



NORDIC TRUSTEE

EFTA WG FS

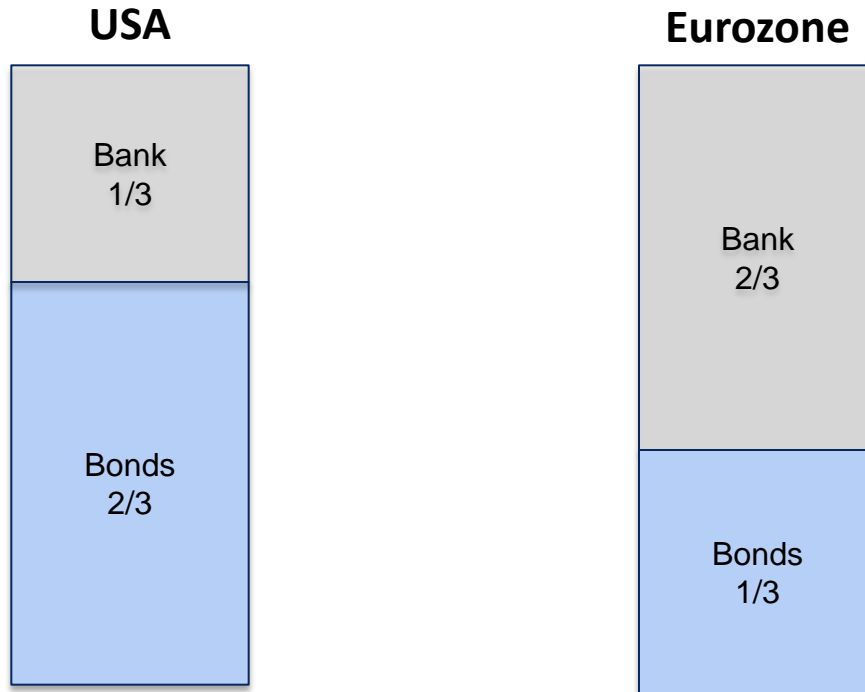
29 May 2015

The Norwegian HY bond market in a nutshell



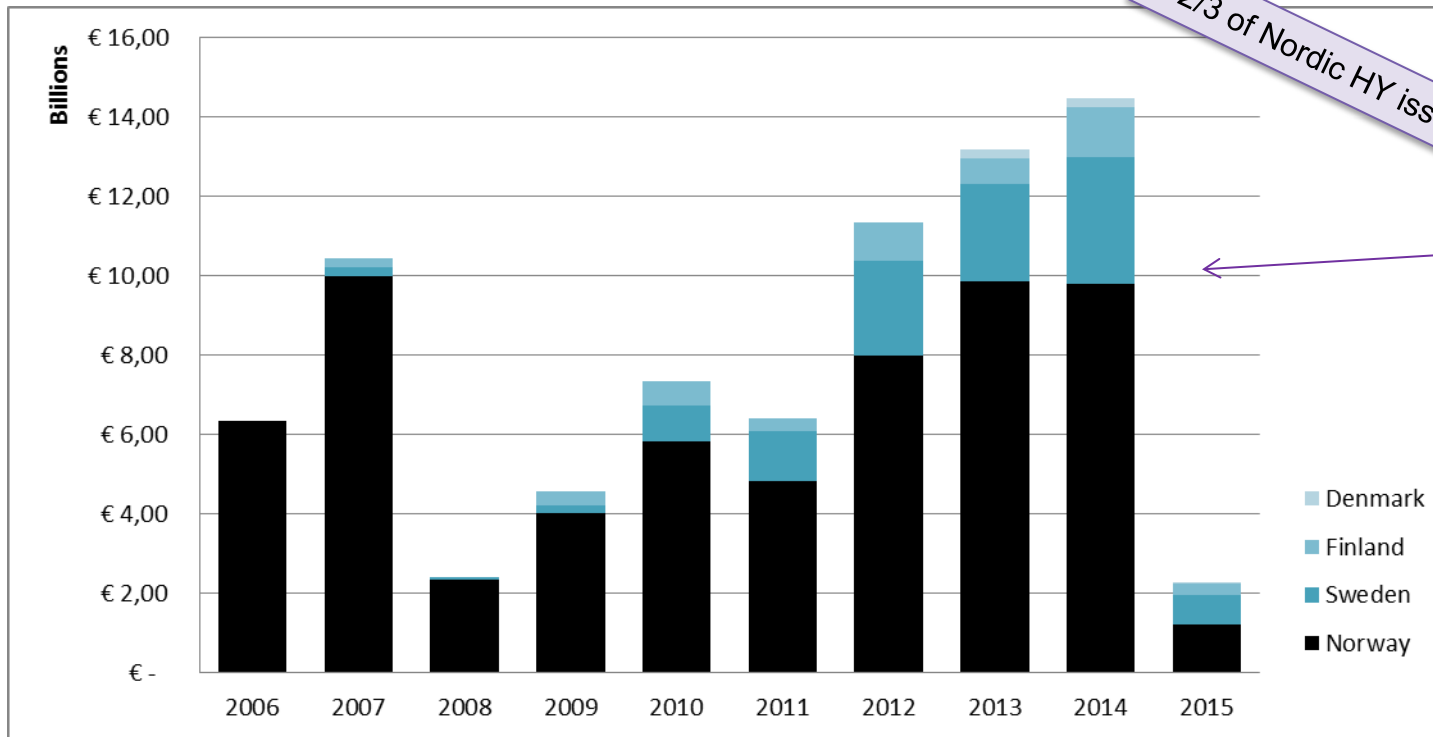
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Corporate debt financing



