



**6th Annual Marine Money
Greek Ship Finance Forum**

Athens, 14th October 2004

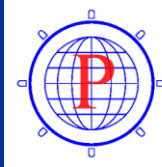
Trends in Greek Shipfinance

presented by

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MD

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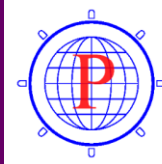
Some key figures

- ❖ **Global Shipfinance estimates vary between 160bn to 200bn including all shipping related debt**
- ❖ **Greek shipfinance at the end of 2003, according to Petrofin Bank Research ©, amounted to \$25.55bn or equivalent to approx. 13-16% of World Totals and rising**
- ❖ **With 733 Greek-based ship management companies as of April 2004 according to Petrofin Research ©, all requiring finance, Greek Shipfinance is particularly active and varied**



Some key figures

- ❖ **Greek owners have been investing heavily on newbuildings and on the modernisation and growth of their fleets. ‘Greek’ newbuilding orders, according to Naftiliaki, amount to over 370 vessels (Naftiliaki, Summer 2004), involving over 30m DWT .**
- ❖ **The average age of the Greek owned fleet, including newbuildings has fallen to 16.8 years according to statistics published by the Greek Shipping Co-operation Committee**
- ❖ **As of the end of 2003, the number of banks engaged in Greek Shipfinance (Petrofin Bank Research ©) were 54**



Evolution in Greek Shipfinance

Trends in overall number of banks

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Numbers	1979	1992	1995	1997	End 2001	End 2002	End 2003
Total	105	52	67	77	40	51	54
Greek Banks	12	6	13	15	9	11	15
Non-Greek with Greek presence	21	19	23	21	11	10	10
Non-Greek without Greek presence	72	27	31	41	20	30	29

Petrofin Bank Research ©

Trends in Greek Shipfinance

Presentation by Ted Petropoulos, MD, Petrofin S.A. – Athens – 14th October 2004

Evolution in Greek Shipfinance - Trends in nationality of banks



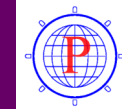
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Nationality	1979	End 2001	End 2002	End 2003
UK & Ireland	18	4	4	5
France & Belgium	14	4	4	8
Scandinavia	4	2	2	2
Germany	7	9	11	10
Holland	8	4	4	5
Greece	12	9	11	15
Other European	7	2	5	4
<i>Total European</i>	70	34	41	49
North America	26	4	5	4
Far East & others	9	2	5	1
<i>Grand Total</i>	105	40	51	54

Trends in Greek Shipfinance

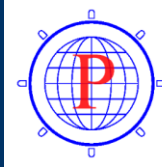
Top 25 banks holding Greek shipping portfolios



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1	Royal Bank of Scotland)	4500
2	Deutsche Schiffsbank	2490
3	HSH Nordbank 1750+195euros	2334
4	National Bank of Greece	1379
5	Alpha Bank	1200
6	Credit Agricole Indosuez*	1100
7	HSBC	925
8	Piraeus (incl. ETVA)	920
9	Credit Suisse	900
10	KFW 712+13euros	870
11	Emporiki Bank of Greece	850
12	DVB Nedship	777
13	Citibank	695
14	DNB	645
15	HVB	595
16	ABN	530
17	Fortis Bank	475
18	Bremer Landesbank	414
19	Commerzbank	390
20	First Business Bank	374,5
21	EFG Eurobank	354,89
22	BNP PARIBAS	327,5
23	Vereins und Westbank	314
24	Nordea	280
25	Laiki	277,733



Key trends

- **Despite the ongoing bank consolidation process via mergers and acquisitions, the overall number of banks engaged in Greek shipfinance is slowly rising**
- **The main growth has been by Greek and Cypriot banks whilst the main departees have been non-Greek banks WITHOUT a Greek physical presence**
- **The process is ongoing. Omega recently commenced shiplending and there are rumours that other banks are proceeding to enter or strengthen their position in shipfinance**



Key trends

- **Interest in Greek shipfinance has been generated by:**
 - a) **The satisfactory performance of Greek-owned shipping over the last years**
 - b) **Fast growth in world GDP, international trade, freight rates and ship values, good prospects and the emergence of shipping as a performing lower-risk industry**
 - 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**



Key trends

(cont.)

Interest in Greek shipfinance has been generated by:

- g) The improvement in information and financial disclosure by Greek owners**
- h) An improvement in bank-client attitudes and relations**
- i) The increased internationalism and sophistication by Greek owners**
- j) Initially the improved spreads and overall returns for lenders**
- k) The evolution of a large number of owners (over 100) with attractive fleet, management, and financial characteristics and potential that together form the target list of most banks**



Key trends

- **Banks are becoming ready to face BASEL II and are already adopting the risk assessment criteria**
- **Applying the criteria has furthered the prevailing two-tier market, whereby top owners can obtain reduced spreads whilst smaller owners frequently pay more**



Key trends

- **The Basel II criteria has created in many banks and increasingly dominant risk assessment department with direct influence on shiplending decisions and terms**
- **The entry and revitalisation of smaller banks into shipfinance has added much needed variety and flexibility to Greek shipfinance industry with corresponding benefits for the smaller owner often involving older vessels**



Key trends

- **Overall Greek shipfinance loan volumes are expected to grow. The process is strengthened by:**
 - a. **Newbuilding orders turning into vessel deliveries**
 - b. **Continuous growth in the overall Greek-owned fleet and average vessel size**
 - c. **Increased value of Greek-owned fleet as well as increasing interest in the acquisition of modern vessels.**
 - d. **Positive long-term outlook for the shipping industry**



