

in full
swing

BUSAN BANK
2009 ANNUAL REPORT

The difficult business and economic climate throughout much of the world in 2009 produced unprecedented challenges for both organizations and individuals. However, it also created unexpected opportunities for those able to seize them. As a representative regional bank in Korea, Busan Bank stood strong. Remaining steadfast in the face of adversity, we were able to achieve sustained, profitable growth exceeding market expectations.

As the world economy begins to thaw and show signs of recovery, we are preparing for and entering a new phase.

**Busan Bank is
better positioned
than ever to deliver
on our long-term
mandate.**

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CORPORATE PROFILE

SITUATED FOR SUCCESS, BUSAN BANK IS HERE TO SERVE

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 42 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.



CORPORATE IDENTITY

Busan Bank unveiled a new corporate identity in early 2009, using the occasion to declare its determination to propel change and innovation throughout its organization and become one of Korea's top regional finance groups. The new CI adopts the motif of overlapping wings, symbolizing "Wings that Fly High" and "Wings of Hope" that will carry the Bank into a bright future with its customers. The blue and magenta colors respectively signify trust and challenge, and the letters stand not only for Busan, but also for Belief and Specialty. Busan Bank is positioned to be the hub of financial activity for Korea's southeast, and will forge ahead to realize its vision of working together with its regional customers to create enduring value.

The difficult business and economic climate throughout much of the world in 2009 produced unprecedented challenges for both organizations and individuals. However, it also created unexpected opportunities for those able to seize them. As a representative regional bank in Korea, Busan Bank stood strong. Remaining steadfast in the face of adversity, we were able to achieve sustained, profitable growth exceeding market expectations.

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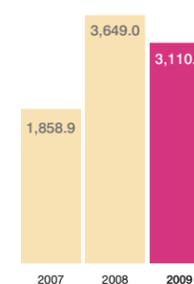
Busan Bank is better positioned than ever to deliver on our long-term mandate.



Navigating the sea of change



Total Revenue
(Unit: KRW Billion)



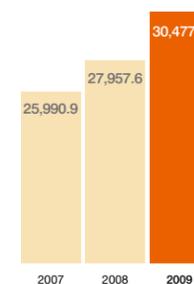
Taking the lead in turbulent times

Despite difficulty in the domestic and international market environment, Busan Bank will expand its sales force, enhance marketing capabilities, and thus realize substantial revenue growth, while promoting internal innovation and expanding our ability to implement countermeasures in the future. In addition, Busan Bank will realize true customer satisfaction, put emphasis on field-oriented management, and establish a foundation as the best regional financial group.

Illuminating the Way



Total Assets
(Unit: KRW Billion)



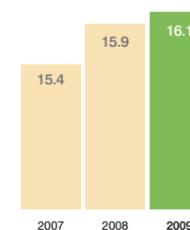
A clear path to stability

Busan Bank will continue to note important points in its pre-emptive risk management, and respond positively to the economic environment, which remains in the midst of the on-going financial crisis. As a premier regional bank, it will continue to be at the forefront in vitalizing the local economy as it creates value through financial support for small businesses and ordinary people as well as the promotion of new job creation.

Unfurling the future narrative



Expenditure on Sustainable Management
(Unit: KRW Billion)



A story of sustainability for future generations

Busan Bank will make every effort to maintain its image as a neighborhood bank by actively participating in a low carbon green growth and intensifying volunteer work for low-income families. Through support of cultural education and the expansion of the local arts infrastructure, we will faithfully carry out a variety of community contribution activities, return goodwill for locally generated profits, and take responsibility as a regional business by supporting the other local businesses.

CEO's Message



Welcome to Busan Bank.

My thanks and best wishes go to our loyal customers and shareholders.

Due to the global financial crisis, the world economy has suffered unprecedented setbacks in 2009. In the midst of them, Busan Bank achieved one of the best earnings results among Korean banks. Additionally, we succeeded in raising paid-in capital, and were re-nominated as the designated financial agent of Busan Metropolitan city. Establishment of BS Securities Company and new Corporate Identity are also noteworthy achievements in the year 2009.

Employment-of-Disabled Award, the Presidential Commendation for supporting job creation, and nomination of the Dasan Financial Award for 2 consecutive years have enhanced the bank's domestic and international reputation.

Though rejuvenating the overall economy will take time, prudent management is a key method to navigate the bank while these unclear and unresolved matters related to the global crisis exist. Considering the current economic situation, Busan Bank will focus on increasing business sales and profit-oriented organic growth under strict risk management based on the key phrase 'Going Forward with Zeitgeist(與時俱進)', that revolves around keeping a keen eye on changes in the domestic and international surroundings.

Maintaining local SME & low credit score loans, we have devoted our time to support the local economy as a method of CSR (Corporate Social Responsibility) and as the regional bank; this practice will be executed into the future.

After 42 years of business in the region, 2010 will be year one in the transition process for Busan Bank's transformation into a financial group. Proclaiming 2010's management slogan as "Beyond the Wall", with change and innovation, we will attempt to go beyond the local boundary that has prevented the bank from maturing into a 'Premier Bank'.

I ask for your continued support and encouragement in the future.

Lee, Jang-ho
CHAIRMAN & CEO

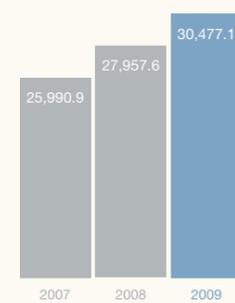
Financial Highlights

YEARS ENDING DECEMBER 31	(KRW Billion)	
	2009	2008
For the Fiscal Year		
Total Revenue	3,110.4	3,649.0
Total Expense	2,865.3	3,374.0
Net Income	245.1	275.0
At Year's End		
Total Assets	30,477.1	27,957.6
Deposits	18,510.5	16,758.2
Loans	20,199.1	19,440.1
Securities	5,767.7	5,238.6
Shareholder's Equity	2,119.5	1,645.8

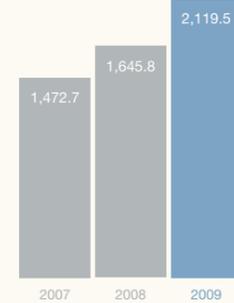
YEARS ENDING DECEMBER 31	(USD Million)	
	2009	2008
For the Fiscal Year		
Total Revenue	2,663.9	2,901.8
Total Expense	2,454.0	2,683.1
Net Income	209.9	218.7
At Year's End		
Total Assets	26,102.3	22,232.7
Total Deposits	15,853.5	13,326.6
Total Loans	17,299.6	15,459.3
Securities	4,939.8	4,165.9
Shareholder's Equity	1,815.3	1,308.8

* FY 2009: KRW 1,167.6 FY2008: KRW 1,257.5 PER USD 1.00

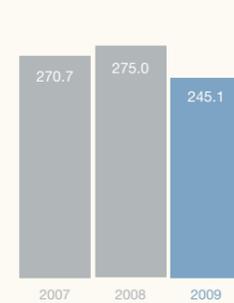
Total Assets
(KRW Billion)



Shareholder's Equity
(KRW Billion)



Net Income
(KRW Billion)



Stock Price
(2005-2010)



Shareholder Composition
(As of Dec. 31, 2009)

Composition	Shares Outstanding	Ratio
Government and government-run Companies	215,750	0.12 %
Securities Firms	78,205	0.04 %
Insurance Companies	10,320	0.01 %
Investment Trust Companies	8,202,874	4.39 %
Banks	16,007,497	8.57 %
Other Financial Institutions	477,026	0.26 %
Other Corporations	31,924,658	17.10 %
Individuals	27,118,931	14.52 %
Foreigners	102,648,389	54.99 %
Total	186,683,650	100.00%

Major Shareholders
(End 4Q 2009)

Shareholder	Percentage (%)
Lotte Group (incl. Japan Lotte)	14.08 %
Aberdeen Asset Management Asia Limited ¹⁾	13.53 %
Parkland Co., Ltd	4.29 %
SAUDI ARABIAN MONETARY AGENCY	3.87 %
National Pension Service	3.80 %
Korea Iron and Steel Co., Ltd	1.50 %
KB Asset Management	1.25 %

1) Based on the most recent fair disclosures

News Highlights

AWARDED THE GOLD MEDAL IN THE 18th DASAN FINANCIAL AWARDS

Busan Bank has achieved outstanding performance in all bank evaluation indicator areas of growth: profitability, financial strength and capital adequacy. The Bank has also been at the forefront of support for SMEs, thus contributing to local economic development. Due to our continuing dedication and record of achievement, we were awarded the Gold Medal in the banking sector for the 18th Dasan Financial Awards, which was established for the domestic financial industry's sustainable development and carries a great deal of prestige. By consistently offering excellent value, Busan Bank garners the respect and trust of the community and secures its position as a premier regional bank.

SUCCESSFUL CAPITAL INCREASE OF KRW 200 BILLION

Busan Bank had a successful capital increase of KRW 200 billion. Through the capital increase, we expect to meet the recommended target ratios for the banking industry set by the financial authority by exceeding 13.9%, 9.3% and 6.4% of BIS, Tier I and TCE capital adequacy ratio. Also, by securing a large amount of assets, the Bank will improve its financial soundness, which will raise its domestic and international credibility a step higher. The capital inflow without capital cost is also expected to contribute to an improvement in profitability.

SUCCEED IN ACQUIRING LOANS OF USD 200 MILLION

Busan Bank was able to successfully acquire loans totaling USD 200 million from Credit Agricole CIB (Formerly Calyon Bank) and other European banks. Its loan period of 1 to 1.5 years is meaningful in that the Bank was able to successfully borrow without government guarantee in March 2009, during the period of international financial market turmoil, due to high regard of the Bank's superior operating performance as well as its customer and shareholder-oriented management. The Bank will introduce foreign capital in the future and is planning to use it as the fund to repay existing debts and to support import and export of SMEs in the Busan region.

JOINT DECLARATION OF LABOR-MANAGEMENT FOR WIN-WIN SURVIVAL AND THE DECLARATION CEREMONY OF 'FAMILY IMPRESSION MANAGEMENT'

Busan Bank held 'Joint Declaration of Labor-Management for Win-Win Survival' and a declaration ceremony of 'Family Impression Management' for overcoming crises and job creation through pain sharing. Busan Bank's management and labor identifies harmonization, based on mutual trust and concession, as a priority for regional economic development and overcoming of crisis situations, and thus has declared its best efforts to spread a social atmosphere of industrial harmony. Busan Bank also publicized 'Family Impression Management' with the slogan of 'Family is Power' to promote the health of the staff and provide the best possible care for their family. A joint labor-management special committee is being formed in order to promote it.

SIGNED A BUSINESS ALLIANCE AGREEMENT WITH CREDIT AGRICOLE S.A OF FRANCE

Busan Bank held a ceremony to formalize an alliance accord with Credit Agricole Group of France for development of financial products and joint marketing. Representatives of both parties signed the agreement to increase sales synergies through the development of financial products, joint marketing, and mutual support and to strengthen sales of customized products that meet the needs of customers. In this business alliance, we will maximize synergistic effects through a combination of the advanced financial techniques of Credit Agricole and the strength of Busan Bank as a premier regional bank.

WON THE GRAND PRIZE IN THE GOVERNMENT'S TRUE COMPANY AWARD FOR THE EMPLOYMENT OF PEOPLE WITH DISABILITIES

Busan Bank, despite financial-industry specific and other constraints, is active in recruitment of disabled employees and implements a favored promotion policy for such personnel in efforts to aid in their adaption to the Bank and ensure that they receive fair treatment. The Bank received high honors for such



efforts and has subsequently been awarded the Grand Prize in True Company Award for the Employment of People with Disabilities, which the government grants to companies committed to promoting and maintaining the employment of the disabled. Busan Bank, the first in the financial industry to earn such an award, will continue to work towards reducing discrimination in the workforce, and to increase the employment of the disabled up to 2%.

HELD OVERSEAS IR CONFERENCES FOR GLOBAL MARKETING

Mr. Lee, Jang-ho, the Chairman of Busan Bank, held overseas IR conferences for three days from the 27th of October in Singapore and Hong Kong for foreign shareholders including British-expatriate, Aberdeen Asset Management, American-expatriate, Capital Research & Management Company (CRMC) and for overseas institutional investors like the Singapore Investment. As such, the Bank has conducted aggressive global marketing by holding the overseas IR meetings in Hong Kong, Singapore and North America. Chairman Lee took the opportunity to inform foreign shareholders of the Bank's business performance and long-term vision and assured them that the Bank will reflect their voice in its management.

LAUNCHED BS SECURITIES CO.,LTD. AS THE FIRST SECURITIES COMPANY AMONG REGIONAL BANKS

Busan Bank established BS Securities Co.,Ltd. as a wholly owned subsidiary and held a launching ceremony on December 18 to initiate a full-fledged securities business. The launch of the company is meaningful as it is the first business model of this kind to be customized to regional markets. Additionally, Busan Bank is the first regional bank to enter the securities industry. In the future, the company will attempt to become the 'best local securities firm representing and knowing the companies in our region' and grow with our customers and communities through close relationships and differentiated services.

WON THE PRESIDENT'S AWARD FOR JOB CREATION SUPPORT

Busan Bank won the President's Award for Job Creation, which the Ministry of Labor created in 2009 to award employers for job creation. Becoming the only award-winner among the national banks, Busan Bank opened a BS Job Center and exhibited superior performance in connecting job seekers and employers in a short period of time. In particular, the branch managers directly interviewed the CEOs of its 6,000 corporate clientele and provided some 2,500 job postings to the job center. Along with these differentiated efforts, the Bank will continue to support job creation in the future while carrying out community contributions and volunteer activities for the socially underprivileged as well as for community culture and welfare.

HELD A GROUNDBREAKING CEREMONY FOR THE BUSAN CHILDCARE SUPPORT CENTER

Busan Bank held a groundbreaking ceremony on June 22 for the Busan Childcare Support Center with cutting-edge care facilities and a full KRW 2 billion of construction support. Busan City and Busan Bank agreed that the lack of a professional childcare support center needed to be rebuilt, and have worked together for two years as they searched for an appropriate location. The Center will be completed in February 2010 and is scheduled to be donated to the city for the benefit of the citizenry following its completion. Busan Bank will firm up the foundation for the development of comprehensive childcare services in Busan by establishing the Center to provide professional care.



The financial market has experienced radical transformation in the past few years. As the premier regional bank in Korea, we have embraced these changes, and identified key strategic areas where we can best focus our efforts.

Working together with regional markets and communities, we listen to their needs, and then create and release quality solutions at the appropriate times.

Excellence in Operation

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Our success is a direct result of our unwavering dedication to Busan Bank's stakeholders and our continuing commitment to business excellence.

Our diversified portfolio in conjunction with close ties to the regional market and communities, global competences, innovative products and services, and the industry's most talented and experienced personnel gives us the unique capability to see new potential and overcome new challenges.

Corporate Banking

Amid the rapidly-changing financial environment and fierce credit business competition to attract premier corporations in 2009, Busan Bank offered distinctive products and truly customer-oriented services based on region-oriented management centered on internal stability and profitability. Busan Bank thus strived to achieve further growth as a key regional financial institute.



Building a foundation for joint growth with regional companies

In 2009, Busan Bank created a guarantee fund by investing in a credit guarantee institution for small- and mid-sized manufacturers experiencing difficulties. The Bank also implemented the <BS SME Special Support Loan>, a part of which involved providing support to recommended SMEs. Busan Bank provided focused support through <BS Clean Green Corporate Loan> after identifying companies that are environmentally friendly, those that specialize in new and renewable energy, specialize in energy conservation, are ISO 14001 series-certified, or that have technological prowess and growth potential in the green technology industry, which are on the list of business categories chosen by the Ministry of Knowledge Economy as new growth engines. Busan Bank thus concentrated its competencies on building a foundation for win-win growth.

Furthermore, Busan Bank developed the 'Small Hope Loan' product, which includes the Credit Plus Loan, the BS Hope Plus Loan, and the BS Special Loan for business owners experiencing loan difficulties. The Bank thus provided funds to the financially disaffected people with low credit and low-income levels who were going through financial difficulties. By doing so, Busan Bank enhanced its social role while promoting small loan financing.

As part of its customer relationship strengthening program, Busan Bank held the <BS Female Entrepreneur Seminar> for roughly 200 female entrepreneurs in Busan, Ulsan, and South Gyeongsang Province. Its goal was to provide an arena for information exchange among female entrepreneurs and to implement win-win management by supporting them in boosting their competitiveness in the local community. The Bank also hosted a special lecture by the Minister of Strategy and Finance for about 500 officials, in addition to BS CEO Club members in Busan, Ulsan, and South Gyeongsang Province. The goal was to exchange information and promote friendly relations with local CEOs, as well as to strengthen region-oriented management by providing distinctive services to outstanding corporate customers.

By operating the BS Job Center and supporting job creation through an alliance with Busan City, the Busan Daily, and the Busan Local Office of the Ministry of Labor, Busan Bank is spreading the atmosphere of contributing to society to increase the number of jobs.

Based on such active support for regional companies and its core competitiveness in customer-oriented management, Busan Bank was able to record a year-on-year increase of 3.9% in total loans to reach KRW 20,199.1 billion as of the end of 2009.

Moving forward, Busan Bank will actively respond to the rapidly-changing financial market and further expand competencies to prepare for the future. To this end, we will engage in preemptive sales (aggressive sales activities) in response to changes in the market environment and expand the customer base for sustainable growth.

Busan Bank will strengthen support to regional companies and re-establish its partnerships and cooperative sales systems, thereby fully establishing a region-centered win-win culture.

TOTAL LOANS IN 2009

[Based on balance]

(Unit: KRW Billion, %)

CATEGORY	2009	2008	Change	
			Amount	%
KRW Loans	17,842.8	16,992.3	850.5	5.0
Foreign Currency Loans	1,116.1	1,449.3	-333.2	-23.0
Other Loans	1,240.2	998.4	241.8	24.2
Total Loans	20,199.1	19,440.0	759.1	3.9

Retail Banking

There was fierce competition to attract deposits, resulting from government regulations of the loan-deposit ratio. Nonetheless, Busan Bank made meaningful achievements, including the recording of KRW 22,407.6 billion in total deposits in 2009 to post a year-on-year, a rise of 5.68%. This was made possible by various, distinctive customer-oriented products and specialized services that incorporate the needs and characteristics of local customers.



Developing various products for green financing

In 2009, Busan Bank developed products that actively respond to customer needs and the financial environment as well as advanced products that are in line with green financing.

The Bank released such products as the Clean Green Deposit and Clean Green Installment Savings. When customers subscribe to any one of these products, the Bank raises funds, enabling donations for green growth and eco-friendly business support. Customers are also offered a 'Clean Green Preferential Interest Rate' if they take part in Busan City's Carbon Point System.

Expanding the base of Credit Card business

Busan Bank made achievements in the credit card business as well, one of which was the expansion of the business foundation resulting from an increase in the number of new credit card members. The Bank issued a transportation card that specifically considers the needs of customers in the Busan area. The Bank also carried out the <Best of 2009 Campaign> to attract excellent credit card members. Busan Bank moved forward with the issuance of alliance cards with public organizations and blue chip private companies including BEXCO, Busan SPO1 Corporation, and Busan Metropolitan Corporation. The Bank went further and issued such new products as the <BS Cash Back Card, BS Apartment Plus Loan Card>.

Busan Bank also went ahead with concentrated marketing for credit cards used specifically for the purpose of paying unemployment insurance and occupational health and safety insurance premiums; strengthened marketing activities that target top customers in terms of sales; and conducted marketing to promote credit card usage among employees of excellent companies. Such efforts resulted in a rise in credit card usage, leading to an increase in credit card commissions.

