

Industrial Bank of Korea

# 2010 3Q Earnings Release



# Disclaimer

- The operating results presented herein have not yet received a complete and full review by the external auditor and the Board of Directors, and may be subject to change in the due course of further process.
- This document contains certain financial information and results of operation, and may also contain projections, plans, strategies, and objectives of the Industrial Bank of Korea ("IBK"), which are not statements of historical facts but would be treated as forward-looking statements within the meaning of applicable laws. Forward-looking statements are subject to risks and uncertainties that may cause actual events and IBK's further results to be materially different than expected or indicated by such statements. No assurance can be given that the results anticipated by IBK, or indicated by any such forward-looking statements will be achieved.
- Some of the totals may not sum due to the rounding.

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- I Financial Highlights
- II Profitability
- III Loans/Deposits
- IV Asset Quality
- V Capital Adequacy
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# I . Financial Highlights

## 1. Financial Highlights

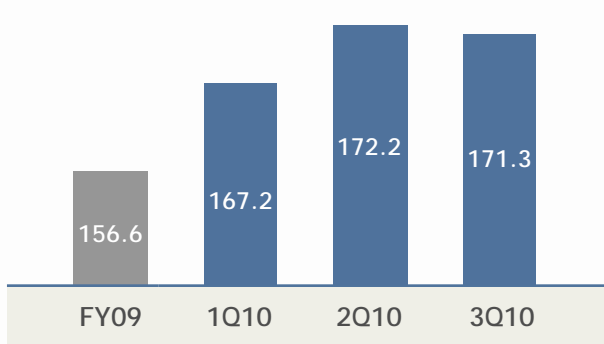


# Financial Highlights

Financial Highlights | Profits | Loans/Deposits | Asset Quality | Capital Adequacy

## Asset Growth

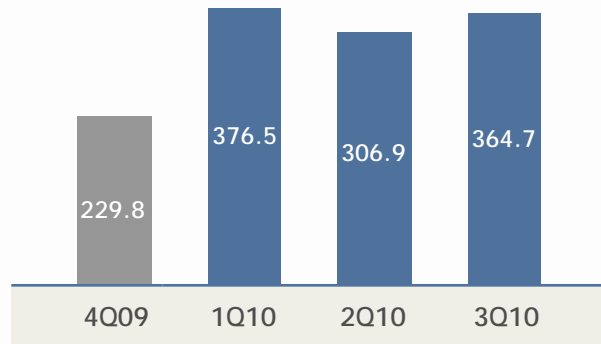
(KRW tr)



▪ Trust accounts included

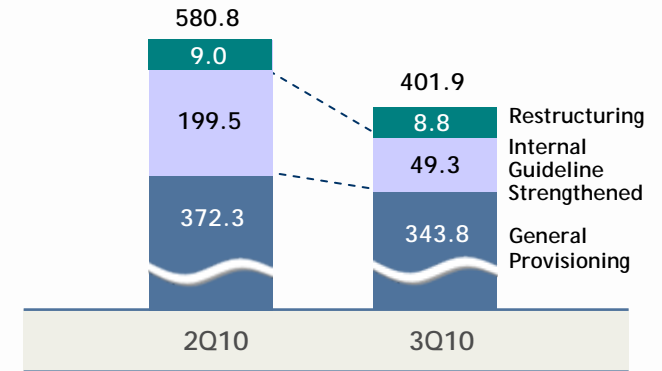
## Net Income

(KRW bn)



## Provisioning

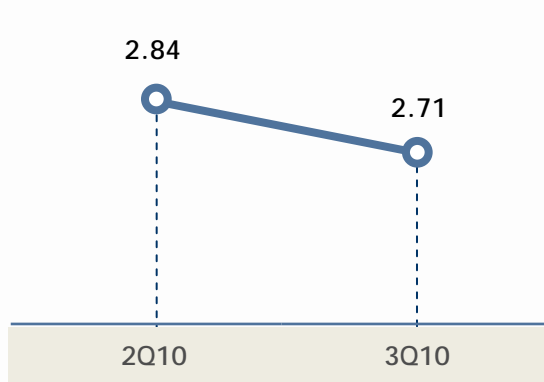
(KRW bn)



## NIM

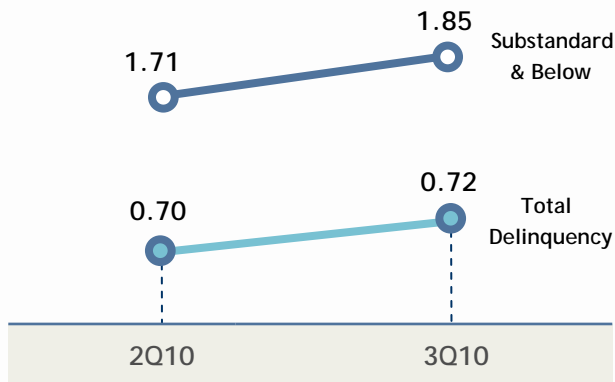
(%)

(Quarterly)



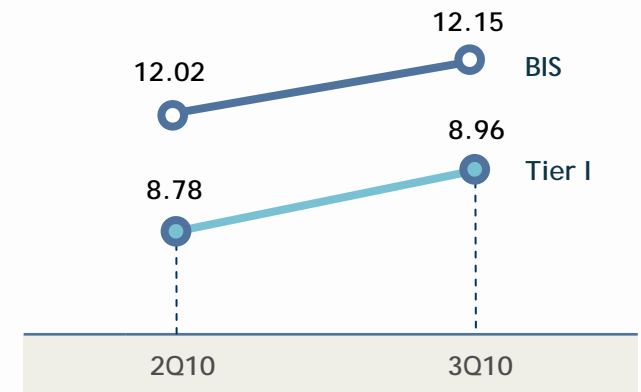
## NPL / Total Delinquency

(%)



## BIS CAR

(%)



