

Industrial Bank of Korea

2009 2Q Earnings Release

July 30, 2009



IBK 기업은행

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 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

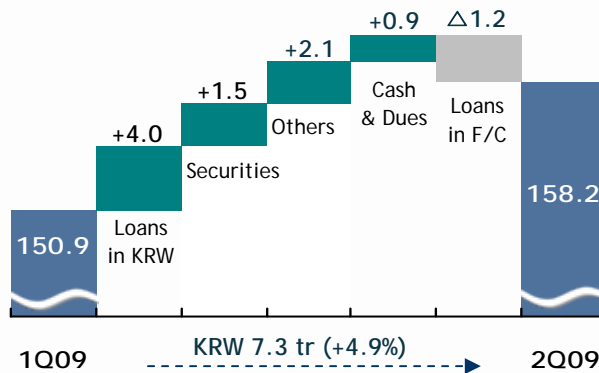
Loans
/Deposits

Asset
Quality

Capital
Adequacy

Asset Growth

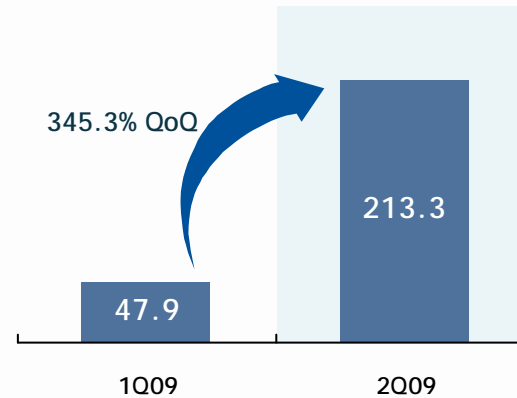
(KRW tr)



* Trust accounts included

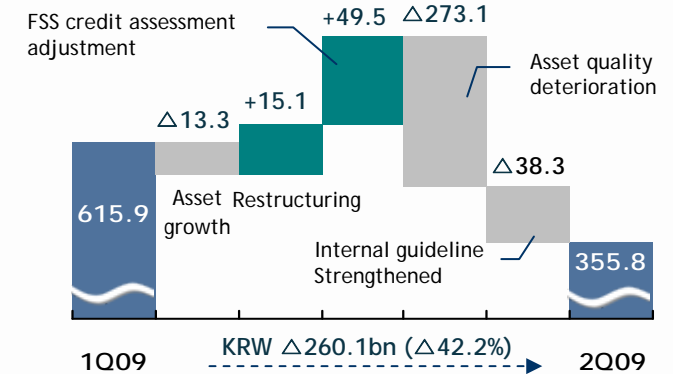
Net Income

(KRW bn)



Provisioning

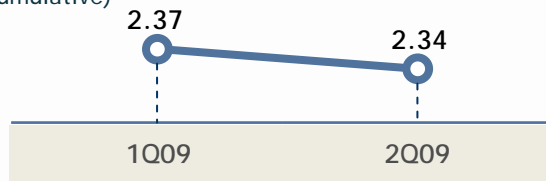
(KRW bn)



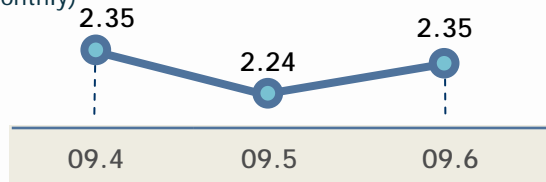
NIM

(%)

(Cumulative)

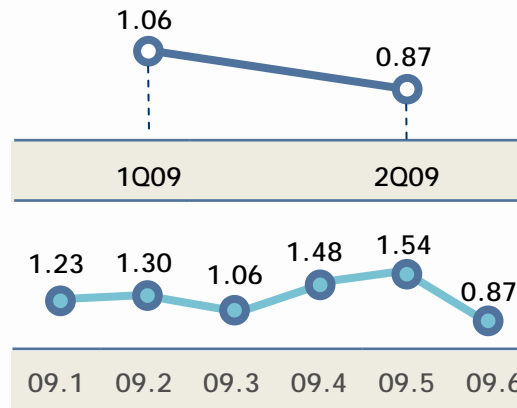


(Monthly)



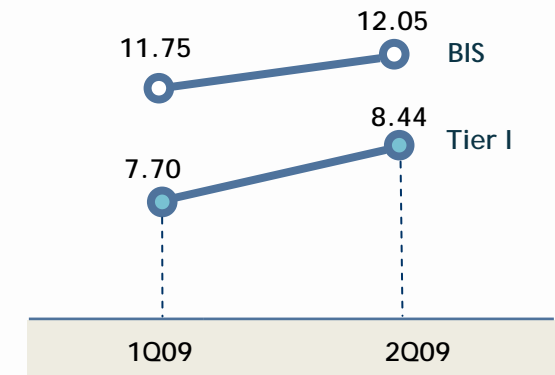
Total Delinquency

(%)



BIS CAR

(%)



