



Press Release

June 7, 2011

A PROGRESS REPORT ON THE PRIVATE EQUITY FUNDS MARKET IN KOREA

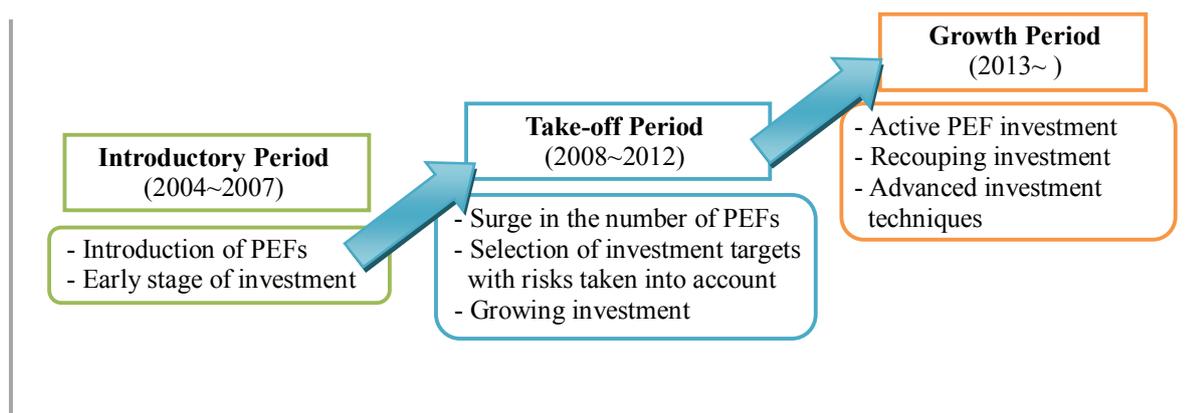
BACKGROUND

Private Equity Funds (PEFs)* were introduced to Korea's capital markets with the amendments to the Indirect Investment Asset Management Business Act (integrated into Financial Investment Services & Capital Markets Act in 2007) on December 6, 2004 in order to promote corporate restructuring, M&As and to diversify investment instruments.

* A private equity fund, structured as limited partnerships, typically makes investments in companies, funded with the capital raised from a few investors, and sells companies for high returns after value improvement.

The domestic PEF market has gone through its introductory period from 2004 to 2007 and is now in its take-off stage. As of end-2010, there were 148 PEFs registered with a total of KRW 26.6 trillion in committed capital.

*As of end-May 2011, the number of PEF firms rose to 167 with KRW28.9 trillion in investment commitments.



REVIEW OF THE PAST SIX YEARS

1. Fund raising

The number of PEFs has been on the steady rise since its introduction in 2004 and reached 148 as of end-2010.



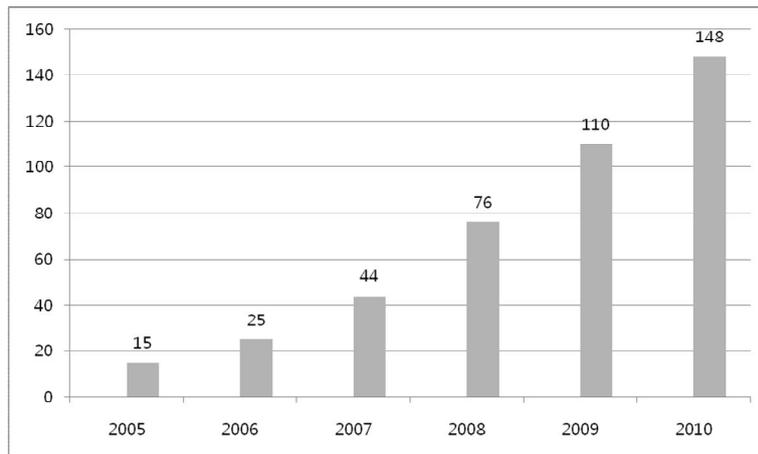
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In particular, for the past three years after the global financial crisis, the number of PEFs grew by 104, up 236% compared to end-2007, as more companies determined it to be the right time for investments.

