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Press Release

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Asset-Liability Analysis of Domestic Banks: 2006

An asset-liability analysis of domestic banks by the FSS shows bank assets totaled KRW1,191 trillion (average account balance basis) for 2006, up 11.0% or KRW118 trillion from KRW1,073 trillion for 2005. Loans and securities made up the bulk of the assets with the proportion of loans increasing from 67.6% to 68.3% and that of securities falling slightly from 21.6% to 20.9%. A 17.9% jump in loans to small- and medium-sized companies along with a 14.4% increase in housing loans during the year mostly accounted for the changes. On the liabilities side including equity, the proportion of deposits dropped from 53.4% a year earlier to 49.6%. The rest were mostly made up by debt issues (15.4%), borrowings (13.8%), and certificates of deposits (5.6%).

Bank Assets & Liabilities: 2005-2006

(In trillions of won, percent)

	2005			2006		
	Total	Amount Increase	Percent Increase	Total	Amount Increase	Percent Increase
ASSETS	1,072.6	49.3	4.8	1,191.0	118.3	11.0
Securities	231.6	20.9	9.9	249.1	17.5	7.6
Loans	724.9	28.4	4.1	813.2	88.2	12.2
Corporate	389.7	7.2	1.9	448.5	58.8	15.1
Household	310.0	23.8	8.3	340.7	30.7	9.9
Credit card	25.3	-2.6	-9.3	23.9	-1.4	-5.4
Other assets	116.1	-0.1	-0.1	128.7	12.6	10.8
LIABILITIES	1,072.6	49.3	4.8	1,191.0	118.3	11.0
Deposits	572.9	4.2	0.7	590.6	17.7	3.1
CDs	53.4	14.5	37.1	67.1	13.7	25.8
Borrowing	148.4	1.8	1.2	164.1	15.7	10.6
Debt issues	145.9	13.0	9.8	183.9	38.0	26.1
Other liabilities	85.9	2.1	2.5	100.3	14.4	16.7
Equity	66.3	13.7	26.0	85.0	18.7	28.3

An increase in loans and a drop in securities

Bank loans totaled KRW879.9 trillion, up 16.9% (KRW127.1 trillion) compared with 8.4% for 2005. In particular, loans to small- and medium-sized companies rose 17.9% (KRW45.9 trillion), a marked increase from 5.1% for 2005 and 2.6% for 2004. Household loans, led by housing loans, increased 13.5% (KRW40.8 trillion).



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Securities, on the other hand, rose 5.1% (KRW14.9 trillion) to KRW308.6 trillion, compared to 17.4% (KRW43.6 trillion) increase for 2005.

Bank Assets: 2004-2006
(Year-end balance)

(In trillions of won, percent)

	2004			2005			2006		
	Total	Amount Increase	Percent Increase	Total	Amount Increase	Percent Increase	Total	Amount Increase	Percent Increase
LOANS	694.6	24.0	3.6	752.8	58.2	8.4	879.9	127.1	16.9
Corporate	395.7	-1.2	-0.3	426.5	30.9	7.8	51.3	86.5	20.3
SMEs	244.1	6.2	2.6	256.5	12.4	5.1	302.4	45.9	17.9
Household	273.0	24.5	9.9	301.7	28.7	10.5	342.5	40.8	13.5
Housing	168.0	18.0	12.0	187.6	19.6	11.6	214.5	27.0	14.4
Credit card	25.9	0.7	2.7	24.6	-1.4	-5.2	24.4	-0.2	-0.8
SECURITIES	250.1	-5.3	-2.1	293.7	43.6	17.4	308.6	14.9	5.1

Note: SME loans are won-denominated.

Declining share of deposits as source of bank funds

The source of funds for increased loans in 2006 came more from debt issues and CDs, which jumped by KRW38.0 trillion and KRW13.7 trillion, respectively, than from deposits. The proportion of deposits as a source of funds fell in 2006, as did in 2004 and 2005.

