

First look

We see improvements across all key earnings drivers at Pusan Bank (PSB), resulting in 1Q07 net profit of W76bn, well ahead of our estimate of W64bn and consensus of W60bn. In particular, sequential improvement in NIM was encouraging (+7bps), boosting net interest income by 2% q-q. Furthermore, KAMCO-related one-off gains (W8bn) and provision write-backs (W9bn) boosted the bottom line. PSB also delivered better-than-expected NPL indicators.

Earnings vs our forecast	ABOVE	IN LINE	BELOW
Likely impact:			
Earnings estimates	UP	NO CHANGE	DOWN
Dividend estimates	UP	NO CHANGE	DOWN
Recommendation	UPGRADE	NO CHANGE	DOWNGRADE
Fair value	UP	NO CHANGE	DOWN
Long term view	STRONGER	CONFIRMED	WEAKER

FIRST LOOK

1Q07 Results

First Look is the analyst's preliminary interpretation of the results announcement. Our recommendation and earnings estimates are not being changed in this report. Any formal changes to our recommendation or earnings estimates will be made in a subsequent report, which may differ from the preliminary views expressed in this report.

Closing price on 17 Apr W13,700
Fair value estimate **W16,000**

Improvements across the board

- PSB delivered better-than-expected net interest margin of 3.04% (non-cumulative, up 7bps q-q versus our forecast of a 1bps q-q increase), on favourable re-pricing for corporate loans. Loan growth was also healthy at 2.8% q-q and 24.9% y-y, led by strong SME lending (up 3.9% q-q). As a result, PSB posted decent growth in net interest income of 2.0% q-q, versus our estimate of 1.5% q-q.
- PSB posted two key one-offs: W8bn recoveries from contributions to KAMCO (unlisted) and W9bn in provision write-backs based on the new historical credit loss ratios. SG&A expenses were well controlled, growing 0.6% y-y, which cut the cost-to-income ratio to 41.4%, from 46.9% in 1Q06. We attribute the improvement partly to the positive impact from the restructuring in 4Q06.

Exhibit 1. 1Q07 results

(Wbn)	Actual	Nomura forecast	Variance
Operating income	190	177	7.2
PPOP	111	102	9.1
Net profit	76	64	19.8
Net interest margin (%)	3.04	2.98	+6bps
NPL ratio (%)	0.79	0.85	-6bps

Source: Company data, Nomura International (HK) Limited, Seoul Branch

- NPL-related indicators continued to improve, with the NPL ratio at 0.79% (-4bps q-q) and new NPL formation totalling W11bn (down from W27bn in 4Q06). The healthy trends in NPL indicators should dispel concerns over credit quality deterioration at PSB, amid the hefty growth in SME loans last year.
- Given the continuing improvements in key earnings drivers, we reiterate our BUY call. We think FY07F valuations of 1.45x P/BV and 8.0x P/E add to the appeal.

Key financials & valuations

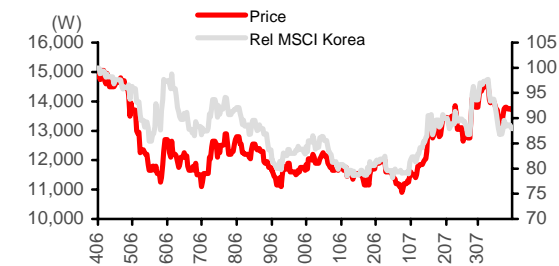
31 Dec (Wbn)	FY05	FY06F	FY07F	FY08F
PPOP	322.1	335.4	411.3	464.6
Reported net profit	178.7	183.9	252.6	282.0
Normalised net profit	178.7	183.9	252.6	282.0
Normalised EPS (W)	1,218	1,254	1,722	1,922
Norm. EPS growth (%)	34.4	2.9	37.4	11.6
Norm. P/E (x)	11.2	10.9	8.0	7.1
Price/adj. book (x)	1.75	1.57	1.45	1.34
Price/book (x)	1.75	1.57	1.45	1.34
Dividend yield (%)	3.0	3.1	4.3	5.0
ROE (%)	16.5	15.2	18.9	19.5
ROA (%)	0.99	0.90	1.11	1.15

Earnings revisions

Previous norm. net profit	na	na	na
Change from previous (%)	na	na	na
Previous norm. EPS (W)	na	na	na

Source: Company, Nomura estimates

Share price relative to MSCI Korea



	1m	3m	6m
Absolute (W)	(0.7)	19.1	17.6
Absolute (US\$)	0.9	20.1	20.8
Relative to Index	(6.6)	9.0	6.9
Market cap (US\$m)			2,163
Estimated free float (%)			100.0
52-week range (W)			15,050/10,900
3-mth avg daily turnover (US\$m)			7.91
Major shareholders (%)			
CRMC			11.7
Aberdeen			10.2

Source: Company, Nomura estimates

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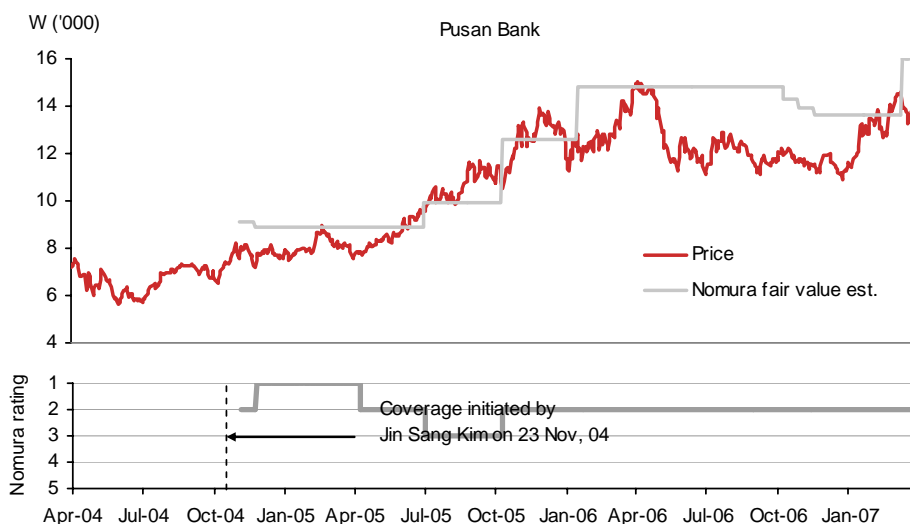
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Issuer	Ticker	Price (as at last close)	Closing Price Date	Rating	Disclosures
Pusan Bank	005280 KS	14050.00 KRW	18 Apr 2007	Buy	

Previous Ratings

Issuer	Previous Rating	Date of change
Pusan Bank	Neutral	28 Oct 2005

Three-year stock price and rating history



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Sources: Nomura Securities International, Inc. and Nomura International plc as of 31 March 2007.

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 A rating of "3", or "**Neutral**", indicates that the analyst expects the stock to either outperform or underperform the Benchmark by less than 5% over the next six months.
 A rating of "4", or "**Reduce**", indicates that the analyst expects the stock to underperform the Benchmark by 5% or more but less than 15% over the next six months.
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 A "**Sell**" recommendation indicates that downside is more than 20%.

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Previous Nomura rating system for Asian companies under coverage ex

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A rating of "4", or "**Reduce**," indicates that the analyst expects the stock to underperform the Benchmark by 5% or more but less than 15% over the next six months.

A rating of "5", or "**Sell**," indicates that the analyst expects the stock to underperform the Benchmark by 15% or more over the next six months.

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