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Tanker financing – boom or bust?
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- Structured Asset Lending
- Asset Management
- Client Account
- Risk Distribution & Loan Participations
- Corporate Finance Solutions
- Private Equity Sourcing & Investments

- Shipping Finance
- Aviation Finance

- Offshore Finance
- Land Transport Finance

Asset & Market Research
Locations

DVB Bank Group 2017 – 10 offices
Total customer lending volume

24€ bn – Customer lending volume

1 Aggregate of loans and advances to customers, guarantees and indemnities, irrevocable loan commitments and derivatives – nominal volume
### Rating

**Standard & Poor's**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Long-term counterparty credit rating</td>
<td>A+</td>
<td>A+</td>
<td>A+</td>
<td>A</td>
<td>A</td>
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<tr>
<td>Short-term credit rating</td>
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<td>A-1</td>
<td>A-1</td>
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<tr>
<td>Outlook</td>
<td>negative</td>
<td>negative</td>
<td>stable</td>
<td>stable</td>
<td>negative</td>
</tr>
<tr>
<td>Debt Issuance Programme - Subordinated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>A</td>
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</table>
02/ DVB’s – Shipping Finance portfolio

Shipping Finance – In-depth expertise
As of 31 December 2016

€11.9 BN

Shipping Finance portfolio as at
31 December 2016 – invested
in ship financings across
11 segments and a total of
72 sub-segments

11
Segments

72
Sub-segments
607 CLIENTS WORLDWIDE

Trusted and long-term cooperation with our clients

54.6% Length of client relationships for five years and longer

EUROPE 50.4%

NORTH AMERICA 18.4%

SOUTH AMERICA 2.8%

ASIA 18.4%

As of 31 December 2016
Shipping Finance portfolio (30 Jun 2017: €11.0 bn)

Total lending volume by vessel type

- 1.3% Ferries, passenger vessels
- 1.7% Cruise ships
- 2.7% Container boxes
- 3.1% Car carrier
- 16.1% Container carriers
- 25.7% Bulk carriers
- 48.1% Tankers
  - thereof: 14.4% Crude oil tankers
  - 11.6% Gas tankers
  - 11.3% Product tankers
  - 10.8% Chemical tankers

Total lending volume by country risk

- 3.6% Offshore
- 3.9% Middle East & Africa
- 15.2% Asia
- 21.2% North America
- 55.2% Europe
- 0.9% South & Central America
- 3.6% Others
Historical Shipping Market Cycle - Tanker

- **Global Economies upswing (2002-2008)**
- **Chinese economy boom triggered increase in trades**
- **Global Financial Crisis (2008-2009)**
- **Asian Financial Crisis (1997-1999)**
- **Temporary rebound in 2010 post credit crisis**
- **Further Recession (2016 – 20??)**
- **Collapse of oil prices (2014-2016)**
- **Temporary rebound due to short-term factors**

Source: Clarksons, DVB Shipping and Offshore Research
Demand Dynamics

World GDP Growth vs. Oil Demand

OECD vs. Non-OECD Oil Demand

Source: IMF, IEA, EIA and DVB Shipping and Offshore Research
Demand Dynamics

Oil Prices Developments

- West Texas Intermediate Grade
- European Brent Grade

Source: IEA and EIA
Offshore E&P Spending outlook

Offshore E&P Spending

- Opex
- Capex < $50/bbl
- Capex $50-65/bbl
- Capex $65-85/bbl
- Capex > $85/bbl
- Capex

Source: Rystad Energy, DVB Shipping and Offshore Research
Supply Dynamics – Age Range

Number of vessels

- >30 yrs: 237
- 25 - 29 yrs: 297
- 20 - 24 yrs: 316
- 15 - 19 yrs: 740
- 10 - 14 yrs: 1,632
- 5 - 9 yrs: 2,099
- < 5 yrs: 1,046
- Order Book: 566

DWT ('000)

Source: Clarksons, IHS and DVB Shipping and Offshore Research
Supply Dynamics – Tanker Fleet Growth

DWT (’000) vs Growth %

-20  -10   0    10    20    30    40    50    60

Delivered  Scheduled Deliveries  Scrapped  Y-O-Y Fleet Growth (right axis)

Source: Clarksons, IHS and DVB Shipping and Offshore Research
Tanker Market Outlook – Earnings

- Average Earnings All Tankers
- Average rate
- Base case
- High Case
- Low Case

Source: Clarksons and DVB Shipping and Offshore Research
Tanker Market Outlook – Asset Values

5 Years Old Tanker Secondhand Price Index

Source: Clarksons and DVB Shipping and Offshore Research
2016 Shipping finance lead table

/ Asian banks & leasing houses **booming**
/ **TOP 10/20/30:** 30% Asian institutions
/ Predominately Chinese leasing
2016 Lending activity – Chinese leasing on the rise

Despite challenging shipping markets, Chinese financial institutions rapidly grew their market share further during 2016.

