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Press Release

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SME Loans & Credit Guarantees in May 2009

Bank Loans

Continuing its upward trend since the beginning of the year, the month-on-month net increase in loans provided by the 18 domestic banks to small and medium-sized enterprises (SMEs) grew by KRW3.2 trillion from KRW434.5 trillion in April to KRW437.7 trillion in May.

During the first five months of the year, the net increase in SME loans was KRW15.2 trillion, and KRW17.3 trillion when the actual support amount is added, including deposit-loan nettings.

Analysis on Bank Lending to SMEs for 2004-2009*

	2004	2005	2006	2007	2008	(In KRW, trillions)					
						01-05/2009	01/09	02/09	03/09	04/09	05/09 ^P
Net Increase	6.2	12.4	45.3	68.2	52.4	15.2	3.1	3.0	3.7	2.3	3.2
					(54.7)	(17.3)	(3.6)	(3.2)	(4.7)	(2.3)	(3.5)
Monthly Average	0.5	1.0	3.8	5.7	4.4	3.0					

* Figures are based on won-denominated loans in banking and trust accounts, while those in parenthesis include actual support amounts, such as SME bank deposit-loan nettings.

Fast Track Program

During May, a total of KRW2.0 trillion was extended to 893 SMEs through the Fast Track program. Demand for loans through the program has been slowing since March due to improved financial conditions of SMEs following the liquidity injections.

Number of Companies & Amount in the Fast Track Program

	10/2008	11/2008	12/2008	01/2009	02/2009	03/2009	04/2009	05/2009
No. of companies	58	457	1,157	1,755	1,724	1,812	1,231	893
Amount (In KRW, billions)	121.3	916.1	1,781.5	2,411.7	2,521.6	2,970.9	2,568.7	1,975.0

From October 13, 2008 to May 30, 2009, a total of 9,087 SMEs were extended KRW15.3 trillion in support, including 588 companies that received KRW4.0 trillion for losses stemming from KIKO contracts.

Supporting Loans through the Fast Track Program (Oct.13, 2008-May 31, 2009)

	Number of Companies			Amount (In KRW, billions)				
	Application for Support	Review Complete	Support Received	Loan Conversion	New loans	Maturity extensions	Others	Total
KIKO related	754	730	588	1,295.9	715.1	2,021.5	0.9	4,033.4
Other	14,477	12,239	8,499	11.4	2,838.1	8,368.6	15.3	11,233.4
Total	15,231	12,969	9,087	1,307.3	3,553.2	10,390.1	16.2	15,266.8



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Support through the Center of the SME Financial Ombudsman

During May, the Center of the SME Financial Ombudsman heard 232 cases and extended KRW66.9 billion in support. From September 11, 2008 to May 31, 2009, a total of 2,613 cases were heard of which 47.6% or 1,245 cases were merited with KRW990.7 billion in support from the banks.

New Loans, Maturity Extensions & Interest Reductions

(In KRW, billions)							
New loans		Maturity extensions		Interest reductions		Total	
Number	Amount	Number	Amount	Number	Amount	Number	Amount
661	426.7	389	409.9	195	154.1	1,245	990.7

In particular, the six SME Financial Support Offices located in industrial parks counseled 551 cases and accepted 171 or 31.0% of the cases for support between February 23 and May 29.

Guarantees & Bank Loan Maturity Extensions Future Support

In May, new guarantees more than tripled to KRW4.4 trillion from KRW1.5 trillion over the same period last year. But the uptrend in the applications for and issuance of guarantees, which shot up until March this year, started slowing in April.

Maturity extensions have also been running smoothly with the average maturity extension of guarantees of KRW3.2 trillion and an average maturity extension rate of 94.3% in May.

Issued Guarantees

	(In KRW, trillions)							
	2008	01-05/2008	01-05/2009	01/2009	02/2009	03/2009	04/2009	05/2009
New issues	17.6	5.4	20.5 (17.9)	1.3	3.9	5.9	4.9	4.4
Maturity extensions	29.4	11.6	12.2 (10.6)	0.9	1.6	2.9	3.6	3.2
Total	47.0	17.0	32.7(28.5)	2.2	5.5	8.8	8.5	7.6

Note: Figures in parenthesis denote guarantees extended after guarantee expansion from Feb.16-May 29, 2009

During the first five months of the year, there was KRW13.1 trillion in support for core businesses, including KRW2.8 trillion provided in May. This represented 40% of the KRW32.7 trillion extended thus far and is expected to contribute towards propelling future growth once the economy recovers.

Extended Support for Core Businesses

	(In KRW, trillions)				
	Exporters	Hi-Tech. cos.	Green Growth cos.	Start-Ups	Total
Korea Credit Guarantee Fund	2.9	-	1.1	4.8	7.7
Kibo Technology Fund	0.9	3.8	0.8	2.0	5.4
Total	3.8	3.8	1.9	6.8	13.1

Note: The totals exclude the amounts overlapped in categories



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In May, KRW36.6 trillion in bank loans to SMEs were extended, including KRW3.5 trillion in guaranteed loans and KRW33.1 trillion in regular loans.

Future Support Plans: Fast Track Program Extended to Yearend

The outlook for SMEs' liquidity status has improved through efforts made thus far, such as credit guarantees and loan maturity extensions, and recovered to the levels of the first-half of last year. The Business Survey Index of SME manufacturers was 84 as of June 2009 from 56 in January 2009 and 83 from January to June in 2008.

But with uncertainty persisting over economic recovery, financial support continues to be needed for possible temporary liquidity squeeze of the contractors of companies undertaking corporate restructuring.

After deliberations were held with the respective banks and SMEs, the Fast Track program will stay in force until to the end of the year though it was initially planned to expire at the end of June.

Also, a number of recommendations suggested to improve the program will be taken into consideration for more effective operations. Risk management functions will be strengthened by enhancing loan and guarantee review system for closer screening on applying companies.

In order to prevent the moral hazard of companies by closing business or turning delinquent after obtaining Fast Track support, steps will be taken to have banks bolster credit risk evaluations on companies applying to the program.

Contact persons:

Ernst J. Lee
Foreign Press Spokesperson
Foreign Press & Relations Office
Financial Services Commission

Tel: +82-2-2156-9582
Fax: +82-2-2156-9589
E-mail: leejernst@fsc.go.kr

Soomi Kim
Foreign Press Spokesperson
Public Affairs Office
Financial Supervisory Service

Tel: +82-2-3145-5800
Fax: +82-2-3145-5808
E-mail: soomi.kim@fss.or.kr