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Press Release

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REINFORCED MONITORING OF FINANCIAL INSTITUTIONS' PF LOANS

To address the concerns about potential distress related to PF loans in the construction industry, the FSC/FSS has been implementing the plans outlined last December to reinforce the monitoring. The plans were drafted based on the results from the preliminary field examinations conducted from September-November on selected savings banks' PF loans which had been deemed risky.

From November 2008-January 2009, the financial supervisory authorities also conducted feasibility tests on each of the 1,667 construction projects financed by other financial institutions, including banks and insurance companies. Examination results on a risk scale rendered 996 projects as being Low, 506 Moderate, and 165 High. On a monetary scale, PF loans at Low risk held a value of KRW41.3 trillion or 59% of the KRW69.0 trillion in total PF loans while Moderate-risk projects were KRW23.5 trillion and High-risk projects were KRW4.7 trillion.

Evaluation Results
(as of end-Sept. 2008)

	Low Risk	Moderate Risk	High Risk	Total[1 2]
No. of financed projects	996 (60%)	506 (30%)	165 (10%)	1,667 (100%)
Value[2] (in KRW trillions)	41.3 (59%)	23.5 (34%)	4.7 (7%)	69.5 (100%)

Note 1: KRW81.7 trillion and 2,443 financed projects when savings banks (KRW12.2 trillion, 899 financed projects, as of end-Jun. 2008) are included
Note 2: amount of financial companies' loans

Financial supervisory authorities will guide for the concerned financial institutions' prompt resolutions of distressed projects and their normalization so as to contain further spreading of PF loan defaults.

For this, high-risk PF loans will be purchased through KAMCO (Korea Asset Management Corporation). A creditor-led 'PF Loan Workout Agreement' will be concluded with all concerned financial institutions in April while those supporting additional funds necessary to normalize the operations can be considered for indemnification.

In addition, such collective measures as the 'Initiatives to Resolve Unsold Residential Units Financed by Private Capital & Housing Support' announced earlier today by the government ministries are expected to greatly boost the process of normalizing PF loan projects particularly through loan redemptions and construction expense guarantees.

To encourage the prompt resolution and normalization of non-performing PF loans, the financial supervisory authorities will continue to reinforce the follow-up monitoring of concerned financial institutions.

The new monitoring initiatives are expected to induce prompt resolution and normalization of distressed PF loans, which will also boost the efforts to strengthen the soundness of the financial industry as well as to restructure the construction industry.

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