

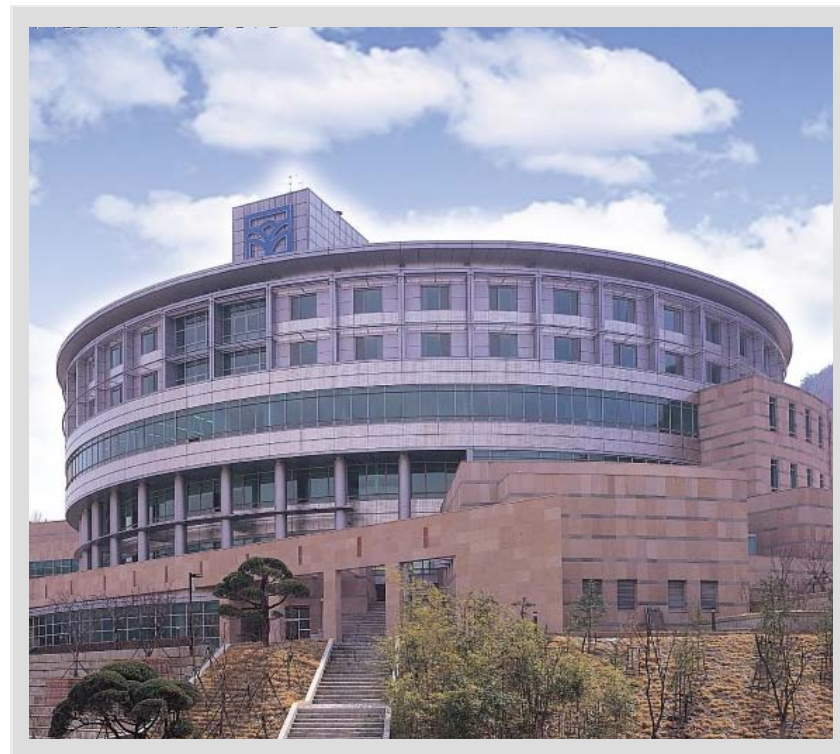
DAEGUBANK

1H 2006 Results



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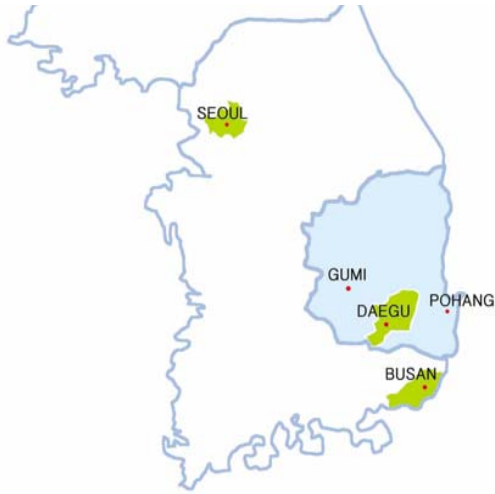
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(DGB Training Institute)

❖ This material contains forward looking statements or figures that are subject to change.
 ❖ Daegu Bank undertakes no obligation regarding any investment judgment based on such statements or figures.

1 Regional Economy & Industries



13 public corp. will be relocated to Gimcheon (2007~2012)

Regional Industries

- The Biggest IT Industrial Complex in Korea
- 15% of the world's display and mobile handset products are produced
- Samsung Electronics plans to build a Mobile R&D Center (Nov.06~2008, budget 289bn)
- Target Export Volume for 2006 : 34 bn USD



- Steel Industrial Complex (POSCO..)
- Yeongil Bay New Port under construction (Project Budget 1.7 trillion Won)
- Nano Technology Cluster



- 12 public corp. will be relocated to Daegu
- R&D Cluster 「Daegu Technopolis」
- DGIST

- Low-degree nuclear waste repository will be built (2007~2009)
- KHNP will be relocated to Gyeongju
- Proton Accelerator

2 Customer Base & Shareholders

❖ Distribution Network

- New branches opened (1H 2006) : Daegu(+6), Pohang(+1), Gyeongju(+1)
- Nr of internet banking users : 1.0 mil (+9.3% YTD)
- Nr of Phone banking users : 1.6 mil (+4.2% YTD)

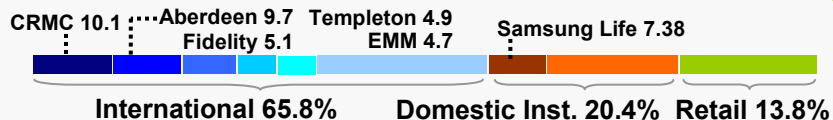
❖ Customer Base

- Deposit customers : 3.2 mil (62% of the total regional population)
- Loan customers : 210,000

❖ Market Shares (March 31, 2006)

- Daegu : Deposit 41.0% / Loan 30.4%
- Gyeongbuk : Deposit 19.4% / Loan 15.8%

❖ Ownership Structure (June 30, 2006)

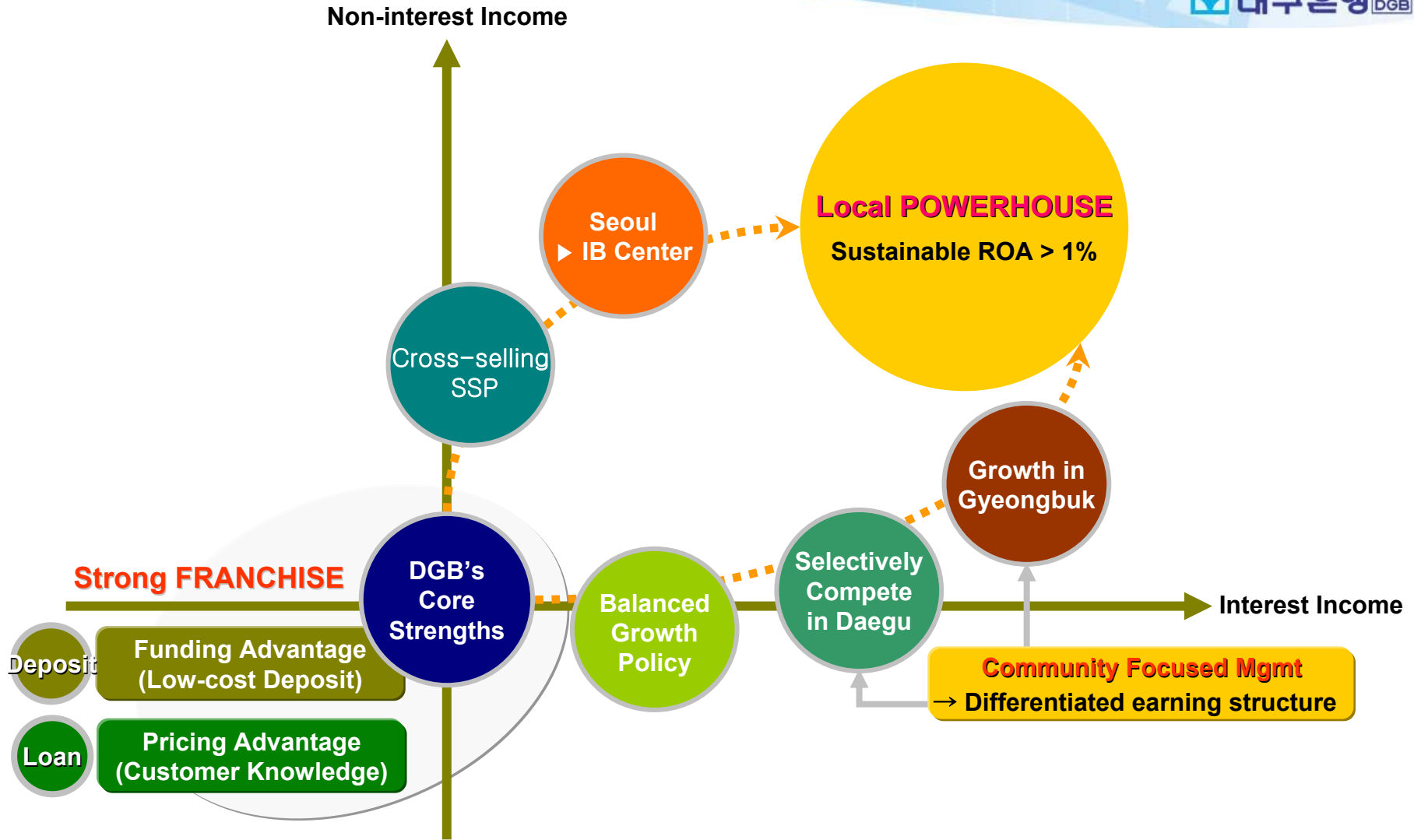


Branch Network

- Number of branches : 198 retail branches including 29 combined branches with corp. banking centers
- Nr of online branches : 2
- Nr of ATMs : 1,919



3 Strategic Transition

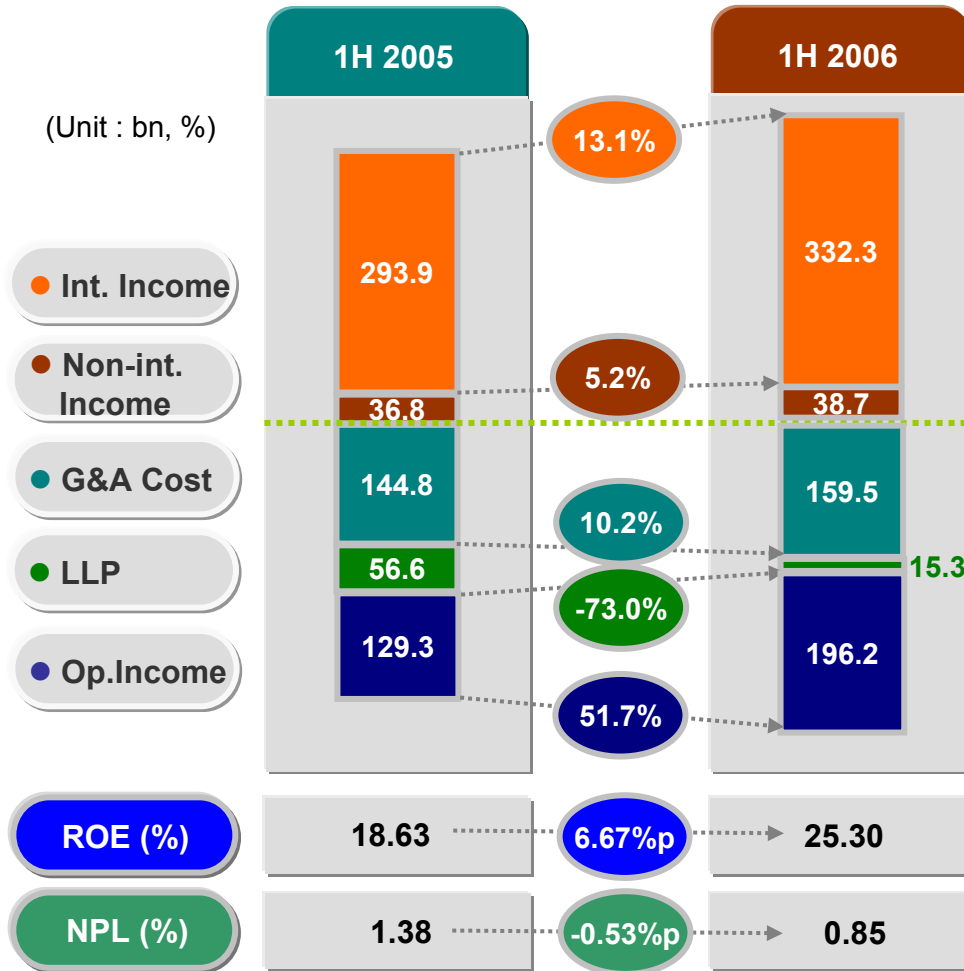


4 Execution Highlights (2Q06)

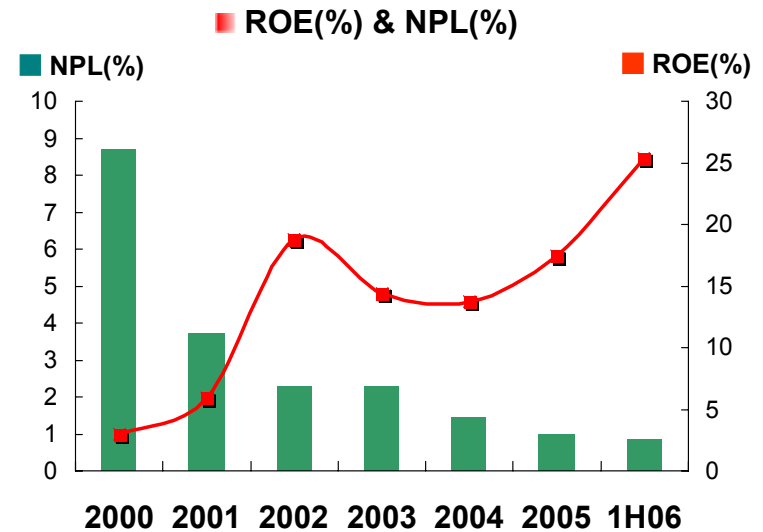


5 1H 2006 Financial Highlights

(Unit : bn, %)



