

Traditional Ship Finance and The Cypriot Contribution

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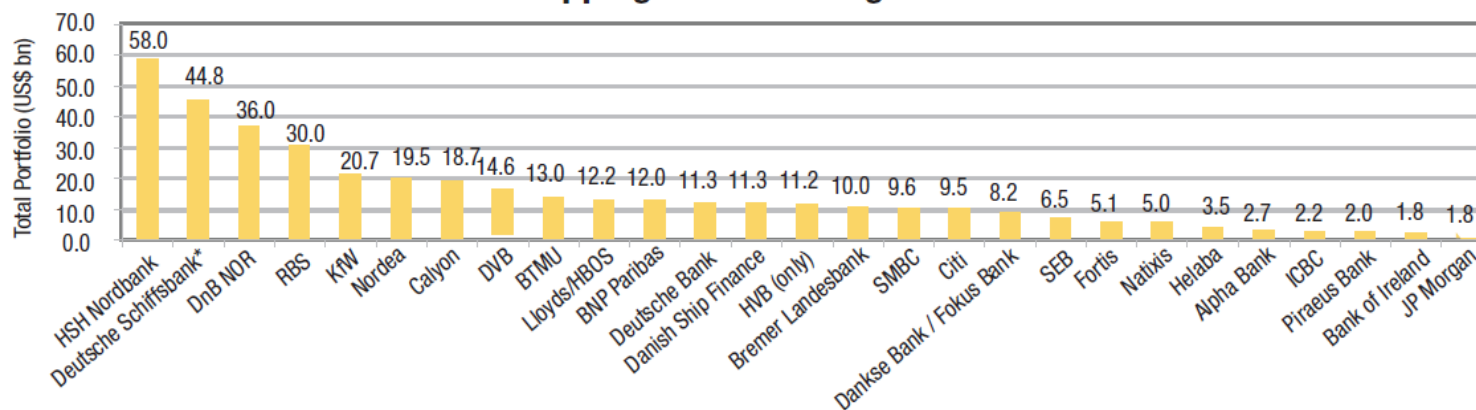
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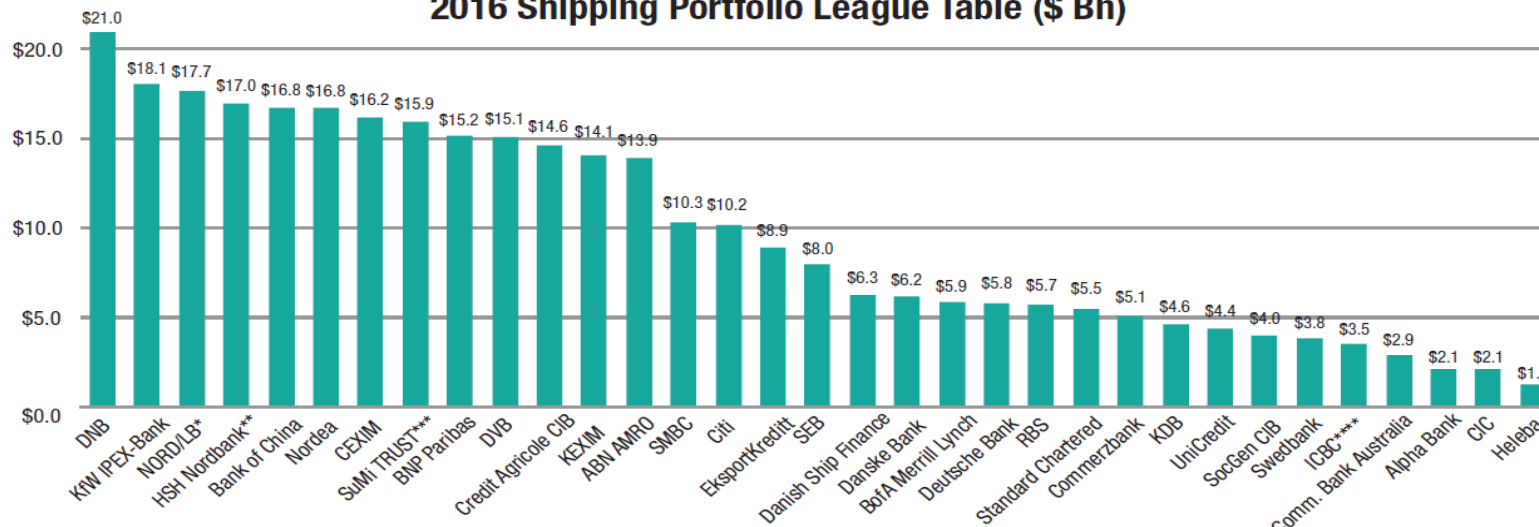
The International Ship Finance Landscape Has Changed Dramatically

