



FINANCING INNOVATION IN THE MARITIME INDUSTRY

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Future Technology and Finance in the Maritime Sector

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SMBC
SUMITOMO MITSUI BANKING CORPORATION
EUROPE LIMITED

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SMBC Brussels Branch
Financial Services and Markets Authority

National Bank of Belgium

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SMBC Düsseldorf Branch

Bundesanstalt für Finanzdienstleistungsaufsicht

Deutsche Bundesbank

SMBC Frankfurt Branch

Bundesanstalt für Finanzdienstleistungsaufsicht

Deutsche Bundesbank

SMBCE Regulators

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SMBCE

- Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

SMBCE Amsterdam Branch

- De Nederlandsche Bank

SMBCE Dublin Branch

- Central Bank of Ireland

SMBCE Madrid Branch

- Banco de España

SMBCE Milan Branch

- Banca d'Italia

- Commissione Nazionale per le Società e la Borsa

SMBCE Paris Branch

- Autorité de Contrôle Prudenciel et de Résolution

- Autorité des Marchés Financiers

SMBCE Prague Branch

- Česká národní banka

1. SMBC Group Presentation

SUMITOMO MITSUI BANKING CORPORATION

SMBC is a top-tier Japanese bank, which maintains relationships with over 103,000 companies in Japan.

The history of the Sumitomo and Mitsui companies date back more than four centuries, and both were founded as banks in the nineteenth century.

SMBC's predecessor banks, Mitsui Bank was founded in July 1876 in Tokyo, and Sumitomo Bank in 1895 in Osaka.

SMBC was established in 2001 following the merger of the two leading banks: Sakura, formerly Mitsui Taiyo Kobe; and Sumitomo.

CREDIT RATING FOR SMBC

	Moody's	S&P	Fitch	R&I	JCR
Long term	A1	A	A	AA-	AA
Short term	P-1	A-1	F1	a-1+	J-1+

Correct rating as of 17 November 2015

SMBC

Chairman of the Board

Teisuke Kitayama

President

Takeshi Kunibe

Capital stock*

US\$14.7bn

Head office

1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan

Number of employees*

22,915

Network

439 domestic branches (Japan) (excluding sub-branches and agencies)

16 overseas branches (excluding sub-branches and representative offices)

Income* for fiscal year 2014-15

Ordinary income: US\$ 19.7bn

Ordinary profit: US\$ 8.0bn

Net income (loss): US\$ 5.4bn

Total assets*

US\$ 1,287.8bn

Capital ratio*

18.90% (BIS guidelines)

FX rate calculated @ JP¥ 120.15 / US\$.

Information correct as of 31 March 2015 unless otherwise stated.

*SMBC non-consolidated.

1. SMBC Group Presentation

SUMITOMO MITSUI BANKING CORPORATION EUROPE LIMITED

SMBCE was established in March 2003 and is a wholly-owned subsidiary of SMBC. The bank carries out the majority of its activities in Europe, the Middle East and Africa.

CREDIT RATING FOR SMBCE			
	Moody's	S&P	Fitch
Long term	A1	A	A
Short term	P-1	A-1	F1

Correct rating as of 17 November 2015

SMBCE

Chief Executive Officer

Masahiko Oshima

Capital stock

US\$3.2bn

Ownership

SMBC 100% (UK incorporated subsidiary of SMBC)

Head office

99 Queen Victoria Street, London, EC4V 4EH, United Kingdom

Number of employees*

902

Network

Amsterdam, Dublin, Madrid, Milan , Paris and Prague

Income* (SMBCE) for fiscal year 2014-15

Net interest income: US\$ 234.4m

Operating income: US\$ 550.0m

Profit before income tax: US\$ 152.4m

Regulator

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

*Information correct as of 31 March 2015.

