

HAPPINESS WITH YOU

BUSAN BANK
2011 ANNUAL REPORT

CONTENTS

CORPORATE HISTORY ▶

C2	CORPORATE HISTORY
01	CORPORATE PROFILE
02	CEO'S MESSAGE
04	HAPPINESS WITH YOU
06	Happiness with Customers
08	Happiness with Shareholders
10	Happiness with Partners
12	Happiness with Neighbors
17	CORPORATE STORY (Book In Book)
18	Financial Highlights
20	Management Principles And Strategic Tasks
22	News Highlights
24	Group At a Glance
28	OPERATION REVIEW
31	Corporate Banking
32	Retail Banking
34	Other Financial Services
35	Global Banking
37	Market Trends
38	Management Infrastructure
39	Risk Management
40	SUSTAINABILITY MANAGEMENT
42	Corporate Social Responsibility
44	Ethical Management
46	Culture & Sports
48	FINANCIAL PERFORMANCE
50	Management's Discussion & Analysis
55	Independent Auditors' Report
56	Consolidated Financial Statements
61	Notes To Consolidated Financial Statements
160	MANAGEMENT / ORGANIZATION CHART
162	BANKING DIRECTORY
163	IR INFORMATION / NETWORK
164	BUSAN METROPOLITAN CITY — HUB OF NORTHEAST ASIA

Busan Bank has been striving to invigorate regional finance since its establishment in October 1967. The Bank has also been earning trust from customers and investors in various sectors such as savings, trusts, loans, credit cards, foreign currencies and international finance. In 2011, the bank secured a springboard for future success by establishing the first holding company as a regional bank.

Busan Bank is working together with general customers, small and medium-sized companies and shareholders in order to realize 'finance for happiness and sharing.' Moreover, we will do everything we can do to fulfill our corporate social responsibilities as a leading bank in local social contribution.

HAPPINESS
WITH
YOU

CEO's Message

I'd like to thank our shareholders & customers for their unchanging love & support for our bank.

The past 2011 will be remembered as a pivotal year in the history of the bank. Even with the increased uncertainties in the economy, the bank was able to transform into a financial holding company in March. With "the addition of an I.T. Systems Company that can provide sufficient I.T. maintenance on the group level and the execution of MSB business that will take care of the financial needs of low-income households in the future", the bank has established firm ground to serve customers with fast and convenient finance service.

Also, promoting local companies with growth potential & supporting self-employed businesses etc. that will boost the 'local economy with a win win strategy', and various activities sustaining the community including Mecenat activities that have been selected by the press several times as an outstanding model among banks that have heighten the external status of the bank during the year.

As for this year, we expect to observe government-run bank's retail business expansion & M&A regarding nationwide banks among various changes in the banking environment. Furthermore,

as social responsibility has become the first priority of the companies after the global crisis, the bank's business policy will focus on the "selection and concentration to achieve stable growth and lead socially responsible business management" with a business motto "to shed off the golden cicada skin" that suggests to grow out of the current form rather than settle to reinvent and progress with continued change & innovation as an organization.

"Moving forward by working together with Happy Finance" being the bank's business slogan, we have newly created the "local community contribution department" to reestablish the bank's community contribution system while strengthening the win win strategy with just operation to protect the financial consumer welcoming a new era for social responsibility management.

Now have to put aside the joy of becoming the first local financial holding company, and start out for the 100 year milestone for the bank.

We ask for your continued support & encouragement while we take our first step in becoming a 100 year bank, and wish good health and happiness for you and your family.

Thank you.

Now have to put aside the joy of becoming the first local financial holding company, and start out for the 100 year milestone for the bank.

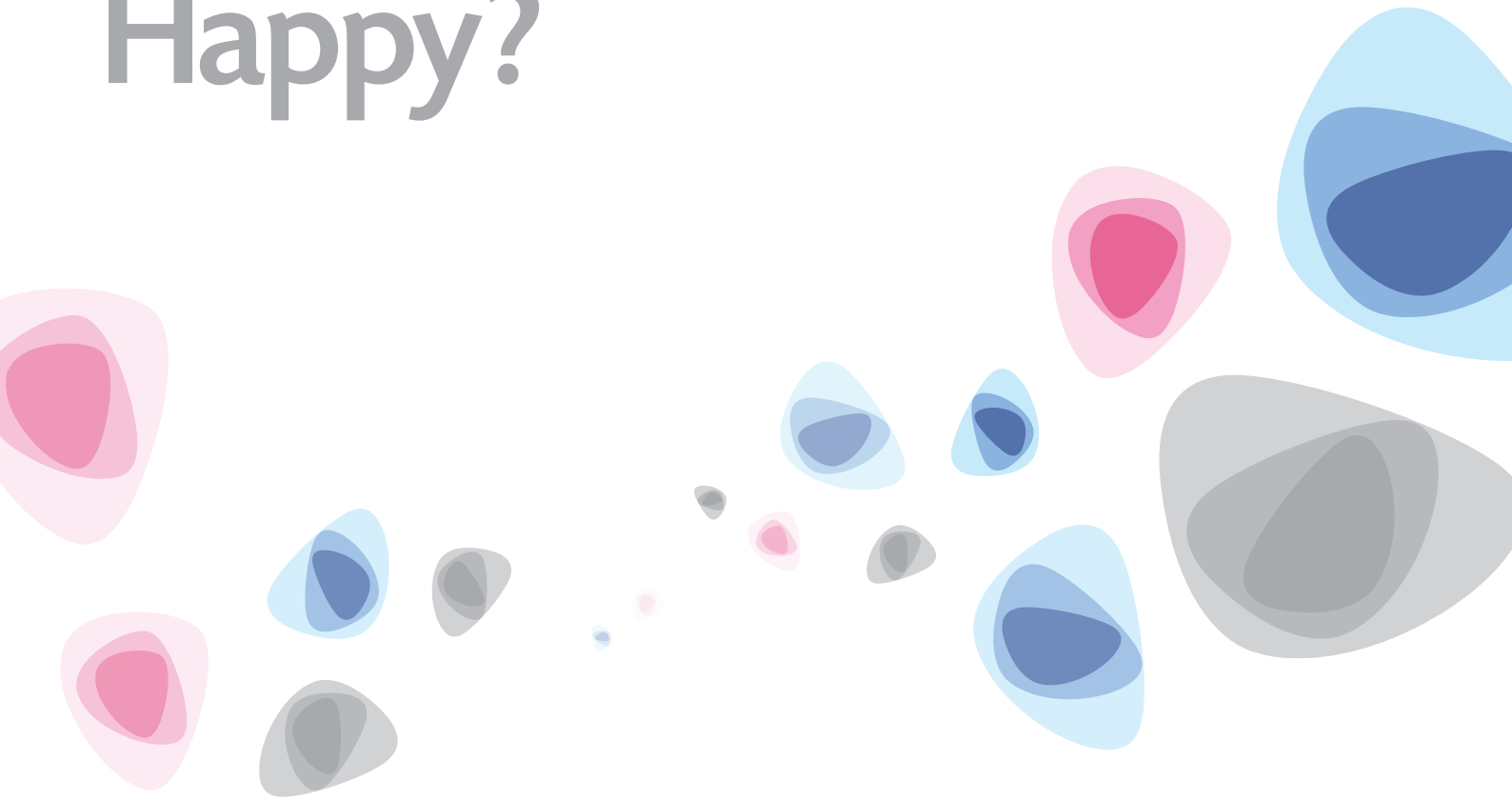
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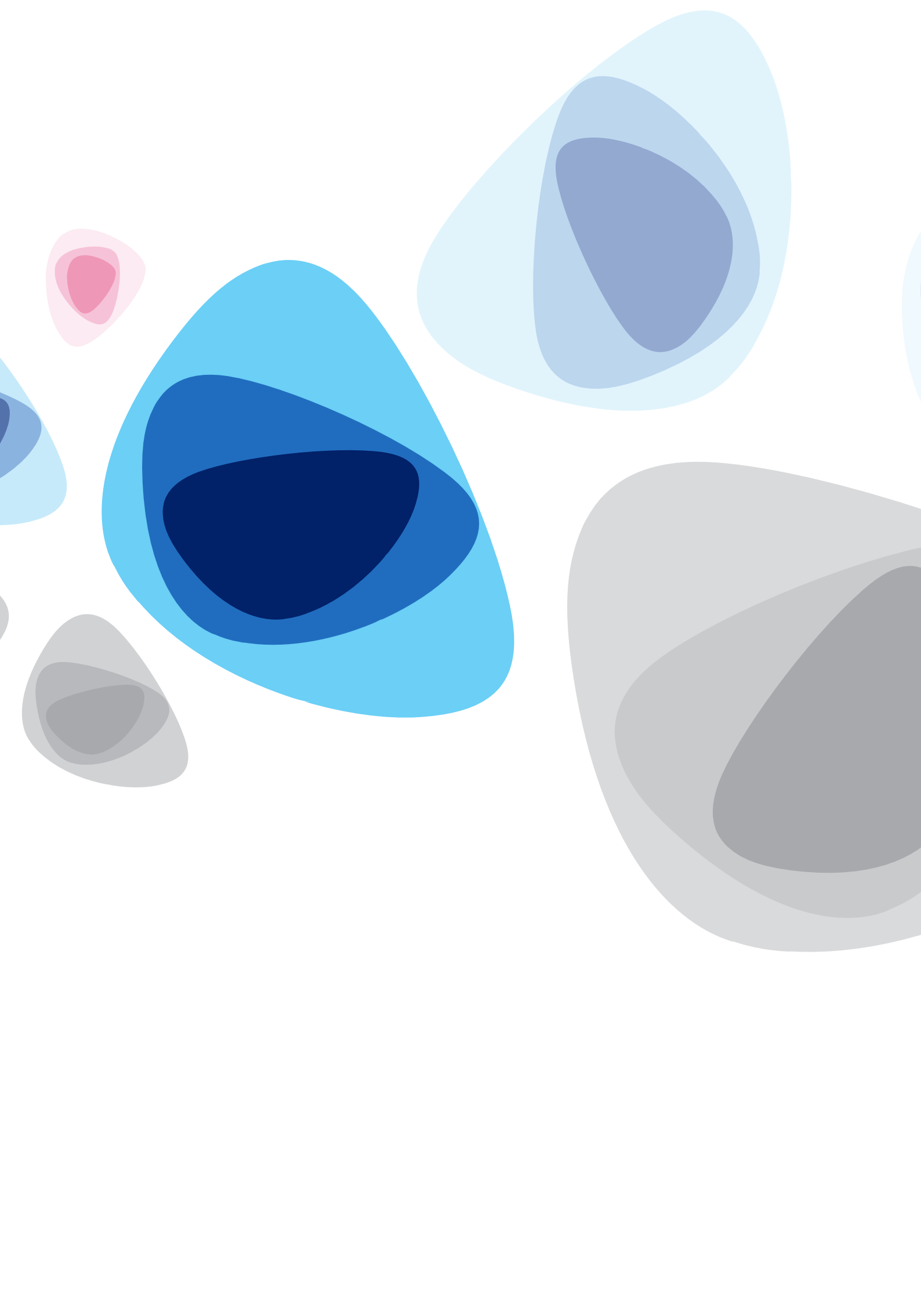


Sung Se Whan

Busan Bank CEO **Sung, Se-Whan**

Which Points of Busan Bank Make You Happy?





Happiness with Customers

The development of competitive products and services which can satisfy customers!

We are expanding our financial capabilities at a top level in Korea through multi-pronged specialized marketing.

**Always
Heartful!**

대출 · 외환

53



입금 · 출금 · 신규 · 해지

BS 부산은행
Busan Bank





**Very
Reliable!**

Happiness with Shareholders

Preemptive risk management in preparation for changes in the financial market!

We continue to grow by expanding our national and global networks and extending services for corporate and general customers.



**Very
Hopeful!**

Happiness with Partners

The fruit of happy growth shared with others!

We create a better tomorrow with local economy and residents through support for small and medium-sized companies and win-win partnership with them.



BS Busan Bank



**Very
Trustworthy!**

Happiness with Neighbors

**The bank serving and supporting
the public!**

We are earning trust from customers as
a leading bank in social contribution
while supporting the local
community.

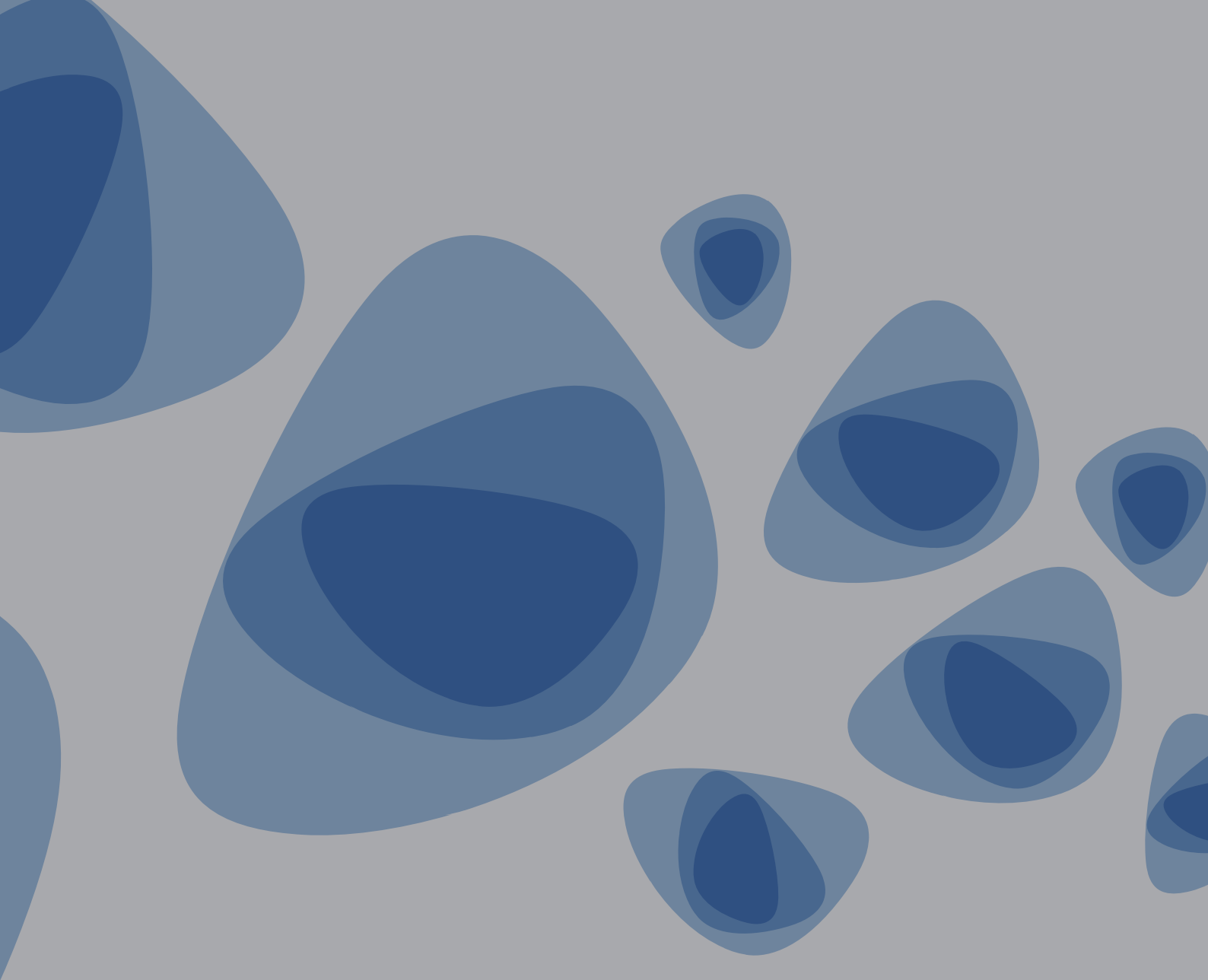


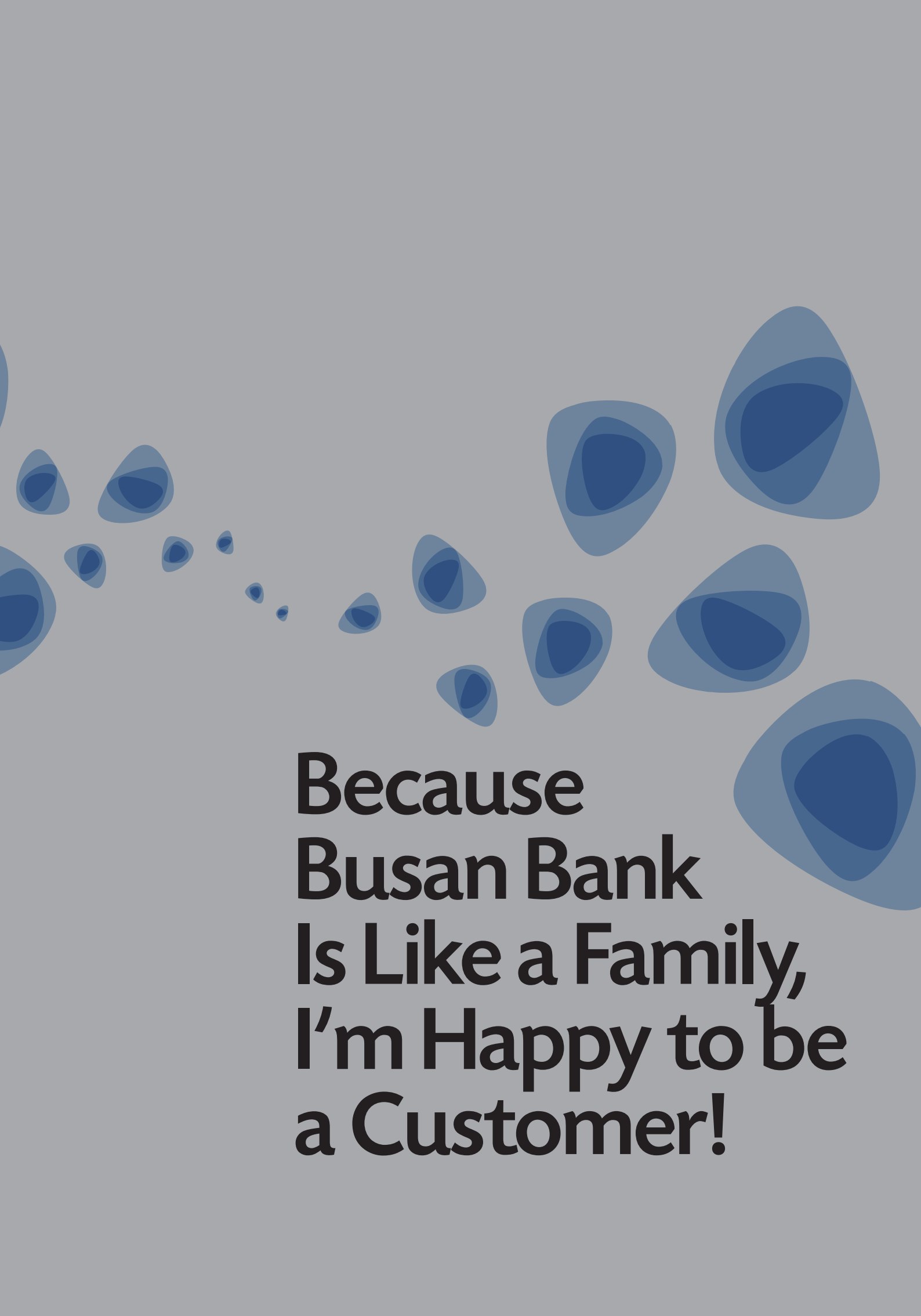
부산은행
최유빈

부산은행
이선주

부산은행

부산은행



The background features a light gray gradient with several abstract, organic blue shapes of varying sizes and shades, scattered across the upper and right portions of the frame. These shapes resemble ink blots or soft-edged circles, creating a modern and artistic aesthetic.

**Because
Busan Bank
Is Like a Family,
I'm Happy to be
a Customer!**





CORPORATE STORY

- 18 Financial Highlights
- 20 Management Principles And Strategic Tasks
- 22 News Highlights
- 24 Group At a Glance



Financial Highlights

Years Ending December 31

Unit : KRW Billion

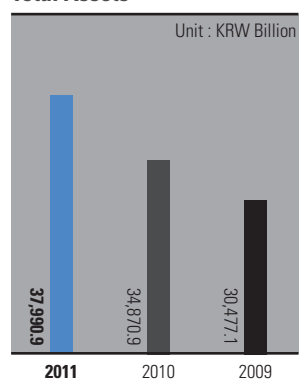
	2011	2010
For the Fiscal Year		
Total Revenue	2,981.3	2,867.8
Total Expense	2,452.9	2,380.1
Income Tax	130.1	116.5
Net Income	398.3	371.2
At Year's End		
Assets	37,990.9	34,870.9
Deposits	25,024.0	21,548.6
Loans	25,267.0	22,193.3
Securities	7,010.4	6,173.9
Shareholders' Equity	2,741.6	2,545.5

Years Ending December 31

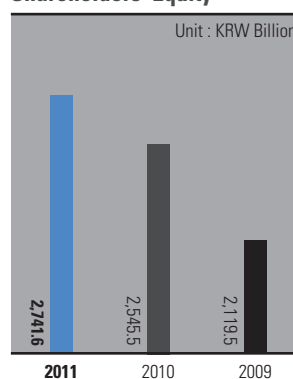
Unit : USD Million

	2011	2010
For the Fiscal Year		
Total Revenue	2,585.0	2,518.0
Total Expense	2,126.9	2,089.8
Income Tax		
Net Income	345.4	325.9
At Year's End		
Assets	32,941.0	30,618.1
Deposits	21,697.7	18,920.5
Loans	21,908.4	19,486.6
Securities	6,078.6	5,420.9
Shareholders' Equity	2,377.2	2,235.1

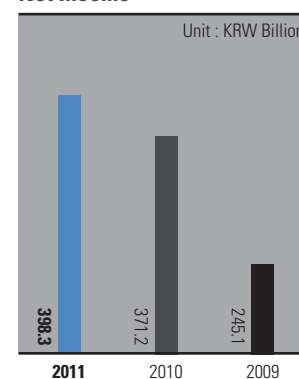
Total Assets



Shareholders' Equity



Net Income





Shareholder Composition

As of Dec 31, 2011

Composition	Shares Outstanding	Ratio
Government and government-run companies	720	0.00%
Securities firms	58,694	0.03%
Insurance Companies	131,616	0.07%
Investment Trust Companies	27,011,855	13.97%
Banks	205,738	0.11%
Individuals	20,476,586	10.59%
Foreigners	105,417,101	54.51%
Others	40,077,589	20.72%
Total	193,379,899	100.00%

Note) Korea Securities Depository

Major Shareholders

Shareholder	Percentage(%)
Aberdeen Asset Management Asia Limited	14.0%
Lotte Group(incl. Japan Lotte)	13.6%
National Pension Service	4.5%
Parkland Co., Ltd	4.1%
Saudi Arabian Monetary Agency	4.0%
Vanguard Fund	2.4%
Templeton Global Smaller Companies	1.7%

* End of 4Q 2011, The Most Recent Fair Disclosure

Stock Price 2011





Management Principles and Strategic Tasks

MANAGEMENT PRINCIPLES

Promoting stable growth and socially responsible management through selection and concentration

We will focus on risk management reinforcement in the midst of increasing demands for managing banks' asset quality and liquidity risks, which were caused by continued insecurity in the global financial market and worsening economic conditions, such as sluggish economic growth, increasing financial market volatility, and a slow property market recovery, and worsening growth conditions for banks, due to deepening default risks of loans to small-and-medium businesses and households.

We will take the lead in fulfilling corporate social responsibilities by consistently conducting social contribution projects and recognizing them as an investment for future growth as well as a main management strategy in accordance with our announcement to become the best bank that contributes the most to the growth of the regional economy.

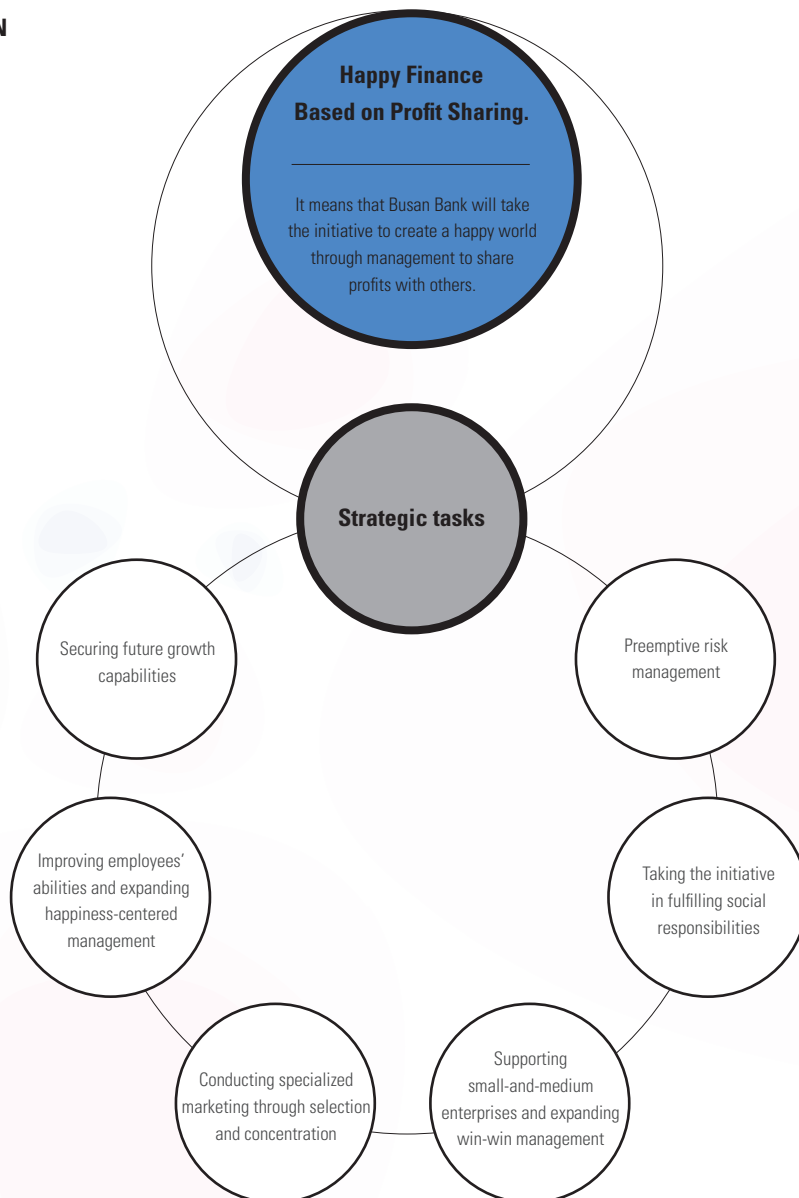
As the leading bank that supports small-and-medium enterprises in Korea's southeastern region, we will continuously discover competent small-and-medium businesses, which will contribute to the growth of the regional economy, implement tasks to grow these strong candidates, expand win-win management, and support the self-employed in order to invigorate the regional economy and create jobs.

We will map out an overall training plan for financial experts in accordance with the construction of our employee training center, expand happiness-centered management which aims to create a happy workplace, and provide unprecedented rewards for outstanding employees.

We will lay the foundation for becoming a nationwide bank on the basis of the regional economy by solidifying our base in the southeastern region that includes Busan and Ulsan, opening new overseas branches, and expanding our sales network in the metropolitan areas.



MANAGEMENT SLOGAN





News Highlights

JANUARY

Receiving Dasan Financial Award for three consecutive years

Busan Bank has won the most prestigious prize for three consecutive years for the first time in the history of the Korean financial industry.



FEBRUARY

'Serving free lunch' volunteer service

As one of spring volunteer activities, Busan Bank's volunteers served free lunch with the Busan Bapper Sharing Community at the Nok-um Plaza of Busan City Hall.

BS Family Volunteer Group Inauguration

The BS Family Volunteer Group which consists of 230 families of Busan Bank's members had its inauguration ceremony. This group will visit soup kitchens or the elderly in need of help once every month.



MARCH

Holding Main Sponsor Agreement Ceremony

Busan Bank had the '2011 Main Sponsor Agreement Ceremony' with Chung Mong-gyu, owner of Busan IPark Professional Football Team, at the Busan Asiad Main Stadium.

Establishment of BS Financial Group

BS Financial Group which is based in a region for the first time in Korea, was launched. BS Financial Group is a large financial group that consists of four subsidiary companies, i.e. Busan Bank, BS Securities, BS Capital, and BS Credit Information. "We will secure a total asset of 70 trillion won and a net profit of 700 billion won by 2015," CEO Lee Jang-ho of BS Financial Group said passionately. BS Financial Group will take over a savings bank in order to respond to the government's policy to promote finance for ordinary people.



APRIL

Opening of BS Support Center for self-employed

The BS Support Center for the Self-employed has opened for the first time in the financial sector. This center will provide free consulting services for

independent businesspeople, such as management improvement and business conversion.

Opening of BS Busan Bank Gallery

Busan Bank has started running a permanent gallery. This gallery is the largest gallery established by firms in the southeastern region, and the space rental fees for artists and entrance fees for visitors are all free.



MAY

Receiving CEO of Year Award

CEO Lee Jang-ho of Busan Bank received the CEO of the Year Award from the Korea Management Association. By increasing bank assets by around 3 trillion won per year, CEO Lee achieved assets of 37 trillion won and a net profit of 333.5 billion won as of the end of 2010. Besides that, he has been praised as a contributor to the growth of Busan Bank as one of the best regional financial groups by launching BS Financial Group.



JUNE

Hosting Busan International Finance Seminar

The 2011 Busan International Finance Seminar was co-hosted by Busan Bank and Busan City. At this seminar, strategies to attract off-shore financial institutions for the development of Busan's financial industry were prepared.

Opening an office in Ho Chi Minh City, Vietnam

Busan Bank opened an office in Ho Chi Minh City, Vietnam. "This office will expand its financial services for companies, Korean residents, and Korean tourists and will increase support for local residents' financial transactions," said Office Manager Choi Geun-hwan.





JULY

Holding ceremony for On-Foot Country Tour for College Students

Busan Bank held a ceremony for the 1st Busan Bank's On-Foot Country Tour for College Students in the Southeast Region. This ceremony was prepared to encourage college students to have greater dreams and stronger passions and create an opportunity to create a sound college culture.

Presenting appointment plaques to the members of BS Diamond Group

Busan Bank launched the BS Diamond Group which consists of 50 competent small-and-medium companies in the southeastern region, including Busan and Ulsan. Busan Bank named the organization the 'BS Diamond Group' in the hope that these companies will play a solid and long-lasting role for the regional economy like diamonds.



AUGUST

Granting special loans of 300 billion won to self-employed in Busan

In order to ease financial difficulties of small businesses, Busan Bank implemented a program called 'Special Loans for the Success of Self-Employed People.' As part of its win-win management, Busan Bank reduced the interest rate of this program by 1% compared to general loans and will return some of its profits back to society.



SEPTEMBER

Providing BIFF with funds and computing devices

Busan Bank had an agreement ceremony with the organizing committee of Busan International Film Festival (BIFF) and provided a development fund of 300 million won for the successful opening and operation of the movie festival. In addition, Busan Bank offered 0.4 billion won worth of 280 computing devices, such as laptops and printers, in order to support the operations of the festival.



OCTOBER

Providing prime rate for depositors in the Autumn Baseball Time Deposit Account

Since the Lotte Giants have made the playoffs as runner-up, Busan Bank

provided a prime rate of 0.2% to depositors who made a good guess as to the team's standing in the Autumn Baseball Time Deposit Account launched earlier in the season.



November

Operating promotion booth at World Financial Fair Busan

The World Financial Fair Busan 2011 was held at BEXCO. At the fair, Busan Bank promoted its products and services, provided customized one-on-one investment consulting services, and offered advice about asset management services.



DECEMBER

Branch managers who wear jackets rather than business suits

Busan Bank instructed executives and branch managers to wear black work jackets when they visit small-and-medium companies. This policy was to reveal the strong will of Busan Bank to support small-and-medium enterprises and reflect their voices in its policy.

Holding a groundbreaking ceremony for construction of the head office in the Moonhyun-dong area

The groundbreaking ceremony was held for the construction of Busan Bank's head

office, an anticipated new landmark, in the Moonhyun-dong area. This office, which will be built on 10,959 m² with 23 floors above ground and three underground levels, is scheduled to be completed in 2014 and is expected to become the largest main office building among main offices of the companies located in Busan.



MARCH, 2012

Sung Takes Office as the 11th President

Sung Se Whan was officially appointed as the 11th president of Busan Bank at the general shareholders' meeting. "I will lay the foundation for becoming a 100-year-old bank and enhance customer value by building networks in all metropolitan cities across the nation," Sung said in the inauguration ceremony.





Group At a Glance

BS Financial Group



BS Financial Group is the first financial holding company established by a regional bank since Korea's introduction of a financial holding company on March 15, 2011. Busan Bank's transformation into a financial holding company aims to enhance its business performances through economies of scale and scope in line with expansion and integration. In particular, the financial holding company is expanding synergies by strengthening cooperation among subsidiaries. BS Financial Group transcended the limitations of its business around savings and loans by offering customer satisfaction through one-stop service and realizing balanced growth of the banking sector and the non-banking sector.



Busan Bank

Busan Bank is performing better than expected through pre-emptive risk management and steady business innovation. The Bank is enjoying high evaluations from external organizations such as receiving ratings of AAA, a top level, from three major Korean credit rating companies.



BS Securities

BS Investment Securities began its business operation with an approval from the government with an eye toward activating the local financial industry and capital market in November 2009. The company is offering better financial services to customers by adding securities service in addition to services on currencies and commodity futures.



BS Capital

BS Capital offers personal loans, lease financing, installment financing, corporate loans, factoring, discounted bills, auto loans, etc. as a loan-specialized company wholly owned by BS Financial Group. In particular, the company is focusing on financial support for lower income families.



BS Savings Bank

The BS Financial Group founded BS Savings Bank as a wholly owned subsidiary by taking over quality assets and liabilities such as deposits from Prime Mutual Savings Bank and Parangsae Mutual Savings Bank. Each of the deposits totaled KRW 50 million or less, respectively.



BS Credit Information

BS Credit Information provides credit check and debt collection services as a specialized credit information company. The company is sincerely performing its duties as a consultant for customers by recruiting highly talented people with rich experiences and expertise.



BS Information System

BS Information System is a wholly owned subsidiary of the BS Financial Group that specializes in financial IT. The company meets the IT demands of its sister companies and serve regional SMEs by developing and providing IT solutions that can enhance their competitiveness. The company also contributes to creating an environment that encourages excellent IT human resources to continue to work in the region.





OPERATION REVIEW



Ceaseless changes and a strong passion for happiness!

At Busan Bank, talented young people always strive to perform better through trustworthy financial know-how.





Busan Bank grants priority to the happiness and satisfaction of customers.

We are striving to satisfy customers better and offer more than what customers want. This is why Busan Bank increases the number of its customers every day.



Busan Bank achieved remarkable results by launching various products for small business owners in the region. By putting forth efforts to support the self-employed, we also contributed to promote their business.

Corporate Banking

Growing and leading together

In 2011, Busan Bank launched various products and services for small local business owners with the aim of growing together with the local economy. The bank launched 'BS Munjeon Seongsi Loan,' specialized for small business owners in March and recorded KRW 12.2 billion in loans as of the end of December 2011. The total amount of 'BS Good Taxpayer Honors Loan' made to customers launched in April 2011 stood at KRW 0.7 billion. Like these, such products and services performed well.

The bank also began the 'Successful Self-Employed People Project' as a special program to support them. In terms of financial support systems, the Bank gave financial assistance



amounting to a total of KRW 137 billion to 4,227 companies through 'Successful Self-Employed People Fund' and other loans. Moreover, the BS Self-Employed People Support Center aided in activating self-employed people's business by financially supporting the remodeling of their business sites.

Its business support programs included the operation of a moving self-employed business support center, offering items needed for starting business and funeral services free of charge, design support and providing free consulting on starting an enterprise and management. Furthermore, we helped self-employed people through wellness programs such as the use of condominiums and invitations to cultural events and fire insurance.

Total Loans

(Unit : KRW Billion, %)

Category	2011	2010	Change	
			Amount	%
KRW Loans	22,866.5	20,018	2,848.5	14.23
Foreign Currency Loans	1,044.3	1,122.3	- 78.0	- 6.95
Other Loans	616.2	441.2	175.0	39.66
Total Loans	24,527.0	21,581.5	2,945.5	13.65

Busan Bank received good responses from customers and rendered great financial service to ordinary people by launching a wide array of products. The bank continued to grow in the mutual fund and bancassurance sectors and realized customer satisfaction through improvements to facilities. We carried out a wide variety of sales activities to promote our credit card business and focus on the PB service for excellent customers.

Retail Banking

Setting the standard for total customer satisfaction

Busan Bank introduced a wide array of innovative products to strengthen its market control and actively respond to the changing needs of its customers in 2011. The Bank enjoyed good responses by launching 'BS Cheongsa Chorong Loan' which actively cooperates with the government's policy to promote childbirth by covering costs for weddings and baby deliveries, 'BS Blue Chip Salaried Worker Loan' for full-time workers at excellent companies, 'BS Baeknyeon Daegye Loan' for teachers and school employees, 'BS VIVA 119 Loan' for firefighters. In addition, the Bank contributed to stabilizing lives of ordinary people by introducing 'BS Bakwo Dream Loan' for those who received loans with high-interest rates from non-bank institutions. 'BS 357 Low Interest Rate Mortgage,' a hybrid rate mortgage was launched in September. As of the end of 2011, the total amount of the loans made stood at KRW 258.5 billion. The loan helped households stay financially viable.

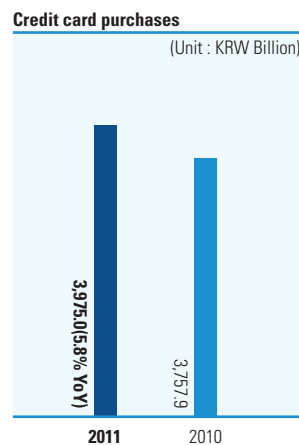
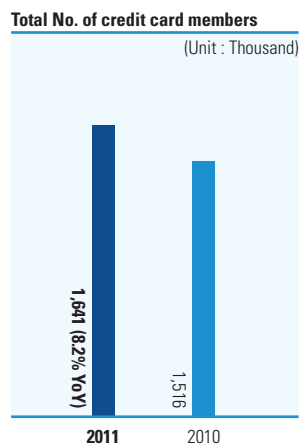
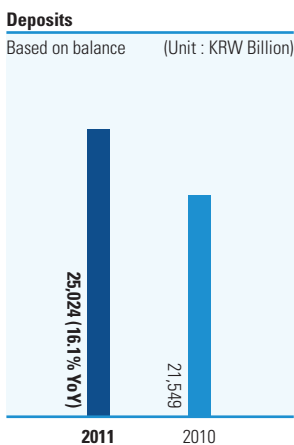
Moreover, the Bank carried out more customer-oriented sales and services in the mutual fund and bancassurance sectors. Our mutual fund business posted KRW 1,211 billion in sales, an increase of 19.14% from a year before while our bancassurance business grew 6.33% in terms of sales.

As of December 31, 2011, Busan Bank's network extended to 251 branches and 1,749 ATM kiosks in Korea. We have made every effort to offer an outstanding customer experience at every contact point, not only through products and services but also through improvements in environment and facilities. To this end, the Bank installed automated machines in partnership with other brands, conducted a survey on Myeongpum 365 Corners, replacing aged automated machines with new ones and lowered or removed fees for automated machine use.

In 2012 we will increase the number of branches across the nation, maximize efficiency, operate specialized branches tentatively and put forth efforts to maximize customer satisfaction such as enhancing efficiency by readjusting the operation of automated machines, expanding Myeongpum 365 Corners and carrying out marketing which targets customers' sensitivities.

Strong performance from credit card business

In 2011, Busan Bank ran various projects in order to expand its business foundation by increasing the number of its credit card users and generate projects through the promotion of credit card usage. The Bank endeavors to secure more uses of its plastic





money by launching a wide range of new products – VVIP Card, BS Favor Company Card, BS Global Card, Happy Point BS Check Card, BS Every One 365il Save Card, Green Card, Public Service Personnel Card and BS My Zone Green Check Card. The Bank actively conducted sales activities to attract excellent individual and corporate credit card users and members such as the ‘Best 2011 Campaign.’

With an eye toward increasing the use of its credit cards, we implemented marketing activities suitable for seasons and consumption trends such as discounting tickets to the Busan International Film Festival. At the same time, the Bank launched differentiated services such as long-term no-interest installment marketing for excellent members such as big discounters and sales agencies of electric home appliances in the Busan area and a marketing campaign to promote sales of gift cards for Seolal and Chuseok Holidays. Such efforts paid off. The Bank’s credit card customer base grew 8.2% year on year to 1,641,000 cardholders in 2011 while the growth rate of annual spending was 5.8%, reaching KRW 3,975 billion.

Offering a hard-to-beat value for PB customers

Busan Bank runs the ‘Withus Club’ private banking (PB) center for the purpose of recruiting and taking care of new high net-worth clients. A

total of 39 PB specialists managed customers and offered consulting while conducting various marketing activities to attract new customers as of the end of December 2011.

In particular, the Bank promote marketing activities for the retention of existing customers and the attraction of new ones by utilizing events and gift giveaways for PB customers. We also provide differentiated services such as the analysis of financial portfolios, asset management consulting, expert counseling, tax advisory and reporting, cultural events and investment seminars. Moreover, the Bank holds PB seminars and workshops to increase its staff’s capabilities, and provide education for its PB sales personnel and tests their ability. We are sparing no efforts in reinforcing our brand power by carrying out PB publicity campaigns more actively, contributing financial articles and delivering financial lectures internally and externally.

We will try to make sure the best service will be provided for excellent customers on the basis of systematic sales strategies such as community-friendly PB sales activities which utilize the characteristics and strong points of our bank as a regional bank, more specialized PB personnel, stronger marketing activities and the expansion of the PB sales network and an improvement in the sales environment.

Delinquency Rate

	2011	2010	2009	YoY
Corporate	0.67%	0.60%	0.49%	0.07%p
Household	0.25%	0.21%	0.71%	0.04%p
Credit Card	1.60%	1.27%	1.40%	0.33%p
Total	0.59%	0.53%	0.55%	0.06%p

* Criteria: Principle or interest that is delinquent greater than or equal to 1 month

Other Financial Services

BS Securities

Reaching new heights of as a regional securities firm

BS Securities is a general financial investment company and a wholly-owned subsidiary of BS Financial Group. The company was established in 2009 in response to changes in financial markets. Originally founded as PB Futures in 1997, it grew to become the Busan region's expert in derivatives. Now the company has expanded its coverage beyond currency and commodity futures to provide comprehensive securities services for the purpose of creating more customer satisfaction. On the other hand, thanks to the establishment of BS Securities, Busan Bank has become capable of providing more various financial services for customers and in the long term while, securing a stable growth system which can create synergies.

Within one month of its launch, BS Securities produced remarkable results -- recording KRW 600 billion in deposits and hosting 5,500 brokerage accounts. The company reached its financial breakeven point nine months after starting its operation and has grown rapidly into a mid-size firm with KRW 55 billion in equity through two capital raisings. In addition, BS Securities is steadily expanding its retail sales and customer bases in partnership with Busan Bank that has a strong sales network and through community-friendly management. BS Securities is growing into the best financial investment company in the region by expanding its branches and service area into securities sales, collective investment and corporate finance.

BS Capital

Providing a full range of customer credit services

BS Capital was founded as a wholly-owned loan servicing subsidiary of BS Financial Group in July, 2010. Its business covers retail loans, car loans, lease financing, installment financing, corporate loans, factoring, note discounting and microcredit. As of the end of December 2011, BS Capital operated its headquarters in Busan and loan centers in Seoul, Busan, Gangnam of Seoul, Incheon and Changwon. Despite its short history, BS Capital recorded remarkable growth by chalking up a loan balance of KRW 110 billion at the end of 2011.

In the future, BS Capital will put its utmost efforts into giving priority to enhancing customer value and making customers happy on the foundation of synergies out of developing and selling products in

BS Securities is growing into a mid-sized securities company while achieving sound business results and BS Capital is also showing remarkable growth. BS Savings Bank is pushing for profitability-oriented management while sharing sales strategies with Busan Bank.



connection with Busan Bank and its financial support for BS Capital and know-how in sales and customer management.

Maximizing synergies to create more value

With the establishment of BS Securities in 2009 and BS Capital in 2010, Busan Bank secured a business line-up as a financial group. The Bank will complete the best regional financial group framework through growth and diversification by the end of 2012. To support this drive, we are changing our organization in order to maximize synergies through general financial services by pushing for integrated sales strategies in connection with BS Securities and BS Capital. Furthermore, Busan Bank is implementing external growth strategies in preparation for M&As of regional banks.

Busan Bank started a financial holding company system by transforming itself into a subsidiary of the financial holding company through a comprehensive stock transfer from the bank to the financial company. The BS Financial Group will grow into the best regional financial group that creates value for the local community by practicing customer-oriented management and creating more various business portfolios and reinforced synergies.

BS Savings

Promising better financial service through its financial network

The BS Financial Group founded BS Savings Bank as a wholly owned subsidiary by taking over Prime Mutual Savings Bank and Parangsae Mutual Savings Bank through the Purchase & Assumption Method. The savings bank with seven branches marked KRW 115 billion in capital and KRW 950 billion in total assets as of January 10, 2012.

BS Savings Bank laid the foundation for the balanced growth of the banking and non-banking sectors and became able to absorb customers of all credit ratings at a group level.

BS Savings Bank will carry out marketing activities that can create synergies by learning the know-how from the credit and saving product development department while sharing business strategies with Busan Bank which is a leading bank in the region through community-friendly management. The bank is planning to push for profitability-oriented management which minimizes loan defaults by focusing on small credit loans rather than big ones.

Global Banking

Rising credibility in FX market

Busan Bank began F/X services in 1971 and ever since has recorded solid growth as its business scope and international credibility have expanded. As of December 2011, the Bank's F/X business ran a network of about 1,500 correspondent banks worldwide and 31 F/X accounts for overseas deposits (7 USD, 3 JPY, 4 EUR, 2 GBP and 14 others).

Providing international financial services on global level

The issuance of various foreign currency debentures is a stable method the bank applies to secure capital that is mid- to long-term funding. In January, 2011, the Bank issued Samurai Bonds amounting to JPY 20 billion, which was a first for a Korean regional bank, affirming the credibility of Busan Bank in the global markets.

In cooperation with Chinese banks including BoC, ICBC and CCB, Busan Bank is now offering foreign currency services including wire transfers with China. In September 2010, the Bank became Korea's first regional bank to offer an RMB cross-border settlement service, enabling Korean exporters and importers to use various currencies including the Chinese yuan to settle payments with Chinese companies.

In addition, the Bank signed an MOU with Sacombank, the largest commercial bank in Ho Chi Minh City in April 2011 before opening its office in the city in June 2011. Thus, the Bank conducted a direct money transfer with Sacombank two months later. As a representative financial group of Busan, we are taking the lead in signing financial agreements such as shipbuilding finance with Korean and foreign financial institutions and the Busan Metropolitan Government by participating in the Korean government's and Busan City's policies to promote a financial center in Busan.

Busan Bank is actively engaging in the foreign currency business and issuing various foreign currency debentures. We are reinforcing our global competitiveness in cooperation with our offices in Qingdao of China and Ho Chi Minh City of Vietnam and doing everything possible to enhance our global image via various promotions.