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

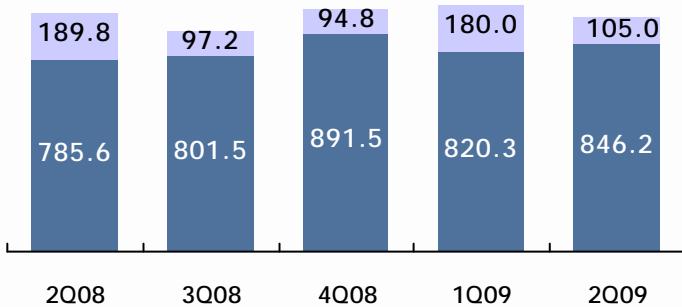
Asset
Quality

Capital
Adequacy

Interest / Non-interest Income

■ Non-interest Income (pre Write-offs/ NPL Sales) (KRW bn)

■ Interest Income

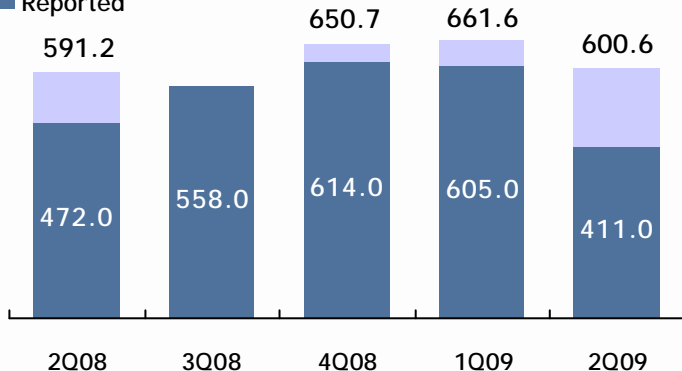


Stable PPOP

* Pre Write-offs/ NPL Sales

(KRW bn)

■ Reported

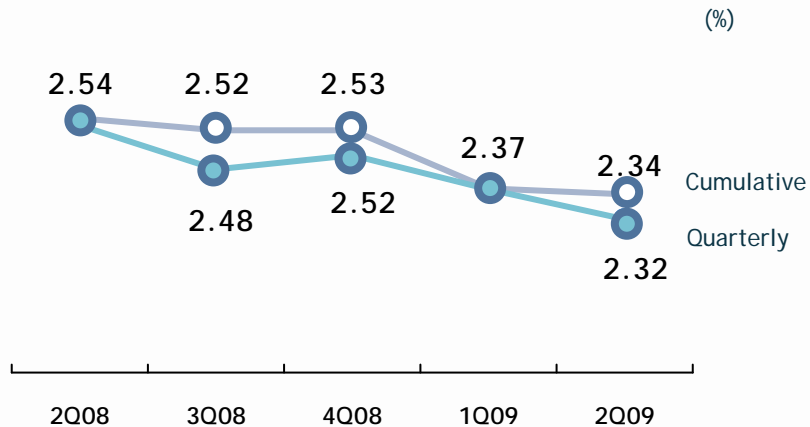


(KRW bn)	2Q09	1Q09	1H09	1H08
Net Interest Income	846.2	820.3	1,666.5	1,539.0
Net Non-interest Income	-84.6	123.1	38.5	303.5
SG&A Expenses	350.5	338.7	689.2	684.2
Pre-provisioning Operating Profit	411.0	604.7	1,015.8	1,158.3
Net Provisioning ¹⁾	174.4	550.3	724.7	340.8
Operating Income	236.6	54.5	291.1	817.5
Non-operating Income	39.2	11.9	51.1	17.4
Pre-tax Income	275.9	66.3	342.2	834.9
Income Tax	62.5	18.4	80.9	227.5
Net Income	213.3	47.9	261.2	607.3

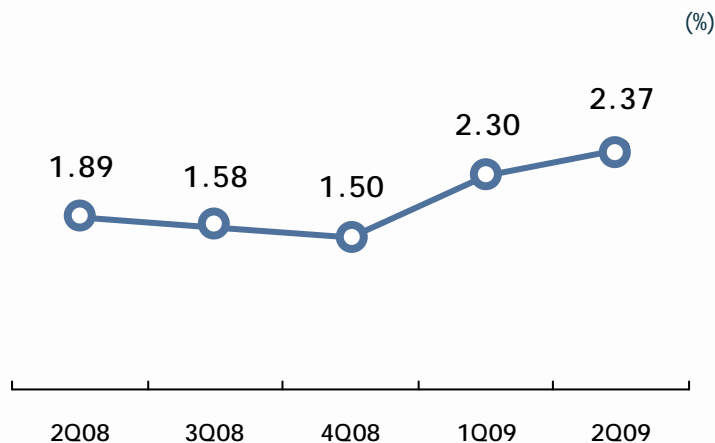
1) Refer to Page 16 for net provisioning details.