▪ 3Q10 figures are preliminary



## II. Profitability

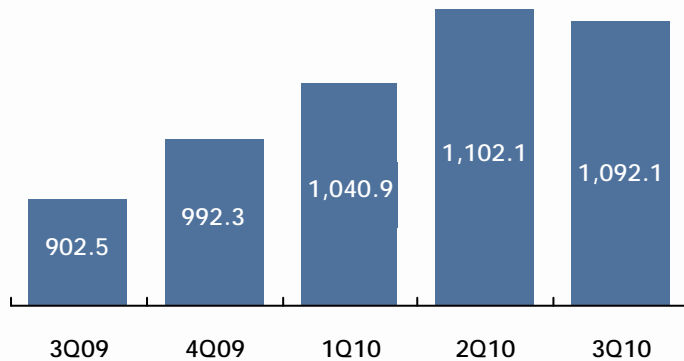
1. Income Statement
2. Net Interest Income
3. Net Non-interest Income
4. SG&A / Non-operating Income



# Income Statement

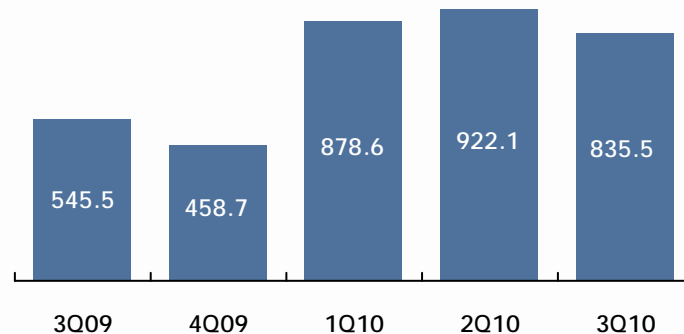
## Interest Income

(KRW bn)



## PPOP

(KRW bn)

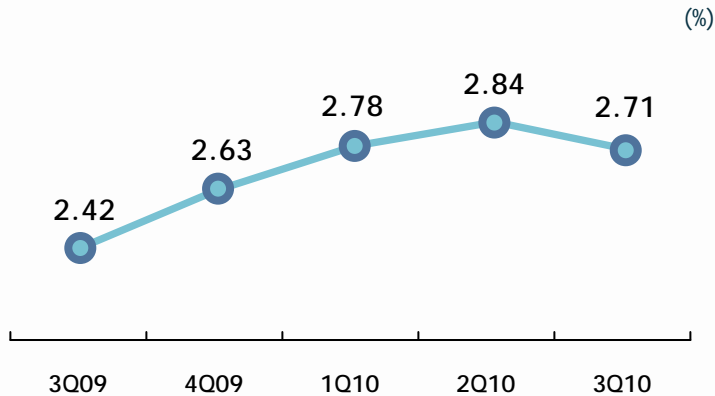


(KRW bn)	3Q10	QoQ	2Q10	1Q10	YTD
Net Interest Income	1,092.1	-0.9%	1,102.1	1,040.9	3,235.1
Net Non-interest Income	75.1	-58.0%	178.7	155.5	409.2
SG&A Expenses	331.7	-7.5%	358.7	317.7	1,008.1
Pre-provisioning Operating Profit	835.5	-9.4%	922.1	878.6	2,636.3
Net Provisioning <sup>1)</sup>	371.1	-31.0%	537.9	397.0	1,306.0
Operating Income	464.4	20.9%	384.2	481.6	1,330.2
Non-operating Income	17.0	-9.1%	18.7	12.1	47.7
Pre-tax Income	481.3	19.5%	402.9	493.7	1,378.0
Income Tax	116.6	21.5%	96.0	117.2	329.8
Net Income	364.7	18.8%	306.9	376.5	1,048.2

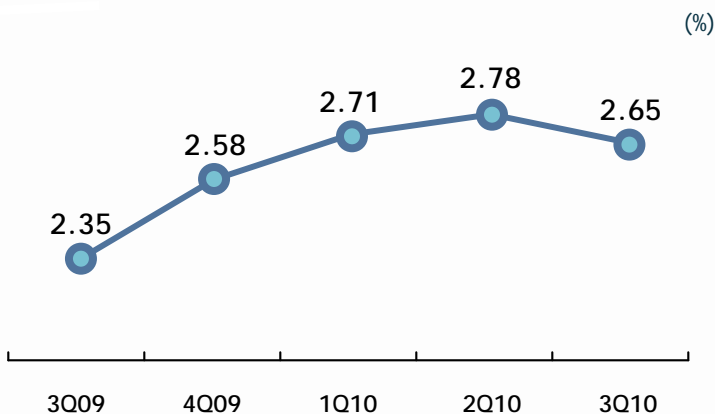
1) Refer to p16 for net provisioning details

# Net Interest Income

NIM (Quarterly)



NIS (Quarterly)



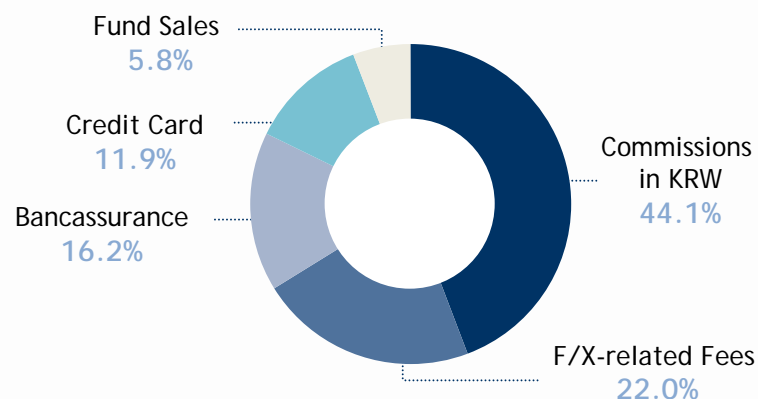
(KRW bn)	3Q10	QoQ	2Q10	1Q10	YTD
<b>Interest Income</b>	<b>2,151.5</b>	<b>-0.4%</b>	<b>2,159.9</b>	<b>2,092.1</b>	<b>6,403.6</b>
Loans	1,723.4	0.8%	1,709.3	1,665.0	5,097.6
Credit Card Receivables	114.2	-8.6%	124.9	111.9	351.0
(Credit Purchase)	(99.3)	(-9.3%)	(109.5)	(96.6)	(305.4)
Securities	237.5	-7.7%	257.3	253.7	748.5
Other Loans, Dues, etc.	76.4	11.7%	68.4	61.6	206.4
<b>Interest Expenses</b>	<b>1,059.4</b>	<b>0.2%</b>	<b>1,057.8</b>	<b>1,051.2</b>	<b>3,168.4</b>
Deposits	291.9	-1.1%	295.1	278.8	865.9
SMIF Bonds, etc.	767.5	0.6%	762.7	772.4	2,302.6
<b>Net Interest Income</b>	<b>1,092.1</b>	<b>-0.9%</b>	<b>1,102.1</b>	<b>1,040.9</b>	<b>3,235.1</b>

