

Industrial Bank of Korea

2010 1Q 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.

CONTENTS

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

I . Financial Highlights

1. Financial Highlights



Financial Highlights

Financial Highlights

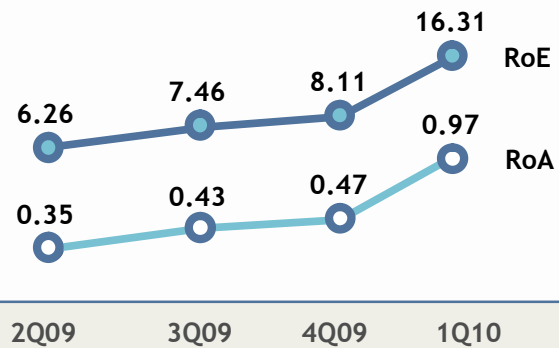
Profits

Loans/
Deposits

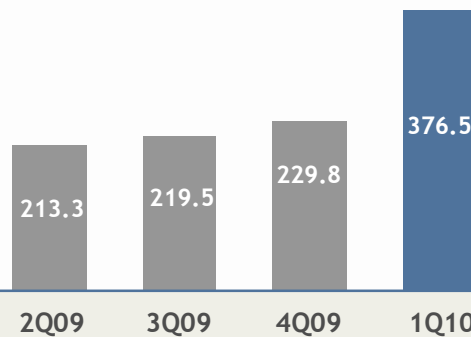
Asset
Quality

Capital
Adequacy

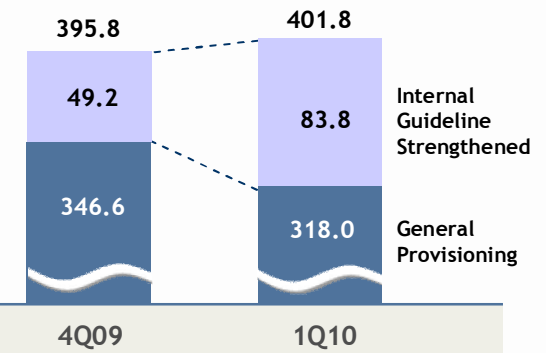
Profitability Ratios (%)



Net Income (KRW bn)

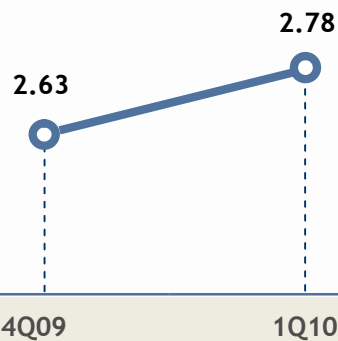


Provisioning (KRW bn)

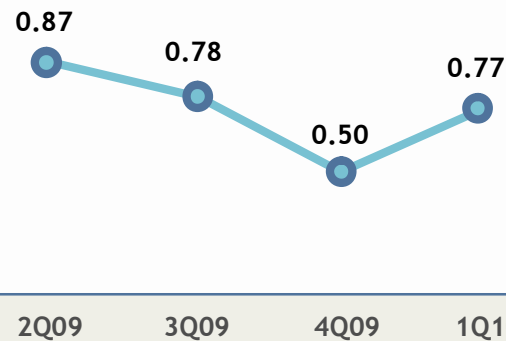


NIM (%)

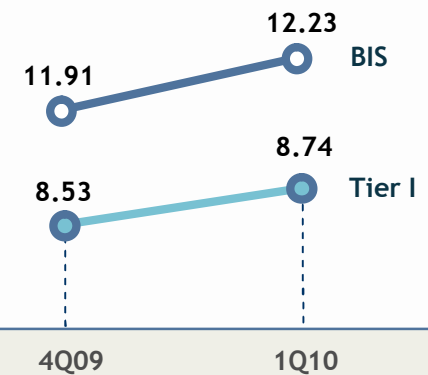
(Quarterly)



Total Delinquency (%)



BIS CAR (%)