Key trends

but hindered by:

- ✓ **Caution over a possible market setback**
- ✓ **Increase in sales of Greek tonnage essentially of older vessels to non-Greek owners due to buoyant price levels and**
- ✓ **Loan prepayments by a number of owners**



Key trends

- **At current high-freight levels across all sectors, we estimate that Greek shipping is amassing liquidity via free cashflow (Net operating income after interest and principal debt service) at a rate of \$1.5bn per month**
- **The above colossal monthly net liquidity cash inflow is being used for:**
 - ✓ **Fleet expansion**
 - ✓ **Increase in deposits**
 - ✓ **Other non-shipping investments, e.g. real estate**
 - ✓ **Personal investments in shares, bonds, etc.**
 - ✓ **Reduction of shipping and other bank debt**



Key trends

- **The high liquidity by Greek owners is increasingly attracting the attention of bank's private banking departments as well as the promotion of non-risk products and services by all banks**
- **There is increasing competition among banks for quality Greek shipping names**
- **The level of owner transparency has improved especially in providing quality fleet performance and financial data**



Key trends

- **Banks have managed to grow their loan volumes substantially without though increasing their credit staff numbers proportionately. Consequently, average loans per shipping officer has grown and banks have become more efficient in promoting, as well as managing, their loan portfolios**
- **The above improvement has taken place despite increasing Basel II and other internal reporting requirements**



Key trends

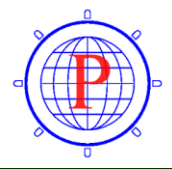
- **Due to the high vessel values as well as vessel sales by Greek owners, banks are experiencing more loan prepayments than before. This allows for greater loan turnover with enhanced profitability, as well as the opportunity to adjust their loan portfolios**
- **Problem loans have been non-existent for the last years, which supports bank's confidence, but renders them increasingly cautious and committed to keeping financially secure owners only**



Key trends

- **Interest in shipping investment banking has returned both by owners and banks, especially after the successful Primal Tankers IPO in the US. There are currently over a dozen owners seriously pursuing similar or larger IPOs**
- **There has been no significant new innovation in shipfinance products or structures. Shipfinance remains essentially a mortgage driven industry**
- **Banks have begun to stress to owners the benefits of corporate ownership structures that enable better risk assessment ratings and correspondingly lower spreads**

Issues facing the Greek Shipfinance industry today

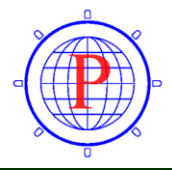


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Market related

- ✓ **How long will this booming market last?**
- ✓ **How far will be the fall once it starts sliding**
- ✓ **Have the markets established a new higher trading range or will they revert back to 2001/2002 levels?**
- ✓ **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?**

Issues facing the Greek Shipfinance industry today



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Market related

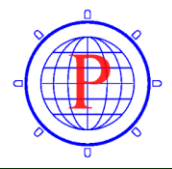
- ✓ **Will charterers continue to honour their charter obligations in the event of a big fall in freights?**

- ✓ **How stable will be the US dollar?**

- ✓ **How high will US interest rates rise?**

- ✓ **Will newbuilding prices hold high so as to support second-hand values or will the long-term downward trend in n/b prices resume?**

Issues facing the Greek Shipfinance industry today

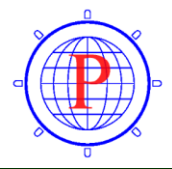


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Loan portfolio related

- ✓ **Is owners' current low leverage the result of artificially high prices and, therefore, deceptive?**
- ✓ **Have owners' breakeven t/c rates for non-period chartered vessels risen to historically high levels?**
- ✓ **How many owners' n/b orders for delivery in 2-3 years' time remain unchartered?**
- ✓ **How much owners' liquidity remains in shipping companies and available for loan support?**
- ✓ **How will owners react to an abrupt fall in the market?**

Issues facing the Greek Shipfinance industry today

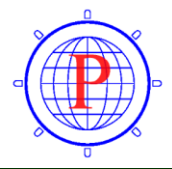


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New business related

- ✓ **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?**
- ✓ **What vessel type, size, age should be preferred?**
- ✓ **Do period charters or FFAs provide an answer to banks concerned about future cashflow?**
- ✓ **Should banks develop a long-term rather than a short-term point of view? 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, should banks not worry about short term dips?**

Issues facing the Greek Shipfinance industry today



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Spread / yield issues

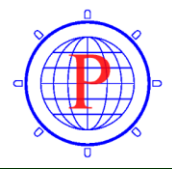
- ✓ **Are banks compensated sufficiently for the inherent risk of shiplending?**

- ✓ **Is competition driving spreads too low?**

- ✓ **Does enhanced client size, fleet quality, age, management, systems and reporting allow banks to lend profitably at even lower spreads?**

- ✓ **Will German state banks be able to maintain low spreads when they shall lose their state guarantees?**

Issues facing the Greek Shipfinance industry today



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Loan structural issues

- ✓ **Should banks build within their loan facilities the ability by a client to skip some loan repayments?**

- ✓ **Are banks tempted on account of high freight rates to require to unrealistically short loan repayment periods?**

- ✓ **Should banks provide clearer incentives for owners to develop corporate ownership structures?**

Issues facing the Greek Shipfinance industry today



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Other issues

- ✓ **What are the risks for Western banks in Far Eastern banks targeting Greek owners for finance for 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?**