



BANK SHIP-FINANCING APPROACH

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∴ London
Eurofin



∴ Athens
Eurofin S.A.



∴ Singapore
Seafin



Eurofin Group (Overview)

Oldest, largest, specialized ship-financing investment boutique with global coverage

- **35 Years** Committed in Ship-Finance
- **US\$24 Billion** Ship-Financing Deals (globally)
- **Flexibility** Tailor made structures
- **Commitment** Team dedicated to ship-financing
- **Recognition** Representing KfW IPEX-Bank
- **Global Coverage** Offices in major shipping centers



Transformational Change – 15 Sep. 2018

Lehman Collapse

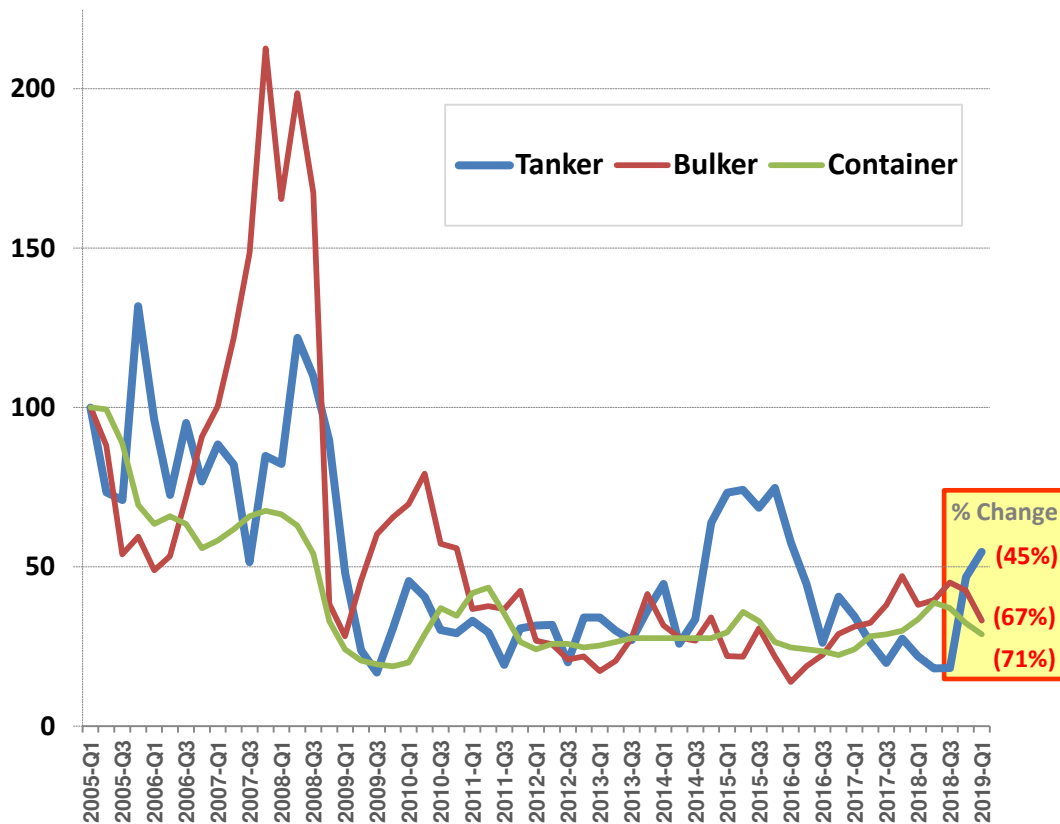


Shipping environment

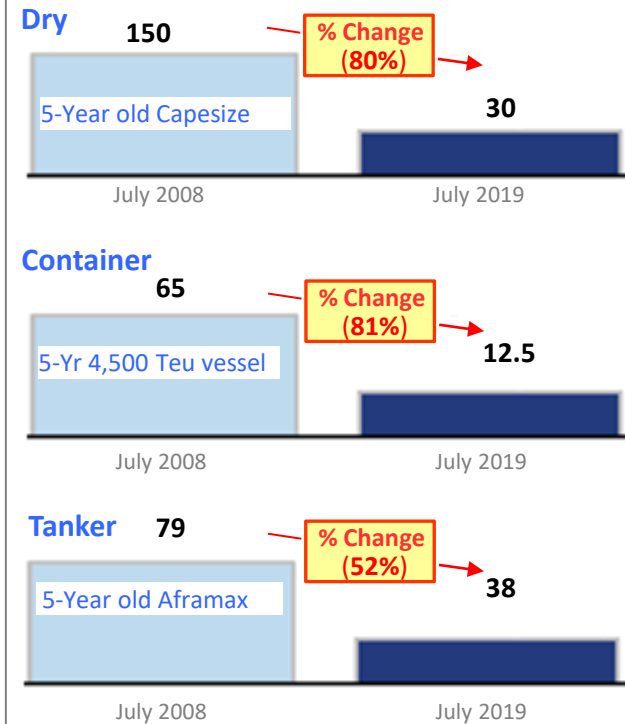
Freight Rates & Asset values (Change and Correction)

