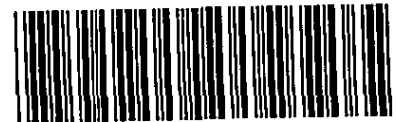


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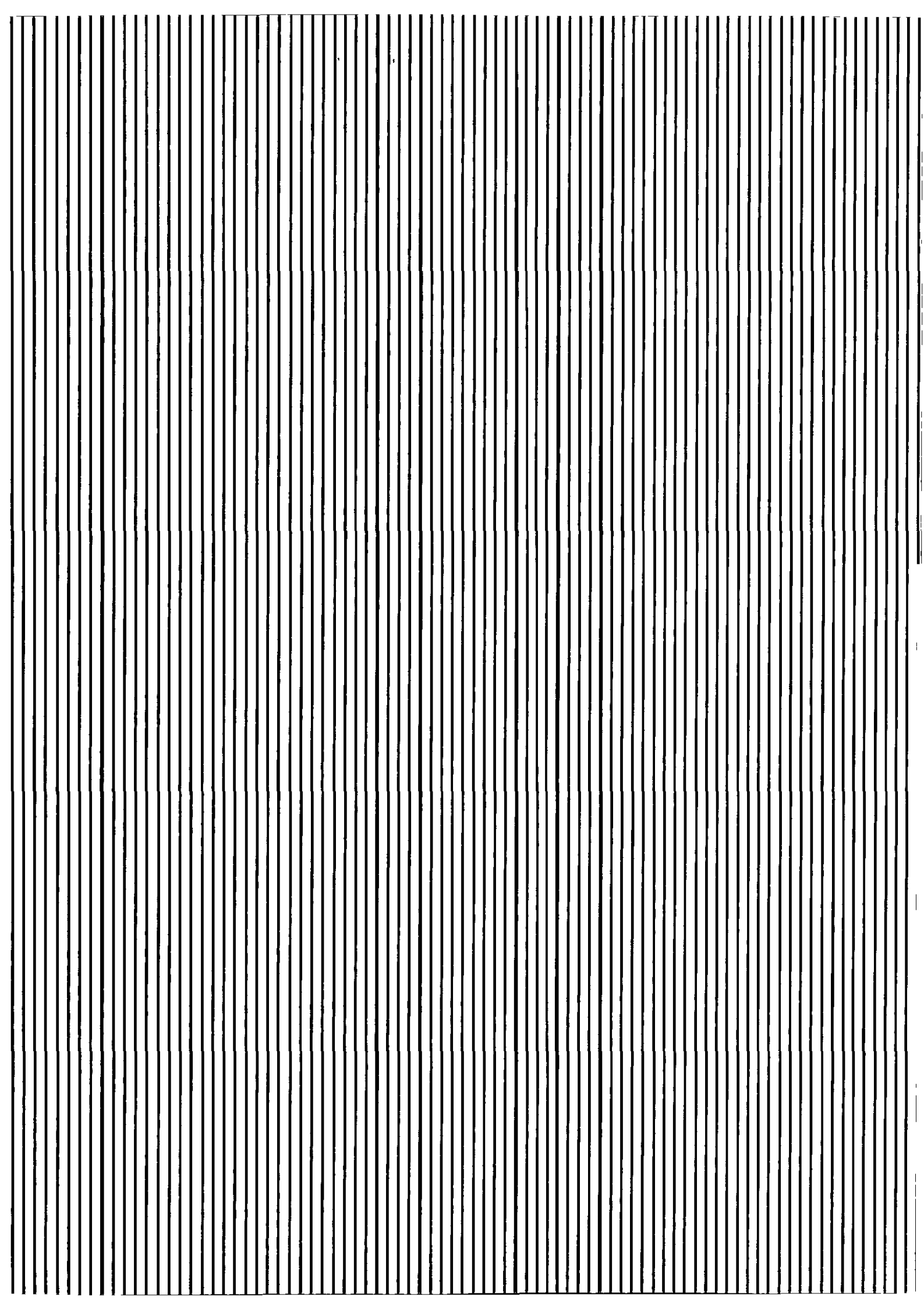
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Korea Development Bank
Non-consolidated financial statements
Years ended December 31, 2010 and 2009
with independent auditors' report

ERNST&YOUNG HAN YOUNG

 **ERNST&YOUNG**



**Korea Development Bank
Non-consolidated financial statements
Years ended December 31, 2010 and 2009
with independent auditors' report**

ERNST&YOUNG HANYOUNG

 ERNST&YOUNG

Korea Development Bank
December 31, 2010 and 2009

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Independent auditors' report

The Board of Directors and Stockholder
Korea Development Bank

We have audited the accompanying non-consolidated statements of financial position of Korea Development Bank (the "Bank") as of December 31, 2010 and 2009, and the related non-consolidated statements of income, appropriation of retained earnings, changes in equity and cash flows for the years then ended. These non-consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits. We did not audit the financial statements of Daewoo Shipbuilding & Marine Co., Ltd., (the "Investment"), which is reflected in the accompanying non-consolidated financial statements, using the equity method accounting. The investment represents 1.13% and 0.85% of the Bank's non-consolidated total assets as of December 31, 2010 and 2009 and 16.72% and 22.38% of the Bank's non-consolidated income before income taxes for the years then ended, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our conclusion, insofar as it related to the amounts included for the Investment is based solely on the report of 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 non-consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall non-consolidated financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion based on our audits and the report from other auditors, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of the Bank as of December 31, 2010 and 2009 and the non-consolidated results of its financial performance, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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

March 11, 2011

Ernst & Young Han Young

This audit report is effective as of March 11, 2011, the independent auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditors' report date to the time this audit report is used. Such events and circumstances could significantly affect the accompanying non-consolidated financial statements and may result in modifications to this report.

Korea Development Bank
Non-consolidated statements of financial position
As of December 31, 2010 and 2009

(Korean won in millions)

	<u>2010</u>	<u>2009</u>
Assets		
Cash and due from banks (Notes 3 and 14)	₩ 4,362,556	₩ 2,965,356
Securities (Notes 4, 14 and 15)		
Trading securities	1,041,435	615,365
Available-for-sale securities	22,103,632	26,696,990
Held-to-maturity securities	262,218	1,775,932
Equity method investments	4,793,641	2,575,916
	<u>28,200,926</u>	<u>31,664,203</u>
Loans receivable, less allowance for possible loan losses of ₩1,944,837 million at December 31, 2010 (₩1,413,400 million at December 31, 2009) and less deferred loan fees of ₩25,497 million at December 31, 2010 (₩12,499 million at December 31, 2009) (Notes 5 and 14)	69,892,913	74,785,455
Property and equipment (Note 6)	525,967	542,190
Other assets		
Allowance for possible losses on other assets (Note 5)	(76,098)	(52,244)
Intangible assets (Note 7)	46,868	40,580
Guarantee deposits	114,054	119,275
Accounts receivable	2,532,625	2,765,603
Accrued income	486,483	514,662
Prepaid expenses	27,983	53,065
Deferred income tax assets (Note 19)	27,315	30,115
Derivative assets (Note 16)	5,881,623	7,675,978
Others (Note 7)	1,182,270	1,229,208
	<u>10,223,123</u>	<u>12,376,242</u>
Total assets	<u>₩ 113,205,485</u>	<u>₩ 122,333,446</u>

(Continued)

See accompanying notes

Korea Development Bank
Non-consolidated statements of financial position (cont'd)
As of December 31, 2010 and 2009
(Korean won in millions)

	<u>2010</u>	<u>2009</u>
Liabilities and equity		
Liabilities		
Deposits received (Notes 8 and 14)	₩ 18,929,843	₩ 13,935,926
Borrowing liabilities (Notes 9 and 14)	66,808,191	80,687,788
Other liabilities		
Severance and retirement benefits, less deposits for severance and retirement of ₩73,994 million at December 31, 2010 (₩43,881 million at December 31, 2009) (Note 10)	3,505	19,084
Allowance for possible losses on acceptances and guarantees (Note 11)	109,825	243,561
Allowance for possible losses on unused loan commitments (Note 12)	220,578	188,922
Due to trust accounts	532,839	455,424
Exchange payable	83,526	11,188
Accounts payable	2,520,909	2,845,307
Accrued expenses	954,661	935,665
Unearned revenues	53,656	58,107
Deposits for letter of guarantees	561,547	106,185
Deferred income tax liabilities (Note 19)	115,809	110,411
Derivative liabilities (Note 16)	4,654,368	6,644,753
Others (Note 13)	1,427,879	980,418
	<u>11,239,102</u>	<u>12,599,025</u>
Total liabilities	<u>96,977,136</u>	<u>107,222,739</u>
Equity		
Paid-in capital (Note 17)	9,251,861	9,241,861
Capital surplus (Note 17)	46,894	52,168
Capital adjustment (Note 17)	(9,921)	(1,229)
Accumulated other comprehensive income (Notes 4 and 21)	811,662	746,980
Retained earnings (Note 17)		
Legal reserve	4,658,027	4,353,488
Unappropriated retained earnings	1,469,826	717,439
	<u>6,127,853</u>	<u>5,070,927</u>
Total equity	<u>16,228,349</u>	<u>15,110,707</u>
Total liabilities and equity	<u>₩ 113,205,485</u>	<u>₩ 122,333,446</u>

See accompanying notes

Korea Development Bank
Non-consolidated statements of income
For the years ended December 31, 2010 and 2009
(Korean won in millions)

	2010	2009
Operating revenue		
Interest income		
Interest on due from banks	₩ 91,187	₩ 107,448
Interest on securities	919,622	1,513,383
Interest on loans receivable	3,380,289	3,728,081
Others	18,028	25,587
	4,409,126	5,374,499
Gain on valuation and disposal of securities		
Gain on disposal of trading securities	54,279	37,919
Gain on valuation of trading securities	4,216	1,492
Gain on disposal of available-for-sale securities	1,343,443	729,754
Gain on disposal of held-to-maturity	4,000	-
Gain on disposal of equity method investments	11,146	3,761
Reversal of impairment loss on available-for-sale securities (Note 4)	23,219	17,041
	1,440,303	789,967
Gain on disposal of loans receivable	170,764	101,382
Gain on foreign currency transactions	1,072,300	2,739,820
Fees and commission income	486,536	395,894
Dividends income	55,108	431,746
Other operating income		
Fees and commission from trust accounts	18,171	15,176
Gain from derivatives transactions	6,095,839	13,004,609
Gain from derivatives valuation (Note 16)	3,297,602	3,968,136
Gain on valuation of hedged items (Note 16)	321,999	856,218
Reversal of allowance for possible losses on acceptances and guarantees (Note 11)	133,705	-
Reversal of allowance for possible losses on others (Note 15)	1,365	-
Others	4,858	4,879
	9,873,539	17,849,018
Total operating revenue	17,507,676	27,682,326
Operating expenses		
Interest expense		
Interest on deposits received	468,167	499,228
Interest on borrowings	488,162	901,820
Interest on debentures	1,828,974	3,048,193
Other interests	18,733	27,674
	2,804,036	4,476,915

(Continued)
See accompanying notes

Korea Development Bank

Non-consolidated statements of income (cont'd)

For the years ended December 31, 2010 and 2009

(Korean won in millions)

	2010	2009
Loss on valuation and disposal of securities		
Loss on disposal of trading securities	₩ 26,844	₩ 34,251
Loss on valuation of trading securities	5,588	2,436
Loss on disposal of available-for-sale securities	44,253	80,108
Loss on disposal of held-to-maturity	2,118	-
Loss on disposal of equity method investments	3,869	1,025
Impairment loss on available-for-sale securities (Note 4)	169,763	375,372
Impairment loss on equity method investments	2,723	2,786
	<u>255,158</u>	<u>495,978</u>
Provision for possible loan losses (Note 5)	1,184,436	918,586
Loss on disposal of loans receivable	530,136	119,294
Deposits received (Notes 8 and 14)	1,154,456	3,207,092
Fees and commission expenses	21,720	24,481
General and administrative expenses (Note 18)	419,499	415,482
Other operating expenses		
Provision for possible losses		
on acceptances and guarantees (Note 11)	-	130,183
Provision for possible losses on unused loan commitments		
(Note 12)	31,392	86,817
Provision for possible losses on other assets (Note 5)	969	-
Provision for possible losses on others (Note 15)	-	3,249
Loss from derivatives transactions	6,220,579	13,402,609
Loss from derivatives valuation (Note 16)	2,820,059	4,087,998
Loss on valuation of hedged items (Note 16)	612,847	131,584
Utility service fee	784	-
Contributions to credit management fund	91,169	93,018
Others	70,871	83,215
	<u>9,848,670</u>	<u>18,018,673</u>
Total operating expenses	16,218,111	27,676,501
Operating income	1,289,565	5,825
Non-operating income (expense)		
Gain on disposal of property and equipment, net	126	40
Impairment loss on property and equipment	(7,174)	(10,389)
Rental income	1,811	1,732
Gain on valuation of equity method investments, net (Note 4)	187,920	619,941
Others, net	(17,805)	181,700
	<u>164,878</u>	<u>793,024</u>
Income before income taxes	1,454,443	798,849
Income tax expense (Note 19)	408,722	37,737
Net income	<u>₩ 1,045,721</u>	<u>₩ 761,112</u>

See accompanying notes

Korea Development Bank
Non-consolidated statements of appropriations of retained earnings
Years ended December 31, 2010 and 2009

(Korean won in millions)

	<u>2010</u>	<u>2009</u>
Retained earnings before appropriations:		
Unappropriated retained earnings carried over from prior year	₩ 412,900	₩ -
Retained earnings adjustment arising from equity method investments	11,205	(43,673)
Net income for the year	<u>1,045,721</u>	<u>761,112</u>
	1,469,826	717,439
Appropriations (2010 proposed):		
Legal reserve	418,365	304,539
Amortization of discounts on stocks issuance	51	-
Dividends	<u>297,910</u>	<u>-</u>
	716,326	304,539
Unappropriated retained earnings to be carried forward to the next year	<u>₩ 753,500</u>	<u>₩ 412,900</u>

See accompanying notes

Korea Development Bank
Non-consolidated statements of changes in equity
For the years ended December 31, 2010 and 2009
(Korean won in millions)

	Paid-in capital	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
As of January 1, 2009	₩ 8,741,861	₩ 44,373	₩ -	₩ (249,014)	₩ 7,178,115	₩ 15,715,335
Injection of paid-in capital	900,000	-	-	-	-	900,000
Net income	-	-	-	-	761,112	761,112
Gain on valuation of available-for-sale securities, net	-	-	-	1,366,850	-	1,366,850
Changes in other comprehensive income from valuation of equity method investments (Note 4)	-	-	-	216,981	-	216,981
Changes in negative other comprehensive income from valuation of equity method investments (Note 4)	-	-	-	334,419	-	334,419
Changes in retained earnings from valuation of equity method investments (Note 4)	-	-	-	-	(43,673)	(43,673)
Others	-	21,359	(5,111)	(6,566)	-	9,682
Spin-off	(400,000)	(13,564)	3,882	(915,690)	(2,824,627)	(4,149,999)
As of December 31, 2009	₩ 9,241,861	₩ 52,168	₩ (1,229)	₩ 746,980	₩ 5,070,927	₩ 15,110,707
As of January 1, 2010	₩ 9,241,861	₩ 52,168	₩ (1,229)	₩ 746,980	₩ 5,070,927	₩ 15,110,707
Injection of paid-in capital	10,000	-	-	-	-	10,000
Discounts on stocks issuance	-	-	(51)	-	-	(51)
Net income	-	-	-	-	1,045,721	1,045,721
Gain on valuation of available-for-sale securities, net	-	-	-	16,782	-	16,782
Changes in other comprehensive income from valuation of equity method investments (Note 4)	-	-	-	45,575	-	45,575
Changes in negative other comprehensive income from valuation of equity method investments (Note 4)	-	-	-	2,325	-	2,325
Changes in retained earnings from valuation of equity method investments (Note 4)	-	-	-	-	11,205	11,205
Others	-	(5,274)	(8,641)	-	-	(13,915)
As of December 31, 2010	₩ 9,251,861	₩ 46,894	₩ (9,921)	₩ 811,662	₩ 6,127,853	₩ 16,228,349

See accompanying notes

Korea Development Bank
Non-consolidated statements of cash flows
For the years ended December 31, 2010 and 2009
(Korean won in millions)