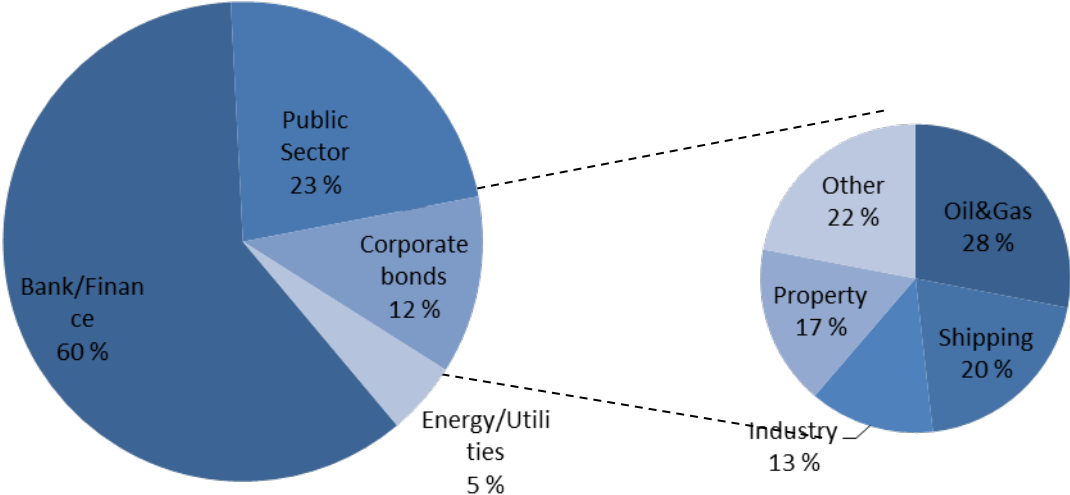
The relationship bank vs. bonds has traditionally been approx. 70/30 for Nordic companies. The Nordic High Yield bond market has developed to be an attractive alternative to banks.

