

The New Normal in Shipping Finance

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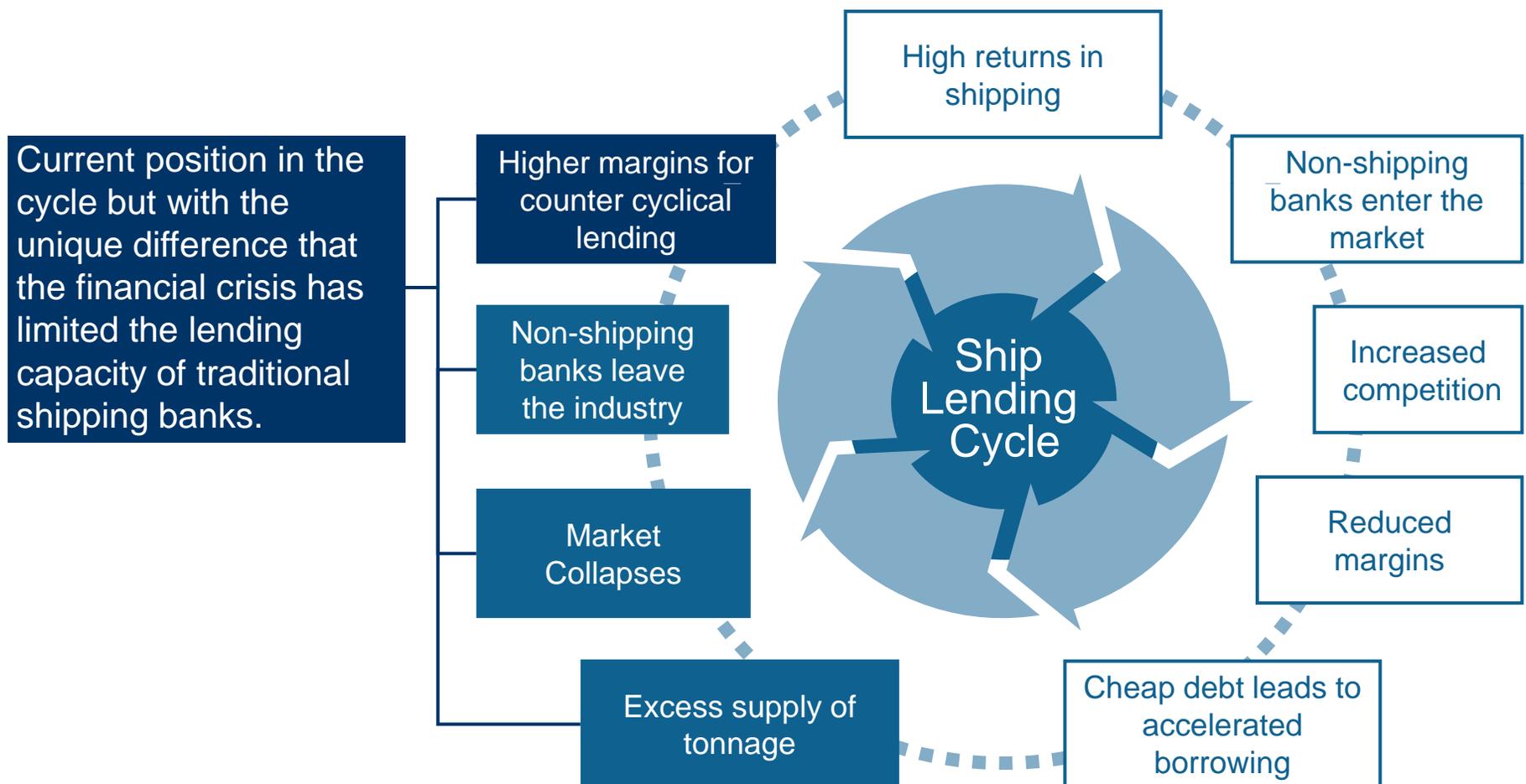
Fortis Bank Nederland



