



Press Release

For release at noon, August 12, 2019

Bank Earnings, First Half 2019

Domestic banks preliminarily reported net income of KRW8.7 trillion for the first half of 2019, up KRW0.4 trillion from KRW8.3 trillion a year earlier. When it came to income, interest income and non-interest income increased by KRW0.9 trillion and KRW0.5 trillion, respectively. However, subsidiaries-related income was reduced KRW0.4 trillion. In case of expense, selling and administrative expenses increased KRW0.9 trillion as well as loan loss expenses were up KRW0.2 trillion during the same period. By contrast, income tax declined KRW0.5 trillion.

Table 1. Net Income, First Half 2019*

(In trillions of KRW)

	2018				2019		
	Year	Q1	Q2	H1	Q1	Q2	H1
Commercial banks	9.6	2.8	2.8	5.7	2.5	3.0	5.6
National banks	8.6	2.5	2.5	5.0	2.2	2.7	4.9
Regional banks	1.0	0.4	0.3	0.7	0.3	0.4	0.7
Internet banks	-0.1	-0.0	-0.0	-0.1	-0.0	-0.0	-0.0
Specialized banks	6.1	1.5	1.1	2.7	1.4	1.8	3.2
Total	15.6	4.4	3.9	8.3	4.0	4.8	8.7

*The figures on Q2 and H1 2019 are preliminary as of the release date and subject to change.

Return on Assets and Return on Equity

Return on assets (ROA) for the first six months of 2019 was seen at 0.67%, down 0.02%p from 0.69% a year earlier. Furthermore, return on equity (ROE) for the same period stood at 8.64%, also down 0.21%p from 8.85% a year earlier. Compared to the same period a year ago, the domestic banks' assets and equities increased based on greater earnings. By contrast, the growth of net income relatively slowed down, which led to the decline of the ROA and ROE.

Table 2. ROA and ROE, First Half 2019*

(In percentage)

	2018				2019		
	Year	Q1	Q2	H1	Q1	Q2	H1
ROA	0.63	0.73	0.65	0.69	0.62	0.72	0.67
Commercial banks	0.60	0.74	0.71	0.73	0.62	0.71	0.67
Specialized banks	0.69	0.72	0.52	0.62	0.63	0.75	0.69
ROE	8.04	9.48	8.33	8.85	7.99	9.35	8.64
Commercial banks	7.93	9.91	9.58	9.68	8.41	9.75	9.05
Specialized banks	8.20	8.78	6.30	7.49	7.33	8.72	8.00

*The figures on Q2 and H1 2019 are preliminary as of the release date and subject to change.



Interest Income

The domestic banks' preliminary interest income for the first half of 2019 totaled KRW20.6 trillion, up KRW0.9 trillion or 4.8% from KRW19.7 trillion a year earlier. Compared to the same period a year ago, assets under management grew 6.8% despite lower net interest margin (NIM), and this contributed to the increase in interest income. The domestic banks' NIM fell from 1.67% to 1.61% as loan-deposit margin shrank 0.05%p from the previous year.

Table 3. Interest Income, First Half 2019*

(In trillions of KRW)

	2018				2019		
	Year	Q1	Q2	H1	Q1	Q2	H1
Interest income	40.5	9.7	10.0	19.7	10.1	10.5	20.6
NIM (%)	1.67	1.65	1.68	1.67	1.62	1.60	1.61
Loan-deposit margin (%)	2.06	2.06	2.09	2.07	2.02	2.01	2.02

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Non-interest Income

Non-interest income of the domestic banks came to KRW3.6 trillion, up KRW0.5 trillion or 17.2% from a year earlier. During the period, bond yields fell and gains on bond sales and valuation increased. This helped securities-related income of the domestic banks expand KRW1.0 trillion.

Table 4. Non-interest income, First Half 2019*

(In trillions of KRW)

	2018				2019		
	Year	Q1	Q2	H1	Q1	Q2	H1
Non-interest income	5.6	1.8	1.3	3.1	1.8	1.9	3.6
Service fees/commissions	4.8	1.2	1.2	2.5	1.2	1.4	2.6
Trust service income	1.3	0.4	0.4	0.7	0.3	0.4	0.7
Securities income	1.5	0.4	0.3	0.8	0.9	0.8	1.8
FX/derivatives income	2.2	0.5	0.4	1.0	0.4	0.5	0.9
Others	-4.2	-0.8	-1.0	-1.9	-1.1	-1.2	-2.3

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Loan Loss Expenses

The aggregate loan loss expenses—defined as the sum of (1) provisions for loan losses and (2) regulatory adjustment to provision for loan losses (the difference between regulatory minimum and IFRS-based provision)—for the first half of 2019 increased KRW0.2 trillion or 22.3% to KRW1.3 trillion compared to the same period a year earlier. A great reversal of allowance for doubtful accounts in the first half of 2018 made the loan loss expenses for the same period this year increase.



Table 5. Loan Loss Expenses, First Half 2019*

(In trillions of KRW)

	2018				2019		
	Year	Q1	Q2	H1	Q1	Q2	H1
Loan loss expenses	4.4	0.8	0.2	1.0	0.7	0.6	1.3

The figures on Q2 and H1 2019 are preliminary as of the release date and subject to change.

Table 6. Summary Income Statement, First Half 2019*

(In trillions of KRW)

	2018				2019		
	Year	Q1	Q2	H1	Q1	Q2	H1
Interest income	40.5	9.7	10.0	19.7	10.1	10.5	20.6
Interest revenue	71.0	16.5	17.4	34.0	18.8	20.5	39.3
Interest expense	30.5	6.9	7.4	14.3	8.7	10.0	18.7
Non-interest income	5.6	1.8	1.3	3.1	1.8	1.9	3.6
Service fees/commissions	4.8	1.2	1.2	2.5	1.2	1.4	2.6
Trust service income	1.3	0.4	0.4	0.7	0.3	0.4	0.7
Securities-related income	1.5	0.4	0.3	0.8	0.9	0.8	1.8
Securities trading	0.5	0.0	0.1	0.1	0.3	0.4	0.7
Valuation gains	0.3	0.1	0.2	0.3	0.2	0.1	0.4
Dividend income	0.7	0.3	0.1	0.5	0.3	0.3	0.7
FX-derivatives income	-2.0	-0.3	-0.6	0.9	-0.7	-0.8	-1.4
Income on loan sales	0.3	0.2	0.1	0.3	0.1	0.1	0.2
Total income	46.0	11.4	11.4	22.8	11.8	12.4	24.3
Selling and administrative expenses	22.8	5.1	5.3	10.4	5.7	5.7	11.3
Operating income before provision for loan losses	23.2	6.3	6.1	12.4	6.2	6.7	12.9
Provision for loan losses	4.4	0.8	0.2	1.0	0.7	0.6	1.3
Operating income	18.8	5.5	5.8	11.3	5.5	6.2	11.6
Non-operating income	1.8	0.4	-0.3	0.1	-0.4	0.1	-0.3
Subsidiaries-related income	2.3	0.3	-0.1	0.1	-0.2	-0.2	-0.4
Income tax	5.0	1.5	1.6	3.1	1.1	1.4	2.6
Net income under K-IFRS	15.6	4.4	3.9	8.3	4.0	4.8	8.7
Regulatory adjustment to provision for loan losses	0.7	-0.2	1.0	0.7	0.5	0.2	0.7
Net income	14.9	4.6	3.0	7.6	3.5	4.6	8.1

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