

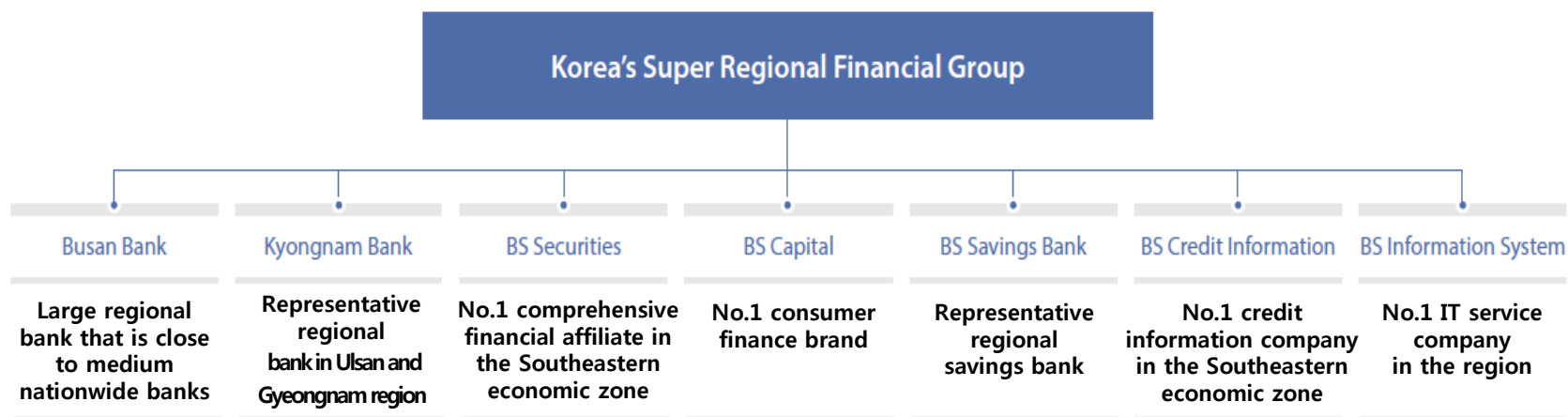
Outlook for Container Shipping Market

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Who we are

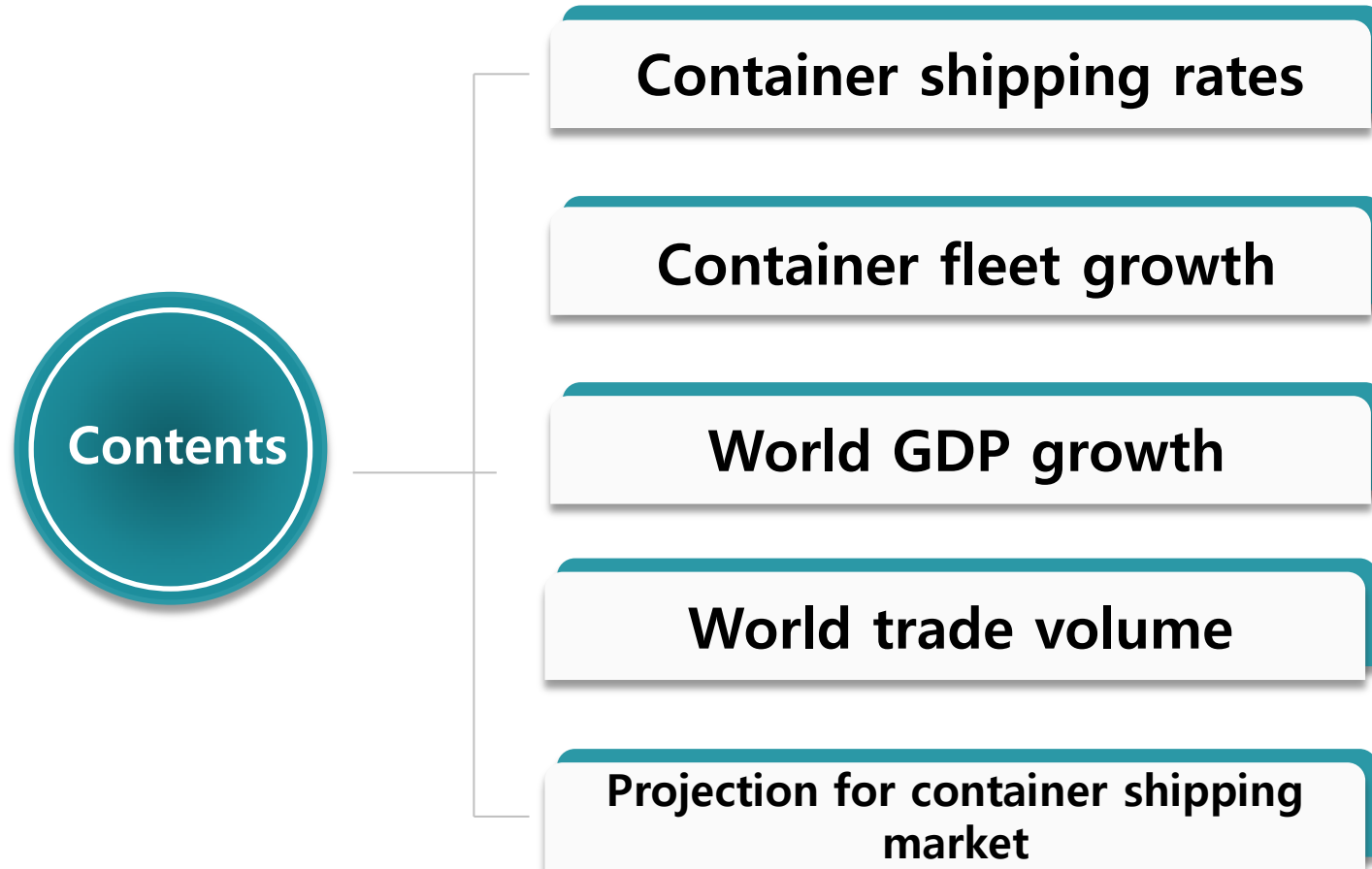


Key financials (KRW)	2014.6*	2013
