



1H17

Earnings Release

Industrial Bank of Korea



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.



Contents

- | | |
|------------------------------------|---------------------|
| 01 Financial Highlights | 05 Asset Quality |
| 02 Total Asset/Liability & Capital | 06 Capital Adequacy |
| 03 Profitability | 07 Appendix |
| 04 Loan·Deposit | |



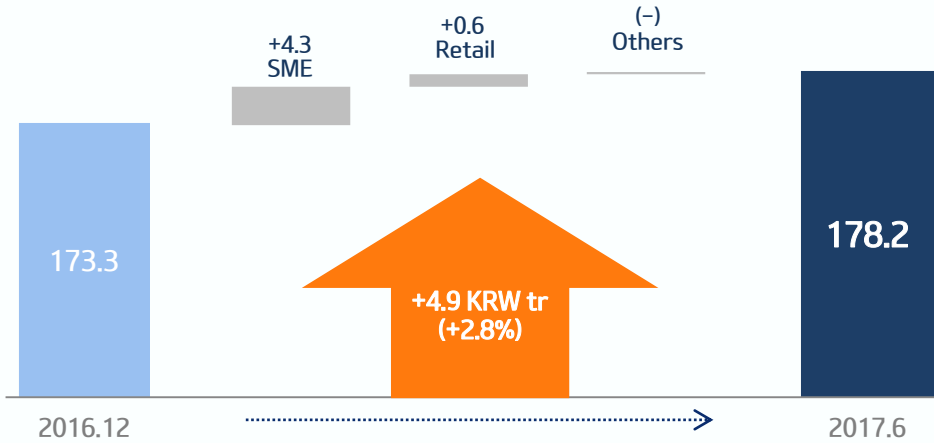
01 Financial Highlights

Financial Highlights [Bank]



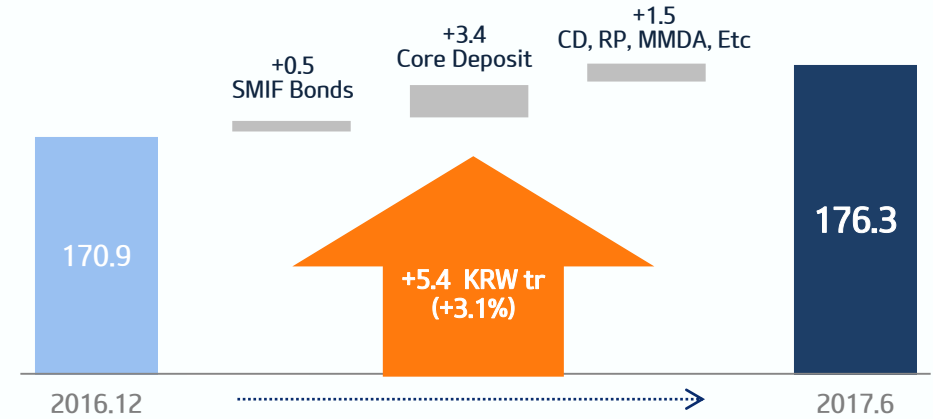
Total Loan Growth

(KRW tr)



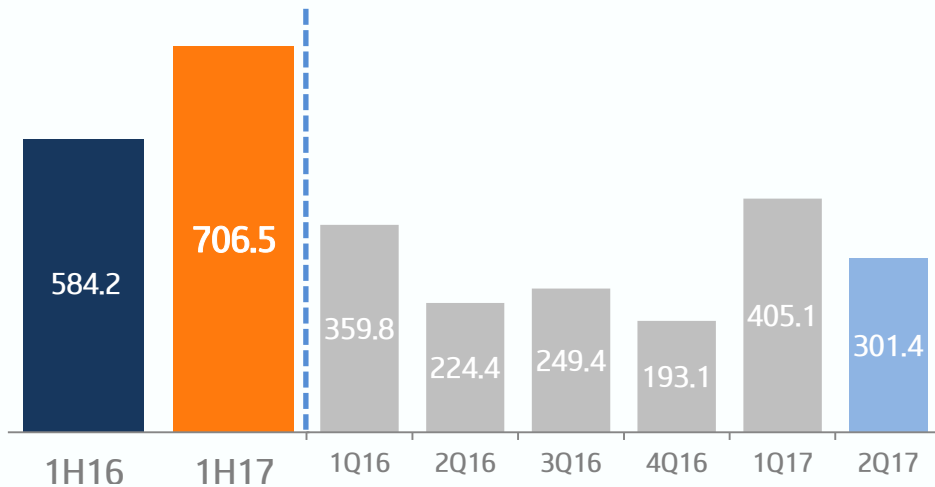
Total Deposit Growth

(KRW tr)



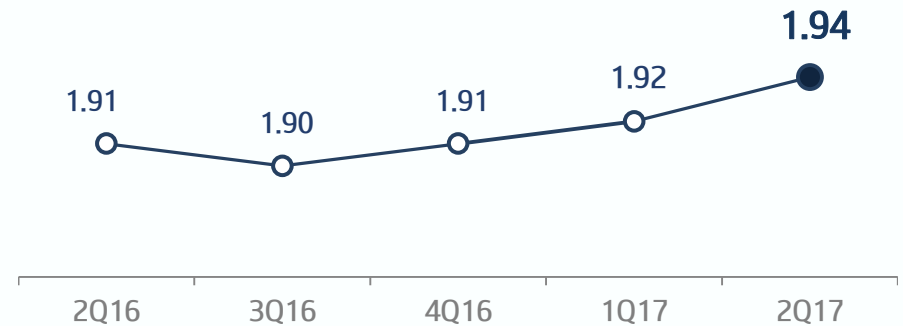
Net Income

(KRW bn)



NIM (Quarterly)

(%)

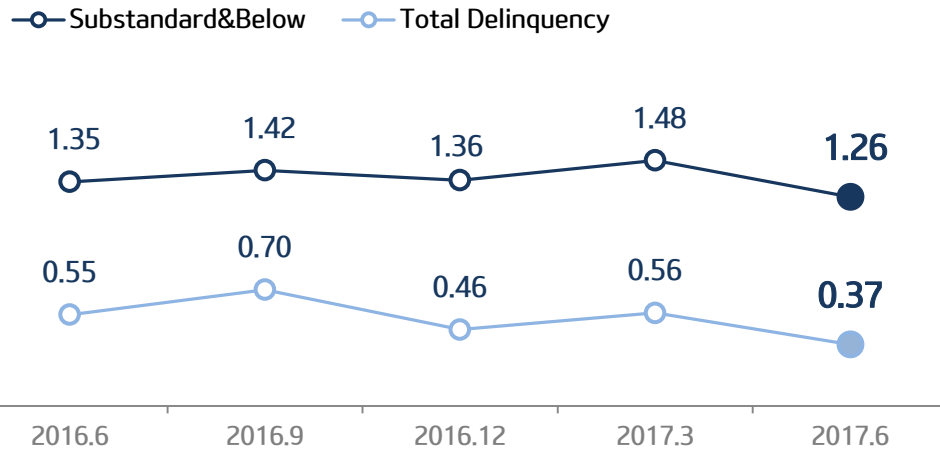


Financial Highlights [Bank]



