

2nd November 2016

The Emergence of a New Facilitator in the Ship Finance Marketplace

- Opportunities and Challenges Going Forward -

한국해양보증보험
Korea Maritime Guarantee Insurance

Agenda

- I . How We Were Born**
- II . Who We Are**
- III. What Our Business Model Looks Like**
- IV. What Roles We Play in the Ship Finance Marketplace**
- V. What We Intend to Do for Our Future Growth**
- VI. Opportunities & Challenges**

How We Were Born

- Long-term recession of shipping business
- Government-led discussions on supports for shipping business

Korea
Maritime
Finance
Corporation

Korea
Ship
Finance
Corporation

Shipping
Guarantee
Fund

한국해양보증보험
Korea Maritime Guarantee Insurance

- Established

- December 2014



- Business Area

- Guarantee Insurance
(Financial Obligation Guarantee Insurance)

- Paid-in Capital (Oct. 2016)

- KRW 133.8 bn (USD 118 mn)
 - Public : KRW 100.0 bn
 - Private : KRW 33.8 bn

Who We Are



Purpose

- ✓ Enhancing competitiveness of businesses which are sensitive to economic environment through stable guarantee supports

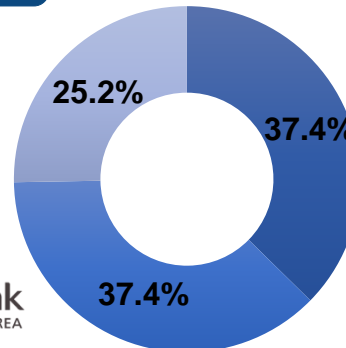
Business Area

- ✓ Guarantee insurance for shipping companies' purchase of vessels
- ✓ Guarantee insurance for other projects (Aviation, SOC, Plant)