■ 1Q10 figures are preliminary

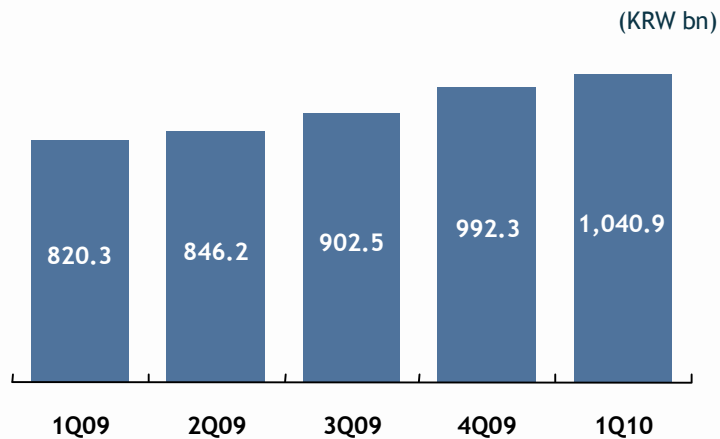
II. Profitability

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

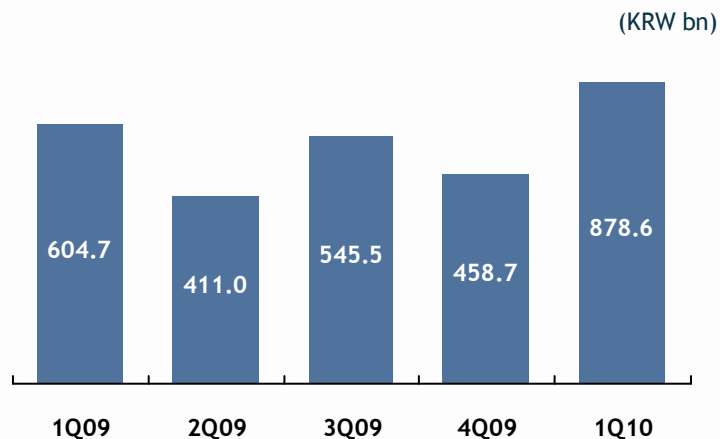
Income Statement

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

Interest Income



Pre-provisioning Operating Profit (PPOP)



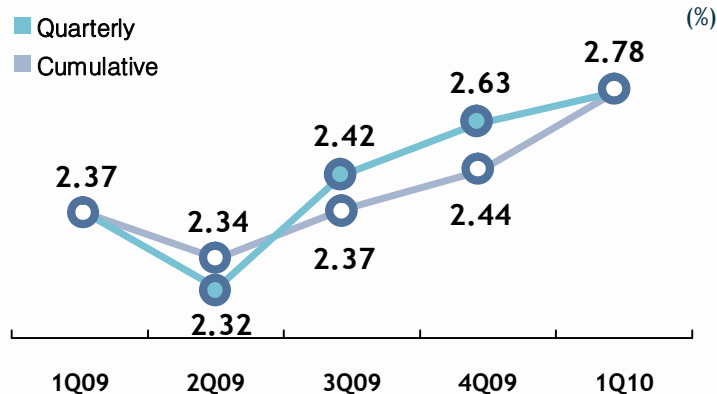
(KRW bn)	1Q10	QoQ	4Q09	YoY	1Q09
Net Interest Income	1,040.9	4.9%	992.3	26.9%	820.3
Net Non-Interest Income	155.5	185.9%	-181.0	26.3%	123.1
SG&A Expenses	317.7	-9.9%	352.6	-6.2%	338.7
Pre-provisioning Operating Profit	878.6	91.5%	458.7	45.3%	604.7
Net Provisioning ¹⁾	397.0	111.7%	187.5	-27.9%	550.3
Operating Income	481.6	77.6%	271.2	783.7%	54.5
Non-operating Income	12.1	346.9%	-4.9	1.7%	11.9
Pre-tax Income	493.7	85.4%	266.3	644.6%	66.3
Income Tax	117.2	221.1%	36.5	537.0%	18.4
Net Income	376.5	63.8%	229.8	686.0%	47.9

1) Refer to p16 for net provisioning details

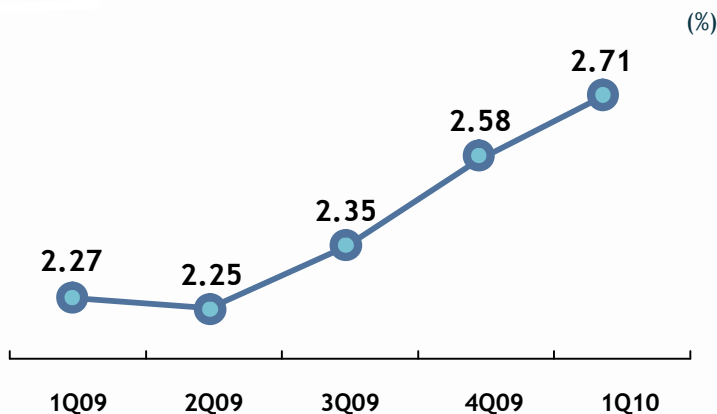
Net Interest Income

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

NIM



NIS(Quarterly)



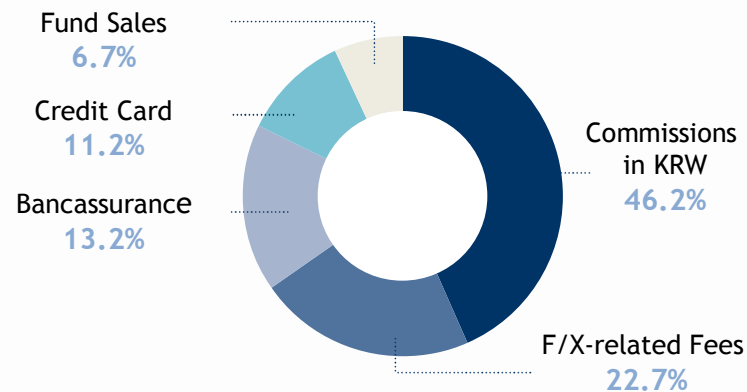
(KRW bn)	1Q10	QoQ	4Q09	YoY	1Q09
Interest Income	2,092.1	1.0%	2,070.6	0.3%	2,086.7
Loans	1,665.0	0.1%	1,663.2	0.4%	1,657.7
Credit Card Receivables	111.9	1.9%	109.8	6.8%	104.8
(Credit Purchase)	(96.6)	(4.3%)	(92.6)	(12.7%)	(85.7)
Securities	253.7	10.0%	230.7	0.0%	253.7
Other Loans, Dues, etc.	61.6	-7.8%	66.8	-12.5%	70.4
Interest Expenses	1,051.2	-2.5%	1,078.3	-17.0%	1,266.3
Deposits	278.8	0.5%	277.3	2.2%	272.9
SMIF Bonds, etc.	772.4	-3.6%	801.0	-22.2%	993.4
Net Interest Income	1,040.9	4.9%	992.3	26.9%	820.3

