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Press Release

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PRIVATIZATION OF KOREA DEVELOPMENT BANK

After four months of discussions, the Committee for the Establishment of Korea Public Banking Corporation (KPBC) formed by members from the FSC, MOSF, MKE, and professionals from the private sector has concluded on the following specific spin-off plan for KDB.

A focus has been given to dividing the assets fairly and allocating them in a reasonable manner so that KDB can be privatized smoothly and KPBC can conduct public lending effectively.

KDB is forecast to have assets of KRW 172.2 trillion, liabilities of KRW 155.0 trillion, shareholders' equity of KRW 17.1 trillion and a BIS ratio of 13.1% as of end-August.

KDB's forecasted balance sheet (end-August)

(In KRW, billions)

Assets		Liabilities & Shareholders' Equity		
Cash	4,362.1	Liab.	Deposits	18,774.4
Securities	58,568.5		Borrowings	111,259.5
Loans	85,181.6		Other Liab.	24,933.4
(Provisioning)	(2,514.2)		TOTAL	154,967.3
PP&E	659.2	Sh.Eq.	Equity	9,641.9
Other Assets	23,341.3		Capital Surplus	44.4
			Other Cumulative Comprehensive Income	750.1
			Retained Earnings	6,709.0
TOTAL	172,112.7		TOTAL	17,145.4



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Detailed Spin-off Plan

A. Establishment of KDB Holding Company (KDBHC)

KDBHC will be established with KRW 1.5 trillion of assets currently held by KDB; Daewoo Securities (KRW 973.4 billion), KDB Capital (KRW 433.5 billion), KDB Asset Mgmt (KRW 41.6 billion), and Infra Asset Mgmt (KRW 11.7 billion).

Its liabilities and shareholders' equity will be KRW 0.35 trillion and KRW 1.15 trillion respectively.

B. Establishment of Korea Public Banking Corp (KPBC)

KPBC will be established with KRW 28 trillion in assets, KRW 3 trillion in shareholders' equity and KRW 25 trillion in liabilities.

The shares of government-owned companies (worth KRW 15.1 trillion) will be transferred to KPBC as required by law. By law, the government is required to invest 100% or at least more than 50% in public entities such as Korea Electric Power Corporation, Seoul Metropolitan Rapid Transit Corporation and Korea Water Resources Corporation.

The shares of companies undergoing restructuring, namely Hyundai Engineering & Construction, Hynix, SK Networks, Korea Aerospace Industries and Daewoo International, will also be transferred to KPBC.

Assets injected into the Bank Recapitalization Fund, cash assets of KRW 3 trillion and the KDB Capital building will be transferred to the KPBC.

Industrial Finance Bonds (IFB), which account for most of KPBC's liabilities of KRW 25 trillion, will be transferred on a pro rate basis. KRW-denominated IFBs with more than KRW 50 billion face value and mature from 2010 will be transferred proportionally based on the annual repayment schedule.

Once KDB comes under KDBHC, 100% of KDBHC shares will be invested into KPBC so that KPBC can effectively conduct policy lending operations based on a stable revenue base.



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C. KDB Post-split

KDB post-split is expected to have KRW 142.6 trillion in assets, KRW 12.9 trillion in shareholders' equity and KRW 129.7 trillion in liabilities.

KDB will continue to hold the shares of companies in restructuring such as Daewoo Shipbuilding & Marine Engineering, Hyundai Corporation, Ssangyong Cement and Pantech, as well as venture company shares and loans.

The shares of venture companies (total of 686 companies worth KRW 592.4 billion) will remain at KDB due to the high cost of managing a large number of small-sized companies.

D. Future plans

KDB will be divided into KPBC and KDBHC by October 2009 and KDB will become a subsidiary of the KDBHC through a share swap.

KDB and KPBC will closely work together in the case additional funding is needed for companies that have agreed to financial restructuring.

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