- ✓ Total income (interest + non-interest income) increased by 12.2% YoY
- ✓ Loan loss provisioning further declined
- ✓ Operating Income increased by 51.7% YoY



6 Key Asset & Liability Growth Trend

(bn,%,%p,end.bal)	2Q05	3Q05	4Q05	1Q06	2Q06	YoY	QoQ	2006 Growth Plan (% ,Avg)
Total Asset *	19,933.1	20,313.3	20,546.8	21,081.1	21,512.7	7.9	2.1	6.3
Total Securities **	5,970.7	6,090.5	6,417.0	6,233.6	6,265.8	4.9	0.5	0.2
Total Loans ***	10,927.9	11,184.6	11,554.5	11,866.5	12,040.9	10.2	1.5	10.9
Loans in Won	10,625.5	10,867.4	11,225.8	11,547.5	11,717.3 (100.0%)	10.3	1.5	11.1
Large Corp.	363.4	395.0	420.8	382.6	320.4 (2.7%)	-11.8	-16.3	} 13.2
SMEs	6,939.3	7,076.7	7,286.6	7,592.4	7,742.9 (66.1%)	11.6	2.0	
Household	3,122.2	3,186.4	3,297.7	3,360.5	3,435.1 (29.3%)	10.0	2.2	
Public etc.	200.6	209.3	220.7	212.0	218.9 (1.9%)	9.1	3.3	-
Total Deposits ****	16,020.7	15,963.0	16,812.6	16,147.9	16,521.8	3.1	2.3	4.7
Won Deposits	12,470.4	12,411.3	13,424.2	12,779.3	13,022.7 (100.0%)	4.4	1.9	6.3
Demand	1,219.6	1,193.7	1,421.7	1,160.3	1,126.8 (8.7%)	-7.6	-2.9	-
Savings	10,688.5	10,656.7	11,465.2	11,104.9	11,396.8 (87.5%)	6.6	2.6	-
Installments	562.2	561.0	537.3	514.1	499.1 (3.8%)	-11.2	-2.9	-
Total Equity	981.6	1,044.0	1,077.0	1,092.2	1,156.7	17.8	5.9	-
(Paid-in Capital)	660.6	660.6	660.6	660.6	660.6	0.0	0.0	-
LDR (% , Avg.)	82.41	83.75	84.59	89.43	89.67	7.26	0.24	88.00

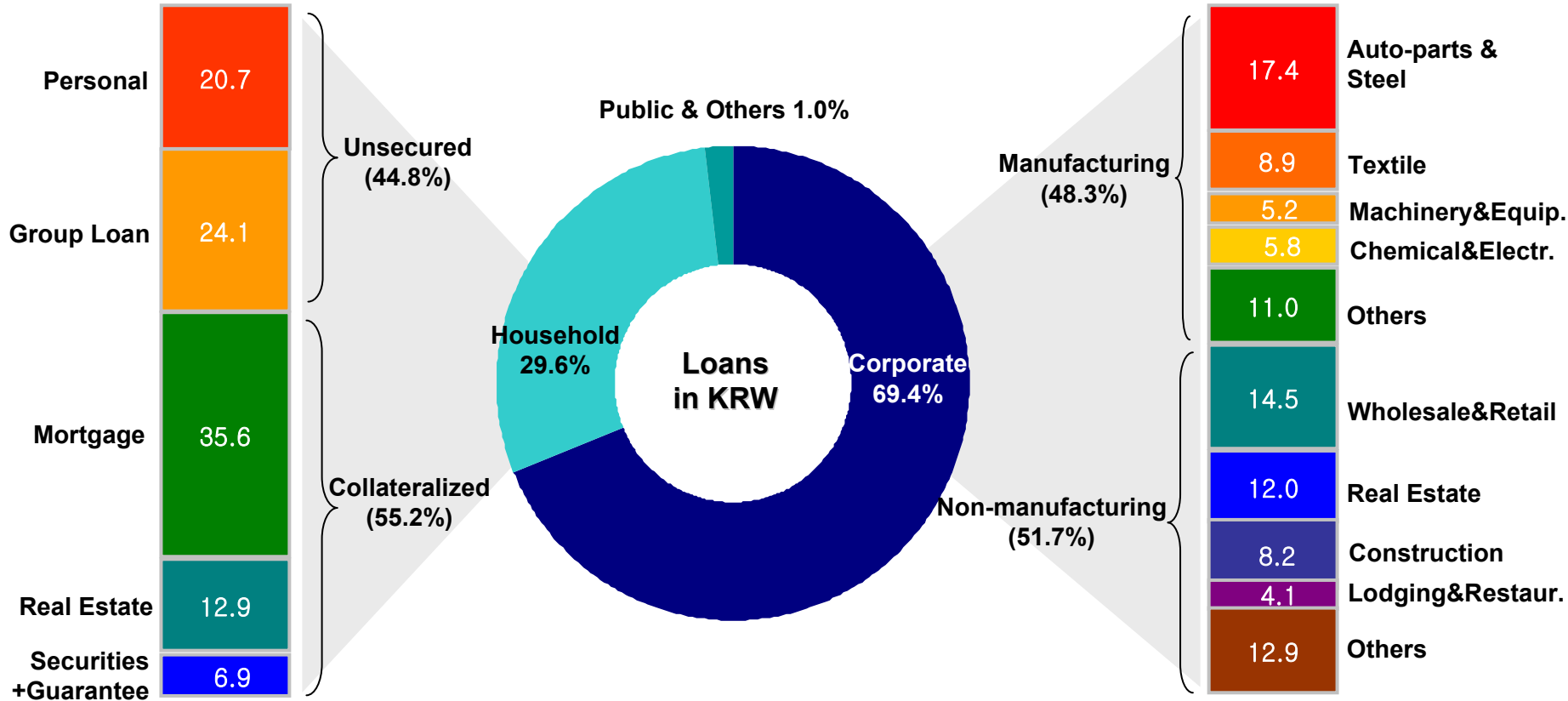
* Total Asset = Banking A/C + Trust A/C – Lending to and Borrowings from Banking A/C

** Total Securities = Won Securities + Fcy Securities + Securities in Trust A/C

*** Total Loans = Loans in Won + Loans in Fcy (incl. offshore & domestic usance bill) + Advances for Customers + Loans in Trust A/C

**** Total Deposit = Won Deposits + CD + RP + Bills Sold + Debentures + Money in Trust

7 Loan Portfolio Analysis



8 Earnings Overview

(Unit : bn, %, %p)	2005	2006 (Plan)	YoY	Quarterly & Semiannual						YoY	QoQ
				1Q05	2Q05	1H05	1Q06	2Q06	1H06		
Net Interest Income	612.9	648.4	5.8	144.9	149.0	293.9	158.6	173.7	332.3	13.1	9.5
Non-interest Income *	68.1	114.8	68.6	15.0	21.8	36.8	19.6	19.1	38.7	5.2	-2.6
G&A Expenses	321.2	345.0	7.4	71.4	73.4	144.8	79.4	80.1	159.5	10.2	0.9
Loan Loss Provision **	126.8	112.0	-11.7	30.5	26.1	56.6	8.1	7.2	15.3	-73.0	-11.1
Operating Income	233.0	306.2	31.4	58.0	71.3	129.3	90.7	105.5	196.2	51.7	16.3
Non-operat. Income	10.4	-1.2	-111.5	-19.1	12.3	-6.8	8.4	-9.2	-0.8	-	-209.5
Pre-tax Income	243.4	305.0	25.3	38.9	83.6	122.5	99.1	96.3	195.4	59.5	-2.8
Income Tax	68.1	85.0	24.8	11.0	23.5	34.5	27.5	26.8	54.3	57.4	-2.5
Net Income	175.3	220.0	25.5	27.9	60.1	88.0	71.6	69.5	141.1	60.3	-2.9
Pre-provision income	404.2	438.4	8.5	74.4	113.4	187.8	112.1	107.7	219.8	17.0	-3.9
ROE ***	17.41	19.31	1.90	11.91	25.25	18.63	26.42	24.71	25.30	6.67	-1.71
ROA ***	0.94	1.11	0.17	0.61	1.55	0.97	1.48	1.41	1.44	0.47	-0.07

* Incl. credit card merchant fees

** See p.39 for LLP breakdown by sector

*** Annualized

9 Net Interest Income

(Unit : bn, %)	2005	2006 (Plan)	YoY	Quarterly & Semiannual						YoY	QoQ
				1Q05	2Q05	1H05	1Q06	2Q06	1H06		
Interest Income	1,025.8	1,117.6	9.0	245.9	252.0	497.9	267.5	294.3	561.8	12.8	10.0
Cash & Due to BOK	13.6	10.2	-25.0	1.0	4.7	5.7	2.5	1.4	3.9	-31.6	-44.0
Securities	267.2	264.7	-0.9	66.8	64.5	131.3	68.3	86.5	154.7	17.8	26.6
Loan *	741.1	839.2	13.2	177.1	181.9	359.0	195.7	205.3	401.0	11.7	4.9
Others	3.8	3.5	-7.9	1.0	0.9	1.9	1.1	1.1	2.2	15.8	0.0
Interest Expense	412.9	469.2	13.6	101.0	103.0	204.0	108.9	120.6	229.5	12.5	10.7
Deposit	287.4	332.7	15.8	70.7	70.9	141.6	75.2	89.5	164.7	16.3	19.0
Borrowing	99.1	115.5	16.6	22.9	24.2	47.1	28.3	25.8	54.1	14.9	-8.8
Debentures	23.5	17.8	-24.3	6.7	6.9	13.6	4.6	4.7	9.3	-31.6	2.2
Others	3.0	3.2	6.7	0.7	1.0	1.7	0.8	0.6	1.4	-17.6	-25.0
Net Interest Income	612.9	648.4	5.8	144.9	149.0	293.9	158.6	173.7	332.3	13.1	9.5

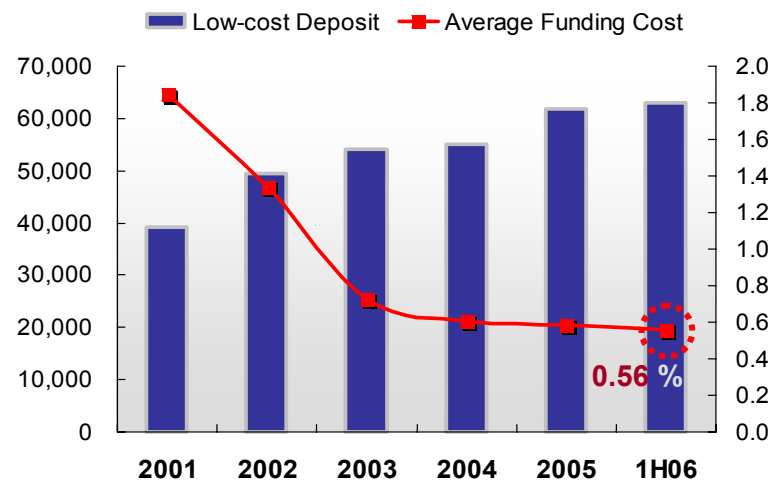
* Excl. credit card merchant fees

10 Low-cost Core Deposit

❖ Incremental source of low-cost funds

- Provincial Council budgets
- Local court money (200 bn)
- Local education office budgets
- KHNP's HQ office relocated to Gyeongju

