



Achieving Sustainability

Sustainability Report 2006

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ABOUT THIS REPORT

This is the first Sustainability Report issued by the Industrial Bank of Korea (IBK). Corporate sustainability management practices at IBK are geared toward the bank's continuous growth and development under the goal of creating value for society and environment through financial products and services. Through this report, IBK seeks to communicate our corporate sustainability management activities and performance to all stakeholders and share their opinions. Moving forward, we plan to publish a Sustainability Report once a year as a way of keeping our communication channel open with our stakeholders.

Scope of Report All activities of IBK's head office and branches in Korea.

Report Period Based on data collected between January and December of 2006, with the exception of some information which is only for the first nine months of 2006.

Report Standard Based on GRI G3 Guidelines and GRI Financial Services Supplement.

Publication Cycle Plans to be published every year

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Achieving Sustainable Growth

IBK pursues sustainable growth based on sound corporate governance and transparent management guided by our vision and shared values. We are committed to enhancing corporate value through constant innovation and rigorous risk management.

SMEs. Win-win Activities for Mutual Prosperity of IBK and SMEs

As a bank specializing in financing for small- and mid-sized enterprises (SMEs), IBK has fostered the development of SMEs that boast outstanding technology and strong growth potential. IBK will continue to support and promote SMEs, which play an important role in advancing the Korean economy.

Achieving Sustainable Finance

IBK is the first bank in Korea to introduce the term "sustainable finance" through the Sustainability Report. Sustainable finance refers to financial activities that embrace not only profitability but also social responsibility. IBK will focus on research and product development aimed at furthering sustainable finance with our stakeholders.

Achieving Sustainable Balance

IBK recognizes the importance of building a healthy and trust-based relationship with the various stakeholders. We will continue to address and improve problem areas through balanced and open communication.

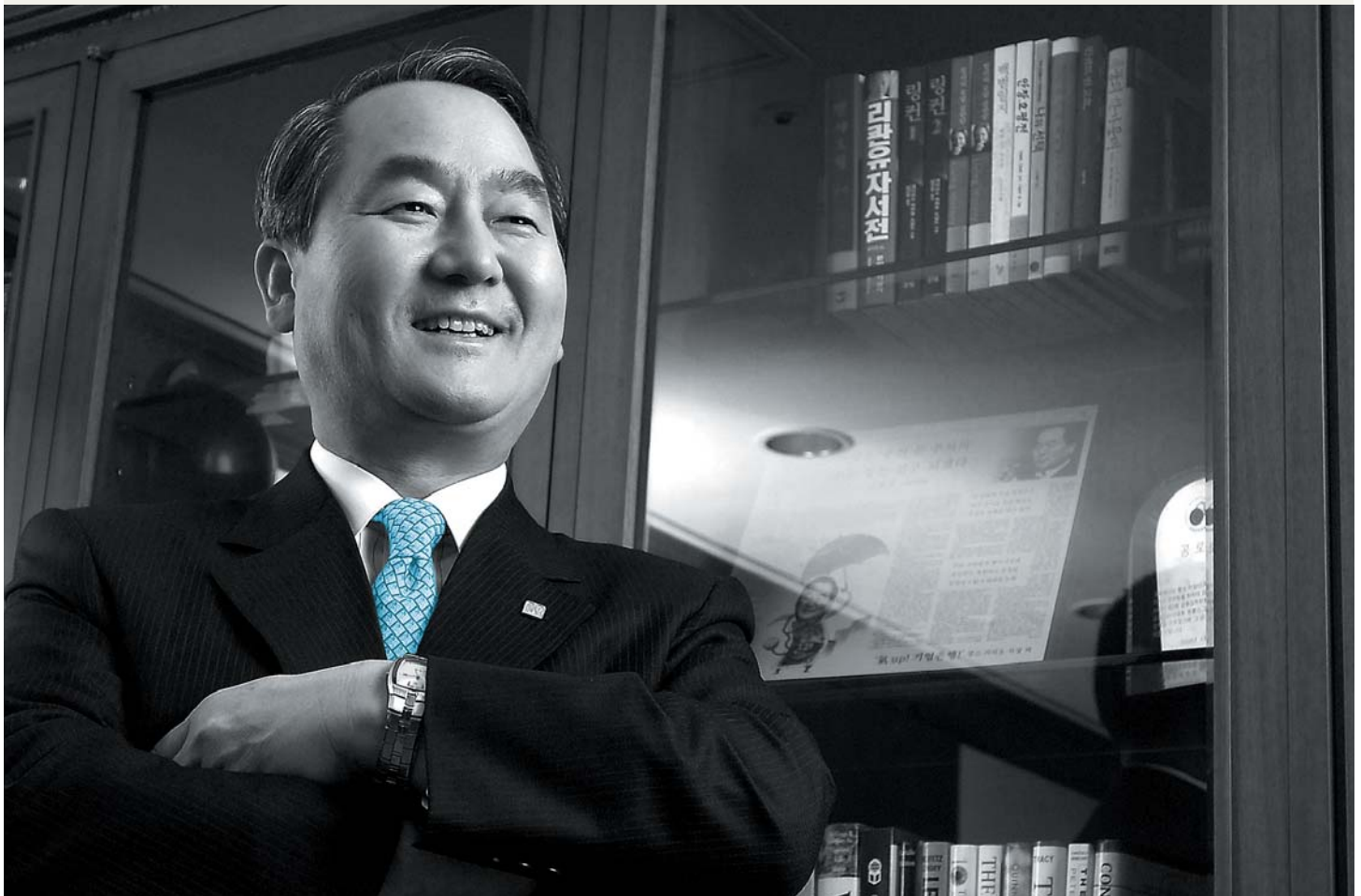
CEO Message

IBK's doors are always open to our stakeholders. We embrace and incorporate the opinions of our stakeholders in how we carry out our business. We will faithfully fulfill our role as a leading bank through corporate sustainability management practices to grow hand in hand with our neighbors and society.

With a management philosophy rooted in the concept of placing customers first and ensuring their success, IBK has been upholding its commitment to its founding purpose of advancing small and mid-size enterprises (SMEs). To adapt to the expanding needs of customers, we have set up subsidiaries and diversified into areas such as asset management, installment financing, and credit information service. We also have forged strategic alliances with institutions such as the Korean post office and Korea Investment & Securities to better accommodate our customers' needs.

Our assets reached the KRW100 trillion milestone in 2006, making IBK the only domestic bank to grow to that scale without mergers and acquisitions (M&A). Expansion and business portfolio diversification will serve as the foundation for IBK to develop into a comprehensive financial group. IBK will do its best to adapt to the ever-changing business and competitive environment to emerge as one of the global top 50 financial groups by 2010.

IBK is fully committed to sharing the fruit of success with our stakeholders. We established the IBK Welfare Foundation to provide assistance with medical bills and scholarships for children of SME employees. We plan to grow the foundation so that we can reach out to a greater number of SME workers and their families. Programs that benefit our communities are a vital component of our corporate sustainability management activities, which we believe holds the key to growing into a bank that commands respect.





【 Integrating Business Activities and Corporate Sustainability Management 】

IBK has continued to pursue innovation to become a “winners bank.” Towards that end, we have been increasing transparency, strengthening risk management, practicing ethical management, and proactively responding to changes in the business environment. IBK has mapped out a corporate sustainability management strategy and detailed execution plans which are crucial to building a new future and becoming a respected bank. Corporate sustainability management is becoming a core part of operations at IBK.

【 Fulfilling Social Responsibility and Creating New Opportunity through Financial Activities 】

In many developed economies, there is already a strong link between a financial institution and its social responsibility. Many banks in advanced nations fulfill their social responsibilities through financial activities. Sustainable finance, which refers to socially responsible financial activities, has sufficient merit to take root as a core value at IBK in that it will allow us to generate profits while fulfilling our duty to society.

We are already implementing sustainable finance practices. We are helping to preserve the environment with products such as the Green Environment Trust. A portion of income generated through this trust product goes toward the One Company, One Mountain Preservation campaign, which is aimed at protecting our forests. We have also developed an SRI (Socially Responsible Investment) fund. The fund mainly invests in companies with sustainable growth potential based on a company’s environmental and social performance and corporate governance. We continue to promote sustainable finance to create benefits for IBK, our customers and community.

The competitive environment should become even fiercer in the wake of the Capital Market Integration Act and the Korea-US FTA. As part of efforts to meet the forthcoming challenges, IBK will develop revolutionary products that further sustainable financial ahead of the competition. In doing so, we will not only ensure our continued success but also meet our obligations to the wider community.

【 Forging a Balanced Relationship with Stakeholders 】

With a view to enhancing future value, IBK strives to satisfy the needs of our various stakeholders and maintain their trust. We return wealth to our shareholders through high dividends, serve our communities with our spirit of sharing, and create value for our customers with high quality products and services. We promote mutual growth with our suppliers and inspire pride in our employees.

IBK will continue to keep an open mind and humble attitude regarding opinions from our stakeholders, which encompass customers, shareholders, employees, suppliers, citizens groups and the government. We will do our best to fulfill our role as a leading bank and contribute to the advancement of our neighbors by pursuing corporate sustainability management.

Chairman and CEO Kwon-Seok Kang

Overseas Network



Corporate Profile

IBK’s primary mission has always been a concentrated one as Korea’s sole bank focused on small and medium size enterprises (SMEs). To realize our Vision IBK2010, we plan to emerge from a ‘small but strong’ bank into a leading financial institution that can represent Korea.

IBK was established to help SMEs carry out economic activities independently and efficiently, and improve their position in the economy. Based on this founding philosophy, IBK strives to serve and fulfill our role as SMEs’ “corporate doctor.”

To achieve Vision IBK2010, we will expand support for SMEs through competitive products, further cement our position as the leader in SME banking, and pursue balanced growth between corporate and consumer financing.

Corporate Profile		As of December 2006	
Bank Name	Industrial Bank of Korea (IBK)	Number of Employees	8,949
CEO	Kwon-Seok Kang	IBK Network	466 branches (including 9 overseas)
Date of Establishment	August 1, 1961	Capital	KRW2,291.4 billion
Head Office	50 Uijiro 2-ga, Jung-gu, Seoul, Korea	Total Assets	KRW106,114.2 billion
		Net Profit	KRW1,053.3 billion



Tokyo branch

Akasaka Twin Tower Main Building
9th FL., 17-22, Akasaka 2-chome
Minato-ku, Tokyo, 107-0052, Japan

Hong Kong branch

Suite 3113, 31/F, Two Pacific Place,
88 Queensway, Hong Kong


NEW YORK

New York branch

1250 Broadway 37th FL.
New York NY 10001 U.S.A

Subsidiaries

(Unit: KRW billion, %)

Name	Main Business	Establishment	Assets	Ownership (%)
IBK Capital Corp.	Investment Loans, Installment Financing, Factoring, Leasing	Nov. 1, 1986	65.5	99.3
IBK Tech Co.	Electronic Finance	Mar. 22, 1991	3.1	55.6
IBK-SG Asset Management Co.	Asset Management	Oct. 26, 2004	20	50.0
IBK Credit Information Co.	Debt Collection and Credit Information Research	Jan. 18, 2000	3	100.0

New CI

With our assets surpassing the KRW100 trillion milestone, IBK introduced a new CI that embodies our new philosophy and vision and promotes a unified bank image and identity. The new CI symbolizes our commitment to foster a dynamic organizational culture and become a bank trusted by our customers and loved by our citizens.



Meaning of IBK's new CI

Like a big bird spreading its wings to soar into the sky, IBK's new CI symbolizes our promise to reach out to a bright future with our customers. The blue sky and cloud have been preserved from our old logo and represent "success, hope, future."

New concept of the "I" in IBK

We have added a new meaning to the "I" in IBK (Industrial Bank of Korea). If our concept of the customer was more towards the third person in the past, the "I" now represents the reference to the first person, "I." As "I" comes before anything else, this represents IBK's commitment to place our customers first.

History



1960s ~ 1970s

- Aug. 1961** IBK established with paid-in capital of KRW 200 million
- Sept. 1965** Started foreign currency operations
- Apr. 1967** Started SME credit guarantee operations

1980s

- Dec. 1980** Capital increase (from KRW100 billion to KRW300 billion)
- Sept. 1982** Issued SME bonds
- Nov. 1986** Established Korea Industrial Development Finance
- Dec. 1987** Moved to current headquarters
- Apr. 1988** Launched trust business

1990s

- Nov. 1990** Opened New York branch (IBK's first overseas branch)
- Feb. 1991** Opened Tokyo branch
- Mar.** Established IBK Tech
- Jul. 1992** Established IBK Factoring
- Sept. 1993** Increased capital through public offering (to KRW307.7 billion)
- Nov.** Opened Hong Kong branch
- Dec. 1994** Increased capital (to KRW507.7 billion)
- Aug. 1997** Revision of the Industrial Bank of Korea Act and the Framework Act on the Management of Government-Invested Institutions
- Oct.** Opened Tianjin branch
- Nov.** Converted from a government-invested institution to a government-financed institution
- Sept. 1998** Capital reduction for government's payment in kind
- Oct.** Government invested KRW1.7 trillion
- Jan. 1999** Government invested KRW100 billion in cash
- Apr.** IBK Capital Corp. established



2000s

Jan. 2000	Invested KRW500 billion in Daehan Investment Trust	Feb. 2006	Received the First 2006 Frontier Management Award
Jan.	Invested KRW100 billion in Daehan Investment Trust	Feb.	Received the First Korea CEO Grand Prix Prize
Jun.	Invested KRW200 billion in Korea Export-Import Bank	Mar.	Received the Special Award in the 11 th Mael Business Financial Product Category
Jun.	Invested KRW166.7 billion in Korea Export-Import Bank	Apr.	Received grand prize at 4 th Korea Service Satisfaction Awards
Dec.	Sold entire stake in Daehan Investment Trust	May	Received ISO27001 certification
Aug. 2001	Organizational restructuring (adoption of business divisions)	May	Opened automated remote backup center at head office
Jul. 2002	Set up risk management department	Jun.	Designated as "Hit Product" in 2006 (for "Korea Strength Account")
Sept.	Changed the name of IBK Credit Information	Jul.	Became first domestic bank to join ISDA (International Swap and Derivative Association)
Jul. 2003	Opened Qingdao branch in China	Aug.	Received ISO20000 certification
Dec.	Listed GDR on Luxembourg Stock Exchange	Sept.	Selected as best bank for Internet banking service
Dec.	Transferred listing from KOSDAQ to KSE	Oct.	Received Excellent Service Quality certification in telemarketing
Sept. 2004	Launched Next Generation System	Nov.	Next Generation System received Minister of Commerce, Industry and Energy Award at 2006 Standardization Awards
Oct.	Established IBK-SG Asset Management Co.	Nov.	Received grand prize at 14 th Korea Customer Satisfaction Management Awards
Dec.	Launched the IBK shooting squad	Dec.	Selected as best bank for Internet banking service
Mar. 2005	Entered strategic partnership with Korea Investment Holding Co.	Dec.	IBK's homepage received Technological Innovation Grand Prize at 2006 Web Awards
May	Launched Win Class, a private banking brand		



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12	Corporate Sustainability Management	21	Management Innovation
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ACHIEVING SUSTAINABLE GROWTH

IBK pursues sustainable growth based on sound corporate governance and transparent management, guided by our corporate vision and shared values. We continuously seek to enhance future value through innovation and prudent risk management.

Vision & Strategy

IBK has crafted our management objectives and strategy to realize our vision of joining the global top 50 financial groups by the year 2010.



Management Philosophy



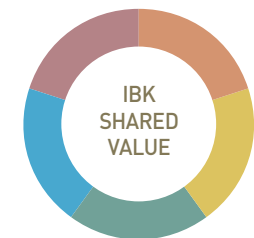
【 Management Philosophy 】

IBK is striving to achieve our goals through our management philosophy, which is based on three basic principles: “place customers first”, “develop an innovative and creative culture,” and “fulfill our social responsibility.”

To pursue long-term development that gives balanced consideration to profitability and public interest, we have adopted a management philosophy in which the emphasis is on placing our customers first, developing an innovative and creative culture, and fulfilling our social responsibility. These principles serve as practical guidelines in how we carry out our business activities.

By developing an innovative and creative culture, we hope to provide our customers with new and more valuable services. That is aligned with our pursuit of customer satisfaction and our principle of placing our customers first. We also endeavor to fulfill our social responsibility by practicing good corporate citizenship which not only includes the public service function of a bank but also promoting the public good.

Employee Mindset and Shared Values

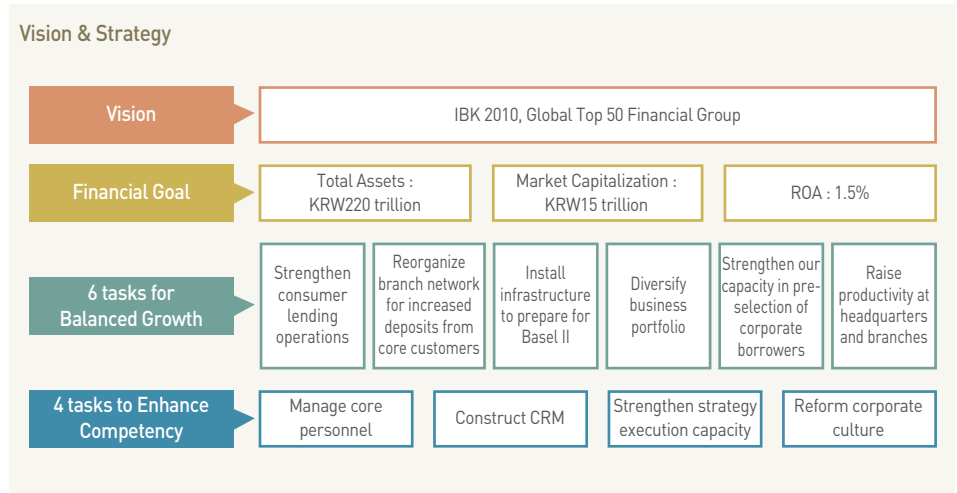


- Speed
- Empowerment
- Excellence
- Driven by Innovation
- Performance Focus

【 Shared Values 】

We aim to provide comprehensive financial services to our SME and individual customers through an efficient system incorporating digital advances and an extensive network with outside organizations. Five shared values guide us as we move towards that goal.

IBK puts its best effort to provide customers with optimal service and quality by simplifying the related processes. Our five shared values are Speed, Empowerment, Excellence, Driven by Innovation, and Performance Focus. Our entire workforce has embraced and practices these values. The energy and talent of everyone at IBK are being pooled together to create innovative financial products, raise work efficiency and boost performance.



【 Vision & Strategy 】

Changes are constantly taking place in both the domestic and international markets. To sharpen our edge and survive in the fiercely competitive financial marketplace, IBK has designated “IBK 2010, Global Top 50 Financial Group” as our future vision and adopted our strategy accordingly.

Consolidation is proceeding in the domestic financial industry and financial institutions have been diversifying their business scope, giving rise to financial groups offering comprehensive services. Our new vision of “IBK 2010, Global Top 50 Financial Group” was created in response to prevailing trends in the financial sector. IBK is trying to differentiate itself not only in terms of products and services, but also organizational culture and business strategy. Along with efforts to maintain financial soundness and improve our earning structure, we are strengthening our core competence and moving towards an innovative corporate culture to become a leading global financial group.

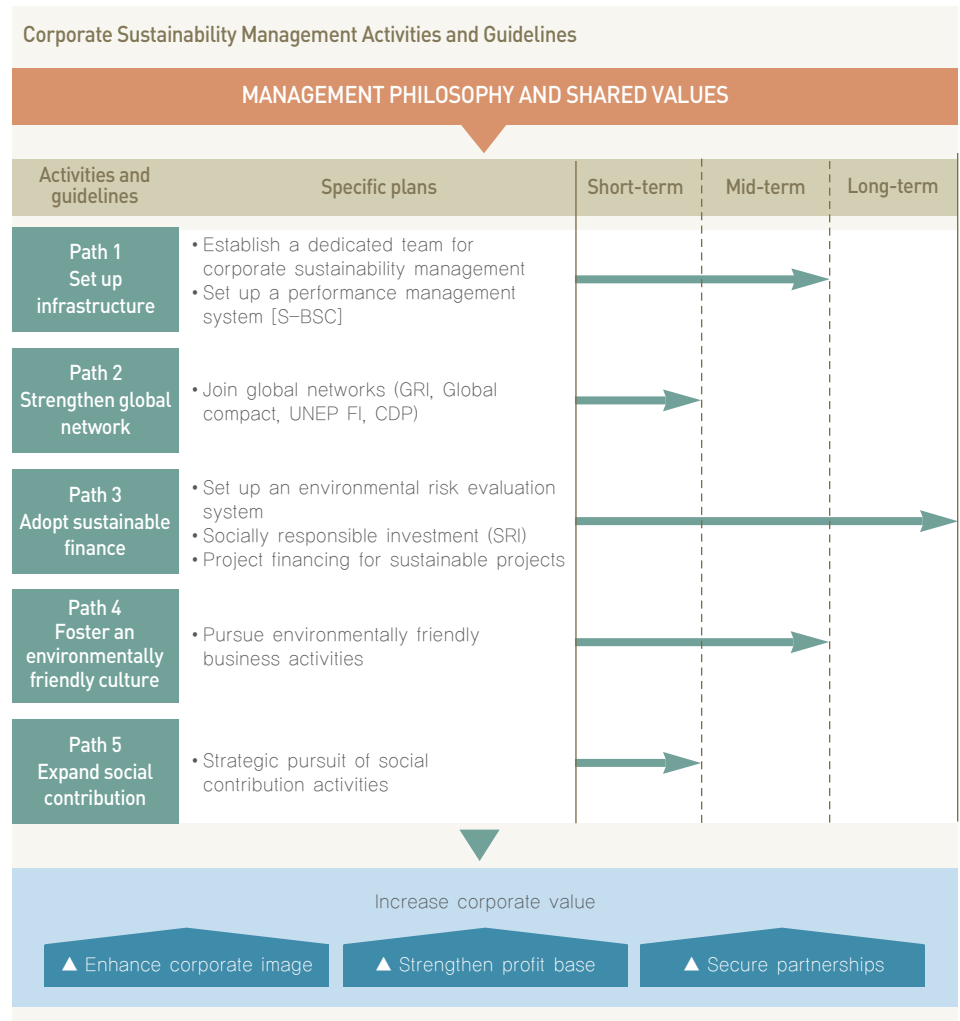
◎ Integration of Business Strategy and corporate sustainability management

Our business strategy and corporate sustainability management have a common goal, i.e., creating future value. IBK believes management for sustainability is an essential part of any strategy to secure global leadership.

