



Industrial Bank of Korea

1H14 Earnings Release



Disclaimer

- Financial results contained herein have been prepared IAW K-IFRS unless noted otherwise.
- 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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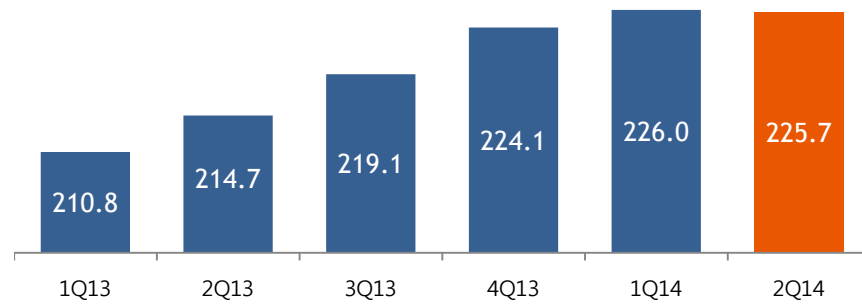
I Financial Highlights (Bank)



Financial Highlights (1)

Total Assets

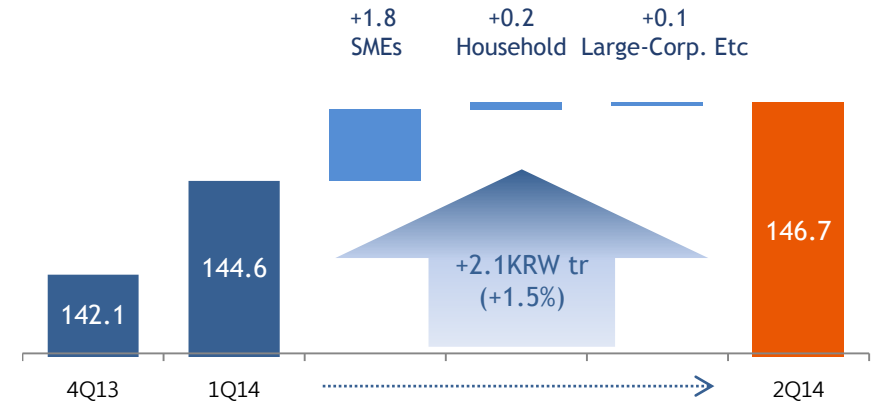
(KRW tr)



▪ Incl. Trust Accounts

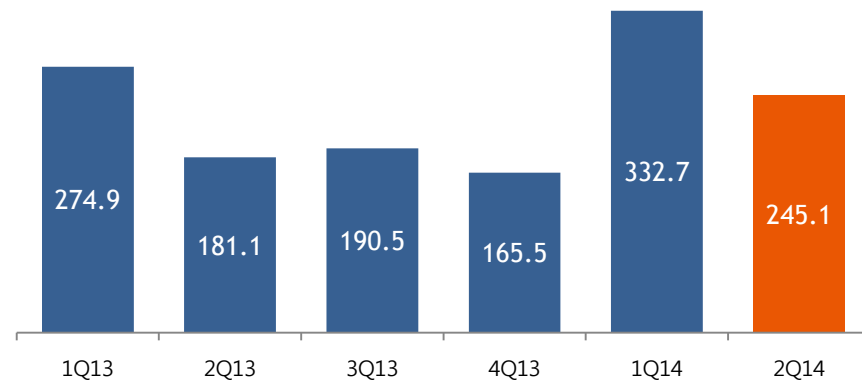
Total Loan Growth

(KRW tr)



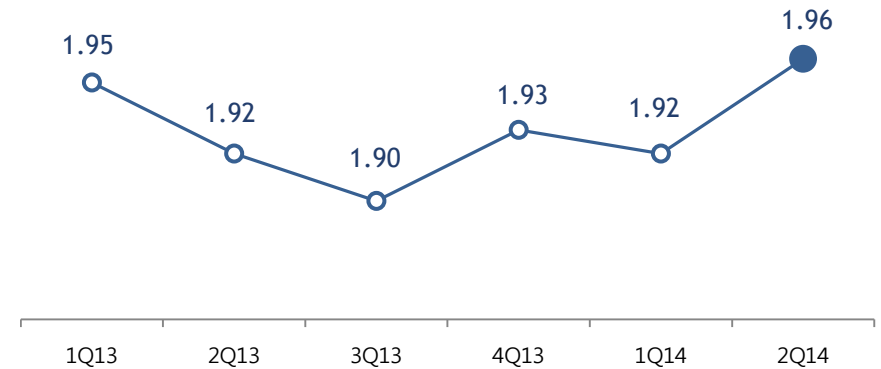
Net Income

(KRW bn)



NIM(Quarterly)

(%)

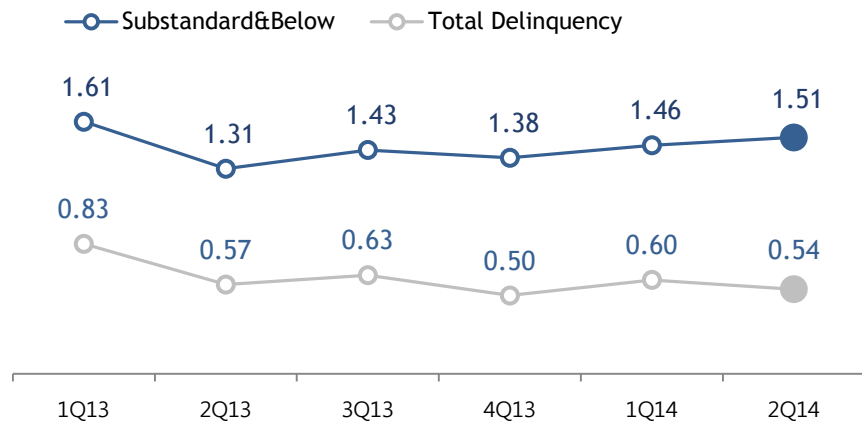




Financial Highlights (2)

