

# NH



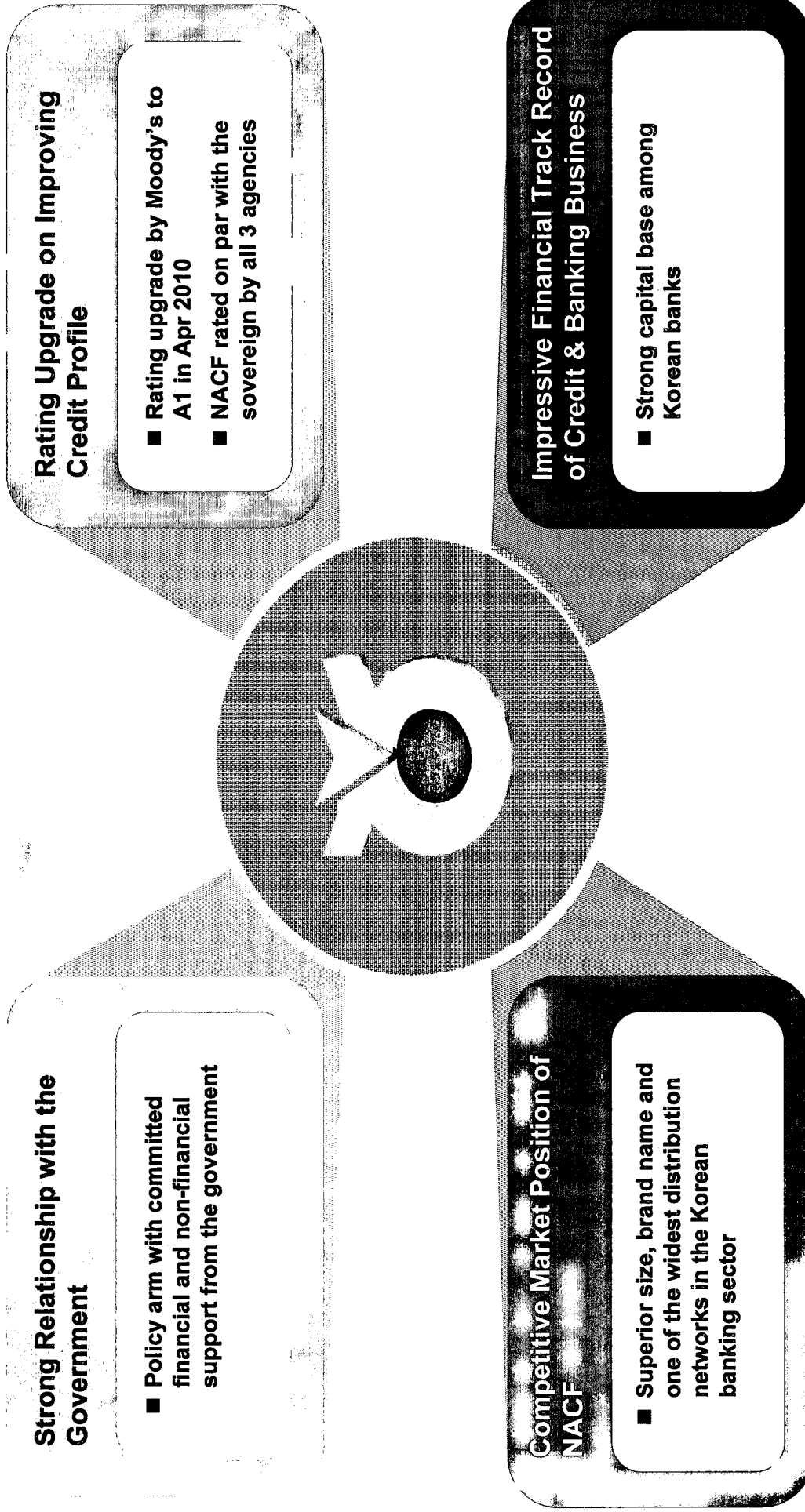
## Investor Presentation

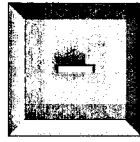
June 2010

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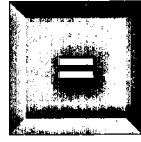


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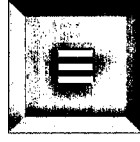




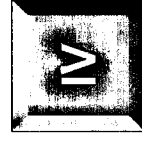
**Korean Economy Recovering Fast**



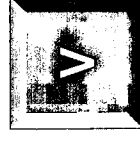
**Overview of NACF**



**Strong Relationship with the Government**



**NACF's Competitive Market Position**



**Robust Financial Performance of C&B Business**



# Korean Economy Recovering Fast

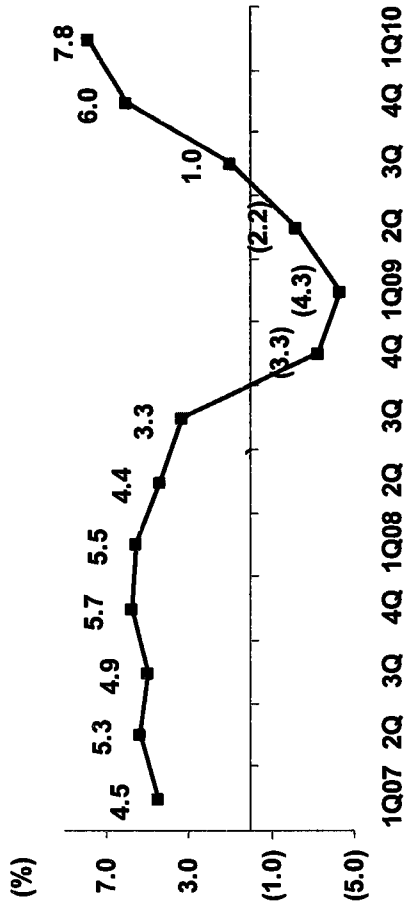


# Korean Economy on Fast Track to Strong Recovery



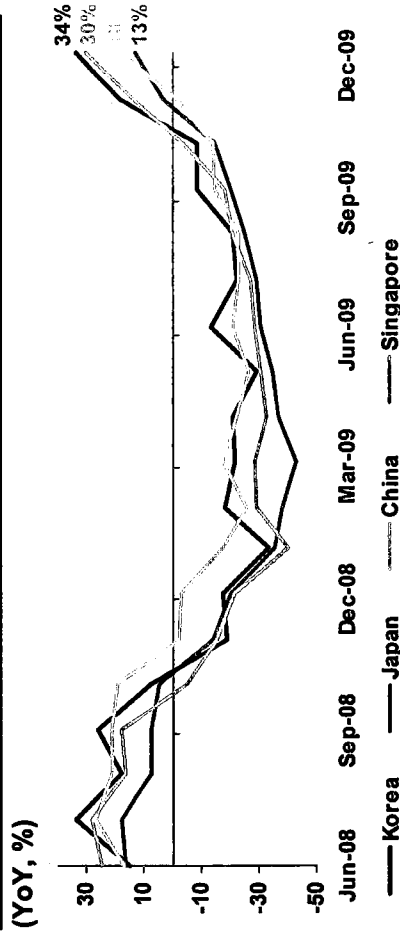
■ The Korean economy has weathered the global financial crisis well and is now on a fast track to a strong recovery

