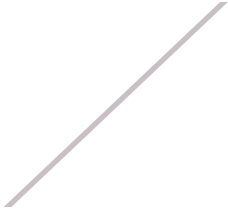





www.keb.co.kr

SMART & PROFITABLE GROWTH

Enhancing value through differentiation



Korea Exchange Bank
2009
Annual Report





KEB's corporate identity (CI) encapsulates our strategic vision as a global bank expanding throughout Asia and the world. It also symbolizes our unfaltering desire to provide our customers with the highest level of service.

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SMART & PROFITABLE GROWTH



Korea Exchange Bank (KEB) was established in 1967 as a government-owned banking institution specializing in foreign exchange and international trade finance and has maintained a preeminent position in these fields. KEB was privatized in 1989, and has continuously strengthened capabilities to grow as one of the country's premiere commercial banks. Today, we are Korea's leading international bank, with strong retail banking and credit card operations complementing our longstanding corporate banking and trade finance expertise.

Similar to other domestic banks, KEB confronted the dual threats posed by the collapse of large corporations following the 1997 Asian financial crisis and the bursting of the consumer credit card bubble in 2003.

Unlike many other domestic banks, however, we survived without government rescue or public bailout. With the new capital from our majority shareholder, Lone Star Funds, and a new spirit, the men and women of KEB have managed a remarkable turnaround. The platform for profitable growth was built in 2004.

Since 2005, we have proved ourselves as a healthy and strong institution, with profitability, capital adequacy and portfolio quality at the best levels in our history. We are able to continue "Smart & Profitable" growth by leveraging the unique strengths of our franchise and by focusing on the quality of our business.

KEB avoided toxic assets that have damaged many other financial institutions since global economic difficulties began in 2008. We worked diligently to ensure the soundness of our balance sheet and to strengthen our competitive differentiation. As a result, we delivered strong financial results in 2009.

Letter to Shareholders from the Chairman

Chairman
Richard F. Wacker



To Our Shareholders

I am pleased to once again report to you that Korea Exchange Bank remains a healthy financial institution with resilient core franchise positions that allowed the Bank to successfully navigate through the difficulties of the global economic crisis. KEB closed a challenging 2009 with the best profitability levels in our market, good asset quality, and strong capital levels.

We worked hard to ensure that we managed our risks and exposures within the limits of our capital. We applied all our systems and tools for customer management, credit underwriting, and risk management in the strategic allocation of the bank's capital to our most important customers and those where the bank realizes the proper returns. We took the difficult decisions and actions to de-risk our balance sheet, but in a way that maintained our customer positions and franchise strengths, especially in FX, trade finance, and international banking.

KEB was the only major Korean bank that neither called upon the government's Bank Recapitalization Fund nor raised expensive new equity capital in the middle of the crisis. Nonetheless, we strengthened KEB's capital position, with our Tier 1 capital ratio rising to 11.04% and Tangible Common Equity increasing to 8.20% at the end of 2009... after paying our fourth consecutive annual dividend. We believe that a management commitment to a sustainable dividend keeps us focused on the value and importance of protecting shareholder capital as we run our businesses.

KEB is the most global Korean bank. We provide the best capabilities for Korean companies doing business around the world, as well as the best capabilities for foreign customers living and doing business in Korea. As such, we strive to meet global standards in all areas of our bank, from risk management to compliance to customer service and the effectiveness of our business processes. While that effort is a continuous journey — and the road has many bumps and hazards — you can trust that the men and women of KEB are working every day to improve the bank and do a better job for our customers and our shareholders.

We are grateful for the support of our shareholders, and we look forward to meeting the challenges of the new environment to make KEB the most competitive bank in the markets where we participate.



Richard F. Wacker

Chairman

Letter to Shareholders from the President and CEO

President & CEO
Larry A. Klane



To Our Shareholders

It has been a great honor for me to serve as the new President & CEO during the past year. I am most proud that the dedicated men and women of KEB delivered strong financial results despite the unprecedented economic turmoil around the world.

KEB reported net income of KRW 891.7 billion in 2009. This represents an increase of 13.9% from 2008. At the same time, KEB strengthened its capital position to an exceptional level. Our Tier 1 capital ratio increased to 11.04%, up from 8.82% at the end of 2008.

As the year 2009 began, the global economic crisis intensified. The Bank of Korea's aggressive reduction in the short-term policy rate led to a sharp decline in our net interest margin, an influential driver of our revenues. The asset quality looked bleak at the beginning of 2009 and was the primary factor for our loss during the first quarter.

I am proud to report that our earnings performance improved steadily throughout the remainder of the year. Better funding cost drove a marked increase in net interest margin during the second half of the year. Improving credit quality and a more benign market environment substantially reduced loan loss provision without jeopardizing our reserve coverage. Our non-performing loan (NPL) ratio declined steadily after peaking in 1Q09 and ended the year at 0.94%, below the regulatory target of 1%. We continued to maintain robust reserves for loan losses, as NPL coverage ratio improved to 152.5% at the end of the year.

We managed our balance sheet prudently. We focused on serving higher-quality customers and controlling our exposure to more economically sensitive clients. As a result, KEB reduced total loans by 5.9% in 2009. In my view, our ability to adjust KEB's business efforts dynamically would not have been possible without significant investments in improved systems and tools for customer management, credit underwriting and risk management over the past several years.

We maintained our leadership position in FX and trade finance. Our market shares in 2009 were 46% in FX and 29% in trade finance, despite aggressive sales efforts by our competitors. The management remains focused on enhancing KEB's competitive position in these important businesses. I am proud that the Korean government recognized KEB's excellence by awarding the 2009 Presidential Medal. We received this award for our support for foreign companies invested in Korea as well as foreign customers. In addition, *Euromoney* named us the 2009 Best Bank in Korea. And, many industry professionals continued to rank KEB as the best in FX and trade finance.

Letter to Shareholders from the President and CEO

We strive to create fundamental value through differentiated focus, excellent workforce and prudent and systematic management systems. I believe that our superior financial performance validates our approach. For instance, in 2009, KEB produced return on assets that is more than 2.6 times higher than the peer average. And, even though the scale of our operations is smaller than a number of our peers, our operating income per employee was 18% higher than the peer average, while our operating income per branch was 51% higher.

Our dividend plan reflects KEB's capital management strategy that is focused on maintaining sufficient capital to meet or exceed regulatory requirements and, at the same time, supporting our growth plans and providing a cushion for unanticipated risks. We also aim to increase capital efficiency and to deliver regular, ongoing and perhaps more frequent dividend returns to shareholders. After considering the robust earnings performance, KEB's growth plan and strong current capital position, the Board declared dividends of KRW 328.9 billion or KRW 510 per share. This is the fourth consecutive annual dividend and represents an increase from KRW 125 per share in 2008. This dividend is consistent with KEB's previous public guidance.

Many are now anticipating the economic conditions to improve in 2010, even though the strength of recovery is uncertain. In such a macro environment, I expect KEB's normalized profitability to improve this year versus 2009, as we return to modest loan growth and experience upturn in net interest margin, growth in our fee income and downward trend in loan loss provision. Therefore, in 2010, we seek to achieve return on equity of at least 10% and net income excluding non-recurring items of KRW 800 billion. These goals represent a substantial increase from normalized ROE and normalized net income in 2009.

Even though the macro outlook has improved, several important issues remain. KEB faces intensifying competition amid slower industry growth as well as residual uncertainties such as negative credit events. Moreover, KEB operates within a regulatory environment that is implementing additional rules regarding capital, liquidity and foreign currency borrowings. However, I am confident that KEB can navigate through these issues and emerge, once again, as the Best Bank in Korea.

We strive to create fundamental value through differentiated focus, excellent workforce and prudent and systematic management systems. I believe that our superior financial performance validates our approach.

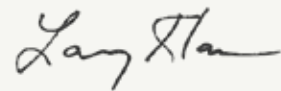
For 2010 and beyond, KEB's management has three strategic priorities. The first priority is generating sustainable and profitable growth. I believe that KEB possesses excellent "battle-tested" systems to emphasize businesses with superior long-term returns and efficient use of our capital and resources. We will continue to optimize our balance sheet, while remaining vigilant about our portfolio quality. We will put a greater emphasis on achieving operational leverage.

Second is enhancing KEB's competitiveness and differentiation. We plan to intensify our marketing in 2010, focusing on high-quality new customers and cross-sell initiatives. We plan to develop additional unique products that capitalize on KEB's expertise.

Third is improving our operations, ensuring that they are compliant and controlled. One of the Bank's key assets is the quality of our people and we will endeavor to enhance their capabilities and to continue to provide the highest-quality service to our customers.

In 2009, everyone at KEB concentrated on navigating through aftershocks from the financial crisis. We performed well and delivered strong financial results. In 2010, we are focused on generating high-quality growth and enhancing our valuable franchise. I believe that KEB is well-positioned to take advantage of opportunities as the economy begins to recover. With the continued support and encouragement of our shareholders, we will endeavor to build KEB into the Best Bank in Korea.

Thank you and I would like to wish you and your families a peaceful and healthy 2010.



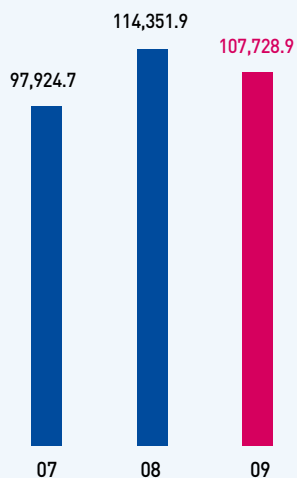
Larry A. Klane
President & CEO

Financial Highlights

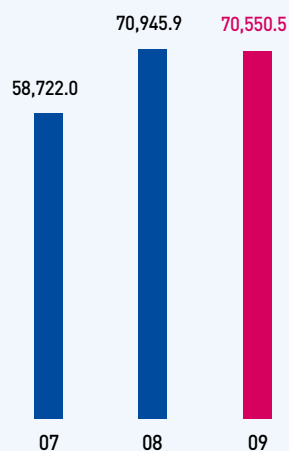
Summary of Balance Sheet & Income Statement

(In billions of KRW)

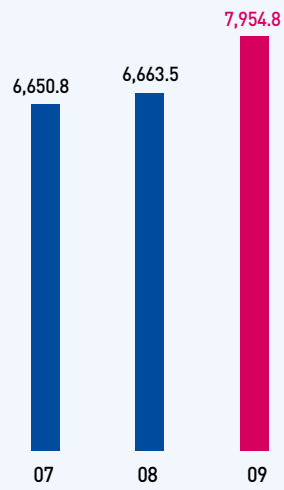
	2008	2009	YoY
Balance Sheet			
Total Assets	114,351.9	107,728.9	-5.8%
Total Credits	70,945.9	70,550.5	-0.6%
Corporate	52,505.9	50,529.7	-3.8%
Household	15,883.8	17,596.4	+10.8%
Credit Card	2,556.1	2,424.4	-5.2%
NPL (Substandard & Below) Ratio	1.09%	0.94%	-0.15%p
Delinquency Ratio	0.92%	0.50%	-0.42%p
Total Deposit	67,933.1	67,371.3	-0.8%
Total Shareholders' Equity	6,663.5	7,954.8	+19.4%
Paid-in Capital	3,224.5	3,224.5	-
BIS Ratio (Basel I)	12.65%	14.93%	+2.28%p
Tier I Ratio	8.82%	11.04%	+2.22%p
Income Statement			
Net Interest Margin	2.90%	2.39%	-0.51%p
Income Before Provision	1,963.8	1,559.3	-20.6%
Net Income	782.6	891.7	+13.9%
Return On Assets (ROA)	0.83%	0.88%	+0.05%p
Return On Equity (ROE)	11.90%	12.27%	+0.37%p



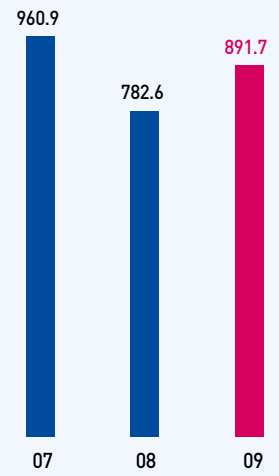
Total Assets (In billions of KRW)



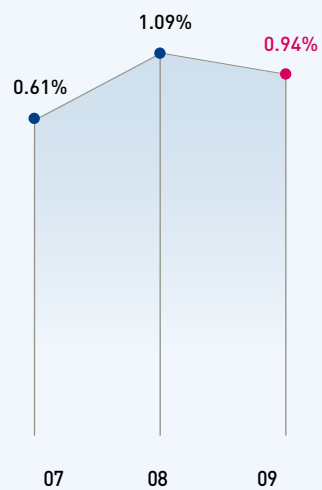
Total Credits (In billions of KRW)



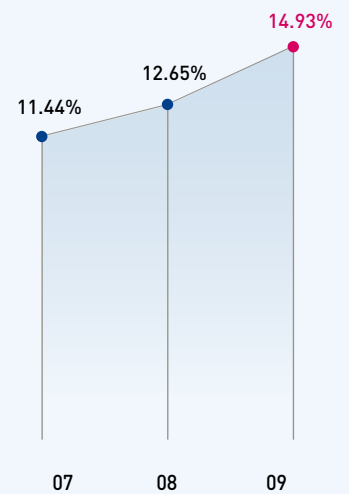
Total Shareholders' Equity (In billions of KRW)



Net Income (In billions of KRW)



NPL (Substandard & Below) Ratio



BIS Ratio (Basel I)

The Preferred Global Banking Partner

KEB operates the most extensive global network among Korean banks and maintains a market-leading position in foreign exchange and trade finance. KEB has successfully leveraged its differentiated and specialized capabilities to provide differentiated and customized commercial banking solutions to its corporate customers ranging from some of the largest multinational companies in the world to small businesses in Korea.



Global Corporate Bank /
Corporate & Capital Markets Bank

- Large Corporate Banking
- SME Banking
- Investment Banking
- FX & Trade Finance
- Settlement & Clearing
- Custody & Fund Administration

International Group

- Overseas Operations

Foreign Customer Marketing Support
Department

- Full Service Bank for Foreign Customers
- Retail Banking
- Corporate Banking
- Foreign Direct Investment

Global Corporate Bank / Corporate & Capital Markets Bank

KEB's Global Corporate Bank (GCB) and Corporate & Capital Markets Bank (CCMB) work seamlessly to serve our corporate banking customers in Korea and around the globe. GCB consists of World Corporate Group, International Group, Global Products Department, and Foreign Customer Marketing Support Department, while CCMB includes Corporate Group and Capital Markets Department.



Best Trade Finance Bank in Korea
for the 9th consecutive year &
Best Foreign Exchange Bank in Korea
for the 8th consecutive year



2009 Best Domestic Provider of
Foreign Exchange Services in Korea

Large Corporate Banking

The World Corporate Group (WCG) manages KEB's relationship with Korea-based large corporate customers. Senior relationship managers (SRMs), who are experts in traditional banking services as well as project finance, ship finance and M&As, provide highly granular service to customers.

The World Corporate Group increased both its earning assets and deposits during 2009. Total credits to large corporate customers under World Corporate Group increased 16.5% (KRW 832 billion) to surpass KRW 5.86 trillion, while deposits were up 17.6% (KRW 2.72 trillion) to more than KRW 18.14 trillion at year's end.

At the same time, the World Corporate Group continued to contribute heavily to KEB's market leadership in foreign exchange and trade finance. The WCG financed USD 75.9 billion worth of exports for large corporations in 2009, representing 21% of the total in Korea, and USD 64.1 billion worth of imports in 2009, or 20% of the total in Korea. The WCG negotiated USD 75.9 billion worth of export financing on behalf of large corporations and issued USD 8.4 billion in letters of credit. As such, KEB played an important role in boosting the imports and exports of Korea's largest companies as well as those of the nation as a whole.



KEB's World Corporate Group expanded the credits to vendors that serve large corporations and strengthened financial support to them. Co-marketing efforts to attract the business of the overseas subsidiaries of large Korean conglomerates helped to build solid relationships with our large corporate customers. In addition, our global credit risk management, in-house banking, firm banking and other electronic financial service systems were linked to the ERP systems of major customers in order to provide unrivalled services and strengthen the relationship.

SME Banking

The Corporate Group is focused on serving the needs of small and medium-sized enterprises (SMEs). In response to the global financial and economic crisis, KEB reduced its SME exposure in 2009, with total credits to SMEs reaching KRW 23.4 trillion at the end of 2009, down from KRW 26.8 trillion the previous year. KEB focused on serving higher-quality customers and controlling its exposure to customer segments that are more economically sensitive. KRW-denominated loans to SMEs stood at KRW 18.8 trillion and accounted for 41.8% of the total KRW-denominated loans outstanding at the end of 2009.

We rely on our expertise and proven advantages in the trade finance businesses to develop clear customer segmentation strategies for our SME lending operations. Our SME customer base consists principally of high quality and internationally competitive export manufacturers who have proven their resilience through unfavorable domestic economic conditions. KEB has the lowest relative exposure among Korean banks to the economically-sensitive small offices & home offices (SOHO) that are confined to the domestic market.

KEB made a special KRW 40 billion contribution to the Korea Credit Guarantee Fund (KODIT) as part of a program to assist SMEs suffering from liquidity shortages in the wake of the global financial crisis and economic slowdown. We also signed a liquidity support agreement that provides preferential treatment to venture startups, exports, the green growth sector, new facilities investment and other projects that serve as new growth engines. Our contribution enabled KODIT to offer KRW 480 billion in credit guarantees to SMEs.

KEB is participating in the 2nd Win-Win Guarantee Program, which extends loans to the first to third vendors of large Korean enterprises and gives a priority to those SMEs that lack sufficient operating funds and collateral. We also agreed to join a program with large corporations and nationwide commercial banks to assist SME liquidity by providing "win-win" loans in linkage with export credit guarantees from Korea Export Insurance Corporation and by making payments to SMEs prior to delivery.

Also in 2009, we promoted our unique "corporate partner installment savings" plans, which pay a preferential interest rate. As such, we serve as a financial partner who helps create true value for firm customers and provides reliable funding support.

Global Corporate Bank / Corporate & Capital Markets Bank

Investment Banking

Despite significant turbulence across global markets in 2009, KEB's Investment Banking produced a robust performance by taking a selective and prudent approach to build a high quality asset portfolio.

KEB served as a mandated lead arranger for financing an unprecedented public-private-partnership (PPP) project, valued at KRW 899.0 billion, to build a 10,000m² artificial floating island on the Han River. Upon completion it will be the biggest artificial island in the world. This project is driven by Seoul Metropolitan Government as a part of the "Han River Renaissance Project" to create a special space for cultural performances, festivals and various leisure activities. KEB also participated, as a mandated lead arranger, in USD 900 million financing to help private equity fund KRR and Affinity acquire Oriental Brewery, one of the nation's biggest breweries.

KEB established KEB Asia Finance (KAF), a wholly-owned subsidiary in Hong Kong, in July 2009 as a part of long-term growth strategy in the investment banking business outside of Korea. KAF received a securities business license in January 2010 and now offers investment banking services based on securities.

In Korea, KEB plans to grow by attracting new customers synergistically with other business groups of KEB. Overseas, we will focus on developing new business by utilizing the overseas network, with KAF playing a central role.

FX & Trade Finance

KEB reigns as Korea's market leader in foreign exchange with the most extensive global network and operations. In 2009, we held onto the top position in the domestic FX market for the 14th consecutive year with a share of 46% of total transactions handled by the nation's seven top commercial banks. This success was repeated in the trade finance sector, where we recorded industry-leading market shares of 29% each for both export financing and import financing.

In recognition of our continued strong performance in these core business areas in 2009, KEB garnered kudos from respected international financial publications. We were named "Best Trade Finance Bank in Korea" (9th consecutive year) and "Best Foreign Exchange Bank in Korea" (8th consecutive year) by *Global Finance*. *Asiamoney* also selected KEB as "2009 Best Foreign Exchange Bank in Korea" (4th consecutive year). KEB is developing new services to strengthen our leading market positions and stay ahead of the competition.

Our products and services for importers and exporters were enhanced by the adoption of a new approach that mixes the payment methods of the shipper's usance letter of credit with the banker's usance letter of credit. This provides importers and exporters with a more flexible



period of payment and reduces import costs. Additionally KEB became the first Korean bank to implement a direct collection system. When foreign exporters ship goods to Korea, they no longer have to go through their own bank. They can submit their shipping documents to KEB, and we will process and deliver them to importers. We will also forward payments, saving both time and money and facilitating the transaction process.

KEB's Trade Escrow service, launched in December 2009, represents a new way of addressing the various business risks imposed on importers and exporters alike. Import and export partners sign an escrow agreement with KEB through which the importer deposits funds into a KEB account and then inspects the received goods before instructing the bank to pay the exporter. This arrangement is far more secure than a letter of credit and prepayment to the exporter.

KEB's "multi FX rate reservation automatic transfer and overseas remittance service" allows customers to designate up to three exchange rates and trade amounts of each in either Korean Won or a foreign currency. When the designated exchange rate becomes identical to the bank-posted one, deposits are transferred automatically between the KRW and foreign currency accounts, or overseas remittance is made automatically in foreign currency. Thus customers can transact at the exchange rate of their choosing even when exchange rates are volatile.

In December 2009, KEB also began offering a more convenient domestic investment service for overseas Koreans (Korean nationals with permanent residency or citizenship in another nation) and non-Koreans. Customers can use internet banking from any location in the world to transfer funds invested in domestic stocks to a securities firm or invest in a domestic fund as well as to remit funds freely from domestic investment overseas. This service not only saves Korean and foreign investors time and money but also allows them to broaden their investment portfolios.

In 2009, KEB began selling passbook-type foreign currency certificates of deposit that can be transferred before maturity. We also became Korea's first bank to issue a card that allows the user to withdraw funds in KRW currency from their foreign currency deposits via cash dispensing machine or ATM. Finally, our new Hi-JUMP foreign currency money market deposit account (MMDA) accrues high interest even on a single day's deposit, depending on the amount deposited, and the funds can be withdrawn on demand, just like a regular foreign currency savings account. Interest is paid whenever the customer withdraws money.

Settlement & Clearing

Continuous linked settlement is the risk-free cross-border settlement of foreign exchange transactions among global financial institutions. A key feature of CLS is simultaneous settlement based on a real-time payment versus payment with multi-lateral netting.

KEB worked closely with the Korean government and Bank of Korea to introduce CLS to Korea and have the Korean Won designated as one of 15 CLS eligible currencies in December 2004. Since then, KEB has been acting as the Settlement Member of and Korean Won Liquidity Provider for CLS Bank International.

Starting with FX trades, KEB extended CLS settlement to non-deliverable forward contracts in July 2008 and is now preparing to expand into new product areas such as FX option premiums. Korean regulators are also planning to allow securities, insurance and investment companies to participate in CLS settlement soon, which will further increase CLS settlement volumes.

Currently, KEB settles FX deals via CLS for nine of the thirteen local banks and the Seoul branch of one foreign bank, accounting for 65% of the country's total CLS volume. KEB also provides the CLS KRW Nostro Service, acting as agent bank for foreign customers settling in KRW. KEB currently serves eight of the ten customer banks that are using the service.

Given KEB's strong standing in the Korean CLS market, we were appointed as a CLS services board member, representing other Korean settlement members from 2010.

Multi-currency interbank clearing is another competitive service that KEB has been providing for local and overseas banks since its establishment in 1967. In 2009, KEB processed 3.6 million inter-bank transfers, accounting for about 85% of total inter-bank foreign currency transfers in Korea, serving 60 local (including foreign banks' Seoul branches) and 116 overseas banks.

We have been upgrading our IT platform and developing new products to meet the growing volume of SWIFT traffic in payments, trade finance, treasury and securities each year. As a result, our interbank clearing service marked a record (95%) STP (straight through process) ratio in 2009. In addition, KEB has provided the I-vostro Service, an internet-based foreign currency transfer and inquiry system (www.eFlall.com) since 2005, offering real-time online interbank clearing services to local and foreign banks.

KEB is also offering KRW related services and regulatory advisory services to foreign banks to meet the rising demand for the Korean Won settlement in the market and for the ongoing Won liberalization driven by financial authorities. Our proven expertise, reliability and reputation in both the CLS and interbank clearing arenas will provide the means for KEB to become Asia's clearing hub for domestic and overseas banks.



Custody & Fund Administration

As Korea's leading custodian bank, KEB's custody and fund administration services enjoy a broad customer base inside and outside of Korea, including institutional investors, government entities and foreign investors. Our high quality fee-based capital market services encompass custody, SPC trustee, paying agency and escrow agency services.

In 2009, assets under custody totaled KRW 44 trillion. KEB was recognized as the "Best Sub-custodian Bank in Korea" by *Global Finance* for the second year in a row in 2009.

We are aggressively responding to the changes brought on by the enactment of Korea's Financial Investment Services and Capital Market Act. Through the complementary capabilities of our custody business and the fund accounting services of our subsidiary KEB Investor Services, KEB can offer institutional customers unequalled services that better meet their needs and growing fiduciary duties.

Overseas Operations

KEB's International Group (IG) supports the needs of our customers outside of Korea. KEB operates the most extensive international financial network among domestic banks. In 2009, we continued to expand, as we opened the Kelapa Gading representative office in Indonesia and KEB Asia Finance in Hong Kong. At the end of 2009, KEB's overseas network included fifteen branches, nine subsidiaries, and five representative offices in 22 countries.

Total overseas assets were just over USD 8.7 billion at the end of 2009, down 4.3% from a year earlier. Loans (USD 5.9 billion) increased 3.4%, and deposits (USD 3.9 billion) grew 9.1% from a year earlier.

During 2010, KEB established a new full-banking subsidiary in China and seeks to upgrade representative offices in New Delhi, Ho Chi Minh City and Dubai to branch status. We also plan to diversify the business portfolio by widening target customers from Korean enterprises to local companies having business relations with Korean companies as well as local retail customers in select regions.

Foreign Customer Marketing Support Department

Full Service Bank for Foreign Customers

Foreigners and foreign businesses in Korea present a nascent market opportunity for KEB. There are about 1.3 million registered foreigners living in Korea and about 18,000 Foreign invested enterprises (FIEs) with one or more strategic foreign investors. The Foreign Customer Marketing Support Department (FCMSD) was established in July 2008 to tap into this market and to increase overall marketing efficiency.

Retail Banking

FCMSD is dedicated to developing banking services tailored for foreign expatriates living in Korea and operates three Foreign VIP Centers and 15 Global Desks for retail customers that are staffed with fully-trained English speakers. Moreover, consulting desks are run at the Seoul Global Center, KOTRA and Seoul Immigration Office. KEB periodically participates and sponsors cultural well-being events to enrich the lives of foreigners and make their stay in Korea more pleasant.

Corporate Banking

We have leveraged our expertise as Korea's foremost FX and trade finance handler, as well as an advanced e-banking platform that includes "Business Online Services" to become the primary bank for many FIEs operating in Korea. Many foreign MNCs are classified as SMEs in Korea because of their limited operations in the country. KEB, however, recognizes the size and status of the parent companies when evaluating such FIEs. Even for start-up FIEs, we provide credit flexibly by considering the credit rating of their mother companies proven by Moody's, S&P and other international credit rating agencies. FCMSD currently operates fourteen strategic branches in various regions across Korea for managing our FIE customers. FCMSD is also planning to use KEB's extensive overseas network to offer the parent or sister companies of our FIE customers in Korea seamless and comprehensive banking services.

Foreign Direct Investment

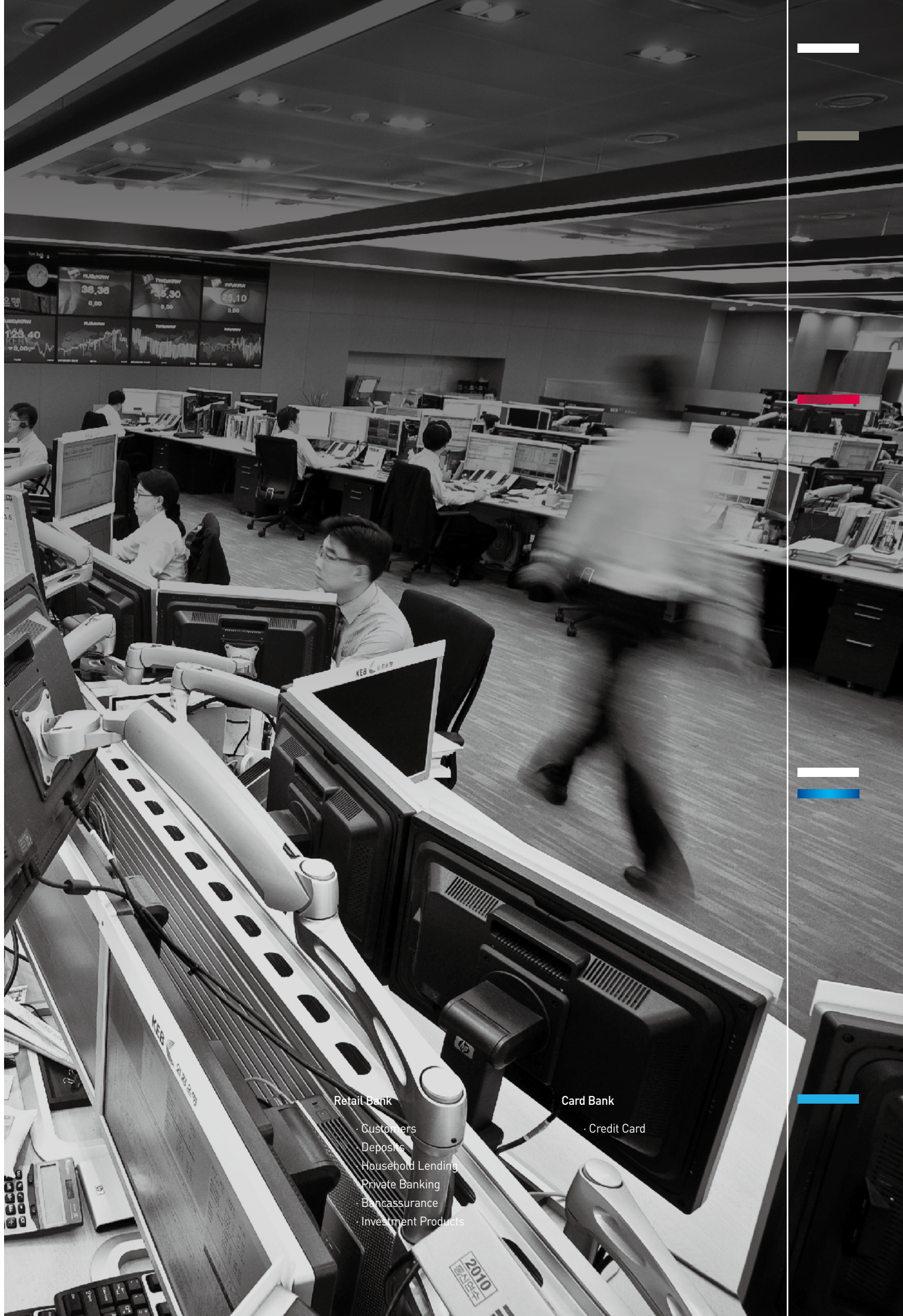
A highly-trained group of foreign direct investment (FDI) consultants at KEB assists foreign companies investing in Korea. The FDI team also supports FIEs in performing FDI reporting, establishing new businesses and setting up financial management systems. Furthermore, the FDI Team assists newly established companies through cooperative ties with many FDI-related institutions such as law firms, accountants, foreign chambers of commerce in Korea, foreign embassies, international trade & investment bodies and the Korea Trade-Investment Promotion Agency (KOTRA).

KEB maintained its dominant market share (39.8%) for FDI notification processing and offered consulting services to 6,924 of the 17,962 FIEs nationwide at the end of 2009.



Responding Efficiently to Diversified Individual Needs

In 2009, KEB returned to the basics to bolster profitability and asset quality, and the effort paid off with a solid performance and sound financial structure. We remain focused on developing diverse products and services to accommodate customer needs, maintain market leadership and be the most trusted partner for our customers.



Retail Bank

- Customers
- Deposits
- Household Lending
- Private Banking
- Bancassurance
- Investment Products

Card Bank

- Credit Card

Retail Bank

From our traditional deposit and loan products to our advanced private banking, bancassurance, investment product and wealth management services, KEB's Retail Bank demonstrates the wisdom of a quality-over-quantity approach to banking.

To “get closer” to our retail customers and better grasp and serve their needs, KEB has refined relationship management and segment marketing strategies to produce high quality growth.



First Prize in “2009 Asia PB Grandprix”
category



2009 Award for Excellence
Best Bank in Korea

Customers

Since 2007, KEB has implemented marketing based on customer segmentation as a tool to maintain and deepen relationships with our best customers. Consequently, we have retained profitable customers, promoted cross-selling for main segment customers, and attracted professionals as customers. The total number of retail customers increased by 279 thousand (4.5%) to 6.5 million in 2009 over the previous year.

KEB launched a package product called “Wingo” for customers in their 20s in November 2009. Wingo offers a debit card, savings account and internet banking service, and 23,624 young customers signed up by year's end. KEB will focus on customers in their 20s & 30s in 2010, a segment with strong growth potential that includes newly-hired employees, college students and salary transfer customers. Also, KEB will attract more pensioners and push cross-selling for high returns to deepen the relationship with customers in their 40s and above.



Deposits

Our efforts to attract more deposits and provide our customers options to avoid volatile financial products amid global economic uncertainty were successful in 2009.

Total retail deposits rose KRW 2.2 trillion (8.8%) to KRW 27.7 trillion at the end of 2009 from a year earlier. Time deposits were up KRW 0.7 trillion totaling KRW 10.2 trillion, while demand deposits grew by KRW 0.9 trillion. Deposits in foreign currency and the trust account also increased by KRW 0.7 trillion to KRW 10.0 trillion.

In 2010, we plan to concentrate on securing time deposits and other long-term accounts, while reducing our marketable deposits, to improve our loan-to-deposit ratio. We plan to enhance our ability to retain core deposits through appropriate segmentation of our customers and intensive marketing activities.

Household Lending

KEB's household lending portfolio increased 10.8% (KRW 1.7 trillion) in 2009, reaching KRW 17.6 trillion from the KRW 15.9 trillion at the end of 2008. During the same period, mortgage loans rose 27.0%, from KRW 8.2 trillion to KRW 10.4 trillion. Meanwhile, unsecured loans decreased slightly in 2009, principally because KEB maintained conservative underwriting standards.

Looking forward, KEB remains focused on improving the underlying asset quality of its Retail Bank through a combination of prudent underwriting and mix shift towards secured loans. Marketing will target creditworthy customers with solid collaterals as well as premium unsecured loans, while unsecured loans and foreign currency loans at the branch level will be tightly controlled. Moreover, KEB plans to adopt a reasonable pricing approach, taking into consideration the contribution to the Bank, credit ratings, market trends and RAROC.

Private Banking

KEB is developing a variety of sophisticated services to help VIP customers invest and manage their assets more profitably and efficiently. With our Private Banking (PB) products & services, we broaden our customers' asset portfolios with innovative stock, insurance and FX-related investment instruments. In line with Korea's Financial Investment Services and Capital Market Act, we offer tax consultation, real-estate management and disposal services, wills & inheritance consultation, specialized financial planning and medical services, overseas education & emigration services, and others.

Our objective is to make KEB the first choice in Korea's competitive PB market by constantly expanding the scope and elevating the quality of our comprehensive and professional PB services. We enlarged our PB network in 2009, adding three new Wealth Management Centers (for a total of twelve) in addition to the 76 specially designated PB Branches.

KEB provides an unparalleled level of personalized services and benefits to select "VVIP" individuals to maintain their exclusivity. We cultivate customer loyalty through special advisory services, and invitation-only events such as our exclusive investment conference held overseas. Moreover, we are making maximum use of KEB's strengths in the FX field and our overseas branch network to market our asset management services to Koreans residing abroad.

Bancassurance

KEB started selling bancassurance in September 2003, after the Korean bancassurance market was opened to international competition. This business has grown steadily thanks to our strategic partnership agreements with Korea's leading insurance companies and our ongoing training of bancassurance specialists. We have developed various annuity and endowment insurance plans featuring low premium rates as a way to offer more benefits to retail customers.

The global economic downturn that began in 2008 persisted into 2009. However, various indicators for financial institutions began to recover in the second half as a result of their self-rescue efforts and aggressive measures to overcome the crisis. The bancassurance market also saw a steady rise in sales, particularly for endowment insurance plans.

In 2009, KEB achieved bancassurance sales of KRW 25 billion despite the lowering of bancassurance fees after the Financial Supervisory Service (FSS) tightened regulations on sales margin for bancassurance products and imposed restrictions to prevent mis-selling. Our performance in bancassurance and other fee-based product areas, despite a relatively small number of branches, demonstrates the appeal of our product offerings and the quality of the KEB customer base.



Investment Products

KEB's investment product sales and management philosophy embraces an "Open Architecture" strategy, which allows our customers to build the optimal portfolios to suit their preferences and needs. As of the end of 2009, KEB offered a total of around 210 onshore and 150 offshore investment funds.

The environment for selling investment products was difficult in 2009, following the slowdown in the global real economy the previous year. Key issues in the marketplace were whether the economy would turn around in the first half and whether government would implement their exit strategies in the second half. Meanwhile, the global securities market bottomed out in the first half and subsequently showed a rising trend. However, at year's end, the markets became highly volatile as the government deficits worsened in some countries.

Our assets under management (AUM) declined 7.5% from more than KRW 7.2 trillion at the end of 2008 to just under KRW 6.7 trillion at the end of 2009, while income from sales of investment products fell significantly in 2009.

KEB overhauled the systems for selling investment products in 2009. We established new sales processes to comply with the Financial Investment Services and Capital Market Act and to improve our customer services. For example, we began to issue periodic fund evaluation reports as well as to email fund transfer, conversion transaction and settlement statements directly to customers. In addition, our Fund Management System, a customer advisory support service, was upgraded to offer diverse market data and high-quality fund information to assist our customers in their investment decisions. In the future, KEB will continue to improve investment advisory services to customers to act in their best interests and establish solid partnerships with them.

Credit Card

KEB's Card Bank has been a pioneer in the credit card business in Korea, introducing the country's first Visa card in 1978. In 2009, Card Bank navigated through the dual challenges of uneven economic environment and intense competition and delivered robust financial results. Both total sales and average balances increased modestly in 2009, while from the previous year, credit quality was mostly stable.

We remain committed to improving sales and customer retention through various client care programs and are continuously developing various more-sophisticated customer management tools to strengthen our marketing capabilities. For example, the "Customer Long Term Value" (CLTV) model was devised to evaluate the current and predict future customer value. Coupled with existing segment models, the CLTV approach has helped us formulate and operate marketing strategies more efficiently. In addition, we are consolidating the KEB reward system to offer a "single view of the customer," increase customer loyalty, and promote the cross-selling of products.

We established a card product hierarchy to satisfy different customer segments better. Thus, the Signature Card and NoN Nobles were introduced for VIPs, while Wingo Check Card was for young users with the potential to become VIP customers. For customer convenience, we began to provide an automated recharging service for T-money cards (a rechargeable smart card for public transportation) and post-paid transportation card service. Moreover, we have implemented systems and processes to analyze the competitiveness and profitability of our products in the development stage, and to monitor and improve them after launch. As a result, we have maintained optimal efficiency for our credit card portfolio.

We created the Synergy Council with the Retail Bank to maximize the synergy effect between our credit card business and retail banking by promoting bank product sales through the card sales network and card products through the retail branch network. Our efforts have resulted in various new products such as affinity card packages, exclusive lineup for women, and products for expats living in Korea. Moreover, KEB branches and credit card units work together on various activities to increase credit card transactions bank account balances at the same time. Conducting sales promotion activities in collaboration with local branches, encouraging merchants to designate KEB as the merchant account, and marketing to attract customers for KEB check cards are a few examples. In addition, we are running Regional Service Centers to support our branches effectively, while the Card Bank cooperates with overseas business units to grow overseas operations.

Our branches, affinity channels and credit card counselors are working to attract cardholders who can become main customers, and ultimately even VIP customers. Moreover, we support branches by offering training programs and building community channels. Other means include the adoption of the Affinity Card Management System, diversified channels for promoting affinity cards, strengthened standards for customer evaluation, a usage-based commission structure, and improved card issuance processes.

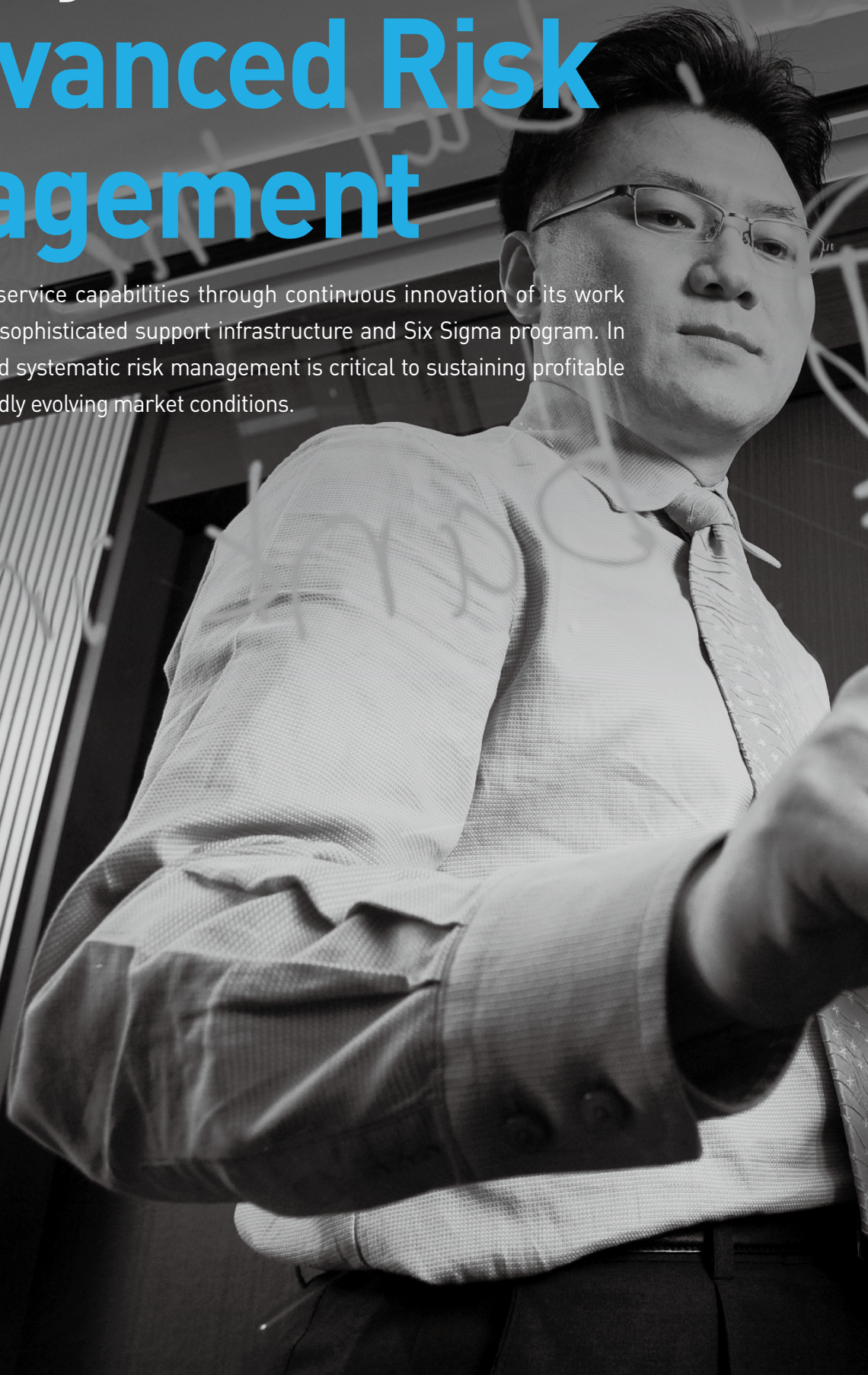


KEB already holds the largest market share of foreign credit card purchases in Korea and we aim to increase the volume further. We are strengthening management of our merchant relationship with the development of the Merchant Relationship Management system.

Our pricing policy based on the risk-adjusted return on capital (RAROC) method has been upgraded since initial launch and is now applied extensively, helping to improve profitability. Managing risk-weighted assets more efficiently should improve RAROC and raise net profit. In addition, we will concentrate our resources on core customers to maximize the effectiveness of marketing activities. Meanwhile, we will devise and consistently implement a resource allocation strategy optimized for developing new products and, thereby, attracting new customers. This will serve as an engine for sustainable growth and maximize capital efficiency.

Quality Service & Advanced Risk Management

KEB has enhanced its service capabilities through continuous innovation of its work process, leveraging our sophisticated support infrastructure and Six Sigma program. In addition, our prudent and systematic risk management is critical to sustaining profitable growth at KEB amid rapidly evolving market conditions.





Quality Service Provider

- Enhanced Service Quality through Business Innovation
- e-Business

Information & Technology

- IT Infrastructure

Risk Management

- Capital Adequacy Framework
- Credit Risk
- Market Risk
- Operational Risk
- Interest Risk
- Liquidity Risk
- Strategic Risk
- Business Continuity Planning

Customers today expect not only competitive deposit and lending rates, but they demand fast and reliable answers to their questions, simple and clear transactions, and attentive responsiveness to solve their problems. We strive to minimize the administrative burden on our front-line staff so that they can devote their attention to understanding customer needs and deepening our business relationships with them.

KEB has made efficient operational systems and processes a priority for several years, and was the first among Korean banks to implement a Process Management System (PMS) and Six Sigma approaches in the key areas of our customer service operations to fulfill these objectives.



KEB website won four prizes at
"Web Award Korea 2009"



First prize in 2009 Korean Service
Quality Index for 3rd consecutive year

Enhanced Service Quality through Business Innovation

We adopted the Six Sigma program in 2005 to improve service quality from the customers' viewpoint, to strengthen the overall competitiveness of KEB, and to maximize efficiency. Today, all our process innovation initiatives are integrated and performed according to Six Sigma methodologies.

Importantly, the KEB Six Sigma program is an integral part of our overall strategy. All Six Sigma projects as well as everyday activities are being conducted in line with the four fundamentals of maintaining asset quality and managing risk, achieving profitable growth, raising productivity and efficiency, and satisfying customers. In 2010, every department in KEB is performing Six Sigma activities under the strategies of "Sustainable & Profitable Growth," "Competitive & Differentiated Franchise," and "Compliant & Controlled Operation."



Our Six Sigma program has been most successful in improving service quality. In 2008, we launched our unique “KEB Service Quality Guarantee” program after concentrating our branches’ basic administrative processes at central processing centers and implementing a robust process innovation program. This program is a promise to our customers that they will receive the best services. If not, we are willing to compensate in some way such as by lowering interest rates. This guarantee reflects the effectiveness of our ongoing innovation effort and the complete confidence we have in the unrivalled quality of our services.

The Process Management System (PMS) is an indispensable part of our Six Sigma program. We have identified the essential processes among the countless tasks that we perform every day, and have automated the generation of status reports and indices pertaining to these key processes so that the data are accessible in real time without the need for reports by the staff. This allows our top management and department chiefs to manage key processes most efficiently and make informed decisions swiftly.

Our Six Sigma program has also helped to foster an organizational culture that thrives on constant improvement. Without having to outsource, we have built an elite team of 25 Six Sigma in-house consultants (Master Black Belts and Black Belts) who oversee program implementation organization-wide. In addition, around 100 of our employees are certified Six Sigma professionals (Green Belts) who are tasked with implementing methodologies at our operations around the country. These certified employees also receive promotion points. To date, we have implemented more than 80 Six Sigma projects, which have resulted in a total savings of about KRW 20 billion. Six Sigma training courses are even available online, and approximately 2,000 of our employees have completed the basic course.

KEB launched the “Zero Waste Campaign” to strengthen competitiveness by eliminating factors that contribute to waste throughout the organization under the banner of “Survival” in 2009. We began by collecting some 400 suggestions from employees and then pinpointed the 10 most urgent tasks. Task forces were formed to work on adopting the International Financial Reporting Standard (IFRS) and on improving our global customer relationship management. We also implemented improvement activities through an ongoing suggestion program and regular visits to branches.

In 2010, our Six Sigma activities will focus on enhancing KEB’s competitiveness in line with KEB’s vision of becoming “not the biggest, but the best” bank. Large-scale projects that are currently ongoing include improving the credit review process, streamlining the credit card issuance process, upgrading the overseas IT network, and enhancing service at the integrated help desks. We are also in the process of creating our own “KEB Easy Sigma” to facilitate the application of the six sigma program at the branch level.

e-Business

KEB remains committed to improving electronic banking services so that customers can have more convenient and affordable access to banking transactions. By doing so, we acquired low-cost delivery channels while locking in customers. These efforts will allow us to secure a customer base that can serve as a platform for sustained growth over the long term.

An increasing number of banking transactions is now conducted outside the branch, through our diverse electronic banking services, from internet banking and tele-banking to mobile banking and firm banking. As of the end of 2009, about 1.56 million retail customers and around 140 thousand corporate customers are using these services, accounting for 52% and 50% of all active customers, respectively. Moreover, over 60% of transactions are handled via electronic channels, a testimony to their growing importance as delivery channels.

In 2009, we significantly upgraded our electronic delivery channels, resulting in an increase in customer transactions, by integrating the internet banking, internet credit card and foreign exchange systems and services at our retail banking unit.

Moreover, our aggressive promotion of In-House Banking, an electronic banking channel customized for corporate customers, has seen many tangible results as well. As of the end of 2009, more than 300 high-quality corporations are using the service, and our transaction volume with those companies has soared accordingly. Meanwhile, we have laid the groundwork for parallel growth over the long term by helping our corporate customers to increase their operational efficiency.

In 2010, we will continue to develop and provide exceptional banking services, including mobile internet banking services to accommodate the rapid growth in mobile internet users. We will also introduce tailor-made banking services that support our global growth strategies.

IT Infrastructure

KEB remains committed to building banking systems that are highly responsive to customer needs, stabilizing them and, thereby, improving the quality of IT-based services. Today, our focus is on establishing a more-efficient IT infrastructure. The strategic objective of the IT unit in 2009 was to support priority bank-wide action plans such as expanding overseas operations and strengthening the investment finance segment in line with the enactment of the Financial Investment Services and Capital Market Act. Projects for the year included installing a system at our Chinese offices, expanding support for investment finance operations and revising the system for securities and fund services.

We have built and operated systems to help our Business units secure unrivaled competitiveness by providing support for their strategic projects at the right time. For example, in December 2009, we completed systems that accommodate the International Financial Reporting Standards (IFRS), reinforcing our financial infrastructure and confirming our conformity to international standards. Other important projects were completed during the year while some are still under way. These include the revision of the retail internet banking system, the modification of retail SME models & the building of related systems, and the establishment of global tailor-made firm banking services.

We continue to improve the quality of our IT-based services so that we can maintain our competitiveness in the future financial environment, increase the operational efficiency of our units, and help top management make rapid business decisions. The projects we launched in 2009 include integrating banking and credit card data, stabilizing the comprehensive data verification system, establishing an internal auditing system for overseas regional operations centers and improving the integrity of Risk Data Warehouse (RDW) data. In addition, we reinforced online banking security, received audits from the FSS and the Board of Audit and Inspection, established an electronic auditing system for the IT Group and conducted simulation drills in cooperation with external organizations. These efforts have strengthened audit activities inside and outside the organization as well as internal oversight.

We remain committed to raising the reliability of our IT infrastructure and developing more-advanced systems to increase customer satisfaction as well as to help meet our performance targets. These efforts will allow us to provide our customers with globally competitive IT-based financial services.



KEB's strict and advanced risk management played a significant role in insulating KEB from the numerous risks that arose after the onset of the 2008 financial crisis.

Capital Adequacy Framework

In 2008, the Korean Financial Supervisory Service (FSS) granted us permission to apply the advanced Basel II approaches to our risk measurement program. These include the foundation internal ratings based approach (F-IRB) for credit risk measurement, an internal model for market risk measurement, and the advanced measurement approach (AMA) for operational risk measurement. Since the end of 2008, these approaches have been reflected in our regulatory capital measurement. Further, we have successfully implemented RWA reduction targets, both bank-wide and by business unit, for managing credit risk.

These efforts have helped us to overcome the effects of the financial crisis that broke out in 2008 and to establish effective measures to accommodate new capital regulations (so called Basel III) that will be introduced by the Basel Committee in the future.

Since January 2007, KEB has used the advanced approaches of the Basel II Capital Accord to calculate economic capital (internal capital), and a new capital adequacy framework has been established. The key feature of the framework is that banks separate quantifiable risks from non-quantifiable risks, and select and manage material risk. Credit, market, operational, interest rate, credit concentration, and strategic risks are all quantifiable, while liquidity risk is non-quantifiable but classified as a material risk. At the beginning of the year, the Risk Management Committee, a subcommittee of the Board of Directors, sets the limits for quantifiable risks, and the Risk Steering Committee reviews capital adequacy every month and submits quarterly status reports to the Risk Management Committee.

The Basel II advanced approach calls for the advanced internal ratings based (A-IRB) approach in determining credit risk, the internal model to measure market risk, and the AMA for calculating operational risk, and sets the confidence level at 99.9%. A capital buffer of at least 8% of risk volume has also been set, and a correlation matrix for integrating various risk volumes has been introduced.

Credit Risk

Since 2007, KEB has measured credit risk according to the A-IRB approach in Basel II, while the measured credit risk volume is used in setting and managing risk limits. Credit risk assessments cover rating systems, probability of default (PD) and loss given default (LGD) estimates, and the retail credit scoring system (CSS) is used for calculating calibrated credit risk. We have also



established and operate a risk based pricing system, which uses risk data to reflect expected loss (EL) and unexpected loss (UL) in loan pricing.

KEB has implemented risk-adjusted performance measurement (RAPM) in each business unit by adopting risk-adjusted return on capital (RAROC) as an index starting in the first half of 2007. We began reflecting RAPM in setting business unit targets and evaluating their performance in the first half of 2008, and reflecting RAPM in branch targets and evaluations in 2009.

For regulatory capital (BIS ratio), KEB has measured credit risk using the FSS-approved F-IRB approach from September 2008. We set bank-wide and business unit RWA targets and examined them weekly starting from early 2009. Our RWA management enabled us to maintain asset quality and capital adequacy during the banking crisis.

In addition, our internal model method was completed in December 2009 to measure the EAD of OTC derivatives with precision.

Market Risk

In 2008, we acquired FSS approval to use our internal model (750 days historical simulation method) and have since used the model for calculating and managing regulatory capital. We manage market risk by monitoring the 10-day value at risk (VaR) limit by business unit using the internal model and each day perform stress-testing, which measures possible losses under various scenarios, to be better prepared for some possible crises not reflected in recent market trends.

KEB assesses model validity every day by back-testing the P/L and 1-day VaR of the previous day. In 2009, the market risk internal model measured the risk embedded in OTC derivatives more precisely as the coverage of risk measuring module was enhanced. The risk volume measured by the model is reflected in setting our risk-limit. Since 2007, it has been reflected in our RAROC target and business unit performance assessments.

Operational Risk

KEB has implemented operational risk limits based on AMA methodologies since 2007. Basel II AMA-based control self-assessment was initiated at our Headquarters, domestic and overseas branches and subsidiaries in 2008 for internal control and risk volume measurement of operational risk. The AMA-based operational risk volume is then calculated after the AMA-based loss data is collected and scenarios are assessed.

Starting in 2008, the AMA-based operational risk volume was measured for each business unit, and 2% of the operational risk volume is reflected in the business units' RAROC. The FSS approved

KEB's AMA on November 4, 2008 and KEB began adjusting AMA to calculate regulation capital from the end of March 2009.

The Internal Control Council is established under the Compliance Department to strengthen internal control. Council members are the heads of the Operational Risk, Compliance, Audit & Examination and Finance Departments.

KEB also has developed with the FSS 31 common Key Operational Risk Indicators to monitor the risk status of the bank.

Interest Risk

Since implementing the new asset-liability management (ALM) system in 2007, KEB has been calculating interest rate risk with an advanced deterministic scenario method in terms of economic value and earnings. For the economic value perspective, KEB measures VaR, which represents the maximum expected loss of KEB's net present value from changes in the interest rates. For the earnings perspective, KEB measures earnings at risk (EaR), which represents the maximum expected loss of KEB's net interest income from changes in interest rates. Besides these two metrics, KEB monitors the repricing and duration gaps to review the interest rate risk profile, and conducts stress testing assuming severe market interest rate changes.

Liquidity Risk

KEB maintains the daily liquidity risk monitoring system by applying the customer behavior model to forecast the actual maturity of assets and liabilities. The current liquidity risk measurement metrics are the liquidity gap ratios and liquidity ratios. In addition, KEB is preparing new metrics, processes and management framework of liquidity risk to meet the requirements for liquidity risk management guidelines announced by the FSS in September 2009. After completing preparations by June 2010, KEB will be equipped to practice very sound liquidity risk management.

Strategic Risk

Strategic risk is actually hard to measure, but KEB has defined it as a business risk and started to calculate it in 2007. We have also established and manage a strategic risk limit. Strategic risk volume is measured by the volatility of actual operating income deviation against expected operating income estimates.



Business Continuity Planning

KEB maintains a Business Continuity plan to ensure that operations can continue with minimal losses to the bank in the event of an accident (fire for example), manmade or natural disaster (such as a typhoon or terrorist attack) or system failure. Meanwhile, the Crisis Management Committee, which consists of the CEO and the executives in charge of Personnel, Finance, Systems & Technology, and Business Continuity Planning, is ready to respond quickly to any possible business disruption caused by a disaster or accident.

An alternative office has been established outside Seoul, 30 kilometers south of the Head Office. This contingency location is ready to assume the functions of the Head Office and other key facilities should they become inoperable for any reason. The Disaster Recovery (DR) Center is also located over 30 kilometers away from the IT Data Center as a backup for IT system failures, ensuring the system remains in service around the clock.

Every branch and sub-branch—the units tasked with performing customer services—has two designated alternative locations that can be used should their operation be disrupted at any time. One is the branch (or sub-branch) closest to it (Contingency Location I) and the other is one located at least 10 kilometers away (Contingency Location II). This scheme allows us to respond in the event of a fire, power failure or other problem at a single location as well as to cope with a widespread disaster such as a flood or earthquake.

KEB has been conducting emergency simulation exercises at least once a year since 2007. These drills are designed to increase the emergency responsiveness and recovery capabilities of all employees, including the CEO. The date for the exercise is not announced in advance, thereby adding to the realism and increasing employees' ability to actually respond. For example, the April 2009 drill simulated a concurrent power failure at the Head Office and IT Data Center, and our people practiced connecting the IT system at the contingency location with that of the DR Center. Various other disaster scenarios have also been designed.

Moreover, KEB began to check the temperatures of all visitors to the Head Office in June 2009 in the wake of the WHO declaration of influenza A (H1N1) as a pandemic and placed temperature checkers and hand sanitizer dispensers at all branches. These efforts helped to ensure business continuity amid the H1N1 flu outbreak.

We are committed to ensuring that our services are never interrupted should any kind of accident or disaster occur. In the process, we are earning a reputation as a bank where customers can receive the very best financial services at any time.

