

2008 Annual Report

CHANGE

MORE THAN A THEORY

2008 ANNUAL REPORT CHANGE MORE THAN A THEORY

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

CORPORATE PROFILE

Founded in 1967, Busan Bank has grown into a top-performing regional bank that adheres to fundamental principles of asset soundness, strict risk management and strong sales capabilities. For 41 years it has taken a long-term view of its regional growth, and worked to imbue vitality in its economy by providing locally-tailored financial products and services. Busan Bank is committed to acting as a financially sound regional financial group with a diverse portfolio of services, and to using its passion and challenging spirit to grow in tandem with its community.

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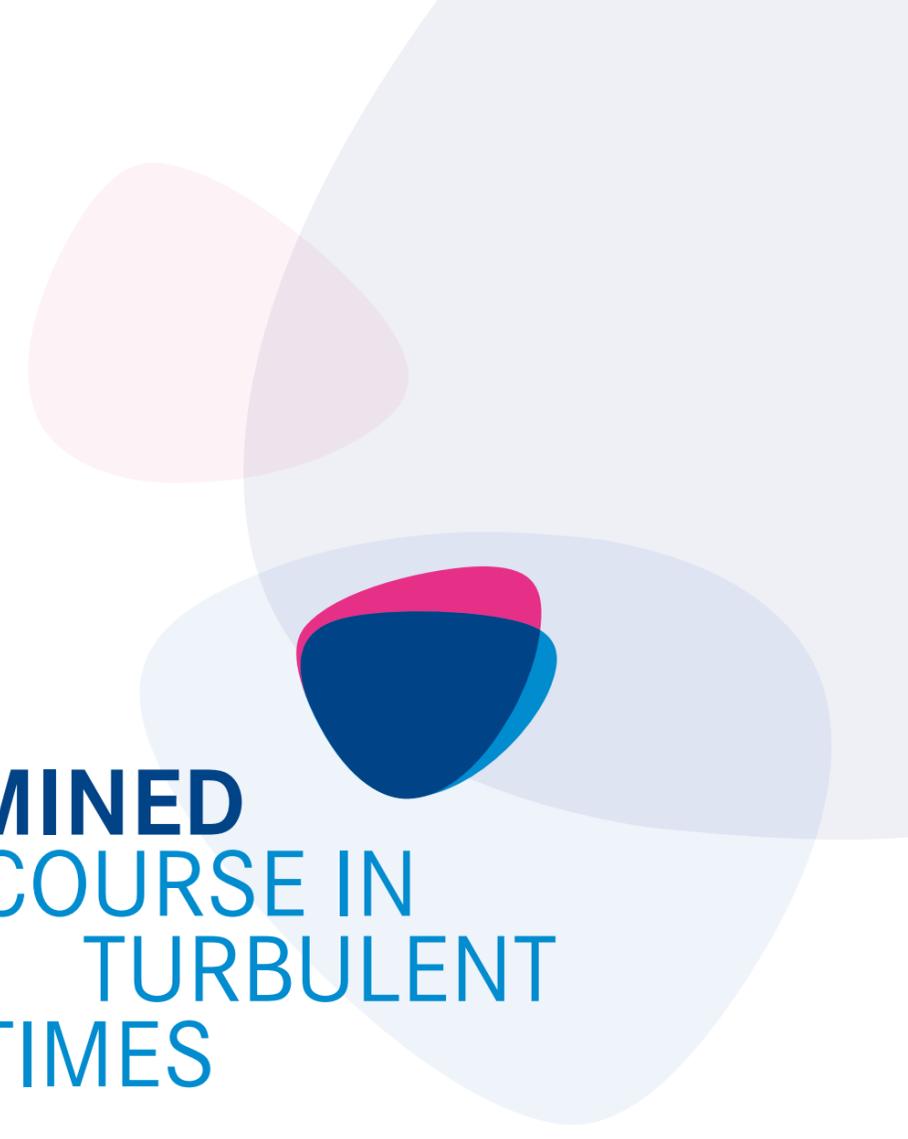
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A DETERMINED COURSE IN TURBULENT TIMES

The changes taking place in the world's financial markets today have the potential to affect every company and individual that is connected to the global economy. Despite some challenges faced in 2008, Busan Bank is well-positioned to chart a successful course, leveraging its ability, experience, global reach, market knowledge and most importantly, its innovative ideas and successful execution.



FINANCIAL HIGHLIGHTS

(In billions of Korean Won)

	2008	2007
FOR THE FISCAL YEAR		
Total Revenue	3,649.0	1,858.9
Total Expense	3,374.0	1,588.2
Net Income	275.0	270.7
AT YEAR'S END		
Total Assets	27,957.6	25,990.9
Total Deposits	16,758.2	16,212.9
Total Loans	19,440.1	17,905.6
Securities	5,238.6	5,028.0
Shareholder's Equity	1,645.8	1,472.7

Years ending December 31

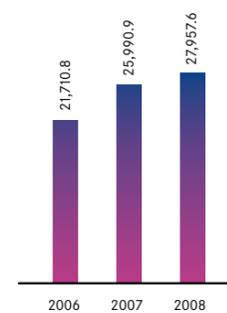
(In millions of USD)

	2008	2007
FOR THE FISCAL YEAR		
Total Revenue	2,901.8	1,981.3
Total Expense	2,683.1	1,692.8
Net Income	218.7	288.5
AT YEAR'S END		
Total Assets	22,232.7	27,702.9
Total Deposits	13,326.6	17,280.9
Total Loans	15,459.3	19,085.1
Securities	4,165.9	5,359.2
Shareholders' Equity	1,308.8	1,569.7

1) FY 2008 : KRW 1,257.50, FY2007 : KRW 938.20 PER USD 1.00

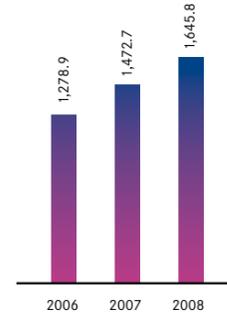
TOTAL ASSETS

(In billions of Korean Won)



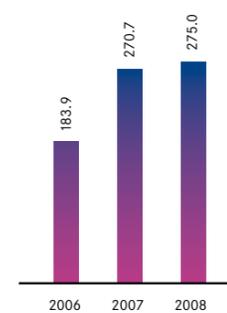
SHAREHOLDER'S EQUITY

(In billions of Korean Won)



NET INCOME

(In billions of Korean Won)



STOCK PRICE



SHAREHOLDER COMPOSITION

(As of Dec. 31, 2008)

Composition	Shares Outstanding	Ratio
Government and government-run companies	8,960	0.01%
Securities firms	81,336	0.05%
Insurance Companies	12,150	0.01%
Investment Trust Companies	5,087,669	3.47%
Financial Institutions	12,788,376	8.72%
Other Corporations	103,057,439	70.26%
Individuals	25,647,720	17.48%
Total	146,683,650	100.00%
※ Foreigners	77,302,421	52.70%

MAJOR SHAREHOLDERS

(end 4Q 2008, the most recent fair disclosures)

Shareholder	Percentage (%)
Lotte Group (incl. Japan Lotte)	14.11 %
Aberdeen Asset Management Asia Limited	13.53 %
Capital Research & Global Investors	6.31 %
Templeton Investment Counsel LLC	5.07 %
Parkland Co., Ltd.	4.45 %
National Pension Service	2.82 %
Korea Iron and Steel Co., Ltd.	1.90 %



CEO'S MESSAGE

Welcome to Busan Bank.

I would like to thank our customers and shareholders in advance for your continuous support and interest, and wish only the best for your prosperity.

The year 2008 was a tough period due to the spread of the global financial crisis, making the operating environment exceptionally testing for all Korean banks.

Even in such harsh conditions, Busan Bank has managed to create an outstanding financial performance, also was honored with countless awards such as the Dasan Financial Award, the President's Volunteer Service Award, Global Standard Management Award, Korean Service Award etc.

In anticipation of the CMIA(Capital Market Integration Act), we are focusing on not only the reduction of internal unnecessary cost factors, but also Risk Management as to any complications regarding exogenous variables such as FX rates, interest rates and stock prices etc.

Furthermore, to meet the social responsibility bestowed upon us, continuous local community restoration and real economy support will be our key objective to boost the regional economy.

Busan Bank has shown its unbending will to go forth with change and innovation with the introduction of the new CI (Corporate Identity). The management slogan for 2009 will be 'a blue sky beyond dark clouds' meaning if you overcome hardships, there will be a clear reward in the end.

With the passion and challenging spirit kept intact for 41 years of services in the Busan & Kyongnam region, we promise to become a true Super-Regional Financial Group in the near future, leading and supporting the regional economy and citizens.

Thank you again for your continuous support and wish you all the best.



Lee, Jang-ho
Chairman & CEO



BUSAN BANK POSTED EXCELLENT MANAGEMENT RESULTS IN 2008

Despite the difficult conditions prevailing in domestic and international financial markets, Busan Bank achieved KRW 275 billion in net income for 2008, a gain of KRW 4.3 billion over the previous year. The main factor was solid risk management. The Bank's ROA recorded 1.0% for the year, while ROE came to 17.56%, highlighting management's successful focus on profitability. In terms of financial soundness, the Bank completed the issuance of KRW 230 billion in hybrid bonds last December, owing to the strong support of local businesses and citizens. With this issue, the Bank's BIS ratio at year-end was 13.19% and its Tier 1 ratio closed at 8.43%.

BUSAN BANK BECAME THE FIRST LOCAL BANK IN KOREA TO ISSUE HYBRID BONDS

In December 2008, Busan Bank completed the first-ever issuance of hybrid bonds by a regional bank in Korea. The 30-year bonds carry a face value of KRW 230 billion and pay a coupon of 8.8%. Interest is paid every three months and the bank holds a conditional call option to recall the bonds after five years. This innovative capital-raising operation has propelled Busan Bank to the forefront of the domestic regional banking industry, and is expected to have a positive effect on the Bank's external credit ratings.

BUSAN BANK CHAIRMAN AND CEO JANG-HO LEE RECOGNIZED AS DRIVER OF NATIONAL ECONOMY

In July 2008, Hankyung Business selected Chairman and CEO Jang-ho Lee as the winner of its 2008 award for "CEO that Drives the National Economy". The weekly

magazine cited Mr. Lee's proactive leadership and management innovation, in addition to the Bank's significant contributions to Korea's national development. Mr. Lee says that his style is to emphasize close contacts to the local community and to focus his workers on customer satisfaction. His vision for Busan Bank is to grow it into the country's largest regional financial institution, while achieving solid profitability and asset soundness.

BUSAN BANK WON THE 2008 GLOBAL STANDARD MANAGEMENT AWARD

Busan Bank was honored to receive the Grand Prize in the social responsibility category of the "2008 Global Standard Management Awards", co-organized by the Korea Management Association Registration & Assessments Inc. and Korea

Industrial Systems Engineering. Chairman and CEO Jang-ho Lee also claimed the CEO Award for spearheading the Bank's social-responsibility initiatives and promoting management innovation in the field of corporate citizenship. Busan Bank carries out CSR activities that cater to regional needs, and works in tandem with local communities to operate the most efficient and effective social contribution programs. This year, the Bank has solidified its reputation as a top regional bank that adds value and earns the trust and respect of the citizens it serves.

BUSAN BANK CHAIRMAN AND CEO JANG-HO LEE RECEIVED BRONZE TOWER ORDER OF INDUSTRIAL SERVICE MERIT

Chairman and CEO Jang-ho Lee received the Bronze Tower Order of Industrial Service Merit on Labor Day in 2008, in recognition for his contributions to positive labor/management relations and employ-

ment stability. Mr. Lee has been widely commended for his consensus-building approach to the issue of non-contract workers – an issue that has troubled Korean labor/management relations for some time. His approach to converting the status of affected workers into regular workers was unique in Korea, and won him the loyalty of the Bank's employees. Busan Bank is at the forefront of establishing a new culture in labor relations based on open communication, empathy, family-oriented management and job creation for seniors and the disabled. This culture has reinforced the Bank's position as an iconic financial institution in the area of harmonious labor/management relations.

BUSAN BANK COMPLETED USD 170 MILLION IN NEW BORROWINGS

Busan Bank successfully completed a public debt offering in Hong Kong in March 2008, raising USD 170 million to fund the rollover of existing borrowings, new foreign currency loans to regional SMEs, and expansion of export/import financing. This was a rare success for a Korean regional bank in light of the tight credit markets at home and abroad, and was achieved over the course of a series of seminars and meetings with financial institutions in Hong Kong. It showcases the favorable reputation Busan Bank enjoys in foreign countries, thanks to the Bank's strong management performance, stable credit ratings and focus on shareholder value.

OUR SPECIALTY

In the ever-changing financial industry, the ability to face change with realism and flexibility is one of Busan Bank's greatest strengths. Since foundation in 1967, the Bank has demonstrated its ability to deliver innovation, execution and sustainable growth.

EMBRACING CHANGES

STANDING IN THE FRONT LINE



As a steadfast contributor to regional economic development for the past 41 years, Busan Bank has grown into one of the top banks in Korea's southeast. It creates value by adopting a customer-centric viewpoint, and focus on building the core capabilities that will bring its clients the greatest benefits. With passion and creativity, it will build upon past achievements and innovations to garner the highest loyalty from its customers, shareholders and the regional community.



We believe that 41 years of experience as the region's representative bank and our strategy to mark ourselves as the "Bank" of the Busan region will lead us to the **"Leading Bank of the East Asia."**

PUTTING DOWN NEW ROOTS

Busan Bank aims to become a representative regional bank in East Asia, and to do that, it needs to stretch beyond its home markets to seize overseas opportunities. The Bank sees foreign markets as a key opportunity for growth and revenue diversification over the mid- to long-term. Giving impetus to this strategy, the Bank enjoys high international credit ratings and a corporate client base that is steadily expanding its own overseas investments. Busan Bank will be a steadfast partner for its domestic and foreign clients, helping regional players achieve success with their own foreign expansion projects.



THINKING AHEAD, STAYING AHEAD



We are implementing bold new strategies that will enable Busan Bank to be reborn as the financial firm that is No. 1 in customer service. To respond effectively to the 2009 implementation of the Capital Market Integration Act, Busan Bank is revamping its product lineup and service processes to fit the current market and its needs. The top priority, as always, is on delivering value for the customer and ensuring their complete satisfaction. On-site managers are emphasizing close contact with their local communities, which is essential to its continuing success as a top regional financial group that grows together with its customers and the community.

SOCIAL CONTRIBUTION SPENDING

(In billions of Korean Won)





CORPORATE BANKING

Busan Bank is a trusted partner of Korea's southeast region's business community. We have always been there to support their advancement onto the national and international stage. Now, we are standing by our local SME sector when they need us most.

2008 was a difficult year, as the domestic economy was struck by the effects of the global economic downturn. Despite the many challenges of the current business environment, Busan Bank is striving to turn crisis into opportunity by providing differentiated products and services that will help our clients to thrive and be successful in their own right.

A Reliable Partner for Success

Busan Bank extended special support for the SME sector in 2008, providing aid to businesses that were hard-hit by the volatility in raw materials prices and Forex rates. In particular, we expanded the deposit base for female heads of companies to improve their access to financing, and offered premium loans for women-owned enterprises. The Bank launched new products, such as "SME Loans for Success", showing our determination to provide the fullest possible support to the southeast region's corporate sector.

To further help our clients deal with the ongoing financial troubles, we invited female company owners to seminars to inform them of the various financial options available, as well as to strengthen the Bank's relationships with its customers. To further strengthen the Bank's ties to top-performing corporate clients, we formed the "BS CEO Club", and through it, offered social and information exchanges with local CEOs, including a special seminar featuring the Korean Prime Minister as a guest speaker.

Thanks to these intense marketing efforts and focus on customer service, Busan Bank set a new record of KRW 19,650.8 billion in total loans at the end of 2008, which represents a 13.2% rise from the same time last year.

Busan Bank will work tirelessly to stay ahead of the rapid changes taking place in the financial markets by securing the capabilities needed to deal with future conditions. To that end, we will strengthen our support for regional companies and promote win-win relationships based on customer-centric sales systems. The Bank will also improve its financial soundness by implementing enterprise-wide risk management, and achieve revenue stability by strengthening its ties to the business community.

2008 LOANS

	(In billions of Korean Won, %)			
	2007	2008	Change	
			Amount	%
Total Loans	16,879.1	18,958.9	2,079.8	12.3
Won-currency Loans	15,932.1	16,992.3	1,060.2	6.7
Customer Advances	487.7	691.9	204.2	41.9
Total	17,366.8	19,650.8	2,284.0	13.2



RETAIL BANKING

Busan Bank understands that retail banking is all about service. That's why we strive to always deliver personalized, caring customer service and to develop products that meet the needs of our local customers. Our recent innovations include deposits that support our regional ports, SMEs and the homeless.



As a representative regional financial group, Busan Bank has secured a large and loyal customer base by providing products and services that are oriented to the specific needs of its local customers. As a result, we have achieved stable profitability and an ever-growing base of retail deposits, which amounted to KRW 21.2 trillion at the end of 2008, a 3.56% increase from the year before.

Deposits

To keep pace with evolving market conditions and the changing needs of our customers, Busan Bank has developed a wide variety of new deposit products. The "Love for Busan Port Time Deposit" was created to leverage the pride of local citizens in their world-famous port facility, and raise capital for its further development. "My Love, My Hometown" is a product that helps support the Bank's initiatives on behalf of regional SMEs, helping them to overcome temporary difficulties brought about by the credit crisis. Also, "Love for Busan Free Installment Savings" is a deposit account created especially for homeless people, giving them an important means for earning income and maintaining their livelihood.

Credit Cards

Busan Bank recorded excellent growth in its credit card business, attracting a large number of new subscribers and solidifying a major source of stable revenues for the Bank. We launched the regionally-focused "Dandi Card" ('dandi' means 'thorough, accurate and reliable' in the local dialect), and boosted our marketing power by leveraging our existing sales network. The result has been impressive growth in quarterly credit card sales.

CREDIT CARDS BUSINESS

AMOUNT	(In billions of Korean Won)									
	2008				2007			2006		2005
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q	4Q	4Q
Credit Purchases	650.7	650.4	640.9	671.7	604.8	554.0	560.8	506.9	489.4	437.0
Lump-sum	528.6	537.7	496.3	481.8	478.9	446.9	404.1	388.1	363.7	311.7
Installment	122.1	112.7	144.6	189.9	125.9	107.1	156.7	118.8	125.7	125.3
Cash Advances	158.7	156.9	156.9	155.1	163.2	157.9	159.5	157.8	165.6	154.9
Total	809.4	807.3	797.8	826.8	768.0	711.9	720.3	664.7	655.0	591.9



GLOBAL BANKING

International markets are the next growth horizon for Busan Bank. Our operations in China were launched to diversify our revenue base and help us stay close to Busan & Kyongnam-based companies that are expanding into China. As our customers grow their overseas presence, Busan Bank will be there with them.



(In billions of Korean Won)

BALANCE	2008				2007				2006	2005
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q	4Q	4Q
Credit Purchases	266.5	280.9	309.2	307.7	249.7	241.1	252.9	219.1	232.1	222.0
Cash Advances	77.1	75.9	76.3	76.2	78.5	73.2	74.9	76.4	77.9	73.0
Re-aged Loans	1.9	2.0	2.4	2.9	3.6	4.5	5.2	6.1	7.2	14.8
Total	345.5	358.8	387.9	386.8	331.8	318.8	333.0	301.6	317.2	309.8

(In billions of Korean Won)

INCOME (Fees)	2008				2007				2006	2005
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q	4Q	4Q
Credit Purchases	16.7	15.9	16.8	18.7	16.3	14.7	16.2	14.7	14.5	14.2
Cash Advances	5.1	5.3	5.4	5.5	5.5	5.2	5.1	5.4	4.9	4.6
Re-aged Loans	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.6
Others	1.0	1.1	1.1	1.0	0.8	0.9	1.1	0.9	1.5	1.5
Total	22.9	22.4	23.4	25.3	22.8	21.0	22.6	21.2	21.2	20.9

Private Banking

So that we would be able to provide top-level private banking (PB) services to High-Net-Worth customers and conveniently manage all their financial needs in a one-stop manner, Busan Bank created the "Withus Club". The Club has grown to a network of 47 specialized PB service centers, which has raised the number of transactions per customer and strengthened our marketing capabilities to High-Net-Worth individuals.