### GDP Growth Rate



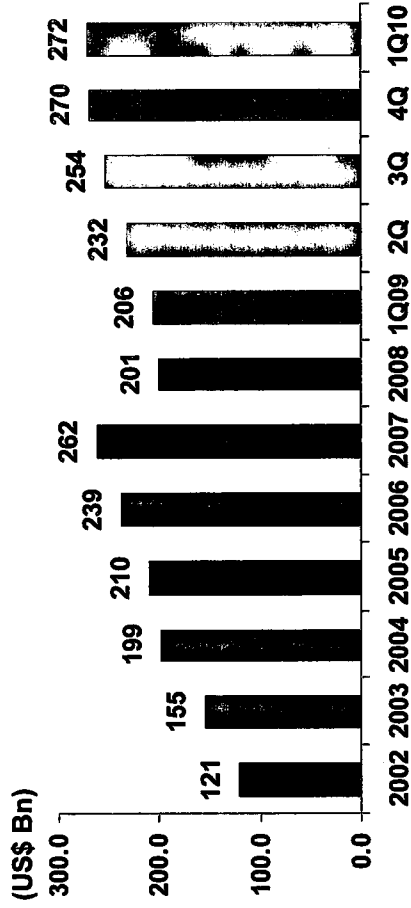
Source: Bank of Korea

### Export Growth



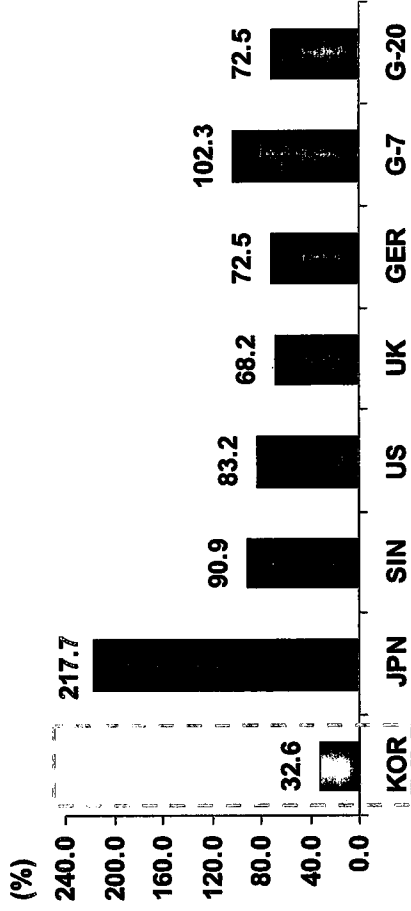
Source: IHS Global Insight

### FX Reserves



Source: Bank of Korea

### Public Debt to GDP (2009A)



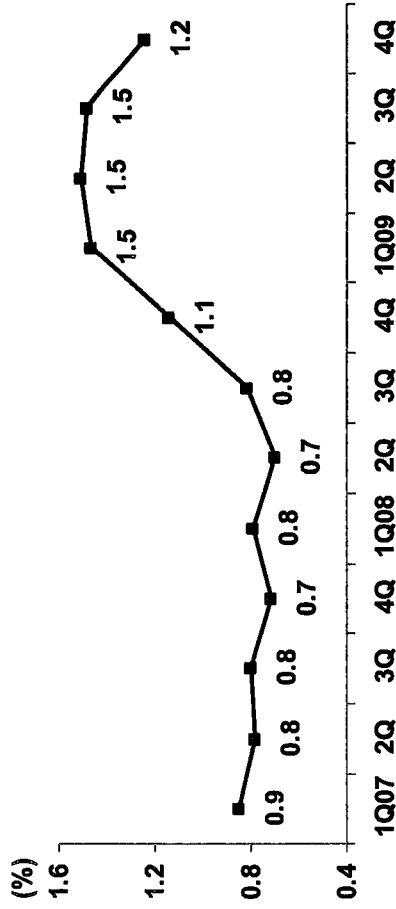
Source: IMF

# Resilient Korean Banking Sector & Capital Markets



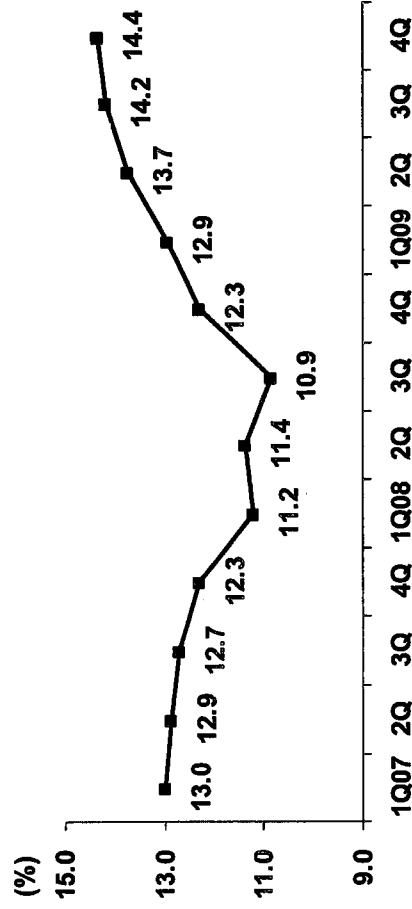
■ Banking sector fundamentals and capital markets indicators have proven resilient in the face of global volatility

Korean Banking Sector NPL Ratio



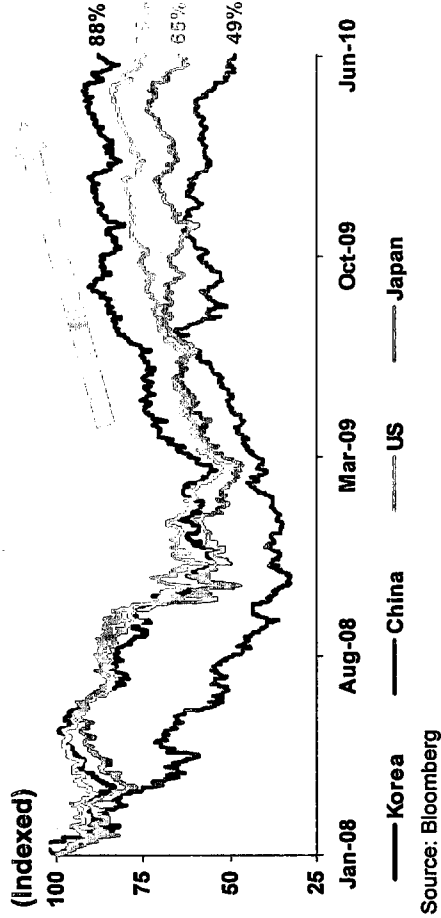
Source: FISIS (Financial Statistics Information System)

Korean Banking Sector BIS Ratio



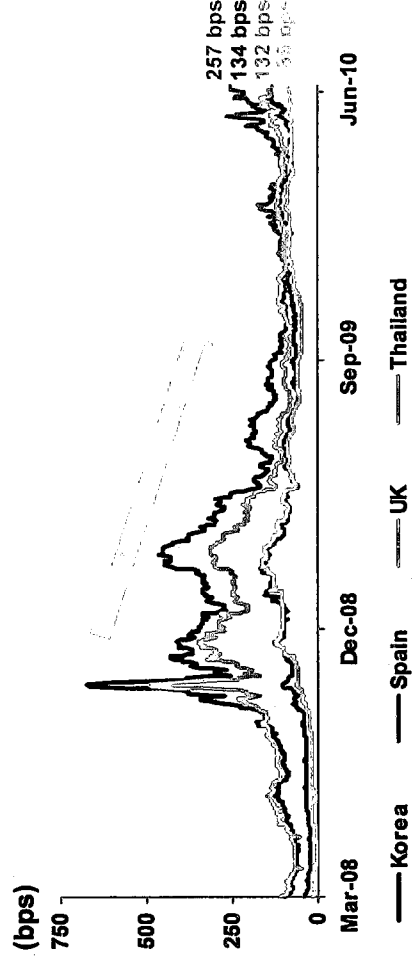
Source: FISIS (Financial Statistics Information System)

Equity Markets Comparison



Source: Bloomberg

CDS Premiums



Source: Bloomberg



# Overview of NACF











# NACF's Mandate & Business Divisions

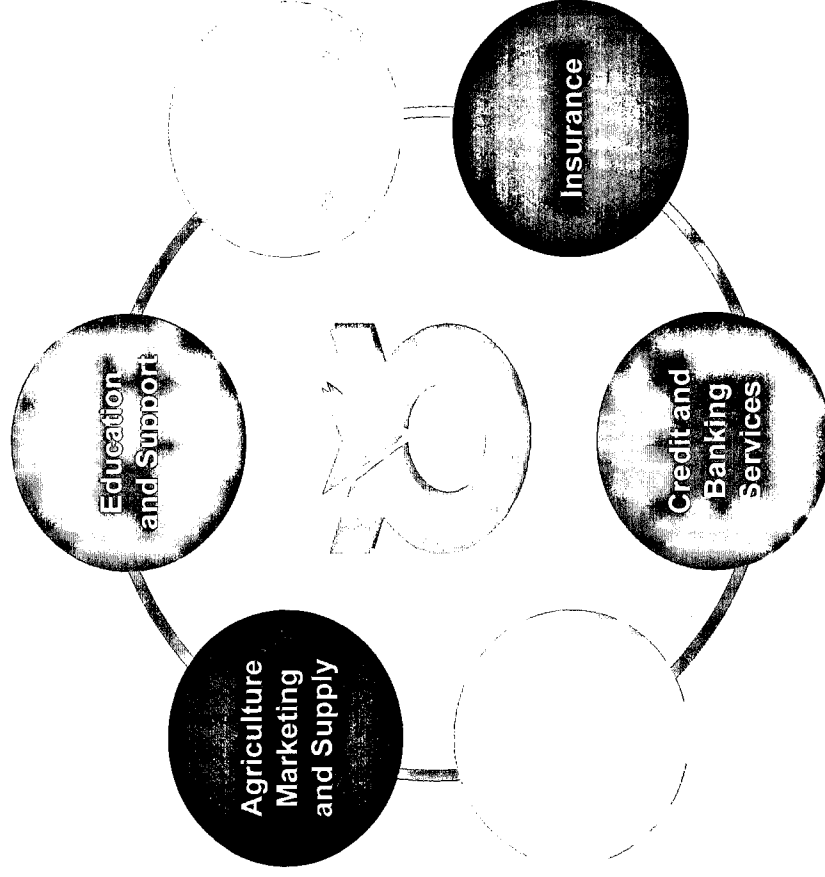


- The National Agricultural Cooperative Federation ("NACF") was established in 1961 under the Constitution of Korea and the Agricultural Cooperative Law as a government policy arm to implement its agricultural policy

