

# ***KEB Operating Results for 1H 2007***

***August 2007***

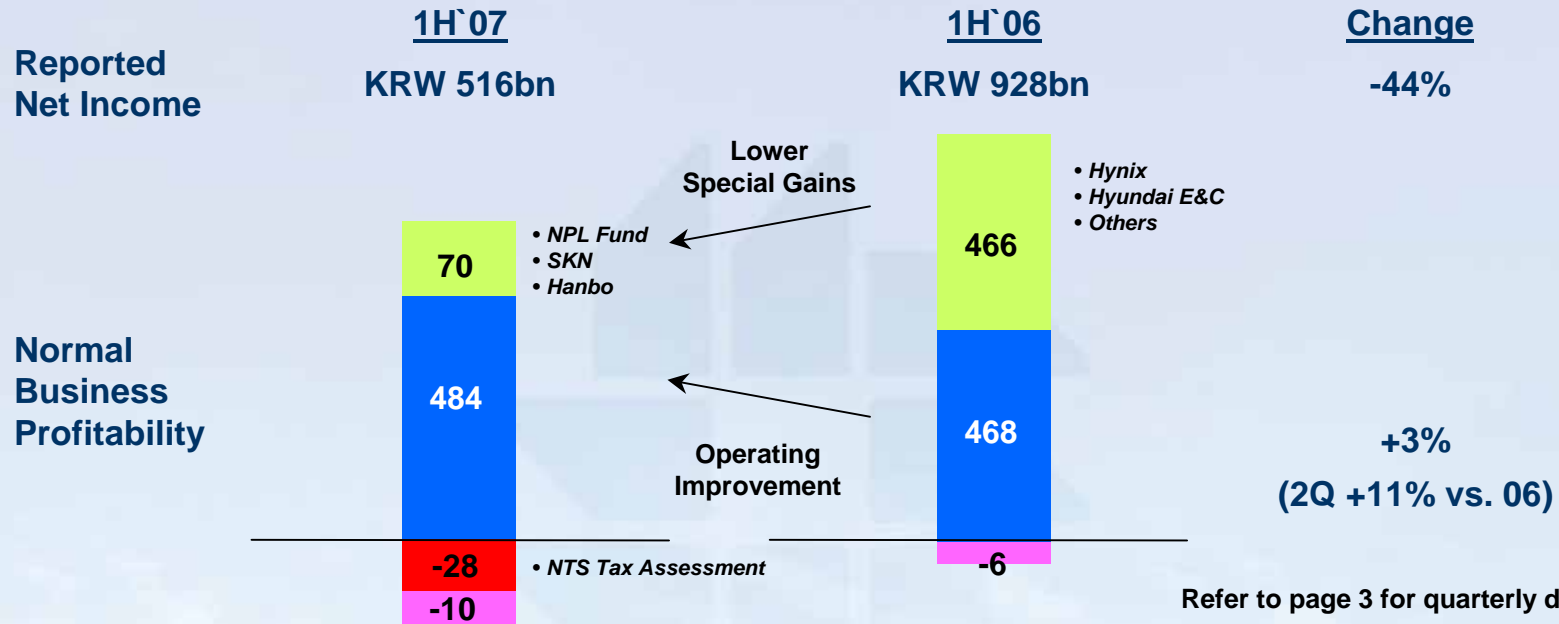
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The information contained in this presentation material is not audited by a third party independent auditor and is subject to change during and upon the accounting audit being conducted on Korea Exchange Bank.

# 1H'07 Earnings

## Reported Net Income Impacted by Lower Special Gains and NTS Tax Assessment



Refer to page 3 for quarterly details

Steady business volume growth

Broad earnings power

- Net interest income →
- Fee income ↑
- Trading profit ↑
- Non interest income ↑
- International earnings ↑

Continued disciplined risk management

- NPL/Overdues ↓
- Credit ratings ↑

# 1H`07 Highlights

## Good performance reflecting disciplined focus on Risk and Profitability

### ➤ Strong financial performance

- ✓ ROE 16.95%, ROA 1.47%
- ✓ Net Interest Income +3% YoY
- ✓ Fee & Commissions +19% YoY
  - 33.6% of total income (bank), +3.7%p
- ✓ Non Interest Income +45% YoY (excluding NTS item)
  - Trust , • Merchant , • Trading

### ➤ Strong Capital & Credit Ratings

- ✓ BIS ratio 12.98%
- ✓ Moody's upgrade A2 (May 07), +3 notches
- ✓ Korea Ratings/ NICE upgrade AAA (Feb/ Mar 07)
- ✓ S&P upgrade BBB+ (Feb 07)

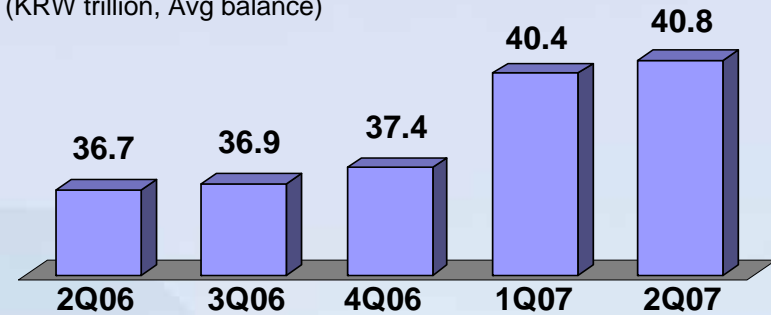
### ➤ Negligible exposure to US-Mid/Sub prime Mortgage

- ✓ Total exposure USD 3.7 million
- ✓ Valuation loss USD 433 thousand

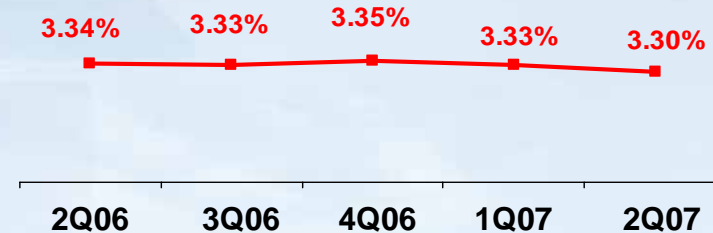
### ➤ Good Progress on International Growth

- ✓ Opened new branches in Cikarang Indonesia & Wangjing China
- ✓ Approval for additional offices from Korean Regulator
  - New Delhi -Dubai - Moscow - Tianjin Binhai
  - Dalian Dev't Distr. - Nanjing - Ho Chi Min city
- ✓ Assets 23%; Earnings 21%

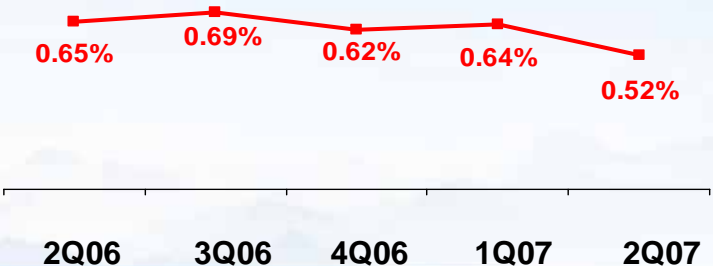
### ✓ Loans – Growth in properly-priced risks (KRW trillion, Avg balance)



### ✓ NIM – maintaining margins continuously (excluding interest received from SPCs, page 8)



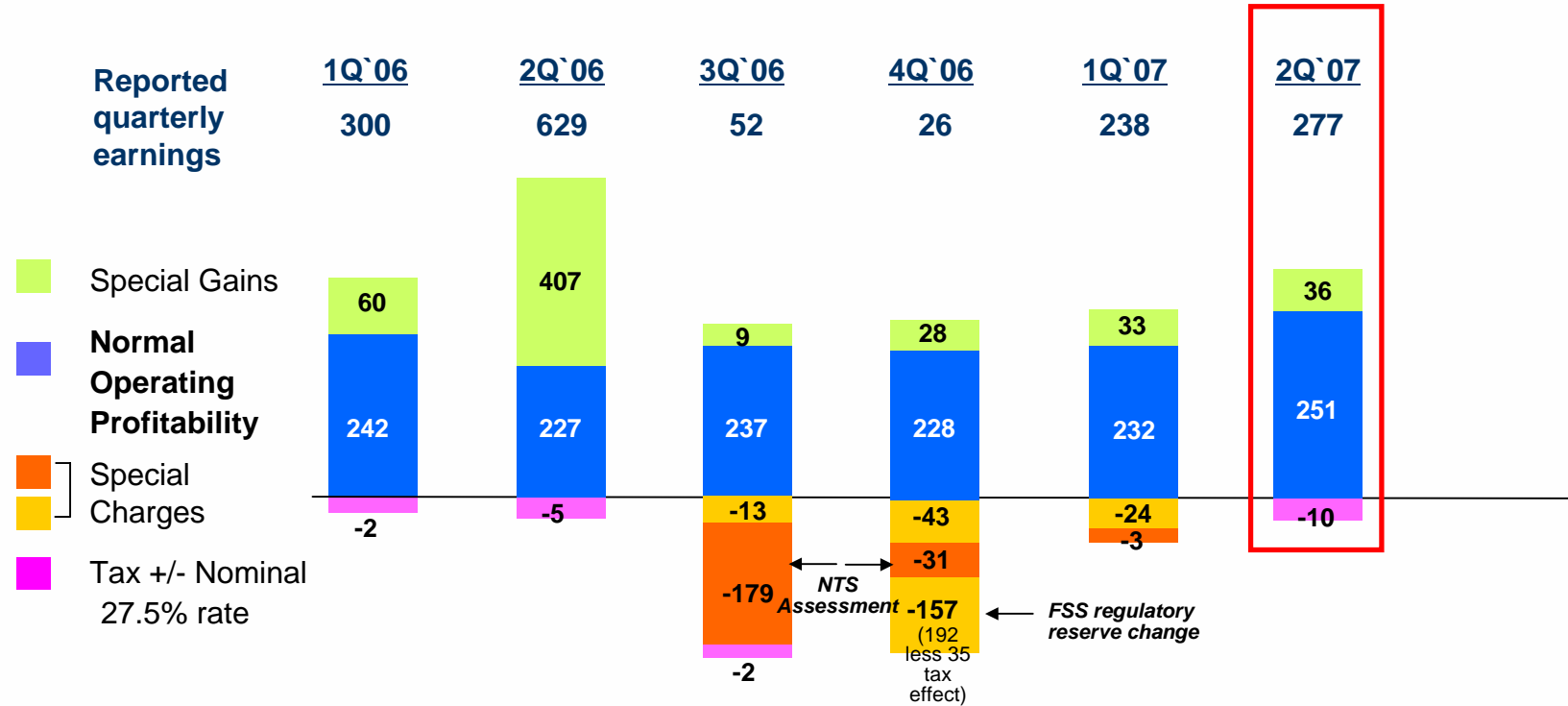
### ✓ NPL – best asset quality among Korean banks