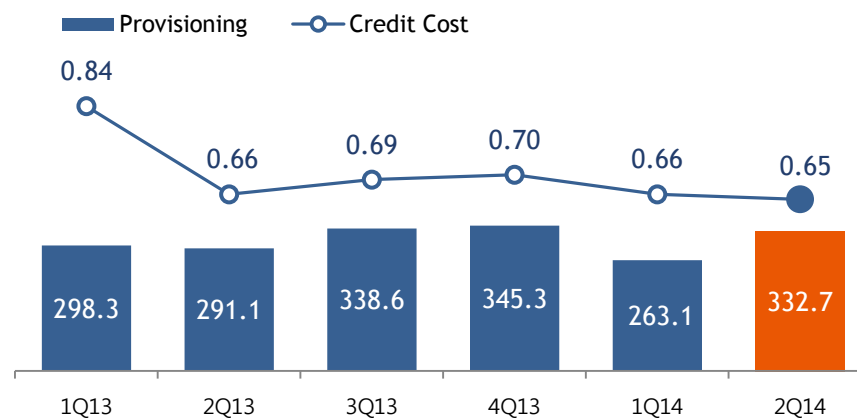
Substandard & Below · Total Delinquency (%)

(%)



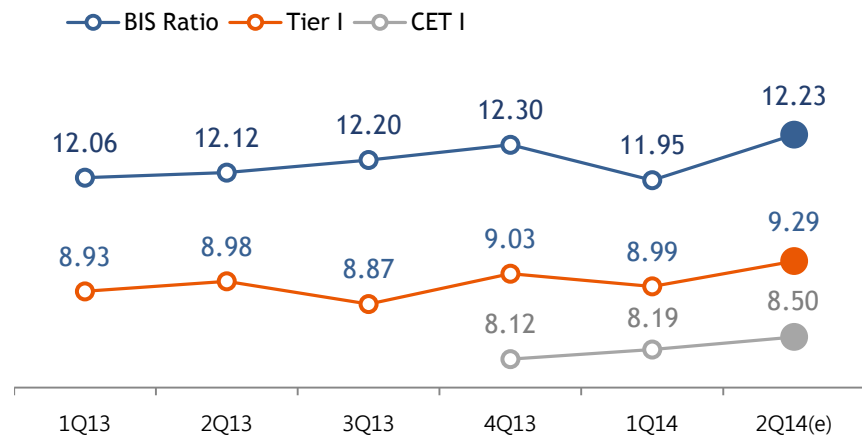
Provisioning · Credit Cost (% , KRW bn)

(% , KRW bn)



BIS CAR (%)

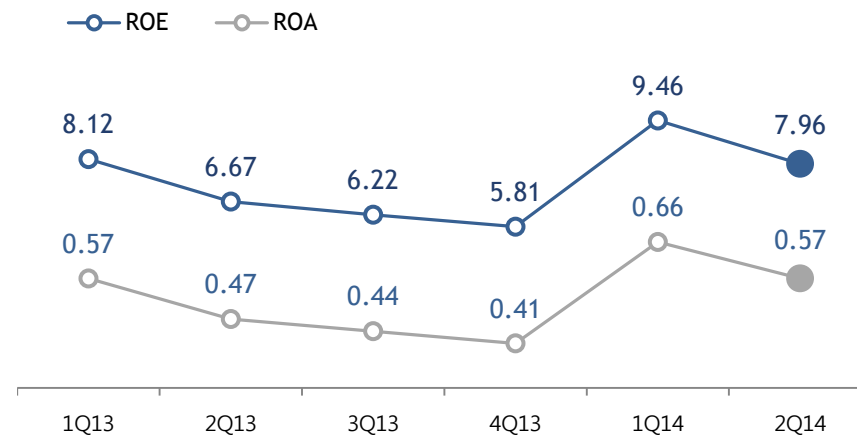
(%)



▪ Reports under BASEL III starting 4Q13(Consol.)

ROE · ROA (%)

(%)





II Profitability

- 1. Income Statement (Consol.)**
- 2. Income Statement & Interest Income(Bank)**
- 3. Non-Interest Income & SG&A(Bank)**

Income Details(Consol.)

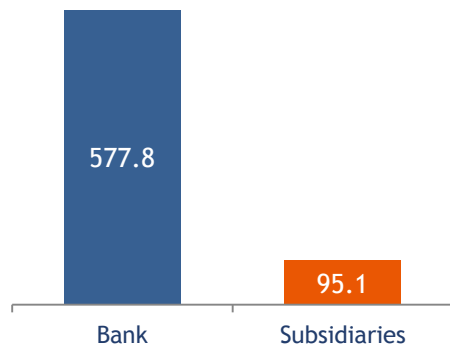
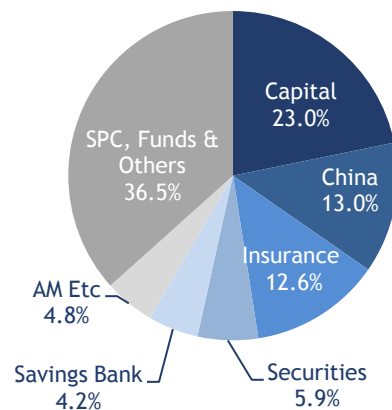
(KRW bn)	1H14	2Q14	1Q14	QoQ%	1H13	YoY%
Bank	577.8	245.1	332.7	-26.3	456.0	26.7
Subsidiaries	95.1	63.4	31.7	100.0	40.5	134.8
IBK Capital	21.9	14.5	7.4	95.9	27.2	-19.5
IBK Securities	5.6	3.0	2.6	15.4	3.8	47.4
IBK China	12.4	5.5	6.9	-20.3	-3.7	-
IBK Insurance	12.0	10.2	1.8	466.7	0.5	-
IBK Savings Bank	4.0	3.3	0.7	371.4	-	-
IBK AM & Others (3)	4.6	2.4	2.2	9.1	3.7	24.3
SPC, Funds & Others	34.6	24.5	10.1	142.6	9.0	284.4
Adjustments	-53.4	-15.9	-37.5	-	-28.5	-
Consolidated Net Income	619.5	292.6	326.9	-10.5	468.0	32.4

Income Statement(Consol.)