In all three main shipping sectors

Shipping Charter Rates (Indexed - as at Q.1 2019)



Asset Values (US\$ mm - as at Q.3 2019)



Source: Clarkson's Research, Baltic Exchange

Shipping & Ship-Financing Crisis

Dominance of European Banks

Shipping Finance is dominated by
European Banks



2009

Top 30 banks: \$ **380 bn**

- European Banks: **90.0%**
- Asian Banks: 6.6%
- U.S. Banks: 3.3%

2018

Top 30 banks: \$ **286 bn**

- European Banks: **52.5%**
- Asian Banks: 42.5%
- U.S. Banks: 5.0%

➤ If European Banks suffer... Ship-financing will suffer

Data source: Petrofin

Shipping & Ship-Financing Crisis



Shipping & Ship-Financing Crisis

European Shipping Banks

Why are the **European Shipping Banks under strain?**

- **US Sub-Prime crisis** / Exposure to 'investment products
- **Banks over expanded** during good years / period of overleveraging
- **European Sovereign debt crisis** / Increased provisions due to faltering European economies

Shipping & Ship-Financing Crisis

European Shipping Banks - **Shipping Related Problems**

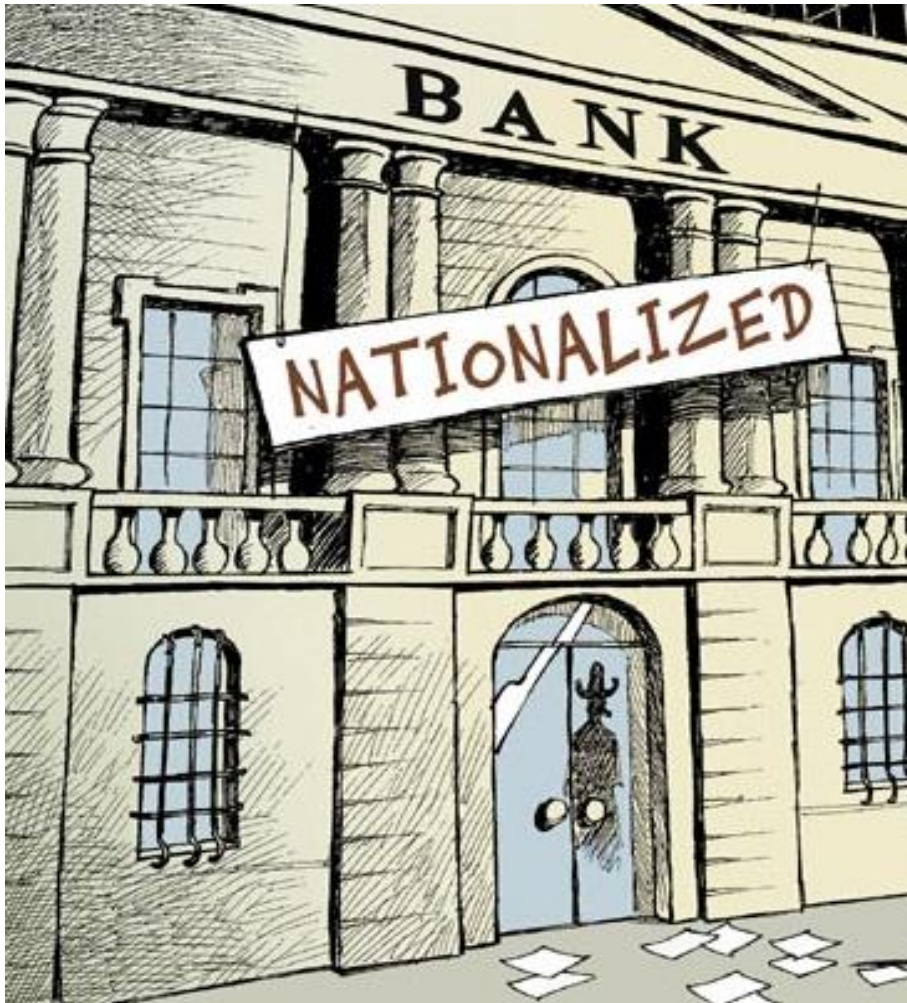
In addition to Sub-prime and Sovereign debt Crisis

- Reduced Demand & Ships Oversupply
- Freight Rates & Asset Values Correction
- Shipping Companies Cashflow squeeze
- **Shipping Banks**
 - (a) **Loan Defaults.**
 - (b) **Weak recovery expectations;**
due to falling asset values
 - (c) **ratings squeezed.**
 - (d) **capital ratios declined** (deteriorating creditworthiness feeds through internal rating models, increasing the relative risk-weighting under Basel III).



Shipping & Ship-Financing Crisis

European Banks Priorities Changed...