Existing PB clients are given special treatment to increase their loyalty, including gifts and invitations to events. We also strive to continually upgrade our services for our High-Net-Worth customers, which include financial consulting, portfolio management and tax payment. Busan Bank is training up more PB specialists and improving its sales infrastructure to provide more personalized services and nurture long-term relationships with PB customers.



Establishment of Overseas Sales Bases

Based on solid management performance in our home market, Busan Bank's international credit ratings and global competitiveness are rising. We are leveraging these developments by building connections with overseas partners, providing local market intelligence and securing mid- to long-term growth engines that will diversify the Bank's revenue base.

In 5 June 2008 Busan Bank opened a representative office (First Chinese office) in Qingdao, China. The Qingdao area is geographically and culturally close to Korea, making it a prime destination for outbound Korean investment. The office conducts research and analysis on the local market and liaises with the head office. Busan Bank intends to provide financial information services and build close ties with major Korean companies operating in the area, in preparation for the eventual launch of a fuller range of financial products and services.

Following on our entry in China, Busan Bank is reviewing market conditions and finalizing its strategy for advancing into Vietnam. Over a longer horizon, our overseas network will be extended to major financial centers such as Hong Kong and New York.

Foreign Exchange

Even though liquidity in the domestic market evaporated quickly in the wake of the global financial crisis, Busan Bank was able to secure liquidity by carrying out preemptive liquidity management strategies and operating sound foreign exchange trades and agreements.

As of the end of December 2008, Busan Bank had attracted 46 new corporate clients. This was the result of targeted marketing to companies with growing F/X positions and good credit ratings, enabling us to post USD 366 million in F/X reserves at year-end. In the area of export/import financing, we recorded USD 8,549 million in 2008, a rise of 16.9% over the previous year. At the same time, wire transfer and money exchange amounted to USD 2,325 million.

Internally, we worked to improve our capabilities by launching the F/X Specialist Program and conducting training programs in 32 of our branches, along with completing the database for the Bank's ex-post management of foreign direct investment.

2008 TRADE FINANCE, WIRE TRANSFERS & MONEY EXCHANGE

(In millions of USD)

Trade Finance			Wire Transfers & Money Exchange		
Import	Export	Total	Wire Transfers	Money Exchange	Total
4,412	4,137	8,549	1,633	692	2,325

OUR BELIEF

History does not follow a straight path, and nor will the road to the future be a straight one. However, the more productive our planning and the more effective our labors, the closer we come to leading the changes that will make a better tomorrow.

ENABLING CHANGES



MARKET TRENDS

Korea's southeastern region is the nation's manufacturing and logistics hub. The global financial crisis has affected our vital industries and impacted the regional economy. Looking toward the recovery, we are using this time to improve risk management, support SMEs, and build closer ties to our customers.

Regional Economic Trends in 2008

2008 was a difficult time for the domestic economy, as the global financial crisis caused the Korean won to fall rapidly in value, which in turn increased domestic inflation and dampened consumption. Looking at the Bank's home region, Busan saw solid growth throughout the first half of 2008, but growth weakened in the second half. With the September collapse of Lehman Brothers, the real economy saw a decisive decline in private consumption.

Manufacturing production capacity utilization rates fell dramatically nationwide, but Busan's ratio stayed above-average through November. In the heavy chemical industry sector, transportation equipment used in shipbuilding remained particularly strong, while apparel and furs showed the greatest resilience in the light industry sector. Busan's exports remained in a growth trend of around 30% until October, finally declining in November. However, thanks to the strength of the local shipbuilding industry, the backbone of the region's economy, Busan/Ulsan was the only metropolitan area in the country to post year-on-year growth in manufacturing capacity utilization.

Regional Economic Outlook for 2009

2009 forecasts for the Korean economy point toward continuing weakness, and the southeast region is no exception. Weak wage growth, rising unemployment and uncertainties about the timing of a recovery all point toward reduced consumer spending. Shipbuilding and automobile manufacturing, both major contributors to regional economic activity, are facing declining orders for export, and therefore weak growth prospects. However, due to large-scale government stimulus expenditures, the Busan region is expected to recover quickly in the latter half of 2009, and see a return to healthy domestic consumption levels.

Busan Bank's staff and management are optimistic about the future, and we will overcome the challenges of the current downturn by strengthening our core competencies and nurturing close contacts with the regional community. With a spirit that embraces change and innovation, the Bank will implement dramatic changes to its operating systems to boost efficiency, and induce credible and effective risk management policies.





MANAGEMENT INFRASTRUCTURE

Busan Bank is steadily raising performance levels on all fronts. Improved work stations and IT have enabled our branches to boost sales, and our transaction efficiency is soaring as more and more routine transactions are handled through digital channels.

BPR System

Busan Bank adopted BPR (business process re-engineering) methodology in 2003 to raise management efficiency and simplify its internal work processes. The BPR systems remain in place, underpinning our continuous efforts to raise productivity and profitability by eliminating inefficiencies and establishing effective job-specific processes.

In 2008, Busan Bank set in place a center-focused system by reviewing the motivations for launching the BPR system, and our differentiated programs for "One-stop Registration for Seizures". As a result, marketing and HR management processes at the branch level have been re-engineered to cut costs, reduce the potential for claims and improve performance. This has been made possible because the overall business has been standardized, re-engineered and automated.

The Bank developed branch infrastructure that effectively meets the business needs of small-sized service centers. As a result, both customer waiting times and counter service times were reduced, which in turn raised the quality and accuracy of work on the Bank's front-line service counters.

Moreover, by re-engineering the work spaces of our counter staff, we gave them better access to information and enabled them to use their work spaces as marketing centers. These physical changes were complemented with improved information technology tools that offered greater information sharing between branches, helping to recommend products in a more client-specific manner.

Building on these significant achievements, Busan Bank is committed to maximizing work efficiency by redesigning various internal systems and procedures in 2009. First of all, our processes for handling utility bill payments will be automated to cut costs and boost efficiency.

Second, we will computerize the seizure works of four major social insurance as an alteration for seizure notification's way. Third, we will develop our audit system for notes in custody, and our processes for transporting Korean won and foreign currencies will be unified and integrated into the head office's duties. Lastly, the foreign currency transfer process will be restructured.

e-Biz

To meet increasing customer demands for more reliable and convenient financial services in the digital age, Busan Bank has focused on building up its services in electronic banking. The number of companies conducting automated transfers with Busan Bank has risen to 81, recording nearly 23 million transactions in 2008. In addition, 416 firms use our cash management service, which handled almost 30 million transactions. A further 747 firms used our School(Kids) banking services, recording over 8 million transactions. 1,368 companies used our virtual account channels to conduct over 4 million transactions, an increase of 165 companies and 724 thousand transactions compared with a year earlier. Finally, the Bank has affiliations with 18 brokerage houses, accounting for 69 thousand transactions.

Going forward, Busan Bank will add more service channels to deliver a wider array of convenient services for our customers.



RISK MANAGEMENT

Busan Bank's risk management systems are effectively protecting our customers, shareholders and the Bank's corporate value by preemptively managing the full range of risk exposures. Our early-warning systems continuously monitor credit, liquidity, interest rate and market risks, among others, in a systematic way.

Unstable financial markets have highlighted the importance of risk management, both at home and abroad. Busan Bank has established an innovative system for risk management and strengthened its internal RM infrastructure. Several components have been developed and put in place to raise the level of risk management throughout our organization, as described below.

Completing Reconstruction of the ALM System

The Bank established an asset and liability management (ALM) system to meet the guidelines recommended by Korea's Financial Supervisory Service (FSS) and Basel II. The ALM system monitors daily interest rate and liquidity risk exposure, and connects to a statistical database that enables automatic calculation of balance sheet, profit & loss and other financial reports in response to interest rate and liquidity risk parameters.

Strengthening the Functions of ALCO (ALM Committee)

Busan Bank raised the decision-making functions of the ALM Committee (ALCO) by transferring presiding authority from department heads to division chiefs. A new group, the ALM Working-level Committee (ALMC), has also been formed. It comprises department heads and working-level managers, and meets two to four times per month to discuss RM issues. Money supply plans are fine-tuned prior to being passed to the ALM Committee. The ALCO also coordinates policy measures for funds and interest rates, and adjusts policies to maintain liquidity and stabilize money supply.

Tightening Liquidity Risk Management Systems

Busan Bank developed an in-house system to calculate and forecast the liquidity ratio on a daily and monthly basis, and uses it to take preemptive measures to prevent fund shortfalls. We also enhanced our liquidity risk measurement indicators, basing them on data of actual banks under stress conditions, and we set upper limits on liquidity gap ratios for each foreign currency and each maturity level in Korean won.

Analyzing Credit Portfolio and Managing Credit Risk in Conjunction with Theme Loan Review

Busan Bank improved its systems for warning of insolvencies among corporate credit customers and strengthened Bank-wide risk management

by carrying out credit risk management in conjunction with Theme Loan Review. The Theme Review's outcome is fed back to branches within ten days so as to ensure timely response to its early-warning signals.

Preventing Corporate Insolvencies by Improving the Loan Review System

Busan Bank has taken preemptive action to strengthen loan review procedures and avoid insolvencies among companies vulnerable to energy prices, commodities prices and exchange rate fluctuations. For companies determined to be at high risk of insolvency, intensive loan monitoring & management systems have been put in place at the branch level. We also conduct regular reviews on top-tier companies, calculating weighted scores for various categories of early-warning criteria, thereby receiving early warning of any impending financial difficulties. Furthermore, at the time of receiving loan applications, we review a complete spectrum of financial indicators so as to maintain the Bank's credit soundness and prevent the occurrence of NPLs.

Valuating the New BIS Capital Adequacy and Establishing the Management System

To improve the Bank's methods of determining capital adequacy and overall credit risk management systems, Busan Bank put in place the Pillar 2 individual RM system, and developed integrated measures of credit, market, operational and interest rate risk using correlation coefficients. At the same time, we revised our credit analysis procedures so as to incorporate the integrated measures into our RM systems, creating a more systematic and useful RM work process.

For 2009, the Bank will work to optimize its asset & liability portfolio by managing interest rates and funds to achieve stable margins. Our RM systems will be fluidly managed to stay abreast of financial market changes, and credit risk management will be strengthened using theme-based credit portfolio analysis and the Loan Review Warning System. Further, our BIS ratio will be managed to meet FSS standards and keep pace with changes in the new BIS Accord. At the same time, the Bank's operational and market risk monitoring will be strengthened and a performance-based culture of risk management established through regular training in RM methodology.



SOCIAL RESPONSIBILITY

Busan Bank is building a reputation as a bank that shares with the needy members of the community. In addition to the Bank's financial contributions, our staff and management volunteer their time to social welfare projects that raise the hopes and dreams of the underprivileged. Our main social service organizations are the "Love for My Hometown 21 Program", launched in 2001, and the Busan Bank Community Service Group, formed in 2002. The Service Group comprises dedicated volunteers who give their time and effort to meeting regional development needs and fulfilling the community's high expectations for our Bank. We also donate generously to scholarship programs and Mecenat activities, creating mutual benefits for ourselves and the members of the community.

2008 Social Contribution Highlights

Community/Public Services

Busan Bank has been a loyal supporter of diverse programs and organizations that bring aid to the less fortunate. We make annual contributions to the Red Cross and dispatch volunteers and resources to local social welfare facilities. One of our favorite activities has been to take children from low-income families out for lively trips to theme parks. To support Busan City's efforts to address the nation's low birth rate, the Bank extends financial aid to families blessed with multiple births. We are also proud to be involved with government efforts to protect and restore local cultural sites. The rural communities of our region are faced with a chronic labor shortage, which is exacerbated by the aging of the nation's farming population. To help with this, our volunteers turn out in massive numbers to help with all types of agricultural work. Lastly, we support our local women entrepreneurs by hosting seminars just for female business leaders in the Busan, Ulsan and Kyongnam area.



Environmental Preservation

The Busan Bank Community Service Group participated in the Busan Metropolitan Government's Arbor Day events by planting trees and giving away packets of flower seeds. The Group also makes regular visits to rivers, parks, beaches and other areas in the city to clean up litter. As part of the "Green Busan" campaign, the Group will intensify its community clean-up activities, in addition to raising its volunteerism at various social welfare facilities in each district.

Becoming the most admired regional financial group in northeast Asia requires much more than business profits. We spread love and hope in our communities with support for the arts & culture, sports, women entrepreneurs and youth education, and our volunteer groups lend a hand to agriculture and social welfare projects.



Support Cultural/Art Activities

We support small community theater groups and help fund various cultural events, concerts, festivals, ballet, art competitions, magic shows, film festivals, literature festivals and even advertising festivals. The Bank makes a special effort to improve the access of members of the Korean Army, Navy and university students to cultural performances.

Support for Sports Activities

Busan Bank is a dedicated supporter of a variety of sports tournaments, including golf, marathons, basketball and bowling, and most especially basketball and track & field. We also sponsor sports festivals that promote the general health of the public.



Educational/Academic/Scholarship Programs

Busan Bank conducts informative classes in finance and economics for primary, middle and high school students, as well as military service members. We also host various events for children in hopes of contributing to the development of tomorrow's pillars of society. The Busan Bank Scholarship & Cultural Foundation makes donations to aid the underprivileged, and has made commitments to school libraries to upgrade their facilities, allowing them to function as regional cultural centers.

Busan Bank has been growing in tandem with our local community for over 41 years. We were launched with great expectations that we would deliver valuable services as a friend and supporter of the regional economy. We are committed to repaying that trust with generous social contribution activities that benefit Korea's uniquely great southeastern region.



FINANCIAL REVIEW

MANAGEMENT'S DISCUSSION & ANALYSIS

PERFORMANCE SUMMARY

Busan Bank's sales revenue for 2008 recorded KRW 3,635 billion, up 96.8% year-on-year. Total assets closed at KRW 27,957.6 billion, a 7.6% gain over the previous year. The Bank's BIS ratio, calculated for Basel I, ended the year up 1.71%p at 13.89%. Using Basel II calculation methods, the BIS ratio stood at 13.19%.

Key Financial Data

(Billions of Korean Won, %)	2008	2007	Change
Operating Revenue	3,635.0	1,847.1	1,787.9
Operating Income	384.8	394.2	-9.4
Net Income	275.0	270.7	4.3
Total Assets	27,957.6	25,990.9	1,966.7
Total Liabilities	26,311.8	24,518.2	1,793.6
Total Equity	1,645.8	1,472.7	173.1
BIS Ratio (BASEL I)	13.89	12.18	1.71
BIS Ratio (BASEL II)	13.19		

PROFIT AND LOSS ANALYSIS

Operating revenue posted a rise of 96.8% year-on-year to KRW 3,635 billion. Operating expense growth outpaced revenue growth, bringing operating income for the year to KRW 384.8 billion, a 2.4% year-on-year decline. The shrinkage in operating income was more than offset by growth in non-operating income of KRW 16.6 billion year-on-year, allowing net income to record KRW 275 billion at year-end, a rise of KRW 4.3 billion year-on-year.

Summarized Income Statement

(Billions of Korean Won)	2008	2007	Change	
			Amount	%
Operating Revenue	3,635.0	1,847.1	1,787.9	96.8
Operating Expense	3,250.2	1,452.9	1,797.3	123.7
Operating Income	384.8	394.2	-9.4	-2.4
Non-Operating Income	14.0	11.8	2.2	18.6
Non-Operating Expense	16.6	31.6	-15.0	-47.5
Income Tax Expense	107.3	103.8	3.5	3.4
Net Income	275.0	270.7	4.3	1.6

MANAGEMENT'S DISCUSSION & ANALYSIS

INTEREST INCOME

The Bank's interest income in 2008 totaled KRW 1,784.2 billion, a rise of KRW 346.5 billion or 24.1% year-on-year. Interest on loans comprised the greatest share of interest income, rising KRW 289.1 billion year-on-year. Interest expense, meanwhile, gained KRW 235.4 billion or 32.3% to close at KRW 964.9 billion. Interest on deposits, the largest share of interest expense, increased by KRW 182.7 billion, while interest on borrowings declined by KRW 22.1 billion year-on-year.

Interest Income

(Billions of Korean Won)	2008	2007	Change	
			Amount	%
Interest Income	1,784.2	1,437.7	346.5	24.1
Interest on Due from Banks	48.5	17.2	31.3	182.0
Interest on Securities	252.7	227.7	25.0	11.0
Interest on Loans	1,475.8	1,186.7	289.1	24.4
Other Interest Income	7.2	6.1	1.1	18.0
Interest Expense	964.9	729.5	235.4	32.3
Interest on Deposits	630.7	448.0	182.7	40.8
Interest on Borrowings	151.8	173.9	-22.1	-12.7
Interest on Debentures	168.1	93.3	74.8	80.2
Other Interest Expense	14.3	14.3	0.0	0.0
Net Interest Income	819.3	729.0	90.3	12.4

NET INTEREST MARGIN AND NET INTEREST SPREAD

Busan Bank's NIM for 2008 amounted to 3.09%, up 0.02%p year-on-year, while NIS rose 0.05%p to 3.99%.

NIM/NIS

(%, %P)	2008	2007	Change
NIM	3.09	3.07	0.02
NIS	3.99	3.94	0.05

NON-INTEREST INCOME

The Bank's non-interest income for the year stood at KRW 1,850.8 billion, up KRW 1,441.5 billion or 352.2% year-on-year. In detail, gain on valuation and disposal of securities decreased by KRW 14.1 billion, while gain on disposal of loans rose by KRW 8.1 billion year-on-year and gain on foreign exchange trading climbed KRW 223.6 billion. Commission and fee income gained KRW 15.1 billion, and income from dividends rose KRW 21.5 billion. Other operating income outpaced mainly due to increases of KRW 1,187.3 billion year-on-year in derivatives trading and gains on valuation of derivatives.

Non-Interest Income

(Billions of Korean Won)	2008	2007	Change	
			Amount	%
Gain on Valuation and Disposal of Securities	13.1	27.2	-14.1	-51.8
Gain on Disposal of Loans	8.9	0.8	8.1	1,012.5
Gain on Foreign Exchange Trading	274.6	51.0	223.6	438.4
Commission and Fee Income	141.8	126.7	15.1	11.9
Dividends Income	23.5	2.0	21.5	1,075.0
Other Operating Income	1,388.9	201.6	1,187.3	588.9
Total Non-Interest Income	1,850.8	409.3	1,441.5	352.2

NON-INTEREST EXPENSE

Non-interest expense for 2008 recorded KRW 2,285.2 billion, up 215.9% year-on-year. In detail, loss on disposal of loans increased by KRW 108.8 billion year-on-year, and loss on foreign exchange trading rose by KRW 405.6 billion. Other operating expense recorded a large gain for the year based mainly on losses on derivatives trading and valuation of derivatives, which increased by KRW 954 billion year-on-year.

Non-Interest Expenses

(Billions of Korean Won)	2008	2007	Change	
			Amount	%
Loss on Valuation and Disposal of Securities	29.2	2.2	27.0	1,227.3
Loss on Disposal of Loans	154.6	45.8	108.8	237.6
Loss on Foreign Exchange Trading	455.6	50.0	405.6	811.2
Commission and Fee Expense	42.6	32.2	10.4	32.3
Selling and Administrative Expense	376.7	359.3	17.4	4.8
Other Operating Expense	1,226.5	233.9	992.6	424.4
Total Non-Interest Expense	2,285.2	723.4	1,561.8	215.9

MANAGEMENT'S DISCUSSION & ANALYSIS

LOAN LOSS PROVISIONS

The Bank's provisions for possible loan losses grew by 120.3% year-on-year in 2008 to total KRW 117.2 billion. Provisions for household loans decreased by KRW 1.5 billion, while non-performing corporate loans rose KRW 66.5 billion year-on-year.

Loan Loss Provisions by Segment

(Billions of Korean Won)	2008	2007	Change	
			Amount	%
Corporate Loans	107.6	41.1	66.5	161.8
Household Loans	2.1	3.6	-1.5	-41.7
Credit Card Loans	3.3	1.7	1.6	94.1
Other Provisions	4.2	6.8	-2.6	-38.2
Trust Accounts	0.0	0.0	0.0	-
Total	117.2	53.2	64.0	120.3

SELLING & ADMINISTRATIVE EXPENSE

The Bank's selling & administrative expenses amounted to KRW 376.7 billion in 2008, up 4.8% year-on-year. By segment, salaries (including provisions for severance benefits and retirement allowances) declined by KRW 8 billion year-on-year, while other employee benefits rose KRW 5.3 billion. Depreciation and amortization expense, including depreciation of intangible assets, gained KRW 4.5 billion over the previous year, while other S&A expense climbed KRW 15.6 billion.

