



Smart & Profitable Growth

KEB Operating Results for 3Q 2006

November 2006

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The information contained in this presentation material is not audited by a third party independent auditor and is subject to change during and upon the accounting audit being conducted on Korea Exchange Bank.

3Q`06 Highlights

➤ Continued strong business improvement... offset by impact of NTS tax assessment

- Record W980 bn Net Income through 3Q06
 - annualized ROE of 21%
 - BVPS now W9,725, up W950 YtD
- Good Growth in normal operating profitability
 - W327bn in 3Q06, + 21% vs. 3Q05
(refer to page 2)
- Total Assets up 6.1% YtD
- Asset quality best among Korean peers
- Strong Capital Adequacy at ~13.7% BIS ratio

(Unit: KrW bn)	3Q'06	Year-to-date
Reported Net Income	52	980
Impact of NTS Assess't	179	179
Pre-Assessment Results	231	1,159

*KEB strongly disagrees with tax assessment items and is appealing.
(Refer to page 27)*

➤ Steady, disciplined growth in good quality and profitable assets

	4Q05	1Q06	2Q06	3Q06
Loans	35.2tr	36.2	36.7	36.9
NIM*	3.23%	3.33%	3.34%	3.33%
NPL	0.90%	0.80%	0.65%	0.69%

* Adjusted to exclude interest received from SPCs (page 7)

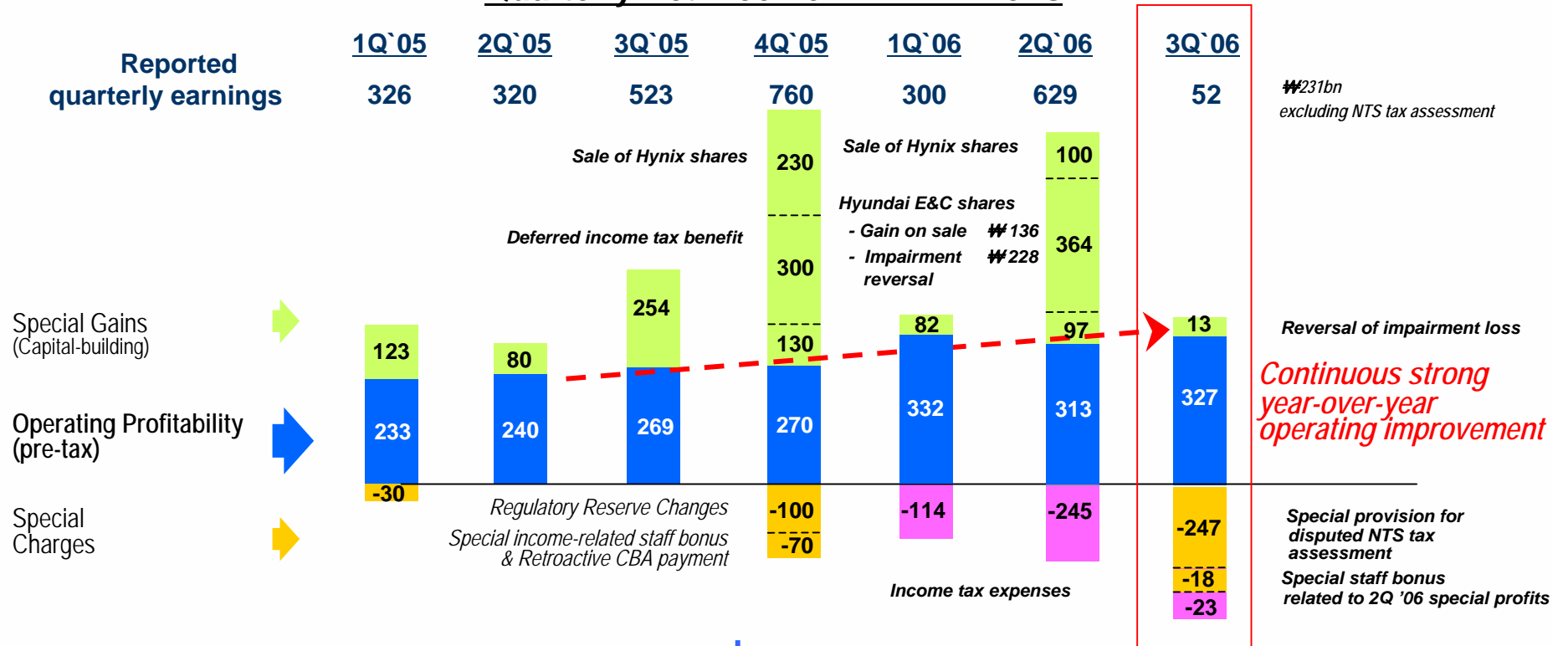
➤ Continued International Recognition

- “2006 Best Bank in Korea” by ‘Euromoney’
- “Top 10 Asian Regional Banks of 7th Annual End User Survey” by ‘Asia Risk’
- “Best Local Bank Trading Korean Won” by ‘Euromoney’
- “Best Local Cash Management Bank in Korea” (voted by medium corporates) by Asiamoney
- “2006 Best Foreign Currency Exchange Bank in Korea” by Asiamoney

Stable, Growing Operating Profitability



Quarterly Net Income - KRW Billions



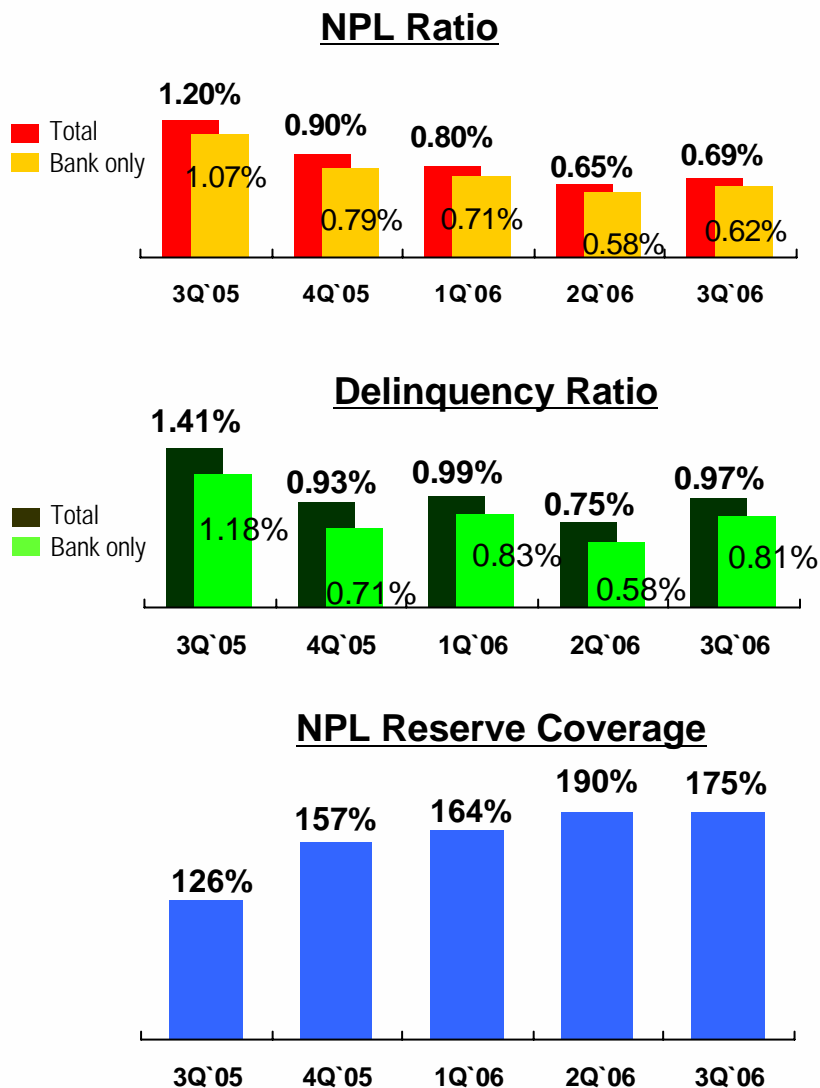
Special Charges (FY`05 ~ 3Q`06) :

	FY`05	1Q`06	2Q`06	3Q`06
Special Income-related Bonuses	50	-	-	18
Retroactive CBA Payments	20	-	-	-
Regulatory Reserve Changes	100	-	-	-
Provision for NTS assessment	-	-	-	247
Special Asset Provision	30	-	-	-