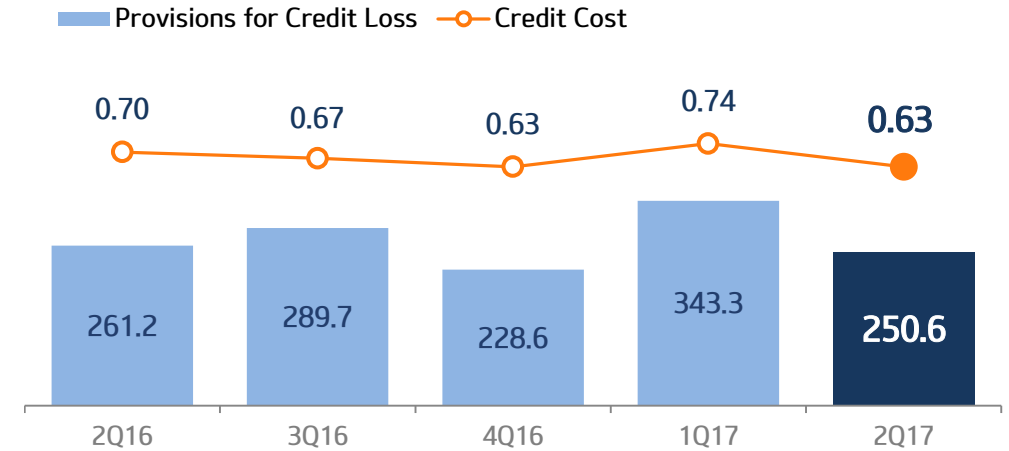
Substandard & Below · Total Delinquency

(%)



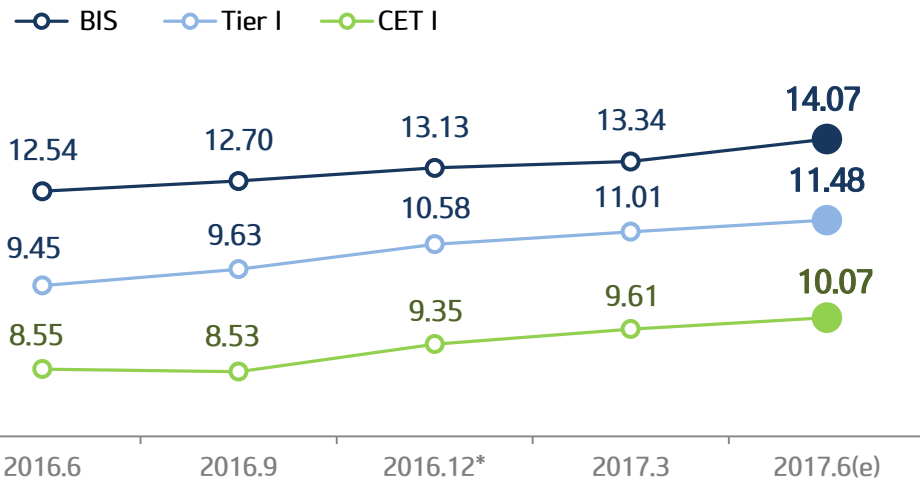
Provisions for Credit Loss·Credit Cost

(%, KRW bn)



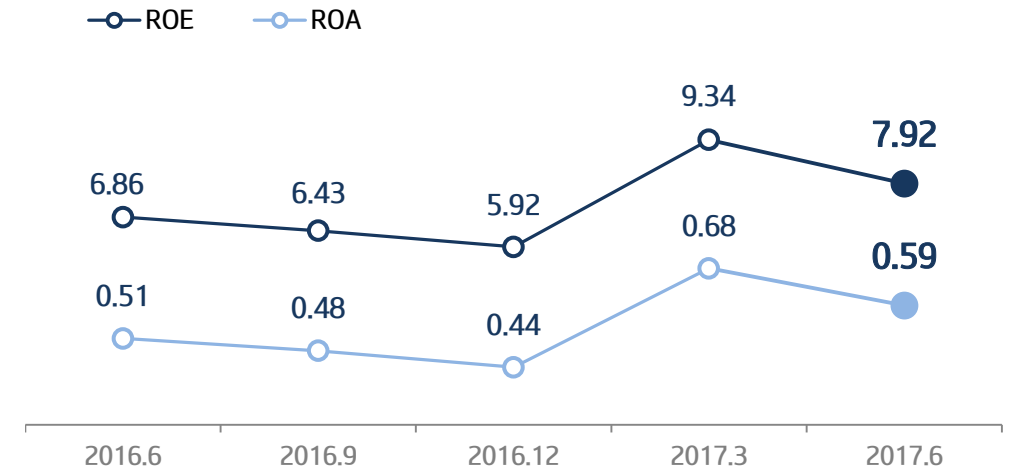
BIS CAR (Consolidated)

(%)



ROE·ROA

(%)



*Reserve for Credit Loss is recognized as CET1 in accordance with the revision of Banking Supervision Regulations(2016.12.20) by FSC.



02 Total Asset /Liability & Capital

Total Asset / Liability & Capital



Total Asset (Consolidated)

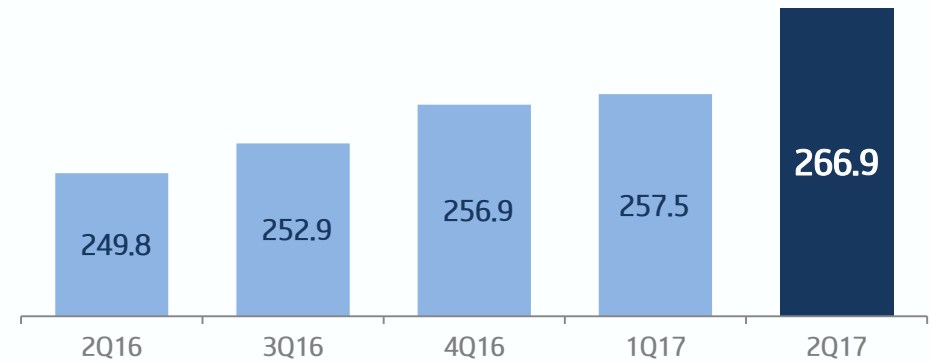
(KRW bn)	2Q17	1Q17	QoQ%	4Q16	YTD%
Bank¹⁾	249,186	240,734	3.5	241,478	3.2
Subsidiaries	22,016	20,553	7.1	19,199	14.7
IBK Capital	5,132	4,863	5.5	4,636	10.7
IBK Securities	5,072	4,852	4.5	3,928	29.1
IBK Insurance	4,618	4,321	6.9	4,054	13.9
IBK China	3,866	3,317	16.6	3,508	10.2
IBK Saving Bank	879	906	-3.0	791	11.1
IBK System	55	52	5.8	48	14.6
IBK Asset Mgmt	52	52	-	50	4.0
IBK Credit	23	23	-	23	-
SPC, Funds & Others	2,319	2,167	7.0	2,161	7.3
Total Asset	271,202	261,287	3.8	260,677	4.0
Consolidated Total Asset²⁾	266,882	257,482	3.7	256,851	3.9

1) Excluding trust accounts. total asset including trust accounts (300.8 KRW tr)

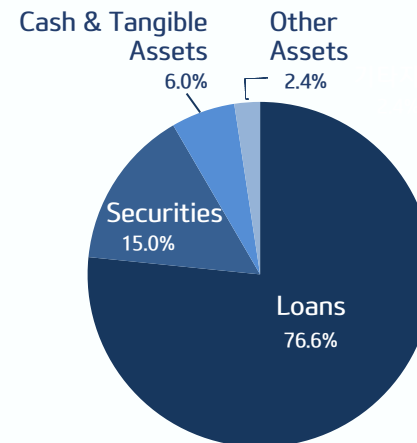
2) After adjustment

Total Asset (Consolidated)