	2010	2009
Cash flows from operating activities		
Net income	₩ 1,045,721	₩ 761,112
Adjustments to reconcile net income to net cash		
Provided by (used in) operating activities		
Depreciation	17,808	13,901
Amortization of intangible assets	12,851	10,951
Provision for possible loan losses	1,184,436	967,780
Provision for severance and retirement benefits	25,133	28,240
Loss on valuation of trading securities, net	1,372	944
Impairment losses on available-for-sale securities, net	146,544	358,331
Gain on valuation of equity method investments, net	(187,920)	(619,941)
Loss on foreign exchange translations, net	13,156	497,573
Gain on disposal of property and equipment, net	(126)	(40)
Loss (gain) on valuation of derivative instruments, net	(477,543)	119,862
Loss (gain) on fair value hedged items, net	290,848	(724,634)
Provision for (reversal of) possible losses on acceptances and guarantees	(133,705)	130,183
Provision for possible losses on unused loan commitments	30,027	86,817
Others, net	98,413	(35,903)
Changes in operating assets and liabilities		
Trading securities	(427,442)	(190,618)
Available-for-sale securities	4,239,379	596,194
Held-to-maturity securities	1,513,714	1,344,000
Equity method investments	(1,971,868)	697,318
Loans receivable	3,918,337	(4,144,097)
Accounts receivable	256,832	1,654,226
Accrued income	28,179	80,603
Prepaid expenses	25,082	141,573
Unearned revenues	(4,451)	(20,036)
Deferred income tax liabilities (assets), net	(9,282)	1,133,763
Derivative instruments, net	281,513	(160,082)
Payment of severance and retirement benefits	(10,599)	(85,526)
Due to trust accounts	77,415	33,724
Accounts payable	(324,398)	(1,769,204)
Accrued expenses	18,996	(59,467)
Others, net	921,246	(858,230)
Total adjustments	9,553,947	(771,795)
Net cash provided by (used in) operating activities	₩ 10,599,668	₩ (10,683)

(Continued)
See accompanying notes

Korea Development Bank
Non-consolidated statements of cash flows (cont'd)
For the years ended December 31, 2010 and 2009
(Korean won in millions)

	2010	2009
Cash flows from investing activities.		
Acquisition of property and equipment	₩ (12,929)	₩ (9,521)
Deposits received (Notes 8 and 14)	4,531	11,985
Acquisition of intangible assets	(19,139)	(23,245)
Decrease (increase) in due from bank, net	(1,408,023)	1,480,402
Decrease (increase) in guarantee deposits	5,221	(7,918)
Proceeds from disposal of equity method investments	-	1,984
Net cash provided by (used in) investing activities	(1,430,339)	1,453,687
Cash flows from financing activities.		
Repayment of borrowings, net	(1,331,124)	(769,144)
Increase (decrease) in bonds sold		
under repurchase agreement	(4,024,321)	59,586
Proceeds from (repayment of) bills sold	270	(132)
Proceeds from (repayment of) debentures, net	(8,196,923)	641,648
Increase (decrease) in exchange payable, net	72,338	(8,806)
Placement (withdrawal) of deposits received, net	7,441,756	(2,261,667)
Repayment of certificate of deposits received	(2,447,839)	(570,936)
Proceeds from (repayment of) call money, net	(704,258)	1,152,783
Injection of paid-in capital	10,000	900,000
Discounts on stocks issuance	(51)	-
Net cash used in financing activities	(9,180,152)	(856,668)
Decrease in cash and cash equivalents caused by spin-off	-	(577,701)
Net increase (decrease) in cash and cash equivalents	(10,823)	8,635
Cash and cash equivalents at the beginning of the year	66,915	58,280
Cash and cash equivalents at the end of the year	₩ 56,092	₩ 66,915

See accompanying notes

1. Bank information

Korea Development Bank (the "Bank") was established in 1954 in accordance with the Korea Development Bank Act of the Republic of Korea to supply and manage major industrial funds for the promotion of the industrial development and advancement of the national economy. The Bank has 47 local branches (HQ branch included), 7 overseas branches, 5 overseas subsidiaries and 2 overseas offices as of December 31, 2010. The Bank is engaged in the banking business under the Korea Development Bank Act and other related regulations and in the trust business in accordance with the Financial Investment Services and Markets Act.

The Bank's spin-off

On October 28, 2009, the Bank spun off its public finance unit and financial subsidiaries business support unit into Korea Finance Corporation ("KoFC") and KDB Financial Group Inc. ("KDBFG"), respectively, new shares of the two new entities were issued and distributed to the Bank's stockholder at the spin-off date on a pro-rata basis, and the Bank continues its remaining operations. The Bank and the new entities will be jointly and severally liable for all liabilities existing prior to the spin-off.

On November 24, 2009, the Korea government who was also the sole equity owner of the Bank, exchanged the Bank's shares with KDBFG shares at the exchange ratio of 0.163608 KDBFG share for each 1 share of the Bank. Immediately after the completion of the share exchange, the Bank became a fully-owned subsidiary of KDBFG. The capital stock of the Bank amounts to ₩9,251,861 million as of December 31, 2010.

2. Summary of significant accounting policies

Basis of financial statement preparation

The Bank maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea ("Korean GAAP") with the exception of overseas branches and subsidiaries, where the Bank used financial statements prepared in accordance with the financial accounting standards generally accepted in their jurisdictions, with adjustments to align with Korean GAAP if the adjustments materially affect the Bank's financial statements. Certain accounting principles 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 in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. In the event of any differences in interpreting the non-consolidated financial statements or the independent auditors' report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements.

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

2-1. Recognition of interest income

Interest income on loans and investments is recognized on an accrual basis. However, interest income on loans overdue or dishonored is recognized on a cash basis except for those secured and guaranteed by financial institutions for which the interest is recognized on an accrual basis.

2-2. Securities

Securities are classified as either trading, held-to-maturity or available-for-sale securities, as appropriate, and are initially measured at cost, including incidental expenses. The Bank determines the classification of its investments after initial recognition, and, where allowed and appropriate, re-evaluates this designation at the end of each reporting period.

2. Summary of significant accounting policies (cont'd)

Securities that are acquired and held principally for the purpose of selling them in the near term are classified as trading securities. Debt securities which carry fixed or determinable principal payments and a fixed maturity are classified as held-to-maturity, if the Bank has the positive intention and ability to hold to maturity. Securities that are not classified as either trading or held-to-maturity are classified as available-for-sale securities.

After initial measurement, available-for-sale securities are measured at fair value with unrealized gains or losses being recognized as other comprehensive income in equity. Likewise, trading securities are also measured at fair value after initial measurement, but with unrealized gains or losses reported as part of net income. Held-to-maturity securities are measured at amortized cost after initial measurement. The cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method, of any difference between the initially recognized amount and the maturity amount.

The fair value of trading and available-for-sale securities that are traded actively in the open market (marketable securities) is measured at the closing price of those securities at the reporting date. Non-marketable equity securities are carried at a value announced by a public independent credit rating agency. If application of such measurement method is not feasible, non-marketable equity securities are measured at cost less impairment, if any, subsequent to initial recognition. Non-marketable debt securities are carried at the present value of their future cash flows discounted using an appropriate interest rate which reflects the issuer's credit rating, as announced by a public independent credit rating agency.

When held-to-maturity securities are reclassified to available-for-sale, 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 other comprehensive income as a gain or loss on valuation of available-for-sale securities. When available-for-sale securities are reclassified to held-to-maturity, gains or losses on valuation of these available-for-sale securities, which had been recorded until the reclassification date, continue to be included in other comprehensive income and are amortized using the effective interest rate method. Such amortization amount is charged to interest income until maturity. Once the reclassification is made, trading securities cannot be reclassified to available-for-sale securities or held-to-maturity securities and vice versa except in rare circumstances only. In addition, when certain trading securities become non-marketable, such securities are reclassified to available-for-sale at fair value as of the reclassification date.

If the recoverable amount of a held-to-maturity security and available-for-sale security is less than acquisition cost or carrying value, and such decline is deemed other than temporary, such security is adjusted to its recoverable amount with an impairment loss charged to the statement of income after eliminating any gains and losses previously recorded in other comprehensive income for temporary changes. A subsequent recovery is also recorded in the statement of income to the extent of the previously recorded impairment losses if such recovery is attributable to an event occurring subsequent to the recognition of the impairment losses.

2-3. Equity method investments

Investments in entities over which the Bank has control or significant influence are accounted for using the equity method. Investment securities which allow the Bank a significant influence over the investee are valued using the equity method of accounting. The Bank considers that it has a significant influence on an investee if the Bank holds more than 15% of voting shares.

2. Summary of significant accounting policies (cont'd)

Under the equity method of accounting, the Bank's initial investment in an investee is recorded at acquisition cost. Subsequently, the carrying amount of the investment is adjusted to reflect the Bank's share of income or loss of the investee in the statement of income and share of changes in equity that have been recognized directly in the equity of the investee in the related equity account of the Bank on the statement of financial position. If the Bank's share of losses of the investee equals or exceeds its interest in the investee, it suspends recognizing its share of further losses. However, if the Bank has other long-term interests in the investee, it continues recognizing its share of further losses to the extent of the carrying amount of such long-term interests. The Bank resumes the application of the equity method if the Bank's share of income or change in equity of an investee exceeds the Bank's share of losses accumulated during the period of suspension of the equity method of accounting.

At the date of acquisition, the difference between the acquisition cost of the investee and the Bank's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill or negative goodwill. Goodwill is amortized over its useful life of five years using the straight-line method and the amortization expense is included as part of valuation gain or loss on equity method investments in the statement of income. Negative goodwill is amortized based on the investee's accounting treatments on the related assets and liabilities and charged or credited to valuation gain or loss on equity method investments in the statement of income.

The Bank's share in the investee's unrealized profits and losses resulting from transactions between the Bank and its investee is eliminated.

2-4. Allowance for possible loan losses

The Bank provides an allowance for possible loan losses based on the borrowers' future debt servicing ability (forward looking criteria) as determined by a credit rating model developed by the Bank. This credit rating model includes financial and non-financial factors of borrowers and classifies the borrowers' credit risk. The allowance is determined by applying the following minimum percentages to the various credit risk ratings.

<u>Loan classifications</u>	<u>Minimum provision percentages (%)</u>
Normal	0.85
Precautionary	7
Substandard	20
Doubtful	50
Expected Loss	100

2-5. Troubled debt restructuring

If the present value of a loan is different from its book value due to a rescheduling of terms as agreed by the related parties (as in the case of court receivership, court mediation or workout), the difference in present value of the restructured loan payments and book value of the loan is recorded as an allowance for possible loan loss. The difference recorded as an allowance is amortized to current earnings over the related period using the effective interest rate method. The amortization is recorded as interest income.

2-6. Deferred loan fees and expenses

The Bank defers and amortizes certain fees received from borrowers and expenses paid to third parties associated with originating certain loans. Such fees and expenses are amortized over the life of the associated loan using the effective interest rate method.

2. Summary of significant accounting policies (cont'd)

2-7. Valuation of long-term receivables (payables) at present value

Receivables or payables arising from long-term installment transactions are stated at present value. The difference between the carrying amount of these receivables or payables and their present value is amortized using the effective interest rate method and credited or charged to the statement of income over the installment period.

2-8. Property and equipment

Property and equipment are stated at cost, less accumulated depreciation. Maintenance and repairs are expensed in the year in which they are incurred. Expenditures which enhance the value or extend the useful lives of the related assets are capitalized as additions to property and equipment.

Depreciation of property and equipment is provided using the straight-line method over the following estimated useful life of assets:

	<u>Year</u>
Buildings	20 ~ 50
Furniture and fixture	10 ~ 40
Computer equipment	4
Vehicles	4
Others	4

Routine maintenance and repairs are charged to expense as incurred. Expenditures which enhance the value or extend the useful life of the related assets are capitalized.

2-9. Intangible assets

Intangible assets of the Bank consist of trademarks, development costs and software, which are stated at cost, less accumulated amortization. Intangible assets are amortized using the straight-line method over a period of four to five years.

2-10. Impairment of assets

When the recoverable amount of an asset is less than its carrying amount, the decline in value, if material, is deducted from the carrying amount and recognized as an asset impairment loss in the current period.

2-11. Bonds purchased under resale agreement and bonds sold under repurchase agreements

Bonds purchased or sold under resale or repurchase agreements are included in loans and borrowings, respectively. The difference between the selling and repurchase price is treated as interest and is accrued evenly over the period covered by the agreements.

2-12. Debenture issuance costs

Debenture issuance costs are amortized as an interest expense over the redemption term using the effective interest rate method.

2-13. Accrued severance and retirement benefits

In accordance with the Employee Retirement Benefit Security Act and the Bank's regulations, employees and directors terminating their employment with at least one year of service are entitled to severance and retirement benefits, based on the rates of pay in effect at the time of termination, years of service and certain other factors. The provision is determined based on the amount that would be payable assuming all employees and directors were to terminate their employment at the reporting date.

The Bank's severance and retirement benefits are partly funded through an insurance plan with Samsung Life Insurance, Korea Exchange Bank and LIG Fire Insurance.

2. Summary of significant accounting policies (cont'd)

2-14. Provisions and contingent liabilities

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation. The provision is used only for expenditures for which the provision was originally recognized. If the effect of the time value of money is material, provisions are stated at present value.

Confirmed acceptances and guarantees, unconfirmed acceptances and guarantees and bills endorsed are not recognized on the statement of financial position, but are disclosed as off-statement of financial position items in the notes to the financial statements. The Bank provides a provision for such off-statement of financial position items, applying a Credit Conversion Factor ("CCF") and provision rates, and records the provision as an allowance for possible losses on acceptances and guarantees.

The Bank provides a provision for a certain portion of unused loan commitments. The Bank records the provision for such unused balances as an allowance for possible losses on unused loan commitments which are calculated by applying a CCF and the minimum required provision percentage given by the Regulation on the Supervision of Banking Business.

2-15. Income taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the tax authorities. Deferred income taxes are provided using the liability method for the tax effect of temporary differences between the tax bases of assets and liabilities and their reported amounts in the accompanying non-consolidated financial statements. Deferred tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. In addition, current and deferred taxes are charged or credited directly to equity if the tax relates to items that are charged or credited directly to equity.

Starting from 2010, KDBFG, the parent company, has adopted a consolidated tax return policy, which is a tax payment system based on the consolidated taxable income ("Consolidated Tax Return"). Any changes in income taxes due to the adoption of Consolidated Tax Return are adjusted to income tax expense account (refer to Note 19).

2-16. Translation of foreign currency and financial statements of overseas branches

Transactions involving foreign currencies are recorded at the exchange rates prevailing at the time the transactions are made. Assets and liabilities denominated in foreign currencies are translated into Korean won using the exchange rates provided by Seoul Money Brokerage Service, Ltd., which are in effect on the reporting date. The resulting translation gains or losses are credited or charged to current operations.

Accounting records of the overseas branches are maintained in foreign currencies. In translating financial statements of the overseas branches, the Bank applies the appropriate rate of exchange at the reporting date.

2. Summary of significant accounting policies (cont'd)

2-17. Derivative financial instruments

Derivative financial instruments are presented as assets or liabilities valued principally at the fair value of the rights or obligations associated with the derivative contracts. The unrealized gain or loss from a derivative transaction with the purpose of hedging the exposure to changes in the fair value of a recognized asset or liability or unrecognized firm commitment is recognized in current operations. For a derivative instrument with the purpose of hedging the exposure to the variability of cash flows of a recognized asset or liability or a forecasted transaction, the hedge-effective portion of the derivative instrument's gain or loss is deferred as other comprehensive income in equity. The ineffective portion of the gain or loss is charged or credited to current operations. Derivative instruments that do not meet the criteria for hedge accounting, or contracts for which the Bank has not elected hedge accounting are measured at fair value with unrealized gains or losses reported in current operations.

2-18. Accounting for the trust accounts

The Bank recognizes, in accordance with the Financial Investment Services and Markets Act, trust fees earned from the trust accounts as income from trust operations. If losses are incurred on trust accounts that have a guarantee of principal repayment, the losses are recognized as a loss from trust operations.

2-19. Changes in accounting estimates

The Bank changed its accounting estimate relating to impairment loss on investment securities in 2009 in order to better reflect the Bank's investment securities position and enhance comparability to other banks. Impairment loss on securities recognized in 2009 amounted to ₩361,117 million.