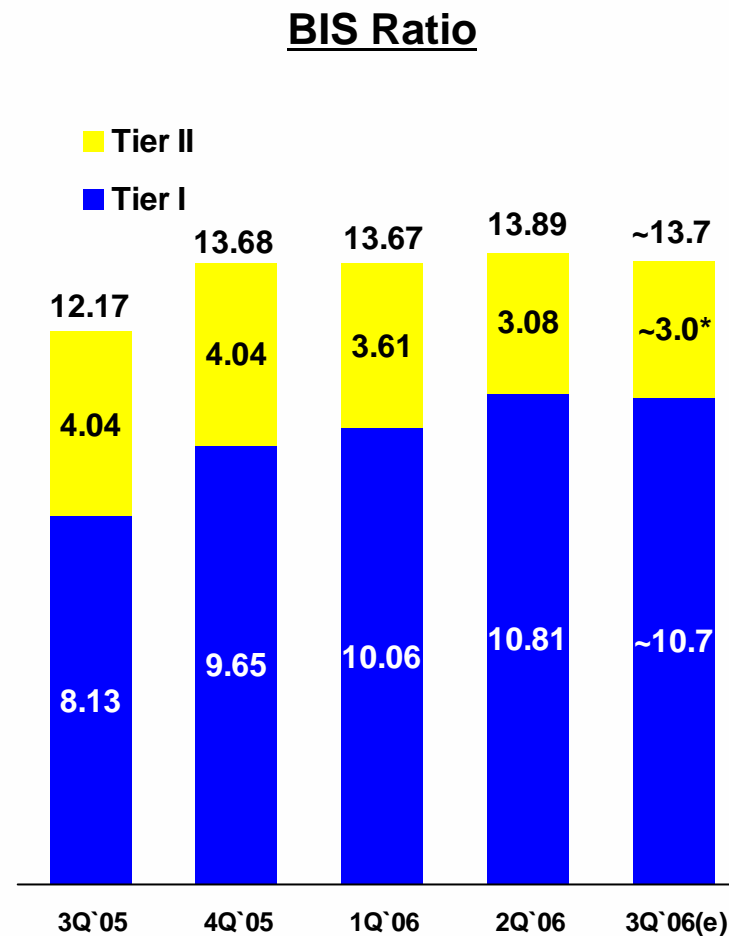
Special Gains (FY`05 ~ 3Q`06) :

	FY`05	1Q`06	2Q`06	3Q`06
Sale of Debt-for-Equity swap positions	422	-	236	-
Reversal of impairment loss	-	11	266	13
Recoveries/Reversals on NPLs	215	24	37	-
Sale of NPLs	147	-	22	-
Sale of CFEB affiliate shares	-	24	-	-
Deferred income tax benefit	300	-	-	-
Others	33	23	-	-

Continued Improvement in Asset Quality



Significant Improvement in Capital Adequacy



* Reflects ~21bps decrease for FSS-mandated change in valuation methodology for listed-but-restricted shares (see page 29)

Profitability

- 1. Summary of Profitability**
- 2. Net Interest Income**
- 3. NIM**
- 4. Fees & Commissions**
- 5. Non Interest Income**
- 6. Total Expenses**
- 7. Provision & Others**

1. Summary of Profitability

(Unit : KRW bn)

	2006									2005		
	9 Months			3Q			2Q			9 Months		
		Bank	Card		Bank	Card		Bank	Card		Bank	Card
Net Interest Income	1,344.5	983.1	361.4	447.0	328.3	118.7	450.8	330.4	120.4	1,211.9	814.6	397.3
Fees & Commissions	350.7	453.2	-102.5	107.9	142.1	-34.2	123.9	160.0	-36.1	341.1	421.0	-79.8
Non Interest Income	132.5	132.2	0.3	58.8	57.9	0.9	40.6	40.9	-0.3	211.9	202.1	9.8
Total Income	1,827.7	1,568.5	259.2	613.7	528.3	85.4	615.3	531.3	84.0	1,764.9	1,437.6	327.2
Total Expenses()	726.5	665.5	61.0	251.6	230.9	20.7	253.7	231.2	22.5	661.5	593.1	68.4
Operating Income	1,101.2	903.0	198.2	362.1	297.4	64.7	361.6	300.1	61.5	1,103.4	844.5	258.8
Impairment Loss, etc.()	-561.7	-557.5	-4.2	-15.4	-11.3	-4.1	-510.9	-510.6	-0.3	-181.8	-187.3	5.5
Income before Provision	1,662.9	1,460.5	202.4	377.5	308.8	68.7	872.6	810.7	61.8	1,285.2	1,031.8	253.4
Provision & Others ()	299.2	293.2	6.0	302.7	300.3	2.4	-0.9	-3.9	3.0	110.9	77.1	33.8
- Add'l loan loss provisioning	19.9	21.5	-1.6	36.7	35.2	1.6	-7.6	-7.8	0.2	54.1	26.0	28.0
- Add'l other provisioning	237.3	233.2	4.1	250.8	250.9	-0.1	0.4	-1.2	1.6	13.8	10.2	3.6
Income before tax	1,363.7	1,167.3	196.4	74.8	8.5	66.4	873.5	814.6	58.9	1,174.2	954.6	219.6
Income tax expense ()	383.6	383.6	-	23.0	23.0	-	245.0	245.0	-	4.8	4.8	-
Net Income	980.2	783.8	196.4	51.8	-14.6	66.4	628.5	569.6	58.9	1,169.4	949.8	219.6

▪ **Record high 9 months operating profitability**

- 980 billion net income through 3Q'06

- Quarterly net income of over 230bn, excluding charge for disputed NTS tax assessment

* 247billion reflected in "Other Provisioning" account in accordance with Korean accounting practice upon receipt of NTS preliminary tax notification please refer to appendix 1 page 27

2. Net Interest Income

(Unit : KRW bn)

	2006				2005	
	9 Months	3Q`06	2Q`06	QoQ	9 Months	Y o Y
Interest Revenue	2,662.7	908.3	890.9	+1.9%	2,392.3	+11.3%
Income on due from banks	32.1	14.7	9.9	+49.3%	18.9	+48.2%
Interest on securities	315.1	93.1	106.7	-12.7%	316.3	+3.3%
Interest Income on loans	2,302.2	795.9	770.0	+3.4%	2,040.9	+11.9%
-Bank	1,858.7	650.1	622.3	+4.5%	1,566.3	+17.9%
-Card	443.5	145.8	147.7	-1.3%	474.6	-7.4%
Others	13.4	4.5	4.4	+2.1%	16.2	-23.2%
Interest Expenses	1,233.5	431.9	412.0	+4.8%	1,119.7	+6.7%
Interest on deposits	739.2	254.3	246.7	+3.1%	699.3	+4.5%
Interest on borrowings	217.8	80.8	72.4	+11.6%	148.0	+46.4%
Interest on debentures	260.4	91.5	87.3	+4.8%	260.0	-9.0%
Others	16.0	5.3	5.6	-4.8%	12.4	+32.0%
Insurance expense for deposits & Contribution for Credit Guarantee Fund (-)	83.8	27.3	28.8	-5.0%	70.5	+19.6%
Other interest income (+/-)	-1.0	-2.0	0.7	U.	9.8	U.
Net Interest Income	1,344.5	447.0	450.8	-0.9%	1,211.9	+12.9%
-Bank	983.1	328.3	330.4	-0.7%	814.6	+23.8%
-Card	361.4	118.7	120.4	-1.4%	397.3	-8.6%

▪ **Bank** : Consistent business performance and solid year-over-year operating improvement

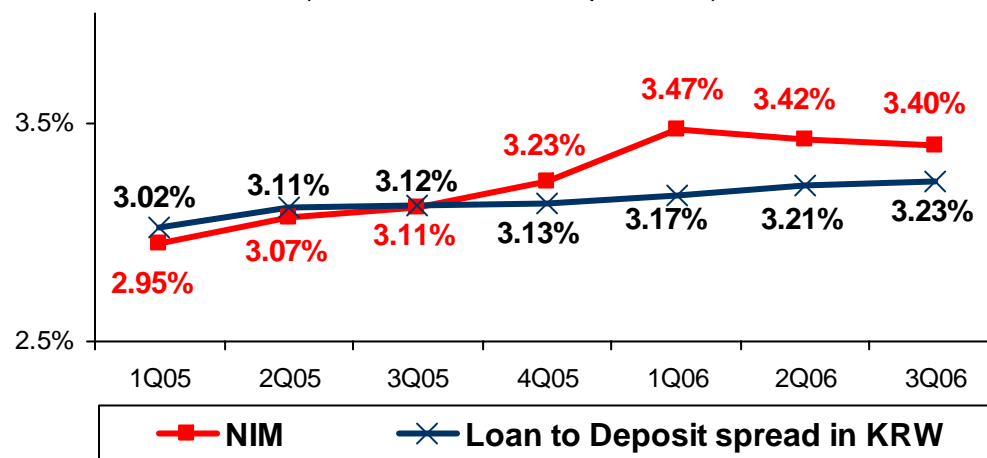
- ✓ Interest Revenue:
 - Loan interest revenue expansion driven by lending asset growth
 - Interest on securities declined with the reduction of low-yield securities, consistent with business plan
- ✓ Interest Expense: Consistent with rising market interest rate environment.

