



Wonderful Change

BUSAN BANK
2010 ANNUAL REPORT

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Corporate Profile

Founded in 1967, Busan Bank has grown into a top-performing representative regional bank that secures asset soundness on the basis of industry-best risk management and strong sales capabilities. Throughout its 43 years of service, we have established a long-term growth foundation while supporting the stimulation of the local economy's vitality with a variety of financial products and customer service tailored to regional market conditions. Our stable asset quality, efficient system building, and revenue diversification have added to our ability to consistently advance, creating greater value for the community through passion and dedication to become the best Regional Financial Group.



We are pleased to report that Busan Bank had an exceptional year in 2010. We came back from one of our most challenging years to record one of our best ever, and worked together to strengthen the Bank's unique value proposition as Korea's Premier Regional Financial Group. We want to extend our warmest thanks to everyone who has maintained their confidence in Busan Bank and supported us for another year.

Although competition in the world's integrated financial markets seems to get fiercer every year, the competitive challenges are offset by the many attractive opportunities that continue to unfold before us. We believe that no one is better positioned than Busan Bank to seize them and bring about never-ending **Wonderful Change**.

It is because we have...



ful team efforts
& expertise,





**WE
FORGE AHEAD
AS ONE.**

In 2007 Busan Bank established a mid- to long-term strategic roadmap that called for the Bank to transition into a financial holding company, so as to more effectively achieve our vision of being 'Best Regional Financial Group'. The roadmap has directed our efforts to develop more advanced financial products, improve customer service, and obtain preliminary approval for the transition to a holding company structure in December 2010. In March, 2011, we obtained final approval for the holding company restructuring, which is a first for a regional bank in Korea. As we move forward to pursue this new corporate vision, Busan Bank is preparing to turn its ambitious dreams into reality.

Completion of the new organizational framework and official launch of BS Financial Group

2012-2013

Work together to maximize synergies among sister companies in the Group

2011

2009-2010

Establishment of BS Securities and BS Capital, respectively Phase I and Phase II of the Bank's portfolio diversification scheme



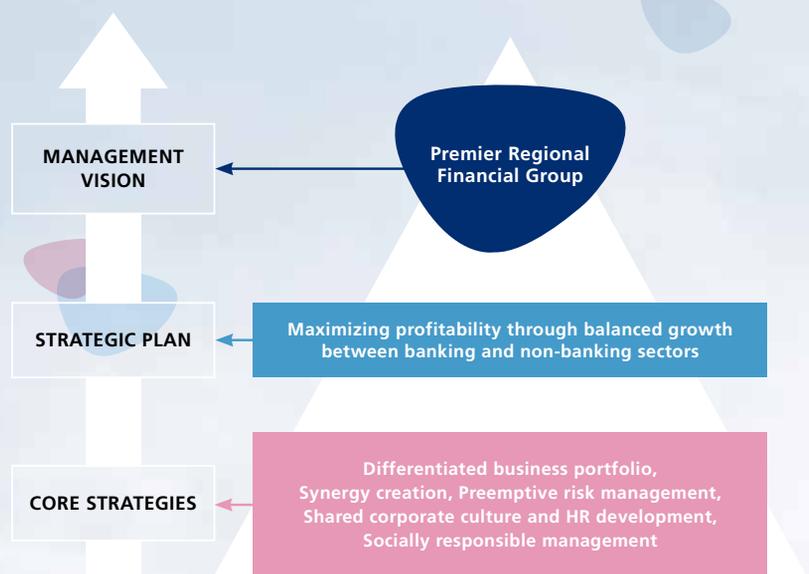
full capability to
manage risk and
opportunity,
and





**WE
BALANCE
OUR GROWTH
AS ONE.**

Achieving success in the financial markets is a matter of balancing risk and growth. Our formula for creating corporate value is to focus on the mid- to long term, leverage synergies among our subsidiaries, deliver total customer satisfaction and practice strict market-based risk management. It also involves diversification and the active promotion of our non-banking businesses. Everyone at Busan Bank is dedicated to value creation and community development as the founding principles of our new holding company, to be launched in 2011.



full-time
commitment to
our communities.

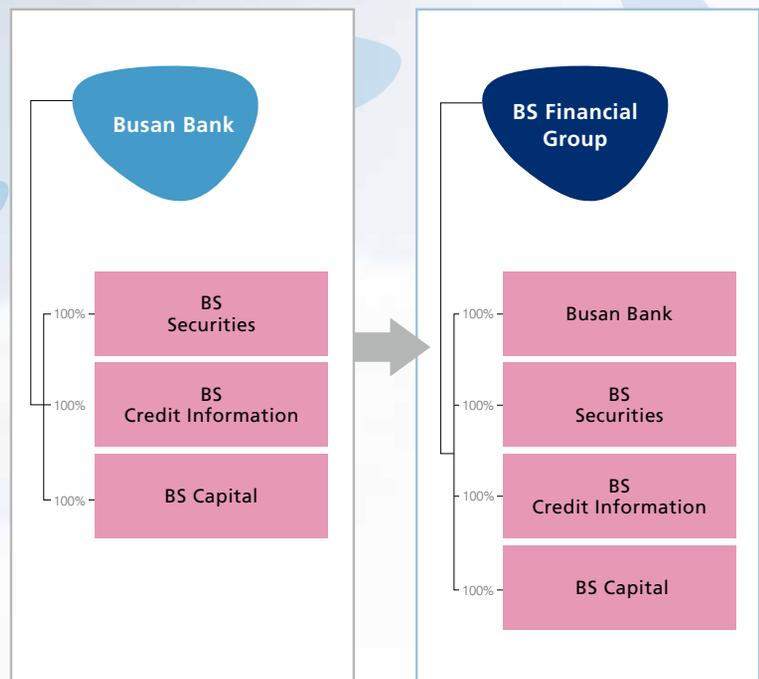




**WE
SHARE
OUR SUCCESS
AS ONE.**

As the representative local bank of the Busan, Ulsan and Gyeongnam region, we have a responsibility to contribute to the area's economic growth and the well-being of the populace. The entire staff and management of Busan Bank and its subsidiaries are striving to maximize value for our shareholders, customers, employees and society as a whole. We will do our very best to implement systematic and professional social contribution programs in a spirit of neighborly cooperation, as we prepare for the Bank's impending conversion to a holding company.

Before and After the Transition into a Holding Company Structure



CEO's Message



Jang-ho Lee

President & CEO
Busan Bank

2011 launches a new era for Busan Bank, as our existing organizational structure gives way to an integrated holding company that will be the region's pre-eminent Financial Group.

Welcome to Busan Bank, southeast Korea's leading financial institution.

I would like to thank all of Busan Bank's customers and shareholders for the loyalty and support they have shown us over the years.

Although continuing uncertainty in the financial markets was caused a number of events, such as the unexpected weakness of the European economic recovery, Busan Bank was able to exceed expectations thanks to preemptive risk management and continued business innovation. As a result, our credit ratings were revised upward to Triple-AAA by all three domestic ratings agencies, which have raised Busan Bank's reputation in 2010.

With the establishment of BS Securities in 2009 and the launch of BS Capital last year, we have established the platform on which we will build a new financial holding company. Busan Bank received final approval for the transition to a holding company structure in March of 2011, which will make us the region's first FHC.

Looking at the year ahead, we believe that 2011 will be marked by increasing M&A activity and more vigorous competition. This will alter the competitive environment, and as such, we have declared Busan Bank's intention to focus this year on increasing our market presence and maximizing synergies. We have also adopted the expression 應形無窮 as our motto, meaning "Don't attempt to repeat past victories; instead adapt to changing circumstances". This is the philosophy by which our Bank will confidently face inevitable changes and grow into a market leader that pursues a grand vision.

Recently we formed a new SME Department and a SOHO Support Center to provide better service to the Bank's valued SME and SOHO customers. These new divisions will operate under a 'win-win' principle, and actively participate in all of the Bank's CSR activities.

As we enter our 44th year of business, we are adopting the mindset of considering this 'Year One' of the "Wonderful Change 2011", during which everyone in our organization will participate in the transition to become the leading financial holding company of the southeastern region.

I ask for your continued support and encouragement during these times of change, and wish good health and happiness for you and your family. Thank you.

Financial Highlights

Total Assets (Unit: KRW Billion)

2010	34,726.1
2009	30,477.1
2008	27,957.6

Shareholder's Equity (Unit: KRW Billion)

2010	2,458.0
2009	2,119.5
2008	1,645.8

Net Income (Unit: KRW Billion)

2010	333.5
2009	245.1
2008	275.0

YEARS ENDING DECEMBER 31

Unit: KRW Billion

	2010	2009	2008
FOR THE FISCAL YEAR			
Total Revenue	2,800.7	3,110.4	3,649.0
Total Expense	2,467.2	2,865.3	3,374.0
Net Income	333.5	245.1	275.0
AT YEAR'S END			
Total Assets	34,726.1	30,477.1	27,957.6
Total Deposits	21,490.0	18,510.5	16,758.2
Total Loans	22,079.2	20,199.1	19,440.1
Securities	6,231.3	5,767.7	5,238.6
Shareholder's Equity	2,458.0	2,119.5	1,645.8

YEARS ENDING DECEMBER 31

Unit: USD Million

	2010	2009	2008
FOR THE FISCAL YEAR			
Total Revenue	2,459.1	2,663.9	2,901.8
Total Expense	2,166.3	2,454.0	2,683.1
Net Income	292.8	209.9	218.7
AT YEAR'S END			
Total Assets	30,490.9	26,102.3	22,232.7
Total Deposits	18,869.1	15,853.5	13,326.6
Total Loans	19,386.5	17,299.6	15,459.3
Securities	5,471.4	4,939.8	4,165.9
Shareholder's Equity	2,158.2	1,815.3	1,308.8

* FY2010: KRW 1,138.9, FY2009: KRW 1,167.6, FY2008: 1,257.5 per USD 1.00

Shareholder Composition

(As of Dec. 31, 2010)

Composition	Shares Outstanding	Ratio
Securities Firms	247,042	0.13%
Insurance Companies	75,230	0.04%
Investment Trust Companies	1,170,1135	6.27%
Banks	15,220,884	8.15%
Other Financial Institutions	615,653	0.33%
Other Corporations	29,825,076	15.98%
Individuals	22,102,897	11.84%
Foreigners	106,895,733	57.26%
Total	186,683,650	100.00%

Major Shareholders

(End of 4Q 2010, the most recent fair disclosure)

Shareholder	Percentage
Aberdeen Asset Management Asia Limited	14.56%
Lotte Group (incl. Japan Lotte)	14.08%
National Pension Service	5.43%
Capital Research & Global Investors	4.35%
Parkland Co., Ltd	4.29%
Templeton	3.40%
Mirae Asset Management	1.20%
Shinhan BNP Paribas Asset Management	1.19%

Stock Price

(2010)



News Highlights



JANUARY

Awarded Korea's most prestigious financial prize, the Dasan Financial Award Gold Medal, for the second straight year

Busan Bank's excellent management results and record of generous community involvement has earned the Bank its second consecutive Gold Medal at the Dasan Financial Awards. The Bank's pioneering leadership in win-win management, job creation and support for the SME sector were recognized as factors in the win. The Award is named after the Dasan, Jeong Yak-yong, and is Korea's most prestigious award for the financial industry. This second win serves to further bolster Busan Bank's public image and reputation as a premier regional bank.

MARCH

Busan Bank CEO Lee Jang-ho named among Korea's Top 100 CEOs

Busan Bank CEO Lee Jang-ho was selected as one of Korea's Top 100 CEOs by the 'Maekyung Economy' last March. It is one of Korea's most reputable economic magazines, and its annual list of top CEOs is watched and respected widely in terms of financial results and public reputation. Busan Bank's strong financial performance and prominent role in guiding the turnaround in the local economy since the start of the global financial crisis, as well as the high profile of the Busan Bank Scholarship and Cultural Foundation, were key factors in the award.

MAY

Busan Bank CEO Lee Jang-ho attends international IR roadshows

Busan Bank CEO Lee Jang-ho traveled abroad to meet foreign investors from May 16 to May 26 last year. During the IR roadshows in Toronto, New York, Boston and San Francisco, he briefed investors on first-quarter results and medium-term strategies.

JUNE

Awarded Grand Prize for Social Contribution at 2010 Korea Corporate Social Responsibility Award

Busan Bank was honored with the Grand Prize in the Social Contribution category of the 2010 Korea Corporate Social Responsibility Awards, sponsored by the Korea Economic Daily. The award recognizes the Bank's significant contribution to regional economic development, and the trust it has earned from its customers and the local community. Busan Bank will continue to grow as a respected company that fulfils its social responsibilities through sound management, sharing and environmental stewardship.

AUGUST

'Hope for Small Business Project' signing ceremony held; Seomyeon economic revitalization initiative launched

Busan Bank held a signing ceremony to launch its 'Hope for Small-scale Business Projects', in conjunction with the Busan Metropolitan Government, Busan Credit Guarantee Foundation and the Busan Economic Promotion Agency. At the ceremony, the Bank pledged that it would extend KRW 20 billion in SME-targeted loans. Also, on August 23, Busan Bank held a declaration ceremony to announce the start of a win-win management initiative to boost job creation and economic growth in the Seomyeon region. The Bank declared its intention to assist SMEs to normalize their activities in the wake of the economic downturn, backing up its pledge with KRW 14.2 billion in funds for job creation, SME special support, support for the socially vulnerable, and increased social contribution.

SEPTEMBER

Busan Bank's 'Alpha Leader' group treks up Mount Baekdu

30 fourth-year members of the 'Alpha Leaders' of Busan Bank went trekking on Mount Baekdu in August, 2010. Busan Bank launched the Alpha Leader program in 2008 to provide practical leadership training and serve as a model of charity, challenge and dynamism for all Bank employees to follow.



OCTOBER

BS Capital officially launched

BS Capital was officially launched at a ceremony on October 5. The company is a subsidiary of Busan Bank and will be one of the founding members of the new holding company to be created in 2011. Busan Bank had earlier established a credit rating computation system for use by BS Capital, which, as the only capital firm with a head office in Busan, will initially focus on lease and installment finance.

Acquired 'AAA' credit ratings from domestic credit rating agencies

Busan Bank, as Korea's leading regional bank, acquired 'AAA' ratings from all of Korea's top three credit rating agencies on October 8. The Bank's solid local base and stable inflow of deposits were the main reasons for the top ratings.

Busan Bank hires Korea's first foreign female bank staff

Busan Bank is proud to be the first bank in Korea to have hired foreign women to serve on its staff. Mahmoudjanova Iroda of Uzbekistan and Tran Thi Ngoc Phuong of Vietnam were hired in the past year to join the Bank's Foreign Business Office.



NOVEMBER

Busan Bank donates mobile stage to Busan Cultural Foundation

Busan Bank donated a specially-designed 4.5-ton cargo truck to the Busan Cultural Foundation. The vehicle is fully equipped with a stage, lighting and sound system to function as a complete mobile stage for various types of cultural performances. Among its many users is the 'BS Chamber Orchestra', which holds concerts twice per week in locations where people typically have little access to cultural performances.

Fitch revises Busan Bank's credit rating outlook upwards

International credit rating agency Fitch announced on November 16 that it had revised Busan Bank's outlook from 'stable' to 'positive'. Fitch explained that the revised rating was based on the Bank's stable regional deposit base, its strong competitive position in the SME and household loan market, and attractive yield projections.

Received 'Prime Minister's Award' for Anti-Money Laundering Activities

On November 26, 2010, the Korea Financial Intelligence Unit of the Financial Supervisory Commission held its 4th Anti-Money Laundering Day, and awarded Busan Bank its 'Prime Minister's Award' for its dedicated work in this area. Since December, 2008, Busan Bank has used reinforced information cross-checking systems to identify possible money launderers. In May and November of 2010, the Bank added two additional upgrades, bringing its systems in line with the standards of financial institutions in advanced countries.



DECEMBER

Busan Bank designated a '2010 Fortune GWP' (Great Work Place)

Busan Bank was honored with the Grand Prize in the financial sector at the '2010 Fortune GWP in Korea' awards, jointly organized by Great Work Place and Fortune Korea. The Bank's corporate culture is built on value creation through trust-based management that respects the needs and aspirations of its talented employees. The purpose of the award is to recognize the achievements of Korean companies that have managed to create truly great places for people to work, and demonstrate how respect for employees translates into improved job performance, job interest and overall value creation.

Received approval to become a financial holding company

Following preliminary approval on December 15, 2010, Busan Bank received final approval on March 2, 2011, to become the first Korean regional bank to transition into a financial holding company. The newly renamed BS Financial Group was officially launched on March 15, 2011. In preparation, the Bank reorganized its SME operations to create the SME Division, and added infrastructure to take on an expanded role as a leading supporter of the SME sector in Korea's southeast. Also, the Ship Finance Team dedicated solely to ship finance was additionally created.

Busan Bank's history is one of innovation and achievement. The latest step will be our most significant ever, setting us on a course toward a bright new future as a diversified Premier Regional Financial Group. We embody the spirit of Wonderful Change that has been with us since our founding, as we move forward

with full...



共同



Confidence

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GLOBAL BANKING



Competitiveness

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MICRO CREDIT

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SOCIAL RESPONSIBILITY

The Chinese characters shown on this page embody the themes of this report and of our Bank. The large character is the word 'Together'; the character for 'Excellence' is used for the Confidence section; 'Strong' for the Competitiveness section; and 'Truth' and 'Sincerity' for the Commitment section. Collectively, these words represent our determination to grow into a Premier Regional Financial Group that brings about Wonderful Change based on our service excellence, financial strength, preemptive risk management and commitment to being the success partner of all our stakeholders.

Our philosophy is simple: We foster a corporate culture that values personal excellence and collective effort, which unite to create a team that delivers unparalleled service as a true partner for our customers' success.

We've made
Wonderful Change with
full confidence.

卓越



Corporate Banking



Busan Bank occupies an important niche in the southeast's regional economy, providing vital support for local SMEs and shipbuilders, as well as jobseekers and the public sector.

Growing and leading together

Busan Bank has developed a variety of products and services designed to help the SME sector to drive regional growth and make a substantial economic contribution. One example is the 'BS Hope Loan', a credit product offering low interest payments for small businesses. Launched in September, 2010, the Hope Loan volumes reached KRW 76.1 billion by year-end. Also, the Bank participated in the 'Dynamic BS Hope Project' jointly with the Busan Credit Guarantee Foundation and the Busan Economic Promotion Agency. The Project is a comprehensive support scheme for small business people and companies, and is part of a wider joint support program that also includes 'Dynamic Business Start-up Class' and 'Dynamic Free Management Consulting' for small businesses.

Busan Bank is the only regional financial organization in Korea that contributes to local job creation by facilitating the job search and recruitment process for people and companies outside the Bank. The BS Job Center was created in March of 2009 to direct these efforts. The Bank uses its own network to publicize employment opportunities, match suitable candidates to prospective employers, provide job counseling and sponsor job fairs. As of December, 2010, Busan Bank had helped 2,324 people find positions with 1,719 companies.

The Bank also recently formed a new SME Division to reinforce its role as a leading supporter of the small business sector in the Busan, Ulsan and Gyeongnam regions. Several service centers for the self-employed were set up in various locations, so as to hear the concerns of self-employed clients with respect to their access to financial services. The Ship Finance Team was newly formed within the Investment Banking Department, and tasked with the job of revitalizing the Bank's ship finance business, which is a major industry in the area and a focal point of much financial activity.

For 2011, Busan Bank has made a commitment to grow alongside its customers by offering uniquely differentiated services and practicing customer-oriented management, site-specific management, win-win management and responsible management. Moreover, the Bank will create value for the regional economy as a partner for success of the SME and corporate sectors, and as a caring corporate citizen with strong ties to the community.

Total Loans

Based on balance (Unit: KRW Billion, %)

CATEGORY	2010	2009	CHANGE	
			AMOUNT	%
KRW Loans	20,018.0	17,842.8	2,175.2	12.19
Foreign Currency Loans	1,122.3	1,116.1	6.2	0.56
Other Loans	938.9	1,240.2	-301.3	-24.29
Total Loans	22,079.2	20,199.1	1,880.1	9.31

Retail Banking

Our aim is to occupy a special place in the hearts of our customers; to be seen as the only regional bank, providing products and services created for their unique needs.



Setting the standard for total customer satisfaction

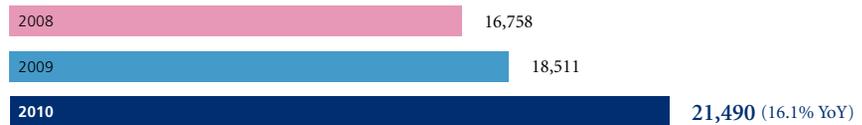
Busan Bank introduced a wide range of innovative products to actively respond to its stronger market presence and the changing needs of its customers. Representative deposit products include the 'BS Haha Hoho Time Deposit', which offers preferential rates on special days such as birthdays, getting a new job or being admitted into a university; the 'BS e-Smart Time Deposit', exclusive to smart phone users; and the 'More Beautiful than Flowers' bankbook, installment savings account, and term deposit products for female customers. Thanks to the success of these and other products, Busan Bank recorded total deposit growth of 14.38% in 2010, to close the year at KRW 25,630 billion in deposits.

Turning to credit products, the Bank introduced several new products in the last year, including 'BS Happy Auto Loan', offered to help finance new car purchases, and 'More Beautiful than Flowers' loans exclusively for female customers. Beneficiary certificates and bancassurance sales were promoted as part of the Bank's ongoing efforts to be more customer-oriented. Revenues from beneficiary certificates amounted to KRW 1,497.7 billion, up 24.02% year-on-year, while bancassurance revenues grew at an annual rate of 15%.

As of year-end 2010, Busan Bank's network extended to 238 branches in Korea and abroad. We have made every effort to offer an outstanding customer experience at every contact point, not only through products and services but also within the branch environment and facilities. This included the installation of premium air-conditioned ATM kiosks at 15 branches in 2010, and the replacement of 298 pieces of aging equipment. Busan Bank plans to continue expanding its domestic network so as to cater more effectively to client needs, and make 2011 a year of total customer satisfaction.

Total Deposits

Based on balance (Unit: KRW Billion)



Total No. of Credit Card Members

(Unit: Thousand)



Credit Card Purchases (Unit: KRW Billion)



Strong performance from credit card business

Busan Bank launched initiatives to drive increases in profits in 2010, particularly emphasizing the recruitment of new customers and the promotion of credit card usage. A wide range of new products was launched, including 'BS Love for Culture Card' and 'BS Shuttlecock Card', both of which helped to attract new customers to Busan Bank. The Bank also campaigned actively to secure more high-yield retail customers and corporate clients, and to attract new customers to the local branches.

In line with its marketing efforts to gain new customers, the Bank offered long-term no-interest credit installment products in cooperation with large discount stores, electronics retailers and hypermarkets. Another popular differentiated service is a check card for student ID cardholders. As a result of these concerted efforts, the Bank's credit card customer base grew 8.1% in 2010 to 1,516 thousands, while the growth rate of annual spending was 10.9%, reaching KRW 3,757.9 billion.

Delinquency Rate

CATEGORY	2010	2009	YoY
More than one month	1.27%	1.40%	-0.13%p
More than three months	0.66%	0.74%	-0.08%p
More than six months	0.14%	0.22%	-0.08%p



Offering a hard-to-beat value for PB customers

Busan Bank operates the 'Withus Club' private banking (PB) center to recruit and serve the needs of high net-worth clients. The Bank strived to bolster its marketing activities and expand services throughout is 42 PB branches in 2010.

Marketing activities have targeted both the retention of existing customers and the attraction of new ones using events and gift giveaways. For marketing to high-value customers, we focus on informing them of the full range of services Busan Bank offers, including analysis of financial portfolios, asset management consulting, expert counseling, tax advisory and reporting, document reporting and investment seminars, as well as invitations to cultural events. Internally, the Bank holds PB seminars and workshops to strengthen staff capabilities, and regularly tests the knowledge of PB sales personnel. Externally, it is building the strength of its private banking brand with promotional activities, media columns containing financial advice, and sponsored lectures.

Looking ahead, Busan Bank will expand its PB network to include the Bank's full regional coverage. Plans include strengthening region-specific services, improving customer access and continuous upgrading of employee skills. Marketing activities will be conducted to augment improvements in PB infrastructure so that Busan Bank will be recognized as the best-in-class PB service provider.

Other Financial Services



BS Securities

Reaching new heights as a regional securities firm

BS Securities is a wholly-owned subsidiary of Busan Bank. It was launched in 2009 in response to the broad changes occurring in financial markets. Originally founded as PB Futures in 1997, it grew to become the Busan region's local expert in derivatives. Now it has expanded its coverage beyond currency and futures to provide comprehensive securities services and deliver a more complete value package to its customers. By creating a business network that leverages synergies among diverse but complementary subsidiaries, Busan Bank is building a stable structure for long-term growth.

Within one month of its launch, BS Securities had recorded KRW 600 billion in deposits and hosted 5,500 brokerage accounts. The company has grown rapidly into a mid-size firm with KRW 55 billion in equity from two capital increases, and reached its financial breakeven point within 9 months of starting up full-scale operations. BS Securities' growth strategy is to pursue a Branch-with-Branch (BWB) model, under which it would open full-service branches alongside key branches of Busan Bank, thereby benefiting from the Bank's strong sales and localization competencies. As the company adds to its branch network, it will steadily expand into new business areas, including securities sales, certified investment, and corporate finance. In the near future, Busan Securities is confident that it will emerge as the region's preeminent financial investment company.

BS Capital

Providing a full range of consumer credit services

BS Capital was established in July, 2010 as a wholly-owned loan servicing subsidiary of Busan Bank. Its portfolio covers retail loans, car loans, lease financing, installment financing, corporate loans, factoring, note discounting and microcredit. The company currently operates from its headquarters in Busan, and as of year-end 2010, it had loan centers in Seoul, Busan, Gangnam, Incheon and Changwon. Despite its short history, BS Capital recorded impressive growth in 2010, accumulating 5,631 accounts and a loan balance of KRW 110 billion.

BS Capital intends to grow together with its customers by providing the highest level of value to them. The company will leverage synergies with its parent company, Busan Bank, to develop and sell differentiated products and services, and utilize the Bank's financial support and management expertise to rapidly evolve into the region's most effective credit service agency.

Maximizing synergies to create more value

With the launch of BS Securities in 2009 and BS Capital in 2010, Busan Bank began the creation of a fully-integrated financial services network. In 2011, its vision is to establish a cohesive framework to become the nation's best-in-class regional financial group. To support this drive, the Bank and its subsidiaries are reorganizing to effectively maximize synergies by operating sales channels that seamlessly connect all three companies. Furthermore, as the parent company, Busan Bank is taking the lead in implementing M&A-type growth strategies.

In 2011, Busan Bank will begin its transition to a holding company corporate structure, creating the region's own home-grown Financial Group through exclusive stock acquisition of its subsidiaries. The group's vision is to be the best-in-class regional financial group, adding value to the community through consistent practice of customer-oriented management, and creating corporate value by generating ever-stronger intra-group synergies.

