



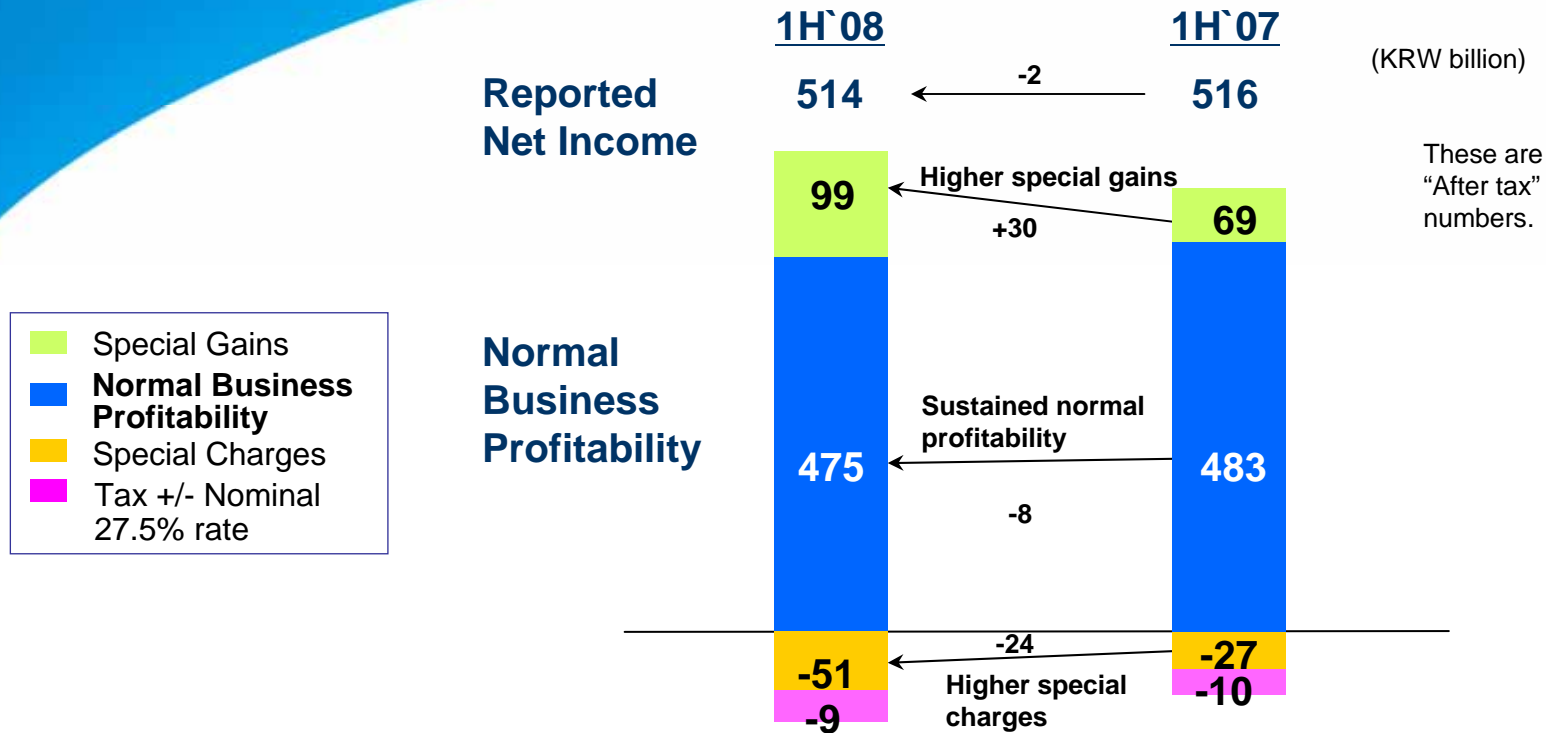
Contents

- Overview
- Profitability
- Balance Sheet
- Asset Quality
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# 1H`08 Results

## Good Business Performance in Midst of Severe Global Financial Volatility

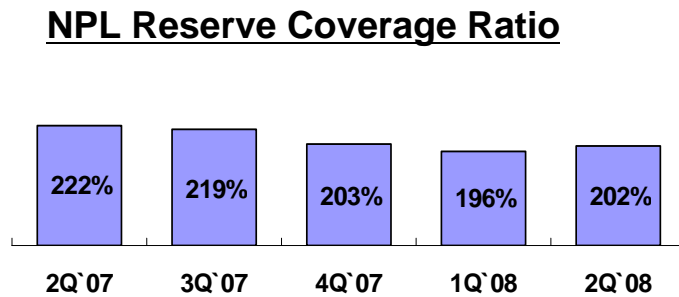
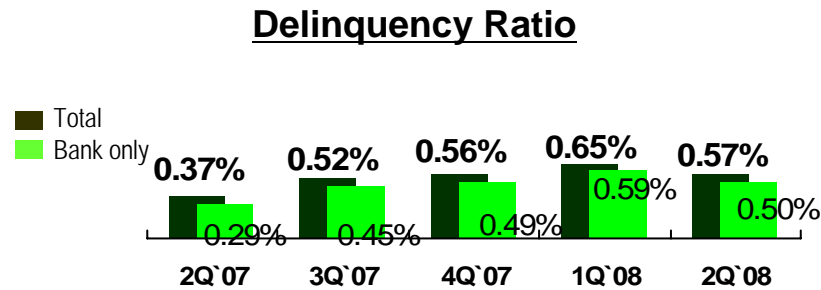
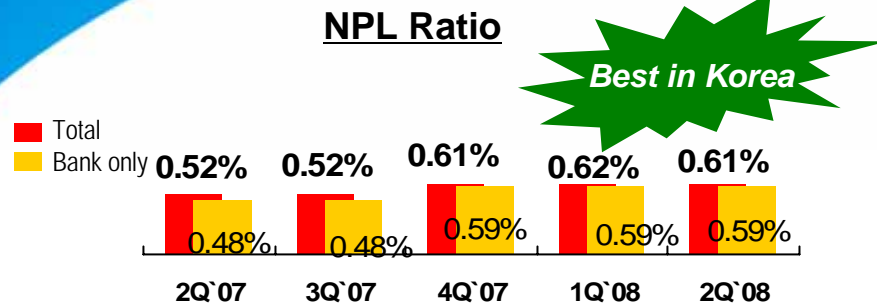


- ✓ **Steady Business Volume Growth... Net Interest Income +9% YoY**
  - Best ROA in Korean banking industry
- ✓ **Stable Income Performance through Diverse Profit Sources**
  - Investment product fees -22% vs. 1H`07; Q2 +15% vs. Q1
  - Strong growth in: FC Fees +14%      Subsidiaries +35%
  - Merchant banking +97%      FX Fees +16%
  - Trading profit +24%      International +20%
- ✓ **Higher Loan Loss Provisions Consistent with Higher Asset Growth and Higher YoY SME Delinquency Levels**
  - Net income effect -92billion, broadly consistent with `08 plan
  - NPL ratio remains 0.61%, best in industry
  - SME delinquency decreased -11bps in Q2 compared to Q1

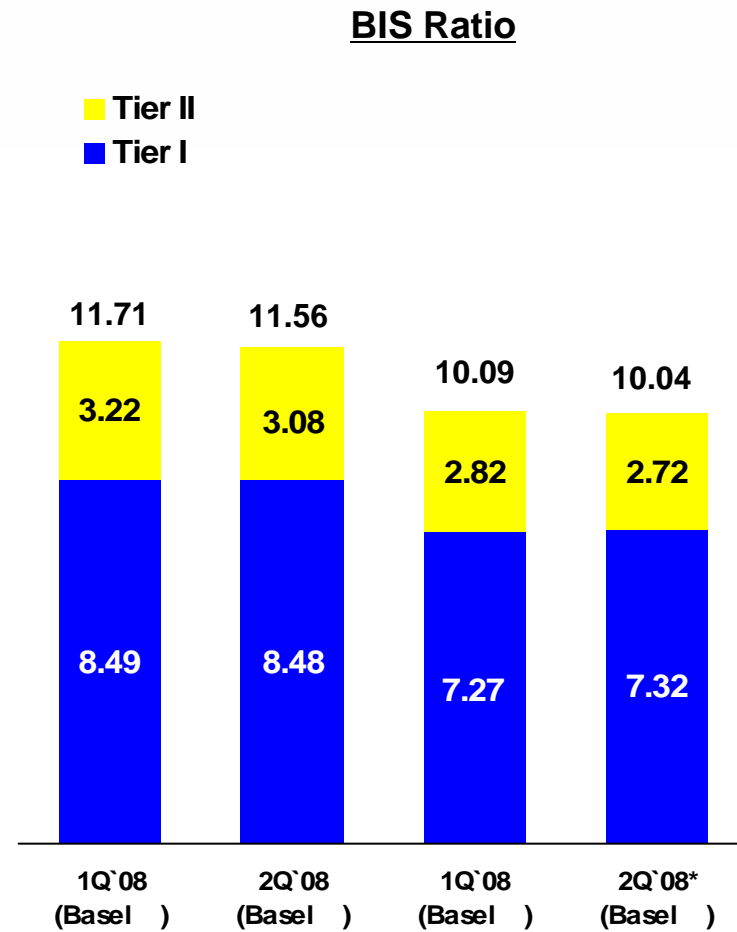
Refer to appendix1 for quarterly details

# Best Asset Quality & Strong Capital Adequacy

## Continued Strong Asset Quality



## Continued Strong Capital Adequacy

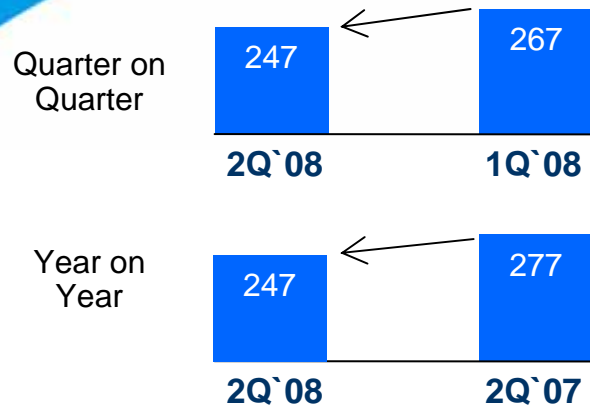


\* Refer to page 31 regarding effect of Basel on risk weighted assets and capital