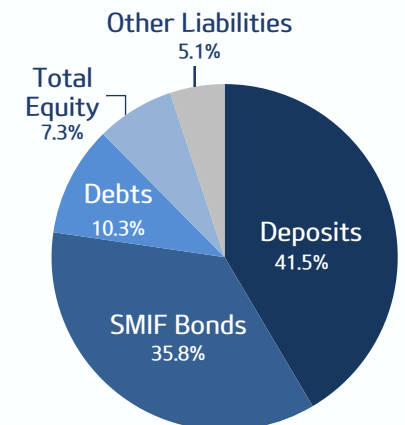
(KRW tr)



Asset (Bank)



Liability· Capital (Bank)





03 Profitability

- 01 Income Statement[Consol.]
- 02 Income Statement[Bank]
- 03 Interest Income[Bank]
- 04 Non-Interest Income & SG&A[Bank]

Income Statement [Consolidated]



Income Details

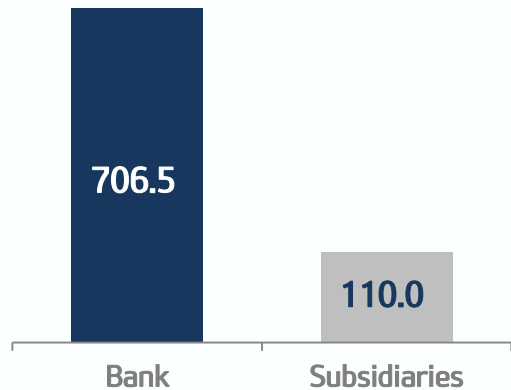
(KRW bn)	1H17	2Q	1Q	QoQ%	1H16	YoY%
Bank	706.5	301.4	405.1	-25.6	584.2	20.9
Subsidiaries	110.0	66.5	43.5	52.9	172.9	-36.4
IBK Capital	38.1	18.1	20.0	-9.5	51.8	-26.4
IBK Securities	22.0	14.5	7.5	93.3	20.5	7.3
IBK Insurance	22.7	11.8	10.9	8.3	17.2	32.0
IBK China	7.4	4.2	3.2	31.3	10.2	-27.5
IBK Savings Bank	3.5	1.3	2.2	-40.9	9.2	-62.0
IBK AM & Others (3)	4.5	2.1	2.4	-12.5	5.5	-18.2
SPC, Funds & Others	11.8	14.5	-2.7	-	58.5	-79.8
Adjustment	-19.4	-10.2	-9.2	-	-89.8	-
Net Income	797.1	357.7	439.4	-18.6	667.3	19.5
(N.I. attributable to Controlling interest)	793.5	355.2	438.3	-19.0	663.3	19.6

Income Statement

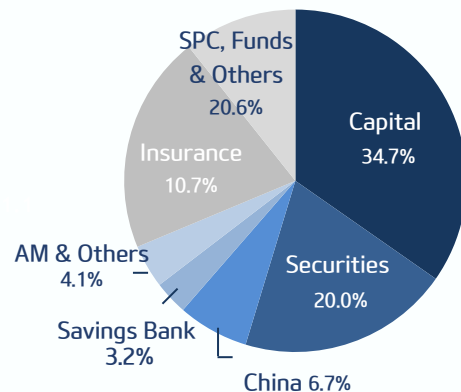
(KRW bn)	1H17	2Q	1Q	QoQ%	1H16	YoY%
Interest Income	2,544.3	1,290.8	1,253.5	3.0	2,382.5	6.8
Non-Interest Income	238.7	37.0	201.7	-81.7	188.3	26.8
SG&A Expense	1,093.5	589.3	504.2	16.9	1,051.5	4.0
Pre-Provisions Operating Profit	1,689.5	738.5	951.0	-22.3	1,519.3	11.2
Net Provisions	636.2	263.3	372.9	-29.4	646.1	-1.5
Operating Income	1,053.3	475.2	578.1	-17.8	873.2	20.6
Non-op. Income	-12.9	-7.1	-5.8	-	-6.8	-
Pre-tax Income	1,040.4	468.1	572.3	-18.2	866.4	20.1
Income Tax	243.3	110.4	132.9	-16.9	199.1	22.2
Net Income	797.1	357.7	439.4	-18.6	667.3	19.5
(N.I. attributable to controlling Interest)	793.5	355.2	438.3	-19.0	663.3	19.6

Income Comparison

(KRW bn)



Subsidiary Composition (1H17)

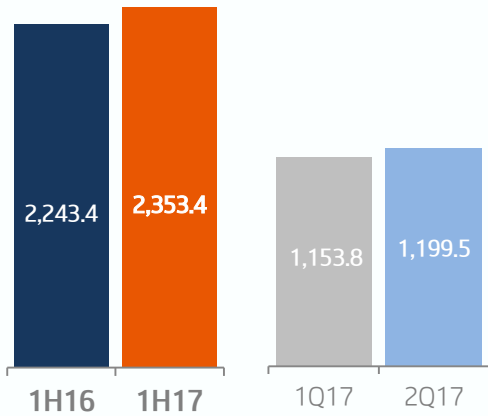


Income Statement [Bank]



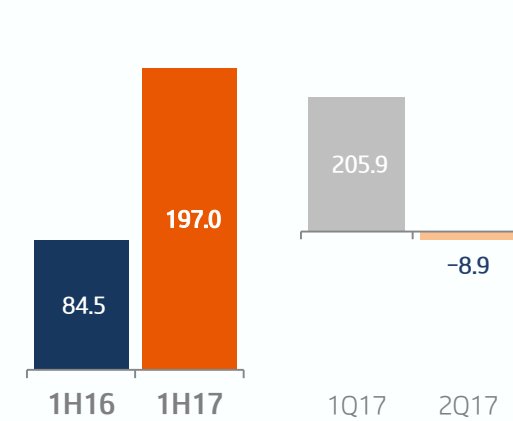
Interest Income

(KRW bn)



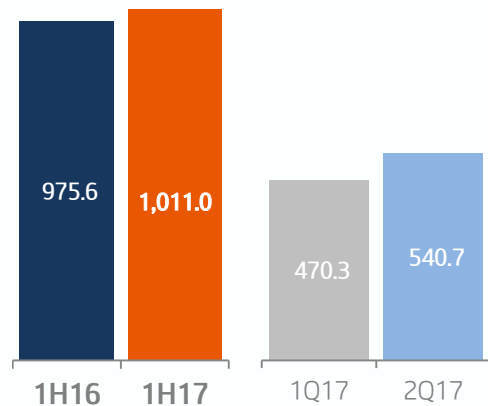
Non-Interest Income

(KRW bn)



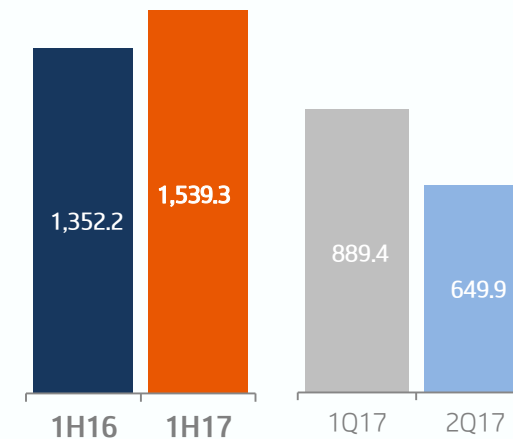
SG&A Expenses

(KRW bn)



