



## Press Release

For release at noon, March 5, 2020

### Bank Earnings, 2019

Domestic banks preliminarily reported net income of KRW14.4 trillion for 2019, down KRW1.2 trillion or 7.7% from KRW15.6 trillion a year ago. When it came to income, interest income and non-interest income grew by KRW0.2 trillion and KRW1.0 trillion, respectively, from the same period a year earlier. In case of expense, selling and administrative expenses increased KRW0.8 trillion. However, loan loss expenses decreased KRW0.6 trillion as well as income tax shrank KRW0.1 trillion compared to the previous year.

Table 1. Net Income, 2019\*

(In trillions of KRW)

	2018					2019				
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4
Commercial banks	9.6	2.8	2.8	2.8	1.1	<b>10.1</b>	2.5	3.0	3.1	1.4
National banks	8.6	2.5	2.5	2.5	1.1	<b>9.0</b>	2.2	2.7	2.8	1.3
Regional banks	1.0	0.4	0.3	0.4	-0.0	<b>1.1</b>	0.3	0.4	0.3	0.1
Internet-only banks	-0.1	-0.0	-0.0	-0.0	-0.0	<b>-0.1</b>	-0.0	-0.0	-0.0	-0.0
Specialized banks	6.1	1.5	1.1	1.2	2.2	<b>4.4</b>	1.4	1.4	0.6	0.9
Total	15.6	4.4	3.9	4.1	3.2	<b>14.4</b>	4.0	4.4	3.7	2.3

\*The figures on 2019 Q4 and year are preliminary as of the release date and subject to change.

### Return on Assets and Return on Equity

Return on assets (ROA) for 2019 was seen at 0.54%, down 0.09%p from 0.63% a year earlier. In addition, return on equity (ROE) for the same period stood at 6.98%, also down 1.05%p from 8.04% a year ago. In 2019, the domestic banks saw their assets and equities expanded, but their net income dropped KRW1.2 trillion compared to the previous year. This contributed to the decreases in the ROA and ROE for 2019.

Table 2. ROA and ROE, 2019\*

(In percentage)

	2018					2019				
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4
ROA	0.63	0.73	0.65	0.65	0.50	<b>0.54</b>	0.62	0.68	0.55	0.34
Commercial banks	0.60	0.74	0.71	0.70	0.26	<b>0.59</b>	0.62	0.71	0.70	0.32
Specialized banks	0.69	0.72	0.52	0.55	0.95	<b>0.47</b>	0.63	0.63	0.27	0.36
ROE	8.04	9.48	8.33	8.26	6.41	<b>6.98</b>	7.99	8.77	7.11	4.37
Commercial banks	7.93	9.91	9.58	9.28	3.43	<b>7.96</b>	8.41	9.72	9.65	4.42
Specialized banks	8.20	8.78	6.30	6.59	11.20	<b>5.44</b>	7.33	7.29	3.11	4.28

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## Interest Income

The domestic banks' preliminary interest income for 2019 totaled KRW40.7 trillion, up KRW0.2 trillion or 0.6% from the same period a year ago. With net interest margin (NIM) declining 0.11%p from the previous year, assets under management expanded 6.5%. This resulted in the increase in interest income. Meanwhile, the domestic banks' NIM fell from 1.67% to 1.56% as loan-deposit margin shrank 0.12%p from a year ago.

**Table 3. Interest Income, 2019\***

(In trillions of KRW)

	2018					2019				
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4
Interest income	40.5	9.7	10.0	10.2	10.6	<b>40.7</b>	10.1	10.3	10.2	10.1
NIM (%)	1.67	1.65	1.68	1.65	1.69	<b>1.56</b>	1.62	1.61	1.55	1.46
Loan-deposit margin	2.06	2.06	2.09	2.07	2.05	<b>1.95</b>	2.02	2.01	1.94	1.83

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## Non-interest Income

Non-interest income came to KRW6.6 trillion in total, up KRW1.0 trillion or 18.8% from the same period a year ago. Securities income increased KRW0.8 trillion from the previous year. Also, service fees/commissions and trust service income grew as well.

