



Marcus Machin, CEO of TUFTON OCEANIC (MIDDLE EAST) LIMITED

The Maritime Standard Ship Finance and Trade

ISLAMIC FINANCE

Monday 14th November 2016

WHO WE ARE

Specialist Investment Managers

- Shipping
- Offshore oil & gas services
- Energy sector

DIVERSIFIED SOLUTIONS

Tufton Oceanic Finance Group Ltd and its subsidiaries (“Tufton Oceanic”) establish and manage investment vehicles that invest in shipping and oil services assets through long-term lease structures, private equity and distressed opportunities. Tufton Oceanic also manages the Oceanic Hedge Fund. We have approx. USD 1.75 billion in Asset Under Management (“AUM”)

TRACK-RECORD

Tufton Oceanic was established in 1985 and has been focused on its target sectors since formation, consistently investing in and directly owning shipping and oil services assets and taking advantage of market cycles for the benefit of our institutional partners

TECHNICAL KNOWLEDGE

Our dedicated technical department, based in Cyprus includes experts with ship-officer and marine engineering experience who provide support and advice on all technical aspects of vessel ownership and operation

RESEARCH CAPABILITIES

Our investment decisions are supported by our in-house research department that is specialized in the shipping and energy markets

SHIPPING & FINANCE EXPERTS

We have been investing in our sectors for 30 years and the senior partners have backgrounds in shipping, investment banking and asset management

INTERNATIONAL

Global presence with 55 employees in London, Isle of Man, Limassol and Dubai

REGULATED

Regulated by the Financial Conduct Authority (UK), Financial Supervision Commission (Isle of Man) and Dubai Financial Services Authority (UAE) in our principal operating locations of London, the Isle of Man and Dubai

EXPERTISE ACROSS ALL MAIN SHIPPING AND OFFSHORE SEGMENTS

DRY BULK CARRIERS



- Iron ore
- Coal
- Grain
- Agribulks
- Fertilizers
- Metals & minerals

CRUDE TANKERS



- Crude oil

PRODUCT & CHEMICAL TANKERS



- Gasoline
- Fuel Oil / Gasoil
- Naphtha
- Jet/ kerosene
- Methanol
- Edible oils

LPG CARRIERS



- Propane
- Butane
- Ammonia
- Ethylene / Ethane
- Propylene
- Butadiene

GENERAL CARGO



- Cars
- Trucks
- Railroad cars
- Refrigerated commodities
- Livestock carriers

CONTAINER SHIPS



- Containers

OFFSHORE SUPPORT



- Rig towing
- Transportation of crews / supplies
- Emergency / Rescue services
- Subsea services