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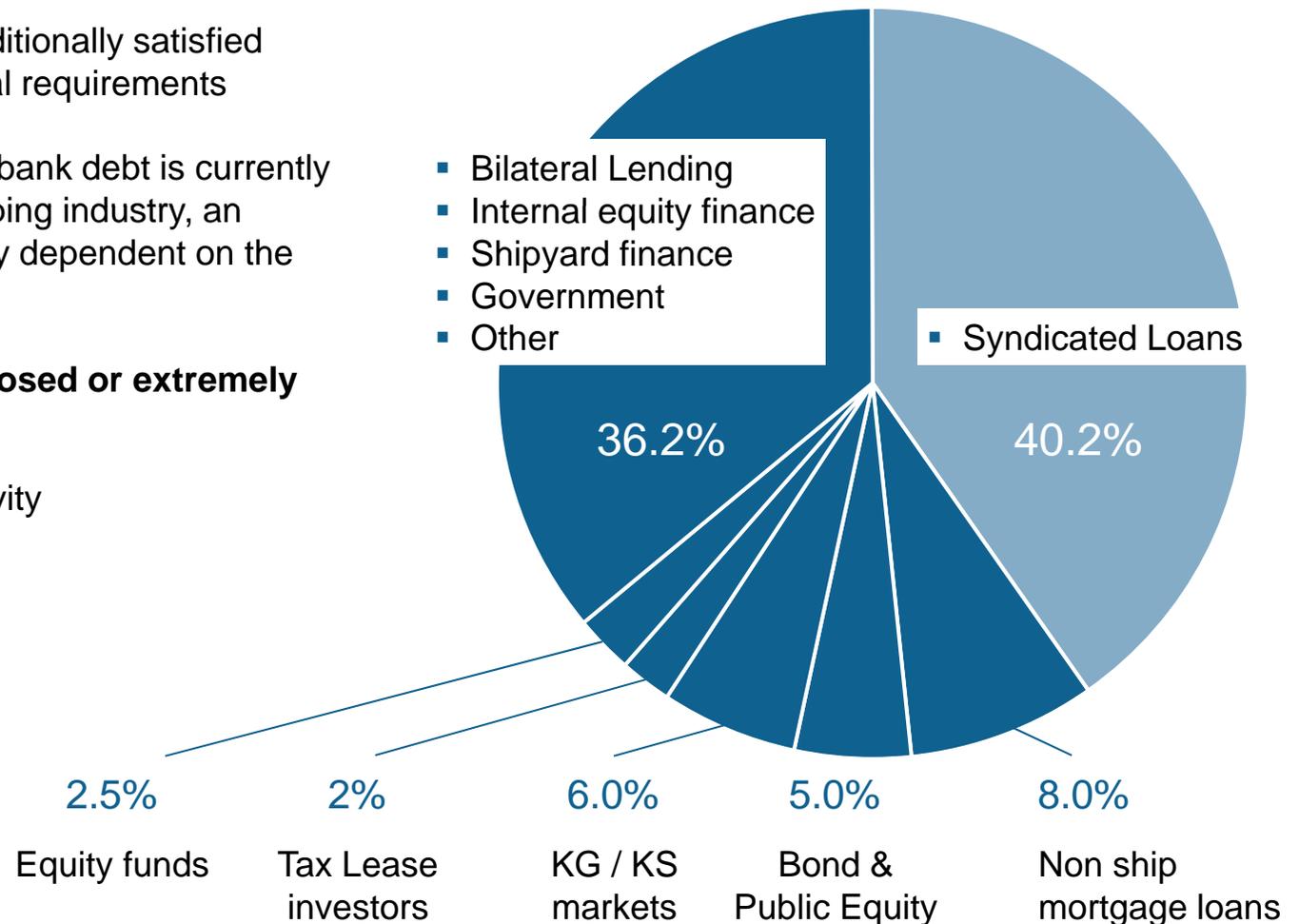
The Ship Finance Cycle



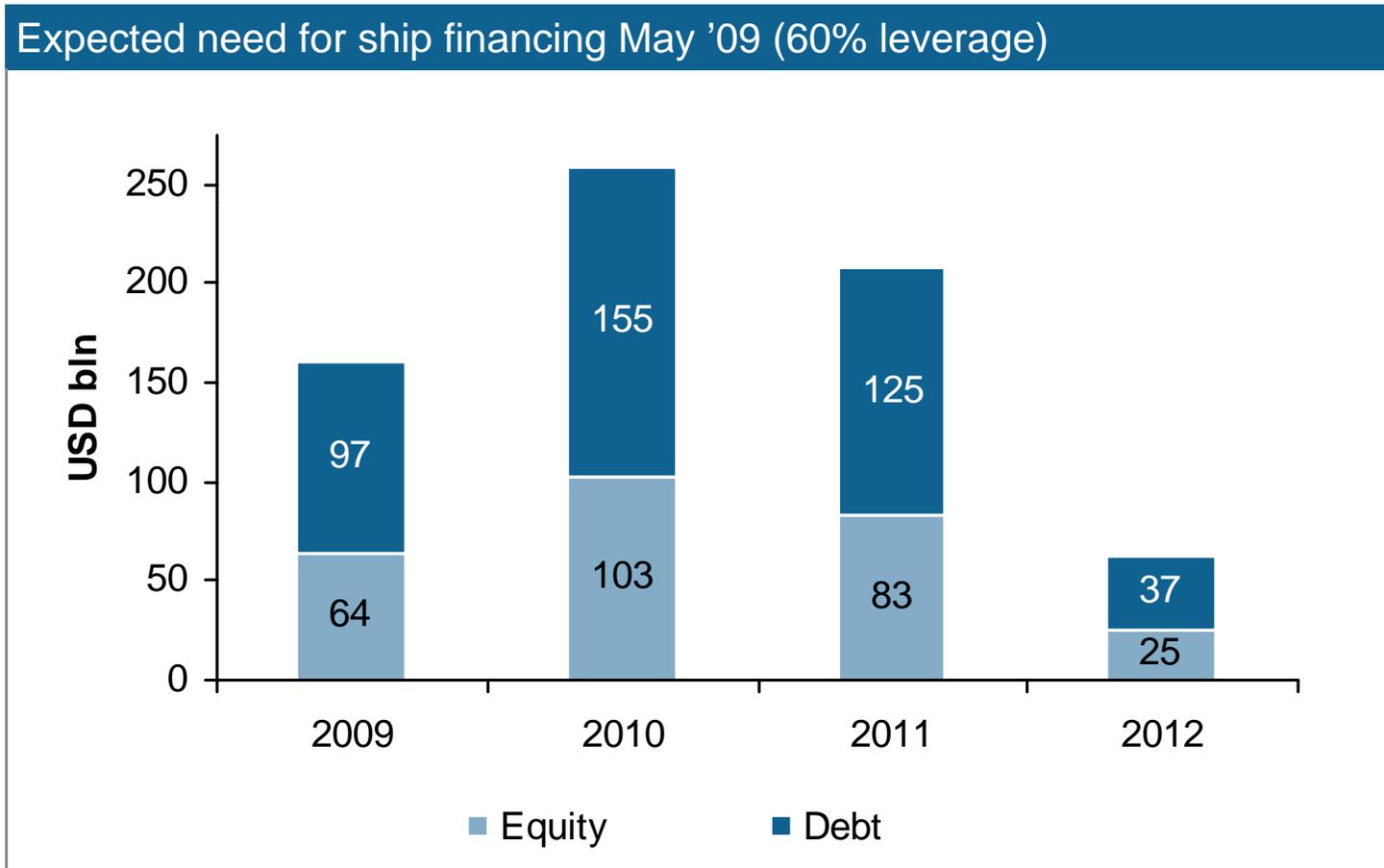
Traditional Sources of Capital for Shipping

