

FSC STRENGTHENS THE ROLE OF POLICY BANKS

The FSC outlined its plan to strengthen the role of Industrial Bank of Korea (IBK) and Korea Development Bank (KDB) as policy banks in a bid to support sustainable growth of start-ups and foster new growth drivers for the economy.

1. SUPPORT FOR THE GROWTH OF START-UP & TECH COMPANIES

The role of policy banks – IBK and KDB – will be revamped in accordance with business growth stages of start-ups. IBK will boost its support for start-up and early-growth stage companies, increasing its financial support per year from the current KRW 9.1 trillion up to 15.1 trillion in 2018. KDB will be more focused on selecting and supporting candidate among small businesses to become strong and medium-sized companies. Its annual financial support for such companies will from the current KRW 21.6 trillion to KRW 30 trillion in 2018.

2. SUPPORT FOR NEW GROWTH INDUSTRIES

IBK and KDB will increase financial support for new growth engine sectors such as intelligent robots, wearable smart devices and renewable hybrid systems. KDB plans to provide such new growth industries with more than KRW 20 trillion per year in 20 trillion, up 48.1% from the current KRW 13.5 trillion in 2014. IBK will also boost its annual financial support for such companies from the current KRW 29.6 trillion to KRW 33 trillion in 2018.

Policy banks' investment banking(IB) businesses will be readjusted to more focus on activities in which private IBs are not actively involved – e.g. debt issuance in overseas market, M&As for corporate restructuring, SOC investments, etc.

3. CORPORATE RESTRUCTURING

For cyclical industries, KDB will strengthen their screening and monitoring system for corporate lending and provide temporarily financially distressed companies with liquidity. In regard with corporate restructuring, policy banks will take the initiative in restructuring key sectors in accordance with the government's economic policy, given the impact of restructuring such industries on employment and the national economy. For medium-sized individual companies, more market-driven restructuring will be pushed ahead with UAMCO and PEFs.

4. KDB TO SELL ITS NON-FINANCIAL COMPANIES

KDB will sell its stakes in non-financial companies within the next 3 years. For speedy sales, KDB will sell them at market value, instead of holding on to their book value. Through debt-for-equity swaps and investments, KDB currently holds more than a 5 percent stake in 377 companies worth KRW 9.2 trillion in book value; and more than a 15% stake in 118 companies worth KRW 2.3 trillion in book value. Among them, normalized businesses back on track and SMEs in which KDB has invested for more than 5 years will be first put on sale over the next 3 years.

<SALES OF KDB'S STAKES IN NON-FINANCIAL COMPANIES>

Companies purchased through Debt-equity swap (16)	Normalized (5)	Put on sale from 2016
	Under restructuring (11)	Put on sale upon completion of restructuring process
SMEs & venture companies (100)	Non-listed companies	86 companies in which KDB invested from 1997 to 2010 to be put on sale in the next 3 years
		14 companies in which KDB invested from 2011 to 2015 to be put on sale when investment period becomes more than 5 years.

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