3. Net Interest Margin (NIM)

(Unit : %)

(Accumulated)	2006			2005			
	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net Interest Margin (NIM)	3.40	3.42	3.47	3.23	3.11	3.07	2.95
NIM in KRW	3.99	4.00	4.04	3.69	3.35	3.30	3.04
NIM in Foreign currency	1.34	1.34	1.39	1.62	1.65	1.55	1.70
Loan to Deposit Spread in KRW (a-b)	3.23	3.21	3.17	3.13	3.12	3.11	3.02
Interest rate on Loans in KRW (a)	6.23	6.17	6.10	6.00	5.99	6.02	5.98
Interest rate paid on Deposits in KRW (b)	3.00	2.96	2.93	2.87	2.87	2.91	2.96

Trend of NIM (Accumulated, FSS report base)



* NIM figures prior to 4Q05 adjusted to current calculation standard

Stabilized NIM trend

- Stable NIM trend sustained through disciplined loan and deposit pricing policies in the midst of competitive market environment
- Strong performance further highlighted when excluding interest received from SPC

	1Q'06	2Q'06	3Q'06
Reported	3.47%	3.42%	3.40%
SPC interest	₩17bn	₩6bn	₩4bn
Adjusted	3.33%	3.34%	3.33%

4. Fees & Commissions

(Unit : KRW bn)

		2006				2005	
		9 Months	3Q`06	2Q`06	Q o Q	9 Months	Y o Y
B a n k	Gains from FX transaction	169.9	52.9	58.9	-10.1%	178.5	-4.8%
	- Customer transaction	169.9	52.9	58.9	-10.1%	157.1	+8.1%
	- P/L on valuation of derivatives	n.a.	n.a.	n.a.	n.a.	21.3	n.a.
	Fees & Commissions	283.3	89.2	101.1	-11.8%	242.6	+16.8%
	KRW currency related	146.9	44.6	52.9	-15.7%	106.7	+37.7%
	Foreign currency related	95.0	31.5	33.0	-4.4%	94.7	+0.3%
Others	33.1	4.7	15.2	-68.8%	41.1	-19.6%	
Bank – Total		453.2	142.1	160.0	-11.2%	421.1	+7.6%
Card sector		-102.5	-34.2	-36.1	F.	-79.8	U.
Total		350.7	107.9	123.9	-12.9%	341.2	+2.8%
Fees & Comms. / Total Income (%)							
Total		19.2%	17.6%	20.3%	-2.7%p	19.3%	-0.1%p
Bank Only		28.9%	26.9%	30.3%	-3.4%p	29.3%	-0.4%p

- Gains from F/X transaction:
 - 8.1% increase in YoY the first nine month comparison (Customer transaction)
 - Decrease in QoQ due to seasonal affects and tighter margins in some competitive market segments
 - Beginning from FY2006, only customer transaction item is recognized as gains from FX transaction
- KrW currency related fees & commissions: Very year-over-year growth(+38%) on strong progress in Wealth management and investment product sales.
 - QoQ change reflects temporary slow down in response to local market volatility and geopolitical factors
- Foreign currency related fees & commissions: Steady inflow of 30bn/Quarter level

5. Non Interest Income

(Unit : KRW bn)

	2006				2005	
	9 Months	3Q`06	2Q`06	Q o Q	9 Months	Y o Y
Operating Trust Acct.	18.4	5.9	6.6	-11.3%	18.1	+1.6%
Merchant Acct.	12.1	4.9	3.4	+42.2%	10.3	+17.9%
Trading Profit	56.9	30.5	7.7	+294.6%	39.7	+43.4%
Valuation equity method	31.3	12.6	11.6	+8.5%	30.3	+3.3%
Card sector	0.3	0.9	-0.3	F.	-20.6	F.
NPL sales	8.4	-	8.4	-100%	123.5	-93.1%
Others	5.1	4.0	1.1	+270.2%	10.6	-59.2%
Total	132.5	58.8	40.6	+44.8%	211.9	-37.5%

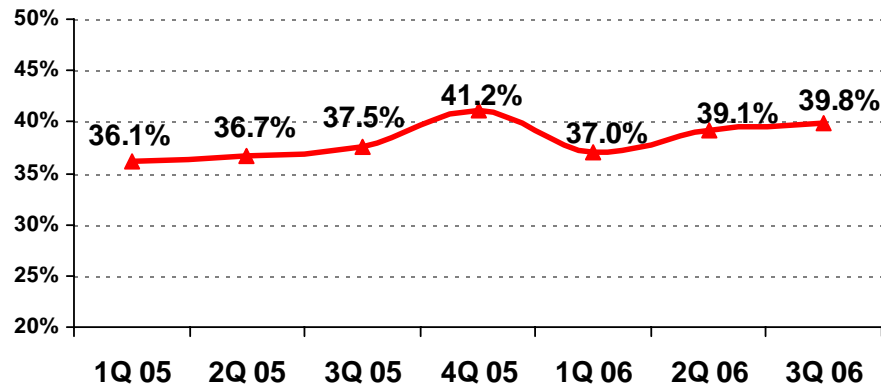
- Trading Profit: QoQ increase of 22.5bn in valuation profit for short-term trading securities account

6. Total Expenses

(Unit : KRW bn)

	2006				2005	
	9 Months	3Q`06	2Q`06	Q o Q	9 Months	Y o Y
Salaries & benefits	439.4	149.1	157.2	-5.2%	388.7	+13.0%
Salaries	334.6	103.6	118.0	-12.2%	307.8	+8.7%
Employee benefits	104.8	45.5	39.2	+16.1%	80.9	+29.5%
Operating Expenses	179.9	63.9	60.0	+6.5%	167.3	+7.5%
Depreciation	82.5	30.0	27.4	+9.5%	81.4	+1.3%
Tax & Dues	24.8	8.6	9.1	-5.2%	24.1	+3.0%
Total	726.5	251.6	253.7	-0.8%	661.5	+9.8%
- Bank	665.5	230.9	231.2	-0.1%	593.1	+12.2%
- Card	61.0	20.7	22.5	-7.9%	68.4	-10.9%

Cost / Income Ratio (Accumulated)



- **Rise in Employee benefits**
 - Special performance staff bonus payment related to 460bn 2Q'06 special income from Hynix and Hyundai E&C : 18bn
 - Lump sum 2006 contribution to internal employee welfare fund: 15bn
- **Cost / Income ratio:** Minor QoQ rise to 39.8%, in line with operating plan

7. Provisions & others

(Unit : KRW bn)

	2006				2005	
	9 Months	3Q`06	2Q`06	Q o Q	9 Months	Y o Y
Loan Loss Provisioning	19.9	36.7	-7.6	U.	54.1	-63.1%
<Bank>	21.5	35.1	-7.8	U.	26.2	-17.9%
Corporate	23.3	34.2	-11.3	U.	3.0	U.
Household	-1.8	0.9	3.5	-74.1%	23.1	F.
<Card>	-1.6	1.6	0.2	U.	27.9	F.
Other Provisioning	237.3	250.8	0.4	U.	13.8	U.
Retirement Allowance	42.0	15.2	6.2	+142.8%	43.1	-2.7%
Total	299.2	302.7	-0.9	U.	111.0	+169.7%

- **Loan Loss provisioning:** Normal provision accumulation and lower level of provision reversal from collection of previous bad assets
- **Other Provisioning:** 247billion reflected in “Other Provisioning” account in accordance with Korean accounting practice upon receipt of NTS preliminary tax notification
please refer to appendix 1 page 27

7-a. Loan Loss Reserves(LLR)

(Unit : KRW bn)