Net Interest Income

Net Interest Margin



Markup Spread (New Loans)



(KRW bn)	2Q09	1Q09	1H09	1H08
Interest Income	1,993.8	2,086.7	4,080.5	3,947.9
Loans	1,568.0	1,657.7	3,225.7	3,091.5
Credit Card Receivables	117.5	104.8	222.4	248.5
(Credit Purchase)	(99.1)	(85.7)	(184.8)	(201.7)
Securities	244.8	253.7	498.5	477.7
Other Loans, Dues, etc.	63.6	70.4	134.0	130.2
Interest Expenses	1,147.7	1,266.3	2,414.0	2,408.9
Deposits	262.5	272.9	535.4	596.1
SMIF Bonds, etc.	885.2	993.4	1,878.6	1,812.8
Net Interest Income	846.2	820.3	1,666.5	1,539.0

(%)	FY08				FY09	
(Quarterly)	1Q	2Q	3Q	4Q	1Q	2Q
NIS	2.42	2.42	2.37	2.43	2.27	2.25
Interest Rate on Loans	6.91	6.87	6.90	7.09	6.43	5.87
Interest Rate on Deposits	4.49	4.45	4.53	4.66	4.16	3.62

Net Non-interest Income

Financial
Highlights

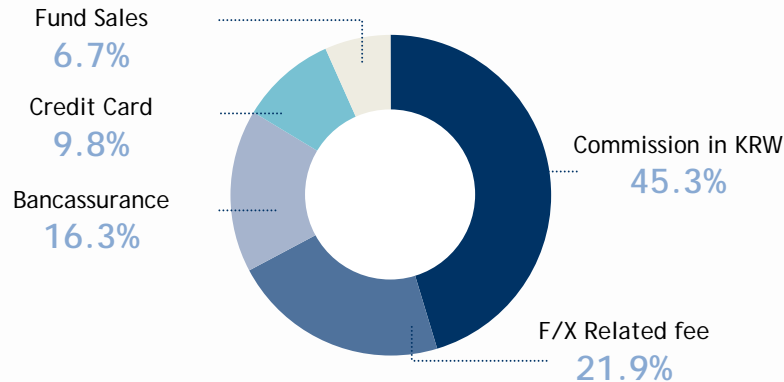
Profits

Loans
/Deposits

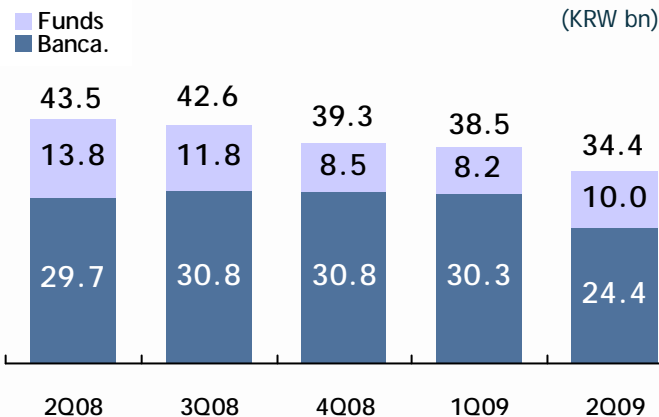
Asset
Quality

Capital
Adequacy

Fee Income Breakdown



Banca./Fund Sales Fee



(KRW bn)	2Q09	1Q09	1H09	1H08
Fee Income	149.9	133.3	283.2	264.8
Commission in KRW	68.0	51.7	119.7	98.6
F/X Related Fee	32.9	29.3	62.2	56.0
Bancassurance	24.4	30.3	54.7	58.6
Credit Card	14.7	13.7	28.4	24.8
Fund Sales	10.0	8.2	18.2	26.9
Securities Related Gain	27.9	25.2	53.1	147.5
Gain/Loss on Disposal of Loans	-142.1	12.2	-130.0	-67.7
Others ¹⁾	-125.6	-52.8	-178.4	-53.8
Trust Income	5.3	5.2	10.5	12.7
Net Non-interest Income	-84.6	123.1	38.5	303.5

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

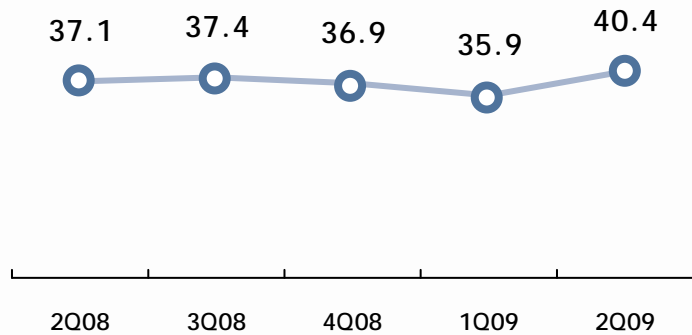
Loans
/Deposits

Asset
Quality

Capital
Adequacy

Cost-Income Ratio

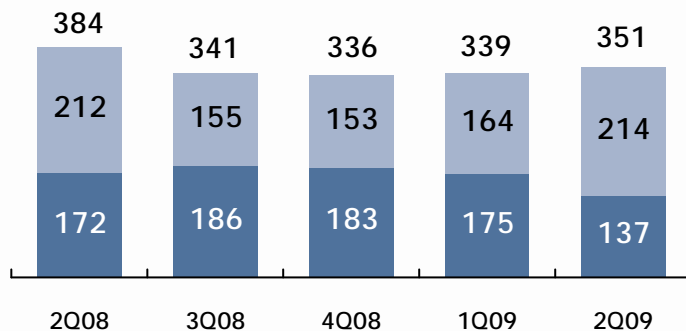
(%)



SG&A

Salaries + Severance pay
Admin. Expenses

(KRW bn)



