

MARINE M O N E Y INTERNATIONAL

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Event Report: 4th Annual Marine Money Istanbul Ship Finance Forum, Thursday 12 April 2007

Turkish Delight

On Thursday 12th April, Marine Money together with Anchor Sponsor **Geden Lines** successfully hosted their 4th Marine Money Istanbul Ship Finance Conference at the Swissotel – The Bosphorus.

With a record audience of 250 including an influential Member of Parliament, shipowners, financiers, and professionals from around the world, **Metin Kalkavan**, Chairman of the Executive Committee of the **Turkish Chamber of Shipping** opened marine Money's 4th annual Istanbul Ship Finance Forum with an inspiring report on the dramatic growth and health of the Turkish shipping scene.

The Minister of Transport and the Undersecretary of Maritime Affairs, while regretting they could not attend, sent five Deputies.

With an ebullient shipping market generally and a steady stream of vessels transiting the Bosphorus outside the conference venue, it would be hard to have been more dramatic than the newbuilding statistics Mr Kalkavan delivered to the audience. Forty-five days ago the Turkish shipyard orderbook stood at 423 vessels. Today not even two months later that order book stands at 528! Ninety-one come from foreign owners, 215 from Turkish owners alone, with a further 222 speculative orders, which enable yard construction regularity and may be sold or operated. Two hundred twenty-seven are tankers, and the total value reaches seven billion dollars.

To put this in perspective the total value just six years ago was just \$400 million.



But the excitement that Mr Kalkavan brought to the opening extended to the fact that Turkish owners have 131 ships on order outside Turkey. The 36 bulkers and 69 tankers on order represent a further \$5.5 billion.

Bigger ships including capes are planned. A goal for Turkey is to be among the top four shipbuilding nations in the world - and some statistics indicate it already is – this from an almost standing start four years ago!

With justifiable pride Mr Kalkavan noted that as a percentage of the current Turkish fleet at sea the foreign orderbook represents a larger percentage than even Greece.

The result must be a huge opportunity for finance.

But he saved some of his greatest enthusiasm for the growth within the Turkish shipping community itself of youth and future possibility.

With a government supportive of the industry and recent positive results to reinforce that support, he saw a positive future for shipping and Turkey.

Mrs Sadan Kaptanoglou personified the face of New Turkey and with enthusiasm and an articulateness which reflected her international education and celebrated the achievements of her father, the family holdings and the promise of the future, concluding with a hope that Kaptanoglou or someone like it would be the first Turkish company to the public markets.

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Some Short Highlights

Gill Whitaker of **Tradewinds** called for more transparency as part of the ongoing process of growth and development.

SOX Light for private fleets, an extension of **Deloitte's SOX** for Shipowners, offers assistance to shipowners for the appropriate internal control and reporting of financials; a brief lesson on the process of documenting a company's financials.

Jeffrey Waterous with **Global Union Energy Ventures**, whose boutique investment bank is focused on turning petrodollars away from speculative real estate business (There is over a trillion dollars of liquidity in the Persian Gulf!) and into energy infrastructure, telling the audience there is potential in aligning one's shipping business with the largest oil companies, the largest ten of which account for control of only 14% of the world's tanker fleet.

The Local Banking Scene - A Snapshot

Post delivery financing expertise is coming! All three local banks participating indicated that expertise to enable such financing is coming on line with a growing comfort for offshore structures, market fluctuations included.



Turkey's **DenizBank**, a part of **Dexia Group**, stated that shipping is their most important niche, and that they are one of the most important players in the Turkish ship finance market, with 124 shipping related projects totaling a USD credit line of 1.3 billion since 2003. All good projects looked at.

Garanti Bank, where **GE** has an investment, told the audience that they have done just what they promised they would do the last three years. We are financing over 60% of the vessels being built in Turkey focusing on construction, shipyard and post finance as well as port projects - earmarking \$3 billion for such projects.

Finansbank wants to be a friendly and sustaining bank for the sector, with a focus on pre-delivery, newbuilding and shipyard investments.

With **NGB's** (National Bank of Greece holds almost 90% of the shares) expertise they have a hope to expand their post delivery ship financing. 2007 – a new beginning for Turkish shipbuilding!



More Banking Talk

Question from the floor: We used to chase credit lines now credit lines are chasing us. What can we do to achieve better rates?

Answers: A good partnership with the bank is important. Finance of shipping industry requires good financial expertise. International banks are pricing Turkish loans same as we are. More attractive credits, more attractive pricing.

From the Floor: Have foreign investments into your banks affected the speed with which you make decisions?

Answers: Everything's the same, maybe better! Our credit committee meets Wednesday. Ours meets Tuesday. GE's very happy. We price the customer not the deal.

See you next year at our next Istanbul conference.

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Where to next

Extract from "The Turkish Shipping Miracle", by Kevin Oates published in Marine Money Magazine April 2007

In only a few years Turkish shipping has come a long way. Finance and financial structures which were only dreamt of five years ago by the majority of owners is now on the doorstep. One word of wisdom from the author to the larger owners and those with growth plans. Margin is not the most important aspect of a financing from your bank. From my own experience it is better to have more relaxed terms conditions and pay 25 bps more on the margin. If this is adhered to on an aggregate scale by Turkish owners the number of banks accommodating your plans will remain and even grow.

Image is also a big issue and it is an issue that is not always easy to improve. Most non-shipping and shipping people have an image of shipping or an

aspect of shipping from front page headlines in various trade magazines and newspapers. And it is not often that good news hits the headlines. What would be headline news is one of the top Turkish owners listing on a foreign market. This would immediately make people sit up and realise that indeed Turkish shipping is ready to challenge the world.

And renewing the coastal fleet would bring grass roots shipping to the level it rightly deserves to be. Where is the foreign bank to provide this finance? A bank that will accept the Turkish flag and will trust the ability and commercial expertise of the family run business providing vital transportation along the expansive coastal territories.

All this is not just a dream. Look how far the industry has come in the last five years. Here's to the next !

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