

Press Release

December 5, 2001

Bad Loans Fall in the 3rd Quarter of 2001

For the third quarter ending September 30, 2001, the total amount of substandard or below loans (SBLs) at 1,557 financial companies stood at 46.3 trillion won, a drop of 3.5 trillion won (7.0%) from the 49.8 trillion won recorded at the end of the second quarter ending June 30, 2001. The net amount of SBLs— total SBLs less total loan loss provisions— also fell 1.4 trillion won to 22.2 trillion won. As a result, the proportion of SBLs to total loans fell 0.7 percentage points from 8% to 7.3%, and the ratio of net SBLs to net total loans (total loans less loan loss provisions) fell 0.3 percentage points from 4.0% to 3.7% during the period. The total amount of non-performing loans (NPLs)—the sum of loans 3 months or more past due as well as loans in nonaccrual status—also fell 1.6 trillion won to 37.9 trillion won during the period.

Overall, the third quarter drop in SBLs was mainly due to the continued disposal of bad loans through asset-backed securitization (ABS), extensive write-offs and loan recovery. During the period, domestic lenders disposed of 3.3 trillion won in SBL through ABS, wrote off 2.9 trillion won, and recovered an amount of 1.9 trillion won.

SBLs and NPLs Held by Domestic Lenders

(In trillions of won)

Loans	4 th Qtr. 2000	2 nd Qtr. 2001	3 rd Qtr. 2001	Quarter-to-Quarter Change	
				3 rd Qtr. 2001 – 4 th Qtr. 2000	3 rd Qtr. 2001 – 2 nd Qtr. 2001
Total (A)	621.4	621.6	636.1	14.7	14.5
Substandard or Below (B)	64.6	49.8	46.3	-18.3	-3.5
Ratio (B/A)	10.4%	8.0%	7.3%	-3.1 p.p.	-0.7 p.p.
Net Substandard or Below ¹	31.6	23.6	22.2	-9.4	-1.4
Ratio ²	5.4%	4.0%	3.7%	-1.7 p.p.	-0.3 p.p.
Non-Performing ³ (C)	50.2	39.5	37.9	-12.3	-1.6
Ratio (C/A)	8.1%	6.4%	6.0%	-2.1 p.p.	-0.4 p.p.

Note: These figures represent amounts as of the end of the quarter.

1) SBLs - Loan loss provisions;

2) (SBLs - Loan loss provisions) / (Total loans - Loan loss provisions);

3) Sum of loans 3 months or more past due as well as loans in nonaccrual status.

By lender, banks accounted for 27.4 trillion won (59.2%) of the 46.3 trillion won in total SBLs and were followed by non-banking lenders with 12.2 trillion won (26.3%). Insurance and securities companies accounted for 2.9 trillion won (6.3%) and 3.8 trillion won (8.2%), respectively.

In addition, domestic banks recorded the lowest ratio of SBLs at 5.0%, followed by insurance companies at 6.5%, non-banking lenders at 30.0% and securities companies at 54.3%.

SBLs and NPLs By Lender: September 2001

(In trillions of won)

Loans	Bank	Non-Bank	Insurance	Securities	Total
Total (A)	543.7	40.6	44.8	7.0	636.1
Substandard or Below (B)	27.4 (59.2)	12.2 (26.3)	2.9 (6.3)	3.8 (8.2)	46.3 (100.0)
Ratio (B/A)	5.0%	30.0%	6.5%	54.3%	7.3 p.p.
Net Substandard or Below ¹	14.2	5.6	1.3	1.1	22.2
Ratio ²	2.7%	16.5%	3.0%	25.6%	3.7 p.p.
Non-Performing ³ (C)	19.7	11.7	2.7	3.8	37.9
Ratio (C/A)	3.6%	28.8%	6.0%	54.3%	6.0 p.p.

Note: These figures represent amounts as of the end of June 2001.

1) SBLs – Loan loss provisions;

2) (SBLs – Loan loss provisions) / (Total loans – Loan loss provisions);

3) Sum of loans 3 months or more past due, as well as loans in nonaccrual status.