Shareholder Structure

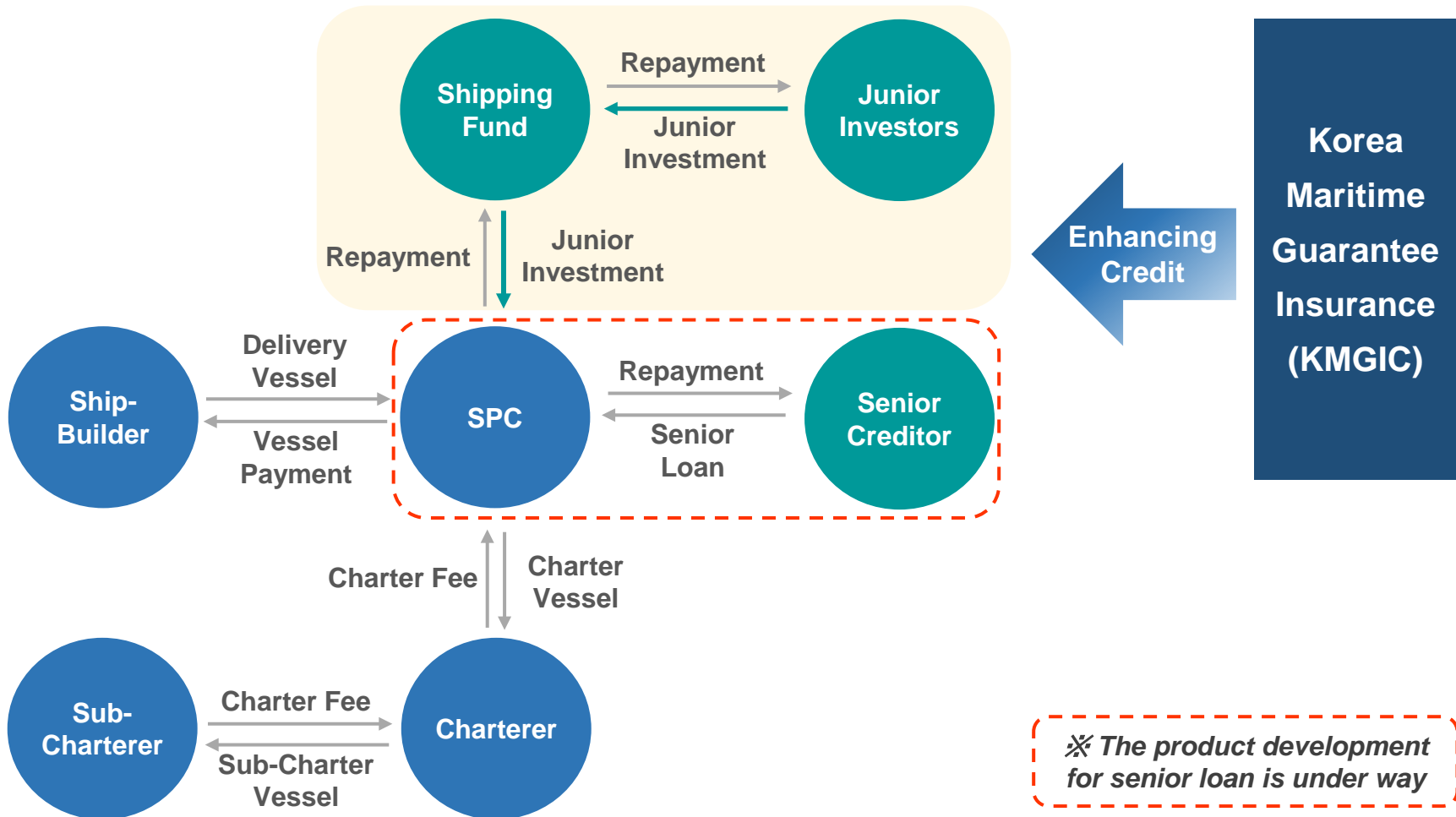
Shipping
Companies

 **Korea Eximbank**
THE EXPORT-IMPORT BANK OF KOREA



 **KDB Bank**

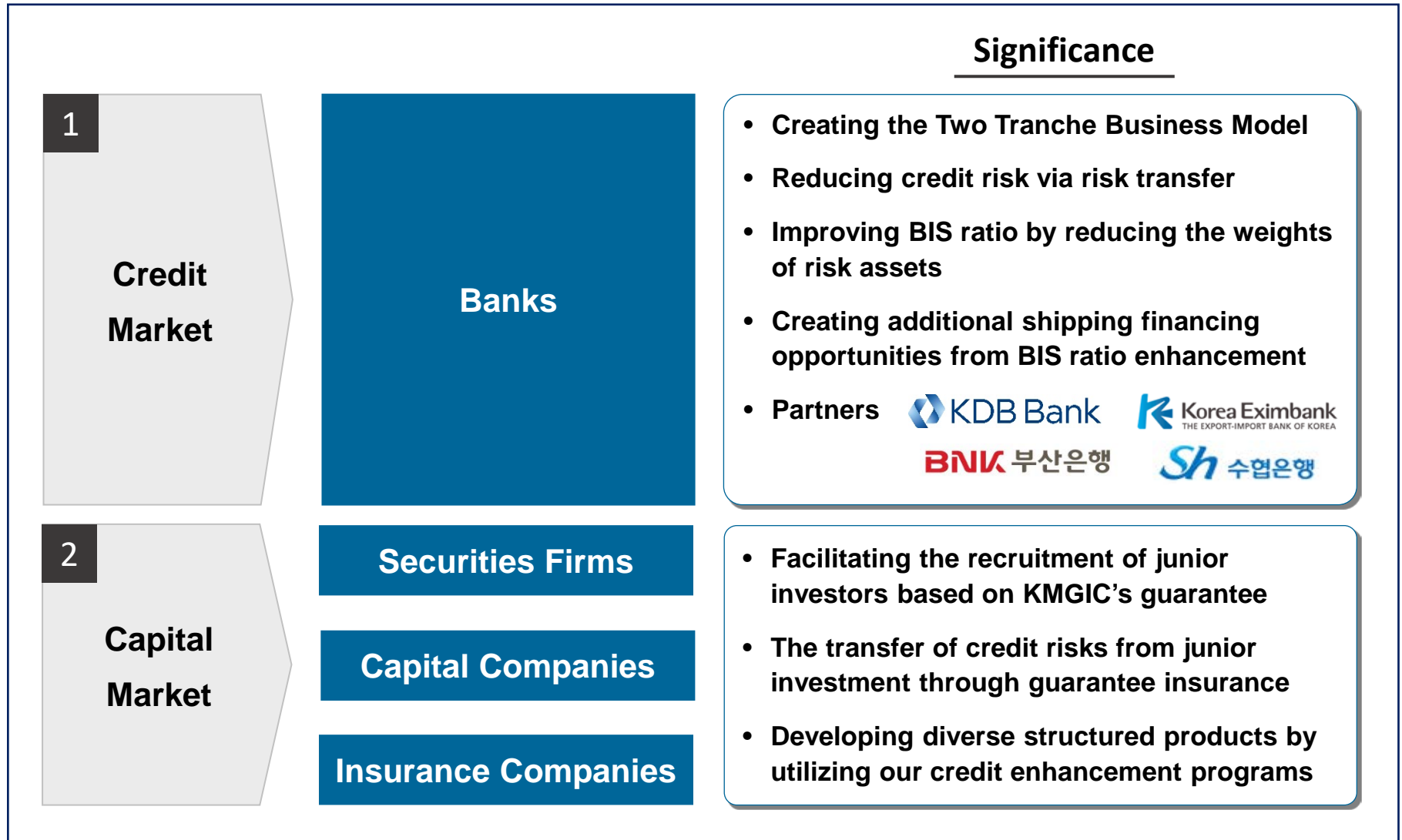
What Our Business Model Look Like



What Roles We Play in the Ship Finance Marketplace (1)



What Roles We Play in the Ship Finance Marketplace (2)



What Roles We Play in the Ship Finance Marketplace (3)

3

Shipping Companies

Current Status

- ❖ **Deteriorating ship financing environment due to prolonged recession in shipping business (esp. junior financing)**
 - **Difficulties of shipping companies in securing fleet**
 - **Financial Institutions' reluctance to engage in ship financing**
 - **Rising funding costs**
 - **Weakening collateral value of the vessels, prompting senior lenders' request for additional collaterals or partial repayment**

Significance

- ① **Financial institutions are more willing to participate in ship financing programs**
- ② **The shipping companies' credit ratings could be compensated by KMGIC's credit enhancement.**
- ③ **Funding costs are reduced due to financial institutions' lowered required rate of return.**
- ④ **Searching costs are reduced with easy access to capital marketplace.**
- ⑤ **Junior financing could take the place of the collateral shortage problem**

What Roles We Play in the Ship Finance Marketplace (4)

- Performance

✓ **Accumulated insured amount**

- Approximately KRW 180 bn
(USD 159mn)

✓ **Accumulated insured ships**

- 14 ships

✓ **Type of Supports**

- New shipbuilding
- Resale Finance
- Refinancing

(Oct, 2016)

Type	Bottom	Insured Amount (KRW)	No. of Vessels
Tanker	543,000 DWT	60bn	4
Bulk	857,000 DWT	75bn	5
Container	5,400 TEU	15bn	3
PCTC	15,000 CEU	30bn	2

