

# ***Petrofin S.A.***

*April 2004*

## ***Petrofin Bank Research ©***

*presents* **Key developments and growth in Greek Shipfinance**

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**Petrofin Bank Research ©** presents the figures of Greek shiplending portfolios as obtained directly from Greek and International banks  
as of 31<sup>st</sup> December 2003

As per previous years, the banks are divided into 3 sub-categories, namely

- A) Foreign (non-Greek) banks with a Greek presence, either in the form of a branch network or a representative office,
- B) Foreign banks without a Greek presence, and
- C) Greek banks

Petrofin Bank Research© is the most widely used and trusted research by both the banks and the shipping community. This is shown by the response of banks and their willingness to participate in the research through the release of their Greek Shiplending portfolio figures. Petrofin wish to thank the banks for their continuous support without which this piece of research would not have been possible.

We continue with the segregation between loan outstandings per bank on the one hand and committed but undrawn loans on the other. This information is important in identifying both the overall Greek shipfinance risk for each bank and the sector as a whole, especially in a period when Greek owners have developed a pronounced shipbuilding activity. The committed but undrawn amounts indicate each bank's shiplending momentum.

The analysis of lead manager activities in syndications and club deals have also proved popular, as banks like Citibank, ABN and others have commanded a larger presence than their own loan portfolios would alone justify as a result of their lead manager activities in syndications and club deals. This important area of Greek shipfinance shows the amounts of third bank participations managed by each bank. A number of banks have developed strategies of enhancing their shipfinance yields by providing investment banking services to their clients which include putting together and managing large deals on a club or syndicated basis.

### ***Foreign Banks WITH a Greek presence***

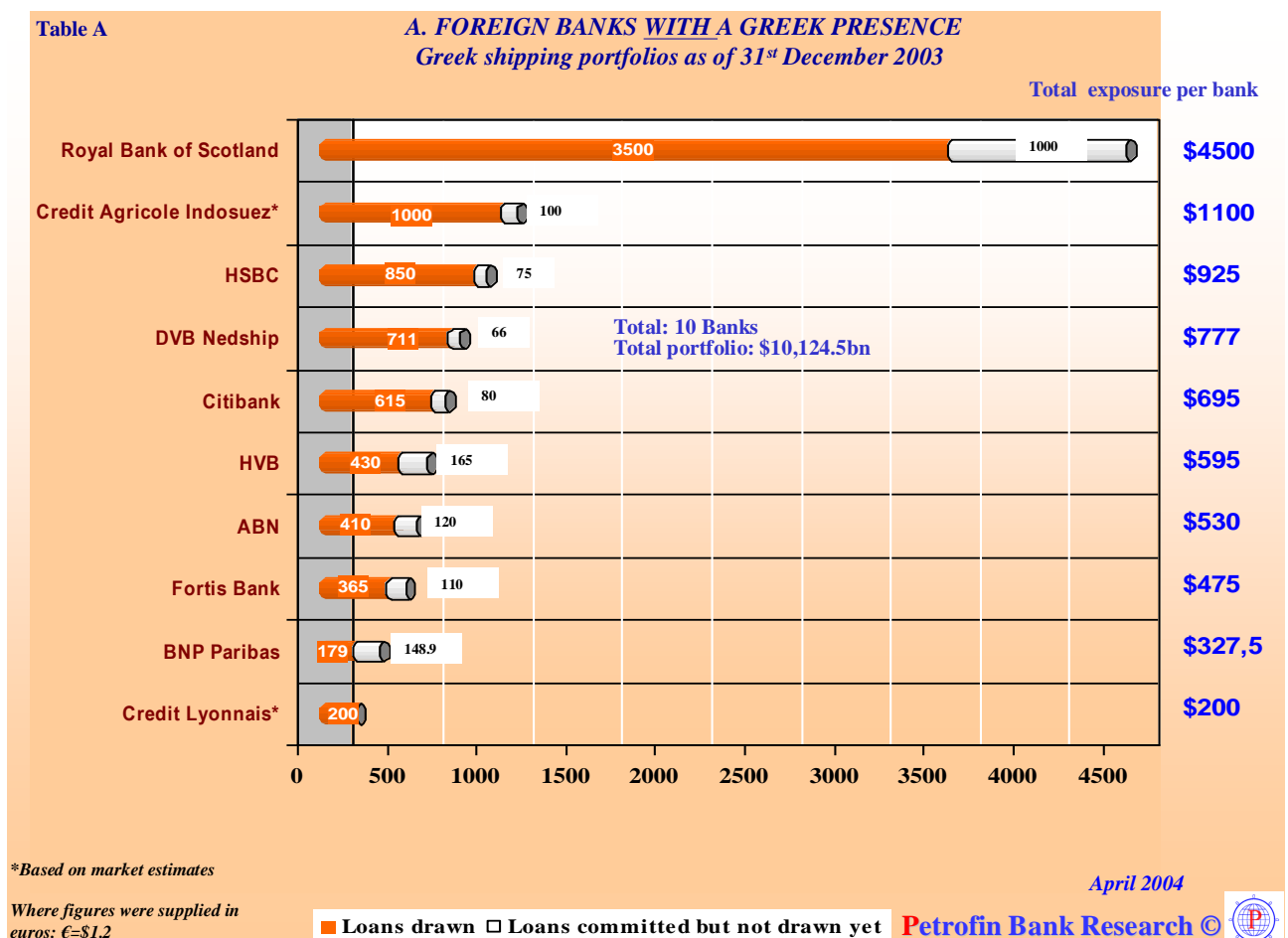
**Table A** shows that the number of non-Greek banks with a physical Greek presence (10) is the same as of 31<sup>st</sup> December 2003 as with our figures of June 2003.

