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## Press Release

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### DOMESTIC BANKS' PRELIMINARY SBL RATIOS

Since August 2009, Korea's financial authorities have been encouraging domestic banks to lower their average SBL (substandard or below loans) target ratio to 1% by end-December 2009.

As of end-December 2009, domestic banks' SBL ratios averaged 0.99% to meet their target ratios, excluding the KRW3.0 trillion in debt obligations that arose in December from the unexpected workout of the Kumho Group affiliates and a number of shipbuilders\*.

\*Kumho Industries, Kumho Tires, SLS Shipbuilding, 21<sup>st</sup> Century Shipbuilding, etc.

When setting the target ratio, corporate restructuring-related SBLs were allowed to be taken out of calculation because they were expected to take longer to resolve through sales, dispositions, and other means.

If these corporate restructuring-related SBLs are included, the average SBL ratio is 1.22%.

The SBLs resolved in H2 2009 during the targeting period were KRW17.7 trillion, an increase of 47.5% over the KRW12.0 trillion resolved in H1 2009.

#### Detailed Figures

Domestic banks' end-2009 SBL ratios inclusive of the large restructuring-related debt of KRW3.0 trillion in December was 1.22%, dropping sharply by 0.29 percentage points from the end-June 2009 ratio of 1.51% on the back of support to lower SBL.

In terms of amount, the total SBLs were KRW15.7 trillion, down KRW3.9 trillion or 19.9% from KRW19.6 trillion at end-June 2009.

Domestic Banks' SBLs and Average SBL Ratio  
(End of Period)

	2007	03/2008	06/2008	09/2008	12/2008	03/2009	06/2009	09/2009	(In KRW, trillions)	
									12/2009 <sup>B</sup>	
									Excl.*	Incl.*
SBLs	7.7	8.9	8.3	10.4	14.7	19.3	19.6	19.2	12.7	15.7
SBL ratio (%)	0.72	0.79	0.70	0.82	1.14	1.47	1.51	1.48	0.99	1.22

\* Inclusive and exclusive of new sources of SBLs from the developments in December 2009.



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By class, the SBL ratios of both corporate and household loans each fell by 0.33 and 0.16 percentage points respectively in H2 2009 to 1.58% and 0.48%.

The SBL ratio of small and medium-sized enterprises (SME) was 1.82%, falling by a significant 0.67 percentage points during H2 2009. The SBL ratio of household and mortgage loans, meanwhile, was 0.48% and 0.37% respectively, the lowest levels for both since figures began to be kept for both in March 2002 and December 2005.

SBL Ratios by Loan Type  
(End of Period)

	2007	2008				2009			
		Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.*
Corporate loans	0.80	0.88	0.78	0.93	1.41	1.82	1.91	1.90	1.58
SME loans	0.99	1.13	1.06	1.34	1.93	2.46	2.49	2.38	1.82
Household loans	0.54	0.58	0.50	0.53	0.54	0.68	0.64	0.60	0.48
Mortgage loans	0.44	0.46	0.38	0.40	0.42	0.51	0.48	0.45	0.37
Credit card receivables	0.96	1.01	0.99	1.10	1.16	1.41	1.52	1.37	1.06

\* Preliminary figures

In 2009, domestic banks resolved KRW29.7 trillion in SBL, double the KRW14.0 trillion resolved in the preceding year.

Of the KRW29.7 trillion, KRW9.5 trillion was resolved through write-offs, KRW5.8 trillion through collateral dispositions, KRW5.0 trillion through normalization, KRW4.1 trillion through loan sales, and KRW3.8 trillion through securitization.

Clean-up of SBLs

	2007					2008					2009				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4*	Total
Write-offs	0.7	0.7	0.7	0.9	3.0	0.8	0.9	0.9	1.8	4.4	1.4	2.5	2.2	3.4	9.5
Loan sales	0.1	0.2	0.1	0.5	0.9	0.1	0.4	0.1	1.0	1.6	0.5	0.9	0.9	1.8	4.1
Securitization	0.0	0.8	0.2	0.8	1.8	0.0	0.8	0.1	0.4	1.3	0.7	1.1	0.4	1.6	3.8
Disposition of borrower collateral	0.9	1.0	0.9	1.0	3.8	0.8	1.1	0.7	1.2	3.8	1.1	1.4	1.6	1.7	5.8
Reclassified as normal/precautionary	0.5	0.7	0.4	0.7	2.3	0.6	0.8	0.5	0.8	2.7	0.8	1.3	0.9	2.0	5.0
Others	0.1	0.1	0.2	0.0	0.4	0.0	0.0	0.1	0.1	0.2	0.2	0.1	0.2	0.9	1.4
Total	2.3	3.5	2.5	3.9	12.2	2.3	4.0	2.5	5.2	14.0	4.7	7.3	6.2	11.5	29.7

\* Preliminary figures



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## Assessment

The impact of the global financial crisis, the corporate restructuring drive, and other influences increased new SBLs to KRW30.7 trillion in 2009, sharply higher than the KRW12.0 trillion in 2007 and KRW20.9 trillion in 2008. However, the SBL ratios are stabilizing on a downward trend as banks have taken an active approach to their resolution.