- Bank Loans have traditionally satisfied approx. 75% of capital requirements
- A severe shortage of bank debt is currently constraining the shipping industry, an industry that is heavily dependent on the banking market
- **Markets currently closed or extremely limited activity.**

Limited activity
 Closed



Funding demand remains high...

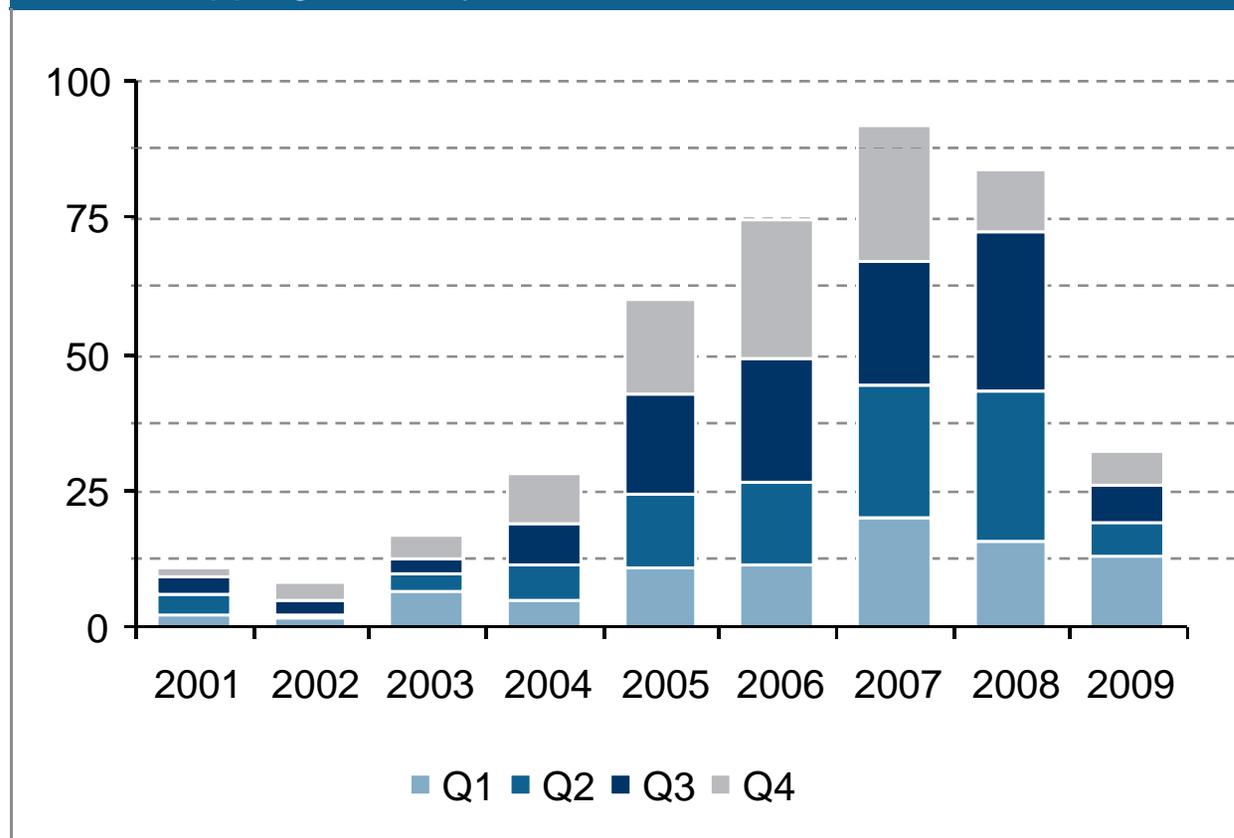


Source: Clarksons

Credit tightness since mid 2008.....

