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Press Release

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Bank BIS Capital Ratios, September, 2007, and Implementation of Basel II in 2008

BIS Capital Ratios, September, 2007

Bank BIS capital ratios at end-September, 2007, averaged 12.71%, down modestly from 12.75% at end-2006. A 14.02% (KRW130.3 trillion) increase in risk-weighted assets led by loan growth of small- and medium-sized companies more than offset the 13.6% (KRW16.1 trillion) increase in bank capital and lowered the overall BIS ratio for the period.

With bank net income totaling KRW13.2 trillion for the first nine months of the year, tier-1 capital rose 15.81% (KRW13.4 trillion) and tier-2 capital 8.01% (KRW2.7 trillion). Of the 13 commercial banks, the capital ratio rose for 8 banks but fell for 5 others during the January-September period.

Bank BIS Capital Ratios
(End of Period)

	2001	2002	2003	2004	2005	2006	(In percent) Sept. 2007
BIS capital ratio	11.68	11.33	11.16	12.08	12.95	12.75	12.71
Tier-1 capital ratio	7.70	7.16	6.95	7.97	9.27	9.15	9.29
Proportion of tier-1 capital	65.9	63.2	62.3	66.0	71.6	71.8	73.1

Basel II Implementation in 2008

Implementation of Basel II is set to begin in 2008 as scheduled for domestic banks. Of the 18 domestic banks, Kookmin has received regulatory approval for the use of internal-ratings-based (IRB) approach; the 17 others are to begin with the standardized approach. Both the Industrial Bank of Korea and the Korea Development Bank are also working on regulatory approval for the use of IRB approach in 2009.



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As the implementation of Basel II progresses, the BIS capital ratios of domestic banks are expected to initially fall by one to two percentage points from the pre-Basel II ratios, a relatively minor drop given domestic banks' robust accumulated net profits (estimated at KRW15.8 trillion for 2007) and the ample capacity to boost both tier-1 and tier-2 capital. Moreover, with a reduced risk weight (from 100% to 75%) for loans less than KRW1 billion to small- and medium-sized companies as well as other downward risk weight fine-tuning provided under the Basel II-based capital rules, domestic banks are not expected to see any material changes in their capital base. For the six regional commercial banks, the drop under Basel II is expected to be even smaller.

With most domestic banks aiming for the adoption of advanced IRB currently set to be introduced in 2009, the implementation of Basel II is expected to serve as a major catalyst for more rigorous and effective risk management by domestic banks going forward.

Attached: BIS capital ratio by bank, September, 2007



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BIS Capital Ratio by Bank: September, 2007
(End of period)

	2004	2005	2006	September 2007	Change
Shinhan	11.94	12.23	12.01	12.60	0.59
Woori	12.20	11.65	11.60	12.00	0.40
SC First Bank	11.91	10.74	10.86	10.35	-0.51
Hana	11.83	13.29	11.34	12.76	1.42
Korea Exchange Bank	9.47	13.68	12.45	12.46	0.01
Citibank Korea	12.42	15.01	13.97	13.13	-0.84
Kookmin	11.14	12.95	14.17	13.41	-0.76
Nationwide Banks	11.31	12.51	12.41	12.57	0.16
Daegu	10.66	11.33	11.32	11.91	0.59
Busan	10.84	12.25	11.05	11.42	0.37
Kwangju	11.81	11.60	11.44	10.80	-0.64
Jeju	10.91	11.71	11.26	10.90	-0.36
Jeonbuk	10.72	11.53	11.95	12.49	0.54
Kyongnam	11.34	10.59	11.26	11.64	0.38
Regional Banks	11.02	11.52	11.29	11.53	0.24
Commercial Banks	11.29	12.43	12.31	12.48	0.17
Korea Development Bank	18.08	17.98	17.15	17.24	0.09
Industrial Bank of Korea	11.17	11.11	11.70	11.36	-0.34
Export-Import Bank of Korea	12.86	13.87	11.89	9.87	-2.02
National Agricultural Cooperative Federation	11.43	11.81	12.34	11.97	-0.37
National Federation of Fisheries Cooperatives	11.21	12.59	11.40	10.73	-0.67
Specialized Banks	13.71	13.94	13.60	13.13	-0.47
Total	12.08	12.95	12.75	12.71	-0.04

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