

SMART & TRUSTED PARTNER

2010 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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PROFILE



SMART & TRUSTED PARTNER

KEB is relentlessly moving forward to become a leading customer-centered bank providing expertise and high-caliber services in a wide range of areas.

In 2010, we celebrated the 44th anniversary and continued to be recognized for our extensive global network and expertise in foreign exchange and trade finance. Our strategic marketing practices, effective use of corporate resources, high quality staff and advanced business infrastructure have enabled KEB to become an industry leader that sets the pace for other banks to follow.

In 2011, we aim to remain Korea's most globalized bank with exceptional strengths in asset quality and capital adequacy.

- **Largest capital reserve, highest level of profitability, and ideal level of asset soundness**

Despite the economic downturn and global financial crisis in 2009, KEB achieved annual net income of KRW 891.7 billion that year, which amounted to a 13.9% year-on-year increase. We continued to enhance our strength in capital by improving business performance and carefully managing our risk-weighted assets.

In 2010, we focused on reinforcing the areas of our core competitiveness—foreign exchange and trade finance—while prudently managing our portfolio and credit risks. As a result, net income increased 14.5% year on year to reach KRW 1.02 trillion, while maintaining strong asset quality and robust profitability.

- **A dominant player in trade finance and international trade**

Korea Exchange Bank was founded in 1967 as a state-sponsored bank specializing in foreign exchange. We went on to become Korea's leading bank in trade finance and international finance, contributing to Korea's trade-driven economic growth in the 1970s and 1980s.

In the midst of the 1998 Asian financial crisis, our people marshaled their resources and embraced change, which ultimately improved our overall revenue structure. We have remained committed to our foreign exchange business, a unique strength at KEB, as a means of sharpening our competitive edge.

KEB has earned recognition from some of the world's most prominent finance journals for our expertise in trade finance, FX and international finance. Such accolades have further solidified our position as a leading global bank with representation in more than 49 offices in 21 countries.

LETTER TO SHAREHOLDERS
FROM THE CHAIRMAN & CEO



Larry A. Klane
Chairman & CEO

TO OUR SHAREHOLDERS

It has been a great honor for me to serve during the past year as President and Chief Executive Officer as well as the Chairman of the Board after Mr. Richard F. Wacker's departure in November. I am most proud to report to you that the dedicated men and women of KEB delivered strong financial results while safeguarding our capital and portfolio.

We achieved strong income growth in 2010. KEB reported net income of KRW 1,021 billion, up 14.5% from 2009. Return on equity rose to 12.6% in 2010 from 12.3% in 2009. KEB also strengthened its capital position to an exceptional level, with total shareholders' equity increasing to KRW 8.4 trillion. Our Tier 1 capital ratio increased to 12.15% after the year-end dividend of KRW 850 per share, up from 11.04% at the end of 2009. Our tangible common equity ratio—a metric investors frequently use to gauge the quality of a bank's capital—climbed to 8.7% from 8.2% a year earlier. In September, Fitch Ratings upgraded our Support Rating to 1 from 2 and our Support Rating Floor to A- from BBB+, reflecting Fitch's recognition of KEB's importance as one of the key local banks in terms of facilitating trade finance and foreign currency operations.

I would like to put our performance in a broader context. In 2010, the Korean economy recovered from the global and economic crisis that began in 2008 and continued into 2009. Amid solid growth prospects, the Bank of Korea began raising the short-term policy rate in the second half of the year and this monetary policy contributed to an expansion in our net interest margin, an influential driver of our revenues. Credit quality improved significantly with the economic recovery and we ended the year with an industry-leading NPL ratio and sufficient reserves for loan losses.

Our normalized net income, which excludes significant non-recurring items, increased 32.7% to KRW 760 billion from KRW 573 billion in 2009. As I highlighted earlier in this letter, our solid growth was driven by higher net interest income and lower credit costs. Our net interest income rose to KRW 2,153 billion in 2010 from KRW 1,918 billion in 2009, driven by an expansion in our net interest margin to 2.69% from 2.39%. Loan loss provision expenses in 2010 fell to KRW 498 billion from KRW 666 billion in 2009, and we ended the year with a NPL ratio of 1.34% and a NPL coverage ratio of 124.8%.

We also maintained our strong competitive position in FX and trade finance. Our market shares in 2010 were 46% in FX, 31% in export finance and 28% in import finance, despite aggressive marketing efforts by our competitors. We continued to receive awards for our performance in FX and trade finance in 2010. *Global Finance*, an industry publication, named KEB as Best Trade Finance Provider in Korea for the 10th consecutive year and Best Foreign Exchange Provider in Korea for the 9th consecutive year. *Asia Money* chose KEB for its 2010 Best Domestic Provider of Foreign Exchange Services in Korea award, while *FinanceAsia* named KEB as Best Foreign Exchange Bank in Korea for the 3rd consecutive year and Best Trade Finance Bank in Korea. *The Asian Banker* presented KEB with the Achievement Award for Trade Finance.

Faced with a challenging business environment, we reported to you at the general shareholders' meeting a year ago that our strategic objectives included generating sustainable, prudent and profitable growth, allocating more resources to enhance KEB's competitiveness and differentiation, and continuing to improve our operations, ensuring that they are compliant and controlled. Even though such objectives appeared quite ambitious at that time, we have made significant progress and I believe that this result is a strongly positive testimony to KEB's improved operational capabilities as well as the resiliency and resourcefulness of the KEB family.

I believe that our business results demonstrate the fundamental value of KEB. We have created this value through our differentiated business focus and more productive workforce and distribution network, amplified by prudent and systematic risk management systems and culture, and backed by strong capital levels. Reflecting KEB's commitment to enhance its human capital, our employees held 2,720 personal finance-related certifications, 1,326 FX and trade-related certifications and 8,188 investment-related certifications by the end of 2010.

KEB also continued to invest in growth opportunities in 2010. For instance, during the second quarter, we obtained official approval from the China Banking Regulatory Commission to establish a China subsidiary, which is headquartered in Tianjin with seven existing branches and with paid-in-capital of CNY 2.2 billion (USD 324 million as of June 30). KEB was the first Korean lender to enter China in 1992 when Korea and China formed diplomatic relations.

Looking forward, most observers are anticipating a benign overall business environment, despite moderating economic growth. In such a macro environment, I expect KEB's normalized profitability to improve modestly, as we are likely to experience moderate loan growth, expanding net interest margin and declining loan loss provision.

Several important challenges remain. KEB faces intensifying competition and we operate within a regulatory environment that is implementing tougher rules regarding capital and liquidity. There is also less room for further improvement in provisioning expenses as the credit cost ratio reaches cyclically low levels. However, as our track record during the recent global financial crisis and 2010 demonstrates, I am confident that KEB can navigate through these challenges and remain as the Best Bank in Korea.

For 2011 and beyond, there are four strategic priorities for KEB management. First, we will continue to focus on generating sustainable and profitable growth. We plan to accelerate loan growth, augment our active customer base more aggressively, continue to allocate capital and corporate resources efficiently, and maintain strong credit quality.

Second, we will strive to enhance KEB's competitiveness and differentiation. We aim to deliver integrated "One KEB" experience to customers, strengthen our market positions, and embed synergy into the organization with a refined system of performance measurements and rewards.

Third, we will augment our capability to execute our business plan. We will accelerate the speed of decision making and implementation so that KEB can benefit from a rapidly changing business environment and maneuver through the intensifying competition. We aim to redeploy personnel strategically to client-facing functions, institutionalize stronger measures to cooperate across organizational boundaries, and continue to improve the operational productivity and operating leverage.

Fourth, we will ensure that our businesses are compliant and well-controlled through robust risk management. We will improve our credit underwriting and other risk models to capture incremental growth opportunities while reducing compliance risks through additional automated processes and monitoring. We will continue to strengthen the audit and compliance functions.

In 2011, we will continue to focus on making progress on the above-mentioned four strategic priorities: growth, competitive differentiation, execution and risk management. With the continued support and encouragement of our shareholders, we will continue to build KEB into the Best Bank in Korea and our clients' most trusted and smartest financial partner.

Thank you and I would like to wish you and your families a peaceful and healthy 2011.

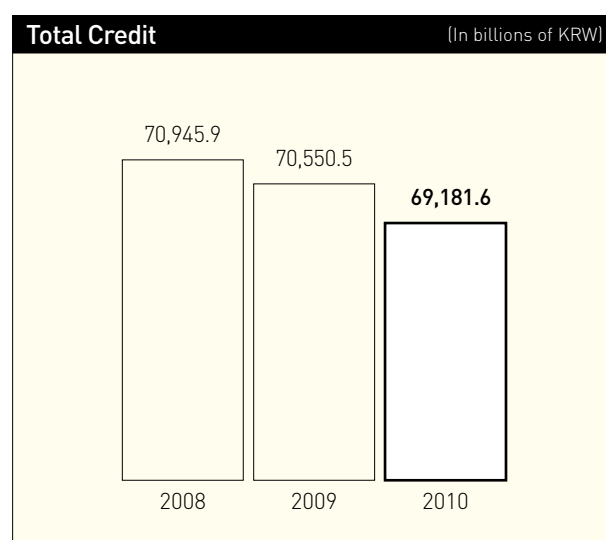
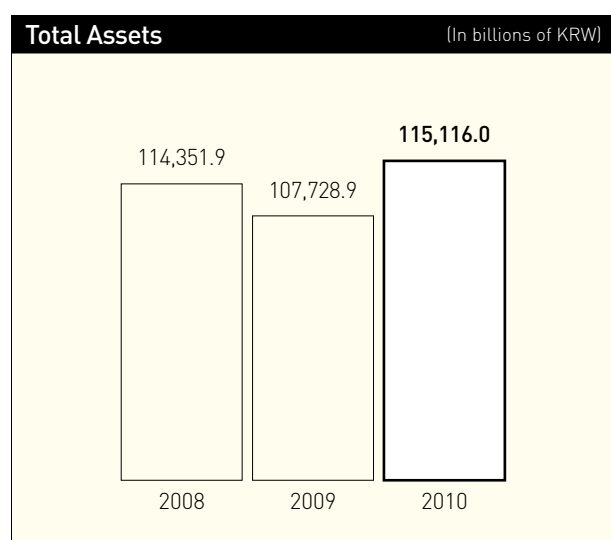


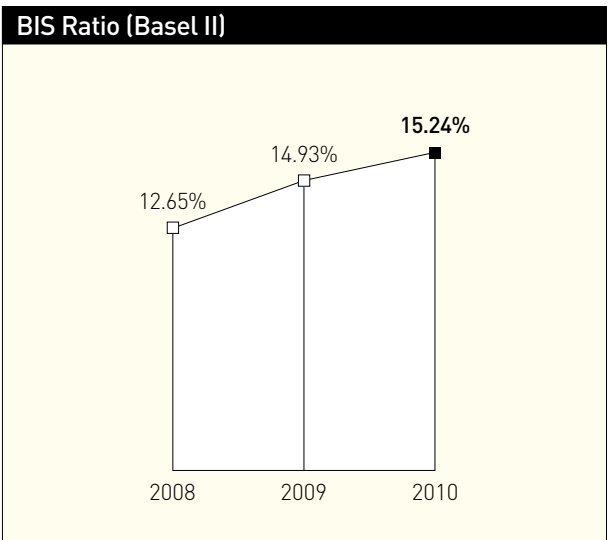
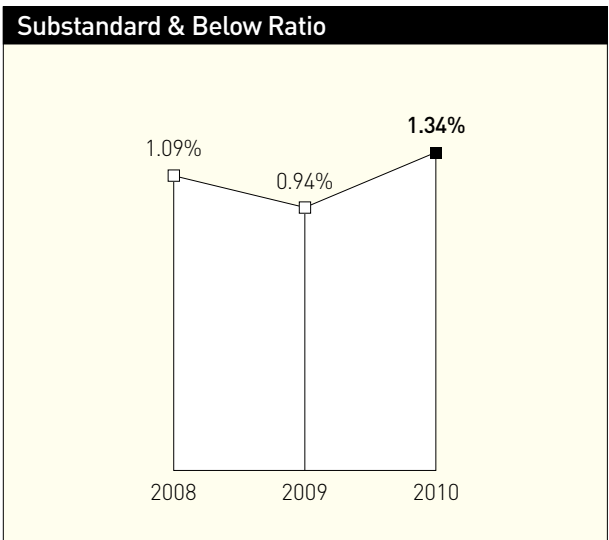
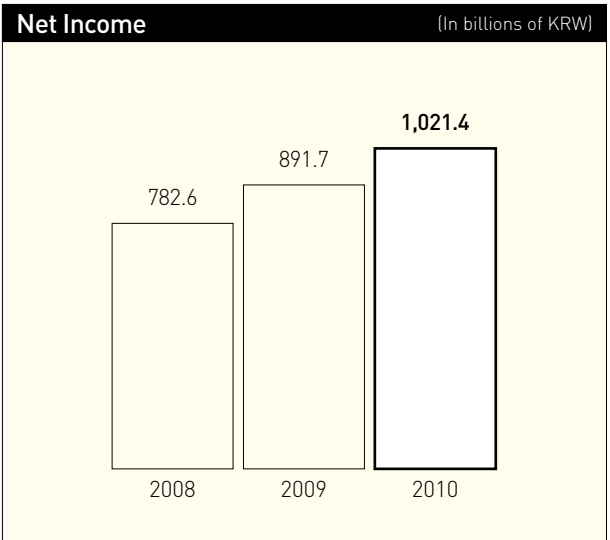
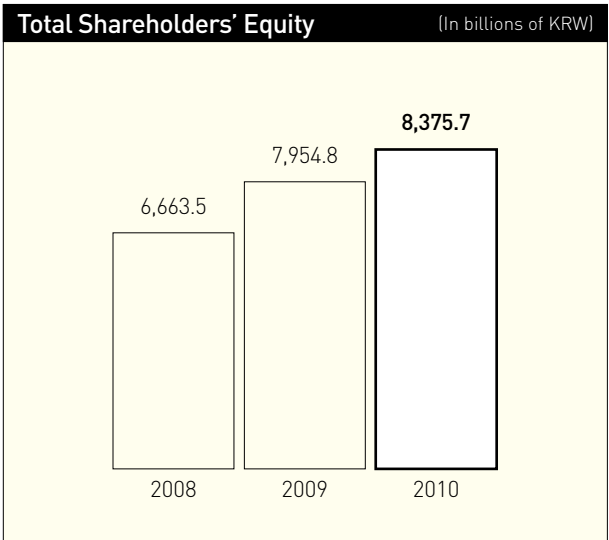
Larry A. Klane
Chairman & CEO

FINANCIAL HIGHLIGHTS

(In billions of KRW)

| Classification | 2009 | 2010 | YoY |
|----------------------------|-----------|-----------|---------|
| Balance Sheet | | | |
| Total Asset | 107,728.9 | 115,116.0 | +6.9% |
| Total Credit | 70,550.5 | 69,181.6 | -1.9% |
| Corporate | 50,529.7 | 47,222.5 | -6.5% |
| Household | 17,596.4 | 19,373.0 | +10.1% |
| Credit Card | 2,424.4 | 2,586.1 | +6.7% |
| Substandard & Below Ratio | 0.94% | 1.34% | +0.40%p |
| Delinquency Ratio | 0.50% | 0.47% | -0.03%p |
| Total Deposit | 56,951.9 | 60,704.2 | +6.6% |
| Total Shareholders' Equity | 7,954.8 | 8,375.7 | +5.3% |
| Paid-in Capital | 3,225.4 | 3,225.4 | - |
| BIS Ratio (Basel II) | 14.93% | 15.24% | +0.31%p |
| Tier I Ratio | 11.04% | 12.15% | +1.11%p |
| Income Statement | | | |
| Net Interest Margin | 2.39% | 2.69% | +0.30%p |
| Income Before Provision | 1,559.3 | 2,002.2 | +28.4% |
| Net Income | 891.7 | 1,021.4 | +14.5% |
| Return On Asset (ROA) | 0.88% | 1.03% | +0.15%p |
| Return On Equity (ROE) | 12.27% | 12.57% | +0.30%p |





THE PREFERRED PARTNER FOR GLOBAL BANKING



KOREA EXCHANGE BANK HAS THE MOST EXTENSIVE GLOBAL PRESENCE AMONG KOREAN BANKS, OPERATING A NETWORK THAT SPANS 49 LOCATIONS IN 21 COUNTRIES. OUR COMPETITIVE EDGE IS PARTICULARLY STRONG IN FX AND TRADE FINANCE. STRATEGIC MARKETING, DEDICATED BANKERS AND ROBUST CAPITAL BASE MAKE US A MOST-TRUSTED FINANCIAL PARTNER WITH CUSTOMERS AND SHAREHOLDERS ALIKE.



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.



2010 BEST FOREIGN EXCHANGE PROVIDER IN KOREA
FROM GLOBAL FINANCE



2010 BEST TRADE FINANCE PROVIDER IN KOREA
FROM GLOBAL FINANCE



2010 BEST KOREAN F/X BANK AWARD
FROM ASIAMONEY

LARGE CORPORATE BANKING

— The World Corporate Group (WCG) manages KEB's business with major Korea-based conglomerates that operate on a global scale. Senior relationship managers (SRMs), who are experts in the traditional banking services as well as in project finance, vessel finance, M&A's and other specialized areas, provide outstanding products and services to customers. Moreover, we have attracted overseas subsidiaries, employees and vendors of large companies to transact with KEB, helping other KEB business units to broaden their customer bases.

— The WCG achieved operating income of KRW 328.6 billion in 2010, marking the second year for operating income to exceed KRW 300 billion. This was accomplished despite the increasingly fierce competition among financial institutions to attract quality large corporate customers.

— During 2010, the WCG saw both loans and deposits increase. Compared to the previous year, total loans to the large corporate customers increased 17.6% (KRW 1.03 trillion) to surpass KRW 6.89 trillion, while total deposits were up 7.0% (KRW 1.27 trillion) to more than KRW 19.42 trillion.

— At the same time, the WCG continued to contribute to KEB's market leadership in trade transactions. In 2010, the WCG operated USD 110.4 billion worth of export transactions with large corporations, representing 23% of the total in Korea, and USD 80.4 billion worth of import transactions, or 19% of the total in Korea. The WCG bought USD 22.3 billion worth of export bills on behalf of large corporations and issued USD 10.1 billion worth of 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.



SME BANKING

— The WCG is expanding KEBiNet, in-house banking, firm banking and other electronic financial services linked to the ERP systems of customers. At the same time, our new market-leading trade finance products such as e-Nego service and SWIFT TSU-related transactions are helping us to maintain strong partnerships with large corporations.

— Going forward, we will strengthen our fee business and expand the customer base to diversify income sources, while efforts to increase high quality assets for sustainable growth will be continued.

— The Corporate Group is focused on serving the needs of small and medium-sized enterprises (SMEs). Total credits to SMEs slightly decreased by KRW 39 billion (0.2%) year on year at the end of 2010, as corporate restructuring continued during the year. However, total deposits and the foreign exchange business saw significant growth.

— Total deposits were up a significant 19.4% (KRW 2.14 trillion) from the year before to reach KRW 13.2 trillion at the end of 2010. Meanwhile, foreign exchange performance increased by 20.7% (USD 19.7 billion) to USD 95.0 billion, solidifying KEB's stature as the Korean FX leader.



— Asset quality remained strong with 53.5% of total SME loans extended to high credit customers at the end of 2010, up 5.7 percentage points from the previous year. We maintained our top position in Korean trade finance, a segment where we enjoy a competitive advantage. Our share of the domestic market for loans on trade bills amounted to 28.2% in 2010.

— In 2011, we will continue to strengthen the brand power of the Corporate Group by maintaining the largest share of the foreign exchange market and our comparative advantage in trade finance. Moreover, we will work hard to achieve sustainable and profitable growth on all fronts by encouraging preferred customers to use KEB as their main bank and by promoting bank-wide synergy marketing.

INVESTMENT BANKING

— Since the global financial crisis, the Investment Banking (IB) Division strategy has been focused on raising income based on improving risk management and asset quality. The IB business has also been diversified into overseas project finance, energy financing and other promising areas that can serve as new growth engines for KEB.

— Meanwhile, KEB Asia Finance (KAF) was established in Hong Kong in 2009 to provide a strategic channel for bolstering the overseas IB business.

— Going forward, the IB Division will enhance KEB's market reputation by enlarging the investment banking business. To this end, the following strategies will be pursued to build a global IB growth platform and develop IB as a major growth driver for KEB:

— First, the IB business scope will be broadened to expand and diversify the IB asset portfolio. This means that KEB will be involved in more acquisition financing deals, either as the arranger or participant,

selectively participate in energy project financing, and increase opportunities for being the lead arranger of overseas project financing. Plans also call for far greater involvement in structured financing, financing of privately-funded infrastructure projects on a build-transfer-operate (BTO) or build-transfer-lease (BTL) basis, and corporate financing in diversified currencies.

— Meanwhile, fee-based business opportunities will be expanded by emphasizing new project arrangements. At the same time, synergy marketing will be conducted with other KEB divisions to attract new IB customers, and new business will be created by utilizing the overseas IB network of KAF.



FX & TRADE FINANCE

— KEB boasts the broadest global branch network and most extensive money exchange and trade finance operations of any Korean bank. As such we continued our reign as Korea's top foreign exchange specialist. In 2010, we held onto our leading position in the domestic FX market for the 15th 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 31% for export financing and 28% for import financing.

— Respected international financial publications praised our continued strong performance in these core business areas in 2010. We were named "Best Trade Finance Bank in Korea" (10th consecutive

year) and "Best Foreign Exchange Bank in Korea" (9th consecutive year) by *Global Finance*. *Asiamoney* also selected KEB as "2010 Best Foreign Exchange Bank in Korea" (5th consecutive year). And *FinanceAsia* selected KEB as "Best Trade Finance Bank in Korea 2010" (3rd consecutive year) and "Best Foreign Exchange Bank in Korea 2010" (3rd consecutive year).

— KEB is developing new services to strengthen market leadership and stay ahead of the competition. The Foreign Currency Collective Purchase Time Deposit was introduced from January 8, 2010. This one-of-a-kind product in the Korean market offers higher interest rates than those provided through general foreign currency time deposits. Interest rates vary depending on the deposit volume, but even customers making small deposits will receive preferential rates.

The total sale amount is limited, as is the subscription period.

— On March 30, we became the world's first to launch an online negotiation platform. The KEB e-Nego service allows exporters to request the bank to purchase export bills via uTradeHub, a national e-trade network, without having to visit a branch in person. This platform connects the bank to exporters, the Customs Service, shippers, insurers and other related organizations online, streamlining the trade finance process and expediting payment collection.

— From April 2010, customers can check the KEB webpage to ascertain, on a real time basis, the status of their letter of guarantee (L/G) issuance.

— Moreover, we launched an "Auto-Swing" foreign currency deposit

service, which features both “swing” and “reverse-swing” transactions. The “swing” function means that a pre-set amount or balance of a transactional foreign currency account is automatically withdrawn and transferred to a designated foreign currency savings or money market deposit account at a scheduled time after the bank’s business hours. The “reverse-swing” function operates in the opposite direction when the foreign

currency savings account or MMDA expires.

— In October 2010, our foreign currency transfer service began to be provided via the Korea Financial Telecommunications and Clearings Institute network, in addition to the conventional SWIFT network. Moreover, we unveiled an automated foreign currency transfer service for multiple outward remittances. The remitter no

longer has to initiate each transaction individually by hand.

— We currently can initiate transfers in 26 different currencies and money exchange service for 41 currencies, the most diversified in Korea. In addition, we engage in transactions in more than 100 foreign currencies, including 70 collection currencies, making us Korea’s undisputed FX leader.

CLS SETTLEMENT & CLEARING

— Continuous Linked Settlement (CLS) is a risk-free cross-border settlement of foreign exchange transactions among global financial institutions. One of the key features of CLS is simultaneous settlement based on real-time payment versus payment with the multi-lateral netting.

— KEB worked closely with the Korean government and the Bank of Korea to introduce CLS to Korea and have the Korean Won designated as one of 17 CLS-eligible currencies in December 2004. Since then, KEB has been acting as the Settlement Member of and KRW liquidity provider for CLS Bank International.

— Starting with FX trades, KEB extended CLS settlement to non-deliverable forward (NDF) contracts in July 2008 and is now preparing to expand into new product areas such as FX option premiums. Meanwhile, the Korean regulator is 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 a foreign branch, accounting for 66% of the country’s total CLS volume. KEB also provides the CLS KRW Nostro Service, acting as an agent bank for foreign settlement members settling KRW in CLS. KEB currently serves eight of the thirteen 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 in 2010 representing other Korean settlement members.

— Multi-currency interbank clearing is another competitive service that we have been providing for local and overseas banks since our establishment in 1967. In 2010, KEB processed 2.7 million inter-bank transfers, accounting for 85% of total inter-bank foreign currency transfers in Korea, serving 60 local (including foreign banks’ Seoul branches) and 122 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 inter-bank clearing service marked a record STP (straight through process) ratio of 95% in 2010. In addition, KEB has been providing i-Vostro services, 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.

— We are also offering Korean won-related services and regulatory advisory services to foreign banks to meet the rising demand for KRW

settlement in the market and for the ongoing Won liberalization driven by the financial regulator. Our proven expertise, reliability and reputation in both CLS and interbank clearing arenas will pave the way for KEB to emerge as 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, securities lending agency, paying agency and escrow agency services. In 2010, assets under custody totaled KRW 51 trillion.

— 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.

INTERNATIONAL GROUP

OVERSEAS OPERATIONS

— Our International Group supports the needs of our customers outside of Korea via the most extensive international financial network among domestic banks. In 2010, our Chinese branches were upgraded to subsidiary status, establishing a firm strategic foothold in China, the world's largest potential market.

— As of the end of 2010, 49 offices operate in 21 countries, with 12 branches, 10 local subsidiaries, 5 representative offices and 22 sub-branches. Total assets increased by

9% over the previous year to just under USD 9.5 billion as of the end of 2010. Deposits grew by USD 369 million year on year, while loans decreased by USD 227 million as financial stabilization and increased cash flow in corporations lowered demand for loans.

— In 2011, we are planning to establish new branches in Abu Dhabi, Chennai and Ho Chi Minh City to bolster KEB's strengths in Asia, a region that promises high growth and many future possibilities.

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 1.4 million registered foreigners living in Korea and about 14,000 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 3 Foreign VIP Centers and 19 Global Desks for retail customers. Fully-trained English speakers are on staff at each of these locations,

while consulting desks are run at the Seoul Global Center and KOTRA. KEB periodically participates and sponsors cultural wellbeing 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 numerous FIEs operating in Korea. Many foreign MNCs are classified

as SMEs in Korea because of their limited local operations. KEB, however, recognizes the size and status of the parent companies when evaluating such FIEs. Even for start-up FIEs, we provide credit by considering the credit rating of their mother companies proven by international credit rating agencies Moody's, S&P and Fitch.

— The Foreign Customer Marketing Support Department currently operates 15 branches 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

— The 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).

— As of the end of 2010, KEB maintained its dominant market share (42%) for FDI notification processing, offering consulting services to more than 6,000 FIEs nationwide during the year.

THE RELIABLE PARTNER TO FULFILL SOPHISTICATED INDIVIDUAL NEEDS



WE ARE DEDICATED TO UNDERSTAND AND MEET THE INCREASINGLY SOPHISTICATED FINANCIAL NEEDS OF INDIVIDUALS. WE ARE FOCUSED ON DELIVERING CUSTOMIZED SOLUTIONS TO OUR CUSTOMERS WITHOUT WHOM WE CANNOT GENERATE ANY SUSTAINABLE GROWTH.



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.



BEST CUSTOMER SERVICE AWARD AT
THE FIRST KOREA SERVICE QUALITY INDEX



BEST ADVERTISING AWARD (FINANCE)
OF THE CHOSUN ILBO ADVERTISING AWARDS

CUSTOMERS

— Since 2007, we have implemented marketing based on customer segmentation as a tool to maintain and deepen our relationships with the best KEB customers. As part of this effort, we are working to raise loyalty by increasing cross-selling and attract new customers through package products that target specific customer

segments. In addition, we have clustered our branches and completed peer grouping on the basis of customer mix and neighboring areas. Accordingly, we differentiate promotions and core products by cluster, raising overall marketing efficiency.

— The year 2010 witnessed successful execution of several marketing initiatives. A total of 194,000

people in their 20s and 30s signed up for "Wingo," while 151,000 salaried workers applied for "N°N"; 23,000 for SOHO; 15,000 for "Rainbow" and 15,000 for "Biz Partner." This success has prompted plans to expand the branch-cluster marketing approach to target senior citizens, women, and other customer segments.

DEPOSITS

— Our focus has been on increasing time deposits and core deposits (demand deposits) to enhance the stability and profitability of funding. The loan-to-deposit ratio including CDs improved to 96.8% at the end of 2010 from 108.7% a year earlier, while the loan-to-deposit ratio excluding CDs was 97.3% at the end of 2010.

— Total retail deposits rose by KRW 1.0 trillion (3.8%) year on year to KRW 28.7 trillion at the end of 2010. Time deposits were up KRW 2.5 trillion (24.0%) to total KRW 12.7 trillion, while demand deposits grew by 0.9 trillion to KRW 8.4 trillion. On the other hand, CDs decreased by 2.2 trillion to KRW 0.1 trillion during the same period.

— In 2011, we will concentrate on increasing personal time deposits and installment deposits to secure stable long-term funding. Our ability to retain core deposits will be improved by offering multi-functional payment services and engaging in intensive marketing activities.



HOUSEHOLD LENDING

— Our focus on increasing home mortgage and unsecured loans to creditworthy customers has allowed us to maintain solid asset quality (0.36% NPL ratio and 0.44% delinquency rate at the end of the year). The household

lending portfolio increased by 10.1% (KRW 1.7 trillion) in 2010, reaching KRW 19.3 trillion from the KRW 17.6 trillion at the end of 2009. During the same period, mortgage loans rose by 16.3%, from KRW 10.4 trillion to KRW 12.1 trillion. Going forward, we will continue focusing on residential mortgages, high-quality

unsecured loans and other safe assets to maintain excellent asset quality amid concerns over rising household debt levels in Korea.

PRIVATE BANKING

— KEB is developing a suite of sophisticated services to help VIP customers invest and manage their assets more profitably and efficiently. Our Private Banking (PB) products & services enable customers to broaden their 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, 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 had 12 Wealth Management Centers and 76 specially designated PB Branches at the end of 2010.

— KEB provides an unparalleled level of personalized services and benefits to maintain the exclusivity of select "VIP" customers. Customer loyalty is cultivated through special advisory services and invitation-only events such as the exclusive investment conferences 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.

BANCCASSURANCE

— 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 partnerships 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 Korea Life Insurance Association and the General Insurance Association of Korea report that insurance companies saw bancassurance sales rise between April and December 2010. During the period, the nation's 23 life insurers posted combined initial premium payments of KRW 3.85 trillion in the bancassurance sector, up 75.5 % year on year. At the same time, the performance of 9 non-life insurers stood at KRW 26.19 trillion, up 51.3 % from a year earlier. Such outstanding results were made possible because insurers are expanding their partnerships with

banks to diversify sales channels. The banks are also aggressively engaging in bancassurance sales to boost their non-banking income.

— In 2010, KEB achieved bancassurance sales of KRW 28 billion, up 14 % over the previous year. Such a strong 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

— In 2010, global bond markets were stronger than anticipated because of a weaker US Dollar and investors' preference for safer assets in the wake of a series of fiscal crises in the Eurozone. Prices of commodities, gold and petroleum in particular, were also very high. At the same time, the world witnessed robust cross-border movements of investment funds, driven by economic turnarounds in developed as well as emerging markets and varied inflation rates among countries.

— In the meantime, the supply of liquidity to global financial markets and improved performances of corporations enabled major stock markets around the globe to return to their pre-crisis levels despite belt-tightening moves on the part of the Chinese government and the financial troubles in the Eurozone. The KOSPI also broke through the 2000

mark again on the back of foreign net buying of Korean stocks and improving corporate earnings.

— In 2010, many investors who had suffered significant losses in the investment product market after the global financial crisis redeemed their mutual funds as their unrealized losses decreased. Accordingly, KEB's year-end AUM balance dropped approximately 19% from just under KRW 6.7 trillion in 2009 to almost KRW 5.43 trillion in 2010. Still, our income from the sale of investment products grew from KRW 54.6 billion in 2009 to KRW 58.3 billion in 2010. This improvement is attributable to stronger sales backed by investor confidence in the stock market.

— KEB provides diverse investment intelligence services with high reliability through the Fund Management System, an advisory support tool for investing customers, and weekly research reports on

13 asset classes. Our efforts were recognized in an evaluation of financial institutions selling investment funds conducted by the Korea Investors Protection Foundation in 2010, which awarded KEB with its highest grade.

— KEB's investment product sales and management philosophy embraces an "Open Architecture" strategy, which allows our customers to build optimal portfolios to suit their own preferences and needs. As of the end of 2010, KEB offered around 350 onshore and 145 offshore investment funds.

— 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.



TRUST & PENSION BUSINESS

— A trust is a product where the settlor entrusts his property, either monetary or real, with the trustee, and the trustee manages the fund or property in the trust according to the terms of the trust document or instructions by the settlor. As a trustee, KEB returns the trust property plus any gains or losses to the pre-specified beneficiary without assuming the risk of losses (principal protected trusts excepted). Profits are realized in the form of trust fees and commissions.

— Currently, KEB administers money trusts, retirement pension trusts, and property trusts and is a major player in each of these three market segments. In particular, our market share has been expanding in the banking sector of the retirement pension trust market, which opened in 2005, and we expect to see continued growth in 2011.

— In the years to come, we will remain committed to meeting diverse investment needs of customers by developing stock and bond instruments as well as structured products. At the same time, we aim to strengthen our leading market position in the trust and pension markets.

CARD BANK

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 the midst of fierce competition with large credit card companies, we have maintained stable performance through our solid customer base and sophisticated customer relationship management.

— In 2010, our credit card business posted pretax earnings exceeding KRW 200 billion. Our asset quality is sound and stable with a delinquency ratio of only 1.5%.

— In order to sustain our growth momentum, we will strive to maximize the efficiency of capital utilization by establishing and consistently implementing strategies for optimal resource allocation. Our emphasis will be on marketing to core customers and expanding our product line and customer base.

CUSTOMERS • Attracting quality customers and managing customer relationships meticulously are top priorities for us to strengthen the customer basis. The Expat Signature Card and NoN for Nobles Card were added to the premium card lineup to improve our competitiveness in that segment. Leveraging our comparative advantages in credit cards for travel and entertainment, we aim to develop products that can create a T&E captive market. Our commitment to the satisfaction of diverse customer needs has also led to the launch of N^oN OilO Card and NoN Epass Card, the latest additions to KEB's NoN series.

We will continue to identify new revenue sources and upgrade our product

portfolio by steadily examining the market and customer trends as well as enhancing the cost effectiveness of operational processes.

MARKETING • We are reinforcing our CRM marketing program to retain our valued customers. Customer Long Term Value (CLTV), Frequency & Monetary, and other segment models are applied to assess the current value and predict the future value of customers.

Our VIP customer retention efforts include improving VIP selection criteria focused on long-term usage and card finance products usage, customer care programs such as Cinema Festival, and a dedicated website for VIPs.

In August 2010, we launched an integrated KEB rewards program that enables us to share customer information among various business units via our Single View marketing platform. This integrated customer communications channel is expected to improve our customer services and expand the customer base by maximizing cardholder retention while attracting new customers. Cardholder loyalty will also be raised, and the cardholders will be able to use their cards when doing business with other KEB units.

Our pricing policy for cash advances, card loans, revolving credit, and other card-based financial products is based on both risk and income considerations. High-risk customers are carefully screened out to minimize risk, while differentiated interest rates are offered depending on the contribution of the individual cardholder in order



to increase revenue. Card loans are available 24 hours a day for added user convenience, and an ATM-based card loan has been introduced. Cardholder services will continue to be improved in the future.

MERCHANTS • To increase credit card sales, various promotions are being offered to both online and offline merchants. Links to bank branches are maintained to engage in ongoing affinity promotions with preferred merchants in each region of the country.

KEB already has the largest market share of foreign credit card acquiring in Korea and we aim to increase the volume further. We are strengthening our merchant management capabilities and working diligently to expand card acceptance and implemented the Merchant Relationship Management (MRM) system in April 2011. The new MRM system is expected to increase

both credit card purchase volume and revenue for KEB.

SYNERGY • Synergy is being generated through cross-selling and joint marketing with other KEB units. The Marketing Synergy Council meets regularly with representatives from Retail Banking to discuss ways to maximize the synergy effect between our credit card business and retail banking.

The highly successful WingO check card (for young users with the potential to become VIP customers) has prompted the creation of the WingO credit card. A series of retail-card package products targeting Private Banking and Wealth Management customers are also being developed and jointly promoted with Retail Banking.

A powerful synergy effect is also generated through providing

information on retail products and services on credit card statements and Yes Magazine as well as holding various other joint promotion programs.

Close teamwork with Corporate Banking has resulted in significant corporate card sales growth by having corporations charge its Employment Industrial Accident Insurance on their corporate cards and through highly successful promotions. Joint marketing with major partner companies have also been carried out to produce mutually beneficial outcomes.



QUALITY SERVICE & ADVANCED RISK MANAGEMENT



BOTH OUR DOMESTIC AND OVERSEAS BRANCHES PRACTICE CUSTOMER-ORIENTED MANAGEMENT. THEY RESPOND QUICKLY TO THE RAPIDLY-CHANGING MARKET ENVIRONMENTS, MAINTAIN RELIABLE INFRASTRUCTURE AND APPLY INNOVATIVE WORK PROCESSES BASED ON SIX SIGMA. A STRICT RISK MANAGEMENT PROGRAM MAINTAINS THOROUGH INTERNAL CONTROLS, WHILE COMPLIANCE FUNCTIONS ARE STEADILY BEING TIGHTENED TO WARD OFF FORESEEABLE PROBLEMS. GOING FORWARD, WE WILL CONTINUE OUR QUALITY MANAGEMENT PROGRAM AS WE STRIVE TO ENSURE THAT THE KEB BRAND ALWAYS DELIVERS FULL CUSTOMER SATISFACTION.



QUALITY SERVICE PROVIDER

CUSTOMERS TODAY EXPECT NOT ONLY COMPETITIVE DEPOSIT AND LENDING RATES, BUT ALSO FAST AND RELIABLE ANSWERS TO THEIR QUESTIONS, SIMPLE AND CLEAR TRANSACTIONS, AND ATTENTIVE RESPONSIVENESS TO SOLVE THEIR PROBLEMS. WE MINIMIZE THE ADMINISTRATIVE BURDEN ON OUR FRONT-LINE STAFF SO THAT THEY CAN DEVOTE THEIR ATTENTION TO UNDERSTANDING AND FULFILLING CUSTOMER NEEDS.

KEB HAS MADE EFFICIENT OPERATIONAL SYSTEMS AND PROCESSES A PRIORITY, AND WAS THE FIRST AMONG KOREAN BANKS TO IMPLEMENT A PROCESS MANAGEMENT SYSTEM AND SIX SIGMA APPROACHES IN OUR CUSTOMER SERVICE OPERATIONS.



CUSTOMER SERVICE CENTER AWARDED
TOP PRIZE IN KOREA SERVICE QUALITY INDEX
FOR 2ND CONSECUTIVE YEAR



BS 25999 CERTIFICATION FOR EXCELLENCE IN
BUSINESS CONTINUITY PLAN

KEB INNOVATION AND SIX SIGMA

— KEB adopted the Six Sigma program in 2005 as a way to constantly improve service quality from the customers' perspective, bolster the bank's overall competitiveness and maximize efficiency. All internal innovation activities are currently integrated within the Six Sigma framework.

— The KEB Six Sigma program is getting employees into the innovation habit in their everyday work lives. As such it is a useful tool for efficiently promoting major strategies designed to realize the KEB vision, and it is leading the transformation of internal innovation and organizational culture.

— The greatest result of Six Sigma has been the improvement of customer services. Branch operations have been reorganized so that employees can focus on front office functions, which is to deal directly with

customers, while back office functions have been primarily relocated to banking centers. Moreover, aggressive innovations inside the banking centers have given rise to a "service quality guarantee" program, a promise to customers that we will deliver the very best services. If dissatisfied, customers will receive some form of compensation such as lower interest rates. This campaign boosts our staff's confidence in the innovation effort and the level of quality they deliver.

— The Process Management System (PMS) is an indispensable part of KEB's Six Sigma program that improves the speed and efficiency of job processes. Countless processes are in place throughout the bank, and the PMS is used to categorize the core processes in each work stream, and automate the production of various status reports and indices. The progress of work is graphed in real



time without the need to write separate reports. Top executives and department heads can use this data to control and manage core processes efficiently, making informed decisions quickly.

— Another important development in the Six Sigma program has been the formation of a 20-member team of in-house consultants. They oversee Six Sigma activities without having to rely on outside help. About 110 employees have qualified for Six Sigma belts, and they act as trainers at the organizational unit level. To date, over 120 Six Sigma projects have translated into KRW 21 billion saved or earned by the bank through faster settlement of the BIS capital adequacy ratio, higher BIS ratio accuracy, improved merchant screening processes, higher blockage ration for terminated credit cardholders, upgraded processing of payments to clear outstanding bills, and so on. More than 2,400 KEB employees

have also completed Six Sigma training courses online or offline.

— In 2010, Six Sigma activities were conducted with the aim of maximizing KEB's competitiveness, in step with the management slogan "Not the Biggest but the Best" for the year. In the second half, "KEB Easy Sigma" (KES) was introduced as a simplified Six Sigma Workout methodology designed to disseminate the culture of innovation throughout the bank. KES was carried out in more than 30 branches to address urgent problems effectively such as expanding the customer base, bolstering employee competencies and stimulating the work atmosphere. Employee response to the initiative was very favorable.

— In 2011, KEB has decided on four major strategies: (1) realize the Smart & Profitable Growth" vision and establish a solid capital base, (2) raise

asset quality, (3) improve profitability, and (4) elevate cost structure efficiency. The individual business divisions began the job of fulfilling these strategies by establishing a Smart Branch Task Force and Integrated Mail Center. They are now upgrading the integrated Help Desk, improving SOHO processes and executing other large-scale projects to raise KEB's competitiveness. Innovation experts are being cultivated as the program expands organization-wide, which will serve to instill the innovation mind-set in all employees and boost Six Sigma innovation activities throughout the bank.

— Going forward, a new system will be built to routinely collect and manage feedback from customers as well as employees. The information will be used to continue innovation activities from the customers' perspective and help make KEB one of the nation's most competitive banks.

E-BUSINESS

— Financial services must evolve in the face of recent changes in the customer environment. For examples, companies continue to globalize and emphasize faster work processes, while retail customers continue to become more mobile.

— KEB continued to innovate electronic banking services in 2010 to better support corporate customers' business strategies and accommodate retail customers' mobility. To begin with, we promoted In-House Banking, an electronic financial management system customized to our corporate customers for greater operational efficiency. Some 400 corporate customers were using this e-banking channel as of the end of 2010. In addition, KEB introduced KEBiNet, a global network that delivers customized banking services to corporate customers to assist them with their globalization strategies.

— KEBiNet provides integrated global internet banking services both in Korean and English, targeting Korea-based multinationals and foreign investment companies. KEBiNet links with the ERP systems of our corporate customers abroad, provides them with customized banking services, and allows them to manage the level of authority granted to users. Since its launch in July 2010, KEBiNet has been adopted by some 50 globally active companies, including Hyundai Mobis, Korea Electric Power Corp., Finnair, and LSG Sky Chefs Korea as their primary financial solution.

— For retail customers, KEB initiated KEB mBank in April, 2010. This service allows a KEB customer equipped with iPhone or Android devices to access basic services such as account inquiries, domestic money transfers and international remittances, as well as smartphone services unique to KEB such as currency exchange, credit card information, and KEB branch finder based on augmented

reality technology. Around 80,000 customers are using KEB mBank as of the end of 2010, and the number of users is growing rapidly.

— The role of e-banking channels in financial transaction is significant. As of the end of 2010, about 60% of all financial transactions in Korea were completed electronically by 1.62 million retail customers (over 50%) and 163,000 corporate customers.

— In 2011, the emergence of new internet devices such as tablet PCs and smart TVs coupled with the rapid increase in mobile internet usage will accelerate change in financial services. Together with the standardization of internet banking services, we will strengthen our mobile banking services as a new delivery channel and continue to develop new customized banking services to meet the ever-diversifying needs of corporate customers.

INFORMATION & TECHNOLOGY

IT INFRASTRUCTURE

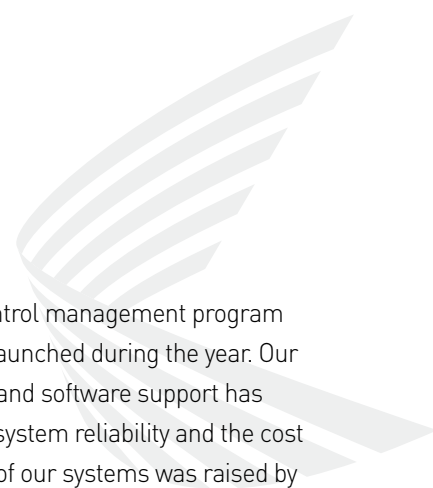
— In 2010, we continued to make banking systems more responsive to customer needs, enhance system reliability and thus improve the quality of IT-based services. Various projects were undertaken to support key business areas in a timely fashion to enhance competitiveness such as the development of a customizable web-

based global banking service and a banking service via smart phones. Also during the year, we constructed a cross-border ATM service and completed the development of a wireless service for credit card issuance in January 2011.

— Our quality assurance program was enhanced by engaging in preventative activities and a data

quality control management program was also launched during the year. Our hardware and software support has improved system reliability and the cost efficiency of our systems was raised by consolidating the server and storage systems and by integrating the Banking and Card terminal systems.

— Our employees are regularly trained to make their own checks





as part of internal control, and the self-audit activities at the overseas Regional Operation Centers have been enhanced. In addition, we have applied the results of our bank-wide IT security inspection to enhance our ability to prevent unwanted system access.

— Finally, the competencies of the IT organization are being improved so that our overall support function is enhanced. The Business Architect (BA) policy was enacted and its application is now being expanded, while supplementary IT training is being provided.

— In 2011, we will continue to provide timely support to our business units so that the bank's competitiveness is strengthened. We will build a next-generation customer relationship management (CRM) system to realize the full potential of our Retail, Private Banking and Credit Card operations.

The international presence of KEB will also be enhanced through the ongoing upgrade of the overseas internet-banking system and the development of a business continuity planning (BCP) management system in languages other than Korean.

— We plan to defend our leadership in foreign exchange and trade finance by a system on the e-banking platform that can transfer foreign currency within Korea in real time. "Smart branches" will also be opened as part of efforts to boost our image and market position.

— We will continue to support our employees and our customers in a timely fashion to maximize their satisfaction levels. A new system will be built to support smart phones and other types of new handsets for greater customer convenience.

— The platforms of the Information Development Team will be standardized through the development of common programs. The services and systems for handling lump transactions will also be upgraded. An Exclusive Test Team will be formed and the meta data system renovated as part of ongoing efforts to reinforce data quality control management.

— Finally, the competencies of the IT organization will continue to improve with the introduction of the Business Architect career management program, which includes a roadmap and BA training. The organizational culture will make performance the top priority with an integration of self development methodology and the function point methodology.

RISK MANAGEMENT

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 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) or 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 (Basel III) that have been introduced by the Basel Committee.

— 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 advanced internal ratings based approach (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. Also, as IFRS will be applied to listed companies starting in 2011, we have completed the modification of the risk management system based on IFRS.



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

— In 2011, KEB increased the internal capital limit to governing operational risk to absorb an unexpected loss that may come from some future financial incident. This means that KEB is ready to continue operating the banking business under any circumstances.

MARKET RISK

— In 2008, we received 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 2010, the coverage of market risk internal model was enhanced by the addition of a new module that measures the risk embedded in exotic interest rate derivatives. 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.

LIQUIDITY RISK

— KEB established new metrics, processes and management framework of liquidity risk to meet the regulatory guidelines for liquidity risk announced by the FSS in September 2009. Liquidity risk is systematically managed using risk appetite metrics, limit metrics and monitoring metrics. A contingency funding plan was also prepared after conducting a stress test

to assess the bank's funding situation during a liquidity crisis. In preparation for the implementation of Basel III's liquidity risk metrics, the liquidity coverage ratio (effective in 2015) and the net stable funding ratio (effective in 2018) are being managed as one of the limit metrics.

STRATEGIC RISK

— Strategic risk is 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 compared to forecasts.

BUSINESS CONTINUITY PLAN

— KEB has maintained a business continuity plan (BCP) since 2007 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 Human Resources, 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 KEB Headquarters. This contingency location is ready to assume the functions of the Headquarters 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—have 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 tests 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 June 2010 test simulated flood damage to the Headquarters from a typhoon, and required employees to connect the computer network with the alternative office and the Sang-am IT Center. Various other disaster scenarios have also been designed.

— Meanwhile, a project was conducted between September 2010 and January 2011 to assess the current KEB business continuity plan and to revise it to reflect changes in the business environment. All divisions and branches participated in this project, providing the opportunity to take the BCP to the next level. Importantly, we became the first bank in Korea to have all operations receive the BS 25999 certification, an international standard for excellence in business continuity planning.

— Going forward, we remain 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 all times.



TRANSPARENT CORPORATE CULTURE & FOUNDATION FOR SHARING



WE PRACTICE HIGH ETHICAL STANDARDS AND TRANSPARENT MANAGEMENT AS PART OF DEDICATED EFFORTS TO MAINTAIN A CLEAN CORPORATE CULTURE. MOREOVER, THE KEB FOUNDATION LEADS OUR CORPORATE SOCIAL RESPONSIBILITY PROGRAMS THAT REGULARLY RETURN PART OF PROFITS TO SOCIETY. WE ARE COMMITTED TO FULFILLING OUR ROLE AND RESPONSIBILITIES AS A CORPORATE CITIZEN BY SUPPORTING CHARITIES, GIVING SCHOLARSHIPS TO STUDENTS IN NEED, ASSISTING LOCAL COMMUNITIES AND PARTICIPATING IN INTERNATIONAL RELIEF EFFORTS.

CORPORATE ETHICS

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.

- KEB understands 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 August 2009, thirteen people assigned to the Retail Bank received appointments to monitor retail branches under the various regional headquarters. A year later, four Compliance Monitors (CMs) from the Corporate Group were assigned to positions that oversee corporate marketing support departments under their Group's jurisdiction (Kangnam, Kangdong, Gangseo and Jungang Corporate Marketing Support Departments).
- To further strengthen our compliance activities, the CM unit was reorganized as the Compliance Support Team, while CMs were assigned to the Private Banking departments at 11 Wealth Management Centers and 16 branches under the Corporate Group. As a result, the compliance organization was expanded and strengthened, and the monitors were provided with independent authority to perform their jobs.
- In 2010, Korea's Financial Intelligence Unit (FIU) enacted regulations to prevent money laundering and terrorist financing, prompting us to overhaul our customer verification procedures and computer systems. In December, KEB received an "Excellent" rating on the FIU's assessment of the anti-money laundering system.

KEB FOUNDATION



CSR ACTIVITIES THAT EMBODY SHARING AND SERVING

— The KEB Foundation (KEBF) was established in December 2005 as the first non-profit charity organization by a Korean bank and directs our corporate social responsibility programs. Over the past six years, the KEBF has paid out some KRW 13.6 billion to carry out diverse community service activities. As Korea's leading international bank since our founding in 1967, our support programs for multicultural families, migrant workers and North Korean defectors as well as our contributions to international relief efforts have been strategically important in promoting our image as an international brand.

— In October 2010, the KEBF was named "exemplary organization for social cohesion" at the 2010 National Multicultural Family Support Network Conference, cosponsored by the Ministry of Gender Equality and Family, National Brand Committee, and Presidential Committee on Social Cohesion. The Bank was presented with a Presidential Commendation, elevating the public stature of the KEB Foundation.

SUPPORT FOR NEEDY CHILDREN

— KEBF has welfare and education programs targeting children in need such as orphaned teenagers who are caring for younger siblings, children in the care of grandparents and single-parent families. KEBF also sponsors outings for disabled children in collaboration with Holt Children's Services and other welfare facilities for handicapped children.

— 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, 800 children are receiving about KRW 21 million a month (KRW 252 million a year) in financial assistance.

KEB FOUNDATION



SUPPORT FOR LOW-INCOME FAMILIES AND UNDERPRIVILEGED PEOPLE

— In 2009, KEB instituted Korea's first annual awards for multicultural families to support foreigners adjusting to living in Korea. In 2010, a new award category, the "Happy Helper Award", was established to encourage individuals and groups to assist multicultural families and awarded to a social worker and five social working groups. Fifteen exemplary migrant housewives won the "Happy Home Award" and "Promising Home Award" with recipients receiving all-expenses-paid trips to their native home. Cash prizes were also awarded totaling KRW 76 million.

— An essay contest cohosted with the Sookmyung Women's University Research Institute of Asian Women invited foreign spouses to write in their native language about their experiences while living in a Korean family setting. A total of 33 people received prizes, helping to raise awareness of need for bilingual skills in a multicultural society. The Motherland Tour program, organized in cooperation with Pearl S. Buck Foundation Korea, helps children in multicultural families to find their identity. In 2010, the program paid for fourteen Vietnamese brides and their children to visit birth parents in Vietnam for a week.

— The KEBF has, since its establishment five years ago, continued a monthly food serving program in Seoul's Cheongryang-ri district for the homeless and underprivileged elderly. The KEBF also regularly worked with non-profit organizations Friends of Love and the Purme Foundation to provide food and necessities to low-income families.

COMMUNITY SERVICES

— The "KEB Love Sharers" is a volunteer group with a registered membership of 1,086 KEB employees and their family members. Members volunteer their time to help out at various charity events and social welfare organizations, such as 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. In 2010, 26 holders of this bank account visited Ulaanbaatar, Mongolia, for six days to help build homes for local underprivileged people. This voluntary campaign was subsequent to the 2008 event in Vietnam and 2009 event in Indonesia.

KEB FOUNDATION



EDUCATIONAL SCHOLARSHIPS

— The KEB Scholarship program, launched in 1989, is now operated under KEBF. KEBF has provided a total of KRW 924 million in grants to 912 middle school, high school and university students from low-income families between 2006 and 2010. KEBF has also paid the expenses for 13 KEB Scholarship recipients, including two in 2010, to attend eight-week English language programs in the US since 2007. KEB pledged to donate KRW 500 million to the Korea Student Aid Foundation, which provides students from low-income families with opportunities to receive a college education, and KRW 400 million of this total was handed over by the end of 2010 through the KEBF.

