



*Smart & Profitable Growth*

# *KEB Operating Results for 1H 2006*

*August 2006*

## Contents

- Overview
- Profitability
- Balance Sheet
- Asset Quality
- Special Topics

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.

# 1H`06 Highlights

## ➤ Record high semi-annual earnings

- ₩928 billion net income through 2Q`06
- Sustained normal quarterly profit of over 300bn(pre-tax) before one-time special income items

## ➤ Continued special profit contributions continue to build and improve quality of capital base

- Hyundai E&C (Reversal of impairment loss, partial disposal of stocks): 364bn
- Hynix (Partial disposal of stocks): 100bn

## ➤ Continuous capital reinforcement while maintaining disciplined asset quality control

	Jun.`05	Dec.`05	Jun.`06
BIS Ratio (Tier I)	11.07% (7.19%)	13.68% (9.65%)	~14.3% (e) (~11.2%)
NPL Ratio	1.32%	0.90%	0.65%
Delinquency Ratio	1.32%	0.93%	0.75%
NPL Coverage Ratio	124%	157%	190%

## ➤ Steady loan asset growth

	4Q`05	1Q`06	2Q`06	1H Growth
Total Loans (Average bal.)	35.2 tr.	36.2 tr.	36.7tr.	+4.3%

## ➤ Outstanding international recognitions as the best bank in Korea

- ✓ “2006 Best Bank in Korea” by ‘Euromoney’
- ✓ “Top 10 Asian Regional Banks of 7<sup>th</sup> Annual End User Survey” by ‘Asia Risk’
- ✓ “Best Local Bank Trading Korean Won” by ‘Euromoney’
- ✓ “Best Domestic Provider for Structured Currency Products in Korea” by Asiamoney
- ✓ “Best Local Cash Management Bank in Korea” (voted by medium corporates) by Asiamoney

## ➤ Early graduation of ‘Hyundai E&C’ from Workout program (May 2006)

- Improvement in financial quality and profitability induced early termination of workout program that began in March 2001

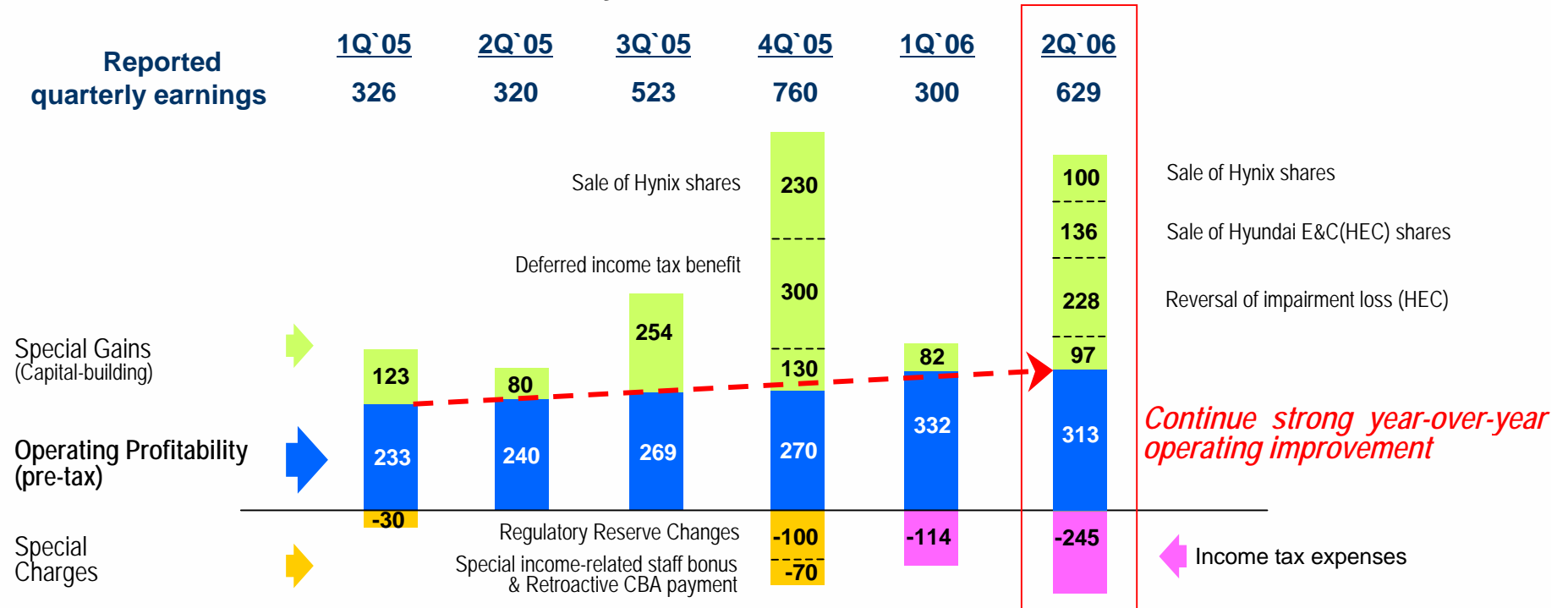
## ➤ Key Financial Indicators

(Annualized)	1H`05	FY`05	1H`06
- ROA	2.08%	3.05%	2.84%
- ROE	35.63%	43.97%	31.00%
- BPS	₩ 5,985	₩8,773	₩ 9,645

# Stable, Growing Operating Profitability



## Quarterly Net Income - KRW Billions



### Special Charges (FY`05 ~ 2Q`06) :

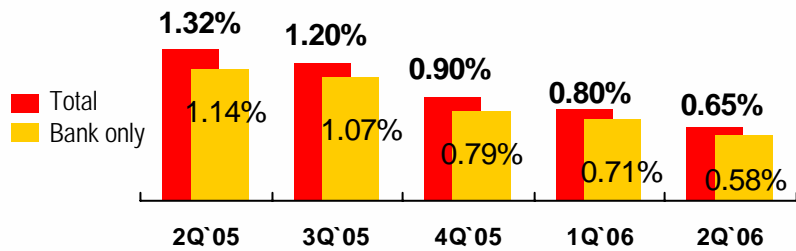
	FY`05	1Q`06	2Q`06
Special Income-related Bonuses	50	-	-
Retroactive CBA Payments	20	-	-
Regulatory Reserve Changes	100	-	-
Special Asset Provision	30	-	-

### Special Gains (FY`05 ~ 2Q`06) :

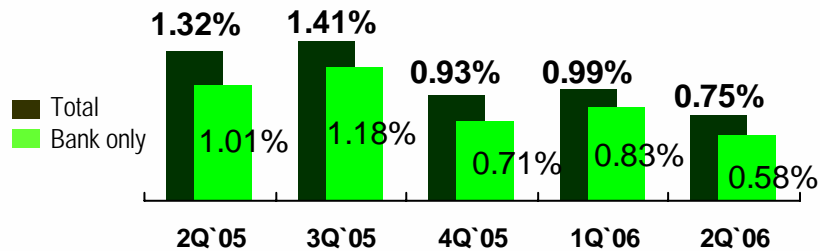
	FY`05	1Q`06	2Q`06
Sale of Debt-for-Equity swap positions	422	-	236
Reversal of impairment loss	-	11	266
Recoveries / Reversals on NPLs	215	24	37
Sales of NPLs	147	-	22
Sale of CFEB affiliate shares	-	24	-
Deferred income tax benefit	300	-	-
Others	33	23	-