# Stable, Growing Operating Profitability



## Quarterly Net Income (KRW Billions) — After Tax Basis



### Special Charges (FY'06 ~ 2Q'07) \*

	FY'06	1Q'07	2Q'07
✓ Special income-related bonus	36	-	-
✓ Retroactive CBA payments	10	-	-
✓ Regulatory reserve changes	157	-	-
✓ NTS tax assessment	210	3	24
✓ Acctg change-Bonus recognition timing	-	24	-24
✓ Others	10	-	-

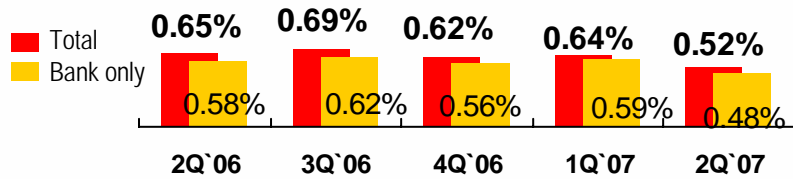
### Special Gains (FY'06 ~ 2Q'07) \*

	FY'06	1Q'07	2Q'07
✓ Sale of debt-for-equity positions	171	-	13
✓ Reversal of impairment loss	210	7	-
✓ Recoveries/Sale of NPLs	89	-	23
✓ Sale of CFEB affiliate shares	17	-	-
✓ Retrieval from Non-Performing Asset Fund	-	26	-
✓ Others	17	-	-

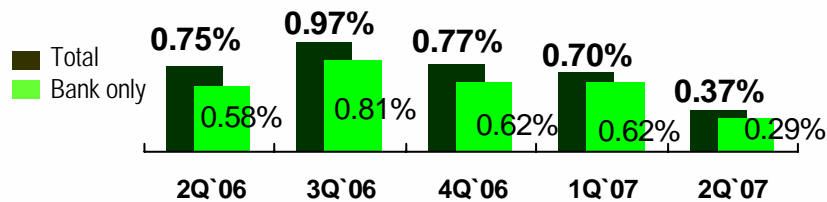
\* Recalculated on after tax basis

## Continued Strong Asset Quality

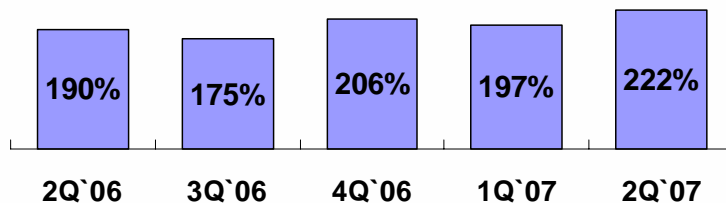
### NPL Ratio



### Delinquency Ratio

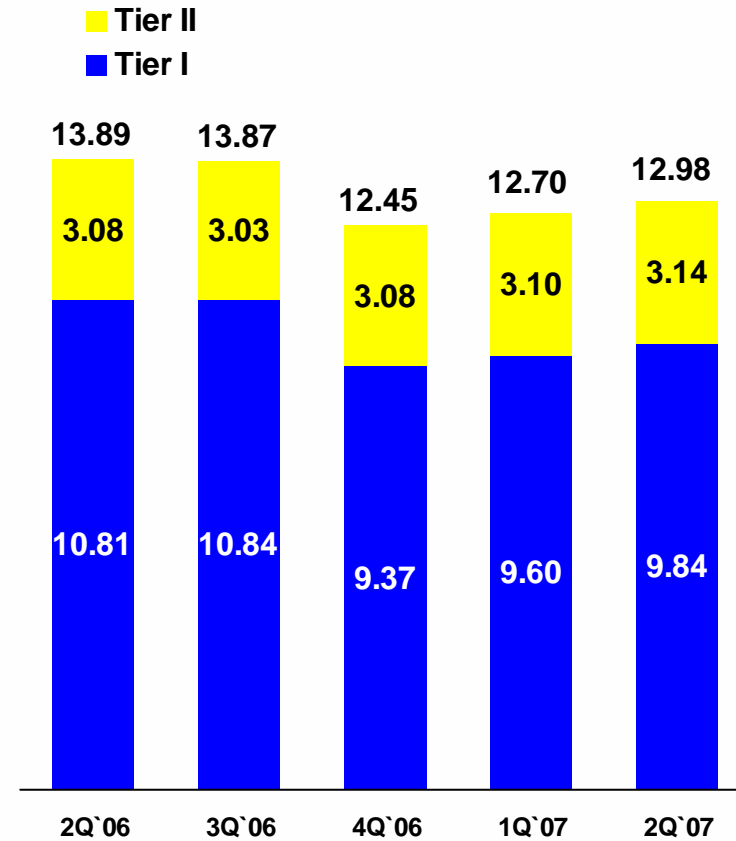


### NPL Reserve Coverage Ratio



## Continued Strong Capital Adequacy

### BIS Ratio



■ 4Q'06 : Tier -1.3%p impact of 2006 dividend

## 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)

	2007									2006		
	1H	2Q		1Q			1H					
		Bank	Card		Bank	Card		Bank	Card		Bank	Card
Net Interest Income	925.6	704.9	220.6	470.6	359.2	111.4	455.0	345.7	109.3	897.5	654.8	242.7
Fees & Commissions	288.0	354.0	-66.0	150.9	186.2	-35.4	137.2	167.8	-30.7	242.8	311.1	-68.3
Non Interest Income	-5.1	-4.1	-1.0	-60.5	-59.4	-1.1	55.4	55.3	0.1	73.7	74.3	-0.6
<b>Total Income</b>	<b>1,208.5</b>	<b>1,054.9</b>	<b>153.6</b>	<b>560.9</b>	<b>486.0</b>	<b>75.0</b>	<b>647.5</b>	<b>568.9</b>	<b>78.7</b>	<b>1,214.1</b>	<b>1,040.2</b>	<b>173.8</b>
<b>Total Expenses(-)</b>	<b>515.6</b>	<b>475.1</b>	<b>40.5</b>	<b>226.0</b>	<b>207.5</b>	<b>18.5</b>	<b>289.6</b>	<b>267.5</b>	<b>22.0</b>	<b>475.0</b>	<b>434.7</b>	<b>40.3</b>
<b>Operating Income</b>	<b>692.9</b>	<b>579.8</b>	<b>113.1</b>	<b>334.9</b>	<b>278.5</b>	<b>56.4</b>	<b>358.0</b>	<b>301.3</b>	<b>56.6</b>	<b>739.1</b>	<b>605.6</b>	<b>133.5</b>
<b>Impairment Loss, etc.(-)</b>	<b>-62.5</b>	<b>-59.3</b>	<b>-3.2</b>	<b>-1.1</b>	<b>-1.1</b>	<b>-</b>	<b>-61.4</b>	<b>-58.2</b>	<b>-3.2</b>	<b>-546.3</b>	<b>-546.2</b>	<b>-0.1</b>
<b>Income before Provision</b>	<b>755.4</b>	<b>639.1</b>	<b>116.2</b>	<b>336.0</b>	<b>279.6</b>	<b>56.4</b>	<b>419.3</b>	<b>359.5</b>	<b>59.8</b>	<b>1,285.4</b>	<b>1,151.8</b>	<b>133.7</b>
<b>Provision &amp; Others (-)</b>	<b>-11.9</b>	<b>-31.1</b>	<b>19.2</b>	<b>-102.6</b>	<b>-113.3</b>	<b>10.7</b>	<b>90.7</b>	<b>82.2</b>	<b>8.5</b>	<b>-3.5</b>	<b>-7.1</b>	<b>3.6</b>
- Add'l loan loss provisioning	71.4	64.6	6.8	16.3	13.8	2.4	55.2	50.8	4.4	-16.8	-13.6	-3.1
- Add'l other provisioning	-113.9	-124.4	10.5	-128.1	-135.8	7.6	14.2	11.4	2.8	-13.5	-17.7	4.2
<b>Income before Tax</b>	<b>767.3</b>	<b>670.2</b>	<b>97.1</b>	<b>438.6</b>	<b>392.9</b>	<b>45.7</b>	<b>328.6</b>	<b>277.3</b>	<b>51.3</b>	<b>1,288.9</b>	<b>1,158.8</b>	<b>130.1</b>
<b>Income Tax Expense (-)</b>	<b>251.6</b>	<b>251.6</b>	<b>-</b>	<b>161.4</b>	<b>161.4</b>	<b>-</b>	<b>90.2</b>	<b>90.2</b>	<b>-</b>	<b>360.5</b>	<b>360.5</b>	<b>-</b>
<b>Net Income</b>	<b>515.7</b>	<b>418.6</b>	<b>97.1</b>	<b>277.2</b>	<b>231.5</b>	<b>45.7</b>	<b>238.4</b>	<b>187.1</b>	<b>51.3</b>	<b>928.4</b>	<b>798.3</b>	<b>130.1</b>