In our previous released research as of June 30<sup>th</sup> 2003, the figure provided by the Royal Bank of Scotland was later found by the Royal Bank of Scotland to have been erroneous as it included all uncommitted loans. As such, the RBS's amended figure as of June 2003 was \$4,314m (\$3,251m for drawn loans and \$1,063m for committed but undrawn.)

In order to provide an accurate and comparable comparison to the previous research, we will present our comparison between portfolios as of 31<sup>st</sup> December 2003 and 30<sup>th</sup> June 2003 based on the amended Royal Bank of Scotland loan amounts.

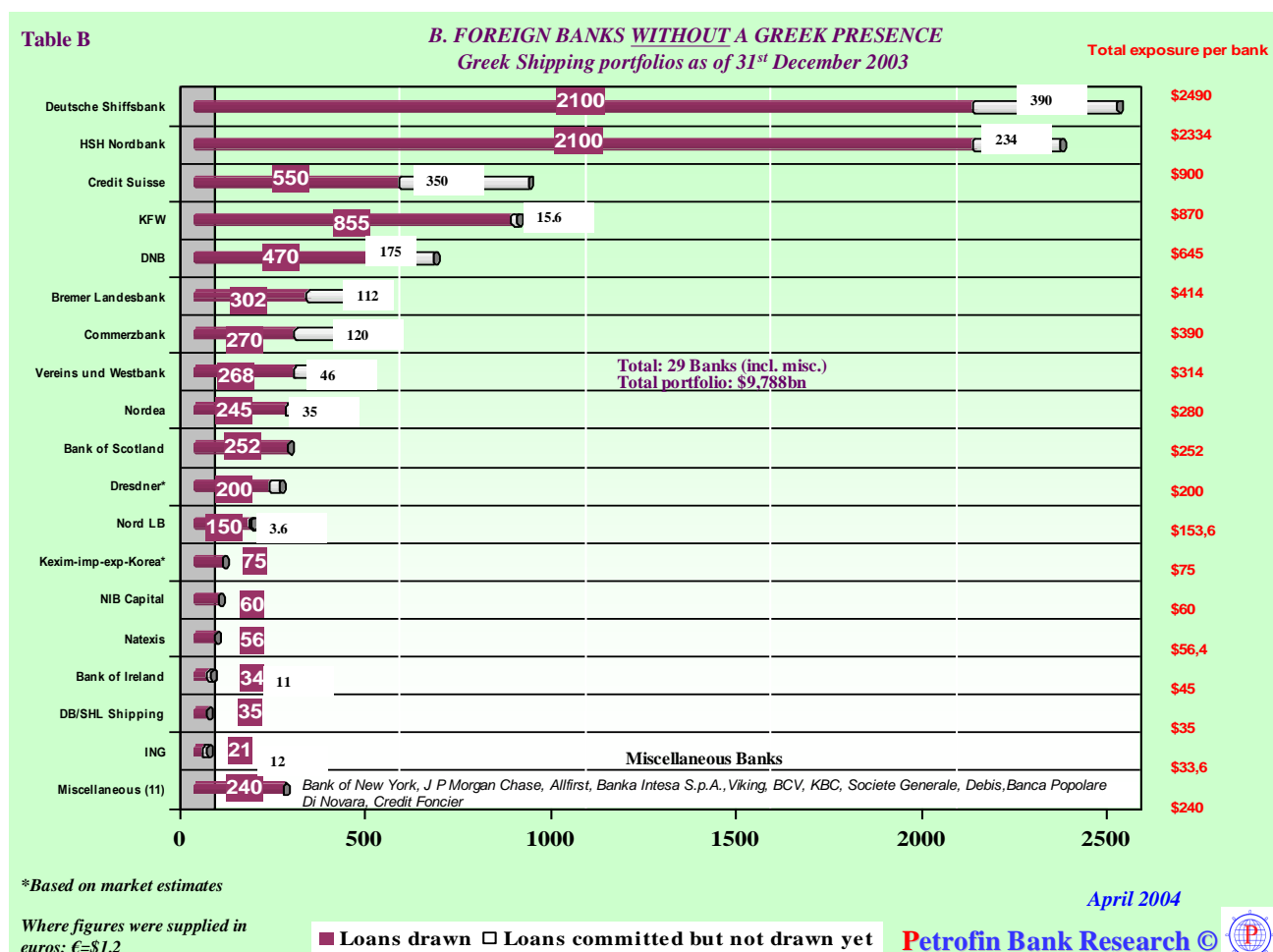
It should be noted, that the sector of foreign banks with a Greek presence remains the leading sector in the market with a total portfolio of **\$10,124.5m**. This is an increase by **\$685m** within the elapsed 6 months since June 2003 or **7.25%**.

