



*27<sup>th</sup> September 2011*

*2<sup>ο</sup> Ναυτιλιακό συνέδριο*

**ΕΕΔΕ – ΕΙΟΔ – ΕΛΛΗΝΟΒΡΕΤΑΝΙΚΟ ΕΠΙΜΕΛΗΤΗΡΙΟ**

**Trends and Prospects for International and Greek ship finance**  
*presented by*

***Ted Petropoulos***

**HEAD**

***PETROFIN RESEARCH***



# Ship finance

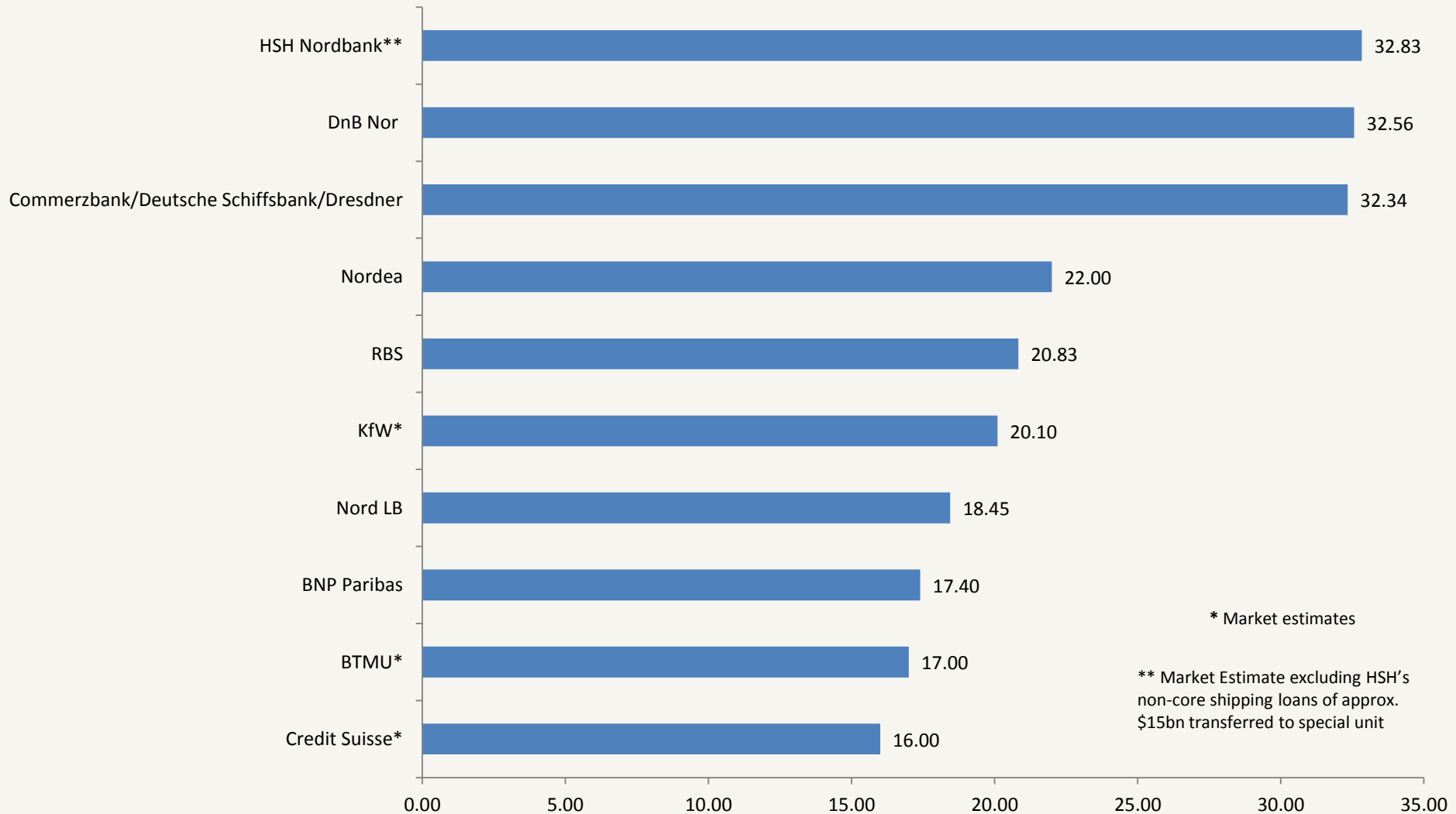


# Top 10 Ship financing banks

Their total portfolio: \$229.51bn

Top 10 banks' percentage of global portfolio: 50.8% (data as of May 2011)