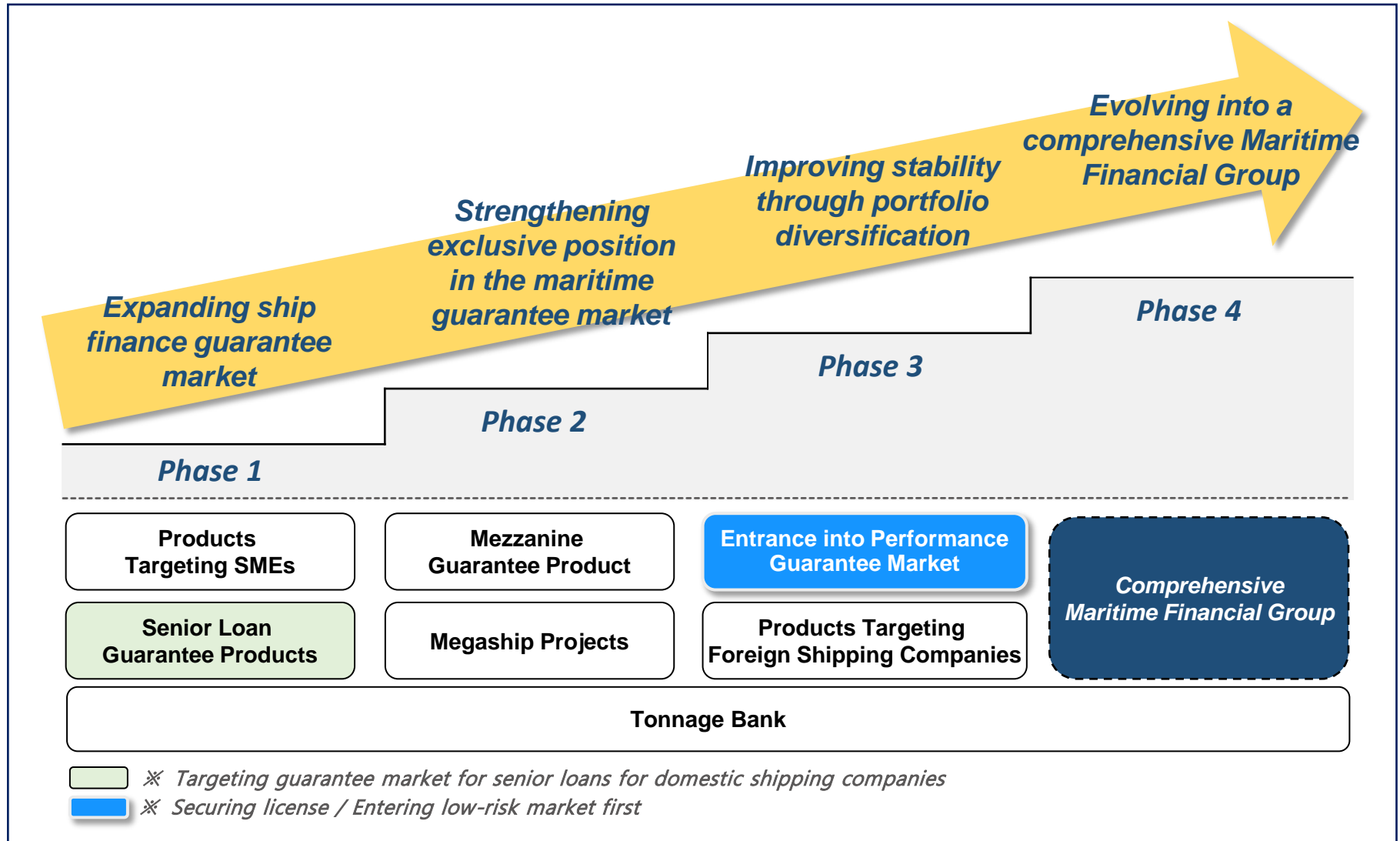
※ PCTC : Pure Car Truck Carrier

DWT : Dead Weight Ton

TEU : Twenty-Foot Equivalent Unit

CEU : Car Equivalent Unit

What We Intend to Do for Our Future Growth



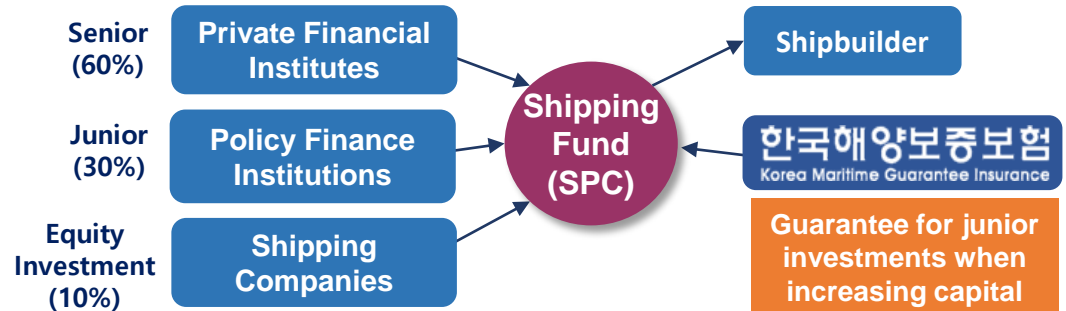
Opportunities

1 Strong Interests by Government

Government's Development Plan (by the Ministry of Oceans and Fisheries)

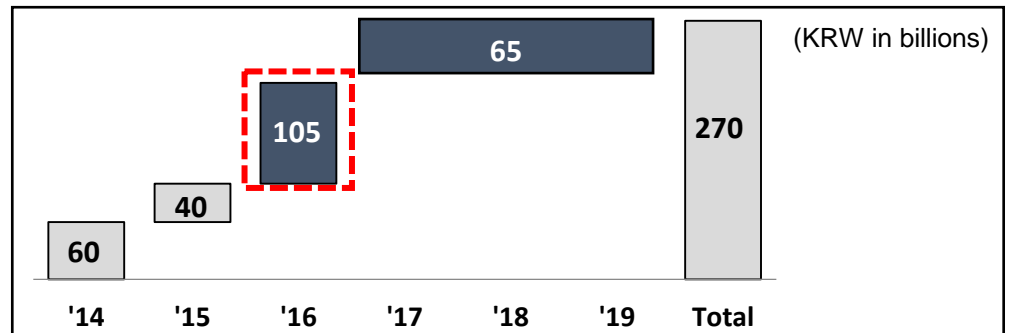
