

Kookmin Bank	BL0401 – Commercial Banking	
EL0201 – External Theft & Fraud	KRW – 70,000,000,000.00 LOSS	KRW – South Korean Won
KR – KOREA, REPUBLIC OF	Asia / Pacific	

Korean manufacturer fraudulently obtains KRW 70 billion from Kookmin Bank

Moneual, a Korean manufacture of electronic home appliances, has allegedly engaged in fraudulent financial reporting in order to obtain KRW 70 billion (USD 66.5 million, EUR 52.5 million) in loans from Kookmin Bank as part of a fraud that has duped a total of 10 commercial banks out of a total of KRW 3.2 trillion between early 2009 and July 2014.

Moneual has been accused of overstating its export performance in order to receive large loans from multiple financial institutions and to sell export bonds. It is believed that individuals at the firm falsified documents and altered its accounting books.

The alleged fraud was first made public on 24 October 2010 following reports that Moneual had gone into court receivership. The company, whose operations had previously been considered to be robust, failed to pay back export bonds worth KRW 500 billion to The Industrial Bank of Korea and NongHyup Bank on 20 October 2014 when the bonds were due to mature. Moneual had previously reported KRW 1.27 trillion in sales and KRW 110 billion in operating profit in 2013.

It also emerged that the Korean Customs Service (KCS) had been investigating the firm since August 2014, following a tip-off from a whistleblower.

A KCS official was quoted in the Korean Times as saying that the KCS had detected some evidence that Moneual overstated export performance documents as their bond maturities came closer.

On 1 November 2014 Moneual's CEO Park Hong-seok and two other senior executives were arrested for their alleged involvement in the fraud. 13 other mid-level employees were also indicted on related charges.

As of 11 November 2014, only five of the banks had been named, alongside Kookmin Bank: The Industrial Bank of Korea extended KRW 150 billion; Korea Development Bank extended KRW 116 million; NongHyup Bank extended KRW 70; and Korea Export-Import Bank extended KRW 40 billion won to the manufacturer.

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Event	Published in Media	Date of Occurrence – From	Date of Occurrence – To	Discovery Date	Date of Recognition / Settlement
	24/Oct/2014	01/Jan/2009	31/Jul/2014	N/A	N/A
Loss Amount USD USD 66,500,000.00	Loss Amount EURO EUR 52,500,000.00	Provision No	Boundary Risk Credit		
Industry Event N/A	Scenario EXTFRD - External Fraud	Product PD0501 - Commercial & Industrial Loans	Process PC0403 - Client due Diligence		
Parent Company N/A	ORX Member No	Role of Firm LS0307 - Position Taking (Principal)	AMA Status N/A		
Cause 1 CS0102 - Assault by Criminals / Terrorists	Cause 2 N/A	Cause 3 N/A			
Counterparty LS0203 - Corporation for Profit	Jurisdiction / Choice of Law LS0103 - Rest of the World	Environmental Volatility LS0404 - Credit Risk			