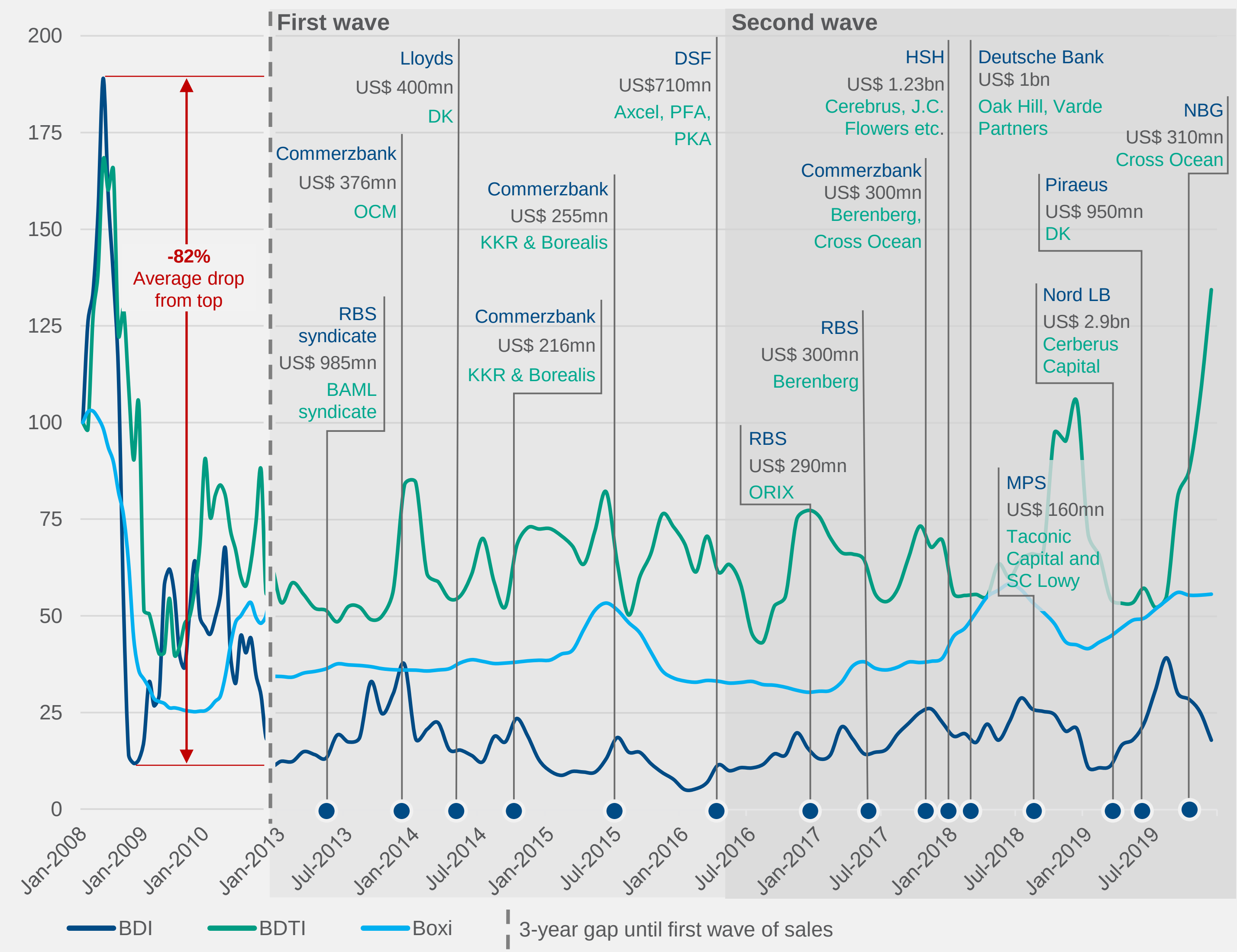
BRAEMAR | NAVES
CORPORATE FINANCE

Loan portfolio sales – Concluded deals

Historical portfolio sales – Major shipping indices (rebased on 100 at 12/2007)



BDI: Baltic Dry Index, BDTI: Baltic Dirty Tanker Index, Boxi: Braermar Container Index; Bank financing data from Braemar & Marine Money Research

Ship finance "exodus"

Shipping market conditions

- Extended market downturn 2008 – 2020, and ongoing:
  - TC rates significantly reduced
  - Asset values at historical lows
  - Capital markets limited/closed

Stricter banking regulatory framework

- Basel III & IV:
  - Higher minimum capital requirements
  - Introduction of minimum "leverage ratio"
  - Introduction of minimum liquidity requirement
  - Gradual implementation with full effect starting on 01/01/2022 to be completed by 2027
- EBA's March 2019 reports:
  - European banks' Tier 1 capital requirement to increase by 19.1% by 2027.
  - Compliance with the new framework would require EUR 39.0bn of additional capital, of which EUR 24bn is Tier 1.

