



MY()PARTNER



KEB Operating Results for 2008

February 2009

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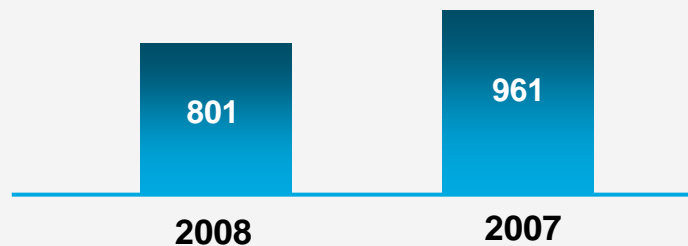
Contents

- Overview
- Profitability
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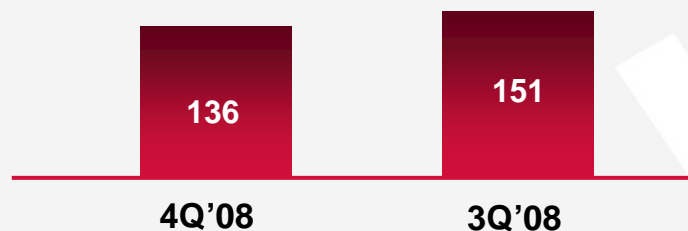
The information contained in this presentation material has not yet been audited by a third-party independent auditor and is subject to change during the accounting audit of KEB.

Financial Results

- **Total 2008 Net Income: 801bn**
vs. 2007: -16.6%



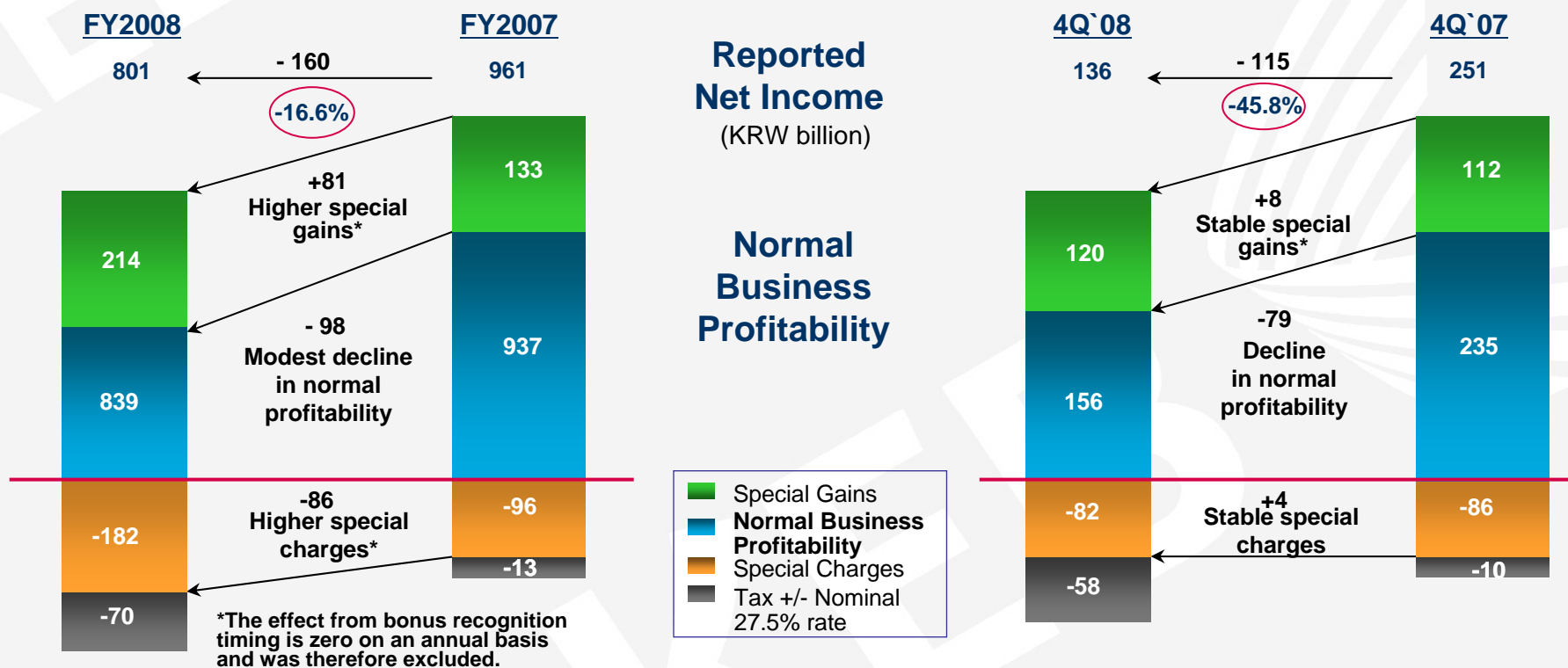
- **4th Quarter Net Income: 136bn**
vs. 3Q08: -9.5%



- **KEB's Board of Directors declared a dividend of 10% of 2008 earnings, or 125 won/share**

- **Capital adequacy strengthened ~11.7% (~8.7% Tier 1) after dividend**
- **Pricing stabilized despite difficult global funding environment: Q4 NIM 2.82%**
- **Liquidity position improved**
 - ✓ Deposits ↑20% in Q4
 - ✓ FC liquidity stable with government's market actions
- **Tight control of expenses and investment**
 - ✓ Q4 cost ratio 37.4%
- **Continuous mitigation of special risks**
 - ✓ KIKO-related exposure ↓58%
 - ✓ Minimal CDO/CDS exposure
- **KEB once again named**
 - ✓ Best FX Bank - Global Finance (Oct.)
 - ✓ Best Trade Finance Bank – Global Finance (Oct.)
 - ✓ Best Currency Cash Management Services (CMS) in Korea – Asiamoney (Sept.)
- **Key challenge: Managing credit risk through difficult cycle**
 - ✓ NPL ratio ↑ = 1.06%
 - ✓ Delinquency ratio ↑ = 0.92%

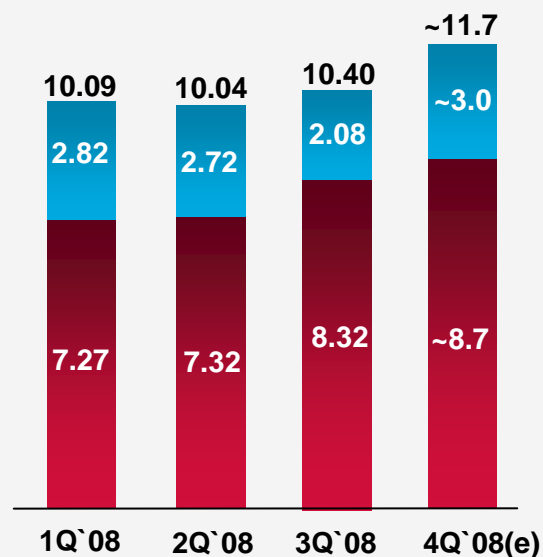
Continued profitability despite severe global financial volatility



- Higher loss provisions from SME delinquency and special losses... Effect on net income ↓283bn YoY
 - 4Q NPL ratio of 1.06%, +0.45%p YoY; delinquency ratio of 0.92%, +0.36%p YoY
 - 4Q loan loss provisioning includes impact of government sponsored “workout” program for construction and shipbuilding
- Profit diversification partially offsetting impact of global slowdown... Operating income for 2008 up 16.5% YoY
 - Investment product fees -48% YoY
 - FC fees +19% YoY
 - FX gains +21% YoY
 - Merchant banking +101% YoY
 - Trading profit +57% YoY

Strong and improving position on capital adequacy and liquidity

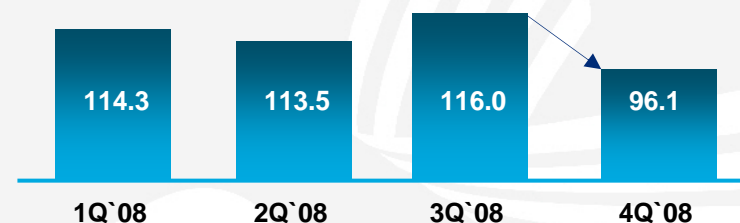
Basel II Capital Adequacy



- Plan to meet regulatory guidelines through banks' resources and efforts
- Tight RWA management and run-off of special 3Q foreign currency facilities
- Tier 2 sub-debt issuance (800bn in Q4) offset decline in value of Hynix and Hyundai E&C holdings

(refer to p. 33)

Improved Loan-to-Deposit Position



- Calculation: $\text{Loans} \div (\text{Deposits} + \text{CDs})$
 - Loans: Corporate loans + Household loans + Public loans
 - Deposits: Demand deposits + Time deposits + Installment deposits
- Loan-to-Deposit Ratio
 - Increase in 3Q loan-to-deposit ratio on the back of rapid loan growth
 - In 4Q, a decrease in loans along with strong deposit growth led to a drop in the loan-to-deposit ratio

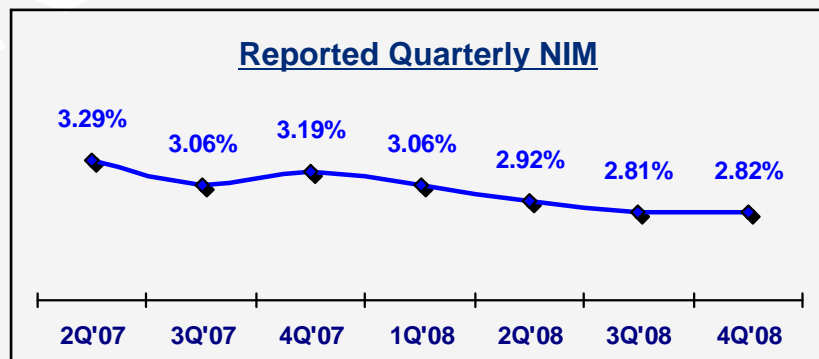
(refer to p. 19)