Global Banking



Rising credibility in the F/X market

Busan Bank began offering F/X services in 1971, and ever since has recorded steady growth as its business scope has expanded and international credibility has increased. As of December, 2010, the Bank's F/X business encompasses a network of about 1,500 correspondent banks worldwide and 30 F/X accounts for overseas deposits (8 USD, 3 JPY, 3 EUR, 2 GBP and 14 others). In cooperating with Chinese banks including Bank of China, Industrial and Commercial Bank of China and China Construction Bank, Busan Bank is now offering wire transfer services into China. In September 2010, the Bank became Korea's first regional bank to offer RMB cross-border settlement services, enabling it to use a panel of currencies to assist exporters and importers to settle payments related to their trade with Chinese companies.

Providing international financial services on global level

The issuance of foreign currency debentures is one of the primary means by which Busan Bank secures stable access to capital and mid- to long-term funding. In March of 2009, the Bank accessed approximately USD 200 million in funding from European banks, despite the uncertain economic times immediately following the 2008 collapse of financial markets. In January, 2011, the Bank issued Samurai Bonds worth JPY 20 billion, which was a first for a Korean regional bank, affirming the credibility that Busan Bank has in the global markets.

As the Busan region's representative local bank, Busan Bank takes the lead in developing ties to external financial organizations. The Bank also works closely with the Busan Metropolitan Government and the Korean government to develop the city of Busan into a financial hub. Following the 2009 signing of a strategic alliance with Crédit Agricole CIB (CA-CIB) covering the joint development and marketing of financial products, Busan Bank entered into an agreement with Korea Marine Finance Corporation in January, 2010, which helped to further establish Busan as a hub of ship financing. In alignment with these

developments, the Bank also undertook an internal reorganization to create a task force dedicated to establishing advanced ship financing competencies. Part of these capability-building efforts involves the sponsoring the education of Bank employees who complete MBA courses in ship financing, thereby establishing a cadre of specialists in this important field.

Expanding our global footprint

Busan Bank is pursuing its long-term growth strategy and improving services for corporate customers by expanding its overseas branch network. These foreign outposts also serve as important intelligence-gathering points; for example, since opening the Qingdao Representative Office in China in 2008, Busan Bank has completed extensive market research and is preparing to launch a new branch there. The Bank is also proceeding with the opening of a representative office in Vietnam, a nation with very favorable growth potential, and will continue onward with a steadily-expanding policy of international expansion.

Promoting our services globally

Busan Bank has launched a multi-faceted campaign to promote its F/X services and raise foreign shareholder value. In the past year, gifts were given to wire transfer customers, seminars were held for export/import clients, foreign internships were sponsored and media campaigns were launched. The Bank also attended conferences organized by such firms as JP Morgan, UBS and Macquarie, along with holding NDRs attended by the Bank's CEO in overseas financial centers.

Great strength does not come overnight. Step by step, Busan Bank has been working hard to earn the right to be called a Premier Regional Financial Group. We now have a fully-developed management system to manage risk, maximize corporate value, seize opportunity and satisfy our customers.

奮力

We've made
Wonderful Change with
full competitiveness.



Market Trends



The world's integrated financial markets form a complex and dynamic ecosystem. Busan Bank's strategy for value creation is to fully understand our region's place in the world market.

2010 Regional economic review

Along with the gradual economic recovery taking place in Korea and much of the globe in 2010, the regional economy of Busan enjoyed steady growth in the first half of 2010. However, continuing problems in the Euro-zone, particularly the debt-laden countries in Southern Europe, put a drag on growth in the second half. Raw materials price inflation and sovereign currency interventions have also exerted a base effect on regional economic growth rates.

In the manufacturing sector, the shipbuilding and auto industries recorded solid growth in 2010, while lower unemployment and higher household spending combined to support light industrial and service industries, making 2010 a positive year overall.

In the export sector, total volume was up 30% over 2009, led by auto components, metal machinery and industrial chemicals, all driven by surging global demand.

2011 Regional economic outlook

The regional economy of Busan is expected to experience stable growth in 2011, although at a slower pace than was seen in 2010. This is mainly due to downstream factors such as price volatility, high inflation expectations driven by raw materials, slowing domestic economic growth and general uncertainty in the world markets.

The overall recovery in the manufacturing sector is expected to continue, although there remains an excess of ship bottoms produced during the peak manufacturing years. However, thanks to the sector's active diversification into offshore structures and wind power, as well as increases in new orders as international trade volume picks up, the outlook for the shipbuilding sector is reasonably promising.

Export volumes will likely increase at a pace commensurate with the overall global economic recovery, although difficulties could arise if the Korean won experiences abnormal appreciation, or if China pursues aggressive policy tightening measures to curb inflation.

In the domestic consumer sector, the outlook is generally positive, with rising consumer confidence and burgeoning household wealth accompanying higher asset prices. The major potential constraint on growth in businesses dependent on the household sector is a loss of consumer confidence stemming from rapid price inflation.

Management Infrastructure

Setting the agenda for BPR innovation

Busan Bank has applied business process reengineering (BPR) tools to innovatively redesign internal operations, simplify processes and improve efficiency. In 2010, workloads at the branch level were reduced to improve customer service processes, while burdens such as cash processing, deposit taking, check issuance and mortgage documentation were all eased. These changes succeeded in reducing operating costs and improving work efficiency, making more time available for various types of marketing-related activities. Also, with the adoption of ID card scanners in October of 2010, much authentication work has been eliminated. This has improved the Bank's use of personnel resources and reduced waiting time for its customers.

Continued efficiency improvements are planned for 2011. Computerized bookkeeping, digital documents, centralization of operations and elimination of redundant processes will all play a role in continued BPR improvements this year; with particular emphasis on the Bank's corporate loans and F/X divisions. Scanner-based automatic faxing systems will also be put into widespread use so as to reduce paper usage and advance the Bank's commitment to eco-friendly business operations.

Number of e-Banking Customers (Unit: Thousand)



Faster and better service with online banking

In its efforts to provide more convenient and personalized client services, Busan Bank has installed the most advanced IT infrastructure of any regional bank in Korea. As of year-end 2010, these investments have helped the Bank to attract 1,365,000 users of online banking, 1,491,000 users of phone banking and 289,000 users of mobile SMS, collectively confirming the Bank's status as a dominant force in regional e-banking.

One way in which Busan Bank was able to use its IT infrastructure for the benefit of the community was by helping the organizers of the Pusan International Film Festival. The festival is Busan's premier international event, and in addition to financial support, the Bank provided computer equipment and personnel to process reservations in person, online or through phone banking.

e-Business Performance (Unit: Each, KRW Million)

CATEGORY	2010	
	NO. OF COMPANIES	FEE
Firm banking-based automatic transfers	98	5,197
CMS networks	482	4,307
Virtual account channels	1,532	606
Alliance with securities companies	20	723
Total	2,132	10,833

CATEGORY	2009	
	NO. OF COMPANIES	FEE
Firm banking-based automatic transfers	87	4,827
CMS networks	458	4,493
Virtual account channels	1,472	671
Alliance with securities companies	20	696
Total	2,037	10,687

Risk Management

Key risk management performance in 2010

PREEMPTIVE LIQUIDITY RISK MANAGEMENT

Busan Bank uses sophisticated early warning indicators to classify and distinguish various types of liquidity risk, broadly categorizing them first as internal and external risks. The indicators are monitored continuously and results are issued to the relevant bank departments on a daily basis. A manual containing systematic contingency financing plans was created, so that preemptive action could be taken immediately in case of sudden emergencies. Additional policies for F/X liquidity risk management have been adopted using criteria established by the Financial Supervisory Service. Short-term liquidity management is further strengthened by using a Maximum Cumulative Cash Outflow (MCO) report, which covers both Korean won and foreign currencies.

STRENGTHENING THE CREDIT RISK MANAGEMENT

The monitoring of credit risk covers multiple fronts: pre-defined limits on indirect exposure to real estate, methods to calculate exposure limits to prevent concentration of credit risk, regular reviews of credit risk on ABCP held in trust, monitoring the credit risk of shipbuilders, analyzing the financial health of local governments and public-sector agencies, monitoring volatile industries, reviewing industry-specific profit metrics, and measuring the sensitivity of exporters to exchange rate movements. The Bank has also implemented more stringent credit review criteria to optimally determine the pricing of loans.

DEVELOPING KEY OPERATIONAL RISK INDICATORS

Busan Bank's operational risk management system relies on the use of key indicators developed and monitored jointly with the Financial Supervisory Service, the Korea Federation of Banks and six commercial banks. The collective input of these expert agencies provides continuous guidance on emerging risks and improvement measures.

MULTIFACETED APPROACH TO INTERNAL AND EXTERNAL RISK MANAGEMENT

Busan Bank responds promptly to any changes in the external risk environment by implementing one or more of the following measures: more stringent screening of new products and reviews of existing products; more intensive monitoring of derivatives and indirect investment products, quantitative impact analysis under the New Basel Capital Accord, tightening of ALM procedures in accordance with IFRS (scheduled for full adoption in 2011). The Bank has also strengthened its preemptive risk management capabilities by upgrading its early warning models.

FOSTERING A CULTURE OF RISK MANAGEMENT

Busan Bank has improved its scores under the Risk Adjusted Performance Measurement (RAPM) system by handling its NPL portfolio more aggressively. Meanwhile, profitability and financial stability have been improved by expanding the scope of application of Risk Adjusted Return on Capital (RAROC) methods. 2010 was a seminal year for the enterprise-wide adoption of a risk management culture at the Bank and throughout its subsidiaries. Self-analysis checklists for operational risk were implemented at the staff level, and backed up by seminars at BS Securities and stricter risk management reporting requirements.

Risk management plan for 2011

Busan Bank will adopt a strategic approach to bank-wide risk management in 2011 by preemptively responding to internal and external risk factors. Overall risk management tasks will be carried out based on the need for coherent systems to be in place for the launch of the financial holding company structure this year. To this end, a system to calculate the liquidity coverage ratio will be put in place, and the Bank's profitability will be stabilized by optimizing its financial structure. Internal Ratings Regulations for handling credit risk will be introduced, and capital adequacy will be actively managed in accordance with stricter regulations to be imposed on the financial sector. While raising operational efficiency (as measured by RAROC) and management competency (based on internal capital adequacy), Busan Bank will implement an advanced risk management system.

The Bank will respond proactively to changes in the financial market environment by improving its market risk measurement systems and the middle office functions of the Trading Department. It will also strive to reduce credit risk by carrying out thorough credit portfolio risk analysis, and ensure proper pricing by analyzing loans with respect to the Bank's cost of credit and potential interest rate movements. In preparation for the Bank's upcoming reorganization as a financial holding company, it will establish an internal risk management control system, improve operational risk control procedures and integrate all risk management procedures.

For a socially responsible company, commercial success is just one side of the coin; the other is service to society. We take both sides seriously, because we know that what we do as a company affects everyone in the community, with potentially far-reaching effects. That is why we examine every management decision from a corporate responsibility perspective, and act accordingly.

真心

We've made
Wonderful Change with
full commitment.



HR Development



Fostering a culture of innovation and excellence

Busan Bank looks for people who welcome new challenges and face them with creativity. The ideal employee is someone who feels a sense of ownership and personal responsibility; this is what drives them to deliver peak performance and take self-motivated action. To foster the development of best-in-class financial professionals, the Bank offers a wide variety of training programs and support, including external training at the Korea Banking Institute, the Institute of Financial Investment and MBA courses at domestic and foreign universities.

In 2010, the Bank created the 'BS Pro-Way' program to foster specialists in loan, F/X and ship financing-related IB fields, and subsidized their completion of related MBA courses. The Bank also implemented the '2010 BS Family Training' program as a teambuilding measure, and offered courses on a range of quality-of-life issues such as child-rearing, happiness and personal fitness. As a job creation exercise, approximately 300 interns - including foreign students and housewives - were hired during an open recruitment drive that also involved adding 150 new regular employees to the Bank's staff.

The extent of Busan Bank's commitment to sound HR management and staff development has been recognized by external organizations. For example, the Bank won the Grand Prize in the financial service category at the '2010 Fortune GWP (Great Work Place) in Korea' award, presented by GWP Korea last December.

Micro Credit

Applying our expertise to help others

As a bank that has grown together over the years with the citizens of the Busan and Gyeongnam region, Busan Bank is actively involved in providing small-scale loans to support the livelihoods of its neighbors. In November, it introduced the 'BS New Hopeful Seed Loan'. This is a new product for microcredit and middle-income customers, and it quickly recorded KRW 141.7 billion in sales by year-end. Our ongoing efforts to support our local economy have won Busan Bank the Dasan Financial Award Gold Medal for the third straight year, a record in Korea's financial industry. And to celebrate the honor, the Bank extended KRW 150 billion in microcredit loans for housing deposits, liquidity support and credit guarantees for small business owners. Going forward, Busan Bank will continue making every effort to support the hopes and dreams of its middle-income and microcredit customers.

Social Responsibility



Our commitment to social welfare projects in the Busan region has produced long-lasting benefits for sports, arts & culture, disadvantages citizens and the environment.

Using our success to bring happiness to others

The CSR slogan of Busan Bank is 'Love & Dream! Sharing a Happy Future with the Local Community'. The Bank has worked hard to put this slogan into practice, and to apply a management philosophy that emphasizes value creation at the community level, rather than just the corporate level. It takes a systematic approach to its social responsibility projects, so as to be able to implement a broad range of plans in the most effective manner. Busan Bank's CSR interests span community development, arts & culture, companionship and welfare for the marginalized, and support for the BS Hope Sharing Foundation. The Bank's active involvement in so many areas of community life has helped it to achieve a high level of recognition among local citizens.

In 2010, while maintaining our active involvement in a large number of valuable community support projects, the Bank gathered information on new projects for future win-win endeavors. Busan Bank will continue to stand by its neighbors as a model corporate citizen, in the truest sense of the term.

2010 CSR highlights

ENVIRONMENTAL SUPPORT FOR LOW-CARBON, GREEN GROWTH

Environmental protection is one of the most important areas of corporate social responsibility in current times. Busan Bank is playing its part in several ways; for example, by sponsoring free bicycle storage lockers ('Bike School') and awareness-raising events ('Let's Play with the Environment'). Greater synergies are realized through the Bank's combined efforts with the Busan Metropolitan Government's green growth programs, which encourage cycling and use of green spaces.

In addition, all Bank employees take part in volunteer activities. The full scope of these activities is too wide to enumerate, but examples include tree planting, litter collection, beach cleaning and drain cleaning. Busan Bank also sets positive examples on how to reduce one's environmental impact through small changes in daily habits, such as using the stairs instead of the elevator, using energy-efficient office and lighting equipment, and replacing fluorescent bulbs with LED and halogen bulbs. On the business front, the Bank has developed retail banking products that promote the public interest, among them the Green Citizens Bankbook, Clean Green Deposit Account, Clean Green Installment Savings Account and BS Preferential Loan for Clean Green Companies.



SUPPORT FOR EDUCATIONAL DEVELOPMENT

Busan Bank supports a number of educational development programs in the local community. A leading example is its scholarship program, which funds the education of outstanding local students each year. Another is the school development fund support program, through which the Bank helps outlying schools upgrade their facilities, thereby disincentivizing top students from migrating to urban areas. To assist students from low-income families, the Bank participates in meal-support programs and matching-fund grants.

Knowing that reading is the most basic foundation of knowledge, Busan Bank sponsors a city-wide book exchange campaign, as well as supporting the Life-long Learning Festival, the Ssamzie Library, the 'Book Collection Campaign' and a Children's Reading Economy Experience School.

SUPPORT FOR ARTS & CULTURE

To help Busan become better known as a cultural center, Busan Bank opened the Joeun Theater, which is the first theater in the city to have been paid for by a local bank. The Bank also provides several free high-quality cultural performances each year, including the Love May Concert and the Win-win Concert. It also donated a heavy truck for the 'Art Center On the Go', which is essentially a mobile gallery and performance platform that visits neighborhoods where people generally have little access to culture and the arts.

Busan Bank has been a steadfast financial supporter of the Pusan International Film Festival, as well as providing reservation services for the festival through the Bank's IT infrastructure. Other high-profile events that it supports include: the Busan Fireworks Festival, Haeundae Sand Festival, Busan Fine Arts Exhibition, Busan Biennial, Busan Arts Festival, Busan International Performing Arts Festival, Busan International Dance Festival, Busan International Tea Cultural Festival and Busan International Art Fair. The Bank is thus demonstrating a clear commitment to developing the city of Busan into a top caliber arts destination.

SUPPORT FOR SPORTS AND ATHLETICS PROGRAMS

Busan Bank created a local track & field team to support a category of sports that is relatively unpopular in Korea. Channeling support through the Busan Athletics Federation, the Bank is working to discourage highly skilled athletes from leaving the area because of poor support for their chosen sport. The Bank also provides prize money as an encouragement to individual and teams competing in track & field tournaments.

Among more high-profile sports, the Bank has organized the BS Youth Street Basketball Tournament and BS Badminton Tournament, and sponsored various other amateur tournaments including golf, tennis, marathons, pole vault, archery and yachting. Through all these efforts, the Bank is trying to encourage healthy lifestyles among young people and show everyday citizens the benefits of participation in sports activities.



SOCIAL WELFARE AND PUBLIC INTEREST

Low birth rate and population outflow are among the chief concerns of the Busan Metropolitan Government. To help address these concerns, Busan Bank built and donated a civic welfare center. It also opened the BS Job Center to support governmental job creation policies, while providing broad support for public interest initiatives with debt waivers, SME loans, the Smile Microcredit Bank, scholarships and so on. The Bank's 'Hope Sharing Fair' was a successful fund-raising event, in which all Bank employees participated. The Bank provided matching funds, donating the total to local welfare centers and organizations.

Busan Bank shows concern for its low-income neighbors by supporting projects aimed at financially at-risk citizens. It donates household goods, gift certificates, locally-produced foodstuffs and other supplies, which serve to elevate the Bank's image as a caring local enterprise. Various local welfare facilities benefit from Busan Bank's generosity and volunteer work, so that they may more effectively carry out their missions of helping the elderly and other disenfranchised groups.



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Management's Discussion & Analysis

Performance Summary

The economic growth rate was negatively impacted by the ongoing global financial crisis, a sluggish domestic economy and rising commodity prices. These conditions dampened investor confidence, resulting in a drop in the Bank's operating revenue of KRW 325.9 billion or 10.56% from the previous year. Despite this fall, operating income recovered KRW 116.8 billion year-on-year to KRW 434.1 billion, while net income rose KRW 88.4 billion to KRW 333.5 billion. The Bank's equity-to-asset ratio held steady at 7.02%, up 0.08%p. The BIS ratio, calculated under Basel II guidelines, increased 0.59%p to 15.27%, providing a solid capital base for stable operations and future growth. 2010 was therefore a year in which cost control and risk management led to improved fundamentals, rather than a year of progress derived from external growth.

Key Financial Data

(Unit: KRW Billion, %)

	2010	2009	CHANGE
Operating Revenue	2,759.2	3,085.1	(325.9)
Operating Income	434.1	317.3	116.8
Net Income	333.5	245.1	88.4
Total Assets	34,726.1	30,477.1	4,249.0
Total Liabilities	32,268.1	28,357.6	3,910.5
Shareholders' Equity	2,458.0	2,119.5	338.5
Equity to Asset Ratio	7.02	6.94	0.08%p
BIS Ratio (BASEL II)	15.27	14.68	0.59%p

Profit and Loss Analysis

Busan Bank's major profits and losses can be summarized as follows:

Summarized Income Statement

(Unit: KRW Billion, %)

	2010	2009	CHANGE	
			AMOUNT	%
Operating Revenue	2,759.2	3,085.1	(325.9)	-10.56%
Operating Expense	2,325.0	2,767.9	(442.9)	-16.00%
Operating Income	434.2	317.2	117.0	36.89%
Non-Operating Revenue	41.5	25.3	16.2	64.03%
Non-Operating Expense	32.3	24.5	7.8	31.84%
Income Tax Expense	109.9	72.9	37.0	50.75%
Net Income	333.5	245.1	88.4	36.07%

The drop in operating revenue was due mainly to a reduction in gains on foreign exchange trading of KRW 114.6 billion year-on-year, and a decline in other operating income of KRW 180.7 billion. The change in other operating income was mainly driven by gain/loss on derivatives trading and gain/loss on valuation of derivatives. This, in turn, was the result of the Bank's strategic decision to scale back its derivatives operations to raise asset soundness and reduce risk. Turning to expenses, operating expense declined by KRW 443 billion year-on-year, mostly attributable to a drop in other operating expense of KRW 263.5 billion, KRW 247.2 billion of which was directly related to the scaling-back of the Bank's derivatives operations.

The Bank's operating income and operating expense can be summarized as follows:

Summarized Income Statement

(Unit: KRW Billion, %)

	2010	2009	CHANGE	
			AMOUNT	%
Operating Income	2,759.2	3,085.0	(325.8)	-10.56%
Interest Income	1,622.1	1,683.2	(61.1)	-3.63%
Gain on Valuation and Disposal of Securities	43.8	28.1	15.7	55.87%
Gain on Disposal of Loans	10.9	13.3	(2.4)	-18.05%
Gain on Foreign Exchange Trading	459.4	574.0	(114.6)	-19.97%
Commission and Fee Income	135.9	133.9	2.0	1.49%
Dividend Income	30.6	15.3	15.3	100.00%
Other Operating Income	456.5	637.2	(180.7)	-28.36%
Operating Expense	2,325.1	2,767.8	(442.7)	-15.99%
Interest Expense	716.7	805.2	(88.5)	-10.99%
Loss on Valuation and Disposal of Securities	19.8	48.2	(28.4)	-58.92%
Loss on Disposal of Loans	205.5	237.0	(31.5)	-13.29%
Loss on Foreign Exchange Trading	507.0	557.5	(50.5)	-9.06%
Commission and Fee Expense	54.2	50.5	3.7	7.33%
Selling and Administrative Expense	405.5	388.5	17.0	4.38%
Other Operating Expense	416.4	680.9	(264.5)	-38.85%

Management's Discussion & Analysis

The Bank's net interest income rose KRW 27.4 billion from KRW 878.0 billion to KRW 905.4 billion in 2010. Loan receivables increased by KRW 1,880.1 billion year-on-year with the result that receivables grew 9.31% but interest income dropped by 3.63%. This resulted in NIM standing at 3.17% of assets under management in 2010, down 0.06%p from the previous year. The decline in NIM was driven by the government's low interest rate policies designed to support economic growth, as well as the need to offer higher interest on deposits so as to attract funds in an increasingly competitive market.

2010 saw relatively high fluctuations in the won's exchange rate, and the Bank found itself inadequately hedged. Losses on foreign exchange trading therefore increased from KRW 16.5 billion in 2009 to KRW 47.6 billion last year, having a negative effect on operating income.

As for the selling and administrative expense, the amount increased by KRW 17.0 billion year-on-year to KRW 405.5 billion. This was mainly caused by the combined effects of a KRW 5.6 billion decrease in severance expenses compared with 2009, when there was a surge in honorary retirement benefits; a KRW 7.5 billion year-on-year rise in depreciation costs for intangible assets acquired during 2010; and a KRW 8.0 billion increase in other SG&A expense. Aside from non-recurring expenses, the overall SG&A trend is the same or slightly higher than the previous year.

Non-operating revenue was elevated by gains on disposition of equity securities valued under the equity method, as well as an increase in other non-operating revenue. Non-operating expense rose due to losses recognized on the valuation of subsidiaries under the equity method, as well as an increase in other non-operating expense.

Despite the shrinkage in NIM, seen as an essential measure of profitability in the banking industry, the Bank's overall efforts to boost profits and access diversified sources of income led to a net income gain of KRW 88.4 billion year-on-year, to close at KRW 333.5 billion, thus improving the Bank's profitability.

Loan Loss Provisions/ Provision Ratio

The Bank's loan loss provisions can be summarized as follows:

(Unit: KRW Billion, %)

	2010	2009	CHANGE	
			AMOUNT	%
Provisions				
Loans in Local Currency	298.5	253.5	45.0	17.75%
Loans in Foreign Currencies	24.2	21.3	2.9	13.62%
Bills Bought in Foreign Currencies	1.8	2.0	(0.2)	-10.00%
Advances for Customers	2.4	8.8	(6.4)	-72.73%
Credit Card Receivables	11.6	10.8	0.8	7.41%
Others	1.6	1.6	0.0	0.00%
Balance of Loan Loss Provisions	340.1	298.0	42.1	14.13%
Balance of Total Loan Receivables	21,780.4	19,607.4	2,173.0	11.08%
Loan Loss Ratio	1.56	1.52		

The loan loss ratio as a proportion of total loan receivables climbed 0.04%p year-on-year from 1.52% to 1.56% in 2010. The higher delinquency rate pushed up the number of loans rated substandard or below, and was not unexpected given the condition of the real economy amid the overall economic downturn. Net provisions in 2009 stood at KRW 160.9 billion, but were reduced by 4.2% in 2010 to KRW 154.2 billion because of more stringent credit management practices put in place by the Bank.

Financial Status

Total assets amounted to KRW 34,726.1 billion as of 2010 year-end, up 13.94% from 2009. The major contributors to the large gain in assets were increases in securities held of KRW 463.6 billion, increases in loan receivable of KRW 1,880.1 billion and increases in other assets of KRW 1,097.6 billion.

Total liabilities closed the year at KRW 32,268.1 billion, up 13.79% year-on-year, due mainly to a KRW 2,979.5 billion increase in deposit liabilities, and a rise in other liabilities of KRW 943.4 billion. Capital stock rose by KRW 338.5 billion year-on-year to KRW 2,458.0 billion, due to positive net income of KRW 333.5 billion.

The financial statements can be summarized as follows:

(Unit: KRW Billion, %)

	2010	2009	CHANGE	
			AMOUNT	%
Assets	34,726.0	30,477.2	4,248.8	13.94%
Cash and Due from Banks	2,005.1	1,230.1	775.0	63.00%
Securities	6,231.3	5,767.7	463.6	8.04%
Loans	22,079.2	20,199.1	1,880.1	9.31%
Fixed Assets	389.6	357.1	32.5	9.10%
Other Assets	4,020.8	2,923.2	1,097.6	37.55%
Liabilities	32,268.0	28,357.6	3,910.4	13.79%
Deposits	21,490.0	18,510.5	2,979.5	16.10%
Borrowings	6,378.3	6,390.8	(12.5)	-0.20%
Other Liabilities	4,399.7	3,456.3	943.4	27.30%
Shareholders' Equity	2,458.0	2,119.6	338.4	15.97%
Capital Stock	933.4	933.4	0.0	0.00%
Accumulated Other Comprehensive Income	64.7	28.7	36.0	125.44%
Retained Earnings	1,459.9	1,157.5	302.4	26.13%
Total Liabilities and Shareholders' Equity	34,726.0	30,477.2	4,248.8	13.94%

Management's Discussion & Analysis

Asset Soundness

Substandard and below loans climbed KRW 22.5 billion to KRW 243.7 billion, to comprise 1.12% of loans, similar to the 2009 total of 1.13%. This is a sign of improved profit fundamentals, given that in 2010 total loans increased by KRW 2,173 billion, up 11.08% year-on-year, and the domestic economy has not yet recovered. The loan loss coverage ratio, that is, loan loss provisions relative to substandard and below loans, was up 4.9%p to 139.6%.