(KRW bn)	1H14	2Q14	1Q14	QoQ%	1H13	YoY%
Interest Income	2,195.1	1,114.1	1,081.0	3.1	2,075.3	5.8
Non-interest Income	124.2	58.8	65.4	-10.1	-15.8	-
SG&A Expenses	971.2	531.9	439.3	21.1	947.7	2.5
Pre-provisioning Operating Profit(PPOP)	1,348.1	641.0	707.1	-9.3	1,111.8	21.3
Net Provisioning	524.9	262.0	262.9	-0.3	512.9	2.3
Operating Income	823.2	379.0	444.2	-14.7	598.9	37.5
Non-operating Income	-11.1	-1.9	-9.2	-	13.5	-
Pre-tax Income	812.1	377.1	435.0	-13.3	612.4	32.6
Income Tax	192.6	84.5	108.1	-21.8	144.4	33.4
Consolidated Net Income	619.5	292.6	326.9	-10.5	468.0	32.4

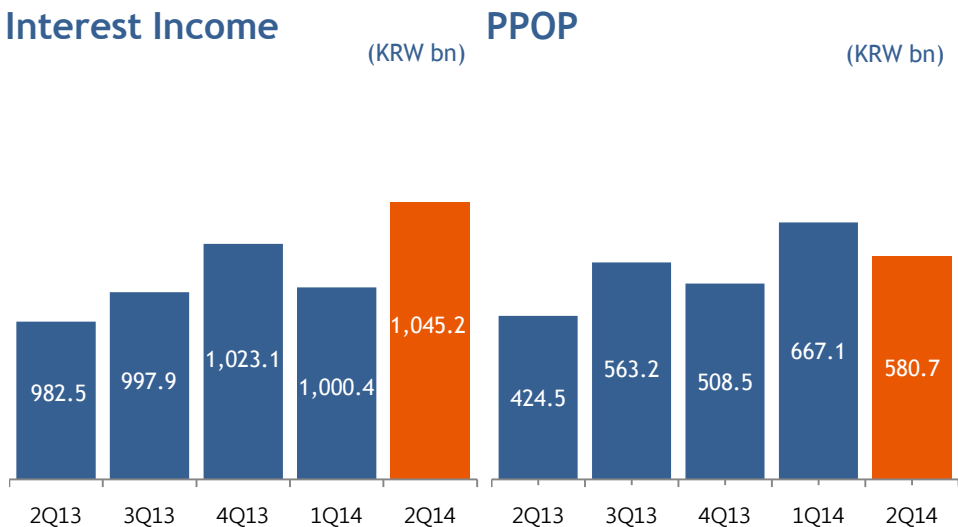
Income Comparison(1H14)

(KRW bn)


Subsidiary Breakdown(1H14)


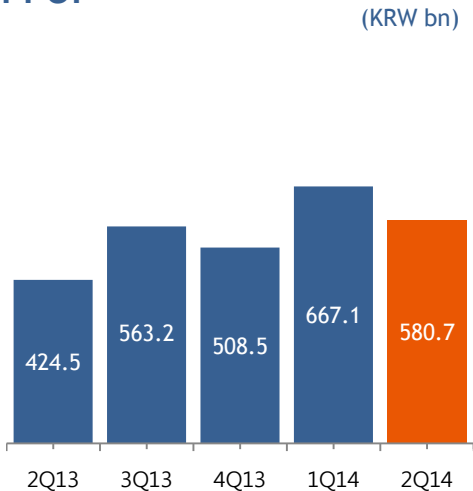
Income and Interest Income (Bank)

Interest Income



PPOP

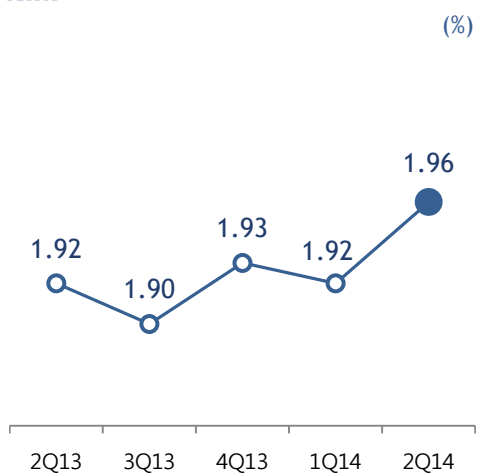
(KRW bn)



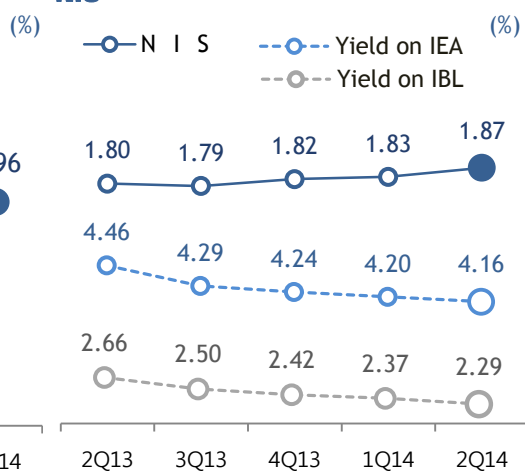
Income Statement(Bank)

