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Press Release

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Domestic Banks' Loan-to-Deposit Ratio

The Financial Services Commission and the Financial Supervisory Service hereby issue a correction to the inference several newspaper articles have recently made from a cursory look at Korean banks' loan/deposit ratios that Korean banks are funding local lending with foreign borrowing.

The won-denominated loan/deposit ratio (including CDs) of domestic banks was 103.2% at end-September, 2008. Because of their deposit-like characteristics, CDs are included in determining the loan/deposit ratio, as is the convention in many countries. They are also classified as liabilities and thus subject to strict reserve requirements under the Bank of Korea Act. It should also be noted that over-the-counter bank teller sale of CDs account for approximately 80% of the total and that the average maturity of the CDs sold over-the-counter is five months. Furthermore, the loan/deposit ratio drops to 85.0% if bank-issued bonds are included in the ratio computation, meaning funding from local sources easily exceed local lending.

Thus, the inference drawn from Korean banks' loan/deposit ratios, ex-CDs and bank-issued bonds, that domestic banks are funding home lending with foreign borrowing is erroneous because local deposits and CDs have been, and continue to be, the primary sources of local funding for Korean banks.

Domestic Banks' Loan-to-Deposit Ratios

(End of period)

(In trillions of won, percent)

	Loans	Deposits	CDs	Bonds	L/D Ratio	L/D ratio including CDs	L/D ratio including CDs & bonds
2006	508.6	466.6	65.4	95.3	109.0	95.6	81.1
2007	583.0	470.6	88.0	121.2	123.7	104.4	85.6
June, 2008	632.0	499.5	107.3	127.8	126.5	104.2	86.0
July, 2008	641.0	499.8	108.4	129.8	128.2	105.4	86.8
Aug., 2008	645.6	508.9	108.2	131.8	126.9	104.6	86.2
Sept., 2008*	649.2	522.7	106.3	134.6	124.2	103.2	85.0

* Figures for September, 2008, are preliminary.

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