(see **Table A**).



### Foreign Banks WITHOUT a Greek presence

In **Table B** we observe that the sector shows a decrease from 33 banks to 29 accompanied by a decrease in Greek shiplending portfolio from **\$10,096m** to **\$9,787.73m**, i.e. **-\$308.27m** or **-3.15%**. The decline is indicative of the trend towards globalisation and banks' re-appraisal of their roles. Some banks with only small participations and / or small overall loan portfolios have departed Greek shiplending as not part of their strategy.



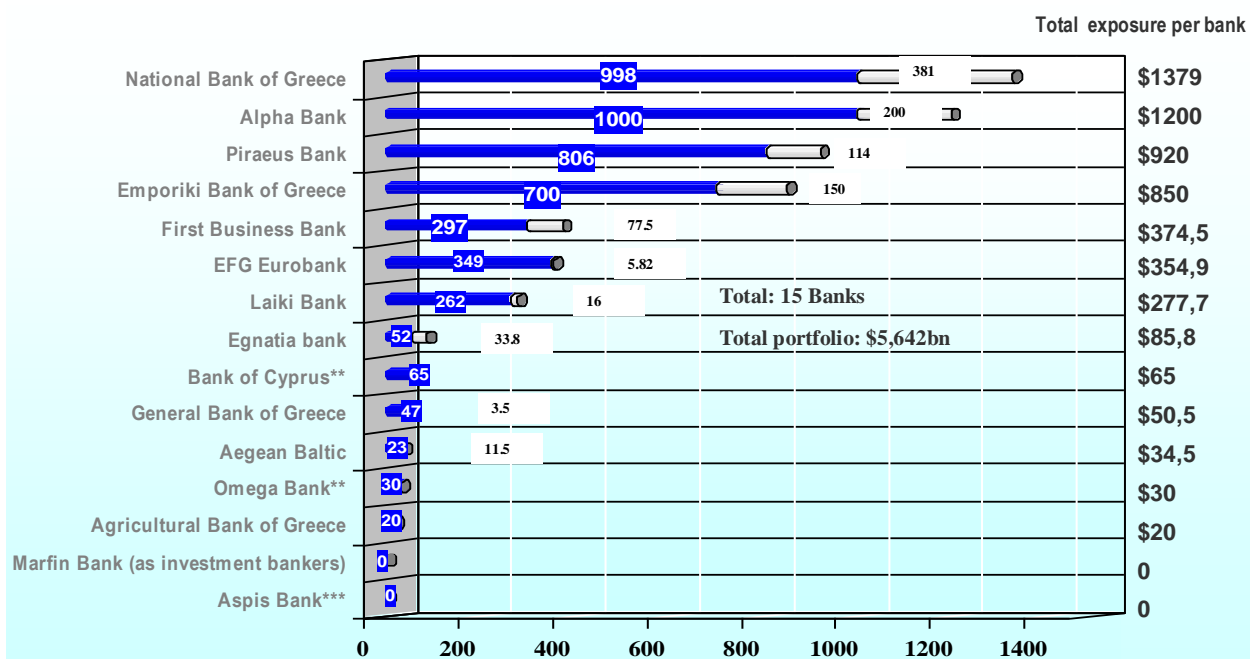
In the miscellaneous sector we have included 11 banks, which have either winding-down portfolios, as a result of a change in the bank's policy, or are intent in entering Greek shipfinance, or have minor participations in syndicated loans or club deals whose figures are based mainly on market estimates. 'Winding-down' portfolios are still included in the miscellaneous section so as to have a more accurate snapshot of Greek shipfinance as of 31<sup>st</sup> December 2003. The overall portfolio of the miscellaneous bank sector stand at \$240m.

