

Press Release

Creditor Banks Announce Results of Credit Risk Assessments of Potentially Non-viable Corporations

-- Referred from Hanvit Bank Press Release --

On November 3, 2000, Hanvit Bank and 20 other creditor banks announced the results of their credit risk assessments of 287 potentially non-viable corporations. Based on these evaluations, companies deemed viable will be eligible for additional financial support while those deemed non-viable may face immediate liquidation.

The 21 creditor banks conducted credit risk assessments of the 287 potentially non-viable corporations, which include those with over 50 billion won in outstanding extended credits, from October 5, 2000 to November 3, 2000. The assessments considered industrial risk, operational risk and financial risk, and each creditor bank established its own assessment criteria and Credit Risk Assessment Committee (CRAC) to conduct the evaluation. Each CRAC was comprised of around 10 members, and included outside experts to ensure the fairness and objectivity of the assessment. The Credit Risk Assessment Coordination Group, which was made up of representatives from each of the creditor banks, mediated discrepancies that arose among the banks and made a final decision on the viability of concerned corporations.

Credit Assessment Results for Potentially Non-viable Corporations

Category	Number
Companies with normal operation	136
Companies with temporary liquidity problem	28
Companies with structural problems, but viable with creditor bank aid	69
Court receivership	11
Liquidation	18
Sell-off	20
Merger & Acquisition	3
Other *	2
Total	287

* Hyundai Engineering & Construction Co., Ltd. and Ssangyong Cement Ind. Ltd.

According to the results of the credit risk assessments, creditor banks will prepare detailed financial support programs for the 69 companies assessed as having structural problems but deemed viable with additional financial aid from their respective creditor banks.

However, if a company that was previously classified as a normal or viable company in the credit risk assessment faces a new liquidity crisis, creditor banks must take responsibility for their failure to properly assess the company's viability and exposure to risk.

With their announcement of the results of credit risk assessments of potentially non-viable companies, creditor banks expect to strengthen the transparency and stability of financial markets, and to regain investor confidence. Looking ahead, the creditor banks will assess the credit risks of their respective client companies on a quarterly basis and continuously resolve insolvent companies.

Regarding Hyundai Engineering & Construction Co., Ssangyong Cement Industrial Co. and Dongah Construction Co. (which has already applied for court receivership), creditor banks will request the companies to be placed into court receivership if they are deemed unable to regain viability through self-rehabilitation efforts. Creditor banks will base their decisions strictly upon market principles and in consideration of ensuring market stability and investor confidence.

Based on the assessment results for Hyundai Engineering & Construction and Ssangyong Cement Industrial Co., creditor banks will not inject new capital into the two companies and will apply for court receivership immediately in the case that either company faces a renewed liquidity crisis. Creditor banks will extend the maturity of loans coming due during the period of rescue plan implementation.

Follow-up

In recognition of the potentially negative impacts that the announcement of the results of credit risk assessments may have on financial markets, industrial relations, and overseas business, the Korean Government has formed a special task force team charged with facilitating smooth incorporation of the assessments into the ongoing process of corporate sector restructuring.

Established on November 2, 2000, the task force team, which will support corporate sector restructuring, is comprised of representatives from the Ministry of Finance and Economy, the Ministry of Construction and Transportation, the Ministry of Labor, the Financial Supervisory Commission, and the Bank of Korea.

On November 3, 2000, the FSS established a separate task force team to monitor financial market stability and take necessary actions to prevent the recurrence of a credit crunch. In addition, each creditor bank is expected to form their own task force team to deal with financial issues relating to Small and Medium Enterprise (SMEs) in the near future.

APPENDIX I: COMPANIES SUBJECT TO COURT RECEIVERSHIP OR LIQUIDATION

Court Receivership (11)

Name	Main Creditor bank
Korea Express Co. Ltd	Seoul Bank
The Youngnam Ilbo	Daegu Bank
Dong Yang Steel Pipe Co. Ltd	Korea Development Bank
Dongbo Construction Co. Ltd	Housing & Commercial Bank
Segye Corporation	Korea Exchange Bank
Woobang Housing & Construction Co. Ltd	Seoul Bank
Chonggu Housing Construction Corp.	Daegu Bank
Taehwa Shopping Co. Ltd	Pusan Bank
Haitai International Corp.	Kookmin Bank
Dong-ah Construction Industry Co. Ltd	Seoul Bank
Seohan Co. Ltd	Daegu Bank

Liquidation (18)

Name	Main Creditor bank
Kwang Eun Finance Co. Ltd	Kwangju Bank
Kia Intertrade Co.	Shinhan Bank
Samsung Commercial Vehicles Co. Ltd	Korea Development Bank
Yangyoung Paper manufacturing	Korea Development Bank
Halla Engineering & Construction Corp.	Korea Exchange Bank
Haewoo Co. Ltd	Cho Heung Bank
Daedong Housing Co. Ltd	Housing & Commercial Bank
Korea Tungsten Co. Ltd	Kookmin Bank
Miju Corporation	Kookmin Bank
Samsung Motors	Hanvit Bank
Shinhwa Engineering & Construction Co. Ltd	Korea Development bank
Woosung Construction Co. Ltd	Shinhan Bank
Ilsung Construction Co. Ltd	Seoul Bank
Peeres Cosmetics Ltd	Hanvit Bank
Samick Co. Ltd	Hanvit Bank
Sukwang Corporation	Kookmin Bank
Jinro General Foods Co. Ltd	National Agriculture Cooperatives Federation
Jinro Mass Merchandising Inc. Co. Ltd	Seoul Bank