

Industrial Bank of Korea

2009 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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- IV Asset Quality
- V Capital Adequacy
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I . Financial Highlights

1. Financial Highlights



Financial Highlights

Financial
Highlights

Profits

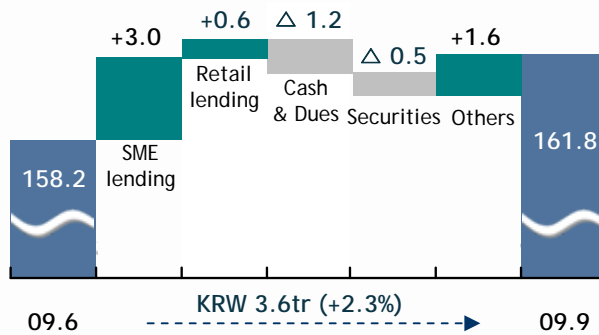
Loans
/Deposits

Asset
Quality

Capital
Adequacy

Asset Growth

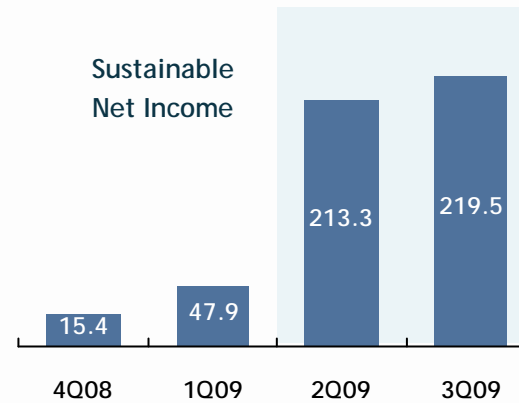
(KRW tr)



* Trust accounts included

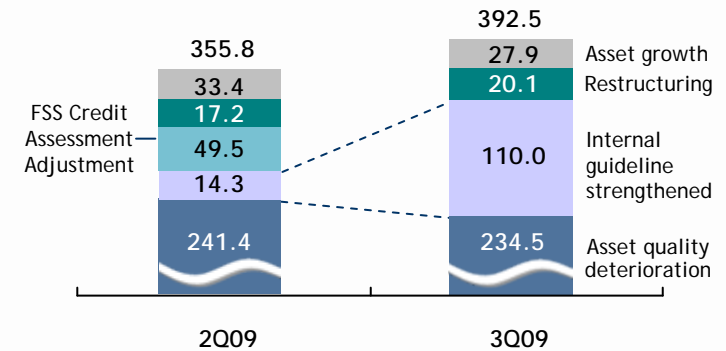
Net Income

(KRW bn)



Provisioning

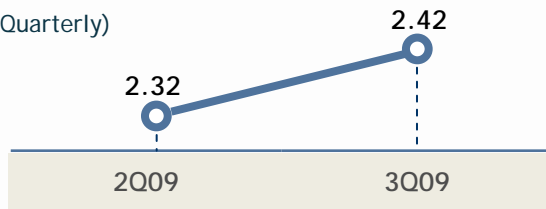
(KRW bn)



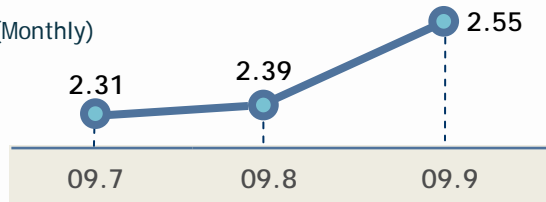
NIM

(%)

(Quarterly)

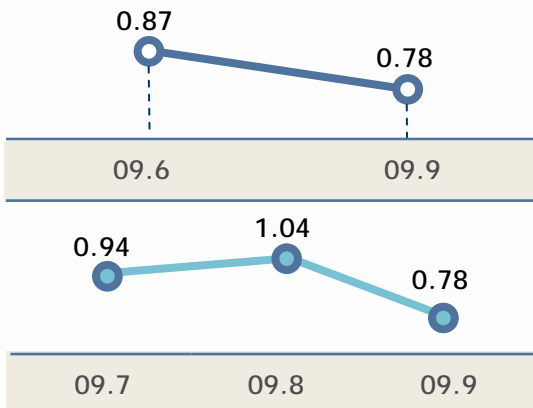


(Monthly)



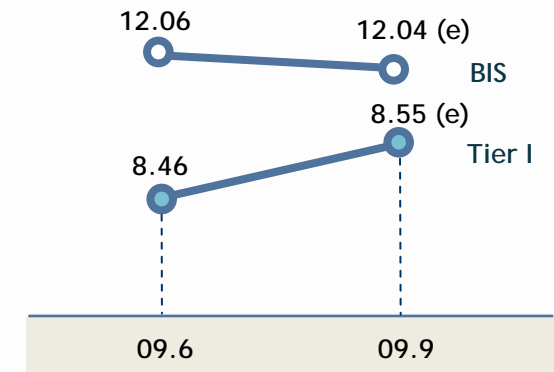
Total Delinquency

(%)



BIS CAR

(%)



* 09.9 figures are preliminary.

