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Press Release

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FURTHER ACTIONS TAKEN ON MUTUAL SAVINGS BANKS AND SUPPORT MEASURES

The Financial Services Commission (FSC) held a provisional meeting on Saturday, February 19, and decided to suspend operations of four additional savings banks: Busan Central Savings Bank; Busan 2 Savings Bank; Jeonju Savings Bank; and Bohae Savings Bank.

Liquidity conditions of these four savings banks were not as bad as the two previously suspended banks (Busan Savings Bank and Daejeon Savings Bank); however, there have been massive deposit withdrawals following the announcement of the two banks being suspended on February 17, so it became evident that these four savings banks would soon become incapable of paying back their customers' deposits.

An emergency meeting chaired by FSC Chairman Kim Seok-Dong convened this morning in Busan with relevant officials and institutions to discuss plans to minimize the impact of savings banks suspensions on depositors and SMEs in the region, and to provide sufficient liquidity for other savings banks.

Participants of the meeting: FSC Chairman, Busan City Mayor, FSS Senior Deputy Governor, KDIC President, KIBO CEO, KODIT CEO, Busan Credit Guarantee Federation CEO, Korea Federation of Savings Banks CEO, IBK CEO, Kookmin Bank CEO, Busan Bank CEO, Nonghyup Credit Agency CEO, Busan Chamber of Commerce Deputy CEO and nine other CEOs of mutual savings banks in the region.

Support Measures

1. For Savings Banks and Depositors

To minimize inconveniences of suspended savings banks' depositors,

(1) The government will make sure that depositors can receive provisional payments, a portion of deposits protected by the KDIC, in two weeks of suspensions, a week earlier than the standard procedure.

(2) In order to meet depositors' urgent needs for cash before provisional payments, the government will help them get a deposit-backed loan up to KRW 15 million per person from four commercial banks (Kookmin, NH, IBK and Busan Banks).



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(3) The government will raise a ceiling on deposit-backed loans up to 80% of deposits to meet additional needs for liquidity after provisional payments are initiated.

To help stabilize savings banks' operations,

(1) The government will help the Korea Federation of Savings Banks (KFSB) expand its liquidity support for savings banks by easing requirement for the liquidity support. For outstanding loans for savings banks, the KFSB will roll over the loans and lower the interest rates.

(2) To improve the soundness of savings banks' assets, the government will purchase bad PF debts from savings banks through KAMCO as soon as the plan receives parliamentary approval.

(3) In particular, savings banks in Busan will be a top priority for the government to provide savings banks with liquidity through the KFSB. In order to ease depositors' fears and anxieties, the FSC/FSS, KDIC and KFSB plan to hold several rounds of joint briefing to help them correctly understand the situation.

2. For Low-income Households in Busan

The government will strengthen support for microcredit services with low-interest rates to ensure that the suspensions of savings banks in Busan would not curtail low-income households' access to financial services in the region.

(1) The government will double its annual support for Smile Microcredit branches in Busan from the current KRW 500 million to KRW 1 billion.

(2) The government will encourage local branches of NH, National Federation of Fisheries Cooperatives, Credit Union to deal with more Sunshine loans.

(3) The government will also encourage local branches of commercial banks in Busan to more actively engage in microcredit services for low-income households, and the FSS will closely monitor their micro-lending performance.

3. For local SMEs and small business owners

(1) For local SMEs and small business owners who have business transactions with suspended savings banks,

KODIT and KIBO will extend the maturity of outstanding guarantees by one year until the end of August, 2011. For new guarantees, special guarantees will be provided by up to KRW 100 million per company.



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The IBK will offer SMEs a loan up to KRW 300 million per company to help them stabilize their business operations and lower the interest rates on the loans.

(2) The Korea Finance Corporation will raise its ceiling on on-lending for local banks from KRW 1.4 trillion to KRW 2.3 trillion so that local banks can expand their lending to local SMEs.

(3) Exclusive desks will be set up at local banks such as Busan Bank and Kyungnam Bank to serve local SMEs and small business owners whose business transactions with savings banks have been suspended.

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