## NACF's Mandate

-  Improve the economic, social and cultural status of farmers
-  Strengthen the competitiveness of the agricultural industry
-  Contribute to the balanced development of Korea's economy
-  Supervise member cooperatives to facilitate their business
-  Strive to connect the environment, consumers and the local community
-  Act as a central bank and regulator for all agricultural cooperatives

## NACF Business Divisions

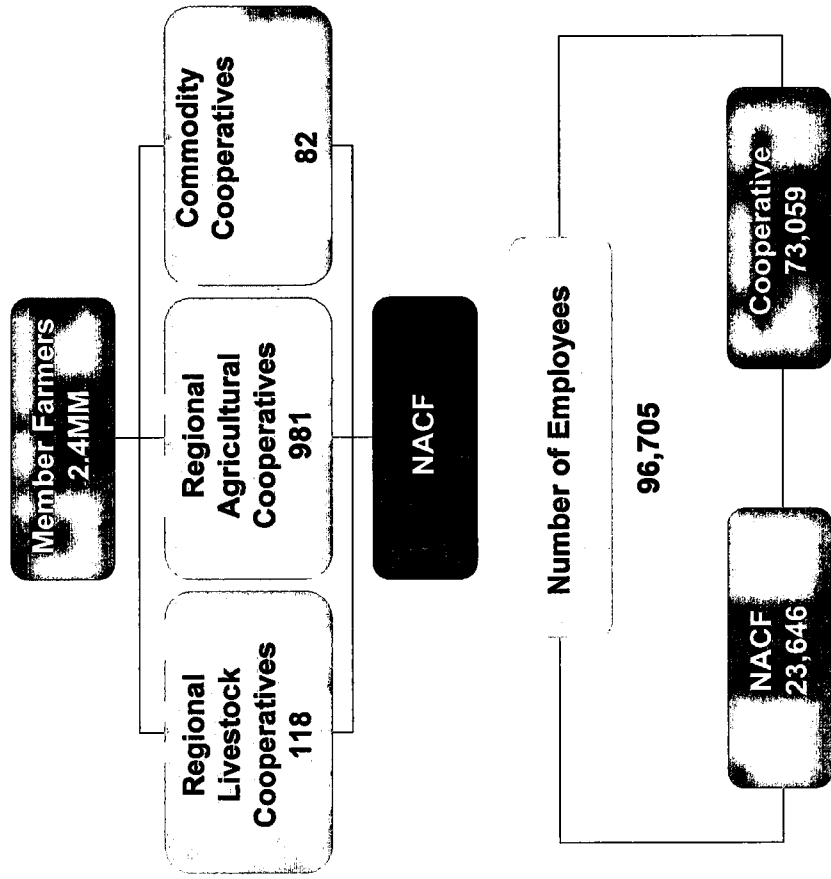


# Ownership Structure & Unique Characteristics



- NACF is 100% owned by the member cooperatives, which in turn effectively comprise most of the farmers in Korea
- NACF is characterized by its unique position as a public cooperative organization carrying out the government's agricultural policy

## Ownership Structure of NACF



## Unique Characteristics

- Public Institution Fostered by the Constitution of Korea
- Government Policy Arm Created Pursuant to the Agricultural Cooperative Law
- Acts as a central bank, regulator and depository of required reserves for members
- Bankruptcy-remote from the member cooperatives

Source: Company data, Dec 2009

# Robust Credit Profile Recognized by the Rating Agencies

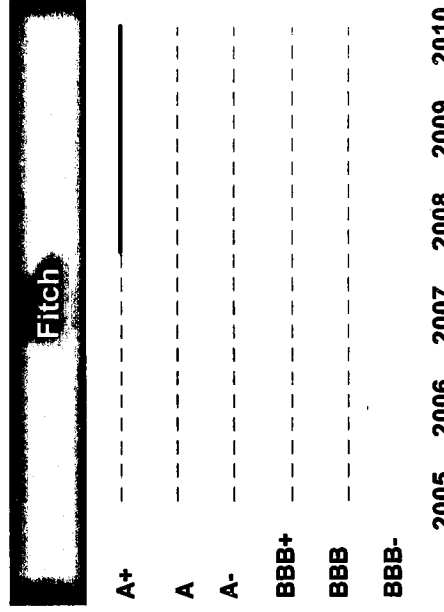
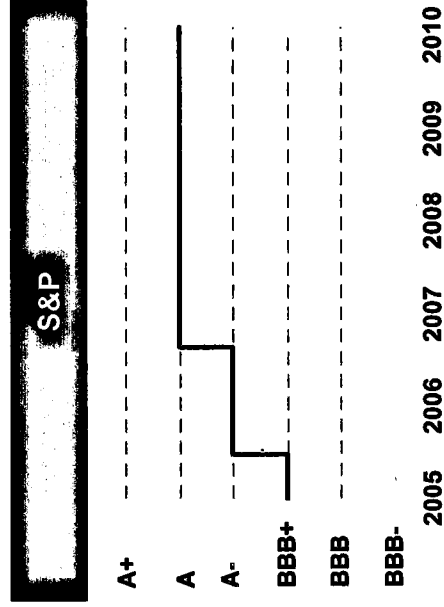
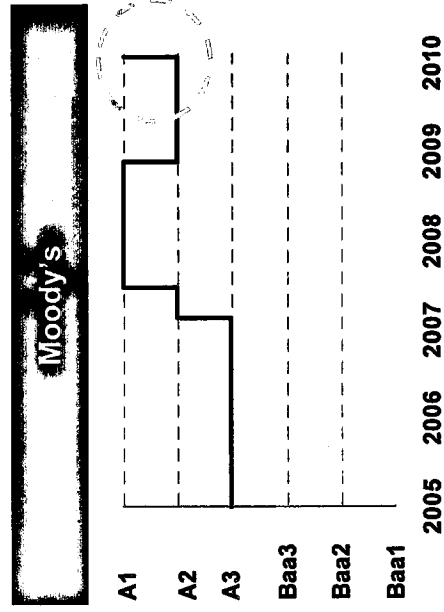


- NACF was upgraded by Moody's in Apr 2010 to A1
- NACF maintains sovereign-equivalent credit ratings from all 3 major international credit rating agencies

	Moody's	S&P	Fitch
Effective	2010 / 4 / 14	2007 / 3 / 21	2008 / 5 / 14
Current Rating	A1	A	A+
Previous Rating	A2	A-	-

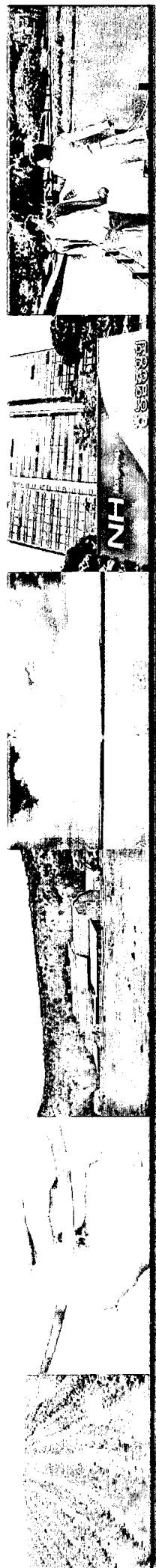
## Rating Agencies say:

- "The ratings ... reflect the very high likelihood of support from the government of Korea, its strong brand recognition in the domestic market, and its good funding and liquidity" (S&P)
- "... NACF to be 'fully supported' by the Korean government in a systemic crisis ... predicated on the federation's significant presence in the domestic supply chain for agricultural products, its role in the implementation of the government's agricultural policies, and its importance in Korea's banking system" (Moody's)