(KRW bn)	2Q09	1Q09	1H09	1H08
SG&A Expenses	350.5	338.7	689.2	684.2
Salaries	200.7	147.4	348.1	338.4
Admin. Expenses	136.7	174.9	311.6	326.1
(Depreciation)	23.1	22.1	45.2	48.5
Provisions for Severance Pay	13.2	16.3	29.5	19.7
Non-operating Income	39.2	11.9	51.1	17.4
Equity Method Gain	36.9	9.5	46.4	18.4
Other Non-operating Income	2.3	2.4	4.7	-1.0

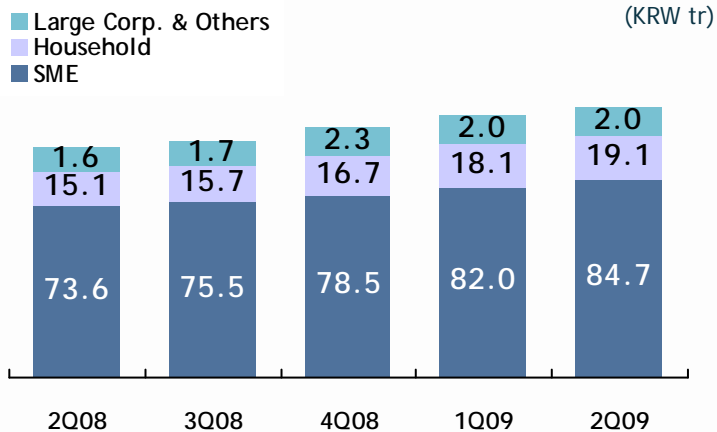
III. Loans/Deposits

1. Loan Portfolio
2. Deposit Structure

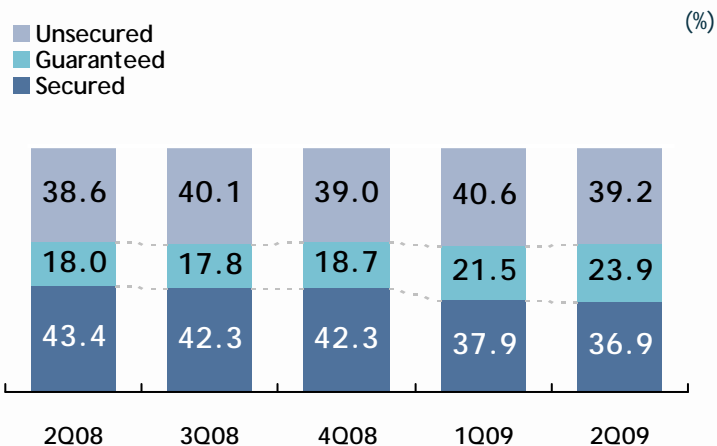


Loan Portfolio

Total Loans



Increased Portion of Guaranteed Loan



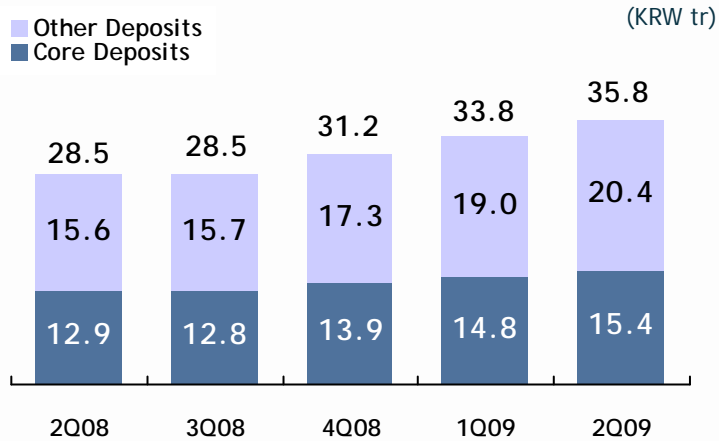
(KRW bn)	2Q09	QoQ	1Q09	YTD	4Q08
SME	84,670	3.2%	82,031	7.9%	78,501
Working Capital	58,763	4.0%	56,478	10.0%	53,431
CAPEX	25,907	1.4%	25,553	3.3%	25,070
Household ¹⁾	19,096	5.4%	18,122	14.6%	16,669
General Household Loans	17,483	4.8%	16,677	15.0%	15,208
(Home Equity Loans)	(8,885)	(5.9%)	(8,388)	(26.8%)	(7,005)
Housing Loans	1,613	11.5%	1,446	10.4%	1,461
Large Corp.	1,630	-4.0%	1,698	-13.9%	1,893
Others	391	0.0%	391	7.4%	364
Total	105,786	3.5%	102,242	8.6%	97,427