(%)	FY09				FY10		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>NIS (Quarterly)</b>	<b>2.27</b>	<b>2.25</b>	<b>2.35</b>	<b>2.58</b>	<b>2.71</b>	<b>2.78</b>	<b>2.65</b>
Yield on IEA	6.43	5.87	5.68	5.80	5.89	5.85	5.63
Yield on IBL	4.16	3.62	3.33	3.22	3.18	3.07	2.98

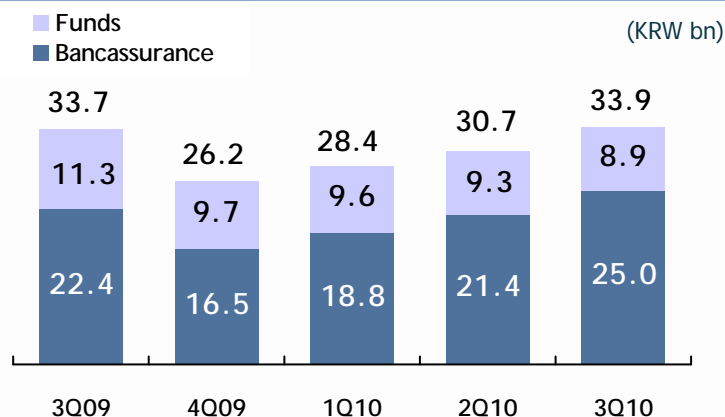


# Net Non-Interest Income

## Fee Income Breakdown



## Bancassurance/Fund Sales Fee



(KRW bn)	3Q10	QoQ	2Q10	1Q10	YTD
<b>Fee Income</b>	<b>154.2</b>	<b>5.9%</b>	<b>145.6</b>	<b>142.6</b>	<b>442.3</b>
Commissions in KRW	68.0	6.8%	63.7	65.9	197.6
F/X-related Fees	33.9	-0.9%	34.2	32.4	100.5
Bancassurance	25.0	16.8%	21.4	18.8	65.2
Credit Card	18.3	7.7%	17.0	15.9	51.3
Fund Sales	8.9	-4.3%	9.3	9.6	27.8
<b>Other Non-interest Income</b>	<b>-79.1</b>	<b>-339.0%</b>	<b>33.1</b>	<b>12.9</b>	<b>-33.1</b>
Securities-related Gain	64.4	-30.7%	92.9	157.1	314.4
Gain/Loss on Disposal of Loans	25.6	-40.7%	43.2	-0.1	68.6
Others <sup>1)</sup>	-175.7	-60.9%	-109.2	-150.7	-435.6
Trust Income	6.6	6.5%	6.2	6.7	19.5
<b>Net Non-interest Income</b>	<b>75.1</b>	<b>-58.0%</b>	<b>178.7</b>	<b>155.5</b>	<b>409.2</b>

1) Contributions to Credit Guarantee Fund, Deposit Insurance Premium, Gain/Loss from F/X Transactions & Derivatives, etc.