(Unit: KRW Billion, %)

	2010	2009	CHANGE	
			AMOUNT	%
Total Loans Receivables	21,780.4	19,607.4	2,173.0	11.08%
Substandard and Below Loans	243.7	221.2	22.5	10.17%
Loan Loss Provisions	340.1	298.0	42.1	14.13%
Substandard Ratio/ Total Loans Receivables	1.12	1.13	(0.01)	
Coverage Ratio	139.6	134.7	4.9%p	

Capital Adequacy

The Bank's TCE recorded 7.02% at 2010 year-end, up 0.08%p from the 2009 close, while the BIS Capital Ratio (Basel II) increased by 0.59%p to 15.27%, which is indicative of excellent financial stability.

(Unit: %, %p)

	2010	2009	CHANGE
TCE	7.02	6.94	0.08
BIS Capital Ratio (Basel II)	15.27	14.68	0.59
Tier I Capital	10.84	10.37	0.47
Tier II Capital	4.43	4.31	0.12

INDEPENDENT AUDITORS' REPORTS

English Translation of a Report Originally Issued in Korean

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF BUSAN BANK:

We have audited the accompanying non-consolidated statements of financial position of the bank accounts of Busan Bank (the "Bank") as of December 31, 2010 and 2009 and the related non-consolidated statements of income, appropriations of retained earnings, changes in shareholders' equity and cash flows for the years then ended, all expressed in Korean Won. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2010 and 2009, and the results of its operations, changes in its retained earnings and its shareholders' equity, and its cash flows for the years ended December 31, 2010 and 2009, in conformity with accounting principles generally accepted in the Republic of Korea (See Note 2).

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, changes in shareholders' equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

Deloitte Anjin LLC

February 21, 2011

NOTICE TO READERS

This report is effective as of February 21, 2011, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

NON-CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2010 AND 2009

(Korean Won, In millions)

	2010		2009	
ASSETS				
Cash and due from banks (Notes 3, 26 and 28)	₩	2,005,108	₩	1,230,122
Securities (Notes 4 and 28)		6,231,348		5,767,662
Loans, net of allowance for possible loan losses (Notes 2, 5, 6, 7, 26 and 28)		22,079,247		20,199,061
Tangible assets, net of accumulated depreciation (Note 8)		389,573		357,109
Other assets (Notes 9, 10, 16, 23 and 28)		4,020,796		2,923,185
	₩	34,726,072	₩	30,477,139
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES:				
Deposits (Notes 11, 26, 28 and 29)	₩	21,490,016	₩	18,510,535
Borrowings (Notes 12, 26 and 28)		6,378,332		6,390,799
Other liabilities (Notes 13, 14, 15, 16, 17, 19 and 28)		4,399,713		3,456,269
		32,268,061		28,357,603
SHAREHOLDERS' EQUITY (Note 18):				
Capital stock		933,418		933,418
Capital adjustments		(51)		(1,221)
Accumulated other comprehensive income (loss)		64,757		29,931
Retained earnings		1,459,887		1,157,408
		2,458,011		2,119,536
	₩	34,726,072	₩	30,477,139

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(Korean Won, In millions, except for per share amount)

	2010	2009
OPERATING REVENUE:		
Interest income (Note 20):		
Interest on due from banks	₩ 13,216	₩ 19,145
Interest on securities	263,332	266,132
Interest on loans	1,337,514	1,392,736
Other interest income	8,025	5,161
	1,622,087	1,683,174
Gain on valuation and disposal of securities (Note 4):		
Gain on disposal of trading securities	5,581	202
Gain on valuation of trading securities	1,274	-
Gain on disposal of available-for-sale securities	36,336	27,889
Gain on disposal of held-to-maturity securities	647	-
	43,838	28,091
Gain on valuation and disposal of loans:		
Gain on sale of loans	10,873	13,304
Foreign exchange trading income	459,402	574,025
Commission income	135,863	133,939
Dividends income:		
Dividends on trading securities	14	-
Dividends on available-for-sale securities	30,557	15,349
	30,571	15,349
Other operating income:		
Gain on financial derivatives trading	358,218	521,652
Gain on valuation of financial derivatives (Note 16)	75,718	91,171
Gain on valuation of fair value hedged items (Notes 12 and 16)	6,535	15,453
Fees and commissions from trust accounts	12,470	8,959
Reversal of allowance for possible losses on unused limits	3,593	-
	456,534	637,235
Total operating revenues	2,759,168	3,085,117
OPERATING EXPENSES:		
Interest expenses (Note 20):		
Interest on deposits	479,331	485,242
Interest on borrowings	90,554	145,662
Interest on debentures	140,833	167,117
Other interest expenses	5,958	7,169
	716,676	805,190

(Continued)

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(Korean Won, In millions, except for per share amount)

	2010	2009
Loss on valuation and disposal of securities (Note 4):		
Loss on disposal of trading securities	₩ 3,481	₩ -
Gain on valuation of trading securities	240	-
Loss on disposal of available-for-sale securities	5,411	8,140
Impairment loss on available-for-sale securities	5,831	31,049
Loss on disposal of held-to-maturity securities	4,841	-
Impairment loss on held-to-maturity securities	-	9,042
	19,804	48,231
Loss on valuation and disposal of loans:		
Provision for possible loan losses (Note 7)	154,222	160,941
Loss on sale of loans	51,276	76,080
	205,498	237,021
Foreign exchange trading losses	506,965	557,504
Commission expense	54,162	50,511
Selling and administrative expenses (Notes 21 and 29)	405,504	388,497
Other operating expenses:		
Loss on financial derivatives trading	303,500	469,422
Loss on valuation of financial derivatives (Note 16)	43,208	124,463
Contribution to fund	38,285	35,291
Losses on trust accounts	1	443
Provision for allowance for possible losses on acceptances and guarantees	3,870	838
Provision for allowance for possible losses on unused limits	5,315	787
Provision for allowance for other	-	27,501
Other operating expenses	22,238	22,166
	416,417	680,911
Total operating expenses	2,325,026	2,767,865
OPERATING INCOME	434,142	317,252
NON-OPERATING INCOME (Note 22)	41,517	25,285
NON-OPERATING EXPENSES (Note 22)	32,346	24,517
INCOME BEFORE INCOME TAX	443,313	318,020
INCOME TAX EXPENSE (Note 23)	109,795	72,919
NET INCOME	₩ 333,518	₩ 245,101
NET INCOME PER SHARE (In currency units) (Note 24)	₩ 1,787	₩ 1,374

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(Korean Won, In millions)

	2010	2009
RETAINED EARNINGS BEFORE APPROPRIATIONS:		
Beginning of the year	₩ 1	₩ 1
Net income	333,518	245,101
	333,519	245,102
APPROPRIATIONS:		
Legal reserve (Note 18)	33,352	24,520
Other reserve	253,495	189,542
Cash dividends (Note 25)	46,671	29,869
Amortization discount on stock issuance	-	1,170
	333,518	245,101
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR		
	₩ 1	₩ 1

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(Korean Won, In millions)

Description	Capital stock	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at January 1, 2009	₩ 733,418	₩ -	₩ (29,307)	₩ 941,644	₩ 1,645,755
Annual dividends	-	-	-	(29,337)	(29,337)
Balance after appropriation	733,418	-	(29,307)	912,307	1,616,418
Issuance of common stock	200,000	(1,170)	-	-	198,830
Net income	-	-	-	245,101	245,101
Gain on valuation of available-for-sale securities	-	-	55,576	-	55,576
Change in capital on equity securities using the equity method	-	(51)	3,662	-	3,611
Balance at December 31, 2009	₩ 933,418	₩ (1,221)	₩ 29,931	₩ 1,157,408	₩ 2,119,536

(Korean Won, In millions)

Description	Capital stock	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at January 1, 2010	₩ 933,418	₩ (1,221)	₩ 29,931	₩ 1,157,408	₩ 2,119,536
Annual dividends	-	-	-	(29,869)	(29,869)
Amortization of discount on stock issuance	-	1,170	-	(1,170)	-
Balance after appropriation	933,418	(51)	29,931	1,126,369	2,089,667
Net income	-	-	-	333,518	333,518
Gain on valuation of available-for-sale securities	-	-	33,806	-	33,806
Gain on valuation of securities using the equity method	-	-	1,020	-	1,020
Balance at December 31, 2010	₩ 933,418	₩ (51)	₩ 64,757	₩ 1,459,887	₩ 2,458,011

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(Korean Won, In millions)

	2010		2009	
	₩		₩	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income		333,518		245,101
Adjustments to reconcile net income to net cash used in operating activities:				
Gain on valuation of trading securities, net		(1,035)		-
Impairment loss on available-for-sale securities		5,831		31,049
Impairment loss on held-to-maturity securities		-		9,042
Gain on financial derivatives trading, net		(54,718)		(52,230)
Loss (gain) on valuation of financial derivatives, net		(32,510)		33,292
Provision for possible loan losses		154,222		160,941
Provision for severance benefits		19,638		20,641
Depreciation and amortization		37,248		32,135
Loss (gain) on disposal of tangible assets, net		759		(32)
Gain on valuation of securities using the equity method, net		(311)		(4,559)
Gain on valuation of fair value hedged items, net		(6,535)		(15,453)
Gain on disposal of securities using the equity method		(3,631)		-
Gain on translation of foreign currencies debentures		(8,420)		(53,923)
Amortization of discounts on debentures		988		2,851
Provision for possible losses on acceptance and guarantees		3,870		838
Provision for allowance for possible losses on unused limits		5,315		787
Provision for (Reversal of) allowance for other		(3,593)		27,501
(Reversal of) Share-based compensation expense		(221)		998
Others, net		(9,550)		(9,742)
		107,347		184,136
Changes in assets and liabilities resulting from operations:				
Decrease (increase) in trading securities		(27,351)		543
Increase in available-for-sale securities		(119,586)		(83,436)
Increase in held-to-maturity securities		(239,462)		(387,238)
Increase in loans		(2,039,089)		(917,924)
Decrease (increase) in accrued income		(9,681)		8,111
Decrease (increase) in prepaid expenses		2,899		(4,272)
Decrease (increase) in deferred income tax assets		6,689		(26,866)
Payment of severance benefits		(9,952)		(21,966)
Decrease in severance insurance deposits		56,925		2,135
Increase in pension plan assets		(62,713)		-
Increase (decrease) in accrued expenses		11,370		(60,109)
Decrease in unearned revenues		(2,099)		(5,380)
Increase (decrease) in taxes withheld		4,354		(1,604)
Increase in deferred income tax liabilities		7,088		-
Increase (decrease) in income tax payable		(32,385)		1,185
Others, net		1		2
		(2,452,992)		(1,496,819)
Net cash used in operating activities		(2,012,127)		(1,067,582)

(Continued)

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(Korean Won, In millions)

	2010	2009
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in restricted due from banks, net	₩ (364,476)	₩ 328,919
Increase in accounts receivable, net	(1,169,135)	(2,115,974)
Decrease in domestic exchange settlement debits, net	6,817	11,039
Disposal of tangible assets	860	101
Disposal of securities using the equity method	3,631	-
Acquisition of equity securities using the equity method	(30,000)	(10,000)
Acquisition of tangible assets	(69,097)	(34,058)
Acquisition of intangible assets	(16,730)	(931)
Decrease (increase) in guarantee deposits, net	5,210	(11,695)
Decrease in derivative assets, net	107,611	269,250
Decrease in other assets, net	(70)	1,102
Net cash used in investing activities	(1,525,379)	(1,562,247)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in deposits, net	2,979,481	1,752,372
Decrease in borrowings, net	2,011	(980,056)
Decrease in debentures, net	(639)	(427,866)
Increase in deposits for letter of guarantees and other, net	908	5,166
Increase (decrease) in unsettled domestic exchange liabilities, net	(94,556)	77,046
Decrease in borrowings from trust account, net	(71,834)	(164,073)
Increase in accounts receivable, net	1,186,856	2,107,271
Dividend	(29,869)	(29,337)
Issuance of common stock	-	198,830
Decrease in derivatives liabilities	(28,657)	(220,973)
Increase (decrease) in other liabilities, net	4,315	23,098
Net cash provided by financing activities	3,948,016	2,341,478
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	410,510	(288,351)
CASH AND DUE FROM BANKS, BEGINNING OF THE YEAR	680,259	968,610
CASH AND DUE FROM BANKS, END OF THE YEAR (Note 34)	₩ 1,090,769	₩ 680,259

See accompanying notes to non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

1. GENERAL:

Busan Bank (the "Bank") was incorporated on October 10, 1967 as a regional bank, under the laws of the Republic of Korea, to engage in the commercial banking and trust business. The Bank has been appointed as a manager of Busan City Government's Budgetary Funds (General Account and several Special Accounts) since January 1, 2001. The Bank changed its name from Pusan Bank to Busan Bank on January 3, 2009.

The Bank's head office is located in Busan. The Bank has 237 branches and offices in Korea and 1 overseas office.

The Bank became a publicly traded financial institution upon listing its common shares on the Korea Exchange in June 1972. The Bank's issued and outstanding common stock as of December 31, 2010 amounted to ₩933,418 million.

The major shareholders of the Bank are as follows

SHAREHOLDERS	NUMBER OF SHARES	PERCENTAGE (%)
Lotte Confectionery Co., Ltd. (*)	26,283,658	14.08
National Pension	10,378,126	5.56
Aberdeen Global	8,211,627	4.40
Park Land Co., Ltd.	8,000,000	4.29
Saudi Arabian Monetary Agency	7,237,924	3.88
Vanguard Emerging Markets Stock Index Fund	2,287,250	1.23
Aberdeen Institutional Commingled Funds	2,183,291	1.17
Mirae Asset Investments	1,968,455	1.05
Small Cap World Fund, Inc.	1,920,000	1.03
Others	118,213,319	63.31
	186,683,650	100.00

(*) Includes shares held by related parties and subsidiaries of Lotte Confectionery Co., Ltd. which it has substantial control over.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Non-consolidated Financial Statement Presentation

The Bank maintains its official accounting records in Korean Won and prepares statutory non-consolidated financial statements in the Korean language (Hangeul) in conformity with the accounting principles and banking accounting standards generally accepted in the Republic of Korea. Certain accounting principles and banking accounting standards applied by the Bank that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles and banking accounting practices in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Bank's financial position, results of operations, changes in shareholders' equity or cash flows, is not presented in the accompanying financial statements.

The significant accounting policies followed by the Bank in preparing the accompanying non-consolidated financial statements are summarized below.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

The financial statements of the Bank to be submitted to the general shareholders' meeting were approved by the Board of Directors on January 18, 2011.

Interest Income Recognition

The Bank applies the accrual basis in recognizing interest income related to deposits, loans and securities, except for unsecured uncollectible receivables. Interest on loans, whose principal or interest is past due at the end of reporting period is generally not accrued, with the exception of interest on certain loans secured by guarantee of governments or government agencies, or collateralized by bank deposits. When a loan is placed on non-accrual status, previously accrued interest is generally reversed and deducted from current interest income and future interest income is recognized on a cash basis in accordance with the banking accounting standards. As of December 31, 2011 and 2010, the principal amount of loans and securities of which the accrued interest income was not recorded in the accompanying financial statements based on the above criteria amounted to ₩485,184 million and ₩541,125 million, respectively, and the related accrued interest income not recognized amounted to ₩14,392 million and ₩18,821 million, respectively.

Classification of Securities

At acquisition, the Bank classifies securities into one of the following categories: trading, available-for-sale, held-to-maturity and securities using the equity method, depending on marketability, purpose of acquisition and ability to hold. Debt and equity securities that are bought and held for the purpose of selling them in the near term and actively traded are classified as trading securities. Debt securities with fixed and determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity securities. Securities that should be accounted for under the equity method are classified as securities using the equity method. Debt and equity securities not classified as the above are categorized as available-for-sale securities.

If the objective and ability to hold securities of the Bank change, available-for-sale securities can be reclassified to held-to-maturity securities and held-to-maturity securities can be reclassified to available-for-sale securities. Whereas, if the Bank sells held-to-maturity securities or exercises early redemption right of securities to issuer in the current year or the proceeding two years, and if it reclassifies held-to-maturity securities to available-for-sale securities, all debt securities that are owned or purchased cannot be classified as held-to-maturity securities. On the other hand, trading securities cannot be recategorized to available-for-sale securities or held-to-maturity securities and vice versa. Nevertheless, when trading securities are impaired or not possessed for arbitrage transaction in short term period under rare circumstances, they may be reclassified as available-for-sale securities or held-to-maturity securities.

Valuation of Securities

(1) Valuation of Trading Securities

Trading equity and debt securities are initially recognized at acquisition cost plus incidental expenses determined by the individual moving average method (the specific identification method for debt securities). When the face value of trading debt securities differ from their acquisition cost, the effective interest rate method is applied to amortize the difference over the remaining term of the securities. After initial recognition, if the fair value of trading securities differs from the book value, trading securities are stated at fair value and the resulting valuation gain or loss is included in current operations.

(2) Valuation of Held-to-maturity Securities

Held-to-maturity securities are stated at acquisition cost plus incidental expenses, determined by the specific identification method. When the face value of held-to-maturity securities differs from its acquisition cost, the effective interest rate method is applied to amortize the difference over the remaining term of the securities. If collectible value is below the amortized cost and the pervasive evidence of impairment exists, the carrying value is adjusted to collectible value and the resulting valuation loss is charged to current operations.

(3) Valuation of Available-for-sale Securities

Available-for-sale securities are initially recognized at acquisition cost plus incidental expenses, determined by the individual moving average method (the specific identification method for debt securities). The effective interest rate method is applied to amortize the difference between the face value and the acquisition cost over the remaining term of the debt security. After initial recognition, available-for-sale securities are stated at fair value, with the net unrealized gain or loss presented as gain or loss on valuation of available-for-sale securities in accumulated other comprehensive income (loss), which is charged to current operations in a lump sum at the time of disposal or impairment recognition. Non-marketable equity securities are stated at acquisition cost on the financial statements if the fair value of the securities is not reliably determinable.

If the fair value of equity securities (net asset fair value in case of non-marketable equity securities stated at acquisition cost) is below the acquisition cost and the pervasive evidence of impairment exists, the carrying value is adjusted to fair value and the resulting valuation loss is charged to current operations. If the collectible value of debt securities is below the amortized cost and the pervasive evidence of impairment exists, the carrying value is adjusted to collectible value and the resulting valuation loss is charged to current operations. With respect to impaired securities, any unrealized valuation gain or loss of securities previously included in accumulated other comprehensive income is reversed.

(4) Valuation of Securities using the Equity Method

Equity securities held for investment in companies in which the Bank is able to exercise significant influence over the investees (in accordance with the Banking Act, if the Bank holds 15 percent or more of the issued shares, the Bank is considered being able to exercise significant influence) are accounted for using the equity method. The Bank's share in net income or net loss of investees is included in current operations. Changes in the retained earnings of investee are reflected in the retained earnings. Changes in the capital surplus or other capital accounts of investee are reflected as change in capital on equity securities using the equity method in accumulated other comprehensive income (loss).

(5) Reversal of Loss on Impairment of Available-for-sale Securities and Held-to-maturity Securities

If the reasons for impairment losses of available-for-sale securities no longer exist, the recovery is recorded in current operations under operating revenue up to the amount of the previously recognized impairment loss as reversal of loss on impairment of available-for-sale securities and any excess is included in accumulated other comprehensive income as gain on valuation of available-for-sale securities. However, if the increases in the fair value of the impaired securities are not related to the previously recognized impairment, the increases in the fair value are recorded as gain on valuation of available-for-sale securities in accumulated other comprehensive income. For non-marketable equity securities, which are impaired based on the net asset fair value, a recovery is recorded up to the securities acquisition cost.

For held-to-maturity securities, the recovery is recorded in current operations under operating revenue within the amount of amortized cost that would have been recorded according to the original schedule if the impairment losses are recovered in relation to the events, objectively occurring after the recognition of impairment loss.

(6) Reclassification of Securities

When held-to-maturity securities are reclassified as available-for-sale securities, those securities are stated at fair value on the reclassification date and the difference between the fair value and book value are accounted in accumulated other comprehensive income (loss) as gain or loss on valuation of available-for-sale securities. When available-for-sale securities are reclassified as held-to-maturity securities, gain or loss on valuation of available-for-sale securities, which had been recorded until the reclassification date, continue to be stated in accumulated other comprehensive income (loss) and is amortized using the effective interest rate method and charged to interest income or expense over maturity. The difference between the fair value on the reclassification date and the face value of the reclassified securities to held-to-maturity securities is amortized using the effective interest rate method and charged to interest income or expense. However, when trading securities is impaired or not possessed for arbitrage transaction in short term period under rare circumstances, the fair value of the securities as of reclassification date is regarded as the new acquisition cost of the securities and reclassified as available-for-sale securities or held-to-maturity securities. In this case, unrealized gain (loss) based on the fair value of the securities at the reclassification date is recognized in current operations. Unrealized gain (loss) for available-for-sales securities, which is in the absence of fair value determined at marketplace, is recognized as accumulated other comprehensive income (loss), and it is recognized in current operations when disposal on the securities occurs.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

Transfer of Securities

Upon realization, expiration or sale of the right to obtain the economic benefits arises, or the control of securities is lost from the sale of the securities, the unrealized valuation gain or loss of securities included in the accumulated other comprehensive income (loss) is added to or deducted from the gain or loss on disposal of securities. The gain or loss is the difference between the net proceeds receivable or received and its carrying value. When securities are transferred without losing the control, the transaction is recorded as secured borrowing transaction.

Allowance for Possible Losses on Credits

The Supervisory Regulation of the Banking Business (the "Supervisory Regulation") legislated by the Financial Supervisory Commission (FSC) requires the Bank to classify all credits into five categories as normal, precautionary, substandard, doubtful, or estimated loss based on borrowers' repayment capability and historical financial transaction records. The Bank provides the minimum rate of loss provision for each category balance using the prescribed minimum percentages as described below.

	NORMAL	PRECAUTIONARY	SUBSTANDARD	DOUBTFUL	ESTIMATED LOSS
Corporate loans	0.85% (*)	7.0%	20.0%	50.0%	100.0%
Consumer loans	1.0%	10.0%	20.0%	55.0%	100.0%
Credit card loans	1.5%	15.0%	20.0%	60.0%	100.0%

(*) More than 0.9% for construction (F), wholesale and retail (G), food & lodge (H), real estate & rental industry (L) according to statistical standards of the Korea Standard Industrial Classification

The Bank also calculated the estimated loss through objective and reasonable method, such as using the experienced loss rate on individual loans or homogeneous loan group, and the estimated loss has been reflected in the allowance for possible loan losses.

Allowance for Possible Losses on Confirmed and Unconfirmed Acceptances and Guarantees

The Bank provided no less than the minimum rate of allowance for possible loss on confirmed acceptances and guarantees, notes endorsed and unconfirmed acceptances and guarantees reflecting both the credit classification and credit conversion rate.

In addition, when an allowance for possible losses on confirmed acceptances and guarantees required by the Supervisory Regulation is less than the amount calculated based on the historical loss rate, which is estimated through objective and reasonable method in accordance with the accounting principle in the Republic of Korea, historical loss rate is reflected in the provision for possible losses on confirmed acceptances and guarantees.

Allowance for Possible Losses on Unused Limits

The Bank had provided no less than the minimum rate required by the Supervisory Regulation of allowance for possible losses on unused limits for all unused purchase credit limit and unused cash advance facility of credit card accounts, and for unused credit limit of credit line commitments to households and corporations reflecting the credit conversion rate.

Restructuring of Loans

The equity interest in the debtors, real-estate or other assets received as full or partial satisfaction of the Bank's loans, collected through reorganization proceedings, court mediation or debt restructuring agreements of parties concerned, is recorded at fair value at the time of the restructuring. In cases where the fair value of the assets received is less than the book value of the loan (book value before allowances), the Bank offsets first the book value against allowances for loans and then recognizes provisions for loans. Impairment losses for loans that were restructured in a troubled debt restructuring involving a modification of terms are computed by the difference between the present value of future cash flows under debt restructuring agreements discounted at the effective interest rates at the time when loans are originated and the book value before

allowances for loans. If the amount of allowances already established is less than the impairment losses under the workout plans, the Bank provides additional allowances for the difference. Otherwise, the Bank reverses the allowances for loan losses.

Valuation of Receivables and Payables at Present Value

Receivables and payables incurred through long-term installment transactions, long-term borrowing and lending transactions, and other similar transactions are stated at the present value of expected future cash flows, and the gain or loss on valuation of related receivables and payables is reflected in current operations, unless the difference between nominal value and present value is immaterial. Present value discount or premium is amortized using the effective interest rate method and credited or charged to interest income or interest expense.

Tangible Assets and Related Depreciation

Tangible assets are recorded at purchase cost or production cost including the incidental expenses. Routine maintenance and repairs are expensed as incurred. Expenditures that result in the enhancement of the value or the extension of the useful lives of the facilities involved are capitalized as additions to tangible assets.

Depreciation is computed by using the declining-balance method (straight-line method for buildings and structures) based on the estimated useful lives of the assets as follows:

TANGIBLE ASSETS	DEPRECIATION METHOD	ESTIMATED USEFUL LIFE
Buildings	Straight-line	50 years
Leasehold improvements	Straight-line	5 years
Equipment and vehicles	Declining balance	5 years
Others	Declining balance	5 years

Intangible Assets

Intangible assets included in other assets are recorded at the production cost or purchase cost plus incidental expenses. Expenditures incurred in conjunction with the development of new products or technology and others, in which the elements of costs can be individually identified and future economic benefits expected, are capitalized as development costs under intangible assets. Intangible assets are amortized using the reasonable amortization method over the reasonable useful life less than 20 years for development costs and other intangible assets.

Recognition of Impairment of Assets

When the book value of assets (other than securities and assets valued at present value) exceeds the recoverable value of the assets due to obsolescence, physical damage or a sharp decrease in market value and the difference is material, the book value is adjusted to the recoverable value in the statement of financial position and the resulting impairment loss is charged to current operations. If the recoverable value of the asset increases in subsequent years, the increase in value is credited to operations as gain, until the recoverable value equals the book value of assets that would have been determined had no impairment loss been recognized. The Bank assesses the recoverable value based on expected selling price or appraisal value.