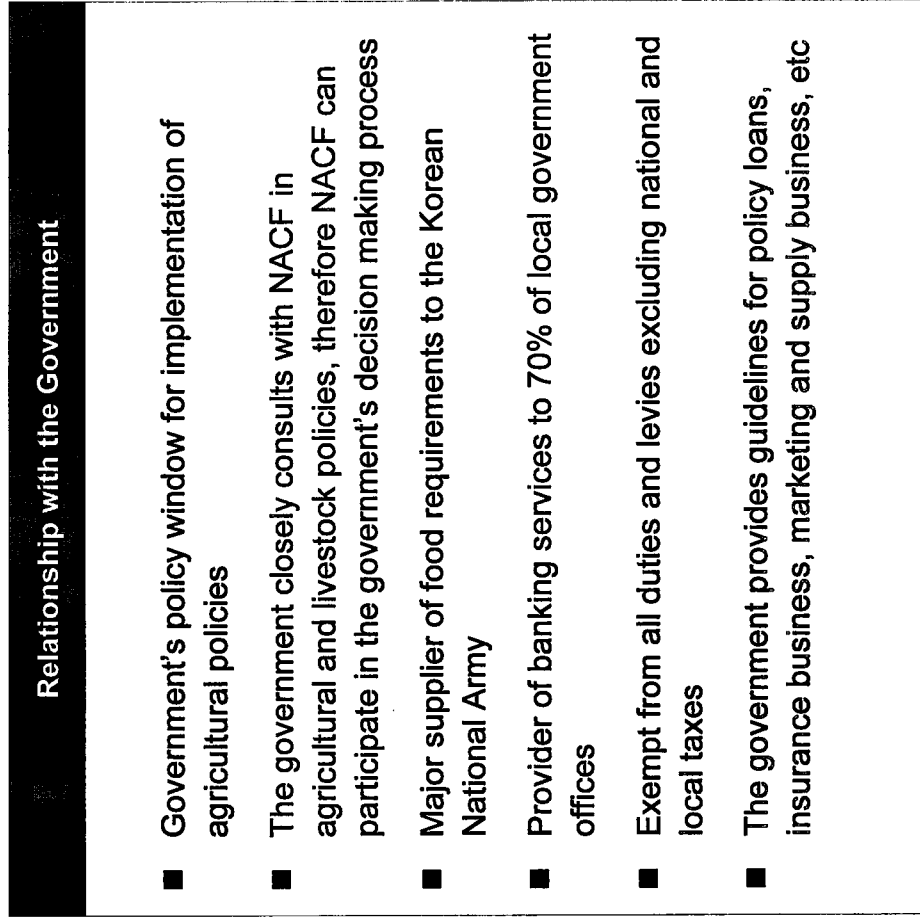
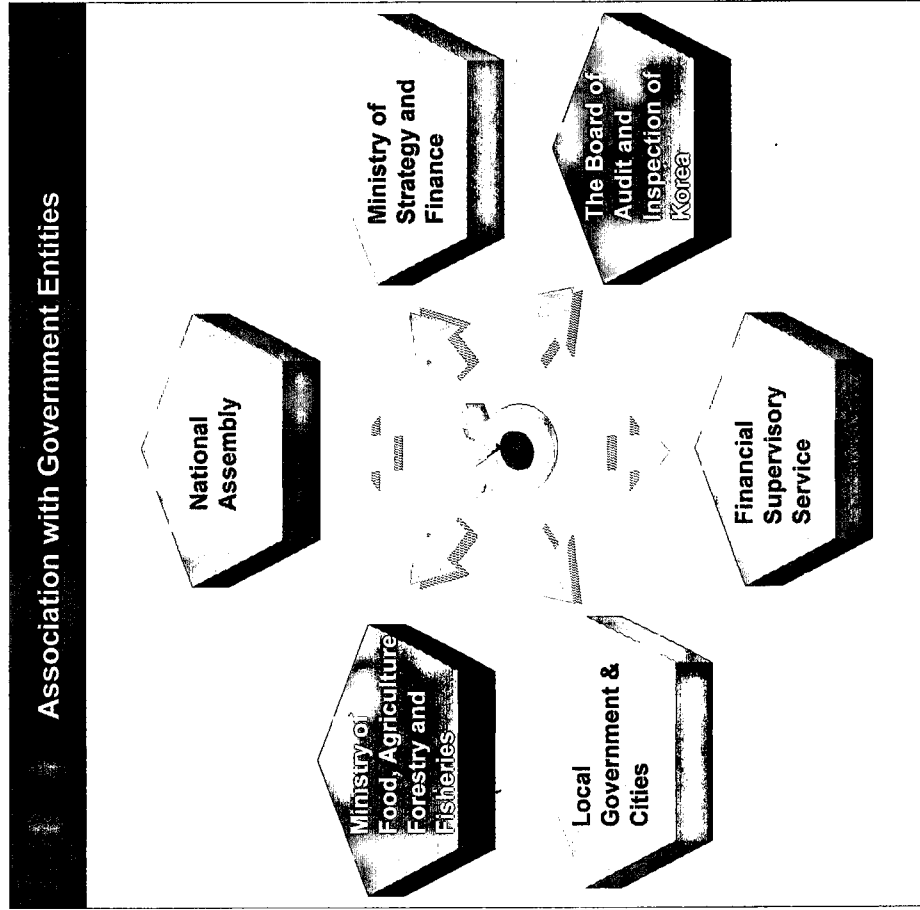
# Strong Relationship with the Government



# Strong Relationship with the Government



- NACF maintains strong relationships with various government entities
- NACF is monitored by various public entities representing almost every sector of the government



# Unwavering Government Support to NACF



- The government has a track record of providing direct and indirect financial support to NACF
- The Agricultural Cooperative Law states potential ongoing government support

## ■ Policy Loan Guarantee

- Direct or indirect guarantee to NACF for agricultural policy loans which represent around 10.9% of NACF's loan book

## ■ Expense Subsidy

The Agricultural Cooperative Law (Article 9) requires the government to subsidize the expenses of NACF

## ■ Funding

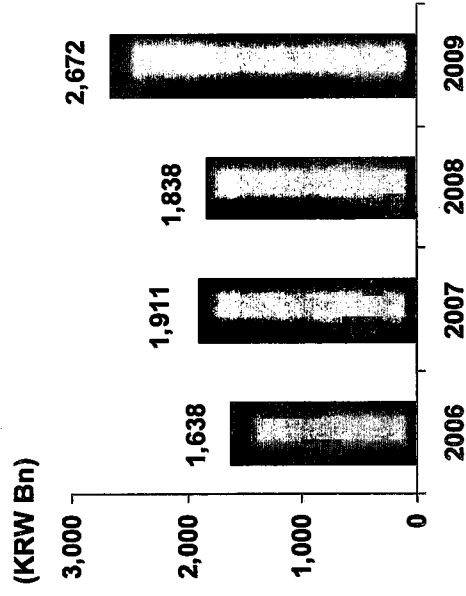
- Authority to issue agricultural debentures with government guarantee subject to National Assembly approval

- The voluntary winding-up of NACF is constitutionally prohibited at this stage and no appropriate alternative organization would be available

## Track Record of Government Support to NACF

- During the acquisition of National Livestock Cooperative Federation ("NLCF") in 2000
  - The MAF (currently known as MIFAFF) waived NACF's debt repayment of KRW274.8Bn from the Livestock Development Fund
  - The government injected KRW87.0Bn via KDIC to compensate for the pre-merger deficit at NLCF
  - The government purchased KRW96.2Bn redeemable preferred shares via KDIC to support NACF's BIS ratio

- In 2010, the Government has set a budget of KRW1,966Bn for various uses, including
  - Subsidization for reduced interest rates charged by NACF in respect of policy loans to the agricultural sector
  - Construction of a rice processing complex
  - Compensation for losses incurred on fertilizer sales due to reduced prices
  - Establishment of an agro-producer marketing chain



# Key Policy Role for NACF - Distribution of Policy Loans



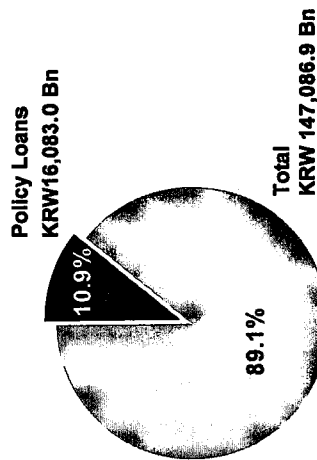
## Policy Loans: Key Policy Role for NACF

- One of the principal tasks of NACF's Credit & Banking business is to distribute agricultural policy loans, promote development of the agricultural industry
- Policy loans are typically offered by NACF to farmers at concessionary interest rates set below market rates
  - If a policy loan is funded by NACF, the Government pays to NACF the difference (2% ~ 5%)<sup>(1)</sup> between market and concessionary interest rates
  - If a policy loan is funded by the Government, the Government usually pays to NACF an interest payment of 1% of the loan amount

