



CAPITAL LINK FORUM- THE VOICE OF OUR YOUNG EXECUTIVES

BANK FINANCE AND SHIPPING

International focus has been placed on the prevention of environmental pollution and protection of our planet. As the world's resolve to protect our planet grows, environmental concerns have seeped into the international shipping community, resulting in the sector moving away from fossil fuels and towards decarbonisation. The forthcoming rapid technological changes in the continuation of ships, has exposed most players in the shipping industry, particularly banks, to high risk. In 2019 there was a significant decrease in the portfolio returns.

Following the plethora of regulations and the challenges that have occurred in 2020, financial institutions should adapt their policies and systems, and take into account the environmental considerations in lending decisions. Last year, banks focused on limiting their investing strategies by offering more conservative loans. Selecting the "right customers" is their main priority because, if banks discover belatedly that they have invested in ships that will become undesirable or even obsolete (due to changes in environmental regulations) then they may face valuation write-downs or even defaults in their portfolio. Banks select customers based on specific criteria, such as credit strength, history, environmental profile, financial performance, environmental sensitivity and sustainability.

Following this strategy, banks promote responsible environmental stewardship in the maritime community.

Shipowners: questions to consider:

- Can we handle the conservative loans?
- Do we belong to the category of the "right customers" based on criteria set by the banks?
- Do we comply with environmental regulations?
- What results may the conservative loans have on a company's sustainability?



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