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# THE EVOLVING LANDSCAPE OF ASIAN MARITIME FINANCE

**7th ANNUAL CAPITAL LINK GREEK SHIPPING FORUM –  
“OPPORTUNITIES & CHALLENGES”**

**February 16, 2016 – ATHENS, GREECE**

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# Introduction

- Asian, mainly Chinese, banks are now major capital providers to the shipping industry
- Recent figures show Bank of China, China Exim and ICBC (including Leasing) occupying 3 of the top 7 slots in the league table for 2015
- The L/C portfolios of the top 3 Chinese banks (mentioned above) now exceed \$50 billion
- The other Asian name in the top 7 is Korea Exim

# Impact on Greece

- Year of Maritime Cooperation between Greece and China was launched in Beijing in March 2015
- Greek shipping companies have signed high value deals with Chinese banks and leasing companies
- Chinese financial lessors entered international ship finance market in a significant way in 2013
- The lessors have access to ample liquidity from parent banks
- ICBC Leasing is now the largest maritime leasing company in China with £7 billion as at Q1 2015

# What is lease financing?

- Lease financing involves a lessor (leasing company SPV) leasing an asset, such as a plane or a ship, to the lessee (the borrower/operator) in exchange for the payment of hire (lease payments) throughout the term of the lease.
- The lease payments should cover the entire cost of the asset plus a return on capital to the lessor.



# What is lease financing?

- Different types of leasing structures:
  - (1) Financing lease
  - (2) Operating lease
  - (3) Hire purchase
  - (4) Retention of title
  - (5) Sale and leaseback



# Differences from traditional bank financing?

## Bank Financing

- The borrower retains legal title over the asset.
- The lender receives interest on the loan (plus fees, etc)



## Lease Financing

- The lessor (lease finance company SPV) retains legal ownership over the asset during the lease period. Only possession of the asset passes to the lessee (e.g. a traditional shipowner).
- Lessor receives return in the form of return on capital (plus fees, etc)

# Differences from traditional bank financing?

## Bank Financing

- The lender may take security for repayment of the loan by obtaining:
  - a mortgage over the asset;
  - an assignment of the earnings, insurances or other proceeds relating to the asset;
  - share charges over the borrower; or
  - a guarantee from the borrower's parent or other group company.

## Lease Financing

- The lessee has economic ownership of the asset, but not legal ownership
- It has the use and possession of the asset during the main part of its useful economic life
- No ship mortgage (between lessor and lessee), but other security package is similar

# Typical Structure – Vessel Lease Financing

- BBC
  - Typical hell or high water BBC
  - Financing provisions (similar to Loan Agreement)
- Typical Security Documents
  - Charterer's Assignment
  - Share Charges
  - Guarantees
  - Account Charges
  - etc.



# Overview of the Chinese financial leasing market

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# Chinese finance leasing companies

	MOFCOM Foreign Finance Leasing Company 外资融资租赁企业	MOFCOM Pilot Domestic Finance Leasing Company 内资融资租赁试点企业	CBRC Financial Leasing Company 金融租赁公司
Registered capital	US\$10million	RMB170million	RMB100million
Type	Foreign-funded enterprises •Sino-foreign joint venture •Sino-foreign cooperation •foreign-owned enterprises	Business enterprises set up in China	Non-bank financial institutions



# Chinese finance leasing companies

## 中国融资租赁公司

MOFCOM Foreign Finance Leasing Company 外资融资租赁企业	MOFCOM Pilot Domestic Finance Leasing Company 内资融资租赁试点企业	CBRC Financial Leasing Company 金融租赁公司
 <b>远东国际租赁有限公司</b> INTERNATIONAL FAREASTERN LEASING CO.,LTD	 <b>CIMC</b> 融资租赁	 <b>工银租赁</b> ICBC LEASING
 <b>Yangtze River International Leasing LTD.</b> 扬子江国际租赁有限公司	 <b>长江租赁有限公司</b> CHANGJIANG LEASING	 <b>国银租赁</b> CDB Leasing
 <b>中国平安 平安租赁</b> PINGAN LEASING	 <b>BOHAI LEASING</b> 渤海租赁	 <b>民生金融租赁</b> MINSHENG FINANCIAL LEASING CO.,LTD.
 <b>恒信金融租赁有限公司</b> UniTrust Finance & Leasing Corporation	 <b>浦航租赁有限公司</b> Pu Hang Leasing Co., Ltd.	 <b>交银金融租赁有限责任公司</b> Bank of Communications Finance Leasing CO.,Ltd
 <b>仲利国际租赁有限公司</b> CHAILEASE INTERNATIONAL FINANCE CORPORATION	 <b>中航国际租赁有限公司</b> AVIC LEASING CO.,LTD	 <b>招银金融租赁</b> CMB Financial Leasing
 <b>聚信租赁</b> JUXIN LEASING	 <b>上海国金租赁有限公司</b> Shanghai Guojin Leasing Co.,Ltd.	 <b>农银金融租赁有限公司</b> ABC FINANCIAL LEASING CO.,LTD.