Expanding our global footprint

Busan Bank offered information on export and import companies by regions and business performances by building an export and import information service system. The Bank promoted the attraction of companies excellent at utilizing the business information. Busan Bank is actively pushing for establishing overseas offices and branches. In China, the Bank is in the middle of establishing a branch in Qingdao after opening an office there in June 2008. In addition, we laid the foundation for international finance by establishing an office in Ho Chi Minh City, Vietnam in June 2011. In particular, the Bank provides a direct overseas money transfer service through which a person in Ho Chi Minh City can receive money from a customer in Korea by using his or her name, address and telephone number within a day.

Promoting our services globally

Busan Bank has been engaging in diversified activities to promote its F/X services and heighten foreign shareholder value. In the previous year, the Bank made endeavors to publicize its foreign currency services such as holding events for foreign exchange and foreign currency transfer services and seminars for exporting and importing companies, hiring foreign interns and publicity activities through media. We also did everything we could do to enhance our global image by offering financial education programs for foreign customers and producing and distributing guide books on foreign currency services and advanced SSP foreign currency products.



**Busan Bank is always ahead of times
to make the world a better place.**

The Bank changes itself faster than industrial trends and put its utmost efforts into innovating itself. This is why Busan Bank has a better future.



Market Trends

2011 Regional economic review

Due to the slump and growing uncertainties of the world economy and the slowdown of Korea's exports and weak domestic demand in Korea the growth of the regional economy of Busan slowed down to some degree but still maintained solid growth.

By industries, the production of the manufacturing industry in the fourth quarter decreased from a year earlier. But its annual production rose 2.5% compared to the previous year. Sales of big retailers in the fourth quarter increased and their annual sales swelled 8.9% year on year. Construction orders in the fourth quarter jumped and annual construction orders rose 102.4% from a year earlier. Exports in the fourth quarter slid but annual exports expanded 17.8% compared to the previous year.

It is analyzed that the growth of the regional economy of Busan slowed down to some degree but still maintained solid growth in 2011. It is projected that the growth of the regional economy of Busan will slow down to some extent in 2012 due to effects of the Korean and global economies.



2012 Regional economic outlook

The growth of the regional economy of Busan is expected to slow down to some extent in 2012. This is because it is difficult for the production, consumption and investment in Korea and Busan to increase while leading economies around the euro zone are sluggish and the growth of newly industrializing nations is slowing down.

In the manufacturing industry, steel, machinery and assembly metals are projected to continue gradual growth but the growth of automobiles and shipbuilding are expected to slow down to some degree. Exports are expected to grow thanks to strong demand from emerging economies and product competitiveness. But the growth of exports will drop to some extent due to economic slumps in developed countries such as those in the euro zone.

The growth of consumption and investment in facilities and construction is projected to slow down due to household debts, sluggish industrial production and a slump in the real estate market amid the significant expansion of economic uncertainties at home and abroad.

Management Infrastructure

Enhancing management efficiency through the establishment of a financial holding company

On March 15, 2011, Busan Bank founded BS Financial Group, a financial holding company for the first time in Korea as a regional bank. Busan Bank's transformation into a financial holding company is expected to improve its business performances through economies of scale and scope in accordance with its expansion and integration. We improved inefficient systems through fast decision-making and speedy management. We also devised measures to make the BS Economic Research Institute play the role of a think-tank.

Busan Bank implemented reorganization in line with a business philosophy of realizing stable growth and taking the initiative in fulfilling corporate social responsibilities through selection and concentration. Therefore, the Bank will fulfill its social responsibilities as the best bank in local social contribution while strengthening risk management. At the same time, we will move ahead with the expansion of win-win management and projects to help the self-employed to create jobs and support economic lives of ordinary people.

Busan Bank is steadily expanding and upgrading its BPR (Business Process Reengineering) system. Harnessing the computerization of paper documents and account books, we will cut

Busan Bank laid the foundation for improving its business performances by officially founding BS Financial Group. Moreover, the Bank upgraded its BPR System and built the finest IT infrastructure among regional banks and implemented social contribution promoting management by supporting the Busan Internal Film Festival.



down on work and costs through an improvement in process based on a paperless system in 2011.

Faster and better service with online banking

With the goal of providing more convenient and personalized services both online and offline, Busan Bank has installed the most advanced IT infrastructure among regional banks in Korea. Such efforts have helped the Bank to secure 1,494,000 users of online banking, 1,520,000 users of phone banking and 325,000 users of mobile SMS as of the end of December 2011, cementing the Bank's status as a dominant player in regional e-banking.

Moreover, its IT infrastructure was used to help the organizers of the Busan International Film Festival, a prestigious international culture festival in Busan. We publicized our cutting-edge IT infrastructure as a leading regional bank in Korea, and also as an advanced IT nation in the world by providing computer equipment, donating funds for the development of the festival, offering ticket reservation services via tellers, automated machines and phone banking and distributing free movie tickets. This served as a good opportunity to practice our management for social contribution for the local community.

Number of e-Banking Customers

(Unit : Thousand, %)

	2010		2011	
	No. of Users	Fees	No. of Users	Fees
Internet Banking	1,365	1,494	129	9.45
Phone Banking	1,491	1,520	29	1.95
Mobile SMS	289	325	36	12.45
Total	3,145	3,339	194	6.16

e-Business Performance

(Unit : Each, KRW Million)

	2010		2011	
	No. of Users	Fees	No. of Users	Fees
Firm banking-based automatic transfers	98	5,197	104	5,466
CMS networks	482	4,307	529	4,278
Virtual account channels	1,532	606	1,384	563
Alliance with securities companies	20	723	20	774
Total	2,132	10,833	1,994	11,081

Risk Management

Key Risk Management Performance in 2011

Making an improvement in the risk management method

Busan Bank upgraded a market risk internal model measurement system through daily measurement automation after adopting the latest versions of a package (Adaptiv360) and an operation system. The Bank improved an emergency analysis method such as applying historic, virtual and sensitivity analysis scenarios to available-for-sale bond and stock portfolios.

Rational management of risk indicators

Busan Bank is putting its utmost efforts into risk management by making its Korean won LDR less than 100%, implementing the quarterly management of portions of mature debts in compliance of goals, setting limits of wholesale funding and financial supplies for MMDAs, conducting daily simulations of interest rates on deposits, and loans, pushing for categorizing spreads by EL levels and building a system to calculate liquidity regulation ratios.

Devising measures to strengthen various risk monitoring

Busan Bank is pushing for introducing an internal credit risk rating and improved a method to calculate credit concentration risks. In addition, the Bank actively responded to external changes such as strengthening reviews of new products, conducting regular reviews, checking credit portfolios for preemptive credit risk management and strengthening capital regulation. At the same time, we strengthened preemptive risk management by pushing for an improvement in internal control on operational risks and reinforcing operational risk processes and management.

In 2011, Busan Bank made endeavors for preemptive risk management such as an improvement in its risk management method. In 2012, we will make companywide efforts with the intention of increasing our capabilities to manage risks and cope with crises.



Risk Management Plan for 2012

Busan Bank will make companywide efforts to enhance internal risk management and anti-crisis capabilities in 2012. For this goal, the Bank will enhance the soundness of its credit portfolio and complete the first-phase of the internal rating method project. The Bank will also toughen regulations and reinforce crisis managing ability in the foreign currency sector by maintaining the LDR under the regulation requirements.

Busan Bank will secure stable margins which respond to changes in the financial environment through a steady decrease in interest rate caps for easing profit variability. The Bank will increase its capability to deal with the expansion of capital market flexibility such as improving methods to analyze emergencies and processes to predict the financial market. We will contribute to the Bank's completion of strategic tasks by responding to various risk management strategies and risk management policies of the group and therefore, preemptively cope with internal and external risk factors. In particular, we will establish our risk management system to cement the foundation for the financial holding company.

SUSTAINABILITY MANAGEMENT



Creating Ideas for Happiness and Putting Them into Practice!

Busan Bank, the Best Contributor to Its Local Community, Believes that Warm-Heartedness Can Create a Warm Society.





Corporate Social Responsibility

Busan Bank is doing various and efficient activities such as supporting for building a green city, education and social welfare. Through these activities, the Bank is fulfilling its corporate social responsibilities as a leading bank in the local area.

Busan Bank is with you to make a happy world filled with love and dreams.

Under the management philosophy, 'Higher Value Creation with the Local Community' and the slogan for its social contribution, 'Love & Dream! Sharing a Happy Future with the Local Community,' Busan Bank engages in more diverse and efficient activities by trying to systemize voluntary affairs and social contribution. It is upgrading its status as a bank of sharing with its local community and citizens based on contribution and welfare programs for socially vulnerable classes, corporate mecenat programs to develop culture and art, and the bank's Hope and Sharing Foundation activities as well as public affairs to develop the local community. In 2011, the bank is doing its best to solidify its local social developer status and ensure sustainable growth and development by further promotion of well-performing programs and excavating others to secure mutual development and coexistence with the local community.

Highlights of Social Contribution in 2011 Support for 'Green City Project'

Busan Bank is promoting various programs to conserve the environment. The representative activities include the expansion of the bicycle-ride campaign and green-growth policies to make Busan green. The bank donated bicycles, supported bicycle schools



for free bicycle-rental sites, and hosted events such as 'Be My Friend, Environment' to raise environmental awareness among the citizens. Also, all its executives and employees provided flower seeds to citizens for free, hosted tree-planting events with local voluntary groups, cleaned the five most famous beaches in Busan, and participated in campaigns such as 'Make Hot Springs Beautiful,' and urban environmental cleaning. Based on its Energy Saving system, the bank practices 12 rules to save necessities, reduces the use of elevators, replacement of office items, electronic devices, fan heaters, air-conditioners, and incandescent/halogen lights to energy-saving ones. Additionally, the bank provides policy-level support products such as the Green Citizen Bankbook and Clean and Green Saving and Installment Saving, which generate contributions via sales of saving products as well as BS Clean and Green Company Prioritized Loans.

Support for the Development of Education

Busan Bank provides many support activities to develop local education. Its representative activities include scholarship programs for outstanding students in the local community and school development funds to secure competitiveness of local education with an aim to develop exceptional people and ensure their continued contribution to the local

community. Also, based on the employee-child reach-out program, employees donate and take part in one-to-one matching grants to help poorly-fed elementary or middle school students and juveniles. Also, in order to make a book-friendly city, the bank proactively takes part in activities to make reading a habit among citizens by promoting book exchanges, supporting lifetime education and small-scale libraries, collecting and sharing books, providing Visiting Financial Classes, and running Children's Economic Book Reading Events, etc.

Social Welfare (Sharing) and Dedication to Public Good

Busan Bank, as a member of the local community, works hard to promote local development, public good, and co-existence. While a population outflow and a low birth rate have become serious social issues, the bank donated for the establishment of child care centers in line with Busan Metropolitan City's policy to promote childbirth. The Bank also creates job opportunities by running the BS Job Center to proactively answer the governmental efforts to boost employment. Additionally, the Bank exempts borrowers suffering from economic downturns, provides friendly loans to SMEs, and offers scholarships to SMEs promoting new recruitment based on its mutual development plan. Especially, the Bank hosts 'Bazaars of

Hope and Sharing' where all its executives and employees take part, which has gained the citizens' favor and contributed with additional donations from its sales income to help welfare centers and organizations. The Bank's support covers even wider activities such as public affairs for local development, public events by civic groups and Smile Microcredit Bank.

Also, the Bank has established its image as a sharing bank by further reaching out to low-income or vulnerable classes in the local community. Most of all, it has provided Traditional Market Gift Certificates to enliven traditional markets, offered electric fans, and donated for the production of fee-meal service buses, which are aimed to promote practical support for low-income classes while helping local farms and donating rice to marginalized people and financially supporting senior citizens living alone at the end of a year. Also, the bank practices love for neighbors through various voluntary activities at facilities as well as providing financial support to welfare organizations and events.



Ethical Management

Busan Bank believes that it can realize its vision when employees share ethical values and put them into practice. Accordingly we are executing ethical management by establishing our ethical codes of conduct.

Fundamental Principles

Busan Bank's employees at all levels, under the guidance of the "moving forward together with the region to create greater value" philosophy, shall faithfully pursue the company's vision of becoming the southeastern economic bloc's premier regional bank by developing and offering comprehensive financial services to our customers.

Busan Bank's employees at all levels fully understand that each and every employee has to maintain the highest standards of integrity and work quality to form a cohesive whole capable of realizing the corporate vision of becoming the southeastern economic bloc's premier regional bank. The Busan Bank Code of Ethics was established on the foundation of our management philosophy and the spirit of the employees of Busan Bank. All members of Busan Bank hereby pledge to accept the Code of Ethics as the common standard for their behavior and decision making.



Know Our Code

Comply with the law

Behave honestly and with integrity in the course of your work. Employees of Busan Bank must conduct business in accordance with all of the applicable laws, regulations and rules. As an employee, you are also required to continuously enhance your skills and capabilities.

Clean and honest work attitude

Always maintain a clean and honest lifestyle. Live within your means and do not engage in speculative investments or build up excessive debt.

Hospitality and Service

As an employee, you should strive to provide the best service to customers by being courteous and always willing to fulfill their requests in a precise and timely manner.

Maintain credibility and dignity

You should demonstrate integrity and dignity in all of your actions, and you should not hurt your own or the bank's credibility and honor by engaging in unethical behavior.

Maintain strict confidentiality

You should never publicize any confidential information obtained while performing your duties at Busan Bank.

Conflict of Interest

When a conflict of interest arises between an employee and Busan Bank in the course of an employee's duties, the interests of the bank should always come first.

Raise concern over accidents

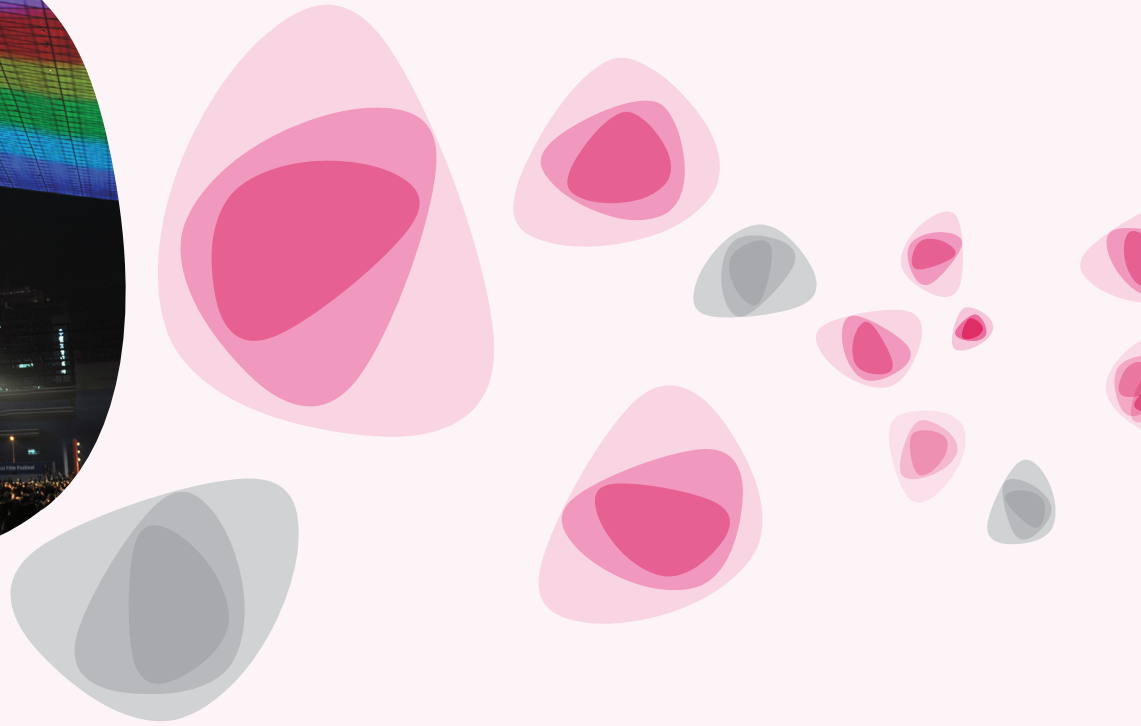
You should never overlook wrongdoings. At Busan Bank, the discussion and disclosure of issues is a responsibility shared by all of us. We should promptly raise any concern that comes to our attention through the appropriate process and do our best to solve the problem.

Cooperation

You as an employee should cooperate with other employees in the performance of your job. As a high ranking officer, you should never give a wrongful order to a lower ranking employee, and lower ranking employees should not follow wrongful orders from high ranking officers.

Maintain strict accuracy while on the job

You should not make any false, misleading, or inaccurate statements or entries in any books or records or take part in activities that may bring about such a result. Comply with the rules set forth for external activities, such as lectures or article writing. When engaging in external activities, such as giving a lecture or writing a financial article, you should think thoroughly about how such an activity could influence the company's honor and public trust and abstain from any behavior that may do harm to the company.



Culture & Sports

Busan Bank is running various mecenat projects to make Busan a city rich in culture and the arts. In addition, we support healthy lives of teenagers and citizens through various activities to support sports such as running a corporate athletic team.



Support for Development of Culture and Art

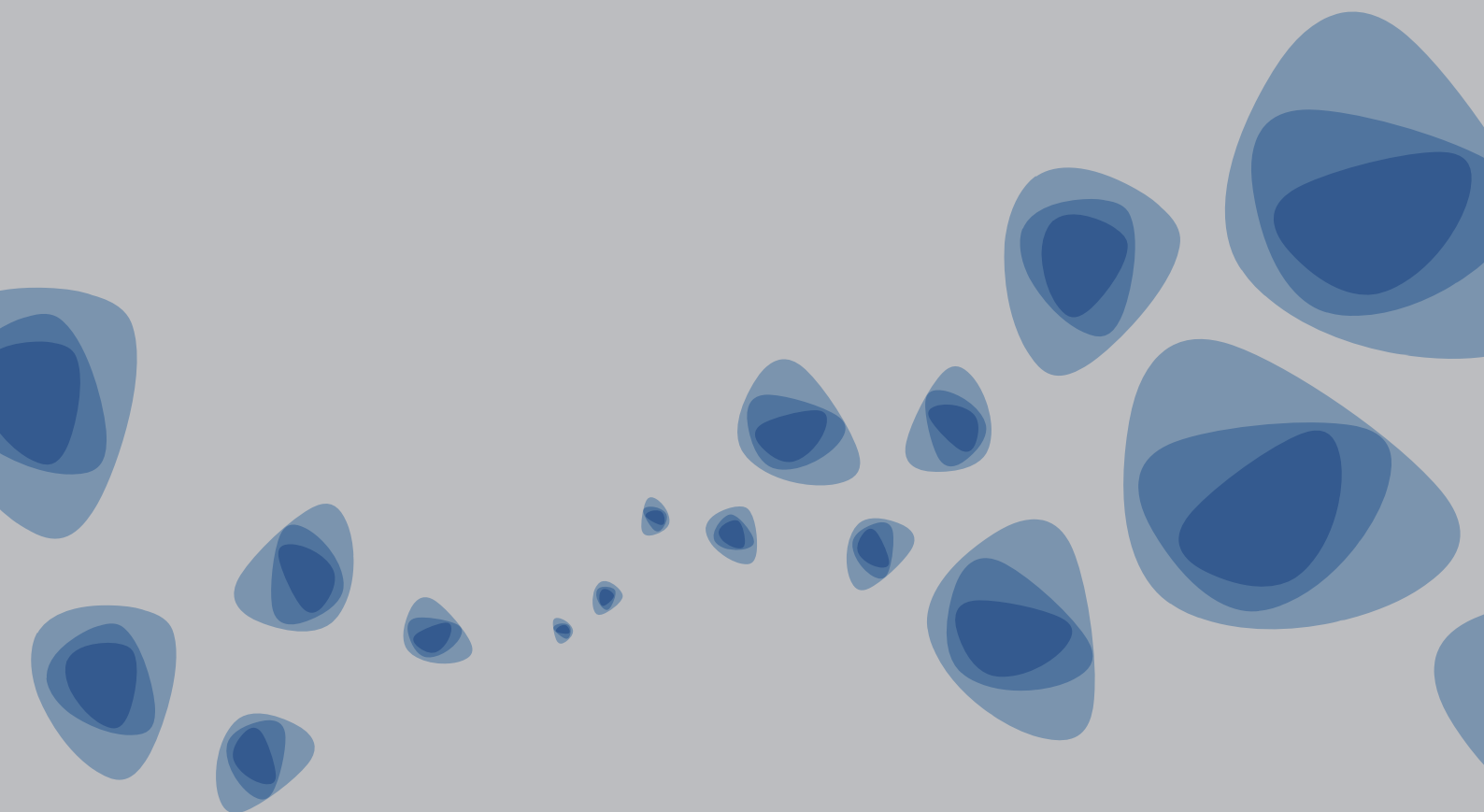
Busan Bank is keen on developing and maintaining corporate mecenat programs to make Busan a city filled with the bliss of culture and art. First of all, the BS Busan Bank Joeun Theater, running based on the bank's small theater naming project conducted for the first time as a local bank, is more closely connected to local citizens with its high-class plays and musicals while employing professional musicians and establishing the BS Busan Bank Chamber Orchestra to visit and offer concerts to classes excluded from the benefit of culture and art. The Bank actively provides concerts after visiting audiences by using vehicles specially designed for cultural performances. Additionally, the bank opened BS Busan Bank Gallery to provide financially burdened but excellent local artists with free exhibition sites and help expand the art exhibition infrastructure in Busan. Also, Busan Bank holds the May Love Concert and Concert of Coexistence which invite citizens. Especially, it established the Running Art Center as a visiting vehicle for cultural and art activities and donated it

to the Busan Cultural Foundation with an aim to help culturally excluded classes to enjoy culture and arts. To ensure successful performance of the Busan International Film Festival, the bank provides financial support as well as reservation systems and electronic devices while donating and providing support to various large or small-scale cultural and art events, festivals, and performances such as the Busan International Fireworks Festival taking place on Gwangan-ri Beach, the Haeundae Sand Festival taking place on one of the most famous beaches in Busan, the Busan Play Festival, the Busan Art Competition, the Busan Biennale, and the Busan Art Festival. Additionally, the bank works ceaselessly to develop Busan into a city of culture and art by supporting international events related to culture and art such as the Busan International Performing Arts Festival, the Busan International Dance Festival, the Busan International Tea Cultural Festival, and the Korea International Art Fair.

Support for Development of Sports

Busan Bank runs a corporate athletic team to develop athletics, a relatively unpopular sport. The team contributes to the prevention of excellent local players from leaving Busan for other areas to continue their careers. As the company chairing the Busan Athletics Federation, the Bank spares no efforts to develop and manage the association. Also, the Bank encourages players taking part in athletic games, awardees and excellent leaders by giving prizes and contributions. There are other events such as the Juvenile Street Basketball Competition with the Busan Bank President's Cup Badminton Championship, various amateur golf competitions, international tennis matches, the Busan International Pole Jump Competition, and marathon races. These activities have greatly contributed to the development of recreational sports and healthy lives of juveniles and ordinary citizens. Additionally, the bank has supported the Golden Pole Jump Competition, the National Archery Competition, and a yacht race.

FINANCIAL PERFORMANCE



The background of the page is a solid light blue color. Overlaid on this are several large, overlapping, organic shapes in various shades of blue, ranging from a very light, almost white-blue to a deep, dark navy blue. These shapes are irregular and resemble cells or abstract organic forms, creating a layered, textured effect.

FINANCIAL PERFORMANCE

50	Management's Discussion & Analysis
55	Independent Auditors' Report
56	Consolidated Financial Statements
61	Notes To Consolidated Financial Statements

Management's Discussion and Analysis

This MD&A based on the Consolidated Financial Statements other than Non-Consolidated Financial Statements, being prepared in accordance with K-IFRS No. 1101, for the further reflection of Busan Bank's status as of Dec. 31, 2011

Key Financial Data	(Unit : In millions of KRW except per share data)			
	2011	2010	Changes	
			Amount	%
As of the year				
Cash and due from bank	2,490,247	2,078,401	411,846	19.8%
Securities	7,010,341	6,173,878	836,463	13.5%
Loans receivable, net	27,857,165	26,055,297	1,801,868	6.9%
Property and equipments, net	405,032	348,118	56,914	16.3%
Other assets	228,088	215,213	12,875	6.0%
Total Assets	37,990,873	34,870,907	3,119,966	8.9%
Deposit	25,024,189	21,548,604	3,475,585	16.1%
Borrowings	4,315,747	3,745,995	569,752	15.2%
Debentures, net of discounts	2,890,294	2,631,684	258,609	9.8%
Other liabilities	3,019,080	4,399,097	-1,380,017	-31.4%
Total Liabilities	35,249,309	32,325,380	2,923,929	9.0%
Capital Stock	933,418	933,418		0.0%
Accumulated other comprehensive income	28,928	58,420	-29,493	-50.5%
Retained earnings before appropriation	1,779,218	1,553,689	225,529	14.5%
Non-controlling interest				
Total Shareholders' Equity	2,741,564	2,545,527	196,037	7.7%
For the year				
Net Interest income	987,377	917,381	69,996	7.6%
Net Fees and commission income	84,139	91,754	-7,615	-8.3%
Net gains on securities	51,945	71,638	-19,693	-27.5%
Reversal of allowance for credit losses	-120,899	-178,567	57,668	-32.3%
Other operating expense	-470,729	-425,470	-45,260	10.6%
Operating income	531,834	476,737	55,097	11.6%
Non-operating income	13,085	40,466	-27,381	-67.7%
Non-operating expense	-16,554	-29,490	12,936	-43.9%
Income before income tax expense	528,365	487,713	40,652	8.3%
Income tax	-130,065	-116,489	-13,576	11.7%
Parent Company interest in net income	398,300	371,224	27,076	7.3%
Other comprehensive income	-29,493	20,425	-49,918	-244.4%
Total comprehensive income	368,807	391,649	-22,842	-5.8%
EPS(KRW)	2,134	1,989	145	7.3%
Tier I capital	2,811,190	2,551,822	259,368	10.16%
Tier II capital	1,141,951	1,043,703	98,248	9.41%
Total BIS Capital	3,953,141	3,595,525	357,616	9.95%
Risk weighted assets	26,282,046	23,546,612	2,735,434	11.62%
BIS CAR	15.04%	15.27%	-	-0.23%p
Tier I	10.70%	10.84%	-	-0.14%p
Tier II	4.34%	4.43%	-	-0.09%p

For the secure corporate governances and more competitiveness in the financial industry, Busan Bank was anchored as members of BS financial group as of the 15 of March in 2011, with banking, securities, and credit capitals, credit information and IT system services. The Bank can be focusing on strengthening the BS brand and creating synergies among its subsidiaries by taking full advantage of its strengths with a comprehensive financial group. We expect that the Bank's fundamentals for concrete achievements by the development of various multi-purpose products would be more solidified.

In reviewing the Bank's business results, net income for 2011 would have been higher than that of the previous year from KRW 371.2 billion to KRW 398.3 billion but the total comprehensive income for 2011 declined by 5.8% to KRW 368.8 billion as a result of KRW 29.5 billion of loss on valuation of available-to-sale securities. Provisioning expenses climbed over the course of 2011, further contributing to the reduction of net income as the a direct result of the Bank's preemptive and conservative provisioning approach, which is expected to lead to a higher net income in the coming year.

The banks assets totaled KRW 37,990.9 billion as of the end of 2011, representing 8.9% year-on-year increase, most of which came from loan growth at the Bank. Bank's BIS capital adequacy ratio recorded 15.03%, almost same level of the previous year.

I. Income Statements

The condensed consolidated income statements are as follows:

	(Unit : In millions of KRW except per share data)		
	2011	2010	YoY
Net interest income	987,377	917,381	7.6%
Net Fee and Commission	84,139	91,754	-8.3%
Net gains of valuation and transaction of securities	51,945	71,638	-27.5%
Allowance for possible credit loss	-120,899	-178,567	-32.3%
Net other operating losses	-470,729	-425,470	10.6%
Operating income	531,834	476,737	11.6%
Net non-operating income(expense)	-3,469	10,976	-131.6%
Income before income taxes	528,365	487,713	8.3%
Income taxes	-130,065	-116,489	11.7%
Net income in controlling interest	398,300	371,224	7.3%
Other comprehensive income(loss)	-29,493	20,425	-244.4%
Comprehensive net income in controlling interest	368,807	391,649	-5.8%
Basic and diluted earnings per share	KRW 2,134	KRW 1,989	7.3%

The Bank's operating income stood at KRW 531.8 billion, up 11.6%, compared to KRW 476.7 billion of the previous year, mainly due to stable growth of net interest income and decreased allowances for credit loss. The improvement of net interest income is from both the higher interest margin and growth of resumed loan with maintaining just less than 3.0% of NIM as bellows:

	2011	2010	Changes
NIM	2.99%	3.17%	-0.18%p

Our NIM, 2.99%, stands at the more profitability than averaged 2.7% of top three Korean bankers since most of interest income are generated from only loan, being allocated to just more than 80% of total earring asset, other than other interest-bearing financial instruments: this indicate that the changes of NIM is same level of interest spread.

Management's Discussion and Analysis

Meanwhile, net operating income sources of fee and commission, investment financial assets decreased 8.3% and 27.5% year on year, respectively. These results are mainly from continuous scale-backed derivatives operations and net loss from trade securities transactions as well as the lower gains on valuation of trade securities, compared to figures of the prior year. Net gains of valuation and transaction of securities were reduced by net loss of trade securities under highly fluctuated Korea stock market to being faced the Greek's default in the on-going EU financial crisis as well as unexpected huge radiation spike at nuclear power plant in Japan. Other net operating losses increased by 10.6% year-on-year mainly due to the net loss of foreign currency transaction. Net gains of derivatives, on the other hand, totaled KRW 154.2 billion in 2011, up 62.7% from the KRW 94.8 billion of the previous year with successful hedge of interest rate for risk-averse from valuation of derivative fair value.

Overall general & administrative expenses were up 5.1%, in 2011 from the previous year mainly due to sharply increased accrued severance expenses upon defined benefits plan. Other accounts of expenses are slightly changed. Net non-operating losses posted KRW 3.5 billion during 2011 from net nonoperating income KRW 10.9 billion, result from non-transaction of disposal of securities using the equity-method and decreased gains from assets, despite decreased non-operating expenses to KRW 16.6 billion from KRW 29.5 billion, compared to the prior year.

During 2011, the net income increased by KRW 27.1 billion or 7.3%, compared to the previous year, but decreased by 3.5% when it is excluded provisions with reflection of its tax effects. The total comprehensive income for 2011 would have been less than that of the previous year, down 5.8%, due to KRW 29.5 billion of loss on valuation of available-to-sale securities.

II. Provisions

The Bank's provisions for loan and credit loss were summarized as follows:

Provisions	(Unit : In millions of KRW)			
	2011	2010	Changes	
			Amount	%
KRW Loans	253,324	238,718	14,606	6.1%
Foreign Currency Loans	32,296	24,257	8,039	33.1%
Card Loans	7,722	6,905	817	11.8%
Other Loans	23,170	24,323	-1,153	-4.7%
Total Provision of loan loss	316,512	294,203	22,309	7.6%
Provision Rate of loan loss	1.12%	1.12%	-	-

The Provisions of total loan loss posted KRW 316.5 billions, up 7.6% of the previous year with the same level of provision ratio due to increase of loan assets.

III. Asset Quality and Financial Position

Asset Quality	(Unit : In millions of KRW)			
	2011	2010	Changes	
			Amount	%
Total Loans	25,868.1	22,740.2	3,127.9	13.8%
Normal	25,100.0	21,929.6	3,170.4	14.5%
Precautionary	511.4	566.6	-55.2	-9.7%
Substandard	212.1	220.6	-8.5	-3.9%
Doubtful	20.4	9.9	10.5	106.1%
Expected loss	24.2	13.5	10.7	79.3%
SBL(Substandard & Below Loans)	256.8	244.0	12.8	5.2%
(SBL Ratio)	0.99%	1.07%	-	-0.08%p
(SBL Coverage Ratio)	152.22%	143.67%	-	8.55%p
Loan Amount	25,091.4	22,095.1	2,996.3	13.6%
Delinquent Amount	149.0	116.2	32.8	28.2%
Delinquency Ratio	0.59%	0.53%	-	0.06%p

Total loans for NPL Management stood at KRW 25,868.1 billion as of 2011 year-end, which, compared to the previous year, increased by 13.8%. NPLs, however, rose by KRW 12.8 billion to KRW 256.8 billion, a result of the Bank's aforementioned strictly conservative asset reclassification. Accordingly, the NPL ratio was declined by 0.08%p to 0.99%. Likewise, NPL coverage ratio increased by 8.55%p to 152.22%, being represented more stable level. The delinquency ratio rose by 0.06%p to 0.59%; but it still is within a range considered to be stable.

Asset

The Bank's assets stood at KRW 37,990.9 billion at the end of 2011, up 8.9% over the year due to our value-focused lend strategy. Securities increased to KRW 7,010.3 billion at the end of 2011, up 13.5% from KRW 6,173.9 billions of 2010. Loan and receivables, the largest components of the Bank's assets, presented that loans were more executed to the corporate and households with an increase of 13.9%, by inching along economic growth, while credit card receivables, decreased by 32.9% over the year. Loan to big enterprise jumped by KRW 427.2 billion to KRW 1,471.5 billion on increased policy of finance bonds.

Loan Portfolio

(Unit : In millions of KRW)

	2011	2010	Changes	
			Amount	%
Big Enterprise	1,471,511	1,044,289	427,222	40.9%
SME	16,583,522	14,914,785	1,668,737	11.2%
Householders	5,541,041	4,743,114	797,927	16.8%
Others	558,742	495,521	63,221	12.8%
Interbank loan	338,649	327,330	11,319	3.5%
Total	24,493,465	21,525,039	2,968,426	13.8%

For the extending of our local marketability, the Bank acquired the additional properties at the cost of net cash-out flows of KRW 95.7 billion, there for net tangible asset as of the ended 2011 posted KRW 405.0 billion, up 16.3% from KRW 348.1 billions at the end of 2010.

Liabilities and Shareholders' Equity

Liabilities and Shareholders' Equity were summarized as below:

(Unit : In millions of KRW)

	2011	2010	Changes	
			Amount	%
Deposit	25,024,189	21,548,604	3,475,585	16.1%
Borrowings	4,315,747	3,745,995	569,752	15.2%
Debentures	2,890,293	2,631,684	258,609	9.8%
Other liabilities	3,019,080	4,399,097	-1,380,017	-31.4%
Total liabilities	35,249,309	32,325,380	2,923,929	9.0%
Capitals stocks	933,418	933,418	-	0.0%
Accumulated other comprehensive income	28,928	58,420	29,492	-50.5%
Retained Earnings	1,779,218	1,553,689	225,529	14.5%
Total shareholders' equity	2,741,564	2,545,527	196,037	7.7%
Total liabilities and shareholders' equity	37,990,873	34,870,907	3,119,966	8.9%

Total liabilities grew by KRW 2,923.9 billion, or 9.0%, to KRW 35,249.3 billion over the year as a result of the Bank's efforts to secure core deposits, the largest sources of funding, and other low-cost funding sources in the face of stiff competition among banks. Total shareholders' equity went up by KRW 196.0 billion or up 7.7% to KRW 2,741.6 billion due to buoyed net income during 2011.

Management's Discussion and Analysis

BIS CAR

The Bank's BIS CAR decreased by 0.23%p in 2011 to 15.04%. Total BIS Capital amounted to KRW 3,953.1 billion which slightly grew over the year due to our robust performances as well as loan portfolio management. Consequently, total BIS capital rose by KRW 357.6 billion to KRW 3,953.1 billion. Of BIS CAR, the Tier I and Tier II ratio decreased by 0.15%p and 0.09%p to 10.70% and 4.34%, respectively.

(Unit : In millions of KRW)

	2011	* 2010	Changes	
			Amount	%
Tier I capital	2,811,190	2,551,822	259,368	10.16%
Tier II capital	1,141,951	1,043,703	98,248	9.41%
Total BIS Capital	3,953,141	3,595,525	357,616	9.95%
Risk weighted assets	26,282,046	23,546,612	2,735,434	11.62%
BIS CAR	15.04%	15.27%	-	-0.23%p
Tier I	10.70%	10.84%	-	-0.14%p
Tier II	4.34%	4.43%	-	-0.09%p

* Based on the financial statements, prepared in accordance with Korean GAAP other than K-IFRS

Independent Auditors' Report

Deloitte.

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English Translation of a Report Originally Issued in Korean

To the Shareholders and the Board of Directors of Busan Bank:

We have audited the accompanying consolidated financial statements of Busan Bank (the "Bank") and its subsidiaries (the "Consolidated Group"). The consolidated financial statements consist of the consolidated statements of financial position as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, and the related consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows, all expressed in Korean won, for the years ended December 31, 2011 and 2010, respectively. The Consolidated Group's management is responsible for the preparation and fair presentation of the consolidated financial statements, and our responsibility is to express an opinion on these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Consolidated Group as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, and the results of its operations and its cash flows for the years ended December 31, 2011 and 2010, respectively, in conformity with Korean International Financial Reporting Standards ("K-IFRS").

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying consolidated financial statements are not intended to present the financial position, results of operations 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 consolidated financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

Deloitte Anjin LLC

March 14, 2012

Notice to Readers

This report is effective as of March 14, 2012, 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 consolidated financial statements and may result in modifications to the auditors' report.

Consolidated Statements Of Financial Position

As Of December 31, 2011, December 31, 2010 And January 1, 2010

	(Unit : Korean won, In millions)		
	December 31, 2011	December 31, 2010	January 1, 2010
ASSETS:			
Cash and due from banks (Notes 4, 6, 7 and 36)	₩ 2,490,247	₩ 2,078,401	₩ 1,238,489
Investment financial assets (Notes 4, 6 and 8):			
Financial assets at fair value through profit or loss ("FVTPL")	58,541	272,435	341,973
Available-for-sale (AFS) financial assets	2,760,420	2,164,482	2,113,647
Held-to-maturity (HTM) financial assets	4,191,380	3,736,961	3,475,776
	7,010,341	6,173,878	5,931,396
Loans and receivables (Notes 4, 6, 9, 10 and 35):			
Loans, net of allowance for possible loan losses	25,267,341	22,193,326	20,271,040
Receivables, net of allowance for possible loan losses	2,589,824	3,861,971	2,690,669
	27,857,165	26,055,297	22,961,709
Derivatives assets (Notes 4, 6 and 11)	149,076	131,987	193,762
Tangible assets (Note 12)	405,032	348,118	318,804
Intangible assets (Note 13)	20,848	27,353	10,684
Investment property (Note 12)	47,962	44,632	40,652
Retirement benefit asset (Note 18)	-	-	1,015
Other assets (Notes 14, 33 and 35)	10,202	11,241	9,040
	₩ 37,990,873	₩ 34,870,907	₩ 30,705,551
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES:			
Deposits (Notes 4, 6, 15 and 35)	₩ 25,024,189	₩ 21,548,603	₩ 18,665,285
Borrowings (Notes 4, 6 and 16)	4,315,747	3,745,995	3,787,360
Debentures (Notes 4, 6 and 17)	2,890,293	2,631,684	2,646,261
Derivatives liabilities (Notes 4, 6 and 11)	82,828	59,709	132,227
Retirement benefit obligation (Note 18)	16,372	2,627	-
Provisions (Notes 19 and 33)	30,578	24,423	19,613
Current income tax liabilities (Note 30)	71,088	36,232	69,232
Deferred income tax liabilities (Note 30)	26,705	33,035	6,695
Other liabilities (Notes 4, 6, 20, 29, 33 and 35)	2,791,509	4,243,072	3,195,070
	35,249,309	32,325,380	28,521,743
SHAREHOLDERS' EQUITY:			
Equity attributable to the owners of controlling equity:			
Capital stock (Note 21)	933,418	933,418	933,418
Other paid-in capital (Note 21)	-	-	(1,170)
Other components of equity (Notes 21 and 31)	28,928	58,420	37,995
Retained earnings (Note 21)			
(Expected reserve for bad debts:			
₩101,974 million as of December 31, 2011 ₩64,845 million as of December 31, 2010)	1,779,218	1,553,689	1,213,565
	2,741,564	2,545,527	2,183,808
Non-controlling equity	-	-	-
	₩ 37,990,873	₩ 34,870,907	₩ 30,705,551

See accompanying notes to consolidated financial statements.

Consolidated Statements Of Comprehensive Income

For The Years Ended December 31, 2011 And 2010

(Unit : Korean won, In millions except per share amounts)

	2011	2010
NET INTEREST INCOME (Notes 22 and 35):		
Interest revenues	₩ 1,796,147	₩ 1,635,571
Interest expenses	(808,770)	(718,190)
	987,377	917,381
NET COMMISSION INCOME (Note 23):		
Commission revenues	133,133	142,167
Commission expenses	(48,994)	(50,412)
	84,139	91,755
NET INCOME OF INVESTMENT FINANCIAL ASSETS (Note 24):		
Net income of financial assets at FVTPL	(1,623)	16,612
Net income of AFS financial assets	53,068	54,379
Net income of HTM financial assets	500	647
	51,945	71,638
PROVISION FOR CREDIT LOSS (Note 25)	(120,898)	(178,567)
OTHER OPERATING EXPENSES, NET (Note 27):		
Net loss from foreign exchange trading	(126,280)	(45,717)
Net income from derivatives (Note 11)	154,194	94,788
General and administrative expenses (Notes 26 and 29)	(451,832)	(430,020)
Other operating revenues	32,420	19,525
Other operating expenses	(79,231)	(64,046)
	(470,729)	(425,470)
OPERATING INCOME	531,834	476,737
NON-OPERATING REVENUES (Note 28)	13,085	40,466
NON-OPERATING EXPENSES (Note 28)	(16,554)	(29,490)
INCOME BEFORE INCOME TAX EXPENSE	528,365	487,713
INCOME TAX EXPENSE (Note 30)	(130,065)	(116,489)
NET INCOME (Note 21):		
(Net income after provision of reserve for bad debts: ₩361,171 million in 2011)	398,300	371,224
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX (Note 31):		
Gain (loss) on fair value of AFS financial assets	(29,493)	20,425
TOTAL COMPREHENSIVE INCOME:	₩ 368,807	₩ 391,649
EARNINGS PER SHARE (Note 32):		
Basic and diluted net income per share (In currency units)	₩ 2,134	₩ 1,989

See accompanying notes to consolidated financial statements.

Consolidated Statements Of Changes In Shareholders' Equity

For The Years Ended December 31, 2011 And 2010

(Unit : Korean won, In millions)

Description	Capital stock	Other paid-in capita	Other components of equity	Retained earnings	Controlling interests	Non-controlling interests	Total
Balance at January 1, 2010	₩ 933,418	₩ (1,170)	₩ 37,995	₩ 1,213,565	₩ 2,183,808	₩ -	₩ 2,183,808
Annual dividends	-	-	-	(29,869)	(29,869)	-	(29,869)
Amortization of discount on stock issuance	-	1,170	-	(1,170)	-	-	-
Comprehensive income:							
Net income	-	-	-	371,224	371,224	-	371,224
Other comprehensive income	-	-	20,425	-	20,425	-	20,425
Change of Consolidated Group	-	-	-	(61)	(61)	-	(61)
Balance at December 31, 2010	₩ 933,418	₩ -	₩ 58,420	₩ 1,553,689	₩ 2,545,527	₩ -	₩ 2,545,527
Balance at January 1, 2011	₩ 933,418	₩ -	₩ 58,420	₩ 1,553,689	₩ 2,545,527	₩ -	₩ 2,545,527
Annual dividends	-	-	-	(46,671)	(46,671)	-	(46,671)
Interim dividends	-	-	-	(130,119)	(130,119)	(130,119)	
Comprehensive income:							
Net income	-	-	-	398,300	398,300	-	398,300
Other comprehensive income	-	-	(29,492)	-	(29,492)	-	(29,492)
Change of Consolidated Group	-	-	-	4,019	4,019	-	4,019
Balance at December 31, 2011	₩ 933,418	₩ -	₩ 28,928	₩ 1,779,218	₩ 2,741,564	₩ -	₩ 2,741,564

See accompanying notes to consolidated financial statements.

Consolidated Statements Of Cash Flows

For The Years Ended December 31, 2011 And 2010

	(Unit : Korean won, In millions)			
	2011		2010	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	₩	398,300	₩	371,224
Adjustments to reconcile net income to net cash provided by operating activities:				
Gain on valuation of financial assets at FVTPL, net		(8,219)		(17,186)
Impairment loss on AFS financial assets		1,988		2,167
Provision of allowance for possible losses on loans		119,686		136,039
Provision for severance benefits		33,750		20,287
Depreciation and amortization		40,188		38,362
Gain on derivatives for trading, net		(122,563)		(62,521)
Gain on valuation of derivatives, net		(31,795)		(32,498)
Gain on valuation of fair value hedged items, net		(20,403)		(6,061)
Loss (gain) on foreign currency translation, net		27,371		(20,123)
Amortization of deferred loan origination costs		2,475		-
Provision of allowance for possible losses on acceptance and guarantees, net		279		119
Provision of allowance for possible losses on unused credit limits, net		1,284		1,919
Provision of allowance for others, net		4,690		423
Gain on translation of foreign currency debentures		(33,447)		(8,477)
Long-term compensation expense		224		294
Loss on disposal of tangible assets, net		124		802
Income tax expense		130,065		116,489
Interest expense		808,770		718,190
Interest income		(1,796,147)		(1,635,571)
Others, net		(707)		777
		(842,387)		(746,569)
CHANGES IN WORKING CAPITAL:				
Net decrease (increase) in due from banks		261,540		(7,497)
Net decrease in financial assets at FVTPL		218,525		86,663
Net increase in deferred loan origination costs, net		(2,236)		(6,288)
Net increase in loans		(3,221,795)		(2,050,219)
Net increase in accrued income		(119,166)		(252,598)
Net decrease (increase) in prepaid expenses		(2,639)		8,569
Net decrease (increase) in guarantee deposits		(9,445)		1,180
Net increase in sundry assets		(395)		(3,426)
Net increase in deposits		3,533,624		2,883,319
Increase in deferred borrowings' origination costs		-		(1,163)
Net increase in accrued expenses		333,920		300,490
Net increase (decrease) in unearned revenues		251		(1,379)
Net increase (decrease) in taxes withheld		(2,336)		4,502
Net decrease in defined benefit obligation		(1,690)		(10,668)
Net increase in plan assets		(18,026)		(5,975)
Net increase in guarantee deposits received		10,770		8,095
		980,902		953,605

Continued

Consolidated Statements Of Cash Flows

For The Years Ended December 31, 2011 And 2010

	(Unit : Korean won, In millions)	
	2011	2010
CASH RECEIVED (PAID) FROM OPERATING ACTIVITIES:		
Interest revenue received	₩ 1,960,282	₩ 1,789,053
Interest expense paid	(1,108,717)	(1,005,865)
Income tax paid	(93,945)	(128,948)
	757,620	654,240
Net cash provided by operating activities	1,294,435	1,232,500
CASH FLOWS FROM INVESTING ACTIVITIES (Note 36):		
Cash provided by investing activities	3,749,784	2,916,045
Cash used in investing activities	(3,593,291)	(4,263,566)
Net cash provided by (used in) investing activities	156,493	(1,347,521)
CASH FLOWS FROM FINANCING ACTIVITIES (Note 36):		
Cash provided by financing activities	1,880,295	2,682,682
Cash used in financing activities	(2,557,986)	(1,755,865)
Net cash (used in) provided by financing activities	(677,691)	926,817
NET INCREASE IN CASH AND CASH EQUIVALENTS	773,237	811,796
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,728,702	896,287
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(26,557)	20,619
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 36)	₩ 2,475,382	₩ 1,728,702

Continued

See accompanying notes to consolidated financial statements.