OFFSHORE PRODUCTION

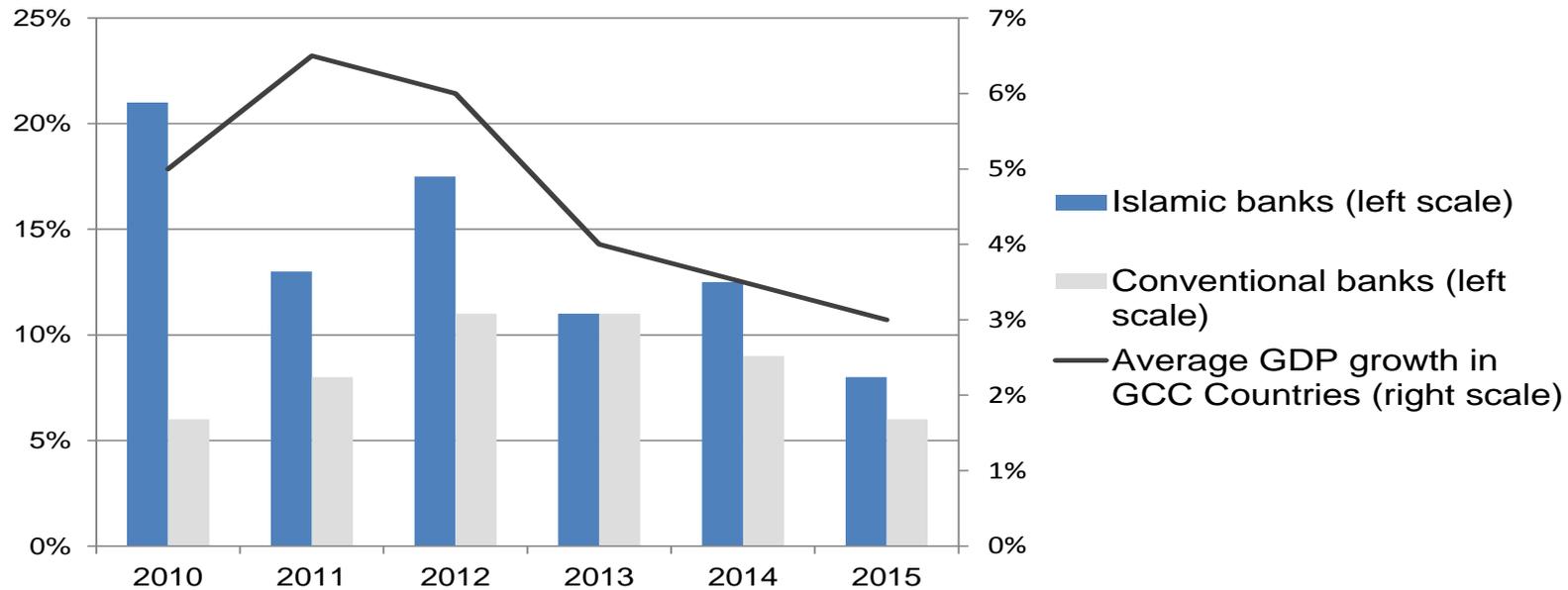


- Offshore oil production / storage

ISLAMIC FINANCE CONTEXT

- Dubai Islamic Bank established in 1973 – the first registered Islamic bank
- Growth of Islamic institutions – significance of 9.11
- Spread of Islamic institutions
 - Banks *Retail finance – corporate lending – project finance – capital markets*
Wealth management – development of investment products
 - Other *Takaful insurance - Ratings services – Islamic economy*
- Consolidation of smaller Islamic institutions and emergence of larger ‘universal’ Islamic banks

Islamic Market Benchmark – Asset Growth in GCC Islamic v Conventional Banks 2010 - 2015



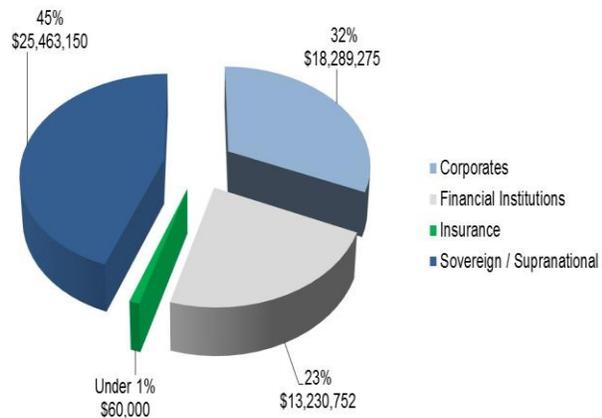
Source : S&P

Asset Quality Comparison : GCC Islamic and Conventional Banks 2010 - 2015

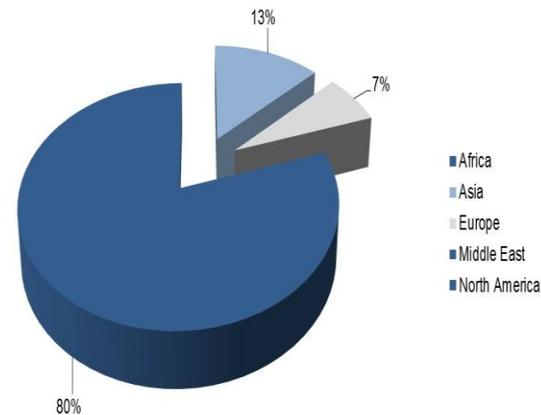
Islamic Banks (%)	2010	2011	2012	2013	2014	2015
Nonperforming advances ratio	6.1	5.3	4.7	4.1	3.4	3.3
Nonperforming advances coverage	111	129.9	100.4	98	107.2	120.8
New loan loss provisions/average customer loans (%)	1.2	1.2	1.1	1	0.9	0.9
New loan loss provisions/operating revenues (%)	19.3	20.4	18.1	16.6	15.5	14.6
Conventional Banks (%)	2010	2011	2012	2013	2014	2015
Nonperforming advances ratio	6.1	5.6	4.7	3.8	3.2	2.9
Nonperforming advances coverage	90.8	97.6	106.5	126	154.9	158.9
New loan loss provisions/average customer loans (%)	1.4	1.1	1.1	1	0.9	1
New loan loss provisions/operating revenues (%)	21.7	18.8	18.2	18	15.2	17.1