(KRW bn)	1H14	2Q14	1Q14	QoQ%	1H13	YoY%
Interest Income	2,045.6	1,045.2	1,000.4	4.5	1,950.8	4.9
Non-interest Income	106.7	32.5	74.2	-56.2	21.1	405.7
SG&A Expense	904.5	497.0	407.5	22.0	884.5	2.3
PPOP	1,247.8	580.7	667.1	-13.0	1,087.3	14.8
Net Provisioning	512.2	254.8	257.4	-1.0	492.9	3.9
Operating Income	735.6	325.9	409.7	-20.5	594.4	23.8
Non-operating Income	20.6	-9.8	30.4	-132.2	-2.1	-
Pre-tax Income	756.2	316.1	440.1	-28.2	592.3	27.7
Income Tax	178.4	71.0	107.4	-33.9	136.3	30.9
Net Income	577.8	245.1	332.7	-26.3	456.0	26.7

NIM



NIS

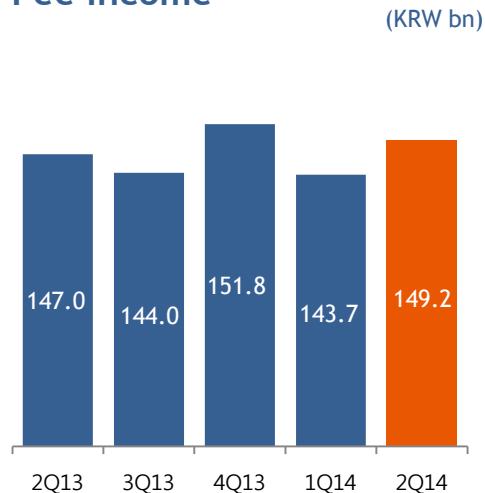


Interest Income Details(Bank)

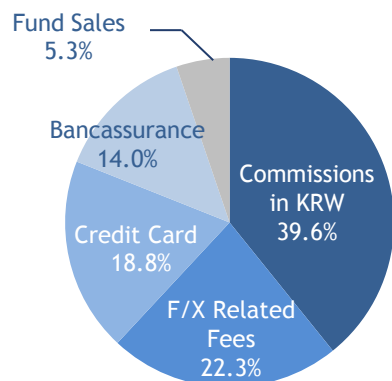
(KRW bn)	1H14	2Q14	1Q14	QoQ%	1H13	YoY%
Interest Revenue	4,027.6	2,027.4	2,000.2	1.4	4,148.6	-2.9
Loans	3,325.3	1,679.2	1,646.1	2.0	3,372.7	-1.4
Credit Card Rec. (Credit Purchase)	216.6	109.6	107.0	2.4	207.0	4.6
Securities	427.1	208.2	218.9	-4.9	492.2	-13.2
Others	58.6	30.4	28.2	7.8	76.8	-23.7
Interest Expense	1,982.0	982.2	999.8	-1.8	2,197.8	-9.8
Deposits	575.8	286.0	289.8	-1.3	726.7	-20.8
SMIF Bonds & etc.	1,406.2	696.2	710.0	-1.9	1,471.1	-4.4
Interest Income	2,045.6	1,045.2	1,000.4	4.5	1,950.8	4.9

Non-interest Income and SG&A (Bank)

Fee Income



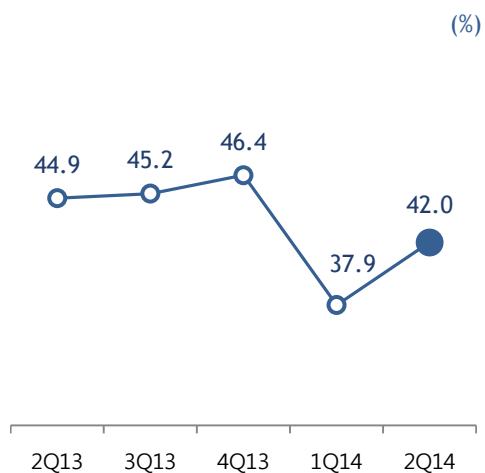
Fee Income Breakdown(1H14)



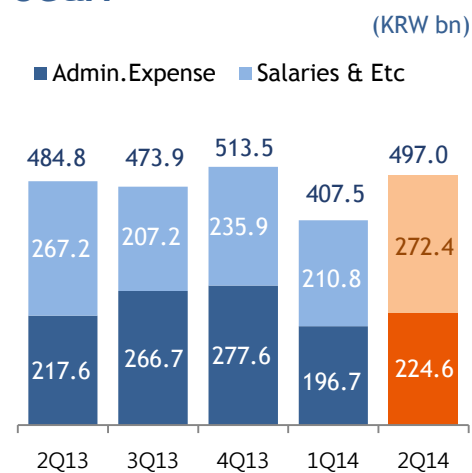
Non-Interest Income(Bank)

(KRW bn)	1H14	2Q14	1Q14	QoQ%	1H13	YoY%
Fee Income	292.9	149.2	143.7	3.8	290.9	0.7
Commissions in KRW	115.9	58.5	57.4	1.9	121.5	-4.6
F/X-Related Fees	65.4	33.9	31.5	7.6	65.1	0.5
Bancassurance	40.9	20.5	20.4	0.5	43.5	-6.0
Credit Card	55.1	28.5	26.6	7.1	44.5	23.8
Fund Sales	15.6	7.8	7.8	-	16.3	-4.3
Other Non-interest Income	-186.2	-116.7	-69.5	-67.9	-269.8	31.0
Securities-Related Gain	78.8	24.9	53.9	-53.8	49.7	58.6
Gain/Loss on Loan Disposal	35.4	-2.9	38.3	-	-0.1	-
Others ¹⁾	-325.5	-151.1	-174.4	-13.4	-340.4	-4.4
Trust Income	25.1	12.4	12.7	-2.4	21.0	19.5
Net Non-interest Income	106.7	32.5	74.2	-56.2	21.1	405.7

Cost to Income Ratio



SG&A



1) Contributions to Credit Guarantee Fund, Depository Insurance Premium, and Gains/Loss from F/X Transactions & Derivatives

SG&A(Bank)