Valuation Allowance for Non-Business Use Property

When the Bank acquires property as collateral due to foreclosure on a mortgage loans, such property is recorded as non-business use property. If the final auction-bidding price is lower than book value, the difference is provided as a valuation allowance with the valuation loss charged to current operations.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

Amortization of Discounts (Premiums) on Debentures

Discounts or premiums on debentures issued are amortized over the period from issuance to maturity using the effective interest rate method. Amortization of discounts or premiums is recognized as interest expense or interest income on the debentures.

Accrued Severance Benefits

Employees and directors with at least one year of service as of December 31, 2010 are entitled to receive a lump-sum payment upon termination of their employment with the Bank, based on their length of service and rate of pay at the time of termination. The accrued severance benefits that would be payable assuming all eligible employees and directors were to resign as of the reporting period end are included in other liabilities.

A portion of the accrued severance benefits of the Bank are funded through a severance insurance plan with Samsung Life Insurance Co., Ltd., and the amounts funded under this insurance plan are classified as a deduction from the accrued severance benefits liability.

In 2010, the Bank introduced a defined benefit pension plan, under the Retirement Benefits Regulation, where each eligible employee receives a fixed amount of pension after retirement. Consideration of service requirements under the plan begins from the date the employees joins the Bank; if benefits are paid in interim payments, the date of the interim payments.

Pension plan assets are reflected in the accompanying statements of financial position as a reduction of the liability for retirement and severance benefits.

Bonds under Resale or Repurchase Agreements

Bonds purchased under resale agreements are recorded as loans and bonds sold under repurchase agreements are recorded as borrowings when the Bank purchases or sells securities under resale or repurchase agreements.

Accounting for Derivative Instruments

The Bank accounts for derivative instruments pursuant to the Interpretations on Financial Accounting Standards 53-70 on accounting for derivative instruments. Derivative instruments are classified as for trading activities or for hedging activities according to their transaction purposes. All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or a liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations.

The accounting for derivative transactions that are part of a qualified hedge based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting differs depending on whether the transaction is of a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as accumulated other comprehensive income (loss) and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as accumulated other comprehensive income (loss) is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the related accumulated other comprehensive income (loss) is added to or deducted from the asset or the liability.

Accounting for Share-based Payment

In accordance with the Statement of Korea Accounting Standards No. 22 - *Share-based Payment*, compensation expense for stock option and

accrued expenses in other liabilities are recorded at fair value at the grant date through an agreed service period from 2007. The other liabilities are assessed at fair value of the closing day or the final settlement day. When the other liabilities are assessed at fair value, option pricing models are used and the conditions of the stock option and the contractual terms of the services provided are reflected in the option pricing model.

Stock options, which have been granted prior to December 31, 2006, are valued at fair value pursuant to the Interpretations on Financial Accounting Standards 39-35 on accounting for stock options. The fair value of stock options is charged to operating expense in the statement of income and credited to liability over the contractual term of the services provided.

Income Tax Expense

Income tax expense is the amount currently payable for the period added to or deducted from the changes in deferred income taxes. However, deferred income tax assets are recognized only if the future tax benefits from accumulated temporary differences and any tax loss carryforwards are realizable. The difference between the amount currently payable for the period and income tax expense is accounted for as deferred income tax assets or liabilities, which will be charged or credited to income tax expense in the period each temporary difference reverses in the future. Deferred income tax assets or liabilities are calculated based on the expected tax rate to be applied at the reversal period of the related assets or liabilities. Tax payable and deferred income tax assets or liabilities with regards to certain items are charged or credited directly to related components of shareholders' equity.

Accounting for Foreign Currency Transactions and Translation

The Bank maintains its accounts in Korean Won. Transactions in foreign currencies are recorded in Korean Won based on the prevailing rate of exchange on the transaction date. The Korean Won equivalent of assets and liabilities denominated in foreign currencies are translated in these financial statements based on the basic rate (₩1,138.90 and ₩1,167.60 to US\$ 1.00 at December 31, 2010 and 2009, respectively) announced by Seoul Money Brokerage Service, Ltd. or cross rates for other currencies other than U.S. Dollars at the end of reporting period. Translation gains and losses are credited or charged to operations.

Accounting for Trust Accounts

The Bank separately maintains the accounts and financial statements in connection with the trust operations (the trust accounts) in accordance with the Financial Investment Services And Capital Markets Act. When surplus funds are generated through the management of trust assets, such funds are deposited with the bank accounts and are recorded as due to trust accounts of the bank accounts. Also, the borrowings from the bank accounts are recorded as due from trust accounts of the bank accounts. The Bank receives fees for the operation and management of the trust business and accounts for such as fees and commissions from trust accounts.

With respect to certain trust account products, the Bank guarantees the repayment of the principal of the trust accounts and, in certain cases, a fixed rate of return. If income from such trust accounts is insufficient to pay the guaranteed amount, such a deficiency is satisfied by using special reserves maintained in the trust accounts, offsetting trust fee payable to the bank accounts and receiving compensating contributions from the bank accounts of the Bank. If the Bank pays compensating contributions to the guaranteed return trusts to cover such deficiencies, these contributions are reflected as other operating expense of the bank accounts and as other operating income of the trust accounts.

Application of the Statement of Korea Accounting Standards ("SKAS")

The Korea Accounting Standard Board (KASB) under the Korea Accounting Institute (KAI) issued a series of the SKAS No.1 through No.25. The Statements supersede the related articles of existing accounting standards and constitute generally accepted accounting principles of the Republic of Korea. The Bank adopted SKAS No.1 (Accounting Changes and Error Corrections) through SKAS No.25 (Consolidated Financial Statements), excluding SKAS No.14, as of or before December 31, 2007.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

3. CASH AND DUE FROM BANKS:

(1) Cash and due from banks as of December 31, 2010 and 2009 consist of the following:

(Won in millions)		2010		2009	
Cash and checks	₩	343,203	₩	311,513	
Foreign currencies		56,647		43,309	
Due from banks in local currency		1,521,449		847,910	
Due from banks in foreign currencies		83,809		27,390	
	₩	2,005,108	₩	1,230,122	

(2) Due from banks in local currency and foreign currencies as of December 31, 2010 and 2009 consist of the following:

(Won in millions)	FINANCIAL INSTITUTION	INTEREST RATE (%)	2010		2009	
Due from banks in local currency:	The Bank of Korea (BOK)	2.55	₩	916,281	₩	361,165
	Kyungnam Bank and others	-		-		163,216
	Hana Bank and others	2.60~3.28		460,500		309,900
	Kyobo life insurance and others	2.60		130,000		-
	The Korea Exchange and others	-		14,668		13,629
				1,521,449		847,910
Due from banks in foreign currencies:	The Bank of Korea	-		12,932		16,672
	KEB and others	-		69,351		10,091
	BOA and others	-		1,526		627
				83,809		27,390
			₩	1,605,258	₩	875,300

(3) Restricted due from banks in local currency and foreign currencies as of December 31, 2010 and 2009 consist of the following:

(Won in millions)	FINANCIAL INSTITUTION	2010		2009	REASON OF RESTRICTION
Due from banks in local currency:					
Reserve deposits	The Bank of Korea	₩	886,281	₩ 361,165	The Bank of Korea Act
Certificate of deposits	Kyongnam Bank and others		-	1,100	Remuneration for loss from the settlement in the clearing house
Time deposits	Kyongnam Bank		500	-	Remuneration for loss from the settlement in the clearing house
Time deposits	Calyon Bank		-	157,300	Guarantees for borrowings from banks
Other deposits	The Korea Exchange and others		126	126	Margin for derivative transaction and other

(Won in millions)	FINANCIAL INSTITUTION	2010	2009	REASON OF RESTRICTION
Other deposits	Busan Bank	₩ 14,500	₩ 13,500	Investor deposit for beneficiary certificates
		901,407	533,191	
Due from banks in foreign currencies:				
Due from banks on demand	The Bank of Korea	12,932	16,672	The Bank of Korea Act
		12,932	16,672	
		₩ 914,339	₩ 549,863	

4. SECURITIES:

(1) Securities as of December 31, 2010 and 2009 consist of the following:

(Won in millions)	2010	2009
Trading securities:		
Equity securities	₩ 16,559	₩ -
Beneficiary certificates	7,910	-
Corporate bonds in foreign currencies	11,511	7,594
	35,980	7,594
Available-for-sale securities:		
Stocks	319,955	274,487
Equity securities	9,796	12,056
Government and public bonds	257,122	210,768
Finance debentures	432,332	220,617
Corporate bonds in local currency	913,658	1,011,229
Corporate bonds in foreign currencies	12,105	34,856
Beneficiary certificates	416,784	440,297
Other securities in foreign currencies	15,190	15,597
	2,376,942	2,219,907
Held-to-maturity securities:		
Government and public bonds	898,398	667,439
Finance debentures	730,841	1,570,586
Corporate bonds in local currency	2,092,641	1,231,472
Securities in foreign currencies	20,537	25,985
	3,742,417	3,495,482
Securities using the equity method Stocks	76,009	44,679
	₩ 6,231,348	₩ 5,767,662

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FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(2) The valuation of securities excluding securities using the equity method as of December 31, 2010 and 2009 consist of the following:

2010 (Won in millions)	Face value		Acquisition cost	Adjusted by effective interest rate method	Book value
Trading securities:					
Equity securities	₩	-	₩ 15,423	₩ -	₩ 16,559
Beneficiary certificates		7,910	7,910	7,910	7,910
Corporate bonds in foreign currencies		11,389	11,613	11,613	11,511
		19,299	34,946	19,523	35,980
Available-for-sale securities:					
Equity securities		-	314,587	-	329,751
Government and public bonds		255,650	254,735	254,839	257,122
Finance debentures		435,695	435,839	436,185	432,332
Corporate bonds in local currency		900,000	906,867	904,971	913,658
Corporate bonds in foreign currencies		11,389	11,389	11,389	12,105
Beneficiary certificates		387,320	392,842	391,842	416,784
Securities in foreign currencies		45,556	45,680	9,402	15,190
		2,035,610	2,361,939	2,008,628	2,376,942
Held-to-maturity securities:					
Government and public bonds		933,243	884,728	898,398	898,398
Finance debentures		730,000	731,698	730,841	730,841
Corporate bonds in local currency		2,092,920	2,091,213	2,092,641	2,092,641
Securities in foreign currencies		28,473	28,473	20,537	20,537
		3,784,636	3,736,112	3,742,417	3,742,417
	₩	5,839,545	₩ 6,132,997	₩ 5,770,568	₩ 6,155,339

2009 (Won in millions)	Face value		Acquisition cost		Adjusted by effective interest rate method		Book value	
Trading securities:								
Beneficiary certificates	₩	7,594	₩	7,594	₩	7,594	₩	7,594
Available-for-sale securities:								
Equity securities		-		282,432		-		286,543
Government and public bonds		210,000		210,728		210,637		210,768
Finance debentures		220,000		220,204		219,724		220,617
Corporate bonds in local currency		1,010,000		1,015,692		1,008,705		1,011,229
Corporate bonds in foreign currencies		35,028		35,028		35,028		34,856
Beneficiary certificates		435,394		439,045		439,045		440,297
Other securities in foreign currencies		46,704		46,704		46,704		15,597
		1,957,126		2,249,833		1,959,843		2,219,907
Held-to-maturity securities:								
Government and public bonds		685,884		656,331		667,439		667,439
Finance debentures		1,570,000		1,569,882		1,570,586		1,570,586
Corporate bonds in local currency		1,232,157		1,230,283		1,231,472		1,231,472
Securities in foreign currencies		40,866		40,866		40,866		25,985
		3,528,907		3,497,362		3,510,363		3,495,482
	₩	5,493,627	₩	5,754,789	₩	5,477,800	₩	5,722,983

The fair values of debt securities as of December 31, 2010 and 2009 are assessed by applying the median of base prices per bond announced on a recent trading day by NICE Pricing Service, Inc. (NICE) and Korea Investors Services Co., Ltd. (KIS). The prices of the securities in foreign currencies are translated using the basic exchange rate at December 31, 2010 and 2009, respectively. Also, the book values of trading securities and available-for-sale securities are recorded at fair values and the book values of held-to-maturity securities are recorded at adjusted values by using the effective interest rate method.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(3) Available-for-sale equity securities (equity securities and stocks) as of December 31, 2010 and 2009 consist of the following:

2010 (Won in millions)	Shares	Percentage of ownership (%)	Acquisition cost	Fair value or net asset value	Book value
Listed equity securities:					
Hae Duk powerway Co., Ltd.	312,049	3.14	₩ 2,244	₩ 2,868	₩ 2,868
Kumho Industrial Co., Ltd.	389,797	0.36	6,387	4,995	4,995
			8,631	7,863	7,863
Unlisted equity securities:					
Korea securities finance Corp.	5,614	0.01	28	88	55
BC Card.	177,120	4.03	3,042	22,041	17,197
Hi Investment & Securities Co., Ltd.	1,598,962	0.67	3,997	3,651	3,078
Kihyup Technology Co., Ltd.	100,000	1.72	500	661	507
Dongbu Investment Trust Co., Ltd.	400,000	6.67	2,000	2,555	2,593
Korea Housing Guarantee Co., Ltd.	1,167,000	0.18	1,741	5,671	5,359
Pureun Mokpo Environment	135,740	11.00	679	667	679
Shinhan Infrastructure Portfolio Fund	5,786,729	10.76	26,524	26,239	27,096
Korea BTL Fund I	7,052,640	13.89	72,417	70,198	74,276
Kyeongju SMC Co., Ltd.	297,528	13.62	1,488	1,418	1,488
Seonjin Education Facilities Management Co., Ltd. (Preferred Stock)	97,374	33.33	487	1,010	487
Myoungji Bridge Co., Ltd.	2,367,000	11.25	11,835	11,154	13,726
Finebesteel Co., Ltd.	250,000	6.49	5,000	2,310	5,949
Renaissance Private Equity I, L.P.	4,091,199,426	6.64	4,091	5,963	4,091
Miraeasset Private Security Fund 3	9,590,000	8.18	47,950	44,928	38,314
Miraeasset Private Security Fund 4	1,674,736	2.65	8,374	9,058	8,374
KTB 2007 Private Equity Fund	18,268,653,038	4.35	18,269	17,428	18,099
Air Busan Co., Ltd.	299,000	2.99	1,495	1,112	1,407
Triple Square PFV Co., Ltd.	360,000	6.00	1,800	53	1,800
Busan Finance Center PFV Co., Ltd.	816,000	8.50	4,080	1,611	4,080
Mybi Co., Ltd.	420,000	7.61	2,100	2,892	4,373
Balhae Infrastructure Fund	1,518,169	1.68	15,538	15,103	16,034
Lotte Capital Co., Ltd.	2,464,000	7.40	21,126	29,018	24,906
Green Busan Investments	200,000	7.41	1,000	1,032	1,002
Others			40,295	26,709	37,122
			295,856	302,570	312,092
Equity investments:					
Korea Asset Management Corporation	292,000	0.17	1,460	2,007	1,460
Non-performing Asset Management Fund	4,263,685,000	2.10	4,264	44,621	4,264
KTB Mezzanine Fund	2,676,571,429	14.29	2,677	2,399	2,372
Others			1,700	1,702	1,700
			10,101	50,729	9,796
			₩ 314,588	₩ 361,162	₩ 329,751

2009 (Won in millions)	Shares	Percentage of ownership (%)	Acquisition cost	Fair value or net asset value	Book value
Listed equity securities:					
Hae Duk Rudder & R. Stock Co., Ltd.	255,778	3.14	₩ 2,247	₩ 2,241	₩ 2,241
Unlisted equity securities:					
Korea Data Systems Co., Ltd. (Preferred stock)	1,745	1.29	-	1	9
Green Cross Life Insurance Co., Ltd. (Preferred stock)	356,130	10.00	3,454	1,777	4,099
Green Cross Life Insurance Co., Ltd.	159,330	0.99	1,546	795	1,956
BC Card	177,120	4.03	3,042	23,194	14,441
Hi Investment & Securities Co., Ltd	1,598,962	0.67	3,997	1,744	3,118
Kihyup Technology Co., Ltd.	100,000	1.72	500	645	525
Dongbu Investment Trust Co., Ltd.	400,000	6.67	2,000	2,399	2,640
Korea Housing Guarantee Co., Ltd.	1,167,000	0.18	1,741	7,029	5,344
Shinhan Infrastructure Portfolio Fund	5,344,951	10.79	25,102	24,177	26,166
Korea BTL Fund I	5,472,627	13.89	56,792	34,244	58,089
Myoungji Bridge Co., Ltd.	2,367,000	11.25	11,835	11,334	13,326
Renaissance Private Equity I, L.P.	800	6.64	8,000	7,272	8,000
Miraeasset Private Security Fund 3	9,590,000	8.18	47,950	49,428	32,844
Miraeasset Private Security Fund 4	1,993,307	2.71	9,967	10,088	9,967
KTB 2007 Private Equity Fund	14,608,653,038	4.35	14,609	11,462	14,318
Air Busan Co., Ltd.	299,000	2.99	1,495	1,301	1,177
Mybi Co., Ltd.	420,000	7.61	2,100	2,606	4,190
Balhae Infrastructure Fund	1,447,157	1.68	14,795	14,033	15,280
Lotte Capital Co., Ltd.	2,464,000	7.40	21,126	23,272	22,836
Others			37,979	27,772	33,921
			268,030	254,573	272,246
Equity investments:					
Korea Asset Management Corporation	292,000	0.17	1,460	2,178	1,460
Non-performing Asset Management Fund	6,744,349,000	2.10	6,744	41,584	6,744
KTB Mezzanine Fund	24	14.29	2,461	12,329	2,352
Others			1,500	1,509	1,500
			12,165	57,600	12,056
			₩ 282,442	₩ 314,414	₩ 286,543

The fair value of the available-for-sale non-marketable equity securities are reliably measured by an independent appraisal agency using reasonable judgment. The fair value is determined based on more than one valuation model such as Discounted Cash Flow (DCF) Model, Imputed Market Value (IMV) Model, Discounted Free Cash Flow to Equity (FCFE) Model, Dividend Discount (DD) Model and Risk Adjusted Discounted Cash Flow (RADCF) Model depending on the equity securities.

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FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(4) The portfolio of securities excluding securities using the equity method, by industry, as of December 31, 2010 and 2009 consist of the following:

(Won in millions)			Percentage (%)	
	2010	2009	2010	2009
Trading securities:				
Manufacturing	₩ 9,766	₩ -	27.14	-
Construction	232	-	0.64	-
Wholesale and retail	1,704	-	4.74	-
Transportation	644	-	1.79	-
Financial services	21,619	7,594	60.09	100.00
Others	2,015	-	5.60	-
	35,980	7,594	100.00	100.00
Available-for-sale securities:				
Manufacturing	52,502	43,450	2.21	1.96
Construction	245,399	200,455	10.32	9.03
Wholesale and retail	10,325	10,215	0.43	0.46
Transportation	31,962	21,517	1.34	0.97
Public service	319,093	210,768	13.43	9.49
Financial services	1,682,168	1,671,836	70.77	75.32
Real estate leasing service	16,568	14,082	0.70	0.63
Others	18,925	47,584	0.80	2.14
	2,376,942	2,219,907	100.00	100.00
Held-to-maturity securities:				
Construction	901,635	673,264	24.09	19.26
Transportation	70,692	54,350	1.89	1.55
Financial services	1,307,387	1,926,751	34.93	55.13
Public service	1,252,225	691,107	33.46	19.77
Others	210,478	150,010	5.63	4.29
	3,742,417	3,495,482	100.00	100.00
	₩ 6,155,339	₩ 5,722,983		

(5) The portfolio of securities excluding securities using the equity method, by type, as of December 31, 2010 and 2009 consist of the following:

2010 (Won in millions)	Securities in local currency		Securities in foreign currencies		Total	Percentage (%)
Trading securities:						
Equity securities	₩	16,559	₩	-	₩ 16,559	46.03
Beneficiary certificates		7,910		-	7,910	21.98
Fixed rate bonds		-		11,511	11,511	31.99
		24,469		11,511	35,980	100.00
Available-for-sale securities:						
Equity securities		329,751		-	329,751	13.87
Fixed rate bonds		1,482,198		12,105	1,494,303	62.87
Floating rate bonds		120,914		15,190	136,104	5.73
Beneficiary certificates		416,784		-	416,784	17.53
		2,349,647		27,295	2,376,942	100.00
Held-to-maturity securities:						
Fixed rate bonds		3,621,880		-	3,621,880	96.78
Floating rate bonds		100,000		20,537	120,537	3.22
		3,721,880		20,537	3,742,417	100.00
	₩	6,095,996	₩	59,343	₩ 6,155,339	
2009 (Won in millions)	Securities in local currency		Securities in foreign currencies		Total	Percentage (%)
Trading securities						
Beneficiary certificates	₩	7,594	₩	-	₩ 7,594	100.00
Available-for-sale securities:						
Equity securities		286,543		-	286,543	12.91
Fixed rate bonds		1,342,650		11,816	1,354,466	61.02
Floating rate bonds		99,964		38,637	138,601	6.24
Beneficiary certificates		440,297		-	440,297	19.83
		2,169,454		50,453	2,219,907	100.00
Held-to-maturity securities:						
Fixed rate bonds		3,399,497		-	3,399,497	97.25
Floating rate bonds		70,000		25,985	95,985	2.75
		3,469,497		25,985	3,495,482	100.00
	₩	5,646,545	₩	76,438	₩ 5,722,983	

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FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(6) Equity securities using the equity method as of December 31, 2010 and 2009 are summarized as follows:

2010 (Won in millions)	No. of shares	Ownership (%)	Acquisition cost	Net asset value	Book value
BS Securities Co., Ltd.	5,000,000	100.00	₩ 25,000	₩ 54,443	₩ 54,443
BS Capital Co., Ltd.	4,000,000	100.00	20,000	18,566	18,566
Busan Credit Information Co., Ltd. (*1)	600,000	100.00	3,000	4,451	3,000
			₩ 48,000	₩ 77,460	₩ 76,009

2009 (Won in millions)	No. of shares	Ownership (%)	Acquisition cost	Net asset value	Book value
BS Securities Co., Ltd.	5,000,000	100.00	₩ 25,000	₩ 41,679	₩ 41,679
Busan Credit Information Co., Ltd. (*1)	600,000	100.00	3,000	3,985	3,000
Korea Lease Financing Co., Ltd. (*2)	695,064	17.38	3,475	-	-
			₩ 31,475	₩ 45,664	₩ 44,679

(*1) Busan Credit Information Co., Ltd., a subsidiary of the Bank, is recorded at acquisition cost because the changes in equity securities using the equity method are not considered significant.

(*2) Korea Lease Financing Co., Ltd. is not valued using the equity method because its net asset amounts are below zero as of December 31, 2009.

The net asset value of the above investees is computed based on their financial statements as of December 31, 2010 and 2009.

(7) The valuations of securities using the equity method as of December 31, 2010 and 2009 were as follows:

2010 (Won in millions)	Acquisition cost	Net asset value	Book value before valuation	Equity gain	Gain from disposal of equity securities (*)	Accumulated other comprehensive income	Acquisition of securities	Book value after valuation
BS Securities Co., Ltd.	₩ 35,000	₩ 54,443	₩ 41,679	₩ 1,745	₩ -	₩ 1,019	₩ 10,000	₩ 54,443
BS Capital Co., Ltd.	20,000	18,566	-	(1,434)	-	-	20,000	18,566
Busan Credit Information Co., Ltd.	3,000	4,451	3,000	-	-	-	-	3,000
Korea Lease Financing Co., Ltd.	3,475	-	-	-	3,631	-	-	-
	₩ 61,475	₩ 77,460	₩ 44,679	₩ 311	₩ 3,631	₩ 1,019	₩ 30,000	₩ 76,009

(*) The Bank has disposed shares of Korea Lease Financing Co., Ltd. has accounted ₩3,631 million as gain from disposal of equity securities.

2009 (Won in millions)	Acquisition cost	Net asset value	Book value before valuation	Equity gain	Capital adjustment	Accumulated other comprehensive income	Reclassification	Book value after valuation
BS Securities Co., Ltd.	₩ 25,000	₩ 41,679	₩ 32,042	₩ 4,262	₩ (51)	₩ 5,426	₩ -	₩ 41,679
Busan Credit Information Co., Ltd.	3,000	3,986	3,000	-	-	-	-	3,000
Mybi Co., Ltd.	2,100	2,606	2,309	297	-	-	(2,606)	-
Korea Lease Financing Co., Ltd.	3,475	-	-	-	-	-	-	-
	₩ 33,575	₩ 48,271	₩ 37,351	₩ 4,559	₩ (51)	₩ 5,426	₩ (2,606)	₩ 44,679

The fiscal year end of affiliates and the date of financial statements for valuation of equity securities using equity method are as follows:

	End of fiscal year	The date of valuation
BS Securities Co., Ltd.	March	December 31, 2010
BS Capital Co., Ltd.	December	December 31, 2010
Busan Credit Information Co., Ltd.	December	December 31, 2010

(8) Significant financial information of companies of which stocks are accounted for using the equity method as of and for the years ended December 31, 2010 and 2009 are as follows:

2010 (Won in millions)	Assets	Liabilities	Sales / Operating revenue	Net income
BS Securities Co., Ltd. (*)	₩ 135,470	₩ 81,027	₩ 38,407	₩ 1,745
BS Capital Co., Ltd.	119,659	101,093	1,649	(1,434)
Busan Credit Information Co., Ltd.	4,695	244	2,162	465

2009 (Won in millions)	Assets	Liabilities	Sales / Operating revenue	Net income
BS Securities Co., Ltd. (*)	₩ 214,731	₩ 173,052	₩ 49,671	₩ 4,262
Busan Credit Information Co., Ltd.	4,222	237	2,066	383

(*) Although BS Securities' fiscal year is from Apr. 2010 to Mar. 2011, operating revenue and net income above are results from Jan. 2010 to Dec. 2010.