Number of PEFs

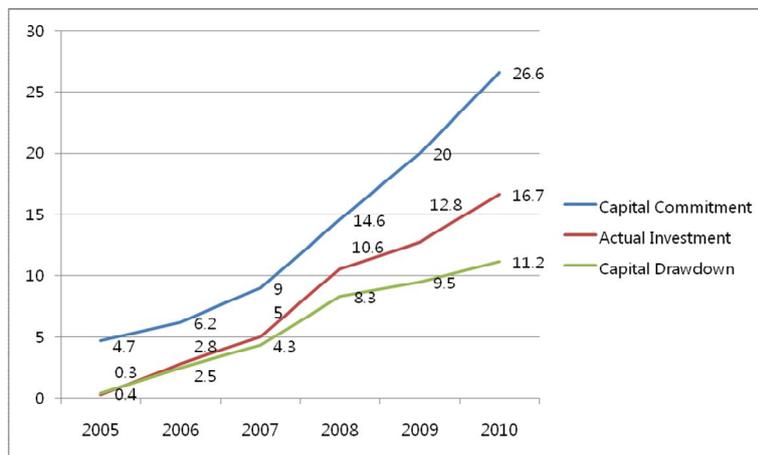


(*) Cumulative at the end of the year

Their capital commitments and actual investments also increased to KRW26.6 trillion and KRW16.7 trillion at the end of 2010, up 197% and 234%, respectively, from 2007.

Capital Commitment & Drawdown & Actual investment

(Unit: KRW in trillions)



(*) Cumulative at the end of the year



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- Capital Commitment: Investors' obligation to provide a certain amount of capital to a PEF for investments at the time of fund formation
- Actual Investment: The sum of investments into the target made through equity financing and debt financing
- Capital Drawdown: The portion of capital committed to a fund that is drawn down over time

2. Investments

PEFs expanded their investments from Korean manufacturing companies (212) to foreign companies, which totaled 25 as of end-2010. They are also diversifying overseas investments*, shifting their focus away from the United States and industrialized countries to China and other emerging countries since 2008.

* Out of 16 overseas investments made since 2008, seven funds invested in the US, three funds in China, two in Taiwan, two in Hong Kong and the remaining two in other areas.

Geographic Distribution of Portfolio Companies

	2005	2006	2007	2008	2009	2010	Total
Domestic	8	39	40	51	41	59	238
Foreign	-	2	7	5	2	9	25
U.S.A, Europe, Japan	-	2	6	2	2	5	17
Etc.	-	-	1	3		4	8
Total	8	41	47	56	43	68	263

3. Exits

PEFs started to see return on investment* as they recouped a total of KRW 2.7 trillion (KRW 1.8 trillion in terms of investment principal) as of end-2010; however, it will take more time for PEFs to start to recoup their investments in earnest, given the current conditions of global financial markets and that the number of PEFs surged in the recent three years.

* Ex) 'A' PEF acquired the M company for KRW120 billion in 2005 and sold the company to the S company for KRW269.5 billion in 2010.



PEF's Investment Recovery

(Unit: KRW in billions)

Year of Investment Recouped	Investment Recouped	Investment Principal
2005 ~ 2007	565.2	279.9
2008	344.9	274.9
2009	861.1	683.7
2010	917.9	599.6
Total	2,689.1	1,838.1

FUTURE PROSPECTS AND PLANS

1. Prospects

PEFs now serve as an investment vehicle for a variety of purposes such as buyout financing and corporate restructuring.*

*Investments in assets with economic value such as securities, non-performing loans, business licenses

As recently announced, with the Project Financing Stabilization Bank to be launched in the form of a PEF to buy bad PF loans from banks, it is expected for PEFs to play a more significant role in the domestic capital markets.

*A PEF worth KRW1.2 trillion where UAMCO is General Partner and seven banks including Kookmin Bank are Limited Partners

2. Future Plans

The FSC/FSS will foster a market environment to help domestic PEFs become global players by bringing PEF-related regulations in line with global standards.

*Recently, Mirae Asset PEF was selected to acquire Acushnet, the world's leading golf equipment company with US\$1.3 billion in annual revenue (acquisition price estimated at US\$1.2 billion).

First, restrictions on investment in Mezzanine debt such as BW and CB will be eased. And in case of a PEF investing in a foreign company, foreign exchange hedge using derivatives will be allowed.

In addition, in line with the global discussion on strengthened regulations, the FSC/FSS will continue to review the monitoring and supervisory systems against the risks involved in PEF investments.



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