2008 Shipping Portfolio League Table



* Includes Deutsche Schiffsbank, Commerzbank & Dresdner Bank

2016 Shipping Portfolio League Table (\$ Bn)



* Nord LB's portfolio reflects the acquisition of Bremer Landesbank ** HSH Nordbank's total is split between Core (\$6.9 bn) and Non-Core (\$10.1 bn) *** SuMi TRUST portfolio as of Q3 2015 **** ICBC's portfolio does not include ICBC Leasing's totals

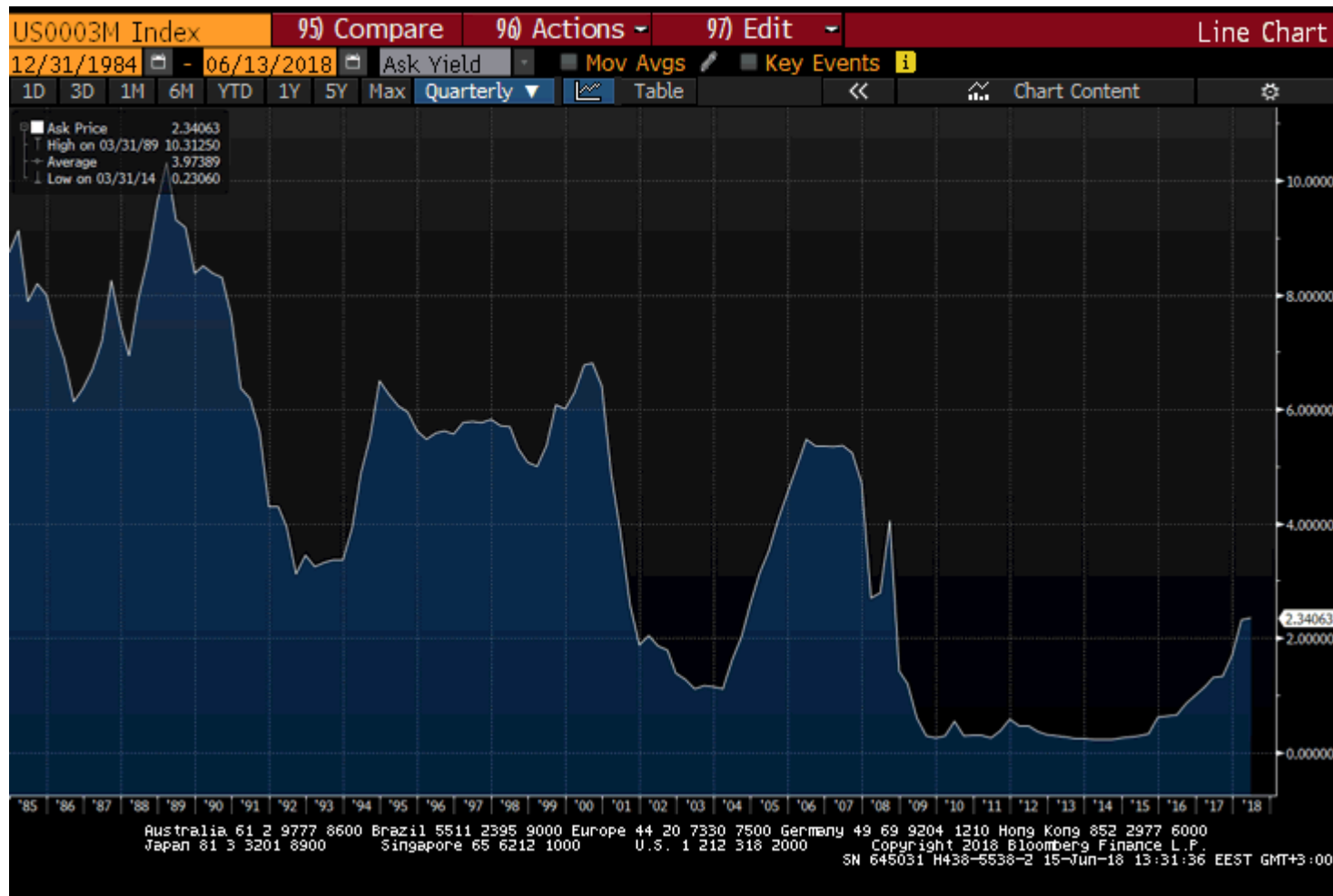
- Top 3 banks down c.59% from c.USD 138.8bn pre-crisis to c.USD 56.8m in 2016
- Top 10 banks down c.37% from c.USD 267.5bn pre-crisis to c.USD 169.8bn in 2016
- All of the pre-crisis Top 10 banks have reduced their portfolios or exited
- Number of banks has increased