Nordic HY 2006-2015



Bonds becoming an increasingly important source of financing for Nordic SME's

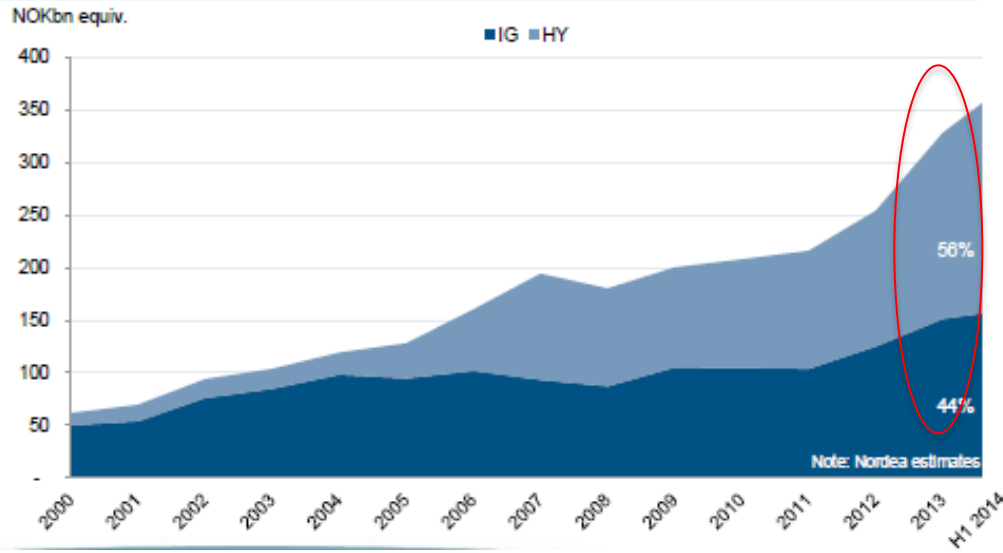
Norwegian bond market – quick view



Source: Stamdata

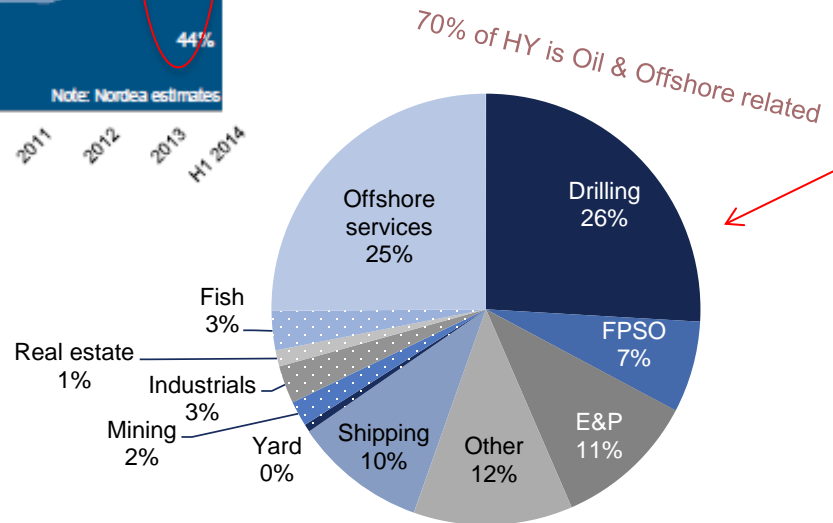
High Yield vs Investment Grade - Sectors

Outstanding corporate bond debt per year ended



The average number of HY in Europe is 12% and US is 36 %

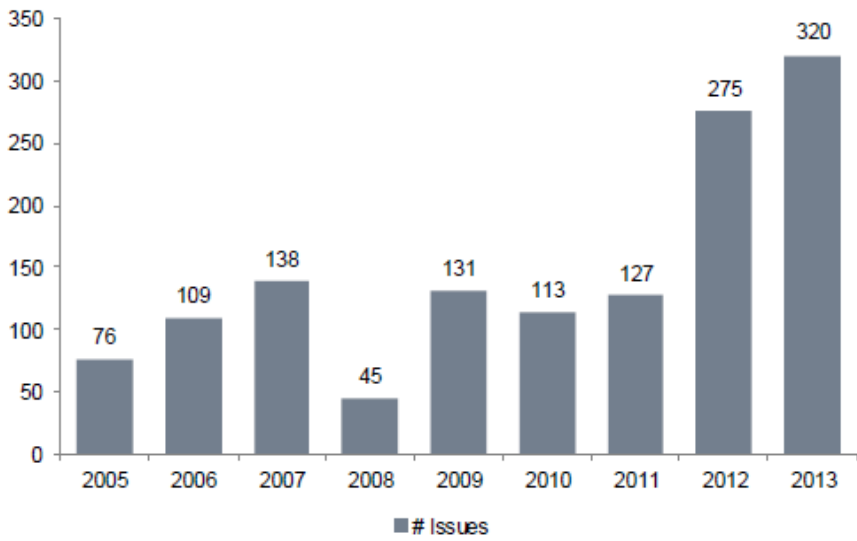
One of the bigger HY-markets in the world



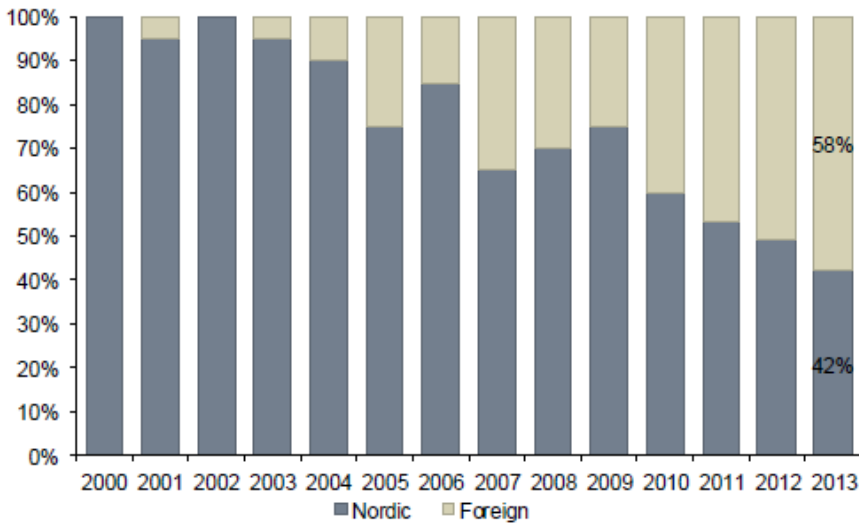
Source; Nordea, Dealogic and OECD/
Pareto Credit Research

Increasing number of issues from SME's and more foreign companies are coming to the Nordic market

SME issues (size below NOK 400m)



Number of foreign issuers in the Nordic market



- We see a growing number of “small” issues, defined as below NOK 400m/EUR 50m
- The Nordic HY market has proved as a successful market for SME's to raise funding
- **Although lower size means less liquidity, investors are triggered by an average liquidity premium of ~100 bps.**

