



Petrofin S.A.

October 2003

Petrofin Bank Research ©

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

By Ted Petropoulos, MD, Petrofin S.A.

Greek Shipping has continued to attract the interest of the international banking community, as supported by the latest **Petrofin Bank Research ©** which examines the latest Greek portfolio figures obtained by banks

as of 30th June 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© continues to be widely used and trusted 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.

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 as well as 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 justify as a result of their lead manager activities in syndications and club deals. This important area of Greek shipfinance by providing information as to each bank's lead manager activities 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.



Foreign Banks WITH a Greek presence

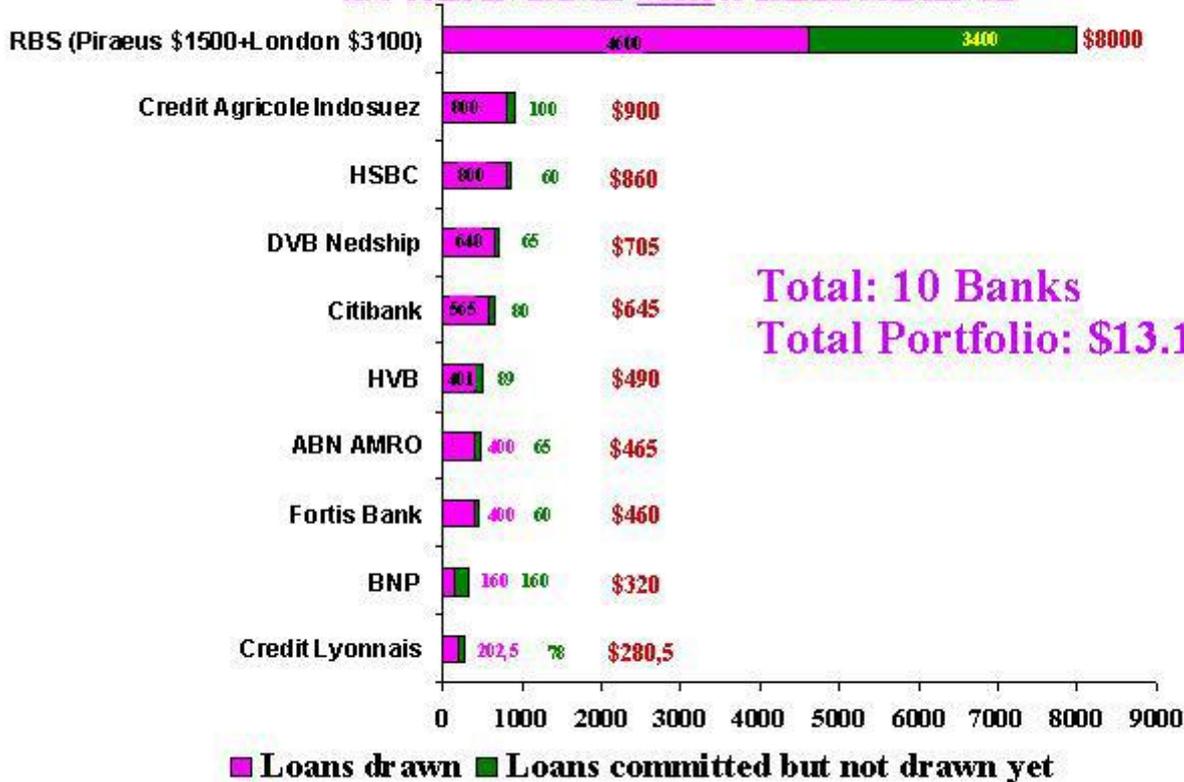
Table A shows that the number of non-Greek banks with a physical presence (10) is the same as of January 2003

Table A

Bank Portfolios available to Greek shipping in millions of US\$ as of 30th June 2003



A. FOREIGN BANKS WITH A GREEK PRESENCE



Bank totals in red

October 2003

Petrofin Bank Research ©

The number has remained the same as with our figures of January 2003. We have, however, added Credit Lyonnais whereas Banque Cantonale Vaudoise has been included in the miscellaneous section, with a 'winding-down' portfolio, as the bank has withdrawn from shipping activities. 'Winding-down' portfolios are still included in the miscellaneous section so as to have a more accurate snapshot of Greek shipfinance as of 30th June 2003.

The total Greek shipping (drawn and committed) loan portfolios of this sub-sector of the Greek shipfinance market rose from \$8.185bn as of end of last year to **\$13.125** this year. It is the sector that showed the most impressive growth, but it should be noted that this is mainly due to Royal Bank of Scotland's of first time inclusion of its **worldwide** Greek figures (including New York and others).