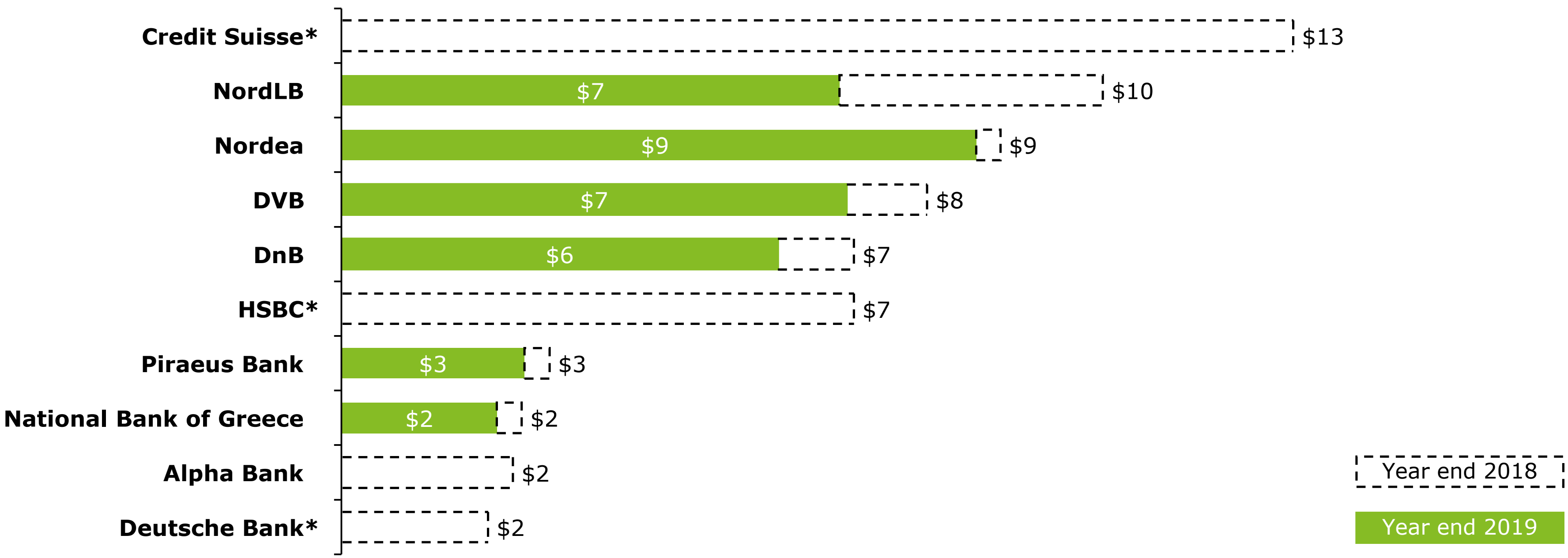
Regulatory and market impact on ship finance

- Top 40 banks lending to shipping has fallen from US$ 463bn to US$ 301bn between 2008-2018.
- European bank exposure to shipping has reduced from US$ 374bn in 2010 to US$ 177bn in 2018, with Asian banks' exposure rising from US$ 66bn to US$105bn during the same period.
- **Chinese leasing and alternative lenders have stepped up activity but have not filled the entire funding gap**.

Selected banks with ongoing portfolio optimisation efforts

After major European lenders have significantly reduced their shipping books, selected institutions still show further potential for portfolio optimisation

Selected shipping loan books [in $bn]



- Some banks have recently made **significant reductions** to their shipping books
- Besides write-offs, **divestments** were the primary tool **to reduce exposure**
- The selected institutions listed above could benefit from a **value-preserving optimisation** of their shipping book

Source: Press releases for 2019, latest financial accounts available for 2018.

* estimate