- Simple origination process and “light-touch” documentation attracting international issuers
- Associated costs significantly below the international market

Source: Stamdata,

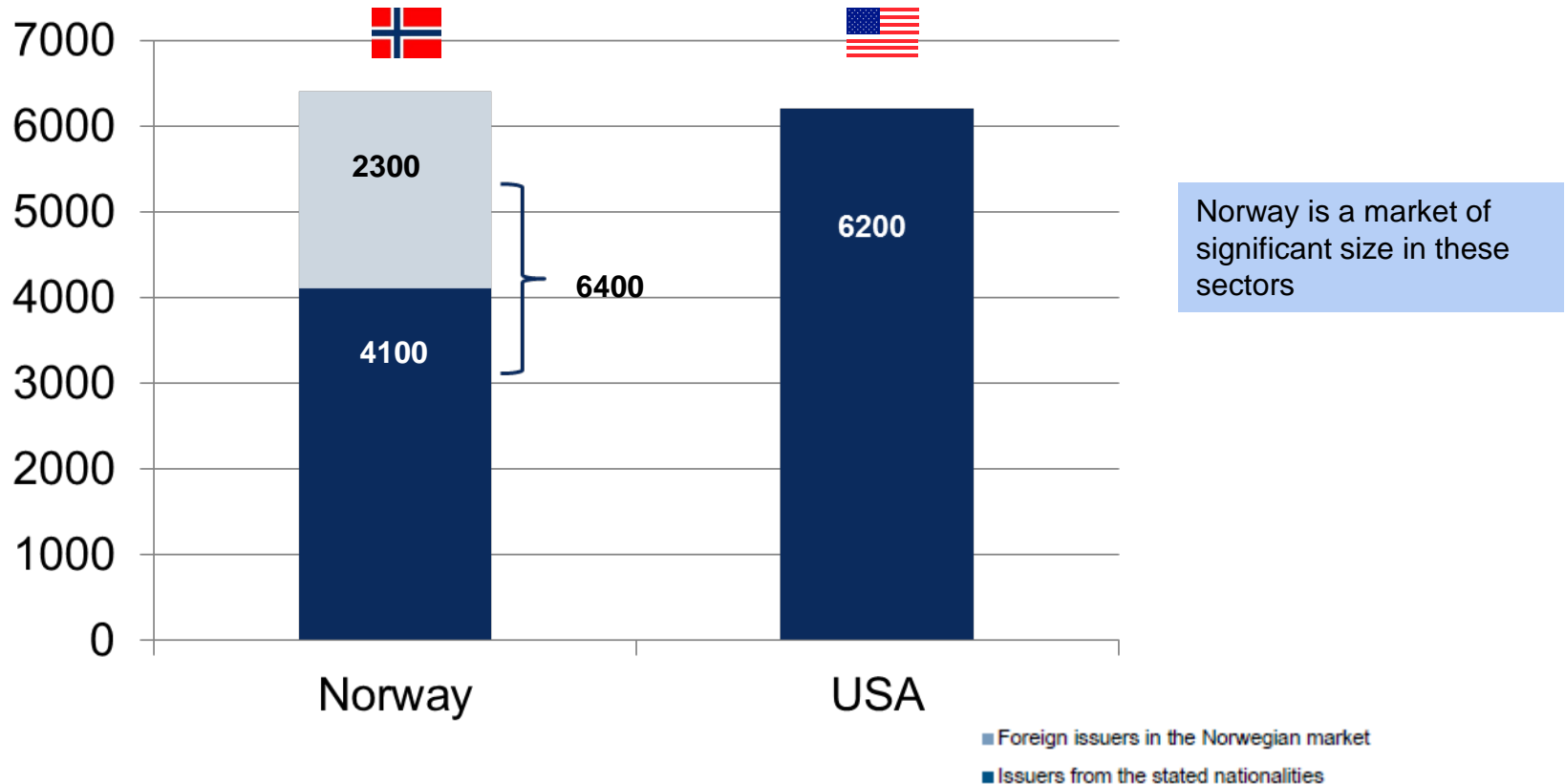
Norwegian HY-bonds international (hist + active)



NORDIC TRUSTEE

HY Market size – shipping/offshore/oil services sectors

New issuance 2013 (USDm)

