



Smart & Profitable Growth

KEB Operating Results for FY2006

February 2007

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.

4Q`06 Highlights

➤ Over 1tr annual net-income achieved 2nd consecutive year

- Record 1,006bn net income for FY2006

- BPS(Book Value per Share): 9,892
YoY increase by 1,119(*pre-dividend, refer to page 26*)
- ROE 16.28%

- Continuous growth in normal operating profitability
refer to page 3

- Total Assets up 7% YoY

- Best asset quality among peer Korean banks

- Reported Profit impacted by one-time charges

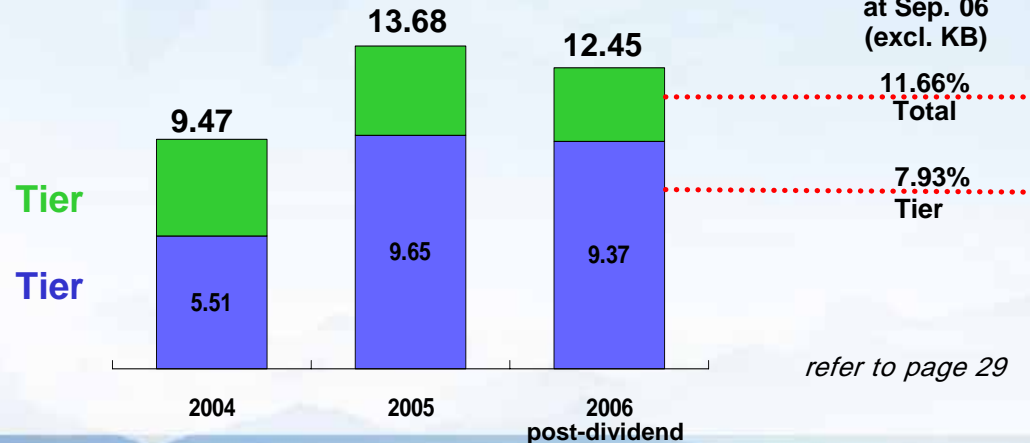
	Yearly	4Q06	3Q06
Reported Net Income	1,006	26	52
FSS provision regulation change*	192	192	-
NTS Assessment impact**	210	31	179
Before one-time charges	1,408	249	231

(Unit: KRW bn)

* refer to appendix 1
** refer to appendix 2

➤ KEB's Board of Directors declared 1,000 per share dividend

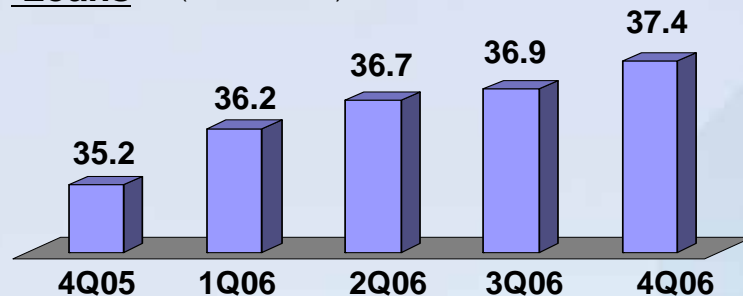
- 1st dividend since 1996
- Strong capitalization post-dividend
- Significant growth capital retained
- Capital levels well above Basel and Basel requirements



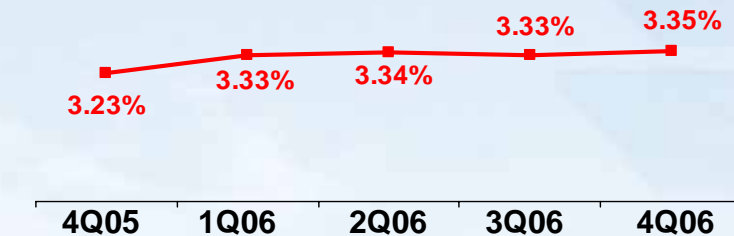
4Q`06 Highlights - continued

➤ Steady, disciplined growth in good quality and profitable assets

✓ Loans (Unit:KRW tr.)

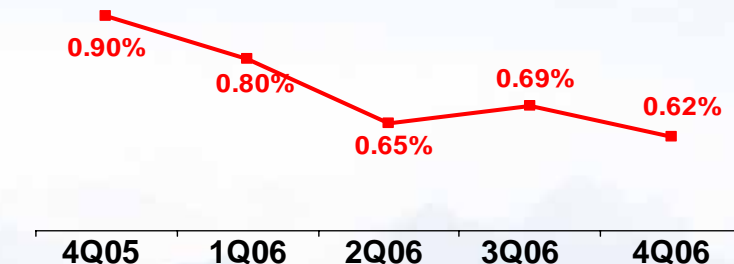


✓ NIM*



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

✓ NPL



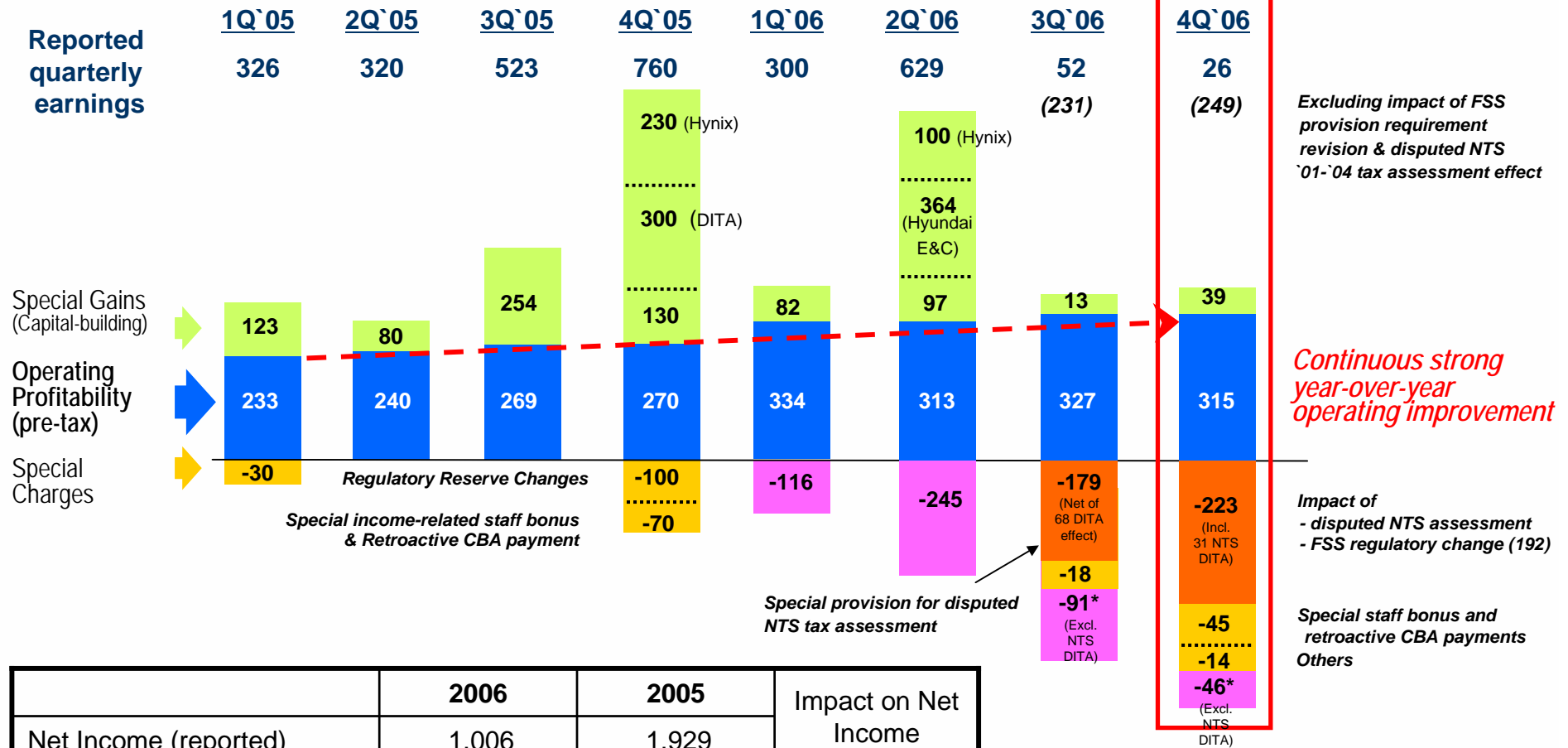
➤ Leadership in meeting customer needs

- 「Hedge Master Service」 currency risk management product recognized as the 'Best New Financial Product of 2006' by FSS (Dec, 2006)
- First Korean bank to handle 「Russian Ruble」 currency exchange service (Nov, 2006)
 - To serve growing demand driven by the expansion of Korea-Russia trade
- First Korean bank to provide internet banking service in China (Oct, 2006)
- Hynix Stock Sales Deal named “Best Korea Deal” by Finance Asia (Jan, 2007)
- “2006 Best Bank in Korea” and “Best Local Bank Trading Won” by Euromoney
- “Best Provider for Structured Currency Products in Korea” by Asiamoney
- “Best FX & Best Trade Finance in Korea” by Global Finance