■ Low-cost Deposit & Average Funding Cost



(Unit : bn, %, %p, Avg)		2003	2004	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	YoY	QoQ
Low-cost Deposit	(A)	5,406.1	5,500.6	6,026.8	6,052.2	6,121.8	6,175.7	6,491.7	6,293.0	4.0	-3.1
Demand		994.0	967.5	1,061.1	1,081.4	1,090.6	1,103.9	1,141.9	1,121.3	3.7	-1.8
Savings (Checkable)		3,509.8	3,599.3	3,902.3	3,953.2	4,013.5	4,041.3	4,236.7	4,187.8	5.9	-1.1
Corp. Savings (Checkable)		902.3	933.9	1,063.4	1,017.5	1,017.7	1,030.5	1,113.0	983.9	-3.3	-11.6
Won Deposit	(B)	11,725.7	11,714.5	12,258.0	12,325.3	12,351.5	12,425.9	12,680.8	12,830.9	4.1	1.2
A/B		46.1	47.0	49.2	49.1	49.6	49.7	51.2	49.0	-0.1	-2.2
Total Deposit*	(C)	14,920.0	15,258.3	15,630.0	15,689.8	15,796.8	15,884.3	16,089.7	16,302.5	3.9	1.3
A/C		36.2	36.1	38.6	38.6	38.8	38.9	40.3	38.6	0.0	-1.7

* Total Deposits = Won Deposits + CD + RP + Bill Sold + Debentures + Money in Trust

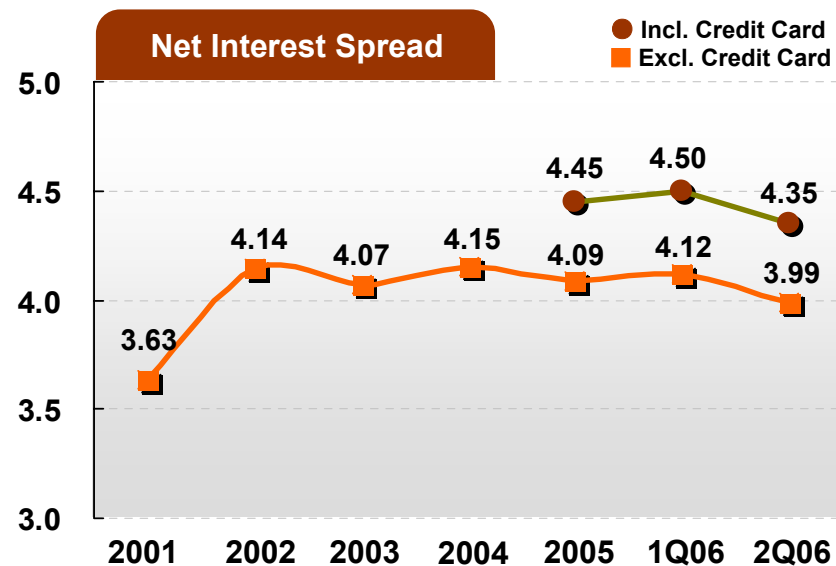
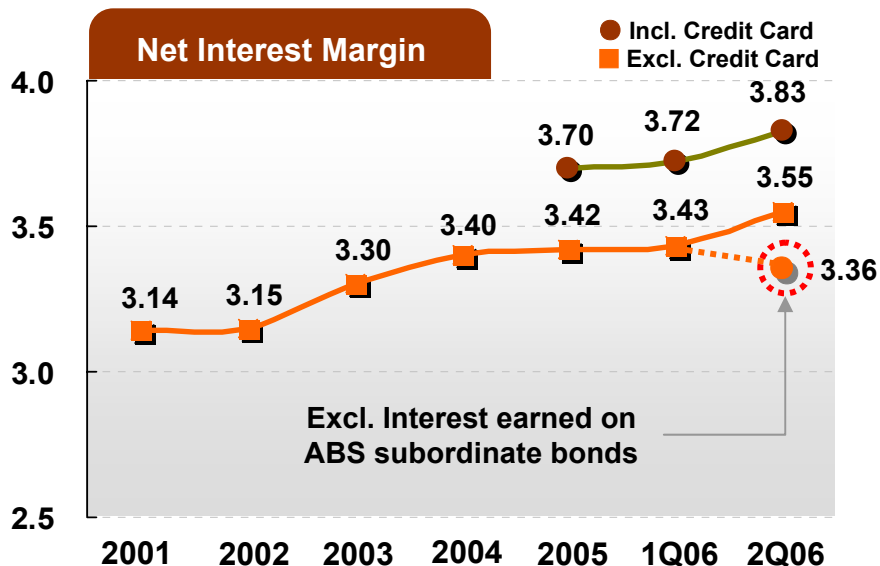
11 Net Interest Margin

Reasons for NIM Decrease

- Funding side:
 - Deposit Campaign : 500 bn @ 5%
 - Low-cost deposit decreased due to seasonality
- Asset side :
 - Average yield of Investment Securities decreased
 - Loan margin pressure from competition
 - Low yield/Low-risk weighted assets increased (household mortgage 39.5 bn + group loan 58.6bn)

2H06 Strategies

- Reduce money market institutional deposits
- Increase low-cost deposits (payroll accounts, etc)
- Keep the loan spread up to the market rate change
- Raise the loan to deposit ratio



12 Non-interest Income

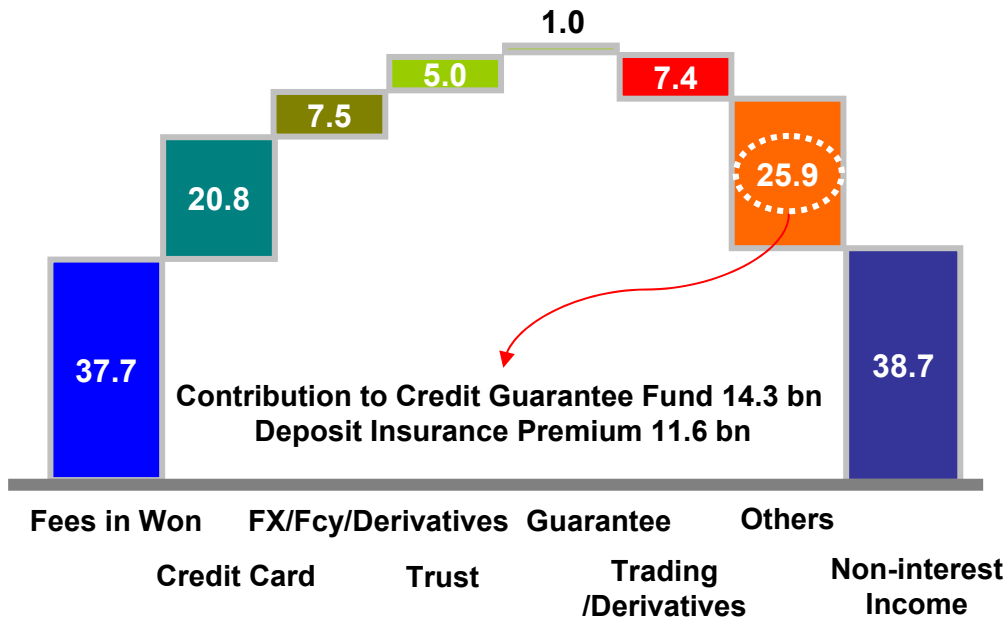
(Unit : bn Won, %)	2005	2006 (Plan)	YoY	Quarterly & Semiannual						YoY	QoQ
				1Q05	2Q05	1H05	1Q06	2Q06	1H06		
Fees & Commissions (A)	120.3	135.7	12.8	28.7	29.5	58.2	33.0	32.4	65.4	12.4	-1.8
Fees in Won	59.5	73.3	23.2	14.6	14.4	29.0	19.1	18.6	37.7	30.0	-2.6
Bancassurance	6.3	8.5	34.9	1.4	1.5	2.9	2.1	2.4	4.5	55.2	14.3
Mutual Funds	7.2	15.0	108.3	1.0	1.2	2.2	4.3	4.4	8.7	295.5	2.3
Fees in Fcy	3.9	4.4	12.8	0.8	0.8	1.6	0.8	1.1	1.9	18.8	37.5
Credit Card*	41.6	51.7	24.3	10.1	10.2	20.3	10.5	10.3	20.8	2.5	-1.9
(Merchant Fees)	(53.9)	-	-	(12.6)	(13.4)	(26.0)	(14.2)	(14.5)	(28.7)	10.4	2.1
Trust	15.3	6.3	-58.8	3.2	4.1	7.3	2.6	2.4	5.0	-31.5	-7.7
Others (B)	-52.2	-20.9	-	-13.7	-7.7	-21.4	-13.3	-13.3	-26.6	-	-
Trading & Derivatives	-4.2	6.0	-	-5.5	0.4	-5.1	-4.5	-2.9	-7.4	-	-
Guarantee	1.8	2.0	11.1	0.4	0.5	0.9	0.5	0.5	1.0	11.1	0.0
FX & Derivatives	9.9	14.6	47.5	2.4	2.4	4.8	3.2	2.4	5.6	16.7	-25.0
Others	-59.7	-43.5	-	-11.0	-11.0	-22.0	-12.5	-13.3	-25.8**	-	-
Non-interest Income (A+B)	68.1	114.8	68.6	15.0	21.8	36.8	19.6	19.1	38.7	5.2	-2.6

* Incl. credit card merchant fees

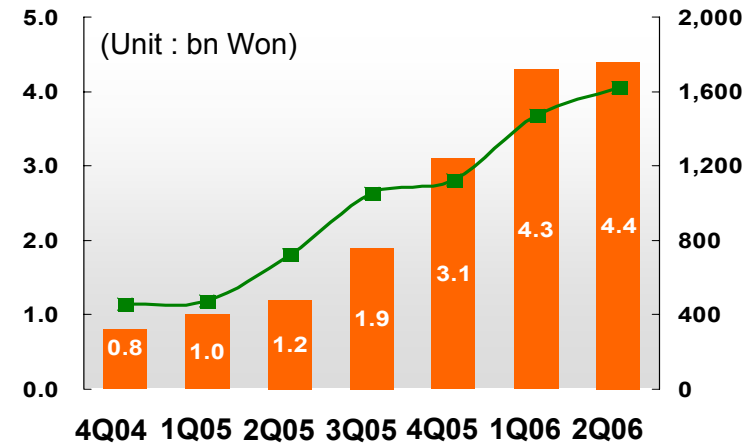
** Incl. Deposit insurance premium 11.6bn, Contribution to Credit Guarantee Fund 14.3bn

13 Contributions to Non-interest Income

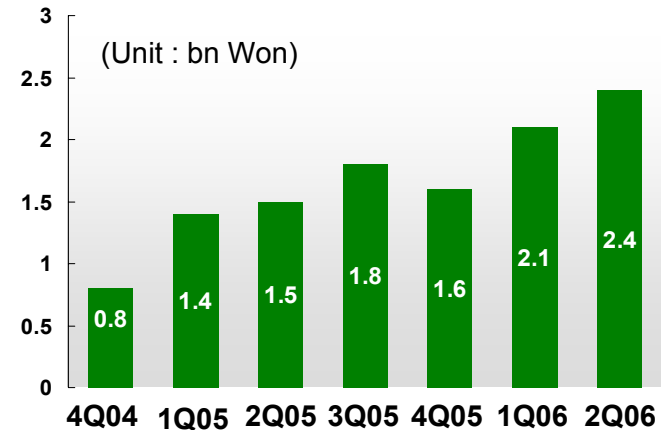
❖ Contributions to Non-interest Income (1H 2006)