IBK plans to integrate corporate sustainability management with our existing strategy. We have introduced a performance management system to ensure that the entire workforce works together to execute our strategy and achieve our goals. The system extends not only to financial achievements, but also to non-financial dimensions such as customer, internal process, human resources, and management infrastructure. With this system as the foundation, we will incorporate a PDCA (Plan, Do, Check, Action) cycle centered on our customers and other stakeholders. IBK firmly believes that the integration of corporate sustainability management in our business strategy will serve as a driving force of sustainable growth at IBK.

Corporate Sustainability Management

IBK is enhancing its value through corporate sustainability management.

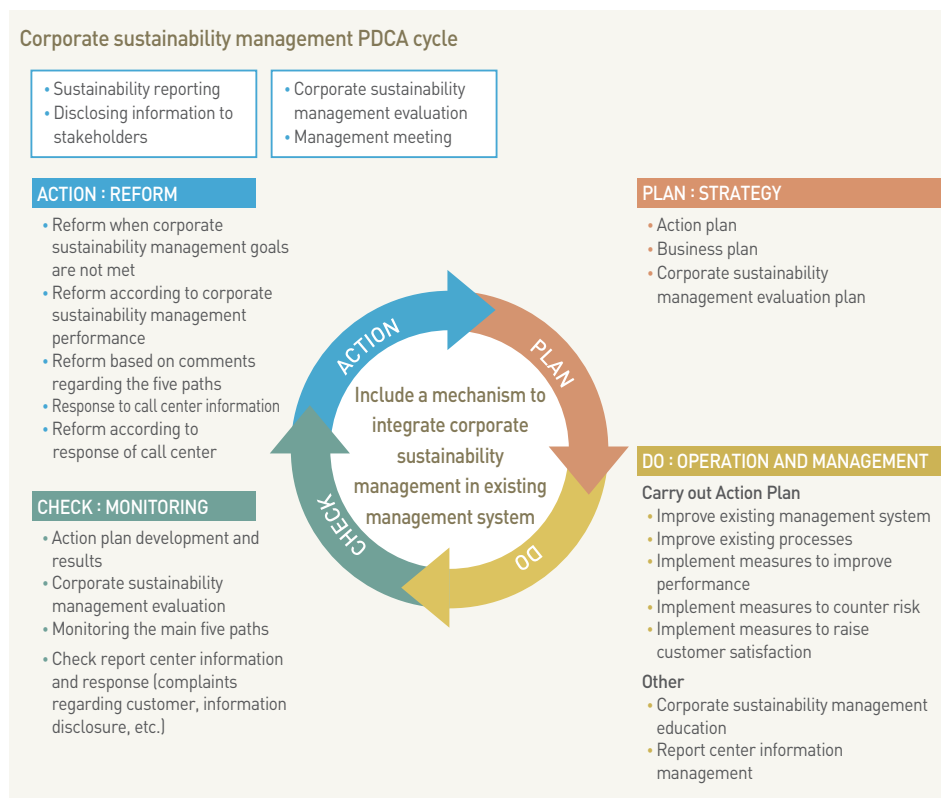


【 Corporate Sustainability Management 】

IBK is enhancing its corporate value by pursuing corporate sustainability management. In each division, we analyze and evaluate how each corporate sustainability management activity is related to increasing corporate value. The bank has drawn up five plans and guidelines to execute our corporate sustainability management program.

We believe that corporate sustainability management is essential to staying ahead in an era of global competition. We have developed five management paths based on key areas such as economic profits, environmental soundness, and social responsibility that are vital in our pursuit of corporate sustainability management.

The five management paths are: 1) set up a system for corporate sustainability management, 2) strengthen our global network, 3) adopt sustainable finance, 4) establish an environmentally friendly culture, and 5) expand our social contribution activities. Each path has a short, mid, and/or long-term plans and goals. These paths will enable IBK to enhance corporate value by strengthening our corporate image, reinforcing our profit structure, and securing partnerships.



【 Future Direction of Corporate Sustainability Management 】

IBK is examining ways to further our pursuit of corporate sustainability management. We will consolidate corporate sustainability management factors that are present in each division and manage them systematically. These factors will be reflected in the PDCA cycle to guide us in our corporate sustainability management activities.

◎ Corporate sustainability management PDCA cycle centered on stakeholders

We hope to gradually increase awareness of corporate sustainability management and embed it in our corporate culture. To do this, we will use our existing management system to evaluate corporate sustainability management, and continuously make improvements based on our findings.

We also plan to apply a PDCA cycle centered on stakeholders. We will consolidate corporate sustainability management factors in each division and manage them systematically. Such activities are in step with our commitment to producing solid financial results as well as our will to fulfill our role as a good corporate citizen.

IBK will not stop at simply adopting corporate sustainability management, but will continuously develop it to create a rich and plentiful society where we can co-exist and prosper with our stakeholders.

Corporate Governance

IBK will do its best to maximize corporate value and stakeholders' value through continuous improvements to our corporate governance.



【 Corporate Governance 】

IBK recognizes that efforts must be made to establish a healthy corporate governance structure to protect the interests of our stakeholders and to increase transparency. IBK will do its best to maximize corporate value and stakeholders' value through continuous improvements to our corporate governance.

◎ Corporate governance at IBK

In 1961, IBK was established as a government-held bank pursuant to the Industrial Bank of Korea Act. Our founding purpose was to promote independent economic activities of small- and medium-size enterprises (SMEs) and to enhance their position in the Korean economy. As IBK is a state policy bank, the government retains control over overall management and operations, including the appointment and dismissal of members of the Board of Directors. Amendments to the Industrial Bank of Korea Act in 2003 and 2005 gave IBK greater autonomy and access to more diverse sources of capital. Our primary objective remains serving the interests of SMEs. Along with the government, our major shareholder, we are helping SMEs gain access to needed funds and raise their competitiveness.

◎ Board of directors

As of December 2006, there were 11 members serving on the IBK board of directors. Among the board members, four are outside directors. As of yet, there is no woman on the board. The directors are selected among those who have in-depth knowledge on or extensive experience in management, economy, accounting, law, or SMEs. Directors are appointed by the minister heading the agency overseeing IBK upon recommendation from the IBK CEO. The board members assist the CEO and the managing director in managing the bank and decide on matters presented to the board.



The CEO concurrently serves as the board chair, according to Article No. 25, Clause 2 of the Industrial Bank of Korea Act and Article No. 27 of the IBK charter. Regulations regarding composition of the board and compensation for the directors and executive officers are decided by the board of directors and the management development compensation committee. Compensation levels are linked to the bank's financial performance.

◎ Operation of the board of directors

There are three sub-committees under the board of directors: steering committee, management development and compensation committee, and risk management committee. The steering committee oversees the overall operation of the board. The management development and compensation committee deals with matters relating to the evaluation of and compensation for executive board members and senior management. The risk management committee manages risks that may arise in the course of conducting our business activities.

Our board regulations provide a mechanism whereby minority shareholders can voice their opinions such as through the exercise of voting rights. In addition, an open dialogue room serves as a channel through which shareholders and employees can make comments or suggestions to the board.

To prevent possible conflict of interest, our regulations state that the majority must vote in favor for a resolution to be passed. In principle, the board convenes once every quarter, but a meeting can be called anytime upon the request of the CEO or by more than two directors. In 2006, a total of six board meetings were held, and the average attendance rate was 100%.

Board of directors meetings and attendance

	2003	2004	2005	2006
Number of meetings	16	12	7	6
Attendance rate (average)	94.5%	96.5%	93.7%	100%

Risk Management

IBK classifies risk into four broad categories of credit, market, liquidity, and operational risk, and manages them accordingly.

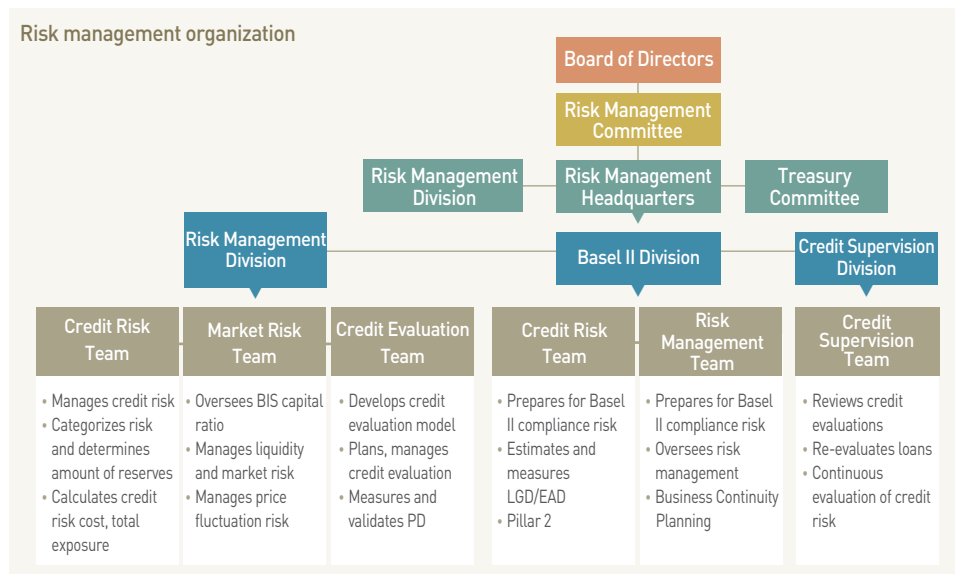


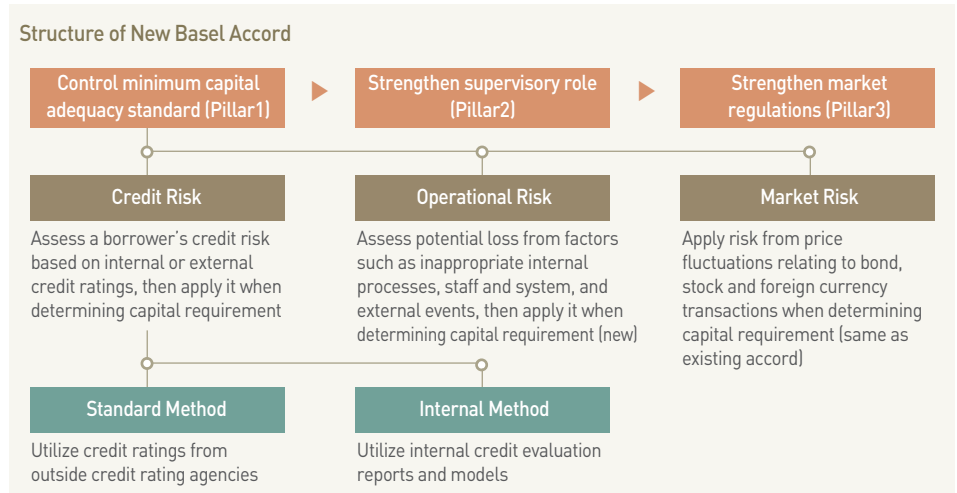
【 Risk Management 】

Due to liberalization and globalization, the domestic financial markets are becoming increasingly sophisticated and complex. This means that banks are exposed to a greater variety of risks. We recognize that managing risk is an absolute necessity to enhancing corporate value and are doing all we can to establish risk management as a core part of our business.

◎ Comprehensive risk management system

To adequately respond to all of our risk management needs, we have set up a risk management committee under the board of directors, which oversees the risk management division and treasury committee. The risk management division and treasury committee draw up a comprehensive risk report every quarter to assess the bank's current position. There is also a monitoring process that evaluates whether basic risk management plans are being followed and calculates the risk to performance ratio for each division. When assessing risk, we not only assess credit risk cost but also have a system that enables us to compute unexpected loss.





◎ Risk management by category

Credit risk

Regarding credit risk, we manage expected loss and unexpected loss. Risk limit is set for unexpected loss.

Market risk

Interest rate risk is categorized into Korean won, foreign currency and trust, with risk limits set accordingly. Risk limit and loss limit are set to manage price fluctuation risk.

Liquidity risk

Liquidity risk is classified into Korean won, foreign currency and trust, with target ratios set for each. Liquidity risk related to raising or managing a large amount of funds is assessed in advance.

Operational risk

We have set up control mechanisms to effectively manage operational risk.

◎ Preparation for Basel II

Domestic banks are busy preparing for the New Basel Accord (Basel II) set to enter into effect in early 2008. Basel II is the new international standard for measuring a bank's capital adequacy. Basel II takes into account the variety of risks that a bank faces that are not accounted for in the current framework, to more accurately and comprehensively assess risks that can affect a bank's capital adequacy. We expect implementation of the new framework to improve the health and stability of banks.

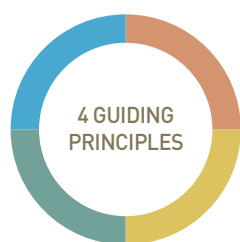
In preparation for Basel II, we set up a special task force in July 2005 and successfully installed a new risk management system in December of the same year. In 2006, we made improvements to various departments and processes concerning risk management such as credit evaluation models and risk assessment. No effort has been spared to ensure that the necessary infrastructure is in place for the successful implementation of the New Basel Accord.

Ethical Management

IBK abides by its Code of Ethics and Code of Conduct to fulfill its role as a responsible corporate citizen.



4 guiding principles of IBK Code of Ethics



- **Customer satisfaction**
Pursue customer profit and satisfaction
- **Shareholder value**
Maximize shareholder value
- **Employee satisfaction**
Raise employees' quality of life
- **Social responsibility**
Contribute to national economic and social development

【 Ethical Management, Transparent Management 】

Supported by the strong determination of our CEO to realize ethical management, IBK is striving to weave into our corporate fabric ethical standards expected by society in addition to complying with domestic and international regulations.

We are fully aware that only a transparent bank can earn the sustained trust of various stakeholders including customers, shareholders, employees and community. Accordingly, we believe that all of our efforts to achieve Vision IBK2010 must be based on a foundation of ethical and transparent management. Short-term results are not our goal. IBK's vision is to become a leading financial group for the next 50, even 100 years.

We are committed to embedding clear-cut values, ethical practices and integrity into our corporate culture. Additionally, IBK is making every effort to fulfill its role as a responsible corporate citizen by serving the best interests of our customers, employees, shareholders and communities.

Our Code of Ethics and Code of Conduct serve an important purpose in creating a corruption-free and transparent working environment. They are central to guiding IBK people in making decisions and the way they act. They are updated whenever needed to reflect changes in the business environment and working conditions. Additionally, to improve management transparency and prevent financial accidents, IBK strictly abides by an internal control system as well as domestic and international financial regulations.

Code of Ethics

Preamble

To realize our three major management ideals of “placing the customer first,” “developing an innovative and creative culture,” and “fulfilling our social responsibility,” we will realize customer happiness, strive to bring profits and satisfaction to customers, pioneer the future with the drive and creativity of our employees, maximize shareholder and corporate value, and ultimately contribute to national economic development. To this end, all IBK employees pledge to comply with and adopt as our value and behavioral guidelines, the IBK Code of Ethics.

Basic philosophy

Customer satisfaction : We will always think and act from the perspective of our customers. We will provide the best quality products and services to our customers to bring them greater benefits and satisfaction.

Shareholder value : We will do our best to maximize shareholder value through rational investments and efficient management.

Employee satisfaction : We respect the value and dignity of every individual at IBK and will strive to improve their quality of life by making fair personnel decisions and offering equal opportunities.

Social responsibility : We will respect social values and abide by regulations to contribute to establishing a healthy financial market, furthering the national economy and social development.

◎ Ethical management education

We are continuing to improve our ethical management education program to ensure that each and every employee fully understands our values and standards. Ethical management is included in the training programs for new recruits and each job function, while regional headquarters and branch offices also regularly conduct related classes. Employees can also access the education program at their convenient time with pre-recorded video contents.

◎ Ethical management program

IBK fully supports a variety of programs to realize ethical management. We also operate an ethical call center for reporting related issues. Going forward, we plan to further spread ethical thinking and actions among our employees by introducing a concrete and realistic ethical management system.

IBK ethical management program

Self-evaluation program

Our self-evaluation program is aimed at encouraging our people to realize ethical management. Every quarter, a subject is selected and employees conduct self-evaluation through the IBK network.

Monthly ethical theme

An ethical theme is chosen every month to raise awareness and promote compliance among employees.

Ethics newsletter

We publish a monthly in-house newsletter featuring explanations on the Code of Ethics, Code of Conduct, and ethical theme in addition to updates on our ethical management and social contribution activities.

Code of Conduct Q&A

We publish the “Code of Conduct Q&A” for use in the ethical education of our employees. The Code of Conduct Q&A reflects anti-corruption data from the Korea Independent Commission Against Corruption and IBK’s Code of Conduct.

Integrity pact

We enforce a system in which contracts for various service and goods purchases include a clause to eliminate the use of any bribes between the relevant parties. Any violation would result in disciplinary measures on both sides.

Executive integrity pact

All of our management level personnel sign an executive integrity pact to officially state their commitment to maintaining integrity and ethical management in regards to their responsibilities as managers.

Clean card

To secure transparency in budget execution and prevent any inappropriate expenses, the ‘Clean card’ cannot be used in any establishments recognized as being unwholesome or extravagant.

Our promise

All IBK employees are required to sign a written promise which states that they have understood and will comply with our Code of Conduct.

Ethical management survey

Awareness levels of ethical management among employees are surveyed on a regular basis. The survey results are employed in drawing up policies to further improve ethical management and transparency at IBK.

Anti-money laundering system

A comprehensive management system linking judicial systems, financial systems and international cooperation to prevent and expose domestic and international cases of money laundering.

Suspicious transaction reporting

A system to prevent money laundering, financial institutions are required to report to the Korea Financial Intelligence Unit (KoFIU) any transactions suspected of being related to money laundering or forex transactions that might be for the purpose of evading taxes.

Customer due diligence

A system which requires confirmation of a customer's identity when opening a new account, transferring more than KRW 20 million, or for other one-time financial transactions.

Currency transaction report

Financial institutions must report cash transactions of over KRW 50 million to KoFIU.

IBK Ethical Call Center

Ethics consultation center

Our on- and off-line ethics consultation center provides consultations and solutions to employees with ethical dilemmas.

Clean center

The clean center is for employees to voluntarily hand over any gifts or bribes that they may have inadvertently received. The received goods are then used in our social contribution activities.

Financial irregularities center

The center is aimed at creating a sound financial culture and preventing employees from receiving any improper requests or pressure from outside the bank. Issues reported to the center are dealt with as quickly and appropriately as possible.

◎ Anti-money laundering

Since 2001, IBK has been reporting suspicious transactions to prevent money laundering. Following the 2005 revision of the Financial Transaction Reports Act, we introduced the customer due diligence (CDD) and customer transaction report (CTR) systems on January 18, 2006. Accordingly, we readied the foundation for implementing various anti-money laundering measures including reinforcing related education and PR, and erecting the necessary reporting and operational systems.

Educational sessions are carried out by each regional headquarters for those responsible for related duties, and plans are in the works to expand the program for all employees. IBK is committed to rooting out illegal money transactions by faithfully executing anti-money laundering activities which are up to international standards.

◎ Internal control

Since 2006, it has become mandatory for companies in Korea to establish internal control systems. This follows various related moves in Korea and overseas, including section 404 of the Sarbanes-Oxley Act in the US. IBK has also formed an internal control system that encompasses internal controls for financial reporting to heighten transparency.

As part of its internal control system, IBK is focusing on preventing mishaps by conducting online audits, regular checkups, and enforcing stricter punishment on violators. Our internal control system for financial reporting attempts to prevent and disclose any irregularities that could damage the credibility of IBK's financial data. The IBK internal control system is constantly updated and checked to ensure efficient operations, accurate and reliable financial reporting, as well as compliance with related regulations and internal policies.

Management Innovation

IBK aims to break away from the conservative culture often linked to the financial industry and start with a clean slate to embrace bold, innovative thinking.



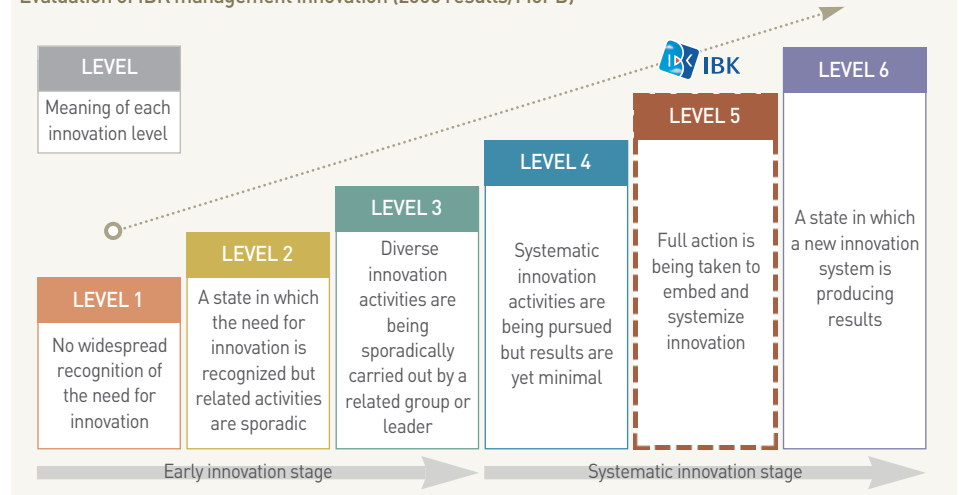
【 Management Innovation 】

To ensure corporate sustainability in today's global business environment, IBK is constantly striving for management innovation activities to build an advanced management structure and organizational capabilities.

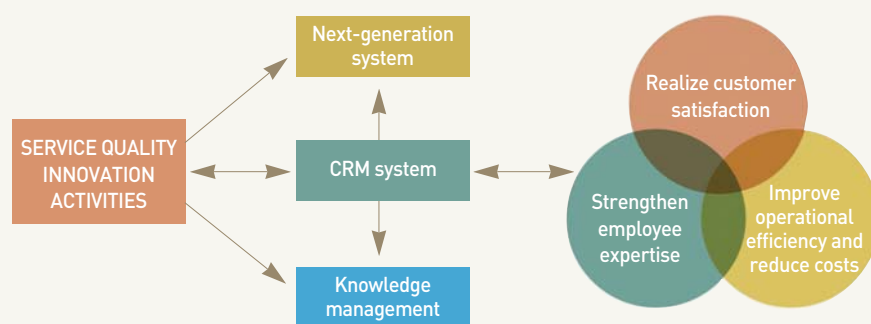
IBK received a level 5 rating out of a possible 6 in the Ministry of Planning and Budget's 2005 Evaluation of Public Entities' Innovation. In 2006, we received a plaque of excellence from the Ministry of Finance and Economy for innovation among the ministry-affiliated organizations. IBK is aggressively pursuing innovation to break away from the conservative culture often linked to the financial industry.