Stable, Growing Operating Profitability



Quarterly Net Income - KRW Billions



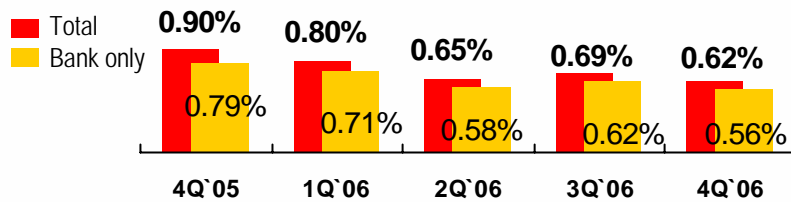
	2006	2005	Impact on Net Income
Net Income (reported)	1,006	1,929	
Normal operating profitability	1,289	1,012	+277
Special Gains	695	1,117	422
Special Charges	516	200	316
Tax	461	-	461

* Reported 3Q tax 23 = 91 less 68 DITA effect of NTS Assessment

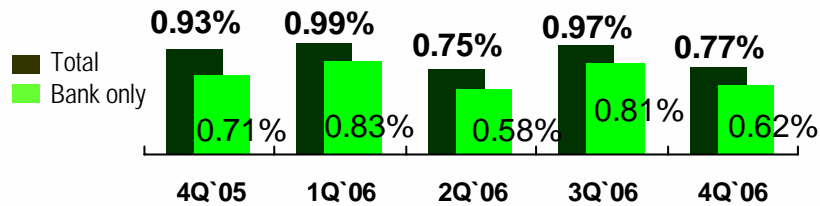
** Reported 4Q tax 77 = 46 plus 31 DITA effect of NTS Assessment

Continued Improvement in Asset Quality

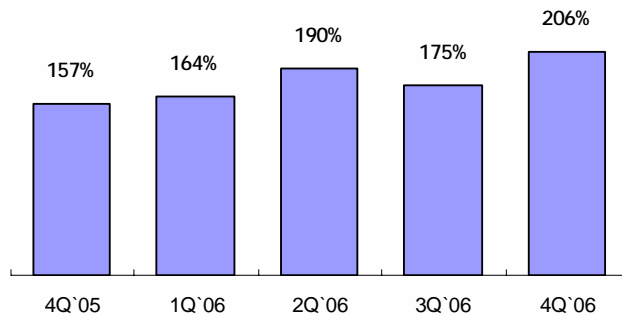
NPL Ratio



Delinquency Ratio

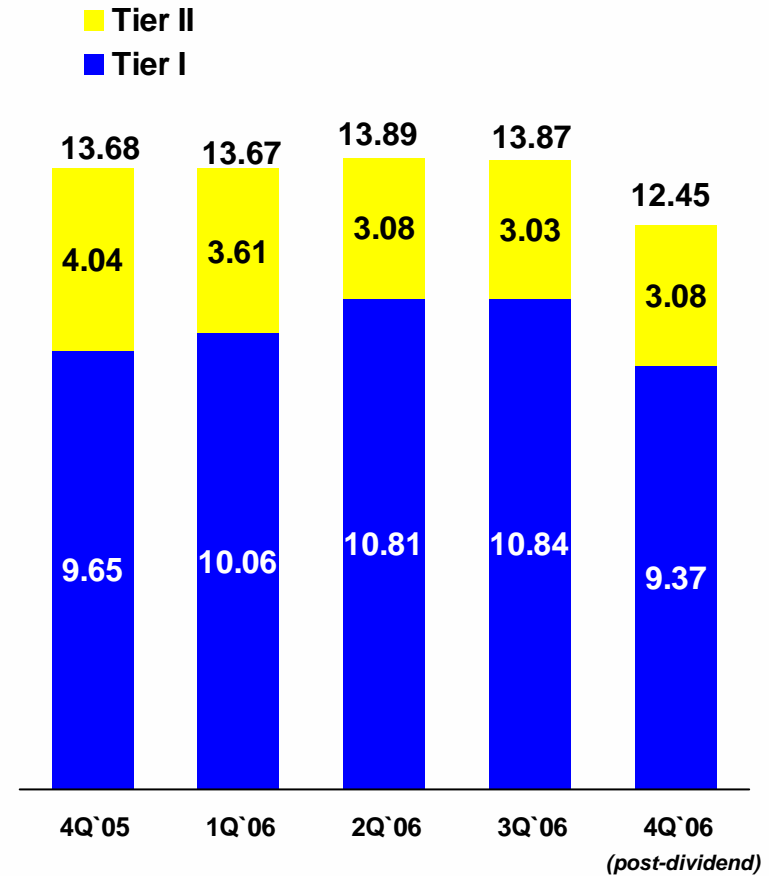


NPL Reserve Coverage Ratio



Continued Strong 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)

	FY2006														FY2005	
	FY2006		4Q		3Q		2Q		1Q		FY2005					
	Bank	Card	Bank	Card	Bank	Card	Bank	Card	Bank	Card	Bank	Card				
Net Interest Income	1,827.0	1,346.3	480.7	482.5	363.2	119.3	447.0	328.3	118.7	450.8	330.4	120.4	446.7	324.4	122.3	1,677.2
Fees & Commissions	479.4	609.9	-130.4	128.7	156.6	-27.9	107.9	142.1	-34.2	123.9	160.0	-36.1	118.9	151.1	-32.2	468.4
Non Interest Income	85.1	44.7	40.4	-47.4	-87.5	40.1	58.8	57.9	0.9	40.6	40.9	-0.3	33.1	33.4	-0.3	272.1
Total Income	2,391.6	2,000.9	390.7	563.8	432.3	131.5	613.7	528.3	85.4	615.3	531.3	84.0	598.7	508.8	89.8	2,417.6
Total Expenses()	1,053.4	966.2	87.1	326.8	300.7	26.2	251.6	230.9	20.7	253.7	231.2	22.5	221.3	203.4	17.8	995.3
Operating Income	1,338.2	1,034.7	303.6	237.0	131.7	105.3	362.1	297.4	64.7	361.6	300.1	61.5	377.4	305.4	72.0	1,422.3
Impairment Loss, etc.()	-564.9	-560.7	-4.2	-3.1	-3.1	0.0	-15.4	-11.3	-4.1	-510.9	-510.6	-0.3	-35.4	-35.6	0.2	-436.1
Income before Provision	1,903.1	1,595.3	307.7	240.1	134.8	105.3	377.5	308.8	68.7	872.6	810.7	61.8	412.8	341.0	71.8	1,858.5
Provision & Others ()	435.8	343.6	92.2	136.5	50.4	86.2	302.7	300.3	2.4	-0.9	-3.9	3.0	-2.5	-3.2	0.6	223.2
- Add'l loan loss provisioning	182.2	160.9	21.3	162.3	139.4	22.9	36.7	35.2	1.6	-7.6	-7.8	0.2	-9.2	-5.9	-3.3	61.6
- Add'l other provisioning	197.8	131.1	66.7	-39.4	-102.1	62.6	250.8	250.9	-0.1	0.4	-1.2	1.6	-13.9	-16.5	2.6	101.3
Income before Tax	1,506.7	1,251.7	215.6	103.6	84.4	19.2	74.8	8.5	66.4	873.5	814.6	58.9	415.4	344.2	71.2	1,635.2
Income Tax Expense ()	461.2	461.2	-	77.6	77.6	-	23.0	23.0	-	245.0	245.0	-	115.5	115.5	-	-294.1
Net Income	1,006.2	790.6	215.6	26.0	6.8	19.2	51.8	-14.6	66.4	628.5	569.6	58.9	299.8	228.7	71.2	1,929.3

- Over 1tr annual net-income achieved for two consecutive years

- Despite the large amount of the one-time special expense items such as the disputed NTS tax assessment (3Q06 : 247bn) and FSS provision regulatory requirement increase (4Q06 : 192bn), FY06 annual net income reached 1,006bn
- When excluding one-time gains/expenses items, pre-tax income shows the trend of average 320bn/Quarter

2. Net Interest Income

(Unit : KRW bn)

	FY2006					FY2005	Y o Y
	4Q	3Q	2Q	1Q			
Interest Revenue	3,609.9	947.1	908.3	890.9	863.6	3,266.6	+10.5%
Income on due from banks	42.6	10.5	14.7	9.9	7.5	26.0	+63.9%
Interest on securities	420.3	105.2	93.1	106.7	115.3	450.9	-6.8%
Interest income on loans	3,127.3	825.1	795.9	770.0	736.3	2,768.9	+12.9%
-Bank	2,538.6	679.9	650.1	622.3	586.3	2,140.8	+18.6%
-Card	588.7	145.2	145.8	147.7	150.0	628.1	-6.3%
Others	19.7	6.3	4.5	4.4	4.5	20.8	-5.2%
Interest Expenses	1,669.6	436.2	431.9	412.0	389.5	1,495.9	+11.6%
Interest on deposits	1,003.4	264.1	254.3	246.7	238.3	935.3	+7.3%
Interest on borrowings	294.2	76.4	80.8	72.4	64.5	209.2	+40.6%
Interest on debentures	349.3	88.9	91.5	87.3	81.7	334.0	+4.6%
Others	22.7	6.7	5.3	5.6	5.0	17.4	+30.3%
Insurance expenses for deposits & Contribution for Credit Guarantee Fund ()	112.6	28.8	27.3	28.8	27.7	100.8	+11.7%
Other Interest Income(+/-)	-0.6	0.3	-2.0	0.7	0.3	7.3	U.
Net Interest Income	1,827.0	482.5	447.0	450.8	446.7	1,677.2	+8.9%
-Bank	1,346.3	363.2	328.3	330.4	324.4	1,150.0	+17.1%
-Card	480.7	119.3	118.7	120.4	122.3	527.1	-8.8%