— In addition, the KEB Global Scholarship program was started in 2009 to assist foreign students from developing countries who are studying at Korean universities and demonstrate financial need. To date, a total of KRW 63 million has been given to 21 students including 11 students in 2010. Over the past five years, KEB international scholarships worth KRW 330 million have also been given to 1,061 underprivileged university students in developing nations in Southeast Asia where we are operating, including Vietnam, Indonesia, and the Philippines.

INTERNATIONAL RELIEF PROGRAMS

— KEB has the most extensive global network among Korean banks and has actively engaged in international relief activities. In 2010, the Foundation supported international emergency assistance to victims of earthquakes in Haiti, Chile and Indonesia as well as a volcano in Indonesia.

— KEBF has continued to expand the number of “Happy Home School” programs. The first of these local centers for children from low-income families was established in Panchasari, Indonesia in 2006. Happy Home School No. 2 opened in Vinh Puc Province of northern Vietnam in 2008; No. 3, in Manila, the Philippines in 2009; and No. 4 in the Kumi District of eastern Uganda in 2010.

— The year 2010 marked the 60th anniversary of the outbreak of the Korean War. On this occasion, KEB increased its support programs for the needy people in Ethiopia, the Philippines and other nations that came to the aid of the Republic of Korea during that terrible conflict. Programs such as these underscores how Korea has grown from being an aid recipient to being an aid donor and conveys the image that Koreans that have not forgotten their debt of gratitude.

KEB FOUNDATION



SPECIAL PROJECTS

— At the end of 2009, part of the salaries for KEB executives was donated to the KEBF and earmarked for special projects. The goal of these projects was to bring tangible, long-term results in line with the KEB image, thereby underscoring the significance of executives giving back to society. Major non-profit organizations were publicly invited to submit proposals, which were carefully screened by an external panel of experts. A total of 20 programs and activities were selected.

— The initial projects in this series were launched in 2010: “Future Growth Libraries” were established at children’s centers across the country, and a program was begun to help integrate biracial children into Korean society. Musical plays were put on to bring Korean and biracial children together. The volunteer community service group consisting of KEB employees’ children helped to build homes for low-income people in China’s Sichuan Province. A food distribution center was remodeled in Nepal and a “Global Library” built for children in Vietnam. Support was also given to a program that provides free eyesight recovery operations in African countries including Ethiopia. A second round of projects is slated for 2011.

— In 2010, KEB provided KRW 2.3 billion in regular funding for these diverse CSR activities both in Korea and overseas. In addition, KEB employees donated KRW 775 million from their own pockets with 3,617 employees, or 49 percent of the total workforce, participating in automatic monthly donations.

FINANCIAL STATEMENTS

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MANAGEMENT DISCUSSION & ANALYSIS

1. KEY FINANCIAL DATA

(In billions of KRW)

| | 2009 | 2010 | YoY |
|--|-----------|-----------|---------|
| Operating Results | | | |
| Total Income | 2,540.8 | 2,799.0 | +10.2% |
| Net Interest Income | 1,917.9 | 2,152.8 | +12.2% |
| Fees & Commissions | 463.2 | 459.3 | -0.8% |
| Non Interest Income | 159.7 | 186.9 | +17.0% |
| Total Expenses (G&A) | 1,223.7 | 1,173.1 | -4.1% |
| Operating Income | 1,317.2 | 1,625.8 | +23.4% |
| Net Income | 891.7 | 1,021.4 | +14.5% |
| Profitability Indices | | | |
| Net Interest Margin (NIM) | 2.39% | 2.69% | +0.30%p |
| Return on Assets | 0.88% | 1.03% | +0.15%p |
| Return on Equity | 12.27% | 12.57% | +0.30%p |
| Balance Sheet Data at Year-End (inclg. Trust Account) | | | |
| Total Assets | 107,728.9 | 115,116.0 | +6.9% |
| Total Credits | 70,550.5 | 69,181.6 | -1.9% |
| Total Deposits | 67,371.3 | 74,873.8 | +11.1% |
| Asset Quality | | | |
| NPL Ratio | 0.94% | 1.34% | +0.40%p |
| NPL Coverage Ratio | 152.5% | 124.8% | -27.7%p |
| Precautionary & Below Ratio | 2.27% | 3.21% | +0.94%p |
| Pre & Bel. Coverage Ratio | 63.3% | 52.0% | -11.3%p |
| Delinquency Ratio | 0.50% | 0.47% | -0.03%p |
| Capital Adequacy | | | |
| BIS Ratio | 14.93% | 15.24% | +0.31%p |
| Tier I Ratio | 11.04% | 12.15% | +1.11%p |
| Tier II Ratio | 3.89% | 3.09% | -0.80%p |

See accompanying notes to non-consolidated financial statements.

2. OVERVIEW

In 2010, we achieved strong income growth as the Korean economy recovered from the global crisis that began in 2008 and continued into 2009. KEB's top performance among the domestic banks in terms of profitability, capital adequacy, and asset quality is an achievement that demonstrates the bank's exceptional management.

KEB posted a net income of KRW 1,021.4 billion in 2010, up 14.5% from the previous year. Net interest margin expansion and improving credit quality were key drivers of earnings growth. KEB also strengthened its capital level with its BIS ratio topping 15.24% at the end of 2010, up 31 percentage points from 14.93% at the end of 2009.

MANAGEMENT DISCUSSION & ANALYSIS

3. INCOME STATEMENT

1) Summary of Profitability

(In billions of KRW)

| | Quarterly | | | | Annual | | |
|--|--------------|--------------|--------------|--------------|----------------|----------------|---------------|
| | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 2009 | 2010 | YoY |
| 1 Net Interest Income | 561.4 | 519.5 | 511.2 | 560.7 | 1,917.9 | 2,152.8 | +12.2% |
| 2 Fees & Commissions | 99.7 | 127.4 | 108.1 | 124.1 | 463.2 | 459.3 | -0.8% |
| 3 Non Interest Income | 55.2 | 90.6 | 49.2 | -8.1 | 159.7 | 186.9 | +17.0% |
| 4 Total Income [1+2+3] | 716.3 | 737.5 | 668.4 | 676.7 | 2,540.8 | 2,799.0 | +10.2% |
| 5 Total Expenses | 303.6 | 268.9 | 309.1 | 291.5 | 1,223.7 | 1,173.1 | -4.1% |
| 6 Operating Income [4-5] | 412.7 | 468.7 | 359.3 | 385.2 | 1,317.2 | 1,625.8 | +23.4% |
| 7 Investment Stock Impairment Loss, etc. | -182.3 | -70.3 | -118.0 | -5.7 | -242.1 | -376.3 | F |
| 8 Income Before Provisions [6-7] | 594.9 | 539.0 | 477.4 | 390.9 | 1,559.3 | 2,002.2 | +28.4% |
| 9 Provisions & Others | 168.3 | 255.0 | 101.8 | 116.8 | 776.1 | 641.9 | -17.3% |
| 10 Loan loss provisioning | 108.3 | 239.6 | 86.8 | 63.6 | 666.3 | 498.1 | -25.2% |
| 11 Income before Tax [8-9] | 426.7 | 284.0 | 375.5 | 274.1 | 783.1 | 1,360.3 | +73.7% |
| 12 Income Tax Expense | 108.5 | 73.1 | 85.6 | 71.7 | -108.6 | 338.9 | U |
| 13 Net Income [12-13] | 318.2 | 210.9 | 290.0 | 202.3 | 891.7 | 1,021.4 | +14.5% |
| 14 Earnings per Share (KRW) | 493 | 327 | 450 | 314 | 1,383 | 1,584 | +14.5% |
| 15 Dividends per Share (KRW) | - | 100 | 135 | 850 | 510 | 1,085 | +112.7% |

Note: F = Favorable, U=Unfavorable

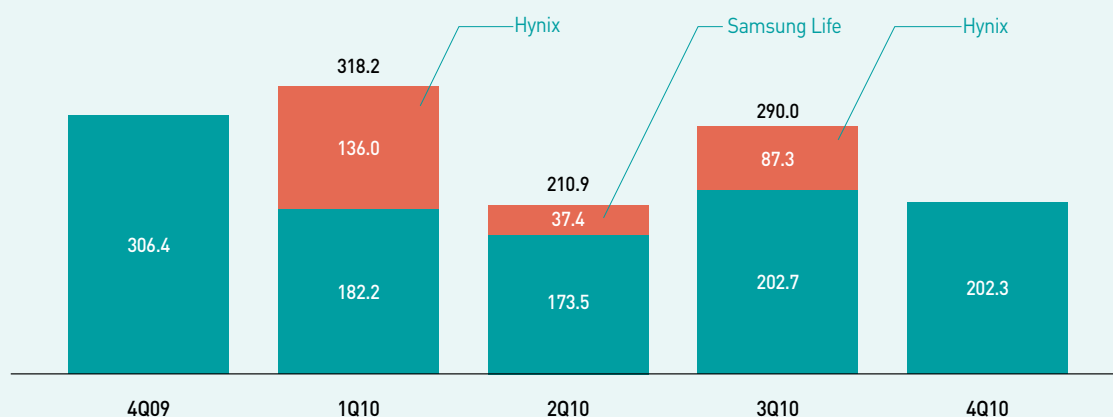
Our net income growth was driven by the improvement in net interest income and decline in loan loss provisioning. Non-recurring gains from the sale of Hynix shares (KRW 223.3 billion after-tax), and Samsung Life shares (37.4 billion after-tax) also contributed to the increase in net income.

The bank's profitability indicators, ROA and ROE, came to 1.03% and 12.57%, respectively.

QUARTERLY TREND OF NET INCOME

(In billions of KRW)

■ Normal
■ Non-recurring items



MANAGEMENT DISCUSSION & ANALYSIS

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

(In billions of KRW)

| | Quarterly | | | | Annual | | |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 2009 | 2010 | YoY |
| Net Interest Income | 561.4 | 519.5 | 511.2 | 560.7 | 1,917.9 | 2,152.8 | +12.2% |
| Average Earning Assets | 78,425.8 | 79,558.4 | 80,525.1 | 78,847.1 | 79,513.9 | 79,286.2 | -0.3% |
| Net Interest Margin (NIM)* | 2.83% | 2.60% | 2.50% | 2.82% | 2.39% | 2.69% | +0.30%p |
| KRW | 3.29% | 3.09% | 2.98% | 3.39% | 2.74% | 3.19% | +0.45%p |
| Foreign currency | 1.38% | 1.17% | 1.08% | 1.13% | 1.42% | 1.18% | -0.24%p |

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

Net interest income (NII) was KRW 2,152.8 billion in 2010, up 12.2% from KRW 2,238.1 billion in the previous year. The main driver was the increase in the net interest margin, which averaged 2.69% in 2010, up 0.30%p from the previous year.

3) Fees & Commissions and Non Interest Income

(In billions of KRW)

| | Quarterly | | | | Annual | | |
|-------------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|---------------|
| | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 2009 | 2010 | YoY |
| Total Fees & Commissions | 99.7 | 127.4 | 108.1 | 124.1 | 463.2 | 459.3 | -0.9% |
| Gains from FX transactions | 60.0 | 70.3 | 63.8 | 70.6 | 273.3 | 264.7 | -3.1% |
| Fees & Commissions | 39.7 | 57.1 | 44.3 | 53.5 | 189.9 | 194.5 | +2.4% |
| KRW currency related | 38.8 | 40.8 | 36.0 | 37.5 | 138.3 | 153.0 | +10.7% |
| Foreign currency related | 33.2 | 36.5 | 33.1 | 40.6 | 141.1 | 143.3 | +1.6% |
| Card | -53.9 | -45.6 | -47.4 | -51.0 | -178.8 | -197.9 | U |
| Others | 21.6 | 25.4 | 22.6 | 26.4 | 89.3 | 96.0 | +7.5% |
| Non Interest Income | 55.2 | 90.6 | 49.2 | -8.1 | 159.7 | 186.9 | +17.0% |
| % of Total Income | | | | | | | |
| Total Fees & Commissions | 13.9% | 17.3% | 16.2% | 18.3% | 18.2% | 16.4% | -1.8%p |
| Non Interest Income | 7.7% | 12.3% | 7.4% | -1.2% | 6.3% | 6.7% | +0.4%p |
| Sum | 21.6% | 29.6% | 23.5% | 17.1% | 24.5% | 23.1% | -1.4%p |

Note: U = Unfavorable

Sum of total fees & commissions and non interest income was KRW 646.2 billion in 2010, up 3.7% from KRW 623.0 billion in the previous year.

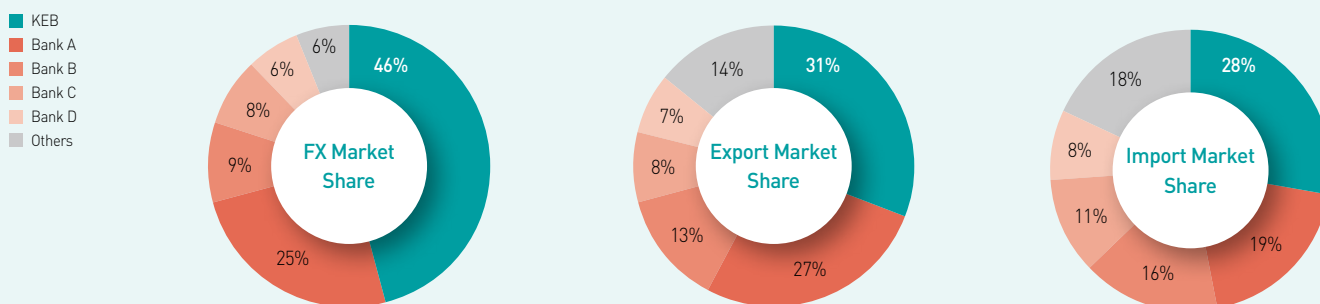
Total fees & commissions were KRW 459.3 billion, compared to KRW 463.2 billion in the previous year, a small decline of 0.9%. Non interest income was KRW 186.9 billion in 2010, up 17.0% from 2009.

MANAGEMENT DISCUSSION & ANALYSIS

KEB's market-leading position in FX and trade finance business remained strong, with market shares of 46% for FX and 31% for export and 28% for import financing during 2010.

MARKET LEADERSHIP IN FX AND TRADE FINANCE

(Annual average for 2010)



* 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 2010 were KRW 1,173.1 billion, down 4.1% from KRW 1,223.7 billion in 2009.

The cost/income ratio (total expenses to total income ratio) also improved to 41.9% in 2010, a 6.3%p decline from the previous year.

(In billions of KRW)

| | Quarterly | | | | Annual | | |
|--------------------------|--------------|--------------|--------------|--------------|----------------|----------------|---------------|
| | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 2009 | 2010 | YoY |
| Total Expenses | 303.6 | 268.9 | 309.1 | 291.5 | 1,223.7 | 1,173.1 | -4.1% |
| Salaries & Benefits | 198.7 | 156.3 | 179.6 | 163.8 | 702.0 | 698.5 | -0.5% |
| Operating Expenses | 71.2 | 82.5 | 95.5 | 93.4 | 368.2 | 342.7 | -6.9% |
| Depreciation | 24.3 | 22.1 | 22.6 | 24.1 | 115.2 | 93.2 | -19.2% |
| Tax & Dues | 9.3 | 8.0 | 11.4 | 10.2 | 38.2 | 38.9 | -1.7% |
| % of Total Income | | | | | | | |
| Total Expenses | 42.4% | 36.5% | 46.2% | 43.1% | 48.2% | 41.9% | -6.3%p |
| Salaries & Benefits | 27.7% | 21.2% | 26.9% | 24.2% | 27.6% | 25.0% | -2.6%p |
| Operating Expenses | 9.9% | 11.2% | 14.3% | 13.8% | 14.5% | 12.2% | -2.3%p |

MANAGEMENT DISCUSSION & ANALYSIS

5) Provisions & Others

Loan loss provision (LLP) was KRW 498.1 billion in 2010, down 25.2% from KRW 666.3 billion in 2009.

(In billions of KRW)

| | Quarterly | | | | Annual | | |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 2009 | 2010 | YoY |
| Total Provisions & Others | 168.3 | 255.0 | 101.8 | 116.8 | 776.1 | 641.9 | -17.3% |
| Loan Loss Provisioning | 108.3 | 239.6 | 86.8 | 63.6 | 666.3 | 498.1 | -25.2% |
| Corporate | 94.2 | 219.5 | 65.8 | 40.4 | 548.0 | 419.9 | -23.4% |
| Household | 10.5 | 13.2 | 14.5 | 14.6 | 49.3 | 52.8 | +7.1% |
| Card | 3.6 | 6.8 | 6.5 | 8.6 | 68.9 | 25.5 | -63.0% |
| Other Provisioning | 30.7 | 8.0 | 1.5 | 40.1 | 50.1 | 80.2 | +60.1% |
| Retirement Allowance | 29.4 | 7.4 | 13.6 | 13.2 | 59.7 | 63.6 | +6.5% |

4. ASSET QUALITY AND BALANCE SHEET (BANK ACCOUNT)

1) Asset Quality

Non performing loans (NPL) totaled KRW 926.4 billion at the end of 2010, with a corresponding NPL ratio of 1.34%. Reserve coverage ratio (Loan loss reserve to NPL ratio) was 124.8% at the end of the year.

(End of period, in billions of KRW)

| | 4Q09 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | YoY |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| Total Credits | 70,550.5 | 68,857.4 | 69,476.7 | 69,604.3 | 69,181.6 | -1.9% |
| Normal | 68,948.1 | 67,198.1 | 67,358.9 | 67,367.0 | 66,959.1 | -2.9% |
| Precautionary | 937.3 | 886.2 | 1,211.0 | 1,235.0 | 1,296.1 | +38.3% |
| NPL [5+6+7] | 665.0 | 773.1 | 906.8 | 1,002.3 | 926.4 | +39.3% |
| Substandard | 448.4 | 455.2 | 461.8 | 585.4 | 420.0 | -6.3% |
| Doubtful | 162.8 | 216.0 | 374.1 | 298.3 | 437.6 | +168.8% |
| Estimated Loss | 53.8 | 101.9 | 70.9 | 118.6 | 68.8 | +27.9% |
| % of Total Credit | | | | | | |
| Precautionary | 1.33% | 1.29% | 1.74% | 1.77% | 1.87% | +0.54%p |
| NPL | 0.94% | 1.12% | 1.31% | 1.44% | 1.34% | +0.40%p |
| Reserves for Loan Loss | 1,014.4 | 1,063.9 | 1,147.2 | 1,169.8 | 1,156.0 | +14.0% |
| NPL Coverage Ratio | 152.5% | 137.6% | 126.5% | 116.7% | 124.8% | -27.7%p |

2) Assets

Total assets at the end of 2010 were KRW 95.9 trillion, compared to KRW 96.3 trillion at the end of 2009, a slight decrease of 0.4%.

Loans totaled KRW 62.4 trillion at the end of 2010, similar to KRW 62.6 trillion at the end of 2009.

(End of period, in billions of KRW)

| | 4Q09 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | YoY |
|-------------------------|-----------------|-----------------|------------------|-----------------|-----------------|--------------|
| Cash & Due from Banks | 5,902.7 | 7,917.4 | 8,635.9 | 8,581.6 | 7,455.4 | +26.3% |
| Securities | 13,829.2 | 13,824.9 | 13,836.7 | 13,377.3 | 13,161.6 | -4.8% |
| Loans | 62,627.0 | 64,558.5 | 62,944.1 | 62,263.6 | 62,423.8 | -0.3% |
| Credit Card Receivables | 2,422.9 | 2,336.0 | 2,419.8 | 2,440.8 | 2,581.0 | +6.5% |
| Other Assets | 12,097.7 | 12,079.5 | 15,552.7 | 13,997.7 | 11,428.7 | -5.5% |
| Merchant Banking Assets | 1,851.5 | 1,553.5 | 1,922.5 | 1,011.6 | 1,433.9 | -22.6% |
| Total Assets | 96,308.1 | 99,933.8 | 102,891.8 | 99,231.7 | 95,903.5 | -0.4% |

MANAGEMENT DISCUSSION & ANALYSIS

3) Liabilities & Shareholders' Equity

The overall funding mix improved in 2010. Total deposits increased to KRW 60.7 trillion at the end of 2010, up 6.6% from KRW 57.0 trillion at the end of 2009. Borrowings declined to KRW 8.4 trillion at the end of 2010, down 9.0% from the previous year. Debentures also fell to KRW 4.6 trillion at the end of 2010, down 41.1% from 2009.

Total shareholders' equity increased to KRW 8.38 trillion at the end of 2010, up 5.3% from KRW 7.95 trillion at the end of 2009.

| | (End of period, in billions of KRW) | | | | | |
|---|-------------------------------------|-----------------|------------------|-----------------|-----------------|--------------|
| | 4Q09 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | YoY |
| Deposits | 56,951.9 | 59,526.4 | 60,051.9 | 59,211.2 | 60,704.2 | +6.6% |
| Borrowings | 9,183.8 | 8,710.9 | 9,217.5 | 8,388.1 | 8,356.8 | -9.0% |
| Debentures | 7,855.9 | 7,259.6 | 6,457.1 | 5,931.5 | 4,627.6 | -41.1% |
| Other Liabilities | 13,062.1 | 14,712.0 | 17,658.5 | 16,431.3 | 12,844.2 | -1.7% |
| Merchant Banking Liabilities | 1,299.6 | 1,847.8 | 1,468.6 | 1,066.2 | 972.7 | -25.2% |
| Shareholders' Equity | 7,954.8 | 7,877.1 | 8,038.2 | 8,203.5 | 8,375.7 | +5.3% |
| Liabilities & Shareholders' Equity | 96,308.1 | 99,933.8 | 102,891.8 | 99,231.7 | 95,903.5 | -0.4% |

5. CAPITAL ADEQUACY

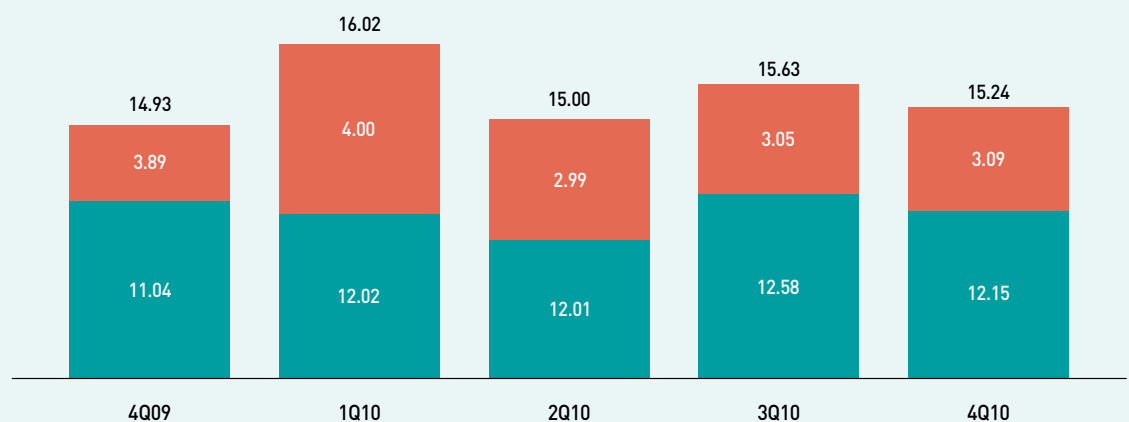
KEB maintained its strong capital position with a BIS capital ratio of 15.24% at the end of 2010, up 31%p from 14.93% at the end of 2009, reflecting robust earnings performance and disciplined loan portfolio management.

Tier 1 capital ratio was 12.15% at the end of 2010, up 1.11%p from 11.04% at the end of 2009. Tier 2 capital ratio decreased to 3.09% at the end of 2010 from 3.89% at the end of 2009.

BIS CAPITAL RATIO

[%]

■ Tier I
■ Tier II



MANAGEMENT DISCUSSION & ANALYSIS

APPENDIX: HISTORICAL ANNUAL FINANCIAL STATEMENTS - Income Statement

(In billions of KRW)

| | 2008 | 2009 | 2010 | 2009 YoY (%) | 2010 YoY (%) |
|--|----------------|----------------|----------------|---------------|---------------|
| 1 Net Interest Income | 2,238.1 | 1,917.9 | 2,152.8 | -14.3% | +12.2% |
| 2 Fees & Commissions | 562.8 | 463.2 | 459.3 | -17.7% | -0.8% |
| 3 Non Interest Income | 217.6 | 159.7 | 186.9 | -26.6% | +17.0% |
| 4 Total Income [1+2+3] | 3,018.6 | 2,540.8 | 2,799.0 | -15.8% | +10.2% |
| 5 Total Expenses | 1,145.3 | 1,223.7 | 1,173.1 | +6.8% | -4.1% |
| 6 Operating Income [4-5] | 1,873.2 | 1,317.2 | 1,625.8 | -29.7% | +23.4% |
| 7 Investment Stock Impairment Loss, etc. | -90.7 | -242.1 | -376.3 | F | F |
| 8 Income Before Provisions [6-7] | 1,963.8 | 1,559.3 | 2,002.2 | -20.6% | +28.4% |
| 9 Provisions & Others | 796.4 | 776.2 | 641.9 | -2.5% | -17.3% |
| 10 Loan Loss Provisioning | 726.9 | 666.3 | 498.1 | -8.3% | -25.2% |
| 11 Income before Tax [8-9] | 1,167.5 | 783.1 | 1,360.3 | -32.9% | +73.7% |
| 12 Income Tax Expense | 384.9 | -108.6 | 338.9 | F | U |
| 13 Net Income [12-13] | 782.6 | 891.7 | 1,021.4 | +13.9% | +14.5% |
| 14 Earnings per Share (KRW) | 1,213 | 1,383 | 1,584 | +14.0% | +14.5% |
| 15 Dividends per Share (KRW) | 125 | 510 | 1,085 | +308.0% | +112.7% |

Note: U = Unfavorable, F = Favorable

MANAGEMENT DISCUSSION & ANALYSIS

APPENDIX: HISTORICAL ANNUAL FINANCIAL STATEMENTS - Balance Sheet

| | (End of period, in billions of KRW) | | | | |
|--|-------------------------------------|-----------------|-----------------|--------------|--------------|
| | 2008 | 2009 | 2010 | 2009 YoY (%) | 2010 YoY (%) |
| 1 Cash & Due from Banks | 10,107.7 | 5,902.7 | 7,455.4 | -41.6% | +26.3% |
| 2 Securities | 12,112.6 | 13,829.2 | 13,161.6 | +14.2% | -4.8% |
| 3 Loans | 64,412.3 | 62,627.0 | 62,423.8 | -2.8% | -0.3% |
| 4 Credit Card Receivables | 2,552.6 | 2,422.9 | 2,581.0 | -5.1% | +6.5% |
| 5 Other Assets | 13,712.6 | 12,097.7 | 11,428.7 | -11.8% | -5.5% |
| 6 Merchant Banking Assets | 3,363.1 | 1,851.5 | 1,433.9 | -44.9% | -22.6% |
| 7 Total Assets | 103,708.3 | 96,308.1 | 95,903.5 | -7.1% | -0.4% |
| 8 Deposits | 56,397.4 | 56,951.9 | 60,704.2 | +1.0% | +6.6% |
| 9 Borrowings | 11,958.8 | 9,183.8 | 8,356.8 | -23.2% | -9.0% |
| 10 Debentures | 10,790.6 | 7,855.9 | 4,627.6 | -27.2% | -41.1% |
| 11 Other Liabilities | 14,402.5 | 13,062.1 | 12,844.2 | -9.3% | -1.7% |
| 12 Merchant Banking Liabilities | 3,495.6 | 1,299.6 | 972.7 | -62.8% | -25.2% |
| 13 Shareholders' Equity | 6,663.5 | 7,954.8 | 8,375.7 | +19.4% | +5.3% |
| 14 Liabilities & Shareholders' Equity | 103,708.3 | 96,308.1 | 95,903.5 | -7.1% | -0.4% |

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:

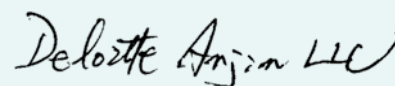
We have audited the accompanying non-consolidated statements of financial position of Korea Exchange Bank (the "Bank") as of December 31, 2010 and 2009, and the related non-consolidated statements of income, appropriations of retained earnings, changes in shareholders' equity and cash flows for the years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

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the 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, 2010 and 2009, and the results of its operations, changes in its retained earnings and its shareholders' equity, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

We have audited the Bank's financial statements as of and for the year ended December 31, 2010 and originally issued the auditors' report as of March 14, 2011. However, as discussed in Note 2 to the accompanying financial statements, we reissued the auditors' report as the Bank amended its financial statements for the purpose of reflecting a dividend of ₩548,171 million, approved at the shareholders' meeting held on March 31, 2011, which is different from an originally approved dividend of ₩374,046 million by the board of directors on March 12, 2011. Therefore, the issued auditors' report dated March 14, 2011 shall be replaced with this reissued report and the originally issued report dated March 14, 2011 should not be referred to as an independent auditors' report for the Bank's financial statements for the year ended December 31, 2010.

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.



March 31, 2011

Notice to Readers

This report is effective as of March 31, 2011, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

NON-CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

KOREA EXCHANGE BANK AS OF DECEMBER 31, 2010 AND 2009

| | (In millions of KRW) | |
|--|----------------------|--------------|
| | 2010 | 2009 |
| ASSETS | | |
| Cash and due from banks (Notes 3, 18, 19, 24 and 29) | ₩ 7,455,434 | ₩ 5,902,708 |
| Securities (Notes 4, 17, 18, 19 and 23) | 13,161,631 | 13,829,175 |
| Loans (Notes 5, 6, 7, 17, 18, 19, 23 and 24) | 62,423,763 | 62,627,014 |
| Tangible assets (Note 8) | 1,358,152 | 1,380,418 |
| Other assets (Notes 2, 9, 17, 21 and 24) | 10,070,595 | 10,717,280 |
| Merchant banking account assets (Notes 10 and 24) | 1,433,928 | 1,851,510 |
| | ₩ 95,903,503 | ₩ 96,308,105 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| LIABILITIES: | | |
| Deposits (Notes 11, 18, 19 and 24) | ₩ 60,704,249 | ₩ 56,951,887 |
| Borrowings (Notes 12, 18, 19 and 24) | 12,984,398 | 17,039,671 |
| Other liabilities (Notes 2, 13, 16, 17, 18, 21 and 24) | 12,866,452 | 13,062,152 |
| Merchant banking account liabilities (Note 14) | 972,679 | 1,299,568 |
| | 87,527,778 | 88,353,278 |
| SHAREHOLDERS' EQUITY (Notes 4, 8, 15, 17 and 21): | | |
| Common stock | 3,224,534 | 3,224,534 |
| Capital surplus | 940 | 940 |
| Accumulated other comprehensive income | 1,111,546 | 1,233,556 |
| Retained earnings | 4,038,705 | 3,495,797 |
| | 8,375,725 | 7,954,827 |
| | ₩ 95,903,503 | ₩ 96,308,105 |

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF INCOME

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| | (In millions of KRW, except per share amounts) | |
|--|--|------------|
| | 2010 | 2009 |
| OPERATING REVENUES: | | |
| Interest income (Notes 19 and 24): | | |
| Interest on due from banks | ₩ 92,704 | ₩ 87,311 |
| Interest on trading securities | 10,628 | 32,014 |
| Interest on available-for-sale securities | 177,407 | 257,967 |
| Interest on held-to-maturity securities | 230,826 | 186,317 |
| Interest on loans | 3,613,015 | 3,896,372 |
| Other interest income | 16,714 | 15,297 |
| | 4,141,294 | 4,475,278 |
| Gain on valuation and disposal of securities (Note 4): | | |
| Gain on valuation of trading securities | 4,245 | 15,443 |
| Gain on disposal of trading securities | 28,016 | 46,094 |
| Reversal of impairment loss on available-for-sale securities | 2,387 | 18,686 |
| Gain on disposal of available-for-sale securities | 390,956 | 250,810 |
| Gain on redemption of held-to-maturity securities | - | 108 |
| | 425,604 | 331,141 |
| Gain on valuation and disposal of loans (Note 5): | | |
| Gain on disposal of loans | 37,956 | 16,760 |
| Foreign exchange trading income | 1,801,635 | 3,720,056 |
| Gain on trading and valuation of derivatives (Notes 12, 17 and 19) | 5,198,268 | 7,221,653 |
| Commission income (Notes 19 and 24) | 485,606 | 467,435 |
| Dividends income (Note 19) | 20,701 | 14,203 |
| Other operating revenue (Notes 10, 19 and 25) | 118,740 | 141,716 |
| Total operating revenues | 12,229,804 | 16,388,242 |
| OPERATING EXPENSES: | | |
| Interest expenses (Notes 19, 24 and 25): | | |
| Interest on deposits | 1,337,542 | 1,545,130 |
| Interest on borrowings | 460,603 | 848,822 |
| Other interest expenses | 26,386 | 32,931 |
| | 1,824,531 | 2,426,883 |
| Loss on valuation and disposal of securities (Note 4): | | |
| Loss on valuation of trading securities | 763 | 906 |
| Loss on disposal of trading securities | 15,331 | 14,624 |
| Impairment loss on available-for-sale securities | 67 | 20,896 |
| Loss on disposal of available-for-sale securities | 88 | 3,742 |
| Loss on redemption of held-to-maturity securities | - | 7 |
| | 16,249 | 40,175 |
| Loss on valuation and disposal of loans (Notes 5, 7, 17 and 24): | | |
| Provision for possible loan losses | 474,015 | 648,470 |
| Loss on disposal of loans | 78,554 | 33,501 |
| | 552,569 | 681,971 |

(Continued)

NON-CONSOLIDATED STATEMENTS OF INCOME

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| | (In millions of KRW, except per share amounts) | | | |
|--|--|------------|---|------------|
| | | 2010 | | 2009 |
| Foreign exchange trading losses | ₩ | 1,549,906 | ₩ | 2,812,085 |
| Loss on trading and valuation of derivatives (Notes 12, 17 and 19) | | 5,124,398 | | 7,869,356 |
| Commission expenses (Notes 19 and 24) | | 291,900 | | 278,602 |
| General and administrative expenses (Notes 19 and 24) | | 1,236,718 | | 1,283,401 |
| Other operating expenses (Notes 14 and 19) | | 332,292 | | 280,534 |
| Total operating expenses | | 10,928,563 | | 15,673,007 |
| OPERATING INCOME | | 1,301,241 | | 715,235 |
| NON-OPERATING INCOME (Notes 4 and 20) | | 117,505 | | 103,379 |
| NON-OPERATING EXPENSES (Notes 4 and 20) | | 58,480 | | 35,483 |
| INCOME BEFORE INCOME TAX | | 1,360,266 | | 783,131 |
| INCOME TAX EXPENSE (BENEFITS) (Note 21) | | 338,899 | | (108,606) |
| NET INCOME (Note 23) | ₩ | 1,021,367 | ₩ | 891,737 |
| BASIC NET INCOME PER SHARE (In currency units) (Note 22) | ₩ | 1,584 | ₩ | 1,383 |
| DILUTED NET INCOME PER SHARE (In currency units) (Note 22) | ₩ | 1,584 | ₩ | 1,383 |

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| (In millions of KRW except per share amounts) | | | | |
|---|---|-----------|---|-----------|
| | | 2010 | | 2009 |
| RETAINED EARNINGS BEFORE APPROPRIATIONS: | | | | |
| Beginning of the year | ₩ | 2,657,279 | ₩ | 2,179,869 |
| Quarterly dividend (Note 28) | | (151,553) | | - |
| Net income | | 1,021,367 | | 891,737 |
| | | 3,527,093 | | 3,071,606 |
| TRANSFER FROM VOLUNTARY RESERVES: | | | | |
| Other reserve | | 2,885 | | 3,981 |
| APPROPRIATIONS: | | | | |
| Legal reserve | | 102,200 | | 89,200 |
| Other reserve | | 1,787 | | 206 |
| Cash dividends (Note 28) | | 548,171 | | 328,902 |
| [Dividends per share (rate): | | | | |
| ₩850 (17.0%) at 2010 | | | | |
| ₩510 (10.2%) at 2009] | | | | |
| | | 652,158 | | 418,308 |
| UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR | ₩ | 2,877,820 | ₩ | 2,657,279 |

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| | (In millions of KRW) | | | | | |
|--|----------------------|-----------------|---------------------|--|-------------------|-------------|
| | Capital stock | Capital surplus | Capital adjustments | Accumulated other comprehensive income | Retained earnings | Total |
| 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 |
| Changes in equity on equity method | - | - | - | 906 | - | 906 |
| Negative changes in equity on 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 |
| As of January 1, 2010 | ₩ 3,224,534 | ₩ 940 | ₩ - | ₩ 1,233,556 | ₩ 3,495,797 | ₩ 7,954,827 |
| Dividend | - | - | - | - | (328,902) | (328,902) |
| Balance after appropriations | 3,224,534 | 940 | - | 1,233,556 | 3,166,895 | 7,625,925 |
| Quarterly dividend | - | - | - | - | (151,553) | (151,553) |
| Net income | - | - | - | - | 1,021,367 | 1,021,367 |
| Effect of exchange rate fluctuations for overseas branches | - | - | - | - | 1,996 | 1,996 |
| Valuation of available-for-sale securities | - | - | - | (122,156) | - | (122,156) |
| Valuation of held-to-maturity securities | - | - | - | 16 | - | 16 |
| Changes in equity on equity method | - | - | - | 433 | - | 433 |
| Negative changes in equity on equity method | - | - | - | (302) | - | (302) |
| Valuation of tangible assets | - | - | - | (1) | - | (1) |
| As of December 31, 2010 | ₩ 3,224,534 | ₩ 940 | ₩ - | ₩ 1,111,546 | ₩ 4,038,705 | ₩ 8,375,725 |

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| | (In millions of KRW) | |
|---|----------------------|-------------|
| | 2010 | 2009 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | ₩ 1,021,367 | ₩ 891,737 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Gain on valuation of trading securities, net | (3,482) | (14,537) |
| (Reversal of) impairment loss on available-for-sale securities, net | (2,320) | 2,210 |
| Gain on valuation of securities using the equity method, net | (69,550) | (49,416) |
| Provision for possible loan losses | 474,015 | 648,470 |
| Loss (gain) on disposal of tangible assets, net | 379 | (2,166) |
| Depreciation and amortization | 93,157 | 115,229 |
| Loss on impairment of tangible assets | - | 146 |
| Gain on valuation of financial derivatives, net | (107,703) | (206,975) |
| Provision for severance benefits | 63,575 | 59,726 |
| Expenses for fringe benefits | 14,400 | - |
| Long-term compensation expense for performance bonus | 13,234 | 9,748 |
| Provision for allowance for other liabilities | 77,007 | 43,975 |
| (Reversal of) stock option compensation costs, net | (433) | 12,798 |
| Gain on foreign exchange trading, net | (2,513) | (114,962) |
| Loss on reserve for acceptances and guarantees | 31,890 | 23,793 |
| Loss (gain) on reserve for unused credit limit, net | (920) | 6,046 |
| Gain on disposal of securities using the equity method | (16) | - |
| Others, net | (48,940) | (37,952) |
| | 531,780 | 496,133 |
| Changes in assets and liabilities resulting from operations: | | |
| Net decrease in trading securities | 849,019 | 102,656 |
| Net decrease in available-for-sale securities | 1,516,789 | 44,328 |
| Net increase in held-to-maturity securities | (1,414,146) | (1,084,811) |
| Net increase in call loans | (1,445,828) | (17,374) |
| Net decrease (increase) in domestic import usance bill | (609,264) | 130,745 |
| Net decrease (increase) credit card receivables | (185,092) | 56,311 |
| Net decrease in bills bought in foreign currencies | 142,376 | 452,786 |
| Net increase in bills bought in Won | (6,767) | (12,119) |
| Net decrease in bonds purchased under repurchase agreements | 1,086,000 | 554,000 |
| Net decrease (increase) in loans in Won | 92,426 | (1,235,884) |
| Net decrease in loans in foreign currencies | 988,631 | 1,154,882 |
| Net increase in factoring receivables | (431,154) | (35,836) |
| Net decrease in advances for customers | 2,662 | 22,129 |
| Net decrease in privately placed bonds | 124,632 | 74,667 |
| Net decrease (increase) in deferred loan origination fees and costs | (19,564) | 4,075 |
| Net decrease in accrued income | 29,410 | 138,758 |
| Net decrease (increase) in prepaid expenses | 599 | (15,838) |
| Net decrease in financial derivatives assets | 630,840 | 3,276,627 |
| Net increase (decrease) in accrued expenses | 10,079 | (354,581) |
| Net decrease in unearned revenues | (5,485) | (25,800) |
| Payment of severance benefits | (21,413) | (34,429) |
| Increase in assets under management of pension benefits | (37,225) | (508) |
| Decrease in transfer to National Pension Fund | 33 | 87 |
| Increase in deposit of insurance for severance benefits | (6,312) | (22,103) |
| Decrease in financial derivatives liabilities | (555,598) | (3,055,056) |
| Decrease of reserve for acceptances and guarantees | (699) | - |

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| | (In millions of KRW) | |
|--|----------------------|-------------|
| | 2010 | 2009 |
| Net decrease in allowance for unused credit limit | (879) | - |
| Net decrease in allowance for other liabilities | (37,557) | (30,771) |
| Net decrease in deferred income tax liabilities | (1,692) | (23,441) |
| | 694,821 | 63,500 |
| Net cash provided by operating activities | 2,247,968 | 1,451,370 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of securities using the equity method | (391,709) | (92,503) |
| Dividend of securities using the equity method | 619 | 2,395 |
| Disposal of securities using the equity method | 440 | - |
| Purchase of tangible assets | (55,095) | (51,240) |
| Disposal of tangible assets | 8,302 | 7,529 |
| Purchase of intangible assets | (27,956) | (27,156) |
| Disposal of intangible assets | 123 | - |
| Net increase in guarantee deposits paid | (8,414) | (6,982) |
| Net increase in accounts receivable | (130,608) | (155,573) |
| Net decrease in other assets | 118,700 | 41,518 |
| Net decrease in merchant banking account assets | 456,633 | 1,542,016 |
| Net decrease (increase) in restricted due from banks | (3,004,869) | 4,370,085 |
| Net cash provided by (used in) investing activities | (3,033,834) | 5,630,089 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net increase in deposits | 3,781,197 | 567,716 |
| Net decrease in borrowings | (826,996) | (2,774,965) |
| Net decrease in debentures | (3,225,131) | (2,834,383) |
| Dividend | (480,455) | (80,613) |
| Net increase (decrease) in other liabilities | 85,108 | (1,794,127) |
| Net cash used in financing activities | (666,277) | (6,916,372) |
| NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS | (1,452,143) | 165,087 |
| CASH AND DUE FROM BANKS, BEGINNING OF YEAR | 3,464,991 | 3,299,904 |
| CASH AND DUE FROM BANKS, END OF YEAR (Note 29) | ₩ 2,012,848 | ₩ 3,464,991 |

See accompanying notes to non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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. On February 28, 2004, the merger between the Bank and Korea Exchange Bank Credit Service Co., Ltd. ("KEBCS") was finalized.

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 354 branches (including 28 depositary offices) and 3 subsidiaries in Korea and 19 branches (including 2 depositary offices and 5 offices) and 10 subsidiaries in overseas as of December 31, 2010.

The Bank's shareholders as of December 31, 2010 are as follows:

| Shareholders | Number of shares owned (*1) | 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 |

(*1) The shareholders' list as of December 31, 2010

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 is recognized as a discount on stock issued.

As of December 31, 2010, 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.

In addition, the Bank's non-consolidated financial statements as of and for the year ended December 31, 2010 was approved by the board of directors on March 12, 2011 for submission to an annual shareholders' meeting. However, at the shareholders' meeting held on March 31, 2011, dividends was approved at a revised amount of ₩548,171 million, which was different from an originally approved amount of ₩374,046 million by the board of directors.

• 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, 2010 and 2009, accrued interest income not recognized due to such criteria amounts to ₩94,732 million and ₩127,958 million, respectively.

• CLASSIFICATION OF SECURITIES

At acquisition, the Bank classifies securities into one of the following categories: trading, available-for-sale and held-to-maturity, 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. Debt and equity securities not classified as

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

the above are categorized as available-for-sale securities.

If the objective and ability to hold securities of the Bank change, available-for-sale securities can be reclassified to held-to-maturity securities and held-to-maturity securities can be reclassified to available-for-sale securities. Whereas, if the Bank sells held-to-maturity securities or exercises early redemption right of securities to issuer in the current year or the proceeding two years, and if it reclassifies held-to-maturity securities to available-for-sale securities, all debt securities that are owned or purchased cannot be classified as held-to-maturity securities. On the other hand, trading securities cannot be recategorized to available-for-sale securities or held-to-maturity securities and vice versa. In rare cases, 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.

In addition, investments in equity securities of companies, over which the Bank exercises significant influence, are accounted for using the equity method and classified as securities accounted for using the equity method.

• VALUATION OF SECURITIES

(1) Valuation of Trading Securities

Trading securities are initially recognized at acquisition cost plus incidental expenses determined by the individual moving average method for equity securities and 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 for equity securities and 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 previously not recognized during the period that the equity method was suspended.

In addition, when ownership ratio 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 ratio 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 the previously recognized impairment loss, as a reversal of impairment loss on available-for-sale securities and any excess is included

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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 are 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 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 a 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 (0.9 percent for construction, real estate, wholesale & retail, hotel and restaurant industries) 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 under 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 are 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.

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• DEFERRED LOAN ORIGATION 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.

• 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 and loss on revaluation of tangible assets is accounted as accumulated other comprehensive income and non-operating expenses, respectively.

Depreciation is computed by the straight-line method for building and leasehold improvements and by the declining-balance method for others 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 identifiable 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 OF PROPERTY

Non-business use of 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 the estimated public auction price. As of December 31, 2010, the Bank does not have non-business use of 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 RESERVES

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 a contingent liability 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.

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• 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. The Bank manages the defined benefit retirement pension plan (DB plan) for the year ended December 31, 2010, and the assets invested in the DB plan is accounted as assets under management of pension benefits and 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 ₩356,423 million and ₩316,251 million as of December 31, 2010 and 2009, 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 the U.S. The Bank accounted the present value of estimated pension benefits as of December 31, 2010 as pension benefits payable. The assets invested in the DB plan is accounted as assets under management of pension benefits and presented as a deduction from pension benefits payable in accordance with Korea Accounting Institute (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 incurrance 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 equitysettled 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, 2010.

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• 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 tax or tax refunds for prior years (except for retroactive adjustments of tax effect directly added to or deducted from 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 relating 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 at the exchange rate prevailing on the transaction date. The Korean Won equivalent of assets and liabilities denominated in foreign currencies are translated in these financial statements based on the basic rate (₩1,138.90 and ₩1,167.60 to US\$ 1.00 at December 31, 2010 and 2009, respectively) announced by Seoul Money Brokerage Service, Ltd. or cross rates for other currencies other than U.S. Dollars at the 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 could 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, 2009 and applied those adopted standards as of and for the year ended December 31, 2010.

In addition, 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.

• RECLASSIFICATION

Certain accounts of the prior year are reclassified to conform to the current year's presentation for comparative purposes. The reclassifications do not impact the previously reported prior year's net income or shareholders' equity of the Bank.

• DISCLOSURE IN RELATION WITH ADOPTION OF KOREAN INTERNATIONAL FINANCIAL REPORTING STANDARDS (K-IFRS)

(1) Preparation and progress of adopting K-IFRS

Beginning January 1, 2011, application of K-IFRS becomes mandatory for all listed companies including banks in Korea. Based on this regulation, the Bank has set up a task force team for the adoption & implementation of K-IFRS and been performing a preliminary analysis of the impact on adoption of K-IFRS, establishing a master plan for implementation, determining appropriate accounting treatments under K-IFRS, to design and development its accounting system, implementing new accounting system and its on-going maintenance. Overall, this transition is currently in process.

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However as of December 30, 2010, the Bank has completed analyzing the impact on adoption of K-IFRS in April 2008, and has completed its design and development of updated accounting system in 2009. In addition, the Bank has implemented new accounting system and been maintaining beginning 2010. In addition, in order for the effective and efficient transition to K-IFRS, the Bank is providing on-the-job-training for applicable employees and team managers.

