Announcement (of Cho Hung Bank) of December 17, 1998

<u>Features about the new Cho Hung</u>

101 years young, Cho Hung Bank announced this morning a definitive agreement to merge with two Korean financial institutions, Kangwon Bank and Hyundai International Merchant Bank to form a new business entity.

- **Reborn as a Clean and Best Bank**

Given the government's expected capital injection to the Bank upon the amalgamation of the three institutions, and the enhanced management efficiencies through recent man-power reductions, drastic network consolidation and H.O. organization slim-down, the Bank will be reborn as a sound financial services group in Korea.

The Bank, which has already lowered its NPL ratio to 5.2% from 10.8% by the bulk sale of non-performing loans to KAMC (Korea Asset Management Corporation), has a firm belief in the restoration of its former strong position among other financial institutions through the maximized synergy effects flowing from the merger within a short time frame.

- **Leading peers in size**

With assets of over Won 62 trillion and Won 2.5 trillion in equity, the combined entity will be one of the largest banking establishments in Korea and, through the merger with a merchant banking institution, will be able to expand its deposit base and expertise in such business domains as private banking and investment banking.

- **Strengthened capital base through foreign capital injection**

The government's promised capital injection to the combined Bank, which is considered to be sufficient to boost the Bank's BIS Capital Adequacy Ratio to over the 10% level, will reactivate the capital inducement negotiations with those foreign financial institutions which have already expressed their keen interest in investing in the Bank. The Bank will have a more advantageous position with those foreign investors as their pre-condition of a government capital injection will have been satisfied.

- **Other facts about the merger**

The merger ratio will be decided by the respective institutions' net asset values as evaluated by accounting firms and stock prices. Other details will be determined by the merger committee to be composed of key figures from those institutions..

- **Merger schedule**

The new Bank will be established in March, 1999, subject to the approval of authorities concerned, according to the following timetable.

December, 1998 : Finalize the merger agreement
January, 1998 : Approval at the respective shareholders meeting
March, 1999 : Establishment of the new Bank

n **Other plans after merger**

The new Bank will form an independent in-house business unit to upgrade efficiency and optimize the allocation of its managerial resources. Also, the Bank plans to issue overseas C/B and D/R to repay the government stake early. The Bank plans to merge with an optimal strategic partner in order to move on to become a world-renowned premier bank which is well capitalized and profit-oriented, with enhanced international competitiveness.

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Structural Reform Planning Unit
Financial Supervisory Commission
Seoul, Korea