## Guaranteed Repayment of Policy Loans

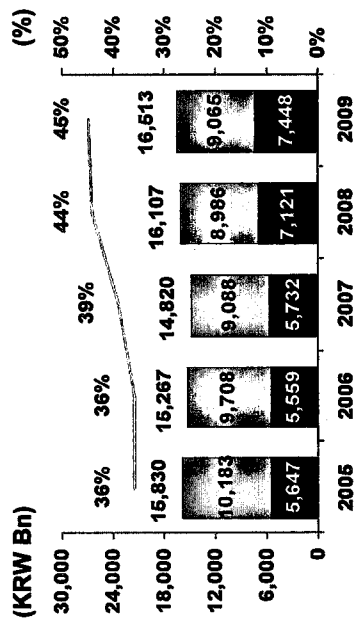
- Repayment of policy loans is guaranteed by the Agricultural Credit Guarantee Fund and the Fund for Possible Policy Loan Loss
- Agricultural Credit Guarantee Fund (ACGF)
  - Funded almost entirely by the Government
  - As of 2009YE, total assets of the ACGF amounted to KRW1,027.9Bn
- Fund for Possible Policy Loan Loss (FPPL)
  - 0.5% of each policy loan amount is contributed

## Policy Loans Percentage



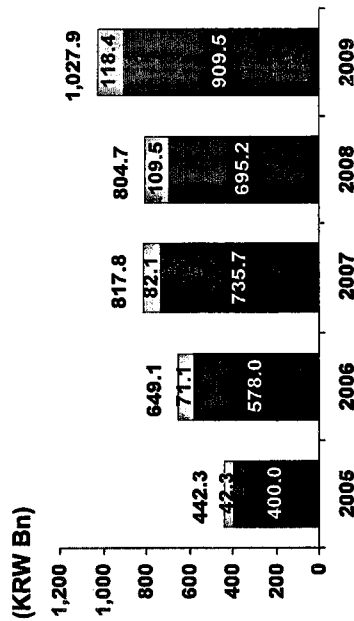
■ Policy Loans  
■ Others  
Source: Company data

## Policy Loans Breakdown



■ NACF  
■ Government  
— NACF %  
Source: Company data

## Agricultural Credit Guarantee Fund



■ NACF  
■ Government  
Source: Company data

Note  
1. 2007 - 2009



# NACF's Competitive Market Position



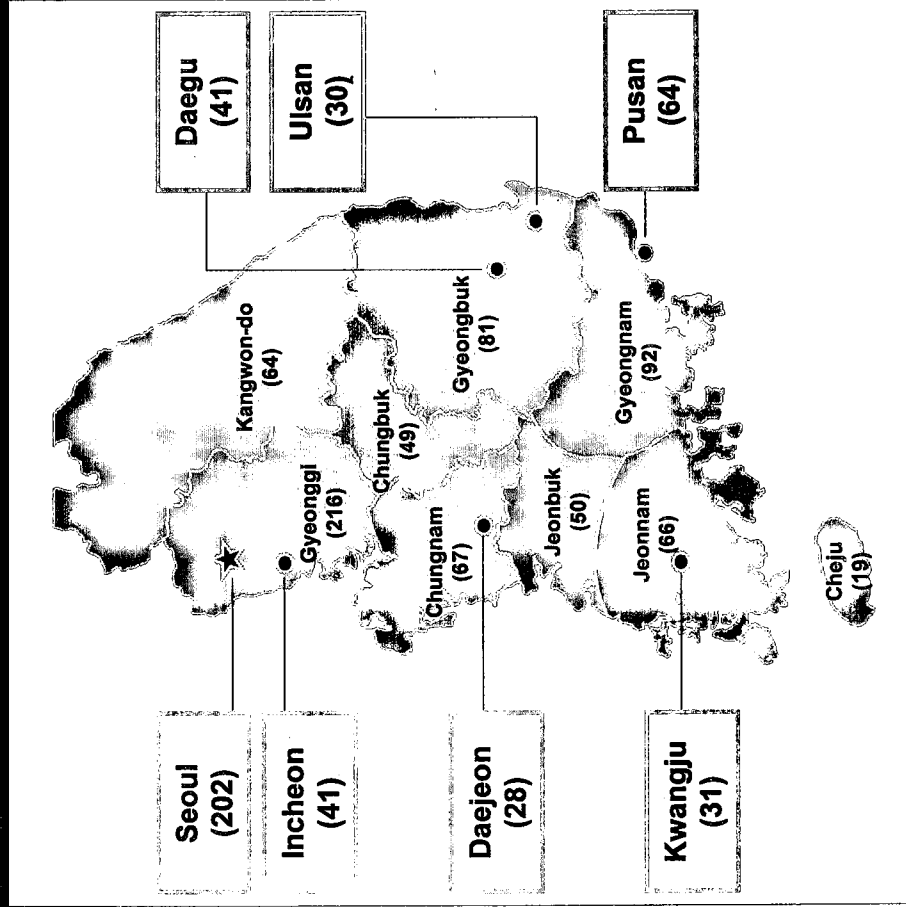


# NACF's Competitive Market Position

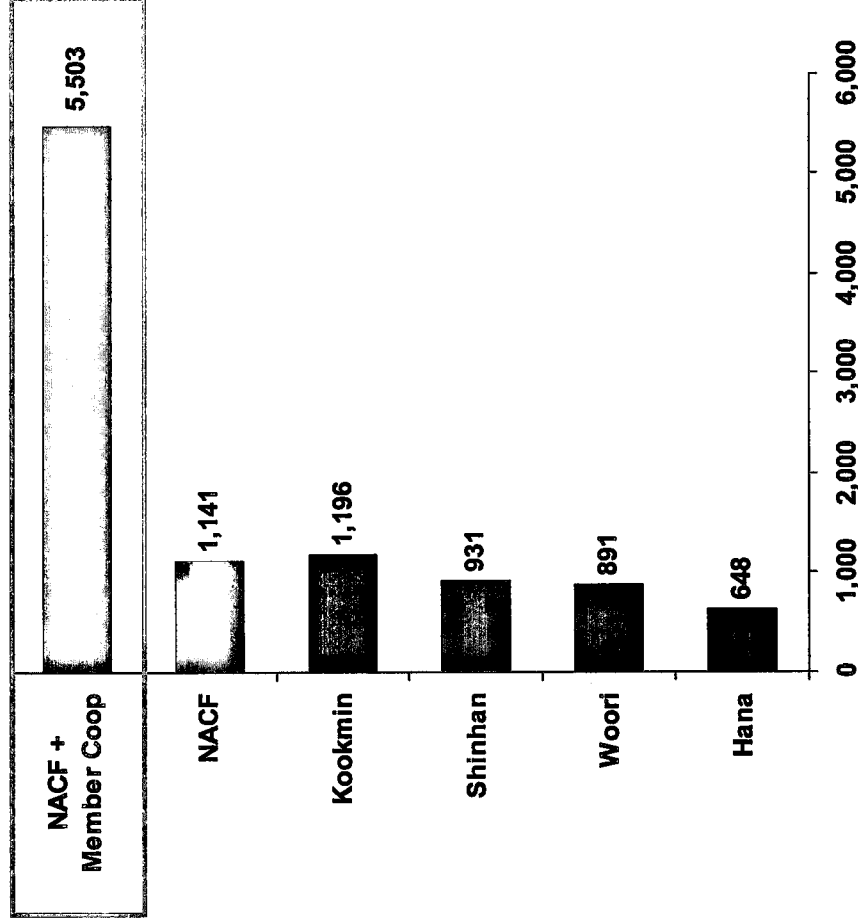


- NACF maintains one of the widest distribution networks among Korean financial institutions with 1,133 branches in its national branch network
- Moreover, as a central bank and regulator for the member cooperatives, NACF benefits from 5,479 branches on a combined basis