II. Profitability

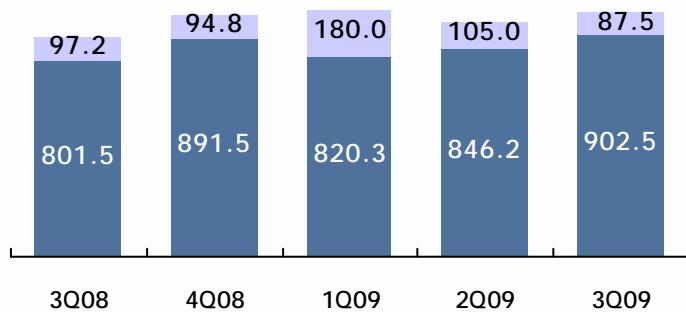
1. Income Statement
2. Net Interest Income
3. Net Non-interest Income
4. SG&A / Non-operating Income



Income Statement

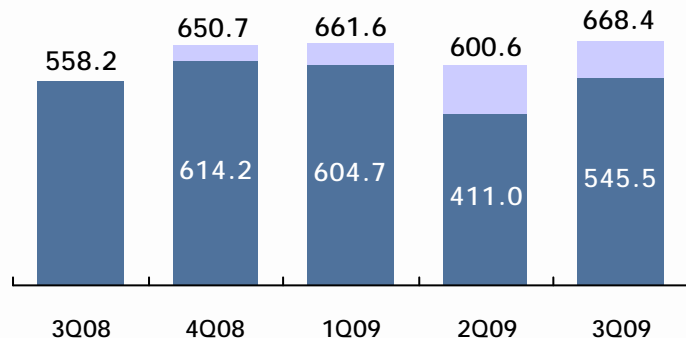
Interest / Non-interest Income

■ Non-interest Income (Pre-NPL Sales) (KRW bn)
■ Interest Income



Stable PPOP

* Pre-NPL Sales (KRW bn)
■ Reported

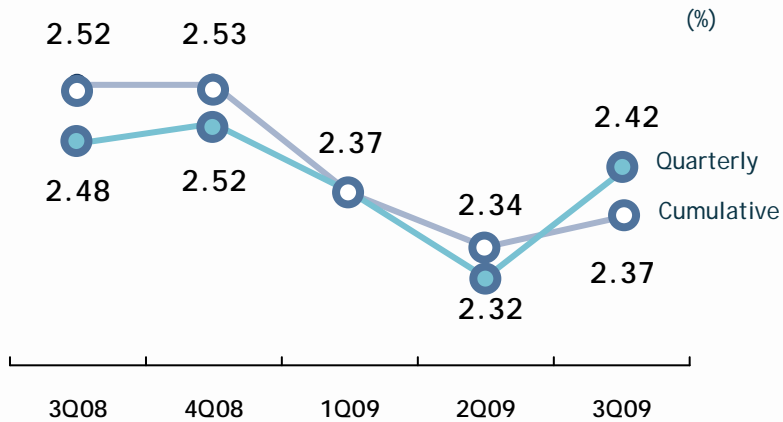


(KRW bn)	3Q09	2Q09	1Q09	3Q09(ytd)
Net Interest Income	902.5	846.2	820.3	2,569.0
Net Non-interest Income	-35.4	-84.6	123.1	3.1
SG&A Expenses	321.6	350.5	338.7	1,010.8
Pre-provisioning Operating Profit	545.5	411.0	604.7	1,561.3
Net Provisioning ¹⁾	266.1	174.4	550.3	990.8
Operating Income	279.4	236.6	54.5	570.5
Non-operating Income	13.3	39.2	11.9	64.4
Pre-tax Income	292.7	275.9	66.3	634.9
Income Tax	73.2	62.5	18.4	154.2
Net Income	219.5	213.3	47.9	480.7

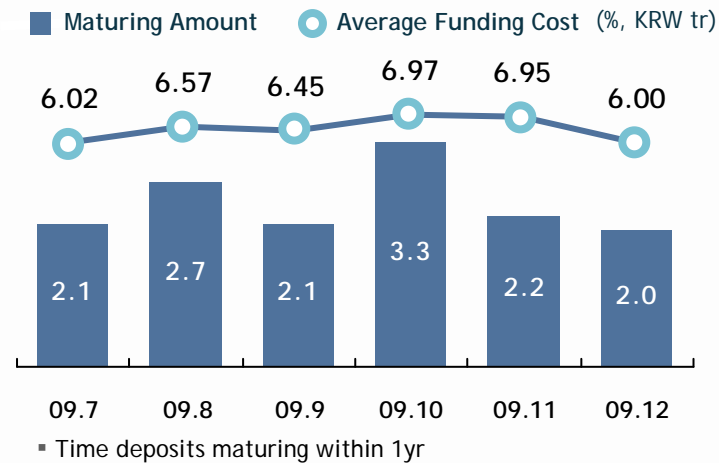
1) Refer to Page 16 for net provisioning details

Net Interest Income

NIM



Time Deposits Maturity



(KRW bn)	3Q09	2Q09	1Q09	3Q09(ytd)
Interest Income	1,990.0	1,993.8	2,086.7	6,070.5
Loans	1,584.5	1,568.0	1,657.7	4,810.2
Credit Card Receivables	109.3	117.5	104.8	331.7
(Credit Purchase)	(91.2)	(99.1)	(85.7)	(276.0)
Securities	235.6	244.8	253.7	734.1
Other Loans, Dues, etc.	60.6	63.6	70.4	194.6
Interest Expenses	1,087.5	1,147.7	1,266.3	3,501.5
Deposits	272.3	262.5	272.9	807.7
SMIF Bonds, etc.	815.2	885.2	993.4	2,693.8
Net Interest Income	902.5	846.2	820.3	2,569.0

(%)	FY08				FY09		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
NIS(Quarterly)	2.42	2.42	2.37	2.43	2.27	2.25	2.35
Yield on IEA	6.91	6.87	6.90	7.09	6.43	5.87	5.68
Yield on IBL	4.49	4.45	4.53	4.66	4.16	3.62	3.33

