

KEB
Driving Ahead
Operating Results of FY2005
January 2006

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4Q05 Highlights

➤ The highest quarterly & annual profit in KEB's history

4Q`05 : ₩759.9 bn

FY`05 : ₩1,929.3bn

- ✓ Highest normal business profit : ~ ₩ 1 tr.
- ✓ Significant special asset monetization actions
- ✓ Deferred income tax asset recognition in 4Q`05 : ₩300 bn

➤ Capital-building efforts deliver best Capital Adequacy in Korea... while Portfolio Quality steadily improved

	<u>1Q`05</u>	<u>2Q`05</u>	<u>3Q`05</u>	<u>4Q`05</u>
BIS Ratio	9.85%	11.07%	12.17%	~13.8%*
(Tier I)	(6.08%)	(7.19%)	(8.13%)	(~9.7%)*
NPL ratio	1.70%	1.32%	1.20%	0.90%
Delinq. Ratio	1.86%	1.32%	1.41%	0.93%

* Estimate

➤ Healthy Card business

- ✓ FY`05 Net Profit : ₩257.3bn
- ✓ Asset quality normalized... Delinquency at 4.3%
- ✓ Net portfolio growth QoQ... 1st since merger

➤ Loan portfolio continues modest growth

	<u>3Q`05</u>	<u>4Q`05</u>	<u>QoQ Growth</u>
Average bal.	34.6 tr.	35.2 tr.	+1.7%
Ending bal.	35.2 tr.	35.5 tr.	+0.9%

➤ Undisputed leader in FX business

- ✓ "Best Trade Finance Bank in Korea" by 'Global Finance' (6 consecutive years)
- ✓ "Best Foreign Exchange Bank in Korea" by 'Global Finance' (5 consecutive years)

➤ International Credit Rating Upgrade

- ✓ Fitch : BBB BBB+ (Dec.15, `05)

➤ Sale of Hynix share

- ✓ Partial disposal of debt-to-equity swapped stocks (18.4m shares, transaction profit of ₩230bn)

➤ KEB Foundation Established...

The first community support organization founded by financial institution in Korea

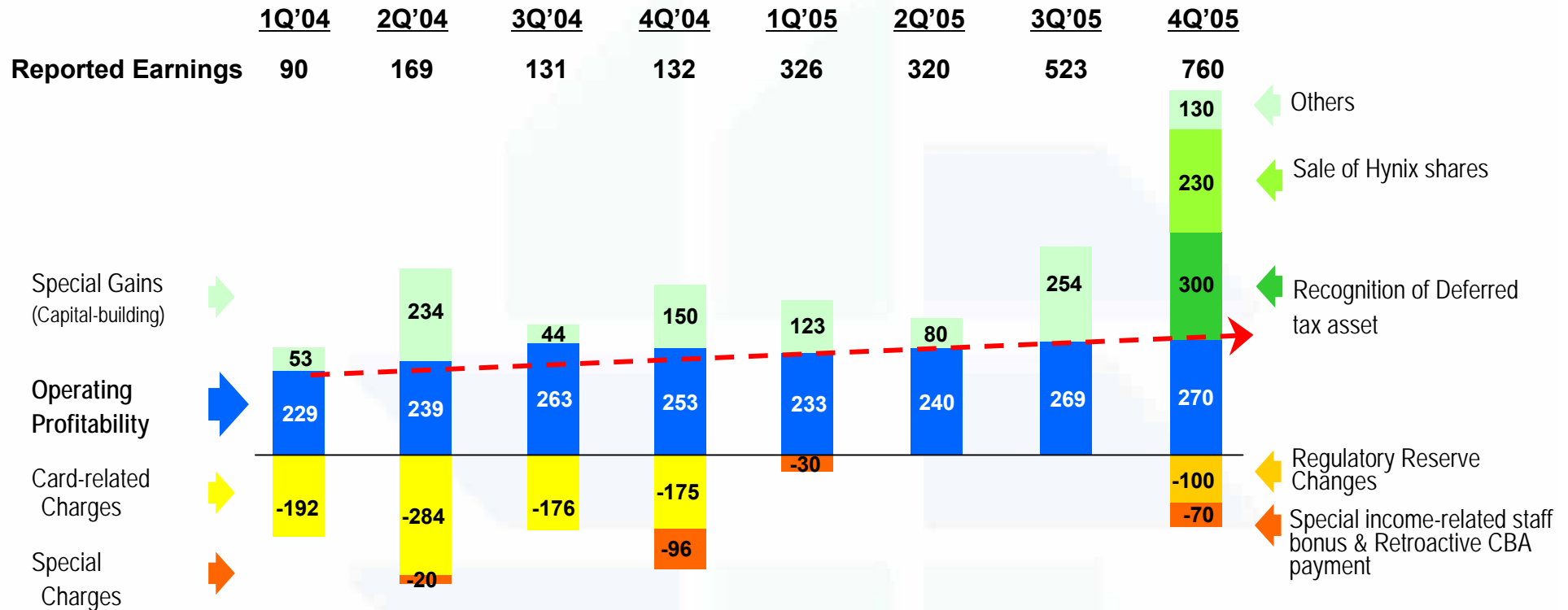
- ✓ Initial donation of ₩6.0bn, and on-going support

➤ Key Financial Indicators

(Annualized)	<u>1Q`05</u>	<u>2Q`05</u>	<u>3Q`05</u>	<u>4Q`05</u>
- ROA	2.11%	2.08%	2.49%	3.05%
- ROE	38.27%	35.63%	39.43%	43.97%
- BPS	₩5,354	₩5,985	₩7,110	₩8,773

Stable, Growing Operating Profitability

Quarterly Net Income - KRW Billions



Special Charges (1Q'04 - 4Q'05): 317 Bn

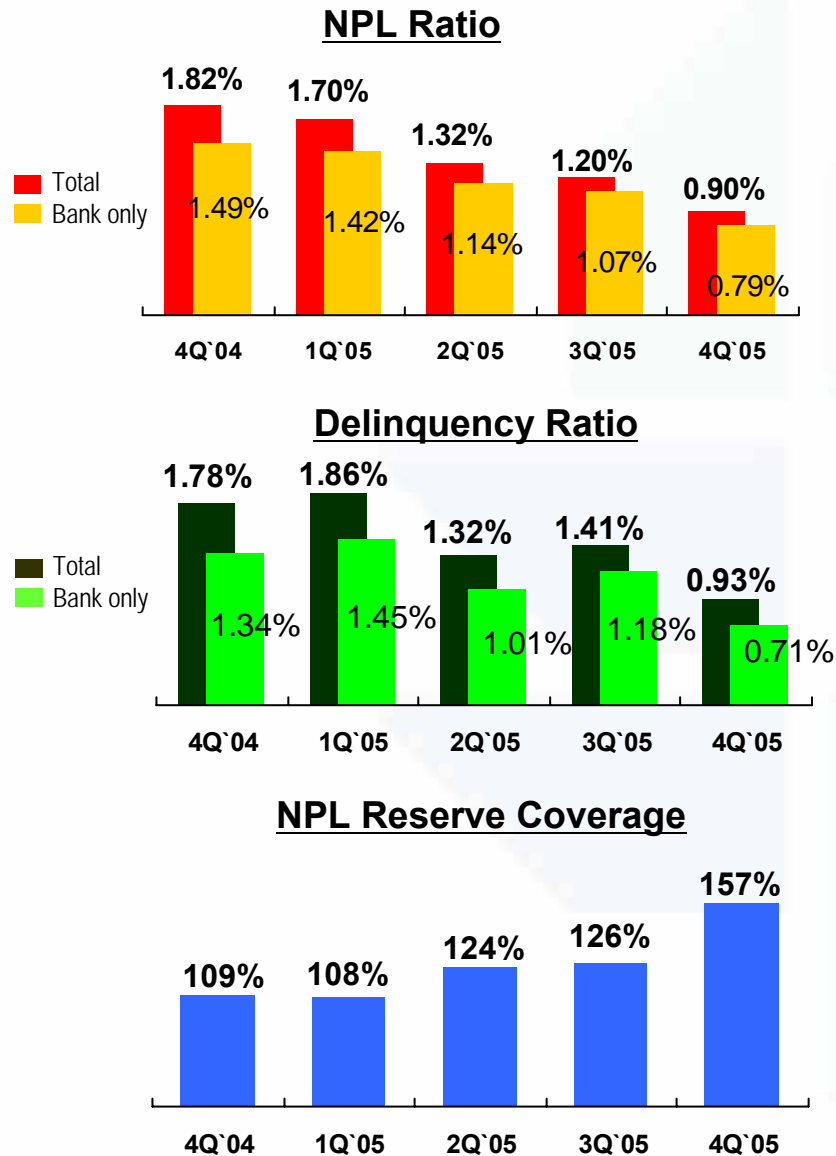
	'04	'05
• Staff Restructuring (ERPs)	88	-
• Special Income-related Bonuses	-	50
• Retroactive CBA Payments	29	20
• Regulatory Reserve Changes	-	100
• Special Asset Provision	-	30