(%)	FY09				FY10
	1Q	2Q	3Q	4Q	1Q
NIS(quarterly)	2.27	2.25	2.35	2.58	2.71
Yield on IEA	6.43	5.87	5.68	5.80	5.89
Yield on IBL	4.16	3.62	3.33	3.22	3.18

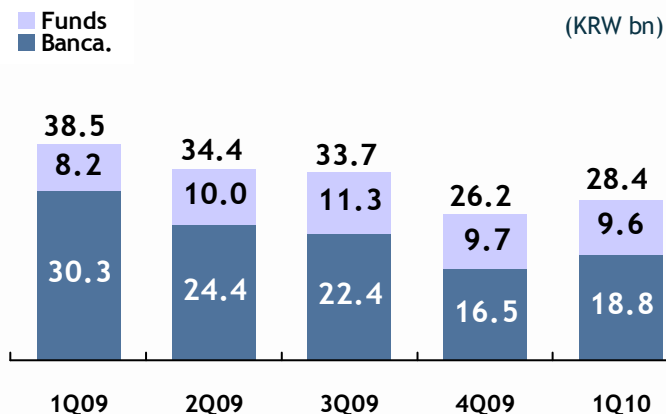
Net Non-interest Income

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

Fee Income Breakdown



Banca./Fund Sales Fee



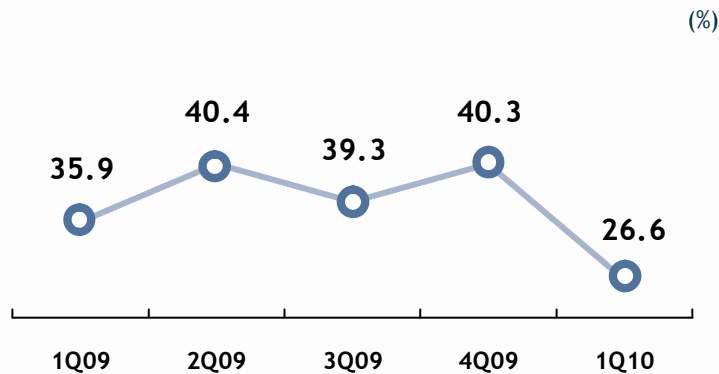
(KRW bn)	1Q10	QoQ	4Q09	YoY	1Q09
Fee Income	142.6	4.5%	136.4	7.0%	133.3
Commissions in KRW	65.9	3.8%	63.5	27.5%	51.7
F/X-related Fees	32.4	6.9%	30.3	10.6%	29.3
Bancassurance	18.8	13.9%	16.5	-38.0%	30.3
Credit Card	15.9	-2.5%	16.3	16.1%	13.7
Fund Sales	9.6	-1.0%	9.7	17.1%	8.2
Securities-related Gain	157.1	848.1%	-21.0	523.4%	25.2
Gain/Loss on Disposal of Loans	-0.1	99.9%	-151.2	-100.8%	12.2
Others ¹⁾	-150.7	0.3%	-151.1	-185.4%	-52.8
Trust Income	6.7	13.6%	5.9	28.8%	5.2
Net Non-interest Income	155.5	185.9%	-181.0	26.3%	123.1

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

SG&A / Non-operating Income

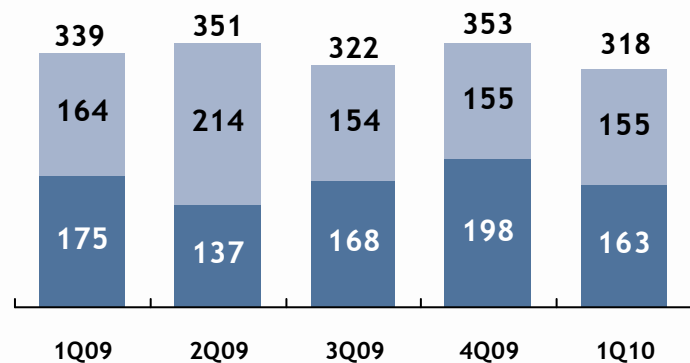
Financial Highlights | Profits | Loans/Deposits | Asset Quality | Capital Adequacy

