



XRTC GREEK SHIPPING FINANCE POLL 2015 COMPARATIVE ANALYSIS BANKS Vs COMPANIES

March 2015

XRTC Greek Ship Finance e-Poll 2015
Comparative Analysis between Banks and Shipping Companies

XRTC New poll on Greek Shipping Financing was conducted late January beginning February 2015. In an era that the entire market tries to understand the whereabouts of current crisis, the global view and expectations of the market players is really important. Such importance is heavily enhanced by the fact that each participant can keep its anonymity towards everyone including the poll organizer himself.

XRTC Business Consultants Ltd conducted its 6th biannual Poll concerning the prevailing conditions and parameters in the international Ship Finance Market as viewed from Greek shipping companies' side. The Poll has been designed specially in order to encompass the most important aspects of Ship Finance industry, investigate the current trends globally which directly linked to Greek shipping market.

XRTC used a private and confidential electronic tool in order to preserve the anonymity and confidentiality among the participants. This e-Poll has been sent to 103 different shipping companies owned by Greeks that all together control more than 70% of the Greek Fleet. Out of these 103 companies which initially received the e-Poll, 46%, i.e. 47, of them participated. On the other side the Poll was also sent to 52 different banks around the world which are all active in the financing of shipping industry and we received answers from only 17, reducing the response ratio to 32%.

While Greek state is in a process of hard negotiations with its borrowers, the authors were heavily concerned on the outcome of questions related to the effects of the Greek economic drama in the process of the financing of the Greek Owned fleet. It is true to say that more and more, day to day banking business related to shipping operations, are handled by banks that are located outside Greece. Most of the lending institutions have either officially or unofficially requested their clients to shift their accounts outside Greece in order to avoid a potential hair cutting of the deposits as it happened only two years ago in Cyprus.

The image of Akti Miaouli as the "banking coast of Greek shipping" or for others the "Wall Street of Shipping" has completely changed since 2009 and the international banks' signs were substituted with the sign "For Rent". Traditional banks have pulled out of shipping finance in general but when they continue their activities with Greek shipowners they are mainly do this through small representative offices or directly from abroad. Similarly, the 15 Greek banks of the past were shrunk to no more than 5 including, four "systemic" banks that are heavily supported by the state borrowers and 1 small completely private and completely independent from the Greek economy.

Leaving aside the domestic darkness, shipping world is facing an environment quite unusual compared to the past experience. Shipping is continuing to face recession for almost 6 years now and still all players are wondering when this will end. It is true to say that during the last six years we had some encouraging quarters as it is currently happening in the Tanker market. Starting from the complete shock of late 2008 and

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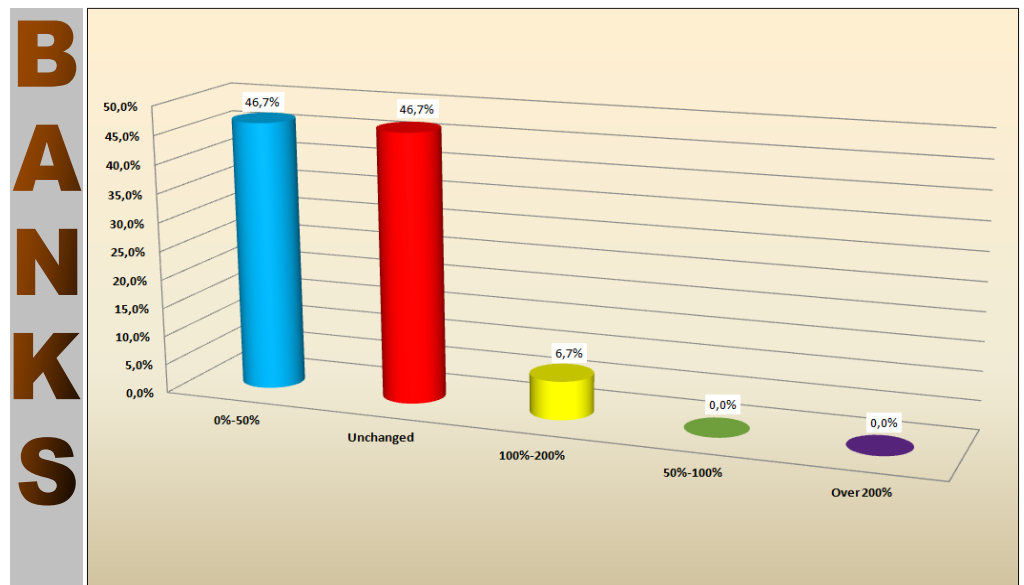
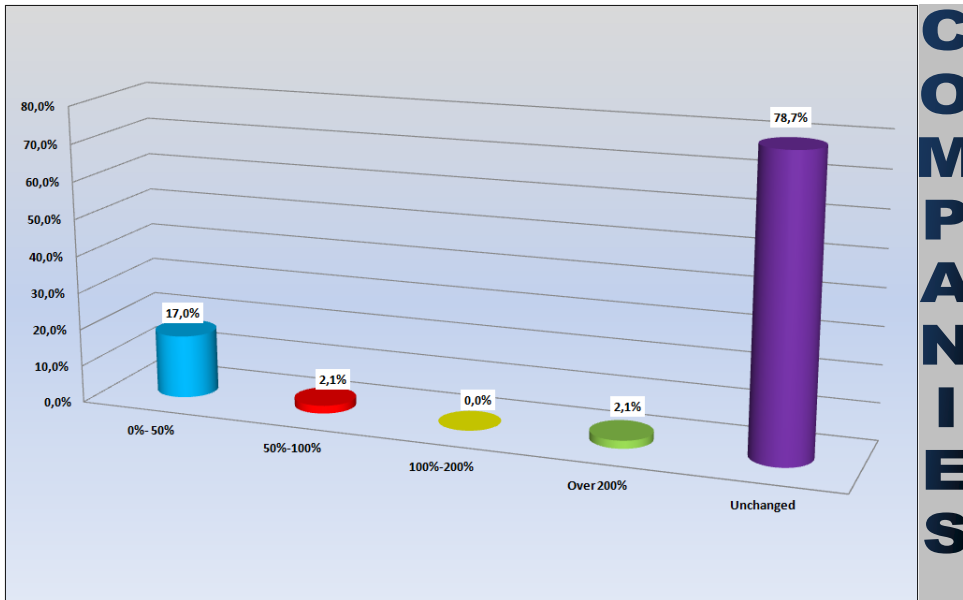
2009, shipping financiers had a 4 years period to recover but also to prove to their regulators that they are capable to continue the international lending particularly in markets with cyclical characteristics such as the shipping market. Hence, the shrinking of available funding for shipping business pushed the cost of financing to increase by five or six even seven times high compared to the historical low of the last high cycle period (2002-2008). The lack of financing and the withdrawal of traditional players created an easy entry environment for new players that we have seen entering the market after 2010. It was really obvious that all these banks have contacted a lot of business in Greek shipping as it is the market that offers a lot of opportunities for them and a variety of potentials to different shipping sectors. At the same time, hedge funds and equity providers appeared in the market and tried to seize certain opportunities trusting that the market will sooner or later recover.