■ Mutual Fund Sales & Fees



■ Bancassurance Fees



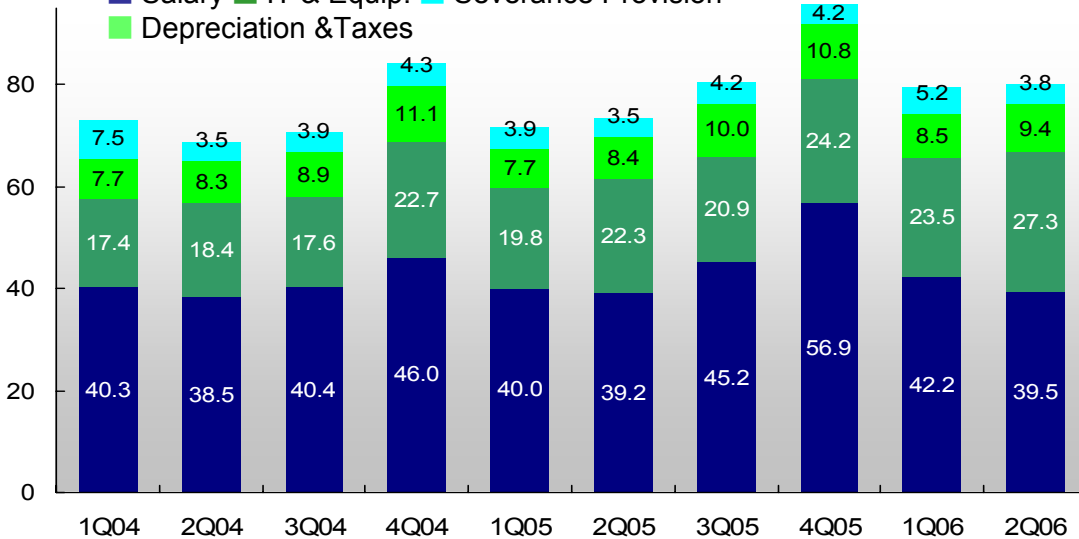
14 G&A Expense

- 1H06 Cost-income Ratio : 42.99% (- 0.8%p YoY)
- Target Cost-income Ratio for 2006 : 45.20%

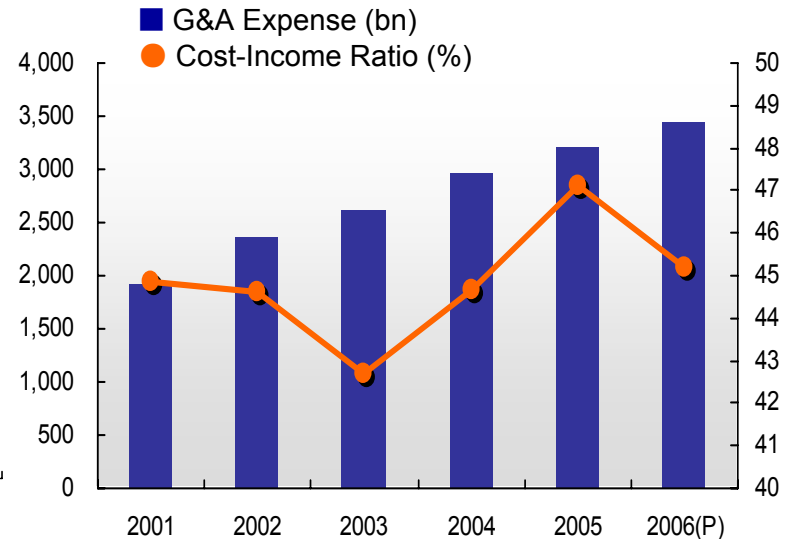
Quarterly G&A Expense Breakdown

(Unit : bn, %)

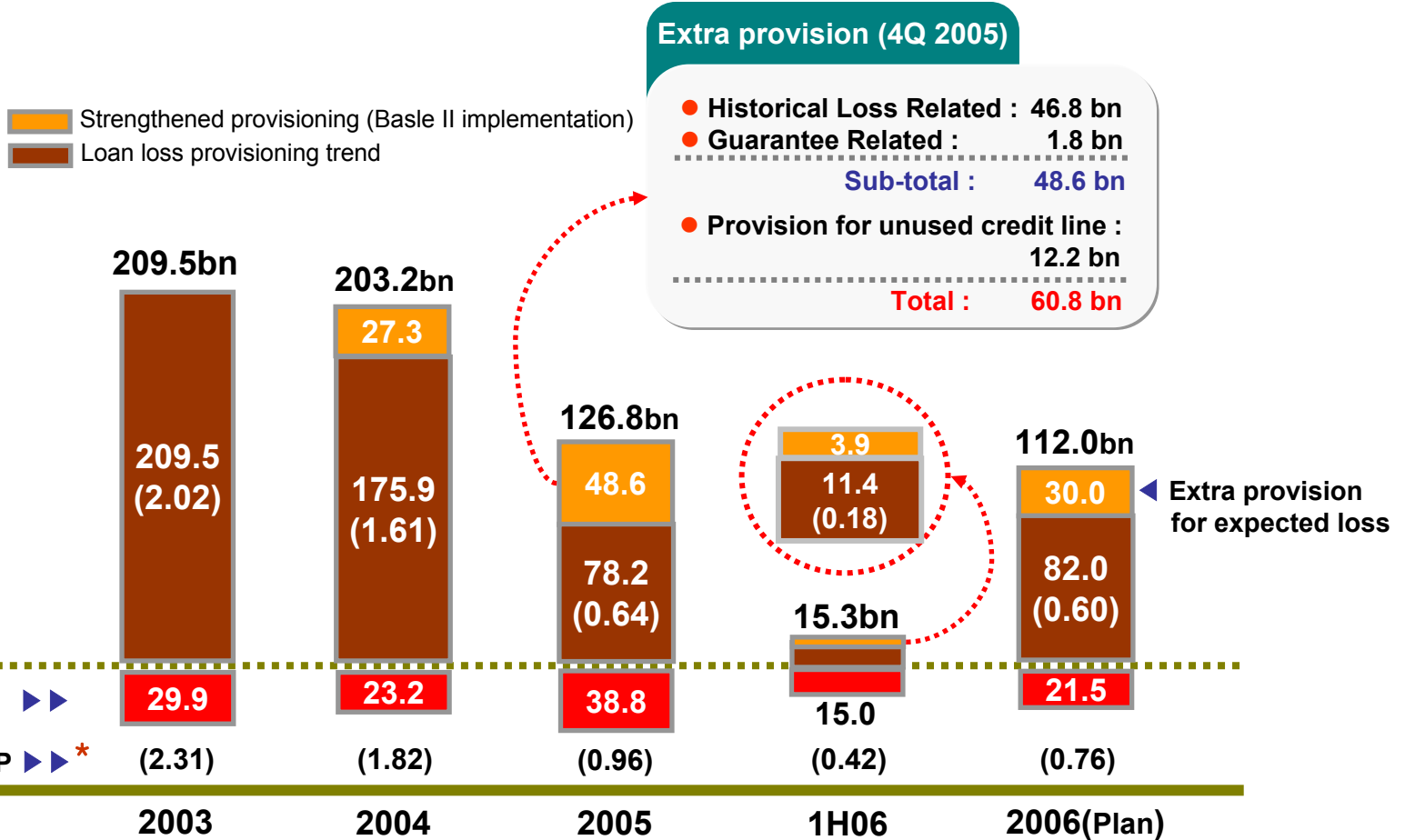
■ Salary ■ IT & Equip. ■ Severance Provision
■ Depreciation & Taxes