## Continued Improvement in Asset Quality

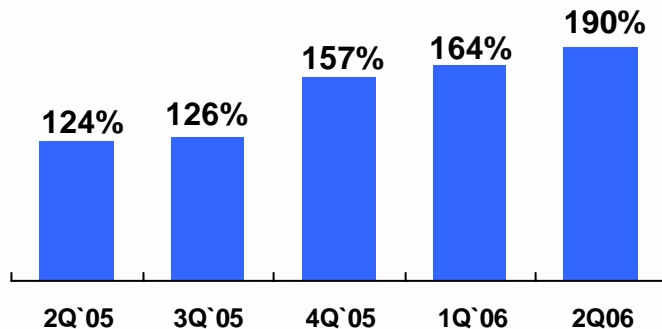
### NPL Ratio



### Delinquency Ratio

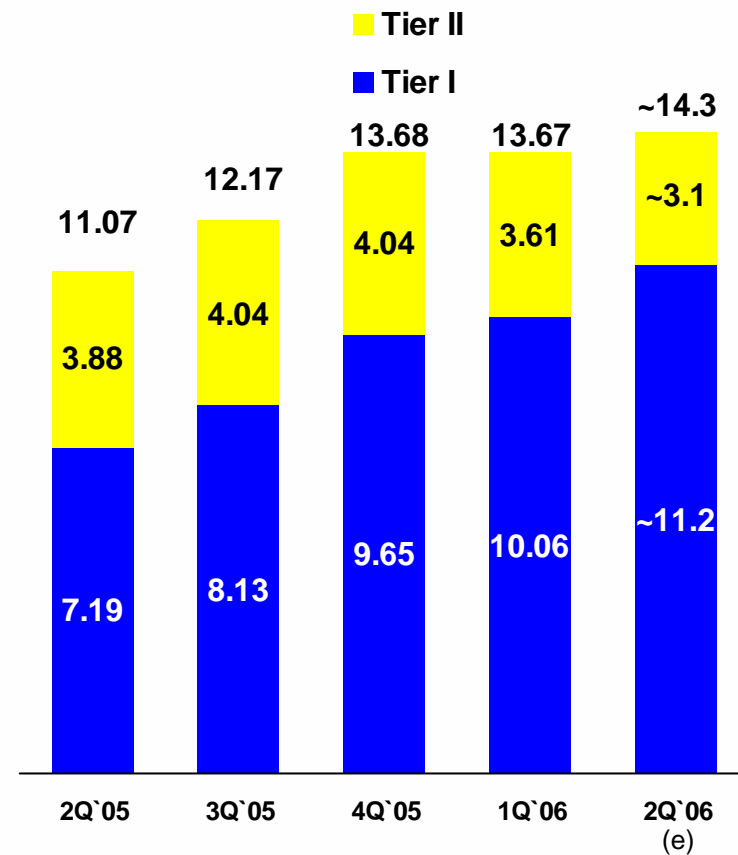


### NPL Reserve Coverage



## Significant Improvement in Capital Adequacy

### BIS Ratio



## 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		
	1H	2Q		1Q			1H					
	Bank	Card	Bank	Card	Bank	Card	Bank	Card	Bank	Card		
Net Interest Income	897.5	654.8	242.7	450.8	330.4	120.4	446.7	324.4	122.3	794.8	529.2	265.6
Fees & Commissions	243.7	312.0	-68.3	124.8	160.9	-36.1	118.9	151.1	-32.2	222.1	275.5	-53.5
Non Interest Income	72.8	73.4	-0.6	39.7	40.0	-0.3	33.1	33.4	-0.3	153.3	135.3	18.0
<b>Total Income</b>	<b>1,214.1</b>	<b>1,040.2</b>	<b>173.8</b>	<b>615.3</b>	<b>531.3</b>	<b>84.0</b>	<b>598.7</b>	<b>508.8</b>	<b>89.8</b>	<b>1,170.2</b>	<b>940.0</b>	<b>230.1</b>
Total Expenses( )	475.0	434.7	40.3	253.7	231.2	22.5	221.3	203.4	17.8	429.6	383.1	46.5
Operating Income	739.1	605.5	133.5	361.6	300.1	61.5	377.4	305.4	72.0	740.6	556.9	183.6
Impairment Loss, etc.( )	-546.3	-546.2	-0.1	-510.9	-510.6	-0.3	-35.4	-35.6	0.2	6.6	1.1	5.5
Income before Provision	1,285.4	1,151.7	133.7	872.6	810.7	61.8	412.8	341.0	71.8	734.0	555.8	178.2
Provision & Others ( )	-3.5	-7.1	3.6	-0.9	-3.9	3.0	-2.5	-3.2	0.6	85.0	60.9	24.1
- Add'l loan loss provisioning	-16.8	-13.6	-3.1	-7.6	-7.8	0.2	-9.2	-5.9	-3.3	45.9	26.4	19.5
- Add'l other provisioning	-13.5	-17.7	4.2	0.4	-1.2	1.6	-13.9	-16.5	2.6	10.1	7.1	3.0
Income before tax	1,288.9	1,158.8	130.1	873.5	814.6	58.9	415.4	344.2	71.2	649.0	494.9	154.0
Income tax expense ( )	360.5	360.5	-	245.0	245.0	-	115.5	115.5	-	3.0	3.0	-
<b>Net Income</b>	<b>928.4</b>	<b>798.3</b>	<b>130.1</b>	<b>628.5</b>	<b>569.6</b>	<b>58.9</b>	<b>299.8</b>	<b>228.7</b>	<b>71.2</b>	<b>646.0</b>	<b>491.9</b>	<b>154.0</b>

▪ **Record high semi-annual earnings :**

- ₩928 billion net income thru 2Q`06
- Sustained normal quarterly profit of over 300bn(pre-tax) before one-time special income items

▪ **Continued special profit contributions continue to build and improve quality of capital base**

- Hyundai E&C (Reversal of impairment loss, partial disposal of stocks): 364bn
- Hynix (Partial disposal of stocks): 100bn

## 2. Net Interest Income

(Unit : KRW bn)

	2006				2005	
	1H	2Q`06	1Q`06	QoQ	1H	Y o Y
<b>Interest Revenue</b>	<b>1,754.5</b>	<b>890.9</b>	<b>863.6</b>	+3.2%	<b>1,584.5</b>	+10.7%
Income on due from banks	17.3	9.9	7.5	+31.9%	11.7	+48.2%
Interest on securities	221.9	106.7	115.3	-7.5%	214.8	+3.3%
Interest Income on loans	1,506.3	770.0	736.3	+4.6%	1,346.4	+11.9%
-Bank	1,208.6	622.3	586.3	+6.1%	1,025.0	+17.9%
-Card	297.7	147.7	150.0	-1.6%	321.5	-7.4%
Others	8.9	4.4	4.5	-0.9%	11.6	-23.2%
<b>Interest Expenses</b>	<b>801.5</b>	<b>412.0</b>	<b>389.5</b>	+5.8%	<b>751.2</b>	+6.7%
Interest on deposits	485.0	246.7	238.3	+3.5%	463.9	+4.5%
Interest on borrowings	137.0	72.4	64.5	+12.2%	93.6	+46.4%
Interest on debentures	168.9	87.3	81.7	+6.8%	185.7	-9.0%
Others	10.6	5.6	5.0	+11.4%	8.1	+32.0%
Insurance expense for deposits & Contribution for Credit Guarantee Fund ( - )	56.4	28.8	27.7	+4.0%	47.2	+19.6%
<b>Other interest income (+/-)</b>	<b>1.0</b>	<b>0.7</b>	<b>0.3</b>	+108.9%	<b>8.8</b>	-88.2%
<b>Net Interest Income</b>	<b>897.5</b>	<b>450.8</b>	<b>446.7</b>	<b>+0.9%</b>	<b>794.8</b>	<b>+12.9%</b>
-Bank	654.8	330.4	324.4	+1.9%	529.2	+23.8%
-Card	242.7	120.4	122.3	-1.6%	265.6	-8.6%

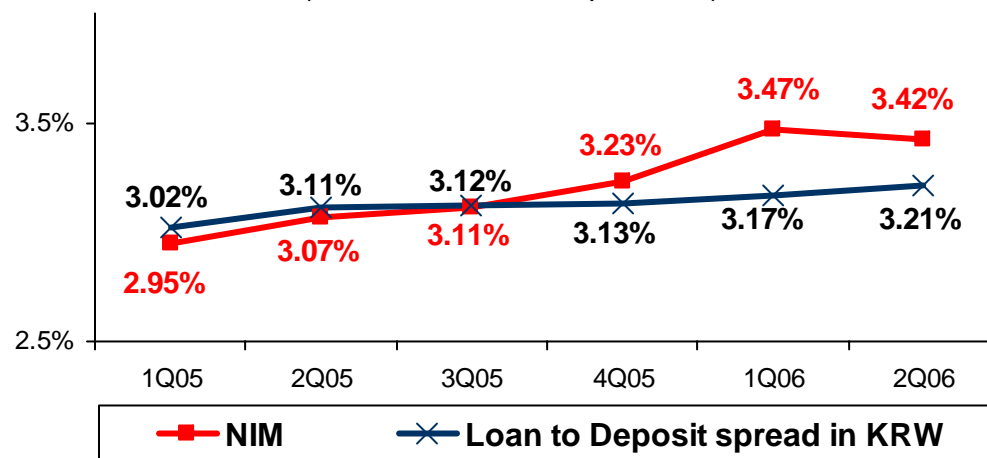
- **Bank** : Continued QoQ growth in net interest income
  - ✓ Interest Revenue :
    - Loan interest revenue expansion driven by lending asset growth and interest rate increases
    - Interest on securities declined with the reduction of low-yield securities consistent with business plan
  - ✓ Interest Expense: Higher funding expense driven by rising market interest rate
  - ✓ Credit guarantee fund premiums increased 10bp in 1H 2006
- **Card** : Similar net interest income trend with the previous quarter

