Encouraging Mutual Growth of Korean Shipping and Shipbuilding Industries

2nd November 2016, Busan
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1. Introduction to KEXIM
KEXIM is an Export Credit Agency mandated with promoting export and competitiveness of Korean goods and services.

**Strong gov’t Support**

**Unique Mandate**

**Established in 1976 pursuant to the special act - the Export-Import Bank of Korea Act**

**Functioning as a government vehicle to remedy market failure**

**100% owned by government**

- The government fully owns KEXIM’s capital directly and indirectly through other government arms
- KEXIM’s Chairman & Board of Directors are appointed by the Government

**Par with Sovereign Ratings**

Moody's

- Aa2 (Stable)

Standard & Poor’s

- AA (Stable)

Fitch Ratings

- AA- (Stable)
Summary of Financial Statements

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>46,689</td>
<td>55,133</td>
<td>54,588</td>
<td>61,404</td>
<td>73,600</td>
<td>82,508</td>
</tr>
<tr>
<td>Total Loans</td>
<td>39,908</td>
<td>46,118</td>
<td>45,859</td>
<td>51,376</td>
<td>61,367</td>
<td>66,681</td>
</tr>
<tr>
<td>Total Equity</td>
<td>6,523</td>
<td>7,509</td>
<td>8,566</td>
<td>9,250</td>
<td>9,904</td>
<td>11,087</td>
</tr>
<tr>
<td>Net Income</td>
<td>67</td>
<td>147</td>
<td>149</td>
<td>77</td>
<td>85</td>
<td>41</td>
</tr>
</tbody>
</table>

Consistent Profitability

Solid Asset Base with Strong Asset Quality

Conservative Credit and Risk Management

Loan by Geography and by Product

- **Asia 44%**
- **Americas 16%**
- **Middle East 17%**
- **Europe 19%**
- **Oceania 3%**
- **Africa 1%**

Overseas Investment Loans 37.9%

Export Loans 56.5%
- **Industrial Plants 22.6%**
- **Shipbuilding 18.9%**
- **Metal Products 3.1%**
- **Petrochemicals 2.2%**
- **Automobiles 1.8%**
- **Electronics 1.5%**
- **Others 6.3%**

Import Loans 5.6%
KEXIM Ship Finance Status

- KEXIM committed $17.7 billion for Ship and Offshore transactions in 2015

KEXIM' Ship financing Credit Execution ($bn, 2015)

- KEXIM's Ship financing Credit balance consist of $17.3 billion loan and 16.2 billion guarantee

KEXIM' Ship financing Credit Balance ($bn, 2015)

2015 Shipping Portfolio League Table

- KEXIM is the 9th largest Ship finance bank in the world
2. State of Korean Shipping and Shipbuilding industry
Prolonged Recession → Restructuring of Korean Shipping Industry

[Freight Market] “Weak Trend” Continue
<Low Growth Rate of Seaborne Trade & Fleet Oversupply>

[Korean Shipping Industry] Accelerated Restructuring
<Hanjin Shipping & Hyundai Merchant Marine case>

Ill-timed investment decision
- High cost long-term charter in boom times
- Sudden Managemental change

<Hanjin & HMM> Debt Equity ratio & EBIT

Bulk
Rebounding from the Bottom, but Still Low

Container
The Lowest in History

Tanker
- Relatively positive
- Low freight volatility
**Global Shipbuilding industry**

- Rapid Decrease in New-Building Contracts
- Global Economic Slowdown & Falling Commodity Prices

**Market share**

- Advance in China, Regression in Korea
- Chinese Government Support & Weak Yen

**Long-term prospect is still positive for Korean shipbuilders**
3. KEXIM Solutions for Encouraging mutual growth
Shipbuilding capacity exceed Domestic Shipping demand

Shipbuilding capacity > Shipping demand
↓
Dependence on Foreign orders

Cash-strapped shipping industry

Financial performance deterioration
↓
Lack of financial availability for new orders

World Builder Rank
1. Daewoo
2. Hyundai HI
3. Samsung HI
5. Hyundai Samho
8. Hyundai Mipo

World Container Owner Rank
1. A.P. Moller
2. COSCO
24. Hanjin Shipping
31. Hyundai Merchant

Ship Investment by Korean Owner
(number of ships)

Average fleet age

<table>
<thead>
<tr>
<th>Country</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016.8</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Korea</td>
<td>13.5yrs</td>
<td>11.5yrs</td>
<td>11.3yrs</td>
<td>9.8yrs</td>
<td>8.1yrs</td>
</tr>
</tbody>
</table>
Rationale for Mutual Growth Model

Enhancing Co-Existence Relationship

Shipping & Shipbuilding “Virtuous Cycle”
Overcome Crisis by Facilitating New Shipbuilding Contract Between Shipowners & Shipbuilders

Fleet Expansion
Contract
Securing Orderbook

Shipowner
Shipbuilder
KEXIM

Reinforcing Functions as Match-maker

(As-is) Liquidity Provider
(To-be) Deal Arranger

Connecting New Shipbuilding Contracts
Attracting New Shipbuilding contracts

Korean Shipbuilder
Korean Shipowner
Foreign Shipowner

KEXIM

Shipping Finance
Shipbuilding Finance

Attracting New Shipbuilding contracts
Connecting New Shipbuilding Contracts

Korean Shipbuilder
Korean Shipowner
Foreign Shipowner

KEXIM

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KEXIM

Shipping Finance
Shipbuilding Finance
**Global Shipping Leader Program**

### Summary

Tailored financial support for Korean SME shipping companies

↓

Facilitate new building order for Korean shipbuilding industry

### Structure

**Terms & Conditions**

- **Amount** (Max 90%)
- **Maturity** (Flexible)
- **LTV** (125%)
- **Refinancing**
- **Fees** ↓
- **Interest rate** ↓