# SG&A / Non-operating Income

Financial  
Highlights

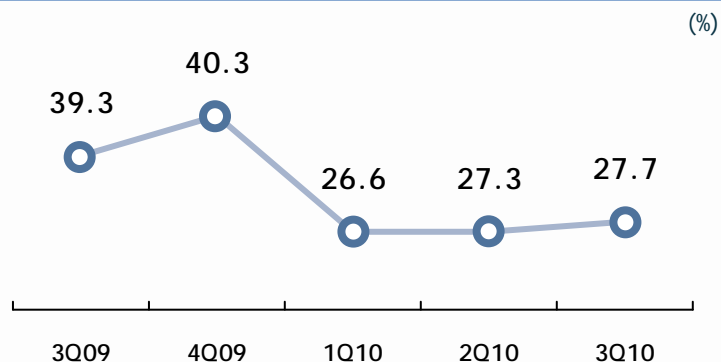
Profits

Loans/  
Deposits

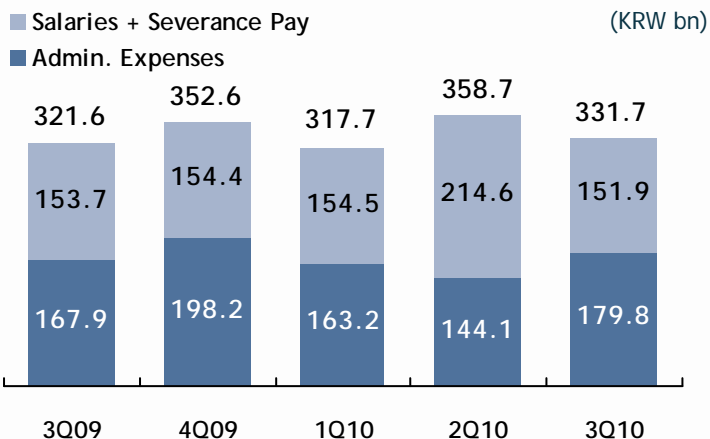
Asset  
Quality

Capital  
Adequacy

## Cost Income Ratio



## SG&A



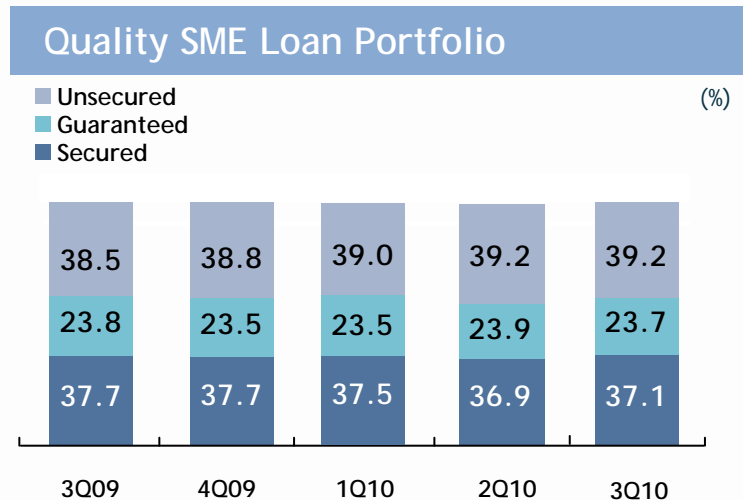
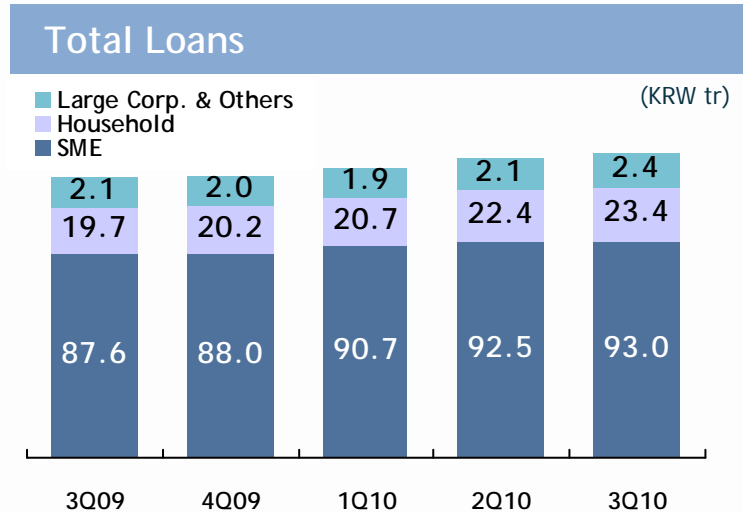
(KRW bn)	3Q10	QoQ	2Q10	1Q10	YTD
<b>SG&amp;A Expenses</b>	<b>331.7</b>	<b>-7.5%</b>	<b>358.7</b>	<b>317.7</b>	<b>1,008.1</b>
Salaries	143.8	-28.9%	202.2	141.1	487.2
Admin. Expenses	179.8	24.8%	144.1	163.2	487.1
(Depreciation)	(22.7)	(9.7%)	(20.7)	(19.4)	(62.7)
Provisions for Severance Pay	8.0	-35.0%	12.3	13.5	33.8
<b>Non-operating Income</b>	<b>17.0</b>	<b>-9.1%</b>	<b>18.7</b>	<b>12.1</b>	<b>47.7</b>
Equity Method Gain	9.2	-50.5%	18.6	11.2	38.9
Other Non-operating Income	7.8	N/A	0.2	0.9	8.8

# III. Loans/Deposits

1. Loan Portfolio
2. Deposit Structure



# Loan Portfolio



(KRW bn)	3Q10	QoQ	2Q10	YTD	FY09
<b>SME</b>	<b>92,979</b>	<b>0.6%</b>	<b>92,468</b>	<b>5.7%</b>	<b>88,009</b>
Working Capital	63,266	0.3%	63,104	5.1%	60,216
CAPEX	29,713	1.2%	29,363	6.9%	27,793
<b>Household <sup>1)</sup></b>	<b>23,411</b>	<b>4.2%</b>	<b>22,460</b>	<b>16.0%</b>	<b>20,185</b>
General	20,359	1.3%	20,090	10.9%	18,366
(Home Equity)	(9,887)	(0.7%)	(9,823)	(9.0%)	(9,075)
Housing Loan	3,052	28.8%	2,370	67.8%	1,819
<b>Large Corp.</b>	<b>1,907</b>	<b>17.9%</b>	<b>1,617</b>	<b>18.2%</b>	<b>1,613</b>
<b>Others</b>	<b>504</b>	<b>6.3%</b>	<b>474</b>	<b>26.0%</b>	<b>400</b>
<b>Total</b>	<b>118,801</b>	<b>1.5%</b>	<b>117,019</b>	<b>7.8%</b>	<b>110,207</b>