G&A Expense & Cost-income Ratio

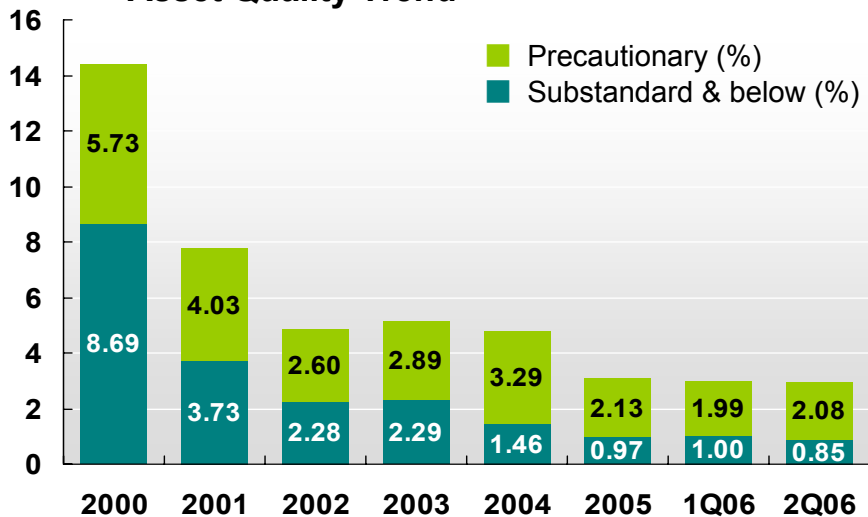


15 Provision for Loan Loss

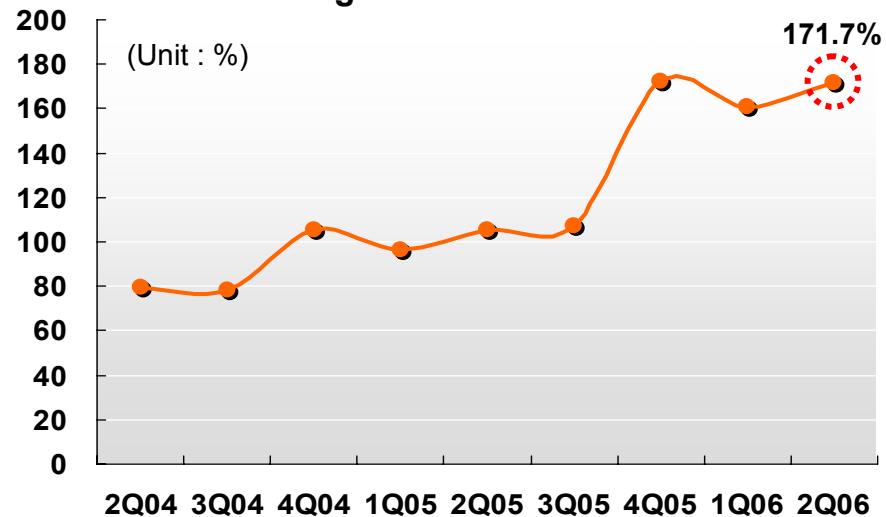


16 Asset Quality

Asset Quality Trend



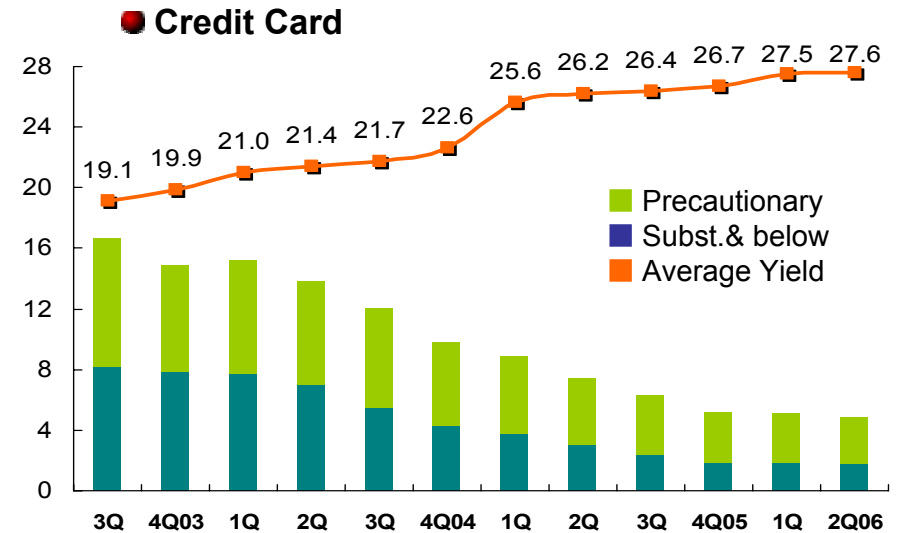
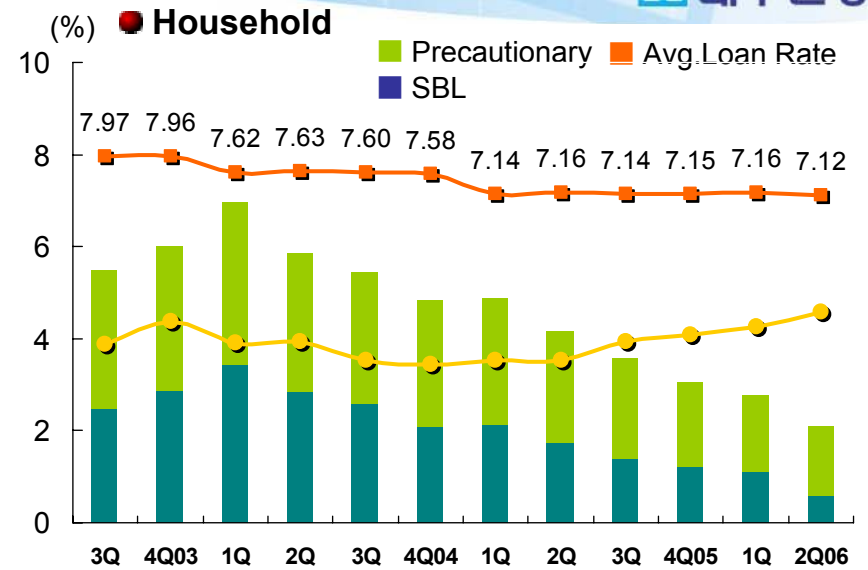
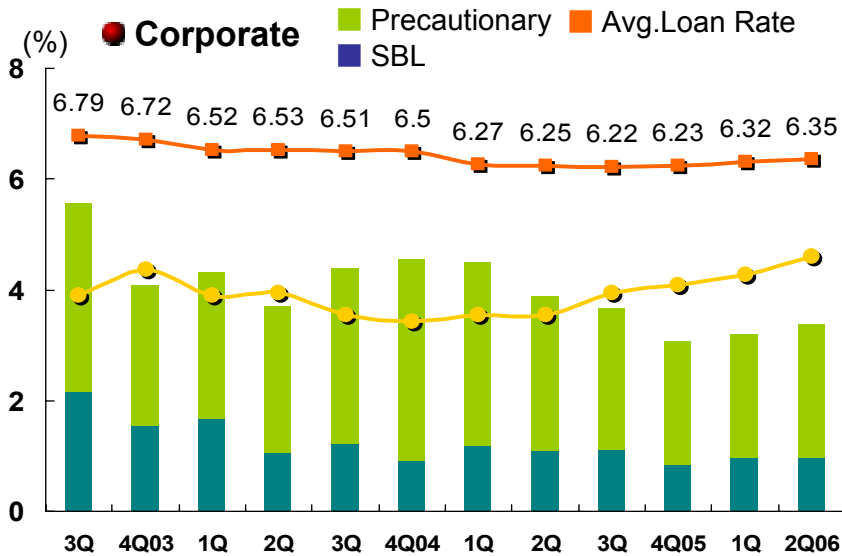
NPL Coverage Ratio



(Unit : bn, %, %p)	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	YoY	QoQ
Total Credit	10,883.9	10,910.3	11,069.6	11,504.1	11,758.4	12,188.4	12,519.8	12,714.6	10.5	1.6
Normal	10,351.4	10,391.7	10,546.2	11,035.1	11,323.9	11,811.1	12,145.2	12,342.5	11.9	1.6
Precautionary	334.2	359.2	346.1	310.0	285.2	259.1	249.4	263.5	-0.2	5.7
Substandard	112.2	91.7	110.2	100.9	103.6	77.5	82.3	81.4	-19.3	-1.1
Doubtful	67.7	50.5	49.7	43.9	33.8	32.6	29.7	16.1	-63.3	-45.8
Estimated Loss	18.4	17.3	17.4	14.1	11.9	8.2	13.2	11.0	-22.0	-16.7
PBL Ratio	4.89	4.75	4.73	4.08	3.70	3.10	2.99	2.93	-1.15	-0.06
SBL Ratio	1.82	1.46	1.60	1.38	1.27	0.97	1.00	0.85	-0.53	-0.15
NPL Coverage Ratio	78.4	105.5	96.4	105.4	107.4	172.5	160.7	171.7	66.3	11.0

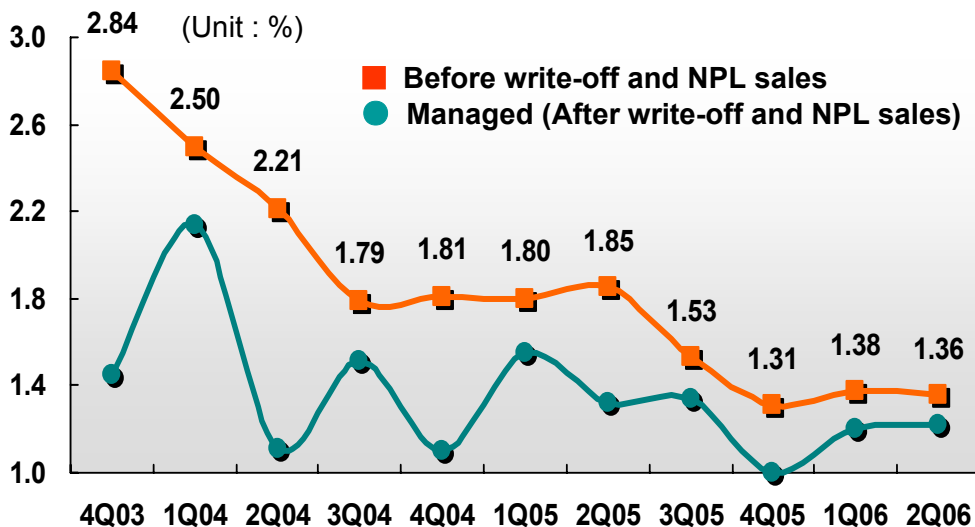
17 Asset Quality & Yield by Sector

● Risk-return profiles for all business segments remain strong

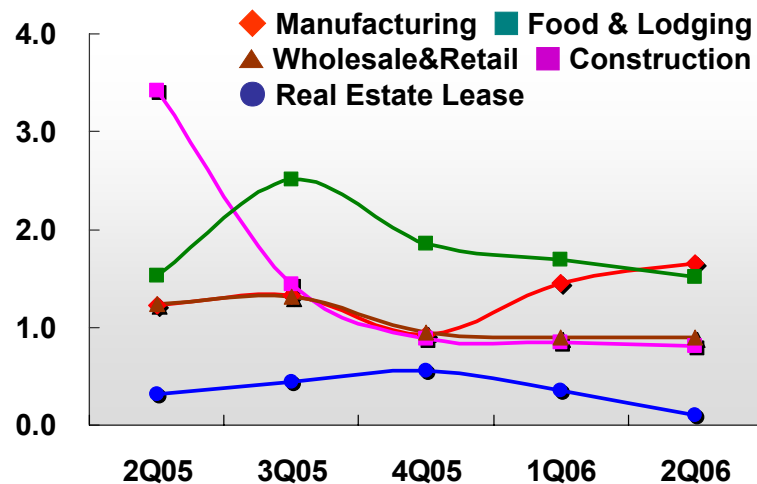


18 Delinquency

SME Loan Delinquency Ratios



SME Loan Delinquency Ratios by Industry



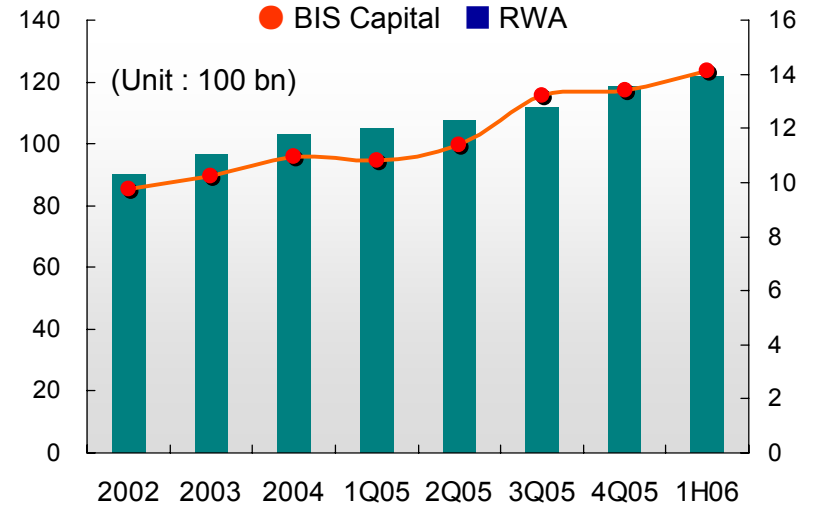
Delinquency Ratios (Managed) by Sector

(Unit: %, %p)	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	YoY	QoQ
Overall	2.32	1.55	1.69	1.29	1.54	1.33	1.26	0.99	1.04	0.98	-0.35	-0.06
Corporate	1.98	1.16	1.51	1.15	1.57	1.33	1.30	1.00	1.07	1.09	-0.24	0.02
SME	2.14	1.11	1.51	1.10	1.55	1.32	1.34	1.00	1.20	1.22	-0.10	0.02
Household	2.08	1.63	1.49	1.23	1.15	1.07	0.96	0.76	0.76	0.55	-0.52	-0.21
Card (>1day)	9.19	7.66	6.88	4.76	4.59	3.89	3.23	2.94	3.05	2.78	-1.11	-0.27
(>1month)	7.06	5.96	4.90	3.73	3.43	2.99	2.39	2.24	2.71	2.04	-0.95	-0.67

19 Capital Adequacy

- Risk weighted asset increased 13.2% YoY
- Tier 1 capital increased 17.4% YoY

● Risk Weighted Assets (RWA) & BIS Capital



(Unit : bn, %, %p)	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	YoY	QoQ
BIS Capital	1,061.2	1,082.2	1,097.8	1,082.4	1,138.8	1,321.5	1,341.9	1,352.8	1,413.8	24.1	4.5
Core	864.1	905.4	891.0	913.1	963.8	1,026.3	1,006.1	1,074.5	1,131.2	17.4	5.3
Supplementary	197.9	177.6	207.6	170.1	175.8	296.1	336.6	279.1	283.3	61.1	1.5
RWA	9,818.3	10,227.7	10,297.9	10,511.7	10,763.6	11,200.6	11,838.9	11,849.3	12,186.8	13.2	2.8
BIS CAR	10.81	10.58	10.66	10.30	10.58	11.80	11.33	11.42	11.60	1.02	0.18
Tier 1 Ratio	8.80	8.85	8.65	8.69	8.95	9.16	8.49	9.07	9.28	0.33	0.21
Tier 2 Ratio	2.02	1.74	2.02	1.62	1.63	2.64	2.84	2.36	2.32	0.69	-0.04
Equity to Asset	4.81	5.04	5.04	4.90	5.08	5.30	5.38	5.30	5.52	0.44	0.22