Net Non-interest Income

Financial
Highlights

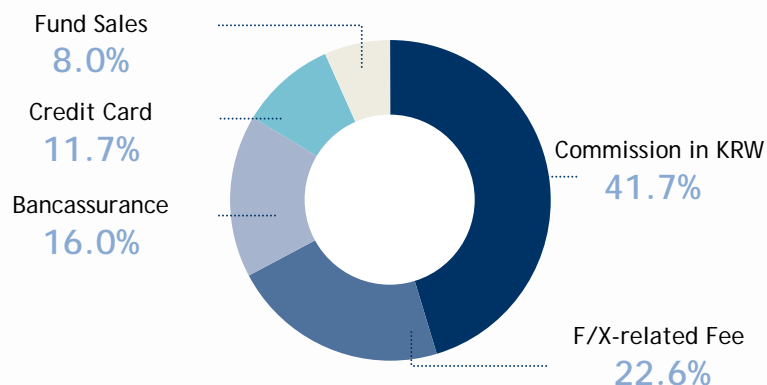
Profits

Loans
/Deposits

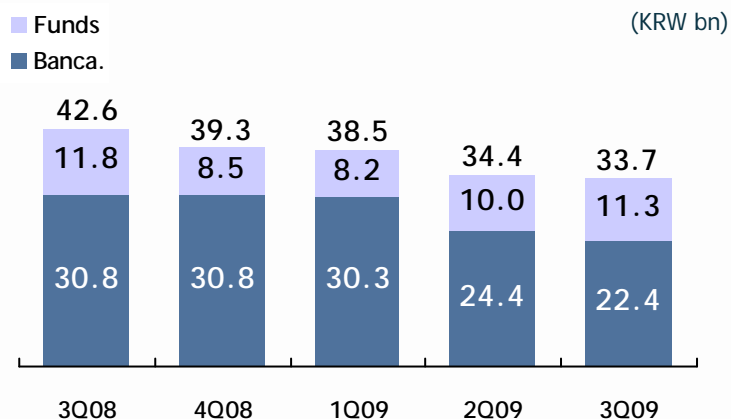
Asset
Quality

Capital
Adequacy

Fee Income Breakdown



Banca./Fund Sales Fee



(KRW bn)	3Q09	2009	1Q09	3Q09 (ytd)
Fee Income	140.4	149.9	133.3	423.6
Commission in KRW	58.5	68.0	51.7	178.3
F/X-related Fee	31.7	32.9	29.3	93.9
Bancassurance	22.4	24.4	30.3	77.1
Credit Card	16.5	14.7	13.7	44.9
Fund Sales	11.3	10.0	8.2	29.5
Securities-related Gain	44.6	27.9	25.2	97.7
Gain/Loss on Disposal of Loans	-93.7	-142.1	12.2	-223.7
Others ¹⁾	-132.7	-125.6	-52.8	-311.1
Trust Income	6.0	5.3	5.2	16.5
Net Non-interest Income	-35.4	-84.6	123.1	3.1

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

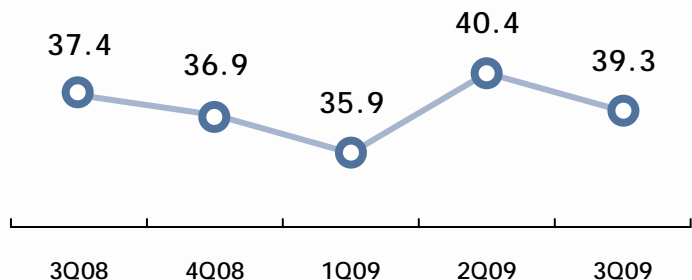
Loans
/Deposits

Asset
Quality

Capital
Adequacy

Cost-Income Ratio

(%)

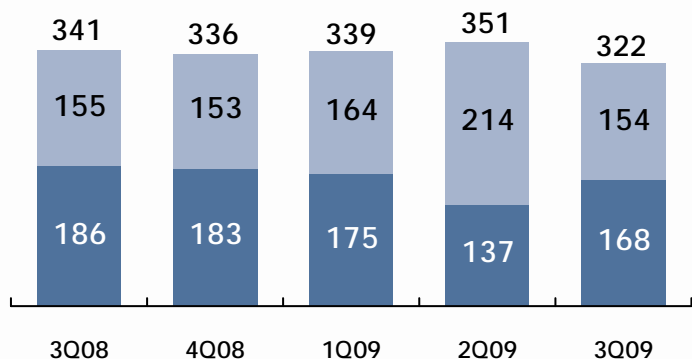


SG&A

Salaries + Severance Pay

(KRW bn)

Admin. Expenses



(KRW bn)	3Q09	2Q09	1Q09	3Q09 (ytd)
SG&A Expenses	321.6	350.5	338.7	1,010.8
Salaries	138.1	200.7	147.4	486.2
Admin. Expenses	167.9	136.7	174.9	479.5
(Depreciation)	(24.7)	(23.1)	(22.1)	(69.9)
Provisions for Severance Pay	15.6	13.2	16.3	45.1
Non-operating Income	13.3	39.2	11.9	64.4
Equity Method Gain	10.7	36.9	9.5	57.0
Other Non-operating Income	2.6	2.3	2.4	7.4