CREDIT CARDS BUSINESS

[Credit card usage]

(Unit: KRW Billion)

AMOUNT	2009				2008			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Credit purchases	739.4	702.1	690.0	706.7	650.7	650.4	640.9	671.7
Lump sum	602.4	586.4	543.9	522.1	528.6	537.7	496.3	481.8
Installment	137.0	115.7	146.1	184.6	122.1	112.7	144.6	189.9
Cash advances	129.4	135.2	140.7	146.3	158.7	156.9	156.9	155.1
Total	868.8	837.3	830.7	853.0	809.4	807.3	797.8	826.8

[Credit card balance]

(Unit: KRW Billion)

BALANCE	2009				2008			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Credit purchases	291.8	289.3	306.2	322.7	266.5	280.9	309.2	307.7
Cash advances	65.2	68.2	72.1	72.8	77.1	75.9	76.3	76.2
Re-aged loans	1.9	1.9	2.3	2.3	1.9	2.0	2.4	2.9
Total	358.9	359.4	380.6	397.8	345.5	358.8	387.9	386.8



[Credit card income]

(Unit: KRW Billion)

INCOME	2009				2008			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Credit purchases	17.7	17.0	17.7	19.1	16.7	15.9	16.8	18.7
Cash advances	5.0	5.3	5.3	5.4	5.1	5.3	5.4	5.5
Re-aged loans	0	0	0.2	0.1	0.1	0.1	0.1	0.1
Others (including F/X)	0.8	0.9	0.9	0.8	1.0	1.1	1.1	1.0
Total	23.5	23.2	24.1	25.4	22.9	22.4	23.4	25.3

Strengthening marketing activities for Private Banking

To find and manage new premier customers, Busan Bank has been operating the Withus Club, a private banking (PB) center. The Bank is strengthening marketing activities aimed at attracting new customers and increasing business with current customers through existing customer management at 43 PB branches.

The Bank is also providing the wide variety of support needed to engage in marketing activities aimed at retaining existing customers as well as attracting new ones. Such measures include providing gifts as well as DM papers and envelopes specifically designed for PB customers and holding various events to which customers are invited. A wide array of services are provided to premier customers, such as analysis of financial product portfolios, asset management consulting, expert counseling, advice on various tax issues, and tax report services.

Busan Bank is holding PB seminars and workshops to strengthen the Bank's PB capabilities and sales force, and providing various training sessions and conducting skill evaluation tests to improve the skills of PB employees. The Bank is also concentrating our competencies on improving PB brand awareness by strengthening promotional activities, making contributions to newspapers, magazines, etc. on financial skills, and giving lectures.

Moving forward, Busan Bank will engage in region-centered private banking by strengthening services and increasing customer accessibility to PB services. The Bank also plans to improve the professional skills of PB employees, boost marketing activities that target premium customers, and improve the infrastructure for expanding PB services.

TOTAL DEPOSITS IN 2009

[Based on the average balance]

(Unit: KRW Billion, %)

CATEGORY	Average balance		Change	
	2009	2008	Amount	%
Deposits	20,339.40	19,739.10	600.30	3.0
Low-Cost Deposits	7,091.80	6,383.90	707.90	11.1

Investment & Securities

Becoming the first regional bank to establish such an entity, Busan Bank established BS Securities in accordance with changes in the financial environment, such as a shift in the financial demand of customers from savings to investments. Moving forward, BS Securities will grow together with customers and the local community by maintaining close relations and providing distinctive services to local customers.



Launching of BS Securities, a premier regional securities company

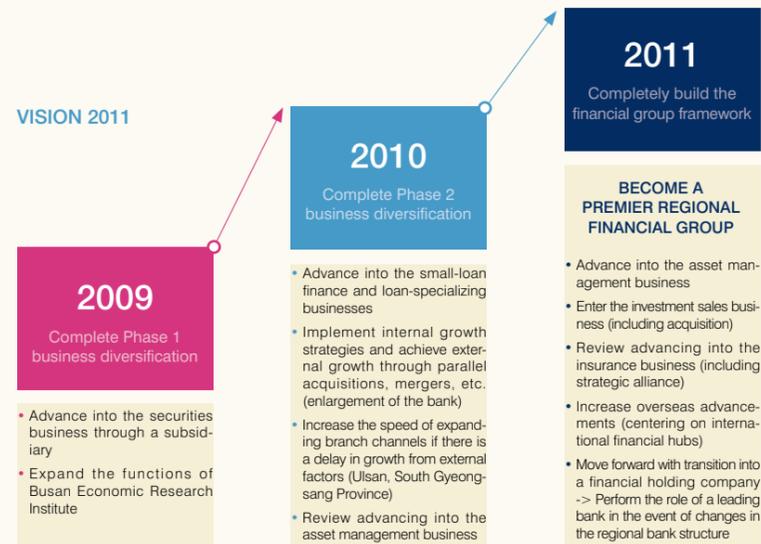
Busan Bank launched BS Securities, a wholly owned subsidiary, in order to build a system for providing comprehensive financial services, such as securities and asset management, in line with changes in the financial market including the enforcement of the Capital Market Act in February 2009.

In April 2009, Busan Bank made an application to the financial authorities for preliminary accreditation for conducting the securities business, asking that the Bank be permitted to add the securities business to the existing subsidiary, PB Futures. Receiving preliminary approval in July and final approval in October, the company's name was then changed from PB Futures to BS Securities and business was fully commenced in December.

Advancement into the securities business through its subsidiary is enabling Busan Bank to offer a greater variety of financial services to its customers. By securing a business foundation that enables the generation of synergy effects through business diversification, Busan Bank has built a long-term stable growth structure.

Only one month after its launch, BS Securities made noteworthy achievements, recording KRW 600 billion in deposit assets and 5,500 brokerage accounts. BS Securities plans to boost customer convenience by opening securities branches based in a Branch with Branch (BWB) method centering on key branches of Busan Bank.

Equipped with a strong sales network, Busan Bank will engage in connected sales activities including the opening of securities accounts at its roughly 230 branches. It will thus build a retail business foundation within a short period and expand the customer base. BS Securities will also sequentially expand the number of branches and add such business areas as investment sales (securities), collective investment, and corporate finance business, thereby advancing as the preeminent financial investment company in the region.



BS SECURITIES CO.,LTD.

[As of Dec, 2009] (Unit: KRW)

Total Assets	214,730,859,834
Shareholder's Equity	41,678,775,483

Global Banking

By strengthening its crisis management system and establishing a preemptive risk management and response system, Busan Bank is enhancing profitability and maintaining soundness. Additionally, the Bank is accelerating overseas market expansion, making inroads into these markets based on a talented, globally oriented workforce and advanced business know-how.



Extending the overseas network actively

Despite the difficult economic conditions immediately following the financial crisis, Busan Bank successfully obtained a loan totaling 200 million dollars with a loan length of 12 to 18 months from European Banks. This accomplishment was made without a payment guarantee by the government, and was based on recognition for Busan Bank's outstanding performance and its customer- and shareholder-oriented management.

Busan Bank signed an MOU with France's Credit Agricole S.A, one of the world's six largest financial groups. This was the result of Busan Bank maintaining good relations with Credit Agricole while continually engaging in various international finance work with the group, including derivative transactions and foreign currency borrowings. With the conclusion of the MOU, the two financial companies built a foundation for joint development of financial products, joint marketing, and personnel exchange.

Furthermore, Busan Bank held overseas IR conferences in Singapore and Hong Kong for foreign institutional investors such as Aberdeen Asset Management from Britain and Capital Research and Management Company from the US, thus giving strength to global marketing. The Bank will constantly assess overseas situations and clearly communicate its management performance and mid- to long-term vision to overseas shareholders and markets. It will also actively incorporate the opinions of overseas shareholders and markets into the Bank's management.

Securing liquidity through preemptive management of Foreign Exchange

Despite a lack in domestic liquidity denominated in foreign currencies due to the global financial crisis, Busan Bank strengthened market dominance, securing liquidity by carrying out various projects and engaging in active, preemptive liquidity management in the field of foreign exchange in 2009.

The Bank worked on a promotional project aimed at attracting new F/X partners with an outstanding credit rating. Busan Bank was able to attract a total of 28 new companies in 2009. The Bank attracted foreign currency totaling 110 million dollars, and its F/X-contributed profit reached KRW 167 million.

In the area of import/export financing, the Bank posted a total of 5,959 million dollars, with imports and exports recording 3,201 million dollars and 2,758 million dollars, respectively. Money exchange and wire transfers amounted to 529 million dollars and 1,498 million dollars to come out to a total of 2,027 million dollars.

Busan Bank developed new products and services such as the automatic transfer service based on a designated exchange rate and the BS Common Exchange Service. The Bank also took part in the 2009 Overseas Study and Immigration Fair on four occasions and helped foreign workers to make wire transfers on their days off.

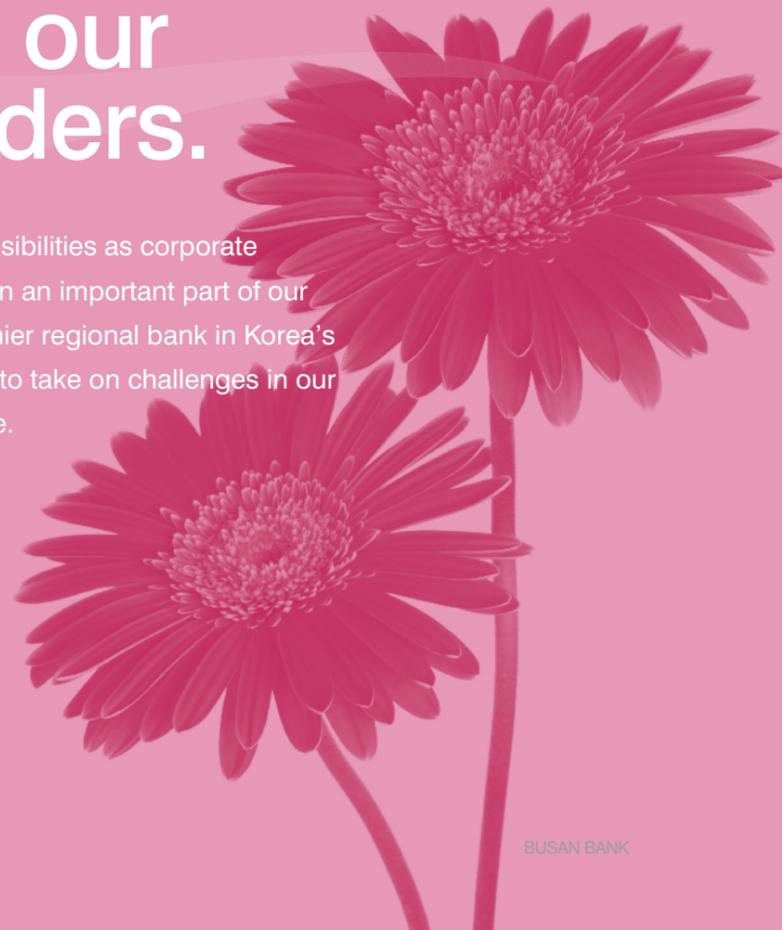
F/X PERFORMANCE IN 2009

(Unit: USD Million)

CATEGORY	Trade Finance			Money Exchange & Wire Transfer		
	Import	Export	Total	Money Exchange	Wire Transfer	Total
Performance	2,758	3,201	5,959	529	1,498	2,027

Our people and the culture they represent are the foundation of our ability to create long-lasting value for our stakeholders.

We firmly believe in our responsibilities as corporate citizens, which has always been an important part of our management policy. As a premier regional bank in Korea's financial industry, we are keen to take on challenges in our communities where we operate.



Market Trends

In 2009, Busan's economy has been steadily recovering from the influence of the global economic downturn as compared to the previous year. Capitalizing on this opportunity, Busan Bank has established a foundation for expanding its market share through conversion from the traditional risk management-centered management structure to profit-driven internal growth structure and expansion of the Bank's sales force.

Regional economic review in 2009

Difficulties continued in 2009 due to the spread of the global financial crisis. However, the local economy steadily freed itself from the impact of the global economic downturn, gaining strength from the steady recovery made by domestic and overseas economies after the first half of the year.

Busan's economy initially indicated a downward trend, but continued a strong upward trend in the second half of the year. Although production in the manufacturing industry increased slightly in the second half of the year, it showed an overall decline. The service industry also remained weak throughout the year.

Resulting from the impact of the global economic slump, exports saw a year-on-year decrease of 28.8% from January through October. However, the level of decrease began to diminish slightly after the third quarter. Consumption continued on the path of recovery, driven mainly by an increase in automobile and large retail store sales.

Regional economic outlook for 2010

Experts are forecasting that 2010 will bring with it increased domestic demand-centered growth in Korea and a rise in the economic growth rate compared to the previous year. Busan's economy is also expected to remain on the path of gradual recovery. However, that the speed of recovery is expected to slow down slightly due to such risk factors as an economic slump in the shipping and shipbuilding industries and worsened employment conditions.

The manufacturing industry is expected to continue its recovery, but conditions for the shipbuilding industry remain unclear. For this reason, there is a possibility of Busan's level of recovery falling short of the nation's overall recovery, which is driven mainly by the IT industry.

We believe that there is no need for serious concerns over the recession in the shipbuilding industry for several reasons, including a spreading anticipation of receipt of new orders for shipbuilding in tandem with a recovery in the international trade volume. There is also an emergence of alternative markets in the shipping industry such as offshore structures and wind power.

Improvements are anticipated in exports in 2010, attributable to continued global economic recovery and base effects, yet constraints, such as sluggish exports of core products and a decline in the won-dollar exchange rate, may effect the overall market. Consumption is expected to continue recovery owing to the spread of anticipation towards economic recovery, improvements in income conditions, a rise in the price of assets, and the opening of large department stores in the area. However, it is difficult to expect substantial growth due to the weak job market.

Busan Bank will continue to efficiently manage risks and expand its sales force based on an innovative spirit that remains strong even in a difficult financial environment. The Bank will also secure long-term growth drivers by establishing a new foundation for profits, thereby facilitating stable internal growth.

Management Infrastructure

Busan Bank is improving management and work efficiency by adopting innovative systems. Committed to implementing the best financial services online, as well as offline, Busan Bank is exerting its utmost efforts to offer top-quality financial services through the expansion of its foundation in digital finance and strengthening Internet marketing capabilities.



Establishing a Promissory Note Image and Information Exchange System

To raise management efficiency and streamline internal work processes, Busan Bank adopted and is continually implementing the BPR (Business Process Reengineering) system, which involves the innovative redesign of existing business processes.

In 2009, the Bank built the promissory note image and information exchange system to improve processes, thereby reducing the work burden on branches, and to introduce a system in response to changes in the clearing method adopted by the Korea Financial Telecommunications and Clearings Institute.

The system was built to enable system-based management of notes in custody at branches, image-based clearing expenditures, and system-based auditing of notes in custody. Construction of the promissory note image and information exchange system is leading to various effects, including cost curtailment, reduction of the workload at branches, improved work efficiency, and increased marketing time.

Busan Bank also computerized seizure work in relation to the four major social insurance programs, and integrated Korean won and foreign currency-transporting processes to bring down logistics costs and ensure personnel efficiency.

In 2010, Busan Bank plans to expand channels to improve processes by implementing the BPR Alert as well as visiting and investigating branches. The Bank will focus on improving work processes and stored document management at low-performing branches.

Offering more convenient financial services in Electronic Finance and e-Biz

To respond to the changing market environment and satisfy high customer expectations, Busan Bank is offering safer and more convenient financial services. As a result of such efforts, the number of Internet banking members posted a year-on-year increase of 10.5% to reach 1,264,000 people and the number of phone banking members saw a year-on-year rise of 4.1% to reach 1,456,000 people. The number of members using mobile notification services stood at 243,000 people, a rise of 14.6% year-on-year.

In e-Biz, firm banking-based automatic transfers were made by 87 companies in 2009, with the number of transactions reaching 25,961,000. The number of companies and transactions for the CMS network were 458 and 30,145,000, respectively; while those of CMS bill collection were 33 and 546,000, respectively; and those of school (kids) banking were 775 and 7,547,000, respectively. These figures reached 1,472 and 5,274,000, respectively, in the case of virtual account channels; and 20 and 92,000, respectively, in the case of an alliance with securities companies.

As a leading regional bank, Busan Bank will strengthen the infrastructure for financial channels, thus making efforts to ensure convenient handling of financial work by customers.

e-BIZ PERFORMANCE IN 2009

(Unit: Each)

CATEGORY	2009		2008	
	No. of Companies	No. of Transactions	No. of Companies	No. of Transactions
Firm banking-based automatic transfers	87	25,961K	81	22,952K
CMS networks	458	30,145K	416	29,710K
CMS bill collection	33	546K	31	609K
School(kids) banking	775	7,547K	747	8,151K
Virtual account channels	1,472	5,274K	1,368	4,315K
Alliance with securities companies	20	92K	18	69K
Total	2,845	69,565K	2,661	65,806K

Risk Management

Busan Bank has built an innovative system and strengthened the functions of the risk management organization for efficient and preemptive risk management. Various activities were carried out in 2009 to strengthen the flexible risk management structure and to make improvements to relevant systems.

Activities performed for risk management and their results in 2009

Stabilization of the financing structure Busan Bank set a ceiling for the loan-deposit ratio to stabilize the financing structure, while facilitating a reduction in marketable funds and an increase in bank-window deposits. The Bank also achieved additional preemptive measures implemented to strengthen auditing standards of the Financial Supervisory Service.

Contingency plan Busan Bank fully amended the existing plan for early recognition and preemptive measures against risks. It also made its "Emergency Action Plan for Risk Management" into a work manual, while including emergency phase declaration and cancellation procedures. The Bank went further and overhauled the action plan for each step and the decision criteria by area. The Bank also included the existing "credit risk management plan" into the manual for integrated management.

Improvements to the risk management structure of subsidiaries Busan Bank made changes to the risk management approach of BS Securities, a subsidiary. The Risk Management Department supervised risk management at subsidiaries and received data and reports on each key risk factor. It is also carrying out risk management surveillance every six months. The Bank also set a risk management limit for BS Securities and included it in the risk limit allowed for the Bank as a whole.

Implementation of a system where the Headquarters inspects branch loan reviews In the past, branches created loan review reports and received approval from the respective branch manager. Busan Bank has now introduced additional steps: when the abovementioned process is completed at a branch, a manager at the Headquarters who is in charge of the relevant business category performs an inspection and submits requests for relevant measures. Busan Bank thus strengthened risk management for companies with less than KRW 1 billion.

Creation of a Maximum Cumulative Cash Out (MCO) report for the trust business

Busan Bank created a MCO report for the trust business to measure its ability in responding to temporary liquidity crisis situations. The Bank previously took such measurements only for the Korean won and F/X business.

Risk management plans for 2010

In 2010, Busan Bank will efficiently respond to changes in the financial market by executing interest rate risk-alleviation policies and fully establishing a structure that responds to strengthened liquidity regulations. Its goal is to advance the risk management structure in line with changes that took place in the financial environment after the global financial crisis.

The Bank will implement a system where post-management measures are taken according to what step a company at a high risk of insolvency is in. Busan Bank will also improve KPI management methods at branches, and move forward with rebuilding the market risk management system. The Bank will ramp up the speed of establishing an integrated risk management infrastructure that includes subsidiaries by strengthening risk monitoring at BS Securities. The Bank will also develop a credit rating estimation system and concentrate its competencies on developing and applying insolvency forecast filtering fields to the credit evaluation system.

Social Responsibility

Going beyond volunteer-centered contribution activities, Busan Bank is implementing various effective social contribution activities by adopting new initiatives. Busan Bank will continue to develop projects designed to help as many people as possible and perform its role as a leading bank in making social contributions.



Sharing a happy future with the local community

Busan Bank has made strenuous efforts to systemize areas of social contribution that the Bank should focus on. Such efforts have enabled us to execute a wide array of efficient contribution activities. Busan Bank is thus recognized as a bank that shares its dreams and hopes with the local community and among its citizens – especially people in social welfare, culture and the arts, and local autonomous bodies including the city and district offices.

In 2009, Busan Bank promoted and continually executed social contribution programs that have been leading to good results. These programs were developed into the representative social contribution programs of Busan Bank. The Bank will address shortcomings to implement win-win management, in its truest meaning, as a model corporate citizen that stands by the local community.

