



# ***KEB Operating Results for FY2007***

***February 2008***

## **Contents**

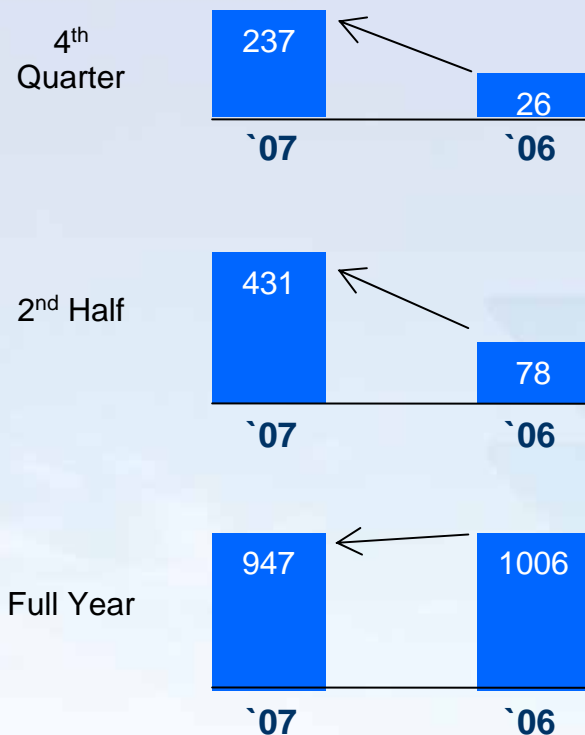
- Overview**
- Profitability**
- Balance Sheet**
- Asset Quality**
- Special Topics**

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

# 4Q`07 Results

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

### ✓ Earnings Improvement / Stability (KRW bn)



- ✓ Better Normal Business Profitability
- ✓ Lower Special Gains and Charges
- ✓ More Diverse sources of Income

### ✓ US Subprime Impact: USD 1.1 million

Total CDO exposure:	\$ 63.0 million
- US Mid/Sub prime:	\$ 1.3 million
Total Valuation loss:	\$ 3.8 million
- US Mid/Sub prime:	\$ 1.1 million

### ✓ Best Asset Quality in Korea

✓ NPL ratio :	0.61%
✓ Overdue ratio :	0.56%

### ✓ Stabilized / Healthy Lending Margins in Challenging Funding Environment

- ✓ Q4 NIM : 3.19%, ↑ 13bps vs. 3Q`07

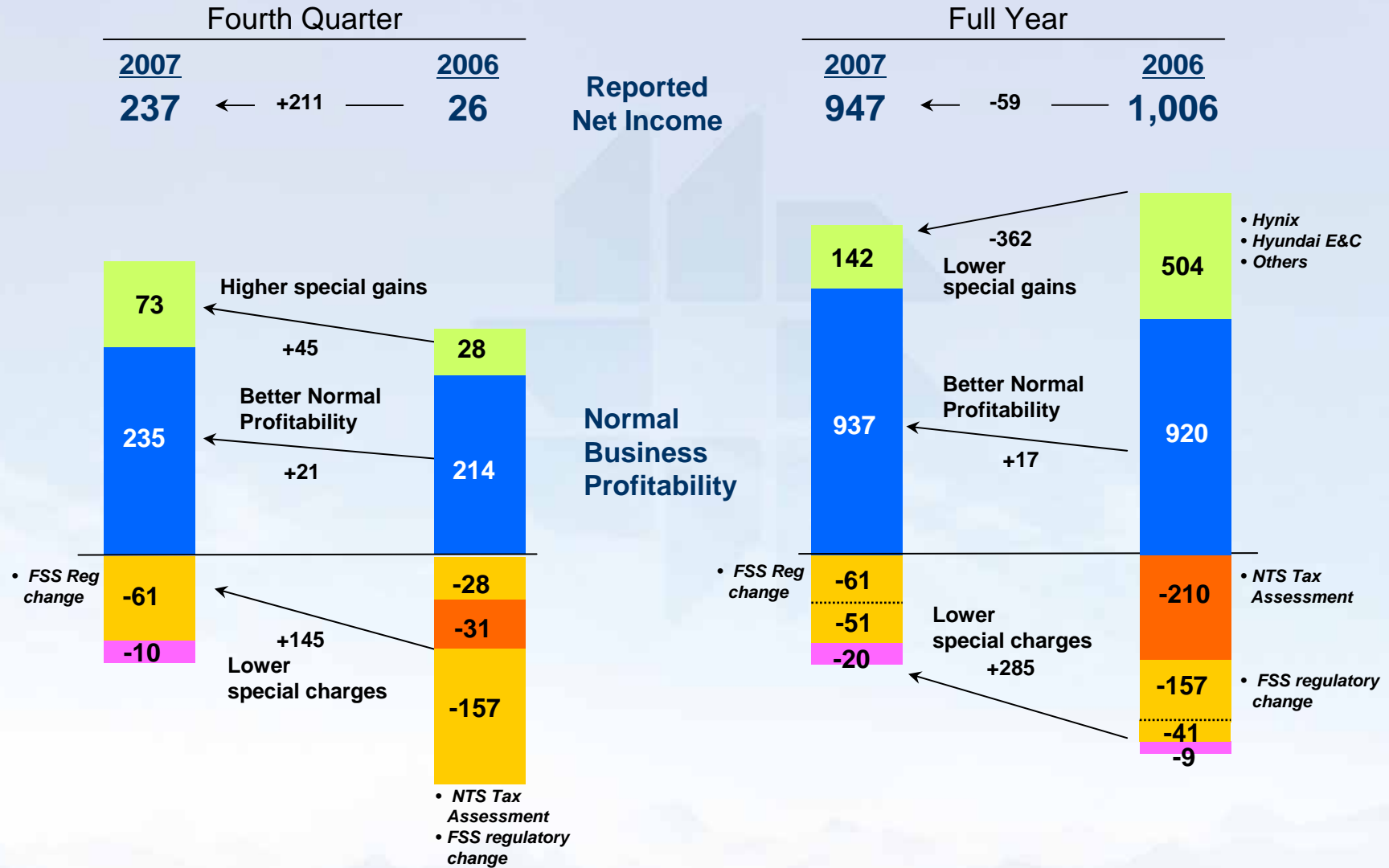
### ✓ Strong Capital Position... KEB Board declares '07 Dividend = W700/share

- ✓ BIS ratio ~12.0% → ~11.2% post dividend
- ✓ Tier ratio ~9.4% → ~ 8.5% post dividend

# 2007 Earnings

(KRW bn)

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



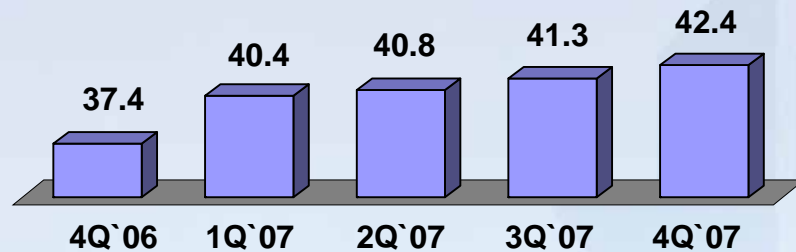
Refer to appendix 2 for quarterly details

# 4Q`07 Highlights

Good performance reflecting disciplined focus on core markets

➤ **Loans – Steady Growth in Properly-Priced Risks**

(KRW trillion, Avg balance)



➤ **Diverse sources of Income to supplement NII**

- Net interest income +3%
- Fee income +21%
- Trading profit +19%
- International earnings +22%
- Valuation on subsidiaries equity +36%
- Trust Account +28%

➤ **Recognition as the Best Bank in Korea**

- ✓ **Service Quality Innovation enterprise award** by Ministry of Commerce, Industry and Energy (Oct 2007)
- ✓ **“Best Trade Finance Bank in Korea”** for 7 consecutive years and **“Best Foreign Exchange Bank in Korea”** for 6 consecutive years by Global Finance (Oct 2007)
- ✓ FILA Korea LBO finance deal named **“Deal of the Year”** by IFR Asia (Dec 2007)
  - KEB was the lead manager for the deal

➤ **Domestic & Int’l Network Expansion**

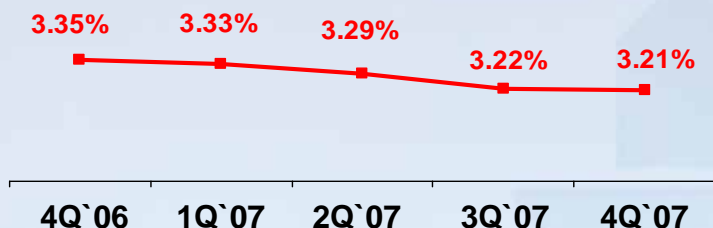
- ✓ 8 new domestic branches opened in promising markets
- ✓ Atlanta (USA) Loan Production Office opened
  - affiliated under New York FinCo Subsidiary
- ✓ Approval for third Beijing office - Wudakow sub-branch (under Beijing branch)

# 4Q`07 Highlights

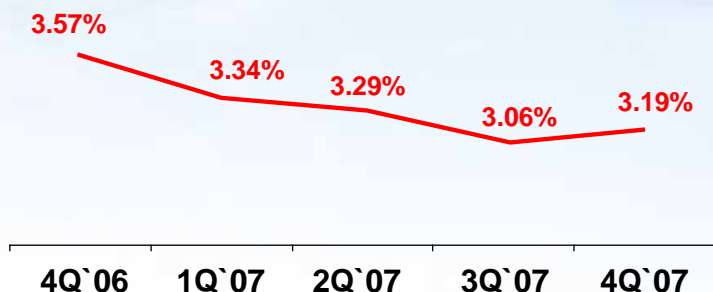
## Lending Margins Stabilized / Healthy

### ➤ NIM – Accumulated Basis

(excluding interest received from SPCs, page 9)



### ➤ NIM – Quarterly Basis



Fourth quarter rebound

## Change in Total NIM rate reflects partial “mix shift” vs “margin compression”

**-17bp**

1H07 Total NIM: 3.32%  
2H07 Total NIM: 3.15%

**-4bp Margin Compression**

**-16bp Business “Mix”**

**+3bp Exceptional items (SPC interest, special assets)**

Change by business line	Large Corp	SME	Retail	Card	Int'l	
NIM change	-9bp	-14bp**	+16bp	-69bp	-13bp	
Impact on Bank-wide NIM	-2bp	-4bp	+5bp	-3bp	-1bp	<b>-4bp Margin Compression</b>
Change in proportion of total earning assets	2.2pts	0.6pts	4pts	0.3pts	0.5pts	
“Mix” Impact on total NIM						<b>-16bp</b>