- In 2007 approximately USD 100 bln was lent to the shipping industry in the syndicated and non syndicated loan market
- 2008 showed a decline with a further sharp decrease in 2009

Global shipping loans by volume in USD bln

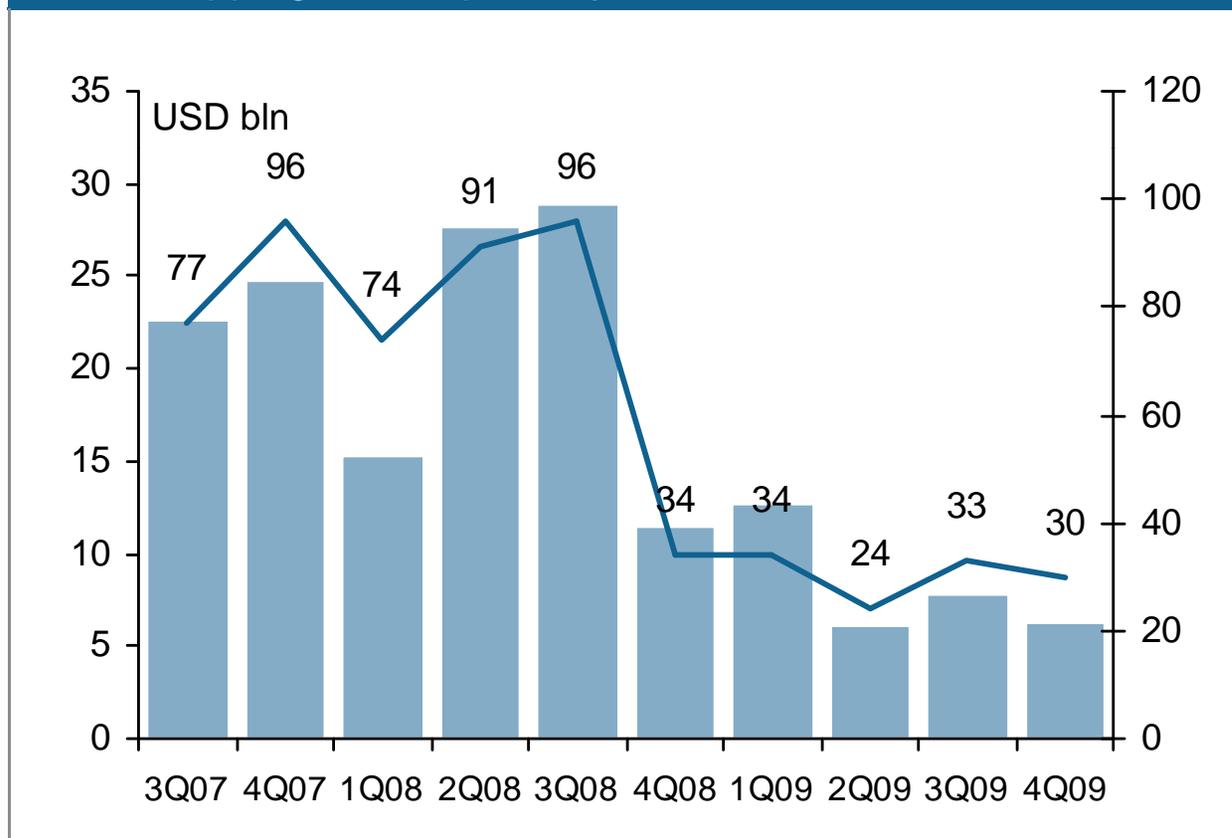


Source: Dealogic, syndicated and significant bilateral transactions

....and shipping finance continued to decrease

- The high volume in 1Q09 was mainly driven by AP Moller Maersk's USD 6.5 bln debt restructuring