TOP 10: 50% Chinese players

- Leasing the main product

- ~USD12 bn new business via Chinese institutions

- Traditional finance slower, focus on core/corporate clients

- 2017: Eletson 4xLR2 (second hand) sale & lease back via CSIC Leasing (belongs to: China Shipbuilding Industry Corp.)

Source: MarineMoney/Smarine Advisors
Increasing requirements – more red tape

2008:
Since the global financial crisis, regulatory reform has topped the agenda for financial institutions. Regulations have and will continue to change the banking landscape dramatically to rebuild the credibility of financial markets and contain systemic shocks to the financial system.

2008 – 2020+
With increasingly complex and evolving regulatory requirements, financial services firms will need to continuously respond to the changing regulatory landscape in an agile way.

Some of the key examples of regulatory reform over the years include:

- International Financial Reporting Standard (IFRS9)
- Financial Accounting Tax Compliance Act (FATCA)
- Basel III
- Cyber-security Directive
- Guidelines on Expect Credit Loss and Credit Loss Provision
- Common Reporting Standard (CRS)
- Financial Crime MAS 626 (Singapore AML / CDD)
- MiFID II
- OECD Corporate Governance
- OFAC Sanction
- Fourth EU Money Laundering Directive
- Securities Financing Transactions Regulation (SFTF)
- General Data Protection Regulation
- COSO Framework
- Dodd-Frank Act
- Solvency II
- Personal Data Protection Act (Singapore)
- EMIR
- Recovery & Resolution Regime for FI
- Corruption & Bribery
- Risk Based Capital Adequacy Requirement
- SOX Sarbanes Oxley
- ICAAP Framework
- FinTech/RegTech

The Rising challenge faced by Compliance

- Experiencing regulatory fatigue and overload by ever-changing and growing regulations
- Creating and inculcating the right compliance culture in the organization
- Keeping pace with the changing global and local regulatory landscape
- Resource challenges: One of the major challenges firms face is the continued scarcity of skilled compliance personnel
- Increase in reporting and management reporting

Source: Thomson Reuters
### Global Syndicated Marine Finance Loan Volume (US$m) by World Region

<table>
<thead>
<tr>
<th>Year</th>
<th>Americas</th>
<th>Asia Pacific</th>
<th>EMEA</th>
<th>Total</th>
<th>Total No. of deals</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$11,614</td>
<td>$11,386</td>
<td>$21,765</td>
<td>$44,765</td>
<td>184</td>
</tr>
<tr>
<td>2013</td>
<td>$14,904</td>
<td>$18,482</td>
<td>$33,157</td>
<td>$66,543</td>
<td>203</td>
</tr>
<tr>
<td>2014</td>
<td>$21,389</td>
<td>$29,696</td>
<td>$46,715</td>
<td>$97,800</td>
<td>236</td>
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<tr>
<td>2015</td>
<td>$31,569</td>
<td>$19,852</td>
<td>$50,025</td>
<td>$101,446</td>
<td>261</td>
</tr>
<tr>
<td>2016</td>
<td>$15,706</td>
<td>$12,083</td>
<td>$25,265</td>
<td>$53,054</td>
<td>200</td>
</tr>
<tr>
<td>2017</td>
<td>$10,481</td>
<td>$4,048</td>
<td>$11,828</td>
<td>$26,357</td>
<td>96</td>
</tr>
</tbody>
</table>
30 year LIBOR – rising trend

Source: www.macrotrends.net
Shipping Finance – Outlook: boom or bust?

Overview (1)

/ Key near-term issues: **Basel IV regulations** require to **refocus on capital efficiency** and **non-risk-weighted-asset income** (instead of loan production).

/ **New requirements & more red tape:** Compliance, KYC,…

/ **Regulatory burden** may lengthen negotiations and approval process

/ **Increasing long-term costs of liquidity:** this has partially contributed to **shorter loan tenors** being preferred across all industries.
Shipping Finance – Outlook: boom or bust

Overview (2)

/ Challenging shipping and offshore markets: banks likely to continue to exit or scale down lending activity

/ New appetite for traditional shipping and offshore finance is likely to remain muted.

/ Lending capacity will either be reserved for existing and core clients or focus on credit quality and vessel employment.

/ Limited availability for finance of older tonnage and upgrades (e.g. BWTS, Scrubbers, Greenhouse gas).
Contact

For further information please visit
www.dvbbank.com

After scanning this QR with your smartphone, you will have direct access to our website.

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