▪ **Bank** : Steady YoY growth and continuous business improvement... Net Interest Income up 8.9%

- Interest Revenue :

- Loan interest revenue expansion driven by lending asset growth and disciplined profitability management
- Interest on securities declined with the reduction of low-yield securities, consistent with business plan

- Interest Expense :

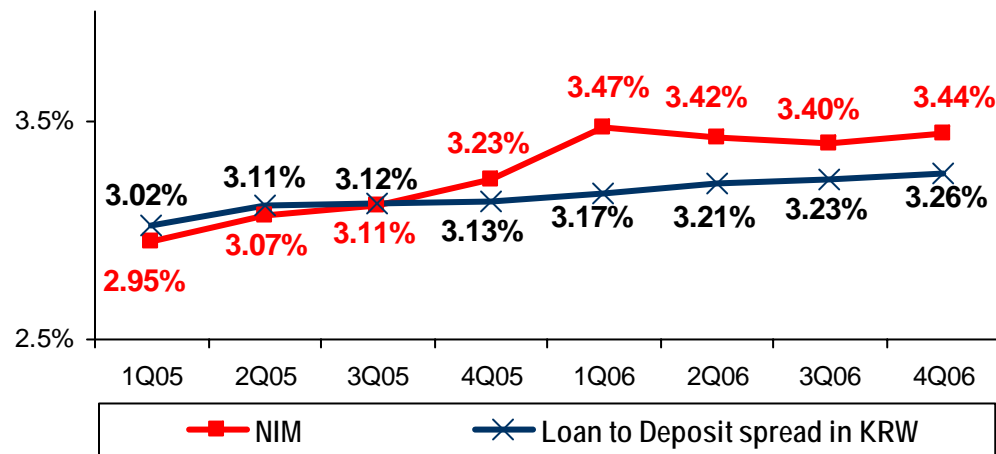
- Consistent with rising market interest rate environment
- Interest on borrowings increased with borrowings amount and rate environment

3. Net Interest Margin (NIM)

(Unit : %)

(Accumulated)	2006				2005			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net Interest Margin (NIM)	3.44	3.40	3.42	3.47	3.23	3.11	3.07	2.95
NIM in KRW	4.06	3.99	4.00	4.04	3.69	3.35	3.30	3.04
NIM in Foreign currency	1.31	1.34	1.34	1.39	1.62	1.65	1.55	1.70
Loan to Deposit Spread in KRW (a-b)	3.26	3.23	3.21	3.17	3.13	3.12	3.11	3.02
Interest rate on Loans in KRW (a)	6.29	6.23	6.17	6.10	6.00	5.99	6.02	5.98
Interest rate paid on Deposits in KRW (b)	3.03	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 3Q05 adjusted to current calculation standard

Stabilized NIM Trend

- Stabilized 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 (related to NPL asset-backed securities holdings)

	1Q`06	2Q`06	3Q`06	4Q`06
Reported	3.47%	3.42%	3.40%	3.44%
SPC interest	₩17bn	₩6bn	₩4bn	₩20bn
Adjusted	3.33%	3.34%	3.33%	3.35%

4. Fees & Commissions

(Unit : KRW bn)

		FY2006					FY2005	Y o Y
			4Q	3Q	2Q	1Q		
B a n k	Gains from FX transaction	232.8	62.9	52.9	58.9	58.1	244.8	-4.9%
	- Customer transaction	232.8	62.9	52.9	58.9	58.1	213.6	+9.0%
	- P/L on valuation of derivatives	n.a.	n.a.	n.a.	n.a.	n.a.	31.3	n.a.
	Fees & Commissions	377.0	93.7	89.2	101.1	93.0	337.3	+11.8%
	KRW currency related	190.2	43.3	44.6	52.9	49.4	151.3	+25.7%
	Foreign currency related	129.7	34.7	31.5	33.0	30.5	129.4	+0.2%
	Others	57.0	15.7	13.0	15.2	13.1	56.5	+0.8%
Bank – Total		609.9	156.6	142.1	160.0	151.1	582.1	+4.8%
Card sector		-130.4	-27.9	-34.2	-36.1	-32.2	-113.8	U.
Total		479.4	128.7	107.9	123.9	118.9	468.4	+2.4%
Fees & Comms. / Total Income (%)								
Total		20.0%	22.8%	17.6%	20.1%	19.9%	19.4%	+0.6%p
Bank Only		30.5%	36.2%	26.9%	30.1%	29.7%	29.5%	+1.0%p

- **Gains from FX transaction** : +9.0% YoY Growth on strong customer transaction volume
- **KRW currency related fees & commissions** :
 - 25.7% growth driven by strong performance in Investment Product sales
 - Loan-related annual fees (12.9bn) for FY06 re-classified out of Fee & Commission
 - Before : Entire fee recognized at loan inception
 - Now : Fee amortized to interest income over loan maturity
- **FC fees** : +10% vs. 3Q06

5. Non Interest Income

(Unit : KRW bn)

	FY2006					FY2005	Y o Y
	4Q	3Q	2Q	1Q			
Operating Trust Account	25.7	7.2	5.9	6.6	5.9	24.7	+3.9%
Merchant Account	16.5	4.4	4.9	3.4	3.8	13.8	+19.9%
Trading Profit	78.5	21.6	30.5	7.7	18.7	51.3	+52.9%
Valuation equity method	40.3	9.1	12.6	11.6	7.0	45.6	-11.5%
Card sector	1.1	0.8	0.9	-0.3	-0.3	-24.6	F.
NPL sales	47.7	39.3	-	8.4	-	133.8	-64.3%
Others	-124.8	-129.9	4.0	1.1	-	27.6	U.
Non Interest Income	85.1	-47.4	58.8	40.6	33.1	272.1	-68.7%

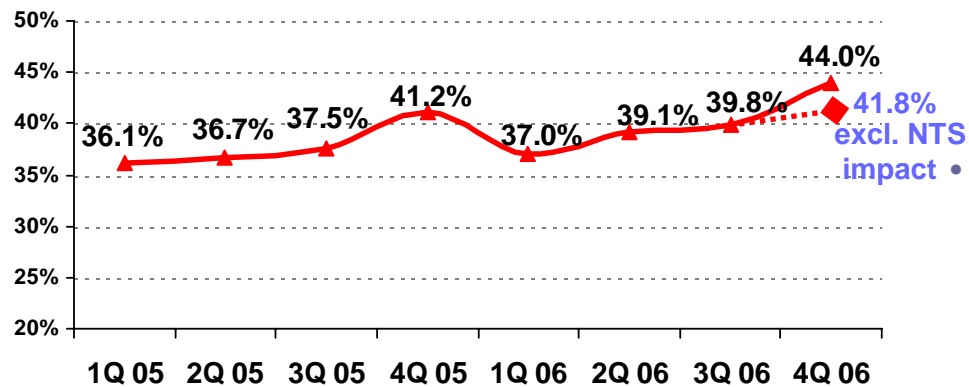
- NPL sales profit : Sale of written off credit card accounts (583bn) gained 39.3bn in 4Q06
- Others : 127bn non-operating expense recognized at payment for disputed NTS `01-`04 tax assessment refer to appendix 2
 - Impact on P/L was partially offset by reversal of other provisions (113bn)

6. Total Expenses

(Unit : KRW bn)

	FY2006					FY2005	Y o Y
	4Q	3Q	2Q	1Q			
Salaries & Benefits	638.5	199.2	149.1	157.2	133.0	605.4	+5.5%
Salaries	470.0	135.4	103.6	118.0	112.9	431.3	+9.0%
Employees benefits	168.5	63.8	45.5	39.2	20.1	174.2	-3.2%
Operating Expenses	248.2	68.2	63.9	60.0	56.0	237.4	+4.5%
Depreciation	122.6	40.1	30.0	27.4	25.1	114.8	+6.8%
Tax & Dues	44.0	19.2	8.6	9.1	7.1	37.7	+16.9%
Total Expenses	1,053.4	326.8	251.6	253.7	221.3	995.3	+5.8%
- Bank	966.2	300.7	230.9	231.2	203.4	900.0	+7.4%
- Card	87.1	26.2	20.7	22.5	17.8	95.2	-8.5%

Cost / Income Ratio (Accumulated)



- **QoQ rise in salaries & benefits**

- Special performance bonus : 4Q06 31bn
- Retroactive CBA payment of FY06 salary increase : 4Q06 14bn

- **Cost / Income ratio**

- 4Q06 Cost income ratio +2.8%pts vs. 4Q05
- +0.6pts from total expense increase (5.8% YoY)
- +2.2pts impact of 127bn non-operating expense (negative non-interest income) related to payment for disputed NTS tax assessment (see appendix 2)

7. Provisions & Others

(Unit : KRW bn)

