

FSC RECOMMENDATION ON CAPITAL MANAGEMENT FOR BANKS TO BE EXPIRED AS SCHEDULED ON JUNE 30

The FSC decided to let its recommendation on capital management for banks and bank holding companies expire as scheduled at the end of June.¹ The following aspects were taken into account for arriving at this decision.

- a) Improvements in the real economy compared to six months ago with major institutions—including the Bank of Korea, IMF and OECD—revising up their growth forecasts for the Korean and global economy
- b) Domestic banks and bank holding companies demonstrating their financial soundness even as they have been injecting relief funds into the economy in the wake of the COVID-19 outbreak

Improvements in banks' loss absorbing capacities with their BIS capital ratios largely surpassing the threshold

	End of 2019	End of 2020	End of Q1 2021
BIS capital adequacy ratio	13.91%	15.00%	15.36%
Loan loss provision for banks	112.1%	138.8%	137.3%

- c) All banks and bank holding companies passing stress tests carried out by the FSS in May-June 2021
- d) Major economies, such as the U.S. and Europe, announcing their plans for easing banks' dividend restrictions after passing stress tests amid economic recovery

From July 1, banks and bank holding companies can decide their dividend payout policies on their own according to the relevant law and the rules set forth by the banking association. With the ongoing COVID-19 situation, the FSC and FSS will continue to closely monitor improvements in the real economy, financial market stability and the soundness of financial institutions and draw up appropriate measures when deemed necessary.

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¹ Please click [here](#) to see FSC's recommendation announced on January 28, 2021.