Total Asset	90.5 trillion	51.1 trillion
Operating Income	332.3 billion	412.7 billion
Net Income	250.3 billion	304.5 billion

* Including Kyongnam Bank

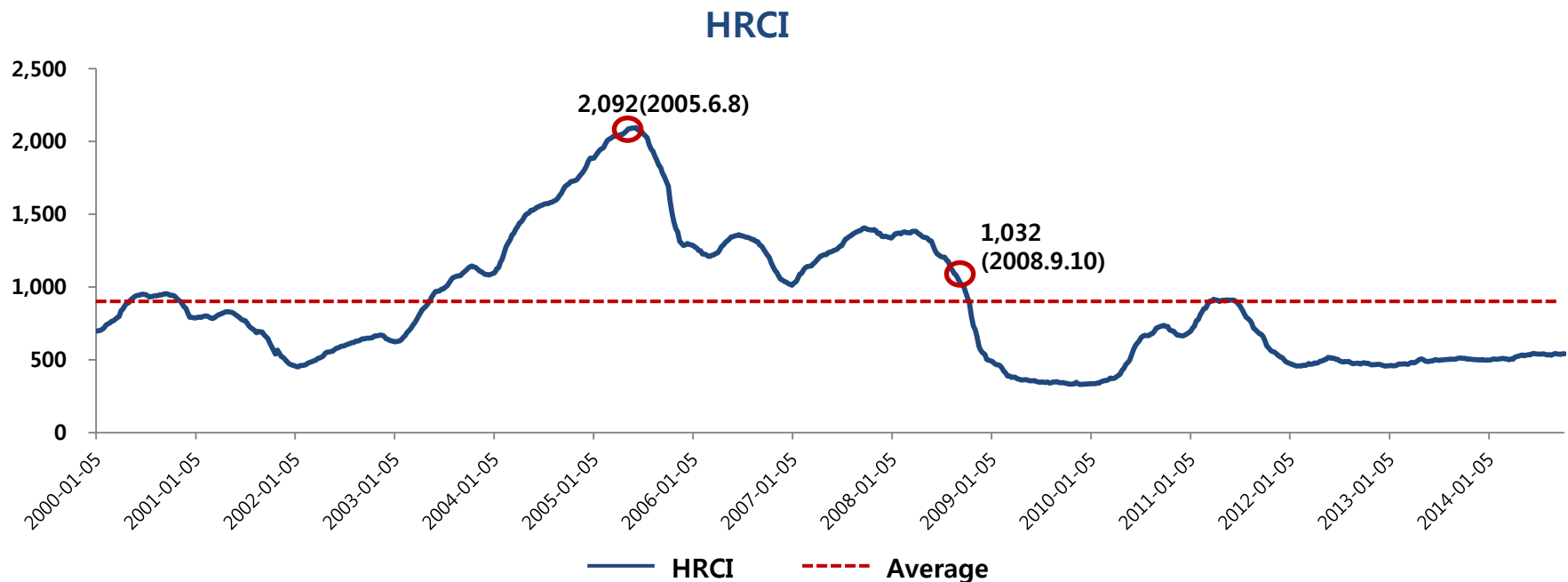
Capital ratios	2014.6
Core Tier1	9.38%
Tier1	9.65%
BIS ratio	13.10%