1. Maritime Finance at SMBC Group

A GLOBAL LEADER IN MARITIME FINANCE

- SMBC is a top 10 maritime finance commercial bank with **over 50 years of experience in shipping and offshore finance**
- Existing portfolio of over **500 vessels** financed, over \$10 bn of **commitments**
- Organised with a **global maritime group** headquartered in London
- Strategic focus on **advising, arranging and financing high-value added**, industrial maritime projects
- Long-standing expertise in **arranging export credits** for ships
- Well established track record in supporting maritime projects involving **Norwegian and Japanese interests**

INDUSTRY RECOGNITION

Deals of the Year

	Ghana FPSO TEN US\$ 847m JBIC Co-Financing Facility, Coordinating Bank, Facility Agent. 2013.
	Brunei Brunei Gas Carriers US\$ 170m MLA. 2012.
	China QCLNG Transport US\$ 787m MLA. 2014.
	South Korea Korea Gas Corp US\$ 1bn MLA, Bookrunner. 2014.

Marine Finance League Tables – Full Year 2015

Top 10 Mandated Arranger Table - Syndicated Marine Finance** Loans				
Pos	Mandated Lead Arranger	Value \$m	No.	% Share
1	DNB Markets	7,109	72	6.8
2	Nordea	6,289	53	6.0
3	ING	5,813	51	5.6
4	Citi	5,275	32	5.0
5	ABN AMRO Bank	5,201	62	5.0
6	BNP Paribas	4,417	44	4.2
7	Sumitomo Mitsui Financial Group	4,377	43	4.2
8	Mitsubishi UFJ Financial Group	3,829	34	3.7
9	HSBC	3,060	26	2.9
10	SEB	2,971	26	2.8
	Total	104,654	284	100

2. Involvement in Innovative Maritime Assets



PGS *Ramform Titan*
Delivered 2013

Dynamically Positioned Seismic Survey Vessel, with large capacity & large sensors spread ability



Seajacks *Scylla*
Delivered 2015

Largest Self-Propelled DP2 Jack-Up Vessel for offshore windfarms installation



Yamal LNG ARC7
LNG Carriers
2016 onwards

Pioneering Ice-Breaking LNG Carriers able to sail through the Northern Sea Route



Carnival LNG Powered
Cruiseship
2018 onwards

Largest LNG-Powered Cruiseships, with advanced on board specifications

3. Innovation

WHAT IS INNOVATION?

- **Innovation** = idea, process or device which meet new requirements, unarticulated or unsatisfied market needs
- Innovation generates **Economic Cycles**