Special Gains (1Q'04 - 4Q'05): 1,598 Bn

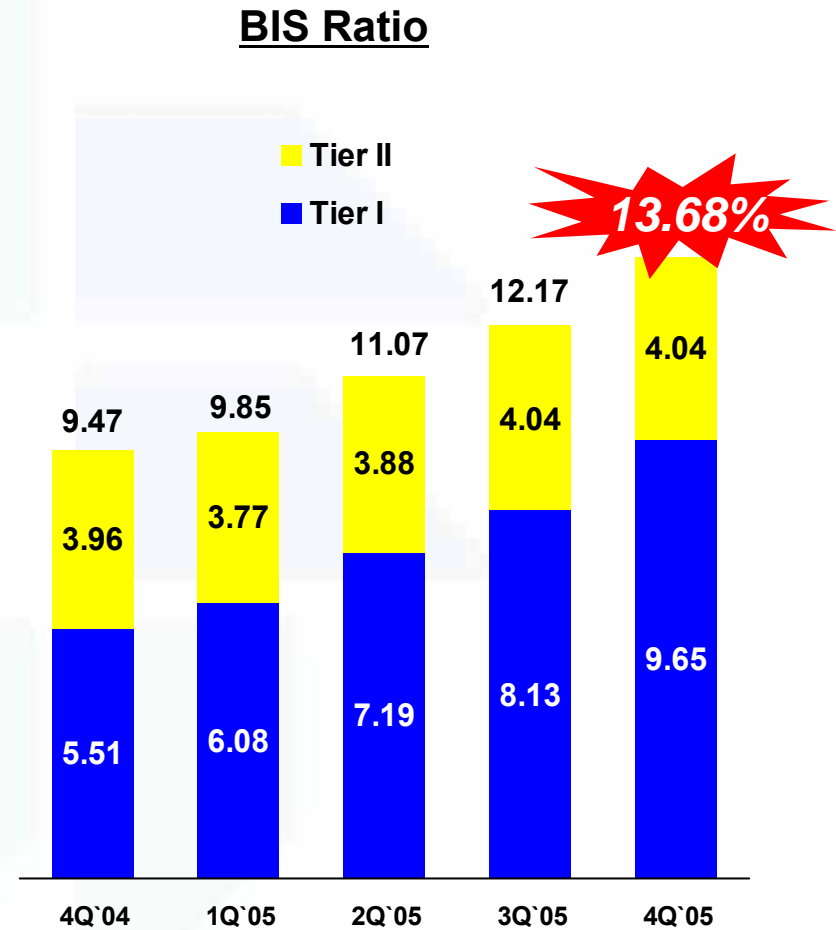
	'04	'05
• Sale of Debt-for-Equity swap positions	33	422
• Recoveries / Reversals on NPLs	185	215
• Sales of NPLs	-	147
• Sale of Pacific Union Bank	181	-
• Deferred Tax Effect	-	300
• Others	82	33

Best in Asset Quality & Capital Adequacy

Continued Improvement in Asset Quality



Significant Improvement in Capital Adequacy



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)

	FY 2005															FY2004
	4Q			3Q			2Q			1Q						
	Total	Bank	Card	Total	Bank	Card	Total	Bank	Card	Total	Bank	Card				
Net Interest Income	1,677.2	1,150.0	527.1	465.3	335.4	129.9	417.0	285.4	131.6	412.5	280.6	132.0	382.3	248.6	133.7	1,624.3
Fees & Commissions	468.4	582.1	-113.8	127.2	161.1	-33.9	119.1	145.4	-26.3	115.7	143.7	-28.0	106.4	131.9	-25.5	552.8
Non Interest Income	272.1	243.1	29.0	60.2	41.1	19.2	58.6	66.8	-8.2	71.9	46.5	25.5	81.3	88.8	-7.5	161.4
Total Income	2,417.6	1,975.3	442.3	652.7	537.6	115.1	594.8	497.7	97.1	600.1	470.7	129.4	570.0	469.3	100.7	2,338.4
Total Expenses()	995.3	900.0	95.2	333.7	306.9	26.8	231.9	210.0	21.9	223.7	200.6	23.2	205.9	182.5	23.3	847.0
Operating Income	1,422.3	1,075.3	347.1	319.0	230.7	88.3	362.9	287.7	75.2	376.4	270.1	106.2	364.2	286.8	77.4	1,491.4
Impairment Loss, etc.()	-436.1	-442.8	6.7	-254.3	-255.5	1.2	-188.4	-188.4	-	33.1	28.9	4.2	-26.5	-27.8	1.3	46.3
Income before Provision	1,858.5	1,518.0	340.4	573.3	486.1	87.1	551.2	476.0	75.2	343.3	241.3	102.0	390.6	314.5	76.1	1,445.1
Provision & Others()	-70.9	-154.0	83.2	-186.6	-235.9	49.4	27.7	18.1	9.7	23.1	3.3	19.8	64.8	60.5	4.3	923.0
- Add'l provisioning	61.6	28.4	33.2	7.5	2.2	5.3	8.2	-0.3	8.5	10.9	-7.1	18.0	35.0	33.5	1.5	804.9
- Income tax	-294.1			-298.9			1.8			1.4			1.6			9.5
Net Income	1,929.3	1,672.0	257.3	759.9	722.1	37.8	523.5	458.0	65.5	320.1	237.9	82.2	325.8	254.0	71.8	522.1

- **Historical high earnings achievement**

- FY05 annual net profit reached ₩1,929.3bn through vigorous business activities & bad asset collection efforts

- **Significant profit from monetization of debt/equity swapped shares in 4Q`05**

- Hynix +230bn , Doosan Heavy +27bn, Korea Express +21bn

- **Deferred tax effect : +300bn** (See page 29 for detailed discussion)

2. Net Interest Income

(Unit : KRW bn)

	FY 2005					FY 2004	Y o Y
	4Q	3Q	2Q	1Q			
Interest Revenue	3,266.6	874.3	807.7	802.5	782.0	3,359.3	-2.8%
Income on due from banks	26.0	7.1	7.2	6.6	5.1	23.2	+11.9%
Interest on securities	450.9	134.6	101.6	112.0	102.7	521.3	-13.5%
Interest Income on loans	2,768.9	728.1	694.4	679.7	666.7	2,788.0	-0.7%
-Bank	2,140.8	574.6	541.3	525.4	499.6	2,160.2	-0.9%
-Card	628.1	153.5	153.1	154.4	167.1	627.8	-
Others	20.8	4.6	4.6	4.1	7.5	26.8	-22.5%
Interest Expenses	1,495.9	376.2	368.5	375.1	376.1	1,640.1	-8.8%
Interest on deposits	935.3	236.0	235.4	231.1	232.8	1,036.3	-9.7%
Interest on borrowings	209.2	61.2	54.4	49.6	43.9	157.2	+33.1%
Interest on debentures	334.0	74.0	74.4	91.1	94.5	431.5	-22.6%
Others	17.4	5.0	4.3	3.3	4.8	15.2	+14.7%
Insurance expense for deposits & Contribution for Credit Guarantee Fund (-)	100.8	30.3	23.3	23.6	23.6	101.2	-0.4%
Other interest income (+/-)	7.3	-2.5	1.0	8.8	-	6.3	+15.8%
Net Interest Income	1,677.2	465.3	417.0	412.5	382.3	1,624.3	+3.3%
-Bank	1,150.0	335.4	285.4	280.5	248.6	1,131.7	+1.6%
-Card	527.1	129.9	131.6	132.0	133.7	492.6	+7.0%

- **Bank** : QoQ increase of net interest income
 - Interest Revenue: Loan interest revenue increase driven by lending asset growth
 - Interest Cost: Continuous funding cost savings effect from the replacement of high cost credit card debentures and bank sub-debt

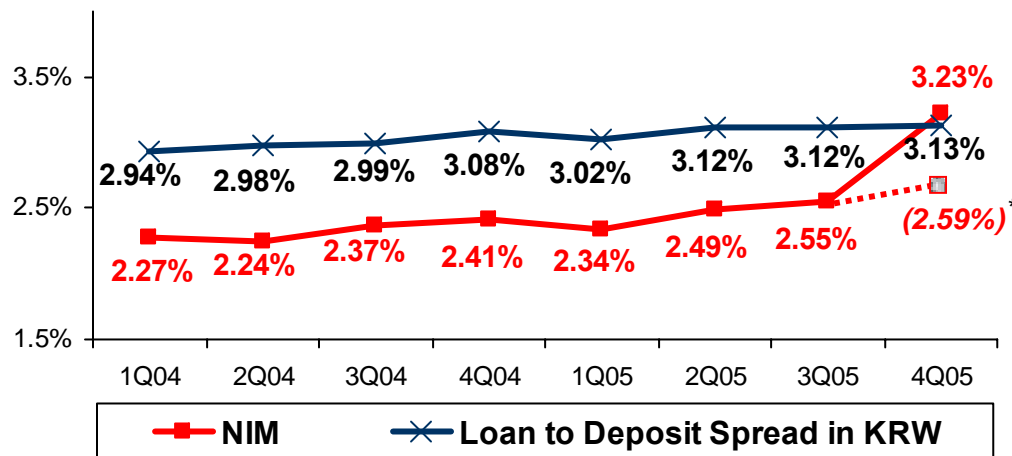
- **Card** : QoQ minor decline of net interest income reflects impact of portfolio restructuring to reduce mix of cash advance and higher risk card loans