■ Loan Portfolio Mix: SME 80.0%, Household 18.1%

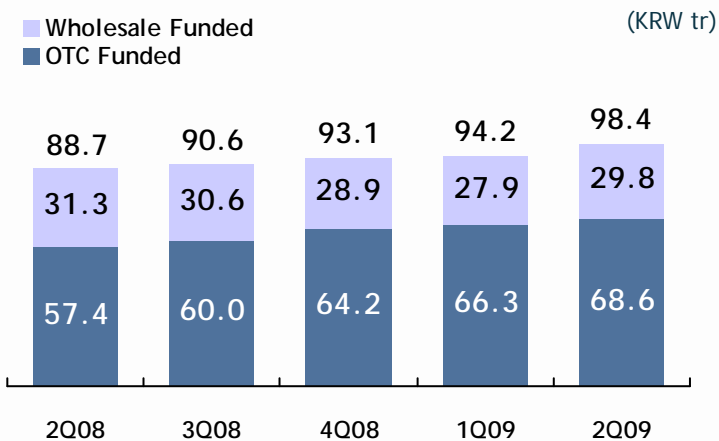
1) Credit card loans included

Deposit Structure

Solid Core Deposits



Sustained Deposit Growth



(KRW bn)	2Q09	QoQ	1Q09	YTD	4Q08
Core Deposits ¹⁾	15,445	4.6%	14,763	11.4%	13,866
MMDA	5,277	12.7%	4,682	31.3%	4,019
Other Deposits	15,097	4.8%	14,398	13.0%	13,359
Deposits	35,819	5.8%	33,843	14.6%	31,244
CD, Cover bills, RP	11,815	6.1%	11,132	1.0%	11,702
SMIF Bonds	50,741	3.1%	49,230	1.1%	50,198
(OTC funded)	(21,600)	(-0.4%)	(21,682)	(-3.7%)	(22,438)
Sub Total	98,375	4.4%	94,204	5.6%	93,144
Trust ²⁾	5,142	-7.5%	5,556	-21.0%	6,506
Total Deposits	103,516	3.8%	99,760	3.9%	99,649

▪ Based on monthly average B/S balance

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

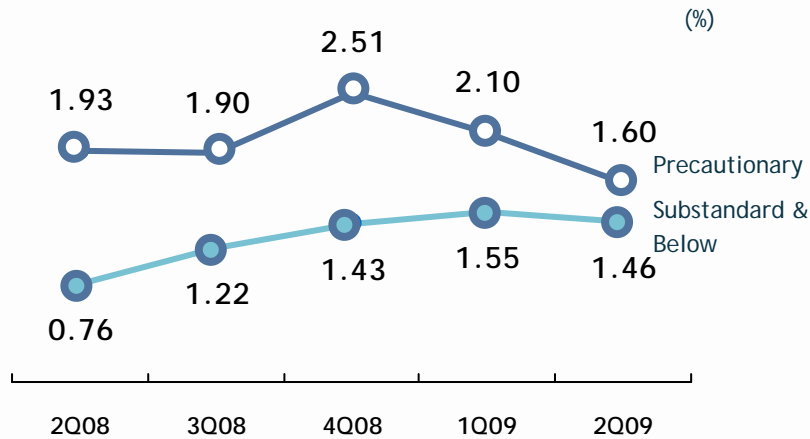
2) Money trust (excluding fund sales)

IV. Asset Quality

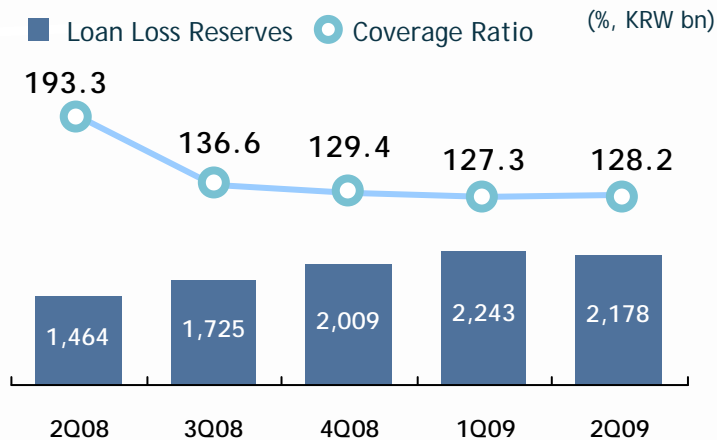
1. Asset Quality
2. Provisions
3. Delinquency Ratio



Precautionary / Substandard & Below



NPL Coverage Ratio



(KRW bn)	2Q09	1Q09	4Q08
Normal	112,831	109,354	104,101
Precautionary	1,858	2,384	2,723
Substandard	1,013	975	977
Doubtful	189	264	225
Estimated Loss	497	523	351
Total	116,388	113,500	108,377
Substandard & Below	1,699	1,762	1,553
Substandard & Below Ratio	1.46%	1.55%	1.43%
Loan Loss Reserves ¹⁾	2,178	2,243	2,009
LLR/Substandard & Below (Coverage Ratio)	128.2%	127.3%	129.4%
Write-offs (Quarterly)	170.7	68.8	275.4

1) Includes reserves for bond valuation. However, excludes reserves for unused credit line and unconfirmed acceptances & guarantees.