	FY2006					FY2005	Y o Y
	4Q	3Q	2Q	1Q			
Loan Loss Provisioning	182.2	162.3	36.7	-7.6	-9.2	61.6	+195.8%
<Bank>	160.9	139.4	35.1	-7.8	-5.9	28.4	U.
Corporate	118.1	94.8	34.2	-11.3	0.3	-0.9	U.
Household	42.8	44.6	0.9	3.5	-6.2	29.3	+46.2%
<Card>	21.4	22.9	1.6	0.2	-3.3	33.2	-35.6%
Other Provisioning etc.	197.8	-39.4	250.8	0.4	-13.9	101.3	+95.3%
Retirement Allowance	55.7	13.7	15.2	6.2	20.6	60.4	-7.8%
Total	435.7	136.5	302.7	-0.9	-2.5	223.3	+95.2%

- FSS issued regulatory policy change in Dec `06 increasing provision requirements for normal & precautionary loans (LLR 120bn) and open, unused credit lines (Other provision 72bn) refer to appendix 1
- Payment for disputed NTS tax assessment resulted in 113bn partial reversal of Other provision (booked 3Q`06) and recognition of non-operating expense

7-a. Loan Loss Reserves (LLR)

(Unit : KRW bn)

	Total (2006)				
	4Q	3Q	2Q	1Q	
Beginning LLR	619.6	574.8	580.2	587.5	619.6
Add'l Provisioning	182.2	162.3	36.7	-7.6	-9.2
Write-offs (-)	336.9	89.3	72.8	75.0	99.9
Reversal & Others	210.4	27.5	30.8	75.2	77.0
Ending LLR *	675.3	675.3	574.8	580.2	587.5
NPL Coverage (%) **	206.0%	206.0%	175.1%	190.2%	164.2%

	Bank (2006)				Card (2006)			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Beginning LLR	505.9	505.7	503.7	520.7	68.9	74.5	83.8	98.9
Add'l Provisioning	139.4	35.1	-7.8	-5.9	22.9	1.6	0.2	-3.3
Write-offs (-)	58.5	42.1	41.0	61.0	30.8	30.6	34.0	38.9
Reversal & Others	12.2	7.2	50.8	49.8	15.3	23.5	24.4	27.2
Ending LLR *	598.9	505.9	505.7	503.7	76.4	68.9	74.5	83.8
NPL Coverage (%) **	209.8%	178.2%	195.6%	165.4%	182.8%	154.9%	160.8%	157.5%

* 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

- NPL coverage ratio exceed 200% as the result of FSS regulatory policy change increasing provision requirements see appendix 1
- Current reserve levels (LLR + Other provision for unused lines) exceed KEB's estimated Expected Loss under Basel standards

Balance Sheet

- 1. Summarized Balance Sheet**
- 2. Loans in Korean Won**
- 3. Deposits in Korean Won**

1. Summarized B/S

(Unit : KRW bn)

	2006.12	2006.09	2006.06	2006.03	2005.12	Y o Y
Cash & Due from Banks	3,958.2	2,504.5	3,130.5	2,615.2	2,880.7	+37.4%
Securities	10,457.9	11,051.7	11,533.1	12,052.8	12,879.2	-18.8%
Loans & Discounts	45,389.5	44,990.9	43,985.1	42,257.6	40,922.0	+10.9%
- Credit Card Receivables	2,314.6	2,322.1	2,341.8	2,325.7	2,260.5	+2.4%
Other Asset	7,545.3	8,420.1	8,316.4	9,026.6	7,152.2	+5.5%
Merchant Banking Accounts	2,090.5	1,939.3	1,845.4	1,240.7	1,116.9	+87.2%
Total Assets	69,441.5	68,906.5	68,810.4	67,192.7	64,951.0	+6.9%
Deposits	38,489.7	36,802.4	37,317.1	36,157.4	38,009.5	+1.3%
Borrowings	7,568.5	7,925.7	8,002.0	7,756.6	6,740.4	+12.3%
Debentures	6,305.5	6,336.8	6,419.4	5,844.2	5,930.7	+6.3%
Other Liabilities	9,054.0	9,515.6	9,355.7	10,603.3	7,522.6	+20.4%
Merchant Banking Accounts	1,644.5	2,054.6	1,496.3	974.2	1,090.1	+50.9%
Shareholders' Equity	6,379.2	6,271.4	6,219.8	5,857.2	5,657.7	+12.8%
Liabilities & Shareholders' Equity	69,441.5	68,906.5	68,810.4	67,192.7	64,951.0	+6.9%

▪ **Assets : +7% YoY**

- Loans : +0.9% QoQ increase, and +10.9% YoY increase showing constant growth
- Securities : Continuous reduction of short-term/low-yield securities consistent with business plan
- Merchant Banking assets increased through growing CP discount activity

▪ **Liabilities & Shareholders' Equity**

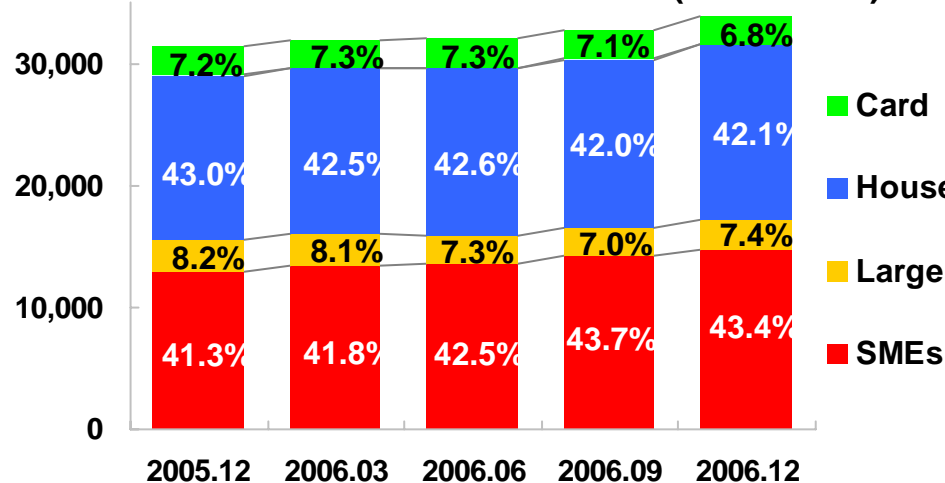
- Borrowings and debentures slightly decreased QoQ due to deposits expansion in 4Q06.
- YoY increase reflects optimal funding strategy and disciplined management of deposit pricing.

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

(Unit : KRW bn)

	2006.12	2006.09	2006.06	2006.03	2005.12	Y o Y
Household	14,285.0	13,739.1	13,633.4	13,589.7	13,488.5	+5.9%
SMEs	14,720.5	14,292.5	13,594.7	13,365.0	12,938.1	+13.8%
Large Corp.	2,511.1	2,287.6	2,336.2	2,585.3	2,554.9	-1.7%
Public & Others	78.3	80.7	89.7	90.4	90.8	-13.7%
Sub Total *	31,594.9	30,399.9	29,654.0	29,630.5	29,072.3	+8.7%
Credit Card	2,314.6	2,322.1	2,341.8	2,325.7	2,260.5	+2.4%
Total Loans in KRW	33,909.6	32,722.0	31,995.8	31,956.2	31,332.7	+8.2%

Portfolio of Loans in Korean Won (Bank acct.)



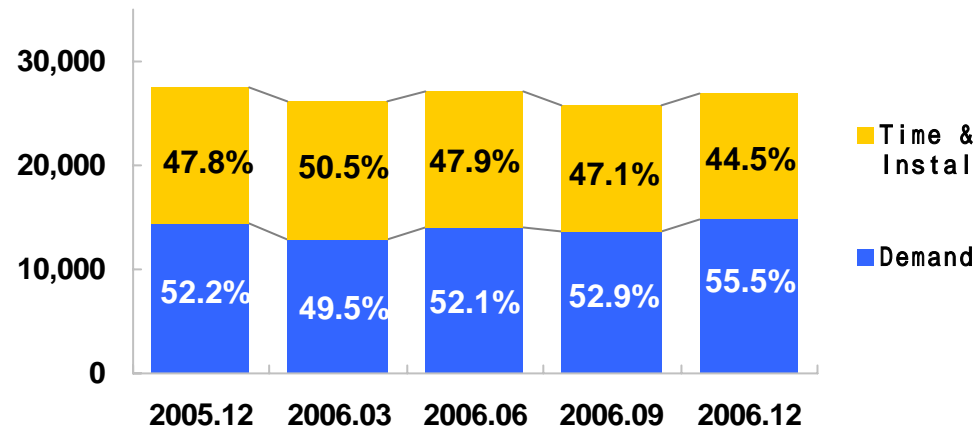
- **SMEs** : Continuous growth from focused customer segmentation marketing to high quality companies
- **Large Corp.** : Seasonal QoQ change (+9.9%) in flat KRW loan demand market
- **Household** : +4.0% QoQ with consistent and conservative underwriting of housing-related loans along with consistent increase in personal loans
- **Card** : About flat compared to previous quarter

3. Deposits in KRW (Banking Acct.)

(Unit : KRW bn)

	Relative Cost	2006.12	2006.09	2006.06	2006.03	2005.12	Y o Y
Demand Deposits	Lower	14,888.1	13,632.3	14,103.5	12,957.7	14,355.7	+3.7%
Savings deposit	Lower	5,995.9	5,566.9	5,760.7	5,885.4	6,003.5	-0.1%
Regular deposit	Lower	1,310.6	1,289.7	2,131.5	1,098.9	1,195.1	+9.7%
Corporate free savings deposit	Low	5,982.6	5,463.3	5,029.3	4,657.2	5,442.5	+9.9%
Others	Lower	1,598.9	1,312.4	1,181.9	1,316.2	1,714.7	-6.8%
Time & Installment Deposits	Higher	11,948.4	12,151.9	12,986.2	13,211.5	13,138.3	-9.1%
Total Deposits in KRW	-	26,836.5	25,784.2	27,089.7	26,169.2	27,494.0	-2.4%

Composition of Deposits in KRW (Banking Acct.)