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

| Classification | K-IFRS | K-GAAP |
|--|---|---|
| Allowance for possible loan losses | Compute by using either a historical loss experience rate or an expected future cash flow model, in accordance with the incurred loss model. | Compute by considering the minimum accumulation rate in accordance with Forward Looking Criteria under Regulation on Supervision of Banking Business |
| Guarantees/Provisions for unused credit commitment | Compute by applying a historical credit conversion factor (CCF) and a historical loss experience rate in accordance with the expected loss model | Compute by applying a credit conversion factor (CCF) and the minimum accumulation rate under Regulation on Supervision of Banking Business |
| Loan Origination Cost/Fee (LOC/LOF) | Amortize in accordance with an expected maturity | Amortize in accordance with a contracted maturity |
| Customer loyalty programmes | Defer revenues related to points and recognize revenues when used | Expense paid points and reserve provisions |
| Reversal of impairment loss on securities | Recognize comprehensive income when a fair value of available-for-sale security, which was previously impaired, is recovered | Reverse an impairment loss as net income within the limit of pre-recognized impairment loss when a fair value of available-for-sale security is recovered |
| Accumulating compensated absences | Recognize expenses when services, generating accumulated compensated absences, are provided | Since no explicit regulations exist, recognize expenses when paid. |
| Foreign currency translation | Apply closing rates for monetary items and historical rates for non-monetary items | Apply closing rates for all items |
| Financial guarantee contracts | In case that the definition of financial guarantee contracts is satisfied in regard to liability on payment guarantee, an estimated fair value is recognized as a liability | No explicit regulations regarding to financial guarantee contracts exist. |
| Actuarial valuation on defined benefit plans | In accordance with Projected Unit Credit (PUC) model, the present value of expected severance benefits, computed using actuarial method and discount rate, is accounted as a defined benefit obligation | In accordance with a severance benefit rule, estimated severance benefits are accounted as accrued severance benefits, which will be paid in case that the entire employees, who have served over a year as of the end of reporting period, are retired at the same time. |
| Hybrid bonds | Classify as an equity and treat related costs as dividends | Classify as a liability and treat related costs as interest expenses |
| First-time adoption of K-IFRS (deemed cost) | Valuation gains on fixed assets are recognized as retained earnings at transition date when electing to use deemed cost | Valuation gains on fixed assets are recognized as other comprehensive income under the revaluation method. |

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(3) Changes of subsidiaries included in the consolidation

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

| K-GAAP | K-IFRS | Differences |
|--|---|--|
| Korea Exchange Bank | Korea Exchange Bank | - |
| KEB Capital Inc. | KEB Capital Inc. | - |
| KEB Futures Co., Ltd. | KEB Futures Co., Ltd. | - |
| - | KEB Fund Services Co., Ltd. | Excluded according to the Act on External Audit for Stock Companies in the Republic of Korea under K-GAAP while included in the consolidation scope under K-IFRS |
| Korea Exchange Bank of Canada | Korea Exchange Bank of Canada | - |
| KEB Australia Ltd. | KEB Australia Ltd. | - |
| PT. Bank KEB Indonesia | PT. Bank KEB Indonesia | - |
| Korea Exchange Bank (Deutschland) A.G. | Korea Exchange Bank (Deutschland) A.G. | - |
| Banco KEB do Brasil S. A. | Banco KEB do Brasil S. A. | - |
| KEB NY Financial Corp. | KEB NY Financial Corp. | - |
| KEB LA Financial Corp. | KEB LA Financial Corp. | - |
| - | KEB USA Int'l Corp. | Excluded according to the Act on External Audit for Stock Companies in the Republic of Korea under K-GAAP while included in the consolidation scope under K-IFRS |
| KEB Asia Finance Limited | KEB Asia Finance Limited | - |
| KEB Bank (China) Co., Ltd. | KEB Bank (China) Co., Ltd. | - |
| Trust agreement to preserve principal | - | Excluded from the consolidation scope under K-IFRS |
| Trust agreement to preserve Income | Trust agreement to preserve Income | - |
| - | KEB 17th Securitization Specialty Co., Ltd. | Included in the consolidation scope under K-IFRS |

(4) Information about the effect on financial position and results of operations in accordance with adoption of K-IFRS

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

1) Details of adjustment for financial position as of January 1, 2010 (transition date) (Unit: In millions):

| Classification | Assets | | Liabilities | | Shareholders' Equity | |
|--|--------|------------|-------------|------------|----------------------|-----------|
| K-GAAP | ₩ | 96,308,105 | ₩ | 88,353,278 | ₩ | 7,954,827 |
| The settled amount : | | | | | | |
| Allowance for possible loan losses | | 263,117 | | [168,665] | | 431,782 |
| Valuation of derivatives | | - | | [4,047] | | 4,047 |
| Actuarial valuation on defined benefit plans | | - | | 43,560 | | [43,560] |
| Reversal of impairment loss on securities | | [29,877] | | - | | [29,877] |
| Loan Origination Cost/Fee (LOC/LOF) | | 31,538 | | [328] | | 31,866 |
| Customer loyalty programmes | | - | | 17,114 | | [17,114] |
| Accumulating compensated absences | | - | | 67,606 | | [67,606] |
| Hybrid bonds | | - | | [249,802] | | 249,802 |
| Financial guarantee contracts | | 30,314 | | 32,516 | | [2,202] |
| Foreign currency translation | | 454 | | 281 | | 173 |
| Tax effect of the settled amount | | - | | 72,475 | | [72,475] |
| Others | | 5,499 | | 17,180 | | [11,681] |
| Sum of adjustments | | 301,045 | | [172,110] | | 473,155 |
| K-IFRS | ₩ | 96,609,150 | ₩ | 88,181,168 | ₩ | 8,427,982 |

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2) Details of adjustment for financial position as of December 31, 2010 and results of operations for the year ended December 31, 2010 (Unit: In millions):

| Classification | Assets | | Liabilities | | Shareholders' Equity | Net Income | Comprehensive Income |
|---|--------|------------|-------------|------------|----------------------|-------------|----------------------|
| K-GAAP | ₩ | 95,903,503 | ₩ | 87,527,778 | ₩ 8,375,725 | ₩ 1,021,367 | ₩ 901,353 |
| The settled amount : | | | | | | | |
| Allowance for possible loan losses | | 298,868 | | (96,037) | 394,905 | 38,081 | 38,081 |
| Guarantees/Provisions for unused credit commitment | | - | | (101,611) | 101,611 | 26,653 | 26,653 |
| Valuation of derivatives | | - | | 17,750 | (17,750) | (21,797) | (21,796) |
| Actuarial valuation on defined benefit plans | | 190 | | 3,199 | (3,009) | 40,560 | 40,551 |
| Reversal of impairment loss on securities | | (18,888) | | - | (18,888) | 33,272 | 10,989 |
| Loan Origination Cost/Fee (LOC/LOF) | | 15,321 | | (50) | 15,371 | (16,495) | (16,495) |
| Customer loyalty programmes | | - | | 14,707 | (14,707) | 2,408 | 2,408 |
| Accumulating compensated absences | | - | | 70,451 | (70,451) | (2,845) | (2,845) |
| Hybrid bonds | | - | | (249,843) | 249,843 | 18,291 | 18,291 |
| Financial guarantee contracts | | 47,256 | | 49,182 | (1,926) | 276 | 276 |
| Foreign currency translation | | (13,286) | | 2,580 | (15,866) | (12,419) | (16,039) |
| Tax effect of the settled amount | | - | | 74,061 | (74,061) | (5,772) | (1,585) |
| Conversion from securities using the equity method to cost method | | (69,202) | | - | (69,202) | (69,072) | (69,202) |
| Others | | 17,935 | | 19,845 | (1,910) | 4,695 | 9,769 |
| Sum of adjustments | | 278,194 | | (195,766) | 473,960 | 35,836 | 19,056 |
| K-IFRS | ₩ | 96,181,697 | ₩ | 87,332,012 | ₩ 8,849,685 | ₩ 1,057,203 | ₩ 920,409 |

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

3. CASH AND DUE FROM BANKS:

(1) Cash and due from banks as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Account | 2010 | | 2009 | |
|--------------------------------------|------|-----------|------|-----------|
| Cash | ₩ | 998,607 | ₩ | 809,276 |
| Foreign currencies on hand | | 412,777 | | 384,555 |
| Due from banks in Won | | 3,719,710 | | 3,039,185 |
| Due from banks in foreign currencies | | 2,324,340 | | 1,669,692 |
| | ₩ | 7,455,434 | ₩ | 5,902,708 |

(2) Due from banks in Won as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Account | Financial institution | 2010 | | 2009 | |
|---------------------------------|------------------------------|------|-----------|------|-----------|
| Reserve deposit | The Bank of Korea | ₩ | 3,490,109 | ₩ | 1,420,823 |
| Monetary Stabilization deposits | The Bank of Korea | | 200,000 | | - |
| Due from banks on time deposits | Other banks | | - | | 576,469 |
| Other due from banks | Other banks | | 4,506 | | 18,016 |
| Other due from banks | Other financial institutions | | 25,095 | | 1,023,877 |
| | | ₩ | 3,719,710 | ₩ | 3,039,185 |

(3) Due from banks in foreign currencies as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Account | Financial institution | 2010 | | 2009 | |
|---|---------------------------------|------|-----------|------|-----------|
| Reserve deposit | The Bank of Korea | ₩ | 1,676,055 | ₩ | 752,316 |
| Due from banks on time deposits | Overseas financial institutions | | 325,239 | | 214,114 |
| Other due from banks | Overseas financial institutions | | 56,000 | | 522,741 |
| Other due from banks | Other financial institutions | | 2,685 | | 2,748 |
| Due from banks in other bank-foreign currencies | Overseas financial institutions | | 264,361 | | 177,773 |
| | | ₩ | 2,324,340 | ₩ | 1,669,692 |

(4) Restricted due from banks in Won and foreign currencies as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | | 2009 | | Reason for restriction |
|---------------------------------------|------|-----------|------|-----------|--|
| Due from banks in Won: | | | | | |
| The Bank of Korea | ₩ | 3,490,109 | ₩ | 1,420,823 | Required under Banking Act and others |
| The Bank of Korea | | 200,000 | | - | Deposits in the BOK for the purpose of liquidity management of the BOK |
| Woori Bank and others | | - | | 490 | Escrow account |
| Shinhan Investment Corp. and others | | 603 | | 12,456 | Subscription related to derivatives |
| Daewoo Securities Co., Ltd. | | 965 | | - | Stock subscription for Doosan Engine Co., Ltd. |
| KEB Trust Pension | | 16,328 | | 14,626 | Required under FSCMA |
| | | 3,708,005 | | 1,448,395 | |
| Due from banks in foreign currencies: | | | | | |
| The Bank of Korea | | 1,676,055 | | 752,316 | Required under Banking Act and others |
| Other (Bank of China) | | - | | 190,165 | Capital stock paid-up for establishing branch in china |
| Others (Bank of America and others) | | 58,526 | | 46,841 | Subscription related to derivatives |
| | | 1,734,581 | | 989,322 | |
| | ₩ | 5,442,586 | ₩ | 2,437,717 | |

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(5) Term structure of due from banks in Won and foreign currencies as of December 31, 2010 is as follows (Unit: In millions):

| Classification | Due from banks in Won | | Due from banks in foreign | | Total |
|------------------------------|-----------------------|-----------|---------------------------|-----------|-------------|
| Due in less than one year | ₩ | 3,719,710 | ₩ | 2,322,706 | ₩ 6,042,416 |
| Due from one to two years | | - | | - | - |
| Due from two to three years | | - | | 1,634 | 1,634 |
| Due from three to five years | | - | | - | - |
| Due in five years or more | | - | | - | - |
| | ₩ | 3,719,710 | ₩ | 2,324,340 | ₩ 6,044,050 |

4. SECURITIES:

(1) Securities as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | | 2009 | |
|------------------------------------|------|------------|------|------------|
| Trading securities | ₩ | 113,231 | ₩ | 959,052 |
| Available-for-sale securities | | 6,022,943 | | 7,704,275 |
| Held-to-maturity securities | | 5,884,844 | | 4,472,087 |
| Securities using the equity method | | 1,140,613 | | 693,761 |
| | ₩ | 13,161,631 | ₩ | 13,829,175 |

(2) Securities excluding securities using the equity method as of December 31, 2010 consist of (Unit: In millions):

| Classification | Face value | | Acquisition cost (*1) | Adjusted by effective interest rate method | Book value |
|--------------------------------|------------|------------|-----------------------|--|--------------|
| Trading securities: | | | | | |
| Equity securities | ₩ | - | ₩ 56,435 | ₩ - | ₩ 58,252 |
| Beneficiary certificates | | 10,000 | 10,482 | - | 11,946 |
| Finance bonds | | 7,972 | 7,968 | 7,736 | 7,907 |
| Corporate bonds | | 35,306 | 34,981 | 35,096 | 35,126 |
| | | 53,278 | 109,866 | 42,832 | 113,231 |
| Available-for-sale securities: | | | | | |
| Equity securities | | - | 565,498 | - | 1,266,209 |
| Equity investments | | - | 54,039 | - | 46,319 |
| Beneficiary certificates | | 197,718 | 197,718 | - | 218,087 |
| Government and public bonds | | 179,887 | 184,538 | 182,731 | 183,132 |
| Financial institution bonds | | 3,498,066 | 3,490,269 | 3,492,129 | 3,515,048 |
| Corporate bonds | | 673,682 | 682,272 | 671,970 | 677,106 |
| Asset-backed securities | | 106,803 | 106,803 | 48,057 | 50,202 |
| Other debt securities | | 87,636 | 87,636 | 29,799 | 66,840 |
| | | 4,743,792 | 5,368,773 | 4,424,686 | 6,022,943 |
| Held-to-maturity securities: | | | | | |
| Government and public bonds | | 1,259,000 | 1,264,929 | 1,262,373 | 1,262,373 |
| Financial institution bonds | | 4,299,834 | 4,299,464 | 4,303,048 | 4,303,048 |
| Foreign government bonds | | 54,222 | 53,739 | 53,874 | 53,874 |
| Corporate bonds | | 260,779 | 265,346 | 265,026 | 265,026 |
| Other debt securities | | 525 | 523 | 523 | 523 |
| | | 5,874,360 | 5,884,001 | 5,884,844 | 5,884,844 |
| | ₩ | 10,671,430 | ₩ 11,362,640 | ₩ 10,352,362 | ₩ 12,021,018 |

(*1) Acquisition cost of trading securities is the book value before valuation.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

| Classification | Face value | Acquisition cost (*1) | Adjusted by effective interest rate method | Book value |
|--------------------------------|--------------|-----------------------|--|--------------|
| Trading securities: | | | | |
| Equity securities | ₩ - | ₩ 22,884 | ₩ - | ₩ 24,883 |
| Beneficiary certificates | 15,000 | 15,000 | - | 15,014 |
| Government and public bonds | 1 | 1 | 1 | 1 |
| Financial institution bonds | 868,172 | 870,456 | 869,722 | 880,944 |
| Corporate bonds | 38,531 | 38,140 | 36,908 | 38,210 |
| | 921,704 | 946,481 | 906,631 | 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 | - | 205,176 |
| Government and public bonds | 329,925 | 339,188 | 339,188 | 335,155 |
| Financial institution 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 | 5,759,788 | 7,704,275 |
| Held-to-maturity securities: | | | | |
| Government and public bonds | 1,130,007 | 1,136,017 | 1,135,246 | 1,135,246 |
| Financial institution bonds | 3,157,777 | 3,159,817 | 3,156,073 | 3,156,073 |
| Foreign government bonds | 24,079 | 23,708 | 23,825 | 23,825 |
| Corporate bonds | 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 | ₩ 11,138,506 | ₩ 13,135,414 |

(*1) Acquisition cost of trading securities is the book value before valuation.

The difference of trading securities recorded at fair value and the adjusted cost using the effective interest rate method (acquisition cost for stocks and beneficiary certificates) is recorded as gain on valuation of trading securities amounting to ₩4,245 million and ₩15,443 million, and loss on valuation of trading securities amounting to ₩763 million and ₩906 million for the years ended December 31, 2010 and 2009, respectively.

The fair value of trading and available-for-sale debt securities is assessed by applying the average of base prices as of December 31, 2010, 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 31 others, and the restricted available-for-sale marketable equity securities such as Hynix Semiconductor Inc. and 7 others is reliably measured by an independent appraisal institute using reasonable judgment. The fair value is determined based on more than one valuation model such as Discounted Cash Flow (DCF) Model, Imputed Market Value (IMV) Model, Discounted Free Cash Flow to Equity (FCFE) Model, Dividend Discount (DD) Model and Risk Adjusted Discounted Cash Flow (RADCF) Model depending on the equity securities. In order to assess the fair value of stocks, a 5-year projection is forecasted based on past operating results. Also, assuming the same operation is continued during the estimated period, the model is applied using the estimated financial statements from 2010 to 2014. 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 by deducting total liabilities from total assets of each equity investment.

(3) Discretionary investing contract assets included in beneficiary certificates of trading securities as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | 2009 |
|----------------------------------|----------|----------|
| Short-term financial instruments | ₩ 503 | ₩ 1,147 |
| Stocks | 11,438 | 13,325 |
| Others | 134 | 2,301 |
| Total assets | 12,075 | 16,773 |
| Total liabilities | 129 | 1,759 |
| Net assets value | ₩ 11,946 | ₩ 15,014 |

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(4) The book value of non-marketable stocks and equity investments among available-for-sale securities, which are not measured at fair value as of December 31, 2010 and 2009, is as follows (Unit: In millions):

| Company | 2010 |
|--|-----------|
| Stocks: | |
| Credit Recovery Fund | ₩ 62,466 |
| Alpha Dome City | 14,751 |
| KAMCO (Korea Asset Management Corporation) | 6,330 |
| M Cieta Development | 1,275 |
| Hallyu-Wood | 1,200 |
| BLADEX | 1,117 |
| Others | 4,567 |
| | 91,706 |
| Equity investments: | |
| Consolidated Fund for Impaired Loans | 18,888 |
| | ₩ 110,594 |
| Company | 2009 |
| 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 |

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

| Classification | 2010 | | 2009 | |
|-------------------------|------------|-----------------------------|------------|-----------------------------|
| | Impairment | Reversal of impairment loss | Impairment | Reversal of impairment loss |
| Equity securities | ₩ 67 | ₩ - | ₩ 1,237 | ₩ 7,879 |
| Corporate bonds | - | - | - | 205 |
| Asset-backed securities | - | 2,387 | 9,085 | 10,602 |
| Other securities | - | - | 10,574 | - |
| | ₩ 67 | ₩ 2,387 | ₩ 20,896 | ₩ 18,686 |

(6) Securities provided as collateral as of December 31, 2010 are as follows (Unit: In millions):

| Provided to | Collateral amount | Book value | Provided for |
|----------------------------|-------------------|-------------|-----------------------------------|
| Customers | ₩ 3,000 | ₩ 3,008 | Sale to RP to customer |
| BOK | 1,010,000 | 1,012,265 | Settlement of difference |
| BOK | 110,000 | 110,805 | RP from BOK |
| BOK | 590,000 | 590,138 | Borrowings from BOK |
| Other financial institutes | 1,218,200 | 1,222,269 | Derivatives settlement and others |
| | ₩ 2,931,200 | ₩ 2,938,485 | |

In addition, securities that are possible to be discounted by BOK amounted to ₩4,817,753 million as of December 31, 2010.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(7) Securities using the equity method

1) Securities using the equity method as of December 31, 2010 and 2009 are summarized as follows (Unit: shares in thousands & Won in millions):

| Company | 2010 | | | | |
|--|---------------|---------------|------------------|-----------------|-------------|
| | No. of shares | Ownership (%) | Acquisition cost | Net asset value | Book value |
| Domestic stocks: | | | | | |
| KEB Capital Inc. (KEBC) | 14,976 | 99.31 | ₩ 74,881 | ₩ 121,304 | ₩ 122,894 |
| KEB Futures Co., Ltd. (KEBF) | 3,000 | 100.00 | 15,000 | 58,511 | 58,511 |
| KEB Fund Services Co., Ltd. (KEBFS) (*1) | 510 | 100.00 | 2,550 | 9,780 | 2,550 |
| MIDAN City Development Co., Ltd. (*2 and *3) | 388 | 2.70 | 1,939 | 1,518 | 1,518 |
| Flossom Co., Ltd. (*2 and *4) | 165 | 5.00 | 825 | 628 | 628 |
| | | | 95,195 | 191,741 | 186,101 |
| Foreign stocks: | | | | | |
| K.E.B of Canada (KEBOC) | 334 | 100.00 | 38,032 | 123,533 | 123,533 |
| KEB Australia Ltd. (KEBA) | 55,000 | 100.00 | 63,686 | 67,740 | 67,740 |
| K.E.B Deutschland A.G. (KEBDAG) | 20 | 100.00 | 27,086 | 71,084 | 71,084 |
| PT. Bank KEB Indonesia (KEBI) | 1 | 99.00 | 29,299 | 148,095 | 148,585 |
| Banco KEB do Brasil S.A. (KEBB) | 33,726 | 100.00 | 21,275 | 25,674 | 25,674 |
| KEB NY Financial Corp. (NYFinCo) | 0.1 | 100.00 | 22,778 | 35,326 | 35,326 |
| KEB LA Financial Corp. (LAFinCo) | 0.2 | 100.00 | 45,556 | 34,834 | 34,834 |
| KEB USA International Corp. (USAI) | 0.1 | 100.00 | 2,847 | 6,921 | 6,921 |
| KEB Asia Finance Limited (KAF) | 50,000 | 100.00 | 56,945 | 55,912 | 55,239 |
| KEB Bank (China) Co., Ltd. (KEB China) (*5) | - | 100.00 | 379,520 | 385,539 | 385,576 |
| | | | 687,024 | 954,658 | 954,512 |
| | | | ₩ 782,219 | ₩ 1,146,399 | ₩ 1,140,613 |

(*1) Securities of KEB Fund Services Co., Ltd. are subject to the Act on External Audit for Stock Companies in the Republic of Korea, and as the valuation change in these equity securities is not material; investment is not accounted for using the equity method.

(*2) Although the Bank has less than 15 percent ownership, it has significant influence over the company through designation of a director and other.

(*3) Lippo Incheon Development Co., Ltd. has been renamed MIDAN City Development Co., Ltd.

(*4) Soul Flora Co., Ltd. has been renamed Flossom Co., Ltd.

(*5) The Bank established KEB Bank (China) Co., Ltd. and Tianjin, Dalian, Beijing and Shanghai branches were converted into corporations; accordingly, KEB China has become an investee accounted for under the equity method.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| Company | 2009 | | | | |
|--|---------------|---------------|------------------|-----------------|------------|
| | 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. (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 |
| | | | 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 | 58,380 | 54,212 | 54,212 |
| | | | 305,223 | 515,968 | 517,023 |
| | | | ₩ 404,298 | ₩ 697,297 | ₩ 693,761 |

[*1] Securities of KEB Fund Services Co., Ltd. are subject to the Act on External Audit for Stock Companies in the Republic of Korea, and as the valuation change in these equity securities is not material; investment is not accounted for using the equity method.

[*2] Although the Bank has less than 15 percent ownership, it has significant influence over the company through designation of a director and other.

2) The valuation of securities using the equity method for the years ended December 31, 2010 and 2009 is as follows (Unit: In millions):

| Company | Acquisition cost | Jan. 1, 2010 | Increase (Decrease) (Dividend) | Transfer | Foreign exchange trading income (loss) | Equity in earnings (losses) | Accumulated other comprehensive income | Dec. 31, 2010 |
|--|------------------|--------------|--------------------------------|-----------|--|-----------------------------|--|---------------|
| KEBC | ₩ 74,881 | ₩ 115,295 | ₩ - | ₩ - | ₩ - | ₩ 8,452 | ₩ (853) | ₩ 122,894 |
| KEBF | 15,000 | 52,808 | - | - | - | 4,683 | 1,020 | 58,511 |
| KEBFS [*1] | 2,550 | 2,550 | - | - | - | - | - | 2,550 |
| MIDAN City Development Co., Ltd. [*2 and *4] | 1,939 | 1,697 | - | - | - | (179) | - | 1,518 |
| Realty Advisors Korea, Ltd. [*3] | 1,000 | 1,038 | (424) | (539) | - | (75) | - | - |
| Ilsan Project Co., Ltd. [*3] | 2,880 | 2,602 | - | (2,509) | - | (93) | - | - |
| Flossom Co., Ltd. [*2 and *5] | 825 | 748 | - | - | - | (120) | - | 628 |
| KEBOC | 38,032 | 111,055 | - | - | 3,178 | 9,300 | - | 123,533 |
| KEBA | 63,686 | 48,792 | - | - | 5,269 | 13,679 | - | 67,740 |
| KEBDAG | 27,086 | 73,698 | (619) | - | (7,073) | 5,078 | - | 71,084 |
| KEBI | 29,299 | 131,454 | - | - | 2,973 | 14,158 | - | 148,585 |
| KEBB | 21,275 | 23,147 | - | - | 524 | 2,003 | - | 25,674 |
| NYFinCo | 22,778 | 36,169 | - | - | (888) | 45 | - | 35,326 |
| LAFinCo | 45,556 | 32,037 | - | - | (787) | 3,584 | - | 34,834 |
| USAI | 2,847 | 6,459 | - | - | (158) | 620 | - | 6,921 |
| KAF | 56,945 | 54,212 | - | - | (1,332) | 2,359 | - | 55,239 |
| KEB China | 379,520 | - | 391,709 | - | (12,189) | 6,056 | - | 385,576 |
| | ₩ 786,099 | ₩ 693,761 | ₩ 390,666 | ₩ (3,048) | ₩ (10,483) | ₩ 69,550 | ₩ 167 | ₩ 1,140,613 |

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(*1) Securities of KEB Fund Services Co., Ltd. are subject to the Act on External Audit for Stock Companies in the Republic of Korea, and as the valuation change in these equity securities is not material; investment is not accounted for using the equity method.

(*2) Although the Bank has less than 15 percent ownership, it has significant influence over the company through designation of a director and other.

(*3) The Bank do not exercise significant influence over the company due to resignation of a director and others who were appointed by the Bank. Accordingly, securities can no longer be accounted for using the equity method and are reclassified as available-for-sale securities.

(*4) Lippo Incheon Development Co., Ltd. has been renamed MIDAN City Development Co., Ltd.

(*5) Soul Flora Co., Ltd. has been renamed Flossom Co., Ltd.

| Company | Acquisition cost | Jan. 1, 2009 | Increase (Decrease) (Dividend) | Foreign exchange trading income (loss) | Equity in earnings (losses) | Accumulated other comprehensive income | Dec. 31, 2009 |
|--|------------------|--------------|--------------------------------|--|-----------------------------|--|---------------|
| KEBC | ₩ 74,881 | ₩ 107,696 | ₩ - | ₩ - | ₩ 6,763 | ₩ 836 | ₩ 115,295 |
| KEBF | 15,000 | 41,105 | - | - | 11,006 | 697 | 52,808 |
| KEBFS (*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 |
| Lippo Incheon (*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 | - | 8,386 | 16,115 | - | 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 | 58,380 | - | 58,380 | - | (4,168) | - | 54,212 |
| | ₩ 404,298 | ₩ 544,130 | ₩ 84,252 | ₩ 14,442 | ₩ 49,416 | ₩ 1,521 | ₩ 693,761 |

(*1) Securities of KEB Fund Services Co., Ltd. are subject to the Act on External Audit for Stock Companies in the Republic of Korea, and as the valuation change in these equity securities is not material; investment is not accounted for using the equity method.

(*2) Although the Bank has less than 15 percent ownership, it has significant influence over the company through designation of a director and other.

3) Elimination of Unrealized Profit from Inter-company Transactions

Material unrealized profit from inter-company transactions is eliminated when equity investments are valued. Unrealized gain from inter-company lease transaction amount to ₩116 million and ₩152 million as of December 31, 2010 and 2009, respectively. Unrealized expense from inter-company bond issuance amounts to ₩673 million as of December 31, 2010.

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, 2010 is as follows (Unit: In millions):

| Classification | KEBC | KEBOC | KEBA | KEBDAG |
|-------------------|-----------|-------------|-----------|-----------|
| Total assets | ₩ 890,483 | ₩ 1,202,270 | ₩ 422,463 | ₩ 427,654 |
| Total liabilities | 768,337 | 1,078,737 | 354,723 | 356,570 |
| Operating revenue | 90,398 | 49,308 | 31,192 | 24,255 |
| Net income | 7,782 | 9,300 | 13,679 | 5,078 |

| Classification | KEBI | KEB China | Others | Total |
|-------------------|-----------|-------------|-------------|-------------|
| Total assets | ₩ 453,227 | ₩ 1,292,077 | ₩ 1,791,841 | ₩ 6,480,015 |
| Total liabilities | 303,636 | 906,538 | 1,496,051 | 5,264,592 |
| Operating revenue | 48,325 | 102,847 | 112,754 | 459,079 |
| Net income | 14,896 | 6,019 | 7,231 | 63,985 |

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

Unaudited financial statements as of December 31, 2010 are used for the application of the equity method.

The significant events from the closing dates of the investees to that of the Bank are properly reflected in applying the equity method. The material transactions or events from incorporation of each subsidiary to December 31, 2010 are considered in the valuation using the equity method. The Bank has performed procedures to verify reliability of unaudited financial statements such as obtaining signature of their representatives and internal auditors.

(8) The portfolio of securities excluding securities using the equity method, by industry, as of December 31, 2010 and 2009 is as follows (Unit: In millions):

| By industry type | 2010 | | 2009 | |
|---|-------------|----------------|-------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Trading securities: | | | | |
| Government and government-invested public companies | ₩ 35,126 | 31.02 | ₩ 227,549 | 23.73 |
| Financial institutions | 22,111 | 19.53 | 692,507 | 72.21 |
| Manufacturing | 24,134 | 21.31 | 16,795 | 1.75 |
| Others | 31,860 | 28.14 | 22,201 | 2.31 |
| | ₩ 113,231 | 100.00 | ₩ 959,052 | 100.00 |
| Available-for-sale securities: | | | | |
| Government and government-invested public companies | ₩ 2,551,494 | 42.36 | ₩ 3,037,711 | 39.43 |
| Financial institutions | 1,801,748 | 29.91 | 2,418,632 | 31.39 |
| Manufacturing | 764,353 | 12.69 | 1,254,415 | 16.28 |
| Others | 905,348 | 15.04 | 993,517 | 12.90 |
| | ₩ 6,022,943 | 100.00 | ₩ 7,704,275 | 100.00 |
| Held-to-maturity securities: | | | | |
| Government and government-invested public companies | ₩ 5,204,514 | 88.44 | ₩ 3,803,365 | 85.05 |
| Financial institutions | 604,609 | 10.27 | 608,543 | 13.61 |
| Manufacturing | - | - | 34,989 | 0.78 |
| Others | 75,721 | 1.29 | 25,190 | 0.56 |
| | ₩ 5,884,844 | 100.00 | ₩ 4,472,087 | 100.00 |

(9) The portfolio of securities excluding securities using the equity method, by security type, as of December 31, 2010 and 2009 is as follows (Unit: In millions):

| By security type | 2010 | | 2009 | |
|--------------------------------|-------------|----------------|-------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Trading securities: | | | | |
| Stocks | ₩ 58,252 | 51.45 | ₩ 24,883 | 2.59 |
| Fixed rate bonds | - | - | 751,216 | 78.33 |
| Floating rate bonds | 43,033 | 38.00 | 46,141 | 4.81 |
| Subordinated bonds | - | - | 121,798 | 12.70 |
| Beneficiary certificates | 11,946 | 10.55 | 15,014 | 1.57 |
| | ₩ 113,231 | 100.00 | ₩ 959,052 | 100.00 |
| Available-for-sale securities: | | | | |
| Stocks | ₩ 1,266,209 | 21.02 | ₩ 1,657,627 | 21.52 |
| Fixed rate bonds | 3,183,651 | 52.86 | 3,815,427 | 49.52 |
| Floating rate bonds | 765,476 | 12.71 | 1,263,947 | 16.41 |
| Subordinated bonds | 476,361 | 7.91 | 668,181 | 8.67 |
| Beneficiary certificates | 218,087 | 3.62 | 205,176 | 2.66 |
| Others | 113,159 | 1.88 | 93,917 | 1.22 |
| | ₩ 6,022,943 | 100.00 | ₩ 7,704,275 | 100.00 |

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| By security type | 2010 | | 2009 | |
|------------------------------|-------------|----------------|-------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Held-to-maturity securities: | | | | |
| Fixed rate bonds | ₩ 5,731,479 | 97.39 | ₩ 4,113,209 | 91.98 |
| Floating rate bonds | 4,350 | 0.07 | 39,686 | 0.89 |
| Subordinated bonds | 148,492 | 2.53 | 318,604 | 7.12 |
| Others | 523 | 0.01 | 588 | 0.01 |
| | ₩ 5,884,844 | 100.00 | ₩ 4,472,087 | 100.00 |

(10) The portfolio of securities excluding securities using the equity method, by country, as of December 31, 2010 and 2009 is as follows (Unit: In millions):

| By country type | 2010 | | 2009 | |
|---------------------|-----------|----------------|-----------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Trading securities: | | | | |
| Korea | ₩ 106,946 | 94.45 | ₩ 958,541 | 99.95 |
| Others | 6,285 | 5.55 | 511 | 0.05 |
| | ₩ 113,231 | 100.00 | ₩ 959,052 | 100.00 |

| | | | | |
|--------------------------------|-------------|--------|-------------|--------|
| Available-for-sale securities: | | | | |
| Korea | ₩ 5,984,762 | 99.37 | ₩ 7,640,527 | 99.18 |
| Cayman Islands | 20,730 | 0.34 | 41,166 | 0.53 |
| USA | 3,349 | 0.06 | 6,214 | 0.08 |
| Hong Kong (China) | 4,955 | 0.08 | 4,839 | 0.06 |
| UK | - | - | 3,140 | 0.04 |
| Others | 9,147 | 0.15 | 8,389 | 0.11 |
| | ₩ 6,022,943 | 100.00 | ₩ 7,704,275 | 100.00 |

| | | | | |
|------------------------------|-------------|--------|-------------|--------|
| Held-to-maturity securities: | | | | |
| Korea | ₩ 5,830,190 | 99.06 | ₩ 4,446,897 | 99.43 |
| Singapore | 49,524 | 0.84 | 19,128 | 0.43 |
| Philippines | 5,130 | 0.10 | 6,062 | 0.14 |
| | ₩ 5,884,844 | 100.00 | ₩ 4,472,087 | 100.00 |

(11) Term structure of securities except for stocks and equity investments as of December 31, 2010 is 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 | ₩ 982,048 | ₩ 463,457 | ₩ - | ₩ - | ₩ 1,445,505 |
| Financial institution bonds | 5,247,962 | 2,482,270 | 95,771 | - | 7,826,003 |
| Foreign government bonds | 49,537 | 1,465 | 2,872 | - | 53,874 |
| Corporate bonds | 232,736 | 744,522 | - | - | 977,258 |
| Beneficiary certificates | 230,033 | - | - | - | 230,033 |
| Asset-backed securities | 17,542 | 32,660 | - | - | 50,202 |
| Others | 523 | - | 66,840 | - | 67,363 |
| | ₩ 6,760,381 | ₩ 3,724,374 | ₩ 165,483 | ₩ - | ₩ 10,650,238 |

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(12) Structured securities relating to stock, interest rate and credit risk as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | | | |
|---|------|---------|--------------------|--------|
| | Won | | Foreign currencies | |
| | | | | Total |
| Structured notes relating to stock: | | | | |
| Convertible bonds (loans) | ₩ | 41,926 | ₩ | - |
| Bonds with warrant (loans) | | 93,000 | | - |
| | | 134,926 | | - |
| Structured notes relating to interest rate: | | | | |
| Long-term floating rate government bonds (CMT) (available-for-sale securities) | | 20,203 | | - |
| | ₩ | 155,129 | ₩ | - |
| Classification | 2009 | | | |
| | Won | | Foreign currencies | |
| | | | | Total |
| Structured notes relating to stock: | | | | |
| Convertible bonds (loans) | ₩ | 49,490 | ₩ | - |
| Bonds with warrant (loans) | | 19,000 | | - |
| | | 68,490 | | - |
| Structured notes relating to interest rate: | | | | |
| Long-term floating rate government bonds (CMT) (available-for-sale securities) | | 20,259 | | - |
| Structured notes relating to credit risk: | | | | |
| Synthetic CDO (available-for-sale securities) | | - | | 16,788 |
| | ₩ | 88,749 | ₩ | 16,788 |

(13) Changes in accumulated other comprehensive income (loss) of available-for-sale securities for the year ended December 31, 2010 are as follows (Unit: In millions):

| Classification | Beginning balance | Increase (decrease) | Disposal | Deferred income tax | Ending balance |
|-------------------|-------------------|---------------------|-------------|---------------------|----------------|
| Equity securities | ₩ 805,518 | ₩ 31,690 | ₩ (272,440) | ₩ 52,965 | ₩ 617,733 |
| Debt securities | (8,639) | 82,945 | 1,313 | (18,629) | 56,990 |
| | ₩ 796,879 | ₩ 114,635 | ₩ (271,127) | ₩ 34,336 | ₩ 674,723 |

(14) Changes in accumulated other comprehensive loss of held-to-maturity securities for the year ended December 31, 2010 are as follows (Unit: In millions):

| Classification | Beginning | Increase (decrease) | Redemption | Deferred income tax | Ending |
|-----------------|-----------|---------------------|------------|---------------------|--------|
| Debt securities | ₩ (16) | ₩ - | ₩ 21 | ₩ (5) | ₩ - |

(15) Changes in accumulated other comprehensive income(loss) of securities using the equity method for the year ended December 31, 2010 are as follows (Unit: In millions):

| Classification | Beginning | Increase (decrease) | Disposal | Deferred income tax | Ending |
|---|-----------|---------------------|----------|---------------------|---------|
| Changes in equity on equity method | ₩ 4,595 | ₩ 555 | ₩ - | ₩ (122) | ₩ 5,028 |
| Negative changes in equity on equity method | (10) | (388) | - | 86 | (312) |
| | ₩ 4,585 | ₩ 167 | ₩ - | ₩ (36) | ₩ 4,716 |

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

5. LOANS:

(1) Loans as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | | 2009 | |
|--|------|-------------|------|------------|
| Call loans | ₩ | 3,050,271 | ₩ | 1,604,443 |
| Domestic import usance bill | | 3,225,448 | | 2,616,184 |
| Credit card receivables | | 2,580,981 | | 2,422,944 |
| Bills bought in foreign currencies | | 3,853,913 | | 3,996,289 |
| Bills bought in Won | | 97,565 | | 90,798 |
| Bonds purchased under repurchase agreements | | 700,000 | | 1,786,000 |
| Loans in Won | | 42,129,114 | | 42,532,060 |
| Loans in foreign currencies | | 6,884,276 | | 7,883,346 |
| Factoring receivables | | 597,679 | | 166,525 |
| Advances for customers | | 6,336 | | 8,998 |
| Debt-for-equity swap | | 7,732 | | - |
| Privately placed bonds | | 413,145 | | 537,777 |
| | | 63,546,460 | | 63,645,364 |
| Less: Allowance for possible loan losses (see Notes 6 and 7) | | [1,087,336] | | [963,425] |
| Deferred loan origination fees and costs | | [35,361] | | [54,925] |
| | ₩ | 62,423,763 | ₩ | 62,627,014 |

(2) Loans in Won and loans in foreign currencies as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | | 2009 | |
|-----------------------------------|------------------------------|--------------|--------------|------------|
| Loans in Won: | | | | |
| Commercial | Financial loans: | | | |
| | Working capital loans | ₩ 18,794,067 | ₩ 21,591,035 | |
| | Facilities loans | 3,425,130 | 2,838,010 | |
| | Loans with government funds: | | | |
| | Working capital loans | 25,245 | 48,734 | |
| | Facilities loans | 444,108 | 447,939 | |
| | | 22,688,550 | 24,925,718 | |
| Households | General purpose loans | 13,407,247 | 13,403,212 | |
| | Housing loans | 5,868,317 | 4,096,168 | |
| | | 19,275,564 | 17,499,380 | |
| Public sector and others | Working capital loans | 60,525 | 82,898 | |
| | Facilities loans | 88,858 | 11,544 | |
| | General purpose loans | 15,617 | 12,520 | |
| | | 165,000 | 106,962 | |
| Total loans in Won | | 42,129,114 | 42,532,060 | |
| Loans in foreign currencies: | Working capital loans | 714,390 | 799,646 | |
| | Facilities loans | 1,534,576 | 2,571,530 | |
| | Others | 4,292,155 | 4,408,295 | |
| | Inter-bank loans | 343,155 | 103,875 | |
| Total loans in foreign currencies | | 6,884,276 | 7,883,346 | |
| | ₩ | 49,013,390 | ₩ | 50,415,406 |

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(3) Loans in Won, loans in foreign currencies and domestic import usance bill, classified by borrower type, as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| By borrower type | 2010 | | | | | Percentage (%) |
|-----------------------------------|--------------|-----------------------------|-----------------------------|--------------|---|----------------|
| | Loans in Won | Loans in foreign currencies | Domestic import usance bill | Total | | |
| Large corporations | ₩ 6,383,152 | ₩ 4,645,145 | ₩ 2,536,755 | ₩ 13,565,052 | ₩ | 25.97 |
| Small and medium corporations (*) | 16,305,398 | 2,239,131 | 688,693 | 19,233,222 | | 36.82 |
| Households | 19,275,564 | - | - | 19,275,564 | | 36.89 |
| Public sector and others | 165,000 | - | - | 165,000 | | 0.32 |
| | ₩ 42,129,114 | ₩ 6,884,276 | ₩ 3,225,448 | ₩ 52,238,838 | ₩ | 100.00 |

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

| By borrower type | 2009 | | | | | Percentage (%) |
|-----------------------------------|--------------|-----------------------------|-----------------------------|--------------|---|----------------|
| | Loans in Won | Loans in foreign currencies | Domestic import usance bill | Total | | |
| Large corporations | ₩ 6,138,830 | ₩ 5,718,257 | ₩ 2,089,530 | ₩ 13,946,617 | ₩ | 26.30 |
| Small and medium corporations (*) | 18,786,888 | 2,165,089 | 526,654 | 21,478,631 | | 40.50 |
| Households | 17,499,380 | - | - | 17,499,380 | | 33.00 |
| Public sector and others | 106,962 | - | - | 106,962 | | 0.20 |
| | ₩ 42,532,060 | ₩ 7,883,346 | ₩ 2,616,184 | ₩ 53,031,590 | ₩ | 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, 2010 and 2009 are as follows (Unit: In thousands of U.S. Dollars & in millions of Won):

| Classification | 2010 | | | | | | | Percentage [%] |
|----------------|------------------------------|-------------------------|------------------------------|-------------------------|--------------|--------|--|--------------------|
| | Loans in foreign currencies | | Domestic import usance bill | | Total | | | |
| | Loans in U.S. Dollars (*) | Translation into Won | Loans in U.S. Dollars (*) | Translation into Won | | | | |
| Korea | \$ 4,773,320 | ₩ 5,436,334 | \$ 2,832,073 | ₩ 3,225,448 | ₩ 8,661,782 | 85.68 | | |
| France | 352,224 | 401,148 | - | - | 401,148 | 3.97 | | |
| Japan | 315,246 | 359,034 | - | - | 359,034 | 3.55 | | |
| German | 83,353 | 94,931 | - | - | 94,931 | 0.94 | | |
| Panama | 72,125 | 82,143 | - | - | 82,143 | 0.81 | | |
| Others | 448,403 | 510,686 | - | - | 510,686 | 5.05 | | |
| | \$ 6,044,671 | ₩ 6,884,276 | \$ 2,832,073 | ₩ 3,225,448 | ₩ 10,109,724 | 100.00 | | |

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

| Classification | 2009 | | | | | | | |
|----------------|------------------------------|-------------------------|------------------------------|-------------------------|--------------|--------------------|--|--|
| | 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 basic rate at the date of the statement of financial position.

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(5) Loans on Won, loans in foreign currencies and domestic import usance bill, classified by industry, as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| By borrower type | 2010 | | | | | Percentage (%) |
|-------------------------------------|--------------|-----------------------------|-----------------------------|--------------|--|----------------|
| | Loans in Won | Loans in foreign currencies | Domestic import usance bill | Total | | |
| Corporations: | ₩ 22,688,550 | ₩ 3,465,500 | ₩ 3,225,448 | ₩ 29,379,498 | | 60.18 |
| Manufacturing | 9,209,302 | 1,528,483 | 2,852,276 | 13,590,061 | | 27.84 |
| Real estate and renting and leasing | 3,493,086 | 112,430 | - | 3,605,516 | | 7.39 |
| Wholesale & retail | 2,459,389 | 443,687 | 340,142 | 3,243,218 | | 6.64 |
| Construction | 2,346,371 | 16,516 | 11,747 | 2,374,634 | | 4.86 |
| Transportation business | 915,561 | 523,567 | 983 | 1,440,111 | | 2.95 |
| Others | 4,264,841 | 840,817 | 20,300 | 5,125,958 | | 10.50 |
| Households | 19,275,564 | - | - | 19,275,564 | | 39.48 |
| Public sector and others | 165,000 | - | - | 165,000 | | 0.34 |
| | 42,129,114 | 3,465,500 | 3,225,448 | 48,820,062 | | 100.00 |
| Loans to overseas branches | - | 3,418,776 | - | 3,418,776 | | |
| | ₩ 42,129,114 | ₩ 6,884,276 | ₩ 3,225,448 | ₩ 52,238,838 | | |

| By borrower type | 2009 | | | | | Percentage (%) |
|-------------------------------------|--------------|-----------------------------|-----------------------------|--------------|--|----------------|
| | Loans in Won | Loans in foreign currencies | Domestic import usance bill | Total | | |
| Corporations: | ₩ 24,925,718 | ₩ 3,148,189 | ₩ 2,616,184 | ₩ 30,690,091 | | 63.55 |
| Manufacturing | 10,478,931 | 1,512,454 | 2,283,776 | 14,275,161 | | 29.55 |
| Wholesale & retail | 2,891,936 | 373,316 | 302,645 | 3,567,897 | | 7.39 |
| Real estate and renting and leasing | 3,542,745 | 131,414 | - | 3,674,159 | | 7.61 |
| Construction | 2,598,340 | 16,397 | 12,414 | 2,627,151 | | 5.44 |
| Transportation business | 1,227,702 | 547,212 | 201 | 1,775,115 | | 3.68 |
| Others | 4,186,064 | 567,396 | 17,148 | 4,770,608 | | 9.88 |
| Households | 17,499,380 | - | - | 17,499,380 | | 36.23 |
| Public sector and others | 106,962 | - | - | 106,962 | | 0.22 |
| | 42,532,060 | 3,148,189 | 2,616,184 | 48,296,433 | | 100.00 |
| Loans to overseas branches | - | 4,735,157 | - | 4,735,157 | | |
| | ₩ 42,532,060 | ₩ 7,883,346 | ₩ 2,616,184 | ₩ 53,031,590 | | |

(6) Loans to financial institutions as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | | | | | Percentage (%) |
|---------------------------------|--------------|-----------------------------|-------------|-------------|---|----------------|
| | Loans in Won | Loans in foreign currencies | Call loans | Total | | |
| Bank | ₩ 191,169 | ₩ - | ₩ 2,366,999 | ₩ 2,558,168 | ₩ | 56.67 |
| Other financial institutions | 885,689 | 44,002 | - | 929,691 | | 20.59 |
| Overseas financial institutions | - | 343,155 | 683,272 | 1,026,427 | | 22.74 |
| | ₩ 1,076,858 | ₩ 387,157 | ₩ 3,050,271 | ₩ 4,514,286 | ₩ | 100.00 |

| Classification | 2009 | | | | | Percentage (%) |
|---------------------------------|--------------|-----------------------------|-------------|-------------|---|----------------|
| | Loans in Won | Loans in foreign currencies | Call loans | Total | | |
| 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 |

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(7) The term structure of loans in Won, loans in foreign currencies and domestic import usance bill as of December 31, 2010 are as follows (Unit: In millions):

| Classification | 2010 | | | |
|------------------------------|--------------|-----------------------------|-----------------------------|--------------|
| | Loans in Won | Loans in foreign currencies | Domestic import usance bill | Total |
| Due in less than one year | ₩ 30,847,117 | ₩ 4,917,245 | ₩ 3,223,637 | ₩ 38,987,999 |
| Due from one to two years | 2,363,133 | 351,823 | 1,811 | 2,716,767 |
| Due from two to three years | 2,741,380 | 367,773 | - | 3,109,153 |
| Due from three to five years | 1,370,972 | 409,846 | - | 1,780,818 |
| Due in five years or more | 4,806,512 | 837,589 | - | 5,644,101 |
| | ₩ 42,129,114 | ₩ 6,884,276 | ₩ 3,225,448 | ₩ 52,238,838 |

(8) The changes in deferred loan origination fees and costs for the year ended December 31, 2010 are as follows (Unit: In millions):

| | Beginning balance | Increase | Decrease | Ending balance |
|--|-------------------|----------|------------|----------------|
| Deferred loan origination fees and costs | ₩ 54,925 | ₩ 25,615 | ₩ [45,179] | ₩ 35,361 |

(9) The disposed loans for the year ended December 31, 2010 are as follows (Unit: In millions):

| Purchaser | Nominal amount | Allowance of possible loan losses at disposal | Gain (Loss) on disposal of loans |
|---|----------------|---|----------------------------------|
| Woori F&I and others (*) | ₩ 38,655 | ₩ - | ₩ 5,617 |
| Woori F&I and others | 224,273 | 22,752 | 26,071 |
| Woori F&I & Eugene asset management consortium and others | 323,016 | 16,762 | (68,566) |
| Veritas asset Co., Ltd. | 15,822 | 1,481 | (8,001) |

(*) Gains on disposal of bad debts

6. RESTRUCTURED LOANS:

(1) Changes in the present value discounts relating to the outstanding restructured loans for the year ended December 31, 2010 are as follows (Unit: In millions):

| Classification | Amount (*1) | Present value discounts | | | |
|----------------------|-------------|-------------------------|----------|------------|---------------------|
| | | Beginning balance | Increase | Decrease | Ending balance (*2) |
| Loans: | | | | | |
| Court receivership | ₩ 2,122 | ₩ 181 | ₩ - | ₩ [64] | ₩ 117 |
| Others | 276,270 | 30,846 | 19,267 | [13,974] | 36,139 |
| | 278,392 | 31,027 | 19,267 | [14,038] | 36,256 |
| Accounts receivable: | | | | | |
| Court receivership | - | - | - | - | - |
| Others | 15,416 | 4,306 | 290 | [956] | 3,640 |
| | 15,416 | 4,306 | 290 | [956] | 3,640 |
| | ₩ 293,808 | ₩ 35,333 | ₩ 19,557 | ₩ [14,994] | ₩ 39,896 |

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

(*2) Present value discount is included as allowance for possible loan losses.

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7. ALLOWANCE FOR POSSIBLE LOAN LOSSES:

(1) The allowance for possible loan losses as of December 31, 2010 and 2009 is summarized as follows (Unit: In millions):

| Classification | Normal | Precautionary | Substandard | Doubtful | Estimated loss | Dec. 31, 2010 |
|---|-------------|---------------|-------------|-----------|----------------|---------------|
| Loans: | | | | | | |
| Call loans | ₩ 3,050,271 | ₩ - | ₩ - | ₩ - | ₩ - | ₩ 3,050,271 |
| Allowance | - | - | - | - | - | - |
| Allowance percentage | - | - | - | - | - | - |
| Credit loans | 2,523,587 | 27,270 | 398 | 24,256 | 5,470 | 2,580,981 |
| Allowance | 37,853 | 4,186 | 164 | 16,460 | 5,470 | 64,133 |
| Allowance percentage | 1.50% | 15.35% | 41.21% | 67.86% | 100.00% | 2.48% |
| Bills bought in foreign currencies (*1) | 3,917,821 | 33,657 | - | - | - | 3,951,478 |
| Allowance | 33,302 | 6,346 | - | - | - | 39,648 |
| Allowance percentage | 0.85% | 18.85% | - | - | - | 1.00% |
| Bonds bought under repurchase agreements | 700,000 | - | - | - | - | 700,000 |
| Allowance | - | - | - | - | - | - |
| Allowance percentage | - | - | - | - | - | - |
| Loans in Won (*2) | 40,477,909 | 913,141 | 330,313 | 343,397 | 29,292 | 42,094,052 |
| Allowance | 391,825 | 104,168 | 66,542 | 174,698 | 29,292 | 766,525 |
| Allowance percentage | 0.97% | 11.41% | 20.15% | 50.87% | 100.00% | 1.82% |
| Loans in foreign currencies (*3) | 9,468,830 | 194,741 | 58,509 | 39,867 | 3,893 | 9,765,840 |
| Allowance | 85,795 | 24,587 | 11,837 | 19,934 | 3,893 | 146,046 |
| Allowance percentage | 0.91% | 12.63% | 20.23% | 50.00% | 100.00% | 1.50% |
| Inter-bank loans | 343,155 | - | - | - | - | 343,155 |
| Allowance | - | - | - | - | - | - |
| Allowance percentage | - | - | - | - | - | - |
| Factoring receivables | 597,679 | - | - | - | - | 597,679 |
| Allowance | 5,080 | - | - | - | - | 5,080 |
| Allowance percentage | 0.85% | - | - | - | - | 0.85% |
| Advances for customers | 459 | 336 | 2,722 | 534 | 2,285 | 6,336 |
| Allowance | 4 | 24 | 545 | 267 | 2,285 | 3,125 |
| Allowance percentage | 0.85% | 7.00% | 20.00% | 50.00% | 100.00% | 49.32% |
| Debt-for-equity swap | - | 7,732 | - | - | - | 7,732 |
| Allowance | - | 3,270 | - | - | - | 3,270 |
| Allowance percentage | - | 42.29% | - | - | - | 42.29% |
| Privately placed bonds (*4) | 360,281 | 50,552 | 920 | 927 | - | 412,680 |
| Allowance | 3,063 | 4,794 | 184 | 464 | - | 8,505 |
| Allowance percentage | 0.85% | 9.48% | 20.00% | 50.00% | - | 2.06% |
| Other accounts (*5) | 539 | 143 | 3,817 | 20,201 | 214 | 24,914 |
| Allowance | 4 | 17 | 763 | 10,110 | 214 | 11,108 |
| Allowance percentage | 0.85% | 11.89% | 20.00% | 50.05% | 100.00% | 44.59% |
| Sum: | | | | | | |
| Loans and other accounts | 61,440,531 | 1,227,572 | 396,679 | 429,182 | 41,154 | 63,535,118 |
| Allowance | 556,926 | 147,392 | 80,035 | 221,933 | 41,154 | 1,047,440 |
| Allowance percentage | 0.91% | 12.01% | 20.18% | 51.71% | 100.00% | 1.65% |
| Present value discounts | 23,594 | 2,872 | 4,132 | 9,298 | - | 39,896 |
| Allowance for possible loan losses in the statement of financial position | ₩ 580,520 | ₩ 150,264 | ₩ 84,167 | ₩ 231,231 | ₩ 41,154 | ₩ 1,087,336 |

(*1) Bills bought in Won amount to ₩97,565 million is included in bills bought in foreign currencies.

(*2) Present value discount amounting to ₩35,062 million is deducted from loans in Won.

(*3) Domestic import usance bill is included in loans in foreign currencies. Interbank loans in foreign currencies of ₩343,155 million and present value discount amounting to ₩729 million is deducted.

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(*4) Present value discount amounting to ₩465 million is deducted from privately placed bonds.

(*5) Other accounts consist of accounts receivable (transfer-in bills bought in foreign currencies) amounting to ₩2,207 million, suspense payments in relation with loans amounting to ₩22,184 million and securities (commercial paper) amounting to ₩523 million.

| Classification | Normal | Precautionary | Substandard | Doubtful | Estimated loss | Dec. 31, 2009 |
|---|-------------|---------------|-------------|----------|----------------|---------------|
| 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 repurchase 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 | - | 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) | 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 in the statement of financial position | ₩ 601,496 | ₩ 94,126 | ₩ 124,706 | ₩ 90,358 | ₩ 52,739 | ₩ 963,425 |

(*1) Bills bought in Won amounting to ₩90,798 million is included in bills bought in foreign currencies.

(*2) Present value discount amounting to ₩30,548 million is deducted from loans in Won.

(*3) Domestic import usance bill is included in loans 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 from privately placed bonds.

(*5) Other accounts consist 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.

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(2) The changes in allowance for possible loan losses for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | | 2009 | |
|-------------------------------------|------|-----------|------|-----------|
| Beginning balance | ₩ | 963,425 | ₩ | 1,064,899 |
| Provision for possible loan losses | | 474,015 | | 648,470 |
| Loans written-off and others | | (487,520) | | (906,480) |
| Recovery of bad debts and others | | 147,236 | | 168,125 |
| Translation adjustments of overseas | | (418) | | (4,443) |
| Changes in present value discounts | | (9,402) | | (7,146) |
| Ending balance | ₩ | 1,087,336 | ₩ | 963,425 |

(3) The allowance for possible loan losses compared to total loans, net of present value discount, is summarized as follows (Unit: In millions):

| Classification | 2010 | | 2009 | | 2008 |
|---|------|------------|------|------------|--------------|
| Loans (*1) | ₩ | 59,441,692 | ₩ | 60,152,700 | ₩ 61,471,169 |
| Allowance for possible loan losses (*2) | | 1,047,440 | | 928,092 | 1,026,858 |
| Percentage (%) | | 1.76 | | 1.54 | 1.67 |

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

(*2) Present value discounts are excluded.

8. TANGIBLE ASSETS:

(1) Tangible assets as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | | 2009 | |
|-----------------------------|------|-----------|------|-----------|
| Tangible assets | ₩ | 2,184,068 | ₩ | 2,186,679 |
| Less: | | | | |
| Accumulated depreciation | | (820,690) | | (800,320) |
| Accumulated impairment loss | | (5,226) | | (5,941) |
| | ₩ | 1,358,152 | ₩ | 1,380,418 |

(2) Tangible assets as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | Acquisition cost | | Accumulated depreciation | Accumulated impairment loss | Dec. 31, 2010 |
|--------------------------|------------------|-----------|--------------------------|-----------------------------|---------------|
| Land (*1) | ₩ | 933,787 | ₩ - | ₩ (2,357) | ₩ 931,430 |
| Buildings | | 545,616 | (203,113) | (2,869) | 339,634 |
| Leasehold improvements | | 122,965 | (101,511) | - | 21,454 |
| Equipment and vehicles | | 580,650 | (516,066) | - | 64,584 |
| Construction in progress | | 1,050 | - | - | 1,050 |
| | ₩ | 2,184,068 | ₩ (820,690) | ₩ (5,226) | ₩ 1,358,152 |

(*1) Gain on revaluation of tangible asset is included in acquisition cost of land.

| Classification | Acquisition cost | | Accumulated depreciation | Accumulated impairment loss | Dec. 31, 2009 |
|--------------------------|------------------|-----------|--------------------------|-----------------------------|---------------|
| Land (*1) | ₩ | 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 |

(*1) Gain on revaluation of tangible asset is included in acquisition cost of land.

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(3) The changes in book value of tangible assets for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | Jan. 1, 2010 | Acquisition | Disposal | Depreciation | Impairment loss | Change in foreign currencies | Dec. 31, 2010 |
|--------------------------|--------------|-------------|-----------|--------------|-----------------|------------------------------|---------------|
| Land | ₩ 931,515 | ₩ - | ₩ [263] | ₩ - | ₩ - | ₩ 178 | ₩ 931,430 |
| Buildings | 346,336 | 11,130 | [5,142] | [12,796] | - | 106 | 339,634 |
| Leasehold improvements | 29,044 | 5,285 | [1,598] | [11,433] | - | 156 | 21,454 |
| Equipment and vehicles | 73,379 | 37,774 | [1,678] | [44,923] | - | 32 | 64,584 |
| Construction in progress | 144 | 906 | - | - | - | - | 1,050 |
| | ₩ 1,380,418 | ₩ 55,095 | ₩ [8,681] | ₩ [69,152] | ₩ - | ₩ 472 | ₩ 1,358,152 |

| Classification | Jan. 1, 2009 | Acquisition | Disposal | Depreciation | Impairment loss (*2) | Revaluation loss (*1) | Change in foreign currencies | Dec. 31, 2009 |
|--------------------------|--------------|-------------|-----------|--------------|----------------------|-----------------------|------------------------------|---------------|
| 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] | - | [316] | 29,044 |
| Equipment and vehicles | 94,858 | 37,008 | [421] | [57,803] | [263] | - | [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 fiscal year 2008 in relation to land is 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 is recognized as loss on prior period error correction due to the impairment occurred in fiscal year 2008.