## Greek Banks

In **Table C**, we present the Greek banks whose total has risen from 12 to 15. The additions are the General Bank of Greece, the Omega bank and the Aspis bank, which as of 31<sup>st</sup> December 2003 either had a small contribution or an intention in entering shipfinance.

Table C

### C. GREEK BANKS Greek shipping portfolios as of 31<sup>st</sup> December 2003



\* Based on market estimates

\*\* Loans to shipping companies but based on non-shipping assets

\*\*\* intention to commence shiplending

■ Loans drawn □ Loans committed but not drawn yet

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The increase in the portfolio of the Greek banks continues as is shown by the figure as of 31<sup>st</sup> December 2003 which stands at **\$5,641.9m** as opposed to **\$5,285m**, an **increase of \$356.9m or 6.75%**. We note that the presence of Greek banks is becoming more and more established and there are now 7 Greek banks ranking together within the top 25 in Greek shipfinance (see Table 1). At the same time, it is self-evident that as the Greek banks' portfolios have grown to substantial numbers, there has been a slowdown in the rate of growth.

**Table 1 – Top 25 banks holding Greek shipping portfolios**

1	Royal Bank of Scotland (Piraeus+London)	4500
2	Deutsche Schiffsbank	2490
3	HSH Nordbank 1750+195euros	2334
4	National Bank of Greece	1379
5	Alpha Bank	1200
6	Credit Agricole Indosuez*	1100
7	HSBC	925
8	Piraeus (incl. ETVA)	920
9	Credit Suisse	900
10	KFW 712+13euros	870
11	Emporiki Bank of Greece	850
12	DVB Nedship	777
13	Citibank	695
14	DNB	645
15	HVB	595
16	ABN	530
17	Fortis Bank	475
18	Bremer Landesbank	414
19	Commerzbank	390
20	First Business Bank	374,5
21	EFG Eurobank	354,89
22	BNP PARIBAS	327,5
23	Vereins und Westbank	314
24	Nordea	280
25	Laiki	277,733

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In summarizing, therefore, we present in **Table 2** the comparative statistics for the Greek shipfinance market.

**Table 2**

	January 2003	June 2003*	December 2003	Greek loan portfolios				% of contribution	% increase of loan portfolios between June 03 and December 03
	No of banks		+ / -	December 2001	January 2003	June 2003*	December 2003		
Category A banks	10	10	10	7.050bn	8.185bn	9,439.5m	10,124.5	39.62%	+7.2%
Category B banks	30	33	29	6.165bn	8.604bn	10.096bn	9,788	38.3%	-3.05%
Category C banks	11	12	15	3.310bn	4.472bn	5.285bn	5,642	22.08%	+6.75%
<i>Totals</i>	<i>51</i>	<i>55</i>	<i>54</i>	<i>\$16.525bn</i>	<i>\$21.261bn</i>	<i>\$24,821</i>	<i>\$25,554</i>	<i>100%</i>	<i>+3%</i>