	2006			2005
	9 Months	3Q	2Q	9 Months
Beginning LLR	619.6	580.2	587.5	898.0
Add'l Provisioning	19.9	36.6	-7.6	54.1
Write-offs ()	247.7	72.8	75.0	484.0
Reversal & Others	183.0	30.8	75.2	239.8
Ending LLR *	574.8	574.8	580.2	707.9
NPL Coverage (%)**	175.1%	175.1%	190.2%	126.2%

	Bank				Card			
	2006			2005	2006			2005
	9 Months	3Q	2Q	9 Months	9 Months	3Q	2Q	9 Months
Beginning LLR	520.7	505.7	503.7	653.0	98.9	74.5	83.8	245.0
Add'l Provisioning	21.5	35.1	-7.8	26.1	-1.6	1.5	0.2	27.9
Write-offs ()	144.1	42.1	41.0	231.0	103.6	30.6	34.0	253.0
Reversal & Others	107.8	7.2	50.8	143.6	75.2	23.5	24.4	96.3
Ending LLR *	505.9	505.9	505.7	591.7	68.9	68.9	74.5	116.2
NPL Coverage (%)**	178.2%	178.2%	195.6%	122.8%	154.9%	154.9%	160.8%	144.3%

* LLR consists of reserves on the credits subjected to 'asset quality classification report to FSS' (credits subjected to NPL categories + other credit exposures) and reserves on undeterminable guarantee & acceptance.

** NPL coverage uses only LLR on the credits subjected to NPL categories

- Continued high NPL coverage ratio for both Bank and Card portfolio.

Balance Sheet

- 1. Summarized B/S**
- 2. Loans in Korean Won**
- 3. Deposits in Korean Won**

1. Summarized B/S

(Unit : KRW bn)

	2006.09	Q o Q	2006.06	2006.03	2005.12	Y t D
Cash & Due from Banks	2,504.5	-20.0%	3,130.5	2,615.2	2,880.7	-13.1%
Securities	11,051.7	-4.2%	11,533.1	12,052.8	12,879.2	-14.2%
Loans & Discounts	44,990.9	+2.3%	43,985.1	42,257.6	40,922.0	+9.9%
- Credit Card Receivables	2,322.1	-0.8%	2,341.8	2,325.7	2,260.5	+2.7%
Other Asset	8,420.1	+1.2%	8,316.4	9,026.6	7,152.2	+17.7%
Merchant Banking Accounts	1,939.3	+5.1%	1,845.4	1,240.7	1,116.9	+73.6%
Total Assets	68,906.5	+0.1%	68,810.4	67,192.7	64,951.0	+6.1%
Deposits	36,802.4	-1.4%	37,317.1	36,157.4	38,009.5	-3.2%
Borrowings	7,925.7	-1.0%	8,002.0	7,756.6	6,740.4	+17.6%
Debentures	6,336.8	-1.3%	6,419.4	5,844.1	5,930.7	+6.8%
Other liabilities	9,515.6	+1.7%	9,355.7	10,603.2	7,522.6	+26.5%
Merchant Banking Acct.	2,054.6	+37.3%	1,496.3	974.2	1,090.1	+88.5%
Shareholders' Equity	6,271.4	+0.8%	6,219.8	5,857.2	5,657.7	+10.8%
Liabilities & Shareholders' Equity	68,906.5	+0.1%	68,810.4	67,192.7	64,951.0	+6.1%

- **Assets :**

- Loans & Discounts: +2.3% QoQ increase, and +9.9% increase compared to End-2005 balance
- Securities: Continuous reduction of short-term/low-yield securities consistent with business plan
- Total Assets : 0.1% QoQ rise as increase of Loans & Discounts was off-set by decrease of Due from banks and Securities

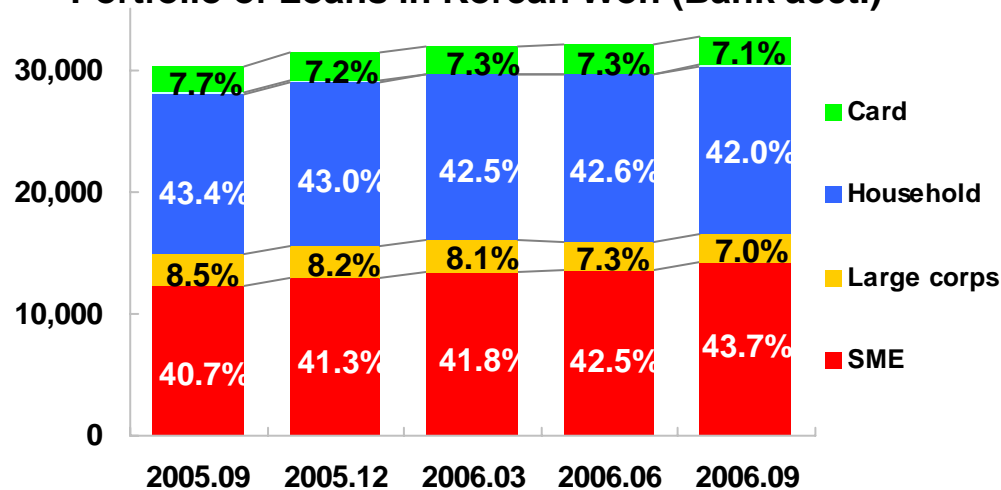
- **Liabilities & Shareholders' Equity :**

- Deposits, Borrowings, and Debentures remain at similar level as previous quarter in-line with steady Total Assets volume trend

2. Loans in KRW (Banking Acct. + Card)

(Unit : KRW bn)	2006.09	2006.06	Q o Q	2005.12	Y t D	2005.09	Y o Y
Household	13,739.1	13,633.4	+0.8%	13,488.5	+1.9%	13,102.1	+4.9%
SMEs	14,292.5	13,594.7	+5.2%	12,938.1	+10.5%	12,304.1	+16.2%
Large Corp.	2,287.6	2,336.2	-1.9%	2,554.9	-10.5%	2,580.9	-11.4%
Public & Others	80.7	89.7	-9.9%	90.8	-11.1%	67.9	+18.8%
Sub total	30,399.9	29,654.0	+2.5%	29,072.3	+4.6%	28,055.1	+8.4%
Credit Card	2,322.1	2,341.8	-0.8%	2,260.5	+2.7%	2,160.9	+7.5%
Total	32,722.0	31,995.8	+2.3%	31,332.7	+4.4%	30,216.0	+8.3%

Portfolio of Loans in Korean Won (Bank acct.)



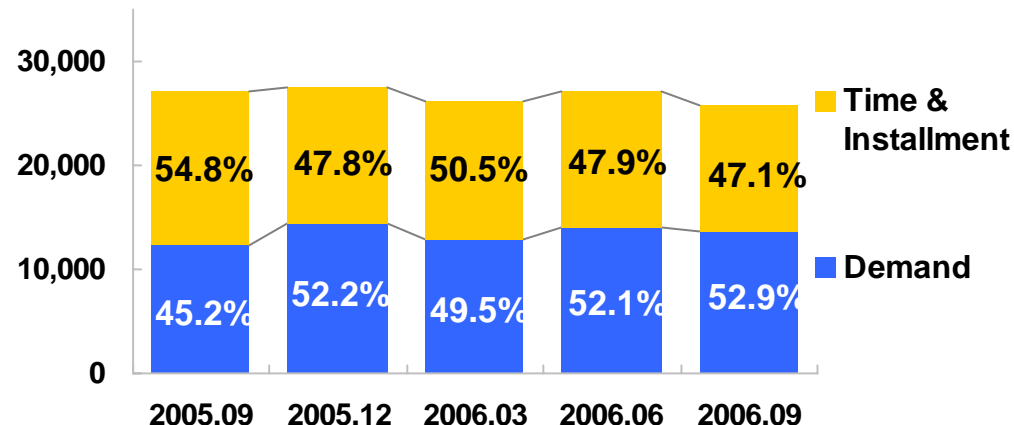
- **SMEs:** Continuous growth from focused customer segmentation marketing to high quality companies
- **Large Corporate:** KrW loan demand remains stagnated showing QoQ decline
- **Household:** While slow-down in housing-related loans was relieved, personal loans hauled increase of the portfolio
- **Card:** Minor decline compare to previous quarter

3. Deposits in KRW (Banking Acct.)

(Unit : KRW bn)

	Relative Cost	2006.09	2006.06	Q o Q	2005.12	Y t D	2005.09	Y o Y
Demand Deposits	Lower	13,632.3	14,103.5	-3.3%	14,355.7	-5.0%	12,272.0	+11.1%
Savings deposit	Lower	5,566.9	5,760.7	-3.4%	6,003.5	-7.3%	5,773.1	-3.6%
Regular deposit	Lower	1,289.7	2,131.5	-39.5%	1,195.1	+7.9%	1,133.5	+13.8%
Corporate free savings deposit	Low	5,463.3	5,029.3	+8.6%	5,442.5	+0.4%	3,794.9	+44.0%
Others	Lower	1,312.4	1,181.9	+11.0%	1,714.7	-23.5%	1,570.5	-16.4%
Time & Installment Deposits	Higher	12,151.9	12,986.2	-6.4%	13,138.3	-7.5%	14,907.8	-18.5%
Total Deposits in KRW	-	25,784.2	27,089.7	-4.8%	27,494.0	-6.2%	27,179.7	-5.1%

Composition of Deposits in KRW (Banking Acct.)



