

## VICE CHAIRMAN DISCUSSES IMPORTANCE OF BANKS' CAPITAL BUFFERS TO SUPPORT REAL ECONOMY

Vice Chairman Sohn Byungdoo presided over the 10<sup>th</sup> financial risk assessment meeting on June 30 to assess the financial market conditions and monitor the progress in implementing the COVID-19 financial support.

The following is a summary of Vice Chairman Sohn's remarks.

**(COVID-19 FINANCIAL SUPPORT)** As of June 26, about KRW56.4 trillion in financial support has been provided. Applications for the second phase support program for small merchants have become available at regional banks as well. Approximately KRW1 trillion in P-CBOs were issued on June 25 to support SMEs and major industries. Support from the key industry stabilization fund should be considered primarily as a backstop to the financial system rather than a bailout fund. As various support measures introduced at the beginning of this year are scheduled to expire in September, such as maturity extensions, deferments on interest payments and temporary deregulatory measures, the government will work with financial companies in deciding whether to further extend these support measures.

**(SOUNDNESS OF FINANCIAL INSTITUTIONS)** Maintaining the soundness of financial institutions and providing support to the real economy are mutually reinforcing and complementary to each other. The IMF report released on June 25 also states that banks "should halt dividend payments and buybacks...to help support capital buffers." Considering this, banks should continue to make lending available to support the real economy while enhancing capital buffers and loss absorbing capacity to prepare for a protracted pandemic situation.

**(HOUSING MARKET STABILIZATION MEASURES)** The government has been working to prevent speculative demand in the housing market. As part of the follow-up measures, the issuance of mortgage loans for corporations will be restricted from July 1. In addition, to be eligible for mortgage loans in regulated areas, applicants should sell existing properties and move into new ones within six months. In order to ensure smooth implementation of the new measures, lending institutions should be fully aware of the changed regulations and provide appropriate information to borrowers.

As there is an urgent need for supporting the real economy, the government will work to pursue a balanced approach between maintaining the soundness of financial institutions and improving the stability of the financial system.

## **FINANCIAL SUPPORT PROVIDED**

Between February 7 and June 26, a total of KRW146.1 trillion (1.7 million cases) in loans and guarantees as well as loan and guarantee extensions were provided to the SMEs and small-scale businesses that have been hit by the COVID-19 pandemic.

- ▶ **FINANCING BY TYPE:** KRW71.3 trillion (1.33 million cases) in new loans and guarantees, KRW74.7 trillion (369,000 cases) in maturity extensions and deferred payments
- ▶ **FINANCING BY INDUSTRY:** KRW22.8 trillion (89,000 cases) to machinery & metal manufacturing, KRW18.7 trillion (195,000 cases) to wholesale businesses, KRW11.1 trillion (287,000 cases) to retail businesses and KRW10.6 trillion (340,000 cases) to restaurant businesses
- ▶ **FINANCING BY PROVIDER:** KRW76 trillion (1 million cases) by policy banks and KRW69.2 trillion (679,000 cases) by private sector financial institutions

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