III. Loans/Deposits

1. Loan Portfolio
2. Deposit Structure



Loan Portfolio

Financial
Highlights

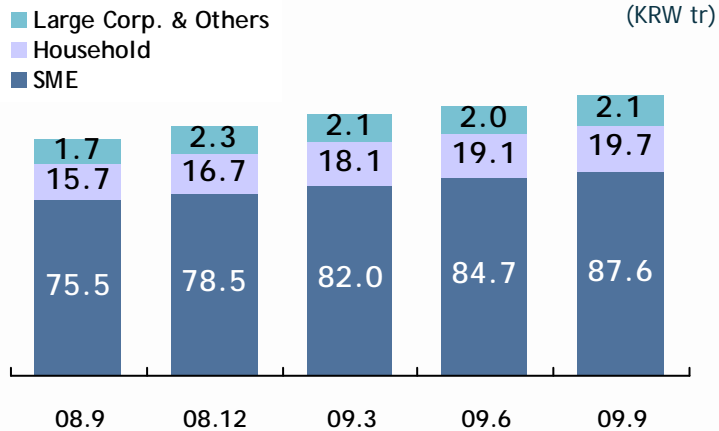
Profits

Loans
/Deposits

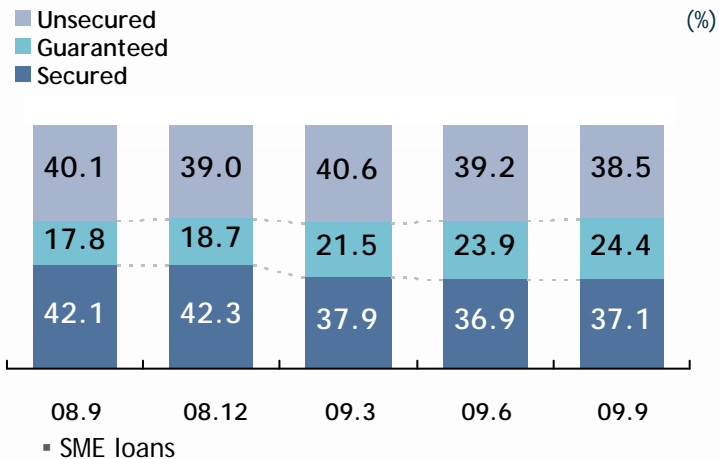
Asset
Quality

Capital
Adequacy

Total Loans



Increased Portion of Guaranteed Loan



(KRW bn)	09.9	qoq	09.6	ytd	08.12
SME	87,655	3.5%	84,670	11.7%	78,501
Working Capital	60,665	3.2%	58,763	13.5%	53,431
CAPEX	26,990	4.2%	25,907	7.7%	25,070
Household ¹⁾	19,669	3.0%	19,096	18.0%	16,669
General Household Loans	17,910	2.4%	17,483	17.8%	15,208
(Home Equity Loans)	(8,970)	(1.0%)	(8,885)	(28.1%)	(7,005)
Housing Loans	1,759	9.1%	1,613	20.4%	1,461
Large Corp.	1,704	4.5%	1,630	-10.0%	1,893
Others	394	0.8%	391	8.2%	364
Total	109,423	3.4%	105,786	12.3%	97,427

■ Loan Portfolio Mix: SME 80.1%, Household 18.0%

1) Credit card loans included

Deposit Structure

Financial
Highlights

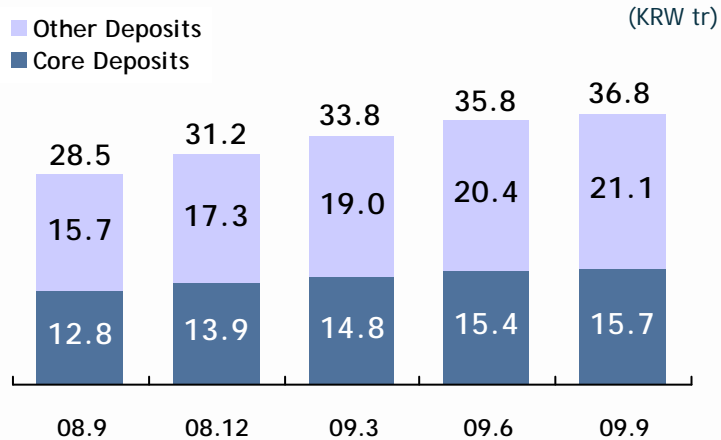
Profits

Loans
/Deposits

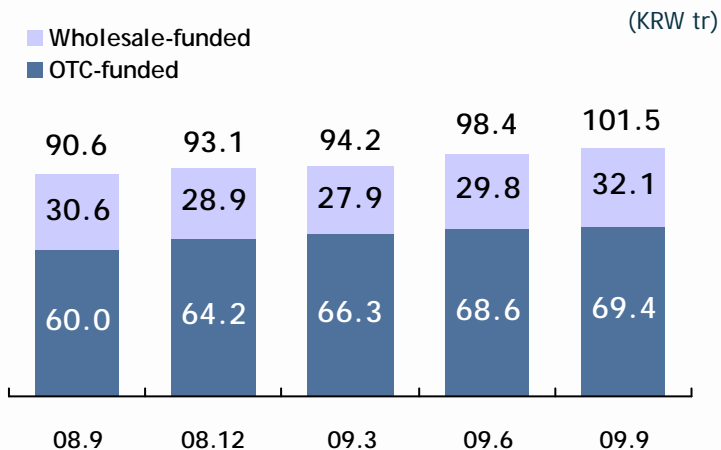
Asset
Quality

Capital
Adequacy

Solid Core Deposits



Sustained Deposit Growth



(KRW bn)	09.9	qoq	09.6	ytd	08.12
Core Deposits ¹⁾	15,676	1.5%	15,445	13.1%	13,866
MMDA	4,905	-7.1%	5,277	22.0%	4,019
Other Deposits	16,180	7.2%	15,097	21.1%	13,359
Deposits	36,761	2.6%	35,819	17.7%	31,244
CD, Cover bills, RP	14,637	23.9%	11,815	25.1%	11,702
SMIF Bonds	50,142	-1.2%	50,741	-0.1%	50,198
(OTC-funded)	(20,073)	(-7.1%)	(21,600)	(-10.5%)	(22,438)
Sub Total	101,540	3.2%	98,375	9.0%	93,144
Trust ²⁾	5,196	1.1%	5,142	-20.1%	6,506
Total Deposits	106,736	3.1%	103,516	7.1%	99,649