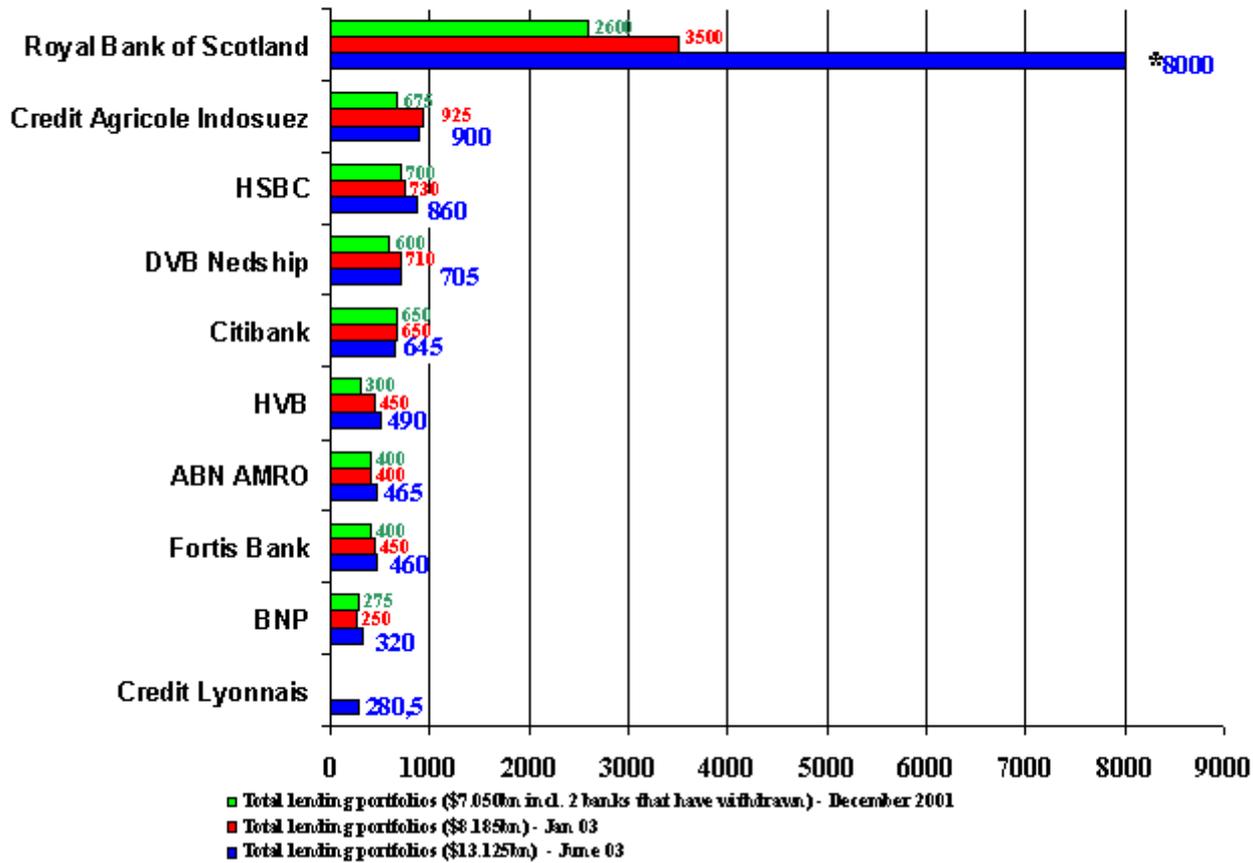
This increase pulls the whole sector above the Foreign Banks WITHOUT a Greek presence and renders it the leading sub-category of the market.



The other banks of the sector show in their majority an increase in their portfolios within the elapsed 6 months since January 2003 ranging between \$10-130m (see **Table A1**).

Table A1

Comparison between December 2001, January 2003 and June 2003
in millions of US\$
A1. FOREIGN BANKS WITH A GREEK PRESENCE





