

FSS Governor Kim Jong Chang's Visit to Bank Branches

Purpose of Visit

FSS Governor Kim Jong Chang visited retail bank branches today to see the measures that were adopted to overcome the difficulties of the global economic crisis. Governor Kim also extended his support for the implementation of the policies in the field.

The governor listened to the concerns and suggestions expressed by the banks' staff to reflect their thoughts in policymaking.

<Major Areas of Interest>

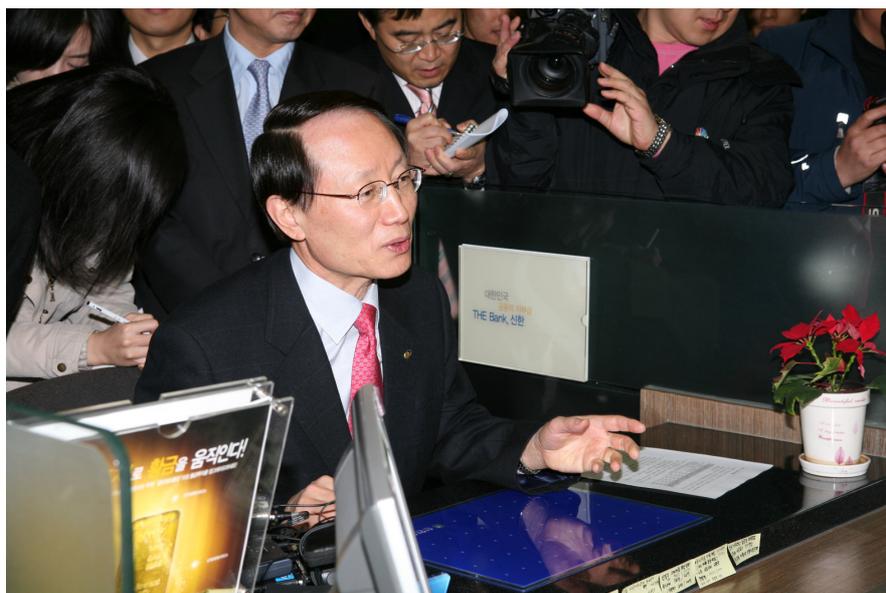
- State of Household Debt Improvement Measures
- Progress of the Fast-Track Program for SMEs
- State of Banks Preparedness for Corporate Restructuring, among others

Summary of Visit

Date: Friday, January 9, 2009 (9:40~11:10 am)

Place: HQ of Shinhan and Woori banks

- On Ameliorating Household Debt: Marketing Dept.
- Supporting SMEs: Marketing Dept. & Office of SME Finance
- On Restructuring: Corporate Improvement Support Team





The following is a summary of the comments that Governor Kim made during his visits.

1. On Ameliorating Household Debt

It is not only the soundness of banks that would be adversely affected if the economic slowdown worsens to bring distress to household loans, but the risk of default could also start to rise among the more economically vulnerable segments of society, especially those in the low-income bracket.

Banks therefore have a social responsibility to do all they can to prevent such a rise, because rising rates of default ultimately places a burden on the entire national economy.

Financial regulatory authorities encouraged such relief as maturity and grace period extension, as well as in installment payments, through the 'Household Loan Alleviation Plan' that the financial regulatory authorities forwarded last year on October 24.

Some of the possible steps to facilitate such relief could include encouraging retail branches to make further efforts and keeping customers better informed.

Interest reductions and exemptions, and other features of the Pre-Workout Program, could also keep default rates in check while targeted information campaigns would highlight the merits of the program to borrowers.

Governor Kim also encourages banks to take advantage of the Korea Housing Finance Corporation Guarantee for the short portions of the mortgage loans that start coming due in January this year.

Many households are likely to feel the effects of the slowing economy this year, and financial regulatory authorities are interested in knowing how the banks are doing in their efforts to ease the burden of household loans and on the issue of default.

2. Supporting SMEs

As much as this global economic crisis is one the likes of which have never been seen, unprecedented measures will be required if it is to be overcome as soon as possible.

It would be beneficial to see those companies that could be restored to health receiving a line of timely support, but banks may be avoiding their social responsibility besides doing a disservice to their own bank soundness if those companies that have a chance to recover are ultimately allowed to fall by the wayside.

The financial regulatory authorities recently reviewed the indemnification provisions for financial institution and its officers recognizing the importance of continuing to extend support to SMEs.



Governor Kim asks bank managers and directors to update their bylaws and make sure that the substance of the indemnification review becomes widely communicated to their staff so that it could make its way more fully to the lobbies and front desks of bank branches.

Data shows that the bank support to SMEs through the Fast-Track Program increased sharply last month in December, and Governor Kim expressed his approval that SMEs that are otherwise healthy except for the temporary liquidity squeeze have been prevented from going under.

If such selective credit support is extended while the screening process continues to be further strengthened, Governor Kim expressed confidence that the job of guarantee institutions will also be made much simpler.

Companies that are merely facing short-term cash-flow problems deserve a chance to avert insolvency, but neither can there be any feet dragging with those that show little prospect for a full turnaround.

With the Lunar New Year around the corner, Governor Kim wondered if a sufficient amount of funds would not help SMEs and ordinary households that are facing difficult credit conditions kick off the New Year on a brighter note.

3. On Restructuring

Moving with speed and determination would benefit corporate restructuring and help in overcoming the economic crisis in the shortest time possible while successfully addressing at the same time the negative cyclical impact on the real economy and the financial sector.

Creditors are expected to lead by taking the necessary steps to save companies that have a chance to recover while moving quickly and effectively towards resolution with those that are non-viable.

Successful corporate restructuring could not only decide the soundness of banks, but also the soundness of the Korean economy. For these reasons, Governor Kim stressed the importance of corporate restructuring being made known as widely as possible.

Industry-wide restructuring cannot be ruled out if it is needed, but the economic crisis has had a large impact on individual companies and business groups, and it is rightfully so that restructuring should start in earnest with large constructors and small shipyards.

Banks would do well to prepare and strengthen their organizational capacity to be effective in restructuring.



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The outlook for this year will be challenging for many, so companies taking an own initiative to reorganize should be encouraged to maintain their employment levels through expense reductions, such as lowering labor costs, rather than deciding on layoffs and dismissals.

When creditors convene meetings, Governor Kim expressed his hopes that the focus will be on reaching mutually beneficial consensus that is based on a broader perspective instead of centering on discrete advantages.

If agreement proves elusive, Governor Kim encouraged banks to seek the mediation in the soon-to-be revamped Creditor Financial Institutions Steering Committee and the Secretariat, which would prove practical.