(4) The published value of the domestic land is ₩890,366 million and ₩877,787 million as of December 31, 2010 and 2009, 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, 2010 are as follows (Unit: In millions):

| Type of insurance | Asset insured | Insured balance | Insurance company |
|--------------------|------------------------|-----------------|---------------------|
| Property composite | Buildings | ₩ 339,045 | Hyundai Marine Fire |
| | Leasehold improvements | 25,727 | Insurance Co., Ltd. |
| | Equipment and vehicles | 57,950 | |
| | | ₩ 422,722 | |

(6) The changes in the gain on revaluation of tangible assets for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | Jan. 1, 2010 | Revaluation | Disposal or reclassification (*1) | Tax adjustment | Dec. 31, 2010 |
|----------------|--------------|-------------|-----------------------------------|----------------|---------------|
| Land | ₩ 432,108 | ₩ - | ₩ [1] | ₩ - | ₩ 432,107 |

(*1) Gain on revaluation of land of ₩1 million is decreased due to the disposal.

| Classification | Jan. 1, 2009 | Revaluation | Disposal or reclassification (*1) | Tax adjustment | Dec. 31, 2009 |
|----------------|--------------|-------------|-----------------------------------|----------------|---------------|
| Land | ₩ 435,337 | ₩ - | ₩ [4,140] | ₩ 911 | ₩ 432,108 |

(*1) Gain on revaluation of land of ₩1,564 million recognized in fiscal year 2008 is reversed up to the amount of impairment loss incurred for the year ended December 31, 2009.

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9. OTHER ASSETS:

(1) Other assets as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | | 2009 | |
|--|------|------------|------|------------|
| Guarantee deposits paid | ₩ | 670,042 | ₩ | 661,628 |
| Accounts receivable | | 6,885,112 | | 6,874,097 |
| Accrued income | | 210,510 | | 239,920 |
| Prepaid expenses | | 28,165 | | 28,764 |
| Derivatives instruments assets (see Note 17) | | 1,078,698 | | 1,599,988 |
| Intangible assets | | 64,581 | | 60,696 |
| Sundry assets | | 1,133,487 | | 1,252,187 |
| | ₩ | 10,070,595 | ₩ | 10,717,280 |

(2) Intangible assets as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | Acquisition cost | | Accumulated amortization | | Dec. 31, 2010 |
|--------------------------|------------------|---------|--------------------------|-----------|---------------|
| Development expenditures | ₩ | 250,225 | ₩ | (185,826) | ₩ 64,399 |
| Others (*) | | 2,246 | | (2,064) | 182 |
| | ₩ | 252,471 | ₩ | (187,890) | ₩ 64,581 |

| Classification | Acquisition cost | | Accumulated amortization | | Dec. 31, 2009 |
|--------------------------|------------------|---------|--------------------------|-----------|---------------|
| Development expenditures | ₩ | 222,269 | ₩ | (161,938) | ₩ 60,331 |
| Others (*) | | 2,239 | | (1,874) | 365 |
| | ₩ | 224,508 | ₩ | (163,812) | ₩ 60,696 |

(*) Includes the exchange rate fluctuation effects.

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

| Classification | Jan 1, 2010 | | Acquisition | | Disposal | Amortization | | Change in foreign currencies | Dec. 31, 2010 |
|--------------------------|-------------|--------|-------------|--------|----------|--------------|----------|------------------------------|---------------|
| Development expenditures | ₩ | 60,331 | ₩ | 27,956 | ₩ - | ₩ | (23,888) | ₩ - | ₩ 64,399 |
| Others | | 365 | | - | (123) | | (117) | 57 | 182 |
| | ₩ | 60,696 | ₩ | 27,956 | ₩ (123) | ₩ | (24,005) | ₩ 57 | ₩ 64,581 |

| Classification | Jan 1, 2009 | | Acquisition | | Amortization | Change in foreign currencies | | Dec. 31, 2009 |
|--------------------------|-------------|--------|-------------|--------|--------------|------------------------------|------|---------------|
| 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 |

(4) Sundry assets as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | | 2009 | |
|---|------|-----------|------|-----------|
| Domestic exchange settlement debits | ₩ | 1,042,180 | ₩ | 1,134,803 |
| Suspense payments in Won | | 57,665 | | 79,597 |
| Suspense payments in foreign currencies | | 3,771 | | 6,945 |
| Bills unsettled | | 7,627 | | 9,999 |
| Supplies | | 6,934 | | 6,477 |
| Deposited money | | 14,718 | | 13,455 |
| Money transfer receivable | | - | | 150 |
| Others | | 592 | | 761 |
| | ₩ | 1,133,487 | ₩ | 1,252,187 |

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10. MERCHANT BANKING ACCOUNT ASSETS:

(1) Merchant banking account assets as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | | 2009 | |
|------------------------------------|------|-----------|------|-----------|
| Loans | ₩ | 236,900 | ₩ | 583,100 |
| Cash management accounts | | 335,921 | | 184,900 |
| Trading securities | | 864,500 | | 1,094,673 |
| Allowance for possible loan losses | | (3,393) | | (11,163) |
| | ₩ | 1,433,928 | ₩ | 1,851,510 |

(2) Loans as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | | 2009 | |
|---|------|--------------|------|--------------|
| Bills discounted | ₩ | 236,900 | ₩ | 583,100 |
| Discount interest rate of short-term bill (%) | | 2.08 ~ 10.76 | | 1.71 ~ 10.50 |

(3) Cash management accounts as of December 31, 2010 and 2009 are as follows (Unit: In millions):

Cash management accounts ("CMA") comprise 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, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | | 2009 | |
|------------------|------|---------|------|---------|
| Bills discounted | ₩ | 145,600 | ₩ | 184,900 |
| Securities | | 190,321 | | - |
| | ₩ | 335,921 | ₩ | 184,900 |

(4) Trading securities of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | | 2009 | |
|-------------------------|------|---------|------|-----------|
| Face value | ₩ | 866,600 | ₩ | 1,097,600 |
| Adjusted value (*) | | 864,414 | | 1,094,574 |
| Fair value (Book value) | | 864,500 | | 1,094,673 |

(*) 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, 2010 and 2009 is as follows (Unit: In millions):

| Classification | Normal | Precautionary | Substandard | Doubtful | Estimated loss | 2010 | |
|----------------|-----------|---------------|-------------|----------|----------------|-----------|------------------------------------|
| | | | | | | Total | Allowance for possible loan losses |
| Loans (*) | ₩ 382,500 | ₩ - | ₩ - | ₩ - | ₩ - | ₩ 382,500 | ₩ 3,393 |

(*) Including bills discounted in CMA.

| Classification | Normal | Precautionary | Substandard | Doubtful | Estimated loss | 2009 | |
|----------------|-----------|---------------|-------------|----------|----------------|-----------|------------------------------------|
| | | | | | | Total | Allowance for possible loan losses |
| Loans (*) | ₩ 713,000 | ₩ 55,000 | ₩ - | ₩ - | ₩ - | ₩ 768,000 | ₩ 11,163 |

(*) Including bills discounted in CMA.

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(6) Operating income of merchant banking accounts for the years ended December 31, 2010 and 2009 is as follows (Unit: In millions):

| Classification | 2010 | 2009 |
|--|----------|-----------|
| Interest income | ₩ 48,251 | ₩ 80,314 |
| Commission income | 896 | 352 |
| Reversal of allowance for possible loan losses | 7,770 | 5,985 |
| Other revenues | 31,281 | 24,429 |
| | ₩ 88,198 | ₩ 111,080 |

11. DEPOSITS:

(1) Deposits as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | 2009 |
|-------------------------------------|--------------|--------------|
| Demand deposits | ₩ 24,126,869 | ₩ 19,658,363 |
| Time deposits | 35,323,036 | 28,244,599 |
| Negotiable certificates of deposits | 1,254,344 | 9,048,925 |
| | ₩ 60,704,249 | ₩ 56,951,887 |

(2) Details of deposits as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | 2009 |
|---|--------------|--------------|
| Demand deposits in Won: | | |
| Checking deposits | ₩ 227,561 | ₩ 224,694 |
| Passbook deposits | 1,464,814 | 1,453,713 |
| Temporary deposits | 740,345 | 785,326 |
| Public fund deposits | 32,291 | 25,561 |
| General savings deposits | 14,071,952 | 12,102,452 |
| | 16,536,963 | 14,591,746 |
| Demand deposits in foreign currencies: | | |
| Checking deposits | 1,316,491 | 1,024,154 |
| Passbook deposits | 6,252,268 | 4,011,693 |
| Temporary deposits | 21,147 | 30,770 |
| | 7,589,906 | 5,066,617 |
| Time deposits in Won: | | |
| Time deposits | 29,374,735 | 18,186,940 |
| Installment savings deposits | 935,466 | 973,592 |
| Long-term savings for households and others | 387,259 | 547,570 |
| | 30,697,460 | 19,708,102 |
| Time deposits in foreign currencies: | | |
| Time deposits | 4,560,164 | 8,423,049 |
| Notice deposits | 27,386 | 62,812 |
| Others | 4,025 | 4,429 |
| | 4,591,575 | 8,490,290 |
| Mutual installment savings | 34,001 | 46,207 |
| Negotiable certificates of deposits | 1,254,344 | 9,048,925 |
| | ₩ 60,704,249 | ₩ 56,951,887 |

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(3) Deposits with financial institutions as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | Bank | Other financial institution | Foreign financial institution | Dec. 31, 2010 |
|--|-------------|-----------------------------|-------------------------------|---------------|
| Demand deposits: | | | | |
| Demand deposits in Won | ₩ 12,092 | ₩ 109,495 | ₩ 4,586 | ₩ 126,173 |
| Demand deposits in foreign currencies | 196,966 | 29,758 | 201,667 | 428,391 |
| Time deposits: | | | | |
| Savings deposits in Won | 1,667,206 | 4,234,053 | 221,277 | 6,122,536 |
| Savings deposits in foreign currencies | - | 109,173 | - | 109,173 |
| Negotiable certificates of deposits | - | 1,143,262 | - | 1,143,262 |
| | ₩ 1,876,264 | ₩ 5,625,741 | ₩ 427,530 | ₩ 7,929,535 |

| Classification | Bank | Other financial institution | Foreign financial institution | Dec. 31, 2009 |
|--|-------------|-----------------------------|-------------------------------|---------------|
| 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 |

(4) Term structures of deposits as of December 31, 2010 are as follows (Unit: In millions):

| Classification | Deposits in Won | Deposits in foreign currencies | Negotiable certificates of deposits | Dec. 31, 2010 |
|------------------------------|-----------------|--------------------------------|-------------------------------------|---------------|
| Due in less than one year | ₩ 45,625,915 | ₩ 12,137,251 | ₩ 1,248,148 | ₩ 59,011,314 |
| Due from one to two years | 983,180 | 4,334 | 6,196 | 993,710 |
| Due from two to three years | 368,685 | 39,485 | - | 408,170 |
| Due from three to five years | 154,350 | 411 | - | 154,761 |
| Due in five years or more | 136,294 | - | - | 136,294 |
| | ₩ 47,268,424 | ₩ 12,181,481 | ₩ 1,254,344 | ₩ 60,704,249 |

12. BORROWINGS:

(1) Borrowings as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | 2009 |
|--|--------------|--------------|
| Call money | ₩ 1,166,589 | ₩ 1,388,605 |
| Bills sold | 47,712 | 30,943 |
| Bonds sold under repurchase agreements | 99,052 | 140,415 |
| Borrowings | 7,043,437 | 7,623,823 |
| Debentures | 4,640,959 | 7,880,371 |
| Less: Discount on debentures | (13,351) | (24,486) |
| | ₩ 12,984,398 | ₩ 17,039,671 |

(2) Call money as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Account | Lender | Annual interest rates (%) Dec. 31, 2010 | 2010 | 2009 |
|----------------------------------|--|--|-------------|-------------|
| Call money in foreign currencies | Local & foreign financial institution and others | 0.29 ~ 1.48 | ₩ 1,166,589 | ₩ 1,388,605 |

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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(3) Bills sold and bonds sold under repurchase agreements as of December 31, 2010 and 2009 consist of the following (Unit: In millions):

| Account | Lender | Annual interest rates (%) Dec. 31, 2010 | | 2010 | | 2009 |
|--|-----------------------------|--|---|---------|---|---------|
| Bills sold | General customer and others | 1.40 ~ 3.29 | ₩ | 47,712 | ₩ | 30,943 |
| Bonds sold under repurchase agreements | General customer and others | 3.70 ~ 7.10 | | 99,052 | | 140,415 |
| | | | ₩ | 146,764 | ₩ | 171,358 |

(4) Borrowings as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Account | Lender | Annual interest rate (%) Dec. 31, 2010 | | 2010 | | 2009 |
|--|--|---|---|-----------|---|-----------|
| Borrowings in Won: | | | | | | |
| Borrowings from the BOK | BOK | 1.25 | ₩ | 533,097 | ₩ | 704,953 |
| Borrowings from the Korean government | Ministry of Finance and Economy and others | 0.00 ~ 4.00 | | 332,650 | | 308,988 |
| Borrowings from banking institutions | Industrial Bank of Korea and others | 1.06 ~ 5.45 | | 82,487 | | 101,875 |
| Other borrowings | Small Business Corporation and others | 1.50 ~ 3.75 | | 293,788 | | 1,025,606 |
| | | | | 1,242,022 | | 2,141,422 |
| Borrowings in foreign currencies: | | | | | | |
| Refinance | Wells Fargo Bank and others | 0.69 ~ 1.30 | ₩ | 353,059 | ₩ | 256,872 |
| Short-term borrowing in foreign currencies | Standard Chartered Bank and others | 0.61 ~ 1.66 | | 1,669,470 | | 2,021,322 |
| Middle and long-term borrowing in foreign currencies | Bank of Communications and others | 0.99 ~ 5.79 | | 1,310,656 | | 987,705 |
| Other borrowings | Foreign financial institutions | 0.24 ~ 5.82 | | 2,468,230 | | 2,216,502 |
| | | | | 5,801,415 | | 5,482,401 |
| | | | ₩ | 7,043,437 | ₩ | 7,623,823 |

(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, 2010. See Note 4 (6).

(6) Debentures

1) Debentures as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Account | Annual interest rate (%) Dec. 31, 2010 | | 2010 | | 2009 |
|-----------------------------------|---|---|-----------|---|-----------|
| Debentures in Won: | | | | | |
| Finance debentures | 3.04 ~ 7.73 | ₩ | 1,920,000 | ₩ | 5,370,000 |
| Subordinated financing debentures | 6.11 ~ 7.80 | | 1,100,487 | | 1,101,146 |
| Hybrid debentures | 7.30 | | 250,000 | | 250,000 |
| | | | 3,270,487 | | |
| Discounts on debentures | | | [6,562] | | [20,186] |
| | | | 3,263,925 | | 6,700,960 |
| Debentures in foreign currencies: | | | | | |
| Finance debentures | 0.48 ~ 5.78 | | 1,370,472 | | 803,490 |
| Subordinated financing debentures | - | | - | | 355,735 |
| | | | 1,370,472 | | 1,159,225 |
| Discounts on debentures | | | [6,789] | | [4,300] |
| | | | 1,363,683 | | 1,154,925 |
| | | ₩ | 4,627,608 | ₩ | 7,855,885 |

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KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

2) As of December 31, 2010 and 2009, all finance debentures issued in Won are general debentures and consist of (Unit: In millions):

| Issued date | Expiration date | Annual interest rate(%) Dec. 31, 2010 | 2010 | 2009 |
|---------------|-----------------|--|---------|----------|
| Jan. 10, 2007 | Jan. 10, 2010 | - | ₩ | ₩ 50,000 |
| Jan. 11, 2007 | Jan. 11, 2010 | - | - | 50,000 |
| Jan. 18, 2007 | Jan. 18, 2010 | - | - | 30,000 |
| Jan. 25, 2007 | Jan. 25, 2010 | - | - | 30,000 |
| Feb. 5, 2007 | Feb. 5, 2010 | - | - | 50,000 |
| Feb. 9, 2007 | Feb. 9, 2010 | - | - | 50,000 |
| Feb. 28, 2007 | Feb. 28, 2010 | - | - | 30,000 |
| May 14, 2007 | May 14, 2010 | - | - | 40,000 |
| May 16, 2007 | May 16, 2010 | - | - | 50,000 |
| May 17, 2007 | May 17, 2010 | - | - | 50,000 |
| May 21, 2007 | May 21, 2010 | - | - | 30,000 |
| May 23, 2007 | May 23, 2010 | - | - | 100,000 |
| May 30, 2007 | May 30, 2010 | - | - | 50,000 |
| Jun. 1, 2007 | Jun. 1, 2010 | - | - | 50,000 |
| Jun. 13, 2007 | Jun. 13, 2010 | - | - | 50,000 |
| Jun. 28, 2007 | Jun. 28, 2010 | - | - | 50,000 |
| Jul. 24, 2007 | Jul. 24, 2010 | - | - | 20,000 |
| Jul. 25, 2007 | Jul. 25, 2010 | - | - | 50,000 |
| Jul. 30, 2007 | Jul. 30, 2010 | - | - | 30,000 |
| Jul. 31, 2007 | Jul. 31, 2010 | - | - | 30,000 |
| Aug. 3, 2007 | Aug. 3, 2010 | - | - | 10,000 |
| Aug. 14, 2007 | Aug. 14, 2010 | - | - | 10,000 |
| Aug. 23, 2007 | Aug. 23, 2010 | - | - | 30,000 |
| Aug. 24, 2007 | Aug. 24, 2010 | - | - | 50,000 |
| Sep. 10, 2007 | Sep. 10, 2010 | - | - | 200,000 |
| Oct. 10, 2007 | Oct. 10, 2010 | - | - | 200,000 |
| Oct. 18, 2007 | Oct. 18, 2010 | - | - | 70,000 |
| Oct. 23, 2007 | Oct. 23, 2010 | - | - | 10,000 |
| Nov. 8, 2007 | Nov. 8, 2010 | - | - | 200,000 |
| Nov. 14, 2007 | Nov. 14, 2010 | - | - | 50,000 |
| Nov. 23, 2007 | Nov. 23, 2010 | - | - | 70,000 |
| Nov. 26, 2007 | Nov. 26, 2010 | - | - | 260,000 |
| Nov. 30, 2007 | Nov. 30, 2010 | - | - | 170,000 |
| Dec. 5, 2007 | Dec. 5, 2010 | - | - | 140,000 |
| Jan. 15, 2008 | Jan. 15, 2010 | - | - | 50,000 |
| Feb. 15, 2008 | Feb. 15, 2010 | - | - | 30,000 |
| Apr. 10, 2008 | Apr. 10, 2010 | - | - | 200,000 |
| Apr. 15, 2008 | Apr. 15, 2010 | - | - | 50,000 |
| Apr. 16, 2008 | Apr. 16, 2010 | - | - | 50,000 |
| Apr. 17, 2008 | Apr. 17, 2010 | - | - | 50,000 |
| Apr. 18, 2008 | Apr. 18, 2010 | - | - | 50,000 |
| Apr. 24, 2008 | Apr. 24, 2010 | - | - | 40,000 |
| Apr. 29, 2008 | Apr. 29, 2010 | - | - | 10,000 |
| Apr. 30, 2008 | Apr. 30, 2010 | - | - | 50,000 |
| May 8, 2008 | May 8, 2010 | - | - | 10,000 |
| May 15, 2008 | May 15, 2010 | - | - | 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 | - | - | 10,000 |
| May 26, 2008 | Nov. 26, 2010 | - | - | 10,000 |
| May 27, 2008 | May 27, 2010 | - | - | 20,000 |
| May 28, 2008 | May 28, 2010 | - | - | 10,000 |

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KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| Issued date | Expiration date | Annual interest rate[%] Dec. 31, 2010 | | 2010 | 2009 |
|---------------|-----------------|--|---|-----------|-------------|
| May 29, 2008 | May 29, 2010 | - | ₩ | - | ₩ 50,000 |
| Jun. 3, 2008 | Jun. 3, 2010 | - | | - | 20,000 |
| Jun. 5, 2008 | Jun. 5, 2010 | - | | - | 60,000 |
| Jun. 12, 2008 | Jun. 12, 2010 | - | | - | 70,000 |
| Jun. 16, 2008 | Jun. 16, 2010 | - | | - | 40,000 |
| Jun. 19, 2008 | Jun. 19, 2010 | - | | - | 10,000 |
| Jun. 26, 2008 | Jun. 26, 2010 | - | | - | 30,000 |
| Jul. 4, 2008 | Jul. 4, 2010 | - | | - | 10,000 |
| Jul. 16, 2008 | Jan. 16, 2010 | - | | - | 40,000 |
| Jul. 17, 2008 | Jul. 17, 2010 | - | | - | 10,000 |
| Jul. 18, 2008 | Jan. 18, 2010 | - | | - | 200,000 |
| Aug. 21, 2008 | Aug. 21, 2010 | - | | - | 180,000 |
| Sep. 1, 2008 | Sep. 1, 2010 | - | | - | 130,000 |
| Sep. 4, 2008 | Sep. 4, 2010 | - | | - | 120,000 |
| Oct. 29, 2008 | Oct. 29, 2011 | 7.73 | | 200,000 | 200,000 |
| Jul. 9, 2009 | Jul. 9, 2010 | - | | - | 100,000 |
| Jul. 13, 2009 | Jul. 13, 2010 | - | | - | 100,000 |
| Jul. 15, 2009 | Jul. 15, 2010 | - | | - | 100,000 |
| Jul. 24, 2009 | Jul. 24, 2010 | - | | - | 100,000 |
| Jul. 28, 2009 | Jul. 28, 2010 | - | | - | 50,000 |
| Nov. 24, 2009 | Nov. 24, 2010 | - | | - | 100,000 |
| Dec. 2, 2009 | Dec. 2, 2010 | - | | - | 100,000 |
| Dec. 10, 2009 | Dec. 10, 2010 | - | | - | 100,000 |
| Dec. 16, 2009 | Dec. 16, 2010 | - | | - | 100,000 |
| Dec. 18, 2009 | Dec. 18, 2010 | - | | - | 100,000 |
| Feb. 16, 2010 | Feb. 16, 2011 | 3.61 | | 50,000 | - |
| Apr. 9, 2010 | Apr. 9, 2013 | 4.08 | | 50,000 | - |
| Apr. 27, 2010 | Apr. 27, 2013 | 4.17 | | 50,000 | - |
| Apr. 28, 2010 | Apr. 28, 2012 | 3.73 | | 50,000 | - |
| Apr. 29, 2010 | Apr. 29, 2013 | 4.06 | | 50,000 | - |
| May 7, 2010 | May 7, 2011 | 3.10 | | 40,000 | - |
| May 10, 2010 | Nov. 10, 2011 | 3.70 | | 100,000 | - |
| May 12, 2010 | May 12, 2011 | 3.14 | | 110,000 | - |
| May 17, 2010 | May 17, 2011 | 3.21 | | 100,000 | - |
| May 28, 2010 | May 28, 2011 | 3.25 | | 50,000 | - |
| May 28, 2010 | Nov. 28, 2011 | 3.75 | | 100,000 | - |
| Jun. 7, 2010 | Jun. 7, 2011 | 3.25 | | 100,000 | - |
| Jul. 16, 2010 | Jul. 16, 2012 | 4.16 | | 90,000 | - |
| Jul. 22, 2010 | Jan. 22, 2012 | 3.88 | | 110,000 | - |
| Jul. 28, 2010 | Jul. 28, 2012 | 4.03 | | 50,000 | - |
| Oct. 8, 2010 | Apr. 8, 2012 | 3.31 | | 200,000 | - |
| Nov. 29, 2010 | Nov. 29, 2011 | 3.13 | | 30,000 | - |
| Nov. 29, 2010 | May 29, 2012 | 3.38 | | 160,000 | - |
| | | | ₩ | 1,920,000 | ₩ 5,370,000 |

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KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

3) Finance debentures issued in foreign currencies as of December 31, 2010 and 2009 consist of (Unit: In thousands of U.S. dollars, in millions of Won):

| First underwriter | Issued date | Expiration date | Terms of interest rate | Annual interest rate (%) Dec. 31, 2010 | 2010 | 2009 |
|-------------------------------|---------------|-----------------|------------------------|---|--------------------------------|----------------------------|
| Calyon and others | Jul. 20, 2007 | Jul. 20, 2012 | 3M LIBOR+36.4BP | 0.62 | ₩ 341,670 (US\$300,000) | ₩ 350,280 (US\$300,000) |
| SMBC, Tokyo (*1) | Sep. 12, 2008 | Sep. 7, 2011 | 6M TIBOR+160BP | 0.48 | 139,708 (US\$ 122,670) | 126,282 (US\$108,155) |
| Morgan Stanley | May 26, 2009 | May 29, 2012 | 6M LIBOR+530BP | 5.65 | 56,945 (US\$50,000) | 58,380 (US\$50,000) |
| UBS | Jun. 1, 2009 | Jun. 1, 2012 | 3M LIBOR+550BP | 5.78 | 56,945 (US\$50,000) | 58,380 (US\$50,000) |
| Morgan Stanley | Jun. 1, 2009 | Jun. 1, 2012 | 6M LIBOR+535BP | 5.66 | 56,945 (US\$50,000) | 58,380 (US\$50,000) |
| BNP PARIBAS | Jun. 5, 2009 | Jun. 7, 2011 | 6M LIBOR+520BP | 5.47 | 56,945 (US\$50,000) | 58,380 (US\$50,000) |
| Woori Investment & Securities | Jul. 23, 2009 | Jul. 15, 2011 | 3M LIBOR+340BP | 3.69 | 56,945 (US\$50,000) | 58,380 (US\$50,000) |
| HSBC | Aug. 27, 2009 | Aug. 24, 2012 | 3M LIBOR+350BP | 3.68 | 34,167 (US\$30,000) | 35,028 (US\$30,000) |
| Citigroup and others (*2) | Jul. 14, 2010 | Jan. 14, 2016 | 6M LIBOR+274.1BP | 4.88 | 570,202 (US\$500,660) | - - |
| | | | | | ₩ 1,370,472 (US\$1,203,330) | ₩ 803,490 (US\$688,155) |

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

(*2) Certain subordinated debentures are under swap contracts in order to hedge risks from changes in interest rates. In connection with such contracts, loss on valuation of derivatives amounting to ₩752 million is recognized in connection to such contracts for the year ended December 31, 2010. See Note 17 (1).

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4) Subordinated debentures as of December 31, 2010 and 2009 are as follows (Unit: In thousands of U.S. dollars, in millions of Won):

| Classification | Issued date | Expiration date | Annual interest rate (%) Dec. 31, 2010 | 2010 | 2009 |
|----------------------------------|---------------|-----------------|---|-------------|---------------|
| Debentures in Won: | | | | | |
| General sale (*1) | May 28, 2001 | Feb. 28, 2007 | - | ₩ 170 | ₩ 223 |
| General sale (*1) | Oct. 28, 2002 | Jan. 28, 2008 | - | 160 | 160 |
| General sale (*1) | Mar. 28, 2003 | Dec. 28, 2008 | - | 157 | 763 |
| 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 |
| | | | | ₩ 1,100,487 | ₩ 1,101,146 |
| Debentures in foreign currencies | | | | | |
| CITI group & HSBC (*2 and *3) | Jun. 10, 2005 | Jun. 10, 2015 | - | ₩ - | ₩ 355,735 |
| | | | | | (US\$304,672) |
| | | | | ₩ 1,100,487 | ₩ 1,456,881 |

(*1) The outstanding 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 early redemption option can be exercised by the Bank.

(*3) Represent the first underwriters.

5) As of December 31, 2010 and 2009, Hybrid Tier 1 bond is as follows (Unit: In millions):

| Classification (*1) | Issued period (*2) | Annual interest rate (%) (*3) | 2010 | 2009 |
|-----------------------|----------------------------------|----------------------------------|-----------|-----------|
| Hybrid debentures 2nd | Mar. 31, 2009 ~ Mar. 31, 2039 | 7.30 | ₩ 250,000 | ₩ 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 8.30 percent.

[7] Term structures of borrowings as of December 31, 2010 are 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 | ₩ | 652,912 | ₩ | 5,263,197 | ₩ | 1,110,487 | ₩ | 253,598 | ₩ 7,280,194 |
| Due from one to two years | | 127,802 | | 74,267 | | 660,000 | | 546,672 | 1,408,741 |
| Due from two to three years | | 117,028 | | - | | 150,000 | | - | 267,028 |
| Due from three to five years | | 166,658 | | 463,951 | | 800,000 | | - | 1,430,609 |
| Due in five years or more | | 177,622 | | - | | 550,000 | | 570,202 | 1,297,824 |
| | ₩ | 1,242,022 | ₩ | 5,801,415 | ₩ | 3,270,487 | ₩ | 1,370,472 | ₩ 11,684,396 |

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13. OTHER LIABILITIES:

(1) Other liabilities as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | | 2009 | |
|---|------|------------|------|------------|
| Accounts payable | ₩ | 7,088,090 | ₩ | 7,136,074 |
| Accrued expenses | | 655,878 | | 633,018 |
| Unearned revenues | | 68,794 | | 74,279 |
| Guarantee money received | | 128,534 | | 147,466 |
| Accrued payable from foreign exchange | | 266,968 | | 265,464 |
| Deferred income tax liabilities (see Note 21) | | 166,397 | | 202,383 |
| Derivatives instruments liabilities (see Note 17) | | 951,026 | | 1,506,624 |
| Due to trust accounts | | 1,002,610 | | 902,952 |
| Accrued severance benefits | | 356,423 | | 316,251 |
| Pension benefits payables | | 6,405 | | 4,580 |
| Less: Asset under management of pension benefits | | (40,383) | | (3,238) |
| Less: Transfers to the National Pension Fund | | (564) | | (597) |
| Less: Due to retirement insurance | | (257,045) | | (250,733) |
| Reserve for acceptances and guarantees | | 112,257 | | 81,115 |
| Reserve for unused credit limit | | 167,127 | | 168,950 |
| Allowance for other liabilities | | 197,419 | | 143,630 |
| Sundry liabilities | | 1,996,516 | | 1,733,934 |
| | ₩ | 12,866,452 | ₩ | 13,062,152 |

(2) Accrued severance benefits

1) The changes in accrued severance benefits for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | | 2009 | |
|---|------|-----------|------|-----------|
| Beginning | ₩ | 316,251 | ₩ | 291,933 |
| Provision | | 61,638 | | 59,347 |
| Payment (*1) | | (21,698) | | (34,537) |
| Foreign currencies translation | | 232 | | (492) |
| | | 356,423 | | 316,251 |
| Pension benefits payables | | 6,405 | | 4,580 |
| Assets under management of pension benefits | | (40,383) | | (3,238) |
| Transfers to the National Pension Fund | | (564) | | (597) |
| Due to retirement insurance | | (257,045) | | (250,733) |
| | ₩ | 64,836 | ₩ | 66,263 |

(*1) The payment of severance benefits amounting to ₩285 million and ₩108 million as of December 31, 2010 and 2009, respectively, is accounted as accounts payable.

As of December 31, 2010, parts of severance benefits are contributed to pension funds of Samsung Life Insurance Co., Ltd. The Bank manages the defined benefit retirement pension plan (DB plan) for the year ended December 31, 2010, and the assets invested in the DB plan is accounted as assets under management of pension benefits and presented as a deduction from accrued severance benefits. As of December 31, 2010, the assets under management of pension benefits are as follows (Unit: In millions):

| Classification | Percentage [%] |
|-------------------------|----------------|
| Cash and due from banks | 93.40 |
| Securities | 6.60 |
| | 100.00 |

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KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(3) Reserve for acceptances and guarantees

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

| Classification | 2010 | | 2009 | |
|---|------|------------|------|------------|
| Confirmed acceptances and guarantees in Won: | | | | |
| Payment guarantee for issuance of debentures | ₩ | 4,894 | ₩ | 6,630 |
| Acceptances on letters of guarantee for importers | | 340 | | - |
| Payment guarantee for loans | | 72,238 | | 63,425 |
| Others | | 921,693 | | 1,715,378 |
| | | 999,165 | | 1,785,433 |
| Confirmed acceptances and guarantees in foreign currencies: | | | | |
| Acceptances on letters of credit | | 576,152 | | 697,245 |
| Acceptances on letters of guarantee for importers | | 81,429 | | 102,366 |
| Others | | 7,638,638 | | 6,972,633 |
| | | 8,296,219 | | 7,772,244 |
| Unconfirmed acceptances and guarantees: | | | | |
| Letters of credit | | 3,840,814 | | 3,853,599 |
| Others | | 517,903 | | 317,495 |
| | | 4,358,717 | | 4,171,094 |
| Bills endorsed [see Note 17(3)] | | 69,770 | | 55,992 |
| | ₩ | 13,723,871 | ₩ | 13,784,763 |

2) The classification of asset quality for acceptances and guarantees and reserve for acceptances and guarantees as of December 31, 2010 and 2009 is as follows (Unit: In millions):

| Bills (Bank of Korea) | | | | | | | | | | | | | | |
|-------------------------|--------|------------|---------------|--------|-------------|--------|----------|--------|----------------|--------|---------------|--|---|---------|
| Classification | Normal | | Precautionary | | Substandard | | Doubtful | | Estimated loss | | Dec. 31, 2010 | Reserve for acceptances and guarantees | | |
| Confirmed acceptances | ₩ | 9,167,433 | ₩ | 68,525 | ₩ | 23,340 | ₩ | 8,432 | ₩ | 27,654 | ₩ | 9,295,384 | ₩ | 102,101 |
| Unconfirmed acceptances | | 4,339,762 | | 13,719 | | 21 | | 5,215 | | - | | 4,358,717 | | 9,563 |
| Bills endorsed | | 69,770 | | - | | - | | - | | - | | 69,770 | | 593 |
| | ₩ | 13,576,965 | ₩ | 82,244 | ₩ | 23,361 | ₩ | 13,647 | ₩ | 27,654 | ₩ | 13,723,871 | ₩ | 112,257 |

| Classification | Normal | | Precautionary | | Substandard | | Doubtful | | Estimated loss | | Dec. 31, 2009 | 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 |

3) Acceptances and guarantees, by industry, except for the portion of overseas branches as of December 31, 2010 and 2009, are as follows (Unit: In millions):

| By Industry | 2010 | | Percentage (%) | |
|--|------|-----------|----------------|--------|
| Manufacturing | ₩ | 4,519,184 | | 51.20 |
| Construction | | 2,534,561 | | 28.72 |
| Wholesale and retail | | 662,535 | | 7.51 |
| Finance and insurance | | 398,495 | | 4.51 |
| Electricity, gas and water supply | | 220,065 | | 2.49 |
| Others | | 491,401 | | 5.57 |
| | | 8,826,241 | | 100.00 |
| Confirmed acceptance and guarantees in overseas branches | | 469,143 | | |
| | ₩ | 9,295,384 | | |

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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| By Industry | 2009 | | Percentage (%) | |
|--|------|-----------|----------------|--------|
| Manufacturing | ₩ | 5,458,193 | ₩ | 60.69 |
| Construction | | 1,577,322 | | 17.53 |
| Wholesale and 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 | | |

4) Confirmed acceptances and guarantees in foreign currencies, by country, as of December 31, 2010 and 2009 are as follows (Unit: In thousands of U.S. Dollars, in millions of Won):

| By country | 2010 | | | |
|------------|--|----------------------|-----------|----------------|
| | Confirmed acceptances and guarantees in foreign currencies (*) | Translation into Won | | Percentage (%) |
| Korea | \$ 7,125,602 | ₩ | 8,115,348 | 97.81 |
| USA | 72,223 | | 82,255 | 0.99 |
| France | 26,760 | | 30,477 | 0.37 |
| Japan | 9,257 | | 10,543 | 0.13 |
| Italy | 8,391 | | 9,557 | 0.12 |
| Others | 42,180 | | 48,039 | 0.58 |
| | \$ 7,284,413 | ₩ | 8,296,219 | 100.00 |

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

| By country | 2009 | | | |
|----------------|--|----------------------|-----------|----------------|
| | 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 are converted into U.S. Dollars at the basic rates of exchange at the date of the statement of financial position.

5) The percentages of reserves for acceptances and guarantees as of December 31, 2010, 2009 and 2008 are as follows (Unit: In millions):

| Classification | 2010 | | 2009 | | 2008 |
|----------------------------|------|------------|------|------------|--------------|
| Acceptances and guarantees | ₩ | 13,723,871 | ₩ | 13,784,763 | ₩ 11,594,383 |
| Reserve | | 112,257 | | 81,115 | 57,601 |
| Percentage (%) | | 0.82 | | 0.59 | 0.50 |

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KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(4) Reserve for unused credit limit

The calculation of reserve for unused credit limit as of December 31, 2010 and 2009 is as follows (Unit: In millions):

| Classification | 2010 | | | | Reserve for unused credit limit (d) |
|---------------------------------|--------------|--------------|---|---|-------------------------------------|
| | Limit (a) | Balance (b) | Allowance (c) =(a-b) x credit conversion factor | | |
| Card loans | ₩ 14,757,880 | ₩ 1,995,878 | ₩ 6,380,842 | ₩ | 97,226 |
| Loans to enterprise (*1) | 72,938,420 | 37,323,554 | 9,543,486 | | 88,565 |
| Loans to household | 3,548,468 | 1,370,410 | 441,540 | | 4,415 |
| Loans to public and others | 28,850 | 9,742 | 3,822 | | 32 |
| | ₩ 91,273,618 | ₩ 40,699,584 | ₩ 16,369,690 | ₩ | 190,238 |
| Merchant Banking Account (*2) | | | | | (23,111) |
| Reserve for unused credit limit | | | | ₩ | 167,127 |

(*1) Includes unused credit limit of merchant banking account.

(*2) Included in other liabilities of merchant banking account. See Note 14 (3).

| Classification | 2009 | | | | Reserve for unused credit limit (d) |
|---------------------------------|--------------|--------------|---|---|-------------------------------------|
| | Limit (a) | Balance (b) | Allowance (c) =(a-b) x credit conversion factor | | |
| Card loans | ₩ 13,678,773 | ₩ 1,961,693 | ₩ 5,858,405 | ₩ | 89,194 |
| Loans to enterprise (*1) | 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 (*2) | | | | | (18,992) |
| Reserve for unused credit limit | | | | ₩ | 168,950 |

(*1) Includes unused credit limit of merchant banking account.

(*2) 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, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | 2009 |
|--|-----------|-----------|
| Reserve for money-back point & yes-point | ₩ 28,413 | ₩ 27,704 |
| Reserve for litigation [see Note 17(6)] | 29,832 | 14,268 |
| Reserve for employees' accident (*1) | 42,126 | 1,700 |
| Provision for severance and early retirement benefits (*2) | 14,514 | 12,894 |
| Reserve for derivatives assets and others (*3) | 51,730 | 82,865 |
| Others | 30,804 | 4,199 |
| | ₩ 197,419 | ₩ 143,630 |

(*1) Provision is made for 4 suspense payments, which occurred in connection with employees' illegal act such as embezzlement.

(*2) The Bank reserves 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.

(*3) The Bank reserves for possible derivatives losses for currency options and others.

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KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(6) Sundry liabilities

Sundry liabilities as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | 2009 |
|--|-------------|-------------|
| Suspense receipt | ₩ 25,257 | ₩ 22,468 |
| Withholding taxes | 31,525 | 28,433 |
| Agency business accounts | 86,289 | 92,940 |
| Agency | 1,236,016 | 856,635 |
| Credit control deposits | - | 942 |
| Guarantee deposits for securities subscription | 13,455 | 16,921 |
| Domestic exchange settlements credits | 598,674 | 713,256 |
| Domestic remittance payable | 4,032 | 1,817 |
| Others | 1,268 | 522 |
| | ₩ 1,996,516 | ₩ 1,733,934 |

14. MERCHANT BANKING ACCOUNT LIABILITIES:

(1) Merchant banking account liabilities as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | 2009 |
|-------------------|-----------|-------------|
| Deposits | ₩ 947,430 | ₩ 1,277,149 |
| Other liabilities | 25,249 | 22,419 |
| | ₩ 972,679 | ₩ 1,299,568 |

(2) Deposits as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | Annual interest rate (%) Dec. 31, 2010 | 2010 | 2009 |
|-------------------|---|-----------|-------------|
| Notes payable (*) | 2.20 ~ 2.70 | ₩ 537,505 | ₩ 1,069,234 |
| Due to CMA | 2.20 ~ 3.19 | 409,925 | 207,915 |
| | | ₩ 947,430 | ₩ 1,277,149 |

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

(3) Other liabilities as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | 2009 |
|--------------------------|----------|----------|
| Accrued expenses | ₩ 139 | ₩ 695 |
| Unearned income | 1,999 | 2,732 |
| Reserve [see Note 13(4)] | 23,111 | 18,992 |
| | ₩ 25,249 | ₩ 22,419 |

(4) Operating expenses of merchant banking accounts for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | 2009 |
|---|----------|----------|
| Interest expenses | ₩ 35,600 | ₩ 45,594 |
| Transfer to reserve for unused credit limit | 4,119 | 100 |
| | ₩ 39,719 | ₩ 45,694 |

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

15. SHAREHOLDERS' EQUITY:

(1) Capital stock

Capital stock as of December 31, 2010 and 2009 is as follows (Unit: in Won, shares):

| Classification | 2010 | | 2009 | |
|-------------------|------|-------------------|------|-------------------|
| 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 stock | ₩ | 3,224,534 million | ₩ | 3,224,534 million |

(2) Capital surplus

The amount of capital surplus as of December 31, 2010 and 2009 is transferred from stock option balance (accounted for as capital adjustment) since it lapsed as it is not exercised.

(3) Accumulated other comprehensive income

The changes in accumulated other comprehensive income for the year ended December 31, 2010 are as follows (Unit: In millions):

| Classification | Beginning balance | | Changes | | Disposal | | Deferred income tax | | Ending balance | |
|---|-------------------|-----------|---------|---------|----------|-----------|---------------------|--------|----------------|-----------|
| Gain (loss) on valuation of available-for-sale securities | ₩ | 796,879 | ₩ | 114,635 | ₩ | (271,127) | ₩ | 34,336 | ₩ | 674,723 |
| Gain (loss) on valuation of held-to-maturity securities | | (16) | | - | | 21 | | (5) | | - |
| Changes in equity on equity method | | 4,595 | | 555 | | - | | (122) | | 5,028 |
| Negative changes in equity on equity method | | (10) | | (388) | | - | | 86 | | (312) |
| Gain on revaluation of tangible assets | | 432,108 | | - | | (1) | | - | | 432,107 |
| | ₩ | 1,233,556 | ₩ | 114,802 | ₩ | (271,107) | ₩ | 34,295 | ₩ | 1,111,546 |

(4) Statements of comprehensive income

Comprehensive income consist 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, 2010 and 2009 is as follows (Unit: In millions):

| Classification | 2010 | | 2009 | |
|---|------|-----------|------|-----------|
| Net income | ₩ | 1,021,367 | ₩ | 891,737 |
| Effect of exchange rate fluctuation and others | | 1,996 | | (4,170) |
| Other comprehensive income (loss): | | | | |
| Gain (loss) on valuation of available-for-sale securities | | (156,492) | | 622,888 |
| Gain on valuation of held-to-maturity securities | | 21 | | 388 |
| Changes in equity on equity method | | 555 | | 1,162 |
| Negative changes in equity on equity method | | (388) | | 359 |
| Loss on revaluation of tangible assets | | (1) | | (4,140) |
| Less: Effect of income tax Comprehensive income | | 34,295 | | (136,302) |
| Comprehensive income | ₩ | 901,353 | ₩ | 1,371,922 |

(5) Retained earnings

Appropriated retained earnings as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | | 2009 | |
|---------------------|------|---------|------|---------|
| Legal reserve (*1) | ₩ | 460,100 | ₩ | 370,900 |
| Other reserves (*2) | | 51,512 | | 53,291 |
| | ₩ | 511,612 | ₩ | 424,191 |

(*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 reserves.

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KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

16. SHARE-BASED PAYMENT:

(1) Stock options

The details of the stock options as of December 31, 2010 are as follows (Unit: in Won, shares):

| Grant date | Stock option granted | Stock option expired to date [*1] | Stock option exercised | Stock option outstanding | Exercise price | Exercise period |
|--------------------|----------------------|-----------------------------------|------------------------|--------------------------|----------------|-------------------------------|
| Mar. 7, 2005 | 1,355,000 | (344,895) | (1,010,105) | - | ₩ 8,800 | Mar. 8, 2007 ~ Mar. 7, 2010 |
| Jun. 29, 2005 | 200,000 | (63,230) | (136,770) | - | 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) | (47,400) | 110,600 | 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 | (105,490) | - | 74,510 | 13,500 | Aug. 2, 2010 ~ Aug. 1, 2013 |
| Mar. 12, 2009 | 490,000 | (45,350) | - | 444,650 | 5,800 | Mar. 13, 2011 ~ Mar. 12, 2016 |
| Mar. 31, 2009 [*2] | 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 | (42,840) | - | 427,160 | 10,900 | Aug. 5, 2011 ~ Aug. 4, 2016 |
| Mar. 10, 2010 | 350,000 | - | - | 350,000 | 13,200 | Mar. 11, 2013 ~ Mar. 10, 2017 |
| Mar. 30, 2010 | 360,000 | - | - | 360,000 | 13,500 | Mar. 31, 2013 ~ Mar. 30, 2017 |
| Aug. 4, 2010 | 420,000 | - | - | 420,000 | 12,400 | Aug. 5, 2013 ~ Aug. 4, 2017 |
| Sep. 29, 2010 | 90,000 | - | - | 90,000 | 13,500 | Sep. 30, 2013 ~ Sep. 29, 2017 |
| | 8,110,000 | (2,185,405) | (1,194,275) | 4,730,320 | | |

[*1] Actual number of stock options that 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.

[*2] The exercise price is 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 for 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, 2010 are as follows (Unit: In Won):

Pricing based on the intrinsic value pricing model

| Grant date | Market price [*] | | Exercise price | | Intrinsic value |
|---------------|------------------|--------|----------------|--------|-----------------|
| Mar. 7, 2005 | ₩ | 11,975 | ₩ | 8,800 | ₩ 3,175 |
| Jun. 29, 2005 | | 11,975 | | 9,000 | 2,975 |
| Mar. 7, 2006 | | 11,975 | | 13,300 | - |
| Aug. 1, 2006 | | 11,975 | | 11,900 | 75 |

[*] Market price represents an average of the weighted average prices for two months, one month and one week in accordance with the Bank's pricing method.

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Pricing based on the 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 | 0.98 | 4.16 | 25.18 | 3.44 | ₩ 13,900 | ₩ 110 |
| Mar. 29, 2007 | 1.15 | 4.16 | 23.94 | 3.44 | 14,500 | 68 |
| Aug. 10, 2007 | 2.21 | 4.16 | 23.89 | 3.44 | 13,900 | 298 |
| Mar. 11, 2008 | 2.98 | 4.16 | 30.19 | 3.44 | 13,000 | 1,112 |
| Aug. 1, 2008 | 3.07 | 4.16 | 38.60 | 3.44 | 13,500 | 1,652 |
| Mar. 12, 2009 | 3.85 | 6.16 | 43.11 | 3.44 | 5,800 | 5,961 |
| Mar. 31, 2009 | 3.87 | 6.16 | 42.93 | 3.44 | 7,300 | 5,212 |
| Mar. 31, 2009 | 3.87 | 6.16 | 42.93 | 3.44 | 6,300 | 5,695 |
| Aug. 4, 2009 | 3.99 | 6.16 | 42.26 | 3.44 | 10,900 | 3,901 |
| Mar. 10, 2010 | 4.11 | 6.16 | 41.79 | 3.44 | 13,200 | 3,409 |
| Mar. 30, 2010 | 4.12 | 6.16 | 41.64 | 3.44 | 13,500 | 3,342 |
| Aug. 4, 2010 | 4.15 | 6.16 | 40.92 | 3.44 | 12,400 | 3,616 |
| Sep. 29, 2010 | 4.16 | 6.16 | 40.59 | 3.44 | 13,500 | 3,368 |

(*1) The expected exercise period is measured based on the probability of the options being exercised which is estimated based on historical experience.

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

(*3) The expected dividend rate is measured based on the average of 2007, 2008 and 2009.

The changes in long-term accrued expenses recognized for stock option for the year ended December 31, 2010 are as follows (Unit: In millions):

| | Beginning balance | Increase | Decrease | Ending balance |
|----------------------------|-------------------|----------|-----------|----------------|
| Long-term accrued expenses | ₩ 11,026 | ₩ - | ₩ (1,935) | ₩ 9,091 |

(2) The equity linked special incentive (Rose Bonus, Rose Share)

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, 2010 is as follows (Unit: in Won, shares):

| | Grant date | Stock option granted | Stock option expired to date | Stock option exercised (*1) | Stock option outstanding | Exercise price | Exercise period |
|------------|---------------|----------------------|------------------------------|-----------------------------|--------------------------|----------------|-------------------------------|
| Rose Bonus | Jul. 15, 2005 | 3,024,400 | (55,206) | (2,969,194) | - | ₩ - | Jul. 15, 2007 ~ Jul. 14, 2010 |
| | Dec. 21, 2006 | 1,496,510 | (32,428) | (1,344,222) | 119,860 | - | Dec. 21, 2008 ~ Dec. 20, 2011 |
| | Dec. 12, 2007 | 614,800 | (22,254) | (472,646) | 119,900 | - | Dec. 12, 2009 ~ Dec. 11, 2012 |
| | Dec. 11, 2009 | 1,353,240 | (21,662) | (6,968) | 1,324,610 | - | Dec. 11, 2011 ~ Dec. 10, 2014 |
| | Aug. 4, 2010 | 794,660 | (4,902) | (838) | 788,920 | - | Aug. 4, 2012 ~ Aug. 3, 2015 |
| Rose Share | Feb. 19, 2010 | 35,065 | - | - | 35,065 | ₩ - | Feb. 19, 2011 ~ Feb. 18, 2015 |
| | Feb. 19, 2010 | 35,065 | - | - | 35,065 | - | Feb. 19, 2012 ~ Feb. 18, 2015 |
| | Mar. 19, 2010 | 18,265 | - | - | 18,265 | - | Mar. 19, 2011 ~ Mar. 18, 2015 |
| | Mar. 19, 2010 | 18,265 | - | - | 18,265 | - | Mar. 19, 2012 ~ Mar. 18, 2015 |
| | Aug. 11, 2010 | 12,695 | - | - | 12,695 | - | Aug. 11, 2011 ~ Aug. 10, 2015 |
| | Aug. 11, 2010 | 12,695 | - | - | 12,695 | - | Aug. 11, 2012 ~ Aug. 10, 2015 |
| | | 7,415,660 | (136,452) | (4,793,868) | 2,485,340 | | |

(*1) Exercisable if an employee resigns within two years from the grant date except for the cases of death, retirement (because of age), position change or upon the occurrence of certain events imputable to the employee.

The equity linked special incentive is settled in cash. It can be exercised from two years after the grant date for the following three years. However, the equity linked special incentive, granted in 2010 can be exercised within 5 years from the grant date with the certain deferral payment period of one to two years.

The intrinsic value of "Equity linked special incentive" 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 "Equity linked special incentive" 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, 2010 are as follows (Unit: In Won):

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

Pricing based on the intrinsic value pricing model

| Grant date | Rose Price (*1) | Exercise price | Intrinsic value |
|---------------|-----------------|----------------|-----------------|
| Dec. 21, 2006 | ₩ 14,500 | ₩ - | ₩ 14,500 |

(*1) 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, 2010.

Pricing based on the 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. 11, 2009 | 2.73 | 1.00 | 35.16 | - | ₩ - | ₩ 15,300 |
| Aug. 4, 2010 | 3.04 | 1.60 | 42.44 | - | ₩ - | ₩ 14,800 |

(*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) Generally, the fair value and the intrinsic value is the same. But the fair value and the intrinsic value of the equity linked special incentive granted on December 11, 2009 and August 4, 2010 are not the same, since Rose Price is calculated using the upper and lowest limit. Also, the option exercised price is "zero".

The fair value and the intrinsic value of the equity linked special incentive granted in current year and on December 12, 2007 is the same as ₩14,500, since the option exercised price is "zero" without any other qualification.

