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Press Release

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Bank Net Income: First Half, 2007

Bank net income for the first half of 2007 totaled KRW9.92 trillion, up KRW1.88 trillion from KRW8.04 trillion a year earlier. Bank income for the first half of the year was helped by after-tax gains totaling KRW3.1 trillion from the sale of domestic banks' equity stakes in LG Card (KRW2.9 trillion) and SK Networks (KRW200 billion). Excluding these gains, net income for the period totaled KRW6.8 trillion, compared with KRW7.2 trillion a year earlier.

Bank Net Income: First Half, 2007

(In billions of won)

	2005 Year	2006		2007	
		H1	Year	H1	
Nationwide banks	8,571.3	5,241.9	(4,514.6)	8,322.9	5,848.0 (4,323.2)
Regional banks	649.5	429.0	(429.0)	714.9	504.0 (504.0)
Subtotal (Commercial banks)	9,220.7	5,670.9	(4,943.6)	9,037.8	6,352.0 (4,827.2)
Specialized banks	4,413.6	2,366.2	(2,211.8)	4,535.3	3,567.1 (2,009.6)
Total	13,634.3	8,037.0	(7,155.4)	13,573.1	9,919.1 (6,836.8)

Note: Figures in parentheses denote net income for the period excluding the one-time gains from the sale of shares in certain companies that banks held from debt-to-equity swaps.

Whereas interest income rose 4.1% from KRW14.6 trillion to KRW15.2 trillion, non-interest income nearly doubled from KRW4.1 trillion to KRW8.1 trillion in the first half of the year on increased revenues from service fees and securities gains. Service fee income—including income from money transfer services, ATM and bancassurance sales—totaled KRW2.24 trillion, up from KRW1.94 trillion a year earlier.

Interest & Non-Interest Income: First Half, 2007

(In billions of won)

	H1, 2006		H1, 2007	
	Amount	Proportion	Amount	Proportion
Interest income	14,557.5	78.2%	15,158.6	65.2%
Non-Interest Income	4,068.6	21.8%	8,074.9	34.8%
<i>Service fees</i>	1,937.1	10.4%	2,236.7	9.6%
<i>(Individual customers)</i>	392.3	2.1%	360.3	1.6%
<i>(Beneficiary certificates, bancassurance)</i>	860.8	4.6%	1,236.0	5.3%
<i>Trust fees</i>	274.6	1.5%	220.9	1.0%
<i>Securities gains</i>	2,074.7	11.1%	6,075.6	26.2%



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ROA for the first half of the year averaged 1.52%, compared with 1.41% a year earlier, but excluding the one-time gains realized from the sale of shares from debt-to-equity swaps ROA drops to 1.05%, lower than 1.25% for H1, 2006.

The so-called structural profitability—a measures of profitability defined as bank income which is generated from operational activities and is both sustainable and recurring (Framework for the Assessment of Bank Earnings, BIS, 2002)—came to 1.47%, down from 1.62% a year earlier. A drop in net interest margin was the key factor for the lower profitability.

Bank ROA & Structural Profitability: 2004-H1, 2007

	2004	2005	2006		2007		
	Year	Year	H1	Year	H1		
ROA	0.85	1.27	1.41	(1.25)	1.12	1.52	(1.05)
Structural profitability	1.79	1.63	1.62	(1.62)	1.51	1.47	(1.47)

Note: ROA defined as a ratio of net income to assets; structural profitability defined as a ratio of (interest income+service fee income+trust service income-general expenses) to assets; figures in parentheses denote ROA and structural profitability excluding the one-time stock gains.

Bank Income Summary: First Half, 2007

(In billions of won)

	H1, 2006	H1, 2007	Change	% Change
Net interest income	14,557.5	15,158.6	601.1	4.1
<i>Interest income</i>	30,849.8	36,451.6	5,601.9	18.2
<i>Interest expense</i>	16,292.3	21,293.0	5,000.7	30.7
Non-interest income	4,068.6	8,074.9	4,006.3	98.5
<i>Service fees</i>	1,937.1	2,236.7	299.5	15.5
<i>Trust service income</i>	274.6	220.9	-53.7	-19.6
<i>Securities-related income</i>	2,074.7	6,075.6	4,001.0	192.8
Total income	18,626.1	23,233.5	4,607.4	24.7
Selling/Administrative expenses	7,516.2	8,244.5	728.3	9.7
Operating income before loan loss provisions	11,110.0	14,989.1	3,879.1	34.9
Provisions for loan losses	1,251.8	1,460.5	208.6	16.7
Operating income	9,858.1	13,528.6	3,670.5	37.2
Nonoperating income	675.5	157.0	-518.5	-76.8
<i>Gains using equity method</i>	832.4	1,046.5	214.1	25.7
<i>Others</i>	-156.9	-889.5	-732.6	-
Pretax income	10,533.6	13,685.6	3,152.0	29.9
Corporate income taxes	2,496.6	3,766.5	1,269.9	50.9
Net income	8,037.0	9,919.1	1,882.0	23.4
Income before provisioning	11,785.5	15,146.1	3,360.6	28.5



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