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Press Release

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Bank Loans Classified as Substandard or Below Rise Modestly in 2003

Figures compiled by the FSS show that bank loans classified as substandard or below (SBLs)—substandard, doubtful, or presumed loss—totaled 18.6 trillion won at the end of 2003, up 3.5 trillion won from 15.1 trillion won a year earlier. New SBLs during 2003 totaled 35.2 trillion won, compared with 31.7 trillion won for SBLs that have been resolved or otherwise cleaned up during the year. The ratio of SBLs to the total outstanding loans rose to 2.62% from 2.33% a year earlier. The ratio for non-performing loans was 1.98% for 2003.

Domestic Banks' SBLs: 2003

(End of Period)

(In trillions of won)

	1999	2000	2001	2002	Q1 2003	Q2 2003	Q3 2003	Q4 2003
SBLs	61.0	42.1	18.8	15.1	18.7	22.4	23.2	18.6
Ratio (%)	12.9	8.0	3.41	2.33	2.74	3.21	3.26	2.62

A breakdown of the SBLs shows that SBLs from corporate borrowers totaled 11.7 trillion won (2.69%), compared with 4.3 trillion won (1.74%) for household SBLs and 2.6 trillion won (10.09%) for credit card SBLs.

Breakdown of SBLs: 2002-2003

(End of Period)

(In trillions of won)

	Total Outstanding Loans			SBLs		
	2002	2003	Change	2002	2003	Change
Business SBLs	401.8	435.5	33.7	10.9 (2.71%)	11.7 (2.69%)	0.8 (-0.02 pp)
Household SBLs	219.3	248.3	29.0	2.5 (1.14%)	4.3 (1.74%)	1.8 (0.60 pp)
Credit Card SBLs	27.1	25.2	-1.9	1.7 (6.36%)	2.6 (10.09%)	0.9 (3.73 pp)
Total	648.2	709.0	60.8	15.1 (2.33%)	18.6 (2.62%)	3.5 (0.29 pp)



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During 2003, domestic banks resolved or otherwise cleaned up SBLs totaling 31.7 trillion won—11.4 trillion won during the first half of the year and 20.3 trillion won in the second half. Loan write-offs came to 11.2 trillion won or 35.5% of the 31.7 trillion total in 2003, compared with 7.8 trillion won (38.5%) in 2002.

SBL Resolution and Disposition: 2002-2003

(In billions of won)

	2002	2003		
		First Half	Second Half	Total
Reclassified SBLs	4,021.5 (20.0%)	2,528.4 (22.2%)	3,227.9 (15.9%)	5,756.3 (18.2%)
Write-offs	7,760.3 (38.5%)	3,834.6 (33.6%)	7,403.8 (36.5%)	11,238.4 (35.5%)
Collection*	5,378.0 (26.7%)	3,394.8 (29.7%)	4,251.9 (21.0%)	7,646.7 (24.1%)
Securitization	159.6 (0.8%)	--	2,191.4 (10.8%)	2,191.4 (6.9%)
Loan Sales	1,647.9 (8.2%)	1,041.6 (9.1%)	1,589.2 (7.8%)	2,630.8 (8.3%)
Debt-Equity Swaps	1,172.8 (5.8%)	614.5 (5.4%)	1,620.6 (8.0%)	2,235.1 (7.0%)
Total	20,140.1 (100.0%)	11,413.9 (100%)	20,284.7(100.0%)	31,698.6 (100.0%)

* Including disposition of borrower collateral

As of the end of 2003, Chohung and Kookmin were the only domestic banks whose SBL ratio exceeded 3%. The SBL ratio for nine banks rose while that for eight banks fell in 2003 (see the attached table for the complete list of the banks and their ratios for 2003). The FSS expects all domestic banks to be able to hold their SBL ratio below 3% for 2004 and plans to take supervisory actions to encourage banks to do so.



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SBLs by Bank: End of 2003

(In billions of won)

	Total Outstanding Loans	Substandard	Doubtful	Presumed Loss	Total SBL	SBL Ratio (%)
Chohung	44,889.8	941.2	816.8	407.8	2,165.8	4.82
Woori	74,246.8	1,026.8	394.8	255.5	1,677.1	2.26
Korea First	27,477.8	237.8	116.6	68.4	422.8	1.54
Korea Exchange	41,600.5	783.1	137.5	82.8	1,003.4	2.41
Kookmin	140,768.6	2,426.6	2,161.2	465.6	5,053.3	3.59
Shinhan	48,821.4	895.6	54.5	121.6	1,071.7	2.20
KorAm	28,821.6	216.8	139.7	104.2	460.7	1.60
Hana	57,163.2	812.6	165.3	156.4	1,134.2	1.98
Nationwide Banks (A)	463,789.7	7,340.5	3,986.3	1,662.3	12,989.1	2.80
Daegu	10,352.8	116.2	101.8	18.8	236.9	2.29
Busan	9,747.9	101.1	43.0	14.5	158.6	1.63
Kwangju	5,218.4	69.1	6.7	13.2	88.9	1.70
Cheju	1,312.5	17.3	16.0	4.7	37.9	2.89
Chunbuk	2,448.8	13.8	15.4	5.6	34.8	1.42
Kyongnam	6,585.3	69.3	28.0	16.6	113.9	1.73
Regional Banks (B)	35,665.6	386.8	210.9	73.4	671.1	1.88
Commercial Banks (A+B)	499,455.3	7,727.4	4,197.2	1,735.7	13,660.2	2.74
Korea Development	55,921.7	1,419.0	157.7	80.8	1,657.5	2.96
Industrial Bank of Korea	50,581.7	836.0	269.5	199.0	1,304.5	2.58
Export-Import Bank of Korea	26,027.4	340.8	265.6	.1	606.5	2.33
National Agricultural Cooperatives Federation	70,688.3	802.1	304.6	168.6	1,275.3	1.80
National Federation of Fisheries	6,349.8	62.0	24.2	11.4	97.5	1.54
Specialized Banks (C)	209,568.9	3,459.9	1,021.6	459.9	4,941.4	2.36
Total (A+B+C)	709,024.2	11,187.2	5,218.8	2,195.5	18,601.6	2.62

Please forward questions, comments, or suggestions regarding this press release to the International Cooperation Office (Tel: +82-2-3786-7911; Fax: +82-2-3786-7899; e-mail: cylee@fss.or.kr), Financial Supervisory Service.



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