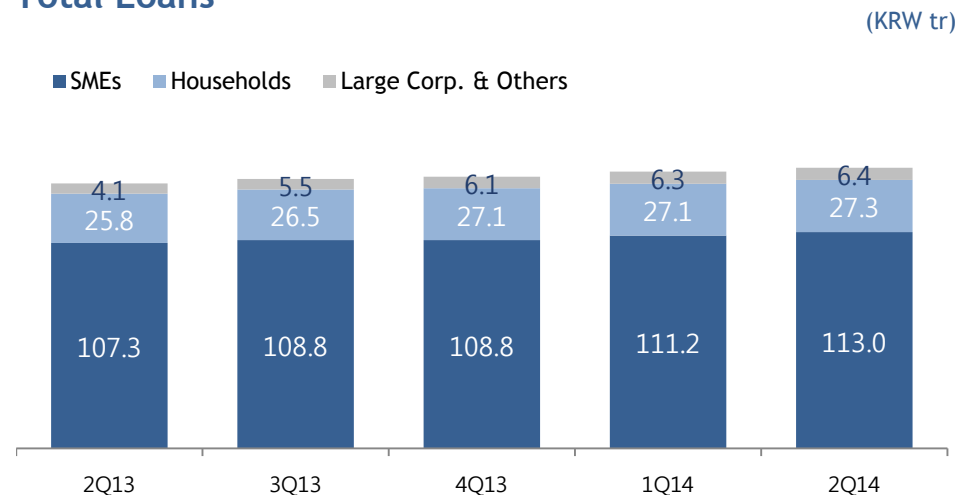
(KRW bn)	1H14	2Q14	1Q14	QoQ%	1H13	YoY%
SG&A Expenses	904.5	497.0	407.5	22.0	884.5	2.3
Salaries	441.1	251.3	189.8	32.4	425.2	3.7
Admin. Expenses (Depreciation)	421.3	224.6	196.7	14.2	413.5	1.9
Provisions for Severance Pay	55.4	28.6	26.8	6.7	66.7	-16.9
Non-operating Income	20.6	-9.8	30.4	-	-2.1	-
Non-op. Revenue	47.6	4.3	43.3	-90.1	30.8	54.5
Non-op. Expense	27.0	14.1	12.9	9.3	32.9	-17.9



III Loans · Deposits (Bank)

- 1. Loan Portfolio**
- 2. Deposit Structure**

Total Loans



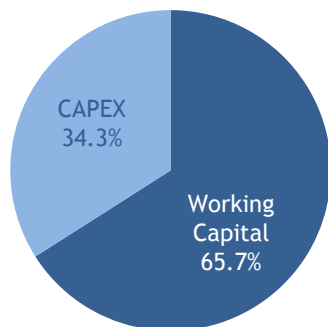
Total Loans(Bank)

(KRW bn)	2Q14	1Q14	QoQ%	4Q13	YTD%
SME	113,053	111,237	1.6	108,830	3.9
Working Capital	74,259	73,391	1.2	71,952	3.2
CAPEX	38,794	37,846	2.5	36,878	5.2
Household¹⁾	27,280	27,083	0.7	27,085	0.7
General	15,596	15,273	2.1	15,042	3.7
Housing Loan	11,684	11,810	-1.1	12,043	-3.0
Large Corp.	5,524	5,454	1.3	5,329	3.7
Others	844	838	0.7	810	4.2
Total	146,701	144,612	1.5	142,053	3.3

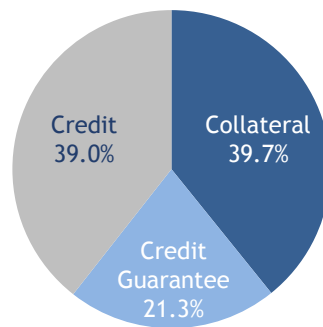
▪ Loan Portfolio : SME 77.1%, Household 18.6%, Large Copr.&Others 4.3%

1) 24.9bn of Credit Card Loans, 166.5bn of U-KHFC Loans & 7.9bn of Conforming Loans included

SME Loans by Purpose



SME Loans by Collateral



SME Loans by Industry(Bank)

(KRW bn)	2Q14				1Q14	
	Amount	(%)	Change	(%p)	Amount	(%)
Manufacturing	71,206	63.0	1,267	0.1	69,939	62.9
Wholesale & Retail	18,452	16.3	100	-0.2	18,352	16.5
Real Estate Lease & Rental	6,486	5.7	283	0.1	6,203	5.6
Construction	4,465	3.9	20	-0.1	4,445	4.0
Lodging & Dining	1,069	1.0	94	0.1	975	0.9
Others	11,375	10.1	52	0.0	11,323	10.1
Total	113,053	100.0	1,816	-	111,237	100.0

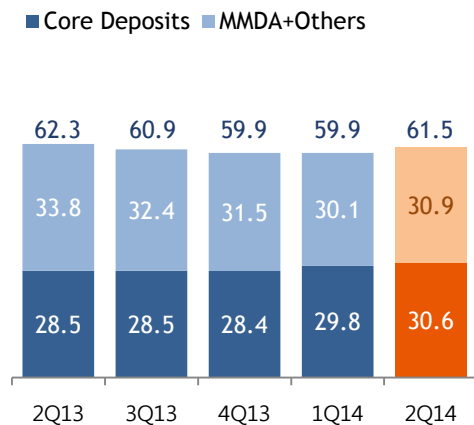
▪ SME Loans (including Loans in FCY)



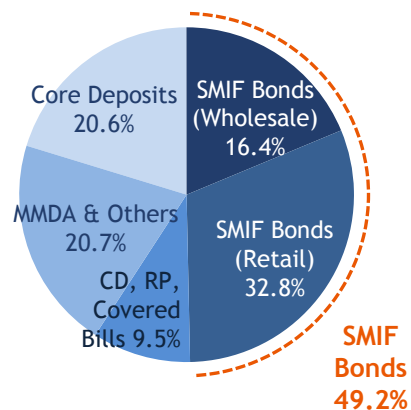
Deposit Structure (Bank)

Deposits

(KRW tr)