**Table 4. Non-interest income, 2019\***

(In trillions of KRW)

	2018					2019				
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4
Non-interest income	5.6	1.8	1.3	1.6	0.9	<b>6.6</b>	1.8	1.6	1.6	1.6
Service fees/commissions	4.8	1.2	1.2	1.2	1.1	<b>5.2</b>	1.2	1.3	1.3	1.4
Trust service income	1.3	0.4	0.4	0.3	0.3	<b>1.4</b>	0.3	0.4	0.3	0.3
Securities income	1.5	0.4	0.3	0.5	0.2	<b>2.3</b>	0.9	0.5	0.6	0.3
FX-derivatives income	2.2	0.5	0.4	0.6	0.6	<b>2.4</b>	0.4	0.6	0.6	0.9
Others	-4.2	-0.8	-1.0	-1.0	-1.4	<b>-4.7</b>	-1.1	-1.2	-1.1	-1.3

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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 2019 fell 14.3% to KRW3.7 trillion. Some companies' reversal of allowance for doubtful accounts contributed to the decline during the period.

**Table 5. Loan Loss Expenses, 2019\***

(In trillions of KRW)

	2018					2019				
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4
Loan loss expenses	4.4	0.8	0.2	0.8	2.5	<b>3.7</b>	0.7	0.6	1.5	1.0

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Table 6. Summary Income Statement, 2019\*

(In trillions of KRW)

	2018	2019				
	Year	Q1	Q2	Q3	Q4	Year
Interest income	40.5	10.1	10.3	10.2	10.1	<b>40.7</b>
Interest revenue	71.0	18.8	19.2	19.0	18.5	<b>75.5</b>
Interest expense	30.5	8.7	8.9	8.8	8.4	<b>34.8</b>
Non-interest income	5.6	1.8	1.6	1.6	1.6	<b>6.6</b>
Service fees/commissions	4.8	1.2	1.3	1.3	1.4	<b>5.2</b>
Trust service income	1.3	0.3	0.4	0.3	0.3	<b>1.4</b>
Securities-related income	1.5	0.9	0.5	0.6	0.3	<b>2.3</b>
Securities trading	0.5	0.3	0.2	0.4	0.1	<b>1.1</b>
Valuation gains	0.3	0.2	0.1	-0.0	-0.1	<b>0.3</b>
Dividend income	0.7	0.3	0.2	0.2	0.2	<b>0.9</b>
FX-derivatives income	-2.0	-0.7	-0.6	-0.6	-0.4	<b>-2.3</b>
Income on loan sales	0.3	0.1	0.1	0.0	-0.1	<b>0.2</b>
Total income	46.0	11.8	11.9	11.8	11.7	<b>47.3</b>
Selling and administrative expenses	22.8	5.7	5.5	5.6	6.8	<b>23.7</b>
Operating income before provision for loan losses	23.2	6.2	6.4	6.2	4.9	<b>23.7</b>
Provision for loan losses	4.4	0.7	0.6	1.5	1.0	<b>3.7</b>
Operating income	18.8	5.5	5.8	4.7	3.9	<b>19.9</b>
Non-operating income	1.8	-0.4	0.3	0.3	-0.7	<b>-0.5</b>
Subsidiaries-related income	2.3	-0.2	-0.0	0.1	-0.0	<b>-0.2</b>
Income tax	5.0	1.1	1.6	1.3	0.9	<b>5.0</b>
Net income under K-IFRS	15.6	4.0	4.4	3.7	2.3	<b>14.4</b>
Regulatory adjustment to provision for loan losses	0.7	0.5	0.3	0.4	0.4	<b>1.6</b>
Net income	14.9	3.5	4.1	3.3	1.9	<b>12.9</b>

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