2009:

90% of Debt Ship-Finance
was from European banks;
their priorities changed



2019: Shipping Banks that have exited



Deutsche Bank



Deutsche Schiffsbank



COMMERZBANK



Dresdner Bank

~~BREMER LANDESBANK~~

~~NORD/LB~~



~~WestLB~~

~~RBS~~



~~BANK OF SCOTLAND~~



~~Hamburg Commercial Bank~~



~~Bank of Ireland~~

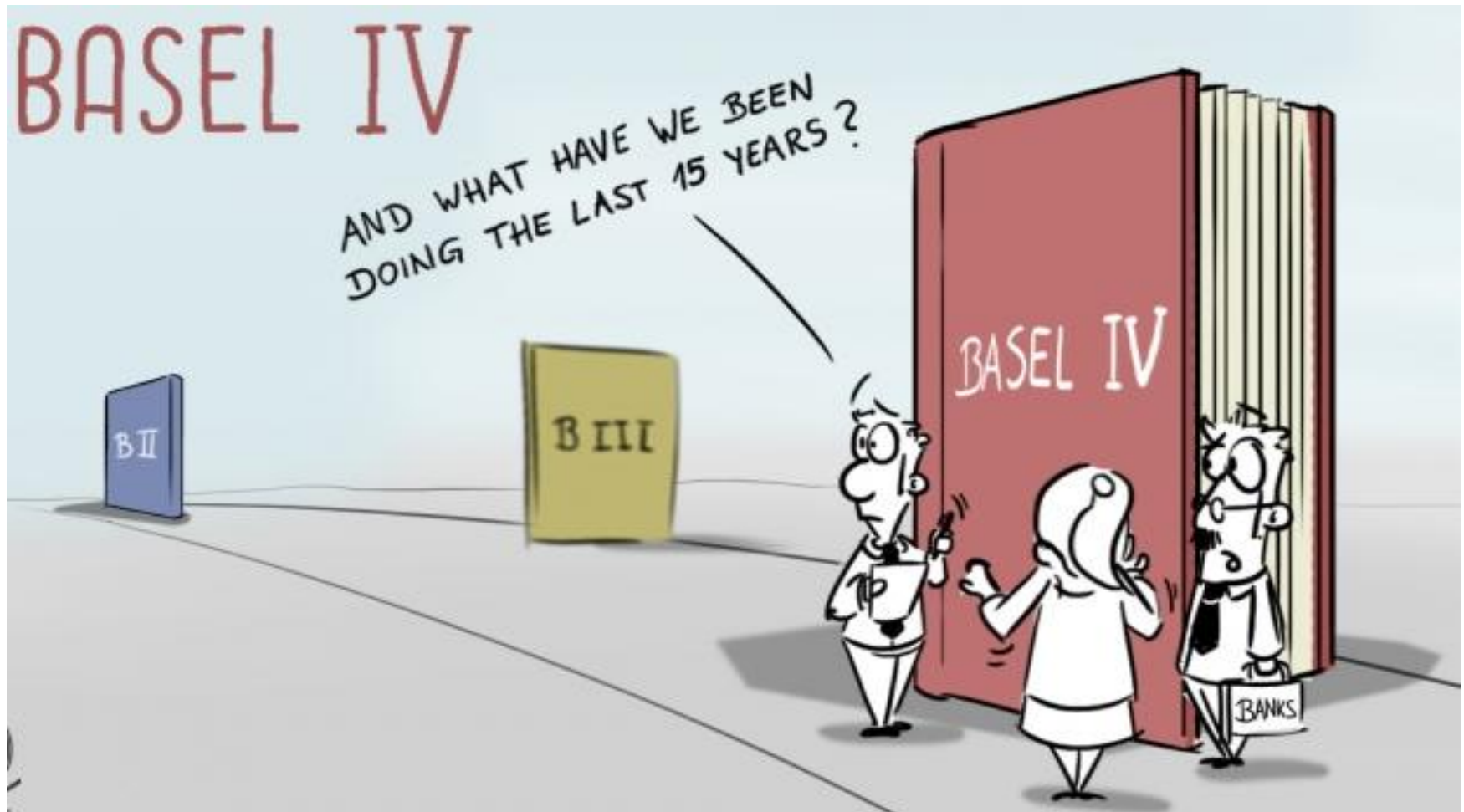
~~Lloyds TSB~~



~~FORTIS~~

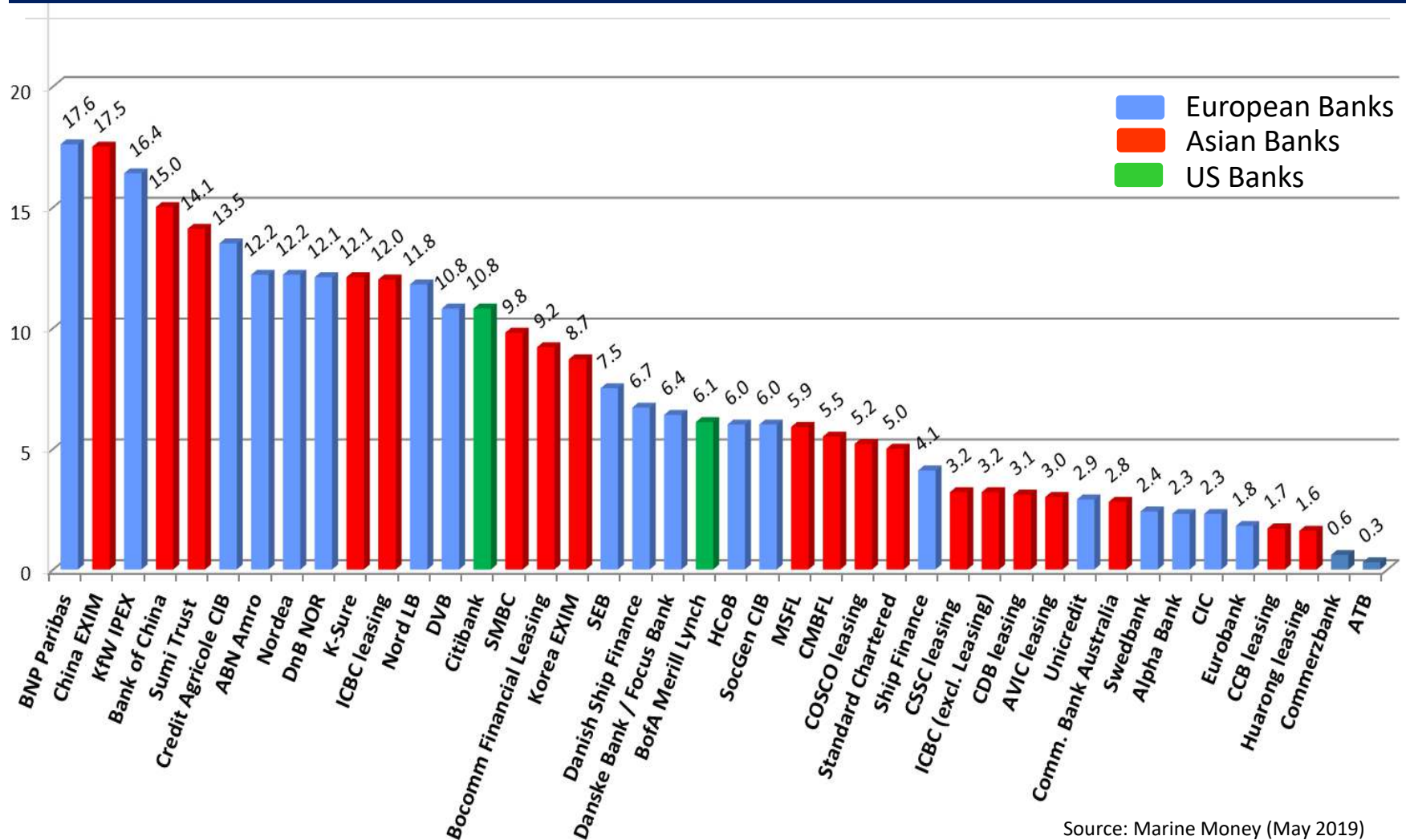
Shipping & Ship-Financing Crisis

Tighter Regulatory Environment



Global Debt Ship-Financing Landscape

Top 42 Shipping Banks - \$310.5 B - (Asian banks on the rise)



Source: Marine Money (May 2019)

Global Debt Ship-Financing Landscape

From American to... European... to.... Asian Banks & Debt Funds

70s- 80s

Chemical Bank

Bank of America

Citibank

Bank of New York

Bankers Trust

Continental Illinois

First National Bank

Wells Fargo

90s-Present

Deutsche Schiffsbank

Fortis

Bank of Scotland

Nordea

Deutsche Bank

DVB

Royal Bank of Scotland

DnB Nor

Bremer Landesbank

HSH

2008 -Present

Capital Sources of Increasing Importance:

Export Credit Agencies

Asian Banks

Chinese Leasing

Debt Funds

Global Debt Ship-Financing Landscape

Who is lending at present?

EUROPEAN LENDERS