2-20. Significant judgments and accounting estimates

The preparation of financial statements in accordance with Korean GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash and due from banks

3-1 Cash and due from banks as of December 31, 2010 and 2009 consist of the following (Korean won in millions)

	2010	2009
Cash and cash equivalents		
Korean won	₩ 48,496	₩ 60,073
Foreign currency	7,596	6,842
	56,092	66,915
Due from banks		
Korean won	3,445,418	1,810,678
Foreign currency	861,046	1,087,763
	4,306,464	2,898,441
	₩ 4,362,556	₩ 2,965,356

3. **Cash and due from banks (cont'd)**

3-2 Due from banks in Korean won as of December 31, 2010 and 2009 is as follows (Korean won in millions)

Counterparty(*)	Account	Annual interest rate (%)	2010	2009
Bank of Korea ("BOK")	Reserve deposits with BOK	-	₩ 88,165	₩ 646,172
Kookmin Bank	Other deposits	3.1 ~ 3.3	117,466	106,267
Samsung AMC	Other deposits	2.3 ~ 2.8	150,000	70,000
KB AMC	Other deposits	2.5 ~ 3.0	50,000	60,000
UBS Hana AMC	Other deposits	2.5 ~ 3.0	300,000	-
HI AMC	Other deposits	2.6 ~ 3.1	80,000	30,000
KDB AMC	Other deposits	2.4 ~ 3.2	900,000	400,000
Woori AMC	Other deposits	2.7 ~ 3.3	400,000	-
LS AMC	Other deposits	2.6 ~ 3.5	150,000	-
EUGENE AMC	Other deposits	2.5 ~ 3.2	100,000	60,000
Others	Other deposits, etc	-	1,109,787	438,239
			<u>₩ 3,445,418</u>	<u>₩ 1,810,678</u>

(*) AMC represents Asset Management Company

3-3 Due from banks in foreign currency as of December 31, 2010 and 2009 is as follows (Korean won in millions)

Counterparty	Account	Annual interest rate (%)	2010	2009
BOK	Reserve deposits with BOK	-	₩ 75,648	₩ 59,704
Korea Exchange Bank	Time deposits, etc	-	-	72,274
Woori Bank	"	-	-	87,570
KDB Ireland Ltd	"	1.1 ~ 1.9	7,621	54,224
KDB Hungary Ltd	"	0.9 ~ 1.6	170,835	175,140
Others	"	0.0 ~ 3.9	606,942	638,851
			<u>₩ 861,046</u>	<u>₩ 1,087,763</u>

3-4 Restricted balances in due from banks as of December 31, 2010 and 2009 are summarized as follows (Korean won in millions)

Counterparty	2010	2009	Restriction
BOK	₩ 163,813	705,876	Reserve for payment of deposit
Kookmin Bank	117,466	106,267	Reserve for payment of principal on behalf of special purpose entities
Shinhan Bank	39,743	35,586	Same as the above
ICBC Shanghai and others	82,086	46,689	Reserve for payment of deposit by the local law
	<u>₩ 403,108</u>	<u>₩ 894,418</u>	

3. **Cash and due from banks (cont'd)**

3-5 The maturities of due from banks outstanding as of December 31, 2010 and 2009 are as follows (Korean won in millions)

	2010		
	Korean won	Foreign currencies	Total
Within 3 months	₩ 3,288,209	₩ 405,302	₩ 3,693,511
After 3 months but no later than 6 months	44,878	90,681	135,559
After 6 months but no later than 1 year	112,331	91,112	203,443
After 1 year but no later than 3 years	-	273,336	273,336
Later than 5 years	-	615	615
	<u>₩ 3,445,418</u>	<u>₩ 861,046</u>	<u>₩ 4,306,464</u>

	2009		
	Korean won	Foreign currencies	Total
Within 3 months	₩ 648,825	₩ 545,705	₩ 1,194,530
After 3 months but no later than 6 months	141,853	73,818	215,671
After 6 months but no later than 1 year	-	309,414	309,414
After 1 year but no later than 3 years	-	93,408	93,408
Later than 5 years	1,020,000	65,418	1,085,418
	<u>₩ 1,810,678</u>	<u>₩ 1,087,763</u>	<u>₩ 2,898,441</u>

3-6 Due from banks by financial institution as of December 31, 2010 and 2009 is as follows (Korean won in millions)

Counterparty	2010		
	Korean won	Foreign currencies	Total
BOK (Korean central bank)	₩ 88,165	₩ 75,648	₩ 163,813
Commercial banks	157,209	716,136	873,345
Others	3,200,044	69,262	3,269,306
	<u>₩ 3,445,418</u>	<u>₩ 861,046</u>	<u>₩ 4,306,464</u>

Counterparty	2009		
	Korean won	Foreign currencies	Total
BOK (Korean central bank)	₩ 646,172	₩ 59,704	₩ 705,876
Commercial banks	141,853	1,002,320	1,144,173
Others	1,022,653	25,739	1,048,392
	<u>₩ 1,810,678</u>	<u>₩ 1,087,763</u>	<u>₩ 2,898,441</u>

4. Securities

4-1 Trading securities

4-1-1 Trading securities as of December 31, 2010 and 2009 consist of the following (Korean won in millions)

Type	Annual interest rate (%)	Fair value (book value)	
		2010	2009
Securities denominated in Korean won			
Equity securities	-	₩ 8,345	₩ -
Debt securities			
Government and public bonds	3.0 ~ 5.0	823,528	224,243
Finance bonds	3.4 ~ 3.9	50,928	180,395
Corporate bonds	-	-	10,050
Commercial papers	2.6 ~ 3.1	138,919	128,880
		1,021,720	543,568
Securities denominated in foreign currency			
Equity securities	-	17,217	-
Debt securities	0.5 ~ 0.6	2,498	71,797
		19,715	71,797
		₩ 1,041,435	₩ 615,365

4-1-2 Debt securities included in trading securities as of December 31, 2010 and 2009 consist of the following (Korean won in millions)

Type	2010		
	Par value	Acquisition cost	Fair value (book value)
Government and public bonds	₩ 818,000	₩ 820,455	₩ 823,528
Finance bonds	51,000	50,875	50,928
Commercial papers	140,000	138,915	138,919
Bonds denominated in foreign currency	2,505	2,457	2,498
	<u>₩ 1,011,505</u>	<u>₩ 1,012,702</u>	<u>₩ 1,015,873</u>
Type	2009		
	Par value	Acquisition cost	Fair value (book value)
Government and public bonds	₩ 224,000	₩ 225,768	₩ 224,243
Finance bonds	181,000	181,086	180,395
Corporate bonds	10,000	10,084	10,050
Commercial papers	130,000	128,881	128,880
Bonds denominated in foreign currency	73,103	70,490	71,797
	<u>₩ 618,103</u>	<u>₩ 616,309</u>	<u>₩ 615,365</u>

Debt securities in Korean won are measured based on the lower of the valuation provided by KIS Pricing Inc. or the Korea Asset Pricing Co. Debt securities in foreign currency are measured based on the lower of the valuation provided by NICE Pricing Services Inc. or the Korea Asset Pricing Co.

4. Securities (cont'd)

4-2 Available-for-sale securities

4-2-1 Available-for-sale securities as of December 31, 2010 and 2009 consist of the following (Korean won in millions)

	Annual interest rate (%)	2010	2009
Securities denominated in Korean won			
Equity securities			
Marketable equity securities	-	₩ 964,823	₩ 1,279,013
Non-marketable equity securities	-	1,265,365	1,750,206
		2,230,188	3,029,219
Debt securities			
Government and public bonds	4.3 ~ 5.8	3,723,110	1,082,033
Finance bonds	2.9 ~ 6.5	3,649,045	3,922,907
Corporate bonds	2.0 ~ 20.7	7,104,407	11,897,713
		14,476,562	16,902,653
Beneficiary certificates	-	1,338,854	2,714,851
		18,045,604	22,646,723
Securities denominated in foreign currency			
Equity securities	-	12,506	12,651
Debt securities	0.4 ~ 12.4	3,867,953	3,995,283
Beneficiary certificates	-	177,569	42,333
		4,058,028	4,050,267
		₩ 22,103,632	₩ 26,696,990

4-2-2 Details of marketable equity securities (including equity securities denominated in foreign currencies) as of December 31, 2010 and 2009 consist of the following (Korean won in millions)

Company	2010		2009	
	Ownership (%)	Fair value (Book value)	Fair value (Book value)	
STX Pan Ocean Co., Ltd	14.99	₩ 353,347	₩ 348,718	
Asiana Airlines Inc	6.85	117,852	44,469	
Doosan Heavy Industries and Construction Co., Ltd	1.27	115,565	610,889	
KUMHO Industrial Co., Ltd (*)	6.10	85,003	-	
KUMHO Tire Co., Inc (*)	14.16	74,771	-	
Ssangyong Cement Industry Co., Ltd (*)	13.81	69,140	94,738	
STX Corporation	4.81	68,494	40,375	
Taesan LCD Co., Ltd (*)	6.57	17,808	9,995	
KOCREF15CR-REIT	15.00	9,374	9,300	
Jusung Engineering Co., Ltd	1.10	7,600	-	
SIMPAC Inc	5.24	6,202	3,480	
Signetics Corp	3.05	6,085	-	
Bohae Brewery Co., Ltd	12.49	5,377	-	
Hanchang Paper Co., Ltd (*)	14.12	3,230	4,779	
Dongnam Marine Crane Co., Ltd	6.78	3,180	2,305	
Others		27,025	112,306	
		₩ 970,053	₩ 1,281,354	

(*) Listed shares with disposal restrictions are valued using data provided by independent valuers

4. Securities (cont'd)

4-2-3 Details of non-marketable equity securities (including equity securities denominated in foreign currencies) as of December 31, 2010 and 2009 consist of the following (Korean won in millions)

Company	2010		2009	
	Ownership (%)	Fair value (Book value)	Fair value (Book value)	
Consumer Credit Assistant Fund Co , Ltd	4.67	₩ 102,198	₩ 102,198	
Pantech Co , Ltd (*)	14.73	101,268	103,762	
Sung Jin Geotec Co , Ltd	16.61	97,484	53,054	
Hyundai Engineering Co , Ltd	7.42	56,242	5,740	
Samsung Total Petrochemicals Co ,Ltd	3.24	43,328	38,391	
Korea Securities Finance Corporation	5.19	34,523	29,397	
Hwan Young Steel Ind Co ,Ltd	14.28	32,541	32,983	
Nonperforming Asset Management Fund	10.47	30,901	48,880	
Shinbundang Railroad Co , Ltd	10.28	28,881	23,790	
Alpha dome City Co ,Ltd	4.32	19,668	11,800	
Econhill Development Co , Ltd	14.00	17,013	17,013	
Kangnam Beltway	12.33	15,420	13,973	
Korea Integrated Freight Terminal Co ,Ltd	6.85	14,965	14,523	
ILJIN Materials Co ,Ltd	9.48	10,026	8,970	
GM Korea Company	-	-	286,543	
Samsung Life Insurance Co ,Ltd	-	-	132,248	
Others		668,183	837,251	
		<u>₩ 1,272,641</u>	<u>₩ 1,760,516</u>	

(*) Listed shares with disposal restrictions are valued using data provided by independent valuers

4-2-4 Available-for-sale securities that are restricted as to disposal as of December 31, 2010 and 2009 are summarized as follows (Korean won in millions)

Company	2010		
	Number of shares	Book value	Restriction term
Pantech Co , Ltd	249,427,382	₩ 101,268	Until December 31, 2011
KUMHO Tire Co , Inc	13,161,600	74,771	Until December 31, 2014
Ssangyong Cement Industry Co ,Ltd	11,090,842	69,140	Not defined
Taesan LCD Co , Ltd	7,027,574	17,808	Until December 31, 2013
KUMHO Industrial Co , Ltd	6,633,608	85,003	Until December 31, 2014
Hanchang Paper Co , Ltd	6,409,200	3,230	Until December 31, 2012
Daewoo Electronics Corporation	2,412,662	2,085	Until March 31, 2011
Daehan Shipbuilding Co , Ltd	309,500	2,238	Until December 31, 2013
Young Gwang Stainless Co , Ltd	413,000	772	Until December 31, 2012
		<u>₩ 356,315</u>	

4. Securities (cont'd)

2009			
Company	Number of shares	Book value	Disposal restriction
Ssangyong Cement Industry Co., Ltd	11,092,842	₩ 94,738	Not defined
Hanchang Paper Co., Ltd	9,156,000	4,779	Until August 8, 2010
Daehan Eunpakgy Co., Ltd	2,815,093	2,846	Until March 27, 2010
Daewoo Electronics Corporation	2,412,662	1,884	Until March 31, 2011
		<u>₩ 104,247</u>	

4-2-5 Debt securities as of December 31, 2010 and 2009 are summarized as follows (Korean won in millions)

2010							
	Par value		Acquisition cost		Amortized cost		Fair value (book value)
Government and public bonds	₩ 3,734,000	₩	3,746,518	₩	3,728,234	₩	3,723,110
Finance bonds	3,640,000		3,649,624		3,643,596		3,649,045
Corporate bonds	7,270,847		7,264,824		7,260,899		7,104,407
Bonds denominated in foreign currencies	<u>3,781,986</u>		<u>3,815,312</u>		<u>3,852,656</u>		<u>3,867,953</u>
	<u>₩ 18,426,833</u>	₩	<u>18,476,278</u>	₩	<u>18,485,385</u>	₩	<u>18,344,515</u>

2009							
	Par value		Acquisition cost		Amortized cost		Fair value (book value)
Government and public bonds	₩ 1,075,000	₩	1,131,286	₩	1,107,235	₩	1,082,033
Finance bonds	3,940,000		3,951,579		3,938,196		3,922,907
Corporate bonds	12,164,678		12,110,014		11,761,369		11,897,713
Bonds denominated in foreign currencies	<u>4,168,939</u>		<u>4,176,729</u>		<u>4,137,007</u>		<u>3,995,283</u>
	<u>₩ 21,348,617</u>	₩	<u>21,369,608</u>	₩	<u>20,943,807</u>	₩	<u>20,897,936</u>

Debt securities in Korean won are measured based on the lower of the valuation provided by KIS Pricing Inc. or the Korea Asset Pricing Co. Debt securities in foreign currency are measured based on the lower of the valuation provided by NICE Pricing Services Inc. or the Korea Asset Pricing Co.

4. Securities (cont'd)

4-2-6 Beneficiary certificates as of December 31, 2010 and 2009 are summarized as follows (Korean won in millions)

		2010			
		Acquisition cost	Book value before valuation	Accumulated other comprehensive income	Book value
Beneficiary certificates In Korean won					
Bond type	₩	1,240,000	₩ 1,240,000	₩ 22,510	₩1,262,510
MMF type		<u>88,223</u>	<u>74,939</u>	<u>1,405</u>	<u>76,344</u>
		1,328,223	1,314,939	23,915	1,338,854
Beneficiary certificates In foreign currency					
		<u>201,271</u>	<u>177,083</u>	<u>486</u>	<u>177,569</u>
	₩	<u>1,529,494</u>	₩ 1,492,022	₩ 24,401	₩1,516,423
		2009			
		Acquisition cost	Book value before valuation	Accumulated other comprehensive income	Book value
Beneficiary certificates in Korean won					
Bond type	₩	1,640,000	₩ 1,640,000	₩ 24,863	₩ 1,664,863
MMF type		<u>1,023,042</u>	<u>1,009,589</u>	<u>40,399</u>	<u>1,049,988</u>
		2,663,042	2,649,589	65,262	2,714,851
Beneficiary certificates in foreign currency					
		<u>41,883</u>	<u>41,883</u>	<u>450</u>	<u>42,333</u>
	₩	<u>2,704,925</u>	₩ 2,691,472	₩ 65,712	₩ 2,757,184

4-2-7 Impairment losses on available-for-sale securities for the years ended December 31, 2010 and 2009 are summarized as follows (Korean won in millions)

	2010	2009
Equity securities	₩ 116,546	₩ 220,023
Debt securities	29,758	131,748
Beneficiary certificates	240	6,560
	<u>₩ 146,544</u>	<u>₩ 358,331</u>

4-3 Held-to-maturity securities

4-3-1 Held-to-maturity securities as of December 31, 2010 and 2009 consist of the following (Korean won in millions)

	Par value		Acquisition cost		Book value	
	2010	2009	2010	2009	2010	2009
Government and public bonds						
National housing bonds	₩ 11,558	₩ 17,236	₩ 5,361	₩ 10,654	₩ 10,127	₩ 16,952
Public bonds	<u>124,523</u>	<u>1,708,411</u>	<u>124,523</u>	<u>1,708,411</u>	<u>124,523</u>	<u>1,708,411</u>
	136,081	1,725,647	129,884	1,719,065	134,650	1,725,363
Corporate bonds	127,000	50,000	127,000	50,000	127,000	50,000
Others	<u>569</u>	<u>569</u>	<u>566</u>	<u>566</u>	<u>568</u>	<u>569</u>
	₩ 263,650	₩ 1,776,216	₩ 257,450	₩ 1,769,631	₩ 262,218	₩ 1,775,932

4. Securities (cont'd)

4-4 Structured securities included in available-for-sale securities as of December 31, 2010 and 2009 are summarized as follows (USD (\$) in thousands, JPY (¥) in millions, CNY (CNY) in millions, GBP (£) in thousands)

		2010					
Type	Issuer	Par value	Issued date	Maturity	Book value	Risk	
Foreign currencies Stock							
Convertible bonds (JPY)	Heiwa Real Estate Co., Ltd	¥ 50	2007 06 15	2012 06 22	¥ 49	Stock index	
	Mitsubishi Chemical Holdings Co., Ltd	100	2007 10 09	2013 10 22	97	"	
	Sharp Co., Ltd	200	2007 09 07	2013 09 30	196	"	
	STX Pan Ocean Co., Ltd	163	2009 11 17	2014 11 20	175	"	
	Toray Industries Inc	200	2007 03 06	2014 03 12	195	"	
	Yamada Denki Co., Ltd	100	2008 06 24	2015 03 31	95	"	
	Yamada Denki Co., Ltd	100	2008 06 26	2015 03 31	95	"	
Exchangeable bonds (USD)	Zeus (Cayman) Pohang	\$ 3,688	2009 05 21	2011 08 19	\$ 3,700	"	
Convertible bonds (CNY)	Industrial and Commercial Bank of China	CNY 1	2010 08 31	2016 08 31	CNY 2	"	
JPY Total		¥ 913			¥ 902		
USD Total		\$ 3,688			\$ 3,700		
CNY Total		CNY 1			CNY 2		