▪ Based on monthly average B/S balance

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

2) Money trust (excluding fund sales)

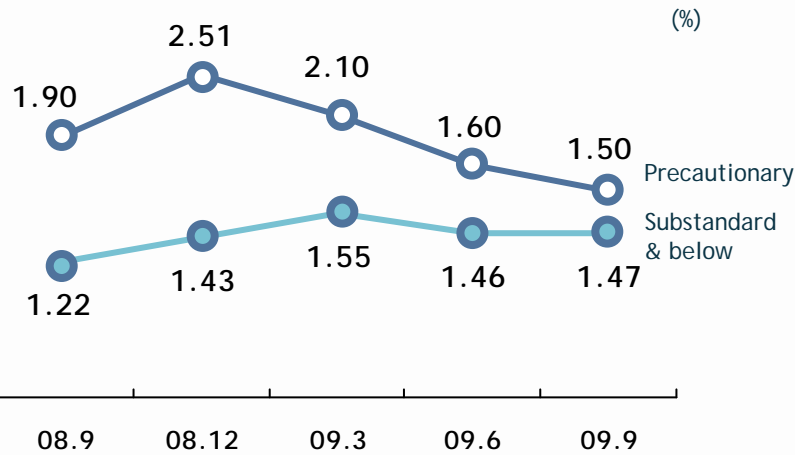
IV. Asset Quality

1. Asset Quality
2. Provisions
3. Preemptive Provisioning
4. Delinquency Ratio



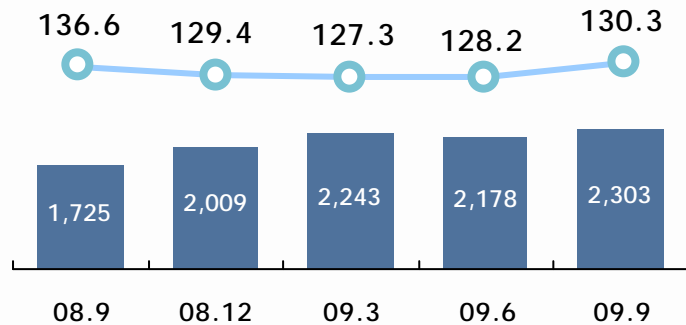
Asset Quality

Precautionary / Substandard & Below



NPL Coverage Ratio / LLR

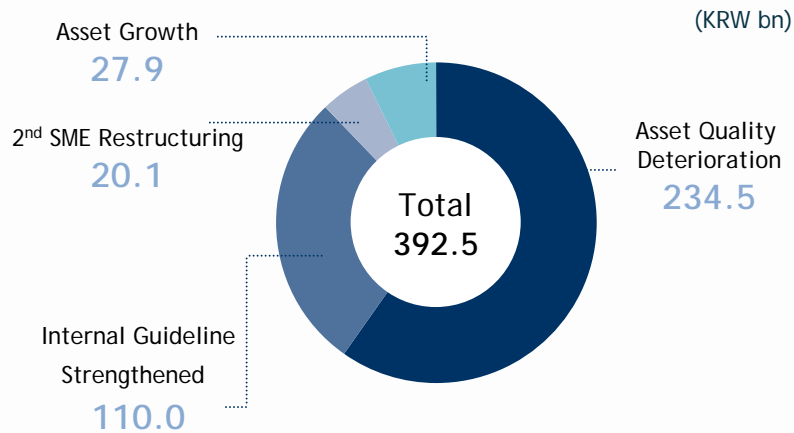
■ Loan Loss Reserves ● Coverage Ratio (%, KRW bn)



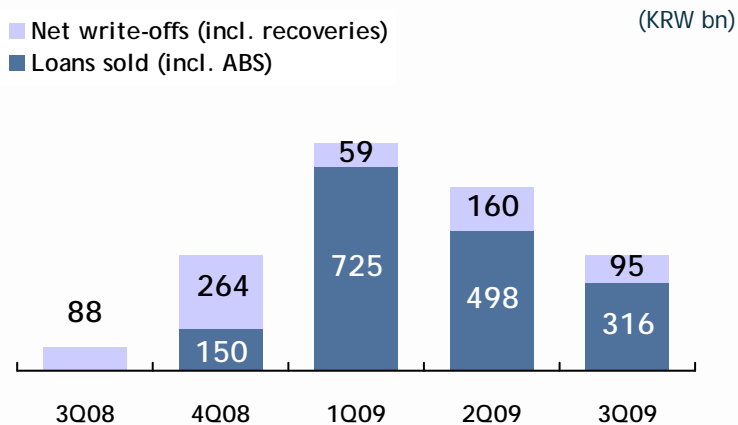
(KRW bn)	09.9	09.6	09.3	08.12
Normal	116,343	112,831	109,354	104,101
Precautionary	1,799	1,858	2,384	2,723
Substandard	1,092	1,013	975	977
Doubtful	195	189	264	225
Estimated Loss	480	497	523	351
Total	119,910	116,388	113,500	108,377
Substandard & Below	1,768	1,699	1,762	1,553
Substandard & Below Ratio	1.47%	1.46%	1.55%	1.43%
Loan Loss Reserves (LLR) ¹⁾	2,303	2,178	2,243	2,009
LLR / Substandard & Below (Coverage Ratio)	130.3%	128.2%	127.3%	129.4%
Write-offs (Quarterly)	109.9	170.7	68.8	275.4

