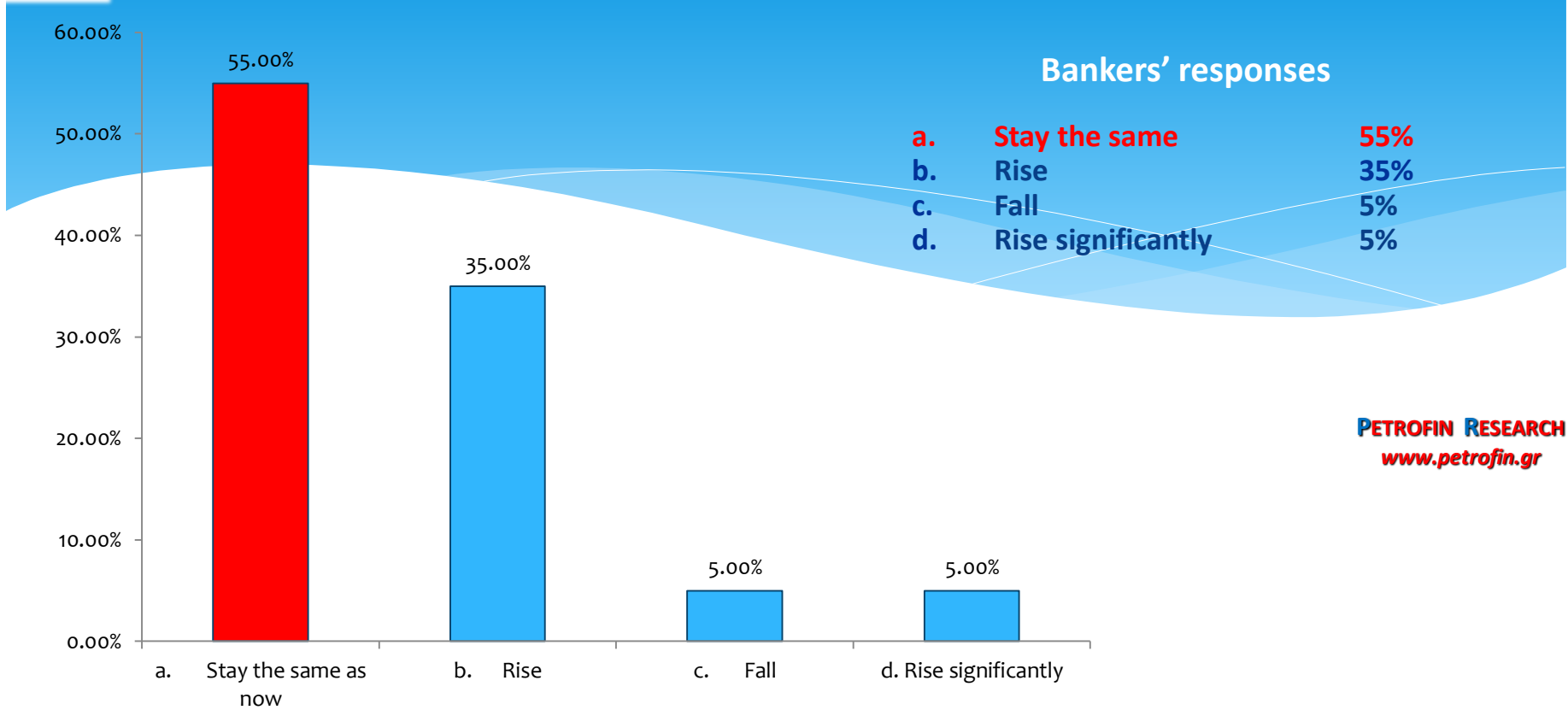
Responses - 2012

Q11: Do you expect that loan spreads (currently about 300-750bps) over the next 12 months, to