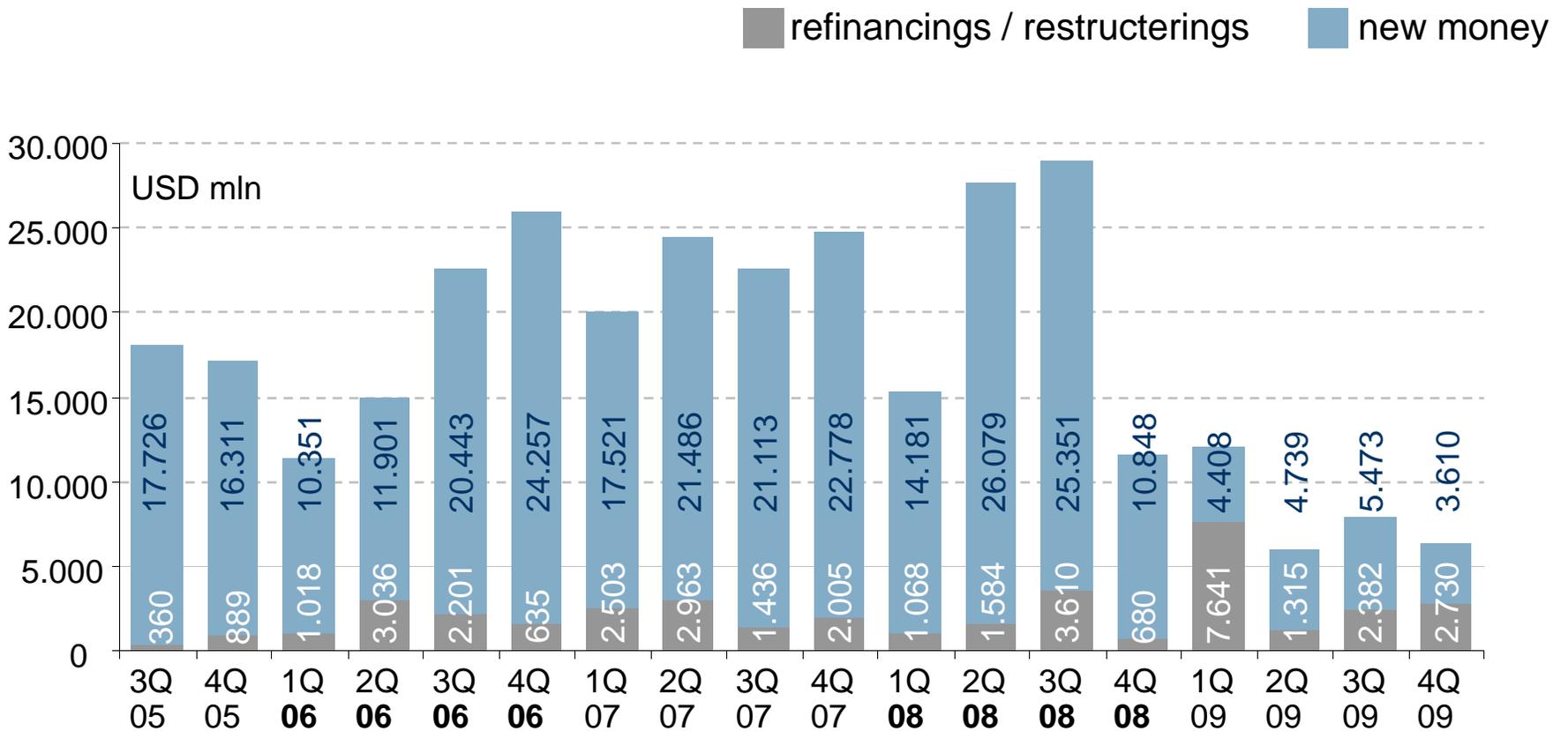
Global shipping loans: quarterly volume/number of deals



Source: Dealogic, syndicated and significant bilateral transactions

Basically coming to a standstill in 2009

Global syndicated shipping volume



Source: Dealogic

Trends in bank debt

Strict conditions

- Refocus on core clients & quality names
- Smaller facilities
- Little syndicated loan activity, bi-lateral and club deals
- Pricing increase
- Tighter covenants
- Declined appetite for LT debt; increased premium for LT funding

Less Liquidity

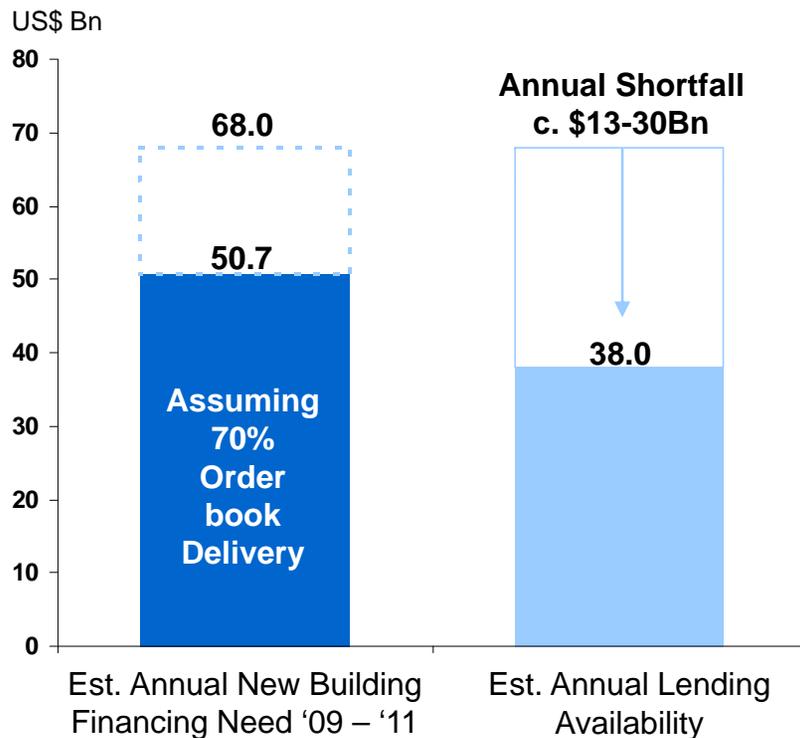
- Many big players in ship finance have significantly reduced activity due to:
 - pressure from governments to act more domestically,
 - credit related problems due to aggressive lending during shipping boom ,
 - concentration risk resulting from recent mergers
 - reduction of bank's balance sheets

So today it's all about:

- Core clients
- Core regions
- Core sectors – is this still shipping?