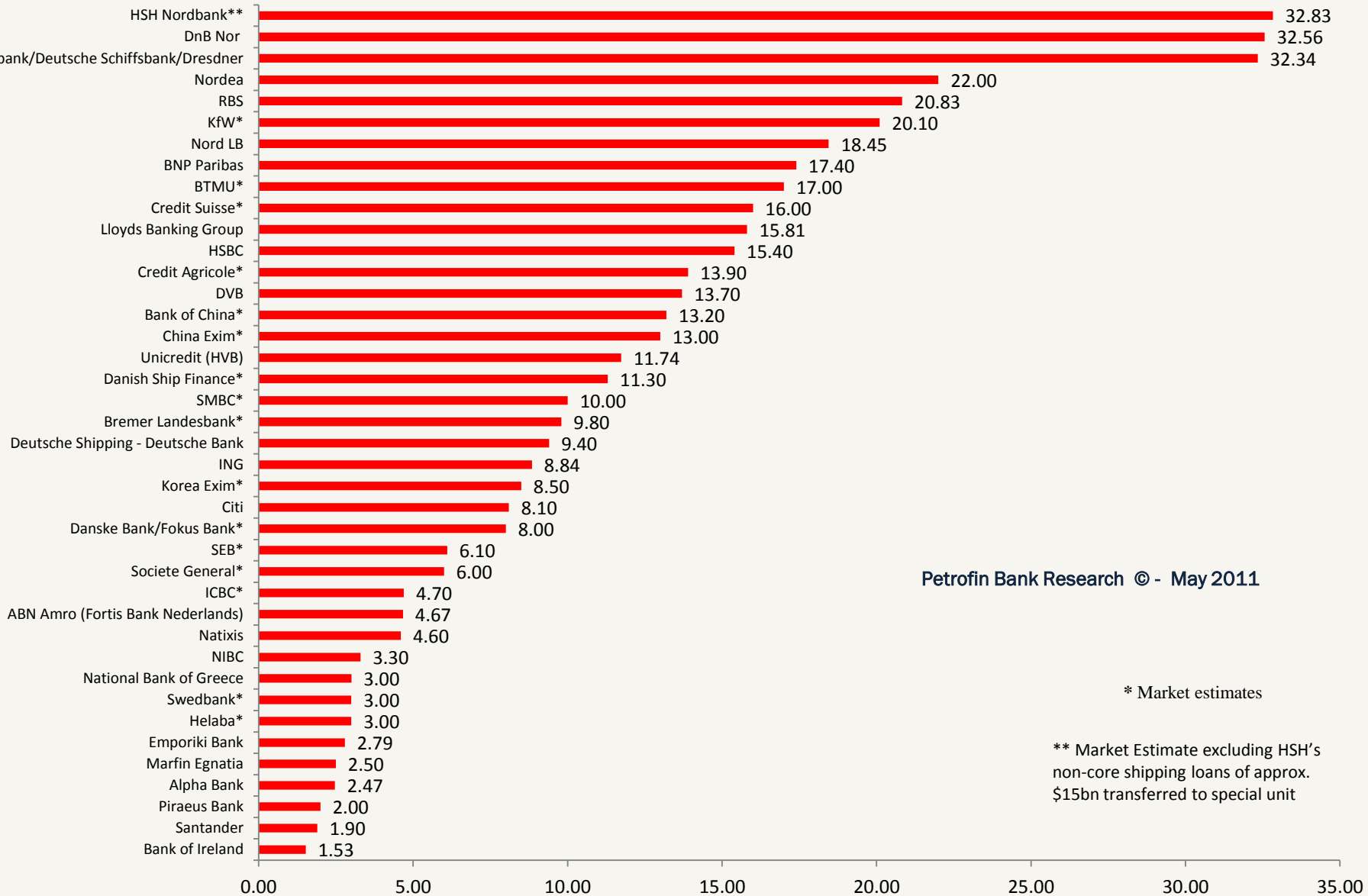
## Top 10 Ship finance banks



# International Bank Lending to Shipping – Top 40 banks

Global Ship finance as of January 2011 – research undertaken May 2011 - in US\$bn

Total loans of leading 40 ship finance banks approximately \$452bn.