Key Bank Funding Sources: 2004-2006

	2004		2005		2006	
Deposits	55.6%	(-1.4)	53.4%	(-2.2)	49.6%	(-3.8)
CDs	3.8%	(0.9)	5.0%	(1.2)	5.6%	(0.6)
Debt issues	13.0%	(1.5)	13.6%	(0.6)	15.4%	(1.8)

Note: Figures in parentheses denote percentage change from the previous year.

In particular, as a result of the growth of CMA and other short-term, higher-yield products from non-banking financial institutions as alternatives to bank deposits, the proportion of demand deposits, savings deposits, and other low-interest deposits as a source of funds continued to drop in 2006.

Low-Interest Bank Deposits: 2005-2006
(Average Balance Basis)

(In trillions of won)

	2004			2005		
	Year	Q1	Q2	Q3	Q4	Year
Demand deposits & savings deposits	153.9	161.2	161.5	158.4	163.1	161.1
Percent of total funding	14.4%	14.3%	13.8%	13.1%	12.8%	13.6%



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Continuing rise of loan-to-deposit ratio

With robust loans and sluggish deposits, the loan-to-deposit ratio of domestic banks showed a continued upward trend in 2006 at 115.0% from 106.8% in 2005, 103.0% in 2004, and 97.3% in 2003. The ratio rose 5.8 percentage points for commercial banks and 16.4 percentage points for the specialized banks in 2006 from a year earlier.

Bank Loan-to-Deposit Ratio: 2003-2006

	2003	2004	2005	2006	(In percent) Change 2005-06
Nationwide banks	96.0	101.5	105.1	110.7	5.6
Regional banks	72.6	77.8	83.0	90.9	7.9
Commercial banks	93.6	99.1	102.7	108.5	5.8
Specialized banks	111.3	116.6	120.1	136.5	16.4
Total	97.3	103.0	106.8	115.0	8.2

Asset-liability maturity gap

The proportion of long-term assets grew with a surge in housing loans. On the other hand, proportion of short-term funds such as CDs and call money increased in 2006. As a result, assets with maturity gap of three years or more increased KRW22.9 trillion, while assets with maturity gap of three months or less fell by KRW18.6 trillion from 2006.

Asset-Liability Maturity Gap

		(In trillions of won)				
		Less than 3 months	3 months to 1 year	1 to 3 years	3 years or more	Others
2005	Assets	135.5	234.9	148.3	131.1	57.3
	Liabilities	180.8	200.7	62.7	174.1	39.5
	Maturity gap	-45.3	34.2	85.6	-43.0	17.9
2006	Assets	140.1	252.3	154.4	176.5	69.0
	Liabilities	204.1	214.1	77.4	196.7	40.0
	Maturity gap	-63.9	38.1	77.0	-20.2	29.0
Change	Assets	4.6	17.4	6.1	45.4	11.7
	Liabilities	23.2	13.5	14.7	22.6	0.6
	Maturity gap	-18.6	3.9	-8.6	22.9	11.1

Note: The maturity gap figures are from commercial banks (won-denominated assets and liabilities).



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Overall loan growth and default

The overall loan growth showed a sharp increase in 2006 with a surge in SME and housing loans. SME loans grew 17.9% in 2006, compared with 5.1% in 2005 and 2.6% in 2004. Likewise, household loans increased 13.5% during 2006, compared with 10.5% increase in 2005 and 9.9% increase in 2004.

SME and Household Loan Growth: 2004-2006

(In trillions of won)

	2004		2005		2006	
	Amount Increase	Percent Increase	Amount Increase	Percent Increase	Amount Increase	Percent Increase
SME loans	6.2	2.6%	12.4	5.1%	45.9	17.9%
Household loans	24.5	9.9%	28.7	10.5%	40.8	13.5%
Housing loans	18.0	12.0%	19.6	11.6%	27.0	14.4%

Default rates on both SME and household loans showed a downward trend as well. For SME loans, the default rate fell from 2.1% at end-2004 to 1.5% at end-2005 to 1.1% at end-2006. Likewise, household loan defaults dropped from 1.7% to 1.1% to 0.7% during the same period.

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