# 2Q`08 Highlights

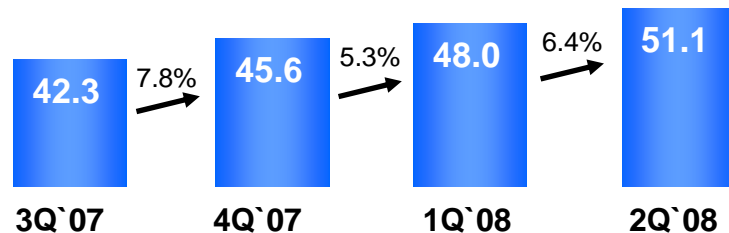
## Good Performance Reflecting Disciplined Focus on Core Markets

### ✓ Stable Containment of Net Income (KRW billion)

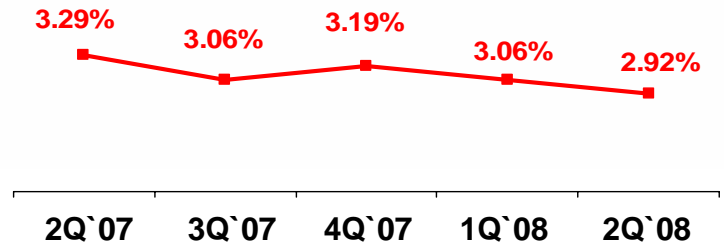


- ✓ Quarterly comparisons consistent with YoY discussion
- ✓ Higher provision expense associated with faster asset growth and higher SME delinquency
- ✓ Lower net special gains and charges

### ✓ Loans – Steady Growth in Good Quality Assets (KRW trillion, quarterly average balance)



### ✓ NIM Protection Effort (Quarterly NIM)



- ✓ Good management of pricing within business lines
  - QoQ improvement
- ✓ Faster growth in lower NIM / lower risk asset classes
  - Large corporate & International +3.5%p vs. 2007
  - FC credits (~1%NIM) 2.8tr of 3.8tr QoQ growth

### ✓ Continued International Network Expansion

- ✓ Moscow Rep office (Apr 08), Vancouver downtown branch (Jun 08), Santiago Rep office (Jul 08), Tianjin Binhai office (Jul 08)

### ✓ Recognitions

- ✓ 'Best sub-custodian bank in Korea 2008' by Global Finance (May 08)

# Contents

## Profitability

- 1. Summary of Profitability**
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- 4. Fees & Commissions**
- 5. Non Interest Income**
- 6. Total Expenses**
- 7. Provision & Others**

# 1. Summary of Profitability



(Unit : KRW bn)

	2008									2007		
	1H	2Q		1Q		1H	Bank		Card			
		Bank	Card	Bank	Card	Bank	Card	Bank	Card	Bank	Card	
Net Interest Income	1,012.5	793.7	218.9	508.7	396.7	112.1	503.8	397.0	106.8	930.9	710.3	220.6
Fees & Commissions	285.6	361.5	-75.9	151.5	190.5	-38.9	134.1	171.0	-36.9	288.0	354.0	-66.0
Non Interest Income	133.1	132.1	0.9	73.8	77.6	-3.8	59.2	54.5	4.7	101.2	102.2	-1.0
<b>Total Income</b>	<b>1,431.2</b>	<b>1,287.3</b>	<b>143.9</b>	<b>734.1</b>	<b>664.7</b>	<b>69.4</b>	<b>697.1</b>	<b>622.6</b>	<b>74.6</b>	<b>1,320.1</b>	<b>1,166.5</b>	<b>153.6</b>
<b>Total Expenses(-)</b>	<b>567.9</b>	<b>527.5</b>	<b>40.3</b>	<b>273.0</b>	<b>255.1</b>	<b>17.9</b>	<b>294.8</b>	<b>272.4</b>	<b>22.4</b>	<b>515.6</b>	<b>475.1</b>	<b>40.5</b>
<b>Operating Income</b>	<b>863.4</b>	<b>759.8</b>	<b>103.6</b>	<b>461.1</b>	<b>409.6</b>	<b>51.5</b>	<b>402.3</b>	<b>350.2</b>	<b>52.1</b>	<b>804.5</b>	<b>691.4</b>	<b>113.1</b>
<b>Impairment Loss, etc.(-)</b>	<b>-37.8</b>	<b>-33.7</b>	<b>-4.0</b>	<b>16.8</b>	<b>17.8</b>	<b>-1.0</b>	<b>-54.5</b>	<b>-51.5</b>	<b>-3.0</b>	<b>-62.5</b>	<b>-59.3</b>	<b>-3.2</b>
<b>Income before Provision</b>	<b>901.1</b>	<b>793.5</b>	<b>107.7</b>	<b>444.3</b>	<b>391.8</b>	<b>52.5</b>	<b>456.8</b>	<b>401.7</b>	<b>55.1</b>	<b>867.0</b>	<b>750.7</b>	<b>116.2</b>
<b>Provision &amp; Others (-)</b>	<b>189.9</b>	<b>169.1</b>	<b>20.8</b>	<b>109.8</b>	<b>99.2</b>	<b>10.7</b>	<b>80.0</b>	<b>69.9</b>	<b>10.1</b>	<b>-11.9</b>	<b>-31.1</b>	<b>19.2</b>
- Add'l loan loss provisioning	198.0	188.6	9.4	117.9	111.8	6.1	80.1	76.8	3.3	71.4	64.6	6.8
- Add'l other provisioning	-23.5	-33.9	10.4	-18.1	-22.2	4.1	-5.4	-11.7	6.3	-113.9	-124.4	10.5
<b>Income before Tax</b>	<b>711.3</b>	<b>624.4</b>	<b>86.9</b>	<b>334.5</b>	<b>292.7</b>	<b>41.8</b>	<b>376.8</b>	<b>331.7</b>	<b>45.1</b>	<b>878.9</b>	<b>781.8</b>	<b>97.1</b>
<b>Income Tax Expense (-)</b>	<b>197.4</b>	<b>197.4</b>	<b>-</b>	<b>88.1</b>	<b>88.1</b>	<b>-</b>	<b>109.3</b>	<b>109.3</b>	<b>-</b>	<b>363.2</b>	<b>363.2</b>	<b>-</b>
<b>Net Income</b>	<b>513.8</b>	<b>426.9</b>	<b>86.9</b>	<b>246.4</b>	<b>204.6</b>	<b>41.8</b>	<b>267.4</b>	<b>222.4</b>	<b>45.1</b>	<b>515.7</b>	<b>418.6</b>	<b>97.1</b>

- Achieved net income of KRW 514bn for 1H`08, flat to 1H`07 results

- ✓ Despite difficult financial market environment, steady asset-growth and improved performance in FX related fees & commissions, merchant business and trading profit drove 8.4% and 7.3% YoY increase in 1H`08 total income and operating income.
- ✓ Additional loan loss provision driven by good asset growth and incremental SME delinquency (refer to page 12)
- ✓ Year-over-year change in 'Other Provisions' reflects impact of payment of NTS tax assessment in 2007.

## 2. Net Interest Income



(Unit : KRW bn)

	2008				2007	
	1H	2Q	1Q	Q o Q	1H	Y o Y
<b>Interest Revenue</b>	<b>2,353.1</b>	<b>1,183.5</b>	<b>1,169.6</b>	+1.2%	<b>1,919.2</b>	+22.6%
Income on due from banks	57.6	24.8	32.8	-24.4%	27.4	+110.2%
Interest on securities	212.1	112.7	99.4	+13.4%	179.3	+18.4%
Interest income on loans	2,069.0	1,038.4	1,030.5	+0.8%	1,700.4	+21.7%
-Bank	1,782.7	894.2	888.5	+0.6%	1,424.8	+25.1%
-Card	286.3	144.2	142.1	+1.5%	275.6	+3.9%
Others	14.3	7.5	6.8	+10.7%	12.1	+18.3%
<b>Interest Expenses</b>	<b>1,279.2</b>	<b>643.9</b>	<b>635.3</b>	+1.4%	<b>936.6</b>	+36.6%
Interest on deposits	794.7	396.4	398.4	-0.5%	575.3	+38.2%
Interest on borrowings	212.5	105.4	107.1	-1.5%	171.4	+24.0%
Interest on debentures	246.5	129.0	117.4	+9.9%	173.8	+41.8%
Others	25.5	13.0	12.5	+4.5%	16.1	+58.7%
Insurance expenses for deposits & Contribution for Credit Guarantee Fund (-)	68.0	34.3	33.6	+2.2%	58.1	+16.9%
<b>Other Interest Income(+/-)</b>	<b>6.6</b>	<b>3.5</b>	<b>3.1</b>	+11.6%	<b>6.4</b>	+3.8%
<b>Net Interest Income</b>	<b>1,012.5</b>	<b>508.7</b>	<b>503.8</b>	<b>+1.0%</b>	<b>930.9</b>	<b>+8.8%</b>
-Bank	793.7	396.7	397.0	-0.1%	710.3	+11.7%
-Card	218.9	112.1	106.8	+4.9%	220.6	-0.8%

- **Bank** : 1H`08 NII rose 11.7% YoY driven by consistent asset growth
- **Card** : 1H`08 NII slightly below (-0.8% YoY) level of 1H`07 on higher funding costs.

