

Special Report: SHIPFINANCE

Dimitrios Panagopoulos: "DVB focuses on selective partners and diversified shipping portfolio"

The shipfinance banks experience one of the most difficult period in their history as the lending levels have declined dramatically the last eight years.

Mr. Dimitrios Panagopoulos, Senior Vice President Shipping Finance Greece, DVB Bank SE (Representative Office Greece) describes how DVB faced the effects of crisis and refers to the current market conditions.



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How did you weather the consequences of the global financial and shipping turmoil?

For the past eight years, the shipping markets have indeed been a very difficult environment to operate in. DVB Bank SE has weathered the global shipping crisis better than most competitors for several reasons:

- **Focused business model**
DVB Bank SE enjoys the unique position of a specialist financier dedicated to the global transportation industry. We offer our clients finance for transport assets – comprising ships, aircraft, rail rolling stock, as well as offshore supply vessels and drilling platforms. Loans provided by

DVB are traditional asset finance, and the assets to be financed support the loans as realisable collaterals. Thus, 99.6% of our Shipping Finance portfolio is secured by mortgages on vessels.

- **Diversified portfolio as a risk mitigating factor**

DVB is carefully selecting its clients and projects. Consequently, the Bank did not invest in German 'KG' structures – shipping finance exposure packaged in funds subscribed not only by institutional but also by private investors – nor does it give priority to any certain segment (such as container shipping) when making financing decisions. Instead, DVB differentiates its lending business according to various criteria – an approach that results in a highly diversified shipping finance portfolio, both by vessel type and region.

- **High expertise** as a differentiator from competition
DVB works on the basis of its renowned asset and market research, its experienced relationship managers and its risk management system which is highly sophisticated and forward looking. This combination of competitive strengths is a major differentiator from other shipping financiers.

- **Consistent market approach** and visibility

Shipping Finance continues to be a central part of our business portfolio, despite the ongoing difficulties. We will continue to apply a very selective approach to choosing our partners. Our clients today are capable business partners, and we are confident that this will remain the case.

Can you comment on the current market conditions prevailing the shipfinance sector (withdrawal of banks and limited debt)?

It is true that Ship finance banks have been limiting their exposure to the sector and as a consequence lending levels have declined dramatically since the inception of the crisis. The reasons are plenty: State of the financial sector, the depressed shipping markets but also regulatory reasons and uncertainty over future requirements (Basel IV etc). The small- to medium-sized shipping companies have been hit particularly hard as finance is almost non-existent and good companies have been starved of capital. This is a very bad situation.

Do you believe that after the turmoil in the global banking system transparency and adequacy of capital will be restored soon? What lessons can investors and banks learn from the global banking crisis?

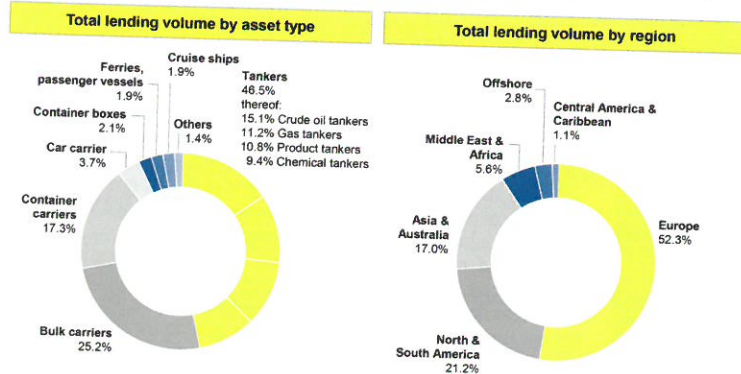
For the investors it is obvious that they have to have diversified sources of capital. Greeks have been innovative – as always – in this respect and have partnered with many capital providers. However, the capital model of equity and senior debt – not to mention reliance on one-two banks only – is not viable anymore. For the banks, the lessons are mostly related to their funding methods and are financial in nature. The outcome is however the restriction in lending as capital perseverance is the theme of the times.

Transparency will need to be improved – the crisis was partly caused by the lack of understanding of the banks' capital structures. In relation to the adequacy of capital, it has improved but there is still a lot to be done. The turmoil – as evidenced by recent troubles of major banks – is not over yet.

Describe your relationship with the Greek shipping market and future plans.

For DVB, the Greek market is a very important market as evidenced by the high exposure – almost 30% of the ship-lending book is in Greece. Since 1979 we have been in Greece – initially as Nedship Bank N.V., and our commitment has grown during these difficult times; a clear sign of our commitment to the Greek market. The future projects of DVB Bank relate to the business itself and are no other than remaining committed to the business model that has proved so successful during one of the worst crises in modern history.

Shipping Finance portfolio (30 Jun 2016: €11.2 bn)



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