No. of NACF Branches Nationwide



Relative Strength of NACF Network



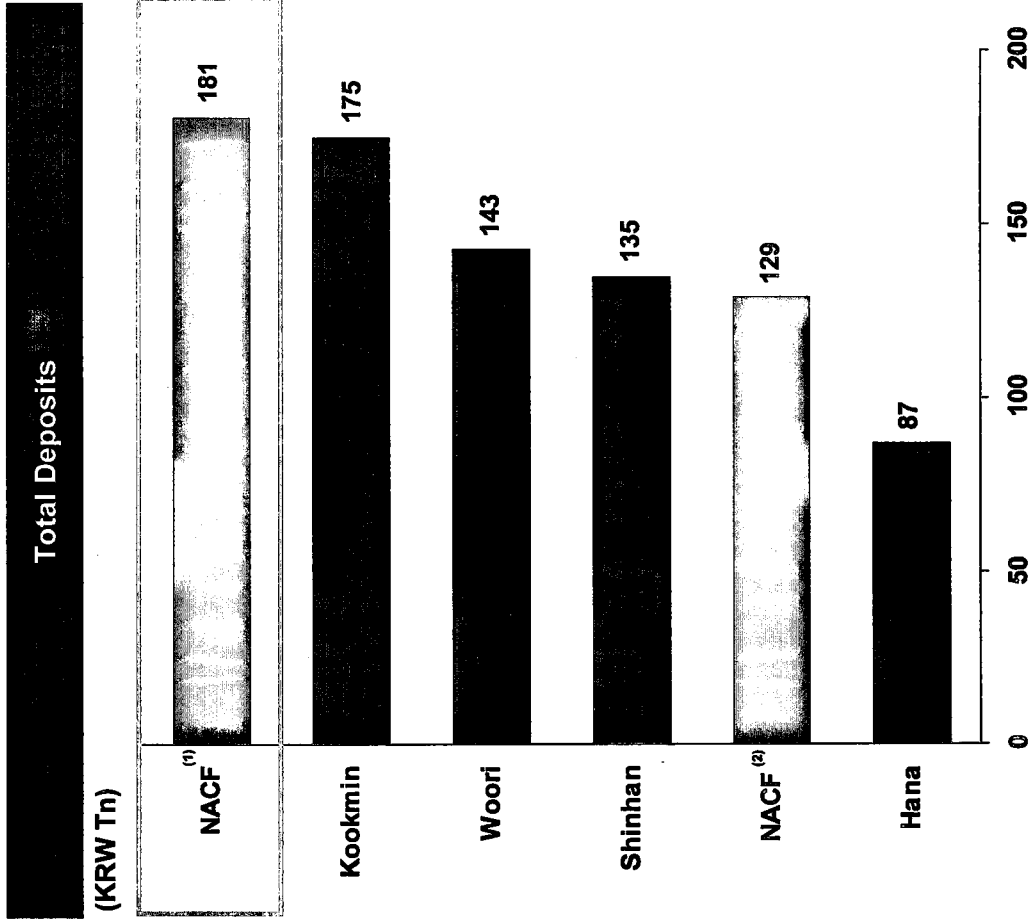
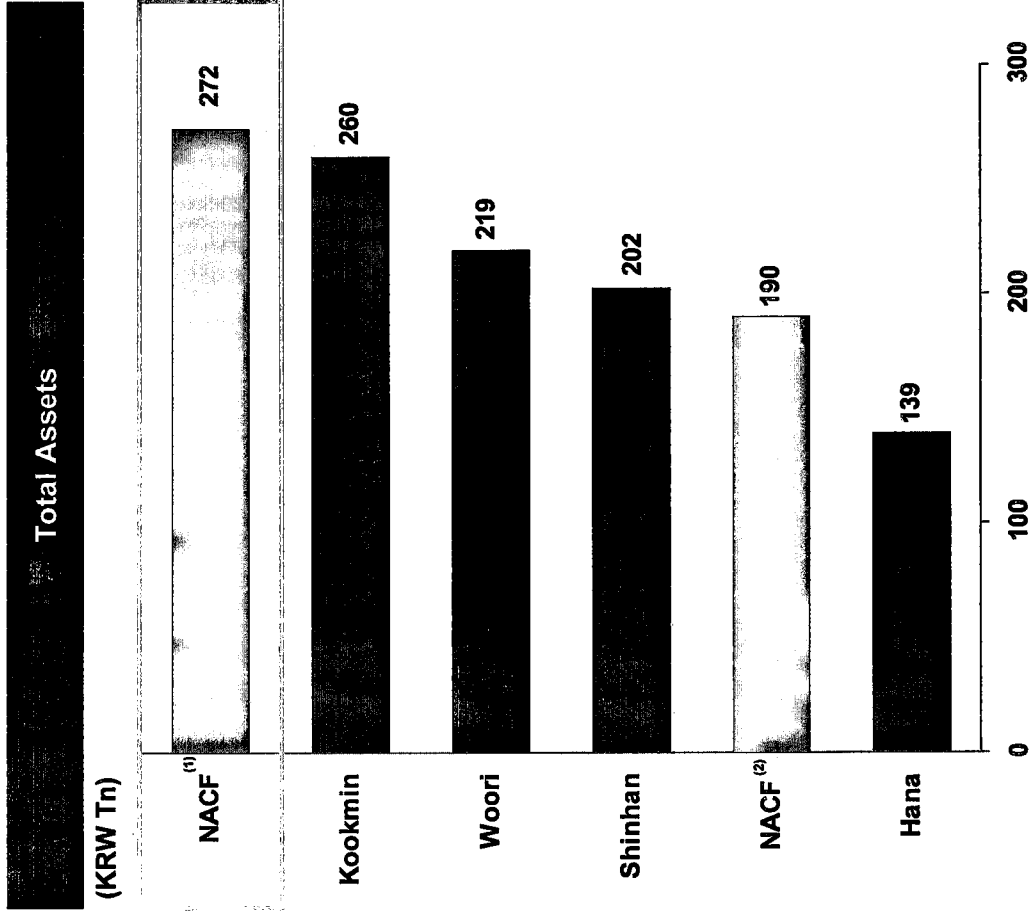
Source: Company data, March 31, 2010

Source: Financial Statistics Information System, March 31, 2010

# NACF's Competitive Market Position



■ NACF is one of the largest financial institutions in Korea in terms of assets and deposits



Source: Financial Statistics Information System, March 31, 2010

Notes

1. NACF including credit & banking, insurance and mutual credit businesses
2. Credit & banking business only

Source: Financial Statistics Information System, March 31, 2010



# Robust Financial Performance of C&B Business

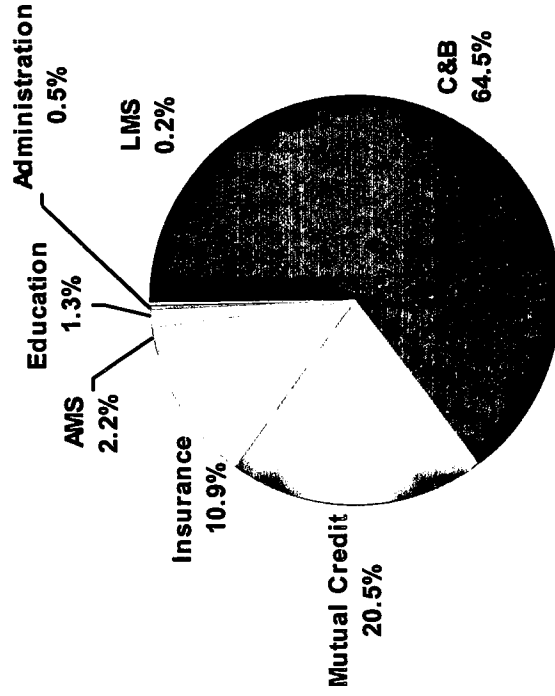


# Significance of Credit & Banking Business

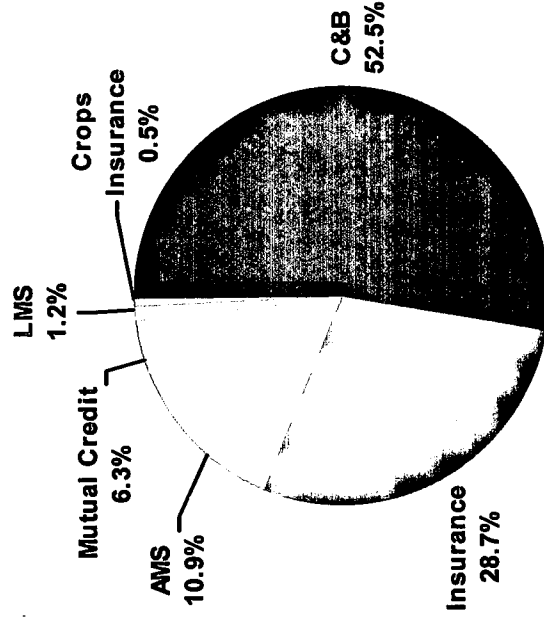


- Credit & banking business is the core profit generator for NACF
- Registered and regulated as a commercial bank under the Bank Act of Korea
- Provides a full range of credit & banking services to farmers, keepers of livestock and the general public
- Designated as a Specialized Bank by the government
- Acts as a central bank and regulator to its member cooperatives