Foreign Banks WITHOUT a Greek presence

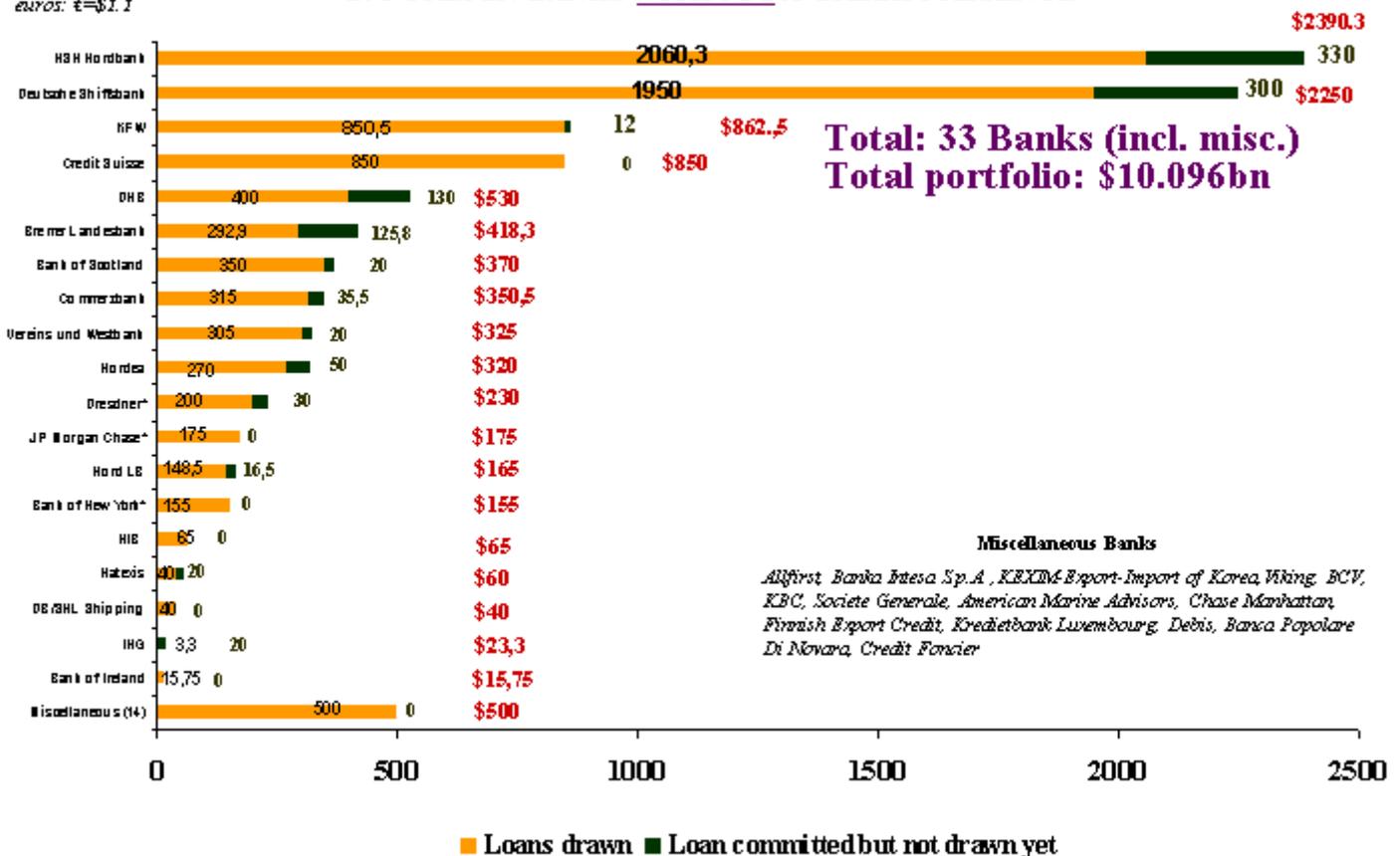
In **Table B** we observe that the sector shows an increase of 3 banks and their total portfolios are up from **\$8.604bn** in January 2003 to **\$10.096bn** as of June 2003. Nord LB, Natexis and Bank of Ireland are the new banks included in the research.

Table B

**Bank Portfolios available to Greek shipping in millions of US\$
as of 30th June**

Where figures were supplied in euros: €=\$1.1

B. FOREIGN BANKS WITHOUT A GREEK PRESENCE



* Based on market estimates

Bank totals in red

October 2003

Petrofin Bank Research ©

In the miscellaneous sector we have included 14 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 on market estimates.

Interest in Greek shipping is growing as evidenced by their higher loan figures.