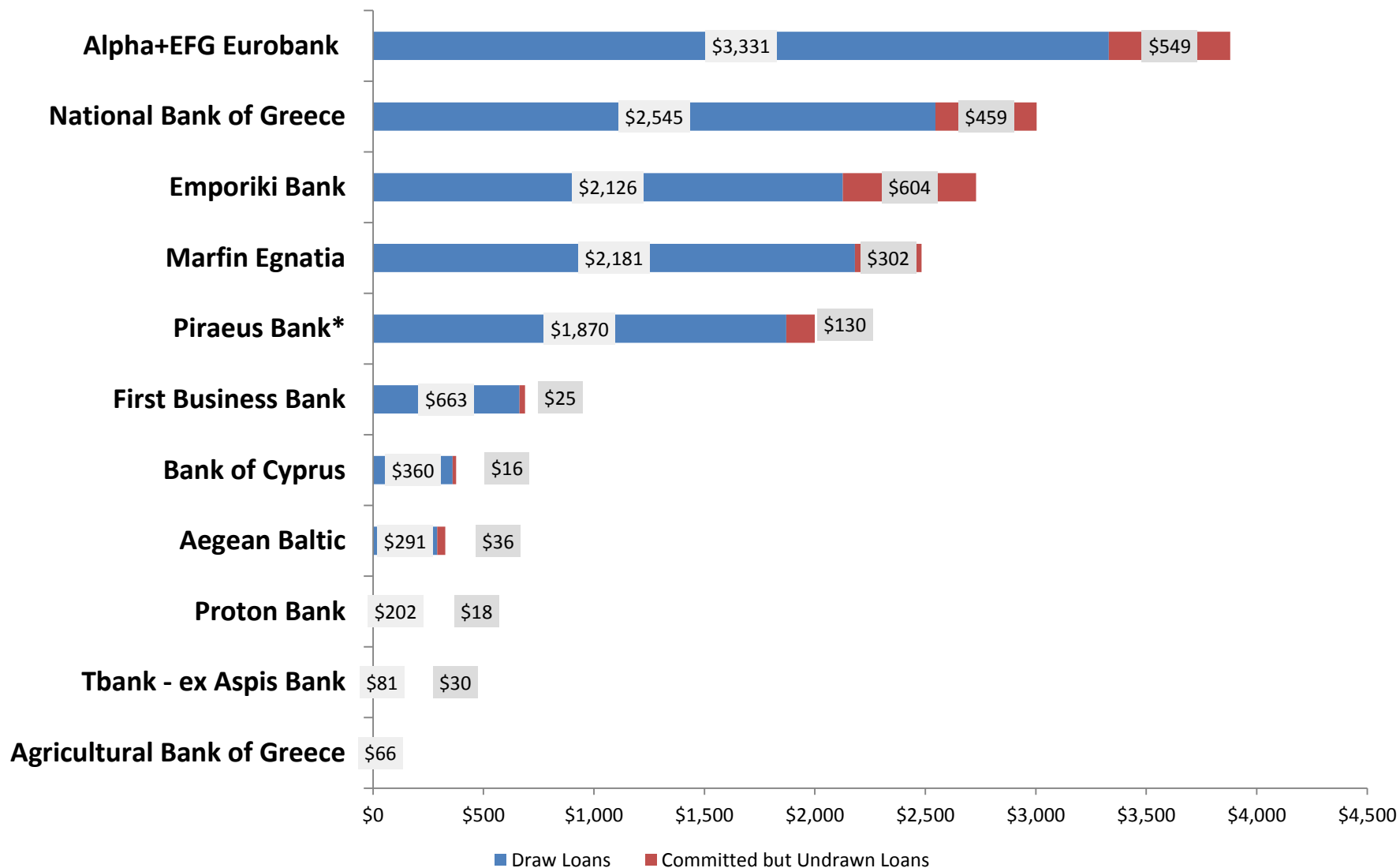


Petrofin Bank Research © - May 2011

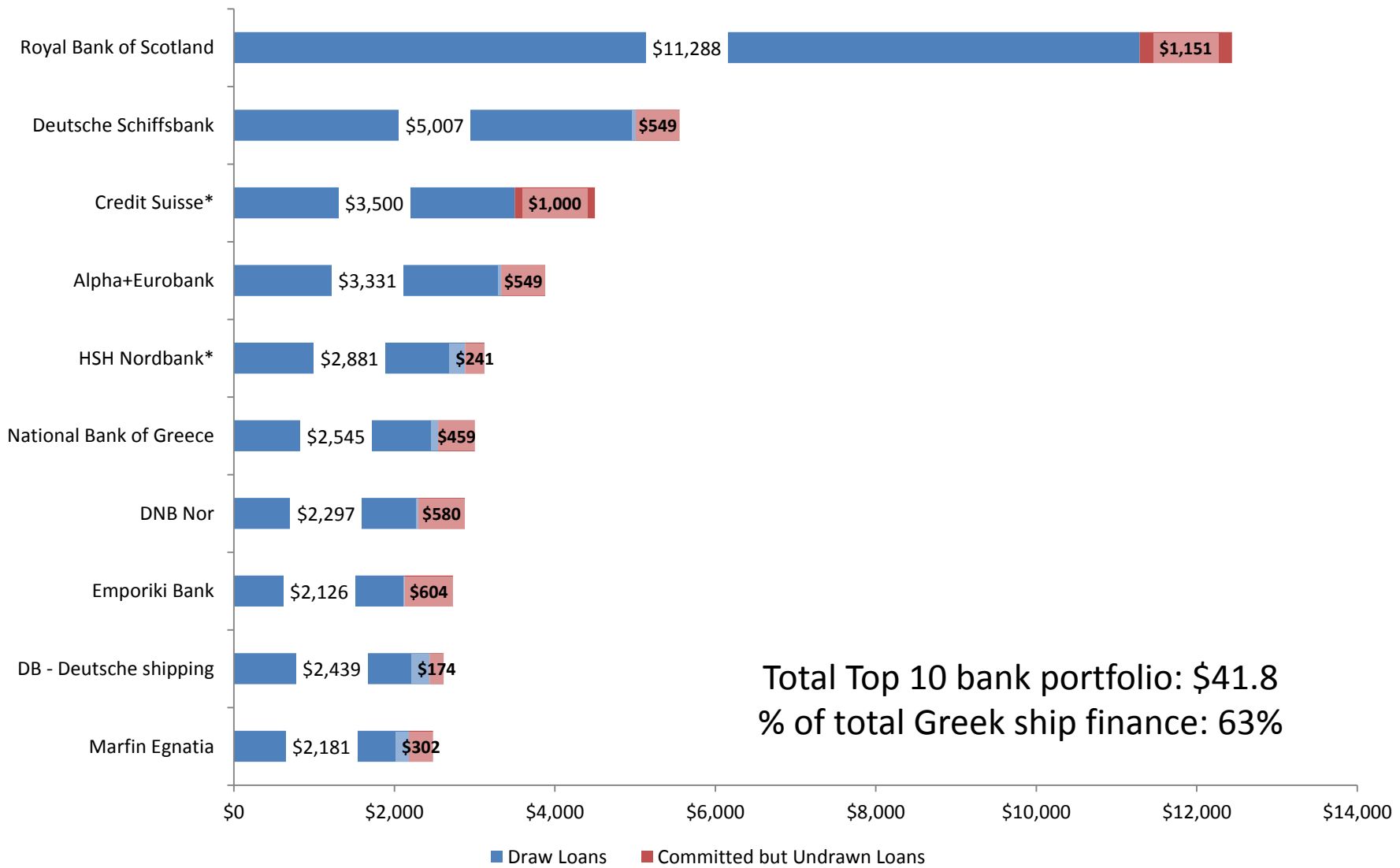
\* Market estimates

\*\* Market Estimate excluding HSH's non-core shipping loans of approx. \$15bn transferred to special unit