Asset Breakdown



Operating Revenue Breakdown



Source: Company filings, June 30, 2010

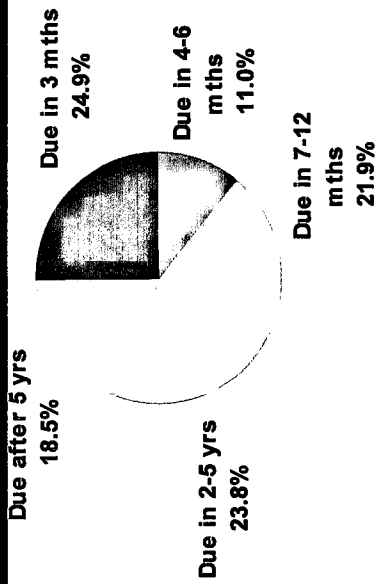
Source: Company filings, June 30, 2010

# Diversified Loan Portfolio and Worse than expected Asset Quality



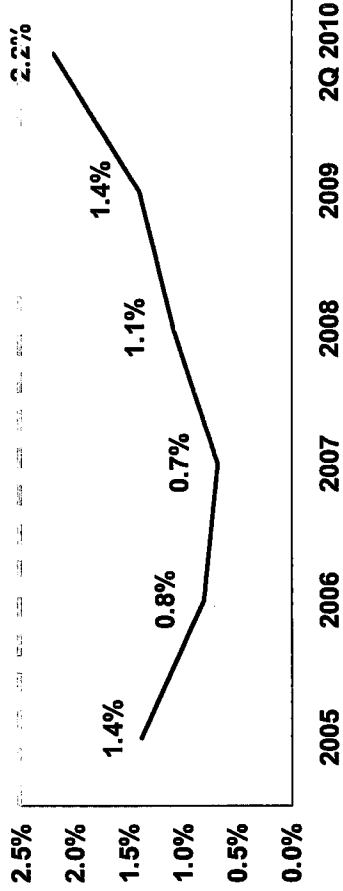
- NACF maintains a diversified loan portfolio,
- Higher NPL ratio and lower provisioning coverage due to lower profitability

## Loan Maturity Profile



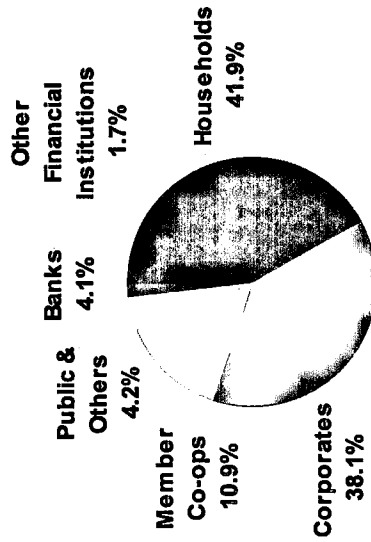
Source: Company filings, June 30, 2010

## NPL Ratio



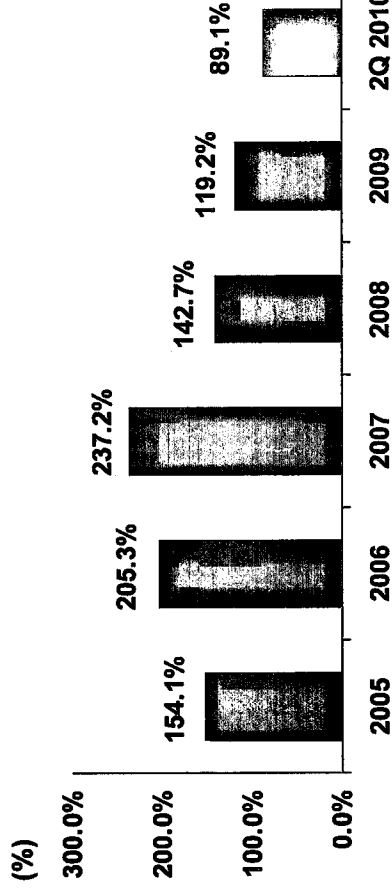
Source: Company FSS filings, June 30, 2010

## Loan Portfolio



Source: Company filings, June 30, 2010

## Provisioning Ratio

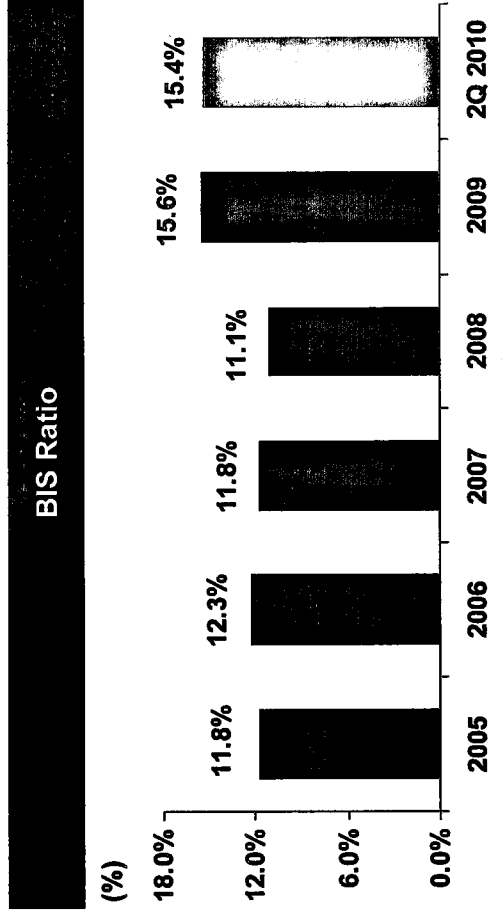
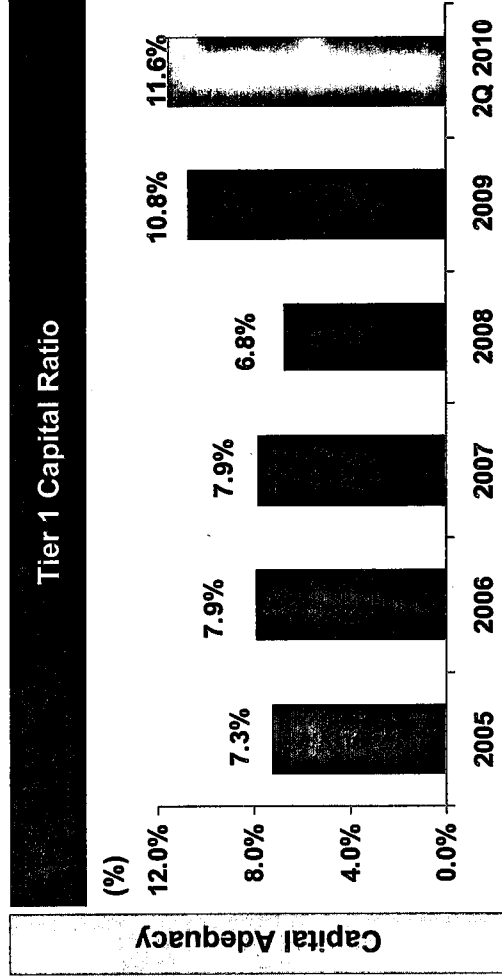
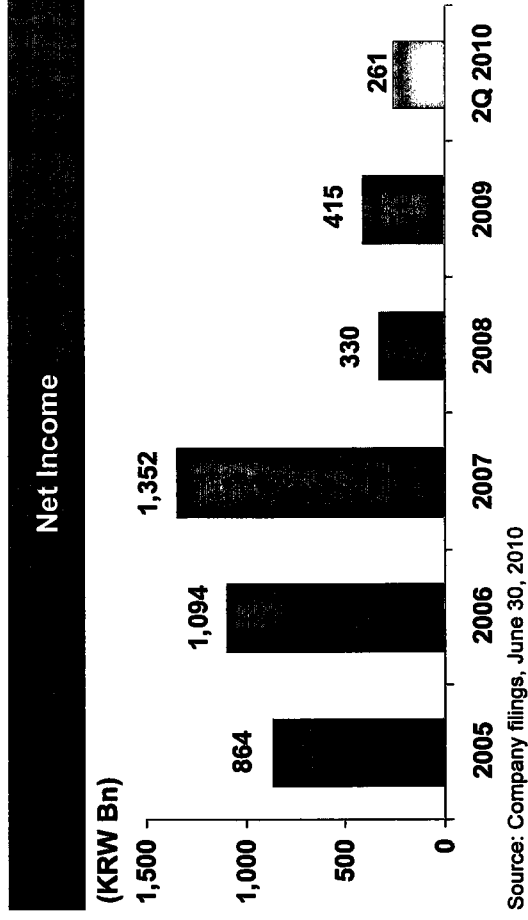
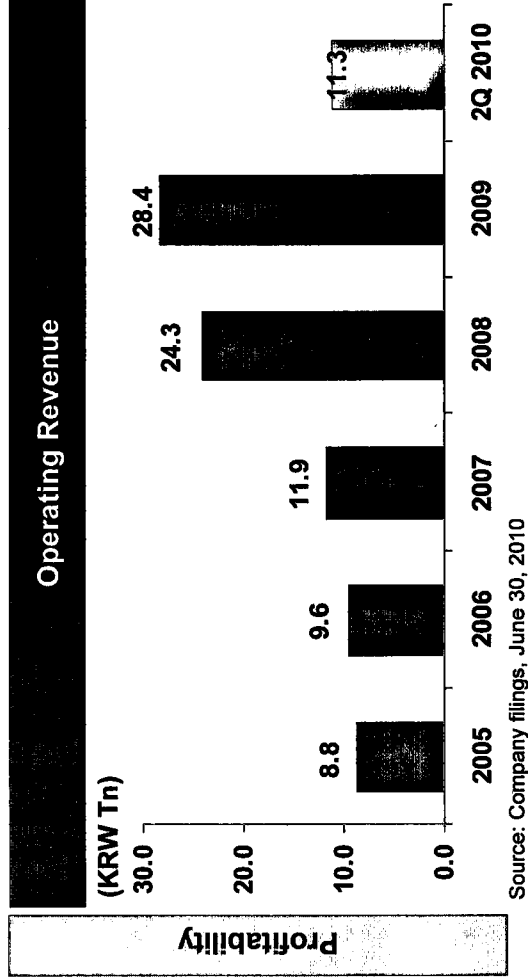