The changes in long -term accrued expenses recognized for "Equity linked special incentive" for the year ended December 31, 2010 are as follows (Unit: In millions):

| | Beginning balance | Increase | Decrease | Ending balance |
|----------------------------|-------------------|----------|------------|----------------|
| Long-term accrued expenses | ₩ 15,601 | ₩ 13,234 | ₩ (11,212) | ₩ 17,623 |

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

17. CONTINGENCIES AND MAJOR CONTRACTS:

(1) Derivative Instruments

The notional amounts outstanding for derivative contracts as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| Type (*) | 2010 | | | 2009 | | |
|------------------------------|--------------|-----------|--------------|---------------|-----------|---------------|
| | Trading | Hedging | Total | Trading | Hedging | Total |
| Currency: | | | | | | |
| Currency forwards | ₩ 36,994,684 | ₩ - | ₩ 36,994,684 | ₩ 38,504,715 | ₩ - | ₩ 38,504,715 |
| Currency futures | 1,989,638 | - | 1,989,638 | 1,612,152 | - | 1,612,152 |
| Currency swaps | 6,912,220 | - | 6,912,220 | 8,323,470 | - | 8,323,470 |
| Currency options purchased | 1,362,410 | - | 1,362,410 | 2,372,032 | - | 2,372,032 |
| Currency options sold | 1,425,458 | - | 1,425,458 | 2,054,884 | - | 2,054,884 |
| | 48,684,410 | - | 48,684,410 | 52,867,253 | - | 52,867,253 |
| Interest rate: | | | | | | |
| Interest rate futures | 827,329 | - | 827,329 | 1,437,266 | - | 1,437,266 |
| Interest rate swaps | 42,379,678 | 624,117 | 43,003,795 | 50,652,501 | 433,180 | 51,085,681 |
| | 43,207,007 | 624,117 | 43,831,124 | 52,089,767 | 433,180 | 52,522,947 |
| Index: | | | | | | |
| Stock index futures | 9,010 | - | 9,010 | 6,898 | - | 6,898 |
| Stock index option purchased | - | - | - | 2,450 | - | 2,450 |
| Stock index option sold | 24,106 | - | 24,106 | 33,741 | - | 33,741 |
| | 33,116 | - | 33,116 | 43,089 | - | 43,089 |
| Credit: | | | | | | |
| Credit derivatives sold | - | - | - | 33,484 | - | 33,484 |
| | ₩ 91,924,533 | ₩ 624,117 | ₩ 92,548,650 | ₩ 105,033,593 | ₩ 433,180 | ₩ 105,466,773 |

(*) For transactions 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 transactions 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 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

The details of derivatives as of December 31, 2010, and the valuation of derivatives for the year ended December 31, 2010 are 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 | ₩ 352,388 | ₩ 358,481 | ₩ - | ₩ - | ₩ 352,388 | ₩ 358,481 | ₩ 454,041 | ₩ 346,502 |
| Currency swaps | 200,744 | 77,421 | - | - | 200,744 | 77,421 | 326,637 | 236,184 |
| Currency options purchased | 2,737 | 17,683 | - | - | 2,737 | 17,683 | 32,626 | - |
| Currency options sold | 18,335 | 5,828 | - | - | 18,335 | 5,828 | - | 37,484 |
| | 574,204 | 459,413 | - | - | 574,204 | 459,413 | 813,304 | 620,170 |
| Interest: | | | | | | | | |
| Interest rate swaps | 188,513 | 194,855 | 2,172 | 116 | 190,685 | 194,971 | 265,394 | 328,681 |
| Index: | | | | | | | | |
| Stock index option sold | 14 | 969 | - | - | 14 | 969 | - | 2,175 |
| | ₩ 762,731 | ₩ 655,237 | ₩ 2,172 | ₩ 116 | ₩ 764,903 | ₩ 655,353 | ₩ 1,078,698 | ₩ 951,026 |

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 which it accounts for as fair value hedges in connection to its securities and debentures. The Bank recognized ₩1,207 million and ₩752 million of losses on valuation of derivatives of securities and debentures, respectively, and ₩112 million of gains on valuation of derivatives of securities for the year ended December 31, 2010. See Note 12 (6). The difference between gain (loss) on valuation of derivatives and gain (loss) on valuation of hedged items is due to certain hedge ineffectiveness. In addition, the Bank has interest rate swaps which hedge against exposure from interest rate fluctuations.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

The details of derivatives as of December 31, 2009 and the valuation of derivatives for the year ended December 31, 2009 are 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 swaps 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 which it accounts for as fair value hedges in connection to its securities and debentures. The Bank recognized ₩6,438 million of gains on valuation of derivatives of securities and debentures, and ₩1,904 million of losses on valuation of derivatives of securities for the year ended December 31, 2009. See Note 12 (6). In addition, the Bank has interest rate swaps which hedge against exposure from interest rate fluctuations.

(2) The Bank holds written-off loans, on which the relevant statute of limitations has not expired or the Bank has not lost its claim rights to borrowers and guarantors, amounting to ₩1,073,514 million and ₩1,683,663 million as of December 31, 2010 and 2009, respectively.

(3) Endorsed notes with collateral amounted to ₩69,770 million and ₩55,992 million as of December 31, 2010 and 2009, respectively. See Note 13 (3). Endorsed notes without collateral held at the merchant banking accounted amounting to ₩7,123,950 million and ₩7,467,939 million as of December 31, 2010 and 2009, respectively.

(4) The Bank is obliged to repurchase some conditions of the loans previously sold to the Korea Asset Management Corporation ("KAMCO") under certain such as 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 courtreceivership process and the cancellation of mediation.

As of December 31, 2010, KAMCO and other loan purchasers may exercise the resale option for loans amounting to ₩1,157 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.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

| Classification | Date | Value of loans | Sale price | Subordinated debentures (*1) |
|---|---------------|----------------|------------|------------------------------|
| KEB 17th Securitization Specialty Co., Ltd. | Dec. 28, 2009 | ₩ 110,402 | ₩ 79,000 | ₩ 11,930 |

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

(6) The Bank has pending litigation as a plaintiff or a defendant in various legal actions arising from the normal course of operation. The aggregate amounts of these claims brought by and against the Bank are approximately ₩252,592 million (670 cases) and ₩660,980 million (132 cases), respectively, as of December 31, 2010. The Bank recognized ₩29,832 million of provisions related to these lawsuits. See Note 13 (5). Major on-going litigations related to the Bank's contingencies are as follows:

| Defendant | Plaintiff | Amount | Content | Progress |
|-----------|-----------------------------------|---------|--|---|
| KEB | Lim Asia Multi-Strategy Fund Inc. | ₩ 7,996 | Money Collected claim | Lost the case in the first trial, partially won in the second trial, pending in the third trial |
| KEB | Criminal Procedure (*1) | - | Violation of the Securities Exchange Act related to the merger with KEB Credit Service Co., Ltd. | Ruled against the Bank in the first trial, dismissed the first trial ruling in the second trial, and remanded the case to the High Court in the third trial |

(*1) In February 2008, the local court fined the Bank ₩25 billion for a violation of the Securities Exchange Act related to the merger with KEB Credit Service Co., Ltd. In June 2008, the High Court ruled in favor of the Bank. On March 11, 2011, the Supreme Court remanded the case to the High court for retrial. The bank accounted for ₩25 billion as allowance for other liabilities.

In addition, Olympus Capital KEB Cards Ltd. and others ("the applicants") asked for arbitration compensation of maximum ₩645.5 billion (included ₩220.2 billion of the overdue interest) 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 share transfer (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 on 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 ₩2,664,724 million as of December 31, 2010. 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, 2010 amount to ₩314,755 million and ₩458,967 million, respectively. As of December 31, 2010, the Bank's loans for Hynix are classified as normal. Joint control procedure for Hynix is completed on July 12, 2005. Also, the Bank's 20,185 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 ₩255,470 million is accounted as other comprehensive income as of December 31, 2010.

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

As of December 31, 2010, the Bank has loans (including acceptances and guarantees) of ₩941,375 million and available-for-sale securities of ₩622,003 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 ₩346,493 million is accounted as other comprehensive income as of December 31, 2010.

(10) Commitments related to credit card business

The Bank has entered into trademark license (membership) agreements with VISA Worldwide Pte. Limited in 2008, under 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 with the income and expense incurred pertaining to these agreements.

The Bank has entered into an alliance agreement with KDB Capital for credit card business and allocated the fee income related to the credit card business alliance at a fixed rate.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(11) Contingencies related to Project Financing (PF)

1) ABCP purchase agreements and unused credit limits relating to PF as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| Type | 2010 | | 2009 | |
|--------------------------------|------|---------|------|-----------|
| ABCP purchase agreement | ₩ | 597,900 | ₩ | 825,000 |
| Unused credit limit on PF loan | | 372,516 | | 440,611 |
| | ₩ | 970,416 | ₩ | 1,265,611 |

2) The top 10 ABCP purchase agreements relating to PF and unused credit limit on PF loans as of December 31, 2010 are as follows (Unit: In millions):

| Location | ABCP purchase agreement or unused credit limit | | Period | Type |
|------------------|---|---------|-------------------------------|---------|
| Gyeonggi-do | ₩ | 70,000 | Feb. 5, 2010 ~ Feb. 5, 2011 | ABCP |
| Gyeongsangnam-do | | 60,000 | Aug. 27, 2010 ~ Aug. 27, 2012 | ABCP |
| Ulsan | | 57,100 | Apr. 1, 2009 ~ Aug. 1, 2012 | ABCP |
| Seoul | | 51,400 | Apr. 25, 2007 ~ Jan. 25, 2011 | ABCP |
| Gyeonggi-do | | 50,000 | Nov. 9, 2007 ~ Nov. 9, 2011 | ABCP |
| Seoul | | 50,000 | Jan. 30, 2008 ~ May 30, 2011 | ABCP |
| Gyeonggi-do | | 50,000 | Jun. 24, 2010 ~ Dec. 29, 2012 | PF Loan |
| Seoul | | 47,400 | Oct. 26, 2007 ~ Apr. 26, 2011 | ABCP |
| Gyeongsangnam-do | | 46,500 | Sep. 14, 2007 ~ Aug. 16, 2012 | ABCP |
| Gyeonggi-do | | 40,000 | May 7, 2007 ~ Mar. 16, 2012 | ABCP |
| | ₩ | 522,400 | | |

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

18. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:

Major monetary assets and liabilities denominated in foreign currencies as of December 31, 2010 and 2009 are as follows (Unit: In thousands of U.S. dollars, in millions of Won):

| Classification | 2010 | | 2009 | |
|--|--------------------|----------------------|--------------------|----------------------|
| | USD equivalent (*) | Translation into Won | USD equivalent (*) | Translation into Won |
| Assets: | | | | |
| Cash and due from bank: | | | | |
| Foreign currencies | \$ 362,435 | ₩ 412,777 | \$ 329,355 | ₩ 384,555 |
| Due from banks in foreign currencies | 2,040,864 | 2,324,340 | 1,430,021 | 1,669,692 |
| Securities: | | | | |
| Trading securities | 43,303 | 49,318 | 39,955 | 46,650 |
| Available-for-sale securities | 343,646 | 391,378 | 709,147 | 828,000 |
| Held-to-maturity securities | 90,533 | 103,108 | 170,205 | 198,731 |
| Securities using the equity method | 838,100 | 954,512 | 442,809 | 517,023 |
| Loans: | | | | |
| Call loans | 1,975,828 | 2,250,271 | 1,374,137 | 1,604,443 |
| Domestic import usance bill | 2,832,073 | 3,225,448 | 2,240,651 | 2,616,184 |
| Credit card receivables | 2,923 | 3,329 | 3,623 | 4,230 |
| Bills bought in foreign currencies | 3,383,891 | 3,853,913 | 3,422,652 | 3,996,289 |
| Bills bought in Won | 57,815 | 65,846 | 54,770 | 63,950 |
| Loans in foreign currencies | 6,044,671 | 6,884,276 | 6,751,752 | 7,883,346 |
| Factoring receivables | 89,492 | 101,922 | 41,796 | 48,800 |
| Private placed bonds | 57,000 | 64,917 | 87,000 | 101,581 |
| (Reserve for bad debts) | (52,254) | (59,512) | (69,507) | (81,156) |
| | \$ 18,110,320 | ₩ 20,625,843 | \$ 17,028,366 | ₩ 19,882,318 |
| Liabilities: | | | | |
| Deposits: | | | | |
| Demand deposits in foreign currencies | \$ 6,664,243 | ₩ 7,589,906 | \$ 4,339,343 | ₩ 5,066,617 |
| Savings deposits in foreign currencies | 4,031,587 | 4,591,575 | 7,271,574 | 8,490,290 |
| Borrowings: | | | | |
| Borrowings in foreign currencies | 5,093,876 | 5,801,415 | 4,695,444 | 5,482,401 |
| Call money in foreign currencies | 1,024,312 | 1,166,589 | 1,189,282 | 1,388,605 |
| Debentures in foreign currencies | 1,203,330 | 1,370,472 | 992,827 | 1,159,225 |
| Other liabilities: | | | | |
| Accrued expenses in foreign currencies | 234,409 | 266,968 | 227,358 | 265,464 |
| Pension benefit payable | 5,624 | 6,405 | 3,923 | 4,580 |
| Asset under management of pension benefits | (3,146) | (3,583) | (2,773) | (3,238) |
| | \$ 18,254,235 | ₩ 20,789,747 | \$ 18,716,978 | ₩ 21,853,944 |

(*) Foreign currencies other than U.S. Dollars are 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 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

19. OPERATING REVENUE AND EXPENSES:

(1) Interest income and expenses

The average balance of the interest bearing assets and liabilities, and the related interest income and expenses as of and for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | As of and for the year ended Dec. 31, 2010 | | |
|---------------------|--|-------------------------|-------------------|
| | Average balance | Interest income/expense | Interest rate (%) |
| Interest income: | | | |
| Due from banks (*1) | ₩ 4,012,614 | ₩ 92,704 | 2.31 |
| Securities (*2) | 11,146,369 | 418,861 | 3.76 |
| Loans | 64,971,303 | 3,613,015 | 5.56 |
| | ₩ 80,130,286 | ₩ 4,124,580 | 5.15 |
| Interest expense: | | | |
| Deposits | ₩ 58,997,915 | ₩ 1,337,542 | 2.27 |
| Borrowings | 15,580,560 | 460,603 | 2.96 |
| | ₩ 74,578,475 | ₩ 1,798,145 | 2.41 |

(*1) Excludes the average balance of reserve deposits with BOK

(*2) Excludes the average balance of stocks and beneficiary certificates

| Classification | As of and for the year ended Dec. 31, 2009 | | |
|---------------------|--|-------------------------|-------------------|
| | Average balance | Interest income/expense | Interest rate (%) |
| Interest income: | | | |
| Due from banks (*1) | ₩ 4,070,307 | ₩ 87,311 | 2.15 |
| Securities (*2) | 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 |

(*1) Excludes the average balance of reserve deposits with BOK

(*2) Excludes 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, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | 2009 |
|----------------------------------|-------------|-------------|
| Gain: | | |
| Gain on trading of derivatives | ₩ 4,433,253 | ₩ 6,038,691 |
| Gain on valuation of derivatives | 765,015 | 1,182,962 |
| | ₩ 5,198,268 | ₩ 7,221,653 |
| Loss: | | |
| Loss on trading of derivatives | ₩ 4,467,086 | ₩ 6,893,369 |
| Loss on valuation of derivatives | 657,312 | 975,987 |
| | ₩ 5,124,398 | ₩ 7,869,356 |

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(3) Commission income and expenses

Details of commission income and expenses for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | 2009 |
|---------------------------|-----------|-----------|
| Commission income: | | |
| Commission received | ₩ 435,856 | ₩ 421,096 |
| Guarantee fees received | 49,729 | 45,425 |
| Other commission received | 21 | 914 |
| | ₩ 485,606 | ₩ 467,435 |
| Commission expenses: | | |
| Commission paid | ₩ 71,282 | ₩ 81,421 |
| Other commission paid | 220,618 | 197,181 |
| | ₩ 291,900 | ₩ 278,602 |

(4) Dividend income

Details of dividend income for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions)

| Classification | 2010 | 2009 |
|--|----------|----------|
| Dividend income from trading securities | ₩ 480 | ₩ 93 |
| Dividend income from available-for-sale securities | 20,221 | 14,110 |
| | ₩ 20,701 | ₩ 14,203 |

(5) Other operating revenue and expenses

Details of other operating revenue and expenses for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | 2009 |
|---|-----------|-----------|
| Other operating revenue: | | |
| Profit on operating trust account | ₩ 29,622 | ₩ 30,636 |
| Reversal of unused credit limit | 920 | - |
| Operating income of merchant banking accounts | 88,198 | 111,080 |
| | ₩ 118,740 | ₩ 141,716 |
| Other operating expenses: | | |
| Fund contributions | ₩ 183,676 | ₩ 161,026 |
| Provision for reserve for guarantees | 31,890 | 23,793 |
| Provision for unused credit limit | - | 6,046 |
| Provision for other liabilities | 77,007 | 43,975 |
| Operating expenses of merchant banking accounts | 39,719 | 45,694 |
| | ₩ 332,292 | ₩ 280,534 |

(6) General and administrative expenses

General and administrative expenses for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | 2009 |
|-------------------------------------|-------------|-------------|
| Salaries [see Note 16] | ₩ 521,369 | ₩ 538,986 |
| Expenses for fringe benefits | 177,087 | 163,005 |
| Retirement allowances [see Note 13] | 63,575 | 59,726 |
| Honorary retirement | 10,387 | 66,882 |
| Operating expense | 204,376 | 193,209 |
| Depreciation [see Note 8] | 69,152 | 82,912 |
| Amortization [see Note 9] | 24,005 | 32,317 |
| Taxes | 38,872 | 38,231 |
| Rental | 81,683 | 77,015 |
| Entertainment | 10,409 | 8,888 |
| Advertising | 35,803 | 22,230 |
| | ₩ 1,236,718 | ₩ 1,283,401 |

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

20. NON-OPERATING INCOME AND EXPENSES:

Non-operating income and expenses for the years ended December 31, 2010 and 2009 consist of (In millions):

| Classification | 2010 | 2009 |
|--|-----------|-----------|
| Non-operating income: | | |
| Gain on disposal of tangible assets | ₩ 86 | ₩ 2,662 |
| Rental income | 2,362 | 2,336 |
| Gain on securities using the equity method | 70,017 | 55,720 |
| Gain on disposal of securities using the equity method | 16 | - |
| Others | 45,024 | 42,661 |
| | ₩ 117,505 | ₩ 103,379 |
| Non-operating expenses: | | |
| Loss on disposal of tangible assets | ₩ 465 | ₩ 496 |
| Loss on securities using the equity method | 467 | 6,304 |
| Others | 57,548 | 28,683 |
| | ₩ 58,480 | ₩ 35,483 |

21. INCOME TAX EXPENSE:

(1) The components of income tax expense for the years ended December 31, 2010 and 2009 are summarized as follows (Unit: In millions):

| Classification | 2010 | 2009 |
|---|------------|-------------|
| Income tax currently payable (receivable) | ₩ 321,656 | ₩ (110,341) |
| Change in deferred taxes due to temporary differences (*) | (35,986) | 112,861 |
| Income taxes directly applied to shareholders' equity | 34,295 | (136,302) |
| Income tax expense in overseas branches Income tax expense (benefit) | 18,934 | 25,176 |
| | ₩ 338,899 | ₩ (108,606) |
| (*)The ending balance of deferred income tax liabilities due to temporary differences | ₩ 166,397 | ₩ 202,383 |
| The beginning balance of deferred income tax liabilities due to temporary differences | 202,383 | 89,522 |
| Change in deferred taxes due to temporary differences | ₩ (35,986) | ₩ 112,861 |

(2) The income tax on income (loss) before income tax and reconciling items for the years ended December 31, 2010 and 2009 are as follows (Units: In millions):

| Classification | 2010 | 2009 |
|--|-------------|-------------|
| Income before income tax (①) | ₩ 1,360,266 | ₩ 783,131 |
| Burden of taxation (Current applicable rate: 24.2%) | 329,158 | 189,494 |
| Reconciliation items: | | |
| Non-taxable income (₩6,454 million in 2010 and ₩8,126 million in 2009) | (1,562) | (1,966) |
| Non-deductible expense (₩37,731 million in 2010 and ₩10,559 million in 2009) | 9,131 | 2,555 |
| Tax deduction | (13,637) | (17,827) |
| Additional income tax and tax refund | (2,309) | (298,392) |
| Difference due to tax rate | (816) | (7,646) |
| Income tax expense in overseas branches | 18,934 | 25,176 |
| Sum of reconciliation items | 9,741 | (298,100) |
| Income tax expense (benefits) (②) | ₩ 338,899 | ₩ (108,606) |
| Effective tax rate (② ÷ ①) | 24.91% | - |

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(3) Changes in temporary differences for the year ended December 31, 2010, and deferred income tax assets (liabilities) as of December 31, 2010 are as follows (Unit: In millions):

| | Taxable (deductible) temporary differences | | | | Deferred income tax assets (liabilities) (*2) | | | |
|---|--|---------------|---------------|--------------------|---|-------------|-------------|---------------|
| | Jan. 1, 2010 | Decrease | Increase | Dec. 31, 2010 (*5) | Jan. 1, 2010 (*1) | Decrease | Increase | Dec. 31, 2010 |
| [Deductible temporary differences] | | | | | | | | |
| Accrued income | ₩ (7,194) | ₩ (7,194) | ₩ (57,413) | ₩ (57,413) | ₩ (1,741) | ₩ (1,741) | ₩ (13,894) | ₩ (13,894) |
| Gains or losses related to derivatives | (125,396) | (125,396) | (126,978) | (126,978) | (29,941) | (29,941) | (29,781) | (29,781) |
| Gains or losses on valuation of trading securities | (75,850) | (75,461) | (143,360) | (143,749) | (17,111) | (18,261) | (32,856) | (31,706) |
| Gains or losses on valuation of held-to-maturity securities | (810) | (2,914) | (966) | 1,138 | (210) | (705) | (285) | 210 |
| Allowance for other liabilities (*3) | 331,572 | 331,572 | 387,612 | 387,612 | 72,517 | 72,517 | 79,455 | 79,455 |
| Reserve for guarantees | 81,115 | 81,115 | 109,618 | 109,618 | 17,845 | 17,845 | 24,116 | 24,116 |
| Deferred loan organization fees and costs | 18,438 | - | - | 18,438 | 4,462 | - | - | 4,462 |
| Compensation expense for stock option | 11,026 | 11,026 | 9,091 | 9,091 | 2,426 | 2,426 | 2,000 | 2,000 |
| Long term accrued expenses | 15,601 | 15,601 | 17,623 | 17,623 | 3,432 | 3,432 | 3,877 | 3,877 |
| Loss on revaluation of tangible asset | 25,239 | 19 | - | 25,220 | 5,553 | 5 | - | 5,548 |
| Others | 488,476 | 198,797 | 192,136 | 481,815 | 112,713 | 48,109 | 43,807 | 108,411 |
| | 762,217 | 427,165 | 387,363 | 722,415 | 169,945 | 93,686 | 76,439 | 152,698 |
| [Accumulated other comprehensive income] (*4) | | | | | | | | |
| Gain on valuation of available-for-sale securities | (1,021,568) | (1,021,568) | (865,077) | (865,077) | (224,690) | (224,690) | (190,354) | (190,354) |
| Loss on valuation of held-to-maturity securities | 21 | 21 | - | - | 5 | 5 | - | - |
| Changes in equity on equity method | (5,891) | (5,891) | (6,446) | (6,446) | (1,296) | (1,296) | (1,418) | (1,418) |
| Negative changes in equity on equity method | 12 | 12 | 401 | 401 | 3 | 3 | 89 | 89 |
| Gain on revaluation of tangible asset | ₩ (553,984) | ₩ (553,984) | ₩ (553,984) | ₩ (553,984) | ₩ (121,876) | ₩ (121,876) | ₩ (121,876) | ₩ (121,876) |
| | (1,581,410) | (1,581,410) | (1,425,106) | (1,425,106) | (347,854) | (347,854) | (313,559) | (313,559) |
| [Capital surplus due to using equity method] (*4) | | | | | | | | |
| Other capital surplus | (25,163) | - | - | (25,163) | (5,536) | - | - | (5,536) |
| | ₩ (844,356) | ₩ (1,154,245) | ₩ (1,037,743) | ₩ (727,854) | ₩ (183,445) | ₩ (254,168) | ₩ (237,120) | ₩ (166,397) |

(*1) The difference amounting to ₩67,110 million (₩18,938 million of the effect of deferred income tax) resulting from the final income tax return for December 31, 2009 is adjusted.

(*2) The tax rate used for calculating deferred income tax assets and liabilities is the expected tax rate applicable to the period for which the temporary differences are expected to reverse (24.2% in 2011 or prior and 22% in 2012 or thereafter).

(*3) The allowance for other liabilities, recognized due to the merger with KEB Credit Service Co., Ltd. amounting to ₩25,000 million and collusion with other financial institutions in connection with foreign exchange commission amounting to ₩1,496 million, is excluded from expense and will not be deductible from future taxable income because it is reported as a permanent difference. The Bank did not recognize a related deferred income tax asset as it failed to meet the requirement of the deferred tax asset recognition.

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

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

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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| | Dec. 31, 2010 | 2011 | 2012 or after |
|---|---------------|------------|---------------|
| (Deductible temporary differences) | | | |
| Accrued income | ₩ (57,413) | ₩ (57,413) | ₩ - |
| Gains or losses related to derivatives | (126,978) | (83,888) | (43,090) |
| Gains or losses on valuation of trading securities | (143,749) | (3,673) | (140,076) |
| Gains or losses on valuation of held-to-maturity securities | 1,138 | (1,853) | 2,991 |
| Allowance for other liability | 387,612 | - | 387,612 |
| Reserve for guarantees | 109,618 | - | 109,618 |
| Deferred loan organization fees and costs | 18,438 | 18,438 | - |
| Compensation expense for stock option | 9,091 | - | 9,091 |
| Long term accrued expenses | 17,623 | - | 17,623 |
| Loss on revaluation of tangible assets | 25,220 | - | 25,220 |
| Others | 481,815 | 109,584 | 372,231 |
| | 722,415 | (18,805) | 741,220 |
| (Accumulated other comprehensive income) | | | |
| Gain on valuation of available-for-sale securities | (865,077) | (1,665) | (863,412) |
| Loss on valuation of held-to-maturity securities | - | - | - |
| Changes in equity on equity method | (6,446) | - | (6,446) |
| Negative changes in equity on equity method | 401 | - | 401 |
| Gain on revaluation of tangible assets | (553,984) | - | (553,984) |
| | (1,425,106) | (1,665) | (1,423,441) |
| (Capital surplus due to using equity method) | | | |
| Other capital surplus | (25,163) | - | (25,163) |
| | ₩ (727,854) | ₩ (20,470) | ₩ (707,384) |

(4) There is no temporary difference due to deferred income tax liabilities as of December 31, 2010.

(5) Prepaid income tax and income tax payables as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | 2009 |
|-----------------------------------|----------|----------|
| Prepaid income tax before offset | ₩ 18,870 | ₩ 27,827 |
| Income tax payables before offset | 185,708 | 194,218 |
| Prepaid income tax after offset | 637 | 1,185 |
| Income tax payables after offset | 167,475 | 167,576 |

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, 2010 and 2009 is as follows (Unit: In Won, shares):

| Classification | 2010 | 2009 |
|--|----------------------|--------------------|
| Net income | ₩ 1,021,367 millions | ₩ 891,737 millions |
| Weighted average number of common shares | 644,906,826 | 644,906,826 |
| Basic net income per share | ₩ 1,584 | ₩ 1,383 |

The weighted average number of outstanding common stock is 644,906,826 and there is no change on the number of outstanding common stock for the year ended December 31, 2010.

(2) Diluted net income per share

Diluted net income per share represents 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 basic net income per share.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

23. SEGMENT INFORMATION:

(1) Operating segments

1) General information of operating segments

The Bank's operating segments are 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, 2010 and 2009, financial information on the Bank's operating segments is as follows (Unit: In millions):

| Classification | Income before provision | | Loans (*1) | | Securities (*2) | | Income before provision | | Loans (*1) | | Securities (*2) | |
|----------------|-------------------------|-----------|------------|------------|-----------------|------------|-------------------------|-----------|------------|------------|-----------------|------------|
| Consumer | ₩ | 661,247 | ₩ | 23,785,036 | ₩ | - | ₩ | 682,777 | ₩ | 22,617,581 | ₩ | - |
| Corporate | | 1,191,383 | | 29,244,761 | | 939,868 | | 1,022,394 | | 30,345,667 | | 1,170,762 |
| Foreign | | 186,510 | | 4,364,575 | | 1,091,715 | | 104,495 | | 5,276,500 | | 818,079 |
| Credit card | | 258,514 | | 2,581,162 | | 1,817 | | 280,688 | | 2,423,245 | | 4,372 |
| Others | | (295,473) | | 3,807,826 | | 11,992,731 | | (531,098) | | 3,565,471 | | 12,930,635 |
| | ₩ | 2,002,181 | ₩ | 63,783,360 | ₩ | 14,026,131 | ₩ | 1,559,256 | ₩ | 64,228,464 | ₩ | 14,923,848 |

(*1) Includes allowance for possible loan losses, deferred loan organization fees & costs which are not deducted, and loans of merchant banking accounts.

(*2) Includes trading securities of merchant banking accounts

3) Adjustments to income before provision

Details of adjustment of income before liabilities reserve for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | | 2009 | |
|---|------|-----------|------|-----------|
| Income before provision | ₩ | 2,002,181 | ₩ | 1,559,256 |
| Provision for allowance and reserve (*) | | 578,340 | | 716,399 |
| Accrued severance benefits | | 63,575 | | 59,726 |
| Income tax expense (benefit) | | 338,899 | | (108,606) |
| Net income | ₩ | 1,021,367 | ₩ | 891,737 |

(*) 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 banks for local residents and overseas banks for Korean residing abroad and overseas companies.

2) As of and for the years ended December 31, 2010 and 2009, financial information on the Bank's geographical segments is as follows (Unit: In millions):

| Classification | 2010 | | | 2009 | | |
|-------------------|--------------|-----------|--------------|--------------|-----------|--------------|
| | Domestic | Overseas | Total | Domestic | Overseas | Total |
| Operating revenue | ₩ 11,795,314 | ₩ 434,490 | ₩ 12,229,804 | ₩ 15,855,572 | ₩ 532,670 | ₩ 16,388,242 |
| Operating income | 1,159,041 | 142,200 | 1,301,241 | 582,616 | 132,619 | 715,235 |
| Loans (*1) | 59,418,785 | 4,364,575 | 63,783,360 | 58,951,964 | 5,276,500 | 64,228,464 |
| Securities (*2) | 13,781,815 | 244,316 | 14,026,131 | 14,534,788 | 389,060 | 14,923,848 |

(*1) Includes allowance for possible loan losses, deferred loan organization fees & costs which are not deducted, and loans of merchant banking accounts

(*2) Includes trading securities of merchant banking accounts

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

24. RELATED PARTY TRANSACTIONS:

(1) The parent company and subsidiaries of the Bank as of December 31, 2010 are 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 |
| KEBAF | Subsidiary |
| KEB China | Subsidiary |

(2) Significant balances made in the normal course of business with related parties as of December 31, 2010 and 2009 are summarized as follows (Unit: In millions):

| Classification | KEBC | KEBF | KEBOC | KEBA | KEBDAG | KEBI | KEB China | Trust | Other subsidiaries | Dec. 31, 2010 |
|--------------------------------------|----------|----------|---------|-----------|-----------|----------|-----------|-----------|--------------------|---------------|
| Assets: | | | | | | | | | | |
| Due from banks in foreign currencies | ₩ - | ₩ 2,673 | ₩ 8,831 | ₩ 1,113 | ₩ 13,748 | ₩ 276 | ₩ 45,876 | ₩ - | ₩ - | ₩ 72,517 |
| Loan in Won | 30,300 | - | - | - | - | - | - | - | - | 30,300 |
| Loans in foreign currencies (*1) | 25,993 | - | - | 180,448 | 91,679 | - | 76,428 | - | 459,724 | 834,272 |
| Allowance for possible loan losses | (478) | - | - | - | - | - | - | - | - | (478) |
| Other assets | 54 | 1 | - | 521 | 58 | - | 29,561 | - | 543 | 30,738 |
| | ₩ 55,869 | ₩ 2,674 | ₩ 8,831 | ₩ 182,082 | ₩ 105,485 | ₩ 276 | ₩ 151,865 | ₩ - | ₩ 460,267 | ₩ 967,349 |
| Liabilities: | | | | | | | | | | |
| Deposits in Won | ₩ 76 | ₩ 114 | ₩ 3,962 | ₩ 5 | ₩ 8 | ₩ - | ₩ - | ₩ - | ₩ - | ₩ 4,165 |
| Deposits in foreign currencies | 411 | 13,213 | - | 1 | 617 | 859 | 1,440 | - | 456 | 16,997 |
| Borrowings in foreign currencies | - | - | - | 11,538 | 176,551 | 39,239 | 97,322 | - | 4,100 | 328,750 |
| Other liabilities | 4,630 | - | - | 30 | 419 | - | - | 134,247 | - | 139,326 |
| | ₩ 5,117 | ₩ 13,327 | ₩ 3,962 | ₩ 11,574 | ₩ 177,595 | ₩ 40,098 | ₩ 98,762 | ₩ 134,247 | ₩ 4,556 | ₩ 489,238 |

(*1) Call loans in foreign currencies are included.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| Classification | KEBC | | KEBF | | KEBOC | | KEBA | | KEBDAG | | KEBI | | Trust | | Other subsidiaries | | Dec. 31, 2009 | |
|--------------------------------------|------|---------|------|-------|-------|-------|------|---------|--------|---------|------|---------|-------|---------|--------------------|---------|---------------|---------|
| 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 banking accounts

(*2) Includes call loans in foreign currencies

(3) Significant transactions with related parties for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | KEBC | | KEBF | | KEBOC | | KEBA | | KEBDAG | | KEBI | | KEB China | | Trust | | Other subsidiaries | | Dec. 31, 2010 | |
|--|------|-------|------|-----|-------|----|------|-------|--------|-------|------|-----|-----------|-----|-------|-------|--------------------|-------|---------------|--------|
| Revenue: | | | | | | | | | | | | | | | | | | | | |
| Interest income in Won | ₩ | 3,634 | ₩ | - | ₩ | - | ₩ | - | ₩ | - | ₩ | - | ₩ | - | ₩ | - | ₩ | - | ₩ | 3,634 |
| Interest income in foreign currencies | | 1,357 | | - | | - | | 2,577 | | 974 | | 19 | | 165 | | - | | 2,578 | | 7,670 |
| Commission income in Won | | - | | 9 | | - | | - | | - | | - | | - | | - | | - | | 9 |
| Commission income in foreign currencies | | - | | - | | - | | 616 | | 4,435 | | 558 | | - | | - | | - | | 5,609 |
| Other revenue | | 3,183 | | - | | - | | - | | 54 | | - | | - | | 9,399 | | - | | 12,636 |
| | ₩ | 8,174 | ₩ | 9 | ₩ | - | ₩ | 3,193 | ₩ | 5,463 | ₩ | 577 | ₩ | 165 | ₩ | 9,399 | ₩ | 2,578 | ₩ | 29,558 |
| Expenses: | | | | | | | | | | | | | | | | | | | | |
| Interest expenses in Won | ₩ | - | ₩ | 16 | ₩ | - | ₩ | - | ₩ | - | ₩ | - | ₩ | - | ₩ | 1,261 | ₩ | 2 | ₩ | 1,277 |
| Interest expenses in foreign currencies | | 2 | | 13 | | 61 | | 1,955 | | 3,235 | | 591 | | 128 | | - | | - | | 5,987 |
| Commission expense in Won | | - | | 304 | | - | | - | | - | | - | | - | | - | | - | | 304 |
| Commission expense in foreign currencies | | - | | 50 | | - | | 162 | | - | | - | | - | | - | | 81 | | 293 |

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KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| Classification | KEBC | KEBF | KEBOC | KEBA | KEBDAG | KEBI | KEB China | Trust | Other subsidiaries | Dec. 31, 2010 |
|------------------------------------|---------|-------|-------|---------|---------|-------|-----------|---------|--------------------|---------------|
| Provision for possible loan losses | (104) | - | - | - | - | - | - | - | - | (104) |
| Other expenses | 3,079 | - | - | 128 | - | - | - | - | - | 3,207 |
| | ₩ 2,977 | ₩ 383 | ₩ 61 | ₩ 2,245 | ₩ 3,235 | ₩ 591 | ₩ 128 | ₩ 1,261 | ₩ 83 | ₩ 10,964 |

| Classification | KEBC | KEBF | KEBOC | KEBA | KEBDAG | KEBI | Trust | Other subsidiaries | Dec. 31, 2009 |
|---|----------|-------|-------|---------|---------|-------|---------|--------------------|---------------|
| Revenue: | | | | | | | | | |
| Interest income in Won | ₩ 5,766 | ₩ | ₩ | ₩ | ₩ | ₩ | ₩ | ₩ | ₩ 5,766 |
| Interest income 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 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(4) The key management compensations for the year ended December 31, 2010 are as follows (Unit: In millions):

| Classification | Compensations | |
|-------------------------------------|---------------|---------|
| Short-term employee benefits | ₩ | 7,039 |
| Employee benefits after resignation | | 2,604 |
| Stock option | | (6,278) |
| | ₩ | 3,365 |

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, 2010 and 2009 is as follows (Unit: In millions):

| Classification | 2010 | | 2009 | |
|---|------|--------|------|--------|
| Revenue: | | | | |
| Trust fees and commissions received from trust accounts | ₩ | 29,622 | ₩ | 30,636 |
| Commission from pre-payment | | 12 | | 5 |
| | ₩ | 29,634 | ₩ | 30,641 |
| Expense: | | | | |
| Interest on borrowings from trust accounts | ₩ | 21,343 | ₩ | 29,904 |

(2) As of December 31, 2010, 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 consist of following (Unit: In millions):

| Classification | Book value | | Fair value | |
|--|------------|-----------|------------|-----------|
| Trust accounts guaranteeing the repayment of principal: | | | | |
| Installment trust | ₩ | 114 | ₩ | 120 |
| Household trust | | 761 | | 799 |
| Old age pension trust | | 3,152 | | 3,309 |
| Corporate trust | | 36 | | 38 |
| Personal pension trust | | 205,515 | | 215,791 |
| Retirement trust | | 571,995 | | 580,073 |
| New personal pension trust | | 58,948 | | 59,446 |
| New old age pension trust | | 2,541 | | 2,668 |
| Pension trust | | 186,087 | | 187,453 |
| | | 1,029,149 | | 1,049,697 |
| Trust accounts guaranteeing a fixed rate of return and the repayment of principal: | | | | |
| Unspecified monetary trust | | 59 | | 62 |
| Development money trust | | 5 | | 5 |
| | | 64 | | 67 |
| | ₩ | 1,029,213 | ₩ | 1,049,764 |

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

26. COMPUTATION OF VALUE ADDED:

Accounts required for computation of value added for the years ended December 31, 2010 and 2009 consist of the following (Unit: In millions):

| Accounts | 2010 | 2009 |
|------------------------------|-----------|-----------|
| Salaries | ₩ 521,369 | ₩ 538,986 |
| Expenses for fringe benefits | 177,087 | 163,005 |
| Retirement allowances | 63,575 | 59,726 |
| Rent | 81,683 | 77,015 |
| Depreciation | 69,152 | 82,912 |
| Amortization | 24,005 | 32,317 |
| Taxes and dues | 38,872 | 38,231 |
| | ₩ 975,743 | ₩ 992,192 |

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

The Bank is required to report interim financial statement but it does not report the financial statement of last quarter. The Bank's summary of financial information for the last quarter in December 31, 2010 and 2009 are as follows (Unit: In millions except per share amounts):

| Classification | 4 th Q in 2010 | 4 th Q in 2009 |
|--|---------------------------|---------------------------|
| Operating revenue | ₩ 2,860,146 | ₩ 2,948,848 |
| Operating income | 258,783 | 347,688 |
| Net income | 202,318 | 306,360 |
| Net income per share (In currency units) | 314 | 475 |

28. DIVIDENDS:

(1) Details of dividends for the years ended December 31, 2010 and 2009 are as follows (Unit: shares, In millions except per share amounts):

| Classification | 2010 | 2009 |
|---|-----------------|---------------|
| Stock dividends per share (rate) (In currency units): | | |
| Quarterly | ₩ 235 (4.7%) | ₩ - |
| Yearly | 850 (17.0%) | 510 (10.2%) |
| | ₩ 1,085 (21.7%) | ₩ 510 (10.2%) |
| Number of shares issued and outstanding | 644,906,826 | 644,906,826 |
| Total dividends: | | |
| Quarterly | ₩ 151,553 | ₩ - |
| Yearly | 548,171 | 328,902 |
| | ₩ 699,724 | ₩ 328,902 |

(2) Dividend payout ratio for the years ended December 31, 2010 and 2009 is as follows (Unit: In millions):

| Classification | 2010 | 2009 |
|---------------------------|-----------|-----------|
| Dividends (*) | ₩ 699,724 | ₩ 328,902 |
| Net income | 1,021,367 | 891,737 |
| Dividend payout ratio (%) | 68.51 | 36.88 |

(*) Quarterly dividend is included.

(3) Dividend yield ratio for the years ended December 31, 2010 and 2009 is as follows (Unit: In currency units):

| Classification | 2010 | 2009 |
|------------------------------------|---------|--------|
| Dividends per share (*) | ₩ 1,085 | ₩ 510 |
| Stock price at the end of the year | 11,800 | 14,500 |
| Dividend yield ratio (%) | 9.19 | 3.52 |

(*) Quarterly dividend is included.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

29. CASH FLOWS:

(1) Cash in the statements of cash flows consists of cash and 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, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | | 2009 | |
|---|------|-------------|------|-------------|
| Cash and due from banks | ₩ | 998,607 | ₩ | 809,276 |
| Foreign currencies | | 412,777 | | 384,555 |
| Deposit in Won | | 3,719,710 | | 3,039,185 |
| Deposit in foreign currencies | | 2,324,340 | | 1,669,692 |
| | | 7,455,434 | | 5,902,708 |
| Less: restricted due from bank (see Note 3) | | (5,442,586) | | (2,437,717) |
| | ₩ | 2,012,848 | ₩ | 3,464,991 |

(3) Significant non-cash transactions for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | | 2009 | |
|--|------|---------|------|-----------|
| Decrease of loans from write-offs of loans | ₩ | 487,520 | ₩ | 906,480 |
| Increase in gain on valuation of available-for-sale securities | | 122,156 | | 486,095 |
| Change on unsettled spot transactions | | 119,593 | | 1,513,172 |

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:

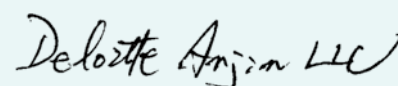
We have reviewed the accompanying report on the management's assessment of IACS (the "Management's Report") of Korea Exchange Bank (the "Bank") as of December 31, 2010. The Management's Report, and the design and operation of IACS are the responsibility of the Bank's management. Our responsibility is to review the Management's Report and issue a review report based on our procedures. The Bank's management stated in the accompanying Management's Report that "based on the assessment of the IACS as of December 31, 2010, the Bank's IACS has been appropriately designed and is operating effectively as of December 31, 2010, 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 the IACS Framework established by the Korean Listed Companies Association.

Our review is based on the Bank's IACS as of December 31, 2010, and we did not review its IACS subsequent to December 31, 2010. 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.



March 31, 2011

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Member of Deloitte Touche Tohmatsu

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:

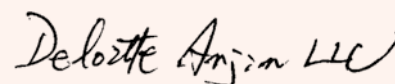
We have audited the accompanying consolidated statements of financial position of Korea Exchange Bank (the "Bank") and its subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, all expressed 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., KEB Bank (China) Co., Ltd., whose statements reflect total assets constituting 4.56 percent of consolidated total assets as of December 31, 2010 and total revenues constituting 2.64 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, 2010 and 2009, 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.

We have audited the consolidated financial statements as of and for the year ended December 31, 2010 and originally issued the auditors' report as of March 21, 2011. However, we reissued the auditors' report as the Bank amended its financial statements for the purpose of reflecting a dividend of ₩548,171 million, approved at the shareholders' meeting held on March 31, 2011, which is different from an originally approved dividend of ₩374,046 million by the board of directors on March 12, 2011. Therefore, the issued auditors' report dated March 21, 2011 shall be replaced with this reissued report and the originally issued report dated March 21, 2011 should not be referred to as an independent auditors' report for the consolidated financial statements for the year ended December 31, 2010.

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.



March 31, 2011

Notice to Readers

This report is effective as of March 31, 2011, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES AS OF DECEMBER 31, 2010 AND 2009

| | | | (In millions of KRW) | |
|--|---|------------|----------------------|-------------|
| | | 2010 | | 2009 |
| ASSETS | | | | |
| Cash and due from banks (Notes 5, 18, 24, 25 and 28) | ₩ | 8,112,876 | ₩ | 6,346,257 |
| Securities (Notes 6, 17, 18 and 24) | | 14,059,622 | | 15,243,895 |
| Loans (Notes 7, 8, 9, 17, 18, 24 and 25) | | 66,294,576 | | 66,236,846 |
| Tangible assets (Notes 10 and 24) | | 1,378,704 | | 1,393,110 |
| Other assets (Notes 4, 11, 17, 22, 24 and 25) | | 10,148,628 | | 10,801,209 |
| | ₩ | 99,994,406 | ₩ | 100,021,317 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| LIABILITIES: | | | | |
| Deposits (Notes 12, 18, 24 and 25) | ₩ | 64,940,711 | ₩ | 60,865,856 |
| Borrowings (Notes 13, 18, 24 and 25) | | 13,749,061 | | 18,090,474 |
| Other liabilities (Notes 4, 14, 16, 17, 18, 24 and 25) | | 12,906,016 | | 13,088,380 |
| | | 91,595,788 | | 92,044,710 |
| SHAREHOLDERS' EQUITY (Notes 4, 6, 10, 15, 17 and 24): | | | | |
| Common stock | | 3,224,534 | | 3,224,534 |
| Capital surplus | | 940 | | 940 |
| Accumulated other comprehensive income | | 1,111,546 | | 1,233,556 |
| Retained earnings | | 4,059,256 | | 3,515,456 |
| Minority interests | | 2,342 | | 2,121 |
| | | 8,398,618 | | 7,976,607 |
| | ₩ | 99,994,406 | ₩ | 100,021,317 |

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| | (In millions of KRW, except per share amounts) | |
|--|--|------------|
| | 2010 | 2009 |
| OPERATING REVENUES (Note 24): | | |
| Interest income (Note 25): | | |
| Interest on due from banks | ₩ 111,866 | ₩ 110,454 |
| Interest on trading securities | 71,153 | 108,977 |
| Interest on available-for-sale securities | 179,423 | 258,007 |
| Interest on held-to-maturity securities | 240,554 | 197,745 |
| Interest on loans | 3,847,786 | 4,109,322 |
| Other interest income (Note 20) | 17,086 | 15,920 |
| | 4,467,868 | 4,800,425 |
| Gain on valuation and disposal of securities (Note 6): | | |
| Gain on valuation of trading securities | 7,020 | 17,598 |
| Gain on disposal of trading securities | 47,071 | 60,218 |
| Reversal of impairment loss on available-for-sale securities | 2,390 | 18,727 |
| Gain on disposal of available-for-sale securities | 394,344 | 254,815 |
| Gain on retirement of held-to-maturity securities | - | 108 |
| | 450,825 | 351,466 |
| Gain on valuation and disposal of loans: | | |
| Gain on disposal of loans (Notes 7 and 17) | 67,476 | 38,971 |
| Foreign exchange trading income | 1,857,623 | 3,793,782 |
| Gain on trading and valuation of derivatives (Notes 17 and 19) | 5,199,862 | 7,222,898 |
| Commission income (Notes 19 and 25) | 528,476 | 528,219 |
| Dividends income (Note 19) | 23,270 | 15,410 |
| Other operating revenue (Notes 19 and 25) | 23,428 | 22,342 |
| Total operating revenues | 12,618,828 | 16,773,513 |
| OPERATING REVENUES (Note 24): | | |
| Interest expenses (Note 25): | | |
| Interest on deposits | 1,446,034 | 1,670,825 |
| Interest on borrowings | 523,008 | 901,039 |
| Other interest expenses (Note 20) | 25,125 | 31,956 |
| | 1,994,167 | 2,603,820 |
| Loss on valuation and disposal of securities (Note 6): | | |
| Loss on valuation of trading securities | 1,454 | 2,258 |
| Loss on disposal of trading securities | 23,873 | 22,680 |
| Impairment loss on available-for-sale securities | 308 | 22,084 |
| Loss on disposal of available-for-sale securities | 211 | 4,057 |
| Loss on retirement of held-to-maturity securities | - | 7 |
| | 25,846 | 51,086 |
| Loss on valuation and disposal of loans: | | |
| Provision for possible loan losses (Notes 9 and 25) | 482,634 | 677,349 |
| Loss on disposal of loans (Note 7) | 79,346 | 33,500 |
| | 561,980 | 710,849 |
| Foreign exchange trading losses | 1,599,617 | 2,877,640 |
| Loss on trading and valuation of derivatives (Notes 13, 17 and 19) | 5,126,866 | 7,872,221 |
| Commission expenses (Notes 19 and 25) | 301,000 | 285,227 |
| General and administrative expenses (Notes 19 and 26) | 1,317,483 | 1,348,453 |
| Other operating expenses (Note 19) | 299,573 | 235,718 |
| Total operating expenses | 11,226,532 | 15,985,014 |

CONSOLIDATED STATEMENTS OF INCOME

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| | (In millions of KRW, except per share amounts) | |
|--|--|-----------|
| | 2010 | 2009 |
| OPERATING INCOME (Note 24) | 1,392,296 | (89,322) |
| NON-OPERATING INCOME (Notes 6, 21 and 24) | 50,796 | 51,156 |
| NON-OPERATING EXPENSES (Notes 6, 21 and 24) | 59,435 | 37,026 |
| INCOME BEFORE INCOME TAX (Note 24) | 1,383,657 | 802,629 |
| INCOME TAX EXPENSE (BENEFITS) (Notes 22 and 24) | 362,094 | 891,951 |
| NET INCOME (Notes 23 and 24) | | |
| Controlling company interest, gain | ₩ 1,021,367 | ₩ 891,737 |
| Minority interests, gain | 196 | 214 |
| | ₩ 1,021,563 | ₩ 891,951 |
| BASIC NET INCOME PER SHARE (In currency units) (Note 23) | ₩ 1,584 | ₩ 1,383 |
| DILUTED NET INCOME PER SHARE (In currency units) (Note 23) | ₩ 1,584 | ₩ 1,383 |

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| | (In millions of KRW) | | | | | | |
|--|----------------------|-----------------|---------------------|--|-------------------|--------------------|-------------|
| | Capital stock | Capital surplus | Capital adjustments | Accumulated other comprehensive income | Retained earnings | Minority interests | Total |
| 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 |
| Effect of exchange rate fluctuations for overseas branches | - | - | - | - | (4,170) | 84 | (4,086) |
| Valuation of available-for-sale securities | - | - | - | 487,292 | - | 6 | 487,298 |
| Valuation of held-to-maturity securities | - | - | - | 303 | - | - | 303 |
| Negative changes in equity on 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 |
| January 1, 2010 | ₩ 3,224,534 | ₩ 940 | ₩ - | ₩ 1,233,556 | ₩ 3,515,456 | ₩ 2,121 | ₩ 7,976,607 |
| Dividend (Note 27) | - | - | - | - | (328,902) | - | (328,902) |
| Balance after appropriations | 3,224,534 | 940 | - | 1,233,556 | 3,186,554 | 2,121 | 7,647,705 |
| Quarterly dividend (Note 27) | - | - | - | - | (151,553) | - | (151,553) |
| Net income | - | - | - | - | 1,021,367 | 196 | 1,021,563 |
| Effect of exchange rate fluctuations for overseas branches | - | - | - | - | 1,996 | 30 | 2,026 |
| Valuation of availablefor-sale securities | - | - | - | (122,025) | - | (5) | (122,030) |
| Valuation of held-to-maturity securities | - | - | - | 16 | - | - | 16 |
| Valuation of tangible assets | - | - | - | (1) | - | - | (1) |
| Trust reserved | - | - | - | - | 892 | - | 892 |
| December 31, 2010 | ₩ 3,224,534 | ₩ 940 | ₩ - | ₩ 1,111,546 | ₩ 4,059,256 | ₩ 2,342 | ₩ 8,398,618 |

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| | (In millions of KRW) | |
|---|----------------------|-------------|
| | 2010 | 2009 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | ₩ 1,021,563 | ₩ 891,951 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Gain on valuation of trading securities, net | (5,566) | (15,340) |
| (Reversal of) impairment loss on available-for-sale securities, net | (2,082) | 3,357 |
| Loss (gain) on valuation of securities using the equity method, net | (143) | 324 |
| Provision for possible loan losses | 482,634 | 677,349 |
| Loss (gain) on disposal of tangible assets, net | 303 | (1,121) |
| Depreciation and amortization | 99,763 | 121,952 |
| Provision for severance benefits | 64,592 | 61,345 |
| Expenses for fringe benefits | 14,400 | - |
| Gain on valuation of financial derivatives, net | (107,703) | (208,013) |
| Long-term compensation expense for performance bonus | 13,234 | 9,748 |
| Provision for allowance for other liabilities | 77,346 | 41,022 |
| (Reversal of) stock option compensation costs, net | (433) | 12,798 |
| Gain on foreign exchange trading, net | (12,306) | (109,535) |
| Others, net | 23,175 | 22,146 |
| | 647,214 | 616,032 |
| Changes in assets and liabilities resulting from operations: | | |
| Net decrease in trading securities | 866,490 | 436,997 |
| Net decrease in available-for-sale securities | 1,512,361 | 17,067 |
| Net increase in held-to-maturity securities | (1,362,548) | (1,116,842) |
| Net increase in call loans | (1,674,672) | (196,732) |
| Net decrease (increase) in domestic import usance bill | (609,263) | 130,744 |
| Net decrease (increase) credit card receivables | (185,093) | 56,311 |
| Net decrease in bills bought in foreign currencies | 118,606 | 424,888 |
| Net decrease in bills bought | 823,699 | 956,697 |
| Net decrease in bonds purchased under repurchase agreements | 1,086,000 | 556,717 |
| Net increase in loans in Won | (77,656) | (1,352,092) |
| Net decrease in loans in foreign currencies | 221,924 | 1,221,058 |
| Net increase in factoring receivables | (431,154) | (35,836) |
| Net decrease in advances for customers | 2,662 | 22,129 |
| Net decrease in privately placed bonds | 215,901 | 71,983 |
| Net increase (decrease) in deferred loan origination fees and costs | (21,078) | 4,858 |
| Net decrease in accrued income | 21,366 | 150,112 |
| Net decrease (increase) in prepaid expenses | 4,506 | (18,870) |
| Net decrease (increase) in deferred income tax assets | (4,383) | 7,658 |
| Net decrease in financial derivatives assets | 630,694 | 3,277,100 |
| Net increase (decrease) in accrued expenses | 18,231 | (353,300) |
| Net decrease in unearned revenues | (5,953) | (34,091) |
| Payment of severance benefits | (21,875) | (36,405) |
| Decrease in transfer to National Pension Fund | 34 | 87 |
| Increase in deposit of insurance for severance benefits | (6,313) | (22,105) |
| Increase in assets under management of pension benefits | (37,344) | (930) |
| Net decrease in financial derivatives liabilities | (555,598) | (3,055,056) |
| Net decrease in allowance for other liabilities | (37,557) | (31,712) |
| Net decrease in deferred income tax liabilities | (1,152) | (23,393) |
| | 490,835 | 1,057,042 |
| Net cash provided by operating activities | 2,159,612 | 2,565,025 |

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| | (In millions of KRW) | |
|--|----------------------|-------------|
| | 2010 | 2009 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Dividends of securities using the equity method | - | 1,550 |
| Disposal of tangible assets | 10,192 | 12,675 |
| Disposal of intangible assets | 123 | - |
| Disposal of securities using the equity method | 4,321 | (725) |
| Purchase of tangible assets | (70,353) | (53,185) |
| Net decrease (increase) in foreclosed and other properties | 1,259 | (1,259) |
| Net increase in guarantee deposits paid | (10,150) | (4,811) |
| Purchase of intangible assets | (36,971) | (27,708) |
| Net increase in accounts receivable | (108,662) | (153,078) |
| Net decrease in other assets | 118,662 | 43,783 |
| Net decrease (increase) in restricted due from banks | (3,080,263) | 4,372,121 |
| Net cash provided by (used in) investing activities | (3,171,842) | 4,189,363 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net increase (decrease) in deposits | 4,103,690 | (1,684,548) |
| Net decrease in borrowings | (1,065,297) | (2,757,665) |
| Net decrease in debentures | (3,274,335) | (2,606,508) |
| Net increase in other liabilities | 414,983 | 329,069 |
| Dividend | (480,455) | (80,613) |
| Net cash used in financing activities | (301,414) | (6,800,265) |
| NET DECREASE IN CASH AND DUE FROM BANKS | (1,313,644) | (45,877) |
| CASH AND DUE FROM BANKS, BEGINNING OF YEAR | 3,904,180 | 3,950,057 |
| CASH AND DUE FROM BANKS, END OF YEAR (Note 28) | ₩ 2,590,536 | ₩ 3,904,180 |

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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 354 branches (including 28 depositary offices) and 3 subsidiaries in Korea and 19 branches (including 2 depositary offices and 5 offices) and 10 subsidiaries in overseas as of December 31, 2010.

