Workshop on shipbuilding and the offshore industry
Funding issues: Financial Institutions
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3. The funding situation

**Sources – January 2012**

- **Unbilled Orderbook, USD 477, 42%**
- **Government, USD 123, 11%**
- **Vessels, USD 278, 22%**
- **Public Equity, USD 224, 35%**
- **Bank Debt, USD 457, 43%**

2012 - World Fleet & Orderbook Value USD 2.111 trillion

**Sources – January 2014**

- **Unbilled Orderbook, USD 115, 9%**
- **Government, USD 137, 11%**
- **Bank Debt, USD 415, 36%**

2014 - World Fleet & Orderbook Value USD 2.165 trillion

Source: Tufton Oceanic data
GIEK vs. DNB Bank
Commitments to oil service / offshore sector

Increased capital requirements
- reduced asset growth for banks
- increased financing by ECAs
Shipping and offshore financing

New Sources for Credit Risk Capacity / New Funding Tools

✓ Institutional Investors / Hedge Funds
   Seeking shipping / offshore risk (equity & debt instruments)

✓ Pension Funds, Life Insurance etc. as investors in ECA-guaranteed loans.

✓ Norwegian High Yield market

✓ ECA guaranteed bonds (Kexim)

✓ …………………………….
Shipping versus offshore financing

More similarities then differences:

✓ Country risk less relevant
✓ Secured lending i.e. mortgage over asset, assignment of Charter Parties etc.
✓ USD-based
✓ Huge variation of credit risk (A (A) – CCC)
✓ Preferable long tenors
✓ More specialized assets / vessels in the offshore sector

ECA financing of shipping and offshore

✓ Huge commercial market (ref. previous slides)
✓ Government money should supplement this financing, not supplant it
✓ The banks (and other financiers) would love to take fees without taking risk
✓ A good way to limit export subsidising through ECA financing is cofinance on equal terms, i.e. sharing of risk between commercial lenders and ECAs.
Increasing importance of bonds as funding source

Bond issues in the Norwegian market

- 2009: 7 (Shipping 3, Offshore 5)
- 2010: 16 (Shipping 3, Offshore 13)
- 2011: 11 (Shipping 2, Offshore 9)
- 2012: 30 (Shipping 11, Offshore 19)
- 2013: 36 (Shipping 6, Offshore 30)
- 2014YTD: 30 (Shipping 6, Offshore 24)

Note: YTD as of 20 October 2014
Source: DNB Markets

Thank you for your attention.