3. Net Interest Margin (NIM)

(Unit : %)

(Accumulated)	2005				2004			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net Interest Margin (NIM)	3.23(2.59)*	2.55	2.49	2.34	2.41	2.37	2.24	2.27
NIM in KRW	3.69(2.89)*	2.82	2.78	2.54	2.70	2.67	2.52	2.57
NIM in Foreign currency	1.62	1.65	1.55	1.70	1.53	1.51	1.41	1.44
Loan to Deposit Spread in KRW (a-b)	3.13	3.12	3.12	3.02	3.08	2.99	2.98	2.94
Interest rate on Loans in KRW (a)	6.00	5.99	6.02	5.98	6.41	6.39	6.43	6.40
Interest rate paid on Deposits in KRW (b)	2.87	2.87	2.90	2.96	3.33	3.40	3.45	3.46

Trend of NIM (Accumulated, FSS report base)



Constant NIM improvement

- Stable NIM structure established through cost savings from replacement of high cost debentures and sub-debts
- Sustained loan-to-deposit spread

Changes in NIM calculation on FSS report (4Q`05)

- Inclusion of merchant discount fee & installment interest income in NIM calculation
+0.64%p impact on NIM

* Before changes in FSS' NIM calculation method in 4Q`05

4. Fees & Commissions

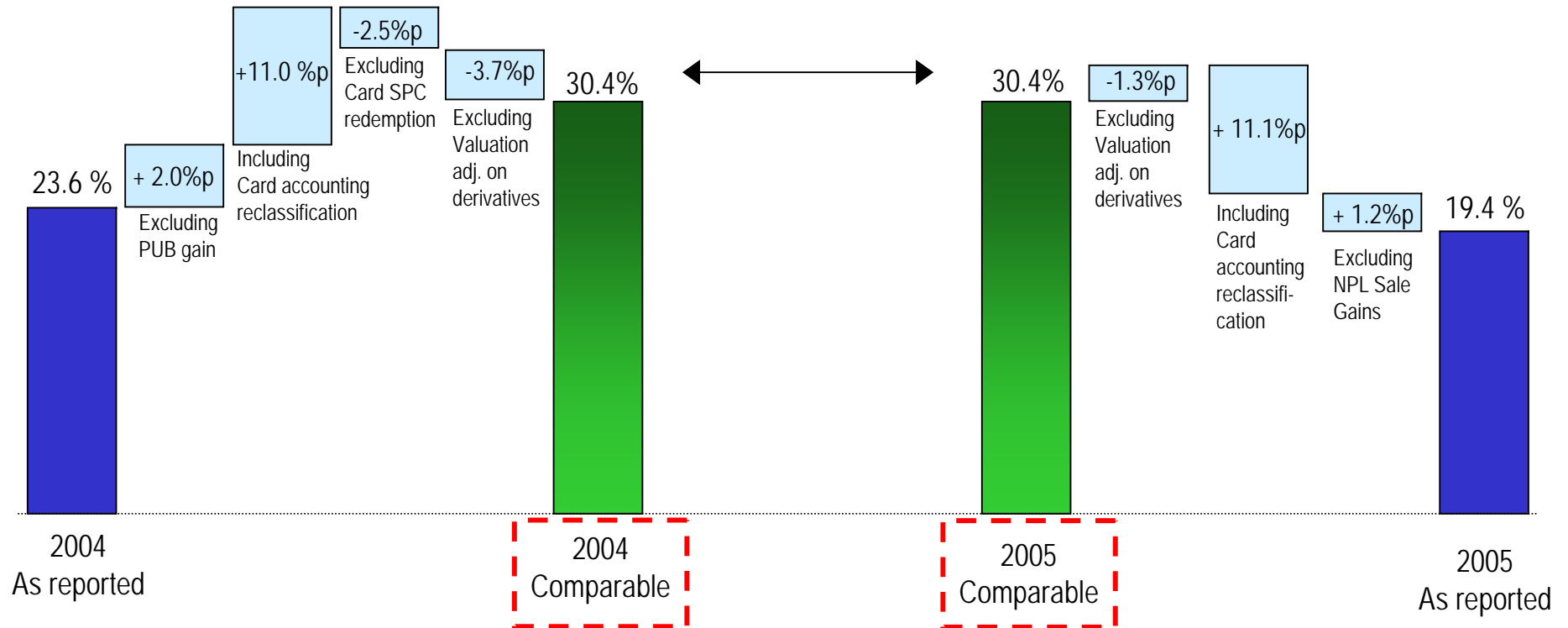
(Unit : KRW bn)

		FY 2005					FY2004	Y o Y
			4Q	3Q	2Q	1Q		
B a n k	Gains from FX transaction	244.8	66.4	61.4	61.4	55.7	292.9	-16.4%
	- Customer transaction	213.6	56.4	54.7	53.3	49.2	213.1	+0.2%
	- P/L on valuation of derivatives	31.3	10.0	6.7	8.1	6.5	79.8	-60.8%
	Debenture IR Swaps	-18.8	-3.7	-4.8	-0.4	-9.9	32.5	U.
	Other derivatives	50.0	13.6	11.5	8.5	16.5	47.3	+5.8%
	Fees & Commissions	337.3	94.7	84.1	82.3	76.1	332.9	+1.3%
	KRW currency related	151.3	44.6	39.9	35.5	31.4	130.3	+16.1%
	Foreign currency related	129.4	34.7	30.8	32.2	31.7	140.2	-7.7%
Others	56.5	15.4	13.5	14.6	13.0	62.3	-9.2%	
Bank – Total		582.1	161.1	145.4	143.7	131.8	625.8	-7.0%
Bank excl. P/L on valuation of Derivatives		550.9	151.2	138.8	135.6	125.3	546.0	+0.9%
Card sector		-113.8	-33.9	-26.3	-28.0	-25.5	-72.9	U.
Total		468.4	127.2	119.1	115.7	106.3	552.8	-15.3%
Fees & Comms. / Total Income (%)								
Total		19.4%	19.5%	20.0%	19.3%	18.7%	23.6%	-4.2%p
Bank Only		22.8%	23.2%	23.3%	22.6%	22.0%	23.3%	-0.5%p

- **Gains from F/X transaction** : Showing steadily increasing trend in customer transaction excluding P/L on valuation of derivatives
 - P/L valuation of derivatives affected by non-cash valuation adjustment (-19bn for FY`05, -51bn change from FY`04)
 on interest rate swaps related to KRW sub-debt .
- **KRW currency related fees & commissions** : Improvement driven by stronger bancassurance & beneficiary certificate sales

4. Fees & Commissions

Comparison of Fee/Income Ratio after Card Accounting Change



5. Non Interest Income

(Unit : KRW bn)

	FY2005					FY2004	Y o Y
	4Q	3Q	2Q	1Q			
Operating Trust Acct.	24.7	6.6	5.5	6.6	6.1	27.7	-11.0%
Merchant Acct.	13.8	3.5	3.0	3.2	4.1	20.4	-32.3%
Trading Profit (excl. PUB gain)	51.3	11.7	18.0	7.3	14.4	56.0	-8.4%
PUB sale	-	-	-	-	-	181.1	Not comparable
Valuation equity method (excl. KEBCS)	45.6	15.3	13.4	10.5	6.4	43.3	+5.3%
Card sector (excl. NPL sale)	-24.6	-4.1	-8.2	-4.9	-7.5	-212.2*	F.
NPL sales	133.8	12.2	30.0	37.4	54.1	78.9	+69.6%
Others	27.6	15.0	-3.2	12.0	3.8	-33.8	F.
Non Interest Income	272.1	60.2	58.6	71.9	81.4	161.4	+68.6%

* Including KEBCS subsidiary loss share of 111.5bn in Jan.~Feb.'04

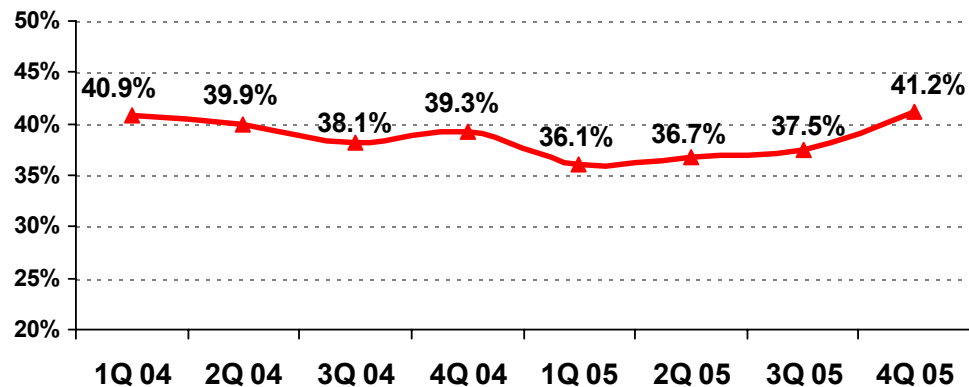
- **Strategic business repositioning... reduction of low profitability merchant account**
- **Gains from NPL sales**
 - `05.1Q : Sale of Dong-Ah construction +54.0bn (Bank)
 - `05.2Q : Card NPL sale to "Bad Bank II" +30.4bn (Card)
 - `05.3Q : NPL sale +30.2bn (Bank)
 - `05.4Q : NPL sale +23.3bn (Card)