- **Greek** Banks : ACTIVE (But Limited Capacity)
 - **Cypriot** Banks : ACTIVE (But Limited Capacity)
 - **UK** Banks: EXITING / LIMITED Capacity
 - **FRENCH** Banks: -----//-----
 - **GERMAN** Banks: -----//----- (*KG Issues*)
 - **DUTCH** Banks: ACTIVE (SELECTIVE)
 - **SCANDINAVIAN** Banks: -----//-----
 - **SWISS** Banks: -----//----- (Cross-Selling)
-
- **Issues:**
 - **Recapitalization:** Re-building regulatory capital
 - **Problem Loans:** Human Capacity drained

Global Debt Ship-Financing Landscape

Who is lending at present?

NON - EUROPEAN LENDERS

- **CHINESE** Banks : Policy Banks (Active / Selective)
- **KOREAN** Banks: -----//-----
- **JAPANESE** Banks: Active (locally)
- **AUSTRALIAN** Banks: New Entrants (very Selective)
- **US** Banks: 1-2 Banks (very Selective)

Global Debt Ship-Financing Landscape

RISK MANAGEMENT

A changing ship-financing approach

- Who calls the shots

 - Risk Management Dept

- Small is definitely not beautiful:

 - Focus on Top-Tier / Transparent Corporates

- Decision making process

 - Lengthy process

 - Sometimes with Absurd Requirements

- Terms:

 - Higher Pricing, shorter Period, shorter Profile

Global Debt Ship-Financing Landscape

Shipping Sectors

WHERE IS CAPACITY FLOWING TO?