We are reinforcing our innovation activities by improving related systems and processes. We plan to continue with such efforts to incorporate innovation into our corporate culture and raise our innovation evaluation results to the highest levels.

Evaluation of IBK management innovation (2005 results/MoPB)



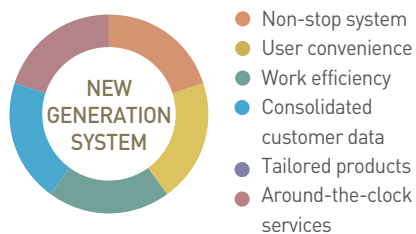
Major IBK management innovation activities and anticipated effects



Next-generation system

A future-oriented system created by rebuilding a bank's accounting and database system to focus on the customer and flexibly respond to changes.

Key features of next-generation system



Non-stop system

System continues to run even when there is a fault / greater customer satisfaction

User convenience

Integrated web device / easy interface / single log on

Work efficiency

Improved deadline process / various linked processing

Consolidated customer data

Provision of unified customer data / more effective marketing

Tailored products

Shortened product development time / customer-tailored products

Around-the-clock services

24 hour system / diverse transactions / Internet, automated devices

◎ Management innovation activities

Under the slogan "Take-off IBK 2006," we initiated innovative activities to improve overall service quality. Placing priority on customer satisfaction, we have been boosting the capabilities of our people and have built the necessary foundation and management system to improve work efficiency. Through our next-generation system, integrated CRM system and knowledge management, we aim to provide customers with first-rate service.

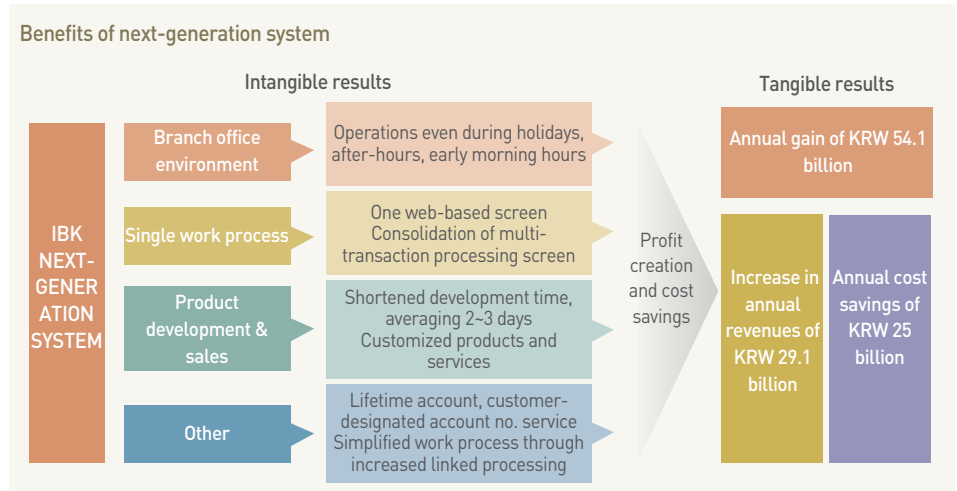
【 Next-Generation System 】

IBK has established an innovative next-generation system to secure differentiated competitiveness, provide unrivaled customer service, and create new added-value.

We launched our next-generation system in September 2004 to overcome the limitations of our earlier system and to make it more convenient for both our customers and employees. As part of those plans, we built the next-generation system based on a main-frame and announced our vision to rank among "50 top global financial groups by 2010."

The IBK next-generation system was the first initiative of its kind in the banking industry. It is an advanced financial system which encompasses tailored customer services, automated remote backup center, self-help system for online transactions and cash management service (CMS).

The main advantages of the next-generation system are: 1) a tailored product planning service in which customers can directly select the most advantageous products for them, 2) a 24-hour/365-day open service in tune with the globalization of the financial environment and popularization of online transactions, and 3) timely and accurate customer service by reducing operational processes and increasing user-convenience.



◎ Benefits from next-generation system

Since the introduction of the system two years ago, there have been significant tangible and intangible benefits. Annual profits and cost savings gained through the integrated service amount to KRW 54.1 billion, which means the total investment of KRW 65 billion has already been recouped. The system also led to additional revenues of KRW 29.1 billion as a result of improved product development (shortened product development period from 20 days to three days) and tailored customer services. Effects of systems improvement, including the automated remote backup center and self-help system (which allows questions on online transactions to be handled without telephone calls), have led to annual savings worth KRW 25 billion.

◎ External certification and recognition for IT services

In September 2006, IBK became the first domestic bank and only the 7th Korean company to receive ISO20000 certification for its next-generation based IT service quality. The certification recognizes that our IT services, based on our next-generation system, comply with international standards. Going forward, we plan to introduce IT governance through ITSM (IT Service Management) to raise our organizational and working processes to global standards.

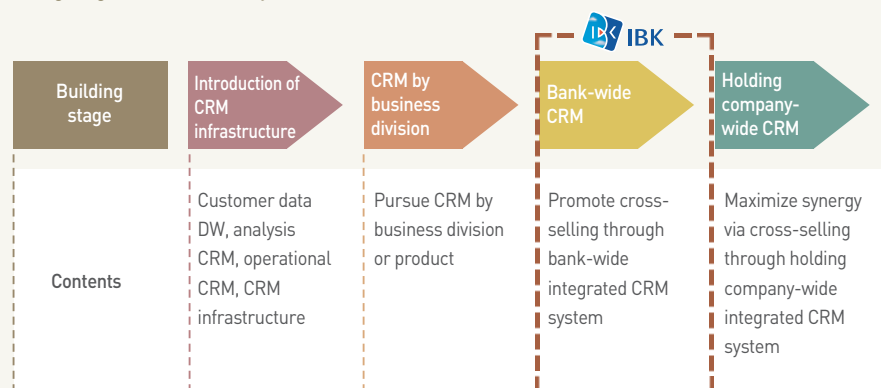
Our next-generation system also won the Minister of Commerce, Industry and Energy Award at the 2006 Standardization Awards. The honor recognized the stability and superiority of our next-generation system in addition to how IBK had set the IT standard in Korea's financial system. We plan to further build and improve our system to reach our ultimate goal of becoming a leading global bank.

ISO/IEC 20000

An international standard that sets the requirements for IT service management (ITSM) system



Building stages of IBK's CRM system

**CRM (Customer Relationship Management)**

A future-oriented system in which a bank's accounting and database systems are reconfigured to provide a unified, holistic view of each customer.

Data mining

A process of analyzing all usable data of a company, including daily transactions data, customer data, product data as well as external data, to identify patterns or relationships and using the information for actual business decision-making.

【 CRM 】

Our bank-wide CRM system promotes bank profitability and customer loyalty by providing timely and appropriate answers to diverse customer needs.

We are actively responding to the changing conditions in the financial industry to form a stable and sustainable foundation for growth. The CRM system enabled us to boldly shed traditional sales methods and prepare the framework for scientific marketing activities by analyzing customer transaction information and through data mining. The system is enabling us to maintain our best customers and strengthen cross-selling.

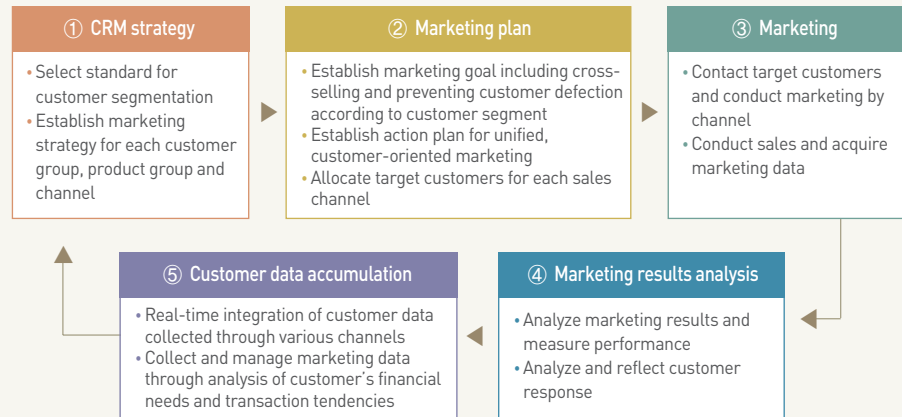
We are increasing profits by expanding customer services while reducing costs and raising efficiency by standardizing internal work processes. Through the adoption of a scientific and systematic method of managing customers and marketing, IBK is realizing customer satisfaction management.

◎ CRM results

The main goal of our CRM system is to consolidate all aspects of CRM, such as customer data, products, services and channels, which had been overseen by separate divisions. Secondly, we adopted systematic customer management and advanced marketing techniques to secure and retain the best customers in an increasingly competitive environment. Thirdly, we laid the groundwork for one-to-one customer marketing by coming up with services, products and channels which reflect a customer's particular needs and characteristics. Finally, we were able to enhance customer satisfaction and loyalty through customer value proposition by introducing a system in which customers receive recommendations and product information that best reflect their financial needs.



CRM process



CRM plans

- 1. Collection and management of customer data**
 - Improve quality of customer data
 - Respond to customers using unified data by channel
- 2. Customer segmentation**
 - Conduct effective marketing targeting customer groups with greatest potential
- 3. Select target customers and conduct marketing**
 - Conduct 1:1 marketing by coming up with customer-oriented products, services and channels
- 4. IT system**
 - Increase feedback function by automating campaign system
 - Improve efficiency and credibility by developing real-time data-sharing system
- 5. Organization and personnel**
 - Consolidate CRM organization
 - Bring in external professionals and nurture CRM experts

The introduction of our CRM system has allowed us to maximize operational and performance efficiency. One example is how we improved efficiency in responding to customers by creating CRM data on each individual, CEO and corporate client. We are also expanding marketing effects by increasing the success rate of cross-selling and preparing a recommendations system for tailored customer products.

© Future CRM plans

IBK will continue to adjust and improve any flaws or weaknesses in our CRM system to provide better customer services. Our related plans include five major goals.

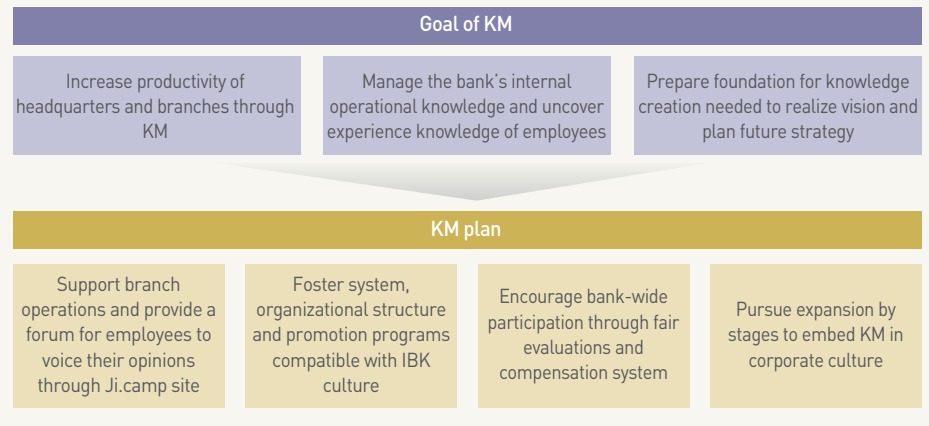
We will raise the quality of customer data by improving the data collection method. Real-time consolidation of customer data will enable us to use identical data in all channels to provide customers with the most appropriate products and services. IBK also aims to raise marketing efficiency by segmenting customers for marketing purposes. Additionally, work will continue on our IT system to enhance operational efficiency and customer trust. For example, we plan to automate our campaign system to strengthen feedback functions such as division of target customers and measuring operational results, build a CRM-mart, consolidate consultation data and develop a real-time data-sharing system.

Aside from systems, we also plan to train related experts and consolidate the CRM organization to support customer-oriented marketing.

KM (Knowledge Management)

Storing and using the knowledge and experiences of individual workers and groups within an organization to enhance the organization's value.

Basic direction of KM

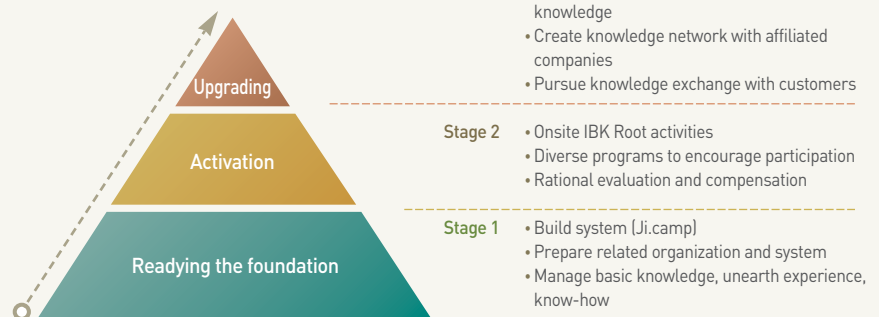


【 Knowledge Management 】

IBK recognized the need for an innovative transition in our corporate culture to realize our 2010 vision. In line with our goal, we have pursued bank-wide knowledge management since March 2006 to build a new IBK culture.

Based on our emphasis on innovation and creativity, we have set up an organizational structure and systems to allow knowledge to be accessed and shared by all employees. The sharing and lively exchange of diverse knowledge have not only raised productivity among our personnel but allowed our customers to benefit from more prompt and expert service. We will further encourage participation of all employees by reinforcing our evaluation and reward systems for knowledge management activities.

KM plan by stage



◎ KM activities by KM strategy

IBK is conducting various KM activities based on a detailed KM strategy. The strategy is based on accumulating and sharing experience knowledge, in addition to operating an evaluation and compensation system. We are also attempting to create an innovative and flexible corporate culture.

CoP (Community of Practice)

A network or forum of people where tips are exchanged and ideas generated to further knowledge and expertise.

KM activities according to KM strategy

DETAILED KM STRATEGY	KM ACTIVITIES			
Consolidate dispersed knowledge and increase usability	Consolidation of knowledge related contents from 30 operational (management) support systems		KM supporter quality management system	
Establish systematic management of standard knowledge	Formation of one-click operation guide		Management and maintenance of HQ knowledge	
Create field-oriented Best Practice	KM BP (Best Practice) online competition	Knowledge suggestions, suggestions patent system	Experience knowledge registration (know-how, case studies)	
Promote voluntary CoP activities	Onsite IBK Root activities			
Promote communication and discussions	Spotting mistakes	Free discussion room	Speed Q&A	
Evaluation and compensation for KM activities	Knowledge mileage system		Selection of Best KM Person	

Knowledge management program

Knowledge management BP (Best Practice) online competition

Employees voluntarily register their experiences and know-how gained from on-site operations on the Ji.camp site. Awards are presented for the best BP.

Suggestions patent system

Among suggestions selected as applicable in improving operations, those that are recognized by the evaluation division head are registered in the suggestions patent list and separately managed for two years.

"Speed Q&A" corner

Our Speed Q&A corner aids in swiftly dealing with problems encountered by employees in carrying out their duties.

Onsite IBK Root activities

Voluntary study group activities in which headquarter and branch office employees share knowledge and experiences to arrive at a designated goal on a realistic theme that could raise sales performance.

Free discussion room

Our free discussion room encourages the exchange of ideas, data and communication between employees on a diverse range of subjects.

Main KM activities

(Unit: cases)

	Experience knowledge registrations (know-how, case studies)	Knowledge suggestions		Speed Q&A			
		2005 monthly average	Last month	Free Q&A		Expert Q&A	
				Questions	Answers	Questions	Answers
No. of cases	1,170	152	458	3,374	7,393	360	357

As of December 2006

EKP (Enterprise Knowledge Portal)

Also called knowledge management groupware, EKP consolidates various corporate data on the web.

Ji.Camp

IBK's EKP system which stands for "advance post of knowledge ("ji" means "knowledge")."

© EKP

"Ji.Camp" is a bank-wide EKP that consolidates, categorizes and facilitates the sharing of knowledge among employees. Ji.Camp is a knowledge mall which provides knowledge maps grouped by standard knowledge, operational knowledge, product knowledge and experience knowledge. The system allows the sharing of operational BP and other know-how gained by individuals among all employees.

Corporate Sustainability Management Network

IBK is committed to actively engaging and exchanging information in a network of corporate sustainability management, including the UN Global Compact.



【 Participation in Corporate Sustainability Management Network 】

IBK is committed to actively engaging and exchanging information in a network of corporate sustainability management, including the UN Global Compact, which it joined in December 2006. Through such activities IBK will play a central role in expanding and developing the social responsibilities of financial institutions.

◎ Joining the UN Global Compact

In 1999, former Secretary-General of the United Nations, Kofi Annan, challenged business leaders to join an international initiative that would bring companies together with UN agencies, labor and civil society to support ten universal principles in the areas of human rights, labor, the environment and anti-corruption. As a responsible corporate citizen, IBK expressed its commitment to engage in the UN Global Compact in December 2006.

UN Global Compact



10 principles of UN Global Compact

Human rights

Principle 1 : Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2 : Make sure that they are not complicit in human rights abuses.

Labor standards

Principle 3 : Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4 : The elimination of all forms of forced and compulsory labour;
Principle 5 : The effective abolition of child labour; and
Principle 6 : The elimination of discrimination in respect of employment and occupation.

Environment

Principle 7 : Businesses should support a precautionary approach to environmental challenges;
Principle 8 : Undertake initiatives to promote greater environmental responsibility; and
Principle 9 : Encourage the development and diffusion of environmentally friendly technologies

Anti-corruption

Principle 10 : Businesses should work against all forms of corruption, including extortion and bribery.



SMEs.

Win-win activities for mutual prosperity of IBK and SMEs

A faithful supporter to entrepreneurs

In the fierce battlefield of today's business world, only a handful of globally competitive companies will be able to survive. While farming was at the heart of the agrarian society of the past, business enterprises are the center of modern society. That is why entrepreneurs play the leading role in today's economy. IBK vows to serve as a dependable partner to the entrepreneurs behind small- and medium-size enterprises.

Over the years, IBK has uncovered SMEs with bright prospects in terms of technology, growth and profits. Through our interaction with such firms, we have contributed to promoting investment in promising SMEs and venture businesses.

Case 1. New product development & foundation for growth

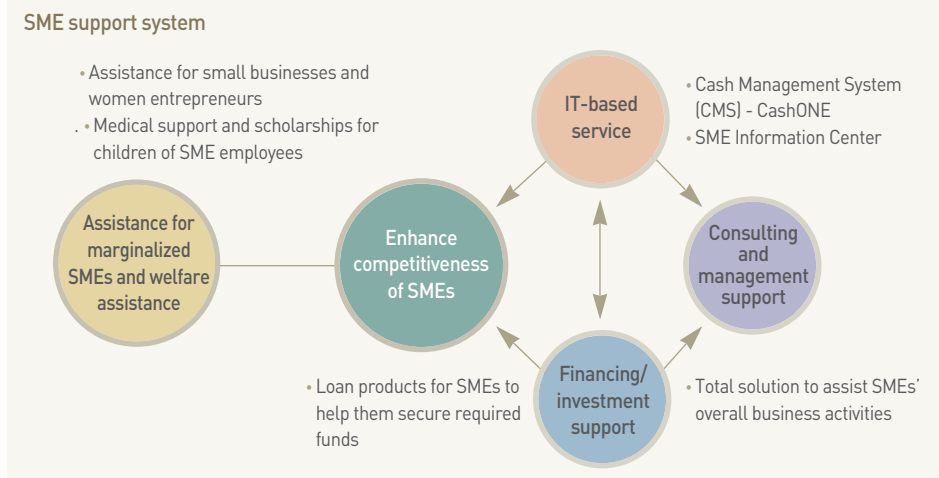
Magnet4U is a company that develops innovative educational materials using magnets. It exports its toys to 31 countries and has solid growth prospects. In April 2006, Magnet4U was having difficulty securing funds needed for R&D and production. Having confidence in the company's technological abilities and growth potential, IBK provided consulting services to the firm. After thorough analysis, we recommended that Magnet4U raise its corporate value and then attract funding. IBK also introduced the firm to a securities firm that would act as lead manager after listing preparations were completed. Funding of KRW 2 billion enabled timely development of new products and provided the basis for Magnet4U to evolve to a higher level.

Case 2. Enhanced debt to equity ratio & successful turnaround

Weltech is engaged in the steel pipe business. Although its business field was regarded as a sunset industry, Weltech appeared to be headed for growth. The company was creating blue ocean markets with its differentiated technology, and it was the unrivaled domestic leader in large diameter water pipes. But in December 2005, its revenue amounted to just KRW 20 billion and debt-to-equity ratio reached 1500%. IBK's financial investment team, in conjunction with the IBK Consulting Center, started providing consulting to the firm. A major overhaul and investment reinvented Weltech into a healthy company. Its debt-to-equity ratio improved markedly to the 200% range and revenue increased to about KRW 40 billion.

SME Support Activities

As a “corporate doctor” attending to SMEs, IBK has set up a model for mutual cooperation and success by providing financial assistance, consulting and other support services.



IBK was established with the purpose of fostering healthy growth of SMEs. As a “corporate doctor” attending to SMEs, IBK has presented a model for mutual cooperation and success by providing financial assistance, consulting and other support services.

© Financing support

IBK assists SMEs having difficulty in obtaining funds and helps innovative SMEs build a strong foundation for growth by providing customer-oriented financial products and support. We offer various products tailored to SME needs such as the Network Loan, Winners Loan, Package Loan and Umbrella Loan.

Network Loan

The Network Loan is available to suppliers or subcontractors recommended by a large corporation. Upon presenting an order contract, the recommended firm will be immediately provided with funds needed to produce or procure materials for goods/services stated in the contract. The collateral for these loans are guarantees provided by the Korea Credit Guarantee Fund. IBK introduced the Network Loan in 2004.

In March 2006, IBK launched the Plus Network Loan. This is a low-interest loan extended to an SME that receives an order for its products. The loan is recovered when the purchasing company settles the payment.

As of year-end 2006, Network Loans have been extended to totally 5,047 SMEs who are suppliers to 473 large corporations. The total amount of loans extended is KRW 2,154.2 billion.