Faster growth in lower NIM business lines

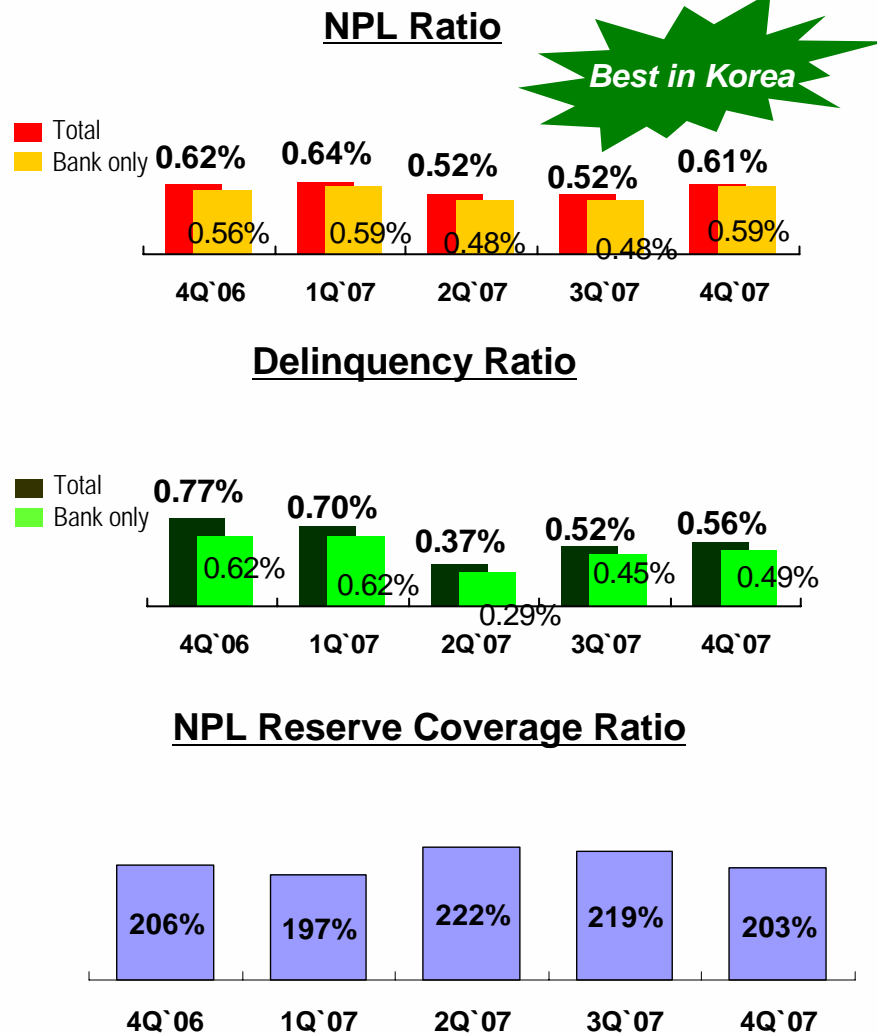
... “Not” rapid compression of lending margins

- RAROC\* pricing focus to ensure proper returns at NIM rates appropriate for different business lines

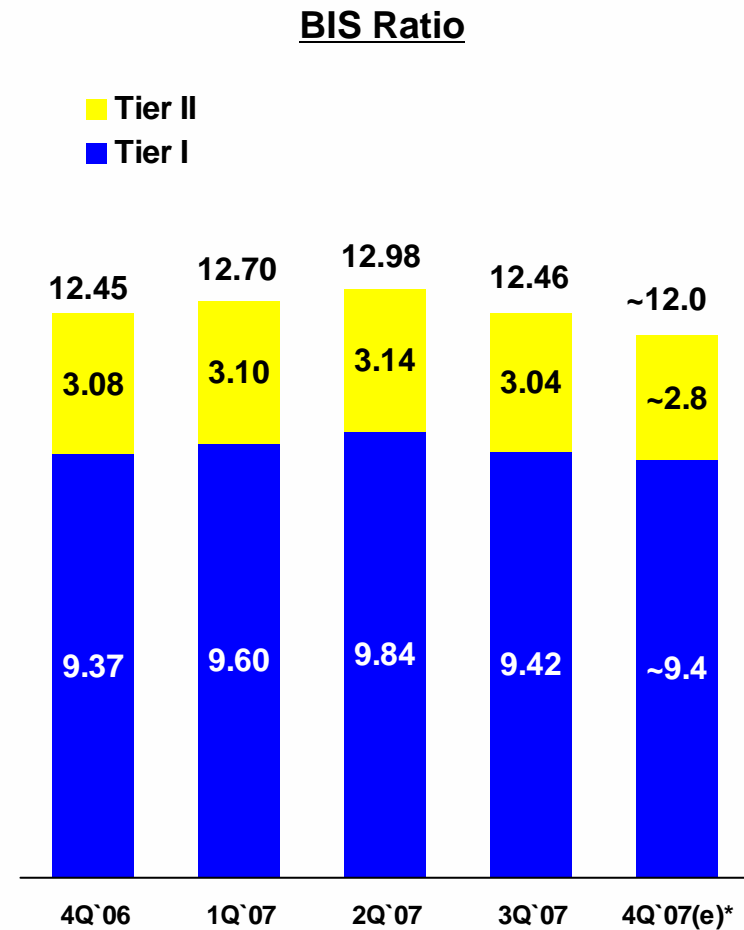
\* RAROC = Risk Adjusted Return on Capital

\*\* Includes impact of increase in Korea Guarantee Fund assessment

## Continued Strong Asset Quality



## Continued Strong Capital Adequacy



\* Before dividend payout

## 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
	2007			4Q		3Q		2Q		1Q						
	Bank	Card		Bank	Card	Bank	Card	Bank	Card	Bank	Card	Bank	Card			
Net Interest Income	1,886.6	1,442.5	444.1	501.2	385.4	115.8	454.5	346.8	107.7	475.3	363.9	111.4	455.6	346.4	109.3	1,827.0
Fees & Commissions	598.0	725.1	-145.1	158.6	197.9	-39.2	133.4	173.2	-39.8	150.9	186.2	-35.4	137.2	167.8	-30.7	479.4
Non Interest Income -Reported	200.4	192.4	8.0	166.6	159.9	6.7	44.2	41.9	2.3	-65.2	-64.1	-1.1	54.7	54.7	0.1	85.1
-Adjusted	200.4	192.4	8.0	55.0	48.3	6.7	44.2	41.9	2.3	46.4	47.5	-1.1	54.7	54.7	0.1	211.6
Total Income -Reported	2,667.0	2,360.0	307.0	826.5	743.2	83.3	632.0	561.9	70.1	560.9	486.0	75.0	647.5	568.9	78.7	2,391.6
-Adjusted	2,667.0	2,360.0	307.0	714.9	631.6	83.3	632.0	561.9	70.1	672.5	597.6	75.0	647.5	568.9	78.7	2,518.1
Total Expenses(-)	1,092.2	1,008.2	84.0	282.1	259.6	22.5	294.4	273.5	20.9	226.0	207.5	18.5	289.6	267.5	22.0	1,053.4
Operating Income -Reported	1,574.8	1,351.8	223.0	544.3	483.6	60.7	337.6	288.4	49.2	334.9	278.5	56.4	358.0	301.3	56.6	1,338.2
-Adjusted	1,574.8	1,351.8	223.0	432.7	372.0	60.7	337.6	288.4	48.2	446.5	390.1	56.4	358.0	301.3	56.6	1,464.7
Impairment Loss, etc.(-)	-207.6	-197.0	-10.6	-128.7	-124.3	-4.4	-16.4	-13.3	-3.1	-1.1	-1.1	-	-61.4	-58.2	-3.2	-564.9
Income before Provision																
-Reported	1,782.4	1,548.8	233.6	673.0	607.9	65.1	354.0	301.7	52.3	336.0	279.6	56.4	419.3	359.5	59.8	1,903.1
-Adjusted	1,782.4	1,548.8	233.6	561.4	496.3	65.1	354.0	301.7	52.3	447.6	391.2	56.4	419.3	359.5	59.8	2,029.6
Provision & Others (-)	294.4	259.3	35.2	220.2	213.1	7.1	86.2	77.3	8.9	-102.6	-113.3	10.7	90.7	82.2	8.5	435.8
- Loan Loss Provision	318.7	304.5	14.3	178.6	173.9	4.7	68.7	65.9	2.7	16.3	13.8	2.4	55.2	50.8	4.4	182.2
- Other Provision	-81.7	-99.2	17.5	23.4	22.0	1.4	8.8	3.2	5.6	-128.1	-135.8	7.6	14.2	11.4	2.8	197.8
Income before Tax																
-Reported	1,488.0	1,289.5	198.5	452.9	394.8	58.0	267.9	224.5	43.4	438.6	392.9	45.7	328.6	277.3	51.3	1,506.7
-Adjusted	1,488.0	1,289.5	198.5	341.3	283.2	58.0	267.9	224.5	43.4	550.2	504.5	45.7	328.6	277.3	51.3	1,593.8
Income Tax Expense (-)																
-Reported	540.9	540.9	-	215.8	215.8	-	73.5	73.5	-	161.4	161.4	-	90.2	90.2	-	461.2
-Adjusted	540.9	540.9	-	104.2	104.2	-	73.5	73.5	-	273.0	273.0	-	90.2	90.2	-	587.7
Net Income	947.1	748.6	198.5	237.0	179.0	58.0	194.4	151.0	43.4	277.2	231.5	45.7	238.4	187.1	51.3	1,006.2

## ■ Achieved Net Income of KRW 947bn for FY2007

- ✓ 4Q07 quarterly net income recorded KRW 237bn, increased by 22% QoQ
- ✓ Despite difficult market environment, normal business profitability growth was achieved through diverse sources of income to supplement net interest income.
- ✓ Normal business profitability increased by KRW 17bn YoY, to KRW 937bn for FY07.(refer to Appendix 2)

Adjusted figures show the effect of the KASB accounting standard change (effective as of Nov, '07) for the purpose of providing consistent comparison with previous quarters figures. The treatment of 'additional tax payment' and 'corporate tax refund' have been reclassified from non-interest item to corporate tax item. – Refer to Page 10 and Appendix 1.