▪ **Disciplined deposit management and pricing**

- Demand Deposits: 3Q06 balance maintained at average ongoing level following the withdrawal of funds held in connection with proceeds of 2Q'06 Hynix stock offering transaction (approx. ₩1.0tr)
- Time & Installment Deposits: Modest decline resulting from pricing discipline

Asset Quality

- 1. Asset Quality**
- 2. Delinquency**

1. Asset Quality

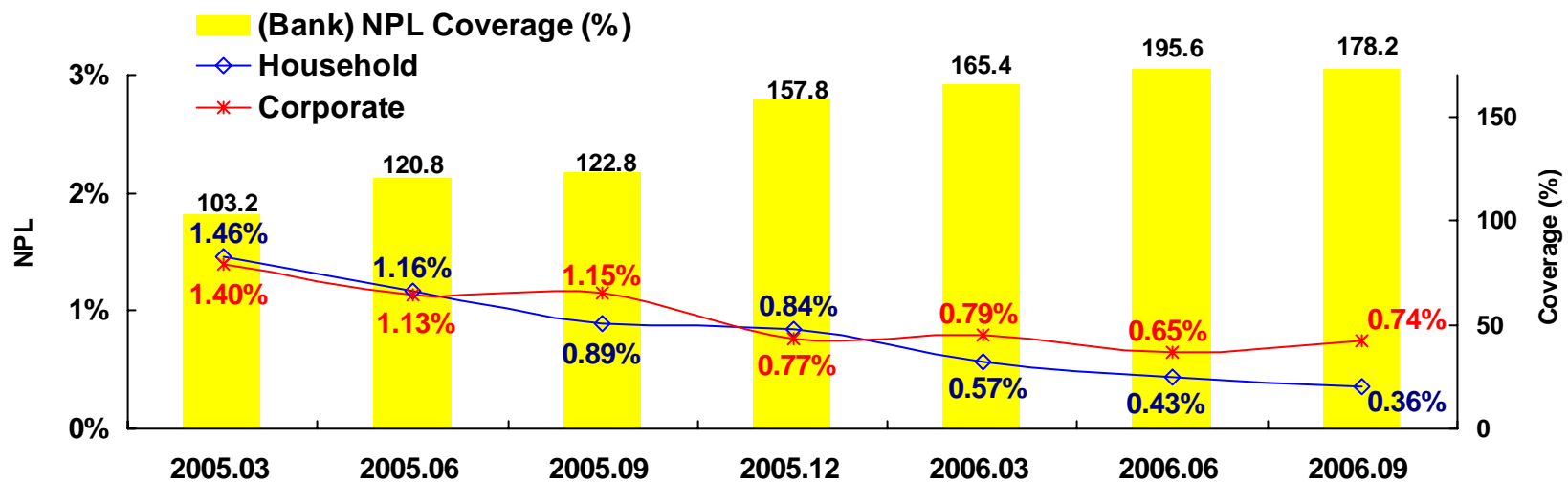
(Unit : KRW bn)	2006.09		2006.06		2006.03		2005.12		2005.09	
		(Ex. Card)		(Ex. Card)		(Ex. Card)		(Ex. Card)		(Ex. Card)
Normal	46,565.1	44,343.0	45,632.6	43,400.7	43,602.4	41,403.0	42,628.0	40,370.0	41,800.5	39,711.3
Precautionary	452.2	395.4	430.9	365.8	456.0	381.3	458.3	367.2	495.5	384.9
Substandard	177.6	177.6	174.1	174.1	220.1	220.1	229.9	229.9	326.5	326.5
Doubtful	76.1	35.5	67.8	26.4	75.5	27.8	91.5	34.8	118.4	45.0
Estimated Loss	70.7	66.8	59.4	54.5	58.3	52.8	67.9	60.7	68.0	60.8
Total Credits	47,341.7	45,018.3	46,364.8	44,021.5	44,412.3	42,085.0	43,475.5	41,062.5	42,808.9	40,528.5
Substandard & Below (NPL) (%)	0.69%	0.62%	0.65%	0.58%	0.80%	0.71%	0.90%	0.79%	1.20%	1.07%
Precautionary & Below (%)	1.64%	1.50%	1.58%	1.41%	1.82%	1.62%	1.95%	1.69%	2.36%	2.02%
Loan Loss Reserve	567.8	506.5	573.2	498.7	581.4	497.6	612.1	513.2	647.2	531.0
NPL Coverage (%)	175.0%	181.0%	190.2%	195.6%	164.2%	165.4%	157.3%	157.8%	126.2%	122.8%
Precautionary & Below Coverage (%)	73.1%	75.0%	78.3%	80.3%	71.8%	73.0%	72.2%	74.1%	64.2%	65.0%

- Maintaining strong overall asset quality

1. Asset Quality – NPL & Coverage by Sector

(Unit : KRW bn)	Household					Corporate				
	`06.09	`06.06	`06.03	`05.12	`05.09	`06.09	`06.06	`06.03	`05.12	`05.09
Total Credit	13,908.4	13,773.6	13,714.1	13,598.8	13,200.8	31,109.9	30,247.9	28,370.9	27,463.7	27,327.7
Substandard & below	50.3	59.4	77.9	114.9	116.9	229.6	195.6	222.9	210.4	315.5
Substandard & below ratio (NPL Ratio)	0.36%	0.43%	0.57%	0.84%	0.89%	0.74%	0.65%	0.79%	0.77%	1.15%
Loan Loss Reserves	131.4	136.9	141.8	152.5	146.3	367.4	361.8	355.8	360.7	384.7
NPL Coverage(%)	261.3%	230.5%	182.0%	132.7%	125.2%	160.0%	185.0%	159.6%	171.4%	121.9%

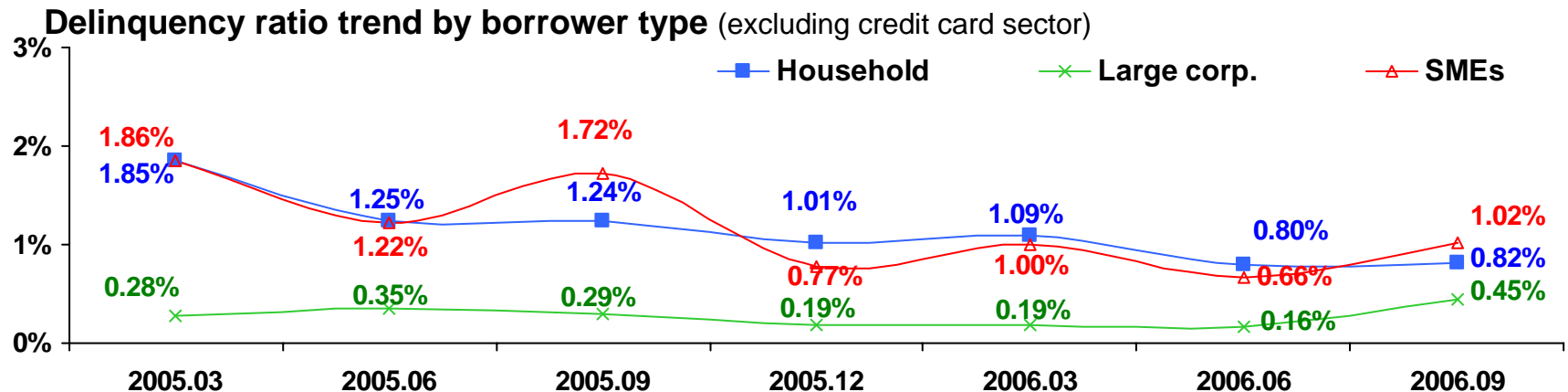
Trend of NPL ratio by type (Excluding Credit Card)