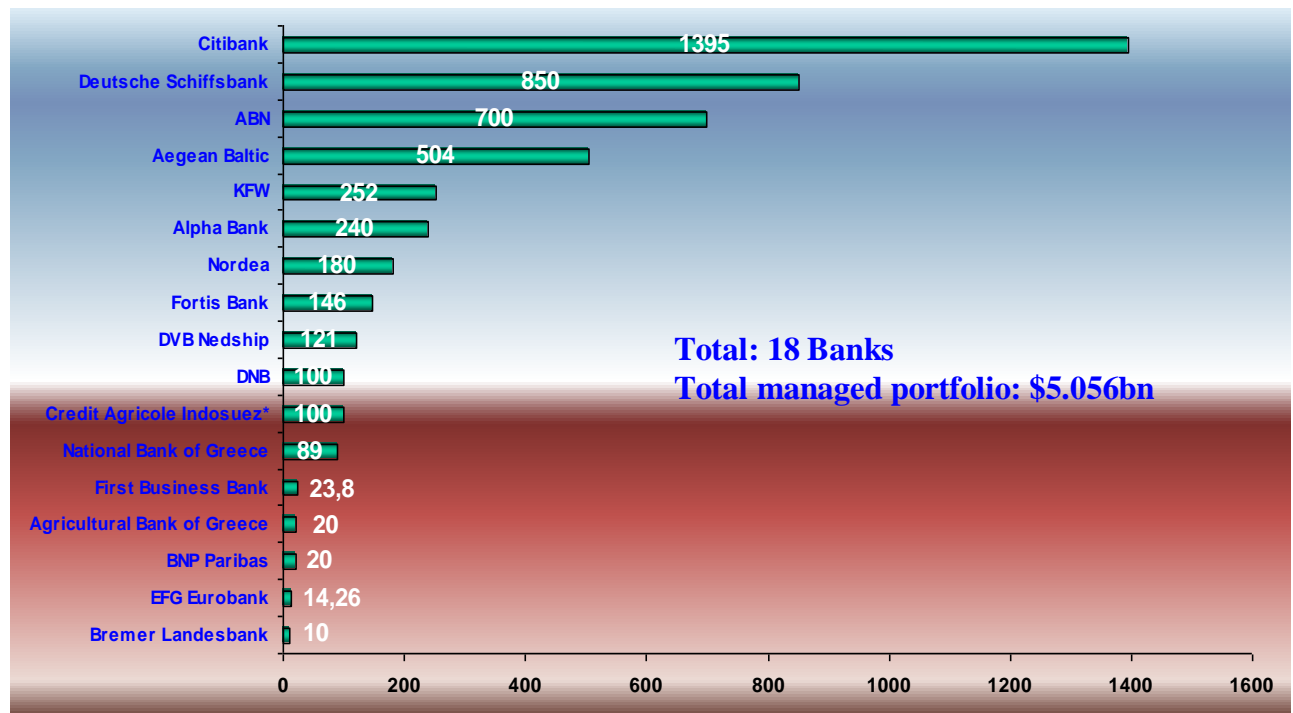
\* adjusted RBS figures

## Lead Managers

We shall now turn to the lead manager activities for each bank which is presented for the third time internationally by **Petrofin Bank Research** © in **Table D**.

**Table D**

*Lead Managers for Greek shipfinance Syndicates / Club Deals  
(excluding their own loan outstandings  
to show the amounts committed by 3rd party banks)  
in millions of US\$ - as of end 31<sup>st</sup> December 2003*