The ship finance market both in Greece and worldwide is sailing with a certain degree of uncertainties. Leaving aside those who are in the market for decades who accept the principal that shipping finance business is profitable when the institutions offer long commitment; the remaining players are full of questions and face the uncertainty. Similarly those who want to enter the market they need to analyze well the opportunities and create an internal skillful environment in their institutions.

XRTC, as has been doing since its establishment, is pleased to contribute to smooth and profitable continuation of the national and International shipping markets by publishing the results “XRTC Greek Ship Finance Market 2015” and distributes this paper that combines the answers received from both the Financial Institutions that support Greek Shipping and The Greek Shipping Companies.

QUESTION: Comparing to 2013 which is the average increase in the cost of shipping loans of your institution?

(A.Unchanged / B.0%-50% /C.50%-100% / D.100%-200% / E. Over 200%)



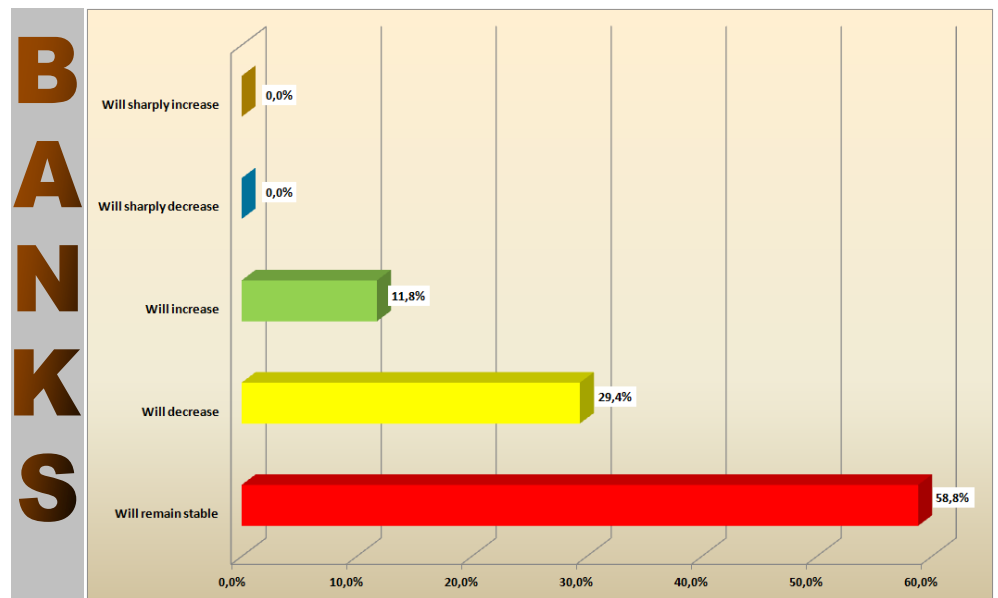
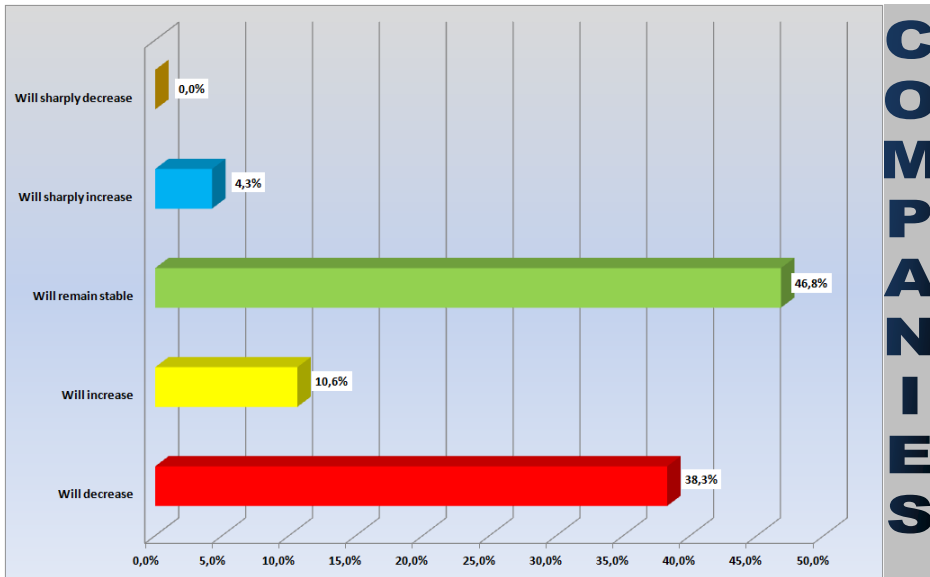
The vast majority of the companies i.e. 79%, as it is depicted in the first diagram, replied that the costs related to their loans in respect to 2013 remained unchanged while 17% of them said that it changed from 0% to 50%. All but one of the listed companies participating said that their loans costs with respect to 2013 remained unchanged.

We posed the same question to the financial institutions. This question has a direct impact to the cost of shipping loans for the shipping banks and the finding of the e-Poll is quite encouraging for them. Almost 50% of the respondents replied that their average cost for shipping lending remains the same as in 2013.

However more important is the finding that 94% of the respondents said that their cost for shipping transactions will either remain unchanged or it will increase the most by 50%.

QUESTION: What is your feeling regarding the cost of shipping funding (margin/fees) for the next year?