Credit Ratings_Busan Bank	2014.8
Moody's _ Long-term	A2
Moody's _ Short-term	P-1
Fitch _ Long-term	BBB+
Fitch _ Short-term	F2



Container shipping rates

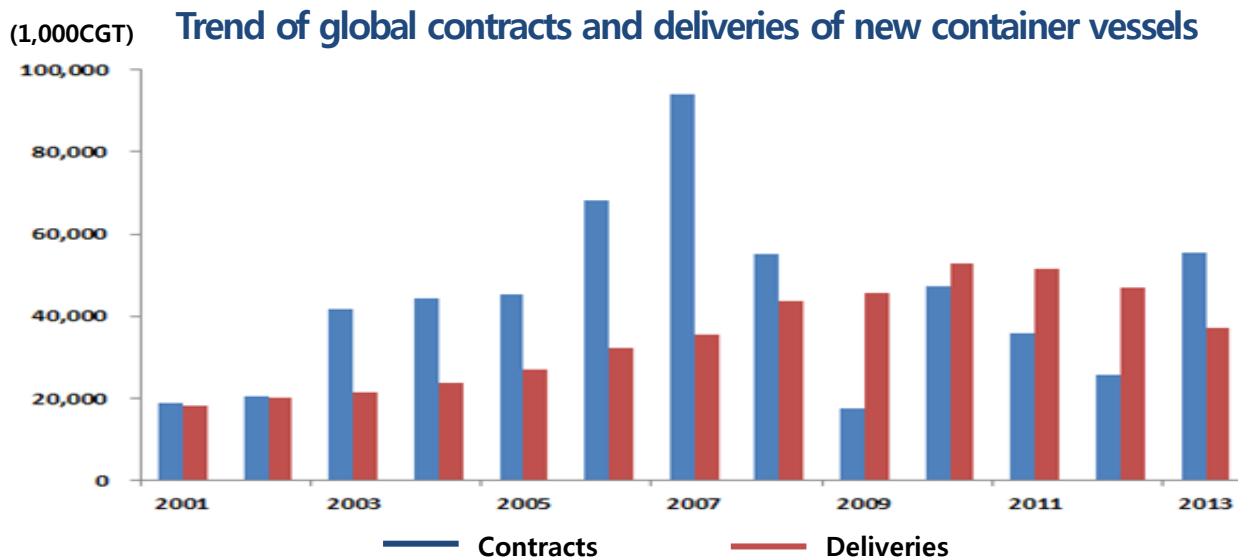
- The Howe Robinson Container Index(HRCI) has remained at around index 550 since 2012.
- Lowest level since 2000.
- About 75% below all-time high level of index 2,092 (June 8, 2005).



