Comments on the revisions

JEONBUK BANK, KOREA

□ Regarding the issue that excludes subordinate bonds with step-up condition in TierII capital.

The revision that excludes subordinate bonds with step-up condition in TierII capital has the problem that it will exclude upper subordinate bonds with 10 yr maturity just because it has step-up condition but include lower subordinate bonds with 5 yr maturity in measuring TierII capital.

Even though it is inevitable to strengthen the regulation in TierII capital, still upper subordinate bonds are relatively stable than lower subordinate bonds. We believe it is relevant to consider appropriate measures to lessen the impact of decrease in TierII capital.

□ Regarding the issue about deducting investment in subordinate bonds issued by other financial institutes from Tier II capital.

The investment in subordinate bonds issued by other financial institutes is not for cross holding, but for just investment within the boundary of the related regulations.

Though there might be any change or stricter compliance on regulation about investing in subordinate bonds by expected changes in the regulation on Tier I capital, it should not be applied retroactively on subordinate bonds which were invested in compliance with existing regulation. Even though the enaction is inevitable, enough grace period should be allowed.