➤ Traditional Shipping Sectors

Not a Priority

➤ Energy Shipping Sector

Of Interest

Clients:	Financially solid / Transparent Corporates
Assets:	Specialized / High Quality specification vessels
Employment:	Long-term with high credit rating charterers



ECA:	Policy Banks (e.g. KEXIM) or ECAs (e.g. K-Sure) may participate in the financing structure
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Shipping Banks' Finance Process

Initiation/Request

- Either through client meetings, sales pitch or direct request from the client

Internal analysis

- Thorough in-house analysis, including:
 - Analysis of the market
 - Country / yard risk
 - Client risk
 - Cash Flow analysis, projections
 - Collateral (second hand values)

Indication letter to client

- Indicative structure of the financing
 - Suitable to client needs
 - Acceptable banking risk
 - Pricing (Fees & Margins)
 - Syndication Issues

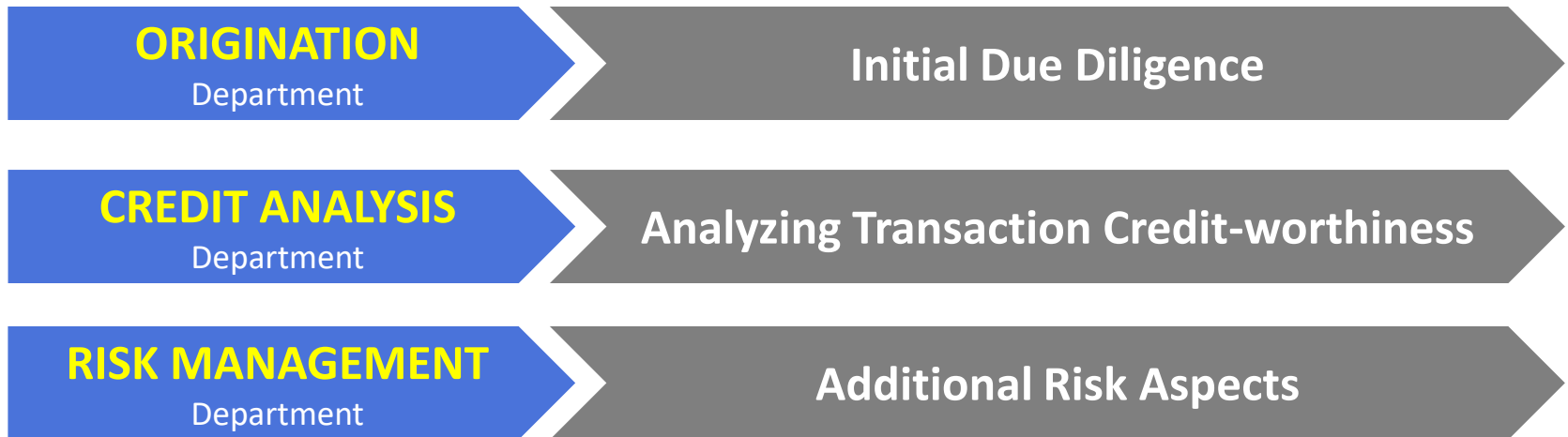
Shipping Banks' Finance Process



Shipping Banks' Credit Analysis

Who carries it out / Information Sources

Different departments within the Bank (involved in Credit Analysis)