Deposit Breakdown

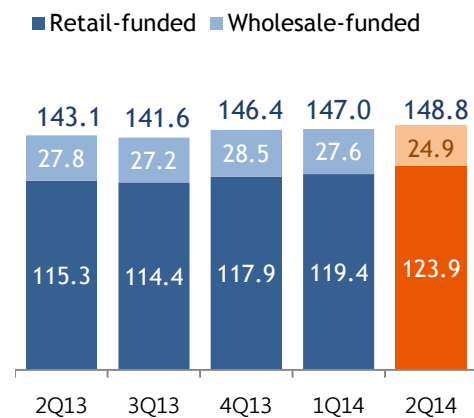


Total Deposits(Bank)

(KRW bn)	2Q14	1Q14	QoQ%	4Q13	YTD%
Deposits	61,510	59,932	2.6	59,898	2.7
Core Deposits ¹⁾	30,626	29,763	2.9	28,383	7.9
MMDA	7,731	7,281	6.2	8,225	-6.0
Other Deposits	23,153	22,888	1.2	23,290	-0.6
CD, Covered Bills, RP	14,131	13,975	1.1	15,065	-6.2
SMIF Bonds	73,117	73,068	0.1	71,485	2.3
Retail-funded	48,145	45,445	5.9	42,987	12.0
Wholesale-funded	24,972	27,623	-9.6	28,498	-12.4
Sub Total	148,758	146,975	1.2	146,448	1.6
Trust ²⁾	13,102	14,762	-11.2	14,457	-9.4
Total Deposits	161,860	161,737	0.1	160,905	0.6

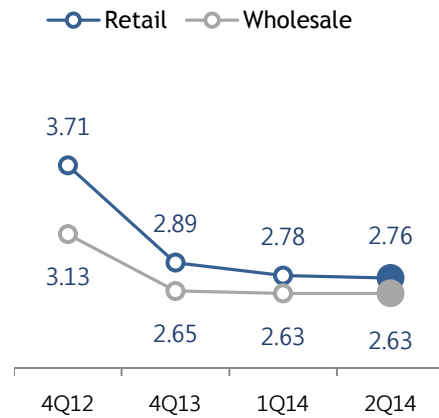
Funding Breakdown

(KRW tr)



SMIF Bonds Yields

(%)



▪ Based on SMIF Bond with 1 year maturity

▪ 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 (Bank)

- 1. Asset Quality**
- 2. Provisioning**

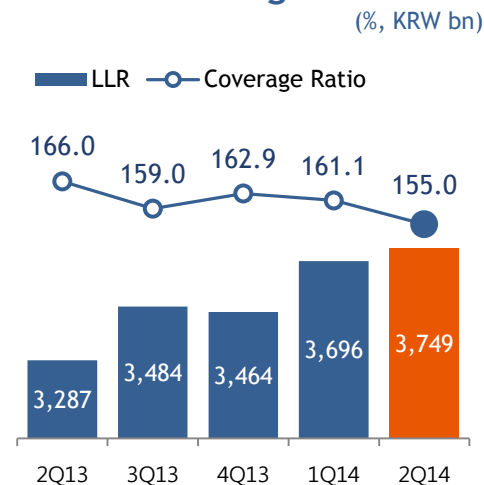


Asset Quality (Bank)

Substandard & Below



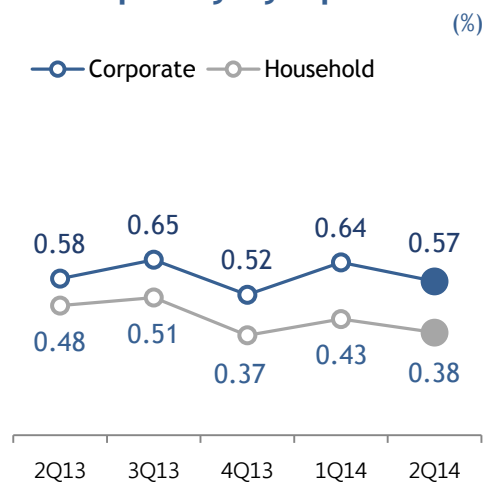
LLR & Coverage Ratio



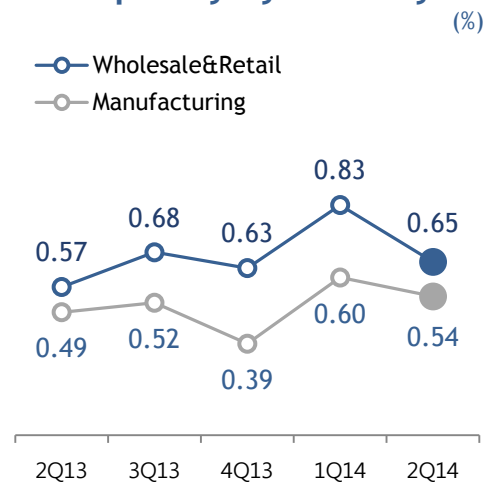
Substandard & Below(Bank)

(KRW bn)	2Q14	1Q14	QoQ%	2Q13	YoY%
Total Loan¹⁾	159,794	157,448	1.5	151,634	5.4
Normal	155,060	152,532	1.7	147,317	5.3
Precautionary	2,315	2,621	-11.7	2,338	-1.0
Sub. & Below	2,419	2,295	5.4	1,979	22.2
<i>Substandard</i>	1,756	1,697	3.4	1,503	16.8
<i>Doubtful</i>	254	145	75.2	162	56.8
<i>Estimated Loss</i>	409	453	-9.7	314	30.3
Sub. & Below Ratio	1.51%	1.46%	0.05%p	1.31%	0.20%p
Loan Loss Reserves ²⁾	3,749	3,696	1.4	3,287	14.1
Coverage Ratio	155.0%	161.1%	-6.1%p	166.0%	-11.0%p
Write-offs (Quarterly)	367.8	131.3	180.1	335.8	9.5