## 2. Net Interest Income

(Unit : KRW bn)

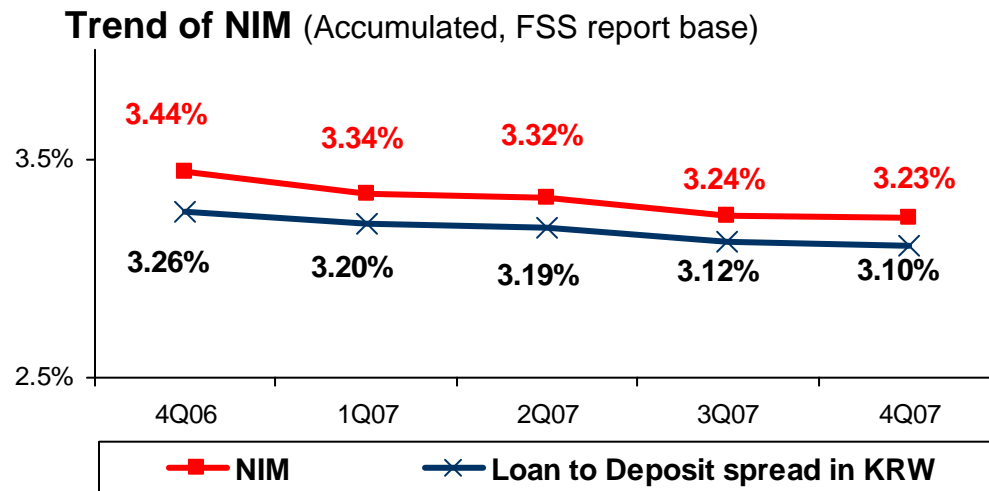
	2007					2006	Y o Y
	4Q	3Q	2Q	1Q			
<b>Interest Revenue</b>	<b>4,078.8</b>	<b>1,132.5</b>	<b>1,027.1</b>	<b>985.4</b>	<b>933.8</b>	<b>3,609.9</b>	+13.0%
Income on due from banks	66.1	23.7	15.0	15.3	12.1	42.6	+55.4%
Interest on securities	373.8	99.4	95.2	93.7	85.6	420.3	-11.1%
Interest income on loans	3,612.6	1,001.5	910.7	869.7	830.7	3,127.3	+15.5%
-Bank	3,053.6	854.5	774.3	730.9	693.9	2,538.6	+20.3%
-Card	558.9	146.9	136.4	138.8	136.8	588.7	-5.1%
Others	26.2	7.9	6.2	6.7	5.4	19.7	+33.2%
<b>Interest Expenses</b>	<b>2,066.6</b>	<b>593.9</b>	<b>536.1</b>	<b>485.2</b>	<b>451.3</b>	<b>1,669.6</b>	+23.8%
Interest on deposits	1,251.5	355.1	321.1	299.2	276.1	1,003.4	+24.7%
Interest on borrowings	387.3	108.4	107.5	93.0	78.4	294.2	+31.6%
Interest on debentures	389.6	118.3	97.4	84.6	89.2	349.3	+11.5%
Others	38.3	12.1	10.1	8.4	7.6	22.7	+68.7%
Insurance expenses for deposits & Contribution for Credit Guarantee Fund (-)	126.4	34.8	33.5	29.7	28.4	112.6	+12.3%
<b>Other Interest Income(+/-)</b>	<b>0.8</b>	<b>-2.6</b>	<b>-3.0</b>	<b>0.1</b>	<b>1.6</b>	<b>-0.6</b>	<b>F.</b>
<b>Net Interest Income</b>	<b>1,886.6</b>	<b>501.2</b>	<b>454.5</b>	<b>470.6</b>	<b>455.6</b>	<b>1,827.0</b>	<b>+3.3%</b>
-Bank	1,442.5	385.4	346.8	359.2	346.4	1,346.3	+7.1%
-Card	444.1	115.8	107.7	111.4	109.3	480.7	-7.6%

- **Bank:** Despite the rising funding cost environment, 4Q07 bank NII increased by 11.1% QoQ driven by loan profitability improvement and profitable asset growth
- **Card:** Card NII increased by 7.5% QoQ driven by card asset growth and profitability improvement effect

# 3. Net Interest Margin (NIM)

(Unit : %)

(Accumulated)	2007				2006			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
<b>Net Interest Margin (NIM)</b>	<b>3.23</b>	<b>3.24</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	3.85	3.85	3.93	3.92	4.06	3.99	4.00	4.04
NIM in Foreign currency	1.20	1.21	1.30	1.45	1.31	1.34	1.34	1.39
<b>Loan to Deposit Spread in KRW (a-b)</b>	<b>3.10</b>	<b>3.12</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)	6.62	6.54	6.53	6.46	6.29	6.23	6.17	6.10
Interest rate paid on Deposits in KRW (b)	3.52	3.42	3.34	3.26	3.03	3.00	2.96	2.93



## Quarterly NIM rebound

- ✓ Despite the increased funding cost in the midst of intensified funding & liquidity environment, asset profitability recovery resulted rebound of quarterly NIM in 4Q07
- ✓ Accumulated NIM stood at 3.23% indicating stable condition

\* Excluding interest received from SPC related to ABS

	1Q`07	2Q`07	3Q`07	4Q`07
Reported	3.34%	3.32%	3.24%	3.23%
SPC interest	₩2bn	₩5bn	₩1bn	₩4bn
Adjusted	3.33%	3.29%	3.22%	3.21%

## 4. Fees & Commissions

(Unit : KRW bn)

		2007					2006	Y o Y
			4Q	3Q	2Q	1Q		
B a n k	Gains from FX transaction	249.1	67.6	58.9	62.2	60.5	232.8	+7.0%
	Fees & Commissions	475.9	130.2	114.3	124.0	107.3	377.0	+26.2%
	KRW currency related	277.5	73.3	68.3	74.3	61.6	190.2	+45.9%
	Foreign currency related	137.8	39.8	32.1	33.8	32.2	129.7	+6.3%
	Others	60.6	17.2	13.9	16.0	13.5	57.0	+6.3%
Bank – Total		725.1	197.9	173.2	186.2	167.8	609.9	+16.3%
Card sector		-145.1	-39.2	-39.8	-35.4	-30.7	-130.4	U.
Total		580.0	158.6	133.4	150.9	137.2	479.4	+21.0%

### Fees & Comms. / Total Income(Adjusted basis) (%)

	2007	4Q	3Q	2Q	1Q	2006	Y o Y
Total	21.7%	22.2%	21.1%	22.4%	21.2%	19.0%	+2.7%p
Bank Only	30.7%	31.3%	30.8%	31.1%	29.5%	28.7%	+2.0%p

#### ■ FY2007 Fees & Commissions up 21% YoY

- ✓ Gains from FX transaction: +14.8% QoQ, +7.0% YoY increase driven by FX transaction expansion efforts.
- ✓ KRW related fees & commissions : +7.2% QoQ, +45.9% YoY increased through continuous growth in investment product sales and bancassurance
- ✓ FC related fees & commissions: +24.1% QoQ, +6.3% YoY increase mainly driven by export/import volume expansion efforts

## 5. Non Interest Income

(Unit : KRW bn)

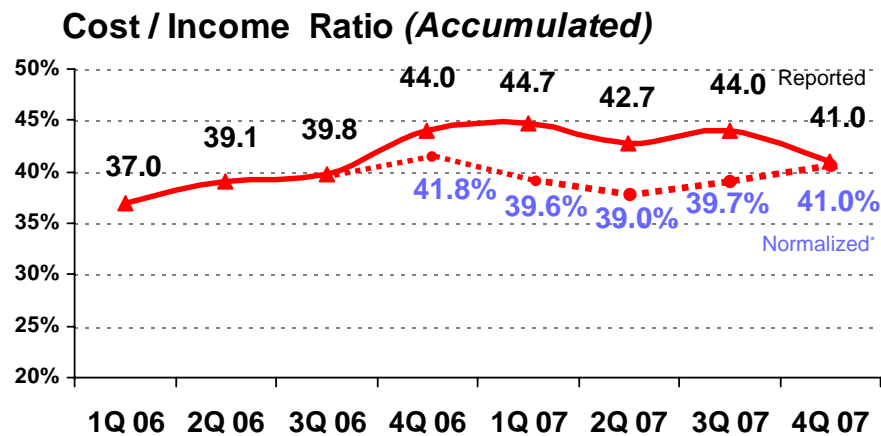
	2007					2006	Y o Y
		4Q	3Q	2Q	1Q		
Operating Trust Account	32.7	9.5	7.9	7.7	7.6	25.7	+27.6%
Merchant Account	18.2	4.3	4.9	4.7	4.2	16.5	+9.9%
Trading Profit	93.2	22.4	16.5	30.0	24.4	78.5	+18.8%
Valuation equity method	54.6	12.1	14.3	17.3	11.0	40.3	+35.5%
Card sector	8.0	6.7	2.3	-1.1	0.1	1.1	F.
NPL sales	5.0	9.2	-0.3	-8.1	4.2	47.7	-89.5%
Others							
- Other	-11.4	-9.2	-1.3	-4.2	3.2	1.7	U.
- NTS item	-	112.2	-	-112.2	-	-127.0	F.
- Tax refund	-	-0.6	-	0.6	-	0.5	U.
Non Interest Income - Reported	<b>200.4</b>	<b>166.6</b>	<b>44.2</b>	<b>-65.2</b>	<b>54.7</b>	<b>85.1</b>	<b>F.</b>
- (NTS Item)	-	<b>(+112.2)</b>	-	<b>(-112.2)</b>	-	<b>(-127.0)</b>	-
- (Tax Refund)	-	<b>(-0.6)</b>	-	<b>(+0.6)</b>	-	<b>(+0.5)</b>	-
- Adjusted	<b>200.4</b>	<b>55.0</b>	<b>44.2</b>	<b>46.4</b>	<b>54.7</b>	<b>211.6</b>	<b>-5.3%</b>

- Trust, Merchant, Trading, Valuation equity method and Card operations have shown good performance but NPL sales gains have declined YoY.
- Others :
  - ✓ According to the accounting standard change (effective as of Nov, `07), 'additional tax payment' and 'corporate tax refund' have been reclassified from non-interest item to corporate tax item. – Refer to Appendix 1

# 6. Total Expenses

(Unit : KRW bn)

	2007					2006	Y o Y
	4Q	3Q	2Q	1Q			
Salaries & Benefits	644.1	135.3	189.5	125.5	193.8	638.5	+0.9%
Salaries	509.8	96.3	152.3	96.0	165.2	470.0	+8.5%
Employees benefits	134.4	39.0	37.2	29.5	28.6	168.5	-20.3%
Operating Expenses	284.7	92.2	65.3	65.2	62.0	248.2	+14.7%
Depreciation	126.2	38.3	31.8	29.7	26.4	122.6	+3.0%
Tax & Dues	37.0	16.3	7.8	5.7	7.3	44.0	-15.9%
<b>Total Expenses</b>	<b>1,092.2</b>	<b>282.1</b>	<b>294.4</b>	<b>226.0</b>	<b>289.6</b>	<b>1,053.4</b>	<b>+3.7%</b>
- Bank	1,008.2	259.6	273.5	207.5	267.5	966.2	+4.3%
- Card	84.0	22.5	20.9	18.5	22.0	87.1	-3.6%



- Salaries account shows quarterly fluctuation caused by accounting methodology change for certain employee costs recognition timing Refer to page 12
- Employee benefits declined by 20.3% YoY due to decrease in special bonus payment
- Depreciation increase caused by the investments in new branch openings and IT capabilities.
- Cost/Income Ratio: Achieved ratio of 41% on accumulated base
  - The distortion on the Cost/Income ratio is eliminated as additional tax payment has been reclassified from non-operating expense to corporate tax item Refer to 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 performance period (January and July).

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.