		2009					
Type	Issuer	Par value	Issued date	Maturity	Book value	Risk	
Foreign currencies Stock							
Convertible bonds (JPY)	Toray Industries Inc	¥ 200	2007 03 06	2014 03 12	¥ 190	Stock index	
"	Heiwa Real Estate Co., Ltd	50	2007 06 15	2012 06 22	48	"	
"	Sharp Co., Ltd	200	2007 09 07	2013 09 30	190	"	
"	LG Display Co., Ltd	921	2007 10 01	2012 04 18	1,002	"	
"	Mitsubishi Chemical Holdings Co., Ltd	100	2007 10 09	2013 10 22	90	"	
"	Hynix Semicon Inc	184	2007 12 12	2012 12 14	183	"	
"	Yamada Denki Co., Ltd	100	2008 06 24	2015 03 31	91	"	
"	Yamada Denki Co., Ltd	100	2008 06 26	2015 03 31	91	"	
"	KCC Corporation	461	2008 07 03	2012 10 30	480	"	
"	KCC Corporation	184	2008 07 03	2012 10 30	186	"	
"	KCC Corporation	92	2008 07 04	2012 10 30	93	"	
"	KCC Corporation	92	2008 07 16	2012 10 30	93	"	
"	KCC Corporation	92	2008 07 17	2012 10 30	93	"	
"	LG Display Co., Ltd	276	2008 09 05	2012 04 18	301	"	
"	LG Display Co., Ltd	184	2008 09 05	2012 04 18	200	"	
"	STX Pan Ocean Co., Ltd	184	2009 11 17	2014 11 20	179	"	
Exchangeable bonds (JPY)	Donga Pharmaceutical Co., Ltd	442	2007 08 03	2012 07 05	468	"	
"	Donga Pharmaceutical Co., Ltd	479	2007 08 03	2017 07 05	507	"	
Convertible bonds (USD)	KCC Corporation	\$ 1,500	2008 07 02	2012 10 30	\$ 1,563	"	
"	Hynix Semicon Inc	1,000	2009 03 17	2012 12 14	994	"	
"	Hynix Semicon Inc	1,000	2009 04 03	2012 12 14	994	"	
"	Hynix Semicon Inc	1,000	2009 04 03	2012 12 14	994	"	
"	Hynix Semicon Inc	1,000	2009 04 17	2012 12 14	994	"	
"	LG Display Co., Ltd	2,000	2009 06 10	2012 04 18	2,176	"	
"	Hynix Semicon Inc	1,000	2009 07 21	2012 12 14	994	"	
"	Hynix Semicon Inc	2,000	2009 07 21	2012 12 14	1,987	"	
"	Hynix Semicon Inc	1,000	2009 07 23	2012 12 14	994	"	
"	Hynix Semicon Inc	1,000	2009 07 23	2012 12 14	994	"	
"	Hynix Semicon Inc	1,000	2009 07 23	2012 12 14	994	"	
Exchangeable bonds (GBP)	Daechang Co., Ltd	£ -	2009 04 09	2012 08 09	£ 110	"	
Convertible bonds	Hynix Semicon Inc	1,241	2007 12 10	2010 06 14	1,233	"	
Exchangeable bonds	Zeus (Cayman) Pohang	2,015	2009 05 21	2011 08 19	1,966	"	
JPY Total		¥ 4,341			¥ 4,485		
USD Total		\$ 13,500			\$ 13,678		
GBP Total		£ 3,256			£ 3,309		

(*) Structured securities detailed above are equivalent to ₩17,076 million and ₩78,803 million as of December 31, 2010 and 2009, respectively

4. Securities (cont'd)

4-5 The maturities of debt securities included in available-for-sale securities and held-to-maturity securities as of December 31, 2010 and 2009 are as follows (Korean won in millions)

2010					
	Government bonds	Finance bonds	Corporate bonds	Bonds denominated in foreign currencies	Total
<u>Available-for-sale securities</u>					
Within 1 year	₩1,628,749	₩2,595,163	₩2,194,444	₩220,539	₩6,638,895
After 1 year					
but no later than 5 years	1,816,706	1,053,882	4,760,239	1,166,717	8,797,544
After 5 years					
but no later than 10 years	183,635	-	149,724	382,011	715,370
Later than 10 years	94,020	-	-	2,098,686	2,192,706
	<u>₩3,723,110</u>	<u>₩3,649,045</u>	<u>₩7,104,407</u>	<u>₩3,867,953</u>	<u>₩18,344,515</u>
	Government and public bonds	Corporate bonds	Others		Total
<u>Held-to-maturity securities</u>					
Within 1 year	₩1,070	₩-	₩568		₩1,638
After 1 year					
but no later than 5 years	130,110	127,000	-		257,110
After 5 years					
but no later than 10 years	3,470	-	-		3,470
	<u>₩134,650</u>	<u>₩127,000</u>	<u>₩568</u>		<u>₩262,218</u>
2009					
	Government bonds	Finance bonds	Corporate bonds	Bonds denominated in foreign currencies	Total
<u>Available-for-sale securities</u>					
Within 1 year	₩223,963	₩1,016,402	₩3,584,977	₩1,111,839	₩5,937,181
After 1 year					
but no later than 5 years	468,327	2,906,505	8,004,792	1,605,684	12,985,308
After 5 years					
but no later than 10 years	304,839	-	293,768	1,235,564	1,834,171
Later than 10 years	84,904	-	14,176	42,196	141,276
	<u>₩1,082,033</u>	<u>₩3,922,907</u>	<u>₩11,897,713</u>	<u>₩3,995,283</u>	<u>₩20,897,936</u>
	Government and public bonds	Corporate bonds	Others		Total
<u>Held-to-maturity securities</u>					
Within 1 year	₩882,892	₩-	₩569		₩883,461
After 1 year					
but no later than 5 years	749,729	50,000	-		799,729
After 5 years					
but no later than 10 years	92,742	-	-		92,742
	<u>₩1,725,363</u>	<u>₩50,000</u>	<u>₩569</u>		<u>₩1,775,932</u>

4. Securities (cont'd)

4-6 Information of the securities

4-6-1 Information of the securities (except for equity method investments) by country of issuance or origination as of December 31, 2010 and 2009 is summarized as follows (Korean won in millions)

		2010	
	Country	Amount	Ratio (%)
Trading securities	Korea	₩ 1,023,949	98.3
	China	17,486	1.7
		<u>1,041,435</u>	<u>100.0</u>
Available-for-sale securities	Korea	20,767,753	94.0
	USA	322,782	1.5
	India	150,786	0.7
	UK	93,121	0.4
	UAE	86,457	0.4
	Russia	81,328	0.4
	Japan	74,335	0.3
	China	22,138	0.1
	Other	504,932	2.2
		<u>22,103,632</u>	<u>100.0</u>
Held-to-maturity securities	Korea	262,218	100.0
		<u>₩ 23,407,285</u>	
		2009	
	Country	Amount	Ratio (%)
Trading securities	Korea	₩ 607,761	98.8
	USA	7,604	1.2
		<u>615,365</u>	<u>100.0</u>
Available-for-sale securities	Korea	25,076,611	93.9
	USA	385,590	1.4
	India	191,440	0.7
	Russia	147,279	0.6
	UAE	95,457	0.4
	UK	78,125	0.3
	Japan	73,878	0.3
	Other	648,160	2.4
		<u>26,696,990</u>	<u>100.0</u>
Held-to-maturity securities	Korea	1,775,932	100.0
		<u>₩ 29,088,287</u>	

4. Securities (cont'd)

4-6-2 Information of the securities (except for equity method investments) by industry as of December 31, 2010 and 2009 is summarized as follows (Korean won in millions)

	Industry	2010	
		Amount	Ratio (%)
Trading securities			
	Financial services	₩ 124,793	12.0
	Construction	20,838	2.0
	Manufacturing	16,510	1.6
	Electricity, gas and water supply	9,930	1.0
	Other	869,364	83.4
		1,041,435	100.0
Available-for-sale securities			
	Financial services	14,326,852	64.8
	Manufacturing	3,287,275	14.9
	Construction	1,201,322	5.4
	Public sector	939,354	4.2
	Electricity, gas and water supply	202,106	0.9
	Other	2,146,723	9.8
		22,103,632	100.0
Held-to-maturity securities			
	Financial services	107,721	41.1
	Public sector	101,000	38.5
	Electricity, gas and water supply	3,497	1.3
	Other	50,000	19.1
		262,218	100.0
	₩	23,407,285	
	Industry	2009	
		Amount	Ratio (%)
Trading securities			
	Financial services	₩ 319,098	51.9
	Electricity, gas and water supply	19,822	3.2
	Manufacturing	13,505	2.2
	Construction	3,300	0.5
	Other	259,640	42.2
		615,365	100.0
Available-for-sale securities			
	Financial services	14,270,986	53.5
	Manufacturing	5,448,414	20.4
	Construction	1,983,935	7.4
	Public sector	1,981,970	7.4
	Electricity, gas and water supply	183,102	0.7
	Other	2,828,583	10.6
		26,696,990	100.0
Held-to-maturity securities			
	Construction	1,443,600	81.3
	Public sector	112,676	6.3

4. Securities (cont'd)

Industry	2009	
	Amount	Ratio (%)
Financial services	50,711	2.9
Electricity, gas and water supply	4,313	0.2
Other	164,632	9.3
	<u>1,775,932</u>	<u>100.0</u>
	<u>₩ 29,088,287</u>	

4-6-3 Information of the securities (except for equity method investments) by type of instrument as of December 31, 2010 and 2009 is summarized as follows (Korean won in millions)

	Type	2010	
		Amount	Ratio (%)
Trading securities			
	Equity securities	₩ 25,562	2.5
	Floating rate bonds	2,498	0.2
	Fixed rate bonds	<u>1,013,375</u>	<u>97.3</u>
		1,041,435	100.0
Available-for-sale securities			
	Equity securities	2,032,779	9.2
	Investments in partnerships	209,915	0.9
	Fixed rate bonds	15,982,293	78.1
	Floating rate bonds	2,362,222	10.7
	Beneficiary certificates	<u>1,516,423</u>	<u>1.1</u>
		22,103,632	100.0
Held-to-maturity securities			
	Fixed rate bonds	<u>262,218</u>	<u>100.0</u>
		<u>₩ 23,407,285</u>	
	Type	2009	
		Amount	Ratio (%)
Trading securities			
	Floating rate bonds	₩ 64,192	10.4
	Fixed rate bonds	<u>551,173</u>	<u>89.6</u>
		615,365	100.0
Available-for-sale securities			
	Equity securities	2,742,280	10.3
	Investments in partnerships	299,590	1.1
	Fixed rate bonds	19,721,317	74.0
	Floating rate bonds	1,176,619	4.4
	Beneficiary certificates	<u>2,757,184</u>	<u>10.2</u>
		26,696,990	100.0
Held-to-maturity securities			
	Fixed rate bonds	<u>1,775,932</u>	<u>100.0</u>
		<u>₩ 29,088,287</u>	

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4 Securities (cont'd)

4-7 Equity method investments

4-7-1 Equity method investments as of December 31, 2010 and 2009 are summarized as follows (Korean won in millions)

	Ownership (%)	2010							2009		
		Equity method valuation									
		Beginning balance	Increase (decrease)	Dividend	Book value before valuation	Earnings (loss)	Retained earnings	Other comprehensive income	Book value	Proportionate net asset value	Proportionate net asset value
Securities											
Daewoo Shipbuilding & Marine Engineering Co., Ltd	31.26	₩ 1,040,486	₩ 366	₩(29,913)	₩1,010,939	₩ 243,206	₩ (751)	₩ 29,094	₩ 1,282,488	₩ 1,282,488	₩ 1,040,486
KDB Asia Ltd (*1)	100.00	214,807	(5,280)	-	209,527	12,867	-	6,102	228,496	228,496	214,806
Korea BTL Fund I	41.67	172,378	46,875	(8,199)	211,054	10,043	-	-	221,097	222,309	172,378
KDB Bank											
(Hungary) Ltd (*1)	100.00	151,952	(18,037)	-	133,915	6,185	-	(43)	140,057	140,057	151,952
KDB electronic power PEF	50.00	126,151	23,708	(7,394)	142,465	7,947	-	-	150,412	149,840	126,151
Korea Infrastructure Fund II	26.67	96,795	18,369	(4,635)	110,529	4,468	-	-	114,997	114,997	96,795
Korea Education Fund	50.00	73,312	9,137	(3,913)	78,536	4,395	-	-	82,931	83,604	73,312
Korea Railroad Fund I	50.00	73,176	58,502	(3,603)	128,075	5,080	-	-	133,155	133,382	73,176
Korea Infrastructure Fund	85.00	64,301	(27,193)	(4,256)	32,852	3,597	-	-	36,449	36,449	64,301
KDB Ireland Ltd (*1)	100.00	62,390	(1,534)	-	60,856	5,863	-	3,991	70,710	70,710	62,390
Moornim P&P Co., Ltd	-	29,628	(35,734)	-	(6,106)	6,106	-	-	-	-	29,628
UzKDB Bank (*1)	61.11	18,634	(458)	-	18,176	2,837	-	(335)	20,678	20,677	18,634
Banco KDB Do Brazil S.A. (*1)	100.00	15,909	74,462	-	90,371	(141,771)	(276)	(1,527)	-	(53,203)	15,909
Sewon Corporation	16.62	12,011	-	(69)	11,942	4,161	-	-	16,123	16,123	12,011
GM Korea Company	17.02	-	751,122	-	751,122	-	-	-	751,122	470,762	-
Others	-	92,833	2,485	(525)	94,793	(3,803)	3,088	(2,979)	91,099	571,453	92,834
		2,244,763	896,790	(62,507)	3,079,046	171,201	2,061	34,303	3,339,814	3,488,144	2,244,763
											75,276
											2,263,517

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4 Securities (cont'd)

	Ownership (%)	2010					2009				
		Beginning balance	Increase (decrease)	Dividend	Book value before valuation	Earnings (loss)	Retained earnings	Other comprehensive income	Book value	Proportionate net asset value	Proportionate net asset value
Other investments											
KDB Value Private Equity Fund I	77 02	46,450	(33,203)	(17,757)	(4,510)	6,062	-	-	1,552	1,552	46,450
KDB Value Private Equity Fund II	51 93	136,807	(141,356)	(49,134)	(53,682)	91,537	-	-	37,855	37,855	136,807
KDB Value Private Equity Fund III	69 22	62,302	-	-	62,302	7,703	9,144	(2,093)	77,056	77,056	62,302
KDB Value Private Equity Fund VI	99 84	-	1,003,870	-	1,003,870	-	-	-	1,003,870	1,003,870	-
KDB Turn Around	95 12	46,866	5,800	-	52,666	(31,758)	-	-	20,908	20,908	46,866
KDB Venture M&A Private Equity Fund	57 56	13,599	-	-	13,599	8,260	-	-	21,859	21,859	13,599
KDB Consus Value	40 52	-	253,845	-	253,845	(62,268)	-	1,877	193,454	193,454	-
KDB-Istone Private Equity Fund	46 67	-	19,487	-	19,487	(700)	-	-	18,787	18,787	-
Others		25,129	56,122	-	81,251	(2,117)	-	(648)	78,486	77,288	25,129
		331,153	1,164,566	(66,891)	1,428,828	16,719	9,144	(864)	1,453,827	1,452,629	331,153
		₩ 2,575,916	₩ 2,061,356	₩ (129,398)	₩ 4,507,874	₩ 187,920	₩ 11,205	₩ 33,439	₩ 4,793,641	₩ 4,940,773	₩ 2,575,916
											₩ 2,595,677

(*1) For investments denominated in foreign currency, the beginning balance was translated using the exchange rate at December 31, 2010

(*2) The Bank obtained the audited or reviewed financial statements of the investees, if available, to apply the equity method of accounting. If they are not available, the Bank obtains unaudited financial statements signed by the investees' internal auditors and management. The auditor confirmed that the investees' unaudited financial statements reflected all significant transactions or resolution of accounting issues which the Bank identified.