NIM & Cost Management



Good performance in pricing and cost management efforts

- NIM stabilizing despite difficult global funding environment



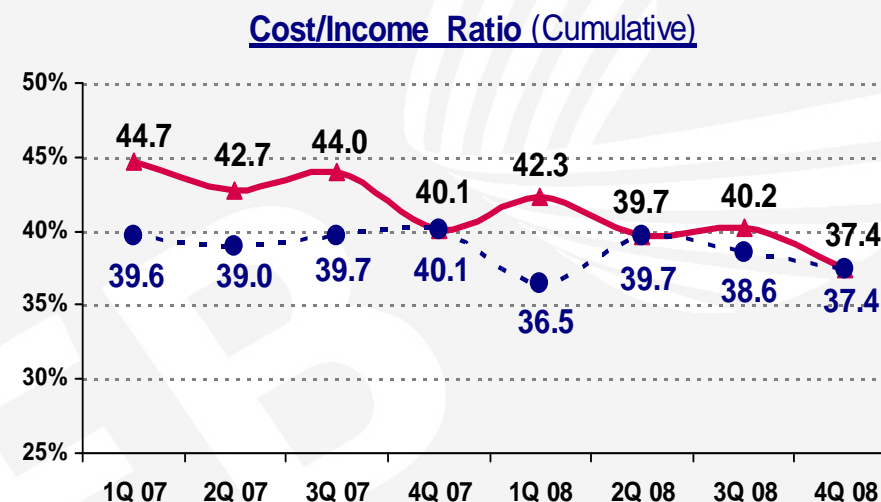
- Improved pricing within business lines offsetting negative effect of portfolio mix

	NIM Change - QoQ	
	3Q	4Q
Large	+19bp	+33bp
Corp/SME	+13bp	+28bp
Retail	+24bp	+42bp
Card	-24bp	+17bp
International	+17bp	+23bp

* Excludes effect of securities, SPC interest, and NPLs

(refer to p. 11)

- Tight control of discretionary expenses and investment



- ✓ Salary freeze agreed with labor union during 2008 collective bargaining
- ✓ Includes effect of one-time costs related to corporate image and logo replacement

(refer to p. 14)

Significantly reduced exposure to special risk areas

→ Significantly reduced exposure related to “KIKO” derivative contracts

- # of companies: 87, down 107
- Valuation exposure on remaining contracts: 148bn, down 138bn
- Average exposure: 1.7bn
- Only 4 companies with more than 10bn valuation exposure (total 64bn)
 - ✓ Only 1 in over-hedged position

(refer to p. 34)

→ Minimal exposure to US/European Mortgage Assets

	Net Valuation	
	Total	Sub/Mid Prime
→ Direct Holdings	0	0
→ Holdings of MBS	0	0
→ Indirect holdings through CDO's	USD 35.6mil	0

→ No exposure to credit default swaps

- Wrote-off/sold last holding during Q4
 - ✓ USD 18mil. original investment; USD 7.15mil. valuation at end-3Q'08

(refer to p. 29)

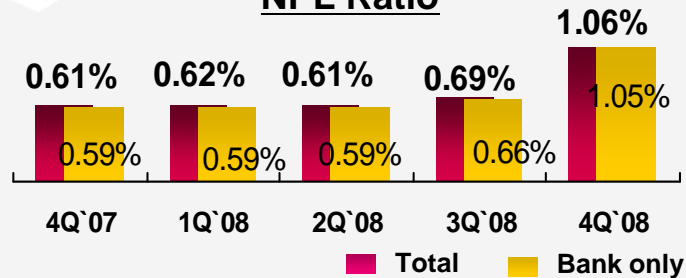
Asset Quality & Loan Loss Provisions



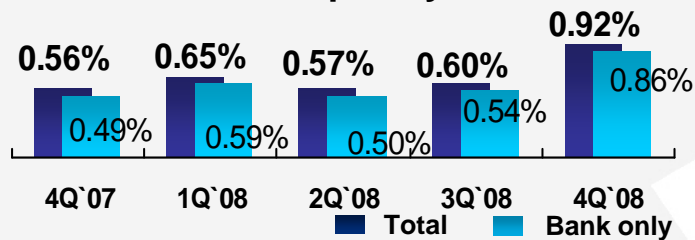
Key challenge to manage asset quality through difficult credit cycle

Reflects deteriorated economic environment

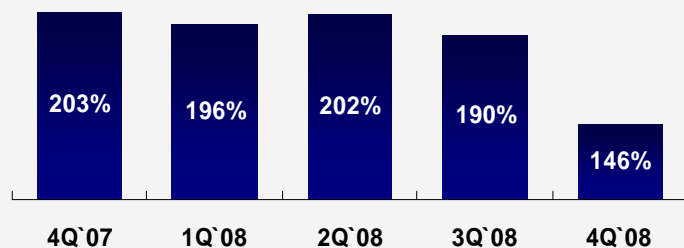
NPL Ratio



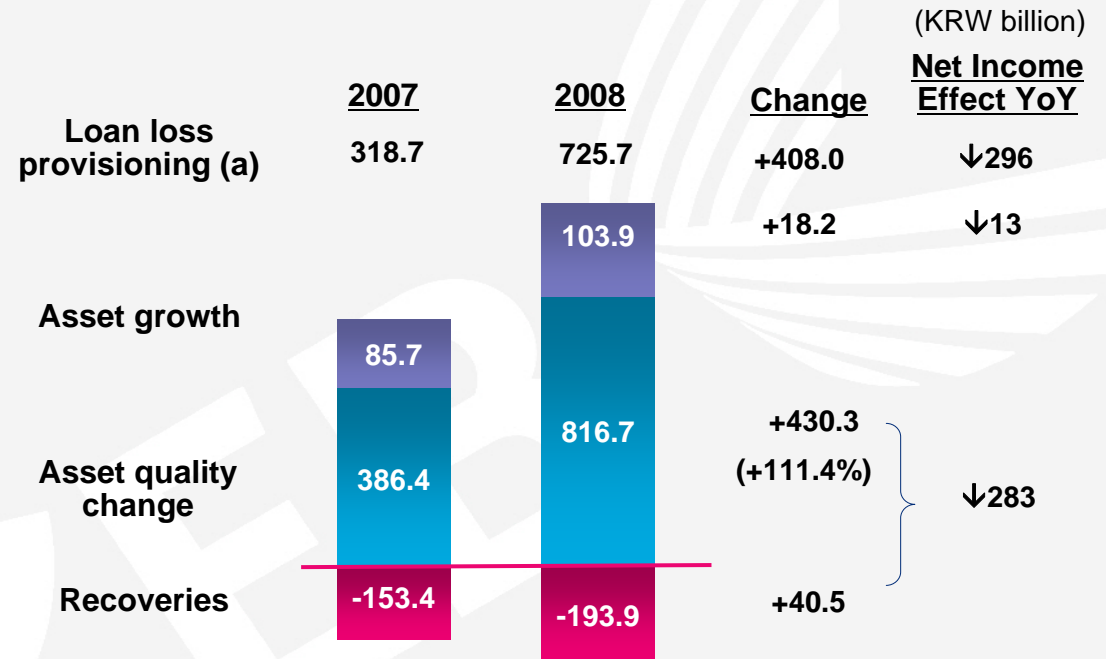
Delinquency Ratio



NPL Coverage Ratio



Aggressively dealing with problem assets → higher LLP



Growth of normal assets: 18bn

- Asset increase: +18.2bn (2.1tr X 0.85%)
- FX rate effect: +7.6bn

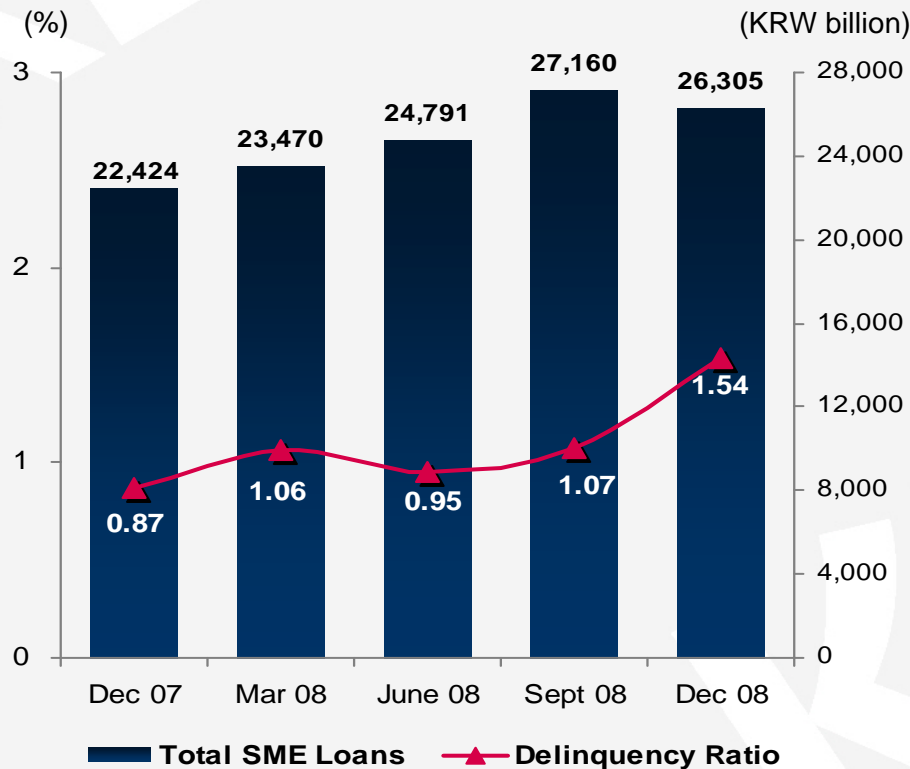
Asset quality change: 430bn

- NPL ratio: 1.06%, +45bp YoY
- Financial turmoil (Lehman, Taesan LCD, Kyungbu Steel, IDH): 131bn
- 4Q construction companies in workout: 51bn
- Affected by the increase in SME delinquencies

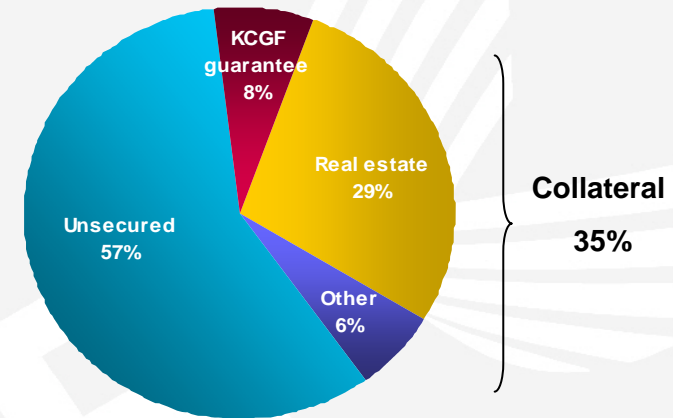
SME Loans



Total SME Loans & Delinquency Ratio



SME Loans in KRW by Collateral Type



SME Delinquency Ratio for KRW Loans

	Dec 08	Sept 08	June 08	Mar 08	Dec 07
Unsecured	0.66%	0.38%	0.27%	0.30%	0.34%
Guaranteed	2.26%	1.74%	1.79%	1.94%	1.84%
Collateralized	3.54%	2.67%	2.29%	2.42%	1.75%
Total	1.77%	1.27%	1.11%	1.20%	0.98%