(A. Will sharply increase, B. Will increase, C. Will remain stable, D. Will decrease, E. Will sharply decrease)

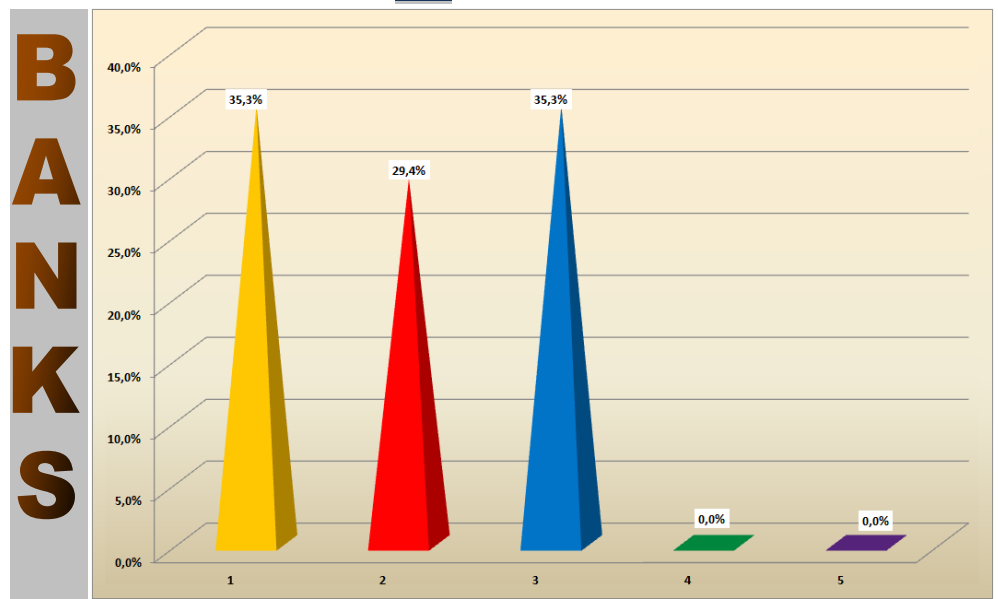
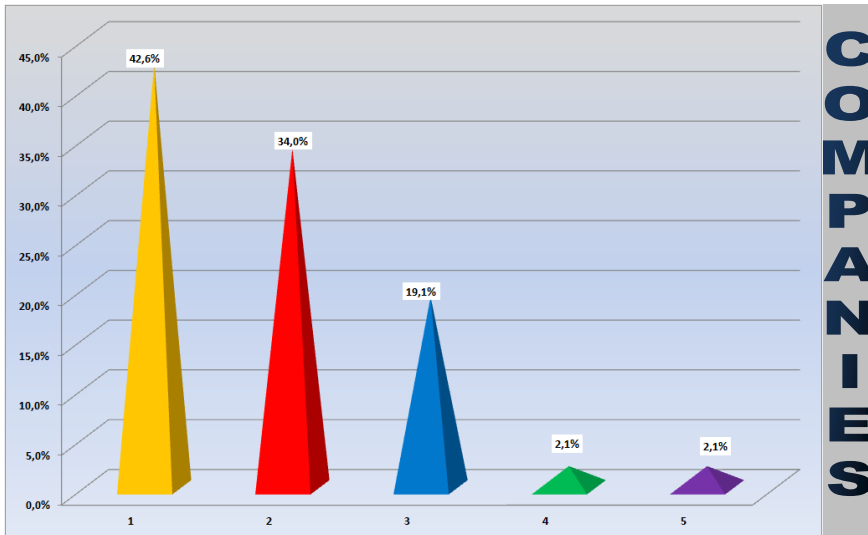


This question concerns Greek shipping companies' expectations regarding their cost of funding for 2015. As we can discern in the first diagram, almost half of them i.e. 47%, replied that it will remain the same, while 38% them replied that they will decrease and only 15% said that it will increase or sharply increase. 64% of the listed participants said their funding costs in 2015 will remain the same as in 2014, while 27% said that it will decrease and only one replied that it will increase sharply.

In the same question, the financial institutions' large majority of the participants i.e. 59% supported the same as the companies i.e. that will remain stable while only 12% said that it will increase. It is equally important to be mentioned that 29% of them responded that in 2015 they can see a decrease in their margins/fees.

QUESTION: Does the Greek debt crisis affect your business flow in the shipping finance arena?

(Please score from 1 to 5 : Scale 1 “not at all” Scale 5 “Very Much”)



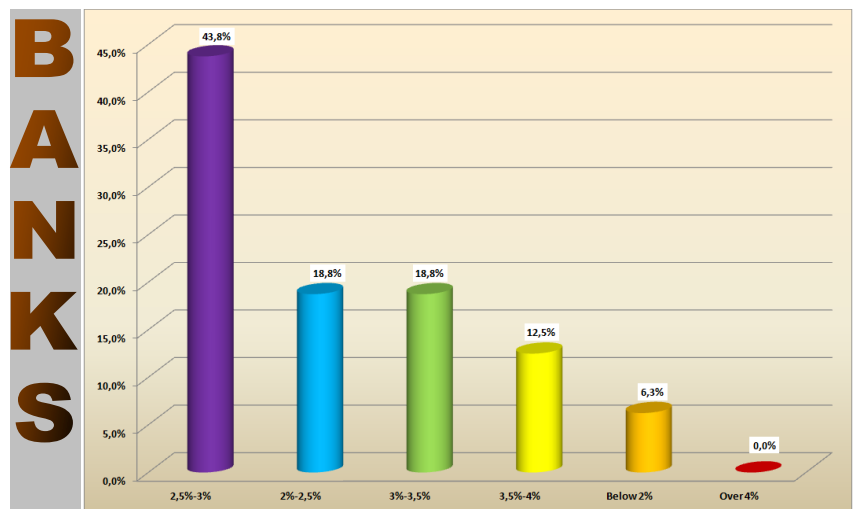
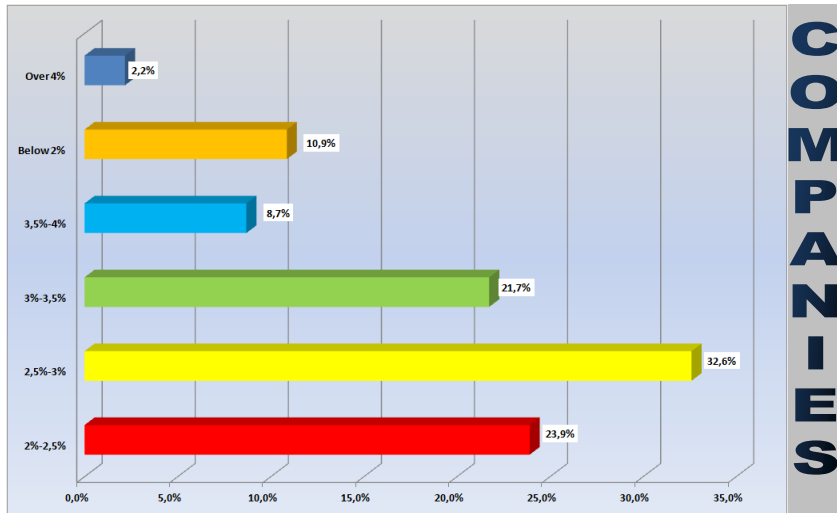
This was a “scale” type of question of 1 to 5 (which stands for *Very much*) and the average rating got from all the participants was 1.8 out of 5 which clearly shows that they consider Greek debt crisis’ to have a minimal interference to their financing needs, as it is shown in the first diagram. Analyzing further the answers of the respondents we see that 43% gave 1 (Not at all) and 40% gave ratings of 2 and 3.