Source : Clarksons

Container fleet growth

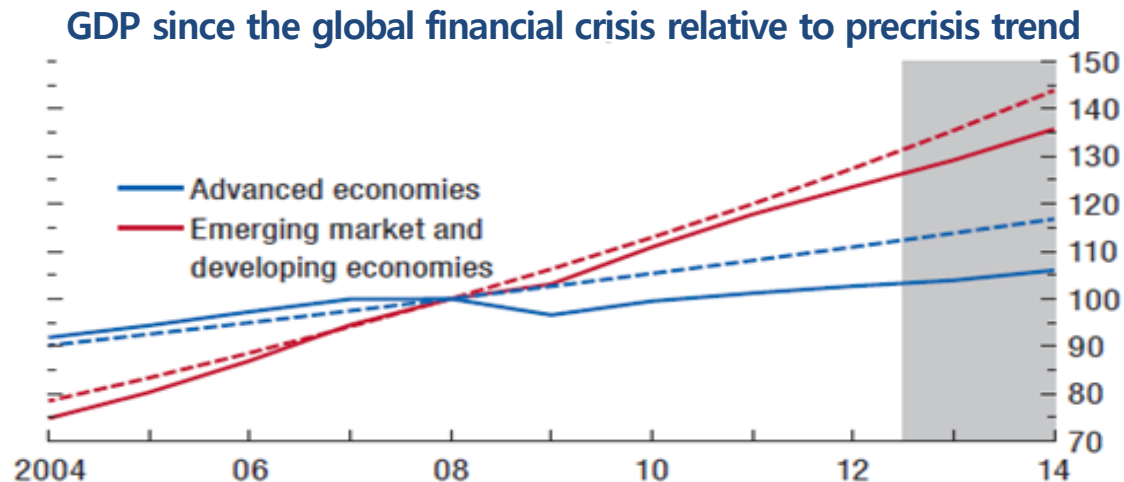
- A great deal of new tonnage was added even during the economic downturn (2009~2013).
 - Cumulative deliveries in 2004~2008 : 162 million CGT
 - Cumulative deliveries in 2009~2013 : 234 million CGT
- Substantial order book before financial crisis and optimistic expectation on world economic recovery caused such capacity inflow.
 - It made worse the imbalance between supply and demand in container shipping market.



Source : Clarksons

World GDP growth

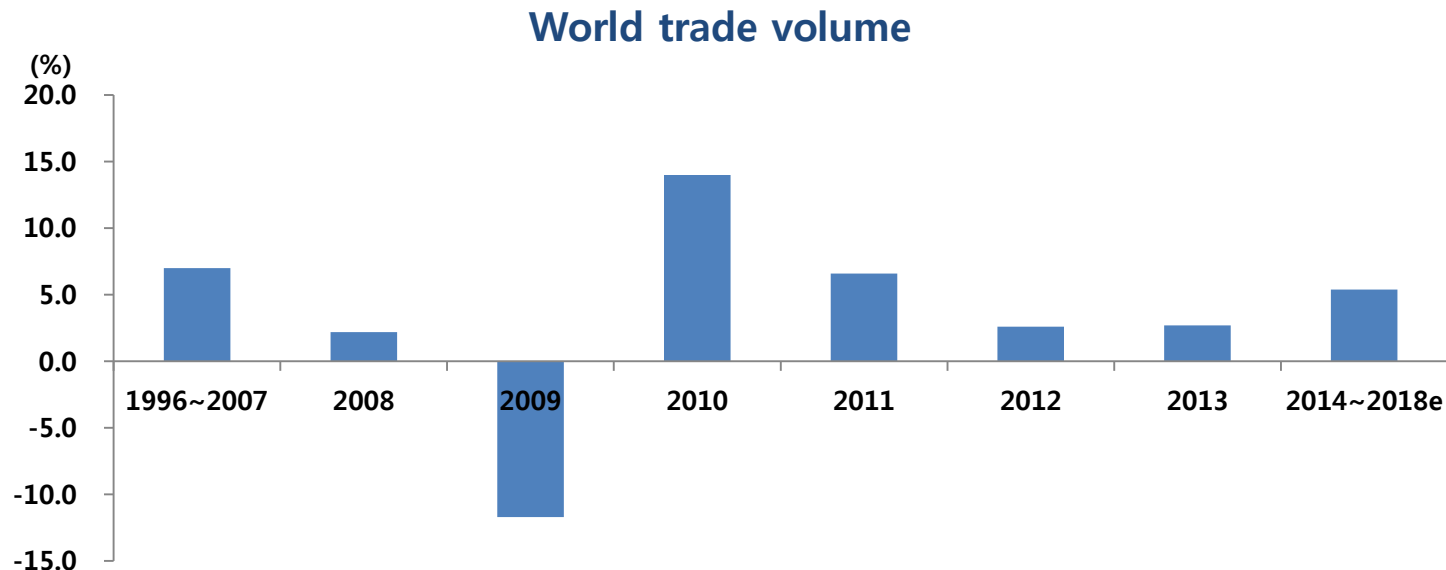
- World economies grew at a remarkable pace from the late 1990s until the onset of the global financial crisis in 2008.
- However, it is now in its worst state since the Great Depression of the 1930s.
 - The eurozone economy remains smaller than it was before the collapse of Lehman Brothers.
 - The IMF is increasingly concerned that the eurozone will slide into a deflation (October, 2014).