- SME loans in 4Q slightly down from the sharp increase in 3Q as KEB provided supplemental foreign currency liquidity
- Despite the rise in delinquency levels (3Q: 1.07% → 4Q: 1.54%), delinquency for unsecured loans to creditworthy SMEs, which make up the largest percentage of loans, remained fairly low
 - ✓ Low and manageable unsecured exposure delinquency – Reflects quality of KEB’s SME customers
 - ✓ Guaranteed book – Despite higher delinquency, loss severity is low (KCGF backstops 80~90% of guaranteed amount)
 - ✓ Collateralized loans – Continued pressure in selected industries. Tight monitoring in place, and loan value protected

Profitability

- 1. Summary of Profitability**
- 2. Net Interest Income**
- 3. Net Interest Margin**
- 4. Fees & Commissions**
- 5. Non Interest Income**
- 6. Total Expenses**
- 7. Provisions & Others**

1. Summary of Profitability



(KRW billion)

	2008												2007			
	4Q			3Q			1H			4Q						
	Bank	Card		Bank	Card		Bank	Card		Bank	Card		Bank	Card		
Net Interest Income	2,238.1	1,789.8	448.3	685.1	569.1	115.9	540.5	427.0	113.5	1,012.5	793.7	218.9	1,886.6	501.2	385.4	115.8
Fees & Commissions	562.8	722.3	-159.5	148.5	191.0	-42.6	128.8	169.8	-41.0	285.6	361.5	-75.9	581.2	159.8	199.1	-39.2
Non Interest Income	241.4	234.7	6.6	26.1	22.1	4.0	82.2	80.5	1.7	133.1	132.1	0.9	252.8	107.5	100.7	6.7
Total Income	3,042.3	2,746.8	295.5	859.6	782.3	77.3	751.4	677.2	74.2	1,431.2	1,287.3	143.9	2,720.6	768.5	685.2	83.3
Total Expenses (-)	1,145.3	1,063.8	81.6	268.8	250.7	18.1	308.7	285.5	23.2	567.9	527.5	40.3	1,092.2	282.1	259.6	22.5
Operating Income	1,896.9	1,683.0	213.9	590.8	531.5	59.3	442.7	391.7	51.0	863.4	759.8	103.6	1,628.4	486.3	425.6	60.7
Impairment Loss, etc. (-)	-90.7	-82.4	-8.2	-42.8	-41.7	-1.1	-10.2	-7.1	-3.1	-37.8	-33.7	-4.0	-207.6	-128.7	-124.3	-4.4
Income before Provisions	1,987.6	1,765.4	222.1	633.6	573.2	60.4	452.9	398.8	54.1	901.1	793.5	107.7	1,836.0	615.0	549.9	65.1
Provisions & Others (-)	796.2	757.2	39.0	366.1	355.9	10.2	240.2	232.2	8.0	189.9	169.1	20.8	319.4	245.2	238.1	7.1
Add'l loan loss provisioning	725.7	694.0	31.7	335.7	321.3	14.4	193.0	185.1	7.9	198.0	188.6	9.4	318.7	178.6	173.9	4.7
Add'l other provisioning	22.6	17.8	4.8	19.6	24.2	-4.6	26.5	27.5	-1.0	-23.5	-33.9	10.4	-56.7	48.4	47.0	1.4
Income before Tax	1,191.4	1,008.2	183.2	267.5	217.3	50.2	212.7	166.6	46.1	711.3	624.4	86.9	1,516.6	369.9	311.9	58.0
Income Tax Expense (-)	390.1	390.1	-	130.9	130.9	-	61.8	61.8	-	197.4	197.4	-	555.6	119.0	119.0	-
Net Income	801.3	618.1	183.2	136.6	86.4	50.2	150.9	104.8	46.1	513.8	426.9	86.9	960.9	250.9	192.9	58.0

▪ **Achieved net income of 136.6bn in 4Q and 801.3bn for 2008, -16.6% YoY**

- ✓ Operating income rose 16.5% YoY versus prior year with steady asset growth and good performance in FX related fees & commissions, merchant business and trading profit
- ✓ However, net income was down because of higher loan loss provisions associated with asset growth (+18bn) and financial turmoil in domestic and global markets (+390bn, net of recoveries) (refer to p.16)
- ✓ YoY change in other provisioning reflects impact of NTS tax assessment in 2007

2. Net Interest Income (NII)



(KRW billion)

	2008	4Q	3Q	2Q	1Q	2007	YoY
Interest Revenue	5,167.1	1,513.7	1,300.4	1,183.5	1,169.6	4,078.8	+26.7%
Income on due from banks	145.1	61.7	25.8	24.8	32.8	66.1	+119.4%
Interest on securities	459.9	130.7	117.0	112.7	99.4	373.8	+23.0%
Interest income on loans	4,517.6	1,299.6	1,149.0	1,038.4	1,030.5	3,612.6	+25.1%
-Bank	3,924.9	1,142.7	999.5	894.2	888.5	3,053.6	+28.5%
-Card	592.7	156.9	149.5	144.2	142.1	558.9	+6.0%
Others	44.6	21.7	8.5	7.5	6.8	26.2	+69.7%
Interest Expenses	2,854.6	850.6	724.8	643.9	635.3	2,066.6	+38.1%
Interest on deposits	1,780.6	539.3	446.6	396.4	398.4	1,251.5	+42.3%
Interest on borrowings	465.3	139.2	113.6	105.4	107.1	387.3	+20.2%
Interest on debentures	552.7	158.0	148.2	129.0	117.4	389.6	+41.9%
Others	56.0	14.1	16.4	13.0	12.5	38.3	+46.3%
Insurance expenses for deposits & contribution to Credit Guarantee Fund (-)	141.9	38.1	35.8	34.3	33.6	126.4	+12.3%
Other Interest Income (+/-)	67.4	60.1	0.7	3.5	3.1	0.8	F
Net Interest Income	2,238.1	685.1	540.5	508.7	503.8	1,886.6	+18.6%
-Bank	1,789.8	569.1	427.0	396.7	397.0	1,442.5	+24.1%
-Card	448.3	115.9	113.5	112.1	106.8	444.1	+0.9%

- **Bank:** 2008 NII rose 24.1% YoY driven by asset growth and pricing efforts to offset higher funding costs
 - ✓ 23.4bn in interest on reserves held at Bank of Korea included in income on due from banks
 - ✓ Dividend payout of 62.8bn from Korea Asset Management Corporation included in other interest income
- **Card:** 2008 NII up 0.9% YoY on the back of an increase in card business volume

3. Net Interest Margin (NIM)



(Percent)

		2008				2007			
		4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Cumulative	Net Interest Margin (NIM)	2.90	2.92	2.99	3.06	3.23	3.24	3.32	3.34
	NIM in KRW	3.64	3.64	3.69	3.76	3.85	3.85	3.93	3.92
	NIM in FC	1.07	1.01	0.95	0.90	1.20	1.21	1.30	1.45
	Loan to Deposit Spread								
	LTD Spread in KRW	2.75	2.74	2.77	2.86	3.10	3.12	3.19	3.20
	LTD Spread in FC	1.97	2.40	2.35	2.34	2.41	2.41	2.39	2.42
Quarterly	Net Interest Margin (NIM)	2.82	2.81	2.92	3.06	3.19	3.06	3.29	3.34
	NIM in KRW	3.60	3.54	3.63	3.76	3.82	3.66	3.94	3.92
	NIM in FC	1.16	1.11	1.00	0.90	1.16	1.05	1.17	1.45
	Loan to Deposit Spread								
	LTD Spread in KRW	2.78	2.67	2.69	2.86	3.05	3.00	3.17	3.20
	LTD Spread in FC	2.11	2.47	2.39	2.34	2.43	2.44	2.34	2.42

Portfolio composition			
	NIM rate	4Q Composition vs. 3Q	Mix effect
Large	Lowest	+1.4%p	↓
Corp/SME	~Average	-1.0%p	-
Retail	Above Average	-2.0%p	↓
Card	Highest	-0.3%p	↓
International	Below Average	-1.2%p	↑

- effect

Impact on overall NIM
+ 0.01%p

+ effect

Improving pricing within business lines		
	3Q	4Q
Large	+19bp	+33bp
Corp/SME	+13bp	+28bp
Retail	+24bp	+42bp
Card	-24bp	+17bp
International	+17bp	+23bp

* Excludes effect of securities, SPC interest, and NPLs on overall total

Portfolio composition			
	4Q NIM vs. 3Q	Portion of total credits	Mix effect
Foreign currency	+5bp	+1.7%p to 31.7%	
KRW	+6bp	-1.7%p to 68.3%	↓ -5bp

■ **0.01%p increase in 4Q NIM**

- ✓ Despite the mixed effect from an increase in percentage of lower NIM/lower risk assets, improving pricing within business lines offset NIM decline

4. Fees & Commissions



(KRW billion)

	2008					2007	
		4Q	3Q	2Q	1Q		YoY
Gains from FX transactions	303.4	91.3	70.1	75.4	66.5	250.3	+21.2%
Fees & Commissions	419.1	99.8	99.7	115.1	104.5	475.9	-11.9%
Bank							
KRW currency related	179.3	31.4	39.5	56.1	52.4	277.5	-35.4%
Bancassurance	36.1	8.4	8.4	9.0	10.3	39.0	-7.4%
Investment product sales	78.2	10.4	16.6	27.5	23.8	149.7	-47.7%
Foreign currency related	163.9	46.2	42.2	39.3	36.2	137.8	18.9%
Others	75.9	22.2	18.0	19.7	15.9	60.6	+25.1%
Bank – Total	722.3	191.0	169.8	190.5	171.0	726.3	-2.1%
Card sector	-159.5	-42.6	-41.0	-38.9	-36.9	-145.1	U
Total	562.8	148.5	128.8	151.5	134.1	581.2	-3.2%
Fees & Commissions / Total Income (%)							
Total	18.5%	19.8%	17.1 %	20.6%	19.2%	21.4%	-2.9%p
Bank Only	26.3%	28.5%	25.1 %	28.7%	27.5%	30.1%	-3.8%p

▪ Bank

- ✓ 30.2% QoQ increase in gains from FX transactions on an increase in market volatility
- ✓ Continued improvement in FC related fees and commissions due to continued support of export/import companies
- ✓ Continued decrease in sales of investment products due to global equity markets downturn

▪ Card

- ✓ Credit card fee expense up 1.6bn in 4Q on higher business volume
- Credit card usage (lump sum & installment): +34.8% QoQ

5. Non Interest Income



(KRW billion)