(9) Changes in the gain (loss) on valuation of available-for-sale securities and securities using the equity method reflected in accumulated other comprehensive income (loss) for the year ended December 31, 2010 are as follows:

2010 (Won in millions)	Beginning	Increase	Decrease	Disposal	Ending
Available-for-sale securities:					
Equity securities	₩ 21,039	₩ 11,137	₩ 1,673	₩ 684	₩ 29,819
Bonds in local currency	2,679	10,749	653	2,786	9,989
Bonds in foreign currencies	(128)	407	2	(237)	514
Beneficiary certificates	915	15,115	352	(2,311)	17,989
	₩ 24,505	₩ 37,408	₩ 2,680	₩ 922	₩ 58,311
Change in capital on equity securities using the equity method	₩ 5,426	₩ 1,020	₩ -	₩ -	₩ 6,446

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(10) Term structures of securities (except for stocks and equity securities) in available-for-sale and held-to-maturity securities as of December 31, 2010 and 2009 are as follows

2010 (Won in millions)	Government and public bonds	Finance bonds	Corporate bonds	Beneficiary certificates	Securities in foreign currencies	Total
Available-for-sale securities:						
Less than 3 months	₩ -	₩ 9,938	₩ 10,027	₩ 3,966	₩ -	₩ 23,931
Less than 6 months	-	30,085	-	67,117	-	97,202
Less than 1 year	-	60,546	51,335	218,948	-	330,829
Less than 2 years	124,385	331,763	437,614	-	-	893,762
Less than 3 years	92,485	-	213,244	8,779	6,431	320,939
Less than 4 years	10,356	-	30,406	13,443	2,970	57,175
Less than 5 years	29,896	-	20,080	-	5,789	55,765
Less than 10 years	-	-	150,952	-	12,105	163,057
Over 10 years	-	-	-	104,531	-	104,531
	257,122	432,332	913,658	416,784	27,295	2,047,191
Held-to-maturity securities:						
Less than 3 months	₩ 9,980	₩ 119,835	₩ 66,100	₩ -	₩ -	₩ 195,915
Less than 6 months	4,932	159,496	40,854	-	-	205,282
Less than 1 year	177,355	280,312	270,515	-	9,148	737,330
Less than 2 years	199,879	130,004	635,529	-	-	965,412
Less than 3 years	144,271	20,197	467,920	-	-	632,388
Less than 4 years	249,403	20,997	371,723	-	11,389	653,512
Less than 5 years	112,578	-	240,000	-	-	352,578
	998,398	730,841	2,092,641	-	20,537	3,742,417
	₩ 1,155,520	₩ 1,163,173	₩ 3,006,299	₩ 416,784	₩ 47,832	₩ 5,789,608

2009 (Won in millions)	Government and public bonds	Finance bonds	Corporate bonds	Beneficiary certificates	Securities in foreign currencies	Total
Available-for-sale securities:						
Less than 3 months	₩ -	₩ 50,046	₩ 30,070	₩ 38,313	₩ -	₩ 118,429
Less than 6 months	-	10,095	30,183	69,872	-	110,150
Less than 1 year	10,209	60,309	55,525	176,459	23,040	325,542
Less than 2 years	90,763	100,167	304,314	57,504	-	552,748
Less than 3 years	89,447	-	421,408	-	-	510,855
Less than 4 years	20,349	-	50,202	7,875	7,938	86,364
Less than 5 years	-	-	19,563	13,457	7,660	40,680
Less than 10 years	-	-	99,964	-	11,815	111,779
Over 10 years	-	-	-	76,817	-	76,817
	210,768	220,617	1,011,229	440,297	50,453	1,933,364

2009 (Won in millions)	Government and public bonds	Finance bonds	Corporate bonds	Beneficiary certificates	Securities in foreign currencies	Total
Held-to-maturity securities:						
Less than 3 months	₩ 24,375	₩ 229,725	₩ 19,470	₩ -	₩ -	₩ 273,570
Less than 6 months	12,084	169,865	3,965	-	-	185,914
Less than 1 year	19,630	630,056	61,405	-	4,931	716,022
Less than 2 years	233,386	470,934	377,837	-	9,378	1,091,535
Less than 3 years	179,922	70,006	593,668	-	-	843,596
Less than 4 years	76,405	-	75,323	-	11,676	163,404
Less than 5 years	121,637	-	89,804	-	-	211,441
Less than 10 years	-	-	10,000	-	-	10,000
	667,439	1,570,586	1,231,472	-	25,985	3,495,482
	₩ 878,207	₩ 1,791,203	₩ 2,242,701	₩ 440,297	₩ 76,438	₩ 5,428,846

(11) The impairment loss and the reversal of impairment loss on available-for-sale securities recognized for the years ended December 31, 2010 and 2009 are as follows:

(Won in millions) Accounts	2010		2009	
	Impairment	Reversal	Impairment	Reversal
Available-for-sale securities:				
Equity securities	₩ -	₩ -	₩ 15,129	₩ -
Local currencies bonds	-	-	5,000	-
Foreign currencies bonds	5,831	-	10,920	-
	₩ 5,831	₩ -	₩ 31,049	₩ -
Held-to-maturity securities:				
Foreign currencies bonds	₩ -	₩ -	₩ 9,042	₩ -

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FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(12) The portfolio of securities in foreign currencies excluding securities accounted for using the equity method, by country, as of December 31, 2010 and 2009 is as follows:

(Won in millions) By country	2010		2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Trading securities:				
Korea	₩ 11,511	100.00	₩ -	-
Available-for-sale securities:				
Korea	17,893	65.56	34,856	69.08
USA	6,101	22.35	8,652	17.15
France	2,099	7.69	3,424	6.79
Belgium	1,202	4.4	3,521	6.98
	27,295	100.00	50,453	100.00
Held-to-maturity securities:				
USA	11,389	55.46	11,676	44.93
France	-	-	4,931	18.98
Belgium	9,148	44.54	9,378	36.09
	20,537	100.00	25,985	100.00
	₩ 59,343		₩ 76,438	

(13) Structured securities as of December 31, 2010 and 2009 are as follows:

(Won in millions)	2010		2009	
Interest related:				
FRN	₩	220,000	₩	170,000
Credit risk related:				
Synthetic CDO		9,402		24,976
CLN		9,148		4,931
CLO		11,389		11,676
		29,939		41,583
	₩	249,939	₩	211,583

(14) Securities provided as collateral as of December 31, 2010 and 2009 are as follows:

(Won in millions)

Provided to	2010		2009		Provided for
Korea Securities Depository	₩	610,000	₩	960,000	Bonds sold under repurchase agreements
Korea Securities Depository		60,000		-	Loan transaction
The Bank of Korea		240,000		190,000	Overdrafts and settlement
The Bank of Korea		510,000		470,000	Borrowings from the Bank of Korea
BS Securities Co., Ltd. and others		6,000		-	Futures settlement
Societe Generale Bank		20,000		40,000	Settlement
Sumitomo Bank		90,000		90,000	Borrowings
Deutsche Bank		-		220,000	Borrowings
China Construction Bank		-		50,000	Borrowings
	₩	1,536,000	₩	2,020,000	

(15) Assets of privately placed units included in beneficiary certificates of available-for-sale securities as of December 31, 2010 and 2009 are as follows:

(Won in millions)

	2010		2009	
Stocks	₩	165,266	₩	201,324
Government and public bonds		-		3,971
Finance bonds		48,025		46,130
Call loans		5,469		8,808
Other due from banks		4,971		6,523
Other assets		1,226		12,252
Total assets		224,957		279,008
Total liabilities		-		2,075
Net assets	₩	224,957	₩	276,933

5. LOANS:

(1) Loans as of December 31, 2010 and 2009 consist of the following:

(Won in millions)

	2010		2009	
Call loans	₩	77,445	₩	112,816
Domestic import usance bill		408,518		263,735
Credit card accounts		411,263		358,926
Bills bought in foreign currencies		199,561		221,842
Bills bought in local currency		5,005		1,135
Bonds purchased under resale agreement	₩	70,000	₩	450,000

(Continued)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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(Won in millions)		2010		2009
Loans in local currency	₩	20,017,972	₩	17,842,809
Loans in foreign currencies		1,122,329		1,116,101
Advances for customers		13,790		30,527
Privately placed bonds		114,591		119,021
		22,440,474		20,516,912
Allowance for possible loan losses (see Notes 6 and 7)		(353,361)		(317,851)
Deferred loan origination fees		(7,866)		-
	₩	22,079,247	₩	20,199,061

(2) Loans in local currency and loans in foreign currencies as of December 31, 2010 and 2009 are as follows:

(Won in millions)		2010		2009	
Loans in local currency:					
Commercial	Working capital loans:				
	Notes discounted	₩	433,718	₩	385,261
	Overdraft accounts		146,025		131,371
	General purpose loans		7,719,180		7,110,122
	Trading notes		337,728		271,065
	Commercial loans		458,496		439,310
	Others		671,805		465,470
			9,766,952		8,802,599
	Facilities loans:				
	General purpose loans		3,533,338		3,360,226
	Others		1,149,989		986,360
			4,683,327		4,346,586
			14,450,279		13,149,185
Households	General purpose loans		4,731,675		4,063,958
	Others		1,513		1,161
			4,733,188		4,065,119
Public sector loans	Working capital loans		182,758		169,618
	Facilities loans		303,860		131,076
			486,618		300,694
Other loans	Housing loans		20,557		28,142
	Inter-bank loans		327,330		299,669
			347,887		327,811
		₩	20,017,972	₩	17,842,809
Loans in foreign currencies:					
	Domestic loans	₩	1,122,329	₩	1,116,101

(3) Inter-bank loans for restructuring of small and medium-sized enterprises as of December 31, 2010 and 2009 are as follows:

(Won in millions)		2010		2009
Industrial Bank of Korea	₩	172,695	₩	169,952
Kookmin Bank		28,958		25,507
Woori Bank		34,773		30,756
Korea Exchange Bank		2,621		2,025
Shinhan Bank		11,195		11,869
Kyongnam Bank		55,831		39,216
The Korea Development Bank and others		21,257		20,344
	₩	327,330	₩	299,669

The loans to financial institutions excluding inter-bank loans above as of December 31, 2010 and 2009 were as follows:

(Won in millions)		2010		2009
Lotte Card Co., Ltd.	₩	-	₩	20,000
Lotte Capital Co., Ltd.		20,000		30,000
BS Securities Co., Ltd.		89,595		-
Hyundai Capital Co., Ltd.		30,000		-
Others		203,363		181,243
	₩	342,958	₩	231,243

(4) Loans in local currency and loans in foreign currencies, classified by borrower type, as of December 31, 2010 and 2009 are as follows:

2010 (Won in millions)		Loans in local currency		Loans in foreign currencies		Total		Percentage (%)
Large corporations	₩	1,159,516	₩	123,658	₩	1,283,174		6.07
Small and medium corporations		13,618,094		998,671		14,616,765		69.14
Households		4,753,744		-		4,753,744		22.49
Public sector and other		486,618		-		486,618		2.30
	₩	20,017,972	₩	1,122,329	₩	21,140,301		100.00

2009 (Won in millions)		Loans in local currency		Loans in foreign currencies		Total		Percentage (%)
Large corporations	₩	948,251	₩	136,540	₩	1,084,791		5.72
Small and medium corporations		12,500,603		979,561		13,480,164		71.10
Households		4,093,261		-		4,093,261		21.59
Public sector and other		300,694		-		300,694		1.59
	₩	17,842,809	₩	1,116,101	₩	18,958,910		100.00

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FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(5) Loans in local currency and loans in foreign currencies, classified by industry, as of December 31, 2010 and 2009 are as follows:

2010 (Won in millions)	Loans in local currency		Loans in foreign currencies		Total	Percentage (%)
	₩		₩			
Manufacturing	₩	7,040,018	₩	546,576	₩ 7,586,594	35.89
Wholesale and retail		1,792,280		109,130	1,901,410	8.99
Finance and insurance		670,289		-	670,289	3.17
Construction		732,433		26,202	758,635	3.59
Transportation and warehousing		1,078,575		289,725	1,368,300	6.47
Real estate and renting		1,708,226		37,436	1,745,662	8.26
Lodgings and foods		360,353		6,380	366,733	1.73
Households		4,753,744		-	4,753,744	22.49
Public sector		486,618		-	486,618	2.30
Others		1,395,436		106,880	1,502,316	7.11
	₩	20,017,972	₩	1,122,329	₩ 21,140,301	100.00

2009 (Won in millions)	Loans in local currency		Loans in foreign currencies		Total	Percentage (%)
	₩		₩			
Manufacturing	₩	6,460,877	₩	542,029	₩ 7,002,906	36.93
Wholesale and retail		1,594,368		91,050	1,685,418	8.89
Finance and insurance		530,912		-	530,912	2.80
Construction		742,767		32,346	775,113	4.09
Transportation and warehousing		995,738		334,293	1,330,031	7.02
Real estate and renting		1,497,351		17,917	1,515,268	7.99
Lodgings and foods		334,987		5,767	340,754	1.80
Households		4,093,261		-	4,093,261	21.59
Public sector		300,694		-	300,694	1.59
Others		1,291,854		92,699	1,384,553	7.30
	₩	17,842,809	₩	1,116,101	₩ 18,958,910	100.00

(6) Loans in foreign currencies, classified by borrower's country, as of December 31, 2010 and 2009 are as follows:

(Won in millions) By country	2010		2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Korea	₩ 1,122,329	100.00	₩ 1,116,101	100.00

6. RESTRUCTURED LOANS:

Present value discounts for restructured loans as of December 31, 2010 and 2009 are as follows:

2010 (Won in millions)	Discount rates (%)	Loans	Present value discounts			
			Beginning balance	Addition	Deduction	Ending balance
Reorganization and court mediation	0.00~8.75	₩ 93,395	₩ 20,777	₩ 3,910	₩ 12,694	₩ 11,993
Workout	1.00~6.25	62,367	1,474	3,055	1,075	3,454
		₩ 155,762	₩ 22,251	₩ 6,965	₩ 13,769	₩ 15,447

2009 (Won in millions)	Discount rates (%)	Loans	Present value discounts			
			Beginning balance	Addition	Deduction	Ending balance
Reorganization and court mediation	0.0~8.75	₩ 137,418	₩ 1,730	₩ 20,918	₩ 1,871	₩ 20,777
Workout	5.0~6.25	27,251	-	1,706	232	1,474
		₩ 164,669	₩ 1,730	₩ 22,624	₩ 2,103	₩ 22,251

Fixed rate loans are discounted by the originally agreed interest rate, and floating rate loans are discounted by the interest rate at the restructuring of the loans plus the spread reflecting debtors' credit at the origination of the loans.

7. ALLOWANCE FOR POSSIBLE LOAN LOSSES:

(1) The allowance for possible loan losses (excluding present value discounts from restructured loans) as of December 31, 2010 and 2009 are summarized as follows:

2010 (Won in millions)	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Loans in local currency	₩ 192,377	₩ 49,177	₩ 41,946	₩ 3,296	₩ 11,745	₩ 298,541
Loans in foreign currencies	18,439	2,971	2,437	213	111	24,171
Bills bought in foreign currencies	1,738	36	-	-	-	1,774
Bills bought in local currency	42	-	-	-	-	42
Advances for customers	-	167	1,981	154	107	2,409
Credit card receivables	7,746	1,019	65	1,547	1,204	11,581
Privately placed bonds	990	-	246	-	-	1,236
Others	1	23	41	78	184	327
	₩ 221,333	₩ 53,393	₩ 46,716	₩ 5,288	₩ 13,351	₩ 340,081

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2009 (Won in millions)	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Loans in local currency	₩ 163,735	₩ 34,995	₩ 29,831	₩ 19,208	₩ 5,688	₩ 253,457
Loans in foreign currencies	14,438	2,212	1,634	3,032	-	21,316
Bills bought in foreign currencies	1,944	75	-	-	-	2,019
Bills bought in local currency	10	-	-	-	-	10
Advances for customers	-	342	3,624	4,719	72	8,757
Credit card receivables	6,751	1,039	92	1,498	1,415	10,795
Privately placed bonds	1,038	-	-	-	-	1,038
Others	3	76	335	84	159	657
	₩ 187,919	₩ 38,739	₩ 35,516	₩ 28,541	₩ 7,334	₩ 298,049

(2) The allowance for possible loan losses, net of present value discounts, to total loans is summarized as follows:

(Won in millions)	Loans	Allowance for possible loan losses	Percentage (%)
December 31, 2008	₩ 19,447,622	294,487	1.51
December 31, 2009	19,607,388	298,049	1.52
December 31, 2010	21,780,366	340,081	1.56

(3) The changes in allowance for possible loan losses (excluding present value discounts from restructured loan) for the years ended December 31, 2010 and 2009 are as follows:

(Won in millions)	2010	2009
Beginning balance	₩ 298,049	₩ 294,487
Present value discounts	3,338	(20,057)
Loans written-off	(127,880)	(163,683)
Changes in exchange rates	(78)	(245)
Collection of previously written-off loans	12,430	26,606
	185,859	137,108
Provision for possible loan losses	154,222	160,941
	₩ 340,081	₩ 298,049

8. TANGIBLE ASSETS:

(1) Tangible assets as of December 31, 2010 and 2009 are as follows:

2010 (Won in millions)	Acquisition cost		Accumulated depreciation		Accumulated impairment loss		Book value	
	₩		₩		₩		₩	
Land	₩	180,220	₩	-	₩	-	₩	180,220
Buildings		139,965		26,093		-		113,872
Leasehold improvements		40,459		29,599		-		10,860
Equipment and vehicles		256,445		220,180		-		36,265
Construction in progress		48,356		-		-		48,356
	₩	665,445	₩	275,872	₩	-	₩	389,573

2009 (Won in millions)	Acquisition cost		Accumulated depreciation		Accumulated impairment loss		Book value	
	₩		₩		₩		₩	
Land	₩	178,551	₩	-	₩	-	₩	178,551
Buildings		131,272		23,516		-		107,756
Leasehold improvements		37,812		26,300		-		11,512
Equipment and vehicles		245,448		210,948		1,600		32,900
Construction in progress		26,390		-		-		26,390
	₩	619,473	₩	260,764	₩	1,600	₩	357,109

(2) The published value of land as of December 31, 2010 and 2009 are as follows:

(Won in millions)	BOOK VALUE				PUBLISHED VALUE			
	2010		2009		2010		2009	
	₩		₩		₩		₩	
Land	₩	180,220	₩	178,551	₩	141,420	₩	140,596

(3) Tangible assets, which had been insured as of December 31, 2010, are as follows:

2010 (Won in millions)	TYPE OF INSURANCE	Insured assets		Book value		Insured amount	
				₩		₩	
Property composite	Buildings			₩	113,872	₩	113,872
	Fixtures				10,860		10,860
	Others				34,801		34,801
				₩	159,533	₩	159,533

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2009

(Won in millions)

TYPE OF INSURANCE	Insured assets	Book value	Insured amount
Property composite	Buildings	₩ 107,756	₩ 107,756
	Fixtures	11,512	11,512
	Equipments	31,820	31,820
		₩ 151,088	₩ 151,088

(4) The changes in book value of tangible assets for the years ended December 31, 2010 consist of the following:

2010

(Won in millions)

	Beginning	Acquisition	Disposal	Replacement	Depreciation	Impairment loss	Ending
Land	₩ 178,551	₩ 1,124	₩ -	₩ 545	₩ -	₩ -	₩ 180,220
Buildings	107,756	1,247	811	8,447	2,767	-	113,872
Leasehold improvements	11,512	320	603	4,157	4,526	-	10,860
Equipment and vehicles	32,900	24,047	205	-	20,477	-	36,265
Construction in progress	26,390	42,359	-	(20,393)	-	-	48,356
	₩ 357,109	₩ 69,097	₩ 1,619	₩ (7,244)	₩ 27,770	₩ -	₩ 389,573

2009

(Won in millions)

	Beginning	Acquisition	Disposal	Replacement	Depreciation	Impairment loss	Ending
Land	₩ 172,702	₩ -	₩ -	₩ 5,849	₩ -	₩ -	₩ 178,551
Buildings	108,712	-	-	1,670	2,626	-	107,756
Leasehold improvements	12,573	-	-	3,441	4,502	-	11,512
Equipment and vehicles	38,795	15,557	69	1,608	22,991	-	32,900
Construction in progress	20,717	18,500	-	(12,827)	-	-	26,390
	₩ 353,499	₩ 34,057	₩ 69	₩ (259)	₩ 30,119	₩ -	₩ 357,109

9. OTHER ASSETS:

(1) Other assets as of December 31, 2010 and 2009 consist of the following:

(Won in millions)	2010		2009	
Accounts receivable	₩	3,563,241	₩	2,394,106
Accrued income (see Note 2)		140,875		131,194
Prepaid expenses		7,089		9,988
Deferred income tax assets (see Note 23)		-		16,771
Derivatives assets (see Note 16)		132,224		196,221
Domestic exchange settlement debits		21,381		28,199
Guarantee deposits		129,900		135,110
Intangible assets (see Note 10)		20,002		5,505
Sundry assets		8,251		8,540
Present value discount		(2,167)		(2,449)
	₩	4,020,796	₩	2,923,185

(2) Sundry assets as of December 31, 2010 and 2009 consist of the following:

(Won in millions)	2010		2009	
Supplies	₩	608	₩	584
Deposit money in court		82		488
Suspense receivable		2,699		3,275
Membership rights		4,275		3,917
Unsettled spot exchanges receivable		587		176
Others		-		100
	₩	8,251	₩	8,540

10. INTANGIBLE ASSETS:

(1) Intangible assets as of December 31, 2010 and 2009 consist of the following:

2010 (Won in millions)	Acquisition cost		Accumulated amortization		Accumulated impairment loss		Book value	
Goodwill	₩	25	₩	25	₩	-	₩	-
Software		9,883		5,948		-		3,935
Others		25,073		9,006		-		16,067
	₩	34,981	₩	14,979	₩	-	₩	20,002

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2009 (Won in millions)	Acquisition cost		Accumulated amortization		Accumulated impairment loss		Book value	
Goodwill	₩	25	₩	23	₩	-	₩	2
Software		10,575		6,194		-		4,381
Others		2,356		1,234		-		1,122
	₩	12,956	₩	7,451	₩	-	₩	5,505

(2) The changes in intangible assets for the years ended December 31, 2010 and 2009 are as follows:

2010 (Won in millions)	Beginning Balance		Increase (*)		Amortization		Ending balance	
Goodwill	₩	2	₩	-	₩	2	₩	-
Software		4,381		1,258		1,704		3,935
Others		1,122		22,717		7,772		16,067
	₩	5,505	₩	23,975	₩	9,478	₩	20,002

(*) Included ₩7,244 million transferred from construction in progress.

2009 (Won in millions)	Beginning Balance		Increase (*)		Amortization		Ending balance	
Goodwill	₩	7	₩	-	₩	5	₩	2
Software		5,157		1,022		1,798		4,381
Others		1,166		168		212		1,122
	₩	6,330	₩	1,190	₩	2,015	₩	5,505

(*) Included ₩259 million transferred from construction in progress.

11. DEPOSITS:

(1) Deposits as of December 31, 2010 and 2009 consist of the following:

(Won in millions)	2010		2009	
Demand deposits	₩	8,791,531	₩	7,721,411
Term deposits		11,635,437		8,145,656
Certificates of deposits		1,063,048		2,643,468
	₩	21,490,016	₩	18,510,535

(2) Demand deposits as of December 31, 2010 and 2009 consist of the following:

(Won in millions)	INTEREST RATE (%)		2010		2009
Demand deposits in local currency:					
Checking deposits	-	₩	32,029	₩	37,210
Household checking deposits	0.10		12,389		11,463
Temporary deposits	0.00~1.00		463,167		524,010
Passbook deposits	0.10		1,041,704		941,455
Public fund deposits	1.00		266,779		195,341
National Treasury deposits	0.10		246		151
Savings deposits	0.10~1.40		3,778,179		3,381,186
Corporate savings deposits	0.00~1.30		3,014,417		2,435,509
			8,608,910		7,526,325
Demand deposits in foreign currencies:					
Checking deposits	-		4,276		2,869
Passbook deposits	0.00~0.11		176,962		168,936
Deposit at notice	0.12~0.56		1,207		23,100
Temporary deposits	-		176		181
			182,621		195,086
		₩	8,791,531	₩	7,721,411

(3) Term deposits as of December 31, 2010 and 2009 consist of the following:

(Won in millions)	INTEREST RATE (%)		2010		2009
Term deposits in local currency:					
Time deposits	1.00~3.50	₩	10,359,064	₩	6,835,949
Installment savings deposits	1.00~3.80		1,050,843		946,161
Long-term housing savings deposits	1.00~4.00		134,991		197,951
Long-term savings for households	1.00		1		1
Workers' preferential savings deposits	1.00		25		82
Mutual installment deposits	1.00~3.70		56,862		69,433
Mutual installment for housing	0.10~3.30		7,610		12,335
			11,609,396		8,061,912
Term deposits in foreign currencies:					
Time deposits	0.05~2.19		26,041		83,744
		₩	11,635,437	₩	8,145,656

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(4) Deposits with financial institutions as of December 31, 2010 and 2009 are as follows:

(Won in millions)

ACCOUNT	FINANCIAL INSTITUTIONS		2010		2009
Deposits in local currency	Banks	₩	269,513	₩	165,769
	Life insurance		383,358		445,877
	Securities company		958,934		478,961
	Specialized credit finance		112,983		89,388
	Property insurance		52,691		65,594
	Others		156,542		92,605
				1,934,021	
Deposits in foreign currencies	Banks		-		645
	Securities company		463		2,948
	Specialized credit finance		6,258		40,652
	Property insurance		4		23,352
				6,725	
		₩	1,940,746	₩	1,405,791

12. BORROWINGS:

(1) Borrowings as of December 31, 2010 and 2009 consist of the following:

(Won in millions)

			2010		2009
Call money	₩		335,887	₩	94,360
Bills sold			40,046		30,331
Bonds sold under repurchase agreement			488,900		699,802
Borrowings in local currency			1,783,032		1,548,516
Borrowings in foreign currencies			1,098,684		1,371,529
Debentures in local currency			1,964,586		1,965,327
Debentures in foreign currencies			667,197		680,934
	₩		6,378,332	₩	6,390,799

(2) Borrowings in local currency as of December 31, 2010 and 2009 consist of the following:

(Won in millions)

LENDERS	ANNUAL INTEREST RATE (%)		2010		2009
Small Business Corporation	2.00~3.50	₩	671,919	₩	698,292
The Bank of Korea	1.25		479,051		412,992
Korea Finance Corporation	3.41~4.12		322,040		23,482
Korea EXIM Bank	2.37		-		100,000
Korea Energy Management Corporation	0.00~1.25		93,893		87,172
Busan Metropolitan City	1.00~4.10		47,645		39,453
Kyongnam Bank	2.22~3.22		22,884		31,687
Daegu Bank	3.50		11,120		13,093
Korea Environment Corporation	2.62~3.39		35,944		38,331
Industrial Bank of Korea	1.44~3.49		13,593		20,229
Ministry of Employment and Labor	2.00~4.00		24,287		25,250
Korea International Trade Association	3.00		10,724		10,020
Others	1.25~4.20		49,932		48,515
		₩	1,783,032	₩	1,548,516

(3) Borrowings in foreign currencies as of December 31, 2010 and 2009 consist of the following:

(Won in millions)

LENDERS	ANNUAL INTEREST RATE (%)		2010		2009
HSBC bank and others	0.65~1.40	₩	359,979	₩	362,840
KDB and others	0.99~2.01		325,397		731,626
BOA and others	0.70~1.40		409,322		272,976
KEB Manila	0.90		3,986		4,087
		₩	1,098,684	₩	1,371,529

(4) Bonds sold under repurchase agreements, bills sold and call money as of December 31, 2010 and 2009 consist of the following:

(Won in millions)