The Bank's shareholders as of December 31, 2010 are as follows:

| Shareholders | Number of shares owned (*1) | 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 |

(*1) The shareholders' list as of December 31, 2010

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, 2010, 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 ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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, 2010 and 2009 are as follows:

| Subsidiaries | 2010 | | | |
|---|--------------|------------------------------------|--------------------------------|--|
| | Closing date | No. of shares (Unit: thousands) | Percentage of ownership (%) | Business |
| Consolidated (Domestic): | | | | |
| KEB Capital Inc. ("KEBC") | December 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 |
| KEB Bank (China) Co., Ltd. ("KEB China") (*4) | December 31 | - | 100.00 | Banking service |
| Accounted for using the equity method: | | | | |
| MIDAN City Development Co., Ltd. (*2) | December 31 | 388 | 2.70 | Developing Woonbook Leisure Complex |
| Flossom Co., Ltd. (*3) | December 31 | 165 | 5.00 | Real-estate rental service |
| KEB Fund Services Co., Ltd. (*1) | December 31 | 510 | 100.00 | General office service |
| KEB USA Int'l Corp. (*1) | December 31 | 0.1 | 100.00 | Remitting US dollars of the bank |

(*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) Lippo Incheon Development Co., Ltd. has been renamed MIDAN City Development Co., Ltd.

(*3) Soul Flora Co., Ltd. has been renamed Flossom Co., Ltd.

(*4) Bank branches in Tianjin, Dalian, Beijing and Shanghai were collectively converted into a corporation, KEB Bank (China) Co., Ltd., which became a consolidated subsidiary of the Bank.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| | 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 (Overseal): | | | | |
| 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. (*1) | December 31 | 510 | 100.00 | General office service |
| KEB USA Int'l Corp. (*1) | December 31 | 0.1 | 100.00 | Remitting US dollars of the bank |
| HTIC2 Corporate Restructuring Association | December 31 | 0.04 | 20.00 | Corporate restructuring |

(*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.

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, 2010 and 2009 were as follows (Unit: In millions):

| | 2010 | | 2009 | |
|------------------|--------------|-------------------|--------------|-------------------|
| | Total assets | Operating revenue | Total assets | Operating revenue |
| Consolidated | ₩ 1,089,521 | ₩ 72,038 | ₩ 1,273,565 | ₩ 73,983 |
| Not consolidated | 18,716,226 | 192,348 | 10,782,053 | 213,278 |
| | ₩ 19,805,747 | ₩ 264,386 | ₩ 12,055,618 | ₩ 287,261 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

- **KEB CAPITAL INC. ("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, 2010, 99.31 percent 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, 2010, 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 broker 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 percent equity ownership as of December 31, 2010, 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 percent equity ownership as of December 31, 2010 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 percent equity ownership as of December 31, 2010, 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 its name from PT. Korea Exchange Bank Danamon to PT. Bank KEB Indonesia in 2007. The Bank retains 99 percent equity ownership as of December 31, 2010, 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 percent equity ownership as of December 31, 2010 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 percent equity ownership as of December 31, 2010, 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 percent equity ownership as of December 31, 2010, 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 percent equity ownership as of December 31, 2010, and the total-in-capital of KEBLAFINCO amounts to USD 50,000 thousand.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

• KEB BANK (CHINA) CO., LTD ("KEBCHINA")

KEB Bank(China) Co., Ltd. ("KEB China") was established on May 17, 2010 to enter to China, a major market in Asia, and to provide financial services to Korean-Chinese companies and individuals. The Bank retains 100 percent equity ownership as of December 31, 2010, and the total-in-capital of KEB China amounts to CNY 2,200,000 thousand.

A summary of significant financial data of the Bank's subsidiaries, included in the consolidated statements of financial position as of December 31, 2010 and 2009, and consolidated statements of income for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| Subsidiaries | 2010 | | | | |
|--|--------------|---------------|----------------------|-------------------|-------------------|
| | Total assets | Capital stock | Shareholders' equity | Operating revenue | Net income (loss) |
| Trust accounts | ₩ 1,089,521 | ₩ - | ₩ 20,552 | ₩ 72,038 | ₩ - |
| KEB Capital Inc. | 890,483 | 75,400 | 122,147 | 90,398 | 7,782 |
| KEB Futures Co., Ltd. | 135,662 | 15,000 | 58,511 | 19,942 | 4,684 |
| Korea Exchange Bank of Canada | 1,202,270 | 38,032 | 123,533 | 49,308 | 9,300 |
| KEB Australia Ltd. | 422,463 | 63,686 | 67,740 | 31,192 | 13,679 |
| Korea Exchange Bank (Deutschland) A.G. | 427,654 | 23,217 | 71,084 | 24,255 | 5,078 |
| PT. Bank KEB Indonesia | 453,227 | 18,990 | 149,591 | 48,325 | 14,896 |
| Banco KEB do Brasil S. A. | 79,169 | 23,145 | 25,674 | 21,256 | 2,003 |
| KEB NY Financial Corp. | 344,546 | - | 35,326 | 28,970 | 45 |
| KEB LA Financial Corp. | 263,520 | - | 34,833 | 18,993 | 3,584 |
| KEB Asia Finance Limited | 70,958 | 56,945 | 55,912 | 7,664 | 3,032 |
| KEB Bank (China) Co., Ltd. | 1,292,077 | 379,500 | 385,539 | 102,847 | 6,019 |
| | ₩ 6,671,550 | ₩ 693,915 | ₩ 1,150,442 | ₩ 515,188 | ₩ 70,102 |

| Subsidiaries | 2009 | | | | |
|--|--------------|---------------|----------------------|-------------------|-------------------|
| | 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) |
| | ₩ 5,802,921 | ₩ 310,115 | ₩ 698,516 | ₩ 461,735 | ₩ 49,898 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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, which is amortized or reversed using the straightline 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 date 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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. |
| KEB Asia Finance Limited | Financial accounting standards in Hong Kong |
| KEB Bank (China) Co., Ltd. | Financial accounting standards in China |

• 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, 2010 and 2009, accrued interest income not recognized due to such criteria amounted to ₩95,074 million and ₩128,439 million, respectively.

• CLASSIFICATION OF SECURITIES

At acquisition, the Bank and its subsidiaries classify securities into one of the following categories: trading, available-for-sale and held-to-maturity, 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. 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. In rare cases, 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.

In addition, investments in equity securities of companies, over which the Bank and its subsidiaries exercises significant influence, are accounted for using the equity method and classified as securities accounted for using the equity method.

• VALUATION OF SECURITIES

(1) Valuation of Trading Securities

Trading securities are initially recognized at acquisition cost plus incidental expenses determined by the individual moving average method for equity securities and 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(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 for equity securities and 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).

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,

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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 a 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 (0.9 percent for construction, real estate, wholesale & retail, hotel and restaurant industries) 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 under 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 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 here 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 ORIGATION 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.

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• 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 and loss on revaluation of tangible assets is accounted as accumulated other comprehensive income and non-operating expenses, respectively.

Depreciation is computed by the straight-line method for building and leasehold improvements and by the declining-balance method for others 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 identifiable and future benefits expected, are capitalized as development costs. Intangible assets are amortized using the straight-line method over 5~10 years and presented after deducting amortized amount.

• VALUATION ALLOWANCE FOR NON-BUSINESS USE OF PROPERTY

Non-business use of 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 the its estimated public auction price. As of December 31, 2010, the Bank and its subsidiaries do not have non-business use of 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 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 RESERVES

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 a contingent liability when it is probable that an outflow of resources embodying 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 Bank manages the defined benefit retirement pension plan (DB plan) for the year ended December 31, 2010, and the assets invested in the DB plan is accounted for as assets under management of pension benefits and presented as a deduction from accrued severance benefits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The estimated accrued severance benefits, which would be payable assuming all eligible employees and executives were to terminate their employment, amounted to ₩359,398 million and ₩318,697 million as of December 31, 2010 and 2009, 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 the U.S. The Bank accounted the present value of estimated pension benefits as of December 31, 2010 as pension benefits payable. The assets invested in the DB plan is accounted as assets under management of pension benefits and presented as a deduction from pension benefits payable in accordance Korea Accounting Institute (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 equitysettled 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. 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, 2010.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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• 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 to or deducted from 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 relating to certain items are charged or credited directly to related components of shareholders' equity.

• 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 at the exchange rate prevailing on the transaction date. The Korean Won equivalent of assets and liabilities denominated in foreign currencies are translated in these financial statements based on the basic rate (₩1,138.90 and ₩1,167.60 to US\$ 1.00 at December 31, 2010 and 2009, respectively) announced by Seoul Money Brokerage Service, Ltd. or cross rates for other currencies other than U.S. Dollars at the end of 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 could 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, 2009 and applied those adopted standards as of and for the year ended December 31, 2010.

In addition, in this fiscal year, the balance sheet is renamed to statement 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 KOREAN INTERNATIONAL FINANCIAL REPORTING STANDARDS (K-IFRS)

(1) Preparation and progress of adopting K-IFRS

Beginning January 1, 2011, application of K-IFRS becomes mandatory for all listed companies including banks in Korea. Based on this regulation, the Bank has set up a task force team for the adoption & implementation of K-IFRS and been performing a preliminary analysis of the impact on adoption of K-IFRS, establishing a master plan for implementation, determining appropriate accounting treatments under K-IFRS, to design and development its accounting system, implementing new accounting system and its on-going maintenance. Overall, this transition is currently in process.

However as of December 30, 2010, the Bank has completed analyzing the impact on adoption of K-IFRS in April 2008, and has completed

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its design and development of updated accounting system in 2009. In addition, the Bank has implemented new accounting system and been maintaining beginning 2010. In addition, in order for the effective and efficient transition to K-IFRS, the Bank is providing on-the-job-training for applicable employees and team managers.

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

| Classification | K-IFRS | K-GAAP |
|--|---|---|
| Allowance for possible loan losses | Compute by using either a historical loss experience rate or an expected future cash flow model, in accordance with the incurred loss model. | Compute by considering the minimum accumulation rate in accordance with Forward Looking Criteria under Regulation on Supervision of Banking Business |
| Guarantees/Provisions for unused credit commitment | Compute by applying a historical credit conversion factor(CCF) and a historical loss experience rate in accordance with the expected loss model | Compute by applying a credit conversion factor (CCF) and the minimum accumulation rate under Regulation on Supervision of Banking Business |
| Loan Origination Cost/Fee (LOC/LOF) | Amortize in accordance with an expected maturity | Amortize in accordance with a contracted maturity |
| Customer loyalty programmes | Defer revenues related to points and recognize revenues when used | Expense paid points and reserve provisions |
| Reversal of impairment loss on securities | Recognize comprehensive income when a fair value of available-for-sale security, which was previously impaired, is recovered | Reverse an impairment loss as net income within the limit of prerecognized impairment loss when a fair value of available-for-sale security is recovered |
| Accumulating compensated absences | Recognize expenses when services, generating accumulated compensated absences, are provided | Since no explicit regulations exist, recognize expenses when paid. |
| Foreign currency translation | Apply closing rates for monetary items and historical rates for non-monetary items | Apply closing rates for all items |
| Financial guarantee contracts | In case that the definition of financial guarantee contracts is satisfied in regard to liability on payment guarantee, an estimated fair value is recognized as a liability | No explicit regulations regarding to financial guarantee contracts exist. |
| Actuarial valuation on defined benefit plans | In accordance with Projected Unit Credit (PUC) model, the present value of expected severance benefits, computed using actuarial method and discount rate, is accounted as a defined benefit obligation | In accordance with a severance benefit rule, estimated severance benefits are accounted as accrued severance benefits, which will be paid in case that the entire employees, who have served over a year as of the end of reporting period, are retired at the same time. |
| Hybrid bonds | Classify as an equity and treat related costs as dividends | Classify as a liability and treat related costs as interest expenses |
| First-time adoption of K-IFRS (deemed cost) | Valuation gains on fixed assets are recognized as retained earnings at transition date when electing to use deemed cost | Valuation gains on fixed assets are recognized as other comprehensive income under the revaluation method. |

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(3) Changes of subsidiaries included in the consolidation

As of December 31, 2010, changes in the scope of consolidation as a result of the Bank's transition to KIFRS are as follows.

| K-GAAP | K-IFRS | Differences |
|--|---|--|
| Korea Exchange Bank | Korea Exchange Bank | - |
| KEB Capital Inc. | KEB Capital Inc. | - |
| KEB Futures Co., Ltd. | KEB Futures Co., Ltd | - |
| - | KEB Fund Services Co., Ltd. | Excluded according to the Act on External Audit for Stock Companies in the Republic of Korea under K-GAAP while included in the consolidation scope under K-IFRS |
| Korea Exchange Bank of Canada | Korea Exchange Bank of Canada | - |
| KEB Australia Ltd. | KEB Australia Ltd. | - |
| PT. Bank KEB Indonesia | PT. Bank KEB Indonesia | - |
| Korea Exchange Bank (Deutschland) A.G. | Korea Exchange Bank (Deutschland) A.G. | - |
| Banco KEB do Brasil S. A. | Banco KEB do Brasil S. A. | - |
| KEB NY Financial Corp. | KEB NY Financial Corp. | - |
| KEB LA Financial Corp. | KEB LA Financial Corp. | - |
| - | KEB USA Int'l Corp. | Excluded according to the Act on External Audit for Stock Companies in the Republic of Korea under K-GAAP while included in the consolidation scope under K-IFRS |
| KEB Asia Finance Limited | KEB Asia Finance Limited | - |
| KEB Bank (China) Co.,Ltd. | KEB Bank (China) Co.,Ltd. | - |
| Trust agreement to preserve principal | - | Excluded from the consolidation scope under K-IFRS |
| Trust agreement to preserve Income | Trust agreement to preserve Income | - |
| - | KEB 17 th Securitization Specialty Co., Ltd. | Included in the consolidation scope under K-IFRS |

(4) Information about the effect on financial position and results of operations in accordance with adoption of K-IFRS

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

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KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

1) Details of adjustment for financial position as of January 1, 2010 (transition date) (Unit: In millions):

| Classification | Assets | | Liabilities | | Shareholders' Equity |
|--|--------|-------------|-------------|-------------|----------------------|
| K-GAAP | ₩ | 100,021,317 | ₩ | 92,044,710 | ₩ 7,976,607 |
| The settled amount : | | | | | |
| Changes in the Consolidated Entity | | (1,226,354) | | (1,234,168) | 7,814 |
| Allowance for possible loan losses | | 442,468 | | (164,610) | 607,078 |
| Valuation of derivatives | | - | | (4,047) | 4,047 |
| Actuarial valuation on defined benefit plans | | - | | 43,579 | (43,579) |
| Reversal of impairment loss on securities | | (29,877) | | - | (29,877) |
| Loan Origination Cost/Fee (LOC/LOF) | | 31,234 | | (328) | 31,562 |
| Customer loyalty programmes | | - | | 17,114 | (17,114) |
| Accumulating compensated absences | | - | | 67,606 | (67,606) |
| Hybrid bonds | | - | | (249,802) | 249,802 |
| Financial guarantee contracts | | 30,314 | | 32,516 | (2,202) |
| Foreign currency translation | | 454 | | 281 | 173 |
| Tax effect of the settled amount | | 1,242 | | 73,230 | (71,988) |
| Others | | (31,522) | | 141,487 | (173,009) |
| Sum of adjustments | | (782,041) | | (1,277,142) | 495,101 |
| K-IFRS | ₩ | 99,239,276 | ₩ | 90,767,568 | ₩ 8,471,708 |

2) Details of adjustment for financial position as of December 31, 2010 and results of operations for the year ended December 31, 2010 (Unit: In millions):

| Classification | Assets | | Liabilities | | Shareholders' Equity | Net Income | Comprehensive Income |
|--|--------|------------|-------------|-------------|----------------------|-------------|----------------------|
| K-GAAP | ₩ | 99,994,406 | ₩ | 91,595,788 | ₩ 8,398,618 | ₩ 1,021,563 | ₩ 902,466 |
| The settled amount : | | | | | | | |
| Changes in the Consolidated Entity | | (814,471) | | (860,564) | 46,093 | (751) | 5,527 |
| Allowance for possible loan losses | | 288,858 | | (195,029) | 483,887 | 65,357 | 65,358 |
| Valuation of derivatives | | - | | 17,750 | (17,750) | (21,796) | (21,796) |
| Actuarial valuation on defined benefit plans | | 191 | | 2,316 | (2,125) | 46,214 | 46,205 |
| Reversal of impairment loss on securities | | (18,888) | | - | (18,888) | 33,272 | 10,989 |
| Loan Origination Cost/Fee (LOC/LOF) | | 15,321 | | (50) | 15,371 | (16,495) | (16,495) |
| Customer loyalty programmes | | - | | 14,707 | (14,707) | 2,408 | 2,408 |
| Accumulating compensated absences | | - | | 70,451 | (70,451) | (2,845) | (2,845) |
| Hybrid bonds | | - | | (249,843) | 249,843 | 18,291 | 18,291 |
| Financial guarantee contracts | | 47,256 | | 49,182 | (1,926) | 276 | 276 |
| Foreign currency translation | | 3,415 | | 2,580 | 835 | (10,432) | (18,950) |
| Tax effect of the settled amount | | (5,032) | | 71,843 | (76,875) | (2,819) | 1,368 |
| Others | | (103,613) | | (82,094) | (21,519) | (9,738) | (40,969) |
| Sum of adjustments | | (586,963) | | (1,158,751) | 571,788 | 100,942 | 87,267 |
| K-IFRS | ₩ | 99,407,443 | ₩ | 90,437,037 | ₩ 8,970,406 | ₩ 1,122,505 | ₩ 989,733 |

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KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

5. CASH AND DUE FROM BANKS:

(1) Cash and due from banks as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Account | 2010 | | 2009 | |
|--------------------------------------|------|-----------|------|-----------|
| Cash | ₩ | 998,607 | ₩ | 809,276 |
| Foreign currencies on hand | | 423,473 | | 389,873 |
| Due from banks in Won | | 3,921,735 | | 3,283,060 |
| Due from banks in foreign currencies | | 2,769,061 | | 1,864,048 |
| | ₩ | 8,112,876 | ₩ | 6,346,257 |

(2) Due from banks in Won as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Account | Financial institution | 2010 | | 2009 | |
|---------------------------------|------------------------------|------|-----------|------|-----------|
| Reserve deposit | The Bank of Korea | ₩ | 3,490,109 | ₩ | 1,420,823 |
| Monetary Stabilization deposits | The Bank of Korea | | 200,000 | | - |
| Due from banks on time deposits | Other banks | | 119,706 | | 757,228 |
| Other due from banks | Other banks | | 4,506 | | 18,016 |
| Other due from banks | Other financial institutions | | 107,414 | | 1,086,993 |
| | | ₩ | 3,921,735 | ₩ | 3,283,060 |

(3) Due from banks in foreign currencies as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Account | Financial institution | 2010 | | 2009 | |
|---|---------------------------------|------|-----------|------|-----------|
| Reserve deposit | The Bank of Korea | ₩ | 1,676,055 | ₩ | 752,316 |
| Due from banks on time deposits | Domestic financial institutions | | 1,514 | | 90,411 |
| Due from banks on time deposits | Overseas financial institutions | | 703,309 | | 237,383 |
| Other due from banks | Domestic financial institutions | | 2,658 | | 2,748 |
| Other due from banks | Overseas financial institutions | | 128,594 | | 603,417 |
| Due from banks in other bank-foreign currencies | Overseas financial institutions | | 256,931 | | 177,773 |
| | | ₩ | 2,769,061 | ₩ | 1,864,048 |

(4) Restricted due from banks in Won and foreign currencies as of December 31, 2010 and 2009 consisted of (Unit: In millions):

| Classification | 2010 | | 2009 | | Reason for restriction |
|---------------------------------------|------|-----------|--------|-----------|--|
| Due from banks in Won: | | | | | |
| The Bank of Korea | ₩ | 3,490,109 | ₩ | 1,420,823 | Required under the BOK Act |
| The Bank of Korea | | 200,000 | - | - | Deposits in the BOK for the purpose of liquidity management of the BOK |
| Woori Bank and others | | - | 490 | 490 | Escrow account |
| Shinhan Investment Corp. and others | | 603 | 12,456 | 12,456 | Subscription related to derivatives |
| Daewoo Securities Co., Ltd. | | 965 | - | - | Stock subscription for Doosan Engine Co., Ltd. |
| KEB Trust Pension | | 16,328 | 14,626 | 14,626 | Required under FSCMA |
| | | 3,708,005 | | 1,448,395 | |
| Due from banks in foreign currencies: | | | | | |
| The Bank of Korea | | 1,676,055 | | 752,316 | Required under the BOK Act and other |
| The Bank of China | | - | | 190,165 | Capital stock paid-up for establishing branch in china |
| BOA and others | | 58,526 | | 46,841 | Subscription related to derivatives |
| The Bank of Indonesia | | 5,409 | | 4,161 | Reserve deposits |
| The Bank of China | | 74,242 | | - | Reserve deposits |
| The Bank of Brazil and others | | 103 | | 199 | Deposits related Microcredito Act |
| | | 1,814,335 | | 993,682 | |
| | ₩ | 5,522,340 | ₩ | 2,442,077 | |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(5) Term structure of due from banks in Won and foreign currencies as of December 31, 2010 is as follows (Unit: In millions):

| Classification | Due from banks in Won | | Due from banks in foreign currencies | | Total |
|------------------------------|-----------------------|-----------|--------------------------------------|-----------|-------------|
| Due in less than one year | ₩ | 3,921,735 | ₩ | 2,767,427 | ₩ 6,689,162 |
| Due from one to two years | | - | | - | - |
| Due from two to three years | | - | | 1,634 | 1,634 |
| Due from three to five years | | - | | - | - |
| Due in five years or more | | - | | - | - |
| | ₩ | 3,921,735 | ₩ | 2,769,061 | ₩ 6,690,796 |

6. SECURITIES:

(1) Securities as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | | 2009 | |
|------------------------------------|------|------------|------|------------|
| Trading securities | ₩ | 1,933,047 | ₩ | 2,794,096 |
| Available-for-sale securities | | 6,091,001 | | 7,768,016 |
| Held-to-maturity securities | | 6,023,957 | | 4,662,798 |
| Securities using the equity method | | 11,617 | | 18,985 |
| | ₩ | 14,059,622 | ₩ | 15,243,895 |

(2) Securities excluding securities using the equity method as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | | | |
|--------------------------------|--------------|-----------------------|--|--------------|
| | Face value | Acquisition cost (*1) | Adjusted by effective interest rate method | Book value |
| Trading securities: | | | | |
| Equity securities | ₩ - | ₩ 79,347 | ₩ - | ₩ 81,645 |
| Beneficiary certificates | 10,000 | 10,482 | - | 11,946 |
| Government and public bonds | 70,000 | 70,637 | 70,614 | 70,521 |
| Financial institution bonds | 626,947 | 629,648 | 628,175 | 629,699 |
| Corporate bonds | 84,506 | 84,101 | 84,153 | 84,415 |
| Commercial papers | 1,058,125 | 1,054,310 | 1,054,710 | 1,054,821 |
| | 1,849,578 | 1,928,525 | 1,837,652 | 1,933,047 |
| Available-for-sale securities: | | | | |
| Equity securities | - | 573,260 | - | 1,273,090 |
| Equity investments | - | 95,578 | - | 96,121 |
| Beneficiary certificates | 208,730 | 208,730 | - | 228,957 |
| Government and public bonds | 179,887 | 184,538 | 182,731 | 183,132 |
| Financial institution bonds | 3,498,066 | 3,490,269 | 3,492,129 | 3,515,048 |
| Corporate bonds | 673,682 | 682,272 | 671,970 | 677,106 |
| Asset-backed securities | 106,803 | 106,803 | 48,057 | 50,202 |
| Other debt securities | 88,140 | 88,140 | 30,303 | 67,345 |
| | 4,755,308 | 5,429,590 | 4,425,190 | 6,091,001 |
| Held-to-maturity securities: | | | | |
| Government and public bonds | 1,291,643 | 1,296,354 | 1,294,317 | 1,294,317 |
| Financial institution bonds | 4,378,450 | 4,376,471 | 4,380,584 | 4,380,584 |
| Foreign government bonds | 61,157 | 60,686 | 60,857 | 60,857 |
| Corporate bonds | 283,430 | 287,997 | 287,676 | 287,676 |
| Other debt securities | 525 | 523 | 523 | 523 |
| | 6,015,205 | 6,022,031 | 6,023,957 | 6,023,957 |
| | ₩ 12,620,091 | ₩ 13,380,146 | ₩ 12,286,799 | ₩ 14,048,005 |

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| Classification | 2009 | | | |
|--------------------------------|--------------|-----------------------|--|--------------|
| | Face value | Acquisition cost (*1) | Adjusted by effective interest rate method | Book value |
| Trading securities: | | | | |
| Equity securities | ₩ - | ₩ 39,006 | ₩ - | ₩ 42,126 |
| Beneficiary certificates | 15,000 | 15,000 | - | 15,014 |
| Government and public bonds | 125,504 | 127,308 | 126,749 | 126,340 |
| Financial institution 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 | ₩ 2,724,750 | ₩ 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 | - | 209,852 |
| Government and public bonds | 329,925 | 339,188 | 339,188 | 335,156 |
| Financial institution 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 | 5,775,641 | 7,768,016 |
| Held-to-maturity securities: | | | | |
| Government and public bonds | 1,160,207 | 1,164,936 | 1,164,717 | 1,164,717 |
| Financial institution 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 | ₩ 12,265,336 | ₩ 15,224,910 |

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

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 ₩7,020 million and ₩17,598 million, and loss on valuation of trading securities amounting to ₩1,454 million and ₩2,258 million for the years ended December 31, 2010 and 2009, respectively.

The fair value of trading and available-for-sale debt securities is assessed by applying the average of base prices as of December 31, 2010, 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 31 others, and the restricted available-for-sale marketable equity securities such as Hynix Semiconductor Inc. and 7 others is reliably measured by an independent appraisal institute using reasonable judgment. The fair value is determined based on more than one valuation model such as Discounted Cash Flow (DCF) Model, Imputed Market Value (IMV) Model, Discounted Free Cash Flow to Equity (FCFE) Model, Dividend Discount (DD) Model and Risk Adjusted Discounted Cash Flow (RADCF) Model depending on the equity securities. In order to assess the fair value of stocks, a 5-year projection is forecasted based on past operating results. Also, assuming the same operation is continued during the estimated period, the model is applied using the estimated financial statements from 2010 to 2014. 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 by deducting total liabilities from total assets of each equity investment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(3) Discretionary investing contract assets included in beneficiary certificate of trading securities as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | 2009 |
|----------------------------------|----------|----------|
| Short-term financial instruments | ₩ 503 | ₩ 1,147 |
| Stocks | 11,438 | 13,325 |
| Others | 134 | 2,301 |
| Total assets | 12,075 | 16,773 |
| Total liabilities | 129 | 1,759 |
| Net assets value | ₩ 11,946 | ₩ 15,014 |

(4) The book value of non-marketable stocks and equity investments among available-for-sale securities, which were not measured at fair value as of December 31, 2010 and 2009, is as follows (Unit: In millions):

| Company | 2010 |
|---|-----------|
| Stocks: | |
| Credit Recovery Fund | ₩ 62,466 |
| Alpha Dome City | 14,751 |
| KAMCO | 6,330 |
| PDHD | 2,000 |
| M Cieta Development | 1,275 |
| Hallyu-Wood | 1,200 |
| BLADEX | 1,117 |
| Others | 4,567 |
| | 93,706 |
| Equity investments: | |
| Consolidated Fund for Impaired Loans | 18,888 |
| SHCF Private Equity Fund | 5,000 |
| Westend Corporate Restructuring Corporate | 4,655 |
| QCP PEF (Private Equity Fund) No.1 | 4,000 |
| Petra PEF | 3,905 |
| Golden Bridge Green PEF No.1 | 4,000 |
| Value Up PEF | 2,700 |
| QCP PEF No.3 | 2,000 |
| SHC-Aju | 2,000 |
| Others | 10,279 |
| | 57,427 |
| | ₩ 151,133 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| Company | 2009 |
|---|-----------|
| 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 |

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

| Classification | 2010 | | 2009 | |
|--------------------------|------------|----------|------------|----------|
| | Impairment | Reversal | Impairment | Reversal |
| Equity securities | ₩ 308 | ₩ 3 | ₩ 1,547 | ₩ 7,920 |
| Corporate bonds | - | - | 878 | 205 |
| Asset-backed securities | - | 2,387 | 9,085 | 10,602 |
| Beneficiary certificates | - | - | 10,574 | - |
| | ₩ 308 | ₩ 2,390 | ₩ 22,084 | ₩ 18,727 |

(6) Securities provided as collateral as of December 31, 2010 are as follows (Unit: In millions):

| Provided to | Collateral amount | Book value | Provided for |
|-----------------------------------|-------------------|-------------|--------------------------------------|
| Customers | ₩ 3,000 | ₩ 3,008 | Sale of RP to customer |
| BOK | 1,010,000 | 1,012,265 | Settlement of difference |
| BOK | 110,000 | 110,805 | RP sold |
| BOK | 590,000 | 590,138 | Borrowings from BOK |
| Other financial institutes | 1,218,200 | 1,222,269 | Derivatives settlement and others |
| KRX | 31,944 | 31,944 | Settlement |
| Brazilian money brokerage service | 3,087 | 3,087 | Collateral |
| Deutsche Bundes Bank | 810 | 809 | Borrowings from Deutsche Bundes Bank |
| | ₩ 2,967,041 | ₩ 2,974,325 | |

In addition, securities that are possible to be discounted by BOK amounted to ₩4,817,753 million as of December 31, 2010.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(7) Securities using the equity method

1) Securities using the equity method as of December 31, 2010 and 2009 are summarized as follows (Unit: shares in thousand, in millions):

| Company | No. of shares | Ownership (%) | 2010 | | | |
|--|---------------|---------------|------------------|-----------------|------------|--|
| | | | Acquisition cost | Net asset value | Book value | |
| KEB Fund Services Co., Ltd. (KEBFS) (*1) | 510 | 100.00 | ₩ 2,550 | ₩ 9,780 | ₩ 2,550 | |
| MIDAN City Development Co., Ltd. (*2 and *3) | 388 | 2.70 | 1,939 | 1,518 | 1,518 | |
| Flossom Co., Ltd. (*2 and *4) | 165 | 5.00 | 825 | 628 | 628 | |
| KEB USA International Corp. (USAI) | 0.1 | 100.00 | 2,847 | 6,921 | 6,921 | |
| | | | ₩ 8,161 | ₩ 18,847 | ₩ 11,617 | |

(*1) Securities of KEB Fund Services Co., Ltd. are subject to the Act on External Audit for Stock Companies in the Republic of Korea, and as the valuation change in these equity securities is not material; investment is not accounted for using the equity method.

(*2) Although the Bank has less than 15 percent ownership, it has significant influence over the company through designation of a director and other.

(*3) Lippo Incheon Development Co., Ltd. has been renamed MIDAN City Development Co., Ltd.

(*4) Soul Flora Co., Ltd. has been renamed Flossom Co., Ltd.

| Company | No. of shares | Ownership (%) | 2009 | | | |
|---|---------------|---------------|------------------|-----------------|------------|--|
| | | | 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 | 4,00 | 3,891 | 3,891 | |
| | | | ₩ 16,113 | ₩ 24,441 | ₩ 18,985 | |

(*1) Securities of KEB Fund Services Co., Ltd. are subject to the Act on External Audit for Stock Companies in the Republic of Korea, and as the valuation change in these equity securities is not material; investment is not accounted for using the equity method.

(*2) Although the Bank has less than 15 percent ownership, it has significant influence over the company through designation of a director and other.

2) The valuation of securities using the equity method for the years ended December 31, 2010 and 2009 is as follows (Unit: In millions):

| Company | Acquisition cost | Jan. 1, 2010 | Increase (Decrease) (Dividend) | Transfer | Foreign exchange trading income (loss) | Equity in earnings (losses) | Accumulated other comprehensive income | Dec. 31, 2010 |
|--|------------------|--------------|--------------------------------|-----------|--|-----------------------------|--|---------------|
| KEBFS (*1) | ₩ 2,550 | ₩ 2,550 | ₩ - | ₩ - | ₩ - | ₩ - | ₩ - | 2,550 |
| Realty Advisors Korea, Ltd. (*3) | 1,000 | 1,038 | (424) | (539) | - | (75) | - | - |
| MIDAN City Development Co., Ltd. (*2 and *4) | 1,939 | 1,697 | - | - | - | (179) | - | 1,518 |
| Ilsan Project Co., Ltd. (*3) | 2,880 | 2,602 | - | (2,509) | - | (93) | - | - |
| Flossom Co., Ltd. (*2 and *5) | 825 | 748 | - | - | - | (120) | - | 628 |
| USAI | 2,847 | 6,459 | - | - | (158) | 620 | - | 6,921 |
| HTIC2 Corporate restructuring association | 4,000 | 3,891 | (3,881) | - | - | (10) | - | - |
| | ₩ 16,041 | ₩ 18,985 | ₩ (4,305) | ₩ (3,048) | ₩ (158) | ₩ 143 | ₩ - | ₩ 11,617 |

(*1) Securities of KEB Fund Services Co., Ltd. are subject to the Act on External Audit for Stock Companies in the Republic of Korea, and as the valuation change in these equity securities is not material; investment is not accounted for using the equity method.

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(*2) Although the Bank has less than 15 percent ownership, it has significant influence over the company through designation of a director and other.

(*3) The Bank do not exercise significant influence over the company due to resignation of a director and others who were appointed by the Bank.

Accordingly, securities can no longer be accounted for using the equity method and are reclassified as available-for-sale securities.

(*4) Lippo Incheon Development Co., Ltd. has been renamed MIDAN City Development Co., Ltd.

(*5) Soul Flora Co., Ltd. has been renamed Flossom Co., Ltd.

| Company | Acquisition cost | Jan. 1, 2009 | Increase (Decrease) (Dividend) | Foreign exchange trading income (loss) | Equity in earnings (losses) | Accumulated other comprehensive income | Dec. 31, 2009 |
|---|------------------|--------------|--------------------------------|--|-----------------------------|--|---------------|
| 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 | - | (53) | (12) | 748 |
| 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) | ₩ (324) | ₩ (12) | 18,985 |

(*1) Securities of KEB Fund Services Co., Ltd. are subject to the Act on External Audit for Stock Companies in the Republic of Korea, and as the valuation change in these equity securities is not material, investment is not accounted for using the equity method.

(*2) Although the Bank has less than 15 percent ownership, it has significant influence over the company through designation of a director and other.

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, 2010 is as follows (Unit: In millions):

| Classification | MIDAN City Development Co., Ltd. | Flossom Co., Ltd. | USAI | KEB Fund Services Co., Ltd. | Total |
|-------------------|----------------------------------|-------------------|---------|-----------------------------|-----------|
| Total assets | ₩ 783,536 | ₩ 96,424 | ₩ 6,987 | ₩ 11,040 | ₩ 897,987 |
| Total liabilities | 727,260 | 83,867 | 66 | 1,260 | 812,453 |
| Operation revenue | - | 233 | 2,880 | 12,816 | 15,929 |
| Net income (loss) | (6,579) | (2,400) | 620 | 2,243 | (6,116) |

Unaudited financial statements as of December 31, 2010 are used for the application of the equity method. The significant events from the closing dates of the investees to that of the Bank are properly reflected in applying the equity method. The material transactions or events from incorporation of each subsidiary to December 31, 2010 are considered in the valuation using the equity method. The Bank has performed procedures to verify reliability of unaudited financial statements such as obtaining signature of their representatives and internal auditors.

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(8) The portfolio of securities excluding securities using the equity method, by industry, as of December 31, 2010 and 2009 is as follows (Unit: In millions):

| By industry type | 2010 | | 2009 | |
|---|-------------|----------------|-------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Trading securities: | | | | |
| Government and government-invested public companies | ₩ 445,864 | 23.07 | ₩ 643,767 | 23.04 |
| Financial and insurance institutions | 1,201,417 | 62.15 | 1,871,582 | 66.98 |
| Manufacturing | 46,922 | 2.43 | 52,423 | 1.88 |
| Others | 238,844 | 12.35 | 226,324 | 8.10 |
| | ₩ 1,933,047 | 100.00 | ₩ 2,794,096 | 100.00 |
| Available-for-sale securities: | | | | |
| Government and government-invested public companies | ₩ 2,562,758 | 42.07 | ₩ 3,047,668 | 39.23 |
| Financial and insurance institutions | 1,848,534 | 30.35 | 2,453,098 | 31.58 |
| Manufacturing | 773,978 | 12.71 | 1,267,385 | 16.32 |
| Others | 905,731 | 14.87 | 999,865 | 12.87 |
| | ₩ 6,091,001 | 100.00 | ₩ 7,768,016 | 100.00 |
| Held-to-maturity securities: | | | | |
| Government and government-invested public companies | ₩ 5,236,458 | 86.93 | ₩ 3,832,836 | 82.20 |
| Financial and insurance institutions | 689,128 | 11.44 | 746,513 | 16.01 |
| Manufacturing | 22,650 | 0.38 | 58,259 | 1.25 |
| Others | 75,721 | 1.25 | 25,190 | 0.54 |
| | ₩ 6,023,957 | 100.00 | ₩ 4,662,798 | 100.00 |

(9) The portfolio of securities excluding securities using the equity method, by security type, as of December 31, 2010 and 2009 is as follows (Unit: In millions):

| By security type | 2010 | | 2009 | |
|--------------------------------|-------------|----------------|-------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Trading securities: | | | | |
| Stocks | ₩ 81,645 | 4.22 | ₩ 42,126 | 1.51 |
| Fixed rate bonds | 741,601 | 38.36 | 1,514,345 | 54.20 |
| Floating rate bonds | 43,034 | 2.23 | 46,140 | 1.65 |
| Subordinated bonds | - | - | 121,798 | 4.36 |
| Beneficiary certificates | 11,946 | 0.62 | 15,014 | 0.54 |
| Commercial paper | 1,054,821 | 54.57 | 1,054,673 | 37.74 |
| | ₩ 1,933,047 | 100.00 | ₩ 2,794,096 | 100.00 |
| Available-for-sale securities: | | | | |
| Stocks | ₩ 1,273,090 | 20.90 | ₩ 1,661,970 | 21.40 |
| Fixed rate bonds | 3,183,651 | 52.27 | 3,820,426 | 49.18 |
| Floating rate bonds | 765,476 | 12.57 | 1,263,947 | 16.27 |
| Subordinated bonds | 476,362 | 7.82 | 668,181 | 8.60 |
| Convertible bonds | - | - | 9,721 | 0.13 |

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KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| By security type | 2010 | | 2009 | |
|--------------------------|-------------|----------------|-------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Bond with stock warrants | - | - | 247 | 0.01 |
| Beneficiary certificates | 228,957 | 3.76 | 209,852 | 2.70 |
| Others | 163,465 | 2.68 | 133,672 | 1.71 |
| | ₩ 6,091,001 | 100.00 | ₩ 7,768,016 | 100.00 |

Held-to-maturity securities:

| | | | | |
|---------------------|-------------|--------|-------------|--------|
| Fixed rate bonds | ₩ 5,847,941 | 97.07 | ₩ 4,275,151 | 91.69 |
| Floating rate bonds | 27,000 | 0.45 | 68,455 | 1.47 |
| Subordinated bonds | 148,493 | 2.47 | 318,604 | 6.83 |
| Others | 523 | 0.01 | 588 | 0.01 |
| | ₩ 6,023,957 | 100.00 | ₩ 4,662,798 | 100.00 |

(10) The portfolio of securities excluding securities using the equity method, by country, as of December 31, 2010 and 2009 is as follows
(Unit: In millions):

| By country type | 2010 | | 2009 | |
|---------------------|-------------|----------------|-------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Trading securities: | | | | |
| Korea | ₩ 1,926,762 | 99.67 | ₩ 2,793,585 | 99.98 |
| Others | 6,285 | 0.33 | 511 | 0.02 |
| | ₩ 1,933,047 | 100.00 | ₩ 2,794,096 | 100.00 |

Available-for-sale securities:

| | | | | |
|-------------------|-------------|--------|-------------|--------|
| Korea | ₩ 6,052,820 | 99.37 | ₩ 7,704,267 | 99.18 |
| Cayman Islands | 20,730 | 0.34 | 41,167 | 0.53 |
| USA | 3,349 | 0.06 | 6,214 | 0.08 |
| Hong Kong (China) | 4,955 | 0.08 | 4,840 | 0.06 |
| UK | - | - | 3,140 | 0.04 |
| Others | 9,147 | 0.15 | 8,388 | 0.11 |
| | ₩ 6,091,001 | 100.00 | ₩ 7,768,016 | 100.00 |

Held-to-maturity securities:

| | | | | |
|-------------|-------------|--------|-------------|--------|
| Korea | ₩ 5,911,791 | 98.14 | ₩ 4,533,112 | 97.22 |
| Indonesia | 47,065 | 0.78 | 96,954 | 2.08 |
| Singapore | 49,524 | 0.82 | 19,128 | 0.41 |
| Brazil | 9,638 | 0.16 | 6,718 | 0.14 |
| Philippines | 5,130 | 0.09 | 6,062 | 0.13 |
| Others | 809 | 0.01 | 824 | 0.02 |
| | ₩ 6,023,957 | 100.00 | ₩ 4,662,798 | 100.00 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(11) Term structure of securities except for stocks and equity investments in available-for-sale and held-to-maturity securities as of December 31, 2010 is 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 | ₩ | 991,513 | ₩ | 556,457 | ₩ | - | ₩ | - | ₩ 1,547,970 |
| Financial institution bonds | | 5,639,013 | | 2,773,962 | | 112,356 | | - | 8,525,331 |
| Foreign government bonds | | 50,346 | | 7,639 | | 2,872 | | - | 60,857 |
| Corporate bonds | | 265,460 | | 783,737 | | - | | - | 1,049,197 |
| Beneficiary certificates | | 230,033 | | 10,870 | | - | | - | 240,903 |
| Asset-backed securities | | 17,542 | | 32,660 | | - | | - | 50,202 |
| Commercial paper | | 1,054,821 | | - | | - | | - | 1,054,821 |
| Others | | 523 | | 504 | | 66,841 | | - | 67,868 |
| | ₩ | 8,249,251 | ₩ | 4,165,829 | ₩ | 182,069 | ₩ | - | ₩ 12,597,149 |

(12) Structured securities relating to stock and interest rate and credit risk as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| | 2010 | | | | |
|--|------|---------|--------------------|--------|-----------|
| Classification | Won | | Foreign currencies | | Total |
| Structured notes relating to stock: | | | | | |
| Convertible bonds (available-for-sale securities) | ₩ | - | ₩ | - | ₩ |
| Convertible bonds (loans) | | 41,926 | | - | 41,926 |
| Bonds with stock warrants (loans) | | 93,000 | | - | 93,000 |
| Equity Linked Warrants | | 504 | | - | 504 |
| | | 135,430 | | - | 135,430 |
| Structured notes relating to interest rate: | | | | | |
| Long-term floating rate government bonds (CMT) (available-for-sale securities) | | 20,203 | | - | 20,203 |
| | ₩ | 155,633 | ₩ | - | ₩ 155,633 |
| | | | | | |
| | 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 floating rate government bonds (CMT) (available-for-sale securities) | | 20,259 | | - | 20,259 |
| Structured notes relating to credit risk: | | | | | |
| Synthetic CDO | | - | | 16,788 | 16,788 |
| | ₩ | 98,725 | ₩ | 16,788 | ₩ 115,513 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(13) Changes in accumulated other comprehensive income (loss) of available-for-sale securities for the year ended December 31, 2010 are as follows (Unit: In millions):

| Classification | Beginning | Increase (decrease) | Disposal | Deferred income tax | Ending |
|-------------------|-----------|------------------------|-------------|------------------------|-----------|
| Equity securities | ₩ 810,113 | ₩ 31,794 | ₩ [272,416] | ₩ 52,968 | ₩ 622,459 |
| Debt securities | [8,639] | 82,945 | 1,313 | [18,629] | 56,990 |
| | ₩ 801,474 | ₩ 114,739 | ₩ [271,103] | ₩ 34,339 | ₩ 679,449 |

(14) Changes in accumulated other comprehensive loss of held-to-maturity securities for the year ended December 31, 2010 are as follows (Unit: In millions):

| Classification | Beginning | Increase (decrease) | Disposal | Deferred income tax | Ending |
|-----------------|-----------|------------------------|----------|------------------------|--------|
| Debt securities | ₩ [16] | ₩ - | ₩ 21 | ₩ [5] | ₩ - |

(15) Changes in accumulated other comprehensive loss of negative changes of securities using the equity method for the year ended December 31, 2010 are as follows (Unit: In millions):

| Classification | Beginning balance | Increase (decrease) | Disposal | Deferred income tax | Ending balance |
|---|----------------------|------------------------|----------|------------------------|-------------------|
| Negative changes in equity on equity method | ₩ [10] | ₩ - | ₩ - | ₩ - | ₩ [10] |

7. LOANS:

(1) Loans as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | 2009 |
|--|--------------|--------------|
| Call loans | ₩ 2,712,481 | ₩ 1,037,809 |
| Domestic import usance bill | 3,225,448 | 2,616,185 |
| Credit card receivables | 2,580,981 | 2,422,943 |
| Bills bought in foreign currencies | 3,936,483 | 4,055,089 |
| Bills bought in Won | 482,874 | 961,958 |
| Bonds purchased under repurchase agreements | 700,000 | 1,786,000 |
| Loans in Won | 42,783,937 | 43,361,419 |
| Loans in foreign currencies | 10,021,893 | 10,250,284 |
| Factoring receivables | 597,679 | 166,525 |
| Advances for customers | 6,336 | 8,998 |
| Debt-for-equity swap | 7,732 | - |
| Privately placed bonds | 450,319 | 666,220 |
| | 67,506,163 | 67,333,430 |
| Less: Allowance for possible loan losses (see Note 19) | [1,174,628] | [1,038,547] |
| Deferred loan origination fees and costs | [36,959] | [58,037] |
| | ₩ 66,294,576 | ₩ 66,236,846 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(2) Loans in Won and loans in foreign currencies as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | | 2010 | 2009 |
|-----------------------------------|------------------------------|--------------|--------------|
| Loans in Won: | | | |
| Commercial | Financial loans: | | |
| | Working capital loans | ₩ 18,763,767 | ₩ 21,554,134 |
| | Facilities loans | 4,034,844 | 3,621,818 |
| | Loans with government funds: | | |
| | Working capital loans | 25,245 | 48,734 |
| | Facilities loans | 444,108 | 447,939 |
| | | 23,267,964 | 25,672,625 |
| Households | General purpose loans | 13,416,882 | 13,411,891 |
| | Housing loans | 5,918,021 | 4,157,226 |
| | | 19,334,903 | 17,569,117 |
| Public sector and others | Working capital loans | 60,525 | 82,898 |
| | Facilities loans | 104,928 | 25,259 |
| | General purpose loans | 15,617 | 12,520 |
| | | 181,070 | 119,677 |
| Total loans in Won | | 42,783,937 | 63,361,419 |
| Loans in foreign currencies: | Working capital loans | 2,343,623 | 1,539,051 |
| | Facilities loans | 2,094,027 | 3,132,988 |
| | Others | 5,419,102 | 5,501,380 |
| | Inter-bank loans | 165,141 | 76,865 |
| Total loans in foreign currencies | | 10,021,893 | 10,250,284 |
| | | ₩ 52,805,830 | ₩ 53,611,703 |

(3) Loans in Won, loans in foreign currencies and domestic import usance bill, classified by borrower type, as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| By borrower type | 2010 | | | | | Percentage (%) |
|-----------------------------------|--------------|-----------------------------|-----------------------------|--------------|---|----------------|
| | Loans in Won | Loans in foreign currencies | Domestic import usance bill | Total | | |
| Large corporations | ₩ 6,407,177 | ₩ 5,278,548 | ₩ 2,536,755 | ₩ 14,222,480 | ₩ | 25.38 |
| Small and medium corporations (*) | 16,860,787 | 3,911,225 | 688,693 | 21,460,705 | | 38.30 |
| Households | 19,334,90 | 553,096 | - | 19,887,999 | | 35.50 |
| Public sector and others | 181,070 | 279,024 | - | 460,094 | | 0.82 |
| | ₩ 42,783,937 | ₩ 10,021,893 | ₩ 3,225,448 | ₩ 56,031,278 | ₩ | 100.00 |

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

| By borrower type | 2009 | | | | | Percentage (%) |
|-----------------------------------|--------------|-----------------------------|-----------------------------|--------------|---|----------------|
| | Loans in Won | Loans in foreign currencies | Domestic import usance bill | Total | | |
| Large corporations | ₩ 6,145,743 | ₩ 6,220,600 | ₩ 2,089,531 | ₩ 14,455,874 | ₩ | 25.71 |
| Small and medium corporations (*) | 19,526,882 | 3,283,187 | 526,654 | 23,336,723 | | 41.50 |
| Households | 17,569,117 | 536,535 | - | 18,105,652 | | 32.20 |
| Public sector and others | 119,677 | 209,962 | - | 329,639 | | 0.59 |
| | ₩ 43,361,419 | ₩ 10,250,284 | ₩ 2,616,185 | ₩ 56,227,888 | ₩ | 100.00 |

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(4) Loans in foreign currencies and domestic import usance bill, classified by borrower's country, as of December 31, 2010 and 2009 are as follows (Unit: In thousands of U.S. Dollars, in millions of Won):

| Classification | 2010 | | | | | | | | | | |
|----------------|-----------------------------|-----------|----------------------|------------|-----------------------------|-----------|-------|----------------|----------------------|------------|--------|
| | 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 | \$ | 5,084,175 | ₩ | 5,790,367 | \$ | 2,832,073 | ₩ | 3,225,448 | ₩ | 9,015,815 | 68.06 |
| China | | 752,861 | | 857,433 | | - | | - | | 857,433 | 6.47 |
| Canada | | 732,622 | | 834,383 | | - | | - | | 834,383 | 6.30 |
| USA | | 504,239 | | 574,278 | | - | | - | | 574,278 | 4.34 |
| France | | 362,354 | | 412,686 | | - | | - | | 412,686 | 3.12 |
| Japan | | 315,246 | | 359,034 | | - | | - | | 359,034 | 2.71 |
| Others | | 1,048,128 | | 1,193,713 | | - | | - | | 1,193,713 | 9.00 |
| | \$ | 8,799,625 | ₩ | 10,021,893 | \$ | 2,832,073 | ₩ | 3,225,448 | ₩ | 13,247,341 | 100.00 |

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

| Classification | 2009 | | | | | | | | | | |
|----------------|-----------------------------|-----------|----------------------|------------|-----------------------------|-----------|-------|----------------|----------------------|------------|--------|
| | 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 basic 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, 2010 and 2009 are as follows (Unit: In millions):

| | 2010 | | | | | | | | |
|-------------------------------------|--------------|------------|-----------------------------|------------|-----------------------------|-----------|----------------|------------|--------|
| By borrower type | Loans in Won | | Loans in foreign currencies | | Domestic import usance bill | Total | Percentage [%] | | |
| Corporations: | ₩ | 23,267,964 | ₩ | 5,770,997 | ₩ | 3,225,448 | ₩ | 32,264,409 | 61.32 |
| Manufacturing | | 9,517,900 | | 2,686,847 | | 2,852,276 | | 15,057,023 | 28.62 |
| Wholesale and retail | | 2,517,227 | | 1,211,343 | | 340,142 | | 4,068,712 | 7.73 |
| Real estate and renting and leasing | | 3,493,086 | | 116,068 | | - | | 3,609,154 | 6.86 |
| Construction | | 2,510,553 | | 137,100 | | 11,747 | | 2,659,400 | 5.05 |
| Transportation business | | 915,561 | | 523,567 | | 983 | | 1,440,111 | 2.74 |
| Others | | 4,313,637 | | 1,096,072 | | 20,300 | | 5,430,009 | 10.32 |
| Households | | 19,334,903 | | 553,096 | | - | | 19,887,999 | 37.80 |
| Public sector and others | | 181,070 | | 279,024 | | - | | 460,094 | 0.88 |
| | | 42,783,937 | | 6,603,117 | | 3,225,448 | | 52,612,502 | 100.00 |
| Loans to overseas branches | | - | | 3,418,776 | | - | | 3,418,776 | |
| | ₩ | 42,783,937 | ₩ | 10,021,893 | ₩ | 3,225,448 | ₩ | 56,031,278 | |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| By borrower type | 2009 | | | | | Percentage (%) | | | |
|-------------------------------------|--------------|------------|-----------------------------|-----------------------------|-------|----------------|---|------------|--------|
| | Loans in Won | | Loans in foreign currencies | Domestic import usance bill | Total | | | | |
| Corporations: | ₩ | 25,672,625 | ₩ | 4,768,630 | ₩ | 2,616,185 | ₩ | 33,057,440 | 64.20 |
| Manufacturing | | 11,035,481 | | 2,234,736 | | 2,283,777 | | 15,553,994 | 30.21 |
| Wholesale and retail | | 2,914,860 | | 1,126,411 | | 302,645 | | 4,343,916 | 8.44 |
| Real estate and renting and leasing | | 3,542,745 | | 131,414 | | - | | 3,674,159 | 7.14 |
| Construction | | 2,726,346 | | 58,233 | | 12,414 | | 2,796,993 | 5.43 |
| Transportation business | | 1,227,702 | | 547,212 | | 201 | | 1,775,115 | 3.45 |
| Others | | 4,225,491 | | 670,624 | | 17,148 | | 4,913,263 | 9.54 |
| Households | | 17,569,117 | | 536,535 | | - | | 18,105,652 | 35.16 |
| Public sector and others | | 119,677 | | 209,962 | | - | | 329,639 | 0.64 |
| | | 43,361,419 | | 5,515,127 | | 2,616,185 | | 51,492,731 | 100.00 |
| Loans to overseas branches | | - | | 4,735,157 | | - | | 4,735,157 | |
| | ₩ | 43,361,419 | ₩ | 10,250,284 | ₩ | 2,616,185 | ₩ | 56,227,888 | |