In the same question the financial institutions’ average rating was 2 out of 5 which clearly shows that they consider this industry as an international and that they can only see, as the companies’ above, minimal connection with Greece’s debt crisis and it is shown in the 2nd diagram.

Analyzing further the answers of the respondents we see that 35% gave 1 as their answer while 2 and 3 ratings they got 29% and 35% respectively. It is worth noting that banks from Germany, China and France were more concerned regarding the economic situation of Greece.

QUESTION: What is your expecting margin for new shipping loans to Greek Shipping?

A. Below 2% / B. 2-2,5% / C. 2,5-3% / D. 3-3,5% / E. 3,5-4% / F. Over 4%

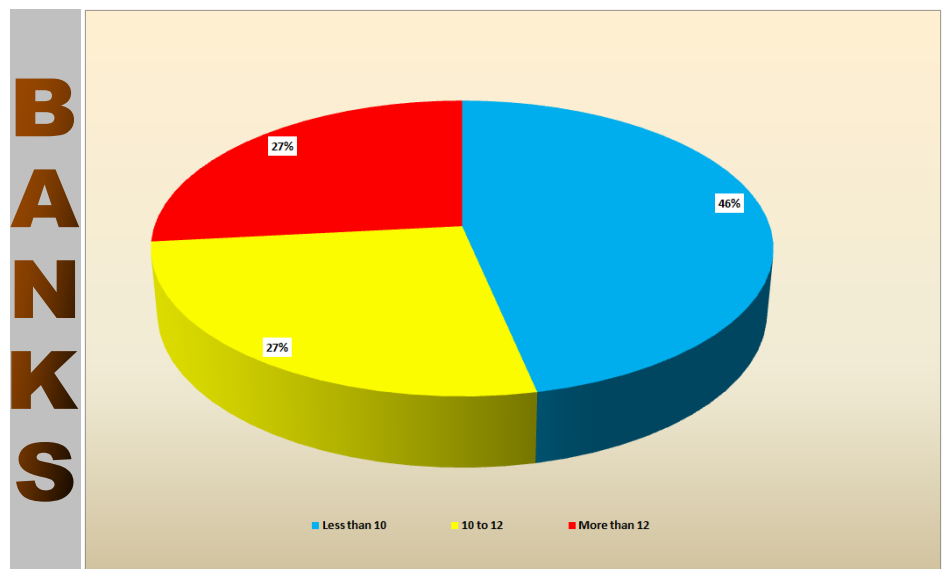
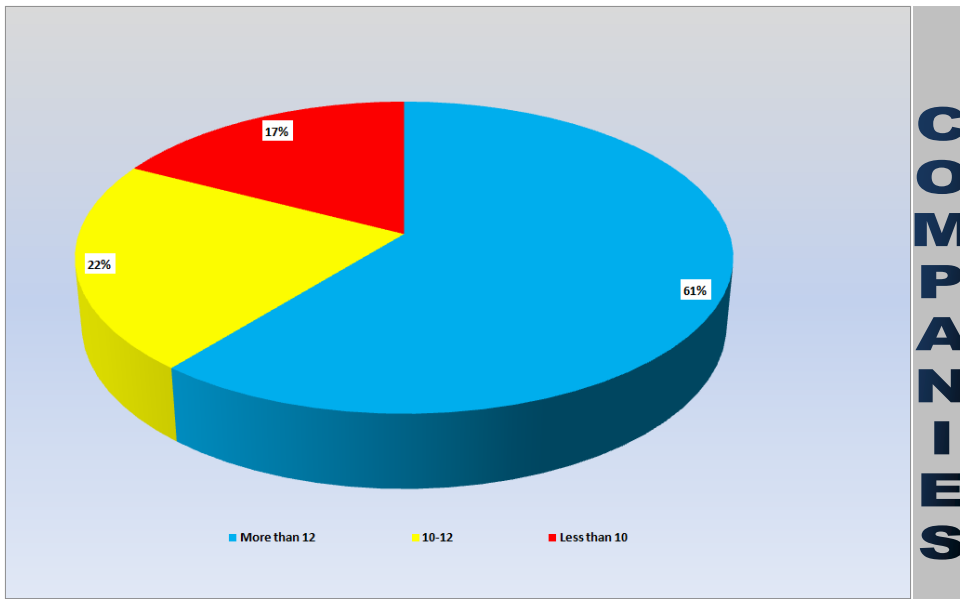


This question's intention to depict Greek shipping companies' expectations regarding their new loans' margins. Almost 80% of the participants expect the new loans margins to be between 2% and 3.5%, while 11% of them believe that it will be over 3.5% and more. All but one of the listed companies which participated in this question expect that the margins to be in the bracket of 2%-3.5%. One of the listed expects that margins will be below 2%.

In the same question, shipping lenders future expectations regarding the margins to be offered to Greek shipping companies were very promising sign, since the vast majority, i.e. 82%, of their answers is found in the range between 2% and 3.5% while the range 2.5% to 3.5% has received the 38% of banks' answers. The ranges 2%-2.5% and 3%-3.5% received equally 19%. Unsurprisingly of course, Greek banks replied that their expecting margin for new shipping loans to Greek Shipping will be in the range of 3.5% to 4% which is the highest among all participants. Needless to mention that this is a direct symptom of Greek debt crisis. Regarding German participating banks, their pricing expectations are quite mixed but definitely in the low side with half of them to be in the range of 2.5% to 3% likewise the French and the British participants. Very important also is to mention that 1/3 of the German banks and the Dutch banks expect their margins to be below 2.5% with only 1 German bank to expect even below 2%.