The Sukuk Market : Headline Statistics

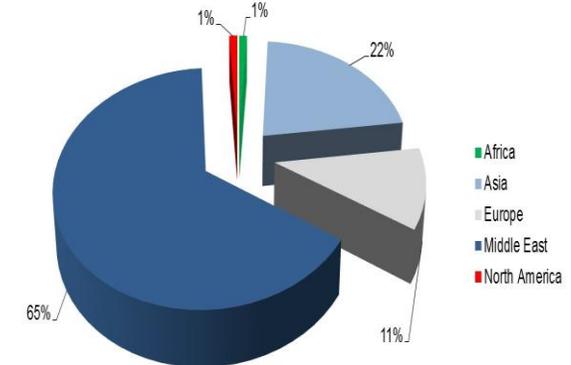
Volume of Sukuk Issuance by Sector



Islamic Finance Based Issuers by Region



Volume of Sukuk Issuance by Region



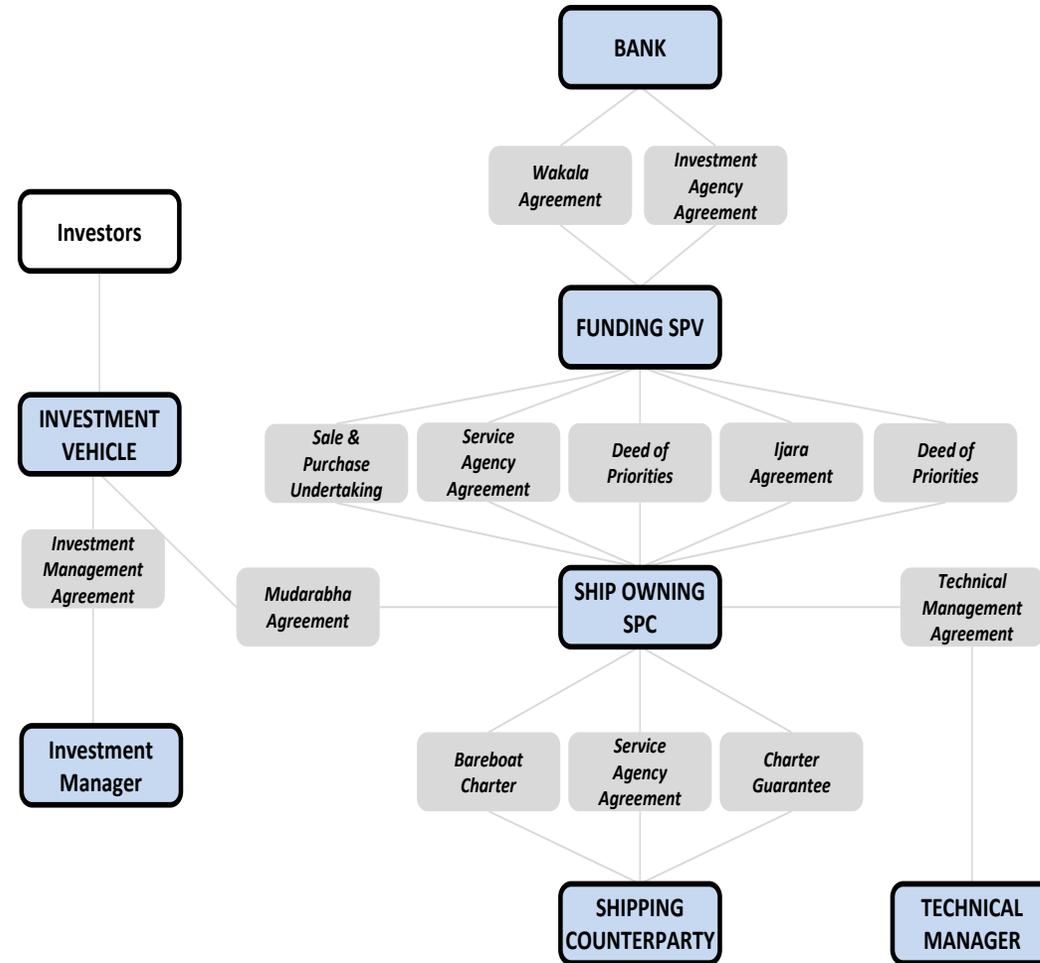
Source : S&P / Fitch

Challenges to the further development of the Islamic banking and finance markets :

- Regulatory framework quality
 - Ratings consistency
 - Investment liquidity
 - Documentation consistency
 - Specialist commercial sector familiarity
- Acceptance of sector internationally

ISLAMIC SENIOR AND JUNIOR FINANCE STRUCTURES

- Islamic Senior and Junior finance facilities have been structured increasingly successfully by GCC regional and international banks
- The **Ijara double lease** structure has become widely accepted and is appropriate for both Islamic and conventional financiers
- The structure diagram shows a standard double lease Islamic vessel finance structure with the additional feature of **equity investment** in respect of the vessel financed being provided by a PE investment vehicle through the provision of junior finance
- From the perspective of the Shipowner, the key operational consideration – control of the vessel and its employment - is retained under the finance structure, finance obligations being met through the payment of a **bareboat lease day rate**



REPRESENTATIVE GCC ISLAMIC FINANCE ANNOUNCEMENTS

Dubai, UAE, 30 April 2015: Topaz Energy and Marine, today announced a new **US\$550 million** facility. The facility is arranged over three tranches. The first is a conventional and Islamic senior secured, term loan of **US\$350 million** over seven years which will be used principally to repay existing senior debt. The second is a senior secured, conventional and Islamic Revolving Credit Facility of US\$100m over five years and the third tranche is a senior unsecured conventional and Islamic term loan of US\$100m, both of which will be used to fund growth capex. The new facility significantly lowers Topaz's finance costs. The facility will also extend the maturity of Topaz's debt profile over the next seven years from its previous profile of four years. Standard Chartered, HSBC, Emirates NBD, Noor Bank, GIB and FGB are the Mandated Lead Arrangers with Standard Chartered and HSBC also appointed as co-ordinators