Cost Income Ratio



SG&A

Salaries + Severance Pay (KRW bn)
Admin. Expenses



(KRW bn)	1Q10	QoQ	4Q09	YoY	1Q09
SG&A Expenses	317.7	-9.9%	352.6	-6.2%	338.7
Salaries	141.1	5.9%	133.3	-4.3%	147.4
Admin. Expenses	163.2	-17.7%	198.2	-6.7%	174.9
(Depreciation)	(19.4)	(-36.8%)	(30.7)	(-12.2%)	(22.1)
Provisions for Severance Pay	13.5	-35.7%	21.0	-17.2%	16.3
Non-Operating Income	12.1	346.9%	-4.9	1.7%	11.9
Equity Method Gain	11.2	60.0%	7.0	17.9%	9.5
Other Non-operating Income	0.9	107.6%	-11.9	-62.5%	2.4

III. Loans/Deposits

1. Loan Portfolio

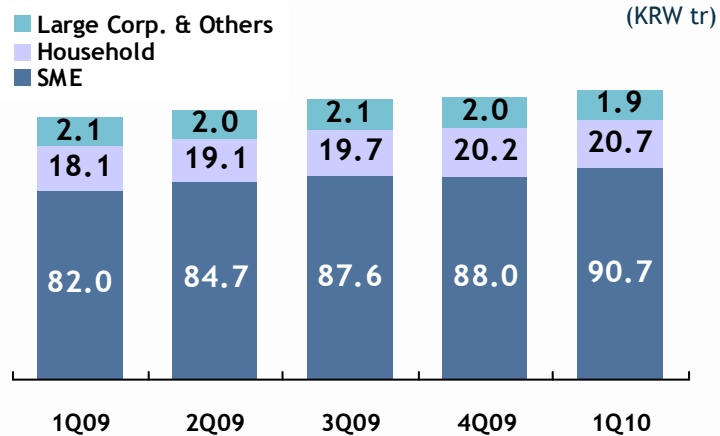
2. Deposit Structure



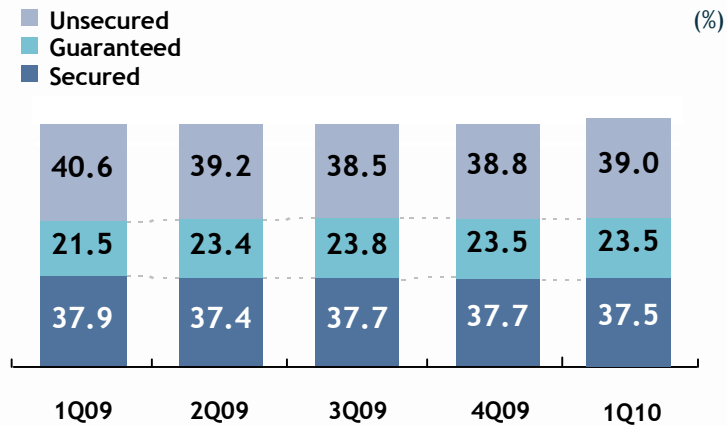
Loan Portfolio

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

Loans Outstanding



Quality SME Loan Portfolio



(KRW bn)	1Q10	QoQ	4Q09	YoY	1Q09
SME	90,737	3.1%	88,009	10.6%	82,031
Working Capital	62,400	3.6%	60,216	10.5%	56,478
CAPEX	28,337	2.0%	27,793	10.9%	25,553
Household ¹⁾	20,726	2.7%	20,185	14.4%	18,122
General	18,810	2.4%	18,366	12.8%	16,677
(Home Equity)	(9,312)	(2.6%)	(9,075)	(11.0%)	(8,388)
Housing Loan	1,917	5.4%	1,819	32.6%	1,446
Large Corp.	1,440	-10.7%	1,613	-15.2%	1,698
Others	441	10.3%	400	12.8%	391
Total	113,344	2.8%	110,207	10.9%	102,242

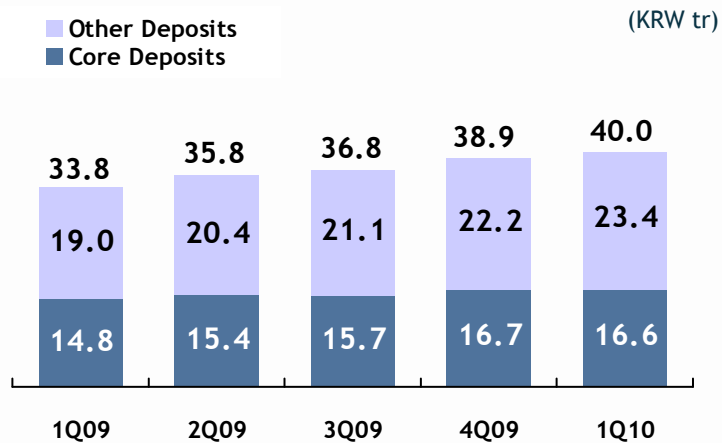
▪ Loan Portfolio Mix : SME 80.1%, Household 18.3%, Large Corp. & Others 1.6%