- Supports for securing ships by expanding guarantee function
- Activation of the Tonnage Bank, etc.

Mega-ship Fund Project



Supplementary Budget Injection

- Adding budget of KRW 65 billion (Planned budget 40 billion)



※ Government's capital injection schedule is subject to change

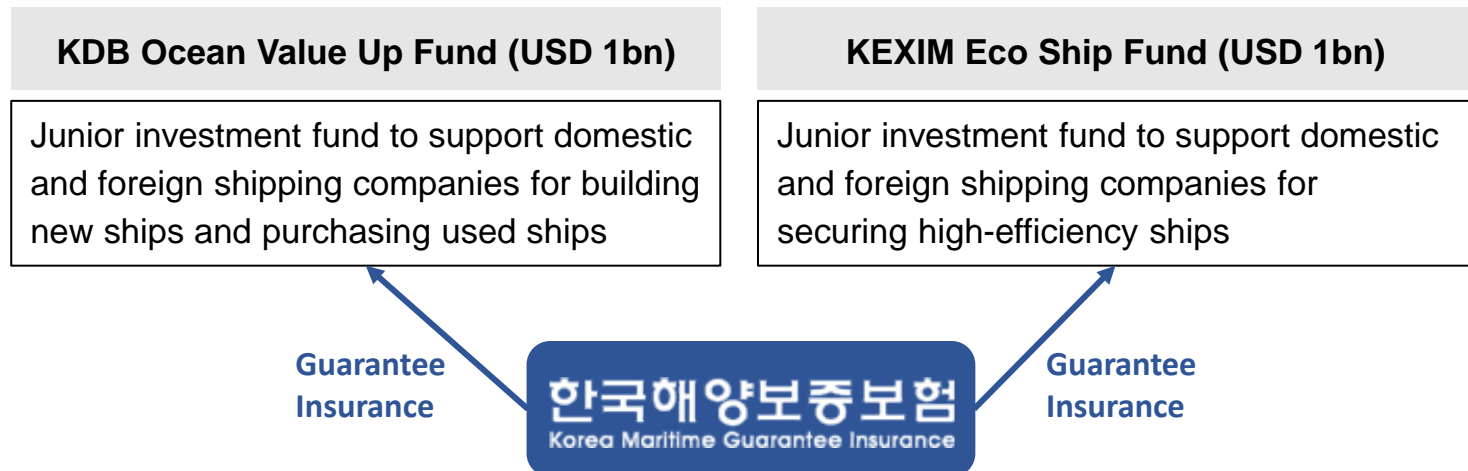
Opportunities

2 Stable Shareholder Structure

- ❖ Subsidiary of Korea's leading policy banks which are major players in ship financing