QUESTION: What is the desired profile of new shipping loans to Greek Shipping?

A. Less than 10 / B. 10-12 years / C. More than 12 years

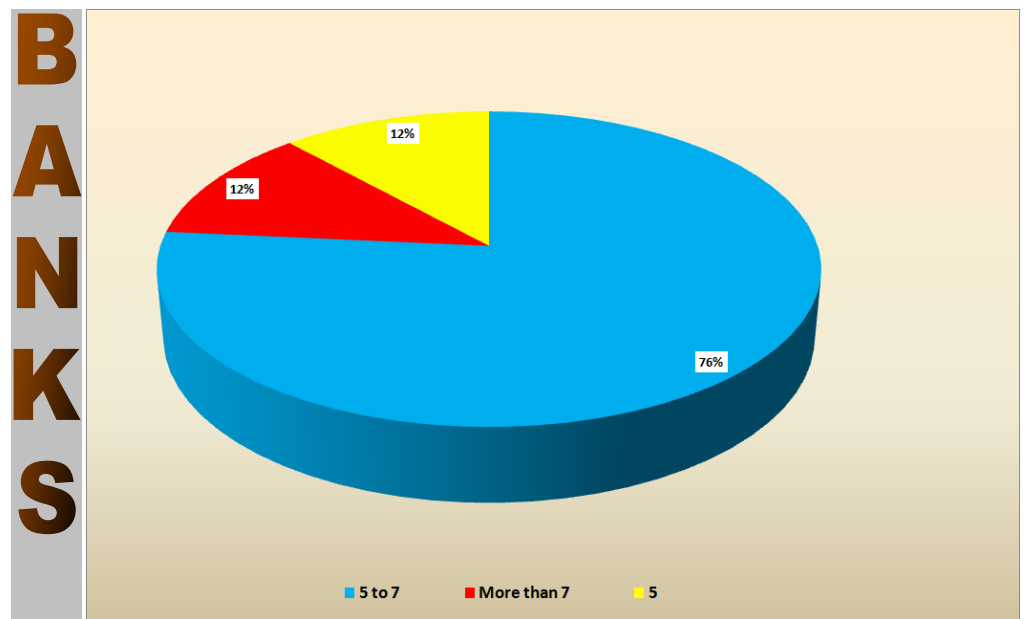
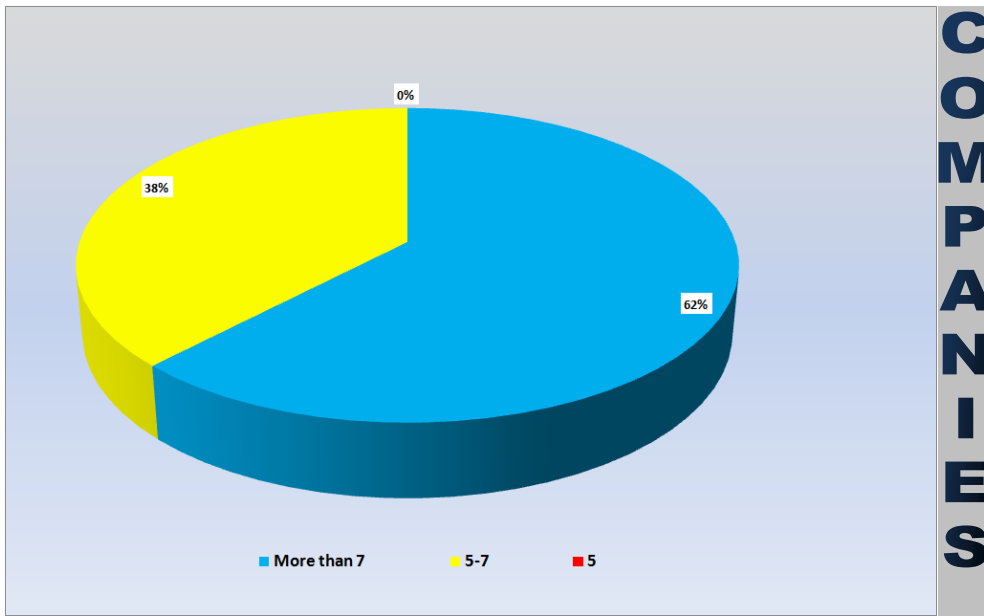


As it is shown in the first pie diagram, 61% of the shipping companies, replied that their desired loan profile is more than 12 years. Of equal importance is the fact that 17% of participants replied that their desired profile is less than 10 years. More specifically, 73% of the listed participants desired a profile of more than 12 years and surprisingly one company which operated a dry bulk fleet, replied that it desired less than 10.

On the other hand, shipping lenders was somehow different since almost 1/3 of the banks replied that their desired loan profile is more than 12 years. Of equal importance is the fact that almost half of the participants replied that their desired profile is less than 10 years. It follows that banks want to amortize shipping loans in less than 10 years given the capital constraints imposed from the various regulatory requirements.

QUESTION: What is the desired tenor of new shipping loans to Greek Shipping?

A. 5 years / B. 5-7 years / C. More than 7 years



The answers of this question are in line with the previous one since companies wish to have longer tenors and on the side shipping lenders wish to keep tenors between 5 to 7 years. Thus, looking at the first pie chart, which shows companies answers, the answer of more than 7 years gathered 62% while the range between 5 to 7 years received the 38% of companies' answers. If we analyze the findings of this question along with the previous, we can have that Greek shipping companies follow the rationale of the longer the better since the average age of their fleets is circa 10 years. This aspect applies even more to the listed companies. 73% of those participated in this question chose the answer more than 7 years and the rest they chose the bracket 5 to 7 years.