Social Contribution Highlights in 2009

Environmental support for low-carbon, green growth To actively satisfy the government policy of low-carbon, green growth, Busan Bank is conducting various programs for environmental preservation. For example, the Bank donated 1,000 bicycles to provide active support for Busan Metropolitan City's green growth policy. Busan Bank also installed bicycle storage centers and provided bicycles and protective gear for the opening of the Nakdong River Pureumi Bicycle School. Other activities include volunteering at a tree-planting event for citizens, giving out flower seeds to promote tree-planting activities, and providing support for the 'Let's Play with the Environment' event to raise awareness of the importance of the environment among citizens. Every week, the local volunteer team carries out environmental purification activities at beaches, around streams, and along mountain paths. The Bank also implemented an energy protection system aimed at bringing down greenhouse gas emissions. Information on 12 ways to save resources in daily life was distributed to all employees to execute a detailed energy-saving campaign. The Bank is making efforts to use environment-friendly products. As part of such efforts, Busan Bank replaced air-heating systems with energy-saving equipment and also replaced incandescent lights and halogens with LED lighting. In addition, the Bank is supporting the government's policy by offering public interest products such as 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 is carrying out numerous support programs for educational development in the local community. A leading example is the scholarship program, which involves providing scholarships to outstanding students in the local area every year. Another example is the school development fund support program, through which Busan Bank supported regional schools in developing competitiveness and prevented outstanding students from moving out of the region. The Bank also provided body fat analyzing machines to manage the health of elementary school students, provided support for the purchasing of goods used to prevent H1N1, and supported underfed children, thereby making efforts to manage students' health. The Bank is actively taking part in a campaign aimed at encouraging citizens to make reading an essential part of their lives by providing financial support to public libraries, life-long learning centers, and small libraries set up at district offices for purchasing books; by donating books; and by operating a Children's Reading Economy Experience School. Other activities include providing work PCs and printers, supporting the operation of afterschool classes, supporting educational activities by native English teachers, offering life-long learning specialization programs, providing support for promotion of education for the talented, and enabling visitors to a global village to experience banks.



Support for the development of culture and art Busan Bank is carrying out various programs to make Busan into a city of culture and art. It opened Halls 1 and 2 of the Busan Bank Joeun Theater, becoming the first local bank to provide support through small theater naming. The Bank is taking a step closer to local citizens by providing high-quality theater and musical performances, and providing enjoyment to citizens by holding concerts. For the successful holding of the Pusan International Film Festival, Busan Bank provided financial support in addition to providing reservation systems and computer equipment. The Bank is supporting culture and art events as well as performances and local festivals, including the Busan Fireworks Festival, Haeundae Sand Festival, and Busan Fine Arts Exhibition. The Bank is also supporting various culture and art-related international events, including the Busan International Performing Arts Festival, Busan International Dance Festival, Busan International Tea Cultural Festival, and Busan International Art Fair. Busan Bank is thus making efforts to develop Busan into a city of culture and art.

Support for the development of sports Busan Bank introduced a company track and field team for the development of track and field, a relatively unpopular category of sports. This signaled the beginning of efforts to prevent highly skilled athletes in the area from going elsewhere. The Bank is providing all support possible, every year, for the operation and development of the Busan Athletics Federation. Busan Bank is also giving encouragement to teams participating in track and field tournaments, encouraging and delivering prize money to winners at sporting events and outstanding leaders, and supporting various tournaments, including badminton, tennis, marathons, and teen basketball tournaments. By doing so, the Bank is contributing to the enjoyment of a healthy life by teenagers and the general citizenry as well as the development of everyday sports. Busan Bank provided support for the Busan Golden Pole, National Archery Tournament, and various amateur golf tournaments.

Support for social welfare (sharing) and public interests Busan Bank is working hard to promote local development and public interests as a member of the local community. The low birth rate has become an important social issue. Against this backdrop, the Bank is building a childcare support center in the Busan metropolitan area to support the government's birth encouragement policy. To actively support the government's job-creation policy, the Bank opened the BS Job Center and is thus contributing to the creation of jobs. Busan Bank is offering a wide array of support for public interest programs, including support for events held for local community development, for public interest events held by civic groups, and for the Smile Microcredit Bank.

To share love with the low-income, at-risk class in the local area, Busan Bank is carrying out projects to share the love, thus raising its image as a compassionate, caring bank. The Bank is providing various supplies, including traditional market gift certificates, fans, rice, and ramen. Busan Bank is providing financial support to various welfare facilities and supporting welfare events. In addition to financial support, the Bank is carrying out volunteer activities at different facilities to show how much we care. The Bank is developing love-sharing projects that represent the bank by continually implementing such projects as helping married immigrants to visit their mother country, installing safety bars and bidets at washrooms for the disabled and seniors who find it difficult to walk, and providing provisions for mothers who just gave birth and are in the low income bracket.

Through volunteering and various other social contribution activities that employees participate in of their own accord, Busan Bank is assuming leadership in creating a good area to live in. As a bank that has grown together with the local community, Busan Bank will fulfill its mission as a local bank that was established with great anticipation from the local community. Moving forward, the Bank will continue to expand the scope and target of social contribution activities.

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Management's Discussion & Analysis

PERFORMANCE SUMMARY

With the recession resulting from the ongoing global financial crisis, Busan Bank's net income for 2009 has recorded KRW 245.1 billion, down by 29.9 percent over the previous year. Total assets stood at KRW 30,477.1 billion, an increase of KRW 2,519.5 billion year-on-year. The Bank's equity to asset ratio remained at 6.94 percent, up by 1.08 percent point. BIS ratio, calculated under BASEL II, increased by 1.40 percent point to 14.70 percent. As such, the Bank maintained solid capital adequacy while improving growth performance.

Key Financial Data (Unit : KRW Billion, %)	2009	2008	Change
Operating Revenue	3,085.1	3,635.0	-549.9
Operating Income	317.3	384.8	-67.5
Net Income	245.1	275.0	-29.9
Total Assets	30,477.1	27,957.6	2,519.5
Total Liabilities	28,357.6	26,311.8	2,045.8
Shareholders' Equity	2,119.5	1,645.8	473.7
Equity to Asset Ratio	6.94	5.86	1.08%p
BIS Ratio (BASEL II)	14.70	13.30	1.40%p

PROFIT AND LOSS ANALYSIS

Busan Bank's operating income recorded KRW 317.3 billion, down by 17.5 percent year-on-year. Net income decreased by 10.9 percent year-on-year to KRW 245.1 billion.

Summarized Income Statement (Unit : KRW Billion)	2009	2008	Change	
			Amount	%
Operating Revenue	3,085.1	3,635.0	-549.9	-15.1
Operating Expense	2,767.9	3,250.2	-482.3	-14.8
Operating Income	317.3	384.8	-67.5	-17.5
Non-Operating Revenue	25.3	14.0	11.3	80.7
Non-Operating Expense	24.5	16.6	7.9	47.6
Income Tax Expense	72.9	107.3	-34.4	-32.1
Net Income	245.1	275.0	-29.9	-10.9

Management's Discussion & Analysis

INTEREST INCOME

The Bank's net interest income totaled KRW 878.0 billion in 2009, up by 7.2 percent year-on-year. The increase is to be attributed to the comparative big reduction in interest expense to interest income. Interest income declined by 5.7 percent year-on-year, partly due to decrease in interest on loans. Interest expense recorded KRW 805.2 billion, a total decrease of KRW 159.7 billion, due to the decreased interest on deposits by KRW 145.5 billion year-on-year. This figure is a decrease of 16.6 percent from the previous year.

Interest Income (Unit : KRW Billion)	2009	2008	Change	
			Amount	%
Interest Income	1,683.2	1,784.3	-101.1	-5.7
Interest on Due from Banks	19.1	48.5	-29.4	-60.6
Interest on Securities	266.1	252.7	13.4	5.3
Interest on Loans	1,392.7	1,475.8	-83.1	-5.6
Other Interest Income	5.2	7.2	-2.0	-27.8
Interest Expense	805.2	964.9	-159.7	-16.6
Interest on Deposits	485.2	630.7	-145.5	-23.1
Interest on Borrowings	145.7	151.8	-6.1	-4.0
Interest on Debentures	167.1	168.1	-1.0	-0.6
Other Interest Expense	7.2	14.3	-7.1	-49.7
Net Interest Income	878.0	819.4	58.6	7.2

NET INTEREST MARGIN AND NET INTEREST SPREAD

Net interest margin was sustained at 3.23 percent in 2009, up by 0.14 percent point year-on-year. Net interest spread increased by 0.17 percent point to 4.16 percent.

NIM/NIS (%, %p)	2009	2008	Change
NIS	4.16	3.99	0.17

NON-INTEREST INCOME

Non-interest income stood at KRW 1,401.9 billion in 2009, down by KRW 448.8 billion or 24.3 percent year-on-year. In detail, gain on valuation and disposal of securities and gain on foreign exchange trading increased by KRW 15.0 billion and KRW 299.4 billion respectively, while other operating income declined by KRW 751.7 billion, a sharp decrease of KRW 751.7 billion year-on-year.

Non-Interest Income (Unit : KRW Billion)	2009	2008	Change	
			Amount	%
Gain on Valuation and Disposal of Securities	28.1	13.1	15.0	114.5
Gain on Disposal of Loans	13.3	8.9	4.4	49.4
Gain on Foreign Exchange Trading	574.0	274.6	299.4	109.0
Commission and Fee Income	133.9	141.8	-7.9	-5.6
Dividends Income	15.3	23.5	-8.2	-34.9
Other Operating Income	637.2	1,388.9	-751.7	-54.1
Total Non-Interest Income	1,401.9	1,850.7	-448.8	-24.3

NON-INTEREST EXPENSE

Non-interest expense recorded KRW 1,962.7 billion in 2009, down by KRW 322.6 billion or 14.1% year-on-year. In detail, loss on foreign exchange trading increased by KRW 101.9 billion year-on-year, and loss on disposal of loans increased by KRW 82.4 billion year-on-year. Other operating expense decreased by 44.5%, KRW 545.6 billion year-on-year, which is mainly due to a decrease of KRW 523 billion in the losses on derivatives trading and valuation of derivatives.

Non-Interest Expense (Unit : KRW Billion)	2009	2008	Change	
			Amount	%
Loss on Valuation and Disposal of Securities	48.2	29.2	19.0	65.1
Loss on Disposal of Loans	237.0	154.6	82.4	53.3
Loss on Foreign Exchange Trading	557.5	455.6	101.9	22.4
Commission and Fee Expense	50.5	42.6	7.9	18.5
Selling and Administrative Expense	388.5	376.7	11.8	3.1
Other Operating Expense	680.9	1,226.5	-545.6	-44.5
Total Non-Interest Expense	1,962.7	2,285.3	-322.6	-14.1

Management's Discussion & Analysis

LOAN LOSS PROVISIONS/ PROVISION RATIO

The Bank's provisions for possible loan losses grew by 0.35 percent year-on-year to 0.93 percent in 2009. This is mainly from an increase of 0.7 percent in total loans over the previous year, while provisions for loan losses increased by 62.2 percent to KRW 190.1 billion in provisions for household loans and corporate loans due to the continuing financial crisis and the recession in real economy.

Loan Loss Provisions by Segment (Unit : KRW Billion)	2009	2008	Change	
			Amount	%
Corporate Loans	141.2	107.6	33.6	31.2
Household Loans	14.7	2.1	12.6	600.0
Credit Card Loans	5.9	3.3	2.6	78.8
Other Provisions	28.3	4.2	24.1	573.8
Trust Accounts	0	0	0	0
Total Provision for Loan Losses (A)	190.1	117.2	72.9	62.2
Total Credit (B)	20,381.0	20,238.7	142.3	0.7
Provision Ratio (A / B)	0.93	0.58	0.35	0.35

SELLING GENERAL & ADMINISTRATIVE EXPENSE

Selling General & Administrative expenses amounted to KRW 388.5 billion in 2009, up by 11.8 billion year-on-year. By segment, salaries (including provisions for severance benefits and retirement allowances) increased by KRW 13.1 billion due to salary increase and honorary retirement.

Selling General & Administrative Expense (Unit : KRW Billion)	2009	2008	Change	
			Amount	%
Salaries (incl. Severance & Retirement Provisions)	158.2	145.1	13.1	9.0
Other Employee Benefits	95.9	90.5	5.4	6.0
Depreciation and Amortization (incl. Intangibles)	32.1	38.3	-6.2	-16.2
Other Selling General & Administrative Expense	102.3	102.8	-0.5	-0.5
Total Selling General & Administrative expenses	388.5	376.7	11.8	3.1

NON-OPERATING PROFIT & LOSS

Non-operating income posted KRW 25.3 billion in 2009, an increase of KRW 11.3 billion over the previous year, while non-operating expenses increased by KRW 7.9 billion to KRW 24.5 billion. Thus net non-operating income turned around from a deficit of KRW 2.6 billion to a surplus of KRW 0.8 billion.

Non-Operating Profit & Loss (Unit : KRW Billion)	2009	2008	Change	
			Amount	%
Non-Operating Income	25.3	14.0	11.3	80.7
Equity-Method Income	4.6	2.4	2.2	91.7
Other Non-Operating Income	20.7	11.6	9.1	78.4
Non-Operating Expense	24.5	16.6	7.9	47.6
Contributions	13.1	10.2	2.9	28.4
Other Non-Operating Expense	11.4	6.4	5.0	78.1
Net Non-Operating Income	0.8	-2.6	3.4	130.8

FINANCIAL STATUS

The Bank's total assets recorded KRW 30,477.1 billion, up by 9 percent year-on-year. Especially, other assets, such as uncollected receivables, increased greatly by KRW 1,845.2 billion from the previous year. Securities and loans increased by KRW 529.1 billion and KRW 759.0 billion respectively.

Turning to liabilities, total liabilities stood at KRW 28,357.6 billion, an increase of KRW 2,045.8 billion or 7.8 percent year-on-year. Shareholders' equity closed at KRW 2,119.5 billion, a rise of 28.8 percent year-on-year, due to capital increase of KRW 200 billion in March 2009 and higher retained earnings.

Summarized Balance Sheet (Unit : KRW Billion)	2009	2008	Change	
			Amount	%
Assets	30,477.1	27,957.6	2,519.5	9.0
Cash and Due from Banks	1,230.1	1,847.4	-617.3	-33.4
Securities	5,767.7	5,238.6	529.1	10.1
Loans	20,199.1	19,440.1	759.0	3.9
Fixed Assets	357.1	353.5	3.6	1.0
Other Assets	2,923.2	1,078.0	1,845.2	171.2
Liabilities	28,357.6	26,311.8	2,045.8	7.8
Deposits	18,510.5	16,758.2	1,752.3	10.5
Borrowings	6,390.8	7,865.2	-1,474.4	-18.7
Other Liabilities	3,456.3	1,688.4	1,767.9	104.7
Shareholder's Equity	2,119.5	1,645.8	473.7	28.8
Capital Stock	933.4	733.4	200.0	27.3
Accumulated Other Comprehensive Income	29.9	-29.3	59.2	202.1
Retained Earnings	1,157.4	941.6	215.8	22.9
Total Liabilities and Shareholders' Equity	30,477.1	27,957.6	2,519.5	9.0

Management's Discussion & Analysis

ASSET SOUNDNESS

Busan Bank's substandard and below loans recorded KRW 223.1 billion, a decrease of 15.9 percent year-on-year. The ratio of substandard and below loans closed the year at 1.1%, a decrease of 0.2 percent point. The coverage ratio, which is the ratio of loan loss provisions to substandard and below loans, recorded 137.3 percent, a rise of 23.6 percent point.

Asset Soundness (Unit : KRW Billion)	2009	2008	Change	
			Amount	%
Total Loans	20,381.0	20,238.7	142.3	0.7
Substandard and Below Loans	223.1	265.3	-42.2	-15.9
Loan Loss Provisions	306.4	301.8	4.6	1.5
Substandard Ratio/ Total Loan	1.1	1.3	-0.2	-0.2
Coverage Ratio	137.3	113.8	23.6	23.6

CAPITAL ADEQUACY

The Bank's TCE was 6.94 percent at year-end, a rise of 1.08 percent point year-on-year, due to the successful rights issue of KRW 200 billion in March 2009 and increased internal reservation. The capital ratio, calculated under Basel II standards, was 14.70 percent, an increase of 1.40 percent point year-on-year. As such, the Bank keeps stable capital adequacy.

Capital Adequacy (%)	2009	2008	Change
TCE	6.94	5.86	1.08
BIS Capital Ratio (Basel II)	14.70	13.30	1.40
Tier I Capital	10.38	8.50	1.88
Tier II Capital	4.32	4.80	-0.48

Independent Auditors' Report

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, 2009 and 2008, 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, 2009 and 2008, 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, 2009 and 2008, 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

March 2, 2010

NOTICE TO READERS

This report is effective as of March 2, 2010, 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, 2009 AND 2008

(Korean Won, In millions)

	2009		2008	
ASSETS				
Cash and due from banks (Notes 3, 26 and 28)	₩	1,230,122	₩	1,847,392
Securities (Notes 4 and 28)		5,767,662		5,238,574
Loans, net of allowance for possible loan losses (Notes 2, 5, 6, 7, 26 and 28)		20,199,061		19,440,094
Tangible assets, net of accumulated depreciation (Note 8)		357,109		353,499
Other assets (Notes 9, 10, 16, 23 and 28)		2,923,185		1,078,044
	₩	30,477,139	₩	27,957,603
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES:				
Deposits (Notes 11, 26, 28 and 29)	₩	18,510,535	₩	16,758,164
Borrowings (Notes 12, 26 and 28)		6,390,799		7,865,246
Other liabilities (Notes 13, 14, 15, 16, 17, 19 and 28)		3,456,269		1,688,438
		28,357,603		26,311,848
SHAREHOLDERS' EQUITY (Note 18):				
Capital stock		933,418		733,418
Capital adjustments		(1,221)		-
Accumulated other comprehensive income (loss)		29,931		(29,307)
Retained earnings		1,157,408		941,644
		2,119,536		1,645,755
	₩	30,477,139	₩	27,957,603

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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

	2009		2008	
OPERATING REVENUE::				
Interest income (Note 20):				
Interest on due from banks	₩	19,145	₩	48,517
Interest on securities		266,132		252,713
Interest on loans		1,392,736		1,475,811
Other interest income		5,161		7,247
		1,683,174		1,784,288
Gain on valuation and disposal of securities (Note 4):				
Gain on disposal of trading securities		202		2,451
Gain on disposal of available-for-sale securities		27,889		10,682
		28,091		13,133
Gain on valuation and disposal of loans				
Gain on sale of loans		13,304		8,860
Foreign exchange trading income		574,025		274,574
Commission income		133,939		141,821
Dividends income:				
Dividends on trading securities		-		43
Dividends on available-for-sale securities		15,349		23,423
		15,349		23,466
Other operating income:				
Gain on financial derivatives trading		521,652		939,269
Gain on valuation of financial derivatives (Note 16)		91,171		437,847
Gain on valuation of fair value hedged items (Notes 12 and 16)		15,453		-
Fees and commissions from trust accounts		8,959		11,637
Reversal of allowance for possible losses on unused limits		-		118
		637,235		1,388,871
Total operating revenues		3,085,117		3,635,013
OPERATING EXPENSES:				
Interest expenses (Note 20):				
Interest on deposits		485,242		630,698
Interest on borrowings		145,662		151,834
Interest on debentures		167,117		168,094
Other interest expenses		7,169		14,277
		805,190		964,903

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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

	2009		2008	
Loss on valuation and disposal of securities (Note 4):				
Loss on disposal of trading securities	₩	-	₩	5,571
Loss on disposal of available-for-sale securities		8,140		-
Impairment loss on available-for-sale securities		31,049		22,600
Impairment loss on held-to-maturity securities		9,042		1,054
		48,231		29,225
Loss on valuation and disposal of loans:				
Provision for possible loan losses (Note 7)		160,941		111,966
Loss on sale of loans		76,080		42,603
		237,021		154,569
Foreign exchange trading losses		557,504		455,644
Commission expense		50,511		42,626
Selling and administrative expenses (Notes 21 and 29)		388,497		376,741
Other operating expenses:				
Loss on financial derivatives trading		469,422		776,774
Loss on valuation of financial derivatives (Note 16)		124,463		339,730
Loss on valuation of fair value hedged items (Notes 12 and 16)		-		50,693
Contribution to fund		35,291		33,023
Losses on trust accounts		443		-
Provision for allowance for possible losses on acceptances and guarantees		838		1,100
Provision for allowance for possible losses on unused limits		787		-
Provision for other allowance		27,501		4,267
Other operating expenses		22,166		20,875
		680,911		1,226,462
Total operating expenses		2,767,865		3,250,170
OPERATING INCOME		317,252		384,843
NON-OPERATING INCOME (Note 22)		25,285		13,954
NON-OPERATING EXPENSES (Note 22)		24,517		16,579
INCOME BEFORE INCOME TAX		318,020		382,218
INCOME TAX EXPENSE (Note 23)		72,919		107,259
NET INCOME	₩	245,101	₩	274,959
NET INCOME PER SHARE (In currency units) (Note 24)	₩	1,374	₩	1,874