### 3. Net Interest Margin (NIM)

(Unit : %)

(Accumulated)	2006		2005			
	2Q	1Q	4Q	3Q	2Q	1Q
<b>Net Interest Margin (NIM)</b>	<b>3.42</b>	<b>3.47</b>	<b>3.23</b>	<b>3.11</b>	<b>3.07</b>	<b>2.95</b>
NIM in KRW	4.00	4.04	3.69	3.35	3.30	3.04
NIM in Foreign currency	1.34	1.39	1.62	1.65	1.55	1.70
<b>Loan to Deposit Spread in KRW (a-b)</b>	<b>3.21</b>	<b>3.17</b>	<b>3.13</b>	<b>3.12</b>	<b>3.11</b>	<b>3.02</b>
Interest rate on Loans in KRW (a)	6.17	6.10	6.00	5.99	6.02	5.98
Interest rate paid on Deposits in KRW (b)	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 structure established through cost savings from replacement of high cost debentures and sub-debts, and good pricing discipline in very competitive market
- When excluding interest from SPC (1Q06: 17bn, 2Q06: 6bn), the adjusted quarterly NIM for 1Q06(3.33%) and 2Q06(3.34%) showed stable trend



## 4. Fees & Commissions

(Unit : KRW bn)

		2006				2005	
		1H	2Q`06	1Q`06	QoQ	1H	Y o Y
Bank	<b>Gains from FX transaction</b>	<b>118.0</b>	<b>59.8</b>	<b>58.1</b>	<b>+2.9%</b>	<b>117.1</b>	<b>+0.7%</b>
	- Customer transaction	118.0	59.8	58.1	+2.9%	102.5	+15.1%
	- P/L on valuation of derivatives	n.a.	n.a.	n.a.	n.a.	14.6	n.a.
	<b>Fees &amp; Commissions</b>	<b>194.1</b>	<b>101.1</b>	<b>93.0</b>	<b>+8.7%</b>	<b>158.4</b>	<b>+22.5%</b>
	KRW currency related	102.3	52.9	49.4	+7.1%	66.9	+53.0%
	Foreign currency related	63.5	33.0	30.5	+8.1%	64.0	-0.7%
	Others	28.3	15.2	13.1	+16.1%	27.6	+2.6%
Bank – Total		312.0	160.9	151.1	+6.5%	275.5	+13.2%
Card sector		-68.3	-36.1	-32.2	U.	-53.5	U.
<b>Total</b>		<b>243.7</b>	<b>124.8</b>	<b>118.9</b>	<b>+5.0%</b>	<b>222.1</b>	<b>+9.7%</b>
<b>Fees &amp; Comms. / Total Income (%)</b>							
<b>Total</b>		20.1%	20.3%	19.9%	+0.4%p	19.0%	+1.1%p
<b>Bank Only</b>		<b>30.0%</b>	<b>30.3%</b>	<b>29.7%</b>	<b>+0.6%p</b>	<b>29.3%</b>	<b>+0.7%p</b>

- **Gains from F/X transaction** : Steady increase in customer transaction
  - Beginning from 2006, only customer transaction item is recognized as gains from FX transaction
- **KrW currency related fees & commissions** :
  - Continuous improvement driven by growing bancassurance sales
- **Foreign currency related fees & commissions** : Commission structure (Quoted as % of foreign currency amount) resulted “price pressure” as KrW appreciated, however, increasing volume of L/C(Letter of Credit)based business transactions contributed to QoQ rise

## 5. Non Interest Income

(Unit : KRW bn)

	2006				2005	
	1H	2Q`06	1Q`06	Q o Q	1H	Y o Y
Operating Trust Acct.	12.6	6.6	5.9	+11.7%	12.6	-
Merchant Acct.	8.6	4.9	3.8	+28.2%	7.3	+18.4%
Trading Profit	24.1	7.4	16.7	-55.8%	21.7	+11.4%
Valuation equity method	18.6	11.6	7.0	+66.2%	16.8	+10.8%
Card sector	-0.6	-0.3	-0.3	-	-12.4	F.
NPL sales	8.4	8.4	-	+100%	91.5	-90.8%
Others	1.1	1.1	-	+100%	15.8	-93.1%
<b>Total</b>	<b>72.8</b>	<b>39.7</b>	<b>33.1</b>	<b>+19.9%</b>	<b>153.3</b>	<b>-52.5%</b>

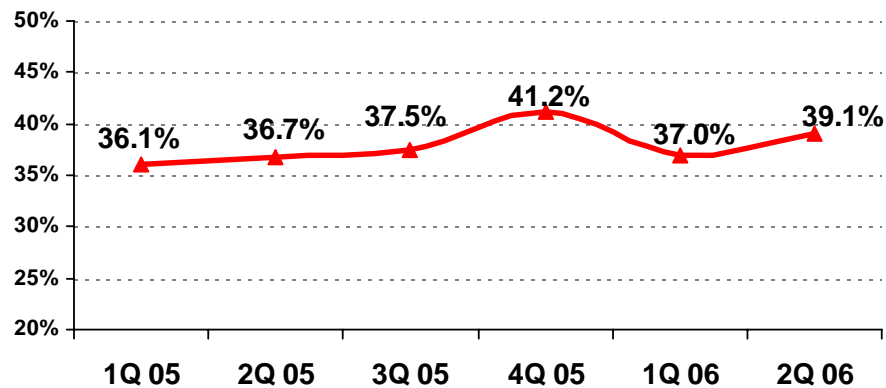
▪ Significant reduction in NPL sales vs. prior year, reflecting portfolio asset quality improvement

# 6. Total Expenses

(Unit : KRW bn)

	2006				2005	
	1H	2Q`06	1Q`06	Q o Q	1H	Y o Y
Salaries & benefits	290.3	157.2	133.0	+18.2%	252.8	+14.8%
Salaries	231.0	118.0	112.9	+4.5%	203.7	+13.4%
Employee benefits	59.3	39.2	20.1	+94.9%	49.1	+20.6%
Operating Expenses	116.0	60.0	56.0	+7.2%	110.7	+4.8%
Depreciation	52.5	27.4	25.1	+9.0%	52.2	+0.5%
Tax & Dues	16.2	9.1	7.1	+26.8%	13.9	+16.8%
<b>Total</b>	<b>475.0</b>	<b>253.7</b>	<b>221.3</b>	<b>+14.6%</b>	<b>429.6</b>	<b>+10.5%</b>
- Bank	434.7	231.2	203.4	+13.7%	383.1	+13.5%
- Card	40.3	22.5	17.8	+25.9%	46.5	-13.4%

**Cost / Income Ratio (Accumulated)**



- **QoQ increase in salaries & benefits**
  - Special performance bonus payment: 18bn
- **Cost / Income ratio** : Minor rise to 39% range

## 7. Provisions & others

(Unit : KRW bn)