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

1. GENERAL:

General description of Busan Bank (the "Bank"), which is a controlling entity in accordance with Korean International Financial Reporting Standards ("K-IFRS") 1027, Consolidated and Separate Financial Statements, and its subsidiaries (the "Consolidated Group") are as follows:

(1) The Bank

The Bank was established 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 effective January 3, 2009.

The Bank's head office is located in Busan. The Bank has 250 branches and offices in Korea and two overseas offices. The Bank became a publicly traded financial institution upon listing its common shares on the Korea Exchange ("KRX") on June 15, 1972. The Bank became a wholly owned subsidiary of BS Financial Group Inc. through comprehensive stock transfer as of March 15, 2011, and the Bank's listed shares on the KRX were delisted as of March 30, 2011. The Bank's issued and outstanding common stock (186,683,650 shares) as of December 31, 2011, amounted to ₩933,418 million.

(2) Summary of subsidiaries subject to the consolidation

1) Subsidiaries

A subsidiary is an entity, including an unincorporated entity such as a partnership, that is controlled by the Bank and the control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements during the period from acquiring to losing the control of a subsidiary.

Subsidiaries included in the consolidation as of December 31, 2011 and 2010, are as follows:

(Unit : Percentage of ownership (%))

Subsidiaries	Financial statements as of	Dec. 31, 2011	Dec. 31, 2010	Business
BS Securities Co., Ltd.	March 31	-	100.00	Securities-related business
BS Capital Co., Ltd.	December 31	-	100.00	Financial business
BS Credit Information Co., Ltd.	December 31	-	100.00	Financial information business

(*) The Consolidated Group prepared the consolidated financial statements by using the financial statements of the BS Securities Co., Ltd., as of December 31, 2010, that were reviewed by the independent accountants to coincide with reporting date of the Bank.

2) Special-purpose entities (SPE)

The Consolidated Group has investments in a number of SPE. SPE may be considered as subsidiaries of the Consolidated Group if it has the decision-making power over the SPE's activities, risks and benefits. In case, SPE should be consolidated in the financial statements of the Consolidated Group, the Consolidated Group may be exposed to risk of incident to the activities of SPE and the majority of the residual or ownership risks related to SPE or their assets.

SPE included in the consolidation as of December 31, 2011, are as follows:

SPE	Location	Financial statements as of
Samsung Spread Focus Private Equity Fund 1	Korea	December 31

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

3) Changes in scope of consolidation

a. Subsidiaries newly included in consolidation for the year ended December 31, 2011, as follows:

Classification	Name of subsidiaries	Remark
SPE	Samsung Spread Focus Private Equity Fund 1	Newly incorporated

b. Details of subsidiaries deconsolidated for the year ended December 31, 2011, are as follows:

	Name of subsidiaries	Remark
Subsidiaries	BS Securities Co., Ltd.	Stock transfer
Subsidiaries	BS Capital Co., Ltd.	Stock transfer
Subsidiaries	BS Credit Information Co., Ltd.	Stock transfer
SPE	NH-CA Active Private Equity Fund 1	Disposal
SPE	Kyobo Tomorrow Private Equity Fund 1	Disposal
SPE	LS Leading Solution Private Equity Fund 56	Disposal
SPE	KB Evergreen Private Equity Fund 32	Disposal
SPE	Korea investment Private Basic Equity 10	Disposal
SPE	Samsung Partner Plus Private Equity 2	Disposal
SPE	Samsung Alpha Private Equity 2	Disposal
SPE	GS Choice and Concentration Private Equity 1	Disposal
SPE	Templeton Private Equity 16	Disposal

(*) BS Securities Co., Ltd., BS Capital Co., Ltd., and Busan Credit Information Co., Ltd., became a wholly owned subsidiary of BS Financial Group Inc., which was established on March 15, 2011, pursuant to a "comprehensive stock transfer" under Korean law (see Note 37).

4) The summary of the financial information of investment in subsidiaries as of December 31, 2011 and 2010, is as follows:

(Unit : Korean won in millions)

Classification	Dec. 31, 2011					
	Assets	Liabilities	Capital stock	Equity	Operating income	Net income
Samsung Spread Focus Private Equity Fund 1	₩ 52,202	₩ 1,395	₩ 50,000	₩ 50,807	₩ 1,945	₩ 807

Classification	Dec. 31, 2010					
	Assets	Liabilities	Capital stock	Equity	Operating income	Net income (loss)
Subsidiaries:						
BS Securities Co., Ltd.	₩ 135,172	₩ 81,005	₩ 35,000	₩ 54,167	₩ 38,442	₩ 1,813
BS Capital Co., Ltd.	119,716	101,228	20,000	18,488	16,755	(1,512)
Busan Credit Information Co., Ltd.	4,695	244	3,000	4,451	2,310	465
	259,583	182,477	58,000	77,106	57,507	766
SPE:						
NH-CA Active Private Equity Fund 1	20,655	240	20,000	20,415	2,286	2,098
Kyobo Tomorrow Private Equity Fund 1	22,145	561	20,000	21,584	2,091	1,584
LS Leading Solution Private Equity Fund 56	11,165	128	10,000	11,037	1,103	1,037
KB Evergreen Private Equity Fund 32	21,613	458	20,000	21,155	1,292	1,155
Korea Investment Private Equity Fund Basic 10	33,830	194	30,000	33,636	8,859	7,867
Samsung Partner Plus Private Equity Fund 2	33,751	271	30,000	33,480	9,261	7,589
Samsung Alpha Private Equity Fund 2	50,985	15	50,000	50,970	1,013	970
GS Choice and Focus Private Equity Fund 1	11,505	5	10,000	11,500	1,698	1,500
Templeton Private Equity Fund 16	21,777	596	20,000	21,181	1,419	1,181
	227,426	2,468	210,000	224,958	29,022	24,981
	₩ 487,009	₩ 184,945	₩ 268,000	₩ 302,064	₩ 86,529	₩ 25,747

The Consolidated Group's consolidated financial statements for the year ended December 31, 2011, consisted of the Bank and its subsidiaries.

2. SIGNIFICANT BASIS OF FINANCIAL STATEMENT PREPARATION AND ACCOUNTING POLICIES:

The Consolidated Group maintains its official accounting records in the Republic of Korean won and prepares consolidated financial statements in conformity with Korean statutory requirements and Korean International Reporting Standards ("K-IFRS"), in the Korean language (Hangul). Accordingly, these consolidated financial statements are intended for use by those who are informed about K-IFRS and Korean practices. The accompanying consolidated 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 Consolidated Group's financial position, comprehensive income, changes in shareholders' equity or cash flows, is not presented in the accompanying consolidated financial statements.

(1) Basis of consolidated financial statement preparation

The Consolidated Group prepared consolidated financial statements in conformity with K-IFRS and its interpretations in accordance with the Acts on External Audit for Stock Companies in the Republic of Korea.

The Consolidated Group has adopted the K-IFRS for the annual period beginning on January 1, 2011. In accordance with K-IFRS 1101, First-time adoption of International Financial Reporting Standards, the transition date to K-IFRS is January 1, 2010. An explanation of how the transition to K-IFRS has affected the consolidated financial statements is summarized in Note 39.

The Consolidated Group's consolidated financial statements to be submitted to the general shareholders' meeting were approved by the board of directors on February 2, 2012. The accompanying consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as enumerated below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

- Derivative instruments measured at fair values
- Financial assets at FVTPL measured at fair values
- AFS financial assets measured at fair values
- Liabilities for cash settlement share-based payment at fair values
- Retirement benefit liabilities that is the present value of defined benefit obligation, less the fair value of plan assets and unrecognized actuarial gains and losses

(2) Significant accounting policies

Major accounting policies used for the preparation of the consolidated financial statements are stated below. Unless stated otherwise, these accounting policies have been applied consistently to the consolidated financial statements for the current period and the accompanying comparative period.

Currently, enactments and amendments of the K-IFRS are in progress, and the financial information presented in the future maybe changed accordingly. The Consolidated Group has not applied the following new and revised K-IFRS that have been issued, but are not yet effective:

K-IFRS 1107, Financial Instruments: Disclosures – Transfers of Financial Assets

The amendments to K-IFRS 1107 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred, but the transferor retains some level of continuing involvement in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. K-IFRS 1107 is effective for annual periods beginning on or after July 1, 2011.

Amendments to K-IFRS 1012, Deferred Income Tax – Recovery of Underlying Assets

The amendments to K-IFRS 1012 provide an exception to the general principles in K-IFRS 1012 that the measurement of deferred income tax assets and deferred income tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Investment property measured using the revaluation model under K-IFRS 1040, Investment Property, or a non-depreciable asset measured using the revaluation model in K-IFRS 1016, Property, Plant and Equipment, is presumed to be recovered through sale for the purposes of measuring deferred income taxes, unless the presumption is rebutted in certain circumstances. The amendments to K-IFRS 1012 are effective for annual periods beginning on or after January 1, 2012.

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

K-IFRS 1019 (as revised in 2011) Employee Benefits

The amendments to K-IFRS 1019 change the accounting for defined benefit plans and termination benefits. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. The amendments to K-IFRS 1019 are effective for annual periods beginning on or after January 1, 2013, and require retrospective application with certain exceptions.

K-IFRS 1113, Fair Value Measurement

K-IFRS 1113 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. K-IFRS 1113 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The Consolidated Group does not anticipate that these amendments referred above will have a significant effect on the Consolidated Group's consolidated financial statements and disclosures.

1) Basis of consolidated financial statement presentation

The consolidated financial statements incorporate the financial statements of the Bank and entities (including SPE) controlled by the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those adopted by the Bank. All intra-group transactions, related assets and liabilities, income and expenses are eliminated in full on consolidation. Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. The carrying amount of non-controlling interests is adjusted to reflect their proportional share of changes in equity subsequent to the initial recognition. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Bank's ownership interests in subsidiaries that do not result in the Bank losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the owners' interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

When the Bank loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Bank had directly disposed of the relevant assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under K-IFRS 1039, Financial Instruments: Recognition and Measurement, or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

2) SPE

There are some entities that are consolidated although the Consolidated Group owns one-half or less of the voting power of those entities. Most of them were established as SPE and usually forms an unincorporated entity or partnership although it does not have a definite legal form.

Conditions for SPE to be consolidated are as follows:

- In substance, the activities of the SPE are being conducted on behalf of the Consolidated Group according to its specific business needs so that the Consolidated Group obtains benefits from the SPE's operations.
- In substance, the Consolidated Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or by setting up an „autopilot' mechanism. The entity has delegated these decision-making powers.

- In substance, the Consolidated Group has rights to obtain the majority of the benefits of the SPE and, therefore, may be exposed to risks incident to the activities of the SPE.
- In substance, the entity retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities

3) Transactions with foreign currencies

The financial statements of the Consolidated Group are presented in the currency of the primary economic environment in which the Consolidated Group operates (its functional currency). For the purpose of the consolidated financial statements, the operating results and financial position of the Consolidated Group are expressed in Korean won, which is the functional currency of the Consolidated Group as well as the presentation currency for the consolidated financial statements.

In preparing the consolidated financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated at the rates prevailing at transaction date. Exchange differences on monetary items are recognized as current-period income, but hedged item in a cash flow hedge is recognized in equity.

4) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and highly liquid investment assets that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

5) Financial assets and liabilities

a. Classification of financial assets

① Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading or is designated at FVTPL at initial recognition.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term.
- On initial recognition, it is part of a portfolio of identified financial instruments that the Consolidated Group manages together and has a recent actual pattern of short-term profit taking.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Consolidated Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis
- It forms part of a contract containing one or more embedded derivatives, and K-IFRS 1039 permits the entire combined contract (asset or liability) to be designated as at FVTPL

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Dividends and interest revenue on financial assets at FVTPL are immediately recognized in profit or loss in the period they occurred.

② AFS financial assets

Non-derivative financial assets that are not classified as at HTM, held for trading, designated as at FVTPL, or loans and receivables are classified as at AFS financial assets. AFS financial assets are initially recognized at fair value plus directly related transaction costs. They are subsequently measured at fair value. Unquoted equity investments whose fair value cannot be measured reliably are carried at cost. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in gain or loss on valuation of AFS financial assets, with the exception of impairment losses, interest revenue calculated using the effective interest rate

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And For The Years Ended December 31, 2011 And 2010

method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in gain or loss on valuation of AFS financial assets is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in foreign currencies is measured at those foreign currencies and translated at the spot rate at the end of the reporting period. The AFS non-monetary assets measured at the amortized cost are translated at the trade date rate, while assets measured at the fair value are translated at the rate on the date when the fair value is determined.

③ HTM financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Consolidated Group has the positive intent and ability to hold to maturity are classified as HTM financial assets. HTM financial assets are measured at amortized cost using the effective interest rate method less any impairment, with revenue recognized on an effective yield basis.

④ Loans and receivables

Non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market, other than held for trading or designated on initial recognition as financial assets at FVTPL or as AFS financial assets are classified as „loans and receivables. ‘Loans and receivables’ are measured at amortized cost using the effective interest rate method, less any impairment. Interest income is recognized by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

The Consolidated Group classifies the purchased amount as loans when purchasing the financial instrument under repurchase agreements.

b. Classification of financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities in accordance with the substance of the contractual arrangement and definitions of financial liabilities when the Consolidated Group becomes a party to the contractual provisions of the instrument.

① Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as FVTPL. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. In addition, the transaction costs related to assumption upon initial recognition are recognized in profit or loss.

The Consolidated Group performs securities lending transactions and securities borrowed from Korea Securities Depository as memorandum accounts until these securities are sold. Then, they are recognized as financial liabilities at FVTPL. Changes in fair value at the end of reporting period and differences between carrying amount and payment upon redemption of securities are recorded in profit or loss.

② Other financial liabilities

Financial liabilities that are not classified as at FVTPL are classified as other financial liabilities, which consist of deposits, borrowings and debentures. Other financial liabilities are initially measured at fair value, net of transaction costs and subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis.

The Consolidated Group classifies hybrid bonds issued by the Consolidated Group as financial liabilities due to that have no unconditional right to avoid the transfer of financial assets by contracts. The Consolidated Group recognizes the selling amount as borrowings if the financial instrument was sold under repurchase agreements.

c. Recognition and measurement

① Initial recognition

Financial instrument (financial assets and financial liabilities) are recognized when, and only when, the Consolidated Group becomes a party to the contractual provisions of the instrument, subject to that the regular way purchase or sale (where the purchase or sale of a financial

asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned) of financial assets is recognized and derecognized using either trade date or settlement date accounting.

Financial assets and liabilities are initially measured at fair value, plus transaction costs that are directly attributable to the acquisition of financial assets, except for those financial assets classified as at FVTPL, which are initially measured at fair value. Fair value is an estimate of the market value based on what reasonable, willing and independent transaction parties would probably exchange assets or pay liabilities in the market. Fair values of financial instruments are generally estimated through the market price (fair values provided or received).

② Subsequent measurement

Subsequently, financial assets and liabilities (including derivatives) should be measured at fair value or amortized cost according to the category of the classification at initial recognition.

i) Amortized cost

Amortized cost is calculated by adjusting following items on the amount at which the financial asset or financial liability is measured at initial recognition.

- Deduction of principal repayment
- The cumulative amortization of difference between the initial amount and the maturity amount using the effective interest rate method
- Deduction of impairment loss or write-off

ii) Fair value

If a financial instrument is traded in an active market, the best possible estimate of fair value is a quoted price in such a market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, or pricing service and those prices represent market prices in the active market on an arm's length basis.

If there is no active market for a financial instrument, the Consolidated Group establishes the fair value using valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; and option pricing models.

The general financial instruments like options, forwards and swaps are valued using commonly available models that use readily observable market parameters as their basis and the fair value for certain financial instruments is derived using internally developed models from pricing models. In this case, the fair values of those financial instruments are determined using internal valuation models that require the use of multiple market inputs, including unobservable inputs derived from market prices or market interest rates and some assumptions.

The Consolidated Group classifies financial instruments at fair values in consolidated statement of financial position by reference to the source of inputs used to derive the fair values. The classification is as follows:

Classification	Details
Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
Level 3	Inputs for the assets or liabilities that are not based on the observable market data (unobservable inputs)

The fair value level is determined by the lowest level of input data among significant parameters when measuring fair value. For our purposes, the significance of these input data is considered for the entire measurement to assess the fair value. The Consolidated Group maximizes the use of observable inputs and minimizes the use of unobservable inputs when developing fair value measurements. However, in circumstances where market prices are limited or unavailable, valuations may require significant management judgments or adjustments that utilize significant unobservable inputs, to determine fair value. In these cases, the applicable financial instruments are classified as Level 3.

In addition, the Consolidated Group has made certain amendments to the techniques in measuring the fair value of

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

financial instruments when the techniques do not reflect all the observable inputs that market participants consider in valuation. The adjustment is based on market-based measurement, including the probability of default ("PD") of a counterparty, bid-ask quotes and liquidity risk.

The Consolidated Group's valuation technique is consistent with accepted economic methodologies for pricing financial instruments and maximizes the use of observable market inputs, and relies as little as possible on the Consolidated Group-specific inputs. Periodically, the Consolidated Group calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument or based on any available observable market data.

d. Derecognition

Financial assets and liabilities are removed from the consolidated statements of financial position as follows:

① Derecognition of financial assets

The Consolidated Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Consolidated Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Consolidated Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay, and if the Consolidated Group does not continue to control the transferred asset, the Consolidated Group derecognizes the financial assets.

If the Consolidated Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Consolidated Group continues to recognize the financial asset and also recognizes liabilities for the proceeds received.

② Derecognition of financial liabilities

The Consolidated Group derecognizes financial liabilities when, and only when, the Consolidated Group's obligations are discharged, canceled, or they expire.

e. Offset

Financial assets and liabilities shall be offset only when the Consolidated Group has the legal right to set off assets and liabilities and intends either to settle on a net basis or realize the asset and settle the liability simultaneously.

6) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period.

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. However, as a result of future events, the expected impairment is recognized only when incurred.

Objective evidence that a financial asset is impaired includes the following loss events:

- Significant financial difficulty of the issuer or counterparty
- A breach of contract, such as a default or delinquency in interest or principal payments
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granted to the borrower a concession that the lender would not otherwise consider
- It becoming probable that the borrower will enter bankruptcy or financial reorganization
- The disappearance of an active market for the financial asset due to financial difficulties
- Observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets after initial recognition, although the decrease in the estimated future cash flows of individual financial assets included in the group is not identifiable

For listed and unlisted equity investments classified as AFS financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. If there is an objective evidence of impairment, impairment loss should be recognized by each category as described below:

a. Loans and receivables

For loans and receivables measured at amortized cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial asset's original effective interest rate. The Consolidated Group first assesses whether objective evidence of impairment exists individually for the financial assets that are individually significant.

For financial assets that are not individually significant, the Consolidated Group assessed whether the objective evidence of impairment exists individually or collectively. If the Consolidated Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

① Allowance for possible losses on credits by individual assessment

Allowance for possible losses on credits is recognized as the difference between the asset's carrying amount and the present value of future cash flows expected to be collected by considering borrower's management performance, financial position, overdue period, and mortgage amount.

② Allowance for possible losses on credits by collective assessment

Allowance for possible losses on credits is recognized by adjusting PD and loss given default from Basel II for the purpose of accounting and applying that to carrying amount. Such approach considers various elements, including borrower type, credit rating, size of portfolio, loss emergence period, and collection period, and applies consistent assumptions so as to model the measurement of inbuilt loss and determine variables based on historical loss experience and current conditions.

Impairment loss is deducted from allowance for possible losses on credits when it is considered unrecoverable. If it is subsequently recovered, allowance for possible losses on credits increases and the changes are recognized in profit or loss.

b. AFS financial assets

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

c. HTM financial assets

For HTM financial assets measured at amortized cost, impairment loss is measured by the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate and directly deducted from carrying amount.

In case the impairment loss decreases in a subsequent period and such decrease is objectively related to the events occurring after recognition of impairment, the impairment loss previously recognized is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

7) Derivatives instruments

The Consolidated Group enters into a variety of derivative instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross-currency swaps. The Consolidated Group classifies all derivatives as derivative instruments in the consolidated financial statements regardless of the purpose of holding and measurement criteria subsequent to initial recognition.

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

Derivative instruments are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument; in such case, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Consolidated Group designates certain derivatives as either hedges of recognized assets or liabilities or firm commitments (fair value hedges), or as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

At the inception of the hedge relationship, the Consolidated Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Consolidated Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

a. Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. All changes in the fair value of the derivatives and changes in the fair value of the hedged item attributable to the hedged risk are recognized in other operating revenues (expenses).

Hedge accounting is discontinued when the Consolidated Group revokes the hedging relationship; when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

b. Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in other gains and losses.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss in the consolidated statement of comprehensive income as the recognized hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Consolidated Group revokes the hedging relationship; the hedging instrument expires or is sold, terminated, or exercised; or the hedging instrument no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

c. Other derivatives instruments

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling it in the near term. A financial instrument, containing one or more embedded derivatives and treated separately from the host contract, is classified as held-for-trading if it is a derivative that is not designated and effective as a hedge instrument. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

d. Embedded derivatives

Embedded derivatives in other financial instruments or other host contracts are treated as separate derivatives when the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the entire instrument is not measured at fair value with changes in fair value recognized in the consolidated statement of comprehensive income. Changes in the fair value of embedded derivatives separated from

the host contracts are immediately recognized in profit or loss in the period they occur.

e. Deferred Day 1 profit

The Consolidated Group assesses fair values of over-the-counter (OTC) derivatives by using its own assessment methodology. When the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Consolidated Group does not recognize the difference between the transaction price and fair value (a Day 1 profit or loss) in the period it occurs.

Deferred Day 1 profit is recognized in profit or loss when a derivative instrument is liquidated or matured, or a deferring factor of Day 1 profit is removed.

8) Tangible assets

Tangible assets are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of tangible assets is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in carrying amount of an asset or as an asset if it is probable that future economic benefits associated with the assets will flow into the Consolidated Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Consolidated Group does not depreciate land. Depreciation expense is computed using the straight-line method and declining balance method based on the estimated useful lives of the assets as follows:

Tangible assets	Estimated useful life	Depreciation method
Construction	50 years	Straight line
Leasehold improvements	5 years	Straight line
Equipment	5 years	Declining balance
Fixtures	5 years	Declining balance
Vehicles	5 years	Declining balance

The Consolidated Group reviews the depreciation method and the estimated useful lives and residual values of tangible assets at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate. When the carrying amount of an asset exceeds the estimated recoverable amount, the carrying amount of such asset is reduced to the recoverable amount.

9) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses.

10) Intangible assets

Intangible assets are initially measured at cost and the carrying amount is the amount at which an asset is recognized in the consolidated statement of financial position after deducting any accumulated amortization and accumulated impairment losses thereon. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization of intangible assets is calculated on a straight-line basis over the estimated useful lives of intangible assets (except for the useful life of an intangible asset that arises from contractual or other legal rights), as described below, with nil residual value from the date that they are available for use.

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

Intangible assets	Amortization method	Estimated useful life
Development expenses	Straight line	5 years
Right of using donated asset	Straight line	5 years
Software	Straight line	5 years
Other intangible assets	Straight line	5 years

The estimated useful life and amortization method of intangible assets with finite useful life are reviewed at the end of each reporting period and adjusted as appropriate. Intangible asset with indefinite useful life is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. The change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate if its change is appropriate.

11) Impairment of non-financial assets

All non-financial assets are tested for impairment when there is an objective indication that the carrying amount may not be recoverable, and if the indication exists, the Consolidated Group estimates the recoverable amount. Intangible assets with indefinite useful lives or intangible assets that are not yet available for use are tested for impairment annually, regardless of whether or not there is any indication of impairment.

If the recoverable amount for an individual asset cannot be estimated, recoverable amount is determined for the cash-generating units (CGUs). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Recoverable amount is the higher of fair value, less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is immediately recognized as an expense. When an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

12) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition.

The Consolidated Group that is committed to a sale plan involving loss of control of a subsidiary shall classify all the assets and liabilities of that subsidiary as held for sale when the criteria meet the above-mentioned conditions, regardless of whether the Consolidated Group will retain a non-controlling interest in its former subsidiary after the sale. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value, less costs to sell.

13) Provisions

Provisions are recognized when the Consolidated Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Consolidated Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

The Consolidated Group maintains an allowance for credit losses on off-balance-sheet credit instruments, including commitments to extend credit, guarantees, acceptances, standby and commercial letters of credit and other financial instruments to absorb estimated probable losses related to these unfunded credit facilities. The allowance is estimated based on the assessment of the probability of commitment usage and credit risk factors for loans outstanding to the same customers.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

If the Consolidated Group has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. An onerous contract occurs when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it.

14) Financial guarantee contracts

A financial guarantee contract refers to the contract that requires the issuer to pay the specified amounts to reimburse the holder for a loss because the specified debtor fails to make payment when due under original or revised contractual terms of debt instruments. The financial guarantee contract is measured on initial recognition at the fair value, and the fair value is amortized over the financial guarantee contract term.

After initial recognition, financial guarantee contract is measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with K-IFRS 1037, Provisions, Contingent Liabilities and Contingent Assets
- the amount initially recognized less cumulative amortization recognized in accordance with the K-IFRS 1018, Revenue

15) Employee benefits

a. Short-term employee benefits

Short-term employee benefits are defined as employee benefits that fall due wholly within 12 months after the end of reporting period in which the employees render the related service. The Consolidated Group recognizes the undiscounted amount of short-term employee benefits expecting payment in exchange for the services when the employee renders services. The Consolidated Group also recognizes relevant liabilities and expenses in accordance with accumulated compensated absences when the services that increase the future paid-leave right are rendered. The Consolidated Group recognizes the expected cost of profit-sharing and bonus payments when the Consolidated Group has a present legal or constructive obligation to make such payments as a result of past events, and only when a reliable estimate of the obligation can be made.

b. Other long-term employee benefits

If the Consolidated Group does not pay employee benefits within 12 months from the end of reporting period after providing services, other long-term employee benefits are discounted by present value of future benefits based on current and past terms. These benefits are also recognized as liabilities after deducting fair value of plan assets that can directly pay relevant liabilities. The liabilities are determined after discounting estimated future cash flow by using interest rate of sound finance bonds that have similar maturity with related benefits. Gains and losses arising from fluctuation of actuarial assumption and experiential adjustment are recognized as amount of total gains and losses during the period of events.

c. Retirement benefits

The retirement benefit obligation recognized in the consolidated statements of financial position represents the present value of the defined benefit obligation, as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets.

The present value of defined benefit obligation is computed by discounting expected future cash outflows by market yield of high-quality corporate bonds (AA bonds with interest rate) whose date of payment and maturity is similar to that of the defined benefit obligation. Actuarial gains and losses, incurred from the change of actuarial assumptions and the difference between assumptions and actual results, are recognized in profit or loss for the period. For defined retirement benefit plans, the cost of providing benefits is determined by Samsung Life Insurance Co., Ltd., an actuary services company, using the projected unit credit method.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the present value

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And For The Years Ended December 31, 2011 And 2010

of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Past service cost is recognized immediately to the extent that the benefits are already vested and, otherwise, is amortized on a straight-line basis over the average period until the benefits become vested.

d. Share-based payments

For cash-settled share-based payments, a liability is recognized for the goods or services acquired and is measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

16) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Consolidated Group are recognized as the proceeds, net of direct issue cost received.

a. Common shares

Common shares are classified as capital. On issuing common shares or exercising stocks options, additional costs occurred in the issue of common shares or the exercise of stock options are subtracted from capital by net amounts reflecting tax effect.

b. Hybrid bonds

The Consolidated Group classifies capital instruments as financial liabilities or equities in accordance with the terms of contract. The Consolidated Group can indicate a part of equities as classifying equity instruments in case of hybrid bonds that have an unconditional right to avoid the transfer of financial assets by contracts.

17) Revenue and expense recognition

a. Interest income and expense

Using the effective interest rate method, the Consolidated Group recognizes interest income and expense in the consolidated statements of comprehensive income. The amortized cost of financial assets or liabilities is calculated based on the effective interest rate method, and the interest income and expenses are allocated over the relevant period.

The effective interest rate reconciles the expected future cash in and out through the expected life of financial instruments or, if appropriate, through shorter period and net carrying amount of financial assets or liabilities. When calculating the effective interest rate, the Consolidated Group estimates future cash flows considering all contractual terms of the financial instruments, except the loss on future credit risk. Also, the effective interest rate calculation includes redemption costs, points (if it is a part of the effective interest rate) that are paid or earned between contracting parties, transaction costs, and other premiums and discounts.

b. Commission revenue

① Fees that are part of the financial instruments' effective yield

Fees that are part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate. Such fees include compensation for activities, such as evaluating the borrower's financial condition; evaluating and recording guarantees, collateral, and other security arrangements; negotiating the terms of the instrument; preparing and processing documents; and closing the transaction as well as origination fees received on issuing financial liabilities measured at amortized cost. These fees are deferred and recognized as an adjustment to the effective interest rate. However, in case the financial instrument is classified as a financial asset at FVTPL, the relevant fee is recognized as revenue when the instrument is initially recognized.

② Commission from rendering of services

Commission revenue from rendering of services, such as asset management, trustee business and financial guarantee, is recognized as the

services are provided. When it is not probable that specific loan agreement is contracted and agreed commission is not applied to K-IFRS 1039, those related services will be recognized on a straight-line basis as the work is performed.

③ Commission from significant act performed

The recognition of revenue is postponed until the significant act is executed. On performing significant transactions, the earned commissions are recognized as gains and losses at the time the transactions are completed.

The commissions and sales commissions that are paid for the participation in negotiations for the third party are recognized as gains and losses at the time the transactions of the third party are completed.

If the Consolidated Group either arranges a syndicated loan but does not participate in the syndicate or has the same effective gains and losses with other participants, fees on syndicated loan are recognized as gains and losses when the transaction of syndicated loan is completed.

c. Dividend income

Dividend income is recognized when the shareholders are entitled to receive dividends. According to classification of equity securities, dividend income is indicated in consolidated statements of comprehensive income.

18) Earnings per share

Basic earnings per share are calculated by dividing net profit from the period available to common shareholders by the weighted-average number of common shares outstanding during the year. Diluted earnings per share are calculated by using the weighted-average number of common shares outstanding adjusted to include the potentially dilutive effect of common equivalent shares outstanding.

19) Income tax expense

Income tax consists of current tax and deferred tax. The Consolidated Group recognizes it in current operation except for tax amount arising from transactions or events recognized in other comprehensive income or capital.

a. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Consolidated Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current income tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when there is an intention to settle the balances on a net basis.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Consolidated Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent it is probable that there will be sufficient taxable profits against which the benefits of the temporary differences can be utilized and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And For The Years Ended December 31, 2011 And 2010

longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or will be substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention either to settle the balances on a net basis or to realize the asset and settle the liability simultaneously.

20) Accounting for trust accounts

In accordance with the Financial Investment Services and Capital Market Act, the Consolidated Group establishes savings accounts under trust agreements ("trust account") separately from its bank accounts and administers the funds for the benefit of one or more beneficiaries. Funds transferred between a bank account and a trust accounts are recognized as due to/from trust accounts. The fees and commissions received from trust accounts are recognized when the Consolidated Group provides services to the trust accounts.

With respect to certain trust account products, the Consolidated Group 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 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 Consolidated Group. If the Consolidated Group pays compensating contributions to the trusts with the guaranteed return to cover such deficiencies, these contributions are reflected as operating expense of the bank accounts and as other income of the trust accounts.

21) Operating segments

The Consolidated Group makes a decision about resources to be allocated within segments and divides segments based on internal reports for management to evaluate performances regularly. Each of segments consists of the Consolidated Group's own strategic business unit. The segments provide their products and services and they are separately operated by their business units due to the difference between technical and marketing strategies.

The segment information that is reported to management includes items to be directly vested in the segments and rationally allocated. The items that are not allocated consist of joint assets like headquarters, expenses, income tax, assets, and liabilities related to the headquarters.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

In the application of the Consolidated Group's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(1) Significant accounting judgment in the process of applying accounting policies

The items below are important judgments that are different from the items related to estimations (refer to Note 3. (2)). The judgments are determined in the process of applying accounting policies and are the most important matters to recognize the amounts in the consolidated financial statements.

1) Impairment of AFS financial assets

As described in Note 2. „6) Impairment of financial assets‘ of significant accounting policies, the decrease in the fair value of AFS financial assets significantly or continuously below cost represents as an objective evidence of the impairment loss. Accordingly, the Consolidated Group is basically regarded as “significant fall” if the fair value is decreased more than 30 percent of the acquisition cost and “continuous fall” if the fair value of AFS financial assets is continuously decreased for more than six months.

2) Fair value of financial assets

As described in Note 2. „5) c. Recognition and measurement‘ of significant accounting policies, the Consolidated Group exercises various methods from general valuation models to advanced valuation models if evaluation models to determine the fair value of financial assets are used. At this time, various input variables and assumptions are applied.

3) Effective hedge relationships

As described in Note 2. „7) Derivatives instruments‘ of significant accounting policies, the Consolidated Group designates certain derivatives as either hedges of highly probable forecast transactions, hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations (net investment hedges) when the Consolidated Group expects that hedge relationship is effective during the reporting period.

(2) Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of the estimation uncertainty at the end of the reporting period that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year.

1) Fair value of financial instruments

In order to determine fair values of financial assets and liabilities without observable market values, valuation methods are necessary. For the valuation of the financial instruments for which transactions do not occur frequently and prices are not transparent, an extensive judgment is required with regard to liquidity, concentrativeness, uncertainty of market factors, assumptions related to price determination, and other risks because fair values lack objectivity.

2) Allowance for credit losses (allowance for possible losses on loans, allowance for possible losses on acceptances and guarantees and allowance for possible losses on unused credit limits)

The Consolidated Group recognizes allowance for possible losses on individual loans and receivables by assessing the occurrence of loss events or assesses impairment for the group of loans and receivables with similar credit risk characteristics. The Consolidated Group maintains allowance for credit losses on off-balance-sheet credit instruments, including commitments to extend credit, guarantees, acceptances, standby and commercial letters of credit and other financial instruments to absorb estimated probable losses related to these unused credit facilities. The provision for the allowances can vary due to the borrower’s expected cash flows for the individually assessed loan and receivables and the changes in assumptions and parameters for the collectively assessed loans and receivables, the acceptances and guarantees and the unused credit limits, respectively.

3) Measurement of defined benefit obligation

The defined benefit obligation is computed with the projected unit credit method by an independent actuary considering actuarial assumptions and variables, such as wage rate, retirement rate, discount rate, and others.

The amount of defined benefit obligation is ~~W~~97,117 million as of December 31, 2011, and the details of it are provided in Note 18.

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS:

(1) General

1) General risk management policy

The Consolidated Group is exposed to various financial risks, such as credit risk, liquidity risk, market risk and operational risk, associated with financial instruments. This outline indicates the level of exposure to such risks and objectives, policies, risk assessment, management procedures and capital management of the Consolidated Group. Additional quantitative information is disclosed in the consolidated financial statements.

The Consolidated Group's risk management system has focused on increasing the transparency of risk and supporting the long-term strategy and management decision-making to deal with rapid changes in the financial environment. The Consolidated Group realizes the important risks such as credit risk, market risk, operation risk, credit concentration risk, interest rate risk, liquidity risk, strategy risk and reputation risk. It measures and manages the quantitative economic capital or value at risk ("VaR") by using statistic method.

2) Organization of risk management

a. Risk management committee

The risk management committee establishes risk management strategy in accordance with the strategic direction chosen by the board of directors, determines the possible level of risk and manages the level of risk that the Consolidated Group faces and the condition of risk management activities as a top decision-making organization.

b. Risk management division

The Consolidated Group's risk management division performs detailed risk policies, procedures and business processes of risk management, and is responsible for managing and monitoring the limit of the Consolidated Group's economic capital.

(2) Credit risk

1) General

The credit risk is the risk of financial loss to the Consolidated Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Consolidated Group's loan, card assets and securities. The Consolidated Group considers all the elements of individual borrower's credit risk exposure, such as default and breach.

2) Risk management framework

The Consolidated Group assesses the Consolidated Group's required expected loss and economic capital by managing all credit exposures on or off consolidated statement of financial position. The Consolidated Group establishes and manages total exposure limits for borrowers and industries in order to optimize the use of credit availability and avoid excessive risk concentration.

The credit management division and management planning division manage the credit risk by integrating and establishing credit policy, monitoring loan portfolios and restructuring of loans independently from the marketing division. The risk management division conducts the measurement of the economic capital, total exposure management, credit evaluation and approval and reviewing of credit evaluation model.

3) Maximum exposure to credit risk

The Consolidated Group's maximum exposure to credit risk that does not consider value of collateral as of December 31, 2011, December 31, 2010 and January 1, 2010, is summarized as follows:

(Unit : Korean won in millions):

Classification	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Cash and due from banks	₩ 882,667	₩ 749,336	₩ 505,995
Financial assets at FVTPL Held for trading	49,923	62,862	92,513
Designated at FVTPL	-	19,833	29,907
	49,923	82,695	122,420
AFS financial assets	2,102,659	1,632,395	1,652,476
HTM financial assets	4,191,380	3,736,961	3,475,776
Loans	25,574,397	22,475,260	20,538,908
Receivables	2,607,400	3,879,646	2,712,350
Derivatives assets	149,076	131,987	193,762
Guarantees and acceptances	1,103,567	996,757	976,167
Commitments	6,077,564	5,011,694	4,837,593
	₩ 42,738,633	₩ 38,696,731	₩ 35,015,447

4) Credit risk by impairment of loans and receivables is summarized as follows:

Dec. 31, 2011

(Unit: Korean won in millions)

Classification	Loans in local currency				Other loans	Receivables	Total
	Household	Corporates	Public sector	Subtotal			
Assets neither past due nor impaired	₩ 5,507,673	₩ 16,240,814	₩ 897,391	₩ 22,645,878	₩ 2,652,508	₩ 2,607,400	₩ 27,905,786
Assets past due but not impaired	15,514	32,142	-	47,656	10,110	-	57,766
Impaired assets	17,854	155,075	-	172,929	45,316	-	218,245
	5,541,041	16,428,031	897,391	22,866,463	2,707,934	2,607,400	28,181,797
Loan origination fees and costs	9,101	(8,507)	38	632	101	-	733
Allowance for possible loan losses	(18,879)	(230,855)	(3,590)	(253,324)	(54,465)	(8,723)	(316,512)
Present value discounts (leasehold deposits)	-	-	-	-	-	(8,853)	(8,853)
	₩ 5,531,263	₩ 16,188,669	₩ 893,839	₩ 22,613,771	₩ 2,653,570	₩ 2,589,824	₩ 27,857,165

Dec. 31, 2010

(Unit: Korean won in millions)

Classification	Loans in local currency				Other loans	Receivables	Total
	Household	Corporates	Public sector	Subtotal			
Assets neither past due nor impaired	₩ 4,705,036	₩ 14,206,804	₩ 821,117	₩ 19,732,957	₩ 2,442,089	₩ 3,879,646	₩ 26,054,692
Assets past due but not impaired	15,557	42,779	20	58,356	986	-	59,342
Impaired assets	22,521	178,644	1,714	202,879	37,993	-	240,872
	4,743,114	14,428,227	822,851	19,994,192	2,481,068	3,879,646	26,354,906
Loan origination fees and costs	10,442	(7,394)	-	3,048	(20)	-	3,028
Allowance for possible loan losses	(18,505)	(216,114)	(4,099)	(238,718)	(46,244)	(9,241)	(294,203)
Present value discounts (leasehold deposits)	-	-	-	-	-	(8,434)	(8,434)
	₩ 4,735,051	₩ 14,204,719	₩ 818,752	₩ 19,758,522	₩ 2,434,804	₩ 3,861,971	₩ 26,055,297

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And For The Years Ended December 31, 2011 And 2010

Jan. 1, 2010

(Unit: Korean won in millions)

Classification	Loans in local currency				Other loans	Receivables	Total
	Household	Corporates	Public sector	Subtotal			
Assets neither past due nor impaired	₩ 4,030,992	₩ 12,870,438	₩ 598,509	₩ 17,499,939	₩ 2,632,362	₩ 2,712,350	₩ 22,844,651
Assets past due but not impaired	26,266	64,785	4	91,055	3,870	-	94,925
Impaired assets	36,008	215,933	2,230	254,171	57,511	-	311,682
	4,093,266	13,151,156	600,743	17,845,165	2,693,743	2,712,350	23,251,258
Loan origination fees and costs	5,573	(8,702)	-	(3,129)	(130)	-	(3,259)
Allowance for possible loan losses	(26,232)	(187,104)	(3,350)	(216,686)	(47,923)	(10,866)	(275,475)
Present value discounts (leasehold deposits)	-	-	-	-	-	(10,815)	(10,815)
	₩ 4,072,607	₩ 12,955,350	₩ 597,393	₩ 17,625,350	₩ 2,645,690	₩ 2,690,669	₩ 22,961,709

5) Analysis of credit soundness of financial assets

a. Credit soundness of loans and receivables

Credit soundness of loans and receivables neither past due nor impaired as of December 31, 2011, is summarized as follows:

(Unit: Korean won in millions)

Credit rating	Loans in local currency						Other loans	Receivables	Total
	Household		Corporates		Public sector	Subtotal			
	Mortgage loan	Others	Large	Small and medium sized					
1	₩ 183,952	₩ 101,638	₩ -	₩ 147,984	₩ 437,978	₩ 871,552	₩ 74,628	₩ -	₩ 946,180
2	196,352	137,630	60,401	281,519	75,246	751,148	288,497	-	1,039,645
3	583,197	333,823	201,897	1,024,505	89,169	2,232,591	230,920	-	2,463,511
4	905,210	511,621	188,920	1,534,577	31,922	3,172,250	330,739	-	3,502,989
5	794,535	380,242	235,373	2,187,214	68,612	3,665,976	324,684	-	3,990,660
6+ ~ 6-	564,009	305,965	488,235	9,141,267	190,699	10,690,175	1,183,848	-	11,874,023
7 ~ 10	329,740	179,759	8,700	693,898	1,430	1,213,527	179,279	-	1,392,806
Unrated	-	-	2	46,322	2,335	48,659	39,913	2,607,400	2,695,972
	₩ 3,556,995	₩ 1,950,678	₩ 1,183,528	₩ 15,057,286	₩ 897,391	₩ 22,645,878	₩ 2,652,508	₩ 2,607,400	₩ 27,905,786

Credit soundness of loans and receivables neither past due nor impaired as of December 31, 2010, is summarized as follows:

(Unit: Korean won in millions)

Credit rating	Loans in local currency						Other loans	Receivables	Total
	Household		Corporates		Public sector	Subtotal			
	Mortgage loan	Others	Large	Small and medium sized					
1	₩ 118,202	₩ 91,304	₩ -	₩ 83,845	₩ 194,251	₩ 487,602	₩ 120,929	₩ -	₩ 608,531
2	164,272	127,370	45,490	270,522	327,330	934,984	206,447	-	1,141,431
3	452,233	291,839	148,548	868,263	545	1,761,428	266,385	-	2,027,813
4	833,205	467,935	108,847	1,370,460	4,829	2,785,276	181,543	-	2,966,819
5	648,496	347,902	142,169	1,623,966	41,517	2,804,050	227,051	-	3,031,101
6+ ~ 6-	479,196	274,849	387,059	8,375,034	240,077	9,756,215	1,299,658	-	11,055,873
7 ~ 10	247,220	161,013	70	765,182	1,438	1,174,923	131,869	-	1,306,792
Unrated	-	-	3	17,346	11,130	28,479	8,207	3,879,646	3,916,332
	₩ 2,942,824	₩ 1,762,212	₩ 832,186	₩ 13,374,618	₩ 821,117	₩ 19,732,957	₩ 2,442,089	₩ 3,879,646	₩ 26,054,692

Credit soundness of loans and receivables neither past due nor impaired as of January 1, 2010, is summarized as follows:

(Unit: Korean won in millions)

Credit rating	Loans in local currency							Other loans	Receivables	Total
	Household		Corporates			Public sector	Subtotal			
	Mortgage loan	Others	Large	Small and medium sized						
1	₩ 79,832	₩ 85,614	₩ 12,000	₩ 92,610	₩ 214,347	₩ 484,403	₩ 628,449	₩ -	₩ 1,112,852	
2	114,756	131,248	18,203	290,463	126,737	681,407	101,512	-	782,919	
3	319,313	276,026	124,005	616,009	514	1,335,867	154,536	-	1,490,403	
4	648,100	444,798	102,600	1,260,894	3,628	2,460,020	180,592	-	2,640,612	
5	475,685	341,104	276,484	1,546,458	24,103	2,663,834	257,988	-	2,921,822	
6+ ~ 6-	404,529	282,264	111,011	7,713,768	225,419	8,736,991	1,183,853	-	9,920,844	
7 ~ 10	247,277	180,441	4,238	673,091	1,574	1,106,621	104,850	-	1,211,471	
Unrated	-	5	42	28,562	2,187	30,796	20,582	2,712,350	2,763,728	
	₩ 2,289,492	₩ 1,741,500	₩ 648,583	₩ 12,221,855	₩ 598,509	₩ 17,499,939	₩ 2,632,362	₩ 2,712,350	₩ 22,844,651	

Details of loans and receivables past due but not impaired as of December 31, 2011, are summarized as follows:

(Unit: Korean won in millions)

Credit rating	Loans in local currency							Other loans	Receivables	Total
	Household		Corporates			Public sector	Subtotal			
	Mortgage loan	Others	Large	Small and medium sized						
Less than 1 month	₩ 4,514	₩ 4,535	₩ -	₩ 17,088	₩ -	₩ 26,137	₩ 6,276	₩ -	₩ 32,413	
Less than 2 months	1,714	1,561	-	11,892	-	15,167	467	-	15,634	
Less than 3 months	1,243	1,947	-	3,162	-	6,352	3,367	-	9,719	
	₩ 7,471	₩ 8,043	₩ -	₩ 32,142	₩ -	₩ 47,656	₩ 10,110	₩ -	₩ 57,766	

Details of loans and receivables past due but not impaired as of December 31, 2010, are summarized as follows:

(Unit: Korean won in millions)

Credit rating	Loans in local currency							Other loans	Receivables	Total
	Household		Corporates			Public sector	Subtotal			
	Mortgage loan	Others	Large	Small and medium sized						
Less than 1 month	₩ 9,612	₩ 3,819	₩ -	₩ 30,888	₩ -	₩ 44,319	₩ 937	₩ -	₩ 45,256	
Less than 2 months	964	450	-	8,180	-	9,594	27	-	9,621	
Less than 3 months	405	307	-	3,711	20	4,443	22	-	4,465	
	₩ 10,981	₩ 4,576	₩ -	₩ 42,779	₩ 20	₩ 58,356	₩ 986	₩ -	₩ 59,342	

Details of loans and receivables past due but not impaired as of January 1, 2010, are summarized as follows:

(Unit: Korean won in millions)

Credit rating	Loans in local currency							Other loans	Receivables	Total
	Household		Corporates			Public sector	Subtotal			
	Mortgage loan	Others	Large	Small and medium sized						
Less than 1 month	₩ 14,565	₩ 7,810	₩ -	₩ 53,050	₩ 4	₩ 75,429	₩ 3,769	₩ -	₩ 79,198	
Less than 2 months	1,433	1,764	-	10,430	-	13,627	63	-	13,690	
Less than 3 months	694	-	-	1,305	-	1,999	38	-	2,037	
	₩ 16,692	₩ 9,574	₩ -	₩ 64,785	₩ 4	₩ 91,055	₩ 3,870	₩ -	₩ 94,925	

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

b. Credit soundness of securities

Credit soundness of securities neither past due nor impaired as of December 31, 2011, is summarized as follows:

(Unit : Korean won in millions)

Classification	AAA	AA	A	Total
Financial assets held for trading	₩ 49,923	₩ -	₩ -	₩ 49,923
AFS financial assets	1,321,885	599,645	181,129	2,102,659
HTM financial assets	3,776,718	414,662	-	4,191,380
	₩ 5,148,526	₩ 1,014,307	₩ 181,129	₩ 6,343,962

Credit soundness of securities neither past due nor impaired as of December 31, 2010, is summarized as follows:

(Unit : Korean won in millions)

Classification	AAA	AA	A	Unrated	Total
Financial assets held for trading	₩ 62,862	₩ -	₩ -	₩ -	₩ 62,862
Financial assets designated at FVTPL	-	10,431	-	9,402	19,833
AFS financial assets	1,074,738	395,846	161,811	-	1,632,395
HTM financial assets	3,182,926	538,954	1,008	14,073	3,736,961
	₩ 4,320,526	₩ 945,231	₩ 162,819	₩ 23,475	₩ 5,452,051

Credit soundness of securities neither past due nor impaired as of January 1, 2010, is summarized as follows:

(Unit : Korean won in millions)

Classification	AAA	AA	A	BBB	Unrated	Total
Financial assets held for trading	₩ 92,513	₩ -	₩ -	₩ -	₩ -	₩ 92,513
Financial assets designated at FVTPL	-	-	9,378	-	20,529	29,907
AFS financial assets	1,136,614	293,134	184,683	33,045	5,000	1,652,476
HTM financial assets	2,937,003	534,501	4,272	-	-	3,475,776
	₩ 4,166,130	₩ 827,635	₩ 198,333	₩ 33,045	₩ 25,529	₩ 5,250,672

6) Restructured loans and receivables

Due to the work-out and reorganization, the restructured loans and receivables by reducing principal, debt-to-equity swap, and the easing of interest rate as of December 31, 2011, December 31, 2010 and January 1, 2010, are summarized as follows:

Dec. 31, 2011

(Unit : Korean won in millions)

Classification	Restructured amount	Debt-to-equity swap	Rollovers
Reorganization and court mediation	₩ 80,995	₩ 860	₩ 80,135
Work-out	28,888	19	28,869
	₩ 109,883	₩ 879	₩ 109,004

Dec. 31, 2010

(Unit : Korean won in millions)

Classification	Restructured amount	Debt-to-equity swap	Rollovers
Reorganization and court mediation	₩ 93,395	₩ 2,018	₩ 91,377
Work-out	62,367	19	62,348
	₩ 155,762	₩ 2,037	₩ 153,725

Jan. 1, 2010

(Unit : Korean won in millions)

Classification	Restructured amount	Debt-to-equity swap	Rollovers
Reorganization and court mediation	₩ 137,418	₩ 1,356	₩ 136,062
Work-out	27,251	-	27,251
	₩ 164,669	₩ 1,356	₩ 163,313

7) Allowance for credit loss and bad debts written off

To ensure the soundness of asset quality and maintain the sufficiency of shareholders' equity, the Consolidated Group manages and sets up allowance for credit loss on loans accompanying credit risk.