Selling & Administrative Expense

(Billions of Korean Won)	2008	2007	Change	
			Amount	%
Salaries (incl. Severance & Retirement Provisions)	145.0	153.0	-8.0	-5.2
Other Employee Benefits	90.4	85.1	5.3	6.2
Depreciation and Amortization (incl. Intangibles)	38.4	33.9	4.5	13.3
Other Selling & Administrative Expense	102.9	87.3	15.6	17.9
Total Selling & Administrative Expense	376.7	359.3	17.4	4.8

NON-OPERATING PROFIT & LOSS

Net Non-operating income posted a KRW 17.2 billion improvement over the previous year. The increase was mainly due to a reduction in non-operating expenses of KRW 15.1 billion year-on-year.

Non-Operating Profit and Loss

(Billions of Korean Won)	2008	2007	Change	
			Amount	%
Non-Operating Income	13.9	11.8	2.1	17.8
Equity-Method Income	2.4	1.0	1.4	140.0
Other Non-Operating Income	11.5	10.8	0.7	6.5
Non-Operating Expense	16.5	31.6	-15.1	-47.8
Contributions	10.2	13.4	-3.2	-23.9
Other Non-Operating Expense	6.3	18.2	-11.9	-65.4
Net Non-Operating Income	-2.6	-19.8	17.2	-86.9

FINANCIAL STATUS

The Bank's total assets closed the year at KRW 27,957.6 billion, up KRW 1,966.7 billion or 7.6% year-on-year. Cash & due from banks gained KRW 520.1 billion year-on-year, while loan assets rose KRW 1,534.5 billion. On the other hand, fixed assets closed KRW -9.2 billion lower than the previous year, and other assets were down KRW 289.3 billion.

Turning to liabilities, total liabilities stood at KRW 26,311.8 billion, an increase of KRW 1,793.5 billion or 7.3% year-on-year. In detail, deposits rose KRW 545.3 billion and borrowings climbed KRW 1,434.8 billion year-on-year, while other liabilities declined by KRW 186.6 billion.

Shareholders' equity closed at KRW 1,645.8 billion, a rise of 11.8% year-on-year, due to higher retained earnings.

Summarized Balance Sheet

(Billions of Korean Won)	2008	2007	Change	
			Amount	%
Assets	27,957.6	25,990.9	1,966.7	7.6
Cash and Due from Banks	1,847.4	1,327.3	520.1	39.2
Securities	5,238.6	5,028.0	210.6	4.2
Loans	19,440.1	17,905.6	1,534.5	8.6
Fixed Assets	353.5	362.7	-9.2	-2.5
Other Assets	1,078.0	1,367.3	-289.3	-21.2
Liabilities	26,311.8	24,518.2	1,793.5	7.3
Deposits	16,758.2	16,212.9	545.3	3.4
Borrowings	7,865.2	6,430.4	1,434.8	22.3
Other Liabilities	1,688.4	1,875.0	-186.6	-10.0
Shareholder's Equity	1,645.8	1,472.7	173.6	11.8
Capital Stock	733.4	733.0	0.4	0.1
Accumulated Other Comprehensive Income	(29.3)	(11.1)	(18.2)	164.0
Retained Earnings	941.7	750.3	191.4	25.5
Total Liabilities and Shareholders' Equity	27,957.6	25,990.9	1,967.1	7.6

MANAGEMENT'S DISCUSSION & ANALYSIS

ASSET SOUNDNESS

The Bank's total loans stood at KRW 20,238.7 billion at year-end, up KRW 2,390.2 billion or 13.4% year-on-year. Loans rated substandard and below recorded KRW 265.3 billion, an increase of KRW 140.6 billion or 112.8% year-on-year. The balance of loan loss provisions also grew by KRW 77 billion year-on-year to reach KRW 302 billion.

The ratio of substandard loans to total loans finished the year at 1.31%, a 0.61%p year-on-year increase. The coverage ratio on such loans declined 66.37%p year-on-year to close at 113.74%.

Asset Soundness

(Billions of Korean Won, %, %p)	2008	2007	Change	
			Amount	%
Total Loans	20,238.7	17,848.5	2,390.2	13.4
Substandard and Below	265.3	124.7	140.6	112.8
Loan Loss Provisions	302.0	225.0	77.0	34.2
Substandard Ratio	1.31	0.70	0.61	
Coverage Ratio	113.74	180.11	66.37	

BIS RATIO

The Bank's BIS ratio, calculated according to Basel I guidelines, was 13.89% at year-end, a rise of 1.71%p year-on-year. The Tier 1 and Tier 2 ratios were respectively 8.89% (up 1.21%p) and 5.02% (up 0.50%p).

Using Basel II calculation standards, the BIS ratio was 13.19%, the Tier I ratio recorded 8.43% and the Tier II ratio was 4.76%.

BIS Capital Ratio (BASEL I)

(%, %p)	2008	2007	Change
BIS Capital Ratio	13.89	12.18	1.71
Tier I Capital	8.89	7.68	1.21
Tier II Capital	5.02	4.52	0.50

BIS Capital Ratio (BASEL II)

(%)	2008
BIS Capital Ratio	13.19
Tier I Capital	8.43
Tier II Capital	4.76

INDEPENDENT AUDITORS' REPORT

English Translation of a Report Originally Issued in Korean



To the Shareholders and Board of Directors of Busan Bank (Formerly, "Pusan Bank"):

We have audited the accompanying non-consolidated balance sheets of the bank accounts of Busan Bank (the "Bank") as of December 31, 2008 and 2007, and the related non-consolidated statements of income, appropriations of retained earnings, changes in shareholders' equity and cash flows for the years then ended, all expressed in Korean Won. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2008 and 2007, and the results of its operations, changes in its retained earnings and its shareholders' equity, and its cash flows for the years ended December 31, 2008 and 2007, in conformity with accounting principles generally accepted in the Republic of Korea (See Note 2).

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

Deloitte Anjin LLC

February 10, 2009

NOTICE TO READERS

This report is effective as of February 10, 2009, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

NON-CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2008 AND 2007

(Korean Won, In millions)	2008	2007
ASSETS		
Cash and due from banks (Notes 3, 26 and 28)	1,847,392	1,327,349
Securities (Notes 4 and 28)	5,238,574	5,027,950
Loans, net of allowance for possible loan losses (Notes 2, 5, 6, 7, 26, 28 and 29)	19,440,094	17,905,578
Tangible assets, net of accumulated depreciation (Note 8)	353,499	362,682
Other assets (Notes 9, 10, 16, 23 and 28)	1,078,044	1,367,346
	27,957,603	25,990,905
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Deposits (Notes 11, 26, 28 and 29)	16,758,164	16,212,852
Borrowings (Notes 12, 26 and 28)	7,865,246	6,430,417
Other liabilities (Notes 13, 14, 15, 16, 17, 19 and 28)	1,688,438	1,874,973
	26,311,848	24,518,242
SHAREHOLDERS' EQUITY (Note 18):		
Capital stock	733,418	733,418
Accumulated other comprehensive loss	(29,307)	(11,050)
Retained earnings	941,644	750,295
	1,645,755	1,472,663
	27,957,603	25,990,905

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(Korean Won, In millions except for share amounts)	2008	2007
OPERATING REVENUE:		
Interest income (Note 20):		
Interest on due from banks	48,517	17,171
Interest on securities	252,713	227,737
Interest on loans	1,475,811	1,186,680
Other interest income	7,247	6,107
	1,784,288	1,437,695
Gain on valuation and disposal of securities (Note 4):		
Gain on disposal of trading securities	2,451	1,765
Gain on disposal of available-for-sale securities	10,682	17,156
Reversal of impairment loss on available-for-sale securities	-	8,279
	13,133	27,200
Gain on valuation and disposal of loans		
Gain on sale of loans	8,860	843
Foreign exchange trading income	274,574	51,044
Commission income	141,821	126,736
Dividends income:		
Dividends on trading securities	43	-
Dividends on available-for-sale securities	23,423	1,952
	23,466	1,952
Other operating income:		
Gain on financial derivatives trading	939,269	126,670
Gain on valuation of financial derivatives (Note 16)	437,847	61,846
Gain on valuation of fair value hedged items (Notes 12 and 16)	-	1,713
Fees and commissions from trust accounts	11,637	11,357
Reversal of allowance for possible losses on unused limits	118	-
	1,388,871	201,586
Total operating revenues	3,635,013	1,847,056
OPERATING EXPENSES:		
Interest expenses (Note 20):		
Interest on deposits	630,698	447,983
Interest on borrowings	151,834	173,916
Interest on debentures	168,094	93,283
Other interest expenses	14,277	14,287
	964,903	729,469

NON-CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(Korean Won, In millions except for share amounts)	2008	2007
Loss on valuation and disposal of securities (Note 4):		
Loss on disposal of trading securities	5,571	835
Loss on valuation of trading securities	-	18
Loss on disposal of available-for-sale securities	-	8
Impairment loss on available-for-sale securities	22,600	-
Impairment loss on held-to-maturity securities	1,054	1,319
	29,225	2,180
Loss on valuation and disposal of loans:		
Provision for possible loan losses (Note 7)	111,966	44,545
Loss on sale of loans	42,603	1,274
	154,569	45,819
Foreign exchange trading losses	455,644	50,013
Commission expense	42,626	32,198
Selling and administrative expenses (Notes 21 and 29)	376,741	359,252
Other operating expenses:		
Loss on financial derivatives trading	776,774	115,242
Loss on valuation of financial derivatives (Note 16)	339,730	48,215
Loss on valuation of fair value hedged items (Notes 12 and 16)	50,693	8,189
Contribution to fund	33,023	33,239
Provision for other allowance	4,267	2,898
Provision for allowance for possible losses on acceptances and guarantees	1,100	1,902
Other operating expenses	20,875	24,244
	1,226,462	233,929
Total operating expenses	3,250,170	1,452,860
OPERATING INCOME	384,843	394,196
NON-OPERATING INCOME (Note 22)	13,954	11,824
NON-OPERATING EXPENSES (Note 22)	16,579	31,567
INCOME BEFORE INCOME TAX	382,218	374,453
INCOME TAX EXPENSE (Note 23)	107,259	103,759
NET INCOME	274,959	270,694
NET INCOME PER SHARE (In currency units) (Note 24)	1,874	1,845

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(Korean Won, In millions)	2008	2007
RETAINED EARNINGS BEFORE APPROPRIATIONS:		
Beginning of the year	-	-
Net income	274,959	270,694
	274,959	270,694
APPROPRIATIONS:		
Legal reserve (Note 18)	27,500	27,070
Other reserve	218,121	160,014
Cash dividends (Note 25)	29,338	83,610
	274,959	270,694
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	-	-

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(Korean Won, In millions)	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at January 1, 2007	733,418	-	-	4,209	541,208	1,278,835
Annual dividends	-	-	-	-	(61,607)	(61,607)
Balance after appropriation	733,418	-	-	4,209	479,601	1,217,228
Net income	-	-	-	-	270,694	270,694
Loss on valuation of available-for-sale securities	-	-	-	(15,692)	-	(15,692)
Change in capital on equity securities using the equity method	-	-	-	396	-	396
Gain on valuation of cash flow hedged items	-	-	-	37	-	37
Balance at December 31, 2007	733,418	-	-	(11,050)	750,295	1,472,663
Balance at January 1, 2008	733,418	-	-	(11,050)	750,295	1,472,663
Annual dividends	-	-	-	-	(83,610)	(83,610)
Balance after appropriation	733,418	-	-	(11,050)	666,685	1,389,053
Net income	-	-	-	-	274,959	274,959
Loss on valuation of available-for-sale securities	-	-	-	(18,396)	-	(18,396)
Change in capital on equity securities using the equity method	-	-	-	176	-	176
Loss on valuation of cash flow hedged items	-	-	-	(37)	-	(37)
Balance at December 31, 2008	733,418	-	-	(29,307)	941,644	1,645,755

See accompanying notes to non-consolidated financial statements

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(Korean Won, In millions)	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	274,959	270,694
Adjustments to reconcile net income to net cash used in operating activities:		
Loss on valuation of trading securities	-	18
Impairment loss on available-for-sale securities	22,600	-
Impairment loss on held-to-maturity securities	1,054	1,319
Reversal of impairment loss on available-for-sale securities	-	(8,279)
Gain on financial derivatives trading, net	(162,495)	(11,429)
Gain on valuation of financial derivatives, net	(98,117)	(13,631)
Provision for possible loan losses	111,966	44,545
Provision for severance benefits	13,256	19,905
Depreciation and amortization	38,361	33,884
Loss (gain) on disposal of tangible assets, net	(153)	421
Gain on valuation of securities using the equity method, net	(1,620)	(1,008)
Loss on valuation of fair value hedged items	50,693	6,476
Gain on disposal of securities using the equity method	(1,729)	-
Loss on translation of foreign currency debentures	165,599	-
Amortization of discounts on debentures	11,577	6,861
Provision for other allowance	4,267	2,898
Provision for possible losses on acceptance and guarantees	1,100	1,902
(Reversal of) Provision of allowance for possible losses on unused limits, net	(118)	3,921
(Reversal of) Share-based compensation expense, net	(1,776)	1,899
Others, net	(9,269)	(3,797)
	145,196	85,905
Changes in assets and liabilities resulting from operations:		
Decrease (increase) in trading securities	2,728	(10,882)
Increase in available-for-sale securities	(276,735)	(205,654)
Decrease in held-to-maturity securities	27,977	104,784
Increase in loans	(1,646,100)	(3,017,272)
Increase in accrued income	(4,883)	(21,919)
Increase in prepaid expenses	(449)	(308)
Decrease in deferred income tax assets	-	3,669
Payment of severance benefits	(10,807)	(2,565)
Increase in severance insurance deposits	(4,416)	(14,598)
Increase in accrued expenses	65,023	37,510
Increase (decrease) in deferred income tax liabilities	(4,048)	7,158
Others, net	27,450	19,753
	(1,824,260)	(3,100,324)
Net cash used in operating activities	(1,404,105)	(2,743,725)

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(Korean Won, In millions)	2008	2007
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in restricted due from banks	(467,751)	(54,648)
Decrease (increase) in accounts receivable, net	698,346	(830,238)
Decrease (increase) in domestic exchange settlement debits, net	(2,893)	17,334
Disposal of tangible assets	168	1,015
Acquisition of tangible assets	(25,987)	(40,961)
Acquisition of intangible assets	(1,107)	(2,803)
Increase in guarantee deposits, net	(6,299)	(10,205)
Increase in other assets, net	(258,845)	(36,634)
Net cash used in investing activities	(64,368)	(957,140)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in deposits, net	545,312	1,655,137
Increase (decrease) in borrowings, net	416,896	(329,541)
Increase in debentures, net	945,122	1,716,070
Increase in borrowings from trust account, net	166,374	47,749
Decrease (increase) in accounts receivable, net	(735,853)	839,489
Dividend	(83,610)	(61,607)
Increase in other liabilities, net	266,525	76,952
Net cash provided by financing activities	1,520,766	3,944,249
NET INCREASE IN CASH AND DUE FROM BANKS	52,293	243,384
CASH AND DUE FROM BANKS, BEGINNING OF THE YEAR	916,317	672,933
CASH AND DUE FROM BANKS, END OF THE YEAR (Note 34)	968,610	916,317

See accompanying notes to non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. GENERAL:

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

The Bank's head office is located in Busan. The Bank has 231 branches and offices in Korea and 1 overseas branch.

The Bank became a publicly traded financial institution upon listing its common shares on the Korea Exchange in June 1972. The Bank's issued and outstanding common stock as of December 31, 2008 amounted to ₩733,418 million.

The major shareholders of the Bank were as follows

Shareholders	Number of shares	Percentage (%)
Lotte Confectionery Co., Ltd. (*)	20,693,162	14.11
Park Land Co., Ltd.	6,524,600	4.45
New Economy Fund	5,160,000	3.52
PL-ABDN GL	4,226,570	2.88
National Pension	4,142,868	2.82
Small Capital World Fund Inc.	3,518,000	2.40
Credit Suisse Securities (Europe) Limited	3,378,148	2.30
Korea Iron & Steel Co., Ltd.	2,791,323	1.90
GIS/BONY/SSB.NTC-SD AR MA	2,660,070	1.81
Templeton Global Smaller Companies Fund	2,372,300	1.62
Others	91,216,609	62.19
	146,683,650	100.00

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Non-consolidated Financial Statement Presentation

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

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

The financial statements of the Bank to be submitted to the general shareholders' meeting were approved by the Board of Directors on February 10, 2009.

Interest Income Recognition

The Bank applies the accrual basis in recognizing interest income related to deposits, loans and securities, except for unsecured uncollectible receivables. Interest on loans, whose principal or interest is past due at the balance sheet date, is generally not accrued, with the exception of interest on certain loans secured by guarantee of governments or government agencies, or collateralized by bank deposits. When a loan is placed on non-accrual status, previously accrued interest is generally reversed and deducted from current interest income and future interest income is recognized on a cash basis in accordance with the banking accounting standards. As of December 31, 2008 and 2007, the principal amount of loans and securities of which the accrued interest income was not recorded in the accompanying financial statements based on the above criteria amounted to ₩460,360 million and ₩505,261 million, respectively, and the related accrued interest income not recognized amounted to ₩10,040 million and ₩11,226 million, respectively.

Classification of Securities

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

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

Valuation of Securities

(1) Valuation of Trading Securities

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

(2) Valuation of Held-to-maturity Securities

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

(3) Valuation of Available-for-sale Securities

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

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

(4) Valuation of Securities using the Equity Method

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

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

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

For held-to-maturity securities, the recovery is recorded in current operations under operating revenue within the amount of amortized cost that would have been recorded according to the original schedule if the impairment losses had not been recognized as reversal of loss on impairment of held-to-maturity securities.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(6) Reclassification of Securities

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

Transfer of Securities

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

Allowance for Possible Losses on Credits

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

	Normal	Precautionary	Substandard	Doubtful	Estimated loss
Corporate loans	0.85%(*)	7.0%	20.0%	50.0%	100.0%
Consumer loans	1.0%	10.0%	20.0%	55.0%	100.0%
Credit card loans	1.5%	15.0%	20.0%	60.0%	100.0%

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

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

Allowance for Possible Losses on Confirmed and Unconfirmed Acceptances and Guarantees

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

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

Allowance for Possible Losses on Unused Limits

The Bank has provided allowance for possible losses on unused limits for all unused purchase credit limit and unused cash advance facility of credit card accounts and for unused credit limit of all credit line commitments to households and corporations reflecting the credit conversion rate.

Restructuring of Loans

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

Valuation of Receivables and Payables at Present Value

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

Tangible Assets and Related Depreciation

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

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

Tangible assets	Depreciation method	Estimated useful life
Buildings	Straight-line	50 years
Leasehold improvements	Straight-line	5 years
Equipment and vehicles	Declining balance	5 years
Others	Declining balance	5 years

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Intangible Assets

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

Recognition of Impairment of Assets

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

Amortization of Discounts (Premiums) on Debentures

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

Accrued Severance Benefits

Employees and directors with at least one year of service as of December 31, 2008 are entitled to receive a lump-sum payment upon termination of their employment with the Bank, based on their length of service and rate of pay at the time of termination. The accrued severance indemnities that would be payable assuming all eligible employees and directors were to resign amount to ₩66,424 million and ₩63,974 million as of December 31, 2008 and 2007, respectively.

The Bank has purchased severance benefits insurance, which meets the funding requirement for tax purposes, and made deposits with Samsung Life Insurance Co., Ltd. and others amounting to ₩59,061 million and ₩54,645 million as of December 31, 2008 and 2007, respectively. Withdrawal of these deposits is restricted to the payment of severance benefits. These are presented as a deduction from accrued severance benefits. In addition, actual payments of severance indemnities amounted to ₩10,807 million and ₩2,565 million for the years ended December 31, 2008 and 2007, respectively.

Bonds under Resale or Repurchase Agreements

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

Accounting for Derivative Instruments

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

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

Accounting for Share-based Payment

In accordance with the Statement of Korea Accounting Standards No. 22 - Share-based Payment, the Bank measures the services received and the liabilities for the considerations at fair value in a cash-settled share-based payment transaction since 2007. The liabilities are assessed at fair value of the closing day or the final settlement day, of which option pricing models are used and the conditions of the stock option and the contractual terms of the services provided are considered in the option pricing model.

