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Press Release

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Preliminary Bank Net Income for 2006

Preliminary figures show domestic banks' net income for 2006 will come to KRW13.49 trillion, compared with KRW13.63 trillion for 2005. Interest income rose KRW1.51 trillion on sharply increased lending, but the overall net earnings were held back by a KRW1.73 trillion jump in income tax expenses (partly from a drop in losses carried forward) for 2006. Operating and nonoperating income for the year totaled KRW13.26 trillion and KRW4.12 trillion, respectively.

Loans outstanding at end-2006 totaled KRW873.8 trillion, up KRW122.4 trillion from end-2005 total of KRW751.4 trillion. Despite continued improvement in asset soundness, loan loss provisions fell only slightly in 2006—from KRW5.1 trillion to KRW5.0 trillion—due to more stringent provisioning requirements.

ROA for 2006 fell to 1.12% from 1.27% a year earlier on reduced net interest margin. Gross profit ratio, a key measure of profitability, came to 2.82%, down slightly from 2.98% a year earlier.

Key Profitability Measures of Domestic Banks: 2006

	ROA	Gross Profit Ratio	Net Interest Margin	Non-Interest Profit Ratio	Net Profit Ratio
2005	1.27	2.98	2.81	0.38	42.5
2006	1.12	2.82	2.64	0.37	39.8

Attached: Preliminary Summary Bank Income Statement, 2006



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Preliminary Summary Bank Income Statement:
January-December, 2006

(In billions of won)

	2005	2006	Change	Percent Change
Interest income	27,964.1	29,473.4	1,509.2	5.4
<i>Gross interest income</i>	56,109.5	65,224.6	9,115.2	16.2
<i>Interest expense</i>	28,145.3	35,751.3	7,605.9	27.0
Non-interest income	4,130.8	4,468.1	337.3	8.2
<i>Service fees</i>	3,445.6	3,929.6	484.0	14.0
<i>Investment securities</i>	380.2	513.5	133.3	35.1
<i>FX/Derivatives</i>	1,318.2	1,523.3	205.1	15.6
Total income	32,095.0	33,941.5	1,846.5	5.8
Selling/Administrative expenses	14,569.5	15,729.7	1,160.2	8.0
Operating income before loan loss provisions	17,525.5	18,211.7	686.3	3.9
Provisions for loan losses	5,091.9	4,955.7	-136.2	-2.7
Operating income	12,433.6	13,256.1	822.5	6.6
Nonoperating income	3,414.6	4,182.1	767.5	22.5
<i>Securities-related</i>	3,926.4	4,903.3	976.8	24.9
<i>Others</i>	-511.8	-721.2	-209.4	40.9
Pretax income	15,848.2	17,438.1	1,590.0	10.0
Corporate income taxes	2,213.9	3,943.4	1,729.5	78.1
Net income	13,634.3	13,494.8	-139.4	-1.0
Income before provisioning	20,940.1	22,393.8	1,453.7	6.9

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