The Network Loan presents a model for mutual prosperity between SMEs and large corporations. IBK will continue to expand the Network Loan campaign to improve the operating conditions of SMEs which are suffering from sluggish domestic consumption and hardships in procuring raw materials

Winners Loan

The Winners Loan is intended for innovative SMEs that are considered as being high-risk and marginalized. These firms often face obstacles in raising funds and pursuing growth due to a weak financial structure and weak sales. The Winners Loan was introduced in March 2006. During the ten months following its launch, a total of 428 loans collectively worth KRW 208.4 billion were extended.

IBK will continue with research to support progressive SMEs that create high added value harnessing cutting-edge technology and have the potential to grow into a driver of the national economy

Package Loan

This product provides funds needed to install and operate equipment as well as consulting services in one package. It gives borrowers access to working capital needed to get their facilities up and running. Borrowers may receive financial assistance for facility relocation, pilot operation, and purchase of additionally needed raw materials. The Package Loan has helped to ease cash shortages that could strike SMEs in the course of facility investment.

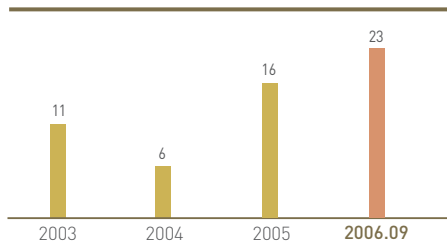
The Package Loan is promoting facility investment by local industries, which in turn is helping to create jobs and resolve the polarization in Korean society. With such products, IBK is fulfilling its role as a policy financial institution.



Umbrella Loan

The Umbrella Loan was developed to extend swift financial assistance to healthy SMEs engaged in growing industries that are facing a temporary liquidity squeeze. Launched in May 2006, the Umbrella Loan provides assistance up to KRW 300 million. To ensure timely support, this product has a short loan review period through measures such as omission of the process to calculate required working capital.

IBK Consulting Center's consulting cases (unit: cases)



◎ Consulting service

To carry out its role as a “corporate doctor,” IBK is broadening the scope of support extended to SMEs. IBK has a wide range of programs to support the overall business activities of SMEs, including consulting services at minimal cost and assistance for overseas expansion.

Consulting service

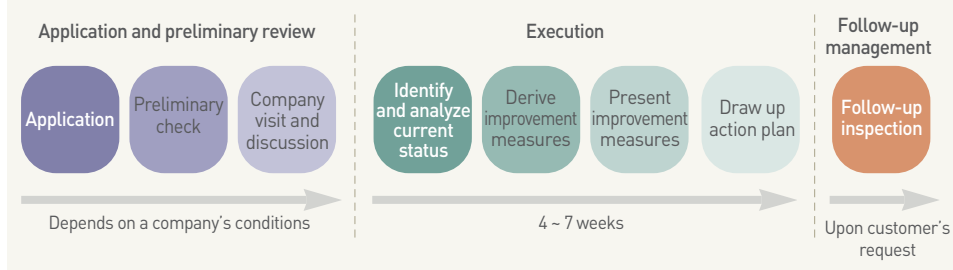
We set up the IBK Consulting Center manned by professional consultants to suggest solutions for various problems facing SMEs based on corporate diagnosis and business analysis. SMEs have to shoulder only 20~30% of total consulting fees. Free consultations are provided on specialized areas such as legal matters.

Our management consulting services are on the rise thanks to our effective process which leads to a clear solution in a short period of time. IBK will continue with efforts to provide timely and systematic consulting to our SME customers.

Services provided by IBK Consulting Center

Category	Description
Management consulting	Suggest ways to enhance corporate value through consulting on management strategy, personnel/organizational structure, production, marketing, financial accounting, etc.
Business succession consulting	Devise a long-term plan to ensure smooth succession of a business and suggest measures for tax savings
SME Legal Assistance Team	Experts in various fields provide support to resolve legal issues that arise in the course of SMEs' business activities
Consultation on specialized areas	Consultations on legal, tax, accounting and labor issues, matters on business start-up, responsibilities pertaining to product manufacturing, etc.

IBK Consulting Center's management consulting process

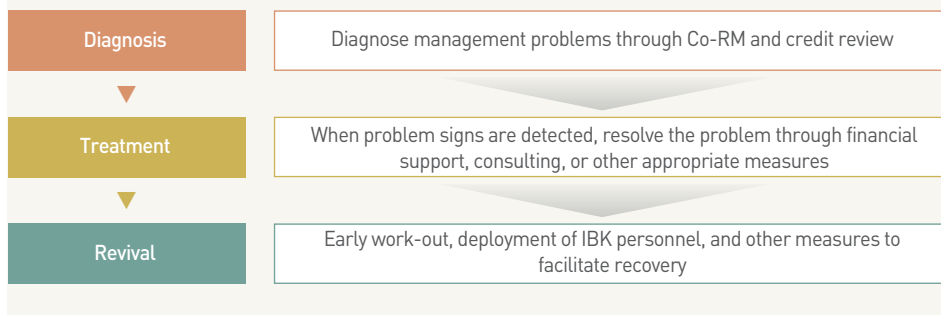


Corporate Doctor system

The Corporate Doctor system promotes sustainable growth of SMEs through financial assistance and consulting based on ongoing evaluation. It enables SMEs to obtain needed funds in a timely manner and prepares them to effectively deal with potential crisis situations. From IBK's standpoint, the system raises the bank's financial soundness through risk management and efficiency via quick loan decisions. The Corporate Doctor system promotes mutual cooperation and development of IBK and SMEs.



Corporate Doctor work process



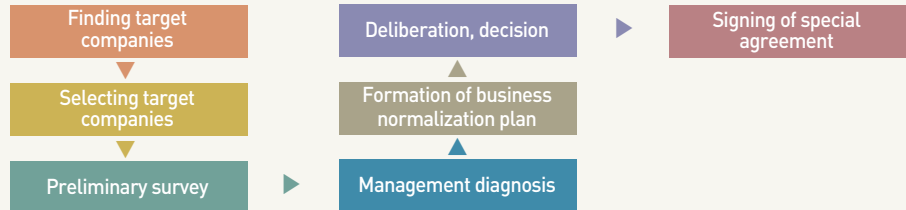
Support for restructuring

IBK offers various forms of assistance to SMEs undergoing financial or operational hardships to help stabilize or restructure their businesses. We provide loan extensions, emergency funds and other forms of financial help so that SMEs experiencing temporary financial problems can get back on their feet.

Change-Up program

The Change-Up program gives SMEs that have a competitive edge but are undergoing temporary difficulties the chance at reviving their operations. IBK provides optimal services as a “corporate doctor” according to a company’s circumstances and stage in the growth cycle. The program prevents SMEs from falling into insolvency which, in turn, contributes to maintaining IBK’s asset quality and minimizing losses.

Change-Up program work process



Using our Early Warning System (EWS), we continuously pursue restructuring of SMEs. As part of efforts to help normalize SMEs that show signs of possible insolvency, we provide assistance to revive SMEs that are undergoing temporary difficulties or crisis. Our Change-Up program is an upgraded version of the existing work-out program that caters to the needs of SMEs. A company’s problem areas are identified through management consulting and diagnosis. That information is then used to draw up and implement comprehensive recovery measures such as debt rescheduling.



Support for overseas expansion

In addition to financing, IBK provides help to SMEs in exploring overseas markets. The Export-Import Support Center at the head office provides consultations mainly for small and mid-size importers and exporters on issues such as export and import procedures, trade financing, customs, tariff refunds, overseas direct investment, and foreign investment. A total of 4,314 consultations have been made since the center was established in 2006.

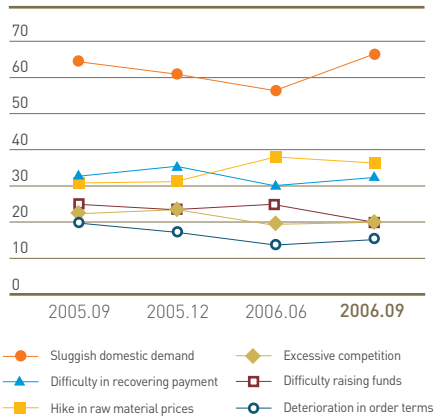
We have also created the China Center for companies that invest in China. The center offers a wide array of information on matters including investment procedures, legal affairs, and credit assessment of Chinese companies. In 2006, the China Center’s activities included 148 consultations and 388 cases of information services.

Support for SME start-ups

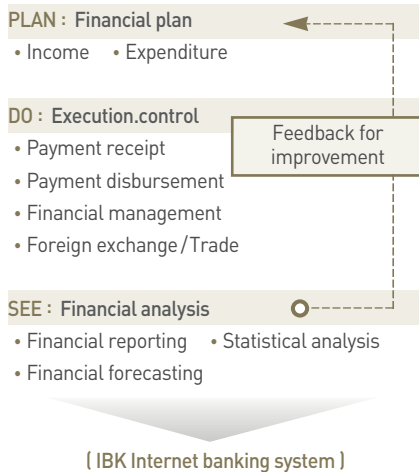
IBK helps SME start-ups by providing lectures and consultations. From 2005 to September 2006, there were seven lectures with totally 633 people attending. The consultation counter provided services on 131 occasions during the same period.

Difficulties facing SMEs

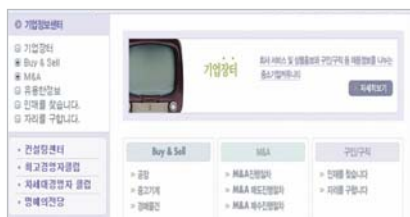
(unit: %)



CashONE workflow chart



SME Information Center on IBK homepage



SME statistics compilation

IBK carries out the only monthly survey relating to small and mid-size manufacturers in Korea. Conducted since 1963, the survey covers production trends, selling prices, employment, financial conditions and business environment. To grasp future movements in the SME business cycle, a survey on economic outlook and operational difficulties is conducted each quarter. Twice a year we survey facility investment trends and outlook affecting small and mid-size manufacturers. The information provides a reference point for IBK in drawing up SME support measures. It also helps government and SME-related organizations in formulating SME policy.

◎ IT-based service

IBK provides differentiated services to SMEs leveraging IT infrastructure to provide useful information and effective financial solutions.

CashONE service

Our Cash Management Service (CMS) is intended to help our SME customers realize cost savings and greater efficiency through effective financial management and work process automation. Mid-sized companies can turn to our CMS brand, CashONE, while CashONE Lite is available to smaller outfits. CashONE encompasses all financial activities related to operations, from formulating a plan to actual implementation. It is linked to our corporate Internet banking service, which means that users may also take care of their financial transactions. IBK continues to develop its IT systems to provide financial services tailored to SMEs.

SME Information Center on IBK homepage

We launched the SME Information Center on our homepage in 2006 to foster mutual cooperation among SMEs. The center comprises four sections: “Product Promotion Plaza” to promote the products and services offered by our SME customers; “Management Information Corner” for information on tax, accounting, import and export matters and cash management; “Buy & Sell” which carries details on plants, used machinery and items up for auction; and “Employment Corner” to help SMEs resolve difficulties in hiring. This is just one example of the ways in which IBK is working to assist SMEs that are at a relative disadvantage in terms of technology, personnel and information access.

◎ Assistance for marginalized SMEs and welfare assistance

A wide range of assistance is available to SMEs that are often marginalized such as small businesses and women entrepreneurs. We are also extending our support in terms of welfare through the IBK Welfare Foundation. The foundation assists SMEs in various ways including support for medical and educational expenses for children of SME employees.



Support for small businesses

IBK was the first in the banking sector to develop a credit evaluation model for small enterprises. Loans are extended to these smaller outfits based on their score in the evaluation. There are 57 Dream Enterprise Teams nationwide dedicated to serving the needs of small businesses. As of the end of September 2006, assistance worth KRW 1,756.3 billion has been extended to 14,183 small enterprises.

Assistance for women entrepreneurs

Companies headed by women account for about 26% of all businesses in Korea. However, policy or support measures for these firms are lacking. Against this backdrop, IBK in conjunction with the Ministry of Gender Equality and Family is spearheading efforts to support women in the economy. Credit facilities designed especially for such enterprises include the MOGEF's Women's Technology Start-up Funds, a policy loan, and IBK's Fine Start-up Loan.



IBK Welfare Foundation

Established with an investment of KRW 4 billion from IBK, the IBK Welfare Foundation promotes the well-being of SME employees, an area that is often overlooked in social welfare programs. The most notable benefits offered by the foundation is support for medical expenses to treat SME employees' children suffering from rare and serious illnesses and scholarships.

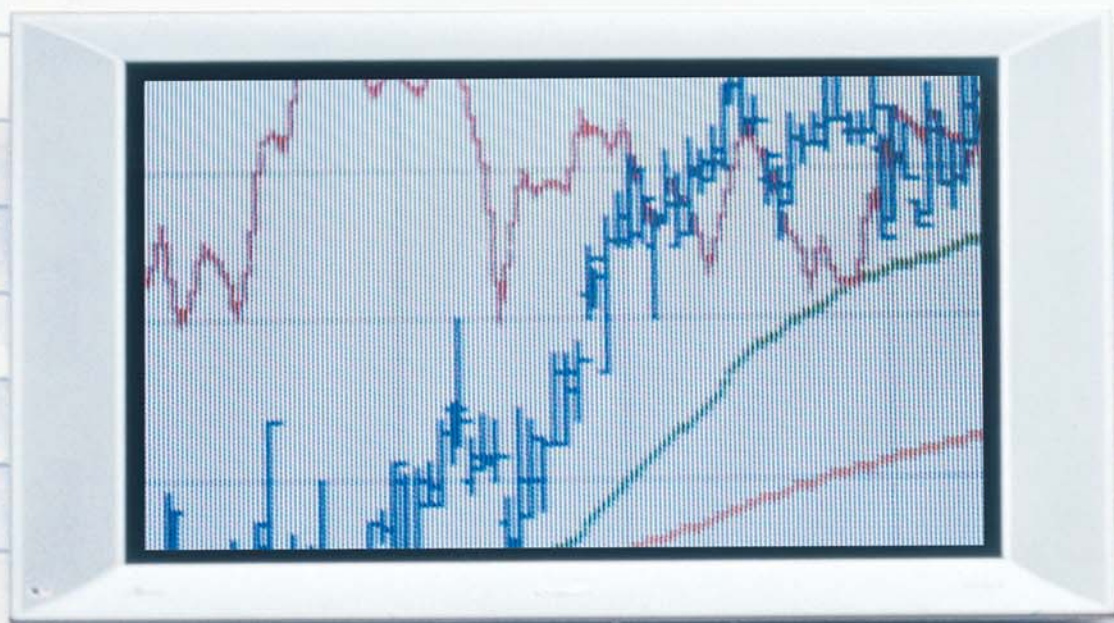
As a dependable supporter of SMEs, IBK is committed to improving the well-being of SME employees, who play a vital role in advancing the national economy.

© Other activities

Entrepreneurship Hall of Fame

The Entrepreneurship Hall of Fame recognizes the CEOs of SMEs that have grown into solid enterprises and contributed to national development. It serves to applaud the accomplishments of these entrepreneurs who have gained the respect of society. Those inducted into the hall of fame have achieved a legacy of success as indicated by a stringent review of market share, credit rating, achievements, and technological development. March 2006 marked the third anniversary of the Entrepreneurship Hall of Fame, which was established to boost morale and promote the spirit of challenge among SMEs.







38	Socially Responsible Investment
41	Project Financing
43	Credit Management
45	New Markets & Products

ACHIEVING SUSTAINABLE FINANCE

IBK is the first in the Korean banking industry to introduce the phrase “sustainable finance” through this Report. Sustainable finance takes into consideration not only financial returns, but also social responsibilities. Along with our stakeholders, we are committed to sustainable development and will continue with research and product development towards that end.

Socially Responsible Investment

IBK is working to advance and promote Socially Responsible Investment(SRI) to fully honor our social obligations.



【 Socially Responsible Investment Activities 】

IBK is making every effort to develop SRI products such as the “Green Environment Trust” and “IBK SG Ethical Company Equity Trust” to give balanced consideration to public interests and profitability.

With respect to stock investment, Socially Responsible Investment (SRI) considers a company’s duties to society which includes its environmental, social and ethical commitments, in addition to the financial aspects such as profits and growth potential.

SRI has been drawing greater attention in the wake of corporate accounting scandals and environmental concerns. This, in turn, has prompted international organizations, governments, and economic groups to actively promote SRI. In step with these trends, IBK launched the Green Environment Trust, the first trust product in Korea that emphasizes environmental preservation. We continue to work to advance SRI so that support can be directed to socially responsible enterprises.

◎ Green Environment Trust - Korea’s first trust product highlighting the environment

To mark “World Environment Day,” IBK launched the Green Environment Trust on June 5, 1993. It was the first trust product in Korea emphasizing the environment. IBK introduced the Green Environment Trust to help raise environmental awareness and to serve the greater public good. A part of the funds raised are donated to environmental groups to help protect our natural surroundings.

One percent of customers’ after-tax profits and twice that amount provided by the IBK go towards a fund that is used to support various environmental preservation projects. Funds were donated on nine occasions from 1994 to 2001 to environmental groups registered under the Ministry of Environment. Sales of the product were discontinued in July 2007 due to changes in regulations on supervision of the trust business. Green Environment Trust introduced the concept of SRI in Korea. It also spurred

Socially Responsible Investment (SRI)

SRI refers to investment that takes into account social and environmental factors. Investments are made in a company based not only on its financial achievements, but also on its performance in such areas as human rights, environment, labor, community engagement and social contribution. The phrase “sustainable and responsible investment” is increasingly being used in place of “socially responsible investment.”

interest in SRI and financial products for the public good, prompting the development of numerous similar eco-products by other local banks. As a pioneer of socially responsible investment, IBK plays an active role in promoting SRI in Korea.

© SRI fund to build a sustainable society

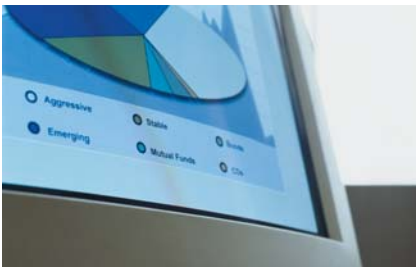
Commitment to social responsibilities has become integral to the long-term survival of a business. Stakeholders and regional communities are making increasingly diverse demands on the corporate world in terms of social obligations. In keeping with the times, financial institutions are basing their investment decisions on a company's environmental and social performance and corporate governance, along with financial considerations. Recently, investments have been shifting from large cap stocks to companies driven by non-financial values. We are seeing an increase in socially responsible investments with funds directed toward companies with the capacity for sustainable growth.

In November 2006, IBK started offering the IBK SG Ethical Company Equity Trust, developed by its subsidiary IBK SG Asset Management. The fund invests in companies after a thorough assessment of economic, environmental and social factors. The main investment targets are undervalued stocks with a high likelihood of being re-rated, driven by eco-friendly management and improvements in social performance and corporate governance.

We plan to take 5% of the fund's sales and management fees and channel that money into various social contribution endeavors. IBK will do its all to adhere to PRI (Principles for Responsible Investment) and advocate SRI (Socially Responsible Investment) to help create a sustainable society.

© Principles for Responsible Investment

The Principles for Responsible Investment (PRI) were developed through the concerted efforts of the UNEP Finance Initiative, prominent institutional investors and a group of experts representing various fields. The process of drawing up the PRI was convened by the former UN Secretary General Kofi Annan. The PRI was announced on April 27, 2006, at the New York Stock Exchange. The essence of the principles is to have financial institutions incorporate environmental, social and corporate governance (ESG) issues in their investment decision-making process. At present, about 80 financial institutions with collective assets of KRW 4,000 trillion are signatories to the principles. The PRI will serve as an important guide for the development of sustainable and responsible investment. This implies that the Korean financial sector will have to make greater efforts to observe and implement the PRI.



The Principles for Responsible Investment

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognize that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

UNEP Finance Initiative

A partnership of global financial institutions, including banks and money managers, and the UNEP (United Nations Environment Program) created in 1991 to understand the impacts of environmental and social considerations on financial performance.

1. We will incorporate ESG issues into investment analysis and decision-making processes.

Possible actions:

- Address ESG issues in investment policy statements
- Support development of ESG-related tools, metrics, and analyses
- Assess the capabilities of internal investment managers to incorporate ESG issues
- Assess the capabilities of external investment managers to incorporate ESG issues
- Ask investment service providers (such as financial analysts, consultants, brokers, research firms, or rating companies) to integrate ESG factors into evolving research and analysis
- Encourage academic and other research on this theme
- Advocate ESG training for investment professionals

2. We will be active owners and incorporate ESG issues into our ownership policies and practices.

Possible actions:

- Develop and disclose an active ownership policy consistent with the Principles
- Exercise voting rights or monitor compliance with voting policy (if outsourced)
- Develop an engagement capability (either directly or through outsourcing)
- Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights)
- File shareholder resolutions consistent with long-term ESG considerations
- Engage with companies on ESG issues
- Participate in collaborative engagement initiatives
- Ask investment managers to undertake and report on ESG-related engagement

3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Possible actions:

- Ask for standardised reporting on ESG issues (using tools such as the Global Reporting Initiative)
- Ask for ESG issues to be integrated within annual financial reports
- Ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives (such as the UN Global Compact)
- Support shareholder initiatives and resolutions promoting ESG disclosure

4. We will promote acceptance and implementation of the Principles within the investment industry.

Possible actions:

- Include Principles-related requirements in requests for proposals (RFPs)

- Align investment mandates, monitoring procedures, performance indicators and incentive structures accordingly (for example, ensure investment management processes reflect long-term time horizons when appropriate)
- Communicate ESG expectations to investment service providers
- Revisit relationships with service providers that fail to meet ESG expectations
- Support the development of tools for benchmarking ESG integration
- Support regulatory or policy developments that enable implementation of the Principles

5. We will work together to enhance our effectiveness in implementing the Principles.

Possible actions:

- Support/participate in networks and information platforms to share tools, pool resources, and make use of investor reporting as a source of learning
- Collectively address relevant emerging issues
- Develop or support appropriate collaborative initiatives

6. We will each report on our activities and progress towards implementing the Principles.

Possible actions:

- Disclose how ESG issues are integrated within investment practices
- Disclose active ownership activities (voting, engagement, and/or policy dialogue)
- Disclose what is required from service providers in relation to the Principles
- Communicate with beneficiaries about ESG issues and the Principles
- Report on progress and/or achievements relating to the Principles using a 'Comply or Explain' approach
- Seek to determine the impact of the Principles
- Make use of reporting to raise awareness among a broader group of stakeholders

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.