6. Total Expenses

(Unit : KRW bn)

	FY2005					FY2004	Y o Y
		4Q	3Q	2Q	1Q		
Salaries & benefits	605.4	216.7	135.9	127.7	125.1	501.0	+20.8%
Salaries	431.3	123.5	104.1	103.6	100.1	400.9	+7.6%
Employee benefits	174.2	93.3	31.8	24.1	25.0	100.1	+73.9%
Operating Expenses	237.4	70.1	56.7	61.4	49.3	199.8	+18.8%
Depreciation	114.8	33.4	29.2	28.1	24.1	113.7	+1.0%
Tax & Dues	37.7	13.6	10.2	6.6	7.2	32.5	+16.0%
Total	995.3	333.7	231.9	223.7	205.9	847.0	+17.6%
- Bank	900.0	306.9	210.0	200.6	182.5	756.9	+18.9%
- Card	95.2	26.8	21.9	23.2	23.3	90.1	+5.7%

Cost / Income Ratio (Accumulated) *



* Excluding PUB gain of KRW181.1bn from total income for 2004

- QoQ rise of salaries & benefits**

- Retroactive CBA payment of '05 salary increase(KRW20bn), and special performance bonuses related to the large special income achievements (KRW50bn) were paid out in 4Q`05

- Strengthened marketing activities resulted in operating expense increase

- Cost / Income ratio (%) :**

- Increased to 41.2% reflecting special income-related bonus payment & lump-sum payment for annual salary increase

7. Provisions & Tax expenses, etc.

(Unit : KRW bn)

	FY2005					FY2004	Y o Y
		4Q	3Q	2Q	1Q		
Loan Loss Provisioning	61.6	7.5	8.2	10.9	35.0	804.9	-92.3%
<Bank>	28.4	2.2	-0.2	-7.2	33.6	136.5	-79.2%
Corporate	-0.9	-3.9	-3.8	-22.3	29.1	66.2	F.
Household	29.3	6.1	3.6	15.1	4.5	70.3	-58.4%
<Card>	33.2	5.3	8.4	18.0	1.5	668.3	-95.0%
Retirement Allowance	60.4	17.3	14.1	7.6	21.5	54.2	+11.4%
Others	101.3	87.5	3.7	3.3	6.8	54.4	+86.2%
Income Tax expenses	-294.1	-298.9	1.8	1.4	1.6	9.5	F.
Total	-70.9	-186.6	27.7	23.1	64.8	923.0	F.

- Memo : NPL Coverage

157.3%

126.2%

124.0%

108.4%

108.8%

- **Loan Loss Reserve: Lower provision requirement resulted by constant improvement in asset quality**
 - Outstanding bad asset collections triggered reversal of provisions
- **FSS reserve policy change (Dec '05): Newly introduced provisions requirement for Guarantee & Acceptance, and Unused Commitment ₩104bn** (See page 30 for detailed discussion)
 - Guarantee & Acceptance ₩20bn Loan loss provisioning
 - Unused Commitment ₩84bn Other provisioning
- **Income Tax Expenses: Profit occurring due to deferred tax effect of ₩300bn** (See page 29)

7-a. Loan Loss Provisions & Loan Loss Reserves(LLR)

(Unit : KRW bn)

	Total (2005)				
	4Q	3Q	2Q	1Q	
Beginning LLR	903.5	713.5	752.4	846.7	903.5
Add'l Provisioning	61.6	7.5	8.2	10.9	35.0
Write-offs ()	580.1	94.7	130.1	176.1	179.2
Reversal & Others	234.6	-6.7	83.0	70.9	87.4
Ending LLR *	619.6	619.6	713.5	752.4	846.7
NPL Coverage (%) **	157.3%	157.3%	126.2%	124.0%	108.4%

	Bank (2005)				Card (2005)			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Beginning LLR	597.3	610.1	653.7	658.5	116.2	142.3	193.0	245.0
Add'l Provisioning	2.2	-0.2	-7.2	33.6	5.3	8.4	18.1	1.4
Write-offs ()	45.1	66.5	77.2	88.7	49.6	63.6	98.9	90.5
Reversal & Others	-33.6	53.9	40.8	50.3	26.9	29.1	30.1	37.1
Ending LLR *	520.7	597.3	610.1	653.7	98.9	116.2	142.3	193.0
NPL Coverage (%) **	157.8%	122.8%	120.8%	103.2%	154.8%	144.3%	138.2%	127.4%

* LLR to the credits subjected to asset quality classification report to FSS (credit subjected to NPL categories + other credit exposures)

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

- Normalization of bad assets (resulting reversal of provision) in the midst of asset quality improvement caused rising trend for NPL coverage ratio

Contents

Balance Sheet

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

1. Summarized B/S

(Unit : KRW bn)

	2005.12	2005.09	2005.06	2005.03	2004.12	Y o Y
Cash & Due from Banks	2,880.7	3,376.6	3,206.2	3,574.7	2,584.2	+11.5%
Securities	12,879.2	12,884.9	13,896.6	14,562.5	12,172.8	+5.8%
Loans & Discounts	40,922.0	40,308.3	39,295.7	38,012.5	39,304.5	+4.1%
- Credit Card Receivables	2,260.5	2,160.9	2,242.3	2,396.2	2,620.0	-13.7%
Other Asset	7,152.2	7,882.9	8,686.7	8,668.9	6,082.6	+17.6%
Merchant Banking Accounts	1,116.9	1,306.0	1,395.0	1,270.9	1,157.5	-3.5%
Total Assets	64,951.0	65,758.8	66,480.3	66,089.5	61,301.6	+6.0%
Deposits	38,009.5	38,336.8	39,924.5	38,282.5	38,537.9	-1.4%
Borrowings	6,740.4	7,245.8	6,531.2	7,030.1	6,097.7	+10.5%
Debentures	5,930.7	5,440.4	5,697.5	6,099.9	6,480.8	-8.5%
Other liabilities	7,522.6	9,448.4	9,200.1	10,353.5	6,187.7	+21.6%
Merchant Banking Acct.	1,090.1	704.1	1,267.5	870.9	1,068.1	+2.1%
Shareholders' Equity	5,657.7	4,583.3	3,859.5	3,452.7	2,929.4	+93.1%
Liabilities & Shareholders' Equity	64,951.0	65,758.8	66,480.3	66,089.5	61,301.6	+6.0%

▪ **Assets :**

- Loans & Discounts : +1.5% QoQ rise driven by domestic KRW loan increase (Including card asset growth)
- Securities : Slight decrease due to disposal of short term marketable securities & debt-to-equity swapped stocks

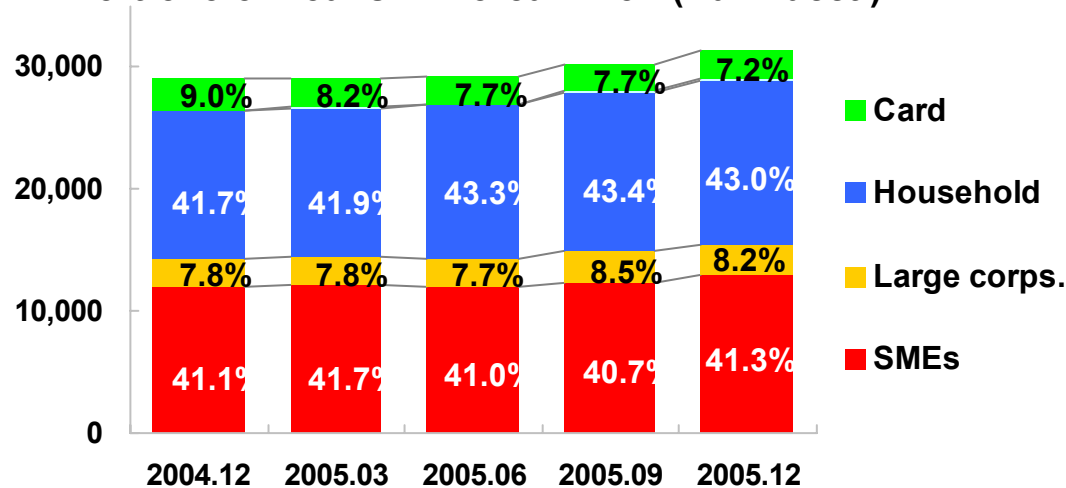
▪ **Liabilities & Shareholders' Equity :**

- Deposits decreased by 0.9%, reflecting pricing discipline, offset by increase of bank debentures and growth in retained earnings.

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

(Unit : KRW bn)	2005.12	2005.09	2005.06	2005.03	2004.12	Y o Y
Household	13,488.5	13,102.1	12,669.8	12,226.3	12,153.1	+11.0%
Corporate	15,493.0	14,885.0	14,242.7	14,422.9	14,229.3	+8.9%
SMEs	12,938.1	12,304.1	11,984.8	12,159.4	11,962.7	+8.2%
Large Corp.	2,554.9	2,580.9	2,257.9	2,263.6	2,266.5	+12.7%
Public & Others	90.8	67.9	82.9	112.2	116.2	-21.9%
Sub total	29,072.3	28,055.1	26,995.3	26,761.4	26,498.6	+9.7%
Credit Card	2,260.5	2,160.9	2,242.3	2,396.2	2,620.0	-13.7%
Total loans in KRW	31,332.7	30,216.0	29,237.6	29,157.6	29,118.6	+7.6%

Portfolio of Loans in Korean Won (Bank acct.)