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(Korean Won, In millions)

	2009		2008	
RETAINED EARNINGS BEFORE APPROPRIATIONS:				
Beginning of the year	₩	1	₩	-
Net income		245,101		274,959
		245,102		274,959
APPROPRIATIONS:				
Legal reserve (Note 18)		24,520		27,500
Other reserve		189,542		218,121
Cash dividends (Note 25)		29,869		29,337
Amortization discount on stock issuance		1,170		-
		245,101		274,958
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, 2009 AND 2008

(Korean Won, In millions)	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at January 1, 2008	₩ 733,418	₩ -	₩ -	₩ (11,050)	₩ 750,295	₩ 1,472,663
Annual dividends	-	-	-	-	(83,610)	(83,610)
Balance after appropriation	733,418	-	-	(11,050)	666,685	1,389,053
Net income	-	-	-	-	274,959	274,959
Loss on valuation of available-for-sale securities	-	-	-	(18,396)	-	(18,396)
Change in capital on equity securities using the equity method	-	-	-	176	-	176
Loss on valuation of cash flow hedged items	-	-	-	(37)	-	(37)
Balance at December 31, 2008	₩ 733,418	₩ -	₩ -	₩ (29,307)	₩ 941,644	₩ 1,645,755

(Korean Won, In millions)	Capital stock	Capital surplus	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

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	(Korean Won, In millions)	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	₩ 245,101	₩ 274,959
Adjustments to reconcile net income to net cash used in operating activities:		
Impairment loss on available-for-sale securities	31,049	22,600
Impairment loss on held-to-maturity securities	9,042	1,054
Gain on financial derivatives trading, net	(52,230)	(162,495)
Loss (gain) on valuation of financial derivatives, net	33,292	(98,117)
Provision for possible loan losses	160,941	111,966
Provision for severance benefits	20,641	13,257
Depreciation and amortization	32,135	38,361
Gain on disposal of tangible assets, net	(32)	(153)
Gain on valuation of securities using the equity method, net	(4,559)	(1,620)
Loss (gain) on valuation of fair value hedged items	(15,453)	50,693
Gain on disposal of securities using the equity method	-	(1,729)
Loss (gain) on translation of foreign currency debentures	(53,923)	165,599
Amortization of discounts on debentures	2,851	11,577
Provision for other allowance	27,501	4,267
Provision for possible losses on acceptance and guarantees	838	1,100
Provision for (Reversal of) allowance for possible losses on unused limits, net	787	(118)
(Reversal of) Share-based compensation expense, net	998	(1,776)
Others, net	(9,742)	(9,270)
	184,136	145,196
Changes in assets and liabilities resulting from operations:		
Decrease in trading securities	543	2,728
Increase in available-for-sale securities	(83,436)	(276,735)
Decrease (increase) in held-to-maturity securities	(387,238)	27,977
Increase in loans	(917,924)	(1,646,100)
Decrease (increase) in accrued income	8,111	(4,883)
Increase in prepaid expenses	(4,272)	(449)
Increase in deferred income tax assets	(26,866)	-
Payment of severance benefits	(21,966)	(10,807)
Decrease (increase) in severance insurance deposits	2,135	(4,416)
Increase (decrease) in accrued expenses	(60,109)	65,023
Increase (decrease) in unearned revenues	(5,380)	2,980
Increase (decrease) in taxes withheld	(1,604)	1,416
Decrease in deferred income tax liabilities	-	(4,048)
Increase in income tax payable	1,185	23,046
Others, net	2	8
	(1,496,819)	(1,824,260)
Net cash used in operating activities	(1,067,582)	(1,404,105)

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(Korean Won, In millions)

	2009	2008
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in restricted due from banks, net	₩ 328,919	₩ (467,751)
Decrease (increase) in accounts receivable, net	(2,115,974)	698,346
Decrease (increase) in domestic exchange settlement debits, net	11,039	(2,893)
Disposal of tangible assets	101	168
Acquisition of equity securities using the equity method	(10,000)	-
Acquisition of tangible assets	(34,058)	(25,987)
Acquisition of intangible assets	(931)	(1,107)
Increase in guarantee deposits, net	(11,695)	(6,299)
Decrease (increase) in other assets, net	270,352	(258,845)
Net cash used in investing activities	(1,562,247)	(64,368)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in deposits, net	1,752,372	545,312
Increase (decrease) in borrowings, net	(521,176)	649,609
Increase (decrease) in debentures, net	(427,866)	315,752
Increase (decrease) in sold under repurchase agreements, net	(300,189)	167,532
Increase (decrease) in bills sold, net	15,175	(155,109)
Increase in deposits for letter of guarantees and other, net	5,166	6,045
Increase (decrease) in domestic exchange payable, net	77,046	(7,701)
Increase (decrease) in borrowings from trust account, net	(164,073)	166,374
Decrease (increase) in accounts receivable, net	2,107,271	(735,853)
Dividend	(29,337)	(83,610)
Issuance of common stock	198,830	-
Increase (decrease) in other liabilities, net	(371,741)	652,415
Net cash provided by financing activities	2,341,478	1,520,766
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	(288,351)	52,293
CASH AND DUE FROM BANKS, BEGINNING OF THE YEAR	968,610	916,317
CASH AND DUE FROM BANKS, END OF THE YEAR (Note 34)	₩ 680,259	₩ 968,610

See accompanying notes to non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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 235 branches and offices in Korea and 1 overseas representative 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, 2009 amounted to ₩933,418 million.

The major shareholders of the Bank were as follows

SHAREHOLDERS	NUMBER OF SHARES	PERCENTAGE (%)
Lotte Group (*)	26,283,658	14.08
Park Land Co., Ltd.	8,000,000	4.29
Saudi Arabian Monetary Agency	7,230,724	3.87
National Pension	7,091,192	3.80
Aberdeen Global	5,253,627	2.81
Korea Iron & Steel Co., Ltd.	2,791,323	1.50
KB Asset Management	2,341,050	1.25
Korea Investment Trust Management	2,211,468	1.18
Murray Johnstone International Delaware	2,204,291	1.18
GMO Emerging Markets Fund	2,147,099	1.15
UBS Hana Asset Management	1,961,341	1.05
Others	119,167,877	63.84
	186,683,650	100.00

(*) Included the related shareholders that a party substantially control

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 (Hangul) 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.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

According to the Act on External Audit for Stock Companies in the Republic of Korea revised in 2009, "the Balance Sheet" is renamed as "Statement of Financial Position".

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

The financial statements of the Bank to be submitted to the general shareholders' meeting were approved by the Board of Directors on February 4, 2010.

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 the 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, 2009 and 2008, 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 ₩541,125 million and ₩460,360 million, respectively, and the related accrued interest income not recognized amounted to ₩18,821 million and ₩10,040 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 differs 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 in 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 regarded as the recovery of the 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 were impaired based on the net asset fair value, the recovery is recorded up to their 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 had not been recognized as reversal of loss on impairment of held-to-maturity securities.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(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.

Transfer of Securities

When the realization, expiration or sale of the right to obtain the economic benefits arises and the control of securities is lost from the sale of the securities, the unrealized valuation gain or loss of securities included in 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 loan 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 has provided 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 all credit line commitments to households and corporations reflecting the credit conversion rate.

Restructuring of Loans

The equity interest in the debtors, real estates 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 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 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 leasehold improvements) 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

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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, 2009 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 indemnities that would be payable assuming all eligible employees and directors were to resign amount to ₩65,099 million and ₩66,424 million as of December 31, 2009 and 2008, respectively.

The Bank has purchased severance benefits insurance, which meets the funding requirement for tax purposes, and made deposits with Samsung Life Insurance Co., Ltd. and others amounting to ₩56,926 million and ₩59,061 million as of December 31, 2009 and 2008, respectively. Withdrawal of these deposits is restricted to the payment of severance benefits. These are presented as a deduction from accrued severance benefits. In addition, actual payments of severance indemnities amounted to ₩21,966 million and ₩10,807 million for the years ended December 31, 2009 and 2008, respectively.

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 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, the Bank measures the services received and the liabilities for the considerations at fair value in a cash-settled share-based payment transaction since 2007. The liabilities are assessed at fair value of the closing day or the final settlement day, of which option pricing models are used and the conditions of the stock option and the contractual terms of the services provided are considered in the option pricing model.

Stock options, which were provided no later than 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 (₩1,167.60 and ₩1,257.50 to US\$ 1.00 at December 31, 2009 and 2008, respectively) announced by Seoul Money Brokerage Service, Ltd. or cross rates for other currencies other than U.S. Dollars at the end of the reporting period. Translation gains and losses are credited or charged to operations.

Accounting for Trust Accounts

The Bank separately maintains the books of accounts and financial statements in connection with the trust operations (the trust accounts) from those of the bank accounts in accordance with the Trust Business 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 operation and management of the trust business and accounts for them 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. In addition, fees and commissions from trust account amounted to ₩8,959 million and ₩11,637 million for the years ended December 31, 2009 and 2008, respectively. Losses from trust account amounted to ₩442 million and nil for the years ended December 31, 2009 and 2008, respectively.

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, 2009 AND 2008

3. CASH AND DUE FROM BANKS:

(1) Cash and due from banks as of December 31, 2009 and 2008 consisted of the following:

(Won in millions)	2009		2008	
Cash and checks	₩	311,513	₩	309,689
Foreign currencies		43,309		64,138
Due from banks in local currency		847,910		1,152,192
Due from banks in foreign currencies		27,390		321,373
	₩	1,230,122	₩	1,847,392

(2) Due from banks in local currency and foreign currencies as of December 31, 2009 and 2008 consisted of the following:

(Won in millions)	FINANCIAL INSTITUTION	INTEREST RATE (%)	2009		2008	
Due from banks in local currency:	The Bank of Korea	-	₩	361,165	₩	563,874
	Kwangju Bank and others	2.85~4.49		163,216		245,577
	SC First Bank and others	3.00~4.50		309,900		341,600
	The Korea Exchange and others	-		13,629		1,141
				847,910		1,152,192
Due from banks in foreign currencies:	The Bank of Korea	-		16,672		95,911
	KEB and others	-		10,091		10,977
	Calyon Bank	-		-		62,875
	Deutsche Bank	-		-		150,900
	BOA and others	-		627		710
					27,390	
			₩	875,300	₩	1,473,565

(3) Restricted due from banks in local currency and foreign currencies as of December 31, 2009 and 2008 consisted of the following:

(Won in millions)	FINANCIAL INSTITUTION	2009		2008		REASON OF RESTRICTION
Due from banks in local currency:	Reserve deposits CD and others	₩	361,165	₩	563,874	The Bank of Korea Act
Time deposits	Calyon Bank		157,300		-	Guarantees for borrowings from banks
Other deposits	The Korea Exchange and others		126		1,122	Margin for derivative transaction and other
Other deposits	Busan Bank		13,500		-	Investor deposit for beneficiary certificates

(Won in millions)	FINANCIAL INSTITUTION	2009		2008		REASON OF RESTRICTION
Due from banks in foreign currencies:						
Due from banks on demand	The Bank of Korea	₩	16,672	₩	95,911	The Bank of Korea Act
Due from banks on time	Calyon Bank		-		62,875	Guarantees for borrowings from banks
Other deposits	Deutsche Bank		-		150,900	Guarantees for borrowings from banks
		₩	549,863	₩	878,782	

4. SECURITIES:

(1) Securities as of December 31, 2009 and 2008 consisted of the following:

(Won in millions)	2009		2008		
Trading securities:					
Beneficiary certificates		₩	7,594	₩	8,137
Available-for-sale securities:					
Stocks			274,487		227,971
Equity securities			12,056		12,517
Government and public bonds			210,768		133,081
Finance debentures			220,617		671,068
Corporate bonds in local currency			1,011,229		676,374
Corporate bonds in foreign currencies			34,856		35,209
Beneficiary certificates			440,297		311,938
Other securities in foreign currencies			15,597		22,432
			2,219,907		2,090,590
Held-to-maturity securities:					
Government and public bonds			667,439		338,662
Finance debentures			1,570,586		2,177,134
Corporate bonds in local currency			1,231,472		558,975
Securities in foreign currencies			25,985		37,725
			3,495,482		3,112,496
Securities using the equity method Stocks			44,679		27,351
		₩	5,767,662	₩	5,238,574

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FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(2) The valuation of securities excluding securities using the equity method as of December 31, 2009 and 2008 consisted of the following:

December 31, 2009:	Face value	Acquisition cost	Adjusted by effective interest rate method	Book value
(Won in millions)				
Trading securities:				
Beneficiary certificates	₩ 7,594	₩ 7,594	₩ 7,594	₩ 7,594
Available-for-sale securities:				
Equity securities	257,731	282,432	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
	2,214,857	2,249,833	2,242,275	2,219,907

December 31, 2009:	Face value	Acquisition cost	Adjusted by effective interest rate method	Book value
(Won in millions)				
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
	₩ 5,751,358	₩ 5,754,789	₩ 5,760,232	₩ 5,722,983

December 31, 2008:	Face value	Acquisition cost	Adjusted by effective interest rate method	Book value
(Won in millions)				
Trading securities:				
Beneficiary certificates	₩ 8,137	₩ 8,137	₩ 8,137	₩ 8,137
Available-for-sale securities:				
Equity securities	226,383	236,089	236,089	240,488
Government and public bonds	130,000	129,001	129,218	133,081
Finance debentures	660,000	659,696	659,683	671,068
Corporate bonds in local currency	678,200	675,642	676,064	676,374
Corporate bonds in foreign currencies	37,725	37,725	37,619	35,209
Beneficiary certificates	370,430	371,660	371,626	311,938
Other securities in foreign currencies	50,300	46,401	49,466	22,432
	2,153,038	2,156,214	2,159,765	2,090,590

December 31, 2008:

(Won in millions)

	Face value	Acquisition cost	Adjusted by effective interest rate method	Book value
Held-to-maturity securities:				
Government and public bonds	₩ 353,090	₩ 325,603	₩ 338,662	₩ 338,662
Finance debentures	2,180,000	2,172,214	2,177,134	2,177,134
Corporate bonds in local currency	561,733	555,708	558,975	558,975
Securities in foreign currencies	44,013	44,013	37,725	37,725
	3,138,836	3,097,538	3,112,496	3,112,496
	₩ 5,300,011	₩ 5,261,889	₩ 5,280,398	₩ 5,211,223

The fair values of debt securities as of December 31, 2009 and 2008 were 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 were translated using the basic exchange rate at December 31, 2009 and 2008, 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.

(3) Available-for-sale equity securities (equity securities and stocks) as of December 31, 2009 and 2008 consisted of the following:

December 31, 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	₩ 1,011	₩ 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

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December 31, 2009:						
(Won in millions)	Shares	Percentage of ownership (%)	Acquisition cost	Fair value or net asset value	Book value	
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	₩ 313,184	₩ 286,543	

December 31, 2008:						
(Won in millions)	Shares	Percentage of ownership (%)	Acquisition cost	Fair value or net asset value	Book value	
Unlisted equity securities:						
Green Cross Life Insurance Co., Ltd. (Preferred stock)	356,130	10.00	₩ 3,454	₩ 2,295	₩ 2,805	
Green Cross Life Insurance Co., Ltd.	159,330	0.99	1,545	1,027	1,270	
BC Card	177,120	4.03	3,042	21,201	9,908	
Kihyup Technology Co., Ltd.	100,000	1.72	500	651	508	
Dongbu Investment Trust Co., Ltd.	400,000	6.67	2,000	2,034	2,180	
Korea Housing Guarantee Co., Ltd.	1,167,000	0.18	2,021	6,730	4,683	
Shinhan Infrastructure Portfolio Fund	4,949,590	10.76	23,561	19,683	24,152	
Korea BTL Fund I	3,227,548	13.89	33,571	19,172	34,256	
Myoungji Bridge Co., Ltd.	2,367,000	11.25	11,835	10,274	12,794	
Renaissance Private Equity I, L.P.	780	6.64	7,800	1,547	7,800	
Miraeasset Private Security Fund 3	9,590,000	8.18	47,950	49,256	47,950	
Miraeasset Private Security Fund 4	2,000,000	2.72	10,000	8,178	10,000	
KTB 2007 Private Equity Fund	11,940,000,000	4.35	11,940	10,268	11,443	
Air Busan Co., Ltd.	299,000	2.99	1,495	1,393	1,495	
Hae Duk Rudder & R. Stock Co., Ltd.	196,000	3.44	1,764	968	1,754	
Balhae Infrastructure Fund	1,374,790	1.68	14,039	12,740	14,423	
Lotte Capital Co., Ltd.	2,464,000	7.40	21,126	18,712	18,202	
Others			25,794	13,461	22,348	
			223,437	199,590	227,971	

December 31, 2008:						
(Won in millions)	Shares	Percentage of ownership (%)	Acquisition cost	Fair value or net asset value	Book value	
Equity investments:						
Korea Asset Management Corporation	292,000	0.56	₩ 1,460	₩ 2,166	₩ 1,460	
Non-performing Asset Management Fund	8,280,000,000	1.44	8,280	46,610	8,280	
KTB Mezzanine Fund	17	14.29	1,740	1,288	1,675	
Others			1,102	1,158	1,102	
			12,582	51,222	12,517	
			₩ 236,019	₩ 250,812	₩ 240,488	

The fair value of the available-for-sale non-marketable equity securities were reliably measured by an independent appraisal agency using reasonable judgment. The fair value was 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.

(4) The portfolio of securities excluding securities using the equity method, by industry, as of December 31, 2009 and 2008 consisted of the following:

(Won in millions)	2009		2008		Percentage (%)	
	2009	2008	2009	2008	2009	2008
Trading securities:						
Financial services	₩ 7,594	₩ 8,137	100.00	100.00		
Available-for-sale securities:						
Manufacturing	43,450	80,991	1.96	3.86		
Construction	200,455	36,548	9.03	1.75		
Wholesale and retail	10,215	45	0.46	-		
Transportation	21,517	30,651	0.97	1.47		
Public service	210,768	133,081	9.49	6.37		
Financial services	1,671,836	1,755,244	75.32	83.96		
Real estate leasing service	14,082	11,824	0.63	0.57		
Others	47,584	42,206	2.14	2.02		
	2,219,907	2,090,590	100.00	100.00		
Held-to-maturity securities:						
Construction	673,264	143,517	19.26	4.61		
Transportation	54,350	66,661	1.55	2.14		
Financial services	1,926,751	2,493,580	55.13	80.12		
Public service	691,107	338,662	19.77	10.88		
Others	150,010	70,076	4.29	2.25		
	3,495,482	3,112,496	100.00	100.00		
	₩ 5,722,983	₩ 5,211,223				

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(5) The portfolio of securities excluding securities using the equity method, by type, as of December 31, 2009 and 2008 consisted of the following:

December 31, 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	

December 31, 2008: (Won in millions)	Securities in local currency	Securities in foreign currencies	Total	Percentage (%)
Trading securities				
Beneficiary certificates	₩ 8,137	₩ -	₩ 8,137	100.00
Available-for-sale securities:				
Equity securities	240,488	-	240,488	11.50
Fixed rate bonds	1,480,523	10,720	1,491,243	71.33
Floating rate bonds	-	46,921	46,921	2.25
Beneficiary certificates	311,938	-	311,938	14.92
	2,032,949	57,641	2,090,590	100.00
Held-to-maturity securities:				
Fixed rate bonds	2,944,771	-	2,944,771	94.61
Floating rate bonds	130,000	37,725	167,725	5.39
	3,074,771	37,725	3,112,496	100.00
	₩ 5,115,857	₩ 95,366	₩ 5,221,223	

(6) Equity securities using the equity method as of December 31, 2009 and 2008 were summarized as follows:

December 31, 2009: (Won in millions)	No. of shares	Owner-ship (%)	Acquisition cost	Net asset value	Book value
BS Securities Co., Ltd. (*1)	5,000,000	100.00	₩ 25,000	₩ 41,679	₩ 41,679
Busan Credit Information Co., Ltd. (*2)	600,000	100.00	3,000	3,986	3,000
Korea Lease Financing Co., Ltd. (*3)	695,064	17.38	3,475	-	-
			₩ 31,475	₩ 45,665	₩ 44,679

December 31, 2008:

(Won in millions)	No. of shares	Owner-ship (%)	Acquisition cost	Net asset value	Book value
PB Futures Co., Ltd. (*1)	3,000,000	100.00	₩ 15,000	₩ 22,042	₩ 22,042
Busan Credit Information Co., Ltd. (*2)	600,000	100.00	3,000	3,603	3,000
Korea Lease Financing Co., Ltd. (*3)	695,064	17.38	3,475	-	-
Mybi Co., Ltd. (*4)	420,000	7.61	2,100	2,309	2,309
			₩ 23,575	₩ 27,954	₩ 27,351

(*1) The Bank had paid-in capital increase of BS Securities Co., Ltd (Formerly, "PB Futures Co., Ltd.") and additionally purchased 2 million shares for ₩10 billion of which per share is ₩5,000.
 (*2) 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.
 (*3) 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 and 2008.
 (*4) The equity securities of Mybi Co., Ltd. were reclassified to available-for-sale securities because the Bank no longer has significant influence over such investee.