	2008	4Q	3Q	2Q	1Q	2007	YoY
Operating trust account	35.0	9.1	9.4	8.1	8.4	32.7	+7.0%
Merchant account	36.5	11.3	7.6	7.4	10.2	18.2	+101.0%
Trading profit	145.9	51.8	27.1	32.5	34.6	93.2	+56.5%
Valuation equity method	28.8	-31.7	22.3	22.4	15.8	54.6	-47.4%
Card sector	6.7	4.0	1.7	-3.8	4.7	8.0	-16.8%
NPL sales	-14.5	-20.3	1.2	4.6	-	5.0	U
Others	3.0	2.0	12.8	2.7	-14.5	43.3	-93.1%
Non Interest Income	241.3	26.1	82.2	73.8	59.2	252.8	-4.5%

- **Despite good performance in trust account, merchant account and trading, losses from overseas subsidiary and NPL sales loss in 4Q resulted in an overall 4.5% YoY decrease**

- ✓ Merchant account: +48.7% QoQ, +101.0% YoY
- ✓ Trading profit: Strong performance in foreign currency trading +91.1% QoQ, +56.5% YoY
- ✓ Valuation equity method: Includes valuation loss from LA subsidiary, which incurred losses from bad loans
- ✓ NPL sales: 26bn loss from sale of NPLs

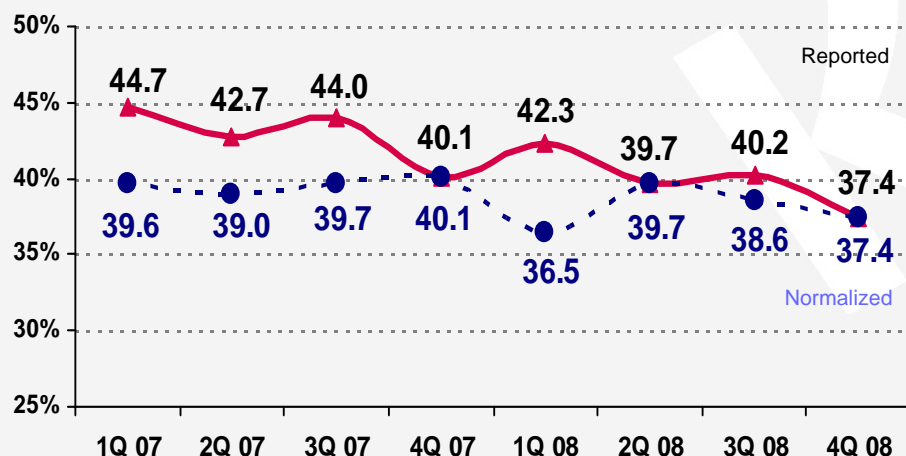
6. Total Expenses



(KRW billion)

	2008	4Q	3Q	2Q	1Q	2007	YoY
Salaries & Benefits	661.1	119.8	184.5	165.0	191.8	644.1	+2.6%
Salaries	512.0	84.9	160.3	104.4	162.4	509.8	+0.4%
Employee benefits	149.1	34.9	24.1	60.6	29.4	134.4	+10.9%
Operating Expenses	317.7	95.9	82.4	71.7	67.6	284.7	+11.6%
Depreciation	119.4	35.5	29.1	28.1	26.8	126.2	-5.5%
Tax & Dues	47.2	17.6	12.7	8.3	8.6	37.0	+27.3%
Total Expenses	1,145.3	268.8	308.7	273.0	294.8	1,092.2	+4.9%
- Bank	1,063.7	250.7	285.5	255.1	272.4	1,008.2	+5.5%
- Card	81.6	18.1	23.2	17.9	22.4	84.0	-2.9%

Cost/Income Ratio (Cumulative)



- **Cost/Income Ratio:**
 - Sharp drop in cost/income ratio due to salary freeze
- **Salaries & Benefits:** Sharp decline in 4Q salary expenses
 - Quarterly fluctuations in reported figures reflect timing of accounting recognition for certain employee costs

Cost recognition timing impact	1Q	2Q	1H	3Q	4Q	2H
	+40.4	-40.4	0	+38.9	-38.9	0

- No retroactive CBA payment in 4Q due to salary freeze
- **Operating Expenses:**
 - One-time advertising and logo replacement costs with the introduction of the new corporate logo/image drove a 16.4% QoQ increase

7. Provisions & Others



(KRW billion)

	2008					2007	
		4Q	3Q	2Q	1Q		YoY
Loan Loss Provisioning	725.7	335.7	192.1	117.9	80.0	318.7	+127.7%
<Bank>	694.0	321.3	184.2	111.8	76.8	304.7	+127.8%
Corporate	646.0	296.4	172.3	101.9	75.3	275.6	+134.4%
Household	48.0	24.9	11.9	9.8	1.4	29.0	+65.6%
<Card>	31.7	14.4	7.9	6.1	3.3	14.1	+124.7%
Other Provisioning, etc.	22.6	19.6	26.5	-18.1	-5.4	-56.7	U
Retirement Allowance	47.9	10.8	21.6	10.1	5.3	57.3	-16.6%
Total - Reported	796.1	366.1	240.2	109.8	80.0	319.4	+149.2%
- Excluding NTS items	796.1	366.1	240.2	109.8	80.0	453.3	+75.6%

- **Increase in loan loss provisioning driven by (YoY):**

- Normal asset growth: +18bn

- Higher delinquency: +430bn

- ✓ Special charges for specific company failures related to international crisis and FX losses:

- Lehman: 34bn (Q3)

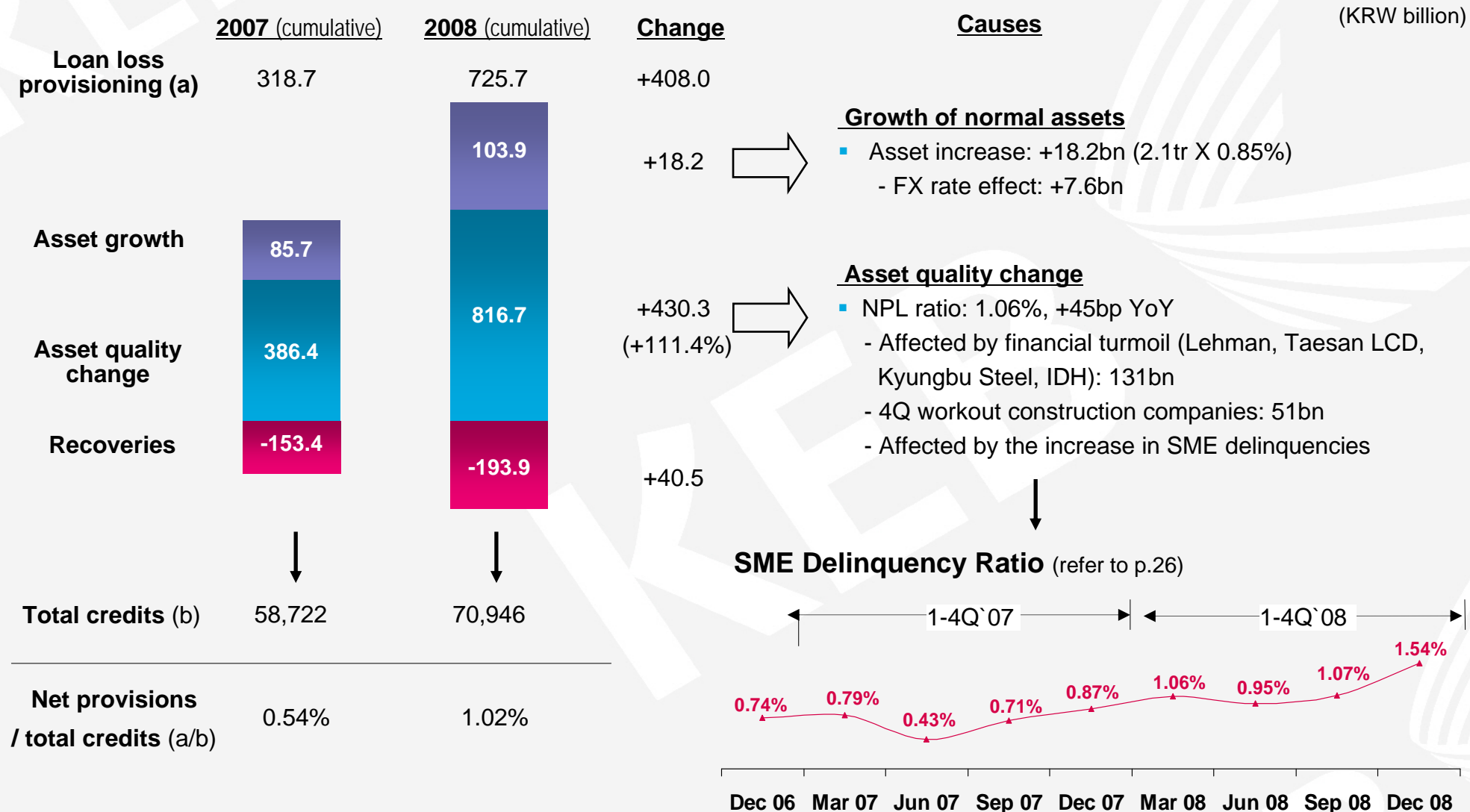
- FX-related: Kyungbu Steel 41bn, Taesan LCD 25bn, IDH 31bn (Q3 & Q4)

- ✓ 4Q construction companies in workout: 9 companies, 51bn (Q4)

Loan Loss Provisions



Increase in provisions reflect loan asset growth and SME delinquencies



7-a. Loan Loss Reserve (LLR)



(KRW billion)

	2008				
	4Q	3Q	2Q	1Q	
Beginning LLR	791.7	1,027.1	857.1	803.9	791.7
Additional Provisioning	725.7	335.7	192.1*	117.9	80.1
Write-offs (-)	568.4	248.1	107.3	112.1	101.0
Reversals & Others	194.8	29.1	85.2	47.5	33.1
Ending LLR**	1,143.8	1,134.9	1,027.1	857.1	803.9
NPL Coverage*** (%)	145.6%	145.9%	189.7 %	202.4%	196.2%

	Bank				Card			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Beginning LLR	960.8	793.3	740.0	727.1	66.3	63.8	63.9	64.6
Additional Provisioning	321.3	184.1	111.8	76.8	14.4	7.9	6.1	3.3
Write-offs (-)	222.9	85.8	89.4	80.0	25.2	21.4	22.7	21.0
Reversals & Others	14.4	69.1	31.0	16.1	14.7	16.0	16.5	17.0
Ending LLR**	1,073.6	960.8	793.3	740.0	70.2	66.3	63.8	63.9
NPL Coverage*** (%)	143.0%	189.4 %	202.5%	195.8%	199.6%	192.8 %	201.9%	200.3%