Conclusion: Major Shift in Ship finance has occurred

Financing shortfall is significant



Source: Marine Money, May 2009

Trends in Ship Finance

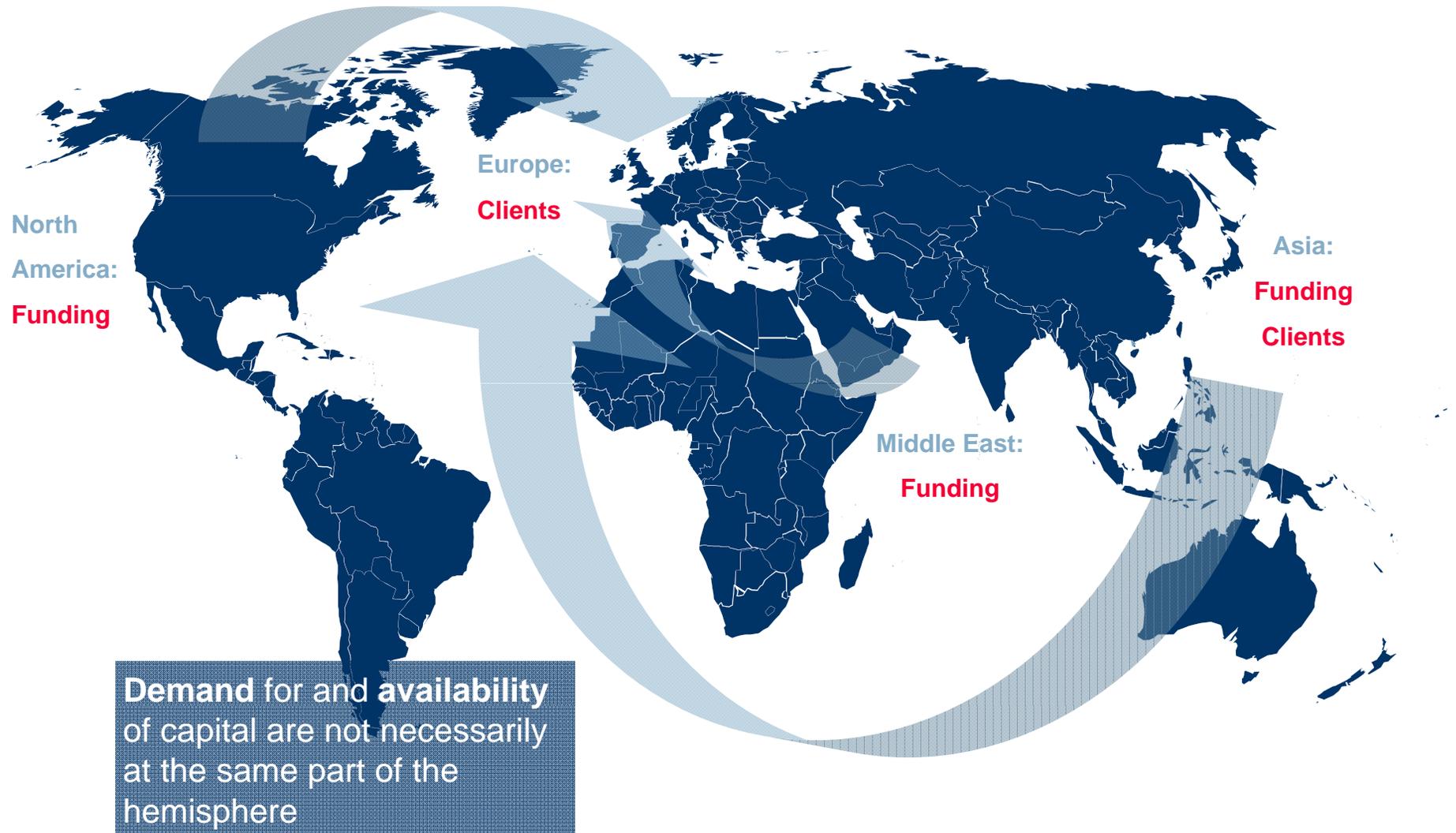
- Many big players in ship finance have significantly **reduced activity**
- This takes at least **50%** of the lending capacity out of the market.
- **Demand for capital** is very high due to high new building order book. There is a big gap with the expected capacity in the banking market.

How to deal with this ?

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Imbalance in capital supply and demand



Alternative sources of debt increase in relevance

- New funds need to be sourced – from pension & insurance funds, sovereign wealth funds, Islamic funds, bond and equity market, commodity producers and traders, etc.
- Part of the gap will be filled by DCM/ECM and private deals with institutional investors.
- Public equity & high yield bond markets open up again, also for Shipping

Investors looking for alternatives

Instead of traditional investments...

- Institutional investors are reducing exposure to traditional asset classes in particular equity
- Very low yields on government bonds and recent sovereign concerns reduce their attractiveness

...investors are looking for

- Long-term assets with a preference for higher yielding
- Inflation protected
- Low correlated risk
 - Corporate bonds
 - Infrastructure investments
 - Other long-term and low-correlated investments

High yield bonds attractive substitute for loan debt

Structural benefits:

- More *recession-resistant* capital structure
- Longest-tenor debt in capital structure and 'junior' layer of debt
- Diversify investor base and create trading liquidity for benchmarking and repeat issuance
- minimize or avoid expensive equity issuance and dilution

Interest rates is the next 'Big Worry' after this recession

- Borrowers looking to lock-in low fixed-rate coupons via bond transactions

Allows larger / more conservative borrowers to raise acquisition currency

- Bond market is increasingly re-opening for acquisition related financings

Fortis' role in the new market (1/2)

Establishing (Shipping) Funds

- Investors will benefit from:
 - carefully selected and diversified portfolio of new shipping loans
 - attractive risk - return profile.
 - Limited risk exposure; financing of assets < 10 year historic average values; conservative leverage position of 0 – 45% of current market values.
 - FBN's expertise in the global ship finance, its existing client base and its 200+ years of history in this sector.
- Direct participation in Fortis deals is also a possibility.
- FBN and Qatari Investment bank QInvest created a mezzanine fund aiming to fill the gap between what is available in the banking market and equity portion.