Project Financing

IBK provides financial support to promote business activities that integrate social and environmental concerns and to build a sustainable future.



【 Project Financing Activities 】

IBK provides ongoing financial support to promote business activities that integrate social and environmental concerns and to build a sustainable future. We are seeking ways for greater participation in project financing, which includes discovering new overseas development projects and complying with global standards.

Project financing plays an important role in funding large-scale development projects in areas such as power generation, mining, petrochemical plants, and telecommunications infrastructure, whether they are pursued by the government or private corporations. Recently, social and environmental problems have surfaced in connection with large development projects carried out in developing countries. Such problems have direct and indirect implications for financial institutions that provide the funding. Accordingly, guidelines were drawn up in 2002 for financial institutions to verify whether a project is carried out in a manner that considers the social and ecological impacts on the relevant region.

The guidelines are known as the “Equator Principles.” They apply to project financing around the world that exceeds a certain level as stipulated in the principles. IBK has been a leader in financing private SOC projects in Korea. In 2006, the bank took part in preparing the domestic guidelines for environmental assessment in project finance, an endeavor led by the Ministry of Environment. We also have a keen interest in overseas development projects with a view to creating a sustainable future. Moving forward, IBK plans to take part in overseas project financing that weighs social and environmental factors, including compliance with the Equator Principles.

Project Financing

A method of raising funds for large scale projects with high risk. PF is a sophisticated financing method which is based on the economic viability of the project rather than the creditworthiness of the project owner or tangible collateral.

© Korea’s first oil field development fund

IBK launched Korea’s first oil field development fund in November 2006 as a part of the government’s initiative to raise energy self-development. The authorities’ target is to achieve a self-development ratio of 18% of domestic crude oil consumption by 2013.

First oil field development fund

Product name : Fund for Korean Development of Block 15-1 in Vietnam

Fund size : KRW 204 billion

Underlying asset : Rights to revenue from Block 15-1 in Vietnam

Fund duration : 5 years and 3 months

Sales plan : Public offering with an institutional to individual investor ratio of 40:60

The total amount of new investments needed to achieve the self-development target is estimated at USD 16.3 billion. About 10% of the required funds are set to be raised through the oil field development fund.

The underlying asset of the first oil field development fund is the rights to revenue from Block 15-1 in Vietnam, in which the Korea National Oil Corporation (KNOC) has a 14.25% stake. Profits from Block 15-1 will be distributed to the investors, while the money raised through the fund will be transferred to KNOC to be invested in new oil development projects.

The oil development fund represents a system that brings together policy considerations and private sector demand. To ensure its success, the fund must satisfy investors' expectations regarding stability, liquidity and return on investment. IBK plans to actively participate in overseas project financing that incorporates public interests and profitability such as overseas resource development. Regarding all project financing that we undertake, we will take the necessary steps to fulfill our social responsibilities and minimize risk through rigorous assessment of the social and environmental impacts on the affected regions.

© The Equator Principles

In June 2003, the International Finance Corporation (IFC) and global financial institutions unveiled the "Equator Principles." The principles recommend that for project financing around the world that exceeds USD 50 million, regardless of the nature of the project, funds should be invested in a socially responsible manner only in eco-friendly projects after assessing the environmental and social risk factors. At present, some 40 global financial institutions, including ABN AMRO and HSBC, have adopted the Equator Principles.

The International Finance Corporation

IFC is a member of the World Bank Group. It was founded in 1956 for the purpose of investing in private corporations of developing countries. IFC currently has some 170 member countries.

Main points of the Equator Principles

Review and Categorization

Based on criteria of the IFC, projects are classified into the following three categories: A - projects with potential significant adverse social or environmental impacts, B - projects with potential limited adverse social or environmental impacts, or C - project with minimal or no social or environmental impacts

Social and Environmental Assessment

For projects in category A or B pursuant to Principle 1, a social and environmental assessment should be conducted

Applicable Social and Environmental Standards

Selection of guidelines applicable to the project and major environmental and social issues to be managed

Action Plan and Management System

The borrower should prepare an action plan describing major actions taking into account the contents of Principles 1, 2 and 3.

Consultation and Disclosure

Consultation on the extent of the project's impacts by government, borrower or third-party expert including the project's expected duration, costs and facilities

Grievance Mechanism

For all Category A projects and, as appropriate, for Category B located in non-OECD countries or regions where the expected economic impact is low, disclose the risks and measures to address those risks and establish a grievance mechanism scaled to the potential risks

Independent Review

For all Category A projects and (as appropriate, for Category B projects), review of the assessment, action plan and consultation process documentation by a third-party expert designated by EPFIs (the Equator Principles Financial Institutions)

Credit Management

For loans extended to corporate borrowers, IBK uses lending criteria that factors in non-financial factors such as social and environmental issues in evaluating a company's credit worthiness.



【 Sustainable Credit Management Activities 】

For loans extended to corporate borrowers, IBK uses lending criteria that includes non-financial factors such as social and environmental issues in evaluating a company's credit worthiness. To prepare for the diverse potential risks related to asset management and lending activities, IBK will develop more sophisticated and sustainable credit assessment and management techniques to ensure that necessary safeguard measures are in place.

The public's awareness and demands regarding social and environmental issues are growing. Financial institutions which lend funds to the corporate sector recognize those issues as a risk factor. Banks in developed markets are already integrating ecological and social responsibilities in credit management. Risks previously not regarded are having an increasing effect on corporate activities. As a natural progression, financial institutions are looking for ways to identify and mitigate those risks before loans are granted.

IBK includes ethical and environmental considerations in the course of assessing investments and credit applications. In the case of loans to small- and mid-size enterprises (SMEs), we have formulated guidelines suited to the characteristics of the respective industries. For instance, a review is conducted on environmental regulations and other constraints. Additionally, the evaluation categories include acquisition of environmental certifications, labor-management relations, occurrence of accidents, working conditions and employee welfare.

IBK is exerting efforts to implement the UNEP Finance Initiative and is actively considering joining the UNEP FI. In addition, IBK will develop effective and sustainable credit management techniques that incorporate environmental and social risks to set up a mechanism to prepare for potential risks as well as a monitoring system for ongoing review of the risk factors.

© UNEP Finance Initiative

UNEP FI is a partnership of financial institutions and the United Nations set up in 1991 that is concerned with the financial sector's role in promoting sustainable development. The diverse activities of UNEP FI include integrating environmental issues in banks' credit management, sustainability management and reporting, water and soil pollution, and climate change. To encourage financial institutions to participate in sustainability management, UNEP FI also adopts and promotes statements, operates working groups and regional taskforce teams, and organizes roundtable meetings and conferences.

As of 2006, 161 financial institutions such as Citigroup and Deutsche Bank were signatories to the UNEP FI.



UNEP Statement by Financial Institutions on the Environment & Sustainable Development

We members of the financial services industry recognize that sustainable development depends upon a positive interaction between economic and social development, and environmental protection, to balance the interests of this and future generations. We further recognize that sustainable development is the collective responsibility of government, business, and individuals. We are committed to working cooperatively with these sectors within the framework of market mechanisms toward common environmental goals.

1. Commitment to Sustainable Development
 - 1.1 We regard sustainable development as a fundamental aspect of sound business management.
 - 1.2 We believe that sustainable development can best be achieved by allowing markets to work within an appropriate framework of cost-efficient regulations and economic instruments.
 - 1.3 We regard the financial services sector as an important contributor towards sustainable development, in association with other economic sectors.
 - 1.4 We recognize that sustainable development is a corporate commitment and an integral part of our pursuit of good corporate citizenship.
 2. Environmental Management and Financial Institutions
 - 2.1 We support the precautionary approach to environmental management, which strives to anticipate and prevent potential environmental degradation.
 - 2.2 We are committed to complying with local, national, and international environmental regulations applicable to our operations and business services. We will work towards integrating environmental considerations into our operations, asset management, and other business decisions, in all markets.
 - 2.3 We recognize that identifying and quantifying environmental risks should be part of the normal process of risk assessment and management, both in domestic and international operations. With regard to our customers, we regard compliance with applicable environmental regulations and the use of sound environmental practices as important factors in demonstrating effective corporate management.
 - 2.4 We will endeavor to pursue the best practice in environmental management, including energy efficiency, recycling and waste reduction. We will seek to form business relations with partners, suppliers, and subcontractors who follow similarly high environmental standards.
 - 2.5 We intend to update our practices periodically to incorporate relevant developments in environmental management. We encourage the industry to undertake research in these and related areas.
 - 2.6 We recognize the need to conduct internal environmental reviews on a periodic basis, and to measure our activities against our environmental goals.
 - 2.7 We encourage the financial services sector to develop products and services which will promote environmental protection.
 3. Public Awareness and Communication
 - 3.1 We recommend that financial institutions develop and publish a statement of their environmental policy and periodically report on the steps they have taken to promote integration of environmental considerations into their operations.
 - 3.2 We will share information with customers, as appropriate, so that they may strengthen their own capacity to reduce environmental risk and promote sustainable development.
 - 3.3 We will foster openness and dialogue relating to environmental matters with relevant audiences, including shareholders, employees, customers, governments, and the public.
 - 3.4 We ask the United Nations Environment Program (UNEP) to assist the industry to further the principles and goals of this Statement by providing, within its capacity, relevant information relating to sustainable development.
 - 3.5 We will encourage other financial institutions to support this Statement. We are committed to share with them our experiences and knowledge in order to extend best practices.
 - 3.6 We will work with UNEP periodically to review the success in implementing this Statement and will revise it as appropriate.
- We, the undersigned, endorse the principles set forth in the above statement and will endeavor to ensure that our policies and business actions promote the consideration of the environment and sustainable development.

New Markets & Products

IBK is developing new markets and products that reflect social issues to respond to the changing banking landscape and diverse customer needs



【 New Markets and Products Reflecting Social Issues 】

IBK is developing new markets and products that factor in environmental issues to respond to the changing banking landscape and diverse customer needs. In particular, we have introduced products that address such issues as the low birth rate, aging society, and social responsibilities towards foreign laborers. IBK also recognizes sustainable finance and renewable energy development, which are emerging as blue ocean markets across the globe, as the future growth engines. We plan to conduct employee training and research to develop new products related to those fields.

◎ Joy of Birth Savings - first savings product addressing the low birth rate

The Joy of Birth Savings was introduced in response to Korea's falling birth rate. The product aims to encourage people to have more children and satisfies the needs of a niche market. Prime rates are offered to holders of this deposit product depending on the number of children they have.

◎ 100-year Account - silver product for an aging society

The 100-year Account was launched to meet the needs of senior citizens. The product features include annuity payments or regular interest payments. Customers may also take advantage of services related to insurance and investment trust. Additionally, the 100-year Account provides assistance with respect to healthcare and funeral arrangements.

◎ Women's Era Account - meeting the needs of women in modern society

Women are playing an increasingly prominent role in the economy and society. The Women's Era Account is aimed at meeting the needs of women in modern society. Transactions for time deposit and installment savings can be made with a single account, resulting in greater convenience. Women's Era Account is drawing a warm response by addressing women's concerns such as health, child rearing, lifestyle, leisure, and wealth management.

◎ Korean Dream Account - serving the needs of foreign workers and international couples

The Korean Dream Account is designed for foreigners residing in Korea, whether they are here to work or have moved here after marrying a Korean national. It offers lower fees for ATM and e-banking services as well as a 50% reduction in fees for overseas remittance and foreign exchange transactions. In addition, the product offers casualty insurance services, in view of foreign workers' exposure to work-related risks and accidents. The interest rate on time deposits will be applied in the event of early cancellation of installment savings plans due to sudden departure from Korea or medical conditions.



48	Stakeholder Engagement	67	Suppliers
49	Customers	68	Community
56	Employees	76	Environment
66	Shareholders		

ACHIEVING SUSTAINABLE BALANCE

IBK recognizes the importance of forging healthy relationships built on trust with the various stakeholders. Balanced and continuing communication with our stakeholders and making improvements where necessary is an ongoing process at IBK.

Stakeholder Engagement

IBK carries out a wide range of activities and communicates continuously with our stakeholders to build trust and to create economic, environmental and social value.

【 Stakeholder Engagement 】

IBK carries out a wide range of activities and communicates continuously with our stakeholders to build trust and to create economic, environmental and social value. We will keep up our efforts to maintain the trust of our diverse stakeholders.

Definition of stakeholder



Benefits and value creation from stakeholder engagement

Stakeholder	Activity	Benefit	Goal
Customers (individual · corporate)	<ul style="list-style-type: none"> Provide differentiated service Enhance customer satisfaction Protect personal information Reflect customer feedback in company policy 	<ul style="list-style-type: none"> Enhanced customer satisfaction Increased customer loyalty Greater appeal to customers 	Economic value
Employees	<ul style="list-style-type: none"> Offer equal opportunity Enhance employee welfare Promote work-life balance Support career development Raise employee satisfaction 	<ul style="list-style-type: none"> Enhanced employee satisfaction Stronger employee loyalty Heightened employee engagement Lower hiring costs 	
Shareholders & investors	<ul style="list-style-type: none"> Hold shareholders' meetings Carry out IR activities Make disclosures 	<ul style="list-style-type: none"> Increase in corporate value 	Environmental value
Suppliers	<ul style="list-style-type: none"> Build partnerships Comply with integrity pact Offer safety education Raise supplier satisfaction 	<ul style="list-style-type: none"> Lower risk relating to supply chain management Reduced cost for supply chain management Greater social, environmental and ethical gains 	
Community	<ul style="list-style-type: none"> Engage in community initiatives Promote employee volunteer work Enhance SME welfare Develop products promoting public interests 	<ul style="list-style-type: none"> Enhanced corporate reputation Enhanced corporate image 	Social value
Environment	<ul style="list-style-type: none"> Reduce environmental costs Extend financial support for environmental improvement 	<ul style="list-style-type: none"> Fewer environmental pollutants Higher energy efficiency Less environmental risk 	

Customers

IBK practices customer satisfaction management in which the priority is on increasing customers' convenience and benefits.



【 Customer Satisfaction Management 】

IBK practices customer satisfaction management in which the priority is on increasing customers' convenience and benefits in conducting all business activities. Going beyond satisfying the customer, all of us at IBK are doing our best to leave a lasting impression on our clients.

◎ CS vision & strategy

Our Customer Satisfaction vision is to build a bank trusted by customers and respected by the public. We have been drawing up and implementing detailed CS strategies and targets every year. Our commitment to CS constitutes a part of our annual evaluation of management objectives, and our CS vision is reflected in setting our business goals.

Our target in 2006 was securing the most competitive CS in the industry. We drew up measures to attain that goal and expended efforts to provide the highest level of service quality. We will step up our activities to ensure that IBK customers receive competitive and fulfilling service



CS evaluation process

Stage 1

- Review previous year's CSI results
- Decide on importance of various customer demands
- Determine evaluation indicators for the current year

Stage 2

- Finalize CSI survey categories
- Finalize service survey categories
- Periodically measure service quality
- Analyze survey results and feedback

Stage 3

- Share service quality evaluation results
- Reflect in team evaluations
- Reflect in personnel decisions and promotions

Feedback

CS charter

All employees of IBK will act in the following manner to provide value beyond satisfaction for all of our customers.

Value

- Provide service that strongly encourages customers to recommend IBK.
- Provide special experiences for customers.

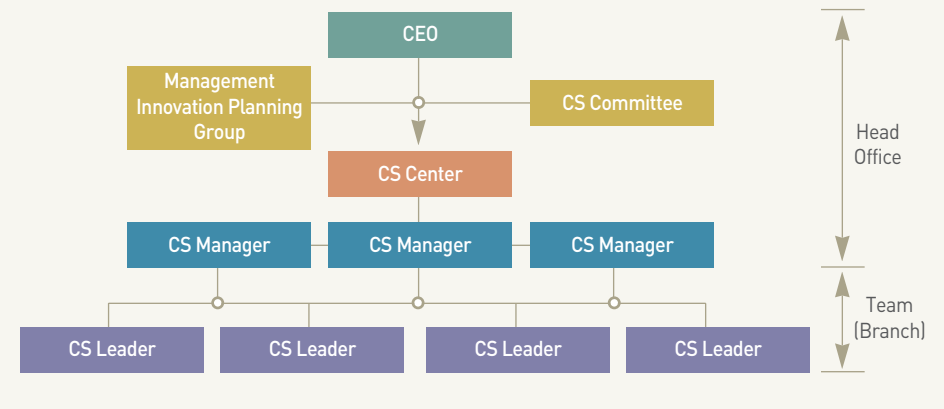
Expert

- Use customer benefit as the barometer in making all decisions. Provide products and services ahead of customer demand.

Support

- Provide necessary information to customers in an appropriate manner.
- Always support the customers.

CS organization



© CS charter

IBK became the first bank in Korea to adopt a customer satisfaction charter in 1997. The IBK Customer Charter showed our determination to develop as a leading bank that pursues customer satisfaction management. To reflect the rapidly changing banking environment and new customer needs, it was amended and renamed the Customer Service Charter in 2006. IBK will always pay notice to changes in customer needs and take steps to promote customer benefits and convenience.

© CS organization

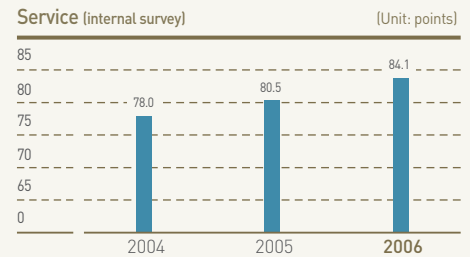
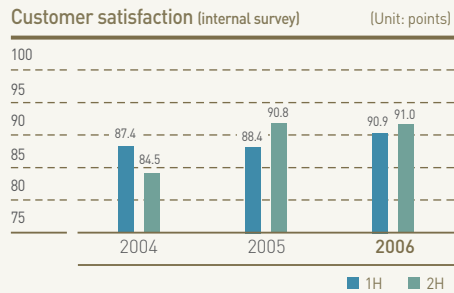
We have set up a bank-wide system of promoting customer satisfaction with bodies dedicated to CS management. At the center of this system are the CS Committee and CS Center. The CS Committee reports directly to the CEO and is the highest decision-making body concerning CS. It sets the overall direction of CS management at IBK.

The CS Center is responsible for planning and overseeing CS related activities, CS education and the CS system and process. At the branch level, CS leaders are entrusted with the role of enhancing customer service. The bank-wide system facilitates the sharing of CS values between the headquarters and branches and encourages employee participation.

© CS evaluation system

Awards are given to employees for excellence in CS based on fair and rational evaluations. CS assessment provides feedback that helps us make necessary improvements. The evaluation process plays a vital role in improving service levels and encouraging employees to partake in CS activities.

Customer satisfaction & service survey



◎ Customer satisfaction survey

Periodic customer satisfaction surveys, conducted internally and by outside organizations, are an integral part of our commitment to improve customer service. The survey findings are also incorporated in product development. IBK conducts CSI, service, and telephone manner surveys several times throughout a year to measure and assess service quality.

◎ CS certifications and awards

In November 2006, IBK received the grand prize at the 14th Korea Customer Satisfaction Management Awards presented by the Korea Management Association Consultants. In the same year, we also claimed the grand prize at the 4th Korea Service Satisfaction Awards for the third year in a row. We take pride in the fact that our excellence in CS has been acknowledged outside the bank. IBK is steadfastly committed to bettering services and satisfaction for our customers.

Major certificates & awards

2006 Korea Customer Satisfaction Management Awards

IBK received the grand prize at the 14th Korea Customer Satisfaction Management Awards presented by the Korea Management Association Consultants (KMAC) in November 2006. The award was given in recognition of the bank's role in spearheading customer satisfaction management. IBK will continue to implement customer satisfaction management to become a bank trusted by customers and respected by the public.

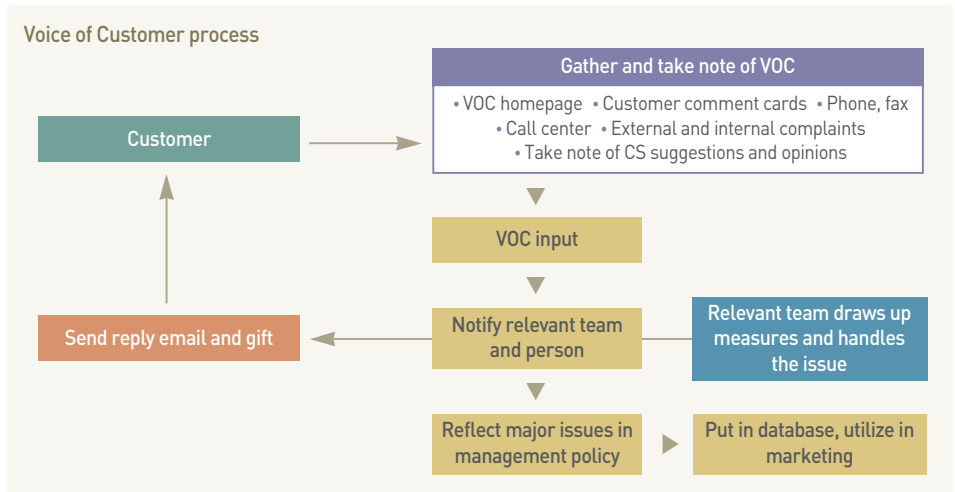
Excellent Service Quality Certification (telemarketing category)

In October 2006, IBK acquired the Excellent Service Quality certification (telemarketing category) given by the Ministry of Commerce, Industry and Energy. The certification is based on objective evaluation of service quality by a panel of experts in various fields. The certification system is aimed at bolstering competitiveness in the corporate sector.

2006 Korea Service Satisfaction Awards

In April 2006, IBK received the grand prize in the banking category at the 4th Korea Service Satisfaction Awards organized by Hankook Ilbo and sponsored by the Ministry of Commerce, Industry and Energy. IBK had also claimed the honor in the two previous years.





【 Customer Communication 】

IBK constantly pays attention to the opinions of customers through various channels. To ensure prompt response to new customer demands and grievances, we have adopted the Voice of Customer process, which is incorporated in our operations.

◎ Voice of Customer system

We receive customers' comments and suggestions through both the online and offline channels, all of which are reported to the relevant teams and departments as well as the CEO. In addition, customers' opinions are all compiled in IBK's knowledge management portal system. Customer opinions received via VOC are factored into improvement activities at the team level. In some instances, they are reflected in the company's overall management policy.