Q12: Do you foresee for 2014 non-performing loans



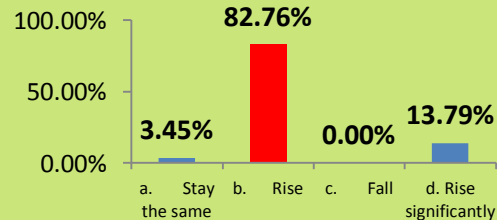
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Responses - 2011

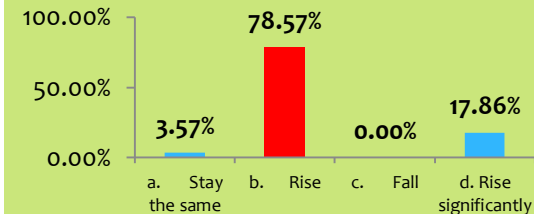
Again a significant change has taken place with 55% expecting the same non-performing loans, as opposed to about 3,5% in previous years.

Responses - 2012

12. Do you foresee for 2012 non-performing loans to:

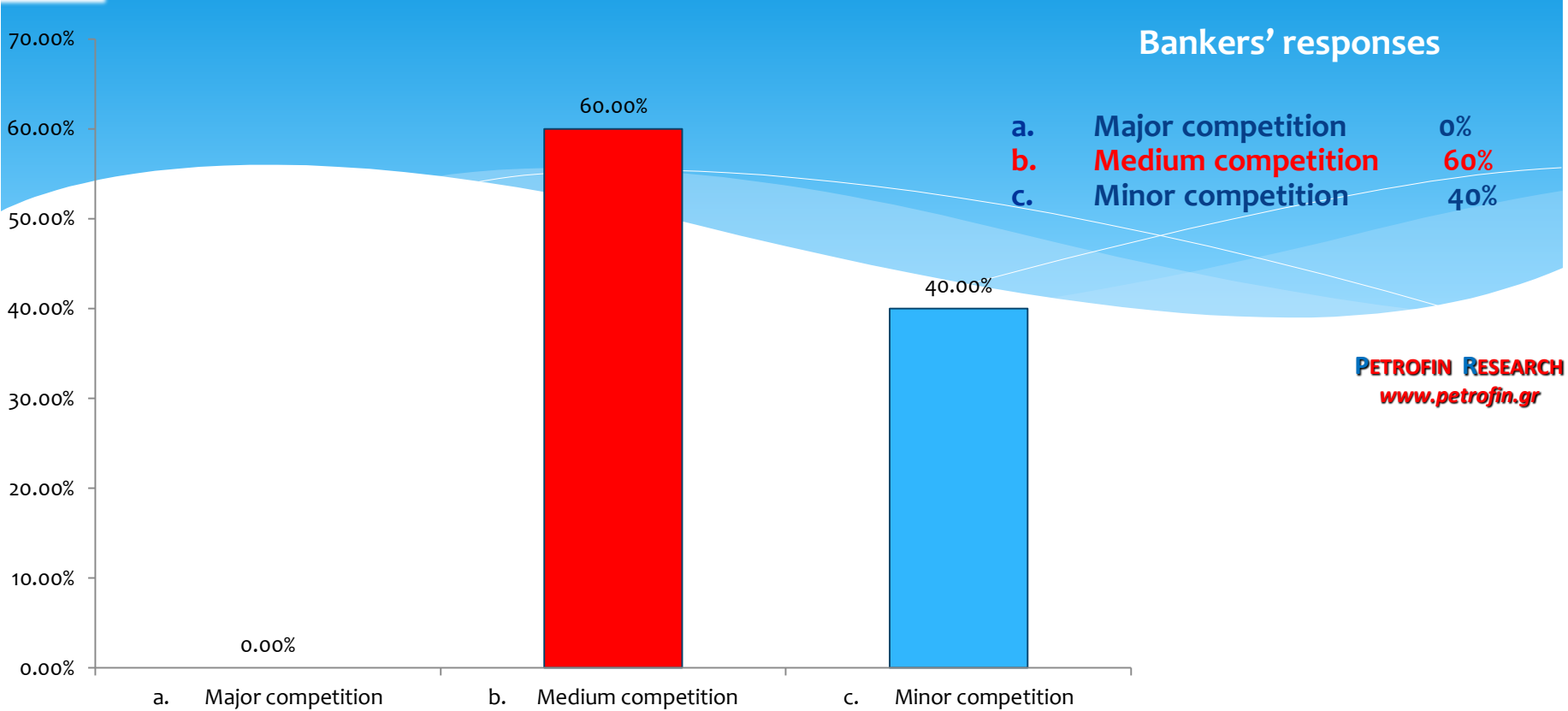


Q12: Do you foresee for 2013 non-performing loans to





Q13: Do you foresee Far Eastern banks to develop over the next 3-5 years into:

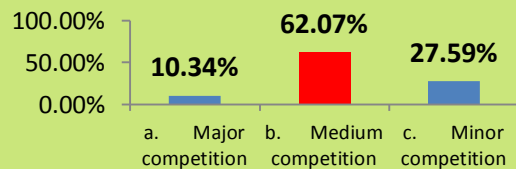


Responses - 2011

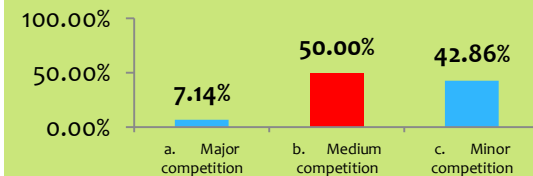
No change here in bankers' expectations

Responses - 2012

13. Do you foresee Far Eastern banks to develop over the next 3-5 years into:

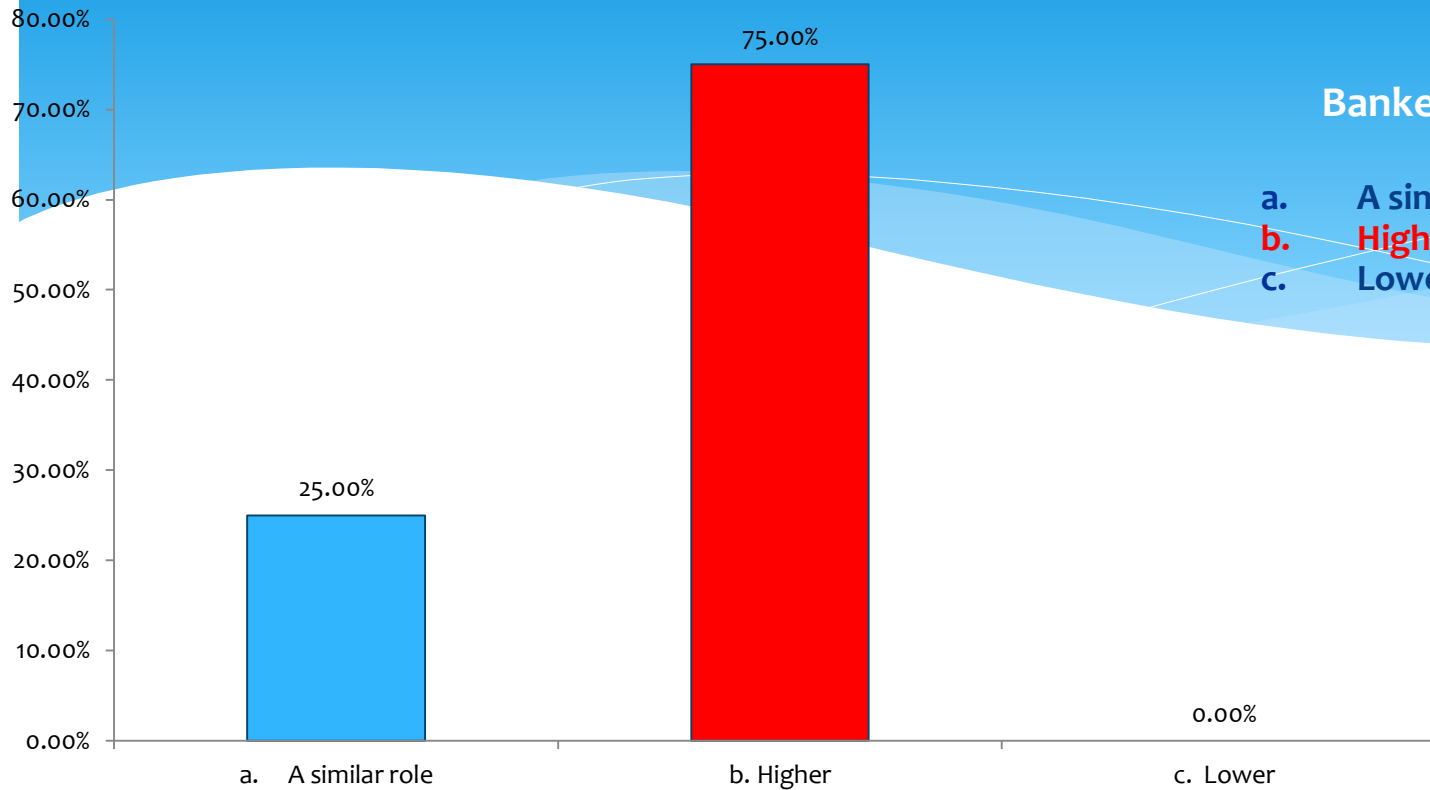


Q13: Do you foresee Far Eastern banks to develop over the next 3-5 years into:





Q14: Over the next 2-3 years, will ship finance from non-bank sources, i.e. private equity, stock markets, etc. play

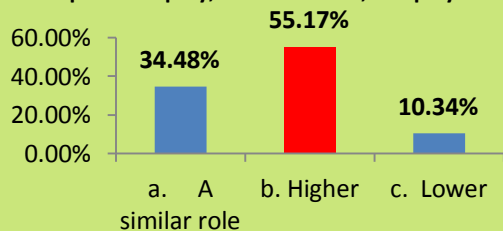


- a. A similar role 25%
- b. Higher 75%
- c. Lower 0%

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Responses - 2011

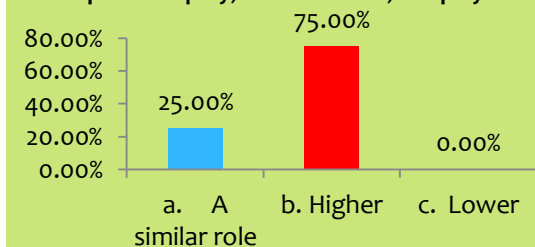
14. Over the next 2-3 years, will ship finance from non-bank sources, i.e. private equity, stock markets, etc. play



The in road into ship finance by non-bank sources is clearly rising and this has been correctly anticipated in previous years.

