

Petrofin S.A.

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Petrofin Bank Research ©

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

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Greek Shipping has continued to attract the interest of the international banking community, as supported by the latest **Petrofin Bank Research ©**

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

Whereas in the past a large part of the information was based on market estimates, this year the vast majority arises from direct input from the banks themselves. This enhanced transparency by banks and support towards research is for the benefit of the international and Greek shipping and banking communities.

This year, we also introduced two major improvements to the analysis designed to provide a greater insight to the world of Greek shipfinance.

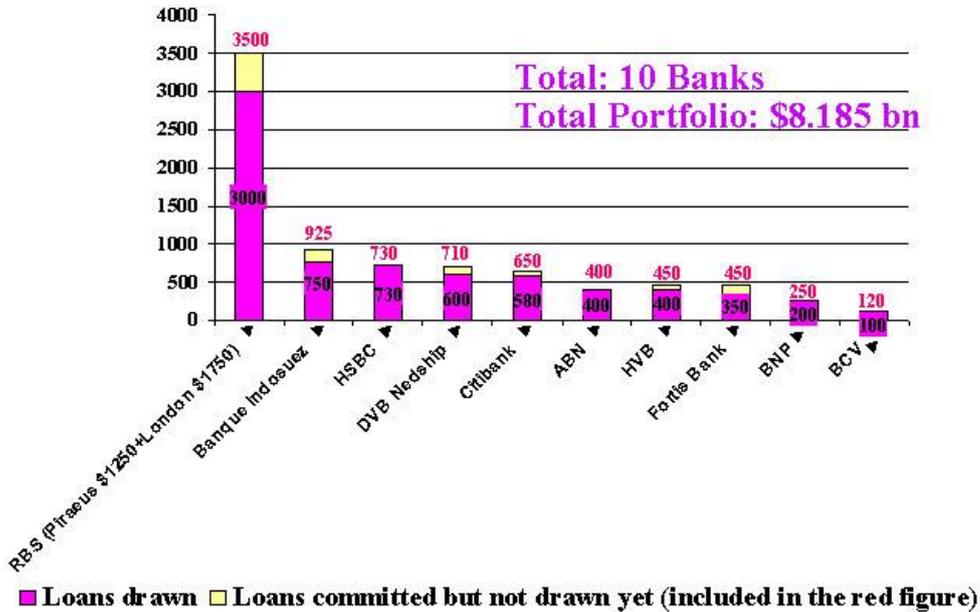
Firstly, we have made a distinction between loan outstandings per bank on the one hand and committed but undrawn loans on the other. This information is important in identifying the overall Greek shipfinance risk for each bank and the sector as a whole, especially in a period when Greek owners have developed a pronounced shipbuilding activity.

Secondly, for a long time, some banks such as Citibank, ABN and others have commanded a larger presence than their own loan portfolios would justify as a result of their lead manager activities in syndications and club deals. For the first time, Petrofin Bank Research © addresses this important area of Greek shipfinance by providing information as to each bank's lead manager activities and 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 which are increasingly done on a club basis.

In **Table A** you will observe that there are 10 non-Greek banks with a physical presence.

Table A

Bank Portfolios available to Greek shipping in millions of US\$
A. FOREIGN BANKS WITH A GREEK PRESENCE - January 2003



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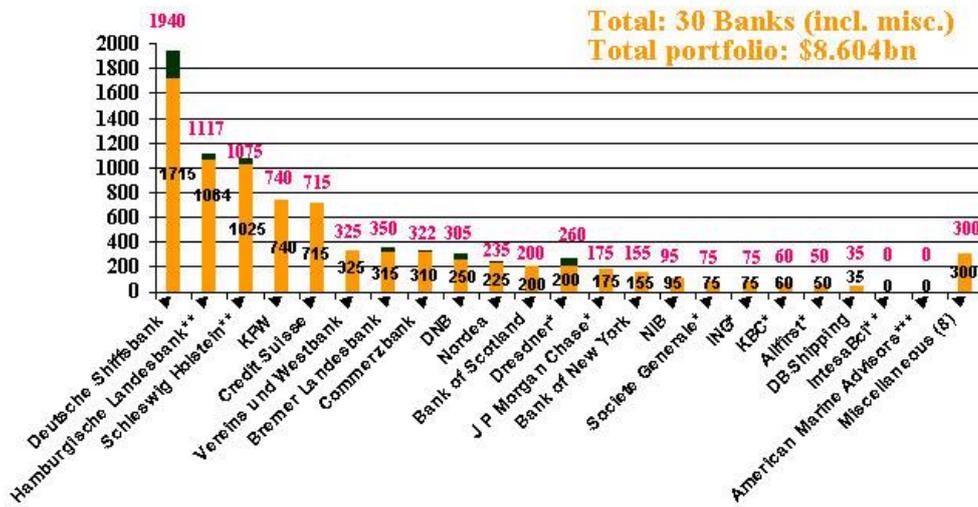
This represents a reduced number from the 11 last year due to the departure from the category of Chase which closed their Greek offices.