Delinquency by Operation



Delinquency by Industry



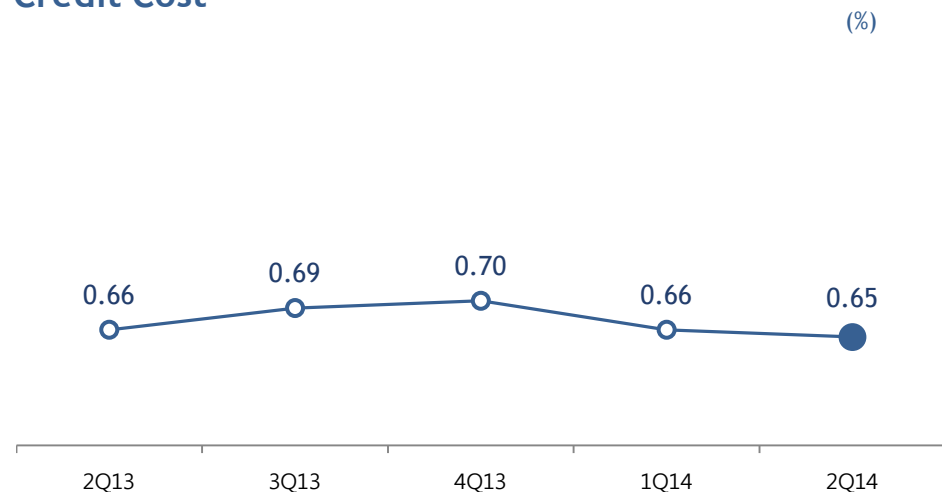
▪ Principal or Interest of +30 days past due

▪ Principal or Interest of +30 days past due

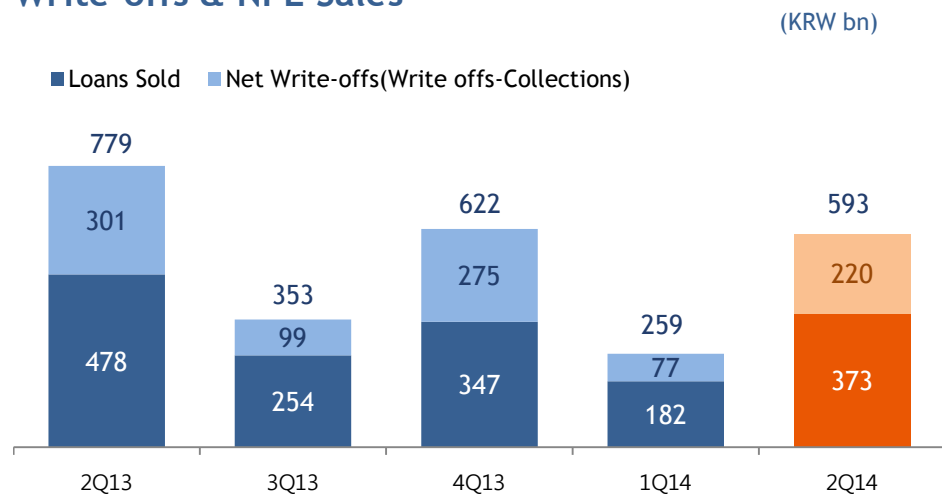
1) Total Credit

2) KRW 1,787.5bn of Reserve for Credit Loss included

Credit Cost



Write-offs & NPL Sales



Provisioning(Bank)

(KRW bn)	2Q14	1Q14	4Q13	3Q13	2Q13
Corporate	308.2	237.1	323.6	310.4	260.5
Provisioning	311.7	241.4	318.7	311.0	256.2
Unused Credit Line	-3.5	-4.3	4.9	-0.6	4.3
Household	16.5	11.1	7.5	14.4	16.9
Provisioning	16.5	11.1	7.6	14.8	16.8
Unused Credit Line	0.0	0.0	-0.1	-0.4	0.1
Credit Card	8.0	14.9	14.2	13.8	13.7
Provisioning	12.2	14.5	13.5	12.4	13.5
Unused Credit Line	-4.2	0.4	0.7	1.4	0.2
Sub Total	332.7	263.1	345.3	338.6	291.1
Recoveries & Other Provisioning	-77.9 ¹⁾	-5.7	-63.7	-41.2	-106.7
Net Provisioning	254.8	257.4	281.6	297.4	184.4

1) Write-back from NPL Sales (KRW78.5bn) included

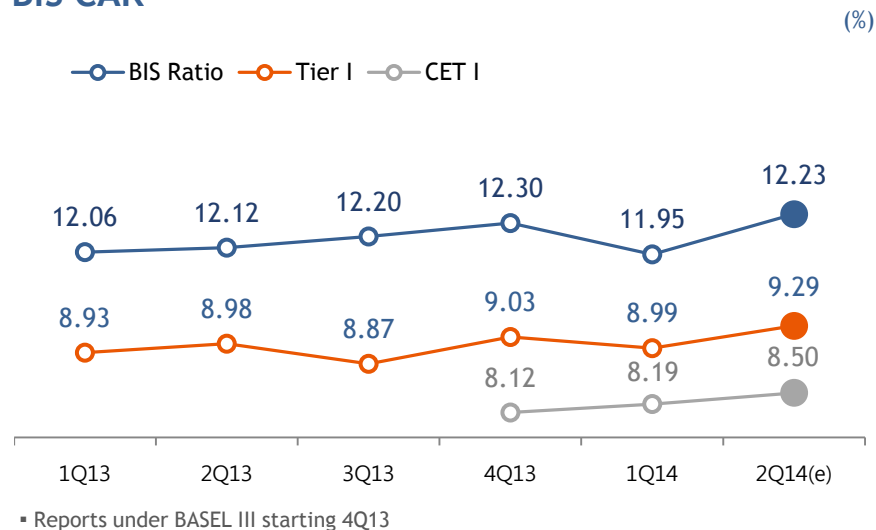


V Capital Adequacy (Consol.)