Provisions

Provisions Breakdown



Write-offs / NPL Sales



(KRW bn)	FY09		FY08		
	3Q	2Q	1Q	4Q	3Q
Corporate	360.0	314.3	560.8	555.9	324.6
Provisions	348.3	311.5	549.8	545.0	313.8
Other Reserves (Unused Credit Line)	11.7	2.8	11.0	10.9	10.8
Household	16.1	27.8	32.4	17.3	15.8
Provisions	15.3	27.6	31.5	17.4	15.6
Other Reserves (Unused Credit Line)	0.8	0.2	0.9	-0.1	0.2
Credit Card	16.4	13.7	22.7	15.7	15.9
Provisions	11.8	17.1	18.2	21.7	11.1
Other Reserves (Unused Credit Line)	4.6	-3.4	4.5	-6.0	4.8
Sub Total	392.5	355.8	615.9	588.8	356.3
ABS-related Recoveries & Other Provisions	-126.4	-181.4	-65.6	-49.3	1.1
Net Provisioning	266.1	174.4	550.3	539.5	357.4

Preemptive Provisioning

Financial
Highlights

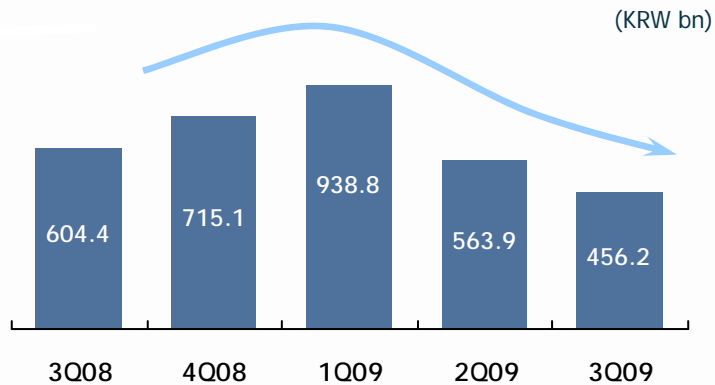
Profits

Loans
/Deposits

Asset
Quality

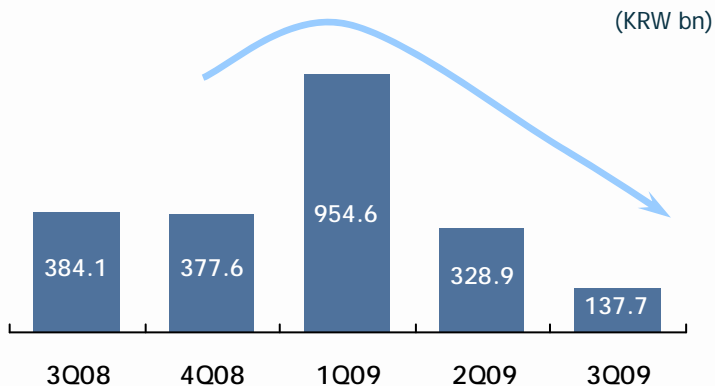
Capital
Adequacy

New NPL Formation



▪ Pre write-offs/ABS

New Delinquency Formation



▪ Pre write-offs/ABS

▪ Principal or Interest of 30+ days past due

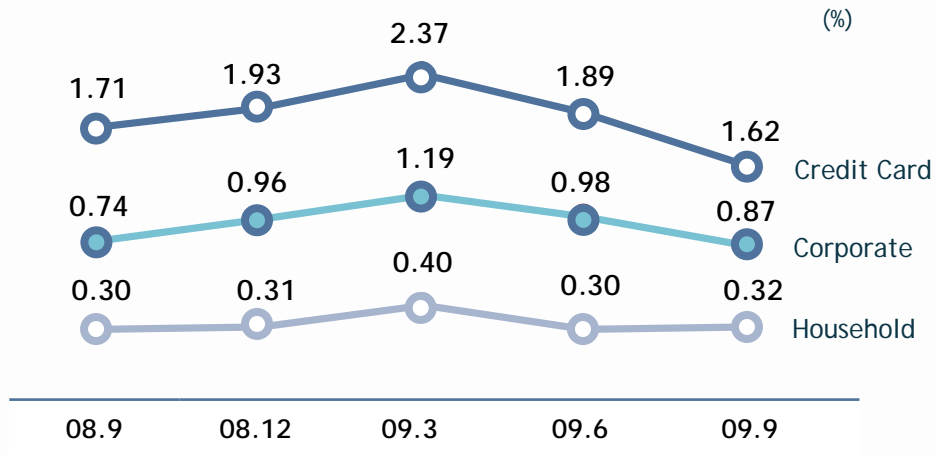
Breakdown of Preemptive Provisioning in 3Q

(KRW bn)	Additionally Reserved	Remark
Corporate Credit Assessment (A/B-graded SMEs)	82.0	Provisioning Rate for Normal fortified
Fast Track	46.1	0.85%/0.9%→ 6.0%
1st SME Restructuring (A/B-graded)	12.5	
2nd SME Restructuring (A/B-graded)	23.4	
'Yellow' under the EWS ¹⁾	28.0	Provisioning Rate for Normal 1.9% → 3.0%
Total (A)	110.0	
2nd SME Restructuring (C/D-graded) (B)	20.1	C-graded: Substandard D-graded: Estimated Loss
3Q Provisioning (C)	392.5	
Ordinary Provisioning Level (C-A-B)	262.4	

1) EWS(Early Warning System) has four levels: Green/Blue/Yellow(Normal), Red(Precautionary)