Transparent Corporate Culture & Foundation for Sharing

KEB fosters a clean organizational culture, stressing that employees must remain committed to transparent, ethical business practices and strict legal compliance at all times. In addition, we are a Corporate Social Responsibility leader in the Korean financial industry. Our “win-win” approach to business is manifested by our engagement in public service projects, scholarship programs and relief efforts inside and outside of the country. We are fulfilling a great responsibility to achieve sustainability out of harmony and balance.



Corporate Ethics

KEB Foundation

- Support for Needy Children
- Support for Low-Income Families and Underprivileged People
- Support for Multi-Cultural Families
- Community Services
- Scholarship Programs
- International Relief Programs

KEB has a responsibility to its employees, customers and shareholders. We honor this commitment through internal controls to ensure the highest standards of ethical and transparent management. We have implemented an ombudsman system, an extensive cadre of compliance officers, and other programs that help to instill corporate pride, earn public trust and enhance our reputation.

Through the KEB Foundation, the Korean financial industry's flagship charitable organization, KEB volunteers perform a wide range of activities to assist society's most needy and neglected members, build homes for the homeless, support the arts, and provide relief to those struck by disaster in communities where we operate, both at home and overseas.



Commendation from the Minister of
Health, Welfare & Family Affairs at the
1st Republic of Korea Humanitarian Prize

Corporate Ethics

KEB people understand that the reputation of our bank depends on the integrity of our operations. Our staff conforms to the highest standards for ethical behavior and mindset. KEB pursues transparency in business management through a comprehensive internal oversight system to protect the bank and our customers, employees, and shareholders.

KEB has reinforced internal control and stepped up the organization-wide activities to prevent financial misconduct. Training is provided on regulatory compliance and business ethics as well, helping to ensure ethical conduct at all times.

Domestically, we introduced the compliance manager program to all regional headquarters to strengthen internal oversight and regulatory compliance monitoring in 2009. Overseas offices also implemented an overseas compliance officer system to emphasize transparent, ethical management and legal compliance. Additional measures were implemented to enhance internal



oversight overseas as well. These included reinforcing the independence of overseas compliance officers and improving the compliance reporting system.

KEB implemented the independent Ombudsman system in 2005 for the first time among Korean banks and applied it globally in 2009 to facilitate and broaden internal reporting. Now domestic branch employees as well as those at all overseas branches and subsidiaries can more readily raise concerns about any ethical problems they may identify. The Ombudsman is totally independent, protecting the confidentiality of whistleblowers.

In 2008, KEB became the first Korean bank to install the advanced Anti-Money Laundering (AML) monitoring system and Enhanced Customer Due Diligence (EDD) scheme. By doing so, we are better able to block illegal money transactions and have acquired an AML system that conforms to international standards. We continue to improve the AML system, for example, by expanding it to all overseas operations, to minimize AML risk.

Our commitment to ethical management and legal compliance was once again recognized at the 3rd Annual Anti-Money Laundering (AML) Day held in November 2009 with our Chairman Richard F. Wacker honored by the Financial Services Commission. In the previous year, KEB was designated as an “Outstanding Organization in Preventing Money Laundering” at the 2nd Annual AML Day.

KEB Foundation

KEB is fulfilling its role and responsibilities as a corporate citizen while maximizing customer benefits and wealth through its clean corporate culture as well as its outstanding expertise in the international finance and foreign exchange segments. The KEB Foundation (KEBF) was established in December 2005 as the first non-profit charity organization by a Korean bank, laying the groundwork for charity and voluntary activities over the long term while meeting our responsibilities both social and economic.

KEBF encourages people throughout society to get involved in helping others. The charity work of KEBF is carried out systematically and continuously in six areas, all funded by KEB as well as by donations from customers and employees. These areas are support for needy children, support for low-income families and underprivileged people, support for multi-cultural families, community services, scholarship programs and international relief programs.

A total of 2,156 employees donated KRW 598 million, and KEB contributed KRW 2.3 billion to the KEBF in 2009. Fifteen top executives pledged to donate the gains from exercising their stock options (142,000 shares), while KEBF received another KRW 1.13 billion in returned executive salaries during the year. Finally, KEBF raised an additional KRW 1 billion in capital with KRW 500 million coming from employee donations and the other KRW 500 million from a matching donation by KEB.

KEBF has provided about KRW 10 billion to fund charity projects since its establishment five years ago and has engaged in professional charity work as part of the ongoing effort to encourage the spirit of sharing inside and outside of Korea. These efforts resulted in our being honored with a commendation from the Minister of Health, Welfare & Family Affairs at the 1st Republic of Korea Humanitarian Prize, held in December 2009. The activities of KEBF have been recognized for helping domestic financial institutions spark a new awareness of Corporate Social Responsibility (CSR) and broaden their scope of involvement.

(1) Support for Needy Children

KEBF remains committed to improving children's welfare, supporting needy children and, thereby, contributing to building up social security. Among many activities in this area, the One to One Sponsorship Program is noteworthy. KEBF has helped KEB employees to forge ties with underprivileged children inside and outside of Korea in cooperation with World Vision, Korea Food for the Hungry International, Leftovers Love Sharing Community and other renowned Korean NPOs. Today, 736 children are receiving about KRW 21 million a month (KRW 258 million a year) in financial assistance.

KEBF has supported children in need, for example, orphans and children from single-parent families, and sponsored education and welfare projects for them. KEBF sponsored hiking tours for disabled children in collaboration with Holt Children's Services and other welfare facilities for handicapped children. Other activities include sponsoring an essay contest for orphans, running English language camps with native English speakers as teachers, holding hiking and nature tours on Mt. Halla (Jeju Island) for children from low-income families, and financing Seoul and theme park tour programs for children living outside the metropolitan area. These programs help children from low-income families adapt to society.

Starting from 2007, KEBF has held economics classes for after-school teachers in rural areas so that they can teach children from low-income and underprivileged families to be better at managing money. In 2009, KEB also allowed its HR Development Center and Auditorium to be used for community service purposes, an unprecedented practice in Korea.

(2) Support for Low-Income Families and Underprivileged People

One of the main working areas of KEBF is supporting government aid recipients, minority groups as well as migrant workers, migrant wives married to Korean spouses and North Korean defectors, who are currently gaining social attention. KEBF is financing and volunteering at kitchen soup programs for the homeless while sponsoring employment programs for the homeless and unemployed. Other areas KEBF has engaged in include providing vehicles to welfare organizations and fund raising for the establishment of a rehabilitation hospital for the disabled. KEBF held its third annual KEB Bazaar of Love, a charity bazaar to help needy neighbors, in June and KEB



employees also participate in various charity events to support the underprivileged at the end of the year.

KEBF has been financing the Foreign Laborer Hospital, a free medical service organization for migrant workers, while supporting translation centers and assisting events for migrant workers across the country. KEBF has also supported mentoring programs for young North Korean defectors and made regular donations to Community Chest of Korea to help low-income families of independence patriots.

(3) Support for Multi-Cultural Families

The increasing number of multicultural families in Korea represents a transformation of Korean society. KEBF has responded by launching the KEB Global Family Award in 2009, helping to raise social awareness of the issue and supporting the livelihood of these families as well. The nationwide initiative is designed to select 18 exemplary non-Korean wives and bicultural children and provide them with a chance to visit their home countries as well as prize money of up to KRW 10 million for the grand prize winner. This program is helping these families to become established more quickly in Korean society, while raising public interest in their needs and promoting a more-open society where all people live harmoniously.

Since 2008, KEBF has run a home visit project for migrant wives in collaboration with the Ministry for Health, Welfare and Family Affairs. KEBF selected model migrant wives working as volunteer interpreters at local health care centers and paid for trips to their home countries (Vietnam, Indonesia, Philippines, Mongolia, and China). In 2009, this program allowed 19 non-Korean wives to visit their native lands.

In addition, KEBF continued to support a native language essay contest on the lives of migrant wives in Korea and to assist cultural events for the teenaged children of multicultural families. Other projects KEBF is backing include preschool programs for children from Korean-Vietnamese families, children's painting contests, and free legal consultation services.

(4) Community Services

The "KEB Love Sharer," a volunteer group consisting of over 1,000 KEB employees and their families, provides opportunities to volunteer for community service activities. For example, a bank-wide voluntary work program invites all employees to visit local welfare centers every Lunar New Year's Day, Harvest Moon Day and at the end of the calendar year. In late 2008 and early 2009, KEB branches in Jung-gu, where the Head Office is located, delivered rice, *kimchi* and other necessities to 87 needy families in the ward. KEBF has also expanded into building homes for low-income families in cooperation with Korea Habitat for Humanity.

“KEB Nanum (Sharing) Deposit” is a special bank account that serves the public good by contributing a portion of the savings to charitable causes inside and outside of Korea. Twenty holders of this bank account visited Batam, Indonesia, to help build homes for local underprivileged people. This voluntary campaign was subsequent to the 2008 event in Vietnam.

(5) Scholarship Programs

The KEB Scholarship program, launched in 1989, is now operated under KEBF. KEBF has provided a total of KRW 680 million in grants to 687 middle school, high school and university students from low-income families between 2006 and 2009. KEBF has also paid the expenses for 11 KEB Scholarship recipients to attend eight-week English language programs in the US and Canada each year since 2007. In 2009, we became the first in Korea’s private sector to donate funds (KRW 300 million) to the Korea Student Aid Foundation, which provides students in low-income families with opportunities to receive a college education and offers long-term financial aid programs.

KEB is the first Korean bank to found a scholarship program that covers both domestic and foreign students. The KEB Global Scholarship program was established to promote global HR development and to facilitate Korea’s international exchanges. Under the program, a total of KRW 30 million was given to 10 students from developing countries who are enrolled at Korean universities. Meanwhile, KEB international scholarship was given to 821 underprivileged university students in developing nations in Southeast Asia, including Vietnam (627), Indonesia (144), and the Philippines (50), since the launch of the program in 2006.

(6) International Relief Programs

KEB has the most extensive global network among Korean banks. Capitalizing on this feature, KEBF has conducted prominent international relief activities. KEBF has supported several international emergency programs in the wake of the 2004 tsunami in Indonesia, and floods and natural disasters in Taiwan, the Philippines and other countries.

In 2009, KEBF also helped establish the 3rd “Happy Home School,” a children welfare center and related facilities in poor districts in the Philippines in collaboration with the Korea Food for the Hungry International, following the 2nd HHS that was established in Vietnam in 2008. KEBF also provided scholarships for students at the 1st HHS at Pancasari, Indonesia, which opened in 2007.

As for medical assistance, KEBF donated to the Free Eye Camp program, which provides free eyesight recovery operations, to free operations for Vietnamese children with facial deformities, and to a vaccine development project for poor children through the International Vaccine Institute. KEBF also helped to finance the *Asan* Medical Center’s medical volunteer work in Cambodia, and sent KEB employees as volunteers. These global contributions are a testimony to KEB’s concern for international relief and the wellbeing of people worldwide.



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Management Discussion & Analysis

1. Key Financial Data

(In billions of KRW)			
	2009	2008	YoY
Operating Results			
Total Income	2,540.8	3,018.6	-15.8%
Net Interest Income	1,917.9	2,238.1	-14.3%
Fees & Commissions	463.2	562.8	-17.7%
Non Interest Income	159.7	217.6	-26.6%
Total Expenses (G&A)	1,223.7	1,145.3	+6.8%
Operating Income	1,317.2	1,873.2	-29.7%
Net Income	891.7	782.6	+13.9%
Profitability Indices			
Net Interest Margin (NIM)	2.39%	2.90%	-0.51%p
Return on Assets	0.88%	0.83%	+0.05%p
Return on Equity	12.27%	11.90%	+0.37%p
Balance Sheet Data at Year-End (including Trust Account)			
Total Assets	107,728.9	114,351.9	-5.8%
Total Credits	70,550.5	70,945.7	-0.6%
Total Deposits	67,371.3	67,933.1	-0.8%
Asset Quality			
NPL Ratio	0.94%	1.09%	-14.0%
NPL Coverage Ratio	152.5%	141.5%	+7.8%
Precautionary & Below Ratio	2.27%	2.10%	+8.1%
Pre & Bel. Coverage Ratio	63.3%	73.6%	-14.0%
Delinquency Ratio	0.50%	0.92%	-45.9%
Capital Adequacy			
BIS Ratio	14.93%	12.65%	+2.28%p
Tier I Ratio	11.04%	8.82%	+2.22%p
Tier II Ratio	3.89 %	3.82%	+0.07%p

2. Overview

At the start of 2009, the outlook for KEB and the rest of the banking sector was uncertain due to anticipated aftershocks from the unprecedented global financial crisis of 2008. However, the bank showed strong sequential recovery from the second quarter and ended the year with strong results, with top performance among the domestic banks in terms of profitability, capital adequacy, and asset quality.

KEB posted net income of KRW 891.7 billion in 2009, up 13.9% from the previous year. KEB strengthened its capital level with its BIS ratio topping 14.93% at the end of 2009, up 2.28 percentage points from 12.65 at the end of 2008. Despite the difficult economic environment, KEB saw its NPL ratio fall to 0.94% and its delinquency ratio to 0.50% because of its prudent risk management. After considering the financial performance and growth plan, the Board of Directors declared a cash dividend payment of KRW 510 per share.

Management Discussion & Analysis

3. Income Statement

1) Summary of Profitability

(In billions of KRW)

		2009	1Q	2Q	3Q	4Q	2008	YoY
1	Net Interest Income	1,917.9	455.0	435.2	484.3	543.4	2,238.1	-14.3%
2	Fees & Commissions	463.2	116.8	115.2	109.1	122.1	562.8	-17.7%
3	Non Interest Income	159.7	39.7	34.2	64.6	21.2	217.6	-26.6%
4	Total Income [1+2+3]	2,540.8	611.5	584.6	658.0	686.7	3,018.6	-15.8%
5	Total Expenses	1,223.7	373.2	250.9	312.3	287.2	1,145.3	+6.8%
6	Operating Income [4-5]	1,317.2	238.3	333.7	345.7	399.5	1,873.2	-29.7%
7	Investment Stock Impairment Loss, etc.	-242.1	-4.9	-202.2	-2.5	-32.5	-90.7	F
8	Income Before Provisions [6-7]	1,559.3	243.2	535.9	348.2	432.0	1,963.8	-20.6%
9	Provisions & Others	776.2	373.3	232.1	85.0	85.7	796.4	-2.5%
10	Loan Loss Provisioning	666.3	325.2	187.0	83.7	70.3	726.9	-8.3%
11	Income before Tax [8-9]	783.1	-130.1	303.8	263.2	346.3	1,167.5	-32.9%
12	Income Tax Expense	-108.6	-55.3	65.7	-158.9	39.9	384.9	F
13	Net Income [11-12]	891.7	-74.8	238.2	422.1	306.4	782.6	+13.9%
14	Earnings per Share (KRW)	1,383	-116	369	654	475	1,213	+13.9%

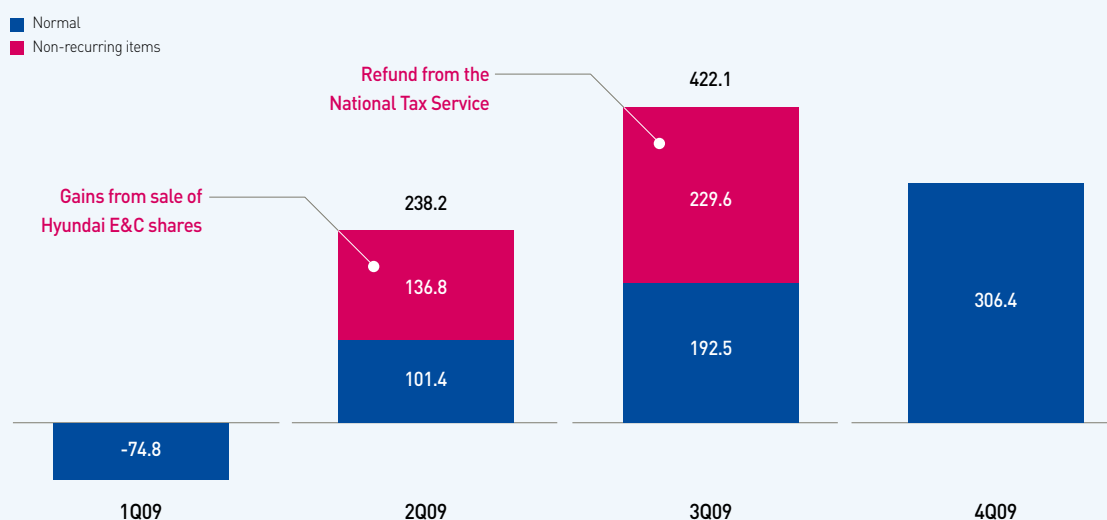
Note: F = Favorable

Operating income declined in 2009 from the prior year, primarily because of the decline in assets and net interest margin. Net income, however, rose 13.9% to KRW 891.7 billion in 2009 due to a reduction in provision expenses, gains from the sale of Hyundai Engineering & Construction shares (KRW 136.8 billion after-tax), and a non-recurring tax benefit (KRW 229.6 billion).

The bank's profitability indicators, ROA and ROE, came to 0.88% and 12.27%, respectively, despite the difficult operating environment.

(In billions of KRW)

Quarterly Trend of Net Income



Management Discussion & Analysis

2) Net Interest Income (NII) & Net Interest Margin (NIM)

Net interest income (NII) was KRW 1,917.9 billion in 2009, down KRW 320.2 billion or 14.3% from KRW 2,238.1 billion in the previous year. The lower net interest margin (NIM) was the primary driver.

NIM declined in the first quarter of 2009 following the reduction in the policy rate by the Bank of Korea in the fourth quarter of 2008 and the first quarter of 2009. The NIM decline was mainly due to the negative duration gap, where the effects of interest rate cuts are more slowly reflected in liabilities than assets. However, KEB has shown strong NIM recovery since the third quarter, reflecting large-scale re-pricing of KRW deposits. Despite rapid recovery in the second half, KEB's average NIM for 2009 recorded 2.39%, down 51 basis points from the previous year.

(In billions of KRW)

	2009	1Q	2Q	3Q	4Q	2008	YoY
Net Interest Income	1,917.9	455.0	435.2	484.3	543.4	2,238.1	-14.3%
Average Earning Assets	79,513.9	83,084.2	79,234.3	76,640.2	79,264.1	73,959.8	+7.5%
Net Interest Margin (NIM)*	2.39%	2.18%	2.17%	2.49%	2.72%	2.90%	-0.51%p
KRW	2.74%	2.56%	2.41%	2.85%	3.11%	3.64%	-0.90%p
Foreign currency	1.42%	1.28%	1.49%	1.43%	1.51%	1.07%	+0.35%p

* Net interest margin is calculated from net interest income adjusted for certain items.

3) Fees & Commissions and Non Interest Income

Sum of total fees & commissions and non interest income totaled KRW 622.9 billion in 2009, down KRW 157.5 billion or 20.2% from KRW 780.4 billion in the previous year.

Total fees & commissions were KRW 463.2 billion, compared to KRW 562.8 billion in the previous year, a decline of KRW 99.6 billion or 17.7%, due to weak FX transactions and trade volume, which were affected by the contraction of the global economy. However, fees & commissions began to benefit from stronger trade volume in the fourth quarter. Non interest income of KRW 159.7 billion in 2009 decreased by KRW 57.9 billion from the previous year.

(In billions of KRW)

	2009	1Q	2Q	3Q	4Q	2008	YoY
Total Fees & Commissions	463.2	116.8	115.2	109.1	122.1	562.8	-17.7%
Gains from FX transactions	273.3	76.4	66.3	63.8	66.7	303.3	-9.9%
Fees & Commissions	189.9	40.4	48.9	45.3	55.4	259.6	-26.9%
KRW currency related	138.3	30.8	35.2	35.9	36.4	179.3	-22.9%
Foreign currency related	141.1	33.9	33.8	31.6	41.8	163.9	-13.9%
Card	-178.8	-44.6	-43.7	-43.7	-46.8	-159.5	U
Others	89.3	20.3	23.5	21.5	24.0	75.9	+17.7%
Non Interest Income	159.7	39.7	34.2	64.6	21.2	217.6	-26.6%
% of Total Income							
Total Fees & Commissions	18.2%	19.1%	19.7%	16.6%	17.8%	18.6%	-0.4%p
Non Interest Income	6.3%	6.5%	5.9%	9.8%	3.1%	7.2%	-0.9%p
Sum	24.5%	25.6%	25.6%	26.4%	20.9%	25.8%	-1.3%p

Note: U = Unfavorable

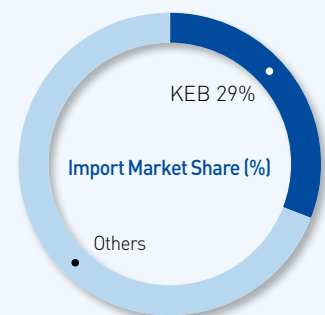
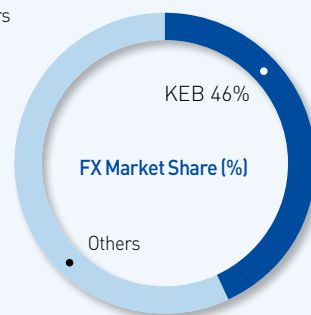
Management Discussion & Analysis

KEB's market-leading position in FX and trade finance business remained strong, with estimated market shares of 46% for FX and 29% for both export and import financing during 2009.

(Annual average for 2009)

Market Leadership in FX and Trade Finance

■ KEB
■ Others



* Market share in FX is based on 7 large domestic banks' transactions, exports/imports are based on national trade volume.

4) Total Expenses

Total expenses in 2009 were KRW 1,223.7 billion, up KRW 78.4 billion or 6.8% from KRW 1,145.3 billion in 2008. The underlying trend was flat when adjusted for the non-recurring restructuring charge incurred in the first quarter. The cost/income ratio (total expenses to total income ratio) rose to 48.2% in 2009, a 10.3%p increase from the previous year. This deterioration was primarily due to reduced revenues.

(In billions of KRW)

	2009	1Q	2Q	3Q	4Q	2008	YoY
Total Expenses	1,223.7	373.2	250.9	312.3	287.2	1,145.3	+6.8%
Salaries & Benefits	702.0	208.1	145.6	199.4	148.9	661.1	+6.2%
Operating Expenses	368.2	129.9	68.3	72.2	97.8	317.7	+15.9%
Depreciation	115.2	26.9	28.9	28.4	31.0	119.4	-3.2%
Tax & Dues	38.3	8.3	8.1	12.3	9.6	47.1	-19.0%
% of Total Income							
Total Expenses	48.2%	61.0%	42.9%	47.5%	41.8%	37.9%	+10.3%p
Salaries & Benefits	27.6%	34.0%	24.9%	30.3%	21.7%	21.9%	+5.7%p
Operating Expenses	14.5%	21.2%	11.7%	11.0%	14.2%	10.5%	+4.0%p

Management Discussion & Analysis

5) Provisions & Others

Total provisions & others was KRW 776.2 billion in 2009, down KRW 20.2 billion or 2.5% from 2008. Loan loss provision (LLP) was KRW 666.3 billion in 2009, down KRW 60.6 billion or 8.3% from 2008. As the shocks from the global economic crisis began to moderate, loan loss provisioning showed a sharp decline starting in the second quarter. KEB was also only modestly impacted by the government-led restructurings due to prudent credit risk management.

(In billions of KRW)

	2009	1Q	2Q	3Q	4Q	2008	YoY
Total Provisions & Others	776.2	373.3	232.1	85.0	85.7	796.4	-2.5%
Loan Loss Provisioning	666.3	325.2	187.0	83.7	70.3	726.9	-8.3%
Corporate	548.0	300.5	145.6	51.8	50.1	647.3	-15.3%
Household	49.3	6.7	18.4	14.7	9.5	47.9	+2.9%
Card	68.9	18.0	23.0	17.2	10.7	31.7	+117.4%
Other Provisioning	50.1	18.3	36.5	-8.3	3.6	22.6	+122.1%
Retirement Allowance	59.8	29.8	8.6	9.6	11.8	47.0	+27.3%

4. Asset Quality and Balance Sheet (Bank Account)

1) Asset Quality

Asset quality generally improved during 2009 after a substantial deterioration at the beginning of the year. Non-performing loans (NPL) totaled KRW 665.0 billion at the end of the year, compared to KRW 775.2 billion at the end of 2008, declining by KRW 110.2 billion or 14.2%. The ratio of NPL to total credit (NPL ratio) improved to 0.94% from 1.09% at the end of 2008. Reserve coverage increased to 152.5% at the end of 2009 from 141.5% at the end of 2008.

(End of period / In billions of KRW)

	4Q08	1Q09	2Q09	3Q09	4Q09	YoY
Total Credits	70,945.9	69,370.5	68,902.9	68,134.5	70,550.5	-0.6%
Normal	69,454.7	67,689.4	67,197.8	66,433.7	68,948.1	-0.7%
Precautionary	716.0	657.2	764.7	847.3	937.3	+30.9%
NPL	775.2	1,023.9	940.4	853.5	665.0	-14.2%
Substandard	422.7	626.4	591	543.3	448.4	+6.1%
Doubtful	92.2	159.1	193.5	203.9	162.8	+76.6%
Estimated Loss	260.3	238.4	155.9	106.3	53.8	-79.3%
% of Total Credit						
Precautionary	1.01%	0.95%	1.11%	1.24%	1.33%	+0.32%p
NPL	1.09%	1.48%	1.36%	1.25%	0.94%	-0.15%p
Reserves for Loan Loss	1,097.1	1,125.5	1,083.4	1,042.8	1,014.4	-7.5%
NPL Coverage Ratio	141.5%	109.9%	115.2%	122.2%	152.5%	+11.0%p

2) Assets

Total assets at the end of 2009 were KRW 96.3 trillion, compared to KRW 103.7 trillion at the end of 2008, a decrease of KRW 7.4 trillion or 7.1%. The largest contributor to this decrease was the reduction in cash & dues from banks, followed by the reduction in loans.

Loans totaled KRW 62.6 trillion, down KRW 1.8 trillion or 2.8% from KRW 64.4 trillion at the end of 2008, primarily due to a decrease of foreign currency loans.

(End of period / In billions of KRW)

	4Q08	1Q09	2Q09	3Q09	4Q09	YoY
Cash & Due from Banks	10,107.7	8,993.5	6,858.8	6,047.8	5,902.7	-41.6%
Securities	12,112.6	13,957.7	14,949.0	15,447.5	13,829.2	+14.2%
Loans	64,412.3	62,741.5	62,041.6	60,228.0	62,627.0	-2.8%
Credit Card Receivables	2,552.6	2,444.0	2,408.2	2,392.0	2,422.9	-5.1%
Other Assets	13,712.6	17,659.9	15,470.2	17,537.6	12,097.7	-11.8%
Merchant Banking Assets	3,363.1	3,005.7	2,259.9	2,157.7	1,851.5	-44.9%
Total Assets	103,708.3	106,358.3	101,579.5	101,418.6	96,308.1	-7.1%

Management Discussion & Analysis

3) Liabilities & Shareholders' Equity

The overall funding mix improved in 2009. Total deposits increased to KRW 57.0 trillion at the end of 2009, up KRW 0.6 trillion or 1.0% from KRW 56.4 trillion at the end of 2008. Total borrowings declined to KRW 9.2 trillion at the end of 2009, compared to KRW 12.0 trillion at the end of 2008, a decrease of KRW 2.8 trillion or 23.2%. Debentures also decreased to KRW 7.9 trillion, down KRW 2.9 trillion or 27.2%, from KRW 10.8 trillion at the end of 2008. Most of these changes reflect actions taken by KEB to improve its funding mix, including early redemption of hybrid and subordinate bonds, and the selective redemption of foreign currency funding.

Total shareholders' equity increased to KRW 7.95 trillion at the end of 2009, up KRW 1.29 trillion or 19.4% from KRW 6.66 trillion at the end of 2008.

(End of period / In billions of KRW)

	4Q08	1Q09	2Q09	3Q09	4Q09	YoY
Deposits	56,397.4	52,786.0	53,882.4	53,777.3	56,951.9	+1.0%
Borrowings	11,958.8	12,844.4	11,565.8	10,023.6	9,183.8	-23.2%
Debentures	10,790.6	10,665.7	9,834.4	9,235.4	7,855.9	-27.2%
Other Liabilities	14,402.5	20,879.4	18,217.5	19,677.2	13,062.1	-9.3%
Merchant Banking Liabilities	3,495.6	2,471.4	1,214.3	1,165.0	1,299.6	-62.8%
Shareholders' Equity	6,663.5	6,711.4	6,865.1	7,540.1	7,954.8	+19.4%
Liabilities & Shareholders' Equity	103,708.3	106,358.3	101,579.5	101,418.6	96,308.1	-7.1%

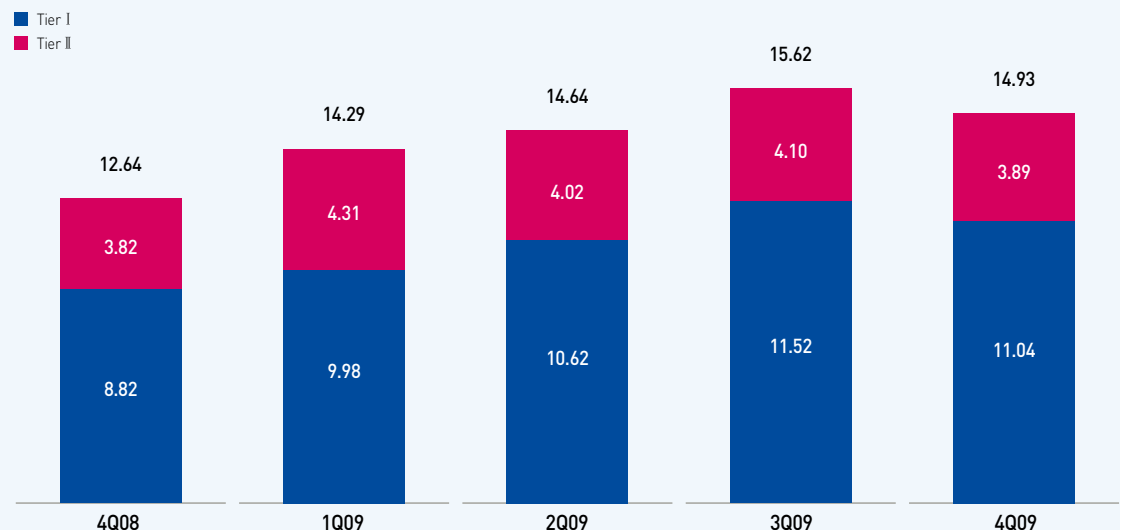
5. Capital Adequacy

KEB maintained strong capital position with BIS capital ratio of 14.93% at the end of 2009, up 2.28%p from 12.65% at the end of 2008. This improvement reflects robust earnings performance and disciplined management of risk weighted assets.

Tier I capital ratio was 11.04% at the end of 2009, up 2.22%p from 8.82% at the end of 2008. Tier I capital was achieved after deducting 2009 dividends of KRW 510 per share, or KRW 328.9 billion, which KEB's Board of Directors declared after carefully considering KEB's current capital position and growth plan. Tier II capital ratio also increased to 3.89% at the end of 2009 from 3.82% at the end of 2008.

(In percent)

BIS Capital Ratio



Management Discussion & Analysis

Appendix 1. Historical Annual Financial Statements – Balance Sheet

(End of period / In billions of KRW)

		2007	2008	2009	2008 YoY (%)	2009 YoY (%)
1	Cash & Due from Banks	5,118.4	10,107.7	5,902.7	+97.5%	-41.6%
2	Securities	9,773.4	12,112.6	13,829.2	+23.9%	+14.2%
3	Loans	54,055.4	64,412.3	62,627.0	+19.2%	-2.8%
4	Credit Card Receivables	2,440.6	2,552.6	2,422.9	+4.6%	-5.1%
5	Other Assets	9,724.0	13,712.6	12,097.7	+41.0%	-11.8%
6	Merchant Banking Assets	3,353.8	3,363.1	1,851.5	+0.3%	-44.9%
7	Total Assets	82,024.9	103,708.3	96,308.1	+26.4%	-7.1%
8	Deposits	44,431.0	56,397.4	56,951.9	+26.9%	+1.0%
9	Borrowings	8,858.1	11,958.8	9,183.8	+35.0%	-23.2%
10	Debentures	8,547.9	10,790.6	7,855.9	+26.2%	-27.2%
11	Other Liabilities	11,390.2	14,402.5	13,062.1	+26.4%	-9.3%
12	Merchant Banking Liabilities	2,147.0	3,495.6	1,299.6	+62.8%	-62.8%
13	Shareholders' Equity	6,650.8	6,663.5	7,954.8	+0.2%	+19.4%
14	Liabilities & Shareholders' Equity	82,024.9	103,708.3	96,308.1	+26.4%	-7.1%

Management Discussion & Analysis

Appendix 2. Historical Annual Financial Statements – Income Statement

(In billions of KRW)

		2007	2008	2009	2008 YoY (%)	2009 YoY (%)
1	Net Interest Income	1,886.6	2,238.1	1,917.9	+18.6%	-14.3%
2	Fees & Commissions	581.2	562.8	463.2	-3.2%	-17.7%
3	Non Interest Income	252.8	217.6	159.7	-13.9%	-26.6%
4	Total Income [1+2+3]	2,720.6	3,018.6	2,540.8	+11.0%	-15.8%
5	Total Expenses	1,092.2	1,145.3	1,223.7	4.9%	+6.8%
6	Operating Income [4-5]	1,628.4	1,873.2	1,317.2	+15.0%	-29.7%
7	Investment Stock Impairment Loss, etc.	-207.6	-90.7	-242.1	U	F
8	Income Before Provisions [6-7]	1,836.0	1,963.8	1,559.3	+7.0%	-20.6%
9	Provisions & Others	319.4	796.4	776.2	+149.3%	-2.5%
10	Loan Loss Provisioning	318.7	726.9	666.3	+128.0%	-8.3%
11	Income before Tax [8-9]	1,516.6	1,167.5	783.1	-23.0%	-32.9%
12	Income Tax Expense	555.6	384.9	-108.6	-30.7%	F
13	Net Income [11-12]	960.9	782.6	891.7	-18.6%	+13.9%
14	Earnings per Share (KRW)	1,490	1,213	1,383	-18.6%	+13.9%

Notes: U = Unfavorable

F = Favorable

Non-Consolidated Financial Statements

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

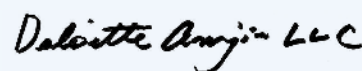
To the Shareholders and Board of Directors of
Korea Exchange Bank:

We have audited the accompanying non-consolidated statements of financial position of Korea Exchange Bank (the "Bank") as of December 31, 2009 and 2008, and the related non-consolidated statements of income, appropriations of retained earnings, changes in shareholders' equity and cash flows for the years then ended, all expressed in Korean Won. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2009 and 2008, and the results of its operations, changes in its retained earnings and its shareholders' equity, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

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
Seoul, Korea
March 3, 2010

Notice to Readers

This report is effective as of March 3, 2010, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

Non-Consolidated Statements of Financial Position

KOREA EXCHANGE BANK (BANKING ACCOUNT) as of December 31, 2009 and 2008

(In millions of KRW)				
	2009		2008	
ASSETS				
Cash and due from banks (Notes 3, 18, 19, 24 and 29)	₩	5,902,708	₩	10,107,706
Securities (Notes 4, 17, 18, 19, 23 and 24)		13,829,175		12,112,577
Loans (Notes 5, 6, 7, 17, 18, 19, 23 and 24)		62,627,014		64,412,277
Tangible assets (Note 8)		1,380,418		1,427,218
Other assets (Notes 2, 9, 17, 21 and 24)		10,717,280		12,285,386
Merchant banking account assets (Note 10)		1,851,510		3,363,112
	₩	96,308,105	₩	103,708,276
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES:				
Deposits (Notes 11, 18, 19 and 24)	₩	56,951,887	₩	56,397,357
Borrowings (Notes 12, 18, 19 and 24)		17,039,671		22,749,312
Other liabilities (Notes 2, 13, 16, 17, 18, 21 and 24)		13,062,152		14,402,472
Merchant banking account liabilities (Note 14)		1,299,568		3,495,617
		88,353,278		97,044,758
SHAREHOLDERS' EQUITY (Notes 4, 5, 8, 15, 17 and 21):				
Common stock		3,224,534		3,224,534
Capital surplus		940		940
Capital adjustments		-		(4,425)
Accumulated other comprehensive income		1,233,556		749,201
Retained earnings		3,495,797		2,693,268
		7,954,827		6,663,518
	₩	96,308,105	₩	103,708,276

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Income

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(In millions of KRW, except per share amounts)				
	2009		2008	
OPERATING REVENUES:				
Interest income (Notes 19 and 24):				
Interest on due from banks	₩	87,311	₩	145,086
Interest on trading securities		32,014		29,482
Interest on available-for-sale securities		257,967		287,410
Interest on held-to-maturity securities		186,317		142,952
Interest on loans		3,896,372		4,517,574
Other interest income		15,297		25,945
		4,475,278		5,148,449
Gain on valuation and disposal of securities (Note 4):				
Gain on valuation of trading securities		15,443		12,466
Gain on disposal of trading securities		46,094		42,210
Reversal of impairment loss on available-for-sale securities		18,686		32,758
Gain on disposal of available-for-sale securities		250,810		93,555
Gain on redemption of held-to-maturity securities		108		-
		331,141		180,989
Gain on valuation and disposal of loans:				
Gain on disposal of loans		16,760		11,551
Foreign exchange trading income		3,720,056		2,567,115
Gain on trading and valuation of derivatives (Notes 12, 17 and 19)		7,221,653		13,986,684
Commission income (Notes 19 and 24)		467,435		500,112
Dividends income (Note 19)		14,203		75,179
Other operating revenue (Notes 10, 19 and 25)		141,716		260,411
Total operating revenues		16,388,242		22,730,490
OPERATING EXPENSES:				
Interest expenses (Notes 19 and 24):				
Interest on deposits		1,545,130		1,780,589
Interest on borrowings		848,822		1,018,046
Other interest expenses		32,931		56,032
		2,426,883		2,854,667
Loss on valuation and disposal of securities (Note 4):				
Loss on valuation of trading securities		906		6,892
Loss on disposal of trading securities		14,624		44,598
Impairment loss on available-for-sale securities		20,896		32,734
Loss on disposal of available-for-sale securities		3,742		1,270
Loss on redemption of held-to-maturity securities		7		-
		40,175		85,494
Loss on valuation and disposal of loans (Notes 5, 7 and 17):				
Provision for possible loan losses		648,470		719,840
Loss on disposal of loans		33,501		26,034
		681,971		745,874

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Income (Continued)

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(In millions of KRW, except per share amounts)				
	2009		2008	
Foreign exchange trading losses	₩	2,812,085	₩	2,470,846
Loss on trading and valuation of derivatives (Notes 17 and 19)		7,869,356		13,645,121
Commission expenses (Notes 19 and 24)		278,602		240,984
General and administrative expenses (Notes 19 and 24)		1,283,401		1,192,242
Other operating expenses (Notes 14 and 19)		280,534		341,432
Total operating expenses		15,673,007		21,576,660
OPERATING INCOME		715,235		1,153,830
NON-OPERATING INCOME (Notes 4 and 20)		103,379		124,550
NON-OPERATING EXPENSES (Notes 4, 8 and 20)		35,483		110,890
INCOME BEFORE INCOME TAX		783,131		1,167,490
INCOME TAX EXPENSE (BENEFITS) (Note 21)		(108,606)		384,872
NET INCOME (Note 23)	₩	891,737	₩	782,618
BASIC NET INCOME PER SHARE (In currency units) (Note 22)	₩	1,383	₩	1,214
DILUTED NET INCOME PER SHARE (In currency units) (Note 22)	₩	1,383	₩	1,214

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Appropriations of Retained Earnings

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(In millions of KRW, except per share amounts)			
	2009		2008
RETAINED EARNINGS BEFORE APPROPRIATIONS:			
Beginning of the year	₩	2,179,869	₩ 1,557,599
Adjustments using the equity method		-	1,233
Net income		891,737	782,618
		3,071,606	2,341,450
TRANSFER FROM VOLUNTARY RESERVES:			
Other reserve		3,981	-
APPROPRIATIONS:			
Legal reserve (Note 16)		89,200	78,300
Other reserve		206	1,100
Capital adjustments (Valuation of securities using the equity method of overseas subsidiaries below zero)		-	4,425
Dividends		328,902	80,613
[Cash dividends (Note 28)			
Dividends per share (rate):			
₩510 (10.2%) at 2009			
₩125 (2.5%) at 2008]			
		418,308	164,438
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	₩	2,657,279	₩ 2,179,869

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Changes in Shareholders' Equity

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(In millions of KRW)						
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
As of January 1, 2008	₩ 3,224,534	₩ 940	₩ -	₩ 1,107,113	₩ 2,318,212	₩ 6,650,799
Cumulative effect of accounting changes	-	-	(5,722)	(17,098)	22,820	-
Balance after adjustments	3,224,534	940	(5,722)	1,090,015	2,341,032	6,650,799
Dividend	-	-	-	-	(451,435)	(451,435)
Balance after appropriations	3,224,534	940	(5,722)	1,090,015	1,889,597	6,199,364
Net income	-	-	-	-	782,618	782,618
Effect of exchange rate fluctuations for overseas branches	-	-	-	-	19,820	19,820
Adjustments by valuation using the equity method	-	-	1,297	-	1,233	2,530
Valuation of available-for-sale securities	-	-	-	(779,834)	-	(779,834)
Valuation of held-to-maturity securities	-	-	-	44	-	44
Valuation of securities using the equity method	-	-	-	3,689	-	3,689
Valuation (negative changes) of securities using the equity method	-	-	-	(50)	-	(50)
Valuation of tangible assets	-	-	-	435,337	-	435,337
As of December 31, 2008	₩ 3,224,534	₩ 940	₩ (4,425)	₩ 749,201	₩ 2,693,268	₩ 6,663,518
As of January 1, 2009	₩ 3,224,534	₩ 940	₩ (4,425)	₩ 749,201	₩ 2,693,268	₩ 6,663,518
Dividend	-	-	-	-	(80,613)	(80,613)
Negative capital adjustments	-	-	4,425	-	(4,425)	-
Balance after appropriations	3,224,534	940	-	749,201	2,608,230	6,582,905
Net income	-	-	-	-	891,737	891,737
Effect of exchange rate fluctuations for overseas branches	-	-	-	-	(4,170)	(4,170)
Valuation of available-for-sale securities	-	-	-	486,095	-	486,095
Valuation of held-to-maturity securities	-	-	-	303	-	303
Valuation of securities using the equity method	-	-	-	906	-	906
Valuation (negative changes) of securities using the equity method	-	-	-	280	-	280
Valuation of tangible assets	-	-	-	(3,229)	-	(3,229)
As of December 31, 2009	₩ 3,224,534	₩ 940	₩ -	₩ 1,233,556	₩ 3,495,797	₩ 7,954,827

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Cash Flows

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(In millions of KRW)			
	2009		2008
	₩		₩
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income		891,737	782,618
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Gain on valuation of trading securities, net		(14,537)	(5,574)
Impairment loss (Reversal of impairment loss) on available-for-sale securities, net		2,210	[24]
Gain on valuation of securities using the equity method, net		(49,416)	(30,349)
Provision for possible loan losses		648,470	719,840
Loss (gain) on disposal of tangible assets, net		(2,166)	1,685
Depreciation and amortization		115,229	119,421
Loss on impairment of tangible assets		-	25,346
Gain on valuation of financial derivatives, net		(206,975)	(127,782)
Provision for severance benefits		59,726	46,901
Long-term compensation expense for performance bonus		9,748	4,728
Loss (gain) on liability reserve for unused credit limit, net		6,046	(17,220)
Stock option compensation costs, net		12,798	(11,862)
Loss (gain) on foreign exchange trading, net		(114,962)	286,075
Others, net		29,962	619
		496,133	1,011,804
Changes in assets and liabilities resulting from operations:			
Net decrease (increase) in trading securities		102,656	(644,878)
Net decrease (increase) in available-for-sale securities		44,328	(1,347,773)
Net increase in held-to-maturity securities		(1,084,811)	(1,776,052)
Net decrease (increase) in call loans		(17,374)	1,061,158
Net decrease (increase) in domestic import usance bill		130,745	(1,004,275)
Net decrease (increase) credit card receivables		56,311	(138,181)
Net decrease (increase) in bills bought in foreign currencies		452,786	(1,005,237)
Net decrease (increase) in bills bought in Won		(12,119)	391,733
Net decrease (increase) in bonds purchased under repurchase agreements		554,000	(2,340,000)
Net increase in loans in Won		(1,235,884)	(4,795,553)
Net decrease (increase) in loans in foreign currencies		1,154,882	(3,617,665)
Net decrease (increase) in factoring receivables		(35,836)	180,097
Net decrease (increase) in advances for customers		22,129	(24,409)
Net decrease in privately placed bonds		74,667	186,169
Net increase in deferred loan origination fees and costs		4,075	19,058
Net decrease (increase) in accrued income		138,758	(83,468)
Net increase in prepaid expenses		(15,838)	(4,014)
Net decrease (increase) in financial derivatives assets		3,276,627	(3,755,077)
Net increase (decrease) in accrued expenses		(354,581)	254,224
Net increase (decrease) in unearned revenues		(25,800)	16,267
Payment of severance benefits		(34,429)	(18,036)
Net increase in assets under management of pension benefits		(508)	(324)
Decrease in transfer to National Pension Fund		87	56
Increase in deposit of insurance for severance benefits		(22,103)	(44,459)
Net increase (decrease) in financial derivatives liabilities		(3,055,056)	3,756,655
Net decrease in allowance for other liabilities		(30,771)	(15,532)
Net increase (decrease) in deferred income tax liabilities		(23,441)	115,553
		63,500	(14,633,963)
Net cash provided by (used in) operating activities	₩	1,451,370	₩ (12,839,541)

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Cash Flows (Continued)

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(In millions of KRW)			
	2009		2008
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net increase in securities using the equity method	₩	[90,108]	₩ [1,061]
Disposal of tangible assets		7,529	338
Purchase of tangible assets		[51,240]	[102,502]
Purchase of intangible assets		[27,156]	[16,583]
Net decrease (increase) in accounts receivable		[155,573]	721,816
Net increase in guarantee deposits paid		[6,982]	[33,395]
Net decrease (increase) in other assets		41,518	[1,048,137]
Net decrease (increase) in merchant banking account assets		1,542,016	[239]
Net decrease (increase) in due from banks		4,370,085	[4,920,803]
Net cash used in investing activities		5,630,089	[5,400,566]
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in deposits		567,716	11,978,492
Net increase (decrease) in borrowings		[2,774,965]	3,100,650
Net increase (decrease) in debentures		[2,834,383]	1,904,259
Net increase (decrease) in other liabilities		[1,794,127]	1,318,484
Dividend		[80,613]	[451,435]
Net cash provided by (used in) financing activities		[6,916,372]	17,850,450
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS		165,087	[389,657]
CASH AND DUE FROM BANKS, BEGINNING OF YEAR		3,299,904	3,689,561
CASH AND DUE FROM BANKS, END OF YEAR (Note 29)	₩	3,464,991	₩ 3,299,904

See accompanying notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

1. GENERAL:

Korea Exchange Bank [the "Bank"] was established on January 30, 1967 as a government-invested bank to engage in foreign exchange and the trade finance business under the Korea Exchange Bank Act. On December 30, 1989, the Korea Exchange Bank Act was repealed and the Bank was converted into a corporation under the Commercial Code of the Republic of Korea. On April 4, 1994, the Bank was listed on the Korean Stock Exchange. The merger between the Bank and Korea Exchange Bank Credit Service Co., Ltd. ("KEBCS") was finalized on February 28, 2004.

The Bank primarily provides commercial banking services, trust banking services, foreign exchange, merchant banking business through the merger with Korea International Merchant Bank, a domestic subsidiary of the Bank, and other related operations as permitted under the Bank Act and other relevant laws and regulations in the Republic of Korea. The Bank operates through 352 branches (including 27 depository offices) and 3 subsidiaries in Korea and 25 branches (including 5 depository offices and 5 offices) and 9 subsidiaries in overseas as of December 31, 2009.

The Bank's shareholders as of December 31, 2009 are as follows:

Shareholders	Number of shares owned ^(*)	Ownership (%)
LSF-KEB Holdings, SCA	329,042,672	51.02
Export-Import Bank of Korea	40,314,387	6.25
Bank of Korea	39,500,000	6.12
Others	236,049,767	36.61
	644,906,826	100.00

(*) As of December 31, 2009, the date of closing a shareholders' list.

The Bank entered into a Memorandum of Understanding regarding the Share Subscription Agreement with Lone Star Fund IV on August 27, 2003. On October 30, 2003, the Bank issued 268,750,000 shares of common stock to LSF-KEB Holdings, SCA at ₩4,000 per share (at less than its par value) in accordance with a resolution during an extraordinary shareholders' meeting on September 16, 2003. The balance below the par value was recognized as a discount on stock issued.

As of December 31, 2009, the total number of authorized shares of the Bank is 1,000 million (par value ₩5,000) while the paid-in capital amounts to ₩3,224,534 million (with 644,906,826 shares of common stock outstanding).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Non-Consolidated Financial Statements 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.

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

Interest Income Recognition

The Bank applies the accrual basis in recognizing interest income related to due from banks, loans and securities. Whereas, interest on loans, whose principal or interest is past due at the date of the statement of financial position or defaulted loans, not secured by guarantees from financial institutions or collateral deposits, is recognized on a cash basis. As of December 31, 2009 and 2008, accrued interest income not recognized due to such criteria amounted to ₩127,958 million and ₩122,334 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 accounted for 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 accounted for using the equity method. Debt and equity securities not classified as the above are categorized as available-for-sale securities.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

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, in rare case, trading securities can be reclassified to available-for-sale securities only when the trading securities lose their marketability or when the Bank holds them not to earn gains on trading in short period.

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 specified identification method for debt securities). When the face value of trading debt securities differs from their acquisition cost, the effective interest 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 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 specified identification method for debt securities). The effective interest method is applied to amortize the difference between the face value and the acquisition cost over the remaining term of the debt security. After initial recognition, available-for-sale securities are stated at fair value, with the net unrealized gain or loss presented as gain or loss on valuation of available-for-sale securities in accumulated other comprehensive income (loss), which is charged to current operations in a lump sum at the time of disposal or impairment recognition. Non-marketable equity securities are stated at acquisition cost in the financial statements if the fair value of the securities is not reliably determinable.

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

(3) 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 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.

(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 more than 15 percent of the total 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, capital adjustments or accumulated other comprehensive income (loss) of investee are reflected as gain or loss on valuation of securities using the equity method in accumulated other comprehensive income (loss).

When the book value of equity securities using the equity method is less than zero due to the cumulative losses of the investees, the Bank discontinues applying the equity method and does not provide for additional losses. If the investee subsequently reports net income, the Bank resumes applying the equity method only after its share of that net income equals the share of net losses not recognized during the period that the equity method was suspended.

In addition, when ownership rate is increased by increase or decrease in capital stock, the fluctuation of equity is accounted as difference in investment. On the other hand, when ownership rate is decreased, the fluctuation of equity is accounted as loss on disposal of equity securities. Any gain or loss on the disposal of equity securities of certain consolidated subsidiaries is accounted for as accumulated other comprehensive income (loss) resulting from applying the equity method in the statement of financial position if the subsidiaries are still consolidated even after the Bank disposes of a portion of equity securities.

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

If the reasons for impairment loss on available-for-sale securities no longer exist, the recovery is recorded in current operations under non-operating income up to amount of the previously recognized impairment loss as reversal of impairment loss on 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.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

For held-to-maturity securities, the recovery is recorded in current operations under non-operating income 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 impairment loss on held-to-maturity securities.

(6) Reclassification of Securities

When held-to-maturity securities are reclassified to available-for-sale securities, those securities are accounted for at fair value on the reclassification date and the difference between the fair value and book value is reported in accumulated other comprehensive income (loss) as gain or loss on valuation of available-for-sale securities. When available-for-sale securities are reclassified to 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 included in accumulated other comprehensive income (loss) and amortized using the effective interest rate method and the amortized amount is charged to interest income until maturity. The difference between the fair value at the reclassification date and face value of the reclassified securities to held-to-maturity securities is amortized using effective interest rate method and the amortized amount is charged to interest income. In addition, when certain trading securities are reclassified as available-for-sale securities, the fair market value as of reclassification date is accounted as acquisition cost and the unrealized gains or losses are recognized as income or loss.

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 control of the securities, the transaction is recorded as secured borrowing transaction.

Allowance for Possible Losses on Credits

According to the Korea Financial Accounting Standard Article 57 (Valuation of Receivables), allowance for bad debts shall be provided for estimated uncollectible accounts on a reasonable and objective basis. Presently, the historical loss rate (based on mitigation or roll-rate analysis) is one of the permitted reasonable and objective methods to estimate allowance for financial institutions. However, the Bank provides loan loss provision pursuant to the Supervisory Regulation of the Banking Business, which requires providing more than minimum rate of loss provision for each asset classification category.

The Bank applies the Forward Looking Criteria ("FLC") for its loan classification for large corporate based on the credit rating to determine allowance for loan losses. Under this method, the borrowers' future debt repayment capacity as well as their overall financial health and management soundness are considered in developing the credit rating and the reserve for possible loan losses related to large corporate customers. However, loan classification for the smaller corporate, household loans and credit card receivables is classified based on the delinquency period, value of collateral and bankruptcy status only. Using such loan classification, the Bank classifies all credits into five categories as normal, precautionary, substandard, doubtful, or estimated loss and provides the minimum rate of loss provision for each category balance using the prescribed minimum percentages of 0.85 percent (construction, real estate, wholesale & retail, hotel and restaurant industries are 0.9%) or more, 7 percent or more, 20 percent or more, 50 percent or more and 100 percent, respectively. Households' loans categorized as normal, precautionary, substandard and doubtful are 1 percent or more, 10 percent or more, 20 percent or more and 55 percent or more, respectively. Card receivables as those categories are 1.5 percent or more, 15 percent or more, 20 percent or more and 60 percent or more, respectively.

The Bank provides allowance for possible losses on confirmed acceptances and guarantees, unconfirmed acceptances and guarantees, and endorsed notes based on the credit conversion factor and minimum rate of loss provision prescribed by the Financial Supervisory Service (FSS).

In addition, the Bank provides other allowances for the unused limit of credit card (including unused limit of credit card that have not been used at least once in recent one year) and unused loan commitments for corporate and retail loan customers considering the credit conversion factor and minimum rate of loss provision prescribed by the FSS.

Restructuring of Loans

The equity interest in the debtors, net of real estates and/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 are less than the book value of the loan (book value before allowances), the Bank offsets first the book value against allowances for loan losses and then recognizes provisions for loan losses. 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 loan losses. If the amount of allowances already established is less than the impairment losses, the Bank establishes additional allowances for the difference. Otherwise, the Bank reverses the allowances for loan losses.

Deferred Loan Origination Fees and Costs

The Bank defers loan origination fees associated with originating loans and loan origination costs that have future economic benefits. Loan balances are reported net of these loan origination fees and costs. The deferred loan origination fees and costs are amortized using the effective interest method with the amortization recognized as adjustments to other interest income.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

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 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. The Bank adopted the amendment to the Statements of Korea Accounting Standards ("SKAS") No. 5 "Property, Plant and Equipment," which permits certain items of its land to be revalued after acquisition date, applying the revaluation models permitted under SKAS No. 5. As a result of this adoption, gain (loss) on revaluation of tangible assets is accounted as accumulated other comprehensive income and non-operating expenses, respectively.

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

Tangible assets	Estimated useful life	Depreciation method
Buildings	40 years	Straight-line
Leasehold improvements	5 years	Straight-line
Equipment	4 years	Declining balance

Intangible Assets and Related Amortization

Intangible assets included in other assets are recorded at the production costs or purchase costs plus incidental expenses less discount if any. 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 benefits expected, are capitalized as development costs. Intangible assets are amortized using the straight-line method over 5 years and presented after deducting amortized amount.

Valuation Allowance for Non-Business Use Property

Non-business use property included in fixed assets is recorded when the Bank acquires collateral by foreclosure on the mortgage for loans. Such assets are not depreciated. After foreclosure, the asset is carried at the lower of its carrying amount or fair value determined by its estimated public auction price. As of December 31, 2009, the Bank does not have non-business use property.

Recognition of Impairment of Assets

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

Securities under Resale or Repurchase Agreements

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

Other Liability Reserve

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank is recognized as contingent liabilities when it is probable that an outflow of resources embodying economic benefits required and the amount of the obligation can be measured with sufficient reliability. Where the effect of the time value of money is material, the amount of the liabilities is the present value of the expenditures expected to be required to settle the obligation.

Accrued Severance Benefits

The accrued severance benefits that would be payable to assuming all eligible employees and directors were to resign are included in other liabilities. 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. The deposit for severance benefit is presented as a deduction from accrued severance benefits.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

The estimated accrued severance benefits, which would be payable assuming all eligible employees and executives were to terminate their employment, amounted to ₩316,251 million and ₩291,933 million as of December 31, 2009 and 2008, respectively.

The Bank runs the defined benefit retirement pension plan (DB plan), whose investment manager is Merrill Lynch Trust Company, for retirees of closed branches in U.S. The Bank accounted the present value of estimated pension benefits as of December 31, 2009 as pension benefits payable. The assets invested in the DB plan is accounted as assets under management of pension benefits and pension benefits payable are deducted from it in accordance with KAI opinion 05-2.

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 used for trading activities or for hedging activities according to their transaction purpose. All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or 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 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 gain or loss in accumulated other comprehensive income (loss) is added to or deducted from the asset or the liability.

Accounting for Share-based Payment

In accordance with the Statements of Korea Accounting Standards No. 22 – *Share-based Payment* and the Interpretations on Financial Accounting Standards 39-35 – *Accounting for Stock Options*., in case of equity-settled share-based payment transactions, compensation expense for stock option and stock option (capital adjustment) are recorded at fair value at the grant date through an agreement service period, whereas in case of cash-settled share-based payment transactions, compensation expense for stock option and accrued expenses are recorded at fair value at the grant date through an agreement service period. In case of cash-settled share-based payment transactions, the other liabilities (accrued expenses) are assessed at fair value at the date of the statement of financial position or the final settlement. The changes in the fair value of accrued expenses after the grant date are reflected as compensation expense for stock option. In addition, for share-based payment transactions in which the terms of the arrangement provide a choice for the Bank whether the Bank settles the transaction in cash or by issuing equity instruments, the Bank is required to account for that transaction as a cash-settled share-based payment transaction if the Bank has a present obligation to settle in cash, or as an equity-settled share-based payment transaction if no such obligation exists. In case of a cash-settled share-based payment, compensation cost is recorded as capital adjustment (stock option), and in case of an equity-settled share-based payment, compensation cost is recorded as other liabilities (accrued expenses).

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 Financial Investment Services and Capital Markets Act (FSCMA). When surplus funds are generated through the management of trust assets, such funds are deposited with the Bank and are recorded as due to trust accounts of the bank accounts. Also, the borrowings from the bank account 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 compensation 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 operating expense of the bank accounts and as other income of the trust accounts. There is no compensating contribution of the Bank for the year ended December 31, 2009.

Merchant Banking Accounts

As permitted by the Restructuring of Financial Institutions Act, the Bank may continue its merchant banking operations, including leasing business, until the existing contracts acquired from Korea International Merchant Bank upon merger are terminated. Significant accounting policies applied to the Bank's merchant banking operations are summarized as follows:

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(1) Revenue Recognition on Discounted Notes

Interest income on discounted notes is accrued over the term of the notes. Income from the sale of discounted notes is recognized at the date of sale based on the difference between the purchase and sales prices of the notes, adjusted for interest earned during the holding period.