Stock options, which were provided no later than December 31, 2006, are valued at fair value pursuant to the Interpretations on Financial Accounting Standards 39-35 on accounting for stock options. The fair value of stock options is charged to operating expense in the statement of income and credited to liability over the contractual term of the services provided.

Income Tax Expense

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

Accounting for Foreign Currency Transactions and Translation

The Bank maintains its accounts in Korean Won. Transactions in foreign currencies are recorded in Korean Won based on the prevailing rate of exchange on the transaction date. The Korean Won equivalent of assets and liabilities denominated in foreign currencies are translated in these financial statements based on the basic rate (₩1,257.50 and ₩938.20 to US\$ 1.00 at December 31, 2008 and 2007, respectively) announced by Seoul Money Brokerage Service, Ltd. or cross rates for other currencies other than U.S. Dollars at the balance sheet dates. Translation gains and losses are credited or charged to operations.

Accounting for Trust Accounts

The Bank separately maintains the books of accounts and financial statements in connection with the trust operations (the trust accounts) from those of the bank accounts in accordance with the Trust Business Act. When surplus funds are generated through the management of trust

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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assets, such funds are deposited with the bank accounts and are recorded as due to trust accounts of the bank accounts. Also, the borrowings from the bank accounts are recorded as due from trust accounts of the bank accounts. The Bank receives fees for operation and management of the trust business and accounts for them as fees and commissions from trust accounts.

With respect to certain trust account products, the Bank guarantees the repayment of the principal of the trust accounts and, in certain cases, a fixed rate of return. If income from such trust accounts is insufficient to pay the guaranteed amount, such a deficiency is satisfied by using special reserves maintained in the trust accounts, offsetting trust fee payable to the bank accounts and receiving compensating contributions from the bank accounts of the Bank. If the Bank pays compensating contributions to the guaranteed return trusts to cover such deficiencies, these contributions are reflected as other operating expense of the bank accounts and as other operating income of the trust accounts. In addition, fees and commissions from trust account amounted to ₩11,637 million and ₩11,357 million for the years ended December 31, 2008 and 2007, respectively.

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

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

3. CASH AND DUE FROM BANKS:

(1) Cash and due from banks as of December 31, 2008 and 2007 consisted of the following:

(Won In millions)	2008	2007
Cash and checks	309,689	334,266
Foreign currencies	64,138	34,660
Due from banks in local currency	1,152,192	934,504
Due from banks in foreign currencies	321,373	23,919
	1,847,392	1,327,349

(2) Due from banks in local currency and foreign currencies as of December 31, 2008 and 2007 consisted of the following:

(Won In millions)	Financial institution	Interest rate (%)	2008	2007
Due from banks in local currency:	The Bank of Korea	-	563,874	395,646
	Kwangju Bank and others	4.60 ~ 6.95	245,577	534,272
	SC First Bank and others	5.50 ~ 6.50	341,600	1,400
	The Korea Exchange	-	1,141	3,186
			1,152,192	934,504

(Won In millions)	Financial institution	Interest rate (%)	2008	2007
Due from banks in foreign currencies:	The Bank of Korea	-	95,911	10,532
	KEB and others	-	10,977	6,655
	Calyon Bank	3.97	62,875	6,732
	Deutsche Bank	0.14	150,900	-
	BOA and others		710	-
			321,373	23,919
			1,473,565	958,423

(3) Restricted due from banks in local currency and foreign currencies as of December 31, 2008 and 2007 consisted of the following :

(Won In millions)	Financial institution	2008	2007	Reason of restriction	
Due from banks in local currency:					
	Reserve deposits CD and others	The Bank of Korea	563,874	395,646	The Bank of Korea Act
	Hana Bank and others	4,100	3,400	Remuneration for loss from the settlement in the clearing house	
Other deposits	The Korea Exchange and others	1,122	1,454	Margin for derivative transaction and other	
			569,096	400,500	
Due from banks in foreign currencies:					
	Due from banks on demand	The Bank of Korea	95,911	10,532	The Bank of Korea Act
	Due from banks on time	Calyon Bank	62,875	-	Guarantees for borrowings from banks
	Other deposits	Deutsche Bank	150,900	-	Guarantees for borrowings from banks
			309,686	10,532	
		878,782	411,032		

4. SECURITIES:

(1) Securities as of December 31, 2008 and 2007 consisted of the following:

(Won In millions)	2008	2007
Trading securities:		
Stocks	-	438
Beneficiary certificates	8,137	10,427
	8,137	10,865

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(Won In millions)	2008	2007
Available-for-sale securities:		
Stocks	227,971	163,855
Equity securities	12,517	11,540
Government and public bonds	133,081	205,576
Finance debentures	671,068	644,659
Corporate bonds in local currency	676,374	579,456
Corporate bonds in foreign currencies	35,209	44,012
Beneficiary certificates	311,938	170,054
Other securities in foreign currencies	22,432	40,272
Others	-	639
	2,090,590	1,860,063
Held-to-maturity securities:		
Government and public bonds	338,662	618,018
Finance debentures	2,177,134	1,882,164
Corporate bonds in local currency	558,975	589,313
Securities in foreign currencies	37,725	43,701
	3,112,496	3,133,196
Securities using the equity method Stocks	27,351	23,826
	5,238,574	5,027,950

(2) The valuation of securities excluding securities using the equity method as of December 31, 2008 and 2007 consisted of the following:

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

December 31, 2008:

(Won In millions)	Face value	Acquisition cost	Adjusted by effective interest rate method	Fair value
Held-to-maturity securities:				
Government and public bonds	353,090	325,603	338,662	338,662
Finance debentures	2,180,000	2,172,214	2,177,134	2,177,134
Corporate bonds in local currency	561,733	555,708	558,975	558,975
Securities in foreign currencies	44,013	44,013	37,725	37,725
	3,138,836	3,097,538	3,112,496	3,112,496
	5,300,011	5,261,782	5,280,398	5,211,223

December 31, 2007:

(Won In millions)	Face value	Acquisition cost	Adjusted by effective interest rate method	Fair value
Trading securities:				
Stocks	55	455	455	438
Beneficiary certificates	10,427	10,427	10,427	10,427
	10,482	10,882	10,882	10,865
Available-for-sale securities:				
Equity securities	160,151	173,147	173,147	175,395
Government and public bonds	210,000	207,661	208,416	205,576
Finance debentures	650,000	648,753	649,818	644,659
Corporate bonds in local currency	590,000	588,188	588,726	579,456
Corporate bonds in foreign currencies	44,095	44,039	44,081	44,012
Beneficiary certificates	175,921	175,991	175,991	170,054
Other securities in foreign currencies	43,157	43,157	43,484	40,272
Others	2,833	-	-	639
	1,876,157	1,880,936	1,883,663	1,860,063
Held-to-maturity securities:				
Government and public bonds	628,705	602,830	618,018	618,018
Finance debentures	1,894,000	1,876,591	1,882,164	1,882,164
Corporate bonds in local currency	590,078	589,481	589,313	589,313
Securities in foreign currencies	45,034	44,996	45,021	43,701
	3,157,817	3,113,898	3,134,516	3,133,196
	5,044,456	5,005,716	5,029,061	5,004,124

The fair values of debt securities as of December 31, 2008 and 2007 were assessed by applying the median of base prices per bond announced on a recent trading day by Korea Bond Pricing & KR Co. (KBP) and Korea Investors Services Co., Ltd. (KIS). The prices of the securities in foreign currencies were translated using the basic exchange rate at December 31, 2008 and 2007, respectively. Also, the book values of trading securities and available-for-sale securities are recorded at fair values and the book values of held-to-maturity securities are recorded at adjusted values by using the effective interest rate method.

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(3) Available-for-sale equity securities (equity securities and stocks) as of December 31, 2008 and 2007 consisted of the following:

December 31, 2008:	Shares	Percentage of ownership (%)	Acquisition cost	Fair value or net asset value	Book value
Unlisted equity securities:					
Green Cross Life Insurance Co., Ltd. (Preferred stock)	356,130	10.00	3,454	2,295	2,805
Green Cross Life Insurance Co., Ltd.	159,330	0.99	1,545	1,027	1,270
BC Card.	177,120	4.03	3,042	21,201	9,908
Kihyup Technology Co., Ltd.	100,000	1.72	500	651	508
Dongbu Investment Trust Co., Ltd.	400,000	6.67	2,000	2,034	2,180
Korea Housing Guarantee Co., Ltd.	1,167,000	0.18	2,021	6,730	4,683
Shinhan Infrastructure Portfolio Fund	4,949,590	10.76	23,561	19,683	24,152
Korea BTL Fund I	3,227,548	13.89	33,571	19,172	34,256
Myoungji Bridge Co., Ltd.	2,367,000	11.25	11,835	10,274	12,794
Renaissance Private Equity I, L.P.	780	6.64	7,800	1,547	7,800
Miraeasset Private Security Fund 3	9,590,000	8.18	47,950	49,256	47,950
Miraeasset Private Security Fund 4	2,000,000	2.72	10,000	8,178	10,000
KTB 2007 Private Equity Fund	11,940,000,000	4.35	11,940	10,268	11,443
Air Busan Co., Ltd.	299,000	2.99	1,495	1,393	1,495
Hae Duk Rudder & R. Stock Co., Ltd.	196,000	3.44	1,764	968	1,754
Balhae Infrastructure Fund	1,374,790	1.68	14,039	12,740	14,423
Lotte Capital Co., Ltd.	2,464,000	7.40	21,126	18,712	18,202
Others			25,794	13,461	22,348
			223,437	199,590	227,971
Equity investments:					
Korea Asset Management Corporation	292,000	0.56	1,460	2,166	1,460
Non-performing Asset Management Fund	8,280,000,000	0.77	8,280	46,610	8,280
Others			2,842	2,446	2,777
			12,582	51,222	12,517
			236,019	250,812	240,488

December 31, 2007:	Shares	Percentage of ownership (%)	Acquisition cost	Fair value or net asset value	Book value
Unlisted equity securities:					
Dongah Construction Industrial Co., Ltd.	464	0.00	-	(40)	-
Green Cross Life Insurance Co., Ltd. (Preferred stock)	356,130	10.00	3,454	2,492	3,457
Green Cross Life Insurance Co., Ltd.	159,330	0.99	1,545	1,115	1,567
BC Card.	177,120	4.03	3,042	9,334	8,654
CJ Investment Co., Ltd.	799,481	0.74	3,997	1,190	4,690
Kihyup Technology Co., Ltd.	100,000	1.72	500	636	500
Dongbu Investment Trust Co., Ltd.	400,000	6.67	2,000	1,744	2,216
Korea Housing Guarantee Co., Ltd.	1,167,000	0.18	2,021	5,572	4,680
Shinhan Infrastructure Portfolio Fund	2,727,308	10.76	12,915	13,148	13,159

December 31, 2007:

(Won In millions)	Shares	Percentage of ownership (%)	Acquisition cost	Fair value or net asset value	Book value
Korea BTL Fund I	610,641	13.89	6,250	4,547	6,448
Myoungji Bridge Co., Ltd.	1,578,000	8.33	7,890	7,890	8,808
Renaissance Private Equity I, L.P.	180	6.64	1,800	1,548	1,800
Miraeasset Private Security Fund 3	10,000,000	8.18	50,000	53,594	50,000
Miraeasset Private Security Fund 4	1,616,218	3.65	8,081	8,144	8,081
KTB 2007 Private Equity Fund	6,000,000,000	4.35	6,000	6,000	6,000
Air Busan Co., Ltd.	299,000	6.78	1,495	342	1,495
Hae Duk Rudder & R. Stock Co., Ltd.	9,800	3.50	1,764	249	1,675
Balhae Infrastructure Fund	1,123,342	1.68	11,429	11,429	11,616
Lotte Capital Co., Ltd.	2,464,000	7.87	21,126	15,645	15,474
Others			16,298	1,699	13,535
			161,607	146,278	163,855
Equity investments:					
Korea Asset Management Corporation	292,000	0.56	1,460	2,024	1,460
Non-performing Asset Management Fund	8,280,000,000	0.20	8,280	15,857	8,280
Others			1,800	1,935	1,800
			11,540	19,816	11,540
			173,147	166,094	175,395

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

(4) The portfolio of securities excluding securities using the equity method, by industry, as of December 31, 2008 and 2007 consisted of the following:

(Won In millions)	2008	2007	Percentage (%)	
			2008	2007
Trading securities:				
Transportation	-	438	-	4.03
Financial services	8,137	10,427	100.00	95.97
	8,137	10,865	100.00	100.00
Available-for-sale securities:				
Public service	133,081	205,576	6.37	11.05
Financial services	1,755,244	1,462,294	83.96	78.62
Manufacturing	80,991	88,453	3.86	4.75
Construction	36,548	23,056	1.75	1.24
Transportation	30,651	60,747	1.47	3.27
Real estate leasing service	11,824	9,599	0.57	0.52
Others	42,251	10,338	2.02	0.55
	2,090,590	1,860,063	100.00	100.00

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(Won In millions)	2008	2007	Percentage (%)	
			2008	2007
Held-to-maturity securities:				
Public service	338,662	618,018	10.88	19.72
Financial services	2,493,580	2,156,978	80.12	68.84
Construction	143,517	89,209	4.61	2.85
Transportation	66,661	168,505	2.14	5.38
Manufacturing	-	9,371	-	0.00
Others	70,076	91,115	2.25	3.21
	3,112,496	3,133,196	100.00	100.00
	5,211,223	5,004,124		

(5) The portfolio of securities excluding securities using the equity method, by type, as of December 31, 2008 and 2007 consisted of the following:

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

December 31, 2007:	Securities in local currency	Securities in foreign currencies	Total	Percentage(%)
Trading securities:				
Stocks	438	-	438	4.03
Beneficiary certificates	10,427	-	10,427	95.97
	10,865	-	10,865	100.00
Available-for-sale securities:				
Equity securities	175,395	-	175,395	9.43
Fixed rate bonds	1,429,691	9,293	1,438,984	77.36
Floating rate bonds	-	74,991	74,991	4.03
Beneficiary certificates	170,054	-	170,054	9.14
Others	639	-	639	0.04
	1,775,779	84,284	1,860,063	100.00

December 31, 2007:	Securities in local currency	Securities in foreign currencies	Total	Percentage(%)
Held-to-maturity securities:				
Fixed rate bonds	2,949,495	-	2,949,495	94.14
Floating rate bonds	140,000	43,701	183,701	5.86
	3,089,495	43,701	3,133,196	100.00
	4,876,139	127,985	5,004,124	

(6) Equity securities using the equity method as of December 31, 2008 and 2007 were summarized as follows:

December 31, 2008:	No. of shares	Ownership(%)	Acquisition cost	Net asset value	Book value
PB Futures Co., Ltd.	3,000,000	100.00	15,000	22,042	22,042
Busan Credit Information Co., Ltd. (*1)	600,000	100.00	3,000	3,603	3,000
Mybi Co., Ltd. (*2)	420,000	7.61	2,100	2,309	2,309
Korea Lease Financing Co., Ltd. (*3)	695,064	17.38	3,475	-	-
			23,575	27,954	27,351

December 31, 2007:	No. of shares	Ownership(%)	Acquisition cost	Net asset value	Book value
PB Futures Co., Ltd.	3,000,000	100.00	15,000	19,631	19,631
Busan Credit Information Co., Ltd. (*1)	600,000	100.00	3,000	3,305	3,000
Mybi Co., Ltd. (*2)	420,000	14.17	2,100	1,195	1,195
Korea Lease Financing Co., Ltd. (*3)	695,064	17.38	3,475	-	-
			23,575	24,131	23,826

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

(*2) Mybi is valued using the equity method because the Bank, taking charge of sales on behalf of Mybi, maintains a significant influence on Mybi at the balance sheet date.

(*3) Korea Lease Financing Co., Ltd. is not valued using the equity method because its net asset amounts are below zero as of December 31, 2008 and 2007.

The fair value and net asset value of the above investees are computed based on their financial statements as of December 31, 2008 and 2007.

(7) The valuations of securities using the equity method as of December 31, 2008 and 2007 were as follows:

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

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December 31, 2007: (Won In millions)	Acquisition cost	Net asset value	Book value before valuation	Equity gain (loss)	Accumulated other comprehensive income	Book value after valuation
PB Futures Co., Ltd.	15,000	19,631	18,674	998	(41)	19,631
Busan Credit Information Co., Ltd.	3,000	3,305	3,000	-	-	3,000
Mybi Co., Ltd.	2,100	1,195	1,185	10	-	1,195
Korea Lease Financing Co., Ltd.	3,475	-	-	-	-	-
	23,575	24,131	22,859	1,008	(41)	23,826

(8) Significant financial information of companies of which stocks were accounted for using the equity method as of and for the years ended December 31, 2008 and 2007 were as follows:

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

December 31, 2007: (Won In millions)	Assets	Liabilities	Sales/Operating revenue	Net income(loss)
PB Futures Co., Ltd. (*)	49,892	30,261	10,131	998
Busan Credit Information Co., Ltd.	3,477	172	2,115	162
Mybi Co., Ltd.	40,896	32,462	13,937	70

(*) Sales/Operating revenue and net income were for the years ended December 31, 2008 and 2007, respectively.

(9) Changes in the gain (loss) on valuation of available-for-sale securities and securities using the equity method reflected in accumulated other comprehensive income (loss) for the year ended December 31, 2008 were as follows:

(Won In millions)	Beginning	Increase	Decrease	Disposal	Ending
Available-for-sale securities:					
Equity securities	5,830	4,802	2,438	577	8,771
Bonds in local currency	(12,528)	23,335	-	1,277	12,084
Bonds in foreign currencies	(2,145)	(274)	2,860	(1,463)	(6,742)
Beneficiary certificates	(4,304)	2,080	42,946	(14)	(45,184)
Others	471	-	-	(471)	-
	(12,676)	29,943	48,244	(94)	(31,071)
Change in capital on equity securities using the equity method	1,588	176	-	-	1,764
Gain on valuation of cash flow hedge derivatives	37	-	37	-	-

(10) Term structure of securities (except for stocks and equity securities) in available-for-sale and held-to-maturity securities as of December 31, 2008 and 2007 was as follows:

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

December 31, 2007: (Won In millions)	Government and public bonds	Finance bonds	Corporate bonds	Beneficiary certificates/ other(*)	Securities in foreign currencies	Total
Available-for-sale securities:						
Less than 3 months	49,866	109,825	39,947	-	4,692	204,330
Less than 6 months	-	49,894	19,906	-	7,495	77,295
Less than 1 year	29,750	89,355	99,316	143,822	9,412	371,655
Less than 2 years	19,574	366,492	274,451	10,137	-	670,654
Less than 3 years	19,760	29,093	116,657	-	18,773	184,283
Less than 4 years	86,626	-	-	-	-	86,626
Less than 5 years	-	-	29,179	-	-	29,179
Less than 10 years	-	-	-	7,615	43,912	51,527
Over 10 years	-	-	-	8,480	-	8,480
	205,576	644,659	579,456	170,054	84,284	1,684,029

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December 31, 2007: (Won In millions)	Government and public bonds	Finance bonds	Corporate bonds	Beneficiary certificates/ other(*)	Securities in foreign currencies	Total
Held-to-maturity securities:						
Less than 3 months	199,316	193,761	20,999	-	-	414,076
Less than 6 months	19,825	299,346	68,588	-	12,184	399,943
Less than 1 year	141,999	429,117	262,841	-	-	833,957
Less than 2 years	132,383	550,002	163,863	-	-	846,248
Less than 3 years	52,610	309,938	22,955	-	9,382	394,885
Less than 4 years	48,830	-	20,067	-	9,382	78,279
Less than 5 years	23,055	-	30,000	-	3,371	56,426
Less than 10 years	-	100,000	-	-	9,382	109,382
	618,018	1,882,164	589,313	-	43,701	3,133,196
	823,594	2,526,823	1,168,769	170,054	127,985	4,817,22598

(*) Preemptive right of new share amounting to ₩639 million for Kia Motors Corporation's preferred stock is not included.