In the 2nd pie chart which shows lenders answers, the dominant answers were in the range of 5-7 years and gathered 88%. More specifically the range between 5 to 7 years received the 76% of banks' answers. If we analyze the findings

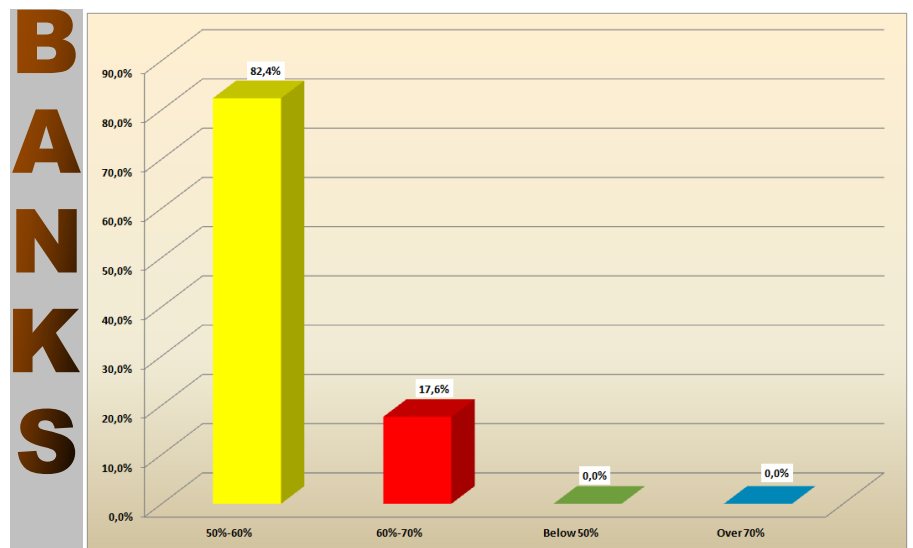
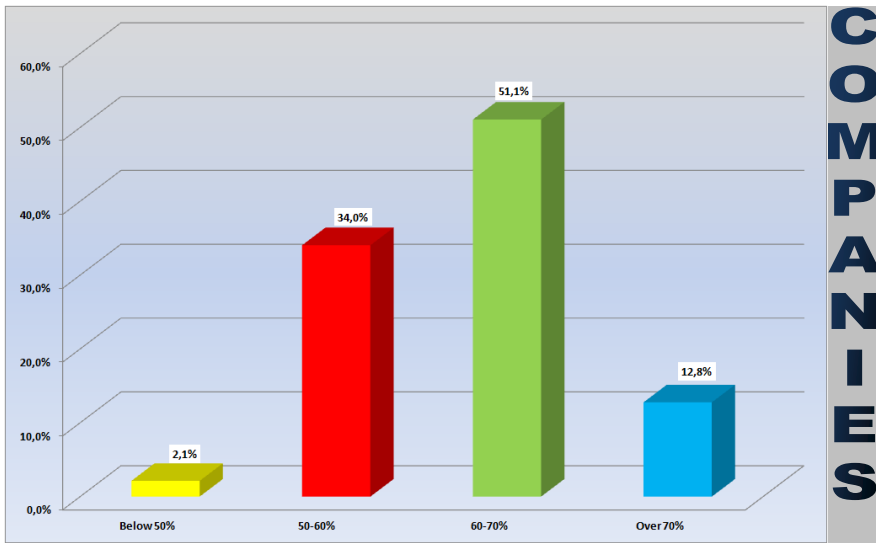
XRTC Greek Ship Finance e-Poll 2015

Comparative Analysis between Banks and Shipping Companies

of this question along with the previous one we can infer that lenders of Greek shipping prefer to finance newbuilding tonnage but they also support quality young tonnage which is in the range of 5 to 10 years. It is very interesting that all German participating banks have shown a homogenized stance in their answers to this question and most probably is related to their banking system common approach towards this industry and the implementation of new banking regulations which is more capital demanding. Thus, all the German participants preferred tenor bracket was 5 to 7 years and the same answer was given from all the rest of European participants. The Greek banks provided mixed answers with 1/3 of them to be in line its European competitors while the remaining 2/3 replied *more than 7* and exactly *5 years*. The answer of more than 7 years was provided as well from the Chinese banks.

QUESTION: What is the desired leverage for new shipping loans to Greek Shipping?

A. Below 50% / B. 50-60% / C. 60-70% / D Over 70%



We can claim that the specific question is one of the most important. It is clearly depicted in the two bar charts that there is 10% in loan leverage between companies and lenders expectations. More specifically, the vast majority of Greek shipping companies, i.e. 85%, of the participants replied that the leverage which they wish to get is between 50% and 70%. More specifically, half of the participants, i.e. 51%, prefer a leverage of 60% to 70% while the rest of the participant lenders, i.e. 18% prefer a leverage of 60%-70%. Interestingly, there were 6 companies i.e. 13% of the participants, which chose the answer of over than 70%.

Analyzing the answers further, 46% of the listed participants, replied that their desired leverage is 60%-70%, while one of them which operates in LNG/LPG sector desired leverage below 50% and also one of them which operates in containers sector desired leverage over 70%. On the other side 100% of the participating lenders replied that the leverage which they wish to provide to Greek shipping companies is between 50% and 70%. More specifically the vast majority of the lenders i.e. 82% prefer a leverage of 50% to 60% while the rest of the participant lenders, i.e. 18% prefer a leverage of 60%-70%. Undoubtedly, the participants' desired leverage depicts their willingness to see more