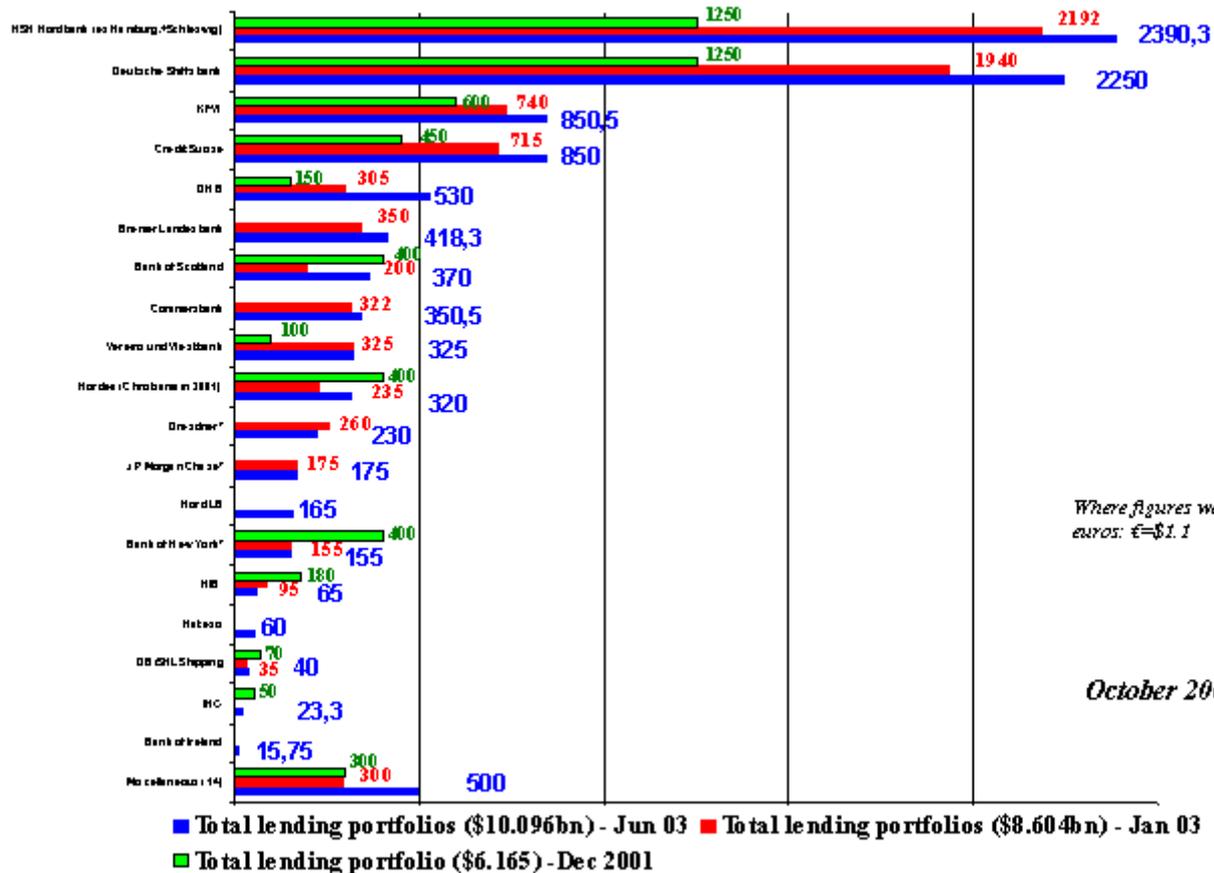
A comparison with 2001 and January 2003 is cited on **Table B1**.



Table B1

*Comparison between December 2001, January 2003 and June 2003
in millions of US\$*

