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Press Release

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PLAN TO RESHAPE ROLES OF POLICY BANKS

The FSC announced its plan to reshape policy banks in order to streamline their overlapping functions and reinforce their policy financing roles for start-ups & SMEs, new growth industries and overseas projects.

MERGER OF KDB WITH KoFC

The Korea Finance Corporation (KoFC)¹ will be re-merged with KDB, while its overseas assets worth KRW 2 trillion will be transferred to the Export-Import Bank of Korea (Korea Eximbank).

KDB Financial Group Inc. will be merged with KDB, while its subsidiary units² will be put up for sale. The timing and method of selling KDB subsidiaries will be determined later depending on market demands and conditions.

The government will maintain its controlling stake³ in KDB, while portions of minority stake could be divested through an initial public offering (IPO).

KDB will continue to offer retail banking services of the current level for the time being to minimize customers' inconvenience but gradually reduce its retail banking business. KDB will no longer open new branches or attract deposits for retail banking service.

The KoFC, KDB Financial Group Inc., and KDB are entities consolidated in financial statements; therefore, the merger will have an insignificant impact on BIS ratios of KDB.⁴

The revision bill on the KDB Act will be submitted to the National Assembly for parliamentary approval this year so that the consolidated KDB could be launched in July 2014.

POLICY FINANCING FOR EXPORTERS & OVERSEAS PROJECTS

Korea Eximbank and the Korea Trade Insurance Corporation (or 'K-sure') will continue to provide loan guarantees for exporters and finance overseas projects under the current

¹ The KoFC was established in 2009 to carry out KDB's policy financing roles as part of the privatization plan for KDB.

² KDB Capital Corp., KDB Asset Management Co. and KDB Life will be put up for sale, while KDB Infrastructure Investments Asset Management Co. is excluded from the list of KDB units for sale. Daewoo Securities Co., KDB's brokerage unit, will not be put up for sale for the time being with its policy financing role taken into consideration.

³ 50% plus one share

⁴ The BIS ratio of KDB is expected to fall 0.7%p from 14.4% to 13.7%, according to estimates at the end of June, 2013.

framework with focus on their core functions.

Non-core businesses of Korea Eximbank and K-sure will be gradually curtailed. In principle, K-sure will stop providing guarantees for loans extended by policy banks such as KDB, Korea Eximbank, and the KoFC. Korea Eximbank will gradually reduce its short-term loans⁵ up to less than 40% until 2017.

Short-term export insurance business, which has been provided exclusively by K-sure, will be open to private financial firms.⁶ K-sure will also gradually reduce its pre-shipment credit guarantee programs overlapping with the Korea Credit Guarantee Fund (KoDIT) and the Korea Technology Finance Corporation (KOTEC).

SHIPPING AND OFFSHORE PLANT FINANCING

The government plans to expand assistance related to shipping finance under the existing framework of policy banks.

Relevant ministries⁷ will conduct a joint research on establishing a shipping credit guarantee fund and decide by the first half of 2014 whether to create the fund. If established, the fund will mainly consist of more than 50% of private fund and be operated according to market principles.

Korea Eximbank, K-sure, and KDB will transfer their employees and departments related to shipping finance to Busan to create a 'Maritime Finance Center' (tentatively named) to provide integrated service.

FINANCIAL ASSISTANCE TO START-UPS AND VENTURE COMPANIES

The government plans to expand financial assistance for start-ups and innovative tech-based SMEs while maintaining the current corporate finance structure.

1. Expand integrated financial services

IBK will provide integrated financial assistance of investment finance and loan finance. Doing so will enable the government to promote SMEs that can lead the realization of creative economy through providing wider range of tailored financial aid. Aside from IBK's loan type finance function, investment finance function from its subsidiaries such as IBK Capital will be integrated to provide comprehensive financial services. IBK will provide tailored financial services throughout each step of business cycle from startup stage to reinvestment stage.

Korea Credit Guarantee Fund (KoDIT) and Korea Technology Finance Corporation (KOTEC) will provide investment assistance for startup companies and SMEs. Diversifying financing channels is expected to attract more active private sector investment.

⁵ As of 2012, short-term loans take up 77% of outstanding loans by the Exim Bank.

⁶ K-sure will gradually reduce its market share of short-term export insurance to below 60% by 2017.

⁷ Ministry of Strategy and Finance; Ministry of Trade, Industry and Energy; Ministry of Oceans and Fisheries; Financial Services Commission

2. Expand investment in equipments and facilities

In response to prolonged weak investment in equipments and facilities, KoDIT and KOTEC will expand financial assistance for SMEs' equipment and facility investment fund. (KRW 3trillion→KRW 5trillion)

3. Improve technology assessment system

The government will improve technology assessment system by establishing information market for technology assessment to minimize information asymmetry and attract investments in each business development stage.

4. Establish Growth Ladder Fund

The Growth Ladder Fund funded by finance corporations' active investment will be created to provide tailored financial assistance to SMEs according to each business development stage. Among KRW 6 trillion worth of Growth Ladder Fund's total target amount, finance corporations including IBK and KDB will invest KRW 1.85trillion.

5. Provide financial assistance for promising SMEs' overseas expansion

Korea Export and Import Bank (Korea Eximbank) will focus on providing financial aid for overseas project financing and development financing which require long-term and large volume of investment. IBK will provide general financial aid for SMEs necessary when expanding their business to overseas. Furthermore, finance corporations will expand networks with other overseas financial institutions such as signing MOUs with global banks. Korean SMEs operating overseas will be able to receive better financial services from those banks located in respective countries.

KoDIT and KOTEC will expand export credit guarantee assistance for exporting companies while actively sharing knowledge related to credit guarantee with developing nations.

UPCOMING SCHEDULE

Revision bills on related laws including the KDB Act will be submitted to the National Assembly for parliamentary approval this year, aiming to launch the unified KDB on July 1, 2014.

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