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Press Release

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SME Loans & Credit Guarantees in the First Half of 2009

Bank Loans

Loans provided by the 18 domestic banks to small and medium-sized enterprises (SMEs) in the first half of 2009 increased by KRW 16.2 trillion from KRW 422.4 trillion to KRW438.6 trillion as of end-June.

Analysis on Bank Lending to SMEs for 2004-2009*

						(In KRW, trillions)						
	2004	2005	2006	2007	2008	01-06/09	01/09	02/09	03/09	04/09	05/09	06/09 ^P
Net Increase	6.2	12.4	45.3	68.2	52.4 (54.7)	16.2 (20.4)	3.1 (3.6)	3.0 (3.2)	3.7 (4.7)	2.3 (2.3)	3.1 (3.5)	1.1 (3.1)
Monthly Average	0.5	1.0	3.8	5.7	4.4	2.7						

* 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.

In June alone, the preliminary net increase in SME loans was KRW1.1 trillion won, but if you take into account loan dispositions and write-offs, it rose KRW3.1 trillion.

Fast Track Program

Since the Fast Track program got started on October 13, 2008, a total of 9,803 companies have been extended KRW17.7 trillion in support, KRW4.7 trillion of which was provided to those having incurred losses in KIKO and other currency options.

A total of KRW2.4 trillion was extended to 1,929 companies through the Fast Track program in June, including 716 new applications.

Due to improving internal liquidity status, the number of newly registered companies for support has been continually on the decrease since March, 2009.

Number of Companies & Amount in the Fast Track Program

	11/08	12/08	01/09	02/09	03/09	04/09	05/09	06/09
No. of companies	457	1,157	1,755	1,724	1,812	1,231	893	716
Amount (In KRW, billions)	916.1	1,781.5	2,411.7	2,521.6	2,970.9	2,568.7	1,975.0	2,416.7



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Support through the Center of the SME Financial Ombudsman

Since the Center of the SME Financial Ombudsman opened on September 11, 2008 up until end-June 2009, a total of 2,821 cases were heard of which 49.2% or 1,387 cases were merited with KRW1,161.4 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
711	4,712	431	4,884	245	2,019	1,387	11,614

In particular, the six SME Financial Support Offices located in industrial parks counseled 658 cases and accepted 35.3% or 232 cases for support between February 23 and June 30.

Guarantees & Bank Loan Maturity Extensions

Since the start of expansion of guarantees on February 16, there has been KRW24.7 trillion in new guarantees to ease the burden on SME liquidity status. Since the peak in March (KRW5.9 trillion), it has been on the decrease and stabilizing.

Despite the slowing of SME lending increase of KRW16.2 trillion from KRW35.1 trillion last year, maturity extensions rose to KRW16.4 trillion from KRW15.1 trillion a year earlier. The rollover ratio consistently showed over 90%.

Issued Guarantees

(In KRW, trillions)

	2008	01-06/08	01-06/09	01/09	02/09	03/09	04/09	05/09	06/09
New issues	17.6	7.7	24.7 (22.2)	1.3	3.9	5.9	4.9	4.4	4.3
Maturity extensions	29.4	15.1	16.4 (14.8)	0.9	1.6	2.9	3.6	3.2	4.2
Total	47.0	22.8	41.1 (37.0)	2.2	5.5	8.8	8.5	7.6	8.5

Note: Figures in parenthesis denote guarantees extended after guarantee expansion from Feb.16-Jun. 30, 2009

In the first half of 2009, KRW16.7 trillion (KRW3.8 trillion in June) was extended in support of core businesses. It accounted for 41% of KRW41.1 trillion in total provision, which is on the rising trend.

Extended Support for Core Businesses

(In KRW, trillions)

	Exporters	Hi-Tech. cos.	Green Growth cos.	Start-Ups	Total
Korea Credit Guarantee Fund	3.8	-	1.3	6.0	9.8
Kibo Technology Fund	1.1	4.8	1.0	2.7	6.9
Total	4.9	4.8	2.3	8.7	16.7

Note: The totals exclude the amounts overlapped in categories



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Future Support Plan

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 86 as of July 2009 from 56 in January 2009 and 83 from January to June in 2008.

The stabilizing trend in the amount of new Fast Track applicants, SME bank loans and new guarantee issuances has helped to improve outlook.

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. Thus, the SME support schemes will stay in force as it was initially planned.

Moreover, in order to prevent any moral hazard, steps will be taken to ensure proper use of funds and benefits given to subject companies.

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