- ❖ Collaboration with the Marine Finance Center (KDB, KEXIM) in ship financing projects which was established by the government in Busan



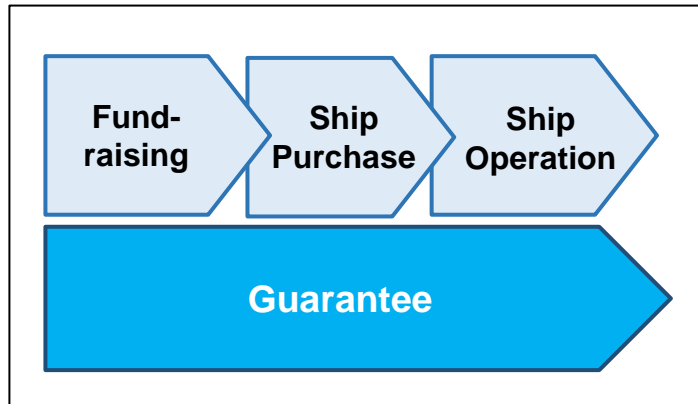
Opportunities

3 The only junior investment guarantee institution in Korea

- ❖ Korea's unique guarantee insurer specializing in junior investment guarantee for shipping business with accumulated ship financing guarantee capabilities

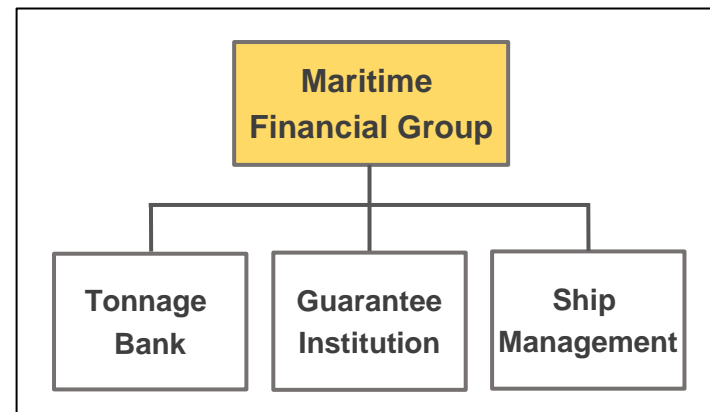
4 Growing into Maritime Financial Group

Guarantee Expansion



- Maximize synergy through providing guarantees by value chain of shipping finance