INNOVATION IN THE MARITIME SPHERE

EXAMPLE OF MAJOR INNOVATION



2016:
60th anniversary of container shipping

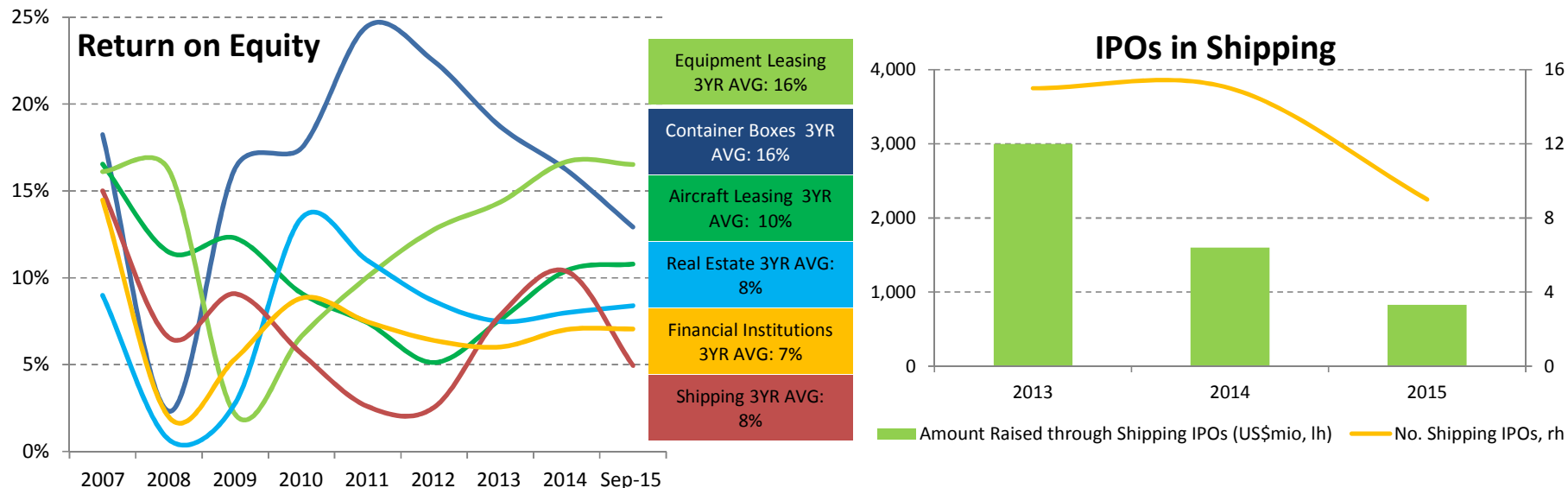
INNOVATION IN THE MARITIME SPHERE HAS BEEN SLOWER COMPARED TO OTHER INDUSTRIES

IMPACT

- **World Trade** – Enabled more efficient trade for finished goods – Seaborne trade multiplied by 2.5 1990-2015
- **Containership Operators Strategies** – Necessary adapted infrastructure needed, regional presence and niche markets development
- **Container Transportation Financing** – Adaptation to economic life of vessels and their ecosystem: container shipping, boxes, terminals, cranes, etc.

4. Innovation is not an option

CHALLENGING FINANCIAL PERFORMANCES



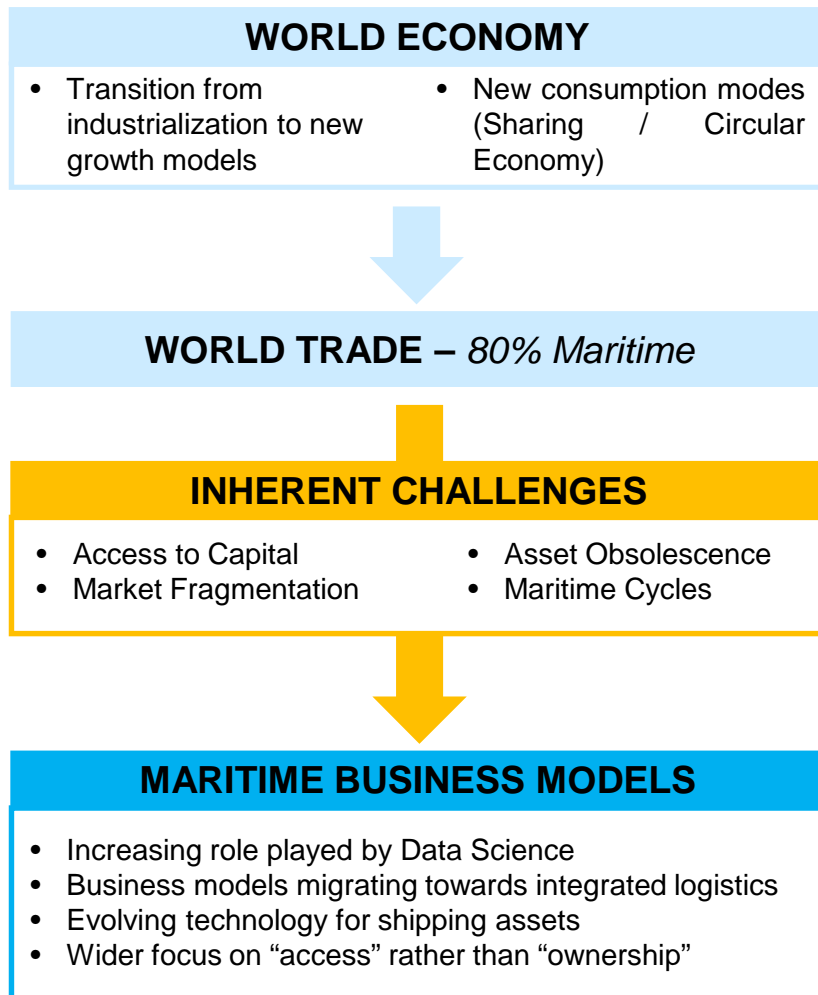
STRONG REQUIREMENT FOR MORE INNOVATION

- The Maritime Industry is a **fragmented** one – 90,000 ships worldwide, **average of 5 ships per owner**
- Historical focus on **cost management and economies of scale**
- Gap between role in Global Economy and **Public Perception**
- Value Creation hindered by current cycle