* Different from bank's additional provisions due to KRW 0.9bn recovery on provisions set aside for trusts

** 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

- Following the increase in NPLs, the NPL coverage ratio fell to ~145%

Balance Sheet

1. Summarized Balance Sheet

2. Deposits in Korean Won

3. Loans in Korean Won

- SME Loans**
- Household Loans**

1. Summarized Balance Sheet



(KRW billion)

	Dec 08	Sept 08	June 08	Mar 08	Dec 07	YoY
Cash & Due from Banks	10,107.7	5,529.9	5,994.1	4,747.5	5,118.4	+97.5%
Securities	12,111.0	10,953.7	10,489.1	11,087.5	9,773.4	+23.9%
Loans	64,411.8	66,265.5	59,108.7	56,799.9	54,055.4	+19.2%
- Credit Card Receivables	2,552.6	2,418.1	2,385.2	2,357.3	2,440.6	+4.6%
Other Asset	13,207.7	16,019.9	14,147.8	14,209.5	9,724.0	+35.8%
Merchant Banking Assets	3,363.1	3,267.0	2,759.5	3,915.6	3,353.8	+0.3%
Total Assets	103,201.3	102,035.9	92,499.2	90,760.0	82,024.9	+25.8%
Deposits	56,397.4	49,523.6	44,913.5	42,941.1	44,431.0	+26.9%
Borrowings	11,958.8	13,595.5	12,512.8	11,389.8	8,858.1	+35.0%
Debentures	10,790.6	10,887.2	10,025.0	8,472.1	8,547.9	+26.2%
Other Liabilities	14,312.2	19,087.5	15,919.3	18,071.2	11,390.2	+25.7%
Merchant Banking Liabilities	3,495.6	2,369.2	2,534.7	3,400.2	2,147.0	+62.8%
Shareholders' Equity	6,246.9	6,572.9	6,593.8	6,485.5	6,650.8	-6.1%
Liabilities & Shareholders' Equity	103,201.3	102,035.9	92,499.2	90,760.0	82,024.9	+25.8%

■ Assets

- ✓ Loans: Loan growth stabilized, down 2.8% QoQ from the sharp increase in 3Q, 19.2% YoY
 - Contribution to increase
 - ┌ KRW loans: -0.5%p QoQ, 10.1%p YoY
 - └ FC loans: -2.3%p QoQ, 9.1%p YoY
- ✓ Securities: +10.6% QoQ, +23.9% YoY due to increase in holdings of short-term securities to manage liquidity

■ Liabilities

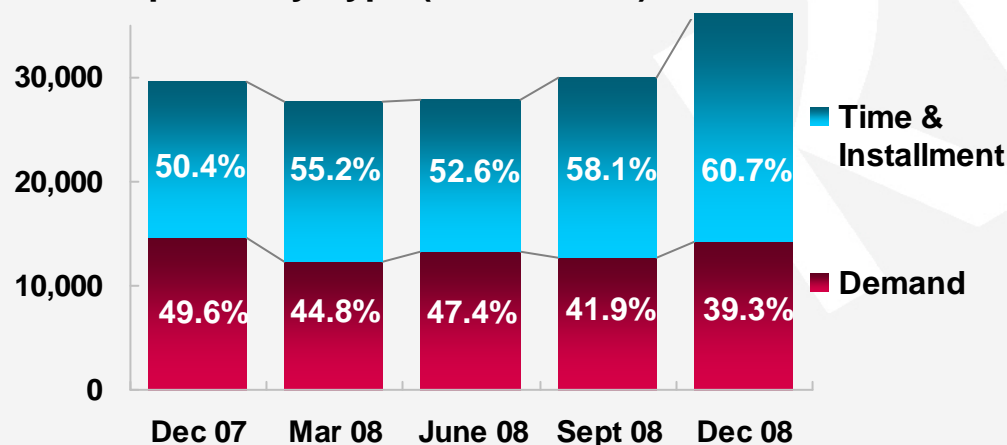
- ✓ Deposits: +13.9% QoQ, +26.9% YoY driven by growth in time deposits
- ✓ Borrowings & debentures: Bigger funding contribution for asset growth

2. Deposits in KRW (Bank Accounts)

(KRW billion)

	Cost	Dec 08	Sept 08	June 08	Mar 08	Dec 07	YoY
Demand Deposits	Lower	14,244.5	12,612.5	13,203.4	12,398.1	14,670.7	-2.9%
Savings deposits	Lower	4,986.5	4,778.5	4,906.2	4,933.8	5,144.9	-3.1%
Regular deposits	Lower	1,076.3	1,161.0	1,232.2	1,138.2	1,241.8	-13.3%
Corporate free savings deposits	Low	6,783.1	5,013.9	5,244.4	4,777.5	6,929.8	-2.1%
Others	Lower	1,398.6	1,659.1	1,820.5	1,548.5	1,354.2	+3.3%
Time & Installment Deposits	Higher	22,001.1	17,473.0	14,657.6	15,277.4	14,933.2	+47.3%
Total KRW Deposits	-	36,245.6	30,085.5	27,861.0	27,675.5	29,603.9	+22.4%

KRW Deposits by Type (Bank accts.)



- Rise in both demand and time deposits led to overall 20.5% QoQ increase

✓ Demand deposits: +12.9% QoQ

✓ Time & installment deposits: +25.9% QoQ, +47.3% YoY

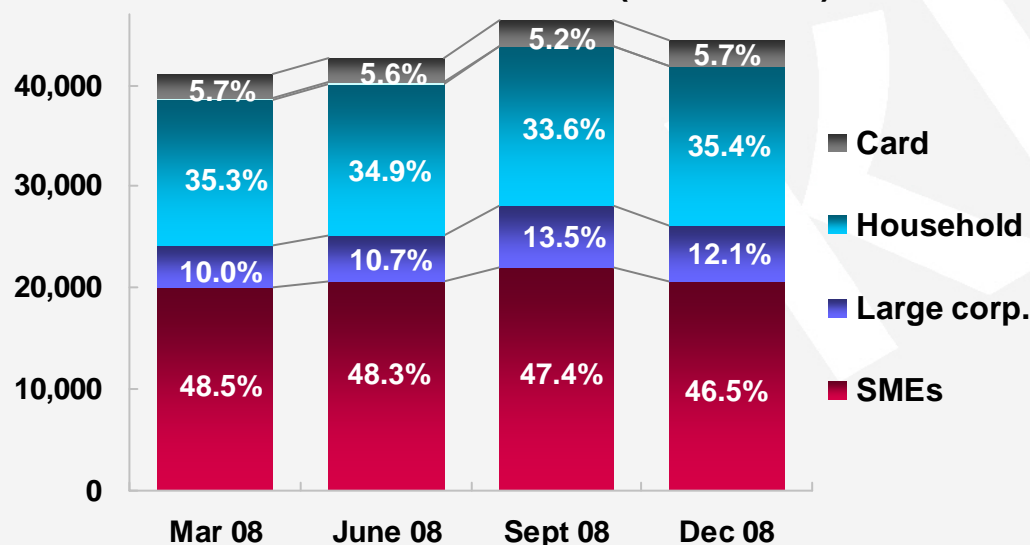
3. Loans in KRW (Bank Accounts & Card)



(KRW billion)

	Dec 08	Sept 08	June 08	Mar 08	Dec 07	YoY
Household	15,762.5	15,557.1	14,899.5	14,538.8	14,723.7	+7.1%
SMEs	20,707.6	21,956.6	20,592.6	19,980.9	19,157.6	+8.1%
Large Corp.	5,369.1	6,255.2	4,566.6	4,113.8	3,789.9	+41.7%
Public & Others	129.7	132.4	208.8	198.6	154.8	-16.2%
Bank Total*	41,968.9	43,901.3	40,267.4	38,832.1	37,826.0	11.0%
Credit Card	2,552.6	2,418.1	2,385.2	2,357.3	2,440.6	+4.6%
Total Loans in KRW	44,521.5	46,319.4	42,652.6	41,189.4	40,266.5	+10.6%

Portfolio of Loans in Korean Won (Bank Acct.)



- **SMEs:** -5.7% QoQ, but showing steady growth over the year
- **Large Corporations:** -14.2% QoQ, down from the sharp increase in 3Q
 - ✓ Strong growth over the year due to an increase in capital market volatility and limited opportunities for direct funding
- **Household:** +1.3% QoQ, steady growth over the year
- **Card:** +5.6% QoQ

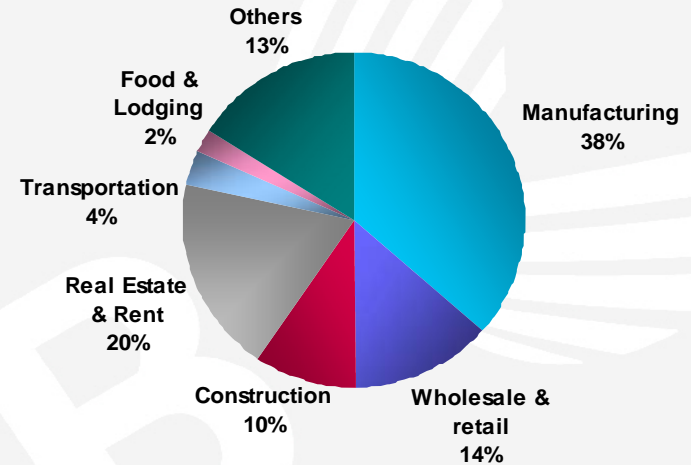
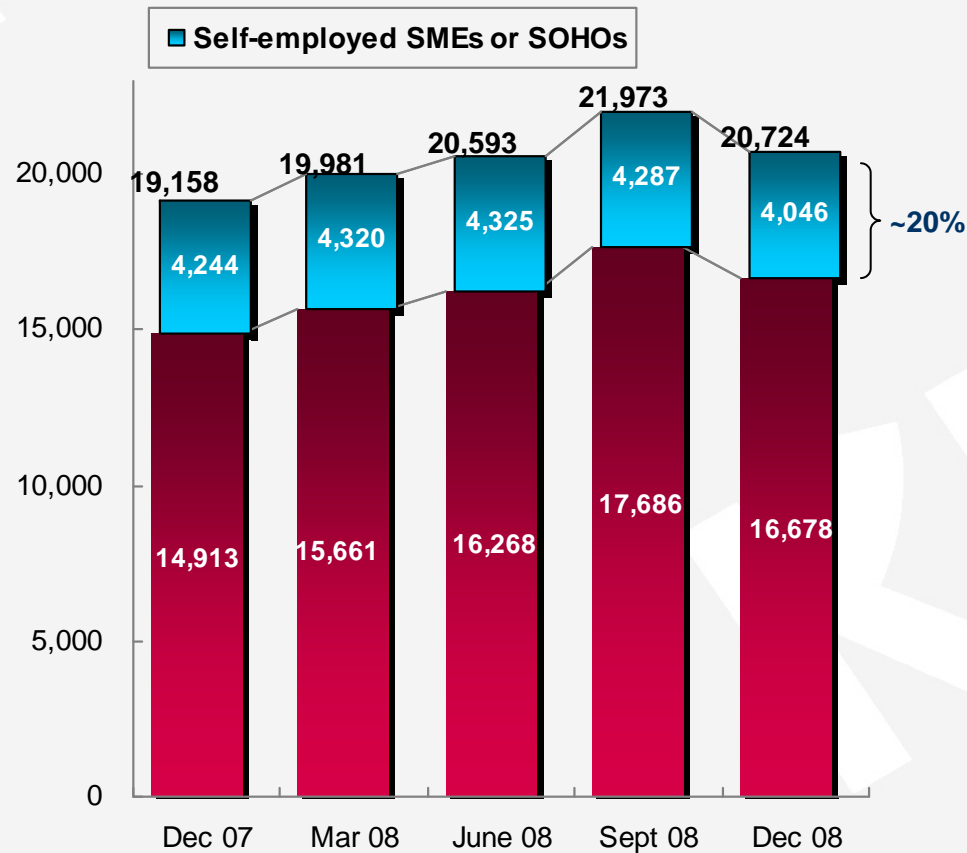
3-a. SME Loans