Sources of Information for Credit Analysis Purposes

CLIENT MEETINGS

BANKERS

SUPPLIERS

BROKERS

ANALYSIS DEPARTMENT

MARKET REPORTS

OTHER

Shipping Banks' Credit Analysis

5 Cs of Credit



Character



Capacity



Capital



Collateral

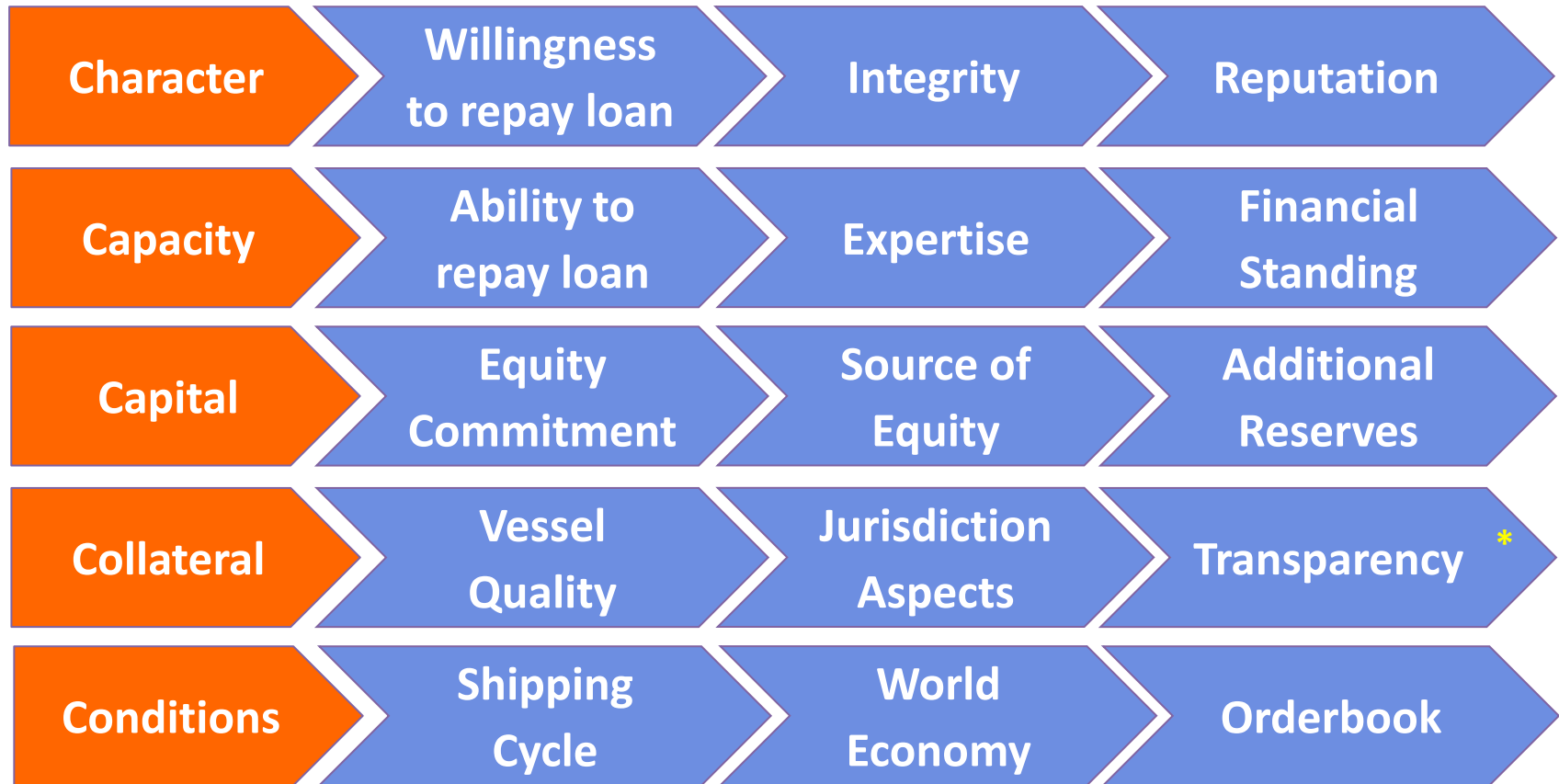


Conditions



Shipping Banks' Credit Analysis

5 Cs of Credit



* Transparency significantly enhanced through **Corporate Holding structure**