4. Securities (cont'd)

4-7-2 Changes in the unamortized difference between the Bank's acquisition cost and the Bank's portion of the investee's net asset value at acquisition date for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions)

	2010		2009	
	Amortization	Reversal	Amortization	Reversal
Beginning balance	₩ 15,708	₩ (39,861)	₩ 23,371	₩ (3,582,458)
Increase (decrease)	275,787	32,827	(456)	3,337,519
Amortization or reversal	(3,800)	4,116	(7,207)	205,078
Ending balance	₩ 287,695	₩ (2,918)	₩ 15,708	₩ (39,861)

4-7-3 Changes in unrealized income (expenses) incurred from transactions with investees for the years ended December 31, 2010 and 2009 are summarized as follows (Korean won in millions)

	2010			
	Beginning balance	Increase	Decrease	Ending balance
Daewoo Shipbuilding & Marine Engineering Co., Ltd	₩ 19,466	₩ -	₩ (825)	₩ 18,641
KDB Ireland Ltd	1,518	-	(37)	1,481
KDB Bank (Hungary) Ltd	99	18	-	117
KDB Asia Ltd	99	-	(36)	63
Banco KDB Do Brasil S A	-	2,520	-	2,520
	₩ 21,182	₩ 2,538	₩ (898)	₩ 22,822

	2009			
	Beginning balance	Increase	Decrease	Ending balance
KDB Capital Corp	₩ 3,107	₩ -	₩ (3,107)	₩ -
Daewoo Shipbuilding & Marine Engineering Co., Ltd	22,036	-	(2,570)	19,466
Korea Aerospace Industries, Ltd	2,273	-	(2,273)	-
KDB Ireland Ltd	1,860	-	(342)	1,518
KDB Bank (Hungary) Ltd	-	99	-	99
KDB Asia Ltd	-	99	-	99
Daewoo Securities Co., Ltd	-	670	(670)	-
	₩ 29,276	₩ 868	₩ (8,962)	₩ 21,182

4. Securities (cont'd)

4-7-4 The condensed financial position and the results of operations of the Bank's equity method investees as of and for the years ended December 31, 2010 and 2009 are summarized as follows (Korean won in millions)

	2010			
	Assets	Liabilities	Operating income(loss)	Net income (loss)
Securities				
Daewoo Shipbuilding & Marine Engineering Co., Ltd (*)	₩14,176,729	₩10,133,496	₩ 12,074,505	₩ 780,132
KDB Asia Ltd	796,359	567,926	41,373	12,901
Korea BTL Fund I	533,899	352	12,912	12,146
KDB Bank (Hungary) Ltd	751,621	611,681	91,525	5,879
KDB electronic power PEF	299,730	8,317	8,651	8,265
Korea Infrastructure Fund II	538,289	107,048	14,595	9,331
Korea Education Fund	167,217	9	4,363	4,144
Korea Railroad Fund I	266,781	16	6,364	5,757
Korea Infrastructure Fund	42,897	17	2,268	2,045
KDB Ireland Ltd	399,602	330,375	25,940	5,862
UzKDB Bank	216,922	183,086	16,364	6,689
Banco KDB Do Brazil S A	536,983	592,706	326,884	(144,291)
GM Korea Company	7,827,531	5,061,576	12,597,422	585,551
Other investments				
KDB Value Private Equity Fund I	2,016	-	8,533	7,871
KDB Value Private Equity Fund II	73,167	277	197,705	176,258
KDB Value Private Equity Fund III	111,646	323	12,439	11,129
KDB Turn Around	30,351	8,372	(31,908)	(33,385)
KDB Venture M&A Private Equity Fund	38,223	246	14,996	14,350
	2009			
	Assets	Liabilities	Operating income	Net income (loss)
Securities				
Daewoo Shipbuilding & Marine Engineering Co., Ltd	₩16,530,511	₩13,463,018	₩ 12,442,519	₩ 616,385
KDB Asia Ltd	724,331	509,624	54,210	12,353
Korea Infrastructure Fund II	456,259	93,278	45,832	37,492
KDB Bank(Hungary) Ltd	860,462	708,610	170,703	4,778
Korea Infrastructure Fund	75,677	29	7,438	6,826
KDB Ireland Ltd	440,251	379,381	33,970	5,606
Banco KDB Do Brazil S A	635,338	619,428	531,332	(40,718)
UzKDB Bank	143,575	113,133	14,521	6,444
Other investments				
KDB Value Private Equity Fund I	60,541	229	51,232	49,391
KDB Value Private Equity Fund II	271,381	1,193	6,251	2,368
KDB Value Private Equity Fund III	94,148	1,261	372	(1,733)
KDB Venture M&A Private Equity Fund	23,777	150	635	(261)
National Pension Service 05-4 Saneun Venture Investment Inc	28,766	-	5,232	1,133

(*) Financial information was extracted from the investee's financial statements

4. Securities (cont'd)

4-8 The Bank has not applied the equity method accounting for the following investees even though the Bank holds equity interest more than 15% as of December 31, 2010 and 2009 (Korean won in millions, number of shares in thousands)

	2010					Reason
	Number of Shares	Ownership (%)	Acquisition value	Book value		
Sungjin Geotec Co., Ltd	6,980	16.61	₩ 30,000	₩ 97,484		Non Voting Preferred Stock
Ajin Paper & Packing Co., Ltd	733	25.90	₩ 4,855	₩ 9,600		Corporate Restructuring Promotion Act
Others			<u>183,369</u>	<u>98,037</u>	(*)	
			<u>₩ 218,224</u>	<u>₩ 205,121</u>		
	2009					Reason
	Number of Shares	Ownership (%)	Acquisition value	Book value		
Pantech Co., Ltd	249,427	15.14	₩ 46,133	₩ 103,762		Corporate Restructuring Promotion Act
Others			<u>203,927</u>	<u>161,639</u>	(*)	
			<u>₩ 250,060</u>	<u>₩ 265,401</u>		

(*) In accordance with the Company Reorganization Act, the Corporate Restructuring Promotion Act and others

4-9 The fair values of investments in listed investees as of December 31, 2010 and 2009 are as follows (Korean won in millions)

	2010	
	Fair value	Book value
Daewoo Shipbuilding & Marine Engineering Co., Ltd	₩ 2,180,643	₩ 1,282,488
Sewon Corporation	10,368	16,123
	<u>₩ 2,191,011</u>	<u>₩ 1,298,611</u>
	2009	
	Fair value	Book value
Daewoo Shipbuilding & Marine Engineering Co., Ltd	₩ 1,046,948	₩ 1,040,486
Sewon Corporation	8,050	12,011
Moorim P&P Co., Ltd	31,462	29,628
	<u>₩ 1,086,460</u>	<u>₩ 1,082,125</u>

4. Securities (cont'd)

4-10 Restricted securities as of December 31, 2010 are summarized as follows (Korean won in millions)

	Type	2010	
		Amount	Restriction
BOK	Available-for-sale securities	₩ 1,660,336	Collateral for overdrafts and others
Korea Securities Depository	"	5,646,299	Collateral relating to Repo transactions
Others	"	862,961	KDB 1st SPC and others
		<u>₩ 8,169,596</u>	

5. Loans receivable

5-1 Detail of loans receivable

5-1-1 Total loans receivable as of December 31, 2010 and 2009 consist of the following (Korean won in millions)

	2010	2009
Loans in Korean won	₩ 37,838,144	₩ 36,809,619
Loans in foreign currencies	16,332,079	17,954,984
Bills bought in Korean won	1,889	4,180
Bills bought in foreign currencies	1,719,430	2,315,945
Advance payments on acceptances and guarantees	125,936	75,401
Bonds purchased under resale agreements	1,133,251	950,407
Others	<u>14,712,518</u>	<u>18,100,818</u>
	71,863,247	76,211,354
Less allowance for possible loan losses	(1,944,837)	(1,413,400)
Deferred loan fees	<u>(25,497)</u>	<u>(12,499)</u>
Total loans receivable	<u>₩ 69,892,913</u>	<u>₩ 74,785,455</u>

5-1-2 Loans receivable as of December 31, 2010 and 2009 consist of the following (Korean won in millions)

<Loans receivable in Korean won>

	2010	2009
Loans for working capital		
Industrial fund loans	₩ 12,140,644	₩ 10,522,291
Overdraft	399,944	407,536
Loans for working capital for small and medium industry	6,370	447,550
Trade notes purchased at a discount	6,000	6,000
Government fund loans	196	392
Others	<u>1,126,040</u>	<u>730,623</u>
	13,679,194	12,114,392
Loans for facility developments		
Industrial fund loans	20,557,662	21,173,602
Government fund loans	727,513	789,806
Loans to customers		
with fund for rational use of energy	1,022,121	923,765
Loans to customers with tourism fund	640,952	721,481
Loans to customers with small and medium company promotion fund	426,826	460,349
Loans to customers with national investment fund	14,813	15,394

5. Loans receivable (cont'd)

	2010	2009
Loans to customers with industrial technique fund	24,140	51,260
Loans to customers with industrial foundation fund	49	4,013
Others	718,895	555,557
	<u>24,132,971</u>	<u>24,695,227</u>
Loans on households		
Housing loans in Korean won	25,919	-
General purpose loans in Korean won	60	-
	<u>25,979</u>	<u>-</u>
₩	<u>37,838,144</u>	<u>₩ 36,809,619</u>

<Loans receivable in foreign currency>

	2010	2009
Loans for working capital		
Loans for working capital in foreign currency	₩ 2,176,067	₩ 1,859,482
Loans for working capital from foreign country	589,349	548,113
Others	43,735	3,301
	<u>2,809,151</u>	<u>2,410,896</u>
Loans for facility developments		
Loans for facility development in foreign currency	7,174,421	7,803,036
Off-shore loans in foreign currency	3,668,493	3,418,935
Loans for facility developments from foreign country	2,336,946	2,746,163
Loans to international bank for reconstruction and development	-	1,417,786
Loans to Japan Bank for International corporation	343,068	158,168
	<u>13,522,928</u>	<u>15,544,088</u>
₩	<u>16,332,079</u>	<u>₩ 17,954,984</u>

<Other loans receivable>

	2010	2009
Debentures accepted by private subscription	₩ 6,724,279	₩ 11,426,504
Domestic import usance bills	3,500,211	3,683,812
Call loans	2,569,711	1,277,845
Inter-bank loans	1,694,945	1,499,725
Inter-non-bank loans	174,252	178,643
Others	19,383	20,285
Letter of credit	18,664	14,004
Receivables convertible to equity securities	11,073	-
₩	<u>14,712,518</u>	<u>₩ 18,100,818</u>

5 Loans receivable (cont'd)

5-2 Detail of loans in Korean won and loans in foreign currencies by country and industry

5-2-1 Concentrations of loans in Korean won and loans in foreign currencies by country as of December 31, 2010 and 2009 are summarized as follows (Korean won in millions)

	2010		2009	
	Book value	Ratio (%)	Book value	Ratio (%)
Korea	₩ 46,197,331	85.27	₩ 47,826,006	87.33
China	1,856,045	3.43	1,668,939	3.05
Ireland	692,759	1.28	710,249	1.30
USA	355,634	0.66	357,432	0.65
Indonesia	125,399	0.23	168,569	0.31
Others	4,943,055	9.13	4,033,408	7.36
	<u>₩ 54,170,223</u>	<u>100.00</u>	<u>₩ 54,764,603</u>	<u>100.00</u>

5-2-2 Concentrations of loans in Korean won and loans in foreign currencies by industry as of December 31, 2010 and 2009 are summarized as follows (Korean won in millions)

	2010		2009	
	Book value	Ratio (%)	Book value	Ratio (%)
Manufacturing	₩ 32,162,414	59.37	₩ 32,172,178	58.75
Transportation business	5,596,199	10.33	5,567,665	10.17
Financial services	4,280,395	7.91	3,331,544	6.08
Electricity, Gas and Water Supply	2,044,869	3.77	2,983,588	5.45
Wholesale and retail	1,387,191	2.56	1,649,112	3.01
Public sector and others	740,473	1.37	1,629,681	2.98
Others	7,958,682	14.69	7,430,835	13.56
	<u>₩ 54,170,223</u>	<u>100.00</u>	<u>₩ 54,764,603</u>	<u>100.00</u>

5-3 The maturity of loans in Korean won and loans in foreign currencies as of December 31, 2010 and 2009 is summarized as follows (Korean won in millions)

	2010		
	Korean won	Foreign currencies	Total
Within 3 months	₩ 3,666,416	₩ 1,700,926	₩ 5,367,342
After 3 months but no later than 6 months	4,035,731	1,695,579	5,731,310
After 6 months but no later than 1 year	7,237,977	2,547,314	9,785,291
After 1 year but no later than 3 years	11,695,101	6,285,890	17,980,991
After 3 years but no later than 5 years	6,112,629	2,297,592	8,410,221
Later than 5 years	5,090,290	1,804,778	6,895,068
	<u>₩ 37,838,144</u>	<u>₩ 16,332,079</u>	<u>₩ 54,170,223</u>

5. Loans receivable (cont'd)

	2009		
	Korean won	Foreign currencies	Total
Within 3 months	₩ 4,229,310	₩ 1,223,726	₩ 5,453,036
After 3 months			
but no later than 6 months	3,254,762	1,938,783	5,193,545
After 6 months			
but no later than 1 year	5,725,542	2,706,687	8,432,229
After 1 year			
but no later than 3 years	12,349,779	7,088,901	19,438,680
After 3 years			
but no later than 5 years	5,733,282	2,945,829	8,679,111
Later than 5 years	<u>5,516,944</u>	<u>2,051,058</u>	<u>7,568,002</u>
	<u>₩ 36,809,619</u>	<u>₩ 17,954,984</u>	<u>₩ 54,764,603</u>

5-4 Details of changes in the allowance for possible loan losses for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions)

	2010			2009
	Loans	Others	Total	
Beginning balance	₩ 1,393,546	₩ 52,244	₩ 1,445,790	₩ 1,026,777
Changes in translation of foreign currency	290	-	290	(2,465)
Increase in allowance from loan repurchase	13,227	-	13,227	18,316
Disposal of non-performing loans	(98,065)	-	(98,065)	(136,958)
Increase in allowance due to early collection for loans restructured	533	-	533	1,156
Spin-off	-	-	-	(33,626)
Losses recognized under the equity method in excess of the investor's investment	53,202	-	53,202	-
Write-offs	(578,665)	-	(578,665)	(395,475)
Provision for possible loan losses	1,184,436	969	1,185,405	918,586
Transfer to other allowance	(39,662)	22,885	(16,777)	49,479
Ending balance	<u>₩ 1,928,842</u>	<u>₩ 76,098</u>	<u>₩ 2,004,940</u>	<u>₩ 1,445,790</u>

The difference between the above allowance for possible loan losses of ₩1,928,842 million and the amount per the statement of financial position of ₩1,944,837 million represents present value discount of loans under restructuring agreements

5. Loans receivable (cont'd)

5-5 Classification of loans receivable and detail of the allowance for possible loan losses

5-5-1 Details on the allowance for possible loan losses as of December 31, 2010 and 2009 are as follows (Korean won in millions)

	2010	2009
Loans		
Loans and Bills bought	₩ 1,416,493	₩ 1,097,632
Bills bought in foreign currencies	46,712	49,462
Advance payments on acceptances and guarantee	47,917	26,825
Domestic import usance	66,799	62,850
Privately-placed corporate bonds	341,501	152,542
Others	9,420	4,235
	1,928,842	1,393,546
Other assets	76,098	52,244
	₩ 2,004,940	₩ 1,445,790

5-5-2 Details on the classification of loans receivable and the allowance for possible loan losses as of December 31, 2010 and 2009 are as follows (Korean won in millions)

	2010		
	Loans receivable	Allowance for possible loan losses	Ratio (%)
Normal	₩ 61,836,795	₩ 773,239	1 25
Precautionary	2,404,404	448,863	18 67
Substandard	1,403,379	499,671	35 60
Doubtful	49,740	41,660	83 76
Estimated Loss	165,409	165,409	100 00
	₩ 65,859,727	₩ 1,928,842	2.93

	2009		
	Loans receivable	Allowance for possible loan losses	Ratio (%)
Normal	₩ 66,797,008	₩ 719,605	1 08
Precautionary	1,343,173	190,199	14 16
Substandard	1,580,400	418,944	26 51
Doubtful	37,600	22,830	60 72
Estimated Loss	41,968	41,968	100 00
	₩ 69,800,149	₩ 1,393,546	2.00

Details of the adjustments to loans receivable for purpose of the determination of the allowance for possible loan losses as of December 31, 2010 and 2009 are as follows (Korean won in millions)

	2010	2009
Loans receivable	₩ 71,863,247	₩ 76,211,354
Present value discount	(15,995)	(19,854)
Prepayments regarded as loans	-	1,908
Call loans	(2,569,711)	(1,277,845)
Inter-bank loans	(1,694,945)	(1,499,725)
Bonds purchased under resale agreement	(1,133,251)	(950,407)
Others (*)	(589,618)	(2,665,282)
	₩ 65,859,727	₩ 69,800,149

(*) Others represent loans to or loans guaranteed by the Korean government

5. Loans receivable (cont'd)

5-5-3 Historical ratios of the allowance for possible loan losses to total loans receivable as of December 31, 2010, 2009 and 2008, are as follows (Korean won in millions)

	2010	2009	2008
Total loans receivable	₩ 65,859,727	₩ 69,800,149	₩ 67,524,055
Allowance for possible loan losses	1,928,842	1,393,546	1,023,727
Ratio (%)	2.93	2.00	1.52