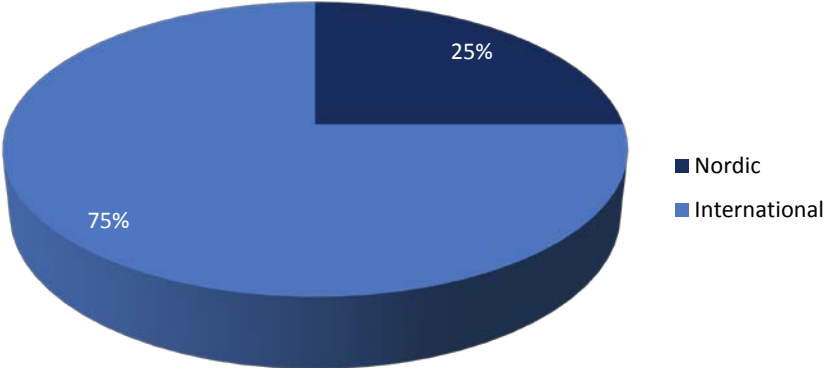


Source; Dialogic, Nordea Markets

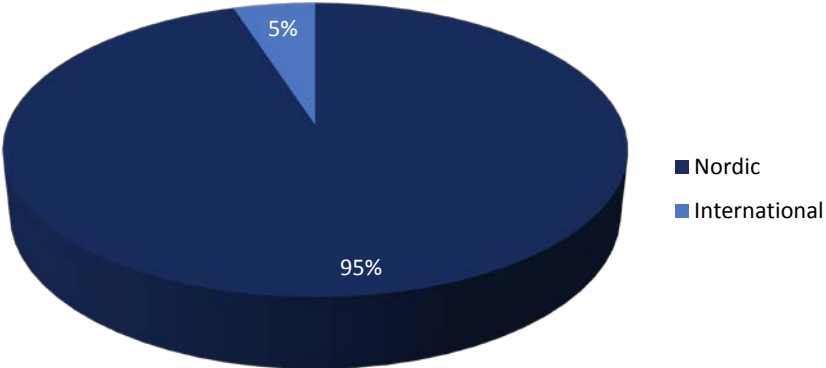
Norwegian HY, Investor composition

International Issuers

world wide investors



Nordic Issuers



Source: Pareto Credit Research

The Norwegian HY bond market is not just a «Norwegian» market



Domestic/Nordic market (50%)

- Nordic issuers
- Mainly Nordic related investors
- NOK-marked

International market (50%)

- Foreign issuers (non-Nordic)
- Mainly UK/US/Asian investors (often up to 90% non Nordic)
- USD-market



An international bond market where international issuers meet international investors

Issuers attracted by lean documentation and low issue cost

Nordic bond market

- Overall process: 2-6 weeks, including a condensed 4-5 days road show
- Information Memorandum – no prospectus
- Efficient documentation with standardized term sheet and loan agreement

- No official ratings required
- ABGSC's credit research department will carry out their own credit analysis and provide the company with a shadow rating
- Dedicated credit analyst will discuss the credit with investors

- No rating agency fee
- Legal fee ~ USD 125k
- Trustee fee ~ USD 25k annual
- Roadshow costs ~ USD 25k

Timing and efficiency

Ratings

Key cost estimates

International bond market

- Overall process: three months, including a two to three week road show
- LMA based extensive documentation with full fledged prospectus and legal involvement
- Significant due diligence carried out

- Official ratings typically required for a deal size in excess of USD 100 million
- S&P and Moody's mostly used
- Approximately four to six weeks process with heavy involvement of management resources

- Rating agency costs ~ USD 75k per agency in upfront fee + ~5 bps of loan amount + annual monitoring fees
- Legal / trustee fees > USD 250k
- Road show costs > USD 50k

Requires less management resources, is cheaper and offers shorter lead time to funding

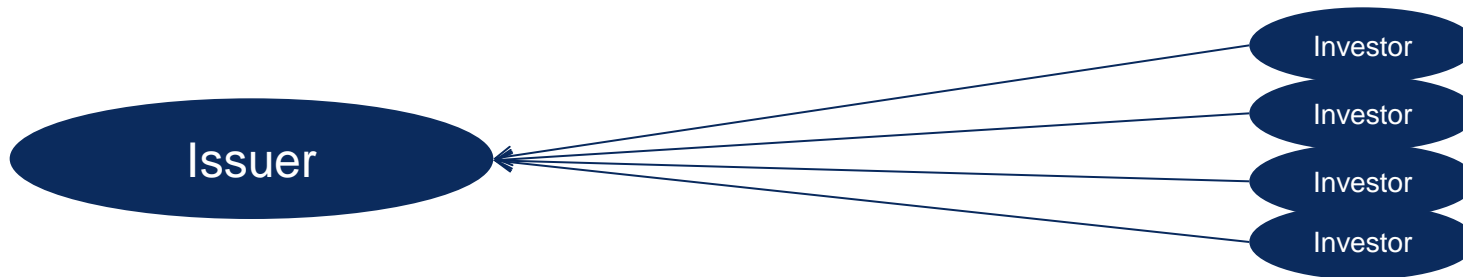
Source: ABGSC, Standard & Poor's, Moody's and Nordic Trustee