The Consolidated Group realizes profits and losses for current term after estimating impairment losses if there is an objective evidence of which book value of loans is impaired at closing date. As impairment losses signify incurred losses in K-IFRS, the Consolidated Group does not realize losses for future impairment event though impairment is likely to occur. Impairment of loans can be directly subtracted from book value of assets and by using allowance for credit loss. The Consolidated Group estimates the incurred losses that are inherent in financial assets and records them in the consolidated financial statements by deducting book value of assets as the account of allowance for credit loss.

8) Loans and receivables by impairment assessment methods

Loans and receivables by impairment assessment methods as of December 31, 2011, December 31, 2010 and January 1, 2010, are summarized as follows:

Dec. 31, 2011 (Unit: Korean won in millions)

Credit rating	Individual assessment			Collective assessment			Total		
	Loans	Allowance	Allowance rate (%)	Loans	Allowance	Allowance rate (%)	Loans	Allowance	Allowance rate (%)
Loans in local currency	₩ 145,433	₩ 47,867	32.91	₩ 22,721,030	₩ 205,457	0.90	₩ 22,866,463	₩ 253,324	1.11
Loans in foreign currencies (*)	27,885	8,500	30.48	1,599,117	23,795	1.49	1,627,002	32,296	1.98
Others	25,927	17,224	66.43	3,662,405	13,669	0.37	3,688,332	30,892	0.84
	₩ 199,245	₩ 73,591	36.93	₩ 27,982,552	₩ 242,921	0.87	₩ 28,181,797	₩ 316,512	1.12

(*) Includes domestic import usance bill.

Dec. 31, 2010 (Unit: Korean won in millions)

Credit rating	Individual assessment			Collective assessment			Total		
	Loans	Allowance	Allowance rate (%)	Loans	Allowance	Allowance rate (%)	Loans	Allowance	Allowance rate (%)
Loans in local currency	₩ 142,562	₩ 49,345	34.61	₩ 19,851,630	₩ 189,373	0.95	₩ 19,994,192	₩ 238,718	1.19
Loans in foreign currencies (*)	28,855	3,499	12.13	1,501,992	20,758	1.38	1,530,847	4,257	1.58
Others	30,783	13,745	44.65	4,799,084	17,483	0.36	4,829,867	31,228	0.65
	₩ 202,200	₩ 66,589	32.93	₩ 26,152,706	₩ 227,614	0.87	₩ 26,354,906	₩ 294,203	1.12

(*) Includes domestic import usance bill.

Jan. 1, 2010 (Unit: Korean won in millions)

Credit rating	Individual assessment			Collective assessment			Total		
	Loans	Allowance	Allowance rate (%)	Loans	Allowance	Allowance rate (%)	Loans	Allowance	Allowance rate (%)
Loans in local currency	₩ 181,803	₩ 47,922	26.36	₩ 17,663,362	₩ 168,764	0.96	₩ 17,845,165	₩ 216,686	1.21
Loans in foreign currencies (*)	21,297	6,759	31.74	1,358,539	15,993	1.18	1,379,836	22,752	1.65
Others	33,403	23,974	71.77	3,992,854	12,063	0.30	4,026,257	36,037	0.89
	₩ 236,503	₩ 78,655	33.26	₩ 23,014,755	₩ 196,820	0.86	₩ 23,251,258	₩ 275,475	1.18

(*) Includes domestic import usance bill.

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

9) Details of pledged assets and estimated fair value

The fair value of collaterals pledged for loans in local currency as of December 31, 2011, December 31, 2010 and January 1, 2010, is summarized as follows:

Dec. 31, 2011 (Unit : Korean won in millions)

Classification	Household	Corporates	Public sector	Total
Movables and real estate	₩ 3,265,299	₩ 6,704,125	₩ 131,161	₩ 10,100,585
Securities and bonds	290,138	449,951	3,556	743,645
Others	1,195	84,623	-	85,818
Guarantee	241,063	1,171,397	1,893	1,414,353
	₩ 3,797,695	₩ 8,410,096	₩ 136,610	₩ 12,344,401

Dec. 31, 2010 (Unit : Korean won in millions)

Classification	Household	Corporates	Public sector	Total
Movables and real estate	₩ 3,099,478	₩ 5,939,905	₩ 129,685	₩ 9,169,068
Securities and bonds	253,137	441,213	3,771	698,121
Others	975	61,612	-	62,587
Guarantee	91,714	1,155,289	1,250	1,248,253
	₩ 3,445,304	₩ 7,598,019	₩ 134,706	₩ 11,178,029

Jan. 1, 2010 (Unit : Korean won in millions)

Classification	Household	Corporates	Public sector	Total
Movables and real estate	₩ 2,677,543	₩ 5,419,069	₩ 93,933	₩ 8,190,545
Securities and bonds	256,493	393,549	3,286	653,328
Others	974	70,529	-	71,503
Guarantee	24,117	1,118,380	682	1,143,179
	₩ 2,959,127	₩ 7,001,527	₩ 97,901	₩ 10,058,555

10) Concentration analysis of credit risk

a. The details of loans and receivables by borrowe's country as of December 31, 2011, December 31, 2010 and January 1, 2010, are summarized as follows:

(Unit : Korean won in millions)

Classification	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
Korea	₩ 28,181,797	100.00	₩ 26,354,906	100.00	₩ 23,251,258	100.00

b. Loans by term structures as of December 31, 2011, December 31, 2010 and January 1, 2010, are summarized as follows:

Dec. 31, 2011 (Unit : Korean won in millions)

Classification	Less than 3 months	3 ~ 6 months	6 months ~ 1 year	1 ~ 3 years	More than 3 years	Total
Loans:						
Loans in local currency	₩ 4,292,148	₩ 3,483,116	₩ 5,489,435	₩ 4,882,334	₩ 4,719,430	₩ 22,866,463
Loans in foreign currencies	143,973	153,600	161,080	343,533	242,115	1,044,301
Domestic import usance	372,087	190,180	17,124	645	2,665	582,701
Call loans	310,472	-	-	-	-	310,472
Bills bought in local currency	4,101	-	-	-	-	4,101
Bills bought in foreign currencies	210,947	49,064	1,365	51	-	261,427
Advances for customers in local currency	2,099	-	-	-	8,372	10,471
redit card receivables	345,192	24,636	7,955	1,487	3,930	383,200
Private placement bonds	-	47,731	1,500	57,000	5,030	111,261
	₩ 5,681,019	₩ 3,948,327	₩ 5,678,459	₩ 5,285,050	₩ 4,981,542	₩ 25,574,397

Dec. 31, 2010

(Unit : Korean won in millions)

Classification	Less than 3 months	3 ~ 6 months	6 months ~ 1 year	1 ~ 3 years	More than 3 years	Total
Loans:						
Loans in local currency	₩ 4,038,035	₩ 3,174,580	₩ 4,858,719	₩ 3,580,306	₩ 4,342,552	₩ 19,994,192
Loans in foreign currencies	118,628	140,975	195,799	371,036	295,891	1,122,329
Domestic import usance	284,956	114,816	6,029	-	2,717	408,518
Call loans	82,917	-	-	-	-	82,917
Bills bought in local currency	5,005	-	-	-	-	5,005
Bills bought in foreign currencies	170,896	26,867	1,798	-	-	199,561
Advances for customers in local currency	2,424	-	-	-	11,366	13,790
Credit card receivables	375,007	23,683	8,286	1,074	3,213	411,263
Bonds purchased under repurchase agreements	70,000	-	-	-	-	70,000
Private placement bonds	50,000	5,030	3,600	48,731	7,230	114,591
Finance lease receivables and others	3,229	6,458	9,687	10,013	23,707	53,094
	₩ 5,201,097	₩ 3,492,409	₩ 5,083,918	₩ 4,011,160	₩ 4,686,676	₩ 22,475,260

Jan. 1, 2010

(Unit : Korean won in millions)

Classification	Less than 3 months	3 ~ 6 months	6 months ~ 1 year	1 ~ 3 years	More than 3 years	Total
Loans:						
Loans in local currency	₩ 3,793,243	₩ 2,725,869	₩ 4,133,413	₩ 3,246,966	₩ 3,945,674	₩ 17,845,165
Loans in foreign currencies	134,304	91,751	130,729	419,085	340,232	1,116,101
Domestic import usance	175,305	82,565	3,105	2,115	645	263,735
Call loans	122,993	-	-	-	-	122,993
Bills bought in local currency	6,897	-	-	-	-	6,897
Bills bought in foreign currencies	194,295	24,636	2,911	-	-	221,842
Advances for customers in local currency	5,344	-	-	-	25,184	30,528
Credit card receivables	326,228	20,685	7,211	1,317	3,485	358,926
Bonds purchased under repurchase agreements	453,700	-	-	-	-	453,700
Private placement bonds	-	2,500	5,660	104,861	6,000	119,021
	₩ 5,212,309	₩ 2,948,006	₩ 4,283,029	₩ 3,774,344	₩ 4,321,220	₩ 20,538,908

c. Loans in local currency and foreign currencies by types of loans and customers as of December 31, 2011 , December 31, 2010 and January 1, 2010, are summarized as follows:

Dec. 31, 2011

(Unit : Korean won in millions)

Classification	Loans in local currency	Loans in foreign currencies (*)	Total	Percentage (%)
Large corporates	₩ 1,196,384	₩ 275,127	₩ 1,471,511	6.01
Small- and middle-sized corporates	15,231,647	1,351,875	16,583,522	67.71
Household	5,541,041	-	5,541,041	22.62 Public and
others	558,742	-	558,742	2.28
Inter-bank loans	338,649	-	338,649	1.38
	₩ 22,866,463	₩ 1,627,002	₩ 24,493,465	100.00

(*) Includes off-shore loans in foreign currencies and domestic import usance bill.

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

Dec. 31, 2010

(Unit : Korean won in millions)

Classification	Loans in local currency	Loans in foreign currencies (*)	Total	Percentage (%)
Large corporates	₩ 832,186	₩ 212,103	₩ 1,044,289	4.84
Small- and middle-sized corporates	13,596,041	1,318,744	14,914,785	69.30
Household	4,743,114	-	4,743,114	22.04
Public and others	495,521	-	495,521	2.29
Inter-bank loans	327,330	-	327,330	1.53
	₩ 19,994,192	₩ 1,530,847	₩ 21,525,039	100.00

(*) Includes off-shore loans in foreign currencies and domestic import usance bill.

Jan. 1, 2010

(Unit : Korean won in millions)

Classification	Loans in local currency	Loans in foreign currencies (*)	Total	Percentage (%)
Large corporates	₩ 648,582	₩ 163,893	₩ 812,475	4.23
Small- and middle-sized corporates	12,502,574	1,215,943	13,718,517	71.36
Household	4,093,266	-	4,093,266	21.29
Public and others	301,074	-	301,074	1.56
Inter-bank loans	299,669	-	299,669	1.56
	₩ 17,845,165	₩ 1,379,836	₩ 19,225,001	100.00

(*) Includes off-shore loans in foreign currencies and domestic import usance bill.

d. Loans in local currency and foreign currencies by industry as of December 31, 2011, December 31, 2010 and January 1, 2010, are summarized as follows:

Dec. 31, 2011

(Unit : Korean won in millions)

Classification	Loans in local currency	Loans in foreign currencies (*)	Total	Percentage (%)
Manufacturing	₩ 7,619,930	₩ 964,566	₩ 8,584,496	35.05
Financial and insurance business	679,268	-	679,268	2.77
Real estate and lease business	2,309,640	35,870	2,345,510	9.58
Wholesale and retail	1,935,904	262,876	2,198,780	8.98
Construction	1,140,878	8,231	1,149,109	4.69
Transportation, warehousing and telecommunication	1,163,209	233,884	1,397,093	5.70
Lodging and restaurant business	383,494	5,891	389,385	1.59
Public and other	558,742	-	558,742	2.28
Households	5,541,041	-	5,541,041	22.62
Others	1,534,357	115,684	1,650,041	6.74
	₩ 22,866,463	₩ 1,627,002	₩ 24,493,465	100.00

(*) Includes off-shore loans in foreign currencies and domestic import usance bill.

Dec. 31, 2010

(Unit : Korean won in millions)

Classification	Loans in local currency	Loans in foreign currencies (*)	Total	Percentage (%)
Manufacturing	₩ 7,040,018	₩ 817,459	₩ 7,857,477	36.50
Financial and insurance business	580,694	-	580,694	2.70
Real estate and lease business	1,708,226	37,612	1,745,838	8.11
Wholesale and retail	1,792,280	244,868	2,037,148	9.46
Construction	732,433	26,202	758,635	3.52
Transportation, warehousing and telecommunication	1,078,575	290,482	1,369,057	6.36
Lodging and restaurant business	360,353	6,380	366,733	1.70
Public and other	495,521	-	495,521	2.30
Households	4,743,114	-	4,743,114	22.04
Others	1,462,978	107,844	1,570,822	7.31
	₩ 19,994,192	₩ 1,530,847	₩ 21,525,039	100.00

(*) Includes off-shore loans in foreign currencies and domestic import usance bill.

Jan. 1, 2010 (Unit : Korean won in millions)

Classification	Loans in local currency	Loans in foreign currencies (*)	Total	Percentage (%)
Manufacturing	₩ 6,460,877	₩ 720,769	₩ 7,181,646	37.36
Financial and insurance business	530,912	-	530,912	2.76
Real estate and lease business	1,497,351	17,917	1,515,268	7.88
Wholesale and retail	1,594,368	169,480	1,763,848	9.17
Construction	742,767	32,346	775,113	4.03
Transportation, warehousing and telecommunication	995,738	339,685	1,335,423	6.95
Lodging and restaurant business	334,987	5,767	340,754	1.77
Public and other	301,074	-	301,074	1.57
Households	4,093,266	-	4,093,266	21.29
Others	1,293,825	93,872	1,387,697	7.22
	₩ 17,845,165	₩ 1,379,836	₩ 19,225,001	100.00

(*) Includes off-shore loans in foreign currencies and domestic import usance bill.

e. Credit to financial institutions

Details of interbank loans for restructuring of small- and medium-sized corporates as of December 31, 2011, December 31, 2010 and January 1, 2010, are summarized as follows:

(Unit : Korean won in millions)

Financial institution	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Industrial Bank of Korea (IBK)	₩ 158,056	₩ 72,695	₩ 169,952
Kookmin Bank	29,819	28,958	25,507
Woori Bank	33,281	34,773	30,756
Korea Exchange Bank (KEB)	1,684	2,621	2,025
Shinhan Bank	9,474	11,195	11,869
Kyongnam Bank	73,445	55,831	39,216
The Korea Development Bank (KDB) and others	32,890	21,257	20,344
	₩ 338,649	₩ 327,330	₩ 299,669

Meanwhile, credit to financial institutions except for inter-bank loans as of December 31, 2011, December 31, 2010 and January 1, 2010, is summarized as follows:

(Unit : Korean won in millions)

Financial institution	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Lotte Capital Co., Ltd.	₩ 20,000	₩ 20,000	₩ 30,000
Yonghoman Development LLC	28,500	76,300	100,000
BS Capital Co., Ltd.	70,000	-	-
Dubaibando Co., Ltd.	-	30,000	-
Hyundai Capital Services, Inc.	30,000	30,000	-
Others	192,119	97,064	101,243
	₩ 340,619	₩ 253,364	₩ 231,243

f. Loans in foreign currencies by borrower's country as of December 31, 2011, December 31, 2010 and January 1, 2010, are summarized as follows:

(Unit : Korean won in millions)

Classification	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
	Amount (*)	Percentage (%)	Amount (*)	Percentage (%)	Amount (*)	Percentage (%)
Korea	₩ 1,627,002	100.00	₩ 1,530,847	100.00	₩ 1,379,836	100.00

(*) Includes off-shore loans in foreign currencies and domestic import usance bill.

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

g. Concentration of credit risk for investment financial assets by industry as of December 31, 2011, December 31, 2010 and January 1, 2010, is summarized as follows:

Dec. 31, 2011		(Unit : Korean won in millions)			
Classification	Securities in local currency	Securities in foreign currencies	Total	Rate (%)	
Financial assets held for trading:					
Financial and insurance business	₩ 49,923	₩ -	₩ 49,923	100.00	
AFS financial assets:					
Manufacturing	40,228	-	40,228	1.91	
Electricity, gas and water industry	-	12,418	12,418	0.59	
Construction	411,161	-	411,161	19.55	
Wholesale and retail	10,042	-	10,042	0.48	
Transportation business	40,499	-	40,499	1.93	
Financial and insurance business	1,241,749	40,719	1,282,468	60.99	
Real estate and lease business	10,089	-	10,089	0.48	
Public administration, national defense and social security	275,588	-	275,588	13.11	
Associations and organizations	20,166	-	20,166	0.96	
	2,049,522	53,137	2,102,659	100.00	
HTM financial assets:					
Mining industry	80,000	-	80,000	1.91	
Electricity, gas and water industry	50,090	-	50,090	1.20	
Construction	818,941	-	818,941	19.53	
Transportation business	153,655	-	153,655	3.67	
Financial and insurance business	899,205	-	899,205	21.45	
Public administration, national defense and social security	2,078,937	-	2,078,937	49.60	
Associations and organizations	110,552	-	110,552	2.64	
	4,191,380	-	4,191,380	100.00	
	₩ 6,290,825	₩ 53,137	₩ 6,343,962		

Dec. 31, 2010

(Unit : Korean won in millions)

Classification	Securities in local currency	Securities in foreign currencies	Total	Rate (%)
Financial assets held for trading:				
Financial and insurance business	₩ 47,767	₩ 11,511	₩ 59,278	94.30
Public administration, national defense and social security	3,584	-	3,584	5.70
	51,351	11,511	62,862	100.00
Designated at FVTPL:				
Financial and insurance business	-	19,833	19,833	100.00
AFS financial assets:				
Manufacturing	40,794	-	40,794	2.50
Electricity, gas and water industry	-	12,105	12,105	0.74
Construction	191,526	-	191,526	11.73
Wholesale and retail	10,276	-	10,276	0.63
Transportation business	30,556	-	30,556	1.87
Financial and insurance business	1,000,740	17,178	1,017,918	62.36
Real estate and lease business	10,127	-	10,127	0.62
Public administration, national defense and social security	319,093	-	319,093	19.55
	1,603,112	29,283	1,632,395	100.00
HTM financial assets:				
Mining industry	100,016	-	100,016	2.68
Electricity, gas and water industry	19,989	-	19,989	0.53
Construction	913,642	-	913,642	24.45
Transportation business	70,692	-	70,692	1.89
Financial and insurance business	1,289,912	-	1,289,912	34.52
Public administration, national defense and social security	1,252,237	-	1,252,237	33.51
Associations and organizations	90,473	-	90,473	2.42
	3,736,961	-	3,736,961	100.00
	₩ 5,391,424	₩ 60,627	₩ 5,452,051	

Jan. 1, 2011

(Unit : Korean won in millions)

Classification	Securities in local currency	Securities in foreign currencies	Total	Rate (%)
Designated at FVTPL:				
Financial and insurance business	₩ 92,024	₩ -	₩ 92,024	99.47
Public administration, national defense and social security	489	-	489	0.53
	92,513	-	92,513	100.00
Designated at FVTPL:				
Financial and insurance business	-	29,907	29,907	100.00
AFS financial assets:				
Manufacturing	40,362	-	40,362	2.44
Electricity, gas and water industry	30,338	11,816	42,154	2.56
Construction	180,116	-	180,116	10.90
Wholesale and retail	10,170	-	10,170	0.62
Transportation business	20,341	-	20,341	1.23
Financial and insurance business	1,103,829	34,716	1,138,545	68.90
Real estate and lease business	10,021	-	10,021	0.61
Public administration, national defense and social security	210,767	-	210,767	12.74
	1,605,944	46,532	1,652,476	100.00
HTM financial assets:				
Mining industry	70,033	-	70,033	2.01
Electricity, gas and water industry	19,983	-	19,983	0.58
Construction	679,543	-	679,543	19.55
Transportation business	54,350	-	54,350	1.56
Financial and insurance business	1,900,766	-	1,900,766	54.69
Public administration, national defense and social security	691,107	-	691,107	19.88
Associations and organizations	59,994	-	59,994	1.73
	3,475,776	-	3,475,776	100.00
	₩ 5,174,233	₩ 76,439	₩ 5,250,672	

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

h. Concentration of credit risk for investment financial assets in foreign currencies by country as of December 31, 2011, December 31, 2010 and January 1, 2010, is summarized as follows:

(Unit : Korean won in millions)

Classification	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets held for trading in foreign currencies:						
Korea	₩ -	-	₩ 11,511	100.00	₩ -	-
Designated at FVTPL in foreign currencies:						
Ireland	-	-	2,099	10.58	3,424	11.45
Cayman Islands	-	-	6,101	30.76	13,584	45.42
Holland	-	-	1,202	6.06	3,521	11.77
Belgium	-	-	10,431	52.60	9,378	31.36
	-	-	19,833	100.00	29,907	100.00
AFS financial assets in foreign currencies:						
Korea	41,604	78.30	17,894	61.11	34,856	74.91
Cayman Islands	11,533	21.70	11,389	38.89	11,676	25.09
	53,137	100.00	29,283	100.00	46,532	100.00
	₩ 53,137		₩ 60,627		₩ 76,439	

i. Details of AFS financial assets and HTM financial assets by term structure of debt securities as of December 31, 2011, December 31, 2010 and January 1, 2010, are summarized as follows:

Dec. 31, 2011

(Unit: Korean won in millions)

Classification	Government bonds	Finance bonds	Corporate bonds	Securities in foreign currencies	Total
AFS financial assets:					
Less than 3 months	₩ -	₩ 49,964	₩ 40,100	₩ -	₩ 90,064
3 ~ 6 months	22,483	150,042	80,228	-	252,753
6 months ~ 1 year	22,104	100,185	120,937	-	243,226
1 ~ 2 years	50,248	241,095	250,206	-	541,549
2 ~ 3 years	29,939	50,594	498,561	34,798	613,892
3 ~ 4 years	-	-	40,308	5,922	46,230
4 ~ 5 years	29,543	-	121,470	12,417	163,430
5 ~ 10 years	-	-	151,515	-	151,515
	154,317	591,880	1,303,325	53,137	2,102,659
HTM financial assets:					
Less than 3 months	59,992	39,954	155,413	-	255,359
3 ~ 6 months	15,369	39,714	182,623	-	237,706
6 months ~ 1 year	124,719	80,001	298,270	-	502,990
1 ~ 2 years	155,681	50,273	602,745	-	808,699
2 ~ 3 years	272,402	90,765	652,501	-	1,015,668
3 ~ 4 years	286,184	20,516	288,236	-	594,936
4 ~ 5 years	637,534	-	136,894	-	774,428
5 ~ 10 years	-	-	1,594	-	1,594
	1,551,881	321,223	2,318,276	-	4,191,380
	₩ 1,706,198	₩ 913,103	₩ 3,621,601	₩ 53,137	₩ 6,294,039

Dec. 31, 2010

(Unit: Korean won in millions)

Classification	Government bonds	Finance bonds	Corporate bonds	Securities in foreign currencies	Others	Total
AFS financial assets:						
Less than 3 months	₩ -	₩ 9,938	₩ 10,027	₩ -	₩ -	₩ 19,965
3 ~ 6 months	-	30,085	-	-	-	30,085
6 months ~ 1 year	-	60,546	51,335	-	-	111,881
1 ~ 2 years	124,385	331,763	437,614	-	-	893,762
2 ~ 3 years	92,485	-	213,244	-	-	305,729
3 ~ 4 years	10,356	-	30,406	11,389	-	52,151
4 ~ 5 years	29,896	-	20,080	5,789	-	55,765
5 ~ 10 years	-	-	150,952	12,105	-	163,057
	257,122	432,332	913,658	29,283	-	1,632,395
HTM financial assets:						
Less than 3 months	9,980	119,835	67,108	-	9,061	205,984
3 ~ 6 months	4,937	159,496	40,854	-	2,000	207,287
6 months ~ 1 year	177,355	280,312	270,515	-	3,000	731,182
1 ~ 2 years	199,879	130,003	635,529	-	-	965,411
2 ~ 3 years	144,272	20,198	467,920	-	-	632,390
3 ~ 4 years	249,403	20,997	371,723	-	-	642,123
4 ~ 5 years	112,584	-	240,000	-	-	352,584
	898,410	730,841	2,093,649	-	14,061	3,736,961
	₩ 1,155,532	₩ 1,163,173	₩ 3,007,307	₩ 29,283	₩ 14,061	₩ 5,369,356

Jan. 1, 2011

(Unit: Korean won in millions)

Classification	Government bonds	Finance bonds	Corporate bonds	Securities in foreign currencies	Others	Total
AFS financial assets:						
Less than 3 months	₩ -	₩ 50,046	₩ 30,070	₩ -	₩ 163,331	₩ 243,447
3 ~ 6 months	-	10,095	30,183	-	-	40,278
6 months ~ 1 year	10,209	60,309	55,525	23,040	-	149,083
1 ~ 2 years	90,763	100,167	304,313	-	-	495,243
2 ~ 3 years	89,447	-	421,408	-	-	510,855
3 ~ 4 years	20,349	-	50,202	11,676	-	82,227
4 ~ 5 years	-	-	19,563	-	-	19,563
5 ~ 10 years	-	-	99,964	11,816	-	111,780
	210,768	220,617	1,011,228	46,532	163,331	1,652,476
HTM financial assets:						
Less than 3 months	24,375	229,726	21,769	-	-	275,870
3 ~ 6 months	12,084	171,866	3,965	-	1,973	189,888
6 months ~ 1 year	19,630	630,056	61,405	-	-	711,091
1 ~ 2 years	233,386	470,934	377,837	-	-	1,082,157
2 ~ 3 years	179,922	70,005	593,668	-	-	843,595
3 ~ 4 years	76,405	-	75,323	-	-	151,728
4 ~ 5 years	121,643	-	89,804	-	-	211,447
5 ~ 10 years	-	-	10,000	-	-	10,000
	667,445	1,572,587	1,233,771	-	1,973	3,475,776
	₩ 878,213	₩ 1,793,204	₩ 2,244,999	₩ 46,532	₩ 165,304	₩ 5,128,252

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

(3) Liquidity risk

1) General

Liquidity risk is the risk that the Consolidated Group is unable to meet its payment obligations arising from financial liabilities as they fall due. The Consolidated Group classifies and discloses contractual maturity of all financial liabilities in relation to liquidity risk into six categories, such as immediately payable, less than 1 month, 1–3 months, 3 months–1 year, less than 1 year, 1–5 years and more than 5 years. Although off-consolidated statement of financial position items such as loan commitment and financial guarantees have contractual maturities, they are separately disclosed as the Consolidated Group will pay immediately upon counterparty's request for payment.

The cash flows disclosed in the maturity analysis are undiscounted contractual amounts, including principal and future interest payments, which resulted in disagreement with the discounted cash flows included in the consolidated statements of financial position.

2) Liquidity risk management

General principles and the overall framework for managing liquidity risk across the Consolidated Group are defined in the liquidity risk policy by risk management regulation, risk management instruction and liquidity risk manual.

All transactions that affect inflows and outflows of Korean/foreign currency funds across the Consolidated Group are subject to the liquidity risk management. Liquidity risk is centrally managed and controlled by the Financial Planning Department, which reports its analysis and statistics of the liquidity, including liquidity gap, liquidity ratio, maturity mismatch ratio and liquidity risk situation to the asset liability management committee ("ALCO"). The financial strategies to achieve the Consolidated Group's risk management goal, including liquidity risk management, are set and overseen by the ALCO.

3) Remaining contractual maturity analysis of financial assets and liabilities

- a. The Consolidated Group's non-derivative financial liabilities as of December 31, 2011, December 31, 2010 and January 1, 2010, are summarized by remaining contractual maturity as follows:

Dec. 31, 2011 (Unit: Korean won in millions)

Classification	Immediate payment	Less than 1 month	1 ~ 3 months	3 ~ 12 months	1 ~ 5 years	More than 5 years	Total
Financial liabilities:							
Deposits	₩ 9,973,938	₩ 1,694,383	₩ 3,900,196	₩ 8,949,663	₩ 1,005,638	₩ 160,963	₩ 25,684,781
Borrowings	13,879	801,510	603,789	1,458,865	1,267,096	387,450	4,532,589
Debentures	39	100,900	118,462	987,321	1,243,269	799,994	3,249,985
Other liabilities (*)	6,941	2,652,991	353	5,163	2,236	-	2,667,684
	₩ 9,994,797	₩ 5,249,784	₩ 4,622,800	₩ 11,401,012	₩ 3,518,239	₩ 1,348,407	₩ 36,135,039

(*) Consist of accounts payable, accrued expenses, guarantee deposits received and others.

Dec. 31, 2010 (Unit: Korean won in millions)

Classification	Immediate payment	Less than 1 month	1 ~ 3 months	3 ~ 12 months	1 ~ 5 years	More than 5 years	Total
Financial liabilities:							
Deposits	₩ 9,685,565	₩ 1,399,074	₩ 2,645,855	₩ 7,221,405	₩ 1,010,239	₩ 90,000	₩ 22,052,138
Borrowings	8,831	1,110,018	471,325	1,074,024	973,542	254,652	3,892,392
Debentures	-	240,812	148,163	387,095	1,575,112	724,905	3,076,087
Other liabilities (*)	9,198	4,073,971	331	3,521	1,791	431	4,089,243
	₩ 9,703,594	₩ 6,823,875	₩ 3,265,674	₩ 8,686,045	₩ 3,560,684	₩ 1,069,988	₩ 33,109,860

(*) Consist of accounts payable, accrued expenses, guarantee deposits received and others.

Jan. 1, 2010

(Unit: Korean won in millions)

Classification	Immediate payment	Less than 1 month	1 ~ 3 months	3 ~ 12 months	1 ~ 5 years	More than 5 years	Total
Financial liabilities:							
Deposits	₩ 8,263,755	₩ 1,296,935	₩ 2,260,527	₩ 5,990,672	₩ 1,065,050	₩ 77,836	₩ 18,954,775
Borrowings	18,911	913,719	385,367	1,383,148	1,050,878	180,419	3,932,442
Debentures	-	101,216	273,574	705,548	1,362,105	610,084	3,052,527
Other liabilities (*)	5,353	3,034,971	198	2,946	2,539	-	3,046,007
	₩ 8,288,019	₩ 5,346,841	₩ 2,919,666	₩ 8,082,314	₩ 3,480,572	₩ 868,339	₩ 28,985,751

(*) Consist of accounts payable, accrued expenses, guarantee deposits received and others.

Guarantees and loan commitments and other credit facilities provided by the Consolidated Group have maturities. However, if the counterparty requests the payment immediately, the payment must be fulfilled. The off-balance-sheet items as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

(Unit: Korean won in millions)

Classifications	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Guarantees	₩ 1,103,567	₩ 996,757	₩ 976,167
Loan commitments	6,077,564	5,011,694	4,837,593
	₩ 7,181,131	₩ 6,008,451	₩ 5,813,760

b. The Consolidated Group's net settlement of the derivative instruments among financial assets and liabilities as of December 31, 2011, December 31, 2010 and January 1, 2010, are summarized by remaining contractual maturity as follows:

Dec. 31, 2011

(Unit: Korean won in millions)

Classification	Immediate payment	Less than 1 month	1 ~ 3 months	3 ~ 12 months	1 ~ 5 years	More than 5 years	Total
Derivatives for hedging	₩ -	₩ (476)	₩ 6,811	₩ 18,476	₩ (578)	₩ (885)	₩ 23,348
Derivatives for trading	-	-	(280)	(317)	(2,220)	-	(2,817)
	₩ -	₩ (476)	₩ 6,531	₩ 18,159	₩ (2,798)	₩ (885)	₩ 20,531

Dec. 31, 2010

(Unit: Korean won in millions)

Classification	Immediate payment	Less than 1 month	1 ~ 3 months	3 ~ 12 months	1 ~ 5 years	More than 5 years	Total
Derivatives for hedging	₩ -	₩ 432	₩ 4,878	₩ 16,267	₩ 22,925	₩ -	₩ 44,502
Derivatives for trading	-	(1,262)	(236)	(2,042)	(873)	(16)	(4,429)
	₩ -	₩ (830)	₩ 4,642	₩ 14,225	₩ 22,052	₩ (16)	₩ 40,073

Jan. 1, 2010

(Unit: Korean won in millions)

Classification	Immediate payment	Less than 1 month	1 ~ 3 months	3 ~ 12 months	1 ~ 5 years	More than 5 years	Total
Derivatives for hedging	₩ -	₩ 432	₩ 4,888	₩ 17,585	₩ 41,985	₩ -	₩ 64,890
Derivatives for trading	-	-	(267)	(282)	(3,415)	-	(3,964)
	₩ -	₩ 432	₩ 4,621	₩ 17,303	₩ 38,570	₩ -	₩ 60,926

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

c. The Consolidated Group's total settlement derivative instruments among financial assets and liabilities as of December 31, 2011, December 31, 2010 and January 1, 2010, are summarized by remaining contractual maturity as follows:

Dec. 31, 2011							(Unit: Korean won in millions)
Classification	Immediate payment	Less than 1 month	1 ~ 3 months	3 ~ 12 months	1 ~ 5 years	More than 5 years	Total
Derivatives for trading	₩ -	₩ 4,817	₩ 13,505	₩ 634	₩ 33	₩ -	₩ 18,989

Dec. 31, 2011							(Unit: Korean won in millions)
Classification	Immediate payment	Less than 1 month	1 ~ 3 months	3 ~ 12 months	1 ~ 5 years	More than 5 years	Total
Derivatives for trading	₩ -	₩ (1,915)	₩ 40,064	₩ (219)	₩ -	₩ -	₩ 37,930

Jan. 1, 2010							(Unit: Korean won in millions)
Classification	Immediate payment	Less than 1 month	1 ~ 3 months	3 ~ 12 months	1 ~ 5 years	More than 5 years	Total
Derivatives for trading	₩ -	₩ (2,960)	₩ (5,363)	₩ 29,809	₩ (6,985)	₩ -	₩ 14,501

(4) Market risk

1) General

Market risk is the risk to the Consolidated Group's earnings arising from changes in interest rates, stock price, currency exchange rates and commodity prices. It is derived from loans, deposits, securities and derivatives and generated through both trading and non-trading positions. The trading market risk that the Consolidated Group is mainly exposed to is the interest rate risk arising from the change in the value of debt instruments and interest-rate-embedded securities due to changes in market interest rate. The Consolidated Group is additionally exposed to stock price and foreign exchange rate fluctuation risk arising from loans, receivables, deposits, securities and financial derivatives.

2) Market risk management

The Consolidated Group monitors and sets up the economic capital limit of market risk and interest rate risk to manage trading and non-trading positions. To manage market risk effectively, trading position enforces trading policy regulation and market risk manual, while non-trading position enforces interest rate risk manual, risk management system and procedure. All such processes are approved by the Consolidated Group's ALCO and risk management council.

The Consolidated Group's Risk Management Council establishes overall market risk management principles. It has delegated the responsibility for the market risk management for trading activities to the Market Risk Management Subcommittee of the Consolidated Group. Based on the policies approved by the Consolidated Group's Risk Management Council, the Market Risk Management Subcommittee reviews and approves reports as required that include trading profits and losses, position reports, limit utilization, sensitivity analysis and VaR results from our trading activities.

Determination of interest rate and commission rate, enactment and amendment of asset-liability management ("ALM") risk management policy and interest rate and commission rate guidelines and analysis of monthly ALM risk lie with the ALCO. Interest rate risk limits are determined based on asset-liability position and expected interest rate volatility considering annual operational planning, and centrally measured and monitored by the Financial Planning Team. Responsibility for management of interest rate risk, such as interest rate gap, duration gap, sensitivity and compliance, with interest rate risk limits policy resides with the Risk Management Department, which reports the results to the ALCO on a monthly basis.

3) Market risk management for trading activities

a. Definition of trading position

The trading position in accordance with „Regulation of Trading Policy' is subject to the trading market management. The basic requirements of the trading position are as follows:

- The target position is not restricted to the sale. It is daily evaluated at fair value and should be a hedge against important risks in the market.
- The trading position should be controlled by the instruction of the trading policy and managed by a separate trading department.
- The target position is operated in accordance with a documented trading strategy, and the limit of trading should be controlled.
- Without the prior approval, a professional dealer or an operation division for the target position should be authorized to handle transactions within the predetermined limit.
- The target position to control risk should be periodically reported to management.

b. Measurement of market risk occurring at trading position

The Consolidated Group measures market risk as VaR, which is calculated by market risk management system. It generally manages market risk arising from the trading position at the level of the portfolio.

To manage market risk, the Consolidated Group monitors and sets up the economic capital limit based on VaR. It sets up and monitors the economic capital limit, position limit, and loss cut within the economic capital limit. According to the regulations and rules of the Financial Supervisory Service, the Consolidated Group controls and manages risks of derivatives transactions.

c. VaR

① VaR measurement

The Consolidated Group uses daily VaR to measure market risk. Daily VaR is a statistically estimated maximum amount of loss that could occur in one day under normal distribution of financial variables. The Consolidated Group uses a 99 percent single-tail confidence level, based on past 250 business days, to measure daily VaR, which means the actual amount of loss may exceed the VaR, on average, once out of 100 business days. VaR is a commonly used market risk management technique; however, this approach does have some shortcomings. The VaR measures the potential loss in value of a risky asset or portfolio based on historical market movements over a defined period for a given confidence interval. However, it is not always possible in practice that the historical market movements reflect all future conditions and circumstances, which results in variance in actual loss timing and size due to the changes in assumptions used in calculation. In addition, the time periods used for the model, generally one day or 10 days, are assumed to be a sufficient holding period before liquidating the relevant underlying positions. If these holding periods are not sufficient, or too long, the VaR results may understate or overstate the potential loss.

② Back testing

The Consolidated Group conducts back testing on a daily basis to validate the adequacy of market risk. In back testing, the Consolidated Group compares both the actual and hypothetical profit and loss with the VaR calculations and analyzes any results that fall outside the predetermined confidence interval of 99 percent.

③ Stress testing

The Consolidated Group uses stress testing to assess market risk exposure to abnormal market fluctuations, such as interest rate, equity price, exchange rate, and implied volatility of derivatives. The Consolidated Group uses not only historical scenarios as a main scenario, but also hypothetical scenarios as a supplementary analysis. Stress testing projects the anticipated change in value of holding positions under certain scenarios assuming that no action is taken during a stress event to change the risk profile of a portfolio. Stress testing is conducted at least more than once within a quarter.

The following table shows VaR as of December 31, 2011 and 2010, at 99 percent confidence level for a one-day holding period, for interest rate risk, equity price risk and foreign exchange rate risk related to trading activities:

Dec. 31, 2011		<small>(Unit : Korean won in millions)</small>						
Classification		High		Low		Average		Ending
Interest rate risk	₩	336	₩	78	₩	169	₩	87
Equity price risk		5,131		-		2,065		-
Foreign exchange rate risk		3,064		107		1,100		902
Total VaR	₩	5,716	₩	377	₩	2,427	₩	909

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

Dec. 31, 2010		(Unit : Korean won in millions)			
Classification	High	Low	Average	Ending	
Interest rate risk	₩ 408	₩ 108	₩ 221	₩ 269	
Equity price risk	991	11	350	388	
Foreign exchange rate risk	3,135	121	1,092	1,785	
Total VaR	₩ 3,313	₩ 176	₩ 1,166	₩ 1,796	

Total VaR becomes smaller than total of interest rate risk, equity price risk and foreign exchange rate risk due to diversification effect.

d. Details by risk factors

① Interest rate risk

Interest rate risk from trading activities arises mainly from the Consolidated Group's trading of Korean won-denominated debt securities. The Consolidated Group's trading strategy is to benefit from short-term movements in the prices of debt securities arising from changes in interest rates. As the Consolidated Group's trading accounts are marked to market daily, the Consolidated Group manages the interest risk relating to its trading accounts using market value-based tools, such as VaR and sensitivity analysis.

② Equity price risk

Equity price risk results from the Consolidated Group's equity trading portfolio in Korean won since we do not have any trading exposure to shares denominated in foreign currencies. The equity trading portfolio in Korean won consists of exchange-traded stocks and nearest month or second nearest month futures contracts under the strict diversified investment limits. The Consolidated Group's Risk Management Council sets annual and monthly stop-loss limits, position limits and sensitivity limits that are daily monitored by the Consolidated Group's Risk Management Department.

③ Foreign exchange rate risk

Foreign exchange rate risk arises because we have assets and liabilities that are denominated in currencies other than Korean won, as well as off-balance-sheet items, such as foreign exchange forwards and currency swaps. Assets and liabilities denominated in U.S. dollars, Japanese yen, and Euro typically accounted for the majority of the Consolidated Group's foreign currency assets and liabilities. The Consolidated Group oversees its foreign exchange rate exposure for both trading and non-trading purposes by establishing a limit for net foreign currency open position, together with stop-loss limits.

4) Market risk management for non-trading activities

a. Definition of non-trading position

The Consolidated Group's principal market risk from non-trading activities is interest rate risk. Interest rate risk arises due to mismatches in the maturities or re-pricing periods of these rate-sensitive assets and liabilities. The Consolidated Group measures interest rate risk for Korean won and foreign currency assets and liabilities in its bank accounts (including derivatives) and its principal-guaranteed trust accounts. Most of its interest-earning assets and interest-bearing liabilities are denominated in Korean won and its foreign currency-denominated assets and liabilities are mostly denominated in U.S. dollars.

b. Measurement of market risk occurring at non-trading position

The Consolidated Group's principal interest rate risk management objectives are to generate stable net interest revenues and to protect its asset value against interest rate fluctuations. The Consolidated Group principally manages this risk for its non-trading activities by analyzing and managing maturity and duration gaps between its interest-earning assets and interest-bearing liabilities.

(5) Operational risk

1) General

The Consolidated Group defines operational risk broadly to include all financial and non-financial risks that may arise from its operations that could negatively affect its capital.

2) Operational risk management

The Consolidated Group's operational risk management objectives include not only satisfying regulatory requirements, but also providing internal support through the encouragement of a strong risk management culture, reinforcement of internal controls, improvement of work processes and provision of timely feedback to management members and staff throughout the Consolidated Group.

(6) Capital management

The Consolidated Group follows the standard of capital adequacy established by the Financial Services Commission. The standard is based on Basel II, which was established by Basel Committee on Banking Supervision in Bank for International Settlements ("BIS") in 2004. In Korea, this standard has been followed since January 2008. According to the standard, domestic banks should maintain at least 8 percent or above of BIS capital ratio for risk-weighted asset and report BIS capital ratio to the Financial Supervisory Service quarterly.

According to Korean Banking Laws, the Consolidated Group's capitals are mainly divided into two categories.

- Tier 1 capital (basic capital): Basic capital is composed of capital stock, additional paid-in capital, retained earnings, non-controlling interests of consolidated subsidiaries and hybrid debentures.
- Tier 2 capital (supplementary capital): Supplementary capital is composed of revaluation reserve, gains on valuation of AFS financial assets, 45 over 100 of capital changes by equity method, 70 over 100 of gains on revaluation for tangible assets, allowance for credit losses, permanent subordinated bonds, cumulative preferred stocks, specified subordinated bonds and preferred stocks of redemption.

The risk-weighted asset includes intrinsic risks in total assets, errors of internal operation processes and loss risk from external events. It indicates a size of assets reflecting the level of risks that the Consolidated Group bears. The Consolidated Group computes the risk-weighted asset by risks (credit risk, market risk and operational risk) and uses it for calculation of BIS capital ratio.

The Consolidated Group has calculated the risk-weighted asset by risks (credit risk, market risk and operational risk) in accordance with Basel II and managed BIS capital ratio since 2008. The Consolidated Group's BIS capital ratio as of December 31, 2011, December 31, 2010 and January 1, 2010, is as follows:

	(Unit : Korean won in millions)		
	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Tier 1 capital	₩ 2,811,293	₩ 2,551,822	₩ 2,249,714
Tier 2 capital	1,142,143	1,043,703	935,623
Total risk-adjusted capital	3,953,436	3,595,525	3,185,337
Risk-weighted assets	26,297,612	23,546,612	21,694,449
Tier 1 capital ratio (%)	10.69	10.84	10.37
Tier 2 capital ratio (%)	4.34	4.43	4.31
BIS capital ratio (%) (*1)	15.03	15.27	14.68

(*1) BIS capital ratio = (total risk-adjusted capital/risk-weighted assets) x 100

The consolidated capital ratio as of December 31, 2011, is calculated based on the consolidated statements of financial position prepared in accordance with K-IFRS, and the capital ratios are calculated on the consolidated statements of financial position prepared in accordance with accounting principles generally accepted in the Republic of Korea ("K-GAAP") as of December 31, 2010 and January 1, 2010.