The fair value and net asset value of the above investees are computed based on their financial statements as of December 31, 2009 and 2008.

(7) The valuations of securities using the equity method as of December 31, 2009 and 2008 were as follows:

December 31, 2009: (Won in millions)	Acquisition cost	Net asset value	Book value before valuation	Equity gain	Capital adjustment	Accumulated other comprehensive income	Reclassi- fication	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

December 31, 2008: (Won in millions)	Acquisition cost	Net asset value	Book value before valuation	Equity gain (loss)	Capital adjustment	Accumulated other comprehensive income	Book value after valuation
PB Futures Co., Ltd.	₩ 15,000	₩ 22,042	₩ 19,631	₩ 2,411	₩ -	₩ -	₩ 22,042
Busan Credit Information Co., Ltd.	3,000	3,603	3,000	-	-	-	3,000
Mybi Co., Ltd.	2,100	2,309	1,195	(791)	1,729	176	2,309
Korea Lease Financing Co., Ltd.	3,475	-	-	-	-	-	-
	₩ 23,575	₩ 27,954	₩ 23,826	₩ 1,620	₩ 1,729	₩ 176	₩ 27,351

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(8) Significant financial information of companies of which stocks were accounted for using the equity method as of and for the years ended December 31, 2009 and 2008 were as follows:

December 31, 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	

December 31, 2008: (Won in millions)	Assets		Liabilities	Sales/Operating revenue	Net income
PB Futures Co., Ltd. (*)	₩ 127,396	₩ 105,354	₩ 22,683	₩ 2,411	
Busan Credit Information Co., Ltd.	3,881	278	2,020	298	
Mybi Co., Ltd.	64,011	33,687	18,978	(5,680)	

(*) Sales/Operating revenue and net income were for the years ended December 31, 2009 and 2008, respectively.

(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, 2009 were as follows:

(Won in millions)	Beginning	Increase	Decrease	Disposal	Ending
Available-for-sale securities:					
Equity securities	₩ 8,771	₩ 12,258	₩ 1,417	₩ (1,427)	₩ 21,039
Bonds in local currency	12,084	7,160	4,131	12,434	2,679
Bonds in foreign currencies	(6,742)	1,680	474	(5,408)	(128)
Beneficiary certificates	(45,184)	26,885	302	(19,516)	915
	(31,071)	47,983	6,324	(13,917)	24,505
Change in capital on equity securities using the equity method	1,764	5,426	1,764	-	5,426

(10) Term structure of securities (except for stocks and equity securities) in available-for-sale and held-to-maturity securities as of December 31, 2009 and 2008 was as follows:

December 31, 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

December 31, 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

December 31, 2008: (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	₩ -	₩ 80,183	₩ 90,050	₩ 68,989	₩ -	₩ 239,222
Less than 6 months	10,066	30,277	59,835	14,540	-	114,718
Less than 1 year	10,142	233,666	156,313	112,540	-	512,661
Less than 2 years	20,693	306,754	116,992	-	24,490	468,929
Less than 3 years	92,180	20,188	108,822	55,480	-	276,670
Less than 4 years	-	-	-	-	-	-
Less than 5 years	-	-	144,362	12,711	11,535	168,608
Less than 10 years	-	-	-	13,462	21,616	35,078
Over 10 years	-	-	-	34,216	-	34,216
	133,081	671,068	676,374	311,938	57,641	1,850,102
Held-to-maturity securities:						
Less than 3 months	41,339	159,684	83,435	-	-	284,458
Less than 6 months	38,145	179,741	16,935	-	-	234,821
Less than 1 year	54,268	527,572	74,214	-	-	656,054
Less than 2 years	53,581	959,082	74,528	-	12,575	1,099,766
Less than 3 years	70,032	251,055	206,286	-	12,575	539,948
Less than 4 years	23,605	-	59,098	-	-	82,703
Less than 5 years	57,692	-	34,479	-	12,575	104,746
Less than 10 years	-	100,000	10,000	-	-	110,000
	338,662	2,177,134	558,975	-	37,725	3,112,496
	₩ 471,743	₩ 2,848,202	₩ 1,235,349	₩ 311,938	₩ 95,366	₩ 4,962,598

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(11) The impairment loss and the reversal of impairment loss on available-for-sale securities recognized for the years ended December 31, 2009 and 2008 were as follows:

Accounts	2009		2008	
	Impairment	Reversal	Impairment	Reversal
Available-for-sale securities:				
Equity securities	₩ 15,129	₩ -	₩ 859	₩ -
Local currencies bonds	5,000	-	-	-
Foreign currencies bonds	10,920	-	21,741	-
Held-to-maturity securities Foreign currencies bonds	9,042	-	1,054	-

(12) The portfolio of securities in foreign currencies excluding securities accounted for using the equity method, by country, as of December 31, 2009 and 2008 was as follows:

By country	2009		2008	
	Amount	Percentage (%)	Amount	Percentage (%)
Available-for-sale securities:				
Korea	₩ 34,856	69.08	₩ 35,210	61.08
USA	8,652	17.15	12,841	22.28
France	3,424	6.79	5,087	8.83
Belgium	3,521	6.98	4,503	7.81
	50,453	100.00	57,641	100.00
Held-to-maturity securities:				
USA	11,676	44.93	12,575	33.33
France	4,931	18.98	12,575	33.33
Belgium	9,378	36.09	12,575	33.34
	25,985	100.00	37,725	100.00
	₩ 76,438		₩ 95,366	

(13) Structured securities as of December 31, 2009 and 2008 were as follows:

	2009	2008
Interest related		
FRN	₩ 170,000	₩ 130,000
Credit risk related:		
Synthetic CDO	24,976	35,007
CLN	4,931	12,575
CLO	11,676	12,575
	41,583	60,157
	₩ 211,583	₩ 190,157

(14) Securities provided as collateral as of December 31, 2009 and 2008 were as follows:

PROVIDED TO	2009	2008	PROVIDED FOR
Korea Securities Depository	₩ 960,000	₩ 1,200,000	Bonds sold under repurchase agreements
The Bank of Korea	190,000	160,000	Overdrafts and settlement
The Bank of Korea	470,000	460,000	Borrowings from the Bank of Korea
BS Securities Co., Ltd. and others	-	1,800	Futures settlement
Societe Generale Bank	40,000	50,000	Settlement
Sumitomo Bank	90,000	100,000	Borrowings
Deutsche Bank	222,000	-	Borrowings
China Construction Bank	50,000	-	Borrowings
Busan District Court	-	1,584	A deposit
	₩ 2,020,000	₩ 1,973,384	

(15) Assets of privately placed units included in beneficiary certificates of available-for-sale securities as of December 31, 2009 and 2008 were as follows:

	2009	2008
Stocks	₩ 201,324	₩ 87,705
Government and public bonds	3,971	-
Finance bonds	46,130	53,859
Corporate bonds	-	4,570
Call loans	8,808	13,723
Other due from banks	6,523	50,345
CP	-	₩ 2
Other assets	₩ 12,252	₩ 5,031
Total assets	279,008	242,972
Total liabilities	2,075	-
Net assets	₩ 276,933	₩ 242,972

5. LOANS:

(1) Loans as of December 31, 2009 and 2008 consisted of the following:

	2009	2008
Loans in local currency	₩ 17,842,809	₩ 16,992,263
Loans in foreign currencies	1,116,101	1,449,331
Bills bought in local currency	1,135	8,927
Bills bought in foreign currencies	221,842	322,292
Advances for customers	30,527	29,254

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(Won in millions)	2009	2008
Credit card accounts	358,926	345,552
Privately placed bonds	119,021	134,875
Call loans	112,816	5,000
A Purchasing Repurchase Agreement	450,000	-
Domestic import usance bill	263,735	448,817
	20,516,912	19,736,311
Allowance for possible loan losses (see Notes 6 and 7)	(317,851)	(296,217)
	₩ 20,199,061	₩ 19,440,094

(2) Loans in local currency and loans in foreign currencies as of December 31, 2009 and 2008 were as follows:

(Won in millions)	2009	2008
Loans in local currency:		
Commercial		
Working capital loans:		
Notes discounted	₩ 385,261	₩ 524,620
Overdraft accounts	131,371	166,850
General purpose loans	7,110,122	6,818,821
Trading notes	271,065	288,186
Commercial loans	439,310	463,892
Others	465,470	336,679
	8,802,599	8,599,048
Facilities loans:		
General purpose loans	3,360,226	3,034,093
Others	986,360	993,920
	4,346,586	4,028,013
	13,149,185	12,627,061
Households		
General purpose loans	4,063,958	3,787,823
Others	1,161	1,053
	4,065,119	3,788,876
Public sector loans		
Working capital loans	169,618	148,122
Facilities loans	131,076	118,746
	300,694	266,868
Other loans		
Housing loans	28,142	20,718
Inter-bank loans	299,669	288,740
	327,811	309,458
	₩ 17,842,809	₩ 16,992,263
Loans in foreign currencies:		
Domestic loans	₩ 1,116,101	₩ 1,437,196
Offshore loans	-	12,135
	₩ 1,116,101	₩ 1,449,331

(3) Inter-bank loans for restructuring of small and medium-sized enterprises as of December 31, 2009 and 2008 were as follows:

(Won in millions)	2009	2008
Industrial Bank of Korea	₩ 169,952	₩ 164,779
Kookmin Bank	25,507	22,423
Woori Bank	30,756	35,640
Korea Exchange Bank	2,025	2,792
Shinhan Bank	11,869	16,885
Kyongnam Bank	39,216	32,623
The Korea Development Bank and others	20,344	13,598
	₩ 299,669	₩ 288,740

The loans to financial institutions excluding inter-bank loans above as of December 31, 2009 and 2008 were as follows:

(Won in millions)	2009	2008
CNH Capital Co., Ltd.	₩ -	₩ 6,523
Lotte Card Co., Ltd.	20,000	10,000
Lotte Capital Co., Ltd.	30,000	30,000
Shinhan Card Co., Ltd.	-	25,150
Others	181,243	111,354
	₩ 231,243	₩ 183,027

(4) Loans in local currency and loans in foreign currencies, classified by borrower type, as of December 31, 2009 and 2008 were as follows:

December 31, 2009:	Loans in local currency	Loans in foreign currencies	Total	Percentage (%)
(Won in millions)				
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

December 31, 2008:	Loans in local currency	Loans in foreign currencies	Total	Percentage (%)
(Won in millions)				
Large corporations	₩ 884,243	₩ 217,202	₩ 1,101,445	5.97
Small and medium corporations	12,031,558	1,232,129	13,263,687	71.92
Households	3,809,594	-	3,809,594	20.66
Public sector and other	266,868	-	266,868	1.45
	₩ 16,992,263	₩ 1,449,331	₩ 18,441,594	100.00

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(5) Loans in local currency and loans in foreign currencies, classified by industry, as of December 31, 2009 and 2008 were as follows:

December 31, 2009: (Won in millions)	Loans in local currency	Loans in foreign currencies	Total	Percentage (%)
Manufacturing	₩ 6,460,87	₩ 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

December 31, 2008: (Won in millions)	Loans in local currency	Loans in foreign currencies	Total	Percentage (%)
Manufacturing	₩ 6,466,271	₩ 790,961	₩ 7,257,232	39.35
Wholesale and retail	1,586,978	97,495	1,684,473	9.13
Finance and insurance	471,767	25,150	496,917	2.69
Construction	675,761	43,136	718,897	3.90
Transportation and warehousing	863,059	388,689	1,251,748	6.79
Real estate and renting	1,454,594	27,419	1,482,013	8.04
Lodgings and foods	324,458	6,516	330,974	1.79
Households	3,809,594	-	3,809,594	20.66
Public sector	266,868	-	266,868	1.45
Others	1,072,913	69,965	1,142,878	6.20
	₩ 16,992,263	₩ 1,449,331	₩ 18,441,594	100.00

(6) The impairment loss and the reversal of impairment loss on available-for-sale securities recognized for the years ended December 31, 2009 and 2008 were as follows:

By country	2009		2008	
	Amount	Percentage (%)	Amount	Percentage (%)
Korea	₩ 1,116,101	100.00	₩ 1,437,196	99.16
Indonesia	-	-	12,135	0.84
	₩ 1,116,101	100.00	₩ 1,449,331	100.00

6. RESTRUCTURED LOANS:

(1) Present value discounts for restructured loans as of December 31, 2009 and 2008 were as follows:

December 31, 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

December 31, 2008: (Won in millions)	Discount rates (%)	Loans	Present value discounts			
			Beginning balance	Addition	Deduction	Ending balance
Reorganization and court mediation	3.00~8.75	₩ 22,912	₩ 1,494	₩ 990	₩ 754	₩ 1,730
Workout	6.00	2,711	-	45	45	-
		₩ 25,623	₩ 1,494	₩ 1,035	₩ 799	₩ 1,730

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, 2009 and 2008 were summarized as follows:

December 31, 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

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December 31, 2008 :	Normal		Precautionary		Substandard		Doubtful		Estimated loss	Total		
(Won in millions)												
Loans in local currency	₩	146,117	₩	14,668	₩	25,749	₩	17,406	₩	29,863	₩	233,803
Loans in foreign currencies		16,132		585		1,405		587		-		18,709
Bills bought in foreign currencies		2,800		-		-		1,466		-		4,266
Bills bought in local currency		76		-		-		-		-		76
Advances for customers		4		53		1,931		9,214		-		11,202
Credit card receivables		6,891		1,275		28		1,693		669		10,556
Privately placed bonds		1,178		-		-		-		-		1,178
Others		1		8		60		14,402		226		14,697
	₩	173,199	₩	16,589	₩	29,173	₩	44,768	₩	30,758	₩	294,487

(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, 2007	₩	17,127,095	₩	218,167	1.27
December 31, 2008		19,447,622		294,487	1.51
December 31, 2009		19,607,388		298,049	1.52

(3) The changes in allowance for possible loan losses (excluding present value discounts from restructured loan) for the years ended December 31, 2009 and 2008 were as follows:

(Won in millions)	2009	2008		
Beginning balance	₩	294,487	₩	218,167
Present value discounts		(20,057)		(617)
Loans written-off		(163,683)		(73,541)
Changes in exchange rates		(245)		869
Collection of previously written-off loans		26,606		37,643
		137,108		182,521
Provision for possible loan losses		160,941		111,966
	₩	298,049	₩	294,487

8. TANGIBLE ASSETS:

(1) Tangible assets as of December 31, 2009 and 2008 were as follows:

December 31, 2009:	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value				
(Won in millions)								
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

December 31, 2008:	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value				
(Won in millions)								
Land	₩	172,702	₩	-	₩	-	₩	172,702
Buildings		129,602		20,890		-		108,712
Leasehold improvements		34,371		21,798		-		12,573
Equipment and vehicles		234,075		193,680		1,600		38,795
Construction in progress		20,717		-		-		20,717
	₩	591,467	₩	236,368	₩	1,600	₩	353,499

(2) The published value of land as of December 31, 2009 and 2008 was as follows:

(Won in millions)	Book value		Published value					
	2009	2008	2009	2008				
Land	₩	178,551	₩	172,702	₩	140,596	₩	142,625

(3) Tangible assets, which have been insured as of December 31, 2009 and 2008, were as follows:

December 31, 2009:	INSURED ASSETS	BOOK VALUE	INSURED AMOUNT		
(Won in millions)					
PROPERTY COMPOSITE	Buildings	₩	107,756	₩	107,756
	Leasehold improvements		11,512		11,512
	Equipments		31,820		31,820
		₩	151,088	₩	151,088

December 31, 2008:	INSURED ASSETS	BOOK VALUE	INSURED AMOUNT		
(Won in millions)					
PROPERTY COMPOSITE	Buildings	₩	108,712	₩	108,712
	Leasehold improvements		12,573		12,573
	Equipments		38,962		38,962
		₩	160,247	₩	160,247

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(4) The changes in book value of tangible assets for the years ended December 31, 2009 and 2008 consisted of the following:

December 31, 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	

December 31, 2008:								
(Won in millions)	Beginning	Acquisition	Disposal	Replacement	Depreciation	Impairment loss	Ending	
Land	₩ 172,491	₩ -	₩ -	₩ 211	₩ -	₩ -	₩ 172,702	
Buildings	105,649	-	-	5,655	2,592	-	108,712	
Leasehold improvements	12,991	-	-	3,940	4,358	-	12,573	
Equipment and vehicles	51,859	14,840	20	-	27,884	-	38,795	
Construction in progress	19,692	11,147	-	(10,122)	-	-	20,717	
	₩ 362,682	₩ 25,987	₩ 20	₩ (316)	₩ 34,834	₩ -	₩ 353,499	

(*) Included loss on disposal of equipment amounting to 4 million for the year ended December 31, 2008.

9. OTHER ASSETS:

(1) Other assets as of December 31, 2009 and 2008 consisted of the following:

(Won in millions)	2009	2008
Guarantee deposits	₩ 135,110	₩ 123,415
Accounts receivable	2,394,106	290,909
Accrued income (see Note 2)	131,194	139,305
Prepaid expenses	9,989	5,716
Derivatives assets (see Note 16)	196,221	456,002
Deferred income tax assets (see Note 23)	16,771	7,471
Domestic exchange settlement debits	28,199	39,237
Intangible assets (see Note 10)	5,505	6,330
Sundry assets	8,540	9,659
Present value discount	(2,450)	-
	₩ 2,923,185	₩ 1,078,044

(2) Sundry assets as of December 31, 2009 and 2008 consisted of the following:

(Won in millions)	2009	2008
Supplies	₩ 584	₩ 532
Deposit money in court	488	1,978
Membership rights	3,917	3,661
Unsettled spot exchanges receivable	176	599
Suspense receivable	3,275	2,889
Others	100	-
	₩ 8,540	₩ 9,659

10. INTANGIBLE ASSETS:

(1) Intangible assets as of December 31, 2009 and 2008 consisted of the following:

December 31, 2009:				
(Won in millions)	Acquisition cost	Accumulated depreciation	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

December 31, 2008:				
(Won in millions)	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value
Goodwill	₩ 25	₩ 18	₩ -	₩ 7
Software	14,653	9,496	-	5,157
Others	2,194	1,028	-	1,166
	₩ 16,872	₩ 10,542	₩ -	₩ 6,330

(2) The changes in intangible assets for the years ended December 31, 2009 and 2008 were as follows:

December 31, 2009:					
(Won in millions)	Beginning	Increase (*)	Amortization	Ending	
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	

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December 31, 2008:

(Won in millions)

	Beginning	Increase (*)	Amortization	Ending
Goodwill	₩ 12	₩ -	₩ 5	₩ 7
Software	7,230	1,284	3,357	5,157
Others	1,191	140	165	1,166
	₩ 8,433	₩ 1,424	₩ 3,527	₩ 6,330

(*) Included loss on disposal of equipment amounting to 4 million for the year ended December 31, 2008.