	2006				2005	
	1H	2Q`06	1Q`06	Q o Q	1H	Y o Y
<b>Loan Loss Provisioning</b>	<b>-16.8</b>	<b>-7.6</b>	<b>-9.2</b>	<b>U.</b>	<b>45.9</b>	<b>F.</b>
<Bank>	-13.6	-7.8	-5.9	F.	26.3	F.
Corporate	-10.9	-11.3	0.3	F.	6.8	%
Household	-2.7	3.5	-6.2	U.	19.6	F.
<Card>	-3.1	0.2	-3.3	U.	19.5	F.
<b>Other Provisioning</b>	<b>-13.5</b>	<b>0.4</b>	<b>-13.9</b>	<b>U.</b>	<b>10.1</b>	<b>F.</b>
<b>Retirement Allowance</b>	<b>26.8</b>	<b>6.2</b>	<b>20.6</b>	<b>-69.6%</b>	<b>29.1</b>	<b>-7.7%</b>
<b>Total</b>	<b>-3.5</b>	<b>-0.9</b>	<b>-2.5</b>	<b>U.</b>	<b>85.0</b>	<b>F.</b>

- **Loan Loss Provisioning : Continued benefit of continuous asset quality improvement efforts**
  - Reversal of provisions related to collection of previous bad assets

## 7-a. Loan Loss Reserves(LLR)

(Unit : KRW bn)

	2006			2005
	1H	2Q	1Q	1H
<b>Beginning LLR</b>	<b>619.6</b>	587.5	619.6	903.5
<b>Add'l Provisioning</b>	<b>-16.8</b>	-7.6	-9.2	45.9
<b>Write-offs ( )</b>	<b>174.9</b>	75.0	99.9	355.3
<b>Reversal &amp; Others</b>	<b>152.2</b>	75.2	77.0	158.3
<b>Ending LLR *</b>	<b>580.2</b>	580.2	587.5	752.4
<b>NPL Coverage (%)**</b>	<b>190.2%</b>	<b>190.2%</b>	<b>164.2%</b>	<b>124.0%</b>

	Bank				Card			
	2006			2005	2006			2005
	1H	2Q	1Q	1H	1H	2Q	1Q	1H
<b>Beginning LLR</b>	520.7	503.7	520.7	653.7	<b>98.9</b>	83.8	98.9	193.0
<b>Add'l Provisioning</b>	-13.6	-7.8	-5.9	26.3	<b>-3.1</b>	0.2	-3.3	19.5
<b>Write-offs ( )</b>	102.0	41.0	61.0	165.9	<b>72.9</b>	34.0	38.9	189.5
<b>Reversal &amp; Others</b>	100.6	50.8	49.8	91.1	<b>51.6</b>	24.4	27.2	67.2
<b>Ending LLR *</b>	505.7	505.7	503.7	610.1	<b>74.5</b>	74.5	83.8	142.3
<b>NPL Coverage (%)**</b>	<b>195.6%</b>	<b>195.6%</b>	<b>165.4%</b>	<b>120.8%</b>	<b>160.8%</b>	<b>160.8%</b>	<b>157.5%</b>	<b>138.2%</b>

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

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

- Collection of bad assets (resulting reversal of provision) in the midst of asset quality improvement resulted in continued strengthening of NPL coverage ratio

## Balance Sheet

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

# 1. Summarized B/S

(Unit : KRW bn)

	2006.06	Q o Q	2006.03	2005.12	2005.06
<b>Cash &amp; Due from Banks</b>	<b>3,130.5</b>	+19.7%	<b>2,615.2</b>	<b>2,880.7</b>	<b>3,206.2</b>
<b>Securities</b>	<b>11,533.1</b>	-4.3%	<b>12,052.8</b>	<b>12,879.2</b>	<b>13,896.6</b>
<b>Loans &amp; Discounts</b>	<b>43,985.1</b>	+4.1%	<b>42,257.6</b>	<b>40,922.0</b>	<b>39,295.7</b>
- Credit Card Receivables	2,341.8	+0.7%	2,325.7	2,260.5	2,242.3
<b>Other Asset</b>	<b>8,316.4</b>	-7.9%	<b>9,026.6</b>	<b>7,152.2</b>	<b>8,686.7</b>
<b>Merchant Banking Accounts</b>	<b>1,845.4</b>	+48.7%	<b>1,240.7</b>	<b>1,116.9</b>	<b>1,395.0</b>
<b>Total Assets</b>	<b>68,810.4</b>	+2.4%	<b>67,192.7</b>	<b>64,951.0</b>	<b>66,480.3</b>
<b>Deposits</b>	<b>37,317.1</b>	+3.2%	<b>36,157.4</b>	<b>38,009.5</b>	<b>39,924.5</b>
<b>Borrowings</b>	<b>8,002.0</b>	+3.2%	<b>7,756.6</b>	<b>6,740.4</b>	<b>6,531.2</b>
<b>Debentures</b>	<b>6,419.4</b>	+9.8%	<b>5,844.1</b>	<b>5,930.7</b>	<b>5,697.5</b>
<b>Other liabilities</b>	<b>9,355.7</b>	-11.8%	<b>10,603.2</b>	<b>7,522.6</b>	<b>9,200.1</b>
<b>Merchant Banking Acct.</b>	<b>1,496.3</b>	+53.6%	<b>974.2</b>	<b>1,090.1</b>	<b>1,267.5</b>
<b>Shareholders' Equity</b>	<b>6,219.8</b>	+6.2%	<b>5,857.2</b>	<b>5,657.7</b>	<b>3,859.5</b>
<b>Liabilities &amp; Shareholders' Equity</b>	<b>68,810.4</b>	+2.4%	<b>67,192.7</b>	<b>64,951.0</b>	<b>66,480.3</b>

■ **Assets :**

- Loans & Discounts: +4.1% QoQ increase driven by growth of Foreign Currency Loans, Bills bought, and Private Placement Corporate Bonds
- Securities: -4.3% QoQ decline with reducing short-term low-yield securities consistent with business plan
- Merchant Banking Account : +48.7% QoQ increase driven by merchant banking account receivables growth

■ **Liabilities & Shareholders' Equity :**

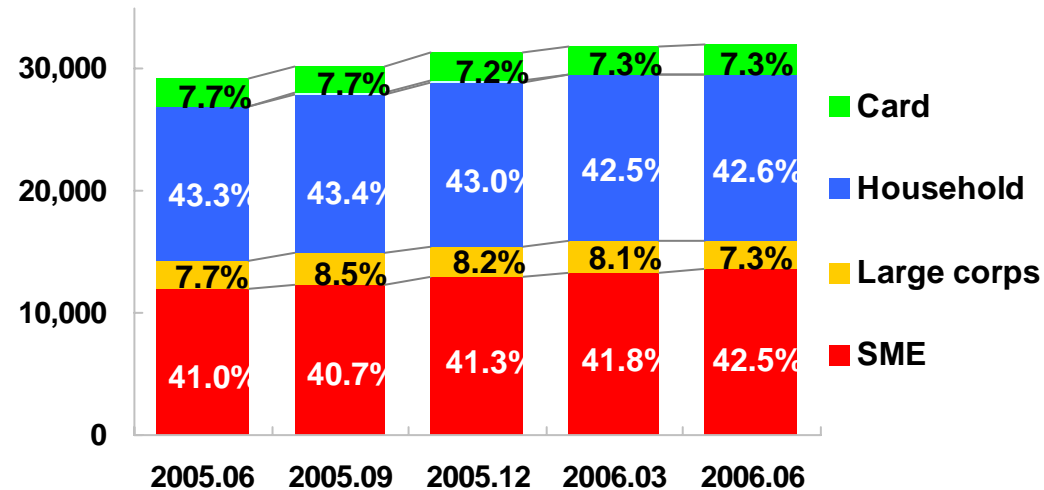
- Growth in deposits, borrowings, and debentures in-line with asset volume expansion
- Merchant Banking Account Liabilities: Significant increase caused by inflow of seceded MMF capital resulted by implementation of new regulation, to take effect July 1, restricts corporate customers of MMF accounts to moving their money to specified accounts a day after they request such a change from account operators

- **Simultaneous decrease in other Assets/Liabilities due to the decrease in temporary unsettled accounts for F/X trading transactions**

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

(Unit : KRW bn)	2006.06	Q o Q	2006.03	2005.12	2005.06
<b>Household</b>	13,633.4	+0.3%	13,589.7	13,488.5	12,669.8
<b>Corporate</b>	13,594.7	+1.7%	13,365.0	12,938.1	11,984.8
<b>SMEs</b>	2,336.2	-9.6%	2,585.3	2,554.9	2,257.9
<b>Large Corp.</b>	89.7	-0.8%	90.4	90.8	82.9
<b>Public &amp; Others</b>	29,654.0	+0.1%	29,630.5	29,072.3	26,995.3
<b>Sub total</b>	2,341.8	+0.7%	2,325.7	2,260.5	2,242.3
<b>Credit Card</b>	31,995.8	+0.1%	31,956.2	31,332.7	29,237.6

Portfolio of Loans in Korean Won (Bank acct.)