Banks

As of the end of the third quarter, 22 commercial and specialized banks held 27.4 trillion won in SBLs, which also reflects all potential losses as defined under Forward Looking Criteria (FLC). This is 2.8 trillion won less than the total amount at the end of the previous quarter, and a decrease from 5.7% to 5.0% in the proportion of SBLs to total loans. The third quarter drop in SBLs for banks was mainly due to the continued disposal of 3.2 trillion won through ABS, write-offs of 2.0 trillion won, and recovery of 1.7 trillion won in bad loans.

The net amount of SBLs also fell 1.5 trillion won to 14.2 trillion won, after a loan loss provision amount of 13.2 trillion won, and the ratio of net SBLs fell 0.4 percentage points from 3.1% to 2.7% during the period. The total amount of NPLs also recorded at 19.7 trillion won as of the end of the third quarter, falling 1.2 trillion won from the second quarter.

SBLs and NPLs Held by Commercial and Specialized Banks: September 2001

(In trillions of won)

Loans	17 Commercial Banks			5 Specialized Banks			Total		
	2 nd Qtr. 2001	3 rd Qtr. 2001	Change	2 nd Qtr. 2001	3 rd Qtr. 2001	Change	2 nd Qtr. 2001	3 rd Qtr. 2001	Change
Total (A)	362.7	374.9	12.2	166.7	168.8	2.1	529.4	543.7	14.3
Substandard or Below (B)	20.3	19.0	-1.3	9.9	8.4	-1.5	30.2	27.4	-2.8
Ratio (B/A)	5.6%	5.1%	-0.5 p.p.	5.9%	5.0%	-0.9 p.p.	5.7%	5.0%	-0.7 p.p.
Net Substandard or Below ¹	10.4	9.8	-0.6	5.3	4.4	-0.9	15.7	14.2	-1.5
Ratio ²	3.0%	2.7%	-0.3 p.p.	3.3%	2.7%	-0.6 p.p.	3.1%	2.7%	-0.4 p.p.
Non-Performing ³ (C)	15.0	14.1	-0.9	5.9	5.6	-0.3	20.9	19.7	-1.2
Ratio (C/A)	4.1%	3.8%	-0.3 p.p.	3.5%	3.3%	-0.2 p.p.	3.9%	3.6%	-0.3 p.p.

Note: These figures represent amounts as of the end of the quarter.

1) SBLs – Loan loss provisions;

2) (SBLs – Loan loss provisions) / (Total loans – Loan loss provisions);

3) Sum of loans 3 months or more past due, as well as loans in nonaccrual status.

Non-Banking Lenders

As of the end of the third quarter, 1,421 non-banking lenders reported a total of 12.2 trillion won in SBLs, marking a decrease of 0.4 trillion won from the end of the second quarter. The ratio of SBLs to total loans fell from 31.0% to 30.0%.

The net amount of SBLs also posted at 5.6 trillion won after a loan loss provision amount of 6.6 trillion won, indicating no change in net SBLs from the previous period. However, the net SBL ratio fell 0.1 percentage points, from 16.6% to 16.5%.

SBLs and NPLs Held by Non-Banking Lenders: September 2001

(In trillions of won)