Our assessment conclude that domestic banks have been proactive in resolving SBLs despite the jump in corporate workout-related SBLs following the three rounds of credit risk evaluations on SMEs in H2 and intensified restructuring of large companies in December as well as the sharp increase in loans being classified as non-delinquent SBLs on the basis of the forward-looking criteria (FLC).

To improve their role as financial intermediaries for capital and augment the basis for long-term earnings, banks will be encouraged to further enhance their asset soundness by strengthening their credit risk evaluations and active SBL resolutions.



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### SBL Ratios by Individual Banks (End of Period)

(In KRW, trillions, %, p.p.)

	2008			06/2009			12/2009 <sup>p*</sup>			Change
	Total	SBL	SBL ratio	Total	SBL	SBL Ratio	Total	SBL	SBL Ratio	
Shinhan	153.9	1.5	1.00	149.9	2.4	1.59	150.2	1.5	1.00	-0.59
Woori	176.0	2.1	1.19	173.1	3.1	1.80	170.0	2.7	1.56	-0.24
SC First Bank	39.3	0.4	1.09	39.1	0.6	1.45	42.3	0.5	1.15	-0.30
Hana	104.9	1.3	1.20	106.0	1.8	1.72	104.7	1.1	1.05	-0.67
Korea Exchange Bank	70.9	0.8	1.09	68.9	0.9	1.36	70.6	0.7	0.94	-0.42
Citibank Korea	30.4	0.4	1.24	29.1	0.5	1.70	28.2	0.3	0.91	-0.79
Kookmin	209.4	2.6	1.26	212.5	2.9	1.34	204.5	2.2	1.06	-0.28
<b>Nationwide Banks</b>	<b>784.7</b>	<b>9.1</b>	<b>1.16</b>	<b>778.5</b>	<b>12.2</b>	<b>1.56</b>	<b>770.3</b>	<b>8.8</b>	<b>1.15</b>	<b>-0.41</b>
Daegu	17.9	0.2	1.31	18.3	0.3	1.66	18.9	0.3	1.40	-0.26
Busan	20.2	0.3	1.31	20.2	0.3	1.58	20.4	0.2	1.09	-0.49
Kwangju	11.1	0.1	0.96	10.7	0.2	1.78	10.8	0.1	1.27	-0.51
Jeju	2.1	0.0	0.36	2.1	0.0	1.05	2.2	0.0	0.91	-0.14
Jeonbuk	4.4	0.0	1.06	4.4	0.1	1.45	4.5	0.0	0.86	-0.59
Kyongnam	14.7	0.1	0.89	15.2	0.2	1.19	15.5	0.1	0.88	-0.31
<b>Regional Banks</b>	<b>70.4</b>	<b>0.8</b>	<b>1.12</b>	<b>70.9</b>	<b>1.1</b>	<b>1.52</b>	<b>72.3</b>	<b>0.8</b>	<b>1.13</b>	<b>-0.39</b>
Korea Development Bank	90.0	1.1	1.19	94.1	1.3	1.40	86.8	1.9	2.23	0.83
Industrial Bank of Korea	108.4	1.6	1.43	116.4	1.7	1.46	120.6	1.5	1.20	-0.26
Export-Import Bank of Korea	79.6	0.2	0.25	83.3	0.4	0.47	80.7	0.4	0.53	0.06
National Agricultural Cooperative Federation	140.1	1.6	1.14	142.8	2.5	1.77	139.9	1.9	1.38	-0.39
National Federation of Fisheries Cooperatives	14.9	0.4	2.76	15.1	0.4	2.95	15.3	0.3	2.15	-0.80
<b>Specialized Banks</b>	<b>432.9</b>	<b>4.8</b>	<b>1.11</b>	<b>451.6</b>	<b>6.4</b>	<b>1.41</b>	<b>443.2</b>	<b>6.1</b>	<b>1.37</b>	<b>-0.04</b>
<b>Total</b>	<b>1,288.1</b>	<b>14.7</b>	<b>1.14</b>	<b>1,301.0</b>	<b>19.6</b>	<b>1.51</b>	<b>1,285.8</b>	<b>15.7</b>	<b>1.22</b>	<b>-0.29</b>

\* Inclusive of new sources of SBL from the developments in December 2009, such as Kumho Industrial, Kumho Tires, SLS Shipbuilding, 21<sup>st</sup> Century Shipbuilding, etc.

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