



LLOYD'S SHIPPING ECONOMIST

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Current Trends in Greek Ship Finance

presented by

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Section 1

The Greek shipfinance market as an integral part of the evolving Global shipfinance market

Analysis of the Greek Ship Finance Industry

Presentation by Ted Petropoulos, MD, Petrofin S.A. – May 2008



- **Total worldwide shipping bank debt is estimated at approx \$350bn.**
- **Greek bank finance as of 31/12/2007 was \$66.941bn or 19% of the Global shipfinance market.**
- **Above estimate / analysis is based on the latest Petrofin Bank Research © and includes leasing, offshore and Trading House debts, as well as undrawn commitments**



- Shipping IPO activity has subsided during 2007 and early 2008 whilst mergers and acquisitions between listed shipping companies are increasing.

- There has been a slowdown in the rate of growth of shipfinance worldwide as a result of:

- a) the sub-prime crisis**
- b) the developing banking liquidity crisis and bank losses**
- c) The realisation of risk premia**
- d) Restricted available lending resources by banks and**
- e) The concern over global economic trends**



- **Although vessel values and incomes have withstood the continuous negative news / developments, the shipping industry has so far shown remarkable resilience**
- **The attitude of ship finance banks is currently one of caution.**



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Section 2

The Greek shipfinance market

The **Greek** Shipfinance market



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-At the beginning of 2008, total Greek-related shipfinance debt, including commitments, amounted to **\$66.941bn** or 19% of the global total of \$350bn (Petrofin Bank Research ©)

-Total Greek shipfinance debt grew by 44.3% over the last year.

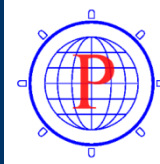
The Greek Shipfinance market



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The nationality of banks that provide shipfinance in the Greek market is as follows:

Nationality	End 2003	End 2004	End 2005	End 2006	End 2007
UK &	5	5	4	5	5
France / Belgium	8	6	3	3	3
Scandinavia	2	2	2	2	2
Germany	10	10	9	10	11
Holland	5	5	4	3	3
Greece	15	14	14	12	12
Other European	4	4	2	1	1
<i>European Total</i>	<u>49</u>	<u>46</u>	<u>38</u>	<u>36</u>	<u>37</u>
North America	4	3	1	2	3
Far East and other countries	1	1	1	1	1
<i>World Total</i>	<u>54</u>	<u>50</u>	<u>40</u>	<u>39</u>	<u>41</u>



The Greek Shipfinance market

Top 30 banks financing Greek shipping

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Rank	Bank	Total exposure in \$m
1	Royal Bank of Scotland	\$12,945
2	HSH Nordbank	\$5,900
3	Deutsche Schiffsbank	\$4,800
4	Credit Suisse*	\$3,500
5	Piraeus	\$3,376
6	Alpha Bank	\$2,677
7	Calyon*	\$2,500
8	National Bank of Greece	\$2,392
9	Marfin-Laiki	\$2,250
10	DNB	\$2,181
11	HVB	\$2,043
12	Emporiki Bank of Greece**	\$1,890
13	DVB Nedship	\$1,720
14	Commerzbank	\$1,707

*based on market estimates ** appears for the last time as a separate entity from Calyon



The Greek Shipfinance market

Top 30 banks financing Greek shipping

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15	HSBC	\$1,700
16	EFG Eurobank	\$1,610
17	Fortis Bank	\$1,525
18	Citibank	\$1,280
19	ABN	\$1,150
20	DB/SHL Shipping	\$966
21	Nordea	\$960
22	Bremer Landesbank	\$869
23	Bank of Scotland	\$862
24	First Business Bank	\$803
25	BNP PARIBAS	\$775
26	Nord LB	\$675
27	Natixis	\$552
28	Dresdner bank	\$550
29	KFW	\$501
30	BTMU Capital Corporation*	\$350

*based on market estimates



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The Greek Shipfinance market

- Greek banks are collectively the most numerous lenders to Greek shipping.
- German banks are the most active international and significant lenders to the Greek market.
- Individually, RBS represents the most active and significant individual lender.