- **Net Income of KRW 516bn in 1H`07**

- ✓ KRW 277bn net income for 2Q`07 showing KRW 39bn (16.3%) QoQ increase
- ✓ Continuous growth in normal operating profit when excluding one-time factors Refer to page 3

- **1H`06 included KRW 466bn net income from special gains on Hynix, Hyundai E&C, etc.**



## 2. Net Interest Income

(Unit : KRW bn)

	2007				2006	
	1H	2Q	1Q	Q o Q	1H	Y o Y
<b>Interest Revenue</b>	<b>1,919.2</b>	<b>985.4</b>	<b>933.8</b>	+5.5%	<b>1,754.5</b>	+9.4%
Income on due from banks	27.4	15.3	12.1	+26.5%	17.3	+58.1%
Interest on securities	179.3	93.7	85.6	+9.4%	221.9	-19.2%
Interest income on loans	1,700.4	869.7	830.7	+4.7%	1,506.3	+12.9%
-Bank	1,424.8	730.9	693.9	+5.3%	1,208.6	+17.9%
-Card	275.6	138.8	136.8	+1.5%	297.7	-7.4%
Others	12.1	6.7	5.4	+24.4%	8.9	+36.2%
<b>Interest Expenses</b>	<b>936.6</b>	<b>485.2</b>	<b>451.3</b>	+7.5%	<b>801.5</b>	+16.8%
Interest on deposits	575.3	299.2	276.1	+8.4%	485.0	+18.6%
Interest on borrowings	171.4	93.0	78.4	+18.7%	137.0	+25.1%
Interest on debentures	173.8	84.6	89.2	-5.1%	168.9	+2.9%
Others	16.1	8.4	7.6	+10.3%	10.6	+50.8%
Insurance expenses for deposits & Contribution for Credit Guarantee Fund (-)	58.1	29.7	28.4	+4.4%	56.4	+3.0%
<b>Other Interest Income(+/-)</b>	<b>1.1</b>	<b>0.1</b>	<b>0.9</b>	-84.8%	<b>1.0</b>	+2.0%
<b>Net Interest Income</b>	<b>925.6</b>	<b>470.6</b>	<b>455.0</b>	<b>+3.4%</b>	<b>897.5</b>	<b>+3.1%</b>
-Bank	704.9	359.2	345.7	+3.9%	654.8	+7.7%
-Card	220.6	111.4	109.3	+1.9%	242.7	-9.1%

▪ **Bank** : +3.9% QoQ increase in net interest income

- ✓ Interest Revenue : Increase in interest income from loans due to loan asset growth & interest rate increase  
Interest from securities increase caused by inflow of ABS related SPC interest income (KRW 5.4bn) & dividend (KRW 2.7bn)

- ✓ Interest Expense : Rising funding cost trend due to rising market interest rate trend

▪ **Card** : +1.9% QoQ increase in net interest income

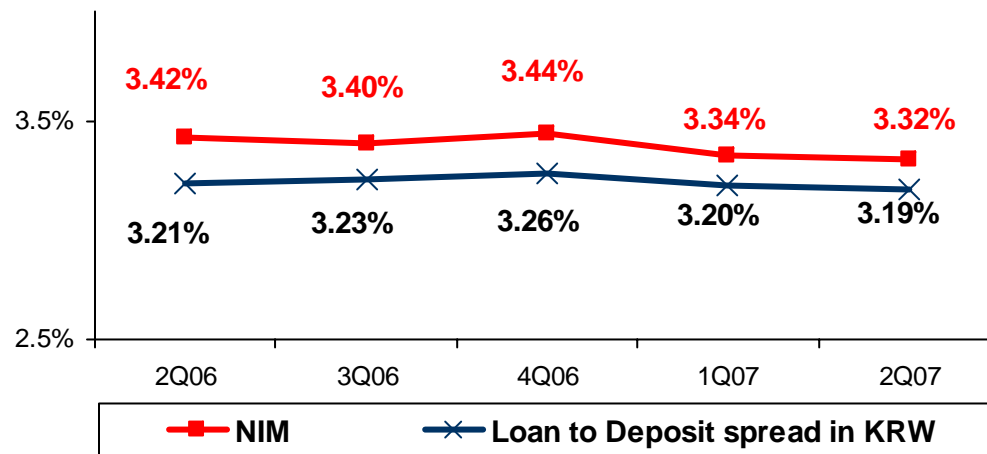


# 3. Net Interest Margin (NIM)

(Unit : %)

(Accumulated)	2007		2006			
	2Q	1Q	4Q	3Q	2Q	1Q
<b>Net Interest Margin (NIM)</b>	<b>3.32</b>	<b>3.34</b>	<b>3.44</b>	<b>3.40</b>	<b>3.42</b>	<b>3.47</b>
NIM in KRW	3.93	3.92	4.06	3.99	4.00	4.04
NIM in Foreign currency	1.30	1.45	1.31	1.34	1.34	1.39
<b>Loan to Deposit Spread in KRW (a-b)</b>	<b>3.19</b>	<b>3.20</b>	<b>3.26</b>	<b>3.23</b>	<b>3.21</b>	<b>3.17</b>
Interest rate on Loans in KRW (a)	6.53	6.46	6.29	6.23	6.17	6.10
Interest rate paid on Deposits in KRW (b)	3.34	3.26	3.03	3.00	2.96	2.93

**Trend of NIM** (Accumulated, FSS report base)



■ **Stable NIM at ~3.3%**

- ✓ Maintaining stable NIM despite market environment (excluding interest received from SPC related to NPL asset-backed securities holdings)

	3Q`06	4Q`06	1Q`07	2Q`07
Reported	3.40%	3.44%	3.34%	3.32%
SPC interest	<del>₩4bn</del>	<del>₩20bn</del>	<del>₩2bn</del>	<del>₩5bn</del>
Adjusted	3.33%	3.35%	3.33%	3.30%

- ✓ Funding cost pressure from deposits offset by the adjustments on loan interest rates

## 4. Fees & Commissions

(Unit : KRW bn)

		2007				2006	
		1H	2Q	1Q	Q o Q	1H	Y o Y
B a n k	<b>Gains from FX transaction</b>	<b>122.7</b>	<b>62.2</b>	<b>60.5</b>	<b>+2.8%</b>	<b>117.0</b>	<b>+4.9%</b>
	<b>Fees &amp; Commissions</b>	<b>231.4</b>	<b>124.0</b>	<b>107.3</b>	<b>+15.6%</b>	<b>194.1</b>	<b>+19.2%</b>
	KRW currency related	135.9	74.3	61.6	+20.7%	102.3	+32.8%
	Foreign currency related	66.0	33.8	32.2	+4.8%	63.5	+3.9%
	Others	29.5	16.0	13.5	+17.9%	28.3	+4.2%
Bank – Total		354.0	186.2	167.8	+11.0%	311.1	+13.8%
Card sector		-66.0	-35.4	-30.7	U.	-68.3	F.
<b>Total</b>		<b>288.0</b>	<b>150.9</b>	<b>137.2</b>	<b>+10.0%</b>	<b>242.8</b>	<b>+18.6%</b>
<b>Fees &amp; Comms. / Total Income (%)</b>							
<b>Total</b>		<b>23.8%</b>	26.9%	21.2%	+5.7%p	20.0%	+3.8%p
<b>Bank Only</b>		<b>33.6%</b>	<b>38.3%</b>	<b>29.5%</b>	<b>+8.8%p</b>	<b>29.9%</b>	<b>+3.7%p</b>

▪ **Fee & Commissions up 19% to 33.6% of total income (Bank), +3.7%p vs. 1H`06.**

✓ Gains from FX transaction : +4.0% YoY, +2.8% QoQ increase

✓ FC related fees & commissions : +3.9% YoY, +4.8% QoQ increase

✓ KRW related fees & commissions : Steady high growth driven by sales of beneficiary certificates & investment banking related fees

## 5. Non Interest Income

(Unit : KRW bn)

	2007				2006	
	1H	2Q	1Q	Q o Q	1H	Y o Y
Operating Trust Account	15.4	7.7	7.6	+1.0%	12.6	+22.5%
Merchant Account	14.3	9.4	4.9	+92.9%	7.2	+97.8%
Trading Profit	54.3	30.0	24.4	+22.9%	26.4	+105%
Valuation equity method	28.3	17.3	11.0	+57.5%	18.6	+51.8%
Card sector	-1.0	-1.1	0.1	U.	-0.6	U.
NPL sales	-3.9	-8.1	4.2	U.	8.4	U.
Others	-112.5	-115.8	3.2	U.	1.1	U.
<b>Non Interest Income</b>						
- Reported	<b>-5.1</b>	<b>-60.5</b>	<b>55.4</b>	<b>U.</b>	<b>73.7</b>	<b>U.</b>
- Excluding NTS item	<b>107.1</b>	<b>51.7</b>	<b>55.4</b>	<b>-6.7%</b>	<b>73.7</b>	<b>+45.3%</b>

- **Total non interest income +45.3% YoY (excluding impact of NTS tax assessment payment)**
  - Strong growth in Trust, Merchant, Trading profit
- **Others** : KRW 112bn non-operating expense recognized at payment for disputed NTS `01-`04 tax assessment
  - ✓ NTS notified final tax assessment regarding disputed `01-`04 tax issues in June 2007.
  - ✓ Impact on P/L was partially offset by reversal of Other Provision (KRW 127bn)

Refer to appendix for details.