(2) Cash Management Accounts ("CMA")

The Bank recognizes interest income from CMA investments and interest expense from CMA deposits as other income and other expenses, respectively.

(3) Lease Transactions

The Bank accounts for lease transactions as operating or financing leases, depending on the terms of the lease contracts. In general, non-cancelable leases are recognized as financing leases when ownership transfers at expiration of the lease term, when a bargain purchase option exists, or when the lease term exceeds the estimated economic life of the related asset.

Under the financing lease method, aggregate lease rentals are recorded as financing leases receivable, net of unearned interest, based on the excess of rental revenue over the cost of the related assets. Unearned interest is recognized as interest income on financing leases using the effective interest method over the lease term.

Income Tax Expense

Income tax expense is the amount currently payable for the period, additional income tax or tax refunds for prior years (except for retroactive adjustments of tax effect directly added or deducted to shareholders' equity) 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 the related 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 regarding 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 basic rate of exchange on the transaction date. The Korean Won equivalent of assets and liabilities denominated in foreign currencies are translated in these financial statements based on the basic rate (₩1,167.60 and ₩1,257.50 to US\$1.00 at December 31, 2009 and 2008, respectively) announced by Seoul Money Brokerage Service, Ltd. or cross rates for other currencies other than U.S. Dollars at the date of the statement of financial position. Translation gains and losses are credited or charged to operations. Financial statements of overseas branches are translated based on the basic rate at the date of the statement of financial position.

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

The Korea Accounting Standard Board (KASB) under the Korea Accounting Institute (KAI) issued the SKAS for achieving a set of Korean accounting standards that should be internationally acceptable and comparable based on SKAS Act 92. The Bank has adopted SKAS No.1 (Accounting Changes and Error Corrections) through SKAS No. 25 (Consolidated Financial Statements) (excluding No. 14) as of or before December 31, 2008.

In addition, in this fiscal year, the balance sheet is renamed to statement of financial position based on the revision of the Act on External Audit for Stock Companies in the Republic of Korea.

Disclosure in Relation with Adoption of K-IFRS

(1) Preparation and progress of adopting K-IFRS

Korea has decided that, from 2011, application of K-IFRS becomes mandatory for all listed companies including banks. Based on this regulation, the Bank set up the task force team for adoption of K-IFRS to make steady progress in the preliminary analysis of the impact on adoption of K-IFRS, establishment of master plan, decision on alternatives in accounting treatment, design and development of its accounting system, implementation of its system and on-going maintenance. This process is still in progress. The Bank had already analyzed the impact on adoption of K-IFRS in April 2008, and has completed the design and development of its accounting system by the end of 2009. In addition, the Bank has implemented its system and on-going maintenance from 2010. In order to have an efficient transition and application of K-IFRS, the Bank provides on-the-job-training for employees and team managers.

(2) Expected significant differences between K-IFRS and K-GAAP

If the Bank prepares the financial statements adopting K-IFRS, there would be differences in consolidated scope, provision for bad debts, revenue recognition, derecognition of financial instruments, measurement of financial instruments, employee benefits and others. All differences are not included and can be changed by additional analysis. In addition, specific influence of significant differences cannot be analyzed at working-level in several cases.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

3. CASH AND DUE FROM BANKS:

(1) Cash and due from banks as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Account	2009	2008
Cash	₩ 809,276	₩ 876,432
Foreign currencies on hand	384,555	433,393
Due from banks in Won	3,039,185	4,684,353
Due from banks in foreign currencies	1,669,692	4,113,528
	₩ 5,902,708	₩ 10,107,706

(2) Due from banks in Won as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Account	Financial institution	Interest rate (%) Dec. 31, 2009	2009	2008
Reserve deposit	The Bank of Korea	-	₩ 1,420,823	₩ 3,752,160
Due from banks on time deposits	Other banks	3.51~4.23	576,469	921,383
Other due from banks	Other banks	0.10~1.00	18,016	3,312
Other due from banks	Other financial institutions	0.02~2.45	1,023,877	7,498
			₩ 3,039,185	₩ 4,684,353

(3) Due from banks in foreign currencies as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Account	Financial institution	Interest rate (%) Dec. 31, 2009	2009	2008
Reserve deposit	The Bank of Korea	-	₩ 752,316	₩ 2,802,781
Due from banks on time deposits	Overseas financial institutions	0.00~12.00	214,114	526,093
Other due from banks	Overseas financial institutions	0.00~0.97	522,741	432,530
Other due from banks	Overseas financial institutions	0.01~0.25	2,748	9,444
Due from banks in other bank - foreign currencies	Overseas financial institutions	0.00~1.00	177,773	342,680
			₩ 1,669,692	₩ 4,113,528

(4) Restricted due from banks in Won and foreign currencies as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008	Reason for restriction
Due from banks in Won:			
The Bank of Korea	₩ 1,420,823	₩ 3,752,160	Required under Banking Act and others
Woori Bank and others	490	560	Escrow account
KB Futures and others	12,456	158	Subscription related to derivatives
KEB Trust	14,626	-	Required under FSCMA
	1,448,395	3,752,878	
Due from banks in foreign currencies:			
The Bank of Korea	752,316	2,802,781	Required under Banking Act and others
Others (Bank of China)	190,165	-	Capital stock paid-up for establishing branch in china
Others (UBS and others)	46,841	252,143	Subscription related to derivatives
	989,322	3,054,924	
	₩ 2,437,717	₩ 6,807,802	

(5) Term structure of due from banks in Won and foreign currencies as of December 31, 2009 was as follows (Unit: In millions):

Classification	Due from banks in Won	Due from banks in foreign currencies	Total
Due in less than one year	₩ 3,039,185	₩ 1,668,030	₩ 4,707,215
Due from one to two years	-	-	-
Due from two to three years	-	-	-
Due from three to five years	-	1,662	1,662
Due more than five years	-	-	-
	₩ 3,039,185	₩ 1,669,692	₩ 4,708,877

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

4. SECURITIES:

(1) Securities as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Trading securities	₩ 959,052	₩ 1,049,999
Available-for-sale securities	7,704,275	7,126,882
Held-to-maturity securities	4,472,087	3,391,566
Securities using the equity method	693,761	544,130
	₩ 13,829,175	₩ 12,112,577

(2) Securities excluding securities using the equity method as of December 31, 2009 consisted of (Unit: In millions):

Classification	Face value	Acquisition cost ^(*)	Adjusted by effective interest rate method ^(*)	Book value
Trading securities:				
Equity securities	₩ -	₩ 22,884	₩ -	₩ 24,883
Beneficiary certificates	15,000	15,000	15,000	15,014
Government and public bonds	1	1	1	1
Finance bonds	868,172	870,456	869,722	880,944
Corporate bonds	38,531	38,140	36,908	38,210
	921,704	946,481	921,631	959,052
Available-for-sale securities:				
Equity securities	-	726,989	-	1,657,627
Equity investments	-	69,059	-	64,118
Beneficiary certificates	197,718	198,117	198,117	205,176
Government and public bonds	329,925	339,188	339,188	335,155
Finance bonds	4,476,805	4,465,486	4,431,752	4,474,568
Corporate bonds	736,398	739,635	719,424	729,315
Asset-backed securities	191,542	275,723	217,567	208,517
Other debt securities	87,636	87,636	51,857	29,799
	6,020,024	6,901,833	5,957,905	7,704,275
Held-to-maturity securities:				
Government and public bonds	1,130,007	1,136,017	1,135,246	1,135,246
Finance bonds	3,157,777	3,159,817	3,156,073	3,156,073
Foreign government bonds	24,079	23,708	23,825	23,825
Asset-backed securities	156,393	156,286	156,355	156,355
Other debt securities	591	588	588	588
	4,468,847	4,476,416	4,472,087	4,472,087
	₩ 11,410,575	₩ 12,324,730	₩ 11,351,623	₩ 13,135,414

(*)1 Acquisition costs of trading securities are the book value before valuation.

(*)2 Beneficiary certificates are the book value because they are not subjects by the adjusted cost using the effective interest rate method.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

Securities excluding securities using the equity method as of December 31, 2008 consisted of (Unit: In millions):				
Classification	Face value	Acquisition cost ^{(*)1}	Adjusted by effective interest rate method ^{(*)2}	Book value
Trading securities:				
Equity securities	₩ -	₩ 15,182	₩ -	₩ 10,662
Beneficiary certificates	5,000	5,000	5,000	4,841
Government and public bonds	221,001	226,553	226,520	228,430
Finance bonds	758,803	755,419	756,457	766,424
Corporate bonds	41,498	41,076	41,266	39,642
	1,026,302	1,043,230	1,029,243	1,049,999
Available-for-sale securities:				
Equity securities	-	781,150	-	1,139,676
Equity investments	-	66,821	-	65,300
Beneficiary certificates	197,718	197,718	197,718	198,117
Government and public bonds	665,219	663,920	651,657	674,632
Finance bonds	4,104,556	4,079,528	4,057,242	4,033,880
Corporate bonds	826,738	828,759	815,148	802,084
Asset-backed securities	150,588	238,262	182,921	161,336
Other debt securities	87,636	87,636	66,153	51,857
	6,032,455	6,943,794	5,970,839	7,126,882
Held-to-maturity securities:				
Government and public bonds	894,498	881,280	887,680	887,680
Finance bonds	2,260,478	2,259,273	2,258,221	2,258,221
Foreign government bonds	28,435	27,682	25,727	25,727
Asset-backed securities	219,031	219,877	218,988	218,988
Other debt securities	957	950	950	950
	3,403,399	3,389,062	3,391,566	3,391,566
	₩ 10,462,156	₩ 11,376,086	₩ 10,391,648	₩ 11,568,447

(*)1 Acquisition costs of trading securities are the book value before valuation.

(*)2 Beneficiary certificates are the book value because they are not subjects by the adjusted cost using the effective interest rate method.

The difference of trading securities between the fair value and the adjusted cost using the effective interest rate method (acquisition cost for stocks) was recorded as gain on valuation of trading securities amounting to ₩15,443 million and ₩12,466 million, and loss on valuation of trading securities amounting to ₩906 million and ₩6,892 million for the years ended December 31, 2009 and 2008, respectively.

The fair values of trading and available-for-sale debt securities were assessed by applying the average of base prices as of December 31, 2009, provided by Korea Bond Pricing & KR Co. (KBP), KIS Pricing Inc. and National Information & Credit Evaluation Inc. (NICE).

The fair value of available-for-sale non-marketable equity securities such as Vogo Fund and 20 others, and the restricted available-for-sale marketable equity securities such as Hynix Semiconductor Inc. and 4 others was reliably measured by an independent appraisal institute 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. In order to assess the fair value of stocks, the financial statements for 5 years are estimated based on past operating result. Also, assuming the same operation is continued during the estimated period, the model is applied using the estimated financial statements from 2009 to 2013. Operating income and expenses are reasonably estimated based on the past result, the future plan and the expected market condition, and for non-operating income and expenses, gain or loss from irregular transactions such as gain or loss on disposal of tangible assets are excluded. For the equity investment of association, net assets are calculated deducting total liabilities from the present value of assets of each equity investment.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(3) Discretionary investing contract assets included in beneficiary certificates of trading securities as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Short-term financial instruments	₩ 1,147	₩ 4,275
Stocks	13,325	573
Others	2,301	-
Total assets	16,773	4,848
Total liabilities	1,759	7
Net assets value	₩ 15,014	₩ 4,841

(4) The book value of non-marketable stocks and equity investments among available-for-sale securities, which were not valued at fair value as of December 31, 2009 and 2008, was as follows (Unit: In millions):

<2009>

Company	Amounts
Stocks:	
Credit Recovery Fund	₩ 62,466
Samsung Life Insurance	32,939
Alpha Dome City	8,850
KAMCO (Korea Asset Management Corporation)	6,330
M Cieta Development	1,275
Hallyu-Wood	1,200
BLADEX	1,146
Others	1,594
	115,800
Equity investments:	
Consolidated Fund for Impaired Loans	29,877
Others	100
	29,977
	₩ 145,777

<2008>

Company	Amounts
Stocks:	
Samsung Life Insurance	₩ 32,939
Alpha Dome City	8,850
KAMCO (Korea Asset Management Corporation)	6,330
M Cieta Development	1,275
BLADEX	1,234
Hallyu-Wood	1,200
Others	1,446
	53,274
Equity investments:	
Consolidated Fund for Impaired Loans	36,680
	₩ 89,954

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

Classification	2009		2008	
	Impairment	Reversal	Impairment	Reversal
Equity securities	₩ 1,237	₩ 7,879	₩ 16,861	₩ 1,364
Corporate bonds	-	205	-	-
Asset-backed securities	9,085	10,602	15,873	31,092
Other securities	10,574	-	-	302
	₩ 20,896	₩ 18,686	₩ 32,734	₩ 32,758

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(6) Securities provided as collateral as of December 31, 2009 were as follows (Unit: In millions):

Provided to	Collateral amount	Book value	Provided for
Customers	₩ 675,000	₩ 686,132	Sale of RP to customer
BOK	540,000	544,336	Settlement of difference
BOK	110,000	110,374	RP from BOK
BOK	920,000	920,126	Borrowings from BOK
Bank	330,000	330,502	REPO
SPC	490,000	501,934	Borrowings
Other financial institutes	1,064,200	1,065,999	Borrowings in foreign currencies/ Derivatives settlement
	₩ 4,129,200	₩ 4,159,403	

In addition, securities that are possible to be discounted by BOK amounted to ₩4,180,296 million as of December 31, 2009.

(7) Securities using the equity method

1) Securities using the equity method as of December 31, 2009 and 2008 were summarized as follows (Unit: shares in thousand, in millions):

<2009>

Company	No. of shares	Ownership (%)	Acquisition cost	Net asset value	Book value
Domestic stocks:					
KEB Capital Inc. (KEBC)	14,976	99.31	₩ 74,881	₩ 114,430	₩ 115,295
KEB Futures Co., Ltd. (KEBF)	3,000	100.00	15,000	52,808	52,808
KEB Fund Services Co., Ltd. ^{(*)1}	510	100.00	2,550	8,006	2,550
Lippo Incheon Development Co., Ltd. ^{(*)2}	388	2.70	1,939	1,697	1,697
Realty Advisors Korea, Ltd. ^{(*)2}	200	14.29	1,000	1,038	1,038
Ilsan Project Co., Ltd. ^{(*)2}	288	4.80	2,880	2,602	2,602
Soul Flora Co., Ltd. ^{(*)2}	165	5.00	825	748	748
			99,075	181,329	176,738
Foreign stocks:					
K.E.B. of Canada (KEBOC)	334	100.00	36,973	111,055	111,055
KEB Australia Ltd. (KEBA)	55,000	100.00	57,478	48,792	48,792
K.E.B Deutschland A.G. (KEBDAG)	20	100.00	29,962	73,698	73,698
PT. Bank KEB Indonesia (KEBI)	1	99.00	28,651	130,399	131,454
Banco KEB do Brasil S.A. (KEBB)	33,726	100.00	20,804	23,147	23,147
KEB NY Financial Corp. (NYFinco)	0.1	100.00	23,352	36,169	36,169
KEB LA Financial Corp. (LAFinco)	0.2	100.00	46,704	32,037	32,037
KEB USA International Corp. (USAI)	0.1	100.00	2,919	6,459	6,459
KEB Asia Finance Limited (KAF)	50,000	100.00	64,235	4,212	54,212
			311,078	515,968	517,023
			₩ 410,153	₩ 697,297	₩ 693,761

(*)1) The investment securities were excluded from the application of equity method because the assets are less than ₩10,000 million as of the end of prior year and the change in investment arising from this company was considered insignificant.

(*)2) The Bank has important influence over the company through designation of a director and others, although the ownership is less than 15%.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

<2008>					
Company	No. of shares	Ownership [%]	Acquisition cost	Net asset value	Book value
Domestic stocks:					
KEB Capital Inc. (KEBC)	14,976	99.31	₩ 74,881	₩ 106,210	₩ 107,696
KEB Futures Co., Ltd. (KEBF)	3,000	100.00	15,000	40,764	41,105
KEB Fund Services Co., Ltd. ^{(*)1}	510	100.00	2,550	5,943	2,550
Lippo Incheon Development Co., Ltd. ^{(*)2}	388	2.70	1,939	1,863	1,863
Realty Advisors Korea, Ltd. ^{(*)2}	200	14.29	1,000	2,955	2,955
Ilsan Project Co., Ltd. ^{(*)2}	288	4.80	2,880	2,775	2,775
Soul Flora Co., Ltd. ^{(*)2}	20	5.00	100	88	88
			98,350	160,598	159,032
Foreign stocks:					
K.E.B. of Canada (KEBOC)	334	100.00	34,680	105,456	105,456
KEB Australia Ltd. (KEBA)	55,000	100.00	47,850	33,332	33,332
K.E.B Deutschland A.G. (KEBDAG)	20	100.00	31,786	72,993	72,993
PT. Bank KEB Indonesia (KEBI)	1	99.00	26,568	106,865	106,953
Banco KEB do Brasil S.A. (KEBB)	33,726	100.00	16,726	17,432	17,432
KEB NY Financial Corp. (NYFinco)	0.1	100.00	25,150	36,422	36,422
KEB LA Financial Corp. (LAFinco)	0.1	100.00	25,150	6,076	6,111
KEB USA International Corp. (USAI)	0.1	100.00	3,144	6,399	6,399
			211,054	384,975	385,098
			₩ 309,404	₩ 545,573	₩ 544,130

(*)1 The investment securities were excluded from the application of equity method because the assets are less than ₩7,000 million as of the end of prior year and the change in investment arising from this company was considered insignificant.

(*)2 The Bank has important influence over the company through designation of a director and others, although the ownership is less than 15%.

2) The valuation of securities using the equity method for the years ended December 31, 2009 and 2008 was as follows (Unit: In millions):

Company	Acquisition cost	Book value before valuation	Increase (Decrease) dividend	Foreign exchange trading income (loss)	Equity in earnings	Valuation of securities using the equity method	Book value after valuation
KEBC	₩ 74,881	₩ 107,696	₩ -	₩ -	₩ 6,763	₩ 836	₩ 115,295
KEBF	15,000	41,105	-	-	11,006	697	52,808
KEBFS (KEB Fund Service) ^{(*)1}	2,550	2,550	-	-	-	-	2,550
Lippo Incheon Development Co., Ltd. ^{(*)2}	1,939	1,863	-	-	(166)	-	1,697
Realty Advisors Korea, Ltd. ^{(*)2}	1,000	2,955	(1,550)	-	(367)	-	1,038
Ilsan Project Co., Ltd. ^{(*)2}	2,880	2,775	-	-	(173)	-	2,602
Soul Flora Co., Ltd. ^{(*)2}	825	88	725	-	(53)	(12)	748
KEBOC	36,973	105,456	-	6,975	(1,376)	-	111,055
KEBA	57,478	33,332	-	6,706	8,754	-	48,792
KEBDAG	29,962	72,993	(845)	(4,188)	5,738	-	73,698
KEBI	28,651	106,953	-	8,385	16,116	-	131,454
KEBB	20,804	17,432	-	4,251	1,464	-	23,147
NYFinCo	23,352	36,422	-	(2,604)	2,351	-	36,169
LAFinCo	46,704	6,111	27,542	(4,626)	3,010	-	32,037
USAI	2,919	6,399	-	(458)	518	-	6,459
KAF	64,235	-	64,235	(5,854)	(4,169)	-	54,212
	₩ 410,153	₩ 544,130	₩ 90,107	₩ 8,587	₩ 49,416	₩ 1,521	₩ 693,761

(*)1 The investment securities were excluded from the application of equity method because the assets were less than ₩10,000 million as of the end of prior year and the change in investment arising from this company was considered insignificant.

(*)2 The Bank has important influence over the company through designation of a director and others, although the ownership is less than 15%.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

<2008>

Company	Acquisition cost	Book value before valuation	Increase (Decrease) dividend	Foreign exchange trading income (loss)	Equity in earnings	Valuation of securities using the equity method	Book value after valuation
KEBC	₩ 74,881	₩ 98,439	₩ -	₩ -	₩ 9,298	₩ [41]	₩ 107,696
KEBF	15,000	28,115	-	-	8,261	4,729	41,105
KEBFS ^{(*)1}	2,550	2,550	-	-	-	-	2,550
Lippo Incheon Development Co., Ltd. ^{(*)2}	1,939	1,830	-	-	33	-	1,863
Realty Advisors Korea, Ltd. ^{(*)2}	1,000	1,000	(1,200)	-	3,155	-	2,955
Ilsan Project Co., Ltd. ^{(*)2}	2,880	-	2,880	-	(105)	-	2,775
Soul Flora Co., Ltd. ^{(*)2}	100	-	100	-	(12)	-	88
KEBOC	34,680	88,142	-	7,497	9,817	-	105,456
KEBA	47,850	31,505	-	1,805	22	-	33,332
KEBDAG	31,786	51,490	(719)	14,722	7,500	-	72,993
KEBI	26,568	79,756	-	11,896	15,301	-	106,953
KEBB	16,726	16,269	-	271	892	-	17,432
NYFinCo	25,150	24,780	-	8,434	3,208	-	36,422
LAFinCo	25,150	25,257	-	8,595	(27,741)	-	6,111
USAI	3,144	4,236	-	1,443	720	-	6,399
	₩ 309,404	₩ 453,369	₩ 1,061	₩ 54,663	₩ 30,349	₩ 4,688	₩ 544,130

(*)1) The investment securities were excluded from the application of equity method because the assets were less than ₩7,000 million as of the end of prior year and the change in investment arising from this company was considered insignificant.

(*)2) The Bank has important influence over the company through designation of a director and others, although the ownership is less than 15%.

3) Elimination of Unrealized Profit from Inter-company Transactions

Material unrealized profit from inter-company transactions is eliminated when equity investments were valued. Unrealized gain from lease transaction of inter-company transaction amounted to ₩152 million and ₩445 million as of December 31, 2009 and 2008, respectively.

4) Summary of Financial Information of Affiliates

The summary of financial information of affiliates using the equity method as of and for the year ended December 31, 2009 was as follows
(Unit: In millions):

Classification	KEBC	KEBOC	KEBA	KEBDAG	KEBI	Others	Total
Total assets	₩1,070,997	₩1,089,236	₩ 435,026	₩ 529,740	₩ 455,109	₩1,890,888	₩5,470,996
Total liabilities	955,774	978,181	386,234	456,042	323,392	1,546,773	4,646,396
Operation revenue	139,404	48,691	43,050	26,924	32,625	99,757	390,451
Net income (loss)	7,435	(1,376)	8,754	5,738	15,310	1,165	37,026

Unaudited financial statements as of December 31, 2009 were used for the application of the equity method. The significant events from the closing dates of the investees to that of the Bank were properly reflected in applying the equity method. The material transactions or events from setting day of each subsidiary to December 31, 2009 were considered in the valuation using the equity method. The Bank has performed procedures to verify reliability of unaudited financial statements which include securing and confirming the signatures of their representatives and internal auditors.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(8) The portfolio of securities excluding securities using the equity method, by industry, as of December 31, 2009 and 2008 was as follows
(Unit: In millions):

By industry type	2009		2008	
	Amount	Percentage [%]	Amount	Percentage [%]
Trading securities:				
Government and government-invested public companies	₩ 227,549	23.73	₩ 759,204	72.31
Financial institutions	692,507	72.21	275,292	26.22
Manufacturing	16,795	1.75	9,683	0.92
Others	22,201	2.31	5,820	0.55
	₩ 959,052	100.00	₩ 1,049,999	100.00
Available-for-sale securities:				
Government and government-invested public companies	₩ 3,037,711	39.43	₩ 2,211,891	31.04
Financial institutions	2,418,632	31.39	2,918,899	40.96
Manufacturing	1,254,415	16.28	840,085	11.79
Others	993,517	12.90	1,156,007	16.21
	₩ 7,704,275	100.00	₩ 7,126,882	100.00
Held-to-maturity securities:				
Government and government-invested public companies	₩ 3,803,365	85.05	₩ 2,278,525	67.18
Financial institutions	608,543	13.61	1,038,336	30.62
Manufacturing	34,989	0.78	38,884	1.15
Others	25,190	0.56	35,821	1.05
	₩ 4,472,087	100.00	₩ 3,391,566	100.00

(9) The portfolio of securities excluding securities using the equity method, by security type, as of December 31, 2009 and 2008 was as follows
(Unit: In millions):

By Security type	2009		2008	
	Amount	Percentage [%]	Amount	Percentage [%]
Trading securities:				
Stocks	₩ 24,883	2.59	₩ 10,662	1.01
Fixed rate bonds	751,216	78.33	986,663	93.97
Floating rate bonds	46,141	4.81	47,833	4.56
Subordinated bonds	121,798	12.70	-	-
Beneficiary certificates	15,014	1.57	4,841	0.46
	₩ 959,052	100.00	₩ 1,049,999	100.00
Available-for-sale securities:				
Stocks	₩ 1,657,627	21.52	₩ 1,139,676	15.99
Fixed rate bonds	3,815,427	49.52	3,258,688	45.72
Floating rate bonds	1,263,947	16.41	1,576,526	22.12
Subordinated bonds	668,181	8.67	836,718	11.74
Beneficiary certificates	205,176	2.66	198,117	2.78
Others	93,917	1.22	117,157	1.65
	₩ 7,704,275	100.00	₩ 7,126,882	100.00
Held-to-maturity securities:				
Fixed rate bonds	₩ 4,113,209	91.98	₩ 2,816,695	83.05
Floating rate bonds	39,686	0.89	44,568	1.31
Subordinated bonds	318,604	7.12	529,353	15.61
Others	588	0.01	950	0.03
	₩ 4,472,087	100.00	₩ 3,391,566	100.00

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(10) The portfolio of securities excluding securities using the equity method, by country, as of December 31, 2009 and 2008 was as follows
(Unit: In millions):

By Country type	2009		2008	
	Amount	Percentage [%]	Amount	Percentage [%]
Trading securities:				
Korea	₩ 958,541	99.95	₩ 1,049,999	100.00
Others	511	0.05	-	-
	₩ 959,052	100.00	₩ 1,049,999	100.00
Available-for-sale securities:				
Korea	₩ 7,640,527	99.18	₩ 7,055,396	98.99
Cayman Islands	41,166	0.53	45,019	0.64
USA	6,214	0.08	6,533	0.09
Hong Kong (China)	4,839	0.06	4,244	0.06
UK	3,140	0.04	2,560	0.04
Others	8,389	0.11	13,130	0.18
	₩ 7,704,275	100.00	₩ 7,126,882	100.00
Held-to-maturity securities:				
Korea	₩ 4,446,897	99.43	₩ 3,365,791	99.24
Singapore	19,128	0.43	20,043	0.59
Philippines	6,062	0.14	5,683	0.17
Hong Kong (China)	-	-	49	0.00
	₩ 4,472,087	100.00	₩ 3,391,566	100.00

(11) Term structure of securities except for stocks and equity investments as of December 31, 2009 was as follows (Unit: In millions):

Classification	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	More than 10 years	Total
Government and public bonds	₩ 594,374	₩ 876,028	₩ -	₩ -	₩ 1,470,402
Finance bonds	5,557,421	2,737,039	217,125	-	8,511,585
Foreign government bonds	19,128	1,558	3,139	-	23,825
Corporate bonds	462,275	461,605	-	-	923,880
Beneficiary certificates	15,014	-	-	205,176	220,190
Asset-backed securities	65,105	119,033	24,379	-	208,517
Others	588	-	29,799	-	30,387
	₩ 6,713,905	₩ 4,195,263	₩ 274,442	₩ 205,176	₩ 11,388,786

(12) Structured securities relating to stock and interest rate and credit risk as of December 31, 2009 and 2008 were as follows (Unit: In millions):

<2009>

Classification	Won	Foreign currencies	Total
Structured notes relating to stock:			
Convertible bonds (loans)	₩ 49,490	₩ -	₩ 49,490
Bonds with warrant (loans)	19,000	-	19,000
	68,490	-	68,490
Structured notes relating to interest rate:			
Long-term government bond floating rates notes (CMT) (available-for-sale securities)	20,259	-	20,259
	20,259	-	20,355
Structured notes relating to credit risk:			
Synthetic CDO	-	16,788	16,788
	₩ 88,749	₩ 16,788	₩ 105,537

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

<2008>

Classification	Won	Foreign currencies	Total
Structured notes relating to stock:			
Convertible bonds (loans)	₩ 45,070	₩ -	₩ 45,070
Bonds with warrant (loans)	101,500	-	101,500
	146,570	-	146,570
Structured notes relating to interest rate:			
Long-term government bond floating rates notes (CMT) (available-for-sale securities)	20,079	-	20,079
Range (accrual) bond (available-for-sale securities)	19,822	-	19,822
	39,901	-	39,901
Structured notes relating to credit risk:			
Synthetic CDO (available-for-sale securities)	-	18,362	18,362
	₩ 186,471	₩ 18,362	₩ 204,833

(13) Changes in accumulated other comprehensive income (loss) of available-for-sale securities for the year ended December 31, 2009 were as follows (Unit: In millions):

Classification	Beginning	Increase (decrease)	Disposal	Deferred income tax	Ending
Equity securities	₩ 373,314	₩ 712,173	₩ (158,065)	₩ (121,904)	₩ 805,518
Debt securities	(62,530)	51,917	16,863	(14,889)	(8,639)
	₩ 310,784	₩ 764,090	₩ (141,202)	₩ (136,793)	₩ 796,879

(14) Changes in accumulated other comprehensive loss of held-to-maturity securities for the year ended December 31, 2009 were as follows (Unit: In millions):

Classification	Beginning	Increase (decrease)	Disposal	Deferred income tax	Ending
Debt securities	₩ (319)	₩ 220	₩ 168	₩ (85)	₩ (16)

(15) Changes in accumulated other comprehensive income of securities using the equity method for the year ended December 31, 2009 were as follows (Unit: In millions):

Classification	Beginning	Increase (decrease)	Disposal	Deferred income tax	Ending
Changes in securities using the equity method	₩ 3,689	₩ 1,162	₩ -	₩ (256)	₩ 4,595
Negative changes in securities using the equity method	(290)	359	-	(79)	(10)

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

5. LOANS:

(1) Loans as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Call loans	₩ 1,604,443	₩ 1,587,069
Domestic import usance bill	2,616,184	2,746,929
Credit card receivables	2,422,944	2,552,608
Bills bought in foreign currencies	3,996,289	4,449,075
Bills bought in Won	435,413	423,294
Bonds purchased under repurchase agreements	1,786,000	2,340,000
Loans in Won	42,187,445	41,612,045
Loans in foreign currencies	7,883,346	9,042,746
Factoring receivables	166,525	130,689
Advances for customers	8,998	31,127
Privately placed bonds	537,777	612,444
	63,645,364	65,528,026
Less: Allowance for possible loan losses (see Notes 6 and 7)	(963,425)	(1,064,899)
Deferred loan origination fees and costs	(54,925)	(50,850)
	₩ 62,627,014	₩ 64,412,277

(2) Loans in Won and loans in foreign currencies as of December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Loans in Won:		
Commercial		
Financial loans:		
Working capital loans	₩ 21,246,420	₩ 22,460,138
Facilities loans	2,838,010	2,680,833
Loans with government funds:		
Working capital loans	48,734	72,339
Facilities loans	447,939	506,575
	24,581,103	25,719,885
Households		
General purpose loans	13,403,212	13,564,000
Housing loans	4,096,168	2,198,526
	17,499,380	15,762,526
Public sector and others		
Working capital loans	82,898	95,978
Facilities loans	11,544	25,186
General purpose loans	12,520	8,470
	106,962	129,634
Total loans in Won	42,187,445	41,612,045
Loans in foreign currencies:		
Working capital loans	799,646	1,119,121
Facilities loans	2,571,530	3,683,900
Others	4,408,295	4,088,502
Inter-bank loans	103,875	151,223
Total loans in foreign currencies	7,883,346	9,042,746
	₩ 50,070,791	₩ 50,654,791

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(3) Loans in Won, loans in foreign currencies and domestic import usance bill, classified by borrower type, as of December 31, 2009 and 2008 were as follows (Unit: In millions):

<2009>

By borrower type	Loans in Won	Loans in foreign currencies	Domestic import usance bill	Total	Percentage (%)
Large corporations	₩ 6,092,798	₩ 5,718,257	₩ 2,089,530	₩ 13,900,585	26.38
Small and medium corporations ^(*)	18,488,305	2,165,089	526,654	21,180,048	40.21
Households	17,499,380	-	-	17,499,380	33.21
Public sector and others	106,962	-	-	106,962	0.20
	₩ 42,187,445	₩ 7,883,346	₩ 2,616,184	₩ 52,686,975	100.00

(*) Small and medium corporations are prescribed in Article 2 of the Small and Medium-sized Enterprise Basic Act.

<2008>

By borrower type	Loans in Won	Loans in foreign currencies	Domestic import usance bill	Total	Percentage (%)
Large corporations	₩ 5,337,329	₩ 6,295,430	₩ 1,924,276	₩ 13,557,035	25.39
Small and medium corporations ^(*)	20,382,556	2,747,316	822,653	23,952,525	44.85
Households	15,762,526	-	-	15,762,526	29.52
Public sector and others	129,634	-	-	129,634	0.24
	₩ 41,612,045	₩ 9,042,746	₩ 2,746,929	₩ 53,401,720	100.00

(*) Small and medium corporations are prescribed in Article 2 of the Small and Medium-sized Enterprise Basic Act.

(4) Loans in foreign currencies and domestic import usance bill, classified by borrower's country, as of December 31, 2009 and 2008 were as follows (Unit: In thousands of U.S. Dollars & in millions of Won):

<2009>

Classification	Loans in foreign currencies		Domestic import usance bill		Total	Percentage (%)
	Loans in U.S. Dollars ^(*)	Translation into Won	Loans in U.S. Dollars ^(*)	Translation into Won		
Korea	\$ 4,585,451	₩ 5,353,973	\$ 2,240,651	₩ 2,616,184	₩ 7,970,157	75.91
Canada	700,795	818,248	-	-	818,248	7.79
USA	379,543	443,154	-	-	443,154	4.22
Japan	323,522	377,744	-	-	377,744	3.60
China	128,308	149,812	-	-	149,812	1.43
Others	634,134	740,415	-	-	740,415	7.05
	\$ 6,751,753	₩ 7,883,346	\$ 2,240,651	₩ 2,616,184	₩ 10,499,530	100.00

(*) Foreign currencies other than U.S. Dollars are converted into U.S. Dollars at the rate at the date of the statement of financial position.

<2008>

Classification	Loans in foreign currencies		Domestic import usance bill		Total	Percentage (%)
	Loans in U.S. Dollars ^(*)	Translation into Won	Loans in U.S. Dollars ^(*)	Translation into Won		
Korea	\$ 4,739,219	₩ 5,959,567	\$ 2,184,437	₩ 2,746,929	₩ 8,706,496	73.85
Canada	668,191	840,250	-	-	840,250	7.13
Japan	450,074	565,968	-	-	565,968	4.80
USA	367,367	461,964	-	-	461,964	3.92
China	161,365	202,917	-	-	202,917	1.72
Others	804,835	1,012,080	-	-	1,012,080	8.58
	\$ 7,191,051	₩ 9,042,746	\$ 2,184,437	₩ 2,746,929	₩ 11,789,675	100.00

(*) Foreign currencies other than U.S. Dollars are converted into U.S. Dollars at the rate at the date of the statement of financial position.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(5) Loans on Won, loans in foreign currencies and domestic import usance bill, classified by industry, as of December 31, 2009 and 2008 were as follows (Unit: In millions):

<2009>

By borrower type	Loans in Won	Loans in foreign currencies	Domestic import usance bill	Total	Percentage (%)
Corporations:	₩ 24,581,103	₩ 3,148,189	₩ 2,616,184	₩ 30,345,476	63.28
Manufacturing	10,242,501	1,512,454	2,283,776	14,038,731	29.27
Wholesale & retail	2,830,196	373,316	302,645	3,506,157	7.31
Real estate and renting and leasing	3,541,366	131,414	-	3,672,780	7.66
Construction	2,588,927	16,397	12,414	2,617,738	5.46
Transportation business	1,219,932	547,212	201	1,767,345	3.69
Others	4,158,181	567,396	17,148	4,742,725	9.89
Households	17,499,380	-	-	17,499,380	36.50
Public sector and others	106,962	-	-	106,962	0.22
	42,187,445	3,148,189	2,616,184	47,951,818	100.00
Loans of overseas branches	-	4,735,157	-	4,735,157	
	₩ 42,187,445	₩ 7,883,346	₩ 2,616,184	₩ 52,686,975	

<2008>

By borrower type	Loans in Won	Loans in foreign currencies	Domestic import usance bill	Total	Percentage (%)
Corporations:	₩ 25,719,885	₩ 4,084,865	₩ 2,746,929	₩ 32,551,679	67.19
Manufacturing	9,642,619	1,937,876	2,325,019	13,905,514	28.70
Wholesale & retail	3,437,085	477,436	381,239	4,295,760	8.87
Real estate and renting and leasing	3,892,542	153,048	62	4,045,652	8.35
Construction	2,877,962	26,991	10,614	2,915,567	6.02
Transportation business	1,312,335	759,017	4,355	2,075,707	4.28
Others	4,557,342	730,497	25,640	5,313,479	10.97
Households	15,762,526	-	-	15,762,526	32.54
Public sector and others	129,634	-	-	129,634	0.27
	41,612,045	4,084,865	2,746,929	48,443,839	100.00
Loans of overseas branches	-	4,957,881	-	4,957,881	
	₩ 41,612,045	₩ 9,042,746	₩ 2,746,929	₩ 53,401,720	

(6) Loans to financial institutions as of December 31, 2009 and 2008 were as follows (Unit: In millions):

<2009>

Classification	Loans in Won	Loans in foreign currencies	Call loans	Total	Percentage (%)
Bank	₩ 50,152	₩ -	₩ 1,289,261	₩ 1,339,413	50.27
Other financial institutions	858,782	47,147	-	905,929	34.00
Overseas financial institutions	-	103,875	315,182	419,057	15.73
	₩ 908,934	₩ 151,022	₩ 1,604,443	₩ 2,664,399	100.00

<2008>

Classification	Loans in Won	Loans in foreign currencies	Call loans	Total	Percentage (%)
Bank	₩ 54,792	₩ -	₩ 1,061,449	₩ 1,116,241	39.74
Other financial institutions	913,976	101,760	-	1,015,736	36.16
Overseas financial institutions	-	151,223	525,620	676,843	24.10
	₩ 968,768	₩ 252,983	₩ 1,587,069	₩ 2,808,820	100.00

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(7) The term structure of loans in Won, loans in foreign currencies and domestic import usance bill as of December 31, 2009 was as follows (Unit: In millions):

Classification	Loans in Won	Loans in foreign currencies	Domestic import usance bill	Total
Due in less than one year	₩ 32,244,855	₩ 5,228,831	₩ 2,615,001	₩ 40,088,687
Due from one to two years	2,520,640	746,482	90	3,267,212
Due from two to three years	1,704,315	489,221	1,093	2,194,629
Due from three to five years	1,738,178	505,169	-	2,243,347
Due after five years	3,979,457	913,643	-	4,893,100
	₩ 42,187,445	₩ 7,883,346	₩ 2,616,184	₩ 52,686,975

(8) The changes in deferred loan origination fees and costs for the year ended December 31, 2009 were as follows (Unit: In millions):

	Beginning balance	Increase	Decrease	Ending balance
Deferred loan origination fees and costs	₩ 50,850	₩ 44,680	₩ [40,605]	₩ 54,925

(9) The disposed loans for the year ended December 31, 2009 were as follows (Unit: In millions):

Purchaser	Nominal amount	Allowance of possible loan losses at disposal	Gain (Loss) on disposal of loans
Gyeonggi Mutual Savings Bank	₩ 157,444	₩ 12,914	₩ [2,705]
Fine Partners Corporation and others	188,632	33,917	[1,166]
Hyundai Swiss Savings Bank ^(*)	25,381	-	2,758
KEB 17th Securitization Specialty Co., Ltd.	110,402	8,303	[21,779]

(*) Gains on disposal of bad debts

6. RESTRUCTURED LOANS:

(1) The loans that were restructured because of workouts plan and others for the year ended December 31, 2009 were as follows (Unit: In millions):

Classification	Restructuring loans	Present value ^(*)	Ending balance of present value discounts
Workout plan	₩ 1,092,768	₩ 1,088,580	₩ 4,188
Corporate reorganization	137,135	135,340	1,795
Rationalization of industry	275,760	246,410	29,350
	₩ 1,505,663	₩ 1,470,330	₩ 35,333

(*) As the present value is calculated with fair value at the restructuring date, if there is no fair value, the present value of total future cash receipts under the restructuring plans is discounted using interest rates of 3.41 percent to 13.46 percent. Also, the present value discount is calculated using effective interest rate method.

(2) Changes in the present value discounts relating to the outstanding restructured loans for the year ended December 31, 2009 were as follows (Unit: In millions):

Classification	Amount ^(*)	Present value discounts			
		Beginning balance	Increase	Decrease	Ending balance ^{(*)2}
Loans:					
Court receivership	₩ 2,235	₩ 517	₩ -	₩ [336]	₩ 181
Others	183,047	33,097	5,516	[7,767]	30,846
	185,282	33,614	5,516	[8,103]	31,027
Accounts receivable:					
Court receivership	-	-	-	-	-
Others	16,348	4,427	1,027	[1,148]	4,306
	16,348	4,427	1,027	[1,148]	4,306
	₩ 201,630	₩ 38,041	₩ 6,543	₩ [9,251]	₩ 35,333

(*)1 These only include restructured loans discounted at present value.

(*)2 The present value discount is presented as allowance of possible loan losses.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

7. ALLOWANCE FOR POSSIBLE LOAN LOSSES:

(1) The allowance for possible loan losses as of December 31, 2009 and 2008 was summarized as follows (Unit: In millions):

<2009>

Classification	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Loans:						
Call loans	₩ 1,604,443	₩ -	₩ -	₩ -	₩ -	₩ 1,604,443
Allowance	-	-	-	-	-	-
Allowance percentage	-	-	-	-	-	-
Credit card loans	2,359,511	28,889	468	27,359	6,717	2,422,944
Allowance	35,393	4,676	215	18,679	6,717	65,680
Allowance percentage	1.50%	16.19%	45.94%	68.27%	100.00%	2.71%
Bills bought in foreign currencies ^{(*)1}	4,053,965	5,196	25,856	2,070	-	4,087,087
Allowance	34,459	984	5,171	1,035	-	41,649
Allowance percentage	0.85%	18.94%	20.00%	50.00%	-	1.02%
Bonds bought under resale agreements	1,786,000	-	-	-	-	1,786,000
Allowance	-	-	-	-	-	-
Allowance percentage	-	-	-	-	-	-
Loans in Won ^{(*)2}	41,434,876	683,508	272,754	73,710	36,664	42,501,512
Allowance	401,448	68,874	65,403	41,424	36,664	613,813
Allowance percentage	0.97%	10.08%	23.98%	56.20%	100.00%	1.44%
Loans in foreign currencies ^{(*)3}	10,096,158	143,673	122,288	27,429	5,985	10,395,533
Allowance	94,903	17,371	48,500	15,126	5,985	181,885
Allowance percentage	0.94%	12.09%	39.66%	55.15%	100.00%	1.75%
Inter-bank loans	103,875	-	-	-	-	103,875
Allowance	-	-	-	-	-	-
Allowance percentage	-	-	-	-	-	-
Factoring receivables	166,525	-	-	-	-	166,525
Allowance	1,416	-	-	-	-	1,416
Allowance percentage	0.85%	-	-	-	-	0.85%
Advances for customers ^{(*)4}	-	276	6,134	134	2,454	8,998
Allowance	-	19	1,227	67	2,454	3,767
Allowance percentage	-	7.00%	20.00%	50.00%	100.00%	41.86%
Privately placed bonds	529,741	2,000	2,024	3,532	123	537,420
Allowance	4,503	140	405	1,766	123	6,937
Allowance percentage	0.85%	7.00%	20.00%	50.00%	100.00%	1.29%
Other accounts ^{(*)5}	2,854	2,720	4,149	22,162	796	32,681
Allowance	24	194	830	11,101	796	12,945
Allowance percentage	0.85%	7.00%	20.00%	50.09%	100.00%	39.61%
Sum:						
Loans and other accounts	62,137,948	866,262	433,673	156,396	52,739	63,647,018
Allowance	572,146	92,258	121,751	89,198	52,739	928,092
Allowance percentage	0.92%	10.65%	28.07%	57.03%	100.00%	1.46%
Present value discounts	29,350	1,868	2,955	1,160	-	35,333
Allowance for possible loan losses on the statement of financial position	₩ 601,496	₩ 94,126	₩ 124,706	₩ 90,358	₩ 52,739	₩ 963,425

(*)1 Local L/C bills bought in Won amounting to ₩22,035 million, Local L/C bills bought in foreign currencies amounting to ₩63,950 million among bills bought in Won and Bills of exchange in Won at sight amounting to ₩4,813 million are included in bills bought in foreign currencies.

(*)2 Commercial bills purchased amounting to ₩344,615 million among bills bought in Won are included in bills bought in foreign currencies, and present value discount amounting to ₩30,548 million is deducted.

(*)3 Domestic import usance bill is included in foreign currencies. Interbank loans in foreign currencies of ₩103,875 million and present value discount amounting to ₩122 million is deducted.

(*)4 Present value discount amounting to ₩357 million is deducted on privately placed bonds.

(*)5 Other accounts consisted of accounts receivable (transfer-in bills bought in foreign currencies) amounting to ₩46 million, suspense payments in relation with loans amounting to ₩32,047 million and securities (commercial paper) amounting to ₩588 million.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

<2008>						
Classification	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Loans:						
Call loans	₩ 1,587,069	₩ -	₩ -	₩ -	₩ -	₩ 1,587,069
Allowance	-	-	-	-	-	-
Allowance percentage	-	-	-	-	-	-
Credit card loans	2,477,046	40,633	210	25,984	8,735	2,552,608
Allowance	37,156	8,157	42	15,930	8,735	70,020
Allowance percentage	1.50%	20.07%	20.00%	61.31%	100.00%	2.74%
Bills bought in foreign currencies ^{(*)1}	4,504,307	578	10,676	-	-	4,515,561
Allowance	38,287	40	5,231	-	-	43,558
Allowance percentage	0.85%	7.00%	49.00%	-	-	0.96%
Bonds bought under resale agreements	2,340,000	-	-	-	-	2,340,000
Allowance	-	-	-	-	-	-
Allowance percentage	-	-	-	-	-	-
Loans in Won ^{(*)2}	40,782,246	545,431	374,402	47,397	186,360	41,935,836
Allowance	376,689	45,695	76,145	26,776	186,360	711,665
Allowance percentage	0.92%	8.38%	20.34%	56.49%	100.00%	1.70%
Loans in foreign currencies ^{(*)3}	11,490,445	97,090	26,854	10,308	13,755	11,638,452
Allowance	104,240	6,855	6,130	7,166	13,755	138,146
Allowance percentage	0.91%	7.06%	22.83%	69.51%	100.00%	1.19%
Inter-bank loans	151,223	-	-	-	-	151,223
Allowance	-	-	-	-	-	-
Allowance percentage	-	-	-	-	-	-
Factoring receivables	130,689	-	-	-	-	130,689
Allowance	1,111	-	-	-	-	1,111
Allowance percentage	0.85%	-	-	-	-	0.85%
Advances for customers ^{(*)4}	3,016	8,180	3,165	46	16,182	30,589
Allowance	26	898	633	23	16,182	17,762
Allowance percentage	0.85%	10.98%	20.00%	50.00%	100.00%	58.07%
Privately placed bonds ^{(*)5}	607,534	2,200	2,360	-	291	612,385
Allowance	5,164	154	472	-	291	6,081
Allowance percentage	0.85%	7.00%	20.00%	-	100.00%	0.99%
Other accounts ^{(*)6}	4,751	6,074	4,015	5,987	34,222	55,049
Allowance	40	425	803	3,025	34,222	38,515
Allowance percentage	0.85%	7.00%	20.00%	50.53%	100.00%	69.96%
Sum:						
Loans and other accounts	64,078,326	700,186	421,682	89,722	259,545	65,549,461
Allowance	562,713	62,224	89,456	52,920	259,545	1,026,858
Allowance percentage	0.88%	8.89%	21.21%	58.98%	100.00%	1.57%
Present value discounts	34,802	1,194	2,045	-	-	38,041
Allowance for possible loan losses on the statement of financial position	₩ 597,515	₩ 63,418	₩ 91,501	₩ 52,920	₩ 259,545	₩ 1,064,899

(*)1 Local L/C bills bought in Won amounting to ₩17,731 million and Local L/C bills bought in foreign currencies amounting to ₩48,755 million among bills bought in Won are included in bills bought in foreign currencies.

(*)2 Commercial bills purchased amounting to ₩356,808 million among bills bought in Won are included in bills bought in foreign currencies, and present value discount amounting to ₩33,017 million is deducted.

(*)3 Domestic import usance bill is included in foreign currencies. Interbank loans in foreign currencies of ₩151,223 million is deducted.

(*)4 Present value discount amounting to ₩538 million is deducted on advances for customers.

(*)5 Present value discount amounting to ₩59 million is deducted on privately placed bonds.

(*)6 Other accounts consisted of accounts receivable (transfer-in bills bought in foreign currencies) amounting to ₩5,099 million, suspense payments in relation with loans amounting to ₩49,000 million and securities (commercial paper) amounting to ₩950 million.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(2) The changes in allowance for possible loan losses for the years ended December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Beginning balance	₩ 1,064,899	₩ 719,365
Provision for possible loan losses	648,470	719,840
Loans written-off	(906,480)	(568,411)
Repurchase of loan and others	168,125	183,818
Translation adjustments of overseas	(4,443)	18,334
Changes in present value discounts	(7,146)	(8,047)
Ending balance	₩ 963,425	₩ 1,064,899

(3) The allowance for possible loan losses compared to total loans, net of present value discount, as of December 31, 2009, 2008 and 2007 was summarized as follows (Unit: In millions):

Classification	2009	2008	2007
Loans ^(*)	₩ 60,152,700	₩ 61,471,169	₩ 51,944,440
Allowance for possible loan losses ^(*)	928,092	1,026,858	669,743
Percentage (%)	1.54	1.67	1.29

(*) Call loans, bonds purchased under repurchase agreements and interbank loans in foreign currencies are excluded.

(*) Present value discounts are excluded.

8. TANGIBLE ASSETS:

(1) Tangible assets as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Tangible assets	₩ 2,186,679	₩ 2,200,006
Less:		
Accumulated depreciation	(800,320)	(772,788)
Accumulated impairment loss	(5,941)	-
	₩ 1,380,418	₩ 1,427,218

(2) Tangible assets as of December 31, 2009 and 2008 consisted of (Unit: In millions):

<2009>

Classification	Acquisition cost	Accumulated depreciation	Accumulated impairment loss ^(*)	Book value
Land	₩ 933,891	₩ -	₩ (2,376)	₩ 931,515
Buildings	542,691	(192,790)	(3,565)	346,336
Leasehold improvements	120,025	(90,981)	-	29,044
Equipment and vehicles	589,928	(516,549)	-	73,379
Construction in progress	144	-	-	144
	₩ 2,186,679	₩ (800,320)	₩ (5,941)	₩ 1,380,418

(*) The difference between the impairment loss for the year ended December 31, 2009 and the accumulated impairment loss as of December 31, 2009 amounting to ₩1,942 million was recognized as loss on revaluation of tangible asset until the prior fiscal year.

<2008>

Classification	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value
Land	₩ 938,810	₩ -	₩ -	₩ 938,810
Buildings	541,098	(182,609)	-	358,489
Leasehold improvements	114,334	(79,273)	-	35,061
Equipment and vehicles	605,764	(510,906)	-	94,858
	₩ 2,200,006	₩ (772,788)	₩ -	₩ 1,427,218

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(3) The changes in book value of tangible assets for the year ended December 31, 2009 were as follows (Unit: In millions):

Classification	Beginning	Acquisition	Disposal	Depreciation	Impairment loss ^{(*)2}	Revaluation loss ^{(*)1}	Change in foreign currencies	Ending
Land	₩ 938,810	₩ -	₩ (4,330)	₩ -	₩ (215)	₩ (2,576)	₩ (174)	₩ 931,515
Buildings	358,489	7,630	(2,166)	(12,960)	(3,784)	-	(873)	346,336
Leasehold improvements	35,061	6,458	(10)	(12,149)	-	-	(316)	29,044
Equipment and vehicles	94,858	37,008	(421)	(57,803)	-	-	(263)	73,379
Construction in progress	-	144	-	-	-	-	-	144
	₩ 1,427,218	₩ 51,240	₩ (6,927)	₩ (82,912)	₩ (3,999)	₩ (2,576)	₩ (1,626)	₩ 1,380,418

(*)1 Gain on revaluation of tangible asset recognized in the prior fiscal year in relation to land was reversed up to the amount of impairment loss incurred for the year ended December 31, 2009.

(*)2 The impairment loss amounting to ₩3,853 million was recognized as loss on prior period error correction because the cause of impairment occurred in the prior fiscal year.

(4) The published value of the land was ₩877,787 million and ₩755,083 million as of December 31, 2009 and 2008, respectively, based on the Laws on Disclosure of Land Price and Valuation of Land.

(5) Tangible assets, which have been insured as of December 31, 2009 were as follows (Unit: In millions):

Type of insurance	Asset insured	Insured balance	Insurance company
Property composite	Buildings Leasehold improvements Equipment and vehicles	₩ 346,575 30,910 77,912	Hyundai Marine & Fire Insurance Co., Ltd. and others
		₩ 455,397	

(6) The change in the gain on revaluation of tangible assets for the year ended December 31, 2009 was as follows (Unit: In millions):

Classification	Beginning	Revaluation	Disposal or reclassification ^(*)	Tax adjustment	Ending
Land	₩ 435,337	₩ -	₩ (4,140)	₩ 911	₩ 432,108

(*) Gain on revaluation of tangible asset of ₩1,564 million recognized in the prior fiscal year in relation to land was reversed up to the amount of impairment loss incurred for the year ended December 31, 2009.

9. OTHER ASSETS:

(1) Other assets as of December 31, 2009 and December 31, 2008 consisted of (Unit: In millions):

Classification	2009	2008
Guarantee deposits paid	₩ 661,628	₩ 654,646
Accounts receivable	6,874,097	5,205,352
Accrued income	239,920	378,678
Prepaid expenses	28,764	12,926
Derivatives instruments assets (see Note 17)	1,599,988	4,674,174
Intangible assets	60,696	65,905
Sundry assets	1,252,187	1,293,705
	₩ 10,717,280	₩ 12,285,386

(2) Intangible assets as of December 31, 2009 and 2008 consisted of (Unit: In millions):

<2009>

Classification	Acquisition cost	Accumulated amortization	Book value
Development expenditures	₩ 222,269	₩ (161,938)	₩ 60,331
Others ^(*)	2,239	(1,874)	365
	₩ 224,508	₩ (163,812)	₩ 60,696

(*) The effect of exchange rate fluctuation is included.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

<2008>			
Classification	Acquisition cost	Accumulated amortization	Book value
Development expenditures	₩ 195,150	₩ (129,977)	₩ 65,173
Others ^(*)	2,331	(1,599)	732
	₩ 197,481	₩ (131,576)	₩ 65,905

(*) The effect of exchange rate fluctuation is included.

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

<2009>						
Classification	Beginning	Acquisition	Amortization	Change in foreign currencies	Ending	
Development expenditures	₩ 65,173	₩ 27,119	₩ (31,961)	₩ -	₩ 60,331	
Others	732	37	(356)	(48)	365	
	₩ 65,905	₩ 27,156	₩ (32,317)	₩ (48)	₩ 60,696	

<2008>						
Classification	Beginning	Acquisition	Amortization	Change in foreign currencies	Ending	
Development expenditures	₩ 79,497	₩ 16,298	₩ (30,622)	₩ -	₩ 65,173	
Others	654	285	(422)	(215)	732	
	₩ 80,151	₩ 16,583	₩ (31,044)	₩ (215)	₩ 65,905	

(4) Sundry assets as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Domestic exchange settlement debits	₩ 1,134,803	₩ 1,153,061
Suspense payments in Won	79,597	94,743
Suspense payments in foreign currencies	6,945	2,518
Bills unsettled	9,999	17,124
Articles of consumption	6,477	5,051
Deposited money	13,455	20,147
Money transfer receivable	150	200
Others	761	861
	₩ 1,252,187	₩ 1,293,705

10. MERCHANT BANKING ACCOUNT ASSETS:

(1) Merchant banking accounts assets as of December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Loans	₩ 583,100	₩ 1,761,880
Cash management accounts	184,900	174,000
Trading securities	1,094,673	1,444,380
Allowance for possible loan losses	(11,163)	(17,148)
	₩ 1,851,510	₩ 3,363,112

(2) Loans as of December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Bills discounted	₩ 583,100	₩ 1,761,880
Discount interest rate of short-term bill (%)	1.71~10.50	3.49~10.25

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(3) Cash management accounts as of December 31, 2009 and 2008 were as follows (Unit: In millions):

Cash management accounts ("CMA") comprise of customers' deposits maturing in 180 days or less which are invested in securities approximating the value of such deposits. The income from the investments, less management fees, is distributed to the accounts on the contract maturity date. If the deposit is withdrawn before maturity, distribution is based on a rate computed daily.

CMA assets as of December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Bills discounted	₩ 184,900	₩ 174,000

(4) Trading securities as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Face value	₩ 1,097,600	₩ 1,453,500
Adjusted value ^(*)	1,094,574	1,443,156
Fair value (Book value)	1,094,673	1,444,380

(*) Accrued interest is reflected.