ACCOUNT	FINANCIAL INSTITUTION	ANNUAL INTEREST RATE (%)		2010		2009
Call money	Korea Exchange Bank and others	2.00~2.29	₩	335,887	₩	94,360
Bills sold	Individuals and corporations	1.70~2.63		40,046		30,331
Bonds sold under repurchase agreements	Individuals and corporations	1.70~2.90		488,900		699,802
			₩	864,833	₩	824,493

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(5) Borrowings from financial institutions as of December 31, 2010 and 2009 are as follows:

(Won in millions)

FINANCIAL INSTITUTIONS	ANNUAL INTEREST RATE (%)		2010		2009
Borrowings in local currency:					
The Bank of Korea	1.25	₩	479,051	₩	412,992
Woori Bank	3.20		84		168
Nonghyup	1.50~3.90		5,222		5,761
Hana Bank	3.60		495		675
Kwangju Bank	3.80		3,436		3,259
The Korea Development Bank	2.00~2.74		8,848		8,439
Industrial Bank of Korea	1.44~3.49		16,026		25,075
Kyongnam Bank (Ulsan)	3.16~3.28		360		689
Kyongnam Bank	2.22~3.22		22,884		31,687
Daegu Bank	3.50		11,120		13,093
Korea EXIM Bank	-		-		100,000
Jeon Buk Bank	3.60		600		-
			548,126		601,838
Borrowings in foreign currencies:					
Korea Exchange Bank and others	0.01~2.01		1,098,684		1,371,529
		₩	1,646,810	₩	1,973,367

(6) Debentures in local currency as of December 31, 2010 and 2009 consist of the following:

(Won in millions)

Description	ISSUED DATE	EXPIRATION DATE	ANNUAL INTEREST RATE (%)		2010		2009
Subordinated debentures in local currency	Apr.28, 2005	Jan.28, 2011	5.18~5.20	₩	175,000	₩	175,000
	Dec.12, 2006	Dec.12, 2012	5.30		100,000		100,000
	Nov.11, 2008	Jan.11, 2014	8.24		100,000		100,000
	Sep.02, 2010	Mar.02, 2017	5.01		150,000		-
Hybrid debentures	Dec.17, 2008	Dec.17, 2038	8.80		200,000		200,000
	Dec.26, 2008	Dec.26, 2038	8.80		30,000		30,000
Unsecured debentures in local currency	Jan.29, 2007	Jan.29, 2010	-		-		100,000
	Feb.21, 2007	Feb.21, 2010	-		-		80,000
	Aug.16, 2007	Aug.16, 2010	-		-		10,000
	Aug.17, 2007	Aug.17, 2010	-		-		50,000
	Aug.27, 2007	Aug.27, 2010	-		-		140,000
	Oct.10, 2007	Oct.10, 2010	-		-		50,000
	Oct.16, 2007	Oct.16, 2010	-		-		100,000
	Nov.23, 2007	Nov.23, 2010	-		-		20,000
	Jan.30, 2008	Jan.30, 2010	-		-		100,000

(Continued)

(Won in millions)

Description	ISSUED DATE	EXPIRATION DATE	ANNUAL INTEREST RATE (%)		2010		2009
Unsecured debentures in local currency	Feb.29, 2008	Feb.28, 2011	5.62	\	30,000	\	30,000
	Mar.20, 2008	Mar.20, 2010	-		-		80,000
	Apr.24, 2008	Apr.24, 2010	-		-		50,000
	May.06, 2008	May.06, 2013	5.73		30,000		30,000
	May.28, 2008	May.28, 2010	-		-		50,000
	Jun.26, 2008	Jun.26, 2010	-		-		70,000
	May.26, 2009	May.26, 2011	4.14		100,000		100,000
	Jul.24, 2009	Jul.24, 2010	-		-		100,000
	Aug.13, 2009	Aug.13, 2012	5.45		200,000		200,000
	Feb.25, 2010	Feb.25, 2012	4.50		100,000		-
	Mar.25, 2010	Mar.25, 2011	3.17		100,000		-
	Apr.16, 2010	Apr.16, 2012	3.85		100,000		-
	Apr.26, 2010	Apr.26, 2013	4.28		100,000		-
	May.26, 2010	Nov.26, 2011	3.84		130,000		-
	Jun.22, 2010	Jun.22, 2012	4.07		140,000		-
	Oct.15, 2010	Apr.15, 2012	3.24		100,000		-
	Nov.01, 2010	Nov.01, 2013	3.63		50,000		-
	Nov.05, 2010	Nov.05, 2012	3.56		30,000		-
					1,965,000		1,965,000
Loss on valuation of fair value hedged items					199		617
					1,965,199		1,965,617
Discounts on debentures					(613)		(290)
				₩	1,964,586	₩	1,965,327

(7) Debentures in foreign currencies as of December 31, 2010 and 2009 consist of the following:

(Won in millions)

Description	Issued date	Expiration date	Annual interest rate (%)		2010		2009
Subordinated debentures in foreign currencies (*1)	Mar.14, 2007	Mar.14, 2017	5.50	₩	227,780	₩	233,520
	Oct.30, 2007	Oct.30, 2017	6.00		284,725		291,900
Senior debentures in foreign currencies	Aug. 28, 2008	Aug. 26, 2011	(*2)		69,854		63,141
	May 20, 2009	May 22, 2012	(*3)		56,945		58,380
Loss on valuation of fair value hedged items					31,081		37,853
					670,385		684,794
Discounts on debentures					(3,188)		(3,860)
				₩	667,197	₩	680,934

(*1) The bank has redemption option which allows the bank to exercise the option from 2012, 5 years after the issuance date.

(*2) Variable interest rate : JPY 6M Tibor+145bp

(*3) Variable interest rate : USD 3M Libor+520bp

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FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

13. OTHER LIABILITIES:

(1) Other liabilities as of December 31, 2010 and 2009 consist of the following:

(Won in millions)		2010		2009
Accounts payable	₩	3,570,195	₩	2,383,267
Accrued expenses		332,081		320,711
Unearned revenues		14,666		24,632
Guarantees deposits received		30,532		29,624
Withholding taxes		13,624		9,271
Domestic exchange settlement loans		9,198		5,354
Unsettled domestic exchange liabilities		39,546		134,103
Deferred income tax liabilities (see Note 23)		7,089		-
Derivatives liabilities (see Note 16)		59,956		132,227
Due to trust accounts		101,269		173,103
Accounts for agency business		43,037		40,863
Agency		62,541		58,205
Accrued severance benefits (see Note 14)		74,785		65,099
Less: National pension fund		(5)		(6)
Less: Severance insurance deposits		(1)		(56,926)
Less: Pension plan assets		(62,712)		-
Allowance for possible losses on acceptances and guarantees (see Note 15)		11,797		7,927
Allowance for possible losses on the unused limits (see Note 17)		29,535		24,220
Other allowance (see Note 17)		18,024		21,617
Tax payable		36,163		68,548
Sundry liabilities		8,393		14,430
	₩	4,399,713	₩	3,456,269

(2) Sundry liabilities included in other liabilities as of December 31, 2010 and 2009 consist of the following:

(Won in millions)		2010		2009
Payables from cash delivery for other banks	₩	-	₩	300
Subscription deposits		1,443		5,361
Suspense payables		3,651		5,036
Deposits for credit management		-		635
Prepaid card liabilities		3,262		3,066
Debit card liabilities		37		32
	₩	8,393	₩	14,430

14. ACCRUED SEVERANCE BENEFITS:

The changes in accrued severance benefits for the year ended December 31, 2010 and 2009 are as follows:

(Won in millions)		2010		2009
Beginning	₩	65,099	₩	66,424
Payment		(9,952)		(21,966)
Provision		19,638		20,641
Ending	₩	74,785	₩	65,099

15. ACCEPTANCES AND GUARANTEES AND ALLOWANCES FOR POSSIBLE LOSSES:

(1) Acceptances and guarantees as of December 31, 2010 and 2009 are as follows:

(Won in millions)		2010		2009
TYPES				
Confirmed acceptances and guarantees in local currency:				
Payment guarantee for loans	₩	74,994	₩	85,964
Others		396,826		375,743
		471,820		461,707
Confirmed acceptances and guarantees in foreign currencies:				
Acceptances on letters of credit		10,415		23,061
Acceptances for letters of guarantee for importers		15,642		16,377
Others		147,188		166,207
		173,245		205,645
	₩	645,065	₩	667,352
Unconfirmed acceptances and guarantees:				
Letters of credit	₩	351,678	₩	276,300
Others		13		32,514
	₩	351,691	₩	308,814

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FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(2) Acceptances and guarantees, by industry, as of December 31, 2010 and 2009 are as follows:

(Won in millions)	2010		2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Confirmed:				
Manufacturing	₩ 312,890	48.50	₩ 376,932	56.49
Wholesale and retail	138,337	21.45	111,498	16.71
Finance and insurance	300	0.05	300	0.04
Construction	129,201	20.03	84,920	12.72
Others	64,337	9.97	93,702	14.04
	₩ 645,065	100.00	₩ 667,352	100.00
Unconfirmed:				
Manufacturing	₩ 201,678	57.34	₩ 159,952	51.80
Wholesale and retail	138,596	39.41	99,677	32.28
Finance and insurance	335	0.10	-	-
Construction	214	0.06	1,718	0.56
Others	10,868	3.09	47,467	15.36
	₩ 351,691	100.00	₩ 308,814	100.00

(3) Acceptances and guarantees, by customer, as of December 31, 2010 and 2009 are as follows:

(Won in millions)	2010		2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Confirmed:				
Large corporations	₩ 76,745	11.90	₩ 90,612	13.58
Small and medium-sized corporation	566,761	87.86	573,983	86.01
Household sector	1,559	0.24	2,757	0.41
	₩ 645,065	100.00	₩ 667,352	100.00
Unconfirmed:				
Large corporations	₩ 111,130	31.60	₩ 102,039	33.04
Small and medium-sized corporation	240,561	68.40	206,775	66.96
	₩ 351,691	100.00	₩ 308,814	100.00

(4) Acceptances and guarantees, by country, as of December 31, 2010 and 2009 are as follows:

(Won in millions)	2010		2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Confirmed:				
Korea	₩ 644,965	99.98	₩ 667,202	99.98
Taiwan	100	0.02	150	0.02
	₩ 645,065	100.00	₩ 667,352	100.00
Unconfirmed:				
Korea	₩ 351,691	100.00	₩ 308,814	100.00

(5) Allowance for possible losses on acceptances and guarantees as of December 31, 2010 and 2009 are as follows:

(Won in millions)	2010			2009		
	Outstanding balance	Allowance	Percentage (%)	Outstanding balance	Allowance	Percentage (%)
Confirmed:						
Normal	₩ 642,502	₩ 10,053	1.56	₩ 662,105	₩ 6,322	0.95
Precautionary	2,325	174	7.47	5,247	403	7.68
Substandard	45	7	16.71	-	-	-
Doubtful	-	-	-	-	-	-
Estimated loss	193	193	100.00	-	-	-
	645,065	10,427	1.62	667,352	6,725	1.01
Unconfirmed:						
Normal	349,063	1,272	0.36	308,128	1,170	0.38
Precautionary	1,232	43	3.50	685	22	3.21
Substandard	1,396	55	4.00	1	-	-
Doubtful	-	-	-	-	-	-
Estimated loss	-	-	-	-	-	-
	351,691	1,370	0.39	308,814	1,192	0.39
Endorsed note:						
Normal	27	-	-	2,191	10	0.46
Precautionary	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Estimated loss	-	-	-	-	-	-
	27	-	-	2,191	10	0.46
	₩ 996,783	₩ 11,797	1.81	₩ 978,357	₩ 7,927	0.81

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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(6) The percentage of allowance for possible losses on acceptances and guarantees to outstanding balances as of December 31, 2010 and 2009 were as follows

(Won in millions)	CONFIRMED			UNCONFIRMED			ENDORSED NOTE		
	Outstanding balance	Allowance	Percentage (%)	Outstanding balance	Allowance	Percentage (%)	Outstanding balance	Allowance	Percentage (%)
2008	₩ 691,941	₩ 5,948	0.86	₩ 304,667	₩ 1,139	0.37	₩ 465	₩ 2	0.43
2009	667,352	6,725	1.01	308,814	1,192	0.39	2,191	10	0.46
2010	645,065	10,427	1.62	351,691	1,370	0.39	27	-	-

16. DERIVATIVES INSTRUMENTS:

(1) The notional amounts outstanding for derivative contracts as of December 31, 2010 and 2009 were as follows:

(Won in millions)	2010			2009		
	Trading	Hedge	Total	Trading	Hedge	Total
Currency:						
Currency forwards (*)	₩ 3,221,695	₩ -	₩ 3,221,695	₩ 3,135,991	₩ -	₩ 3,135,991
Currency swaps	257,790	-	257,790	532,834	-	532,834
Currency options purchased	-	-	-	75,244	-	75,244
Currency options sold	-	-	-	75,234	-	75,234
	3,479,485	-	3,479,485	3,819,303	-	3,819,303
Interest rate:						
Interest rate swaps (*)	115,478	743,200	858,678	172,810	650,420	823,230
Stock:						
Stock options purchased	118,803	-	118,803	50,686	-	50,686
Stock options sold	121,217	-	121,217	57,510	-	57,510
Stock swaps	2,711	-	2,711	6,952	-	6,952
	242,731	-	242,731	115,148	-	115,148
Others						
Precious options purchased	-	-	-	10,156	-	10,156
Precious options sold	-	-	-	10,149	-	10,149
	-	-	-	20,305	-	20,305
	₩ 3,837,694	₩ 743,200	₩ 4,580,894	₩ 4,127,566	₩ 650,420	₩ 4,777,986

(*) For transaction between local currency and foreign currencies, unsettled amount of transaction is presented using the basic foreign exchange rate on the contract amount in foreign currencies. For transaction between foreign currencies and foreign currencies, unsettled amount is presented using the basic foreign exchange rate on the contract amount in foreign currencies purchased.

(2) As of and for the year ended December 31, 2010 and 2009, gain or loss on valuation of derivative instruments in the statements of income, and assets and liabilities for the accumulated gain or loss on valuation of derivative instruments in the statements of financial position are as follows

(Won in millions)	2010											
	Gain on valuation				Loss on valuation							
	Trading		Hedge		Trading		Hedge		Assets	Liabilities		
Currency:												
Currency forwards	₩	64,292	₩	-	₩	24,991	₩	-	₩	64,314	₩	24,947
Currency swaps		6,280		-		6,491		-		22,725		24,306
		70,572		-		31,482		-		87,039		49,253
Interest rate:												
Interest rate swaps		1,569		-		1,979		6,300		37,470		2,982
Stock:												
Stock options purchased		3,184		-		99		-		7,276		-
Stock options sold		99		-		3,348		-		-		7,721
Stock swaps		294		-		-		-		439		-
		3,577		-		3,447		-		7,715		7,721
	₩	75,718	₩	-	₩	36,908	₩	6,300	₩	132,224	₩	59,956

The Bank uses various derivative instruments for its trading activities, including interest rate and foreign exchange swaps, futures, forwards and options, to manage the interest rate characteristics of certain assets or liabilities and to economically hedge against the effects of fluctuations in interest rates.

For the year ended December 31, 2010, due to ineffective portion of gain and loss on valuation of fair value hedged items, debentures in foreign currencies and available-for-sale securities in foreign currencies, valuation gain of ₩235 million is recorded in current operation respectively.

(Won in millions)	2009											
	Gain on valuation				Loss on valuation							
	Trading		Hedge		Trading		Hedge		Assets	Liabilities		
Currency:												
Currency forwards	₩	57,242	₩	-	₩	60,591	₩	-	₩	75,368	₩	80,353
Currency swaps		9,820		-		30,635		-		57,076		30,038
Currency options purchased		17,039		-		-		-		13,778		-
Currency options sold		-		-		17,153		-		-		13,778
		84,101		-		108,379		-		146,222		124,169
Interest rate:												
Interest rate swaps		5,038		-		5,699		8,538		46,494		4,327
Stock:												
Stock options purchased		1,186		-		9		-		2,922		-
Stock options sold		9		-		1,618		-		-		3,591
Stock swaps purchased		617		-		-		-		443		-
		1,812		-		1,627		-		3,365		3,591

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(Won in millions)	2009											
	Gain on valuation				Loss on valuation				Assets	Liabilities		
	Trading		Hedge		Trading		Hedge					
Others:												
Merchandises forwards purchased	₩	-	₩	-	₩	220	₩	-	₩	140	₩	-
Merchandises forwards sold		220		-		-		-		-		140
		220		-		220		-		140		140
	₩	91,171	₩	-	₩	115,925	₩	8,538	₩	196,221	₩	132,227

The Bank uses various derivative instruments for its trading activities, including interest rate and foreign exchange swaps, futures, forwards and options, to manage the interest rate characteristics of certain assets or liabilities and to economically hedge against the effects of fluctuations in interest rates.

For the year ended December 31, 2009, due to ineffective portion of the valuation loss of fair value hedged items, debentures in foreign currencies, valuation gain of ₩6,915 million is recorded in current operation.

17. CONTINGENCIES AND COMMITMENTS:

(1) The unused limits of credit card purchase and loan commitment as of December 31, 2010 and 2009 are as follows:

(Won in millions)	2010		2009	
TYPES				
Unused limit of loan commitment	₩	3,471,240	₩	3,400,177
Unused limit of credit cards purchase		1,485,047		1,382,009
	₩	4,956,287	₩	4,782,186

(*) Amounts for allowance for possible losses on the unused limits (see Note 2)

The Bank provided allowances for possible losses on unused limits of ₩29,535 million and ₩24,220 million as of December 31, 2010 and 2009, respectively.

(2) The other allowance as of December 31, 2010 and 2009 was as follows:

(Won in millions)	2010		2009	
TYPES				
Credit Card Point Reserve	₩	7,642	₩	7,096
Provision related to financial derivatives		10,382		14,521
	₩	18,024	₩	21,617

(3) The Bank manages written-off loans whose time period for legal claim has not lapsed. The balances of such loans are ₩777,057 million and ₩704,064 million as of December 31, 2010 and 2009, respectively.

(4) The Bank is a defendant in 41 lawsuits claiming damages of ₩33,827 million and a plaintiff in 18 lawsuits pleading damages of ₩6,684 million as of December 31, 2010. The Bank believes that the result of the litigations does not significantly affect the accompanying financial statements.

(5) For past several years, the Bank sold its loans primarily to Korean Asset Management Corporation (“KAMCO”) and the long-term loans restructured through court receivership, court mediation, workout plans and others were sold under repurchase agreements under which the Bank should repurchase the loans sold, if the debtor fails to meet the adjusted repayment schedules. The outstanding balance of loans sold under such repurchase agreements as of December 31, 2010 and 2009 amounted to ₩337 million and ₩337 million, respectively. The Bank may incur losses from the repurchase of these loans in the future.

(6) Project-financing loans

1) The commitment of purchase obligations for project-financing loans as of December 31, 2010 and 2009 are as follows:

(Won in millions)

TYPES		2010		2009
Asset backed securities	₩	-	₩	30,000
Asset backed commercial paper		50,000		57,143
	₩	50,000	₩	87,143

(*) The Bank enters into transactions with certain special purpose entities and variable interest entities for project-financing loans relating to construction, including through the purchase of asset backed securities and asset backed commercial paper in a situation where investors are not willing to purchase them.

2) Details of project-financing loans as of December 31, 2010 are as follows:

(Won in millions)

REGION	INSTITUTION	AMOUNT	BALANCE	COMMITMENT	PERIOD	TYPE
Yongin city	Bank	₩ 51,039	₩ 51,039	purchase obligations	2007.08~2012.08	ABCP

18. SHAREHOLDERS' EQUITY:

(1) Common stock

As of December 31, 2010, the Bank has 400 million common shares authorized with a par value per share of ₩5,000 and 186,683,650 shares have been issued.

(2) Retained earnings

Retained earnings as of December 31, 2010 and 2009 are summarized as follows

(Won in millions)

		2010		2009
Legal reserve	₩	155,573	₩	131,053
Voluntary reserve		970,795		781,253
Retained earnings before appropriations		333,519		245,102
	₩	1,459,887	₩	1,157,408

The Banking Act requires a bank to appropriate at least 10 percent of net income after income tax as legal reserve, until such reserve equals 100 percent of its paid-in capital. This reserve is not available for payment of cash dividends; however, it can be used to reduce deficit or be transferred to capital.

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(3) Accumulated other comprehensive income

Accumulated other comprehensive income consist of gain (loss) on valuation of available-for-sale securities and change in capital on equity securities using the equity method. See Note 4 (9).

19. STOCK OPTIONS:

(1) The Bank granted stock options to executives according to the resolution of special meeting of shareholders or the board of directors. The options granted as of December 31, 2010 are as follows:

(Shares, Won)	STOCK OPTIONS						
	Grant date	Granted	Exercised	Forfeited	Outstanding	Exercise price	Exercise period
	06.03.28	130,000	-	36,666	93,334	₩ 12,811	08.03.29 ~ 11.03.28
	06.04.18	180,000	-	86,072	93,928	13,762	08.04.19 ~ 11.04.18
	07.02.26	120,000	-	68,442	51,558	12,824	09.02.27 ~ 12.02.26
	07.03.20	50,000	-	28,333	21,667	13,504	09.03.21 ~ 12.03.20
	08.01.23	210,000	-	157,635	52,365	14,177	10.01.24 ~ 13.01.23
		690,000	-	377,148	312,852		

(2) The Bank settles the stock options by paying in cash for the difference between the exercise price and the market price at the exercise date.

The stock options that were granted during 2006 are valued using intrinsic value method and the stock options granted during 2007 and 2008 are valued to binomial option pricing model using the exercise price from ₩12,811 to ₩14,177, expiry date of Mar 28, 2011 to Jan 23, 2013, the closing price of the presumed stock of ₩14,289, expected dividend rate of 1.50 percent, volatility of stock price of 22.49 percent, risk-free interest rate from 2.97 percent to 3.38 percent and rate of discount from 3.58 percent to 3.99 percent. Accordingly, the stock compensation cost is accounted for as expense (payroll) and liability (accounts payable) over the agreed service period with the straight line method.

The reversal of stock compensation expenses for the year ended December 31, 2010 amounted to ₩ 221 million and the stock compensation expenses amounted to ₩998 million for the year ended December 31, 2009. The stock compensation expenses to be booked after December 31, 2010 amounts to ₩357 million.

20. INTEREST REVENUE AND EXPENSES:

(1) The average balance of the interest bearing assets and liabilities, and the related interest revenue and expenses for the years ended of Dec 31, 2010 and 2009 are as follows:

(Won in millions)	2010		2009	
	Average balance	Interest revenue /expense	Average balance	Interest revenue /expense
Assets:				
Due from banks	₩ 1,016,006	₩ 13,216	₩ 1,128,477	₩ 19,145
Securities	5,213,459	263,332	5,521,159	266,132
Loans	21,314,429	1,337,514	20,167,852	1,392,736
Others (*)	-	8,025	-	5,161
	₩ 27,543,894	₩ 1,622,087	₩ 26,817,488	₩ 1,683,174

(Continued)

(Won in millions)	2010		2009	
	Average balance	Interest revenue /expense	Average balance	Interest revenue /expense
Liabilities:				
Deposits	₩ 19,209,937	₩ 479,331	₩ 17,398,263	₩ 485,242
Borrowings	3,583,361	90,554	4,354,191	145,662
Debentures	2,620,677	140,833	2,869,709	167,117
Others (*)	192,580	5,958	316,423	7,169
	₩ 25,606,555	₩ 716,676	₩ 24,938,586	₩ 805,190

(*) Interest income and expense on others includes the items that don't have average balances.

Average balances are computed based on the net interest margin calculation standards according to the Supervisory Regulation of the Banking Business (the "Supervisory Regulation").

21. SELLING AND ADMINISTRATIVE EXPENSES:

(1) Selling and administrative expenses for the years ended December 31, 2010 and 2009 are as follows:

(Won in millions)	2010	2009
Salaries	₩ 126,645	₩ 125,080
Provision for severance benefits	19,638	20,641
Honorary retirement allowance	6,836	12,463
Other employee benefits	103,944	95,855
Rent	10,538	9,992
Expenditure for business purpose	6,567	6,821
Depreciation and amortization	37,248	32,135
Taxes and dues	15,521	15,024
Other selling and administrative expenses	78,567	70,486
	₩ 405,504	₩ 388,497

(2) Other selling and administrative expenses for the years ended December 31, 2010 and 2009 are as follows:

(Won in millions)	2010	2009
Communication	₩ 3,091	₩ 3,132
Electricity and utilities	3,229	3,015
Publication	2,587	2,705
Repairs maintenance	3,625	3,026
Vehicle	1,800	1,638
Travel	1,787	920
Supplies	5,136	5,084

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(Won in millions)		2010		2009
Advertising		10,591		8,566
Service charges		37,480		34,616
Others		9,241		7,784
	₩	78,567	₩	70,486

22. NON-OPERATING INCOME AND EXPENSES:

Non-operating income and expenses for the years ended December 31, 2010 and 2009 are as follows:

(Won in millions)		2010		2009
Non-operating income:				
Gain on disposal of tangible assets	₩	58	₩	55
Gain on valuation of securities using the equity method		1,745		4,559
Gain on disposal of securities using the equity method		3,631		-
Rental income		471		466
Others		35,612		20,205
	₩	41,517	₩	25,285
Non-operating expenses:				
Loss on disposal of tangible assets	₩	817	₩	23
Loss on valuation of securities using the equity method		1,434		-
Contribution		8,855		13,111
Others		21,240		11,383
	₩	32,346	₩	24,517

23. INCOME TAX EXPENSE:

(1) Income tax expense for the years ended December 31, 2010 and 2009 is summarized as follows:

(Won in millions)		2010		2009
Income tax currently payable	₩	96,017	₩	99,786
Changes in deferred tax assets (liabilities) by temporary difference		23,859		(7,448)
Changes in deferred income tax assets by changes in tax rates (*)		-		(1,852)
Changes in deferred income tax reflected directly in shareholders' equity		(10,081)		(17,567)
Income tax expense	₩	109,795	₩	72,919

(*) Income tax rate was changed to 24.2% for 2009 and 22.0% for 2010 and thereafter as of December 31, 2009. Both changes include resident tax.