### 3. Net Interest Margin (NIM)



(Unit : %)

		2008		2007			
		2Q	1Q	4Q	3Q	2Q	1Q
<b>Cumulative</b>	<b>Net Interest Margin (NIM)</b>	<b>2.99</b>	<b>3.06</b>	<b>3.23</b>	<b>3.24</b>	<b>3.32</b>	<b>3.34</b>
	NIM in KRW	3.69	3.76	3.85	3.85	3.93	3.92
	NIM in FC	0.95	0.90	1.20	1.21	1.30	1.45
	<b>Loan to Deposit Spread</b>						
	LTD Spread in KRW	2.77	2.86	3.10	3.12	3.19	3.20
	LTD Spread in FC	2.35	2.34	2.41	2.41	2.39	2.42
<b>Quarterly</b>	<b>Net Interest Margin (NIM)</b>	<b>2.92</b>	<b>3.06</b>	<b>3.19</b>	<b>3.06</b>	<b>3.29</b>	<b>3.34</b>
	NIM in KRW	3.63	3.76	3.82	3.66	3.94	3.92
	NIM in FC	1.00	0.90	1.16	1.05	1.17	1.45
	<b>Loan to Deposit Spread</b>						
	LTD Spread in KRW	2.69	2.86	3.05	3.00	3.17	3.20
	LTD Spread in FC	2.39	2.34	2.43	2.44	2.34	2.42

■ **NIM Reduction... 14bp Decrease in Quarterly NIM vs. 1Q`08**

	<b>Portfolio Composition</b>		
	NIM rate	1H08 composition Vs. 2007	Mix effect on reported NIM
Large	Lowest	+2%p	
Corp/SME	~Average	+0.5%p	~
Retail	Above Average	-3%p	
Card	Highest	-0.5%p	
International	Below Average	+1%p	

	<b>Business Unit NIM Trend Positive</b>	
	1Q	2Q
Large	-11	+6
Corp/SME	-19	+8
Retail	-21	+3
Card	-107	+50
International	+1	-24*

\* Impact of large FC transactions & translation effect  
Excluding effect of securities, SPC interest, and NPLs on overall total

	<b>Portfolio Composition</b>	
	Q2 NIM vs. Q1	Portion of total credits
Foreign currency	+10bp	+3.7pts to 27%
KRW	-13bp	-3.7pts to 73%



## 4. Fees & Commissions



(Unit : KRW bn)

		2008				2007	
		1H	2Q	1Q	Q o Q	1H	Y o Y
Bank	Gain from FX transaction	141.9	75.4	66.5	+13.3%	122.7	+15.7%
	<b>Fees &amp; Commissions</b>	<b>219.6</b>	<b>115.1</b>	<b>104.5</b>	<b>+10.1%</b>	<b>231.4</b>	<b>-5.1%</b>
	KRW currency related	108.4	56.1	52.4	+7.0%	135.9	-20.2%
	Bancassurance	19.4	9.0	10.3	-12.7%	20.3	-4.5%
	Investment product sales	51.3	27.5	23.8	+15.4%	65.6	-21.8%
	Foreign currency related	75.5	39.3	36.2	+8.5%	66.0	+14.4%
	Others	35.6	19.7	15.9	+23.9%	29.5	+20.8%
Bank – Total		361.5	190.5	171.0	+11.4%	354.0	+2.1%
Card sector		-75.9	-38.9	-36.9	U.	-66.0	U.
<b>Total</b>		<b>285.6</b>	<b>151.5</b>	<b>134.1</b>	<b>+13.0%</b>	<b>288.0</b>	<b>-0.8%</b>
<b>Fees &amp; Commissions / Total Income (%)</b>							
<b>Total</b>		20.0%	20.6%	19.2%	+1.4%p	21.8%	-1.8%p
<b>Bank Only</b>		<b>28.1%</b>	<b>28.7%</b>	<b>27.5%</b>	<b>+1.2%p</b>	<b>30.4%</b>	<b>-2.3%p</b>

- 1H`08 Bank performance up 2.1% versus 1H`07, as lower investment products sales (-22%) partially offset strong growth in FX transaction (+16%) and foreign currency fees (+14%)
  - ✓ 2Q performance up 11% versus 1Q, with broad improvement across all areas except bancassurance
- 1H`08 Card fee expense +KRW 10bn on higher business volumes

## 5. Non Interest Income



(Unit : KRW bn)

	2008				2007	
	1H	2Q	1Q	Q o Q	1H	Y o Y
Operating Trust Account	16.5	8.1	8.4	-4.2%	15.4	+7.3%
Merchant Account	17.6	7.4	10.2	-28.0%	9.0	+96.8%
Trading Profit	67.1	32.5	34.6	-5.9%	54.3	+23.5%
Valuation equity method	38.2	22.4	15.8	+41.5%	28.3	+34.9%
Card sector	0.9	-3.8	4.7	U.	-1.0	F.
NPL sales	4.6	4.6	-	F.	-3.9	F.
Others	-11.8	2.7	-14.5	F.	-0.9	U.
<b>Non Interest Income</b>	<b>133.1</b>	<b>73.8</b>	<b>59.2</b>	<b>+24.7%</b>	<b>101.2</b>	<b>+31.5%</b>

▪ **Broad growth (+31%) in non-interest income versus 1H`2007**

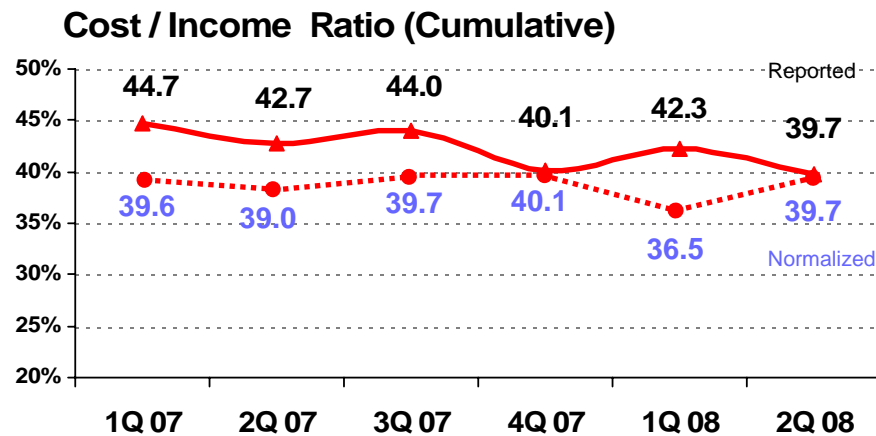
- ✓ **Merchant Account:** 1H`08 increased 96.8% YoY, with QoQ fluctuation related to market interest rate changes and related customer CP issuance.
- ✓ **Trading Profit:** 1H`08 increased 23.5% YoY with continuous outstanding performance in foreign currency trading
- ✓ **NPL Sales:** Sale of written-off assets and ABS issuance (KRW 87.1bn of NPLs)

# 6. Total Expenses



(Unit : KRW bn)

	2008				2007	
	1H	2Q	1Q	Q o Q	1H	Y o Y
Salaries & Benefits	356.8	165.0	191.8	-14.0%	319.3	+11.8%
Salaries	266.8	104.4	162.4	-35.7%	261.2	+2.1%
Employee benefits	90.0	60.6	29.4	+106%	58.1	+55.0%
Operating Expenses	139.3	71.7	67.6	+6.0%	127.2	+9.6%
Depreciation	54.9	28.1	26.8	+4.7%	56.2	-2.4%
Tax & Dues	16.8	8.3	8.6	-3.4%	13.0	+29.7%
<b>Total Expenses</b>	<b>567.8</b>	<b>273.0</b>	<b>294.8</b>	<b>-7.4%</b>	<b>515.6</b>	<b>+10.1%</b>
- Bank	527.5	255.1	272.4	-6.3%	475.1	+11.0%
- Card	40.3	17.9	22.4	-20.1%	40.5	-0.6%



- Cost/Income Ratio:**

- Consistently maintaining normalized ratio < 40%

- Salaries & Benefits:**

- Quarterly salaries fluctuation reflects timing of accounting recognition for certain employee costs.

	1Q	2Q	1H
* Cost recognition timing impact	+40.4	-40.4	-0-

- Employee benefits: Special performance bonus for employees (KRW 22.7bn) in 2Q`08 related to exceeding 1H`08 business targets

## 7. Provisions & Others



(Unit : KRW bn)

	2008				2007	
	1H	2Q	1Q	Q o Q	1H	Y o Y
<b>Loan Loss Provisioning</b>	<b>197.9</b>	<b>117.9</b>	<b>80.1</b>	<b>+47.1%</b>	<b>71.4</b>	<b>+177%</b>
<Bank>	188.6	111.8	76.8	+45.5%	64.7	+192%
Corporate	177.4	101.9	75.4	+35.1%	54.4	+226%
Household	11.2	9.8	1.4	+606%	10.2	+10.1%
<Card>	9.4	6.1	3.3	+85.7%	6.8	+37.8%
<b>Other Provisioning etc.</b>	<b>-23.5</b>	<b>-18.1</b>	<b>-5.4</b>	<b>F.</b>	<b>-113.9</b>	<b>U.</b>
<b>Retirement Allowance</b>	<b>15.4</b>	<b>10.1</b>	<b>5.3</b>	<b>+89.9%</b>	<b>30.6</b>	<b>-49.5%</b>
<b>Total - Reported</b>	<b>189.9</b>	<b>109.8</b>	<b>80.0</b>	<b>+37.2%</b>	<b>-11.9</b>	<b>U.</b>
- Excluding NTS item	<b>189.9</b>	<b>109.8</b>	<b>80.0</b>	<b>+37.2%</b>	<b>122.0</b>	<b>+55.7%</b>

- **Loan Loss Provisioning:** Increased along with loan asset size expansion and YoY SME delinquency increase  
- refer to next page
- **Other Provisioning etc.:** In June 2008, recovery of KRW 25bn penalty (paid in 4Q`07) upon successful appeal in KEBCS stock price manipulation trial.  
- 1H`07 includes KRW 133.9bn for NTS item.

# Loan Loss Provision



## Increased provision reflects loan asset growth and SME environment

(Unit: KRW billion)

	1H'07	1H'08	Change
Total LLP expense	71.4	197.9	+126.5
Asset Growth	18.0	53.5	+35.5
Asset Quality Change	142.9	225.0	+82.1 (+57%)
Recoveries	-89.5	-80.6	+8.9
Total Credits (incl 1H w/o and ABS issuance)	51,219	65,028	
Total LLR	648	857	
1H w/o	188	213	
Pre-w/o LLR	836	1,070	
LLR to total credits	1.63%	1.65%	

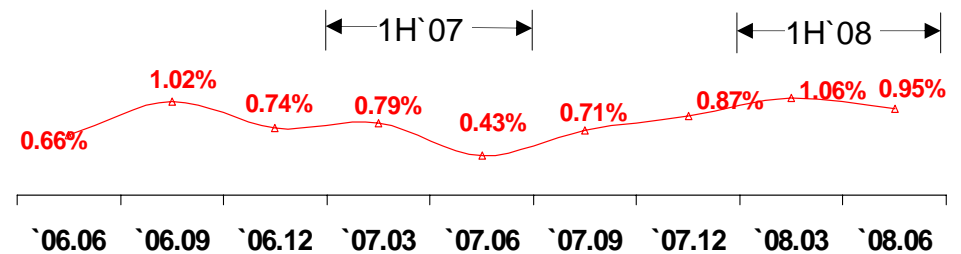
### Asset Growth

- \* Net asset increase effect: +12.6 (= +1.8tr x 0.70%)
- \* FX rate effect: +13.5 (= +1.9tr x 0.70%)
- \* Minimum reserve ratio change effect: +9.4 (15bps)

### Asset Quality Change

- \* NPL ratio: 0.61%, +9bps vs 1H'07
- \* Principally driven by SME sector

### SME Delinquency trends (see page 22)



## 7-a. Loan Loss Reserve (LLR)



(Unit : KRW bn)