Source: Marine Money

The International Ship Finance Landscape Has Changed Dramatically (cont'd)

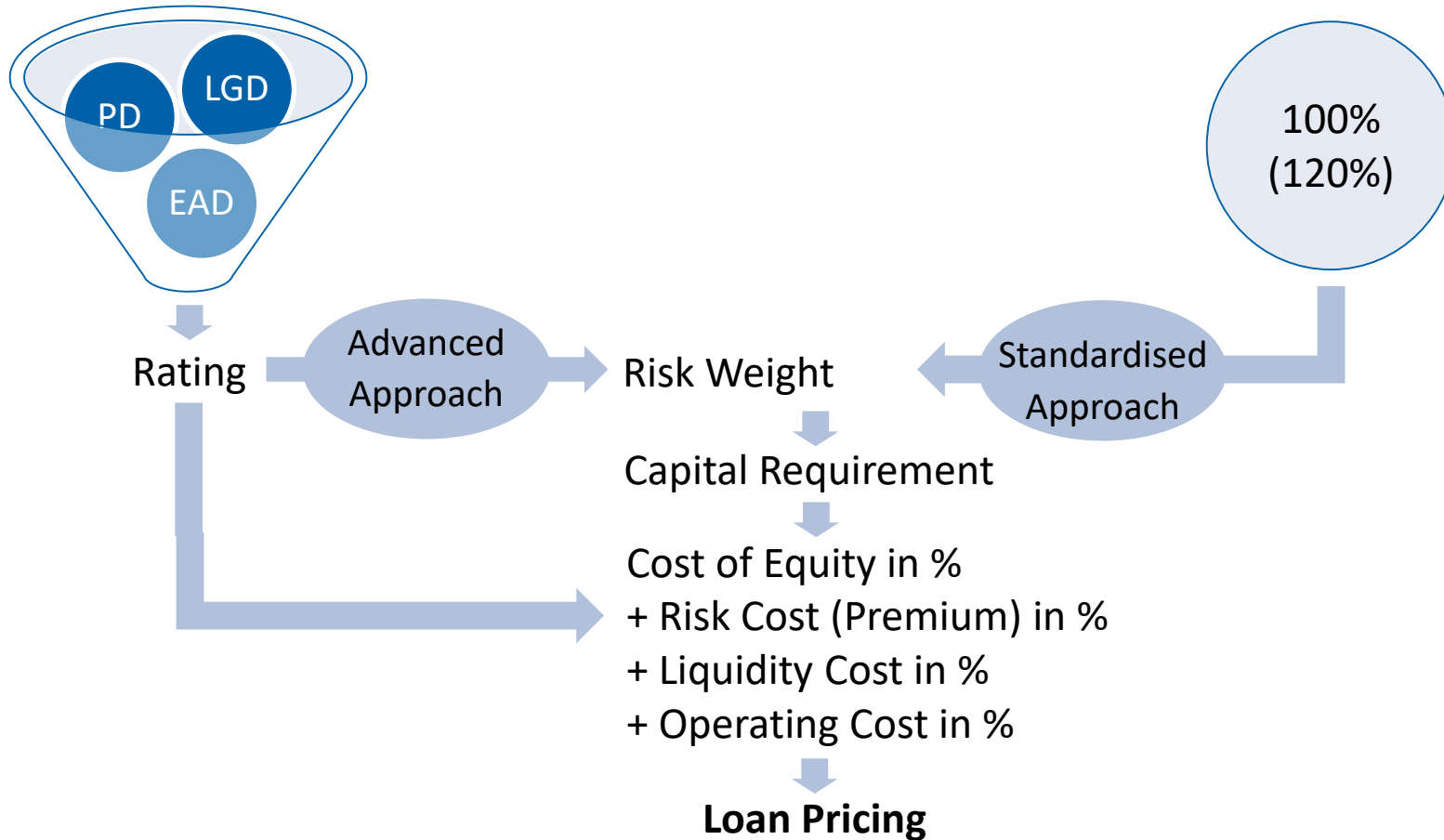
- Ship finance is under scrutiny of the regulators and investors – numerous banks exited
- Most banks focus on existing customers and top-tier owners, pressure on smaller owners
- Increased due diligence – focus on track record of shipping companies, both operationally and financially
- Focus on liquid markets such as dry bulk, tankers (crude and products), containerships and gas carriers and projects with charter coverage
- Tighter requirements with regards to corporate governance, financial reporting and transparency as well as, often, legal structure of shipping companies
- Reduced transaction volumes due to market cycle vs. minimum ticket sizes
- Lower appetite to underwrite, fewer syndicated transactions and increased focus on bilateral financings
- No pre-delivery financings available from Western banks
- Competition recently increased for top-tier owners due increased activity:
 - Ship finance moves East with more Asian financial institutions expanding, some among the Top 10 banks now
 - More fragmented European ship finance market
- Unregulated, alternatives sources of debt capital such as debt funds stepped in