B1. FOREIGN BANKS WITHOUT A GREEK PRESENCE



* Based on market estimates

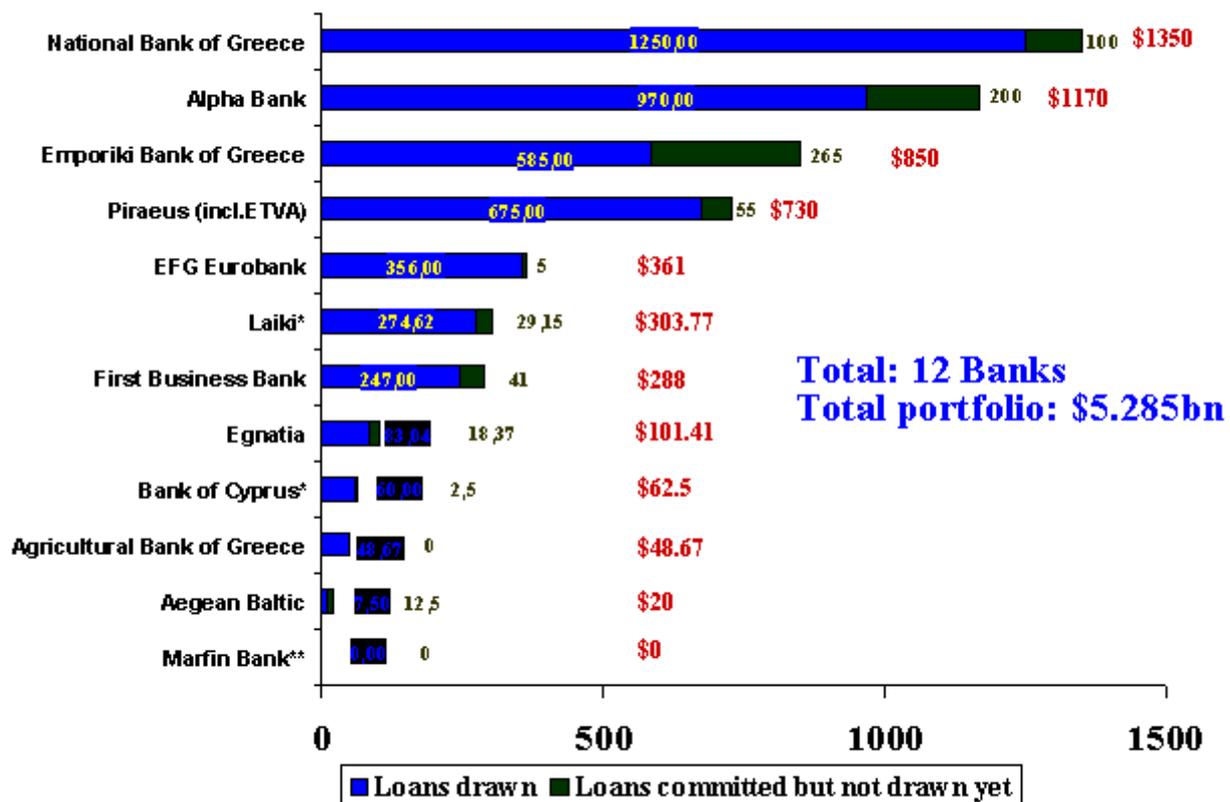


Greek Banks

In **Table C**, we present the Greek banks whose total has risen from 11 to 12. The addition is the Agricultural Bank of Greece, which is involved in shipfinance through participation in syndication loans.

Table C

*Bank Portfolios available to Greek shipping in millions of US\$
as of 30th June 2003*
C. GREEK BANKS -



*Bank of Cyprus and Laiki are incorporated in the Greek category.
Bank of Cyprus' shipping loans are secured by non-shipping assets
** Investment bankers only

Bank totals in red

October 2003

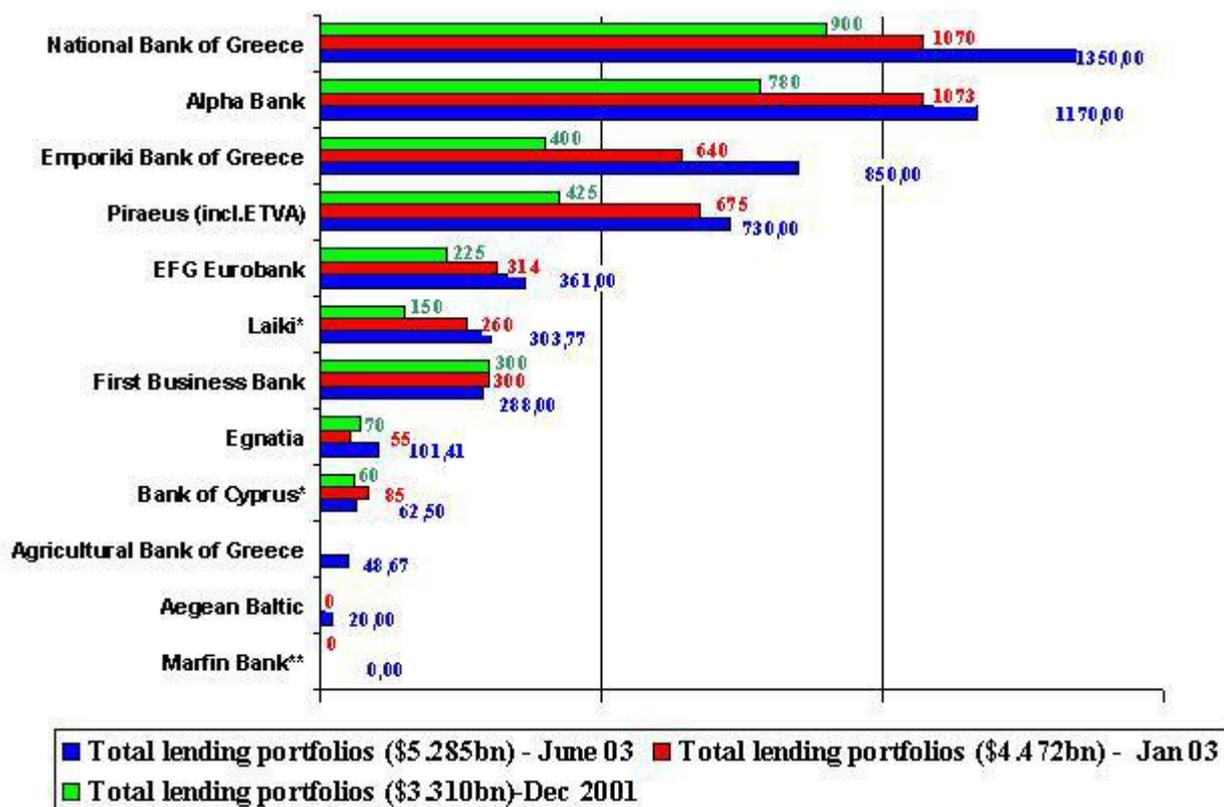
Petrofin Bank Research ©



What is of more importance is the substantially increased shipfinance presence by Greek banks within the last 6 months up from **\$4.472bn** in January 2003 to **\$5.285bn** as of June 2003. Noteworthy is the fact that this period's leader is the National Bank of Greece with a portfolio up from \$1.070bn in January 2003 to \$1.350bn whereas Alpha bank, although it shows an increase from \$1.073bn to \$1.170 is now in the second position (see **Table C1**). It should be noted that the NBG's figures include both their activities in London as well as Piraeus.