▪ Loan Portfolio Mix : SME 78.3%, Household 19.7%, Large Corp. & Others 2.0%

1) Credit Card Loans 55.0bn included

# Deposit Structure

Financial  
Highlights

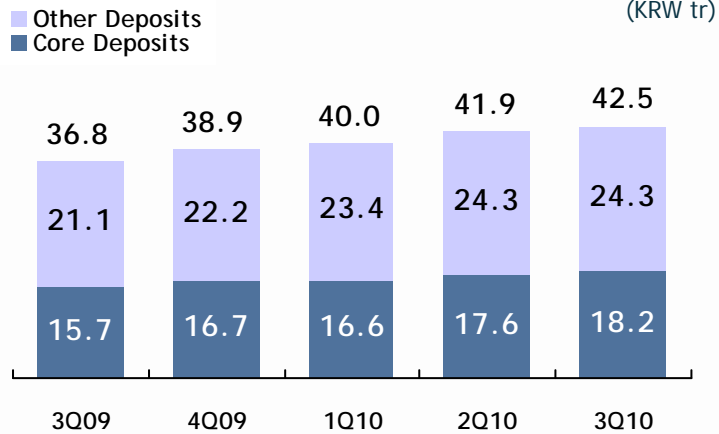
Profits

Loans/  
Deposits

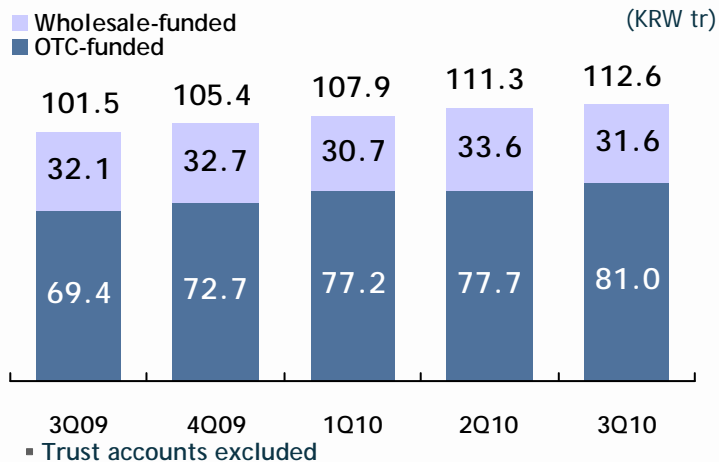
Asset  
Quality

Capital  
Adequacy

## Deposits



## Funding Breakdown



(KRW bn)	3Q10	QoQ	2Q10	YTD	FY09
Core Deposits <sup>1)</sup>	18,197	3.4%	17,602	9.3%	16,649
MMDA	6,251	-3.7%	6,491	8.6%	5,757
Other Deposits	18,086	1.4%	17,835	9.8%	16,477
<b>Deposits</b>	<b>42,535</b>	<b>1.5%</b>	<b>41,927</b>	<b>9.4%</b>	<b>38,883</b>
CD, Covered Bills, RP	15,452	-1.8%	15,738	15.2%	13,416
SMIF Bonds	54,615	1.8%	53,626	2.8%	53,116
(OTC-funded)	(23,576)	(8.3%)	(21,768)	(12.6%)	(20,948)
<b>Sub Total</b>	<b>112,602</b>	<b>1.2%</b>	<b>111,291</b>	<b>6.8%</b>	<b>105,415</b>
Trust <sup>2)</sup>	5,546	-13.4%	6,401	-0.8%	5,590
<b>Total Deposits</b>	<b>118,148</b>	<b>0.4%</b>	<b>117,692</b>	<b>6.4%</b>	<b>111,005</b>

▪ Based on monthly average B/S balance

1) Core Deposits: Corporate Fee Savings + Savings Deposits + Demand Deposits  
(excluding MMDA)

2) Money Trust (excluding fund sales)



# IV. Asset Quality

1. Asset Quality
2. Provisions
3. Delinquency



# Asset Quality

Financial  
Highlights

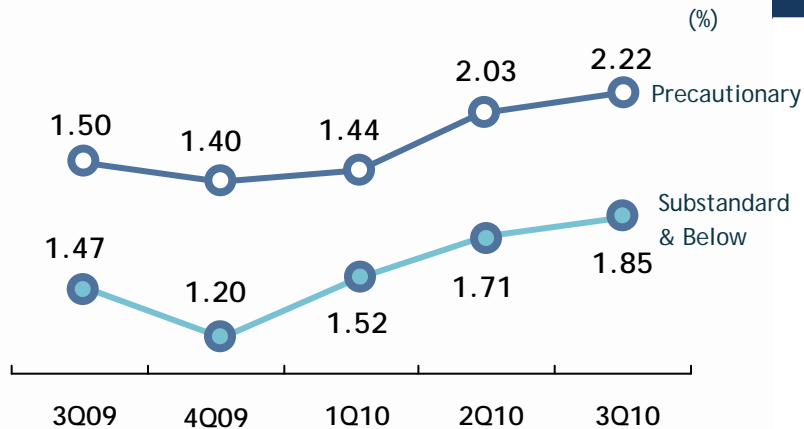
Profits

Loans/  
Deposits

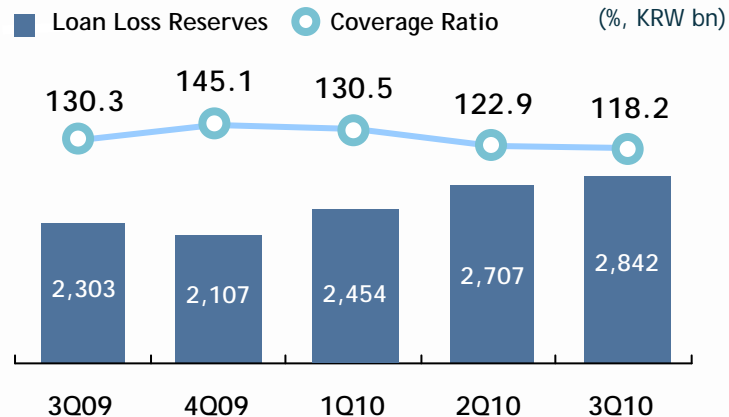
Asset  
Quality

Capital  
Adequacy

## Precautionary / Substandard & below



## NPL Coverage Ratio / LLR



(KRW bn)	3Q10	QoQ	2Q10	1Q10
Normal	124,599	0.5%	123,953	119,948
Precautionary	2,886	10.6%	2,610	1,779
Substandard	1,566	6.6%	1,469	1,246
Doubtful	353	23.4%	286	161
Estimated Loss	487	8.9%	447	472
<b>Total</b>	<b>129,891</b>	<b>0.9%</b>	<b>128,765</b>	<b>123,606</b>
Substandard & Below	2,406	9.3%	2,202	1,880
<b>Substandard &amp; Below Ratio</b>	<b>1.85%</b>	<b>0.14%p</b>	<b>1.71%</b>	<b>1.52%</b>
Loan Loss Reserves (LLR) <sup>1)</sup>	2,842	5.0%	2,707	2,454
<b>Coverage Ratio (LLR/Substandard &amp; below)</b>	<b>118.2%</b>	<b>-4.7%p</b>	<b>122.9%</b>	<b>130.5%</b>
Write-offs (quarterly)	162.3	-26.5%	220.7	67.6

1) Include reserves for bond valuation, but exclude reserves for unused credit lines and unconfirmed acceptances & guarantees