PPOP

(KRW bn)



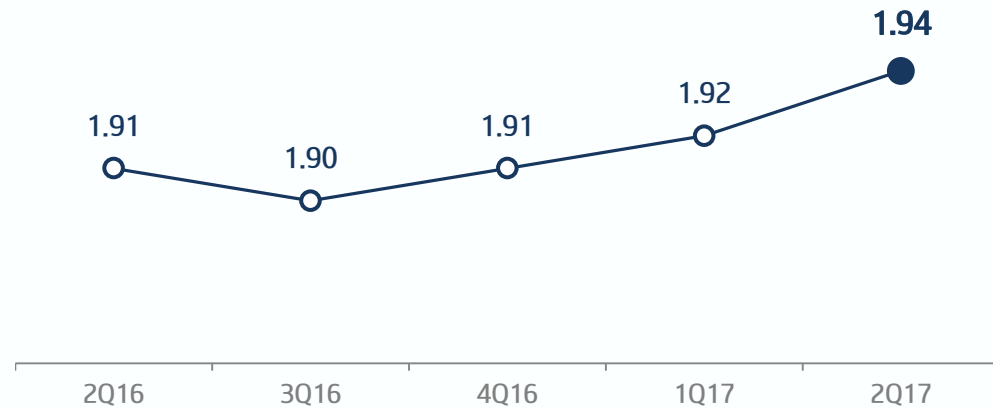
Income Statement

(KRW bn)	1H17	-----		QoQ%	1H16	YoY%
		2Q	1Q			
Interest Income	2,353.4	1,199.5	1,153.8	4.0	2,243.4	4.9
Non-Interest Income	197.0	-8.9	205.9	-	84.5	133.1
SG&A Expenses	1,011.0	540.7	470.3	15.0	975.6	3.6
PPOP	1,539.3	649.9	889.4	-26.9	1,352.2	13.8
Net Provisions	619.9	252.4	367.5	-31.3	635.4	-2.4
Operating Income	919.4	397.5	521.9	-23.8	716.8	28.3
Non-op. Income	-10.1	-7.2	-2.9	-	32.3	-
Pre-tax Income	909.3	390.3	519.0	-24.8	749.1	21.4
Income Tax	202.8	88.9	113.9	-21.9	164.9	23.0
Net Income	706.5	301.4	405.1	-25.6	584.2	20.9

Interest Income [Bank]

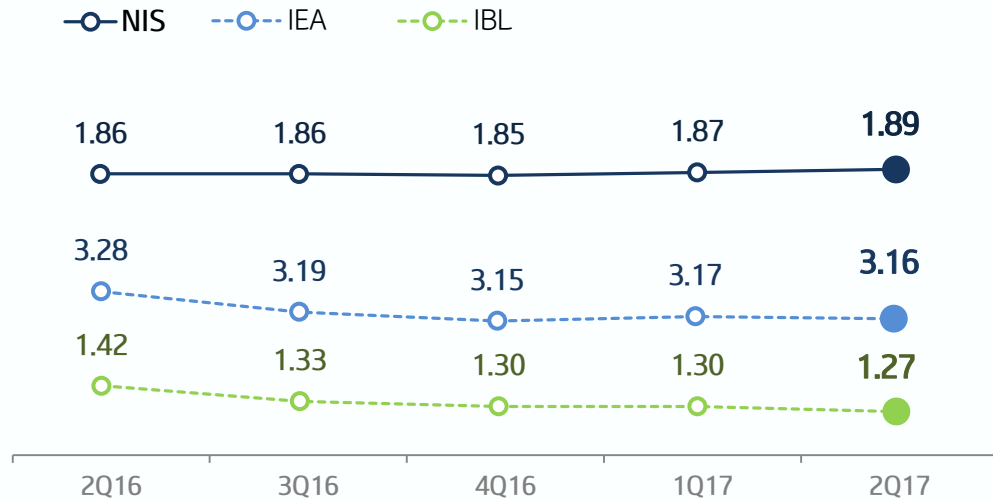
NIM(Quarterly)

(%)



NIS(Quarterly)

(%)



Interest Income

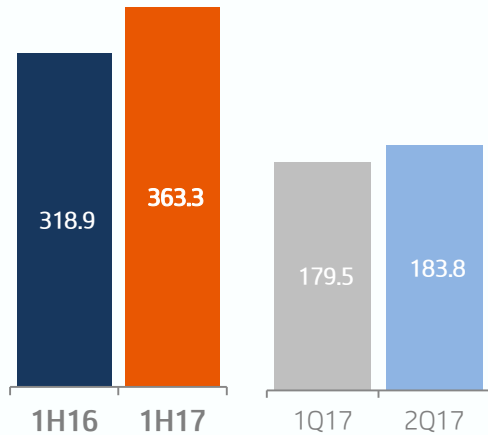
(KRW bn)	1H17	2Q	1Q	QoQ%	1H16	YoY%
Interest Revenue	3,628.2	1,837.8	1,790.4	2.6	3,631.5	-0.1
Loans	2,973.4	1,502.7	1,470.7	2.2	3,044.4	-2.3
Credit Card Rec.	260.5	134.5	126.0	6.7	233.0	11.8
(Credit Purchase)	233.3	120.9	112.4	7.6	212.9	9.6
Securities	268.8	136.4	132.4	3.0	305.2	-11.9
Others	125.5	64.2	61.4	4.6	49.0	156.1
Interest Expense	1,274.9	638.3	636.6	-0.3	1,388.1	-8.2
Deposits	344.1	172.8	171.3	0.9	372.5	-7.6
SMIF Bonds & etc	930.7	465.5	465.3	-	1,015.6	-8.4
Interest Income	2,353.4	1,199.5	1,153.8	4.0	2,243.4	4.9

Non-Interest Income & SG&A [Bank]

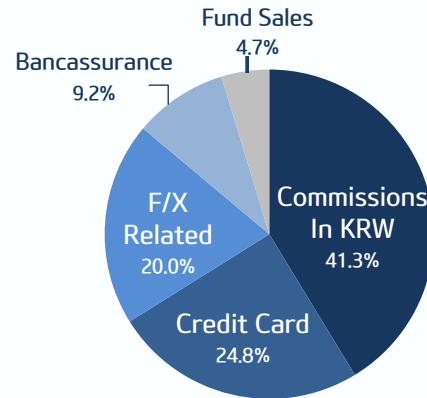


Fee Income

(KRW bn)



Fee Income Composition(1H17)



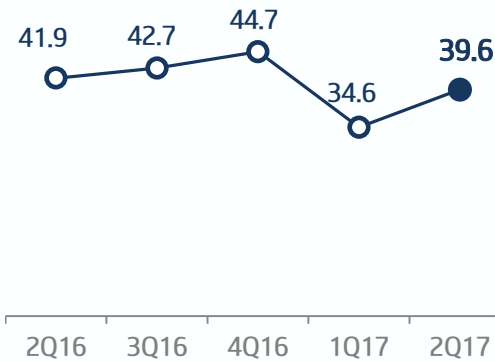
Non-Interest Income

(KRW bn)	1H17	2Q	1Q	QoQ%	1H16	YoY%
Fee Income	363.3	183.8	179.5	2.4	318.9	13.9
commissions in KRW	150.2	75.5	74.7	1.1	132.2	13.6
F/X-Related Fees	72.6	36.7	35.9	2.2	70.1	3.6
Bancassurance	33.4	16.5	16.9	-2.4	29.4	13.6
Credit Card	89.9	45.8	44.1	3.9	72.5	24.0
Fund Sales	17.2	9.3	7.9	17.7	14.7	17.0
Other Non-Int. Income	-166.3	-192.7	26.4	-	-234.4	-
Gain from Securities	144.0	17.6	126.4	-86.1	140.0	2.9
Gain/Loss on Disposal	-16.0	-45.8	29.8	-	-7.4	-
Others ¹⁾	-331.2	-183.0	-148.2	-	-397.5	-
Trust Income	36.9	18.5	18.4	0.5	30.5	21.0
Net Non-Int. Income	197.0	-8.9	205.9	-	84.5	133.1