Self-employed SMEs (KRW loans)

SME Loans by Industry (KRW loans)

(KRW billion)



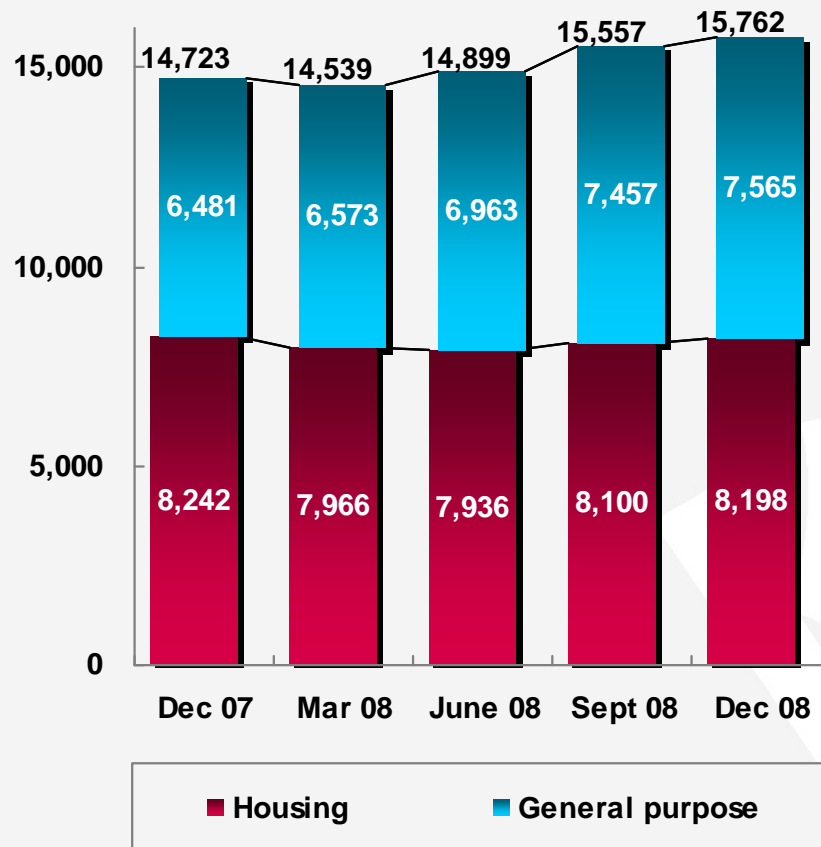
Industry	Delinquency Ratio				
	Dec 08	Sept 08	June 08	Mar 08	Dec 07
Manufacturing	1.79%	0.99%	0.81%	1.03%	0.80%
Wholesale & retail	2.44%	1.38%	1.12%	1.04%	0.87%
Construction	1.71%	1.09%	1.08%	1.34%	1.01%
Real estate & rent	0.95%	1.22%	1.11%	1.38%	1.87%
Transportation	1.15%	0.37%	0.43%	0.30%	0.18%
Food & Lodging	2.42%	2.41%	2.10%	0.32%	0.41%
Others	2.34%	2.16%	1.90%	1.82%	0.92%
Total	1.77%	1.27%	1.11%	1.20%	0.98%

3-b. Household Loans



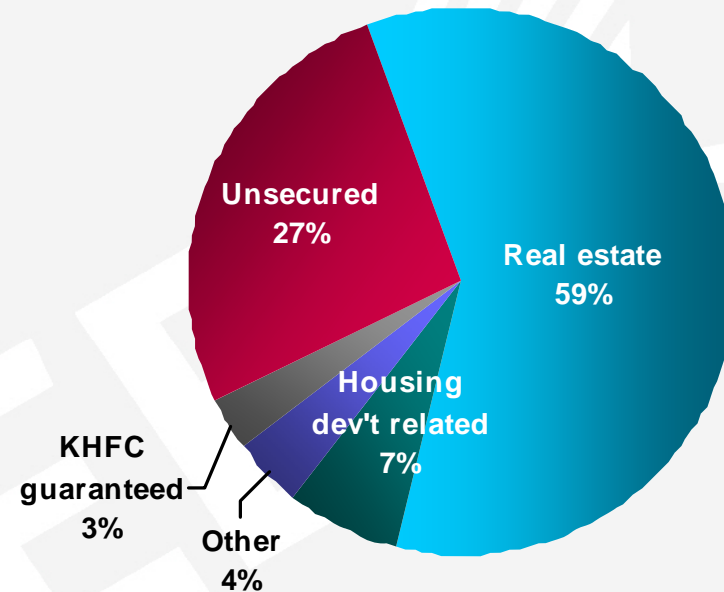
Household Loans (Bank KRW loans)

(KRW billion)



Household Loans by Collateral Type

(End-Dec 2008)



- Housing loans, which had been decreasing until the first half of the year, started increasing as the government eased real estate regulations
- Modest growth in high quality personal loans

Asset Quality

1. Asset Quality

2. Delinquency

1. Asset Quality



(KRW billion)

	Dec 08		Sept 08		June 08		Mar 08		Dec 07	
		(Excl. Card)		(Excl. Card)		(Excl. Card)		(Excl. Card)		(Excl. Card)
Normal	69,454.7	66,974.6	73,455.6	71,102.5	63,967.2	61,644.0	60,601.9	58,306.7	58,009.8	55,631.7
Precautionary	737.9	697.1	501.9	468.2	378.2	346.6	317.5	285.4	351.9	317.8
Substandard	390.6	390.4	297.5	297.2	266.9	266.3	271.5	271.5	242.3	242.3
Doubtful	102.5	76.3	63.6	38.2	35.2	11.8	39.4	14.0	43.0	18.7
Estimated loss	260.2	251.4	152.0	143.3	94.9	87.3	70.2	63.7	75.0	69.2
Total credits	70,945.9	68,389.8	74,470.6	72,049.4	64,742.4	62,356.0	61,300.5	58,941.3	58,722.0	56,279.7
NPL (substandard & below loans) ratio (%)	1.06%	1.05%	0.69%	0.66%	0.61%	0.59%	0.62%	0.59%	0.61%	0.59%
Precautionary & below loans ratio (%)	2.10%	2.07%	1.36%	1.31%	1.20%	1.14%	1.14%	1.08%	1.21%	1.15%
Loan loss reserve	1,096.9	1,026.7	973.1	906.8	803.6	739.8	747.7	683.8	733.0	668.4
NPL coverage ratio (%)	145.6%	143.0%	189.7%	189.4%	202.4%	202.5%	196.2%	195.8%	203.5%	202.4%
Precautionary & below coverage ratio (%)	73.6%	72.6%	95.9%	95.8%	103.7%	103.9%	107.0%	107.8%	102.9%	103.2%

- Despite the domestic and global financial downturn, the NPL ratio is stable and the coverage ratio (~145%) remains high

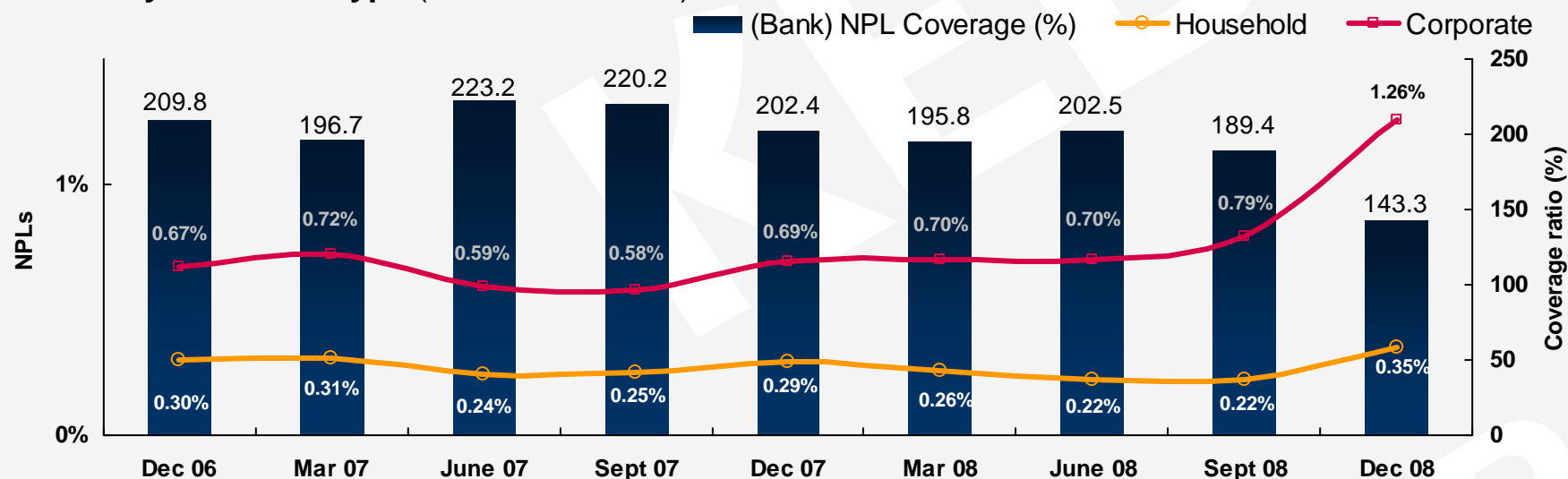
1. Asset Quality – NPL & Coverage Ratios



