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Press Release

August 17, 2009

FACILITY INVESTMENT FUND

In a follow-up measure to the July 2 announcement on ‘Plans to Promote Corporate Investment’ released through the Ministry of Strategy and Finance, specific plans to promote facility investment in the corporate sector have been devised. In accordance with the original plan to inject KRW 5 trillion into establishing a Facility Investment Fund through state-owned Korea Development Bank (KDB) and Industrial Bank of Korea (IBK), an initial investment of KRW 2 trillion will be made.

Specific Details

A total amount of KRW 2 trillion will be injected to the new Fund, whereas KDB will initially contribute KRW 0.6 trillion in addition to KRW 0.8 trillion through the Korea Policy Banking Corporation (KPBC) once it is established in October; the remaining KRW 0.6 trillion investment will be made by IBK.

The method of investment will be either direct investment through various channels as issuing preferred shares, common shares, long-term corporate bonds, convertible bonds, as well as direct loans, or indirect investment through private funds and private equity funds (PEF). The funds will be available in multiple currencies (won, dollar, yen, euro, etc.) as required by specific projects, and the ratio of public funds being injected will be maintained around 50% of the total investment while the rest will be met by funds from the private sector.

The private funds and PEFs eligible for injection of funds will have to meet certain criteria as total size of investment, track record, fees, and a minimum of 90% of funds required to be invested into facility investment. Further eligibility requirements will be set by KDB, IBK, and the Korea Financial Investment Association (KOFIA). KDB and IBK will jointly invest into these funds up to 40% of the total investment mostly through issuing common shares.

The funds from KDB will concentrate on facility investments made to new-growth industries, infrastructure projects, long-term investments with higher than normal risk, and other large-scale investments unable to be funded by the private sector alone, whereas funds from IBK will lean towards investing into technologically advanced but liquidity strapped small and medium enterprises (SME) with high growth potentials.



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To promote active participation by the private sector, immediate efforts will be made on several fronts by KDB, IBK with the assistance from the Federation of Korean Industries, the Korea Chamber of Commerce and Industry, and the Korea Federation of Small and Medium Business in distributing instructional guidelines and gathering up interest for the Fund to ultimately reinvigorate facility investments in the corporate sector. KOFIA is also expected to run an Investor Relations event specifically for this purpose within this month.

Designated desks have been prepared and are being operated at KDB and IBK to ensure swift process in providing funds.

KDB designated desks: (02) 787-6123, 6125, 6129, 6184

IBK designated desks: (02) 729-7131, 7362, 7914, 7956

Once the Korea Policy Banking Corporation (KPBC) is established in October, this is expected bring forth the first successful case of financial policy cooperation between the KPBC and KDB.

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