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

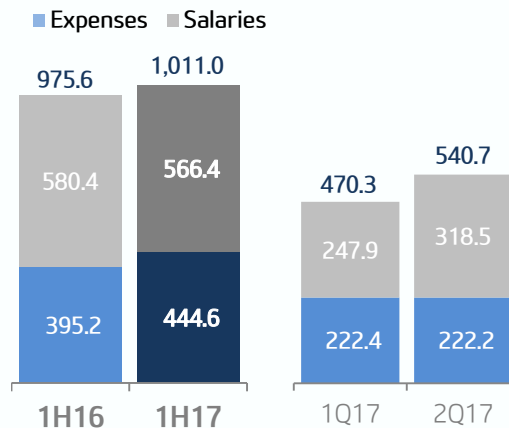
Cost to Income Ratio

(%)



SG&A Expenses Breakdown

(KRW bn)



SG&A Expenses

(KRW bn)	1H17	2Q	1Q	QoQ%	1H16	YoY%
SG&A Expenses	1,011.0	540.7	470.3	15.0	975.6	3.6
Salaries	566.4	318.5	247.9	28.5	580.4	-2.4
Admin. Expenses	444.6	222.2	222.4	-0.1	395.2	12.5
Non-Op. Income	-10.1	-7.2	-2.9	-	32.3	-
Non-Op. Revenue	15.3	6.0	9.3	-35.5	72.1	-78.8
Non-Op. Expense	25.4	13.2	12.2	8.2	39.8	-36.2



04 Loan-Deposit

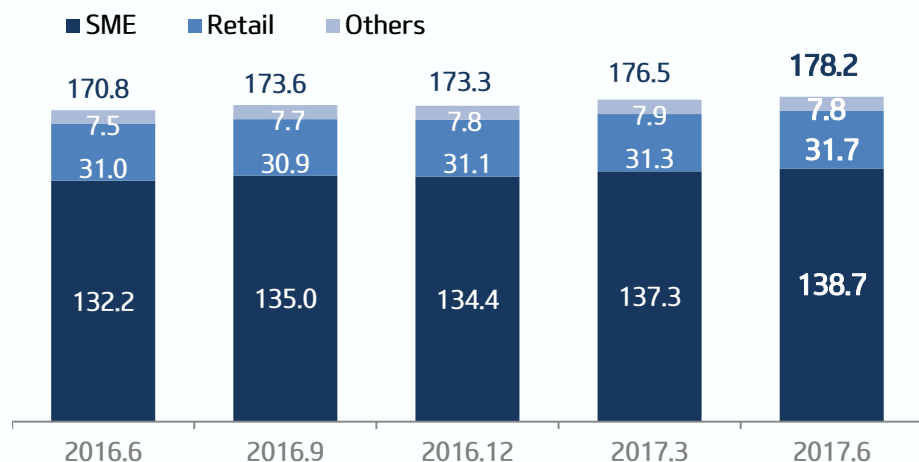
- 01 Total Loan[Bank]
- 02 SME Loan[Bank]
- 03 Total Deposit[Bank]

Loan Portfolio [Bank]



Total Loan

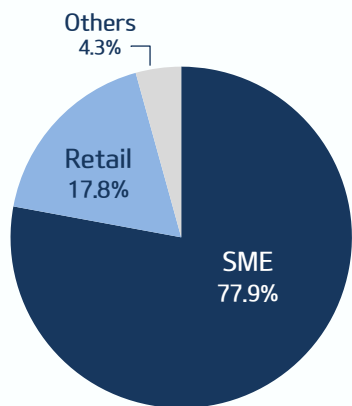
(KRW tr)



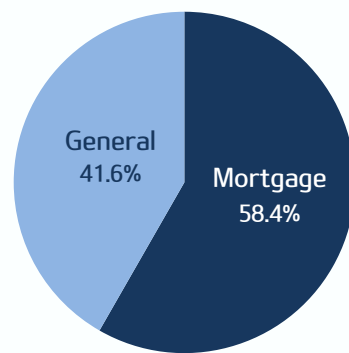
Total Loan

(KRW bn)	2017.6	2017.3	QoQ%	2016.12	YTD%
SME	138,713	137,260	1.1	134,373	3.2
Working Capital	78,368	78,328	0.1	76,807	2.0
CAPEX	60,345	58,932	2.4	57,566	4.8
Retail	31,655	31,303	1.1	31,051	1.9
Mortgage	18,488 ¹⁾	18,394	0.5	18,110	2.1
General	13,167 ²⁾	12,909	2.0	12,941	1.7
Others	7,791	7,894	-1.3	7,823	-0.4
Total	178,159	176,457	1.0	173,247	2.8

Loan Composition (1H17)



Retail Loan Composition (1H17)



▪ SME Loans (including Loans in FCY)

▪ Including Credit Card Loans (270.6bn)

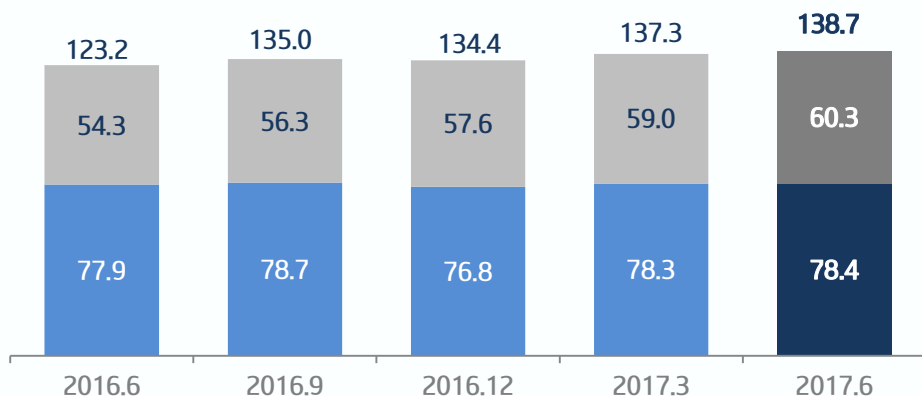
1) Untransferred Balance included (U-KHFC Loan: 139.4bn, Conforming Loan: 500.9bn)

2) 270.6bn of Credit Card Loans included

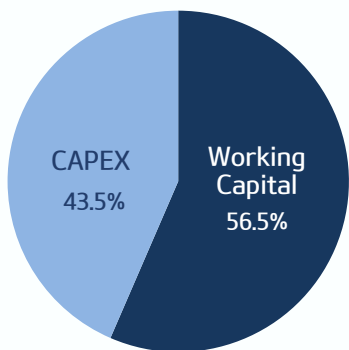
SME Loan

(KRW tr)