(KRW billion)

	Household					Corporate				
	Dec 08	Sept 08	June 08	Mar 08	Dec 07	Dec 08	Sept 08	June 08	Mar 08	Dec 07
Total credit	15,883.9	15,694.9	15,048.6	14,690.7	14,885.7	51,202.9	56,354.5	47,307.4	44,250.6	41,394.0
NPLs (substandard & below loans)	56.0	34.7	33.2	38.4	43.3	662.1	444.0	332.2	310.8	286.9
NPL ratio	0.35%	0.22%	0.22%	0.26%	0.29%	1.26%	0.79%	0.70%	0.70%	0.69%
Loan loss reserves	188.2	173.3	167.7	165.0	171.7	838.5	733.5	572.1	518.8	496.7
NPL coverage ratio (%)	336.0%	499.5%	505.1%	429.7%	396.5%	126.6%	165.2%	172.2%	166.9%	173.1%

NPL Ratios by Borrower Type (Excl. Credit Card)

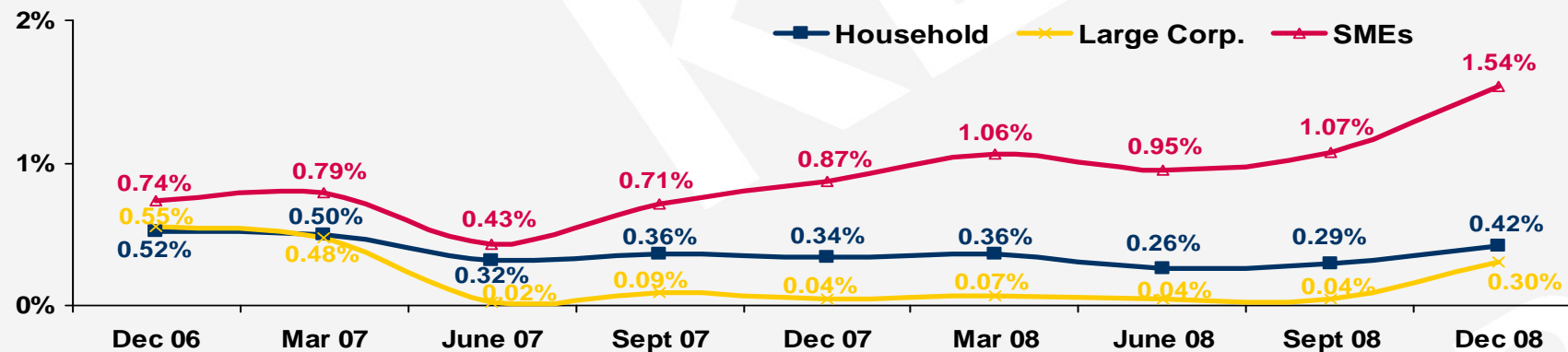


2. Delinquency

(KRW billion)

	Dec 08	Sept 08	June 08	Mar 08	Dec 07	YoY
Bank	0.86%	0.54%	0.50%	0.59%	0.49%	+0.37%p
Household	0.42%	0.29%	0.26%	0.36%	0.34%	+0.07%p
SME	1.54%	1.07%	0.95%	1.06%	0.87%	+0.67%p
Large corp. & Others	0.30%	0.04%	0.04%	0.07%	0.04%	+0.26%p
Card	2.36%	2.20%	2.03%	2.05%	1.92%	+0.44%p
Normal book	2.33%	2.17%	2.01%	2.01%	1.88%	+0.45%p
Re-aged book	13.14%	11.96%	10.13%	10.32%	10.77%	+2.37%p
Total delinquency ratio	0.92%	0.60%	0.57%	0.65%	0.56%	+0.37%p
Total delinquent amount	586.5	397.8	330.6	362.6	297.9	+96.9%
Bank	526.2	344.6	282.1	314.3	250.9	+109.7%
Card	60.3	53.2	48.5	48.3	47.0	+28.3%
Total receivables	63,511.1	66,242.5	58,460.3	56,065.3	53,421.4	+18.9%
Bank	60,957.6	63,823.5	56,074.2	53,707.0	50,979.8	+19.6%
Card	2,553.5	2,419.0	2,386.1	2,358.3	2,441.6	+4.6%

Delinquency Ratios by Borrower Type (Excl. Credit Card)



Special Topics

- 1. Strict Risk Exposure Management**
- 2. FX & Trade Finance**
- 3. Shareholding Structure**
- 4. Capital Adequacy Ratio**
- 5. KIKO Exposure**

<Appendix 1> Quarterly Net Income (After tax)

1. Strict Risk Exposure Management



- **KEB has minimal exposure to US mortgage assets: USD 35.8mil net valuation**

(USD million)

	Total	Sub/Mid prime
✓ Direct holdings of US mortgages	-	-
✓ Direct holdings of US mortgage-backed securities	-	-
✓ Indirect exposure through collateralized debt obligations	45.0	1.26

Purchase Month	Credit Rating	Investment	Maturity	Sub-prime + Mid-prime ratio (amount)	Valuation (Dec. 31, 2008)	Valuation Loss	
						CDO	Sub/Mid
Apr 2006	AAA (US Treasury)	5.00	Mar 2016	2.5% (0.12)	4.46	0.54	0.12
May 2006	BB	20.00	Apr 2011	-	14.60	5.40	-
Mar 2007	AAA (Freddie Mac)	20.00	Sept 2015	5.7%(1.14)	16.74	3.26	1.14
Total		45.00		2.8% (1.26)	35.80	9.20	1.26

} Capital adjustment items

- ✓ Freddie Mac related CDO: USD 20mil, Fannie Mae related CDO: none
- ✓ Net valuation of total CDO loss = USD 9.2mil as of end-Dec. 2008

(Net valuation loss of sub/mid prime = USD 1.26mil)

- **KEB has no exposure to CDS after selling last CDS holding in 4Q (original investment USD 18mil)**
→ Valued at USD 7.15mil at end-3Q, written off and sold

1. Strict Risk Exposure Management



▪ ABCP Commitments

- ✓ Exposure: KRW 1,274.5bn, -85.2bn from 3Q (KRW billion)

Grade	Probability of Default	Exposure	Credit VaR (Economic capital)
3	0.25%	577.8	14.5
4	0.50%	175.1	6.4
5+	0.85%	454.1	22.4
Below 5(0)	1.60%-8.55%	67.5	3.8
Total		1,274.5	47.0

- ✓ Commitments mainly consist of large construction projects with strong credit ratings
- ✓ Risk is low as the percentage of credit VaR (economic capital) is 1.29%
(Bank's total economic capital is KRW 3,665.6bn)

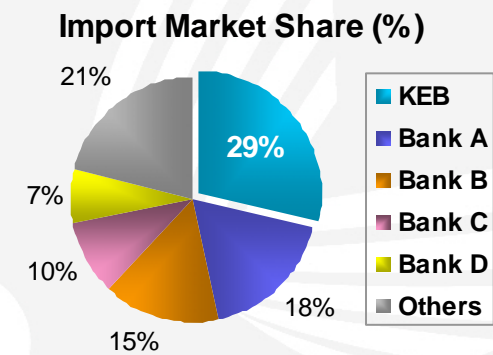
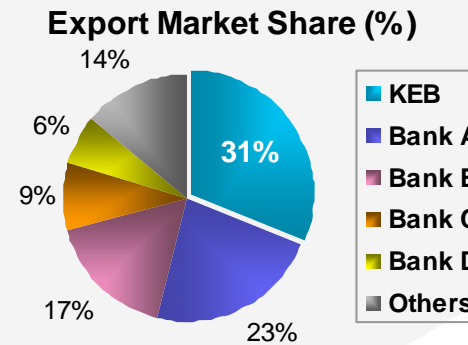
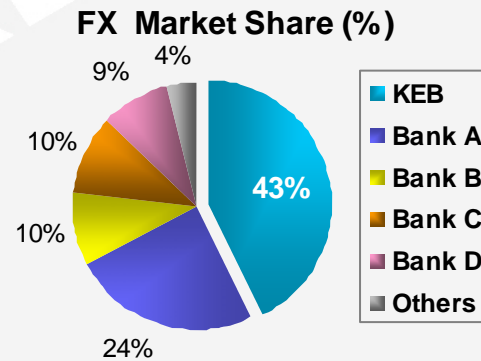
▪ Project Financing Loans

- ✓ Exposure: KRW 2,305.1bn, -469.5bn from 3Q
- ✓ Concentrated in lower risk areas/construction companies (ABCP commitments + PF loans)
 - Portion of exposure above credit grade 5+: 67.6% (reflects recent downgrading of construction companies)
 - Seoul & metropolitan area, where vacancy and pricing levels are stable: 73%
 - Top 100 builders: 95% (top 50 builders: 78%)

2. Market Leadership in FX & Trade Finance

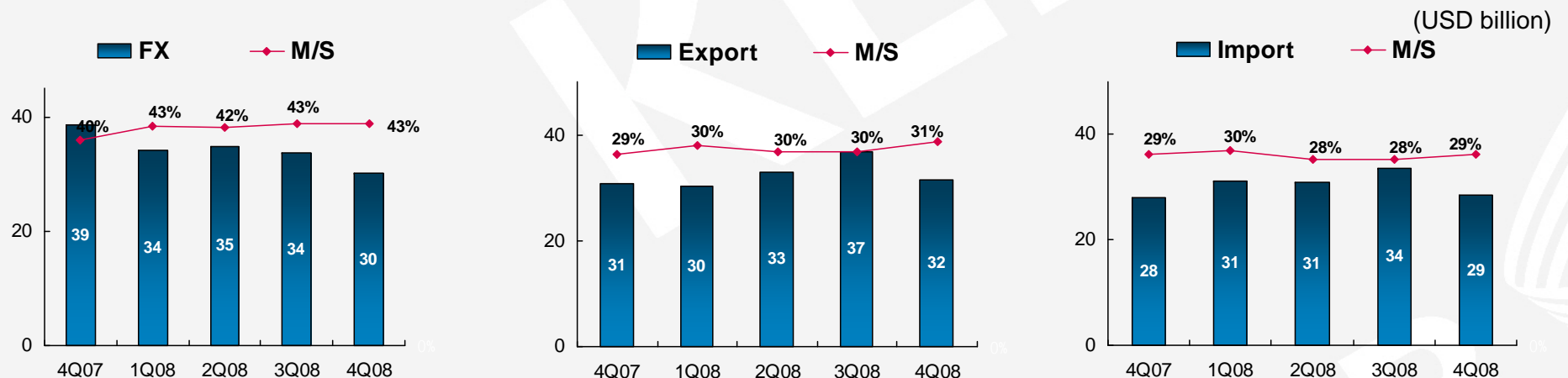


Strong Market Leadership



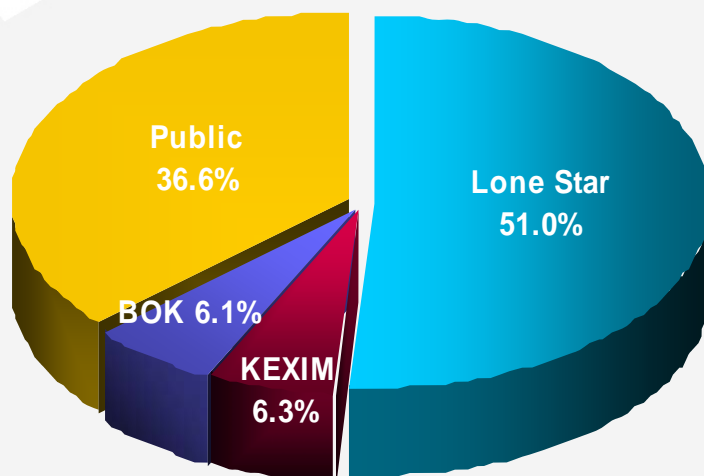
- Market Share: FX based on 7 large domestic banks' transactions, exports/imports based on national trade volume

