



Financial Reform

Now, Finance leads Korea



Financial
Services
Commission

Press Release

March 9, 2016

Creative Finance
Financial Inclusion
Solid Financial System

CORPORATE RESTRUCTURING PROGRESS IN 2015 AND PLAN FOR 2016

PROGRESS IN 2015

(RESTRUCTURING OF INDIVIDUAL COMPANIES)

A total of 299 companies – 54 large companies and 175 SMEs – received the ratings of C and D in credit risk evaluations last year to be subject to restructuring. They are now under a debt workout program or a rehabilitation procedure.

(MAIN DEBTOR GROUPS)

The main creditor banks conducted from April to May 2015 the evaluation of financial health of the 41 main debtor groups for 2015 selected by the FSS.¹ Based on the results of evaluation, those who fell short of certain thresholds signed an agreement with the creditor banks to improve their financial structure or to be under tighter monitoring. From November to December last year, the main creditor banks inspected financial conditions of affiliated companies of the main creditor groups and signed MOUs with financially-vulnerable companies to improve their financial health in a bid to prevent potential risks from spilling over into other affiliated companies.

Domestic banks' non-performing loan (NPL) ratio of corporate loans stood at 2.42%, a mere 0.33%p increase from the previous year.

PLAN FOR 2016

The FSC will push ahead preemptive and continuous corporate restructuring based on the results of credit risk evaluation for the main debtor groups and individual companies. We will also continue to support sector-specific restructuring for structurally vulnerable industries – e.g. shipping, shipbuilding, construction, steel and petrochemical industries, as part of the government's effort to boost industry-wide competitiveness.

(MAIN DEBTOR GROUPS)

The main creditor banks will complete the evaluation of financial conditions of the main debtor groups² by the end of April. Based on the results, the creditor banks will select those in need of improving their financial structure and signed the financial structure improvement agreement with them by the end of May. The creditor banks will also pick affiliated companies of the main creditor groups to be evaluated by the end of April and check their financial conditions by the end of May.

¹ Please refer to the FSS press release (April 9, 2015) for further details. (english.fss.or.kr -> Press Releases)

² Business groups whose group-wide credit exposure exceeds KRW1.36 trillion at the end of 2014, 0.075% of the total credit offerings of financial institutions.

(INDIVIDUAL COMPANIES)

Credit risk evaluations will be conducted for larger companies from April to June and SMEs from July to October this year. The lists of companies to be put under restructuring will be announced in early July for large companies and early November for SMEs. So far, companies have been selected for evaluation, given their cash flows and interest coverage ratios. This year, the criteria will be expanded to include companies suffering from capital erosion or operating in the structurally vulnerable sectors. Credit risks of companies will be assessed in a broader context of industry, operational and managerial risks, not just based on their financial risks and cash flows.

(CORPORATE RESTRUCTURING PROMOTION ACT)

The Corporate Restructuring Promotion Act, which expired in December last year, was reenacted with parliamentary approval on March 3 this year. As the reenactment is scheduled to take effect in mid-March, the FSC will proceed with legislative procedures for subordinate regulations of the reenacted Act.

#

For any inquiry, please contact Foreign Press & Relations Team at fsc_media@korea.kr