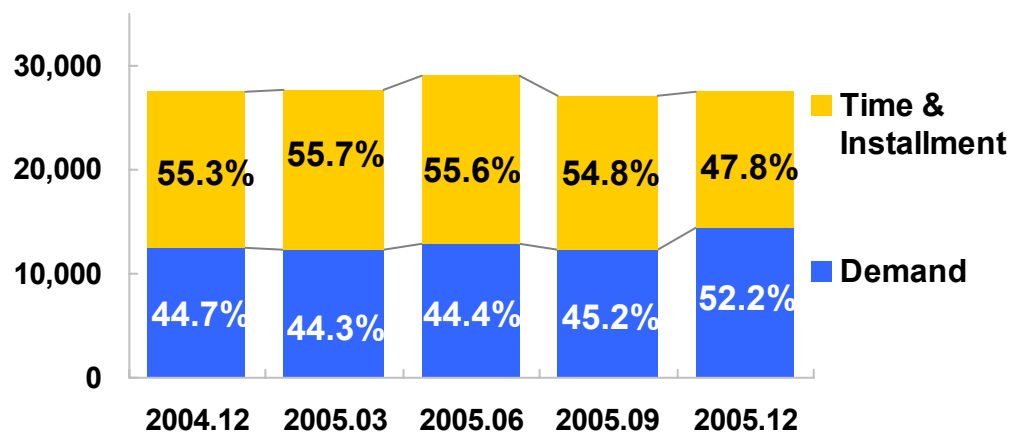
- **Large corporate** : Loan demand remains stagnated
- **SMEs** : Continuous growth strategy focusing on export/import oriented & high quality companies
- **Household** : Constant increase led by housing related loans and higher grade customer loans
- **Card** : Beginning of card asset growth stage after the completion of bad asset write-offs and high risk accounts restructuring

3. Deposits in KRW (Banking Acct.)

(Unit : KRW bn)

	Relative Cost	2005.12	2005.09	2005.06	2005.03	2004.12	Y o Y
Demand Deposits	Lower	14,355.7	12,272.0	12,929.5	12,283.6	12,505.3	+14.8%
Savings deposit	Lower	6,003.5	5,773.1	6,032.1	5,995.3	5,855.4	+2.5%
Regular deposit	Lower	1,195.1	1,133.5	1,210.1	1,005.4	1,204.2	-0.8%
Corporate free savings deposit	Low	5,442.5	3,794.9	4,137.5	3,862.7	3,848.3	+41.4%
Others	Lower	1,714.7	1,570.5	1,549.9	1,420.2	1,597.4	+7.3%
Time & Installment Deposits	Higher	13,138.3	14,907.8	16,189.1	15,470.6	15,477.4	-15.1%
Total Deposits in KRW	-	27,494.0	27,179.7	29,118.6	27,754.1	27,982.8	-1.7%

Composition of Deposits in KRW (Banking Acct.)



- Reflecting disciplined pricing strategy, KEB redeemed portion of matured high-cost time-deposits
- Low-cost demand-deposits has grown by 17.0% QoQ
- Total deposits in KRW increased by 1.2% QoQ

Asset Quality

1. Asset Quality

2. Delinquency

1. Asset Quality

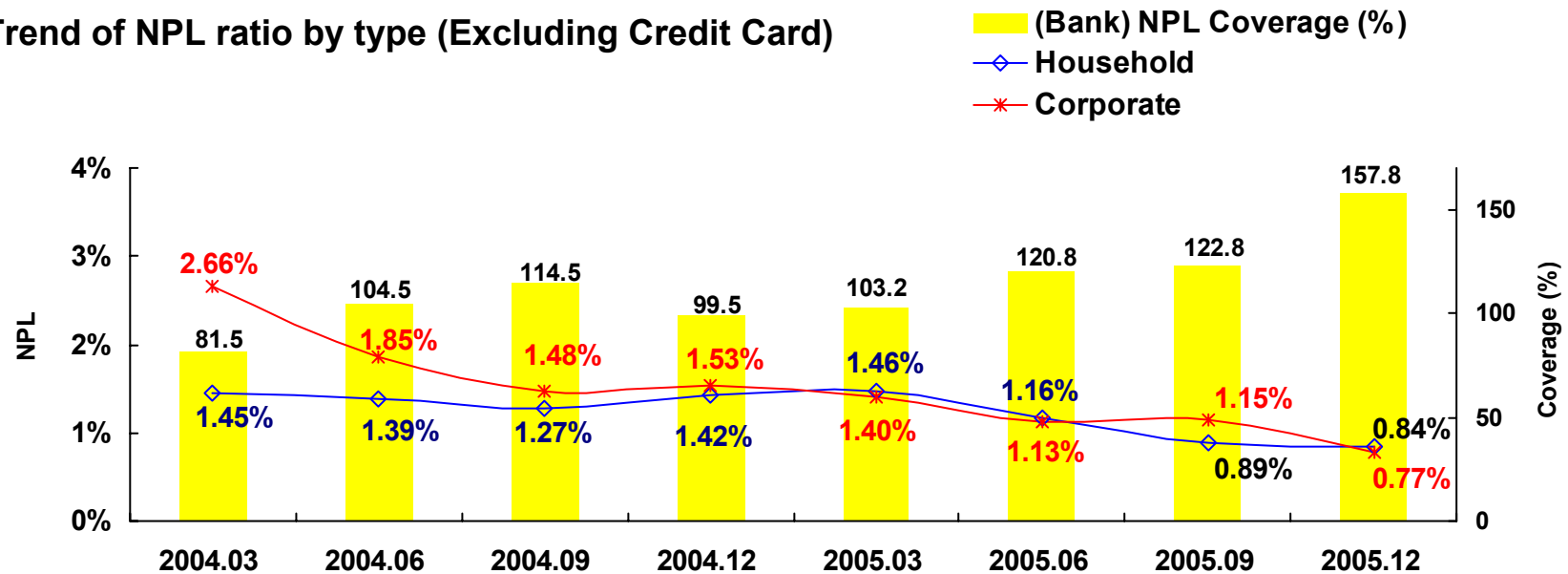
(Unit : KRW bn)	`05.12		`05.09		`05.06		`05.03		`04.12	
		(Excluding Card)		(Excluding Card)		(Excluding Card)		(Excluding Card)		(Excluding Card)
Normal	42,628.0	40,370.0	41,800.5	39,711.2	40,700.4	38,647.5	40,102.5	37,983.2	40,044.4	37,670.3
Precautionary	458.3	367.2	495.5	384.9	582.8	443.5	628.6	449.8	729.7	505.1
Substandard	229.8	229.8	326.5	326.5	311.9	311.9	330.6	330.6	414.1	414.0
Doubtful	91.5	34.8	118.4	45.0	151.9	56.5	265.6	138.3	228.3	66.0
Estimated Loss	67.9	60.7	68.0	60.9	90.3	82.7	109.1	84.9	112.5	99.1
Total Credits	43,475.5	41,062.5	42,808.9	40,528.5	41,837.3	39,542.1	41,436.4	38,986.8	41,529.0	38,754.5
Substandard & Below (NPL) (%)	0.90%	0.79%	1.20%	1.07%	1.32%	1.14%	1.70%	1.42%	1.82%	1.49%
Precautionary & Below (%)	1.95%	1.69%	2.36%	2.02%	2.72%	2.26%	3.22%	2.57%	3.57%	2.80%
Loan Loss Reserve	612.1	513.2	647.2	531.0	687.0	544.8	764.6	571.6	821.4	576.4
NPL Coverage (%)	157.3%	157.8%	126.2%	122.8%	124.0%	60.9%	108.4%	103.22%	108.8%	99.5%
Precautionary & Below Coverage (%)	72.2%	74.1%	64.2%	65.0%	60.4%	60.9%	57.3%	57.0%	55.3%	53.2%

- NPL coverage ratio maintained well above 100% level through sufficient provision accumulation and reduction of substandard & below classified assets

1. Asset Quality – NPL & Coverage by Sector

(Unit : KRW bn)	Household					Corporate				
	`05.12	`05.09	`05.06	`05.03	`04.12	`05.12	`05.09	`05.06	`05.03	`04.12
Total Credit	13,598.8	13,200.8	12,731.8	12,247.4	12,156.4	27,463.7	27,327.7	26,810.3	26,739.4	26,598.1
Substandard & below	114.9	116.9	148.2	178.8	172.3	210.4	315.5	302.9	375.0	406.8
Substandard & below ratio (NPL Ratio)	0.84%	0.89%	1.16%	1.46%	1.42%	0.77%	1.15%	1.13%	1.40%	1.53%
Loan Loss Reserves	152.5	146.3	161.8	161.7	162.7	360.7	384.7	383.0	409.9	413.8
NPL Coverage(%)	132.7%	125.2%	109.2%	90.5%	94.4%	171.4%	121.9%	126.4%	109.3%	101.7%

Trend of NPL ratio by type (Excluding Credit Card)

