Lloyd's List

Chinese banks slow to process loans

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Some Chinese banks have been increasingly willing to put up cash to European owners prepared to order locally.

Delays of up to nine months are common

CHINESE banks are taking up to nine months to approve loan applications, putting several Greek owners out of pocket if the yuan appreciates as expected, shipfinance sources say.

Reasons for the delays are said to include inexperience in international markets, the lack of a sophisticated credit system, a shortage of dollars, bureaucracy and undue caution.

With traditional lenders in northern Europe reluctant to look at shipping deals in recent years, many have hailed Chinese banks as an obvious source of salvation. While delays could make life difficult for some clients, in many cases they simply lack alternatives.

The Chinese state has made it a priority to keep shipyards open to prop up employment. Outfits such as the China Development Bank, Export Import Bank of China, Bank of China and China Construction Bank have been increasingly willing to put up cash to European owners prepared to order locally.

Assistance comes at a price, with interest rates higher than those granted to the select few companies that can still tap their European counterparts. In some instances rates are as much as 5% higher than the London Interbank Offered Rate.

Lloyd’s List has reported in the past that some Greek owners and others have lost interest on deals, due either to uncompetitive terms or to the duration of the process.

George Xiradakis, managing director of Piraeus-based XRTC Business Consultants, complained in a newspaper interview that “the maximum time observed by western banks when they grant a loan is only two months, while Chinese banks might take up to six months, sometimes even up to nine months”.

Mr Xiradakis was not available for comment, but Janos Koenig of rival consultancy Eurofin backed his views. He said that delays could be expected in pretty much all cases unless there was some political factor at work.

“They do not have the experience with foreign entities and they cannot assess them, really, so they take time,” Mr Koenig said.

“If you wait until you have the finances in place, as a prudent owner would, and have to wait for nine months, a lot of things can change. In today’s market, it may work in your favour, because prices of newbuildings are dropping.”

Moreover, Chinese banks would prefer to deal with the top 10 to 15 players in any given sector, but these are precisely the companies that often have better options elsewhere.

A further complication is that the funding costs for Chinese banks have risen dramatically of late. A dollar liquidity shortage and the appreciation of the yuan means that banks run the risk of booking losses on dollar lending over time, which could curb their appetite for shipping exposure.

“Chinese banks don’t have dollars, so they can’t really lend in dollars, or if they do, they do at really high cost,” said Mr Koenig.

The partial exception is China’s so-called policy banks, which are state-owned and mandated to carry out government policy. CDB and Exim do have dollars and the ability to lend if they wish. They lend in conjunction with established financing banks.

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