5. SEGMENT INFORMATION:

The segment information has been disclosed in the consolidated financial statements in accordance with K-IFRS 1108, Operating segments.

(1) General

Segment information indicates details of the Consolidated Group's divisions. Main divisions of business are based on the Consolidated Group's internal report. The Consolidated Group consists of three business divisions: marketing division, capital market division and others. Such business divisions are divided by products, characteristics of services, customers and organization of the Consolidated Group. Based on these categories, main information by divisions is disclosed.

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

(2) Division information

1) **Marketing division** – This division consists of assets and liabilities arising from households, businesses, and credit card clients. It mainly deals with deposits, household/business loans and credit/foreign currency transactions.

2) **Capital market division** – This division deals with financing arising from transactions of securities, derivatives, bonds and borrowings.

3) **Others** – Others consist of assets and liabilities arising from activities of sales departments at Seoul and Ulsan. It deals with deposits due from banks and loans.

Operations by divisions for the years ended December 2011 and 2010, are as follows:

2011							(Unit : Korean won in millions)
Classification	Marketing division	Capital division	Others	Total	Adjustment	Adjusted amount	
Revenue of operating segments:							
Sales from external customer	₩ 1,194,564	₩ 317,341	₩ 320,974	₩ 1,832,879	₩ (36,732)	₩ 1,796,147	
Interest income from funds transfer pricing	782,995	351,867	277,746	1,412,608	(1,412,608)	-	
Commissions revenue	114,398	1,132	17,603	133,133	-	133,133	
Other revenue	39,040	905,499	33,861	978,400	16,161	994,561	
Extraordinary gain	2,964	21,788	8,412	33,164	728	33,892	
	2,133,961	1,597,627	658,596	4,390,184	(1,432,451)	2,957,733	
Expenses of operating segments:							
Interest expense	445,329	127,402	231,531	804,262	4,508	808,770	
Interest expense from funds transfer pricing	785,998	390,802	235,806	1,412,606	(1,412,606)	-	
Commissions expense	38,641	1,723	8,630	48,994	-	48,994	
Other expenses	87,162	866,547	43,749	997,458	(5,918)	991,540	
Agency services	146	-	(146)	-	-	-	
Business cost	288,483	1,304	31,229	321,016	(19,551)	301,465	
Department cost	108,235	1,136	11,789	121,160	11,504	132,664	
Provision for allowance	20,055	20,058	123,569	163,682	(42,440)	121,242	
Loss on disposal of loans	-	-	(343)	(343)	-	(343)	
Special charges	1,254	578	23,204	25,036	-	25,036	
	1,775,303	1,409,550	709,018	3,893,871	(1,464,503)	2,429,368	
Segment earning before tax	358,658	188,077	(50,422)	496,313	32,052	528,365	
Asset total	26,546,358	11,958,899	14,018,314	52,523,571	(14,532,698)	37,990,873	
Liabilities total	₩ 25,999,463	₩ 11,627,309	₩ 12,108,660	₩ 49,735,432	₩ (14,486,123)	₩ 35,249,309	

2010

(Unit : Korean won in millions)

Classification	Marketing division	Capital division	Others	Total	Adjustment	Adjusted amount
Revenue of operating segments:						
Sales from external customer	₩ 1,077,944	₩ 312,070	₩ 289,338	₩ 1,679,352	₩ (43,781)	₩ 1,635,571
Interest income from funds transfer pricing	698,833	367,841	214,744	1,281,418	(1,281,418)	-
Commissions revenue	114,378	999	26,892	142,269	(102)	142,167
Other revenue	37,273	921,395	44,453	1,003,121	30,909	1,034,030
Extraordinary gain	4,770	6,932	30,691	42,393	731	43,124
	1,933,198	1,609,237	606,118	4,148,553	(1,293,661)	2,854,892
Expenses of operating segments:						
Interest expense	399,038	137,985	178,649	715,672	2,518	718,190
Interest expense from funds transfer pricing	671,008	412,382	198,028	1,281,418	(1,281,418)	-
Commissions expense	35,584	2,178	13,391	51,153	(741)	50,412
Other expenses	75,386	849,096	63,727	988,209	(1,108)	987,101
Agency services	105	-	(105)	-	-	-
Business cost	266,250	3,176	29,262	298,688	(17,241)	281,447
Department cost	101,729	960	10,788	113,477	(269)	113,208
Provision for allowance	75,843	(423)	78,063	153,483	(15,319)	138,164
Loss on disposal of loans	-	-	40,403	40,403	-	40,403
Special charges	4,719	749	32,786	38,254	-	38,254
	1,629,662	1,406,103	644,992	3,680,757	(1,313,578)	2,367,179
Segment earning before tax	303,536	203,134	(38,874)	467,796	19,917	487,713
Asset total	23,605,944	12,138,937	12,040,180	47,785,061	(12,914,154)	34,870,907
Liabilities total	₩ 23,095,936	₩ 11,633,153	₩ 10,225,766	₩ 44,954,855	₩ (12,629,475)	₩ 32,325,380

(3) Information on financial services and geographical areas

As the financial products of the Consolidated Group are categorized as interest-bearing, non-interest-bearing and others, and the categorization has already reflected in the composition of the reportable segments above, revenue from external customers is not separately disclosed. Revenue by geographical areas is not separately disclosed, as the Consolidated Group operates its business domestically.

6. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES:

(1) The basis measurement of carrying amount on class of financial instruments

Financial assets and liabilities are measured at fair value or amortized cost. Measurement policies for each class of financial assets and financial liabilities are described in Note 2. (2). 5) c. 'Recognition and measurement.' The carrying amounts of financial assets and liabilities as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

Dec. 31, 2011

(Unit: Korean won in millions)

Classification	Financial assets at FVTPL		Loans and receivables	AFS financial assets	HTM financial assets	Derivatives	Total
	Financial assets held for trading	Financial assets designated at FVTPL					
Financial assets:							
Cash and due from bank	₩ -	₩ -	₩ 2,490,247	₩ -	₩ -	₩ -	₩ 2,490,247
Financial assets at FVTPL	58,541	-	-	-	-	-	58,541
AFS financial assets	-	-	-	2,760,420	-	-	2,760,420
HTM financial assets	-	-	-	-	4,191,380	-	4,191,380
Loans and receivables	-	-	27,857,165	-	-	-	27,857,165
Derivative assets	-	-	-	-	-	149,076	149,076
	₩ 58,541	₩ -	₩ 30,347,412	₩ 2,760,420	₩ 4,191,380	₩ 149,076	₩ 37,506,829

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And For The Years Ended December 31, 2011 And 2010

Classification	Financial liabilities at FVTPL			Amortized financial liabilities	Derivatives	Total
	Financial liabilities held for tradings	Financial liabilities designated at FVTPL				
Financial liabilities:						
Deposits	₩ -	₩ -	₩ 25,024,189	₩ -	₩ -	₩ 25,024,189
Borrowings	-	-	4,315,747	-	-	4,315,747
Debentures	-	-	2,890,293	-	-	2,890,293
Derivative liabilities	-	-	-	82,828	-	82,828
Other liabilities (*)	-	-	2,667,684	-	-	2,667,684
	₩ -	₩ -	₩ 34,897,913	₩ 82,828	₩ -	₩ 34,980,741

(*) Consist of accounts payable, accrued expenses, guarantee deposits received and others.

Dec 31, 2010

(Unit: Korean won in millions)

Classification	Financial assets at FVTPL		Loans and receivables	AFS financial assets	HTM financial assets	Derivatives	Total
	Financial assets held for trading	Financial assets designated at FVTPL					
Financial assets:							
Cash and due from bank	₩ -	₩ -	₩ 2,078,401	₩ -	₩ -	₩ -	₩ 2,078,401
Financial assets at FVTPL	252,602	19,833	-	-	-	-	272,435
AFS financial assets	-	-	-	2,164,482	-	-	2,164,482
HTM financial assets	-	-	-	-	3,736,961	-	3,736,961
Loans and receivables	-	-	26,055,297	-	-	-	26,055,297
Derivative assets	-	-	-	-	-	131,987	131,987
	₩ 252,602	₩ 19,833	₩ 28,133,698	₩ 2,164,482	₩ 3,736,961	₩ 131,987	₩ 34,439,563

Classification	Financial liabilities at FVTPL			Amortized financial liabilities	Derivatives	Total
	Financial liabilities held for tradings	Financial liabilities designated at FVTPL				
Financial liabilities:						
Deposits	₩ -	₩ -	₩ 21,548,603	₩ -	₩ -	₩ 21,548,603
Borrowings	-	-	3,745,995	-	-	3,745,995
Debentures	-	-	2,631,684	-	-	2,631,684
Derivative liabilities	-	-	-	59,709	-	59,709
Other liabilities (*)	-	-	4,089,243	-	-	4,089,243
	₩ -	₩ -	₩ 32,015,525	₩ 59,709	₩ -	₩ 32,075,234

(*) Consist of accounts payable, accrued expenses, guarantee deposits received and others.

Jan. 1, 2010

(Unit: Korean won in millions)

Classification	Financial assets at FVTPL		Loans and receivables	AFS financial assets	HTM financial assets	Derivatives	Total
	Financial as sets held for trading	Financial assets designated at FVTPL					
Financial assets:							
Cash and due from bank	₩ -	₩ -	₩ 1,238,489	₩ -	₩ -	₩ -	₩ 1,238,489
Financial assets at FVTPL	312,066	29,907	-	-	-	-	341,973
AFS financial assets	-	-	-	2,113,647	-	-	2,113,647
HTM financial assets	-	-	-	-	3,475,776	-	3,475,776
Loans and receivables	-	-	22,961,709	-	-	-	22,961,709
Derivative assets	-	-	-	-	-	193,762	193,762
	₩ 312,066	₩ 29,907	₩ 24,200,198	₩ 2,113,647	₩ 3,475,776	₩ 193,762	₩ 30,325,356

Classification	Financial liabilities at FVTPL			Amortized financial liabilities	Derivatives	Total
	Financial liabilities held for tradings	Financial liabilities designated at FVTPL				
Financial liabilities:						
Deposits	₩ -	₩ -	₩ 18,665,285	₩ -	₩ 18,665,285	
Borrowings	-	-	3,787,360	-	3,787,360	
Debentures	-	-	2,646,261	-	2,646,261	
Derivative liabilities	-	-	-	132,227	132,227	
Other liabilities (*)	-	-	3,046,007	-	3,046,007	
	₩ -	₩ -	₩ 28,144,913	₩ 132,227	₩ 28,277,140	

(*) Consist of accounts payable, accrued expenses, guarantee deposits received and others.

(2) Fair value assessment method and assumptions for each type of financial instruments are as follows:

Classification	Fair value measurement technique
Securities	The fair value of financial instruments that are quoted in active markets is determined using the quoted prices. Fair value is determined by independent third-party pricing services when quoted prices are not available. Pricing services use one or more of the valuation techniques including Discounted Cash Flow Model ("DCF"), Imputed Market Value Model ("IMV"), Free Cash Flow to Equity Model ("FCFE"), Dividend Discount Model, Risk Adjusted Discount Rate Method and Net Asset Value Method.
Loans and receivables	DCF is used to determine the fair value of loans and receivables. Fair value is determined by using appropriate discount rate to calculate the expected cash flows by contractual cash flows with prepayment rate taken into account. For those loans and receivables with the residual maturities of less than three months as of the closing date and the ones with a reset period of less than three months, the carrying amount is regarded as fair value.
Derivatives	For exchange-traded derivative, a quoted price in active market is used to determine fair value and for OTC derivative, fair value is determined using valuation techniques. The Bank uses internally developed valuation models that are widely used by market participants to determine fair value of plain OTC derivatives, including option, interest rate swap and currency swap based on observable market parameters. However, some complex financial instruments are valued using advanced internal valuation models or the results of independent pricing services, where part or all of the inputs are not observable in the market. OTC derivatives with closed-form solution in their valuation are valued using appropriate model. Complex derivative instruments where their valuation method cannot be defined by closed-form solution are valued using techniques including Finite Difference Method and Monte Carlo Simulation.
Deposits	Carrying amount of demand deposit is regarded as fair value as it does not have maturity and the amount approximates the fair value. Fair value of time deposit is determined using DCF. Fair value is determined by using appropriate discount rate and the expected cash flows by contractual cash flows with prepayment rate taken into account. For those deposits with the residual maturities of less than three months as of the closing date and the ones with reset period of less than three months, carrying amount is regarded as fair value.
Borrowings	Fair value is determined using DCF discounting contractual future cash flows by appropriate discount rate. However, for those borrowings with the residual maturities of less than three months as of the closing date and the ones with reset period of less than three months, the carrying amount is regarded as fair value.
Debentures	Fair value is determined by using the valuation of independent third-party pricing services in accordance with the market prices that are quoted in active markets.
Other financial liabilities	For financial liabilities with the residual maturities of less than three months as of the closing date and the ones with reset period of less than three months, the carrying amount is regarded as fair value.

(3) Fair value of the accounts

1) The book value and the fair value of financial instruments subsequently not measured at fair value as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

(Unit : Korean won in millions)

Classification	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets:						
Loans	₩ 25,267,341	₩ 25,524,908	₩ 22,193,326	₩ 22,387,721	₩ 20,271,040	₩ 20,503,124
HTM securities	4,191,380	4,246,624	3,736,961	3,795,980	3,475,776	3,502,729
	₩ 29,458,721	₩ 29,771,532	₩ 25,930,287	₩ 26,183,701	₩ 23,746,816	₩ 24,005,853
Financial liabilities:						
Deposits	₩ 25,024,189	₩ 25,071,468	₩ 21,548,603	₩ 21,720,333	₩ 18,665,285	₩ 18,575,634
Borrowings	4,315,747	4,167,418	3,745,995	3,791,055	3,787,360	3,741,943
Debentures	2,890,293	2,971,190	2,631,684	2,721,387	2,646,261	2,600,423
	₩ 32,230,229	₩ 32,210,076	₩ 27,926,282	₩ 28,232,775	₩ 25,098,906	₩ 24,918,000

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

Except for the ones described above, the amortized cost of financial assets and liabilities is considered similar to its fair value.

2) The fair value of financial instruments, measured at fair value after initial recognition, as of December 31, 2011, December 31, 2010 and January 1, 2010, is as follows:

Dec. 31, 2011 (Unit : Korean won in millions)

Classification	Book value	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Financial assets at FVTPL:					
Financial assets held for trading	₩ 58,541	₩ 58,541	₩ 8,618	₩ 49,923	₩ -
AFS financial assets	2,760,420	2,760,420	111,727	2,207,130	441,563
Derivative assets	149,076	149,076	-	147,822	1,254
	₩ 2,968,037	₩ 2,968,037	₩ 120,345	₩ 2,404,875	₩ 442,817
Financial liabilities:					
Derivative liabilities	₩ 82,828	₩ 82,828	₩ -	₩ 81,579	₩ 1,249

Dec. 31, 2010 (Unit : Korean won in millions)

Classification	Book value	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Financial assets at FVTPL:					
Financial assets held for trading	₩ 252,602	₩ 252,602	₩ 181,669	₩ 70,933	₩ -
Financial assets designated at FVTPL	19,833	19,833	-	19,833	-
AFS financial assets	2,164,482	2,164,482	243,848	1,457,518	463,116
Derivative assets	131,987	131,987	-	124,948	7,039
	₩ 2,568,904	₩ 2,568,904	₩ 425,517	₩ 1,673,232	₩ 470,155
Financial liabilities:					
Derivative liabilities	₩ 59,709	₩ 59,709	₩ -	₩ 52,236	₩ 7,473

Jan. 1, 2010 (Unit : Korean won in millions)

Classification	Book value	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Financial assets at FVTPL:					
Financial assets held for trading	₩ 312,066	₩ 312,066	₩ 201,324	₩ 110,742	₩ -
Financial assets designated at FVTPL	29,907	29,907	-	29,907	-
AFS financial assets	2,113,647	2,113,647	205,483	1,508,796	399,368
Derivative assets	193,762	193,762	-	190,862	2,900
	₩ 2,649,382	₩ 2,649,382	₩ 406,807	₩ 1,840,307	₩ 402,268
Financial liabilities:					
Derivative liabilities	₩ 132,227	₩ 132,227	₩ -	₩ 128,636	₩ 3,591

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable, willing parties in an arm's-length transaction. The Consolidated Group presents a comparative disclosure of fair value and book value by the type of financial assets and financial liabilities. The best evidence of fair value is a quoted price in an active market.

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. Valuation techniques include using recent arm's-length market transactions between knowledgeable, willing parties, if available; with reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis; and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and the technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Consolidated Group uses that technique. Although the Consolidated Group believes that the valuation techniques it has used are appropriate and the fair values recorded in the consolidated statements of financial position are reasonably estimated, the application of assumptions and estimates means that any selection

of different assumptions and valuation techniques would cause the reported results to differ. Furthermore, as various valuation techniques and assumptions are used in estimating fair values, it might be difficult to compare the Consolidated Group's results with fair values determined by other financial institutions.

(4) Fair value hierarchy

All of the Consolidated Group's financial instruments at fair value are categorized into one of the following three fair value hierarchy levels.

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) for identical assets or liabilities in an active market. Examples are publicly traded stocks, derivatives and treasury bonds.
- Level 2: Fair value measurements are those derived from valuation techniques of which all significant inputs are observable, either directly or indirectly. Examples include bonds denominated in Korean won; bonds denominated in foreign currencies; and general OTC derivative transactions, such as swaps, forward contracts, and options.
- Level 3: Fair value measurements are those derived from valuation techniques, which include significant inputs that are not based on observable market data. Examples are unlisted stocks, complex structured bonds and complex OTC derivatives.

If a financial instrument is traded in an active market, the best possible estimate of fair value is a quoted price in such a market (Level 1). A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group or pricing service and those prices represent market prices in the active market on an arm's length basis.

If there is no active market for a financial instrument, the Consolidated Group determines the fair value using valuation techniques. The Consolidated Group maximizes the use of observable market inputs and relies as little as possible on the Consolidated Group-specific inputs. Periodically, the Consolidated Group calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument or based on any available observable market data.

(5) Level 3 financial instruments

1) The changes in Level 3 financial instruments for the years ended December 31, 2011 and 2010, are as follows:

				(Unit : Korean won in millions)		
2011						
Classification	AFS financial assets		Derivative assets		Derivative liabilities	
Beginning balance	₩	463,116	₩	7,039	₩	7,473
Total comprehensive income:						
Net income		(60)		(2,140)		(2,101)
Other comprehensive income		6,823		-		-
		6,763		(2,140)		(2,101)
Purchases		35,572		3,394		3,350
Sales		(52,625)		(7,039)		(7,473)
Amounts reclassified from the other levels		-		-		-
Amounts reclassified to the other levels		-		-		-
Changes in consolidation scope		(11,263)		-		-
Ending balance	₩	441,563	₩	1,254	₩	1,249

				(Unit : Korean won in millions)		
2010						
Classification	AFS financial assets		Derivative assets		Derivative liabilities	
Beginning balance	₩	399,368	₩	2,900	₩	3,591
Total comprehensive income:						
Net income		1,288		3,084		3,249
Other comprehensive income		13,801		-		-
		15,089		3,084		3,249
Purchases		70,205		3,821		3,800
Sales		(21,543)		(2,766)		(3,167)
Amounts reclassified from the other levels		-		-		-
Amounts reclassified to the other levels		(3)		-		-
Ending balance	₩	463,116	₩	7,039	₩	7,473

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

2) Gains and losses on valuation at transaction date

If fair value of financial assets is measured by a method based on not observable information at initial recognition, the Bank recognizes the fair value measured in case that the fair value measured and the transaction price differ. The difference between the fair value measured and the transaction price is not recognized as gains and losses in the period it occurs, but deferred. The recognition method is as follows:

- ① Depreciation using straight-line method during transaction term of financial assets
- ② Deferred balance is immediately recognized as all gains and losses if the fair value of financial assets is observable.

The differences and the changes in deferred gains or losses arising from remeasurement for the years ended December 31, 2011 and 2010, are as follows:

(Unit : Korean won in millions)

Classification	Beginning balance	Increase	Amortization	Realization	Ending balance
Deferred losses on valuation of stock options purchased	₩ (237)	₩ (193)	₩ 344	₩ -	₩ (86)
Deferred gains on valuation of stock options sold	248	184	(345)	-	87

(Unit : Korean won in millions)

Classification	Beginning balance	Increase	Amortization	Realization	Ending balance
Deferred losses on valuation of stock options purchased	₩ -	₩ (429)	₩ 192	₩ -	₩ (237)
Deferred gains on valuation of stock options sold	-	452	(204)	-	248

The Consolidated Group used historical volatility rather than implied volatility observed in the market when assessing fair value of stock options purchased and stock options sold. Accordingly, Day 1 profit, which is the difference between fair value measured at the acquisition date and transaction price, is not recognized as gains and losses in the period it occurs, but deferred.

7. CASH AND DUE FROM BANKS:

(1) Cash and due from banks as of December 31, 2011, December 31, 2010 and January 1, 2010, consist of the following:

(Unit : Korean won in millions)

Account	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Cash and cash equivalents:			
Cash and checks	₩ 381,149	₩ 343,204	₩ 311,514
Foreign currencies	73,442	56,648	43,143
Due from the Bank of Korea (BOK)	1,152,990	929,213	377,837
Time deposits	810,000	330,000	152,000
Other deposits	646	42	1,365
Deposits in foreign currencies	57,154	69,595	10,428
	2,475,381	1,728,702	896,287
Due from bank (*):			
Due from banks in local currency	13,051	345,532	331,832
Due from banks in foreign currencies	1,815	4,167	10,370
	14,866	349,699	342,202
	₩ 2,490,247	₩ 2,078,401	₩ 1,238,489

(*) The maturity is more than three months from acquisition date.

(2) Due from banks in local currency and foreign currencies as of December 31, 2011, December 31, 2010 and January 1, 2010, consists of the following:

(Unit : Korean won in millions)

Account	Financial institution	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Due from banks in local currency:	Calyon Bank and others	₩ -	₩ 260,000	₩ 157,300
	The KRX and others	251	70,532	159,932
	KEB and others	12,800	15,000	14,600
		13,051	345,532	331,832
Due from banks in foreign currencies:	Bank of America and others	1,693	4,167	10,370
	KEB Futures and others	122	-	-
		1,815	4,167	10,370
		₩ 14,866	₩ 349,699	₩ 342,202

(3) The details of cash and due from banks by financial institution as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

(Unit : Korean won in millions)

Classification	Dec. 31, 2011			Dec. 31, 2010			Jan. 1, 2010		
	Due from banks in local currency	Due from banks in foreign currencies	Total	Due from banks in local currency	Due from banks in foreign currencies	Total	Due from banks in local currency	Due from banks in foreign currencies	Total
The BOK	₩ 1,135,689	₩ 17,301	₩ 1,152,990	₩ 916,281	₩ 12,932	₩ 929,213	₩ 361,165	₩ 16,672	₩ 377,837
Other banks	823,447	19,902	843,349	475,042	4,979	480,021	325,099	4,953	330,052
Other financial institutions	251	39,066	39,317	200,532	68,783	269,315	159,932	15,845	175,777
	₩ 1,959,388	₩ 76,269	₩ 2,035,657	₩ 1,591,855	₩ 86,694	₩ 1,678,549	₩ 846,196	₩ 37,470	₩ 883,666

4) The term structure of due from banks as of December 31, 2011, December 31, 2010 and January 1, 2010, is as follows:

Dec. 31, 2011

(Unit: Korean won in millions)

Classification	Less than 3 months	3 ~ 6 months	6 months ~ 1 year	1 year ~ 3 years	More than 3 years	Total
Due from banks in local currency	₩ -	₩ -	₩ -	₩ -	₩ 13,051	₩ 13,051
Due from banks in foreign currencies	-	-	-	-	1,815	1,815
	₩ -	₩ -	₩ -	₩ -	₩ 14,866	₩ 14,866

Dec. 31, 2010

(Unit: Korean won in millions)

Classification	Less than 3 months	3 ~ 6 months	6 months ~ 1 year	1 year ~ 3 years	More than 3 years	Total
Due from banks in local currency	₩ -	₩ 260,000	₩ -	₩ -	₩ 85,532	₩ 345,532
Due from banks in foreign currencies	-	-	-	-	4,167	4,167
	₩ -	₩ 260,000	₩ -	₩ -	₩ 89,699	₩ 349,699

Jan. 1, 2010

(Unit: Korean won in millions)

Classification	Less than 3 months	3 ~ 6 months	6 months ~ 1 year	1 year ~ 3 years	More than 3 years	Total
Due from banks in local currency	₩ -	₩ -	₩ 158,400	₩ -	₩ 173,432	₩ 331,832
Due from banks in foreign currencies	-	-	-	-	10,370	10,370
	₩ -	₩ -	₩ 158,400	₩ -	₩ 183,802	₩ 342,202

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

(5) Restricted cash and due from banks as of December 31, 2011, December 31, 2010 and January 1, 2010, consist of the following:

(Unit: Korean won in millions)

Classification	Financial institution	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010	Reason for restriction
Cash and cash equivalents:					
Reserve deposits in local currency	The BOK	₩ 1,135,689	₩ 886,281	₩ 361,165	The Bank of Korea Act
Monetary stabilization deposits	The BOK	-	30,000	-	The Bank of Korea Act
Reserve deposits in foreign currencies	The BOK	17,301	12,932	16,672	The Bank of Korea Act
		1,152,990	929,213	377,837	
Due from banks:					
Time deposits	Calyon Bank	-	-	157,300	Collateral for borrowings in foreign currencies
Time deposits	Kyngnam Bank and others	-	500	1,100	Remuneration for loss from the settlement in the clearing house
Due from banks in local currency	The KRX and others	13,051	85,032	173,432	Consignment transaction deposits
Due from banks in foreign currencies	Futures Commission				
	Merchant and others	122	2,641	9,744	Margin for derivative transaction and others
		13,173	88,173	341,576	
		₩ 1,166,163	₩ 1,017,386	₩ 719,413	

8. INVESTMENT FINANCIAL ASSETS:

(1) Investment financial assets as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

(Unit : Korean won in millions)

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Financial assets at FVTPL:			
Financial assets held for trading:			
Equity securities	₩ -	₩ 181,669	₩ 201,324
Government and public bonds	-	1,000	489
Finance bonds	49,923	47,767	92,024
Corporate bonds in Korean won	-	2,584	-
Corporate bonds in foreign currencies	-	11,511	-
Beneficiary certificates	8,618	8,071	18,229
	58,541	252,602	312,066
Financial assets designated at FVTPL:			
Financial assets designated at FVTPL in foreign currencies	-	19,833	29,907
	58,541	272,435	341,973
AFS financial assets:			
Equity securities	307,356	340,261	295,746
Government and public bonds	154,317	257,122	210,768
Finance bonds	591,880	432,332	220,617
Corporate bonds in local currency	1,303,325	913,658	1,011,228
Corporate bonds in foreign currencies	53,137	29,283	46,532
Beneficiary certificates	350,405	190,000	163,364
Collective fund for default loss	-	1,826	2,061
Certificates of deposit	-	-	163,331
	2,760,420	2,164,482	2,113,647
HTM financial assets:			
Government and public bonds	1,551,881	898,410	667,445
Finance bonds	321,223	730,841	1,572,587
Corporate bonds in local currency	2,318,276	2,093,649	1,233,771
Commercial paper	-	14,061	1,973
	4,191,380	3,736,961	3,475,776
	₩ 7,010,341	₩ 6,173,878	₩ 5,931,396

(2) The equity securities of financial assets at FVTPL (stocks and equity investments) as of December 31, 2010 and January 1, 2010, consisted of the following:

Dec. 31, 2010 (Unit : Korean won in millions)

Company	Shares	Acquisition cost	Fair value	Book value
KIA Motors Corporation	79,509	₩ 3,798	₩ 4,023	₩ 4,023
Samsung C&T Corporation	8,916	617	703	703
Samsung Electronics Co., Ltd.	13,273	11,036	12,595	12,595
Honam Petrochemical Co., Ltd.	10,541	2,690	2,837	2,837
NC Soft Co., Ltd.	2,664	570	555	555
STX Offshore & Shipbuilding Co., Ltd.	21,500	547	538	538
Hynix Semiconductor Inc.	151,300	3,608	3,630	3,630
Samsung Fire & Marine Insurance Co., Ltd.	2,229	448	502	502
Cheil Industries Inc.	4,638	480	515	515
Hyundai Mobis Co., Ltd.	1,484	421	422	422
LG Display Co., Ltd.	12,650	480	503	503
LG Fashion Co., Ltd.	20,400	536	640	640
Hyosung Corporation	4,153	439	440	440
Samsung Securities Co., Ltd.	4,727	359	416	416
CJ O Shopping Co., Ltd.	1,734	160	401	401
Others	-	154,296	152,949	152,949
		₩ 180,485	₩ 181,669	₩ 181,669

Jan. 1, 2010 (Unit : Korean won in millions)

Company	Shares	Acquisition cost	Fair value	Book value
KIA Motors Corporation	133,261	₩ 2,527	₩ 2,672	₩ 2,672
Samsung C&T Corporation	50,624	2,594	2,840	2,840
Samsung Electronics Co., Ltd.	30,548	22,920	24,408	24,408
Honam Petrochemical Co., Ltd.	3,657	375	375	375
NC Soft Co., Ltd.	12,598	1,797	1,883	1,883
Hynix Semiconductor Inc.	216,416	4,359	5,010	5,010
Samsung Fire & Marine Insurance Co., Ltd.	5,951	1,211	1,187	1,187
Cheil Industries Inc.	18,737	1,031	1,059	1,059
Hyundai Mobis Co., Ltd.	32,338	5,063	5,530	5,530
LG Display Co., Ltd.	72,262	2,518	2,836	2,836
LG Fashion Co., Ltd.	4,200	126	133	133
Hyosung Corporation	14,114	1,163	1,203	1,203
Samsung Securities Co., Ltd.	4,283	281	271	271
Samsung Fire & Marine Insurance Co., Ltd.	5,951	1,211	1,187	1,187
Samsung Card Co., Ltd.	4,245	218	244	244
Samsung Techwin Co., Ltd.	10,928	1,024	992	992
POSCO	20,378	11,705	12,594	12,594
LG CHEM LTD	20,544	4,537	4,694	4,694
KT Corporation	126,083	4,963	4,930	4,930
Shinhan Financial Group Co., Ltd.	95,547	4,332	4,128	4,128
Hyundai Motors Corporation	64,084	6,896	7,754	7,754
Hyundai Engineering & Construction Co., Ltd.	63,486	4,261	4,501	4,501
LG International Corporation	16,503	458	499	499
Others	-	107,993	110,394	110,394
		₩ 193,563	₩ 201,324	₩ 201,324

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

(3) AFS financial assets as of December 31, 2011, December 31, 2010 and January 1, 2010, consisted of the following.

- a. The equity securities of AFS financial assets (stocks and equity investments) as of December 31, 2011, December 31, 2010 and January 1, 2010, consisted of the following:

Dec. 31, 2011						(Unit : Korean won in millions)	
Company	Shares	Percentage of ownership (%)	Acquisition cost	Fair value	Book value		
Marketable equity securities:							
Hae Duk powerway Co., Ltd.	312,049	3.14	₩ 2,244	₩ 2,025	₩ 2,025		
Kumho Industrial Co., Ltd.	389,797	0.36	2,311	2,842	2,842		
BS Financial Group Inc.	147,739	0.08	1,653	1,632	1,632		
			6,208	6,499	6,499		
Non-marketable equity securities:							
BC Card	44,000	1.00	756	6,673	6,673		
Hi Investment & Securities Co., Ltd.	1,598,962	0.67	3,997	2,873	2,873		
Korea Securities Finance Corp.	5,614	0.01	28	62	62		
Kihyup Technology Co., Ltd.	100,000	1.72	500	511	511		
Korea Money Brokerage Corp.	11,134	0.56	56	433	433		
Dongbu Investment Trust Co., Ltd.	400,000	6.67	2,000	2,550	2,550		
Sejung 21 Co., Ltd.	32,000	0.14	102	50	50		
Korea Housing Guarantee Co., Ltd.	1,167,000	0.18	1,741	5,916	5,916		
Shinhan Infrastructure Portfolio Fund	6,031,519	10.76	27,097	27,649	27,649		
Korea BTL Fund I	8,350,962	13.89	83,665	86,062	86,062		
Taeyoung Grain Terminal Co., Ltd.	541,280	5.00	2,706	2,695	2,695		
Eulsukdo Bridge Co., Ltd.	2,367,000	11.25	11,835	13,007	13,007		
Korinox Co., Ltd.	285,700	3.58	1,000	669	669		
Finebesteel Co., Ltd.	250,000	6.49	5,000	6,716	6,716		
Dongbang Steel Co., Ltd.	126,880	14.33	769	2,129	2,129		
Daeho GM Co., Ltd.	28,659	14.33	1,231	1,385	1,385		
Korea Enterprise Data Co., Ltd.	200,000	1.29	1,000	989	989		
Renaissance Private Equity I, L.P.	4,091,199,426	6.64	4,091	2,217	2,217		
Miraeasset Private Security Fund 3	3,978,012	8.18	4,784	9,865	9,865		
KTB 2007 Private Equity Fund	17,510,709,555	4.35	17,511	15,833	15,833		
Air Busan Co., Ltd.	299,000	2.99	1,495	1,558	1,558		
Daegu South Circulation Road Corporation	642,462	7.94	3,212	3,338	3,338		
NV Private Equity Fund 1	8,852	4.64	8,852	7,736	7,736		
Mybi Co., Ltd.	420,000	7.61	2,100	4,638	4,638		
Balhae Infrastructure Fund	1,633,347	1.68	16,746	16,779	16,779		
Lotte Capital Co., Ltd.	2,464,000	7.40	21,126	28,977	28,977		
Egloan Co., Ltd. (*1)	8,000	6.24	200	200	200		
Green Busan Investments	200,000	7.41	1,000	884	884		
Korea Infrastructure Fund II	1,605,088	1.33	6,219	6,733	6,733		
Consumer Credit Assistant Fund Co., Ltd. (preferred stock) (*1)	4,700	2.02	14,100	14,100	14,100		
Kyongju SMC Co., Ltd. (*1)	297,528	13.62	1,488	1,488	1,488		
Miraeasset Private Security Fund 4 (*1)	1,674,736	2.65	8,374	8,374	8,374		
L city PFV Co., Ltd. (*1)	360,000	6.00	1,800	1,800	1,800		
Busan Finance Center PFV Co., Ltd. (*1)	816,000	8.50	4,080	4,080	4,080		
Ulsan Green Co., Ltd. (*1)	346,476	9.75	1,732	1,732	1,732		
Others (*1)			1,991	1,979	1,979		
			264,384	292,680	292,680		
Equity investments:							
Korea Asset Management Corporation (*1)	292,000	0.17	1,460	1,460	1,460		
Non-Performing Asset Management Fund (*1)	2,491,784,000	2.10	2,492	2,492	2,492		
KTB Mezzanine Fund	2,676,571,429	14.29	2,677	2,265	2,265		
ACTI Cultural Contents Financial Cooperative (*1)	100	6.67	1,000	1,000	1,000		
BK Economic Region Investment Combination (*1)	5	4.85	500	500	500		
Korea Finance Corporation-Busan Kyongnam Investment Combination (*1)	46	4.65	460	460	460		
			8,589	8,177	8,177		
			₩ 279,181	₩ 307,356	₩ 307,356		

Dec. 31, 2010

(Unit : Korean won in millions)

Company	Shares	Percentage of ownership (%)	Acquisition cost	Fair value	Book value
Marketable equity securities:					
Hae Duk powerway Co., Ltd.	312,049	3.14	₩ 2,244	₩ 2,868	₩ 2,868
Kumho Industrial Co., Ltd.	389,797	0.36	6,387	4,995	4,995
			8,631	7,863	7,863
Non-marketable equity securities:					
BC Card	177,120	4.03	3,042	17,197	17,197
Hi Investment & Securities Co., Ltd.	1,598,962	0.67	3,997	3,078	3,078
Korea Securities Finance Corp.	5,614	0.01	28	55	55
Kihyup Technology Co., Ltd.	100,000	1.72	500	507	507
Korea Money Brokerage Corp.	11,134	0.56	56	323	323
Dongbu Investment Trust Co., Ltd.	400,000	6.67	2,000	2,593	2,593
Saejung 21 Co., Ltd.	32,000	0.14	102	49	49
Korea Housing Guarantee Co., Ltd.	1,167,000	0.18	1,741	5,359	5,359
Shinhan Infrastructure Portfolio Fund	5,786,729	10.76	26,524	27,096	27,096
Korea BTL Fund I	7,052,640	13.89	72,417	74,276	74,276
Eulsukdo Bridge Co., Ltd.	2,367,000	11.25	11,835	13,726	13,726
Korinox Co., Ltd.	285,700	3.58	1,000	645	645
Finebesteel Co., Ltd.	250,000	6.49	5,000	5,949	5,949
Dongbang Steel Co., Ltd.	330,115	14.33	2,000	2,096	2,096
Korea Enterprise Data Co., Ltd.	200,000	1.29	1,000	931	931
Miraeasset Private Security Fund 3	9,590,000	8.18	47,950	38,314	38,314
KTB 2007 Private Equity Fund	18,268,653,038	4.35	18,269	18,099	18,099
Air Busan Co., Ltd.	299,000	2.99	1,495	1,407	1,407
Daegu South Circulation Road Corporation	459,332	6.84	2,297	2,402	2,402
NV Private Equity Fund	5,576	4.64	5,576	4,970	4,970
Mybi Co., Ltd.	420,000	7.61	2,100	4,373	4,373
Balhae Infrastructure Fund	1,518,169	1.68	15,538	16,034	16,034
Lotte Capital Co., Ltd.	2,464,000	7.40	21,126	24,906	24,906
Green Busan Investments	200,000	7.41	1,000	1,002	1,002
Korea Infrastructure Fund II	1,387,711	1.33	5,710	6,120	6,120
Miraeasset Private Equity Fund 4 (*1)	1,674,736	2.65	8,374	8,374	8,374
Renaissance Private Equity I, L.P. (*1)	4,091,199,426	6.64	4,091	4,091	4,091
Treple Square PFV Co., Ltd. (*1)	360,000	6.00	1,800	1,800	1,800
Busan Finance Center PFV Co., Ltd. (*1)	816,000	8.50	4,080	4,080	4,080
Kyeongju SMC Co., Ltd. (*1)	297,528	13.62	1,488	1,488	1,488
Pyeongtaek Port Grain Pier (*1)	541,280	5.00	2,706	2,706	2,706
Credit Recovery Fund (preferred stock) (*1)	4,700	2.02	14,100	14,100	14,100
Woolsan Green. Co., Ltd. (*1)	303,147	9.10	1,516	1,516	1,516
KRX	80,498	0.40	3,000	11,264	11,264
Other (*1)			5,382	1,676	1,676
			298,840	322,602	322,602
Equity investments:					
Korea Asset Management Corporation (*1)	292,000	0.17	1,460	1,460	1,460
Non-Performing Asset Management Fund (*1)	4,263,685,000	2.10	4,264	4,264	4,264
KTB Mezzanine Fund	2,676,571,429	14.29	2,677	2,372	2,372
ACTI Cultural Contents Financial Cooperative (*1)	100	6.67	1,000	1,000	1,000
BK Economic Region Investment Combination (*1)	5	4.85	500	500	500
Korea Finance Corporation-Busan Kyongnam Investment Combination (*1)	20	4.69	200	200	200
			10,101	9,796	9,796
			₩ 314,572	₩ 340,261	₩ 340,261

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And For The Years Ended December 31, 2011 And 2010

Jan. 1, 2010

(Unit : Korean won in millions)

Company	Shares	Percentage of ownership (%)	Acquisition cost	Fair value	Book value
Marketable equity securities:					
Hae Duk powerway Co., Ltd.	255,778	3.14	₩ 2,247	₩ 2,241	₩ 2,241
Non-marketable equity securities:					
GreenCross Life Insurance Co., Ltd (convertible preferred stock)	356,130	1.72	3,454	4,099	4,099
GreenCross Life Insurance Co., Ltd.	159,330	0.77	1,546	1,956	1,956
BC Card	177,120	4.03	3,042	14,441	14,441
Hi Investment & Securities Co., Ltd.	1,598,962	0.67	3,997	3,118	3,118
Korea Securities Finance Corp.	5,614	0.01	28	47	47
Kihyup Technology Co., Ltd.	100,000	1.72	500	525	525
Korea Money Brokerage Corp.	11,134	0.56	56	239	239
Dongbu Investment Trust Co., Ltd.	400,000	6.67	2,000	2,640	2,640
Saejung 21 Co., Ltd.	32,000	0.14	102	46	46
Korea Housing Guarantee Co., Ltd.	1,167,000	0.18	1,741	5,344	5,344
Shinhan Infrastructure Portfolio Fund	5,344,951	10.79	25,102	26,166	26,166
Korea BTL Fund I	5,472,627	13.89	56,792	58,089	58,089
Myoungji Bridge Co. Ltd.,	2,367,000	11.25	11,835	13,326	13,326
Korinox Co., Ltd	285,700	3.58	1,000	669	669
Korea Enterprise Data Co., Ltd.	200,000	1.29	1,000	785	785
KTB 2007 Private Equity Fund	14,608,653,038	4.35	14,609	14,318	14,318
Air Busan Co. Ltd	299,000	2.99	1,495	1,177	1,177
Daegu South Circulation Road Corporation	459,332	6.84	2,297	2,364	2,364
Eugene Asset Private Equity Fund 2	1,680	4.64	1,680	1,005	1,005
Mybi Co. Ltd	420,000	7.61	2,100	4,190	4,190
Balhae Infrastructure Fund	1,447,157	1.68	14,795	15,280	15,280
Lotte Capital Co., Ltd.	2,464,000	7.40	21,126	22,836	22,836
Green Busan Investment	200,000	11.11	1,000	1,019	1,019
Korea Infrastructure Fund II	1,135,507	1.33	4,791	4,674	4,674
Consumer Credit Assistant Fund Co., Ltd. (preferred stock) (*1)	4,700	2.04	14,100	14,100	14,100
Kyeongju SMC Co., Ltd. (*1)	212,520	10.00	1,063	1,063	1,063
Miraeasset Private Equity Fund 3 (*1)	9,590,000	8.18	47,950	32,844	32,844
Miraeasset Private Equity Fund 4 (*1)	1,993,307	2.71	9,967	9,967	9,967
Treple Square PFV Co., Ltd. (*1)	360,000	6.00	1,800	1,800	1,800
Busan Finance Center PFV Co., Ltd.	340,000	8.50	1,700	1,700	1,700
Pyeongtaek Port Grain Pier (*1)	301,000	2.95	1,505	1,505	1,505
Renaissance Private Equity I, L.P. (*1)	800	6.64	8,000	8,000	8,000
Woolsan Green Co., Ltd. (*1)	90,987	4.06	455	455	455
KRX	80,498	0.40	3,000	9,957	9,957
Other (*1)			4,648	1,705	1,705
			270,276	281,449	281,449
Equity investments:					
Korea Asset Management Corporation (*1)	292,000	0.17	1,460	1,460	1,460
Non-Performing Asset Management Fund (*1)	6,744,349,000	2.10	6,744	6,744	6,744
KTB Mezzanine Fund	2,460,571,429	14.29	2,461	2,352	2,352
ACTI Cultural Contents Financial Cooperative (*1)	100	6.67	1,000	1,000	1,000
BK Economic Region Investment Combination (*1)	5	4.85	500	500	500
			12,165	12,056	12,056
			₩ 284,688	₩ 295,746	₩ 295,746

(*1) These AFS non-marketable equity securities are recorded at acquisition costs since they are not reliably measured due to the fact that they have neither published quotations in active markets nor do have similar companies in terms of cash flows from operating activities, business, size and so forth.

b. The securities of AFS financial assets (debt securities) as of December 31, 2011, December 31, 2010 and January 1, 2010, consisted of the following:

Dec. 31, 2011 (Unit : Korean won in millions)

Classification	Par value	Acquisition cost	Amortized cost	Fair value	Book value
Government and public bonds	₩ 155,650	₩ 150,666	₩ 153,399	₩ 154,317	₩ 154,317
Finance bonds	590,000	591,350	590,856	591,880	591,880
Corporate bonds in local currency	1,292,705	1,298,474	1,295,396	1,303,325	1,303,325
Corporate bonds in foreign currencies	-	-	-	53,137	53,137
	₩ 2,038,355	₩ 2,040,490	₩ 2,039,651	₩ 2,102,659	₩ 2,102,659

Dec. 31, 2010 (Unit : Korean won in millions)

Classification	Par value	Acquisition cost	Amortized cost	Fair value	Book value
Government and public bonds	₩ 255,650	₩ 254,735	₩ 254,839	₩ 257,122	₩ 257,122
Finance bonds	430,000	430,145	430,467	432,332	432,332
Corporate bonds in local currency	900,000	906,867	904,971	913,658	913,658
Corporate bonds in foreign currencies	-	-	-	29,283	29,283
	₩ 1,585,650	₩ 1,591,747	₩ 1,590,277	₩ 1,632,395	₩ 1,632,395

Jan. 1, 2010 (Unit : Korean won in millions)

Classification	Par value	Acquisition cost	Amortized cost	Fair value	Book value
Government and public bonds	₩ 210,000	210,728	210,637	210,768	210,768
Finance bonds	220,000	220,204	219,724	220,617	220,617
Corporate bonds in local currency	1,010,000	1,015,692	1,008,705	1,011,228	1,011,228
Corporate bonds in foreign currencies	46,704	46,704	44,368	46,532	46,532
Negotiable certificates of deposits	165,814	162,716	-	163,330	163,330
	1,652,518	1,656,044	1,483,434	1,652,475	1,652,475

c. The securities of AFS financial assets (beneficiary certificates) as of December 31, 2011, December 31, 2010 and January 1, 2010, consisted of the following:

Dec. 31, 2011 (Unit : Korean won in millions)

Classification	Par value	Acquisition cost	Fair value	Book value
Beneficiary certificates	₩ 344,585	₩ 358,747	₩ 350,405	₩ 350,405

Dec. 31, 2010 (Unit : Korean won in millions)

Classification	Par value	Acquisition cost	Fair value	Book value
Beneficiary certificates	₩ 175,494	₩ 181,016	₩ 190,000	₩ 190,000

Jan. 1, 2010 (Unit : Korean won in millions)

Classification	Par value	Acquisition cost	Fair value	Book value
Beneficiary certificates	₩ 155,394	₩ 159,045	₩ 163,364	₩ 163,364

(4) The HTM Financial assets by type as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows :

Dec. 31, 2011 (Unit : Korean won in millions)

Classification	Par value	Acquisition cost	Amortized cost	Book value
Government and public bonds	₩ 1,628,245	₩ 1,521,967	₩ 1,551,881	₩ 1,551,881
Finance bonds	320,000	321,321	321,223	321,223
Corporate bonds in local currency	2,316,386	2,315,433	2,318,276	2,318,276
	₩ 4,264,631	₩ 4,158,721	₩ 4,191,380	₩ 4,191,380

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And For The Years Ended December 31, 2011 And 2010

Dec. 31, 2010

(Unit : Korean won in millions)

Classification	Par value	Acquisition cost	Amortized cost	Book value
Government and public bonds	₩ 933,243	₩ 884,728	₩ 898,410	₩ 898,410
Finance bonds	730,000	731,698	730,841	730,841
Corporate bonds in local currency	2,092,920	2,091,213	2,093,649	2,093,649
Commercial paper	-	-	14,061	14,061
	₩ 3,756,163	₩ 3,707,639	₩ 3,736,961	₩ 3,736,961

Jan. 1, 2010

(Unit : Korean won in millions)