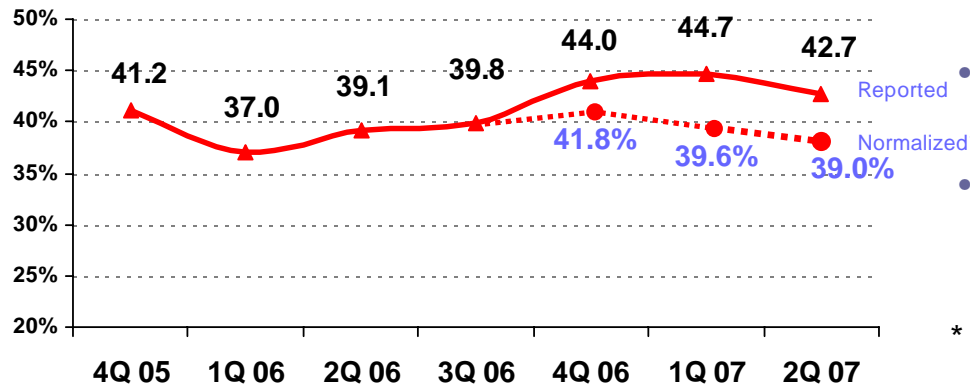
# 6. Total Expenses

(Unit : KRW bn)

	2007				2006	
	1H	2Q	1Q	Q o Q	1H	Y o Y
Salaries & Benefits	319.3	125.5	193.8	-35.2%	290.3	+10.0%
Salaries	261.2	96.0	165.2	-41.9%	231.0	+13.1%
Employees benefits	58.1	29.5	28.6	+3.0%	59.3	-2.0%
Operating Expenses	127.2	65.2	62.0	+5.0%	116.0	+9.7%
Depreciation	56.2	29.7	26.4	+12.4%	52.5	+7.0%
Tax & Dues	13.0	5.7	7.3	-22.1%	16.2	-19.9%
<b>Total Expenses</b>	<b>515.6</b>	<b>226.0</b>	<b>289.6</b>	<b>-21.9%</b>	<b>475.0</b>	<b>+8.6%</b>
- Bank	475.1	207.5	267.5	-22.4%	434.7	+9.3%
- Card	40.5	18.5	22.0	-16.0%	40.3	+0.7%

## 1H'07

Cost / Income Ratio (Accumulated)



- Maintaining ~39% Cost/Income ratio\*  
- continuous downward trend since 4Q'06
- Salaries & Benefits up 10% YoY reflecting wage increase and additional staff
- Operating expense & Depreciation increases reflects investment in new branches & IT capability

\* Normalized for NTS tax payment and Accounting change (see page 12)

# 6. Total Expenses – Items affecting Cost/Income Ratio



## Change in accounting methodology for timing of recognition of certain employee costs

**Background :**

Certain employee costs, as reflected in the bank’s collective bargaining agreements (CBAs), are paid to the staff in lump sums at the beginning of each half year (January and July) performance period.

Previously, these costs had been amortized over the six month period (or the full year) depending on the nature of the cost.

As of 1Q`07 these costs will be recognized at the time of payment, resulting in higher expense recognition in the first and third quarters of each year, (offset by lower expense recognition in the second and fourth quarters) than under the previous method.

	<u>Previous Method</u>			<u>New Method</u>			<u>Impact</u>		
	<u>1Q</u>	<u>2Q</u>	<u>1H</u>	<u>1Q</u>	<u>2Q</u>	<u>1H</u>	<u>1Q</u>	<u>2Q</u>	<u>1H</u>
Salaries	31.2	30.9	62.1	62.1	-	62.1	+30.9	-30.9	-0-
Benefits	<u>4.6</u>	<u>2.0</u>	<u>6.6</u>	<u>6.6</u>	-	<u>6.6</u>	<u>+2.0</u>	<u>-2.0</u>	<u>-0-</u>
Total	35.8	32.9	68.7	68.7	-	68.7	+32.9	-32.9	-0-

**Impact :**

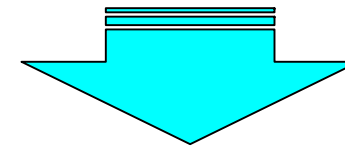
No change over course of each 6 month period

Greater Quarter-to-Quarter volatility in expense and net income figures

Reported Cost/Income ratio : +5.1%p in 1Q, no effect in 2Q (accumulated basis)

## Payment of additional tax related to NTS tax assessment for `01-`04

- NTS Preliminary Assessment in 3Q`06 Other Provision
- Payments made : 4Q`06 – 113.3  
2Q`07 – 148.9 (119.1 affecting P/L including ‘add’l tax payment’ 112.2)
- Upon Payment of final Assessed Amounts,
  - Reverse ‘Other Provision’
  - Record as ‘additional tax payment’ within Non Interest Income, (Not as Corporate Income Tax)
- By reducing Total Income, this Tax Payment artificially affects reported Cost/Income Ratio



**Impact : Cost/Income ratio**

<u>4Q`06</u>	<u>1Q`07</u>	<u>2Q`07</u>
+2.2%p	-	+3.7%p

## 7. Provisions & Others

(Unit : KRW bn)

	2007				2006	
	1H	2Q	1Q	Q o Q	1H	Y o Y
<b>Loan Loss Provisioning</b>	<b>71.4</b>	<b>16.3</b>	<b>55.2</b>	<b>-70.5%</b>	<b>-16.8</b>	<b>U.</b>
<Bank>	64.7	13.8	50.9	-72.9%	-13.6	U.
Corporate	54.4	10.6	43.9	-75.9%	-10.9	U.
Household	10.2	3.2	7.0	-54.4%	-2.7	U.
<Card>	6.8	2.5	4.3	-41.7%	-3.1	U.
<b>Other Provisioning etc.</b>	<b>-113.9</b>	<b>-128.1</b>	<b>14.2</b>	<b>F.</b>	<b>-13.5</b>	<b>F.</b>
<b>Retirement Allowance</b>	<b>30.6</b>	<b>9.3</b>	<b>21.3</b>	<b>-56.3%</b>	<b>26.8</b>	<b>+14.0%</b>
<b>Total - Reported</b>	<b>-11.9</b>	<b>-102.6</b>	<b>90.7</b>	<b>F.</b>	<b>-3.5</b>	<b>F.</b>
- Excluding NTS item	<b>122.0</b>	<b>31.3</b>	<b>90.7</b>	<b>F.</b>	<b>-3.5</b>	<b>U.</b>

- Loan Loss Provisioning : Low additional provisioning ratio relative to the loan asset size reflects KEB's outstanding asset quality and high reserve coverage
- Other Provisioning etc. : As the result of NTS final notification of tax assessment, KRW 127bn related to disputed NTS tax assessment was reversed from other provisioning account  
Refer to appendix for details

# 7-a. Loan Loss Reserves (LLR)

(Unit : KRW bn)

	2007			2006
	1H	2Q	1Q	1H
<b>Beginning LLR</b>	<b>675.3</b>	683.4	675.3	<b>619.6</b>
<b>Additional Provisioning</b>	<b>71.4</b>	16.3	55.2	<b>-16.8</b>
<b>Write-offs (-)</b>	<b>187.7</b>	106.4	81.4	<b>174.9</b>
<b>Reversal &amp; Others</b>	<b>89.5</b>	55.2	34.3	<b>152.2</b>
<b>Ending LLR *</b>	<b>648.5</b>	648.5	683.4	<b>580.2</b>
<b>NPL Coverage (%)**</b>	<b>222.2%</b>	<b>222.2%</b>	<b>196.6%</b>	<b>190.2%</b>

	Bank				Card			
	2007			2006	2007			2006
	1H	2Q	1Q	1H	1H	2Q	1Q	1H
<b>Beginning LLR</b>	<b>598.9</b>	615.1	598.9	<b>520.7</b>	<b>76.4</b>	68.4	76.4	<b>98.9</b>
<b>Additional Provisioning</b>	<b>64.6</b>	13.8	50.9	<b>-13.6</b>	<b>6.8</b>	2.5	4.3	<b>-3.1</b>
<b>Write-offs (-)</b>	<b>130.5</b>	80.4	50.2	<b>102.0</b>	<b>57.2</b>	26.0	31.2	<b>72.9</b>
<b>Reversal &amp; Others</b>	<b>51.6</b>	36.2	15.4	<b>100.6</b>	<b>37.9</b>	19.0	18.9	<b>51.6</b>
<b>Ending LLR *</b>	<b>584.6</b>	584.6	615.1	<b>505.7</b>	<b>63.8</b>	63.8	68.4	<b>74.5</b>
<b>NPL Coverage (%)**</b>	<b>223.2%</b>	<b>223.2%</b>	<b>196.7%</b>	<b>195.6%</b>	<b>214.2%</b>	<b>214.2%</b>	<b>196.0%</b>	<b>160.8%</b>

\* 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 above 220% reflecting solid asset quality management
- Current reserve levels significantly exceed KEB's estimated level of expected loss under Basel AIRB and FIRB standards



## Balance Sheet

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

# 1. Summarized B/S

(Unit : KRW bn)

	2007.06	Q o Q	2007.03	2006.12	2006.06
Cash & Due from Banks	3,551.1	-12.7%	4,067.2	3,958.2	3,130.5
Securities	11,071.5	+8.7%	10,182.6	10,457.9	11,533.1
Loans & Discounts	47,319.9	+2.7%	46,097.2	45,389.5	43,985.1
- Credit Card Receivables	2,252.2	+1.0%	2,229.3	2,314.6	2,341.8
Other Asset	9,666.1	+24.2%	7,781.6	7,545.3	8,316.4
Merchant Banking Assets	1,885.1	-22.3%	2,424.8	2,090.5	1,845.4
<b>Total Assets</b>	<b>73,493.8</b>	<b>+4.2%</b>	<b>70,553.5</b>	<b>69,441.5</b>	<b>68,810.4</b>
Deposits	38,909.0	+3.1%	37,742.3	38,489.7	37,317.1
Borrowings	8,842.3	+9.5%	8,077.2	7,568.5	8,002.0
Debentures	6,586.7	+2.6%	6,422.6	6,305.5	6,419.4
Other Liabilities	10,751.1	+10.5%	9,725.9	9,054.0	9,355.7
Merchant Banking Liabilities	2,060.9	-22.6%	2,662.6	1,644.5	1,496.3
Shareholders' Equity	6,343.8	+7.1%	5,922.9	6,379.2	6,219.8
<b>Liabilities &amp; Shareholders' Equity</b>	<b>73,493.8</b>	<b>+4.2%</b>	<b>70,553.5</b>	<b>69,441.5</b>	<b>68,810.4</b>

## ■ Assets

- ✓ Loans : +2.7% QoQ, +4.3% YoY increase, showing steady growth trend
- ✓ Securities : +8.7% QoQ increase driven by purchasing short-term securities for liquidity management purpose
- ✓ Merchant Banking Assets : -22.3% decline due to slow 2Q CP discount activity with seasonality in short term funding demand from major customers.