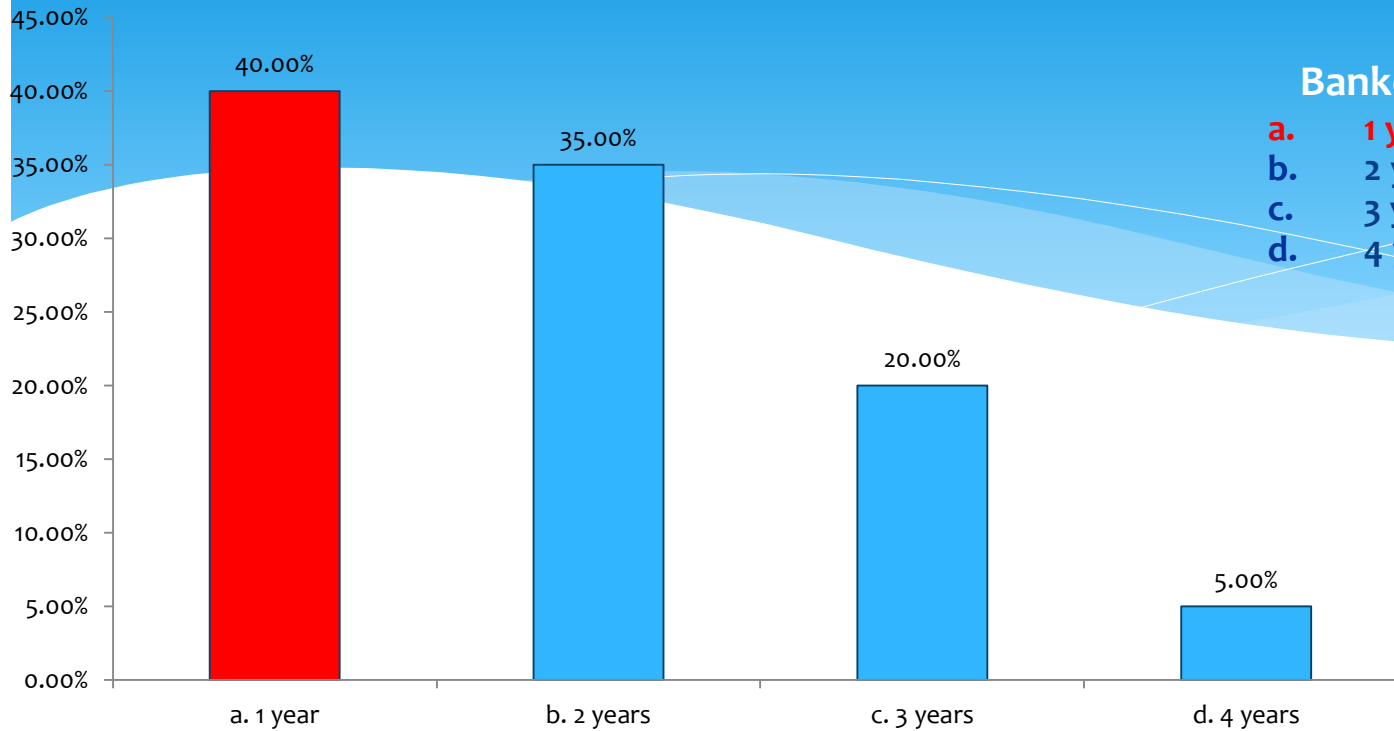
Responses - 2012

Q14: Over the next 2-3 years, will ship finance from non-bank sources, i.e. private equity, stock markets, etc. play





Q15: Do you foresee the current shipping crisis (across all sectors) to last for a further:



Bankers' responses

- a. 1 year 40%
- b. 2 years 35%
- c. 3 years 20%
- d. 4 years 5%

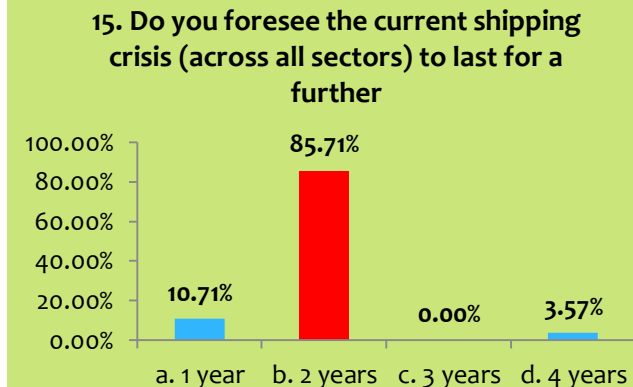
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Responses - 2011



There has been an interesting shift of opinion with 40% expecting the crisis to be over in one year as opposed to 10.7% last year. However, at the other end of the time spectrum, 35% expect a continuing crisis for 3-4 years.

Responses - 2012



What is the risk appetite for shipping finance by banks?