	2008			2007
	1H	2Q	1Q	1H
<b>Beginning LLR</b>	<b>791.7</b>	803.9	791.7	<b>675.3</b>
<b>Additional Provisioning</b>	<b>197.9</b>	117.9	80.1	<b>71.4</b>
<b>Write-offs (-)</b>	<b>213.1</b>	112.1	101.0	<b>187.7</b>
<b>Reversal &amp; Others</b>	<b>80.6</b>	47.5	33.1	<b>89.5</b>
<b>Ending LLR*</b>	<b>857.1</b>	857.1	803.9	<b>648.5</b>
<b>NPL Coverage (%)**</b>	<b>202.4%</b>	<b>202.4%</b>	<b>196.2%</b>	<b>222.2%</b>

	Bank				Card			
	2008			2007	2008			2007
	1H	2Q	1Q	1H	1H	2Q	1Q	1H
<b>Beginning LLR</b>	<b>727.1</b>	740.0	727.1	<b>598.9</b>	<b>64.6</b>	63.9	64.6	<b>76.4</b>
<b>Additional Provisioning</b>	<b>188.5</b>	111.8	76.8	<b>64.6</b>	<b>9.4</b>	6.1	3.3	<b>6.8</b>
<b>Write-offs (-)</b>	<b>169.4</b>	89.4	80.0	<b>130.5</b>	<b>43.7</b>	22.7	21.0	<b>57.2</b>
<b>Reversal &amp; Others</b>	<b>47.1</b>	31.0	16.1	<b>51.6</b>	<b>33.5</b>	16.5	17.0	<b>37.9</b>
<b>Ending LLR*</b>	<b>793.3</b>	793.3	740.0	<b>584.6</b>	<b>63.8</b>	63.8	63.9	<b>63.8</b>
<b>NPL Coverage (%)**</b>	<b>202.5%</b>	<b>202.5%</b>	<b>195.8%</b>	<b>223.2%</b>	<b>201.9%</b>	<b>201.9%</b>	<b>200.3%</b>	<b>214.2%</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

- Consistently strong NPL coverage ratio ~200%
- Current reserve levels significantly exceed KEB's estimated level of expected loss under Basel AIRB and FIRB standards

# Contents

## Balance Sheet

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

# 1. Summarized B/S



(Unit : KRW bn)

	2008.06	2008.03	Q o Q	2007.12	Y t D
<b>Cash &amp; Due from Banks</b>	<b>5,994.1</b>	<b>4,747.5</b>	+26.3%	<b>5,118.4</b>	+17.1%
<b>Securities</b>	<b>10,489.1</b>	<b>11,087.5</b>	-5.4%	<b>9,773.4</b>	+7.3%
<b>Loans</b>	<b>59,108.7</b>	<b>56,799.9</b>	+4.1%	<b>54,055.4</b>	+9.3%
- Credit Card Receivables	2,385.2	2,357.3	+1.2%	2,440.6	-2.3%
<b>Other Asset</b>	<b>14,147.8</b>	<b>14,209.5</b>	-0.4%	<b>9,724.0</b>	+45.5%
<b>Merchant Banking Assets</b>	<b>2,759.5</b>	<b>3,915.6</b>	-29.5%	<b>3,353.8</b>	-17.7%
<b>Total Assets</b>	<b>92,499.2</b>	<b>90,760.0</b>	+1.9%	<b>82,024.9</b>	+12.8%
<b>Deposits</b>	<b>44,913.5</b>	<b>42,941.1</b>	+4.6%	<b>44,431.0</b>	+1.1%
<b>Borrowings</b>	<b>12,512.8</b>	<b>11,389.8</b>	+9.9%	<b>8,858.1</b>	+41.3%
<b>Debentures</b>	<b>10,025.0</b>	<b>8,472.1</b>	+18.3%	<b>8,547.9</b>	+17.3%
<b>Other Liabilities</b>	<b>15,919.3</b>	<b>18,071.2</b>	-11.9%	<b>11,390.2</b>	+39.8%
<b>Merchant Banking Liabilities</b>	<b>2,534.7</b>	<b>3,400.2</b>	-25.5%	<b>2,147.0</b>	+18.1%
<b>Shareholders' Equity</b>	<b>6,593.8</b>	<b>6,485.5</b>	+1.7%	<b>6,650.8</b>	-0.9%
<b>Liabilities &amp; Shareholders' Equity</b>	<b>92,499.2</b>	<b>90,760.0</b>	+1.9%	<b>82,024.9</b>	+12.8%

## ■ Assets

- ✓ Loans: +4.1% QoQ, +9.3% YtD increase, from continued responsible growth focusing on high quality customer supported by stable liquidity
- ✓ Securities: -5.4% QoQ, +7.3% YtD driven by adjustment of short-term securities held for liquidity management
- ✓ Merchant Banking Assets: -29.5% QoQ due to CP asset reduction corresponding to market interest rate rise

## ■ Liabilities

- ✓ Deposits: 4.6% QoQ increase driven by CD sales growth
- ✓ Borrowings & Debentures: Bigger funding contribution for asset growth
- ✓ Merchant Banking Liabilities: Paper issuance decreased along with merchant banking asset reduction



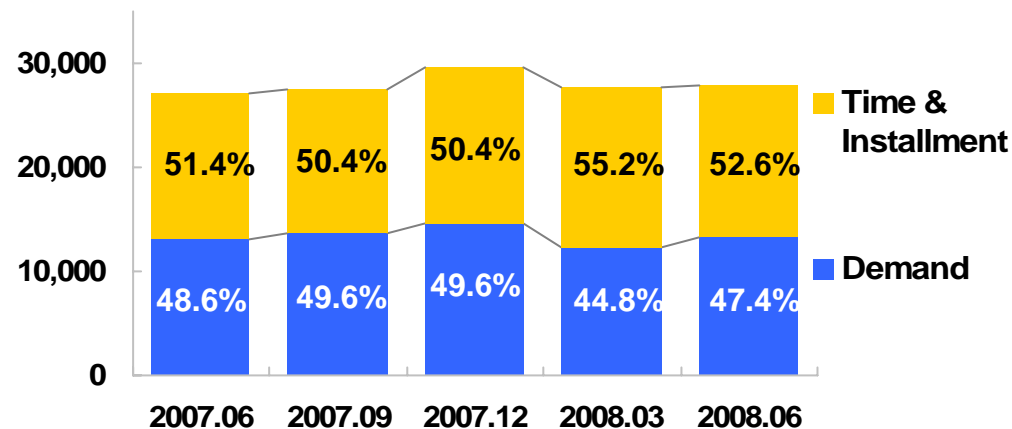
## 2. Deposits in KRW (Bank Acct.)



(Unit : KRW bn)

	Relative Cost	2008.06	2008.03	Q o Q	2007.12	Y t D
<b>Demand Deposits</b>	<b>Lower</b>	<b>13,203.4</b>	<b>12,398.1</b>	+6.5%	<b>14,670.7</b>	-10.0%
Savings deposit	Lower	4,906.2	4,933.8	-0.6%	5,144.9	-4.6%
Regular deposit	Lower	1,232.2	1,138.2	+8.3%	1,241.8	-0.8%
Corporate free savings deposit	Low	5,244.4	4,777.5	+9.8%	6,929.8	-24.3%
Others	Lower	1,820.5	1,548.5	+17.6%	1,354.2	+34.4%
<b>Time &amp; Installment Deposits</b>	<b>Higher</b>	<b>14,657.6</b>	<b>15,277.4</b>	-4.1%	<b>14,933.2</b>	-1.8%
<b>Total Deposits in KRW</b>	-	<b>27,861.0</b>	<b>27,675.5</b>	+0.7%	<b>29,603.9</b>	-5.9%

Composition of Deposits in KRW (Banking acct.)



- Demand deposits increased by 6.5% QoQ, offset by lower high cost time & installment deposits resulted 0.7% QoQ overall deposits growth
  - ✓ Demand deposits: Recovery in 2Q`08 after seasonal withdrawals during 1Q`08 related to corporate tax payments.
  - ✓ Time & Installment deposits: -4.1% QoQ contraction caused by migration into CDs

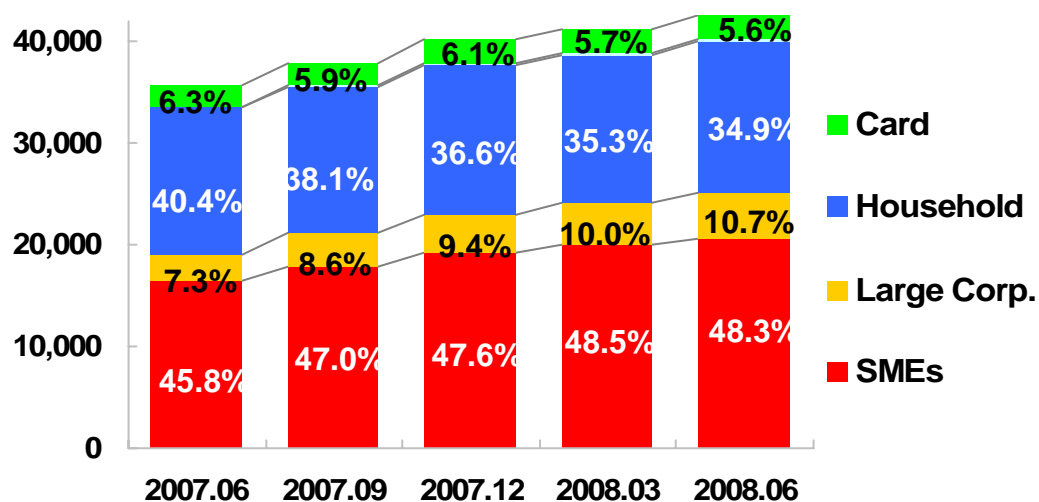
### 3. Loans in KRW (Banking Acct. + Card)



(Unit : KRW bn)

	2008.06	2008.03	Q o Q	2007.12	Y t D
Household	14,899.5	14,538.8	+2.5%	14,723.7	+1.2%
SMEs	20,592.6	19,980.9	+3.1%	19,157.6	+7.5%
Large Corp.	4,566.6	4,113.8	+11.0%	3,789.9	+20.5%
Public & Others	208.8	198.6	+5.1%	154.8	+34.9%
<b>Sub Total</b>	<b>40,267.4</b>	<b>38,832.1</b>	<b>+3.7%</b>	<b>37,826.0</b>	<b>+6.5%</b>
Credit Card	2,385.2	2,357.3	+1.2%	2,440.6	-2.3%
<b>Total Loans in KRW</b>	<b>42,652.6</b>	<b>41,189.4</b>	<b>+3.6%</b>	<b>40,266.5</b>	<b>+5.9%</b>

Portfolio of Loans in Korean Won (Bank acct.)