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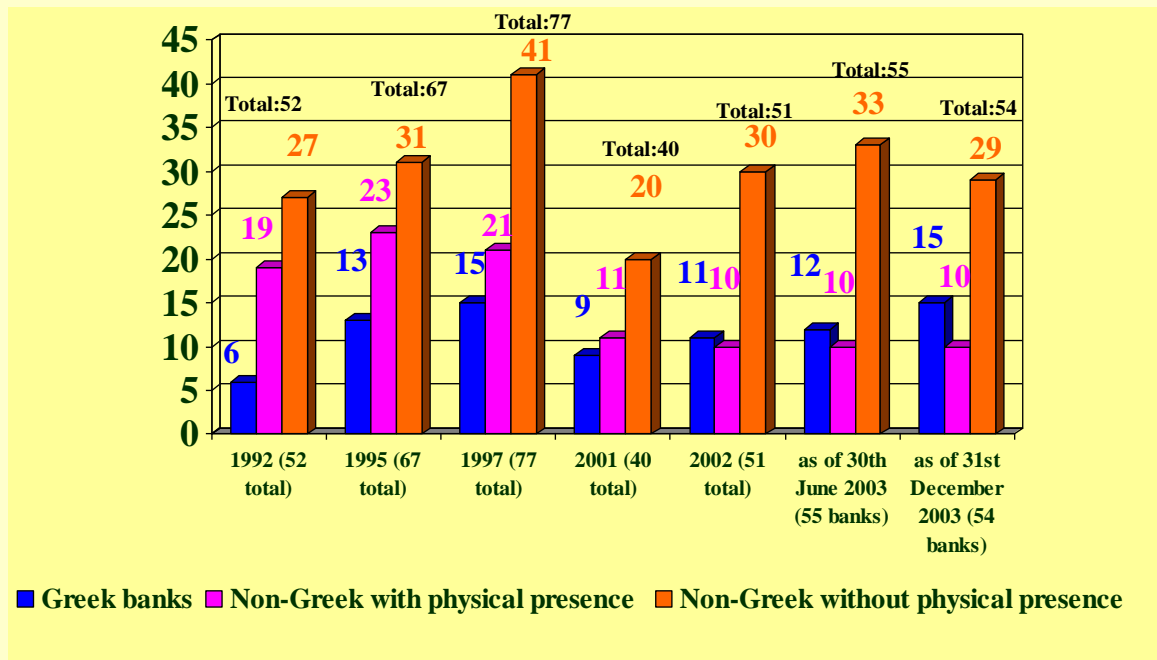
The total loans controlled by lead managing banks for December 2003 is **\$5,056m** as opposed to **\$5,257m** in June 2003. These are loans contributed by banks *other than the lead managers*. In cases where there is more than one lead manager, the syndicate / club amounts involved are split accordingly. The fresh figures show a decrease in the total loans controlled by lead managing banks over the last 6 months which is indicative of a greater emphasis given by banks towards direct bank-client loans instead of club / syndicated ones.

Of the total of **54 banks** (Table E) involved in Greek shipfinance, **18** are in a lead manager position. Clearly, again the market leader in the table is Citibank followed by Deutsche Schiffsbank. Again reflecting their strategies of not being involved in syndication or club deals, RBS and HSBC have abstained from this activity.



**Table E**

*Number of banks financing Greek Shipping  
as of December 2003*



*Banks financing Greek shipping*

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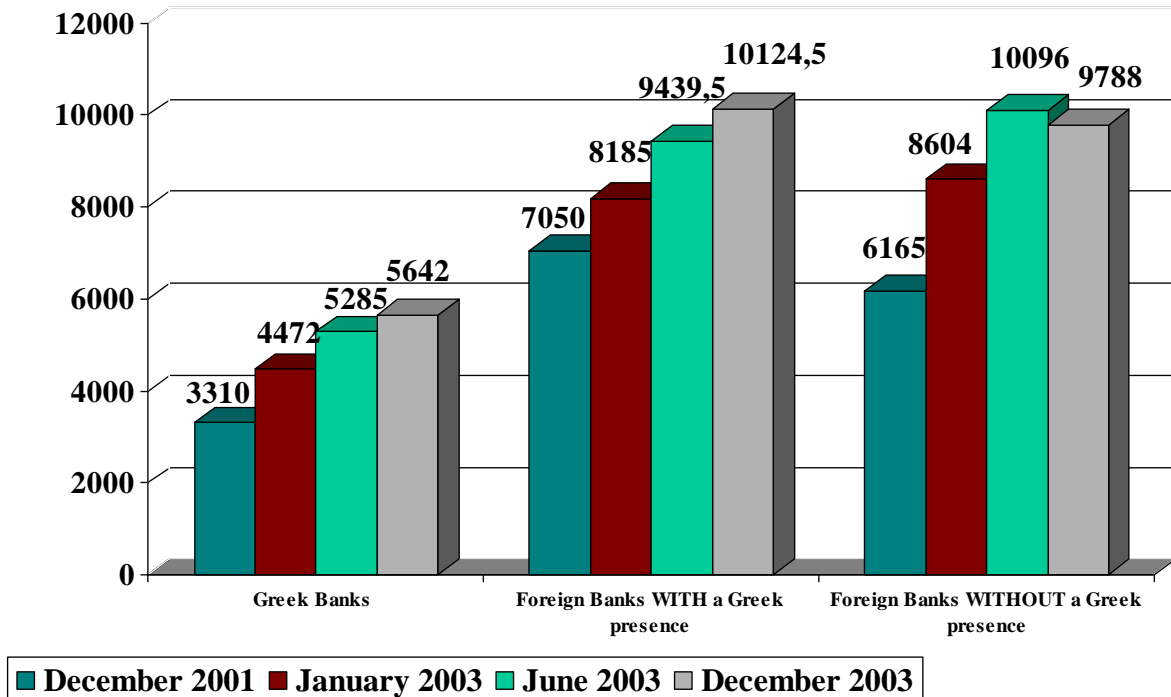
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To summarize, therefore, lending to Greek shipping entities by Greek and non-Greek banks has grown from **\$16,525m** in 2001 and **\$21,261m** in January 2003 to **\$24,821m** as of end June 2003 to **\$25,554m** (Table F). There was, therefore, a 3% increase in Greek shiplending in the second half of 2003.