The Good News: Cost of Traditional Debt Finance below Pre-Crisis Levels



Despite the increased spreads compared to pre-crisis levels, and the recent upward trend of the USD-LIBOR, the cost of traditional ship finance loans is at historical levels

Loan Pricing and the Impact of the Basel Accord: The Bad News



- Benchmarking of pricing to similar-risk asset classes (asset allocation)
- Requirement of external risk models in the advanced approach likely to lead to a decrease of credit ratings and an increase of the equity requirement
- Standard risk weight in the Standardised Approach expected to increase, leading to a higher capital requirement

➡ The lower the loan amount/advance ratio, the shorter the maturity and the higher the predictability of cash flows, the lower loan margin

Overview of Key Market Financial Terms

- Loan Amount
 - Market provides for advance ratios up to 70% of the market value of the vessel(s) depending on the project
 - Usually minimum ticket sizes of USD 10.0m, often higher
- Interest
 - Floating interest rate (USD-LIBOR)
 - Depending on transaction, minimum spreads of 300 bps above LIBOR, lower for top-tier owners
- Fees
 - Arrangement fee of 150 bps or more
 - Prepayment fees of 50 bps
- Maturity
 - 5 years (7 years max)
 - Amortisation profile of 15 years max

Typical Financial Covenants

- Asset Cover Ratio
 - Minimum (aggregate) market value of (all) the vessel(s) to total secured debt
 - Modification: Market value adjusted total assets to total liabilities
 - Example: 140% (equivalent to a maximum loan to value of c.71%)
- Minimum liquidity per vessel
 - Depending on the type and size of vessels owned/operated
 - Example: USD 0.7m per vessel (as pledged cash in a liquidity account with the lender)
- Debt Service Cover Ratio
 - Ratio of EBITDA(R) to total debt service (total interest (paid) and (contractual) debt amortisation and payments under (financial) leases
 - Example: 1.5 to 1.0
- Interest Cover Ratio
 - Ratio of EBITDA to total interest (paid)
 - Example: 5.0 to 1.0

Typical Financial Covenants (cont'd)

- Minimum Market Value Adjusted Net Worth
 - Dependent on the counterparty
 - Example: USD 200.0m
- Maximum leverage
 - Ratio of Net IBD (and capitalised off-balance sheet obligations) to EBITDA(R)
 - Example: 3.5 to 1.0

The Cypriot Contribution

- Hellenic Bank has been leading the expansion of Cypriot banks in ship finance
- Hellenic Bank's ship finance desk was set up in 2016
- Counter-cyclical, selective approach
- First transaction closed in January 2017 – a total of eleven transactions closed in 2017
- Focus on small- and medium-sized, family-owned shipping companies in Cyprus and Greece
- Focus on dry bulk, tankers (crude and product), containerships and gas carriers
- Direct lending with a wholesale approach – long history in serving the shipping community in the area of transaction banking services
- Capital is a key pillar of any successful shipping cluster – ship finance creates a value add to the economy

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