1) Credit Card Loans included

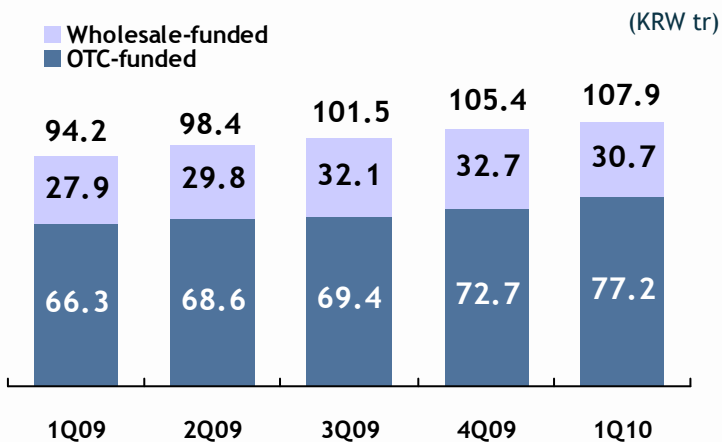
Deposit Structure

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

Core Deposits



Continued Deposit Growth



(KRW bn)	1Q10	QoQ	4Q09	YoY	1Q09
Core Deposits ¹⁾	16,631	-0.1%	16,649	12.7%	14,763
MMDA	6,049	5.1%	5,757	29.2%	4,682
Other Deposits	17,317	5.1%	16,477	20.3%	14,398
Deposits	39,997	2.9%	38,883	18.2%	33,843
CD, Covered Bills, RP	15,578	16.1%	13,416	39.9%	11,132
SMIF Bonds	52,340	-1.5%	53,116	6.3%	49,230
(OTC-funded)	(22,623)	(8.0%)	(20,948)	(4.3%)	(21,682)
Sub Total	107,915	2.4%	105,415	14.6%	94,204
Trust ²⁾	5,854	4.7%	5,590	5.4%	5,556
Total Deposits	113,769	2.5%	111,005	14.0%	99,760

▪ 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

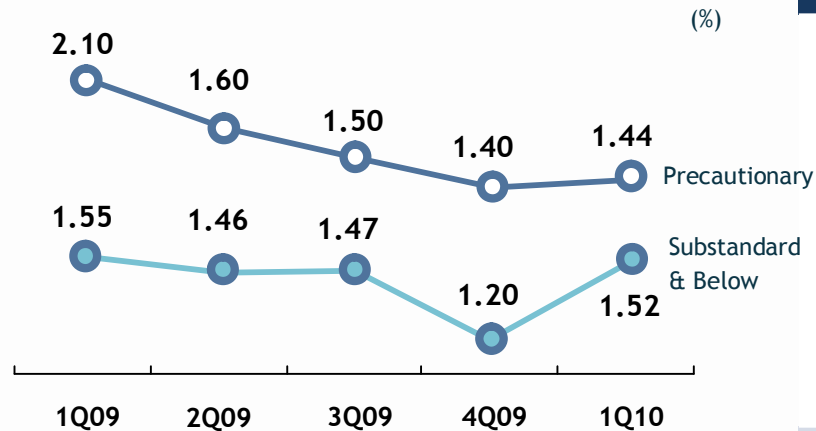
1. Asset Quality
2. Provisions
3. Delinquency



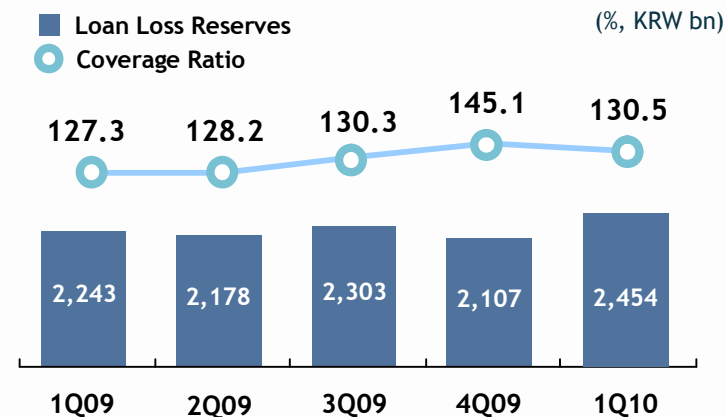
Asset Quality

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

Precautionary / Substandard & below



NPL Coverage Ratio / LLR



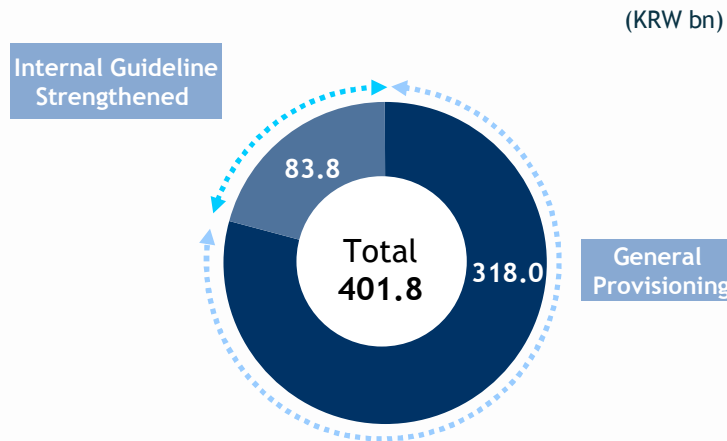
(KRW bn)	1Q10	QoQ	4Q09	YoY	1Q09
Normal	119,948	2.1%	117,444	9.7%	109,354
Precautionary	1,779	5.3%	1,689	-25.4%	2,384
Substandard	1,246	23.2%	1,011	27.8%	975
Doubtful	161	-16.6%	193	-39.0%	264
Estimated Loss	472	89.6%	249	-9.8%	523
Total ¹⁾	123,606	2.5%	120,585	8.9%	113,500
Substandard & Below	1,880	29.5%	1,452	6.7%	1,762
Substandard & Below Ratio	1.52%	0.32%p	1.20%	-0.03%p	1.55%
Loan Loss Reserves (LLR) ²⁾	2,454	16.5%	2,107	9.4%	2,243
LLR/Substandard & Below (Coverage Ratio)	130.5%	-14.6%p	145.1%	3.2%p	127.3%
Write-offs (quarterly)	67.6	-69.2%	219.4	-1.7%	68.8

