



FSC IDENTIFIES D-SIBS FOR 2018

The FSC identified on June 28, 2017, four bank holding companies and one bank as domestic systemically important banks (D-SIBs) for 2018: **Shinhan Financial Group, Hana Financial Group, KB Financial Group, NH Financial Group** and **Woori Bank**.

Under the D-SIB framework of the Basel Committee on Banking Supervision (BCBS), the D-SIB higher loss absorbency requirement is phased in by 0.25% per year from 2016 to 2019. Therefore, those identified as D-SIBs for 2018 are required to set aside an additional common equity capital of 0.75%, and the higher loss absorbency requirement will take effect on January 1, 2018.

The BIS ratio for the identified D-SIBs at the end of March 2017 exceeds the minimum capital adequacy ratio¹. Therefore, there is no actual burden at present for the identified D-SIBs to set aside additional capital.

The FSC will identify D-SIBs every year in accordance with assessment criteria recommended by the BCBS.

D-SIB Assessment Criteria

| Criteria | Indicator | Weighting |
|--------------------------------|---|-----------|
| Size (20%) | Total exposure | 20% |
| Interconnectedness (20%) | Intra-financial system assets | 6.7% |
| | Intra-financial system liabilities | 6.7% |
| | Securities outstanding | 6.7% |
| Substitutability (20%) | Payments activity in KRW | 6.7% |
| | Payments activity in foreign currencies | 6.7% |
| | Assets under custody | 6.7% |
| Complexity (20%) | Notional amount of OTC derivatives | 10% |
| | Trading and available-for-sale securities | 10% |
| Country-specific factors (20%) | Foreign currency-denominated debt | 10% |
| | Household loans | 10% |
| Total | | 100% |

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¹ When countercyclical capital buffer (CCyB) is excluded, the minimum capital adequacy ratio for D-SIBs is 10.625%. At present, the CCyB ratio stands at 0%.