Despite the fall in the number of banks, the total Greek shipping (drawn and committed) loan portfolios of this sub-sector of the Greek shipfinance market rose from **7.05bn** last year to **8.185bn** this year, indicative of the underlying fact that existing banks have continued to expand their interest in Greek shipfinance.

In **Table B** you can see that there are **30 banks** engaged in Greek shipfinance without a physical presence as opposed to **20 banks** last year. We wish to draw attention to the effective withdrawal of KBC as part of the bank's decision to wind down its shipping portfolio, the departure of Viking, the reduction in shiplending by Bank of New York and the entry to Greek shipfinance by Dresdner bank. In addition, a number of banks have been added with a limited but promising exposure into the Greek market.

Table B

Bank Portfolios available to Greek shipping in millions of US\$
B. FOREIGN BANKS WITHOUT A GREEK PRESENCE - January 2003



■ Loans drawn ■ Loan committed but not drawn yet (included in the red figure)

- * Based on market estimates
- ** Hamburgische and Schleswig have merged but results will be shown next year
- IntesaBci is interested in entering the Greek shipfinance market
- *** Investment Bankers only

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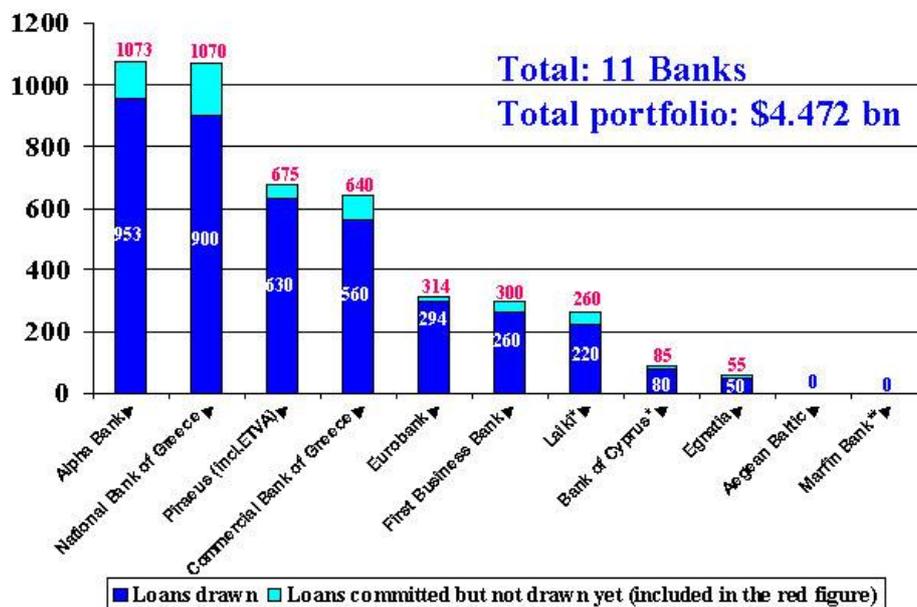
Overall, the total loan portfolio (drawn and committed) in this sub-category rose from **\$6.165bn** last year to **\$8.604bn** as of January 2003.

It is self evident that banks that have not made the commitment of a Greek presence are capable of entering and / or withdrawing from the market more easily. Nevertheless, the main providers are still there to be seen and their interest in Greek shipping is growing as evidenced by their higher loan figures.

In **Table C**, we present the Greek banks whose total has risen from 9 to 11. The additions are Aegean Baltic and, as investment bankers only, Marfin Bank. What is of more importance is the substantially increased shipfinance presence by Greek banks up from **\$3.31bn** last year to **\$4.472bn** this year. Noteworthy examples are Commercial Bank of Greece, Alpha Bank, Piraeus Bank and Laiki who have all significantly expanded their loan portfolios.

