



FINANCIAL SERVICES - DIVERSIFIED

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UPDATE 1-S.Korea bank recap fund to initiate buys in March

By Reuters Staff



* fund to pump \$3 bln in new capital into five banks

* KEB halves fund capital request to 250 bln won

* KEB to raise extra 250 bln won from hybrid securities sale (Adds names of banks, Korea Exchange Bank comment)

SEOUL, March 20 (Reuters) - Five South Korean banks, including Kookmin, Woori and Hana, will receive a combined \$3 billion in capital from a bank recapitalisation fund this month, a financial watchdog official said on Friday.

South Korea is launching the 20 trillion won (\$14.3 billion) fund, which will be financed by lending from the Bank of Korea and via securities issues, to boost the capital strength of its commercial banks and encourage lending to cash-strapped firms.

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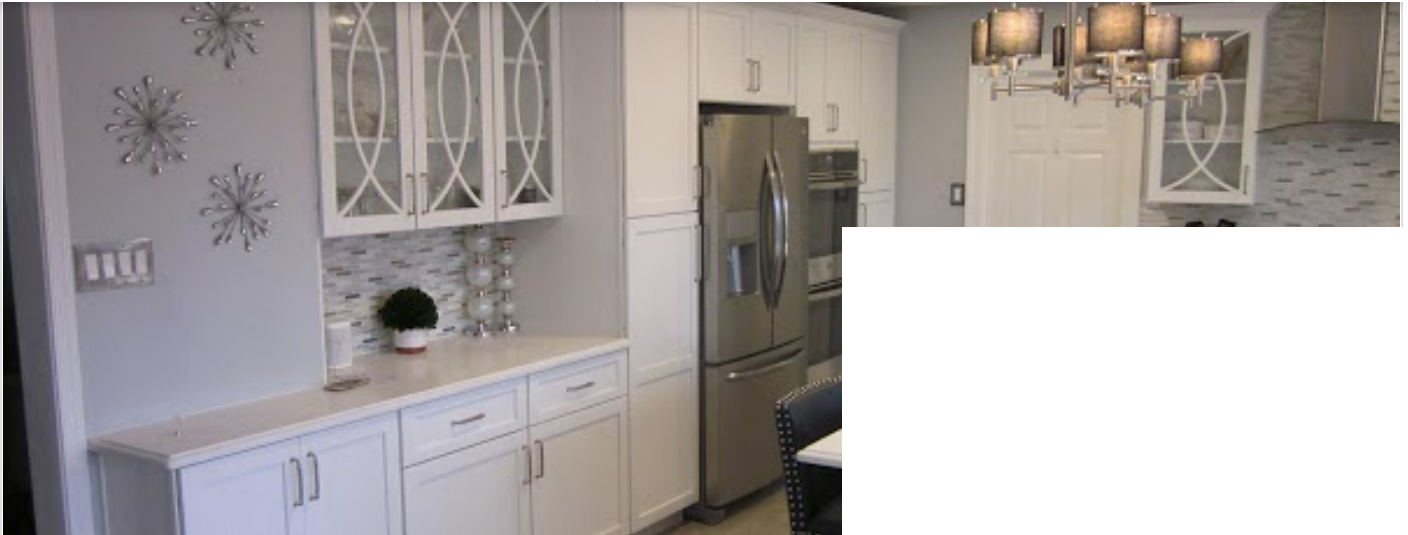
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The fund will buy new equity-type securities from domestic banks in three tranches by the end of June.

“A survey showed banks intended to apply for the commission to buy a combined 4.3 trillion won (\$3 billion) in the first tranche, or about 3.8 trillion won worth of hybrid securities and 500 billion won in subordinated debt,” the Financial Services Commission (FSC) said in a statement.

The statement did not identify banks that were receiving the fresh capital.

But an FSC official, who declined to be named, said Kookmin, wholly-owned by KB Financial Group [105560.KS](#), Woori, a unit of Woori Finance Holdings [053000.KS](#), Hana, part of Hana Financial Group [086790.KS](#), the National Agricultural Cooperative Federation (Nonghyup) and the National Federation of Fisheries Cooperatives (Suhyup) were on the list.

The fund will accept applications from banks next week, and the size of additional purchases of banks’ equity-type issues will depend on their support to the real economy and corporate restructuring efforts, it added.

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KEB instead will raise another 250 billion won in hybrid securities, which are classified as Tier-1 capital, in window sales this month.

“We are thinking to tap the recapitalisation fund as the last resort after we try to replenish our capital on our own,” a KEB spokesman said.

Last month, the FSC said that 14 South Korean banks had applied for a total of 12.3 trillion won in new capital from the recapitalisation fund.

Three top lenders -- Kookmin, Shinhan and Woori -- had requested the maximum 2 trillion won each, with Hana Bank seeking 1.5 trillion won.

But the South Korean units of Citigroup [C.N](#) and Standard Chartered [STAN.L2888.HK](#) had not sought new funds. (\$1=1397.9 Won) (Reporting by Kim Yeon-hee; Editing by Ian Geoghegan)

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