

## **GOVERNMENT UNVEILS KRW76 TRILLION WORTH CORPORATE FINANCING SUPPORT PLANS IN PRIVATE-PUBLIC JOINT INITIATIVE**

- KRW26 trillion-plus in funding support to be provided to high-tech industries, such as the semiconductor and secondary battery sectors.
  - KRW15 trillion in funding support to be provided to middle market enterprises.
  - Support programs tailored to the needs of businesses facing challenging situations to be made available.
  - An MOU signed between five major commercial banks and Korea Growth Investment Corporation for creating a KRW5 trillion investment fund for middle market enterprises.
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Chairman Kim Joo-hyun of the Financial Services Commission presided over a meeting with the heads of five major commercial banks and policy financial institutions on February 15 and announced the government's plans to provide tailored funding support for enterprises.

The FSC has held a series of meetings with businesses to listen to their challenges and difficulties in financing business operations. To make sure that the prepared measures can actually serve the needs of businesses, the FSC has actively collaborated with the Ministry of Economy and Finance, the Ministry of Trade, Industry and Energy and the Ministry of SMEs and Startups. The support measures being introduced today are also an outcome of active participation and contribution from policy financial institutions as well as from major commercial banks.

In his opening remarks, FSC Chairman Kim Joo-hyun said that the future of Korean economy depends on the competitiveness of our enterprises, and that to boost our industrial competitiveness through new initiatives to ensure a continuous growth amid uncertain business environment, it is essential to have finance play an active role. In this regard, Chairman Kim stressed that it is necessary to have (a) a large-scale investment support for high-tech industries, (b) a targeted investment support for middle market enterprises, and (c) assistance programs made available for businesses undergoing challenging situations due high interest rates and so on.

The corporate financing support plans being unveiled today consist of the following three key measures.

First, authorities have prepared strategic financing support plans worth KRW26 trillion-plus for high-tech enterprises. A "supply chain stabilization fund" will be created to help businesses seeking to diversify imports, develop alternative technologies, and secure raw materials from overseas. The Korea Development Bank (KDB) will provide KRW15 trillion in financing support to the five major strategic sectors—such as semiconductor, secondary battery, biotech, etc.—with interest rate reductions of as much as 1.2 percentage points. In addition, authorities have decided to consider a way to provide funding support for high-tech enterprises with large-scale funding demands. In this regard, authorities will consider a way to make lending available through project

financing, for instance, with policy financial institutions and commercial lenders supplying funds to a special purpose company (SPC) set up by the beneficiary company.

Second, authorities have prepared targeted support programs worth KRW15 trillion for middle market enterprises, which have often been neglected from policy finance programs in the past. Although middle market enterprises make up only 1.5 percent (or 5,600 entities) of all enterprises, they constitute a significant pillar of our economy since they contribute 16.1 percent and 12.9 percent to the total sales and employment, respectively. Therefore, authorities have prepared various measures to enhance the competitiveness of middle market enterprises, which will help to strengthen our economy's value chain. Banks will make contributions of up to KRW2.5 trillion to help to create a KRW5 trillion fund aimed at investing in middle market enterprises. In addition, the five major commercial banks and KDB will prepare a low interest rate lending program in the size of KRW6 trillion for middle market enterprises that are planning to enter new growth industries. A primary collateralized bond obligation (P-CBO) support program worth KRW1.8 trillion as well as a guarantee support program worth KRW2.3 trillion will also be made available.

Third, there will be financing support programs designed to provide assistance for more immediate challenges in operating businesses, such as high interest rates, and to provide support for a quick normalization and recovery to those facing the risk of default. The five commercial banks and Industrial Bank of Korea (IBK) will make available KRW5 trillion for a special interest reduction program. The IBK will also offer an interest deferment program to businesses experiencing difficulties in making interest payments. Through an expansion of the eligibility for the banking sector's joint support program, businesses expected to face short-term liquidity problems will be able to receive interest rate support for one year. In addition, authorities will provide support to those who experienced business closures to facilitate a quick normalization and recovery.

At the meeting, FSC Chairman Kim highlighted the significance of these measures as the outcome of close collaboration between the private and public sectors with active support given by the relevant ministries and contribution of KRW20 trillion from major banks. In order to facilitate commercial banks to more actively engage in corporate financing in the future, Chairman Kim said that authorities will upgrade relevant rules and infrastructure to ensure that commercial banks are able to receive more refined business-level data from Korea Credit Information Services (KCIS).

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