



Potential projects within shipping



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What's up?

Danske Bank's shipping portfolio

The financial crisis – what happened?

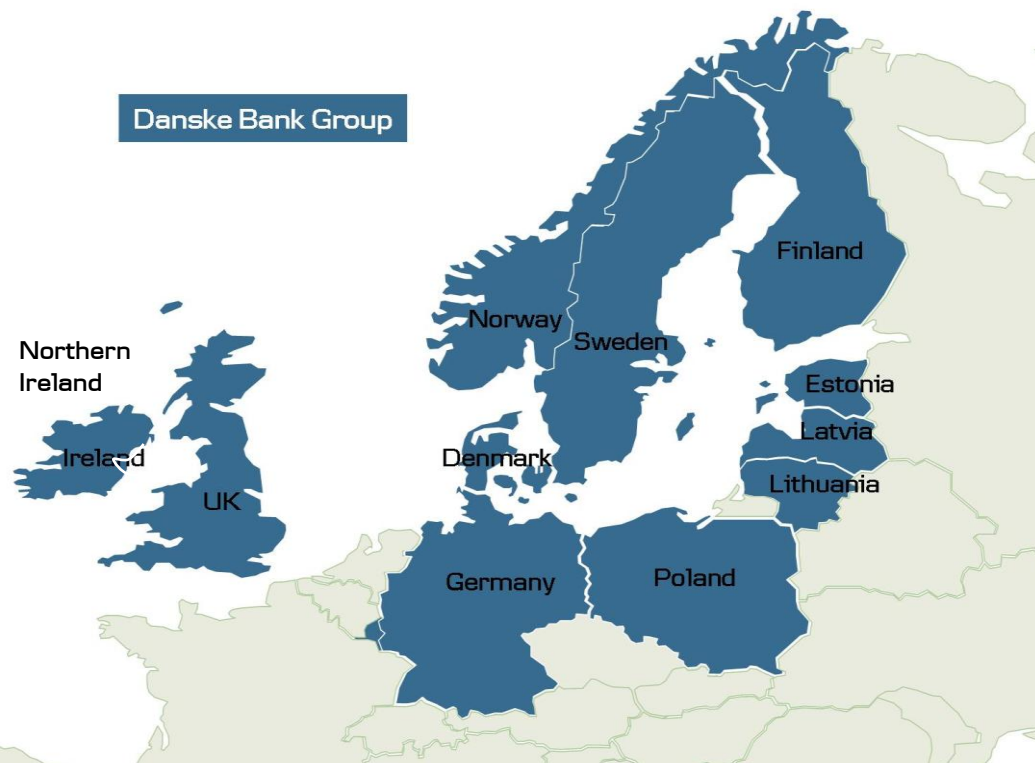
The effect on the loan market...

...and the consequences for shipping

Keep your banker happy!



Where do we operate?

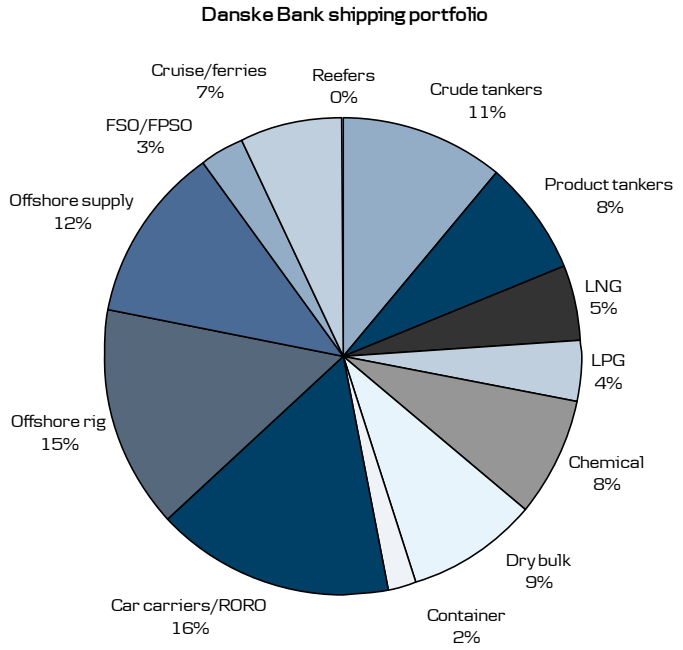


Danske Bank is the largest bank in Denmark and a leading player in the Nordic financial markets.