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The **Greek** Shipfinance market

All banks, with very few exceptions have increased their lending in 2007 to Greek shipping

Individual shiplending bank figures are as follows:

International banks without a Greek presence



Bank	Drawn	Undrawn	Total
Totals	9856.9	4203.6	14060.5
Credit Suisse*	2550	950	3500
DNB	1406	775	2181
Commerzbank	1463	244	1707
DB/SHL Shipping	288	678	966
Nordea	760	200	960
Bremer Landesbank	392	477	869
Bank of Scotland	673	189	862
Nord LB	475.1	199.75	674.85
Dresdner bank	350	200	550
KFW	355	146	501
BTMU Capital Corporation*	350	0	350
ING	224.8	62.9	287.7
Korea Development Bank*	250	0	250
Alliance and Leicester**	150	0	150
Beremberg*	150	0	150
Bank of Ireland	20	82	102

•Market estimates

**Market estimates-syndicate only

Total: 16 banks

Total portfolio: \$14.060bn



International banks with a Greek presence

Bank	Drawn	Undrawn	Total
Totals	25468.5	11571.2	37039.7
Royal Bank of Scotland	8565	4380	12945
HSH Nordbank	4300	1600	5900
Deutsche Schiffsbank	3400	1400	4800
Calyon*	1500	1000	2500
HVB	1285	758	2043
DVB Nedship	1120	600	1720
HSBC	1500	200	1700
Fortis Bank	875	650	1525
Citibank	1145	135	1280
ABN	950	200	1150
BNP PARIBAS	298	477	775
Natixis	381	171	552
Bank of America*	150	0	150

Total: 13 banks

Total portfolio: \$37.039bn

* Market estimates

Petrofin Bank Research ©

April 2008

Greek banks



Bank	Drawn	Undrawn	Total
Totals	10045.7	5794.6	15840.3
Piraeus	2085	1291	3376
Alpha Bank	2067	610	2677
National Bank of Greece	1555	837	2392
Marfin-Laiki	1200	1050	2250
Emporiki Bank of Greece	950	940	1890
EFG Eurobank	970	640	1610
First Business Bank	627.29	175.72	803.01
Bank of Cyprus	132.3	138	270.3
Aegean Baltic	160	52	212
Proton Bank	149.35	41	190.35
Aspis Bank	101.7	19.8	121.6
Agricultural Bank of Greece	48	0	48

Total: 12 banks Total portfolio: \$15.84bn



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Section 3

Increased interest in Greek shipfinance



Interest in Greek shipfinance has been rising due to:

- a) The excellent overall performance of Greek-owned shipping over the last years**
- b) Fast growth over the last 5 years in world GDP, the Far East and international trade, freight rates and ship values, and the emergence of shipping as an attractive investment**
- c) The commitment and dedication of Greek owners**
- d) The qualitative improvements across all aspects of Greek ship management**
- e) The improvements in the age and condition of the Greek fleet**
- f) The emphasis on newbuildings**



(cont.)

Interest in Greek shipfinance has been rising due

- g) The vast improvement in information and financial disclosure by Greek owners**
- h) The increasing corporization of Greek shipping**
- i) Excellent liquidity and cashflow in Greek shipping**
- j) The relatively secured financing through heavily front-loaded repayments and high scrap values as well as vessel values**
- k) Attractive overall lending returns**
- l) No loan losses over the last 5 years**



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Section 4

The prospects for Greek shipfinance

Key trends in Greek shipfinance



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- **Despite the ongoing bank consolidation process via mergers and acquisitions, the overall number of banks engaged in Greek shipfinance has remained steady. It even shows a small increase this year.**
- **Overall Greek shipping margins have fallen over the years in view of:**
 1. **Bank competition (first 9 months of 2007)**
 2. **Individual bank aggressiveness**
 3. **Improved creditworthiness of Greek clients**
 4. **Customer liquidity**



Key trends in Greek shipfinance

- **In late 2007 / early 2008, credit margins jumped by an average 20-25 basis points. There has also been a rise in fees and severe tightening of terms, financial covenants and the need for secured employment.**
- **For 2008 onwards margins are expected to remain at current levels and commence falling for 2009 onwards.**
- **Lending against charter free newbuildings fell from 70-80% to about 60-70%. However, the repayment profile is often front-loaded even though expected market conditions at the time of delivery in 2010 – 2012 are largely unknown and few vessels have already committed charters.**

Key trends in Greek shipfinance



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- **The global banking credit crunch has begun to impact the ability / appetite of banks to provide significant additional resources to global shipping / Greek shipping.**
- **Loan demand for shipping loans is increasing in view of the awaited deliveries. However, using latest Petrofin analysis of the \$32bn in newbuildings, already 77% have secured finance.**
- **In view of the cash flow crisis, there is growing interest on syndicated and bilateral lending.**

