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Press Release

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Preliminary Bank Net Income: January-September, 2006

Preliminary figures show domestic banks' net income for the first nine months of 2006 will come to KRW11.1 trillion, compared with KRW10.5 trillion for the same period a year earlier. A drop in provisioning for loan losses and disposition of stocks from past debt-equity swaps mostly contributed to the increase. Income for the third quarter totaled KRW3.1 trillion, down from KRW4.0 trillion a year earlier.

Bank Net Income: 2005-September, 2006

(In trillions of won)

	2005				2006			
	Q1	Q2	Q3	Jan-Sept	Q1	Q2	Q3	Jan-Sept
Commercial banks	1.9	2.3	3.0	7.1	2.6	3.1	2.2	7.9
Specialized banks	0.9	1.5	1.0	3.4	1.3	1.1	0.9	3.2
Total	2.8	3.8	4.0	10.5	3.9	4.2	3.1	11.1

For the January-September period, ROA averaged 1.26%. The gross income/asset ratio, a key measure of profitability, has fallen each of the three quarters in 2006, averaging 2.86% for the nine-month period, which compares unfavorably to 5.44% for the U.S. banks.

Bank Income Ratios: January-September, 2006

	2004	2005		2006			
		Jan-Sept	Year	Q1	Q2	Q3	Jan-Sept
Net income/Asset	0.85	1.32	1.27	1.38	1.42	1.00	1.26
Gross income/Asset	3.16	2.99	2.98	2.98	2.85	2.72	2.86
Net income/Gross income	27.0	44.3	42.5	45.7	49.9	36.8	44.2

Narrower net interest margin (NIM) resulting from competition most likely contributed to the declining bank profitability. NIM averaged 2.66% for the January-September period, compared with 2.81% for the same period a year earlier.

Bank Net Interest Margin: 2005-September, 2006

2004	2005		2006			
	Jan-Sept	Year	Q1	Q2	Q3	Jan-Sept
2.85	2.81	2.80	2.76	2.67	2.57	2.66



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Preliminary Summary Bank Income Statement:
January-September, 2006

	(In billions of won, percent)			
	2005 Jan-Sept	2006 Jan-Sept	Change	Percent Change
Interest income	20,544.3	21,846.1	1,301.7	6.3
<i>Gross interest income</i>	41,192.6	47,573.2	6,380.6	15.5
<i>Interest expense</i>	20,648.3	25,727.1	5,078.8	24.6
Non-interest income	3,220.2	3,275.8	55.6	1.7
<i>Service fees</i>	2,531.2	2,859.1	327.9	13.0
<i>Investment securities</i>	305.9	439.8	133.9	43.8
<i>FX/Derivatives</i>	1,026.2	1,056.2	30.0	2.9
Total income	23,764.5	25,121.8	1,357.3	5.7
Selling/Administrative expenses	10,117.2	11,215.3	1,098.0	10.9
Operating income before loan loss provisions	13,647.3	13,906.6	259.3	1.9
Provisions for loan losses	3,335.8	2,248.7	-1,087.0	-32.6
Operating income	10,311.5	11,657.9	1,346.3	13.1
Nonoperating income	2,440.1	3,013.2	573.1	23.5
<i>Securities-related</i>	2,620.8	3,329.9	709.1	27.1
<i>Others</i>	-180.7	-316.7	-136.0	-
Pretax income	12,751.6	14,671.0	1,919.4	15.1
Corporate income taxes	2,230.1	3,575.1	1,345.0	60.3
Net income	10,521.4	11,095.9	574.5	5.5
Income before provisioning	16,087.4	16,919.7	832.3	5.2

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