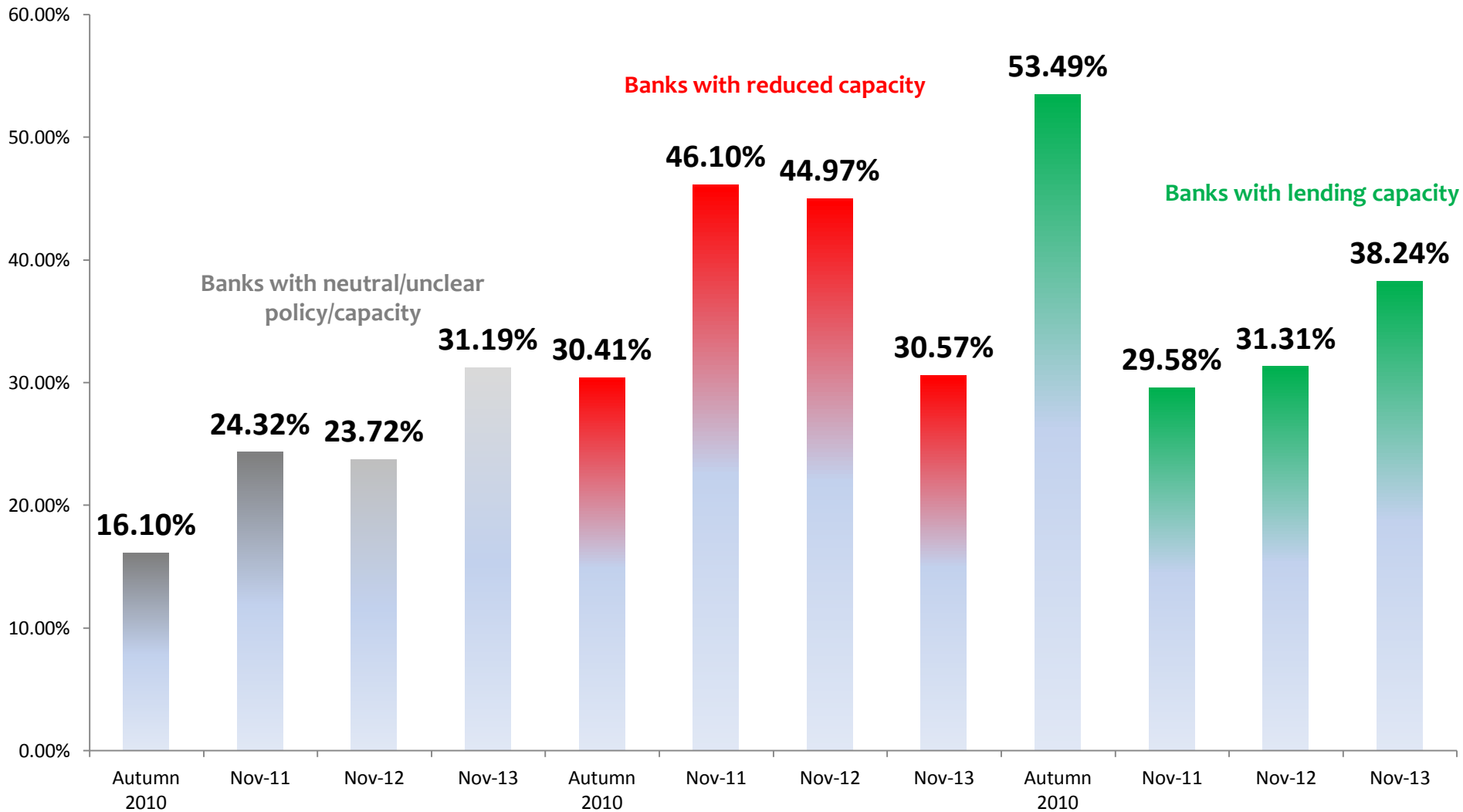
1. We divided the top 40 banks between banks with a reduced capacity, banks with lending capacity and banks with neutral/unclear policy.
2. We compared this year's findings with those of Autumn 2010, November 2011 and November 2012 to determine if the ship finance climate is improving, has remained static, or is worsening.
3. The results are shown in the Graph, below:



Global ship finance portfolios

Autumn 2010, Top 40 banks: \$466.76bn
November 2011, Top 40 banks: \$461.196bn
November 2012, Top 40 banks: \$422.13bn
November 2013, Top 40 banks: \$400.89bn

November 2013





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November 2013