2. Delinquency

(Unit : KRW bn)

Reported basis	2006.09	Q o Q	2006.06	2006.03	2005.12	2005.09
Bank	0.81%	+0.23%p	0.58%	0.83%	0.71%	1.18%
Household	0.82%	+0.02%p	0.80%	1.09%	1.01%	1.24%
SME	1.02%	+0.36%p	0.66%	1.00%	0.77%	1.72%
Large corp./ Others	0.45%	+0.29%p	0.16%	0.19%	0.19%	0.29%
Card	3.85%	+0.09%p	3.76%	3.85%	4.30%	5.17%
Normal book	3.74%	+0.14%p	3.60%	3.65%	4.00%	4.69%
Re-aged book	10.57%	-1.36%p	11.93%	11.45%	13.23%	15.24%
Total delinquency ratio	0.97%	+0.22%p	0.75%	0.99%	0.93%	1.41%
Total delinquent amount	431.5	+32.0%	326.9	417.8	379.3	566.4
Bank	342.0	+43.3%	238.7	328.1	275.6	448.6
Card	89.5	+1.5%	88.2	89.7	103.7	117.8
Total receivables	44,565.7	+2.1%	43,660.8	42,025.6	40,977.6	40,218.8
Bank	42,242.3	+2.2%	41,317.5	39,698.3	38,564.6	37,938.4
Card	2,323.4	-0.8%	2,343.3	2,327.3	2,413.0	2,280.4

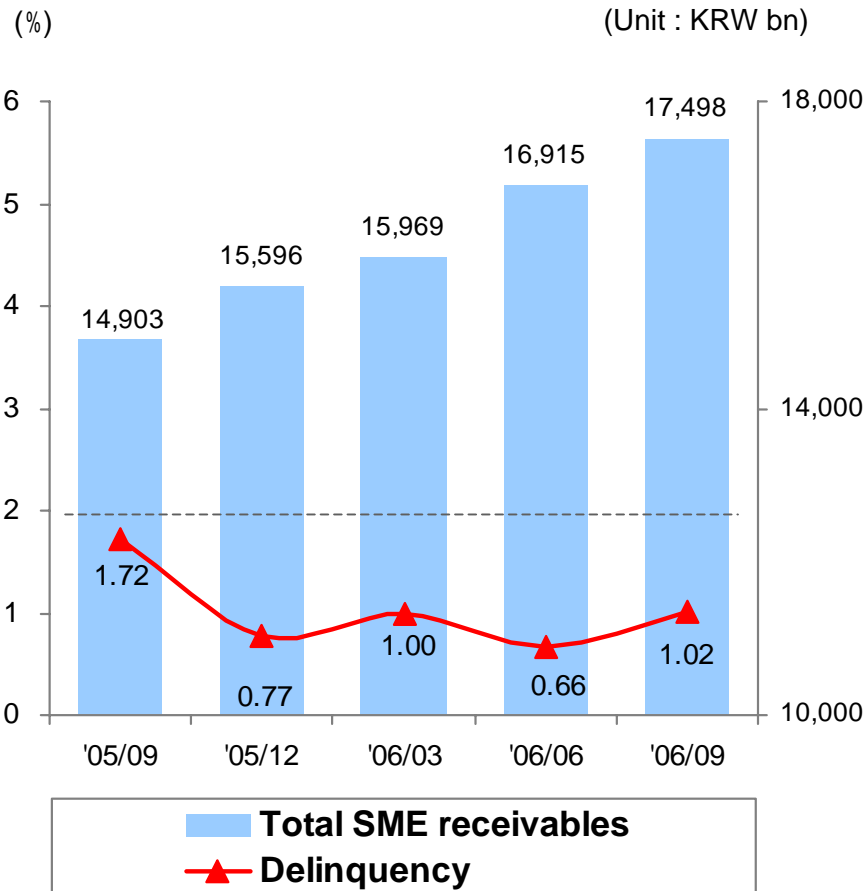


Special Topics

- 1. SME loans**
- 2. Household loans**
- 3. FX & Trade Finance**
- 4. Shareholding Structure**

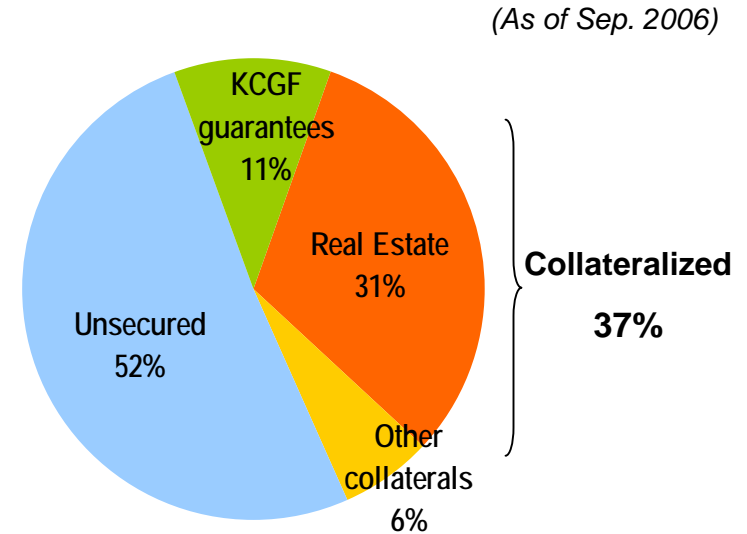
1. SME loans

Total SME loan receivables & delinquency ratio



- Consistent, steady growth in SME loan volume
- Sustained stable control of SME delinquency
 - Low and manageable unsecured exposure delinquency- reflected quality of KEB's SME customers
 - Guaranteed book - Despite the relatively high delinquency, loss severity is low (KCGF backstops 80%~90% of guaranteed amount)

SME loans in KRW by collateral type



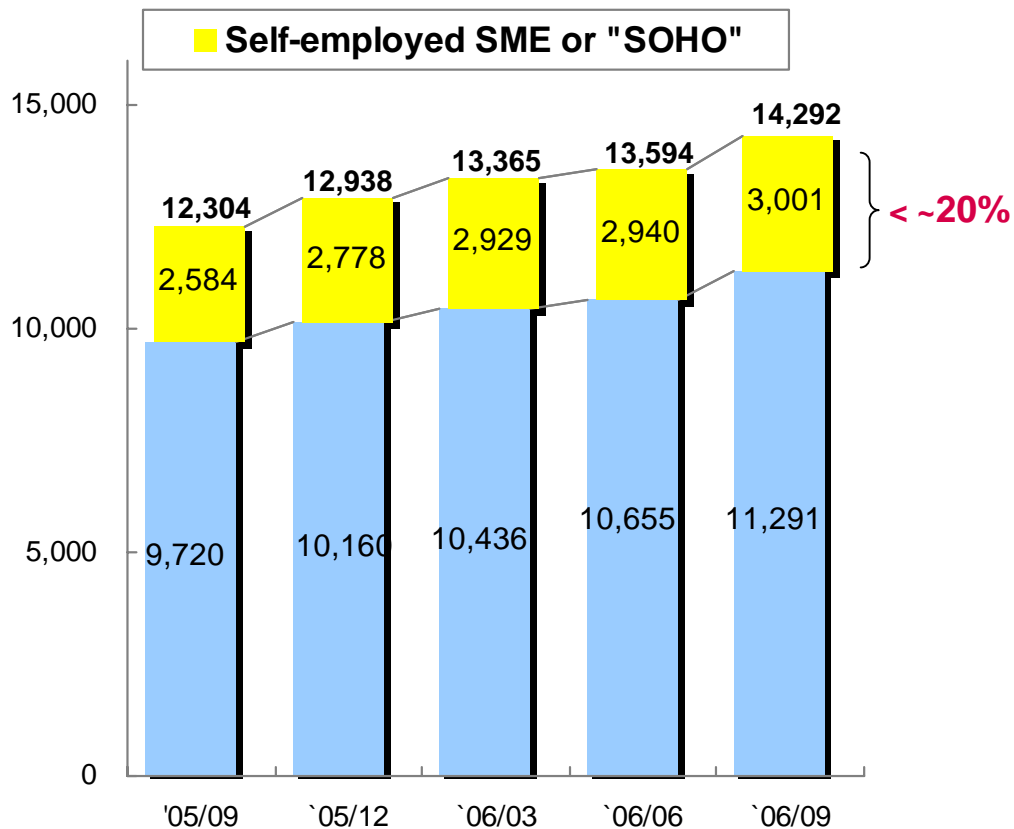
SME Delinquency ratio (Loans in KRW)