11. DEPOSITS:

(1) Deposits as of December 31, 2009 and 2008 consisted of the following:

(Won in millions)

	2009	2008
Demand deposits	₩ 7,721,411	₩ 6,937,981
Term deposits	8,145,656	7,539,220
Certificates of deposits	2,643,468	2,280,963
	₩ 18,510,535	₩ 16,758,164

(2) Demand deposits as of December 31, 2009 and 2008 consisted of the following:

(Won in millions)

	INTEREST RATE (%)	2009	2008
Demand deposits in local currency:			
Checking deposits	-	₩ 37,210	₩ 28,761
Household checking deposits	0.10	11,463	9,775
Temporary deposits	0.00~2.00	524,010	430,888
Passbook deposits	0.10	941,455	879,074
Public fund deposits	1.00	195,341	211,806
National Treasury deposits	0.10	151	271
Savings deposits	0.10~3.10	3,381,186	2,902,462
Corporate savings deposits	0.00~2.47	2,435,509	2,218,188
		7,526,325	6,681,225
Demand deposits in foreign currencies:			
Checking deposits	-	2,869	3,425
Passbook deposits	0.10~1.08	168,936	220,982
Deposit at notice	0.93~7.10	23,100	32,146
Temporary deposits	-	181	203
		195,086	256,756
		₩ 7,721,411	₩ 6,937,981

(3) Term deposits as of December 31, 2009 and 2008 consisted of the following:

(Won in millions)

	INTEREST RATE (%)	2009	2008
Term deposits in local currency:			
Time deposits	1.00~10.00	₩ 6,835,949	₩ 6,493,724
Installment savings deposits	1.00~6.90	946,161	734,570
Long-term housing savings deposits	1.00~4.70	197,951	185,410
Long-term savings for households	1.00	1	4
Workers' preferential savings deposits	1.00~2.57	82	187
Mutual installment deposits	1.00~5.85	69,433	75,794
Mutual installment for housing	1.00~4.55	12,335	18,804
		8,061,912	7,508,493
Term deposits in foreign currencies:			
Time deposits	0.24 ~ 4.97	83,744	30,727
		₩ 8,145,656	₩ 7,539,220

(4) Deposits with financial institutions as of December 31, 2009 and 2008 were as follows:

(Won in millions)

ACCOUNT	FINANCIAL INSTITUTIONS	2009	2008
Deposits in local currency			
	Banks	₩ 165,769	₩ 207,191
	Life insurance	445,877	309,045
	Securities company	478,961	227,873
	Property insurance	65,594	102,680
	Others	181,993	339,922
		₩ 1,338,194	₩ 1,186,711

12. BORROWINGS:

(1) Borrowings as of December 31, 2009 and 2008 consisted of the following:

(Won in millions)

	2009	2008
Borrowings in local currency	₩ 1,548,517	₩ 1,314,447
Borrowings in foreign currencies	1,371,529	2,126,773
Bonds sold under repurchase agreement	699,802	999,991
Bills sold	30,330	15,156
Debentures in local currency	1,965,327	2,454,782
Debentures in foreign currencies	680,934	685,870
Call money	94,360	268,227
	₩ 6,390,799	₩ 7,865,246

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(2) Borrowings in local currency as of December 31, 2009 and 2008 consisted of the following:

(Won in millions)				
LENDERS	ANNUAL INTEREST RATE (%)	2009		2008
Small Business Corporation	2.00~3.94	₩	698,293	₩ 571,569
The Bank of Korea	1.25		412,992	420,636
Busan Metropolitan City	0.00~1.00		14,051	11,952
Korea Energy Management Corporation	0.25~1.75		87,172	89,133
Industrial Bank of Korea and others	1.50~4.31		252,309	128,614
Kyongnam Bank and others	3.09~4.09		31,687	34,589
Korea Environment & Resources Corporation	3.49		26,762	28,429
Others	2.00~4.00		25,251	29,525
		₩	1,548,517	₩ 1,314,447

(3) Borrowings in foreign currencies as of December 31, 2009 and 2008 consisted of the following:

(Won in millions)				
LENDERS	ANNUAL INTEREST RATE (%)	2009		2008
Korea Exchange Bank and others	0.00~0.05	₩	362,840	₩ 521,662
CALYON Seoul and others	1.02~6.54		731,626	1,118,847
JP Morgan and others	1.38~5.97		272,976	467,402
SCB and others	1.00		4,807	18,862
		₩	1,371,529	₩ 2,126,773

(4) Bonds sold under repurchase agreements, bills sold and call money as of December 31, 2009 and 2008 consisted of the following:

(Won in millions)				
Account	Financial institution	Annual interest rates (%)	2009	2008
Call money	Korea Exchange Bank and others	0.20~0.54	₩ 94,360	₩ 268,227
Bills sold	Individuals and corporations	0.00~ 4.05	30,330	15,156
Bonds sold under repurchase agreements	Individuals and corporations	1.00~5.90	699,802	999,991
			₩ 824,492	₩ 1,283,374

(5) Borrowings from financial institutions as of December 31, 2009 and 2008 were as follows:

(Won in millions)				
FINANCIAL INSTITUTIONS		2009	2008	
Borrowings in local currency:				
The Bank of Korea		₩	412,992	₩ 420,636
Woori Bank			168	252
Nonghyup (Changwon)			-	14,907
Nonghyup			5,761	6,267

(Won in millions)

FINANCIAL INSTITUTIONS		2009	2008	
Hana Bank		₩	675	₩ 855
Kwangju Bank			3,259	2,688
The Korea Development Bank			8,439	7,800
Industrial Bank of Korea			25,075	30,174
Kyongnam Bank (Ulsan)			689	1,228
Kyongnam Bank			31,687	19,682
The Export-Import Bank of Korea			100,000	-
Daegu Bank			13,093	15,933
			601,838	520,422
Borrowings in foreign currencies:				
Korea Exchange Bank and others			1,371,529	2,126,773
		₩	1,973,367	₩ 2,647,195

(6) Debentures in local currency as of December 31, 2009 and 2008 consisted of the following:

(Won in millions)					
Description	Issued date	Expiration date	Annual interest rate (%)	2009	2008
Subordinated debentures in local currency	Jun.15, 2001	Jan.15, 2007	-	₩ -	₩ 19
	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
Hybrid debentures	Nov.11, 2008	Jan.11, 2014	8.24	100,000	100,000
	Dec.17, 2008	Dec.17, 2038	8.80	200,000	200,000
Unsecured debentures in local currency	Dec.26, 2008	Dec.26, 2038	8.80	30,000	30,000
	Sep.03, 2008	Sep.03, 2009	6.84	-	50,000
	Jan.29, 2007	Jan.29, 2010	5.30	100,000	100,000
	Jan.29, 2007	Jan.29, 2009	-	-	70,000
	Feb.15, 2007	Feb.15, 2009	-	-	150,000
	Feb.21, 2007	Feb.21, 2010	5.13	80,000	80,000
	Mar.21, 2007	Mar.21, 2009	-	-	100,000
	Mar.28, 2007	Mar.28, 2009	-	-	100,000
Aug.16, 2007	Aug.16, 2010	5.62	10,000	10,000	
Aug.17, 2007	Aug.17, 2010	5.63	50,000	50,000	
Aug.27, 2007	Aug.27, 2010	5.75	140,000	140,000	
Oct.10, 2007	Oct.10, 2009	5.92	-	80,000	
Oct.10, 2007	Oct.10, 2010	5.98	50,000	50,000	
Oct.11, 2007	Oct.11, 2009	5.92	-	70,000	
Oct.16, 2007	Oct.16, 2010	6.00	100,000	100,000	
Oct.24, 2007	Oct.24, 2009	5.84	-	100,000	
Nov.23, 2007	Nov.23, 2010	6.30	20,000	20,000	
Dec.12, 2007	Jun.12, 2009	6.60	-	40,000	

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(Won in millions)					
Description	Issued date	Expiration date	Annual interest rate (%)	2009	2008
Unsecured debentures in local currency	Dec.13, 2007	Jun.13, 2009	6.60	₩ -	₩ 20,000
	Jan.30, 2008	Jan.30, 2010	5.65	100,000	100,000
	Feb.29, 2008	Feb.28, 2011	5.62	30,000	30,000
	Mar.17, 2008	Mar.17, 2009	-	-	50,000
	Mar.20, 2008	Mar.20, 2010	5.91	80,000	80,000
	Apr.24, 2008	Apr.24, 2010	5.67	50,000	50,000
	May.06, 2008	May.06, 2013	5.73	30,000	30,000
	May.28, 2008	May.28, 2010	6.00	50,000	50,000
	Jun.19, 2008	Jul.19, 2009	6.02	-	10,000
	Jun.26, 2008	Jun.26, 2010	6.50	70,000	70,000
	Oct.28, 2008	Nov.28, 2009	7.65	-	50,000
	May.26, 2009	May.26, 2011	4.14	100,000	-
	Jul.24, 2009	Jul.24, 2010	CD91+0.48	100,000	-
	Aug.13, 2009	Aug.13, 2012	5.45	200,000	-
					1,965,000
Loss on valuation of fair value hedged items				617	2,190
				1,965,617	2,457,209
Discounts on debentures				(290)	(2,427)
				₩ 1,965,327	₩ 2,454,782

(7) Debentures in foreign currencies as of December 31, 2009 and 2008 consisted of the following:

(Won in millions)					
Description	Issued date	Expiration date	Annual interest rate (%)	Dec. 31, 2009	Dec. 31, 2008
Subordinated debentures in foreign currencies	Mar.14, 2007	Mar.14, 2017	5.50	₩ 233,520	₩ 251,498
	Oct.30, 2007	Oct.30, 2012	6.00	291,900	314,374
	Aug.23, 2008	Aug.26, 2011	(*1)	63,141	69,697
	May 22, 2009	May 22, 2012	(*2)	58,380	-
Loss on valuation of fair value hedged items				37,853	54,648
				684,794	690,217
Discounts on debentures				(3,860)	(4,347)
				₩ 680,934	₩ 685,870

(*1) variable interest rate: USD 3M LIBOR+520BP

(*2) variable interest rate: JPY 6M TIBOR+145BP

13. OTHER LIABILITIES:

(1) Other liabilities as of December 31, 2009 and 2008 consisted of the following:

(Won in millions)			
	2009	2008	
Accrued severance benefits (see Note 14)	₩ 65,099	₩ 66,424	
Less: National Pension Fund	(6)	(8)	
Less: Severance insurance deposits	(56,926)	(59,061)	
Allowance for possible losses on acceptances and guarantees (see Note 15)	7,927	7,089	
Allowance for possible losses on the unused limits (see Note 17)	24,220	23,433	
Other allowance (see Note 17)	21,617	9,378	
Due to trust accounts	173,103	337,176	
Unsettled domestic exchange liabilities	134,103	57,057	
Domestic exchange settlement loans	5,354	5,261	
Accounts payable (see Note 19)	2,383,267	274,998	
Accrued expenses	320,711	380,820	
Unearned revenues	24,632	30,012	
Guarantees deposits received	29,624	24,458	
Withholding taxes	9,271	10,874	
Derivatives liabilities (see Note 16)	132,227	362,670	
Accounts for agency business	40,863	39,324	
Agency	58,205	35,077	
Tax payable	68,548	67,364	
Sundry liabilities	14,430	16,092	
	₩ 3,456,269	₩ 1,688,438	

(2) Sundry liabilities included in other liabilities as of December 31, 2009 and 2008 consisted of the following:

(Won in millions)			
	2009	2008	
Payables from cash delivery for other banks	₩ 300	₩ 300	
Subscription deposits	5,361	6,913	
Suspense receipts	5,036	4,127	
Deposits for credit management	635	1,813	
Prepaid card liabilities	3,066	2,846	
Debit card liabilities	32	93	
	₩ 14,430	₩ 16,092	

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14. ACCRUED SEVERANCE BENEFITS:

The changes in accrued severance benefits for the years ended December 31, 2009 and 2008 were as follows:

(Won in millions)	2009		2008	
Beginning	₩	66,424	₩	63,974
Payment		(21,966)		(10,807)
Provision		20,641		13,257
Ending	₩	65,099	₩	66,424

15. ACCEPTANCES AND GUARANTEES AND ALLOWANCES FOR POSSIBLE LOSSES:

(1) Acceptances and guarantees as of December 31, 2009 and 2008 were as follows:

(Won in millions)	2009		2008	
TYPES				
Confirmed acceptances and guarantees in local currency:				
Payment guarantee for loans	₩	85,964	₩	77,163
Others		375,743		374,295
		461,707		451,458
Confirmed acceptances and guarantees in foreign currencies:				
Acceptances on letters of credit		23,061		79,994
Acceptances for letters of guarantee for importers		16,377		10,815
Others		166,207		149,674
		205,645		240,483
	₩	667,352	₩	691,941
Unconfirmed acceptances and guarantees:				
Letters of credit	₩	276,300	₩	269,650
Others		32,514		35,017
	₩	308,814	₩	304,667

(2) Acceptances and guarantees, by industry, as of December 31 and 2008 were as follows:

(Won in millions)	2009		2008	
	Amount	Percentage (%)	Amount	Percentage (%)
Confirmed:				
Manufacturing	₩	376,932	₩	438,199
Wholesale and retail		111,498		124,104
Finance and insurance		300		300
Construction		84,920		59,380
Others		93,702		69,958
	₩	667,352	₩	691,941

(Won in millions)	2009		2008	
	Amount	Percentage (%)	Amount	Percentage (%)
Unconfirmed:				
Manufacturing	₩	159,952	₩	175,575
Wholesale and retail		99,677		82,441
Finance and insurance		-		-
Construction		1,718		18
Others		47,467		46,633
	₩	308,814	₩	304,667

(3) Acceptances and guarantees, by customer, as of December 31, 2009 and 2008 were as follows:

(Won in millions)	2009		2008	
	Amount	Percentage (%)	Amount	Percentage (%)
Confirmed:				
Large corporations	₩	90,612	₩	85,889
Small and medium-sized corporation		573,983		599,011
Household sector		2,757		7,041
	₩	667,352	₩	691,941
Unconfirmed:				
Large corporations	₩	102,039	₩	112,053
Small and medium-sized corporation		206,775		192,614
	₩	308,814	₩	304,667

(4) Acceptances and guarantees, by country, as of December 31, 2009 and 2008 were as follows:

(Won in millions)	2009		2008	
	Amount	Percentage (%)	Amount	Percentage (%)
Confirmed:				
Korea	₩	667,202	₩	691,941
USA		150		-
	₩	667,352	₩	691,941
Unconfirmed:				
Korea	₩	308,814	₩	304,667

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(5) Allowance for possible losses on acceptances and guarantees as of December 31, 2009 and 2008 were as follows:

(Won in millions)	2009			2008		
	Outstanding balance	Allowance	Percentage (%)	Outstanding balance	Allowance	Percentage (%)
Confirmed:						
Normal	₩ 662,105	₩ 6,322	0.95	₩ 690,596	₩ 5,848	0.85
Precautionary	5,247	403	7.68	1,301	91	6.99
Substandard	-	-	-	44	9	-
Doubtful	-	-	-	-	-	-
Estimated loss	-	-	-	-	-	-
	667,352	6,725	1.01	691,941	5,948	0.86
Unconfirmed:						
Normal	308,128	1,170	0.38	304,571	1,138	0.37
Precautionary	685	22	3.21	96	1	1.04
Substandard	1	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Estimated loss	-	-	-	-	-	-
	308,814	1,192	0.39	304,667	1,139	0.37
Endorsed note:						
Normal	2,191	10	0.46	465	2	0.43
Precautionary	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Estimated loss	-	-	-	-	-	-
	2,191	10	0.46	465	2	0.43
	₩ 978,357	₩ 7,927	0.81	₩ 997,073	₩ 7,089	0.71

(6) The percentage of allowance for possible losses on acceptances and guarantees to outstanding balances as of December 31, 2009, 2008 and 2007 were as follows:

(Won in millions)	Confirmed			Unconfirmed			Endorsed note		
	Outstanding balance	Allowance	Percentage (%)	Outstanding balance	Allowance	Percentage (%)	Outstanding balance	Allowance	Percentage (%)
2007	₩ 487,741	₩ 4,432	0.91	₩ 441,164	₩ 1,532	0.35	₩ 5,491	₩ 25	0.46
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

16. DERIVATIVES INSTRUMENTS:

(1) The notional amounts outstanding for derivative contracts as of December 31, 2009 and 2008 were as follows:

(Won in millions)	2009			2008		
	Trading	Hedge	Total	Trading	Hedge	Total
Currency:						
Currency forwards (*)	₩ 3,135,991	₩ -	₩ 3,135,991	₩ 3,330,774	₩ -	₩ 3,330,774
Currency swaps	532,834	-	532,834	691,625	-	691,625
Currency options purchased	75,244	-	75,244	294,564	-	294,564
Currency options sold	75,234	-	75,234	294,564	-	294,564
	3,819,303	-	3,819,303	4,611,527	-	4,611,527
Interest rate						
Interest rate swaps (*)	172,810	650,420	823,230	489,308	740,875	1,230,183
Stock:						
Stock options purchased	50,686	-	50,686	26,339	-	26,339
Stock options sold	57,510	-	57,510	41,630	-	41,630
Stock swaps	6,952	-	6,952	15,291	-	15,291
	115,148	-	115,148	83,260	-	83,260
Others						
Precious options purchased	10,156	-	10,156	-	-	-
Precious options sold	10,149	-	10,149	-	-	-
Credit default swaps	-	-	-	125,750	-	125,750
	20,305	-	20,305	125,750	-	125,750
	₩ 4,127,566	₩ 650,420	₩ 4,777,986	₩ 5,309,845	₩ 740,875	₩ 6,050,720

(*) 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 years ended December 31, 2009 and 2008, 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 were as follows:

(Won in millions)	2009					
	Gain on valuation		Loss on valuation		Assets	Liabilities
	Trading	Hedge	Trading	Hedge		
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

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Type	2009					
	Gain on valuation		Loss on valuation		Assets	Liabilities
	Trading	Hedge	Trading	Hedge		
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
Other						
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 loss on valuation of fair value hedged items, debentures in foreign currencies, valuation gain of ₩6,915 million is recorded in current operation.

Type	2008					
	Gain on valuation		Loss on valuation		Assets	Liabilities
	Trading	Hedge	Trading	Hedge		
Currency:						
Currency forwards	₩ 212,500	₩ -	₩ 218,914	₩ -	₩ 212,180	₩ 218,841
Currency swaps	104,891	-	56,132	-	103,746	55,310
Currency options purchased	52,966	-	-	-	70,226	-
Currency options sold	-	-	48,367	-	-	70,226
	370,357	-	323,413	-	386,152	344,377
Interest rate						
Interest rate swaps	14,582	51,528	9,677	-	69,629	11,912
Stock:						
Stock options purchased	-	-	715	-	221	-
Stock options sold	1,380	-	-	-	-	623
Stock swaps purchased	-	-	548	-	-	381
	1,380	-	1,263	-	221	1,004
Others						
Credit default swaps	-	-	5,377	-	-	5,377
	₩ 386,319	₩ 51,528	₩ 339,730	₩ -	₩ 456,002	₩ 362,670

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, 2008, due to ineffective portion of loss on valuation of fair value hedged items, debentures in foreign currencies, valuation gain of ₩835 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, 2009 and 2008 were as follows:

TYPES	2009	2008
Unused limit of loan commitment	₩ 3,400,177	₩ 2,678,082
Unused limit of credit cards purchase	1,382,009	1,243,064
	₩ 4,782,186	₩ 3,921,146

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

(2) The other allowance as of December 31, 2009 and 2008 was as follows:

TYPES	2009	2008
Credit Card Point Reserve	₩ 7,096	₩ 6,482
Provision related to financial derivatives	14,521	2,896
	₩ 21,617	₩ 9,378

(3) The Bank manages written-off loans whose time period for legal claim has not lapsed. The balances of such loans were ₩704,064 million and ₩628,773 million as of December 31, 2009 and 2008, respectively.