# New hierarchy in Greek banks – portfolios as of end 2010



# Top 10 banks after merger of Alpha and EFG Eurobank – portfolios as of end 2010





# Trends and expectations for Greek ship finance for 2011 and 2012



## Ship finance has been adversely affected by

- 1) Reasons related to shipping
- 2) Reasons unrelated to shipping



# Reasons



## Shipping related reasons:

- a) Dire Greek situation via its effect on Greek banks
- b) Market surpluses
- c) Over ordering and forecasts of even larger surpluses
- d) Low vessel values – breaches of covenants resulting in loan restructures with higher spreads
- e) Insufficient cashflows to secure both debt repayments and operational requirements
- f) Existing bank portfolios: weakening
- g) Increased provisions and loan recovery situations
- h) Immediate outlook for shipping recovery: poor
- i) Bleak shipping capital market prospects
- j) Low market values of shipping quoted companies

# Reasons



## Non - Shipping related reasons:

- a) Slowdown in global economic growth – last IMF estimates 4.1% for 2012. However, still 9.6% growth for China.
- b) Due to market inefficiencies (slow steaming, long GOA passages, congestion, etc) higher international trade growth expected in the region of 6-7% in 2012.
- c) Increasing market and consumer uncertainty undermining confidence and growth
- d) Build up of enormous state and central banks deficits / exposures causing concerns
- e) Deepening banking and liquidity crisis
- f) Particular problems for key ship lending banks
- g) F/x wars: a possibility

# Reasons



## Non - Shipping related reasons (cont.):

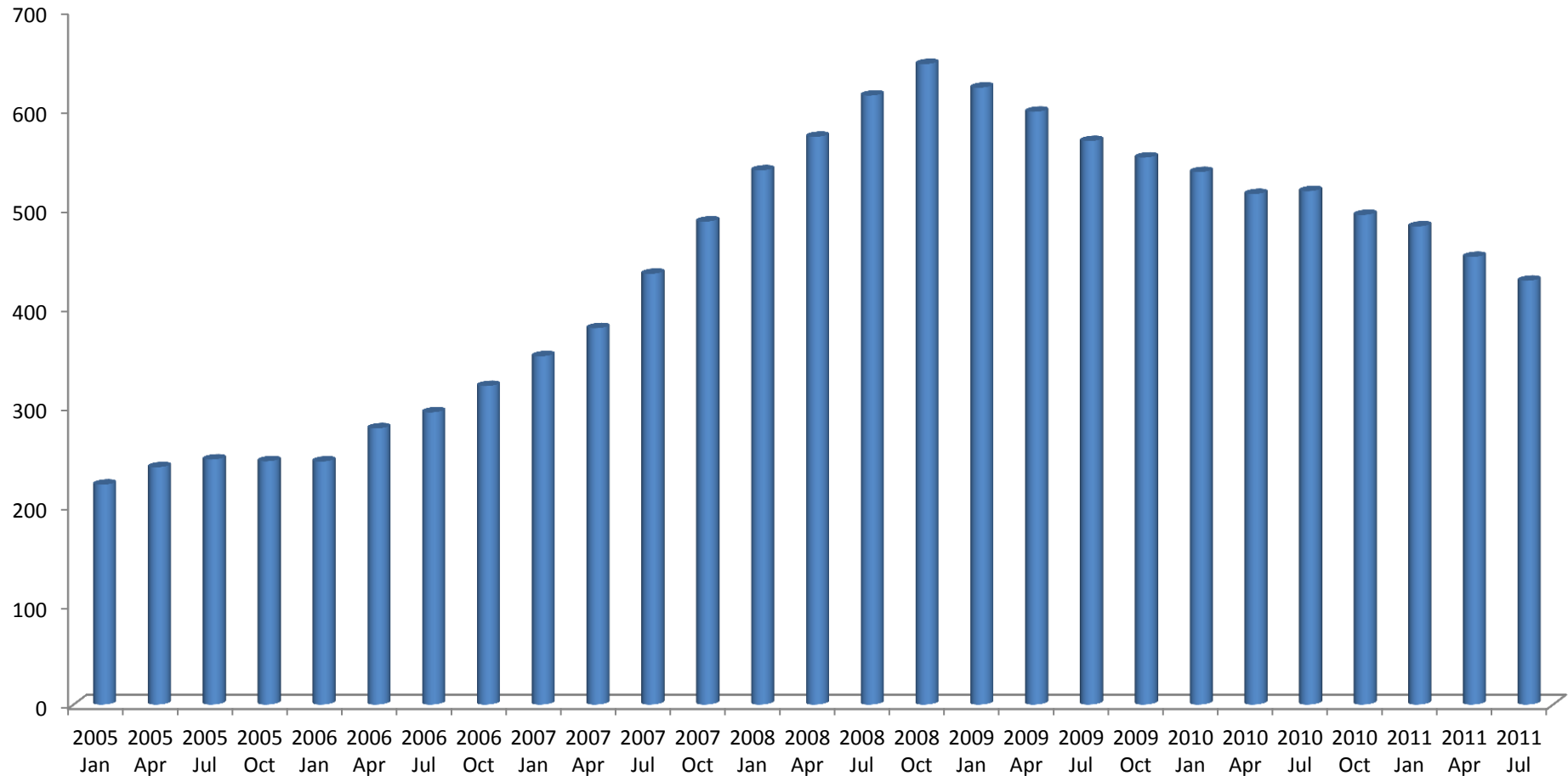
- h) Flight to safety continues
- i) Deleveraging process continues
- j) Investor risk/appetite weakening
- k) Increasing bank capital adequacy requirements
- l) Western global banks not growing
- m) Poor capital markets – lack of IPOs