- **SMEs** : Continuous growth trend from focused customer segmentation marketing to high quality companies
- **Large Corporate** : KrW loan demand remains stagnated showing QoQ decline while foreign currency loans demand increased.
- **Household** : Growth slowdown in housing-related loans caused by the government's new regulations on real-estate property
- **Card** : Constant card asset growth since 3Q'05 driven by focused customer segmentation marketing

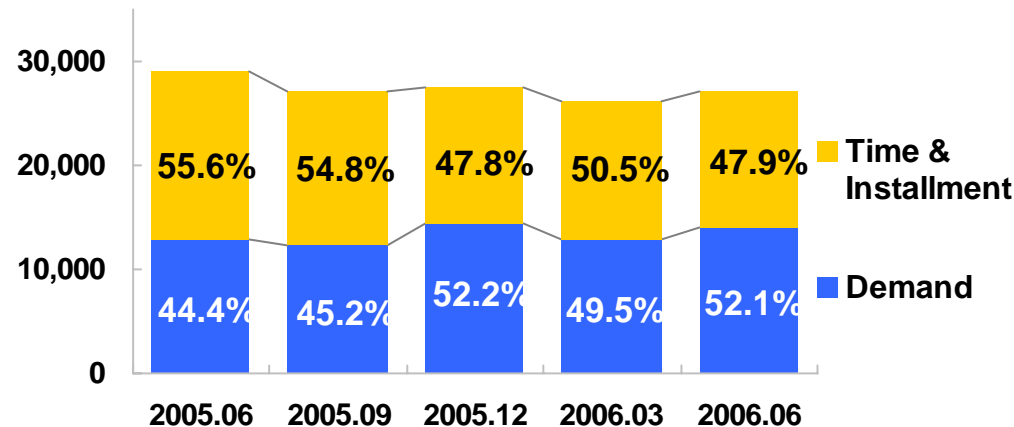


### 3. Deposits in KRW (Banking Acct.)

(Unit : KRW bn)

	Relative Cost	2006.06	Q o Q	2006.03	2005.12	2005.06
<b>Demand Deposits</b>	<b>Lower</b>	<b>14,103.5</b>	+8.8%	<b>12,957.7</b>	<b>14,355.7</b>	<b>12,929.5</b>
Savings deposit	Lower	5,760.7	-2.1%	5,885.4	6,003.5	6,032.1
Regular deposit	Lower	2,131.5	+94.0%	1,098.9	1,195.1	1,210.1
Corporate free savings deposit	Low	5,029.3	+8.0%	4,657.2	5,442.5	4,137.5
Others	Lower	1,181.9	-10.2%	1,316.2	1,714.7	1,549.9
<b>Time &amp; Installment Deposits</b>	<b>Higher</b>	<b>12,986.2</b>	-1.7%	<b>13,211.5</b>	<b>13,138.3</b>	<b>16,189.1</b>
<b>Total Deposits in KRW</b>	-	<b>27,089.7</b>	+3.5%	<b>26,169.2</b>	<b>27,494.0</b>	<b>29,118.6</b>

Composition of Deposits in KRW (Banking Acct.)



- **Good discipline in deposit / liability management and pricing**

- 3.5% QoQ growth in KrW deposits, but it remained flat when adjusted for one-time factor

- Demand Deposits: +8.8 QoQ rise caused by Hynix stock sales transaction money deposit (approx. 1.0tr)

- Time & Installment Deposits: Minor decline

## Asset Quality

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

# 1. Asset Quality

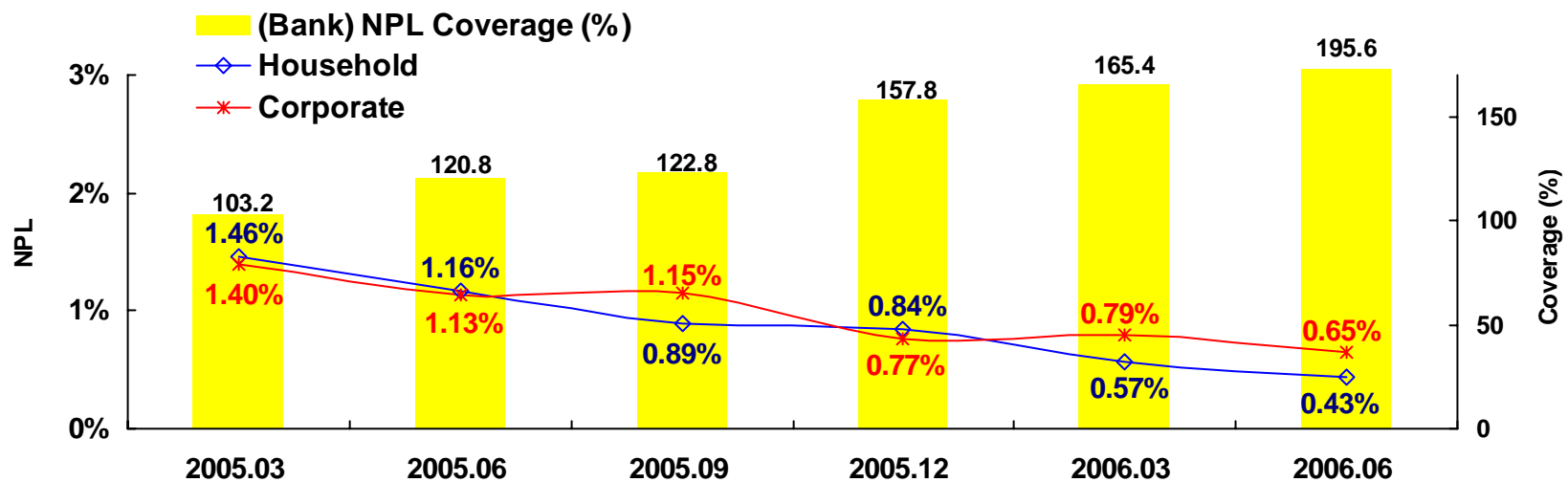
(Unit : KRW bn)	2006.06		2006.03		2005.12		2005.09		2005.06	
		(Ex. Card)		(Ex. Card)		(Ex. Card)		(Ex. Card)		(Ex. Card)
Normal	45,632.6	43,400.7	43,602.4	41,403.0	42,628.0	40,370.0	41,800.6	39,711.3	40,700.3	38,647.4
Precautionary	430.9	365.8	456.0	381.3	458.3	367.2	495.5	384.9	582.9	443.6
Substandard	174.1	174.1	220.1	220.1	229.9	229.9	326.5	326.5	312.0	312.0
Doubtful	67.8	26.4	75.5	27.8	91.5	34.8	118.4	45.0	151.9	56.5
Estimated Loss	59.4	54.5	58.3	52.8	67.9	60.7	67.9	60.8	90.3	82.7
<b>Total Credits</b>	<b>46,364.8</b>	<b>44,021.5</b>	<b>44,412.3</b>	<b>42,085.0</b>	<b>43,475.5</b>	<b>41,062.5</b>	<b>42,808.9</b>	<b>40,528.5</b>	<b>41,837.2</b>	<b>39,542.0</b>
Substandard & Below (NPL) (%)	<b>0.65%</b>	<b>0.58%</b>	<b>0.80%</b>	<b>0.71%</b>	<b>0.90%</b>	<b>0.79%</b>	<b>1.20%</b>	<b>1.07%</b>	<b>1.32%</b>	<b>1.14%</b>
Precautionary & Below (%)	<b>1.58%</b>	<b>1.41%</b>	<b>1.82%</b>	<b>1.62%</b>	<b>1.95%</b>	<b>1.69%</b>	<b>2.36%</b>	<b>2.02%</b>	<b>2.72%</b>	<b>2.26%</b>
Loan Loss Reserve	573.2	498.7	581.4	497.6	612.1	513.2	647.2	531.0	687.0	544.8
NPL Coverage (%)	<b>190.2%</b>	<b>195.6%</b>	<b>164.2%</b>	<b>165.4%</b>	<b>157.3%</b>	<b>157.8%</b>	<b>126.2%</b>	<b>122.8%</b>	<b>124.0%</b>	<b>60.9%</b>
Precautionary & Below Coverage (%)	<b>78.3%</b>	<b>80.3%</b>	<b>71.8%</b>	<b>73.0%</b>	<b>72.2%</b>	<b>74.1%</b>	<b>64.2%</b>	<b>65.0%</b>	<b>60.4%</b>	<b>60.9%</b>