### Preferential financial terms & conditions for SME

#### Key Characteristics

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Support Korean SME Shipping companies to enhance competitiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment</td>
<td>2015. 7</td>
</tr>
<tr>
<td>Target</td>
<td>Korean SME shipping companies (7) (updated annually)</td>
</tr>
<tr>
<td>Financial Conditions</td>
<td>Loan amount, Interest rate, LTV etc → Preferential terms and conditions</td>
</tr>
<tr>
<td>Track records</td>
<td></td>
</tr>
</tbody>
</table>
  - <2015> 3 companies 8 vessels USD 254million
  - <2016> 3 companies 4 vessels USD 147million |
Encourage Institutional investor’s subordinated loan investment

KEXIM Eco-Ship Fund Program

Korea Eximbank (25%) + Institutional Investors (75%)

Investment/Withdrawal

Eco-ship Program Fund

Junior Financing → Repayments

Senior Lender

*KEXIM and other ship financing Institutions

SPC

Senior Financing

Repayments

Eco-Ship Order

Ship Builder

Project Manager

Fund Management

Guarantee

BBC-HP

L/T Cargo Contract

Shipping Companies
### Key Characteristics

<table>
<thead>
<tr>
<th>Target Market</th>
<th>Bulker and Tanker</th>
</tr>
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<tbody>
<tr>
<td>Establishment</td>
<td>2014. 12</td>
</tr>
<tr>
<td>Structure</td>
<td>Establish individual fund (KEXIM 25% / Institutional Investor 75%)</td>
</tr>
<tr>
<td>Total amount</td>
<td>KRW 1 billion (KEXIM : KRW 0.25 trillion)</td>
</tr>
<tr>
<td>Maturity</td>
<td>Maximum 15 years</td>
</tr>
</tbody>
</table>
| Track record  | HMM 4 bulk carriers (‘14.12)  
                Korealines 2 bulk carriers (‘14.12)  
                Sinokor 2 tankers (‘15.8)  
                Dong-a Tanker 2 tankers (‘15.8)  
                SK shipping 2 LPG carriers (‘16.5)  
                → Total KRW 0.14 trillion |

### Korealines Case (Eco-Ship Fund No.2)

- **Lenders**
- **Eco-Ship Fund**
- **Korealines**
- **SPC**
- **POSCO Hyundai-Glovis (Charterer)**

- Loan Agreement
- Bond Issuance
- 1st Priority Mortgage
- 2nd Priority Mortgage
- Refund Guarantee
- BBC-HP
- Escrow A/C
- Repayment

- Consecutive Voyage Charter
## Summary

### Purpose
- Support Korean Shipping and Shipbuilders by financing new large containership orders

### Structure
- Establish individual fund
  - Senior loan 60% (K-SURE guarantee)
  - Junior loan 40% (KEXIM, KDB, KAMCO, KDB Capital, Shipping company)

### Total amount
- USD 1.2 billion (14,000TEU 12 vessels)

### Progress
- MOU signed (’16.3)
  (KEXIM, KDB, K-SURE, KAMCO, KDB Capital)

### Condition Precedent
- Debt / Equity ratio: less than 400%
- Feasibility study
- Approval of individual financial institution

## Structure

- **SPC** (Lessor)
- **Charterer** (Lessee)
- **Lenders**
  - **Senior Lenders** (60%)
  - **Junior Lenders** (40%)
  - **Tranche 1** Public Agency (30%)
  - **Tranche 2** Investment (10%)

- **K-SURE**

- **Order**
  - Ship Purchase Financing
  - Dividends

- **BBC**: Operating Lease

- **Investment**

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**Key Characteristics**

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<th>Structure</th>
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(KEXIM, KDB, K-SURE, KAMCO, KDB Capital) |
| Condition Precedent | Debt / Equity ratio: less than 400%  
Feasibility study  
Approval of individual financial institution |
Global Maritime Fund Program

**Summary**

**Key Characteristics**

<table>
<thead>
<tr>
<th>Purpose</th>
<th>• Investment in Maritime Infrastructure and Offshore Plant</th>
</tr>
</thead>
</table>
| Structure | • Co-investment framework (Fund of funds)  
- Program leader: KEXIM / KIC  
- Investor: Sovereign wealth fund, Pension fund, PEF, MDB |
| Target Industry | • Offshore plant / Maritime Infrastructure / Maritime Logistics |
| Total Amount | • Open-ended |
| Progress | • Deal sourcing |

**Structure**

- **Co-investment**
  - **KIC** (Korea Investment Corporation)
  - Sovereign Wealth Fund, Pension Fund, IBs
  - Deal Sourcing, Advisory

- **Global Financial Agents**
  - Offshore Plant
  - Maritime Infrastr.
  - Maritime Logistics

- **Contribute**
  - Project Fund1
  - Project Fund2
  - Project Fund3
  - SPV
Thank you

WonHyup Kwon
Director, Korea Eximbank