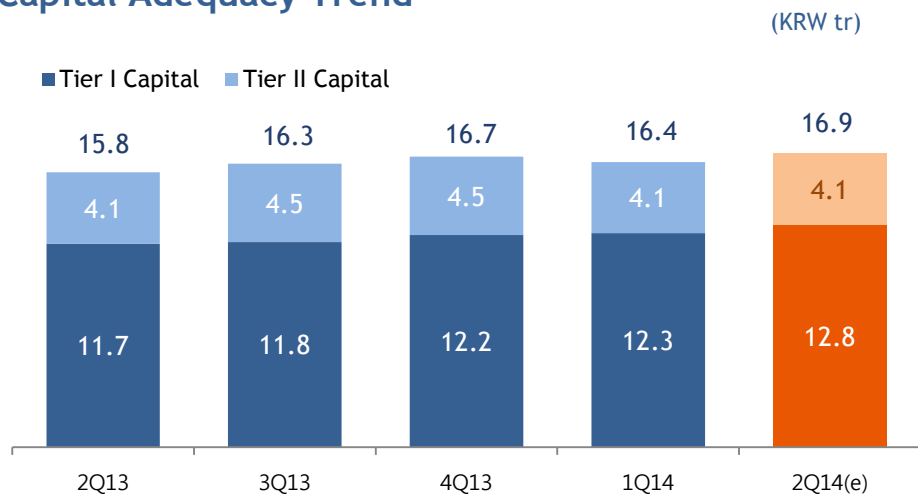


Capital Adequacy (Consol.)

BIS CAR



Capital Adequacy Trend



Capital Adequacy & BIS CAR

(KRW bn, %)	2Q14(e)	1Q14	4Q13
Tier I	12,839	12,344	12,245
Common Equity Tier I	11,742	11,248	11,010
Common Shares Issued	2,763	2,763	2,751
Stock Surplus	502	497	509
Retained Earnings	10,071	9,812	9,500
Accum. Other Comprehensive Income	500	460	417
Additional Tier I	1,097	1,097	1,235
Tier II	4,072	4,072	4,435
LLR	444	444	429
Provision in excess of Expected Loss	566	560	556
Subordinated Bonds	3,062	3,062	3,445
Total	16,911	16,416	16,680
Risk-Weighted Assets	138,221	137,330	135,559
BIS Ratio	12.23	11.95	12.30
Tier I	9.29	8.99	9.03
CET I ¹⁾	8.50	8.19	8.12
Tier II	2.94	2.96	3.27

1) Common Equity Tier I

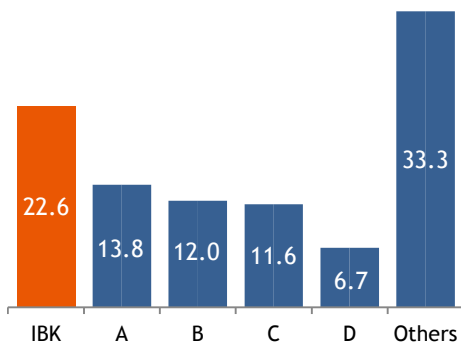


VI Appendix

- SME Loan & SMIF Bond Details

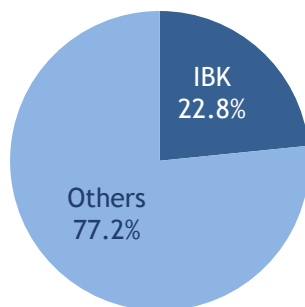
SME Loan

SME Market Share I (%)
by Outstanding Total Balance



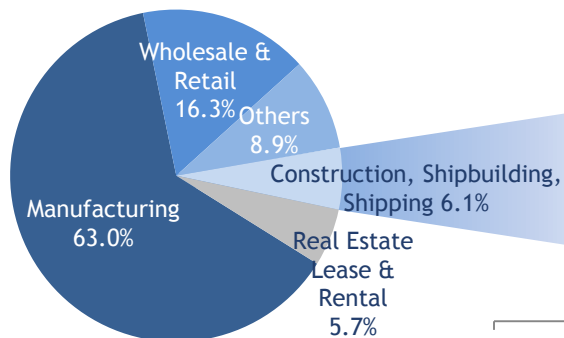
- BOK reported standard
- 2Q14 SME loan balance by banks

SME Market Share II (%)
by Loans Extended in 1H14



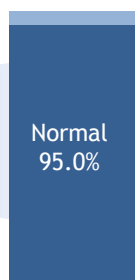
- BOK reported standard
- 1H14 Net growth of SME loan by banks

SME Loans by Industry



Asset Quality Breakdown

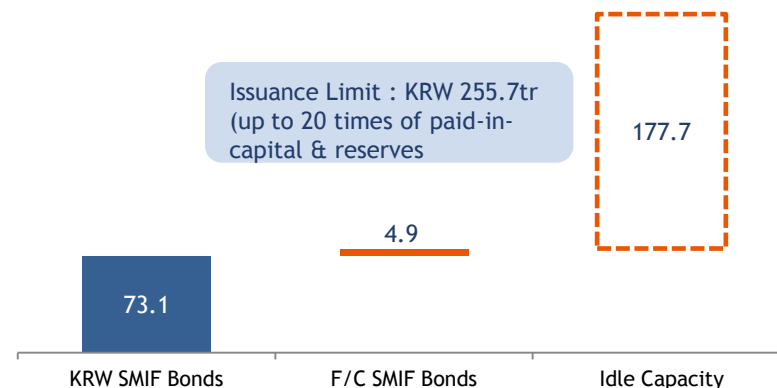
Precautionary & Below
5.0%



2Q14

SMIF Bond

SMIF Bond Bal. & Issuance Limit (KRW tr)



SMIF Bonds by Maturity

(KRW tr)	~1yr	~2yrs	~3yrs	~5yrs	5yrs~	Total
Balance	63.7	4.4	0.6	0.3	4.1	73.1
%	87.1	6.0	0.8	0.4	5.7	100.0

- Monthly average B/S balance(KRW)