	'06.09	'06.06	'06.03	'05.12	'05.09
- Unsecured	0.41%	0.39%	0.42%	0.26%	0.49%
- Guaranteed	2.93%	1.77%	2.41%	3.08%	5.56%
- Collateralized	1.67%	0.82%	1.56%	1.00%	2.64%
Total	1.16%	0.72%	1.09%	0.86%	1.96%

1. SME Loans

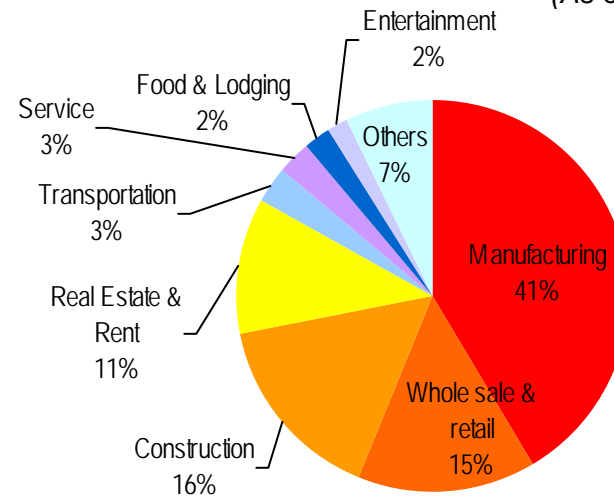
Self-employed SME % of SME loans in KRW

(Unit : KRW bn)



SME loans in KRW by Industries

(As of Sep. 2006)



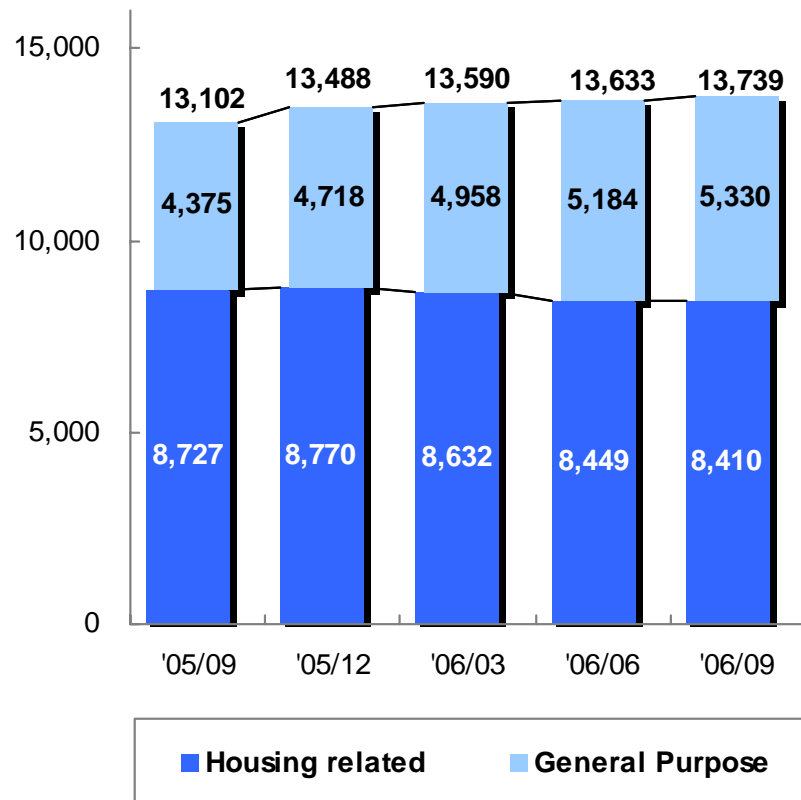
Industry	Delinquency				
	'06.09	'06.06	'06.03	'05.12	'05.09
Manufacturing	1.02%	0.81%	0.95%	0.85%	1.81%
Whole sale & retail	1.43%	0.78%	0.88%	0.89%	1.52%
Construction	0.80%	0.63%	0.62%	0.49%	1.45%
Real Estate & Rent	1.15%	0.45%	1.96%	0.68%	3.09%
Transportation	0.55%	0.07%	0.73%	0.11%	0.96%
Service	2.49%	1.56%	1.08%	1.61%	2.72%
Food & Lodging	3.42%	0.48%	1.91%	1.37%	1.66%
Entertainment	0.66%	0.07%	2.27%	1.22%	4.11%
Others	1.40%	0.77%	1.42%	1.41%	2.65%

2. Household Loans

Trend of Household loans

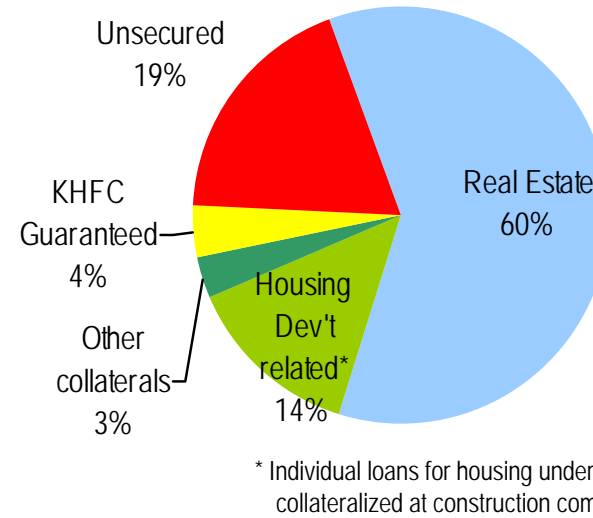
(Unit : KRW bn)

(Loans in KRW banking acct.)



Household loans by collateral type

(As of Sep. 2006)



- Slow down of household loan growth driven by government real estate regulation/policy
- Housing-related loans reduction is concentrated in lower margin “group loans” for new housing development projects

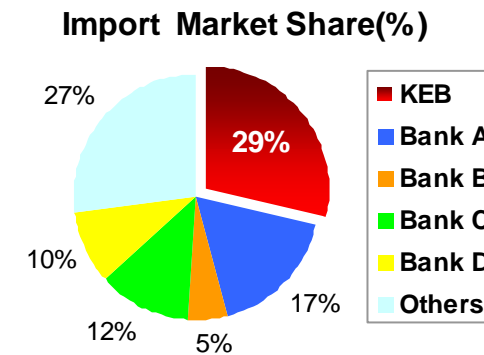
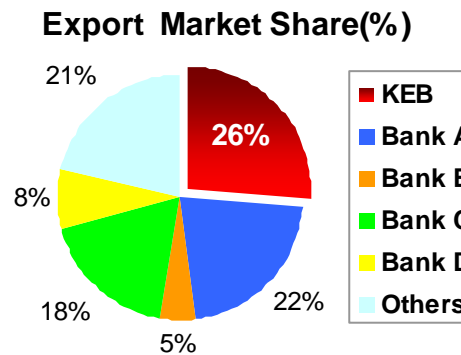
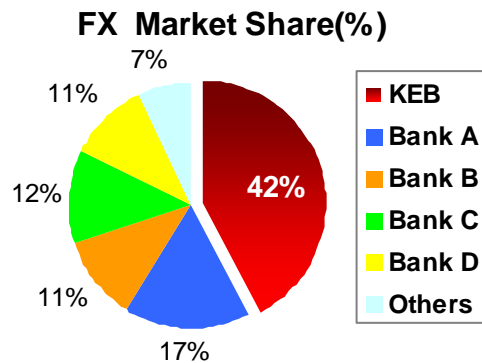
1Q`06 2Q`06 3Q`06
17% 15% 14% of portfolio