Delinquency Ratio

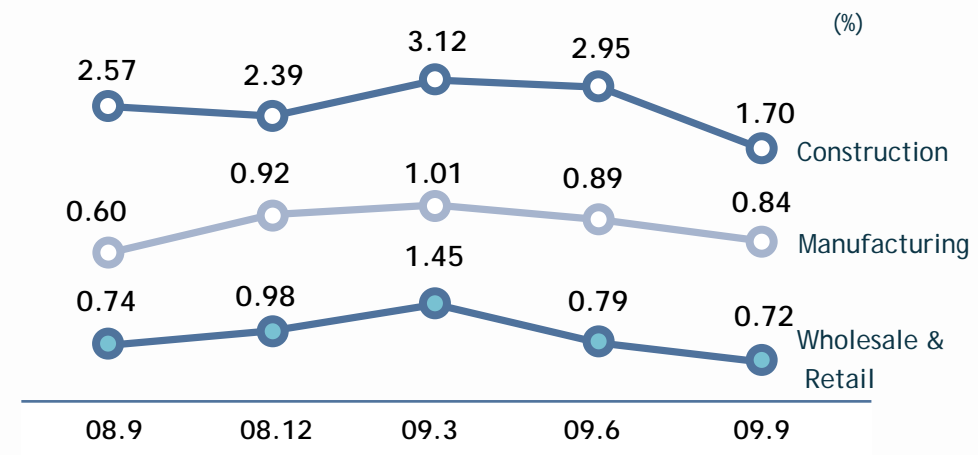
Delinquency by Operation



(%)	08.9	08.12	09.3	09.6	09.9
Total	0.67	0.85	1.06	0.87	0.78
Corporate	0.74	0.96	1.19	0.98	0.87
Household	0.30	0.31	0.40	0.30	0.32
Credit Card	1.71	1.93	2.37	1.89	1.62

▪ Principal or Interest of 30+ days past due

Delinquency by Industry



(%)	08.9	08.12	09.3	09.6	09.9
Manufacturing	0.60	0.92	1.01	0.89	0.84
Construction	2.57	2.39	3.12	2.95	1.70
Wholesale & Retail	0.74	0.98	1.45	0.79	0.72
Lease & Rental	0.52	0.42	0.58	1.16	1.01
Lodging & Dining	0.88	1.37	0.99	0.53	0.50

▪ Principal or Interest of 30+ days past due

V. Capital Adequacy

1. Capital Adequacy



Capital Adequacy

Financial
Highlights

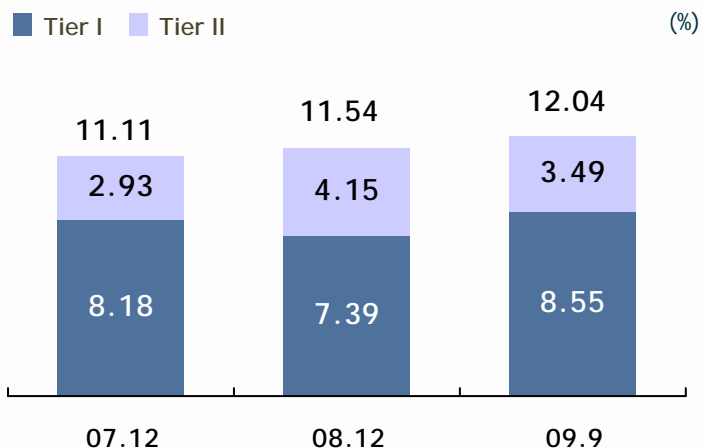
Profits

Loans
/Deposits

Asset
Quality

Capital
Adequacy

BIS CAR



- FY07: based on Basel I
- FY08 & 09.9 : based on Basel II Standardized Approach

Recapitalization

- Capital injection of KRW 1.3tr completed

08/12/18	KRW 500bn	KEC * Shinsegae	224.2bn 275.8bn
09/01/02	KRW 360bn	Cash	
09/01/30	KRW 140bn	Cash	
09/05/15	KRW 300bn	Cash	

* Korea Expressway Corp.

(KRW bn)	09.9	08.12
Tier I	9,091	7,568
Paid-in Capital	2,984	2,479
Capital Surplus	435	129
Retained Earnings	4,937	4,457
Hybrid Capital	824	824
Minority Interest	253	156
Tier II	3,708	4,248
LLR	1,332	1,282
45% of Gains on Valuation of Investment Securities	263	256
Subordinated Bonds	2,244	2,749
Total	12,799	11,816
Risk-weighted Assets	106,286	102,406
BIS CAR(%)	12.04	11.54
Tier I (%)	8.55	7.39
Tier II (%)	3.49	4.15