However,

1. World n/b orders are slowing down.

Orderbook since 2005 - Quarterly breakdown since 2005



Data: Clarksons World Fleet Register



**However,**

## 2. Limited slowdown in n/b deliveries

Data from Clarksons World Fleet Register

### World fleet deliveries – in mDWT

Increase – Decrease  
%

First 8 months - 2009	<b>79.26</b>	
First 8 months - 2010	<b>105.2</b>	<b>32.73%</b>
First 8 months - 2011	<b>102.8</b>	<b>-2.28%</b>

## 3. Increase rate of scrapping figures:

Data from Clarksons World Fleet Register

### World Fleet Demolitions - in mDWT

Increase – Decrease  
%

First 8 months - 2009	<b>22.29</b>	
First 8 months - 2010	<b>19.45</b>	<b>-12.74%</b>
First 8 months - 2011	<b>28.6</b>	<b>47.04%</b>



## However,

4. Many Greek owners still liquid and committed to growth
5. Quality clients still able to obtain finance
6. Bargain hunters still keep vessel values from collapsing
7. Bank foreclosures increasing but still represent a tiny % of shipping loan portfolios



## However,

8. Greek owners scrutinizing costs, reducing exposure
9. Low US\$ interest rates an enormous help
10. Greek shipping has a younger and higher quality profile
11. Banks too weak to absorb losses; hence, persistent and controlled pressure
12. Greek ability to survive
13. Increasing interest by Far Eastern lenders
14. Current loan yields are at record highs
15. Current loan terms are very stringent
16. Opportunity for active ship lending banks to build up profitable and high quality loan portfolios



## CONSEQUENCES

- Many deals do not get done – slowdown in S&P finance by 25%
- Those that do get done are either to first class owners or mainly  
CASH DEALS
  - Private capital at very high cost
- Quoted shipping companies' purchases are slowing down
  - Private Greek owners still looking to expand





## LATEST PETROFIN RESEARCH

# DRY BULK NET SUPPLY GROWTH – ESTIMATES FOR 2011/2012



# DRY BULK WORLD FLEET GROWTH ESTIMATES

	2010	2011	2012
Dry bulk Fleet at commencement of (in mDWT)	457.15*	534.23*	599.23 E
Newbuilding Fleet growth (mDWT)	78.3*	93 E	87 E
Scrapping	6.15*	28 E	30 E
Net fleet growth (in mDWT)	15.78%	12.17%	9.51%
Actual deliveries / orderbook	62.84%	68.40%	67.34%
SLIPPAGE	37.16%	31.60%	32.66%
* SSY data	<b>PETROFIN RESEARCH</b> <i>www.petrofin.gr</i>		
data: PETROFIN RESEARCH ©			

# Prospects



- Chinese ship finance but with a catch
  - Further mergers of banks with additional capital will help
- Strategic alliances between Greek banks and major international banks
  - Is there a silver lining in the cloud?
    - QE III under way will help to stabilize markets
    - Fleet increase for dry bulk is slowing down
  - Demand / supply imbalances are growing but at a slower rate
- Japanese and Korean shipyards have adjusted capacities but will Chinese yards do likewise?
- Cyclical analysis pointing to a recovery from 2013 onwards with a peak at / about 2015

