

FSC STATEMENT ON HANJIN SHIPPING'S FILING FOR COURT RECEIVERSHIP

FSC Vice Chairman Jeong Eun-bo held a meeting on August 31 with officials from relevant agencies to discuss the possible government's responses following Hanjin Shipping's decision to file for court receivership.

1. Impact on financial market will be limited.

Hanjin's filing for court receivership will have only limited impact on financial markets as the event has been already reflected to a considerable extent in the process of restructuring.

In the stock market, Hanjin Shipping accounts for 0.03%, worth KRW 401 billion, of Kосpi's market capitalization. Its share price has declined 53.8% from KRW 3,540 per share on January 2 to KRW 1,635 on August 29, 2016.

The impact on corporate bond market will be limited as credit ratings of Hanjin Shipping and Korean Air Lines already factored in the event.

2. Impact on financial institutions and corporate bond investors will be limited as well.

Creditor banks have set aside loan loss provisions against most of possible losses. The additional amount of loan loss provisions the banks need is estimated to be KRW 0.3 trillion as Hanjin Shipping files for court receivership.

The outstanding issuance of corporate bonds has continuously decreased in the restructuring process so far from KRW 2.2 trillion at end-2013, KRW 1.7 trillion at end-2014, KRW 0.8 trillion at end-2015, to KRW 0.5 trillion at end-June, 2016. Most of issued bonds are held by institutional investors.

3. The government will promote acquisition of Hanjin Shipping's healthy assets by Hyundai Merchant Marine in a bid to maintain competitiveness of the shipping industry

In response to the market concern over the shipping sector, one of Korea's key industries, the government will make sure to maintain the shipping industry's competitiveness. Hyundai Merchant Marine (HMM) would acquire Hanjin Shipping's core assets such as ships, overseas sales network and key work forces to retain Hanjin Shipping's competitiveness as much as possible.

4. The government will minimize spill-over impact into shipping and harbor industries.

The shipping and harbor industries are also expected to suffer damage since Hanjin Shipping takes up a significant portion of Korea's shipping sector. The government will exert its utmost effort to minimize damage in those sectors such as delay in freight schedule. In particular, we will encourage the Korea Development Bank and HMM to arrange additional ships to ensure cargos are shipped on schedule.

Future Plan

In order to minimize potential damage on financial markets and subcontractors, the FSC, FSS and related organizations will form a task force to closely monitor credit market interest movements and liquidity conditions of companies related to Hanjin Shipping, and respond immediately to potential risk factors if there is any. The government, in coordination with policy banks will devise measures to minimize subcontractors' damage as well.

As stated above, Hanjin's filing for court receivership will have only limited impact on financial markets. However, the government will respond preemptively to any potential risk factors that raise uncertainties. We ask all stakeholders to actively share related information and respond to the matter in a swift and systematic manner.

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