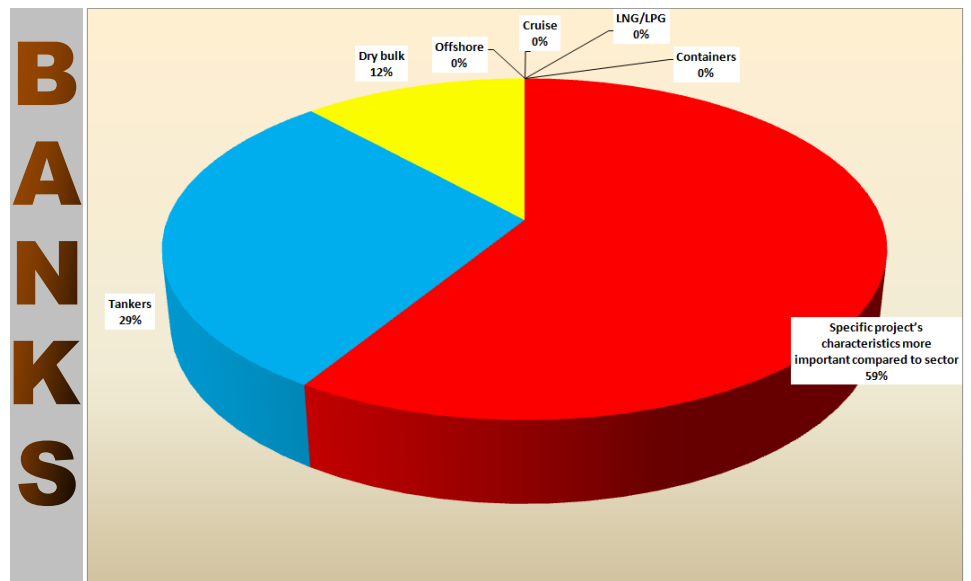
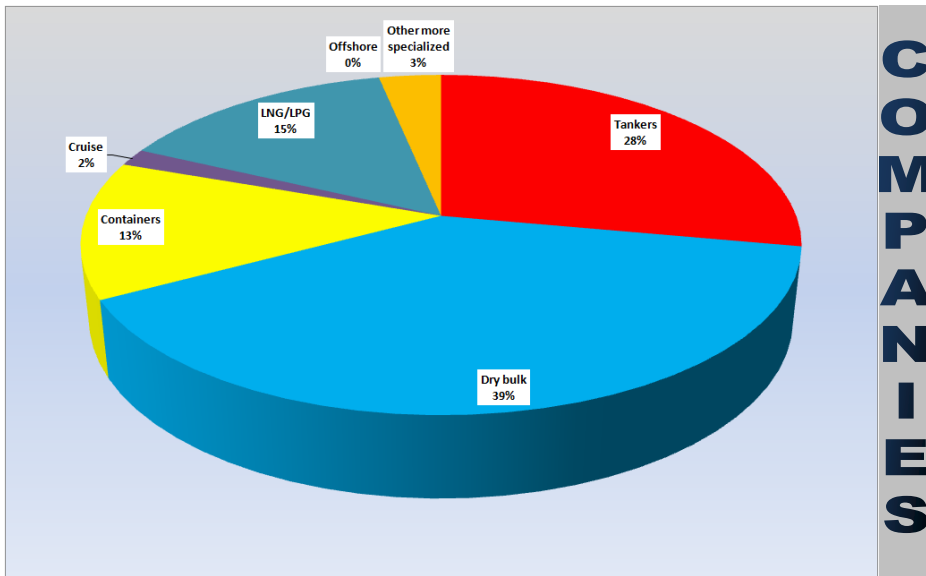
XRTC Greek Ship Finance e-Poll 2015

Comparative Analysis between Banks and Shipping Companies

equity in place for each project and a cautious stance in the development of their shipping loan portfolios. Analyzing the answers further by banks' country of origin we can get the following. All Greek banks showed their cautious stance towards shipping industry preferring leverage between 50%-60%. The same applies to the answers of almost all German banks and all the rest of European participants. Only one German and one Chinese bank replied that their desired leverage is between 60% to 70% which is directly linked with their answers to finance newbuilding vessels.

QUESTION: Which sector do you prefer to finance/ invest?

***(A. Dry Bulk, B. Tankers, C. Containers, D. Offshore E. Cruise F. LNG/LPG
G. specific project's characteristics more important compared to sector)***



The question is very important since it depicts companies' and lenders' preferable shipping sector of investment/ to finance.

Unsurprisingly, in the Greek shipping companies' e-poll, half of them replied dry bulk sector and 36% replied tanker sector. All the 3 main shipping sectors gathered 80% among all participants but also among listed participating companies. LNG/LPG sector got almost 1/5 of the participants. The question has not imposed any time limitations but has been created in a more general way.

Of course the participating lenders' answers reflect to an extent their current views regarding each of the most important shipping sectors. The dominant reply was that of *Specific project's important characteristics* which gathered

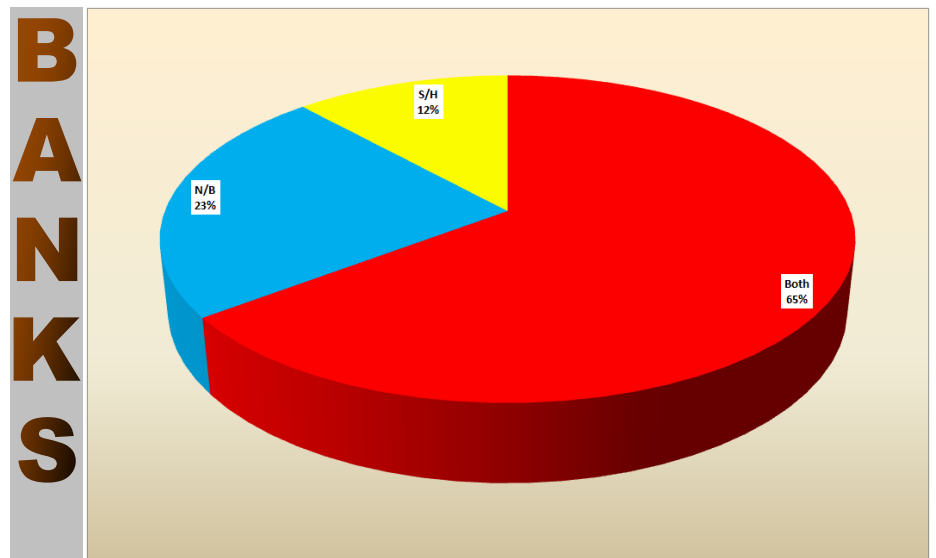
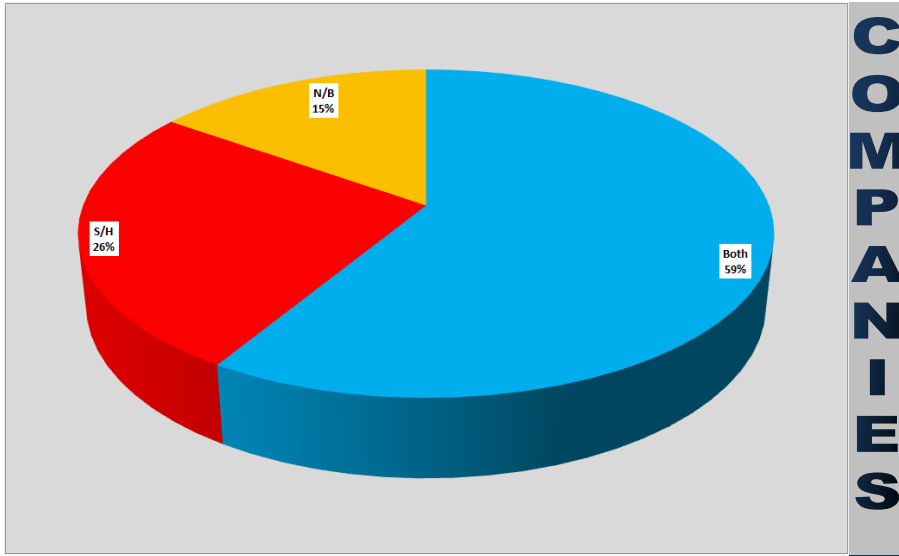
XRTC Greek Ship Finance e-Poll 2015

Comparative Analysis between Banks and Shipping Companies

59% among the participants. The next favorable answer was *Tanker* sector with almost 30% while *Dry* sector option gathered only 12%. The other 4 sectors included as options i.e. *Container*, *Cruise*, *LNG/LPG* and *Offshore* were left out of lenders' preferences. All the German participants replied that they are not keen to finance any particular sector as they rather prefer *Specific project's important characteristics*. 2/3 of the Greek banks they preferred *Tankers* and 1/3 of them *Dry* sector. The French banks replied the same with the German banks while the British banks replied *Dry* sector and the Dutch banks replied *Tankers* sector.