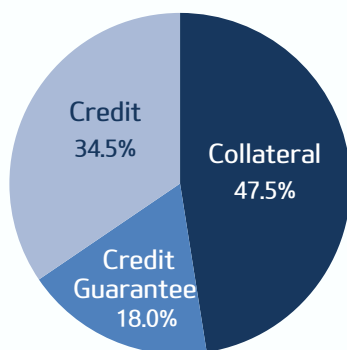
■ Working Capital ■ CAPEX



SME Loan by Purpose (1H17)



SME Loan by Collateral (1H17)



▪ SME Loans (including Loans in FCY)

▪ SME Loans (including Loans in FCY)

SME Loan by Industry

(KRW bn)	2017.6				2016.12	
	Amt.	(%)	Change	(%p)	Amt.	(%)
Manufacturing	84,512	60.9	2,026	-0.5	82,486	61.4
Wholesale & Retail	20,578	14.9	224	-0.2	20,354	15.1
Real Estate Lease & Rental	12,964	9.3	1,016	0.4	11,948	8.9
Construction	4,827	3.5	361	0.2	4,466	3.3
Lodging & Dining	1,471	1.0	55	-0.1	1,416	1.1
Others	14,361	10.4	658	-0.2	13,703	10.2
Total	138,713	100.0	4,340	-	134,373	100.0

▪ SME Loans (including Loans in FCY)

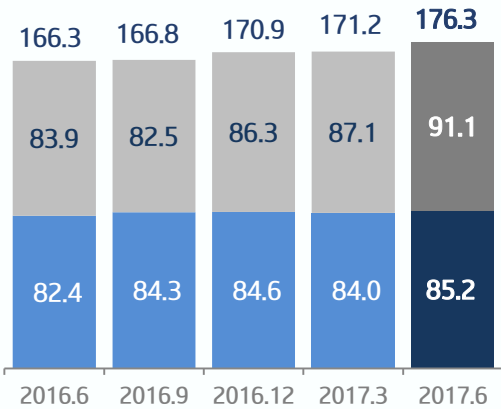
Total Deposit [Bank]



Total Deposit

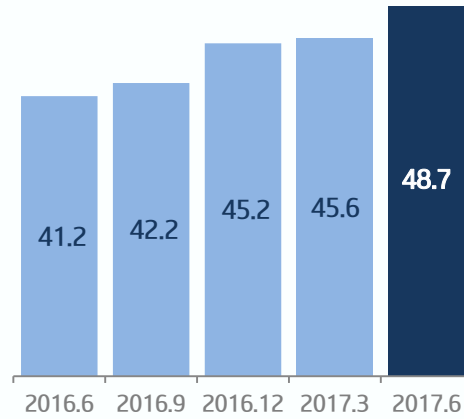
(KRW tr)

■ SMIF ■ Deposit(Total Deposit-SMIF)



Core Deposit

(KRW tr)

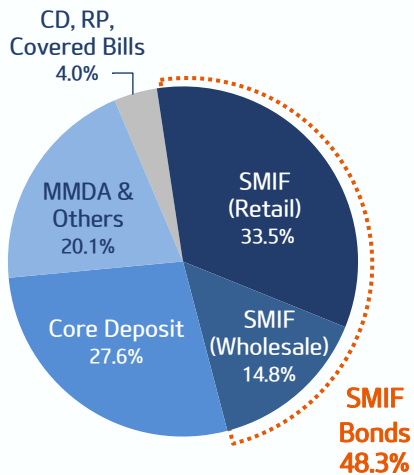


Total Deposit

(KRW bn)	2017.6	2017.3	QoQ%	2016.12	YTD%
Deposit	84,105	80,217	4.8	78,239	7.5
Core Deposit ¹⁾	48,653	45,627	6.6	45,211	7.6
MMDA	10,130	10,154	-0.2	9,923	2.1
Others	25,322	24,436	3.6	23,105	9.6
CD, Covered Bill, RP	7,028	6,907	1.8	8,046	-12.7
SMIF Bond	85,168	84,029	1.4	84,633	0.6
(Retail-funded)	59,032	56,158	5.1	53,369	10.6
(Wholesale-funded)	26,136	27,871	-6.2	31,264	-16.4
Sub Total	176,300	171,153	3.0	170,917	3.1
Trust ²⁾	17,887	17,992	-0.6	16,253	10.1
Total Deposit	194,187	189,145	2.7	182,676	6.3

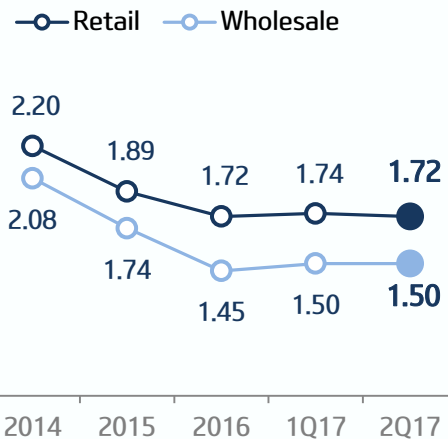
Deposit Composition(1H17)

(%)



SMIF Bond Yields

(%)



- Based on SMIF Bond with 1 year maturity
- 4Q's Average Yields used for 2013~2016

- Monthly average B/S balance

1) Core Deposit: Corp. Free Savings + Savings Deposit + Demand Deposit (excluding MMDA)

2) Money Trust (excluding fund sales)



05 Asset Quality

- 01 Asset Quality[Bank]
- 02 Delinquency[Bank]
- 03 Provisions for
Credit Loss[Bank]

Substandard & Below

(%)



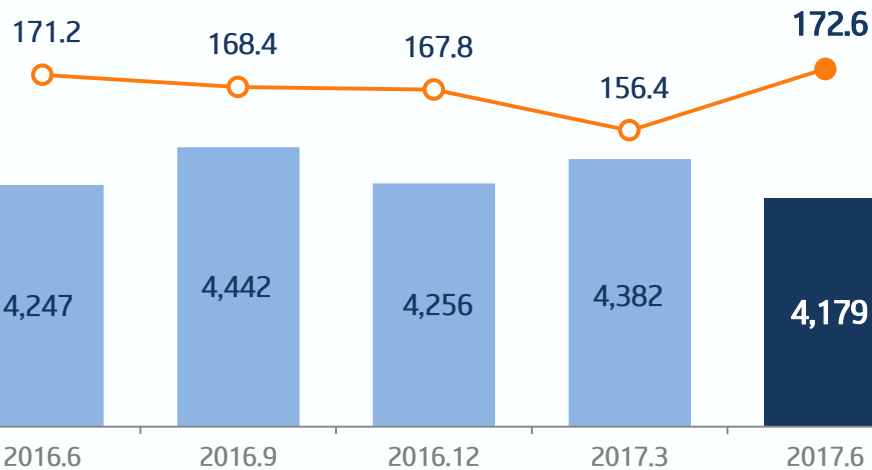
Substandard & Below

(KRW bn)	2017.6	2017.3	QoQ%	2016.12	YTD%
Total Loan¹⁾	191,408	189,234	1.1	186,456	2.7
Normal	186,449	183,835	1.4	181,376	2.8
Precautionary	2,539	2,597	-2.2	2,543	-0.2
Sub. & Below	2,421	2,802	-13.6	2,537	-4.6
Substandard	1,865	2,125	-12.2	1,738	7.3
Doubtful	226	121	86.8	236	-4.2
Est. Loss	329	556	-40.8	562	-41.5
Sub. & Below Ratio	1.26%	1.48%	-0.22%p	1.36%	-0.10%p
Loan Loss Reserves ²⁾	4,179	4,382	4.6	4,256	-1.8
Coverage Ratio	172.6%³⁾	156.4%	16.2%p	167.8%	4.8%p
Write-offs (Quarterly)	462.1	291.8	58.4	380.2	21.5