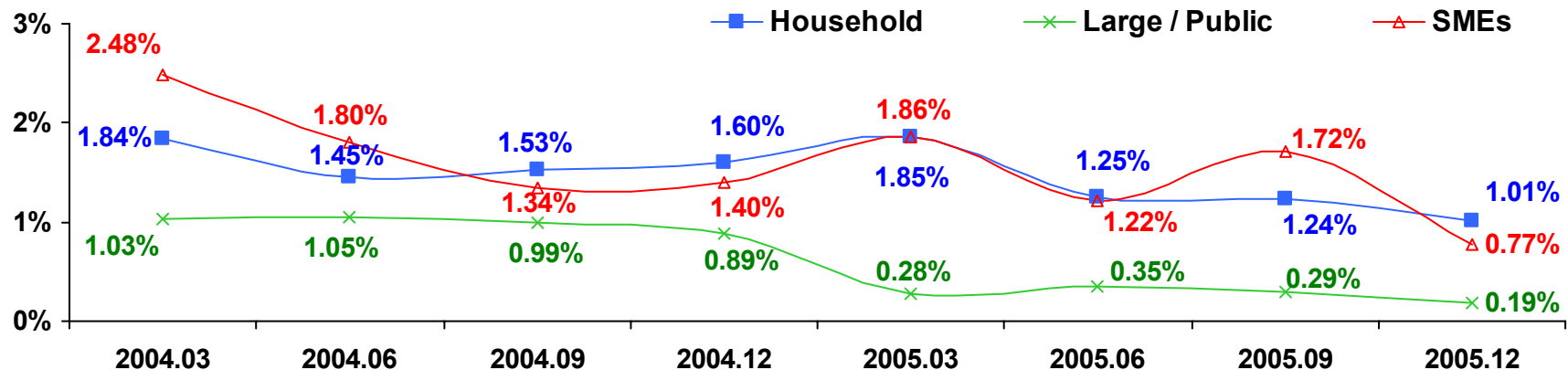


2. Delinquency

(Unit : KRW bn)

Reported basis	2005.12	2005.09	2005.06	2005.03	2004.12	Y o Y
Bank	0.71%	1.18%	1.01%	1.45%	1.34%	-0.62%p
Household	1.01%	1.24%	1.25%	1.85%	1.60%	-0.58%p
SME	0.77%	1.72%	1.22%	1.86%	1.40%	-0.63%p
Large corp./ Others	0.19%	0.29%	0.35%	0.28%	0.89%	-0.70%p
Card	4.30%	5.17%	6.43%	7.91%	7.62%	-3.33%p
Normal book	4.00%	4.69%	5.73%	6.92%	6.96%	-2.96%p
Re-aged book	13.23%	15.24%	17.60%	20.88%	14.65%	-1.42%p
Total delinquency ratio	0.93%	1.41%	1.32%	1.86%	1.78%	-0.86%p
Total delinquent amount	379.3	566.4	519.2	723.1	695.3	-45.4%
Bank	275.6	448.6	371.6	529.4	483.8	-43.0%
Card	103.7	117.8	147.6	193.7	211.5	-51.0%
Total receivables	40,977.6	40,218.8	39,239.4	38,930.1	38,965.6	+5.2%
Bank	38,564.6	37,938.4	36,944.2	36,480.5	36,191.2	+6.6%
Card	2,413.0	2,280.4	2,295.2	2,449.6	2,774.4	-13.0%

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



Contents

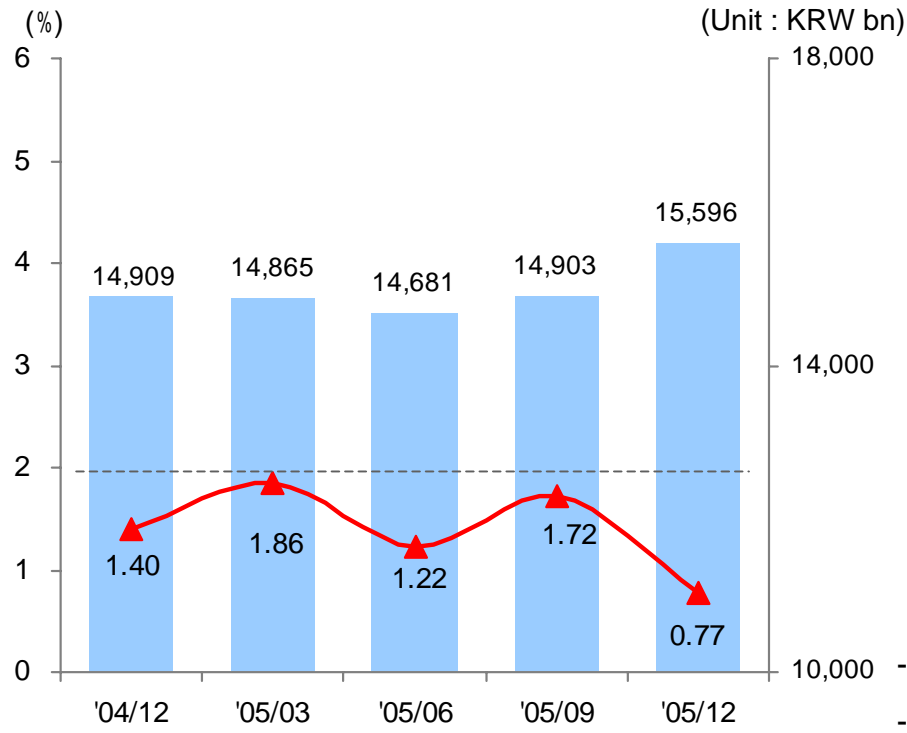
Special Topics

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

Appendix :
1) Card Accounting Change
2) Deferred Income Tax
3) FSS Regulatory Reserve Policy Change

1. SME loans

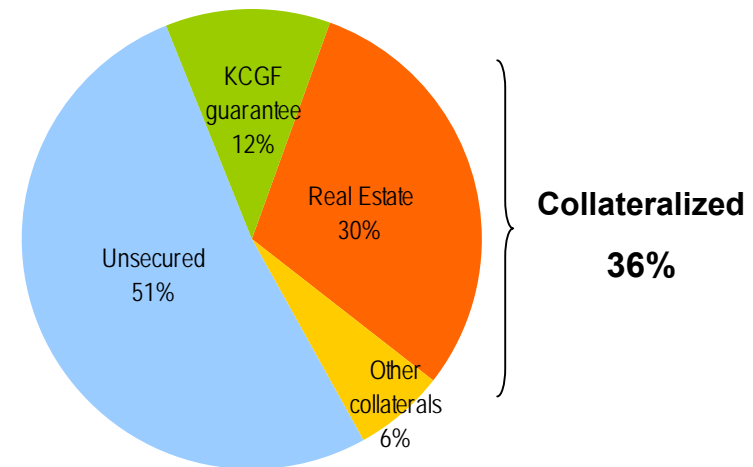
Total SME loan receivables & delinquency ratio



■ Total SME receivables
▲ Delinquency

SME loans in KRW by collateral type

(As of Dec. 2005)



SME Delinquency ratio (Loans in KRW)

	'05.12	'05.09	'05.06	'05.03	'04.12
- Unsecured	0.26%	0.49%	0.43%	0.67%	0.48%
- Guaranteed	3.08%	5.56%	3.53%	4.17%	3.95%
- Collateralized	1.00%	2.64%	1.86%	3.11%	2.13%
Total SME	0.86%	1.96%	1.37%	1.99%	1.49%

- **Steady control of SME delinquency : Continued improvements in new delinquency formation and disciplined disposal through write-offs and ABS issuance (₩ 127bn) drove continued improvement in the delinquency ratio**
- **Low and manageable unsecured exposure delinquency...reflects quality of KEB's SME customers**
- **Guaranteed book- Despite the relatively high delinquency, the loss severity is low (KCGF backstops 80%~90% of guaranteed amount)**