- Disciplined deposit management and pricing
 - Demand Deposits : +9.2% QoQ growth reflecting core deposit attraction effort
 - Time & Installment Deposits : Modest decline caused by pricing discipline

Asset Quality

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

1. Asset Quality

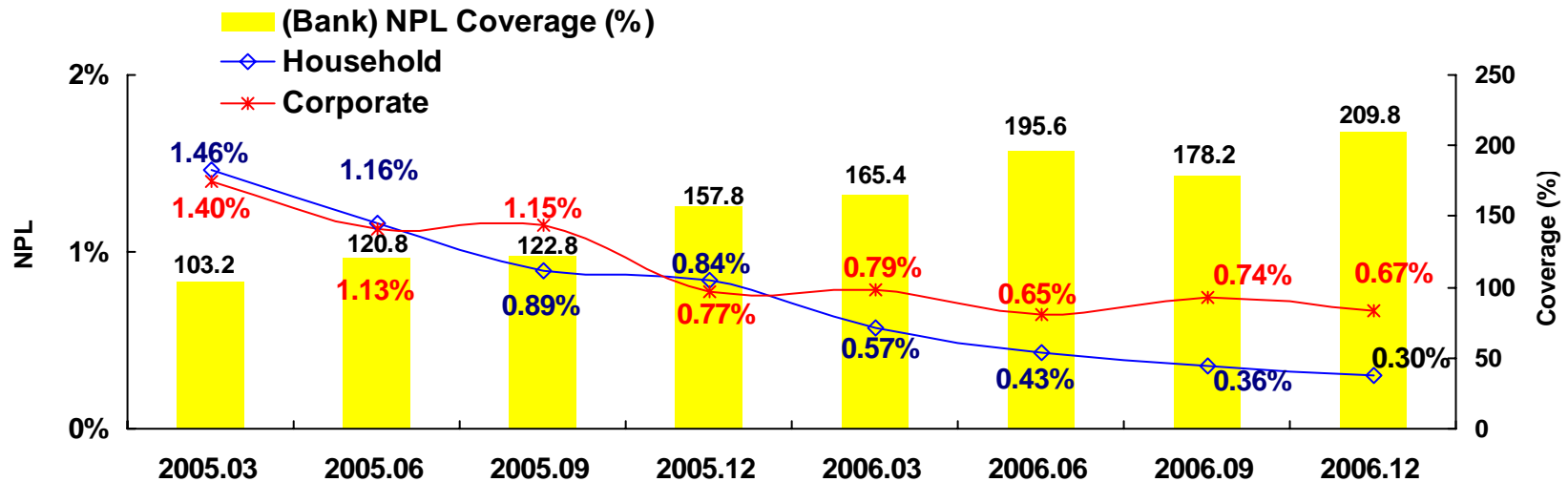
(Unit : KRW bn)	2006.12		2006.09		2006.06		2006.03		2005.12	
		(Ex. Card)		(Ex. Card)		(Ex. Card)		(Ex. Card)		(Ex. Card)
Normal	47,923.8	45,698.9	46,565.1	44,343.0	45,632.6	43,400.7	43,602.4	41,403.0	42,628.0	40,370.0
Precautionary	414.1	365.0	452.2	395.4	430.9	365.8	456.0	381.3	458.3	367.2
Substandard	181.9	181.9	177.6	177.6	174.1	174.1	220.1	220.1	229.9	229.9
Doubtful	56.5	21.0	76.1	35.5	67.8	26.4	75.5	27.8	91.5	34.8
Estimated Loss	61.0	54.7	70.7	66.8	59.4	54.5	58.3	52.8	67.9	60.7
Total Credits	48,637.3	46,321.5	47,341.7	45,018.3	46,364.8	44,021.5	44,412.3	42,085.0	43,475.5	41,062.5
Substandard & Below (NPL) (%)	0.62%	0.56%	0.69%	0.62%	0.65%	0.58%	0.80%	0.71%	0.90%	0.79%
Precautionary Below (%)	1.47%	1.34%	1.64%	1.50%	1.58%	1.41%	1.82%	1.62%	1.95%	1.69%
Loan Loss Reserve	616.8	540.4	567.8	498.8	573.2	498.7	581.4	497.6	612.1	513.2
NPL Coverage (%)	206.0%	209.8%	175.0%	178.2%	190.2%	195.6%	164.2%	165.4%	157.3%	157.8%
Precautionary & Below Coverage (%)	86.4%	86.8%	73.1%	73.9%	78.3%	80.3%	71.8%	73.0%	72.2%	74.1%

- Sustained strong asset quality
- FSS regulatory change increasing provision requirements brought NPL coverage ratio to 206%

1. Asset Quality – NPL & Coverage by Sector

(Unit : KRW bn)	Household					Corporate				
	`06.12	`06.09	`06.06	`06.03	`05.12	`06.12	`06.09	`06.06	`06.03	`05.12
Total Credit	14,463.1	13,908.4	13,773.6	13,714.1	13,598.8	31,858.4	31,109.9	30,247.9	28,370.9	27,463.7
Substandard & below	42.8	50.3	59.4	77.9	114.9	214.8	229.6	195.6	222.9	210.4
Substandard & below (NPL Ratio)	0.30%	0.36%	0.43%	0.57%	0.84%	0.67%	0.74%	0.65%	0.79%	0.77%
Loan Loss Reserves	171.2	131.4	136.9	141.8	152.5	369.2	367.4	361.8	355.8	360.7
NPL Coverage(%)	400.0%	261.3%	230.5%	182.0%	132.7%	171.9%	160.0%	185.0%	159.6%	171.4%

Trend of NPL ratio by type (Excluding Credit Card)

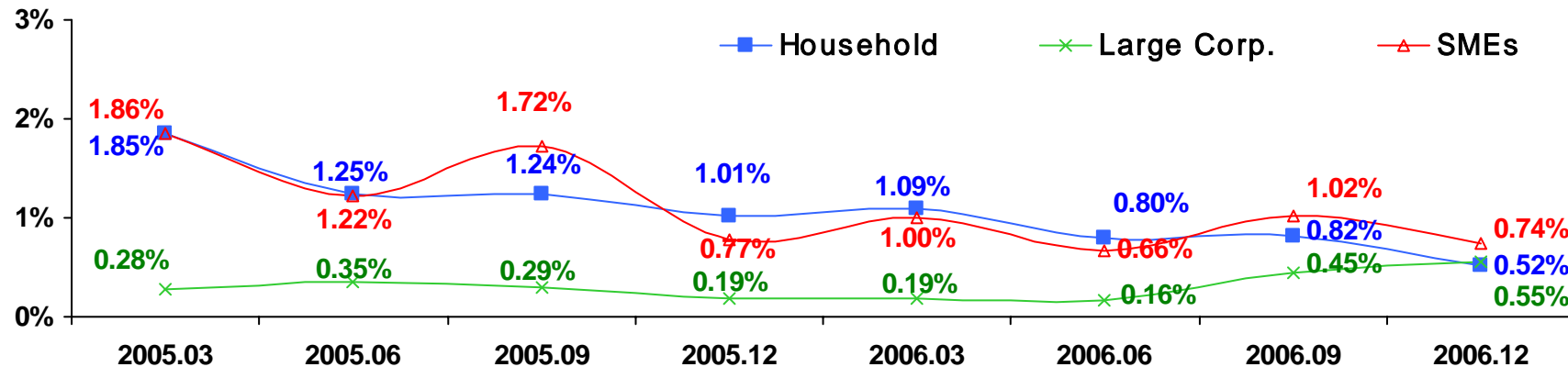


2. Delinquency

(Unit : KRW bn)

Reported basis	2006.12	2006.09	2006.06	2006.03	2005.12	Y o Y
Bank	0.62%	0.81%	0.58%	0.83%	0.71%	-0.09%p
Household	0.52%	0.82%	0.80%	1.09%	1.01%	-0.49%p
SME	0.74%	1.02%	0.66%	1.00%	0.77%	-0.03%p
Large Corp./Others	0.55%	0.45%	0.16%	0.19%	0.19%	+0.36%p
Card	3.66%	3.85%	3.76%	3.85%	4.30%	-0.64%p
Normal book	3.57%	3.74%	3.60%	3.65%	4.00%	-0.43%p
Re-aged book	10.72%	10.57%	11.93%	11.45%	13.23%	-2.51%p
Total delinquency ratio	0.77%	0.97%	0.75%	0.99%	0.93%	-0.16%p
Total delinquency amount	354.9	431.5	326.9	417.8	379.3	-6.4%
Bank	270.1	342.0	238.7	328.1	275.6	-2.0%
Card	84.8	89.5	88.2	89.7	103.7	-18.2%
Total receivables	45,911.3	44,565.7	43,660.8	42,025.6	40,977.6	+12.0%
Bank	43,595.5	42,242.3	41,317.5	39,698.3	38,564.6	+13.0%
Card	2,315.8	2,323.4	2,343.3	2,327.3	2,413.0	-4.0%