- Good growth in high quality personal loans

3. Market leadership in F/X & Trade finance

Strong market leadership

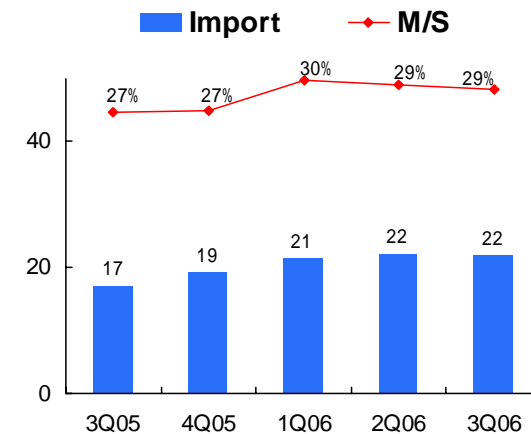
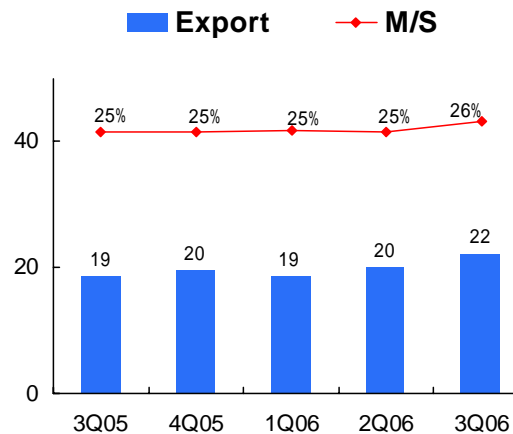
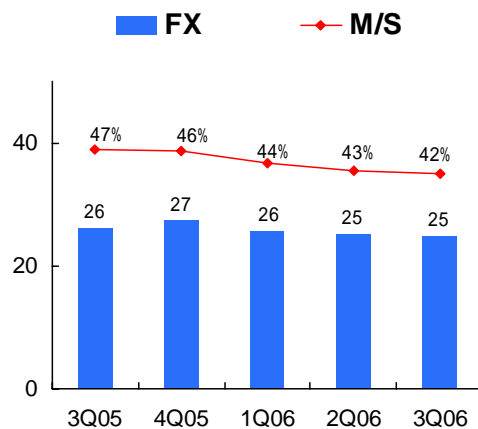
(Jan. ~ Sep. 2006)



• Market Share : F/X based on top 7 domestic banks' transactions / Export, Import based on nationwide trade volume of Korea

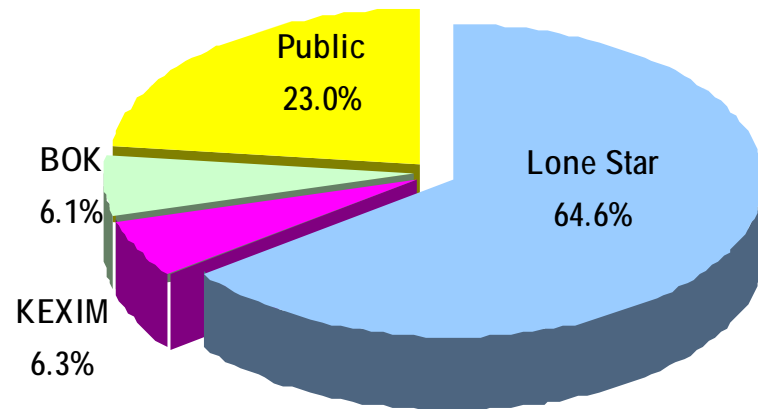
Trend of trading volume & market share

(Unit : USD billion, %)



4. Shareholding Structure

Shareholders' Structure



(As of Sep. 2006)

Shareholder	Number of shares	Share (%)
Lone Star	416,750,000	64.62%*
KEXIM	40,314,387	6.25%
BOK	39,500,000	6.12%
Others	148,342,439	23.00%
Total	644,906,826	100.0%

* Acquired additional 14.1% stake by exercising call options to Commerz Bank and KEXIM (May 30, '06)

Capital Structure Improved amount & quality

(As of Sep. 2006)

(Unit : KRW bn)

	2006.09	2006.06	QoQ
Paid-In Capital	3,224.5	3,224.5	-
Capital Surplus	0.9	0.4	+0.5
Retained Earnings	1,975.2	1,923.9	+51.3
Capital Adjustment	1,070.7	1,071.0	-0.3
Unrealized gain on investment securities.	1,051.9**	1,053.6	-1.7
Stock option	18.8	17.4	+1.4
Total Shareholders' Equity	6,271.4	6,219.8	+51.6
<i>Book value Per Share</i>	₩ 9,725	₩ 9,645	+ ₩ 80

** Reflects ₩ 248bn decrease for FSS-mandated change in valuation methodology for listed-but-restricted shares (see page 29)

Appendix 1 : Provision for NTS notification of tax assessment

- National Tax Service (NTS) issued a preliminary notification of tax assessment following the official tax audit for KEB's FY2001~FY2004.
- Regardless of the merits of the assessed items or the probability of winning appeals, companies are required under Korean accounting regulations to recognize the full liability of the preliminary tax assessment in their financial statements. (Reference FSS Q&A 8360-00468).
- KEB's preliminary tax assessment totaled **W311bn**
 - ✓ Impact on KEB's P&L, after effect of deferred tax and NOL: **W247bn**
 - ✓ Recorded as "Other Provision" in 3Q06. *Reduced net income by W179bn*
 - ✓ To be recorded as tax expense upon final assessment. *Reduces net income by additional W68bn in 4Q06.*
- KEB disagrees with NTS assessment items totaling W294 bn
 - ✓ Largest item – W215bn – related to tax treatment of KEBCS loan loss reserve in 2004 is particularly unreasonable (*refer to following page*)
- KEB has filed for formal re-examination of the preliminary notification to NTS (mandatory first step of appeals process), and will pursue all necessary legal appeals.

Appendix 1-a : Tax assessment – KEBCS Loan Loss Provision

Background

- Korean Tax Code provides specific language to determine the deduction for loan loss provisions on a company’s income tax return in a given year:
 - General method: Deduct the larger of
 - 2% of loss provisioned loan amount
 - ratio of actual write-offs / prior period loan amount
 - or financial institutions **may apply**
 - Standard Ratio method: Deduct the loan loss provision amount according to FSS-specified guideline

History

- For FY2004, the ‘general method’ was used for KEBCS tax return, as had been done consistently since FY2000.
- Loan loss provisions in excess of the KEBCS deducted amount were carried over through the merger to KEB.
 - Carried-over loan loss provisions were then eligible for deduction on the bank’s tax return.
 - KEB recognized this deduction in 2004 as the bank wrote off more than **W 2 trillion** of bad card receivables

Dispute with the NTS

KEBCS Loan Loss Provision at merger: **1,479bn** ①

KEBCS Loan loss provision deduction limit		②	Loan loss prov. Carry-over to KEB (-)
General method	Larger of: 2% of loss provisioned loan amount	83 ✓ (As filed)	1,396 (As filed)
	Actual write-off ratio	-0-	
Optional:	FSS standard ratio	701	778



NTS Claim - The general method was intentionally used to maximize LLP carry-over and KEB tax benefits... FSS standard ratio should have been selected

Carry-over difference	W 618bn
Tax @ 27.5%	W 170bn
+ Penalty Tax	<u>45bn</u>
Total Assessment	W 215 bn

KEB Position – with firm opinions of tax and legal advisors

- The bank complied fully with the tax code, which provides two clear alternatives to taxpayers.
- There is no rationale to apply a new, different method from that which has been consistently applied, and which results in paying more tax than is otherwise due.
- There is no valid basis for NTS to assess additional tax for this item.

Appendix 2 : Change in valuation methodology for listed-but-restricted shares

1. Background

- FSS-mandated change in valuation methodology

Before	After
- Price valued by reasonable valuation model or independent & special institutes * KEB applied its own model based on liquidity discount from current trading value	- Independent valuation established by special institutes must be used by all banks * KBP(Korea Bond Pricing) was designated by 'Korea Federation of Banks' as one of the independent & special institutes

2. Impact of changes in valuation methodology

- 1) Difference in valuation of listed-but-restricted shares as of September 30, 2006

(Unit: KrW bn)

Stocks	Valuation by market price	KEB(A)	KBP(B)	Change(B-A)
Hynix	1,408	1,349	1,188	-161
Hyundai E&C	701	695	600	-95
SK networks	215	203	135	-68
Others	100	98	80	-18
Total	2,424	2,345	2,003	-342

- 2) Impact

(Unit: KrW bn)

	Implementation impact	Amount
Assets on B/S	Decrease in available-for-sale stocks in accordance with reduction of valuation gain caused by the difference with applying prices	-342
Shareholders' equity on B/S	Decrease in unrealized gain on investment securities : reduction of valuation gain (1 – tax rate 27.5%)	-248
BIS Ratio		
Risk-weighted Assets	100% of decrease in available-for-sale stocks	-342
Tier Capital	Decrease in unrealized gain on investment securities × 45%	-112
P/L	None	-

21bp decrease in Tier ratio