(5) Asset quality classification and related allowance for loan losses

The asset quality classification and allowance for possible loan losses of the accounts in the merchant banking division of the Bank as of December 31, 2009 and 2008 were as follows (Unit: In millions):

<2009>

Classification	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total	Allowance for possible loan losses
Loans ^(*)	₩ 713,000	₩ 55,000	₩ -	₩ -	₩ -	₩ 768,000	₩ 11,163

(*) Including bills discounted in CMA account

<2008>

Classification	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total	Allowance for possible loan losses
Loans ^(*)	₩1,926,880	₩ 9,000	₩ -	₩ -	₩ -	₩1,935,880	₩ 17,148

(*) Including bills discounted in CMA account

(6) Operating income of merchant banking accounts for the years ended December 31, 2009 and 2008 was as follows (Unit: In millions):

Classification	2009	2008
Interest revenues	₩ 80,314	₩ 193,112
Commission revenues	352	286
Reversal of allowance of unused credit limit	5,985	-
Other revenues	24,429	14,435
	₩ 111,080	₩ 207,833

11. DEPOSITS:

(1) Deposits as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Demand deposits	₩ 19,658,363	₩ 18,893,827
Time deposits	28,244,599	30,081,512
Negotiable certificates of deposits	9,048,925	7,422,018
	₩ 56,951,887	₩ 56,397,357

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(2) Details of deposits as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009		2008	
Demand deposits in Won:				
Checking deposits	₩	224,694	₩	244,153
Passbook deposits		1,453,713		1,163,813
Temporary deposits		785,326		820,612
Public fund deposits		25,561		27,812
General savings deposits		12,102,452		11,988,076
		14,591,746		14,244,466
Demand deposits in foreign currencies:				
Checking deposits		1,024,154		969,997
Passbook deposits		4,011,693		3,663,760
Temporary deposits		30,770		15,604
		5,066,617		4,649,361
Time deposits in Won:				
Time deposits		18,186,940		20,441,411
Installment savings deposits		973,592		893,182
Long-term savings for households		547,570		602,639
		19,708,102		21,937,232
Time deposits in foreign currencies:				
Time deposits		8,423,049		8,042,187
Notice deposits		62,812		32,040
Others		4,429		6,188
		8,490,290		8,080,415
Mutual installment savings		46,207		63,865
Negotiable certificates of deposits		9,048,925		7,422,018
	₩	56,951,887	₩	56,397,357

(3) Deposits with financial institutions as of December 31, 2009 and 2008 were as follows (Unit: In millions):

<2009>

Classification	Bank	Other financial institution	Foreign financial institution	Total
Demand deposits:				
Demand deposits in Won	₩ 5,968	₩ 184,804	₩ 6,171	₩ 196,943
Demand deposits in foreign currencies	122,183	22,342	188,361	332,886
Time deposits:				
Savings deposits in Won	1,144,463	1,746,073	107,717	2,998,253
Savings deposits in foreign currencies	-	844,480	-	844,480
Negotiable certificates of deposits	8,000	651,805	-	659,805
	₩ 1,280,614	₩ 3,449,504	₩ 302,249	₩ 5,032,367

<2008>

Classification	Bank		Other financial institution		Foreign financial institution		Total
Demand deposits:							
Demand deposits in Won	₩	6,647	₩	175,557	₩	7,759	₩ 189,963
Demand deposits in foreign currencies		133,085		15,651		225,230	373,966
Time deposits:							
Savings deposits in Won		913,968		2,811,364		22,012	3,747,344
Savings deposits in foreign currencies		322,765		537,968		-	860,733
Negotiable certificates of deposits		51,000		2,581,994		-	2,632,994
	₩	1,427,465	₩	6,122,534	₩	255,001	₩ 7,805,000

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(4) Term structure of deposits as of December 31, 2009 was as follows (Unit: In millions):

Classification	Deposits in Won	Deposits in foreign currencies	Negotiable certificates of deposits	Total
Due in less than one year	₩ 33,182,614	₩ 8,416,732	₩ 8,786,417	₩ 50,385,763
Due from one to two years	607,995	18,455	262,508	888,958
Due from two to three years	298,911	29,661	-	328,572
Due from three to five years	122,474	552	-	123,026
Due after five years	134,061	5,091,507	-	5,225,568
	₩ 34,346,055	₩ 13,556,907	₩ 9,048,925	₩ 56,951,887

12. BORROWINGS:

(1) Borrowings as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Call money	₩ 1,388,605	₩ 2,739,101
Bills sold	30,943	31,491
Bonds sold under repurchase agreements	140,415	432,383
Borrowings	7,623,823	8,755,776
Debentures	7,855,885	10,790,561
	₩ 17,039,671	₩ 22,749,312

(2) Call money as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Account	Lender	Annual interest rate (%) Dec. 31, 2009	2009	2008
Call money in foreign currencies	Local & foreign financial institution and others	0.20 ~ 1.46	₩ 1,388,605	₩ 2,739,101

(3) Bills sold and bonds sold under repurchase agreements as of December 31, 2009 and 2008 consisted of the followings (Unit: In millions):

Account	Lender	Annual interest rate (%) Dec. 31, 2009	2009	2008
Bills sold	General customer	1.50 ~ 4.00	₩ 30,943	₩ 31,491
Bonds sold under repurchase agreements	General customer and others	3.04 ~ 8.00	140,415	432,383
			₩ 171,358	₩ 463,874

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(4) Borrowings as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Account	Lender	Annual interest rate (%) Dec. 31, 2009	2009	2008
Borrowings in Won:				
Borrowings from the BOK	BOK	1.25	₩ 704,953	₩ 837,166
Borrowings from the Korean government	Ministry of Finance and Economy and others	0.25 ~ 4.27	308,988	309,342
Borrowings from banking institutions	Industrial Bank of Korea and others	1.54 ~ 6.00	101,875	128,409
Other borrowings	Small Business Corporation and others	0.00 ~ 3.94	1,025,606	484,264
			2,141,422	1,759,181
Borrowings in foreign currencies:				
Refinance	Wachovia Bank and others	1.73 ~ 2.81	256,872	1,235,760
Short-term borrowing in foreign currencies	Bank of New York and others	1.12 ~ 3.27	2,021,322	2,753,970
Middle and long-term borrowing in foreign currencies	Bank of communications and others	1.31 ~ 7.03	987,705	608,557
Borrowings from banks for sub-loan	Korea Exim Bank and others	-	-	176,050
Other borrowings	Foreign financial institution	0.26 ~ 6.45	2,216,502	2,222,258
			5,482,401	6,996,595
			₩ 7,623,823	₩ 8,755,776

(5) In the normal course of funding activities, the Bank provided securities as collateral for borrowings from the Bank of Korea and other financial institutions as of December 31, 2009 [see Note 4(7)].

(6) Debentures

1) Debentures as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Account	Annual interest rate (%) Dec. 31, 2009	2009	2008
Debentures in Won:			
Finance debentures	3.06 ~ 7.73	₩ 5,370,000	₩ 8,191,000
Subordinated financing debentures	6.11 ~ 7.80	1,101,146	1,367,109
Hybrid debentures	7.30	250,000	250,000
		6,721,146	9,808,109
Discounts on debentures		[20,186]	[39,979]
		6,700,960	9,768,130
Debentures in foreign currencies:			
Finance debentures	0.61 ~ 5.74	803,490	637,114
Subordinated financing debentures	5.00	355,735	390,059
		1,159,225	1,027,173
Discounts on debentures		[4,300]	[4,742]
		1,154,925	1,022,431
		₩ 7,855,885	₩ 10,790,561

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

2) As of December 31, 2009 and 2008, all finance debentures issued in Won were general debentures and consisted of (Unit: In millions):

Issued date	Expiration date	Annual interest rate (%) Dec. 31, 2009	2009	2008
Nov. 17, 2006	Nov. 17, 2009	-	₩ -	₩ 50,000
Dec. 6, 2006	Dec. 6, 2009	-	-	40,000
Dec. 11, 2006	Dec. 11, 2009	-	-	50,000
Jan. 9, 2007	Jan. 9, 2009	-	-	50,000
Jan. 10, 2007	Jan. 10, 2010	5.10	50,000	50,000
Jan. 11, 2007	Jan. 11, 2010	5.09	50,000	50,000
Jan. 17, 2007	Jan. 17, 2009	-	-	50,000
Jan. 18, 2007	Jan. 18, 2009	-	-	20,000
Jan. 18, 2007	Jan. 18, 2010	5.20	30,000	30,000
Jan. 19, 2007	Jan. 19, 2009	-	-	50,000
Jan. 25, 2007	Jan. 25, 2009	-	-	20,000
Jan. 25, 2007	Jan. 25, 2010	5.23	30,000	30,000
Feb. 5, 2007	Feb. 5, 2010	5.23	50,000	50,000
Feb. 9, 2007	Feb. 9, 2010	5.14	50,000	50,000
Feb. 28, 2007	Feb. 28, 2010	5.05	30,000	30,000
Mar. 15, 2007	Mar. 15, 2009	-	-	20,000
Mar. 16, 2007	Mar. 16, 2009	-	-	50,000
Mar. 27, 2007	Mar. 27, 2009	-	-	30,000
Apr. 3, 2007	Apr. 3, 2009	-	-	50,000
May 2, 2007	May 2, 2009	-	-	50,000
May 8, 2007	May 8, 2009	-	-	10,000
May 9, 2007	May 9, 2009	-	-	20,000
May 14, 2007	May 14, 2010	5.32	40,000	40,000
May 15, 2007	May 15, 2009	-	-	20,000
May 16, 2007	May 16, 2010	5.35	50,000	50,000
May 17, 2007	May 17, 2010	5.36	50,000	50,000
May 21, 2007	May 21, 2009	-	-	20,000
May 21, 2007	May 21, 2010	5.39	30,000	30,000
May 23, 2007	May 23, 2010	5.38	100,000	100,000
May 30, 2007	May 30, 2010	5.36	50,000	50,000
Jun. 1, 2007	Jun. 1, 2010	5.37	50,000	50,000
Jun. 5, 2007	Jun. 5, 2009	-	-	50,000
Jun. 13, 2007	Jun. 13, 2010	5.49	50,000	50,000
Jun. 18, 2007	Jun. 18, 2009	-	-	30,000
Jun. 26, 2007	Jun. 26, 2009	-	-	50,000
Jun. 28, 2007	Jun. 28, 2010	5.44	50,000	50,000
Jul. 10, 2007	Jul. 10, 2009	-	-	50,000
Jul. 11, 2007	Jul. 11, 2009	-	-	50,000
Jul. 16, 2007	Jan. 16, 2009	-	-	10,000
Jul. 19, 2007	Jan. 19, 2009	-	-	50,000
Jul. 24, 2007	Jan. 24, 2009	-	-	30,000
Jul. 24, 2007	Jul. 24, 2010	5.60	20,000	20,000
Jul. 25, 2007	Jul. 25, 2010	5.61	50,000	50,000
Jul. 26, 2007	Jan. 26, 2009	-	-	40,000
Jul. 26, 2007	Jul. 26, 2009	-	-	10,000
Jul. 30, 2007	Jul. 30, 2010	5.53	30,000	30,000
Jul. 31, 2007	Jul. 31, 2009	-	-	20,000
Jul. 31, 2007	Jul. 31, 2010	5.53	30,000	30,000
Aug. 1, 2007	Aug. 1, 2009	-	-	20,000
Aug. 3, 2007	Aug. 3, 2009	-	-	40,000
Aug. 3, 2007	Aug. 3, 2010	5.48	10,000	10,000

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

Issued date	Expiration date	Annual interest rate (%) Dec. 31, 2009	2009	2008
Aug. 8, 2007	Feb. 8, 2009	-	₩ -	₩ 10,000
Aug. 9, 2007	Aug. 9, 2009	-	-	40,000
Aug. 14, 2007	Aug. 14, 2010	5.58	10,000	10,000
Aug. 23, 2007	Aug. 23, 2010	5.65	30,000	30,000
Aug. 24, 2007	Aug. 24, 2010	5.67	50,000	50,000
Sep. 10, 2007	Sep. 10, 2010	5.77	200,000	200,000
Oct. 2, 2007	Apr. 2, 2009	-	-	50,000
Oct. 9, 2007	Apr. 9, 2009	-	-	20,000
Oct. 10, 2007	Oct. 10, 2010	5.93	200,000	200,000
Oct. 11, 2007	Apr. 11, 2009	-	-	26,000
Oct. 12, 2007	Apr. 12, 2009	-	-	50,000
Oct. 16, 2007	Apr. 16, 2009	-	-	140,000
Oct. 17, 2007	Apr. 17, 2009	-	-	50,000
Oct. 18, 2007	Oct. 18, 2009	-	-	30,000
Oct. 18, 2007	Oct. 18, 2010	5.91	70,000	70,000
Oct. 23, 2007	Oct. 23, 2010	5.84	10,000	10,000
Oct. 24, 2007	Oct. 24, 2009	-	-	40,000
Oct. 26, 2007	Apr. 26, 2009	-	-	20,000
Oct. 29, 2007	Apr. 29, 2009	-	-	30,000
Oct. 30, 2007	Apr. 30, 2009	-	-	30,000
Nov. 2, 2007	Nov. 2, 2009	-	-	40,000
Nov. 8, 2007	Nov. 8, 2010	5.88	200,000	200,000
Nov. 14, 2007	Nov. 14, 2010	5.94	50,000	50,000
Nov. 23, 2007	Nov. 23, 2010	6.22	70,000	70,000
Nov. 26, 2007	Nov. 26, 2010	6.25	260,000	260,000
Nov. 30, 2007	Nov. 30, 2010	6.63	170,000	170,000
Dec. 5, 2007	Dec. 5, 2010	6.70	140,000	140,000
Jan. 10, 2008	Jul. 10, 2009	-	-	50,000
Jan. 11, 2008	Jul. 11, 2009	-	-	50,000
Jan. 15, 2008	Jan. 15, 2010	6.39	50,000	50,000
Jan. 23, 2008	Jul. 23, 2009	-	-	50,000
Jan. 29, 2008	Jul. 29, 2009	-	-	20,000
Jan. 30, 2008	Jul. 30, 2009	-	-	50,000
Jan. 31, 2008	Jan. 31, 2009	-	-	30,000
Feb. 15, 2008	Feb. 15, 2010	5.30	30,000	30,000
Mar. 28, 2008	Sep. 28, 2009	-	-	50,000
Apr. 1, 2008	Oct. 1, 2009	-	-	50,000
Apr. 2, 2008	Oct. 2, 2009	-	-	100,000
Apr. 4, 2008	Oct. 4, 2009	-	-	50,000
Apr. 7, 2008	Apr. 7, 2009	-	-	20,000
Apr. 7, 2008	Oct. 7, 2009	-	-	30,000
Apr. 10, 2008	Apr. 10, 2010	5.71	200,000	200,000
Apr. 11, 2008	Apr. 11, 2009	-	-	100,000
Apr. 14, 2008	Oct. 14, 2009	-	-	50,000
Apr. 15, 2008	Apr. 15, 2010	5.58	50,000	50,000
Apr. 16, 2008	Apr. 16, 2010	5.54	50,000	50,000
Apr. 17, 2008	Apr. 17, 2010	5.52	50,000	50,000
Apr. 18, 2008	Apr. 18, 2010	5.50	50,000	50,000
Apr. 21, 2008	Apr. 21, 2009	-	-	50,000
Apr. 24, 2008	Oct. 24, 2009	-	-	10,000
Apr. 24, 2008	Apr. 24, 2010	5.47	40,000	40,000
Apr. 29, 2008	Apr. 29, 2010	5.42	10,000	10,000
Apr. 30, 2008	Apr. 30, 2010	5.39	50,000	50,000

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

Issued date	Expiration date	Annual interest rate (%) Dec. 31, 2009	2009	2008
May 8, 2008	May 8, 2010	5.56	₩ 10,000	₩ 10,000
May 14, 2008	Nov. 14, 2009	-	-	50,000
May 15, 2008	May 15, 2010	5.80	20,000	20,000
May 16, 2008	May 16, 2011	5.87	100,000	100,000
May 22, 2008	May 22, 2011	5.93	100,000	100,000
May 23, 2008	May 23, 2011	5.92	30,000	30,000
May 26, 2008	May 26, 2010	5.87	10,000	10,000
May 26, 2008	Nov. 26, 2010	5.92	10,000	10,000
May 27, 2008	Nov. 27, 2009	-	-	200,000
May 27, 2008	May 27, 2010	5.85	20,000	20,000
May 28, 2008	May 28, 2010	5.82	10,000	10,000
May 29, 2008	May 29, 2010	5.90	50,000	50,000
May 30, 2008	May 30, 2009	-	-	20,000
May 30, 2008	Nov. 30, 2009	-	-	70,000
Jun. 3, 2008	Jun. 3, 2010	5.98	20,000	20,000
Jun. 5, 2008	Jun. 5, 2009	-	-	40,000
Jun. 5, 2008	Jun. 5, 2010	5.98	60,000	60,000
Jun. 12, 2008	Jun. 12, 2009	-	-	20,000
Jun. 12, 2008	Jun. 12, 2010	6.17	70,000	70,000
Jun. 16, 2008	Jun. 16, 2009	-	-	10,000
Jun. 16, 2008	Jun. 16, 2010	6.20	40,000	40,000
Jun. 18, 2008	Jun. 18, 2009	-	-	20,000
Jun. 18, 2008	Dec. 18, 2009	-	-	40,000
Jun. 19, 2008	Dec. 19, 2009	-	-	40,000
Jun. 19, 2008	Jun. 19, 2010	6.17	10,000	10,000
Jun. 24, 2008	Jun. 24, 2009	-	-	30,000
Jun. 24, 2008	Dec. 24, 2009	-	-	20,000
Jun. 26, 2008	Dec. 26, 2009	-	-	20,000
Jun. 26, 2008	Jun. 26, 2010	6.31	30,000	30,000
Jul. 1, 2008	Jul. 1, 2009	-	-	10,000
Jul. 3, 2008	Jul. 3, 2009	-	-	10,000
Jul. 4, 2008	Jul. 4, 2009	-	-	10,000
Jul. 4, 2008	Jul. 4, 2010	6.60	10,000	10,000
Jul. 16, 2008	Jan. 16, 2010	6.87	40,000	40,000
Jul. 17, 2008	Jul. 17, 2009	-	-	110,000
Jul. 17, 2008	Jul. 17, 2010	6.92	10,000	10,000
Jul. 18, 2008	Jan. 18, 2010	6.80	200,000	200,000
Aug. 19, 2008	Aug. 19, 2009	-	-	120,000
Aug. 21, 2008	Aug. 21, 2010	7.17	180,000	180,000
Sep. 1, 2008	Sep. 1, 2010	7.05	130,000	130,000
Sep. 4, 2008	Sep. 4, 2010	7.20	120,000	120,000
Sep. 11, 2008	Sep. 11, 2009	-	-	70,000
Sep. 12, 2008	Sep. 12, 2009	-	-	50,000
Sep. 26, 2008	Sep. 26, 2009	-	-	80,000
Sep. 29, 2008	Sep. 29, 2009	-	-	100,000
Oct. 20, 2008	Oct. 20, 2009	-	-	45,000
Oct. 29, 2008	Oct. 29, 2011	7.73	200,000	200,000
Dec. 15, 2008	Dec. 15, 2009	-	-	200,000
Jul. 9, 2009	Jul. 9, 2010	3.13	100,000	-
Jul. 13, 2009	Jul. 13, 2010	3.19	100,000	-
Jul. 15, 2009	Jul. 15, 2010	3.06	100,000	-
Jul. 24, 2009	Jul. 24, 2010	3.09	100,000	-
Jul. 28, 2009	Jul. 28, 2010	3.07	50,000	-

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

Issued date	Expiration date	Annual interest rate (%) Dec. 31, 2009	2009	2008
Nov. 24, 2009	Nov. 24, 2010	3.76	₩ 100,000	₩ -
Dec. 2, 2009	Dec. 2, 2010	3.71	100,000	-
Dec. 10, 2009	Dec. 10, 2010	3.78	100,000	-
Dec. 16, 2009	Dec. 16, 2010	3.89	100,000	-
Dec. 18, 2009	Dec. 18, 2010	3.93	100,000	-
			₩ 5,370,000	₩ 8,191,000

3) Finance debentures issued in foreign currencies as of December 31, 2009 and 2008 consisted of (Unit: In thousands of U.S. Dollars, in millions of Won):

First underwriter	Issued date	Expiration date	Annual interest rate (%) Dec. 31, 2009	2009	2008
Calyon	Jul. 20, 2007	Jul. 20, 2012	0.61	₩ 350,280 (US\$300,000)	₩ 377,250 (US\$300,000)
NAB ^{(*)1}	Oct. 15, 2007	Oct. 15, 2009	-	-	32,450 (US\$25,800)
MIZUHO	Oct. 29, 2007	Oct. 29, 2009	-	-	62,875 (US\$50,000)
MIZUHO	Oct. 30, 2007	Oct. 30, 2009	-	-	25,150 (US\$20,000)
SMBC, Tokyo ^{(*)2}	Sep. 12, 2009	Sep. 07, 2011	0.66	126,282 (US\$108,155)	139,389 (US\$110,850)
Morgan Stanley	May 26, 2009	May 29, 2012	5.68	58,380 (US\$50,000)	-
UBS	Jun. 1, 2009	Jun. 1, 2012	5.74	58,380 (US\$50,000)	-
Morgan Stanley	Jun. 1, 2009	Jun. 1, 2012	5.68	58,380 (US\$50,000)	-
BNP PARIBAS	Jun. 05, 2009	Jun. 07, 2011	5.49	58,380 (US\$50,000)	-
Woori Investment & Securities	Jul. 23, 2009	Jul. 15, 2011	3.68	58,380 (US\$50,000)	-
HSBC	Aug. 27, 2009	Aug. 24, 2012	3.66	35,028 (US\$30,000)	-
				₩ 803,490 (US\$688,155)	₩ 637,114 (US\$506,650)

(*)1) Issued in Hong Kong Dollar (HKD) amounting to HKD 200 million

(*)2) Issued in Yen (JPY) amounting to JPY 10,000 million

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK [BANKING ACCOUNT] for the years ended December 31, 2009 and 2008

4) Subordinated debentures as of December 31, 2009 and 2008 were as follows (Unit: In thousands of U.S. Dollars, in millions of Won):

Classification	Issued date	Expiration date	Annual interest rate (%) Dec. 31, 2009	2009	2008
Debentures in Won:					
General sale ^{(*)1}	May 28, 2001	Feb. 28, 2007	-	₩ 223	₩ 387
General sale ^{(*)1}	Oct. 28, 2002	Jan. 28, 2008	-	160	290
General sale ^{(*)1}	Mar. 28, 2003	Dec. 28, 2008	-	763	16,432
Underwriting sale	Oct. 21, 2004	Oct. 21, 2014	-	-	170,000
General sale	Nov. 28, 2004	Nov. 28, 2014	-	-	80,000
Underwriting sale ^{(*)2}	Mar. 13, 2008	Mar. 13, 2018	6.11	250,000	250,000
General sale ^{(*)2}	Mar. 28, 2008	Mar. 28, 2018	6.20	50,000	50,000
General sale	Nov. 21, 2008	May 21, 2014	7.70	60,860	60,860
General sale	Nov. 24, 2008	May 24, 2014	7.70	32,060	32,060
General sale	Nov. 25, 2008	May 25, 2014	7.70	27,570	27,570
General sale	Nov. 26, 2008	May 26, 2014	7.70	40,880	40,880
General sale	Nov. 27, 2008	May 27, 2014	7.70	37,651	37,651
General sale	Nov. 28, 2008	May 28, 2014	7.70	78,926	78,926
General sale	Dec. 1, 2008	Jun. 1, 2014	7.70	22,053	22,053
General sale	Dec. 19, 2008	Jun. 19, 2014	7.80	250,000	250,000
General sale	Dec. 22, 2008	Jun. 22, 2014	7.30	34,060	34,060
General sale	Dec. 23, 2008	Jun. 23, 2014	7.30	18,690	18,690
General sale	Dec. 24, 2008	Jun. 24, 2014	7.30	23,948	23,948
General sale	Dec. 26, 2008	Jun. 26, 2014	7.30	32,979	32,979
General sale	Dec. 29, 2008	Jun. 29, 2014	7.30	93,487	93,487
General sale	Dec. 30, 2008	Jun. 30, 2014	7.80	46,836	46,836
				1,101,146	1,367,109
Debentures in foreign currencies:					
CITI group & HSBC ^{(*)2, (*)3}	Jun. 10, 2005	Jun. 10, 2015	5.00	355,735 (US\$304,672)	390,059 (US\$310,186)
				₩ 1,456,881	₩ 1,757,168

(*)1 The balance amount was not redeemed at the maturity date, and after the maturity date, interest is not paid.

(*)2 After 5 years from issuance date, the optional early redemption right can be exercised by the Bank.

(*)3 The first underwriters

In addition, certain subordinated debentures are under swap contracts in order to hedge risks from changes in interest rates and exchange rates. Gain on foreign currency transactions amounting to ₩6,438 million was accounted for in connection to such contracts for the year ended December 31, 2009 [Note 17(1)].

5) As of December 31, 2009, Hybrid Tier 1 bond was as follows (Unit: In millions):

Classification ^{(*)1}	Issued period ^{(*)2}	Annual interest rate (%)	Balance
Hybrid debentures 2nd ^{(*)3}	Mar. 31, 2009 ~ Mar. 31, 2039	7.30	₩ 250,000

(*)1 After 5 years from issuance date, call option can be exercised under the authorization of the Governor of the Financial Supervisory Service.

(*)2 After expiration, the bond can be extended under the same terms.

(*)3 After 10 years from issuance date, the interest rate increases to 8.3 percent.

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KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(7) Term structure of borrowings as of December 31, 2009 was as follows (Unit: In millions):

Classification	Borrowing in Won	Borrowing in foreign currencies	Debentures in Won	Debentures in foreign currencies	Total
Due in less than one year	₩ 1,051,259	₩ 5,155,509	₩ 4,941,146	₩ -	₩ 11,147,914
Due from one to two years	272,834	91,603	430,000	243,042	1,037,479
Due from two to three years	182,141	-	-	560,448	742,589
Due from three to five years	248,320	235,289	800,000	-	1,283,609
Due after five years	386,868	-	550,000	355,735	1,292,603
	₩ 2,141,422	₩ 5,482,401	₩ 6,721,146	₩ 1,159,225	₩ 15,504,194

13. OTHER LIABILITIES:

(1) Other liabilities as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Accounts payable	₩ 7,136,074	₩ 5,341,267
Accrued expenses	633,018	965,113
Unearned revenues	74,279	100,079
Guarantee money received	147,466	161,468
Accrued payable foreign exchange	265,464	204,441
Deferred income tax liabilities (see Note 21)	202,383	89,522
Derivatives instruments liabilities (see Note 17)	1,506,624	4,561,680
Due to trust accounts	902,952	965,746
Accrued severance benefits	316,251	291,933
Pension benefits payables	4,580	4,524
Less: Asset under management of pension benefits	(3,238)	(2,925)
Less: Funds converted to National Pension	(597)	(684)
Less: Due to retirement insurance	(250,733)	(228,630)
Liability reserve for acceptances and guarantees	81,115	57,601
Liability reserve for unused credit limit	168,950	163,194
Allowance for other liabilities	143,630	130,537
Sundry liabilities	1,733,934	1,597,606
	₩ 13,062,152	₩ 14,402,472

(2) Accrued severance benefits

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

Classification	2009	2008
Beginning	₩ 291,933	₩ 263,806
Provision ^{(*)1}	59,347	44,978
Payment ^{(*)2}	(34,537)	(18,179)
Foreign currencies translation	(492)	1,328
	316,251	291,933
Pension benefits payables	4,580	4,524
Assets under management of pension benefits	(3,238)	(2,925)
Funds converted to National Pension	(597)	(684)
Due to retirement insurance	(250,733)	(228,630)
	₩ 66,263	₩ 64,218

(*)1 The difference from severance benefits in the statements of income amounting to ₩379 million and ₩1,923 million for the years ended December 31, 2009 and 2008, respectively, was provision on accounts payable of severance pension.

(*)2 The payment of severance benefits amounting to ₩108 million and ₩143 million as of December 31, 2009 and 2008, respectively, was accounted as accounts payable.

As of December 31, 2009, parts of severance benefits were contributed to pension funds of Samsung Life Insurance Co., Ltd.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

As of December 31, 2009, the assets under management of pension benefits were as follows (Unit: In millions):

Classification	Percentage (%)
Cash and due from banks	28.09
Securities	71.91
	100.00

(3) Liability reserve for acceptances and guarantee

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

Classification	2009	2008
Confirmed acceptances and guarantees in Won:		
Payment guarantee for issuance of debentures	₩ 6,630	₩ 4,478
Payment guarantee for loans	63,425	93,214
Others	1,715,378	741,618
	1,785,433	839,310
Confirmed acceptances and guarantees in foreign currencies:		
Acceptances on letters of credit	697,245	391,055
Acceptances for letters of guarantee for importers	102,366	52,841
Others	6,972,633	6,151,523
	7,772,244	6,595,419
Unconfirmed acceptances and guarantees:		
Letters of credit	3,853,599	3,781,918
Others	317,495	314,203
	4,171,094	4,096,121
Bills endorsed (see Note 17)	55,992	63,533
	₩ 13,784,763	₩ 11,594,383

2) The classification of asset quality for acceptances and guarantees and liability reserve for acceptances and guarantees as of December 31, 2009 and 2008 were as follows (Unit: In millions):

<2009>

Classification	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total	Liability reserve for acceptances and guarantees
Confirmed acceptances	₩ 9,519,396	₩ 16,132	₩ 14,682	₩ 6,420	₩ 1,047	₩ 9,557,677	₩ 71,677
Unconfirmed acceptances	4,153,686	12,172	2,906	2,208	122	4,171,094	8,962
Bills endorsed	55,992	-	-	-	-	55,992	476
	₩ 13,729,074	₩ 28,304	₩ 17,588	₩ 8,628	₩ 1,169	₩ 13,784,763	₩ 81,115

<2008>

Classification	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total	Liability reserve for acceptances and guarantees
Confirmed acceptances	₩ 7,423,853	₩ 6,763	₩ 940	₩ 2,465	₩ 708	₩ 7,434,729	₩ 48,698
Unconfirmed acceptances	4,078,889	17,136	20	70	6	4,096,121	8,363
Bills endorsed	63,533	-	-	-	-	63,533	540
	₩ 11,566,275	₩ 23,899	₩ 960	₩ 2,535	₩ 714	₩ 11,594,383	₩ 57,601

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

3) Acceptances and guarantees, by industry, except for the portion of overseas branches as of December 31, 2009 and 2008 were as follows
(Unit: In millions):

<2009>

By industry	Amount		Percentage (%)
Manufacturing	₩	5,458,193	60.69
Construction		1,577,322	17.53
Wholesale/retail		675,814	7.51
Science and technology service		347,609	3.86
Electricity, gas and water supply		244,686	2.72
Others		691,856	7.69
		8,995,480	100.00
Confirmed acceptance and guarantees in overseas branches		562,197	
	₩	9,557,677	

<2008>

By industry	Amount		Percentage (%)
Manufacturing	₩	3,855,445	56.28
Construction		1,278,689	18.66
Wholesale/retail		465,165	6.79
Finance and insurance		362,640	5.29
Electricity, gas and water supply		292,578	4.27
Others		596,281	8.71
		6,850,798	100.00
Confirmed acceptance and guarantees in overseas branches		583,931	
	₩	7,434,729	

4) Confirmed acceptances and guarantees in foreign currencies, by country, as of December 31, 2009 and 2008 were as follows
(Unit: In thousands of U.S. Dollars, in millions of Won):

<2009>

By country	Confirmed acceptances and guarantees in foreign currencies ^(*)	Translation into Won		Percentage (%)
Korea	\$ 6,268,012	₩	7,318,531	94.16
USA	94,952		110,866	1.43
France	79,371		92,674	1.19
Taiwan	45,279		52,868	0.68
United Kingdom	45,274		52,862	0.68
Others	123,709		144,443	1.86
	\$ 6,656,597	₩	7,772,244	100.00

(*) Foreign currencies other than U.S. Dollars were converted into U.S. Dollars at the basic rates of exchange at the date of the statement of financial position.

<2008>

By country	Confirmed acceptances and guarantees in foreign currencies ^(*)	Translation into Won		Percentage (%)
Korea	\$ 4,755,284	₩	5,979,771	90.67
USA	106,869		134,387	2.04
France	75,122		94,466	1.43
United Kingdom	51,553		64,828	0.98
Germany	46,559		58,548	0.89
Others	209,479		263,419	3.99
	\$ 5,244,866	₩	6,595,419	100.00

(*) Foreign currencies other than U.S. Dollars were converted into U.S. Dollars at the basic rates of exchange at the date of the statement of financial position.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

5) The percentage of liability reserve for acceptances and guarantees as of December 31, 2009, 2008 and 2007 was as follows
(Unit: In millions):

Classification	2009	2008	2007
Acceptances and guarantees	₩ 13,784,763	₩ 11,594,383	₩ 10,066,666
Liability reserve	81,115	57,601	55,179
Percentage (%)	0.59	0.50	0.55

(4) Liability reserve for unused credit limit

The calculation of liability reserve for unused credit limit as of December 31, 2009 and 2008 was as follows (Unit: In millions):

<2009>

Classification	Limit (a)	Balance (b)	Allowance (c) = (a-b) x credit conversion factor	Liability reserve for unused credit limit (d)
Card loans	₩ 13,678,773	₩ 1,961,693	₩ 5,858,405	₩ 89,194
Loans to enterprise ^(*)	77,680,701	43,461,439	8,980,356	94,578
Loans to household	3,482,773	1,421,990	415,635	4,156
Loans to public and others	10,638	2,374	1,653	14
	₩ 94,852,885	₩ 46,847,496	₩ 15,256,049	187,942
Merchant Banking Account ^(*)				(18,992)
Liability reserve for unused credit limit				₩ 168,950

(*) Unused credit limit of merchant banking account was included.

(*) It was included in other liabilities of merchant banking account [see Note 14(3)].

<2008>

Classification	Limit (a)	Balance (b)	Allowance (c) = (a-b) x credit conversion factor	Liability reserve for unused credit limit (d)
Card loans	₩ 14,211,031	₩ 2,081,747	₩ 6,064,418	₩ 93,162
Loans to enterprise ^(*)	76,503,742	42,880,868	9,544,473	84,807
Loans to household	3,634,249	1,595,976	410,084	4,101
Loans to public and others	11,740	3,463	1,865	16
	₩ 94,360,762	₩ 46,562,054	₩ 16,020,840	182,086
Merchant Banking Account ^(*)				(18,892)
Liability reserve for unused credit limit				₩ 163,194

(*) Unused credit limit of merchant banking account was included.

(*) It was included in other liabilities of merchant banking account [see Note 14(3)].

(5) Allowance for other liabilities

Allowance for other liabilities as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Reserve for money-back point & yes-point	₩ 27,704	₩ 25,129
Reserve for litigation [see Note 17]	14,268	9,017
Reserve for employees' accident ^(*)	1,700	2,047
Compensation to customers related to Won & Yen swap ^(*)	-	15,962
Provision for severance and early retirement benefits ^(*)	12,894	16,464
Reserve for derivatives assets and others ^(*)	82,865	56,153
Others	4,199	5,765
	₩ 143,630	₩ 130,537

(*) Provision was made for 6 suspense payments, which occurred in connection with employees' illegal act such as embezzlement.

(*) The Bank reversed the allowance that was reserved at the end of prior year because the Bank won administrative litigation at the first trial in June 2009.

(*) The Bank reserved the provision for severance and early retirement benefits that is expected to be paid for voluntary retirees who have worked for more than 15 years and are more than 40 years old.

(*) The Bank reserved the allowance for possible derivatives losses for currency options and others.

(*) The Bank additionally reserved ₩8,348 million for the receivables of bond sold under repurchase agreements and others.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(6) Sundry liabilities

Sundry liabilities as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Suspense receipt	₩ 22,468	₩ 32,955
Withholding taxes	28,433	36,921
Agency business accounts	92,940	90,848
Agency	856,635	798,615
Credit control deposits	942	577
Guarantee deposits for securities subscription	16,921	16,481
Domestic exchange settlements credits	713,256	607,928
Domestic remittance payable	1,817	12,655
Others	522	626
	₩ 1,733,934	₩ 1,597,606

14. MERCHANT BANKING ACCOUNT LIABILITIES:

(1) Merchant banking accounts liabilities as of December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Deposits	₩ 1,277,149	₩ 3,464,502
Other liabilities	22,419	31,115
	₩ 1,299,568	₩ 3,495,617

(2) Deposits as of December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	Annual interest rate (%) Dec. 31, 2009	2009	2008
Notes payable ^(*)	2.00~2.70	₩ 1,069,234	₩ 3,265,838
Due to CMA	1.90~2.10	207,915	198,664
		₩ 1,277,149	₩ 3,464,502

(*) Notes payable matures within a maximum of one year from the date of issue and bears interest at variable rates according to market conditions and note terms.

(3) Other liabilities as of December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Accrued expenses	₩ 695	₩ 1,716
Unearned income	2,732	10,507
Liability reserve for unused credit limit [see Note 13(4)]	18,992	18,892
	₩ 22,419	₩ 31,115

(4) Operating expenses of merchant banking accounts for the years ended December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Interest expenses	₩ 45,594	₩ 152,626
Provision for possible loan losses	-	5,323
Transfer to reserve for unused credit limit	100	2,051
	₩ 45,694	₩ 160,000

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

15. SHAREHOLDERS' EQUITY:

(1) Capital stock

Capital stock as of December 31, 2009 and 2008 was as follows (Unit: in Won, shares):

Classification	2009	2008
Shares authorized	1,000,000,000	1,000,000,000
Per share	₩ 5,000	₩ 5,000
Shares issued	644,906,826	644,906,826
Common stocks	₩ 3,224,534 million	₩ 3,224,534 million

(2) Capital surplus

The amount of capital surplus as of December 31, 2009 and 2008 was transferred from stock option (accounted for as capital adjustment) since it lapsed as it was not exercised.

(3) Capital adjustments

Changes in capital adjustments for the year ended December 31, 2009 were as follows (Unit: In millions):

	Beginning	Increase	Decrease ^(*)	Ending
Other capital adjustments	₩ (4,425)	₩ -	₩ 4,425	₩ -

(*) The Bank derecognized the negative capital adjustments through its retained earnings.

(4) Accumulated other comprehensive income

The changes in accumulated other comprehensive income for the year ended December 31, 2009 were as follows (Unit: In millions):

Classification	Beginning	Changes	Disposal	Deferred income tax	Ending
Gain (loss) on valuation of available-for-sale securities	₩ 310,784	₩ 764,090	₩ (141,202)	₩ (136,793)	₩ 796,879
Gain (loss) on valuation of held-to-maturity securities	(319)	220	168	(85)	(16)
Gain (loss) on valuation of securities using the equity method	3,689	1,162	-	(256)	4,595
Gain (loss) on valuation of negative securities using the equity method	(290)	359	-	(79)	(10)
Gain on revaluation of tangible assets	435,337	-	(4,140)	911	432,108
	₩ 749,201	₩ 765,831	₩ (145,174)	₩ (136,302)	₩ 1,233,556

(5) Statements of comprehensive income

Comprehensive income consists of all changes in equity during a period from transactions and other events except those resulting from investments by owners and distributions to owners. Comprehensive income for the years ended December 31, 2009 and 2008 was as follows (Unit: In millions):

Classification	2009	2008
Net income	₩ 891,737	₩ 782,618
Effect of exchange rate fluctuation and others	(4,170)	19,820
Effect of equity in earnings and others	-	1,233
Other comprehensive income (loss):		
Gain (loss) on valuation of available-for-sale securities	622,888	(1,105,621)
Gain on valuation of held-to-maturity securities, net	388	92
Gain on valuation of securities using the equity method, net	1,162	4,729
Gain (loss) on valuation of negative securities using the equity method	359	(41)
Gain (loss) on revaluation of tangible assets	(4,140)	558,124
Less: Effect of income tax	(136,302)	201,903
Comprehensive income	₩ 1,371,922	₩ 462,857

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(6) Appropriated retained earnings

Appropriated retained earnings as of December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Legal reserve ^{(*)1}	₩ 370,900	₩ 292,600
Other reserves ^{(*)2}	53,291	59,218
	₩ 424,191	₩ 351,818

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

(*2) Relevant Japanese regulations require the Bank's overseas branches located in Japan to appropriate a minimum of 10 percent of annual income after income tax as a legal reserve, until such reserve equals ¥2,000 million. This reserve is not available for the payment of cash dividends and may be utilized upon liquidation of the Japanese branches. In addition, Singapore and Hanoi branches' statutory reserves are included in other statutory reserves.

16. SHARE-BASED PAYMENT:

(1) Stock options

The details of the stock options as of December 31, 2009 were as follows (Unit: share, in Won):

Grant date	Stock option granted	Stock option expired to date ^{(*)2}	Stock option exercised	Stock option outstanding	Exercise price	Exercise period
Mar. 31, 2003 ^{(*)1}	101,401	(21,348)	(80,053)	-	₩ 13,266	Apr. 1, 2006 ~ Mar. 31, 2009
Sep. 4, 2003 ^{(*)1}	53,369	(53,369)	-	-	15,533	Sep. 5, 2006 ~ Sep. 4, 2009
Feb. 13, 2004	2,390,000	(962,490)	(1,427,510)	-	7,000	Feb. 14, 2006 ~ Feb. 13, 2009
Mar. 7, 2005	1,355,000	(344,895)	(748,805)	261,300	8,800	Mar. 8, 2007 ~ Mar. 7, 2010
Jun. 29, 2005	200,000	(63,230)	(92,480)	44,290	9,000	Jun. 30, 2007 ~ Jun. 29, 2010
Mar. 7, 2006	400,000	(112,690)	-	287,310	13,300	Mar. 8, 2008 ~ Mar. 7, 2011
Aug. 1, 2006	200,000	(42,000)	(31,600)	126,400	11,900	Aug. 2, 2008 ~ Aug. 1, 2011
Mar. 8, 2007	1,090,000	(543,900)	-	546,100	13,900	Mar. 9, 2009 ~ Mar. 8, 2012
Mar. 29, 2007	630,000	(340,390)	-	289,610	14,500	Mar. 30, 2009 ~ Mar. 29, 2012
Aug. 10, 2007	380,000	(175,990)	-	204,010	13,900	Aug. 11, 2009 ~ Aug. 10, 2012
Mar. 11, 2008	510,000	(300,130)	-	209,870	13,000	Mar. 12, 2010 ~ Mar. 11, 2013
Aug. 1, 2008	180,000	(105,486)	-	74,514	13,500	Aug. 2, 2010 ~ Aug. 1, 2013
Mar. 12, 2009	490,000	(28,666)	-	461,334	5,800	Mar. 13, 2011 ~ Mar. 12, 2016
Mar. 31, 2009 ^{(*)3}	900,000	(60,000)	-	840,000	7,300	Apr. 1, 2011 ~ Mar. 31, 2016
Mar. 31, 2009	85,000	(8,500)	-	76,500	6,300	Apr. 1, 2011 ~ Mar. 31, 2016
Aug. 4, 2009	470,000	(32,833)	-	437,167	10,900	Aug. 5, 2011 ~ Aug. 4, 2016
	9,434,770	(3,195,917)	(2,380,448)	3,858,405		

(*1) Granted from KEBCS prior to the merger with the Bank. Exercise price per share and the shares outstanding were adjusted based on the merger ratio.

(*2) Actual number of stock options that have expired as a result of retirement or business performance.

The expected number of stock options that will expire as a result of business performance and others is considered together with the actual number of expired stock options when calculating the stock compensation cost.

(*3) The exercise price was adjusted from ₩6,300 to ₩7,300 in accordance with the resolution of the board of directors.

When the stock options are exercised, the Bank has the option to settle either through issuance of new shares or treasury stock, or through payment of cash equivalent to the difference between the market price and the exercise price. The number of exercisable stock option is determined in accordance with the management performance and the calculation criteria of the number of exercisable shares.

The intrinsic value of compensation cost granted before December 31, 2006 is the difference between the market price and the exercise price pursuant to Interpretations on SKAS No. 39-35 - *Accounting for Stock Options*, and the fair value of compensation cost granted after January 1, 2007, is estimated by option pricing models pursuant to SKAS No. 22 - *Share-Based Payment*. As a result, the pricing models of stock option of the Bank are categorized as the intrinsic value pricing model and the fair value pricing model. The details of these models as of December 31, 2009 were as follows (Unit: In Won):

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KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

<Intrinsic value pricing model>					
Grant date	Market price ^(*)		Exercise price		Intrinsic value
Mar. 7, 2005	₩	14,222	₩	8,800	₩ 5,422
Jun. 29, 2005		14,222		9,000	5,222
Mar. 7, 2006		14,222		13,300	922
Aug. 1, 2006		14,222		11,900	2,322

(*) Compensation price is measured as average price among the averages for two months, for a month and for a week's stock prices in accordance with the Bank's pricing method.

<Fair value pricing model: Black-Scholes Model>

Grant date	Risk free rate (%)	Expected exercise period (year) ^{(*)1}	Volatility of the underlying stock price (%) ^{(*)2}	Expected dividend rate (%) ^{(*)3}	Exercised price	Fair value
Mar. 8, 2007	3.60	4.09	68.22	4.86	₩ 13,900	₩ 4,205
Mar. 29, 2007	3.63	4.09	66.71	4.86	14,500	3,989
Aug. 10, 2007	3.80	4.09	63.89	4.86	13,900	4,416
Mar. 11, 2008	4.07	4.09	56.72	4.86	13,000	4,703
Aug. 1, 2008	4.26	4.09	53.00	4.86	13,500	4,503
Mar. 12, 2009	4.95	6.09	43.68	4.86	5,800	7,391
Mar. 31, 2009	4.95	6.09	41.77	4.86	7,300	6,577
Mar. 31, 2009	4.95	6.09	41.77	4.86	6,300	7,054
Aug. 4, 2009	4.98	6.09	42.43	4.86	10,900	5,252

(*)1 The expected exercise period is measured based on the possibility of exercise of the right in the past.

(*)2 The volatility of the underlying stock price is measured based on the data in the past.

(*)3 The expected dividend rate is measured based on the average in 2006, 2007 and 2008.

The changes in long-term accrued expenses recognized for stock option for the year ended December 31, 2009 were as follows (Unit: In millions):

	Beginning balance	Increase	Decrease ^(*)	Ending balance
Long-term accrued expenses	₩ 319	₩ 12,798	₩ [2,091]	₩ 11,026

(*) The decrease amounting to ₩60 million was recognized for accounts payable.

(2) The equity linked special incentive (Rose bonus)

The Bank granted the equity linked special incentive to employees for the purpose of motivation to improve long-term performance. The equity linked special incentive as of December 31, 2009 was as follows (Unit: share, in Won):

Grant date	Stock option granted	Stock option expired to date	Stock option exercised ^(*)	Stock option outstanding	Exercise price	Exercise period
Jul. 15, 2005	3,024,400	[55,206]	[2,895,694]	73,500	₩ -	Jul. 15, 2007 ~ Jul. 14, 2010
Dec. 21, 2006	1,496,510	[32,048]	[1,156,432]	308,030	-	Dec. 21, 2008 ~ Dec. 20, 2011
Dec. 12, 2007	614,800	[21,304]	[25,136]	568,360	-	Dec. 12, 2009 ~ Dec. 11, 2012
Dec. 11, 2009	1,353,240	[1,941]	[69]	1,351,230	-	Dec. 11, 2009 ~ Dec. 10, 2014
	6,488,950	[110,499]	[4,077,331]	2,301,120		

(*) It can be exercised if an employee resigned within two years except for death, retirement age, position change and other cases imputable to an employee.

The equity linked special incentive is cash settlement transaction. It can be exercised from two years after grant date for three years.

The intrinsic value of "Rose bonus" granted before December 31, 2006 is the difference between the market price and the exercise price pursuant to Interpretations on SKAS No. 39-35 - *Accounting for Stock Options*, and the fair value of "Rose bonus" granted after January 1, 2007, is estimated by option pricing models pursuant to SKAS No. 22 - *Share-Based Payment*. As a result, the pricing models of stock option of the Bank are categorized as the intrinsic value pricing model and the fair value pricing model. The details of these models as of December 31, 2009 were as follows (Unit: In Won):

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

<Intrinsic value pricing model>

Grant date	Rose price ^(*)	Exercise price	Intrinsic value
Jul. 15, 2005	₩ 15,800	₩ -	₩ 15,800
Dec. 21, 2006	₩ 15,800	₩ -	₩ 15,800

(*) The Rose price is measured as weighted average price (7:5) of the average stock price for previous five days and net asset value of most recent quarterly settlement as of the last day of the previous month of December 31, 2009.

<Fair value pricing model – Binomial Model>

Grant date	Risk free rate (%)	Expected exercise period (year)	Volatility of the underlying stock price (%) ^{(*)1}	Expected dividend rate (%) ^{(*)2}	Exercised price	Fair value ^{(*)3}
Dec. 12, 2007 ^{(*)4}	-	2	-	-	₩ -	₩ 15,800
Dec. 11, 2009	3.92	2	57.61	-	-	₩ 16,000

(*)1 The volatility of the underlying stock price is measured based on the volatility in the past.

(*)2 The expected dividend rate is zero, since a grantee of “Rose bonus” has the right to be provided with dividends from grant date to excise date.

(*)3 If the option price was “zero” without any other condition, the fair value and the intrinsic value should be the same. However, since Rose Price is calculated using the upper and lowest limit, they are not consistent.

(*)4 Risk free rate and estimated stock price variability would be “zero” with expiration. Therefore, the Bank estimated the intrinsic value as the fair value.

The changes in long-term accrued expenses recognized for “Rose bonus” for the year ended December 31, 2009 were as follows

(Unit: In millions):

	Beginning balance	Increase	Decrease	Ending balance
Long-term accrued expenses	₩ 19,153	₩ 9,748	₩ [13,300]	₩ 15,601

17. CONTINGENCIES AND MAJOR CONTRACTS:

(1) Derivative Instruments

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

Type ^(*)	2009			2008		
	Trading	Hedge	Total	Trading	Hedge	Total
Currency:						
Currency forwards	₩ 38,504,715	₩ -	₩ 38,504,715	₩ 36,046,100	₩ -	₩ 36,046,100
Currency futures	1,612,152	-	1,612,152	1,197,281	-	1,197,281
Currency swaps	8,323,470	-	8,323,470	10,447,110	-	10,447,110
Currency options purchased	2,372,032	-	2,372,032	5,598,417	-	5,598,417
Currency options sold	2,054,884	-	2,054,884	5,931,865	-	5,931,865
	52,867,253	-	52,867,253	59,220,773	-	59,220,773
Interest rate:						
Interest rate futures	1,437,266	-	1,437,266	3,232,411	-	3,232,411
Interest rate swaps	50,652,501	433,180	51,085,681	36,980,167	578,450	37,558,617
	52,089,767	433,180	52,522,947	40,212,578	578,450	40,791,028
Index:						
Stock index futures	6,898	-	6,898	3,893	-	3,893
Stock index option purchased	2,450	-	2,450	-	-	-
Stock index option sold	33,741	-	33,741	48,155	-	48,155
	43,089	-	43,089	52,048	-	52,048
Credit:						
Credit derivatives purchased	-	-	-	35,000	-	35,000
Credit derivatives sold	33,484	-	33,484	-	-	-
	33,484	-	33,484	35,000	-	35,000
	₩105,033,593	₩ 433,180	₩105,466,773	₩ 99,520,399	₩ 578,450	₩100,098,849

(*) For transaction between Won and foreign currencies, unsettled amount of transaction is presented using the basic foreign exchange rate based on the contract amount in foreign currencies. For transaction between foreign currencies and foreign currencies, unsettled amount is presented using the basic foreign exchange rate based on foreign currencies purchased at the date of the statement of financial position.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

The details of derivatives as of December 31, 2009 and the valuation of derivatives for the year ended December 31, 2009 were as follows
(Unit: In millions):

Type	Statement of income						Statement of financial position	
	Trading		Hedging		Total		Assets	Liabilities
	Gain on valuation	Loss on valuation	Gain on valuation	Loss on valuation	Gain on valuation	Loss on valuation		
Currency:								
Currency forwards	₩ 415,888	₩ 445,320	₩ -	₩ -	₩ 415,888	₩ 445,320	₩ 868,186	₩ 362,642
Currency swaps	349,525	162,319	-	-	349,525	162,319	327,192	638,964
Currency options purchased	11,753	44,624	-	-	11,753	44,624	98,345	-
Currency options sold	27,051	4,757	-	-	27,051	4,757	-	56,226
	804,217	657,020	-	-	804,217	657,020	1,293,723	1,057,832
Interest:								
Interest rate swaps	369,147	305,586	2,299	7,246	371,446	312,832	305,452	433,280
Index:								
Stock index option purchased	660	-	-	-	660	-	788	-
Stock index option sold	176	4,231	-	-	176	4,231	-	15,512
	836	4,231	-	-	836	4,231	788	15,512
Credit:								
Credit derivatives sold	25	-	-	-	25	-	25	-
	₩1,174,225	₩ 966,837	₩ 2,299	₩ 7,246	₩ 1,176,524	₩ 974,083	₩ 1,599,988	₩ 1,506,624

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

The Bank holds derivative instruments accounted for as fair value hedges applied to securities and debentures. The Bank recognized ₩1,904 million of losses on valuation of derivatives of securities and ₩6,438 million of gains on valuation of derivatives of debentures [see Note 12(6)] for the year ended December 31, 2009. In addition, the interest rate swap covers the fair value changes of the hedged items resulted from the fluctuation in interest rate.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

The details of derivatives as of December 31, 2008 and the valuation of derivatives for the year ended December 31, 2008 were as follows (Unit: In millions):

Type	Statement of income						Statement of financial position	
	Trading		Hedging		Total		Assets	Liabilities
	Gain on valuation	Loss on valuation	Gain on valuation	Loss on valuation	Gain on valuation	Loss on valuation		
Currency:								
Currency forwards	₩2,751,439	₩ 1,747,945	₩ -	₩ -	₩ 2,751,439	₩ 1,747,945	₩ 2,775,886	₩ 1,755,534
Currency swaps	539,639	1,420,104	-	-	539,639	1,420,104	522,685	1,367,230
Currency options purchased	648,772	22,393	-	-	648,772	22,393	761,153	-
Currency options sold	25,071	484,396	-	-	25,071	484,396	-	624,508
	3,964,921	3,674,838	-	-	3,964,921	3,674,838	4,059,724	3,747,272
Interest:								
Interest rate swaps	646,709	816,619	12,328	7,818	659,037	824,437	612,650	802,683
Index:								
Stock index option purchased	-	-	-	-	-	-	-	-
Stock index option sold	7,999	1,980	-	-	7,999	1,980	-	11,725
	7,999	1,980	-	-	7,999	1,980	-	11,725
Credit:								
Credit derivatives sold	1,556	-	-	-	1,556	-	1,800	-
	1,556	-	-	-	1,556	-	1,800	-
	₩4,621,185	₩ 4,493,437	₩ 12,328	₩ 7,818	₩ 4,633,513	₩ 4,501,255	₩ 4,674,174	₩ 4,561,680

The Bank holds derivative instruments accounted for as fair value hedges applied to securities and debentures. The Bank recognized ₩7,852 million of gains on valuation of derivatives of securities and ₩12,328 million of losses on valuation of derivatives of debentures for the year ended December 31, 2008. In addition, the interest rate swap covers the fair value changes of the hedged items resulted from the fluctuation in interest rate and foreign exchange rate.

(2) The Bank holds written-off loans, of which the claim for borrowers and guarantors have not been terminated, amounting to ₩1,683,663 million and ₩1,416,543 million as of December 31, 2009 and 2008, respectively.

(3) Endorsed notes with collateral amounted to ₩55,992 million and ₩63,533 million as of December 31, 2009 and 2008, respectively. Endorsed notes without collateral held at the merchant banking account amount to ₩7,467,939 million and ₩9,450,454 million as of December 31, 2009 and 2008, respectively.

(4) The Bank is obliged to repurchase some of the loans previously sold to the Korea Asset Management Corporation ("KAMCO") under certain conditions including the following:

- When it is considered impossible to collect the loans and interest due to delay in repayment of loans and interest over six months.
- When it is considered impossible to collect the loans and interest due to the abrogation of court-receivership process and the cancellation of mediation.

As of December 31, 2009, KAMCO and other loan purchasers may exercise the resale option for loans amounting to ₩1,459 million. An additional loss or profit may occur, depending on the loan classification on valuation of loans or final arrangement on loans when KAMCO and other loan purchasers exercise their repurchase agreement.

(5) Loans sold to asset backed securitization (ABS) (Unit: In millions)

Classification	Date	Value of loans	Sale price	Subordinated debentures ^(*)
KEB 16th Securitization Specialty Co., Ltd.	Jun. 24, 2008	₩ 105,206	₩ 77,000	₩ -
KEB 17th Securitization Specialty Co., Ltd. ^(*)	Dec. 28, 2009	110,402	79,000	27,915

(*) The subordinated debentures are included in sale price.

(*) The loss on disposal of loan of ₩21,779 million was recognized (see Note 5).

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(6) The Bank has pending litigation as plaintiff or defendant in various legal actions arising from the normal course of operation. The aggregate amounts of these claims brought by and against the Bank were approximately ₩283,601 million (1,844 cases) and ₩453,604 million (144 cases), respectively, as of December 31, 2009. The Bank recognized ₩14,268 million of provisions related to these lawsuits [see Note 13(5)].

The list of major cases of on-going litigation related to contingency was as follows:

Type	Plaintiff/defendant	Amount	Content	Progress
Sued	Saehan Merchant Banking Corporation and others	₩ 10,679	Indemnity receivables claim	Winning the case in the first and second trial, pending in the third trial
Sued	Lim Asia Multi-Strategy fund Inc.	7,996	Money collected claim	Losing the case in the first trial, pending in the second trial

In addition, Olympus Capital KEB Cards Ltd. and others ("the applicants") ask for arbitration of compensation of US\$300 million against the Bank and 5 companies related to Lone Star ("the Banks") through the Court of International Arbitration. The applicants argue that the Banks violated the obligation of shareholders' contract (on December 1, 1999) so the contract of shares transference (on November 20, 2003) is invalid. The result of the arbitration is presently unpredictable.

The Bank believes that the outcome of these matters will not have a material impact to the Bank's financial position or operations.

(7) Loans to companies under workout program

The loans to companies under court receivership or workout program amounted to ₩2,585,693 million as of December 31, 2009. Actual loss on these loans can be different from the Bank's estimation.

(8) Debt to equity swap of Hynix Semiconductor Inc.

The Bank's outstanding loans (including acceptances and guarantees) and available-for-sale securities convertible to equity securities with respect to Hynix Semiconductor Inc. ("Hynix") as of December 31, 2009 amounted to ₩465,945 million and ₩789,147 million, respectively. As of December 31, 2009, the Bank's loans for Hynix are classified as normal. Joint control procedure for Hynix Semiconductor Inc. was completed on July 12, 2005. Also, the Bank's 37,742 thousand shares of Hynix are restricted for sale until completion of M&A and the gain on valuation of available-for-sale securities amounting to ₩423,836 million is accounted as other comprehensive income as of December 31, 2009.

(9) Debt to equity swap of Hyundai Engineering & Construction Co., Ltd.

As of December 31, 2009, the Bank has loans (including acceptances and guarantees) of ₩611,499 million and available-for-sale securities of ₩633,010 million with respect to Hyundai Engineering & Construction Co., Ltd. and the Bank's loans for Hyundai Engineering & Construction Co., Ltd. are classified as normal. The Bank has 9,715 thousand shares of Hyundai Engineering & Construction Co., Ltd., which are restricted for sale until completion of M&A of Hyundai Engineering & Construction Co., Ltd. With regards to these securities, the gain on valuation of available-for-sale securities amounting to ₩355,078 million is accounted as other comprehensive income as of December 31, 2009.

(10) Commitments related to credit card business

The Bank has entered into trademark license (membership) agreements with VISA Worldwide Pte. Limited in 2008, of which the rights have been transferred from VISA International Service Association and Master Card International Incorporated in 1993, and JCB International Service Association in 1997. The Bank pays and receives certain amounts of fees and commissions in connection to the income and expense incurred pertaining to these agreements.

The Bank has entered into credit card affinity agreements with KDB Capital, and the Bank allocates the fee income related to the credit card affinities at a fixed rate.

(11) Indemnification obligations regarding the share subscription agreement by and between the Bank and the LSF-KEB Holdings, SCA

The Bank shall indemnify LSF-KEB Holdings, SCA for all purchaser losses ⁽¹⁾ and pay for damages resulting from any breach by the Bank of any of the Bank's covenants ⁽²⁾ in the Share Subscription Agreement. The Bank's indemnification obligations are as follows:

Duration of indemnification obligations are as follows:

- Purchaser losses, excluding those mentioned below, may be indemnified until 18 months from the Closing Date ⁽³⁾.
- Purchaser losses arising as a result of fraud or intentional misrepresentation by the Bank may be indemnified at the Closing Date and continue to be in full force and effective until three years from the Closing Date.
- Purchaser losses related to tax matters may be indemnified at the Closing Date and continue to be in full force effective until five years from the Closing Date.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

The Bank's indemnification obligations expire after the duration periods stated above. However, if the Bank receives written claims from Lone Star before the expiration of the durations, regardless of the durations stated above, the Bank's indemnification obligations continue to be in force and effective until the related matter are brought to satisfactory settlement.