Provisions

Financial
Highlights

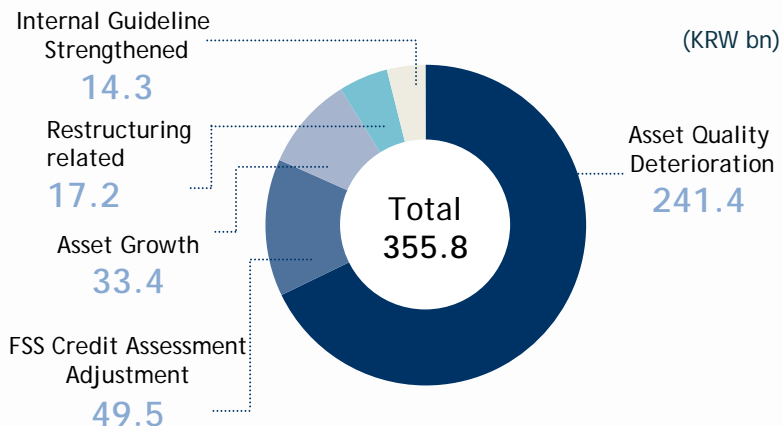
Profits

Loans
/Deposits

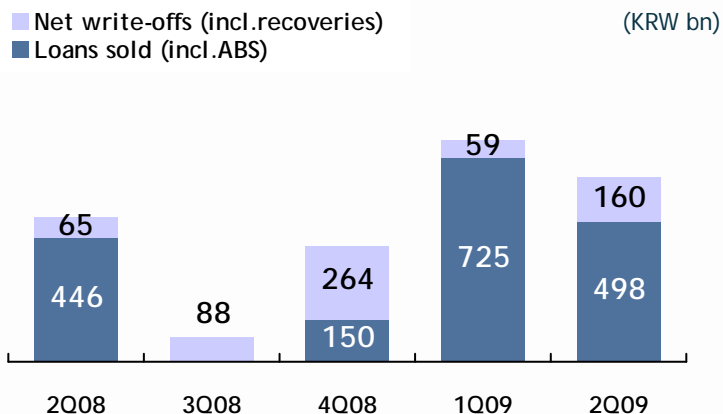
Asset
Quality

Capital
Adequacy

Provisions Breakdown



Write-offs / NPL Sales



(KRW bn)	FY09			FY08		
	2Q	1Q	4Q	3Q	2Q	1Q
Corporate	314.3	562.6	555.9	324.6	197.5	216.8
Provisions	311.5	549.8	545.0	313.8	204.1	215.6
Other Reserves (Unused Credit Line)	2.8	12.8	10.9	10.8	-6.6	1.2
Household	27.8	32.3	17.3	15.8	7.8	6.7
Provisions	27.6	31.5	17.4	15.6	7.7	6.5
Others (Unused Credit Line)	0.2	0.8	-0.1	0.2	0.1	0.2
Credit Card	13.7	21.0	15.7	15.9	5.9	27.8
Provisions	17.1	18.2	21.7	11.1	16.7	18.4
Others (Unused Credit Line)	-3.4	2.8	-6.0	4.8	-10.8	9.4
Sub Total	355.8	615.9	588.8	356.3	211.2	251.3
Recoveries Related to ABS & Other Provisions	-181.4	-65.6	-49.3	1.1	-125.2	3.5
Net Provisioning	174.4	550.3	539.5	357.4	86.0	254.8