## ■ Liabilities & Shareholders' Equity

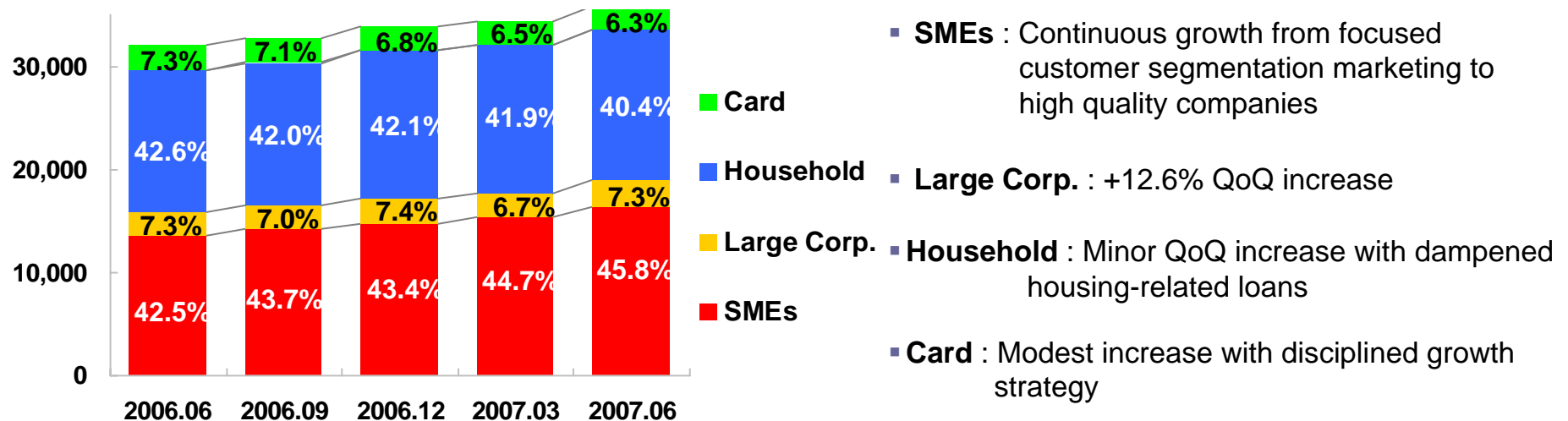
- ✓ Deposit : +3.1% QoQ increase through active marketing execution
- ✓ Borrowings & Debentures : Increased funding through borrowings & debentures along with asset growth
- ✓ Merchant Banking Liabilities : As merchant banking assets declined, paper issuance declined

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

(Unit : KRW bn)

	2007.06	Q o Q	2007.03	2006.12	2006.06
Household	14,467.1	+0.5%	14,396.2	14,285.0	13,633.4
SMEs	16,407.2	+6.9%	15,354.5	14,720.5	13,594.7
Large Corp.	2,601.6	+12.6%	2,310.3	2,511.1	2,336.2
Public & Others	69.0	-4.2%	72.1	78.3	89.7
<b>Sub Total</b>	<b>33,544.9</b>	<b>+4.4%</b>	<b>32,133.0</b>	<b>31,594.9</b>	<b>29,654.0</b>
Credit Card	2,252.2	+1.0%	2,229.3	2,314.6	2,341.8
<b>Total Loans in KRW</b>	<b>35,797.1</b>	<b>+4.2%</b>	<b>34,362.3</b>	<b>33,909.6</b>	<b>31,995.8</b>

Portfolio of Loans in Korean Won (Bank acct.)

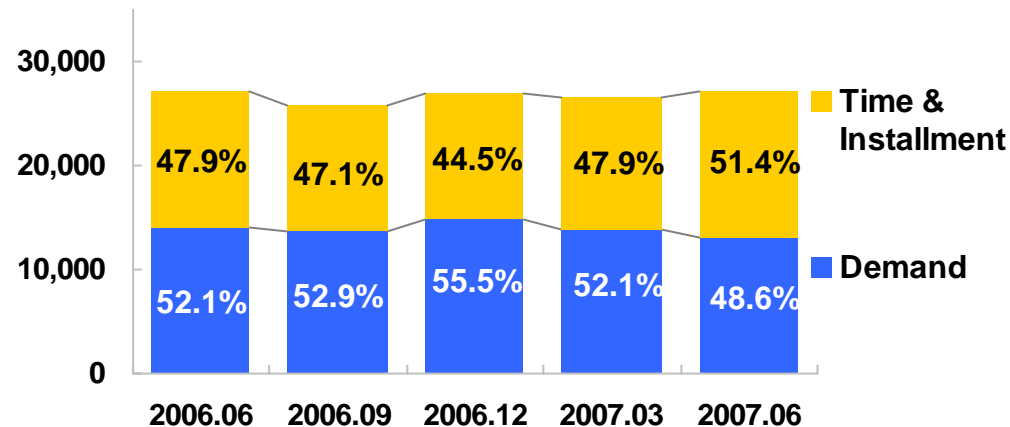


### 3. Deposits in KRW (Banking Acct.)

(Unit : KRW bn)

	Relative Cost	2007.06	Q o Q	2007.03	2006.12	2006.06
<b>Demand Deposits</b>	<b>Lower</b>	<b>13,166.0</b>	-4.7%	<b>13,814.6</b>	<b>14,888.1</b>	<b>14,103.5</b>
Savings deposit	Lower	5,475.4	-4.8%	5,749.9	5,995.9	5,760.7
Regular deposit	Lower	1,142.4	-0.0%	1,142.7	1,310.6	2,131.5
Corporate free savings deposit	Low	5,405.2	-6.5%	5,782.9	5,982.6	5,029.3
Others	Lower	1,143.1	+0.3%	1,139.2	1,598.9	1,181.9
<b>Time &amp; Installment Deposits</b>	<b>Higher</b>	<b>13,915.0</b>	+9.5%	<b>12,708.2</b>	<b>11,948.4</b>	<b>12,986.2</b>
<b>Total Deposits in KRW</b>	-	<b>27,081.1</b>	+2.1%	<b>26,522.8</b>	<b>26,836.5</b>	<b>27,089.7</b>

Composition of Deposits in KRW (Banking Acct.)



- +2.1% QoQ growth in the midst of intense market competition

- ✓ Demand Deposits : Decline caused by CMA impact not significant yet. Corporate demand deposit decline caused by recovery of corporate investment sentiment.

- ✓ Time & Installment Deposits : +9.5% QoQ growth through active marketing effort

## Asset Quality

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

# 1. Asset Quality

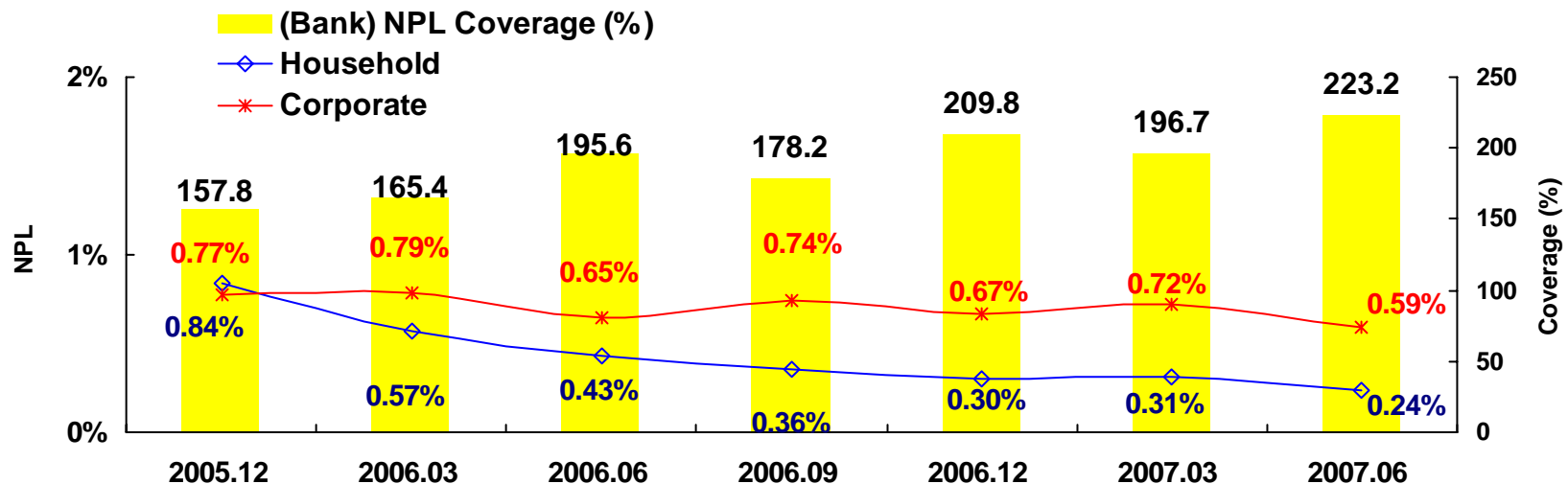
(Unit : KRW bn)	2007.06		2007.03		2006.12		2006.09		2006.06	
		(Ex. Card)		(Ex. Card)		(Ex. Card)		(Ex. Card)		(Ex. Card)
Normal	50,315.6	48,129.9	49,033.7	46,877.4	47,923.8	45,698.9	46,565.1	44,343.0	45,632.6	43,400.7
Precautionary	362.1	322.5	473.7	430.0	414.1	365.0	452.2	395.4	430.9	365.8
Substandard	168.8	168.8	195.6	195.6	181.9	181.9	177.6	177.6	174.1	174.1
Doubtful	42.2	16.9	55.0	24.9	56.5	21.0	76.1	35.5	67.8	26.4
Estimated Loss	53.1	48.6	66.9	62.1	61.0	54.7	70.7	66.8	59.4	54.5
<b>Total Credits</b>	<b>50,941.8</b>	<b>48,686.7</b>	<b>49,824.9</b>	<b>47,590.0</b>	<b>48,637.3</b>	<b>46,321.5</b>	<b>47,341.7</b>	<b>45,018.3</b>	<b>46,364.8</b>	<b>44,021.5</b>
Substandard & Below (NPL) (%)	<b>0.52%</b>	0.48%	<b>0.64%</b>	0.59%	<b>0.62%</b>	0.56%	<b>0.69%</b>	0.62%	<b>0.65%</b>	0.58%
Precautionary Below (%)	<b>1.23%</b>	1.14%	<b>1.59%</b>	1.50%	<b>1.47%</b>	1.34%	<b>1.64%</b>	1.50%	<b>1.58%</b>	1.41%
Loan Loss Reserve	586.7	522.9	624.2	555.8	616.8	540.4	567.8	498.8	573.2	498.7
NPL Coverage (%)	<b>222.2%</b>	223.2%	<b>196.6%</b>	196.7%	<b>206.0%</b>	209.8%	<b>175.0%</b>	178.2%	<b>190.2%</b>	195.6%
Precautionary & Below Coverage (%)	<b>93.7%</b>	93.9%	<b>78.9%</b>	78.0%	<b>86.4%</b>	86.8%	<b>73.1%</b>	73.9%	<b>78.3%</b>	80.3%