(11) The impairment loss and the reversal of impairment loss on available-for-sale securities recognized for the years ended December 31, 2008 and 2007 were as follows:

(Won In millions)	2008		2007	
	Impairment	Reversal	Impairment	Reversal
Accounts				
Available-for-sale securities:				
Equity securities	859	-	-	8,279
Foreign currencies bonds	21,741	-	-	-
Held-to-maturity securities				
Foreign currencies bonds	1,054	-	1,319	-

(*) Accrued interest receivable related to impairment of held-to-maturity securities amounts to ₩73 million was not recognized for the years ended December 31, 2008.

(12) The portfolio of securities in foreign currencies excluding securities accounted for using the equity method, by country, as of December 31, 2008 and 2007 was as follows:

(Won In millions)	2008		2007	
	Amount	Percentage(%)	Amount	Percentage(%)
By country				
Available-for-sale securities:				
Korea	35,210	61.08	44,984	53.37
USA	12,841	22.28	22,084	26.20
France	5,087	8.83	8,509	10.10
Belgium	4,503	7.81	8,707	10.33
	57,641	100.00	84,284	100.00

(Won In millions)	2008		2007	
	Amount	Percentage(%)	Amount	Percentage(%)
By country				
Held-to-maturity securities:				
Korea	-	-	2,812	6.43
USA	12,575	33.33	18,753	42.91
France	12,575	33.33	9,382	21.47
Germany	-	-	3,372	7.72
Belgium	12,575	33.34	9,382	21.47
	37,725	100.00	43,701	100.00
	95,366		127,985	

(13) Structured securities as of December 31, 2008 and 2007 were as follows:

(Won In millions)	2008	2007
	Interest related	
FRN	130,000	140,000
Credit risk related:		
Synthetic CDO	35,007	44,001
CLN	12,575	9,382
CLO	12,575	9,382
	190,157	202,765

(14) Securities provided as collateral as of December 31, 2008 and 2007 were as follow:

(Won In millions)	2008		2007	Provided for
	Provided to	2007	2007	
Korea Securities Depository	1,200,000	1,050,000		Bonds sold under repurchase agreements
The Bank of Korea	160,000	160,000		Overdrafts and settlement
The Bank of Korea	460,000	470,000		Borrowings from the Bank of Korea
PB Futures Co., Ltd. and others	1,800	8,800		Futures settlement
Societe Generale Bank	50,000	-		Settlement
Sumitomo Bank	100,000	-		Borrowings from the bank
Busan District Court	1,584	1,070		A deposit
	1,973,384	1,689,870		

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(15) Assets of privately placed units included in beneficiary certificates of available-for-sale securities as of December 31, 2008 and 2007 were as follows:

(Won In millions)	2008	2007
Stocks	87,705	78,017
Finance bonds	53,859	23,840
Corporate bonds	4,570	-
Call loans	13,723	25,421
Other due from banks	50,345	16,544
CP	27,739	-
Other assets	5,031	-
Total assets	242,972	143,822
Total liabilities	-	-
Net assets	242,972	143,822

5. LOANS:

(1) Loans as of December 31, 2008 and 2007 consisted of the following:

(Won In millions)	2008	2007
Loans in local currency	16,992,263	15,932,123
Loans in foreign currencies	1,449,331	540,692
Bills bought in local currency	8,927	11,597
Bills bought in foreign currencies	322,292	152,039
Advances for customers	29,254	919
Credit card accounts	345,552	331,808
Privately placed bonds	134,875	199,625
Call loans	5,000	592,539
Domestic import usance bill	448,817	363,897
	19,736,311	18,125,239
Allowance for possible loan losses (see Notes 6 and 7)	(296,217)	(219,661)
	19,440,094	17,905,578

(2) Loans in local currency and loans in foreign currencies as of December 31, 2008 and 2007 were as follows:

(Won In millions)	2008	2007
Loans in local currency:		
Commercial		
Working capital loans:		
Notes discounted	524,620	511,838
Overdraft accounts	166,850	126,913
General purpose loans	6,818,821	6,390,947
Trading notes	288,186	255,599

(Won In millions)	2008	2007
Commercial loans	463,892	389,754
Others	336,679	340,410
	8,599,048	8,015,461
Facilities loans:		
General purpose loans	3,034,093	2,526,472
Others	993,920	939,273
	4,028,013	3,465,745
	12,627,061	11,481,206
Households		
General purpose loans	3,787,823	3,779,337
Others	1,053	699
	3,788,876	3,780,036
Public sector loans		
Working capital loans	148,122	209,869
Facilities loans	118,746	172,730
	266,868	382,599
Other loans		
Housing loans	20,718	21,160
Inter-bank loans	288,740	267,122
	309,458	288,282
	16,992,263	15,932,123
Loans in foreign currencies:		
Domestic loans	1,437,196	531,029
Offshore loans	12,135	9,663
	1,449,331	540,692

(3) Inter-bank loans for restructuring of small and medium-sized enterprises as of December 31, 2008 and 2007 were as follows:

(Won In millions)	2008	2007
Industrial Bank of Korea	164,779	168,075
Kookmin Bank	22,423	16,399
Woori Bank	35,640	31,952
Korea Exchange Bank	2,792	3,191
Shinhan Bank	16,885	16,595
Kyongnam Bank	32,623	20,220
The Korea Development Bank and others	13,598	10,690
	288,740	267,122

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The loans to financial institutions excluding inter-bank loans above as of December 31, 2008 and 2007 were as follows:

(Won In millions)	2008	2007
CNH Capital Co., Ltd	6,523	-
Lotte Card Co., Ltd.	10,000	10,000
Lotte Capital Co., Ltd.	30,000	20,000
Shinhan Card Co., Ltd.	25,150	-
Others	111,354	72,944
	183,027	102,944

(4) Loans in local currency and loans in foreign currencies, classified by borrower type, as of December 31, 2008 and 2007 were as follows:

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

December 31, 2007:	Loans in local currency	Loans in foreign currencies	Total	Percentage(%)
(Won In millions)				
Large corporations	702,989	144,097	847,086	5.14
Small and medium corporations	11,045,339	396,595	11,441,934	69.46
Households	3,801,196	-	3,801,196	23.08
Public sector and other	382,599	-	382,599	2.32
	15,932,123	540,692	16,472,815	100.00

(5) Loans in local currency and loans in foreign currencies, classified by industry, as of December 31, 2008 and 2007 were as follows:

December 31, 2008:	Loans in local currency	Loans in foreign currencies	Total	Percentage(%)
(Won In millions)				
Manufacturing	6,466,271	790,961	7,257,232	39.35
Finance and insurance	471,767	25,150	496,917	2.69
Wholesale and retail	1,586,978	97,495	1,684,473	9.13
Real estate and renting	1,454,594	27,419	1,482,013	8.04
Lodgings and foods	324,458	6,516	330,974	1.79
Households	3,809,594	-	3,809,594	20.66
Public sector	266,868	-	266,868	1.45
Construction	675,761	43,136	718,897	3.90
Others	1,935,972	458,654	2,394,626	12.99
	16,992,263	1,449,331	18,441,594	100.00

December 31, 2007:

(Won In millions)	Loans in local currency	Loans in foreign currencies	Total	Percentage(%)
Manufacturing	5,887,851	336,324	6,224,175	37.77
Finance and insurance	342,859	27,208	370,067	2.25
Wholesale and retail	1,505,703	30,684	1,536,387	9.33
Real estate and renting	1,443,173	2,714	1,445,887	8.78
Lodgings and foods	329,372	4,806	334,178	2.03
Households	3,801,196	-	3,801,196	23.08
Public sector	382,599	-	382,599	2.32
Construction	710,219	2,992	713,211	4.33
Others	1,529,151	135,964	1,665,115	10.11
	15,932,123	540,692	16,472,815	100.00

(6) Loans in foreign currencies, classified by borrower's country, as of December 31, 2008 and 2007 were as follows:

By country	2008		2007	
	Amount	Percentage(%)	Amount	Percentage(%)
Korea	1,437,196	99.16	531,029	98.21
Indonesia (*)	12,135	0.84	9,663	1.79
	1,449,331	100.00	540,692	100.00

(*) Loans for local branches of Korean enterprises

6. RESTRUCTURED LOANS:

(1) Present value discounts for restructured loans as of December 31, 2008 and 2007 were as follows:

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

December 31, 2007:	Discount rates (%)	Loans	Present value discounts			Ending balance
			Beginning balance	Addition	Deduction	
(Won In millions)						
Reorganization and court mediation	2.00~8.75	18,825	1,163	790	459	1,494
Workout	5.50	3,160	-	68	68	-
		21,985	1,163	858	527	1,494

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

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7. ALLOWANCE FOR POSSIBLE LOAN LOSSES:

(1) The allowance for possible loan losses (excluding present value discounts from restructured loan) as of December 31, 2008 and 2007 were summarized as follows:

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

December 31, 2007:						
(Won In millions)	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Loans in local currency	136,340	19,489	16,481	10,501	10,983	193,794
Loans in foreign currencies	7,759	94	48	-	-	7,901
Bills bought in foreign currencies	1,324	27	-	-	-	1,351
Bills bought in local currency	104	-	-	-	-	104
Advances for customers	1	1	103	146	10	261
Credit card receivables	6,362	1,409	19	1,790	2,059	11,639
Privately placed bonds	1,751	-	-	-	-	1,751
Others	-	5	55	747	559	1,366
	153,641	21,025	16,706	13,184	13,611	218,167

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

(Won In millions)	Loans	Allowance for possible loan losses	Percentage(%)
December 31, 2006	14,607,149	219,554	1.50
December 31, 2007	17,127,095	218,167	1.27
December 31, 2008	19,447,622	294,487	1.51

(3) The changes in allowance for possible loan losses (excluding present value discounts from restructured loan) for the years ended December 31, 2008 and 2007 were as follows:

(Won In millions)	2008	2007
Beginning balance	218,167	219,554
Present value discounts	(617)	(741)
Loans written-off	(73,541)	(77,493)
Changes in exchange rates	869	23
Collection of previously written-off loans	37,643	32,279
	182,521	173,622
Provision for possible loan losses	111,966	44,545
	294,487	218,167

8. TANGIBLE ASSETS:

(1) Tangible assets as of December 31, 2008 and 2007 were as follows:

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

December 31, 2007:				
(Won In millions)	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value
Land	172,491	-	-	172,491
Buildings	123,948	18,299	-	105,649
Leasehold improvements	30,511	17,520	-	12,991
Equipment and vehicles	222,532	169,073	1,600	51,859
Construction in progress	19,692	-	-	19,692
	569,174	204,892	1,600	362,682

(2) The published value of land as of December 31, 2008 and 2007 was as follows:

(Won In millions)	Book value		Published value	
	2008	2007	2008	2007
Land	172,702	172,491	142,625	140,147

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(3) Tangible assets, which have been insured as of December 31, 2008 and 2007, were as follows:

December 31, 2008:

(Won In millions)

Type of insurance	Insured assets	Book value	Insured amount
Property composite	Buildings	108,712	108,712
	Fixtures	12,573	12,573
	Others	38,962	38,962
		160,247	160,247

December 31, 2007:

(Won In millions)

Type of insurance	Insured assets	Book value	Insured amount
Property composite	Buildings	105,649	105,649
	Fixtures	12,991	12,991
	Others	50,537	52,138
		169,177	170,778

(4) The changes in book value of tangible assets for the years ended December 31, 2008 and 2007 consisted of the following:

December 31, 2008:

(Won In millions)

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

December 31, 2007:

(Won In millions)

	Beginning	Acquisition	Disposal	Replacement	Depreciation	Impairment loss	Ending
Land	172,588	-	97	-	-	-	172,491
Buildings	103,337	-	736	5,499	2,451	-	105,649
Leasehold improvements	8,677	-	121	7,785	3,350	-	12,991
Equipment and vehicles	52,173	27,582	614	-	25,682	1,600	51,859
Construction in progress	19,597	13,379	-	(13,284)	-	-	19,692
	356,372	40,961	1,568	-	31,483	1,600	362,682

9. OTHER ASSETS:

(1) Other assets as of December 31, 2008 and 2007 consisted of the following:

(Won In millions)

	2008	2007
Guarantee deposits	123,415	117,116
Accounts receivable	290,909	989,255
Accrued income (see Note 2)	139,305	134,422
Prepaid expenses	5,716	5,267
Derivatives assets (see Note 16)	456,002	61,809
Deferred income tax assets (see Note 23)	7,471	-
Domestic exchange settlement debits	39,237	36,345
Intangible assets (see Note 10)	6,330	8,433
Sundry assets	9,659	14,699
	1,078,044	1,367,346

(2) Sundry assets as of December 31, 2008 and 2007 consisted of the following:

(Won In millions)

	2008	2007
Supplies	532	863
Deposit money in court	1,978	3,093
Membership rights	3,661	3,159
Unsettled spot exchanges receivable	599	4,480
Suspense receivable	2,889	3,004
Others	-	100
	9,659	14,699

10. INTANGIBLE ASSETS:

(1) Intangible assets as of December 31, 2008 and 2007 consisted of the following:

December 31, 2008:

(Won In millions)

	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Book value
Goodwill	25	18	-	7
Software	14,653	9,496	-	5,157
Others	2,194	1,028	-	1,166
	16,872	10,542	-	6,330

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December 31, 2007:	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Book value
(Won In millions)				
Goodwill	25	13	-	12
Software	13,369	6,139	-	7,230
Others	2,054	863	-	1,191
	15,448	7,015	-	8,433

(2) The changes in intangible assets for the years ended December 31, 2008 and 2007 were as follows:

December 31, 2008:	Beginning	Increase(*)	Amortization	Ending
(Won In millions)				
Goodwill	12	-	5	7
Software	7,230	1,284	3,357	5,157
Others	1,191	140	165	1,166
	8,433	1,424	3,527	6,330

(*) Included an amount of ₩316 million which was transferred from construction in progress.

December 31, 2007:	Beginning	Increase(*)	Amortization	Ending
(Won In millions)				
Goodwill	17	-	5	12
Software	6,704	2,803	2,277	7,230
Others	1,310	-	119	1,191
	8,031	2,803	2,401	8,433

11. DEPOSITS:

(1) Deposits as of December 31, 2008 and 2007 consisted of the following:

(Won In millions)	2008	2007
Demand deposits	6,937,981	6,934,019
Term deposits	7,539,220	6,439,294
Certificates of deposits	2,280,963	2,839,539
	16,758,164	16,212,852

(2) Demand deposits as of December 31, 2008 and 2007 consisted of the following:

(Won In millions)	Interest rate (%)	2008	2007
Demand deposits in local currency:			
Checking deposits	-	28,761	42,677
Household checking deposits	0.10	9,775	10,766
Temporary deposits	0.00 ~ 2.00	430,888	494,562
Passbook deposits	0.10	879,074	880,299

(Won In millions)	Interest rate (%)	2008	2007
Public fund deposits	1.00	211,806	132,843
National Treasury deposits	0.10	271	766
Savings deposits	0.10 ~ 8.80	2,902,462	2,985,785
Corporate savings deposits	0.00 ~ 8.80	2,218,188	2,259,573
		6,681,225	6,807,271
Demand deposits in foreign currencies:			
Checking deposits	-	3,425	3,307
Passbook deposits	0.20	220,982	107,505
Deposit at notice	0.37 ~ 3.56	32,146	15,883
Temporary deposits	-	203	53
		256,756	126,748
		6,937,981	6,934,019

(3) Term deposits as of December 31, 2008 and 2007 consisted of the following:

(Won In millions)	Interest rate (%)	2008	2007
Term deposits in local currency:			
Time deposits	1.00 ~ 10.00	6,493,724	5,578,941
Installment savings deposits	1.00 ~ 6.90	734,570	553,905
Long-term housing savings deposits	1.00 ~ 4.70	185,410	164,484
Long-term savings for households	1.00	4	31
Workers' preferential savings deposits	1.00 ~ 2.57	187	5,900
Mutual installment deposits	1.00 ~ 5.85	75,794	75,479
Mutual installment for housing	1.00 ~ 4.55	18,804	33,839
		7,508,493	6,412,579
Term deposits in foreign currencies			
Time deposits	0.24 ~ 4.97	30,727	26,715
		7,539,220	6,439,294

(4) Deposits with financial institutions as of December 31, 2008 and 2007 were as follows:

(Won In millions)	Account	Financial institutions	2008	2007
Deposits in local currency				
		Banks	207,191	161,907
		Others	979,520	813,460
			1,186,711	975,367

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12. BORROWINGS:

(1) Borrowings as of December 31, 2008 and 2007 consisted of the following:

(Won In millions)	2008	2007
Call money	268,227	39,101
Bills sold	15,156	170,265
Bonds sold under repurchase agreement	999,991	832,459
Borrowings in local currency	1,314,447	1,281,594
Borrowings in foreign currencies	2,126,773	1,509,966
Debentures in local currency	2,454,782	2,169,961
Debentures in foreign currencies	685,870	427,071
	7,865,246	6,430,417

(2) Borrowings in local currency as of December 31, 2008 and 2007 consisted of the following:

(Won In millions)	Description	Lenders	Annual interest rate(%)	2008	2007
	Borrowings from SME Fund	SME Association	2.00 ~ 7.18	571,569	550,840
	Borrowings from the Bank of Korea	The Bank of Korea	1.75 ~ 2.25	420,636	447,618
	Borrowings from Energy Fund	Korea Energy Management Corporation	1.50 ~ 4.75	89,133	70,180
	Borrowings from Autonomy Fund	Busan Metropolitan City	4.20 ~ 5.23	2,563	14,163
	Borrowings from Gyeongsangnamdo SME Fund	Nonghyup	3.70 ~ 5.49	34,589	21,951
	Borrowings from Industrial Infrastructure Fund and others	Industrial Bank of Korea and others	1.50 ~ 6.03	128,614	111,632
	Other borrowings	Others	0.00 ~ 4.89	67,343	65,210
				1,314,447	1,281,594

(3) Borrowings in foreign currencies as of December 31, 2008 and 2007 consisted of the following:

(Won In millions)	Lenders	Annual interest rate(%)	2008	2007
	Korea Exchange Bank and others	0.00 ~ 6.66	521,662	753,987
	SMBC and others	1.69 ~ 6.82	1,118,847	333,791
	SCB and others	1.90 ~ 6.66	486,264	422,188
			2,126,773	1,509,966

(4) Bonds sold under repurchase agreements, bills sold and call money as of December 31, 2008 and 2007 consisted of the following:

(Won In millions)	Account	Financial institution	Annual interest rate(%)	2008	2007
	Bonds sold under repurchase agreements	Individuals and Corporations	1.00 ~ 7.70	999,991	832,459
	Bills sold	Individuals and Corporations	0.00 ~ 6.35	15,156	170,265
	Call money	Korea Exchange Bank and others	0.86 ~ 7.03	268,227	39,101
				1,283,374	1,041,825

(5) Borrowings in local or foreign currencies from financial institutions as of December 31, 2008 and 2007 were as follows:

(Won In millions)	Financial institutions	Annual interest rate(%)	2008	2007
Borrowings in local currency:				
	The Bank of Korea	1.75 ~ 2.25	420,636	447,618
	Woori Bank	4.20	252	573
	Nonghyup	1.50 ~ 5.49	21,174	28,937
	Hana Bank	4.20	855	1,076
	Kwangju Bank	5.49	2,688	2,988
	The Korea Development Bank	2.00 ~ 4.36	7,800	3,390
	Industrial Bank of Korea	3.36 ~ 5.11	30,174	29,458
	Kyongnam Bank	4.49 ~ 6.03	20,910	1,740
	Daegu Bank	4.30	15,933	9,393
			520,422	525,173
Borrowings in foreign currencies:				
	Korea Exchange Bank and others	1.69 ~ 6.82	2,126,773	1,509,966
			2,647,195	2,035,139

(6) Debentures in local currency as of December 31, 2008 and 2007 consisted of the following:

(Won In millions)	Description	Issued date	Expiration date	Annual interest rate(%)	2008	2007
	Subordinated debentures in local currency:	2001-Jun-15	2007-Jan-15	-	19	19
		2002-Apr-26	2008-Jan-26	-	-	100,000
		2005-Apr-28	2011-Jan-28	5.18 ~ 5.20	175,000	175,000
		2006-Dec-12	2012-Dec-12	5.30	100,000	100,000
		2008-Nov-11	2014-Jan-11	8.24	100,000	-
	Hybrid debentures	2008-Dec-17	2038-Dec-17	8.80	200,000	-
		2008-Dec-26	2038-Dec-26	8.80	30,000	-