Fortis' role in the new market (2/2)

Regional imbalance

- Asian surplus in liquidity and looking for investment opportunities.
- 95% of all vessel ship yards are in Asia, looking for:
 - investment vehicles,
 - co-sponsors
 - experienced ship finance structuring parties
- Asian investors start entering alternative investments
- Asian yield requirements < US/EU yield requirements

Capital Markets & Traditional banking

- FBN has access to the Debt and Equity Capital Markets through a co-operation with Sunrise Securities Corp. in New York.
- FBN will continue to find innovative solutions for Shipping Sector

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Fortis has a long track record the ECT Industries



Energy

- Clients active from upstream to distribution:
- Offshore Oil (field) and Gas services
 - Power & Utilities
 - Carbon Banking
 - Renewables

Commodities

- Clients active in:
- Agri
 - Metals
 - Energy

Transportation

- Clients active in:
- Deep sea shipping industry
 - Intermodal
 - Aviation

Principal Finance

- Direct investments activities in ECT industries
- Portfolio of assets in projects related to and companies active in these assets

Top 5
Shipping
syndicated
loan markets

Top 3
Oil field
services
industry

Top 5
Commodity
bank
worldwide

We have come a long way since last year...

Some of our Transportation Group Milestones 2009

- ❖ 25 deals over US\$ 800 mln
- ❖ Announcement of new strategy (May)
- ❖ T joins up with Forum of the Future (July)
- ❖ T together with Capital Link organises first ever Shipping Webinar (23 september)
- ❖ Opening Singapore office + booked our first deals (16 October)
- ❖ Q-Invest – 12 November

...and we are moving forward fast

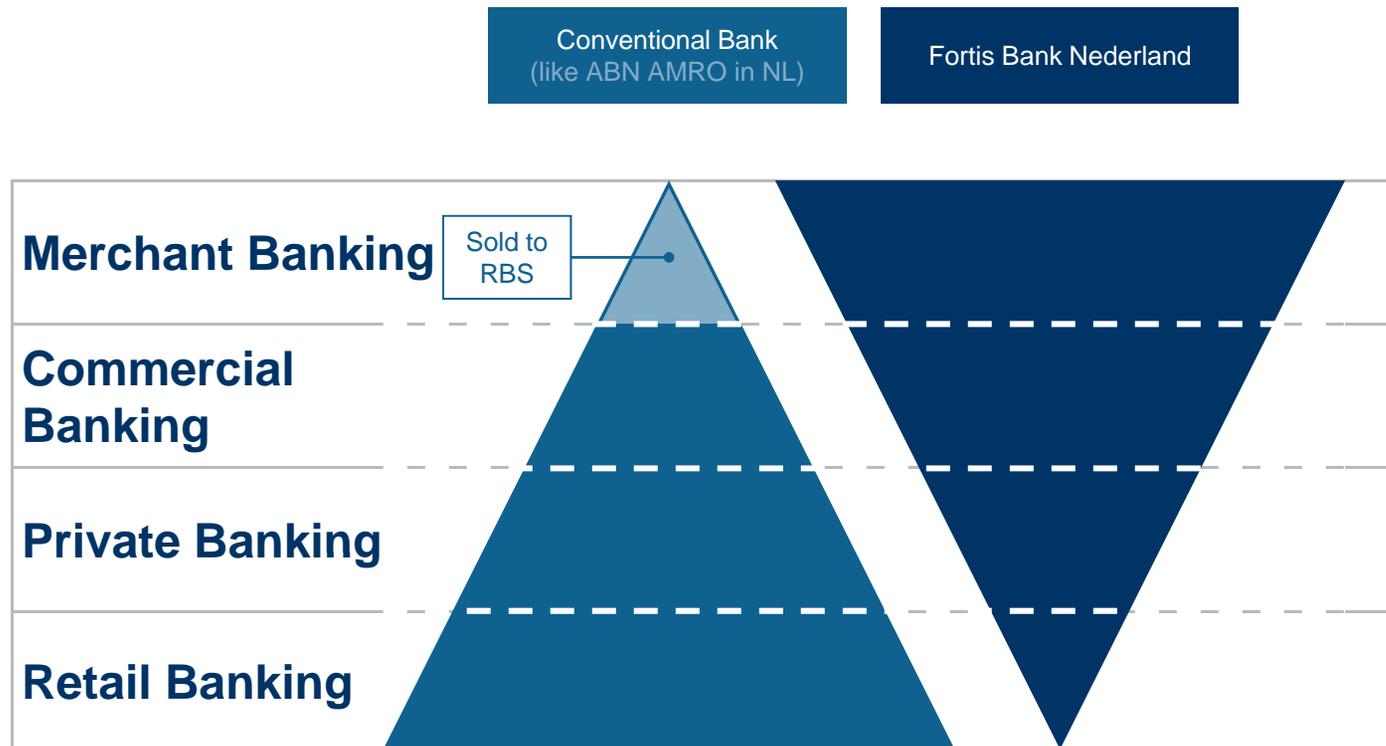
One bank with
AMBITIONS
without
PRETENTIONS