- NPL ratio decrease & NPL coverage ratio increase through excellent asset quality management

# 1. Asset Quality – NPL & Coverage by Sector

(Unit : KRW bn)	Household					Corporate				
	`07.06	`07.03	`06.12	`06.09	`06.06	`07.06	`07.03	`06.12	`06.09	`06.06
Total Credit	14,647.6	14,567.3	14,463.1	13,908.4	13,773.6	34,039.1	33,022.7	31,858.4	31,109.9	30,247.9
Substandard & below	34.6	45.4	42.8	50.3	59.4	199.7	237.2	214.8	229.6	195.6
Substandard & below (NPL Ratio)	0.24%	0.31%	0.30%	0.36%	0.43%	0.59%	0.72%	0.67%	0.74%	0.65%
Loan Loss Reserves	167.4	172.9	171.2	131.4	136.9	355.5	382.9	369.2	367.4	361.8
NPL Coverage(%)	483.8%	380.8%	400.0%	261.3%	230.5%	178.0%	161.4%	171.9%	160.0%	185.0%

Trend of NPL ratio by type (Excluding Credit Card)



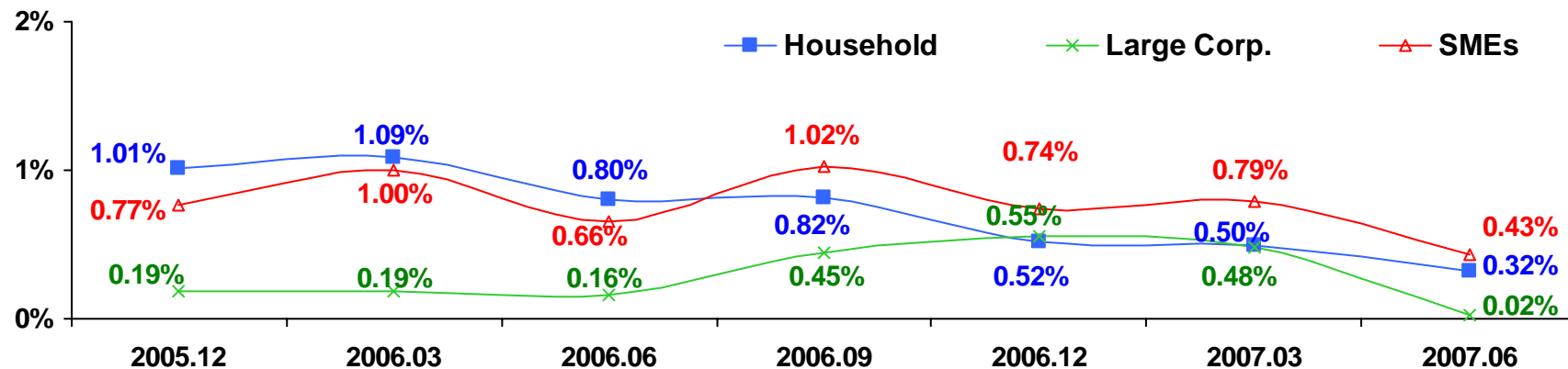


## 2. Delinquency

(Unit : KRW bn)

Reported basis	2007.06	Q o Q	2007.03	2006.12	2006.09	2006.06
<b>Bank</b>	<b>0.29%</b>	-0.33%p	<b>0.62%</b>	<b>0.62%</b>	<b>0.81%</b>	<b>0.58%</b>
Household	0.32%	-0.18%p	0.50%	0.52%	0.82%	0.80%
SME	0.43%	-0.36%p	0.79%	0.74%	1.02%	0.66%
Large Corp./Others	0.02%	-0.46%p	0.48%	0.55%	0.45%	0.16%
<b>Card</b>	<b>1.98%</b>	-0.30%p	<b>2.28%</b>	<b>3.66%</b>	<b>3.85%</b>	<b>3.76%</b>
Normal book	1.93%	-0.29%p	2.22%	3.58%	3.74%	3.60%
Re-aged book	8.38%	+0.59%p	7.79%	10.08%	10.57%	11.93%
<b>Total delinquency ratio</b>	<b>0.37%</b>	-0.33%p	<b>0.70%</b>	<b>0.77%</b>	<b>0.97%</b>	<b>0.75%</b>
<b>Total delinquency amount</b>	<b>177.9</b>	-45.7%	<b>327.6</b>	<b>354.9</b>	<b>431.5</b>	<b>326.9</b>
Bank	133.2	-51.9%	276.8	270.1	342.0	238.7
Card	44.7	-12.0%	50.8	84.8	89.5	88.2
<b>Total receivables</b>	<b>47,436.2</b>	+0.7%	<b>47,099.1</b>	<b>45,911.3</b>	<b>44,565.7</b>	<b>43,660.8</b>
Bank	45,183.0	+0.7%	44,868.7	43,595.5	42,242.3	41,317.5
Card	2,253.2	+1.0%	2,230.4	2,315.8	2,323.4	2,343.3

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



## Special Topics

- 1. US Sub-prime/Mid-prime mortgage exposure**
  - 2. SME Loans**
  - 3. Household Loans**
  - 4. FX & Trade Finance**
  - 5. Shareholding Structure**
- <Appendix> Net Income impact by NTS final notification of tax assessment**

# 1. US Sub-prime/Mid-prime mortgage exposure

**KEB has minimal exposure to US sub-prime mortgage assets**

	<u>USD Million</u>
▪ Direct holdings of US sub-prime/mid-prime mortgages	- 0 -
▪ Direct holdings of US mortgage-backed securities	- 0 -
▪ Indirect exposure through collateralized debt obligations	3.7

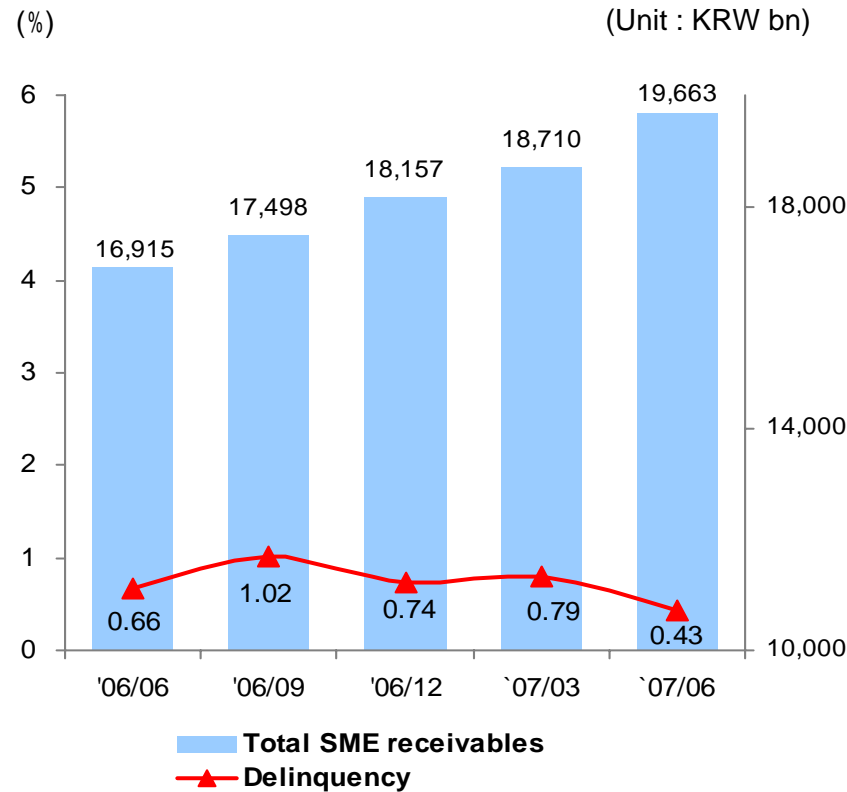
(Unit: USD thousand)

Purchase Month	Agent	Credit Rating	Investment	Maturity	Sub-prime + Mid-prime ratio (amount)	Valuation % (Jun 30, 2007)	Valuation Amount
Mar 2006	Merrill Lynch	Freddie Mac AAA	17,000	Apr 2014	21.5% (3,655)	97.99	16,658.3
Apr 2006	Citigroup	US Treasury AAA	5,000	Mar 2016	1.68% (84)	102.45	5,122.5
May 2006	UBS	AAA	20,000	Apr 2011	None	100.02	20,002
Mar 2007	Merrill Lynch	Freddie Mac AAA	20,000	Sep 2015	None	98.92	19,784
Apr 2007	Calyon	AAA	18,000	Dec 2014	None	100	18,000
Total			80,000		4.6% (3,739)		79,567