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

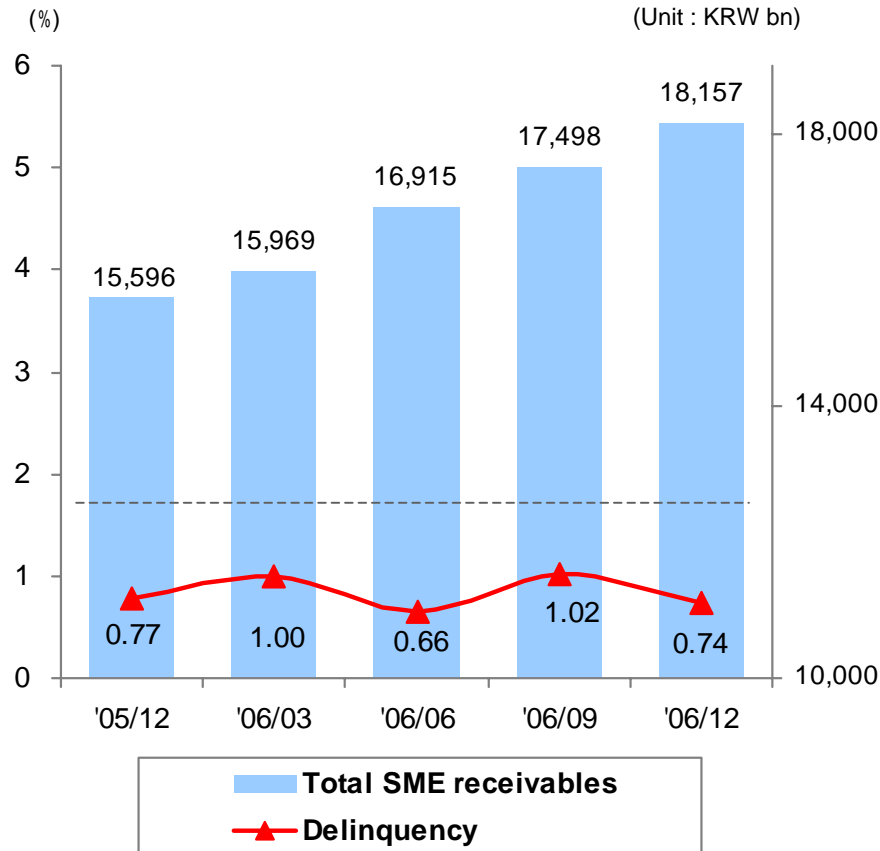


Special Topics

1. **SME Loans**
2. **Household Loans**
3. **FX & Trade Finance**
4. **Shareholding Structure**
5. **Dividend Plan**

1. SME Loans

Total SME loan receivables & delinquency ratio

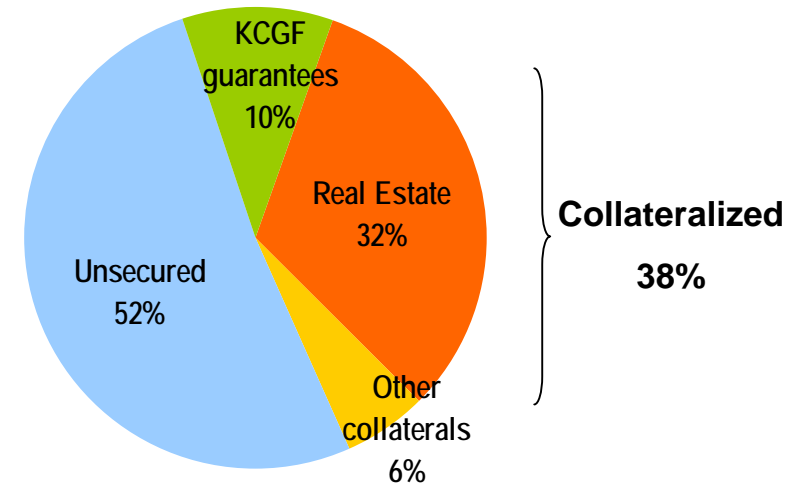


- Consistent, steady growth in SME loan volume
- Sustained stable control of SME delinquency

- 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

(As of Dec.2006)

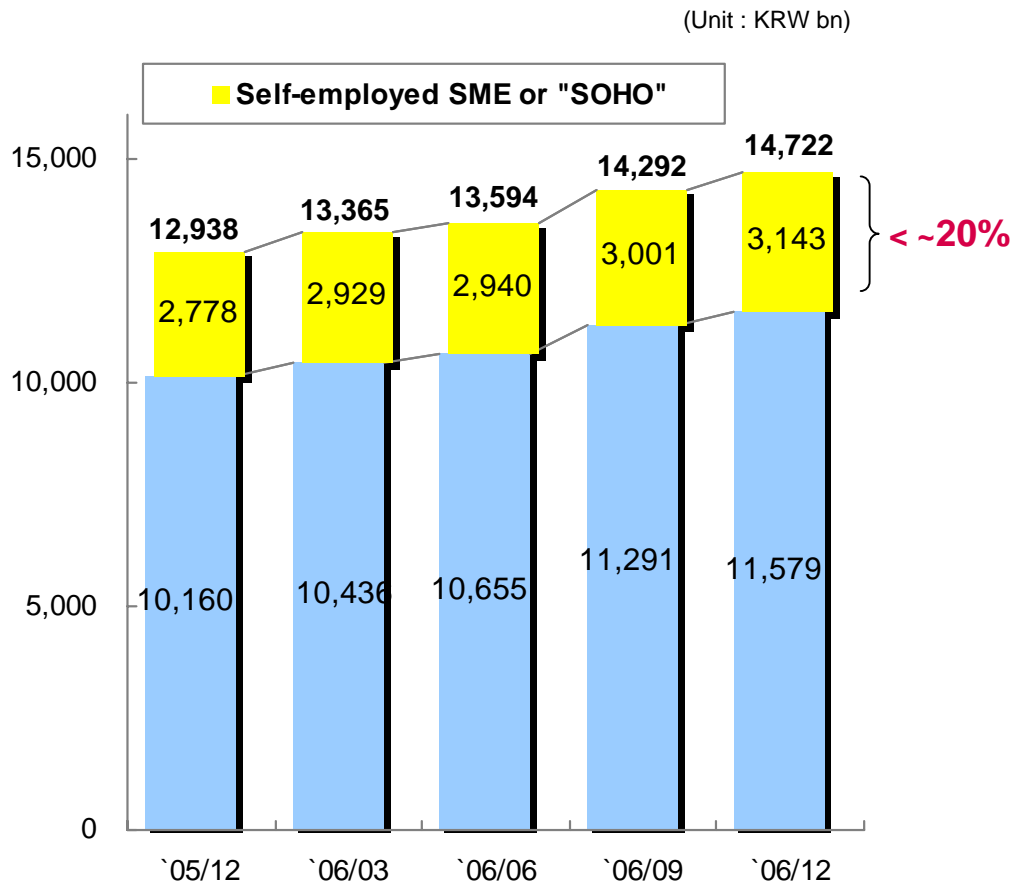


SME Delinquency ratio (Loans in KRW)

	'06.12	'06.09	'06.06	'06.03	'05.12
- Unsecured	0.36%	0.41%	0.39%	0.42%	0.26%
- Guaranteed	3.31%	2.93%	1.77%	2.41%	3.08%
- Collateralized	0.66%	1.67%	0.82%	1.56%	1.00%
Total	0.79%	1.16%	0.72%	1.09%	0.86%

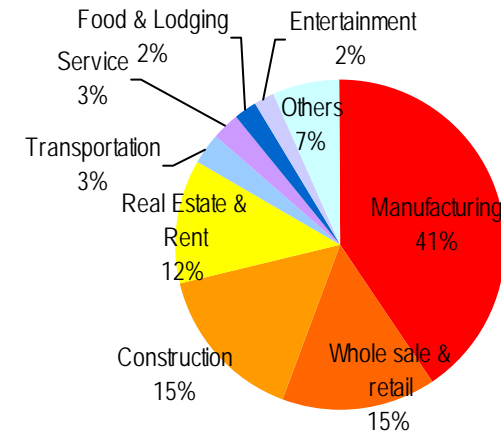
1. SME Loans

Self-employed SME % of SME loans in KRW



SME loans in KRW by industries

(As of Dec.2006)