Dubai-UAE: 15 June 2015 – Noor Bank, one of UAE's fastest growing Shari'a compliant banks, has successfully closed **AED 1.2 Billion** Islamic Syndicated Structured Finance Facility for offshore vessel operator **Stanford Asia Holding Company** ("Stanford"), a subsidiary of **Stanford Marine Group** (SMG). Besides being Initial Mandated Lead Arranger, Noor Bank PJSC also acted as the Sole Underwriter and Sole Bookrunner for the Murabaha structured Shari'a compliant syndication.

Abu Dhabi: 18 December 2015 Gulf Marine Services (GMS), a leading provider of advanced self-propelled self-elevating support vessels (SESVs) serving the offshore oil, gas and renewable energy sectors, has announced it has secured a new **US\$620 million** (Dh2.2 billion) financing facility.

The syndicated financing combines Islamic and conventional facilities and will replace GMS' existing funding facilities with no changes to the previous borrowing covenants. The facility has a term of six years and comprises a **US\$375 million** term facility, a **US\$175 million** committed capex facility and **US\$70 million** facility for general working capital purposes. A further **US\$300 million** uncommitted facility has also been agreed.

Saudi Arabia July 18, 2016: The Arab Petroleum Investments Corporation (**APICORP**) and **The National Shipping Company of Saudi Arabia (Bahri)** announced the launch of a landmark shipping fund. The Fund's target is to acquire approximately **15 Very Large Crude Carriers (VLCCs)** over three phases with total investments of up to **US\$1.5 billion** composed of debt and equity. APICORP will be the main investor and fund manager, whilst Bahri will be the exclusive commercial and technical manager. APICORP will invest 85% in the Fund with Bahri investing the remaining 15%. The Fund will be a closed-end fund with a 10 years life period, and will deliver returns derived from the commercial employment of the VLCCs.

Sources : Company News / Gulf News

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