The Bank has no indemnification obligation for claims less than ₩100 million. The Bank's indemnification obligation applies to claims exceeding ₩15,000 million cumulative, and only losses exceeding ₩10,000 million may be indemnified.

The total amount of indemnification obligations cannot exceed the LSF-KEB Holdings, SCA's investments in the Bank.

(*1) Purchase losses means the amount of any and all losses, costs, liabilities, damages, judgments, settlements and expenses that arise out of any breach by the Bank of any of the Bank's representations and warranties contained in the Share Subscription Agreement or any breach by the Bank of any of the Bank's covenants or agreements in the Share Subscription Agreement.

(*2) Covenant means the conditions set forth in the Share Subscription Agreement that the Bank shall comply with the share subscription until the Closing Date.

(*3) Closing Date means the date that the new shares come into effect, and falls on October 31, 2003.

18. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:

Major monetary assets and liabilities denominated in foreign currencies as of December 31, 2009 and 2008 were as follows
(Unit: In thousands of U.S. Dollars, in millions of Won):

Classification	2009		2008	
	USD equivalent ^(*)	Translation into Won	USD equivalent ^(*)	Translation into Won
Assets:				
Cash and due from bank:				
Foreign currencies	\$ 329,355	₩ 384,555	\$ 344,647	₩ 433,393
Due from banks in foreign currencies	1,430,021	1,669,692	3,271,195	4,113,528
Securities:				
Trading securities	39,955	46,650	38,039	47,834
Available-for-sale securities	709,147	828,000	991,087	1,246,292
Held-to-maturity securities	170,205	198,731	402,114	505,659
Securities using the equity method	442,809	517,023	306,240	385,098
Loans:				
Call loans	1,374,137	1,604,443	1,262,083	1,587,069
Domestic import usance bill	2,240,651	2,616,184	2,184,437	2,746,929
Credit card receivables	3,623	4,230	3,134	3,941
Bills bought in foreign currencies	3,422,652	3,996,289	3,538,032	4,449,075
Bills bought in Won	54,770	63,950	38,772	48,755
Loans in foreign currencies	6,751,752	7,883,346	7,191,051	9,042,746
Factoring receivables	41,796	48,800	32,359	40,692
Private placed bonds	87,000	101,581	8,559	10,764
(Reserve for bad debts)	(69,507)	(81,156)	(46,210)	(58,109)
	\$ 17,028,366	₩ 19,882,318	\$ 19,565,539	₩ 24,603,666
Liabilities:				
Deposits:				
Demand deposits in foreign currencies	\$ 4,339,343	₩ 5,066,617	\$ 3,697,305	₩ 4,649,361
Savings deposits in foreign currencies	7,271,574	8,490,290	6,425,777	8,080,415
Borrowings:				
Borrowings in foreign currencies	4,695,444	5,482,401	5,563,893	6,996,595
Call money in foreign currencies	1,189,282	1,388,605	2,178,212	2,739,101
Debentures in foreign currencies	992,827	1,159,225	816,837	1,027,173
Other liabilities:				
Accrued expenses in foreign currencies	227,358	265,464	162,578	204,441
Pension benefit payable	3,923	4,580	3,598	4,524
Asset under management of pension benefits	(2,773)	(3,238)	(2,326)	(2,925)
	\$ 18,716,978	₩ 21,853,944	\$ 18,845,874	₩ 23,698,685

(*) Foreign currencies other than U.S. Dollars were converted into U.S. Dollars at the basic rates of exchange at the date of the statement of financial position.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

19. OPERATING REVENUE AND EXPENSES:

(1) 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, 2009 and 2008 were as follows (Unit: In millions):

<2009>

Classification	Average balance	Interest revenue/expense	Rate of interest (%)
Interest revenue:			
Due from banks ^(*)	₩ 4,070,307	₩ 87,311	2.15
Securities ^(*)	11,882,350	476,298	4.01
Loans	64,263,057	3,896,372	6.06
	₩ 80,215,714	₩ 4,459,981	5.56
Interest expense:			
Deposits	₩ 53,620,633	₩ 1,545,130	2.88
Borrowings	21,462,963	848,822	3.95
	₩ 75,083,596	₩ 2,393,952	3.19

(*) Excluding the average balance of reserve deposits with BOK

(*) Excluding the average balance of stocks and beneficiary certificates

<2008>

Classification	Average balance	Interest revenue/expense	Rate of interest (%)
Interest revenue:			
Due from banks ^(*)	₩ 3,093,929	₩ 121,688	3.93
Securities ^(*)	8,295,368	459,844	5.54
Loans	63,095,756	4,517,574	7.16
	₩ 74,485,053	₩ 5,099,106	6.85
Interest expense:			
Deposits	₩ 47,328,888	₩ 1,780,589	3.76
Borrowings	22,985,511	1,018,046	4.43
	₩ 70,314,399	₩ 2,798,635	3.98

(*) Excluding the average balance of reserve deposits with BOK

(*) Excluding the average balance of stocks and beneficiary certificates

(2) Gain and loss on trading and valuation of derivatives

Details of gain and loss on trading and valuation of derivatives for the years ended December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Gain:		
Gain on trading of derivatives	₩ 6,038,691	₩ 9,345,319
Gain on valuation of derivatives	1,182,962	4,641,365
	₩ 7,221,653	₩ 13,986,684
Loss:		
Loss on trading of derivatives	₩ 6,893,369	₩ 9,131,538
Loss on valuation of derivatives	975,987	4,513,583
	₩ 7,869,356	₩ 13,645,121

(3) Commission income and expenses

Details of commission income and expenses for the years ended December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Commission income:		
Commission received	₩ 421,096	₩ 467,504
Guarantee fees received	45,425	32,522
Other commission received	914	86
	₩ 467,435	₩ 500,112
Commission expenses:		
Commission paid	81,421	69,989
Other commission paid	197,181	170,995
	₩ 278,602	₩ 240,984

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(4) Dividend income

Details of dividend income for the years ended December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Dividend income from trading securities	₩ 93	₩ 1,111
Dividend income from available-for-sale securities	14,110	74,068
	₩ 14,203	₩ 75,179

(5) Other operating revenue and expenses

Details of other operating revenue and expenses for the years ended December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Other operating revenue:		
Profit on operating trust account	₩ 30,636	₩ 35,299
Reversal of unused credit limit	-	17,220
Operating income of merchant banking accounts	111,080	207,833
Others	-	59
	₩ 141,716	₩ 260,411
Other operating expenses:		
Fund contributions	₩ 161,026	₩ 141,956
Provision for reserve for guarantees	23,793	1,698
Provision for unused credit limit	6,046	-
Provision for other liabilities	43,975	37,778
Operating expenses of merchant banking accounts	45,694	160,000
	₩ 280,534	₩ 341,432

(6) General and administrative expenses

General and administrative expenses for the years ended December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Salaries (see Note 16)	₩ 538,986	₩ 511,979
Expenses for fringe benefits	163,005	148,993
Retirement allowances (see Note 13)	59,726	46,901
Honorary retirement	66,882	3,534
Operating expense	193,209	190,004
Depreciation (see Note 8)	82,912	88,377
Amortization (see Note 9)	32,317	31,044
Taxes	38,231	47,124
Rental	77,015	72,926
Entertainment	8,888	12,830
Advertising	22,230	38,530
	₩ 1,283,401	₩ 1,192,242

20. NON-OPERATING INCOME AND EXPENSES:

Non-operating income and expenses for the years ended December 31, 2009 and 2008 consisted of (In millions):

Classification	2009	2008
Non-operating income:		
Gain on disposal of tangible assets	₩ 2,662	₩ 198
Rental income	2,336	2,367
Gain on securities using the equity method	55,720	58,207
Others	42,661	63,778
	₩ 103,379	₩ 124,550
Non-operating expenses:		
Loss on disposal of tangible assets	₩ 496	₩ 1,883
Loss on securities using the equity method	6,304	27,858
Loss on impairment of tangible assets	-	25,346
Others	28,683	55,803
	₩ 35,483	₩ 110,890

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

21. INCOME TAX EXPENSE (BENEFITS):

(1) The components of income tax expense (benefits) for the years ended December 31, 2009 and 2008 were summarized as follows
(Unit: In millions):

Classification	2009	2008
Income tax currently payable	₩ (110,341)	₩ 228,994
Change in deferred taxes due to temporary differences ^(*)	112,861	(75,430)
Income taxes directly applied to shareholders' equity	(136,302)	202,853
Income tax expense in overseas branch	25,176	28,455
	₩ (108,606)	₩ 384,872
(*)The ending balance of deferred income tax liabilities due to temporary differences	202,383	89,522
The beginning balance of deferred income tax liabilities due to temporary differences	89,522	164,952
Change in deferred taxes due to temporary differences	₩ 112,861	₩ (75,430)

(2) The income tax on income before income tax and reconciling items for the years ended December 31, 2009 and 2008 were as follows
(Units: In millions):

Classification	2009	2008
Income before income tax (①)	₩ 783,131	₩ 1,167,490
Burden of taxation (Current applicable rate: 24.2%, previous applicable rate: 27.5%)	189,494	321,047
Reconciliation items:		
Non-taxable income (₩8,126 million in 2009 and ₩43,919 million in 2008)	(1,966)	(12,077)
Non deducted expense (₩10,559 million in 2009 and ₩28,616 million in 2008)	2,555	7,869
Tax deduction	(17,827)	(8,840)
Additional payment (refund) of income tax	(298,392)	(4,299)
Difference due to tax rate	(7,646)	52,717
Income tax expense in overseas branch	25,176	28,455
Sum of reconciliation items	(298,100)	63,825
Income tax expense (benefits) (②)	₩ (108,606)	₩ 384,872
Effective tax rate (②÷①) ^(*)	-	32.97%

(*) Effective tax rate for the year ended December 31, 2009 is not calculated since the Bank incurred income tax benefits.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(3) Changes in temporary differences for the year ended December 31, 2009, and deferred income tax assets (liabilities) as of December 31, 2009 were as follows (Unit: In millions):

	Taxable (deductible) temporary differences				Deferred income tax assets (liabilities) ^{(*)2}			
	Beginning balance	Decrease	Increase	Ending balance ^{(*)5}	Beginning balance ^{(*)1}	Decrease	Increase	Ending balance
(Deductible temporary differences)								
Accrued income	₩ [82,047]	₩ [82,047]	₩ [7,194]	₩ [7,194]	₩ [19,855]	₩ [19,855]	₩ [1,741]	₩ [1,741]
Gains or losses related to derivatives	[116,840]	[116,840]	[123,690]	[123,690]	[41,138]	[28,275]	[16,665]	[29,528]
Dividend receivables from SPC	[1,283]	[1,283]	-	-	[310]	[310]	-	-
Gains or losses on valuation of trading securities	[8,353]	[11,342]	[72,004]	[69,015]	[1,978]	[2,745]	[16,224]	[15,457]
Gains or losses on valuation of held- to-maturity Securities	[15,417]	[15,108]	[501]	[810]	[3,515]	[3,656]	[351]	[210]
Allowance for other liability ^{(*)3}	312,623	312,622	331,572	331,572	68,348	68,348	72,517	72,517
Liability reserve for guarantees	57,601	57,601	81,115	81,115	12,672	12,672	17,845	17,845
Deferred loan organization fees and costs	44,278	25,840	-	18,438	9,741	6,253	974	4,462
Compensation expense for stock option	319	319	11,026	11,026	70	70	2,426	2,426
Long term accrued expenses	19,152	19,152	15,601	15,601	4,213	4,213	3,432	3,432
Loss on revaluation of tangible assets	25,346	178	71	25,239	5,576	43	20	5,553
Others	425,707	25,017	12,135	412,825	94,526	6,054	3,236	91,708
	661,086	214,110	248,131	695,107	128,350	42,812	65,469	151,007
(Accumulated other comprehensive income) ^{(*)4}								
Gain on valuation of available-for-sale securities	[398,680]	[398,680]	[1,021,568]	[1,021,568]	[87,896]	[87,896]	[224,690]	[224,690]
Loss on valuation of held- to-maturity securities	409	409	21	21	90	90	5	5
Gain on valuation of securities using the equity method	[4,728]	[4,728]	[5,891]	[5,891]	[1,041]	[1,041]	[1,296]	[1,296]
Loss on valuation of securities using the equity method	371	371	12	12	82	82	3	3
Gain on revaluation of tangible assets	[558,124]	[558,124]	[553,984]	[553,984]	[122,787]	[122,787]	[121,876]	[121,876]
	[960,752]	[960,752]	[1,581,410]	[1,581,410]	[211,552]	[211,552]	[347,854]	[347,854]
(Capital surplus due to using equity method) ^{(*)4}								
Other capital surplus	[25,163]	-	-	[25,163]	[5,536]	-	-	[5,536]
	₩ [324,829]	₩ [746,642]	₩ [1,333,279]	₩ [911,466]	₩ [88,738]	₩ [168,740]	₩ [282,385]	₩ [202,383]

(*)1 The difference of retention amounting to ₩3,565 million (₩784 million of the effect of deferred income tax) in the final income tax return for December 31, 2008 was adjusted.

(*)2 The tax rate used for calculating deferred income tax assets and liabilities is expected tax rate applied to the period for which temporary differences are reversed based on settled tax rate at the date of the statement of financial position (24.2% in 2009 and 22% in or after 2010).

(*)3 The allowance for other liabilities recognized due to collusion on foreign exchange commission amounting to ₩1,949 million was excluded from expense and will not be able to be deducted from future's taxable income because it was reported as permanent difference. The Bank didn't recognize it as deferred income tax assets as it fails to meet requirement of deferred tax assets recognition.

(*)4 The deferred income tax assets and liabilities based on accumulated other comprehensive income are added or deducted directly from accumulated other comprehensive income.

(*)5 The estimated period on realization of the temporary differences are as follows (Unit: In millions):

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

	Ending Balance	2009	2010 or after
(Deductible temporary differences)			
Accrued income	₩ (7,194)	₩ (7,194)	₩ -
Gains or losses related to derivatives	(123,690)	(105,271)	(18,419)
Dividend receivable from SPC	-	-	-
Gains or losses on valuation of trading securities	(69,015)	(12,443)	(56,572)
Gains or losses on valuation of held-to-maturity securities	(810)	(1,452)	642
Allowance for other liability	331,572	-	331,572
Liability reserve for guarantees	81,115	-	81,115
Deferred loan organization fees and costs	18,438	18,438	-
Compensation expense for stock option	11,026	-	11,026
Long term accrued expenses	15,601	-	15,601
Loss on revaluation of tangible assets	25,239	-	25,239
Others	412,825	40,322	372,503
	695,107	[67,600]	762,707
(Accumulated other comprehensive income)			
Gain on valuation of available-for-sale securities	(1,021,568)	2,513	(1,024,081)
Loss on valuation of held-to-maturity securities	21	19	2
Gain on valuation of securities using the equity method	(5,891)	-	(5,891)
Loss on valuation of securities using the equity method	12	-	12
Gain on revaluation of tangible assets	(553,984)	-	(553,984)
	(1,581,410)	2,532	(1,583,942)
(Capital surplus due to using equity method)			
Other capital surplus	(25,163)	-	(25,163)
	₩ (911,466)	₩ (65,068)	₩ (846,398)

(4) There was no temporary difference due to deferred income tax liabilities as of December 31, 2009.

(5) Accrued income tax and receivables of prior year's income tax before offset as of December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Refund of prior year's income tax before offset	₩ 27,827	₩ 88,538
Accrued income tax before offset	194,218	179,530
Refund of prior year's income tax (overseas) after offset	1,185	207
Accrued income tax after offset	₩ 167,576	₩ 91,199

22. EARNINGS PER SHARE:

(1) Basic net income per share

Basic income per share is calculated for common stock by dividing net income available to common shareholders by the weighted average number of outstanding common stock. The basic net income per share for the years ended December 31, 2009 and 2008 was as follows (Unit: In millions except per share amounts):

Classification	2009	2008
Net income	₩ 891,737	₩ 782,618
Weighted average number of common shares	644,906,826	644,906,826
Basic net income per share (In currency units)	₩ 1,383	₩ 1,214

Both the weighted average number of outstanding common stock and the number of outstanding common stock are the same because there is no change in the number of outstanding common stock for the years ended December 31, 2009 and 2008.

(2) Diluted net income per share

Diluted net income per share represent diluted net income divided by the number of common shares and diluted securities. There is no diluted security for recent two years. The diluted net income per share; therefore, is the same as net income per share.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

23. SEGMENT INFORMATION:

(1) Operating segments

1) General information of operating segments

The Bank's operating segments were as follows:

Classification	Operation
Consumer	Consumer banking
Corporate	Corporate banking
Foreign	International financial business
Credit card	Credit card operation
Others	Treasury operation of investment in securities (including derivatives), management and others

2) As of and for the years ended December 31, 2009 and 2008, financial information on the Bank's operating segments was as follows

(Unit: In millions):

Classification	2009			2008		
	Income before provision	Loans ^(*)	Securities ^(*)	Income before provision	Loans ^(*)	Securities ^(*)
Consumer	₩ 682,777	₩ 22,617,581	₩ -	₩ 822,469	₩ 21,938,704	₩ -
Corporate	1,022,394	30,345,667	1,170,762	806,864	32,881,037	1,463,152
Foreign	104,495	5,276,500	818,079	97,082	5,689,717	546,100
Credit card	280,688	2,423,245	4,372	222,140	2,441,329	2,652
Others	(531,098)	3,565,471	12,930,635	15,306	4,339,119	11,545,053
	₩ 1,559,256	₩ 64,228,464	₩ 14,923,848	₩ 1,963,861	₩ 67,289,906	₩ 13,556,957

(*1) Allowance for possible loan losses and deferred loan organization fees and costs are not deducted, and loans of merchant banking accounts are included.

(*2) Trading securities of merchant banking accounts are included.

3) Adjustment of income before liabilities reserve

Details of adjustment of income before liabilities reserve for the years ended December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Income before provision	₩ 1,559,256	₩ 1,963,861
Provision for allowance and reserve ^(*)	716,399	(749,470)
Accrued severance benefits	59,726	(46,901)
Income tax expense	(108,606)	(384,872)
Net income	₩ 891,737	₩ 782,618

(*) Liability reserves for (provision of) acceptances and guarantees, unused credit limit and allowance for other liabilities (including merchant banking accounts) are included.

(2) Geographical segments

1) General information of geographical segments

The Bank operates domestic bank for local residents and overseas bank for Korean residents abroad and overseas companies.

2) As of and for the years ended December 31, 2009 and 2008, financial information on the Bank's geographical segments was as follows

(Unit: In millions):

Classification	2009			2008		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Operating revenue	₩ 15,855,572	₩ 532,670	₩ 16,388,242	₩ 22,068,153	₩ 662,337	₩ 22,730,490
Operating income	582,616	132,619	715,235	1,047,019	106,811	1,153,830
Loans ^(*)	58,951,964	5,276,500	64,228,464	61,600,189	5,689,717	67,289,906
Securities ^(*)	14,534,788	389,060	14,923,848	13,010,858	546,099	13,556,957

(*1) Allowance for possible loan losses and deferred loan organization fees and costs are not deducted, and loans of merchant banking accounts are included.

(*2) Trading securities of merchant banking accounts are included.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

24. RELATED PARTY TRANSACTIONS:

(1) The parent company and subsidiaries of the Bank as of December 31, 2009 were as follows:

Company	Relation
LSF-KEB Holdings, SCA	Parent company
KEBC	Subsidiary
KEBF	Subsidiary
KEBIS	Subsidiary
KEBOC	Subsidiary
KEBA	Subsidiary
KEBDAG	Subsidiary
KEBI	Subsidiary
KEBB	Subsidiary
NYFinCo	Subsidiary
LAFinCo	Subsidiary
USAI	Subsidiary
KAF	Subsidiary

(2) Significant balances made in the normal course of business with related parties as of December 31, 2009 and 2008 were summarized as follows (Unit: In millions):

<2009>

Classification	KEBC	KEBF	KEBOC	KEBA	KEBDAG	KEBI	Trust	Other subsidiaries	Total
Assets:									
Due from banks in Won	₩ -	₩ 326	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 326
Due from banks in foreign currencies	-	2,977	1,196	693	22,281	308	-	-	27,455
Trading securities ^{(*)1}	40,000	-	-	-	-	-	-	-	40,000
Loan in Won	36,900	-	-	-	-	-	-	-	36,900
Loans in foreign currencies ^{(*)2}	31,658	-	-	204,890	85,883	-	-	472,180	794,611
Allowance for possible loan losses	(583)	-	-	-	-	-	-	-	(583)
Other assets	61	1	-	927	99	-	-	1,766	2,854
	₩ 108,036	₩ 3,304	₩ 1,196	₩ 206,510	₩ 108,263	₩ 308	₩ -	₩ 473,946	₩ 901,563
Liabilities:									
Deposits in Won	₩ 124	₩ 22	₩ 5,291	₩ 4	₩ -	₩ -	₩ -	₩ -	₩ 5,441
Deposits in foreign currencies	28,723	7,704	-	29,262	28,960	331	-	2,105	97,085
Borrowings in foreign currencies	-	-	-	36,675	129,705	106,540	-	-	272,920
Other liabilities	3,350	-	-	1,560	312	222	133,332	-	138,776
	₩ 32,197	₩ 7,726	₩ 5,291	₩ 67,501	₩ 158,977	₩ 107,093	₩ 133,332	₩ 2,105	₩ 514,222

(*)1 Trading securities of merchant accounts

(*)2 Call loans in foreign currencies were included.

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK [BANKING ACCOUNT] for the years ended December 31, 2009 and 2008

<2008>

Classification	KEBC	KEBF	KEBOC	KEBA	KEBDAG	KEBI	Trust	Other subsidiaries	Total
Assets:									
Due from banks in foreign currencies	₩ -	₩ 3,588	₩ 1,341	₩ 17,138	₩ 16,545	₩ 388	₩ -	₩ -	₩ 39,000
Loan in Won	169,300	-	-	-	-	-	-	-	169,300
Loans in foreign currencies ^(*)	40,125	-	-	274,546	65,331	25,150	-	650,142	1,055,294
Allowance for possible loan losses	(1,780)	-	-	-	-	-	-	-	(1,780)
Other assets	207	2	-	3,172	694	685	-	4,020	8,780
	₩ 207,852	₩ 3,590	₩ 1,341	₩ 294,856	₩ 82,570	₩ 26,223	₩ -	₩ 654,162	₩1,270,594
Liabilities:									
Deposits in Won	₩ 153	₩ 33	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 186
Deposits in foreign currencies	51	4,494	4,483	4	12,945	330	-	955	23,262
Borrowings in foreign currencies	-	-	12,647	17,663	108,904	98,085	-	11,855	249,154
Other liabilities	3,894	344	-	798	910	999	79,151	176	86,272
	₩ 4,098	₩ 4,871	₩ 17,130	₩ 18,465	₩ 122,759	₩ 99,414	₩ 79,151	₩ 12,986	₩ 358,874

(*) Call loans in foreign currencies were included.

[3] Significant transactions with related parties for the years ended December 31, 2009 and 2008 were as follows (Unit: In millions):

<2009>

Classification	KEBC	KEBF	KEBOC	KEBA	KEBDAG	KEBI	Trust	Other subsidiaries	Total
Revenue:									
Interest revenues in Won	₩ 5,766	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 5,766
Interest revenues in foreign currencies	1,956	-	2	5,404	1,735	121	-	10,910	20,128
Commission income in Won	-	181	-	-	-	-	-	-	181
Commission income in foreign currencies	-	-	-	584	130	-	-	-	714
Other revenue	4,106	340	-	2,508	41	-	9,176	-	16,171
	₩ 11,828	₩ 521	₩ 2	₩ 8,496	₩ 1,906	₩ 121	₩ 9,176	₩ 10,910	₩ 42,960
Expenses:									
Interest expenses in Won	₩ -	₩ 41	₩ -	₩ -	₩ -	₩ -	₩ 973	₩ -	₩ 1,014
Interest expenses in foreign currencies	5	7	152	1,531	3,667	1,451	-	135	6,948
Commission expense in Won	-	345	-	-	-	-	-	-	345
Commission expense in foreign currencies	-	109	-	104	-	-	-	112	325
Provision for possible loan losses	(1,197)	-	-	-	-	-	-	-	(1,197)
Other expenses	5,910	-	-	2,258	-	-	-	-	8,168
	₩ 4,718	₩ 502	₩ 152	₩ 3,893	₩ 3,667	₩ 1,451	₩ 973	₩ 247	₩ 15,603

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

<2008>

Classification	KEBC	KEBF	KEBOC	KEBA	KEBDAG	KEBI	Trust	Other subsidiaries	Total
Revenue:									
Interest revenues in Won	₩ 7,805	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 7,805
Interest revenues in foreign currencies	2,240	4	15	12,384	3,773	512	-	23,287	42,215
Commission income in Won	-	169	-	-	-	-	-	-	169
Commission income in foreign currencies	-	-	-	418	4,172	-	-	-	4,590
Other revenue	11,809	-	35	2,448	-	-	10,992	-	25,284
	₩ 21,854	₩ 173	₩ 50	₩ 15,250	₩ 7,945	₩ 512	₩ 10,992	₩ 23,287	₩ 80,063
Expenses:									
Interest expenses in Won	₩ -	₩ 48	₩ -	₩ -	₩ -	₩ -	₩ 1,512	₩ -	₩ 1,560
Interest expenses in foreign currencies	58	114	105	2,065	7,865	641	-	606	11,454
Commission expense in Won	-	564	-	-	-	-	-	-	564
Commission expense in foreign currencies	-	160	-	-	915	-	-	-	1,075
Provision for possible loan losses	1,060	-	-	-	-	-	-	-	1,060
Other expenses	697	-	-	287	-	-	-	-	984
	₩ 1,815	₩ 886	₩ 105	₩ 2,352	₩ 8,780	₩ 641	₩ 1,512	₩ 606	₩ 16,697

(4) The key management compensations for the year ended December 31, 2009 were as follows (Unit: In millions):

Classification	Compensations
Short-term employee benefits	₩ 5,415
Employee benefits after resignation	666
Stock option	7,505
	₩ 13,586

The key management includes the directors, the executives and the officers who have authorities and responsibilities for decision-making of the business plan, operations and control over the Bank.

25. OPERATION PERFORMANCE OF TRUST ACCOUNTS:

(1) The significant financial information relating to trust accounts for the years ended December 31, 2009 and 2008 was as follows (Unit: In millions):

Classification	2009	2008
Revenue:		
Trust fees and commissions received from trust accounts	₩ 30,636	₩ 35,299
Commission from pre-payment	5	44
	₩ 30,641	₩ 35,343
Expense:		
Interest on borrowings from trust accounts	₩ 29,904	₩ 50,309

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(2) As of December 31, 2009, the Bank is not obligated to pay difference between book value and fair value of trust account, and the trust accounts for which the Bank provided the guarantees for a fixed rate of return and/or the repayment of principal consisted of following (Unit: In millions):

Classification	Book Value	Fair Value
Trust accounts guaranteeing the repayment of principal:	₩ 160	₩ 155
Installment trust	2,203	2,179
Household trust	3,713	3,607
Old age pension trust	42	42
Corporate trust	223,646	222,261
Personal pension trust	812,466	811,520
Retirement trust	57,292	57,182
New personal pension trust	4,762	4,651
New old age pension trust	172,056	171,880
Pension trust	1,276,340	1,273,477
Trust accounts guaranteeing a fixed rate of return and the repayment of principal:		
Unspecified monetary trust	70	69
Development money trust	141	19
	211	88
	₩ 1,276,551	₩ 1,273,565

26. COMPUTATION OF VALUE ADDED:

Accounts required for computation of value added for the years ended December 31, 2009 and 2008 consisted of the following (Unit: In millions):

Accounts	2009	2008
Salaries	₩ 538,986	₩ 511,979
Expenses for fringe benefits	163,005	148,993
Retirement allowances	59,726	46,901
Rent	77,015	72,926
Depreciation	82,912	88,377
Amortization	32,317	31,044
Taxes and dues	38,231	47,124
	₩ 992,192	₩ 947,344

27. FINANCIAL INFORMATION OF THE FOURTH QUARTER (UNAUDITED):

The Bank is required to report interim financial statement but it doesn't report the financial statement of last quarter. The Bank's summary of financial information for the last quarter ended December 31, 2009 and 2008 was as follows (Unit: In millions except per share amounts):

Classification	4th Quater in 2009	4th Quater in 2008
Operating revenue	₩ 2,948,848	₩ 9,205,972
Operating income	347,688	292,942
Net income	306,360	117,903
Net income per share (In currency units)	475	183

28. DIVIDENDS:

(1) The calculation of dividends for the years ended December 31, 2009 and 2008 was as follows (Unit: shares, In millions except per share amounts):

Classification	2009	2008
Dividends per share (rate) (In currency units)	₩ 510 (10.2%)	₩ 125 (2.5%)
Shares issued	644,906,826	644,906,826
Dividends	328,902	80,613

Notes to Non-Consolidated Financial Statements

KOREA EXCHANGE BANK (BANKING ACCOUNT) for the years ended December 31, 2009 and 2008

(2) The calculation of dividend payout ratio for the years ended December 31, 2009 and 2008 was as follows (Unit: In millions):

Classification	2009	2008
Dividends	₩ 328,902	₩ 80,613
Net income	891,737	782,618
Dividend payout ratio (%)	36.88	10.30

(3) The calculation of dividend yield ratio for the years ended December 31, 2009 and 2008 was as follows (Unit: In currency units):

Classification	2009	2008
Dividends per share	₩ 510	₩ 125
Closing price	14,500	6,330
Dividend yield ratio (%)	3.52	1.97

29. CASH FLOWS:

(1) Cash in statements of cash flows consists of cash, due from bank (excluding restricted due from bank). Cash flows from operating activities are presented by the indirect method.

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

Classification	2009	2008
Cash and due from banks	₩ 809,276	₩ 876,432
Foreign currencies	384,555	433,393
Deposit in Won	3,039,185	4,684,353
Deposit in foreign currencies	1,669,692	4,113,528
	5,902,708	10,107,706
Less: restricted due from bank	(2,437,717)	(6,807,802)
	₩ 3,464,991	₩ 3,299,904

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

Classification	2009	2008
Decrease of loans from write-offs of loans	₩ 906,480	₩ 793,961
Increase (decrease) of gain on valuation of available-for-sale securities	486,095	(779,834)
Change on unsettled spot transactions	1,513,172	881,988

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

English Translation of a Report Originally Issued in Korean

To the Representative Director of
Korea Exchange Bank:

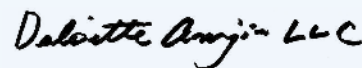
We have reviewed the accompanying report on the management's assessment of IACS (the "Management's Report") of Korea Exchange Bank (the "Bank") as of December 31, 2009. The Management's Report, and design and operation of IACS are the responsibility of the Bank's management. Our responsibility is to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

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



Deloitte Anjin LLC
Seoul, Korea
March 3, 2010

Evaluation Report on the Effectiveness of Internal Accounting Management System by the Internal Accounting Manager

English Translation of a Report Originally Issued in Korean

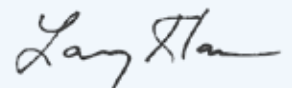
Dear Board of Directors & Audit Committee of
Korea Exchange Bank:

I, the Internal Accounting Manager, evaluated the design and operation effectiveness of the KEB's Internal Accounting Management System for the fiscal year 2009.

I understand that the management of KEB, including me, the Internal Accounting Manager, share the responsibility for the design and operation of the Internal Accounting Management System. For reliable financial statements and public disclosures, I conducted the evaluation as to whether our bank's Internal Accounting Management System has been effectively designed and operated to prevent and find out frauds or material errors that can cause misstatement of financial statements. The evaluation has been conducted in accordance with the "Guidelines for Internal Accounting Management System."

Based on the above evaluation, I express my opinion that KEB's Internal Accounting Management System is, in material respects, effectively designed and operated as designed as of December 31, 2009.

February 2, 2010



Larry A. Klane
President & CEO



Jee Won Kim
Internal Accounting Manager

Consolidated Financial Statements

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

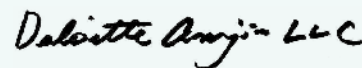
To the Shareholders and Board of Directors of Korea Exchange Bank:

We have audited the accompanying consolidated statements of financial position of Korea Exchange Bank (the "Bank") and its subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, 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 have not audited the financial statements of KEB Australia Ltd., Korea Exchange Bank of Canada, PT. Bank KEB Indonesia, Korea Exchange Bank (Deutschland) A.G., Banco KEB do Brasil S.A., KEB NY Financial Corp., KEB LA Financial Corp. and KEB Asia Finance Limited, whose statements reflect total assets constituting 3.32 percent of consolidated total assets as of December 31, 2009 and total revenues constituting 1.26 percent of consolidated total revenues for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included for those entities, is based solely on the reports of such other auditors.

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 and other auditors' reports provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank and its subsidiaries as of December 31, 2009 and 2008, and the results of their operations, the changes in its shareholders' equity and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

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
Seoul, Korea
March 10, 2010

Notice to Readers

This report is effective as of March 10, 2010, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

Consolidated Statements of Financial Position

KOREA EXCHANGE BANK AND SUBSIDIARIES as of December 31, 2009 and 2008

(In millions of KRW)				
	2009		2008	
ASSETS				
Cash and due from banks (Notes 5, 18, 24, 25 and 28)	₩	6,346,257	₩	10,764,255
Securities (Notes 6, 17, 18 and 24)		15,243,895		13,950,068
Loans (Notes 7, 8, 9, 17, 18, 24 and 25)		66,236,846		68,762,502
Tangible assets (Notes 10 and 24)		1,393,110		1,450,580
Other assets (Notes 4, 11, 17, 22, 24 and 25)		10,801,209		12,391,283
	₩	100,021,317	₩	107,318,688
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES:				
Deposits (Notes 12, 18, 24 and 25)	₩	60,865,856	₩	62,563,590
Borrowings (Notes 13, 18, 24 and 25)		18,090,474		23,556,601
Other liabilities (Notes 4, 14, 17, 18, 24 and 25)		13,088,380		14,514,667
		92,044,710		100,634,858
SHAREHOLDERS' EQUITY (Notes 4, 6, 10, 15, 17 and 24):				
Common stock		3,224,534		3,224,534
Other capital surplus		940		940
Capital adjustments		-		(4,425)
Accumulated other comprehensive income		1,233,556		749,200
Retained earnings		3,515,456		2,711,764
Minority interests		2,121		1,817
		7,976,607		6,683,830
	₩	100,021,317	₩	107,318,688

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(In millions of KRW, except per share amounts)			
	2009		2008
OPERATING REVENUES (Note 24):			
Interest income (Notes 20 and 25):			
Interest on due from banks	₩	110,454	₩ 177,780
Interest on trading securities		108,977	174,742
Interest on available-for-sale securities		258,007	287,617
Interest on held-to-maturity securities		197,745	157,143
Interest on loans		4,109,322	4,769,031
Other interest income		15,920	34,493
		4,800,425	5,600,806
Gain on valuation and disposal of securities (Note 6):			
Gain on valuation of trading securities		17,598	23,893
Gain on disposal of trading securities		60,218	54,704
Reversal of impairment loss on available-for-sale securities		18,727	32,876
Gain on disposal of available-for-sale securities		254,815	93,761
Gain on retirement of held-to-maturity securities		108	-
		351,466	205,234
Gain on valuation and disposal of loans:			
Gain on disposal of loans (Notes 7 and 17)		38,971	21,901
Foreign exchange trading income		3,793,782	2,639,900
Gain on trading and valuation of derivatives (Notes 17 and 19)		7,222,898	13,994,493
Commission income (Notes 19 and 25)		528,219	568,763
Dividends income (Note 19)		15,410	79,064
Other operating revenue (Notes 19 and 25)		22,342	41,631
Total operating revenues		16,773,513	23,151,792
OPERATING EXPENSES (Note 24):			
Interest expenses (Notes 20 and 25):			
Interest on deposits		1,670,825	2,032,919
Interest on borrowings		901,039	1,072,460
Other interest expenses		31,956	54,492
		2,603,820	3,159,871
Loss on valuation and disposal of securities (Note 6):			
Loss on valuation of trading securities		2,258	9,665
Loss on disposal of trading securities		22,680	55,080
Impairment loss on available-for-sale securities		22,084	38,802
Loss on disposal of available-for-sale securities		4,057	1,271
Loss on retirement of held-to-maturity securities		7	-
		51,086	104,818
Loss on valuation and disposal of loans:			
Provision for possible loan losses (Notes 9 and 25)		677,349	778,445
Loss on disposal of loans (Note 7)		33,500	26,302
		710,849	804,747

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income (Continued)

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(In millions of KRW, except per share amounts)				
	2009		2008	
Foreign exchange trading losses	₩	2,877,640	₩	2,538,579
Loss on trading and valuation of derivatives (Notes 13, 17 and 19)		7,872,221		13,654,039
Commission expenses (Notes 19 and 25)		285,227		247,967
General and administrative expenses (Notes 19 and 26)		1,348,453		1,256,071
Other operating expenses (Note 19)		235,718		191,671
Total operating expenses		15,985,014		21,957,763
OPERATING INCOME (Note 24)		788,499		1,194,029
NON-OPERATING INCOME (Notes 6, 21 and 24)		51,156		71,850
NON-OPERATING EXPENSES (Notes 6, 21 and 24)		37,026		86,164
INCOME BEFORE INCOME TAX (Note 24)		802,629		1,179,715
INCOME TAX EXPENSE (BENEFITS) (Notes 22 and 24)		[89,322]		397,133
NET INCOME (Notes 23 and 24)				
Controlling company interest, gain	₩	891,737	₩	782,373
Minority interests, gain		214		209
	₩	891,951	₩	782,582
BASIC NET INCOME PER SHARE (In currency units) (Note 23)	₩	1,383	₩	1,213
DILUTED NET INCOME PER SHARE (In currency units) (Note 23)	₩	1,383	₩	1,213

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(In millions of KRW)							
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Minority interests	Total
January 1, 2008	₩ 3,224,534	₩ -	₩ -	₩ 1,094,064	₩ 2,355,777	₩ 1,488	₩ 6,675,863
Cumulative effect of accounting changes	-	940	(5,722)	(4,049)	3,881	-	(4,950)
Balance after adjustments	3,224,534	940	(5,722)	1,090,015	2,359,658	1,488	6,670,913
Dividend	-	-	-	-	(451,435)	-	(451,435)
Balance after appropriations	3,224,534	940	(5,722)	1,090,015	1,908,223	1,488	6,219,478
Net income	-	-	-	-	782,373	209	782,582
Gain on foreign exchange trading	-	-	-	-	21,052	120	21,172
Valuation of available-for-sale securities	-	-	-	(776,196)	-	-	(776,196)
Valuation of held-to-maturity securities	-	-	-	44	-	-	44
Effect on change of income tax rate	-	-	1,297	-	-	-	1,297
Valuation of tangible assets	-	-	-	435,337	-	-	435,337
Trust reserved	-	-	-	-	116	-	116
December 31, 2008	₩ 3,224,534	₩ 940	₩ (4,425)	₩ 749,200	₩ 2,711,764	₩ 1,817	₩ 6,683,830
January 1, 2009	₩ 3,224,534	₩ 940	₩ (4,425)	₩ 749,200	₩ 2,711,764	₩ 1,817	₩ 6,683,830
Dividend	-	-	-	-	(80,613)	-	(80,613)
Negative capital adjustments	-	-	4,425	-	(4,425)	-	-
Balance after appropriations	3,224,534	940	-	749,200	2,626,726	1,817	6,603,217
Net income	-	-	-	-	891,737	214	891,951
Gain on foreign exchange trading	-	-	-	-	(4,170)	84	(4,086)
Valuation of available-for-sale securities	-	-	-	487,292	-	6	487,298
Valuation of held-to-maturity securities	-	-	-	303	-	-	303
Valuation (negative changes) of securities using the equity method	-	-	-	(10)	-	-	(10)
Valuation of tangible assets	-	-	-	(3,229)	-	-	(3,229)
Trust reserved	-	-	-	-	1,163	-	1,163
December 31, 2009	₩ 3,224,534	₩ 940	₩ -	₩ 1,233,556	₩ 3,515,456	₩ 2,121	₩ 7,976,607

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(In millions of KRW)			
	2009		2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	₩	891,951	₩ 782,582
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Gain on valuation of trading securities, net		(15,340)	(14,228)
Impairment loss on available-for-sale securities, net		3,357	5,926
Loss (gain) on valuation of securities using the equity method, net		324	(3,766)
Provision for possible loan losses		677,349	778,445
Loss (gain) on disposal of tangible assets, net		(1,121)	1,699
Depreciation and amortization		121,952	129,373
Loss on revaluation of tangible assets		-	25,346
Provision for severance benefits		61,345	48,514
Gain on valuation of financial derivatives, net		(208,013)	(128,554)
Long-term compensation expense for performance bonus		9,748	4,728
Provision for allowance for other liabilities		41,022	44,085
Stock option compensation costs, net		12,798	(11,862)
Loss (gain) on foreign exchange trading, net		(109,535)	355,992
Others, net		22,146	(39,268)
		616,032	1,196,430
Changes in assets and liabilities resulting from operations:			
Net decrease (increase) in trading securities		436,997	(91,498)
Net decrease (increase) in available-for-sale securities		17,067	(1,823,848)
Net increase in held-to-maturity securities		(1,116,842)	(1,417,129)
Net decrease (increase) in call loans		(196,732)	1,546,814
Net decrease (increase) in domestic import usance bill		130,744	(1,004,275)
Net decrease (increase) credit card receivables		56,311	(138,180)
Net decrease (increase) in bills bought in foreign currencies		424,888	(954,859)
Net decrease (increase) in bills bought		956,697	(152,389)
Net decrease (increase) in bonds purchased under repurchase agreements		556,717	(2,342,717)
Net increase in loans in Won		(1,352,092)	(4,804,150)
Net decrease (increase) in loans in foreign currencies		1,221,058	(4,692,014)
Net decrease (increase) in factoring receivables		(35,836)	180,097
Net decrease (increase) in advances for customers		22,129	(24,408)
Net decrease in privately placed bonds		71,983	154,991
Net increase in deferred loan origination fees and costs		4,858	21,387
Net decrease (increase) in accrued income		150,112	(92,252)
Net increase in prepaid expenses		(18,870)	(10,953)
Net decrease (increase) in deferred income tax assets		7,658	(18,392)
Net decrease (increase) in financial derivatives assets		3,277,100	(3,753,863)
Net increase (decrease) in accrued expenses		(353,300)	274,926
Net increase (decrease) in unearned revenues		(34,091)	18,433
Payment of severance benefits		(36,405)	(18,381)
Decrease in transfer to National Pension Fund		87	57
Increase in deposit of insurance for severance benefits		(22,105)	(44,461)
Increase in assets under management of pension benefits		(930)	(324)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows (Continued)

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(In millions of KRW)			
	2009		2008
Net increase (decrease) in financial derivatives liabilities	₩	(3,055,056)	₩ 3,756,179
Net decrease in allowance for other liabilities		(31,712)	(15,532)
Net increase (decrease) in deferred income tax liabilities		(23,393)	115,462
		1,057,042	(15,331,279)
Net cash provided by (used in) operating activities		2,565,025	(13,352,267)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Dividends of securities using the equity method		1,550	1,200
Disposal of tangible assets		12,675	3,863
Acquisition of securities using the equity method		(725)	(2,980)
Purchase of tangible assets		(53,185)	(106,444)
Net increase in foreclosed and other properties		(1,259)	-
Net increase in guarantee deposits paid		(4,811)	(35,115)
Purchase of intangible assets		(27,708)	(16,603)
Net decrease (increase) in accounts receivable		(153,078)	713,644
Net decrease (increase) in other assets		43,783	(1,055,380)
Net decrease (increase) in restricted due from banks		4,372,121	(4,922,342)
Net cash provided by (used in) investing activities		4,189,363	(5,420,157)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in deposits		(1,684,548)	13,904,362
Net increase (decrease) in borrowings		(2,757,665)	3,048,427
Net increase (decrease) in debentures		(2,606,508)	2,007,168
Net increase (decrease) in other liabilities		329,069	(2,829)
Dividend (Note 27)		(80,613)	(451,435)
Net cash provided by (used in) financing activities		(6,800,265)	18,505,693
NET DECREASE IN CASH AND DUE FROM BANKS		(45,877)	(266,731)
CASH AND DUE FROM BANKS, BEGINNING OF YEAR		3,950,057	4,216,788
CASH AND DUE FROM BANKS, END OF YEAR (Note 28)	₩	3,904,180	₩ 3,950,057

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

1. GENERAL:

Korea Exchange Bank (the "Bank") was established on January 30, 1967 as a government-invested bank to engage in foreign exchange and the trade finance business under the Korea Exchange Bank Act. On December 30, 1989, the Korea Exchange Bank Act was repealed and the Bank was converted into a corporation under the Commercial Code of the Republic of Korea. On April 4, 1994, the Bank was listed on the Korean Stock Exchange. The merger between the Bank and Korea Exchange Bank Credit Service Co., Ltd. ("KEBCS") was finalized on February 28, 2004.

The Bank primarily provides commercial banking services, trust banking services, foreign exchange, merchant banking business through the merger with Korea International Merchant Bank, a domestic subsidiary of the Bank, and other related operations as permitted under the Bank Act and other relevant laws and regulations in the Republic of Korea. The Bank operates through 352 branches (including 27 depositary offices) and 3 subsidiaries in Korea and 25 branches (including 5 depositary offices and 5 offices) and 9 subsidiaries in overseas as of December 31, 2009.

The Bank's shareholders as of December 31, 2009 are as follows:

Shareholders	Number of shares owned ^(*)	Ownership (%)
LSF-KEB Holdings, SCA	329,042,672	51.02
Export-Import Bank of Korea	40,314,387	6.25
Bank of Korea	39,500,000	6.12
Others	236,049,767	36.61
	644,906,826	100.00

(*) As of December 31, 2009, the date of closing a shareholders' list

The Bank entered into a Memorandum of Understanding regarding the Share Subscription Agreement with Lone Star Fund IV on August 27, 2003. On October 30, 2003, the Bank issued 268,750,000 shares of common stock to LSF-KEB Holdings, SCA at ₩4,000 per share (at less than its par value) in accordance with a resolution during an extraordinary shareholders' meeting on September 16, 2003. The balance below the par value was recognized as a discount on stock issued.

As of December 31, 2009, the total number of authorized shares of the Bank is 1,000 million (par value ₩5,000) while the paid-in capital amounts to ₩3,224,534 million (with 644,906,826 shares of common stock outstanding with par value of ₩5,000).

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

2. SCOPE OF CONSOLIDATION AND EQUITY METHOD ACCOUNTING:

The consolidated financial statements are based on the financial statements of the Bank (including merchant banking accounts), its trust accounts and subsidiaries.

Subsidiaries included in the consolidation and accounted for using the equity method as of December 31, 2009 and 2008 were as follows:

<2009>

Subsidiaries	Closing date	No. of shares (Unit: thousands)	Percentage of ownership (%)	Business
Consolidated (Domestic):				
KEB Capital Inc. ("KEBC")	March 31	14,976	99.31	Leasing and installment financing
KEB Futures Co., Ltd. ("KEBF")	March 31	3,000	100.00	Brokerage services for futures transactions
Consolidated (Oversea):				
Korea Exchange Bank of Canada ("KEBOC")	December 31	334	100.00	Banking service
KEB Australia Ltd. ("KEBA")	December 31	55,000	100.00	Commercial banking business and foreign exchange operation
Korea Exchange Bank (Deutschland) A.G. ("KEBDAG")	December 31	20	100.00	Banking service
PT. Bank KEB Indonesia ("KEBI")	December 31	1	99.00	Banking service
Banco KEB do Brasil S.A. ("KEBB")	December 31	33,726	100.00	Banking service
KEB NY Financial Corp. ("KEBNYFINCO")	December 31	0.1	100.00	Commercial banking business and foreign exchange operation
KEB LA Financial Corp. ("KEBLAFINCO")	December 31	0.2	100.00	Commercial banking business and foreign exchange operation
KEB Asia Finance Limited ("KAF")	December 31	50,000	100.00	Investment financing
Accounted for using the equity method:				
Lippo Incheon Development Co., Ltd.	December 31	388	2.70	Developing Woonbook Leisure Complex
Realty Advisors Korea, Ltd.	June 30	200	14.29	Maintenance service on non-residence real-estate investments
Ilsan Project Co., Ltd.	December 31	288	4.80	Real-estate brokerage service
Soul Flora Co., Ltd.	December 31	165	5.00	Real-estate rental service
KEB Fund Services Co., Ltd. ^(*)	December 31	510	100.00	General office service
KEB USA Int'l Corp. ^(*)	December 31	0.1	100.00	Remitting US Dollars of the bank
HTIC2 Corporate Restructuring Association	December 31	0.04	20.00	Corporate restructuring

(*) The investment securities were excluded from the application of equity method because the assets are less than ₩10,000 million as of the end of prior year and the change in investment arising from this company was considered insignificant.

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

<2008>

Subsidiaries	Closing date	No. of shares (Unit: thousands)	Percentage of ownership (%)	Business
Consolidated (Domestic):				
KEB Capital Inc. ("KEBC")	March 31	14,976	99.31	Leasing and installment financing
KEB Futures Co., Ltd. ("KEBF")	March 31	3,000	100.00	Brokerage services for futures transactions
Consolidated (Overseas):				
Korea Exchange Bank of Canada ("KEBOC")	December 31	334	100.00	Banking service
KEB Australia Ltd. ("KEBA")	December 31	55,000	100.00	Commercial banking business and foreign exchange operation
Korea Exchange Bank (Deutschland) A.G. ("KEBDAG")	December 31	20	100.00	Banking service
PT. Bank KEB Indonesia ("KEBI")	December 31	1	99.00	Banking service
Banco KEB do Brasil S.A. ("KEBB")	December 31	33,726	100.00	Banking service
KEB NY Financial Corp. ("KEBNYFINCO")	December 31	0.1	100.00	Commercial banking business and foreign exchange operation
KEB LA Financial Corp. ("KEBLAFINCO")	December 31	0.1	100.00	Commercial banking business and foreign exchange operation
Accounted for using the equity method:				
Lippo Incheon Development Co., Ltd.	December 31	388	2.70	Developing Woonbook Leisure Complex
Realty Advisors Korea, Ltd.	June 30	200	14.29	Maintenance service on non-residence real-estate investments
Ilsan Project Co., Ltd.	December 31	288	4.80	Real-estate brokerage service
Soul Flora Co., Ltd.	December 31	20	5.00	Real-estate rental service
KEB Fund Services Co., Ltd. ^(*)	December 31	510	100.00	General office service
KEB USA Int'l Corp. ^(*)	December 31	0.1	100.00	Remitting US Dollars of the bank
HTIC2 Corporate Restructuring Association	December 31	0.04	20.00	Corporate restructuring

(*) The investment securities were excluded from the application of equity method because the assets are less than ₩7,000 million as of the end of prior year and the change in investment arising from this company was considered insignificant.

SUBSIDIARIES

TRUST ACCOUNTS

Certain trust accounts whose principal or fixed rate of return is guaranteed by the Bank are included in the consolidated financial statements in accordance with the accounting guidelines of the Financial Supervisory Commission in the Republic of Korea. The trust accounts as of December 31, 2009 and 2008 were as follows (Unit: In millions):

	2009		2008	
	Total assets	Operating revenue	Total assets	Operating revenue
Consolidated	₩ 1,273,565	₩ 73,983	₩ 1,234,889	₩ 96,620
Not consolidated	10,782,053	213,278	9,897,224	736,170
	₩ 12,055,618	₩ 287,261	₩ 11,132,113	₩ 832,790

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

KEB Capital Co., Ltd. ("KEBC")

KEBC was incorporated on September 11, 1989 to engage in leasing industrial equipment and registered in Korea Securities Dealers Automated Quotation ("KOSDAQ") on January 15, 1995. As KEBC continued to experience negative capital until March 31, 2001, its registration with KOSDAQ was canceled by KOSDAQ Committee on July 11, 2001 and withdrawn from KOSDAQ market on August 24, 2001. As of December 31, 2009, 99.3% of the total shares of KEBC are owned by the Bank.

KEBC implemented a 14-to-1 capital reduction on the shares owned by the Bank and reduced its capital by means of a 7-to-1 capital reduction, or execution of stock selling option at ₩800 per share on the shares owned by other individual shareholders and the employee stock ownership association as of November 9, 2001, for the purpose of debt restructuring due to the work-out process, based on the resolution at the shareholders' meeting on October 13, 2001. This capital reduction resulted in a gain on capital reduction of ₩34,725 million which was used to recover negative capital.

In addition, on November 9, 2001, KEBC issued 14,805 thousand shares of common stock for cash at par value to the Bank, in accordance with the resolution of the board of directors on October 26, 2001. The proceeds of the new stock issuance were used for the repayment of borrowings amounting to ₩74,024 million from the Bank. As of December 31, 2009, the total paid-in-capital amounts to ₩75,400 million.

KEB Futures Co., Ltd. ("KEBF")

KEBF was incorporated on September 24, 1997 as an integrated futures brokerage of the Bank. In 1998, KEBF was granted a futures trading license for overseas markets and domestic operations from the Ministry of Economy and Finance. The Bank retains 100% equity ownership as of December 31, 2009, and the total paid-in-capital amounts to ₩15,000 million.

Korea Exchange Bank of Canada ("KEBOC")

KEBOC was established in Toronto, Canada on October 6, 1981 to provide financial services to Korean companies and residents in Toronto and the surrounding area. The Bank retains 100% equity ownership as of December 31, 2009 and the total paid-in-capital of KEBOC amounts to CAD 33,400 thousand.

KEB Australia Ltd. ("KEBA")

KEBA was established in Sydney, Australia on July 6, 1986 to provide financial services to Korean companies and residents in Sydney and the surrounding area. The Bank retains 100% equity ownership as of December 31, 2009, and the total paid-in-capital of KEBA amounts to AUD 55,000 thousand.

PT. Bank KEB Indonesia ("KEBI")

KEBI was established in Jakarta, Indonesia on November 5, 1990 to provide financial services to Korean companies and residents in Jakarta and the surrounding area. KEBI changed the firm name from PT. Korea Exchange Bank Danamon to PT. Bank KEB Indonesia in 2007. The Bank retains 99% equity ownership as of December 31, 2009, and the total paid-in-capital of KEBI amounts to IDR 150,000,000 thousand.

Korea Exchange Bank of Deutschland AG ("KEBDAG")

KEBDAG was established in Frankfurt, Germany on December 29, 1992 to provide financial services to Korean companies and residents in Frankfurt and the surrounding area. The Bank retains 100% equity ownership as of December 31, 2009 and the total paid-in-capital of KEBDAG amounts to EUR 15,339 thousand.

KEB NY Financial Corp. ("KEBNYFINCO")

KEBNYF was established in New York, USA on April 8, 2004 to provide financial services to Korean companies and residents in New York and the surrounding area. The Bank retains 100% equity ownership as of December 31, 2009, and the total paid-in-capital of KEBNYFINCO amounts to USD 1.00.

KEB LA Financial Corp. ("KEBLAFINCO")

KEBLAF was established in Los Angeles, USA on April 8, 2004 to provide financial services to Korean companies and residents in Los Angeles and the surrounding area. The Bank retains 100% equity ownership as of December 31, 2009, and the total-in-capital of KEBLAFINCO amounts to USD 2.00.

KEB Asia Finance Limited ("KAF")

KEB Asia Finance Limited ("KAF") was established on July 2, 2009 to provide advisory services, financial organization and securities business services for foreign investment of domestic companies and investment for foreign corporations. The Bank retains 100% equity ownership as of December 31, 2009, and the total-in-capital of KAF amounts to USD 50,000 thousand.

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

A summary of significant financial data of the Bank's subsidiaries, included in the consolidated statements of financial position as of December 31, 2009 and 2008, and consolidated statements of income for the years ended December 31, 2009 and 2008 is as follows (Unit: In millions):

<2009>

Subsidiaries	Total assets	Capital stock	Shareholders' equity	Operating revenue	Net income (loss)
Trust accounts	₩ 1,273,565	₩ -	₩ 19,659	₩ 73,983	₩ -
KEB Capital Inc.	1,070,997	75,400	115,223	139,404	7,435
KEB Futures Co., Ltd.	137,320	15,000	52,808	36,232	11,345
Korea Exchange Bank of Canada	1,089,236	36,973	111,055	48,691	(1,376)
KEB Australia Ltd.	435,026	57,478	48,792	43,050	8,754
Korea Exchange Bank (Deutschland) A.G.	529,740	25,681	73,698	26,924	5,738
PT. Bank KEB Indonesia	455,109	18,570	131,716	32,625	15,310
Banco KEB do Brasil S.A.	97,606	22,633	23,147	22,942	1,465
KEB NY Financial Corp.	382,372	-	36,169	20,279	2,352
KEB LA Financial Corp.	265,923	-	32,037	15,212	3,043
KEB Asia Finance Limited	66,027	58,380	54,212	2,393	(4,168)

<2008>

Subsidiaries	Total assets	Capital stock	Shareholders' equity	Operating revenue	Net income (loss)
Trust accounts	₩ 1,234,889	₩ -	₩ 18,496	₩ 96,620	₩ -
KEB Capital Inc.	978,202	75,400	106,947	145,881	7,994
KEB Futures Co., Ltd.	161,205	15,000	40,764	38,910	8,236
Korea Exchange Bank of Canada	1,100,226	34,680	105,456	60,046	9,817
KEB Australia Ltd.	401,704	47,850	33,331	34,508	22
Korea Exchange Bank (Deutschland) A.G.	582,905	27,245	72,993	43,582	7,500
PT. Bank KEB Indonesia	427,164	17,220	107,944	33,601	15,366
Banco KEB do Brasil S.A.	79,654	18,196	17,432	20,547	892
KEB NY Financial Corp.	429,729	-	36,422	28,941	3,208
KEB LA Financial Corp.	366,813	-	6,076	22,022	(27,777)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Consolidated Financial Statement Presentation

The Bank and its subsidiaries maintain their official accounting records in Korean Won (only domestic subsidiaries) and prepare statutory 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 and its subsidiaries 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 consolidated financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language consolidated financial statements. Certain information included in the Korean language consolidated financial statements, but not required for a fair presentation of the Bank and its subsidiaries' financial position, results of operations, changes in shareholders' equity or cash flows, is not presented in the accompanying consolidated financial statements.

The significant accounting policies followed by the Bank and its subsidiaries in preparing the accompanying consolidated financial statements are summarized below.

Basis of Consolidated Financial Statements Preparation

(1) Offset of Investments and Equity Accounts of Subsidiaries

Investments in subsidiaries and equity accounts of subsidiaries were eliminated at the date when the Bank obtained control over the subsidiaries. The differences between the amounts of investment and the equity accounts are recorded as goodwill or negative goodwill,

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

which is amortized or reversed using the straight-line method over five years. If additional shares are purchased after acquiring control, the difference between the additional acquisition cost and the portion of net assets acquired is credited or charged to capital surplus. If the acquisition date does not agree with the year-end reporting period of the subsidiary, the closest closing date to the acquisition date is regarded as acquisition date.