(4) As of December 31, 2009, the Bank is involved in 21 legal proceedings as the plaintiff for an aggregate claim of ₩28,868 million and 38 legal actions as the defendant for an aggregate claim of ₩17,355 million. The Bank believes that the results of these litigations will not materially affect the accompanying financial statements. The main legal action is summarized below:

COMPLAINANT	DEFENDANT	CASE IN LITIGATION	AMOUNT OF LAWSUIT	PROGRESS OF LAWSUIT
Bank	Bank of Tokyo-Mitsubishi UFJ & others	Compensation of damage about L/C	1,747	The Bank won first trial and subsequent appeal (pending)

(5) Disposal of loans

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, 2009 and 2008 amounted to ₩337 million and ₩337 million, respectively. The Bank may incur losses from the repurchase of these loans in the future

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18. SHAREHOLDERS' EQUITY:

(1) Common stock

As of December 31, 2009, 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, 2009 and 2008 were summarized as follows:

(Won in millions)	2009		2008	
Legal reserve	₩	131,053	₩	103,553
Voluntary reserve		781,254		563,132
Retained earnings before appropriations		245,101		274,959
	₩	1,157,408	₩	941,644

The Banking Act requires a bank to appropriate at least 10 percent of net income after income tax to 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.

(3) Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) consisted of 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, 2009 were as follows:

GRANT DATE	Stock options						EXERCISE PERIOD
	GRANTED	EXERCISED	FORFEITED	OUTSTANDING	EXERCISE PRICE		
2005.03.25	₩ 60,000	₩ -	₩ 21,398	₩ 38,602	₩ 8,366	2007.03.26 ~ 2010.03.25	
2005.04.19	40,000	20,000	1,937	18,063	8,095	2007.04.20 ~ 2010.04.19	
2005.05.17	20,000	-	-	20,000	8,029	2007.05.18 ~ 2010.05.17	
2006.03.28	130,000	-	8,666	121,334	12,811	2008.03.29 ~ 2011.03.28	
2006.04.18	180,000	-	83,667	96,333	13,762	2008.04.19 ~ 2011.04.18	
2007.02.26	120,000	-	43,490	76,510	12,824	2009.02.27 ~ 2012.02.26	
2007.03.20	50,000	-	6,666	43,334	13,504	2009.03.21 ~ 2012.03.20	
2008.01.23	210,000	-	121,004	88,996	14,177	2010.01.24 ~ 2013.01.23	
	₩ 810,000	₩ 20,000	₩ 286,828	₩ 503,172			

(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 are valued using intrinsic value method. 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 stock options that were granted at the beginning of 2007 are valued to binomial option pricing model using the exercise price from ₩12,824 to ₩14,177, expiry date of February 26, 2012 through January 23, 2013, the closing price of the presumed stock of ₩13,757, expected dividend rate of 3.44% and volatility of stock price of 31.12% or risk-free interest rate of 5.20%.

The stock compensation expenses amounted to ₩998 million for the year ended December 31, 2009 and the reversal of stock compensation expenses for the year ended December 31, 2008 amounted to ₩1,776 million. The stock compensation expenses to be booked after December 31, 2009 amount to ₩1,040 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, 2009 and 2008 were as follows:

(Won in millions)	2009		2008	
	Average balance	Interest revenue /expense	Average balance	Interest revenue /expense
Assets:				
Due from banks	₩ 1,128,477	₩ 19,145	₩ 1,193,570	₩ 48,517
Securities	5,521,159	266,132	4,579,146	252,713
Loans	20,167,852	1,392,735	19,365,562	1,475,811
Others (*)	-	5,162	-	7,247
	₩ 26,817,488	₩ 1,683,174	₩ 25,138,278	₩ 1,784,288
Liabilities:				
Deposits	₩ 17,398,263	₩ 485,242	₩ 16,839,924	₩ 630,698
Borrowings	4,354,191	145,662	4,259,720	151,834
Debentures	2,869,709	167,117	2,902,223	168,095
Others (*)	316,423	7,169	272,970	14,276
	₩ 24,938,586	₩ 805,190	₩ 24,274,837	₩ 964,903

(*) 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").

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21. SELLING AND ADMINISTRATIVE EXPENSES:

(1) Selling and administrative expenses for the years ended December 31, 2009 and 2008 were as follows:

(Won in millions)	2009		2008	
Salaries	₩	125,080	₩	120,898
Provision for severance benefits		20,641		13,256
Honorary retirement allowance		12,463		10,866
Other employee benefits		95,855		90,481
Rent		9,992		10,090
Expenditure for business purpose		6,820		6,327
Depreciation and amortization		32,135		38,361
Taxes and dues		15,024		17,375
Other selling and administrative expenses		70,487		69,087
	₩	388,497	₩	376,741

(2) Other selling and administrative expenses for the years ended December 31, 2009 and 2008 were as follows:

(Won in millions)	2009		2008	
Communication	₩	3,132	₩	3,095
Electricity and utilities		3,015		2,931
Publication		2,705		2,446
Repairs maintenance		3,026		2,775
Vehicle		1,638		1,731
Travel		920		1,487
Supplies		5,084		4,679
Advertising		8,566		8,758
Service charges		34,616		32,979
Others		7,785		8,206
	₩	70,487	₩	69,087

22. NON-OPERATING INCOME AND EXPENSES:

Non-operating income and expenses for the years ended December 31, 2009 and 2008 were as follows:

(Won in millions)	2009		2008	
Non-operating income:				
Gain on disposal of tangible assets	₩	55	₩	159
Gain on valuation of securities using the equity method		4,559		2,411
Gain on disposal of securities using the equity method		-		1,729
Rental income		466		450
Others		20,205		9,205
	₩	25,285	₩	13,954

(Won in millions)	2009		2008	
Non-operating expenses:				
Loss on disposal of tangible assets	₩	23	₩	6
Loss on valuation of securities using the equity method		-		791
Contribution		13,111		10,249
Others		11,383		5,533
	₩	24,517	₩	16,579

23. INCOME TAX EXPENSE::

(1) Income tax expense for the years ended December 31, 2009 and 2008 is summarized as follows:

(Won in millions)	2009		2008	
Income tax currently payable	₩	99,786	₩	111,307
Changes in deferred tax assets (liabilities) by temporary difference		(7,448)		(10,940)
Changes in deferred income tax assets by changes in tax rates(*)		(1,852)		1,105
Changes in deferred income tax reflected directly in shareholders' equity		(17,567)		5,787
Income tax expense	₩	72,919	₩	107,259

(*) Income tax rate changes to 24.2% in 2009 and 22.00% in 2010 and thereafter, respectively.

Both changes include resident tax.

(2) Changes in cumulative temporary differences for the year ended December 31, 2009 were as follows:

(Won in millions)	Beginning balance	Deduction	Addition	Ending balance
Loss on valuation of securities	₩ 33,256	₩ -	₩ 40,092	₩ 73,348
Accrued interest of securities	(39,538)	(31,858)	(1,087)	(8,767)
Gain on valuation of securities	(21,873)	(13,275)	(1,845)	(10,443)
Revaluation surplus (land)	(6,064)	-	-	(6,064)
Gain (loss) on valuation of securities using the equity method	(881)	-	4,559	3,678
Accumulated depreciation	(1,547)	-	-	(1,547)
Other allowance	9,378	9,378	21,617	21,617
Deemed dividends	5	-	-	5
Stock option	42	111	1,109	1,040
Allowance for possible losses of confirmed acceptances and guarantees	7,089	7,089	7,927	7,927
Gain on valuation of derivatives	(437,804)	(437,804)	(193,179)	(193,179)
Others	443,739	383,390	146,846	211,754
	(14,198)	(82,969)	30,598	99,369

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(Won in millions)	Beginning balance	Deduction	Addition	Ending balance
Less:				
Revaluation surplus (land) (*1)	₩ 6,027	₩ -	₩ -	₩ 6,027
Gain on valuation of securities accounted for using the equity method (*2)	881	-	(4,559)	(3,678)
	(7,290)	(82,969)	26,039	101,718
Statutory tax rates (*4)	24.2 (22.0)%			24.2 (22.0)%
	₩ (3,110)		₩	23,757
Valuation of securities (Accumulated other comprehensive loss (income) (*3))	10,581	10,581	(6,986)	(6,986)
Deferred income tax assets	₩ 7,471			₩ 16,771

(*1) Deferred income tax on the revaluation surplus of land, which is not expected to be disposed in near future, is not recognized.

(*2) Deferred income tax on securities using the equity method, which is not expected to be disposed in near future, is not recognized.

(*3) Deferred income tax assets on gain or loss on valuation of available-for-sale securities are recognized.

(*4) 24.2% for 2010–2011 and 22% for 2012 and thereafter are applied respectively based on realization period of temporary difference

(3) The computations between income before income tax and income tax expense for the years ended December 31, 2009 and 2008 are as follows:

(Won in millions)	2009	2008
Income before income tax	₩ 318,020	₩ 382,218
Income tax payable by statutory income tax rate (*)	76,937	105,079
Tax reconciliations:		
Non-taxable revenues (2009 and 2008: 155 million and 426 million)	(37)	(117)
Non-deductible expenses (2009 and 2008: 7,617million and 7,737 million)	1,843	2,127
Effect of change of tax rates and others	(5,824)	170
Income tax expenses	₩ 72,919	₩ 107,259
Effective income tax rate	22.93%	28.06%

(*) The statutory tax rate of 12.1 percent (14.3 percent in 2008) for income up to ₩200 million (₩100 million in 2008) and 24.2 percent (27.5 percent in 2008) in excess of ₩200 million (₩100 million in 2008) was applied to the income before income tax.

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, 2009 was computed as follows:

(1) Outstanding capital stock

	NUMBER OF SHARES	NUMBER OF DAYS	CUMULATIVE NUMBER OF SHARES
Number of common shares :			
Beginning balance	146,683,650	365	53,539,532,250
Issuance of Common Stock	40,000,000	289	11,560,000,000
	186,683,650		65,099,532,250

Weighted average number of common shares outstanding: 65,099,532,250 ÷ 365 days = 178,354,883 shares

(2) The basic net income per share for the years ended December 31, 2009 and 2008 is as follows:

(Won)	2009	2008
Net income		
(income from continuing operations, net of tax effect)	₩ 245,100,669,972	₩ 274,958,201,316
Weighted average number of common shares outstanding	178,354,883	146,683,650
Net income per share	₩ 1,374	₩ 1,874

(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 years ended December 31, 2009 and 2008 was not computed because the Bank had no dilutive securities during that period.

25. DIVIDENDS:

Cash dividends in 2009 and 2008 were as follows:

	2009	2008
Shares issued and outstanding	186,683,650 shares	146,683,650 shares
Par value per share	₩ 5,000	₩ 5,000
Dividend rate	3.2%	4.0%
Cash dividend	₩ 29,869 million	₩ 29,337 million
Net income	₩ 245,101 million	₩ 274,959 million
Payout ratio	12.19%	10.67%
Dividend yield ratio	1.15%	3.44%

26. TERM STRUCTURES OF ASSETS AND LIABILITIES:

The term structures of assets and liabilities as of December 31, 2009 and 2008 were as follows:

December 31, 2009:	Less than 3 months	Less than 6 months	Less than 1 year	Less than 3 years	More than 3 years	Total
(Won in millions)						
Due from banks:						
Local currency	₩ 676,481	₩ -	₩ 157,800	₩ -	₩ 13,629	₩ 847,910
Foreign currencies	26,763	-	-	-	627	27,390

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December 31, 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
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
Bonds purchased under repurchase agreement	450,000	-	-	-	-	450,000
Privately placed bonds	-	2,500	5,660	104,861	6,000	119,021
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	469,427	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

December 31, 2008: (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	₩ 1,081,730	₩ 68,222	₩ 1,100	₩ -	₩ 1,140	₩ 1,152,192
Foreign currencies	169,762	-	-	150,900	711	321,373
Loans:						
Local currency	4,169,454	2,788,194	3,690,894	2,608,051	3,735,670	16,992,263
Foreign currencies	156,140	156,152	191,057	410,357	523,490	1,437,196
Offshore loans in foreign currencies	-	-	12,135	-	-	12,135
Call loans	5,000	-	-	-	-	5,000
Domestic import usance bill	366,091	71,828	3,446	3,118	4,334	448,817
Bills bought in local currency	8,927	-	-	-	-	8,927
Advance for customers	1,171	-	-	-	28,083	29,254
Bills bought in foreign currencies	224,994	78,677	15,690	-	2,931	322,292
Credit card receivables	312,950	20,105	7,441	1,342	3,715	345,553
Privately placed bonds	60,000	45,600	13,815	9,460	6,000	134,875
Deposits:						
Local currency	3,582,768	1,670,662	2,516,961	681,537	5,737,790	14,189,718
Negotiable certificate of deposits	1,049,669	540,070	621,370	68,617	1,237	2,280,963
Foreign currencies	156,180	2,828	4,539	2,193	121,743	287,483
Borrowings:						
Local currency	465,849	36,427	70,226	323,075	418,870	1,314,447
Foreign currencies	1,012,447	511,749	224,586	359,129	-	2,107,911
Offshore borrowing in foreign currencies	7,546	-	11,316	-	-	18,862
Bonds purchased under repurchased agreements	261,620	265,214	473,157	-	-	999,991
Call money	268,227	-	-	-	-	268,227
Bills sold in foreign currencies	12,589	2,166	401	-	-	15,156
Debentures:						
Local currency	470,163	59,998	357,771	1,106,985	459,865	2,454,782
Foreign currencies	-	-	-	69,414	616,456	685,870

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27. FINANCIAL INFORMATION ON INTERIM PERIOD (UNAUDITED):

The Bank's operating revenue, operating income and net income for the three months ended December 31, 2009 and 2008 (unaudited) were as follows:

	2009		2008	
	₩		₩	
Operating revenue	₩	652,016	₩	1,309,582
Operating expenses		583,248		1,271,323
Operating income		68,768		38,259
Non-operating income		4,568		3,613
Non-operating expenses		9,971		2,868
Income before income tax		63,365		39,004
Income tax expense		13,987		11,755
Net income	₩	49,378	₩	27,249
Net income per share	₩	265	₩	186

28. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:

Assets and liabilities denominated in foreign currencies as of December 31, 2009 and 2008 were as follows:

	2009		2008	
	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\$ 37,092	₩ 43,309	US\$ 51,005	₩ 64,138
Due from banks in foreign currencies	23,458	27,390	255,565	321,373
Securities in foreign currencies	65,467	76,439	75,838	95,366
Loans in foreign currencies	955,893	1,116,101	1,152,549	1,449,331
Banker's usance	225,878	263,735	356,912	448,817
Call loans	96,622	112,816	-	-
Bills bought in foreign currencies	189,998	221,842	256,296	322,292
Others	1,555,913	1,816,684	270,646	340,338
	US\$ 3,150,321	₩ 3,678,316	US\$ 2,418,811	₩ 3,041,655
Liabilities:				
Deposits in foreign currencies	US\$ 238,805	₩ 278,829	US\$ 228,615	₩ 287,483
Borrowings in foreign currencies	1,174,657	1,371,529	1,691,271	2,126,773
Debentures in foreign currencies	583,191	680,934	545,423	685,870
Call money in foreign currencies	80,815	94,360	213,302	268,227
Others	1,511,831	1,765,214	128,375	161,432
	US\$ 3,589,299	₩ 4,190,866	US\$ 2,806,986	₩ 3,529,785

(*) Foreign currencies other than U.S. dollars were translated into U.S. dollars at the appropriate exchange rates at the date of financial statements.

29. RELATED PARTY TRANSACTIONS:

(1) Significant transactions with related parties for the years ended December 31, 2009 and 2008 were as follows:

	2009		2008	
	Revenue	Expenses	Revenue	Expenses
BS Securities Co., Ltd.	₩ 3	₩ 55	₩ 7	₩ 115
Busan Credit Information Co., Ltd.	-	2,140	-	2,182
Korea Lease Financing Co., Ltd.	-	518	-	984
Mybi Co., Ltd.	-	191	63	132
	₩ 3	2,904	₩ 270	₩ 3,413

(2) Significant balances with related parties as of December 31, 2009 and 2008 were as follows:

	2009		2008	
	Assets	Liabilities	Assets	Liabilities
BS Securities Co., Ltd.	₩ -	₩ 5,467	₩ -	₩ 1,301
Busan Credit Information Co., Ltd.	-	4,160	-	3,809
Korea Lease Financing Co., Ltd.	-	25,028	-	20,026
Mybi Co., Ltd.	-	6,608	-	3,139
	₩ -	₩ 41,263	₩ -	₩ 28,275

(3) The various employee benefits for major directors (registered) for the years ended December 31, 2009 and 2008 were as follows:

TYPES	2009		2008	
	₩		₩	
Short-term employee benefits	₩	1,598	₩	1,228
Provision for severance benefits		242		231
Stock option (*)		282		(261)
	₩	2,122	₩	1,198

(*) Current year stock expense includes long-term incentive plan expense of 96 million. Accumulated stock option expense amounted to 289 million and 7 million as of December 31, 2009 and 2008, respectively

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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, 2009 and 2008 were as follows:

December 31, 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
Repurchase 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
Liabilities:					
Money trust	₩ 15	₩ 262,051	₩ 9,530	₩ 1,208,855	₩ 1,480,451
Asset trust	-	-	-	137,869	137,869
Other liabilities	2,213	8,648	538	27,678	39,077
Special reserve	-	7,401	128	-	7,529
	₩ 2,228	₩ 278,100	₩ 10,196	₩ 1,374,402	₩ 1,664,926

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

December 31, 2008: (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	₩ -	₩ -	₩ -	₩ 55,711	₩ 55,711
Securities	35	215,695	8,902	713,580	938,212
Loans	2,345	36,580	193	70	39,188
Bonds purchased under resale agreements	-	-	-	150,000	150,000
Office equipment & real-estate	-	-	-	117,035	117,035
Other assets	-	2,283	43	4,590	6,916
Due from bank account	15	37,053	2,300	80,153	119,521
Allowance for possible losses	(168)	(273)	(5)	(212)	(658)
	₩ 2,227	₩ 291,338	₩ 11,433	₩ 1,120,927	₩ 1,425,925

December 31, 2008: (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	₩ 14	₩ 278,054	₩ 10,547	₩ 974,758	₩ 1,263,373
Asset trust	-	-	-	117,035	117,035
Other liabilities	2,213	6,409	739	29,134	38,495
Special reserve	-	6,875	147	-	7,022
	₩ 2,227	₩ 291,338	₩ 11,433	₩ 1,120,927	₩ 1,425,925

(*) Mixed trust accounts consisted 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, 2009 and 2008 were as follows:

December 31, 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:			
	Unspecified monetary trust	16	15	(1)
	Development trust	2,213	1,771	(442)
		2,229	1,786	(443)
		₩ 283,210	₩ 282,767	₩ (443)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

December 31, 2008:

(Won in millions)

NAME OF TRUST	BOOK VALUE	FAIR VALUE	CHARGE TO BANK ACCOUNT
Trust accounts guaranteeing the repayment of principal:			
Household trust	₩ 2,212	₩ 2,212	₩ -
Elderly living pension trust	2,381	2,381	-
Installment trust	1,134	1,134	-
Personnel pension trust	172,223	171,513	(710)
Retirement trust	68,813	68,813	-
New personnel pension trust	2,605	2,605	-
Pension trust	45,314	45,314	-
	294,682	293,972	(710)
Trust accounts guaranteeing a fixed rate of return and the repayment of principal:			
Specified monetary trust	15	15	-
Investment trust	2,213	2,213	-
	2,228	2,228	-
	₩ 296,910	₩ 296,200	₩ (710)

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

31. COMPUTATION OF VALUE ADDED:

The accounts for computation of value added for the years ended December 31, 2009 and 2008 were summarized as follows:

(Won in millions)

	2009	2008
Salaries	₩ 125,080	₩ 120,898
Provision for severance benefits	20,641	13,256
Honorary retirement allowance	12,463	10,866
Other employee benefits (see Note 32)	95,855	90,481
Rent	9,992	10,090
Depreciation and amortization	32,135	38,361
Taxes and dues	15,024	17,375
	₩ 311,190	₩ 301,327

32. EMPLOYEE BENEFITS:

Employee benefit expenses for the years ended December 31, 2009 and 2008 were as follows:

(Won in millions)

	2009	2008
Meal expense	₩ 7,201	₩ 7,116
Health and medical	507	450
Legal benefits	14	132
Congratulations and condolences	558	570
Health training	50,323	45,926
Others	37,252	36,287
	₩ 95,855	₩ 90,481

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

33. EXPERT TRAINING EXPENSES:

The Bank incurred ₩1,539 million and ₩1,871 million for expert training at local and foreign training institutes for the years ended December 31, 2009 and 2008, respectively.