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

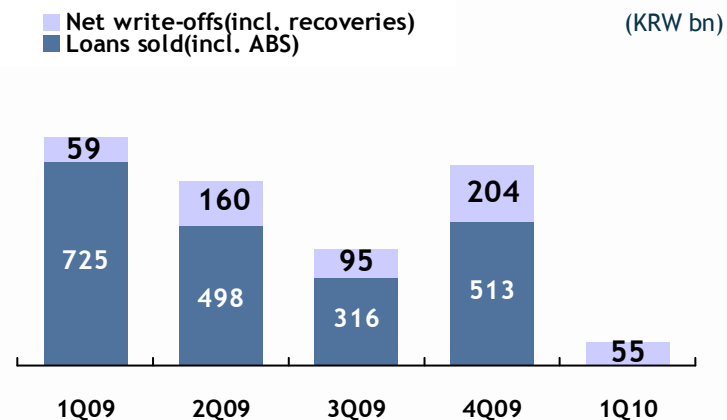
Provisions

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

Provisions Breakdown



Write-offs / NPL sales



(KRW bn)	1Q10	QoQ	4Q09	YoY	1Q09
Corporate	372.3	-1.9%	379.7	-33.8%	562.6
Provisions	367.4	-4.8%	385.9	-33.2%	549.8
Other Reserves (Unused Credit Line)	4.9	179.0%	-6.2	-61.7%	12.8
Household	15.4	87.8%	8.2	-52.3%	32.3
Provisions	14.8	76.2%	8.4	-53.0%	31.5
Other Reserves (Unused Credit Line)	0.6	400.0%	-0.2	-25.0%	0.8
Credit Card	14.1	80.8%	7.8	-32.9%	21.0
Provisions	8.7	74.0%	5.0	-52.2%	18.2
Other Reserves (Unused Credit Line)	5.4	92.9%	2.8	92.9%	2.8
Sub Total	401.8	1.5%	395.7	-34.8%	615.9
ABS-related Recoveries & Other Provisions	-4.8	97.7%	-208.3	92.7%	-65.6
Net Provisioning	397.0	111.7%	187.5	-27.9%	550.3

Delinquency

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

Delinquency by Operation



	1Q09	2Q09	3Q09	4Q09	1Q10
Corporate	1.19	0.98	0.87	0.55	0.85
Household	0.40	0.30	0.32	0.24	0.38

(%)	1Q09	2Q09	3Q09	4Q09	1Q10
Total	1.06	0.87	0.78	0.50	0.77
Corporate	1.19	0.98	0.87	0.55	0.85
Household	0.40	0.30	0.32	0.24	0.38
Credit Card	2.37	1.89	1.62	1.50	1.26

▪ Principal or Interest of 30+ days past due

Delinquency by Industry



	1Q09	2Q09	3Q09	4Q09	1Q10
Manufacturing	1.01	0.89	0.84	0.51	0.91
Wholesale & Retail	1.45	0.79	0.72	0.42	0.70

(%)	1Q09	2Q09	3Q09	4Q09	1Q10
Manufacturing	1.01	0.89	0.84	0.51	0.91
Construction	3.12	2.95	1.70	1.39	1.28
Wholesale & Retail	1.45	0.79	0.72	0.42	0.70
Lease & Rental	0.58	1.16	1.01	0.79	0.31
Lodging & Dining	0.99	0.53	0.50	0.24	0.92