[6] Loans to financial institutions as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | | | | | Percentage (%) |
|---------------------------------|--------------|-----------------------------|-------------|-------------|--------|----------------|
| | Loans in Won | Loans in foreign currencies | Call loans | Total | | |
| Bank | ₩ 191,169 | ₩ 31,984 | ₩ 1,762,792 | ₩ 1,985,945 | 47.13 | |
| Other financial institutions | 885,689 | 44,002 | - | 929,691 | 22.07 | |
| Overseas financial institutions | - | 348,013 | 949,689 | 1,297,702 | 30.80 | |
| | ₩ 1,076,858 | ₩ 423,999 | ₩ 2,712,481 | ₩ 4,213,338 | 100.00 | |

| | 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 |

[7] The term structure of loans as of December 31, 2010 is as follows (Unit: In millions):

| Classification | Loans in Won | Loans in foreign currencies | Domestic import usance bill | Total |
|------------------------------|--------------|-----------------------------|-----------------------------|--------------|
| Due in less than one year | ₩ 31,168,353 | ₩ 6,881,613 | ₩ 3,223,637 | ₩ 41,273,603 |
| Due from one to two years | 2,491,095 | 792,185 | 1,811 | 3,285,091 |
| Due from two to three years | 2,880,962 | 727,361 | - | 3,608,323 |
| Due from three to five years | 1,434,375 | 633,463 | - | 2,067,838 |
| Due in five years or more | 4,809,152 | 987,271 | - | 5,796,423 |
| | ₩ 42,783,937 | ₩ 10,021,893 | ₩ 3,225,448 | ₩ 56,031,278 |

[8] The changes in deferred loan origination fees and costs for the year ended December 31, 2010 are as follows (Unit: In millions):

| | Beginning balance | Addition | Deduction | Ending balance |
|--|-------------------|----------|------------|----------------|
| Deferred loan origination fees and costs | ₩ 58,037 | ₩ 27,388 | ₩ (48,466) | ₩ 36,959 |

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KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(9) The disposed loans for the year ended December 31, 2010 are as follows (Unit: In millions):

| Purchaser | Nominal amount | Allowance of possible loan losses at disposal | Gain (Loss) on disposal of loans |
|---|----------------|---|----------------------------------|
| Woori F&I and others (*) | ₩ 38,655 | ₩ - | ₩ 5,617 |
| Woori F&I and others | 224,273 | 22,752 | 26,071 |
| Woori F&I & Eugene asset management consortium and others | 323,016 | 16,762 | (68,566) |
| Veritas asset Co., Ltd. | 15,822 | 1,481 | (8,001) |

(*) Gains on disposal of bad debts

8. RESTRUCTURED LOANS:

(1) Changes in the present value discounts relating to the outstanding restructured loans for the year ended December 31, 2010 are as follows (Unit: In millions):

| Classification | Present value discounts | | | | | Ending balance [*2] |
|----------------------|-------------------------|-------------------|----------|------------|--|---------------------|
| | Amount (*) | Beginning balance | Increase | Decrease | | |
| Loans: | | | | | | |
| Court receivership | ₩ 2,122 | ₩ 181 | ₩ - | ₩ [64] | | ₩ 117 |
| Others | 276,270 | 30,846 | 19,267 | [13,974] | | 36,139 |
| | 278,392 | 31,027 | 19,267 | [14,038] | | 36,256 |
| Accounts receivable: | | | | | | |
| Court receivership | - | - | - | - | | - |
| Others | 15,416 | 4,306 | 290 | [956] | | 3,640 |
| | 15,416 | 4,306 | 290 | [956] | | 3,640 |
| | ₩ 293,808 | ₩ 35,333 | ₩ 19,557 | ₩ [14,994] | | 39,896 |

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

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

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KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

9. ALLOWANCE FOR POSSIBLE LOAN LOSSES:

(1) The allowance for possible loan losses as of December 31, 2010 and 2009 is summarized as follows (Unit: In millions):

| Classification | Normal | Precautionary | Substandard | Doubtful | Estimated loss | Dec. 31, 2010 |
|---|-------------|---------------|-------------|-----------|----------------|---------------|
| Loans: | | | | | | |
| Call loans | ₩ 2,712,481 | ₩ - | ₩ - | ₩ - | ₩ - | ₩ 2,712,481 |
| Allowance | 505 | - | - | - | - | 505 |
| Allowance percentage | 0.02% | - | - | - | - | 0.02% |
| Credit card loans | 2,523,587 | 27,270 | 398 | 24,256 | 5,470 | 2,580,981 |
| Allowance | 37,853 | 4,186 | 164 | 16,460 | 5,470 | 64,133 |
| Allowance percentage | 1.50% | 15.35% | 41.21% | 67.86 % | 100.00% | 2.48% |
| Bills bought in foreign currencies (*1) | 4,000,350 | 33,698 | - | - | - | 4,034,048 |
| Allowance | 33,732 | 6,348 | - | - | - | 40,080 |
| Allowance percentage | 0.84% | 18.84% | - | - | - | 0.99% |
| Bonds bought under repurchase agreements | 700,000 | - | - | - | - | 700,000 |
| Allowance | - | - | - | - | - | - |
| Allowance percentage | - | - | - | - | - | - |
| Loans in Won (*2) | 41,279,178 | 1,127,246 | 351,154 | 346,586 | 30,020 | 43,134,184 |
| Allowance | 398,813 | 115,319 | 71,709 | 177,490 | 30,020 | 793,351 |
| Allowance percentage | 0.97% | 10.23% | 20.42% | 51.21% | 100.00% | 1.84% |
| Loans in foreign currencies (*3) | 12,655,170 | 264,073 | 102,063 | 50,945 | 9,220 | 13,081,471 |
| Allowance | 113,849 | 31,639 | 20,757 | 28,439 | 9,220 | 203,904 |
| Allowance percentage | 0.90% | 11.98% | 20.34% | 55.82% | 100.00% | 1.56% |
| Inter-bank loans | 165,141 | - | - | - | - | 165,141 |
| Allowance | - | - | - | - | - | - |
| Allowance percentage | - | - | - | - | - | - |
| Factoring receivables | 597,679 | - | - | - | - | 597,679 |
| Allowance | 5,080 | - | - | - | - | 5,080 |
| Allowance percentage | 0.85% | - | - | - | - | 0.85% |
| Advances for customers | 459 | 336 | 2,722 | 534 | 2,285 | 6,336 |
| Allowance | 4 | 24 | 545 | 267 | 2,285 | 3,125 |
| Allowance percentage | 0.85% | 7.00% | 20.00% | 50.00% | 100.00% | 49.32% |
| Debt-for-equity swap | - | 7,732 | - | - | - | 7,732 |
| Allowance | - | 3,270 | - | - | - | 3,270 |
| Allowance percentage | - | 42.29% | - | - | - | 42.29% |
| Privately placed bonds (*4) | 397,455 | 50,552 | 920 | 927 | - | 449,854 |
| Allowance | 3,462 | 4,794 | 184 | 464 | - | 8,904 |
| Allowance percentage | 0.85% | 9.48% | 20.00% | 50.00% | - | 1.98% |
| Other accounts (*5) | 5,691 | 3,522 | 3,883 | 20,425 | 1,248 | 34,769 |
| Allowance | 30 | 48 | 776 | 10,278 | 1,248 | 12,380 |
| Allowance percentage | 0.53% | 1.36% | 19.98% | 50.32% | 100.00% | 35.61% |
| Sum: | | | | | | |
| Loans and other accounts | 65,037,191 | 1,514,429 | 461,140 | 443,673 | 48,243 | 67,504,676 |
| Allowance | 593,328 | 165,628 | 94,135 | 233,398 | 48,243 | 1,134,732 |
| Allowance percentage | 0.91% | 10.94% | 20.41% | 52.61% | 100.00% | 1.68% |
| Present value discounts | 23,594 | 2,872 | 4,132 | 9,298 | - | 39,896 |
| Allowance for possible loan losses on the statement of financial position | ₩ 616,922 | ₩ 168,500 | ₩ 98,267 | ₩ 242,696 | ₩ 48,243 | ₩ 1,174,628 |

(*1) Local L/C bills bought in Won amounting to ₩25,558 million, usance bills of exchange in Won amounting to ₩2,252 million, local L/C bills bought in foreign currencies amounting to ₩65,846 million and bills of exchange at sight in Won amounting to ₩3,909 million among bills bought in Won are included in bills bought in foreign currencies.

(*2) Bills purchased in merchant banking accounts amounting to ₩382,500 million and bills purchased in trust accounts amounting to ₩2,809 million among bills bought in Won are included in bills bought in foreign currencies, and present value discount amounting to ₩35,062 million is deducted from loans in Won.

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(*3) Domestic import usance bill is included in loans in foreign currencies. Interbank loans in foreign currencies of ₩165,141 million and present value discount amounting to ₩729 million is deducted.

(*4) Present value discount amounting to ₩465 million is deducted from privately placed bonds.

(*5) Other accounts consisted of accounts receivable (transfer-in bills bought in foreign currencies) amounting to ₩4,338 million, suspense payments in relation with loans amounting to ₩29,908 million and securities (commercial paper) amounting to ₩523 million.

| Classification | Normal | Precautionary | Substandard | Doubtful | Estimated loss | Dec. 31, 2009 |
|---|-------------|---------------|-------------|----------|----------------|---------------|
| 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 repurchase 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 and bills of exchange at sight in Won amounting to ₩4,813 million among bills bought in Won are included in bills bought in foreign currencies.

(*2) Bills purchased in merchant banking accounts amounting to ₩768,000 million and bills purchased in trust accounts amounting to ₩103,160 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 from loans in Won.

(*3) Domestic import usance bill is included in loans in foreign currencies. Interbank loans in foreign currencies of ₩76,865 million and present value discount amounting to ₩122 million is deducted.

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(*4) Present value discount amounting to ₩357 million is deducted from 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.

(2) The changes in allowance for possible loan losses for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | | 2009 | |
|-------------------------------------|------|-----------|------|-----------|
| Beginning balance | ₩ | 1,038,547 | ₩ | 1,131,852 |
| Provision for possible loan losses | | 482,634 | | 677,349 |
| Loans written-off | | (499,867) | | (926,361) |
| Repurchase of loan and others | | 163,554 | | 168,125 |
| Translation adjustments of overseas | | (838) | | (5,272) |
| Changes in present value discounts | | (9,402) | | (7,146) |
| Ending balance | ₩ | 1,174,628 | ₩ | 1,038,547 |

(3) The allowance for possible loan losses compared to total loans, net of present value discount, is summarized as follows (Unit: In millions):

| Classification | 2010 | | 2009 | |
|---|------|------------|------|------------|
| Loans (*1) | ₩ | 64,081,502 | ₩ | 64,506,822 |
| Allowance for possible loan losses (*2) | | 1,134,732 | | 1,003,214 |
| Percentage (%) | | 1.77 | | 1.55 |

(*1) Call loans, bonds purchased under repurchase agreements and interbank loans that are credits not qualified for bad debt allowances are excluded.

(*2) Present value discounts are excluded.

10. TANGIBLE ASSETS:

(1) Tangible assets as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | | 2009 | |
|--------------------------------|------|-----------|------|-----------|
| Tangible assets | ₩ | 2,230,630 | ₩ | 2,221,531 |
| Less: accumulated depreciation | | (851,926) | | (828,421) |
| | ₩ | 1,378,704 | ₩ | 1,393,110 |

(2) Tangible assets as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | Acquisition cost | | Accumulated depreciation | | Accumulated impairment loss | | Dec. 31, 2010 |
|--------------------------|------------------|-----------|--------------------------|-----------|-----------------------------|---------|---------------|
| Land (*1) | ₩ | 933,787 | ₩ | - | ₩ | (2,357) | ₩ 931,430 |
| Buildings | | 552,059 | | (205,163) | | (2,869) | 344,027 |
| Leasehold improvements | | 134,526 | | (107,711) | | - | 26,815 |
| Equipment and vehicles | | 609,208 | | (533,826) | | - | 75,382 |
| Construction in progress | | 1,050 | | - | | - | 1,050 |
| | ₩ | 2,230,630 | ₩ | (846,700) | ₩ | (5,226) | ₩ 1,378,704 |

(*1) Gain on revaluation of tangible asset is included in acquisition cost of land.

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| Classification | Acquisition cost | | Accumulated depreciation | | Accumulated impairment loss | | Dec. 31, 2009 |
|--------------------------|------------------|-----------|--------------------------|-----------|-----------------------------|---------|---------------|
| Land (*1) | ₩ | 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 |

(*1) Gain on revaluation of tangible asset is included in acquisition cost of land.

(3) The changes in book value of tangible assets for the year ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | Jan. 1, 2010 | Acquisition | Disposal | Depreciation | Impairment loss | Change in foreign currencies | Dec. 31, 2010 |
|--------------------------|--------------|-------------|------------|--------------|-----------------|------------------------------|---------------|
| Land | ₩ 931,515 | ₩ - | ₩ [263] | ₩ - | ₩ - | ₩ 178 | ₩ 931,430 |
| Buildings | 346,336 | 15,707 | [5,034] | [13,089] | - | 107 | 344,027 |
| Leasehold improvements | 32,897 | 7,898 | [1,547] | [12,656] | - | 223 | 26,815 |
| Equipment and vehicles | 82,218 | 45,842 | [3,651] | [49,134] | - | 107 | 75,382 |
| Construction in progress | 144 | 906 | - | - | - | - | 1,050 |
| | ₩ 1,393,110 | ₩ 70,353 | ₩ [10,495] | ₩ [74,879] | ₩ - | ₩ 615 | ₩ 1,378,704 |

| Classification | Jan. 1, 2009 | Acquisition | Disposal | Depreciation | Impairment loss (*2) | Revaluation loss (*1) | Change in foreign currencies | Dec. 31, 2009 |
|--------------------------|--------------|-------------|------------|--------------|----------------------|-----------------------|------------------------------|---------------|
| 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 2008 fiscal year in relation to land is 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 is recognized as loss on prior period error correction due to the impairment occurred in the 2008 fiscal year.

(4) The published value of the domestic land is ₩890,366 million and ₩877,787 million as of December 31, 2010 and 2009, 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, 2010 are as follows (Unit: In millions):

| Type of insurance | Asset insured | Insured balance | Insurance company |
|--------------------|------------------------|-----------------|--|
| Property composite | Buildings | ₩ 339,045 | Hyundai Marine & Fire Insurance Co., Ltd. |
| | Leasehold improvements | 32,656 | Hyundai Marine & Fire Insurance Co., Ltd., ING and others |
| | Equipment and vehicles | 80,503 | Hyundai Marine & Fire Insurance Co., Ltd., ING and others |
| | | ₩ 452,204 | |

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(6) The changes in the gain on revaluation of tangible assets for the year ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | Jan. 1, 2010 | Revaluation | Disposal or reclassification (*1) | Tax adjustment | Dec. 31, 2010 |
|----------------|--------------|-------------|-----------------------------------|----------------|---------------|
| Land | ₩ 432,108 | ₩ - | ₩ (1) | ₩ - | ₩ 432,107 |

(*1) Gain on revaluation of land of ₩1 million in decreased due to the disposal.

| Classification | Jan. 1, 2009 | Revaluation | Disposal or reclassification (*1) | Tax adjustment | Dec. 31, 2009 |
|----------------|--------------|-------------|-----------------------------------|----------------|---------------|
| Land | ₩ 435,337 | ₩ - | ₩ (4,140) | ₩ 911 | ₩ 432,108 |

(*1) Gain on revaluation of land of ₩1,564 million recognized in fiscal year 2008 is reversed up to the amount of impairment loss incurred for the year ended December 31, 2009.

11. OTHER ASSETS:

(1) Other assets as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | 2009 |
|--|--------------|--------------|
| Non-business use properties | ₩ - | ₩ 1,259 |
| Guarantee deposits paid | 674,844 | 664,694 |
| Accounts receivable | 6,872,703 | 6,883,634 |
| Accrued income | 241,356 | 262,722 |
| Prepaid expenses | 36,136 | 40,642 |
| Deferred income tax assets | 26,065 | 21,682 |
| Derivatives instruments assets (see Note 17) | 1,078,698 | 1,599,842 |
| Intangible assets | 73,626 | 61,606 |
| Sundry assets | 1,145,200 | 1,265,128 |
| | ₩ 10,148,628 | ₩ 10,801,209 |

(2) Intangible assets as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | Acquisition cost | Accumulated amortization | Dec. 31, 2010 |
|--------------------------|------------------|--------------------------|---------------|
| Development expenditures | ₩ 253,368 | ₩ (187,559) | ₩ 65,809 |
| Others (*) | 10,808 | (2,991) | 7,817 |
| | ₩ 264,176 | ₩ (190,550) | ₩ 73,626 |

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

| Classification | Acquisition cost | Accumulated amortization | Dec. 31, 2009 |
|--------------------------|------------------|--------------------------|---------------|
| 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.

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

| Classification | Jan. 1, 2010 | Acquisition | Disposal | Amortization | Change in foreign currencies | Dec. 31, 2010 |
|--------------------------|--------------|-------------|----------|--------------|------------------------------|---------------|
| Development expenditures | ₩ 61,099 | ₩ 28,921 | ₩ - | ₩ (24,212) | ₩ - | ₩ 65,808 |
| Others | 507 | 8,050 | (123) | (672) | 56 | 7,818 |
| | ₩ 61,606 | ₩ 36,971 | ₩ (123) | ₩ (24,884) | ₩ 56 | ₩ 73,626 |

| Classification | Jan. 1, 2009 | Acquisition | Disposal | Amortization | Change in foreign currencies | Dec. 31, 2009 |
|--------------------------|--------------|-------------|----------|--------------|------------------------------|---------------|
| 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 |

(4) Sundry assets as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | 2009 |
|---|-------------|-------------|
| Domestic exchange settlement debits | ₩ 1,042,180 | ₩ 1,134,803 |
| Suspense payments in Won | 57,665 | 79,597 |
| Suspense payments in foreign currencies | 6,828 | 9,607 |
| Bills unsettled | 7,627 | 9,999 |
| Supplies | 6,934 | 6,477 |
| Deposited money | 14,746 | 13,484 |
| Money transfer receivable | - | 150 |
| Others | 9,220 | 11,011 |
| | ₩ 1,145,200 | ₩ 1,265,128 |

12. DEPOSITS:

(1) Deposits as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | 2009 |
|-------------------------------------|--------------|--------------|
| Demand deposits | ₩ 26,851,136 | ₩ 22,576,340 |
| Time deposits | 36,835,231 | 29,240,591 |
| Negotiable certificates of deposits | 1,254,344 | 9,048,925 |
| | ₩ 64,940,711 | ₩ 60,865,856 |

(2) Details of deposits as of December 31, 2010 and 2009 consisted of (Unit: In millions):

| Classification | 2010 | 2009 |
|---|------------|------------|
| Demand deposits in Won: | | |
| Checking deposits | ₩ 266,156 | ₩ 275,092 |
| Passbook deposits | 3,441,455 | 3,954,055 |
| Temporary deposits | 740,345 | 785,326 |
| Public fund deposits | 32,291 | 25,561 |
| General savings deposits | 14,071,952 | 12,102,452 |
| | 18,552,199 | 17,142,486 |
| Demand deposits in foreign currencies: | | |
| Checking deposits | 1,641,051 | 1,212,564 |
| Passbook deposits | 6,631,148 | 4,184,862 |
| Temporary deposits | 26,738 | 36,428 |
| | 8,298,937 | 5,433,854 |
| Time deposits in Won: | | |
| Time deposits | 29,374,735 | 18,186,940 |
| Installment savings deposits | 935,466 | 973,592 |
| Long-term savings for households and others | 387,259 | 547,570 |

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| Classification | 2010 | 2009 |
|--------------------------------------|--------------|--------------|
| | 30,697,460 | 19,708,102 |
| Time deposits in foreign currencies: | | |
| Time deposits | 5,911,215 | 9,315,339 |
| Notice deposits | 188,221 | 166,514 |
| Others | 4,334 | 4,429 |
| | 6,103,770 | 9,486,282 |
| Mutual installment savings | 34,001 | 46,207 |
| Negotiable certificates of deposits | 1,254,344 | 9,048,925 |
| | ₩ 64,940,711 | ₩ 60,865,856 |

[3] Deposits with financial institutions as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | Bank | Other financial institution | Foreign financial institution | Dec. 31, 2010 |
|--|-------------|-----------------------------|-------------------------------|---------------|
| Demand deposits: | | | | |
| Demand deposits in Won | ₩ 12,092 | ₩ 122,924 | ₩ 26,617 | ₩ 161,633 |
| Demand deposits in foreign currencies | 197,543 | 32,320 | 222,752 | 452,615 |
| Time deposits: | | | | |
| Savings deposits in Won | 1,667,206 | 4,234,053 | 221,277 | 6,122,536 |
| Savings deposits in foreign currencies | - | 109,173 | 3,489 | 112,662 |
| Negotiable certificates of deposits | - | 1,143,262 | - | 1,143,262 |
| | ₩ 1,876,841 | ₩ 5,641,732 | ₩ 474,135 | ₩ 7,992,708 |

| Classification | Bank | Other financial institution | Foreign financial institution | Dec. 31, 2009 |
|--|-------------|-----------------------------|-------------------------------|---------------|
| 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 |

[4] Term structure of deposits as of December 31, 2010 is as follows (Unit: In millions):

| Classification | Deposits in Won | Deposits in foreign currencies | Negotiable certificates of deposits | Total |
|------------------------------|-----------------|--------------------------------|-------------------------------------|--------------|
| Due in less than one year | ₩ 46,656,868 | ₩ 14,161,509 | ₩ 1,248,148 | ₩ 62,066,525 |
| Due from one to two years | 1,009,956 | 96,675 | 6,196 | 1,112,827 |
| Due from two to three years | 394,927 | 95,148 | - | 490,075 |
| Due from three to five years | 229,777 | 32,125 | - | 261,902 |
| Due after five years | 992,132 | 17,250 | - | 1,009,382 |
| | ₩ 49,283,660 | ₩ 14,402,707 | ₩ 1,254,344 | ₩ 64,940,711 |

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13. BORROWINGS:

(1) Borrowings as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | | 2009 | |
|--|------|------------|------|------------|
| Call money | ₩ | 1,145,754 | ₩ | 1,387,330 |
| Bills sold | | 47,712 | | 30,943 |
| Bonds sold under repurchase agreements | | 99,052 | | 140,415 |
| Borrowings | | 7,265,211 | | 8,064,338 |
| Debentures | | 5,206,336 | | 8,493,078 |
| Less: Discount on debentures | | (15,004) | | (25,630) |
| | ₩ | 13,749,061 | ₩ | 18,090,474 |

(2) Call money as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Account | Lender | Annual interest rates (%) Dec. 31, 2010 | 2010 | | 2009 | |
|----------------------------------|--|--|------|-----------|------|-----------|
| Call money in foreign currencies | Local and foreign financial institution and others | 0.29 ~ 3.30 | ₩ | 1,145,754 | ₩ | 1,387,330 |

(3) Bills sold, bonds sold under repurchase agreements and due to BOK in foreign currencies as of December 31, 2010 and 2009 consisted of the following (Unit: In millions):

| Account | Lender | Annual interest rates (%) Dec. 31, 2010 | 2010 | | 2009 | |
|--|-----------------------------|--|------|---------|------|---------|
| Bills sold | General customer | 1.40 ~ 3.29 | | 47,712 | | 30,943 |
| Bonds sold under repurchase agreements | General customer and others | 3.70 ~ 7.10 | | 99,052 | | 140,415 |
| | | | ₩ | 146,764 | ₩ | 171,358 |

(4) Borrowings as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Account | Lender | Annual interest rates [%] Dec. 31, 2010 | 2010 | 2009 |
|--|--|--|-------------|-------------|
| Borrowings in Won: | | | | |
| Borrowings from the BOK | BOK | 1.25 ₩ | 533,097 ₩ | 704,953 |
| Borrowings from the Korean government | Ministry of Finance and Economy and others | 0.00 ~ 4.00 | 332,650 | 308,988 |
| Borrowings from banking institutions | Industrial Bank of Korea and others | 1.06 ~ 5.45 | 182,486 | 101,875 |
| Other borrowings | Small Business Corporation and others | 1.50 ~ 5.76 | 334,538 | 1,182,456 |
| | | | ₩ 1,382,771 | ₩ 2,298,272 |
| Borrowings in foreign currencies: | | | | |
| Refinance | Korea Exim Bank and others | 0.69 ~ 1.30 | 353,059 | 256,872 |
| Short term borrowing in foreign currencies | Foreign financial institution | 0.38 ~ 5.86 | 1,944,611 | 2,290,811 |
| Middle and long term borrowing in foreign currencies | SMBC and others | 0.99 ~ 5.79 | 1,356,348 | 1,096,321 |
| Other borrowings | Foreign financial institution | 0.24 ~ 5.82 | 2,228,422 | 2,122,062 |
| | | | 5,882,440 | 5,766,066 |
| | | | ₩ 7,265,211 | ₩ 8,064,338 |

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(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, 2010 [see Note 6 (6)].

(6) Debentures

1) Debentures as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Account | Annual interest rate (%) Dec. 31, 2010 | 2010 | 2009 |
|-----------------------------------|---|-------------|-------------|
| Debentures in Won: | | | |
| Finance debentures | 3.04 ~ 7.90 ₩ | 2,320,000 ₩ | 5,840,000 |
| Subordinated financing debentures | 6.11 ~ 7.80 | 1,100,487 | 1,101,146 |
| Hybrid debentures | 7.30 | 250,000 | 250,000 |
| | | 3,670,487 | 7,191,146 |
| Discounts on debentures | | (7,231) | (21,278) |
| | | 3,663,256 | 7,169,868 |
| Debentures in foreign currencies: | | | |
| Finance debentures | 0.48 ~ 5.78 | 1,535,849 | 946,197 |
| Subordinated financing debentures | - | - | 355,735 |
| | | 1,535,849 | 1,301,932 |
| Discounts on debentures | | (7,773) | (4,352) |
| | | 1,528,076 | 1,297,580 |
| | | ₩ 5,191,332 | ₩ 8,467,448 |

2) As of December 31, 2010 and 2009, all finance debentures issued in Won were general debentures and consist of (Unit: In millions):

| Issued date | Expiration date | Annual interest rate (%) Dec. 31, 2010 | 2010 | 2009 |
|---------------|-----------------|---|------|---------|
| Jan. 10, 2007 | Jan. 10, 2010 | - ₩ | - ₩ | 50,000 |
| Jan. 11, 2007 | Jan. 11, 2010 | - | - | 50,000 |
| Jan. 18, 2007 | Jan. 18, 2010 | - | - | 30,000 |
| Jan. 25, 2007 | Jan. 25, 2010 | - | - | 30,000 |
| Jan. 26, 2007 | Jan. 26, 2010 | - | - | 30,000 |
| Feb. 5, 2007 | Feb. 5, 2010 | - | - | 50,000 |
| Feb. 9, 2007 | Feb. 9, 2010 | - | - | 50,000 |
| Feb. 28, 2007 | Feb. 28, 2010 | - | - | 30,000 |
| Mar. 27, 2007 | Mar. 27, 2010 | - | - | 10,000 |
| May 14, 2007 | May 14, 2010 | - | - | 40,000 |
| May 16, 2007 | May 16, 2010 | - | - | 50,000 |
| May 17, 2007 | May 17, 2010 | - | - | 50,000 |
| May 21, 2007 | May 21, 2010 | - | - | 30,000 |
| May 23, 2007 | May 23, 2010 | - | - | 100,000 |
| May 25, 2007 | May 25, 2010 | - | - | 40,000 |
| May 30, 2007 | May 30, 2010 | - | - | 50,000 |
| Jun. 1, 2007 | Jun. 1, 2010 | - | - | 50,000 |
| Jun. 13, 2007 | Jun. 13, 2010 | - | - | 50,000 |
| Jun. 28, 2007 | Jun. 28, 2010 | - | - | 50,000 |
| Jul. 24, 2007 | Jul. 24, 2010 | - | - | 20,000 |
| Jul. 25, 2007 | Jul. 25, 2010 | - | - | 50,000 |
| Jul. 30, 2007 | Jul. 30, 2010 | - | - | 30,000 |
| Jul. 31, 2007 | Jul. 31, 2010 | - | - | 30,000 |
| Aug. 3, 2007 | Aug. 3, 2010 | - | - | 10,000 |
| Aug. 14, 2007 | Aug. 14, 2010 | - | - | 10,000 |
| Aug. 23, 2007 | Aug. 23, 2010 | - | - | 30,000 |
| Aug. 24, 2007 | Aug. 24, 2010 | - | - | 50,000 |
| Sep. 10, 2007 | Sep. 10, 2010 | - | - | 200,000 |
| Sep. 17, 2007 | Sep. 17, 2010 | - | - | 20,000 |
| Oct. 10, 2007 | Oct. 10, 2010 | - | - | 200,000 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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| Issued date | Expiration date | Annual interest rate [%] Dec. 31, 2010 | 2010 | 2009 |
|---------------|-----------------|---|---------|---------|
| Oct. 18, 2007 | Oct. 18, 2010 | - | - | 70,000 |
| Oct. 23, 2007 | Oct. 23, 2010 | - | - | 10,000 |
| Nov. 8, 2007 | Nov. 8, 2010 | - | - | 200,000 |
| Nov. 14, 2007 | Nov. 14, 2010 | - | - | 50,000 |
| Nov. 23, 2007 | Nov. 23, 2010 | - | - | 70,000 |
| Nov. 26, 2007 | Nov. 26, 2010 | - | - | 260,000 |
| Nov. 30, 2007 | Nov. 30, 2010 | - | - | 170,000 |
| Dec. 5, 2007 | Dec. 5, 2010 | - | - | 140,000 |
| Jan. 15, 2008 | Jan. 15, 2010 | - | - | 50,000 |
| Feb. 15, 2008 | Feb. 15, 2010 | - | - | 30,000 |
| Mar. 4, 2008 | Mar. 4, 2011 | 6.32 | 20,000 | 20,000 |
| Apr. 10, 2008 | Apr. 10, 2010 | - | - | 200,000 |
| Apr. 15, 2008 | Apr. 15, 2010 | - | - | 50,000 |
| Apr. 16, 2008 | Apr. 16, 2010 | - | - | 50,000 |
| Apr. 17, 2008 | Apr. 17, 2010 | - | - | 50,000 |
| Apr. 18, 2008 | Apr. 18, 2010 | - | - | 50,000 |
| Apr. 24, 2008 | Apr. 24, 2010 | - | - | 40,000 |
| Apr. 29, 2008 | Apr. 29, 2010 | - | - | 10,000 |
| Apr. 30, 2008 | Apr. 30, 2010 | - | - | 50,000 |
| May 8, 2008 | May 8, 2010 | - | - | 10,000 |
| May 15, 2008 | May 15, 2010 | - | - | 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 | - | - | 10,000 |
| May 26, 2008 | Nov. 26, 2010 | - | - | 10,000 |
| May 27, 2008 | May 27, 2010 | - | - | 20,000 |
| May 28, 2008 | May 28, 2010 | - | - | 10,000 |
| May 29, 2008 | May 29, 2010 | - | - | 50,000 |
| Jun. 3, 2008 | Jun. 3, 2010 | - | - | 20,000 |
| Jun. 5, 2008 | Jun. 5, 2010 | - | - | 60,000 |
| Jun. 12, 2008 | Jun. 12, 2010 | - | - | 70,000 |
| Jun. 16, 2008 | Jun. 16, 2010 | - | - | 40,000 |
| Jun. 19, 2008 | Jun. 19, 2010 | - | - | 10,000 |
| Jun. 24, 2008 | Jun. 24, 2010 | - | - | 30,000 |
| Jun. 24, 2008 | Jun. 24, 2010 | - | - | 10,000 |
| Jun. 26, 2008 | Jun. 26, 2010 | - | - | 30,000 |
| Jul. 4, 2008 | Jul. 4, 2010 | - | - | 10,000 |
| Jul. 16, 2008 | Jan. 16, 2010 | - | - | 40,000 |
| Jul. 17, 2008 | Jul. 17, 2010 | - | - | 10,000 |
| Jul. 18, 2008 | Jan. 18, 2010 | - | - | 200,000 |
| Aug. 21, 2008 | Aug. 21, 2010 | - | - | 180,000 |
| Sep. 1, 2008 | Sep. 1, 2010 | - | - | 130,000 |
| Sep. 4, 2008 | Sep. 4, 2010 | - | - | 120,000 |
| Oct. 29, 2008 | Oct. 29, 2011 | 7.73 | 200,000 | 200,000 |
| Feb. 10, 2009 | Feb. 10, 2011 | 7.90 | 40,000 | 40,000 |
| Jul. 9, 2009 | Jul. 9, 2010 | - | - | 100,000 |
| Jul. 13, 2009 | Jul. 13, 2010 | - | - | 100,000 |
| Jul. 15, 2009 | Jul. 15, 2010 | - | - | 100,000 |
| Jul. 24, 2009 | Jul. 24, 2010 | - | - | 100,000 |
| Jul. 28, 2009 | Jul. 28, 2010 | - | - | 50,000 |
| Aug. 21, 2009 | Feb. 21, 2011 | 5.90 | 30,000 | 30,000 |
| Aug. 21, 2009 | Aug. 21, 2011 | 6.30 | 80,000 | 80,000 |
| Sep. 29, 2009 | Jun. 29, 2011 | 5.95 | 20,000 | 20,000 |

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| Issued date | Expiration date | Annual interest rate (%) Dec. 31, 2010 | 2010 | 2009 |
|---------------|-----------------|---|-------------|-------------|
| Sep. 29, 2009 | Mar. 29, 2012 | 6.50 | 50,000 | 50,000 |
| Nov. 24, 2009 | Nov. 24, 2010 | - | - | 100,000 |
| Dec. 2, 2009 | Dec. 2, 2010 | - | - | 100,000 |
| Dec. 4, 2009 | Dec. 4, 2011 | 5.85 | 20,000 | 20,000 |
| Dec. 4, 2009 | Dec. 4, 2012 | 6.20 | 70,000 | 70,000 |
| Dec. 10, 2009 | Dec. 10, 2010 | - | - | 100,000 |
| Dec. 16, 2009 | Dec. 16, 2010 | - | - | 100,000 |
| Dec. 18, 2009 | Dec. 18, 2010 | - | - | 100,000 |
| Feb. 16, 2010 | Feb. 16, 2011 | 3.61 | 50,000 | - |
| Mar. 16, 2010 | Mar. 16, 2012 | 5.50 | 20,000 | - |
| Mar. 16, 2010 | Mar. 16, 2013 | 5.90 | 50,000 | - |
| Apr. 9, 2010 | Apr. 9, 2013 | 4.08 | 50,000 | - |
| Apr. 27, 2010 | Apr. 27, 2013 | 4.17 | 50,000 | - |
| Apr. 28, 2010 | Apr. 28, 2012 | 3.73 | 50,000 | - |
| Apr. 29, 2010 | Apr. 29, 2013 | 4.06 | 50,000 | - |
| May 7, 2010 | May 7, 2011 | 3.10 | 40,000 | - |
| May 10, 2010 | Nov. 10, 2011 | 3.70 | 100,000 | - |
| May 12, 2010 | May 12, 2011 | 3.14 | 110,000 | - |
| May 17, 2010 | May 17, 2011 | 3.21 | 100,000 | - |
| May 28, 2010 | May 28, 2011 | 3.25 | 50,000 | - |
| May 28, 2010 | Nov. 28, 2011 | 3.75 | 100,000 | - |
| Jun. 7, 2010 | Jun. 7, 2011 | 3.25 | 100,000 | - |
| Jul. 16, 2010 | Jul. 16, 2012 | 4.16 | 90,000 | - |
| Jul. 22, 2010 | Jan. 22, 2012 | 3.88 | 110,000 | - |
| Jul. 28, 2010 | Jul. 28, 2012 | 4.03 | 50,000 | - |
| Oct. 8, 2010 | Apr. 8, 2012 | 3.31 | 200,000 | - |
| Nov. 29, 2010 | Nov. 29, 2011 | 3.13 | 30,000 | - |
| Nov. 29, 2010 | May 29, 2012 | 3.38 | 160,000 | - |
| | | | ₩ 2,320,000 | ₩ 5,840,000 |

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3) Finance debentures issued in foreign currencies as of December 31, 2010 and 2009 consist of (Unit: In thousands of U.S. Dollars, in millions of Won):

| First underwriter | Issued date | Expiration date | The terms of interest | Annual interest rate (%) Dec. 31, 2010 | 2010 | 2009 |
|-------------------------------|---------------|-----------------|-----------------------|---|--------------------------------|----------------------------|
| NH Investment & Securities | Jul. 13, 2007 | Jul. 13, 2010 | - | - | ₩ - | ₩ 46,704 (US\$40,000) |
| Calyon and others | Jul. 20, 2007 | Jul. 20, 2012 | 3M LIBOR+36.4BP | 0.62 | 341,670 (US\$300,000) | 350,280 (US\$300,000) |
| SMBC, Tokyo (*1) | Sep. 12, 2008 | Sep. 7, 2011 | 6M TIBOR+160BP | 0.48 | 139,708 (US\$122,670) | 126,282 (US\$108,155) |
| Morgan Stanley | May 26, 2009 | May 29, 2012 | 6M LIBOR+530BP | 5.65 | 56,945 (US\$50,000) | 58,380 (US\$50,000) |
| UBS | Jun. 1, 2009 | Jun. 1, 2012 | 3M LIBOR+550BP | 5.78 | 56,945 (US\$50,000) | 58,380 (US\$50,000) |
| Morgan Stanley | Jun. 1, 2009 | Jun. 1, 2012 | 6M LIBOR+535BP | 5.66 | 56,945 (US\$50,000) | 58,380 (US\$50,000) |
| BNP PARIBAS | Jun. 5, 2009 | Jun. 7, 2011 | 6M LIBOR+520BP | 5.47 | 56,945 (US\$50,000) | 58,380 (US\$50,000) |
| Woori Investment & Securities | Jul. 23, 2009 | Jul. 15, 2011 | 3M LIBOR+340BP | 3.69 | 56,945 (US\$50,000) | 58,380 (US\$50,000) |
| HSBC | Aug. 27, 2009 | Aug. 24, 2012 | 3M LIBOR+350BP | 3.68 | 34,167 (US\$30,000) | 35,028 (US\$30,000) |
| KAF | Mar. 9, 2010 | Mar. 9, 2013 | - | 3.99 | 29,611 (US\$26,000) | - |
| KAF | Mar. 9, 2010 | Mar. 9, 2013 | - | 2.99 | 15,945 (US\$14,000) | - |
| Citigroup and others (*2) | Jul. 14, 2010 | Jan. 14, 2016 | 6M LIBOR+274.1BP | 4.88 | 570,202 (US\$500,660) | - |
| | Aug. 13, 2010 | Aug. 13, 2012 | - | 2.50 | 45,556 (US\$40,000) | - |
| | - | - | - | - | 74,265 (US\$65,208) | 96,003 (US\$82,223) |
| | | | | | ₩ 1,535,849 (US\$1,348,538) | ₩ 946,197 (US\$810,378) |

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

(*2) Certain subordinated debentures are under swap contracts in order to hedge risks from changes in interest rates. In connection with such contracts, loss on foreign currency transactions amounting to ₩752 million is accounted for in connection to such contracts for the year ended December 31, 2010. See Note 17 (1).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

4) Subordinated debentures as of December 31, 2010 and 2009 are as follows (Unit: In thousands of U.S. dollars, in millions of Won):

| Classification | Issued date | Expiration date | Annual interest rate (%) Dec. 31, 2010 | 2010 | 2009 |
|-----------------------------------|---------------|-----------------|---|-------------|----------------------------|
| Debentures in Won | | | | | |
| General sale (*1) | May 28, 2001 | Feb. 28, 2007 | - | ₩ 170 | ₩ 223 |
| General sale (*1) | Oct. 28, 2002 | Jan. 28, 2008 | - | 160 | 160 |
| General sale (*1) | Mar. 28, 2003 | Dec. 28, 2008 | - | 157 | 763 |
| 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 |
| | | | | ₩ 1,100,487 | ₩ 1,101,146 |
| Debentures in foreign currencies: | | | | | |
| CITI group & HSBC (*2 and *3) | Jun. 10, 2005 | Jun. 10, 2015 | - | ₩ - | ₩ 355,735 (US\$304,672) |
| | | | | ₩ 1,100,487 | ₩ 1,456,881 |

(*1) The outstanding 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 early redemption option can be exercised by the Bank.

(*3) Represent the first underwriters.

5) As of December 31, 2010 and 2009, Hybrid Tier 1 bond is as follows (Unit: In millions):

| Classification (*1) | Issued period (*2) | Annual interest rate (%) (*3) | 2010 | 2009 |
|-----------------------|-------------------------------|-------------------------------|-----------|-----------|
| Hybrid debentures 2nd | Mar. 31, 2009 ~ Mar. 31, 2039 | 7.30 | ₩ 250,000 | ₩ 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 8.30 percent.

[7] Term structure of borrowings as of December 31, 2010 is 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 | ₩ 693,661 | ₩ 5,344,222 | ₩ 1,320,487 | ₩ 327,863 | ₩ 7,686,233 |
| Due from one to two years | 127,802 | 74,267 | 800,000 | 592,228 | 1,594,297 |
| Due from two to three years | 217,028 | - | 200,000 | 45,556 | 462,584 |
| Due from three to five years | 166,658 | 463,951 | 800,000 | - | 1,430,609 |
| Due in five years or more | 177,622 | - | 550,000 | 570,202 | 1,297,824 |
| | ₩ 1,382,771 | ₩ 5,882,440 | ₩ 3,670,487 | ₩ 1,535,849 | ₩ 12,471,547 |

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14. OTHER LIABILITIES:

(1) Other liabilities as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | 2009 |
|---|--------------|--------------|
| Accounts payable | ₩ 7,113,976 | ₩ 7,147,521 |
| Accrued expenses | 711,041 | 680,029 |
| Unearned revenues | 71,886 | 77,839 |
| Guarantee money received | 164,765 | 208,254 |
| Accrued payable from foreign exchange | 269,703 | 267,033 |
| Deferred income tax liabilities | 168,490 | 203,976 |
| Derivatives instruments liabilities (see Note 17) | 951,026 | 1,506,624 |
| Due to trust accounts | 868,363 | 769,620 |
| Accrued severance benefits (see Note 3) | 359,398 | 318,697 |
| Pension benefit | 6,405 | 4,580 |
| Less: Asset under management of pension benefits | (40,924) | (3,660) |
| Less: Transfers to the National Pension Fund | (565) | (599) |
| Less: Due to retirement insurance | (257,077) | (250,764) |
| Reserve for acceptances and guarantees | 114,426 | 82,236 |
| Reserve for unused credit limit | 192,047 | 189,481 |
| Allowance for other liabilities | 200,597 | 146,370 |
| Sundry liabilities | 2,012,459 | 1,741,143 |
| | ₩ 12,906,016 | ₩ 13,088,380 |

(2) ACCRUED SEVERANCE BENEFITS

1) The changes in accrued severance benefits for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | 2009 |
|---|-----------|-----------|
| Beginning | ₩ 318,697 | ₩ 294,797 |
| Provision (*1) | 62,655 | 60,966 |
| Payment (*2) | (22,160) | (36,678) |
| Foreign currencies translation | 206 | (388) |
| | 359,398 | 318,697 |
| Pension benefits payables | 6,405 | 4,580 |
| Assets under management of pension benefits | (40,924) | (3,660) |
| Transfers to the National Pension Fund | (565) | (599) |
| Due to Retirement Insurance | (257,077) | (250,764) |
| | ₩ 67,237 | ₩ 68,254 |

(*1) The difference from the provision for severance benefits in the statements of income amounting to ₩1,937 million and ₩379 million for the years ended December 31, 2010 and 2009, respectively, is recorded in accounts payable in other liabilities in the Bank's statements of financial position.

(*2) The payment of severance benefits amounting to ₩285 million and ₩273 million as of December 31, 2010 and 2009, respectively, is accounted as accounts payable.

As of December 31, 2010, parts of severance benefits are contributed to pension funds of Samsung Life Insurance Co., Ltd. The Bank manages the defined benefit retirement pension plan (DB plan) for the year ended December 31, 2010 and the assets invested in the DB plan is accounted for as assets under management of pension benefits and presented as a deduction from accrued severance benefits.

As of December 31, 2010, the assets under management of pension benefits are as follows (Unit: In millions):

| Classification | Percentage (%) |
|-------------------------|----------------|
| Cash and due from banks | 93.48 |
| Securities | 6.52 |
| | 100.00 |

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(3) Reserve for acceptances and guarantees

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

| Classification | 2010 | | 2009 | |
|---|------|------------|------|------------|
| Confirmed acceptances and guarantees in Won: | | | | |
| Payment guarantee for issuance of debentures | ₩ | 4,894 | ₩ | 6,630 |
| Acceptances on letters of guarantee for importers | | 340 | | - |
| Payment guarantee for loans | | 72,238 | | 63,425 |
| Others | | 921,693 | | 1,715,378 |
| | | 999,165 | | 1,785,433 |
| Confirmed acceptances and guarantees in foreign currencies: | | | | |
| Acceptances on letters of credit | | 608,212 | | 703,464 |
| Acceptances on letters of guarantee for importers | | 81,429 | | 102,366 |
| Others | | 7,780,822 | | 7,074,385 |
| | | 8,470,463 | | 7,880,215 |
| Unconfirmed acceptances and guarantees: | | | | |
| Letters of credit | | 3,904,905 | | 3,877,111 |
| Others | | 543,915 | | 318,521 |
| | | 4,448,820 | | 4,195,632 |
| Bills endorsed | | 69,770 | | 55,992 |
| | ₩ | 13,988,218 | ₩ | 13,917,272 |

2) The classification of asset quality for acceptances and guarantees and reserve for acceptances and guarantees as of December 31, 2010 and 2009 is as follows (Unit: In millions):

| Classification | Normal | Precautionary | Substandard | Doubtful | Estimated Loss | Dec. 31, 2010 | Reserve for acceptances and guarantees |
|-------------------------|--------------|---------------|-------------|----------|----------------|---------------|--|
| Confirmed acceptances | ₩ 9,341,597 | ₩ 68,605 | ₩ 23,340 | ₩ 8,432 | ₩ 27,654 | ₩ 9,469,628 | ₩ 103,737 |
| Unconfirmed acceptances | 4,420,465 | 23,119 | 21 | 5,215 | - | 4,448,820 | 10,096 |
| Bills endorsed | 69,770 | - | - | - | - | 69,770 | 593 |
| | ₩ 13,831,832 | ₩ 91,724 | ₩ 23,361 | ₩ 13,647 | ₩ 27,654 | ₩ 13,988,218 | ₩ 114,426 |

| Classification | Normal | Precautionary | Substandard | Doubtful | Estimated Loss | Dec. 31, 2009 | 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 |

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KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

3) Acceptances and guarantees, by industry, except for the portion of overseas branches as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| By industry | | 2010 | Percentage [%] |
|--|---|-----------|----------------|
| Manufacturing | ₩ | 4,679,454 | 51.99 |
| Construction | | 2,534,815 | 28.16 |
| Wholesale and retail | | 693,215 | 7.70 |
| Finance and insurance | | 398,495 | 4.43 |
| Electricity, gas and water supply | | 220,065 | 2.45 |
| Others | | 474,441 | 5.27 |
| | | 9,000,485 | 100.00 |
| Confirmed acceptance and guarantees in overseas branches | | 469,143 | |
| | ₩ | 9,469,628 | |

| By industry | | 2009 | Percentage [%] |
|--|---|-----------|----------------|
| Manufacturing | ₩ | 5,477,653 | 60.18 |
| Construction | | 1,579,737 | 17.35 |
| Wholesale and 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 | |

4) Confirmed acceptances and guarantees in foreign currencies, by country, as of December 31, 2010 and 2009 are as follows (Unit: In thousands of U.S. Dollars, in millions of Won):

| By country | 2010 | | | |
|------------|--|----------------------|---|----------------|
| | Confirmed acceptances and guarantees in foreign currencies (*) | Translation into Won | | Percentage [%] |
| Korea | \$ 7,130,597 | ₩ 8,121,037 | ₩ | 95.87 |
| USA | 91,686 | 104,421 | | 1.23 |
| China | 64,540 | 73,505 | | 0.87 |
| Indonesia | 29,778 | 33,914 | | 0.40 |
| Australia | 20,690 | 23,564 | | 0.28 |
| Others | 100,116 | 114,022 | | 1.35 |
| | \$ 7,437,407 | ₩ 8,470,463 | ₩ | 100.00 |

(*) Foreign currencies other than U.S. Dollars are converted into U.S. Dollars at the basic rates of exchange at the end of the reporting period.

| By country | 2009 | | | |
|------------|--|----------------------|---|----------------|
| | 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 |
| UK | 45,279 | 52,868 | | 0.67 |
| Germany | 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 are converted into U.S. Dollars at the basic rates of exchange at the end of the reporting period.

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5) The percentage of reserve for acceptances and guarantees as of December 31, 2010, 2009 and 2008 is as follows (Unit: In millions):

| Classification | 2010 | | 2009 | | 2008 |
|----------------------------|------|------------|------|------------|--------------|
| Acceptances and guarantees | ₩ | 13,988,218 | ₩ | 13,917,272 | ₩ 11,702,703 |
| Reserve | | 114,426 | | 82,236 | 59,283 |
| Percentage (%) | | 0.82 | | 0.59 | 0.51 |

[4] Reserve for unused credit limit

The calculation of reserve for unused credit limit as of December 31, 2010 and 2009 is as follows (Unit: In millions):

The calculation of loan to reserve and unused credit limit as of December 31, 2010 and 2009 is as follows (Unit: ₩ Millions):

| Classification | 2010 | | | | Reserve for unused credit limit (d) |
|---------------------------------|--------------|--------------|--|------------|-------------------------------------|
| | Limit (a) | Balance (b) | Allowance (c) = (a-b) x credit conversion factor | | |
| Card loans | ₩ 14,757,880 | ₩ 1,995,878 | ₩ | 6,380,842 | ₩ 97,226 |
| Loans to enterprise | 72,938,420 | 37,323,554 | | 9,543,486 | 88,565 |
| Loans to household | 3,548,468 | 1,370,410 | | 441,540 | 4,415 |
| Loans to public and others | 28,850 | 9,742 | | 3,822 | 32 |
| | ₩ 91,273,618 | ₩ 40,699,584 | ₩ | 16,369,690 | 190,238 |
| Subsidiaries | | | | | 1,809 |
| Reserve for unused credit limit | | | | | ₩ 192,047 |

| Classification | 2009 | | | | Reserve for unused credit limit (d) |
|---------------------------------|--------------|--------------|--|------------|-------------------------------------|
| | Limit (a) | Balance (b) | Allowance (c) = (a-b) x credit conversion factor | | |
| 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 |
| Reserve for unused credit limit | | | | | ₩ 189,481 |

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(5) Allowance for other liabilities

Allowance for other liabilities as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | | 2010 | | 2009 |
|--|---|---------|---|---------|
| Reserve for money-back point & yes-point | ₩ | 28,413 | ₩ | 27,704 |
| Reserve for litigation [see Note 17 (6)] | | 29,889 | | 14,324 |
| Reserve for employees' accident (*1) | | 44,995 | | 4,149 |
| Provision for severance and early retirement benefits (*2) | | 14,514 | | 12,894 |
| Reserve for derivatives assets and others (*3) | | 51,730 | | 82,865 |
| Others | | 31,056 | | 4,434 |
| | ₩ | 200,597 | ₩ | 146,370 |

(*1) Provision was made for 5 suspense payments, which occurred in connection with employees' illegal act such as embezzlement.

(*2) 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.

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

(6) Sundry liabilities

Sundry liabilities as of December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | | 2010 | | 2009 |
|--|---|-----------|---|-----------|
| Suspense receipt | ₩ | 28,772 | ₩ | 24,622 |
| Withholding taxes | | 32,074 | | 29,368 |
| Agency business accounts | | 86,289 | | 92,940 |
| Agency | | 1,236,016 | | 856,635 |
| Credit control deposits | | - | | 942 |
| Guarantee deposits for securities subscription | | 13,455 | | 16,921 |
| Domestic exchange settlements credits | | 598,674 | | 713,256 |
| Domestic remittance payable | | 4,032 | | 1,817 |
| Others | | 13,147 | | 4,642 |
| | ₩ | 2,012,459 | ₩ | 1,741,143 |

15. SHAREHOLDERS' EQUITY:

(1) Capital stock

Capital stock as of December 31, 2010 and 2009 is as follows (Unit: In Won, share):

| Classification | | 2010 | | 2009 |
|-------------------------------|---|-------------------|---|-------------------|
| 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, 2010 and 2009 is transferred from stock option (accounted for as capital adjustment) since it lapsed as it was not exercised.