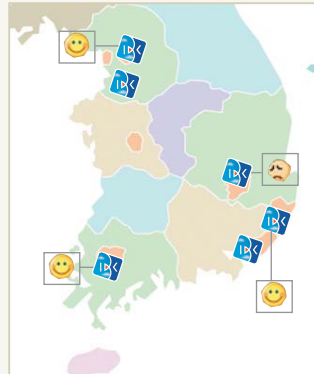
◎ VOC follow-up measures

IBK has also introduced VOC follow-up measures. Some of the customers' comments received via VOC could lead to customer complaints. The purpose of follow-up is to identify those factors so they may be eliminated or improved upon. The follow-up steps help us respond swiftly to grievances, raise awareness of problems among employees, and prevent them from recurring.

Guidelines for VOC follow-up

	Handling procedure	Follow-up
Branch	• Send email simultaneously to the branch head and relevant team head by email; responsibility of the branch head	• Conclusion after CS Center makes final confirmation with the customer that the problem is resolved
	• Simple matters	• Simple response given by the personnel in charge
Head quarters	• Matters that can be improved upon by the pertinent branch but requires follow-up	• Managed by the CS Center till conclusion
	• Matters that affect multiple departments, thus requiring inter-department cooperation and discussion	• After consultation with the relevant department, present to the CS Committee to derive improvement measures

Customer forecast



Customer forecast outline

Category	Condition	Description
☺	Clear	Zero complaint received per day
☹	Cloudy	One complaint received per day
☹☹	Rain · Snow	Two or more complaints received per day

◎ Customer forecast

The customer forecast was created to enable swift resolution of customer complaints. Grievances filed by customers are summarized, sorted by regional headquarters and posted on a real-time basis. As an early warning system, the customer forecast helps us enhance service and customer satisfaction. Depending on the number of complaints received each business day, the customer forecast (degree of satisfaction) is classified into three levels.



【 Differentiated Customer Service 】

The customer always comes first at IBK. We are constantly thinking of ways to provide differentiated value for our clients. We are doing everything in our power to develop services with the aim of creating happy customers.

◎ Mobile Bank

IBK provides a mobile service so that customers may conduct banking transactions even after office hours and without having to visit a branch. Our mobile bank service, U-IBK, provides services equivalent to those available at our smaller branch offices and complements our branch operations. The mobile bank is a vehicle that carries all necessary equipment and personnel. IBK brings its mobile service to wherever it is needed to provide a convenient means for customers to take care of their banking affairs.

◎ On-site consultation service

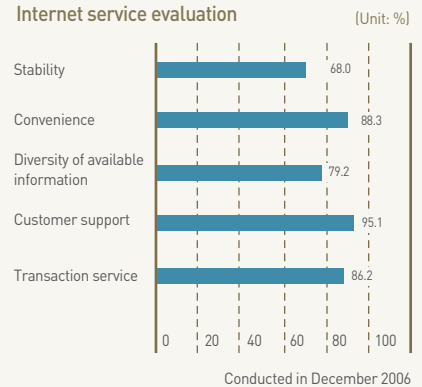
Patrons of Win Class, our private banking brand, can take advantage of our on-site consultation service. Our high-caliber private bankers visit the customer to provide consulting on wealth management upon the customer's request. Consultation is offered on various matters including those related to tax, legal affairs and real estate.



IBK ranks first in 2006 Internet banking service

IBK ranked first in the overall category in the Internet banking evaluation conducted by Stockpia in September and December of 2006. IBK was given high marks for its outstanding system and the wide range of services available following the recent overhaul. The bank was also recognized for services tailored to the user's preference and needs (e.g., the "financial product mall") and user-friendliness. IBK will make further efforts to offer Internet services that meet customer expectations.

Stockpia (<http://www.stockpia.co.kr>)



◎ Tax consulting service

IBK operates a tax consulting service to convey the image that IBK is the best bank to turn to for tax-related service. Tax accountants will visit the customer and provide free advice on a wide range of issues, from simple matters like filing tax returns to more complex subjects such as inheritance tax.

◎ Free overseas travel insurance

We offer free overseas travel insurance to customers conducting foreign exchange transactions. The insurance is available to people who purchase foreign currency or travelers checks worth USD300 or more through IBK's branches or Internet banking. Insurance coverage will depend on the transaction amount, with the maximum coverage being KRW500 million. The insurance covers medical expenses and compensation for disability or death caused by accident; cancellation, reduction or delay in trip; and delayed or lost baggage.

◎ Firewall service

A firewall service is available to special individual customers as acknowledged by the branch heads. It applies to installment savings and deferred deposits held by these customers. Registering and checking on the accounts as well as withdrawals are possible only at the branch where the firewall service application is made. The service protects against the risk of transaction by a third party and ensures secure financial dealings.

◎ e-more service

IBK has a range of electronic banking services for corporate customers that allow them to easily receive and manage their payments. For users, the services mean less time and cost spent on managing their finances. An example of convergence banking, these services also lower the risk of errors arising from cash transactions. IBK offers the e-more service which is customized for private educational institutes, as well as e-church and apartment e-banking service.



International certification relating to information security

ISO27001

In May 2006, IBK became the first Korean bank to acquire ISO27001 certification, which specifies standards for information security management system (ISMS). ISO27001 provides assurance to business partners, customers and others that the certified organization has implemented a system for the management of information security.



Domestic and international certification

IBK was the first financial institution in Korea to obtain all domestic and international certification relating to ISMS. In 2002, the bank acquired the BS7799 certificate. BS 7799 is a standard on ISMS published by the British Standards Institute (BSI). In 2005, IBK obtained ISMS certification given by the Korea Information Security Agency (KISA). KISA gives the certification to companies that meet its criteria for ISMS based on objective and independent assessment.



【 Protection of Customers' Personal Information 】

Various steps are taken at IBK to ensure secure financial transactions. We have implemented a personal information protection policy to ensure that a system is in place for the secure storage and management of customers' personal information. Additionally, we were the first bank in Korea to acquire ISO27001 certification.

◎ Adherence to personal information protection policy

IBK complies with stipulations on protection of personal information set forth in the Act on the Promotion of Information and Communications Network Utilization and Information Protection. We also abide by personal information protection guidelines established by the Ministry of Information and Communication. Moreover, IBK has formulated an internal policy on safeguarding personal information.

Under our internal policy, we collect a minimum amount of personal information needed to provide optimal service and accurate financial information, and manage the data to protect our customers. We also implement technological measures, such as the installation of intrusion detection systems, to ensure information security. Our internal security mechanism has been further strengthened with the adoption of a monitoring function and ongoing training for related personnel.

◎ ISMS certification

IBK has rigorous internal control measures to protect personal information. Our commitment is evident in our acquisition of international certification on information security management system. IBK pledges to continue doing all it can to ensure secure financial transactions.

Employees

Our professional development program strives to enhance both the market value of employees and overall bank competitiveness.



【 Professional Management 】

Our professional development program strives to enhance both the individual value of employees and overall bank competitiveness. IBK is committed to investing in and supporting professionals who have the creative capabilities to stay ahead of the rapidly changing business environment.

Our HR vision is focused on our professionals and guides us from the way we select IBK employees to how we support them in their efforts to further hone their expertise. We introduced a performance and development-oriented HR system upon which our HR vision and strategy are based. IBK will extend every effort to be recognized as a Great Bank with Great People.

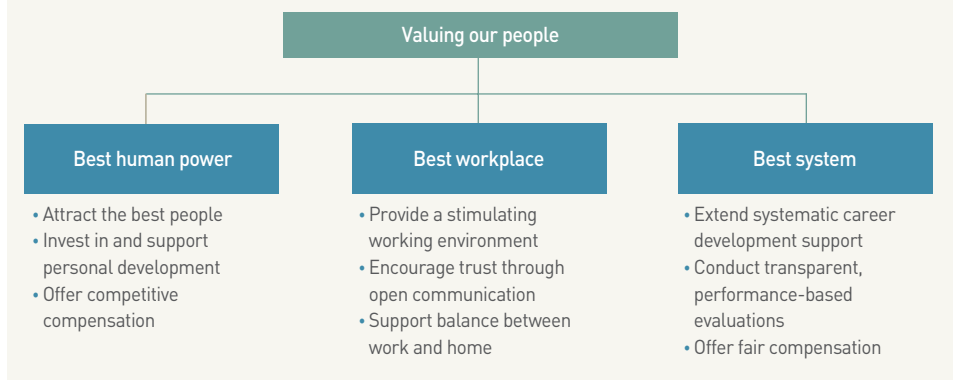
IBK professional

Great People : People with competitive skills who can move customers and create results



- Global Perspective : International mindset
- Responsible Attitude : Dependable
- Expert & Edge : Knowledgeable
- Achieving Challenge : Enterprising
- Top Performance : Creative

HR vision and strategy



© IBK Professional

IBK professionals are Great People. Great People are individuals with competitive skills who impress customers and create positive results for both themselves and the bank. Our goal is to foster experts with sound basic knowledge, innovative thinking and strong drive.



【 Employment 】

IBK has a non-discrimination employment policy. Women and men are treated equally, while our regional hiring quota relieves regional imbalance. We continue to make improvements to our treatment of non-regular employees in addition to the hiring of women and handicapped applicants.

◎ Current employee status

As of the end of September 2006, IBK retained a total of 8,752 employees. Of the total, non-regular workers comprised 26.7% or 2,334 employees. Our female workforce numbered 3,483 or 39.8% of the total. We are continuing to raise the profile of women inside the bank by increasing the ratio of women among new recruits and managerial appointments.

◎ Equal opportunity

The consideration of a candidate's gender, academic background and age has been eliminated from the IBK process of hiring new recruits. For the past two years, the ratio of female recruits has surpassed 50%. Additionally, the ratio of women in managerial-level promotions is also rapidly increasing, from 22% in 2004 to 39% in 2006.

IBK introduced a regional hiring quota in 2004 to provide greater opportunities for applicants outside the Seoul metropolitan area. The quota covered more than 10% of new recruits in 2004 and 20% in 2006. Forty-one handicapped persons were employed in 2006, comprising 0.5% of full-time employees. As this falls below the minimum 2% mandatory employment ratio of disabled persons, IBK plans to actively develop and publicize positions for the disabled, including telephone consultants and IT experts.

Improving non-regular employees' working conditions



● Job security

- Offer maximum employment period
- Extend employment for exemplary workers

● Incentive

- Convert to regular (full-time) employee status
- Expand bonus for exemplary workers

● Working conditions

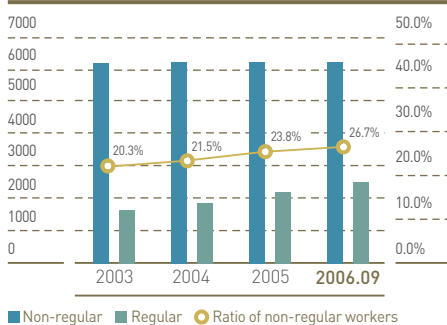
- Raise wages
- Differentiate wage levels according to employment period

◎ Employee compensation

IBK offers employees some of the most competitive wage and benefit programs in the banking industry. The wage level for an entry-level recruit is 425.1% of the minimum legal wage. We are also in the midst of converting our current single salary system based on seniority to enable compensation according to performance. There are no differences in the basic salaries of men and women at IBK which we believe will encourage employees to develop their potential to the fullest and promote a sound working environment.

Non-regular workers

(Unit: persons)



◎ Improving working conditions for non-regular workers

As of September 2006, more than a quarter (26.7% or 2,334 employees) of the total IBK workforce comprised non-regular workers. IBK is continuing to make efforts to improve working conditions and secure job stability for the growing number of contract employees for a win-win situation.

In 2005, we introduced a system enabling non-regular workers to convert to full-time status. In the first year, 17 exemplary contract workers were granted full-time employment. In 2006, the conversion rate was doubled from 5% to 10% or 37 employees. IBK plans to grant full-time positions to more non-regular workers with model performance and capabilities to provide them with job stability and increase the bank's own competitiveness.

Wage levels for new IBK recruits

(Unit: %)

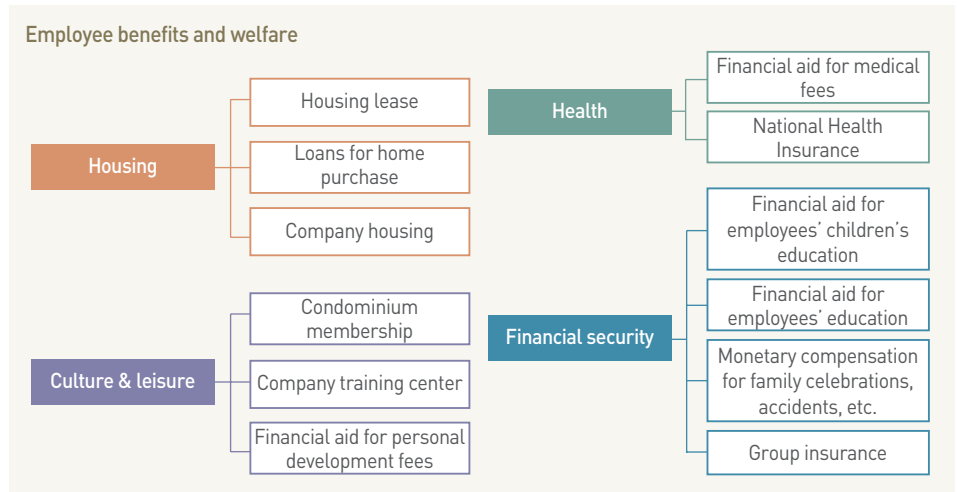
	2003	2004	2005	2006.09
Minimum wage	100	100	100	100
Wage for entry-level IBK recruits	412.0	427.0	425.1	425.1

Salary peak system

A form of work sharing which allows aged employees to work past a certain age for less than their peak salary.

Introduction of salary peak system

IBK extended its mandatory retirement age from 58 to 59 in 2005. We are also operating a salary peak system for employees approaching 55 years of age. This has increased job stability for employees and secured for the bank the valuable know-how of its most experienced workers.



【 Employee Benefits and Welfare 】

IBK offers employees a variety of benefits and welfare programs to provide an optimal working environment in which workers can focus on their duties with pride and passion.

◎ IBK benefit and welfare system

IBK is constantly searching for ways to provide a more fulfilling and stimulating work environment for its employees. We offer support for employees' health and job stability through the four major social insurance programs, namely National Health Insurance, National Pension, Employment Insurance and Industrial Accident Insurance. Various other programs are offered in the four areas of housing, financial security, health, and culture & leisure.

Work & Life Balance

WLB refers to the state when a worker feels he/she is doing well at both work and family life. The family-friendly WLB program is designed to encourage the formation of such balance.

◎ Work & Life Balance (WLB) program

We are well aware that a happy family life results in a more productive working atmosphere. Therefore IBK supports employees in achieving balance between their work and home. One initiative has been to designate every Wednesday as "Family Day."

IBK also hosts various events to be enjoyed by employees and their families. This allows families to spend quality time together and family members to feel included in the IBK community.

WLB program

Family Day

Every Wednesday, employees are encouraged to leave the office at 7 pm to have dinner with their families.

Diverse family-oriented programs

Annual events include the IBK Family Summer Camp, IBK Family Cultural Outing, Historical Outing to Andong Hahwe Village and IBK Children's Ski Class.

IBK paid-leave system			
	Content		Content
Annual paid leave	Employees who worked over 80% in previous year (15 days)	Special leave	Maternity leave (pre- or post-delivery), bonus leave, etc
Requested leave	Requested days off for family celebrations/funerals, etc.	Sabbatical leave	Employees over 40 yrs old who have worked at IBK for over 15 years (6 days per 10 years of employment)
Sick leave	When an employee cannot come to work due to illness or injury (60~120 days)	Substitute leave	Employees who worked on public holidays (set by the CEO)
Ordered leave	Applicable to employees in charge of operations with the risk of accidents (Once a year, at any time)	Official leave	For reasons including reserve forces training

◎ Paid-leave system

We offer a generous paid-leave system for employees to maintain a healthy balance between work and rest, and benefit from various paid-leave programs to recharge their batteries.

◎ Advanced participatory welfare system

As part of efforts to offer more competitive welfare and benefits, IBK is continuing to introduce newer, more advanced programs. Currently, we are pursuing the introduction of an employee shareholding plan to enhance the sense of ownership among employees, improve productivity and promote their welfare. Another plan in the works is the Cafeteria Benefits Plan which is aimed at improving employee satisfaction by encouraging direct participation and resolving discrepancies between benefits.

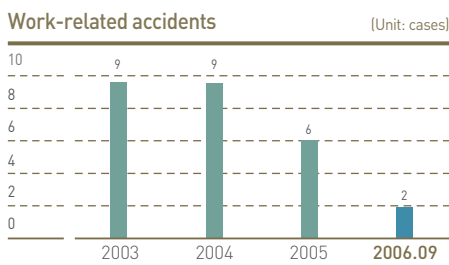
Advanced participatory welfare system

Employee shareholding plan A preset amount of the performance bonus budget is invested in the employee stock ownership plan to purchase company shares which are then distributed among employees.

Cafeteria Benefits Plan By consolidating support for the company benefits fund, the plan permits employees to select benefits from a selection of choices within a preset amount.

【 Employee Health and Safety 】

To ensure the health of our employees and prevent worksite accidents, IBK offers various programs to promote a comfortable and secure working environment.



◎ Medical check-ups

Valuing the health and well-being of our employees, IBK provides regular medical check-ups and medical fee assistance. Employees and their spouses receive comprehensive physical exams. Since 2006, check-ups have also been offered to non-regular workers and their spouses. Additionally, IBK extends its support through medical expense payments for employees' family members - a maximum of KRW 3 million for spouses, children and parents.

Employees managed by Joint Labor-Management Health & Safety Committee				(Unit: persons)
	2003	2004	2005	2006.09
Total no. of employees	8,056	8,178	8,480	8,752
Applicable employees	8,056	8,178	8,480	8,752
Ratio	100%	100%	100%	100%

No. and ratio of employees applicable for collective bargaining				(Unit: persons)
	2003	2004	2005	2006.09
Total no. of union members	5,079	5,013	5,067	5,072
Applicable employees	5,077	5,011	5,065	5,071
Ratio	99.9%	99.9%	99.9%	99.9%



◎ Employee health and safety

The Joint Labor-Management Health & Safety Committee oversees and regularly monitors IBK's health and safety programs. These efforts have resulted in a steady decrease of work-related accidents since 2003.

【 Labor-Management Relations 】

IBK is proud to maintain mutually cooperative labor-management ties. Joint efforts by both employees and management have created a secure working environment and formed the foundation for mutual growth. We are firmly committed to continuing the relationship of mutual respect between labor and management.

Constant efforts are being made to promote cooperative labor-management ties. These include holding regular labor-management workshops and events to share the bank's business goals and vision. The labor-management committee, working level committee and HQ department heads are regularly updated on related negotiations, policies and procedures as a form of monitoring.

IBK has a high collective bargaining rate: 99.9% of all union members. We will continue to do all we can to promote a cooperative and stable relationship between labor and management.

◎ New labor-management culture

We are laying the groundwork for a productive and cooperative culture of negotiation between labor and management. By focusing labor-management talks on improving productivity, negotiators are able to work together towards a common goal.

IBK also participates in advanced labor-management cultural activities including seminars and conferences. Informal exchanges are promoted through regular sporting events and other occasions to bring bank management and labor-related divisions together with union executives.



【 Education and Training 】

IBK operates an industry-leading on- and off-line education system which is supported by quality training facilities and infrastructure. We are also sparing no investments in developing our people's strengths.

We have adopted a personnel development strategy to increase competitiveness by allowing our employees to fulfill their potential. Our training and education programs are geared toward personal development in addition to greater market value and organizational progress.

IBK also supports various programs to nurture leadership and strategic skills in key personnel with global potential. By analyzing the needs of employees by job level and position to devise tailored training programs, we are able to produce optimal results. Investing in HR development is an area to which IBK remains firmly committed.

Personnel development strategy



- Foster ability to manage change and innovate thinking
- Improve work capabilities
- Nurture key personnel with global capabilities
- Develop management skills

Education program participants

(Unit: persons)

	2004	2005	2006
In-house education	43,443	68,744	105,796
Online training	38,905	56,120	89,132
Domestic study program	6,117	5,478	7,824
Overseas study program	508	1,127	808
Other	392	274	216

※ Participants in in-house education program and online training program overlap

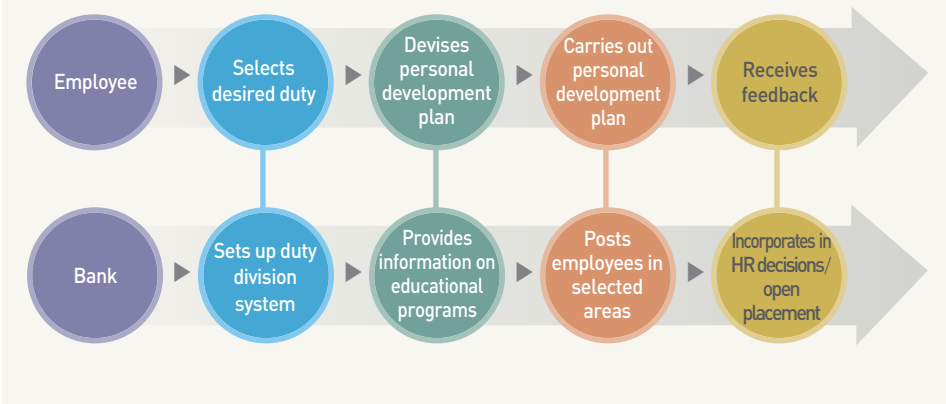
Career Development Program

A program in which each employee sets his/her own career goal and independently strives to develop skills and acquire certificates.

At the same time, the company extends advice or assistance while practicing timely personnel management to help employees improve their abilities.



IBK PRO-WAY process



© IBK PRO-WAY

The IBK PRO-WAY is designed to cultivate industry-leading financial experts and is applicable to all employees. It is a career development program led by the employees centering on their desired duties. By reflecting each employee's abilities and career plans, the program aims to create the best experts in each sector. Through IBK PRO-WAY, employees take the initiative in selecting the job duty that best complements their characters and aptitudes, resulting in improved self-value.

© In-house education program

Our education programs are tailored to meet the needs of our employees. The in-house programs not only include duty-related courses, but also training programs outside of normal working hours that focus on developing proficiency in languages or other relevant skills. We also offer more than 300 educational programs online to overcome time and spatial constraints.

In-house education program In 2006, IBK introduced a customized, in-house education program to satisfy the diverse education needs of employees. The program offers a wide variety of courses including those related to their job responsibilities, languages (English, Chinese) and finance-related certificates. All courses take place outside of normal business hours.