Today we consider Northern Europe as our home market. Danske Bank has branches in Sweden, Norway, Finland, Germany, Poland, the Republic of Ireland, Northern Ireland, United Kingdom and the three Baltic countries.

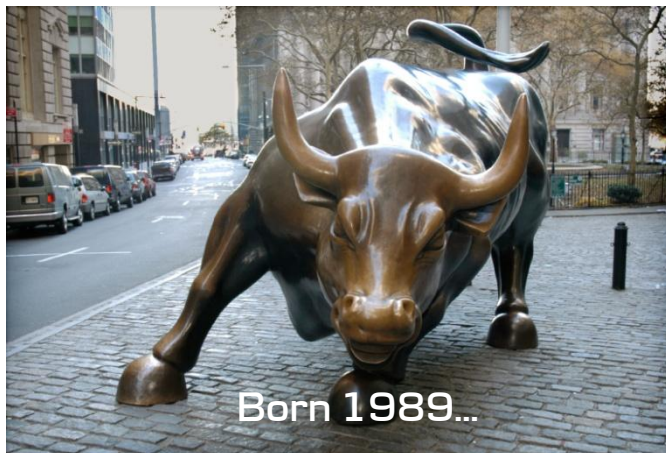


Danske Bank's USD 8.3bn shipping portfolio



- Well diversified credit portfolio
- Top-5 engagements;
 1. Car carriers/RORO (16%)
 2. Offshore rig (15%)
 3. Offshore supply (12%)
 4. Crude tankers (11%)
 5. Dry bulk (9%)
- The distribution is influenced by our relative large involvement in Norway's offshore industry

The end of an era...



Born 1989...



...2009 (R.I.P)

- Expansive economic policies
 - Driving down yields in 2001-05
- Toxic yield hunt
 - Falling risk premiums and hunt for yields
- Increased financial leverage of banks
 - Much more fragile to withstand significant headwind (US banks geared 25x in 2007)
- Improper modelling
 - Conventional CDO and the power of alchemy; the toxic solution to yield compression and the flaws of AAA rating
- Inadequate liquidity management
 - Funding gap
- The effects
 - The real economy is now severely affected and there is more bad news to come...

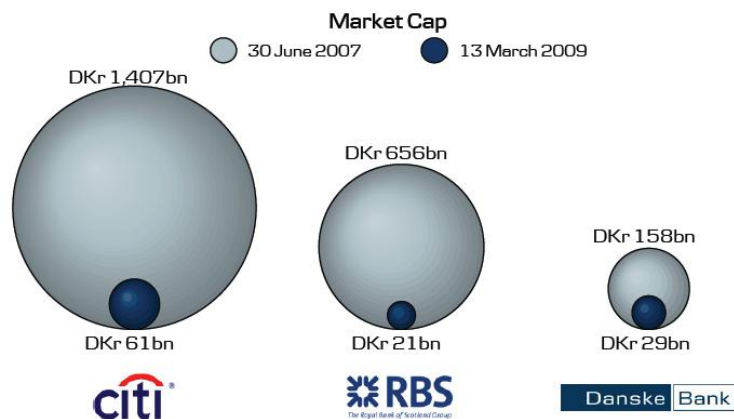
There is no quick fix!

“I thought we were just buying a house!”