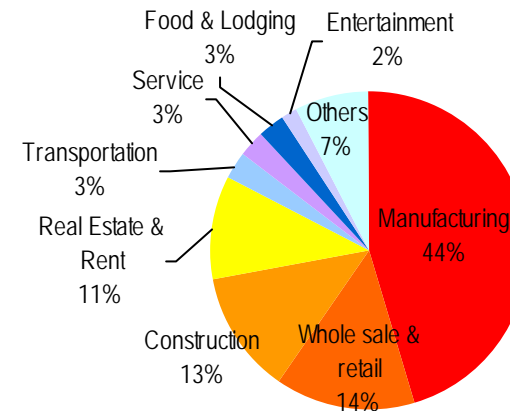
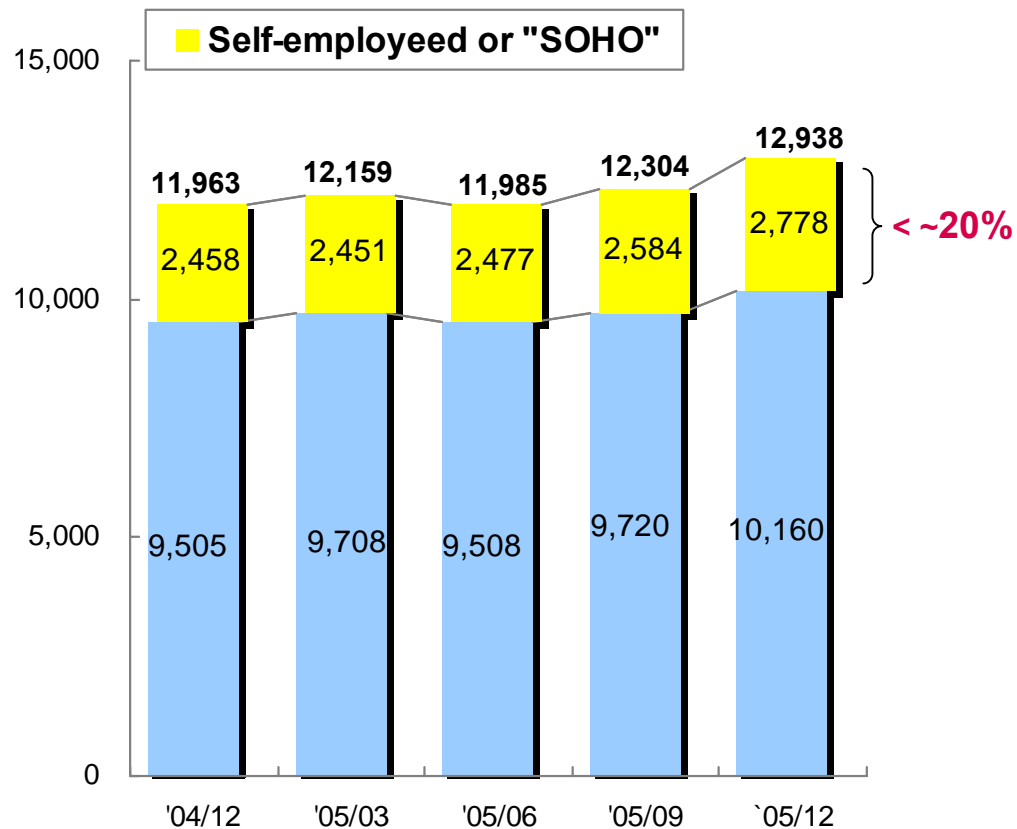
1. SME Loans

Self-employed SME % of SME loans in KRW

SME loans in KRW by Industries

(As of Dec. 2005)

(Unit : KRW bn)

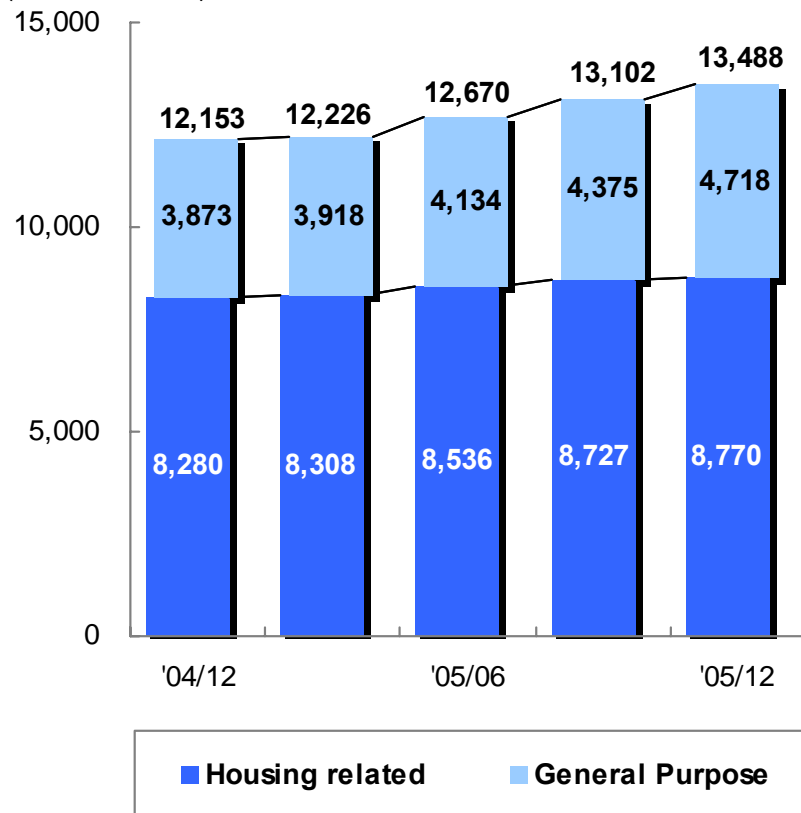


Industry	Delinquency			
	'05.12	'05.09	'05.06	'05.03
Manufacturing	0.85%	1.81%	1.16%	1.76%
Whole sale & retail	0.89%	1.52%	0.99%	2.50%
Construction	0.49%	1.45%	1.38%	1.67%
Real Estate & Rent	0.68%	3.09%	2.66%	2.50%
Transportation	0.11%	0.96%	1.23%	0.53%
Service	1.61%	2.72%	1.53%	2.73%
Food & Lodging	1.37%	1.66%	1.39%	4.46%
Entertainment	1.22%	4.11%	0.34%	2.87%
Others	1.41%	2.65%	1.93%	1.54%

2. Household Loans

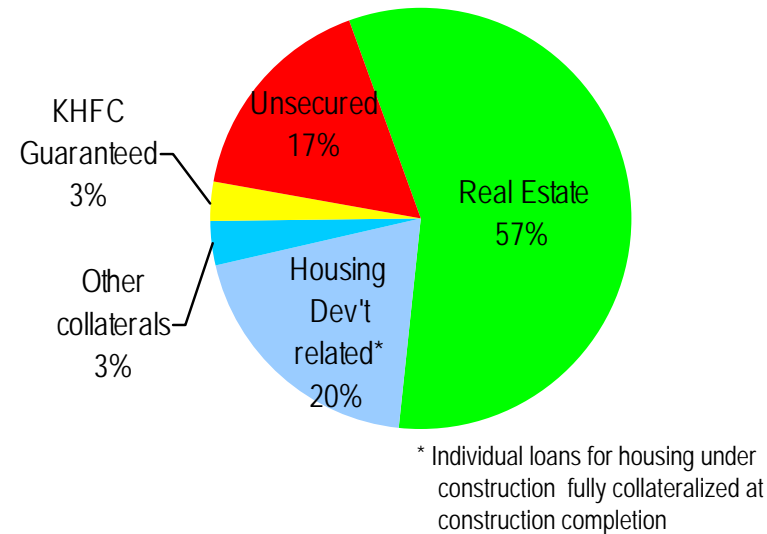
Trend of Household loans

(Unit : KRW bn) (Loans in KRW banking acct.)



Household loans by collateral type

(As of Dec. '05)

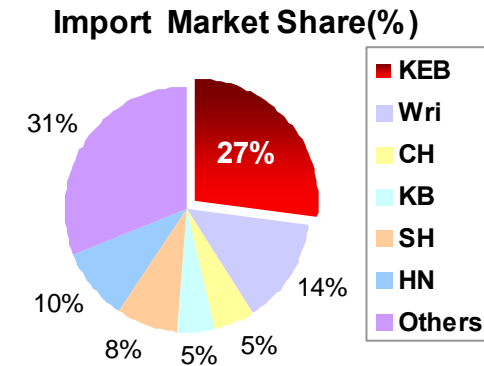
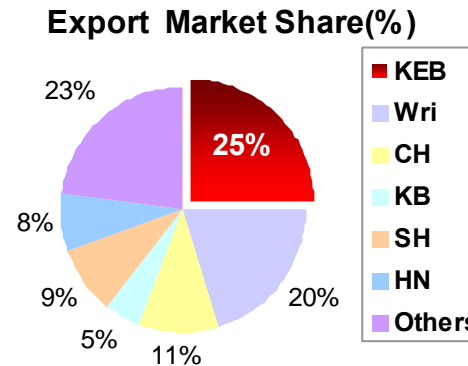
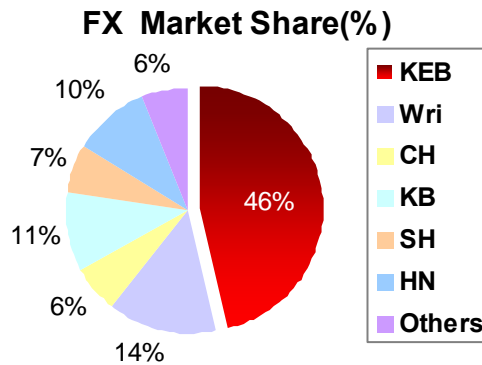


- **Loan size increased with growth in the housing related loans and high quality individual customer loans**

