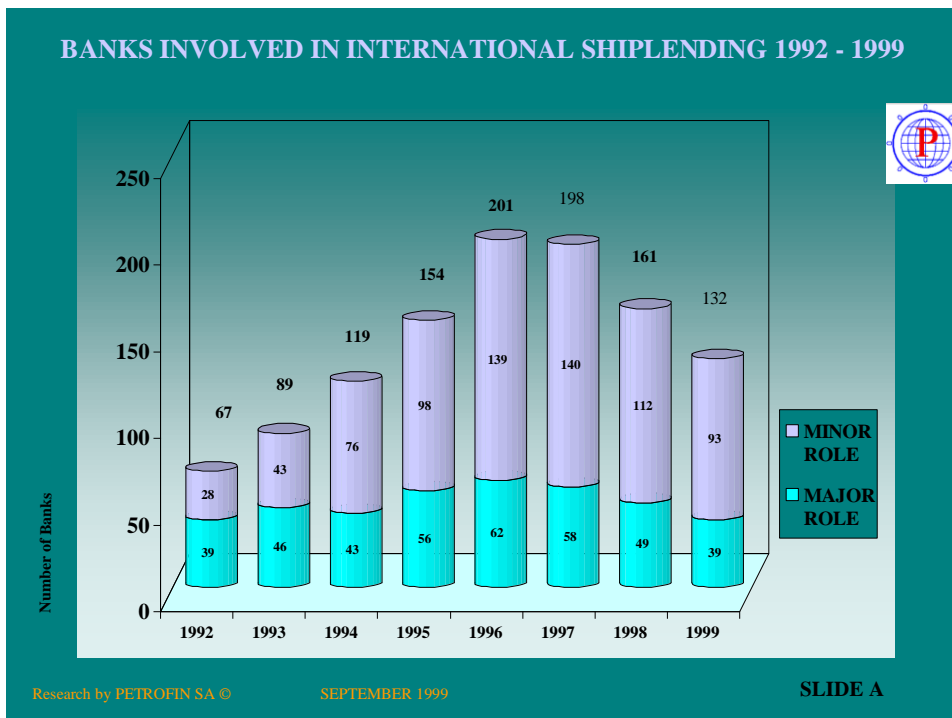


ANALYSIS OF BANKS INVOLVED IN INTERNATIONAL SHIPLENDING

Research by PETROFIN SA © SEPTEMBER 1999

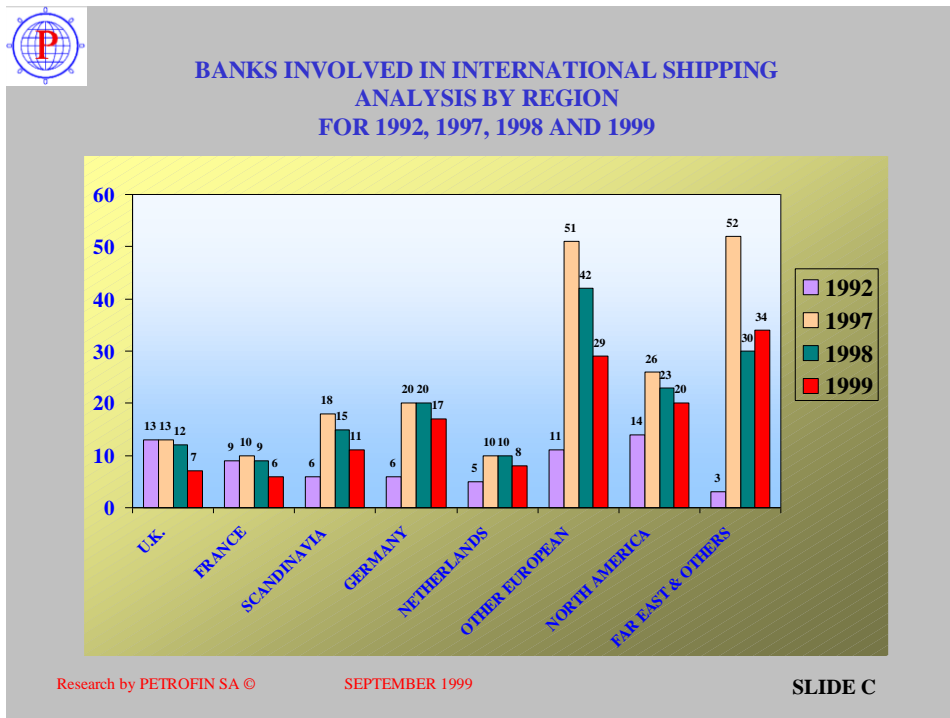
Commentary on 1999 Petrofin Shiplending Banks Research

1. The overall number of Shiplending Banks in late 1999 according to Petrofin Research has fallen from 161 in 1998 to 132 in 1999. This represents a significant reduction (Slide A).