34. CASH FLOWS:

(1) The cash and due from banks in the statements of cash flows for the years ended December 31, 2009 and 2008 were as follows:

(Won in millions)

	2009	2008
Cash on hand	₩ 311,513	₩ 309,689
Foreign currencies	43,309	64,138
Due from banks in local currency	847,910	1,152,192
Due from banks in foreign currencies	27,390	321,373
	1,230,122	1,847,392
Restricted due from banks (see Note 3)	549,863	878,782
	₩ 680,259	₩ 968,610

(2) Significant transactions not involving cash inflows and outflows for the years ended December 31, 2009 and 2008 were as follows:

(Won in millions)

	2009	2008
Decrease of loans due to write-offs of principal	₩ 163,683	₩ 73,541
Reclassification of construction in progress to tangible assets	12,827	10,122

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

35. STATEMENTS OF COMPREHENSIVE INCOME:

Comprehensive income for the years ended December 31, 2009 and 2008 were as follows:

(Won in millions)	2009		2008	
Net income	₩	245,101	₩	274,959
Other comprehensive income (loss):				
Gain (loss) on the valuation of available-for-sale securities				
(Income tax effect of ₩17,566 million for the year ended December 31, 2009 and ₩(5,787) million for the year ended December 31, 2008)		55,576		(18,397)
Change in capital on equity securities using the equity method		3,662		176
Gain on valuation of cash flow hedge				
(Income tax effect of ₩null million for the year ended December 31, 2009 and ₩(14) million for the year ended December 31, 2008)		-		(37)
Comprehensive income	₩	304,339	₩	256,701

36. PREPARATION AND CURRENT STATUS OF THE INTRODUCTION OF KOREA-INTERNATIONAL FINANCIAL REPORTING STANDARDS (“K-IFRS”):

The Bank is expected to adopt “K-IFRS” according to the “IFRS introduction” roadmap announced in March 2007. During the first phase, the Company formed the task force team in September 2007 and with the help of the external consultants, the employees and executives were trained, major GAAP differences were analyzed and the major tasks were narrowed down. In the second phase, which began from April 2009, resolution for the major GAAP difference items will be produced and the accounting policy, system and process will be established. Lastly, in the third phase, K-IFRS financial statements will be produced using the K-GAAP interim financial statements for the period after the transition date.

Effective January 1, 2011, the Bank is required to adopt K-IFRS in accordance with the K-IFRS *Roadmap* issued in March 2007. In preparation for the first-time adoption of K-IFRS, the Bank formed a task force team in September 2007 to analyze the effects on significant accounting and operating processes, including information technology, from the conversion to K-IFRS. Beginning April 2009, the Bank is establishing accounting policies and financial reporting systems on a basis prescribed by K-IFRS and providing training to employees and executives. Key expected changes to the basis of preparation of financial statements include allowance for credit losses, revenue recognition and employee benefits.

Independent Accountants’ Review Report on Internal Accounting Control System (“IACS”)

English Translation of a Report Originally Issued in Korean

To the Representative Director of Busan Bank:

We have reviewed the accompanying Report on the Management’s Assessment of IACS (the “Management’s Report”) of Busan Bank (the “Bank”) as of December 31, 2009. The Management’s Report, and the design and operation of IACS are the responsibility of the Bank’s management. Our responsibility is to review the Management’s Report and issue a review report based on our procedures. The Bank’s management stated in the accompanying Management’s Report that “based on the assessment of the IACS as of December 31, 2009, the Bank’s IACS has been appropriately designed and is operating effectively as of December 31, 2009, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association.”

We conducted our review in accordance with the IACS Review Standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform a review, the objective of which is to obtain a lower level of assurance than an audit, of the Management’s Report in all material respects. A review includes obtaining an understanding of the Bank’s IACS and making inquiries regarding the Management’s Report and, when deemed necessary, performing a limited inspection of underlying documents and other limited procedures.

The Bank’s IACS represents internal accounting policies and a system to manage and operate such policies to provide reasonable assurance regarding the reliability of financial statements prepared, in accordance with accounting principles generally accepted in the Republic of Korea, for the purpose of preparing and disclosing reliable accounting information. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness of IACS to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that the Management’s Report referred to above is not fairly stated, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association.

Our review is based on the Bank’s IACS as of December 31, 2009, and we did not review its IACS subsequent to December 31, 2009. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in the Republic of Korea and may not be appropriate for other purposes or for other users.

Deloitte Anjin LLC

March 2, 2010

NOTICE TO READERS

This report is annexed in relation to the audit of the financial statements as of December 31, 2009 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea..

MANAGEMENT

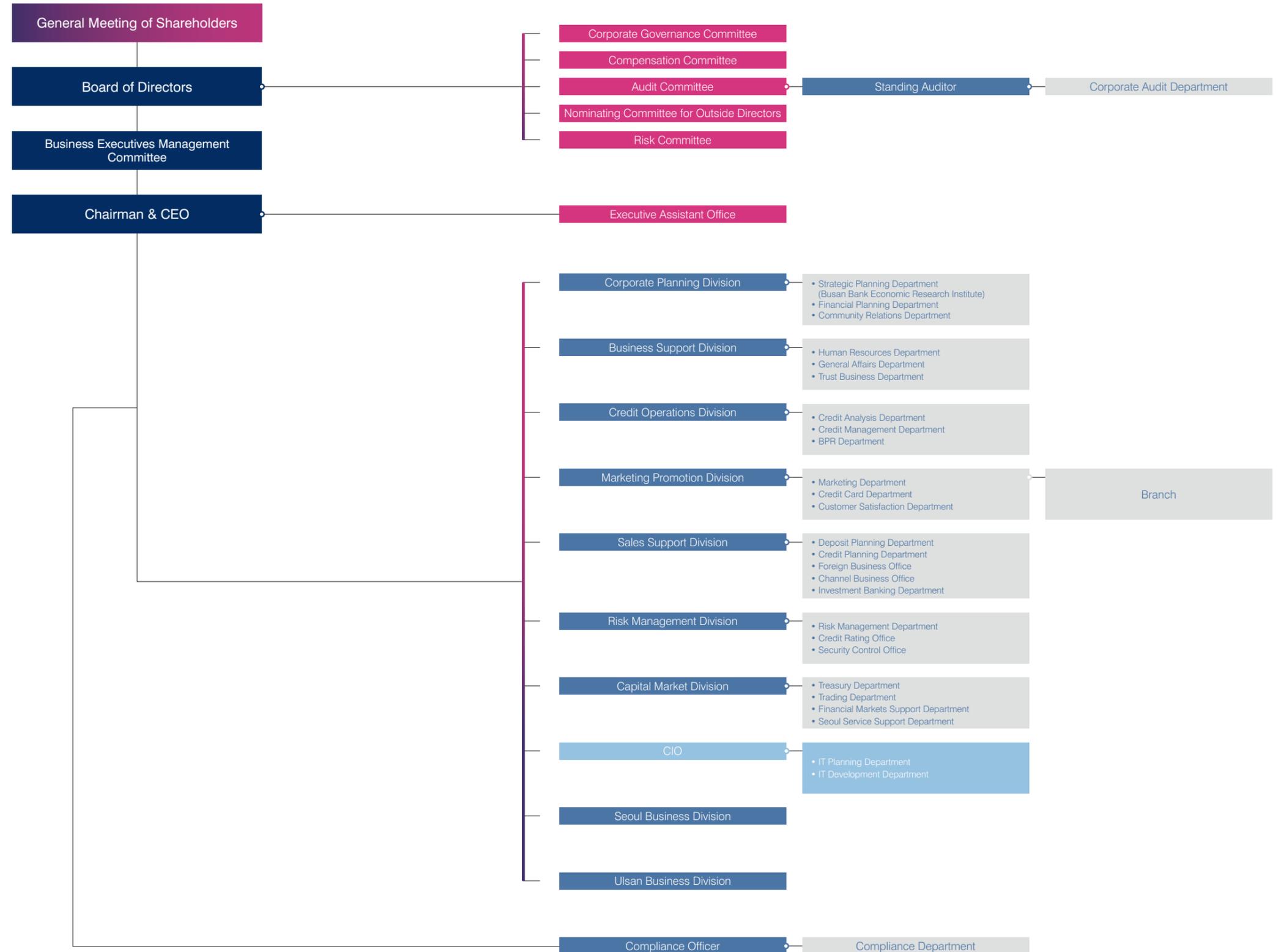
MANAGEMENT

- 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
- Choi, Man-chul**
Executive Vice President
- Chung, Jae-young**
Executive Vice President
- Lee, Ji-ho**
Executive Vice President

NON-STANDING DIRECTORS

- Shin, Jung-taek**
Chairman / Seun Steel Co., Ltd.
- Chae, Jung-byung**
Vice President / Lotte Group
- Lee, Soon-chul**
- Lee, Kee-joong**
Lawyer / Law Firm Jeong In
- Han, Jae-min**
Professor / Korea University

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 foreign exchange activities
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 system
1998	12 09	Established strategic business agreement with Microsoft
1999	03 31	Designated as a funds settlement bank by Korea Futures Exchange
1999	07 28	Concluded comprehensive consulting service pact 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	Pusan 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 Industry and Commerce 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 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.
	12 18	Provided KRW 9.8 billion in project financing for Geoga Bridge construction.
2004	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

	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
	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
2005	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
	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" Finance Awards
2006	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
2007	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"
	09 19	Opened Jisa Branch
	09 27	Donated KRW 100 million in development funds for the 12th PIFF
	10 02	Held 7th "Hope Day" to help underprivileged children
	10 19	Inaugurated first-term Busan Bank university student PR ambassador program
	10 25	Published "Busan Bank's History of 40 Years" to mark 40th anniversary
	11 05	Opened Busan Bank Cyber Museum of History
	12 07	Inaugurated Busan Bank Scholarship and Cultural Foundation

2008	01 12	Held "Hanmaeum Race" (Happy Together Festival)
	02 27	Launched "Kids Banking Gold" Service
	04 11	Issued "Dandi Card"
	04 22	Rated No. 1 in FSS' assessment on service claims of financial companies
	04 30	Received the Bronze Tower Order of Industrial Service Merit for labor/management cooperation and employment stabilization
	05 03	Launched "Love for Busan Port Time Deposit" product
	05 06	Received the 6th Korea Customer Satisfaction Award
	05 15	Won the grand prize of the 2008 Global Standard Management Award
	05 21	Opened Mulgeum Branch Office
	05 22	Launched yuan-denominated accounts through Bank of China
	05 23	Issued "My-Zone" Check Card
	05 24	Held "Love for May Concert" for Busan citizens
	05 28	Signed MOU with Gwangyang Bay Free Economic Zone Authority
	06 05	Opened Qingdao Representative Office in China
	06 12	Awarded grand prize in the financial service division at the 2008 Korea Luxury Brand Awards
	06 24	Launched "Premium Loan for Companies with a Female CEO" product
	07 07	Founded "BS CEO Club"
	07 29	Formed sister relationship with Naval Force Operations Command
	08 08	Opened Branch Office at International Fisheries Wholesale Market
	08 21	Contributed scholarship funds to Busan Bank Scholarship and Cultural Foundation
	09 03	Awarded the Corporate Commendation for Contribution to Mecenat
	09 04	Launched the "BSB Finance MBA Program"
	09 10	Launched the "Consulting Team for Financially Troubled SMEs"
	09 18	Held the "Prime Ministerial Special Seminar Inviting CEOs in Busan, Ulsan and Kyungnam Region"
	09 30	Contributed KRW 120 million in development funds for the 13th Pusan International Film Festival (PIFF)
	10 13	Introduced the "Foreign Currency Bankbook for Economic Turnaround" product
	10 17	Held 4th Quarter Management Strategy Meeting
	10 20	Expanded the Bank's mobile banking service
	10 25	Held 41st Anniversary Celebration Ceremony
	11 05	Signed agreement with Busan Metropolitan Government to establish child care center
	11 06	Held the "Challenge! Golden Bell"
	12 09	Received Presidential Commendation at 2008 National Volunteer Summit
	12 12	Awarded grand prize at Korean CEO Grand Prix Awards
	12 16	Implemented changes to organizational structure: (6 divisions, 26 departments, 1 office and 1 sub-office and 2 business divisions) Introduced special bankbooks to aid the homeless
	12 17	Issued hybrid bonds
2009	01 03	Held a CI replacement proclamation ceremony
	01 03	Held 2009 Hanmaeum Race
	01 05	Received the Gold Prize in the banking category of 18th Dasan Financial Award
	01 16	Held a management strategy meeting for the first quarter of 2009
	01 29	Launched Busan Bank's Track and Field Team
	02 10	Opened the Jinnye Branch
	02 24	Received the Creative Management Award of Korea
	03 03	Opened the Shinsegae Centum City Branch
	03 11	Received the Grand Prize in the cultural management category of the Korea Ethical Management Awards
	03 18	Opened the BS Job Center
	03 26	Held the 52nd General Meeting of Shareholders
	03 27	Carried out a paid-in capital increase of KRW 200 billion
	04 02	Held the 3rd PR Ambassador Launching Ceremony
	04 09	Opened the Busan Bank Joeun Theater

	04 17	Held a management strategy meeting for the second quarter of 2009
	04 20	Held a joint labor-management declaration and family satisfaction management proclamation ceremony
	04 24	Acquired a Grade 1 rating in the 2008 evaluation of complaints carried out by the Financial Supervisory Service
	05 17	Opened a 'weekend farm' for family members of Busan Bank employees
	05 19	Held a Women's Entrepreneur Seminar in Busan, Ulsan, and South Gyeongsang Province
	05 22	Commencement of new Grade 7 employees
	05 23	Held a Busan Bank Family Day Event
	05 30	Held the Love May Concert
	06 08	Held a special lecture by the Minister of Strategy and Finance, inviting CEOs from Busan, Ulsan, and South Gyeongsang Province
	06 15	Opened the BS Health Management Center
	06 22	Held a groundbreaking ceremony for the Childcare Support Center in Busan Metropolitan City
	06 29	Received a Special Award from the 9th Korea Electronic Finance Awards
	07 07	Signed an MOU with France's Credit Agricole S.A
	07 17	Held the 3rd Busan Bank Chairman's Cup Street Basketball Tournament
	07 17	Held a management strategy meeting for the third quarter of 2009
	07 21	Signed a business agreement for the elimination of financial crime
	07 28	Conducted a personnel reshuffle for the second half of 2009
	08 12	Signed agreement with Busan Credit Guarantee Foundation on providing financial support for the financially alienated who run a business
	08 17	Opened the Anrak Chungryeol Branch
	08 20	Held a ceremony to confer scholarship certificates for 2009
	08 26	Signed an agreement to engage in exchange with Busan Central Customs to improve customs administration services
	08 28	Established a Youth Council
	09 02	Received the True Company Award in the category of disabled employment from the Ministry of Labor
	09 11	Received the Best Prize in the category of giving for the 1st Social Contribution Award of Busan Metropolitan City
	09 15	Held a ceremony to donate a development fund to the 14th Pusan International Film Festival
	09 17	Donated gifts to neighbors in need on the occasion of Chuseok
	09 21	Commenced sales of the BS Life-long Happiness Housing Pension Loan (reserve mortgage loan)
	09 24	Became the first company in Busan to create an emergency and disaster relief volunteering team
	09 28	Received the 7th Money Today IR Award
	10 09	Achieved 1,000 days without computer system failures
	10 09	Held a ceremony for the joining of new, Grade 7 employees
	10 21	Made a joint labor-management declaration for the establishment of a cooperative partnership
	10 23	Held the 42nd anniversary ceremony
	10 24	Held the 'Challenge! Golden Bell' on the occasion of the 42nd anniversary
	11 03	Held the 2nd Busan Bank Chairman Cup's CEO Club Golf Tournament
	11 09	Opened the Nakdong River Pureumi Bicycle School
	11 17	Held a ceremony for the agreement on support for cultural development in Busan
	11 18	Received final approval for BS Futures to engage in the securities business
	12 18	Launched BS Securities Co.,Ltd.
	12 21	Won a Presidential Commendation for supporting the creation of jobs
	12 24	Became the first local bank to build a server virtualization system
	12 30	Amended rules on organization (7 Divisions, 24 departments, 5 offices, 1 appendage)

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

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FAX (82)-(2)-758-6399

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BIC PUSBKR2PINT

Department Manager Joo, Young-uk

Financial Markets Support Dept. (Back Office)

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Department Manager Sung, Dong-hwa

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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 PNBUS3N NYC 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 SMCUS33 New York
- JPMorgan Chase Bank National Association, 000000780254736, CHASUS33, New York

JPY

- Standard Chartered Bank, 0211037-1111, SCBLJPJT, Tokyo
- Sumitomo Mitsui Banking Corp. 3157 SMBJJPJT 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, Brussels, 301-0188793-15-EUR, Brussels
- Commerzbank, 400885100800EUR, Frankfurt

CHF

- UBS AG 02300000087106050000P UBSWCHZH80A Zurich

DKK

- Danske Bank 3007536712 DABADKKK Copenhagen

SEK

- Nordea Bank 39527907721SEK 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, Dubai

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 ₩ 25,000 million

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 ₩ 3,000 million

Holding Share 100%

Korea Non-Bank Lease Financing Co., Ltd.

ADDRESS Yuwon Bldg 6th FL, 75-95, Seosomun-Dong, Jung-Gu, Seoul, 100-110, Korea

TEL (82)-(2)-398-4100

Paid-in Capital ₩ 20,000 million

Holding Share 17.38%

BANKING DIRECTORY

INTERNATIONAL BANKING DIRECTORY

Trading Dept. (Front Office)

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Department Manager Joo, Young-uk

Financial Markets Support Dept. (Back Office)

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Department Manager Sung, Dong-hwa

Foreign Business Office

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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 PNBPU33N NYC 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, Brussels, 301-0188793-15-EUR, Brussels
- Commerzbank, 400885100800EUR, Frankfurt

CHF

- UBS AG 02300000087106050000P UBSWCHZH80A Zurich

DKK

- Danske Bank 3007536712 DABADKKK Copenhagen

SEK

- Nordea Bank 39527907721SEK 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, Dubai

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 ₩ 25,000 million
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 ₩ 3,000 million
Holding Share 100%

Korea Non-Bank Lease Financing Co., Ltd.

ADDRESS Yuwon Bldg 6th FL, 75-95, Seosomun-Dong, Jung-Gu, Seoul, 100-110, Korea
TEL (82)-(2)-398-4100
Paid-in Capital ₩ 20,000 million
Holding Share 17.38%

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, 2009)

Branch Network: 236 branches
 Employees: 2,937
 ATMs & CDs: 1,644

MAJOR SHAREHOLDERS (end 4Q 2009, the most recent fair disclosures)

Lotte Group (incl. Japan Lotte): 14.08 %
 Aberdeen Asset Management Asia Limited: 13.53 %
 Parkland Co., Ltd: 4.29 %
 Saudi Arabian Monetray Agency: 3.87%
 National Pension Service: 3.80 %
 Korea Iron and Steel Co., Ltd: 1.50 %
 KB Asset Management: 1.25 %

SECURITIES LISTINGS

Korea Exchange: 005280

INFORMATION AVAILABILITY

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

IR CONTACTS

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John Kim (IR Manager)
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Jason Choi (IR Manager)
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NETWORK



BUSAN

Headquarters / Foreign Business Office

SEOUL

Capital Market Division / IR

QINGDAO

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