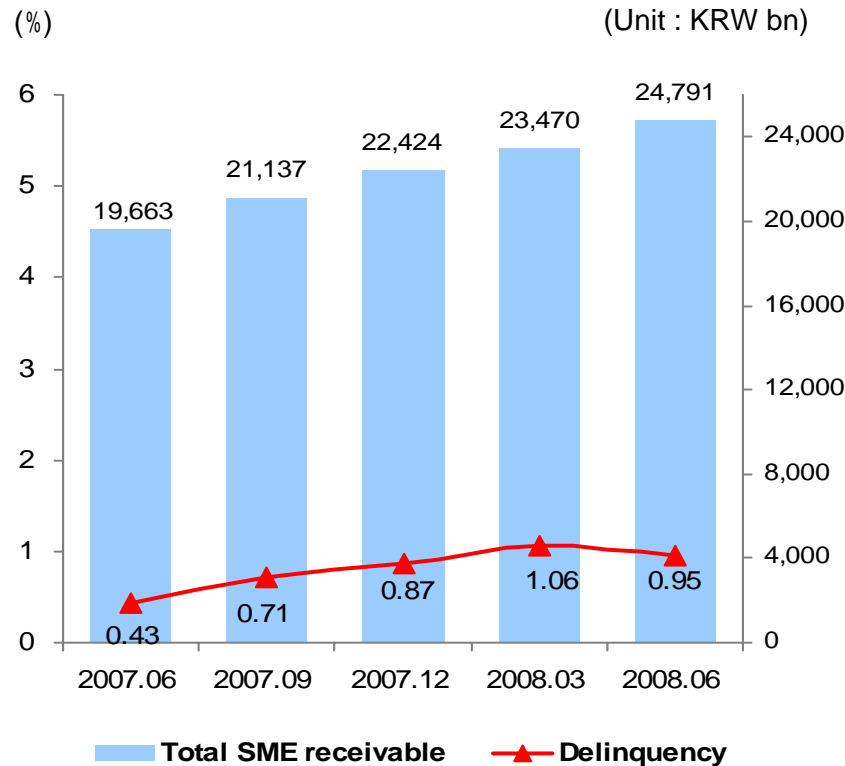


- **SMEs:** Continuous growth from focused customer segmentation marketing to high quality companies
- **Large Corps.:** Continuous strong growth trend reflecting broader capital market volatility and reduced direct funding opportunities
- **Household:** 2.5% QoQ increase driven by general purpose personal loans to high quality customers
- **Card:** 1.2% QoQ increase

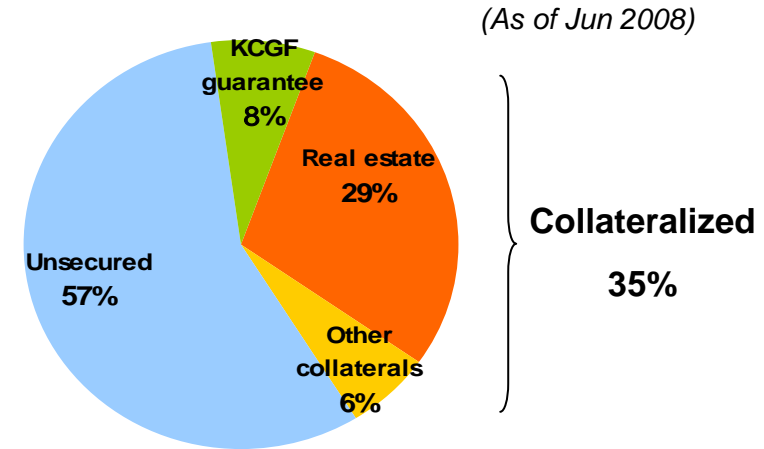
# 3. SME Loans



## Total SME loan receivables & delinquency ratio



## SME loans in KRW by collateral type



### SME Delinquency Ratio (Loans in KRW)

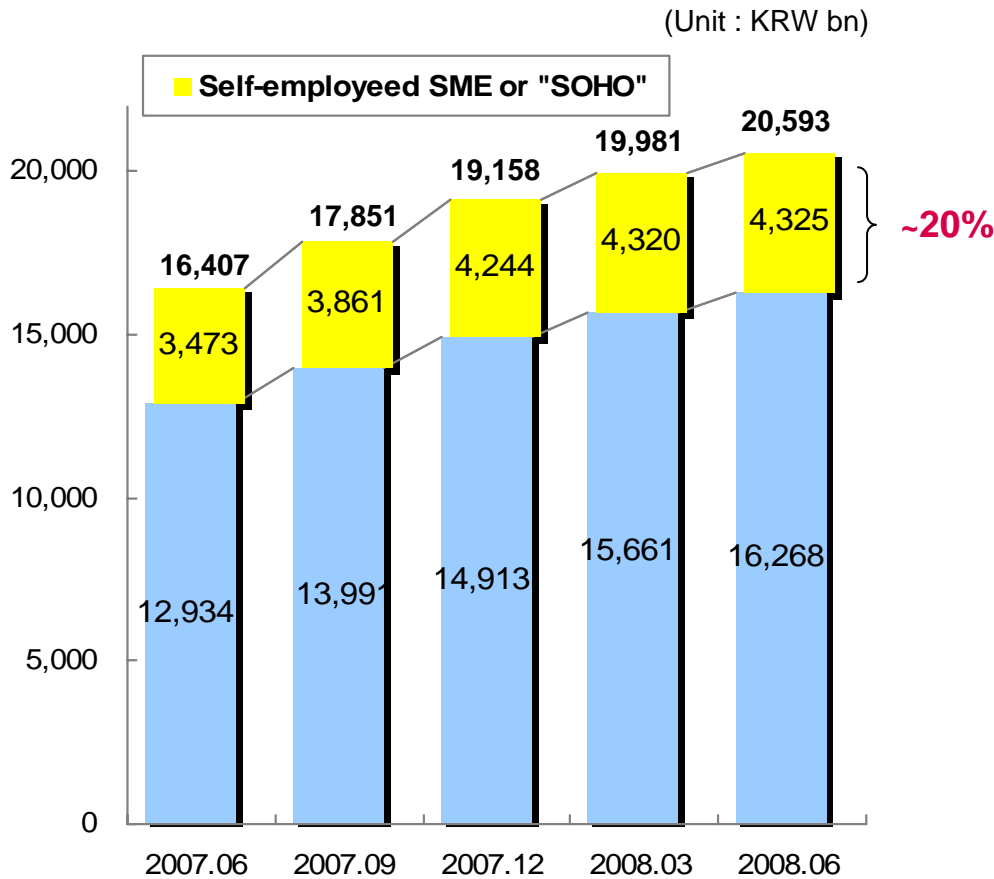
	'08.06	'08.03	'07.12	'07.09	'07.06
- Unsecured	0.27%	0.30%	0.34%	0.29%	0.21%
- Guaranteed	1.79%	1.94%	1.84%	1.50%	1.16%
- Collateralized	2.29%	2.42%	1.75%	1.37%	0.69%
<b>Total</b>	<b>1.11%</b>	<b>1.20%</b>	<b>0.98%</b>	<b>0.80%</b>	<b>0.49%</b>

- **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 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

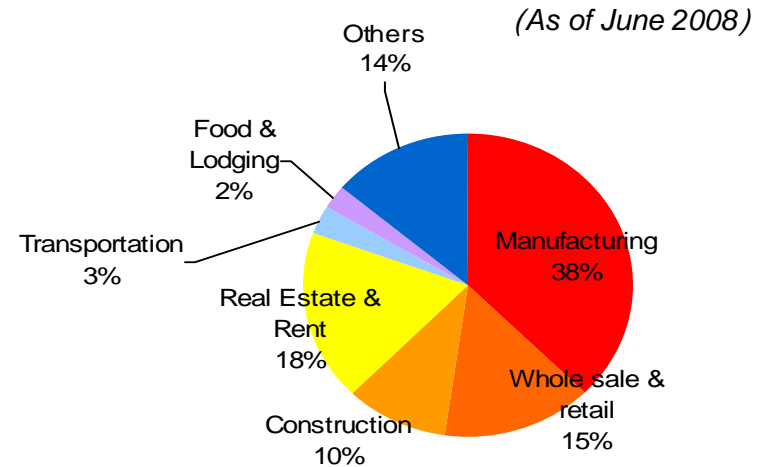
# 3. SME Loans - continued



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



## SME loans in KRW by industries



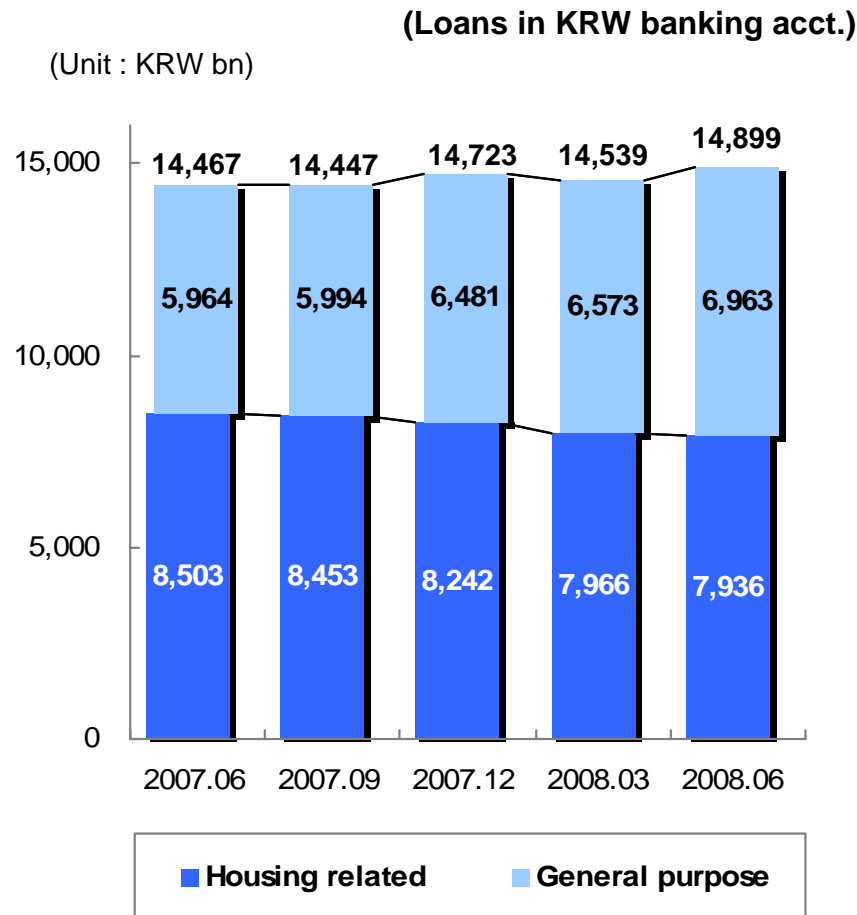
Industry	Delinquency				
	`08.06	`08.03	`07.12	`07.09	`07.06
Manufacturing	0.81%	1.03%	0.80%	0.68%	0.48%
Whole sale & retail	1.12%	1.04%	0.87%	0.75%	0.45%
Construction	1.08%	1.34%	1.01%	0.76%	0.47%
Real Estate & Rent	1.11%	1.38%	1.87%	1.13%	0.61%
Transportation	0.43%	0.30%	0.18%	0.20%	0.05%
Food & Lodging	2.10%	0.32%	0.41%	1.45%	1.31%
Others	1.90%	1.82%	0.92%	1.00%	0.42%
<b>Overall</b>	<b>1.11%</b>	<b>1.20%</b>	<b>0.98%</b>	<b>0.80%</b>	<b>0.49%</b>