▪ 09.9 figures are preliminary

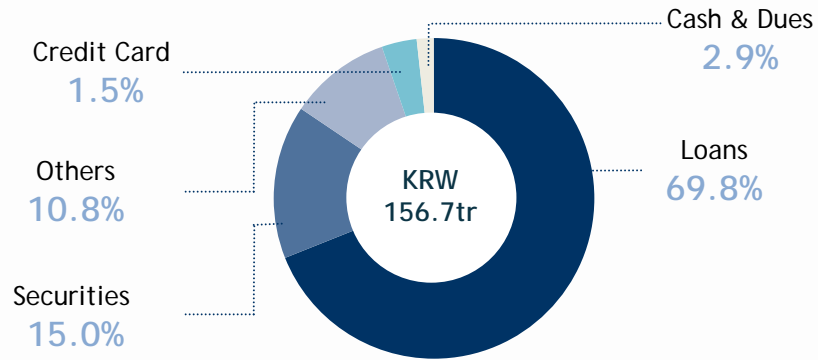
VI. Appendix

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



Funding & Operations

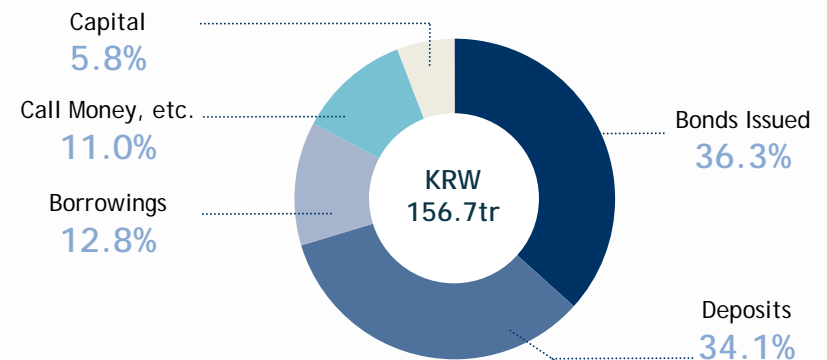
Operations



(KRW bn)	09.9	08.12
Loans ¹⁾	109,423	97,427
Securities	23,430	23,296
Cash & Dues	4,578	3,164
Credit Card	2,305	2,412
Fixed Assets, Call Loans, Bills Bought, etc.	16,955	15,482
Total	156,691	141,781

- B/S Balance
- 1) Loans in KRW & F/C

Funding



(KRW bn)	09.9	08.12
Deposits ¹⁾	53,394	42,884
Bonds Issued	56,841	55,627
SMIF Bonds	51,189	50,597
(sold over the counter)	(20,214)	(22,488)
Borrowings	20,126	18,226
BOK	2,537	2,010
Gov't & Public Fund	11,921	10,991
F/C	5,524	5,205
Capital	9,025	7,523
Call Money, Deposits in F/C	17,306	17,522
Total	156,691	141,781

- B/S Balance
- 1) Deposits in KRW + CD + Cover Bills + RP

Loans by Industry

09.9					08.12	
(KRW bn)	Amount	(%)	Change	(%p)	Amount	(%)
Manufacturing	55,858	63.7	5,310	-0.7	50,548	64.4
Textile	2,297	2.6	116	-0.2	2,181	2.8
Apparel & Leather	1,581	1.8	122	-0.1	1,459	1.9
Chemical Products	2,999	3.4	296	0.0	2,703	3.4
Rubber & Plastic Products	4,592	5.2	399	-0.1	4,193	5.3
Basic Metals	3,841	4.4	423	0.0	3,418	4.4
Fabricated Metals	7,542	8.6	609	-0.2	6,933	8.8
Other Machinery	10,102	11.5	1,095	0.1	9,007	11.5
Electronic Machinery	2,970	3.4	298	0.0	2,672	3.4
Communications Devices	4,748	5.4	468	0.0	4,280	5.5
Automobiles	4,341	5.0	408	-0.1	3,933	5.0
Others	10,846	12.4	1,077	-0.1	9,769	12.4
Construction	5,413	6.2	763	0.3	4,650	5.9
(Project Financing)	1,424	1.6	296	0.2	1,128	1.4
Wholesale & Retail	13,676	15.6	1,595	0.2	12,081	15.4
Lease & Rental	3,993	4.6	372	-0.1	3,621	4.6
Lodging & Dining	660	0.8	25	-0.1	635	0.8
Others	8,055	9.2	1,091	0.3	6,965	8.9
Transport & Warehousing	1,175	1.3	200	0.1	975	1.2
Business Services ¹⁾	1,162	1.3	232	0.1	930	1.2
Other Services ²⁾	5,719	6.5	659	0.1	5,060	6.5
Total	87,655	100.0	9,154	0.0	78,501	100.0

▪ SME Loans (including F/C Loans)

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

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

ABS Details

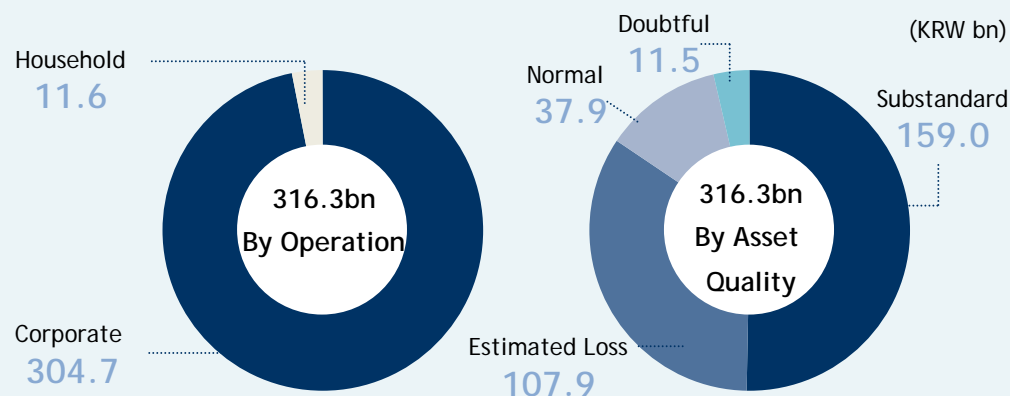
3Q09 ABS Issue

Gains from ABS Issue	(KRW bn)
Size of Loans sold (A)	316.3
Revenue from Loan sales (B)	198.6
Senior Debt (Cash)	115.0
Sub-debt	83.6
Provisioning ¹⁾ (C)	24.0
Losses on Loan Sales (D=B+C-A)	△93.7
Recoveries from Provisioning ²⁾ (E)	126.3
Valuation Loss on Sub-debt (F)	△29.2
Gains to P/L (G = D+E+F)	+3.4

1) '08 Provisioning related to the loans sold

2) Provisioning as of 3Q09 related to the loans sold

NPL Sales Breakdown



KRW 3.4bn of Gains on ABS Issue