Table C1

*Comparison between December 2001, January 2003 and June 2003
in millions of US\$
C1. GREEK BANKS*



*Bank of Cyprus and Laiki are incorporated in the Greek category.
 Bank of Cyprus' shipping loans are secured by non-shipping assets
 ** Investment bankers only

October 2003

Petrofin Bank Research ©

The Emporiki Bank of Greece (ex Commercial) is also showing significant increase from \$640m to \$850m within these 6 months (see **Table C1**). Although Piraeus is higher than Emporiki in drawn loans, the committed but undrawn of the Emporiki are significantly higher than Piraeus. It shows, therefore, in our graph as the third bank, as banks are categorised by the height of their TOTAL lending commitments. The remaining banks are ALL showing increases in their portfolios.



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

Table 1

| | December 2001 | January 2003 | June 2003 | Greek loan portfolios | | | % of contribution | % Increase of loan portfolios between Jan. '03 & June '03 |
|------------------|---------------|--------------|-----------|-----------------------|-------------------|-------------------|-------------------|---|
| | No of banks | | + / - | December 2001 | January 2003 | June 2003 | | |
| Category A banks | 11 | 10 | 10 | 7.050bn | 8.185bn | 13.125bn | 46% | 60.35% |
| Category B banks | 20 | 30 | 33 | 6.165bn | 8.604bn | 10.096bn | 35.5% | 17.34% |
| Category C banks | 9 | 11 | 12 | 3.310bn | 4.472bn | 5.285bn | 18.5% | 18.2% |
| <i>Totals</i> | <i>40</i> | <i>51</i> | <i>55</i> | <i>\$16.525bn</i> | <i>\$21.261bn</i> | <i>\$28.506bn</i> | <i>100%</i> | <i>34%</i> |

We wish to point out again that Category A banks show such a marked increase (60.35%) due to the fact that the Royal Bank of Scotland supplied their **worldwide** figures of Greek shipfinance (those including New York etc. based Greeks).

Category C (Greek banks) percentage contribution has risen from **\$4.472bn** in January 2003 to **\$5.285bn as of June 2003**, i.e. **an increase of 17.34%**. As we discussed in our analysis of January 2003, the above trend shown with the Greek banks did indeed increase in line rather than ahead of the market average. Any higher growth will still depend on the increasing role and presence of the 'new' banks in the sector.