Delinquency Ratio

Financial
Highlights

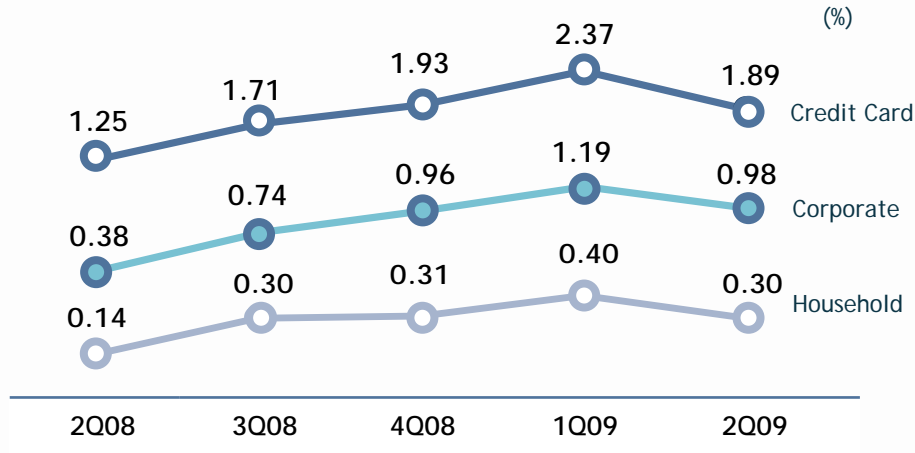
Profits

Loans
/Deposits

Asset
Quality

Capital
Adequacy

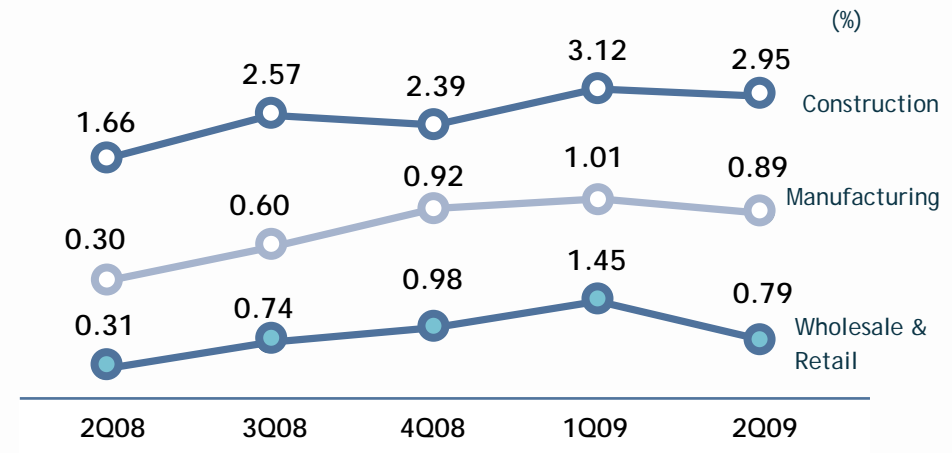
Delinquency by Operation



(%)	2Q08	3Q08	4Q08	1Q09	2Q09
Total	0.34	0.67	0.85	1.06	0.87
Corporate	0.38	0.74	0.96	1.19	0.98
Household	0.14	0.30	0.31	0.40	0.30
Credit Card	1.25	1.71	1.93	2.37	1.89

▪ Principal or interest are 30 days past due

Delinquency by Industry



(%)	2Q08	3Q08	4Q08	1Q09	2Q09
Manufacturing	0.30	0.60	0.92	1.01	0.89
Construction	1.66	2.57	2.39	3.12	2.95
Wholesale & Retail	0.31	0.74	0.98	1.45	0.79
Lease & Rental	0.26	0.52	0.42	0.58	1.16
Lodging & Dining	0.22	0.88	1.37	0.99	0.53

▪ Principal or interest are 30 days past due

V. Capital Adequacy

1. Capital Adequacy



Capital Adequacy

Financial
Highlights

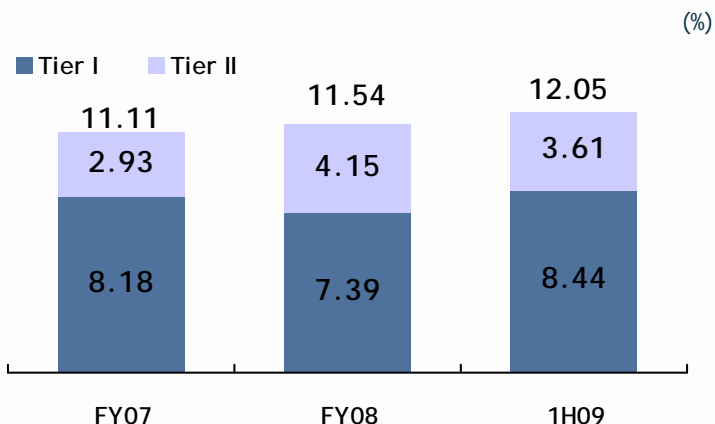
Profits

Loans
/Deposits

Asset
Quality

Capital
Adequacy

BIS CAR



■ FY07: based on Basel I

■ FY08 & 1H09: based on Basel II Standardized Approach

Recapitalization

■ Capital injection of KRW 1.3 tr completed

08/12/18	KRW 500bn	Shares
08/01/02	KRW 360bn	Cash
09/01/30	KRW 140bn	Cash
09/05/15	KRW 300bn	Cash

(KRW bn)	1H09	FY08
Tier I	8,837	7,568
Paid-in Capital	2,984	2,479
Capital Surplus	441	129
Retained Earnings	4,718	4,457
Hybrid Capital	824	824
Minority Interest	258	156
Tier II	3,773	4,248
Loan Loss Reserves	1,310	1,282
45% of Gains on Valuation of Investment Securities	262	256
Subordinated Bonds	2,320	2,749
Total	12,610	11,816
Risk-weighted Assets	104,650	102,406
BIS CAR (%)	12.05	11.54
Tier I Ratio (%)	8.44	7.39
Tier II Ratio (%)	3.61	4.15

■ 1H09 numbers are preliminary

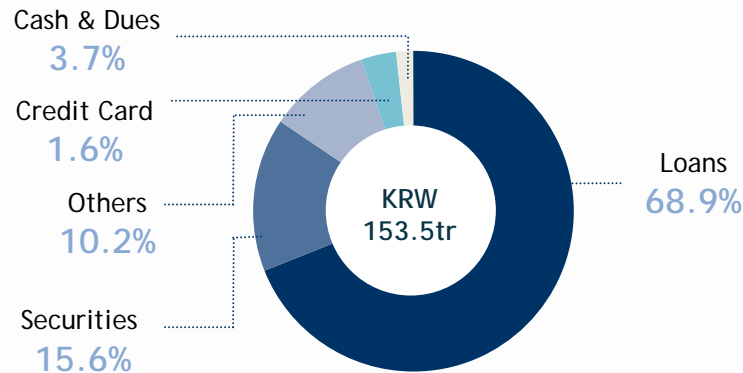
VI. Appendix

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



Funding & Operations

Operations

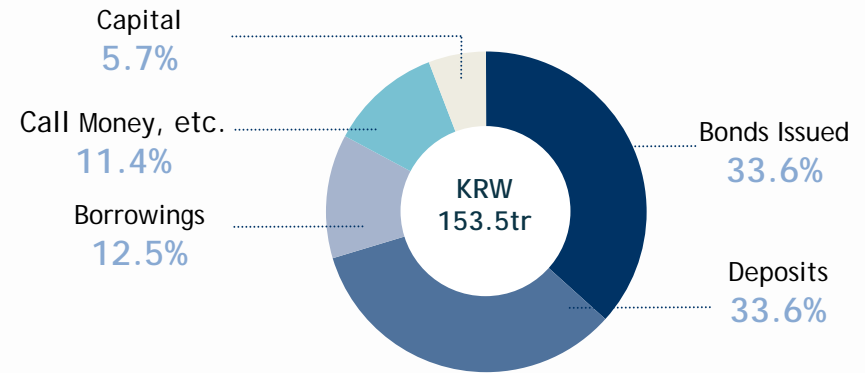


(KRW bn)	1H09	FY08
Loans ¹⁾	105,786	97,427
Securities	23,885	23,296
Cash & Dues	5,732	3,164
Credit Card	2,406	2,412
Fixed Assets, Call Loans, Bills Bought, etc.	15,698	15,482
Total	153,507	141,781