### Related costs (pre-tax) per half year

Before			After			Impact		
1Q	2Q	1H	1Q	2Q	1H	1Q	2Q	1H
35.8	32.9	68.7	68.7	-	68.7	+32.9	-32.9	-0-
3Q	4Q	2H	3Q	4Q	2H	3Q	4Q	2H
34.2	34.2	68.4	68.4	-	68.4	+34.2	-34.2	-0-

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

### NTS Preliminary Assessment in 3Q`06 Other Provision

### Payments made : 4Q`06 – 113.3bn

2Q`07 – 148.9bn (119.1bn affecting P/L)  
including 'add'l tax payment'  
112.2bn

### Accounting standard revision by Korea Accounting Standards Board (KASB, Effective as of Nov 2007)

Before	After
✓ Additional tax payment recognized as non operating expense	✓ Recognized as corporate tax item
✓ Thus, this reduced total income, and it affected reported Cost/Income Ratio	✓ Does not have impact on total income, does not affect Cost/Income Ratio

### Impact on reported Cost/Income ratio (Accumulated basis)

	4Q`06	1Q`07	2Q`07	3Q`07	4Q`07
Reported	44.0	44.7	42.7	44.0	41.0
Impact of NTS assessment	2.2	-	3.7	2.5	-
Impact of Expense Acctg change	-	5.1	-	1.8	-
Normalized	41.8	39.6	39.0	39.7	41.0

## 7. Provisions & Others

(Unit : KRW bn)

	2007					2006	Y o Y
	4Q	3Q	2Q	1Q			
<b>Loan Loss Provisioning</b>	<b>318.7</b>	<b>178.6</b>	<b>68.7</b>	<b>16.3</b>	<b>55.2</b>	<b>182.2</b>	<b>+74.9%</b>
<Bank>	304.7	173.9	66.1	13.8	50.9	160.9	+89.4%
Corporate	275.6	160.8	60.4	10.6	43.9	118.1	+133.4%
Household	29.0	13.1	5.7	3.2	7.0	42.8	-32.2%
<Card>	14.1	4.7	2.6	2.5	4.3	21.4	-34.0%
<b>Other Provisioning etc.</b>	<b>-81.7</b>	<b>23.4</b>	<b>8.8</b>	<b>-128.1</b>	<b>14.2</b>	<b>197.8</b>	<b>F.</b>
<b>Retirement Allowance</b>	<b>57.3</b>	<b>18.1</b>	<b>8.6</b>	<b>9.3</b>	<b>21.3</b>	<b>55.7</b>	<b>+3.0%</b>
<b>Total</b>							
- Reported	<b>294.4</b>	<b>220.2</b>	<b>86.2</b>	<b>-102.6</b>	<b>90.7</b>	<b>435.7</b>	<b>-32.4%</b>
- Excluding NTS item	<b>428.4</b>	<b>220.2</b>	<b>86.2</b>	<b>31.3</b>	<b>90.7</b>	<b>435.7</b>	<b>-1.7%</b>

- Impact by FSS increased minimum provisioning ratio for corporate normal class loans (Effective as of Dec, `07)
  - Provision accumulation ratio adjustment details are provided on Appendix 3
  - Extra accumulation in Loan Loss Provision account: +69bn
  - Extra accumulation in Other Provisioning account: Unused credit provisioning +15bn
- Loan Loss Provisioning in FY06 was exceptionally low driven by 75bn special recovery

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

	Total (2007)				
	4Q	3Q	2Q	1Q	
<b>Beginning LLR</b>	<b>675.3</b>	667.5	648.5	683.4	675.3
<b>Additional Provisioning</b>	<b>318.7</b>	178.6	68.7	16.3	55.2
<b>Write-offs (-)</b>	<b>355.7</b>	88.0	80.0	106.4	81.4
<b>Reversal &amp; Others</b>	<b>153.4</b>	33.6	30.3	55.2	34.3
<b>Ending LLR *</b>	<b>791.7</b>	791.7	667.5	648.5	683.4
<b>NPL Coverage (%) **</b>	<b>203.5%</b>	<b>203.5%</b>	<b>219.2%</b>	<b>222.2%</b>	<b>196.6%</b>

	Bank (2007)				Card (2007)			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
<b>Beginning LLR</b>	<b>605.4</b>	584.6	615.1	598.9	<b>62.1</b>	63.8	68.4	76.4
<b>Additional Provisioning</b>	<b>173.9</b>	66.1	13.8	50.9	<b>4.7</b>	2.6	2.5	4.3
<b>Write-offs (-)</b>	<b>68.2</b>	58.3	80.4	50.2	<b>19.8</b>	21.7	26.0	31.2
<b>Reversal &amp; Others</b>	<b>16.0</b>	13.1	36.2	15.4	<b>17.6</b>	17.2	19.0	18.9
<b>Ending LLR *</b>	<b>727.1</b>	605.4	584.6	615.1	<b>64.6</b>	62.1	63.8	68.4
<b>NPL Coverage (%) **</b>	<b>202.5%</b>	<b>220.2%</b>	<b>223.2%</b>	<b>196.7%</b>	<b>214.6%</b>	<b>210.5%</b>	<b>214.2%</b>	<b>196.0%</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 ~200% 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)

	2007.12	2007.09	2007.06	2007.03	2006.12	Y o Y
<b>Cash &amp; Due from Banks</b>	5,118.4	3,299.4	3,551.1	4,067.2	3,958.2	+29.3%
<b>Securities</b>	9,719.8	10,445.5	11,071.5	10,182.6	10,457.9	-7.1%
<b>Loans &amp; Discounts</b>	54,055.4	53,013.0	47,319.9	46,097.2	45,389.5	+19.1%
- Credit Card Receivables	2,440.6	2,245.7	2,252.2	2,229.3	2,314.6	+5.4%
<b>Other Asset</b>	9,724.0	10,778.0	9,666.1	7,781.6	7,545.3	+28.9%
<b>Merchant Banking Assets</b>	3,353.8	2,323.5	1,885.1	2,424.8	2,090.5	+60.4%
<b>Total Assets</b>	<b>81,971.3</b>	<b>79,859.5</b>	<b>73,493.8</b>	<b>70,553.5</b>	<b>69,441.5</b>	<b>+18.0%</b>
<b>Deposits</b>	44,431.0	40,674.6	38,909.0	37,742.3	38,489.7	+15.4%
<b>Borrowings</b>	8,858.1	10,306.4	8,842.3	8,077.2	7,568.5	+17.0%
<b>Debentures</b>	8,547.9	7,542.2	6,586.7	6,422.6	6,305.5	+35.6%
<b>Other Liabilities</b>	11,350.5	12,334.6	10,751.1	9,725.9	9,054.0	+25.4%
<b>Merchant Banking Liabilities</b>	2,147.0	2,383.0	2,060.9	2,662.6	1,644.5	+30.6%
<b>Shareholders' Equity</b>	6,636.9	6,618.6	6,343.8	5,922.9	6,379.2	+4.0%
<b>Liabilities &amp; Shareholders' Equity</b>	<b>81,971.3</b>	<b>79,859.5</b>	<b>73,493.8</b>	<b>70,553.5</b>	<b>69,441.5</b>	<b>+18.0%</b>

## ■ Assets

- ✓ Loans: +2.0% QoQ, +19.1% YoY increase, from continued responsible growth focusing on high quality customer supported relatively stable liquidity
- ✓ Securities: -6.9% QoQ, -7.1% YoY decrease mainly driven by sales of short-term securities for liquidity management purpose
- ✓ Merchant Banking Assets: +44.3% QoQ, +60.4% YoY increase driven by dynamic CP discount activities

## ■ Liabilities & Shareholders' Equity

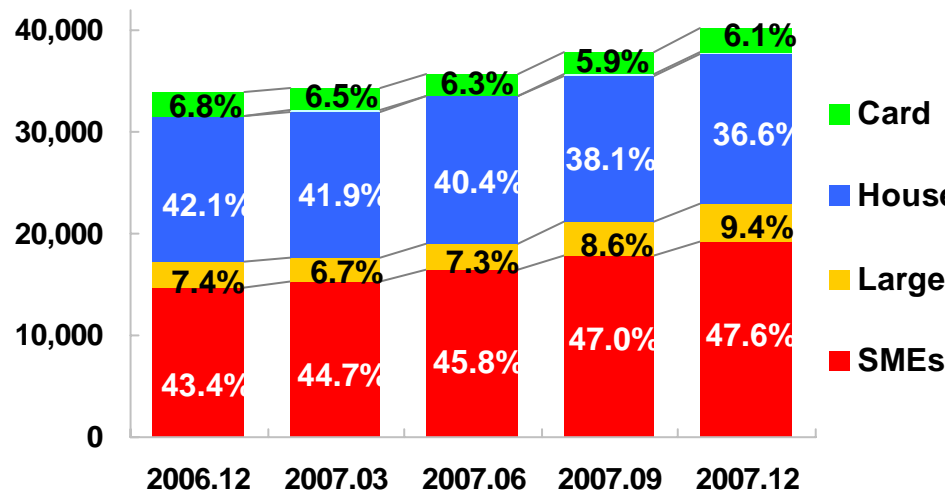
- ✓ Deposit: +9.2% QoQ, +15.4% increase driven by active marketing effort to build liquidity resources
- ✓ Borrowings & Debentures: Increased funding through borrowings & debentures for asset growth
- ✓ Merchant Banking Liabilities : Paper issuance increased along with merchant banking asset increase

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

(Unit : KRW bn)

	2007.12	2007.09	2007.06	2007.03	2006.12	Y o Y
Household	14,723.7	14,447.2	14,467.1	14,396.2	14,285.0	+3.1%
SMEs	19,157.6	17,851.2	16,407.2	15,354.5	14,720.5	+30.1%
Large Corp.	3,789.9	3,266.3	2,601.6	2,310.3	2,511.1	+50.9%
Public & Others	154.8	151.7	69.0	72.1	78.3	+97.6%
<b>Sub Total</b>	<b>37,826.0</b>	<b>35,716.5</b>	<b>33,544.9</b>	<b>32,133.0</b>	<b>31,594.9</b>	<b>+19.7%</b>
Credit Card	2,440.6	2,245.7	2,252.2	2,229.3	2,314.6	+5.4%
<b>Total Loans in KRW</b>	<b>40,266.5</b>	<b>37,962.2</b>	<b>35,797.1</b>	<b>34,362.3</b>	<b>33,909.6</b>	<b>+18.7%</b>

Portfolio of Loans in Korean Won (Bank acct.)