- Continued steady growth in good assets
- NPL coverage ratio rose well above 190% level through sufficient provision accumulation and reduction of substandard & below classified assets

# 1. Asset Quality – NPL & Coverage by Sector

(Unit : KRW bn)	Household					Corporate				
	`06.06	`06.03	`05.12	`05.09	`05.06	`06.06	`06.03	`05.12	`05.09	`05.06
Total Credit	13,773.6	13,714.1	13,598.8	13,200.8	12,731.8	30,247.9	28,370.9	27,463.7	27,327.7	26,810.3
Substandard & below	59.4	77.9	114.9	116.9	148.2	195.6	222.9	210.4	315.5	302.9
Substandard & below ratio (NPL Ratio)	0.43%	0.57%	0.84%	0.89%	1.16%	0.65%	0.79%	0.77%	1.15%	1.13%
Loan Loss Reserves	136.9	141.8	152.5	146.3	161.8	361.8	355.8	360.7	384.7	383.0
NPL Coverage(%)	230.5%	182.0%	132.7%	125.2%	109.2%	185.0%	159.6%	171.4%	121.9%	126.4%

**Trend of NPL ratio by type (Excluding Credit Card)**

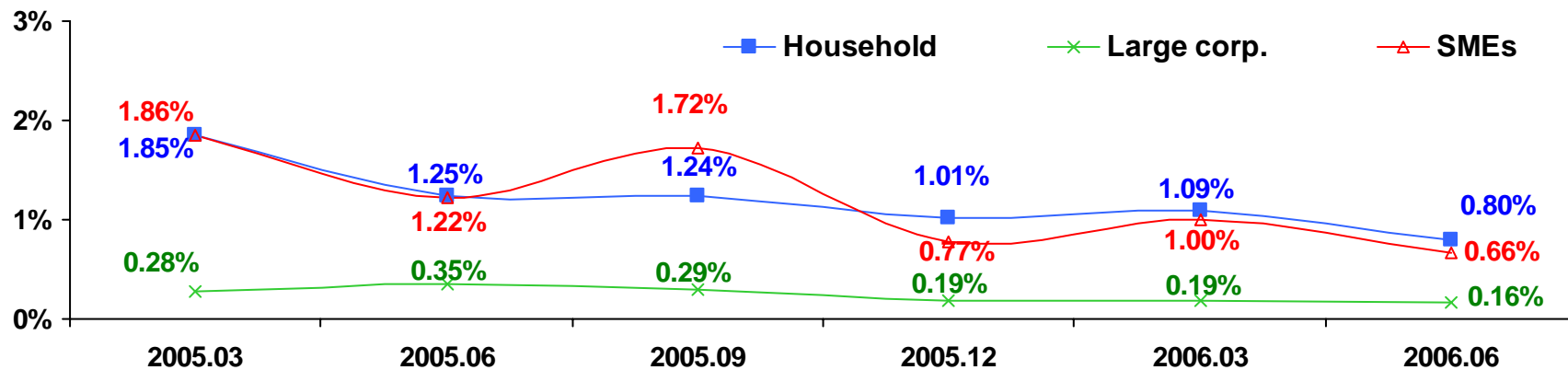


## 2. Delinquency

(Unit : KRW bn)

Reported basis	2006.06	Q o Q	2006.03	2005.12	2005.09	2005.06
<b>Bank</b>	<b>0.75%</b>	-0.25%p	<b>0.83%</b>	<b>0.71%</b>	<b>1.18%</b>	<b>1.01%</b>
Household	0.80%	-0.28%p	1.09%	1.01%	1.24%	1.25%
SME	0.66%	-0.34%p	1.00%	0.77%	1.72%	1.22%
Large corp./ Others	0.16%	-0.04%p	0.19%	0.19%	0.29%	0.35%
<b>Card</b>	<b>3.76%</b>	-0.09%p	<b>3.85%</b>	<b>4.30%</b>	<b>5.17%</b>	<b>6.43%</b>
Normal book	3.60%	-0.05%p	3.65%	4.00%	4.69%	5.73%
Re-aged book	11.93%	-0.48%p	11.45%	13.23%	15.24%	17.60%
<b>Total delinquency ratio</b>	<b>0.75%</b>	-0.25%p	<b>0.99%</b>	<b>0.93%</b>	<b>1.41%</b>	<b>1.32%</b>
<b>Total delinquent amount</b>	<b>326.9</b>	-21.8%	<b>417.8</b>	<b>379.3</b>	<b>566.4</b>	<b>519.2</b>
Bank	238.7	-27.2%	328.1	275.6	448.6	371.6
Card	88.2	-1.7%	89.7	103.7	117.8	147.6
<b>Total receivables</b>	<b>43,661.2</b>	+3.9%	<b>42,025.6</b>	<b>40,977.6</b>	<b>40,218.8</b>	<b>39,239.4</b>
Bank	41,317.5	+4.1%	39,698.3	38,564.6	37,938.4	36,944.2
Card	2,343.3	+0.7%	2,327.3	2,413.0	2,280.4	2,295.2

Delinquency ratio trend by borrower type (excluding credit card sector)

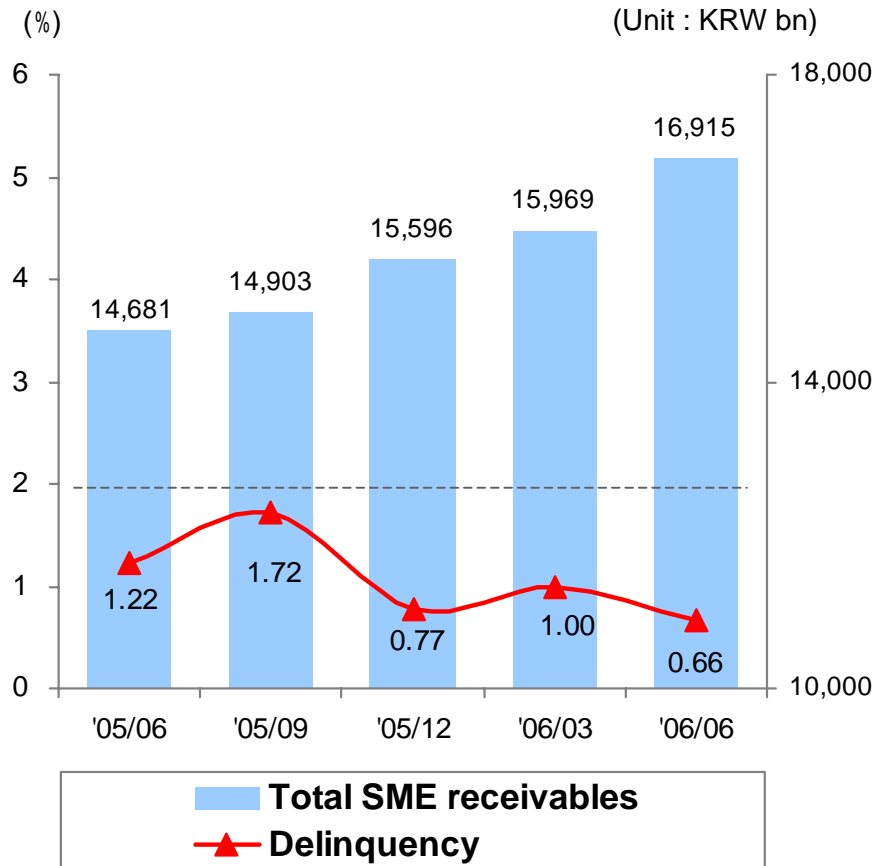


## Special Topics

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

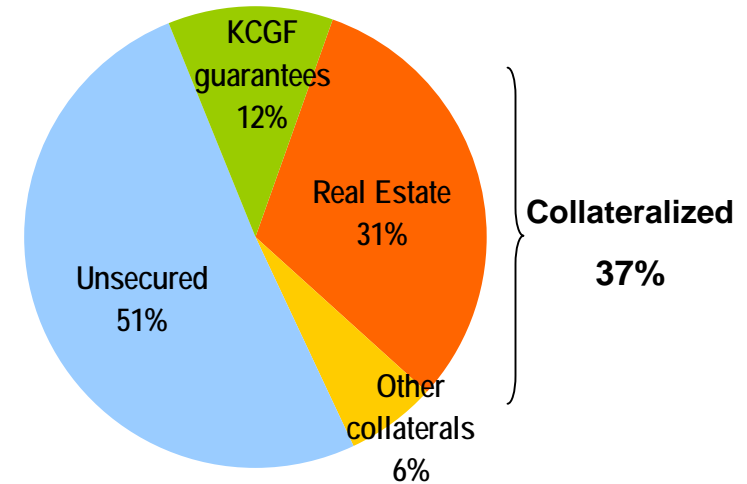
# 1. SME loans

## Total SME loan receivables & delinquency ratio



## SME loans in KRW by collateral type

(As of June 2006)