# Provisions

Financial  
Highlights

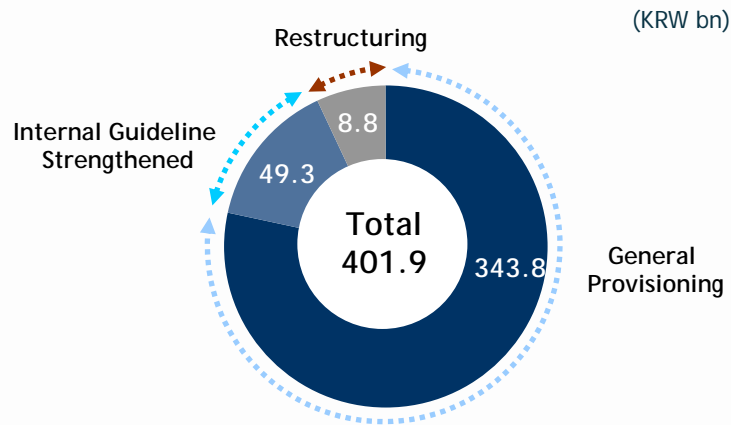
Profits

Loans/  
Deposits

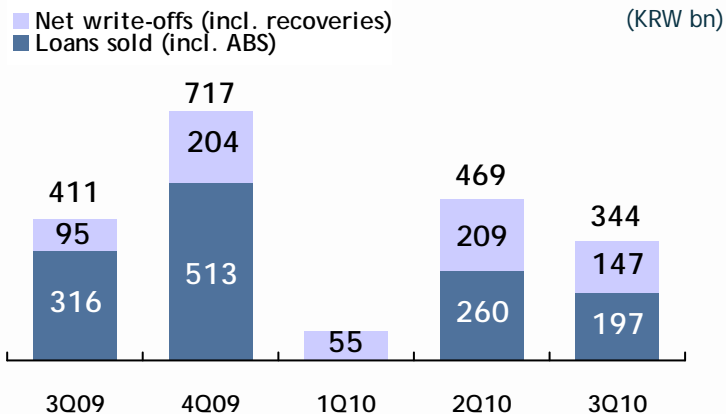
Asset  
Quality

Capital  
Adequacy

## Provision Breakdown



## Write-offs / NPL Sales



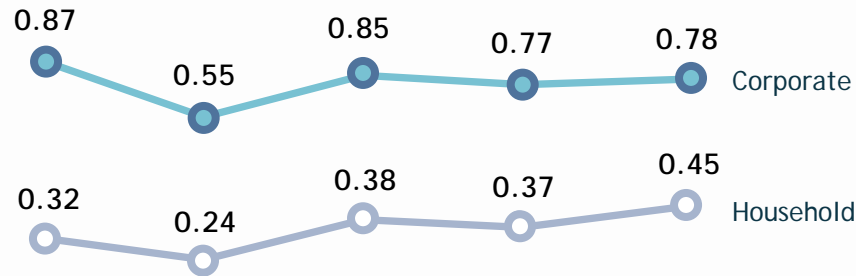
(KRW bn)	3Q10	QoQ	2Q10	1Q10
<b>Corporate</b>	<b>370.9</b>	<b>-31.9%</b>	<b>544.3</b>	<b>372.3</b>
Provisions	358.8	-32.6%	532.3	367.4
Other Reserves (Unused Credit Line)	12.1	0.8%	12.0	4.9
<b>Household</b>	<b>20.1</b>	<b>-25.8%</b>	<b>27.1</b>	<b>15.4</b>
Provisions	20.1	-25.3%	26.9	14.8
Other Reserves (Unused Credit Line)	0.0	N/A	0.2	0.6
<b>Credit Card</b>	<b>10.9</b>	<b>16.0%</b>	<b>9.4</b>	<b>14.1</b>
Provisions	8.1	-18.2%	9.9	8.7
Other Reserves (Unused Credit Line)	2.8	660.0%	-0.5	5.4
<b>Sub Total</b>	<b>401.9</b>	<b>-30.8%</b>	<b>580.8</b>	<b>401.8</b>
<b>Other Provisions 1)</b>	<b>-30.8</b>	<b>-28.2%</b>	<b>-42.9</b>	<b>-4.8</b>
<b>Net Provisioning</b>	<b>371.1</b>	<b>-31.0%</b>	<b>537.9</b>	<b>397.0</b>

1) Includes provision write-back from NPL sales (KRW 26.8bn)

# Delinquency

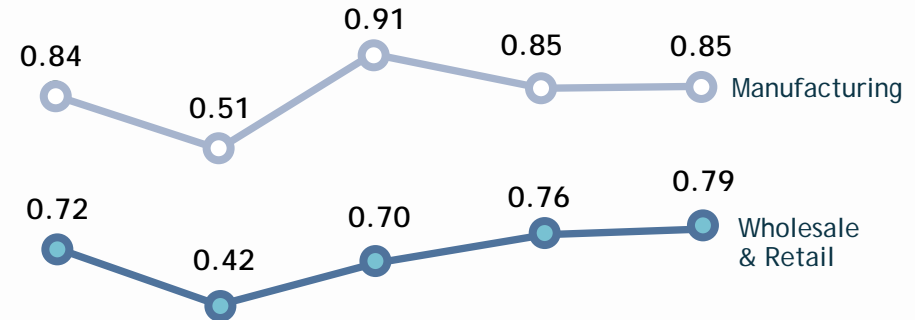
## Delinquency by Operation

(%)



## Delinquency by Industry

(%)



	3Q09	4Q09	1Q10	2Q10	3Q10
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(%)	3Q09	4Q09	1Q10	2Q10	3Q10
Total	0.78	0.50	0.77	0.70	0.72
Corporate	0.87	0.55	0.85	0.77	0.78
Household	0.32	0.24	0.38	0.37	0.45
Credit Card	1.62	1.50	1.26	0.91	1.09

■ Principal or Interest of 30+ days past due

	3Q09	4Q09	1Q10	2Q10	3Q10
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(%)	3Q09	4Q09	1Q10	2Q10	3Q10
Manufacturing	0.84	0.51	0.91	0.85	0.85
Construction	1.70	1.39	1.28	1.10	1.55
Wholesale & Retail	0.72	0.42	0.70	0.76	0.79
Lease & Rental	1.01	0.79	0.31	0.17	3.35
Lodging & Dining	0.50	0.24	0.92	0.63	0.91