20 2H 2006 Strategic Focus



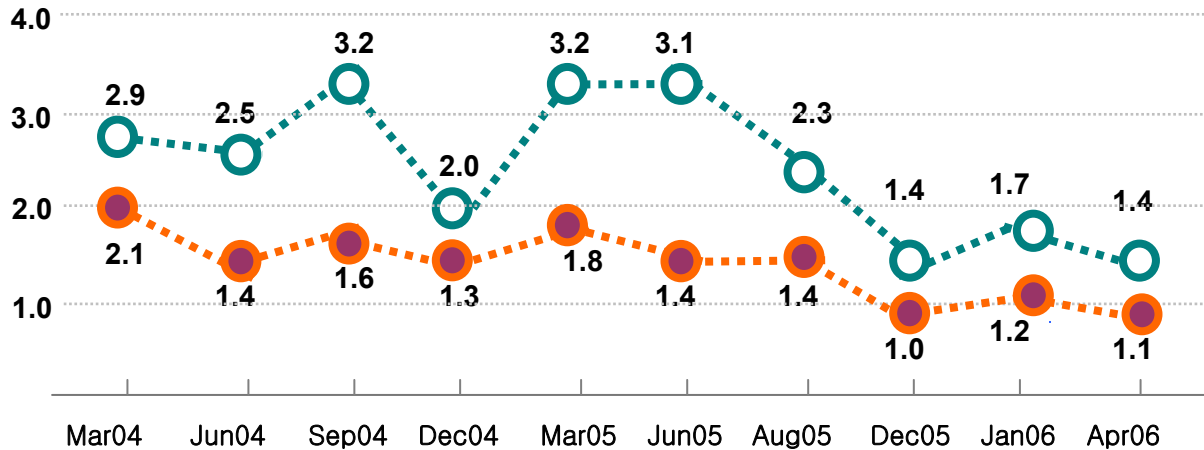
1. Community Focused Management
2. Core Strengths - Customer Knowledge
3. Core Strengths – Growth Potential
4. Condensed B/S
5. Condensed I/S
6. Operating Income
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8. Loans in Won by Collateral Type
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10. Corporate Loan by Collateral Type
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19. Regional Economy



2 Core Strength - Customer Knowledge

Delinquency Ratio of depository banks' loan in Daegu



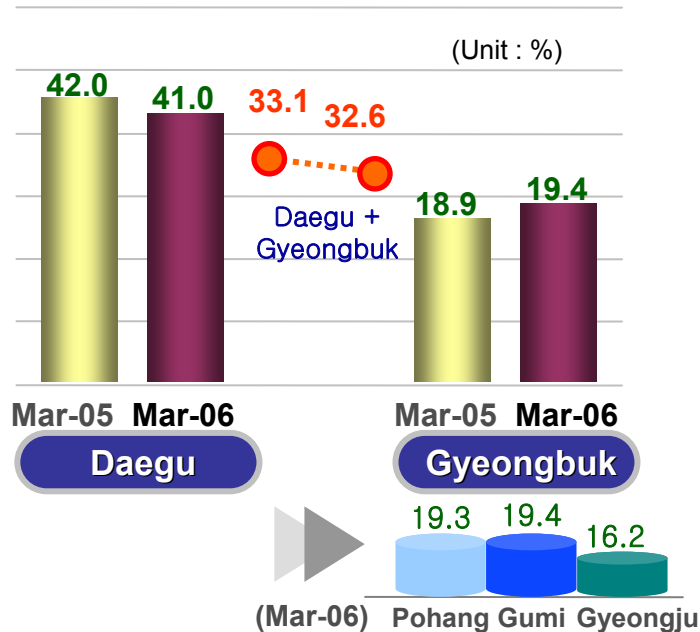
(Source : Bank of Korea)



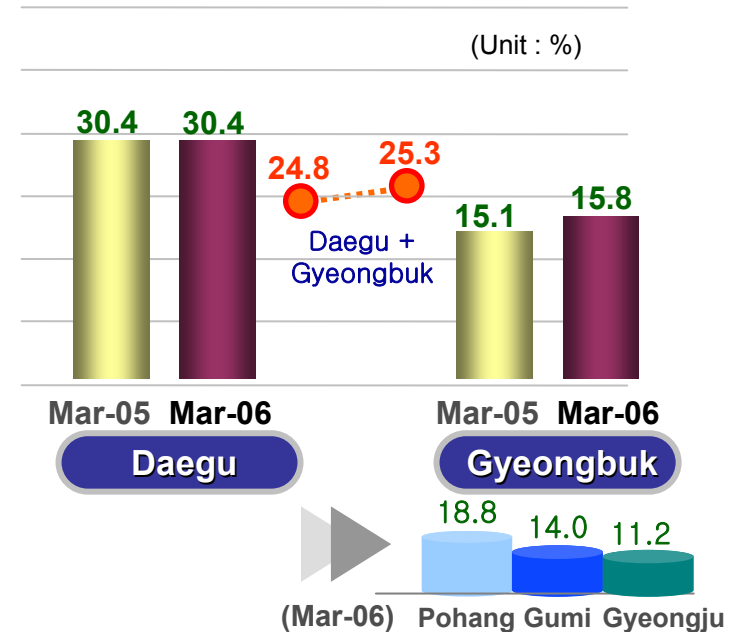
- ❖ Corporate customer information managed systematically
 - ✓ Systematic and timely update of corporate data leading to better loan screening
- ❖ RM / SRMs making more frequent contact with corporate customers
- ❖ Staff actively participating in various organizations and entities
 - ✓ Staffs are encouraged to join at least one regional organization

3 Core Strength – Growth Potential

Deposit Market Shares



Loan Market Shares



- Solid Regional Market Shares
- Market Shares in Gyeongbuk on rise
→ Exploring the Growth Potential

- Regional HQ enhanced empowerment
- Attracting the excellent SMEs in the newly established industrial complexes in the region
 - ✓ Gumi : Concentration on IT industries
 - ✓ Pohang : Focus on Steel industries
 - ✓ Gyeongju : Marketing on the companies related to Low-degree nuclear waste repository & KHNP

4 Condensed B/S

(Unit : bn Won, %)	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	YoY	QoQ
Cash & Due	1,029.1	1,052.1	879.2	1,070.9	914.6	868.9	-17.4	-5.0
Securities	4,908.2	5,024.8	5,159.5	5,547.9	5,455.9	5,512.7	9.7	1.0
Loans	11,399.0	11,589.2	12,039.5	11,979.8	12,236.9	12,623.1	8.9	3.2
Fixed Asset	349.4	354.1	354.1	355.6	355.5	357.7	1.0	0.6
Other Asset	911.1	931.1	919.1	669.7	1,263.4	1,175.6	26.3	-6.9
Total Asset	18,596.9	18,951.4	19,351.4	19,624.0	20,226.3	20,538.0	8.4	1.5
Deposits	13,105.3	13,426.3	13,483.4	14,481.3	14,056.1	14,663.1	9.2	4.3
Borrowings	3,093.0	3,246.6	3,447.6	3,107.2	3,404.8	3,177.2	-2.1	-6.7
Debentures	285.0	285.0	285.8	285.0	285.0	285.0	0.0	0.0
Other Liabilities	1,189.9	1,011.8	1,090.6	673.5	1,388.1	1,256.0	24.1	-9.5
Total Liabilities	17,673.2	17,969.7	18,307.4	18,547.0	19,134.0	19,381.3	7.9	1.3
Paid-in Capital	660.6	660.6	660.6	660.6	660.6	660.6	0.0	0.0
Capital Surplus	12.3	12.3	12.3	12.3	12.3	12.3	0.0	0.0
Retained Earnings	251.9	312.2	374.5	399.3	418.1	487.5	56.2	16.6
Capital Adjustment	-1.2	-3.4	-3.5	4.7	1.2	-3.7	-	-408.3
Total Equity	923.7	981.7	1,044.0	1,077.0	1,092.2	1,156.7	17.8	5.9
Total Equity & Liab.	18,596.9	18,951.4	19,351.4	19,624.0	20,226.3	20,538.0	8.4	1.5

5 Condensed I/S

(Unit : bn Won,%,Cumulative)	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	YoY	QoQ
Operating Revenue	298.5	601.6	922.9	1,257.3	345.4	812.8	35.1	35.4
Interest Revenue *	258.6	524.0	794.2	1,079.7	281.7	590.6	12.7	9.7
Fee Revenue	18.5	37.9	57.4	80.8	23.9	47.3	24.8	-2.1
Trust Revenue	3.2	7.3	13.0	15.3	2.6	5.0	-31.5	-7.7
Other Operating Revenue (Transfer from Allowance)	18.2	32.4	58.2	81.5	37.2	169.9	424.4	257.8
	-	-	-	-	1.6	1.2	-	-
Operating Expense	240.5	472.3	713.7	1,024.3	254.7	616.6	30.6	42.2
Interest Expense	101.0	204.0	306.4	412.9	108.9	229.5	12.5	10.7
Fee Paid	5.4	12.3	19.9	27.9	7.2	14.6	18.7	1.4
Trust Loss	0	0	0	-	-	-	-	-
Other Operating Expense	62.7	111.2	162.3	262.3	59.2	213.0**	91.5	160.5
SG&A Expenses	71.4	144.8	225.1	321.2	79.4	159.5	10.2	0.8
Operating Income	58.0	129.3	209.2	233.0	90.7	196.2	51.7	16.3
Non-operating Revenue	22.9	43.9	47.6	69.6	16.2	28.1	-36.0	-26.5
Non-operating Expense	42.1	50.7	47.9	59.2	7.8	28.9	-43.0	170.5
Ordinary Income	38.9	122.5	208.9	243.4	99.1	195.4	59.5	-2.9
Income Tax	11.0	34.5	58.4	68.1	27.5	54.3	57.4	-2.5
Net Income	27.9	88.0	150.5	175.3	71.6	141.1	60.3	-2.9

* Incl. credit card merchant fees

** Incl. LLP 16.5 bn Won

6 Operating Income

(Unit : bn Won, %)	2005 Quarterly				2005	2006 Quarterly		YoY	QoQ
	1Q05	2Q05	3Q05	4Q05		1Q06	2Q06		
Operating Revenue	298.5	303.1	321.3	334.4	1,257.3	345.4	467.8	54.3	35.4
Interest Revenue	258.6	265.4	270.2	285.5	1,025.8	281.7	308.9	16.4	9.7
Fee Revenue *	18.5	19.4	19.5	23.4	134.7	23.9	23.4	20.6	-2.1
Trust Gains	3.2	4.1	5.7	2.3	15.3	2.6	2.4	-41.5	-7.7
Others	18.2	14.2	25.8	23.3	81.5	37.2	133.1	837.3	257.8
(Transfer from Allowance)	-	-	-	-	-	1.6	-	-	-
Operating Expense	240.5	231.8	241.4	310.6	1,024.3	254.7	362.2	56.3	42.2
Interest Expense	101.0	103.0	102.4	106.5	412.9	108.9	120.6	17.1	10.7
Fee Expense	5.4	6.9	7.6	8.0	27.9	7.2	7.3	5.8	1.4
Trust Loss	0	0	0	-	-	-	-	-	-
Others	62.7	48.5	51.1	100.0	262.3	59.2	154.2	217.9	160.5
(LLP)	(30.5)	(26.1)	(16.4)	(53.8)	(126.8)	(9.4)	(7.2)	-72.4	-23.4
SG&A Expense	71.4	73.4	80.3	96.1	321.2	79.4	80.0	9.0	0.8
Operating Income	58.0	71.3	79.9	23.8	233.0	90.7	105.5	48.0	16.3

* Incl. credit card merchant fees

7 Non-operating Income

(Unit : bn Won, %)	2005 Quarterly				2005	2006 Quarterly		YoY	QoQ
	1Q05	2Q05	3Q05	4Q05		1Q06	2Q06		
Non-operating Revenue	22.9	21.0	3.7	22.0	69.6	16.2	11.9	-43.3	-26.5
Gain on Disposal of Investment Securities	21.1	7.2	0.9	0.2	29.4	12.7	8.5	18.1	-33.1
Restoration of Investment Securities Impairment Loss	0	0	0	18.0	18.0	0	0	-	-
Gain on Loan Sales	0	6.9	-0.1	0.3	7.2	0	0	-50.7	-2.9
Others	1.8	6.9	2.9	3.5	15.1	3.5	3.4		
Non-operating Expense	42.1	8.6	-2.7	11.3	59.2	7.8	21.1	145.3	170.5
Loss on Disposal of Investment Securities	0	1.4	0	0	1.4	0	17.5	1150.0	-
Impairment Loss on Investment Securities	15.3	-3.8	-5.7	0.1	5.9	0.2	0.6	-	200.0
Loss on Loan Sales	1.5	7.7	1.0	3.5	13.6	1.6	0.6	-92.2	-62.5
Early Retirement Incentives	23.6	0	0.1	0	23.7	4.0	0.9	-	-77.5
Others	1.7	3.3	1.8	7.7	14.5	2.0	1.5	-54.5	-25.0
Non-operating Income	-19.1	12.3	6.4	10.7	10.4	8.4	-9.2	-174.8	-209.5