(2) Details of changes in accumulated temporary differences for year ended December 31, 2010 were as follows:

(Won in millions)		Beginning balance		Deduction		Addition		Ending balance
Loss on valuation of securities	₩	73,348	₩	15,220	₩	4,796	₩	62,924
Allowance for possible losses on unused limits		24,220		24,220		29,535		29,535
Loss on valuation of derivatives		120,435		120,435		54,867		54,867
Honorary retirement allowance		12,463		12,463		7,102		7,102
Loss on valuation of debentures		38,597		-		(6,407)		32,190
Other allowance		21,617		21,617		18,024		18,024
Deemed dividends		5		-		31		36
Stock option		1,040		550		294		784
Allowance for possible losses of confirmed acceptances and guarantees		7,927		7,927		11,797		11,797
Accrued interest of securities		(8,493)		(6,743)		(50,916)		(52,666)
Gain on valuation of securities		(10,443)		(4,167)		(6,498)		(12,774)
Revaluation surplus (land)		(6,064)		-		-		(6,064)
Gain on valuation of securities using the equity method		(3,678)		-		(310)		(3,988)
Accumulated depreciation		(1,547)		-		-		(1,547)
Gain on valuation of derivatives		(193,179)		(193,179)		(128,051)		(128,051)
Others		17,575		15,756		9,526		19,723
		93,823		14,099		(56,210)		31,892
Less:								
Revaluation surplus (land)		6,027		-		36		6,063
Gain on valuation of securities accounted for using the equity method		3,678		-		310		3,988
		103,528		14,099		(55,864)		41,943
Statutory tax rate		24.2(22.0)%						24.2(22.0)%
		24,161						9,979
Valuation of securities (Accumulated other comprehensive incomes)		(6,986)						(17,067)
Deferred income tax assets (liabilities)	₩	17,175					₩	(7,088)

(3) The reconciliations between income before income tax and income tax expenses for the year ended December 31, 2010 and 2009 are as follows:

(Won in millions)		2010		2009
Income before income tax	₩	443,313	₩	318,020
Income tax payable by statutory income tax rate (*)		107,255		76,937
Tax reconciliations:				
Non-taxable revenues (2010 and 2009: ₩1,693 million and ₩156 million)		(410)		(37)
Non-deductible expenses (2010 and 2009: ₩7,856 million and ₩7,617 million)		1,901		1,843
Effect of change of tax rates and others		1,049		(5,824)
Income tax expenses	₩	109,795	₩	72,919
Effective income tax rate		24.77%		22.93%

(*) A statutory tax rate of 11 percent (12.1 percent in 2009) for income up to ₩200 million and 24.2 percent in excess of ₩200 million is applied to the income before income tax.

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24. EARNINGS PER SHARE:

Income from continuing operations per share and net income per share were calculated for common stock by dividing income from continuing operations and net income available to common shareholders by the weighted average number of outstanding common stock.

Net income per share for common stock for the year ended December 31, 2010 is computed as follows:

(1) Outstanding capital stock

	NUMBER OF SHARES	NUMBER OF DAYS	CUMULATIVE NUMBER OF SHARES
Number of common shares :			
Beginning balance	186,683,650	365	68,139,532,250
	186,683,650		68,139,532,250

Weighted average number of common shares outstanding: $68,139,532,250 \div 365 = 186,683,650$ shares

(2) The basic net income per share for the years ended December 31, 2010 and 2009 is as follows:

(Won)	2010		2009	
Net income (income from continuing operations, net of tax effect)	₩	335,518,157,063	₩	245,100,669,972
Weighted average number of common shares outstanding		186,683,650		178,354,883
Net income per share	₩	1,787	₩	1,374

(3) Diluted income from continuing operations per share and diluted net income per share

Diluted income from continuing operations per share and diluted net income per share are computed by dividing the income from continuing operations and net income by the number of common shares outstanding plus dilutive securities outstanding during the period. Diluted income from continuing operations per share and diluted net income per share for the year ended December 31, 2010 and 2009 equals to the basic net income per share, because the Bank had no dilutive potential common shares during that period.

25. DIVIDENDS:

Cash dividends in 2010 and 2009 are as follows:

	2010		2009	
Shares issued and outstanding		186,683,650 shares		186,683,650 shares
Par value per share	₩	5,000	₩	5,000
Dividend rate		5.0%		3.2%
Cash dividend	₩	46,671 million	₩	29,869 million
Net income	₩	333,518 million	₩	245,101 million
Payout ratio		13.99%		12.19%
Dividend yield ratio		1.74%		1.15%

26. TERM STRUCTURES OF ASSETS AND LIABILITIES:

The term structures of assets and liabilities as of December 31, 2010 and 2009 are as follows:

2010 (Won in millions)	Less than 3 months	Less than 6 months	Less than 1 year	Less than 3 years	More than 3 years	Total
Due from banks:						
Local currency	₩ 1,406,781	₩ 100,000	₩ -	₩ -	₩ 14,668	₩ 1,521,449
Foreign currencies	82,283	-	-	-	1,526	83,809
Loans:						
Local currency	4,041,264	3,181,038	4,868,406	3,590,319	4,336,945	20,017,972
Foreign currencies	118,628	140,975	195,799	371,036	295,891	1,122,329
Call loans	77,445	-	-	-	-	77,445
Banker's usance	284,956	114,816	6,029	-	2,717	408,518
Bills bought in local currency	5,004	-	-	-	-	5,004
Advance for customers	2,424	-	-	-	11,366	13,790
Bills bought in foreign currencies	170,896	26,867	1,798	-	-	199,561
Credit card receivables	375,007	23,683	8,286	1,074	3,213	411,263
Privately placed bonds	50,000	5,030	3,600	48,731	7,230	114,591
Bonds purchased under resale agreement	70,000	-	-	-	-	70,000
Deposits:						
Local currency	5,724,662	2,024,328	4,658,429	681,492	7,129,395	20,218,306
Foreign currencies	61,214	5,937	1,730	139,781	-	208,662
Negotiable certificate of deposits	603,782	294,809	85,283	79,174	-	1,063,048
Borrowings:						
Local currency	533,847	57,683	127,065	494,523	569,914	1,783,032
Foreign currencies	435,284	340,439	291,033	27,942	-	1,094,698
Offshore borrowing in foreign currencies	3,986	-	-	-	-	3,986
Bonds sold under repurchase agreements	237,354	104,424	147,122	-	-	488,900
Bills sold	32,198	4,972	2,876	-	-	40,046
Call money	335,887	-	-	-	-	335,887
Debentures:						
Local currency	305,186	99,989	129,956	949,660	479,795	1,964,586
Foreign currencies	-	-	69,785	56,782	540,630	667,197

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2009 (Won in millions)	Less than 3 months	Less than 6 months	Less than 1 year	Less than 3 years	More than 3 years	Total
Due from banks:						
Local currency	₩ 676,481	₩ -	₩ 157,800	₩ -	₩ 13,629	₩ 847,910
Foreign currencies	26,763	-	-	-	627	27,390
Loans:						
Local currency	3,790,887	2,725,869	4,133,413	3,246,966	3,945,674	17,842,809
Foreign currencies	134,304	91,751	130,728	419,085	340,233	1,116,101
Call loans	112,816	-	-	-	-	112,816
Banker's usance	175,305	82,565	3,106	2,115	644	263,735
Bills bought in local currency	1,135	-	-	-	-	1,135
Advance for customers	5,344	-	-	-	25,183	30,527
Bills bought in foreign currencies	194,295	24,636	2,911	-	-	221,842
Credit card receivables	326,228	20,685	7,211	1,317	3,485	358,926
Privately placed bonds	-	2,500	5,660	104,861	6,000	119,021
Bonds purchased under resale agreement	450,000	-	-	-	-	450,000
Deposits:						
Local currency	4,138,095	1,575,908	2,741,407	768,780	6,364,047	15,588,237
Foreign currencies	58,793	66,696	4,026	54	149,261	278,830
Negotiable certificate of deposits	1,052,281	584,734	860,491	145,963	-	2,643,469
Borrowings:						
Local currency	566,107	39,928	88,591	394,463	459,427	1,548,516
Foreign currencies	344,562	386,662	356,944	279,274	-	1,367,442
Offshore borrowing in foreign currencies	4,087	-	-	-	-	4,087
Bonds sold under repurchase agreements	242,143	174,352	283,307	-	-	699,802
Call money	94,360	-	-	-	-	94,360
Bills sold	25,777	3,903	650	-	-	30,330
Debentures:						
Local currency	359,998	169,996	469,959	605,458	359,916	1,965,327
Foreign currencies	-	-	-	680,934	-	680,934

27. FINANCIAL INFORMATION ON INTERIM PERIOD (UNAUDITED):

The Bank's operating revenue, operating income and net income for the three months ended December 31, 2010 and 2009 (unaudited) are as follows:

(Won in millions except for the amount per share)	2010		2009	
		Unaudited December 31, 2010		Unaudited December 31, 2009
Operating revenue	₩	665,255	₩	652,016
Operating expenses		608,377		583,248
Operating income		56,878		68,768
Non-operating income		9,627		4,568
Non-operating expenses		13,378		9,971
Income before income tax		53,127		63,365
Income tax expense		15,137		13,987
Net income	₩	37,990	₩	49,378
Net income per share	₩	204	₩	265

28. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:

Assets and liabilities denominated in foreign currencies as of December 31, 2010 and 2009 are as follows:

	2010				2009			
	U.S. Dollars (In thousands) (*)		Equivalent to Korean Won (In millions)		U.S. Dollars (In thousands) (*)		Equivalent to Korean Won (In millions)	
Assets:								
Foreign currencies	US\$	49,739	₩	56,647	US\$	37,092	₩	43,309
Due from banks in foreign currencies		73,588		83,809		23,458		27,390
Securities in foreign currencies		52,106		59,343		65,467		76,438
Loans in foreign currencies		985,450		1,122,329		955,893		1,116,101
Banker's usance		358,695		408,518		225,878		263,735
Call loans		68,000		77,445		96,622		112,816
Bills bought in foreign currencies		175,223		199,561		189,998		221,842
Others		2,117,375		2,411,479		1,555,913		1,816,684
	US\$	3,880,176	₩	4,419,131	US\$	3,150,321	₩	3,678,315
Liabilities:								
Deposits in foreign currencies	US\$	183,214	₩	208,662	US\$	238,805	₩	278,829
Borrowings in foreign currencies		964,688		1,098,684		1,174,657		1,371,529
Call money in foreign currencies		74,534		84,887		80,815		94,360
Debentures in foreign currencies		585,825		667,197		583,191		680,934
Others		2,098,157		2,389,592		1,511,831		1,765,214
	US\$	3,906,418	₩	4,449,022	US\$	3,589,299	₩	4,190,866

(*) Foreign currencies other than U.S. dollars are translated into U.S. dollars at the appropriate exchange rates at the end of reporting period.

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29. RELATED PARTY TRANSACTIONS:

(1) Significant transactions with related parties for the year ended December 31, 2010 and 2009 were as follows:

(Won in millions)	2010				2009			
	Revenue		Expenses		Revenue		Expenses	
BS Securities Co., Ltd.	₩	95	₩	118	₩	3	₩	55
BS Capital Co., Ltd.		278		116		-		-
Busan Credit Information Co., Ltd.		-		2,238		-		2,140
Korea Lease Financing Co., Ltd.		-		-		-		518
	₩	373	₩	2,472	₩	3	₩	2,713

(2) Significant balances with related parties as of December 31, 2010 and 2009 are as follows:

(Won in millions)	2010				2009			
	Assets		Liabilities		Assets		Liabilities	
BS Securities Co., Ltd.	₩	-	₩	16,164	₩	-	₩	5,467
BS Capital Co., Ltd.		89,636		476		-		-
Busan Credit Information Co., Ltd.		-		4,263		-		4,160
Korea Lease Financing Co., Ltd.		-		-		-		25,028
	₩	89,636	₩	20,903	₩	-	₩	34,655

The various employee benefits for major directors (registered) for the years ended December 31, 2010 and 2009 are as follows:

(Won in millions)				
TYPE	2010		2009	
Short-term employee benefits	₩	978	₩	1,598
Provision for severance benefits		(41)		242
Stock option (*)		(29)		282
Long-term compensation cost		151		96
	₩	1,059	₩	2,218

(*) Accumulated stock option expense amounted to ₩410 million and ₩289 million as of December 31, 2010 and 2009, respectively.

30. TRUST ACCOUNTS:

(1) Statements of financial position of trust accounts for which the Bank provided the guarantees for a fixed rate of return and the repayment of principal as of December 31, 2010 and 2009 are as follows:

2010 (Won in millions)	Trust accounts guaranteeing a fixed rate of return on, and the repayment of principal		Trust accounts guaranteeing the repayment of principal		Mixed trust accounts (*)		Performance- based trust accounts		Total	
Assets:										
Due from financial institutions	₩	-	₩	-	₩	-	₩	285,672	₩	285,672
Securities		-		220,817		8,278		996,441		1,225,536
Loans		-		18,746		120		27		18,893
Repurchase agreements		-		-		-		310,000		310,000
Office equipment & real-estate		-		-		-		210,877		210,877
Other assets		-		2,679		37		9,314		12,030
Due from bank account		8		17,434		826		45,551		63,819
Allowance for possible losses		-		(183)		(8)		(40)		(231)
	₩	8	₩	259,493	₩	9,253	₩	1,857,842	₩	2,126,596
Liabilities:										
Money trust	₩	7	₩	235,723	₩	8,547	₩	1,610,790	₩	1,855,067
Asset trust		-		-		-		212,288		212,288
Other liabilities		1		16,487		593		34,764		51,845
Special reserve		-		7,283		113		-		7,396
	₩	8	₩	259,493	₩	9,253	₩	1,857,842	₩	2,126,596

(*) Mixed trust accounts consist of trusts that guarantee the repayment of principal and trusts that do not guarantee the repayment of principal.

2009 (Won in millions)	Trust accounts guaranteeing a fixed rate of return on, and the repayment of principal		Trust accounts guaranteeing the repayment of principal		Mixed trust accounts (*)		Performance- based trust accounts		Total	
Assets:										
Due from financial institutions	₩	-	₩	-	₩	-	₩	100,485	₩	100,485
Securities		-		212,948		8,887		760,722		982,557
Loans		1,976		29,262		156		40		31,434
Bonds purchased under resale agreements		-		-		-		300,000		300,000
Office equipment & real-estate		-		-		-		136,795		136,795
Other assets		-		1,443		32		7,648		9,123
Due from bank account		647		34,527		1,129		68,776		105,079
Allowance for possible losses		(395)		(81)		(8)		(63)		(547)
	₩	2,228	₩	278,099	₩	10,196	₩	1,374,403	₩	1,664,926

(Continued)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

2009 (Won in millions)	Trust accounts guaranteeing a fixed rate of return on, and the repayment of principal		Trust accounts guaranteeing the repayment of principal		Mixed trust accounts (*)		Performance- based trust accounts		Total	
Liabilities:										
Money trust	₩	15	₩	262,051	₩	9,530	₩	1,208,855	₩	1,480,451
Asset trust		-		-		-		137,869		137,869
Other liabilities		2,213		8,647		538		27,679		39,077
Special reserve		-		7,401		128		-		7,529
	₩	2,228	₩	278,099	₩	10,196	₩	1,374,403	₩	1,664,926

(*) Mixed trust accounts consist of trusts that guarantee the repayment of principal and trusts that do not guarantee the repayment of principal.

(2) Trust accounts for which the Bank provided the guarantees for a fixed rate of return and the repayment of principal as of December 31, 2010 and 2009 are as follows:

2010 (Won in millions)	BOOK VALUE		FAIR VALUE		CHARGE TO BANK ACCOUNT	
NAME OF TRUST						
Trust accounts guaranteeing the repayment of principal:						
Household trust	₩	1,885	₩	1,885	₩	-
Elderly living pension trust		1,429		1,429		-
Installment trust		702		702		-
Personnel pension trust		168,027		168,027		-
Retirement trust		11,072		11,072		-
New personnel pension trust		2,818		2,818		-
Pension trust		76,147		76,147		-
		262,080		262,080		-
Trust accounts guaranteeing a fixed rate of return and the repayment of principal:						
Unspecified monetary trust		8		7		(1)
		8		7		(1)
	₩	262,088	₩	262,087	₩	(1)

2009

(Won in millions)

NAME OF TRUST	BOOK VALUE		FAIR VALUE		CHARGE TO BANK ACCOUNT
Trust accounts guaranteeing the repayment of principal:					
Household trust	₩	2,049	₩	2,049	₩ -
Elderly living pension trust		1,931		1,931	-
Installment trust		833		833	-
Personnel pension trust		166,820		166,820	-
Retirement trust		47,144		47,144	-
New personnel pension trust		2,790		2,790	-
Pension trust		59,414		59,414	-
		280,981		280,981	-
Trust accounts guaranteeing a fixed rate of return and the repayment of principal:					
Specified monetary trust		16		15	(1)
Investment trust		2,213		1,771	(442)
		2,229		1,786	(443)
	₩	283,210	₩	282,767	₩ (443)

(*) As the charge to bank account is first compensated by trust account, any loss from trust account has not been recognized.

31. COMPUTATION OF VALUE ADDED:

The accounts for computation of value added for the years ended December 31, 2010 and 2009 are summarized as follows:

(Won in millions)	2010		2009	
Salaries	₩	126,645	₩	125,080
Provision for severance benefits		19,638		20,641
Honorary retirement allowance		6,836		12,463
Other employee benefits (see Note 32)		103,944		95,855
Rent		10,538		9,992
Depreciation and amortization		37,248		32,135
Taxes and dues		15,521		15,024
	₩	320,370	₩	311,190

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FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

32. EMPLOYEE BENEFITS:

Employee benefit expenses for the years ended December 31, 2010 and 2009 are as follows:

(Won in millions)		2010		2009
Meal expense	₩	7,262	₩	7,201
Health and medical		531		507
Legal benefits		10		14
Congratulations and condolences		535		558
Health training		56,017		50,323
Others		39,589		37,252
	₩	103,944	₩	95,855

Others consist of the payments for medical insurance, National Pension Contribution, employee insurance and casualty insurance.

33. EXPERT TRAINING EXPENSES:

The Bank incurred ₩1,624 million and ₩1,539 million for expert training in local and foreign training institutes for the years ended December 31, 2010 and 2009, respectively.

34. CASH FLOWS:

(1) The cash and due from banks in the statements of cash flows for the years ended December 31, 2010 and 2009 are as follows:

(Won in millions)		2010		2009
Cash on hand	₩	343,203	₩	311,513
Foreign currencies		56,647		43,309
Due from banks in local currency		1,521,449		847,910
Due from banks in foreign currencies		83,809		27,390
		2,005,108		1,230,122
Restricted due from banks		914,339		549,863
	₩	1,090,769	₩	680,259

(2) Significant transactions not involving cash inflows and outflows for the years ended December 31, 2010 and 2009 are as follows:

(Won in millions)		2010		2009
Decrease in loans from write-offs	₩	127,880	₩	163,683
Reclassification of construction to tangible assets		20,393		12,827

35. STATEMENTS OF COMPREHENSIVE INCOME:

The comprehensive income for the years ended December 31, 2010 and 2009 are as follows:

(Won in millions)		2010		2009
Net income	₩	333,518	₩	245,101
Other comprehensive income (loss):				
Gain (loss) on the valuation of available-for-sale securities (Income tax effect of ₩10,081 million for the year ended December 31, 2010 and ₩17,566 million for the year ended December 31, 2009)		33,806		55,576
Change in capital on equity securities using the equity method (Income tax effect of nil for the year ended December 31, 2010 and nil for the year ended December 31, 2009)		1,020		3,662
Comprehensive income	₩	368,344	₩	304,339

36. EVENTS AFTER THE REPORTING PERIOD:

On January 18, 2011, the Banks plan to establish a financial holding company was approved at the general shareholders' meeting. In accordance with Financial Holding Companies Act, through comprehensive stock transfers from former shareholders of the Bank, BS Securities Co, Ltd., BS Capital Co., Ltd., and Busan Credit Information Co., Ltd., BS Financial Group Inc. will be established on March 8, 2011. At which point the Bank will become a wholly owned subsidiary of BS Financial Group Inc. and the Bank's listed shares on the KRX will be delisted as of March 16, 2011.

37. PREPARATION AND CURRENT STATUS OF THE INTRODUCTION OF KOREA-INTERNATIONAL FINANCIAL REPORTING STANDARDS ("K-IFRS"):

(A) K-IFRS transition plan and the status of progress

(1) Introduction

In accordance with the roadmap of adopting "K-IFRS" announced March 2007 in Korea and the Corporation External Audit Act no.13, the Bank is required to prepare its financial statements in accordance with K-IFRS beginning in 2011. Accordingly, the Bank formed an IFRS Implementation Team ("IFRS TFT") in September 2007 to convert its financial reporting process to K-IFRS from current K-GAAP. The IFRS TFT performed an analysis of the financial impacts of adopting K-IFRS during Phase I and established a K-IFRS financial reporting system during Phase II. As a result, the Bank now performs a month-end closing in accordance with K-IFRS as of reporting period's end date.

(2) Status of the Planning of the K-IFRS Implementation

① Summary of progress

The Bank created a performance schedule for the successful implementation of K-IFRS which includes planning for efficient long-term management and successful completion.

1) Phase I: Analysis of Financial Impacts of adopting K-IFRS

The Bank analyzed the differences between current K-GAAP and K-IFRS and determined the financial impacts of adopting K-IFRS during the four months April to August 2008. Additionally, the Bank established its plan for the K-IFRS implementation based on the results of Phase I.

2) Phase II: Establishment of a K-IFRS financial reporting process.

During the twelve months March 2009 to February 2010, the Bank completed its design of systems and processes for the K-IFRS financial reporting process. Currently, the Bank provides continuous practical training to its management and employees with respect to these systems and processes.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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② Summary of Key Accomplishment

1) Establishment and preparation of an accounting policy manual in accordance with K-IFRS

The Bank created an accounting policy manual based on its performing an analysis of the differences in accounting treatment between Korean GAAP and K-IFRS and determined the financial impacts of the differences.

2) Adjustment to the Accounting System

The Bank performed a detail analysis of the differences in financial reporting processes and information produced by current Korean GAAP and K-IFRS standards. Additionally, in February 2010 the Bank completed its definitions of requirements and design of relevant and efficient financial information. The Bank's management was involved in making decisions regarding critical issues at each stage of development. Finance and accounting department employees are well-educated as a result of the ongoing training and therefore fully understand their responsibilities under K-IFRS standards.

③ Organization and operation of IFRS TFT

In order to ensure that the K-IFRS implementation is complete and accurate, the Bank engaged an external advisor and organized professional teams to address the allowance for doubtful accounts, fair value measurement, footnote disclosures and other matters. Additionally, a fully developed IFRS financial reporting system is operated and maintained by the Bank's IT department.

As of the date of the report, all phases as described above are substantially completed. The Bank has been preparing financial statements under K-IFRS from the date of transition and onwards and expects that financial information for the year ending December 31, 2011 will be ready under K-IFRS.

(B) Significant differences between Korean GAAP and K-IFRS applicable to the Bank

Significant differences between the accounting policies chosen by the Bank under K-IFRS and under previous Korean GAAP are as follows:

(1) First-time adoption of K-IFRS

The Bank has elected to follow the provisions of K-IFRS 1101, First-time adoption of international financial reporting standards, in preparing for its opening K-IFRS statement of financial position at the date of transition, January 1, 2010. Under K-IFRS 1101, there are certain mandatory and voluntary exemptions, the Bank's first-time adoption exemptions are summarized as follows.

1) Use of fair value as deemed cost

The Bank has elected not to measure an item of property, plant and equipment at the date of transition to K-IFRSs at its fair value and use that the carrying amounts reported under previous Korean GAAP as its deemed cost on that date.

2) Cumulative translation differences

The Bank has elected to reset its cumulative foreign currency translation adjustments from translation of foreign operations to zero at January 1, 2010

3) Fair value measurement of financial assets or financial liabilities at initial recognition

Notwithstanding the requirements of K-IFRS 1039 paragraphs 7 and 9, the Bank has elected to apply the requirements in the last sentence of K-IFRS 1039 paragraph AG76 and in paragraph AG76A, prospectively to transactions entered into after January 1, 2010.

4) Derecognition of financial assets and financial liabilities

The Bank has elected to apply the derecognition requirements in K-IFRS1039 *Financial Instruments: Recognition and Measurement* prospectively for transactions occurring on or after January 1, 2010. In other words, the Bank derecognized non-derivative financial assets or non-derivative financial liabilities in accordance with its previous Korean GAAP as a result of a transaction that occurred before January 1, 2010, it shall not recognize those assets and liabilities in accordance with K-IFRSs (unless they qualify for recognition as a result of a later transaction or event).

5) Designation of previously recognized financial instruments

The Bank has elected to designate a financial asset as measured at fair value through profit or loss in accordance with paragraph 4.5 of K-IFRS 1039, on the basis of the facts and circumstances that exist at the date of transition to K-IFRSs. Also, to designate an investment in an equity instrument at fair value through other comprehensive income in accordance with paragraph 5.4.4 of K-IFRS 1039, on the basis of the facts and circumstances that exists at the date of transition to K-IFRSs.

6) Share-based payment transactions

The Bank has elected not to apply K-IFRS 1102 *Share-based Payment* to equity instruments that have been granted on or before January 1, 2010, and not to apply K-IFRS 1102 to equity instruments that have been granted after November 7, 2002.

7) Decommissioning liabilities included in the cost of property, plant

The Bank has elected not to comply with K-IFRS 2101 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* and the Bank measures the liability at the date of transition to K-IFRSs in accordance with K-IFRS 1037.

8) Use of deemed cost for investments in subsidiaries, jointly controlled entities and associates

The Bank has elected to measure investments using deemed cost; as previous Korean GAAP carrying amount, at that date in its separate opening K-IFRS statement of financial position.

(2) Investments in subsidiaries, jointly controlled entities and associates

Under Korean GAAP, the Bank applies the equity method

Under K-IFRS, the Bank applies the cost method.

(3) Changes in consolidated companies

Under Korean GAAP, a subsidiary whose total assets are less than ₩10 billion is excluded from consolidation.

Under K-IFRS, regardless of amount of total assets, a subsidiary over which a parent company has control is consolidated.

(4) Financial instruments classifications

Under Korean GAAP, financial assets are classified by instrument into cash and due from banks, securities and loans, and the securities are classified in trading securities, available-for-sale securities and held-to-maturity securities. Financial liabilities are classified in demand deposits, borrowings, debentures and other liabilities.

Under K-IFRS, the Bank classifies financial assets into one of the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and loans and receivables. The Bank has two classes of financial liabilities: financial liabilities at fair value through profit or loss and other financial liabilities.

(5) Financial instruments measurement

Under Korean GAAP, the financial assets that are subject to fair value measurement are limited to and trading securities, available-for-sale securities and derivatives. No credit risk reflected. The amortized cost is measured using the effective interest method.

Under K-IFRS, financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets are measured at fair value reflecting credit risk. Held-to-maturity investments and loans and receivables are measured at amortized cost using the effective interest method.

(6) Allowance for loan losses

Under Korean GAAP, in estimating the allowance for corporate and household including credit card loan losses, the Bank records the greater amount between the Expected Loss Method amount and the Financial Supervisory Service Guideline for each loan classification.

Under K-IFRS, the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant by calculating an objective and reasonable method, such as using the experienced loss rate on individual loans or a homogeneous loan group.

(7) Derecognition of financial assets

Under Korean GAAP, Financial assets are derecognized when control is transferred.

Under K-IFRS, Financial assets are derecognized based on the risk and rewards, control and continuing involvement of the Company or not.