5-6 Details of restructured loans as of December 31, 2010 and 2009 are as follows (Korean won in millions)

	2010(*)	2009
Conversion of investment	₩ 220,072	₩ 76,561

(*) 2010 amount includes ₩140,000 million of corporate bonds in available-for-sale securities, which were converted to equity securities in 2010

5-7 Unamortized present value discounts originated from troubled debt restructuring as of December 31, 2010 and 2009 are as follows (Korean won in millions)

	2010		
	Original amount before restructuring	Present value discount	Present value
Loans receivable restructured	₩ 89,103	₩ 15,995	₩ 73,108

	2009		
	Original amount before restructuring	Present value discount	Present value
Loans receivable restructured	₩ 97,918	₩ 19,854	₩ 78,064

5-7-1 Changes in present value discounts originated from troubled debt restructuring for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions)

	2010	2009
Beginning balance	₩ 19,854	₩ 22,408
Increase	224	2,711
Amortization (Interest income, etc)	(3,550)	(4,095)
Reversal	(533)	(1,170)
Ending balance	₩ 15,995	₩ 19,854

5-8 Changes in deferred loan fees, net of income for the years ended December 31, 2010 and 2009 are summarized as follows (Korean won in millions)

	2010			
	Beginning balance	Increase	Decrease	Ending balance
Deferred loan fees, net of income	₩ 12,499	₩ 21,017	₩ (8,019)	₩ 25,497

	2009			
	Beginning balance	Increase	Decrease	Ending balance
Deferred loan fees, net of income	₩ 1,569	₩ 20,577	₩ (9,647)	₩ 12,499

6. Property and equipment

6-1 Changes in property and equipment for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions)

2010						
	Beginning balance	Acquisition	Disposal	Other (*)	Depreciation	Ending balance
Land	₩274,212	₩ 46	₩ (3,426)	₩ (7,142)	₩ -	₩ 263,690
Buildings	240,403	713	(387)	25	(7,840)	232,914
Structures	5,436	20	-	-	(348)	5,108
Computer equipment	13,227	6,373	(76)	(1)	(6,533)	12,990
Vehicles	196	550	(230)	209	(149)	576
Construction in-progress	14	271	(284)	(1)	-	-
Others	8,702	4,956	(2)	(29)	(2,938)	10,689
	<u>₩542,190</u>	<u>₩ 12,929</u>	<u>₩ (4,405)</u>	<u>₩ (6,939)</u>	<u>₩ (17,808)</u>	<u>₩ 525,967</u>

2009						
	Beginning balance	Acquisition	Disposal	Other (*)	Depreciation	Ending balance
Land	₩319,198	₩ 21	₩ (38,958)	₩ (6,049)	₩ -	₩ 274,212
Buildings	288,810	1,695	(36,760)	(4,397)	(8,945)	240,403
Structures	8,101	-	(2,148)	-	(517)	5,436
Computer equipment	11,049	4,297	-	(10)	(2,109)	13,227
Vehicles	284	24	(17)	(14)	(81)	196
Construction in-progress	49	1,286	(1,321)	-	-	14
Others	9,074	2,198	(117)	(204)	(2,249)	8,702
	<u>₩636,565</u>	<u>₩ 9,521</u>	<u>₩ (79,321)</u>	<u>₩ (10,674)</u>	<u>₩ (13,901)</u>	<u>₩ 542,190</u>

(*) Others include exchanges differences adjustment and impairment losses for assets denominated in foreign currencies

The value of the Bank's land, as determined by the government of the Republic of Korea for tax administration purposes as of December 31, 2010 and 2009 amounted to ₩380,544 million and ₩360,490 million, respectively

6-2 Insured property and equipment as of December 31, 2010 are summarized as follows (Korean won in millions)

2010		
	Insured amount	Insurance period
Buildings & Structures	₩ 221,983	2010 1 12 ~ 2011 1 12
Computer equipment	13,010	Same as the above
Others	6,459	Same as the above
	<u>₩ 241,452</u>	

7. Other assets

7-1 Changes in intangible assets for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions)

Type	2010			
	Beginning balance	Increase	Decrease	Ending balance
Development costs	₩ 32,285	₩ 13,711	₩ (9,514)	₩ 36,482
Equipment usage right	323	-	(28)	295
Others	7,972	5,428	(3,309)	10,091
	₩ 40,580	₩ 19,139	₩ (12,851)	₩ 46,868

Type	2009			
	Beginning balance	Increase	Decrease	Ending balance
Development costs	₩ 22,613	₩ 17,481	₩ (7,809)	₩ 32,285
Equipment usage right	317	34	(28)	323
Others	6,252	4,834	(3,114)	7,972
	₩ 29,182	₩ 22,349	₩ (10,951)	₩ 40,580

7-2 Details of others in other assets as of December 31, 2010 and 2009 are as follows (Korean won in millions)

	2010	2009
Accounts receivable related foreign exchange	₩ 933,161	₩ 1,152,906
Other deposits provided	11,198	7,768
Others	237,911	68,534
	₩ 1,182,270	₩ 1,229,208

8. Deposits received

8-1 Deposits received as of December 31, 2010 and 2009 consist of the following (Korean won in millions)

	2010	2009
Deposits in Korean won		
Demand deposits		
Checking accounts	₩ 5,212	₩ 2,951
Temporary deposits	398,202	212,456
Passbook deposits	8,606	7,639
Others	86	81
	412,106	223,127
Time and savings deposits		
Time deposits	11,286,924	3,945,550
Installment savings deposits	175,259	158,280
Corporate savings deposits	4,735,872	4,390,176
Savings deposits	122,442	99,193
Others	1,714	1,714
	16,322,211	8,594,913
	16,734,317	8,818,040
Deposits in foreign currency		
Demand deposits		
Checking accounts	20,239	24,992
Passbook deposits	560	244,624
Temporary deposits	316,823	463
Others	53,956	28,611
	391,578	298,690

8. Deposits received (cont'd)

	2010	2009
Time and savings deposits		
Time deposits	667,001	1,234,410
	1,058,579	1,533,100
Negotiable certificates of deposits	1,136,947	3,584,786
	<u>₩ 18,929,843</u>	<u>₩ 13,935,926</u>

8-2 Maturities of deposits received as of December 31, 2010 and 2009 are summarized as follows
(Korean won in millions)

	2010			
	Demand deposits	Time and saving deposits	Negotiable certificates of deposits	Total
Within 3 months	₩ 803,684	₩ 11,813,296	₩ 840,845	₩ 13,457,825
After 3 months				
but no later than 6 months	-	1,977,697	246,556	2,224,253
After 6 months				
but no later than 1 year	-	1,607,366	16,564	1,623,930
After 1 year				
but no later than 3 years	-	1,568,110	32,813	1,600,923
After 3 years				
but no later than 5 years	-	2,615	169	2,784
Later than 5 years	-	20,128	-	20,128
	<u>₩ 803,684</u>	<u>₩ 16,989,212</u>	<u>₩ 1,136,947</u>	<u>₩ 18,929,843</u>
	2009			
	Demand deposits	Time and saving deposits	Negotiable certificates of deposits	Total
Within 3 months	₩ 521,817	₩ 6,865,553	₩ 2,062,155	₩ 9,449,525
After 3 months				
but no later than 6 months	-	1,394,007	1,470,305	2,864,312
After 6 months				
but no later than 1 year	-	1,016,735	25,034	1,041,769
After 1 year				
but no later than 3 years	-	551,926	27,228	579,154
After 3 years				
but no later than 5 years	-	1,022	64	1,086
Later than 5 years	-	80	-	80
	<u>₩ 521,817</u>	<u>₩ 9,829,323</u>	<u>₩ 3,584,786</u>	<u>₩ 13,935,926</u>

9. Borrowing liabilities

9-1 Borrowing liabilities as of December 31, 2010 and 2009 consist of the following (Korean won in millions)

	2010	2009
Borrowings		
Korean won	₩ 4,834,508	₩ 4,657,164
Foreign currency	11,573,920	13,087,541
	<u>16,408,428</u>	<u>17,744,705</u>
Debentures		
Korean won	28,046,596	34,938,266
Foreign currency	16,084,037	17,005,852
	<u>44,130,633</u>	<u>51,944,118</u>
Other borrowings		
Bonds sold under repurchase agreements	5,003,800	9,028,121
Bill sold	270	-
Call money	1,270,882	1,975,140
	<u>6,274,952</u>	<u>11,003,261</u>
	66,814,013	80,692,084
Deferred borrowing fees	(5,822)	(4,296)
	<u>₩ 66,808,191</u>	<u>₩ 80,687,788</u>

9-2 Borrowings in Korean won as of December 31, 2010 and 2009 consist of the following (Korean won in millions)

Lender	Classifications	Annual interest rate (%)	2010	2009
Ministry of Strategy and Finance	Borrowings from government fund	2.5 ~ 6.0	₩ 803,068	₩ 848,647
Industrial Bank of Korea	Borrowings from industrial technique fund	1.4 ~ 3.8	90,732	144,713
Small & Medium Business Corp	Borrowings from local small and medium company promotion fund	2.0 ~ 4.0	506,138	557,702
Ministry of Culture and Tourism	Borrowings from tourism promotion fund	1.3 ~ 4.0	1,154,203	1,150,502
Korea Energy Management Corporation	Borrowings from fund for rational use of energy	0.5 ~ 4.5	1,022,210	923,453
Local governments	Borrowings from local small and medium company promotion fund	-	-	135,381
Others	Borrowings from environment improvement support fund	0.0 ~ 6.0	1,258,157	896,766
			<u>₩ 4,834,508</u>	<u>₩ 4,657,164</u>

9. Borrowing liabilities (cont'd)

9-3 Borrowings in foreign currency as of December 31, 2010 and 2009 consist of the following (Korean won in millions)

Lender	Classifications	Annual interest rate (%)	2010	2009
JBIC	Borrowings from JBIC	1 4~6M Libor+0 8	353,001	167,147
International Bank for Reconstruction and Development ("IBRD")	Borrowings from IBRD	-	-	1,481,451
Mizuho and others	Borrowings from foreign banks	3M Libor+0 5~1 8	1,803,873	1,655,870
		6M Libor+0 3~1 0	347,946	316,887
		6M EULibor+0 6	138,059	166,942
			2,289,878	2,139,699
DBS Bank and others	Off-shore short-term borrowings	0 2 ~ 1 0	124,577	194,766
		3M+2 0~6M+3 5	56,945	122,598
		6M Libor+0 6~1 3	261,947	36,932
			-	93,408
			443,469	447,704
Nippon Life Insurance company and others	Off-shore long-term borrowings	3M+0 6~1 3	473,241	306,615
		6M+0 6~0 7	45,556	216,286
		6M EULibor+0 8~9 1	212,052	198,492
			730,849	721,393
JBIC	Off-shore borrowings From JBIC	4 3~6M Libor 1 2	65,070	-
Others	Short-term borrowings in foreign currency	0 0~5 2	6,123,094	6,405,850
		6M Libor+0 6~2 1	22,778	72,913
		1Y Libor+1 0~4 0	148,057	188,720
			-	151,788
			6,293,929	6,819,271
	Long-term borrowings in foreign currency	0 0~4 7	1,397,724	1,310,876
			<u>₩ 11,573,920</u>	<u>₩ 13,087,541</u>

9. Borrowing liabilities (cont'd)

9-4 Debentures in Korean won as of December 31, 2010 and 2009 are as follows (Korean won in millions)

	Interest rate (%)		2010	2009
Debentures in Korean won	2.5 ~ 12.0	₩	28,061,772	35,014,398
Premium on debentures			526	856
Discount on debentures			(15,702)	(76,988)
		₩	<u>28,046,596</u>	<u>34,938,266</u>

9-5 Debentures in foreign currency as of December 31, 2010 and 2009 are as follows (Korean won in millions)

	Interest rate (%)		2010	2009
Debentures in foreign currency	0.2 ~ 8.0	₩	12,035,309	13,330,315
Premium on debentures			1,435	2,318
Discount on debentures			(28,710)	(28,530)
			<u>12,008,034</u>	<u>13,304,103</u>
Off-shore debentures				
in foreign currency	0.0 ~ 9.5		4,081,689	3,706,869
Premium on debentures			371	525
Discount on debentures			(6,057)	(5,645)
			<u>4,076,003</u>	<u>3,701,749</u>
		₩	<u>16,084,037</u>	<u>17,005,852</u>

Pursuant to the Korea Development Bank Act, the Bank has the exclusive right to issue industrial finance bonds. The amount of such bonds issued and guaranteed outstanding provided by the Bank cannot exceed thirty times the aggregate amount of the paid-in capital and legal reserve of the Bank. The industrial finance bonds which are purchased or guaranteed by the government are excluded in calculating the limit. The Bank may, when necessary, reuse the terms of the bonds or to discharge its obligations arising from the guarantee or acceptance of debts, issue the bonds over that limit. There are no issued industrial finance bonds guaranteed by the Korean government as of December 31, 2010 and 2009.

9-6 Maturities of borrowing liabilities as of December 31, 2010 and 2009 are as follows (Korean won in millions)

	2010			
	Borrowings	Debentures	Other borrowings	Total
Within 3 months	₩ 4,935,515	₩ 4,120,239	₩ 4,643,427	₩ 13,699,181
After 3 months				
but no later than 6 months	2,484,686	3,178,760	1,053,377	6,716,823
After 6 months				
but no later than 1 year	3,606,985	8,850,038	508,588	12,965,611
After 1 year				
but no later than 3 years	2,461,888	16,230,151	69,560	18,761,599
After 3 years				
but no later than 5 years	1,387,136	7,241,330	-	8,628,466
Later than 5 years	1,532,218	4,558,252	-	6,090,470
	<u>₩ 16,408,428</u>	<u>₩ 44,178,770</u>	<u>₩ 6,274,952</u>	<u>₩ 66,862,150</u>

9. Borrowing liabilities (cont'd)

	2009			
	Borrowings	Debentures	Other borrowings	Total
Within 3 months	₩ 4,814,668	₩ 4,155,583	₩ 7,417,431	₩ 16,387,682
After 3 months				
but no later than 6 months	2,789,616	5,843,274	2,430,195	11,063,085
After 6 months				
but no later than 1 year	3,181,812	9,110,091	1,114,561	13,406,464
After 1 year				
but no later than 3 years	4,044,590	18,809,481	41,074	22,895,145
After 3 years				
but no later than 5 years	1,518,365	10,154,985	-	11,673,350
Later than 5 years	1,395,654	3,978,168	-	5,373,822
	<u>₩ 17,744,705</u>	<u>₩ 52,051,582</u>	<u>₩ 11,003,261</u>	<u>₩ 80,799,548</u>

9-7 Subordinated borrowings as of December 31, 2010 and 2009 are as follows (Korean won in millions)

Type	Rate (%)	2010	2009	Terms
Borrowing from government funds	2.5 ~ 6.0	₩ 803,068	₩ 848,647	Installment
Borrowing from IBRD		-	1,480,890	Installment
		<u>₩ 803,068</u>	<u>₩ 2,329,537</u>	

10 Severance and retirement benefits

Changes in severance and retirement benefits for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions)

	2010	2009
Beginning balance	₩ 62,965	₩ 120,251
Payments during the year	(10,599)	(85,526)
Provision for severance and retirement benefits	25,133	28,240
	<u>77,499</u>	<u>62,965</u>

11. Acceptances and guarantees

11-1 Total amount of outstanding acceptances and guarantees and related allowance for possible losses as of December 31, 2010 and 2009 are as follows (Korean won in millions)

	Acceptances and guarantees		Allowance for possible losses	
	2010	2009	2010	2009
Confirmed guarantees and commitments				
Acceptance on letters of credit	₩ 1,010,387	₩ 1,225,215	₩ 10,250	₩ 8,471
Collateral for loan	641,004	214,645	7,741	2,549
Debt guarantee	124,900	154,772	1,617	1,513
Corporate debentures	102,620	1,210	1,939	10
Foreign banks borrowing	5,087	6,704	43	57
Other acceptances and guarantees in foreign currency (*)	11,029,918	12,686,138	63,491	203,517
Acceptances for letters of guarantees for importers	39,383	40,332	2,060	319
	12,953,299	14,329,016	87,141	216,436
Unconfirmed guarantees and commitments				
Local letters of credit	436,415	335,904	829	596
Letters of credit	2,671,420	2,573,324	8,427	5,076
Others	6,551,192	7,254,340	13,428	21,453
	9,659,027	10,163,568	22,684	27,125
	₩22,612,326	₩ 24,492,584	₩ 109,825	₩ 243,561

(*) Other acceptances and guarantees in foreign currency consist of acceptances and guarantees for the return of advances related to export, overseas bidding and contractual obligations and guarantees for other borrowings denominated in foreign currency

11-2 Details of classification of acceptances and guarantees and allowance for possible losses on acceptances and guarantees as of December 31, 2010 and 2009 are summarized as follows (Korean won in millions)