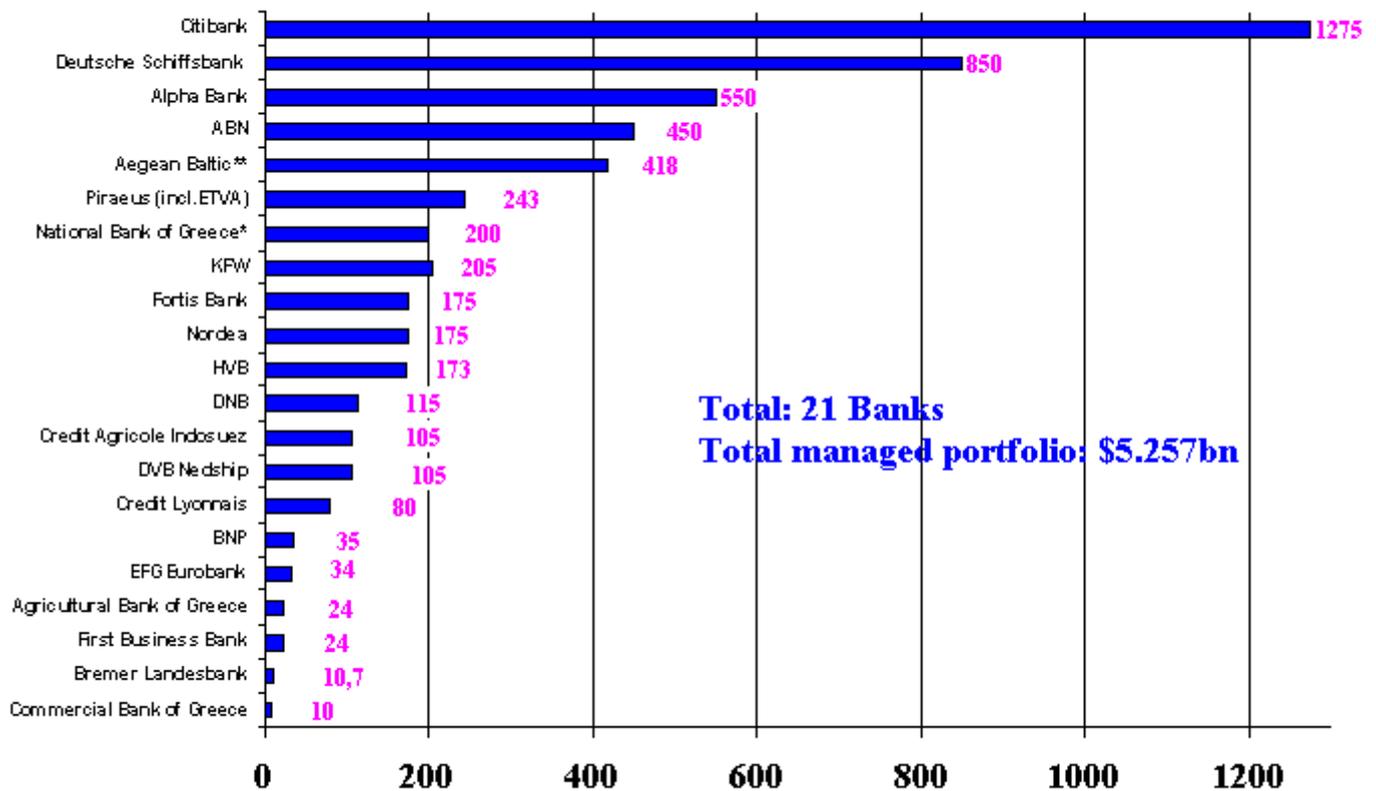


We shall now turn to the lead manager activities for each bank which is presented for the second time internationally by **Petrofin Bank Research** © in **Table D**.

Table D

Where figures were supplied in euros: €=\$1.1

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 June 2003



September 2003

Petrofin Bank Research ©

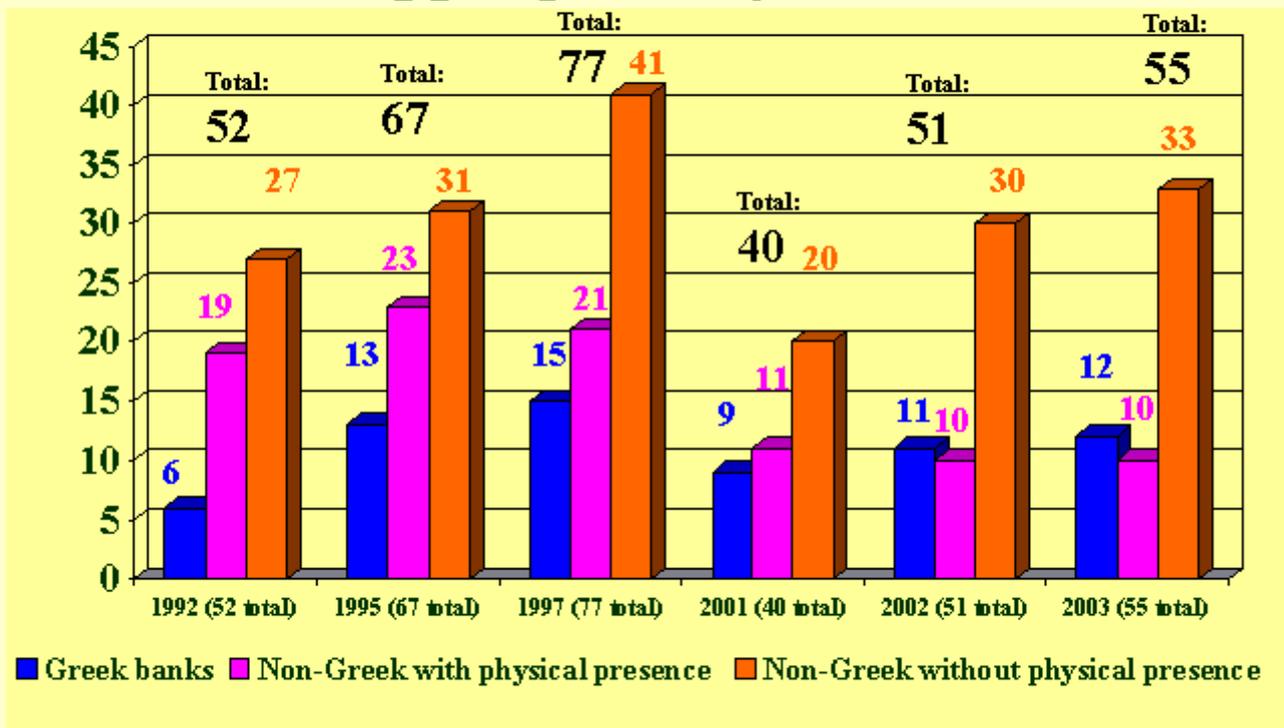
The total loans controlled by lead managing banks for January 2003 is **\$5.257bn**. These are loans contributed by banks **other than the lead managers**. In cases where there is more than one lead manager, the syndicate / club amounts involved are split accordingly.