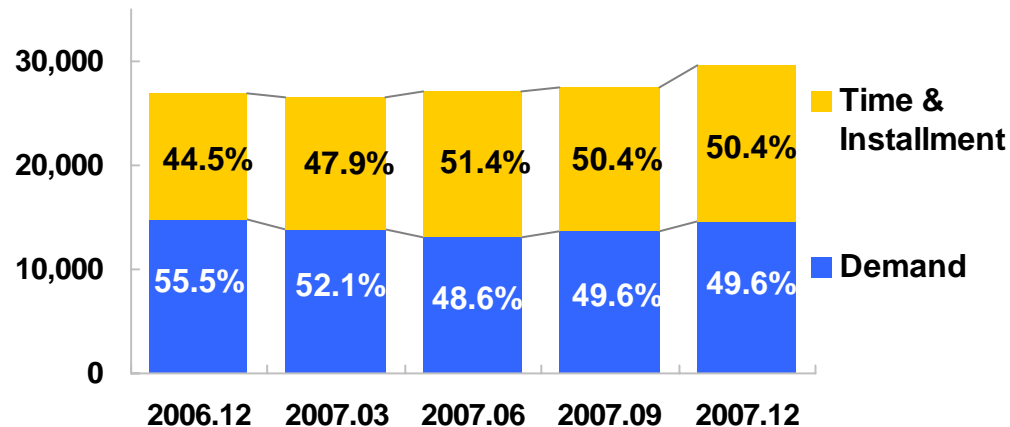
- **SMEs:** Continuous growth from focused customer segmentation marketing to high quality companies
- **Large Corp.:** Continuous strong growth trend reflecting broader capital market volatility
- **Household:** +1.9% QoQ increase mainly driven by high quality individual loan growth compensating slowdown in housing-related loans
- **Card:** +8.7% QoQ increase indicating rebound from stagnated trend

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

(Unit : KRW bn)

	Relative Cost	2007.12	2007.09	2007.06	2007.03	2006.12	Y o Y
<b>Demand Deposits</b>	<b>Lower</b>	<b>14,670.7</b>	<b>13,633.5</b>	<b>13,166.0</b>	<b>13,814.6</b>	<b>14,888.1</b>	-1.5%
Savings deposit	Lower	5,144.9	5,315.4	5,475.4	5,749.9	5,995.9	-14.2%
Regular deposit	Lower	1,241.8	1,172.4	1,142.4	1,142.7	1,310.6	-5.3%
Corporate free savings deposit	Low	6,929.8	5,948.2	5,405.2	5,782.9	5,982.6	+15.8%
Others	Lower	1,354.2	1,197.5	1,143.1	1,139.2	1,598.9	-15.3%
<b>Time &amp; Installment Deposits</b>	<b>Higher</b>	<b>14,933.2</b>	<b>13,858.2</b>	<b>13,915.0</b>	<b>12,708.2</b>	<b>11,948.4</b>	+25.0%
<b>Total Deposits in KRW</b>	<b>-</b>	<b>29,603.9</b>	<b>27,491.7</b>	<b>27,081.1</b>	<b>26,522.8</b>	<b>26,836.5</b>	+10.3%

**Composition of Deposits in KRW (Banking Acct.)**



- +7.7% QoQ growth in the midst of intense market competition

- ✓ Demand Deposits: Showing recovery trend following significant decline during 1H`07

- ✓ Time & Installment Deposits: +7.8% QoQ, +25.0% YoY increase as the result of Time & Installment deposit expansion effort to support asset growth

## Asset Quality

**1. Asset Quality**

**2. Delinquency**

# 1. Asset Quality

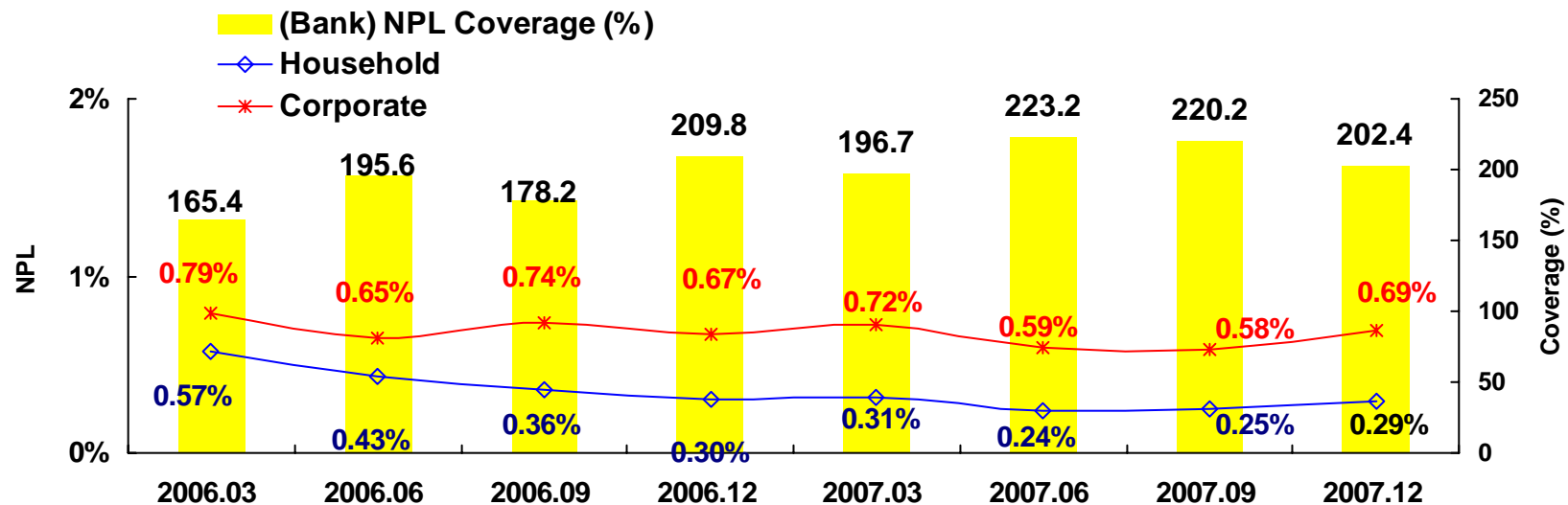
(Unit : KRW bn)	2007.12		2007.09		2007.06		2007.03		2006.12	
		(Ex. Card)		(Ex. Card)		(Ex. Card)		(Ex. Card)		(Ex. Card)
Normal	58,009.8	55,631.7	52,657.3	50,474.9	50,315.6	48,129.9	49,033.7	46,877.4	47,923.8	45,698.9
Precautionary	351.9	317.8	501.7	465.0	362.1	322.5	473.7	430.0	414.1	365.0
Substandard	242.3	242.3	182.2	182.2	168.8	168.8	195.6	195.6	181.9	181.9
Doubtful	43.0	18.7	46.8	21.7	42.2	16.9	55.0	24.9	56.5	21.0
Estimated Loss	75.0	69.2	47.5	43.1	53.1	48.6	66.9	62.1	61.0	54.7
<b>Total Credits</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>	<b>49,824.9</b>	<b>47,590.0</b>	<b>48,637.3</b>	<b>46,321.5</b>
Substandard & Below (NPL) (%)	<b>0.61%</b>	<b>0.59%</b>	<b>0.52%</b>	<b>0.48%</b>	<b>0.52%</b>	<b>0.48%</b>	<b>0.64%</b>	<b>0.59%</b>	<b>0.62%</b>	<b>0.56%</b>
Precautionary Below (%)	<b>1.21%</b>	<b>1.15%</b>	<b>1.46%</b>	<b>1.39%</b>	<b>1.23%</b>	<b>1.14%</b>	<b>1.59%</b>	<b>1.50%</b>	<b>1.47%</b>	<b>1.34%</b>
Loan Loss Reserve	733.0	668.4	606.1	544.0	586.7	522.9	624.2	555.8	616.8	540.4
NPL Coverage (%)	<b>203.5%</b>	<b>202.4%</b>	<b>219.2%</b>	<b>220.2%</b>	<b>222.2%</b>	<b>223.2%</b>	<b>196.6%</b>	<b>196.7%</b>	<b>206.0%</b>	<b>209.8%</b>
Precautionary & Below Coverage (%)	<b>102.9%</b>	<b>103.2%</b>	<b>77.89%</b>	<b>76.4%</b>	<b>93.7%</b>	<b>93.9%</b>	<b>78.9%</b>	<b>78.0%</b>	<b>86.4%</b>	<b>86.8%</b>

- NPL ratio & NPL coverage ratio maintained through excellent asset quality management
- Significant QoQ decline in precautionary class loans relieved from temporary seasonality increase during 3Q07

# 1. Asset Quality – NPL & Coverage by Sector

(Unit : KRW bn)	Household					Corporate				
	`07.12	`07.09	`07.06	`07.03	`06.12	`07.12	`07.09	`07.06	`07.03	`06.12
Total Credit	<b>14,885.7</b>	14,622.4	14,647.6	14,567.3	14,463.1	<b>41,394.0</b>	36,564.5	34,039.1	33,022.7	31,858.4
Substandard & below	<b>43.3</b>	36.4	34.6	45.4	42.8	<b>286.9</b>	210.6	199.7	237.2	214.8
Substandard & below (NPL Ratio)	<b>0.29%</b>	0.25%	0.24%	0.31%	0.30%	<b>0.69%</b>	0.58%	0.59%	0.72%	0.67%
Loan Loss Reserves	<b>171.7</b>	164.4	167.4	172.9	171.2	<b>496.7</b>	379.6	355.5	382.9	369.2
NPL Coverage(%)	<b>396.5%</b>	451.7%	483.8%	380.8%	400.0%	<b>173.1%</b>	180.3%	178.0%	161.4%	171.9%

Trend of NPL ratio by type (Excluding Credit Card)

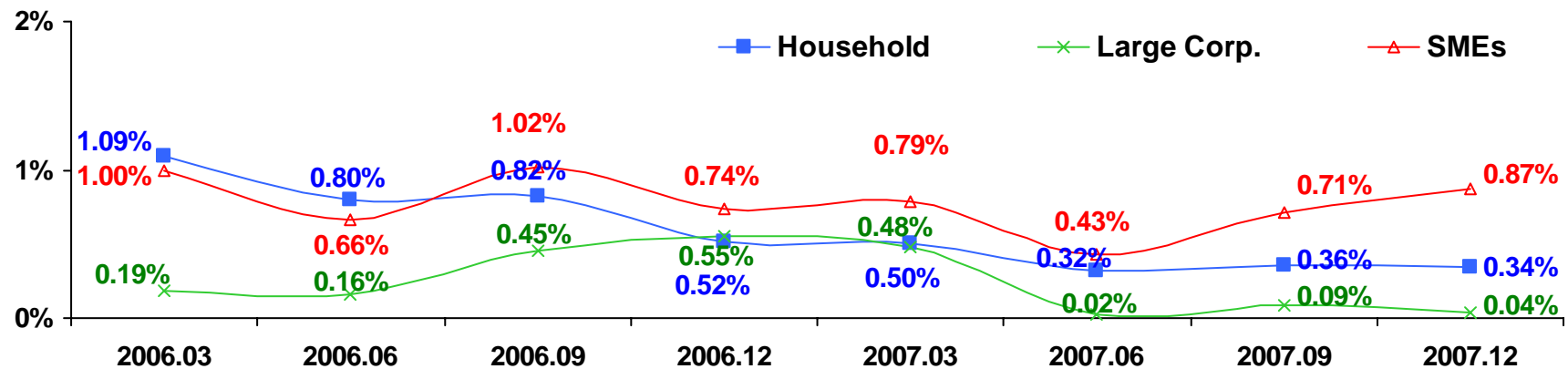


## 2. Delinquency

(Unit : KRW bn)