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(Won In millions)	Description	Issued date	Expiration date	Annual interest rate(%)	2008	2007
	Unsecured debentures in local currency:	2007-Sep-20	2008-Sep-20	-	-	100,000
		2007-Oct-30	2008-Oct-30	-	-	80,000
		2007-Nov-23	2008-Nov-23	-	-	20,000
		2007-Nov-27	2008-Nov-27	-	-	30,000
		2008-Sep-03	2009-Sep-03	6.84	50,000	-
		2006-Oct-30	2008-Oct-30	-	-	200,000
		2006-Nov-28	2008-May-28	-	-	20,000
		2006-Dec-13	2008-Dec-13	-	-	80,000
		2007-Jan-29	2010-Jan-29	5.30	100,000	100,000
		2007-Jan-29	2009-Jan-29	5.24	70,000	70,000
		2007-Feb-15	2009-Feb-15	5.11	150,000	150,000
		2007-Feb-21	2010-Feb-21	5.13	80,000	80,000
		2007-Mar-21	2009-Mar-21	5.09	100,000	100,000
		2007-Mar-28	2009-Mar-28	5.09	100,000	100,000
		2007-Aug-16	2010-Aug-16	5.62	10,000	10,000
		2007-Aug-17	2010-Aug-17	5.63	50,000	50,000
		2007-Aug-27	2010-Aug-27	5.75	140,000	140,000
		2007-Oct-10	2009-Oct-10	5.92	80,000	80,000
		2007-Oct-10	2010-Oct-10	5.98	50,000	50,000
		2007-Oct-11	2009-Oct-11	5.92	70,000	70,000
		2007-Oct-16	2010-Oct-16	6.00	100,000	100,000
		2007-Oct-24	2009-Oct-24	5.84	100,000	100,000
		2007-Nov-23	2010-Nov-23	6.30	20,000	20,000
		2007-Dec-12	2009-Dec-12	6.60	40,000	40,000
		2007-Dec-13	2009-Jun-13	6.60	20,000	20,000
		2008-Jan-30	2010-Jan-30	5.65	100,000	-
		2008-Feb-29	2011-Feb-28	5.62	30,000	-
		2008-Mar-17	2009-Mar-17	8.10*n/N(+)	50,000	-
		2008-Mar-20	2010-Mar-20	5.91	80,000	-
		2008-Apr-24	2010-Apr-24	5.67	50,000	-
		2008-May-06	2013-May-06	5.73	30,000	-
		2008-May-28	2010-May-28	6.00	50,000	-
		2008-Jun-19	2009-Jul-19	6.02	10,000	-
		2008-Jun-26	2010-Jun-26	6.50	70,000	-
		2008-Oct-28	2009-Nov-28	7.65	50,000	-
					2,455,019	2,185,019
	Gain (loss) on valuation of fair value hedged items				2,190	(4,832)
					2,457,209	2,180,187
	Discounts on debentures				(2,427)	(10,226)
					2,454,782	2,169,961

(7) Debentures in foreign currencies as of December 31, 2008 and 2007 consisted of the following:

(Won In millions)	Description	Issued date	Expiration date	Annual interest rate(%)	2008	2007
	Subordinated debentures in foreign currencies	2007-Mar-14	2017-Mar-14	5.50	251,498	187,640
		2007-Oct-30	2012-Oct-30	6.00	314,374	234,550
		2008-Aug-28	2011-Aug-26	2.35	69,697	-
					635,569	422,190
	Loss on valuation of fair value hedged items				54,648	8,189
					690,217	430,379
	Discounts on debentures				(4,347)	(3,308)
					685,870	427,071

13. OTHER LIABILITIES:

(1) Other liabilities as of December 31, 2008 and 2007 consisted of the following:

(Won In millions)	2008	2007
Accrued severance benefits (see Note 14)	66,424	63,974
Less: National pension fund	(8)	(17)
Less: Severance insurance deposits	(59,061)	(54,645)
Allowance for possible losses on acceptances and guarantees (see Note 15)	7,089	5,989
Allowance for possible losses on unused limits (see Note 17)	23,433	23,551
Other allowance (see Note 17)	9,378	5,111
Due to trust accounts	337,176	170,803
Unsettled foreign exchange liabilities	5,261	4,796
Domestic exchange settlement credits	57,057	64,758
Accounts payable (see Note 19)	274,998	1,012,627
Accrued expenses	380,820	315,797
Unearned revenues	30,012	27,031
Guarantees deposits received	24,458	18,413
Withholding taxes	10,874	9,459
Derivatives liabilities (see Note 16)	362,670	54,631
Accounts for agency business	39,324	36,672
Agency	35,077	56,838
Deferred income tax liabilities (see Note 23)	-	2,364
Tax payable	67,364	44,317
Sundry liabilities	16,092	12,504
	1,688,438	1,874,973

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(2) Sundry liabilities included in other liabilities as of December 31, 2008 and 2007 consisted of the following:

(Won In millions)	2008	2007
Borrowings from cash delivery among other banks	300	540
Subscription deposits	6,913	6,405
Suspense receipts	4,127	2,829
Deposits for credit management	1,813	-
Prepaid card liabilities	2,846	2,707
Debit card liabilities	93	23
	16,092	12,504

14. ACCRUED SEVERANCE BENEFITS:

The changes in accrued severance benefits for the years ended December 31, 2008 and 2007 were as follows:

(Won In millions)	2008	2007
At the beginning of the year	63,974	46,634
Payment	10,807	2,565
Provision	13,257	19,905
At the end of the year	66,424	63,974

15. ACCEPTANCES AND GUARANTEES AND ALLOWANCES FOR POSSIBLE LOSSES:

(1) Acceptances and guarantees as of December 31, 2008 and 2007 were as follows:

(Won In millions)	2008	2007
Confirmed acceptances and guarantees in local currency:		
Payment guarantee for loans	77,163	76,834
Others	374,295	245,011
	451,458	321,845
Confirmed acceptances and guarantees in foreign currencies:		
Acceptances on letters of credit	79,994	12,485
Acceptances for letters of guarantee for importers	10,815	18,320
Guarantees on credit derivatives	-	56,292
Others	149,674	78,799
	240,483	165,896
	691,941	487,741

(Won In millions)

Types	2008	2007
Unconfirmed acceptances and guarantees:		
Letters of credit	269,650	421,510
Other	35,017	19,654
	304,667	441,164
	996,608	928,9054

(2) Acceptances and guarantees, by industry, as of December 31, 2008 and 2007 were as follows:

(Won In millions)	2008		2007	
	Amount	Percentage(%)	Amount	Percentage(%)
Confirmed:				
Manufacturing	438,199	63.33	251,743	51.62
Wholesale and retail	124,104	17.94	96,918	19.87
Finance and insurance	300	0.04	57,788	11.85
Construction	59,380	8.58	24,550	5.03
Others	69,958	10.11	56,742	11.63
	691,941	100.00	487,741	100.00
Unconfirmed:				
Manufacturing	175,575	57.63	271,393	61.52
Wholesale and retail	82,441	27.06	132,275	29.98
Finance and insurance	-	0.00	220	0.05
Construction	18	0.01	1,750	0.40
Others	46,633	15.30	35,526	8.05
	304,667	100.00	441,164	100.00

(3) Acceptances and guarantees, by customer, as of December 31, 2008 and 2007 were as follows:

(Won In millions)	2008		2007	
	Amount	Percentage(%)	Amount	Percentage(%)
Confirmed:				
Large corporations	85,889	12.41	92,681	19.00
Small and medium-sized corporation	599,011	86.57	385,423	79.02
Household sector	7,041	1.02	9,637	1.98
	691,941	100.00	487,741	100.00
Unconfirmed:				
Large corporations	112,053	36.78	69,102	15.66
Small and medium-sized corporation	192,614	63.22	372,062	84.34
	304,667	100.00	441,164	100.00

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(4) Acceptances and guarantees, by country, as of December 31, 2008 and 2007 were as follows:

(Won In millions)	2008		2007	
	Amount	Percentage(%)	Amount	Percentage(%)
Confirmed:				
Korea	691,941	100.00	431,449	88.45
France	-	-	18,764	3.85
USA	-	-	18,764	3.85
Luxemburg	-	-	18,764	3.85
	691,941	100.00	487,741	100.00
Unconfirmed:				
Korea	304,667	100.00	441,164	100.00

(5) Allowance for possible losses on acceptances and guarantees and endorsed note as of December 31, 2008 and 2007 were as follows:

(Won In millions)	2008			2007		
	Outstanding balance	Allowance	Percentage(%)	Outstanding balance	Allowance	Percentage(%)
Confirmed:						
Normal	690,596	5,848	0.85	484,691	4,084	0.84
Precautionary	1,301	91	6.99	2,900	198	6.83
Substandard	44	9	-	-	-	-
Doubtful	-	-	-	-	-	-
Estimated loss	-	-	-	150	150	100.00
	691,941	5,948	0.86	487,741	4,432	0.91
Unconfirmed:						
Normal	304,571	1,138	0.37	439,562	1,495	0.34
Precautionary	96	1	1.04	1,602	37	2.31
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Estimated loss	-	-	-	-	-	-
	304,667	1,139	0.37	441,164	1,532	0.35
Endorsed note:						
Normal	465	2	0.43	5,491	25	0.46
Precautionary	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Estimated loss	-	-	-	-	-	-
	465	2	0.43	5,491	25	0.46
	997,073	7,089	0.71	934,396	5,989	0.64

(6) The percentage of allowance for possible losses on acceptances and guarantees to outstanding balances as of December 31, 2006, 2007 and 2008 were as follows:

(Won In millions)	Confirmed			Unconfirmed			Endorsed note		
	Outstanding balance	Allowance	Percentage(%)	Outstanding balance	Allowance	Percentage(%)	Outstanding balance	Allowance	Percentage(%)
2006	448,300	3,148	0.70	316,542	893	0.28	10,579	46	0.43
2007	487,741	4,432	0.91	441,164	1,532	0.35	5,491	25	0.46
2008	691,941	5,948	0.86	304,667	1,139	0.37	465	2	0.43

16. DERIVATIVES INSTRUMENTS:

(1) The notional amounts outstanding for derivative contracts as of December 31, 2008 and 2007 were as follows:

(Won In millions)	Type	2008			2007		
		Trading	Hedge	Total	Trading	Hedge	Total
Currency:							
Currency forwards (*)		3,330,774	-	3,330,774	3,324,064	-	3,324,064
Currency futures		-	-	-	69,755	-	69,755
Currency swaps		691,625	-	691,625	310,860	46,910	357,770
Currency options purchased		294,564	-	294,564	314,699	-	314,699
Currency options sold		294,564	-	294,564	314,699	-	314,699
		4,611,527	-	4,611,527	4,334,077	46,910	4,380,987
Interest rate							
Interest rate swaps (*)		489,308	740,875	1,230,183	343,478	547,190	890,668
Stock:							
Stock options purchased		26,339	-	26,339	61,056	-	61,056
Stock options sold		41,630	-	41,630	75,881	-	75,881
Stock swaps		15,291	-	15,291	14,825	-	14,825
		83,260	-	83,260	151,762	-	151,762
Others:							
Precious metals options purchased		-	-	-	5,891	-	5,891
Precious metals options sold		-	-	-	5,891	-	5,891
Goods forwards		-	-	-	56,869	-	56,869
Credit Default Swaps (CDS)		125,750	-	125,750	-	-	-
		125,750	-	125,750	68,651	-	68,651
		5,309,845	740,875	6,050,720	4,897,968	594,100	5,492,068

(*) 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 one foreign currency and another foreign currency, unsettled amount is presented using the basic foreign exchange rate on the contract amount in a foreign currency purchased.

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(2) As of and for the years ended December 31, 2008 and 2007, outstanding contract amount, gain or loss on valuation of derivative instruments in the statements of income, and assets and liabilities for the accumulated gain or loss on valuation of derivative instruments in the balance sheets were as follows:

(Won In millions)	2008					
	Gain on valuation		Loss on valuation		Assets	Liabilities
	Trading	Hedge	Trading	Hedge		
Currency:						
Currency forwards	212,500	-	218,915	-	212,180	218,841
Currency swaps	104,891	-	56,132	-	103,746	55,310
Currency options purchased	52,966	-	-	-	70,226	-
Currency options sold	-	-	48,367	-	-	70,226
	370,357	-	323,414	-	386,152	344,377
Interest rate:						
Interest rate swaps	14,582	51,528	9,677	-	69,629	11,912
	14,582	51,528	9,677	-	69,629	11,912
Stock:						
Stock options purchased	-	-	715	-	221	-
Stock options sold	1,380	-	-	-	-	623
Stock swaps purchased	-	-	548	-	-	381
	1,380	-	1,263	-	221	1,004
Others:						
Credit Default Swaps (CDS)	-	-	5,377	-	-	5,377
	-	-	5,377	-	-	5,377
	386,319	51,528	339,730	-	456,002	362,670

The hedged items, to which fair value hedge accounting was applied, were debentures in local currency and debentures in foreign currencies, and hedging derivative instruments, such as interest rate swap, were used to cover exposures to changes in fair values of the hedged items resulting from interest rate changes.

In 2008, the ineffective portion of gain on valuation of debentures in foreign currencies of ₩835 million is recorded in current operations.

(Won In millions)	2007					
	Gain on valuation		Loss on valuation		Assets	Liabilities
	Trading	Hedge	Trading	Hedge		
Currency:						
Currency forwards	34,588	-	23,299	-	33,890	24,301
Currency swaps	299	649	1,272	-	2,456	2,730
Currency options purchased	6,441	-	-	-	7,068	-
Currency options sold	-	-	6,200	-	-	7,264
	41,328	649	30,771	-	43,414	34,295
Interest rate:						
Interest rate swaps	3,920	7,687	7,232	1,713	11,683	12,651
	3,920	7,687	7,232	1,713	11,683	12,651

(Won In millions)	2007					
	Gain on valuation		Loss on valuation		Assets	Liabilities
	Trading	Hedge	Trading	Hedge		
Stock:						
Stock options purchased	1	-	1,897	-	475	-
Stock options sold	1,897	-	691	-	-	1,516
Stock swaps purchased	553	-	99	-	167	99
	2,451	-	2,687	-	642	1,615
Others:						
Precious metals options purchased	87	-	-	-	346	-
Precious metals options sold	-	-	87	-	-	346
Goods forwards purchased	5,724	-	-	-	5,724	-
Goods forwards sold	-	-	5,724	-	-	5,724
	5,811	-	5,811	-	6,070	6,070
	53,510	8,336	46,501	1,713	61,809	54,631

The hedged items, to which fair value hedge accounting was applied, were debentures in local currency and debentures in foreign currencies, and hedging derivative instruments, such as interest rate swap, were used to cover exposures to changes in fair values of the hedged items resulting from interest rate changes.

In 2007, due to valuation of debentures in foreign currencies, the fair value hedge accounting was applied on the loss of ₩8,189 million on valuation of the hedging derivative instruments and the gain of ₩7,687 million on valuation of derivative instruments are reflected in current operations. The ineffective portion of loss on valuation of fair value hedged items of ₩502 million is recorded in current operations.

Cash flow hedge accounting is applied to borrowings in foreign currencies designated as hedging the exposure to variability in interest rate or exchange rate through the currency swaps contract as of December 31, 2007. However, the possibility of the exposure to variability in cash flows is expected to last until November 2010.

17. CONTINGENCIES AND COMMITMENTS:

(1) The unused limits of credit card purchase and loan agreement as of December 31, 2008 and 2007 were as follows:

(Won In millions)	Type	2008	2007
	Unused limit of loan agreement	2,678,082	3,441,385
	Unused limit of credit cards purchase	1,243,064	1,310,754
		3,921,146	4,752,139

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

The allowance for possible losses on unused limits amounted to ₩23,433 million and ₩23,551 million as of December 31, 2008 and 2007, respectively.

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(2) The other allowance as of December 31, 2008 and 2007 were as follows:

(Won In millions)		
Type	2008	2007
Credit Card Point Reserve (Fund)	6,482	5,111
Provision related to financial derivatives	2,896	-
	9,378	5,111

(3) The Bank manages written-off loans whose time period for legal claim has not lapsed. The balances of such loans were ₩628,773 million and ₩618,953 million as of December 31, 2008 and 2007, respectively.

(4) As of December 31, 2008, the Bank faces 18 pending legal actions involving aggregate damages of ₩6,630 million. On the other hand, the Bank also has filed 9 lawsuits, which are still pending, with aggregate claims of ₩29,236 million. The Bank believes that the result of the litigations does not significantly affect the financial statements.

(5) Disposal of loans

For past several years, the Bank sold its loans primarily to Korean Asset Management Corporation ("KAMCO"). The long-term loans restructured through court receivership, court mediation, workout plans and others were sold under repurchase agreements under which the Bank should repurchase the loans sold even after the final settlement, if the debtor fails to meet the adjusted repayment schedules. The outstanding balance of loans sold under such repurchase agreements as of December 31, 2008 and 2007 amounted to ₩337 million and ₩337 million, respectively. The Bank may incur losses from the repurchase of these loans in the future.

18. SHAREHOLDERS' EQUITY:

(1) Common stock

As of December 31, 2008 the Bank has 400 million common shares authorized with a par value per share of ₩5,000 and 146,683,650 shares has been issued.

(2) Retained earnings

Retained earnings as of December 31, 2008 and 2007 were summarized as follows:

(Won In millions)		
Type	2008	2007
Legal reserve	103,553	76,483
Voluntary reserve	563,132	403,118
Retained earnings before appropriations	274,959	270,694
	941,644	750,295

1) Legal reserve

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

(3) Accumulated other comprehensive income (loss)

Changes in gain (loss) on valuation of available-for-sale securities and securities using the equity method [see Note 4 (9)]

19. STOCK OPTIONS:

(1) The Bank granted stock options to its executives according to the resolution of special meeting of shareholders or the board of directors. The options granted as of December 31, 2008 were as follows:

(Share, Won)						
Grant date	Stock options				Exercise price	Exercise period
	Granted	Exercised	Forfeited	Outstanding		
2004.3.26	110,000	59,315	10,632	40,053	7,573	2006.3.27 ~ 2009.3.26
2005.3.25	60,000	-	21,398	38,602	8,366	2007.3.26 ~ 2010.3.25
2005.4.19	40,000	-	1,937	38,063	8,095	2007.4.20 ~ 2010.4.19
2005.5.17	20,000	-	-	20,000	8,029	2007.5.18 ~ 2010.5.17
2006.3.28	130,000	-	8,666	121,334	12,811	2008.3.29 ~ 2011.3.28
2006.4.18	180,000	-	82,439	97,561	13,762	2008.4.19 ~ 2011.4.18
2007.2.26	120,000	-	33,476	86,524	12,824	2009.2.27 ~ 2012.2.26
2007.3.20	50,000	-	6,666	43,334	13,504	2009.3.21 ~ 2012.3.20
2008.1.23	210,000	-	27,996	182,004	14,177	2010.1.24 ~ 2013.1.23
	920,000	59,315	193,210	677,475		

(2) The Bank settles the stock options by paying in cash the difference between the exercise price and the market price at the exercise date. The stock options had been valued using intrinsic value method prior to 2006. Accordingly, the stock compensation cost was accounted for as expense (payroll) and liability (accounts payable) over the agreed service period with the straight line method.

The stock options that were granted during FY 2008 and 2007 are valued to binomial option pricing model using the exercise price from ₩8,029 to ₩14,177, expiry date of March 25, 2010 to January 23, 2013, the closing price of the presumed stock of ₩12,400, expected dividend rate of 3.44% and volatility of stock price of 31.12% or risk-free interest rate of 5.20%.

The stock compensation expenses amounted to ₩1,899 million for the year ended December 31, 2007 and the reversal of stock compensation expenses for the year ended December 31, 2008 amounted to ₩1,776 million. The stock compensation expenses to be booked after December 31, 2008 amount to ₩54 million.