INNOVATION IS NOT AN OPTION FOR THE INDUSTRY, IT IS A MATTER OF SURVIVAL

4. Innovation is gaining momentum

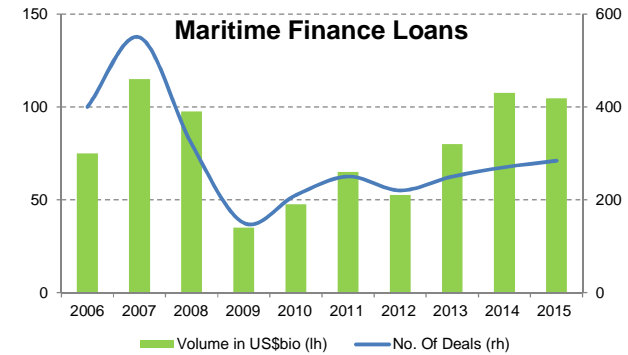
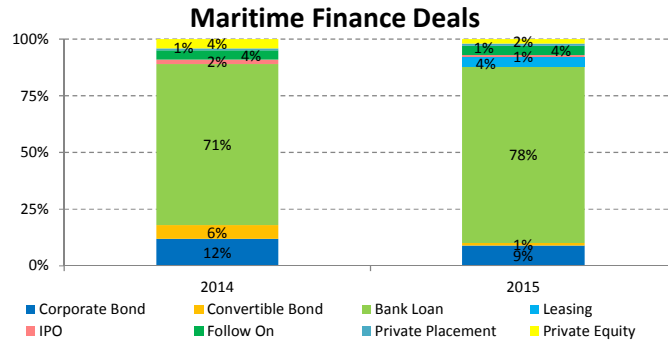
DISRUPTION IS THE NEW NORMAL IN THE MARITIME SPHERE



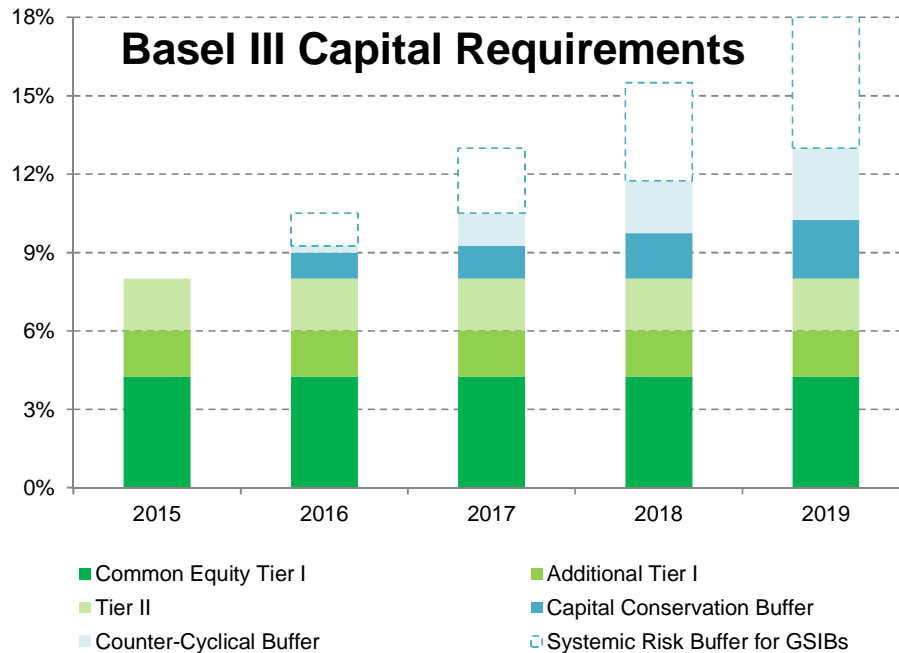
CURRENT INNOVATIONS SHAPING THE INDUSTRY'S FUTURE		
	Key Drivers	Examples
<i>Assets Upgrade</i>	<ul style="list-style-type: none"> • Change in Environmental Mindset • Economies of Scale • Changing Needs for Transported Goods 	<ul style="list-style-type: none"> • LNG as a fuel • Shipbuilding Design • Renewable Energies, apart from fossil fuels
<i>Business Models Mutation</i>	<ul style="list-style-type: none"> • Operational Efficiency • Data Collection • Human Resources Management 	<ul style="list-style-type: none"> • Container tracking • Integrated fleet management • Personnel Employment
<i>Trading & Process Patterns</i>	<ul style="list-style-type: none"> • New industrial processes / new clients • Changing World Trade • Sharing / Circular Economy 	<ul style="list-style-type: none"> • Technology sharing with other industries (e.g. aerospace) • Ownership of assets questioned • Arctic Shipping