Stabilizing environment in key industry exposure

# 3. Household Loans

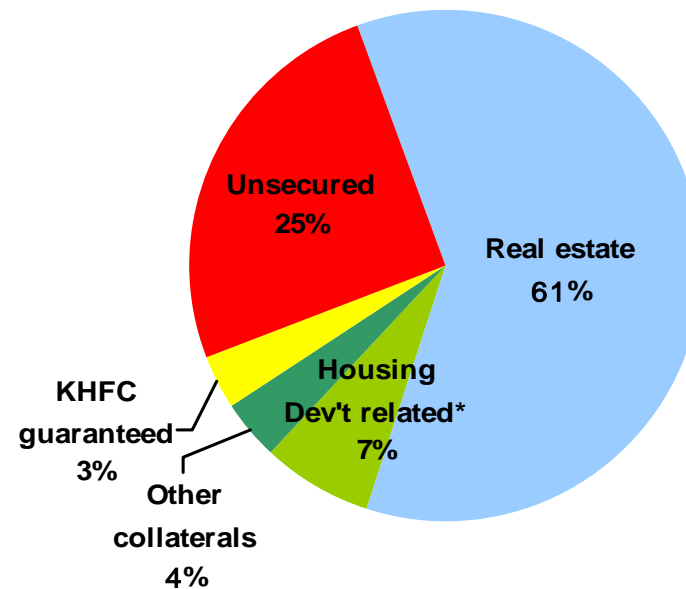


## Trend of Household loans



## Household loans by collateral type

(As of Jun 2008)



- Housing-related loans showed minor decrease due to market dampening effect of the government real estate regulation and policy and runoff of low/no profit “Group loans”
- Good growth in high quality personal loans

# Contents

## Asset Quality

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

# 1. Asset Quality



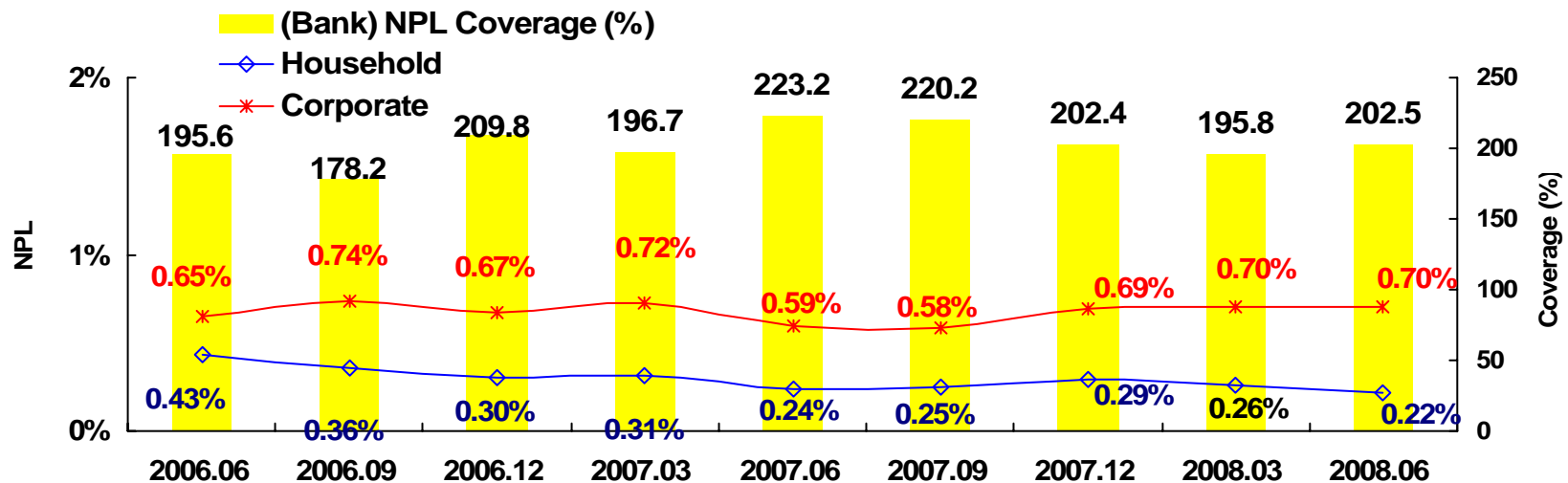
(Unit : KRW bn)	2008.06		2008.03		2007.12		2007.09		2007.06	
		(Ex.Card)		(Ex.Card)		(Ex.Card)		(Ex.Card)		(Ex.Card)
Normal	63,967.2	61,644.0	60,601.9	58,306.7	58,009.8	55,631.7	52,657.3	50,474.9	50,315.6	48,129.9
Precautionary	378.2	346.6	317.5	285.4	351.9	317.8	501.7	465.0	362.1	322.5
Substandard	266.9	266.3	271.5	271.5	242.3	242.3	182.2	182.2	168.8	168.8
Doubtful	35.2	11.8	39.4	14.0	43.0	18.7	46.8	21.7	42.2	16.9
Estimated Loss	94.9	87.3	70.2	63.7	75.0	69.2	47.5	43.1	53.1	48.6
<b>Total Credits</b>	<b>64,742.4</b>	<b>62,356.0</b>	<b>61,300.5</b>	<b>58,941.3</b>	<b>58,722.0</b>	<b>56,279.7</b>	<b>53,435.5</b>	<b>51,186.9</b>	<b>50,941.8</b>	<b>48,686.7</b>
Substandard & Below (NPL) (%)	<b>0.61%</b>	<b>0.59%</b>	<b>0.62%</b>	<b>0.59%</b>	<b>0.61%</b>	<b>0.59%</b>	<b>0.52%</b>	<b>0.48%</b>	<b>0.52%</b>	<b>0.48%</b>
Precautionary Below (%)	<b>1.20%</b>	<b>1.14%</b>	<b>1.14%</b>	<b>1.08%</b>	<b>1.21%</b>	<b>1.15%</b>	<b>1.46%</b>	<b>1.39%</b>	<b>1.23%</b>	<b>1.14%</b>
Loan Loss Reserve	803.6	739.8	747.7	683.8	733.0	668.4	606.1	544.0	586.7	522.9
NPL Coverage (%)	<b>202.4%</b>	<b>202.5%</b>	<b>196.2%</b>	<b>195.8%</b>	<b>203.5%</b>	<b>202.4%</b>	<b>219.2%</b>	<b>220.2%</b>	<b>222.2%</b>	<b>223.2%</b>
Precautionary & Below Coverage (%)	<b>103.7%</b>	<b>103.9%</b>	<b>107.0%</b>	<b>107.8%</b>	<b>102.9%</b>	<b>103.2%</b>	<b>77.89%</b>	<b>76.4%</b>	<b>93.7%</b>	<b>93.9%</b>

- NPL ratio & NPL coverage ratio maintained through excellent asset quality management

# 1. Asset Quality – NPL & Coverage by Sector

(Unit : KRW bn)	Household					Corporate				
	`08.06	`08.03	`07.12	`07.09	`07.06	`08.06	`08.03	`07.12	`07.09	`07.06
Total Credit	<b>15,048.6</b>	14,690.7	14,885.7	14,622.4	14,647.6	<b>47,307.4</b>	44,250.6	41,394.0	36,564.5	34,039.1
Substandard & below	<b>33.2</b>	38.4	43.3	36.4	34.6	<b>332.2</b>	310.8	286.9	210.6	199.7
Substandard & below (NPL Ratio)	<b>0.22%</b>	0.26%	0.29%	0.25%	0.24%	<b>0.70%</b>	0.70%	0.69%	0.58%	0.59%
Loan Loss Reserves	<b>167.7</b>	165.0	171.7	164.4	167.4	<b>572.1</b>	518.8	496.7	379.6	355.5
NPL Coverage(%)	<b>505.1%</b>	429.7%	396.5%	451.7%	483.8%	<b>172.2%</b>	166.9%	173.1%	180.3%	178.0%

**Trend of NPL ratio by type (Excluding Credit Card)**





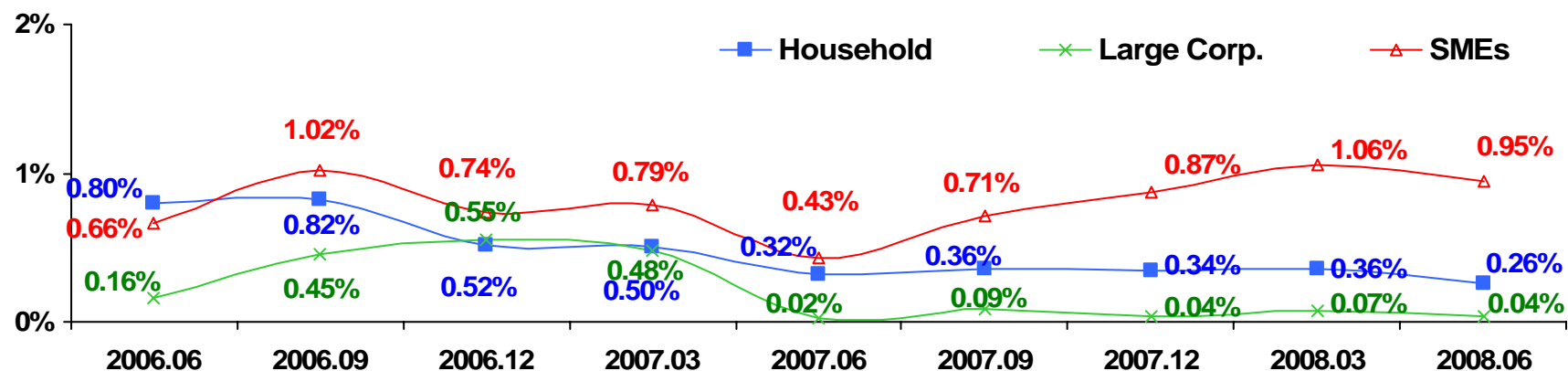
## 2. Delinquency



(Unit : KRW bn)

