

6th Annual Marine Money Istanbul Ship Finance Forum
Thursday, 30 April 2009, Swissotel – The Bosphorus
EVENT REPORT

... Marine Money would like to commend two players at this conference. One is HSH Nordbank for the fact that they were visible, prepared to stand on the platform in front of many clients and defend their current shipping strategy. This brave move is one we believe will pay off both in the short term in gaining client understanding and in the long term in winning the backing of Turkish shipping. Secondly we commend the solidarity of the Turkish shipping and financial community. Both deserve to survive this crisis and prosper in the better market ahead.



On a balmy day over the Bosphorus, Marine Money and **Geden Line**, our Anchor Sponsor, held the 6th Annual Marine Money Istanbul Ship Finance Conference. A week before delegates had been slow to sign up and we were concerned the crisis was taking its toll. But true to form the Turkish shipping community showed its solidarity and on Thursday 30th April over 170 speakers and delegates filled the ballroom of the Swissotel – The Bosphorus.



Our keynote address was given by **Mr. Suay Umut, President of Dunya Shipping**. Getting on in years but young in energy and initiative, Mr. Umut reminded us that this is certainly not the first crisis in shipping, though the total scope of this crisis, incorporating the financial sector as well, is different and more far reaching than past crises. Mr. Umut closed by suggesting an age limit on trading dry bulk carriers, as in tanker shipping, may go some way to protect the long term interests of the industry.



Our first panel included representatives from leading Turkish shipping companies – **Mrs. Sadan Kaptanoglu of Kaptanoglu Holding** and **Mr. Tugrul Tokgoz of Geden Line** – from leading international ship lenders – **Mr. Christian Nieswandt of HSH Nordbank** – and from one of Turkey's foremost law firms – **Ms. Seyma Inal of Inal Law Office**. There was a general consensus from the shipowners that we do not really expect an improved market until Q1 or Q2 2010 but there is some comfort that we are all in the same boat; that there is global synchronization at the political level to solve the problem; that it is in no-one's interest for shipping companies to fail and that patience is certainly

a virtue. We heard for the first, but not the last, time during the day that finance is hard to come by. Mr. Nieswandt emphasized that HSH Nordbank are honouring all commitments on newbuilding deliveries but not able to give new finance for new transactions. He did state however that where necessary HSH were refinancing balloons which in the past may well have been repaid from vessel sales or refinanced by other banks. This is effectively new business that was not budgeted for. Ms. Inal made clear that from a year ago when her office was more occupied with loan finance business and S&P transactions, this year the mood is more negative with much time spent on disputes, vessel cancellations and loan restructures.

Dr. Cyrus de la Rubia of HSH Nordbank suggested that the global recovery will likely be a long U shape recovery. He interestingly stated that China is likely to recover relatively quicker, followed by Japan and Europe and with the US dragging it's feet. A big factor relating to the US is who is going to buy the billions of dollars of T-bills which will supposedly fuel the recovery. In the recent past (mid 2008) 56% of US Treasuries were held by foreign central banks, especially emerging markets with China in the lead. This is not likely to continue.

Our next presentation recommended strategic interest rate management is wise at this time with very low short term rates but with rising longer term rates. **Dr. Jan-Peter Firnges of HSH Nordbank** suggests that the 3 month LIBOR rate and the 5 year curve are both likely to rise but with the longer term rising proportionately faster so good to fix now in a way which hedges the long term outlook whilst simultaneously benefitting from short term softness.

The shipping market presentation is always of interest at the Istanbul event and this year **Mr. Simon Chattrabhuti of ICAP Shipping** in London gave us an outlook for the wet and dry markets. Regarding the crude sector it is suggested that crude oil trade might decline 9% in 2009 and it will take three years of growth before we again reach 2008 figures. On the bright side the per capita consumption of crude in China and India is still very low, much lower than other emerging markets in the Far East. With supply also set to increase a weak market will continue through 2009 and into 2010.

The Spring rebound in dry rates is largely because of restocking in China. The market is now likely to weaken through the summer and the next two years will be difficult due to deliveries of new ships. Longer term there is confidence in the market. China will continue to grow and the sheer number of people and the growth plans of the Chinese economy should lead to increased coal and iron ore demand. The classic tale of short term pain, long term gain.

Mr. Christian Nieswandt again took the floor to give some advice regarding bank / client relations. He



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emphasized that **HSH Nordbank** is behind it's clients but it had to see (1) a comprehensive and reliable cash flow model (2) 100% transparency (3) substantial commitment from the borrower of contributions from private / family assets. It was emphasized that such contributions were not lost. They would preserve the sustainability of the shipping business. A word of wisdom was not to hide until it was too late.

The afternoon panels discussed ways to find finance and how to invest in quality and save money. **Mr Chris Vartzis of Stephenson Harwood** discussed the Do's and Don't's of negotiating refund guarantees with PRC banks.

Our final panel was moderated by **Mr. Metin Kalkavan, Chairman of the Executive Committee of the Turkish Chamber of Shipping**. Panelists included **Mr. Sualp Urkmez of Furtrans Holding, Mr. Metin Duzgit of Duzgit Gemi Insa Sanaya AS, Prof. Oral Erdogan of Istanbul Bilgi University and Mr. Bruno Accou of Denizbank**. It was generally stated that Turkish banks will not lose money from the present shipping crisis; that Turkish shipbuilding did not expand any more than the industry did in other shipbuilding nations; that Turkish banking will continue to support Turkish shipbuilding and both will continue to prosper.

The conference ended with a cocktail reception hosted by **International Registries / Marshall Islands** flag and in the evening a Bosphorus cruise for speakers and invited guests, hosted by **Kaptanoglu Holding**.



Text by Kevin Oates, published also in the "Freshly Minted" weekly on 7th of May 2009, at www.marinemoney.com

List of Participants <http://www.marinemoney.eu/2009/istanbul/pdf/ListOfParticipants.pdf>

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