Key trends in Greek shipfinance



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- **The slowdown has also affected the private equity market with a number of investment institutions and hedge funds selling their investments to realise profits and fund their growing liquidity requirements.**
- **The overall rising Greek shipfinance loan volumes are expected to start slowing in view of the adverse lending international climate.**

Key trends in Greek shipfinance



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- **HOWEVER, the need for finance from 2009 onwards is going to increase because of:**
 - a. **Newbuilding orders turning into vessel deliveries**
 - b. **Continuous concentration by Greek owners involving larger average vessel size**
 - c. **Increased value and size of the Greek-owned fleet**
 - d. **Positive long-term outlook for the shipping industry**

Key trends in Greek shipfinance



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- **The high liquidity by Greek owners is bound to compensate some for the effects of the credit crunch crisis.**
- **There is still increasing competition among banks for quality Greek shipping names, in view of shipping's fundamental good health.**
- **Problem loans have been non-existent for the last years, which supports banks' confidence, but renders them increasingly cautious and committed to keeping financially secure owners only.**



Key trends in Greek shipfinance

- **Interest in shipping investment banking is buoyant both by owners and banks. Funds and Investment institutions, however are increasingly facing hardship.**
- **There has been no significant new innovation in shipfinance products or structures. Shipfinance remains essentially a mortgage driven industry, and the banking situation, therefore, will be closely linked to its welfare.**



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Section 5

Issues facing the Greek Shipfinance industry today

Issues facing the Greek Shipfinance industry today



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Market related

- ✓ How long will this booming market last?
- ✓ How far will be the fall once it starts sliding
- ✓ How long and how strongly will the Chinese locomotive run?
- ✓ Will there be yet more fresh shipbuilding capacity developed in China / the wider Far Eastern area?
- ✓ Will the current n/b order book be delivered in time and in the contracted numbers?

Issues facing the Greek Shipfinance industry today



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Market related

- ✓ Will charterers continue to honour their charter obligations in the event of a big fall in freights?
- ✓ How far is the falling \$ going to affect this dollar-based industry?
- ✓ Is shipping now seen as a commodity?
- ✓ Is scrapping bound to start at any point in time, finally?

Issues facing the Greek Shipfinance industry today



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Loan portfolio related

- ✓ How much of owners' liquidity remains in shipping companies and available for future loan support?
- ✓ How will owners react to an abrupt fall in the market?
- ✓ When are banks expected to recommence active lending?
- ✓ How far will shipping be penalised / affected for other industries' problems, such as real estate?
- ✓ Stricter criteria in lending are expected to be implemented. At what terms will still unfinanced newbuildings be financed?

Issues facing the Greek Shipfinance industry today



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New business related

- ✓ What constitutes safe lending today?
- ✓ Structuring loans in today's market environment and in anticipation of the future
- ✓ Can shipfinance banks afford to remain outside new shiplending to their best clients? Will they regret saying no?
- ✓ What vessel type, size, age should be preferred?

Issues facing the Greek Shipfinance industry today



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New business related

- ✓ Do period charters and / or FFAs provide an answer to banks concerned about future cashflow?
- ✓ Should banks develop a longer-term rather than a short-term strategy? Since China, India and the other growth centres will continue to provide long-term growth and as the fundamentals of the shipping industry remain positive, will banks feel safe with shipping in the longer term and thus overcome their credit crunch predicament?

Issues facing the Greek Shipfinance industry today



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Spread / yield issues

- ✓ Are banks compensated sufficiently for the inherent risk of shiplending, by comparing it to other industries?
- ✓ Is the credit crunch driving fees too high?
- ✓ Will shipfinance attract more resource allocation from banks relative to other sectors?
- ✓ Are banks trying to pass on the increased cost effects to clients for existing loans?

Issues facing the Greek Shipfinance industry today



Other issues

- ✓ **What are the risks for Western banks in Far Eastern banks targeting Greek owners for finance their newbuildings at exceptionally advantageous rates?**
- ✓ **Are banks likely to lose their biggest clients' loans in favour of paper debt?**
- ✓ **Are IPOs and public listings a benefit to shipfinance banks or a threat?**



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Section 6

Summary and conclusions