Table C

Bank Portfolios available to Greek shipping in millions of US\$
C. GREEK BANKS - January 2003



* BoC and Laiiki are incorporated in the Greek category. BoC's shipping loans are secured by non-shipping assets
 ** Investment bankers only

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Summarizing, therefore, we present in Table 1 the comparative statistics for the Greek shipfinance market.

Table 1

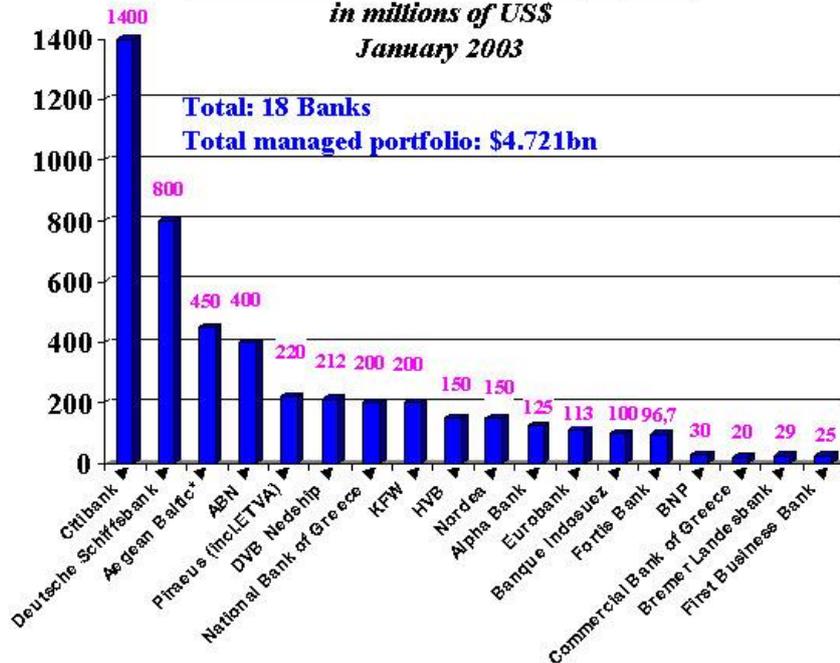
	December 2001	January 2003	+ / -	Loan portfolios		% Increase
	No of banks			December 2001	January 2003	
Category A banks	11	10	-1	7.050bn	8.185bn	16.1%
Category B banks	20	30	+10	6.165bn	8.604bn	39.6%
Category C banks	9	11	+2	3.310bn	4.472bn	35.1%
Totals	40	51	+11	\$16.525bn	\$21.261bn	28.66%

We wish to point out that the Category C (Greek banks) percentage contribution has risen from **\$2.175bn** in 2000 to **\$3.310bn**, i.e. **an increase of +52.18%** by the end of 2001 and **+35.1%** by January 2003. Discussing the above trend shown with the Greek banks we conclude that the Greek bank increases from hereon onwards are expected to grow in line rather than ahead of the market average. Any higher growth will depend on the increasing role and presence of the 'new' banks in the sector.

We shall now turn to the lead manager activities for each bank which is presented for the first 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\$
January 2003



* AB are managing mainly Schleswig Holstein's loans

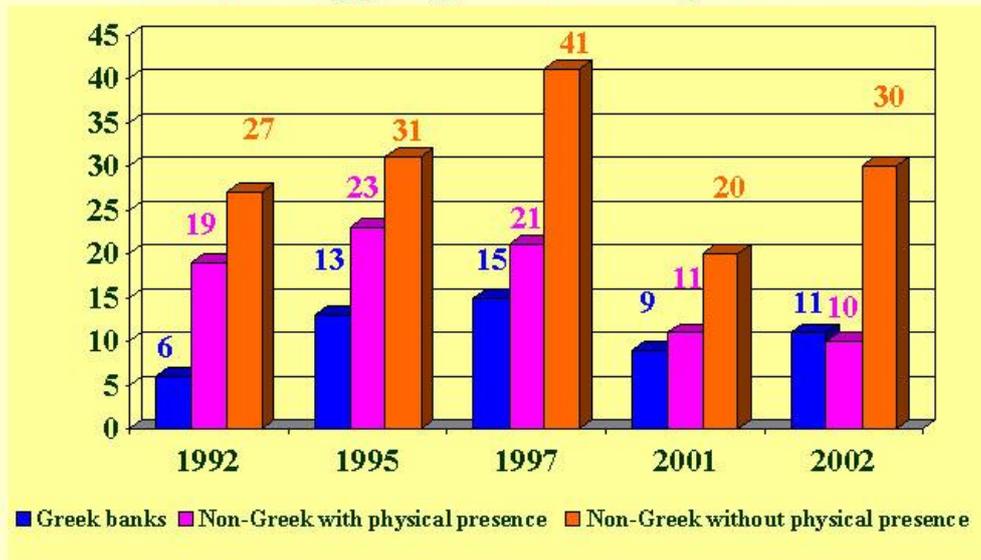
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The total loans controlled by lead managing banks for January 2003 is **\$4.721bn**. There are loans contributed by banks *other than the lead managers*. In cases where there is more than one lead manager, the syndicate / club amounts involved are split accordingly.