Of the total of **55 banks** (Table E) involved in Greek shipfinance, **21** have developed 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 June 2003



Banks financing Greek shipping

October 2003

Petrofin Bank Research ©

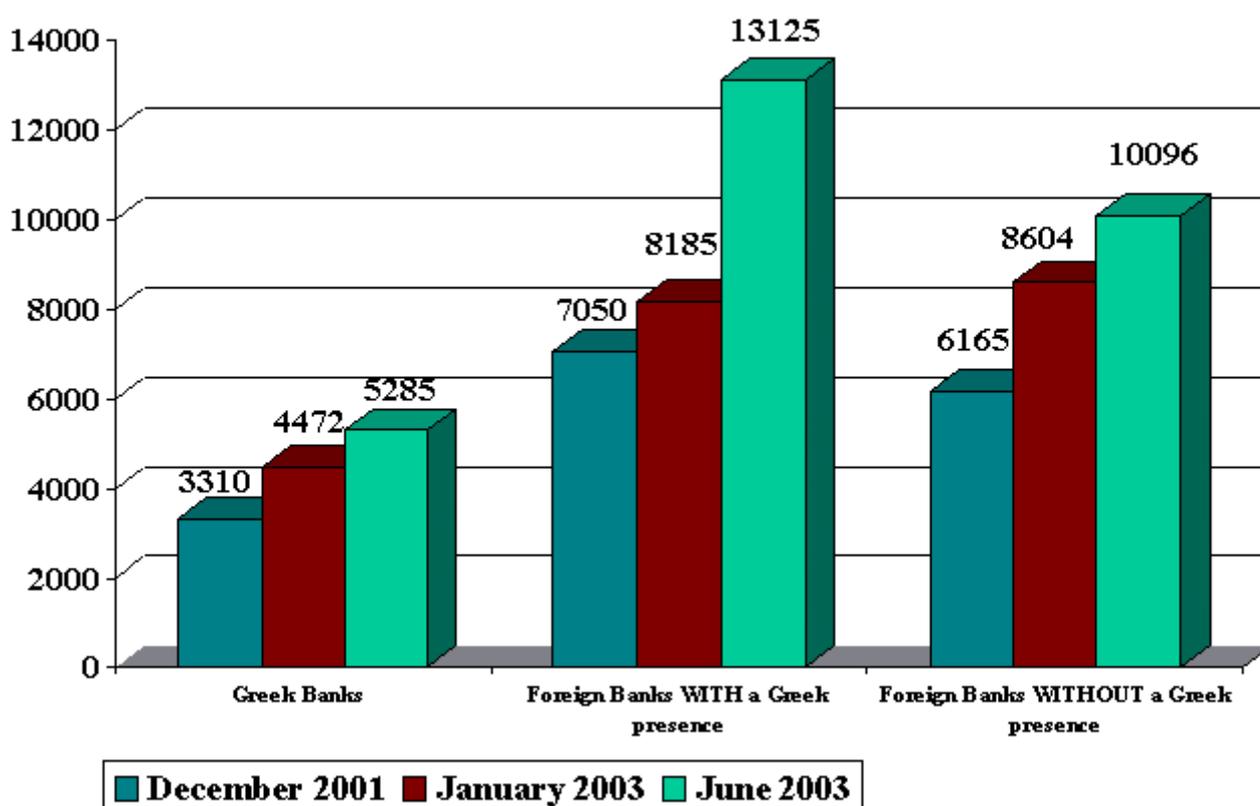


To summarize, therefore, lending to Greek shipping entities by Greek and non-Greek banks has grown from \$16.525bn in 2001 and \$21.261bn in January 2003 to \$28.506bn as of end June 2003 (Table F).

Table F

*Total of Bank Portfolios available to Greek shipping in millions of US\$
as of June 2003*

Total: US\$ 28.506bn



October 2003

Petrofin Bank Research ©



Conclusion

Interest in Greek shipfinance continues to grow in leaps and bounds. The reasons for such growth lie both in the increased demand for loans by Greek owners who continue to invest massively in newbuildings and modern tonnage, as well as in the willingness of banks to lend to Greek owners who represent an attractive risk / reward mix.

The good credit performance of Greek owners and the robust performance and prospects of Greek shipping have whetted the appetite of new lenders and encouraged existing lenders to increase their lending budgets.

The shipping market may have strengthened banks' credit portfolios both in terms of security values and cashflows / liquidity, but has also begun to cause anxiety to seasoned bankers as to their lending percentages on new loans.

Nevertheless, competition for the good names continues unabated and, surprisingly despite the prospects of Basel II, lending spreads have fallen slightly in the 2003.

As the newbuilding orderbook continues to grow in the light of strong demand expectations, the Greek shipfinance totals are expected to continue to show strong growth and will no doubt top \$30bn by year end.

The number of banks lending to Greek shipowners has continued to grow despite the continuing trend of consolidation via mergers and takeovers.

Interest in Greek shipping has begun to also be shown by Far East lenders, notably Korean and Chinese banks who tie up newbuilding orders with finance. As such, the number of Greek shipfinancing banks is also expected to continue to grow over the next years.