Cyber education center Employees can take advantage of our cyber education center to enjoy training programs at the time and location of their convenience. The online center upgraded its job duty related courses so that course takers can apply the knowledge they learned immediately in their daily duties.

Support for domestic/overseas MBA programs

	Contents
Overseas	Cornell University, Michigan State University, University of Washington, University of Iowa, University of Illinois, Thunderbird University, Indiana University, London Business School, University of Birmingham, University of Cologne, Waseda University, China University of Political Science and Law, University of Helsinki
Domestic	KAIST, KDI, etc

© Domestic/overseas study programs

IBK supports key personnel to continue their education at local and overseas institutions. Additionally, the bank selects employees from a pool of recommendations every year for MBA programs at Korean universities including KAIST and KDI, or renowned overseas institutions such as Cornell University and Michigan State University. All employees are also eligible for the overseas cultural experience training program.

Fine Life Plan



- **Outplacement** : Support efforts to start a business or find another job according to personal capability or aptitude
- **Fine Life Plan workshop** : Job re-invention
- **Certificate acquisition process** : Support efforts to acquire various certificates

◎ Fine Life Plan

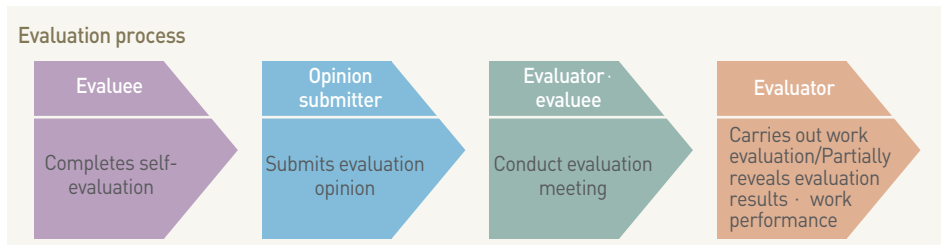
The Fine Life Plan is designed for employees facing retirement or a career switch who have made exemplary contributions to the bank's growth and development. The Fine Life Plan provides useful advice and know-how for these valuable personnel to successfully embark on their new careers. The plan has proved to be useful in easing concerns among employees nearing retirement and in opening the door to a greater range of opportunities.

【 Fair Evaluation and Compensation 】

We are continuously upgrading our HR system to provide fair evaluation and compensation. IBK is committed to improving transparency in personnel evaluations and receptiveness by employees.

◎ Comprehensive performance evaluation

Through self-evaluations and interviews with evaluators during the performance evaluation process, employees benefit from greater transparency and are more willing to accept their evaluation results. Additionally, we expanded the scope of employees undergoing evaluation from branch office managerial positions to all employees, greatly increasing the role and interest of individual employees in improving business performance.



◎ HR mileage program

The HR mileage program measures the performance and capabilities of branch and department heads according to pre-set standards and indices. Mileage points are awarded depending on the importance of the evaluation index, which are then used to reward those showing exemplary performance. There are two varieties of mileage points, accumulative and redeemable, awarded for important business areas including comprehensive evaluation of results, loss ratio, back-office deployment, disciplinary measures and management ability.

◎ Performance-based rewards and diversified reward categories

Management evaluation results are directly linked to rewards. IBK is also increasing performance-based rewards by selecting the best department/branch manager, team leader and team member of the year. Additionally, rewards are categorized into seven different levels for increased value. Aside from recognizing work-related achievements in customer satisfaction and ethical management, rewards are also provided in the areas of social works and knowledge management.

【 Open Communication 】

IBK promotes diverse channels of communications to foster an open corporate culture and listen to the opinions of employees. We are also striving to reflect employee opinions in the way we do business through a monitoring system.

◎ Mentoring system

IBK adopted a mentoring system to promote a healthy corporate culture and improve operational abilities. We initially introduced a program pairing new employees with senior ranking personnel to ease their transition into the bank.

In April 2006, a new program was introduced for “reverse mentoring.” Senior executives, department heads and team leaders learn new skills and discover fresh ideas from new recruits. Such activities are playing a major role in invigorating the IBK culture and inspiring our people.



◎ Youth BOD

Our Youth BOD was created to collect ideas from the frontline workers concerning general management and development measures. The youngest members of our organization are encouraged to submit fresh ideas gained from their experience in the field. Those with the best ideas for improving management and the IBK organization are duly rewarded. The Youth BOD convenes regularly each quarter and holds special meetings when pressing management issues require their input.



◎ Employee survey

Every quarter, employees at all branches take part in an employee survey. The survey asks for recommendations to improve internal customer service, information on employees who disrupt or improve teamwork, employee grievances and recommendations. Through a special inspection on the survey results, employees who show exemplary behavior or improvements are provided with feedback or are shown special consideration in personnel decisions.

◎ Employee grievances and opinions

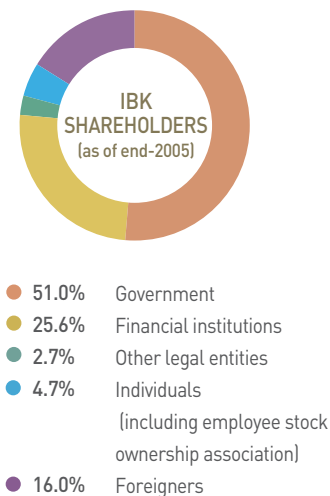
Our “Grievance Committee” under the HR Development Department handles employee grievances and complaints on personnel decisions, welfare, health and safety issues among others. Employees can also voice their opinions on the “HR Bulletin Board” in our in-house Intranet system.

Shareholders

We are working to improve management transparency by disclosing relevant information in an accurate and timely manner to update our shareholders on our business status.



IBK ownership structure



【 Shareholder Communication 】

We recognize that it is critical to communicate with shareholders. To this end, IBK is working to improve management transparency and disclose relevant information to our shareholders in an accurate and timely manner.

◎ Shareholders' meeting

IBK held its 45th regular shareholders' meeting at the bank headquarters in March 2006. The meeting serves as a two-way communication channel between the bank and shareholders. IBK shares its business results and operational status with shareholders, while shareholders can have their opinions reflected in bank management. We also post updates on the results of the shareholders' meetings and other management issues on our homepage and through disclosures.

【 IR Activities 】

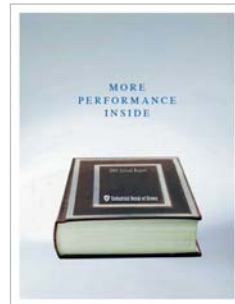
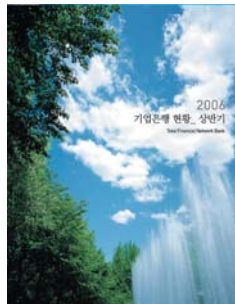
Our IR activities are aimed at providing speedy and precise information to our shareholders and investors. We align our interests with those of our stakeholders to secure the market's trust and enhance shareholder value.

◎ Domestic/overseas IR activities

We undertake a diverse range of IR activities, with active involvement by the CEO. Since 2004, IBK has held quarterly earnings conferences and half-yearly overseas IR conferences in the Americas, Europe and Asia. We also regularly attend major international conferences in addition to those hosted by domestic and foreign securities firms. Other activities include meetings with market experts and analysts.

◎ Disclosures

IBK provides various data on its homepage and other sources regarding quarterly earnings, financial information, press releases and ethical management. We also disclose quarterly business reports, annual reports and updates on our operational status. IBK will continue to expand the channels of disclosure on management information and make them more useful to our shareholders and investors.



IR information

<http://www.ibk.co.kr/finebank/ir/>

Suppliers

We will do our utmost to build a relationship of trust with our suppliers and practice fair trade.



【 Fair Trade Practices 】

We, at IBK, believe mutual cooperation with suppliers inspires high-quality service and new value creation. We will do our utmost to build a relationship of trust with our suppliers and practice fair trade.



◎ Building healthy relationships with suppliers

IBK places high value on fair transactions and integrity to build a healthy relationship with our suppliers. These standards are set out in our Code of Conduct to ensure that all our suppliers are aware of our expectation that they conduct business with integrity and respect. Suppliers are carefully selected under the company's registration review program and are subjected to an annual evaluation.

We were the first in the banking sector to introduce an electronic bidding system as part of efforts to raise efficiency and transparency. In addition, we conduct periodic supplier surveys designed to enhance their satisfaction. We remain committed to practicing fair trade through implementation of an e-purchasing system which manages procurement related works such as placing orders and billing online.

◎ Environmental and social value creation through partnership

IBK is partnering with our suppliers to create environmental and social value, aimed at improving mutual benefits. We support the socially disadvantaged through schemes like incorporating a payment policy for the disabled, SMEs and local suppliers in our supply contract procedures.

To reflect growing public interest in environmental protection such as enactment of the Green Procurement Law, we launched eco-friendly initiatives including purchasing products with the E-Mark or GR (Good Recycling) Mark. In addition to offering regular training to our business partners on quality improvement, safety management and integrity pact compliance, we work closely with our suppliers during national emergencies to provide flood relief and other support.

Community

IBK supports our communities through extensive corporate citizenship initiatives.



Basic direction for IBK Corporate Citizenship



【 Community Initiatives 】

IBK is involved in a wide range of community initiatives to fulfill our role as a good corporate citizen. As a specialist in SME banking, we focus on programs tailored to benefit SMEs and their families.

Growing emphasis on corporate social responsibility and the public role of the banking sector are making greater demands on companies to give back to society. In light of rising social expectations, IBK is more committed than ever to making a positive impact on our communities. We firmly believe our actions will strengthen our image as a reliable and trustworthy bank. Our corporate citizenship programs focus on three key areas - SMEs, the socially disadvantaged and local communities - with the traditional value of mutual prosperity as our guiding spirit.

Reflecting the global trend in social contribution works, we are shifting our approach from the charity-based, giving initiatives to more action-oriented strategic programs. To that end, our programs are divided into two categories - specialized social contribution activities supporting SMEs and their families, and initiatives promoting involvement of all IBK employees.

In order to serve society and the nation as a responsible corporate citizen, we have declared October 4 as "Volunteer Day." We also plan to give back more than 1% of our annual net income to our communities. As we move forward, we will continue to make meaningful contributions through long-term community building programs.

Major activities by IBK volunteer clubs

Volunteer club	Activities
Christian Mission Club	Composed of Christian employees, the club supports and volunteers at Yonsei University's Severance Hospital
Dasarang-hoe	Composed of 112 former and current employees of Information Development Dept., members donate their time at welfare centers for the disabled
Love Hwিয়েong-dong Volunteer Club	Composed of Hwিয়েong-dong branch employees and 15 of its customers, the club supports elderly people living alone and underprivileged youth in the neighborhood
Daegyeong Hanmaeum Volunteer Club-	Composed of 50 employees at Daegu, Gyeongsangbuk-do HQ, the club takes part in various community projects, relief works and environmental protection initiatives
Hanmaeum	Composed of 30 employees of Information Development Dept., club members volunteer at orphanages near Suji IT center at least once a month
IBK Cheongsarang-hoe	Composed of 83 employees of 6 branches under central regional HQ, the club carries out various works such as clean-up efforts to protect Cheonggye Stream
IBK Customer Center Volunteer Club	Composed of 30 IBK customer center employees, the club supports a home for people with cerebral palsy

Composition of IBK Volunteer Group



【 Creating a Beautiful Society through Engagement and Sharing 】

At IBK, we are striving to create a beautiful society through active involvement by our employees who share the spirit of giving.

© IBK Volunteer Group

In June 2004, we launched the “IBK Volunteer Group” to encourage employees to voluntarily engage in local community works. The Volunteer Group is comprised of two sub-organizations. One is the IBK Volunteer Corp made up of over 8,000 IBK employees and retirees. It is led by the bank CEO. The other is composed of IBK volunteer clubs, numbering 28 as at end-December 2006, that engage in a wide range of community service activities. IBK provides funding and other support to these clubs such as space on the bank Intranet in recognition of their endeavors.

In 2006, the bank declared every October 4 as “Volunteer Day,” a bank-wide campaign to stress the importance of volunteerism. On that day, IBK branches across the country mobilize volunteers to serve local communities.

IBK also operates a bulletin board on its webpage where employees can post and share stories of their volunteering experiences. We believe the most effective resource we have for carrying out our commitment to society is our employees.

To that end, we plan to further strengthen employee volunteerism in 2007 by introducing an employee volunteer certification system.



Volunteering on Volunteer Day



Make Kimchi Campaign



Deliver Briquette Campaign



Supporting social welfare centers



Flood relief work



Volunteer Day

IBK proclaimed every October 4 as “Volunteer Day” and committed to donate more than 1% of its annual net income to various social contribution programs. At the kick-off event on October 4, 2006, the CEO and employees visited a nursing home, delivering gifts and comforting the elderly without families ahead of the Chuseok holidays. To attain our vision of “a bank that grows with society,” we will continue to make meaningful contributions by taking part in volunteer works.

© Sharing with our neighbors

With active support from the bank, the Volunteer Group has always been at the forefront of helping our neighbors in need, inspiring hope and warmth in our communities. With an open heart, we will be a dedicated advocate for the underprivileged and their causes.

Make kimchi campaign

Every year, IBK conducts the “Make Kimchi Campaign.” On November 30, 2006, IBK employees joined hands with outside volunteers to make 2,000 heads of kimchi at Urak Welfare Center in Seoul’s Junggu district. The kimchi was then delivered to the elderly living alone, children-headed households, and low-income, single-parent families. The annual event is aimed at spreading love and encouragement to our isolated neighbors by providing the staple Korean dish.

Deliver Briquette Campaign

Every year, IBK branches across the country set up a network to help keep our underprivileged neighbors warm during the winter cold. On November 28, 2006, we delivered 30,000 pieces of briquette coals and 100 sacks of rice to the elderly living alone, children-headed households, and low-income, single-parent families in Ahyeon-dong, Mapo district in Seoul. Some 70 IBK employees took part in the Deliver Briquette Campaign and donated their time to personally deliver briquettes to each household. IBK plans to increase the number of such events that promote employee involvement.

Supporting social welfare centers

IBK supports various social welfare centers including orphanages, homes for the mentally challenged, nursing homes, children-headed households, foster homes and halfway houses. As of the end of 2006, the bank is supporting some 70 non-profit organizations as part of ongoing efforts to give back to society and to extend a helping hand.

Flood relief

IBK employees respond swiftly and generously in times of natural and man-made disasters. In July 2006, fifty volunteers were immediately dispatched to flood-stricken Yangpyeong-2dong in Seoul to help with relief efforts. The bank also took various rebuilding initiatives designed to support our SME customers. We will always be a dependable friend to our neighbors and SMEs in need.

Blood drive



Blood drive

IBK has been organizing a bank-wide blood drive twice a year since 1992 in partnership with the Korean Red Cross. The campaign is aimed at alleviating the acute shortage in blood reserves and promoting awareness of the importance of blood donations. In 2006, all IBK employees donated blood and volunteered their time to publicize the campaign held November 15 to 24 at the Seoul head office and regional headquarters across the country. Giving blood is a simple way to help save a life and make a difference in our communities.

Free surgery for children with heart disease



◎ Building dreams for future generations

We are very much invested in building a better future for our children. We support various programs aimed at nurturing dreams and providing opportunities to our youth. They include free surgery for children with heart disease, inviting children from remote villages to visit Seoul, and teaching basic economic principles.

Field trip for children in remote villages



Free surgery for children with heart disease

IBK is helping children with heart problems who are unable to receive surgery due to financial reasons. We entered into an agreement with the Community Chest of Korea in July 2005 and donated KRW 300 million to support free surgeries. The money was raised through a matching grant called “IBK Share Love Fund” that matches employee donations with bank contributions.

Teaching basic economics to children



Field trip to Seoul

We have been an active partner of the program inviting children from remote villages and islands to Seoul to give these children a chance to broaden their horizon. In May 2006, we invited 32 children from Dochon Elementary School in Yanggu-gun, Gwangwon-do. The field trip offered them an opportunity to experience how the bank operates and tour the major attractions around the capital city.

Economy class for children

IBK teaches basic economics to children every month to educate them about basic economic principles and banking related policies and systems. The program is open to young boys and girls to enhance their understanding of everyday economic situations and principles as well as to promote smarter spending. IBK will continue to invest in our children to give them access to a better future.



Learning program for children from single-parent families



Education program for children from low-income, single-parent families

IBK is supporting an education program for children from low-income, single parent families with KRW 200 million raised through “IBK Share Love Fund” in partnership with the Community Chest of Korea. The project provides after school learning programs for these children who are often left on their own without any adult supervision.

© Building a network to spread the spirit of sharing

We have joined hands with local communities to help out during the busy farming season, protect the environment and address other social needs. We hope to spread the spirit of sharing by extending a helping hand to more people in need.

One Company for One Village movement



One Company for One Village Movement

IBK forged sister ties with the Jeongdang1-ri village in Anmyeon-eup Taean-gun, Chungcheong-do. Every year, we offer assistance during the planting and harvest times when farms face a labor shortage. On June 14, 2006, fifty IBK employees including the CEO all pitched in and worked in the fields of Jeongdang1-ri. We are confident that our mission to make meaningful contributions in our communities will continue to bring about a positive difference.

One Company, One Mountain Preservation Campaign



One Company, One Mountain Preservation Campaign

On November 17, 2006, IBK held the One Company, One Mountain Preservation Campaign in Mt. Bukhan in Seoul. On the day, IBK volunteers and 30 college students enlisted as IBK PR ambassadors collected trash, cleaned up various trail signs and helped promote fire prevention. As an active supporter of One Company, One Mountain campaign since 1993, we will continue our efforts to leave a cleaner and greener environment to our children.

◎ Other contributions

As a part of our commitment to society, we have pledged to contribute more than 1% of our annual net income to various social endeavors. In 2006 alone, we donated a total of KRW 10.2 billion to programs aimed at advancing local communities and helping our disadvantaged neighbors. We will continue to expand our reach by increasing our community initiatives and contributions.

Share Love Fundraising

The “IBK Share Love Fund” began as a campaign to help our colleagues in need in March 1976. Now, it has grown into the bank’s major social contribution program in which employees donate a certain amount from their monthly salaries. The bank donates a sum equivalent to the employees’ contributions through a matching grant. The money raised is used to help treat children with rare diseases and support learning programs for children of low-income, single-parent families.

Funding for collateral-free micro-credit banking

We support credit restoration efforts to help ease the polarization in Korean society. IBK has donated KRW 2 billion to fund the Credit Counseling and Recovery Service’s collateral-free micro-credit banking.

Giving to the Red Cross

On March 31, 2006, we became the first in the financial industry to sign an agreement with the Korean Red Cross to make regular contributions. Under the agreement, the headquarters will pay the Red Cross membership fee collectively. Previously, the fee was paid at random intervals by each branch. In addition, IBK provided KRW 90 million in a special grant to the organization.

Social contribution events

IBK sponsors community events and supports the building of related infrastructure. We support Junior Achievement Korea, a non-profit organization dedicated to educating basic economics principles to teenagers. We also sponsor MBC (Munwha Broadcasting Company)’s Social Contribution Award, which encourages and rewards the volunteer spirit of individuals and groups.

Signing ceremony with the Korean Red Cross



【 Supporting SMEs and Their Families 】

IBK supports programs that address the needs of small- and medium-sized enterprises to enhance their competitiveness and improve their welfare. We will always remain a reliable friend to SMEs and their families.

◎ IBK Welfare Foundation

On March 30, 2006, we set up the IBK Welfare Foundation to improve the lives of SME workers and their families. The foundation has invested more than KRW 4 billion to focus on the health and education of children of SME workers.

Medical support for children with rare diseases

Since July 26, 2006, the IBK Welfare Foundation has been offering medical support for children suffering from rare diseases or conditions that can be treated with surgery such as cancer, heart disease, corneal anomalies and spinal disorders. Those eligible for the assistance are children of SME employees who are under the age of 18. As of the end of December 2006, we helped save the lives of 49 children, providing KRW 233 million for their surgeries. We also delivered a letter of intent to grant KRW 20 million to two children who will undergo heart surgery.

1st grant to treat rare diseases



Scholarship for children of SME workers



Launching of One Employee, One Company Volunteer Campaign



Scholarship program

We grant scholarships to children of SME employees to inspire hope and courage. On September 28, 2006, we awarded KRW 149 million to 201 students - 119 college students and 82 high school students - who became the first recipients of our scholarship program. Each college student received a maximum of KRW 1 million and high school student, KRW 500,000.

◎ One Employee, One Company Volunteer Campaign

On March 2, 2006, we launched the “One Employee, One Company Volunteer Campaign.” The campaign is designed to provide around-the-clock business consulting services to our SME clients on banking, tax and legal matters. Under the program, one employee becomes a mentor to a company and provides services such as offering information on manufacturing and sales, guiding them through loan procedures and providing legal services. IBK personnel also listens to difficulties the SMEs face and any suggestions they may have. Each employee serving as a mentor collects the information to use them in enhancing customer service.

Currently, some 1,200 employees take part in the campaign. We plan to develop it into a full-scale mentorship program, offering practical help to SMEs that lack sufficient information and professional knowledge.

【 Public Interest Products to Advance Local Communities 】

IBK develops various products that serve the public interest in an effort to give back to society. We especially focus on promoting a balanced perspective on history and advancing local communities.

◎ Protect Goguryeo Savings

In the wake of controversy surrounding China's distortion of Goguryeo history, IBK developed an innovative product, the "Protect Goguryeo Savings." Designed to support research into and promotion of the history of Goguryeo, the product also helps raise public awareness in China's attempt to distort history. Profits arising from the product go towards education, promotion and research of the ancient kingdom.

◎ Dokdo Savings

In March 2005, when tension was high between Korea and Japan due to the territorial dispute over Dokdo islets, IBK launched "Dokdo Savings," the first ever such product in the banking industry. It was an instant hit, attracting KRW 1,000 billion just 15 days after its launch. IBK makes an advance contribution that is equivalent to 2% of after-tax interest customers receives upon maturity. The money is used to sponsor various Dokdo related groups and cultural events. In addition, the bank organizes events to raise interest in the islets among the product holders.

◎ My Community, My Strength Savings

IBK contributes a percentage of money deposited in "My Community, My Strength Savings" to support local communities. The bank donates an amount equal to 0.1% of the annual average balance in the accounts to various social initiatives. In addition, if the heads of local government agencies or civic groups and members of local congress opens the savings account, the bank donates an additional 0.5% of the annual average balance.

The product not only raises money to advance local communities but provides prime rates and encourages a sense of unity among customers in the community they live in. We plan to develop more innovative products that allow us to foster stronger ties with residents of local communities.