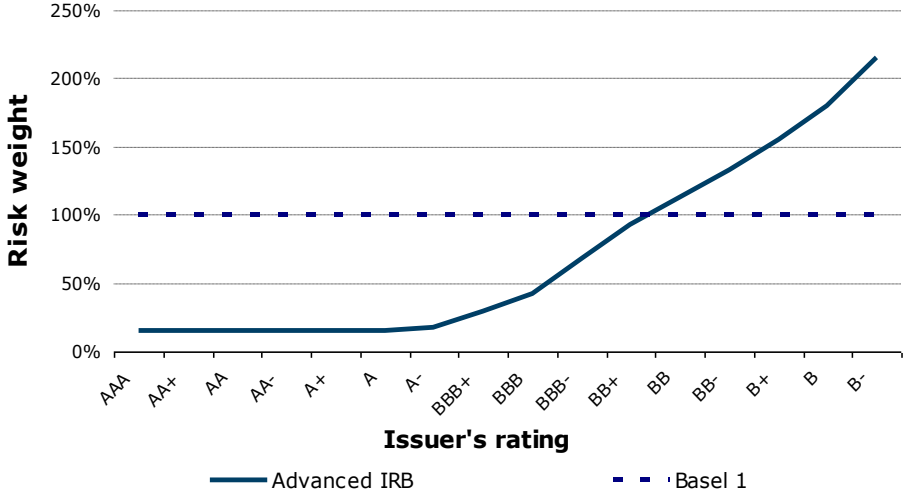
“I thought we were just buying a house!”

- Unbelievable value destruction among financials in the past 20 months...
- ... Has left banks crippled...
- ... And what started as a banking (credit) crisis has spread to the surrounding society





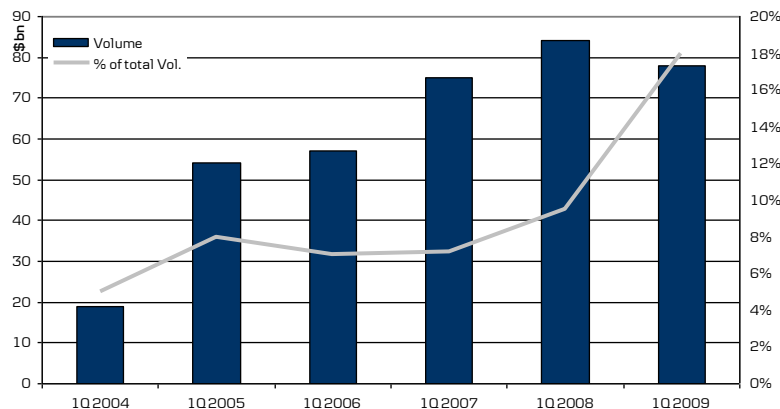
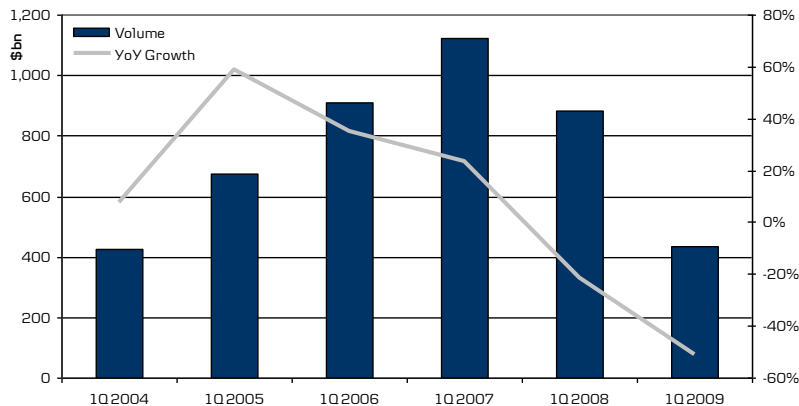
Banker's agenda



- Government guarantee's have made it possible for banks access funding but at increased costs.
- Banks forced to reduce balances sheet to meet regulatory requirements.
- The scarcity of capital and the increased need of capital, inevitably leads to an increased price of capital.
- Under Basel II, the negative rating actions, taken in the current economic downturn, also puts pressure on banks.
- Under Basel II, if a bank lends €100m to a A-rated company it would need a capital base of €1.25m. If the company is downgraded to BBB the bank can only lend €37m based on the capital base of €1.25. To support the full loan of €100m the changed capital requirement is €3.4m.