▪ B/S Balance

1) Loans in KRW & F/C

Funding



(KRW bn)	1H09	FY08
Deposits ¹⁾	51,549	42,884
Bonds Issued	56,427	55,627
SMIF Bonds (sold over the counter)	50,536 (21,429)	50,597 (22,488)
Borrowings	19,160	18,226
BOK	2,380	2,010
Gov't & Public Fund	11,569	10,991
F/C	5,067	5,205
Capital	8,752	7,523
Call Money, FC Deposits	17,619	17,522
Total	153,507	141,781

▪ B/S Balance

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

Loans by Industry

(KRW bn)	1H09				FY08	
	Amount	Change(YTD)	(%)	Change(%p)	Amount	(%)
Manufacturing	54,412	3,864	64.2	-0.2	50,548	64.4
Textile	2,243	62	2.6	-0.2	2,181	2.8
Apparel & Leather	1,527	68	1.8	-0.1	1,459	1.9
Chemical Products	2,941	238	3.5	0.1	2,703	3.4
Rubber & Plastic Products	4,491	298	5.3	0.0	4,193	5.3
Basic Metals	3,677	258	4.3	-0.1	3,418	4.4
Fabricated Metals	7,325	392	8.7	-0.1	6,933	8.8
Other Machinery	9,836	829	11.6	0.1	9,007	11.5
Electronic Machinery	2,869	198	3.4	0.0	2,672	3.4
Communications Devices	4,605	326	5.4	-0.1	4,280	5.5
Automobiles	4,263	330	5.0	0.0	3,933	5.0
Others	10,634	865	12.6	0.2	9,769	12.4
Construction	5,131	480	6.1	0.2	4,650	5.9
(Project Financing)	(1,282)	(154)	(1.5)	(0.1)	(1,128)	(1.4)
Wholesale & Retail	13,045	963	15.4	0.0	12,081	15.4
Lease & Rental	3,797	175	4.5	-0.1	3,621	4.6
Business Services¹⁾	1,099	169	1.3	0.1	930	1.2
Others	7,188	518	8.5	0.0	6,670	8.5
Lodging & Dining	654	19	0.8	0.0	635	0.8
Transport & Warehousing	1,090	115	1.3	0.1	975	1.2
Other Services ²⁾	5,443	383	6.4	-0.1	5,060	6.5
Total	84,670	6,169	100.0	0.0	78,501	100.0

▪ SME loans (including FC Loans)

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

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

ABS Details

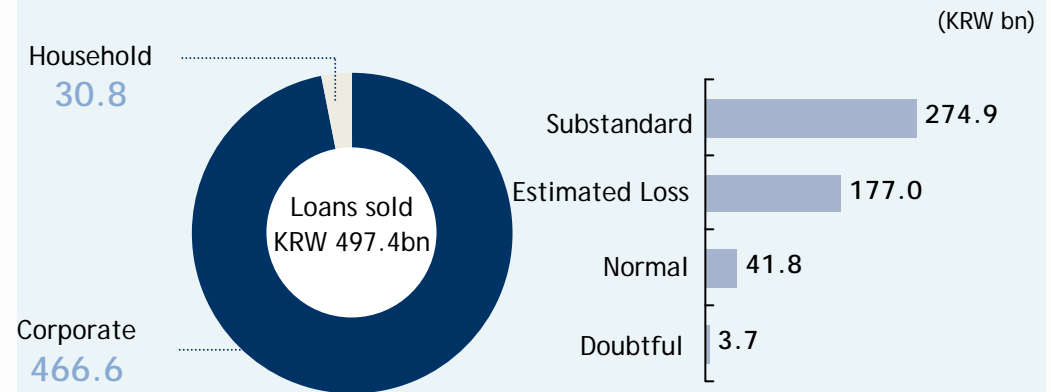
2Q09 ABS Issue

Gains from ABS Issue	(KRW bn)
Size of Loans Sold (A)	497.4
Revenue from Loan Sales (B)	315.1
Senior Debt (Cash)	175.0
Sub-debt	140.1
Provisioning ¹⁾ (C)	40.2
Losses on Loan Sales (D=B+C-A)	△142.1
Recoveries from Provisioning ²⁾ (E)	195.5
Valuation Loss on Sub-debt (F)	△ 47.5
Gains to P/L (G = D+E+F)	+5.9

1) '08 Provisioning related to the loans old

2) Provisioning in 1H09 related to the loans sold

NPL Sales Breakdown



Gains on ABS Issue KRW 5.9bn