▪ Principal or Interest of 30+ days past due

V. Capital Adequacy

1. Capital Adequacy



Capital Adequacy

Financial
Highlights

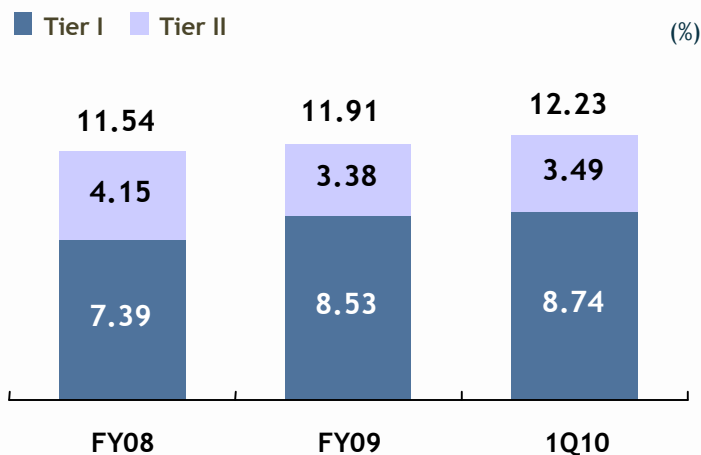
Profits

Loans/
Deposits

Asset
Quality

Capital
Adequacy

BIS CAR



▪ Based on Basel II Standardized Approach

Recapitalization

▪ Capital injection of KRW 1.33tr completed

2008	KRW 500bn	Gov't Capital Injection
2009	KRW 800bn	
2010	KRW 30bn	

(KRW bn)	1Q10	FY09
Tier I	9,494	9,122
Paid-in Capital	2,996	2,984
Capital Surplus	454	436
Retained Earnings	5,392	5,167
Hybrid Capital	824	824
Minority Interest	213	241
Tier II	3,795	3,616
LLR	1,362	1,341
45% of Gains on Valuation of Investment Securities	229	221
Subordinated Bonds	2,418	2,240
Total	13,289	12,738
Risk-weighted Assets	108,660	106,931
BIS CAR (%)	12.23	11.91
Tier I	8.74	8.53
Tier II	3.49	3.38

▪ 10.1Q figures are preliminary

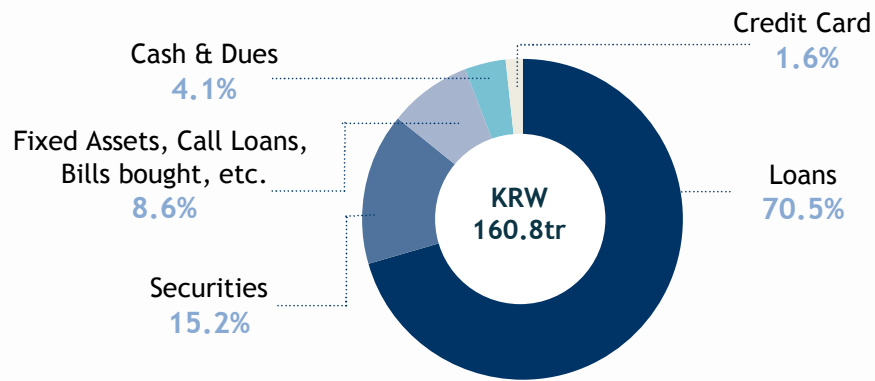
VI. Appendix

1. Funding & Operations
2. SME Loans by Industry
3. Details of Strengthened Internal Guideline



Funding & Operations

Operations

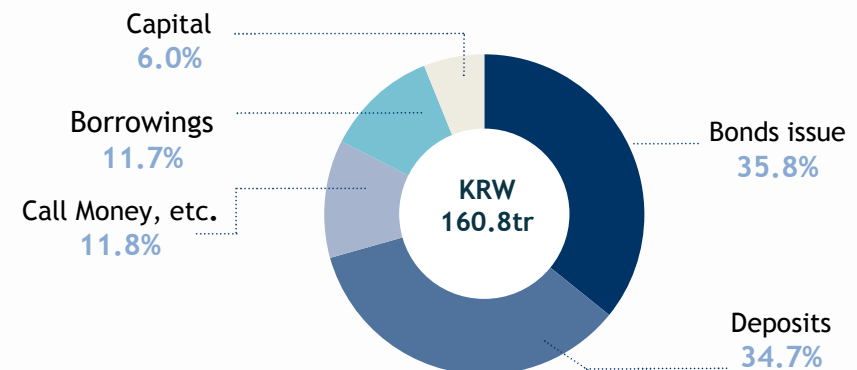


(KRW bn)	1Q10	FY09
Loans ¹⁾	113,344	110,207
Securities	24,413	24,020
Cash & Dues	6,593	3,866
Credit Card	2,549	2,253
Fixed Assets, Call Loans, Bills bought, etc	13,877	10,571
Total	160,776	150,917

▪ B/S Balance

1) Loans in KRW and FCY

Funding



(KRW bn)	1Q10	FY09
Deposits¹⁾	55,823	52,506
Bonds issued	57,616	58,856
SMIF Bond	51,863	53,523
(OTC-funded)	(22,634)	(21,160)
Borrowings	18,879	19,835
BOK	2,471	2,517
Gov't & Public Funds	12,060	11,931
F/C	4,207	5,242
Capital	9,512	9,216
Call Money, Deposits in FCY	18,946	10,505
Total	160,776	150,917