The Bond Trustee and infrastructure

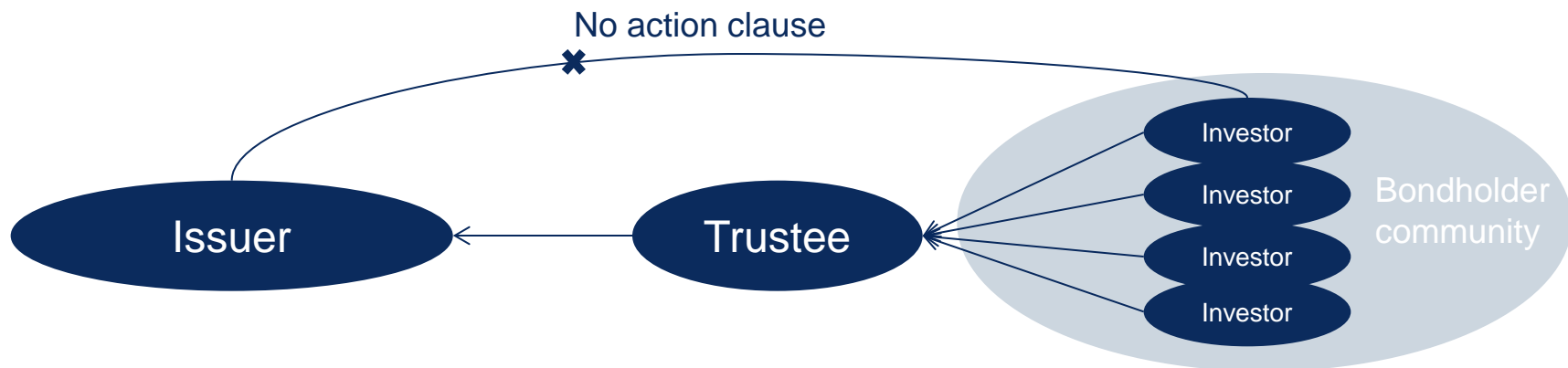
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The benefits of having a trustee

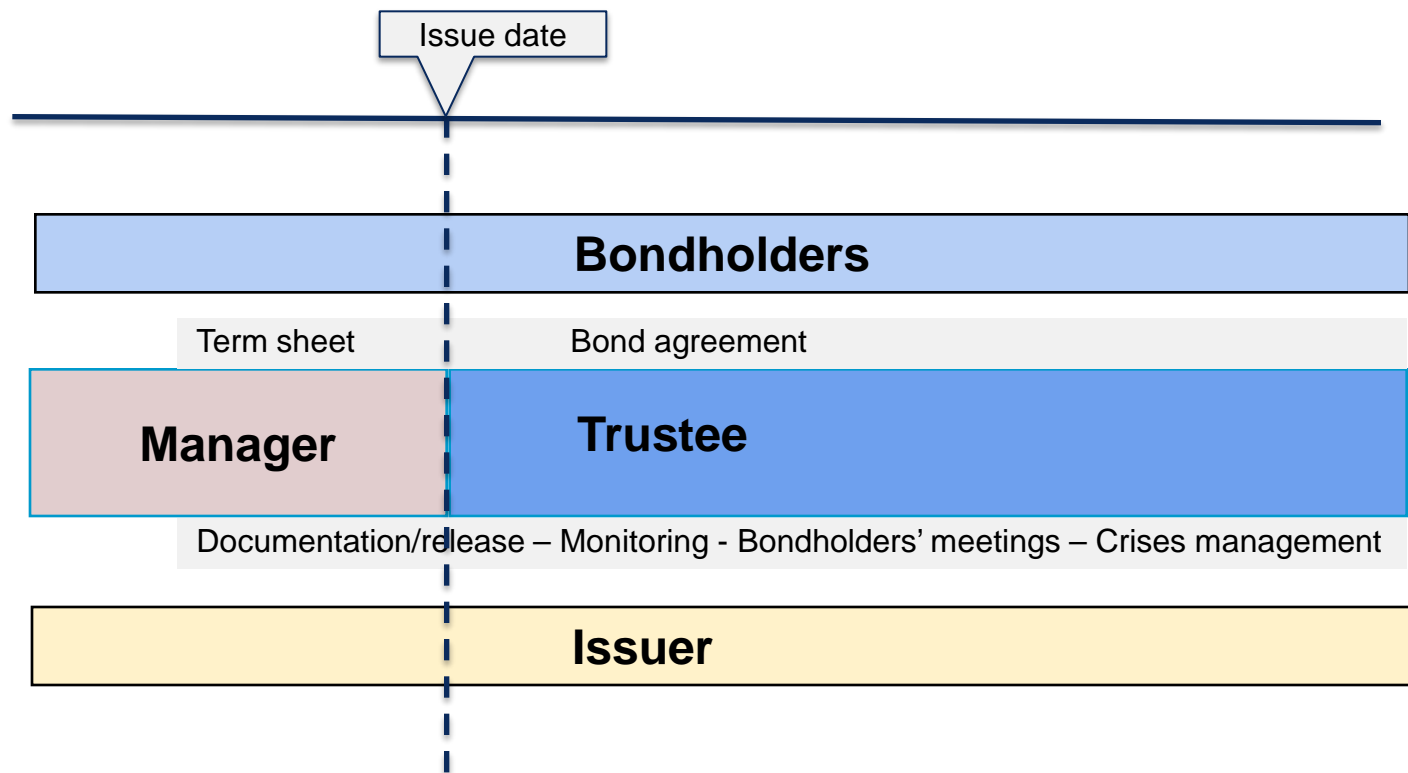
Bonds without a trustee – investors act independently