2. Historically, the number of Banks may have risen from 67 in 1992 to a peak of 201 in 1996, but the current number of Banks has fallen to 1994/1995 levels.
3. The fall can be attributed to the following factors:
 - a) the pronounced shipping slump since 1997;
 - b) the poor risk/reward offered by shipping;
 - c) the record number of incidences of Bank consolidation in the Banking industry through mergers and acquisitions;
 - d) the greater emphasis shown by Banks to risk free products and services;
 - e) the heavy capital requirements of the shipping industry and the 100% equity risk weighing on shipping loans;
 - f) the relative attractiveness of other lending sectors that compete with shipping.
4. The number of active major shiplending Banks has fallen from 49 banks in 1998 to 39 banks in 1999. It is significant to note that the number of active shiplending banks has fallen back to the original 1992 numbers.
5. Banks that have a higher shiplending involvement as a percentage of their lending assets are being considered by the market as "higher risk" banks. As such, the emphasis has been to reduce each major shiplending bank's dependency on shiplending.
6. The number of active minor shiplending banks has also fallen from 112 banks in 1998 to 93 banks in 1999. The same factors apply for the above fall, including the relative unattractiveness of the shiplending sector over the past years, which has a) reduced the number of new entrants and b) encouraged the exit of a number of banks who had a low commitment to the industry in the first place.
7. More detailed analysis is shown in Slide B. It is interesting to note that the European subtotal consisting of all European Banks has fallen from 32 major banks in 1998 to 26 in 1999 and from 76 minor banks in 1998 to 52 in 1999. In total the numbers have fallen from 108 banks in 1998 to 78 in 1999.
8. This represents a major fall. Indeed it would seem that the Asian crisis had an initial major impact on the Far Eastern banks, which was later followed by the European banks as the shipping crisis intensified.
9. In Slide C you will observe the relative performance over the years by country / region. As you will see, Germany and Holland continue to provide the main providers of finance and their numbers have remained

largely the same. However, the UK continues to decline in importance followed by France and Scandinavia.



10. Interestingly enough, the effects of the Far East crisis seem to have abated, as the number of Far Eastern banks has actually risen from 30 in 1991 to 39 in 1999, still though significantly down from the 52 banks in 1997.
11. Within each subsector, it is noteworthy that Greek banks that had until 1995 shown little interest in International shiplending have increased their numbers, as well as their loan portfolios.
12. It is interesting to note that shiplending capacity has not declined by the same extent as indicated by the number of banks involved in shipping. The greater emphasis on quality and size as well as on the age of assets has resulted in a massive shift of interest towards newbuildings and higher lending limits for a smaller number of clients.
13. As a result of mergers and acquisitions, shipping departments may have been streamlined but shiplending capacity has not been necessarily lost.
14. Shipping banks have tended to promote their non-risk products and services. As such, shiplending is regarded as an essential prerequisite for the cross selling of other bank services.
15. The bank numbers shown are for commercial shiplending banks and do not cover the significant newfound interest in shipping by US and European investment banks. Their role in finding transactions is minor and short term and as such they do not add to shiplending capacity as

such. They are, however, significant in attracting long term funding to the industry and via the Capital markets.

WHAT OF THE FUTURE

The numbers of active shiplending banks have been on a roller coaster ride. On the whole though just like shipping itself is a cyclical industry so is shiplending.

As such, with the recovery of shipping now expected over the next couple of years, it is reasonable to expect that the number of shiplending banks will also grow.

Are there, however, any long term trends that will shape these numbers, as well as the shipping interest of industrial countries or regions?

I believe that there are the following long term trends:

- a) As shipping is increasingly concentrated in the hands of Greek and Far Eastern owners, so will the local banking industries respond and their interest shall rise.
- b) The role of the traditional major European lenders will continue to decrease.
- c) International banks that have an active syndication business will remain important to the industry.
- d) Major international banks will seek to combine their shipping interests with those opportunities offered by the capital markets. As such, the distinction between commercial and investment banks will decrease.
- e) The long term funding requirements of the shipping industry will attract the interest of insurance companies as well as other investment and pension institutions.
- f) The greater size and corporate structure of shipping companies will attract international interest in equity and quasi-equity involvement by investment institutions.
- g) Junk bonds shall return but on a more selective basis. The role and responsibility of sponsoring banks shall increase. The exit mechanisms in Junk bond structures shall be better defined and easier to implement than hitherto.
- h) We foresee greater co-operation between the commercial banks and capital market institutions in junk bonds. As such, commercial banks shall provide the relatively safe lending (i.e. 50%), whereas junk bonds, institutional money etc. shall provide the higher risk portion.
- i) Attempts shall be increasingly made to securitise shipping (see DNIB recently), so as to create room under shipping limits for fresh lending, as well as reduce overall risk exposure.