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(3) Accumulated other comprehensive income

The changes in accumulated other comprehensive income for the year ended December 31, 2010 are as follows (Unit: In millions):

| Classification | Beginning balance | Changes | Disposal | Deferred income tax | Ending balance |
|---|-------------------|-----------|-------------|---------------------|----------------|
| Gain (loss) on valuation of available-for-sale securities | ₩ 801,474 | ₩ 114,739 | ₩ (271,103) | ₩ 34,339 | ₩ 679,449 |
| Gain (loss) on valuation of held-to-maturity securities | (16) | - | 21 | (5) | - |
| Negative changes in equity on equity method | (10) | - | - | - | (10) |
| Gain on revaluation of tangible assets | 432,108 | - | (1) | - | 432,107 |
| | ₩ 1,233,556 | ₩ 114,739 | ₩ (271,083) | ₩ 34,334 | ₩ 1,111,546 |

(4) 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 years ended December 31, 2010 and 2009 is as follows (Unit: In millions):

| Classification | 2010 | 2009 |
|---|-------------|-------------|
| Net income | ₩ 1,021,563 | ₩ 891,951 |
| Effect of exchange rate fluctuation and others | 2,026 | (4,086) |
| Retained earnings on trust accounts | 892 | 1,163 |
| Other comprehensive income: | | |
| Gain (loss) on valuation of available-for-sale securities | (156,369) | 624,071 |
| Gain on valuation of held-to-maturity securities | 21 | 388 |
| Negative changes in equity on equity method | - | (12) |
| Gain on revaluation of tangible assets | (1) | (4,140) |
| Less: Effect of income tax | 34,334 | (135,945) |
| Comprehensive income: | ₩ 902,466 | ₩ 1,373,390 |
| Controlling company's comprehensive income | ₩ 902,245 | ₩ 1,373,086 |
| Non-controlling interests' comprehensive income | ₩ 221 | ₩ 304 |

(5) Appropriated retained earnings

Appropriated retained earnings as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | 2009 |
|---------------------|-----------|-----------|
| Legal reserve (*1) | ₩ 460,100 | ₩ 370,900 |
| Other reserves (*2) | 90,433 | 91,289 |
| | ₩ 550,533 | ₩ 462,189 |

(*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 branches' and KEBDAG's statutory reserves are included in other reserves.

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16. SHARE-BASED PAYMENT:

(1) Stock options

The details of the stock options as of December 31, 2010 are as follows (Unit: in Won, shares):

| Grant date | Stock option granted | Stock option expired to date (*1) | Stock option exercised | Stock option outstanding | Exercise price | Exercise period |
|--------------------|----------------------|-----------------------------------|------------------------|--------------------------|----------------|-------------------------------|
| Mar. 7, 2005 | 1,355,000 | (344,895) | (1,010,105) | - | ₩ 8,800 | Mar. 8, 2007 ~ Mar. 7, 2010 |
| Jun. 29, 2005 | 200,000 | (63,230) | (136,770) | - | 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) | (47,400) | 110,600 | 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 | (105,490) | - | 74,510 | 13,500 | Aug. 2, 2010 ~ Aug. 1, 2013 |
| Mar. 12, 2009 | 490,000 | (45,350) | - | 444,650 | 5,800 | Mar. 13, 2011 ~ Mar. 12, 2016 |
| Mar. 31, 2009 (*2) | 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 | (42,840) | - | 427,160 | 10,900 | Aug. 5, 2011 ~ Aug. 4, 2016 |
| Mar. 10, 2010 | 350,000 | - | - | 350,000 | 13,200 | Mar. 11, 2013 ~ Mar. 10, 2017 |
| Mar. 30, 2010 | 360,000 | - | - | 360,000 | 13,500 | Mar. 31, 2013 ~ Mar. 30, 2017 |
| Aug. 4, 2010 | 420,000 | - | - | 420,000 | 12,400 | Aug. 5, 2013 ~ Aug. 4, 2017 |
| Sep. 29, 2010 | 90,000 | - | - | 90,000 | 13,500 | Sep. 30, 2013 ~ Sep. 29, 2017 |
| | 8,110,000 | (2,185,405) | (1,194,275) | 4,730,320 | | |

(*1) Actual number of stock options that 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.

(*2) The exercise price is 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 for 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, 2010 are as follows (Unit: In Won):

Pricing based on the intrinsic value pricing model

| Grant date | Market price (*) | Exercise price | Intrinsic value |
|---------------|------------------|----------------|-----------------|
| Mar. 7, 2005 | ₩ 11,975 | ₩ 8,800 | ₩ 3,175 |
| Jun. 29, 2005 | 11,975 | 9,000 | 2,975 |
| Mar. 7, 2006 | 11,975 | 13,300 | - |
| Aug. 1, 2006 | 11,975 | 11,900 | 75 |

(*) Market price represents an average of the weighted average prices for two months, one month and one week in accordance with the Bank's pricing method.

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Pricing based on the 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 | 0.98 | 4.16 | 25.18 | 3.44 | ₩ 13,900 | ₩ 110 |
| Mar. 29, 2007 | 1.15 | 4.16 | 23.94 | 3.44 | 14,500 | 68 |
| Aug. 10, 2007 | 2.21 | 4.16 | 23.89 | 3.44 | 13,900 | 298 |
| Mar. 11, 2008 | 2.98 | 4.16 | 30.19 | 3.44 | 13,000 | 1,112 |
| Aug. 1, 2008 | 3.07 | 4.16 | 38.60 | 3.44 | 13,500 | 1,652 |
| Mar. 12, 2009 | 3.85 | 6.16 | 43.11 | 3.44 | 5,800 | 5,961 |
| Mar. 31, 2009 | 3.87 | 6.16 | 42.93 | 3.44 | 7,300 | 5,212 |
| Mar. 31, 2009 | 3.87 | 6.16 | 42.93 | 3.44 | 6,300 | 5,695 |
| Aug. 4, 2009 | 3.99 | 6.16 | 42.26 | 3.44 | 10,900 | 3,901 |
| Mar. 10, 2010 | 4.11 | 6.16 | 41.79 | 3.44 | 13,200 | 3,409 |
| Mar. 30, 2010 | 4.12 | 6.16 | 41.64 | 3.44 | 13,500 | 3,342 |
| Aug. 4, 2010 | 4.15 | 6.16 | 40.92 | 3.44 | 12,400 | 3,616 |
| Sep. 29, 2010 | 4.15 | 6.16 | 40.59 | 3.44 | 13,500 | 3,368 |

[*1] The expected exercise period is measured based on the probability of the options being exercised which is estimated based on historical experience.

[*2] The volatility of the underlying stock price is measured based on the historical data.

[*3] The expected dividend rate is measured based on the average of 2007, 2008 and 2009.

The changes in long-term accrued expenses recognized for stock option for the year ended December 31, 2010 are as follows (Unit: In millions):

| | Beginning balance | Increase | Decrease | Ending balance |
|----------------------------|-------------------|----------|-----------|----------------|
| Long-term accrued expenses | ₩ 11,026 | ₩ - | ₩ (1,935) | ₩ 9,091 |

[2] The equity linked special incentive (Rose Bonus, Rose Share)

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, 2010 is as follows (Unit: in Won, shares):

| | Grant date | Stock option granted | Stock option expired to date [*1] | Stock option exercised | Stock option outstanding | Exercise price | Exercise period |
|------------|---------------|----------------------|-----------------------------------|------------------------|--------------------------|----------------|-------------------------------|
| Rose Bonus | Jul. 15, 2005 | 3,024,400 | (55,206) | (2,969,194) | - | ₩ - | Jul. 15, 2007 ~ Jul. 14, 2010 |
| | Dec. 21, 2006 | 1,496,510 | (55,206) | (1,344,222) | 119,860 | - | Dec. 21, 2008 ~ Dec. 20, 2011 |
| | Dec. 12, 2007 | 614,800 | (22,254) | (1,344,222) | 119,900 | - | Dec. 12, 2009 ~ Dec. 11, 2012 |
| | Dec. 11, 2009 | 1,353,240 | (21,662) | (6,968) | 1,324,610 | - | Dec. 11, 2011 ~ Dec. 10, 2014 |
| | Aug. 4, 2010 | 794,660 | (4,902) | (838) | 788,920 | - | Aug. 4, 2012 ~ Aug. 3, 2015 |
| Rose Share | Feb. 19, 2010 | 35,065 | - | - | 35,065 | ₩ - | Feb. 19, 2011 ~ Feb. 18, 2015 |
| | Feb. 19, 2010 | 35,065 | - | - | 35,065 | - | Feb. 19, 2012 ~ Feb. 18, 2015 |
| | Mar. 19, 2010 | 18,265 | - | - | 18,265 | - | Mar. 19, 2011 ~ Mar. 18, 2015 |
| | Mar. 19, 2010 | 18,265 | - | - | 18,265 | - | Mar. 19, 2012 ~ Mar. 18, 2015 |
| | Aug. 11, 2010 | 12,695 | - | - | 12,695 | - | Aug. 11, 2011 ~ Aug. 10, 2015 |
| | Aug. 11, 2010 | 12,695 | - | - | 12,695 | - | Aug. 11, 2011 ~ Aug. 10, 2015 |
| | | 7,415,660 | (136,452) | (4,793,868) | 2,485,340 | | |

[*1] Exercisable if an employee resigns within two years from the grant date except for the cases of death, retirement (because of age), position change or upon the occurrence of certain events imputable to the employee.

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The equity linked special incentive is settled in cash. It can be exercised from two years after the grant date for the following three years. However, the equity linked special incentive, granted in 2010 can be exercised within 5 years from the grant date with the certain deferral payment period of one to two years.

The intrinsic value of "Equity linked special incentive" 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 "Equity linked special incentive" 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, 2010 are as follows (Unit: In Won):

Pricing based on the intrinsic value pricing model

| Grant date | Rose price (*1) | Exercise price | Intrinsic value |
|---------------|-----------------|----------------|-----------------|
| Dec. 21, 2006 | ₩ 14,500 | ₩ - | ₩ 14,500 |

(*1) 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, 2010.

Pricing based on the 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) | Exercise price | Fair value (*3) |
|---------------|--------------------|---------------------------------|---|---------------------------------|----------------|-----------------|
| Dec. 11, 2009 | 2.73 | 1.00 | 35.16 | - | ₩ - | ₩ 15,300 |
| Aug. 4, 2010 | 3.04 | 1.60 | 42.44 | - | ₩ - | ₩ 14,800 |

(*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) Generally, the fair value and the intrinsic value is the same. But the fair value and the intrinsic value of the equity linked special incentive granted on December 11, 2009 and August 4, 2010 are not the same, since Rose Price is calculated using the upper and lowest limit. Also, the option exercised price is "zero".

The fair value and the intrinsic value of the equity linked special incentive granted in current year and on December 12, 2007 is the same as ₩14,500, since the option exercised price is "zero" without any other qualification.

The changes in long -term accrued expenses recognized for "Equity linked special incentive" for the year ended December 31, 2010 are as follows (Unit: In millions):

| | Beginning balance | Increase | Decrease | Ending balance |
|----------------------------|-------------------|----------|------------|----------------|
| Long-term accrued expenses | ₩ 15,601 | ₩ 13,234 | ₩ (11,212) | ₩ 17,623 |

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17. CONTINGENCIES AND COMMITMENTS:

(1) Derivatives

The notional amounts outstanding for derivative contracts as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| Type (*) | 2010 | | | 2009 | | |
|----------------------------|--------------|-----------|--------------|---------------|-----------|---------------|
| | Trading | Hedging | Total | Trading | Hedging | Total |
| Currency: | | | | | | |
| Currency forwards | ₩ 37,003,930 | ₩ - | ₩ 37,003,930 | ₩ 38,487,419 | ₩ - | ₩ 38,487,419 |
| Currency futures | 1,989,638 | - | 1,989,638 | 1,612,152 | - | 1,612,152 |
| Currency swaps | 6,912,220 | - | 6,912,220 | 8,323,470 | - | 8,323,470 |
| Currency options purchased | 1,362,410 | - | 1,362,410 | 2,372,032 | - | 2,372,032 |
| Currency options sold | 1,425,458 | - | 1,425,458 | 2,054,885 | - | 2,054,885 |
| | 48,693,656 | - | 48,693,656 | 52,849,958 | - | 52,849,958 |
| Interest rate: | | | | | | |
| Interest rate futures | 827,329 | - | 827,329 | 1,437,266 | - | 1,437,266 |
| Interest rate swaps | 42,379,678 | 624,117 | 43,003,795 | 50,652,501 | 433,180 | 51,085,681 |
| | 43,207,007 | 624,117 | 43,831,124 | 52,089,767 | 433,180 | 52,522,947 |
| Index: | | | | | | |
| Stock index futures | 9,010 | - | 9,010 | 6,898 | - | 6,898 |
| Stock index purchased | - | - | - | 2,450 | - | 2,450 |
| Stock index sold | 24,106 | - | 24,106 | 33,741 | - | 33,741 |
| | 33,116 | - | 33,116 | 43,089 | - | 43,089 |
| | ₩ 91,933,779 | ₩ 624,117 | ₩ 92,557,896 | ₩ 104,982,814 | ₩ 433,180 | ₩ 105,415,994 |

(*) For transactions 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 transactions 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.

The details of derivatives as of December 31, 2010, and the valuation of derivatives for the year ended December 31, 2010 are 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 | ₩ 352,388 | ₩ 358,481 | ₩ - | ₩ - | ₩ 352,388 | ₩ 358,481 | ₩ 454,041 | ₩ 346,502 |
| Currency swaps | 200,744 | 77,421 | - | - | 200,744 | 77,421 | 326,637 | 236,184 |
| Currency options purchased | 2,737 | 17,683 | - | - | 2,737 | 17,683 | 32,626 | - |
| Currency options sold | 18,335 | 5,828 | - | - | 18,335 | 5,828 | - | 37,484 |
| | 574,204 | 459,413 | - | - | 574,204 | 459,413 | 813,304 | 620,170 |
| Interest: | | | | | | | | |
| Interest rate swaps | 188,513 | 194,855 | 2,172 | 116 | 190,685 | 194,971 | 265,394 | 328,681 |
| Index: | | | | | | | | |
| Stock index option sold | 14 | 969 | - | - | 14 | 969 | - | 2,175 |
| | ₩ 762,731 | ₩ 655,237 | ₩ 2,172 | ₩ 116 | ₩ 764,903 | ₩ 655,353 | ₩ 1,078,698 | ₩ 951,026 |

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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 which it accounts for as fair value hedges in connection to its securities and debentures. The Bank recognized ₩1,207 million and ₩752 million of losses on valuation of derivatives of securities and debentures, respectively, and ₩112 million of gains on valuation of derivatives of securities for the year ended December 31, 2010. See Note 13 (6). The difference between gain (loss) on valuation of derivatives and gain (loss) on valuation of hedged items is due to certain hedge ineffectiveness. In addition, the Bank has interest rate swaps which hedge against exposure from interest rate fluctuations.

The details of derivatives as of December 31, 2009, and the valuation of derivatives for the year ended December 31, 2009 are 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 which it accounts for as fair value hedges in connection to its securities and debentures. The Bank recognized ₩6,438 million of gains on valuation of derivatives of securities and debentures, and ₩1,904 million of losses on valuation of derivatives of securities for the year ended December 31, 2009. See Note 13 (6). In addition, the Bank has interest rate swaps which hedge against exposure from interest rate fluctuations.

(2) The Bank holds written-off loans, on which the relevant statute of limitations has not expired or the Bank has not lost its claim rights to borrowers and guarantors, amounting to ₩1,073,514 million and ₩1,683,663 million as of December 31, 2010 and 2009, respectively.

(3) Endorsed notes with collateral amounted to ₩69,770 million and ₩55,992 million as of December 31, 2010 and 2009, respectively. See Note 14 (3). Endorsed notes without collateral held at the merchant banking accounted amounting to ₩7,123,950 million and ₩7,467,939 million as of December 31, 2010 and 2009, respectively.

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(4) The Bank is obliged to repurchase some conditions 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 courtreceivership process and the cancellation of mediation.

As of December 31, 2010, KAMCO and other loan purchasers may exercise the resale option for loans amounting to ₩1,157 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 (*1) |
|---|---------------|----------------|------------|------------------------------|
| KEB 17th Securitization Specialty Co., Ltd. | Dec. 28, 2009 | ₩ 110,402 | ₩ 79,000 | ₩ 11,930 |

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

(6) The Bank has pending litigation as a plaintiff or a defendant in various legal actions arising from the normal course of operation. The aggregate amounts of these claims brought by and against the Bank are approximately ₩324,570 million (675 cases) and ₩661,037 million (133 cases), respectively, as of December 31, 2010. The Bank recognized ₩29,889 million of provisions related to these lawsuits. See Note 14 (5). Major on-going litigations related to the Bank's contingencies are as follows:

| Defendant | Plaintiff | Amount | Content | Progress |
|-----------|-----------------------------------|---------|--|---|
| KEB | Lim Asia Multi-Strategy Fund Inc. | ₩ 7,996 | Money Collected claim | Lost the case in the first trial, partially won in the second trial, pending in the third trial |
| KEB | Criminal Procedure(*1) | - | Violation of the Securities Exchange Act related to the merger with KEB Credit Service Co., Ltd. | Ruled against the Bank in the first trial, dismissed the first trial ruling in the second trial, and remanded the case to the High Court in the third trial |

(*1) In February 2008, the local court fined the Bank ₩25 billion for a violation of the Securities Exchange Act related to the merger with KEB Credit Service Co., Ltd. In June 2008, the High Court ruled in favor of the Bank. On March 11, 2011, the Supreme Court remanded the case to the High court for retrial. The bank accounted for ₩25 billion as allowance for other liabilities.

In addition, Olympus Capital KEB Cards Ltd. and others ("the applicants") asked for arbitration compensation of maximum ₩645.5 billion(included ₩220.2 billion of the overdue interest) 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 share transfer (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 on 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 ₩2,664,724 million as of December 31, 2010. Actual loss on these loans can be different from the Bank's estimation.

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(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, 2010 amount to ₩314,755 million and ₩458,967 million, respectively. As of December 31, 2010, the Bank's loans for Hynix are classified as normal. Joint control procedure for Hynix is completed on July 12, 2005. Also, the Bank's 20,185 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 ₩255,470 million is accounted as other comprehensive income as of December 31, 2010.

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

As of December 31, 2010, the Bank has loans (including acceptances and guarantees) of ₩941,375 million and available-for-sale securities of ₩622,003 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 ₩346,493 million is accounted as other comprehensive income as of December 31, 2010.

(10) Commitments related to credit card business

The Bank has entered into trademark license (membership) agreements with VISA Worldwide Pte. Limited in 2008, under 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 with the income and expense incurred pertaining to these agreements.

The Bank has entered into an alliance agreement with KDB Capital for credit card business and allocated the fee income related to the credit card business alliance at a fixed rate.

(11) Contingencies related to Project Financing (PF)

1) ABCP purchase agreements and unused credit limits relating to PF as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| Type | 2010 | | 2009 | |
|--------------------------------|------|---------|------|-----------|
| ABCP purchase agreement | ₩ | 597,900 | ₩ | 825,000 |
| Unused credit limit on PF loan | | 372,516 | | 440,611 |
| | ₩ | 970,416 | ₩ | 1,265,611 |

2) The top 10 ABCP purchase agreements relating to PF and unused credit limit on PF loans as of December 31, 2010 are as follows (Unit: In millions):

| Location | ABCP purchase agreement or unused credit limit | Period | Type |
|------------------|--|-------------------------------|---------|
| Gyeonggi-do | ₩ 70,000 | Feb. 5, 2010 ~ Feb. 5, 2011 | ABCP |
| Gyeongsangnam-do | 60,000 | Aug. 27, 2010 ~ Aug. 27, 2012 | ABCP |
| Ulsan | 57,100 | Apr. 1, 2009 ~ Aug. 1, 2012 | ABCP |
| Seoul | 51,400 | Apr. 25, 2007 ~ Jan. 25, 2011 | ABCP |
| Gyeonggi-do | 50,000 | Nov. 9, 2007 ~ Nov. 9, 2011 | ABCP |
| Seoul | 50,000 | Jan. 30, 2008 ~ May 30, 2011 | ABCP |
| Gyeonggi-do | 50,000 | Jun. 24, 2010 ~ Dec. 29, 2012 | PF Loan |
| Seoul | 47,400 | Oct. 26, 2007 ~ Apr. 26, 2011 | ABCP |
| Gyeongsangnam-do | 46,500 | Sep. 14, 2007 ~ Aug. 16, 2012 | ABCP |
| Gyeonggi-do | 40,000 | May 7, 2007 ~ Mar. 16, 2012 | ABCP |
| | ₩ 522,400 | | |

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18. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:

Significant assets and liabilities denominated in foreign currencies as of December 31, 2010 and 2009 are as follows (Unit: In thousands of U.S. Dollars, in millions of Won):

| Classification | 2010 | | 2009 | |
|--|--------------------|----------------------|--------------------|----------------------|
| | USD equivalent (*) | Translation into Won | USD equivalent (*) | Translation into Won |
| Assets: | | | | |
| Cash and due from bank: | | | | |
| Foreign currencies | \$ 371,826 | ₩ 423,473 | \$ 333,910 | ₩ 389,873 |
| Due from banks in foreign currencies | 2,431,347 | 2,769,061 | 1,596,478 | 1,864,048 |
| Securities: | | | | |
| Trading securities | 43,303 | 49,318 | 39,955 | 46,651 |
| Available-for-sale securities | 343,646 | 391,378 | 709,147 | 828,000 |
| Held-to-maturity securities | 184,631 | 210,276 | 308,299 | 359,970 |
| Securities using the equity method | 6,077 | 6,921 | 5,532 | 6,459 |
| Loans: | | | | |
| Call loans | 1,679,235 | 1,912,481 | 888,839 | 1,037,809 |
| Domestic import usance bill | 2,832,073 | 3,225,448 | 2,240,652 | 2,616,185 |
| Credit card receivables | 2,923 | 3,329 | 3,623 | 4,230 |
| Bills bought in foreign currencies | 3,456,391 | 3,936,483 | 3,473,012 | 4,055,089 |
| Bills bought in Won | 57,815 | 65,846 | 54,770 | 63,950 |
| Loans in foreign currencies | 8,799,625 | 10,021,893 | 8,778,935 | 10,250,284 |
| Factoring receivables | 89,492 | 101,922 | 41,795 | 48,800 |
| Private placed bonds | 68,800 | 78,356 | 197,006 | 230,024 |
| (Reserve for bad debts) | (104,114) | (118,575) | (102,601) | (119,797) |
| Liabilities: | | | | |
| Deposits: | | | | |
| Demand deposits in foreign currencies | 7,286,800 | 8,298,937 | 4,653,866 | 5,433,854 |
| Savings deposits in foreign currencies | 5,359,356 | 6,103,770 | 8,124,599 | 9,486,282 |
| Borrowings: | | | | |
| Borrowings in foreign currencies | 5,165,019 | 5,882,440 | 4,938,392 | 5,766,066 |
| Call money in foreign currencies | 1,006,018 | 1,145,754 | 1,188,189 | 1,387,330 |
| Bonds in foreign currencies | 1,348,537 | 1,535,849 | 1,115,050 | 1,301,932 |
| Other liabilities: | | | | |
| Accrued expenses in foreign currencies | 236,810 | 269,703 | 228,702 | 267,033 |
| Pension benefit | 5,624 | 6,405 | 3,923 | 4,580 |
| Asset under management of pension benefits | (3,146) | (3,583) | (3,135) | (3,660) |

(*) 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 ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | | 2009 | |
|----------------------------------|------|-----------|------|-----------|
| Gain: | | | | |
| Gain on trading of derivatives | ₩ | 4,434,847 | ₩ | 6,038,899 |
| Gain on valuation of derivatives | | 765,015 | | 1,183,999 |
| | ₩ | 5,199,862 | ₩ | 7,222,898 |
| Loss: | | | | |
| Loss on trading of derivatives | ₩ | 4,469,554 | ₩ | 6,896,235 |
| Loss on valuation of derivatives | | 657,312 | | 975,986 |
| | ₩ | 5,126,866 | ₩ | 7,872,221 |

(2) Commission income and expenses

Details of commission income and expenses for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | | 2009 | |
|---------------------------|------|---------|------|---------|
| Commission income: | | | | |
| Commission received | ₩ | 477,889 | ₩ | 480,945 |
| Guarantee fees received | | 50,567 | | 46,362 |
| Other commission received | | 20 | | 912 |
| | ₩ | 528,476 | ₩ | 528,219 |
| Commission expenses: | | | | |
| Commission paid | ₩ | 299,872 | ₩ | 284,227 |
| Other commission paid | | 1,128 | | 1,000 |
| | ₩ | 301,000 | ₩ | 285,227 |

(3) Dividend income

Details of dividend income for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions)

| Classification | 2010 | | 2009 | |
|--|------|--------|------|--------|
| Dividend income from trading securities | ₩ | 677 | ₩ | 612 |
| Dividend income from available-for-sale securities | | 22,593 | | 14,798 |
| | ₩ | 23,270 | ₩ | 15,410 |

(4) Other operating revenue and expenses

Details of other operating revenue and expenses for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | | 2009 | |
|--|------|---------|------|---------|
| Other operating revenue: | | | | |
| Profit on operating trust account | ₩ | 20,223 | ₩ | 21,461 |
| Others | | 3,205 | | 881 |
| | ₩ | 23,428 | ₩ | 22,342 |
| Other operating expenses: | | | | |
| Fund contributions | ₩ | 186,219 | ₩ | 163,545 |
| Provision for allowance for acceptances and guarantees | | 32,206 | | 23,401 |
| Provision for unused credit limit | | 2,521 | | 6,561 |
| Provision for other liabilities | | 77,346 | | 41,022 |
| Others | | 1,281 | | 1,189 |
| | ₩ | 299,573 | ₩ | 235,718 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(5) General and administrative expenses

General and administrative expenses for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | | 2009 | |
|-------------------------------------|------|-----------|------|-----------|
| Salaries | ₩ | 551,056 | ₩ | 566,239 |
| Expenses for fringe benefits | | 184,877 | | 168,146 |
| Retirement allowances (see Note 14) | | 64,592 | | 61,345 |
| Honorary retirement | | 10,387 | | 66,882 |
| Operating expense | | 224,280 | | 206,082 |
| Depreciation (see Note 10) | | 74,879 | | 89,378 |
| Amortization (see Note 11) | | 24,884 | | 32,574 |
| Taxes | | 41,091 | | 40,245 |
| Rental | | 93,104 | | 84,748 |
| Entertainment | | 12,007 | | 9,826 |
| Advertising | | 36,326 | | 22,988 |
| | ₩ | 1,317,483 | ₩ | 1,348,453 |

20. OTHER INTEREST INCOME AND EXPENSES:

Other interest income and expenses for the years ended December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | | 2009 | |
|---|------|--------|------|--------|
| Other interest income: | | | | |
| Interest on domestic transaction | ₩ | 6,727 | ₩ | 7,709 |
| Miscellaneous interest revenues | | 8,215 | | 5,991 |
| Interest on cashier's check reimbursement | | 1,538 | | 1,538 |
| Others | | 606 | | 682 |
| | ₩ | 17,086 | ₩ | 15,920 |
| Other interest expenses: | | | | |
| Interest paid on domestic transaction | ₩ | 4,932 | ₩ | 2,945 |
| Interest on borrowings from trust account | | 20,082 | | 28,931 |
| Others | | 111 | | 80 |
| | ₩ | 25,125 | ₩ | 31,956 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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21. NON-OPERATING INCOME AND EXPENSES:

Non-operating income and expenses for the years ended December 31, 2010 and 2009 consist of (Unit: In millions):

| Classification | 2010 | 2009 |
|--|----------|----------|
| Non-operating income: | | |
| Gain on disposal of tangible assets | ₩ 227 | ₩ 2,805 |
| Rental income | 2,661 | 2,618 |
| Gain on securities using the equity method | 620 | 518 |
| Gain on disposal of securities using the equity method | 16 | - |
| Others | 47,272 | 45,215 |
| | ₩ 50,796 | ₩ 51,156 |
| Non-operating expenses: | | |
| Loss on disposal of tangible assets | ₩ 530 | ₩ 1,684 |
| Loss on securities using the equity method | 477 | 842 |
| Others | 58,428 | 34,500 |
| | ₩ 59,435 | ₩ 37,026 |

22. INCOME TAX EXPENSE:

(1) Components of income tax expense

The components of income tax expense for the years ended December 31, 2010 and 2009 are summarized as follows (Unit: In millions):

| Classification | 2010 | 2009 |
|---|-----------|-------------|
| Bank: | | |
| Income tax currently payable (receivable) | ₩ 321,656 | ₩ (110,341) |
| Change in deferred taxes due to temporary differences | (35,986) | 112,861 |
| Income tax directly applied to shareholders' equity | 34,295 | (136,302) |
| Income tax expense of overseas branches | 18,934 | 25,176 |
| Income tax expense (benefit) | 338,899 | (108,606) |
| Subsidiaries: | | |
| Income tax currently payable | 27,122 | 12,370 |
| Change in deferred taxes due to temporary differences | (3,882) | 7,348 |
| Income tax directly applied to shareholders' equity | (45) | (434) |
| Income tax expense | 23,195 | 19,284 |
| | ₩ 362,094 | ₩ (89,322) |

(2) Deferred income tax assets in the consolidated financial statements as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | 2009 |
|----------------|----------|----------|
| KEBC | ₩ 2,154 | ₩ 1,892 |
| KEBOC | 1,751 | 2,388 |
| KEBA | 5,117 | 4,344 |
| KEBI | 168 | 400 |
| KEB NY FINCO | 7,305 | 3,748 |
| KEB LA FINCO | 9,570 | 8,910 |
| | ₩ 26,065 | ₩ 21,682 |

(3) Deferred income tax liabilities in the consolidated financial statements as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | 2009 |
|----------------|-----------|-----------|
| KEB | ₩ 166,397 | ₩ 202,383 |
| KEBF | 2,093 | 1,593 |
| | ₩ 168,490 | ₩ 203,976 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(4) The statutory income tax rate applicable to the Bank, including resident tax surcharges, is 24.2 percent for the years ended December 31, 2010 and 2009. However, due to tax adjustments, the effective tax rates for the year ended December 31, 2010 is 26.17 percent. Effective tax rate for the year ended December 31, 2009 is not calculated since the Bank incurred income tax benefit.

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, 2010 and 2009 is as follows (Unit: In Won):

| Classification | 2010 | 2009 |
|--|---------------------|-------------------|
| Controlling company's net income | ₩ 1,021,366,892,170 | ₩ 891,737,774,814 |
| Weighted average number of common shares | 644,906,826 | 644,906,826 |
| Basic net income per share | ₩ 1,584 | ₩ 1,383 |

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, 2010 and 2009.

(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 resent two years. The diluted net income per share; therefore, is the same as basic net income per share.

24. SEGMENT INFORMATION:

(1) Statements of financial position per business segment as of December 31, 2010 and 2009 are as follows (Unit: In millions):

| | Financial business | Consolidation adjustment | Dec. 31, 2010 |
|--|--------------------|--------------------------|---------------|
| Assets: | | | |
| Cash and due from banks | ₩ 8,365,423 | ₩ [252,547] | ₩ 8,112,876 |
| Securities | 15,188,617 | [1,128,995] | 14,059,622 |
| Loans | 67,461,821 | [1,167,245] | 66,294,576 |
| Tangible assets | 1,379,688 | [984] | 1,378,704 |
| Other assets | 10,179,503 | [30,875] | 10,148,628 |
| | ₩ 102,575,052 | ₩ [2,580,646] | ₩ 99,994,406 |
| Liabilities: | | | |
| Deposits | ₩ 64,988,658 | ₩ [47,947] | ₩ 64,940,711 |
| Borrowings | 14,987,407 | [1,238,346] | 13,749,061 |
| Other liabilities | 13,072,820 | [166,804] | 12,906,016 |
| | 93,048,885 | [1,453,097] | 91,595,788 |
| Shareholders' equity: | | | |
| Common stock | ₩ 3,918,448 | ₩ [693,914] | ₩ 3,224,534 |
| Capital surplus | 73,143 | [72,203] | 940 |
| Capital adjustment | 20 | [20] | - |
| Accumulated other comprehensive income | 1,117,601 | [6,055] | 1,111,546 |
| Retained earnings | 4,416,955 | [357,699] | 4,059,256 |
| Non-controlling interest | - | 2,342 | 2,342 |
| | 9,526,167 | [1,127,549] | 8,398,618 |
| | ₩ 102,575,052 | ₩ [2,580,646] | ₩ 99,994,406 |

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| | Financial business | | Consolidation adjustment | | Dec. 31, 2009 |
|--|--------------------|-------------|--------------------------|-------------|---------------|
| 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 | | 13,226,075 | | (137,695) | 13,088,380 |
| | | 93,457,681 | | (1,412,971) | 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 |
| | ₩ | 102,111,026 | ₩ | (2,089,709) | ₩ 100,021,317 |

(2) Statements of income per business segment for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| | Financial business | | Consolidation adjustment | | 2010 |
|-------------------------------|--------------------|------------|--------------------------|----------|--------------|
| Operating revenue | ₩ | 12,659,014 | ₩ | (40,186) | ₩ 12,618,828 |
| Operating expenses | | 11,261,774 | | (35,242) | 11,226,532 |
| Operating income | | 1,397,240 | | (4,944) | 1,392,296 |
| Non-operating income | | 120,194 | | (69,398) | 50,796 |
| Non-operating expenses | | 63,870 | | (4,435) | 59,435 |
| Income before income tax | | 1,453,564 | | (69,907) | 1,383,657 |
| Income tax expense | | (362,094) | | - | (362,094) |
| Net income | ₩ | 1,091,470 | ₩ | (69,907) | ₩ 1,021,563 |
| Controlling company interests | ₩ | 1,091,470 | | (70,103) | ₩ 1,021,367 |
| Non-controlling interests | | - | | 196 | 196 |
| | Financial business | | Consolidation adjustment | | 2009 |
| 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 benefit | | 89,322 | | - | 89,322 |
| Net income | ₩ | 941,635 | ₩ | (49,684) | ₩ 891,951 |
| Controlling company interests | ₩ | 941,635 | | (49,898) | ₩ 891,737 |
| Non-controlling interests | | - | | 214 | 214 |

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[3] Financial information per business segment as of and for years ended December 31, 2010 and 2009 is as follows (Unit: In millions):

| | Banking | Trust account | Others | Consolidation adjustment | 2010 |
|---------------------------------|--------------|---------------|-------------|--------------------------|---------------|
| Operating revenue | ₩ 12,337,530 | ₩ 71,269 | ₩ 250,215 | ₩ (40,186) | ₩ 12,618,828 |
| Less: inter-company transaction | (33,577) | (1,261) | (5,348) | 40,186 | - |
| Net operating revenue | 12,303,953 | 70,008 | 244,867 | - | 12,618,828 |
| Operating income | ₩ 1,309,891 | ₩ - | ₩ 87,349 | ₩ (4,944) | ₩ 1,392,296 |
| Cash and due from banks | ₩ 8,112,237 | ₩ 119,706 | ₩ 133,480 | ₩ (252,547) | ₩ 8,112,876 |
| Securities | 14,296,614 | 764,994 | 127,009 | (1,128,995) | 14,059,622 |
| Loans | 65,469,056 | 193,210 | 1,799,555 | (1,167,245) | 66,294,576 |
| Tangible assets | 1,374,170 | - | 5,518 | (984) | 1,378,704 |
| Other assets | 10,105,824 | 11,610 | 62,069 | (30,875) | 10,148,628 |
| | ₩ 99,357,901 | ₩ 1,089,520 | ₩ 2,127,631 | ₩ (2,580,646) | ₩ 99,994,406 |
| | Banking | Trust account | Others | Consolidation adjustment | 2009 |
| 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 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(4) Financial information per geographical area as of and for the years ended December 31, 2010 and 2009 is as follows (Unit: In millions):

| | Domestic | Overseas | Consolidation adjustment | 2010 |
|---------------------------------|--------------|-------------|--------------------------|---------------|
| Operating revenue | ₩ 12,402,711 | ₩ 256,303 | ₩ (40,186) | ₩ 12,618,828 |
| Less: inter-company transaction | (34,618) | (5,568) | 40,186 | - |
| Net operating revenue | 12,368,093 | 250,735 | - | 12,618,828 |
| Operating income | ₩ 1,317,676 | ₩ 79,564 | ₩ (4,944) | ₩ 1,392,296 |
| Cash and due from banks | ₩ 7,688,881 | ₩ 676,542 | ₩ (252,547) | ₩ 8,112,876 |
| Securities | 15,081,449 | 107,168 | (1,128,995) | 14,059,622 |
| Loans | 63,774,453 | 3,687,368 | (1,167,245) | 66,294,576 |
| Tangible assets | 1,362,148 | 17,540 | (984) | 1,378,704 |
| Other assets | 10,112,239 | 67,264 | (30,875) | 10,148,628 |
| | ₩ 98,019,170 | ₩ 4,555,882 | ₩ (2,580,646) | ₩ 99,994,406 |
| | Domestic | Overseas | Consolidation adjustment | 2009 |
| 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 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

25. SIGNIFICANT TRANSACTIONS BETWEEN THE BANK AND SUBSIDIARIES:

(1) Significant balances made in the normal course of business with subsidiaries as of December 31, 2010 and 2009 are summarized as follows (Unit: In millions):

| | 2010 | | | | | | | | | | | | | | | | | | | |
|--------------------------------------|--------|--------|--------|--------|-------|-------|---------|---------|---------|---------|--------|--------|-----------|---------|---------|---------|--------------------|---------|---------|---------|
| Classification | KEBC | | KEBF | | KEBOC | | KEBA | | KEBDAG | | KEBI | | KEB China | | Trust | | Other subsidiaries | | Total | |
| Assets: | | | | | | | | | | | | | | | | | | | | |
| Due from banks in foreign currencies | ₩ | - | ₩ | 2,673 | ₩ | 8,831 | ₩ | 1,113 | ₩ | 13,748 | ₩ | 276 | ₩ | 45,876 | ₩ | - | ₩ | - | ₩ | 72,517 |
| Loan in Won | 30,300 | | | | | | | | | | | | | | | | | | 30,300 | |
| Loans in foreign currencies (*1) | 25,993 | | | | | | 180,448 | | 91,679 | | | | 76,428 | | | | 459,724 | | 834,272 | |
| Allowance for possible loan losses | (478) | | | | | | | | | | | | | | | | | | (478) | |
| Other assets | 54 | | 1 | | | | 521 | | 58 | | | | 29,561 | | | | 543 | | 30,738 | |
| | ₩ | 55,869 | ₩ | 2,674 | ₩ | 8,831 | ₩ | 182,082 | ₩ | 105,485 | ₩ | 276 | ₩ | 151,865 | ₩ | - | ₩ | 460,267 | ₩ | 967,349 |
| Liabilities: | | | | | | | | | | | | | | | | | | | | |
| Deposits in Won | ₩ | 76 | ₩ | 114 | ₩ | 3,962 | ₩ | 5 | ₩ | 8 | ₩ | - | ₩ | - | ₩ | - | ₩ | - | ₩ | 4,165 |
| Deposits in foreign currencies | 411 | | 13,213 | | | | 1 | | 617 | | 859 | | 1,440 | | | | 456 | | 16,997 | |
| Borrowings in foreign currencies | | | | | | | 11,538 | | 176,551 | | 39,239 | | 97,322 | | | | 4,100 | | 328,750 | |
| Other liabilities | 4,630 | | | | | | 30 | | 419 | | | | | | 134,247 | | | | 139,326 | |
| | ₩ | 5,117 | ₩ | 13,327 | ₩ | 3,962 | ₩ | 11,574 | ₩ | 177,595 | ₩ | 40,098 | ₩ | 98,762 | ₩ | 134,247 | ₩ | 4,556 | ₩ | 489,238 |

(*) Call loans in foreign currencies are included.

| | 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(2) Significant transactions with subsidiaries for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| | 2010 | | | | | | | | | | | | | | | | | | |
|---|------|-------|------|---|-------|---|------|-------|--------|-------|------|-----|-----------|-----|-------|-------|--------------------|-------|----------|
| Classification | KEBC | | KEBF | | KEBOC | | KEBA | | KEBDAG | | KEBI | | KEB China | | Trust | | Other subsidiaries | | Total |
| Revenue: | | | | | | | | | | | | | | | | | | | |
| Interest income in Won | ₩ | 3,634 | ₩ | - | ₩ | - | ₩ | - | ₩ | - | ₩ | - | ₩ | - | ₩ | - | ₩ | - | ₩ 3,634 |
| Interest income in foreign currencies | | 1,357 | | - | | - | | 2,577 | | 974 | | 19 | | 165 | | - | | 2,578 | 7,670 |
| Commission income in Won | | - | | 9 | | - | | - | | - | | - | | - | | - | | - | 9 |
| Commission income in foreign currencies | | - | | - | | - | | 616 | | 4,435 | | 558 | | - | | - | | - | 5,609 |
| Other revenue | | 3,183 | | - | | - | | - | | 54 | | - | | - | | 9,399 | | - | 12,636 |
| | ₩ | 8,174 | ₩ | 9 | ₩ | - | ₩ | 3,193 | ₩ | 5,463 | ₩ | 577 | ₩ | 165 | ₩ | 9,399 | ₩ | 2,578 | ₩ 29,558 |

Expenses:

| | | | | | | | | | | |
|--|---------|-------|------|---------|---------|-------|-------|---------|------|----------|
| Interest expenses in Won | ₩ - | ₩ 16 | ₩ - | ₩ - | ₩ - | ₩ - | ₩ - | ₩ 1,261 | ₩ - | ₩ 1,277 |
| Interest expenses in foreign currencies | 2 | 13 | 61 | 1,955 | 3,235 | 591 | 128 | - | 2 | 5,987 |
| Commission expense in Won | - | 304 | - | - | - | - | - | - | - | 304 |
| Commission expense in foreign currencies | - | 50 | - | 162 | - | - | - | - | 81 | 293 |
| Provision for possible loan losses | (104) | - | - | - | - | - | - | - | - | (104) |
| Other expenses | 3,079 | - | - | 128 | - | - | - | - | - | 3,207 |
| | ₩ 2,977 | ₩ 383 | ₩ 61 | ₩ 2,245 | ₩ 3,235 | ₩ 591 | ₩ 128 | ₩ 1,261 | ₩ 83 | ₩ 10,964 |

| | 2009 | | | | | | | | | | | | | | | | | |
|---|------|--------|------|-----|-------|---|------|-------|--------|-------|-------|--------------------|---------|--------|--------|--------|---|--------|
| Classification | KEBC | | KEBF | | KEBOC | | KEBA | | KEBDAG | KEBI | Trust | Other subsidiaries | Total | | | | | |
| Revenue: | | | | | | | | | | | | | | | | | | |
| Interest income in Won | ₩ | 5,766 | ₩ | - | ₩ | - | ₩ | - | ₩ | - | ₩ | - | ₩ 5,766 | | | | | |
| Interest income 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 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| Classification | 2009 | | | | | | | | Total |
|--|---------|-------|-------|---------|---------|---------|-------|--------------------|----------|
| | KEBC | KEBF | KEBOC | KEBA | KEBDAG | KEBI | Trust | Other subsidiaries | |
| 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 |

(3) Details of significant receivables and payables among subsidiaries as of December 31, 2010 are as follows (Unit: In millions):

| Subsidiaries | Classification | Amount | Counterparty | Classification | Amount |
|--------------|--------------------------------------|--------|--------------|---------------------------------------|--------|
| KEBA | Due from banks in foreign currencies | 10 | KEBDAG | Demand deposits in foreign currencies | 10 |
| KEB China | Due from banks in foreign currencies | 110 | KEBDAG | Demand deposits in foreign currencies | 110 |
| KEBDAG | Due from banks in foreign currencies | 306 | KEBOC | Demand deposits in foreign currencies | 306 |
| KEBI | Due from banks in foreign currencies | 119 | KEBDAG | Demand deposits in foreign currencies | 119 |
| KEBF | Due from Retirement Insurance | 531 | Trust | Demand deposits in Won | 531 |
| KEBF | Due from Retirement Insurance | 14 | Trust | Accrued expenses | 14 |

(4) Details of significant transactions among subsidiaries for the year ended December 31, 2010 are as follows (Unit: In millions):

| Subsidiaries | Classification | Amount | Counterparty | Classification | Amount |
|----------------|---|--------|--------------|---|--------|
| Trust | Interest on deposits in Won | 27 | KEBF | Interest on due from banks in Won | 27 |
| KEB NYFINCO | Interest on borrowing in foreign currencies | 131 | KEBOC | Interest on call loan in foreign currencies | 131 |

(5) Guarantees and acceptances with subsidiaries as of December 31, 2010 are as follows (Unit: In millions):

| Subsidiaries | Classification | Amount | Counterparty |
|--------------|--|----------|--------------|
| BANK | Guarantees and acceptances in foreign currencies | ₩ 53,756 | KEBC |
| KEBA | Guarantees and acceptances in foreign currencies | 15,474 | BANK |
| KEBI | Guarantees and acceptances in foreign currencies | 10,266 | BANK |

(6) The key management compensations for the year ended December 31, 2010 are as follows (Unit: In millions):

| Subsidiaries | Compensations |
|-------------------------------------|---------------|
| Short-term employee benefits | ₩ 7,039 |
| Employee benefits after resignation | 2,604 |
| Stock option | (6,278) |
| | 3,365 |

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

26. COMPUTATION OF VALUE ADDED:

Accounts required for computation of value added for the years ended December 31, 2010 and 2009 consisted of the following (Unit: In millions):

| Classification | 2010 | 2009 |
|-----------------------------|-------------|-------------|
| Salaries | ₩ 551,056 | ₩ 566,239 |
| Expenses for fringe benefit | 184,877 | 168,146 |
| Retirement allowances | 64,592 | 61,345 |
| Rent | 93,104 | 84,748 |
| Depreciation | 74,879 | 89,378 |
| Amortization | 24,884 | 32,574 |
| Taxes and dues | 41,091 | 40,245 |
| | ₩ 1,034,483 | ₩ 1,042,675 |

27. DIVIDENDS:

(1) Details of dividends for the years ended December 31, 2010 and 2009 are as follows (Unit: shares, In millions except per share amounts):

| Classification | 2010 | 2009 |
|---|-----------------|---------------|
| Stock dividends per share (rate) (In currency units): | | |
| Quarterly | ₩ 235 (4.7%) | ₩ - |
| Yearly | 850 (17.0%) | 510 (10.2%) |
| | ₩ 1,085 (21.7%) | ₩ 510 (10.2%) |
| Number of shares issued and outstanding | 644,906,826 | 644,906,826 |
| Total dividends: | | |
| Quarterly | ₩ 151,553 | ₩ - |
| Yearly | 548,171 | 328,902 |
| | ₩ 699,724 | ₩ 328,902 |

(2) Dividend payout ratio for the years ended December 31, 2010 and 2009 is as follows (Unit: In millions):

| Classification | 2010 | 2009 |
|----------------------------------|-----------|-----------|
| Dividends (*) | ₩ 699,724 | ₩ 328,902 |
| Controlling company's net income | 1,021,367 | 891,737 |
| Dividend payout ratio (%) | 68.51 | 36.88 |

(*) Quarterly dividend is included.

(3) Dividend yield ratio for the years ended December 31, 2010 and 2009 is as follows (Unit: In currency units):

| Classification | 2010 | 2009 |
|------------------------------------|---------|--------|
| Dividends per share (*) | ₩ 1,085 | ₩ 510 |
| Stock price at the end of the year | 11,800 | 14,500 |
| Dividend yield ratio (%) | 9.19 | 3.52 |

(*) Quarterly dividend is included.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOREA EXCHANGE BANK AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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, 2010 and 2009 are as follows (Unit: In millions)

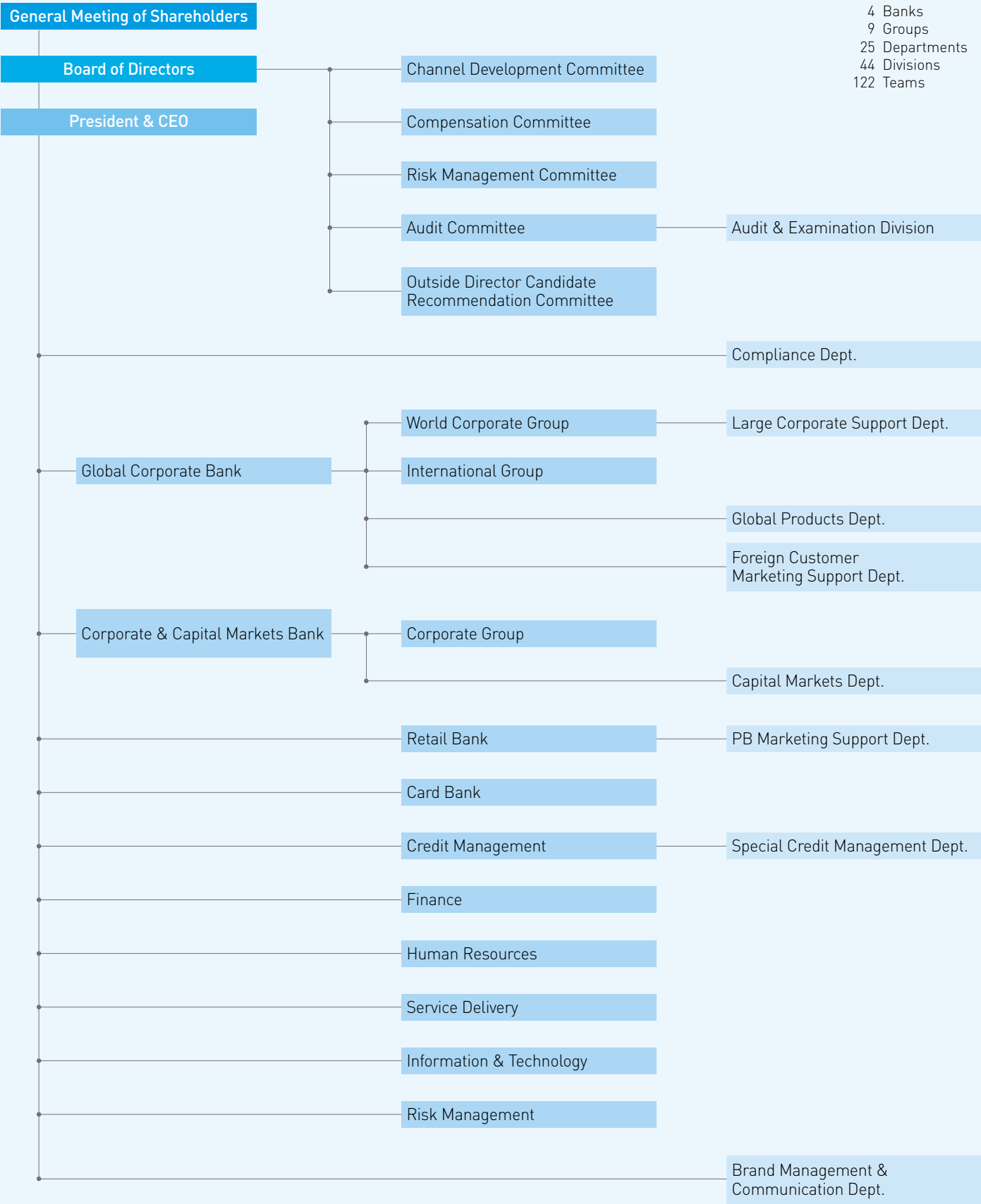
| Classification | 2010 | | 2009 | |
|--------------------------------|------|-------------|------|-------------|
| Cash and due from banks | ₩ | 998,607 | ₩ | 809,276 |
| Foreign currencies | | 423,473 | | 389,873 |
| Deposit in Won | | 3,921,735 | | 3,283,060 |
| Deposit in foreign currencies | ₩ | 2,769,061 | ₩ | 1,864,048 |
| | | 8,112,876 | | 6,346,257 |
| Less: restricted due from bank | | (5,522,340) | | (2,442,077) |
| | ₩ | 2,590,536 | ₩ | 3,904,180 |

(3) Significant non-cash transactions for the years ended December 31, 2010 and 2009 are as follows (Unit: In millions):

| Classification | 2010 | | 2009 | |
|---|------|-----------|------|-----------|
| Decrease of loans from write-offs of loans | ₩ | 499,867 | ₩ | 926,361 |
| Increase (decrease) in gain on valuation of available-for-sale securities | | (122,025) | | 487,292 |
| Change on unsettled spot transactions | | 119,593 | | 1,513,172 |

ORGANIZATION CHART

AS OF MARCH 31, 2011



BOARD OF DIRECTORS & MANAGING DIRECTORS

AS OF MARCH 31, 2011

BOARD OF DIRECTORS

Standing Directors

Larry A. Klane Chairman & CEO

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
Kim, Jin-Ho Ex-Deputy President, Korea Eximbank
Yong-E Ha Ex-Chief Representative, Bank of Korea Hong Kong Representative Office

MANAGING DIRECTORS

Lee, Jong-Kyu Auditor
Yoon, Jong-Ho Senior Managing Director, Global Corp Bank / World Corp Group
Lee, Sang-Don Senior Managing Director, Corp & Capital Market Bank / Corp Group
Alexander S. Kim Managing Director, Service Delivery Dept.
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 Bank
Sang-Cheol Lee Managing Director, Risk Management

GLOBAL DIRECTORY

AS OF MARCH 31, 2011

FINANCIAL INSTITUTIONS DIVISION

Global Head of Financial Institutions

In-Gyun, Cho
Tel: 82-2-729-0432
Fax: 82-2-775-2565

CLS

Senior Manager: Suk-Kyung, Lee
Tel: 82-2-729-0457
Fax: 82-2-775-2565

Clearing Service

Senior Manager: So-Jin, Kim
Tel: 82-2-729-0511
Fax: 82-2-775-2565

Asia, Oceania

Senior Area Manager: Sung-Mun, Yi
Tel: 82-2-729-8916
Fax: 82-2-775-2565

Korean, Community Banks

Senior Area Manager: Kwang-Hoon, Kim
Tel: 82-2-729-8470
Fax: 82-2-775-2565

Americas

Senior Area Manager: Hyun-Sik, Kim
Tel: 82-2-729-0464
Fax: 82-2-775-2565

West Europe, Africa

Senior Area Manager: Sui, Choi
Tel: 82-2-729-0448
Fax: 82-2-775-2565

Middle East, Turkey, Russia, CIS, Central and Eastern Europe

Senior Area Manager: Young-Suk, Lee
Tel: 82-2-729-0465
Fax: 82-2-775-2565

Middle East, Turkey, Russia, CIS, Central and Eastern Europe

FI London Desk
Senior Area Manager: Sung-Ho, Choi
Email: csh3193@keb.co.kr

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 Consultan: Kim, Ji-Sun
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/F, S/F

Head of Project/Structured Finance Team:
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