

## Banks to End Support for Hanjin Shipping



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Creditor banks of Hanjin Shipping Co Ltd have decided to stop supporting South Korea's largest shipping company, increasing the likelihood of the company being put under court receivership, two people at the creditor banks told Reuters.

A spokesman for lead creditor Korea Development Bank declined to comment before an official statement. A Hanjin Shipping spokeswoman did not have an immediate comment.

The two people declined to be identified as they were not authorized to speak with media on the matter.

Hanjin Shipping's shares fell more than 26 percent on Tuesday after news agency Yonhap first reported the creditor banks' decision.

Hanjin had debt of 5.6 trillion won (\$5 billion) at the end of 2015, as a steep industry downturn squeezed profit margins, the company has said.

The Baltic Dry Index, a shipping industry indicator which measures changes in sea transport cost, had rebounded to 720 by Friday after dipping to an all-time low of 290 in early February.

Hanjin Shipping asked creditor banks in April to restructure its debt in an attempt to weather the squeeze in margins.

Earlier this month, Hanjin Group, the parent of Hanjin Shipping and flag carrier Korean Air Lines Co Ltd, submitted a plan to Hanjin Shipping's creditors pledging to raise up to 500 billion won for the troubled shipper.

But Hanjin Shipping is not expected to be able to pay about 1 trillion won to 1.3 trillion won in obligations such as charter fees and terminal use fees between 2016 and 2017, even if Hanjin succeeds in renegotiating loss-making charter fees and rolling over existing bank debt, state-run KDB said last week.

Hanjin Shipping operates about 60 regular routes worldwide, the company said, and ranked sixth in market share for Asia-North America shipping routes in the first half of 2016 based on cargo volume, according to trade data provider **Datamyne**.

The problems in South Korea's shipping industry go beyond Hanjin. In June, South Korea said it will create an 11 trillion won fund to support two state-run banks most exposed to the country's struggling shipping and shipbuilding firms.