	2010							
	Acceptances and guarantees							
	Confirmed				Unconfirmed			
	Outstanding		Outstanding		Outstanding		Total	
	amount	Allowance	amount	Allowance	amount	Allowance	Ratio (%)	
Normal	₩ 12,863,720	₩ 67,170	₩ 9,397,091	₩ 16,239	₩ 22,260,811	₩ 83,409	0.37	
Precautionary	49,387	4,739	233,122	3,263	282,509	8,002	2.83	
Substandard	36,361	11,401	16,138	646	52,499	12,047	22.95	
Doubtful	-	-	-	-	-	-	-	
Estimated loss	3,831	3,831	12,676	2,536	16,507	6,367	38.57	
	₩ 12,953,299	₩ 87,141	₩ 9,659,027	₩ 22,684	₩ 22,612,326	₩ 109,825	0.49	

11. Acceptances and guarantees (cont'd)

	2009							
	Acceptances and guarantees				Total			
	Confirmed		Unconfirmed		Outstanding		Ratio	
	Outstanding amount	Allowance	Outstanding amount	Allowance	amount	Allowance	Ratio (%)	
Normal	₩ 13,714,033	₩ 61,453	₩ 9,776,730	₩ 17,728	₩ 23,490,763	₩ 79,181	0.34	
Precautionary	331,786	29,806	233,923	3,275	565,709	33,081	5.85	
Substandard	283,197	125,177	152,882	6,115	436,079	131,292	30.11	
Doubtful	-	-	-	-	-	-	-	
Estimated loss	-	-	33	7	33	7	21.21	
	<u>₩ 14,329,016</u>	<u>₩ 216,436</u>	<u>₩ 10,163,568</u>	<u>₩ 27,125</u>	<u>₩ 24,492,584</u>	<u>₩ 243,561</u>	<u>0.99</u>	

11-3 Historical ratios of allowance for possible losses on acceptances and guarantees to total acceptances and guarantees as of December 31, 2010, 2009, and 2008 are as follows (Korean won in millions)

	2010	2009	2008
Total acceptances and guarantees	₩ 22,612,326	₩ 24,492,584	₩ 31,366,432
Allowance for possible losses on acceptances and guarantees	109,825	243,561	113,669
Ratio (%)	<u>0.49</u>	<u>0.99</u>	<u>0.36</u>

12. Allowances for unused loan commitments

12-1 Unused loan commitments and the related allowances for possible losses as of December 31, 2010 and 2009 are as follows (Korean won in millions)

	2010		2009	
	Unused loan commitment	Allowance for possible loan losses	Unused loan commitment	Allowance for possible loan losses
Commitments on loans receivable	₩ 4,550,214	₩ 29,397	₩ 4,192,444	₩ 22,586
Commitments on guarantees and acceptances	14,254,129	57,558	16,560,056	63,977
Commitments on loan	11,992,994	133,623	12,238,484	102,359
	<u>₩ 30,797,337</u>	<u>₩ 220,578</u>	<u>₩ 32,990,984</u>	<u>₩ 188,922</u>

12-2 Historical ratios of allowance for losses on unused commitments to total unused commitments as of December 31, 2010, 2009 and 2008, are as follows (Korean won in millions)

	2010	2009	2008
Unused commitments	₩ 30,797,337	₩ 32,990,984	₩ 25,199,742
Allowance for possible losses on unused commitments	220,578	188,922	102,960
Ratio (%)	<u>0.72</u>	<u>0.57</u>	<u>0.41</u>

13. Others in other liabilities

Others in other liabilities as of December 31, 2010 and 2009 consist of the following (Korean won in millions)

	2010	2009
Accounts payable on unpaid exchange	₩ 930,878	₩ 641,067
Income taxes payable	361,667	10,182
Withholding taxes	16,132	9,025
Other allowance	2,916	4,281
Others	116,286	315,863
	<u>₩ 1,427,879</u>	<u>₩ 980,418</u>

14. 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 (Korean won in millions or U S dollar in thousands)

Account	USD equivalent (*)		Korean won equivalent	
	2010	2009	2010	2009
Assets				
Cash on hand	\$ 6,675	\$ 5,879	₩ 7,596	₩ 6,842
Due from banks	756,058	931,759	861,046	1,087,763
Trading securities	17,311	61,583	19,715	71,797
Available-for-sale securities	3,563,686	3,472,768	4,058,028	4,050,267
Equity method investments	470,595	451,302	536,995	525,993
Bills purchased	1,510,286	1,986,036	1,719,430	2,315,945
Call loans	1,683,490	615,112	1,917,233	718,012
Loan receivables	14,338,810	15,395,081	16,332,079	17,954,984
Domestic import usance	3,074,098	3,156,358	3,500,211	3,683,812
Receivables	1,231,090	1,429,380	1,402,033	1,667,827
Others	2,219,297	2,543,299	2,541,229	2,972,098
	<u>\$ 28,871,396</u>	<u>\$ 30,048,557</u>	<u>₩ 32,895,595</u>	<u>₩ 35,055,340</u>
Liabilities				
Deposits	\$ 929,475	\$ 1,447,526	₩ 1,315,787	₩ 1,689,044
Borrowings	10,162,367	11,224,722	11,573,920	13,087,541
Bonds sold under repurchase agreements	1,035,623	906,067	1,179,471	1,057,020
Call money	386,058	499,086	439,682	582,040
Debentures	10,543,537	11,385,846	12,008,034	13,304,103
Off-shore debentures	3,578,895	3,146,133	4,076,003	3,701,749
Others	3,352,226	3,582,239	3,758,216	3,055,975
	<u>\$ 29,988,181</u>	<u>\$ 32,191,619</u>	<u>₩ 34,351,113</u>	<u>₩ 36,477,472</u>

(*) All foreign currencies other than the U S dollar are expressed in the equivalent of U S dollars at the reporting date

15 Commitments and contingencies

15-1 Unsettled commitments provided by the Bank as of December 31, 2010 and 2009 are as follows (Korean won in millions)

	2010	2009
Unsettled commitments		
Commitments on loans in Korean won (*)	₩ 11,248,827	₩ 11,690,299
Commitments on loans in foreign currency	744,167	548,185
Commitments on purchase of securities	-	1,000,000
	11,992,994	13,238,484
Bonds sold under repurchase agreements	750,570	750,570
	₩ 12,743,564	₩ 13,989,054

(*) The Bank provided commitments on loans in Korean won amounting to ₩1,648,700 million, related to project financing as of December 31, 2010

15-2 Securitized loans outstanding as of December 31, 2010 are as follows (Korean won in millions)

Counterparty	Disposal date	Book value	Selling price	Subordinated debt securities held by the Bank	Collateral amount (*1)
KDB 1st SPC (*2)	2000 06 08	₩ 950,627	₩ 600,000	₩ 114,314	₩ 120,266
KDB 2nd SPC (*2)	2000 11 20	914,764	423,600	13,000	80,049
KDB 3rd SPC	2001 09 12	1,793,546	949,900	-	-
KDB 5th SPC (*2)	2001 12 04	765,358	528,400	74,200	100,101
KDB 6th SPC	2009 11 26	420,631	330,000	117,800	-
KDB Champ 1st SPC	2009 03 31	999,583	1,004,493	-	-
KDB Champ 2nd SPC	2009 05 29	791,941	793,722	-	-
KDB Champ 3rd SPC	2009 11 10	669,646	669,833	-	-
KDB Champ 4th SPC	2009 12 09	448,734	449,589	-	-
Songsan Leesandan SPC	2010 02 25	198,380	200,000	-	-
KDB Green Growth Inc	2010 06 22	208,725	210,000	-	-
KAMCO 8th JV SPC	2010 12 30	689,043	272,500	-	-
		₩ 8,850,978	₩ 6,432,037	₩ 319,314	₩ 300,416

(*1) Investment securities are pledged as collateral

(*2) According to the contracts with the counterparties for the above loans sold with a recourse provision, the Bank is liable to the counterparties' claims of up to 30% of the selling price when the principal or the interest is not repaid according to the payment schedules

15-3 The Banks' loans and receivables written-off, for which the contractual rights to cash flows have not expired, amount to ₩2,075,382 million as of December 31, 2010

15-4 The Bank has outstanding loans receivable amounting to ₩5,122,750 million and holds securities amounting to ₩386,512 million as of December 31, 2010 from companies under workout, court receivership, court mediation or other restructuring process. The Bank provided ₩1,043,927 million of allowances for possible loan losses for such loans. Actual losses from these loans may differ from the allowances provided.

15. Commitments and contingencies (cont'd)

15-5 As of December 31, 2010, the Bank is involved in 14 lawsuits as a plaintiff and 14 lawsuits as a defendant. The aggregate amount of claims as a plaintiff and a defendant amounted to ₩3,739,307 million and ₩366,079 million, respectively. The Bank provided other allowance for loss amounting to ₩1,885 million as of December 31, 2010.

15-6 The financial institution creditors of Renault Samsung Motors (including KDB) filed a lawsuit against Kun-hee Lee and 28 Samsung affiliates (including Samsung Electronics), claiming compensation for delays in payment of liquidated damages and contract bills of ₩2,450 billion based on the agreement signed at August 24, 1999. Regarding the litigation, the financial institution creditors partially won the second judgement at the Seoul High Court, but both parties filed an appeal for the Supreme Court judgement, and were awaiting final decision.

16. Derivative instruments

16-1 The Bank's derivatives instruments consist of trading derivatives and hedge derivatives, based on the nature of the transaction. The Bank enters into hedge transactions mainly for the purpose of hedging the fair value risk related to changes in fair values of the underlying assets and liabilities.

16-2 The notional amounts outstanding for derivatives contracts and the related valuation gains (losses) for the years ended December 31, 2010 and 2009 are summarized as follows (Korean won in millions).

2010							
	Notional amounts			Valuation gain (loss)			Derivative asset (liabilities)
	Trading purpose	Hedging purpose	Total	Trading purpose	Hedging purpose	Total	
Commodity							
Swap	₩ 37,964	₩ -	₩ 37,964	₩ (2,137)	₩ -	₩ (2,137)	₩ 183
Option bought	201,773	-	201,773	1,388	-	1,388	7,754
Option sold	201,773	-	201,773	-	-	-	(7,754)
	441,510	-	441,510	(749)	-	(749)	183
Interest							
Futures	1,118,528	-	1,118,528	-	-	-	-
Swap	318,655,110	25,662,038	344,317,148	29,116	184,461	213,577	259,336
Option bought	2,104,000	-	2,104,000	(587)	-	(587)	28,097
Option sold	2,860,000	-	2,860,000	-	-	-	(37,091)
	324,737,638	25,662,038	350,399,676	28,529	184,461	212,990	250,342
Currency							
Forward	56,199,743	-	56,199,743	(107,497)	-	(107,497)	617,924
Futures	180,584	-	180,584	-	-	-	-
Swap	46,424,949	10,419,452	56,844,401	211,531	142,823	354,354	379,979
Option bought	888,922	-	888,922	(1,306)	-	(1,306)	27,508
Option sold	614,831	-	614,831	-	-	-	(27,659)
	104,309,029	10,419,452	114,728,481	102,728	142,823	245,551	997,752
Stock							
Index forward							
bought	13,426	-	13,426	-	-	-	-
Option bought	4,121	-	4,121	(141)	-	(141)	49
Index option							
bought	129,357	-	129,357	1,336	-	1,336	8,787
Index forward							
sold	1,233	-	1,233	-	-	-	-
Option sold	4,121	-	4,121	-	-	-	(4,143)
Index option							
sold	411,485	-	411,485	-	-	-	(25,715)
	563,743	-	563,743	1,195	-	1,195	(21,022)
	₩430,051,920	₩ 36,081,490	₩466,133,410	₩ 131,703	₩ 327,284	₩ 458,987	₩1,227,255

16. Derivative instruments (cont'd)

As of December 31, 2010, the Bank provided ₩32,482 million (₩51,041 million at December 31, 2009) of other allowance due to credit risk of derivative contract counterparty. The decrease of such allowance during 2010 credited to current operation as gain on valuation of derivatives.

2009									

16-3 Unrealized gains and losses from fair value hedge items by type of the underlying assets or liabilities for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions)

	2010		2009	
	Gains	Losses	Gains	Losses
Debentures	₩ 267,670	₩ 556,319	₩ 803,939	₩ 71,692
Available-for-sale securities	16,198	25,076	7,332	41,997
Borrowings	38,131	31,452	44,947	17,895
	₩ 321,999	₩ 612,847	₩ 856,218	₩ 131,584

17. Equity

17-1. Paid-in capital

The Bank is authorized to issue 3,000 million shares of stock and issued 1,850 million shares as of December 31, 2010. The total paid-in capital outstanding as of December 31, 2010 is ₩9,251,861 million.

17-2. Capital surplus

The Bank utilized ₩5,178,600 million of its paid-in capital in 1998 and 2000 to offset its accumulated deficit amounting to ₩5,134,227 million. The outstanding balance of capital surplus as of December 31, 2010 amounts to ₩46,894 million.

17-3. Capital adjustment

The outstanding balance of capital adjustment as of December 31, 2010 amounts to ₩9,921 million, including *discount on stock issuance* amounting to ₩51 million in connection with the injection of paid-in capital on April 1, 2010.

17-4. Legal reserve

The Korea Development Bank Act requires the Bank to appropriate at least 40% of net income as a legal reserve. This reserve can be transferred to paid-in capital or used to offset accumulated deficit.

In accordance with the Korea Development Bank Act, the Bank offsets accumulated deficit with reserves. If reserves are insufficient to offset the accumulated deficit, the Korean government is supposed to be responsible for the deficit.

18. General and administrative expenses

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

	2010	2009
Salaries (*)	₩ 219,198	₩ 216,531
Severance and retirement benefits (*)	25,133	28,240
Other employee benefits (*)	20,615	23,388
Rent (*)	16,863	15,288
Depreciation (*)	17,808	13,901
Amortization (*)	12,851	10,951
Taxes and dues (*)	15,235	15,000
Printing	2,874	5,588
Travel	3,958	3,784
Commission	16,021	16,816
Electronic data processing	28,827	27,518
Training	6,447	7,770
Others	33,669	30,707
	<u>₩ 419,499</u>	<u>₩ 415,482</u>

(*) These accounts in aggregate amounting to ₩327,703 million and ₩323,299 million for the years ended December 31, 2010 and 2009, respectively, are related to the "added value" disclosure items of the Bank's operations in accordance with Statements of Korea Accounting Standards 21.