Trading Volume & Market Share



3. Shareholding Structure

Shareholders' Structure



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

* Lone Star sold 13.6% (87.7mil shares) on June 26, 2007 into the public markets through a block sale transaction

Capital Structure

(KRW billion)

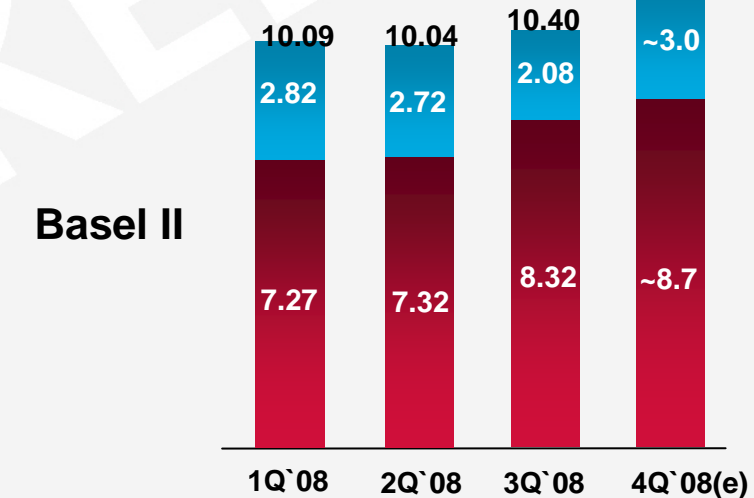
	Dec 08	Dec 07	YoY
Paid-in Capital	3,224.5	3,224.5	-
Capital Surplus	0.9	0.9	-
Capital Adjustment (Unrealized gains on investment securities)	318.2	1,107.1	-788.9**
Retained Earnings*	2,712.9	2,318.3	+394.6
Total Shareholders' Equity	6,246.9	6,650.8	-403.9
Book value per share (KRW)	9,687	10,313	- 626

* Recognized dividend in 1Q`08 (KRW451bn, KRW 700 per share)

** Impact of decline in share prices
(Hynix: -701bn, Hyundai E&C: -260bn)

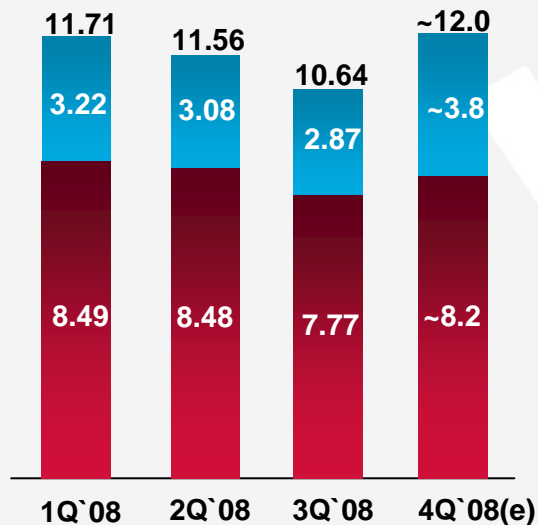
4. Capital Adequacy Ratio

BIS Ratio



■ Tier 2
■ Tier 1

Basel I



Key factors impacting 4Q Basel II BIS ratio

→ Reduction in RWA and an increase in capital led to 139bp increase from 3Q

■ Risk weighted asset reduction → +33bp

- ✓ Reduction of KRW assets: +13bp
- ✓ Reduction of FC assets: +23bp
 - Volume reduction effect: +41bp
 - FX translation effect: -18bp
- ✓ Increase in operating risk: -3bp

■ Capital increase factors → +106bp

- ✓ Tier 1 capital increase of 116.5bn → +17bp
- ✓ Tier 2 capital increase of 600.4bn → +88bp
 - KRW sub-ordinate debt issuance (800bn in 4Q): +82bp
 - Valuation adjustment of available-for-sale securities → -34bp (Decline in value of Hynix and Hyundai E&C holdings)

5. KIKO Exposure



Substantial improvement

	Sept 08	Dec 08	Change
KRW/USD FX spot rate	1,187.70	1,257.50	+69.80
Number of customers with KIKO contracts (SMEs)	194 (183)	87 (82)	-107 (-101)
Customer valuation loss* on remaining contracts (KRW bn)	286.9	148.5	-138.4
Customer valuation loss* - average per customer (KRW bn)	1.5	1.7	+0.2

* "Customer valuation loss" represents the amount payable by the customer under all future contract commitments if the FX rate remains at the end-quarter level. Customer valuation loss on open contracts is partially offset (~50% if used as hedge) by higher value of customers' future hedged FC revenue

> KRW 10bn	# of customers	6	4	-2
	Amount	96.5	64.5	-32.0
KRW 5-10bn	# of customers	4	3	-1
	Amount	31.4	20.0	-11.4
KRW 1-5bn	# of customers	42	17	-25
	Amount	84.3	39.5	-44.8
< KRW 1bn	# of customers	142	63	-79
	Amount	74.6	24.4	-50.2

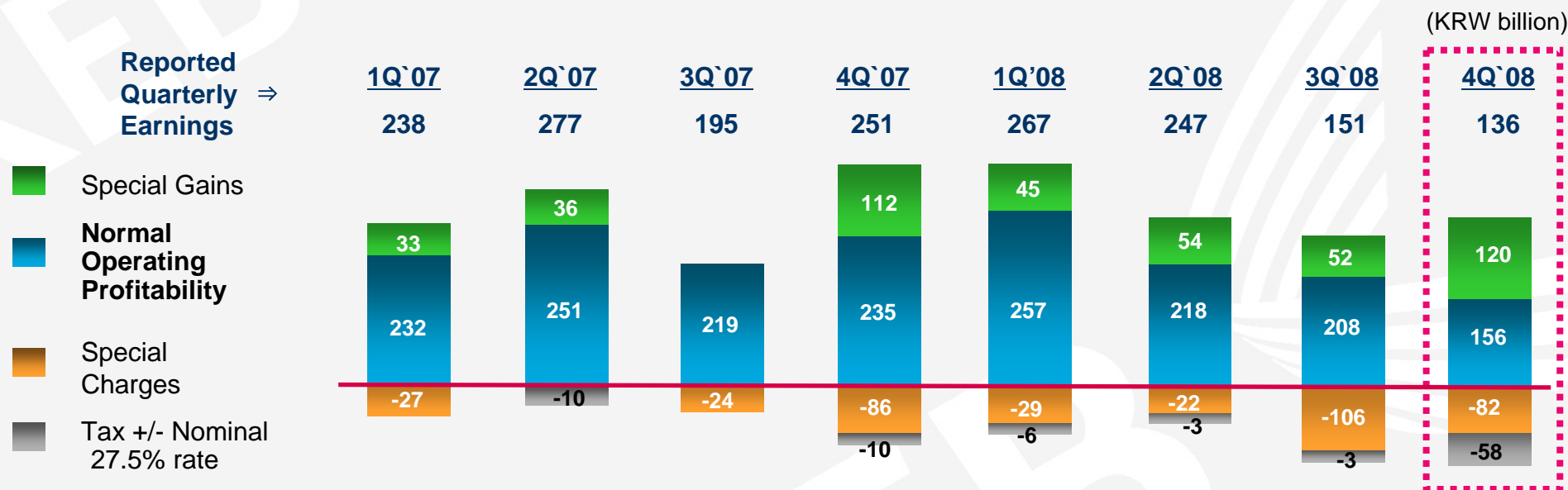
- **For the great majority of customers, their loss on KIKO contracts is a profitability issue, not a threat to their solvency**
 - ✓ Average KRW 1.7bn per customer
 - ✓ Customers' future potential loss offset by higher value of their future hedged FC revenue

- **Four customers had KIKO-related exposure to KEB >KRW 10bn as of end-Dec. 08**
 - ✓ 3 of 4 not over-hedged

- **FSS-sponsored "fast track" support**
 - ✓ Customers can request special "temporary liquidity support" from related banks, depending on company viability (evaluated as A,B,C,D)

- **Customer petitions**
 - ✓ 10 filed: 9 closed or closing with no findings

<Appendix 1> Quarterly Net Income (After tax)



Special Charges (FY`07 - 4Q`08)

	FY`07	1Q`08	2Q`08	3Q`08	4Q`08
Retroactive CBA payments /special bonus	11	-	16	-	-
Regulatory reserve changes	61	-	-	-	-
NTS tax assessment	27	-	-	-	-
KEBCS-related legal penalty	25	-	-	-	-
Return of dormant deposit	13	-	-	-	-
KEBCS-related legal penalty	25	-	-	-	-
Impairment loss (Hanmi Bank)	-	-	6	-	5
Non-performing assets	-	-	-	78	77
Bonus recognition timing	-	29	-	28	-
Total	137	29	22	106	82

Special Gains (FY`07 - 4Q`08)

	FY`07	1Q`08	2Q`08	3Q`08	4Q`08
Sale of debt-for-equity positions	79	-	-	-	-
Reversal of impairment loss	7	4	-	-	-
Recoveries/Sale of NPLs	30	-	-	42	-
Retrieval from Non-Performing Asset Fund	26	-	-	-	46
KEBCS-related legal penalty recovery	-	-	25	-	-
Asset recognition of the shares of VISA Inc.	39	41	-	-	29
Change in provision calculation method	-	-	-	10	-
Interest on reserves held at BOK	-	-	-	-	17
Bonus recognition timing	-	-	29	-	28
Total	181	45	54	52	120