



Press Release

For release at noon, May 13, 2020

Bank Earnings, First Quarter 2020

Domestic banks preliminarily reported net income of KRW3.2 trillion for the first quarter of 2020, down KRW0.7 trillion or 17.8% from the same period a year earlier. When it came to operating income, loan loss expenses particularly grew KRW0.3 trillion from a year ago. Meanwhile, in case of non-operating income, subsidiary-related income decreased by KRW0.4 trillion during the same period.

Table 1. Net Income, First Quarter 2020*

(In trillions of KRW)

	2018		2019				2020
	Year	Year	Q1	Q2	Q3	Q4	Q1
Commercial banks	9.6	10.0	2.5	3.0	3.1	1.4	2.6
National banks	8.6	9.0	2.2	2.7	2.8	1.3	2.3
Regional banks	1.0	1.1	0.3	0.4	0.3	0.1	0.3
Internet-only banks	-0.1	-0.1	-0.0	-0.0	-0.0	-0.0	-0.0
Specialized banks	6.1	3.9	1.4	1.4	0.6	0.4	0.6
Total	15.6	13.9	4.0	4.4	3.7	1.8	3.2

*The figures on Q1 2020 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 quarter of 2020 stood at 0.48%, down 0.15%p from 0.63% a year earlier. In addition, return on equity (ROE) for the same period was seen at 6.29%, also down 1.70%p from 7.99% a year ago. In the January-to-March period of 2020, the domestic banks saw their assets and equities increased while their net income shrank KRW0.7 trillion compared to the previous year. This contributed to the decline in the ROA and ROE for the first three months of 2020.

Table 2. ROA and ROE, First Quarter 2020*

(In percentage)

	2018		2019				2020
	Year	Year	Q1	Q2	Q3	Q4	Q1
ROA	0.63	0.52	0.63	0.68	0.55	0.26	0.48
Commercial banks	0.60	0.58	0.62	0.71	0.70	0.31	0.58
Specialized banks	0.69	0.41	0.63	0.63	0.27	0.16	0.29
ROE	8.04	6.71	7.99	8.77	7.11	3.32	6.29
Commercial banks	7.93	7.92	8.41	9.72	9.65	4.22	8.08
Specialized banks	8.20	4.82	7.33	7.29	3.11	1.88	3.43

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Interest Income

The domestic banks' preliminary interest income for the first three months of 2020 totaled KRW10.1 trillion, down KRW22.9 billion or 0.2% from the same period a year ago. With net interest margin (NIM) declining 0.15%_p from the previous year, assets under management expanded 8.0%. This resulted in the increase in interest income. Meanwhile, the domestic banks' NIM has declined since the first quarter of 2019, hitting a record low of 1.46% in the first quarter of 2020.

Table 3. Interest Income, First Quarter 2020*

(In trillions of KRW)

	2018	2019		2020			2020 Q1
	Year	Year	Q1	Q2	Q3	Q4	
Interest income	40.5	40.7	10.1	10.3	10.2	10.1	10.1
NIM (%)	1.67	1.56	1.62	1.61	1.54	1.48	1.46
Loan-deposit margin	2.06	1.95	2.02	2.01	1.94	1.83	1.84

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Non-interest Income

Non-interest income came to KRW1.7 trillion in total, down KRW21.3 billion or 1.2% from the same period a year ago. Securities income decreased KRW0.2 trillion from the previous year while FX/derivatives income increased KRW0.2 trillion.

Table 4. Non-interest income, First Quarter 2020*

(In trillions of KRW)

	2018	2019		2020			2020 Q1
	Year	Year	Q1	Q2	Q3	Q4	
Non-interest income	5.6	6.5	1.8	1.6	1.6	1.6	1.7
Service fees/commissions	4.8	5.2	1.2	1.3	1.3	1.4	1.3
Trust service income	1.3	1.4	0.3	0.4	0.3	0.3	0.3
Securities income	1.5	2.3	0.9	0.5	0.6	0.3	0.8
Trading gains	0.5	1.1	0.3	0.2	0.4	0.1	0.4
Valuation gains	0.3	0.3	0.2	0.1	-0.0	-0.1	-0.0
FX-derivatives income	2.2	2.4	0.4	0.6	0.6	0.8	0.6
Others	-4.2	-4.7	-1.1	-1.2	-1.1	-1.3	-1.2

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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 quarter of 2020 expanded 42.5% to KRW1.0 trillion. Allowance for doubtful accounts regarding loans to the shipbuilding industry was partly reversed in the Q1 2019, which made the figures on Q1 2020 increase relatively.



Table 5. Loan Loss Expenses, First Quarter 2020*

(In trillions of KRW)

	2018	2019					2020
	Year	Year	Q1	Q2	Q3	Q4	Q1
Loan loss expenses	4.4	3.7	0.7	0.6	1.5	1.0	1.0
Commercial banks	1.4	1.6	0.4	0.3	0.4	0.5	0.5
Specialized banks	3.0	2.1	0.3	0.3	1.1	0.4	0.5

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Table 6. Summary Income Statement, First Quarter 2020*

(In trillions of KRW)

	2018	2019					2020
	Year	Q1	Q2	Q3	Q4	Year	Q1
Interest income	40.5	10.1	10.3	10.2	10.1	40.7	10.1
Interest revenue	71.0	18.8	19.2	19.0	18.4	75.5	17.8
Interest expense	30.5	8.7	8.9	8.8	8.3	34.7	7.8
Non-interest income	5.6	1.8	1.6	1.6	1.6	6.5	1.7
Service fees/commissions	4.8	1.2	1.3	1.3	1.4	5.2	1.3
Trust service income	1.3	0.3	0.4	0.3	0.3	1.4	0.3
Securities-related income	1.5	0.9	0.5	0.6	0.2	2.3	0.8
Securities trading	0.5	0.3	0.2	0.4	0.1	1.1	0.4
Valuation gains	0.3	0.2	0.1	-0.0	-0.1	0.3	-0.0
Dividend income	0.7	0.3	0.2	0.2	0.2	0.9	0.3
FX-derivatives income	2.2	0.4	0.6	0.6	0.8	2.4	0.6
Others	-4.2	-1.1	-1.2	-1.1	-1.3	-4.7	-1.2
Total income	46.0	11.8	11.9	11.8	11.7	47.3	11.8
Selling and administrative expenses	22.8	5.7	5.5	5.6	6.9	23.7	5.6
Operating income before provision for loan losses	23.2	6.2	6.4	6.2	4.8	23.6	6.2
Provision for loan losses	4.4	0.7	0.6	1.5	1.0	3.7	1.0
Operating income	18.8	5.5	5.8	4.7	3.9	19.9	5.2
Non-operating income	1.8	-0.4	0.3	0.3	-1.3	-1.1	-0.8
Income tax	5.0	1.1	1.6	1.3	0.8	4.9	1.1
Net income under K-IFRS	15.6	4.0	4.4	3.7	1.8	13.9	3.2
Regulatory adjustment to provision for loan losses	0.7	0.5	0.3	0.4	0.4	1.6	0.9
Net income	14.9	3.5	4.1	3.3	1.4	12.3	2.3

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