Classification	Par value	Acquisition cost	Amortized cost	Book value
Government and public bonds	₩ 685,884	₩ 656,330	₩ 667,445	₩ 667,445
Finance bonds	1,570,000	1,569,882	1,572,587	1,572,587
Corporate bonds in local currency	1,232,157	1,230,283	1,233,771	1,233,771
Commercial paper	-	-	1,973	1,973
	₩ 3,488,041	₩ 3,456,495	₩ 3,475,776	₩ 3,475,776

(5) The investment financial assets by type as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

Dec. 31, 2011

(Unit : Korean won in millions)

Classification	Local currency	Foreign currencies	Total	Rate (%)
Financial assets at FVTPL:				
Floating-rate bonds	₩ 49,923	₩ -	₩ 49,923	85.28
Beneficiary certificates	8,618	-	8,618	14.72
	58,541	-	58,541	100.00
AFS financial assets:				
Equity securities	307,356	-	307,356	11.13
Fixed-rate bonds	1,898,319	18,339	1,916,658	69.43
Floating-rate bonds	151,203	34,798	186,001	6.74
Beneficiary certificates	350,405	-	350,405	12.70
	2,707,283	53,137	2,760,420	100.00
HTM financial assets:				
Fixed-rate bonds	4,091,380	-	4,091,380	97.61
Floating-rate bonds	100,000	-	100,000	2.39
	4,191,380	-	4,191,380	100.00
	₩ 6,957,204	₩ 53,137	₩ 7,010,341	

Dec. 31, 2010

(Unit : Korean won in millions)

Classification	Local currency	Foreign currencies	Total	Rate (%)
Financial assets at FVTPL:				
Floating-rate bonds	₩ 181,669	₩ -	₩ 181,669	66.68
Fixed-rate bonds	51,351	11,511	62,862	23.07
Floating-rate bonds	-	19,833	19,833	7.28
Beneficiary certificates	8,071	-	8,071	2.97
	241,091	31,344	272,435	100.00
AFS financial assets:				
Equity securities	340,261	-	340,261	15.72
Fixed-rate bonds	1,482,198	17,894	1,500,092	69.30
Floating-rate bonds	120,914	11,389	132,303	6.11
Collective fund for default loss	1,826	-	1,826	0.08
Beneficiary certificates	190,000	-	190,000	8.79
	2,135,199	29,283	2,164,482	100.00
HTM financial assets:				
Fixed-rate bonds	3,622,900	-	3,622,900	96.94
Floating-rate bonds	100,000	-	100,000	2.68
Commercial paper	14,061	-	14,061	0.38
	3,736,961	-	3,736,961	100.00
	₩ 6,113,251	₩ 60,627	₩ 6,173,878	

Jan. 1, 2010 (Unit : Korean won in millions)

Classification	Local currency	Foreign currencies	Total	Rate (%)
Financial assets at FVTPL:				
Floating-rate bonds	₩ 201,324	₩ -	₩ 201,324	58.87
Fixed-rate bonds	92,513	-	92,513	27.05
Floating-rate bonds	-	29,907	29,907	8.75
Beneficiary certificates	18,229	-	18,229	5.33
	312,066	29,907	341,973	100.00
AFS financial assets:				
Equity securities	295,746	-	295,746	13.99
Fixed-rate bonds	1,342,650	11,816	1,354,466	64.08
Floating-rate bonds	99,963	34,716	134,679	6.37
Beneficiary certificates	163,364	-	163,364	7.73
Collective fund for default loss	2,061	-	2,061	0.10
Negotiable certificate of deposit	163,331	-	163,331	7.73
	2,067,115	46,532	2,113,647	100.00
HTM financial assets:				
Fixed-rate bonds	3,399,497	-	3,399,497	97.81
Floating-rate bonds	74,306	-	74,306	2.13
Commercial paper	1,973	-	1,973	0.06
	3,475,776	-	3,475,776	100.00
	₩ 5,854,957	₩ 76,439	₩ 5,931,396	

(6) The impairment loss and the reversal of impairment loss on investment financial assets recognized for the years ended December 31, 2011 and 2010, are as follows:

(Unit : Korean won in millions)

Classification	2011		2010	
	Impairment	Recovery	Impairment	Recovery
AFS financial assets:				
Equity securities	₩ 1,988	₩ 360	₩ 2,167	₩ -

(7) The investment financial assets provided as collateral as of December 31, 2011, December 31, 2010 and January 1, 2010, consisted of the following:

(Unit: Korean won in millions)

Provided to	Collateral	Face value			Reason
		Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010	
Korea Securities Depository	Finance bond and others	₩ 890,000	₩ 610,000	₩ 960,000	Sold under repurchase agreements
Korea Securities Depository	Government and public bonds	-	60,000	-	Lending transaction
Korea Securities Finance Corp.	Government and public bonds	40,000	-	-	Lending transaction
The BOK	Government and public bonds	250,000	240,000	190,000	Overdraft and settlement
The BOK	Government and public bonds	510,000	510,000	470,000	Borrowing collateral
BS Securities Co., Ltd.	Government and public bonds	2,000	6,000	-	Futures settlement
Societe General Bank	Finance bond and others	10,000	20,000	30,000	Settlement
Singapore Development Bank	Monetary stabilization bonds	10,000	-	-	Derivatives transaction
Sumitomo Bank	Government and public bonds	110,000	90,000	90,000	Foreign currency funding
KEB Futures and others	Government and public bonds	11,000	-	-	Margin for futures
Deutsche Bank	Finance bond and others	-	-	230,000	Foreign currency funding and substitute securities
Chinese Construction Bank Corporation	Finance bond and others	-	-	50,000	Borrowing in foreign currencies
		₩ 1,833,000	₩ 1,536,000	₩ 2,020,000	

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

9. LOANS AND RECEIVABLES:

(1) Loans and receivables as of December 31, 2011, December 31, 2010 and January 1, 2010, consisted of the following:

(Unit : Korean won in millions)

Classification	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Loans:			
Loans in local currency	₩ 22,866,463	₩ 19,994,192	₩ 17,845,165
Loans in foreign currencies	1,044,301	1,122,329	1,116,101
Domestic import usance bill	582,701	408,518	263,735
Call loans	310,472	82,917	122,993
Bills bought in local currency	4,101	5,005	6,897
Bills bought in foreign currencies	261,427	199,561	221,842
Advances for customers	10,471	13,790	30,528
Credit card accounts	383,200	411,263	358,926
Bonds purchased under resale agreement	-	70,000	453,700
Privately placed bonds	111,261	114,591	119,021
Finance lease receivables	-	49,413	-
Installment financing receivables	-	3,681	-
	25,574,397	22,475,260	20,538,908
Allowance for possible loan losses	(307,789)	(284,962)	(264,609)
Deferred loan origination fees and costs, net	733	3,028	(3,259)
	25,267,341	22,193,326	20,271,040
Receivables:			
Suspense payments	1,986	792	1,198
Accounts receivable [see Note 33 (7)]	2,116,877	3,569,603	2,402,408
Domestic exchange settlement debits	127,806	21,381	28,199
Guarantee deposits paid	153,266	139,986	145,206
Accrued income	206,567	147,215	134,575
Deposited money	217	82	488
Cash sent to other banks	-	-	100
Bills unsettled	681	587	176
	2,607,400	3,879,646	2,712,350
Allowance for possible loan losses	(8,723)	(9,241)	(10,866)
Present value discounts (leasehold deposits)	(8,853)	(8,434)	(10,815)
	2,589,824	3,861,971	2,690,669
	₩ 27,857,165	₩ 26,055,297	₩ 22,961,709

(2) Loans in local currency and loans in foreign currencies as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

(Unit : Korean won in millions)

Classification		Interest rate (%)	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Loans in local currency:					
Corporates	Working capital loans:				
	Notes discounted	4.19 ~ 14.94	₩ 414,113	₩ 447,896	₩ 385,261
	Overdraft accounts	3.61 ~ 14.75	134,800	146,025	131,371
	General purpose loans	6.28 ~ 12.99	8,870,604	7,629,857	7,112,093
	Trading notes	5.87 ~ 7.77	350,907	337,728	271,065
	Commercial loans	4.80 ~ 10.83	496,113	458,496	439,310
	Others	1.50 ~ 10.86	820,909	671,804	465,470
			11,087,446	9,691,806	8,804,570
	Facilities loans:				
	General purpose loans	3.98 ~ 12.43	3,922,747	3,586,432	3,360,226
	Others	1.50 ~ 6.95	1,417,838	1,149,989	986,360
			5,340,585	4,736,421	4,346,586
			16,428,031	14,428,227	13,151,156
Households	General purpose loans	4.90 ~ 16.11	5,505,509	4,721,044	4,063,964
	Housing loans	5.27 ~ 8.95	33,886	20,557	28,141
	Others	3.45 ~ 10.43	1,646	1,513	1,161
			5,541,041	4,743,114	4,093,266
Public sector	Working capital loans	5.75	173,892	191,661	169,999
	Facilities loans	5.00 ~ 8.62	384,850	303,860	131,075
			558,742	495,521	301,074
Others	Inter-bank loans	3.60 ~ 4.60	338,649	327,330	299,669
	Total		₩ 22,866,463	₩ 19,994,192	₩ 17,845,165
Loans in foreign currencies:					
	Loans in foreign currencies	1.47 ~ 7.08	₩ 1,044,301	₩ 1,122,329	₩ 1,116,101

(3) The changes in deferred loan origination fees and costs for the year ended December 31, 2011, are as follows:

(Unit : Korean won in millions)

	Beginning balance	Increase	Decrease	Ending balance
Deferred loan origination fees	₩ (8,337)	₩ (18,202)	₩ 11,806	₩ (14,733)
Deferred loan origination costs	11,365	13,895	(9,794)	15,466
	₩ 3,028	₩ (4,307)	₩ 2,012	₩ 733

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And For The Years Ended December 31, 2011 And 2010

10. ALLOWANCE FOR POSSIBLE LOAN LOSSES:

(1) The changes in allowance for possible loan losses for the years ended December 31, 2011 and 2010, is as follows:

(Unit : Korean won in millions)

Classification	Loans in local currency	Loans in foreign currencies	Credit card	Others	Total
Beginning balance	₩ 238,718	₩ 24,257	₩ 6,905	₩ 24,323	₩ 294,203
Loans written off	(83,743)	(18,124)	(8,409)	(2,401)	(112,677)
Loan sales	(21,660)	(490)	(93)	(1,153)	(23,396)
Collection of previously written off loans	33,690	1,510	6,147	1,408	42,755
Changes in exchange rates	-	785	-	4	789
Other	(4,448)	(12)	(1)	(387)	(4,848)
	162,557	7,926	4,549	21,794	196,826
Provision of allowance for possible loan losses	90,767	24,370	3,173	1,376	119,686
Ending balance	₩ 253,324	₩ 32,296	₩ 7,722	₩ 23,170	₩ 316,512

(Unit : Korean won in millions)

Classification	Loans in local currency	Loans in foreign currencies	Credit card	Others	Total
Beginning balance	₩ 216,686	₩ 22,752	₩ 6,760	₩ 29,277	₩ 275,475
Loans written off	(98,773)	(9,128)	(8,254)	(11,723)	(127,878)
Loan sales	(12,797)	(512)	(148)	(36)	(13,493)
Collection of previously written off loans	18,682	-	6,614	-	25,296
Changes in exchange rates	-	946	-	7	953
Other	(3,218)	39	(10)	1,000	(2,189)
	120,580	14,097	4,962	18,525	158,164
Provision of allowance for possible loan losses	118,138	10,160	1,943	5,798	136,039
Ending balance	₩ 238,718	₩ 24,257	₩ 6,905	₩ 24,323	₩ 294,203

(2) The percentage of allowance for possible loan losses to loans and receivables as of December 31, 2011, December 31, 2010 and January 1, 2010, is as follows:

(Unit : Korean won in millions)

Classifications	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Loans and receivables	₩ 28,181,797	₩ 26,354,906	₩ 23,251,258
Allowance for possible loan losses	316,512	294,203	275,475
Percentage of allowance (%)	1.12	1.12	1.18

11. DERIVATIVES INSTRUMENTS:

(1) The notional amounts outstanding for derivative contracts as December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

Dec. 31, 2011		(Unit : Korean won in millions)			
Type		Trading		Hedge	Total
Currency:					
Currency forwards (*1)	₩	5,159,064	₩	-	₩ 5,159,064
Currency swaps		261,049		-	261,049
Currency futures (*2)		50,521		-	50,521
		5,470,634		-	5,470,634
Interest rate:					
Interest rate swaps (*1)		59,533		743,268	802,801
Stock:					
Stock options purchased		98,237		-	98,237
Stock options sold		96,961		-	96,961
		195,198		-	195,198
	₩	5,725,365	₩	743,268	₩ 6,468,633

Dec. 31, 2010		(Unit : Korean won in millions)			
Type		Trading		Hedge	Total
Currency:					
Currency forwards (*1)	₩	3,221,695	₩	-	₩ 3,221,695
Currency swaps		257,790		-	257,790
		3,479,485		-	3,479,485
Interest rate:					
Interest rate swaps (*1)		115,478		743,200	858,678
Stock:					
Stock options purchased		118,803		-	118,803
Stock options sold		121,217		-	121,217
Stock swaps purchased		2,711		-	2,711
		242,731		-	242,731
	₩	3,837,694	₩	743,200	₩ 4,580,894

Jan. 1, 2010		(Unit : Korean won in millions)			
Type		Trading		Hedge	Total
Currency:					
Currency forwards (*1)	₩	3,076,549	₩	-	₩ 3,076,549
Currency swaps		532,834		-	532,834
Currency futures (*2)		-		-	-
Currency options purchased		75,244		-	75,244
Currency options sold		75,234		-	75,234
		3,759,861		-	3,759,861
Interest rate:					
Interest rate swaps (*1)		172,810		650,420	823,230
Stock:					
Stock options purchased		50,686		-	50,686
Stock options sold		57,510		-	57,510
Stock swaps purchased		6,952		-	6,952
		115,148		-	115,148
	₩	4,047,819	₩	650,420	₩ 4,698,239

(*1) 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) Daily settlement of futures transactions is reflected in due from banks.

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

(2) The valuation of derivatives for trading as of December 31, 2011 and 2010, is as follows:

Dec. 31, 2011		(Unit : Korean won in millions)			
Type	Gain	Loss	Assets	Liabilities	
Currency:					
Currency forwards	₩ 106,518	₩ 54,100	₩ 106,522	₩ 54,102	
Currency swaps	1,536	1,695	23,102	24,842	
	108,054	55,795	129,624	78,944	
Interest rate:					
Interest rate swaps	542	1,108	255	2,257	
Stock:					
Stock options purchased	28	2,168	1,340	1,336	
Stock options sold	2,128	28	-	-	
Deferred gain on valuation of derivatives	344	345	(86)	(87)	
	2,500	2,541	1,254	1,249	
	₩ 111,096	₩ 59,444	₩ 131,133	₩ 82,450	

Dec. 31, 2010		(Unit : Korean won in millions)			
Type	Gain	Loss	Assets	Liabilities	
Currency:					
Currency forwards	₩ 64,292	₩ 24,991	₩ 64,314	₩ 24,947	
Currency swaps	6,280	6,491	22,725	24,306	
	70,572	31,482	87,039	49,253	
Interest rate:					
Interest rate swaps	1,512	2,396	1,151	2,830	
Stock:					
Stock options purchased	3,184	99	7,276	-	
Stock options sold	99	3,348	-	7,721	
Stock swaps	294	-	439	-	
Deferred gain on valuation of derivatives	192	204	(237)	(248)	
	3,769	3,651	7,478	7,473	
	₩ 75,853	₩ 37,529	₩ 95,668	₩ 59,556	

(3) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Hedge accounting is discontinued when the Bank revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

The interest rate swap, the currency swap, the currency forwards and others offset changes in the fair value of the hedged items resulting from the fluctuation in interest and exchange rate. Hedged items for fair value hedge accounting purpose are subordinated bonds in Korean won, structured bonds and finance debentures issued in foreign currency.

1) The valuation of derivative designated as a hedging instrument as of December 31, 2011 and 2010, is as follows:

Dec. 31, 2011		(Unit : Korean won in millions)			
Type	Gain	Loss	Assets	Liabilities	
Interest rate:					
Interest rate swaps	₩ 1,483	₩ 21,341	₩ 17,943	₩ 378	

Dec. 31, 2010

(Unit : Korean won in millions)

Type	Gain	Loss	Assets	Liabilities
Interest rate:				
Interest rate swaps	₩ 57	₩ 5,883	₩ 36,319	₩ 153

2) Gain (loss) on valuation of hedged items and hedging instrument for the years ended December 31, 2011 and 2010, is as follows:

(Unit : Korean won in millions)

Type	2011	2010
Loss on valuation of hedging instrument	₩ (19,858)	₩ (5,826)
Gain on valuation of hedged items	₩ 20,403	₩ 6,061
	₩ 545	₩ 235

12. TANGIBLE ASSETS AND INVESTMENT ASSETS:

(1) Tangible assets as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

Dec. 31, 2011

(Unit : Korean won in millions)

Account	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value
Land	₩ 149,280	₩ -	₩ -	₩ 149,280
Buildings	131,171	24,959	-	106,212
Leasehold improvements	47,240	34,132	-	13,108
Equipment and vehicles	268,069	227,820	-	40,249
Construction in progress	96,183	-	-	96,183
	₩ 691,943	₩ 286,911	₩ -	₩ 405,032

Dec. 31, 2010

(Unit : Korean won in millions)

Account	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value
Land	₩ 149,754	₩ -	₩ -	₩ 149,754
Buildings	122,302	22,730	-	99,572
Leasehold improvements	43,677	31,191	-	12,486
Equipment and vehicles	260,452	222,700	-	37,752
Construction in progress	48,554	-	-	48,554
	₩ 624,739	₩ 276,621	₩ -	₩ 348,118

Jan. 1, 2010

(Unit : Korean won in millions)

Account	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value
Land	₩ 150,284	₩ -	₩ -	₩ 150,284
Buildings	115,993	20,756	-	95,237
Leasehold improvements	40,726	27,622	-	13,104
Equipment and vehicles	248,226	212,897	1,600	33,729
Construction in progress	26,450	-	-	26,450
	₩ 581,679	₩ 261,275	₩ 1,600	₩ 318,804

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

(2) The changes in book value of tangible assets for the years ended December 31, 2011 and 2010, are as follows:

2011 (Unit: Korean won in millions)

Account	Beginning balance	Acquisition	Disposal	Reclassification (*)	Depreciation	Changes in consolidation scope	Ending balance
Land	₩ 149,754	₩ 282	₩ (17)	₩ (739)	₩ -	₩ -	₩ 149,280
Buildings	99,572	947	-	8,309	(2,616)	-	106,212
Leasehold improvements	12,486	50	(90)	6,586	(4,870)	(1,054)	13,108
Equipment and vehicles	37,752	23,481	(31)	3,332	(22,799)	(1,486)	40,249
Construction in progress	48,554	71,293	(182)	(23,284)	-	(198)	96,183
	₩ 348,118	₩ 96,053	₩ (320)	₩ (5,796)	₩ (30,285)	₩ (2,738)	₩ 405,032

(*) Amounts of ₩3,643 million and ₩2,220 million for the year ended December 31, 2011, are transferred to investment property and intangible assets, respectively. In addition, net increase of allowance for restoration costs amounting to ₩67 million is included.

2010 (Unit: Korean won in millions)

Account	Beginning balance	Acquisition	Disposal	Reclassification (*)	Depreciation	Impairment loss	Ending balance
Land	₩ 150,284	₩ -	₩ -	₩ (530)	₩ -	₩ -	₩ 149,754
Buildings	95,237	278	(810)	7,288	(2,421)	-	99,572
Leasehold improvements	13,104	498	(811)	4,592	(4,897)	-	12,486
Equipment and vehicles	33,729	22,583	(207)	2,858	(21,211)	-	37,752
Construction in progress	26,450	42,548	-	(20,444)	-	-	48,554
	₩ 318,804	₩ 65,907	₩ (1,828)	₩ (6,236)	₩ (28,529)	₩ -	₩ 348,118

(*) Amounts of ₩4,326 million and ₩2,026 million for the year ended December 31, 2010, are transferred to investment property and intangible assets, respectively. In addition, net increase of allowance for restoration costs amounting to ₩116 million is included.

(3) Investment property as of December 31, 2011, December 31, 2010 and January 1, 2010, is as follows:

Dec. 31, 2011 (Unit : Korean won in millions)

Classification	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value
Land	₩ 32,440	₩ -	₩ -	₩ 32,440
Buildings	19,718	4,196	-	15,522
	₩ 52,158	₩ 4,196	₩ -	₩ 47,962

Dec. 31, 2010 (Unit : Korean won in millions)

Classification	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value
Land	₩ 30,466	₩ -	₩ -	₩ 30,466
Buildings	17,663	3,497	-	14,166
	₩ 48,129	₩ 3,497	₩ -	₩ 44,632

Jan. 1, 2010 (Unit : Korean won in millions)

Classification	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value
Land	₩ 28,267	₩ -	₩ -	₩ 28,267
Buildings	15,278	2,893	-	12,385
	₩ 43,545	₩ 2,893	₩ -	₩ 40,652

Fair values of investment properties are ₩54,239 million and ₩48,243 million as of December 31, 2011 and 2010, respectively. Fair values are measured based on the valuation performed by independent professionals. Rent revenues incurred from investment properties are ₩728 million and ₩731 million for the years ended December 31, 2011 and 2010, respectively. Routine maintenance and repairs are not incurred.

(4) The changes in book value of investment property for the years ended December 31, 2011 and 2010, are as follows:

2011 (Unit: Korean won in millions)

Account	Beginning balance	Acquisition	Disposal	Reclassification	Depreciation	Ending balance
Land	₩ 30,466	₩ -	₩ -	₩ 1,974	₩ -	₩ 32,440
Buildings	14,166	-	-	1,669	(313)	15,522
	₩ 44,632	₩ -	₩ -	₩ 3,643	₩ (313)	₩ 47,962

2010 (Unit: Korean won in millions)

Account	Beginning balance	Acquisition	Disposal	Reclassification	Depreciation	Ending balance
Land	₩ 28,267	₩ -	₩ -	₩ 2,199	₩ -	₩ 30,466
Buildings	12,385	-	-	2,127	(346)	14,166
	₩ 40,652	₩ -	₩ -	₩ 4,326	₩ (346)	₩ 44,632

Reclassification as of December 31, 2011 and 2010, is due to change in lease ratio for investment in real estate properties, amounting to ₩3,643 million and ₩4,326 million, respectively.

(5) The published value of land as of December 31, 2011, December 31, 2010 and January 1, 2010, is as follows:

(Unit: Korean won in millions)

Account	Book value			Published value		
	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Land	₩ 149,280	₩ 149,754	₩ 150,284	₩ 117,791	₩ 114,904	₩ 115,634

(6) Tangible assets and investment property, which had been insured as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

Dec. 31, 2011 (Unit: Korean won in millions)

Type of insurance	Insured assets	Book value	Insured amount
Property composite	Buildings	₩ 121,734	₩ 121,734
	Leasehold improvements	13,109	12,722
	Equipment	39,097	39,097
		₩ 173,940	₩ 173,553

Dec. 31, 2010 (Unit: Korean won in millions)

Type of insurance	Insured assets	Book value	Insured amount
Property composite	Buildings	₩ 113,738	₩ 113,738
	Leasehold improvements	12,486	12,047
	Equipment	34,801	34,801
		₩ 161,025	₩ 160,586

Jan. 1, 2010 (Unit: Korean won in millions)

Type of insurance	Insured assets	Book value	Insured amount
Property composite	Buildings	₩ 107,622	₩ 107,622
	Leasehold improvements	13,104	13,104
	Equipment	33,421	33,421
		₩ 154,147	₩ 154,147

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

13. INTANGIBLE ASSETS:

(1) Intangible assets as of December 31, 2011, December 31, 2010 and January 1, 2010, consist of the following:

Dec. 31, 2011 (Unit : Korean won in millions)

Classification	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value
Software	₩ 14,613	₩ 6,880	₩ -	₩ 7,733
Right of using donated asset	655	275	-	380
Others	28,919	16,184	-	12,735
	₩ 44,187	₩ 23,339	₩ -	₩ 20,848

Dec. 31, 2010 (Unit : Korean won in millions)

Classification	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value
Software	₩ 11,619	₩ 6,056	₩ -	₩ 5,563
Right of using donated asset	655	257	-	398
Others	31,339	9,947	-	21,392
	₩ 43,613	₩ 16,260	₩ -	₩ 27,353

Jan. 1, 2010 (Unit : Korean won in millions)

Classification	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value
Software	₩ 10,783	₩ 6,240	₩ -	₩ 4,543
Right of using donated asset	655	239	-	416
Others	7,827	2,102	-	5,725
	₩ 19,265	₩ 8,581	₩ -	₩ 10,684

(2) The changes in intangible assets for the years ended December 31, 2011 and 2010, are as follows:

2011 (Unit : Korean won in millions)

Classification	Beginning balance	Increase (*)	Amortization	Changes in consolidation scope	Ending balance
Software	₩ 5,563	₩ 5,610	₩ (1,812)	₩ (1,628)	₩ 7,733
Right of using donated asset	398	-	(18)	-	380
Others	21,392	551	(7,760)	(1,448)	12,735
	₩ 27,353	₩ 6,161	₩ (9,590)	₩ (3,076)	₩ 20,848

(*) Included ₩2,220 million transferred from construction in progress.

2010 (Unit : Korean won in millions)

Classification	Beginning balance	Increase (*)	Amortization	Ending balance
Software	₩ 4,543	₩ 2,724	₩ (1,704)	₩ 5,563
Right of using donated asset	416	-	(18)	398
Others	5,725	23,432	(7,765)	21,392
	₩ 10,684	₩ 26,156	₩ (9,487)	₩ 27,353

(*) Included ₩2,026 million transferred from construction in progress.

14. OTHER ASSETS:

Other assets as of December 31, 2011, December 31, 2010 and January 1, 2010, consisted of the following:

(Unit : Korean won in millions)

Classification	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Capital lease assets	₩ -	₩ 816	₩ -
Guarantee deposits	831	3,207	839
Articles for consumption	838	608	584
Prepaid expenses	6,480	4,274	5,454
Others	2,053	2,336	2,163
	₩ 10,202	₩ 11,241	₩ 9,040

15. DEPOSITS:

(1) Deposits as of December 31, 2011, December 31, 2010 and January 1, 2010, consisted of the following:

(Unit : Korean won in millions)

Classification	Interest rate (%)	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Deposits in local currency:				
Demand deposits:				
Checking deposits	-	₩ 70,253	₩ 32,030	₩ 37,204
Household checking deposits	0.10	15,290	12,389	11,463
Temporary deposits	0.00 ~ 1.00	462,922	463,159	524,010
Passbook deposits	0.10	1,216,096	1,116,244	1,093,809
Public fund deposits	1.00	186,807	266,779	195,341
National Treasury deposits	0.10	332	246	151
		1,951,700	1,890,847	1,861,978
Term deposits:				
Savings deposits	0.10 ~ 1.40	3,990,848	3,778,179	3,381,186
Corporate savings deposits	0.00 ~ 1.30	3,338,257	3,000,887	2,433,049
Time deposits	1.40 ~ 4.35	13,423,356	10,355,766	6,832,850
Installment savings deposits	1.70 ~ 4.00	1,054,053	1,049,548	944,544
Long-term housing savings deposits	4.00	117,381	134,991	197,951
Long-term savings for households	4.00	1	1	1
Workers' preferential savings deposits	6.20	4	25	82
		21,923,900	18,319,397	13,789,663
Mutual installment deposits	2.70 ~ 3.70	29,591	56,862	69,433
Mutual installment for housing	3.30	9,280	7,610	12,335
		23,914,471	20,274,716	15,733,409
Deposits in foreign currencies:				
Checking deposits	-	4,520	4,276	2,869
Passbook deposits	0.00 ~ 1.05	221,311	179,140	178,513
Deposit at notice	0.00 ~ 1.70	6,037	1,207	23,100
Time deposits	0.08 ~ 6.09	25,521	26,041	83,744
Temporary deposits	-	15	176	181
Installment savings deposits	0.57 ~ 5.68	309	-	-
		257,713	210,840	288,407
Negotiable certificates of deposits	1.70 ~ 2.63	852,005	1,063,047	2,643,469
		₩ 25,024,189	₩ 21,548,603	₩ 18,665,285

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

(2) Deposits with financial institutions as of December 31, 2011, December 31, 2010 and January 1, 2010, were as follows:

(Unit : Korean won in millions)

Account	Financial institutions	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010	
Deposits in local currency	Banks	₩ 325,538	₩ 441,444	₩ 165,769	
	Merchant bank	12,156	9,345	576	
	Federation of savings banks	167,773	22,294	26,251	
	Life insurance	599,093	383,357	445,877	
	Securities company	1,307,162	958,934	478,961	
	Specialized credit finance	153,590	112,983	89,388	
	Investment trust company	65,726	24,247	29,352	
	NACF, NFFC (Local Union)	56,653	85,827	26,617	
	Property insurance	192,839	52,691	65,594	
	Seoul Guarantee Insurance	100	131	238	
	National Credit Union Federation of Korea	23,905	14,698	9,571	
			2,904,535	2,105,951	1,338,194
	Deposits in foreign currencies	Banks	-	-	645
Securities company		-	463	2,948	
Specialized credit finance		-	6,258	40,652	
Property insurance		-	4	23,352	
		-	6,725	67,597	
		₩ 2,904,535	₩ 2,112,676	₩ 1,405,791	

16. BORROWINGS:

(1) Borrowings as of December 31, 2011, December 31, 2010 and January 1, 2010, consisted of the following:

(Unit : Korean won in millions)

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Borrowings in local currency	₩ 2,138,222	₩ 1,783,032	₩ 1,548,517
Borrowings in foreign currencies	1,412,142	1,098,684	1,371,529
Call money	2,228	335,887	94,360
Bonds sold under repurchase agreement	701,435	488,700	744,502
Bills sold	63,432	40,046	30,330
Deferred expenses from borrowings	(1,712)	(354)	(1,878)
	₩ 4,315,747	₩ 3,745,995	₩ 3,787,360

(2) Borrowings in local currency as of December 31, 2011, December 31, 2010 and January 1, 2010, consisted of the following:

(Unit : Korean won in millions)

Lenders	Annual interest rate (%)	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Small Business Corporation	1.57 ~ 3.50	₩ 604,094	₩ 671,919	₩ 698,292
The BOK	1.50	429,289	479,051	412,992
Korea Finance Corporation	4.16 ~ 4.29	813,050	322,040	23,482
Korea Energy Management Corporation	0.00 ~ 1.25	105,875	93,893	87,173
Korea Environment Management Corporation	2.54 ~ 2.90	43,591	44,440	44,326
Busan Metropolitan City	2.87 ~ 4.10	40,310	47,645	39,453
Kyongnam Bank Business Support Unit	2.14 ~ 3.14	11,685	22,884	31,688
Korea Occupational Safety & Health Agency	2.00 ~ 4.00	24,603	24,287	25,250
The Industry Bank of Korea (IBK)	1.44 ~ 3.00	7,131	13,593	20,229
Daegu Bank Gyeongsan Branch	2.20 ~ 3.50	8,710	11,120	13,094
Korea International Trade Association	2.20 ~ 3.50	10,645	10,723	10,020
The Korea Development Bank (KDB)	1.97 ~ 2.47	9,794	8,848	8,439
Korea National Oil Corporation and others	0.00 ~ 4.17	29,445	32,589	134,079
		₩ 2,138,222	₩ 1,783,032	₩ 1,548,517

(3) Borrowings in foreign currencies as of December 31, 2011, December 31, 2010 and January 1, 2010 consisted of the following:

(Unit : Korean won in millions)

Lenders	Annual interest rate (%)	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
SCB TOKYO and others	–	₩ 84,041	₩ 359,978	₩ 362,840
KDB SEOUL and others	0.95 ~ 3.18	793,707	325,397	731,626
BOA and others	LIBOR+1.20 ~ 1.70	530,358	409,322	272,976
KEB Manila and others	1.60	4,036	3,987	4,087
		₩ 1,412,142	₩ 1,098,684	₩ 1,371,529

(4) Call money, bonds sold under repurchase agreements and bills sold as of December 31, 2011, December 31, 2010 and January 1, 2010 consisted of the following:

(Unit : Korean won in millions)

Lenders	Financial institution	Annual interest rate (%)	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Call money	KDB and others	0.15	₩ 2,228	₩ 335,887	₩ 94,360
Bonds sold under repurchase agreements	Individuals and corporations	1.70 ~ 2.70	701,435	488,700	744,502
Bills sold	Individuals and corporations	1.70 ~ 2.63	63,432	40,046	30,330
			₩ 767,095	₩ 864,633	₩ 869,192

(5) Borrowings from financial institutions as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows:

(Unit : Korean won in millions)

Financial institutions	Annual interest rate (%)	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Borrowings in local currency:				
The BOK	1.50	₩ 429,289	₩ 479,051	₩ 412,992
Kyongnam Bank Business Support Unit	2.14 ~ 3.14	11,685	22,884	31,688
Industrial Bank of Korea	1.44 ~ 3.00	7,131	13,593	20,229
Daegu Bank (Gyeongsan)	2.20 ~ 3.50	8,710	11,120	13,094
The KDB	1.97 ~ 2.47	9,794	8,848	8,439
Industrial Bank of Korea	0.00 ~ 3.00	1,615	2,433	4,846
Nonghyup	1.50 ~ 4.10	4,247	5,222	5,761
Kwangju Bank	3.60	2,813	3,436	3,259
Kyongnam Bank (Ulsan)	3.12	140	360	689
Hana Bank	3.60	315	495	675
Woori Bank	3.20	-	84	168
The Export-Import Bank of Korea	–	-	-	100,000
Jeonbuk Bank	3.60	1,270	600	-
		477,009	548,126	601,840
Borrowings in foreign currencies:				
KEB	0.00 ~ 3.18	1,412,142	1,098,684	1,371,529
		₩ 1,889,151	₩ 1,646,810	₩ 1,973,369

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

17. DEBENTURES:

(1) Debentures issued by the Consolidated Group and outstanding as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

(Unit : Korean won in millions)

Account	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Debentures in local currency	₩ 2,010,030	₩ 1,965,101	₩ 1,965,617
Present value discounts	(593)	(613)	(290)
	2,009,437	1,964,488	1,965,327
Debentures in foreign currencies	884,228	670,384	684,794
Present value discounts	(3,372)	(3,188)	(3,860)
	880,856	667,196	680,934
	₩ 2,890,293	₩ 2,631,684	₩ 2,646,261

(2) Debentures in local currency issued by the Consolidated Group and outstanding as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

(Unit : Korean won in millions)

Classification	Annual interest rate (%)	Maturity	Amount		
			Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Subordinated financial bond	5.18 ~ 5.20	2005.04.28 ~ 2011.01.28	₩ 30	₩ 175,000	₩ 175,000
Subordinated financial bond	5.30	2006.12.12 ~ 2012.12.12	100,000	100,000	100,000
Subordinated financial bond	8.24	2008.11.11 ~ 2014.01.11	100,000	100,000	100,000
Subordinated financial bond	5.01	2010.09.02 ~ 2017.03.02	150,000	150,000	-
Subordinated financial bond	4.38	2011.11.25 ~ 2018.02.25	100,000	-	-
Hybrid bond	8.80	2008.12.17 ~ 2038.12.17	200,000	200,000	200,000
Hybrid bond	8.80	2008.12.26 ~ 2038.12.26	30,000	30,000	30,000
Unguaranteed coupon bond	5.30	2007.01.29 ~ 2010.01.29	-	-	100,000
Unguaranteed coupon bond	5.13	2007.02.21 ~ 2010.02.21	-	-	80,000
Unguaranteed coupon bond	5.62	2007.08.16 ~ 2010.08.16	-	-	10,000
Unguaranteed coupon bond	5.63	2007.08.17 ~ 2010.08.17	-	-	50,000
Unguaranteed coupon bond	5.75	2007.08.27 ~ 2010.08.27	-	-	140,000
Unguaranteed coupon bond	5.98	2007.10.10 ~ 2010.10.10	-	-	50,000
Unguaranteed coupon bond	6.00	2007.10.16 ~ 2010.10.16	-	-	100,000
Unguaranteed coupon bond	6.30	2007.11.23 ~ 2010.11.23	-	-	20,000
Unguaranteed coupon bond	5.65	2008.01.30 ~ 2010.01.30	-	-	100,000
Unguaranteed coupon bond	5.62	2008.02.29 ~ 2011.02.28	-	30,000	30,000
Unguaranteed coupon bond	5.91	2008.03.20 ~ 2010.03.20	-	-	80,000
Unguaranteed coupon bond	5.67	2008.04.24 ~ 2010.04.24	-	-	50,000
Unguaranteed coupon bond	5.73	2008.05.06 ~ 2013.05.06	30,000	30,000	30,000
Unguaranteed coupon bond	6.00	2008.05.28 ~ 2010.05.28	-	-	50,000
Unguaranteed coupon bond	6.50	2008.06.26 ~ 2010.06.26	-	-	70,000
Unguaranteed coupon bond	4.14	2009.05.26 ~ 2011.05.26	-	100,000	100,000
Unguaranteed coupon bond	2.93	2009.07.24 ~ 2010.07.24	-	-	100,000
Unguaranteed coupon bond	5.45	2009.08.13 ~ 2012.08.13	200,000	200,000	200,000
Unguaranteed coupon bond	4.50	2010.02.25 ~ 2012.02.25	100,000	100,000	-
Unguaranteed coupon bond	3.17	2010.03.25 ~ 2011.03.25	-	100,000	-
Unguaranteed coupon bond	3.85	2010.04.16 ~ 2012.04.16	100,000	100,000	-
Unguaranteed coupon bond	4.28	2010.04.26 ~ 2013.04.26	100,000	100,000	-
Unguaranteed coupon bond	3.84	2010.05.26 ~ 2011.11.26	-	130,000	-
Unguaranteed coupon bond	4.07	2010.06.22 ~ 2012.06.22	140,000	140,000	-
Unguaranteed coupon bond	3.24	2010.10.15 ~ 2012.04.15	100,000	100,000	-
Unguaranteed coupon bond	3.63	2010.11.01 ~ 2013.11.01	50,000	50,000	-

(Unit : Korean won in millions)

Classification	Annual interest rate (%)	Maturity	Amount		
			Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Unguaranteed coupon bond	3.56	2010.11.05 – 2012.11.05	30,000	30,000	-
Unguaranteed coupon bond	4.31	2011.02.17 – 2014.02.17	50,000	-	-
Unguaranteed coupon bond	4.61	2011.02.17 – 2015.02.17	50,000	-	-
Unguaranteed coupon bond	3.95	2011.04.29 – 2012.10.29	30,000	-	-
Unguaranteed coupon bond	3.88	2011.05.16 – 2013.05.16	70,000	-	-
Unguaranteed coupon bond	4.02	2011.05.16 – 2014.05.16	30,000	-	-
Unguaranteed coupon bond	4.30	2011.05.20 – 2016.05.20	100,000	-	-
Unguaranteed coupon bond	4.16	2011.08.03 – 2013.08.03	50,000	-	-
Unguaranteed coupon bond	3.68	2011.09.20 – 2013.03.20	100,000	-	-
			2,010,030	1,965,000	1,965,000
Losses on fair value hedged items			-	101	617
			₩ 2,010,030	₩ 1,965,101	₩ 1,965,617

(3) Debentures in foreign currencies issued by the Consolidated Group and outstanding as of December 31, 2011, December 31, 2010, and January 1, 2010, are as follows:

(Unit : Korean won in millions)

Classification	Annual interest rate (%)	Maturity	Amount		
			Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Subordinated financial bond (public) (*1)	5.50	2007.03.14 – 2017.03.14	₩ 230,660	₩ 227,780	₩ 233,520
Subordinated financial bond (public) (*1)	6.00	2007.10.30 – 2017.10.30	288,325	284,725	291,900
Senior financial bond (private)	variable rate	2008.08.28 – 2011.08.26	-	69,854	63,141
Senior financial bond (private) (*2)	variable rate	2009.05.20 – 2012.05.22	57,665	56,945	58,380
Senior financial bond (private)	1.79	2011.02.17 – 2012.08.17	245,051	-	-
Senior financial bond (private)	1.90	2011.02.17 – 2013.02.15	51,981	-	-
			873,682	639,304	646,941
Losses on fair value hedged items			10,621	31,080	37,853
Gains on fair value hedged items			(75)	-	-
			₩ 884,228	₩ 670,384	₩ 684,794

(*1) The Consolidated Group has a repayment option, which is repayable from 2012, five years from the date of issue.

(*2) Variable rate : USD 3M LIBOR + 520bp

18. RETIREMENT BENEFIT OBLIGATION:

(1) Defined benefit plan

The Consolidated Group operates a retirement benefit plan that is an arrangement whereby an entity provides benefits based on current salary and tenure of employment for employees on or after termination of service as a lump sum. The retirement benefit plan is normally described as defined benefit plans, and its characteristics are as follows:

- The obligation of the Consolidated Group is to pay existing and past employees' promised retirement benefits to the employees.
- The Consolidated Group will have the actuarial risk (the risk that actual benefits exceed expected benefits) and the investment risk.

The defined benefit obligation recognized in the consolidated financial statement is measured by an independent actuary. The Consolidated Group uses the projected unit credit method in order to determine the defined benefit obligation. Actuarial assumptions and variables, such as market rate, wage rate, death rate, consumer price index, expected rate of return, and others, are based on market information and historical data. They are renewed annually. Actuarial assumptions incurred from the change in actuarial assumptions and the difference between assumptions and actual results are recognized in profit or loss for the period.

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

(2) As of December 31, 2011, December 31, 2010, and January 1, 2010, the amounts recognized in the consolidated statements of financial position related to the retirement benefit obligation are as follows:

(Unit : Korean won in millions)

Classification	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Present value of defined benefit obligation	₩ 97,117	₩ 66,161	₩ 56,542
Fair value of plan assets	(80,745)	(63,534)	(57,557)
Retirement benefit obligation (benefit asset)	₩ 16,372	₩ 2,627	₩ (1,015)

(3) Changes in present values of defined benefit obligation for the years ended December 31, 2011 and 2010, are as follows:

(Unit : Korean won in millions)

Classification	2011	2010
Beginning balance	₩ 66,161	₩ 56,542
Current service cost	14,498	14,193
Interest cost	3,329	3,457
Benefits paid	(4,462)	(13,695)
Past service cost	6,105	-
Actuarial losses	12,589	5,664
Changes in consolidation scope	(1,103)	-
Ending balance	₩ 97,117	₩ 66,161

(4) Changes in fair values of plan assets for the years ended December 31, 2011 and 2010, are as follows:

(Unit : Korean won in millions)

Classification	2011	2010
Beginning balance	₩ 63,534	₩ 57,557
Expected return on plan assets	3,001	2,814
Contributions from the employer	18,501	12,712
Benefits paid	(3,246)	(9,762)
Actuarial gains	(230)	213
Changes in consolidation scope	(815)	-
Ending balance	₩ 80,745	₩ 63,534

(5) Details of provision for severance benefits for the years ended December 31, 2011 and 2010, are as follows:

(Unit : Korean won in millions)

Classification	2011	2010
Current service cost	₩ 14,498	₩ 14,193
Interest cost	3,329	3,457
Expected return on plan assets	(3,001)	(2,814)
Past service cost	6,105	-
Actuarial gains	12,819	5,451
	₩ 33,750	₩ 20,287

(6) Details of fair values of plan assets as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

(Unit : Korean won in millions)

Classification	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
Debt security	₩ 46,608	57.72	₩ 26,544	41.78	₩ 57,548	99.98
Time deposits	17,874	22.14	19,765	31.11	-	-
Others	16,263	20.14	17,225	27.11	9	0.02
	₩ 80,745	100.00	₩ 63,534	100.00	₩ 57,557	100.00

(7) Actuarial assumptions as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

Classification	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Discount rate (%)	5.50	5.07	6.46
Expected rate of salary increase (%)	5.17	5.17	5.17
Expected return on plan assets (%)	4.50	4.50	4.50

19. PROVISIONS:**(1) Provisions as of December 31, 2011, December 31, 2010, and January 1, 2010, are as follows:**

(Unit : Korean won in millions)

Classification	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Allowance for possible losses on acceptances and guarantees	₩ 2,912	₩ 2,618	₩ 2,515
Allowance for possible losses on unused credit limit	12,096	10,806	8,897
Allowance for other liabilities	15,570	10,999	8,201
Total	₩ 30,578	₩ 24,423	₩ 19,613

(2) Allowance for possible losses on acceptances and guarantees (included bills endorsed) as of December 31, 2011, December 31, 2010 and January 1, 2010, is as follows:**Dec. 31, 2011**

(Unit : Korean won in millions)

Classification	Acceptances and guarantees	Allowance	Allowance rate (%)
Confirmed acceptances and guarantees in foreign currencies	₩ 776,696	₩ 2,057	0.26
Unconfirmed acceptances and guarantees	326,871	853	0.26
Bills endorsed	360	2	0.56
	₩ 1,103,927	₩ 2,912	0.26

Dec. 31, 2010

(Unit : Korean won in millions)

Classification	Acceptances and guarantees	Allowance	Allowance rate (%)
Confirmed acceptances and guarantees in foreign currencies	₩ 645,066	₩ 1,759	0.27
Unconfirmed acceptances and guarantees	351,691	859	0.24
Bills endorsed	27	-	-
	₩ 996,784	₩ 2,618	0.26

Jan. 1, 2010

(Unit : Korean won in millions)

Classification	Acceptances and guarantees	Allowance	Allowance rate (%)
Confirmed acceptances and guarantees in foreign currencies	₩ 667,353	₩ 1,853	0.28
Unconfirmed acceptances and guarantees	308,814	653	0.21
Bills endorsed	2,191	9	0.41
	₩ 978,358	₩ 2,515	0.26

(3) Allowance for possible losses on unused credit limit as of December 31, 2011, December 31, 2010 and January 1, 2010, is as follows:

(Unit : Korean won in millions)

Classification	Dec. 31, 2011			Dec. 31, 2010			Jan. 1, 2010		
	Unused credit limit	Allowance	Allowance rate (%)	Unused credit limit	Allowance	Allowance rate (%)	Unused credit limit	Allowance	Allowance rate (%)
Enterprise	₩ 3,590,969	₩ 9,328	0.26	₩ 2,837,702	₩ 8,217	0.29	₩ 2,805,913	₩ 6,434	0.23
Household	658,119	407	0.06	633,538	413	0.07	594,264	443	0.07
Credit card	1,717,662	2,361	0.14	1,485,047	2,176	0.15	1,382,009	2,020	0.15
	₩ 5,966,750	₩ 12,096	0.20	₩ 4,956,287	₩ 10,806	0.22	₩ 4,782,186	₩ 8,897	0.19

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

(4) The changes in allowance for possible losses on acceptances and guarantees and allowance for possible losses on unused credit limit for the years ended December 31, 2011 and 2010, are as follows:

(Unit : Korean won in millions)

Classification	Allowance for acceptances and guarantees		Allowance for unused credit limit		Total
Beginning balance	₩	2,618	₩	10,806	₩ 13,424
Foreign currency translation		15		5	20
Provision		279		1,285	1,564
Ending balance	₩	2,912	₩	12,096	₩ 15,008

(Unit : Korean won in millions)

Classification	Allowance for acceptances and guarantees		Allowance for unused credit limit		Total
Beginning balance	₩	2,515	₩	8,897	₩ 11,412
Foreign currency translation		(16)		(10)	(26)
Provision		119		1,919	2,038
Ending balance	₩	2,618	₩	10,806	₩ 13,424

(5) Allowance for other liabilities as of December 31, 2011, December 31, 2010 and January 1, 2010, consisted of following:

(Unit : Korean won in millions)

Classification	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Allowance for restoration costs	₩ 2,424	₩ 2,434	₩ 2,436
Allowance for credit card point	1,199	1,397	1,499
Allowance for dormant deposit	4,807	4,739	4,025
Allowance for litigation	3,205	371	241
Others	3,935	2,058	-
	₩ 15,570	₩ 10,999	₩ 8,201

(6) The changes in allowance for other liabilities for the years ended December 31, 2011 and 2010, are as follows:

(Unit: Korean won in millions)

Classification	Beginning balance	Increase	Decrease	Others	Changes in consolidation scope	Ending balance
Allowance for restoration costs	₩ 2,434	₩ 109	₩ -	₩ 18	₩ (137)	₩ 2,424
Allowance for credit card point	1,397	-	(198)	-	-	1,199
Allowance for dormant deposit	4,739	68	-	-	-	4,807
Allowance for litigation	371	2,834	-	-	-	3,205
Others	2,058	1,877	-	-	-	3,935
	₩ 10,999	₩ 4,888	₩ (198)	₩ 18	₩ (137)	₩ 15,570

(Unit: Korean won in millions)

Classification	Beginning balance	Increase	Decrease	Others	Ending balance
Allowance for restoration costs	₩ 2,436	₩ 105	₩ -	₩ (107)	₩ 2,434
Allowance for credit card point	1,499	-	(102)	-	1,397
Allowance for dormant deposit	4,025	714	-	-	4,739
Allowance for litigation	241	130	-	-	371
Others	-	10	(434)	2,482	2,058
	₩ 8,201	₩ 959	₩ (536)	₩ 2,375	₩ 10,999

Decommissioning or restoration costs are present value of expected amount of the outflow of resources embodying economic benefits required to settle the obligation, at appropriate discount rate. Average lease period within three years is used for reasonable assumption.