8 Loans in Won by Collateral Type

(Unit : bn Won,%)	Corporate		Household		Public & Others		Total	
	Amt	%	Amt	%	Amt	%	Amt	%
Real Estate	3,908.9	48.5	1,695.6	49.4	38.1	32.2	5,642.6	48.6
Securities	212.2	2.7	166.9	4.9	2.6	2.2	390.7	3.4
Letter of Guarantee	1,027.4	12.7	34.2	1.0	0.7	0.6	1,062.3	9.1
Sub-total	5,157.5	64.0	1,896.7	55.2	41.4	35.0	7,095.6	61.1
Unsecured	2,905.8	36.0	1,538.4	44.8	76.8	65.0	4,521.0	38.9
Total	8,063.3	100.0	3,435.1	100.0	118.2	100.0	11,616.6	100.0

❖ Loans in Won

(Unit : bn Won, %)	2004		2005		1Q06		2Q06	
	Amt	%	Amt	%	Amt	%	Amt	%
Manufacturing	3,481.5	52.4	3,876.6	50.3	3,909.6	49.0	3,893.1	48.3
Auto-parts & Metal	1,146.9	17.0	1,353.6	17.6	1,396.8	17.5	1,402.8	17.4
Machinery & Equip.	338.9	5.1	392.6	5.1	407.2	5.1	420.1	5.2
Non-metal	145.7	2.2	145.8	1.9	157.5	2.0	154.3	1.9
Textile	797.4	12.0	749.7	9.7	748.7	9.4	721.4	8.9
Chemical	173.0	2.6	199.6	2.6	197.8	2.5	214.3	2.7
Communication Equip.	219.0	3.3	261.2	3.4	271.1	3.4	253.9	3.1
Others	729.5	11.0	774.1	10.0	730.5	9.2	726.3	9.0
Construction	530.2	8.0	634.1	8.2	657.7	8.2	664.7	8.2
Wholesale & Retail	1,000.4	15.0	1,126.2	14.6	1,148.2	14.4	1,166.0	14.5
Finance & Insurance	79.2	1.2	72.5	0.9	113.2	1.4	102.9	1.3
Real Estate	494.5	7.4	764.9	9.9	892.3	11.2	965.1	12.0
Lodging & Restaurant	301.3	4.5	326.7	4.2	327.4	4.1	333.1	4.1
Leasing	78.1	1.2	83.8	1.1	84.7	1.1	86.1	1.1
Others	686.6	10.3	822.6	10.7	841.9	10.6	852.1	10.6
Total	6,651.8	100.0	7,707.4	100.0	7,975.0	100.0	8,063.3	100.0

❖ Loans in Won

10 Corporate Loan by Collateral Type

■ Corporate Loan by Collateral Type

	1Q05		2Q05		3Q05		4Q05		1Q06		2Q06	
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
Real Estate	3,291.0	48.3	3,512.9	48.1	3,571.2	47.8	3,726.6	48.4	3,838.5	48.1	3,908.9	48.5
Securities	177.9	2.6	172.7	2.4	174.8	2.3	216.7	2.8	221.7	2.8	212.2	2.7
Letter of Guarantee	1,067.9	15.7	1,106.2	15.2	1,087.3	14.6	1,029.8	13.4	1,034.5	13.0	1,027.4	12.7
Sub-total	4,536.8	66.6	4,791.8	65.6	4,833.3	64.7	4,973.1	64.5	5,094.7	63.9	5,157.5	64.0
Unsecured	2,279.6	33.4	2,510.9	34.4	2,638.4	35.3	2,734.3	35.5	2,880.3	36.1	2,905.8	36.0
Total	6,816.4	100.0	7,302.7	100.0	7,471.7	100.0	7,707.4	100.0	7,975.0	100.0	8,063.3	100.0

❖ Loans in Won

11 Corporate Loan – Asset Quality

■ Asset Quality Trend

❖ Loans in Won

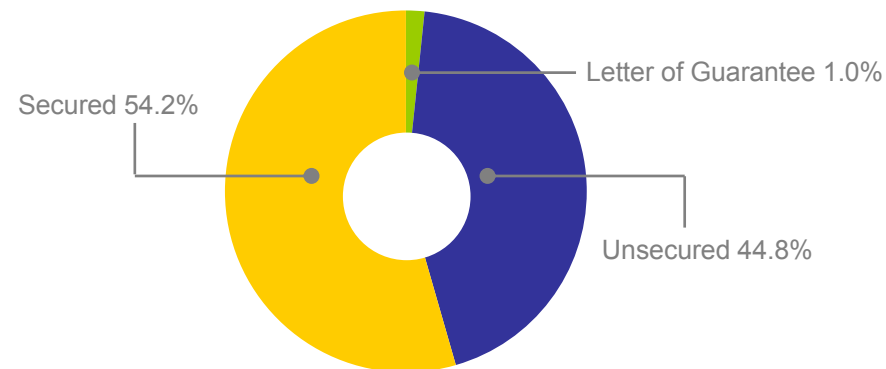
(Unit : bn Won, %, %p)	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	YoY	QoQ
Normal	6,500.4	7,009.9	7,187.2	7,454.7	7,710.1	7,781.3	11.0	0.9
Precautionary	226.0	203.9	189.2	182.4	177.1	194.0	-4.9	9.5
Substandard	66.5	66.9	72.4	51.5	65.9	68.3	2.1	3.6
Doubtful	7.4	6.7	4.7	2.4	2.8	2.4	-64.2	-14.3
Estimated Loss	6.7	6.3	5.6	3.5	8.0	7.6	20.6	-5.0
Total	6,807.0	7,293.8	7,459.1	7,694.5	7,963.9	8,053.6	10.4	1.1
PBL	306.6	283.9	271.8	239.8	253.8	272.3	-4.1	7.3
PBL Ratio	4.50	3.89	3.64	3.12	3.19	3.38	-0.51	0.19
SBL	80.7	80.0	82.6	57.4	76.7	78.3	-2.1	2.1
SBL Ratio	1.19	1.10	1.11	0.75	0.96	0.97	-0.13	0.01

■ Problem Loans

(Unit : bn Won, %)	Normal	Prec.	Subst.	Doubt	EL	Total	LLR	Collatrl	Coverg
Workout	1.3	22.9	0	1.8	0	26.0	4.9	8.5	51.5
CR	0	0	1.9	0.2	0	2.1	0.5	3.1	171.4
Mediation	0	1.8	1.2	0	0	3.0	0.3	3.1	113.3
Total	1.3	24.7	3.1	2.0	0	31.1	5.7	14.7	

12 Household Loan by Collateral Type

- Delinquency ratio for unsecured household loan : 0.53%
- Delinquency ratio for secured household loan : 0.56%
- Delinquency ratio for mortgage loan : 0.7%



Household Loan by Collateral Type

(Unit : bn Won, %)	1Q05		2Q05		3Q05		4Q05		1Q06		2Q06	
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
Real Estate	1,617.8	52.6	1,608.6	51.6	1,567.1	49.18	1,586.2	48.10	1,632.6	48.6	1,695.6	49.4
Mortgage	1,231.1	40.0	1,207.5	38.7	1,155.4	36.26	1,142.5	34.65	1,183.0	35.2	1,222.5	35.6
Securities	158.3	5.2	188.1	6.0	168.8	5.30	190.7	5.78	165.2	4.9	166.9	4.8
Letter of Guarantee	43.4	1.4	41.8	1.3	52.8	1.66	35.0	1.06	67.8	2.0	34.2	1.0
Sub-total	1,819.5	59.2	1,838.5	58.9	1,788.7	56.14	1,811.9	54.94	1,865.6	55.5	1,896.7	55.2
Unsecured	1,254.8	40.8	1,283.7	41.1	1,397.7	43.86	1,485.8	45.06	1,494.9	44.5	1,538.4	44.8
Total	3,074.3	100.0	3,122.2	100.0	3,186.4	100.00	3,297.7	100.00	3,360.5	100.00	3,435.1	100.0
Average LTV	53.7		54.5		53.9		53.3		45.0		44.5	

❖ Loans in Won

13 Household Loan – Asset Quality

■ Asset Quality Trend

(Unit : bn Won, %, %p)	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	YoY	QoQ
Normal	2,924.8	2,992.6	3,072.5	3,197.1	3,267.7	3,362.9	12.4	2.9
Precautionary	84.3	75.4	69.1	60.2	55.5	52.6	-30.2	-5.2
Substandard	25.3	19.9	17.5	14.1	14.0	10.5	-47.2	-25.0
Doubtful	32.2	28.7	22.8	23.1	20.5	7.8	-72.8	-61.9
Estimated Loss	7.7	5.6	4.5	3.1	2.8	1.3	-76.8	-53.6
Total	3,074.3	3,122.2	3,186.4	3,297.6	3,360.5	3,435.1	10.0	2.2
PBL	149.5	129.6	113.9	100.5	92.8	72.2	-44.3	-22.2
PBL Ratio	4.86	4.15	3.57	3.05	2.76	2.10	-2.05	-0.66
SBL	65.2	54.2	44.8	40.3	37.3	19.6	-63.8	-47.5
SBL Ratio	2.12	1.74	1.41	1.22	1.11	0.57	-1.17	-0.54

❖ Loans in Won

14 Credit Card

(Unit : bn Won, %)	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	YoY	QoQ
Cardholder (thousand)	657	704	740	773	846	928	31.8	9.7
Merchant (thousand)	105	105	104	105	104	104	-1.0	0.0
Card Usage (Cumulative)	575.3	1,168.7	1,775.0	2,412.8	628.1	1,267.8	8.5	1.8
Lump sum	264.3	550.2	863.3	1,195.2	343.4	700.1	27.2	3.9
Installment	117.0	239.0	354.6	485.3	116.3	233.4	-2.3	0.7
Cash Advance	194.0	379.5	557.1	732.3	168.3	334.3	-11.9	-1.4
Affiliate Card	-	-	-	-	-	-	-	-
Net Fee Income (Cumulative) *	17.2	34.4	51.6	69.0	16.5	33.0	-4.1	0.0
Card Receivables	325.8	323.5	317.7	328.7	311.9	316.3	-2.2	1.4
Credit Sales	200.8	208.1	208.1	223.6	214.5	216.0	3.8	0.7
Cash Advance	98.0	93.1	90.0	87.8	87.0	86.3	-7.3	-0.8
Card Loan	21.5	17.4	13.4	11.1	9.1	8.6	-50.6	-5.5
Affiliate Cards, etc	5.6	4.9	6.2	6.1	1.3	5.3	8.2	307.7

* Incl. Interest earnings on card loans and cash advances.

15 Credit Card – Asset Quality

■ Asset Quality Trend

(Unit : bn Won, %, %p)	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	YoY	QoQ
Normal	296.8	299.5	297.7	311.4	295.9	300.9	0.5	1.7
Precautionary	16.8	14.1	12.4	11.2	10.3	9.8	-30.5	-4.9
Substandard	0.1	0	0.1	0	0	0	-	-
Doubtful	9.9	8.2	6.3	4.9	4.7	4.3	-47.6	-8.5
Estimated Loss	2.2	1.7	1.3	1.1	1.0	1.3	-23.5	30.0
Total	325.8	323.5	317.7	328.7	311.9	316.3	-2.2	1.4
PBL	29.0	24.0	20.0	17.2	16.0	15.4	-35.8	-3.8
PBL Ratio	8.90	7.42	6.30	5.23	5.13	4.87	-2.55	-0.26
SBL	12.2	9.9	7.6	6.0	5.7	5.6	-43.4	-1.8
SBL Ratio	3.74	3.06	2.39	1.83	1.83	1.77	-1.29	-0.06

16 NPL Disposal for 1H06

(Unit : bn Won, Bank A/C)	1H 2006				
	Corporate	Household	Credit Card	Acceptances & Guarantees	Total
LLR at 2005 YE	113.0	63.0	25.0	2.6	203.6
LLP	13.5	3.5	-0.5	-1.2	15.3
Recovery on Receivable Charge-offs	9.3	3.3	2.4	0	15.0
Credit Adjustment	5.2	0	0	0	5.2
Write-offs	24.5	21.5	6.7	0	52.7
Loan Sales related LLP	0	0	0	0	0
LLR at the end of 1H06	116.6	48.3	20.2	1.3	186.4

■ Quarterly write-offs by sector

(Unit : bn Won)	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06
Corporate	21.5	17.2	17.4	18.4	16.0	16.8	13.9	7.2	13.4	11.1
Household	9.0	37.1	21.5	22.8	11.5	10.7	11.7	9.9	5.5	16.0
Credit Card	22.5	17.5	13.9	9.6	7.0	5.5	5.3	3.9	3.2	3.5
Total	53.0	71.8	52.8	50.8	34.5	32.9	30.9	21.1	22.1	30.6

❖ There was no NPL sales in 1H 2006.

