



BANKS: Increasing Interest in Greek Shipping

May 1993

Outlook

Analysis and prospects of International shipfinance for Greek shipping.

The maritime market is to attract long-term investors and the current reluctance to finance the shipping sector will be overcome.

Ted Petropoulos, Joint Managing Director of PETROFIN E.P.E., believes that the future of shipping is sound and that developments in the Greek Shipping center, in which Banks are showing greater interest, will be positive

Mr. Petropoulos was invited by the HELLENIC SHIPBROKERS ASSOCIATION to deliver a speech for its members, other prominent participants and students of the Shipping Department of PIRAEUS UNIVERSITY on April 2nd, 1993.

Mr. Petropoulos presented to the audience PETROFIN's research on the number and nationality of active shipping Banks on an international, as well as, local basis. The relatively small number of Banks was noteworthy not only in comparison to the large number of Banks worldwide but also bearing in mind the high capital requirements of the shipping industry.

The research underlined the greater interest by European Banks towards shipping over the last decade and the increasing interest in Greek shipping by International shipping Banks.

The main reasons given for the small number of Banks involved in shipping were:

- *The new capital adequacy rules.*
- *The effects of the worldwide recession, and*
- *Problems in other areas of lending such as, real estate, energy, etc.*

Surprisingly, shipping has not added to the problems of the world banking industry despite its reputation as a “high risk” industry and the losses experienced by Banks in the 80’s.

Mr. Petropoulos explained that shipping was still perceived by most Banks as a specialized and risky industry thereby reducing their interest in developing the necessary expertise and make the appropriate capital commitments. In addition, shipping loans count as 100% risk assets against capital, which is a disadvantage.

Shipping, however, is steadily overcoming its “stigma” and it is a question of time before the number of shipping Banks grows to take advantage of market opportunities.

PETROFIN’s research also showed the average cost of shipfinance to have risen over the last 3 years as shiplending capacity, has been reduced and demand for loans still far outstrips available supply.

Greek shipping has been traditionally served by foreign Banks most of which have a physical presence in Greece. This trend will continue although lately Greek Banks have also developed an increased appetite for competitive shiplending. Surprisingly, though, only one of the newly constituted Greek Banks has a shipping policy. This, however, will change soon since a number of Banks wish to seriously consider shipping when they become more firmly established.

The other main characteristics and trends of shiplending are:

- *The reduced percentage of offered finance,*
- *the concentration on standard type of vessels,*
- *the reluctance to finance new entrants to the industry,*
- *lack of shiplending for older vessels,*
- *lack of interest in financing International Joint Ventures, and*
- *increase in the average size of shiplending transactions.*

Mr. Petropoulos also dealt with changes in loan structures and securities, the importance of quality vessel management and the effects on shipping cash flow from rising insurance, repair and maintenance costs. The importance and potential of the Athens Stock Exchange was also stressed and the measures that need to be taken to allow it to provide the level of support that is provided by other International Stock Exchanges.

Mr. Petropoulos believed that the future of shipping was sound and that Greek shipping would prosper in the years to come. In particular, he believed that the market in the medium term would be supportive of shipping investments, and that the relative scarcity of Bank finance would be overcome.

The role of the international financial shipping consultants was outlined to the audience and the services offered both to the shipping community and to shiplending Banks. In short, consultants introduce new clients to Banks, ease the process of loan negotiation and the provision by Banks of competitive terms, promote the development of good co-operation between clients and Banks and assist both parties in overcoming any problems that may arise.

Mr. Petropoulos stressed the need for greater co-operation between shipbrokers, financial consultants and Banks in the effort to improve the effectiveness of services provided by all three to the Greek shipowning community.

Many questions followed and there was a widespread discussion and full audience participation.

Mr. Petropoulos thanks Mr. Nikos Pentheroudakis, the President of the Hellenic Shipbrokers Association, and Mr. Goulielmos, Professor of the UNIVERSITY OF PIRAEUS and all the attendees for their warm reception and interesting questions.



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