20. OTHER LIABILITIES:

Other liabilities as of December 31, 2011, December 31, 2010, and January 1, 2010, consisted of the following:

(Unit : Korean won in millions)

Classification	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Due to trust accounts	₩ 124,716	₩ 96,152	₩ 168,465
Foreign exchange remittances pending	6,941	9,198	5,354
Prepaid card liabilities	3,466	3,262	3,066
Debit card liabilities	24	37	32
Deposits for letter of guarantees and others	41,921	36,603	28,193
Present value discounts	(352)	(1,496)	(239)
Accounts payable	2,123,351	3,576,050	2,388,548
Unearned revenues	23,622	24,720	26,013
Accrued expenses	363,498	333,189	321,583
Withholding taxes	11,289	13,967	9,465
Agency business accounts	34,747	43,037	40,863
Unsettled domestic exchange liabilities	7,608	39,546	134,103
Agency	43,147	62,541	58,205
Guarantee deposits for securities subscription	2,018	1,443	5,361
Cash sent to other banks	-	-	300
Credit control fund	-	-	635
Others	5,513	4,823	5,123
	₩ 2,791,509	₩ 4,243,072	₩ 3,195,070

21. SHAREHOLDERS' EQUITY:

(1) Capital stock

As of December 31, 2011, the Bank has 400 million common shares authorized with a par value per share of ₩5,000 and 186,683,650 shares issued.

(2) Other paid-in capital and other components of equity

Other paid-in capital and other components of equity as of December 31, 2011, December 31, 2010 and January 1, 2010, are summarized as follows:

(Unit : Korean won in millions)

Classification	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Other paid-in capital:			
Discount on stock issuance	₩ -	₩ -	₩ (1,170)
	₩ -	₩ -	₩ (1,170)
Other components of equity (Note 31):			
Gain on valuation of AFS financial assets	₩ 38,163	₩ 75,096	₩ 48,872
Tax effects	(9,235)	(16,676)	(10,877)
	₩ 28,928	₩ 58,420	₩ 37,995

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

(3) Retained earnings

1) Retained earnings as of December 31, 2011, December 31, 2010 and January 1, 2010, are summarized as follows:

(Unit : Korean won in millions)

Classification	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Reserve:			
Legal reserve (*)	₩ 188,925	₩ 155,573	₩ 131,053
Voluntary reserve	1,224,290	970,795	781,253
	1,413,215	1,126,368	912,306
Retained earnings before appropriations	366,003	427,321	301,259
	₩ 1,779,218	₩ 1,553,689	₩ 1,213,565

(*) 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 to be transferred to capital.

2) Regulatory reserve for bad debts

In accordance with the Regulations for Supervision of Bank, if allowances for credit loss under K-IFRS for the accounting purpose do not exceed those for the regulatory purpose, the Consolidated Group discloses such shortfall amount as regulatory reserve for bad debts. Due to the fact that regulatory reserve for bad debts is voluntary reserve, exceeding amount than the existing reserve for bad debts is over the compulsory reserve for bad debts at the period-end date is able to be reversed in profit. In case of accumulated deficit, the Consolidated Group should set aside reserve for bad debts at the time when accumulated deficit is gone.

Balances of regulatory reserve for bad debts as of December 31, 2011 and 2010, are as follows:

(Unit : Korean won in millions)

Classification	Dec. 31, 2011	Dec. 31, 2010
Accumulated reserve for bad debts	₩ -	₩ -
Expected reserve for bad debts	101,974	64,845
Reserve for bad debts	₩ 101,974	₩ 64,845

Provision of reserve for bad debts and net income after the reserve provided for the year ended December 31, 2011, is as follows :

(Unit : Korean won in millions except for earnings per share)

Classification	Dec. 31, 2011
Reserve provided	₩ 37,129
Net income after the reserve provided	361,171
Earnings per share after the reserve provided (in currency unit)	₩ 1,935

(*) Net income and earnings per share after the reserve for bad debts are not in accordance with K-IFRS and are calculated on the assumption that provision or reversal of reserve for bad debts is adjusted to the net income.

(4) Dividends

The Consolidated Group has paid out ₩697 per share to shareholders during the fourth quarter of 2011, while the Consolidated Group paid out ₩250 per common share in 2010. The details of calculated dividend for the years ended December 31, 2011 and 2010, are as follows:

1) Interim dividends (cutoff date: November 30, 2011)

(Unit : Korean won in millions except for earnings per share)

Classification	Dec. 31, 2011
Shares (common stock)	186,683,650
Dividend rate (%)	13.9
Total dividend paid	₩ 130,119

2) Year-end dividends (cutoff date: December 31, 2010)

(Unit : Korean won in millions except for earnings per share)

Classification	Dec. 31, 2011
Shares (common stock)	186,683,650
Dividend rate (%)	5.00
Total dividend paid	₩ 46,671
Dividend payout ratio (%) ^(*)	13.99

(*) It was calculated on the Bank's separate financial statements.

22. NET INTEREST INCOME:

(1) Net interest income, interest income and expense for the years ended December 31, 2011 and 2010, are as follows:

(Unit : Korean won in millions)

Classification	2011	2010
Interest income:		
Due from banks	₩ 20,429	₩ 13,357
Financial assets at FVTPL	2,668	2,542
AFS financial assets	73,823	70,519
HTM financial assets	187,144	193,976
Loans	1,499,816	1,340,719
Others	12,267	14,458
	1,796,147	1,635,571
Interest expense:		
Deposits	(578,468)	(479,611)
Borrowings	(87,921)	(91,871)
Debentures	(135,531)	(140,569)
Others	(6,850)	(6,139)
	(808,770)	(718,190)
Net interest income	₩ 987,377	₩ 917,381

(2) Average balance of interest-earning assets and interest-bearing liabilities for the years ended December 31, 2011 and 2010, is as follows:

(Unit : Korean won in millions)

Classification	Average balance	Interest income (expense)	Interest rate (%)
Interest income:			
Due from banks (*)	₩ 617,711	₩ 20,429	3.31
Financial assets at FVTPL			
Held for trading	61,008	2,375	3.89
Designated at FVTPL	9,696	293	3.03
AFS financial assets	1,778,761	73,823	4.15
HTM financial assets	3,886,470	187,144	4.82
Loans and receivables	25,402,248	1,499,816	5.90
Others	-	12,267	-
	31,755,894	1,796,147	5.66
Interest expense:			
Deposits	22,783,464	(578,468)	2.54
Borrowings	3,686,863	(87,921)	2.38
Debentures	2,775,931	(135,531)	4.88
Others	-	(6,850)	-
	₩ 29,246,258	₩ (808,770)	2.77

(*) Reserve deposits of the BOK were excluded.

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

2011 (Unit : Korean won in millions)

Classification	Average balance	Interest income (expense)	Interest rate (%)
Interest income:			
Due from banks (*)	₩ 300,062	₩ 13,357	4.45
Financial assets at FVTPL Held for trading	43,375	1,735	4.00
Designated at FVTPL	29,811	807	2.71
AFS financial assets	1,492,886	70,519	4.72
HTM financial assets	3,669,912	193,976	5.29
Loans and receivables	22,764,119	1,340,719	5.89
Others	-	14,458	-
	28,300,165	1,635,571	5.78
Interest expense:			
Deposits	19,700,202	(479,611)	2.43
Borrowings	3,601,542	(91,871)	2.55
Debentures	2,620,677	(140,569)	5.36
Others	-	(6,139)	-
	₩ 25,922,421	₩ (718,190)	2.77

(*) Reserve deposits of the BOK were excluded.

23. NET COMMISSION INCOME:

Net commission income, commission income and expense for the years ended December 31, 2011 and 2010, are as follows:

(Unit : Korean won in millions)

Classification	2011	2010
Commission income:		
Guarantees	₩ 9,660	₩ 9,816
Commission received	120,445	129,482
Credit card	3,024	2,860
Received from termination of trust account	4	9
	133,133	142,167
Commission expenses:		
Commission paid	(16,711)	(19,650)
Credit card	(32,283)	(30,762)
	(48,994)	(50,412)
Net commission income	₩ 84,139	₩ 91,755

24. NET INCOME (LOSS) ON INVESTMENT FINANCIAL ASSETS:

(1) Net income (loss) on financial assets at FVTPL

Net income (loss) on financial assets at FVTPL for the years ended December 31, 2011 and 2010, is as follows:

(Unit : Korean won in millions)

Classification	2011	2010
Gain on financial assets at FVTPL:		
Financial assets held for trading	₩ 129,107	₩ 35,480
Financial assets designated at FVTPL	6,745	1,283
	135,852	36,763
Loss on financial assets at FVTPL:		
Financial assets held for trading	(137,003)	(8,794)
Financial assets designated at FVTPL	(472)	(11,357)
	(137,475)	(20,151)
Net (loss) income	₩ (1,623)	₩ 16,612

(2) Net income (loss) on financial assets held for trading

Net income (loss) on financial assets held for trading consists of gains and losses related to financial assets for trading. Such net income includes gains and losses of interest, change in fair value, sales, redemption, and dividend income. The amounts for the years ended December 31, 2011 and 2010, are as follows:

Classification	(Unit : Korean won in millions)			
	2011		2010	
Gain on financial assets held for trading:				
Gain on disposal of held for trading	₩	25,857	₩	11,305
Gain on valuation of held for trading		102,718		22,774
Dividends income		532		1,401
		129,107		35,480
Loss on financial assets held for trading:				
Loss on disposal of held for trading		(42,358)		(8,216)
Loss on valuation of held for trading		(94,499)		(446)
Others		(146)		(132)
		(137,003)		(8,794)
Net (loss) income	₩	(7,896)	₩	26,686

(3) Net income (loss) on financial assets designated at FVTPL

Net income (loss) on financial assets designated at FVTPL includes gains and losses on changes in fair value, sales and redemption. The amounts for the years ended December 31, 2011 and 2010, are as follows:

Classification	(Unit : Korean won in millions)			
	2011		2010	
Gain on financial assets designated at FVTPL:				
Gain on redemption of designated at FVTPL	₩	207	₩	-
Gain on disposal of designated at FVTPL		6,538		-
Gain on valuation of designated at FVTPL		-		1,283
		6,745		1,283
Loss on financial assets designated at FVTPL:				
Loss on disposal of designated at FVTPL		(472)		(4,931)
Loss on valuation of designated at FVTPL		-		(6,426)
		(472)		(11,357)
Net income (loss)	₩	6,273	₩	(10,074)

(4) Net income of AFS financial assets

Gains and losses of AFS financial assets for the years ended December 31, 2011 and 2010, are as follows:

Classification	(Unit : Korean won in millions)			
	2011		2010	
AFS financial assets-related revenues:				
Gain on sales of AFS financial assets	₩	46,792	₩	41,141
Stock dividends		18,148		20,817
		64,940		61,958
AFS financial assets-related expenses:				
Loss on sales of AFS financial assets		(9,884)		(5,412)
Impairment loss on AFS financial assets		(1,988)		(2,167)
		(11,872)		(7,579)
Net income	₩	53,068	₩	54,379

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

(5) Net income of HTM financial assets

Gains and losses of HTM financial assets for the years ended December 31, 2011 and 2010, are as follows:

(Unit : Korean won in millions)

Classification	2011	2010
HTM financial assets-related revenues:		
Gain on sales of HTM financial assets	500	647

25. PROVISION OF ALLOWANCE FOR CREDIT LOSS:

Provision of allowance for credit loss for the years ended December 31, 2011 and 2010, is as follows:

(Unit : Korean won in millions)

Classification	2011	2010
Reversal of allowance for credit loss and others:		
Reversal of allowance:		
Reversal of allowance for possible losses on acceptances and guarantees	₩ 7	₩ 1
Gain on disposal of loans	23,157	10,873
	23,164	10,874
Provision of allowance for credit loss and others:		
Provision of allowance:		
Provision of allowance for possible losses on loans	(119,686)	(136,039)
Provision of allowance for possible losses on acceptances and guarantees	(279)	(119)
Provision of allowance for possible losses on unused credit limits	(1,285)	(1,919)
Provision of allowance for losses on financial guarantee contract	-	(87)
	(121,250)	(138,164)
Loss on disposal of loans	(22,812)	(51,277)
	(144,062)	(189,441)
Provision of allowance for credit loss and others	₩ (120,898)	₩ (178,567)

26. ADMINISTRATIVE EXPENSES:

(1) Administrative expenses for the years ended December 31, 2011 and 2010, are as follows:

(Unit : Korean won in millions)

Classification	2011	2010
Employee benefits (Note 29)	₩ 134,073	₩ 137,920
Other employee benefits	110,627	104,299
Provision for severance benefits (Note 18)	33,750	20,287
Honorary retirement allowance	7,940	6,836
	286,390	269,342
Rent	16,381	16,198
Expenditure for business purpose	5,542	6,971
Depreciation expense	30,598	28,875
Amortization expenses on intangible assets	9,590	9,487
Taxes and dues	16,796	16,159
Other administrative expenses	86,535	82,988
	₩ 451,832	₩ 430,020

(2) Other administrative expenses for the years ended December 31, 2011 and 2010, are as follows:

(Unit : Korean won in millions)

Classification	2011	2010
Physical training expenses	₩ 3,470	₩ 3,184
Reward expenses	2,814	2,604
Overnight duty expenses	1,440	1,324
Domestic travel expenses	868	1,009
Overseas travel expenses	133	799
Supplies expenses	5,006	5,129
Equipment expenses	168	114
Clothing expenses	680	951
Publication	594	567
Printing expenses	2,094	2,101
Fuel expenses	226	232
Vehicle maintenance expenses	2,088	1,903
Communication expenses	2,961	3,212
Electricity and utilities	3,403	3,054
Legal expenses	407	210
Repairs and maintenance	3,241	3,638
Freight expenses and custody charges	98	118
Insurance	338	510
Advertising	13,228	10,652
Business meeting expense	649	550
Computer system operation expenses	16,774	17,685
Outsourcing fee	25,855	23,442
	₩ 86,535	₩ 82,988

27. OTHER OPERATING REVENUES AND EXPENSES:**(1) Net loss from foreign currency trading for the years ended December 31, 2011 and 2010, is as follows:**

(Unit : Korean won in millions)

Classification	2011	2010
Income on foreign currency trading:		
Gain on foreign currency transactions	₩ 229,000	₩ 424,464
Foreign currency translation gains	23,174	36,799
	252,174	461,263
Loss on foreign currency trading:		
Loss on foreign currency transactions	(327,909)	(490,304)
Foreign currency translation losses	(50,545)	(16,676)
	(378,454)	(506,980)
Net losses	₩ (126,280)	₩ (45,717)

(2) Net income from derivatives for the years ended December 31, 2011 and 2010, is as follows:

(Unit : Korean won in millions)

Classification	2011	2010
Gains on financial derivatives:		
Gains on derivative transactions	₩ 416,915	₩ 380,675
Gains on valuation of derivatives	112,579	75,910
Gains on settlement of derivatives	426	531
	529,920	457,116
Losses on financial derivatives:		
Losses on derivative transactions	(294,351)	(318,154)
Losses on valuation of derivatives	(80,785)	(43,412)
Losses on settlement of derivatives	(590)	(762)
	(375,726)	(362,328)
Net income	₩ 154,194	₩ 94,788

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

(3) Other operating revenues and expenses for the years ended December 31, 2011 and 2010, are as follows:

(Unit : Korean won in millions)

Classification	2011	2010
Other operating revenue:		
Trust fees and commissions received from trust account	₩ 11,090	₩ 12,454
Gain on valuation of fair value hedged items	20,944	6,535
Reversal of allowance for others	198	536
Gain on redemption of debentures	188	-
	32,420	19,525
Other operating expenses:		
Loss on derivative transactions	(541)	(474)
Subsidy for trust accounts' adjustment	-	(1)
Expenses on operating trust account	(578)	(1,743)
Credit card charges	(28)	(31)
Contribution to Credit Guarantee Fund	(37,798)	(34,106)
Contribution to Housing Credit Guarantee Fund	(5,560)	(4,186)
Insurance fees on deposits	(28,966)	(22,198)
Provision of allowance for others	(4,888)	(959)
Returned deposit	-	-
Losses on redemption of debentures	(143)	-
Others	(729)	(348)
	(79,231)	(64,046)
Other operating losses	₩ (46,811)	₩ (44,521)

28. NON-OPERATING REVENUES AND EXPENSES:

Non-operating revenues and expenses for the years ended December 31, 2011 and 2010, are as follows:

(Unit : Korean won in millions)

Classification	2011	2010
Non-operating revenues:		
Gain on sale of tangible assets	₩ 47	₩ 58
Rental income	728	731
Restoration gain	140	176
Gain on donated assets	903	2,019
Gain on disposal of investment stock using the equity method	-	3,631
Other income	11,267	33,851
	13,085	40,466
Non-operating expenses:		
Loss on sale of tangible assets	(171)	(860)
Expenses on collection of charge-offs	(1,032)	244
Donations	(8,298)	(8,859)
Miscellaneous non-operating losses	(7,053)	(20,015)
	(16,554)	(29,490)
Non-operating (loss) income	₩ (3,469)	₩ 10,976

29. EMPLOYEE BENEFITS:

(1) Details of employee benefits for the years ended December 31, 2011 and 2010, are as follows:

(Unit : Korean won in millions)

Classification	2011	2010
Short-term employee benefits:		
Salaries	₩ 133,259	₩ 137,626
Compensation expenses:		
Short-term compensation expense for performance bonus	570	-
Long-term compensation expense for performance bonus	244	294
Compensation costs due to share-based payment	-	-
	814	294
Other employee benefits	110,627	104,299
	244,700	242,219
Provision for severance benefits	33,750	20,287
Honorary retirement allowance	7,940	6,836
	₩ 286,390	₩ 269,342

(2) Compensation costs due to share-based payment

The Consolidated Group granted stock options to its executives according to the resolution of the shareholders' special meeting or the board of directors. Details of compensation costs due to share-based payment as of December 31, 2011, are as follows:

(Unit : in Korean won, except for shares)

Grant date	Stock options granted	Stock options exercised	Stock options expired	Stock options outstanding	Exercise price	Exercise period
2007-02-26	120,000	13,000	68,442	38,558	₩ 12,824	09.2.27 ~ 12.2.26
2007-03-20	50,000	-	28,333	21,667	13,504	09.3.21 ~ 12.3.20
2008-01-23	210,000	8,667	170,636	30,697	14,177	10.1.24 ~ 13.1.23
	380,000	21,667	267,411	90,922		

The Consolidated Group settles the stock options by paying in cash for the difference between the exercise price of the stock options and the market price of the exercise date. The stock options that were granted in 2007 had been evaluated by binomial option-pricing model. The Consolidated Group uses the exercise price from ₩12,824 to ₩14,177, expiry date of February 26, 2012 to January 23, 2013, the closing price of the presumed stock of ₩11,155, expected dividend rate of 2.26 percent, volatility of stock price of 36.54 percent, risk-free interest rate from 3.40 percent to 3.42 percent and rate of discount from 3.80 percent to 3.93 percent. Accordingly, the stock compensation cost is accounted for as expense (payroll) and liability (accounts payable) over the agreed service period by using the straight-line method.

The accumulated stock compensation expenses as of December 31, 2011, amounted to ₩12 million, while the stock compensation expenses for the years ended December 31, 2011 and 2010, were not incurred.

30. INCOME TAX EXPENSE:

(1) The components of income tax expense as of December 31, 2011 and 2010, are as follows:

(Unit : Korean won in millions)

Classification	2011	2010
Income tax currently payable	₩ 128,954	₩ 95,948
Changes in deferred tax liabilities by temporary difference:		
Opening balance of deferred tax liabilities	(33,035)	(6,695)
Ending balance of deferred tax liabilities	(26,705)	(33,035)
	(6,330)	26,340
Tax effect	122,624	122,288
Changes in deferred income tax liabilities reflected directly in shareholders' equity:		
Opening balance of deferred tax liabilities	(16,676)	(10,877)
Ending balance of deferred tax liabilities	(9,235)	(16,676)
	7,441	(5,799)
Income tax expense	₩ 130,065	₩ 116,489

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

(2) The accumulated temporary differences as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

Dec. 31, 2011

(Unit : Korean won in millions)

		Accumulated temporary difference	Deferred tax assets (liabilities)
Temporary difference to be deducted:			
Gains or losses on valuation of financial assets	₩	24,712	₩ 5,958
Accrued expenses		8,957	2,159
Adjustment of acquisition value for debt-to-equity swap		7,961	1,919
Deferred loan origination costs		14,733	3,552
Allowance for possible losses on unused credit limits		12,095	2,916
Severance benefits		7,941	1,914
Loss on valuation of derivative instruments		78,584	18,947
Loss on valuation of debentures		11,369	2,741
Beneficiary interest in restructuring funds		5,788	1,396
Deposits that the statute of limitation expired		4,030	972
Guarantee deposits for leases (discounted present value)		8,854	2,135
Unearned point revenues		5,252	1,266
Other allowance		15,570	3,754
Loss on valuation of unsettled spot transactions		1,649	398
Allowance for possible losses on acceptances and guarantees		2,912	702
Allowance for retirement benefits		1,767	426
Stock compensation costs		1,253	302
Interest on time deposits related to stock price index		2,380	574
Payable for dormant time deposits foundation		2,210	533
Long-term employee benefit payable		1,085	262
Unearned income (financial guarantee liabilities)		2,037	491
Leasehold improvement (depreciation disallowance)		1,391	335
Interest on time deposits for Power Chance		1,944	469
Others		19,400	4,677
		243,874	58,798
Temporary difference to be added:			
Interest receivables of securities		91,178	(21,983)
Revaluation gain in land		6,064	(1,462)
Amortization of valuation gain in equity securities		25,748	(6,208)
Accumulated depreciation		1,547	(373)
Gain on valuation of derivative instruments		145,493	(35,078)
Investments in credit rehabilitation fund		14,100	(3,400)
Deferred loan origination costs		15,466	(3,729)
Guarantee deposits for leases (prepaid rent)		8,581	(2,069)
Gain on valuation of unsettled spot exchange		1,673	(403)
Special contributions		1,026	(247)
Receivables (financial guarantee assets)		1,052	(254)
Leasehold improvements		1,777	(429)
Deferred liabilities origination costs (borrowings in foreign currencies)		1,712	(413)
Others		914	(219)
		316,331	(76,267)
Temporary difference reflected directly in shareholders' equity:			
Gain on valuation of AFS financial assets		(38,163)	(9,236)
Deferred tax liabilities			₩ (26,705)

Dec. 31, 2010

(Unit : Korean won in millions)

Classification	Accumulated temporary difference	Realized in 2011	To be realized after 2012	Deferred asset (liability)
Temporary difference to be deducted:				
Gains or losses on valuation of financial assets	₩ 78,671	₩ 16,220	₩ 62,451	₩ 17,665
Beneficiary interest in restructuring fund	7,961	-	7,961	1,751
Deferred loan origination costs	8,331	3,063	5,268	1,900
Allowance for possible losses on unused credit limits	10,806	10,806	-	2,615
Severance benefits	7,102	7,102	-	1,719
Loss on valuation of derivative instruments	54,867	54,867	-	13,278
Loss on valuation of debentures	32,190	-	32,190	7,082
Beneficiary interest in restructuring fund	4,016	-	4,016	884
Deposits that the statute of limitation expired	3,402	3,402	-	823
Leasehold deposits (discounted present value)	8,434	-	8,434	1,855
Unearned point revenues	5,489	5,489	-	1,328
Other allowance	12,339	12,339	-	2,986
Loss on valuation of unsettled spot exchange	4,877	4,877	-	1,180
Allowance for possible losses on acceptances and guarantees	2,618	2,618	-	634
Stock compensation costs	816	784	32	197
Interest on time deposits related to stock price index	2,076	2,076	-	502
Payable for dormant time deposits foundation	2,445	2,445	-	592
Long-term employee benefit payables	1,592	-	1,592	350
Unearned income (financial guarantee liabilities)	3,223	-	3,223	709
Others	11,728	9,944	1,784	2,799
	262,983	136,032	126,951	60,849
Temporary difference to be added:				
Reversal of allowances for retirement benefits	9,727	-	9,727	(2,140)
Interest receivables of securities	53,950	13,598	40,352	(12,168)
Revaluation gain in land	6,064	-	6,064	(1,334)
Gain on valuation of securities	12,902	(985)	13,887	(2,817)
Accumulated depreciation	1,547	-	1,547	(340)
Gain on valuation of derivative instruments	128,051	94,301	33,750	(30,246)
Investments in credit rehabilitation fund	14,100	-	14,100	(3,102)
Deferred loan origination costs	9,662	9,662	-	(2,338)
Leasehold deposits (discounted present value)	8,025	-	8,025	(1,766)
Gain on valuation of unsettled spot exchange	4,775	4,775	-	(1,156)
Special contributions	1,723	688	1,035	(394)
Receivables (financial guarantee assets)	2,570	-	2,570	(565)
Leasehold improvements	440	440	-	\ (107)
Reversal of allowance for possible losses on loans	72,104	72,104	-	(17,449)
Others	5,374	4,733	641	(1,286)
	331,014	199,316	131,698	(77,208)
Gain on valuation of AFS financial assets	(75,096)	(30,251)	(44,845)	(16,676)
Deferred tax liabilities				₩ (33,035)

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

Jan. 1, 2010

(Unit : Korean won in millions)

Classification	Accumulated temporary difference	Realized in 2011	To be realized after 2012	Deferred asset (liability)
Temporary difference to be deducted:				
Losses on valuation of financial assets disallowance	₩ 80,974	₩ 21,669	₩ 59,305	₩ 18,291
Adjustment of acquisition value for debt-to-equity swap	5,558	-	5,558	1,223
Allowance for possible losses on unused credit limits	24,220	24,220	-	5,861
Severance benefits	12,463	12,463	-	3,016
Loss on valuation of derivative instruments	120,435	120,435	-	29,145
Loss on valuation of debentures	38,597	-	38,597	8,491
Deposits that the statute of limitation expired	6,923	6,923	-	1,675
Unearned point revenues	637	637	-	154
Other allowance	28,846	28,846	-	6,981
Loss on valuation of unsettled spot exchange	4,828	4,828	-	1,168
Allowance for possible losses on acceptances and guarantees	7,927	7,927	-	1,918
Stock compensation costs	1,135	1,040	95	273
Interest on time deposits related to stock price index	1,407	1,407	-	341
Long-term employee benefit payables	1,373	-	1,373	302
Unearned income (financial guarantee liabilities)	1,220	-	1,220	268
Others	12,103	10,553	1,550	2,896
	348,646	240,948	107,698	82,003
Temporary difference to be added:				
Reversal of allowances for retirement benefits	9,413	-	9,413	(2,071)
Interest receivables of securities	8,767	8,255	512	(2,110)
Revaluation gain in land	6,064	-	6,064	(1,334)
Gain on valuation of securities	11,058	5,022	6,036	(2,543)
Accumulated depreciation	1,547	-	1,547	(340)
Gain on valuation of derivative instruments	193,179	151,229	41,950	(45,826)
Investments in credit rehabilitation fund	14,100	-	14,100	(3,102)
Deferred loan origination costs	2,950	2,950	-	(714)
Gain on valuation of unsettled spot exchange	4,525	4,525	-	(1,095)
Special contributions	2,420	1,385	1,035	(563)
Reversal of allowance for possible losses on loans	70,139	70,139	-	(16,974)
Others	4,746	4,746	-	(1,150)
	328,908	248,251	80,657	(77,822)
Gain on valuation of AFS financial assets	(41,915)	(2,619)	(39,296)	(10,876)
Deferred tax liabilities				₩ (6,695)

(3) The details of the changes in the accumulated temporary differences as of December 31, 2011 and 2010, are as follows:

Dec. 31, 2011		(Unit : Korean won in millions)			
Classification	Beginning balance	Decrease	Increase	Ending balance	
Temporary difference to be deducted:					
Gains or losses on valuation of securities disallowance	₩ 78,671	₩ 55,948	₩ 1,989	₩ 24,712	
Accrued expenses	-	-	8,957	8,957	
Adjustment of acquisition value for debt-to-equity swap	7,961	-	-	7,961	
Deferred loan origination costs	8,331	8,331	14,733	14,733	
Allowance for possible losses on unused credit limits	10,806	10,806	12,095	12,095	
Severance benefits	7,102	7,102	7,941	7,941	
Loss on valuation of derivative instruments	54,867	54,867	78,584	78,584	
Loss on valuation of debentures	32,190	20,821	-	11,369	
Beneficiary interest in restructuring fund	4,016	-	1,772	5,788	
Deposits that the statute of limitation expired	3,402	3,402	4,030	4,030	
Leasehold deposits (discounted present value)	8,434	8,434	8,854	8,854	
Unearned point revenues	5,489	5,489	5,252	5,252	
Other allowance	12,339	12,339	15,570	15,570	
Loss on valuation of unsettled spot exchange	4,877	4,877	1,649	1,649	
Allowance for possible losses on acceptances and guarantees	2,618	2,618	2,912	2,912	
Allowances for retirement benefits	-	-	1,767	1,767	
Stock compensation costs	816	377	814	1,253	
Interest on time deposits related to stock price index	2,076	2,076	2,380	2,380	
Payable for dormant time deposits foundation	2,445	2,445	2,210	2,210	
Long-term employee benefit payables	1,592	683	176	1,085	
Unearned income (financial guarantee liabilities)	3,223	3,223	2,037	2,037	
Leasehold improvements (depreciation disallowance)	-	-	1,391	1,391	
Interest on time deposits for Big Chance	-	-	1,944	1,944	
Others	11,728	10,792	18,464	19,400	
	262,983	214,630	195,521	243,874	
Income tax rate (*1)	24.2(22.0)%			24.11%	
Total deferred income tax assets	60,849			58,798	
Temporary difference to be added:					
Reversal of allowance for retirement benefits disallowance	9,727	9,727	-	-	
Interest receivables of securities	53,950	33,499	70,727	91,178	
Revaluation gain in land	6,064	-	-	6,064	
Gains or losses on valuation of securities	12,902	128	12,974	25,748	
Accumulated depreciation	1,547	-	-	1,547	
Gain on valuation of derivative instruments	128,051	128,051	145,493	145,493	
Investments in credit rehabilitation fund	14,100	-	-	14,100	
Deferred loan origination costs	9,662	9,662	15,466	15,466	
Lease deposits (prepaid rent)	8,025	8,025	8,581	8,581	
Gain on valuation of unsettled spot exchange	4,775	4,775	1,673	1,673	
Special contributions	1,723	1,723	1,026	1,026	
Receivables (financial guarantee assets)	2,570	2,570	1,052	1,052	
Leasehold improvements	440	(1,166)	171	1,777	
Deferred borrowings' origination costs in foreign currencies	-	-	1,712	1,712	
Reversal of allowance for possible losses on loans	72,104	72,104	-	-	
Others	5,374	5,245	785	914	
	331,014	274,343	259,660	316,331	
Income tax rate (*1)	24.2(22.0)%			24.11%	
Total deferred income tax liability	(77,208)			(76,267)	
Temporary difference in deferred income tax reflected directly in shareholders' equity:					
Gain and loss on valuation of AFS financial assets (*2)	(16,676)			(9,236)	
Ending deferred income tax liability	₩ (33,035)			₩ (26,705)	

(*1) Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on average tax rates that have been enacted or will be substantively enacted by the end of the reporting period.

(*2) The Consolidated Group recognized deferred income tax assets for gains and losses in AFS financial assets (accumulated other comprehensive income).

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

Dec. 31, 2010

(Unit : Korean won in millions)

Classification	Beginning balance	Decrease	Increase	Ending balance
Temporary difference to be deducted:				
Losses on valuation of securities disallowance	₩ 80,974	₩ 7,099	₩ 4,796	₩ 78,671
Adjustment of acquisition value for debt-to-equity swap	5,558	-	2,403	7,961
Deferred loan origination costs	-	-	8,331	8,331
Allowance for possible losses on unused credit limits	24,220	24,220	10,806	10,806
everance benefits	12,463	12,463	7,102	7,102
Accrued expenses	120,435	120,435	54,867	54,867
Loss on valuation of derivative instruments	38,597	-	(6,407)	32,190
eneficiary interest in restructuring fund	-	-	4,016	4,016
Deposits that the statute of limitation expired	6,923	6,923	3,402	3,402
Leasehold deposits (discounted present value)	-	-	8,434	8,434
Unearned point revenues	637	637	5,489	5,489
Other allowance	28,846	28,846	12,339	12,339
Loss on valuation of unsettled spot exchange	4,828	4,828	4,877	4,877
Allowance for possible losses on acceptances and guarantees	7,927	7,927	2,618	2,618
Stock compensation costs	1,135	613	294	816
Interest on time deposits related to stock price index	1,407	1,407	2,076	2,076
Payable for dormant time deposits foundation	-	-	2,445	2,445
Long-term employee benefit payables	1,373	-	219	1,592
Unearned income (financial guarantee liabilities)	1,220	1,220	3,223	3,223
Others	12,103	10,899	10,524	11,728
	348,646	227,517	141,854	262,983
Income tax rate (*1)	24.2(22.0)%			24.2(22.0)%
Total deferred income tax assets	82,003			60,849
Temporary difference to be added:				
Reversal of allowance for retirement benefits	9,413	9,413	9,727	9,727
Interest receivables of securities	8,767	5,733	50,916	53,950
Revaluation gain in land	6,064	-	-	6,064
Gains or losses on valuation of securities	11,058	4,782	6,626	12,902
Accumulated depreciation	1,547	-	-	1,547
Gain on valuation of derivative instruments	193,179	193,179	128,051	128,051
Investments in credit rehabilitation fund	14,100	-	-	14,100
Deferred loan origination costs	2,950	2,950	9,662	9,662
Lease deposits (prepaid rent)	-	-	8,025	8,025
Gain on valuation of unsettled spot exchange	4,525	4,525	4,775	4,775
Special contributions	2,420	2,420	1,723	1,723
Receivables (financial guarantee assets)	-	-	2,570	2,570
Leasehold improvements	-	-	440	440
Reversal of allowance for possible losses on loans	70,139	70,139	72,104	72,104
Others	4,746	4,746	5,374	5,374
	328,908	297,887	299,993	331,014
Income tax rate (*1)	24.2(22.0)%			24.2(22.0)%
Total deferred income tax liability	(77,822)			(77,208)
Temporary difference in deferred income tax reflected directly in shareholders' equity:				
Gain and loss on valuation of AFS financial assets (*2)	(10,876)			(16,676)
Ending deferred income tax liability	₩ (6,695)			₩ (33,035)

(*1) After the Consolidated Group considers the realization period of the temporary difference, the Consolidated Group applied 24.2 percent (including corporate inhabitant tax) in 2011 and 22.0 percent (including corporate inhabitant tax) after 2012.

(*2) The Consolidated Group recognized deferred income tax assets for gains and losses in AFS financial assets (accumulated other comprehensive income).

(4) Reconciliation between income before income tax and income tax expense as of December 31, 2011 and 2010, is as follows:

(Unit : Korean won in millions)

Descriptions	2011	2010
Income before income tax	₩ 528,365	₩ 487,713
Taxes payable (*)	127,838	118,000
Reconciliation items:		
Non-taxable income (₩597 million in 2011 and ₩1,693 million in 2010)	(145)	(410)
Non-deductible expenses (₩7,193 million in 2011 and ₩7,856 million in 2010)	1,740	1,901
Readjustment of taxes payable	-	(437)
Others	632	(2,565)
Income tax expense	₩ 130,065	₩ 116,489
Effective tax rate (income tax expense/income before income tax)	24.62%	23.88%

(*) Taxes payable are calculated by applying income tax rate (11.0 percent for under ₩200 million and 24.2 percent for more than ₩200 million) to income before income tax.

(5) The details of current tax liabilities (income tax payable) and current tax assets (income tax refundable receivable) before offsetting as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

(Unit : Korean won in millions)

Classification	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Income tax refundable prior to offsetting	₩ 57,781	₩ 59,716	₩ 31,733
Tax payables prior to offsetting	128,869	95,948	100,965
Current tax liabilities	₩ 71,088	₩ 36,232	₩ 69,232

31. ACCUMULATED OTHER COMPREHENSIVE INCOME:**Accumulated other comprehensive income for the years ended December 31, 2011 and 2010, are as follows:**

2011 (Unit : Korean won in millions)

Classification	Beginning balance	Increase	Decrease	Ending balance
Gain on valuation of AFS financial assets:				
Equity securities	₩ 37,941	₩ 10,818	₩ (23,243)	₩ 25,516
Debt securities in local currency	9,989	7,554	(10,061)	7,482
Debt securities in foreign currencies	514	163	-	677
Beneficiary certificate	9,976	397	(15,120)	(4,747)
	₩ 58,420	₩ 18,932	₩ (48,424)	₩ 28,928

2010 (Unit : Korean won in millions)

Classification	Beginning balance	Increase	Decrease	Ending balance
Gain on valuation of AFS financial assets:				
Equity securities	₩ 26,464	₩ 14,946	₩ (3,470)	₩ 37,940
Debt securities in local currency	3,594	17,266	(10,871)	9,989
Debt securities in foreign currencies	(127)	1,013	(372)	514
Beneficiary certificate	8,064	2,143	(230)	9,977
	₩ 37,995	₩ 35,368	₩ (14,943)	₩ 58,420

32. EARNINGS PER SHARE:**(1) Earnings per share**

Income from continued operations per share and earnings per share as of December 31, 2011, is computed by income attributable to common shares. Income from continued operations for common shares is calculated by reflecting income tax expense at income from continued operations in the consolidated statement of comprehensive income. After dividing income from continued operations and net income by weighted-average number of common shares, income from continued operations per share and earnings per share is calculated.

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

Income from continued operations per share and earnings per share as of December 31, 2011 are as follows.

1) Weighted-average number of common shares

Classification	Number of shares	Day	Accumulation of days
Common shares			
Jan. 1, 2011	186,683,650	55	10,267,600,750
Acquisition of treasury stock	186,535,911	18	3,357,646,398
Disposal of treasury stock	186,683,650	292	54,511,625,800
		365	68,136,872,948

Weighted-average number of common shares: $68,136,872,948 \div 365 = 186,676,364$ shares

2) Basic earnings per share as of December 31, 2011 and 2010, are as follows:

Classification	(Unit : In Korean won)	
	2011	2010
Net income	₩ 398,299,985,332	₩ 371,223,991,145
Weighted-average number of shares	±186,676,364	±186,683,650
Earnings per share	₩ 2,134	₩ 1,989

Due to no income from discontinued operations as of December 31, 2011, income from continued operations for common shares is the same as earnings per common shares.

(2) 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, 2011 and 2010, equals to the basic net income per share, because the Consolidated Group had no dilutive potential common shares during that period.

33. CONTINGENCIES AND COMMITMENTS:

(1) Guarantee payments as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

Classification	Type	(Unit : Korean won in millions)		
		Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Confirmed acceptances and guarantees:				
Confirmed acceptances and guarantees in local currency	Guarantee payment for loans	₩ 73,343	₩ 74,994	₩ 85,964
	Others	440,024	396,826	375,744
		513,367	471,820	461,708
Confirmed acceptances and guarantees in foreign currencies	Acceptances on letters of credit	15,167	10,415	23,061
	Acceptances on letters of guarantee for importers	20,049	15,642	16,377
	Others	228,113	147,189	166,207
		263,329	173,246	205,645
		776,696	645,066	667,353
Unconfirmed acceptances and guarantees	Letters of credit	326,866	351,678	276,300
	Others	5	13	32,514
		326,871	351,691	308,814
		₩ 1,103,567	₩ 996,757	₩ 976,167

(2) Confirmed and unconfirmed acceptances and guarantees by industry as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

(Unit : Korean won in millions)

Classification	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Confirmed acceptances and guarantees:						
Manufacturing	₩ 447,979	57.68	₩ 312,890	48.51	₩ 376,932	56.48
Wholesale and retail	134,371	17.30	138,337	21.45	111,498	16.71
Finance and insurance	300	0.04	300	0.05	300	0.04
Construction	58,901	7.58	129,201	20.03	84,920	12.72
Real estates and leasing	35,884	4.62	5,954	0.92	10,459	1.57
Lodging and restaurant	1,120	0.14	420	0.07	420	0.06
Others	98,141	12.64	57,964	8.97	82,824	12.42
	₩ 776,696	100.00	₩ 645,066	100.00	₩ 667,353	100.00
Unconfirmed acceptances and guarantees:						
Manufacturing	₩ 172,058	52.64	₩ 201,678	57.35	₩ 159,952	51.80
Wholesale and retail	136,722	41.83	138,596	39.41	99,677	32.28
Finance and insurance	2,221	0.68	335	0.10	-	-
Construction	53	0.02	214	0.06	1,718	0.56
Real estates and leasing	35	0.01	33	0.01	-	-
Lodging and restaurant	982	0.30	1,179	0.34	906	0.29
Others	14,800	4.52	9,656	2.73	46,561	15.07
	₩ 326,871	100.00	₩ 351,691	100.00	₩ 308,814	100.00

(3) Confirmed and unconfirmed acceptances and guarantees by customer as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

(Unit : Korean won in millions)

Classification	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Confirmed acceptances and guarantees:						
Large corporate	₩ 146,950	18.92	₩ 76,745	11.90	₩ 90,612	13.58
Small- and middle-sized corporate (*)	615,045	79.19	566,762	87.86	573,983	86.01
Household	14,701	1.89	1,559	0.24	2,758	0.41
	₩ 776,696	100.00	₩ 645,066	100.00	₩ 667,353	100.00
Unconfirmed acceptances and guarantees:						
Large corporate	₩ 90,546	27.70	₩ 111,130	31.60	₩ 102,039	33.04
Small- and middle-sized corporate (*)	236,166	72.25	240,561	68.40	206,775	66.96
Household	159	0.05	-	-	-	-
	₩ 326,871	100.00	₩ 351,691	100.00	₩ 308,814	100.00

(*) Small- and middle-sized corporate indicates SME in Article 2, Section 1, of small- and medium-sized enterprise basic law.

(4) Confirmed and unconfirmed acceptances and guarantees by country as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

(Unit : Korean won in millions)

Classification	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Confirmed acceptances and guarantees:						
Korea	₩ 776,636	99.99	₩ 644,966	99.98	₩ 667,203	99.98
Taiwan	60	0.01	100	0.02	150	0.02
	₩ 776,696	100.00	₩ 645,066	100.00	₩ 667,353	100.00
Unconfirmed acceptances and guarantees:						
Korea	₩ 326,871	100.00	₩ 351,691	100.00	₩ 308,814	100.00

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

(5) Unused commitments as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

(Unit : Korean won in millions)

Subject	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Corporates	₩ 3,590,969	₩ 2,837,702	₩ 2,805,913
Households	658,119	633,538	594,264
Credit card	1,717,662	1,485,047	1,382,009
Securities purchase agreement	110,814	55,407	55,407
	₩ 6,077,564	₩ 5,011,694	₩ 4,837,593

(6) Written-off loans

The Consolidated Group holds written-off loans, on which the relevant statute of limitations have not expired or the Consolidated Group has not lost its claim rights to borrowers and guarantors, amounting to ₩784,506 million, ₩777,057 million and ₩704,064 million as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively.

(7) Account receivables in unsettled spot transactions

As of December 31, 2011, the Consolidated Group accounts for account receivables in unsettled spot transaction of ₩2,077,302 million as receivables and accounts payable in unsettled spot transaction of ₩2,077,278 million as payables, which entered into sales and purchases contracts and was not due. In addition, the Bank accounts for account receivables in unsettled spot transaction of ₩3,523,659 million and ₩2,360,475 million as receivables and accounts payable in unsettled spot transaction of ₩3,523,761 million and ₩2,360,777 million as payables which entered into sales and purchases contracts and was not due as of December 31, 2010 and January 1, 2010, respectively.

(8) Lawsuits

As of December 31, 2011, the aggregate amounts of these claims brought by and against the Consolidated Group are approximately 20 cases (₩4,202 million) as a plaintiff and 43 cases (₩29,826 million) as defendant:

2010

(Unit: Korean won in millions)

Plaintiff	Defendant	Content	Amount	Progress
Pusan 2 Savings Bank	The Bank and others	Revoking of fraudulent act	₩ 294	Pending in the first trial
KDIC	The Bank and others	A claim for damages	482	Reconciliation recommendation
Woolimpacific Bridge Holdings Co., Ltd.	The Bank and JP Morgan Chase Bank	Refund of unfair profits and others (*)	23,244	Pending in the second trial

(*) The Consolidated Group may have the obligation to indemnify the plaintiff with third party jointly depending on the outcome of litigation, and the amount to fulfill obligations by third party is ₩5,811 million.

Meanwhile, the Consolidated Group recognized ₩3,205 million of provisions related to these lawsuits as of December 31, 2011.

(9) Disposal of loans

The Consolidated Group is obliged to repurchase some loans previously sold to the Korea Asset Management Corporation under certain conditions, including the following:

- When it is considered impossible to collect the loans and interest due to delay in repayment of loans and interest over six months.
- When it is considered impossible to collect the loans and interest due to the abrogation of court-receivership process and the cancelation of mediation.

Losses on sale of loans having repurchase option amount to ₩ nil, ₩337 million and ₩337 million as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively. An additional loss or profit may occur depending on the possibility of repurchase.

(10) Contingencies related to project financing (PF)

1) Asset-backed commercial paper (ABCP) purchase agreement relating to PF as of December 31, 2011, December 31, 2010 and January 1, 2010, is as follows:

(Unit : Korean won in millions)

Classification	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
ABCP	₩ 50,469	₩ 50,000	₩ 57,143

(*) The Consolidated Group enters into transactions with certain SPE and variable interest entities for construction PF loans, including the purchase of asset-backed securities and ABCP in a situation where the investors are not willing to purchase them.