Reported basis	2008.06	Q o Q	2008.03	2007.12	2007.09	2007.06
<b>Bank</b>	<b>0.50%</b>	<b>-0.09%p</b>	<b>0.59%</b>	<b>0.49%</b>	<b>0.45%</b>	<b>0.29%</b>
Household	0.26%	-0.10%p	0.36%	0.34%	0.36%	0.32%
SME	0.95%	-0.11%p	1.06%	0.87%	0.71%	0.43%
Large Corp./Others	0.04%	-0.03%p	0.07%	0.04%	0.09%	0.02%
<b>Card</b>	<b>2.03%</b>	<b>-0.02%p</b>	<b>2.05%</b>	<b>1.92%</b>	<b>2.00%</b>	<b>1.98%</b>
Normal book	2.01%	-	2.01%	1.88%	1.80%	1.93%
Re-aged book	10.13%	-0.19%p	10.32%	10.77%	8.51%	8.38%
<b>Total delinquency ratio</b>	<b>0.57%</b>	<b>-0.08%p</b>	<b>0.65%</b>	<b>0.56%</b>	<b>0.52%</b>	<b>0.37%</b>
<b>Total delinquency amount</b>	<b>330.6</b>	<b>-8.8%</b>	<b>362.6</b>	<b>297.9</b>	<b>257.6</b>	<b>177.9</b>
Bank	282.1	-10.2%	314.3	250.9	212.7	133.2
Card	48.5	+0.4%	48.3	47.0	44.9	44.7
<b>Total receivables</b>	<b>58,460.3</b>	<b>+4.3%</b>	<b>56,065.3</b>	<b>53,421.4</b>	<b>49,920.2</b>	<b>47,436.2</b>
Bank	56,074.2	+4.4%	53,707.0	50,979.8	47,673.5	45,183.0
Card	2,386.1	+1.2%	2,358.3	2,441.6	2,246.7	2,253.2

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



# Contents

## Special Topics

- 1. Strict Risk Exposure Management**
  - 2. FX & Trade Finance**
  - 3. Shareholding Structure**
  - 4. Change of Corporate Identity (CI) and New Advertisement Campaign**
  - 5. Effect of Basel on Risk Weighted Assets vs. Basel**
- <Appendix 1> Quarterly Net Income – After tax basis**

# 1. Strict Risk Exposure Management



## KEB has minimal exposure to US mortgage assets

(Unit: USD million)

	<u>Total</u>	<u>Sub/Mid prime</u>
▪ Direct holdings of US mortgages	- 0 -	- 0 -
▪ Direct holdings of US mortgage-backed securities	- 0 -	- 0 -
▪ Indirect exposure through collateralized debt obligations	63.0	1.26

(Unit: USD million)

Purchase Month	Credit Rating	Investment	Maturity	Sub-prime + Mid-prime ratio (amount)	Valuation (Jun 30,08)	Valuation Loss	
						CDO	Sub/Mid
Apr 2006	AAA (US Treasury)	5.00	Mar 2016	2.5% (0.12)	4.50	0.50	0.12
May 2006	AAA	20.00	Apr 2011	None	18.00	2.00	-
Mar 2007	AAA (Freddie Mac)	20.00	Sep 2015	5.7%(1.14)	16.59	3.41	1.14
Apr 2007	AAA	18.00	Dec 2014	None	11.77	6.23	-
Total		63.00		1.9% (1.26)	50.86	12.14	1.26

Capital adjustment item

I/S item

- ✓ Freddie Mac related CDO: USD 20 million, Fannie Mae related CDO: none
- ✓ Net valuation loss of total CDO = USD 12.14 million as of Jun 30, 2008  
(Net valuation loss of Sub/Mid prime = USD 1.26million)

# 1. Strict Risk Exposure Management - continued



## ABCP Commitment

- Exposure : KRW 1,472.6 bn. (Billion won)

Grade	Probability of Default	Exposure	Credit VaR (Economic Capital)
3	0.25%	803.3	20.3
4	0.50%	168.5	7.4
5+	0.85%	430.8	22.3
Below 5 <sup>0</sup>	1.60%~8.55%	70	4.2
<b>Total</b>		<b>1,472.6</b>	<b>54.2</b>

- Most commitment consist of strong large construction project with good credit rating
- Portion of Credit VaR (Economic Capital) is 1.53%(low risk)  
(Total economic capital in bank is KRW 3,553.9 bn.)

## Project Financing Loans

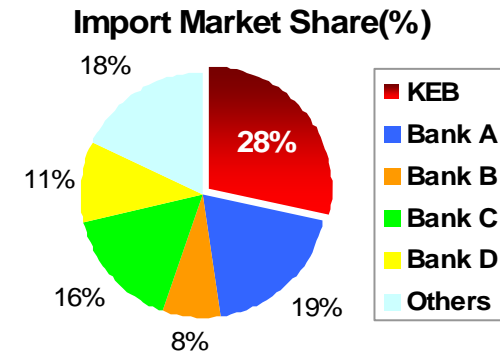
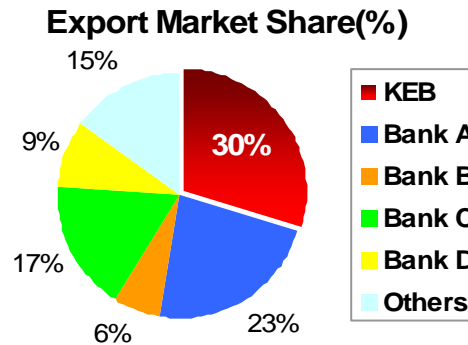
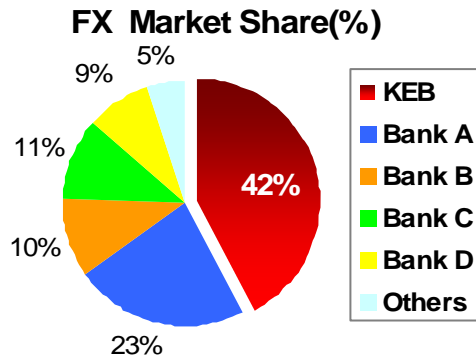
- Exposure: KRW 2,426.2 bn.
- Risk management by credit rating
  - Portion of exposure above 5<sup>+</sup> : 73.4%
- Management of risk amount by calculating the internal capital (management of risk limit by business units)
  - Credit VaR (Economic Capital) : KRW 156.4 bn.(4.40% of KRW 3,553.9 bn, total economic capital in bank.)
- Monthly measurement and limit management of credit concentration risk reflected Basel II requirement
  - Focus on management of credit concentration risk about real estate and construction industries

# 2. Market leadership in FX & Trade Finance



## Strong market leadership

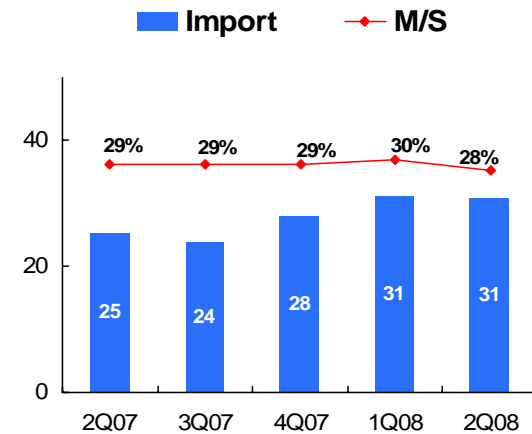
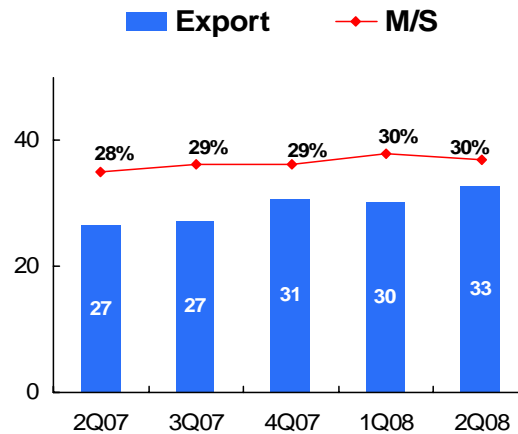
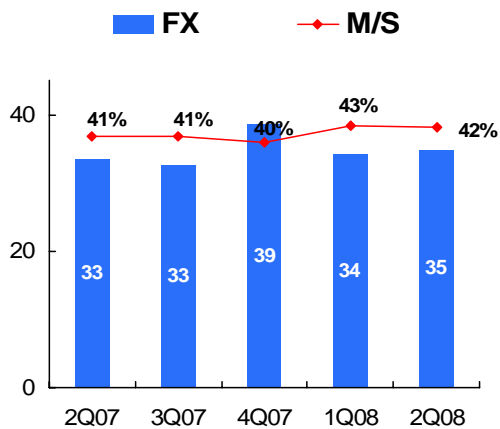
(Jan ~ Jun 2008)



• 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

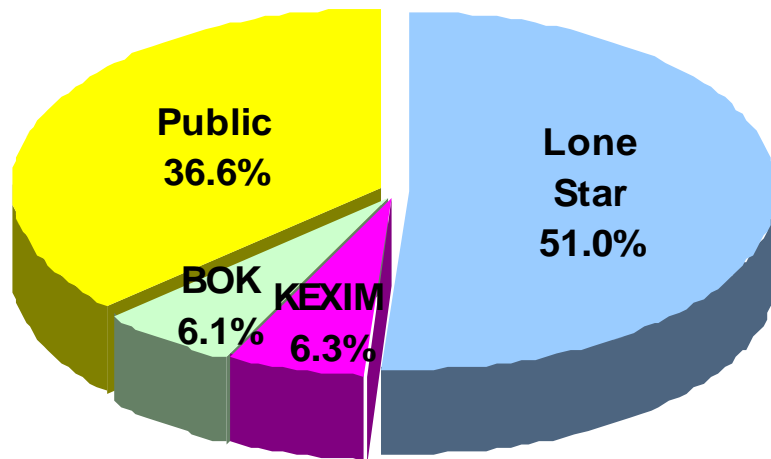
(Unit : USD billion, %)