Reported basis	2007.12	2007.09	2007.06	2007.03	2006.12	Y o Y
<b>Bank</b>	<b>0.49%</b>	<b>0.45%</b>	<b>0.29%</b>	<b>0.62%</b>	<b>0.62%</b>	<b>-0.13%p</b>
Household	0.34%	0.36%	0.32%	0.50%	0.52%	-0.18%p
SME	0.87%	0.71%	0.43%	0.79%	0.74%	+0.12%p
Large Corp./Others	0.04%	0.09%	0.02%	0.48%	0.55%	-0.51%p
<b>Card</b>	<b>1.92%</b>	<b>2.00%</b>	<b>1.98%</b>	<b>2.28%</b>	<b>3.66%</b>	<b>-1.74%p</b>
Normal book	1.88%	1.96%	1.93%	2.22%	3.58%	-1.70%p
Re-aged book	10.77%	8.51%	8.38%	7.78%	10.08%	+0.69%p
<b>Total delinquency ratio</b>	<b>0.56%</b>	<b>0.52%</b>	<b>0.37%</b>	<b>0.70%</b>	<b>0.77%</b>	<b>-0.22%p</b>
<b>Total delinquency amount</b>	<b>297.9</b>	<b>257.6</b>	<b>177.9</b>	<b>327.6</b>	<b>354.9</b>	<b>-16.1%</b>
Bank	250.9	212.7	133.2	276.8	270.1	-7.1%
Card	47.0	44.9	44.7	50.8	84.8	-44.6%
<b>Total receivables</b>	<b>53,421.4</b>	<b>49,920.2</b>	<b>47,436.2</b>	<b>47,099.1</b>	<b>45,911.3</b>	<b>+16.4%</b>
Bank	50,979.8	47,673.5	45,183.0	44,868.7	43,595.5	+16.9%
Card	2,441.6	2,246.7	2,253.2	2,230.4	2,315.8	+5.4%

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





## Special Topics

- 1. Strict Risk Exposure Management**
  - 2. SME Loans**
  - 3. Household Loans**
  - 4. FX & Trade Finance**
  - 5. Shareholding Structure**
  - 6. Dividend Plan**
- <Appendix 1> Net Income impact by NTS final notification of tax assessment**
- <Appendix 2> Quarterly Net Income – After tax basis**
- <Appendix 3> FSS Provision Requirement Change in 4Q`07**

# 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 (Sep30,07)	Valuation Loss	
						CDO	Sub/Mid
Apr 2006	AAA (US Treasury)	5.00	Mar 2016	2.5% (0.12)	4.87	0.13	0.01
May 2006	AAA	20.00	Apr 2011	None	19.61	0.39	-
Mar 2007	AAA (Freddie Mac)	20.00	Sep 2015	5.7%(1.14)	16.68	3.32	1.09
Apr 2007	AAA	18.00	Dec 2014	None	18.00	-	-
Total		63.00		1.9% (1.26)	59.16	3.84	1.10

- ✓ Partial sales of CDO amount of USD 17mn in Dec, `07
- ✓ Net valuation loss of total CDO = USD 3.84 million as of Dec 31, 2007  
(Net valuation loss of Sub/Mid prime = USD 1.10million)

# 1. Strict Risk Exposure Management - continued

## ABCP Commitment

- Exposure : KRW 1,500bn

Grade	Default	Exposure	Credit VaR (Economic Capital)
3	0.25%	363	6
4	0.50%	489	13
5+	0.85%	448	23
5 <sup>0</sup> or lower	1.60% or higher	258	19
<b>Total</b>		<b>1,500</b>	<b>69</b>

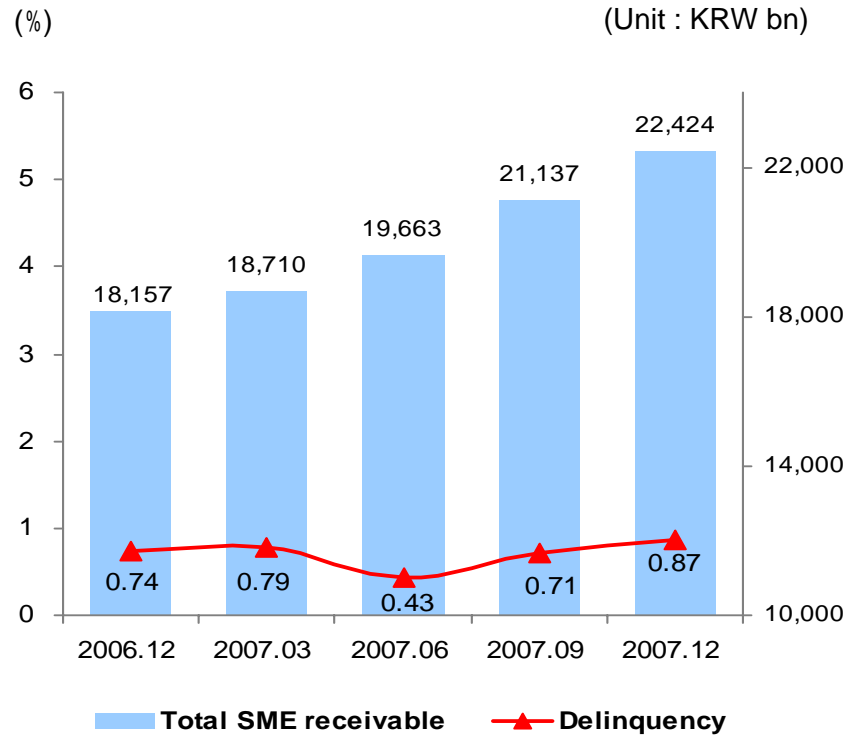
- Most commitment are related with strong large construction companies with good credit rating.
- Portion of Credit VaR (Economic Capital) is 2.13%(low risk).  
(Total economic capital in bank is KRW 3,243bn)

## Project Financing Loans

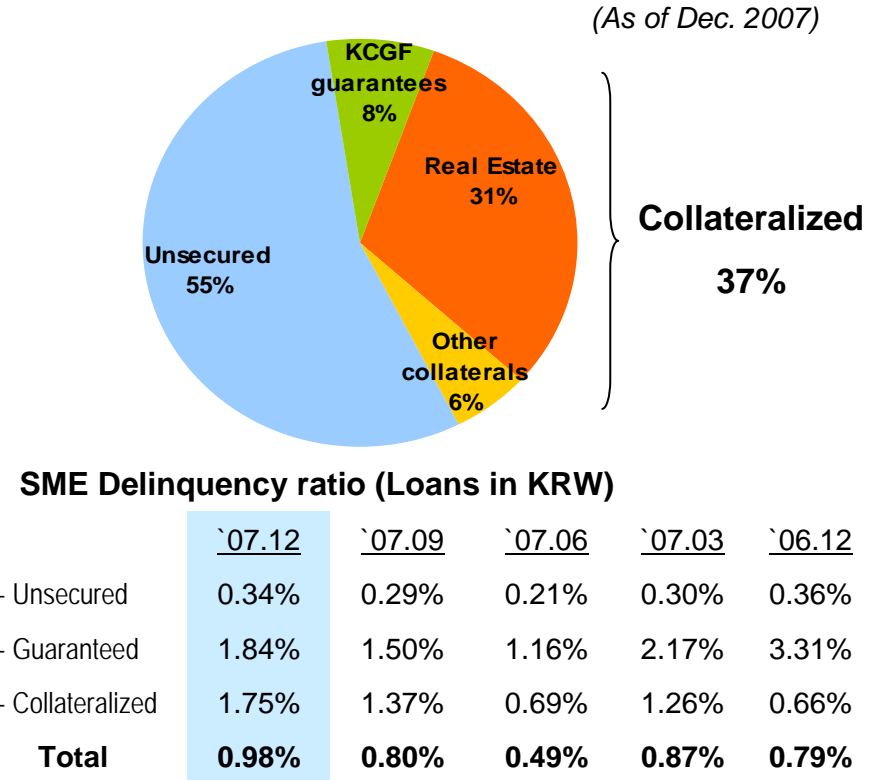
- Exposure: KRW 2,139bn
- Risk management by credit grades
  - Portion of exposure above 5+ : 69.9%
- Management of risk amount by calculating the internal capital (management of risk limit in business units)
  - Credit VaR (Economic Capital) : KRW 156bn (4.8%)  
(Total economic capital in bank : KRW 3,243bn)
- Monthly measurement of credit concentration risk and management of risk limit by Basel II methodology
  - Focus on management of credit concentration risk about real estate and construction industries

# 2. SME Loans

## Total SME loan receivables & delinquency ratio



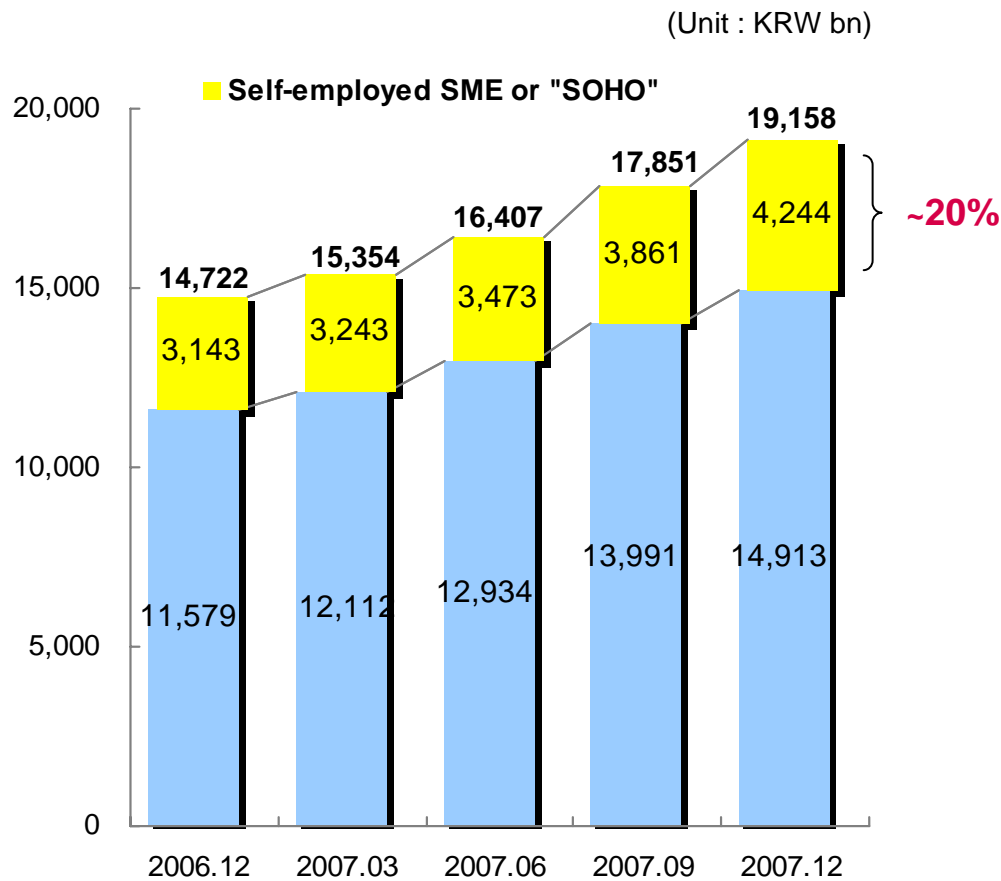
## SME loans in KRW by collateral type



- **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), -1.47%p YoY
  - ✓ Collateralized loans – Slight increase QoQ