(8) Employee benefits

Under Korean GAAP, the Bank accrued for estimated severance indemnities calculated, as if all employees with more than one year of service were to terminate as of the period end date, in accordance with the Bank's severance policy.

Under K-IFRS, the present value of the estimated retirement benefits calculated using actuarial assumptions and discount rates is accrued for as defined benefit obligation, in accordance with the Bank's severance policy.

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(9) Reclassification of investment property

Under Korean GAAP, property held to earn rentals or for capital appreciation or both are classified and accounted for as property, plant and equipment.

Under K-IFRS it is reclassified as investment property.

(10) Review of depreciation period or depreciation method

Under Korean GAAP, the Bank applies the same depreciation method since election of it, unless there's objective evidence to change the depreciation method in a given year.

Under Korean K-IFRS, the Bank reviewed the depreciation method and the useful life of the asset to reflect the pattern, and period in which the asset's future economic benefits are expected to be consumed by the Bank.

(11) Intangible asset with indefinite useful life

Under Korean GAAP, an intangible asset with an indefinite useful life is amortized over a reasonable period less than 20 years, unless it is defined otherwise by law or contract.

Under K-IFRS, an intangible asset with an indefinite useful life is not be amortized, but is subject to regular impairment testing.

(12) Contingent liability

Under Korean GAAP, when there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements.

Under K-IFRS, when it is more likely than not that an outflow of economic benefits will occur due to a present obligation resulting from past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements.

(13) Reclassification of guarantee deposits paid and guarantee deposits for membership

Under Korean GAAP, guarantee deposits paid and guarantee deposits for memberships are recognized as other assets.

Under K-IFRS, guarantee deposits paid and guarantee deposits for memberships are recorded in intangible assets as rights to facility usage with indefinite useful lives and prepaid expenses, respectively. Prepaid expenses are reduced, recognized as expense, over the period of service.

(14) Financial guarantees

Under K-GAAP, no specific guidance is stated.

Under K-IFRS, a financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. The financial guarantee is initially recognized as financial guarantee assets or liabilities and measured at fair value. Subsequent to initial recognition, financial guarantee assets issued are measured at amortized cost using the effective interest method. Financial guarantee liabilities issued are measured at the higher of: a) the amount determined by the best estimate of the expenditure required to settle the obligation, or b) the amount initially recognized less, where appropriate, cumulative amortization.

(15) Compound financial instruments

Under Korean GAAP, a financial instrument is classified as either a financial liability or an equity instrument according to its legal form, such as business law.

Under K-IFRS, presentation requires an entity to split a compound financial instrument at inception into separate liability and equity components. If the liability component is no longer outstanding, application of K-IFRS 1032 involves separating two portions of equity. The first portion is in retained earnings and represents the cumulative interest accreted on the liability component. The other portion represents the original equity component.

(16) Classification of equity

Under Korean GAAP, equity is classified according to its legal form.

Under K-IFRS, equity is classified according to the substance of the contract, not its legal form.

(17) Foreign currency translation

Under Korean GAAP, in translating a statement of financial position and a statement of comprehensive income, an average exchange rate for the period at the closing date. However, if applying the Supervisory Regulation of the Banking Business (the "Supervisory Regulation"), the closing rate is used for all statements.

Under K-IFRS, when translating a foreign currency transaction into the functional currency, assets and liabilities on the statement of financial position are recorded initially at the period end date rate. Equities should be recorded at the exchange rate at the date of the transaction. In the statement of comprehensive income, an average exchange rate for the period is used.

(18) Provision for allowance for possible losses on unused limits

Under Korean GAAP, the Bank provides no less than the minimum rate required by the Supervisory Regulation of the Banking Business allowance for possible losses on unused limits for all unused purchase credit limits, unused cash advance facilities of credit card accounts, and unused credit limits of credit line commitments to households and corporations reflecting the credit conversion rate.

Under K-IFRS, the Bank records provisions for allowance for possible losses on unused limits according to K-IFRS 1032 Provisions, Contingent Liabilities and Contingent Assets.

(19) Expansion of recoding an accrued income

Under Korean GAAP, the Bank applies the accrual basis in recognizing interest income related to deposits, loans and securities, except for unsecured uncollectible receivables. Interest on loans, whose principal or interest is past due at the end of the reporting period, is generally not accrued.

Under K-IFRS, an accrued income should be recorded for all assets regardless of being overdue. Impairment of the accrued income should be assessed and reflected on allowance for doubtful accounts.

(20) Customer Loyalty Programs

Under Korean GAAP, the Bank records allowance for possible losses on points that are related to credit card sales.

Under K-IFRS, the Bank applies paragraph 13 of K-IFRS 1018 and accounts for award credits as a separately identifiable component of the sales transactions in which they are granted (the 'initial sale'). The fair value of the consideration received or receivable, in respect of the initial sale, is allocated between the award credits and the other components of the sale. The Bank recognizes the consideration allocated to award credits as revenue when award credits are redeemed and the Bank fulfills its obligations to supply awards. The amount of revenue recognized is based on the number of award credits that have been redeemed in exchange for awards, relative to the total number expected to be redeemed. A liability is recognized for the excess in accordance with K-IFRS 1037; the need to recognize such a liability arises, if the expected costs of supplying the awards increase. For example, if the entity revises its expectations about the number of award credits that will be redeemed.

(21) Deferred Tax

There is a difference between K-IFRS and Korean GAAP in terms of recognition of deferred tax assets or liabilities relating to investments in subsidiaries.

Under Korean GAAP, there is a specific criterion as to when deferred tax assets and liabilities relating to investments in subsidiaries should be recognized. Whereas under K-IFRS, the related deferred tax assets or liabilities are recognized according to sources of reversal of the temporary differences.

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(C) Changes in scope of consolidation

As of December 31, 2010, changes in the scope of consolidation as a result of the Bank's transition to K-IFRS are as follows:

CONSOLIDATED SUBSIDIARY UNDER KOREAN GAAP	CONSOLIDATING SUBSIDIARY UNDER K-IFRS	SCOPE DIFFERENCE
BS Securities Co., Ltd. BS Capital Co., Ltd.	BS Securities Co., Ltd. BS Capital Co., Ltd.	None noted
-	Busan Credit Information Co., Ltd.	Pursuant to the Act on External Audit of Stock Companies, Busan Credit Information Co., Ltd. whose total assets, as of December 31 of the prior year, are less than ₩10 billion is excluded from consolidation under Korean GAAP. However, it is subject to consolidation under K-IFRS.
Trust accounts guaranteeing a fixed rate of return and the repayment of principal.	Trust accounts guaranteeing a fixed rate of return and the repayment of principal.	None noted
Trust accounts guaranteeing the repayment of principal.	-	Pursuant to the accounting guidelines of the Financial Supervisory Commission, trust accounts guaranteeing the repayment of principal is guaranteed by the Bank are included in the consolidated financial statements under Koconsidered a subsidiary under K-IFRS as the Bank does not constitute control.
-	11 private equities including the bond market stabilization private equity fund of funds.	Under Korean GAAP, a union is not regarded as a legal entity and excluded from scope of consolidation. However, it is subject to consolidation under K-IFRS.

(D) The effects of the transition from Korean GAAP to K-IFRS for financial position and results of operations

The following reconciliation tables explain the principal effects of the Bank's transition from Korean GAAP to K-IFRS for its financial position and results of operation, on a basis of non-consolidated financial statements. These are subject to changes following further assessment of GAAP differences and subsequent adoption of amendments to the K-IFRS.

(1) The principal effects on the statement of financial position at January 1, 2010 (date of transition).

(Won in millions)	Assets		Liabilities		Equity	
Korean GAAP	₩	30,477,139	₩	28,357,603	₩	2,119,536
Adjustments:						
Allowance for loan losses		42,823		-		42,823
Deferred loan origination costs (fees)		(7,820)		(9,801)		1,981
Recognition of financial guarantees		3,194		4,917		(1,723)
Retirement benefit obligation and compensated absence		-		(6,605)		(6,605)
Other allowance		-		(34,239)		(34,239)
Deferred points revenue		-		6,233		(6,233)
Other changes		5,914		(1,904)		7,818
Deferred tax-effect on adjustments		(16,771)		5,169		(21,940)
		27,340		(36,230)		63,570
K-IFRS	₩	30,504,479	₩	28,321,373	₩	2,183,106

(2) The principal effects on the statement of financial position and the results of operations at December 31, 2010.

(Won in millions)	Assets		Liabilities		Equity	Net income		
Korean GAAP	₩	34,726,071	₩	32,268,061	₩	2,458,010	₩	333,518
Adjustments:								
Allowance for loan losses		62,068		-		62,068		17,307
Deferred loan origination costs (fees)		5,595		(203)		5,798		3,817
Recognition of financial guarantees		2,570		3,426		(856)		(87)
Retirement benefit obligation and compensated absence		-		(8,571)		8,571		189
Other allowance		-		(37,123)		37,123		2,708
Deferred points revenue		-		5,489		(5,489)		744
Reclassification of private equity funds alone		(14,957)		-		(14,957)		4,805
Other changes		1,196		(719)		1,915		(1,573)
Deferred tax-effect on adjustments		-		24,043		(24,043)		(5,931)
		56,472		(13,658)		70,130		21,979
K-IFRS	₩	34,782,543	₩	32,254,403	₩	2,528,140	₩	355,497

Management

MANAGEMENT

Lee, Jang-ho
Chairman & CEO

Chung, Min-ju
Standing Auditor

Lim, Young-rok
Vice President & Managing Director

Sung, Se-hwan
Vice President & Managing Director

Kang, Shin-won
Vice President & Managing Director

Cha, Jae-joo
Executive Vice President

Chung, Jae-young
Executive Vice President

Lee, Ji-ho
Executive Vice President

Yoon, Yong-jin
Executive Vice President

Lee, Chang-yooul
Executive Vice President

Kim, Jae-woong
Executive Vice President

NON-STANDING DIRECTORS

Lee, Soon Chul

Lee, Kee Joong
Lawyer, Law Firm Jeong In

Han, Jae Min
Professor, Korea University

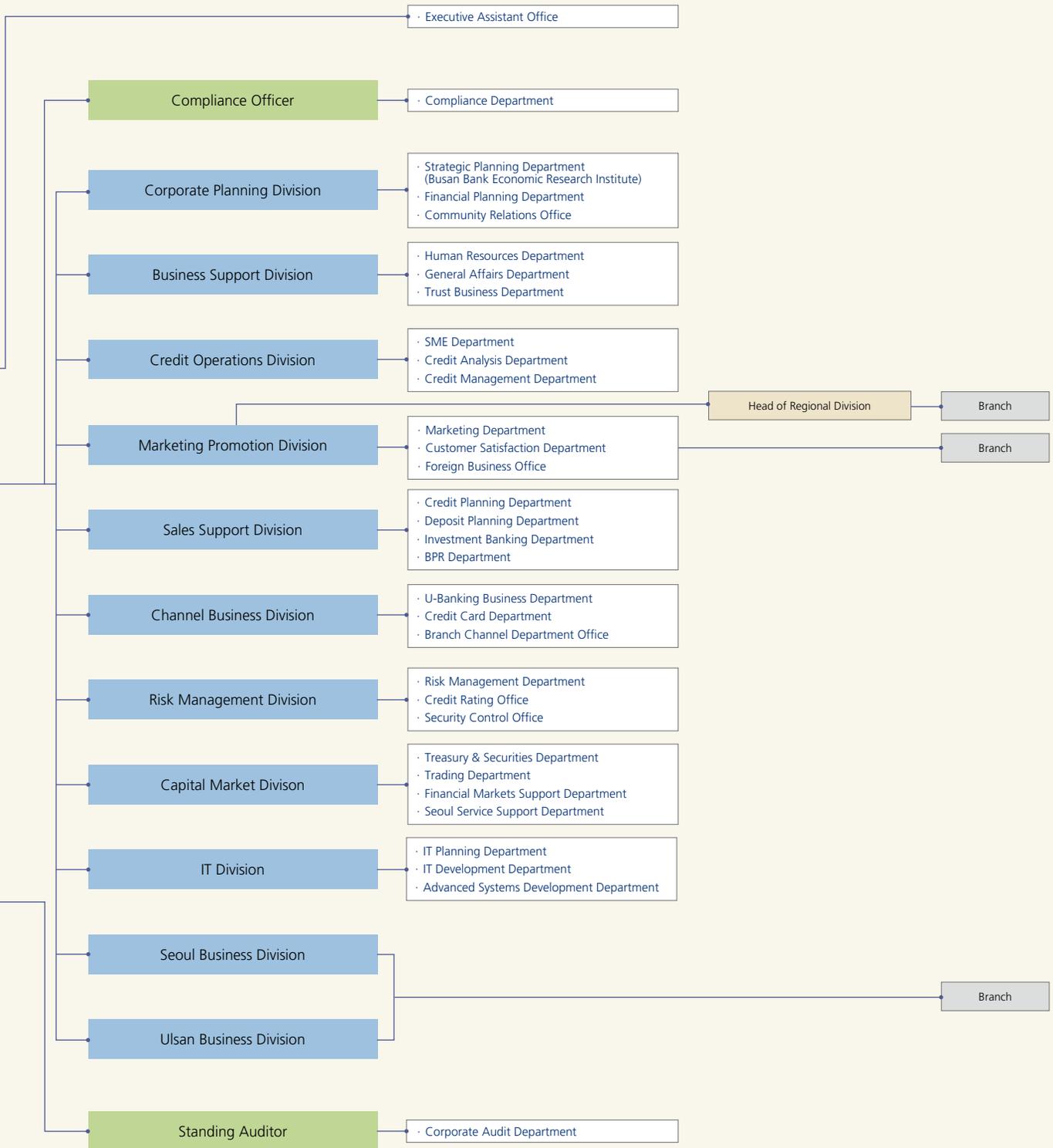
Kim, Jong Hwa
Professor,
Duksung Women's University

Park, Hae Sik
Senior Research Fellow,
Korea Institute of Finance

(As of March 2011)

Organization Chart





Busan Bank History

1960's~1990's

1967	10 10	Founded with paid-in capital of KRW 300 million
	10 25	Commenced business operations
1968	02 01	Began offering foreign exchange services
1972	06 15	Listed on the Korea Stock Exchange (now Korea Exchange)
1983	05 02	Began trust business
1985	06 01	Began credit card business
1990	01 03	Launched new corporate identity program (CIP)
1992	11 01	Introduced home banking services
1993	12 01	Launched EDI service
1994	12 05	Adopted DDS-style dealing system
1995	05 02	Introduced telebanking services
1997	09 18	Launched integrated online banking system
1998	12 09	Established strategic business agreement with Microsoft
1999	03 31	Designated as a funds settlement bank by Korea Futures Exchange
	07 28	Concluded comprehensive consulting service agreement with PricewaterhouseCoopers

2000's

2000	03 06	Launched cyber banking services
	03 24	Selected to manage Digital Busan Card
	11 05	Selected to manage Busan City budget funds
2001	02 21	Busan Bank "Digital Busan Card" wins Advanced Card Award 2001 in the UK
	05 29	Signed consultancy contract with Nemo Partners to build a performance management system
	08 01	Launched integrated profit management system
2002	04 11	Completed world-class integrated risk management system
	05 27	Launched call center
	08 12	Introduced Buvix Card
	08 21	Total deposits reached KRW 13 trillion
	08 28	Concluded comprehensive cooperation agreement with Industrial and Commercial Bank of China
	12 13	President Shim Hoon named 'Best CEO of the Year' by the Korea Economic Daily and Towers Perrin
2003	01 06	Won Gold Prize at the 12th annual Dasan Financial Awards
	03 31	Concluded alliance for bancassurance sales with four life insurers (Samsung, Kyobo, Shinhan, AIG Life) and four non-life insurers (Samsung, LG, Dongbu, Oriental Fire & Marine)
	05 19	Launched stock investment services with Hanwha Securities
	05 29	Concluded project financing agreement for Busan New Harbor construction (Busan Bank's participation: KRW 40 billion; Total financing by four institutions: KRW 245 billion)
	06 04	Signed agreement with Korea Export Insurance Corp. and began issuing export credit bank guarantees
	06 10	Set up operations for handling business incorporation, bad loan collection, etc.
	06 17	Established wholly-owned subsidiary, Busan Credit Information
	07 01	Selected as "Superior Public Corporation of 2003" by Korea Exchange
	08 22	Received loan of JYP 6 billion (~ USD 50 million) from the Seoul branch of Sumitomo Mitsui Banking Corporation, reflecting global recognition of the bank's outstanding management performance
	12 05	Concluded joint business agreement with LG Investment & Securities
	12 09	Entered into agreement with Korea Land Corporation to provide real estate development loans
	12 15	Received an upgraded financial strength rating. Given a "stable" outlook from Moody's, which said that "Profitability and capital adequacy were deemed outstanding," with net interest margin and asset soundness receiving the highest scores

2004	12 18	Provided KRW 9.8 billion in project financing for Geoga Bridge construction
	01 13	Joined KTF to offer IC chip-based mobile banking services
	03 16	Implemented credit recovery plan to help small-scale borrowers reestablish good credit ratings
2005	04 23	Busan Bank President Shim Hoon named "2004 CEO of the Year" KMA (Korea Management Association)
	06 22	Ranked among the "30 Most Respected Korean Companies" by Dong-A Ilbo and Korea IBM BCS
2006	10 15	Named winner of the "Social Contribution Corporate Award" in the Regional Community Development category by Open Management Research
	12 21	Selected as "Most Respected Company of the Year" by Korea CEO Association
2007	03 31	Received the highest FSS evaluation among financial companies for fewest customer complaints in the second half of 2004
	06 30	Total deposits surpassed KRW 15 trillion
2008	07 14	Won Silver Prize at the "Top 30 Most Reputable Companies" Awards sponsored by IBM Korea Business Consulting and Dong-A Ilbo
	08 22	Became the first Korean bank to offer Chinese Yuan remittance services
	12 22	Received Gold Prize at the "Dasan" Financial Awards
	03 31	Signed MOU to finance the Yonghoman Bay reclamation project
	04 17	Signed agreement to provide financial support to businesses in Busan
	04 21	Received grand prize in social contribution category at Korea Economic Daily's marketing awards
	04 28	Selected as a major bank by Busan Lotte Hotel Casino
	05 22	Selected as a depository for deposits by Busan District Court
	08 23	Concluded an agency contract for the sale of conventional market gift vouchers
	09 22	Received Presidential Award at the 12th Reading Culture Awards
	10 30	Signed agreement to aid multiple-birth families with Busan Metropolitan City Office
	11 22	Signed agreement for land purchasing loans with Busan Metropolitan Corporation, a first in the financial industry
	12 13	Received Presidential Commendation at the 11th SME financial support awards
	01 02	Launched "Golden Pig" time deposits
	01 03	Signed agreement on special financial support for small businesses in Busan
01 14	Declared Vision for 2007	
02 26	Number of Busan Bank BC Card subscribers reached 900 thousand	
03 02	Opened consultation window for the visually impaired at Bank's call center	
03 05	Won special prize at the Maekyung Financial Products awards ceremony for "i-Dream Passbook"	
03 20	Held 50th AGM / Selected as top bank for fewest customer complaints in the second half of 2006	
04 02	Launched "Autumn Baseball Time" deposits	
04 03	Began to provide public purchasing loans	
04 19	Won Korea Service Grand Prix	
05 04	Credit rating upgraded to "A3" by Moody's	
05 07	Launched visiting loan service	
05 10	Contributed to restoration of Geumjeong-San Fortress	
05 19	Held 5th annual "Turtle Marathon Race" to promote labor-management harmony	
07 01	Converted contract-basis office workers and technical personnel to full-time employees	
08 14	Number of Busan Bank credit cards in use passed 1 million mark	
08 24	Opened Geoje Branch	
09 05	Launched "Busan Bank 119 Financial Rescue Squad"	
09 18	Launched "e-blue sea free installment savings"	

Banking Directory

INTERNATIONAL BANKING DIRECTORY

Trading Dept. (Front Office)

ADDRESS Kumseki Bldg 3rd FL, 16, Ulchi-Ro 1-Ga,
Jung-Gu, Seoul 100-191, Korea

TEL (82)-(2)-758-6200

FAX (82)-(2)-758-6324

TELEX K27605 PUSANBK

BIC PUBSKR2PINT

Department Manager Sung, Dong-Hwa

Financial Markets Support Dept. (Back Office)

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Jung-Gu, Seoul 100-191, Korea

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FAX (82)-(2)-758-6398

TELEX K27605 PUSANBK

BIC PUBSKR2PINT

E-MAIL pusbint@busanbank.co.kr

Department Manager Kim, Sung-Hwa

Foreign Business Office

ADDRESS Busan Bank Bldg 7th FL, 259-4, Bujeon-1 dong,
Busanjin-Gu, Busan 614-709, Korea

TEL (82)-(51)-669-8400

FAX (82)-(51)-669-8481

TELEX K53392 PUSANBK

BIC PUBSKR2P

E-MAIL pusbkr@busanbank.co.kr

Department Manager Kim, Won-tae

Qingdao Representative Office

ADDRESS Room 2201, 22F Merchants Bank Tower 36,
Hong Kong Middle Road, Qingdao 266071, P.R.China

TEL (86)-(532)-8667-9060

FAX (86)-(532)-8667-9058

Chief Representative Kang, Sang-ho

Correspondents by Currency

(Bank Name, Account No., SWIFT Code, City)

- USD**
- Bank of America, 655-00-94495, BOFAUS3N, New York
 - HSBC Bank USA, 000-03030-9, MRMDUS33, New York
 - Wachovia Bank, 2000191022429, PNBUS3NNYC, New York
 - Standard Chartered Bank, 3582-040960-001, SCBLUS33, New York
 - Bank of New York, 890-0067-683, IRVTUS3N, New York
 - Deutsche Bank Trust Company, 04-024-763, BKTRUS33, New York
 - Sumitomo Mitsui Banking Corp., 100430, SMBCUS33, New York
 - JPMorgan Chase Bank National Association, 000000780254736, CHASUS33, New York
- JPY**
- Standard Chartered Bank, 0211037-1111, SCBLJPJT, Tokyo
 - Sumitomo Mitsui Banking Corp., 3157, SMBCJPJT, Tokyo
 - Wachovia Bank, 96080069, PNBUIJPJXXXX, Tokyo
- GBP**
- Korea Exchange Bank, 1301000061, KOEXGB2L, London
 - HSBC Bank PLC, 35435935, MIDLGB22, London
- EUR**
- Standard Chartered Bank, DE44512305000018005506, SCBLDEFXXX, Frankfurt
 - ING Belgium SA/NV, BE83301018879315, BBRUBEBB010, Brussels
 - Commerzbank, 400885100800EUR, COBADEFXXX, Frankfurt
- CHF**
- UBS AG, 0230-87106.05P, UBSWCHZH80A, Zurich
- DKK**
- Danske Bank, 3007536712, DABADKKK, Copenhagen
- SEK**
- Nordea Bank, 39527907721, NDEASESS, Stockholm
- HKD**
- Standard Chartered Bank, 411-094-0105-9, SCBLHKHH, Hong-Kong
- SGD**
- Korea Exchange Bank, 1-01778, KOEXSGSG, Singapore
 - OCBC Bank, 517331567001, OCBCSGSG, Singapore
- IDR**
- Standard Chartered Bank, 0100055486, SCBLIDJX, Jakarta
- CAD**
- The Bank of Nova Scotia, 0282111, NOSCCATT, Toronto
 - Toronto Dominion Bank, 0360-01-2304648, TDOMCATTOR, Toronto
 - Bank of Montreal, 31441039180, BOFMCAT2, Toronto
- NZD**
- ANZ Bank, 835504.00001, ANZBNZ22058, Wellington
- AUD**
- National Australia Bank, 1803003298500, NATAAU33033, Melbourne
- THB**
- Standard Chartered Bank, 00100781780, SCBLTHBXXX, Bangkok
- NOK**
- Korea Exchange Bank, 963-THR-108-14-1, KOEXKRSE, Seoul
- AED**
- Standard Chartered Bank, AED15 4223659 01, SCBLAEADXXX, Dubai
- CNY**
- Industrial and Commercial Bank of China, 06010011520810276, ICBKRESEXX, Seoul

DOMESTIC SUBSIDIARIES

BS Securities Co.,Ltd.

ADDRESS Busan Bank Bldg 3rd FL, 259-4, Bujeon 1-Dong,
Busanjin-Gu, Busan 614-709, Korea

TEL (82)-(51)-669-8000

FAX (82)-(51)-669-8009

PAID IN CAPITAL KRW 35 billion

HOLDING SHARE 100%

Busan Credit & Information Co., Ltd.

ADDRESS 378-11, Gaya 1-Dong, Busanjin-Gu,
Busan 614-805, Korea

TEL (82)-(51)-890-5000

PAID-IN CAPITAL KRW 3 billion

HOLDING SHARE 100%

BS Capital Co.,Ltd.

ADDRESS Busan Bank Bldg 9th FL, 259-4, Bujeon 1-Dong,
Busanjin-Gu, Busan 614-709, Korea

TEL (82)-(51)-665-1000

FAX (82)-(51)-819-1082

PAID IN CAPITAL KRW 20 billion

HOLDING SHARE 100%

IR Information

Head Office

Busan Bank Co.,Ltd.
830-38, Beomil-dong, Dong-gu, Busan 601-717, Korea

Date of Establishment

October 25, 1967

Paid-in Capital

KRW 933.4 Billion

Number of Common Shares

186,683,650

Corporate Data (As of December 31, 2010)

- Branch Network: 237 branches
- Employees: 3,398
- ATMs & CDs: 1,687

Major Shareholders (End 4Q 2010, the most recent fair disclosures)

- Aberdeen Asset Management Asia Limited: 14.56 %
- Lotte Group (incl. Japan Lotte): 14.08 %
- National Pension Service: 5.43 %
- Capital Research & Global Investors: 4.35 %
- Parkland Co., Ltd.: 4.29%
- Templeton: 3.40 %
- Mirae Asset Management: 1.20 %
- Shinhan BNP Paribas Asset Management: 1.19 %

Securities Listings

Korea Exchange: 005280

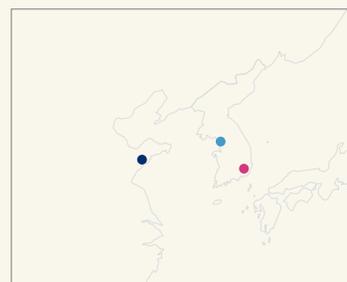
Information Availability

<http://www.busanbank.co.kr>

IR Contacts

- Kim, Hae-kweon (Head of IR)
- Kim, Sangjin (IR Manager)
TEL (82)-(2)-758-6073
kimsangjin@busanbank.co.kr
- Kim, John (IR Manager)
TEL (82)-(2)-758-6072
john.kim@busanbank.co.kr

Network



Busan
Headquarters / Foreign Business Office

Seoul
Capital Market Division / IR

Qingdao
Representative Office



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Dong-gu, Busan 601-717, Korea
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