Environment

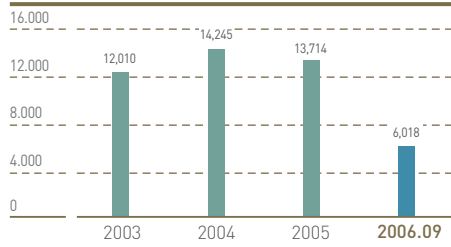
IBK is making continued efforts to cut environmental costs by raising energy efficiency and conserving resources.



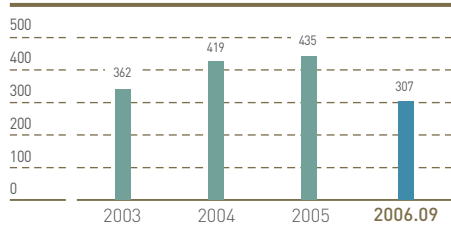
【 Promoting Sustainable Development 】

IBK is dedicated to ensuring sustainable development through continued efforts to cut environmental costs via efficient use of energy and resource conservation.

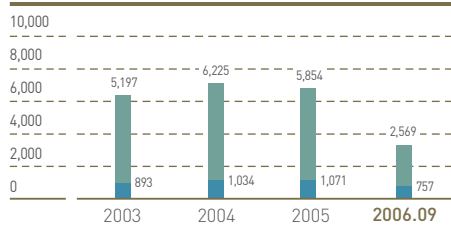
Energy consumption (Unit: MWh)



LNG consumption (Unit: thousand m³)



CO₂ emission (Unit: ton)



■ Indirect emission from electricity use
■ Direct emission from LNG use

◎ Energy

In accordance with policies to conserve energy in the public sector, IBK has been committed to promoting responsible and cost-effective use of energy. We are dedicated to reducing energy use by improving energy efficiency of our head office and branches across the nation. In 2005, our electricity consumption declined by 3.7% from the previous year to 13,714MWh. On the other hand, the use of cost effective LNG increased to 435,000 m³, up by 3.7% from 2004.

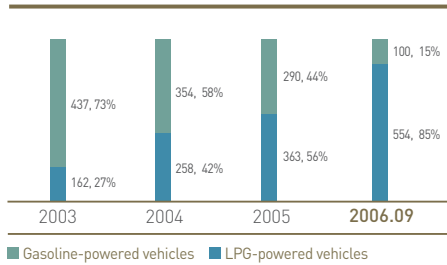
We are always looking for innovative solutions to curb energy use. Opting for highly efficient, energy-saving equipment during building renovations or equipment changes is one way in which we practice energy conservation.

We have made notable strides in minimizing environmental impacts through everyday actions as well. They include turning off lights except during work hours, operating elevators divided into lower and higher floors, and maintaining appropriate temperatures during the summer (average 26°C) and winter (average 20°C).

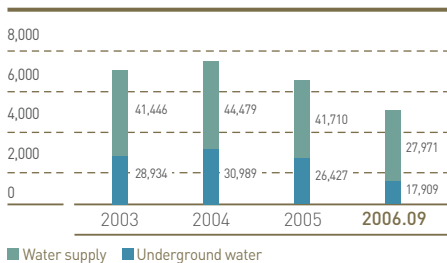
◎ Energy use and global warming

At IBK, we are fully aware of the consequences of excessive energy consumption. The vast emissions of carbon dioxide from energy use lead to global warming; therefore, when we save energy, we fight global warming. In 2005, IBK's CO₂ emission from energy use amounted to 6,925 tons, down 4.6% from 2004.

Company vehicles



Water usage

(Unit: m³)

◎ Transportation

To cut car emissions, a major factor in air pollution, we have been increasing the ratio of low pollutant vehicles for company use. As of September of 2006, the percentage of LPG vehicles increased 29%p from the end of 2005 to account for 85% of total vehicles. We plan to continue raising the ratio.

◎ Water

To reduce water use in our buildings, we make sure all toilets and faucets are installed with water saving devices. In 2005, our use of water dropped 9.7% from the previous year to 68,137m³. We are also making efforts to reduce use of underground water, which has a significant impact on water resources. In 2005, the ratio of underground water usage accounted for 39%, down 2%p from the previous year.

【 Promoting the Recycling Industry and Environmental Protection among SMEs 】

IBK is offering a wide range of banking products and services in order to advance the recycling industry and promote environmental protection at the SME level. We also provide grants to enable SMEs to meet domestic and international environmental laws and regulations.

◎ Eco-friendly industry foundation development fund

We have introduced the “Eco-friendly industry foundation development fund” which is available to eligible companies, unions and industrial complexes. To be eligible, they must fulfill the following requirements: SMEs that received loan recommendations from either the Korea Association of Machinery Industry or Small Business Corporation with an interest in pursuing development of eco-friendly industry infrastructure, producing recycling products and/or environmental equipments and installing clean manufacturing facilities or other machinery to protect the environment.

◎ Environmental improvement loan

In order to prevent air and water pollution and tackle noise pollution problems, we offer the environmental improvement loan to support facility installation and technology development. This is a policy loan extended to companies that are recommended by the Environmental Management Corporation.

◎ Loan to promote the recycling industry

We offer the “Recycling industry development loan,” a policy loan granted to SMEs with an interest in conserving resources and promoting the recycling industry. The companies must receive a recommendation from the Korea Environment and Resources Corporation to be eligible for the loan.

Third Party Opinion



Amid the growing voice for greater transparency and responsibility in the financial industry, we believe that IBK's decision to reorganize its CI and introduce corporate sustainability management was an appropriate and timely choice. This is especially true considering how IBK has grown as a bank specializing in SMEs and is now leading the industry with its initiative in sustainable development. If IBK delivers on its commitment to sustainable development as outlined in this Sustainability Report, we are certain that the bank's efforts in innovation and creation management will translate into real, tangible results along with value enhancement. We offer the following five suggestions for IBK to successfully incorporate corporate sustainability management into the way it does business.

First, IBK must pursue sustainability from a strategic viewpoint. corporate sustainability management cannot be expected to produce any results if approached as an add-on program to existing management activities. The two must first be integrated to create any visible results. This requires forming common ground on corporate sustainability management among all employees, including the CEO, incorporating a corporate sustainability management strategy into all bank divisions, and establishing an organizational infrastructure to oversee bank-wide corporate sustainability management activities. Over the long-term, corporate sustainability management must also be incorporated into the evaluation and compensation process to become a fundamental element of ordinary business activities. The bank must recognize that the integration process requires continuous work and interest to reap results.

Second, to survive as a long-running bank IBK must pursue corporate sustainability management that takes into consideration the expectations and concerns of its stakeholders. As part of risk management, IBK should attempt to discover the opinions and interests of its stakeholders and actively reflect them in its corporate activities for stakeholder engagement. It is our wish to see more detailed information on how IBK plans to engage stakeholders and respond to the sustainability issues which emerge from such activities.

Third, IBK should take a proactive approach to its social responsibilities which include social contributions and environmental management. The International Standards Organization (ISO) is currently in the midst of establishing guideline standards on social responsibility (ISO26000). Accordingly, IBK's management plan should also reflect such trends. This requires reinforced social contribution activities befitting a bank that practices sharing and developing a signature program and as seen in many prominent overseas banks. IBK should also take a more aggressive stance in environmental issues. We believe that IBK can go beyond preservation activities to display leadership in tackling worldwide environmental problems such as climate change.

Fourth, IBK should strive for value creation through the Sustainability Report. The Sustainability Report is a communication tool for IBK to disclose its commitments and performance on corporate sustainability management efforts. IBK must also remember that the Report is no guarantee of corporate sustainability management. It will need to have a keen understanding of how corporate sustainability management activities interplay with corporate value creation activities, and pursue sustainability as a strategy for creating sustainable value.

Fifth, IBK should join in global efforts for sustainable development. We applaud IBK for taking the initiative and becoming the first Korean bank to support the UN Global Compact in December 2006. However, this should only mark the beginning. Through future COP (Communication on Progress), we look forward to IBK disclosing its detailed efforts and performance in complying with the 10 universal principles in the areas of human rights, labor, the environment and anti-corruption. We hope that IBK will provide an exemplary model of corporate citizenship by following through on its commitments with action.

For IBK to emerge as a global leading bank in corporate sustainability management, it is crucial that the bank participate in related activities at the global level. Examples of projects being pursued by the global banking industry include CDP (Carbon Disclosure Project) and UNEP FI. By becoming an active proponent of various UN-sponsored activities, IBK can lead the globalization of domestic banks.

Dong-Sung Cho

Professor, College of Business Administration, Seoul National University
Head of Corporate Sustainability Management Research Center, Institute for Industrial Policy Studies

Third Party Opinion



IBK's sustainable finance activities

In banking industries around the world, corporate sustainability management has become more than a business paradigm. It has crossed over into a bank's scope of business and given rise to the concept of sustainable finance. This is why the Industrial Bank of Korea has to pursue corporate sustainability management practices while also strengthening its activities related to sustainable finance.

IBK has a strong foundation from the perspective of sustainable finance. It launched Korea's first trust product based on the environmental theme, the Green Environment Trust. It was also the first bank to launch an SRI (Sustainable & Responsible Investment) fund, the IBK SG Ethical Company Equity Trust. For IBK to raise its commitment to global standards, it should take further action in several areas.

Adoption of sustainable finance

Sustainable finance covers a wide range of activities. First, environmental, social and governance (ESG) factors should be reflected in lending operations. IBK should implement a lending process that encourages corporate borrowers to pursue environmental protection, social justice, transparency, and responsible management. Second, the bank should adopt the Equator Principles, the international standard for project financing. In the future, private investment will increase in social overhead capital (SOC) and large-scale public development projects. Taking the initiative to adopt international standards should prove to be a good business strategy. Third, IBK should advance SRI funds to contribute to creating long-term corporate value. Lastly, it should turn its attention toward carbon emissions trading.

A new wave in sustainable finance - carbon emissions trading

Carbon emissions trading is emerging as a new area in sustainable finance. Global warming was a major issue at the 2007 World Economic Forum, and emission restrictions will take effect for the annex 1 countries under the Kyoto Protocol from 2008. For these reasons, carbon emissions trading is deemed to have vast potential. However, awareness is still low among Korean banks regarding the carbon emissions market. I hope IBK will take the lead in promoting this rapidly growing market among Korean banks, which would contribute to shaping Korea into a major presence in the world's carbon emissions market.

Dosoung Choi

Professor, College of Business Administration, Seoul National University
President of Korea Securities Research Institute

GRI G3 INDEX

Strategy and Analysis

Organizational Profile

Report Parameters

Governance, Commitments, and Engagement

PROFILE

GRI Index	Indicators	Page	Remark
1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	2, 3	
1.2	Description of key impacts, risks, and opportunities.	12, 13	
2.1	Name of the organization.	4	
2.2	Primary brands, products, and/or services.	4, 5	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	14, 15	
2.4	Location of organization's headquarters.	4	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	4	
2.6	Nature of ownership and legal form.	66	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	4, 5	
2.8	Scale of the reporting organization.	4	
2.9	Significant changes during the reporting period regarding size, structure, or ownership.		First Issue
2.10	Awards received in the reporting period.	7, 23, 51	
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	1	
3.2	Date of most recent previous report (if any).		First Issue
3.3	Reporting cycle (annual, biennial, etc.)	1	
3.4	Contact point for questions regarding the report or its contents.	1	
3.5	Process for defining report content.	1	
3.6	Boundary of the report.	1	
3.7	State any specific limitations on the scope or boundary of the report.	1	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	1	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	1	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.		First Issue
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.		First Issue
3.12	Table identifying the location of the Standard Disclosures in the report.	80-84	
4.1	Governance structure of the organization.	14, 15	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	14	
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	14, 15	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	15	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives.	14	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	15	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	14	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	10, 18, 19	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	16, 17	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	14	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	16, 17, 28	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	28	
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization.	28	
4.14	List of stakeholder groups engaged by the organization.	48	

GRI G3 INDEX

PROFILE

Governance,
Commitments, and
Engagement

GRI Index	Indicators	Page	Remark
4.15	Basis for identification and selection of stakeholders with whom to engage.	48	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	52, 53, 65	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	52, 53, 65	

PERFORMANCE INDICATOR (1/3)

Economic
Performance

GRI Index	Indicators	Page	Remark
EC1	Direct economic value generated and distributed.		Report AR
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	76, 77	
EC3	Coverage of the organization's defined benefit plan obligations.	59, 60, 64	
EC4	Significant financial assistance received from government.		Report AR
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	58	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	67	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	57	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	75	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	21-27, 64 31-35, 74	

Environment
Performance

EN1	Materials used by weight or volume.	-	
EN2	Percentage of materials used that are recycled input materials.	-	
EN3	Direct energy consumption by primary energy source.	76	
EN4	Indirect energy consumption by primary source.	76	
EN5	Energy saved due to conservation and efficiency improvements.	76	
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	76	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	76	
EN8	Total water withdrawal by source.	77	
EN9	Water sources significantly affected by withdrawal of water.	-	
EN10	Percentage and total volume of water recycled and reused.	77	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	-	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	-	
EN13	Habitats protected or restored.	-	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	-	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	-	
EN16	Total direct and indirect greenhouse gas emissions by weight.	76, 77	
EN17	Other relevant indirect greenhouse gas emissions by weight.	76, 77	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	76, 77	
EN19	Emissions of ozone-depleting substances by weight.		N/A
EN20	NOx, SOx, and other significant air emissions by type and weight.		N/A
EN21	Total water discharge by quality and destination.		N/A
EN22	Total weight of waste by type and disposal method.	-	
EN23	Total number and volume of significant spills.		N/A
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.		N/A
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.		N/A
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.		N/A
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.		N/A
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.		N/A
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	77	
EN30	Total environmental protection expenditures and investments by type.	67, 76, 77	

PERFORMANCE INDICATOR (2/3)

Labor Practices &
Decent Work
Performance

GRI Index	Indicators	Page	Remark
LA1	Total workforce by employment type, employment contract, and region.	57, 58	
LA2	Total number and rate of employee turnover by age group, gender, and region.	57	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	59, 60	
LA4	Percentage of employees covered by collective bargaining agreements.	61	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	61	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	61	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region.	60, 61	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	60	
LA9	Health and safety topics covered in formal agreements with trade unions.	61	
LA10	Average hours of training per year per employee by employee category.	62	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	62-64	
LA12	Percentage of employees receiving regular performance and career development reviews.	64	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	57	
LA14	Ratio of basic salary of men to women by employee category.	58	

Human Rights
Performance

HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	-	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	67	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	19, 20	
HR4	Total number of incidents of discrimination and actions taken.	20	
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	61	
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	57	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor.	59, 60	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	-	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	-	

Society
Performance

S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	72	
S02	Percentage and total number of business units analyzed for risks related to corruption.	18, 19	
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	19, 20	
S04	Actions taken in response to incidents of corruption.	20	
S05	Public policy positions and participation in public policy development and lobbying.	41, 42	
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	-	
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	-	
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	18	

Product
Responsibility
Performance

PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.		N/A
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes.		N/A

GRI G3 INDEX

PERFORMANCE INDICATOR (3/3)

	GRI Index	Indicators	Page	Remark
Product Responsibility Performance	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.		N/A
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.		N/A
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	51-53	
	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	-	
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	-	
	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	55	
	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	52-53	

FINANCIAL SERVICES SECTOR SUPPLEMENT (SOCIAL PERFORMANCE)

	GRI Index	Indicators	Page	
Corporate Social Responsibility (CSR) Management	CSR1	CSR Policy	12, 13	
	CSR2	CSR Organisation	12, 69	
	CSR3	CSR Audits	13	
	CSR4	Management of Sensitive Issues	20	
	CSR5	Non-Compliance	18-21	
	CSR6	Stakeholder Dialogue	48	
Internal Social Performance	INT1	Internal CSR Policy	18, 19, 56-65	
	INT2	Staff Turnover and Job Creation	57	
	INT3	Employee Satisfaction	65	
	INT4	Senior Management Remuneration	14	
	INT5	Bonuses Fostering Sustainable Success	64	
	INT6	Female-Male Salary Ratio	58	
	INT7	Employee Profile	57, 58	
Performance to Society	SOC1	Charitable Contributions	68-75	
	SOC2	Economic Value Added	73	
Suppliers	SUP1	Screening of Major Suppliers	67	
	SUP2	Supplier Satisfaction	67	
Retail Banking	RB1	Retail Banking Policy (socially relevant elements)	45, 73	
	RB2	Lending Profile	30, 31	
	RB3	Lending with High Social Benefit	43, 44	
Investment Banking	IB1	Investment Policy (socially relevant elements)	41, 42	
	IB2	Customer Profile: Global Transaction Structure	41, 42	
	IB3	Transactions with High Social Benefit	41, 42	
Asset Management	AM1	Asset Management Policy (socially relevant elements)	38-40	
	AM2	Assets under Management with High Social Benefit	38-40	
	AM3	SRI Oriented Shareholder Activity	38-40	
Insurance	INS1	Underwriting Policy (socially relevant elements)		N/A
	INS2	Customer Profile		N/A
	INS3	Customer Complaints		N/A
	INS4	Insurance with High Social Benefit		N/A

FINANCIAL SERVICES SECTOR SUPPLEMENT (ENVIRONMENTAL PERFORMANCE)

Environmental
Performance

GRI Index	Indicators	Page	Remark
F1	Description of environmental policies applied to core business lines.	38-44	
F2	Description of process(es) for assessing and screening environmental risks in core business lines.	41-44	
F3	State the threshold(s) at which environmental risk assessment procedures are applied to each core business line.	43, 44	
F4	Description of processes for monitoring clients' implementation of and compliance with environmental aspects raised in risk assessment process(es).	43	
F5	Description of process(es) for improving staff competency in addressing environmental risks and opportunities.	45	
F6	Number and frequency of audits that include the examination of environmental risk systems and procedures related to core business lines.	-	
F7	Description of interactions with clients/investee companies/business partners regarding environmental risks and opportunities.	38-45	
F8	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has engaged on environmental issues.	-	
F9	Percentage of assets subjected to positive, negative and best-in-class environmental screening.	39	
F10	Description of voting policy on environmental issues for shares over which the reporting organisation holds the right to vote shares or advise on voting.	-	
F11	Percentage of assets under management where the reporting organisation holds the right to vote shares or advise on voting.	-	
F12	Total monetary value of specific environmental products and services broken down according to the core business lines.	-	
F13	Value of portfolio for each core business line broken down by specific region and by sector.	-	

Application Level
Criteria

IBK Sustainability Report 2006 is the first report in Korea prepared in accordance with the GRI G3 Guidelines.



Based on our assessment of the report content against the criteria in the GRI Application Levels, we declare that this report meets the requirements for Application Level "A."

GRI Application Levels Table

Report Application Level	C	C+	B	B+	A	A+
G3 Profile Disclosures OUTPUT	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15		Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17		Same as requirement for Level B	
G3 Management Approach Disclosures OUTPUT	Not Required	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured
G3 Performance Indicators & Sector Supplement Performance Indicators OUTPUT	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.	Report Externally Assured	Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.	Report Externally Assured	Respond on each core G3 and Sector Supplement* indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	Report Externally Assured

* Sector supplement in final version

Survey

IBK Customer
Administration Department
Fax. 02)729-6503

Thank you for reading the IBK Sustainability Report 2006. Your feedback will be invaluable in evaluating our effectiveness and in guiding our future efforts in corporate citizenship. Please take a moment to consider the following questions and let us know your thoughts. We sincerely appreciate your support and interest.

1. Overall, how would you rate the IBK Sustainability Report?

- | | | | |
|-------------------|-------------------------------------|----------------------------------|---------------------------------------|
| Contents | <input type="checkbox"/> Sufficient | <input type="checkbox"/> Average | <input type="checkbox"/> Insufficient |
| Comprehensibility | <input type="checkbox"/> Difficult | <input type="checkbox"/> Average | <input type="checkbox"/> Easy |

2. Which section was of most interest to you?

Achieving Sustainable Growth

- | | | |
|---|--|--|
| <input type="checkbox"/> Vision & Strategy | <input type="checkbox"/> Corporate Sustainability Management | <input type="checkbox"/> Corporate Governance |
| <input type="checkbox"/> Risk Management | <input type="checkbox"/> Ethical Management | <input type="checkbox"/> Management Innovation |
| <input type="checkbox"/> Corporate Sustainability Management Network | | |
| <input type="checkbox"/> SMEs. Win-win activities for mutual prosperity of IBK and SMEs | | |

Achieving Sustainable Finance

- | | | |
|--|--|--|
| <input type="checkbox"/> Socially Responsible Investment | <input type="checkbox"/> Project Financing | <input type="checkbox"/> Credit Management |
| <input type="checkbox"/> New Markets & Products | | |

Achieving Sustainable Balance

- | | | |
|---|--|--------------------------------------|
| <input type="checkbox"/> Stakeholder Engagement | <input type="checkbox"/> Customers (Individual, corporate clients) | <input type="checkbox"/> Employees |
| <input type="checkbox"/> Shareholders | <input type="checkbox"/> Suppliers | <input type="checkbox"/> Community |
| | | <input type="checkbox"/> Environment |

3. Please feel free to write your comments and opinion on the report such as its good points or where it needs improvements.

4. Which of the following best describes your affiliation to IBK?

- | | | | |
|--|---|--|---|
| <input type="checkbox"/> Individual customer | <input type="checkbox"/> Corporate customer | <input type="checkbox"/> Individual investor | <input type="checkbox"/> Institutional investor |
| <input type="checkbox"/> CSR professional | <input type="checkbox"/> Research/Academic | <input type="checkbox"/> NGO | <input type="checkbox"/> Media |
| <input type="checkbox"/> Government | <input type="checkbox"/> Student | <input type="checkbox"/> IBK employee | |
| <input type="checkbox"/> Others () | | | |

Process to Secure Credibility of The Report

The Industrial Bank of Korea has implemented social responsibility activities and policies by benchmarking corporate sustainability management practices of leading financial companies at home and abroad as well as by identifying internal business activities in order to expand corporate citizenship companywide. They have been the foundation for the basic framework and contents of this Sustainability Report. The report covers all of IBK's operations. Information regarding corporate sustainability activities was based on data and material submitted by each department.

In order to ensure credibility of the report, submitted data were reviewed by respective departments and approved by the senior management prior to the final publication. We also appointed outside experts for consultation and verification of our corporate citizenship activities and this report. Their opinions have been included in the report.

For additional information, please refer to the IBK webpage at www.ibk.co.kr or our Annual Report.



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