Bonds with a trustee – investors act collectively through the trustee



Time line/what we do



NORDIC TRUSTEE

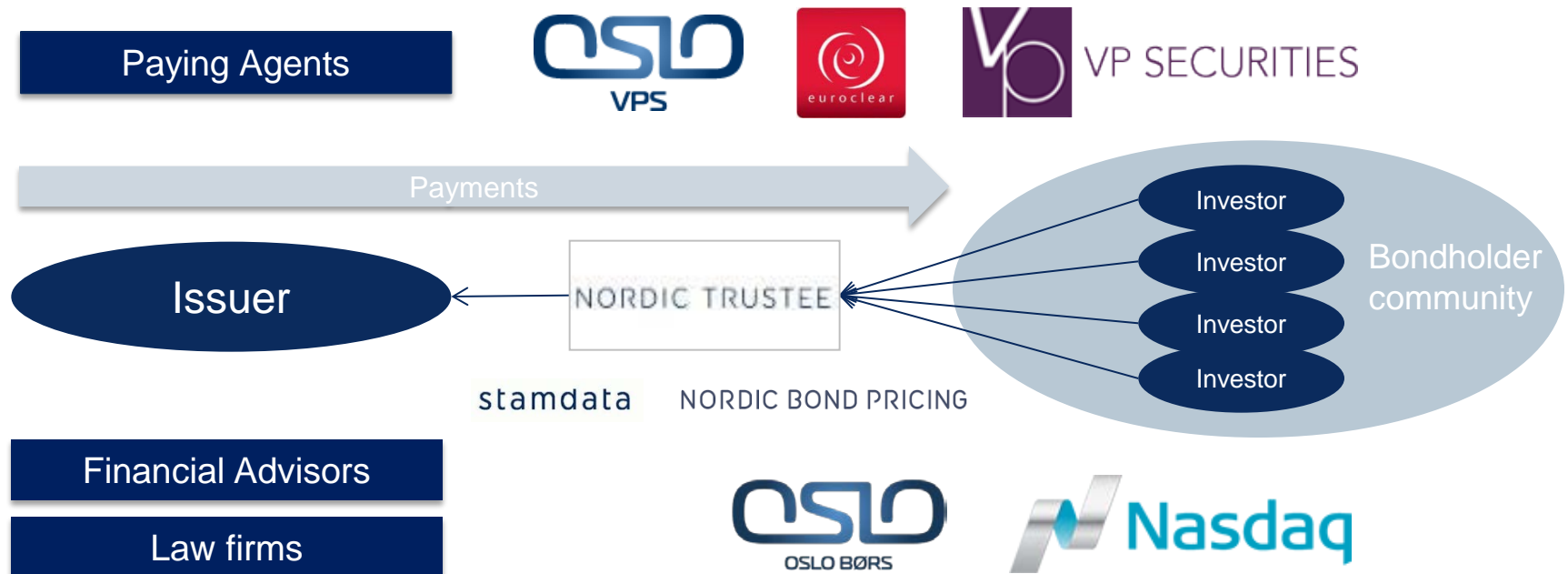
(former Norsk Tillitsmann)

- Established in 1993 by financial institutions as a result of banking crisis
- Representing approx 95 % of the Norwegian bond issues (incl financial and municipality sector /ex gov) and
- Approx 95 % of the bond trustee assignments in the Nordic region
- Portfolio of more than
 - 10000 bond assignments total (historical)
 - 2200 bond active assignments
 - 500 active issuers
 - Portfolio nominal value of EUR142 Bn/NOK 1200 Bn
- Offices in;
 - Oslo 
 - Stockholm 
 - Copenhagen 
 - Helsinki 
 - (Island - contact person only) 
- Owned by Norwegian and Nordic financial institutions/market participants

Development of Nordic infrastructure

Nordic Trustees role as part of the infrastructure

- Nordic Trustee plays an active role in standardizing documentation and processes
- Calculating interest rates and data distribution to the market participants
- Established links to CSD's and marketplaces and Paying Agents
- Stamdata and Nordic Bond Pricing



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- > League tables
- > Statistics