LLR - Coverage Ratio

(%, KRW bn)

■ LLR ○ Coverage Ratio



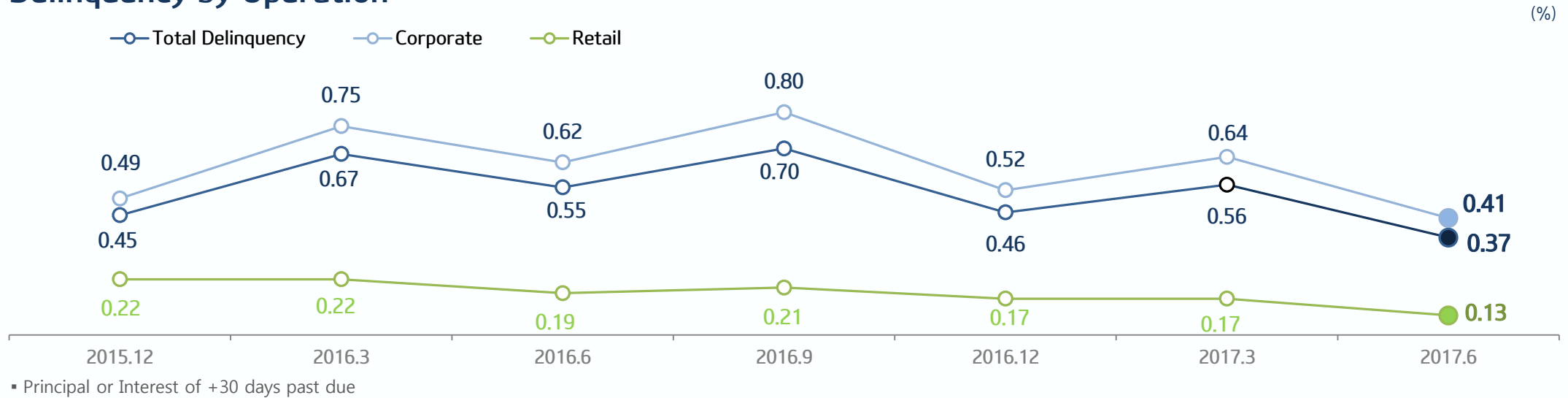
1) Total Credit

2) KRW 2,363.6bn of Reserve for Credit Loss included

3) Excluding reserve for credit loss in accordance with the revision of Banking Supervision Regulations(2016.12) is 87.0%

Delinquency [Bank]

Delinquency by Operation



Delinquency by Industry

(%)	2015.12	2016.3	2016.6	2016.9	2016.12	2017.3	2017.6
Manufacturing	0.43	0.73	0.63	0.81	0.53	0.70	0.44
Construction	0.83	0.97	0.64	0.94	1.03	1.05	0.36
Real Estate Lease & Rental	0.19	0.25	0.40	0.55	0.46	0.45	0.26
Wholesale & Retail	0.39	0.63	0.45	0.78	0.46	0.58	0.34
Lodging & Dining	0.76	0.92	0.75	0.67	0.50	0.22	0.15
Others	0.56	0.74	0.60	0.65	0.42	0.40	0.38

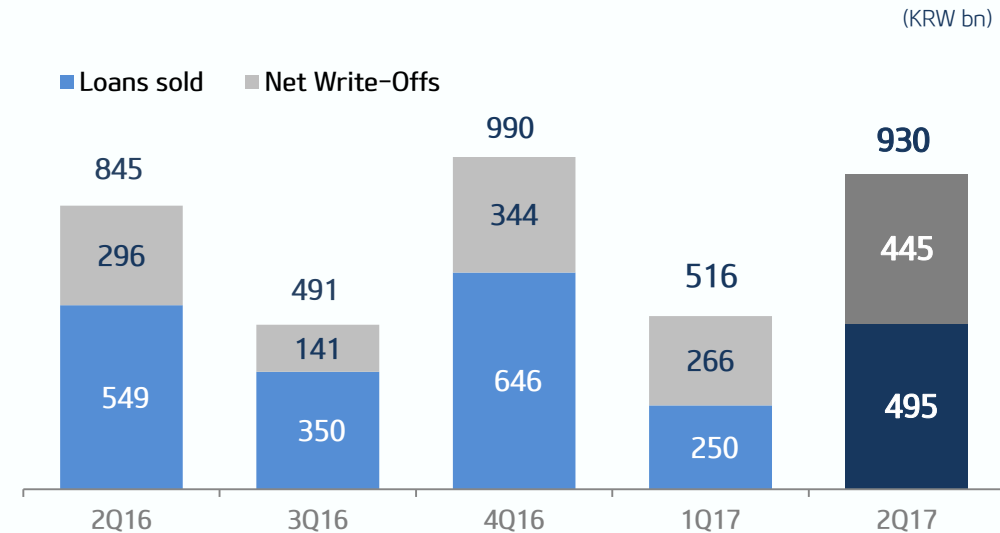
▪ Principal or Interest of +30 days past due

Provisions for Credit Loss [Bank]

Credit Cost



Write-offs & NPL Sales



Provisions for Credit Loss

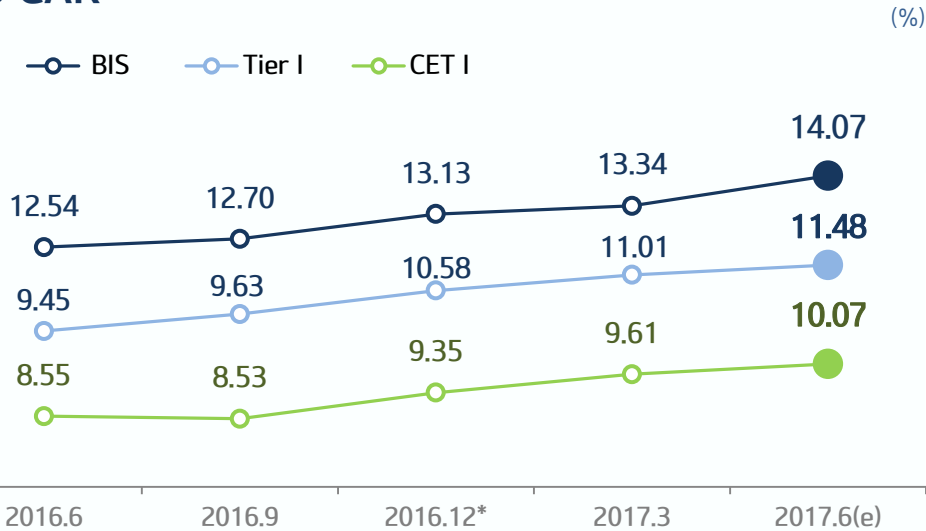
(KRW bn)	2Q17	1Q17	4Q16	3Q16	2Q16
Corporate	225.6	312.6	197.3	259.4	246.8
Provisions	237.6	318.2	197.8	263.3	247.6
Unused Credit Line	-12.0	-5.6	-0.5	-3.9	-0.8
Retail	8.3	7.7	9.0	8.0	-2.5
Provisions	8.3	7.7	9.0	8.0	-2.5
Unused Credit Line	0.0	0.0	0.0	0.0	0.0
Credit Card	16.7	23.0	22.3	22.3	16.9
Provisions	17.1	22.4	22.2	21.9	17.7
Unused Credit Line	-0.4	0.6	0.1	0.4	-0.8
Sub Total	250.6	343.3	228.6	289.7	261.2