Shipping Banks' Credit Analysis

RATING DRIVEN Credit Approach / Factors of Analysis

FUNDAMENTALS

TIMING

PROJECT

QUALITATIVE
Factors

QUANTITATIVE
Factors

EXPERIENCE

CHARACTER

WORLD
ECONOMY

COMMODITY
SUPPLY

COMMODITY
DEMAND

INTEGRITY

VESSEL
QUALITY

FREIGHT
RATES

ORDERBOOK

TON-MILLES

TRANSPARENCY

CHARTERER
QUALITY

FINANCIAL
STATEMENTS

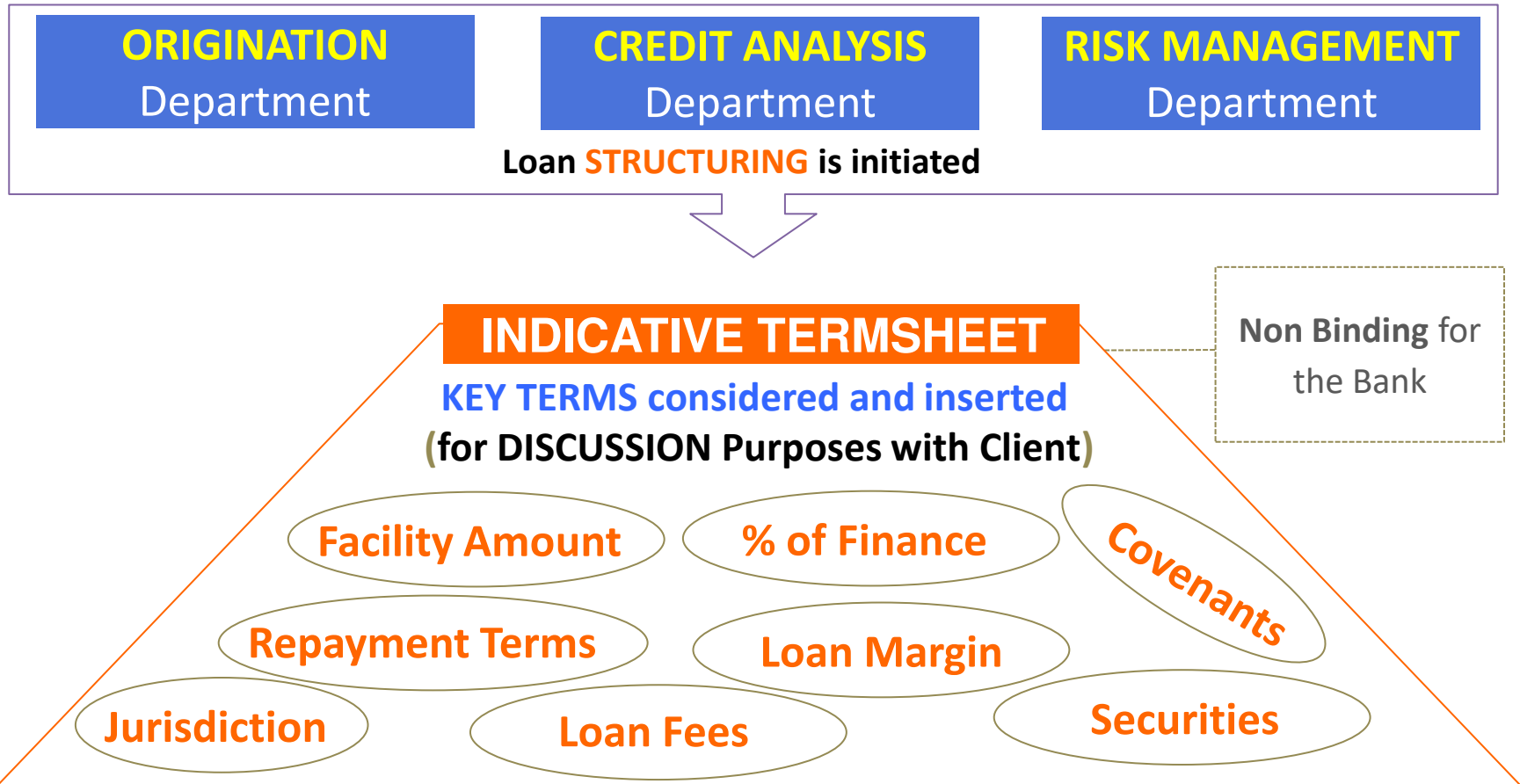
COLLATERAL
VALUE

LOAN TO
VALUE

RATING of PROJECT