3. Market leadership in F/X & Trade finance

Unparalleled Market leadership

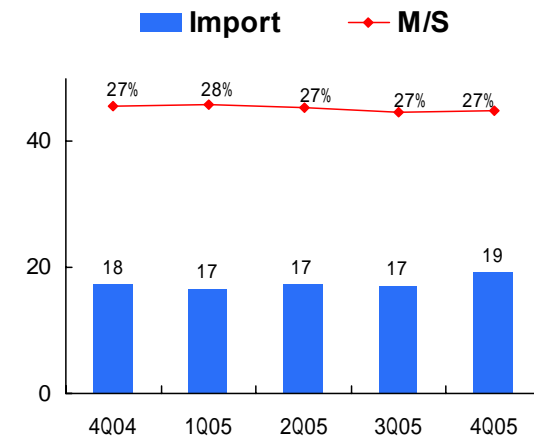
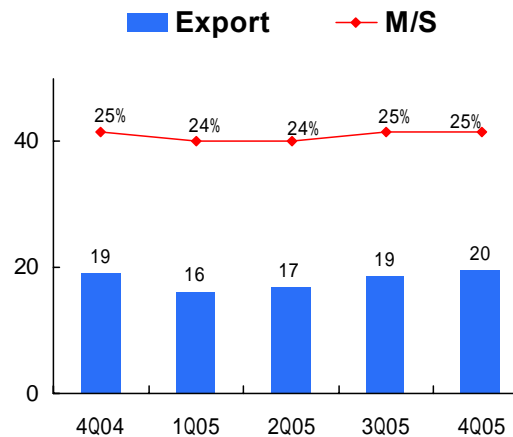
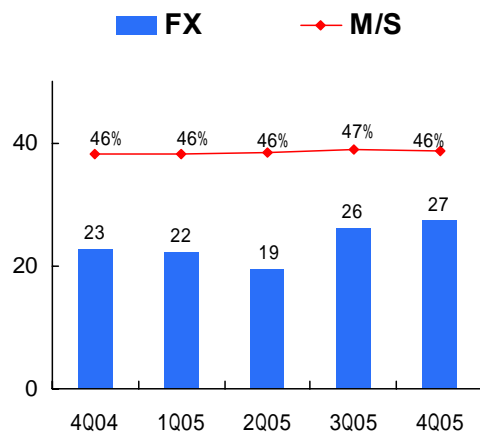
(As of FY2005)



•Market Share : F/X based on top 8 domestic banks' transactions / Export, Import based on nationwide trade volume of Korea

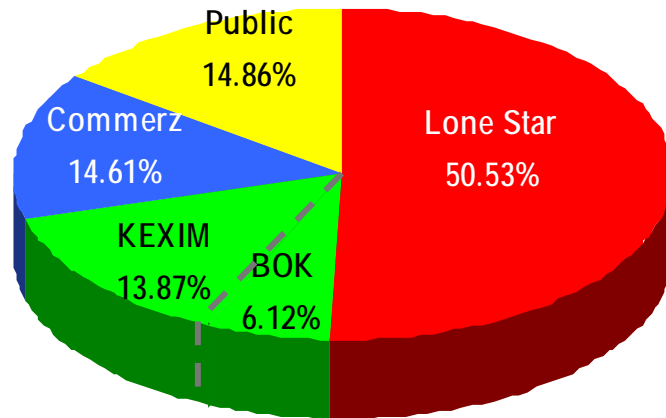
Trend of trading volume & market share

(Unit : USD billion, %)



4. Shareholding Structure

Shareholders' Structure



(As of Dec. 2005)

Shareholder	Number of shares	Share (%)
Lone Star	325,851,715	50.53%
Commerz Bank	94,247,389	14.61%
KEXIM	89,448,595	13.87%
BOK	39,500,000	6.12%
Public	95,859,127	14.86%
Total	644,906,826	100.0%

Capital Structure

(As of Dec.2005)

(Unit : KRW bn)

Paid-In Capital	3,224.5
Capital Surplus	-
Retained Earnings	1,322.3
Capital Adjustment	1,110.8
Discounts on capital stocks	-324.9
Unrealized gain on available-for-sale securities, etc.	1,420.7
Stock option	14.9
Total Shareholders' Equity	5,657.7

- Book value per share (BPS) : ₩8,773

Appendix : 1) Card Accounting Change

Background

- Effective as of 1H`05 FSS recommended accounting change for the purpose of standardizing the credit card income account recognition among Korean banks
- The accounting change deals with the classification of credit card income, and does not affect KEB's total operating income and net income figures.
- This reclassification does affect reported Fees&Commission levels, as well as Fee / Total income ratio.

Elements		Previous	New
➢Interest from Card Loan / Interest from Re-aged Loan / Interest from Cash Advance / Interest from Installment		Interest Income	Interest Income
➢Interest from Revolving service	Cash Advance	Interest Income	Interest Income
	Purchase	Interest Income	Fee Income
➢Interest from trust asset	Cash Advance	Interest Income	Interest Income
	Purchase	Interest Income	Fee Income
➢Annual Fee / Special business fee / Fee from affinity banks		Fee Income	Fee Income
➢Merchant Discount Fee		Fee Income	Interest Income
➢Fee from Card Loans		Fee Income	Interest Income
➢Interest from delinquent receivables	Cash Advance	Fee Income	Interest Income
	Purchase	Fee Income	Fee Income

Affected amount (Fees & Commissions income Interest Income)

(Unit : KRW bn)	FY`05					FY`04					
		4Q`05	3Q`05	2Q`05	1Q`05		4Q`04	3Q`04	2Q`04	1Q`04	
Card Income before adjusting account change											
Net Interest Income	275.2	62.6	68.1	69.9	74.7	256.4	77.4	77.7	70.9	30.4	
Net Fee Income	138.1	33.3	37.2	34.0	33.5	163.3	37.9	27.3	36.7	61.4	
Recasted Amount (Fees Interest)	251.9	67.3	63.5	62.0	59.0	236.2	66.2	62.4	76.0	29.1	
Comparable under new basis											
Net Interest Income	527.1	129.9	131.6	132.0	133.7	492.6	143.6	140.1	149.4	59.5	
Net Fee Income	-113.8	-34.0	-26.3	-28.0	-25.5	-70.6	-28.5	-35.1	-39.3	32.3*	

As reported for `05 & `04

* Includes one-off fee income from Card SPC redemption amount of KRW53.2bn in 1Q`04

Appendix : 2) Deferred Income Tax as of 2005

DITA/DITL of 2005

(Unit : KRW in billion)

		Assets		Liabilities	
		Amt	Tax effect	Amt	Tax effect
P/L	NOL	463.5	127.5		
	Temporary dif.	1,345.6	370.0		
	Tax deduction	6.9	6.9		
	Sub Total (a)	1,816.0	504.4		
Capital Adjust.	Securities Valuation	76.9	21.1	Securities Valuation	2,037.5
					560.3
	Sub Total (c)	76.9	21.1	Sub Total (b)	2,037.5
	Total (a+c)	1,892.9	525.5	Total	2,037.5
					560.3

Deferred Income Tax (P/L)

deferred income tax assets * (P/L effect)	504.4
(-) Deferred income tax assets (before 2004)	203.8
Deferred income tax for 2005	<u>300.6</u>

* Ceiling for deferred income tax assets
 = Net Deferred Tax Liabilities [Liabilities(b) – Assets(c)]
 = 560.3 – 21.1 = 539.2

➤ Why deferred income tax ?

- Reflects differences between Tax Law and Accounting rules. Represents the taxation amount on income that has been recognized under accounting rules, but not on current taxable income.

➤ Deferred Income Tax Assets

- are recognized for temporary differences in income recognition that will result in deductible amounts in future years and for deductible net operating losses(NOL)
- Major temporary (or timing) differences
 - Loan loss provision : exceeding the amounts allowable under tax law in current year
 - Securities valuation losses (capital adjustment)
- NOL carry-forwards to future years

➤ Deferred Income Tax Liabilities

- are recognized for temporary differences that will result in taxable income in future years
- Major item of temporary difference
 - Exceeding loan loss provision under tax law in previous year
 - Securities valuation gains (Capital adjustment)

➤ P/L recognition of deferred tax assets

- is limited to Net Deferred Tax Liabilities (Liabilities – Assets)

➤ KEB was required in 4Q 2005 to recognize substantial deferred tax assets (and the income effect in the P/L) because:

- KEB's DITL (one definite taxable amount) increased significantly with the increase of the unrealized gain on investment securities
- KEB's NOL was substantially reduced, and recovery of the DITA is now definite

Appendix : 3) FSS Regulatory Reserve Policy Change

The changes of regulation

Previous	New	Remarks
<p>1) Provision requirement for substandard & below on determinable guarantees & acceptance</p> <ul style="list-style-type: none"> - Substandard : over 20% - Doubtful : over 50% - Estimated loss : over 100% <p>2) Provision requirement on unused credit limit of cash advance : 0.75%</p>	<p>1) Provision requiring object expansion as follows</p> <ul style="list-style-type: none"> * Newly introduced provisioning requirement for normal & precautionary on determinable guarantees & acceptances <ul style="list-style-type: none"> - Normal : over 0.5% - Precautionary : over 2.0% * <u>Undeterminable</u> guarantees & acceptances will require same magnitude of provisioning as <u>determinable</u> guarantees & acceptances. * Newly introduced provisioning requirement for unused commitment on normal portion <ul style="list-style-type: none"> - Corporate : over 0.5% - Household : over 0.75% - Card : over 1.0% <p>2) CCF(Credit Conversion Factor) will be applied as 0%, 20%, 50%, or 100%, according to the types of guarantees & commitments</p> <p>3) Unused commitment in Card sector include credit purchase, card loan as well as cash advance</p>	<p>1) The classification between determinable and undeterminable depends upon fixation of principal obligation</p> <p>2) Provision rate on cash advance will be reduced from 0.75% to 0.5% (CCF 50% x 1%)</p>

Additional Provisioning