### SME Delinquency ratio (Loans in KRW)

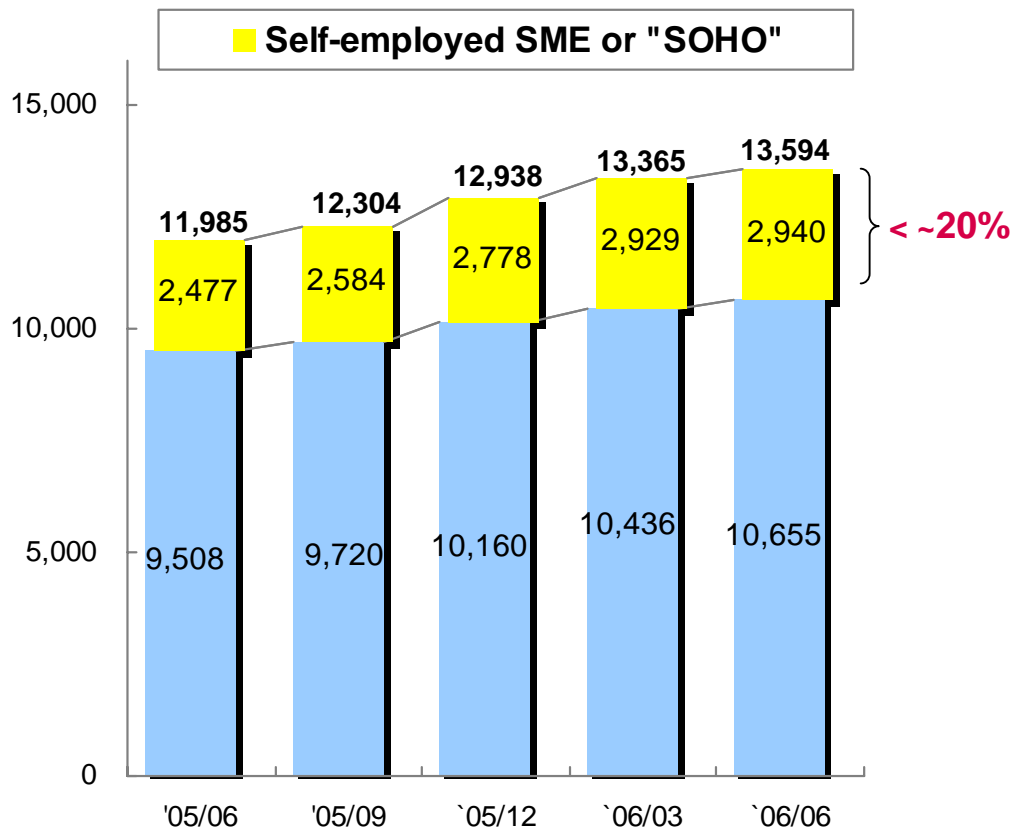
	'06.06	'06.03	'05.12	'05.09	'05.06
- Unsecured	0.39%	0.42%	0.26%	0.49%	0.43%
- Guaranteed	1.77%	2.41%	3.08%	5.56%	3.53%
- Collateralized	0.82%	1.56%	1.00%	2.64%	1.86%
<b>Total SME</b>	<b>0.72%</b>	<b>1.09%</b>	<b>0.86%</b>	<b>1.96%</b>	<b>1.37%</b>

- **Steady growth in SME loans volume**
- **Sustained stable control of SME delinquency** : Further improvement in delinquency driven by ABS issuance (₩104bn) in 2Q06
  - Low and manageable unsecured exposure delinquency – reflects quality of KEB's SME customers
  - Guaranteed book- Despite the relatively high delinquency, however, the loss severity is low (KCGF backstops 80%~90% of guaranteed amount)

# 1. SME Loans

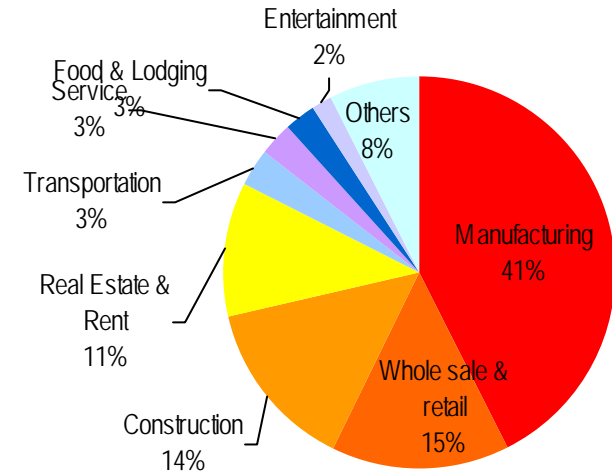
## Self-employed SME % of SME loans in KRW

(Unit : KRW bn)



## SME loans in KRW by Industries

(As of June 2006)



Industry	Delinquency				
	'06.06	'06.03	'05.12	'05.09	'05.06
Manufacturing	0.81%	0.95%	0.85%	1.81%	1.16%
Whole sale & retail	0.78%	0.88%	0.89%	1.52%	0.99%
Construction	0.63%	0.62%	0.49%	1.45%	1.38%
Real Estate & Rent	0.45%	1.96%	0.68%	3.09%	2.66%
Transportation	0.07%	0.73%	0.11%	0.96%	1.23%
Service	1.56%	1.08%	1.61%	2.72%	1.53%
Food & Lodging	0.48%	1.91%	1.37%	1.66%	1.39%
Entertainment	0.07%	2.27%	1.22%	4.11%	0.34%
Others	0.77%	1.42%	1.41%	2.65%	1.93%