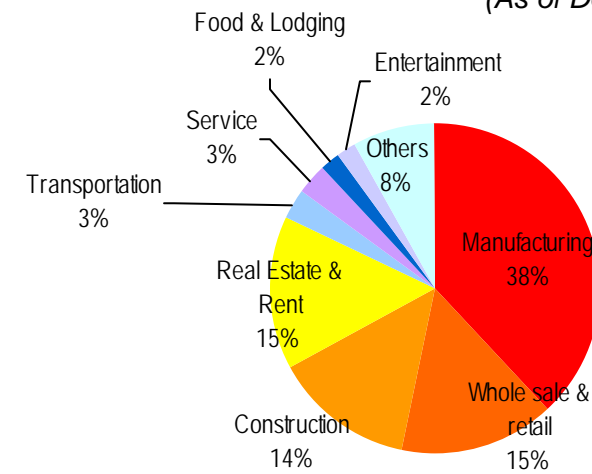
# 2. SME Loans

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



## SME loans in KRW by industries

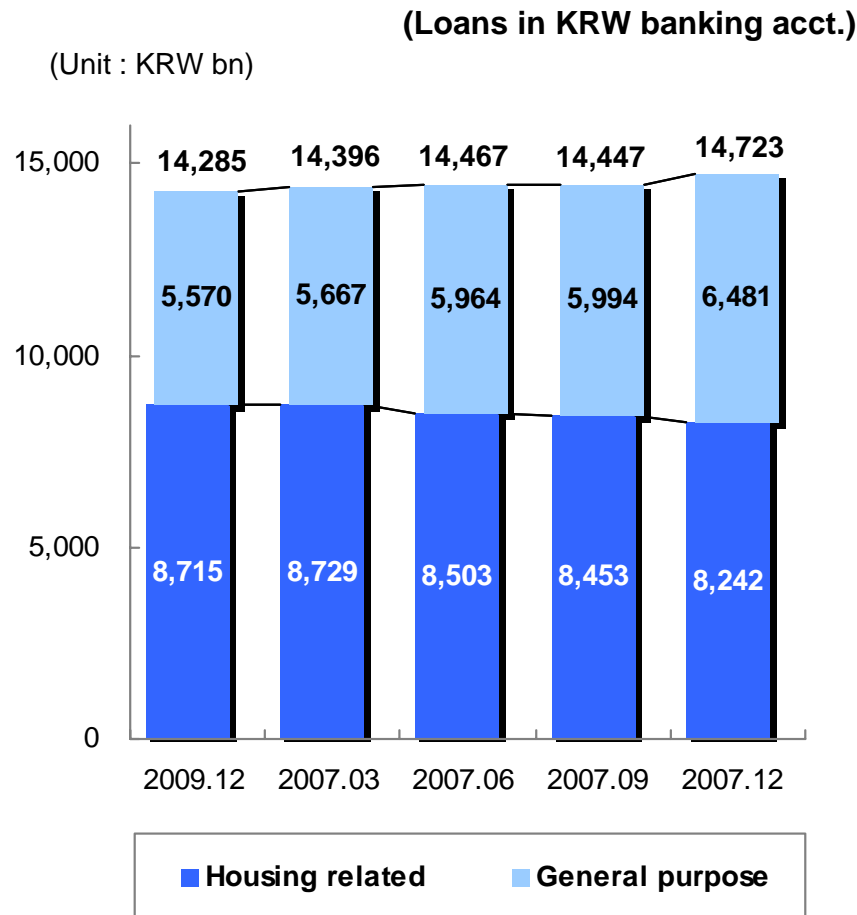
(As of Dec. 2007)



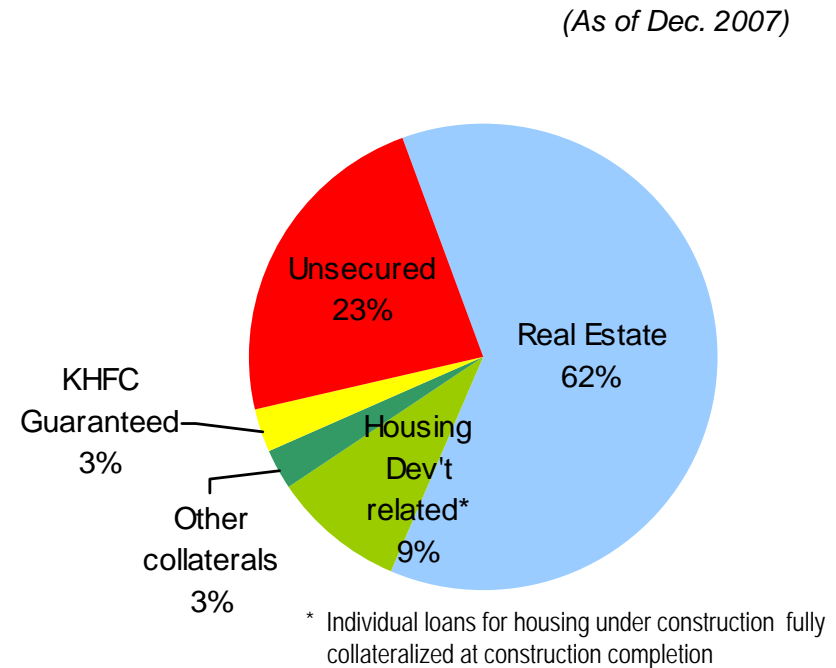
Industry	Delinquency				
	'07.12	'07.09	'07.06	'07.03	'06.12
Manufacturing	0.80%	0.68%	0.48%	0.80%	1.11%
Wholesale & retail	0.87%	0.75%	0.45%	0.99%	0.87%
Construction	1.01%	0.76%	0.47%	1.21%	0.48%
Real Estate & Rent	1.87%	1.13%	0.61%	0.62%	0.55%
Transportation	0.18%	0.20%	0.05%	0.25%	0.21%
Service	1.13%	0.86%	0.57%	1.10%	0.45%
Food & Lodging	0.41%	1.45%	1.31%	1.74%	0.59%
Entertainment	0.65%	0.66%	0.20%	0.41%	0.63%
Others	0.92%	1.17%	0.42%	0.71%	0.32%

# 3. Household

## Trend of Household loans



## Household loans by collateral type

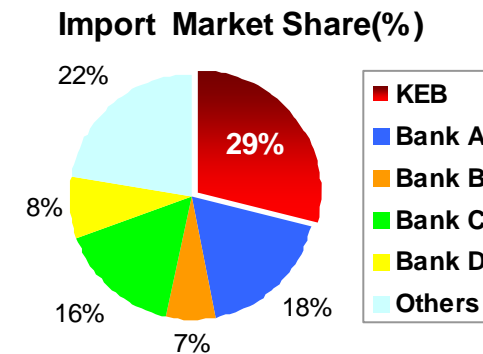
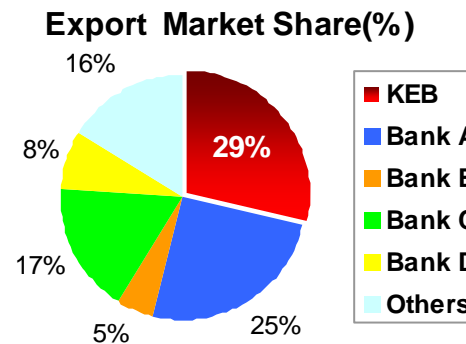
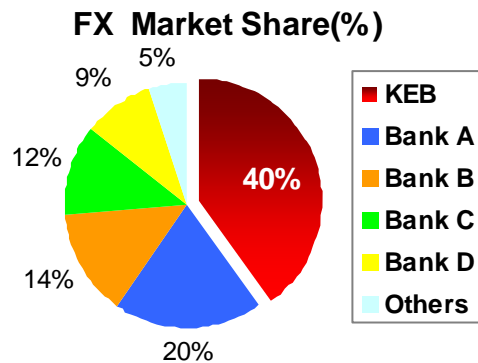


- Housing-related loans showed minor decrease due to market dampening effect of the government real estate regulation and policy and runoff of low/no profit “Group loans”
- Good growth in high quality personal loans

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

## Strong market leadership

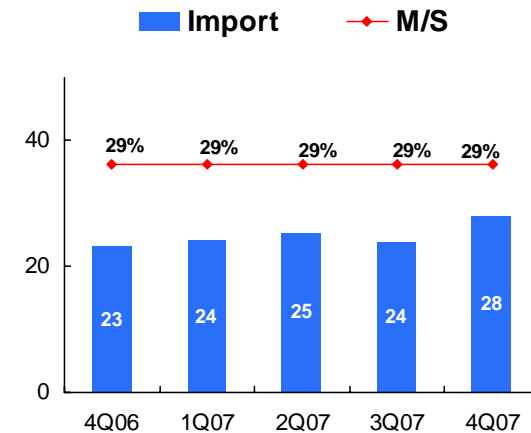
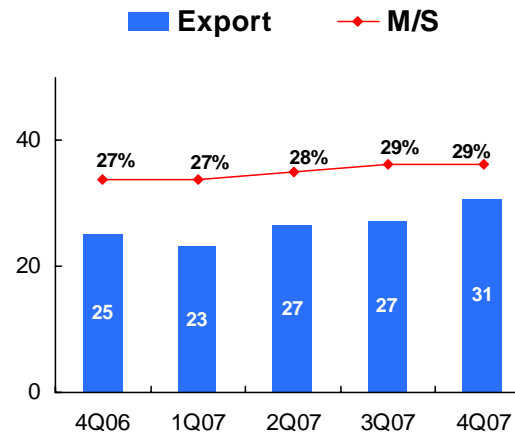
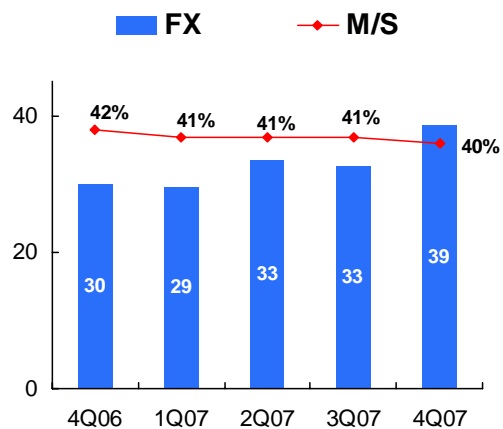
(Jan. ~ Dec. 2007)



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

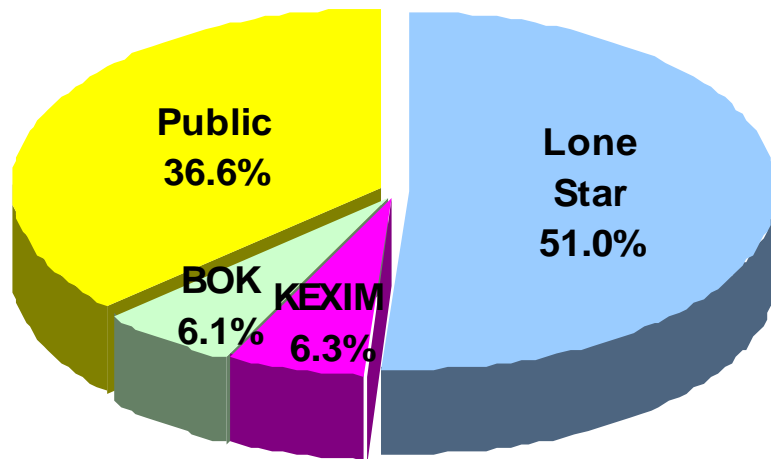
## Trend of trading volume & market share