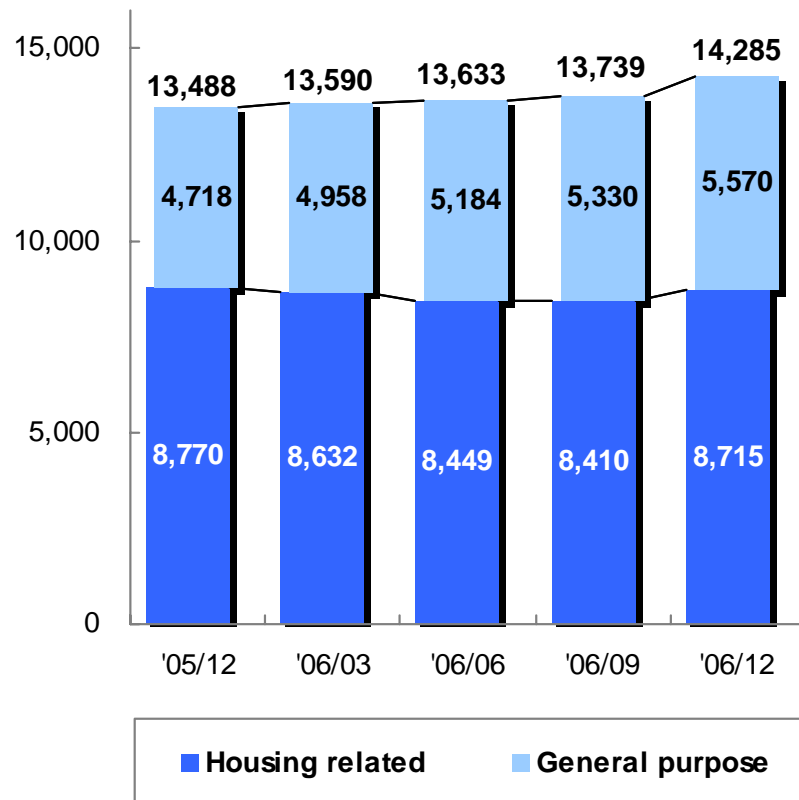
Industry	Delinquency				
	'06.12	'06.09	'06.06	'06.03	'05.12
Manufacturing	1.11%	1.02%	0.81%	0.95%	0.85%
Whole sale & retail	0.87%	1.43%	0.78%	0.88%	0.89%
Construction	0.48%	0.80%	0.63%	0.62%	0.49%
Real Estate & Rent	0.55%	1.15%	0.45%	1.96%	0.68%
Transportation	0.21%	0.55%	0.07%	0.73%	0.11%
Service	0.45%	2.49%	1.56%	1.08%	1.61%
Food & Lodging	0.59%	3.42%	0.48%	1.91%	1.37%
Entertainment	0.63%	0.66%	0.07%	2.27%	1.22%
Others	0.32%	1.40%	0.77%	1.42%	1.41%

2. Household

Trend of Household loans

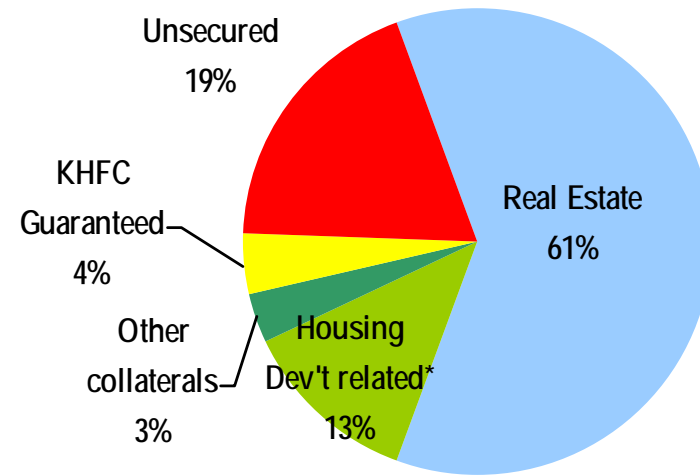
(Unit : KRW bn)

(Loans in KRW banking acct.)



Household loans by collateral type

(As of Dec. 2006)



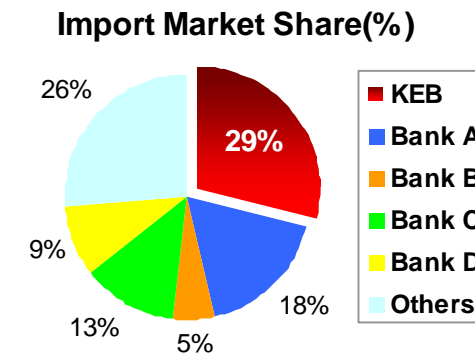
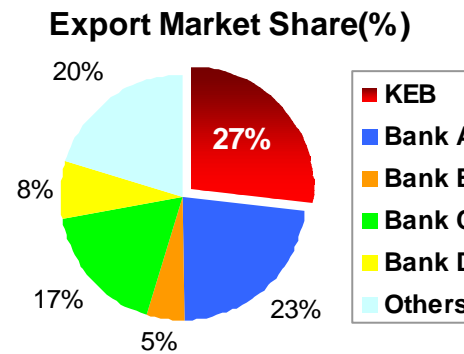
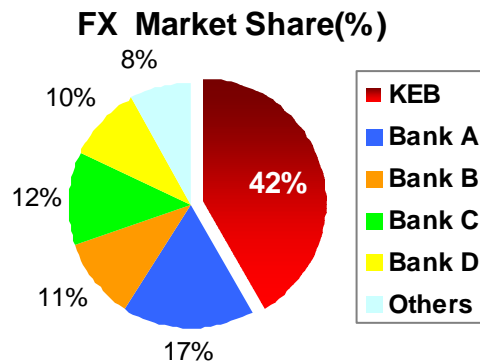
* Individual loans for housing under construction fully collateralized at construction completion

- Despite the government real estate regulation/policy, housing-related loans demand showed turnaround driven by non-speculative users
- Good growth in high quality personal loans

3. Market leadership in FX & Trade finance KEB EXCHANGE BANK

Strong market leadership

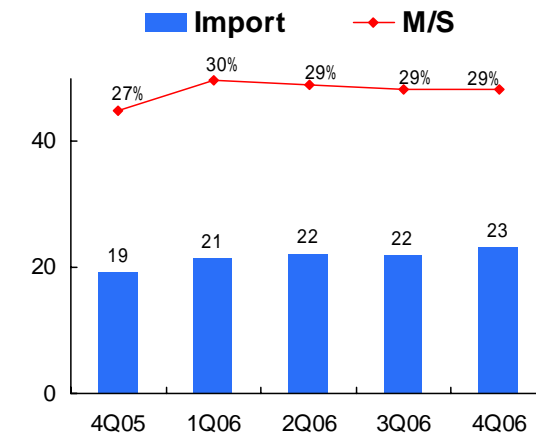
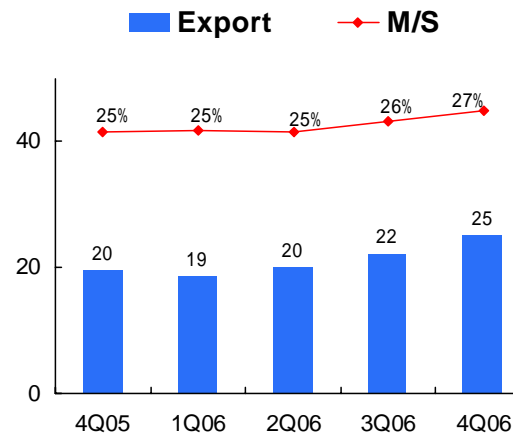
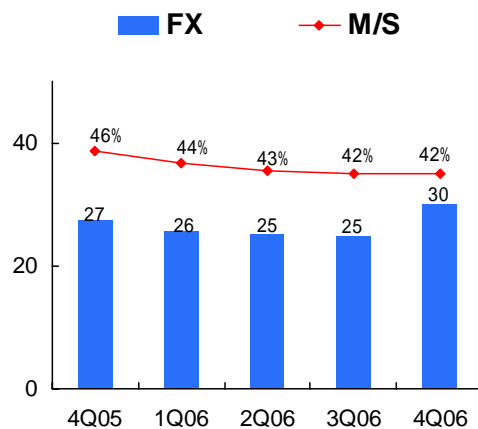
(Jan.~Dec. 2006)



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

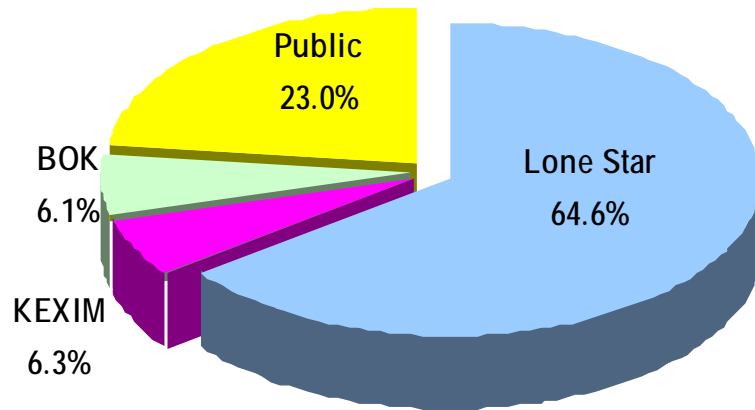
Trend of trading volume & market share

(Unit : USD billion, %)



4. Shareholding Structure

Shareholders' Structure



(As of Dec.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 on shares previously held by Commerz Bank and KEXIM (May 30, '06)

Capital Structure

(As of Dec.2006)

(Unit : KRW bn)

	2006.12	2005.12	YoY
Paid-in Capital	3,224.5	3,224.5	-
Capital Surplus	0.9	-	+0.9
Retained Earnings	1,999.9	1,322.3	+677.6
Capital Adjustment	1,153.8	1,110.8	+43.0
Discounts on capital stocks	-	-324.9	+324.9*
Unrealized gain on Investment securities	1,134.9	1,420.7	-285.8**
Stock option	18.9	14.9	+4.0
Total Shareholders' Equity	6,379.2	5,657.7	+721.5
<i>Book value Per Share (BPS)</i>	<i>9,892</i>	<i>8,773</i>	<i>+ 1,119</i>

* Retained earnings utilized to dispose Discounts on capital stocks in 1Q'06

** Reflects sales of Hynix and Hyundai E&C shares in 2Q'06. Also reflects 3Q'06 FSS-mandated change in valuation methodology for listed-but-restricted shares. Reduced Shareholders equity by 248bn, 385/share. See Appendix 3

5. Dividend Plan

- KEB has achieved over 1tr net income for two consecutive years.
- KEB’s surplus internal capital significantly exceeds the level needed to support planned 2007 business growth.
- It is appropriate to declare a dividend from 2006 Earnings.
 - Reduce surplus capital in excess of required growth capital.
 - Improve KEB’s Return on Equity and lower overall Cost of Capital.
 - Provide benefit to shareholders for recent gains... KEB has not paid a dividend since 1996.
- KEB’s capitalization post-dividend is very strong compared to peers.