(2) Inter-company Transactions and Balances

All inter-company transactions are eliminated in the consolidated financial statements.

(3) Additional acquisition of subsidiary company's equity securities

If additional shares are purchased after acquiring control, the difference between the additional acquisition cost and the portion of net assets acquired is credited or charged to capital surplus.

(4) Disposition of Subsidiaries' Shares

If a subsidiary of the Bank is still subject to the scope of consolidation even after certain portions of shares are disposed to minority interests, gain/loss on disposal of investment securities is recognized as capital surplus. If a subsidiary of the Bank is subject to the equity method due to the disposition of securities, the investment account is recorded at net assets of subsidiaries at the time of disposition, net of unamortized goodwill or negative goodwill in the consolidated financial statements. Any gain or loss is recognized in profit or loss.

(5) Equity Method

For investments in affiliates accounted for using the equity method, the difference between acquisition cost and net assets acquired at the acquisition date is added to or deducted from the carrying amount of investments and is amortized in equal annual amounts for five years from the year incurred. Changes in the Bank's portion of net assets of affiliates accounted for using the equity method are added to or deducted from the carrying amount of investments.

(6) The End of the Reporting Period for the Consolidated Financial Statements

The end of the reporting period for the consolidated financial statements is the closing date of the Bank, the parent company. The accounts of consolidated subsidiaries whose fiscal years are different from that of the Bank have been adjusted to reflect balances as of the closing date of the Bank.

(7) Special Reserve in Trust Accounts

A special reserve provided for possible future losses on certain trust accounts under the arrangement of guaranteed fixed rate of return and/or repayment of the principal each year is included in retained earnings in the consolidated financial statements.

(8) Minority Interests

Non-controlling interests in a subsidiary's shareholders' equity are presented as minority interests. Gain (loss) attributable to non-controlling interests is disclosed on the face of the statement of income.

4. ACCOUNTING POLICIES OF THE CONSOLIDATED ENTITIES:

The relevant laws and regulations applied to the consolidated entities are as follows:

Entity	Relevant laws and regulations
The Bank	Accounting standards of the banking industry & the General Banking act
Trust accounts	Required under the Financial Investment Services and Capital Markets Act (FSCMA)
KEB Capital Inc.	Regulation on Supervision of Specialized Credit Financial Business Law
KEB Futures Co., Ltd.	Supervisory guidelines on futures trading
Korea Exchange Bank of Canada	Financial accounting standards in Canada
KEB Australia Ltd.	Financial accounting standards in Australia
Korea Exchange Bank (Deutschland) A.G.	Financial accounting standards in Deutschland
PT. Bank KEB Indonesia	Financial accounting standards in Indonesia
Banco KEB do Brasil S.A.	Financial accounting standards in Brazil
KEB NY Financial Corp.	Financial accounting standards in U.S.A.
KEB LA Financial Corp.	Financial accounting standards in U.S.A.

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

Interest Income Recognition

The Bank and its subsidiaries apply the accrual basis in recognizing interest income related to due from banks, loans and securities. Whereas, interest on loans, whose principal or interest is past due at the end of the reporting period or defaulted loans, not secured by guarantees from financial institutions or collateral deposits, is recognized on a cash basis. As of December 31, 2009 and 2008, accrued interest income not recognized due to such criteria amounted to ₩128,439 million and ₩122,665 million, respectively.

Classification of Securities

At acquisition, the Bank and its subsidiaries classify securities into one of the following categories: trading, available-for-sale, held-to-maturity and securities accounted for 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 and its subsidiaries have 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 accounted for 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 and its subsidiaries 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 and its subsidiaries sell held-to-maturity securities or exercise 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, trading securities are reclassified to available-for-sale securities only when the trading securities lose their marketability or when the Bank and its subsidiaries hold them not to earn gains on trading in short period.

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 specified identification method for debt securities). When the face value of trading debt securities differs from their acquisition cost, the effective interest 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 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 specified identification method for debt securities). The effective interest 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 (loss) is reversed.

(3) 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 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.

(4) Valuation of Securities using the Equity Method

Equity securities held for investment in companies in which the Bank and its subsidiaries are able to exercise significant influence over the investees (in accordance with the Banking Act, if the Bank holds more than 15 percent of the total 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, capital adjustments or accumulated other comprehensive income (loss) of investee are reflected as gain or loss on valuation of securities using the equity method in accumulated other comprehensive income (loss).

Notes to Consolidated Financial Statements

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When the book value of equity securities using the equity method is less than zero due to the cumulative losses of the investees, the Bank and its subsidiaries discontinue applying the equity method and does not provide for additional losses. If the investee subsequently reports net income, the Bank and its subsidiaries resume applying the equity method only after their share of that net income equals the share of net losses not recognized during the period that the equity method was suspended.

In addition, any gain or loss from the disposal of equity securities of certain consolidated subsidiaries is accounted for as accumulated other comprehensive income (loss) resulting from applying the equity method in the statements of financial position if the subsidiaries are still consolidated even after the Bank disposes of a portion of equity securities.

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

If the reasons for impairment loss on available-for-sale securities no longer exist, the recovery is recorded in current operations under non-operating income up to amount of the previously recognized impairment loss as reversal of impairment loss on 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 non-operating income 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 impairment loss on held-to-maturity securities.

(6) Reclassification of Securities

When held-to-maturity securities are reclassified to available-for-sale securities, those securities are accounted for at fair value on the reclassification date and the difference between the fair value and book value is reported in accumulated other comprehensive income (loss) as gain or loss on valuation of available-for-sale securities. When available-for-sale securities are reclassified to 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 included in accumulated other comprehensive income (loss) and amortized using the effective interest rate method and the amortized amount is charged to interest income until maturity. The difference between the fair value at the reclassification date and face value of the reclassified securities to held-to-maturity securities is amortized using effective interest rate method and the amortized amount is charged to interest income. In addition, when certain trading securities lose their marketability, such securities are reclassified as available-for-sale securities at fair market value as of reclassification date.

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 control of the securities, the transaction is recorded as secured borrowing transaction.

Allowance for Possible Losses on Credits

According to the Korea Financial Accounting Standard Article 57 (Valuation of Receivables), allowance for bad debts shall be provided for estimated uncollectible accounts on a reasonable and objective basis. Presently, the historical loss rate (based on mitigation or roll-rate analysis) is one of the permitted reasonable and objective methods to estimate allowance for financial institutions. However, the Bank and its subsidiaries provide loan loss provision pursuant to the Supervisory Regulation of the Banking Business, which requires providing more than minimum rate of loss provision for each asset classification category.

The Bank and its subsidiaries apply the Forward Looking Criteria ("FLC") for their loan classification for large corporate based on the credit rating to determine allowance for loan losses. Under this method, the borrowers' future debt repayment capacity as well as their overall financial health and management soundness are considered in developing the credit rating and the reserve for possible loan losses related to large corporate customers. However, loan classification for the smaller corporate, household loans and credit card receivables is classified based on the delinquency period, value of collateral and bankruptcy status only. Using such loan classification, the Bank and its subsidiaries classify all credits into five categories as normal, precautionary, substandard, doubtful, or estimated loss and provides the minimum rate of loss provision for each category balance using the prescribed minimum percentages of 0.85 percent (construction, real estate, wholesale & retail, hotel and restaurant industries are 0.9%) or more, 7 percent or more, 20 percent or more, 50 percent or more and 100 percent, respectively. Households' loans categorized as normal, precautionary, substandard and doubtful are 1 percent or more, 10 percent or more, 20 percent or more and 55 percent or more, respectively. Card receivables as those categories are 1.5 percent or more, 15 percent or more, 20 percent or more and 60 percent or more, respectively.

The Bank and its subsidiaries provide allowance for possible losses on confirmed acceptances and guarantees, unconfirmed acceptances and guarantees, and endorsed notes based on the credit classification, minimum rate of loss provision prescribed by the Financial Supervisory Service

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

and the credit conversion factor based on the new standard of Bank for International Settlements Accord.

In addition, the Bank and its subsidiaries provide other allowances for the unused limit of credit card (including unused limit of credit card that have not been used at least once in recent one year) and unused loan commitments for corporate and retail loan customers considering the credit conversion factor based on the new standard of Bank for International Settlements Accord and minimum rate of loss provision prescribed by the Financial Supervisory Service.

Restructuring of Loans

The equity interest in the debtors, net of real estates and/or other assets received as full or partial satisfaction of the Bank's and subsidiaries' 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 and its subsidiaries offset first the book value against allowances for loan losses and then recognizes provisions for loan losses. 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 loan losses. If the amount of allowances already established is less than the impairment losses, the Bank and its subsidiaries establish additional allowances for the difference. Otherwise, the Bank and its subsidiaries reverse the allowances for loan losses.

Deferred Loan Origination Fees and Costs

The Bank and its subsidiaries defer loan origination fees associated with originating loans and loan origination costs that have future economic benefits. Loan balances are reported net of these loan origination fees and costs. The deferred loan origination fees and costs are amortized using the effective interest method with the amortization recognized as adjustments to other interest income.

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 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. The Bank adopted the amendment to the Statements of Korea Accounting Standards ("SKAS") No. 5 "Property, Plant and Equipment," which permits certain items of its land to be revalued after acquisition date, applying the revaluation models permitted under SKAS No. 5. As a result of this adoption, gain (loss) on revaluation of tangible assets is accounted as accumulated other comprehensive income and non-operating expenses, respectively.

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

Tangible assets	Estimated useful life	Depreciation method
Construction	40 years	Straight-line
Leasehold improvements	3~10 years	Straight-line
Equipment	3~20 years	Declining balance

Intangible Assets and Related Amortization

Intangible assets included in other assets are recorded at the production costs or purchase costs plus incidental expenses less discount if any. 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 benefits expected, are capitalized as development costs. Intangible assets are amortized using the straight-line method over 5 years and presented after deducting amortized amount.

Valuation Allowance for Non-Business Use Property

Non-business use property included in fixed assets is recorded when the Bank and its subsidiaries acquire collateral by foreclosure on the mortgage for loans. Such assets are not depreciated. After foreclosure, the asset is carried at the lower of its carrying amount or fair value determined by its estimated public auction price. As of December 31, 2009, the Bank and its subsidiaries do not have non-business use property.

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

Recognition of Impairment of Assets

When the book value of assets (other than securities and assets valued at present value) exceeds the collective value of the assets due to obsolescence, physical damage or a sharp decrease in market value and the difference is material, the book value are adjusted to collective value in the statements of financial position and the resulting impairment loss is charged to current operations. If the collective value of the assets increases in subsequent years, the increase in value is credited to operations as gain until the collective value equals the book value of assets that would have been determined had no impairment loss been recognized. The Bank and its subsidiaries assess the collective 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 on the debentures.

Securities under Resale or Repurchase Agreements

Securities purchased under resale agreements are recorded as loans, and securities sold under repurchase agreements are recorded as borrowings when the Bank and its subsidiaries purchase or sell securities under such agreements.

Other Liability Reserve

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank and its subsidiaries are recognized as contingent liabilities when it is probable that an outflow of resources embodying economic benefits required and the amount of the obligation can be measured with sufficient reliability. Where the effect of the time value of money is material, the amount of the liabilities is the present value of the expenditures expected to be required to settle the obligation.

Accrued Severance Benefits

The accrued severance benefits that would be payable to assuming all eligible employees and directors were to resign are included in other liabilities. The Bank and its domestic subsidiaries has purchased severance benefits insurance, which meets the funding requirement for tax purposes, and made deposits with Samsung Life Insurance Co., Ltd. and others. The deposit for severance benefit is presented as a deduction from accrued severance benefits.

The estimated accrued severance benefits, which would be payable assuming all eligible employees and executives were to terminate their employment, amounted to ₩318,697 million and ₩294,797 million as of December 31, 2009 and 2008, respectively.

The Bank runs the defined benefit retirement pension plan (DB plan), whose investment manager is Merrill Lynch Trust Company, for retirees of closed branches in U.S. The Bank accounted the present value of estimated pension benefits as of December 31, 2009 as pension benefits payable. The assets invested in the DB plan is accounted as assets under management of pension benefits and pension benefits payable are deducted from it in accordance with KAI opinion 05-2.

Accounting for Derivative Instruments

The Bank and its subsidiaries account for derivative instruments pursuant to the Interpretations on Financial Accounting Standards 53-70 on accounting for derivative instruments. Derivative instruments are classified as used for trading activities or for hedging activities according to their transaction purpose. All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or 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 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 gain or loss in accumulated other comprehensive income (loss) is added to or deducted from the asset or the liability.

Accounting for Share-based Payment

In accordance with the Statement of Korea Accounting Standards No. 22 - *Share-based Payment*, and the Interpretations on Financial Accounting Standards 39-35 - *Accounting for Stock Options*., in case of equity-settled share-based payment transactions, compensation expense for stock option and stock option (capital adjustment) are recorded at fair value at the grant date through an agreement service period, whereas in case of

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

cash-settled share-based payment transactions, compensation expense for stock option and accrued expenses are recorded at fair value at the grant date through an agreement service period. The other liabilities (accrued expenses) by cash-settled share-based payment transactions are assessed at fair value at the closing day or the final settlement day (assessed at intrinsic value for the portion occurred before December 31, 2009). The changes in the fair value of accrued expenses after the grant date are reflected as compensation expense for stock option. In addition, for share-based payment transactions in which the terms of the arrangement provide a choice for the Bank whether the Bank settles the transaction in cash or by issuing equity instruments, the Bank is required to account for that transaction as a cash-settled share-based payment transaction if the Bank has a present obligation to settle in cash, or as an equity-settled share-based payment transaction if no such obligation exists. In case of a cash-settled share-based payment, compensation cost is recorded as capital adjustment (stock option), and in case of an equity-settled share-based payment, compensation cost is recorded as other liabilities (accrued expenses).

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 Financial Investment Services and Capital Markets Act (FSCMA). When surplus funds are generated through the management of trust assets, such funds are deposited with the Bank and are recorded as due to trust accounts of the bank accounts. Also, the borrowings from the bank account 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 compensation 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 operating expense of the bank accounts and as other income of the trust accounts. There are no compensating contributions of the Bank for the year ended December 31, 2009.

Merchant Banking Accounts

As permitted by the Restructuring of Financial Institutions Act, the Bank may continue its merchant banking operations, including leasing business, until the existing contracts acquired from Korea International Merchant Bank upon merger are terminated. Significant accounting policies applied to the Bank's merchant banking operations are summarized as follows:

(1) Revenue Recognition on Discounted Notes

Interest income on discounted notes is accrued over the term of the notes. Income from the sale of discounted notes is recognized at the date of sale based on the difference between the purchase and sales prices of the notes, adjusted for interest earned during the holding period.

(2) Cash Management Accounts ("CMA")

The Bank recognizes interest income from CMA investments and interest expense from CMA deposits as other income and other expenses, respectively.

(3) Lease Transactions

The Bank accounts for lease transactions as operating or financing leases, depending on the terms of the lease contracts. In general, non-cancelable leases are recognized as financing leases when ownership transfers at expiration of the lease term, when a bargain purchase option exists, or when the lease term exceeds the estimated economic life of the related asset.

Under the financing lease method, aggregate lease rentals are recorded as financing leases receivable, net of unearned interest, based on the excess of rental revenue over the cost of the related assets. Unearned interest is recognized as interest income on financing leases using the effective interest method over the lease term.

Income Tax Expense

Income tax expense is the amount currently payable for the period, additional income taxes or tax refunds for prior years (except for retroactive adjustments of tax effect directly added or deducted to shareholders' equity) 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 the related 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 regarding to certain items are charged or credited directly to related components of shareholders' equity.

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KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

Accounting for Foreign Currency Transactions and Translation

The Bank and its domestic subsidiaries maintain its accounts in Korean Won. Transactions in foreign currencies are recorded in Korean Won based on the basic rate of exchange on the transaction date. The Korean Won equivalent of assets and liabilities denominated in foreign currencies are translated in these financial statements based on the basic rate (₩1,167.60 and ₩1,257.50 to US\$1.00 at December 31, 2009 and 2008, respectively) announced by Seoul Money Brokerage Service, Ltd. or cross rates for other currencies other than U.S. Dollars at the end of the reporting period. Translation gains and losses are credited or charged to operations. Financial statements of overseas branches are translated based on the basic rate at the end of the reporting period.

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

The Korea Accounting Standard Board (KASB) under the Korea Accounting Institute (KAI) issued the SKAS for achieving a set of Korean accounting standards that should be internationally acceptable and comparable based on SKAS Act 92. The Bank has adopted SKAS No. 1 (Accounting Changes and Error Corrections) through SKAS No. 25 (Consolidated Financial Statements) (excluding No. 14) as of or before December 31, 2008.

In addition, in this fiscal year, the balance sheet is renamed to statements of financial position in accordance with the revised Acts on External Audit for Stock Companies in the Republic of Korea.

Disclosure in Relation with Adoption of K-IFRS

(1) Preparation and progress of adopting K-IFRS

Korea has decided that, from 2011, application of K-IFRS becomes mandatory for all listed companies including banks. Based on this regulation, the Bank set up the task force team for adoption of K-IFRS to make steady progress in the preliminary analysis of the impact on adoption of K-IFRS, establishment of master plan, decision on alternatives in accounting treatment, design and development of its accounting system, implementation of its system and on-going maintenance. This process is still in progress. The Bank had already analyzed the impact on adoption of K-IFRS in April 2008, and has completed to design and develop its accounting system by the end of 2009. In addition, the bank has implemented its system and on-going maintenance from 2010. In order to have an efficient transition and application of K-IFRS, the Bank provides on-the-job-training for employees and team managers.

(2) Expected significant differences between K-IFRS and K-GAAP

If the bank prepares the financial statements adopting K-IFRS, there would be differences in consolidated scope, provision for bad debts, revenue recognition, derecognition of financial instruments, measurement of financial instruments, employee benefits and others. All differences are not included and can be changed by additional analysis. In addition, specific influence of significant differences cannot be analyzed at working-level in several cases.

5. CASH AND DUE FROM BANKS:

(1) Cash and due from banks as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Account	2009	2008
Cash	₩ 809,276	₩ 876,432
Foreign currencies on hand	389,873	437,446
Due from banks in Won	3,283,060	5,106,517
Due from banks in foreign currencies	1,864,048	4,343,860
	₩ 6,346,257	₩ 10,764,255

(2) Due from banks in Won as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Account	Financial institution	Interest rate (%) Dec. 31, 2009	2009	2008
Reserve deposit	The Bank of Korea	-	₩ 1,420,823	₩ 3,752,160
Current deposit	Other banks	0.10 ~ 0.20	-	40
Due from banks on time deposits	Other banks	2.85 ~ 5.82	757,228	1,234,418
Other due from banks	Other banks	0.10 ~ 1.00	18,016	5,338
Other due from banks	Other financial institutions	0.02 ~ 3.34	1,086,993	114,561
			₩ 3,283,060	₩ 5,106,517

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

[3] Due from banks in foreign currencies as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Account	Financial institution	Interest rate (%) Dec. 31, 2009	2009	2008
Reserve deposit	The Bank of Korea	-	₩ 752,316	₩ 2,802,781
Due from banks on time deposits	Domestic financial institutions	0.79 ~ 3.34	90,411	145,490
Due from banks on time deposits	Overseas financial institutions	0.00 ~ 12.00	237,383	583,243
Other due from banks	Domestic financial institutions	0.01 ~ 0.25	2,748	9,444
Other due from banks	Overseas financial institutions	0.00 ~ 10.50	603,417	487,436
Due from banks in other bank -foreign currencies	Overseas financial institutions	0.00 ~ 1.00	177,773	315,466
			₩ 1,864,048	₩ 4,343,860

[4] Restricted due from banks in Won and foreign currencies as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008	Reason for restriction
Due from banks in Won:			
The Bank of Korea	₩ 1,420,823	₩ 3,752,160	Required under the BOK Act
Woori Bank and others	490	560	Escrow account
KB Futures and others	12,456	158	Subscription related to derivatives
Kookmin Bank	-	2,022	Pledged asset related to borrowings
KEB Trust	14,626	-	Required under FSCMA
	1,448,395	3,754,900	
Due from banks in foreign currencies:			
The Bank of Korea	752,316	2,802,781	Required under the BOK Act and other
The Bank of China	190,165	-	Capital stock paid-up for establishing branch in china
UBS and others	46,841	252,143	Subscription related to derivatives
The Bank of Indonesia	4,161	4,094	Reserve deposits
The Bank of Brazil and others	199	280	Deposits related Microcredito Act
	993,682	3,059,298	
	₩ 2,442,077	₩ 6,814,198	

[5] Term structure of due from banks in Won and foreign currencies as of December 31, 2009 was as follows (Unit: In millions):

Classification	Due from banks in Won	Due from banks in foreign currencies	Total
Due in less than one year	₩ 3,277,060	₩ 1,862,386	₩ 5,139,446
Due from one to two years	6,000	-	6,000
Due from two to three years	-	-	-
Due from three to five years	-	1,662	1,662
Due more than five years	-	-	-
	₩ 3,283,060	₩ 1,864,048	₩ 5,147,108

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

6. SECURITIES:

(1) Securities as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Trading securities	₩ 2,794,096	₩ 3,215,885
Available-for-sale securities	7,768,016	7,163,333
Held-to-maturity securities	4,662,798	3,550,246
Securities using the equity method	18,985	20,604
	₩ 15,243,895	₩ 13,950,068

(2) Securities excluding securities using the equity method as of December 31, 2009 and 2008 consisted of (Unit: In millions):

<2009>

Classification	Face value	Acquisition cost ^(*)	Adjusted by effective interest rate method ^(*)	Book value
Trading securities:				
Equity securities	₩ -	₩ 39,006	₩ -	₩ 42,126
Beneficiary certificates	15,000	15,000	15,000	15,014
Government and public bonds	125,504	127,308	126,749	126,340
Finance bonds	1,462,677	1,469,087	1,466,022	1,477,135
Corporate bonds	78,531	78,795	77,406	78,808
Commercial papers	1,057,600	1,051,878	1,054,573	1,054,673
	2,739,312	2,781,074	2,739,750	2,794,096
Available-for-sale securities:				
Equity securities	-	734,499	-	1,661,970
Equity investments	-	101,849	-	103,865
Beneficiary certificates	202,718	203,117	203,117	209,852
Government and public bonds	329,925	339,188	339,188	335,156
Finance bonds	4,476,805	4,465,485	4,431,752	4,474,566
Corporate bonds	752,243	755,480	735,269	744,283
Asset-backed securities	191,542	275,723	217,567	208,517
Other debt securities	87,644	87,644	51,865	29,807
	6,040,877	6,962,985	5,978,758	7,768,016
Held-to-maturity securities:				
Government and public bonds	1,160,207	1,164,936	1,164,717	1,164,717
Finance bonds	3,292,678	3,291,793	2,390,691	3,288,544
Foreign government bonds	29,345	28,974	29,325	29,325
Corporate bonds	179,662	179,555	179,624	179,624
Other debt securities	591	588	588	588
	4,662,483	4,665,846	3,764,945	4,662,798
	₩ 13,442,672	₩ 14,409,905	₩ 12,483,453	₩ 15,224,910

[*1] Acquisition costs of trading securities are the book value before valuation.

[*2] Beneficiary certificates are the book value because they are not subjects by the adjusted cost using the effective interest rate method.

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

<2008>				
Classification	Face value	Acquisition cost ^{(*)1}	Adjusted by effective interest rate method ^{(*)2}	Book value
Trading securities:				
Equity securities	₩ -	₩ 21,842	₩ -	₩ 14,789
Beneficiary certificates	5,000	5,000	5,000	4,841
Government and public bonds	366,505	371,978	372,516	376,938
Finance bonds	1,242,477	1,236,691	1,238,052	1,254,816
Corporate bonds	121,498	120,506	121,091	120,121
Commercial papers	1,453,500	1,433,921	1,443,156	1,444,380
	3,188,980	3,189,938	3,179,815	3,215,885
Available-for-sale securities:				
Equity securities	-	796,418	-	1,144,056
Equity investments	-	82,821	-	87,821
Beneficiary certificates	199,518	199,518	199,518	199,459
Government and public bonds	665,219	663,920	651,657	674,632
Finance bonds	4,104,556	4,079,528	4,057,242	4,033,880
Corporate bonds	834,938	836,959	823,348	810,284
Asset-backed securities	150,588	238,262	182,921	161,336
Other debt securities	87,644	87,644	66,161	51,865
	6,042,463	6,985,070	5,980,847	7,163,333
Held-to-maturity securities:				
Government and public bonds	911,915	897,780	904,584	904,584
Finance bonds	2,368,100	2,366,272	2,365,660	2,365,660
Foreign government bonds	37,607	35,927	34,771	34,771
Corporate bonds	244,324	245,171	244,281	244,281
Other debt securities	957	950	950	950
	3,562,903	3,546,100	3,550,246	3,550,246
	₩ 12,794,346	₩ 13,721,108	₩ 12,710,908	₩ 13,929,464

(*1) Acquisition costs of trading securities are the book value before valuation.

(*2) Beneficiary certificates are the book value because they are not subjects by the adjusted cost using the effective interest rate method.

The difference of trading securities between the fair value and the adjusted cost using the effective interest rate method (acquisition cost for stocks) was recorded as gain on valuation of trading securities amounting to ₩17,598 million and ₩23,893 million, and loss on valuation of trading securities amounting to ₩2,258 million and ₩9,665 million for the years ended December 31, 2009 and 2008, respectively.

The fair values of trading and available-for-sale debt securities were assessed by applying the average of base prices as of December 31, 2009, provided by Korea Bond Pricing & KR Co. (KBP), KIS Pricing Inc. and National Information & Credit Evaluation Inc. (NICE).

The fair value of available-for-sale non-marketable equity securities such as Vogo Fund and 20 others, and the restricted available-for-sale marketable equity securities such as Hynix Semiconductor Inc. and 4 others was reliably measured by an independent appraisal institute 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. In order to assess the fair value of stocks, the financial statements for 5 years are estimated based on past operating result. Also, assuming the same operation is continued during the estimated period, the model is applied using the estimated financial statements from 2009 to 2013. Operating income and expenses are reasonably estimated based on the past result, the future plan and the expected market condition, and for non-operating income and expenses, gain or loss from irregular transactions such as gain or loss on disposal of tangible assets are excluded. For the equity investment of association, net assets are calculated deducting total liabilities from the present value of assets of each equity investment.

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(3) Discretionary investing contract assets included in beneficiary certificate of trading securities as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Short-term financial instruments	₩ 1,147	₩ 4,275
Stocks	13,325	573
Others	2,301	-
Total assets	16,773	4,848
Total liabilities	1,759	7
Net assets value	₩ 15,014	₩ 4,841

(4) The book value of non-marketable stocks and equity investments among available-for-sale securities, which were not valued at fair value as of December 31, 2009 and 2008, was as follows (Unit: In millions):

<2009>

Company	Amounts
Stocks:	
Credit Recovery Fund	₩ 62,466
Samsung Life	32,939
Alpha Dome City	8,850
KAMCO	6,330
PDHD	2,000
M Cieta Development	1,275
Hallyu-Wood	1,200
BLADEX	1,146
Others	1,594
	117,800
Equity investments:	
Consolidated Fund for Impaired Loans	29,877
SHCF Private Equity Fund	5,000
Westend Corporate Restructuring Corporate	5,000
QCP PEF (Private Equity Fund) No. 1	4,000
Petra PEF	4,000
Golden Bridge Green PEF No. 1	4,000
Value Up PEF	3,000
QCP PEF No. 3	2,000
SHC-Aju	2,000
Others	890
	59,767
	₩ 177,567

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

<2008>

Company	Amounts
Stocks:	
Samsung Life	₩ 32,939
Alpha Dome City	8,850
KAMCO	6,330
PDHD	2,000
M Cieta Development	1,275
BLADEX	1,234
Hallyu-Wood	1,200
Others	1,446
	55,274
Equity investments:	
Consolidated Fund for Impaired Loans	36,680
SHCF Private Equity Fund	5,000
Westend Corporate Restructuring Corporate	5,000
HTIC 6th Corporate Restructuring Corporate	3,000
	49,680
	₩ 104,954

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

Classification	2009		2008	
	Impairment	Reversal	Impairment	Reversal
Equity securities	₩ 1,547	₩ 7,920	₩ 22,929	₩ 1,482
Corporate bonds	878	205	-	-
Asset-backed securities	9,085	10,602	15,873	31,092
Beneficiary certificates	10,574	-	-	302
	₩ 22,084	₩ 18,727	₩ 38,802	₩ 32,876

(6) Securities provided as collateral as of December 31, 2009 were as follows (Unit: In millions):

Provided to	Collateral amount	Book value	Provided for
Customers	₩ 675,000	₩ 686,132	Sale of RP to customer
BOK	540,000	544,336	Settlement of difference
BOK	920,000	920,126	Borrowings from BOK
BOK	110,000	110,374	RP sold
Bank	330,000	330,502	REPO
SPC	490,000	501,934	Borrowings
Other financial institutes	1,064,200	1,065,999	Derivatives settlement and others
KRX	29,472	29,472	Settlement
Brazilian money brokerage service	2,750	2,750	Collateral
Deutsche Bundes Bank	837	824	Borrowings from Deutsche Bundes Bank
	₩ 4,162,259	₩ 4,192,449	

In addition, securities that are possible to be discounted by BOK amounted to ₩4,180,296 million as of December 31, 2009.

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(7) Securities using the equity method

1) Securities using the equity method as of December 31, 2009 and 2008 were summarized as follows (Unit: shares in thousand, in millions):

<2009>

Company	No. of shares	Ownership [%]	Acquisition cost	Net asset value	Book value
KEB Fund Services Co., Ltd. (KEBFS) ^{(*)1}	510	100.00	₩ 2,550	₩ 8,006	₩ 2,550
Lippo Incheon Development Co., Ltd. ^{(*)2}	388	2.70	1,939	1,697	1,697
Realty Advisors Korea, Ltd. ^{(*)2}	200	14.29	1,000	1,038	1,038
Ilsan Project Co., Ltd. ^{(*)2}	288	4.80	2,880	2,602	2,602
Soul Flora Co., Ltd. ^{(*)2}	165	5.00	825	748	748
KEB USA International Corp. (USAI)	0.1	100.00	2,919	6,459	6,459
HTIC2 Corporate Restructuring Association	0.04	20.00	4,000	3,891	3,891
			₩ 16,113	₩ 24,441	₩ 18,985

(*)1) The investment securities were excluded from the application of equity method because the assets are less than ₩10,000 million as of the end of prior year and the change in investment arising from this company was considered insignificant.

(*)2) The Bank has important influence over the company through designation of a director and others, although the ownership is less than 15%.

<2008>

Company	No. of shares	Ownership [%]	Acquisition cost	Net asset value	Book value
KEB Fund Services Co., Ltd. (KEBFS) ^{(*)1}	510	100.00	₩ 2,550	₩ 5,943	₩ 2,550
Realty Advisors Korea, Ltd. ^{(*)2}	388	2.70	1,939	1,863	1,863
Lippo Incheon Development Co., Ltd. ^{(*)2}	200	14.29	1,000	2,955	2,955
Ilsan Project Co., Ltd. ^{(*)2}	288	4.80	2,880	2,775	2,775
Soul Flora Co., Ltd. ^{(*)2}	20	5.00	100	88	88
KEB USA International Corp. (USAI)	0.1	100.00	3,144	6,399	6,399
HTIC2 Corporate Restructuring Association	0.04	20.00	4,000	3,974	3,974
			₩ 15,613	₩ 23,997	₩ 20,604

(*)1) The investment securities were excluded from the application of equity method because the assets are less than ₩7,000 million as of the end of prior year and the change in investment arising from this company was considered insignificant.

(*)2) The Bank has important influence over the company through designation of a director and others, although the ownership is less than 15%.

2) The valuation of securities using the equity method for the years ended December 31, 2009 and 2008 was as follows (Unit: In millions):

<2009>

Company	Acquisition cost	Book value before valuation	Increase (Decrease) dividend	Foreign exchange trading income (loss)	Equity in earnings	Book value after valuation
KEBFS ^{(*)1}	₩ 2,550	₩ 2,550	₩ -	₩ -	₩ -	₩ 2,550
Realty Advisors Korea, Ltd. ^{(*)2}	1,000	2,955	(1,550)	-	(367)	1,038
Lippo Incheon Development Co., Ltd. ^{(*)2}	1,939	1,863	-	-	(166)	1,697
Ilsan Project Co., Ltd. ^{(*)2}	2,880	2,775	-	-	(173)	2,602
Soul Flora Co., Ltd. ^{(*)2}	825	88	725	-	(65)	748
KEB USA International Corp. (USAI)	2,919	6,399	-	(458)	518	6,459
HTIC2 Corporate restructuring association	4,000	3,974	-	-	(83)	3,891
	₩ 16,113	₩ 20,604	₩ (825)	₩ (458)	₩ (336)	₩ 18,985

(*)1) The investment securities were excluded from the application of equity method because the assets are less than ₩10,000 million as of the end of prior year and the change in investment arising from this company was considered insignificant.

(*)2) The Bank has important influence over the company through designation of a director and others, although the ownership is less than 15%.

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

<2008>

Company	Acquisition cost	Book value before valuation	Increase (Decrease) dividend	Foreign exchange trading income (loss)	Equity in earnings	Book value after valuation
KEBFS ^(*)	₩ 2,550	₩ 2,550	₩ -	₩ -	₩ -	₩ 2,550
Realty Advisors Korea, Ltd. ^(*)	1,000	1,000	(1,200)	-	3,155	2,955
Lippo Incheon Development Co., Ltd. ^(*)	1,939	1,830	-	-	33	1,863
Ilsan Project Co., Ltd. ^(*)	2,880	-	2,880	-	(105)	2,775
Soul Flora Co., Ltd. ^(*)	100	-	100	-	(12)	88
KEB USA International Corp. (USAI)	3,144	4,236	-	1,442	721	6,399
HTIC2 Corporate restructuring association	4,000	4,000	-	-	(26)	3,974
	₩ 15,613	₩ 13,616	₩ 1,780	₩ 1,442	₩ 3,766	₩ 20,604
	1,939	1,830	-	-	33	1,863
	₩ 1,000	₩ 1,000	₩ (1,200)	₩ -	₩ 3,155	₩ 2,955

(*) The investment securities were excluded from the application of equity method because the assets are less than ₩7,000 million as of the end of prior year and the change in investment arising from this company was considered insignificant.

(*) The Bank has important influence over the company through designation of a director and others, although the ownership is less than 15%.

3) Summary of Financial Information of Affiliates

The summary of financial information in affiliates using the equity method as of and for the year ended December 31, 2009 was as follows
(Unit: In millions):

Classification	Lippo Incheon Development Co., Ltd.	Ilsan Project Co., Ltd.	Realty Advisors Korea, Ltd.	HTIC2 Corporate Restructuring Association	KEB Fund Serevices Co., Ltd.	Others	Total
Total assets	₩ 634,017	₩ 238,544	₩ 7,478	₩ 20,272	₩ 9,307	₩ 61,601	₩ 971,219
Total liabilities	571,163	184,343	208	19,455	1,301	40,184	816,654
Operation revenue	-	-	-	101	10,320	2,699	13,120
Net income (loss)	(6,149)	(3,620)	(2,569)	(206)	1,538	(533)	(11,539)

Unaudited financial statements as of December 31, 2009 were used for the application of the equity method. The significant events from the closing dates of the investees to that of the Bank were properly reflected in applying the equity method. The material transactions or events from setting day of each subsidiary to December 31, 2009 were considered in valuation using the equity method. The Bank has performed procedures to verify reliability of unaudited financial statements which include securing and confirming the signatures of their representatives and internal auditors.

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(8) The portfolio of securities excluding securities using the equity method, by industry, as of December 31, 2009 and 2008 was as follows
(Unit: In millions):

By industry type	2009		2008	
	Amount	Percentage (%)	Amount	Percentage (%)
Trading securities:				
Government and government-invested public companies	₩ 643,767	23.04	₩ 1,101,259	34.25
Financial and insurance institutions	1,871,582	66.98	1,694,576	52.69
Manufacturing	52,423	1.88	31,644	0.98
Others	226,324	8.10	388,406	12.08
	₩ 2,794,096	100.00	₩ 3,215,885	100.00
Available-for-sale securities:				
Government and government-invested public companies	₩ 3,047,668	39.23	₩ 2,221,412	31.01
Financial and insurance institutions	2,453,098	31.58	2,933,240	40.95
Manufacturing	1,267,385	16.32	845,475	11.80
Others	999,865	12.87	1,163,206	16.24
	₩ 7,768,016	100.00	₩ 7,163,333	100.00
Held-to-maturity securities:				
Government and government-invested public companies	₩ 3,832,836	82.20	₩ 2,295,429	64.65
Financial and insurance institutions	746,513	16.01	1,154,819	32.53
Manufacturing	58,259	1.25	64,178	1.81
Others	25,190	0.54	35,820	1.01
	₩ 4,662,798	100.00	₩ 3,550,246	100.00

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(9) The portfolio of securities excluding securities using the equity method, by security type, as of December 31, 2009 and 2008 was as follows
(Unit: In millions):

By security type	2009		2008	
	Amount	Percentage (%)	Amount	Percentage (%)
Trading securities:				
Stocks	₩ 42,126	1.51	₩ 14,789	0.46
Fixed rate bonds	1,514,345	54.20	3,148,422	97.90
Floating rate bonds	46,140	1.65	47,833	1.49
Subordinated bonds	121,798	4.36	-	-
Beneficiary certificates	15,014	0.54	4,841	0.15
Commercial paper	1,054,673	37.74	-	-
	₩ 2,794,096	100.00	₩ 3,215,885	100.00
Available-for-sale securities:				
Stocks	₩ 1,661,970	21.40	₩ 1,144,056	15.97
Fixed rate bonds	3,820,426	49.18	3,266,888	45.61
Floating rate bonds	1,263,947	16.27	1,576,525	22.01
Subordinated bonds	668,181	8.60	836,717	11.68
Convertible bonds	9,721	0.13	-	-
Bond with stock warrants	247	0.01	-	-
Beneficiary certificates	209,852	2.70	199,459	2.78
Others	133,672	1.71	139,688	1.95
	₩ 7,768,016	100.00	₩ 7,163,333	100.00
Held-to-maturity securities:				
Fixed rate bonds	₩ 4,275,151	91.69	₩ 2,950,082	83.10
Floating rate bonds	68,455	1.47	69,861	1.97
Subordinated bonds	318,604	6.83	529,353	14.91
Others	588	0.01	950	0.02
	₩ 4,662,798	100.00	₩ 3,550,246	100.00

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(10) The portfolio of securities excluding securities using the equity method, by country, as of December 31, 2009 and 2008 was as follows
(Unit: In millions):

By country type	2009		2008	
	Amount	Percentage (%)	Amount	Percentage (%)
Trading securities:				
Korea	₩ 2,793,585	99.98	₩ 3,215,885	100.00
Others	511	0.02	-	-
	₩ 2,794,096	100.00	₩ 3,215,885	100.00
Available-for-sale securities:				
Korea	₩ 7,704,267	99.18	₩ 7,091,847	99.00
Cayman Islands	41,167	0.53	45,019	0.63
USA	6,214	0.08	6,532	0.09
Hong Kong (China)	4,840	0.06	4,244	0.06
UK	3,140	0.04	2,560	0.04
Others	8,388	0.11	13,131	0.18
	₩ 7,768,016	100.00	₩ 7,163,333	100.00
Held-to-maturity securities:				
Korea	₩ 4,533,112	97.22	₩ 3,445,715	97.06
Indonesia	96,954	2.08	68,474	1.93
Singapore	19,128	0.41	20,044	0.56
Brazil	6,718	0.14	9,407	0.26
Philippines	6,062	0.13	5,683	0.16
Others	824	0.02	923	0.03
	₩ 4,662,798	100.00	₩ 3,550,246	100.00

(11) Term structure of securities except for stocks and equity investments in available-for-sale and held-to-maturity securities as of December 31, 2009 was as follows (Unit: In millions):

Classification	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	More than 10 years	Total
Government and public bonds	₩ 597,800	₩ 1,018,429	₩ 9,984	₩ -	₩ 1,626,213
Finance bonds	5,961,790	3,044,204	234,251	-	9,240,245
Foreign government bonds	19,128	7,058	3,139	-	29,325
Corporate bonds	482,727	519,988	-	-	1,002,715
Beneficiary certificates	15,014	4,676	-	205,176	224,866
Asset-backed securities	65,105	119,033	24,379	-	208,517
Commercial paper	1,054,673	-	-	-	1,054,673
Others	588	8	29,799	-	30,395
	₩ 8,196,825	₩ 4,713,396	₩ 301,552	₩ 205,176	₩13,416,949

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KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(12) Structured securities relating to stock and interest rate and credit risk as of December 31, 2009 and 2008 were as follows
(Unit: In millions):

<2009>

Classification	Won	Foreign currencies	Total
Structured notes relating to stock:			
Convertible bonds (available-for-sale securities)	₩ 247	₩ -	₩ 247
Convertible bonds (loans)	49,490	-	49,490
Bonds with stock warrants (available-for-sale securities)	9,721	-	9,721
Bonds with stock warrants (loans)	19,000	-	19,000
Equity Linked Warrants	8	-	8
	78,466	-	78,466
Structured notes relating to interest rate:			
Long-term government bond floating rates notes (CMT) (available-for-sale securities)	20,259	-	20,259
	20,259	-	20,259
Structured notes relating to credit risk:			
Synthetic CDO	-	16,788	16,788
	₩ 98,725	₩ 16,788	₩ 115,513

<2008>

Classification	Won	Foreign currencies	Total
Structured notes relating to stock:			
Convertible bonds (available-for-sale securities)	₩ 1,500	₩ -	₩ 1,500
Convertible bonds (loans)	45,070	-	45,070
Bonds with stock warrants (available-for-sale securities)	6,700	-	6,700
Bonds with stock warrants (loans)	101,500	-	101,500
Equity Linked Warrants	8	-	8
	154,778	-	154,778
Structured notes relating to interest rate:			
Long-term government bond floating rates notes (CMT) (available-for-sale securities)	20,079	-	20,079
Range (accrual) bond (available-for-sale securities)	19,822	-	19,822
	39,901	-	39,901
Structured notes relating to credit risk:			
Synthetic CDO	-	18,362	18,362
	₩ 194,679	₩ 18,362	₩ 213,041

(13) Changes in accumulated other comprehensive income (loss) of available-for-sale securities for the year ended December 31, 2009 were as follows (Unit: In millions):

Classification	Beginning	Decrease	Disposal	Deferred income tax	Ending
Equity securities	₩ 376,712	₩ 713,079	₩ (157,795)	₩ (121,883)	₩ 810,113
Debt securities	(62,530)	51,917	16,863	(14,889)	(8,639)
	₩ 314,182	₩ 764,996	₩ (140,932)	₩ (136,772)	₩ 801,474

(14) Changes in accumulated other comprehensive loss of held-to-maturity securities for the year ended December 31, 2009 were as follows (Unit: In millions):

Classification	Beginning	Decrease	Disposal	Deferred income tax	Ending
Debt securities	₩ (319)	₩ 220	₩ 168	₩ (85)	₩ (16)

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(15) Changes in accumulated other comprehensive loss of negative changes of securities using the equity method for the year ended December 31, 2009 were as follows (Unit: In millions):

Classification	Beginning	Decrease	Disposal	Deferred income tax	Ending
Negative changes in securities using the equity method	₩ -	₩ [12]	₩ -	₩ 2	₩ [10]

7. LOANS:

(1) Loans as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Call loans	₩ 1,037,809	₩ 841,077
Domestic import usance bill	2,616,185	2,746,929
Credit card receivables	2,422,943	2,552,607
Bills bought in foreign currencies	4,055,089	4,479,977
Bills bought in Won	1,306,573	2,263,270
Bonds purchased under repurchase agreements	1,786,000	2,342,717
Loans in Won	43,016,804	42,325,196
Loans in foreign currencies	10,250,284	11,495,741
Factoring receivables	166,525	130,689
Advances for customers	8,998	31,127
Privately placed bonds	666,220	738,203
	67,333,430	69,947,533
Less: Allowance for possible loan losses (see Note 19)	(1,038,547)	(1,131,852)
Deferred loan origination fees and costs	[58,037]	[53,179]
	₩ 66,236,846	₩ 68,762,502

(2) Loans in Won and loans in foreign currencies as of December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Loans in Won:		
Commercial		
Financial loans:		
Working capital loans	₩ 21,209,519	₩ 22,390,838
Facilities loans	3,621,818	3,343,602
Loans with government funds:		
Working capital loans	48,734	72,339
Facilities loans	447,939	506,575
	25,328,010	26,313,354
Households		
General purpose loans	13,411,891	13,574,160
Housing loans	4,157,226	2,288,830
	17,569,117	15,862,990
Public sector and others		
Working capital loans	82,898	95,978
Facilities loans	24,259	44,404
General purpose loans	12,520	8,470
	119,677	148,852
Total loans in Won	43,016,804	42,325,196
Loans in foreign currencies:		
Working capital loans	1,539,051	1,930,606
Facilities loans	3,132,988	4,157,987
Others	5,501,380	5,380,589
Inter-bank loans	76,865	26,559
Total loans in foreign currencies	10,250,284	11,495,741
	₩ 53,267,088	₩ 53,820,937

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(3) Loans in Won, loans in foreign currencies and domestic import usance bill, classified by borrower type, as of December 31, 2009 and 2008 were as follows (Unit: In millions):

<2009>

By borrower type	Loans in Won	Loans in foreign currencies	Domestic import usance bill	Total	Percentage (%)
Large corporations	₩ 6,099,711	₩ 6,220,600	₩ 2,089,531	₩ 14,409,842	25.79
Small and medium corporations ^(*)	19,228,299	3,283,187	526,654	23,038,140	41.22
Households	17,569,117	536,535	-	18,105,652	32.40
Public sector and others	119,677	209,962	-	329,639	0.59
	₩ 43,016,804	₩ 10,250,284	₩ 2,616,185	₩ 55,883,273	100.00

(*) Small and medium corporations are prescribed in Article 2 of the Small and Medium-sized Enterprise Basic Act.

<2008>

By borrower type	Loans in Won	Loans in foreign currencies	Domestic import usance bill	Total	Percentage (%)
Large corporations	₩ 5,283,208	₩ 6,859,179	₩ 1,924,276	₩ 14,066,663	24.87
Small and medium corporations ^(*)	21,030,146	3,900,862	822,653	25,753,661	45.53
Households	15,862,990	524,362	-	16,387,352	28.97
Public sector and others	148,852	211,338	-	360,190	0.63
	₩ 42,325,196	₩ 11,495,741	₩ 2,746,929	₩ 56,567,866	100.00

(*) Small and medium corporations are prescribed in Article 2 of the Small and Medium-sized Enterprise Basic Act.

(4) Loans in foreign currencies and domestic import usance bill, classified by borrower's country, as of December 31, 2009 and 2008 were as follows (Unit: In thousands of U.S. Dollars, in millions of Won):

<2009>

Classification	Loans in foreign currencies		Domestic import usance bill		Total	Percentage (%)
	Loans in U.S. Dollars ^(*)	Translation into Won	Loans in U.S. Dollars ^(*)	Translation into Won		
Korea	\$ 5,062,121	₩ 5,910,533	\$ 2,240,651	₩ 2,616,185	₩ 8,526,718	66.27
Canada	1,451,952	1,695,300	-	-	1,695,300	13.18
USA	899,134	1,049,829	-	-	1,049,829	8.16
Japan	323,522	377,744	-	-	377,744	2.94
China	135,848	158,616	-	-	158,616	1.23
Others	906,357	1,058,262	-	-	1,058,262	8.22
	\$ 8,778,934	₩ 10,250,284	\$ 2,240,651	₩ 2,616,185	₩ 12,866,469	100.00

(*) Foreign currencies other than U.S. Dollars are converted into U.S. Dollars at the rate at the date of the statement of financial position.

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

<2008>

Classification	Loans in foreign currencies		Domestic import usance bill		Total	Percentage (%)
	Loans in U.S. Dollars ^(*)	Translation into Won	Loans in U.S. Dollars ^(*)	Translation into Won		
Korea	\$ 5,416,437	₩ 6,811,169	\$ 2,184,437	₩ 2,746,929	₩ 9,558,098	67.12
Canada	1,360,041	1,710,252	-	-	1,710,252	12.01
USA	910,855	1,145,401	-	-	1,145,401	8.04
Japan	450,074	565,968	-	-	565,968	3.97
Singapore	161,365	202,917	-	-	202,917	1.42
Others	842,970	1,060,034	-	-	1,060,034	7.44
	\$ 9,141,742	₩11,495,741	\$ 2,184,437	₩ 2,746,929	₩14,242,670	100.00

(*) Foreign currencies other than U.S. Dollars are converted into U.S. Dollars at the rate at the date of the statement of financial position.

(5) Loans on Won, loans in foreign currencies and domestic import usance bill, classified by industry, as of December 31, 2009 and 2008 were as follows (Unit: In millions):

<2009>

By borrower type	Loans in Won	Loans in foreign currencies	Domestic import usance bill	Total	Percentage (%)
Corporations:	₩ 25,328,010	₩ 4,768,630	₩ 2,616,185	₩ 32,712,825	63.96
Manufacturing	10,799,051	2,234,736	2,283,777	15,317,564	29.95
Wholesale & retail	2,853,120	1,126,411	302,645	4,282,176	8.37
Real estate and renting and leasing	3,541,366	131,414	-	3,672,780	7.18
Construction	2,716,933	58,233	12,414	2,787,580	5.45
Transportation business	1,219,932	547,212	201	1,767,345	3.46
Others	4,197,608	670,624	17,148	4,885,380	9.55
Households	17,569,117	536,535	-	18,105,652	35.40
Public sector and others	119,677	209,962	-	329,639	0.64
	43,016,804	5,515,127	2,616,185	51,148,116	100.00
Loans of overseas branches	-	4,735,157	-	4,735,157	
	₩ 43,016,804	₩ 10,250,284	₩ 2,616,185	₩ 55,883,273	

<2008>

By borrower type	Loans in Won	Loans in foreign currencies	Domestic import usance bill	Total	Percentage (%)
Corporations:	₩ 26,313,354	₩ 5,802,160	₩ 2,746,929	₩ 34,862,443	67.55
Manufacturing	10,146,952	2,724,646	2,325,019	15,196,617	29.45
Service	3,446,780	1,432,851	381,239	5,260,870	10.19
Real estate and renting and leasing	3,892,542	153,048	62	4,045,652	7.84
Construction	2,980,393	41,384	10,614	3,032,391	5.88
Transportation business	1,312,335	759,017	4,355	2,075,707	4.02
Others	4,534,352	691,214	25,640	5,251,206	10.17
Households	15,862,990	524,362	-	16,387,352	31.75
Public sector and others	148,852	211,338	-	360,190	0.70
	42,325,196	6,537,860	2,746,929	51,609,985	100.00
Loans of overseas branches	-	4,957,881	-	4,957,881	
	₩ 42,325,196	₩ 11,495,741	₩ 2,746,929	₩ 56,567,866	

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(6) Loans to financial institutions as of December 31, 2009 and 2008 were as follows (Unit: In millions):

<2009>

Classification	Loans in Won	Loans in foreign currencies	Call loans	Total	Percentage (%)
Bank	₩ 50,152	₩ 40,216	₩ 608,953	₩ 699,321	35.09
Other financial institutions	821,882	21,365	-	843,247	42.31
Overseas financial institutions	-	21,605	428,856	450,461	22.60
	₩ 872,034	₩ 83,186	₩ 1,037,809	₩ 1,993,029	100.00

<2008>

Classification	Loans in Won	Loans in foreign currencies ^(*)	Call loans	Total	Percentage (%)
Bank	₩ 54,792	₩ -	₩ 201,913	₩ 256,705	14.14
Other financial institutions	844,676	47,860	-	892,536	49.18
Overseas financial institutions	-	26,559	639,164	665,723	36.68
	₩ 899,468	₩ 74,419	₩ 841,077	₩ 1,814,964	100.00

(*) Domestic import usance bill is included in loans in foreign currencies.

(7) The term structure of loans as of December 31, 2009 was as follows (Unit: In millions):

Classification	Loans in Won	Loans in foreign currencies	Domestic import usance bill	Total
Due in less than one year	₩ 32,534,106	₩ 6,332,819	₩ 2,615,002	₩ 41,481,927
Due from one to two years	2,723,886	1,171,407	90	3,895,383
Due from two to three years	1,915,776	768,132	1,093	2,685,001
Due from three to five years	1,792,614	932,819	-	2,725,433
Due after five years	4,050,422	1,045,107	-	5,095,529
	₩ 43,016,804	₩ 10,250,284	₩ 2,616,185	₩ 55,883,273

(8) The changes in deferred loan origination fees and costs for the year ended December 31, 2009 were as follows (Unit: In millions):

	Beginning balance	Addition	Deduction	Ending balance
Deferred loan origination fees and costs	₩ 53,179	₩ 47,392	₩ (42,534)	₩ 58,037

(9) The disposed loans for the year ended December 31, 2009 were as follows (Unit: In millions):

Purchaser	Nominal amount	Allowance of possible loan losses at disposal	Gain (Loss) on disposal of loans
Gyeonggi Mutual Savings Bank	₩ 157,444	₩ 12,914	₩ (2,705)
Fine Partners Co., Ltd. and others	188,632	33,917	(1,166)
Hyundai Asset Resolution Co., Ltd. ^(*)	25,381	-	2,758
KEB 17th Securitization Specialty Co., Ltd.	110,402	8,303	(21,779)

(*) Gain on disposal of bad debts

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

8. RESTRUCTURED LOANS:

(1) The loans that were restructured because of workouts plan and others for the year ended December 31, 2009 were as follows (Unit: In millions):

Classification	Restructuring loans	Present value ^(*)	Ending balance of present value discounts
Workout plan	₩ 1,092,768	₩ 1,088,580	₩ 4,188
Corporate reorganization	137,135	135,340	1,795
Rationalization of industry	275,760	246,410	29,350
	₩ 1,505,663	₩ 1,470,330	₩ 35,333

(*) As the present value is calculated with fair value at the restructuring date, if there is no fair value, the present value of total future cash receipts under the restructuring plans is discounted using interest rates of 3.41 percent to 13.46 percent. Also, the present value discount is calculated using effective interest rate method.

(2) Changes in the present value discounts relating to the outstanding restructured loans for the year ended December 31, 2009 were as follows (Unit: In millions):

Classification	Amount ^(*)	Present value discounts			
		Beginning balance	Addition	Deduction	Ending balance ^{(*)2}
Loans:					
Court receivership	₩ 2,235	₩ 517	₩ -	₩ 336	₩ 181
Others	183,047	33,097	5,516	7,767	30,846
	185,282	33,614	5,516	8,103	31,027
Accounts receivable:					
Court receivership	-	-	-	-	-
Others	16,348	4,427	1,027	1,148	4,306
	16,348	4,427	1,027	1,148	4,306
	₩ 201,630	₩ 38,041	₩ 6,543	₩ 9,251	₩ 35,333

(*)1) These only include restructured loans discounted at present value.

(*)2) The present value discount is presented as allowance of possible loan losses.

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KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

9. ALLOWANCE FOR POSSIBLE LOAN LOSSES:

(1) The allowance for possible loan losses as of December 31, 2009 and 2008 was summarized as follows (Unit: In millions):

<2009>

Classification	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Loans:						
Call loans	₩ 1,037,809	₩ -	₩ -	₩ -	₩ -	₩ 1,037,809
Allowance	62	-	-	-	-	62
Allowance percentage	0.01%	-	-	-	-	0.01%
Credit card loans	2,359,510	28,889	468	27,359	6,717	2,422,943
Allowance	35,393	4,676	215	18,679	6,717	65,680
Allowance percentage	1.50%	16.19%	45.94%	68.27%	100.00%	2.71%
Bills bought in foreign currencies ^{(*)1}	4,112,765	5,196	25,856	2,070	-	4,145,887
Allowance	34,824	984	5,171	1,035	-	42,014
Allowance percentage	0.85%	18.94%	20.00%	50.00%	-	1.01%
Bonds bought under resale agreements	1,786,000	-	-	-	-	1,786,000
Allowance	-	-	-	-	-	-
Allowance percentage	-	-	-	-	-	-
Loans in Won ^{(*)2}	42,978,298	804,658	297,296	78,713	43,066	44,202,031
Allowance	413,557	77,641	70,311	45,176	43,066	649,751
Allowance percentage	0.96%	9.65%	23.65%	57.39%	100.00%	1.47%
Loans in foreign currencies ^{(*)3}	12,401,085	200,777	148,990	32,288	6,342	12,789,482
Allowance	114,896	20,431	58,814	18,434	6,342	218,917
Allowance percentage	0.93%	10.18%	39.48%	57.09%	100.00%	1.71%
Inter-bank loans	76,865	-	-	-	-	76,865
Allowance	-	-	-	-	-	-
Allowance percentage	-	-	-	-	-	-
Factoring receivables	166,525	-	-	-	-	166,525
Allowance	1,416	-	-	-	-	1,416
Allowance percentage	0.85%	-	-	-	-	0.85%
Advances for customers	-	276	6,134	134	2,454	8,998
Allowance	-	19	1,227	67	2,454	3,767
Allowance percentage	-	7.00%	20.00%	50.00%	100.00%	41.86%
Privately placed bonds ^{(*)4}	658,184	2,000	2,024	3,532	123	665,863
Allowance	5,595	140	405	1,766	123	8,029
Allowance percentage	0.85%	7.00%	20.00%	50.00%	100.00%	1.21%
Other accounts ^{(*)5}	9,685	3,544	4,558	22,222	1,230	41,239
Allowance	58	232	912	11,146	1,230	13,578
Allowance percentage	0.60%	6.55%	20.00%	50.16%	100.00%	32.93%
Sum:						
Loans and other accounts	65,586,726	1,045,340	485,326	166,318	59,932	67,343,642
Allowance	605,801	104,123	137,055	96,303	59,932	1,003,214
Allowance percentage	0.92%	9.96%	28.24%	57.90%	100.00%	1.49%
Present value discounts	29,350	1,868	2,955	1,160	-	35,333
Allowance for possible loan losses on the statement of financial position	₩ 635,151	₩ 105,991	₩ 140,010	₩ 97,463	₩ 59,932	₩ 1,038,547

(*1) Local L/C bills bought in Won amounting to ₩22,035 million, Local L/C bills bought in foreign currencies amounting to ₩63,950 million among bills bought in Won and Bills of exchange in Won at sight amounting to ₩4,813 million are included in bills bought in foreign currencies.

(*2) Commercial bills purchased amounting to ₩1,215,775 million among bills bought in Won are included in bills bought in foreign currencies, and present value discount amounting to ₩30,548 million is deducted.

(*3) Domestic import usance bill is included in foreign currencies. Interbank loans in foreign currencies of ₩76,865 million and present value discount amounting to ₩122 million is deducted.

(*4) Present value discount amounting to ₩357 million is deducted on privately placed bonds.

(*5) Other accounts consisted of accounts receivable (transfer-in bills bought in foreign currencies) amounting to ₩2,037 million, suspense payments in relation with loans amounting to ₩38,614 million and securities (commercial paper) amounting to ₩588 million.