# Chinese finance leasing companies

Through December 2014 <sup>[1]</sup>:

Total number: 746 (including financial leasing companies and other finance leasing companies)

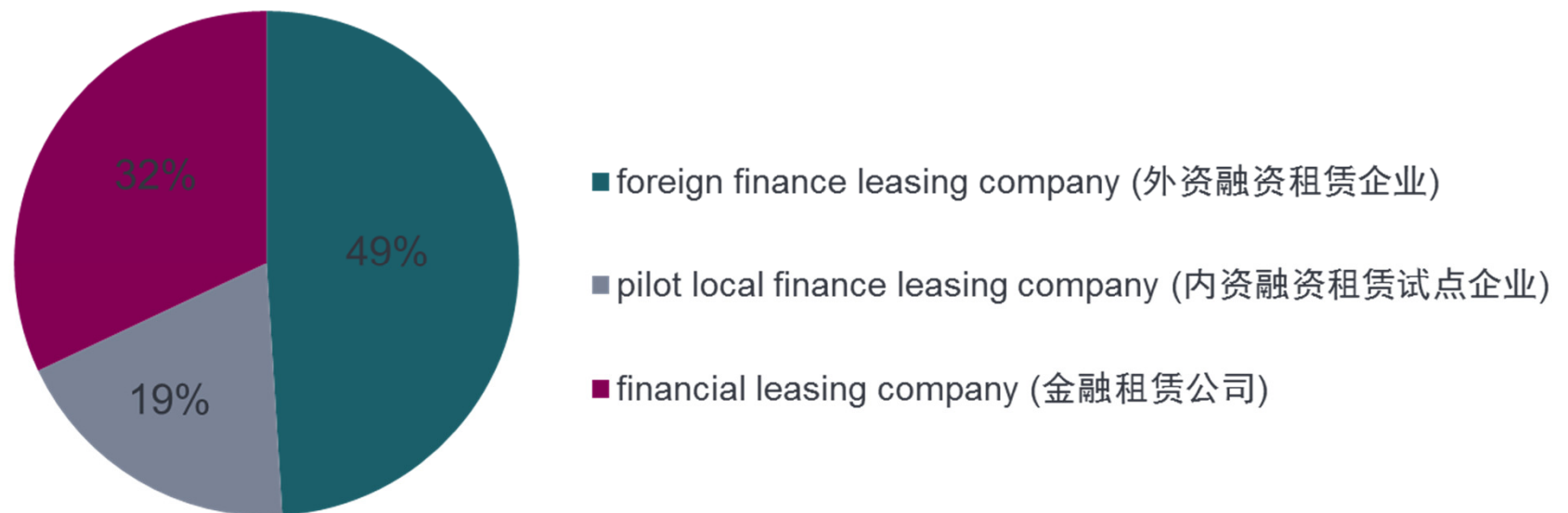


<sup>[1]</sup> CK Yang, ICBC Financial Leasing Co Ltd, Alternative financing for Gulf based shipowners, Marine Money Gulf Ship Finance Forum 4 March 2015

# Chinese finance leasing companies

Through December 2014 <sup>[1]</sup>:

Total registered capital: US\$38.8 billion



<sup>[1]</sup> CK Yang, ICBC Financial Leasing Co Ltd, Alternative financing for Gulf based shipowners, Marine Money Gulf Ship Finance Forum 4 March 2015

# Chinese finance leasing companies

Through December 2014 <sup>[1]</sup>:

Total leasing assets exceeding: US\$323 billion



<sup>[1]</sup> CK Yang, ICBC Financial Leasing Co Ltd, Alternative financing for Gulf based shipowners, Marine Money Gulf Ship Finance Forum 4 March 2015





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Opportunities to pursue lease financing



# Opportunities to pursue lease financing

- **Lack of availability of bank financing or other financing options**

- There may be a variety of reasons for this including the bank's unwillingness to provide ship financing in general or because of the creditworthiness of the company seeking the financing.

- **Strength of Leasing Companies**

- The leasing company is in the business of arranging this type of financing structure so in the case of financially sound operators, is more likely to receive bank funding as they present a lesser credit risk. Their higher credit rating will also mean credit is obtained more cheaply.