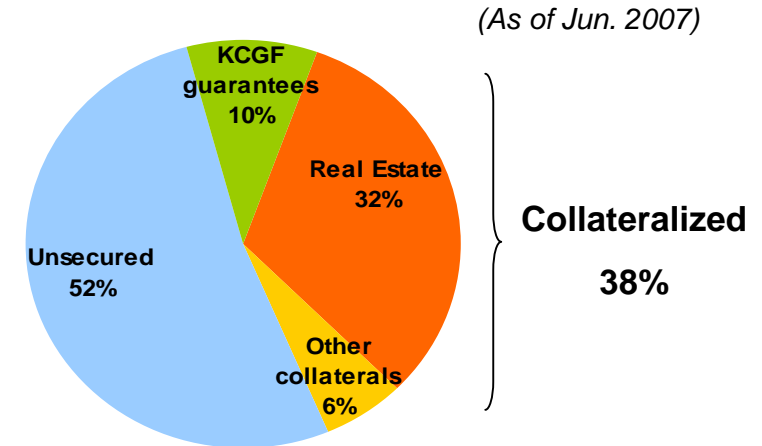
**Net valuation loss as of Jun 30, 2007 = USD 0.43 million**

## 2. SME Loans

### Total SME loan receivables & delinquency ratio



### SME loans in KRW by collateral type



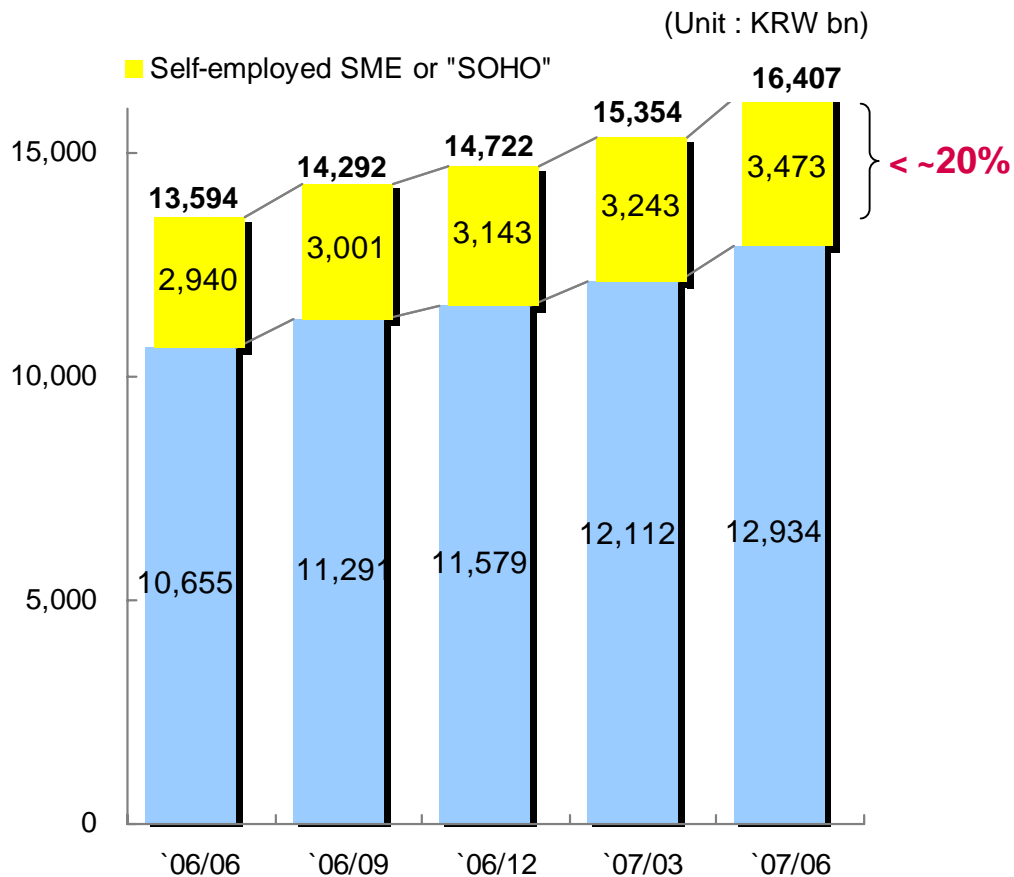
### SME Delinquency ratio (Loans in KRW)

	'07.06	'07.03	'06.12	'06.09	'06.06
- Unsecured	0.21%	0.30%	0.36%	0.41%	0.39%
- Guaranteed	1.16%	2.17%	3.31%	2.93%	1.77%
- Collateralized	0.69%	1.26%	0.66%	1.67%	0.82%
<b>Total</b>	<b>0.49%</b>	<b>0.87%</b>	<b>0.79%</b>	<b>1.16%</b>	<b>0.72%</b>

- **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)
  - ✓ ABS issuance (KRW 121bn; no recourse) in 2Q'07 contributed to add'l decline of reported delinquency.

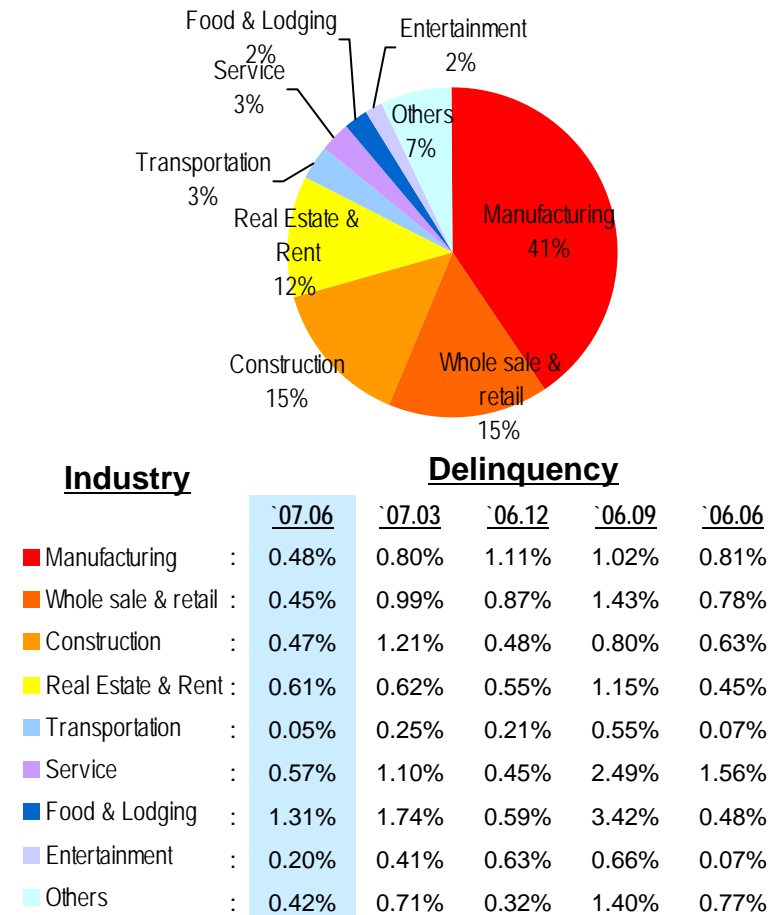
# 2. SME Loans

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



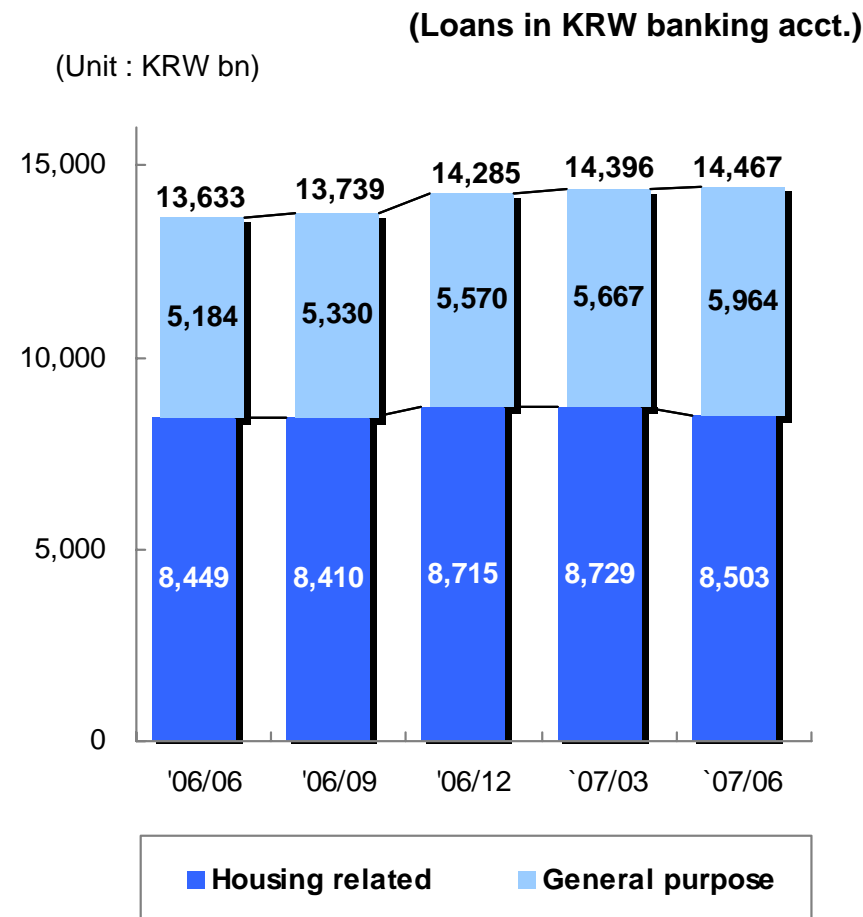
## SME loans in KRW by industries

(As of Jun. 2007)