4. Background on Maritime Finance

A CAPITAL HUNGRY INDUSTRY



A CONSTRAINED FRAMEWORK FOR BANKS



Crisis Management,
Banks' Bail-outs

Shift in Regulatory
Environment

Higher Capital and
Liquidity Standards

Business Model
Rethinking

Structural Changes
(Basel III, GSIB, etc.)

Active Anti Money
Laundering

Asset Quality Review

International Sanctions

5. Being Innovative Together

HOW CAN MARITIME FINANCE SUPPORT INNOVATION?

- Enhance **Industry expertise** and knowledge sharing
- Embrace a **long term vision** to support the maritime industry
- **Adapt Financial Structures** to match business models' evolution
- Sharing of financing **best practices** across sectors, wider than the maritime sphere

OPPORTUNITIES TO WORK TOGETHER

- **M&A / Acquisitions** throughout External Growth strategies
- **Business Models Integration** throughout Organic Growth strategies
- **Capital & Balance Sheet efficiency management**
- Access / **Diversification of funding sources**
- **JV financing** together with non-recourse debt

NEED FOR ENHANCED PARTNERSHIPS & EXCHANGES TO BUILD UP EXPERTISE, FINANCE INNOVATIVE BUSINESS MODELS AND ANTICIPATE CUSTOMER NEEDS

5. Case Study: LNG as a fuel and Small Scale LNG

A SOUND INDUSTRIAL RATIONALE



Substantial Growth Opportunities

LNG as a fuel: Both Marine (bunkering) and road transport

Regional feeding: pipeline gas infrastructure, ship-to-ship transfer, etc.

Using LNG as a fuel: Examples

Shipowner	Segment
Carnival (U.S.)	Cruise
UECC (Norway)	Car Carriers
NYK/MC/Engie (Japan / France)	LNG BV

AN INTEGRAL & INTEGRATED VALUE CHAIN WITH RISKS TO BE ALLOCATED

Opportunities	Challenges
<ul style="list-style-type: none"> ✓ Development of the infrastructure enabling access to niche markets ✓ Growth in maritime / bunkering LNG demand ✓ Extension of ECAs 	<ul style="list-style-type: none"> × Low oil prices / cost competitiveness of LNG as a fuel × Significant capital investments required to develop SSLNG supply chain × Limited liquidity of SSLNG vessels

Financial Support

- **Innovative market** – hence **conservative financing terms** for the 1st projects
- **Interest from financiers** willing to **support long term environmental / social policy objectives**
- Developments at a larger scale will require partnerships between industrial and financial players

6. Key Takeaways

The Maritime industry provides **economic, environmental and geo-political benefits for the world economy**, particularly so in Norway and Japan

It is bound to be impacted by **several crucial innovations** which shall **reshape its value proposition**

Financial Institutions must adapt to these ongoing changes, while also **copping with both internal & external constraints**

Ship Owners will need to rely on **sound and proof balance sheets**, while showing **ability to innovate** and transform their business models successfully

This calls for **enhanced cooperation and expertise sharing** between actors of the maritime sphere – be it ship owners, operators, and financiers, to properly **allocate risks**