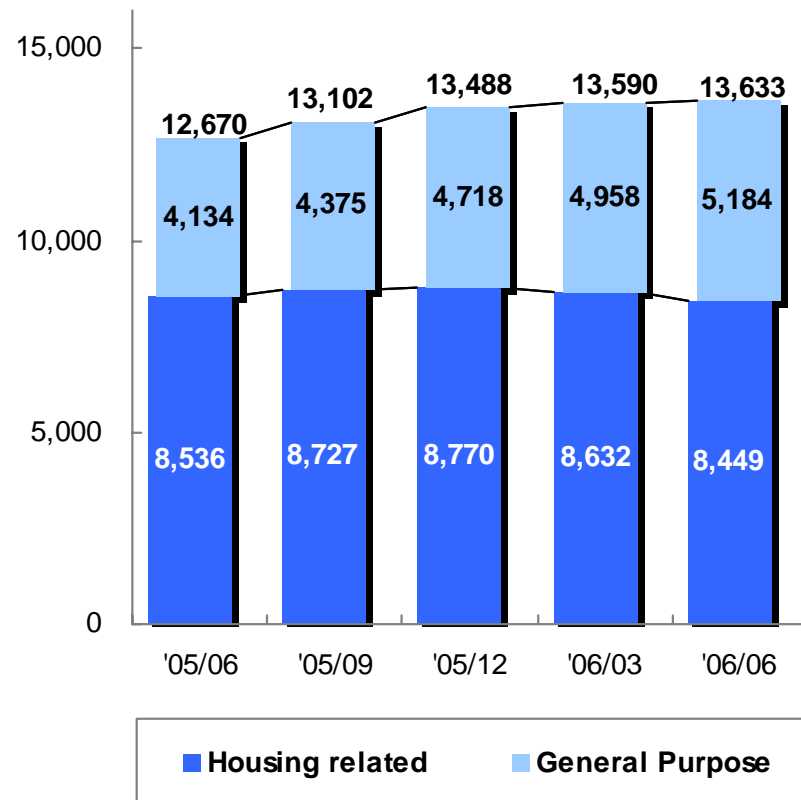


# 2. Household Loans

## Trend of Household loans

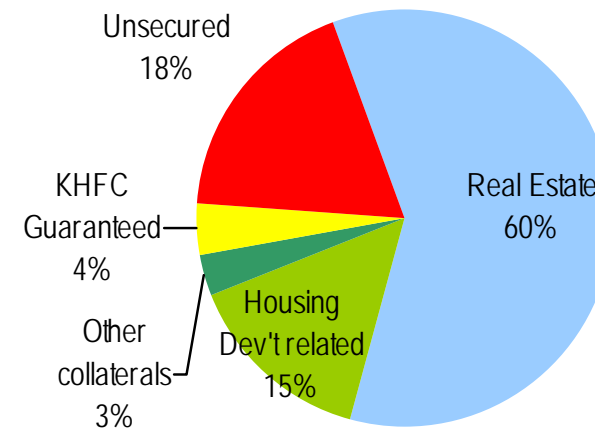
(Unit : KRW bn)

(Loans in KRW banking acct.)



## Household loans by collateral type

(As of June 2006)

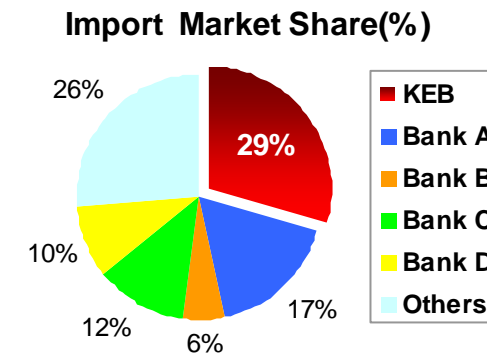
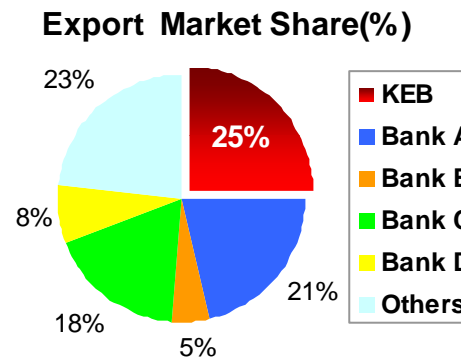
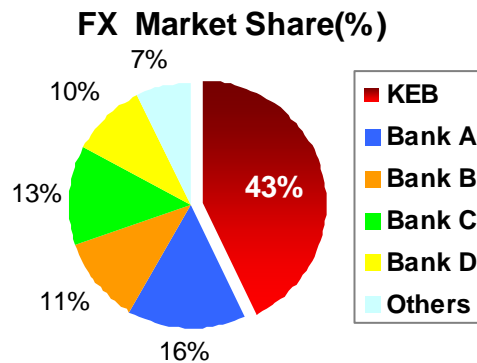


- The Government's new regulations on real-estate property caused slowdown in housing-related loans growth, but steady volume growth driven by the increase of general purpose loans targeting high quality customers

# 3. Market leadership in F/X & Trade finance

## Strong market leadership

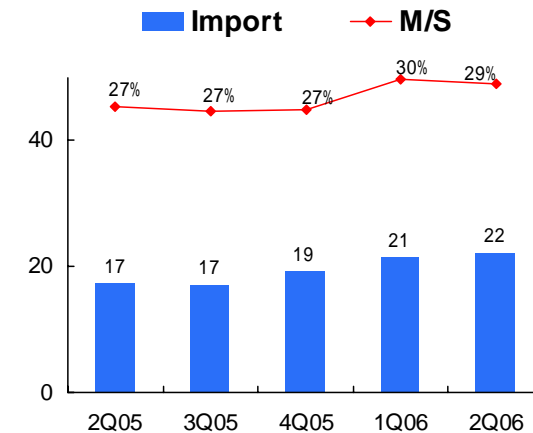
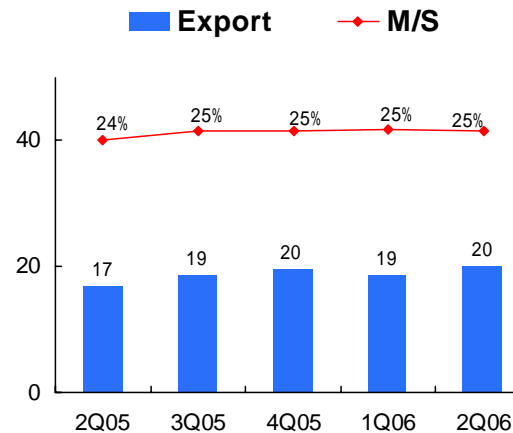
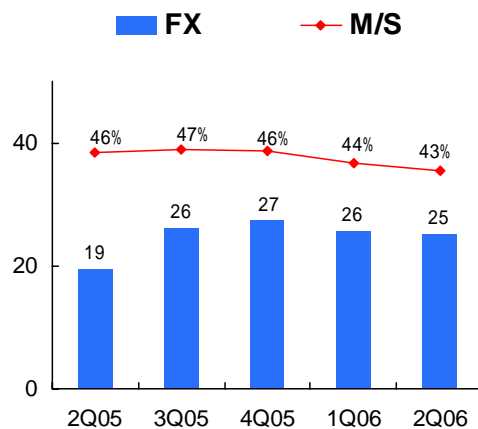
(As of 1H 2006)



- Market Share : F/X based on top 7 domestic banks' transactions / Export, Import based on nationwide trade volume of Korea
- Very competitive market, but KEB defending share in most profitable products / segments / customers.

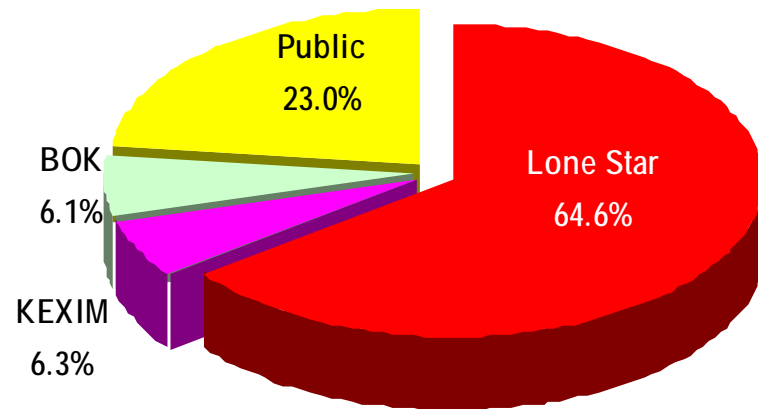
## Trend of trading volume & market share

(Unit : USD billion, %)



# 4. Shareholding Structure

## Shareholders' Structure



(As of June 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%
Free float	148,342,439	23.00%
<b>Total</b>	<b>644,906,826</b>	<b>100.0%</b>

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

## Capital Structure Improved amount & quality

(As of June 2006)

(Unit : KRW bn)

	2006.06	2006.03	QoQ
Paid-In Capital	3,224.5	3,224.5	-
Capital Surplus	0.4	-	+0.4
Retained Earnings	1,923.9	1,296.1	+627.8
Capital Adjustment	1,071.0	1,336.6	-265.6*
Unrealized gain on investment securities.	1,053.6	1,320.9	-267.3
Stock option	17.4	15.6	+1.7
<b>Total Shareholders' Equity</b>	<b>6,219.8</b>	<b>5,857.2</b>	<b>+ 362.7</b>
<i>Book value Per Share</i>	<del>₩</del> 9,645	<del>₩</del> 9,082	+ <del>₩</del> 563

\* Reflects sales of Hynix and Hyundai E&C shares in 2Q'06