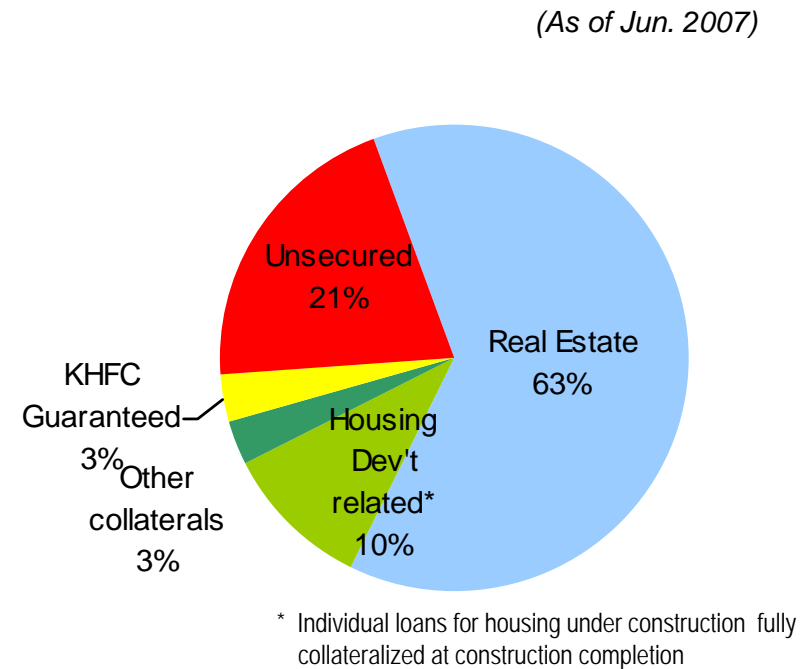


# 3. Household

## Trend of Household loans



## Household loans by collateral type

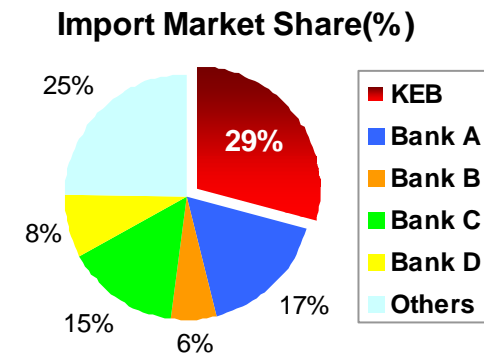
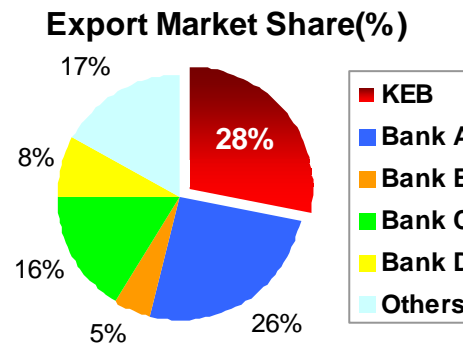
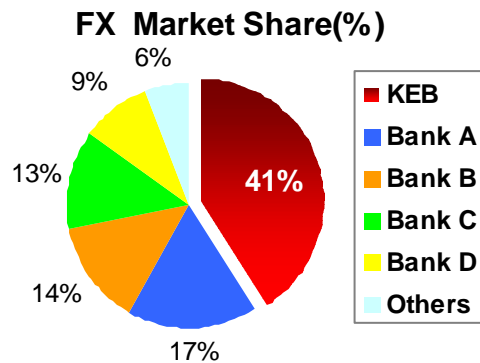


- Housing-related loans showed minor decrease due to market dampening effect of the government real estate regulation and policy
- Good growth in high quality personal loans

# 4. Market leadership in FX & Trade finance KEB EXCHANGE BANK

## Strong market leadership

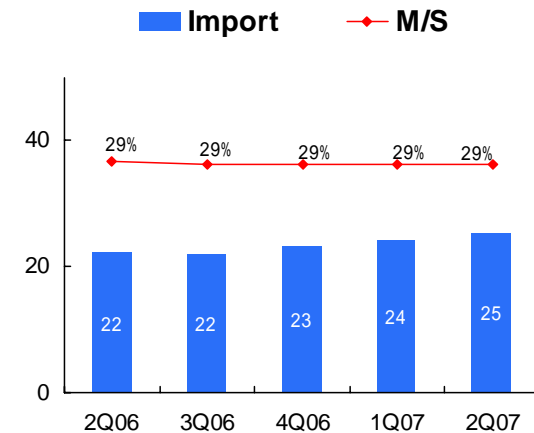
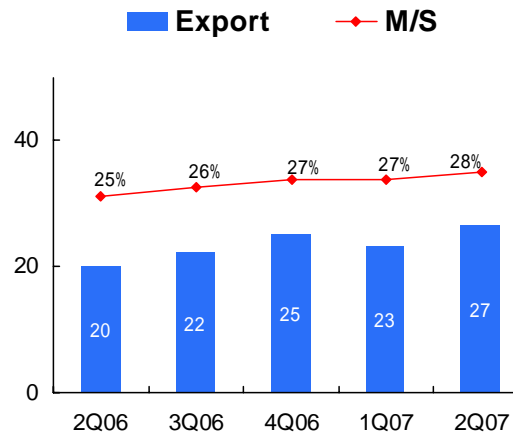
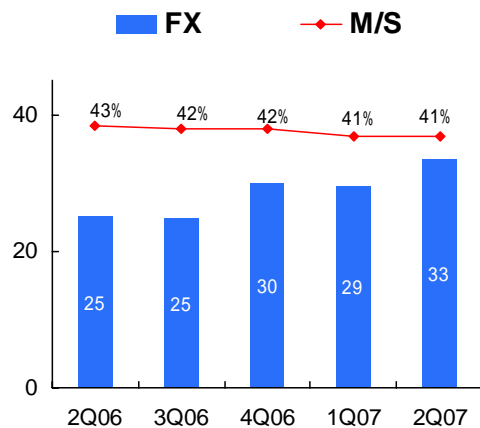
(Jan. ~ Jun. 2007)



- 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

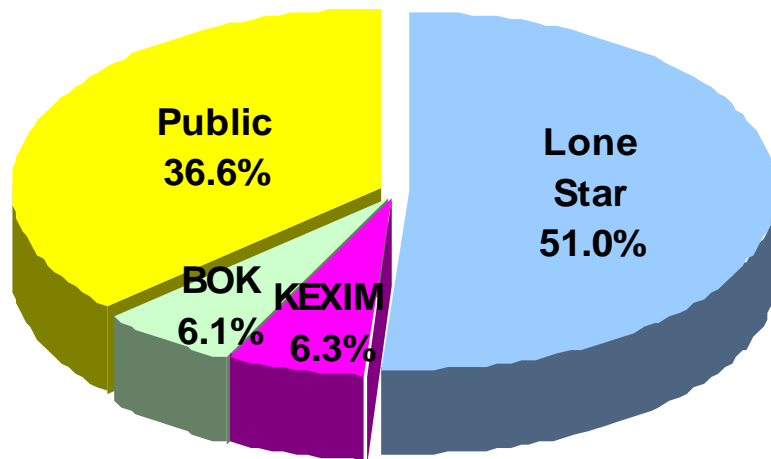
(Unit : USD billion, %)





# 5. Shareholding Structure

## Shareholders' Structure



(As of Jun. 2007)

Shareholder	Number of shares	Share(%)
Lone Star	329,042,672	51.02%*
KEXIM	40,314,387	6.25%
BOK	39,500,000	6.12%
Others	236,049,767	36.61%*
<b>Total</b>	<b>644,906,826</b>	<b>100.0%</b>

\* Lone Star sold 13.6% (87.7M shares) on Jun. 26, 2007 into the public markets through a block sale transaction

## Capital Structure

(Unit : KRW bn)

	2007.06	2007.03	QoQ	YtD
Paid-in Capital	3,224.5	3,224.5	-	-
Capital Surplus	0.9	0.9	-	-
Retained Earnings	1,870.8	1,594.8	+276.0	-129.1
Capital Adjustment (Unrealized gain on investment securities)	1,247.6	1,102.6	+145.0	+93.8
Total Shareholders' Equity	6,343.8	5,922.8	+421.0	-35.4
Book value Per Share (BPS)	9,837	9,184	+ 65 3	- 55

## Appendix : Net Income impact by NTS final notification of tax assessment

### ■ Progress after NTS `01-`04 tax assessment

(Unit: KRW bn )

	3Q`06	4Q`06	2Q`07
<b>Other Provision (Balance)</b>	247	134	7*
P/L - Transfer to ( )	-247		
P/L - Transfer from ( )		+113	+127
<b>Additional Tax Payment ( )</b>	-	-113	-112
- Other Non Interest Income	x27.5%	x27.5%	x27.5%
<b>Deferred Income Tax Benefit/Expense ( )</b>	+68	-31	-35
<b>Net Income Impact ( + + + )</b>	<b>-179</b>	<b>-31</b>	<b>-20</b>

\* Related Yen Depo Swap withholding tax issue

- 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. KRW 247bn was reflected in Other Provision for disputed NTS `01-`04 tax assessment.
- 4Q`06 - Payment for disputed NTS tax assessment resulted in KRW 113bn partial reversal of Other Provision (booked 3Q`06) and recognition of non-operating expense.
- 2Q`07 - NTS Final Notification of Tax Assessment received June 2007
  - Result of initial step of appeal process
    - Minor items accepted : KRW 39.9bn total tax ; KRW 12.5bn impacting P/L
    - KEBCS LLR item rejected (represents KRW 215bn of total assessment)
      - ▶ KEB is proceeding to next step of appeal process (National Tax Tribunal) August 2007 and will pursue all available legal appeals.

All amounts due to NTS have been paid.