

Business Seminar on Bank Relief Loans

FSC Chairman Koo's Speech

April 22, 2020

President Yang (Central Bank), Minister Su (Ministry of Finance), Minister Shen (Ministry of Economic Affairs), Chairman Lu (Bankers Association), and leading lights in the banking industry, good afternoon everyone!
(adjust according to the actual attendance of VIPs)

First of all, I would like to thank the Bankers Association for organizing this meeting, as well as the Central Bank, the Ministry of Finance, the Ministry of Economic Affairs, and banks for all your efforts during this period. Hopefully, at today's meeting we can build consensus within the financial industry that, with an epidemic sweeping across the world, banks must not turn their backs on borrowers in their hour of need. At a time like this, banks must continue to support customers and help them weather the crisis.

COVID-19 is spreading all over the world. In response to the economic impact, many countries have provided government resources to carry out relief and economic stimulus programs to help enterprises overcome difficulties, and to spur economic recovery. Our service sector, and industries that play an important role in the global supply

chain, have also been affected by the epidemic.

The Executive Yuan approved the second stage of its relief program on April 2, 2020, which it funded with a total appropriation of NT\$1.05 trillion. Now the Legislative Yuan will discuss a third-stage relief program. The program includes loans and subsidies. In terms of loans, the program includes such measures as the rescheduling of existing corporate loans, provision of working capital loans and interest subsidies for stimulus loans, and provision of loan guarantees by the Small and Medium Enterprise Credit Guarantee Fund of Taiwan. Hopefully, these measures can help enterprises overcome difficulties. Both government-owned and private-sector banks need to implement the relief programs with professionalism and efficiency. I look forward to banks' continued and active implementation of policy measures to help customers overcome difficulties, which will indirectly bolster banks' asset quality.

Since the outbreak of the epidemic, in addition to implementing the corporate relief measures and stimulus loans of various ministries, the banking industry has also proposed specific assistance measures for enterprises and individuals affected by the epidemic, including deferring repayment of the principal on corporate loans until the end of December 2021, and for individuals who are

experiencing repayment difficulty due to the epidemic, principal or interest repayments have been deferred by 3 to 6 months. During the deferral period, payment of default penalties and default interest will be waived. Moreover, the FSC has required banks to expedite the approval process for relief and stimulus loans. For example, new loans of less than NT\$1 million must be approved within 7 working days in principle. In addition, after the Central Bank lowered interest rates by 25 basis points, banks responded by lowering their interest rates for owner-occupied housing loans and consumer loans until the end of September. Among them, eight public-sector banks lowered mortgage rates by 0.5% and consumer loan interest rates by 0.75%, while private-sector banks lowered mortgage rates by 25 basis points. And for individuals affected by the epidemic, 20 private-sector banks followed the lead of public-sector banks by additionally lowering interest rates for owner-occupied housing loans (by 0.5%), while 19 private-sector banks lowered consumer loan interest rates by 0.75% (for non-housing loans, such as credit cards, credit card debts, and car loans). This shows that both public- and private-sector banks can understand the functions and roles of banks in dealing with the economic and social impact of COVID-19.

As of April 20, 2020, banks had accepted a total of

27,300 applications for relief loans (either doing so under various government programs, or undertaking relief lending on their own initiative). The applications were submitted by both businesses and individuals, and the maximum loan amount was set at NT\$368.2 billion. A total of 19,257 applications were approved for a total combined loan amount of NT\$212.2 billion. By loan amount, the approval ratio was 58%, and by the share of total applications, the approval ratio was 71%. In addition, 6,859 credit card holders had their debts rescheduled. The FSC is very grateful for the cooperation and efforts of the banking industry during this period of time, and hopes that all banks will continue to play the functions set out in their bank licenses with professionalism and efficiency.

The timeliness of relief is very important. Considering the diversity of the relief and stimulus programs of various Ministries, in order to speed up the simplification of the review process, after discussions among the FSC, the Central Bank, and the Ministry of Economic Affairs, the Central Bank released a simplified loan application program for small business entities on April 17, and banks now allow small business entities to apply for loans using a simple credit scoring table instead of financial statements or 401 statements. That is to say, a business entity applying for a loan of less than NT\$500,000 that has a tax residency, has sales of NT\$200,000 or less, and

is exempt from the requirement to issue sales invoices can use a simple credit scoring table in place of financial statements or a 401 statement to apply for credit which is guaranteed up to 100% by the Taiwan SMEG. Under this program, small business entities with a score of 70 or more can be approved for loans. It is estimated that 85% of 500,000 small business entities could benefit from the program, which was launched this Monday (April 20). I would like to call on banks to approve applications within 3 days after receipt whenever possible, so that rapid loans can provide timely assistance and meet the needs of small business entities.

The government has provided tremendous resources to assist enterprises and individuals. And supporting enterprises and individuals is tantamount to supporting banks. In order to ensure that relief measures have their intended effect, the FSC has adopted the "Program for Encouraging Domestic Banks to Expedite Processing of Relief and Stimulus Loans" to reward domestic banks that perform well in speeding up the provision of relief and stimulus loans, and to encourage banks to demonstrate professionalism and efficiency. The rewards -- which are granted on the basis of three types of lending performance, namely: "lending amount," "number of loans," and "efficiency" -- are granted to commend banks that perform well in these areas. of each group. In addition,

top performing banks receive favorable regulatory treatment when, for example, applying for permits to engage in specific lines of business. With the Central Bank's funds reaccommodations, for example, the allowance ratio for bad debts will be reduced by half from 1% to 0.5%. In addition, the FSC has asked the Central Deposit Insurance Corporation (CDIC) to set aside NT\$180 million to support relief and stimulus measures. For banks that perform well in the provision of relief loans, the CDIC may provide up to a 3% reduction in deposit insurance premium rates for one year.

Many enterprises and individuals are in need of financial assistance or debt relief due to the impact of the epidemic. The FSC therefore recommends that banks' head offices should plan out an accelerated loan application review process or provide their branches with application review forms so that the relief measures of various Ministries can be quickly implemented. Furthermore, the FSC also recommends the establishment of a seed teacher system to help colleagues at bank branches fully understand and speed up the process of review. I also call on banks' head offices to make sure that performance rewards actually reach the branches that handle loans, so that frontline colleagues at high-performance branches will receive the support and encouragement they deserve.

Faced with the current economic impact of COVID-19, once again I thank the banks that provide assistance measures to support borrowers. Hopefully, during this period, banks will be able to respond quickly to customer needs, so that the government's relief resources can yield maximum benefits. Finally, I wish you all good health and good luck. Thank you all.