Loans	125 Mutual Savings & Finance Companies			4 Merchant Banks			18 Lease Companies		
	2 nd Qtr. 2001	3 rd Qtr. 2001	Change	2 nd Qtr. 2001	3 rd Qtr. 2001	Change	2 nd Qtr. 2001	3 rd Qtr. 2001	Change
Total (A)	14.1	14.9	0.8	5.4	5.1	-0.3	10.8	9.9	-0.9
Substandard or Below (B)	3.5	3.5	-	2.9	2.8	-0.1	4.6	4.3	-0.3
Ratio (B/A)	24.8%	23.5%	-1.3 p.p.	53.7%	54.9%	1.2p.p.	42.6%	43.4%	0.8p.p.
Net Substandard or Below ¹	2.0	2.0	-	1.2	1.1	-0.1	1.7	1.6	-0.1
Ratio ²	15.9%	14.9%	-1.0 p.p.	32.4%	32.4%	-	21.5%	22.2%	0.7p.p.
Non-Performing ³ (C)	3.5	3.5	-	2.5	2.3	-0.2	4.6	4.3	-0.3
Ratio (C/A)	24.8%	23.5%	-1.3 p.p.	46.3%	45.1%	-1.2 p.p.	42.6%	43.4%	0.8 p.p.
Loans	1,274 Credit Unions			Total					
	2 nd Qtr. 2001	3 rd Qtr. 2001	Change	2 nd Qtr. 2001	3 rd Qtr. 2001	Change			
Total (A)	10.4	10.7	0.3	40.7	40.6	-0.1			
Substandard or Below (B)	1.6	1.6	-	12.6	12.2	-0.4			
Ratio (B/A)	15.4%	15.0%	-0.4p.p.	31.0%	30.0%	-1.0p.p.			
Net Substandard or Below ¹	0.7	0.9	0.2	5.6	5.6	-			
Ratio ²	7.4%	9.0%	1.6p.p.	16.6%	16.5%	-0.1p.p.			
Non-Performing ³ (C)	1.6	1.6	-	12.2	11.7	-0.5			
Ratio (C/A)	15.4%	15.0%	-0.4 p.p.	30.0%	28.8	-1.2 p.p.			

Note: These figures represent amounts as of the end of the quarter.

1) SBLs – Loan loss provisions;

2) (SBLs – Loan loss provisions) / (Total loans – Loan loss provisions);

3) Sums of loans 3 months or more past due, as well as loans in nonaccrual status.

Insurance and Securities Companies

As of the end of the third quarter, 39 domestic insurance companies had 2.9 trillion won in SBLs, marking a decrease of 0.3 trillion won from the end of June 2001. The proportion of SBLs to total loans also decreased to 6.5% from the 7.2% recorded at the end of the second quarter. The net amount of SBLs posted 1.3 trillion won after a loan loss provision of 1.6 trillion won, indicating no change in net SBLs from the previous period. However, the net SBL ratio fell 0.1 percentage points from 3.1% to 3.0% during the period. Moreover, the total amount of NPLs fell 0.1 trillion won to 2.7 trillion won at the end of third quarter.

Domestic securities companies and investment trust management companies (ITMCs) had a total amount of 3.8 trillion won in SBLs, indicating no change from the previous quarter. However, their ratio of SBLs to total loans slightly rose to 54.3% from 52.1%. The net amount of SBLs also posted 1.1 trillion won after loan loss provisions of 2.7 trillion won, which was no change from the previous period, and the ratio of net SBLs rose 3.4 percentage points from 22.2% to 25.6%.

Bad Loans Held by Insurance and Securities Companies and ITMCs

(In trillions of won)

Loans	39 Insurance Companies			75 Securities Companies and ITMCs		
	2 nd Qtr. 2001	3 rd Qtr. 2001	Change	2 nd Qtr. 2001	3 rd Qtr. 2001	Change
Total (A)	44.2	44.8	0.6	7.3	7.0	-0.3
Substandard or Below (B)	3.2	2.9	-0.3	3.8	3.8	-
Ratio (B/A)	7.2%	6.5%	-0.7p.p.	52.1%	54.3%	2.2p.p.
Net Substandard or Below ¹	1.3	1.3	-	1.0	1.1	0.1
Ratio ²	3.1%	3.0%	-0.1p.p.	22.2%	25.6%	3.4p.p.
Non-Performing ³ (C)	2.6	2.7	0.1	3.8	3.8	-
Ratio (C/A)	5.9%	6.0%	0.1p.p.	52.1%	54.3%	2.2p.p.

Note: These figures represent amounts as of the end of the quarter.

1) SBLs – Loan loss provisions;

2) (SBLs – Loan loss provisions) / (Total loans – Loan loss provisions);

3) Sum of loans 3 months or more past due as well as loans in nonaccrual status.

If you have any questions, suggestions, and/or comments, please contact the Financial Institution Analysis Office at (82-2) 3786-7702 or the International Cooperation Office at (82-2) 3786-7911, fax (82-2) 3786-7899, or e-mail us at cylee@fss.go.kr