

FSC CHAIRMAN MEETS WITH FINANCIAL HOLDING COMPANY CEOs AND DISCUSSES MARKET STABILIZATION MEASURES

FSC Chairman Kim Joo-hyun met with CEOs of five major financial holding companies¹ on November 1 and held talks on current financial market situation. At the meeting, Chairman Kim and participants discussed the important role of financial holding companies in stabilizing markets, ensuring liquidity provision to the real economy and providing support for vulnerable debtors.

SUMMARY OF REMARKS BY FSC CHAIRMAN

Amid global monetary policy tightening, Korea's money market reacted sensitively to certain market shocks, which has resulted in the spread of anxieties even to the corporate bond market. However, the government's swift announcement and implementation of market stabilization programs worth KRW50 trillion-plus, in conjunction with the Bank of Korea and the banking sector's speedy efforts, helped to stop market situations from getting worse and that market conditions are gradually returning to stability.

To ensure effectiveness in the government's market stabilization measures, it is necessary to have market participants play their parts and cooperate with each other to facilitate seamless circulation of funds. In particular, the role and responsibility of financial holding companies and their affiliated financial institutions like banks are important as they make up a big part of financial markets and have good financial and liquidity conditions.

Financial holding companies and their affiliated banks' recent earnings temporarily increased mostly as the amount of loans increased amid expansive fiscal and monetary policies put in place to deal with the COVID-19 pandemic and as global monetary policy tightening followed. Thus, it is expected that financial holding companies and their affiliated banks will play a role in enabling smooth flow of funds through financial markets by acting as intermediaries to stabilize markets, ensure provision of liquidity to the real economy and assist vulnerable debtors. In this regard, financial holding company CEOs are encouraged to make efforts to do the following.

First, the supply of liquidity aimed at stabilizing financial markets is anticipated for financial holding companies. They need to make efforts to increase the credibility of their subsidiaries by enhancing support for their subsidiaries' liquidity and financial soundness. Moreover, in the context of financial markets, financial holding companies are expected to provide liquidity as reliable providers and support market stability. Second, financial holding companies are asked to maintain a steady flow of credit to the real economy, particularly SMEs where borrowing demand is high. Third, banks

¹ KB, Hana, Shinhan, Woori, NH

and financial holding companies are urged to ardently support vulnerable borrowers who have trouble making loan payments, obtaining new loans, or remaining in the traditional financial system.

SUMMARY OF REMARKS BY FINANCIAL HOLDING COMPANY CEOs AND KFB HEAD

Although a rise in risk awareness may be anticipated as monetary policy tightens globally, the recent market reaction has been rather excessive. Market confidence is expected to gradually recover with the help of the government’s market stabilization initiatives. In the mean time, financial holding companies will make utmost efforts to try to stabilize markets.

To this end, the five financial holding companies will provide a total of KRW95 trillion (tentatively planned)* in liquidity supply for markets and financial support for subsidiaries.

* Refrain from issuing bank bonds; provide funds to public companies (i.e. Korea Electric Power Corporation), micro-enterprises, SMEs and large companies; purchase special bank bonds, bonds issued by specialized credit finance companies, corporate bonds, CPs (commercial papers) and ABCPs (asset-backed commercial papers); maintain total size of MMFs (money market funds) in operation; sustain nonbank sector’s credit line; and contribute to the bond market and stock market stabilization funds, etc.

<Tentative Plan of 5 Financial Holding Groups to Support Market Stabilization>

Market stabilization measures	Support by 5 financial holding groups
(a) Expand liquidity supply for markets	KRW73 trillion
(b) Contribute to bond market & stock market stabilization funds	KRW12 trillion
(c) Provide financial support for subsidiaries within each financial holding group	KRW10 trillion
Total	KRW95 trillion

While actively increasing the supply of funds to micro-enterprises, SMEs and large companies, the five financial holding companies will cooperate to find ways to support vulnerable borrowers.

Chairman of the Korea Federation of Banks (KFB) Kim Kwang-soo pledged to strengthen the role of banks in enabling circulation of funds from banks, where funds are concentrated due to high interest rates and the trend toward risk aversion, to the real economy and financial markets by increasing loan lending and supply of funds. The KFB chairman also promised that the banking sector will diligently work to meet expectations from the society by supporting vulnerable groups undergoing difficulties amid current market conditions.

FSC Chairman Kim Joo-hyun, the heads of financial holding groups and KFB chairman decided to hold meetings regularly (every other week) to seek areas of cooperation between them until the market situation is stabilized. They also agreed to open regular communication channel among working-level officials to ensure close monitoring over market situations.

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