SEARCH

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ACCOUNT

- > jo
- > Markets and formats
- > Sign out

DATE	LATEST NEWS	TITLE
26.05.2015	Sektor Portefølje III AS	Summons to Bondholders' Meetings
26.05.2015	Talvivaaran Kaivososakeyhtiö Oyj	Notice from Bondholders Meeting - support fro
22.05.2015	Norshore Atlantic BV	Notice from Bondholders Meeting
22.05.2015	Braathens Aviation AB (publ)	Summons to Bondholders Meeting
20.05.2015	Norshore Atlantic BV	Notice of a Written Bondholders' Resolution
20.05.2015	Dolphin Group ASA	Payment of Consent Fee
20.05.2015	Det Norske Oljeselskap ASA	Payment of Consent Fee
20.05.2015	Storebrand Livsforsikring AS	Exercise of Call Option
19.05.2015	Oro Negro Impetus Pte. Ltd	Notice from Bondholders Meeting
19.05.2015	Oro Negro Impetus Pte. Ltd	Summons to Bondholders Meeting
19.05.2015	Personallhuset AS	Information from company - Comments on Fin
19.05.2015	Genel Energy Finance 3 plc	Merger of bond issues
19.05.2015	Genel Energy Finance Limited	Merger of bond issues

Latest news from Stamdata

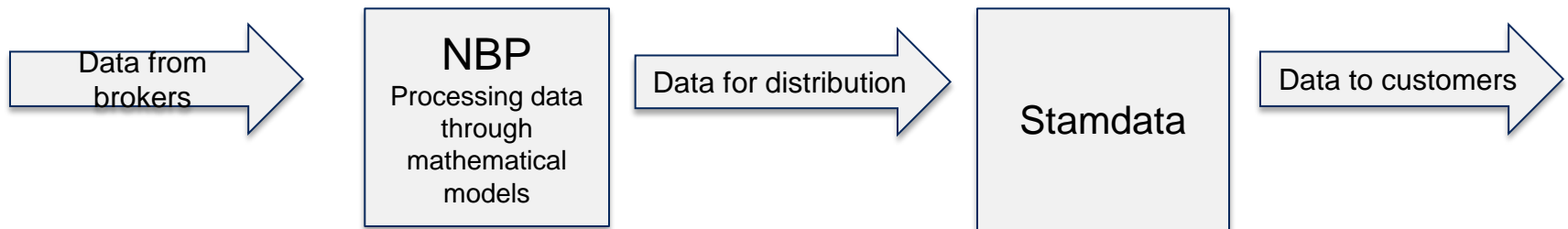
New version of Stamdata user interface released.

BOND MARKET SIZE

Finance	2204 bNOK
Government	1709 bNOK
Bank	1225 bNOK
Public Sector	377 bNOK
Industry	211 bNOK
Utilities	210 bNOK
Real Estate	172 bNOK
Telecom/IT	132 bNOK
Oil and gas services	97 bNOK

NORDIC BOND PRICING

- Cooperation between Nordic Trustee and the Norwegian Mutual Fund and Asset Management Association
- Offering evaluated prices in the Nordic bond market based on unrivalled market data from a broad set of local brokerage houses
- Has recruited a team of experienced pricing analysts from some of the largest asset managers in Norway
- Delivers prices on a daily basis for NOK-denominated bonds
- A broad client base including all of the largest asset managers in Norway
- Distributed through Stamdata feed solution (owned by Nordic Trustee)



Distressed bonds

Norwegian HY during financial crises:

Crises management during the financial crises;

- Handled approx. 120(+) bond issues and
- Approx. 60(+) issuers
- More than 600 bondholders meetings

Recovery rates – Bankruptcy 36% / Restructuring 59%

Bankruptcy;

- Liquidation
- Court
- Low recovery to bondholders
- No value to shareholders

Restructuring;

- Going concern
- Normally voluntary
- Higher recovery to bondholders
- Value to shareholders

An efficient model for handling of distressed bonds is developed

OECD Corporate Governance Working Papers No. 16

Corporate Bonds, Bondholders and Corporate Governance 2015

“An important observation [...] is that the restructuring process does not put an end to the bondholder – issuer relationship. Rather, it marks a new start.”

“[X argues that...] it is with this mechanism that constructive bondholders [...] can create value for financially distressed companies and put them on the right track.»

A close-up photograph of a green leaf, showing a detailed network of white veins. The veins are arranged in a complex, branching pattern, with a prominent central vein and smaller veins branching off. The leaf's surface is a vibrant green, and the veins are a contrasting white or light green. The overall texture is intricate and organic.

Closing remarks

NORDIC TRUSTEE

Why Norway?

«*Look to Norway*»
Roosevelt, 16 Sept 1942



“The Norwegian high-yield market remains an attractive capital source for global issuers in US dollar-based offshore energy- and maritime-related sectors.”

Fitch Ratings Nordic HY report, May 2014

- Well developed bond market
- Low cost
- Simple standardized documentation
- Quick launch time
- Efficient infrastructure
- Experienced and tested trustee structure during financial crises
- Experienced managers
- Experienced other participants (lawyers, bondholders etc)
- Several Nordic and international issuers
- Several Nordic and international investors

Make it simple...

«Gentlemen prefer bonds»

(Andrew Mellon, US financier 1855-1937)