Maritime Financial Group



- Require legal review in case of establishing the Tonnage Bank as a subsidiary

Opportunities

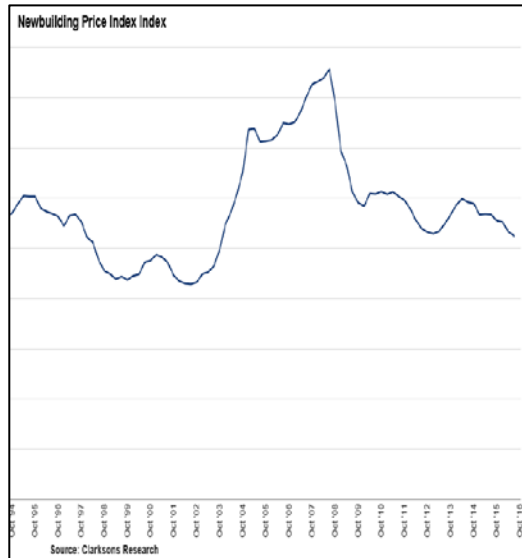
5 Expanding the guarantee portfolio



Challenges

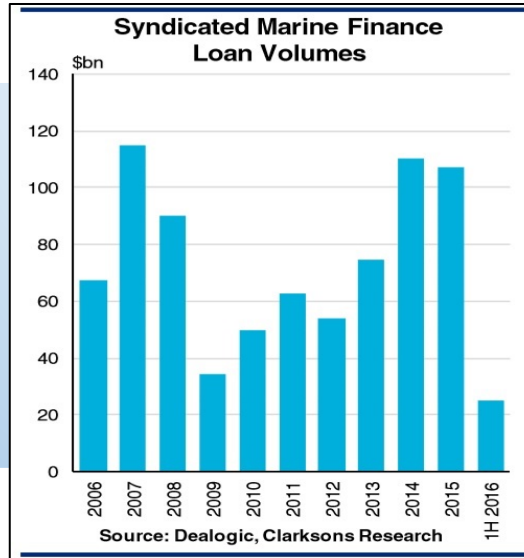
1 Shrinking guarantee business opportunities

Recession of Shipping Business



- Difficulties in ordering new ships by shipping companies due to prolonged slump in shipping business

Plunge of Ship Financing



- Shrinkage of loans by lenders due to decrease of ship financing and increase of risks associated with shipping business

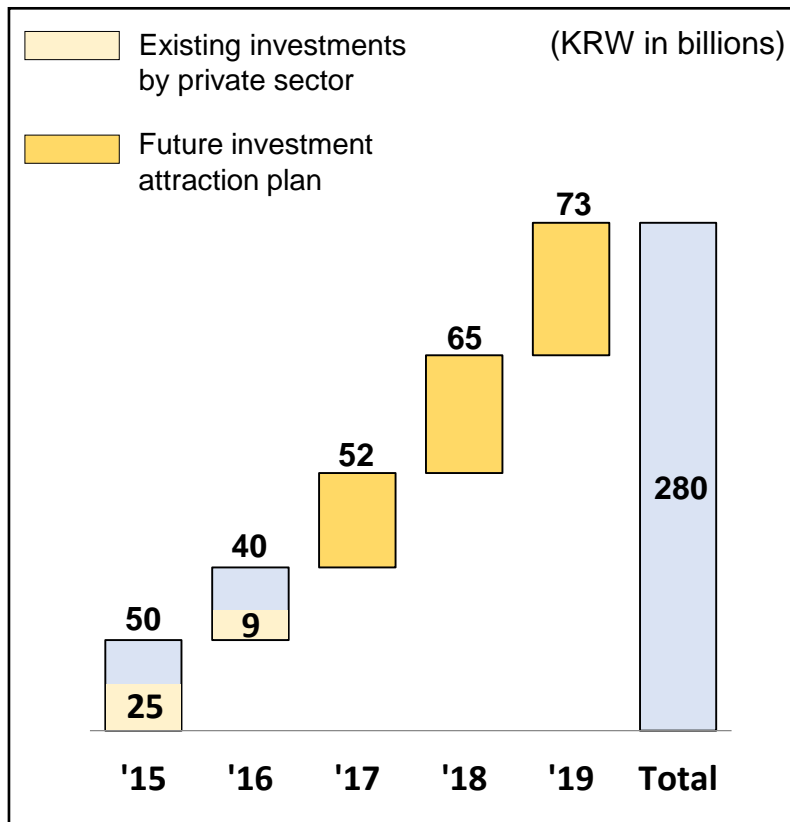
Reduction of Market Size

Demands for new ships and ship financing continue to decrease, resulting in shrinking guarantee business opportunities

Challenges

2 Capital attractions from private sectors are not satisfactory

Private Investment Attraction Plan



Task Ahead

Current Status

- Shipping companies (KRW 33.8 bn)
 - Sep. 2015 (KRW 14.6 bn)
 - Dec. 2015 (KRW 10.2 bn)
 - Jul. 2016 (KRW 9.0 bn)

Difficulties

- Shipping and shipbuilding companies cannot afford to invest in KMGIC due to unfavorable market environment

Action Plan

- KMGIC intends to accelerate IR activities to attract other sources of private investment.

End of Documents