**Table F**

*Total of Bank Portfolios available to Greek shipping in millions of US\$ as of 31<sup>st</sup> December 2003*  
**Total: US\$ 25.554bn**



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### Conclusion

Interest in Greek shipping continues to grow. The rate of growth has slowed down a little (3% increase in loan totals in the second half of 2003), as a result of a) emphasis towards newbuildings which have future rather than present loan requirements, and b) loan prepayments as a result of sale of older vessels, especially given the firmness of vessel values.

With about 322 ships by Greek owners on order (figure from *Nafitliaki* – Spring 2004) which shall be delivered in 2005-2008, the shipfinance totals, will continue to increase over the years. Older vessel sales have continued in 2004 but are expected to have a reduced relative impact from 2005 onwards.

The willingness of banks to lend towards newbuildings has continued unabated based not only on the quality of Greek ordering clients and their robust financial and trading performance, but also on the positive outlook for the world economy, international trade and shipping. It should be noted, however, that as shipbuilding prices have

escalated and deliveries extended to 2007/8 or beyond, banks are becoming increasingly cautious about financing such newbuildings and have reduced their lending percentages accordingly.

Greek shipfinance has maintained its dynamism with a number of banks entering and withdrawing from the market. Overall, the robust performance of Greek shipping over the years and its attractive risk/rewards characteristics, as well as the positive market outlook, has encouraged new entrants whose contribution over the years is expected to grow.

Although shipping banks are content to see the quality of their lending portfolios improve as securing values, cashflows and liquidity have grown, there is no complacency about the inherent risks of financing new vessel acquisitions based on today's record high vessel prices.

Despite Basel II prospects, due to the increased bank competition for good clients, as well as reflecting the enhanced quality of both borrowers and vessels, bank spreads and / or fees have declined a little over the year. Such declines though are within the risk assessment criteria that each bank has developed and begun to apply as per Basel II.

A new feature of the market has been the beginning of finance offered to Greek owners by Far eastern banks (Korean, so far) in support of local newbuilding orders. There have been some discussions between Greek owners and Chinese banks, but no definite progress seems to have been made. There are still cultural, commercial and informational difficulties to be overcome. A key role, though, will be played by the major Chinese shipyard groups who may well offer to Greek owners in subsequent years 'ready made' finance supported by a Chinese bank as part of their drive to obtain more orders. Needless to say, that Chinese bank spreads are at least 0.5% lower than corresponding western bank ones at present and this may well provide an incentive for Greek owners to consider loans from Chinese banks.

Greek owners have already amassed enormous liquidity from vessel sales and secured trading cash in-flows. With borrowing rates low, the tendency has been to keep such liquidity for future opportunities. It is well possible, though, should interest costs rise, for owners to consider repaying loan residuals, especially for their older tonnage.

In conclusion, therefore, the latest Petrofin Bank Research© evidences a continuously positive interest towards Greek shipping by both Greek and international shipping banks, especially those that have a committed presence and strategy towards the Greek market. Greek shipping's performance and the positive prospects of both Greek shipping and the international economy, have amply rewarded the confidence shown by shipping banks towards Greek owners and augurs well for the future.