20. INTEREST REVENUE AND EXPENSES:

The average balance of the interest bearing assets and liabilities, and the related interest revenue and expenses as of and for the years ended December 31, 2008 and 2007 were as follows:

(Won In millions)	2008		2007	
	Average balance	Interest revenue /expense	Average balance	Interest revenue /expense
Assets:				
Due from banks	1,193,570	48,517	357,300	17,171
Securities	4,579,146	252,713	4,544,704	227,737
Loans	19,365,562	1,475,811	16,651,546	1,186,680
Others (*)	-	7,247	-	6,107
	25,138,278	1,784,288	21,553,550	1,437,695

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(Won In millions)	2008		2007	
	Average balance	Interest revenue /expense	Average balance	Interest revenue /expense
Liabilities:				
Deposits	16,839,924	630,698	14,251,640	447,983
Borrowings	4,259,720	151,834	4,395,697	173,916
Debentures	2,902,223	168,095	1,671,304	93,283
Others (*)	272,970	14,276	260,847	14,287
	24,274,837	964,903	20,579,488	729,469

(*) Others include interest revenue and expense from the items that do not have average balances.

21. SELLING AND ADMINISTRATIVE EXPENSES:

(1) Selling and administrative expenses for the years ended December 31, 2008 and 2007 were as follows:

(Won In millions)	2008	2007
Salaries	120,898	127,673
Provision for severance benefits	13,256	19,905
Honorary retirement allowance	10,866	5,459
Other employee benefits	90,481	85,076
Rent	10,090	5,936
Expenditure for business purpose	6,327	4,539
Depreciation and amortization	38,362	33,884
Taxes and dues	17,375	13,883
Other selling and administrative expenses	69,086	62,897
	376,741	359,252

(2) Other selling and administrative expenses for the years ended December 31, 2008 and 2007 were as follows:

(Won In millions)	2008	2007
Communication	3,095	2,850
Electricity and utilities	2,931	2,864
Publication	2,446	2,686
Repairs maintenance	2,775	2,889
Vehicle	1,731	1,595
Travel	1,487	1,514
Supplies	4,679	4,199
Advertising	8,758	6,615
Service charges	32,979	31,238
Others	8,205	6,446
	69,086	62,896

22. NON-OPERATING INCOME AND EXPENSES:

Non-operating income and expenses for the years ended December 31, 2008 and 2007 were as follows:

(Won In millions)	2008	2007
Non-operating income:		
Gain on disposal of tangible assets	159	144
Gain on valuation of securities using the equity method	2,411	1,008
Gain on disposal of securities using the equity method	1,729	-
Rental income	450	416
Others	9,205	10,256
	13,954	11,824
Non-operating expenses:		
Loss on disposal of tangible assets	6	565
Loss on valuation of securities using the equity method	791	-
Loss on impairment of tangible assets	-	1,601
Contribution	10,249	13,362
Others	5,533	16,039
	16,579	31,567

23. INCOME TAX EXPENSE:

(1) Income tax expense for the years ended December 31, 2008 and 2007 is summarized as follows:

(Won In millions)	2008	2007
Income tax currently payable	111,307	94,187
Changes in deferred tax assets (liabilities) by temporary difference	(10,940)	3,197
Changes in deferred income tax assets by changes in tax rates(*)	1,105	-
Changes in deferred income tax reflected directly in shareholders' equity	5,787	6,375
Income tax expense	107,259	103,759

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

(2) Changes in cumulative temporary differences for the year ended December 31, 2008 were as follows:

(Won In millions)	Beginning balance	Deduction	Addition	Ending balance
Loss on valuation of securities	7,246	18	26,028	33,256
Accrued interest of securities	(68,014)	(51,347)	(22,871)	(39,538)
Gain on valuation of securities	(23,034)	(12,427)	(11,266)	(21,873)
Revaluation surplus (land)	(6,064)	-	-	(6,064)
Allowance for possible losses on the unused limits	23,551	23,551	23,433	23,433
Deposit due to the lapse of statute of limitation	12,801	12,801	6,865	6,865

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(Won In millions)	Beginning balance	Deduction	Addition	Ending balance
Gain (loss) on valuation of securities using the equity method	(4,230)	(3,349)	-	(881)
Other allowance	5,111	5,111	9,378	9,378
Deemed dividends	4	-	1	5
Stock option	2,704	2,662	-	42
Allowance for possible losses of confirmed acceptances and guarantees	5,989	5,989	7,089	7,089
Loss on valuation of derivatives	48,510	48,510	339,083	339,083
Gain on valuation of derivatives	(57,100)	(57,100)	(437,804)	(437,804)
Honorary retirement allowance	4,195	4,195	10,561	10,561
Accumulated depreciation (additional collection)	153	69	-	84
Impairment losses on tangible assets	1,600	-	-	1,600
Miscellaneous losses	1,728	1,728	-	-
Big chance time deposit	1,177	1,177	1,157	1,157
Others	7,388	879	52,900	59,409
	(36,285)	(17,533)	4,554	(14,198)
Less:				
Revaluation surplus (land) (*1)	6,027	-	-	6,027
Gain on valuation of securities accounted for using the equity method (*2)	4,230	3,349	-	881
	(26,028)	(14,184)	4,554	(7,290)
Statutory tax rate (*4)	27.5%			24.2/22.0%
Deferred income tax liabilities	(7,158)			(3,110)
Temporary differences directly reflected in the shareholders' equity Valuation of securities (*3) (Comprehensive income)	4,794	4,794	10,581	10,581
Deferred income tax assets (liabilities)	(2,364)			7,471

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

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

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

(*4) 24.2% for 2009 and 22% for 2010 and thereafter are applied respectively based on realization period of temporary differences.

There is no income taxes due before offset for the years ended December 31, 2008 and 2007.

(3) The computations between income before income tax and income tax expenses for the years ended December 31, 2008 and 2007 are as follows:

(Won In millions)	2008	2007
Income before income tax	382,218	374,453
Income tax payable by statutory income tax rate (*)	105,079	102,961
Tax reconciliations:		
Non-taxable revenues (2008 and 2007: 426 million and 131 million)	(117)	(36)
Non-deductible expenses (2008 and 2007: 7,737 million and 6,280 million)	2,127	1,727
Effect of change of tax rates and others	170	(893)
Income tax expenses	107,259	103,759
Effective income tax rate	28.06%	27.71%

(*) The statutory tax rate of 12.1%(14.3% in 2007) for income up to ₩200 million (₩100 million in 2007) and 27.5% in excess of ₩200 million (₩100 million in 2007) was applied to the income before income tax.

24. EARNINGS PER SHARE:

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

Net income per share for common stock for the year ended December 31, 2008 was computed as follows:

(1) Outstanding capital stock

(Won In millions)	Number of shares	Number of days	Cumulative number of shares
Number of common shares Beginning balance	146,683,650	366	53,686,215,900
	146,683,650		53,686,215,900

Weighted average number of common shares outstanding: $53,686,215,900 \div 366 \text{ days} = 146,683,650 \text{ shares}$.

(2) The basic net income per share for the years ended December 31, 2008 and 2007 is as follows.

(Won)	2008	2007
Net income (=income from continuing operations, net of tax effect)	274,958,201,316	270,693,675,276
Weighted average number of common shares outstanding	146,683,650	146,683,650
Net income per share	1,874	1,845

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

Diluted income from continuing operations per share and diluted net income per share are computed by dividing the income from continuing operations and net income by the number of common shares outstanding plus dilutive securities outstanding during the period. Diluted income from continuing operations per share and diluted net income per share for the years ended December 31, 2008 and 2007 are not computed because the Bank had no dilutive securities during that period.

25. DIVIDENDS:

Cash dividends in 2008 and 2007 were as follows:

(Won In millions)	2008	2007
Shares issued and outstanding	146,683,650 shares	146,683,650 shares
Par value per share	5,000	5,000
Dividend rate	4.0%	11.4%
Cash dividend	29,338 million	83,610 million
Net income	274,959 million	270,694 million
Payout ratio	10.67%	30.89%
Dividend yield ratio	3.44%	3.63%

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

26. TERM STRUCTURES OF ASSETS AND LIABILITIES:

The term structures of assets and liabilities as of December 31, 2008 and 2007 were as follows:

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

December 31, 2007: (Won In millions)	Less than 3 months	Less than 6 months	Less than 1 year	Less than 3 year	More than 2 year	Total
Due from banks:						
Local currency	176,641	234,240	124,791	-	398,832	934,504
Foreign currencies	-	-	-	-	23,919	23,919
Loans:						
Local currency	3,178,882	2,793,787	3,902,913	2,364,776	3,691,765	15,932,123
Foreign currencies	196,538	63,427	87,011	78,455	105,598	531,029
Offshore loans in foreign currencies	152	152	305	9,054	-	9,663
Domestic import usance bill	221,201	116,034	26,421	-	241	363,897
Bills bought in local currency	11,597	-	-	-	-	11,597
Advance for customers	104	-	-	-	815	919
Bills bought in foreign currencies	108,745	32,648	10,646	-	-	152,039
Credit card receivables	310,865	12,737	6,636	1,403	167	331,808
Privately placed bonds	12,300	36,500	35,365	109,460	6,000	199,625
Deposits:						
Local currency	4,104,319	1,378,373	2,140,342	429,242	5,167,574	13,219,850
Negotiable certificate of Deposits	1,448,960	657,316	703,237	30,026	-	2,839,539
Foreign currencies	40,867	4,980	4,281	825	102,510	153,463
Borrowings:						
Local currency	469,078	25,654	59,061	278,336	449,465	1,281,594
Foreign currencies	680,480	260,268	401,873	113,522	20,986	1,477,129
Offshore borrowing in foreign currencies	13,135	-	11,258	8,444	-	32,837
Bonds purchased under repurchased agreements	373,052	236,229	223,178	-	-	832,459
Call money	39,101	-	-	-	-	39,101
Bills sold in foreign currencies	167,810	2,269	186	-	-	170,265
Debentures:						
Local currency	100,019	20,000	499,919	1,279,895	270,128	2,169,961
Foreign currencies	-	-	-	-	427,071	427,071

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

27. FINANCIAL INFORMATION ON INTERIM PERIOD (UNAUDITED):

The Bank's operating revenue, operating income and net income for the three months ended December 31, 2008 and 2007 (unaudited) were as follows:

Won in millions except for the amount per share	2008	2007
Operating revenue	1,309,582	542,976
Operating expenses	1,271,323	479,768
Operating income	38,259	63,208
Non-operating income	3,613	5,068
Non-operating expenses	2,868	15,602
Income before income tax	39,004	52,674
Income tax expense	11,755	14,064
Net income	27,249	38,610
Net income per share	186	263

28. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:

Assets and liabilities denominated in foreign currencies as of December 31, 2008 and 2007 were as follows:

	2008		2007	
	US Dollars (In thousands)	Equivalent to Korean Won (In millions)	US Dollars (In thousands)	Equivalent to Korean Won (In millions)
Assets:				
Foreign currencies	51,005	64,138	36,943	34,660
Due from banks in foreign currencies	255,565	321,373	25,495	23,919
Securities in foreign currencies	75,838	95,366	136,415	127,985
Loans in foreign currencies	1,152,549	1,449,331	576,309	540,693
Domestic import usance bill	356,912	448,817	387,867	363,897
Call loans	-	-	56,000	52,539
Bills bought in foreign currencies	256,296	322,292	162,054	152,039
Others	270,646	340,338	563,725	528,887
	2,418,811	3,041,655	1,944,808	1,824,619
Liabilities:				
Deposits in foreign currencies	228,615	287,483	163,572	153,463
Borrowings in foreign currencies	1,691,271	2,126,773	1,609,429	1,509,966
Call money in foreign currencies	213,302	268,227	41,677	39,101
Debentures in foreign currencies	545,423	685,870	455,202	427,071
Others	128,375	161,432	544,576	510,922
	2,806,986	3,529,785	2,814,456	2,640,523

(*) Foreign currencies other than U.S. dollars were translated into U.S. dollars at the appropriate exchange rates at the balance sheet dates.

29. RELATED PARTY TRANSACTIONS:

(1) Significant transactions with related parties for the years ended December 31, 2008 and 2007 were as follows:

(Won In millions)	2008		2007	
	Revenue	Expenses	Revenue	Expenses
PB Futures Co., Ltd.	7	115	342	310
Busan Credit Information Co., Ltd.	-	2,182	-	2,228
Korea Lease Financing Co., Ltd.	-	984	19	1,658
Mybi Co., Ltd.	263	132	640	193
	270	3,413	1,001	4,389

(2) Significant balances with related parties as of December 31, 2008 and 2007 were as follows:

(Won In millions)	2008		2007	
	Assets	Liabilities	Assets	Liabilities
PB Futures Co., Ltd.	-	1,301	945	102
Busan Credit Information Co., Ltd.	-	3,809	-	3,332
Korea Lease Financing Co., Ltd.	-	20,026	-	19,991
Mybi Co., Ltd.	-	3,139	-	5,041
	-	28,275	945	28,466

(3) The various employee benefits for major directors (registered) for the years ended December 31, 2008 and 2007 were as follows:

(Won In millions)	2008	2007
Type		
Short-term employee benefits	1,228	1,318
Provision for severance benefits	239	230
Stock option (*)	(261)	518
	1,206	2,066

(*) Accumulated stock option expense amounted to ₩7 million and ₩543 million as of December 31, 2008 and 2007, respectively.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

30. TRUST ACCOUNTS:

(1) Balance sheets of trust accounts for which the Bank provided the guarantees for a fixed rate of return and the repayment of principal as of December 31, 2008 and 2007 were as follows:

December 31, 2008: (Won In millions)	Trust accounts guaranteeing a fixed rate of return on, and the repayment of principal	Trust accounts guaranteeing the repayment of principal	Mixed trust accounts (*)	Performance based trust accounts	Total
Assets:					
Due from financial institutions	-	-	-	55,711	55,711
Securities	35	215,695	8,902	713,580	938,212
Loans	2,345	36,580	193	70	39,188
Bonds purchased under resale agreements	-	-	-	150,000	150,000
Office equipment & real-estate	-	-	-	117,035	117,035
Other assets	-	2,283	43	4,590	6,916
Due from bank account	15	37,053	2,300	80,153	119,521
Allowance for possible losses	(168)	(273)	(5)	(212)	(658)
	2,227	291,338	11,433	1,120,927	1,425,925
Liabilities:					
Money trust	14	278,054	10,547	974,758	1,263,373
Asset trust	-	-	-	117,035	117,035
Other liabilities	2,213	13,284	886	29,134	45,517
	2,227	291,338	11,433	1,120,927	1,425,925

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

December 31, 2007: (Won In millions)	Trust accounts guaranteeing a fixed rate of return on, and the repayment of principal	Trust accounts guaranteeing the repayment of principal	Mixed trust accounts (*)	Performance based trust accounts	Total
Assets:					
Due from financial institutions	-	-	-	23,645	23,645
Securities	1,262	227,686	12,350	605,534	846,832
Loans	2,532	37,112	273	1,553	41,470
Privately placed bonds	370	-	-	-	370
Call loans	-	-	-	280,000	280,000
Office equipment & real-estate	-	-	-	109,845	109,845
Other assets	7	1,838	72	4,925	6,842
Due from bank account	18	42,103	1,932	55,137	99,190

December 31, 2007: (Won In millions)	Trust accounts guaranteeing a fixed rate of return on, and the repayment of principal	Trust accounts guaranteeing the repayment of principal	Mixed trust accounts (*)	Performance based trust accounts	Total
Present value discount	(432)	-	-	-	(432)
Allowance for possible losses	(507)	(354)	(16)	(271)	(1,148)
	3,250	308,385	14,611	1,080,368	1,406,614
Liabilities:					
Money trust	17	297,975	13,320	930,994	1,242,306
Asset trust	-	-	-	109,845	109,845
Other liabilities	3,233	10,410	1,291	39,529	54,463
	3,250	308,385	14,611	1,080,368	1,406,614

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

(2) Trust accounts for which the Bank provided the guarantees for a fixed rate of return and the repayment of principal as of December 31, 2008 and 2007 were as follows:

December 31, 2008: (Won In millions)	Book value	Fair value	Charge to bank account
Trust accounts guaranteeing the repayment of principal:			
Household trust	2,212	2,212	-
Elderly living pension trust	2,381	2,381	-
Business money trust	-	-	-
Installment trust	1,134	1,134	-
Personnel pension trust	172,223	171,513	(710)
Retirement trust	68,813	68,813	-
New personnel pension trust	2,605	2,605	-
Pension trust	45,314	45,314	-
	294,682	293,972	(710)
Trust accounts guaranteeing a fixed rate of return and the repayment of principal:			
Unspecified monetary trust	15	15	-
Development trust	2,213	2,213	-
	2,228	2,228	-
	296,910	296,200	(710)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

December 31, 2007:

(Won In millions)

Name of fund	Book value	Fair value	Charge to bank account
Trust accounts guaranteeing the repayment of principal:			
Household trust	2,461	2,453	(8)
Elderly living pension trust	3,773	3,766	(7)
Installment trust	1,557	1,557	-
Personnel pension trust	186,244	185,340	(904)
Retirement trust	82,977	82,977	-
New personnel pension trust	2,462	2,462	-
Pension trust	32,930	32,930	-
	312,404	311,485	(919)
Trust accounts guaranteeing a fixed rate of return and the repayment of principal:			
Unspecified monetary trust	18	18	-
Development trust	3,232	3,230	(2)
	3,250	3,248	(2)
	315,654	314,733	(921)

31. COMPUTATION OF ADDED VALUE:

The accounts for computation of value added for the years ended December 31, 2008 and 2007 were summarized as follows:

(Won In millions)	2008	2007
Salaries	120,898	127,673
Provision for severance benefits	13,256	19,905
Honorary retirement allowance	10,866	5,459
Other employee benefits (see Note 32)	90,481	85,076
Rent	10,090	5,936
Depreciation and amortization	38,361	33,885
Taxes and dues	17,375	13,883
	301,327	291,817

32. EMPLOYEE BENEFITS:

Employee benefit expenses for the years ended December 31, 2008 and 2007 were as follows:

(Won In millions)	2008	2007
Meal expense	7,116	5,579
Health and medical	450	395
Legal benefits	132	75
Congratulations and condolences	570	527
Health training	45,926	44,454
Others	36,287	34,046
	90,481	85,076

33. EXPERT TRAINING EXPENSES:

The Bank incurred ₩1,871 million and ₩1,323 million for expert training at local and foreign training institutes for the years ended December 31, 2008 and 2007, respectively.

34. CASH FLOWS:

(1) The cash and due from banks in the statements of cash flows for the years ended December 31, 2008 and 2007 were as follows:

(Won In millions)	2008	2007
Cash on hand	309,689	334,266
Foreign currencies	64,138	34,660
Due from banks in local currency	1,152,192	934,504
Due from banks in foreign currencies	321,373	23,919
	1,847,392	1,327,349
Restricted due from banks (see Note 3)	878,782	411,032
	968,610	916,317

(2) Significant transactions not involving cash inflows and outflows for the years ended December 31, 2008 and 2007 were as follows:

(Won In millions)	2008	2007
Decrease of loans due to write-offs of principal	73,541	77,493
Reclassification of construction in progress to tangible assets	10,122	13,284

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

35. STATEMENT OF COMPREHENSIVE INCOME:

Comprehensive income for the years ended December 31, 2008 and 2007 were as follows:

(Won In millions)	2008	2007
Net income	274,959	270,694
Other comprehensive loss:		
Loss on the valuation of available-for-sale securities (Income tax effect of ₩(5,787) million for the year ended December 31, 2008 and ₩(5,952) million for the year ended December 31, 2007)	(18,397)	(15,693)
Change in capital on equity securities using the equity method	176	396
Gain on valuation of cash flow hedge (Income tax effect of ₩(14) million for the year ended December 31, 2008 and ₩14 million for the year ended December 31, 2007)	(37)	37
Comprehensive income	256,701	255,434

36. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE:

The Bank announced its decision to issue 40 million shares of common stock amounting to ₩200,000 million (closing date: March 19, 2009) based on the resolution of the board of directors on January 21, 2009.

Independent Accountants' Review Report on Internal Accounting Control System ("IACS")

English Translation of a Report Originally Issued in Korean

To the Representative Director of Busan Bank (Formerly, "Pusan Bank"):

We have reviewed the accompanying Report on the Management's Assessment of IACS (the "Management's Report") of Busan Bank (the "Bank") as of December 31, 2008. The Management's Report, and the design and operation of IACS are the responsibility of the Bank's management. Our responsibility is to review the Management's Report and issue a review report based on our procedures. The Bank's management stated in the accompanying Management's Report that "based on the assessment of the IACS as of December 31, 2008, the Bank's IACS has been appropriately designed and is operating effectively as of December 31, 2008, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association."

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

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

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

Our review is based on the Bank's IACS as of December 31, 2008, and we did not review its IACS subsequent to December 31, 2008. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in the Republic of Korea and may not be appropriate for other purposes or for other users.