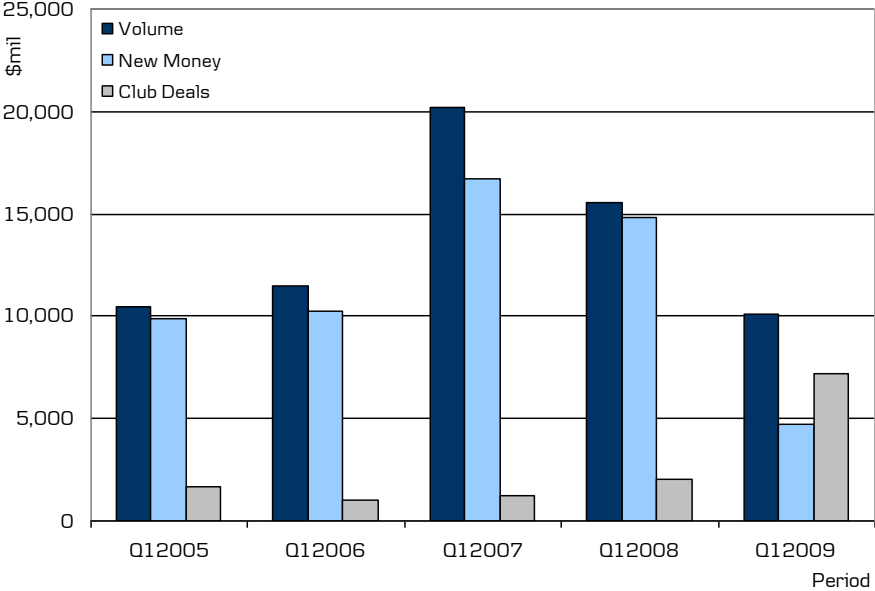
Global loan market overview



Source: Dealogic®

- For the seventh consecutive quarter loan volumes declined in 1Q 2009. The total volume of \$435.1bn (eq. €333.5bn) in 1Q 2009 represents a 50% from 1Q 2008 and a 5% decline from 4Q 2008.
- In the current market where banks are reluctant to underwrite even top names, Club Deals are emerging as the new norm. In 1Q 2009 they accounted for 18% of global loan volumes, the highest proportion for any quarter on record.

Shipping loan market overview



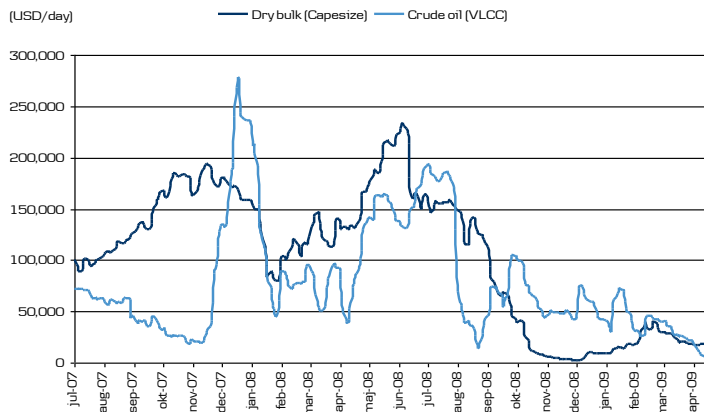
Source: Dealogic ® & Marine Money

- With a total volume of \$10.6bn (eq. €8.1bn) loan market volumes for Shipping companies followed the general trend downwards.
- Furthermore its evident from tracking Volumes versus New Money and Club Deals that New Money volumes are declining as banks are under capital pressure, and that Club Deals are emerging as the new norm.

Rocking 'n rolling the shipping industry



Spot rates



- Ship-owners are facing strong headwinds
- Ship-owners face double whammy – credit crunch and recession
- Charterers renegotiate existing charter contracts for lower rates
- Counterpart risk has increased
- Some vessels with a chain of disponent owners are “blacklisted” as charterers refuse to take due risk of cargo arrests should bankruptcy arise
- Increasing number of companies facing cash flow issues
- Asset values deteriorating – illiquid market for second hand vessels

Where are we heading?

What's on the banker's agenda?

- + De-risking
- + De-leveraging
- + Deposits
- + Disclosure
- = Detoxing

- Increased pricing and more rigid requirements for documentation and covenants
- Shorter maturities
- Lower LTV's (around 50- 60%)
- Reduced capacity from banks who now focus on existing clients only
- Fewer international banks credit capacity for Danish ship owners

Keep-your-banker-happy-to-do-list:



- Frequent contact
- Committed facilities
- Consider your risk
- Your banker needs frequent updates on:
 - Budgets
 - Liquidity forecasts
 - Sensitivity analysis

Thank you!





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