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<2008>

Classification	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Loans:						
Call loans	₩ 841,077	₩ -	₩ -	₩ -	₩ -	₩ 841,077
Allowance	-	-	-	-	-	-
Allowance percentage	-	-	-	-	-	-
Credit card loans	2,477,045	40,633	210	25,984	8,735	2,552,607
Allowance	37,156	8,157	42	15,930	8,735	70,020
Allowance percentage	1.50%	20.07%	20.00%	61.31%	100.00%	2.74%
Bills bought in foreign currencies ^{(*)1}	4,535,209	578	10,676	-	-	4,546,463
Allowance	38,555	40	5,231	-	-	43,826
Allowance percentage	0.85%	7.00%	49.00%	-	-	0.96%
Bonds bought under resale agreements	2,342,717	-	-	-	-	2,342,717
Allowance	-	-	-	-	-	-
Allowance percentage	-	-	-	-	-	-
Loans in Won ^{(*)2}	43,303,426	565,627	385,029	48,521	186,360	44,488,963
Allowance	398,941	46,445	78,262	27,619	186,360	737,627
Allowance percentage	0.92%	8.21%	20.33%	56.92%	100.00%	1.66%
Loans in foreign currencies ^{(*)3}	13,992,855	148,492	37,848	15,061	21,855	14,216,111
Allowance	119,879	11,976	11,746	11,919	21,855	177,375
Allowance percentage	0.86%	8.07%	31.03%	79.13%	100.00%	1.25%
Inter-bank loans	26,559	-	-	-	-	26,559
Allowance	-	-	-	-	-	-
Allowance percentage	-	-	-	-	-	-
Factoring receivables	130,689	-	-	-	-	130,689
Allowance	1,111	-	-	-	-	1,111
Allowance percentage	0.85%	-	-	-	-	0.85%
Advances for customers ^{(*)4}	3,016	8,180	3,165	46	16,182	30,589
Allowance	26	898	633	23	16,182	17,762
Allowance percentage	0.85%	10.98%	20.00%	50.00%	100.00%	58.07%
Privately placed bonds ^{(*)5}	733,293	2,200	2,360	-	291	738,144
Allowance	5,353	154	472	-	291	6,270
Allowance percentage	0.73%	7.00%	20.00%	-	100.00%	0.85%
Other accounts ^{(*)6}	12,291	6,548	4,259	6,020	35,411	64,529
Allowance	78	430	852	3,049	35,411	39,820
Allowance percentage	0.64%	6.57%	20.00%	50.65%	100.00%	61.71%
Sum:						
Loans and other accounts	68,398,177	772,258	443,547	95,632	268,834	69,978,448
Allowance	601,099	68,100	97,238	58,540	268,834	1,093,811
Allowance percentage	0.88%	8.82%	21.92%	61.21%	100.00%	1.56%
Present value discounts	34,802	1,194	2,045	-	-	38,041
Allowance for possible loan losses on the statement of financial position	₩ 635,901	₩ 69,294	₩ 99,283	₩ 58,540	₩ 268,834	₩ 1,131,852

(*)1 Local L/C bills bought in Won amounting to ₩17,731 million and Local L/C bills bought in foreign currencies amounting to ₩48,755 million among bills bought in Won are included in bills bought in foreign currencies.

(*)2 Commercial bills purchased amounting to ₩2,196,784 million among bills bought in Won are included in bills bought in foreign currencies, and present value discount amounting to ₩33,017 million is deducted.

(*)3 Domestic import usance bill is included in foreign currencies. Interbank loans in foreign currencies of ₩26,559 million is deducted.

(*)4 Present value discount amounting to ₩538 million is deducted on advances for customers.

(*)5 Present value discount amounting to ₩59 million is deducted on privately placed bonds.

(*)6 Other accounts consisted of account receivable (transfer-in bills bought in foreign currencies) amounting to ₩5,099 million, suspense payments in relation with loans amounting to ₩58,480 million and securities (commercial paper) amounting to ₩950 million.

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KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(2) The changes in allowance for possible loan losses for the years ended December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Beginning balance	₩ 1,131,852	₩ 753,696
Provision for possible loan losses	677,349	778,445
Loans written-off	(926,361)	(597,106)
Repurchase of loan and others	168,125	183,783
Translation adjustments of overseas	(5,272)	21,081
Changes in present value discounts	(7,146)	(8,047)
Ending balance	₩ 1,038,547	₩ 1,131,852

(3) The allowance for possible loan losses compared to total loans, net of present value discount, was summarized as follows (Unit: In millions):

Classification	2009	2008	2007
Loans ^(*)	₩ 64,506,822	₩ 66,768,095	₩ 55,705,353
Allowance for possible loan losses ^(*)	1,003,214	1,093,811	704,074
Percentage (%)	1.55	1.64	1.26

(*) Call loans, bonds purchased under repurchase agreements and interbank loans that are credits not qualified for bad debt allowances are excluded.

(*) Present value discounts are excluded.

10. TANGIBLE ASSETS:

(1) Tangible assets as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Tangible assets	₩ 2,221,531	₩ 2,252,934
Less: accumulated depreciation	(828,421)	(802,354)
	₩ 1,393,110	₩ 1,450,580

(2) Tangible assets as of December 31, 2009 and 2008 consisted of (Unit: In millions):

<2009>

Classification	Acquisition cost	Accumulated depreciation	Accumulated impairment loss ^(*)	Book value
Land	₩ 933,891	₩ -	₩ (2,376)	₩ 931,515
Buildings	542,691	(192,790)	(3,565)	346,336
Leasehold improvements	128,076	(95,179)	-	32,897
Equipment and vehicles	616,729	(534,511)	-	82,218
Construction in progress	144	-	-	144
	₩ 2,221,531	₩ (822,480)	₩ (5,941)	₩ 1,393,110

(*) The difference between the impairment loss for the year ended December 31, 2009 and the accumulated impairment loss as of December 31, 2009 amounting to ₩1,942 million was recognized as loss on revaluation of tangible asset in the prior fiscal year.

<2008>

Classification	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value
Land	₩ 938,810	₩ -	₩ -	₩ 938,810
Buildings	541,098	(182,609)	-	358,489
Leasehold improvements	121,908	(82,565)	-	39,343
Equipment and vehicles	651,096	(537,180)	-	113,916
Construction in progress	22	-	-	22
	₩ 2,252,934	₩ (802,354)	₩ -	₩ 1,450,580

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(3) The changes in book value of tangible assets for the year ended December 31, 2009 were as follows (Unit: In millions):

Classification	Beginning	Acquisition	Disposal	Depreciation	Impairment loss ^{(*)2}	Revaluation loss ^{(*)1}	Change in foreign currencies	Ending
Land	₩ 938,810	₩ -	₩ (4,330)	₩ -	₩ (215)	₩ (2,576)	₩ (174)	₩ 931,515
Buildings	358,489	7,630	(2,166)	(12,960)	(3,784)	-	(873)	346,336
Leasehold improvements	39,343	6,812	(10)	(13,110)	-	-	(138)	32,897
Equipment and vehicles	113,916	38,599	(6,588)	(63,308)	-	-	(401)	82,218
Construction in progress	22	144	(24)	-	-	-	2	144
	₩ 1,450,580	₩ 53,185	₩ (13,118)	₩ (89,378)	₩ (3,999)	₩ (2,576)	₩ (1,584)	₩ 1,393,110

(*)1) Gain on revaluation of tangible asset recognized in the prior fiscal year in relation to land was reversed up to the amount of impairment loss incurred for the year ended December 31, 2009.

(*)2) The impairment loss amounting to ₩3,853 million was recognized as loss on prior period error correction because the cause of impairment occurred in the prior fiscal year.

(4) The published value of the land was ₩877,787 million and ₩755,083 million as of December 31, 2009 and 2008, respectively, based on the Laws on Disclosure of Land Price and Valuation of Land.

(5) Tangible assets, which have been insured as of December 31, 2009 were as follows (Unit: In millions):

Type of insurance	Asset insured	Insured balance	Insurance company
Property composite	Buildings	₩ 346,575	Hyundai Marine & Fire Insurance Co., Ltd.
	Leasehold improvements	38,031	Hyundai Marine & Fire Insurance Co., Ltd., ING and others
	Equipment and vehicles	120,276	Hyundai Marine & Fire Insurance Co., Ltd., ING and others
		₩ 504,882	

(6) The change in the gain on revaluation of tangible assets for the year ended December 31, 2009 was as follows (Unit: In millions):

Classification	Beginning	Revaluation	Disposal or reclassification ^(*)	Tax adjustment	Ending
Land	₩ 435,337	₩ -	₩ (4,140)	₩ 911	₩ 432,108

(*) Due to the disposal of revaluated lands, gain on revaluation of tangible assets decreased by ₩1,564 million.

11. OTHER ASSETS:

(1) Other assets as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Non-business use properties	₩ 1,259	₩ -
Guarantee deposits paid	664,694	659,883
Accounts receivable	6,883,634	5,217,384
Accrued income	262,722	412,834
Prepaid expenses	40,642	21,772
Deferred income tax assets (see Note 22)	21,682	29,340
Derivatives instruments assets (see Note 17)	1,599,842	4,673,463
Intangible assets	61,606	66,522
Sundry assets	1,265,128	1,310,085
	₩ 10,801,209	₩ 12,391,283

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

[2] Intangible assets as of December 31, 2009 and 2008 consisted of (Unit: In millions):

<2009>

Classification	Acquisition cost	Accumulated amortization	Book value
Development expenditures	₩ 224,447	₩ (163,348)	₩ 61,099
Others ^(*)	2,755	(2,248)	507
	₩ 227,202	₩ (165,596)	₩ 61,606

(*) The effect of exchange rate fluctuation is included.

<2008>

Classification	Acquisition cost	Accumulated amortization	Book value
Development expenditures	₩ 196,887	₩ (131,182)	₩ 65,705
Others ^(*)	2,754	(1,937)	817
	₩ 199,641	₩ (133,119)	₩ 66,522

(*) The effect of exchange rate fluctuation is included.

[3] The changes in intangible assets for the years ended December 31, 2009 and 2008 were as follows (Unit: In millions):

<2009>

Classification	Beginning	Acquisition	Disposal	Amortization	Change in foreign currencies	Ending
Development expenditures	₩ 65,705	₩ 27,560	₩ -	₩ (32,166)	₩ -	₩ 61,099
Others	817	148	-	(408)	(50)	507
	₩ 66,522	₩ 27,708	₩ -	₩ (32,574)	₩ (50)	₩ 61,606

<2008>

Classification	Beginning	Acquisition	Disposal	Amortization	Change in foreign currencies	Ending
Development expenditures	₩ 80,271	₩ 16,299	₩ -	₩ (30,865)	₩ -	₩ 65,705
Others	788	304	-	(484)	(209)	817
	₩ 81,059	₩ 16,603	₩ -	₩ (31,349)	₩ (209)	₩ 66,522

[4] Sundry assets as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Bills unsettled	₩ 1,134,803	₩ 1,153,061
Suspense payments in Won	79,597	94,743
Suspense payments in foreign currencies	9,607	8,949
Unsettled inter-office transaction	9,999	18,611
Deposited money	6,477	5,051
Cash sending to other banks	13,484	20,147
Domestic exchange settlement debits	150	200
Others	11,011	9,323
	₩ 1,265,128	₩ 1,310,085

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KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

12. DEPOSITS:

(1) Deposits as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Demand deposits	₩ 22,576,340	₩ 24,110,040
Time deposits	29,240,591	31,031,532
Negotiable certificates of deposits	9,048,925	7,422,018
	₩ 60,865,856	₩ 62,563,590

(2) Details of deposits as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Demand deposits:		
Demand deposits in Won	₩ 17,142,486	₩ 18,992,722
Demand deposits in foreign currencies	5,433,854	5,117,318
	22,576,340	24,110,040
Time deposits:		
Time deposits in Won	19,708,102	21,937,233
Time deposits in foreign currencies	9,486,282	9,030,434
Mutual installment savings	46,207	63,865
	29,240,591	31,031,532
Negotiable certificates of deposits	9,048,925	7,422,018
	₩ 60,865,856	₩ 62,563,590

(3) Deposits with financial institutions as of December 31, 2009 and 2008 were as follows (Unit: In millions):

<2009>

Classification	Bank	Other financial institution	Foreign financial institution	Total
Demand deposits:				
Demand deposits in Won	₩ 7,981	₩ 202,004	₩ 27,482	₩ 237,467
Demand deposits in foreign currencies	122,582	14,861	168,831	306,274
Time deposits:				
Savings deposits in Won	1,144,463	1,746,073	107,717	2,998,253
Savings deposits in foreign currencies	-	786,495	1,224	787,719
Negotiable certificates of deposits	8,000	651,805	-	659,805
	₩ 1,283,026	₩ 3,401,238	₩ 305,254	₩ 4,989,518

<2008>

Classification	Bank	Other financial institution	Foreign financial institution	Total
Demand deposits:				
Demand deposits in Won	₩ 6,647	₩ 197,718	₩ 67,048	₩ 271,413
Demand deposits in foreign currencies	133,737	11,330	208,204	353,271
Time deposits:				
Savings deposits in Won	913,968	2,811,364	22,012	3,747,344
Savings deposits in foreign currencies	322,765	537,917	4,165	864,847
Negotiable certificates of deposits	51,000	2,581,994	-	2,632,994
	₩ 1,428,117	₩ 6,140,323	₩ 301,429	₩ 7,869,869

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(4) Term structure of deposits as of December 31, 2009 was as follows (Unit: In millions):

Classification	Deposits in Won	Deposits in foreign currencies	Negotiable certificates of deposits	Total
Due in less than one year	₩ 34,556,831	₩ 9,574,498	₩ 8,786,417	₩ 52,917,746
Due from one to two years	642,170	133,636	262,508	1,038,314
Due from two to three years	323,542	107,953	-	431,495
Due from three to five years	175,209	12,542	-	187,751
Due after five years	1,199,043	5,091,507	-	6,290,550
	₩ 36,896,795	₩ 14,920,136	₩ 9,048,925	₩ 60,865,856

13. BORROWINGS:

(1) Borrowings as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Call money	₩ 1,387,330	₩ 2,664,341
Bills sold	30,943	31,491
Bonds sold under repurchase agreements	140,415	432,384
Borrowings	8,064,338	9,252,475
Debentures	8,493,078	11,221,427
Less: Discount on debentures	(25,630)	(45,517)
	₩ 18,090,474	₩ 23,556,601

(2) Call money as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Account	Lender	Annual interest rate (%) Dec. 31, 2009	2009	2008
Call money in foreign currencies	Local and foreign financial institution and others	0.20 ~ 1.46	₩ 1,387,330	₩ 2,664,341

(3) Bills sold, bonds sold under repurchase agreements and due to BOK in foreign currencies as of December 31, 2009 and 2008 consisted of the following (Unit: In millions):

Account	Lender	Annual interest rate (%) Dec. 31, 2009	2009	2008
Bills sold	General customer	1.50 ~ 4.40	₩ 30,943	₩ 31,491
Bonds sold under repurchase agreements	General customer and others	3.04 ~ 8.00	140,415	432,384
			₩ 171,358	₩ 463,875

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(4) Borrowings as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Account	Lender	Annual interest rate (%) Dec. 31, 2009	2009	2008
Borrowings in Won:				
Borrowings from the BOK	BOK	1.25	₩ 704,953	₩ 837,166
Borrowings from the Korean government	Ministry of Finance and Economy and others	0.25 ~ 4.27	308,988	309,342
Borrowings from banking institutions	Industrial Bank of Korea and others	1.54 ~ 6.00	101,875	128,409
Other borrowings	Small Business Corporation and others	0.00 ~ 3.94	1,182,456	551,564
			2,298,272	1,826,481
Borrowings in foreign currencies:				
Refinance	Korea Exim Bank and others	1.73 ~ 2.81	256,872	1,235,760
Short term borrowing in foreign currencies	Foreign financial institution	0.38 ~ 6.21	2,290,811	3,340,359
Middle and long term borrowing in foreign currencies	SMBC and others	1.31 ~ 7.03	1,096,321	725,753
Other borrowings	Foreign financial institution	0.26 ~ 6.45	2,122,062	2,124,122
			5,766,066	7,425,994
			₩ 8,064,338	₩ 9,252,475

(5) In the normal course of funding activities, the Bank provided securities as collateral for borrowings from the Bank of Korea and other financial institutions as of December 31, 2009 [see Note 6(6)].

(6) Debentures

1) Debentures as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Account	Annual interest rate (%) Dec. 31, 2009	2009	2008
Debentures in Won:			
Finance debentures	3.06 ~ 7.90	₩ 5,840,000	₩ 8,511,000
Subordinated financing debentures	6.11 ~ 7.80	1,101,146	1,367,109
Hybrid debentures	7.30	250,000	250,000
		7,191,146	10,128,109
Discounts on debentures		[21,278]	[40,620]
		7,169,868	10,087,489
Debentures in foreign currencies:			
Finance debentures	0.61 ~ 5.74	946,197	703,259
Subordinated financing debentures	5.00	355,735	390,059
		1,301,932	1,093,318
Discounts on debentures		[4,352]	[4,897]
		1,297,580	1,088,421
		₩ 8,467,448	₩ 11,175,910

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KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

2) As of December 31, 2009, all finance debentures issued in Won were general debentures and consisted of (Unit: In millions):

Issued date	Expiration date	Annual interest rate (%) Dec. 31, 2009	2009	2008
Nov. 13, 2006	Nov. 13, 2009	-	₩ -	₩ 50,000
Nov. 17, 2006	Nov. 17, 2009	-	-	50,000
Dec. 6, 2006	Dec. 6, 2009	-	-	40,000
Dec. 11, 2006	Dec. 11, 2009	-	-	50,000
Jan. 9, 2007	Jan. 9, 2009	-	-	50,000
Jan. 10, 2007	Jan. 10, 2010	5.10	50,000	50,000
Jan. 11, 2007	Jan. 11, 2010	5.09	50,000	50,000
Jan. 17, 2007	Jan. 17, 2009	-	-	50,000
Jan. 18, 2007	Jan. 18, 2009	-	-	20,000
Jan. 18, 2007	Jan. 18, 2010	5.20	30,000	30,000
Jan. 19, 2007	Jan. 19, 2009	-	-	50,000
Jan. 25, 2007	Jan. 25, 2009	-	-	20,000
Jan. 25, 2007	Jan. 25, 2010	5.23	30,000	30,000
Jan. 26, 2007	Jan. 26, 2010	5.47	30,000	30,000
Feb. 5, 2007	Feb. 5, 2010	5.23	50,000	50,000
Feb. 9, 2007	Feb. 9, 2010	5.14	50,000	50,000
Feb. 28, 2007	Feb. 28, 2010	5.05	30,000	30,000
Mar. 15, 2007	Mar. 15, 2009	-	-	20,000
Mar. 16, 2007	Mar. 16, 2009	-	-	50,000
Mar. 27, 2007	Mar. 27, 2009	-	-	30,000
Mar. 27, 2007	Mar. 27, 2009	-	-	40,000
Mar. 27, 2007	Mar. 27, 2010	5.26	10,000	10,000
Apr. 3, 2007	Apr. 3, 2009	-	-	50,000
May 2, 2007	May 2, 2009	-	-	50,000
May 8, 2007	May 8, 2009	-	-	10,000
May 9, 2007	May 9, 2009	-	-	20,000
May 14, 2007	May 14, 2010	5.32	40,000	40,000
May 15, 2007	May 15, 2009	-	-	20,000
May 16, 2007	May 16, 2010	5.35	50,000	50,000
May 17, 2007	May 17, 2010	5.36	50,000	50,000
May 21, 2007	May 21, 2009	-	-	20,000
May 21, 2007	May 21, 2010	5.39	30,000	30,000
May 23, 2007	May 23, 2010	5.38	100,000	100,000
May 25, 2007	May 25, 2010	5.67	40,000	40,000
May 30, 2007	May 30, 2010	5.36	50,000	50,000
Jun. 1, 2007	Jun. 1, 2010	5.37	50,000	50,000
Jun. 5, 2007	Jun. 5, 2009	-	-	50,000
Jun. 13, 2007	Jun. 13, 2010	5.49	50,000	50,000
Jun. 18, 2007	Jun. 18, 2009	-	-	30,000
Jun. 26, 2007	Jun. 26, 2009	-	-	50,000
Jun. 28, 2007	Jun. 28, 2010	5.44	50,000	50,000
Jul. 10, 2007	Jul. 10, 2009	-	-	50,000
Jul. 11, 2007	Jul. 11, 2009	-	-	50,000
Jul. 16, 2007	Jan. 16, 2009	-	-	10,000
Jul. 19, 2007	Jan. 19, 2009	-	-	50,000

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Issued date	Expiration date	Annual interest rate (%) Dec. 31, 2009	2009	2008
Jul. 24, 2007	Jan. 24, 2009	-	₩ -	₩ 30,000
Jul. 24, 2007	Jul. 24, 2010	5.60	20,000	20,000
Jul. 25, 2007	Jul. 25, 2010	5.61	50,000	50,000
Jul. 26, 2007	Jan. 26, 2009	-	-	40,000
Jul. 26, 2007	Jul. 26, 2009	-	-	10,000
Jul. 30, 2007	Jul. 30, 2010	5.53	30,000	30,000
Jul. 31, 2007	Jul. 31, 2009	-	-	20,000
Jul. 31, 2007	Jul. 31, 2010	5.53	30,000	30,000
Aug. 1, 2007	Aug. 1, 2009	-	-	20,000
Aug. 3, 2007	Aug. 3, 2009	-	-	40,000
Aug. 3, 2007	Aug. 3, 2010	5.48	10,000	10,000
Aug. 8, 2007	Feb. 8, 2009	-	-	10,000
Aug. 9, 2007	Aug. 9, 2009	-	-	40,000
Aug. 14, 2007	Aug. 14, 2010	5.58	10,000	10,000
Aug. 23, 2007	Aug. 23, 2010	5.65	30,000	30,000
Aug. 24, 2007	Aug. 24, 2010	5.67	50,000	50,000
Sep. 10, 2007	Sep. 10, 2010	5.77	200,000	200,000
Sep. 17, 2007	Sep. 17, 2009	-	-	20,000
Sep. 17, 2007	Sep. 17, 2010	6.06	20,000	20,000
Oct. 2, 2007	Apr. 2, 2009	-	-	50,000
Oct. 9, 2007	Apr. 9, 2009	-	-	20,000
Oct. 10, 2007	Oct. 10, 2010	5.93	200,000	200,000
Oct. 11, 2007	Apr. 11, 2009	-	-	26,000
Oct. 12, 2007	Apr. 12, 2009	-	-	50,000
Oct. 16, 2007	Apr. 16, 2009	-	-	140,000
Oct. 17, 2007	Apr. 17, 2009	-	-	50,000
Oct. 18, 2007	Oct. 18, 2009	-	-	30,000
Oct. 18, 2007	Oct. 18, 2010	5.91	70,000	70,000
Oct. 23, 2007	Oct. 23, 2010	5.84	10,000	10,000
Oct. 24, 2007	Oct. 24, 2009	-	-	40,000
Oct. 26, 2007	Apr. 26, 2009	-	-	20,000
Oct. 29, 2007	Apr. 29, 2009	-	-	30,000
Oct. 30, 2007	Apr. 30, 2009	-	-	30,000
Nov. 2, 2007	Nov. 2, 2009	-	-	40,000
Nov. 8, 2007	Nov. 8, 2010	5.88	200,000	200,000
Nov. 14, 2007	Nov. 14, 2010	5.94	50,000	50,000
Nov. 23, 2007	Nov. 23, 2010	6.22	70,000	70,000
Nov. 26, 2007	Nov. 26, 2010	6.25	260,000	260,000
Nov. 30, 2007	Nov. 30, 2010	6.63	170,000	170,000
Dec. 5, 2007	Dec. 5, 2010	6.70	140,000	140,000
Jan. 10, 2008	Jul. 10, 2009	-	-	50,000
Jan. 11, 2008	Jul. 11, 2009	-	-	50,000
Jan. 15, 2008	Jan. 15, 2010	6.39	50,000	50,000
Jan. 23, 2008	Jul. 23, 2009	-	-	50,000
Jan. 29, 2008	Jul. 29, 2009	-	-	20,000

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Issued date	Expiration date	Annual interest rate (%) Dec. 31, 2009	2009	2008
Jan. 30, 2008	Jul. 30, 2009	-	₩ -	₩ 50,000
Jan. 31, 2008	Jan. 31, 2009	-	-	30,000
Feb. 15, 2008	Feb. 15, 2010	5.30	30,000	30,000
Mar. 4, 2008	Sep. 4, 2009	-	-	30,000
Mar. 4, 2008	Mar. 4, 2011	6.32	20,000	20,000
Mar. 28, 2008	Sep. 28, 2009	-	-	50,000
Apr. 1, 2008	Oct. 1, 2009	-	-	50,000
Apr. 2, 2008	Oct. 2, 2009	-	-	100,000
Apr. 4, 2008	Oct. 4, 2009	-	-	50,000
Apr. 7, 2008	Apr. 7, 2009	-	-	20,000
Apr. 7, 2008	Oct. 7, 2009	-	-	30,000
Apr. 10, 2008	Apr. 10, 2010	5.71	200,000	200,000
Apr. 11, 2008	Apr. 11, 2009	-	-	100,000
Apr. 14, 2008	Oct. 14, 2009	-	-	50,000
Apr. 15, 2008	Apr. 15, 2010	5.58	50,000	50,000
Apr. 16, 2008	Apr. 16, 2010	5.54	50,000	50,000
Apr. 17, 2008	Apr. 17, 2010	5.52	50,000	50,000
Apr. 18, 2008	Apr. 18, 2010	5.50	50,000	50,000
Apr. 21, 2008	Apr. 21, 2009	-	-	50,000
Apr. 24, 2008	Oct. 24, 2009	-	-	10,000
Apr. 24, 2008	Apr. 24, 2010	5.47	40,000	40,000
Apr. 29, 2008	Apr. 29, 2010	5.42	10,000	10,000
Apr. 30, 2008	Apr. 30, 2010	5.39	50,000	50,000
May 8, 2008	May 8, 2010	5.56	10,000	10,000
May 14, 2008	Nov. 14, 2009	-	-	50,000
May 15, 2008	May 15, 2010	5.80	20,000	20,000
May 16, 2008	May 16, 2011	5.87	100,000	100,000
May 22, 2008	May 22, 2011	5.93	100,000	100,000
May 23, 2008	May 23, 2011	5.92	30,000	30,000
May 26, 2008	May 26, 2010	5.87	10,000	10,000
May 26, 2008	Nov. 26, 2010	5.92	10,000	10,000
May 27, 2008	Nov. 27, 2009	-	-	200,000
May 27, 2008	May 27, 2010	5.85	20,000	20,000
May 28, 2008	May 28, 2010	5.82	10,000	10,000
May 29, 2008	May 29, 2010	5.90	50,000	50,000
May 30, 2008	May 30, 2009	-	-	20,000
May 30, 2008	Nov. 30, 2009	-	-	70,000
Jun. 3, 2008	Jun. 3, 2010	5.98	20,000	20,000
Jun. 5, 2008	Jun. 5, 2009	-	-	40,000
Jun. 5, 2008	Jun. 5, 2010	5.98	60,000	60,000
Jun. 12, 2008	Jun. 12, 2009	-	-	20,000
Jun. 12, 2008	Jun. 12, 2010	6.17	70,000	70,000
Jun. 16, 2008	Jun. 16, 2009	-	-	10,000
Jun. 16, 2008	Jun. 16, 2010	6.20	40,000	40,000
Jun. 18, 2008	Jun. 18, 2009	-	-	20,000

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KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

Issued date	Expiration date	Annual interest rate (%) Dec. 31, 2009	2009	2008
Jun. 18, 2008	Dec. 18, 2009	-	₩ -	₩ 40,000
Jun. 19, 2008	Dec. 19, 2009	-	-	40,000
Jun. 19, 2008	Jun. 19, 2010	6.17	10,000	10,000
Jun. 24, 2008	Jun. 24, 2009	-	-	30,000
Jun. 24, 2008	Dec. 24, 2009	-	-	20,000
Jun. 24, 2008	Jun. 24, 2010	7.32	30,000	30,000
Jun. 24, 2008	Jun. 24, 2010	7.37	10,000	10,000
Jun. 26, 2008	Dec. 26, 2009	-	-	20,000
Jun. 26, 2008	Jun. 26, 2010	6.31	30,000	30,000
Jul. 1, 2008	Jul. 1, 2009	-	-	10,000
Jul. 3, 2008	Jul. 3, 2009	-	-	10,000
Jul. 4, 2008	Jul. 4, 2009	-	-	10,000
Jul. 4, 2008	Jul. 4, 2010	6.60	10,000	10,000
Jul. 16, 2008	Jan. 16, 2010	6.87	40,000	40,000
Jul. 17, 2008	Jul. 17, 2009	-	-	110,000
Jul. 17, 2008	Jul. 17, 2010	6.92	10,000	10,000
Jul. 18, 2008	Jan. 18, 2010	6.80	200,000	200,000
Aug. 19, 2008	Aug. 19, 2009	-	-	120,000
Aug. 21, 2008	Aug. 21, 2010	7.17	180,000	180,000
Sep. 1, 2008	Sep. 1, 2010	7.05	130,000	130,000
Sep. 4, 2008	Sep. 4, 2010	7.20	120,000	120,000
Sep. 11, 2008	Sep. 11, 2009	-	-	70,000
Sep. 12, 2008	Sep. 12, 2009	-	-	50,000
Sep. 26, 2008	Sep. 26, 2009	-	-	80,000
Sep. 29, 2008	Sep. 29, 2009	-	-	100,000
Oct. 20, 2008	Oct. 20, 2009	-	-	45,000
Oct. 29, 2008	Oct. 29, 2011	7.73	200,000	200,000
Nov. 6, 2008	Nov. 6, 2009	-	-	20,000
Dec. 15, 2008	Dec. 15, 2009	-	-	200,000
Feb. 10, 2009	Feb. 10, 2011	7.90	40,000	-
Jul. 9, 2009	Jul. 9, 2010	3.13	100,000	-
Jul. 13, 2009	Jul. 13, 2010	3.19	100,000	-
Jul. 15, 2009	Jul. 15, 2010	3.06	100,000	-
Jul. 24, 2009	Jul. 24, 2010	3.09	100,000	-
Jul. 28, 2009	Jul. 28, 2010	3.07	50,000	-
Aug. 21, 2009	Feb. 21, 2011	5.90	30,000	-
Aug. 21, 2009	Aug. 21, 2011	6.30	80,000	-
Sep. 29, 2009	Jun. 29, 2011	5.95	20,000	-
Sep. 29, 2009	Mar. 29, 2012	6.50	50,000	-
Nov. 24, 2009	Nov. 24, 2010	3.76	100,000	-
Dec. 2, 2009	Dec. 2, 2010	3.71	100,000	-
Dec. 4, 2009	Dec. 4, 2011	5.85	20,000	-
Dec. 4, 2009	Dec. 4, 2012	6.20	70,000	-
Dec. 10, 2009	Dec. 10, 2010	3.78	100,000	-
Dec. 16, 2009	Dec. 16, 2010	3.89	100,000	-
Dec. 18, 2009	Dec. 18, 2010	3.93	100,000	-
			₩ 5,840,000	₩ 8,511,000

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KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

3) Finance debentures issued in foreign currencies as of December 31, 2009 and 2008 consisted of (Unit: In thousands of U.S. Dollars, in millions of Won):

First underwriter	Issued date	Expiration date	Annual interest rate (%) Dec. 31, 2009	2009	2008
NH Investment & Securities	Jul. 13, 2007	Jul. 13, 2010	5.48	₩ 46,704 (US\$40,000)	₩ 50,300 (US\$40,000)
Calyon and others	Jul. 20, 2007	Jul. 20, 2012	0.61	350,280 (US\$300,000)	377,250 (US\$300,000)
NAB ^{(*)1}	Oct. 15, 2007	Oct. 15, 2009	-	-	32,450 (US\$25,800)
MIZUHO	Oct. 29, 2007	Oct. 29, 2009	-	-	62,875 (US\$50,000)
MIZUHO	Oct. 30, 2007	Oct. 30, 2009	-	-	25,150 (US\$20,000)
SMBC, Tokyo ^{(*)2}	Sep. 12, 2008	Sep. 7, 2011	0.66	126,282 (US\$108,155)	139,389 (US\$110,850)
Morgan Stanley	May 26, 2009	May 29, 2012	5.68	58,380 (US\$50,000)	-
UBS	Jun. 1, 2009	Jun. 1, 2012	5.74	58,380 (US\$50,000)	-
Morgan Stanley	Jun. 1, 2009	Jun. 1, 2012	5.68	58,380 (US\$50,000)	-
BNP PARIBAS	Jun. 5, 2009	Jun. 7, 2011	5.49	58,380 (US\$50,000)	-
Woori Investment & Securities	Jul. 23, 2009	Jul. 15, 2011	3.68	58,380 (US\$50,000)	-
HSBC	Aug. 27, 2009	Aug. 24, 2012	3.66	35,028 (US\$30,000)	-
Others	-	-	-	96,003 (US\$82,223)	15,845 (US\$12,600)
				₩ 946,197 (US\$810,378)	₩ 703,259 (US\$559,250)

(*)1 Issued in Hong Kong Dollar (HKD) amounting to HKD 200 million

(*)2 Issued in Japan Yen (JPY) amounting to JPY 10,000 million

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KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

4) Subordinated debentures as of December 31, 2009 and 2008 were as follows (Unit: In thousands of U.S. Dollars, in millions of Won):

Classification	Issued date	Expiration date	Annual interest rate (%) Dec. 31, 2009	2009	2008
Debentures in Won:					
General sale ^{(*)1}	May 28, 2001	Feb. 28, 2007	-	₩ 223	₩ 387
General sale ^{(*)1}	Oct. 28, 2002	Jan. 28, 2008	-	160	290
General sale ^{(*)1}	Mar. 28, 2003	Dec. 28, 2008	-	763	16,432
Underwriting sale	Oct. 21, 2004	Oct. 21, 2014	-	-	170,000
General sale	Nov. 28, 2004	Nov. 28, 2014	-	-	80,000
Underwriting sale ^{(*)2}	Mar. 13, 2008	Mar. 13, 2018	6.11	250,000	250,000
General sale ^{(*)2}	Mar. 28, 2008	Mar. 28, 2018	6.20	50,000	50,000
General sale	Nov. 21, 2008	May 21, 2014	7.70	60,860	60,860
General sale	Nov. 24, 2008	May 24, 2014	7.70	32,060	32,060
General sale	Nov. 25, 2008	May 25, 2014	7.70	27,570	27,570
General sale	Nov. 26, 2008	May 26, 2014	7.70	40,880	40,880
General sale	Nov. 27, 2008	May 27, 2014	7.70	37,651	37,651
General sale	Nov. 28, 2008	May 28, 2014	7.70	78,926	78,926
General sale	Dec. 01, 2008	Jun. 01, 2014	7.70	22,053	22,053
General sale	Dec. 19, 2008	Jun. 19, 2014	7.80	250,000	250,000
General sale	Dec. 22, 2008	Jun. 22, 2014	7.30	34,060	34,060
General sale	Dec. 23, 2008	Jun. 23, 2014	7.30	18,690	18,690
General sale	Dec. 24, 2008	Jun. 24, 2014	7.30	23,948	23,948
General sale	Dec. 26, 2008	Jun. 26, 2014	7.30	32,979	32,979
General sale	Dec. 29, 2008	Jun. 29, 2014	7.30	93,487	93,487
General sale	Dec. 30, 2008	Jun. 30, 2014	7.80	46,836	46,836
Underwriting sale				1,101,146	1,367,109
Debentures in foreign currencies:					
CITI group & HSBC ^{(*)2, (*)3}	Jun. 10, 2005	Jun. 10, 2015	5.00	355,735 (US\$304,672)	390,059 (US\$310,186)
				₩ 1,456,881	₩ 1,757,168

(*)1 The balance amount was not redeemed at the maturity date, and after the maturity date, interest is not paid.

(*)2 After 5 years from issuance date, the optional early redemption right can be exercised by the Bank.

(*)3 The first underwriters

In addition, certain subordinated debentures are under swap contracts in order to hedge risks from changes in interest rates and exchange rates. The Bank recognized ₩6,438 million of gains on valuation of derivatives of securities and ₩12,328 million of losses on valuation of derivatives of debentures for the year ended December 31, 2009 [Note 17(1)].

5) As of December 31, 2009 and 2008, Hybrid Tier 1 bond was as follows (Unit: In millions):

<2009>

Classification ^{(*)1}	Issued period ^{(*)2}	Annual interest rate (%) ^{(*)3}	2009
Hybrid debentures 2nd	Mar. 31, 2009 ~ Mar. 31, 2039	7.30	₩ 250,000

(*)1 After 5 years from issuance date, call option can be exercised under the authorization of the Governor of the Financial Supervisory Service.

(*)2 After expiration, the bond can be extended under the same terms.

(*)3 After 10 years from issuance date, the interest rate increases to 8.3 percent.

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

<2008>

Classification ^{(*)1}	Issued period ^{(*)2}	Annual interest rate (%) ^{(*)3}	2008
Hybrid debentures 1st	May 28, 2003 ~ May 28, 2033	8.50	₩ 250,000

(*)1 After 5 years from issuance date, call option can be exercised under the authorization of the Governor of the Financial Supervisory Service.

(*)2 After expiration, the bond can be extended under the same terms.

(*)3 After 10 years from issuance date, the interest rate increases to 10.0%.

(7) Term structure of borrowings as of December 31, 2009 was as follows (Unit: In millions):

Classification	Borrowing in Won	Borrowing in foreign currencies	Debentures in Won	Debentures in foreign currencies	Total
Due in less than one year	₩ 1,208,109	₩ 5,433,464	₩ 5,081,146	₩ 142,707	₩11,865,426
Due from one to two years	272,834	97,313	640,000	243,042	1,253,189
Due from two to three years	182,141	-	120,000	560,448	862,589
Due from three to five years	248,320	235,289	800,000	-	1,283,609
Due after five years	386,868	-	550,000	355,735	1,292,603
	₩ 2,298,272	₩ 5,766,066	₩ 7,191,146	₩ 1,301,932	₩16,557,416

14. OTHER LIABILITIES:

(1) Other liabilities as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Accounts payable	₩ 7,147,521	₩ 5,356,833
Accrued expenses	680,029	1,010,843
Unearned revenues	77,839	111,930
Guarantee money received	208,254	235,367
Accrued payable foreign exchange	267,033	208,461
Deferred income tax liabilities	203,976	91,425
Derivatives instruments liabilities (see Note 17)	1,506,624	4,561,680
Due to trust accounts	769,620	886,595
Accrued severance benefits (see Note 3)	318,697	294,797
Pension benefit	4,580	4,524
Less: Asset under management of pension benefits	(3,660)	(2,925)
Less: Funds transferred to National Pension	(599)	(686)
Less: Due to retirement insurance	(250,764)	(228,659)
Liability reserve for acceptances and guarantees	82,236	59,283
Liability reserve for unused credit limit	189,481	183,272
Allowance for other liabilities	146,370	137,341
Sundry liabilities	1,741,143	1,604,586
	₩ 13,088,380	₩ 14,514,667

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(2) Accrued severance benefits

1) The changes in accrued severance benefits for the years ended December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Beginning	₩ 294,797	₩ 265,369
Provision ^{(*)1}	60,966	46,591
Payment ^{(*)2}	(36,678)	(18,524)
Foreign currencies translation	(388)	1,361
	318,697	294,797
Pension benefits payables	4,580	4,524
Assets under management of pension benefits	(3,660)	(2,925)
Funds transferred to National Pension	(599)	(686)
Due to Retirement Insurance	(250,764)	(228,659)
	₩ 68,254	₩ 67,051

(*)1 The difference from severance benefits in the statements of income (see Note 19) amounting to ₩379 million and ₩1,923 million for the years December 31, 2009 and 2008 is provision on accounts payable of severance pension.

(*)2 The payment of severance benefits amounting to ₩273 million and ₩143 million as of December 31, 2009 and 2008, respectively, is accounted as accounts payable.

As of December 31, 2009, parts of severance benefits were contributed to pension funds of Samsung Life Insurance Co., Ltd. and others.

The assets under management of pension benefits as of December 31, 2009 are as follows (Unit: In millions):

Classification	Percentage (%)
Cash and due from banks	24.47
Securities	75.53
	100.00

(3) Liability reserve for acceptances and guarantees

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

Classification	2009	2008
Confirmed acceptances and guarantees in Won:		
Payment guarantee for issuance of debentures	₩ 6,630	₩ 4,478
Payment guarantee for loans	63,425	93,214
Others	1,715,378	701,618
	1,785,433	799,310
Confirmed acceptances and guarantees in foreign currencies:		
Acceptances on letters of credit	703,464	395,664
Acceptances for letters of guarantee for importers	102,366	52,841
Others	7,074,385	6,222,561
	7,880,215	6,671,066
Unconfirmed acceptances and guarantees:		
Letters of credit	3,877,111	3,820,754
Others	318,521	348,040
	4,195,632	4,168,794
Bills endorsed	55,992	63,533
	₩ 13,917,272	₩ 11,702,703

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

2) The classification of asset quality for acceptances and guarantees and liability reserve for acceptances and guarantees as of December 31, 2009 and 2008 was as follows (Unit: In millions):

<2009>

Classification	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total	Liability reserve for acceptances and guarantees
Confirmed acceptances	₩ 9,627,345	₩ 16,154	₩ 14,682	₩ 6,420	₩ 1,047	₩ 9,665,648	₩ 72,752
Unconfirmed acceptances	4,178,224	12,172	2,906	2,208	122	4,195,632	9,008
Bills endorsed	55,992	-	-	-	-	55,992	476
	₩ 13,861,561	₩ 28,326	₩ 17,588	₩ 8,628	₩ 1,169	₩13,917,272	₩ 82,236

<2008>

Classification	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total	Liability reserve for acceptances and guarantees
Confirmed acceptances	₩ 7,450,697	₩ 15,566	₩ 940	₩ 2,465	₩ 708	₩ 7,470,376	₩ 50,152
Unconfirmed acceptances	4,151,562	17,136	20	70	6	4,168,794	8,591
Bills endorsed	63,533	-	-	-	-	63,533	540
	₩ 11,665,792	₩ 32,702	₩ 960	₩ 2,535	₩ 714	₩ 11,702,703	₩ 59,283

3) Acceptances and guarantees, by industry, except for the portion of overseas branches as of December 31, 2009 and 2008 were as follows (Unit: In millions):

<2009>

By industry	Balance	Percentage (%)
Manufacturing	₩ 5,477,653	60.18
Construction	1,579,737	17.35
Wholesale/retail	695,031	7.63
Science and technology service	347,609	3.82
Electricity, gas and water supply	244,686	2.69
Others	758,735	8.33
	9,103,451	100.00
Confirmed acceptance and guarantees in overseas branches	562,197	
	₩ 9,665,648	

<2008>

By industry	Balance	Percentage (%)
Manufacturing	₩ 3,862,439	56.09
Wholesale/retail	508,939	7.39
Construction	1,278,760	18.57
Finance and insurance	313,842	4.56
Electricity, gas and water supply	292,578	4.25
Others	629,887	9.14
	6,886,445	100.00
Confirmed acceptance and guarantees in overseas branches	583,931	
	₩ 7,470,376	

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KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

4) Confirmed acceptances and guarantees in foreign currencies, by country, as of December 31, 2009 and 2008 were as follows
(Unit: In thousands of U.S. Dollars, in millions of Won):

<2009>

By country	Confirmed acceptances and guarantees in foreign currencies ^(*)	Translation into Won	Percentage (%)
Korea	\$ 6,268,869	₩ 7,319,531	92.88
USA	104,436	121,939	1.55
France	79,371	92,674	1.18
Taiwan	45,279	52,868	0.67
UK	45,274	52,862	0.67
Others	205,842	240,341	3.05
	\$ 6,749,071	₩ 7,880,215	100.00

(*) Foreign currencies other than U.S. Dollars were converted into U.S. Dollars at the basic rates of exchange at the end of the reporting period.

<2008>

By country	Confirmed acceptances and guarantees in foreign currencies ^(*)	Translation into Won	Percentage (%)
Korea	\$ 4,763,952	₩ 5,990,670	89.80
USA	128,273	161,303	2.42
France	75,122	94,466	1.42
UK	51,553	64,828	0.96
Germany	47,602	59,860	0.90
Others	238,520	299,939	4.50
	\$ 5,305,022	₩ 6,671,066	100.00

(*) Foreign currencies other than U.S. Dollars were converted into U.S. Dollars at the basic rates of exchange at the end of the reporting period.

5) The percentage of liability reserve for acceptances and guarantees as of December 31, 2009, 2008 and 2007 was as follows (Unit: In millions):

Classification	2009	2008	2007
Acceptances and guarantees	₩ 13,917,272	₩ 11,702,703	₩ 10,257,970
Liability reserve	82,236	59,283	56,085
Percentage (%)	0.59	0.51	0.55

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KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(4) Liability reserve for unused credit limit

The calculation of liability reserve for unused credit limit as of December 31, 2009 and 2008 was as follows (Unit: In millions):

<2009>

Classification	Limit (a)	Balance (b)	Allowance (c) = (a-b) x credit conversion factor	Liability reserve for unused credit limit (d)
Card loans	₩ 13,678,773	₩ 1,961,693	₩ 5,858,405	₩ 89,194
Loans to enterprise	77,680,701	43,461,439	8,980,356	94,578
Loans to household	3,482,773	1,421,990	415,635	4,156
Loans to public and others	10,638	2,374	1,653	14
	₩ 94,852,885	₩ 46,847,496	₩ 15,256,049	187,942
Subsidiaries				1,539
Liability reserve for unused credit limit				₩ 189,481

<2008>

Classification	Limit (a)	Balance (b)	Allowance (c) = (a-b) x credit conversion factor	Liability reserve for unused credit limit (d)
Card loans	₩ 14,211,031	₩ 2,081,747	₩ 6,064,418	₩ 93,162
Loans to enterprise	76,503,744	42,880,867	9,544,472	84,807
Loans to household	3,634,249	1,595,976	410,085	4,101
Loans to public and others	11,740	3,463	1,865	16
	₩ 94,360,764	₩ 46,562,053	₩ 16,020,840	182,086
Subsidiaries				1,186
Liability reserve for unused credit limit				₩ 183,272

(5) Allowance for other liabilities

Allowance for other liabilities as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Reserve for money-back point & yes-point	₩ 27,704	₩ 25,129
Reserve for litigation [see Note 17]	14,324	9,348
Reserve for employees' accident ^{(*)1}	4,149	8,061
Compensation to customers related to Won & Yen swap ^{(*)2}	-	15,962
Provision for severance and early retirement benefits ^{(*)3}	12,894	16,464
Reserve for derivatives assets and others ^{(*)4, *)5}	82,865	56,153
Others	4,434	6,224
	₩ 146,370	₩ 137,341

(*)1) Provision was made for 7 suspense payments, which occurred in connection with employees' illegal act such as embezzlement.

(*)2) The Bank reversed the allowance that was reserved at the end of prior year because the Bank won administrative litigation at the first trial in June 2009.

(*)3) The Bank reserved the provision for severance and early retirement benefits that is expected to be paid for voluntary retirees who have worked for more than 15 years and are more than 40 years old.

(*)4) The Bank reserved the allowance for possible derivatives losses for currency options and others.

(*)5) The Bank additionally reserved ₩8,348 million for the receivables of bond sold under repurchase agreements and others.

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(6) Sundry liabilities

Sundry liabilities as of December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Suspense receipt	₩ 24,622	₩ 34,112
Withholding taxes	29,368	37,648
Agency business accounts	92,940	90,848
Agency	856,635	798,615
Credit control deposits	942	577
Guarantee deposits for securities subscription	16,921	16,481
Domestic exchange settlements credits	713,256	607,928
Domestic remittance payable	1,817	12,655
Others	4,642	5,722
	₩ 1,741,143	₩ 1,604,586

15. SHAREHOLDERS' EQUITY:

(1) Capital stock

Capital stock as of December 31, 2009 and 2008 was as follows (Unit: In Won, share):

Classification	2009	2008
Shares authorized	1,000,000,000	1,000,000,000
Par value (In currency units)	₩ 5,000	₩ 5,000
Shares issued	644,906,826	644,906,826
Common stock	₩ 3,224,534 million	₩ 3,224,534 million

(2) Capital surplus

The amount of capital surplus as of December 31, 2009 and 2008 was transferred from stock option (accounted for as capital adjustment) since it lapsed as it was not exercised.

(3) Capital adjustments

Changes in capital adjustments for the year ended December 31, 2009 were as follows (Unit: In millions):

	Beginning	Increase	Decrease ^(*)	Ending
Other capital adjustments	₩ (4,425)	₩ -	₩ 4,425	₩ -

(*) The Bank derecognized the negative capital adjustments through its retained earnings.

(4) Accumulated other comprehensive income

The changes in accumulated other comprehensive income for the year ended December 31, 2009 were as follows (Unit: In millions):

Classification	Beginning	Changes	Disposal	Deferred income tax	Ending
Gain (loss) on valuation of available-for-sale securities	₩ 314,182	₩ 764,996	₩ (140,932)	₩ (136,772)	₩ 801,474
Gain (loss) on valuation of held-to-maturity securities	(319)	220	168	(85)	(16)
Loss of negative changes of securities using the equity method	-	(12)	-	2	(10)
Gain on revaluation of tangible assets	435,337	-	(4,140)	911	432,108
	₩ 749,200	₩ 765,204	₩ (144,904)	₩ (135,944)	₩ 1,233,556

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KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(5) Statements of comprehensive income

Comprehensive income consisted of all changes in equity during a period from transactions and other events except those resulting from investments by owners and distributions to owners. Comprehensive income for the year ended December 31, 2009 was as follows (Unit: In millions):

Classification	2009	2008
Net income	₩ 891,951	₩ 782,582
Effect of exchange rate fluctuation	(4,086)	21,172
Retained earnings on trust accounts	1,163	116
Other comprehensive income:		
Gain (loss) on valuation of available-for-sale securities	624,071	(1,100,935)
Gain on valuation of held-to-maturity securities	388	92
Loss of negative changes of securities using the equity method	(12)	-
Gain on revaluation of tangible assets	(4,140)	558,124
Less: Effect of income tax	(135,945)	201,904
Comprehensive income:	₩ 1,373,390	₩ 463,055
Controlling company's comprehensive income	₩ 1,373,086	₩ 462,726
Minority interests' comprehensive income	₩ 304	₩ 329

(6) Appropriated retained earnings

Appropriated retained earnings as of December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Legal reserve ^(*)	₩ 370,900	₩ 292,600
Other reserves ^(*)	91,289	92,998
	₩ 462,189	₩ 385,598

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

(*)2 Relevant Japanese regulations require the Bank's overseas branches located in Japan to appropriate a minimum of 10 percent of annual income after income tax as a legal reserve, until such reserve equals ¥2,000 million. This reserve is not available for the payment of cash dividends and may be utilized upon liquidation of the Japanese branches. Singapore, Hanoi and KEBDAG's branches' statutory reserves are included in other statutory reserves.

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KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

16. SHARE-BASED PAYMENT:

(1) Stock options

The details of the stock options as of December 31, 2009 were as follows (Unit: share, in Won):

Grant date	Stock option granted	Stock option expired to date ^{(*)2}	Stock option exercised	Stock option outstanding	Exercise price	Exercise period
Mar. 31, 2003 ^{(*)1}	101,401	(21,348)	(80,053)	-	₩ 13,266	Apr. 01, 2006 ~ Mar. 31, 2009
Sep. 04, 2003 ^{(*)1}	53,369	(53,369)	-	-	15,533	Sep. 05, 2006 ~ Sep. 04, 2009
Feb. 13, 2004	2,390,000	(962,490)	(1,427,510)	-	7,000	Feb. 14, 2006 ~ Feb. 13, 2009
Mar. 07, 2005	1,355,000	(344,895)	(748,805)	261,300	8,800	Mar. 08, 2007 ~ Mar. 07, 2010
Jun. 29, 2005	200,000	(63,230)	(92,480)	44,290	9,000	Jun. 30, 2007 ~ Jun. 29, 2010
Mar. 07, 2006	400,000	(112,690)	-	287,310	13,300	Mar. 08, 2008 ~ Mar. 07, 2011
Aug. 01, 2006	200,000	(42,000)	(31,600)	126,400	11,900	Aug. 02, 2008 ~ Aug. 01, 2011
Mar. 08, 2007	1,090,000	(543,900)	-	546,100	13,900	Mar. 09, 2009 ~ Mar. 08, 2012
Mar. 29, 2007	630,000	(340,390)	-	289,610	14,500	Mar. 30, 2009 ~ Mar. 29, 2012
Aug. 10, 2007	380,000	(175,990)	-	204,010	13,900	Aug. 11, 2009 ~ Aug. 10, 2012
Mar. 11, 2008	510,000	(300,130)	-	209,870	13,000	Mar. 12, 2010 ~ Mar. 11, 2013
Aug. 01, 2008	180,000	(105,486)	-	74,514	13,500	Aug. 02, 2010 ~ Aug. 01, 2013
Mar. 12, 2009	490,000	(28,666)	-	461,334	5,800	Mar. 13, 2011 ~ Mar. 12, 2016
Mar. 31, 2009 ^{(*)3}	900,000	(60,000)	-	840,000	7,300	Apr. 01, 2011 ~ Mar. 31, 2016
Mar. 31, 2009	85,000	(8,500)	-	76,500	6,300	Apr. 01, 2011 ~ Mar. 31, 2016
Aug. 04, 2009	470,000	(32,833)	-	437,167	10,900	Aug. 05, 2011 ~ Aug. 04, 2016
	9,434,770	(3,195,917)	(2,380,448)	3,858,405		

(*)1) Granted from KEBCS prior to the merger with the Bank. Exercise price per share and the shares outstanding were adjusted based on the merger ratio.

(*)2) Actual number of stock options that have expired as a result of retirement or business performance. The expected number of stock options that will expire as a result of business performance and others is considered together with the actual number of expired stock options when calculating the stock compensation cost.

(*)3) The exercise price was adjusted from ₩6,300 to ₩7,300 in accordance with the resolution of the board of directors.

When the stock options are exercised, the Bank has the option to settle either through issuance of new shares or treasury stock, or through payment of cash equivalent to the difference between the market price and the exercise price. The number of exercisable stock option is determined in accordance with the management performance and the calculation criteria of the number of exercisable shares.

The intrinsic value of compensation cost granted before December 31, 2006 is the difference between the market price and the exercise price pursuant to Interpretations on SKAS 39-35 - *Accounting for Stock Options*, and the fair value of compensation cost granted after January 1, 2007, is estimated by option pricing models pursuant to SKAS No. 22 - *Share-Based Payment*. As a result, the pricing models of stock option of the Bank are categorized as the intrinsic value pricing model and the fair value pricing model. The details of these models as of December 31, 2009 were as follows (Unit: In Won):

<Intrinsic value pricing model>

Grant date	Market price ^(*)	Exercise price	Intrinsic value
Mar. 07, 2005	₩ 14,222	₩ 8,800	₩ 5,422
Jun. 29, 2005	14,222	9,000	5,222
Mar. 07, 2006	14,222	13,300	922
Aug. 01, 2006	14,222	11,900	2,322

(*) Compensation price is measured as average price among the averages for two months, for a month and for a week's stock prices in accordance with the Bank's pricing method.

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<Fair value pricing model: Black-Scholes Model>

Grant date	Risk free rate (%)	Expected exercise period (year) ^{(*)1}	Volatility of the underlying stock price (%) ^{(*)2}	Expected dividend rate (%) ^{(*)3}	Exercised price	Fair value
Mar. 08, 2007	3.60	4.09	68.22	4.86	₩ 13,900	₩ 4,205
Mar. 29, 2007	3.63	4.09	66.71	4.86	14,500	3,989
Aug. 10, 2007	3.80	4.09	63.89	4.86	13,900	4,416
Mar. 11, 2008	4.07	4.09	56.72	4.86	13,000	4,703
Aug. 01, 2008	4.26	4.09	53.00	4.86	13,500	4,503
Mar. 12, 2009	4.95	6.09	43.68	4.86	5,800	7,391
Mar. 31, 2009	4.95	6.09	41.77	4.86	7,300	6,577
Mar. 31, 2009	4.95	6.09	41.77	4.86	6,300	7,054
Aug. 04, 2009	4.98	6.09	42.43	4.86	10,900	5,252

(*)1 The expected exercise period is measured based on the possibility of exercise of the right in the past.

(*)2 The volatility of the underlying stock price is measured based on the data in the past.

(*)3 The expected dividend rate is measured based on the average in 2006, 2007 and 2008.

The changes in long-term accrued expenses recognized for stock option for the years ended December 31, 2009 were as follows (Unit: In millions):

	Beginning balance	Increase	Decrease ^(*)	Ending balance
Long-term accrued expenses	₩ 319	₩ 12,798	₩ (2,091)	₩ 11,026

(*) The decrease amounting to ₩60 million was recognized for accounts payable.

(2) The equity linked special incentive (Rose bonus)

The Bank granted the equity linked special incentive to employees for the purpose of motivation to improve long-term performance. The equity linked special incentive as of December 31, 2009 was as follows (Unit: share, in Won):

Grant date	Stock option granted	Stock option expired to date	Stock option exercised ^(*)	Stock option outstanding	Exercise price	Exercise period
Jul. 15, 2005	3,024,400	(55,206)	(2,895,694)	73,500	₩ -	Jul. 15, 2007 ~ Jul. 14, 2010
Dec. 21, 2006	1,496,510	(32,048)	(1,156,432)	308,030	-	Dec. 21, 2008 ~ Dec. 20, 2011
Dec. 12, 2007	614,800	(21,304)	(25,136)	568,360	-	Dec. 12, 2009 ~ Dec. 11, 2012
Dec. 11, 2009	1,353,240	(1,941)	(69)	1,351,230	-	Dec. 11, 2009 ~ Dec. 10, 2014
	6,488,950	(110,499)	(4,077,331)	2,301,120		

(*) It can be exercised if an employee resigned within two years except for death, retirement age, position change and other cases imputable to an employee.

The equity linked special incentive is cash settlement transaction. It can be exercised from two years after grant date for three years.

The intrinsic value of "Rose bonus" granted before December 31, 2006 is the difference between the market price and the exercise price pursuant to Interpretations on SKAS 39-35 - *Accounting for Stock Options*, and the fair value of "Rose bonus" granted after January 1, 2007, is estimated by option pricing models pursuant to SKAS No. 22 - *Share-Based Payment*. As a result, the pricing models of stock option of the Bank are categorized as the intrinsic value pricing model and the fair value pricing model. The details of these models as of December 31, 2009 were as follows (Unit: In Won):

<Intrinsic value pricing model>

Grant date	Rose price ^(*)	Exercise price	Intrinsic value
Jul. 15, 2005	₩ 15,800	₩ -	₩ 15,800
Dec. 21, 2006	15,800	-	15,800

(*) The Rose price is measured as weighted average price (7:5) of the average stock price for previous five days and net asset value of most recent quarterly settlement as of the last day of the previous month of December 31, 2009.

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KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

<Fair value pricing model: Binomial Model>

Grant date	Risk free rate (%)	Expected exercise period (year)	Volatility of the underlying stock price (%) ^{(*)1}	Expected dividend rate (%) ^{(*)2}	Exercised price	Fair value ^{(*)3}
Dec. 12, 2007 ^{(*)4}	-	2	-	-	₩ -	₩ 15,800
Dec. 11, 2009	3.92	2	57.61	-	-	16,000

(*)1 The volatility of the underlying stock price is measured based on the volatility in the past.