Of the total of **51 banks** (Table E) involved in Greek shipfinance, **18** have developed a lead manager position. Clearly, the market leader in the table is Citibank followed by Deutsche Schiffsbank, Aegean Baltic and ABN although it is interesting that this activity is being also pursued by the National Bank of Greece, Alpha, Piraeus Bank, Eurobank, DVB Nedship and HVB. 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 – January 2003



Banks financing Greek shipping

January 2003

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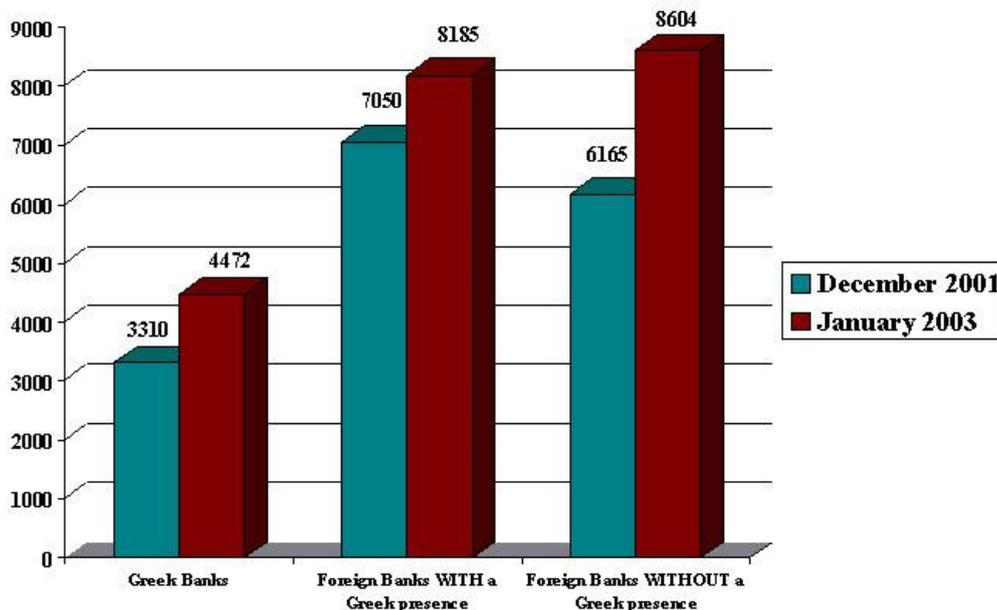
To summarize, therefore, lending to Greek shipping entities by Greek and non-Greek banks has grown from \$16.525bn in 2001 and \$21.261bn in January 2003 (Table F).

Table F

Total of Bank Portfolios available to Greek shipping in millions of US\$ January 2003



Total: US\$ 21.261bn



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This growth in lending volume is in contradiction to the consolidation that has taken place in the banking industry over the last 5-10 years and demonstrates that the surviving banks regard Greek shiplending as a core activity within their overall shipfinance lending policy. The growth in Greek shipfinance has taken place over a period, which the shipping market has been in recession, which renders it even more important. Banks and shipowners are in the process of assessing and repositioning themselves in anticipation of the BASEL II agreement. Although it will not directly affect banks until 2006, the adjustment process has already begun in earnest with credit assessment ratings and spread / fees adjustments already reflecting the BASEL II requirements.

Thus far, Greek shipowners have reluctantly accepted the increase in spreads in anticipation of BASEL II, a decision made easier by the low prevailing interest rates.

A combination of higher loan yields and a recovery in the world economy, international trade and the shipping industry will act as powerful incentive for further loan volume growth for Greek shipfinance as well as a magnet for additional banks (especially European) entering the Greek shipfinance market.