▪ B/S Balance

1) Deposits in KRW + CD + Cover Bills + RP

Loans by Industry

(KRW bn)	1Q10				FY09	
	Amount	(%)	Change	(%p)	Amount	(%)
Manufacturing	57,530	63.4	1,661	-0.1	55,869	63.5
Textile	2,316	2.6	53	0.0	2,263	2.6
Apparel & Leather	1,546	1.7	27	0.0	1,519	1.7
Chemical Products	3,131	3.5	101	0.1	3,030	3.4
Rubber & Plastic Products	4,713	5.2	128	0.0	4,585	5.2
Basic Metals	4,082	4.5	158	0.0	3,924	4.5
Fabricated Metals	7,860	8.7	205	0.0	7,655	8.7
Other Machinery	10,488	11.6	379	0.1	10,109	11.5
Electronic Machinery	3,083	3.4	92	0.0	2,991	3.4
Communication Devices	4,771	5.3	171	0.1	4,600	5.2
Automobiles	4,458	4.9	125	0.0	4,333	4.9
Others	11,082	12.2	222	-0.1	10,860	12.3
Construction	5,255	5.8	149	0.0	5,106	5.8
(Project Financing)	1,440	1.6	-41	-0.1	1,481	1.7
Wholesale & Retail	14,398	15.9	471	0.1	13,927	15.8
Lease & Rental	4,273	4.7	114	0.0	4,159	4.7
Lodging & Dining	642	0.7	-19	-0.1	661	0.8
Others	8,638	9.5	352	0.1	8,286	9.4
Transport & Warehousing	1,248	1.4	52	0.0	1,196	1.4
Business Services ¹⁾	1,256	1.4	47	0.0	1,209	1.4
Other Services ²⁾	6,135	6.8	253	0.1	5,882	6.7
Total	90,737	100.0	2,728	0.0	88,009	100.0

▪ SME Loans (including Loans in FYC)

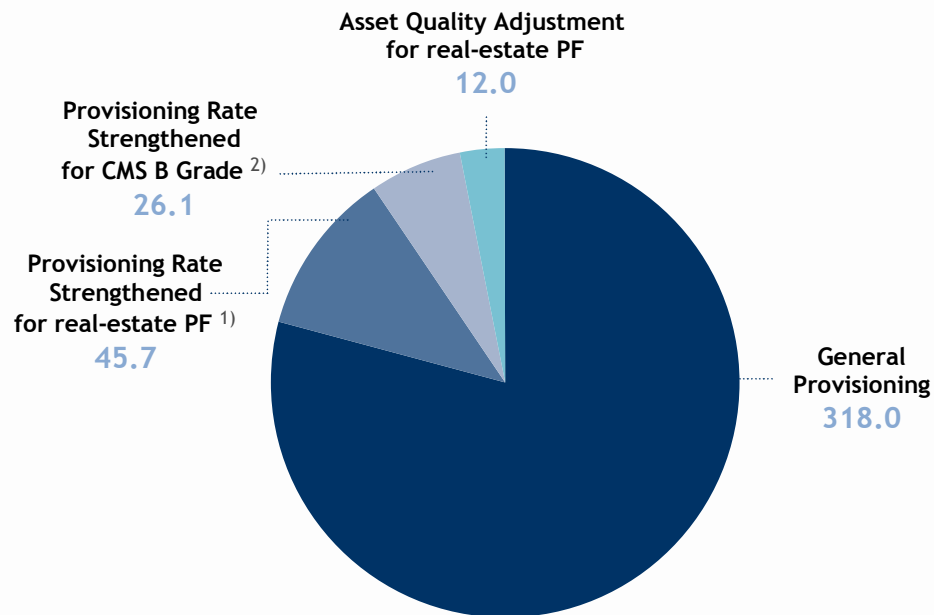
1) Information Processing, R&D Business, Technology Services, Assistance Services, etc.

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

Details of Strengthened Internal Guideline

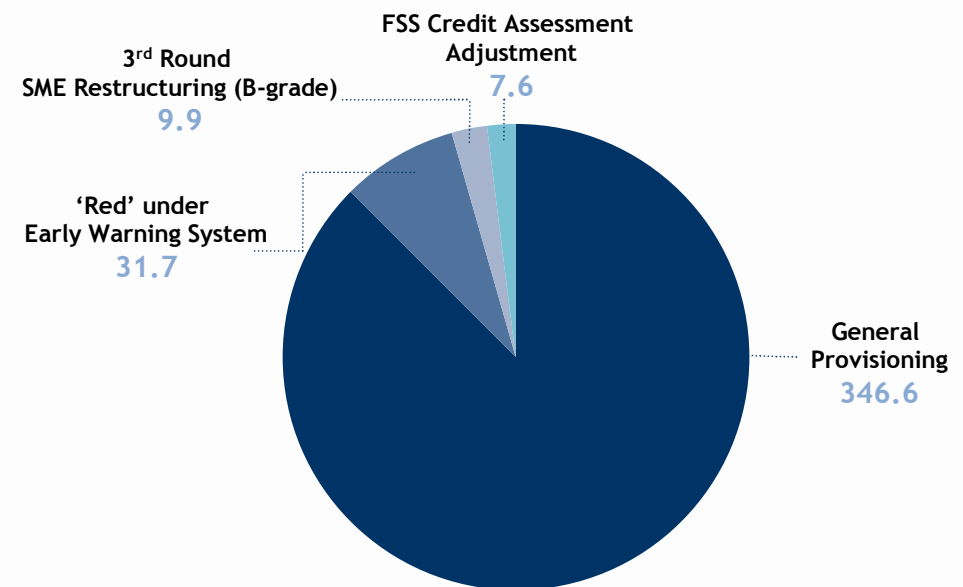
1Q10

(KRW bn)



4Q09

(KRW bn)



Additional Provisioning Details

- 1) Provisioning rate strengthened for real-estate PF
(Normal 0.9%→6%, Precautionary 7%→19%)
- 2) Provisioning rate strengthened for CMS B Grade
(Normal 0.9%→6%)