■ Principal or Interest of 30+ days past due

# V. Capital Adequacy

## 1. Capital Adequacy





# Capital Adequacy

Financial  
Highlights

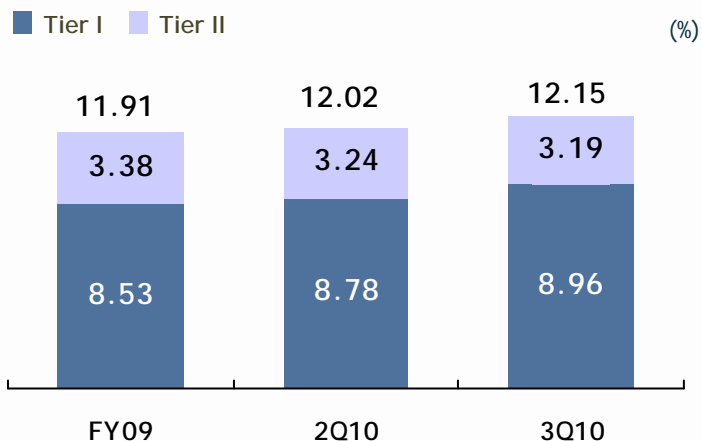
Profits

Loans/  
Deposits

Asset  
Quality

Capital  
Adequacy

## BIS CAR



▪ Based on Basel II Standardized Approach

## Top 3 Investment Securities

Name	Ownership	Valuation Gains
KT&G	6.45%	KRW 433.9bn
Shinsegae	3.37%	KRW 67.7bn
SK Networks	0.92%	KRW 12.3bn

(KRW bn)	3Q10	2Q10
<b>Tier I</b>	<b>10,149</b>	<b>9,811</b>
Paid-in Capital	2,996	2,996
Capital Surplus	454	454
Retained Earnings	6,063	5,697
Hybrid Capital	824	824
Minority Interest	217	238
<b>Tier II</b>	<b>3,615</b>	<b>3,625</b>
LLR	1,423	1,403
45% of Gains on Valuation of Investment Securities	252	192
Subordinated Bonds	2,158	2,218
<b>Total</b>	<b>13,764</b>	<b>13,435</b>
Risk-weighted Assets	113,273	111,731
<b>BIS CAR (%)</b>	<b>12.15</b>	<b>12.02</b>
Tier I	8.96	8.78
Tier II	3.19	3.24

▪ 3Q10 figures are preliminary

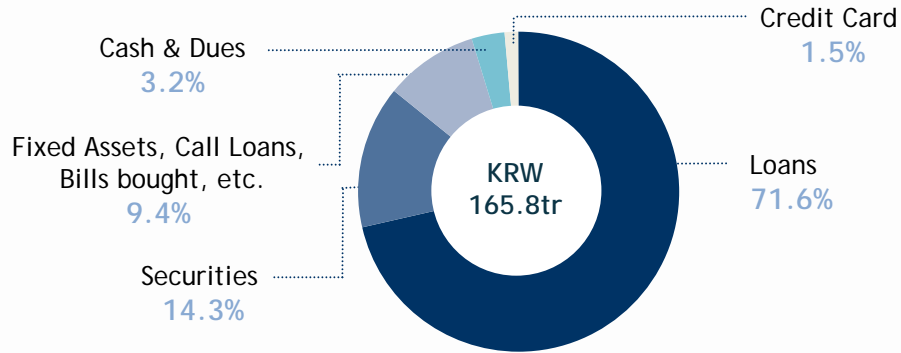
# VI. Appendix

1. Funding & Operations
2. SME Loans by Industry
3. Provision Details



# Funding & Operations

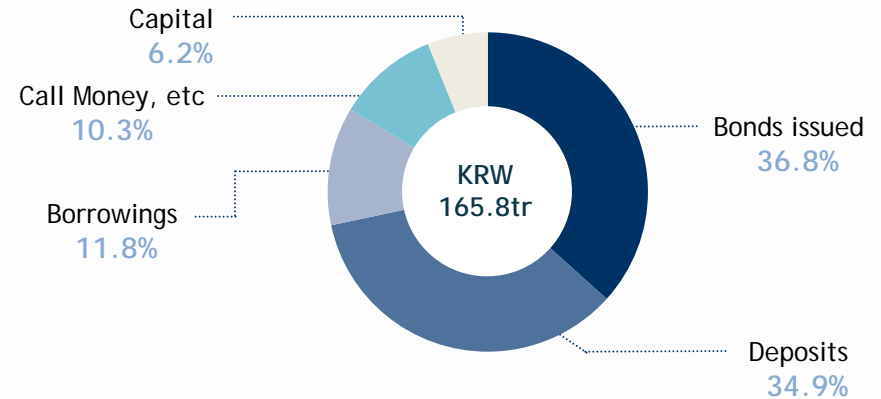
## Operations



(KRW bn)	3Q10	FY09
Loans <sup>1)</sup>	118,801	110,207
Securities	23,666	24,020
Cash & Dues	5,324	3,866
Credit Card	2,412	2,253
Fixed Assets, Call Loans, Bills Bought, etc.	15,562	10,571
<b>Total</b>	<b>165,765</b>	<b>150,917</b>

- B/S Balance (Bank accounts)
- 1) Loans in KRW & FCY

## Funding



(KRW bn)	3Q10	FY09
Deposits <sup>1)</sup>	57,841	52,506
Bonds Issued	60,961	58,856
SMIF Bonds	55,035	53,523
(OTC-funded)	(23,747)	(21,160)
Borrowings	19,578	19,835
BOK	2,266	2,517
Gov't & Public Fund	12,598	11,931
F/C	4,552	5,242
Capital	10,238	9,216
Call Money, Deposits in FCY	17,147	10,505
<b>Total</b>	<b>165,765</b>	<b>150,917</b>