(Unit : USD billion, %)



# 5. Shareholding Structure

## Shareholders' Structure



(As of Dec. 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)

	2007.12	2006.12	YoY
Paid-in Capital	3,224.5	3,224.5	-
Capital Surplus	0.9	0.9	-
Capital Adjustment (Unrealized gain on investment securities)	1,107.1	1,153.8	-46.7
Retained Earnings	2,304.3	1,999.9*	+304.4**
Total Shareholders' Equity	6,636.9	6,379.2	+257.7
Book value Per Share (BPS)	₩10,291	₩9,892	+₩399

\* Before 2006 dividend payout

\*\* Decreased by dividend payout of KRW 645bn on 1Q07, 1,000/share



# 6. Dividend Plan

- **KEB has earned approximately KRW 1 trillion profits for three consecutive years**
- **Management objective to maintain ongoing dividend payment**
  - 2006 Dividend (W1000 / share) was first since 1996.
  - Distribute surplus capital to optimize Return on Equity and Cost of Capital
  - Maintain healthy regulatory capital levels
- **Dividend scale decided after retaining sufficient capital to support expected FY2008 business growth**

## Dividend Plan

- **Dividend Amount: 451bn**
- **Per share: 700**
- **Yield vs. Dec.28, 2007 Price: 4.8%**
- **Impact on Key Measures**

	<b>`07.12(e) Pre-dividend</b>	<b>Post-dividend</b>	<b>Impact</b>
<b>BIS Ratio</b>	~12.0%	~11.2%	~ 0.8%p
<b>Tier Ratio</b>	~9.2%	~8.5%	~ 0.7%p

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

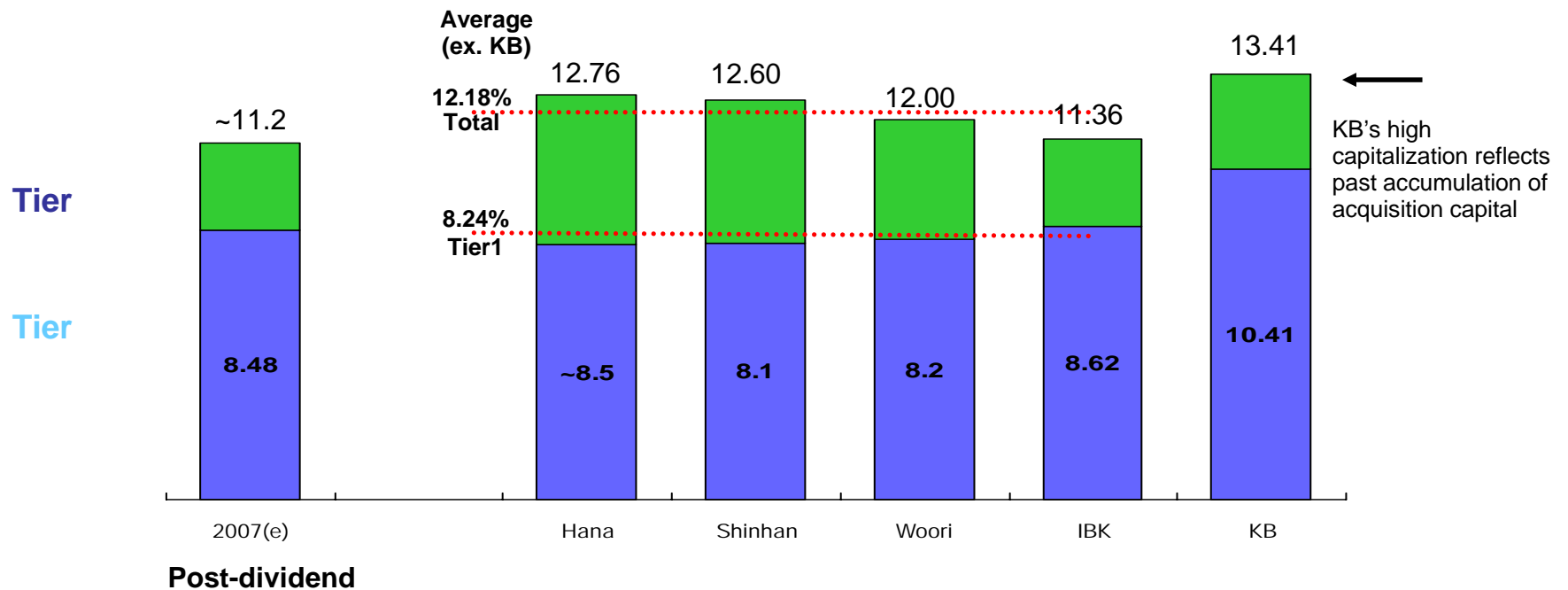
# 6. Dividend Plan - continued

## Strong Capital Position Post-dividend

- **Capital adequacy post-dividend – Basel basis**
  - BIS ratio: Comparable to peers with smaller Tier 1 capital component
  - Tier 1 ratio: Remains above level of peer banks

### KEB BIS ratio

### Peer banks at Sep 2007



# Appendix 1 : 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>	- × 27.5%	<b>-113</b> × 27.5%	<b>-112</b> × 27.5%
<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

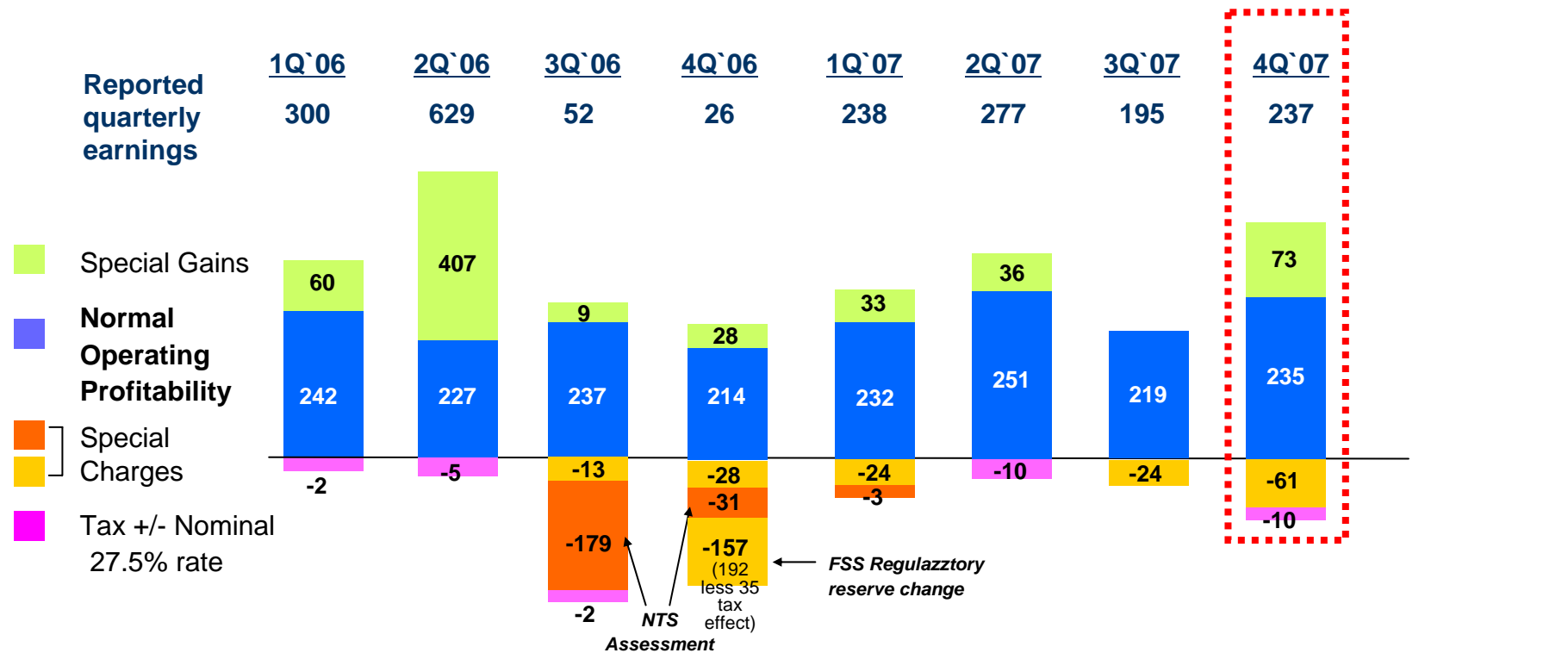
KEBCS LLR item rejected (represents KRW 215bn of total assessment)

↳ KEB has been under appeal process (National Tax Tribunal) since August 2007 and will pursue all available legal appeals.

All amounts due to NTS have been paid.

Recognize as Tax account item due to accounting standard change as of 4Q07

## Appendix 2 : Quarterly Net Income (KRW Billions) – After tax basis



### Special Charges (FY'06 ~ 4Q'07) \*

	FY06	1Q07	2Q07	3Q07	4Q07
✓ Special income-related bonus	22	-	-	-	-
✓ Retroactive CBA payments	10	-	-	-	11
✓ Regulatory reserve changes	157	-	-	-	61
✓ NTS tax assessment	210	3	24	-	-
✓ Bonus recognition timing	-	24	-24	24	-24
✓ Others	10	-	-	-	13

### Special Gains (FY'06 ~ 3Q'07) \*

	FY06	1Q07	2Q07	3Q07	4Q07
✓ Sale of debt-for-equity positions	171	-	13	-	66
✓ Reversal of impairment loss	210	7	-	-	-
✓ Recoveries/Sale of NPLs	89	-	23	-	7
✓ Sale of CFEB affiliate shares	17	-	-	-	-
✓ Retrieval from Non-Performing Asset Fund	-	26	-	-	-
✓ Others	17	-	-	-	-

\* Recalculated on after tax basis

## Appendix 3 : FSS Provision Requirement Change in 4Q`07

### Background

As a precautionary measure for recent rapid growth in corporate loans, FSS decided to increase minimum LLP requirement ratio for normal class corporate loans (Effective as of Dec 31, 2007)

### Provision Accumulation Policy Change Summary

#### 1. Minimum Provision Ratio Revision for normal class corporate credits

(Unit: %)

	Before	After					
		Manufacturing	Construction	Real Estate	Wholesale	Hotel & Restaurant	Others
Normal	0.7	0.85	0.9	0.9	0.9	0.9	0.85
Precautionary	7	No change					
Substandard	20						
Doubtful	50						
Estimated Loss	100						

#### 2. Minimum LLP ratio impact on profit

(Unit: KRW bn)

	Normal Credit	LLP ratio(%)		Additional Provision Accumulation	
		Before	After		
Construction, Real Estate, Wholesale, Hotel & Restaurant	Loans	12,830	0.7	0.9	25.7
	Unused credit	20,358	0.7	0.9	4.1
Manufacturing and Others	Loans	28,934	0.7	0.85	43.4
	Unused credit	72,943	0.7	0.85	10.9