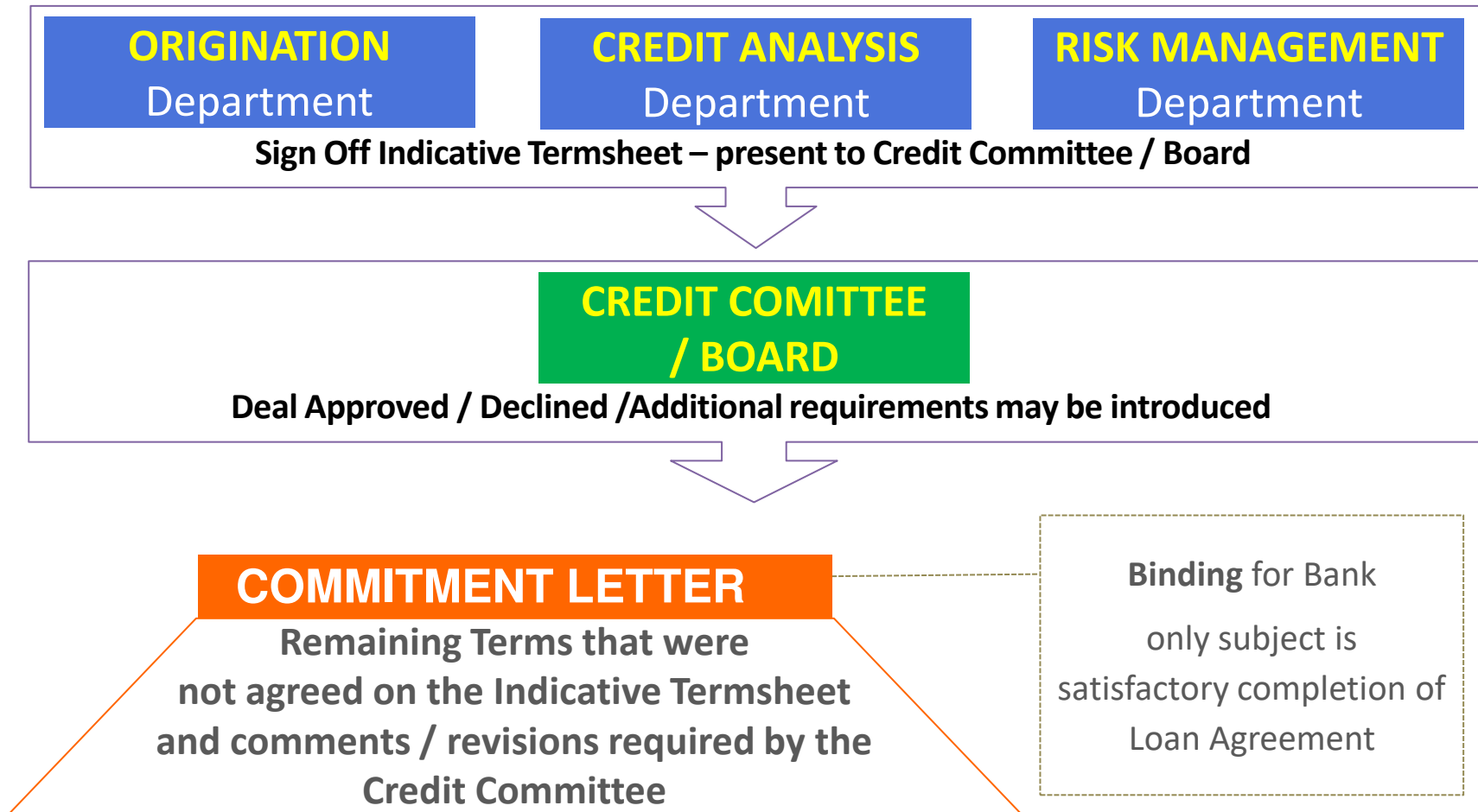
The Indicative Letter

Once **Credit Analysis** Completed & Findings satisfactory to Bank...*Next Step:*



The Commitment Letter

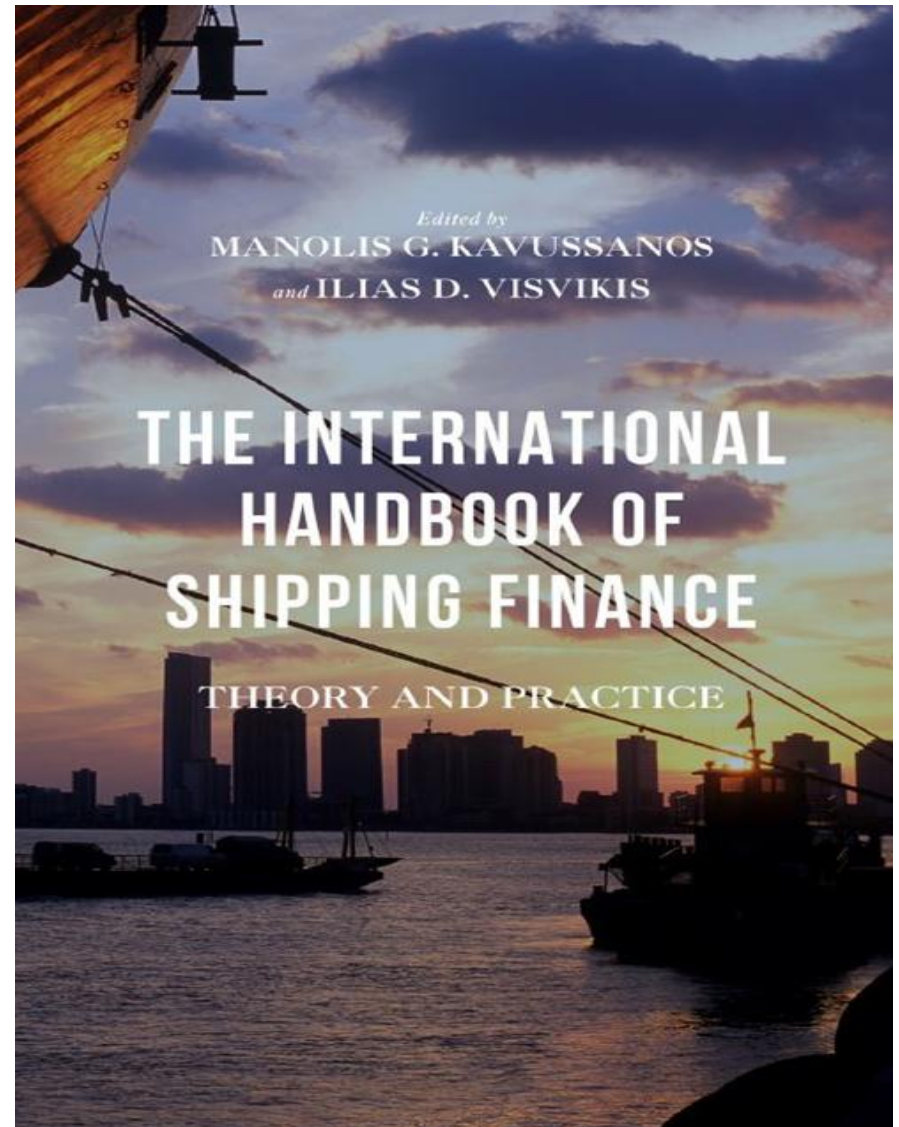
INDICATIVE TERMSHEET : Accepted (signed) by Client ... *Next Step:*

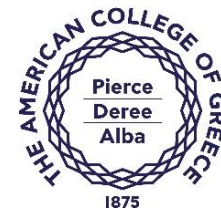


Happy Shipowner!



Some Further Reading!





Thank You

Καλό Καλοκαίρι !!

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