- B/S Balance (Bank accounts)
- 1) Deposits in KRW + CD + Covered Bills + RP

# SME Loans by Industry

(KRW bn)	3Q10				FY09	
	Amount	(%)	Change	(%p)	Amount	(%)
<b>Manufacturing</b>	<b>59,011</b>	<b>63.5</b>	<b>3,142</b>	<b>0.0</b>	<b>55,869</b>	<b>63.5</b>
Textile	2,343	2.5	80	-0.1	2,263	2.6
Apparel & Leather	1,621	1.7	102	0.0	1,519	1.7
Chemical Products	3,240	3.5	210	0.1	3,030	3.4
Rubber & Plastic Products	4,892	5.3	307	0.1	4,585	5.2
Basic Metals	4,132	4.4	208	-0.1	3,924	4.5
Fabricated Metals	8,215	8.8	560	0.1	7,655	8.7
Other Machinery	10,800	11.6	691	0.1	10,109	11.5
Electronic Machinery	3,277	3.5	286	0.1	2,991	3.4
Communications Devices	4,810	5.2	210	0.0	4,600	5.2
Automobiles	4,422	4.8	89	-0.1	4,333	4.9
Others	11,259	12.1	399	-0.2	10,860	12.3
<b>Construction</b>	<b>4,518</b>	<b>4.9</b>	<b>-588</b>	<b>-0.9</b>	<b>5,106</b>	<b>5.8</b>
(Project Financing)	714	0.8	-767	-0.9	1,481	1.7
<b>Wholesale &amp; Retail</b>	<b>14,818</b>	<b>15.9</b>	<b>891</b>	<b>0.1</b>	<b>13,927</b>	<b>15.8</b>
<b>Lease &amp; Rental</b>	<b>5,116</b>	<b>5.5</b>	<b>957</b>	<b>0.8</b>	<b>4,159</b>	<b>4.7</b>
<b>Lodging &amp; Dining</b>	<b>630</b>	<b>0.7</b>	<b>-31</b>	<b>-0.1</b>	<b>661</b>	<b>0.8</b>
<b>Others</b>	<b>8,887</b>	<b>9.6</b>	<b>601</b>	<b>0.2</b>	<b>8,286</b>	<b>9.4</b>
Transport & Warehousing	1,315	1.4	119	0.0	1,196	1.4
Business Services <sup>1)</sup>	1,216	1.3	7	-0.1	1,209	1.4
Other Services <sup>2)</sup>	6,357	6.8	475	0.1	5,882	6.7
<b>Total</b>	<b>92,979</b>	<b>100.0</b>	<b>4,970</b>	<b>0.0</b>	<b>88,009</b>	<b>100.0</b>

▪ SME Loans (including Loans in FYC)

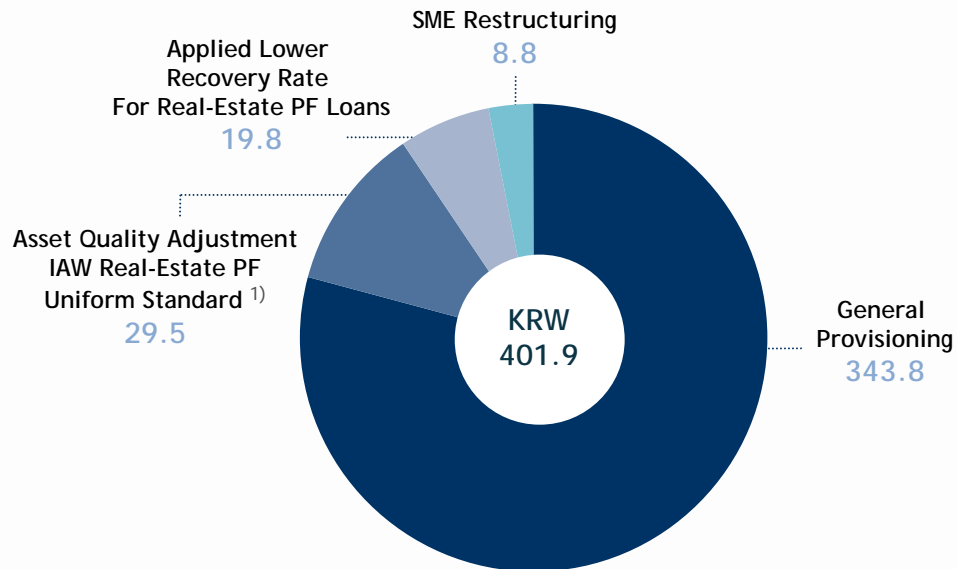
1) Information Processing, R&D Business, Technology Services, Assistance Services, etc.

2) Agriculture, Forestry, Fishery, Mining, Electricity/Gas/Water, Education, Finance/Insurance, Government Services, etc.

# Provision Details

3Q10

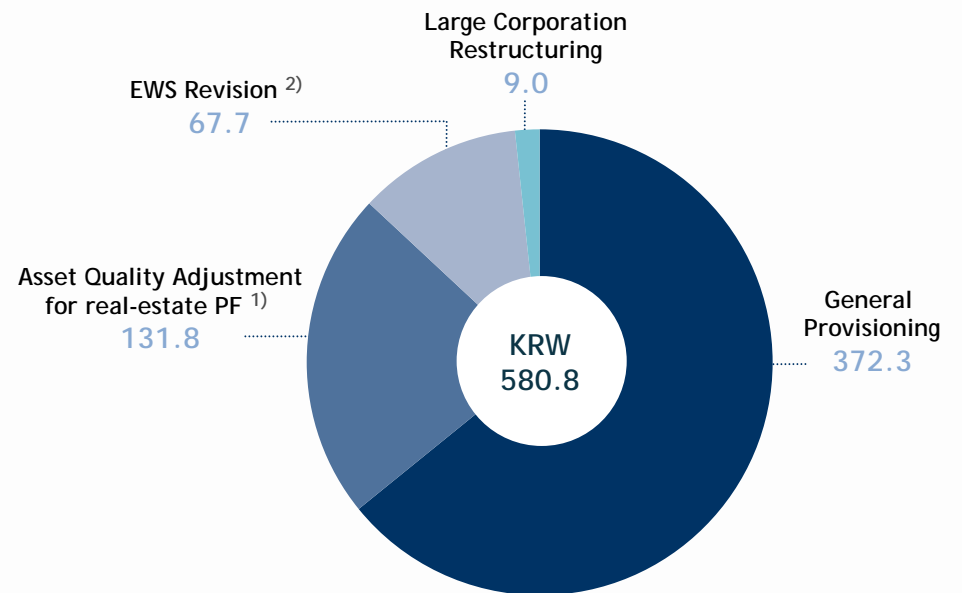
(KRW bn)



- 1) Total amount W108.6bn (Precautionary → Doubtful)  
Substandard & below and provision are increased by  
W68.6bn and W29.5bn respectively

2Q10

(KRW bn)



- 1) Normal 6.0% → Precautionary 19.0%, KRW 58.9bn  
Precautionary 19.0% → Doubtful 90.0%/100.0%, KRW 49.3bn  
Substandard 20.0% → Doubtful 50.0%/90.0%, KRW 23.6bn

- 2) Categories (asset size, industry risk, delinquency report from third party, risk in supply chains) have been newly added for preemptive credit monitoring