Financial Services Commission

Press Release

January 28, 2021

FSC RECOMMENDS CAPITAL MANAGEMENT FOR BANKS

The FSC announced its decision to recommend banks to temporarily limit dividends within twenty percent of their net profits until the end of June this year as it is deemed necessary to maintain banks' loss absorbing capacity in response to the COVID-19 pandemic.

Domestic banks have maintained strong financial soundness despite the pandemic situation. However, in order to be prepared for economic uncertainties, preemptive efforts are needed to boost the capital adequacy of banks.

As such, the authorities decided to recommend banks to temporarily limit dividends within twenty percent of their net profits based on the results of the stress tests[1] carried out on eight bank holding companies and six non-holding banks by the Financial Supervisory Service between October and December 2020. The stress tests were conducted on two distinct scenarios—(a) a U-shaped long-term recovery and (b) an L-shaped long-term recession. In both scenarios, the capital ratios of all banks were shown to be above the minimum required level. However, in an L-shaped scenario, the capital buffer and D-SIB ratios of numerous banks felt short of the required levels.

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For press inquiry, please contact Foreign Media Relations Team at fsc_media@korea.kr.

[1] Stress Test for Assessing Resilience and Stability of Financial System (STARS)