2) The ABCP purchase agreements relating to PF as of December 31, 2011, are as follows:

(Unit : Korean won in millions)

Location	Institution	Amount	Balance	Commitment	Period	Type
Yongin City	Bank	₩ 50,000	₩ 50,000	Purchase obligations	2007.08 ~ 2012.08	ABCP
Pohang City	Bank	15,000	469	Purchase obligations	2011.08 ~ 2016.08	ABCP

34. TRUST ACCOUNTS:

(1) Financial summary of trust accounts for which the Bank provides the guarantees for a fixed rate of return and the repayment of principal as of December 31, 2011, December 31, 2010 and January 1, 2010, is as follows:

December 31, 2011

(Unit : Korean won in millions)

Account	Trust accounts guaranteeing a fixed rate of return and the repayment of principal (*1)	Trust accounts guaranteeing the repayment of principal (*2)	Mixed trust accounts (*3)	Performance-based trust accounts (*4)	Total
Deposit	₩ -	₩ -	₩ -	₩ 431,386	₩ 431,386
Securities	-	217,244	5,569	1,081,205	1,304,018
Loans	-	23,000	66	5	23,071
Call loans	-	20,000	-	-	20,000
Securities purchased under reverse repurchase agreements	-	-	-	430,000	430,000
Pecuniary loans	-	-	-	175,626	175,626
Office equipment and real estate	-	-	-	205,523	205,523
Other assets	-	2,590	30	13,726	16,346
Due from bank account	7	5,091	235	64,507	69,840
Allowance for possible losses	-	(183)	(10)	(43)	(236)
	₩ 7	₩ 267,742	₩ 5,890	₩ 2,401,935	₩ 2,675,574
Money trust	₩ 6	₩ 241,490	₩ 5,616	₩ 1,974,317	₩ 2,221,429
Asset trust	-	-	-	382,560	382,560
Other liabilities	1	18,550	206	45,058	63,815
Special reserve	-	7,702	68	-	7,770
	₩ 7	₩ 267,742	₩ 5,890	₩ 2,401,935	₩ 2,675,574

(*1) Trust accounts guaranteeing a fixed rate of return and the repayment of principal: Unspecified monetary trust and development monetary trust.

(*2) Trust accounts guaranteeing the repayment of principal: Elderly living pension trust, personal pension trust, retirement trust, new personal pension trust, and pension trust.

(*3) Mixed trust guaranteeing the repayment of principal or not: Installment trust, household trust, and corporation trust.

(*4) Performance dividend trust: Household long-term trust, new type saved trust, government-issued stock trust, specified money trust, unit money trust, additional money trust, preferred worker trust, and retirement annuity trust.

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

December 31, 2010

(Unit : Korean won in millions)

Account	Trust accounts guaranteeing a fixed rate of return and the repayment of principal (*1)	Trust accounts guaranteeing the repayment of principal (*2)	Mixed trust accounts (*3)	Performance-based trust accounts (*4)	Total
Deposit	₩ -	₩ -	₩ -	₩ 285,672	₩ 285,672
Securities	-	220,816	8,278	996,442	1,225,536
Loans	-	18,747	120	27	18,894
Securities purchased under reverse repurchase agreements	-	-	-	310,000	310,000
Office equipment and real estate	-	-	-	210,877	210,877
Other assets	-	2,679	37	9,315	12,031
Due from bank account	8	17,434	826	45,551	63,819
Allowance for possible losses	-	(183)	(8)	(41)	(232)
	₩ 8	₩ 259,493	₩ 9,253	₩ 1,857,843	₩ 2,126,597
Money trust	₩ 7	₩ 235,723	₩ 8,547	₩ 1,610,790	₩ 1,855,067
Asset trust	-	-	-	212,288	212,288
Other liabilities	1	16,487	593	34,765	51,846
Special reserve	-	7,283	113	-	7,396
	₩ 8	₩ 259,493	₩ 9,253	₩ 1,857,843	₩ 2,126,597

(*1) Trust accounts guaranteeing a fixed rate of return and the repayment of principal: Unspecified monetary trust and development monetary trust.

(*2) Trust accounts guaranteeing the repayment of principal: Elderly living pension trust, personal pension trust, retirement trust, new personal pension trust, and pension trust.

(*3) Mixed trust guaranteeing the repayment of principal or not: Installment trust, household trust, and corporation trust.

(*4) Performance dividend trust: Household long-term trust, new type saved trust, government-issued stock trust, specified money trust, unit money trust, additional money trust, preferred worker trust, and retirement annuity trust.

January 1, 2010

(Unit : Korean won in millions)

Account	Trust accounts guaranteeing a fixed rate of return and the repayment of principal (*1)	Trust accounts guaranteeing the repayment of principal (*2)	Mixed trust accounts (*3)	Performance-based trust accounts (*4)	Total
Deposit	₩ -	₩ -	₩ -	₩ 100,485	₩ 100,485
Securities	-	212,948	8,887	760,722	982,557
Loans	1,976	29,262	156	40	31,434
Securities purchased under reverse repurchase agreements	-	-	-	300,000	300,000
Office equipment and 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
Money trust	₩ 15	₩ 262,051	₩ 9,530	₩ 1,208,855	₩ 1,480,451
Asset trust	-	-	-	137,869	137,869
Other liabilities	2,213	8,647	538	27,679	39,077
Special reserve	-	7,401	128	-	7,529
	₩ 2,228	₩ 278,099	₩ 10,196	₩ 1,374,403	₩ 1,664,926

(*1) Trust accounts guaranteeing a fixed rate of return and the repayment of principal: Unspecified monetary trust and development monetary trust.

(*2) Trust accounts guaranteeing the repayment of principal: Elderly living pension trust, personal pension trust, retirement trust, new personal pension trust, and pension trust.

(*3) Mixed trust guaranteeing the repayment of principal or not: Installment trust, household trust, and corporation trust.

(*4) Performance dividend trust: Household long-term trust, new type saved trust, government-issued stock trust, specified money trust, unit money trust, additional money trust, preferred worker trust, and retirement annuity trust.

(2) Trust accounts holding the guarantees for a fixed rate of return and the repayment of principal as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

December 31, 2011		(Unit : Korean won in millions)		
Name of trust	Book value	Fair value	Charge to Bank account (*)	
Trust accounts guaranteeing the repayment of principal:				
Household trust	₩ 1,231	₩ 1,231	₩	-
Elderly living pension trust	1,170	1,170		-
Installment trust	268	268		-
Personnel pension trust	164,460	164,460		-
Retirement trust	6,051	6,051		-
New personnel pension trust	2,833	2,833		-
Pension trust	93,228	93,228		-
	269,241	269,241		-
Trust accounts guaranteeing a fixed rate of return and the repayment of principal:				
Unspecified monetary trust	7	6		(1)
	₩ 269,248	₩ 269,247	₩	(1)

December 31, 2010		(Unit : Korean won in millions)		
Name of trust	Book value	Fair value	Charge to Bank account (*)	
Trust accounts guaranteeing the repayment of principal:				
Household trust	₩ 1,885	₩ 1,885	₩	-
Elderly living pension trust	1,429	1,429		-
Installment trust	702	702		-
Personnel pension trust	168,027	168,027		-
Retirement trust	11,072	11,072		-
New personnel pension trust	2,818	2,818		-
Pension trust	76,147	76,147		-
	262,080	262,080		-
Trust accounts guaranteeing a fixed rate of return and the repayment of principal:				
Unspecified monetary trust	8	7		(1)
	₩ 262,088	₩ 262,087	₩	(1)

(*) As charge to Bank account is preferentially compensated by special reserves in the trust accounts, the Bank account does not bear any loss.

January 1, 2010		(Unit : Korean 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	15	15		-
Development trust	2,213	1,771		(442)
	2,228	1,786		(442)
	₩ 283,209	₩ 282,767	₩	(442)

(*) As charge to Bank account is preferentially compensated by special reserves in the trust accounts, the Bank account does not bear any loss.

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

35. RELATED-PARTY TRANSACTIONS:

(1) Related-party transactions for the years ended December 31, 2011 and 2010, are as follows:

(Unit: Korean won in millions)

Classification	Company	Account	2011	2010
Parent company	BS Financial Group Inc.	Interest on loans and others	₩ 277	₩ -
		Interest on deposits and others	11	-
Company under common control	BS Securities Co., Ltd.	Interest on loans and others	78	-
		Interest on deposits and others	124	-
	BS Capital Co., Ltd.	Interest on loans and others	13,510	-
		Interest on deposits and others	1,520	-
	BS Credit Information Co., Ltd.	Interest on deposits and others	1,706	-
	BS Information System Co., Ltd.	Interest on loans and others	149	-
Interest on deposits and others		813	-	

(2) Outstanding receivables and payables from related-party transactions as of December 31, 2011, December 31, 2010 and January 1, 2010, are as follows:

(Unit : Korean won in millions)

Classification	Company	Account	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Parent company	BS Financial Group Inc.	Deposits	₩ 169,651	₩ -	₩ -
		Other liabilities	1,233	-	-
Company under common control	BS Securities Co., Ltd.	Deposits	1,949	-	-
		Other liabilities	1,538	-	-
	BS Capital Co., Ltd.	Loans	70,000	-	-
		Other assets	187	-	-
		Deposits	5,362	-	-
	BS Credit Information Co., Ltd.	Other liabilities	464	-	-
		Deposits	4,673	-	-
	BS Information System Co., Ltd.	Other liabilities	463	-	-
		Deposits	5	-	-
			Other liabilities	442	-

(3) Compensation for key executives as of December 31, 2011 and 2010, is as follows:

(Unit: Korean won in millions)

Classification	Account	2011	2010
Short-term employee benefits	Salary	₩ 829	₩ 640
	Social security contributions	38	14
Post-employment benefits	Provision of allowance for retirement benefits	729	(41)
Share-based payment	Short-term compensation cost	570	-
	Long-term compensation cost	224	294

36. CONSOLIDATED STATEMENTS OF CASH FLOWS:

(1) The Consolidated Group's cash and cash equivalents in the consolidated statements of cash flows as of December 31, 2011 and 2010, are as follows:

(Unit : Korean won in millions)

Classification	Dec. 31, 2011	Dec 31, 2010
Cash on hand	₩ 381,149	₩ 343,204
Foreign currencies	73,442	56,648
Deposits in local currency	1,959,387	1,591,855
Deposits in foreign currencies	76,269	86,694
	2,490,247	2,078,401
Due from banks with maturity exceeding three months (Note 7)	14,866	349,699
	₩ 2,475,381	₩ 1,728,702

Cash and cash equivalents in the consolidated statements of cash flows include cash, cash in other branches, deposits in the BOK and deposits in other financial institutions and are subtracted from deposits with maturity over three months after the date of acquisition.

(2) Details of the consolidated statements of cash flows from investing activities for the years ended December 31, 2011 and 2010, are as follows:

Classification	(Unit : Korean won in millions)			
	2011		2010	
CASH INFLOWS FROM INVESTING ACTIVITIES:				
Disposal of AFS financial assets	₩	1,077,027	₩	1,226,710
Disposal of HTM financial assets		1,159,705		1,569,070
Decrease in disposal of subsidiaries and associates		60,090		111,744
Decrease in domestic exchange settlement debits		-		6,818
Decrease in accounts receivable		1,452,625		-
Decrease in other receivables		-		501
Disposal of tangible assets		336		1,202
		3,749,783		2,916,045
CASH OUTFLOWS FOR INVESTING ACTIVITIES:				
Acquisition of AFS financial assets		(1,725,775)		(1,296,112)
Acquisition of HTM financial assets		(1,659,673)		(1,710,223)
Increase in domestic exchange settlement debits		(106,424)		-
Increase in accounts receivable		-		(1,167,194)
Increase in other receivables		(1,424)		-
Acquisition of tangible assets		(96,053)		(65,907)
Acquisition of intangible assets		(3,941)		(24,130)
		(3,593,290)		(4,263,566)
Net cash provided by (used in) investing activities	₩	156,493	₩	(1,347,521)

(3) Details of the consolidated statements of cash flows from financing activities for the years ended December 31, 2011 and 2010, are as follows:

Classification	(Unit : Korean won in millions)			
	2011		2010	
CASH INFLOWS FROM FINANCING ACTIVITIES:				
Increase in bills sold	₩	23,385	₩	9,716
Increase in call money		-		241,526
Increase in bonds sold under repurchase agreements		212,534		-
Increase in borrowings in local currency		355,189		234,516
Increase in borrowings in foreign currencies		311,545		-
Proceeds from debentures in local currency		579,622		999,361
Proceeds from debentures in foreign currencies		266,530		-
Increase in foreign currency exchange payables		-		3,844
Increase in derivative liabilities		100,298		-
Increase in payables		-		1,187,208
Increase in trust payable		28,564		-
Increase in agency business accounts		-		2,175
Increase in agency account		-		4,336
Increase in sundry liabilities		2,627		-
		1,880,294		2,682,682
CASH OUTFLOWS FOR FINANCING ACTIVITIES:				
Decrease in call money		(333,659)		-
Increase in bonds sold under repurchase agreements		-		(255,802)
Decrease in borrowing in foreign currencies		-		(272,845)
Repayment of debentures in local currency		(535,000)		(1,000,516)

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

Classification	(Unit : Korean won in millions)	
	2011	2010
Decrease in derivative liabilities	-	(25,009)
Decrease in domestic exchange uncollected	(31,938)	(94,556)
Decrease in foreign currency exchange uncollected	(2,257)	-
Decrease in payables	(1,450,659)	-
Decrease in trust payable	-	(72,313)
Decrease in agency business accounts	(8,290)	-
Decrease in agency accounts	(19,393)	-
Decrease in sundry liabilities	-	(4,955)
Dividend	(176,789)	(29,869)
	(2,557,985)	(1,755,865)
Net cash (used in) provided by financing activities	₩ (677,691)	₩ 926,817

(4) Transactions without cash inflows and outflows for the years ended December 31, 2011 and 2010, are as follows:

Classification	(Unit : Korean won in millions)			
	2011		2010	
Decrease of loans from write-offs	₩	112,677	₩	127,878
Reclassification of construction in progress		23,284		20,444
Disposal of investments in subsidiaries		-		74,679

37. ESTABLISHMENT OF BS FINANCIAL GROUP INC.:

The Bank and its subsidiaries, BS Securities Co, Ltd., BS Capital Co., Ltd., and BS Credit Information Co., Ltd., approved the stock transfer plan to establish BS Financial Group Inc. (a holding company) at the shareholders' meeting on January 18, 2011, and received final approval from the Financial Services Commission on March 2, 2011. In accordance with the approval, BS Financial Group Inc. was established on March 15, 2011, and the Bank's shareholders received one common stock of BS Financial Group Inc. for one common stock of the Bank. Accordingly, the Bank became a wholly owned subsidiary of BS Financial Group Inc.; the stocks of BS Financial Group, Inc. were listed and the stocks of the Bank delisted from the KRX concurrently on March 30, 2011. Through the stock transfer, the Bank received 6,843,988 shares of BS Financial Group, Inc. and 6,696,249 shares of them were subsequently sold for the year ended December 31, 2011. As of December 31, 2011, the Bank classified these stocks as AFS financial assets and will dispose 147,739 shares within three years from the acquisition date.

38. DISCONTINUED OPERATIONS:

The Consolidated Group transferred all the stocks of its subsidiaries, such as BS Securities Co., Ltd., BS Capital Co., Ltd. and BS Credit Information Co., Ltd., to BS Financial Group Inc. on March 15, 2011. Accordingly, the former three companies are excluded from subsidiaries in the Consolidated Group's consolidation as of December 31, 2011.

(1) Consolidated statement of comprehensive income for the year ended December 31, 2010, classified by discontinued operations is as follows:

Classification	(Unit : Korean won in millions)	
	2010	
Net interest income	₩	912,905
Net commission income		85,209
Gain on investment financial assets		71,046
Provision of allowance for credit loss and others		(177,860)
Other operating losses		(416,092)
Operating income		475,208
Non-operating income		10,976
Income before income tax expense		486,184
Income tax expense		(115,727)
Income from continuing operations		370,457
Income from discontinued operations		767
Net income	₩	371,224

(2) Results from discontinued operations for the year ended December 31, 2010, are as follows:

(Unit : Korean won in millions)

Classification	BS Securities Co., Ltd.	BS Capital Co., Ltd.	BS Credit Information Co., Ltd.	Total
Net interest income	₩ 2,987	₩ 1,341	₩ 148	₩ 4,476
Net commission income	7,296	(750)	-	6,546
Gain on financial assets at FVTPL	310	-	-	310
Gain on AFS financial assets	282	-	-	282
Provision of allowance for credit loss and others	-	(707)	-	(707)
Gain (loss) on foreign exchange trading	(21)	3	-	(18)
Gain on derivative instruments	7,784	-	-	7,784
Other operating revenues (expenses)	(16,188)	(1,399)	443	(17,144)
Income before income tax expense	2,450	(1,512)	591	1,529
Income tax expense	(636)	-	(126)	(762)
Income (loss) from discontinued operations	₩ 1,814	₩ (1,512)	₩ 465	₩ 767

(3) Cash flows provided by (used in) discontinued operations for the year ended December 31, 2010, are as follows:

(Unit : Korean won in millions)

Classification	BS Securities Co., Ltd.	BS Capital Co., Ltd.	BS Credit Information Co., Ltd.	Total
Net cash (used in) provided by operating activities	₩ (93,997)	₩ (108,198)	₩ 305	₩ (201,890)
Net cash (used in) provided by investing activities	(1,764)	(1,355)	1	(3,118)
Net cash provided by financing activities	10,000	109,595	-	119,595
	₩ (85,761)	₩ 42	₩ 306	₩ (85,413)

(4) The carrying amounts of assets and liabilities in discontinued operations at the date when the control ceased are as follows:

(Unit : Korean won in millions)

Classification	BS Securities Co., Ltd.	BS Capital Co., Ltd.	BS Credit Information Co., Ltd.	Total
Assets:				
Cash and due from banks	₩ 87,934	₩ 42	₩ 4,171	₩ 92,147
Financial assets at FVTPL	3,588	-	-	3,588
AFS financial assets	11,264	-	-	11,264
HTM financial assets	15,069	6	6	15,081
Loans and receivables	12,067	115,084	459	127,610
Tangible assets	1,347	1,349	42	2,738
Other assets	3,904	3,235	17	7,156
	135,173	119,716	4,695	259,584
Liabilities:				
Deposits	77,243	-	-	77,243
Borrowings and debentures	-	89,595	-	89,595
Other liabilities	3,763	11,633	244	15,640
	81,006	101,228	244	182,478
Net book value	₩ 54,167	₩ 18,488	₩ 4,451	₩ 77,106

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

(5) The amounts that the Consolidated Group received in exchange for transferring stocks of the below companies are as follows:

(Unit : Korean won in millions, except for shares)

Company	Shares	Selling price
BS Securities Co., Ltd.	4,347,607	₩ 51,679
BS Capital Co., Ltd.	1,778,464	20,000
BS Credit Information Co., Ltd.	570,178	3,000
	6,696,249	₩ 74,679

The transaction of transferring subsidiaries by establishing BS Financial Group Inc., to reorganize corporate governance, had little commercial substance with no changes in assets and liabilities of consolidated entities. The Consolidated Group did not recognize any gain or loss from the transaction with regard to the comprehensive stock transfer.

39. TRANSITION EFFECTS OF K-IFRS:

The Consolidated Group's consolidated financial statements for the year ended December 31, 2011, have been prepared in accordance with K-IFRS since January 1, 2011. The consolidated financial statements as of December 31, 2010 and January 1, 2010, were prepared in accordance with K-GAAP. The Consolidated Group's consolidated financial statements were rewritten to apply the Financial Accounting Standard No. 1101. The first adoption of K-IFRS, as the conversion date of K-IFRS on January 1, 2010.

(1) Significant differences between K-IFRS and K-GAAP

Significant differences between K-IFRS adopted by the Consolidated Group and K-GAAP are as follows:

Classification	K-IFRS	K-GAAP
The first-time adoption of K-IFRS		
Fair value or revaluation as deemed cost	The Consolidated Group has elected not to measure an item of tangible assets at the date of transition to K-IFRS at its fair value and use the carrying amounts reported under previous K-GAAP as its deemed cost on that date	Not applicable
Cumulative translation differences	The Consolidated Group has elected to reset its cumulative foreign currency translation adjustments from translation of foreign operations to zero at January 1, 2010	Not applicable
Fair value measurement of financial assets or financial liabilities at initial recognition	Notwithstanding the requirements of K-IFRS 1039 paragraphs 7 and 9, the Consolidated Group has elected to apply the requirements in the last sentence of K-IFRS 1039 paragraph AG76 and in paragraph AG76A, prospectively to transactions entered into after January 1, 2010.	Not applicable
Derecognition of financial assets and liabilities	The Consolidated Group has elected to apply the derecognition requirements in K-IFRS 1039 prospectively for transactions occurring on or after January 1, 2010. In other words as the Consolidated Group derecognized non-derivative financial assets or non-derivative financial liabilities in accordance with its previous K-GAAP as a result of a transaction that occurred before January 1, 2010, it shall not recognize those assets and liabilities in accordance with K-IFRS (unless they qualify for recognition as a result of a later transaction or event).	Not applicable
Designation of previously recognized financial instruments	The Consolidated Group has elected to designate a financial asset as measured at FVTPL in accordance with paragraph 4.5 of K-IFRS 1039, on the basis of the facts and circumstances that exist at the date of transition to K-IFRS. Also, the Consolidated Group has elected to designate an investment in an equity instrument at fair value through other comprehensive income in accordance with paragraph 5.4.4 of K-IFRS 1039, on the basis of the facts and circumstances that exist at the date of transition to K-IFRS.	Not applicable
Share-based payment transactions	The Consolidated Group has elected not to apply K-IFRS 1102, Share-based Payment, to equity instruments that have been granted on or before January 1, 2010, and not to apply K-IFRS 1102 to equity instruments that have been granted after November 7, 2002.	Not applicable

Classification		K-IFRS	K-GAAP
The first-time adoption of K-IFRS	Decommissioning liabilities included in the cost of tangible assets	The Consolidated Group has elected not to comply with K-IFRS 2101, Changes in Existing Decommissioning, Restoration and Similar Liabilities, and the Consolidated Group measures the liability at the date of transition to K-IFRS in accordance with K-IFRS 1037.	Not applicable
	Use of deemed cost for investments in subsidiaries, jointly controlled entities and associates	The Consolidated Group has elected to measure investments using deemed cost, as previous K-GAAP carrying amount, at that date in its opening K-IFRS statement of financial position.	Not applicable
Investments in subsidiaries, jointly controlled entities and associates		The Consolidated Group applies the cost method.	The Consolidated Group applies the equity method.
Changes in consolidated companies		Regardless of amount of total assets, a subsidiary over which a parent company has control is consolidated.	A subsidiary whose total assets are less than ₩10 billion is excluded from consolidation.
Financial instruments classifications		The Consolidated Group classifies financial assets into one of the following categories: financial assets at FVTPL, AFS financial assets, HTM financial assets and loans and receivables. The Consolidated Group has two classes of financial liabilities: financial liabilities at FVTPL and other financial liabilities.	Financial assets are classified by instrument into cash and due from banks, securities and loans, and the securities are classified in trading securities, AFS securities and HTM securities. Financial liabilities are classified into demand deposits, borrowings, debentures and other liabilities.
Financial instruments measurement		Financial assets and liabilities at FVTPL and AFS financial assets are measured at fair value reflecting credit risk. HTM financial assets and loans and receivables are measured at amortized cost using the effective interest rate method.	The financial assets that are subject to fair value measurement are limited to trading securities, AFS securities and derivatives. No credit risk reflected. The amortized cost is measured by using the effective interest rate method.
Allowance for possible losses on loans		The Consolidated Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant, by calculating an objective and reasonable method. The Consolidated Group uses the experienced loss rate on individual loans or a homogeneous loan group.	In estimating the allowance for losses on corporate and household loans, including credit card loan losses, the Consolidated Group records the greater amount between the expected loss method amount and the financial supervisory service guideline for each loan classification.
Derecognition of financial assets		Financial assets are derecognized based on the risks and rewards, control and continuing involvement or not.	Financial assets are derecognized when control is transferred.
Employee benefits		The present value of the estimated retirement benefits calculated using actuarial assumptions and discount rates is accrued as defined benefit obligation, in accordance with the Consolidated Group's severance policy.	The Consolidated Group accrued estimated severance indemnities calculated, as if all employees with more than one year of service were to terminate as of the end of reporting period, in accordance with the Consolidated Group's severance policy.
Reclassification of investment property		It is reclassified as investment property.	Properties held to earn rentals or for capital appreciation or both are classified and accounted for tangible assets.
Review of the useful life or depreciation method		The Consolidated Group reviewed the depreciation method and the useful life of the asset to reflect the pattern and the duration in which the asset's future economic benefits are expected to be consumed by the Consolidated Group.	The Consolidated Group applies the same depreciation method since the election of it, unless there is objective evidence to change the depreciation method in a given year.
Intangible asset with indefinite useful life		An intangible asset with an indefinite useful life is not be amortized, but is subject to regular impairment testing.	An intangible asset with an indefinite useful life is amortized over a reasonable period less than 20 years, unless it is defined otherwise by law or contract.
Contingent liability		When it is more likely than not that an outflow of economic benefits will occur due to a present obligation resulting from past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the separate financial statements.	When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the consolidated financial statements.
Reclassification of guarantee deposits paid and guarantee deposits for membership		Guarantee deposits paid and guarantee deposits for memberships are recorded in intangible assets as rights to facility usage with indefinite useful lives and prepaid expenses, respectively. Prepaid expenses are reduced, recognized as expense, over the period of service.	Guarantee deposits paid and guarantee deposits for memberships are recognized as other assets.

Notes To Consolidated Financial Statements

As Of December 31, 2011, December 31, 2010, And January 1, 2010, And
For The Years Ended December 31, 2011 And 2010

Classification	K-IFRS	K-GAAP
Financial guarantees	A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. The financial guarantee is initially recognized as financial guarantee assets or liabilities and measured at fair value. Subsequent to initial recognition, financial guarantee assets issued are measured at amortized cost using the effective interest rate method. Financial guarantee liabilities issued are measured at the higher of a) the amount determined by the best estimate of the expenditure required to settle the obligation or b) the amount initially recognized less, where appropriate, cumulative amortization.	Not applicable
Classification of equity	Equity is classified according to the substance of the contract, not its legal form.	Equity is classified according to its legal form.
Foreign currency translation	When translating a foreign currency transaction into the functional currency, assets and liabilities on the separate statement of financial position are recorded initially at the exchange rate prevailing at the end of reporting period. Equities should be recorded at the exchange rate at the date of the transaction. In the separate statement of comprehensive income, an average exchange rate for the period is used.	In translating a consolidated statement of financial position and a consolidated statement of comprehensive income, an average exchange rate for the period is used. However, if applying the Supervisory Regulation of the Banking Business (the "Supervisory Regulation"), the closing rate is used for all statements.
Allowance for possible losses on unused credit limits	The Consolidated Group records provision of allowance for possible losses on unused credit limits according to K-IFRS 1032, Provisions, Contingent Liabilities and Contingent Assets.	The Consolidated Group provides no less than the minimum rate required by the Supervisory Regulation for allowance for possible losses on unused credit limits for all unused purchase credit limits, unused cash advance facilities of credit card accounts, and unused credit limits of credit line commitments to households and corporations reflecting the credit conversion rate.
Expansion of recording an accrued income	An accrued income should be recorded for all assets regardless of being overdue. Impairment of the accrued income should be assessed and reflected on the allowance for possible losses.	The Consolidated Group 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.
Customer loyalty programs	The Consolidated Group applies paragraph 13 of K-IFRS 1018 and accounts for award credits as a separately identifiable component of the sales transactions in which they are granted (the „initial sale‘). The fair value of the consideration received or receivable, in respect of the initial sale, is allocated between the award credits and the other components of the sale. The Consolidated Group recognizes the consideration allocated to award credits as revenue when award credits are redeemed and the Consolidated Group fulfills its obligations to supply awards. The amount of revenue recognized is based on the number of award credits that have been redeemed in exchange for awards, relative to the total number expected to be redeemed. A liability is recognized for the excess in accordance with K-IFRS 1037; the need to recognize such a liability arises if the expected costs of supplying the awards increase.	The Consolidated Group records allowance for possible losses on points that are related to credit card sales.
Deferred Tax	The related deferred tax assets or liabilities are recognized according to sources of the temporary differences.	The temporary differences relating to investments in subsidiaries are not classified by their source.

(2) Effects of the Consolidated Group's financial position, results of operations, and cash flows

As a result of the conversion from K-GAAP to K-IFRS, the effects of the Consolidated Group's financial position, business performance, and cash flows are as follows:

1) The effects of the Consolidated Group's financial condition due to adoption of K-IFRS at the transition date of January 1, 2010, are as follows:

(Unit : Korean won in millions)

Classification	Assets		Liabilities		Equities	
K-GAAP	₩	30,890,113	₩	28,770,577	₩	2,119,536
Adjustments:						
Allowance for loan losses		45,351		-		45,351
Deferred loan origination costs (fees)		(7,819)		-		(7,819)
Recognition of financial guarantees		3,194		4,917		(1,723)
Retirement benefit obligation and compensated absence		-		(7,257)		7,257
Other allowance		-		(34,151)		34,151
Deferred points revenue		-		6,233		(6,233)
Changes in consolidation scope		(208,517)		(223,672)		15,155
Deferred tax effect on adjustments		(16,771)		5,096		(21,867)
		(184,562)		(248,834)		64,272
K-IFRS	₩	30,705,551	₩	28,521,743	₩	2,183,808

2) The effects of the Consolidated Group's financial condition due to adoption of K-IFRS as of December 31, 2010, are as follows:

(Unit : Korean won in millions)

Classification	Assets		Liabilities		Equities		Net income		Other comprehensive income	
K-GAAP	₩	35,046,194	₩	32,588,184	₩	2,458,010	₩	333,518	₩	368,344
Adjustments										
Allowance for loan losses		62,314		-		62,314		20,925		20,925
Deferred loan origination costs (fees)		(6,792)		-		(6,792)		979		979
Recognition of financial guarantees		2,569		3,426		(857)		2,227		2,227
Retirement benefit obligation and compensated absence		-		(8,553)		8,553		58		58
Other allowance		-		(37,050)		37,050		(423)		(423)
Deferred points revenue		-		5,489		(5,489)		744		744
Changes in consolidation scope		(233,378)		(250,085)		16,707		19,260		4,859
Deferred tax effect on adjustments		-		23,969		(23,969)		(6,064)		(6,064)
		(175,287)		(262,804)		87,517		37,706		23,305
K-IFRS	₩	34,870,907	₩	32,325,380	₩	2,545,527	₩	371,224	₩	391,649

3) Explanation of material adjustments to the consolidated statement of cash flows

Deposits were classified as financing cash flows in accordance with previous K-GAAP, but in accordance with K-IFRS, deposits are reclassified as operating cash flows, and restricted deposits are reclassified from investing cash flows to operating cash flows. Designated derivatives as hedging instruments classified as operating cash flows under previous K-GAAP are recognized as the same cash flows as the related risk hedging transaction. In addition, cash flows from acquisition and deposition of financial instruments except for financial instruments for trading purpose were classified as operating cash flows under previous K-GAAP, but are reclassified as investing cash flows under K-IFRS.

There are no other material differences between the consolidated statement of cash flows presented under K-IFRS and the consolidated statement of cash flows presented under previous K-GAAP.

Management

Management

Sung, Se Whan
Chairman and CEO

Chung, Min Ju
Standing Auditor

Chung, Jae Young
Senior Vice President and COO

Lee, Ji Ho
Vice President and Managing Director

Beak, Kyoung Ho
Vice President and Managing Director

Cha, Jae Joo
Executive Vice President

Lee, Chang Yoeul
Executive Vice President

Bae, Nam Seok
Executive Vice President

Choi, Byung Jin
Executive Vice President

Kim, Il Soo
Executive Vice President

Non-standing Directors

Lee, Yoon Jae
Outside Director, LG Corporation

Lee, Kee Joong
Lawyer, Law Firm Jeong In

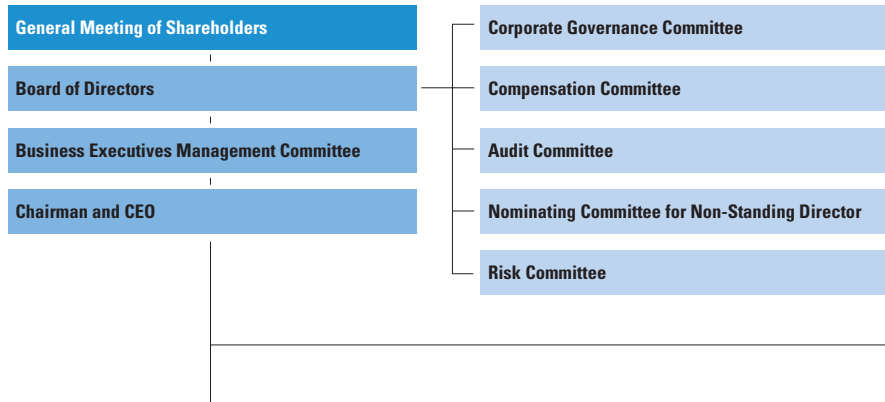
Han, Jae Min
Professor, Korea University

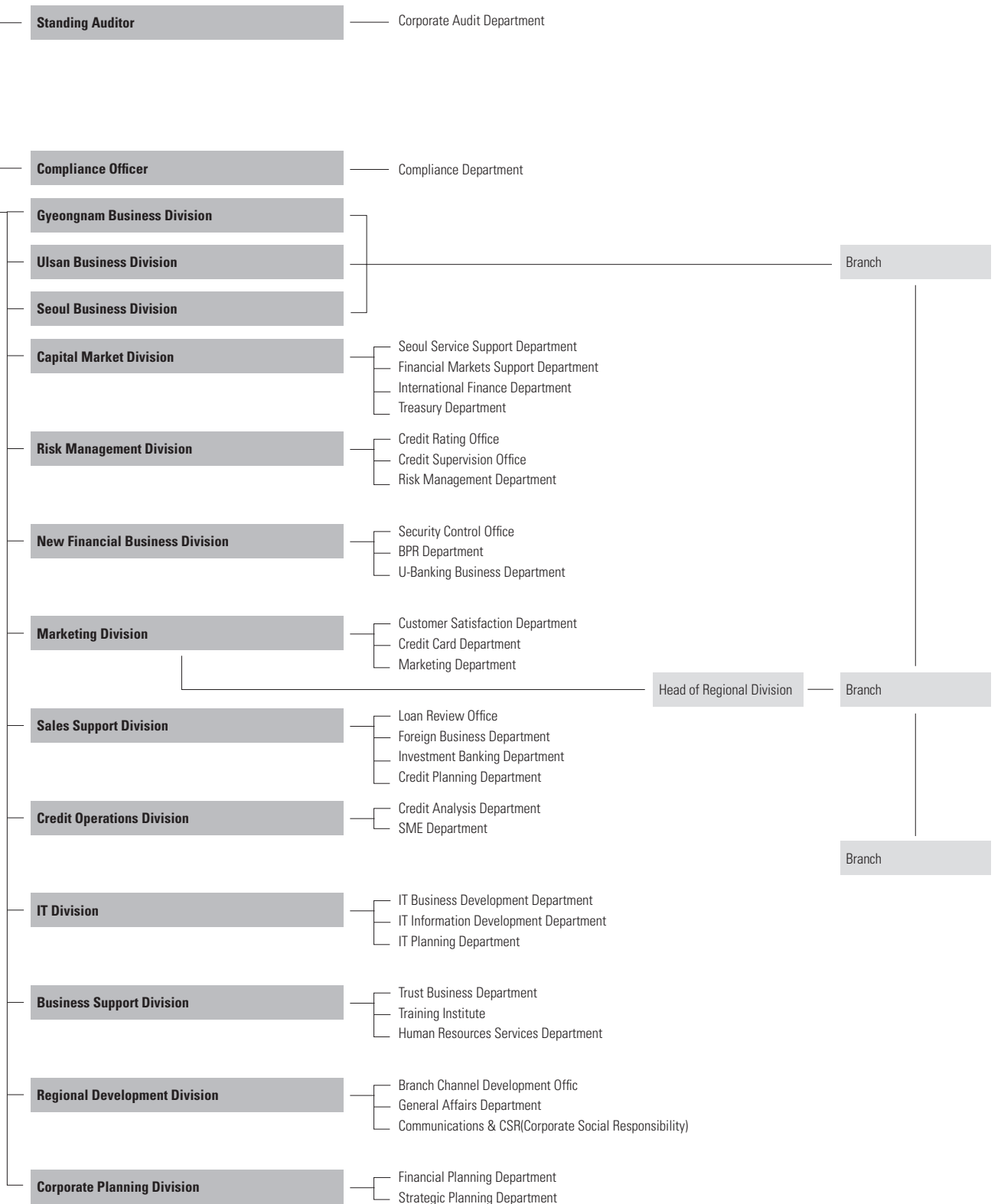
Kim, Jong Hwa
Professor, Duksung Women's University

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

(As of March 2012)

Organization Chart





Banking Directory

International Banking Directory

International Finance Dept. (Front Office)

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

Tel (82)-(2)-758-6200

Fax (82)-(2)-758-6324

BIC PUSBKR2PINT

Department Manager Joo, Young-uk

Financial Markets Support Dept. (Back Office)

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Fax (82)-(2)-758-6398

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E-mail pusbint@busanbank.co.kr

Department Manager Kim, Sung-hwa

Foreign Business Dept.

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Fax (82)-(51)-669-8481

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Chief Representative Cho, Chang-je

Ho Chi Minh Representative Office

Address Unit 502,5th Floor, Sun Wah Tower, 115 Nguyen Hue Boulevard, District 1, Ho Chi Minh City, Vietnam

Tel (84)-(8)-3827-9777

Fax (86)-(8)-3827-8495

Chief Representative Choi, Keun-hwan

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
 - Wells Fargo Bank, 2000191022429, PNBUS3N, 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
 - JPMorgan Chase Bank National Association, 000000780254736, CHASUS33, New York
- JPY**
- Standard Chartered Bank, 0211037-1111, SCBLJPJT, Tokyo
 - Sumitomo Mitsui Banking Corp., 3157, SMBCJPJT, Tokyo
 - Wells Fargo Bank, 96080069, PNBUJPXXXX, Tokyo
- GBP**
- HSBC Bank PLC, 35435935, MIDLGB22, London
 - Korea Exchange Bank, 1301000061, KOEXGB2L, London
- EUR**
- Standard Chartered Bank, DE44512305000018005506, SCBLDEFXXX, Frankfurt
 - ING Belgium SA/NV, BE83301018879315, BBRUBEBB010, Brussels
 - Commerzbank, 400885100800EUR, COBADEFFXXX, Frankfurt
 - LBBW, 2804895, SOLADESTXXX, Frankfurt

- CHF** - UBS AG, 0230-87106.05P, UBSWCHZH80A, Zurich
- DKK** - Danske Bank, 3007536712, DABADKKK, Copenhagen
- SEK** - Nordea Bank, 39527907721, NDEASESS, Stockholm
- HKD** - Standard Chartered Bank, 411-094-0105-9, SCBLHKHH, Hong-Kong
- SGD** - OCBC Bank, 517331567001, OCBCSGSG, Singapore
- IDR** - Standard Chartered Bank, 0100055486, SCBLIDJX, Jakarta
- CAD** - Toronto Dominion Bank, 0360-01-2304648, TDOMCATTOR, Toronto
- Bank of Montreal, 31441039180, BOFMCAT2, Toronto
- NZD** - ANZ Bank, 835504.00001, ANZBNZ22058, Wellington
- AUD** - ANZ Bank, 152793AUD00001, ANZBAU3MXXX, Melbourne
- THB** - Standard Chartered Bank, 00100781780, SCBLTHBXXX, Bangkok
- NOK** - Korea Exchange Bank, 963-THR-108-14(00)-1, KOEXKRSE, Seoul
- AED** - Standard Chartered Bank, 15 4223659 01 AED, SCBLAEADXXX, Dubai
- CNY** - Industrial and Commercial Bank of China, 0006010011520810276, ICBKKRSEXXX, Seoul

Domestic Subsidiaries

BS Securities Co.,Ltd

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

Tel (82)-(51)-669-8000

Fax (82)-(51)-669-8009

Paid in Capital KRW 85 billion

Holding Share 100%

Busan Credit Information Co., Ltd.

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

Tel (82)-(51)-890-5000

Fax (82)-(51)-895-2342

Paid-in Capital KRW 3 billion

Holding Share 100%

BS Capital Co.,Ltd.

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

Tel (82)-(51)-665-1000

Fax (82)-(51)-819-1082

Paid in Capital KRW 100 billion

Holding Share 100%

BS Savings Bank Co.,Ltd.

Address 75, Sesilro, Haeundae-Gu, Busan 612-825, Korea

Tel (82)-(51)-713-1000

Fax (82)-(51)-713-1011

Paid in Capital KRW 31 billion

Holding Share 100%

BS Information System Co.,Ltd.

Address Busan Bank Bldg 4th FL, 8-2, Shinchang-Dong, Jung-Gu, Busan 600-061, Korea

Tel (82)-(51)-602-1700

Fax (82)-(51)-602-1799

Paid in Capital KRW 3 billion

Holding Share 100%

IR Information

Head Office

Busan Bank Co.,Ltd.

830-38, Beomil-dong, Dong-gu, Busan 601-717, Korea

Date of Establishment

October 25, 1967

Paid-in Capital

KRW 933.4 billion

Corporate Data (As of December 31, 2011)

Branch Network : 251 branches

Employees : 3,486

ATMs & CDs : 1,749

Major Shareholders (end 4Q 2011, the most recent fair disclosures)

Aberdeen Asset Management Asia Limited : 14.0 %

Lotte Group (incl. Japan Lotte) : 13.6 %

National Pension Service : 4.5 %

Parkland Co., Ltd. : 4.1 %

Saudi Arabian Monetary Agency : 4.0%

Vanguard Fund : 2.4%

Templeton : 1.7%

Securities Listings

BS Financial Group : 138930 (Korea Exchange)

Information Availability

www.busanbank.co.kr

IR Contacts

Kim, Sang-Jin (Head of IR)

John Kim (IR Manager)

Tel : (82)-(2)-758-6072

john.kim@busanbank.co.kr

Network



Busan : Headquarters / Foreign Business Dept.

Seoul : Capital Market Division / IR

Qingdao : Representative Office

Ho Chi Minh : Representative Office

Busan Metropolitan City – Hub of Northeast Asia

Busan is a major commercial hub with ongoing growth potential

Hub of Northeast Asia



Quick facts on Busan and its vicinity

-  **Population**
3.7 million
-  **Area**
763.58km² (183,259acres)
-  **Average Temperature**
14.3°C (57.7°F) -January : 2.5°C (36.5°F)-August : 24.1°C (78.4°F)
-  **GRDP Approx.**
USD150 Billion (Similar to Israel, Chile)
-  **Major Industries**
Port logistics, auto parts and materials, tourism & convention, film & IT, finance
-  **Sister Cities**
21 Cities (Los Angeles, Shanghai, Dubai, Barcelona, Fukuoka, etc.)
-  **International Flights**
241/week (30 cities, 10 Countries)

Korea's No.1 port city

- 75% of all container cargo coming in and out of Korea is processed in Busan

World's 5th largest container port

- Strategically located as a major port on the North American and European trunk routes
- Will be the starting point of transcontinental railway (Korea – China – Russia – Europe)

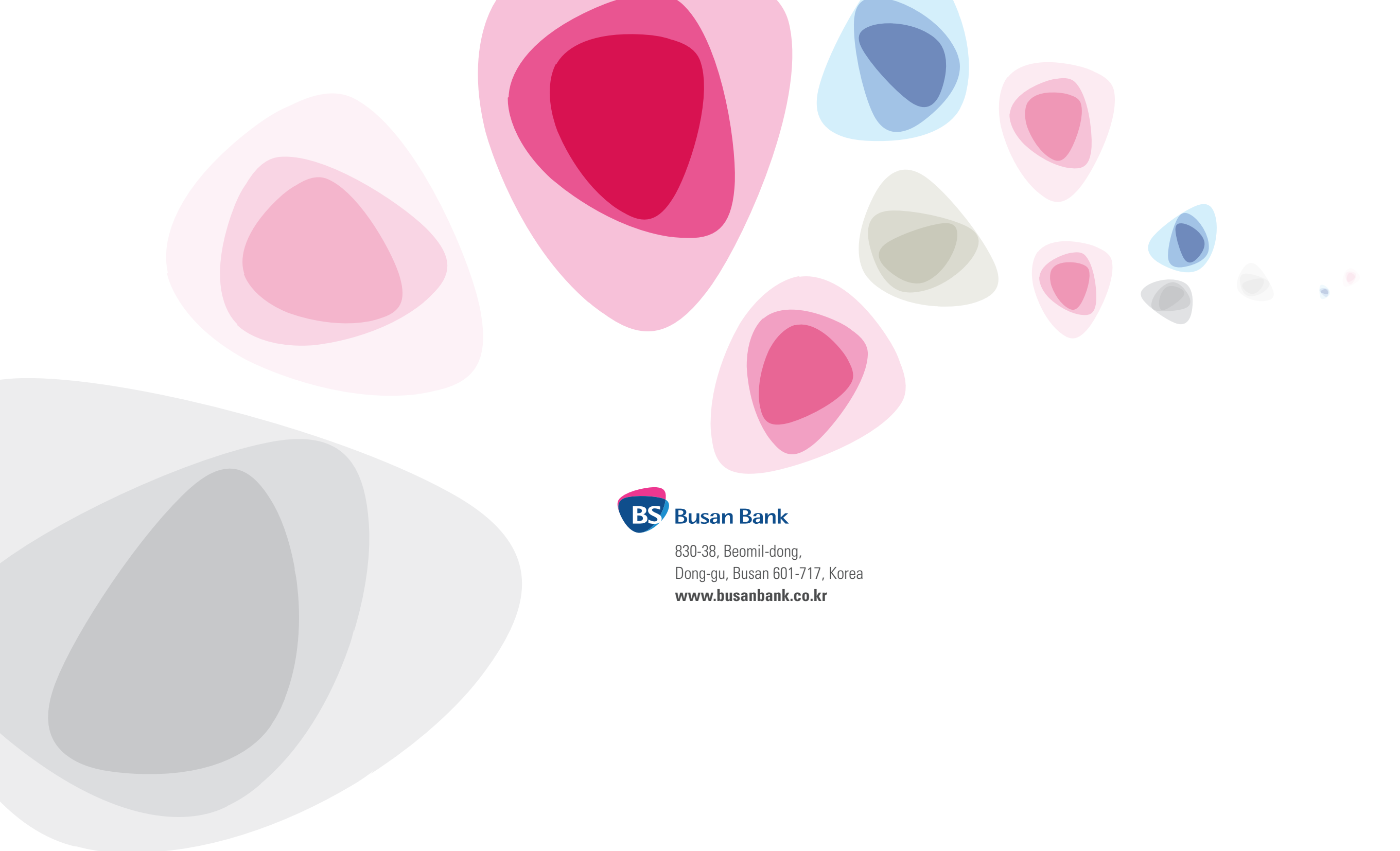
Center of Korea's Southeast Economic Belt, where Korea's leading industries are located

- 50% of shipbuilding, 90% of ship parts, 45% of automobiles, and 40% of machinery in Korea is produced in the region

International convention site and popular tourist destination

- One of "Top 10 Asian International Convention Cities" by UIA
- Successfully hosted 2002 Asian Games, 2002 FIFA World Cup, 2005 APEC Summit Meeting, Hometown of Pusan International Film Festival
- Accounts for more than 30% of Korea's tourism industry





Busan Bank

830-38, Beomil-dong,
Dong-gu, Busan 601-717, Korea
www.busanbank.co.kr



Nao



Narae