17 Securities

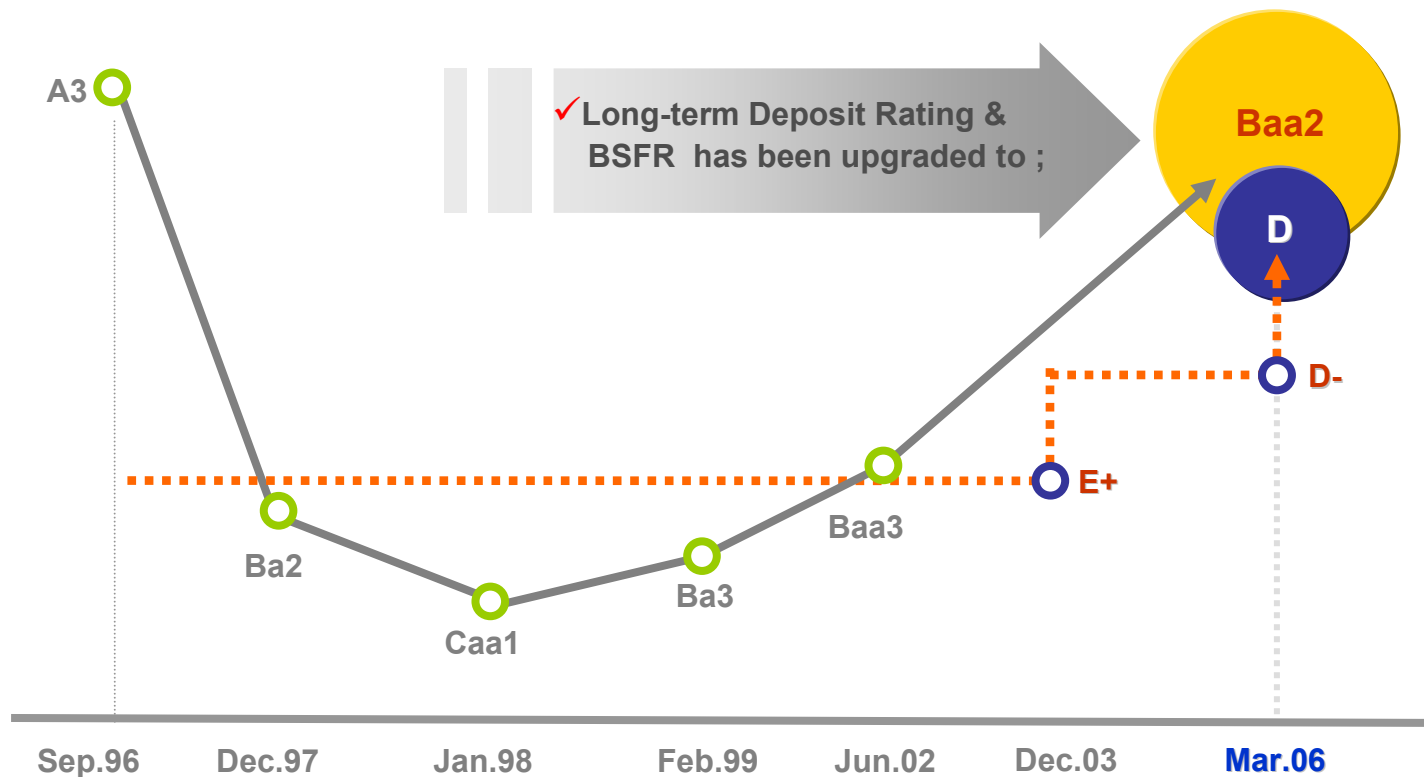
(Unit : bn Won, Bank A/C)	Total	Trading	Sub-total	Available for sale	
				Available for sale	Held-to-maturity
Bond (in Won)	5,037.7	331.4	4,706.3	1,741.7	2,964.6
Government	2,216.3	49.3	2,167.0	670.2	1,496.8
Municipal	517.0		517.0	-	517.0
Debenture	1,251.5	267.1	984.4	618.6	365.8
Public Corporate	590.9	15.0	575.9	354.4	221.5
Corporate	69.3	-	69.3	49.3	20.0
Others	392.7	-	392.7	49.2	343.5
Bond (in Fcy)	144.7	-	144.7	135.1	9.6
Stock	56.5	9.2	47.3*	47.3	-
Beneficial Certificate	273.1	-	273.1**	273.1	-
(Mixed type)	160.8	-	160.8	160.8	-
(Equity type)	87.0	-	87.0	87.0	-
(Bond type)	25.3	-	25.3	25.3	-
Others	0.7	-	0.7	0.7	-
Total	5,512.7	340.6	5,172.1	2,197.9	2,974.2

* Book value 39.6 bn Won

** Invested amount 265.0 bn Won

18 Credit Rating (Moody's)

- ❖ Long-term Deposit : **Baa2** / Short-term Deposit : **Prime-2** (Upgraded in March 30, 2006)
- ❖ BFSR upgraded : D- → **D** (March 30, 2006)



19 Regional Economy

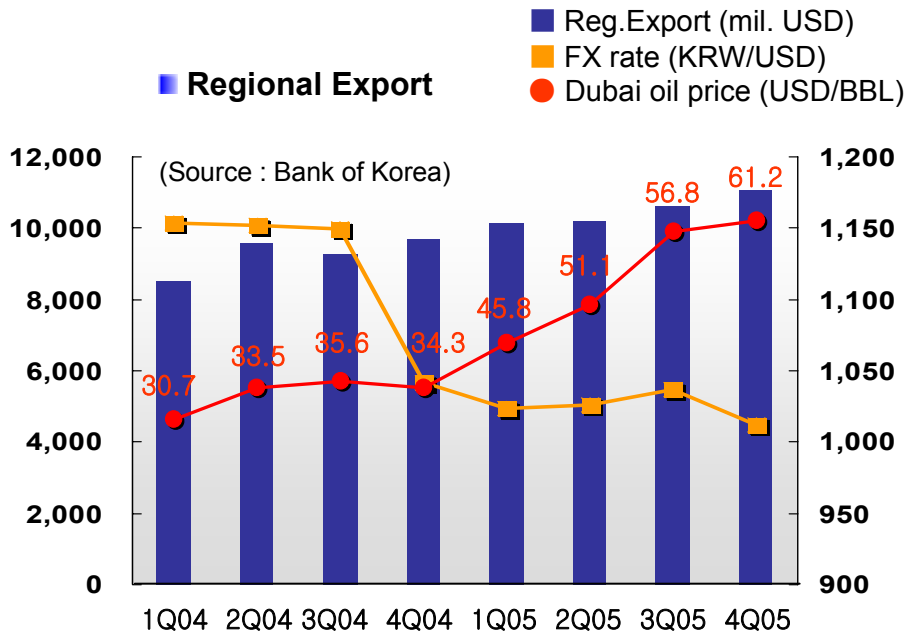
Major economic indicators

		2004				2005				2006
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Ind. Production (2000=100)	Daegu	98.7	102.1	92.9	104.8	97.5	99.9	94.1	107.4	100.0
	Gyeongbuk	149.7	157.2	152.7	165.2	166.1	164.1	164.3	180.4	169.7
Prod. Shipment (2000=100)	Daegu	101.5	104.1	94.0	104.0	95.7	100.0	94.4	107.6	100.6
	Gyeongbuk	146.8	154.5	149.9	163.5	162.7	160.9	160.7	176.4	165.7
Inventory Index (2000=100)	Daegu	124.0	114.9	110.2	123.1	119.2	115.5	109.9	112.2	109.1
	Gyeongbuk	106.9	106.3	111.0	116.0	118.7	122.8	124.6	133.6	123.2
Unemployment (%)	Daegu	4.7	3.7	3.6	3.6	5.0	4.2	4.0	3.7	3.8
	Gyeongbuk	2.8	2.6	2.3	2.2	2.5	2.3	2.6	2.1	2.4
CPI (2000=100)	Daegu	112.0	112.6	113.7	113.7	115.0	115.7	116.4	116.6	117.9
	Gyeongbuk	110.5	111.2	112.8	112.3	113.9	114.8	115.6	115.7	116.8
Export (Million USD)	Daegu	715	859	779	806	738	884	844	870	790
	Gyeongbuk	7,820	8,727	8,527	8,886	9,397	9,338	9,764	10,215	9,754
Import (Million USD)	Daegu	435	504	443	358	503	584	546	573	606
	Gyeongbuk	5,132	5,650	5,338	5,638	5,617	5,876	5,629	5,653	5,712
Dishonored Bill Ratio(%)	Daegu	0.15	0.23	0.19	0.21	0.16	0.10	0.08	0.07	0.08
	Gyeongbuk	0.09	0.09	0.13	0.09	0.08	0.05	0.06	0.06	0.04

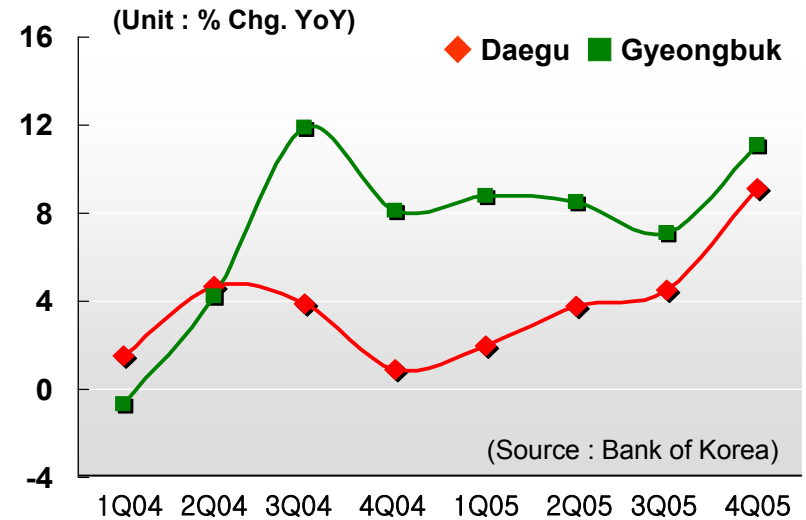
Source : National Statistical Office

19 Regional Economy (Cont.)

Regional Export & Domestic Consumption



Retail Sales in the Region



19 Regional Economy (Cont.)

◆ Well developed infrastructures in the region

- ✓ Easy access form highways, railroads & airports
 - 1hr 40 min. away from Seoul by KTX
 - 20 min. drive form Gumi
 - 40 min. away from Pohang by highway
- ✓ Opening of Jungbu inland expressway
- ✓ Construction of Youngil-Bay Port in Pohang (Attracted Hyundai heavy industries corp.)
- ✓ Foreign-exclusive industrial complex in Gumi&Pohang
- ✓ Inland freight base in Chilgok
- ✓ Plan of R&D special zone in the region

◆ Synergy effect for diverse industries

- ✓ Daegu : Auto-parts & High-tech fiber industry
- ✓ Gumi : IT (Display & Mobile phone)
- ✓ Pohang : Steel related industries led by POSCO

Grand Techno-Triangle