# Opportunities to pursue lease financing

- **Restrictions by existing financing arrangements**
- **Other restrictions (constitutional documents, etc.)**



# Advantages for the lessor

- The lessor still retains legal title to the asset. This means the lessor is typically in a better position than a lender as the asset is not subject to any security granted by the lessee in favour of an existing lender.
- It should also be easier for the lessor to re-take possession in the event of default by the lessee in making a scheduled payment as compared to the position of a secured lender who tries to enforce its security.
- New Marshall Islands law to protect lessors

# Possible disadvantages of lease financing

- Lessee Perspective
  - Tax
  - Flexibility of use of asset
- Lessor Perspective
  - Insolvency of the lessee
  - Legal ownership/liability relating to the asset during the lease period

# Regulatory risks

- Sanctions



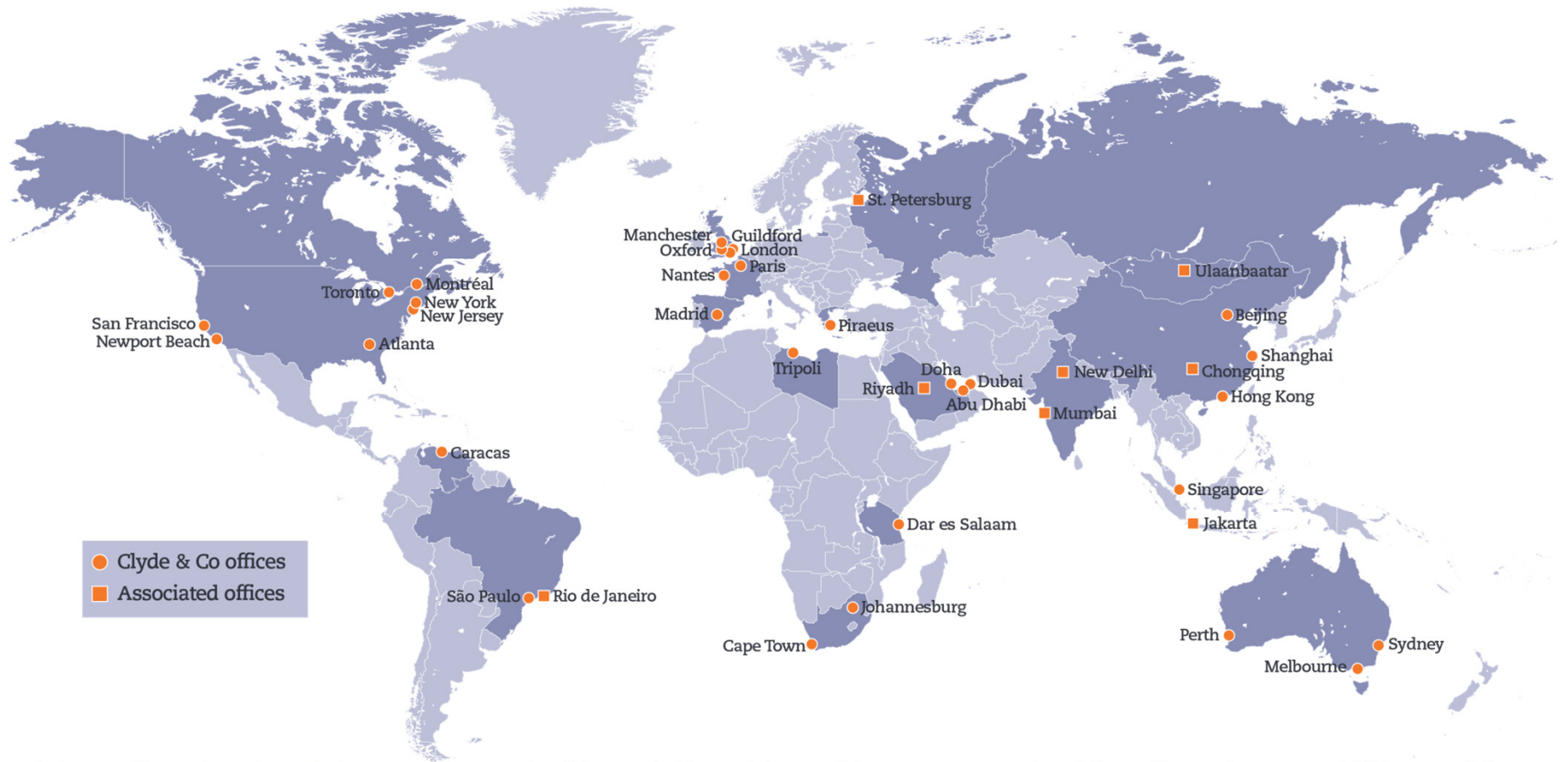


# Regulatory risks

- Criminal prosecutions



# Our international offices



Our international network is supplemented by relationships with correspondent law firms in over 120 countries.

## THANK YOU

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