06 Capital Adequacy

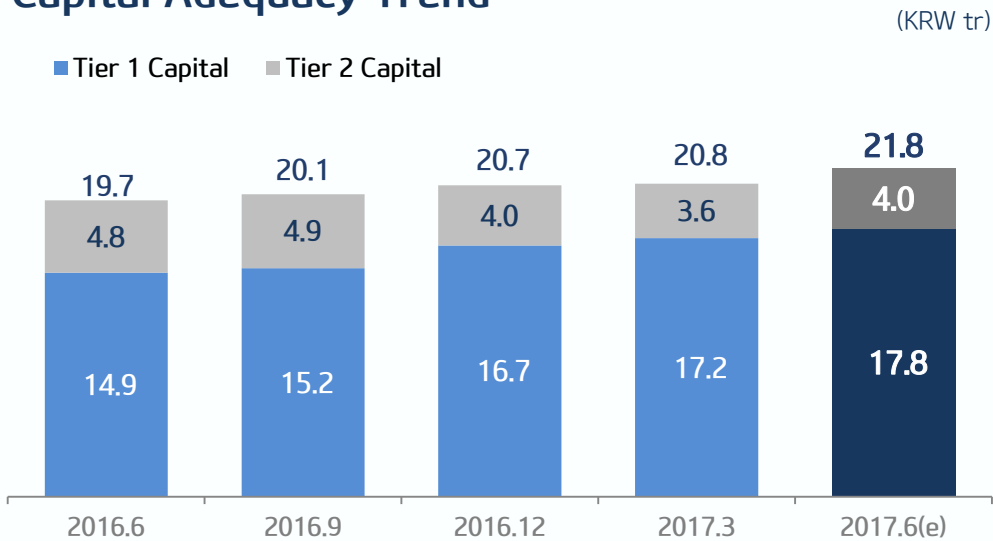
Capital Adequacy [Consolidated]

BIS CAR



*Reserve for Credit Loss is recognized as CET1 in accordance with the revision of Banking Supervision Regulations(2016.12.20) by FSC.

Capital Adequacy Trend



Capital Adequacy & BIS CAR

(KRW bn,%)	2017.6(e)	2017.3	2016.12
Tier I	17,814	17,179	16,652
Common Equity Tier I	15,627	14,995	14,710
Common Shares Issued	2,800	2,800	2,800
Stock Surplus	559	555	554
Retained Earnings	12,410	12,084	11,672
Accum. Other Comprehensive Income	778	591	651
Additional Tier I	2,187	2,184	1,941
Tier II	4,026	3,634	4,017
Subordinated Bonds	3,914	3,514	3,897
Provision in excess of Exp. Loss	0	0	0
LLR	105	113	113
Total	21,840	20,813	20,668
Risk-weighted Assets	155,228	155,968	157,372
BIS Ratio	14.07	13.34	13.13
Tier I	11.48	11.01	10.58
CET I ¹⁾	10.07	9.61	9.35
Tier II	2.59	2.33	2.55

1) Common Equity Tier I



07 Appendix

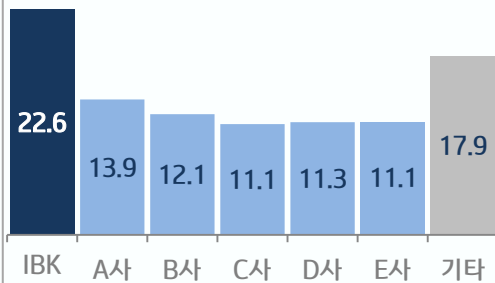
- 01 SME Loan Details
- 02 SMIF Bond Details

SME Loan & SMIF Bond Details

SME

Market Share by Banks (%)

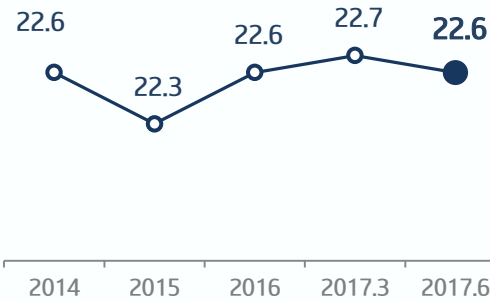
(%)



- BOK reported standard
- 2Q17 SME Loans balance by banks

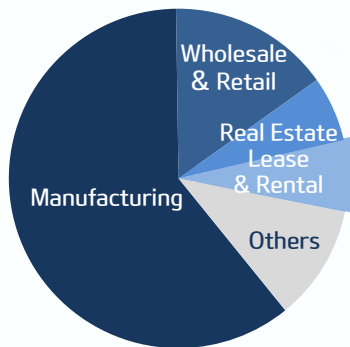
IBK M/S Trend (%)

(%)

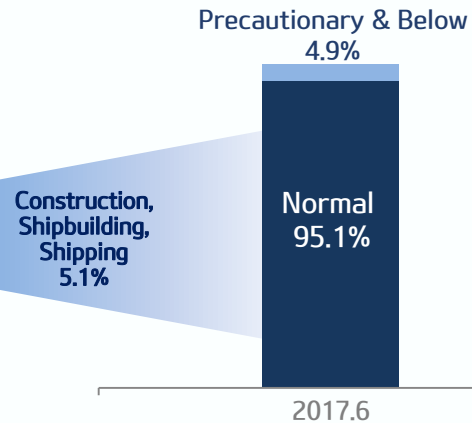


- BOK reported standard

Construction, Shipbuilding, Shipping



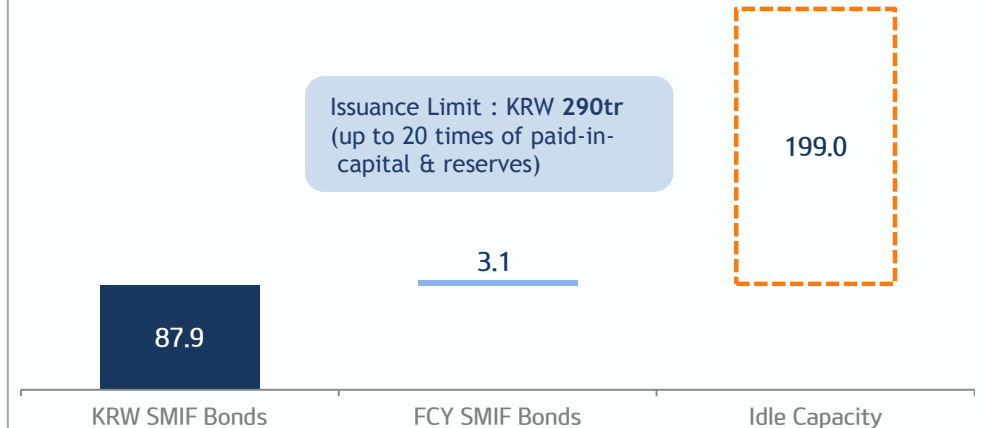
Asset Quality Breakdown



SMIF Bond

SMIF Bond Balance & Issuance Limit (KRW tr)

(KRW tr)



- Outstanding balance (KRW)

SMIF Bonds by Maturity

(KRW tr)	~3mon.	~6mon.	~1yrs	~2yrs	2yrs~	Total
Balance	16.0	15.1	36.7	8.6	9.8	86.2
%	18.6%	17.5%	42.6%	10.0%	11.3%	100.0%

- B/S balance (KRW)