In the year ahead we will
work together to create
a new, strong Dutch bank
under the brand name



- Market leader in the Netherlands in wholesale banking
- International network with activities in 25 countries
- A leading position in specific sectors/services, such as Energy, Commodities & Transportation and Brokerage, Clearing & Custody

Strategic fit of Fortis Bank Nederland & ABN AMRO

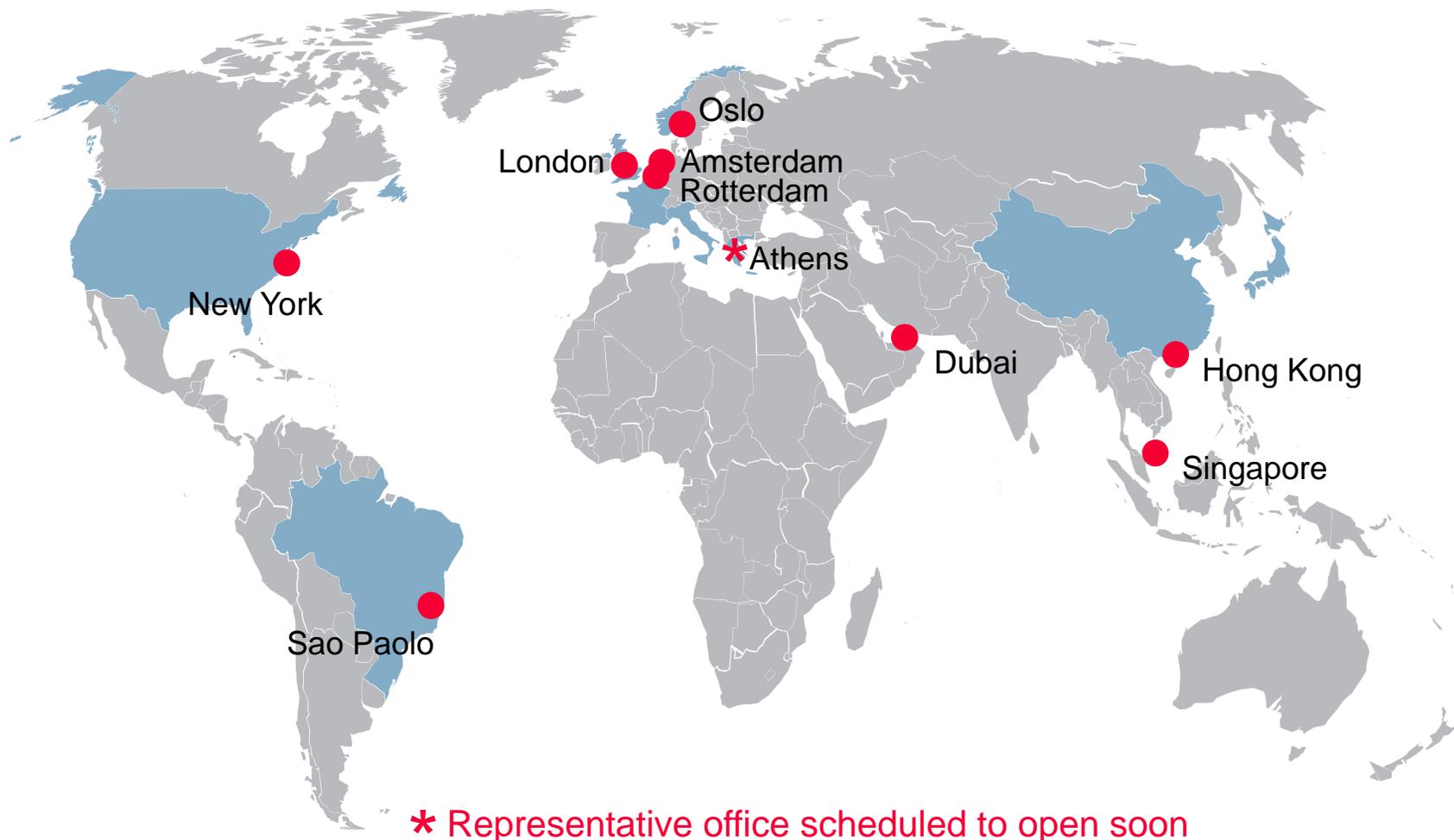


ECT and the new organisation

How will this affect you ?

- Business as usual is top priority
- Client remains central
- ECT minimal affected by integration plan
- ECT is acknowledged as one of the growth pillars within the new bank
- New combination allows us to:
 - Offer sufficient product capabilities to cater for our clients
 - Leverage on the combined International Network

ECT presence - Where our clients lead us



Conclusion - What ECT can offer you

Our capabilities:

- Strong Origination network
- Strong Structuring and execution capabilities
- Operational excellence in our Commodities and Shipping mid and back office
- Adequate capital resources to meet (some of) your funding requirements
- Innovative approach to breach the funding gap (if any)

Thank You

Fortis Bank Nederland

