

## Press Release

February 27, 2009

### KOREAN BANKS' EXTERNAL DEBTS AND BORROWING IN FOREIGN CURRENCY

#### 1. Korean banks' borrowing in foreign currencies

Korean banks' borrowing in foreign currencies as of end-Jan. 2009 totaled at \$92.6 billion, out of which \$38.3 billion is scheduled to mature within 2009.

In addition to the total external borrowing by Korean banks, \$67.76 billion, the figure released by the Bank of Korea on February 19 takes into account both foreign banks' loans and domestic loans in foreign currencies.

- The debts maturing within this year amounts to \$38.3 billion (\$64 billion if government aid is included).

#### < Korean banking sector's offshore and domestic borrowing in foreign currencies > (estimated as of end-Jan. 2009, unit: billion US\$)

Calculation criteria	Balance	Amount maturing within 2009
Excluding government aid	92.6	38.3
Including government aid	118.3	64.0

Foreign bank branches' borrowing in foreign currency stood at \$64 billion as of end-Jan, of which an estimated amount of \$62.6 billion will mature within 2009.

#### < Foreign bank branches' offshore and domestic borrowing in foreign currencies > (estimation as of end-Jan. 2009, unit: billion US\$)

Borrowers	Balance	Amount maturing within 2009
Foreign bank branches	64.0	62.6

## 2. External debt (released on Feb. 20) and offshore borrowing in foreign currency (on Feb. 19)

The FSC would like to clarify on the difference between current figures of Korean banks' external debts as released on February 20 and borrowings in foreign currencies as released on February 19 by Bank of Korea.\*

\*Statistics Released

- ◇ Korean banks' total external debts: \$99.39 billion (as of end-Dec. 2008)  
External debts maturing in 2009: \$45.24 billion
  
- ◇ External borrowing in foreign currencies (excluding Citi and SCFirst): \$67.76 billion (as of end-Jan. 2009)  
⇒ There is \$31.63 billion difference between the balance of external debts and that of external borrowing.

### ① Definition of external debt and offshore borrowing in foreign currency

By definition, **external debts** refer to debts owed by residents to non-residents; accordingly, the transaction between residents (i.e. between domestic banks) should not be regarded as external debts.

- External debts include non-debt liabilities such as deposits and payable spot exchanges.

The total sum of offshore borrowing in foreign currencies is calculated based on the amount borrowed that actually becomes a burden on domestic banks in terms of their solvency.

- Offshore borrowing indicates banks' actual funding situation in foreign currency.

### ② Comparing external debts and offshore borrowing in foreign currency

Out of domestic banks' total external debts in the amount of \$99.39 billion, (as of end-Dec), \$91.6 billion is offshore borrowing (including borrowing from overseas financial markets and equity issuance).

- Of domestic import usance, the amount accepted and settled by overseas banks\* is excluded since it cannot be considered as real external debts of domestic banks. Rather, it is the credit extended by overseas banks to domestic importers, which domestic importers must repay at maturity.

\*Domestic import usance bills accepted by overseas banks entail credit provision by overseas banks, not credit extension by domestic banks, where importers open L/C using borrowings in foreign currency.

In addition, O/N call money and bank overdraft should be also excluded from the total external debts.

- Bank overdrafts do not impose repayment burden on banks because they receive the pre-contracted amount of credit from lending banks.

Meanwhile, foreign banks' funding method is the same as that of foreign bank branches in that they rely on inter-office borrowing. Thus, foreign banks experiencing no difficulty in rolling over their borrowings are not subject to the analysis.

Comparison of external debt and borrowing in foreign currency

(statistics released on Feb. 19)

(unit: billion dollars)

	External Debt (as of end-Dec. 2008)		Offshore Borrowing in Foreign Currency <sup>1)</sup>		
			Dec. 2008	Jan. 2009	
<b>Account</b>	Deposit	5.75			
	Borrowing	44.95	Borrowing period of more than two days	26.65(A)	25.54(C)
			<del>O/N Call Money &amp; Overdraft, etc.</del>	5.86	5.02
			<del>Domestic import usance settled by overseas banks</del>	12.44	10.7
	Bonds and Notes	46.65	Bonds and Notes	46.65(B)	51.18(D)
	Others	2.05			
	<b>Total</b>	<b>99.39</b>	<b>Total</b>	<b>73.31(A+B)</b>	<b>76.72(C+D)</b>
			<b>(Excluding foreign banks<sup>2)</sup>)</b>	<b>63.81</b>	<b>67.76</b>

Note: 1) Notes and Bonds are classified as borrowing

2) SC First Bank and Citibank Korea

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