

## E-Interview with Dagfinn Lunde, DVB Bank SE



**Title of Interview:** Ship Finance  
**Name:** Dagfinn Lunde  
**Functional Area:** Managing Director  
**Organisation:** DVB Bank SE  
**Date of Interview:** December 2008

### Short professional CV:

**1970 – 1973** The Norwegian School of Economics and Business Administration (NHH)

**1977 – 1981** The Torvald Klaveness Group, Oslo, Financial Director

**1981 – 1982** Stanford University, Palo Alto/California, The Sloan Program - Master in Management

**1982 – 1984** DnC-Ship Mortgage International Bank N.V. (SMIB), Managing Director

**1984 – 1990** Den norske Creditbank S.A., Luxembourg and Oslo, General Manager

**1990 – 1995** Den norske Bank AS, New York, Executive Vice President and General Manager

**1995 – 2000** Intertanko, Managing Director

**August 2000** Nedship Bank N.V., Rotterdam, CEO and Industry Head Shipping Division of DVB

**2002 to date** Member of the Board of Managing Directors of DVB Bank SE

## Investment Opportunities and Strategies for New Market Segments

While international financial crisis still increases in size and reach some major national economies face severe recession risks. The international ship financing community – being the pace-maker of international trade and growth – now has to deal with those issues as well.

Hence, the ship finance industry has to give some answers to how maritime markets and players are affected by the credit crisis. Do we have to invent new and innovative financing schemes? Will there even be new opportunities for ship financing arising from the crisis? How are investments in ship funds affected by the new market environment? What does this mean for the private investor in ship funds?

This virtual roundtable wants to shed some light on these issues related to ship financing. We invite experts from companies, banks and institutions to present their views on current and future market perspectives.

**Dear Mr. Lunde,**

### Question 1:

Which of the players in the ship financing sector are affected most by the credit crisis? Why is this so, are there substantial differences by country / on the global level?

### Answer:



Most of the problems of the banks engaged in ship financing are not due to problems in the shipping sector but due to problems in the credit markets. These two markets are not related directly. It turned out that in the last two months the crisis moved on to the shipping sector.

Most of the credit-crunch effected US-banks are not involved in ship financing. As the credit crisis has now moved on from the US-banks to the UK-banks, two of the biggest UK-banks, which are also involved in ship financing are affected – the Royal Bank of Scotland and HBOS. They are more or less out of the game, because they have been taken over by the government. It is unclear what their future will be in ship financing. They are pursuing their engagements, but they are not doing much business at the moment.

Then we have the Scandinavian markets. In general, they are affected very little by the credit crisis, and they are still doing business as they have always done.

In Holland, things have changed, mainly because of the splitting of Fortis. Right now, the ship financing sector in the Netherlands is represented by Fortis (Netherlands), Abn Amro (has been acquired by RBS, Fortis and Banco Santander), Rabobank and ING.

In Germany, some of the biggest ship financing banks have problems. For example HSH and NordLB are subject to governmental recovery plans and there will be a concentration in Germany following mergers of “Landesbanken”. Private banks like the Deutsche Schiffsbank are still doing business more or less as usual.

With respect to Greece, one can state that with this sector represented by smaller and more specialised banks, they are still doing good business.

In the Far East, there are China and Japan as the major ship financing countries. Right now it seems that they are not very much affected by the credit crisis, as they usually stay in their regional markets.

**Question 2:**

Is bank money for new ships getting too expensive to obtain? Will the business model stay as attractive as in the last years, especially with the German investors playing a leading role in the sector?

**Answer:**



Investors and banks are not the same. There is still a very broad market for KG-structures if they are set up well. But of course, buying a ship in the downcycle is not so smart. At the moment, with some of the charterers not performing properly, there is not so much potential in profit and interest. We are testing the German market now and we think that there will be good opportunities in the market.

**Question 3:**

Is there a need to invent completely new and innovative financing schemes? Will there even be new opportunities for ship financing arising from the crisis?

**Answer:**



Well, I don't think people would appreciate inventiveness right now. A lot of the problems we face now are of the intransparencies of financial products like certificates and derivatives that had fancy names and have not been understood by customers.

Currently, most of people's money goes into seemingly safe investments like into gold and state papers government securities.

But we think, the KG-structure will have a comeback. Right now, DVB bank is focusing its business on ship mortgages.

**Question for a brief delphi-survey :**

Please name – from your personal expertise – the three most important reasons why ship funds will still be a smart move for investors in the near future (2-5 years).

**Answer:**



- Securing short-term liquidity and cashflow (1-2 years); because income is lower than planned at the moment
- More equity is needed to finance new shipbuilding contracts as banks' LTV ratio can be lower in anticipation that the asset value may come down. This also cuts into liquidity.
- Balance sheet problems that arise from many companies reporting in accordance with International Financial Reporting Standards (IFRS), all assets in the balance sheet are reported on a 'mark-to-market' basis. Therefore, when the value of an asset comes down, it affects the shareholders equity (Assets – Liabilities).

**Mr. Lunde, thank you very much for this interview!**