# 3. Shareholding Structure



## Shareholders' Structure



(As of Jun 2008)

Shareholder	Number of share	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%*
<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)

	2008.06	2007.12	Y t D	Y o Y
Paid-in Capital	3,224.5	3,224.5	-	-
Capital Surplus	0.9	0.9	-	-
Capital Adjustment (Unrealized gain on investment securities)	956.1	1,107.1	-151.0**	-291.5
Retained Earnings*	2,412.3	2,318.3	+94.0	+541.5
Total Shareholders Equity	6,593.8	6,650.8	-57.0	+250.0
Book value Per Share (BPS)	10,224	10,313	- 89	+ 387

\* Recognized dividend in 1Q`08 (KRW451bn, 700/share)

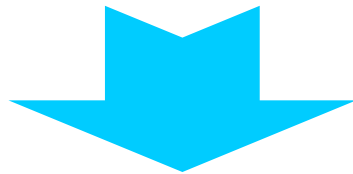
\*\* Impact of share price declines of Hynix (20bn) and Hyundai E&C (126bn)

# 4. Change of Corporate Identity (CI) and New Advertisement Campaign



## New Corporate Identity

KEB  외환은행



- ✓ The five stripes of the “Global Wing” represent a financial wing spanning the globe as well as the five oceans of the world and the diversity of the globe network that links KEB to its customers.
- ✓ It incorporates a colorful and dynamic image and embraces a harmony of red and blue which are the colors of the traditional Korean *taegeuk*.

## New Advertisement Campaign My ( ) Partner

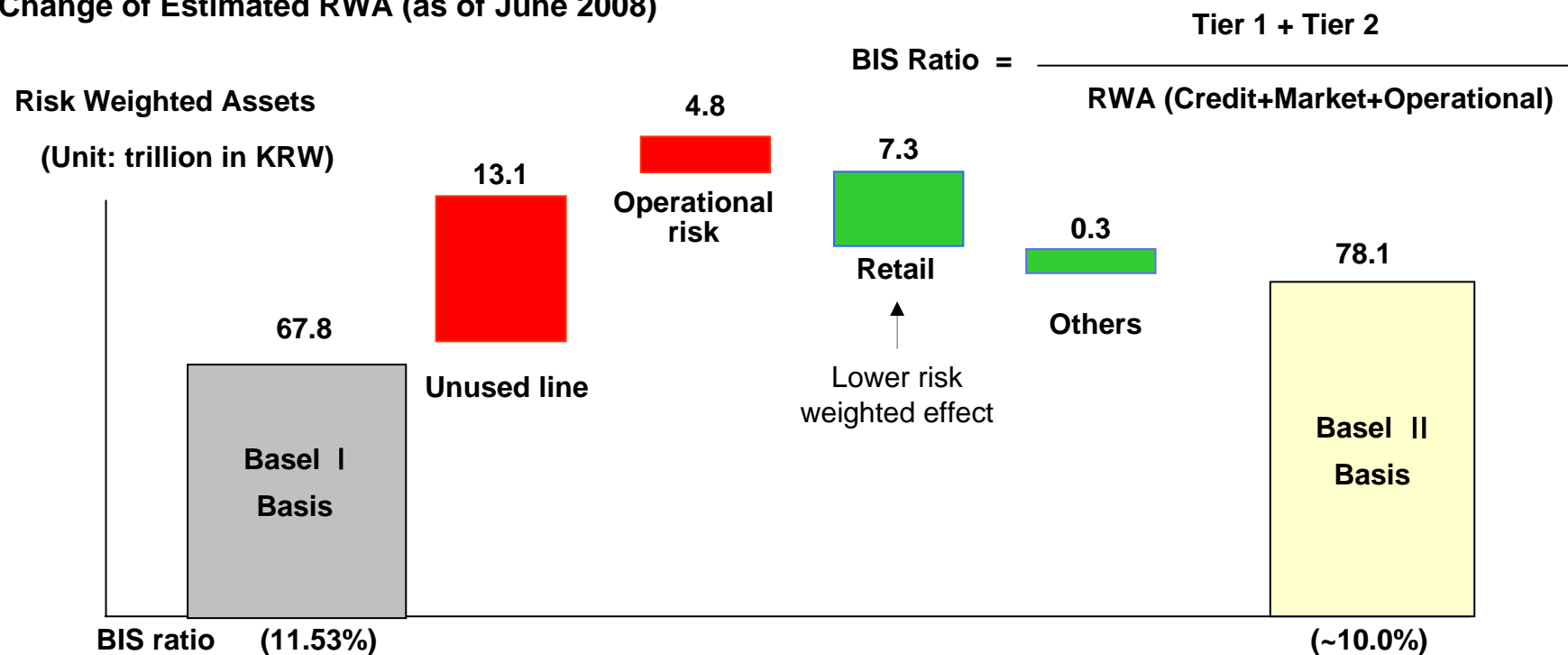


- ✓ Launched in connection with new CI.
- ✓ Clearly expresses KEB's broad banking capabilities beyond traditional FX and Trade Service image.
- ✓ Multi-media focus in print, TV, online, etc.

# 5. Effect of Basel II on RWA vs. Basel I



- ✓ Risk Weighted Assets (RWA) under BASEL II : +10.3 trillion    BIS ratio ~1.5%p
- ✓ Change of Estimated RWA (as of June 2008)

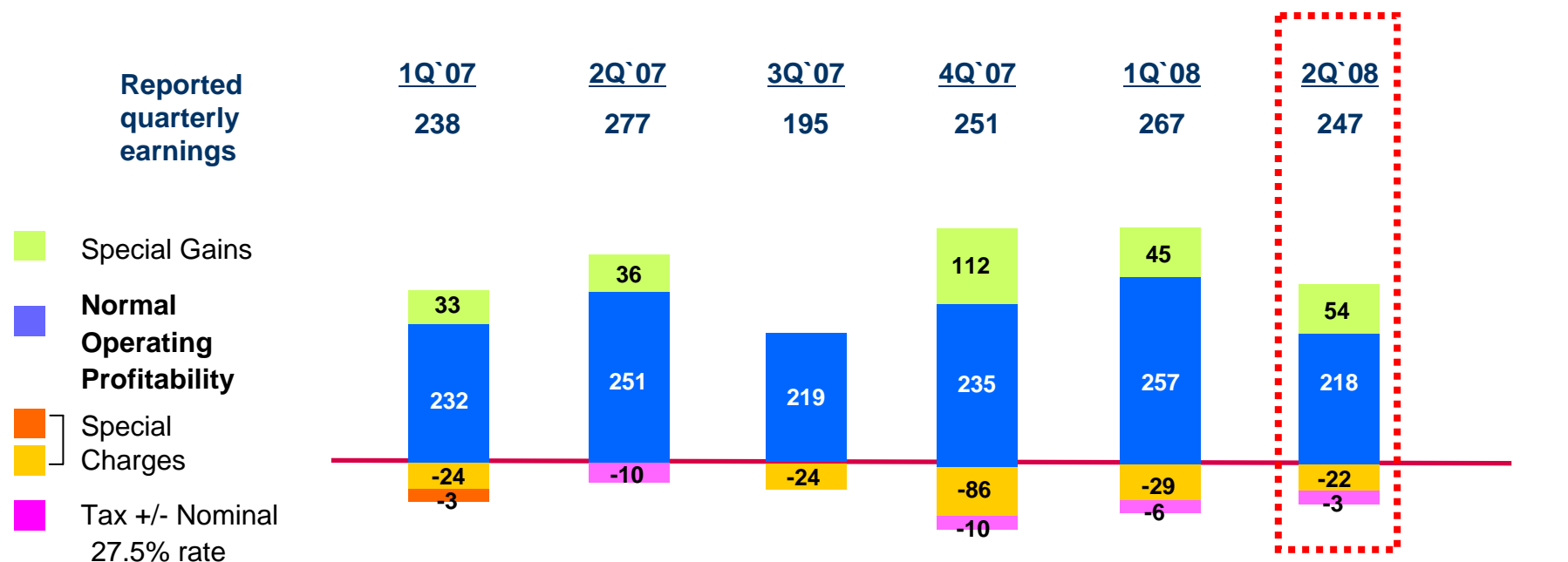


## ✓ Approval Status by Financial Authority

	Current	Work in Process	Expected Impact
Credit Risk	Standard Method	Approval review in progress for FIRB approach (Oct 9~22)	Increase in BIS ratio beginning from end-2008
Market Risk	Internal model	Internal model approved on April 28, 2008	7bp BIS ratio increase effect at the end of June
Operational Risk	Standard Method	Advanced measurement method approval application on Jun 30, 2008 Approval review: Jun 30~Aug 7 (1 <sup>st</sup> ), Sep 5~9(2 <sup>nd</sup> )	Increase in BIS ratio beginning from 2009



# <Appendix 1> Quarterly Net Income (KRW billion) – After tax basis



### Special Charges (FY'07 ~ 2Q'08) \*

	FY'07	1Q'08	2Q'08
✓ Retroactive CBA payments / special bonus	11	-	16
✓ Regulatory reserve changes	61	-	-
✓ NTS tax assessment	27	-	-
✓ Bonus recognition timing	-	29	-
✓ Return of dormant deposit	13	-	-
✓ KEBCS-related legal penalty	25	-	-
✓ Impairment loss (Hanmi Bank)	-	-	6
<b>Total</b>	<b>137</b>	<b>29</b>	<b>22</b>

### Special Gains (FY'07 ~ 2Q'08) \*

	FY'07	1Q'08	2Q'08
✓ Sale of debt-for-equity positions	79	-	-
✓ Reversal of impairment loss	7	4	-
✓ Recoveries/Sale of NPLs	30	-	-
✓ Bonus recognition timing	-	-	29
✓ Retrieval from Non-Performing Asset Fund	26	-	-
✓ KEBCS-related legal penalty recovery	-	-	25
✓ Asset recognition of the shares of VISA Inc.	39	41	-
<b>Total</b>	<b>181</b>	<b>45</b>	<b>54</b>

\* Recalculated on after tax basis