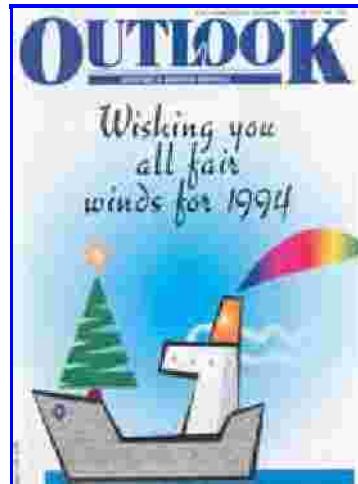




## Shipfinance attracts more banks

December 1993









Last year's Petrofin Research showed that in 1992 the number of active shiplending banks had declined to 39 major and 28 minor names. Bearing in mind the importance of worldwide transportation in general and shipping in particular and the great number of international and national banks in business on a worldwide basis, the number of active shiplending banks was truly startling. It reflected the banks' attitude to perceived shipping risk, as well as losses in other banklending sectors, as well as the need to conserve capital in view of the higher capital adequacy rules applicable in the 1990's.

We have conducted similar research one year later in order to determine the changes in the number, composition, role and nationality of banks. The end 1993 results are shown in the table below next to the end 1992 results. The findings are both significant and revealing and underline the changes in shiplending policies by banks on a worldwide basis. The major changes we wish to highlight are the following:



### INTERNATIONAL SHIPPING BANKS 1993-1992

COUNTRY/ REGION	MAJOR ROLE		MINOR ROLE		TOTAL		%	
	1993	1992	1993	1992	1993	1992	1993	1992
BRITAIN	8	7	8	6	16	13	18	19
FRANCE	6	7	3	2	9	9	10	14
SCANDINAVIA	5	5	4	1	9	6	10	9
GERMANY	6	4	3	2	9	6	10	9
HOLLAND	4	4	2	1	6	5	7	8
OTHER EUROPEAN	1	3	13	8	14	11	16	16

NORTH AMERICA	10	7	8	7	18	14	20	21
OTHER COUNTRIES	6	2	2	1	8	3	10	4
GRAND TOTAL	46	39	43	28	89	67	100	100

-  The overall number of shiplending banks increased from 67 to 89, i.e. an increase of 33% over the year. However, the number is still small in comparison to the over 200 banks that were active in the 1970's.
-  The increase in banks enjoying a major role in shiplending was 18%, i.e. an increase of 33% over the year. This is understandable, since it takes time for banks to develop the necessary expertise and confidence to become a major player or to return to shipfinance in a major way.
-  The number of minor / locally active shiplending banks showed a remarkable rise of 54%, i.e. from 28 to 43 banks. This is most encouraging, since it reflects the increased confidence by banks in re-entering the shiplending field although initially in a minor or restrained manner.
-  The number of major European shiplending banks remained unchanged with small internal changes in view of additions / departures. However, due to an increase in North American and other non-European banks from 9 to 16, the importance of the European banks declined from 77% to 65% during the current year.
-  European presence in the minor sector has remained strong and even increased during the last year from 20 to 33 banks, representing 77% of the world total in this category.
-  In terms of specific nationalities, the year marked the return to lending by more Scandinavian and North American banks, increased activity by German and U.K. banks and a steady presence by Dutch and French banks.



The major factors that have contributed to the increase in shiplending activity relate in

-  the increased ability and interest by banks due to an improvement in their own capital and internal positions, profitability, ability to take on additional risk and a hesitant improvement in the state and prospects of their economies (especially North America and Europe)
-  the relatively healthy condition and prospects for the international shipping sector

Finance activity in the Greek shipping sector has been particularly strong and there has been more active bank presence in Piraeus in terms of activity as well as representation. The latter increasingly takes the form of a physical network or by the opening of a representative office or appointed representative.

In general, it is felt to be better and safer to have a local presence and such representation upgrades the importance of the bank in the Greek shipping market. Petrofin are aware of at least 3 banks that have plans to open offices in Greece within 1994. At present, 19 of the non-Greek shiplending banks are physically represented in one form or another in Greece.

The prospects for the number of shiplending banks on a worldwide basis are dependent on:



-  the general evaluation and strength of the world economy in general and the banking sector in particular and
-  the relative attractiveness and progress of the shipping market from a lender's point of view.

We believe that 1994 will witness a modest recovery, subject to any sudden adverse economic developments in Russia or Japan. However, the recovery in the banking sector will be even more pronounced and hence the increased

ability and willingness by banks to lend to the shipping industry.

The prospects for the shipping industry in general and Greek shipping in particular remain healthy, especially over the 3-5 year medium terms, where the need to replace overage and technically inefficient or obsolete tonnage will become overwhelming.

Given the above positive expectations, we believe that:

-  the number of banks involved in shiplending will increase over the years and
-  the increase will come primarily from minor / local banks which will provide much needed loan capital to meet the industry's ever increasing requirements.

The creation of a larger pool of minor shipping banks will facilitate a greater number of 'club' or 'medium-sized' syndicates that will cater for the needs of the larger shipping clients, whose high loan requirements will not be fully catered for by their existing lead banks.

Following a rise in overall yield credit over the last years, the trend has stopped and in some instances reversed as keener competition has developed among leading shiplenders for targeted, quality clients. The average life of loans, however, has risen, in part reflecting the attention given by banks to younger age vessels, as well as increased interest in newbuildings.

Overall though, the changes in ship finance terms in 1993 have been marginal and no major changes are expected in 1994.

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From Special Report Outlook  
December 1993 Issue

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