Deloitte Anjin LLC

February 10, 2009

NOTICE TO READERS

This report is annexed in relation to the audit of the financial statements as of December 31, 2008 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

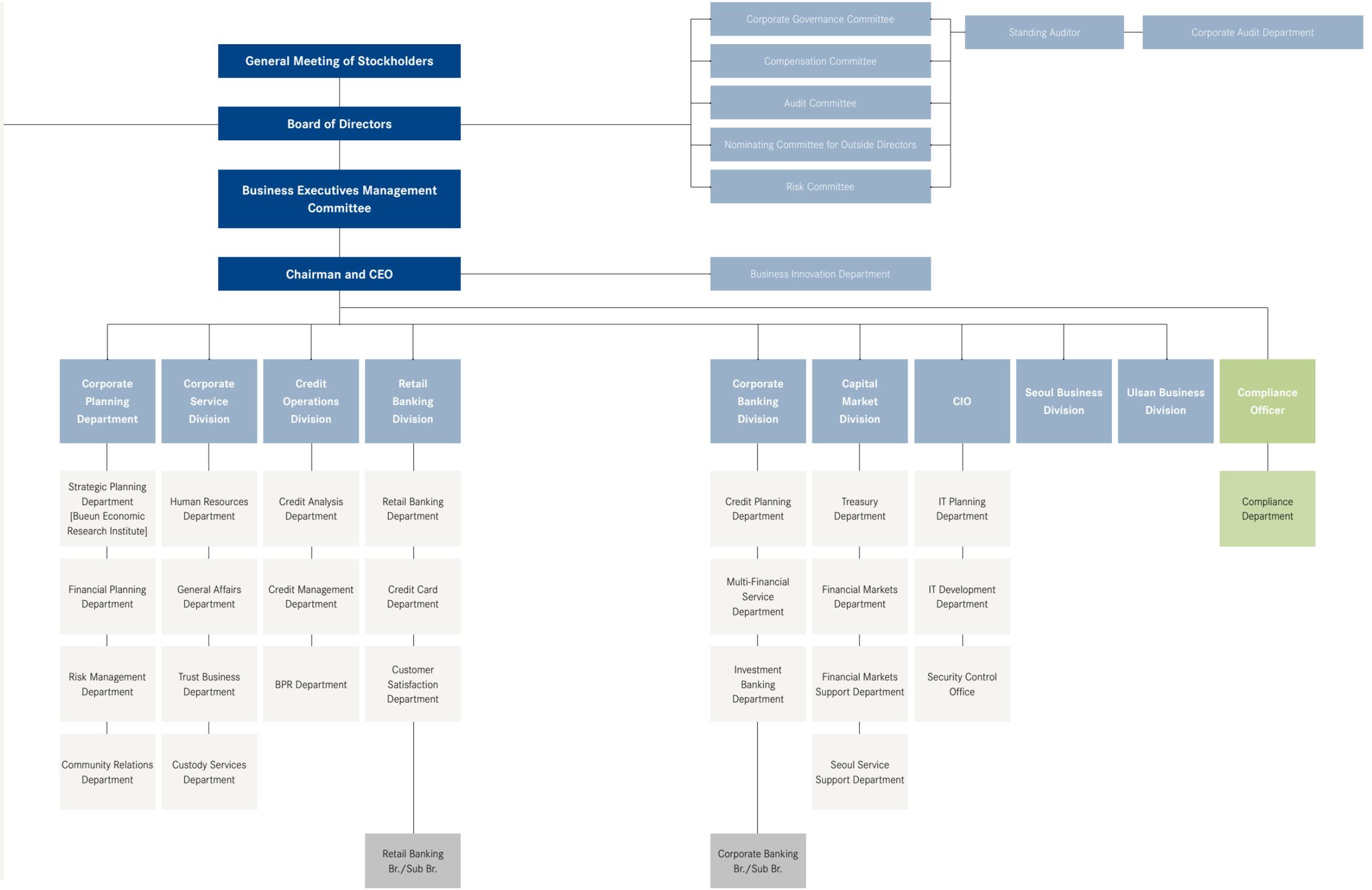


BOARD OF DIRECTORS



ORGANIZATION CHART

- Lee, Jang-ho**
Chairman and CEO
- Jung, Je-poong**
Standing Auditor
- Lim, Young-rok**
Vice President and Managing Director
- Sung, Se-hwan**
Vice President and Managing Director
- Chang, Seoung-chul**
Vice President and Managing Director
- Jeong, Jin-mo**
Executive Vice President
- Kim, Soon-dong**
Executive Vice President
- Cha, Jae-joo**
Executive Vice President
- NON-STANDING DIRECTORS**
- Shin, Jung-taek**
Chairman / Seun Steel Co., Ltd.
- Chae, Jyung-byung**
Vice President / Lotte Group
- Kang, Moon-jong**
Lawyer / Kang, Moon-jong Law Office
- Lee, Jae-ung**
Emeritus Professor / Sungkyunkwan University
- Lee, Soon-chul**
-





BUSAN BANK HISTORY

- 1967** 10. 10 Founded with paid-in capital of KRW 300 million
- 10. 25 Commenced business operations
- 1968** 2. 1 Began foreign exchange activities
- 1972** 6. 15 Listed on the Korea Stock Exchange (now Korea Exchange)
- 1983** 5. 2 Began trust business
- 1985** 6. 1 Began credit card business
- 1990** 1. 3 Launched new corporate identity program (CIP)
- 1992** 11. 1 Introduced home banking services
- 1993** 12. 1 Launched EDI service
- 1994** 12. 5 Adopted DDS-style dealing system
- 1995** 5. 2 Introduced telebanking services
- 1997** 9. 18 Launched integrated online system
- 1998** 12. 9 Established strategic business agreement with Microsoft
- 1999** 3. 31 Designated as a funds settlement bank by Korea Futures Exchange
- 7. 28 Concluded comprehensive consulting service pact with PricewaterhouseCoopers
- 2000** 3. 6 Launched cyber banking services
- 3. 24 Selected to manage Digital Busan Card
- 11. 5 Selected to manage Busan City budget funds
- 2001** 2. 21 Busan Bank "Digital Busan Card" wins Advanced Card Award 2001 in the UK
- 5. 29 Signed consultancy contract with Nemo Partners to build a performance management system
- 8. 1 Launched integrated profit management system
- 2002** 4. 11 Completed world-class integrated risk management system
- 5. 27 Launched call center
- 8. 12 Introduced Buvix Card
- 8. 21 Total deposits reached KRW 13 trillion
- 8. 28 Concluded comprehensive cooperation agreement with Industry and Commerce Bank of China
- 12. 13 President Shim Hoon named 'Best CEO of the Year' by the Korea Economic Daily and Towers Perrin
- 2003** 1. 6 Won Gold Prize at the 12th annual Dasan Awards
- 3. 31 Concluded alliance for bancassurance sales with four life insurers (Samsung, Kyobo, Shinhan, AIG Life) and four non-life insurers (Samsung, LG, Dongbu, Oriental Fire & Marine)
- 5. 19 Launched stock investment services with Hanwha Securities
- 5. 29 Concluded project financing agreement for Busan New Harbor construction (Busan Bank's participation: KRW 40 billion; Total financing by four institutions: KRW 245 billion)
- 6. 4 Signed agreement with Korea Export Insurance Corp. and began issuing export credit bank guarantees
- 6. 10 Set up operations for handling business incorporation, bad loan collection, etc.
- 6. 17 Established wholly-owned subsidiary, Busan Credit Information
- 7. 1 Selected as "Superior Public Corporation of 2003" by Korea Exchange

- 8. 22 Received loan of JYP 6 billion (~ USD 50 million) from the Seoul branch of Sumitomo Mitsui Banking Corporation, reflecting global recognition of the bank's outstanding management performance
- 12. 5 Concluded joint business agreement with LG Investment & Securities
- 12. 9 Entered into agreement with Korea Land Corporation to provide real estate development loans
- 12. 15 Received an upgraded financial strength rating. Given a "stable" outlook from Moody's, which said that "Profitability and capital adequacy were deemed outstanding," with net interest margin and asset soundness receiving the highest scores
- 12. 18 Provided KRW 9.8 billion in project financing for Geoga Bridge construction
- 2004** 1. 13 Joined KTF to offer IC chip-based mobile banking services
- 3. 16 Implemented credit recovery plan to help small-scale borrowers reestablish good credit ratings
- 4. 23 Busan Bank President Shim Hoon named "2004 CEO of the Year" KMA (Korea Management Association)
- 6. 22 Ranked among the "30 Most Respected Korean Companies" by Dong-A Ilbo and Korea IBM BCS
- 10. 15 Named winner of the "Social Contribution Corporate Award" in the Regional Community Development category by Open Management Research
- 12. 21 Selected as "Most Respected Company of the Year" by Korea CEO Association
- 2005** 3. 31 Received the highest FSS evaluation among financial companies for fewest customer complaints in the second half of 2004
- 6. 30 Total deposits surpassed KRW 15 trillion
- 7. 14 Won Silver Prize at the "Top 30 Most Reputable Companies" Awards sponsored by IBM Korea Business Consulting and Dong-A Ilbo
- 8. 22 Became the first Korean bank to offer Chinese Yuan remittance services
- 12. 22 Received Gold Prize at the "Dasan" Finance Awards
- 2006** 3. 31 Signed MOU to finance the Yonghoman Bay reclamation project
- 4. 17 Signed agreement to provide financial support to businesses in Busan
- 4. 21 Received grand prize in social contribution category at Korea Economic Daily's marketing awards
- 4. 28 Selected as a major bank by Busan Lotte Hotel Casino
- 5. 22 Selected as a depository for deposits by Busan District Court
- 8. 23 Concluded an agency contract for the sale of conventional market gift vouchers
- 9. 22 Received Presidential Award at the 12th Reading Culture Awards
- 10. 30 Signed agreement to aid multiple-birth families with Busan Metropolitan City Office
- 11. 22 Signed agreement for land purchasing loans with Busan Metropolitan Corporation, a first in the financial industry
- 12. 13 Received Presidential Commendation at the 11th SME financial support awards

- 2007** 1. 2 Launched "Golden Pig" time deposits
- 1. 3 Signed agreement on special financial support for small businesses in Busan
- 1. 14 Declared vision for 2007
- 2. 26 Number of Busan Bank BC Card subscribers reached 900 thousand
- 3. 2 Opened consultation window for the visually impaired at Bank's call center
- 3. 5 Won special prize at the Maekyung Financial Products awards ceremony for "i-Dream Passbook"
- 3. 20 Held 50th AGM / Selected as top bank for fewest customer complaints in the second half of 2006
- 4. 2 Launched "Autumn Baseball Time" deposits
- 4. 3 Began to provide public purchasing loans
- 4. 19 Won Korea Service Grand Prix
- 5. 4 Credit rating upgraded to "A3" by Moody's
- 5. 7 Launched visiting loan service
- 5. 10 Contributed to restoration of Geumjeong-San Fortress
- 5. 19 Held 5th annual "Turtle Marathon Race" to promote labor-management harmony
- 7. 1 Converted contract-basis office workers and technical personnel to full-time employees
- 8. 14 Number of Busan Bank credit cards in use passed 1 million mark
- 8. 24 Opened Geoje Branch
- 9. 5 Launched "Busan Bank 119 Financial Rescue Squad"
- 9. 18 Launched "e-blue sea free installment savings"
- 9. 19 Opened Jisa Branch
- 9. 27 Donated KRW 100 million in development funds for the 12th PIFF
- 10. 2 Held 7th "Hope Day" to help underprivileged children
- 10. 19 Inaugurated first-term Busan Bank university student PR ambassador program
- 10. 25 Published "Busan Bank's History of 40 Years" to mark 40th anniversary
- 11. 5 Opened Busan Bank Cyber Museum of History
- 12. 7 Inaugurated Busan Bank Scholarship and Cultural Foundation
- 2008** 1. 12 Held "Hanmaeum Race" (Happy Together Festival)
- 2. 27 Launched "Kids Banking Gold" Service
- 4. 11 Issued "Dandi Card"
- 4. 22 Rated No. 1 in FSS' assessment on service claims of financial companies
- 4. 30 Received the Bronze Tower Order of Industrial Service Merit for labor/management cooperation and employment stabilization
- 5. 3 Launched "Love for Busan Port Time Deposit" product
- 5. 6 Received the 6th Korea Customer Satisfaction Award
- 5. 15 Won the grand prize of the 2008 Global Standard Management Award

- 5. 21 Opened Mulgeum Branch Office
- 5. 22 Launched yuan-denominated accounts through Bank of China
- 5. 23 Issued "My-Zone" Check Card
- 5. 24 Held "Love for May Concert" for Busan citizens
- 5. 28 Signed MOU with Gwangyang Bay Free Economic Zone Authority
- 6. 5 Opened Qingdao Representative Office in China
- 6. 12 Awarded grand prize in the financial service division at the 2008 Korea Luxury Brand Awards
- 6. 24 Launched "Premium Loan for Companies with a Female CEO" product
- 7. 7 Founded "BS CEO Club"
- 7. 29 Formed sister relationship with Naval Force Operations Command
- 8. 8 Opened Branch Office at International Fisheries Wholesale Market
- 8. 21 Contributed scholarship funds to Busan Bank Scholarship and Cultural Foundation
- 9. 3 Awarded the Corporate Commendation for Contribution to Mecenat
- 9. 4 Launched the "BSB Finance MBA Program"
- 9. 10 Launched the "Consulting Team for Financially Troubled SMEs"
- 9. 18 Held the "Prime Ministerial Special Seminar Inviting CEOs in Busan, Ulsan and Kyongnam Region"
- 9. 30 Contributed KRW 120 million in development funds for the 13th Pusan International Film Festival (PIFF)
- 10. 13 Introduced the "Foreign Currency Bankbook for Economic Turnaround" product
- 10. 17 Held 4th Quarter Management Strategy Meeting
- 10. 20 Expanded the Bank's mobile banking service
- 10. 25 Held 41st Anniversary Celebration Ceremony
- 11. 5 Signed agreement with Busan Metropolitan Government to establish child care center
- 11. 6 Held the "Challenge! Golden Bell"
- 12. 9 Received Presidential Commendation at 2008 National Volunteer Summit
- 12. 12 Awarded grand prize at Korean CEO Grand Prix Awards
- 12. 16 Implemented changes to organizational structure: (6 divisions, 26 departments, 1 office and 1 sub-office and 2 business divisions) Introduced special bankbooks to aid the homeless
- 12. 17 Issued hybrid bonds



BANKING DIRECTORY

International Banking Directory

Financial Markets Dept. (Front Office)

Address 100-191, Kumseki Bldg 3rd FL, 16, 1-Ga, Ulchi-Ro, Jung-Gu, Seoul, Korea
 TEL (82)-(2)-758-6321
 FAX (82)-(2)-758-6399
 TELEX K27605 PUSANBK
 BIC PUSBKR2PINT
 Department Manager Joo, Young-uk

Financial Markets Support Dept. (Middle & Back Office)

Address 100-191, Kumseki Bldg 3rd FL, 16, 1-Ga, Ulchi-Ro, Jung-Gu, Seoul, Korea
 TEL (82)-(2)-758-6300
 FAX (82)-(2)-758-6398
 TELEX K27605 PUSANBK
 BIC PUSBKR2PINT
 E-mail pusbint@busanbank.co.kr
 Department Manager Jung, Dong-eui

BPR Dept. (formerly International Business Dept.)

Address 7th FL, 830-38 Bomil-dong, Dong-Ku, Busan, Korea
 TEL (82)-(51)-663-1226
 FAX (82)-(51)-663-1205
 TELEX K53392 PUSANBK
 BIC PUSBKR2P
 E-mail pusbkr@busanbank.co.kr
 Department Manager Oh, Nam-hwan

Qingdao Representative Office

Address Room 2201, 22F Merchants Bank Tower 36, Hong Kong Middle Road, Qingdao 266071, P.R.China
 TEL (86)-(532)-8667-9060
 FAX (86)-(532)-8667-9058
 Chief Representative Sung, Dong-hwa

Correspondents by currency

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

- USD**
- Bank of America, 655-00-94495, BOFAUS3N, New York
 - HSBC Bank USA, 000-03030-9, MRMDUS33, New York
 - Wachovia Bank, 2000191022429, PNBUS3N, New York
 - Standard Chartered Bank, 3582-040960-001, SCBLUS33, New York
 - Bank of New York, 890-0067-683, IRVTUS3N, New York
 - Deutsche Bank Trust Company, 04-024-763, BKTRUS33, New York
 - Sumitomo Mitsui Banking Corp., 100430, SMBCUS33, New York
 - JPMorgan Chase Bank National Association, 000000780254736, CHASUS33, New York

- JPY**
- Standard Chartered Bank, 0211037-1111, SCBLJPJT, Tokyo
 - Sumitomo Mitsui Banking Corp., 3157, SMBCJPJT, Tokyo

- GBP**
- Korea Exchange Bank, 1301000061, KOEXGB2L, London
 - HSBC Bank PLC, 35435935, MIDLGB22, London

- EUR**
- American Express Bank, 018005506, AEIBDEFX, Frankfurt
 - Standard Chartered Bank, 01708607596, SCBLGB2L, London
 - Dresdner Bank AG, 499/08016859/00/888, DRESDEFF, Frankfurt
 - ING Belgium SA/NV, Brussels, 301-0188793-15-EUR, Brussels

- CHF**
- UBS AG, 02300000087106050000P, UBSWCHZH80A, Zurich

- DKK**
- Danske Bank, 3007536712, DABADKKK, Copenhagen

- SEK**
- Nordea Bank, 39527907721 SEK, NDEASESS, Stockholm

- HKD**
- Standard Chartered Bank, 411-094-0105-9, SCBLHKHH, Hong-Kong

- SGD**
- Korea Exchange Bank, 1-01778, KOEXSGSG, Singapore

- IDR**
- Standard Chartered Bank, 010005548,6 SCBLIDJX, Jakarta

- CAD**
- The Bank of Nova Scotia, 0282111, NOSCCATT, Toronto
 - Toronto Dominion Bank, 0360-01-2304648, TDOMCATTOR, Toronto

- NZD**
- ANZ Bank, 835504.00001, ANZBNZ22058, Wellington

- AUD**
- National Australia Bank, 1803003298500, NATAAU33033, Melbourne

- THB**
- Standard Chartered Bank, 00100781780, SCBLTHBXXX, Bangkok

- NOK**
- Korea Exchange Bank, 963-THR-108-14-1, KOEXKRSE, Seoul

Domestic Subsidiaries

PB Futures Co., Ltd.

Address 10th FI, Pusan Chamber of Commerce & Industry Bldg, 853-1 Bumcheon 1-Dong, Busanjin-Gu, Busan, Korea
 TEL (82)-(51)-643-4900
 Paid-in Capital ₩15,000 million
 Holding Share 100%

Busan Credit & Information Co., Ltd.

Address 378-11, Gaya 1-Dong, Busanjin-Gu, Busan, Korea
 TEL (82)-(51)-890-5000
 Paid-in Capital ₩3,000 million
 Holding Share 100%

Korea Non-Bank Lease Financing Co., Ltd.

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

IR INFORMATION

Head Office

Busan Bank Co.,Ltd.
 830-38, Bomil-dong, Dong-gu, Busan, Korea

Date of Establishment

October 25, 1967

Paid-in Capital

KRW 733.4 Billion

Number of Common Shares

146,683,650

Corporate Data (As of December 31, 2008)

Branch Network: 231 branches
 Employees: 2,915
 ATMs & CDs: Total of 1,645 ATMs & CDs (ATM 1,123, CD 522)

Major Shareholders (end Q3 2008, the most recent fair disclosures)

Lotte Group (incl. Japan Lotte): 14.11 %
 Aberdeen Asset Management Asia Limited: 13.53 %
 Capital Research & Global Investors: 6.31 %
 Templeton Investment Counsel LLC: 5.07 %
 Parkland Co., Ltd.: 4.45 %
 National Pension Service: 2.82 %
 Korea Iron and Steel Co., Ltd.: 1.90 %

Securities Listings

Korea Exchange: 005280

Information Availability

http://www.busanbank.co.kr

IR Contacts

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 john.kim@busanbank.co.kr

Jason Choi (IR Manager)
 TEL (82)-(51)-640-4112
 jasonchoi@busanbank.co.kr