2008=100 ; dashed lines indicate precrisis trends

Source : IMF

- The growth of world trade declined sharply since global financial crisis.
 - World trade growth has averaged 7.0% during the period 1996~2007.
 - It declined to just 2.6% during the period 2008~2013.
- IMF expects that world trade will grow by 5.4% annually over the next five years (2014~2018).



Source : IMF

Projection for container shipping market

<Assumption>

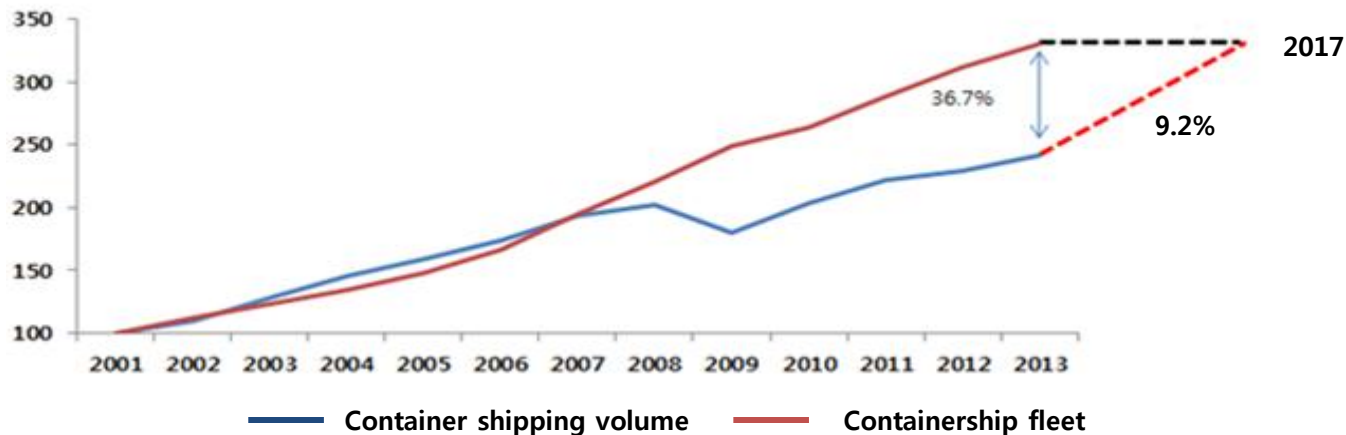
- **Average annual growth rate of container shipping volume in 2014~2018 : 9.2%**
 - Adopt elasticity(2002~13) of container shipping volume over world trade volume.
- **Very low growth in container fleet in 2014~2018.**
 - Higher scrapping rate.
 - Old vessels cannot tolerate current freight rates. New 18,000 TEU container ship saves fuel cost by 30% compared with standard 13,000~14,000 TEU vessel.
 - Very cautious new ordering of ships is expected.
 - Sluggish economic growth.
 - Ship owners or shipping companies do not have enough money to invest.
- **Current overcapacity is estimated around 36.7%.**
- **Base year : 2001=100**
 - China became WTO member in 2001 and it became big buyer since 2002.
 - Taking account of average ROE of Maersk Group in the past 15 years of 1999~2013 : 14.5%
 - ROE of Maersk Line in 2001 : 13.2%

Projection for container shipping market

<Projection>

- Some experts from IBs and shipping companies expected that the next recovery in global container shipping could be around the corner.
- But, chance of a sharp rebound in a couple of years is very slim.
- Spare capacity could be resolved by 2017 at best.
 - We have to wait 3~4 years to see the balanced market.

Trade volume and containership fleet



2001 = 100

Source : Clarksons