Source: Company FSS filings, June 30, 2010

# Profitability and Strong Capital Adequacy



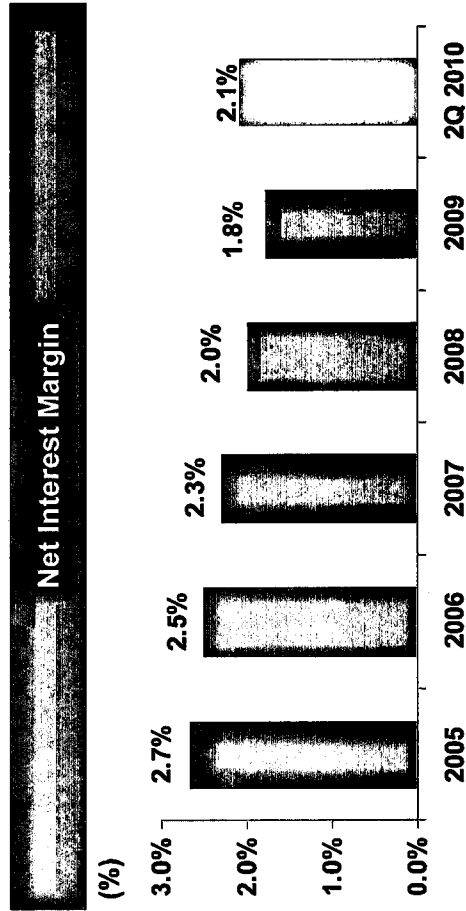
■ NACF's profitability stagnant while its capital base is significantly stronger than pre-crisis levels



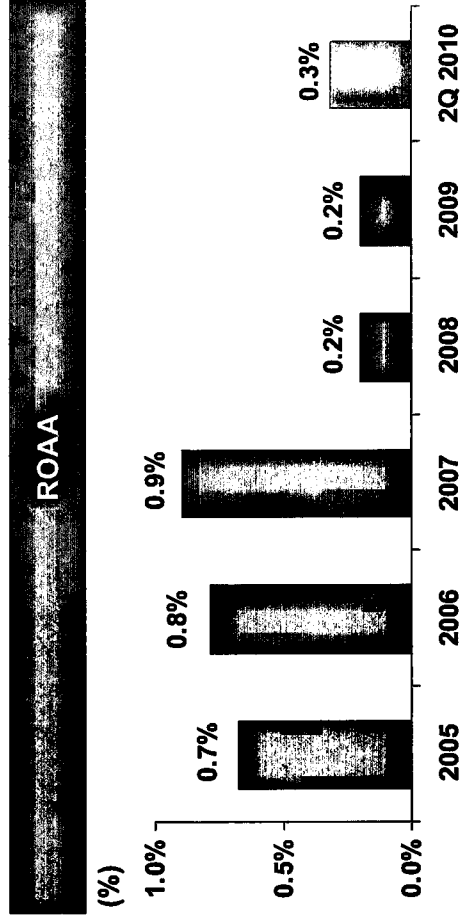
# Robust Financial Track Record



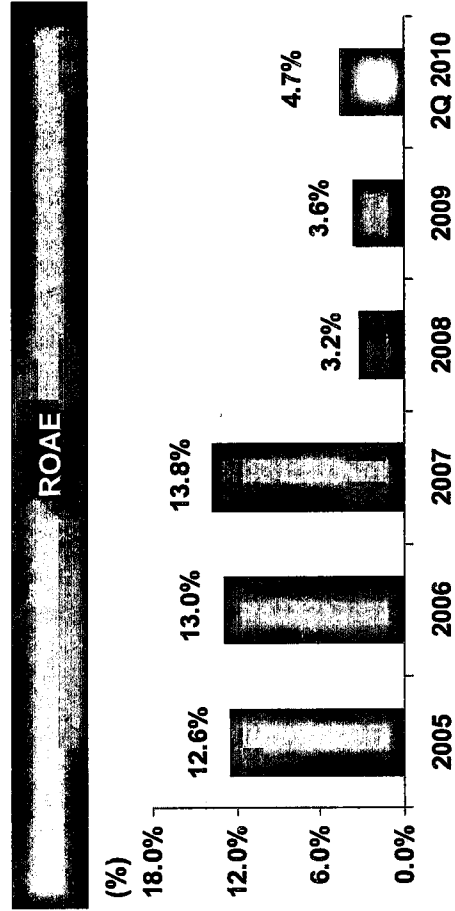
- NACF's ROAA and ROAE demonstrate upward mobility
- NIM has been under pressure from strong competition and the global financial crisis throughout the banking sector



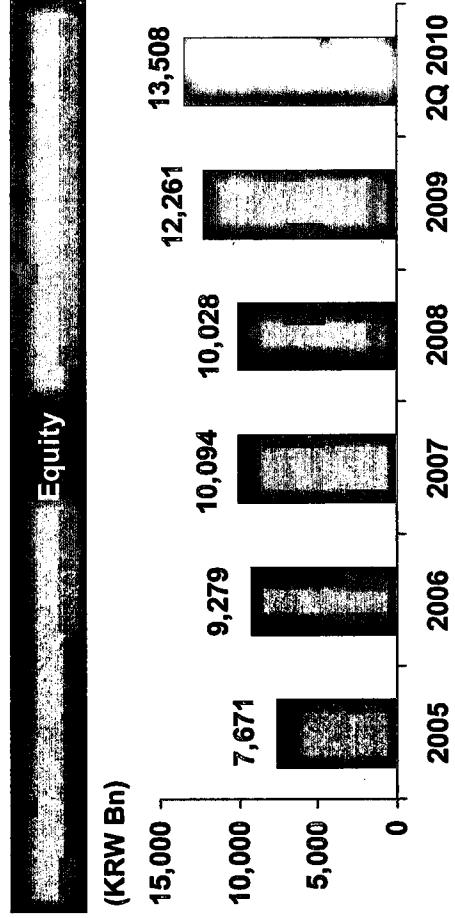
Source: Company filings, June 30, 2010



Source: Company filings, June 30, 2010



Source: Company filings, June 30, 2010



Source: Company filings, June 30, 2010

# Summary Financial Statement



<b>Key Financials (1)</b>		<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2Q 2010</b>
<b>KRW Bn</b>							
<b>Total Assets</b>		202,205	229,088	240,442	260,381	271,406	285,637
<b>Total Liabilities</b>		194,534	219,809	230,347	250,352	259,145	272,129
<b>Total Shareholders' Equity</b>		7,671	9,279	10,094	10,028	12,261	13,508
<b>Income Before Income Taxes</b>		963	1,135	1,476	480	769	340.0
<b>Net Income</b>		804	1,053	1,235	240	445	260.5

Source: Company filings, June 30, 2010



**Thank You**