Dividend Plan

- Dividend Amount : 645bn
- Per share : 1,000won
- Yield vs. Dec.31,`06 Price : 7.8%
- Impact on Key Measures

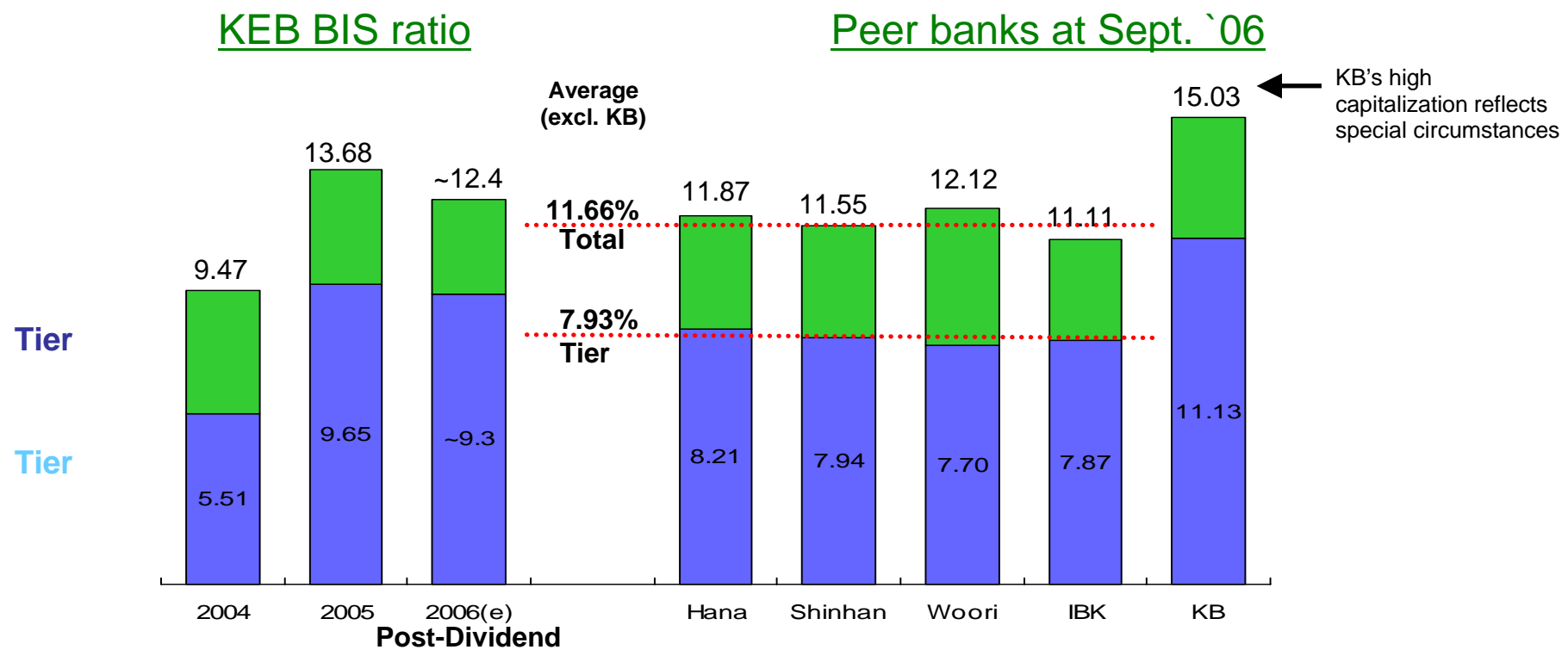
	`06.12(e) Pre-Dividend	Post-Dividend
BIS Ratio	~13.7%	~12.4%
Tier Ratio	~10.6%	~9.3%

- Dividend plan is subject to change upon approval process during General Shareholders Meeting.

5. Dividend Plan - continued

Strong Capital Position Post-dividend

- **Post-dividend capital more than needed to support planned 2007 business growth**
 - Well reserved for Expected Loss (EL)
 - Sufficient Internal Capital for Unexpected Loss (under either Basel or Basel approaches)
 - Additional surplus capital above growth requirement
- **Capital adequacy post-dividend compares well to other banks**



Appendix 1 : FSS Provision Requirement Change Impact

Background

As a part of preparation for BASEL II implementation and further enforcement of banks' financial qualities, FSS decided to increase minimum LLP requirement ratio based on expected loss ratio calculation method of the new BIS standard

Provision Accumulation Policy Change Summary

1. Minimum Provision Ratio Revision

(Unit:%)

	Loan Loss Provision						Provision for Guarantees	
	Corporate		Household		Card		Corporate	
	Normal	Precautionary	Normal	Precautionary	Normal	Precautionary	Normal	Precautionary
Before	0.5	2.0	0.75	8.0	1.0	12.0	0.5	2.0
After	0.7	7.0	1.00	10.0	1.5	15.0	0.7	7.0

2. Provision Accumulation Policy Revision for Unused Credits

	Before	Now
Subject	Normal class only	All asset quality category
Accumulation Ratio	Apply normal class LLP ratio	Apply LLP ratio according to classification
Card Asset	Exclude accounts unused for past 1 year	Include accounts unused for past 1 year

Additional Provision Accumulation Description

(Unit: KRW bn)

	Loan Loss Provision		Provision for Guarantees		Other Provision		Total
	Normal	Precautionary	Normal	Precautionary	Normal	Precautionary & below	
Corporate	57.3	7.5	6.8	0.2	17.3	6.3	95.4
Household	35.5	1.2	-	-	0.9	-	37.6
Card	11.1	0.8	-	-	41.9	5.2	59.0
Total	103.9	9.5	6.8	0.2	60.1	11.5	192.0

Appendix 2 : NTS tax assessment impact

(Unit:KRW bn)

	3Q06	4Q06	2007(e)
Other Provision	247	134	0
Transfer to	247		
Transfer from		+113	+134
Deferred Income Tax Benefit/Expense	+68	31	37
Net Income impact	179	31	37

$\times 27.5\%$ (between 247 and 68)
 $\times 27.5\%$ (between 113 and 31)
 $\times 27.5\%$ (between 134 and 37)

- 3Q`06 – According to Korean Accounting Principles, companies are required to recognize the full liability of the preliminary tax assessment in their financial statements regardless of the merits of the assessed items or the probability of winning appeals. 247bn was reflected in Other Provision for disputed NTS `01-`04 tax assessment.
- 4Q`06 – Payment for disputed NTS tax assessment resulted in 113bn partial reversal of Other Provision (booked 3Q06) and recognition of non-operating expense.
- 2007 – Expect to recognize remaining 134bn as non-operating expense upon the receipt of final notice of assessment if NTS rejects KEB's re-examination appeal.
- KEB will pursue all necessary legal appeals because we are confident that KEB complied fully with the tax code, which provides two clear alternatives to taxpayers.

Appendix 3 : 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

Appendix 4 : Special Charges & Gains

Income Comparison

(Unit:KRW bn)

	2006	2005	Impact on Net Income
Net Income (reported)	1,006	1,929	
Normal operating profitability	1,289	1,012	+277
Special Gains	695	1,117	422
Special Charges	516	200	316
Tax	461	-	461

Special Charges (FY`05 ~ 4Q`06) :

	FY`05	1Q`06	2Q`06	3Q`06	4Q`06
Special Income-related Bonuses	50	-	-	18	31
Retroactive CBA Payments	20	-	-	-	14
Regulatory Reserve Changes	100	-	-	-	192
Provision for NTS tax assessment	-	-	-	247	-
Special Asset Provision	30	-	-	-	-
Others	-	-	-	-	14

Special Gains (FY`05 ~ 4Q`06) :

	FY`05	1Q`06	2Q`06	3Q`06	4Q`06
Sale of Debt-for-Equity positions	422	-	236	-	-
Reversal of impairment loss	-	11	266	13	-
Recoveries/Reversals on NPLs	215	24	37	-	-
Sale of NPLs	147	-	22	-	39
Sale of CFEB affiliate shares	-	24	-	-	-
Deferred income tax benefit	300	-	-	-	-
Others	33	23	-	-	-