QUESTION: Do you prefer financing new building vessels, second hand or both?

(A. N/B, B. S/H, C. Both)



The question concerns the companies' and lenders' appetite to invest/ finance in *new* or *2nd hand tonnage*. In shipping companies' e-poll, participants prefer *both*, i.e. 59%.

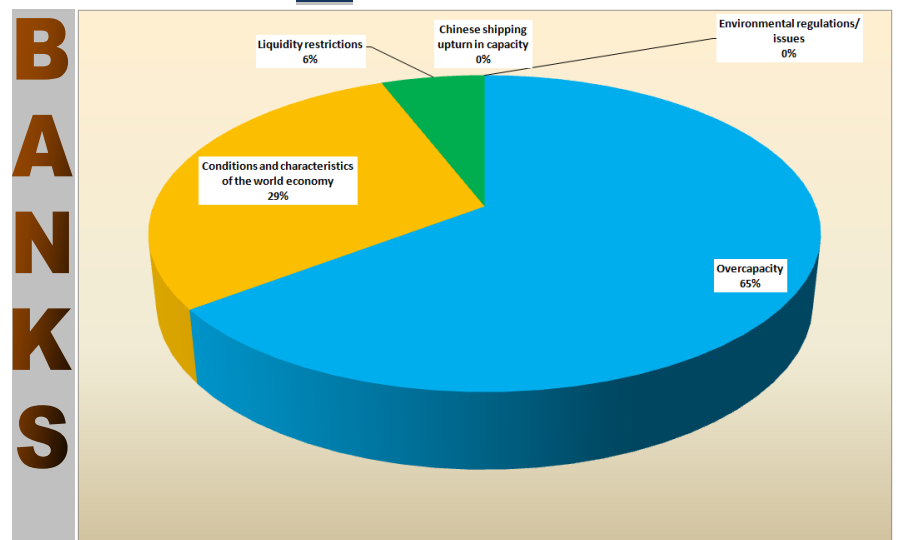
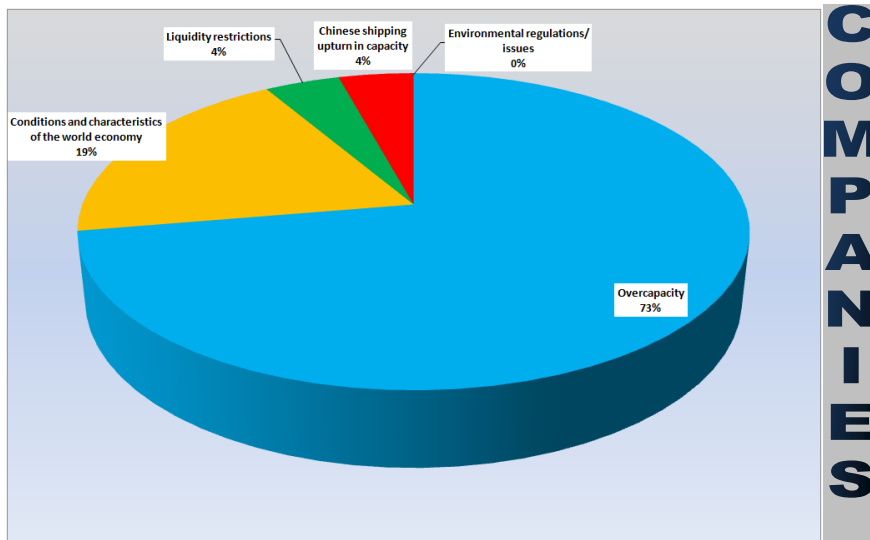
On the other hand, there is a considerable chunk among the participants i.e. 26%, which wants to finance only *S/H* vessels. Regarding listed companies half of them prefer to invest in *S/H* vessels and the other half in newbuildings.

As it concerns the lenders e-poll, the majority of participants chose also *both*, i.e. 65%.

Also, there is a considerable chunk among the participants i.e. 24%, which wants to finance only newbuilding vessels. 2/3 of the Greeks replied that they wish to finance *S/H* vessels and 1/3 of them said *both*. As it concerns the German participants, 2/3 of them said *both* while the other 1/3 they said newbuildings only. All the rest of EU participating banks said *both*.

QUESTION: What is the most important threat for int'l shipping market?

A. World Economy B. Overcapacity C. Chinese shipping capacity D. Environmental issues E. Lack of Liquidity



This question wishes to depict which is the most important threat among those presented as options i.e. *Overcapacity*, *Conditions and characteristics of the world economy*, *Liquidity restrictions*, *Chinese shipping upturn in capacity* and *Environmental regulations/issues*. Regarding companies' e-poll, the large majority i.e. 73% of the participants reaffirmed the fact that *overcapacity* is the major threat for global shipping and creates the major obstacle for a healthy upturn at least in the core shipping sectors.

The option of *Conditions and characteristics of the world economy* gathered almost 20% among the participants while the rest 4% voted for the option *Liquidity restrictions* and for 4% for Chinese shipping upturn in capacity. 73% of the listed participants picked also overcapacity option while the rest they picked *Conditions and characteristics of the world economy*.

XRTC Greek Ship Finance e-Poll 2015

Comparative Analysis between Banks and Shipping Companies

To the same end, in lenders' e-poll, the large majority i.e. 65% of the 17 participants reaffirmed the fact that *overcapacity* is the major threat for global shipping and creates the major obstacle for a healthy upturn at least in the core shipping sectors.

The option of *Conditions and characteristics of the world economy* gathered almost 30% among the participants while the rest 6% voted for the option *Liquidity restrictions*. The answer of *Liquidity restrictions* was given only from one German bank depicting its single view towards shipping industry and most probably is restrained solemnly to its particular