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## Press Release

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### EARLY REPAYMENT OF BANK RECAPITALIZATION FUND

#### OVERVIEW

In December 2008, the government announced its plan to create the Bank Recapitalization Fund in order to help banks secure more equity capital in response to the global financial crisis. A total of KRW 20 trillion fund was raised with contributions from the Bank of Korea (KRW 10 trillion), the Korea Development Bank (KRW 2 trillion), and institutional and retail investors (KRW 8 trillion). With the fund, the government purchased banks' subordinated and hybrid securities and then securitized subordinated debt of KRW 8 trillion into bonds and sold them to institutional investors.

#### UPDATES ON FUND OPERATION

On March 31, 2009, the government purchased hybrid and subordinated securities worth KRW 4 trillion from eight domestic banks.

\* Hybrid securities with a 30-year maturity (KRW 3.5 trillion), subordinated securities with a maturity of 5 years and 9 months (KRW 0.5 trillion).

(In KRW, billions)									
Type/Banks	WooriFnHl	Woori	Kookmin	Hana	NH	Suhyup	Kyongnam	KwangJu	Total
Hybrid securities	-	1,000	1,000	400	750	100	116	87	3,453
Subordinated debt	300	-	-	-	-	-	116	87	503
Total	300	1,000	1,000	400	750	100	232	174	3,956

As of end-November 2011, a total of KRW 1.3 trillion was repaid. The government fully recovered its investment in banks' subordinated debt by selling a total of KRW 503 billion\* subordinated securities in the market. Out of the investment in hybrid securities, KRW 0.8 trillion\*\* was repaid as issuers chose to buy back their debt before maturity.

\* Kyongnam, Kwang-Ju (KRW 203 billion, Mar. 2010), Woori Financial Holdings (KRW 300 billion, Dec. 2010)

\*\* Hana (KRW 100 billion, Mar. 2011), Kookmin (KRW 400 billion, Apr.2011), Woori (KRW 300 billion, May 2011)

Out of KRW 4 trillion, there still remains KRW 2.7 trillion to be recovered from hybrid securities.



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### **EARLY REPAYMENT SCHEME**

Some banks expressed their intention to buy back their hybrid securities before maturity as their earnings this year have increased.

Such an early repayment requires approval from the Bank Recapitalization Fund Operation Committee and the FSS Governor for selling those securities before maturity.

On December 9, 2011, the Committee has approved sales of hybrid securities worth KRW 1.5 trillion that the Bank Recapitalization Fund held in Kookmin (KRW 0.6 trillion), Hana (KRW 0.3 trillion), Woori (KRW 0.2 trillion), and NH Bank (KRW 1.5 trillion).

These banks will go through their internal procedure such as approval from their board of directors for early repayment and then apply for approval from the FSS Governor.

Through the buy-back scheme, it is expected that KRW 1.5 trillion will be repaid by the end of this year, and the remaining amount of money to be recovered will be lowered to KRW 1.2 trillion, or 29% of the total fund that the government provided to help banks' recapitalization.

#### **Amount of the Bank Recapitalization Fund Allocated to Each Bank and Repaid**

(In KRW, billions)

	Hybrid Securities			
	Allocated amount	Repaid amount (Mar. 2011)	Amount to be repaid (Dec.2011)	Remaining amount
Woori	1,000	300	200	500
Kookmin	1,000	400	600	-
Hana	400	100	300	-
NH	750	-	400	350
Suhyup	100	-	-	100
Kwang Ju	87	-	-	87
Kyoungnam	116	-	-	116
Total	3,453	800	1,500	1,153

### **IMPLICATIONS AND FUTURE PLAN**

Early repayment of the Bank Recapitalization Fund shows that domestic banks have successfully recovered from the 2008 global financial crisis.

The government will continue to consider favorably banks' applications for early repayment as long as it would not hurt their soundness.



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