# Program to Incentivize Lending by Domestic Banks to Enterprises in Target Countries of the New Southbound Policy

**Established on November 23, 2016**
**Revised on May 18, 2018**
**Revised on January 24, 2019**
**Revised on October 7, 2021**

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| **I. Purpose** | The Program incentivize lending by domestic banks to enterprises in target countries of the New Southbound Policy (10 ASEAN countries, 6 South Asian countries, New Zealand, and Australia). |
| **II. Participating banks** | All domestic banks. |
| **III. Implementation period** | (I) The Program had been implemented in 4 periods from January 1, 2017 to December 31, 2020. Each period started from January 1 and ended on December 31 of the same year.<br>(II) Starting from 2021, the Program shall be implemented in periods from January 1 to December 31 of the same year. |
| **IV. Basic requirements for performance evaluation** | Upon the end of each period, banks must meet the following conditions before the Financial Supervisory Commission selects those with excellent performance in lending in accordance with standards specified in Item 6 and Item 7: The ratio of a domestic bank's regulatory capital to risk-weighted assets at the end of the year may not be lower than the ratio in the provisions of Article 5 of Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks. |
| **V. Definitions of lending** | The term "lending" in this Program shall mean lending by banks to enterprises in target countries of the New Southbound Policy. It includes loans, remittances purchased, accepted bills receivable, guarantees, non-recourse accounts receivable purchased and overdue receivables. The amount specified by banks in the AI397 table of the FSC's single report contact window plus the balance of loans of individual banks for borrowers whose place of registration is in the target countries of the New Southbound Policy and were not included in the AI397 table and the total loan |

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| | balance of all domestic banks shall be used as the standards for scoring. |
| **VI. Scoring standards for performance evaluation** | (I) Scoring standards **= (contribution × 60%) + (growth × 20%) + (credit guarantee fund * financing amount ratio × 20%)**<br>*The credit guarantee fund refers to the Overseas Credit Guarantee Fund (OCGF), Small and Medium Enterprise Credit Guarantee Fund (SMECGF), and Agricultural Credit Guarantee Fund (ACGF).<br>◆ **Calculating the contribution**<br>(1) Scenario 1: The average total loan balance of all banks at the end of the current period is greater than the average total loan balance at the end of each month in the previous period<br>Contribution = (average loan balance of individual banks at the end of each month in the current period - average loan balance at the end of the month in the previous period) / [(average total loan balance of all banks at the end of each month in the current period - average total loan balance at the end of each month in the previous period) / number of banks]<br>(2) Scenario 2: The average total loan balance of all banks at the end of the current period is lower than or equal to the average total loan balance at the end of each month in the previous period<br>Contribution = (average loan balance of individual banks at the end of each month in the current period - average loan balance at the end of the month in the previous period) / [$\sum_{i=1}^{n}$ (average loan balance of individual banks at the end of each month in the |

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| | current period - average loan balance at the end of each month in the previous period) / n]<br>➢ i represents banks whose average loan balance at the end of each month in the current period increased from the previous period<br><br>◆ **Calculating the growth**<br>(1) Scenario 1: The average total loan balance of all banks at the end of the current period is greater than the average total loan balance at the end of each month in the previous period<br>Growth rate =Growth rate of the loan balance of individual banks / growth rate of the total loan balance of all banks<br>= [(average loan balance of individual banks at the end of each month in the current period - average loan balance at the end of each month in the previous period) / average loan balance at the end of the month in the previous period × 100%) / [(average total loan balance of all banks at the end of each month in the current period - average total loan balance at the end of each month in the previous period) / average total loan balance at the end of each month in the previous period × 100%]<br>(2) Scenario 2: The average total loan balance of all banks at the end of the current period is lower than or equal to the average total loan balance at the end of each month in the previous period<br>Growth = growth rate of the loan balance of |

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| | individual banks / <u>growth rate of total loan balance of banks with positive growth rate</u><br>[(average loan balance of individual banks at the end of each month in the current period - average of loan balance at the end of the month in the previous period) / average loan balance at the end of each month in the previous period × 100%] / [$\sum_{j=1}^{n}$ (average loan balance of individual banks at the end of each month in the current period - average loan balance at the end of each month in the previous period) / $\sum_{j=1}^{n}$ average loan balance at the end of each month in the previous period × 100%]<br>➢ j represents banks whose average loan balance at the end of each month in the current period increased from the previous period<br><br>◆ **Calculating the financing ratio of the credit guarantee fund (Note)**<br>Ratio of the amount of financing underwritten by the credit guarantee fund = (amount of financing underwritten by individual banks with credit guarantee from the OCGF for investments in the target countries of the New Southbound Policy in this period + amount of financing underwritten by individual banks with credit guarantee from the SMECGF or ACGF for loans in the target countries of the New Southbound Policy in this period) / [amount of financing underwritten by all banks with credit guarantee from the OCGF for investments in the target countries of the New Southbound Policy in this period + amount of financing underwritten by all banks with credit guarantee from the |

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| | SMECGF or ACGF for loans in the target countries of the New Southbound Policy in this period) / number of banks that applied for guarantees *]<br>*If the same bank submits cases to different credit guarantee funds for underwriting, the bank is only counted once in the calculation of the number of banks that applied for underwriting.<br>Note: The previous period for the first period refers to the period from January 1, 2016 to December 31, 2016.<br>(II) Group evaluation:<br>(1) Banks are divided into 2 groups for evaluation based on their ranking in the "average total loan balance at the end of each month in the previous period":<br>◆ The top 50% of the banks are classified as "Group A" and the other banks are classified as "Group B". The number of banks in each group is calculated as follows:<br>Scenario 1: If the total number of banks is a multiple of 2, the 2 groups shall have an equal number of banks. For instance, if there are 38 banks, there will be 18 banks in Group A and Group B.<br>Scenario 2: If the total number of banks is a not multiple of 2, the remainder shall be added to Group B. For instance, if there are 37 banks, there will be 18 banks in Group A and 19 banks in Group B.<br>◆ The calculations in the scoring standards for Group A and Group B shall be based on all banks in each group.<br>(2) Banks in Group A and Group B are ranked based on their performance scores. The banks with the 1st to 3rd best performance in each group are classified as excellent banks. |
| **VII. Special award** | (I) **Small and medium enterprise loan performance** = monthly |

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| **for small and medium business and agriculture financing** | average of the total loans extended by individual banks to SMEs in target countries of the New Southbound Policy x 80% + monthly average of the loans extended by individual banks that were transferred to SMECGF or OCGF for guarantee x 20%<br>(II) **Agriculture loan performance** = monthly average of the total loans extended by individual banks to agriculture in target countries of the New Southbound Policy x 80% + monthly average of the loans extended by individual banks that were transferred to ACGF or OCGF for guarantee x 20%<br>* The first period for the two aforementioned awards shall be 2019. The top-performing bank in each period is classified as an excellent bank. |
| **VIII. Incentives** | Banks evaluated as excellent banks shall be commended by the Financial Supervisory Commission and the results shall be published on the official website of the Financial Supervisory Commission. The Financial Supervisory Commission shall also issue official letters to request banks with excellent performance to reward personnel who made contributions to their success. |
| **IX. Others** | (I) Public banks evaluated by the Financial Supervisory Commission as excellent may be awarded extra points for compliance with policy objectives in business operations when the Ministry of Finance conducts the annual work evaluation.<br>(II) Banks shall process lending of this Program in accordance with relevant credit investigation and lending regulations. If they incur losses that are not caused by intentional actions, gross negligence, or violation of the law, the banks and their personnel responsible for the business at all levels shall be exempted from relevant administrative responsibilities. |