(*)2 The expected dividend rate is zero, since a grantee of "Rose bonus" has the right to be provided with dividends from grant date to excise date.

(*)3 If the option price was "zero" without any other condition, the fair value and the intrinsic value should be the same. However, since Rose Price is calculated using the upper and lowest limit, they are not consistent.

(*)4 Risk free rate and estimated stock price variability would be "zero" with expiration. Therefore the Bank estimated the intrinsic value as the fair value.

The changes in long -term accrued expenses recognized for "Rose bonus" for year ended December 31, 2009 were as follows (Unit: In millions):

	Beginning balance	Increase	Decrease	Ending balance
Long-term accrued expenses	₩ 19,153	₩ 9,748	₩ (13,300)	₩ 15,601

17. CONTINGENCIES AND COMMITMENTS:

(1) Derivatives

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

Type ^(*)	2009			2008		
	Trading	Hedge	Total	Trading	Hedge	Total
Currency:						
Currency forwards	₩ 38,487,419	₩ -	₩ 38,487,419	₩ 36,046,100	₩ -	₩ 36,046,100
Currency futures	1,612,152	-	1,612,152	1,197,281	-	1,197,281
Currency swaps	8,323,470	-	8,323,470	10,457,110	-	10,457,110
Currency options purchased	2,372,032	-	2,372,032	5,598,417	-	5,598,417
Currency options sold	2,054,885	-	2,054,885	5,931,865	-	5,931,865
	52,849,958	-	52,849,958	59,220,773	-	59,230,773
Interest rate:						
Interest rate futures	1,437,266	-	1,437,266	3,232,411	-	3,232,411
Interest rate swaps	50,652,501	433,180	51,085,681	36,942,439	578,450	37,520,889
	52,089,767	433,180	52,522,947	40,174,850	578,450	40,753,300
Index:						
Stock index futures	6,898	-	6,898	3,893	-	3,893
Stock index purchased	2,450	-	2,450	-	-	-
Stock index sold	33,741	-	33,741	48,155	-	48,155
	43,089	-	43,089	52,048	-	52,048
Credit:						
Credit derivatives purchased	-	-	-	35,000	-	35,000
	-	-	-	35,000	-	35,000
	₩104,982,814	₩ 433,180	₩105,415,994	₩ 99,492,671	₩ 578,450	₩100,071,121

(*) For transaction between Won and foreign currencies, unsettled amount of transaction is presented using the basic foreign exchange rate based on the contract amount in foreign currencies. For transaction between foreign currencies and foreign currencies, unsettled amount is presented using the basic foreign exchange rate based on foreign currencies purchased at the end of the reporting period.

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The details of derivatives as of December 31, 2009, and the valuation of derivatives for the year ended December 31, 2009 were as follows
(Unit: In millions):

Type	Statement of Income						Statement of financial position	
	Trading		Hedging		Total		Assets	Liabilities
	Gain on valuation	Loss on valuation	Gain on valuation	Loss on valuation	Gain on valuation	Loss on valuation		
Currency:								
Currency forwards	₩ 415,767	₩ 445,320	₩ -	₩ -	₩ 415,767	₩ 445,320	₩ 868,065	₩ 362,642
Currency swaps	350,708	162,319	-	-	350,708	162,319	327,192	638,964
Currency options purchased	11,753	44,624	-	-	11,753	44,624	98,345	-
Currency options sold	27,051	4,757	-	-	27,051	4,757	-	56,226
	805,279	657,020	-	-	805,279	657,020	1,293,602	1,057,832
Interest:								
Interest rate swaps	369,147	305,586	2,299	7,246	371,446	312,832	305,452	433,280
Index:								
Stock index purchased	660	-	-	-	660	-	788	-
Stock index sold	176	4,230	-	-	176	4,230	-	15,512
	836	4,230	-	-	836	4,230	788	15,512
	₩1,175,262	₩ 966,836	₩ 2,299	₩ 7,246	₩1,177,561	₩ 974,082	₩1,599,842	₩1,506,624

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

The Bank holds derivative instruments accounted for as fair value hedges applied to securities and debentures. The Bank recognized ₩1,904 million of losses on valuation of derivatives of securities and ₩6,438 million of gains on valuation of derivatives of debentures for the year ended December 31, 2009. In addition, the interest rate swap covers the fair value changes of the hedged items resulted from the fluctuation in interest rate and foreign exchange rate.

The details of derivatives as of December 31, 2008, and the valuation of derivatives for the year ended December 31, 2008 were as follows
(Unit: In millions):

Type	Statement of income						Statement of financial position	
	Trading		Hedging		Total		Assets	Liabilities
	Gain on valuation	Loss on valuation	Gain on valuation	Loss on valuation	Gain on valuation	Loss on valuation		
Currency:								
Currency forwards	₩ 2,751,438	₩ 1,747,945	₩ -	₩ -	₩ 2,751,438	₩ 1,747,945	₩ 2,775,886	₩ 1,755,534
Currency swaps	542,221	1,420,103	-	-	542,221	1,420,103	524,035	1,367,230
Currency options purchased	648,772	22,393	-	-	648,772	22,393	761,152	-
Currency options sold	25,071	484,396	-	-	25,071	484,396	-	624,508
	3,967,502	3,674,837	-	-	3,967,502	3,674,837	4,061,073	3,747,272
Interest:								
Interest rate swaps	645,033	816,753	12,328	7,818	657,361	824,571	610,590	802,683
Index:								
Stock index purchased	-	-	-	-	-	-	-	-
Stock index sold	7,999	1,980	-	-	7,999	1,980	-	11,725
Credit:								
Credit derivatives purchased	1,556	-	-	-	1,556	-	1,800	-
	₩ 4,622,090	₩ 4,493,570	₩ 12,328	₩ 7,818	₩ 4,634,418	₩ 4,501,388	₩ 4,673,463	₩ 4,561,680

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The Bank holds derivative instruments accounted for as fair value hedges applied to securities and debentures. The Bank recognized ₩7,852 million of losses on valuation of derivatives of securities and ₩12,328 million of gains on valuation of derivatives of debentures for the year ended December 31, 2008. In addition, the interest rate swap covers the fair value changes of the hedged items resulted from the fluctuation in interest rate and foreign exchange rate.

(2) The Bank holds written-off loans, of which the claim for borrowers and guarantors have not been terminated, amounting to ₩1,683,663 million and ₩1,416,543 million as of December 31, 2009 and 2008, respectively.

(3) Endorsed notes with collateral amounted to ₩55,992 million and ₩63,533 million as of December 31, 2009 and 2008, respectively. Endorsed notes without collateral held at the merchant banking accounted amount to ₩7,467,939 million and ₩9,450,454 million as of December 31, 2009 and 2008, respectively.

(4) The Bank is obliged to repurchase some of the loans previously sold to the Korea Asset Management Corporation ("KAMCO") under certain conditions including the following:

- When it is considered impossible to collect the loans and interest due to delay in repayment of loans and interest over six months.
- When it is considered impossible to collect the loans and interest due to the abrogation of court-receivership process and the cancellation of mediation.

As of December 31, 2009, KAMCO and other loan purchasers may exercise the resale option for loans amounting to ₩1,459 million. An additional loss or profit may occur, depending on the loan classification on valuation of loans or final arrangement on loans when KAMCO and other loan purchasers exercise their repurchase agreement.

(5) Loans sold to asset backed securitization (ABS) (Unit: In millions)

Classification	Date	Value of loans	Sale price	Subordinated debentures ^(*)
KEB 16th Securitization Specialty Co., Ltd.	Jun. 24, 2008	₩ 105,206	₩ 77,000	₩ -
KEB 17th Securitization Specialty Co., Ltd. ^{(*)2}	Dec. 28, 2009	110,402	79,000	27,915

(*)1 The subordinated debentures are included in sale price.

(*)2 The loss on disposal of loan of ₩21,779 million was recognized (see Note 8).

(6) The Bank has pending litigation as plaintiff or defendant in various legal actions arising from the normal course of operation. The aggregate amounts of these claims brought by and against the Bank were approximately ₩357,393 million (1,849 cases) and ₩453,660 million (146 cases), respectively, as of December 31, 2009. The Bank recognized ₩14,324 million of provisions related to these lawsuits (see Note 14).

The list of major case of on-going litigation related to contingency were as follows:

Type	Plaintiff/defendant	Amount	Content	Progress
Sued	Saehan Merchant Banking Corporation and others	₩ 10,679	Indemnity receivables claim	Winning the case in the first and second trial, pending in the third trial
Sued	Lim Asia Multi-Strategy fund Inc.	7,996	Money collected claim	Losing the case in the first trial, pending in the second trial

In addition, Olympus Capital KEB Cards Ltd. and others ("the applicants") ask for arbitration of compensation of USD 300 million against the Bank and 5 companies related to Lone Star ("the Banks") through the Court of International Arbitration. The applicants argue that the Banks violated the obligation of shareholders' contract (on December 1, 1999) so the contract of shares transference (on November 20, 2003) is invalid. The result of the arbitration is presently unpredictable.

The Bank believes that the outcome of these matters will not have a material impact to the Bank's financial position or operations.

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(7) Loans to companies under workout program

The loans to companies under court receivership or workout program amounted to ₩2,585,693 million as of December 31, 2009. Actual loss on these loans can be different from the Bank's estimation.

(8) Debt to equity swap of Hynix Semiconductor Inc.

The Bank's outstanding loans (including acceptances and guarantees) and available-for-sale securities convertible to equity securities with respect to Hynix Semiconductor Inc. ("Hynix") as of December 31, 2009 amounted to ₩465,945 million and ₩789,147 million, respectively. As of December 31, 2009, the Bank's loans for Hynix are classified as normal. Joint control procedure for Hynix Semiconductor Inc. was completed on July 12, 2005. Also, the Bank's 37,742 thousand shares of Hynix are restricted for sale until completion of M&A and the gain on valuation of available-for-sale securities amounting to ₩423,836 million is accounted as other comprehensive income as of December 31, 2009.

(9) Debt to equity swap of Hyundai Engineering & Construction Co., Ltd.

As of December 31, 2009, the Bank has loans (including acceptances and guarantees) of ₩611,499 million and available-for-sale securities of ₩633,010 million with respect to Hyundai Engineering & Construction Co., Ltd. and the Bank's loans for Hyundai Engineering & Construction Co., Ltd. are classified as normal. The Bank has 9,715 thousand shares of Hyundai Engineering & Construction Co., Ltd., which are restricted for sale until completion of M&A of Hyundai Engineering & Construction Co., Ltd. With regards to these securities, the gain on valuation of available-for-sale securities amounting to ₩355,078 million is accounted as other comprehensive income as of December 31, 2009.

(10) Commitments related to credit card business

The Bank has entered into trademark license (membership) agreements with VISA Worldwide Pte. Limited in 2008, of which the rights have been transferred from VISA International Service Association and Master Card International Incorporated in 1993, and JCB International Service Association in 1997. The Bank pays and receives certain amounts of fees and commissions in connection to the income and expense incurred pertaining to these agreements.

The Bank has entered into credit card affinity agreements with KDB Capital, and the Bank allocates the fee income related to the credit card affinities at a fixed rate.

(11) Indemnification obligations regarding the share subscription agreement by and between the Bank and the LSF-KEB Holdings, SCA

The Bank shall indemnify LSF-KEB Holdings, SCA for all purchaser losses ^{(*)1} and pay for damages resulting from any breach by the Bank of any of the Bank's covenants ^{(*)2} in the Share Subscription Agreement. The Bank's indemnification obligations are as follows:

Duration of indemnification obligations are as follows:

- Purchaser losses, excluding those mentioned below, may be indemnified until 18 months from the Closing Date ^{(*)3}.
- Purchaser losses arising as a result of fraud or intentional misrepresentation by the Bank may be indemnified at the Closing Date and continue to be in full force and effective until three years from the Closing Date.
- Purchaser losses related to tax matters may be indemnified at the Closing Date and continue to be in full force effective until five years from the Closing Date.

The Bank's indemnification obligations expire after the duration periods stated above. However, if the Bank receives written claims from Lone Star before the expiration of the durations, regardless of the durations stated above, the Bank's indemnification obligations continue to be in force and effective until the related matter are brought to satisfactory settlement.

The Bank has no indemnification obligation for claims less than ₩100 million. The Bank's indemnification obligation applies to claims exceeding ₩15,000 million cumulative, and only losses exceeding ₩10,000 million may be indemnified.

The total amount of indemnification obligations cannot exceed the LSF-KEB Holdings, SCA's investments in the Bank.

(*1) Purchase losses means the amount of any and all losses, costs, liabilities, damages, judgments, settlements and expenses that arise out of any breach by the Bank of any of the Bank's representations and warranties contained in the Share Subscription Agreement or any breach by the Bank of any of the Bank's covenants or agreements in the Share Subscription Agreement.

(*2) Covenant means the conditions set forth in the Share Subscription Agreement that the Bank shall comply with the share subscription until the Closing Date.

(*3) Closing Date means the date that the new shares come into effect, and falls on October 31, 2003.

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18. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:

Significant assets and liabilities denominated in foreign currencies as of December 31, 2009 and 2008 were as follows (Unit: In thousands of U.S. Dollars, in millions of Won):

Classification	2009		2008	
	USD equivalent ^(*)	Translation into Won	USD equivalent ^(*)	Translation into Won
Assets:				
Cash and due from bank:				
Foreign currencies	\$ 333,910	₩ 389,873	\$ 347,870	₩ 437,446
Due from banks in foreign currencies	1,596,478	1,864,048	3,454,362	4,343,860
Securities:				
Trading securities	39,955	46,651	38,039	47,834
Available-for-sale securities	709,147	828,000	991,087	1,246,292
Held-to-maturity securities	308,299	359,970	514,859	647,435
Securities using the equity method	5,532	6,459	5,089	6,399
Loans:				
Call loans	888,839	1,037,809	668,849	841,077
Domestic import usance bill	2,240,652	2,616,185	2,184,437	2,746,929
Credit card receivables	3,623	4,230	3,134	3,941
Bills bought in foreign currencies	3,473,012	4,055,089	3,562,606	4,479,977
Bills bought in Won	54,770	63,950	38,771	48,755
Loans in foreign currencies	8,778,935	10,250,284	9,141,742	11,495,741
Factoring receivables	41,795	48,800	32,359	40,692
Private placed bonds	197,006	230,024	108,566	136,522
(Reserve for bad debts)	(102,601)	(119,797)	(78,143)	(98,265)
Liabilities:				
Deposits:				
Demand deposits in foreign currencies	4,653,866	5,433,854	4,069,438	5,117,318
Savings deposits in foreign currencies	8,124,599	9,486,282	7,181,260	9,030,434
Borrowings:				
Borrowings in foreign currencies	4,938,392	5,766,066	5,905,363	7,425,994
Call money in foreign currencies	1,188,189	1,387,330	2,118,760	2,664,341
Bonds in foreign currencies	1,115,050	1,301,932	869,438	1,093,318
Other liabilities:				
Accrued expenses in foreign currencies	228,702	267,033	165,774	208,461
Pension benefit	3,923	4,580	3,598	4,524
Asset under management of pension benefits	(3,135)	(3,660)	(2,326)	(2,925)

(*) Foreign currencies other than U.S. Dollars were converted into U.S. Dollars at the basic rates of exchange at the end of the reporting period.

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KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

19. OPERATING REVENUE AND EXPENSES:

(1) Gain and loss on trading and valuation of derivatives

Details of gain and loss on trading and valuation of derivatives for the years ended December 31, 2009 and 2008 were as follows
(Unit: In millions):

Classification	2009	2008
Gain:		
Gain on trading of derivatives	₩ 6,038,899	₩ 9,352,223
Gain on valuation of derivatives	1,183,999	4,642,270
	₩ 7,222,898	₩ 13,994,493
Loss:		
Loss on trading of derivatives	₩ 6,896,235	₩ 9,140,323
Loss on valuation of derivatives	975,986	4,513,716
	₩ 7,872,221	₩ 13,654,039

(2) Commission income and expenses

Details of commission income and expenses for the years ended December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Commission income:		
Commission received	₩ 480,945	₩ 535,493
Guarantee fees received	46,362	33,186
Other commission received	912	84
	₩ 528,219	₩ 568,763
Commission expenses:		
Commission paid	₩ 284,227	₩ 76,822
Other commission paid	1,000	171,145
	₩ 285,227	₩ 247,967

(3) Dividend income

Details of dividend income for the years ended December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Dividend income from trading securities	₩ 612	₩ 4,391
Dividend income from available-for-sale securities	14,798	74,673
	₩ 15,410	₩ 79,064

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(4) Other operating revenue and expenses

Details of other operating revenue and expenses for the years ended December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Other operating revenue:		
Profit on operating trust account	₩ 21,461	₩ 24,308
Reversal of provision for unused credit limit	-	15,023
Others	881	2,300
	₩ 22,342	₩ 41,631
Other operating expenses:		
Fund contributions	₩ 163,545	₩ 144,254
Provision for allowance for acceptances and guarantees	23,401	2,215
Provision for unused credit limit	6,561	-
Provision for other liabilities	41,022	44,085
Others	1,189	1,117
	₩ 235,718	₩ 191,671

(5) General and administrative expenses

General and administrative expenses for the years ended December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
Salaries	₩ 566,239	₩ 541,452
Expenses for fringe benefits	168,146	153,171
Retirement allowances	61,345	48,514
Honorary retirement	66,882	3,534
Operating expense	206,082	198,885
Depreciation	89,378	98,024
Amortization	32,574	31,349
Taxes	40,245	48,538
Rental	84,748	78,879
Entertainment	9,826	13,525
Advertising	22,988	40,200
	₩ 1,348,453	₩ 1,256,071

20. OTHER INTEREST INCOME AND EXPENSES:

Other interest income and expenses for the years ended December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Other interest income:		
Interest on domestic transaction	₩ 7,709	₩ 15,659
Miscellaneous interest revenues	5,991	15,860
Interest on cashier's check reimbursement	1,538	1,538
Others	682	1,436
	₩ 15,920	₩ 34,493
Other interest expenses:		
Interest paid on domestic transaction	₩ 2,945	₩ 5,527
Interest on borrowings from trust account	28,931	48,796
Others	80	169
	₩ 31,956	₩ 54,492

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

21. NON-OPERATING INCOME AND EXPENSES:

Non-operating income and expenses for the years ended December 31, 2009 and 2008 consisted of (Unit: In millions):

Classification	2009	2008
Non-operating income:		
Gain on disposal of tangible assets	₩ 2,805	₩ 321
Rental income	2,618	2,569
Gain on securities using the equity method	518	3,909
Others	45,215	65,051
	₩ 51,156	₩ 71,850
Non-operating expenses:		
Loss on disposal of tangible assets	₩ 1,684	₩ 2,020
Loss on securities using the equity method	842	143
Loss on revaluation of tangible assets	-	25,346
Others	34,500	58,655
	₩ 37,026	₩ 86,164

22. INCOME TAX EXPENSE (BENEFITS):

(1) Components of income tax expense (benefits)

The components of income tax expense (benefits) for the years ended December 31, 2009 and 2008 were summarized as follows
(Unit: In millions):

Classification	2009	2008
Bank:		
Income tax currently payable (receivable)	₩ (110,341)	₩ 228,994
Change in deferred taxes due to temporary differences	112,861	(75,430)
Income tax directly applied to shareholders' equity	(136,302)	202,853
Income tax expense of overseas branch	25,176	28,455
Income tax expense (benefit)	(108,606)	384,872
Subsidiaries:		
Income tax currently payable	12,370	32,066
Change in deferred taxes due to temporary differences	7,348	(18,483)
Income tax directly applied to shareholders' equity	(434)	(1,322)
Income tax expense	19,284	12,261
	₩ (89,322)	₩ 397,133

(2) Deferred income tax assets in the consolidated financial statements as of December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
KEBC	₩ 1,892	₩ 4,064
KEBOC	2,388	1,996
KEBA	4,344	2,185
KEBI	400	403
KEB NY FINCO	3,748	3,348
KEB LA FINCO	8,910	17,344
	₩ 21,682	₩ 29,340

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(3) Deferred income tax liabilities in the consolidated financial statements as of December 31, 2009 and 2008 were as follows (Unit: In millions):

Classification	2009	2008
KEB	₩ 202,383	₩ 89,522
KEBF	1,593	1,903
	₩ 203,976	₩ 91,425

(4) The statutory income tax rate applicable to the Bank and its subsidiaries, including resident tax surcharges, is 24.2 percent and 27.5 percent for the years ended December 31, 2009 and 2008, respectively. However, due to tax adjustments, the effective tax rates for the year ended December 31, 2008 is 33.66 percent. Effective tax rate for the year ended December 31, 2009 is not calculated since the Bank incurred income tax benefits.

23. EARNINGS PER SHARE:

(1) Basic net income per share

Basic income per share is calculated for common stock by dividing controlling company's net income available to common shareholders by the weighted average number of outstanding common stock. The basic net income per share for the years ended December 31, 2009 and 2008 was as follows (Unit: In Won):

Classification	2009	2008
Controlling company's net income	₩ 891,737,774,814	₩ 782,372,580,444
Weighted average number of common shares	644,906,826	644,906,826
Basic net income per share	₩ 1,383	₩ 1,213

Both the weighted average number of outstanding common stock and the number of outstanding common stock are the same because there is no change on the number of outstanding common stock for years ended December 31, 2009 and 2008.

(2) Diluted net income per share

Diluted net income per share represent diluted net income divided by the number of common shares and diluted securities. There is no diluted security for recent two years. The diluted net income per share; therefore, is the same as net income per share.

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

24. SEGMENT INFORMATION:

[1] Statements of financial position per business segment as of December 31, 2009 and 2008 were as follows (Unit: In millions):

<2009>

	Financial & insurance business	Consolidation adjustment	Total
Assets:			
Cash and due from banks	₩ 6,525,904	₩ (179,647)	₩ 6,346,257
Securities	15,962,562	(718,667)	15,243,895
Loans	67,423,552	(1,186,706)	66,236,846
Tangible assets	1,394,716	(1,606)	1,393,110
Other assets	10,804,292	(3,083)	10,801,209
	₩ 102,111,026	₩ (2,089,709)	₩ 100,021,317
Liabilities:			
Deposits	₩ 60,996,701	₩ (130,845)	₩ 60,865,856
Borrowings	19,234,905	(1,144,431)	18,090,474
Other liabilities	13,226,077	(137,697)	13,088,380
	93,457,683	(1,412,973)	92,044,710
Shareholders' equity:			
Common stock	3,534,651	(310,117)	3,224,534
Capital surplus	75,277	(74,337)	940
Capital adjustment	-	-	-
Accumulated other comprehensive income	1,239,450	(5,894)	1,233,556
Retained earnings	3,803,967	(288,511)	3,515,456
Non-controlling interest	-	2,121	2,121
	8,653,345	(676,738)	7,976,607
	₩ 102,111,028	₩ (2,089,711)	₩ 100,021,317

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

<2008>

	Financial & insurance business	Consolidation adjustment	Total
Asset:			
Cash and due from banks	₩ 10,827,081	₩ (62,826)	₩ 10,764,255
Securities	14,477,568	(527,500)	13,950,068
Loans	70,313,006	(1,550,504)	68,762,502
Tangible assets	1,452,808	(2,228)	1,450,580
Other assets	12,400,304	(9,021)	12,391,283
	₩ 109,470,767	₩ (2,152,079)	₩ 107,318,688
Liability:			
Deposits	₩ 62,610,388	₩ (46,798)	₩ 62,563,590
Borrowings	25,030,348	(1,473,747)	23,556,601
Other liabilities	14,620,651	(105,984)	14,514,667
	102,261,387	(1,626,529)	100,634,858
Shareholders' equity:			
Common stock	3,460,125	(235,591)	3,224,534
Capital surplus	55,781	(54,841)	940
Capital adjustment	(4,425)	-	(4,425)
Accumulated other comprehensive income	753,554	(4,354)	749,200
Retained earnings	2,944,345	(232,581)	2,711,764
Non-controlling interest	-	1,817	1,817
	7,209,380	(525,550)	6,683,830
	₩ 109,470,767	₩ (2,152,079)	₩ 107,318,688

(2) Statements of income per business segment for the years ended December 31, 2009 and 2008 were as follows (Unit: In millions):

<2009>

	Financial & insurance business	Consolidation adjustment	Total
Operating revenue	₩ 16,832,353	₩ (58,840)	₩ 16,773,513
Operating expenses	16,043,829	(58,815)	15,985,014
Operating income	788,524	(25)	788,499
Non-operating income	106,359	(55,203)	51,156
Non-operating expenses	42,570	(5,544)	37,026
Income before income tax	852,313	(49,684)	802,629
Income tax benefits	(89,322)	-	(89,322)
Net income	₩ 941,635	₩ (49,684)	₩ 891,951
Controlling company interests	₩ 941,635	(49,898)	₩ 891,737
Minority interests	-	214	214

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

<2008>

	Financial & insurance business	Consolidation adjustment	Total
Operating revenue	₩ 23,246,345	₩ (94,553)	₩ 23,151,792
Operating expenses	22,049,404	(91,641)	21,957,763
Operating income	1,196,941	(2,912)	1,194,029
Non-operating income	126,148	(54,298)	71,850
Non-operating expenses	118,078	(31,914)	86,164
Income before income tax	1,205,011	(25,296)	1,179,715
Income tax expense	397,133	-	397,133
Net income	₩ 807,878	₩ (25,296)	₩ 782,582
Controlling company interests	₩ 807,878	(25,505)	₩ 782,373
Minority interests	-	209	209

(3) Financial information per business segment as of and for years ended December 31, 2009 and 2008 was as follows (Unit: In millions):

<2009>

	Banking	Trust account	Others	Consolidation adjustment	Total
Operating revenue	₩ 16,511,875	₩ 72,474	₩ 248,004	₩ (58,840)	₩ 16,773,513
Less: inter-company transaction	(47,247)	(974)	(10,619)	58,840	-
Net operating revenue	16,464,628	71,500	237,385	-	16,773,513
Operating income	₩ 750,861	₩ -	₩ 37,663	₩ (25)	₩ 788,499
Cash and due from banks	₩ 6,163,327	₩ 180,759	₩ 181,818	₩ (179,647)	₩ 6,346,257
Securities	15,051,614	780,371	130,577	(718,667)	15,243,895
Loans	65,143,432	301,993	1,978,127	(1,186,706)	66,236,846
Tangible assets	1,384,295	-	10,421	(1,606)	1,393,110
Other assets	10,737,128	10,442	56,722	(3,083)	10,801,209
	₩ 98,479,796	₩ 1,273,565	₩ 2,357,665	₩ (2,089,709)	₩ 100,021,317

<2008>

	Banking	Trust account	Others	Consolidation adjustment	Total
Operating revenue	₩ 22,884,431	₩ 94,204	₩ 267,710	₩ (94,553)	₩ 23,151,792
Less: inter-company transaction	(88,492)	(1,512)	(4,549)	94,553	-
Net operating revenue	22,795,939	92,692	263,161	-	23,151,792
Operating income (loss)	₩ 1,206,268	₩ -	₩ (9,327)	₩ (2,912)	₩ 1,194,029
Cash and due from banks	₩ 10,380,398	₩ 313,039	₩ 133,644	₩ (62,826)	₩ 10,764,255
Securities	13,661,006	721,506	95,056	(527,500)	13,950,068
Loans	68,114,558	181,487	2,016,961	(1,550,504)	68,762,502
Tangible assets	1,431,302	-	21,506	(2,228)	1,450,580
Other assets	12,310,960	18,857	70,487	(9,021)	12,391,283
	₩ 105,898,224	₩ 1,234,889	₩ 2,337,654	₩ (2,152,079)	₩ 107,318,688

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KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(4) Financial information per geographical area as of and for the years ended December 31, 2009 and 2008 was as follows (Unit: In millions):

<2009>

	Domestic	Overseas	Consolidation adjustment	Total
Operating revenue	₩ 16,630,152	₩ 202,201	₩ (58,840)	₩ 16,773,513
Less: inter-company transaction	(49,201)	(9,639)	58,840	-
Net operating revenue	16,580,951	192,562	-	16,773,513
Operating income	₩ 740,846	₩ 47,678	₩ (25)	₩ 788,499
Cash and due from banks	₩ 6,201,600	₩ 324,304	₩ (179,647)	₩ 6,346,257
Securities	15,801,323	161,239	(718,667)	15,243,895
Loans	64,643,549	2,780,003	(1,186,706)	66,236,846
Tangible assets	1,388,844	5,872	(1,606)	1,393,110
Other assets	10,754,671	49,621	(3,083)	10,801,209
	₩ 98,789,987	₩ 3,321,039	₩ (2,089,709)	₩ 100,021,317

<2008>

	Domestic	Overseas	Consolidation adjustment	Total
Operating revenue	₩ 23,007,434	₩ 238,911	₩ (94,553)	₩ 23,151,792
Less: inter-company transaction	(82,040)	(12,513)	94,553	-
Net operating revenue	22,925,394	226,398	-	23,151,792
Operating income	₩ 1,181,127	₩ 15,814	₩ (2,912)	₩ 1,194,029
Cash and due from banks	₩ 10,550,813	₩ 276,268	₩ (62,826)	₩ 10,764,255
Securities	14,335,792	141,776	(527,500)	13,950,068
Loans	67,415,048	2,897,958	(1,550,504)	68,762,502
Tangible assets	1,446,887	5,921	(2,228)	1,450,580
Other assets	12,334,031	66,273	(9,021)	12,391,283
	₩ 106,082,571	₩ 3,388,196	₩ (2,152,079)	₩ 107,318,688

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

25. SIGNIFICANT TRANSACTIONS BETWEEN THE BANK AND SUBSIDIARIES:

(1) Significant balances made in the normal course of business with subsidiaries as of December 31, 2009 and 2008 are summarized as follows
(Unit: In millions):

<2009>

Classification	KEBC	KEBF	KEBOC	KEBA	KEBDAG	KEBI	Trust	Other subsidiaries	Total
Assets:									
Due from banks in Won	₩ -	₩ 326	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 326
Due from banks in foreign currencies	-	2,977	1,196	693	22,281	308	-	-	27,455
Trading securities	40,000	-	-	-	-	-	-	-	40,000
Loans in Won	36,900	-	-	-	-	-	-	-	36,900
Loans in foreign currencies ^(*)	31,658	-	-	204,890	85,883	-	-	472,180	794,611
Allowance for possible loan losses	(583)	-	-	-	-	-	-	-	(583)
Other assets	61	1	-	927	99	-	-	1,766	2,854
	₩ 108,036	₩ 3,304	₩ 1,196	₩ 206,510	₩ 108,263	₩ 308	₩ -	₩ 473,946	₩ 901,563
Liabilities:									
Deposits in Won	₩ 124	₩ 22	₩ 5,291	₩ 4	₩ -	₩ -	₩ -	₩ -	₩ 5,441
Deposits in Foreign currencies	28,723	7,704	-	29,262	28,960	331	-	2,105	97,085
Borrowings in foreign currencies	-	-	-	36,675	129,705	106,540	-	-	272,920
Other liabilities	3,350	-	-	1,560	312	222	133,332	-	138,776
	₩ 32,197	₩ 7,726	₩ 5,291	₩ 67,501	₩ 158,977	₩ 107,093	₩ 133,332	₩ 2,105	₩ 514,222

(*) Call loans in foreign currencies are included.

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<2008>									
Classification	KEBC	KEBF	KEBOC	KEBA	KEBDAG	KEBI	Trust	Other subsidi- aries	Total
Assets:									
Due from banks in foreign currencies	₩ -	₩ 3,588	₩ 1,341	₩ 17,138	₩ 16,545	₩ 388	₩ -	₩ -	₩ 39,000
Loans in Won	169,300	-	-	-	-	-	-	-	169,300
Loans in foreign currencies ^(*)	40,125	-	-	274,546	65,331	25,150	-	650,142	1,055,294
Allowance for possible loan losses	(1,780)	-	-	-	-	-	-	-	(1,780)
Other assets	207	2	-	3,172	694	685	-	4,020	8,780
	₩ 207,852	₩ 3,590	₩ 1,341	₩ 294,856	₩ 82,570	₩ 26,223	₩ -	₩ 654,162	₩1,270,594
Liabilities:									
Deposits in Won	₩ 153	₩ 33	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 186
Deposits in Foreign currencies	51	4,494	4,483	4	12,945	330	-	955	23,262
Borrowings in foreign currencies	-	-	12,647	17,663	108,904	98,085	-	11,855	249,154
Other liabilities	3,894	344	-	798	910	999	79,151	176	86,272
	₩ 4,098	₩ 4,871	₩ 17,130	₩ 18,465	₩ 122,759	₩ 99,414	₩ 79,151	₩ 12,986	₩ 358,874

(*) Call loans in foreign currencies are included.

[2] Significant transactions with subsidiaries for the years ended December 31, 2009 and 2008 were as follows (Unit: In millions):

<2009>									
Classification	KEBC	KEBF	KEBOC	KEBA	KEBDAG	KEBI	Trust	Other subsidi- aries	Total
Revenue:									
Interest revenues in Won	₩ 5,766	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 5,766
Interest revenues in foreign currencies	1,956	-	2	5,404	1,735	121	-	10,910	20,128
Commission income in Won	-	181	-	-	-	-	-	-	181
Commission income in foreign currencies	-	-	-	584	130	-	-	-	714
Other revenue	4,106	340	-	2,508	41	-	9,176	-	16,171
	₩ 11,828	₩ 521	₩ 2	₩ 8,496	₩ 1,906	₩ 121	₩ 9,176	₩ 10,910	₩ 42,960
Expenses:									
Interest expenses in Won	₩ -	₩ 41	₩ -	₩ -	₩ -	₩ -	₩ 973	₩ -	₩ 1,014
Interest expenses in foreign currencies	5	7	152	1,531	3,667	1,451	-	135	6,948
Commission expense in Won	-	345	-	-	-	-	-	-	345
Commission expense in foreign currencies	-	109	-	104	-	-	-	112	325
Written-off of bad debts	(1,197)	-	-	-	-	-	-	-	(1,197)
Other expenses	5,910	-	-	2,258	-	-	-	-	8,168
	₩ 4,718	₩ 502	₩ 152	₩ 3,893	₩ 3,667	₩ 1,451	₩ 973	₩ 247	₩ 15,603

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<2008>									
Classification	KEBC	KEBF	KEBOC	KEBA	KEBDAG	KEBI	Trust	Other subsidiaries	Total
Revenue:									
Interest revenues in Won	₩ 7,805	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 7,805
Interest revenues in foreign currencies	2,240	4	15	12,384	3,773	512	-	23,287	42,215
Commission income in Won	-	169	-	-	-	-	-	-	169
Commission income in foreign currencies	-	-	-	418	4,172	-	-	-	4,590
Other revenue	11,809	-	35	2,448	-	-	10,992	-	25,284
	₩ 21,854	₩ 173	₩ 50	₩ 15,250	₩ 7,945	₩ 512	₩ 10,992	₩ 23,287	₩ 80,063
Expenses:									
Interest expenses in Won	₩ -	₩ 48	₩ -	₩ -	₩ -	₩ -	₩ 1,512	₩ -	₩ 1,560
Interest expenses in foreign currencies	58	114	105	2,065	7,865	641	-	606	11,454
Commission expense in Won	-	564	-	-	-	-	-	-	564
Commission expense in foreign currencies	-	160	-	-	915	-	-	-	1,075
Written-off of bad debts	1,060	-	-	-	-	-	-	-	1,060
Other expenses	697	-	-	287	-	-	-	-	984
	₩ 1,815	₩ 886	₩ 105	₩ 2,352	₩ 8,780	₩ 641	₩ 1,512	₩ 606	₩ 16,697

[3] Details of significant receivables and payables among subsidiaries as of December 31, 2009 were as follows (Unit: In millions):

Subsidiaries	Classification	Amount	Counterparty	Classification	Amount
KEBF	Due from Retirement Insurance	₩ 866	Trust	Time deposits in Won	₩ 866
KEBF	Due from Retirement Insurance	14	Trust	Accrued expenses	14
KEB NYFINCO	Due from banks in foreign currencies	161	KEBOC	Demand deposits in foreign currencies	161
KEBDAG	Due from banks in foreign currencies	54	KEBOC	Demand deposits in foreign currencies	54
KEBI	Due from banks in foreign currencies	138	KEBDAG	Demand deposits in foreign currencies	138

[4] Details of significant transactions among subsidiaries for the year ended December 31, 2009 were as follows (Unit: In millions):

Subsidiaries	Classification	Amount	Counterparty	Classification	Amount
KEB NYFINCO	Interest on borrowing in foreign currencies	₩ 163	KEBOC	Interest on call loan in foreign currencies	₩ 163
KEB LAFINCO	Interest on borrowing in foreign currencies	51	KEBOC	Interest on call loan in foreign currencies	51
Trust	Interest on deposits in Won	43	KEBF	Interest on due from banks in Won	43
Trust	Interest on deposits in Won	18	KEBC	Interest on due from banks in Won	18

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(5) Guarantees and acceptances with subsidiaries as of December 31, 2009 were as follows (Unit: In millions):

Subsidiaries	Classification	Amount	Counterparty
BANK	Guarantees and acceptances in foreign currencies	₩ 7,745	KEBC
KEBA	Guarantees and acceptances in foreign currencies	4,377	BANK

(6) The key management compensations for the year ended December 31, 2009 were as follows (Unit: In millions):

Classification	Compensations
Short-term employee benefits	₩ 5,415
Employee benefits after resignation	666
Stock option	7,505
	₩ 13,586

The key management includes the directors, the executives and the officers who have authorities and responsibilities for decision-making of the business plan, operations and control over the Bank.

26. COMPUTATION OF VALUE ADDED:

Accounts required for computation of value added for the years ended December 31, 2009 and 2008 consisted of the following (Unit: In millions):

Accounts	2009	2008
Salaries	₩ 566,239	₩ 541,452
Expenses for fringe benefit	168,146	153,171
Retirement allowances	61,345	48,514
Rent	84,748	78,878
Depreciation	89,378	98,024
Amortization	32,574	31,349
Taxes and dues	40,245	48,538
	₩ 1,042,675	₩ 999,926

27. DIVIDENDS:

(1) The calculation of dividends for the years ended December 31, 2009 and 2008 was as follows (Unit: shares, In millions except per share amounts):

Classification	2009	2008
Dividends per share (rate) (In currency units)	₩ 510 (10.2 %)	₩ 125 (2.5%)
Shares issued	644,906,826	644,906,826
Dividends	₩ 328,902	₩ 80,613

(2) The calculation of dividend payout ratio for the years ended December 31, 2009 and 2008 was as follows (Unit: In millions):

Classification	2009	2008
Dividends	₩ 328,902	₩ 80,613
Net income	891,737	782,618
Dividend payout ratio (%)	36.88	10.30

Notes to Consolidated Financial Statements

KOREA EXCHANGE BANK AND SUBSIDIARIES for the years ended December 31, 2009 and 2008

(3) The calculation of dividend yield for the years ended December 31, 2009 and 2008 was as follows (Unit: In currency units):

Classification	2009	2008
Dividends	₩ 510	₩ 125
Closing price	14,500	6,330
Dividend yield ratio (%)	3.52	1.97

28. CASH FLOWS:

(1) Cash in statements of cash flows consists of cash, due from bank (excluding restricted due from bank). Cash flows from operating activities are presented by the indirect method.

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

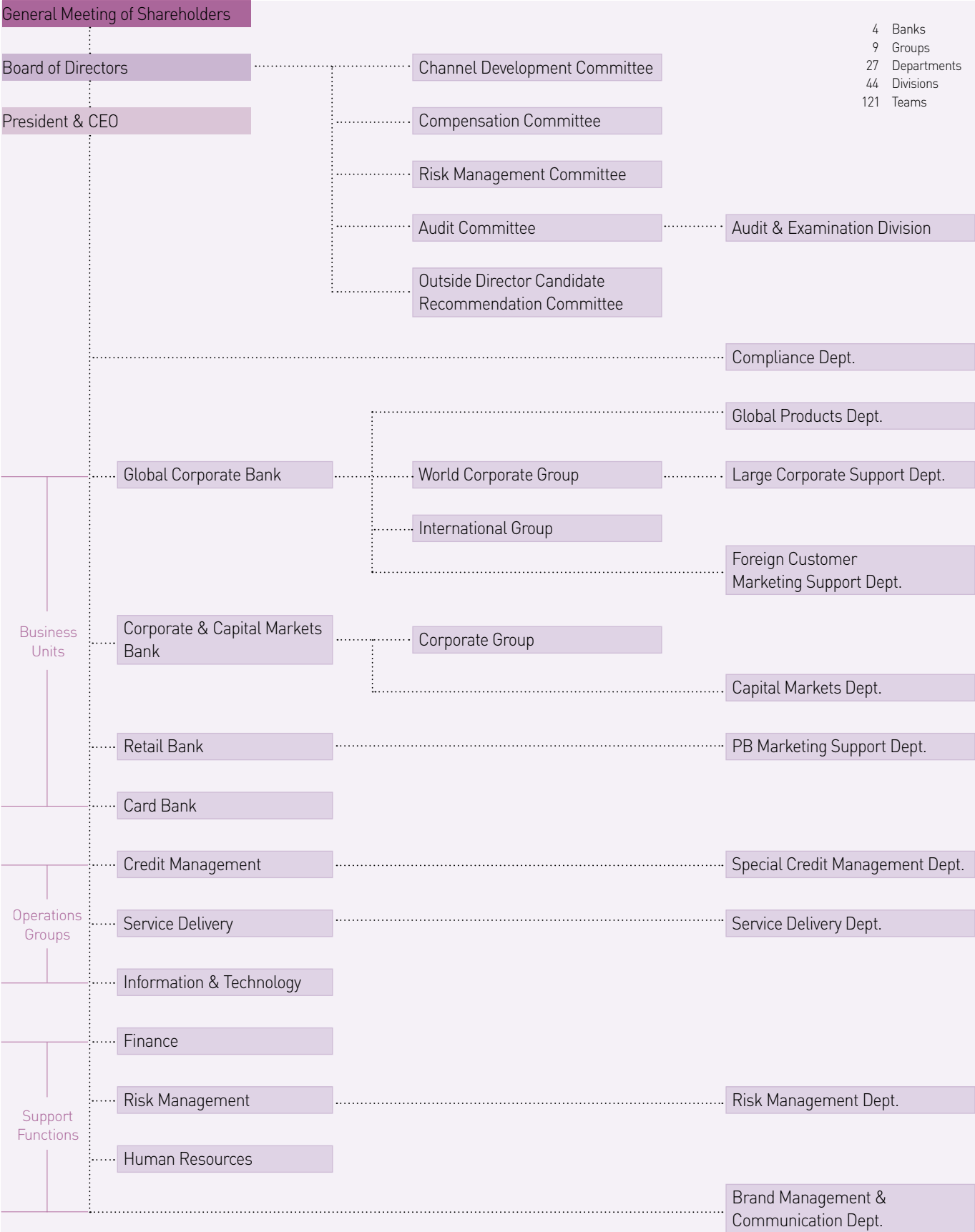
Classification	2009	2008
Cash and due from banks	₩ 809,276	₩ 876,432
Foreign currencies	389,873	437,446
Deposit in Won	3,283,060	5,106,517
Deposit in foreign currencies	1,864,048	4,343,860
	6,346,257	10,764,255
Less: restricted due from bank	(2,442,077)	(6,814,198)
	₩ 3,904,180	₩ 3,950,057

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

Classification	2009	2008
Decrease of loans from write-offs of loans	₩ 926,361	₩ 597,106
Increase (decrease) of gain on valuation of available-for-sale securities	487,292	(776,196)
Change on unsettled spot transactions	1,513,172	881,988

Organization Chart

February 1, 2010



Board of Directors & Managing Directors

As of March 31, 2010

Board of Directors

Standing Directors

-

Richard F. Wacker	Chairman
Larry A. Klane	President & CEO
Jang, Myoung-Kee	Deputy President

Outside Directors

-

Ellis Short	Ex-Vice President, Lone Star
Michael D. Thomson	General Counsel-Asia, Lone Star
Paul Yoo	Ex-President, Lone Star Advisors Korea
Larry S. Owen	Ex-Managing Director, Stanford Management Company
Park, Chin-Keun	Ex-Dean of Department of Business and Economics, Yonsei University
Kim, Chung-Soo	Ex-Director of Economic Research at JoongAng Daily
Lee, Jae-Ouk	Ex-Deputy Governor, Bank of Korea
Kim, Jin-Ho	Ex-Deputy President, Korea Eximbank

Managing Directors

Lee, Jong-Kyu	Auditor
Suh, Choong-Suk	Senior Managing Director, CRO
Yoon, Jong-Ho	Senior Managing Director, Global Corporate Bank / World Corporate Group
Choi, Myung-Hee	Global Ombudsman
Lee, Sang-Don	Senior Managing Director, Corporate & Capital Markets Bank / Corporate Group
Jhun, Joong-Gyu	Managing Director, CCO
Alexander S. Kim	Managing Director, Service Delivery Dept.
Jang, Chan-Woong	Managing Director, Information & Technology
Chang, Kab-Soon	Managing Director, Human Resources
Kim, Jee-Won	Managing Director, CFO
Chung, Soo-Cheon	Managing Director, Card Bank
Park, Yong-Duck	Managing Director, Retail Bank
Byeon, Dong-Hee	Managing Director, International Group

Global Directory

As of March 31, 2010

Financial Institutions Division

Global Head of Financial Institutions

Cho, In-Gyun

Tel: 82-2-729-0432 Fax: 82-2-775-2565

Clearing Services (CLS)

Senior Area Manager: Lee, Suk-Kyung

Tel: 82-2-729-0457 Fax: 82-2-775-2565

Asia, Oceania

Senior Area Manager: Yi, Sung-Mun

Tel: 82-2-729-8916 Fax: 82-2-775-2565

Korean, Community Banks

Senior Area Manager: Kim, Kwang-Hoon

Tel: 82-2-729-8470 Fax: 82-2-775-2565

West Europe, Africa

Senior Area Manager: Choi, Sui

Tel: 82-2-729-0448 Fax: 82-2-775-2565

Middle East, Turkey, Russia, CIS, Central and FI London Desk

Senior Area Manager: Choi, Sung-Ho

E-mail: csh3193@keb.co.kr

Middle East, Turkey, Russia, CIS, Central and FI Korean Desk

Senior Area Manager: Kim, Hyun-Sik

Tel: 82-2-729-0464 Fax: 82-2-775-2565

Americas

Area Manager: Joh, Nam-Gyong

Tel: 82-2-729-0465 Fax: 82-2-775-2565

Treasury Division

General Manager

Lee, Hyung-Soo

Tel: 82-2-729-0531

Medium & Long-Term Financing

Head of Foreign Currency Treasury Team

: Park, Jun-Sik

Tel: 82-2-729-0365

Senior Manager: Kim, Beom-Rae

Tel: 82-2-729-0520

Foreign Customer Division

Foreign Customer Marketing Team

Team Head: Cho, Jin-Je

Tel: 82-2-729-0533

USA, Asia

RM: Lee, Sun-Ki

Tel: 82-2-729-0288

China, Japan

RM: Heo, Hyun-Hoe

Tel: 82-2-3671-1882

Europe

RM: Lee, Min-Ho

Tel: 82-2-729-0304

Other Area & VIP Expat.

RM: Kim, Hyong-Seock

Tel: 82-2-3671-1153

FDI Consulting Desk

FDI Marketer: Yoon, Sang-Won

Tel: 82-2-729-0919

FDI Marketer: Nam, Seoung-Il

Tel: 82-2-3671-1364

FDI Consultant: Shon, Suk-Yeong

Tel: 82-2-729-0281

FDI Consultant: Yoo, Sin-Young

Tel: 82-2-729-0285

FDI Consultant: Park, So-Young

Tel: 82-2-729-0280

Investment Banking Division

Head of Investment Banking Division

Lee, Jae-Hak

Tel: 82-2-729-0292

P/E, S/E

Head of Project/ Structured

Finance Team: Jeong, Jong-Min

Tel: 82-2-729-0943

- Project Finance

Chief Manager of Project Finance

Team: Jeon, Ho-Jin

Tel: 82-2-729-0542

- Structured Finance

Chief Manager of Structured Finance

Team: Lee, Hoa-Sun

Tel: 82-2-729-0547

C/F, SOC, R/E

Head of Corporate Finance/ SOC/

Real Estate: Choi, Yun-Hyun

Tel: 82-2-729-0546

- Corporate Finance

Chief Manager of Corporate Finance

Team: Kim, Jae-Ho

Tel: 82-2-729-8882

- SOC

Chief Manager of SOC Team

: Park, Seong-Soo

Tel: 82-2-729-8436

- Real Estate

Chief Manager of Real Estate Team

: Kang, Seong-Mun

Tel: 82-2-729-0940

Asset Management

Head of Asset Management Team

: Park, Hyung-Kook

Tel: 82-2-729-0556

FX Trading

Head of FX Dealing Team

Lee, Sang-Bae

Tel: 82-2-729-0472

Chief Dealer: Lee, Hang-Joon

Tel: 82-2-729-0519

Chief Dealer: Moon, Young-Sun

Tel: 82-2-729-0498

Chief Dealer: Yun, Jeong-A

Tel: 82-2-729-0483

Overseas Network

As of April 5, 2010

Branches & Representative Offices

AMERICAS

- Panama Branch
General Manager: Lim, Young-No
Calle 50, Urbanizacion Obarrio Edificio Torre Global Bank No. 19
Oficina No. 1902, Panama, Republica de Panama
Tel: 507-340-3360 Fax: 507-340-3359
- Santiago Representative Office
General Manager: Lee, Jae-Sung
Av. Nueva Tajamar 481, Office 304, Torre Norte, WTC, Las Condes
Santiago, Chile
Tel: 56-2-246-9105 Fax: 56-2-946-0171

EUROPE

- London Branch
General Manager: Kim, Dae-Hwan
30 Old Jewry, London EC2R 8EB, U.K.
Tel: 44-20-7606-0191 Fax: 44-20-7606-9968
- Paris Branch
General Manager: Lee, Dong-Seob
17-19 Avenue Montaigne, 75008 Paris, France
Tel: 33-1-5367-1200 Fax: 33-1-5367-1234
- Amsterdam Branch
General Manager: Park, Chul-Mong
Dr. Willem Dreesweg 2, 1185VB, Amstelveen, The Netherlands
Tel: 31-20-546-9377 Fax: 31-20-546-9399
- Moscow Representative Office
General Manager: Han, Sang-Gwa
World Trade Center, Ent. 3, Office Building 1308A
Krasnopresnenskaya nab. 12, Moscow 123610, Russia
Tel: 7-495-258-2405 Fax: 7-495-258-2407

MIDDLE EAST ASIA

- Bahrain Branch
General Manager: Woo, Gi-Hyun
5th Floor, Yateem Center Bldg., P.O. Box 5767, Manama, Bahrain
Tel: 973-17-229333 Fax: 973-17-225327
- Dubai Representative Office
Chief Representative: Choi, Min-Gyu
P.O. Box 14353, Office No. 202 (Block A) 2nd Floor
Condorde Complex Bldg., Dubai, U.A.E.
Tel: 971-4-2281133 Fax: 971-4-2281132
- New Delhi Representative Office
General Manager: Kim, Doe-Gyun
Flat No. 511, Ansal Bhawan, 16 Kasturba Gandhi Marg
New Delhi 110001, India
Tel: 91-11-4354-8960 Fax: 91-11-4354-8964

SOUTHEAST ASIA

- Singapore Branch
General Manager: Moon, Seung-Chan
30 Cecil St., #24-03/08 Prudential Tower Singapore 049712
Tel: 65-6536-1633 Fax: 65-6536-9249/ 6538-2522
- Manila Branch
General Manager: Park, Jeong-Sik
33rd Floor, Citi Bank Tower 8741 Paseo de Roxas St.
Makati City Metro Manila, Philippines
Tel: 63-2-848-1988 Fax: 63-2-848-1776/ 1778
- Hanoi Branch
General Manager: Lee, Don-Keun
14th Floor, Daeha Business Center 360 Kim Ma St., Ba Dinh Dist.
Hanoi, Vietnam
Tel: 84-4-3771-6800 Fax: 84-4-3771-6784/ 8171
- Ho Chi Minh City Representative Office
Chief Representative: Jeong, Han-Kyu
Unit 502, 5th Floor, Diamond Plaza, 34 Le Duan St., Dist.1
Ho Chi Minh City, Vietnam
Tel: 84-8-3827-4273 Fax: 84-8-3827-4281

CHINA

- Hong Kong Branch
General Manager: Shin, Hyun-Seung
Branch 32nd Floor, Far East Finance Centre, 16 Harcourt Road
Hong Kong, China
Tel: 852-3578-5000 Fax: 852-2861-2379/ 2866-8103
- Kowloon (Hong Kong Sub Branch)
Senior Manager: Chang, Sok-Hyun
Room 1205, Energy Plaza, 92 Grandville Road, Tsim Sha Tsui
East Kowloon, Hong Kong, China
Tel: 852-2369-2131 Fax: 852-2311-0390
- KEB Bank (China) Co., Ltd. Establishment Task Force
General Manager: Jeong, Sang-Hyeon
5th Floor, Huaqiao Building No. 92-1 Nanjing Road, Heping District
Tianjin 300042, China
Tel: 86-22-2330-7800 Fax: 86-22-2330-7103/ 2331-6051
- Beijing Branch
General Manager: Kim, Jeong-Lae
#510, Henderson Center, Office Tower 2, 18 Jianguomennei Ave.
Beijing 100005, China
Tel: 86-10-6518-3101 Fax: 86-10-6518-3106
- Wangjing (Beijing Sub Branch)
Senior Manager: Lee, Bum-Hwan
Room A212-213, Wangjing International Business Center
No. 9 Wangjing St. Chaoyang District, Beijing 100102, China
Tel: 8610-5920-3780-6 Fax: 8610-5920-3787

Overseas Network (Continued)

As of April 5, 2010

-Wudaokou (Beijing Sub Branch)
Senior Manager: Chang, Suk-Ho
U-center C #101, 28 Chengfulu Road, Haidian District
Beijing 100083, China
Tel: 86-10-6266-6710~4 Fax: 86-10-6266-6715

- Tianjin Branch
General Manager: Lee, Kwang-Hyun
1st Floor, Huaqiao Building No. 92-1, Nanjing Road, Heping District
Tianjin 300042, China
Tel: 86-22-2319-2595/8 Fax: 86-22-2319-2594

-Binhai (Tianjin Sub Branch)
Senior Manager: Kim, Bong-Bae
No. E-7B-108, Binhai Financial Service Zone, No. 20
Guangchang dong Road, TEDA, Tianjin 300457, China
Tel: 86-22-5981-1155 Fax: 86-22-5981-1154

- Dalian Branch
General Manager: Han, Sa-Kwon
25th Floor, World Trade Center, No. 25 Tongxing Road
Zhongshan District, Dalian, China
Tel: 86411-8253-1988 Fax: 86411-8281-6150
- Shanghai Branch
General Manager: Kang, Yong-Deug
17f Pufa Tower, No. 588 Pudong South Road, Pudong New District
Shanghai 200120, China
Tel: 86-21-5882-5998/ 9654 Fax: 86-21-5882-8743/ 5877-3228

JAPAN

- Tokyo Branch
General Manager: Joo, Jae-Jung
The Shinkokusai Bldg., 4-1, Marunouchi, 3-Chome, Chiyoda-ku
Tokyo, Japan
Tel: 81-3-3216-3561 Fax: 81-3-3214-4491

-Shinjuku (Tokyo Sub Branch)
Manager: Chung, Song-Dong
Senzaki Bldg., 1F., 1-1-2, Hyakuninchou, Shinjuku-ku
Tokyo, Japan
Tel: 81-3-3208-5211 Fax: 81-3-3208-5260

- Osaka Branch
General Manager: Han, Yong-Gab
Yodoyabashi Mitsui Bldg., 4F, 1-1, Imabashi 4-Chome, Chuo-ku
Osaka, 541-0042, Japan
Tel: 81-06-6201-2600 Fax: 81-06-6201-2616

Subsidiaries

- KEB NY Financial Corp.
President: Jeong, Yeon-Hak
460 Park Ave. 14th Floor
New York, NY 10022, USA
Tel: 1-212-838-4949 Fax: 1-212-371-5290
- KEB USA International Corp.
President: Yang, Jin-Young
460 Park Ave. 15th Floor
New York, NY 10022, USA
Tel: 1-212-838-4949 Fax: 1-212-752-8551
- KEB LA Financial Corp.
President: Hwang, Hyo-Sang
777 South Figueroa Street, Suite 3000
Los Angeles, CA 90017, USA
Tel: 1-213-683-0830 Fax: 1-213-622-5378
- Korea Exchange Bank of Canada (H.O.)
President: Kang, Tae-Jong
4950 Yonge Street, Suite 1101, Toronto, Ontario
Canada M2N 6K1, Canada
Tel: 1-416-222-5200 Fax: 1-416-222-5822
- KEB Australia Ltd.
Managing Director: Park, Seung-Kil
Suite 902, Level 9, Chifley Tower, 2 Chifley Square
Sydney NSW 2000, Australia
(P.O. Box N595 Grosvenor Pl. Nsw 1220 Australia)
Tel: 61-2-9231-6333 Fax: 61-2-9233-3566
- Korea Exchange Bank (Deutschland) A.G.
Managing Director: Kahng, Sung-Ki
Bockenheimer Landstrasse 51-53, 60325
Frankfurt/M Germany
Tel: 49-69-7129-0 Fax: 49-69-7129-122
- PT Bank KEB Indonesia
President: Cho, Yong-Woo
Wisma GKBI 20th Floor, Suite 2002 Jalan Jenderal
Sudirman No. 28, P.O. Box 2317, Jakarta 10210, Indonesia
Tel: 6221-574-1030 Fax: 6221-574-1031
- Banco KEB do Brasil S.A.
President: Lee, Seong-Cheon
Av. Doutor Chucris Zaidan 940, Torre II, 18 Andar
Cj. 181 Vila Cordeiro CEP: 04583-110
Sao Paulo, SP., Brasil
Tel: 55-11-5188-1122 Fax: 55-11-5188-1120
- KEB Asia Finance Limited
President & CEO: Sohn, Chang-Sup
Suites 1001-04, Level 10, One Pacific Place
88 Queensway, Hong Kong
Tel: 852-3589-7500 Fax: 852-2865-4746, 852-2865-1886

Domestic Network

As of April 5, 2010

Head Office

- 181, Euljiro 2-ga, Jung-gu, C.P.O. Box 2924, Seoul 100-793, Korea
Tel: 82-1544-3000 Tlx: K23141

Branches

- 353

Subsidiaries

- **KEB Capital Inc.** 10F Hanwi Building, 70 Da-dong, Jung-gu, Seoul 100-180, Korea
Tel: 82-2-3708-2114 Fax: 82-2-756-5269
- **KEB Futures Co., Ltd.** 11F Yuhwa Building, 23-7 Yeouido-dong, Yeongdeungpo-gu, Seoul 150-738, Korea
Tel: 82-2-3770-4100 Fax: 82-2-3770-4147
- **KEB Investor Services Company** 9F Hanwi Building, 70 Da-dong, Jung-gu, Seoul 100-180, Korea
Tel: 82-2-6714-4615 Fax: 82-2-6714-4800



181, Euljiro 2-ga, Jung-gu, C.P.O. Box 2924, Seoul 100-793, Korea
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