19 Income tax

19-1 Income tax expense for the years ended December 31, 2010 and 2009 is as follows (Korean won in millions)

	2010	2009
Current income taxes (*)	₩ 398,246	₩ (84,810)
Change in deferred income tax due to temporary difference	5,033	306,316
Change in deferred income tax due to judgement on propriety before tax levying	<u>19,819</u>	<u>-</u>
	423,098	221,506
Current and deferred income taxes recognized directly to equity	(12,743)	(183,769)
Change in deferred income tax due to consolidated tax returns	<u>(1,633)</u>	<u>-</u>
Income tax expense	<u>₩ 408,722</u>	<u>₩ 37,737</u>

(*)The additional tax payments or refunds were included in the current income taxes

19-2 Reconciliations of income tax expense applicable to income before income taxes at the Korea statutory tax rate to income tax expense at the effective income tax rate of the Bank are as follows (Korean won in millions)

	2010	2009
Income before income taxes	₩ 1,454,443	₩ 798,849
Tax at the statutory income tax rate	₩ 351,949	₩ 183,230
Adjustments		
Non-taxable (deductible) income (expenses), net	(9,410)	116,455
Deferred income taxes not recognized	31,406	(113,713)
Change in deferred income tax due to consolidated tax returns	(1,633)	-
Others	<u>36,410</u>	<u>(148,235)</u>
	56,773	(145,493)
Income tax expense	<u>₩ 408,722</u>	<u>₩ 37,737</u>

19. Income tax (cont'd)

19-3 Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax reporting purposes. Significant changes in cumulative temporary differences and deferred income tax assets and liabilities for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions)

	2010			
	Beginning	Increase (decrease)	Ending	Deferred income tax assets (liabilities)
Equity method investments	₩ (983,385)	₩ (120,215)	₩ (1,103,600)	₩ (288,321)
Derivatives assets	(7,477,411)	1,713,071	(5,764,340)	(1,268,155)
Derivatives liabilities	6,597,943	(2,001,108)	4,596,835	1,011,304
Loss on valuation of hedge items	1,029,849	128,269	1,158,118	254,786
Gain on valuation of fair value hedge in foreign currency	(820,822)	65,066	(755,756)	(166,266)
Loans written-off	539,910	48,921	588,831	129,543
Impairment losses on investment bonds	525,609	1,567	527,176	115,979
Impairment losses on investment securities	512,117	(74,374)	437,743	96,303
Others	274,653	418,737	693,390	226,987
	<u>₩ 198,463</u>	<u>₩ 179,934</u>	<u>₩ 378,397</u>	<u>₩ 112,160</u>

	2009			
	Beginning	Increase (decrease)	Ending	Deferred income tax assets (liabilities)
Equity method investments	₩ (5,204,542)	₩ 4,221,157	₩ (983,385)	₩ (220,765)
Derivatives assets	(16,432,776)	8,955,365	(7,477,411)	(1,645,030)
Derivatives liabilities	15,560,594	(8,962,651)	6,597,943	1,451,547
Loss on valuation of hedge items	2,358,612	(1,328,763)	1,029,849	226,567
Gain on valuation of fair value hedge in foreign currency	(1,770,893)	950,071	(820,822)	(180,581)
Loans written-off	1,003,803	(463,893)	539,910	118,780
Impairment losses on investment bonds	396,617	128,992	525,609	115,634
Impairment losses on investment securities	360,184	151,933	512,117	112,666
Others	807,613	(532,960)	274,653	125,632
	<u>₩ (2,920,788)</u>	<u>₩ 3,119,251</u>	<u>₩ 198,463</u>	<u>₩ 104,450</u>

(*) The above temporary differences did not include deferred income tax assets (liabilities) of foreign branches and charged directly to equity

19 Income tax (cont'd)

19-4 Deferred income tax assets (liabilities) recognized in the statement of financial position as of December 31, 2010 and 2009 consist of the following (Korean won in millions)

	2010	2009
Cumulative temporary differences	₩ 378,397	₩ 198,463
Tax rate (%)	(*)	(*)
Tax effects arising from cumulative temporary differences	83,276	44,160
Unrealizable deferred income tax assets (*)	(28,884)	(60,289)
Deferred income tax assets arising from cumulative temporary differences	112,160	104,450
Deferred income tax recognized directly to equity	(227,969)	(215,226)
Others	-	365
Deferred income tax liabilities	(115,809)	(110,411)
Deferred income tax assets of foreign branches (*)	27,315	30,115
Net deferred income tax liabilities	₩ (88,494)	₩ (80,296)

(*)1 Deferred income tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse (the income tax rate of 24.2% and 22% is applied for calculation until 2011 and after 2012, respectively)

(*)2 The Bank did not recognize deferred income tax liabilities amounting to ₩131,285 million for temporary differences relating to valuation of equity investments and the amount was determined based on the ratio of dividend tax exemption rate under the related tax law

(*)3 Deferred income tax assets of foreign branches are not offset against the deferred income tax liabilities in accordance with the tax jurisdictions of the foreign branches

19-5 Details of deferred income taxes charged directly to equity for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions)

	2010			Deferred income tax assets (liabilities)	
	Beginning	Increase (decrease)	Ending		
Gain on valuation of available-for-sale securities	₩ (1,144,779)	₩ 266,161	₩ (878,618)	₩	(189,871)
Loss on valuation of available-for-sale securities	473,809	(286,071)	187,738		36,583
Gain on valuation of equity method investments	(298,755)	(59,458)	(358,213)		(78,807)
Loss on valuation of equity method investments	9,395	(2,554)	6,841		1,505
Capital surplus	(10,006)	6,774	(3,232)		(711)
Capital adjustments	1,565	11,637	13,202		3,332
	₩ (968,771)	₩ (63,511)	₩ (1,032,282)	₩	(227,969)

19. Income tax (cont'd)

	2009				Deferred income tax assets (liabilities)
	Beginning	Increase (decrease)	Ending		
Gain on valuation of available-for-sale securities	₩ (1,627,444)	₩ 482,665	₩ (1,144,779)	₩	(245,525)
Loss on valuation of available-for-sale securities	1,407,852	(934,043)	473,809		95,363
Gain on valuation of equity method investments	(78,389)	(220,366)	(298,755)		(65,476)
Loss on valuation of equity method investments	397,459	(388,064)	9,395		2,286
Capital surplus	-	(10,006)	(10,006)		(2,210)
Capital adjustments	-	1,565	1,565		336
	<u>₩ 99,478</u>	<u>₩ (1,068,249)</u>	<u>₩ (968,771)</u>	<u>₩</u>	<u>(215,226)</u>

20. Related party transactions

20-1 The subsidiaries and equity method investees of the Bank as of December 31, 2010 are as follows

Investor	Investee
Korea Finance Corporation (KoFC)	KDBFG, Korea Aerospace Industries, Ltd
KDB Financial Group Inc (KDBFG)	KDB, Daewoo Securities Co , Ltd , KDB Capital Corporation, KDB Asset Management Co , Ltd , Korea Infrastructure Investments Asset Management Co , Ltd
KDB	Korea Infrastructure Fund, Daewoo Shipbuilding & Marine Engineering Co , Ltd , Korea Marine Finance Co , KDB Value Private Equity Fund II, KDB Value Private Equity Fund III, KDB Venture M&A Private Equity Fund, KDB Turnaround Private Equity Fund, KDB-Tstone Private Equity Fund, Components and Materials M&A Private Equity Fund, KoFC-KDB Materials and Components Investment Fund No 1, KDB Asia Ltd , KDB Ireland Ltd , KDB Bank (Hungary) Ltd , Banco KDB Do Brazil S A, UzKDB Bank, KDB Value Private Equity Fund VI, KDB Consus Value

20-2 The significant transactions which occurred in the normal course of business with related companies for the years end of December 31, 2010 and 2009, and the related account balances as of December 31, 2010 and 2009, are as follows (Korean won in millions)

Classification	2010		2009	
	Income	Expense	Income	Expense
Investor				
KoFC	₩ 32,432	₩ 9,803	₩ -	-
KDBFG	-	-	-	-
Fellow subsidiaries				
Daewoo Securities Co , Ltd	62	13,675	-	-
KDB Capital Corporation	1,806	82	-	-
KDB Asset Management Co , Ltd	11,895	1	-	-

Korea Development Bank
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20 Related party transactions (cont'd)

Classification	2010		2009	
	Income	Expense	Income	Expense
Korea Infrastructure Investments Asset Management Co., Ltd	-	257	-	-
Korea Aerospace Industries, Ltd	6,765	18	-	-
Subsidiaries				
Daewoo Shipbuilding & Marine Engineering Co., Ltd	13,895	1,790	6,556	8,188
KDB Asia Ltd	4,357	7	8,968	76
KDB Ireland Ltd	4,524	16	9,911	86
KDB Bank (Hungary) Ltd	3,346	-	7,028	-
Banco KDB Do Brazil S A	28,624	-	6,588	-
UzKDB Bank	713	18	-	-
Others	6,765	1,232	-	403
Equity method investees				
Korea Infrastructure Fund II and others	56,191	2,471	11,452	2,480
	<u>₩ 171,375</u>	<u>₩ 29,370</u>	<u>₩ 50,503</u>	<u>₩ 11,233</u>
Classification	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Investor				
KoFC	₩ 2,923,977	₩ 234,917	₩ -	₩ 265,609
KDBFG	-	145,750	-	1,865
Fellow subsidiaries				
Daewoo Securities Co., Ltd	2,938	754,570	-	5,393
KDB Capital Corporation	-	37,614	165,990	28,153
KDB AMC	261,059	-	-	-
Korea Infrastructure Investments Asset Management Co., Ltd	-	10,330	-	8,999
Korea Aerospace Industries, Ltd	220,292	4,128	139,331	-
Subsidiaries				
Daewoo Shipbuilding & Marine Engineering Co., Ltd	1,954,124	19,921	3,145,584	305,936
KDB Asia Ltd	372,009	1,516	342,773	1,814
KDB Ireland Ltd	382,732	-	366,213	-
KDB Bank (Hungary) Ltd	212,468	-	261,939	-
Banco KDB Do Brazil S A	430,554	-	513,113	-
UzKDB Bank	23,810	-	-	-
Others	1,437,484	410,798	-	10,966
Equity method investees				
Korea Infrastructure Fund II and others	1,955,106	85,765	529,845	115,874
	<u>₩ 10,176,553</u>	<u>₩ 1,705,309</u>	<u>₩ 5,464,788</u>	<u>₩ 744,609</u>

20 Related party transactions (cont'd)

20-3 Guarantee and collateral provided among the Bank and its related parties as of December 31, 2010 and 2009 are summarized as follows (Korean won in millions)

Related parties		Guarantee and collateral		
Benefactor	Beneficiary		2010	2009
KDB	Daewoo Shipbuilding & Marine Engineering Co., Ltd	Guarantee for F/X	₩ 562,893	₩ 2,690,143
KDB	KDB Asia Ltd	Guarantee for F/X	143,513	58,380
KDB	Korea Aerospace Industries, Ltd	Guarantee for F/X	220,292	-
			<u>₩ 926,698</u>	<u>₩ 2,748,523</u>

21. Comprehensive income

Comprehensive income for the years ended December 31, 2010 and 2009 is as follows (Korean won in millions)

	2010	2009
Net income	₩ 1,045,721	₩ 761,112
Other comprehensive income		
Gain on valuation of available-for-sale securities	19,908	1,469,363
Income taxes effect	(3,126)	(102,513)
Gain on valuation of equity method investments	58,906	265,571
Income taxes effect	(13,331)	(48,590)
Loss on valuation of equity method investments	3,106	365,210
Income taxes effect	(781)	(30,791)
Comprehensive income	<u>₩ 1,110,403</u>	<u>₩ 2,679,362</u>

22. Trust business information

22-1 The operations of the trust accounts for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions)

	2010	2009
Operating revenue of trust operations		
Fees on trust accounts	₩ 18,171	₩ 15,176
Early termination fees	2	4
	<u>₩ 18,173</u>	<u>₩ 15,180</u>
Operating expenses of trust operations		
Interest due to trust accounts	₩ 8,456	₩ 12,386

22-2 As of December 31, 2010 and 2009, the Bank is not required to bear the difference between book value and fair value of principal or dividend guaranteed trust accounts as the difference will be appropriated using a special reserve trust account

23. Cash flow information

Significant non-cash transactions for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions)

	2010	2009
Debt-to-equity swap	₩ 220,072	₩ -
Spin-off	-	24,903,301

24. Operating result of the final interim period (unaudited)

Summary of operating results for the three months ended December 31, 2010 and 2009 is as follows (Korean won in thousands except per share amounts)

	Three months ended December 31,	
	2010	2009
Operating revenue	3,589,451	4,902,097
Operating expenses	2,744,712	5,114,027
Operating income (loss)	844,739	(211,930)
Net income (loss)	655,187	(146,029)

25. Preparation plan for adoption of Korea International Financial Reporting Standards (K-IFRS) and implementation status

25-1. Plan and progress of K-IFRS adoption

The Bank will adopt K-IFRS for the first time for the financial period beginning after January 1, 2011. As part of the Bank's K-IFRS implementation plan, the Bank appointed an external advisor to identify and report on the differences between the current accounting standards and K-IFRS related to the Bank. The Bank also formed a task force team in March 2008.

Following the completion of identification of accounting policy differences described above, the Bank had conducted the detailed analysis of its financial reporting system requirement and accounting policy changes impacted by the adoption of K-IFRS until August 2008. Based on results of the above analysis, the Bank has finalized the K-IFRS accounting policies to be adopted and mapped out changes to its accounting information system to capture and produce information under K-IFRS. As of December 31, 2010, the Bank has substantially completed the process of developing its accounting information system and modifying its processes that are affected by the adoption of K-IFRS, and the related internal control processes have been reassessed for a smooth transition to K-IFRS.

The task force team regularly reports the preparation plans and implementation progress to the Bank's management and training programs are also regularly provided to the Bank's employees to develop K-IFRS trained-resources within the Bank.

The Bank has been preparing its financial statements under K-IFRS since the date of transition and onwards, and management of the Bank expects that financial information for the fiscal year 2010 and after will be conformed to K-IFRS.

25-2. First time adoption of K-IFRS

The Bank's transition and adoption dates of K-IFRS are January 1, 2010 and 2011, respectively. Therefore, the Bank has prepared its opening K-IFRS statement of financial position in accordance with *K-IFRS 1101 First-Time Adoption* as of January 1, 2010.

When preparing the Bank's opening K-IFRS statement of financial position, some exemptions from other K-IFRS and exceptions to the retrospective application of other K-IFRS have been applied.

25. Preparation plan for adoption of Korea International Financial Reporting Standards (K-IFRS) and implementation status (cont'd)

25-3 Optional exemptions from other K-IFRS

Optional exemptions other than *K-IFRS 1101 First-Time Adoption* that the Bank has applied are as follows

Section	Contents
Business combinations	A first-time adopter may elect not to apply K-IFRS 1103 (equivalent to IFRS 3) retrospectively to past business combinations (business combinations that occurred before the date of transition to K-IFRS)
Cumulative translation differences	The cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to K-IFRS
Investment in subsidiaries, jointly controlled entities and associates	Investment in subsidiaries, jointly controlled entities and associates at the date of transition to K-IFRS has been measured at K-GAAP carrying amount
Designation of previously recognized financial instruments	K-IFRS 1039 (equivalent to IAS 39) permits a financial product (provided it meets certain criteria) to be designated as a financial product at fair value through profit or available-for-sale financial asset

25-4. Mandatory exceptions to the retrospective application

Mandatory exceptions to the retrospective application that the Bank has applied are as follows

Section	Contents
Derecognition under <i>K-IFRS 1039</i> (equivalent to IAS 39)	<i>K-IFRS 1039 Financial Instruments Recognition and Measurement</i> has been applied only for the transactions entered into on or after January 1, 2010
Exceptions to Hedge accounting	Hedge accounting was applied only for the qualified transactions in accordance with <i>K-IFRS 1039 Financial Instruments Recognition and Measurement</i> at the date of transition to K-IFRS
Non-controlling interests	A first-time adopter shall apply the following requirements of K-IFRS 1027 (28, 30, 31, 34~37) (equivalent to IAS 27) and K-IFRS 1105 (equivalent to IFRS 5) prospectively from the date of transition to K-IFRS

25-5. Financial Estimates

When preparing the Bank's statement of financial position as of January 1, 2010, estimates were made consistently with the estimates made for the preparation of K-GAAP financial statements on the same date

25. Preparation plan for adoption of Korea International Financial Reporting Standards (K-IFRS) and implementation status (cont'd)

25-6. Significant differences in accounting policies

The table below describes the major differences that are expected to give rise to a significant impact on the Bank's financial statements under K-IFRS that are effective as of December 31, 2010. The differences listed below are not exhaustive, and additional areas may be identified in the future as a result of further assessment.

Section	K-IFRS	K-GAAP
Allowance for possible loan losses	<p>For loans and receivables of which impairment has been objectively incurred, the allowance for possible loan losses is measured at the difference between the carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.</p> <p>The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.</p>	The Bank provides an allowance for possible loan losses using the minimum required provision percentage given by the Regulation on the Supervision of Banking Industry.
Financial guarantee contracts	<p>A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.</p> <p>Financial guarantee contract is recognized as a liability and measured at fair value. After initial recognition, the liability will be measured at the higher of</p> <p>(a) the provision for liability amount for the financial guarantee contract</p> <p>(b) the amount initially recognized less, when appropriate, cumulative amortization</p>	Not applicable

25. Preparation plan for adoption of Korea International Financial Reporting Standards (K-IFRS) and implementation status (cont'd)

Section	K-IFRS	K-GAAP
Recognition of accrued interest	Interest revenue is recognized when the economic benefits associated with the transaction is probable and the amount of the revenue can be measured reliably Interest income on loans overdue until impairment recognition date is measured based on decision that the economic benefits associated with the transaction is probable	Interest revenue is recognized when the economic benefits associated with the transaction is highly probable and the amount of the revenue can be measured reliably But, interest income on loans overdue or dishonored is recognized on a cash basis
Impairment losses for available-for-sale equity instruments	If there is a significant or prolonged decline in an available-for-sale equity instruments below its cost, an impairment loss is recognized in the statement of income Impairment losses shall not be reversed through profit or loss	If there is a significant and prolonged decline in an available-for-sale equity instruments below its cost, an impairment loss is recognized in the statement of income Impairment losses may be reversed through profit or loss
Investments in a subsidiary, a joint venture, and an associate	Cost method is applied for the investments in a subsidiary, a joint venture, and an associate, which are not held-for-sale (separate financial statement)	Equity method is applied for the Investments in a subsidiary, a joint venture, and an associate, which are not held-for-sale (non-consolidated financial statement)
Employee benefits	The liability for severance and retirement benefits is estimated based on actuarial assumptions and on a discounted basis	In accordance with the Employee Retirement Benefit Security Act and the Bank's regulations, employees and directors terminating their employment with at least one year of service are entitled to severance and retirement benefits An allowance for employee retirement benefits is measured based on the assumption that all employees will leave as of the reporting date
Non-current assets held for-sale	The Bank classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use and its sale will be highly probable	Not applicable

25-7. Changes in in-scope entities for consolidation

A comparison of in-scope entities, when the Bank prepares consolidated financial statements under K-IFRS, is as follows

Consolidated subsidiaries under K-GAAP	Consolidated subsidiaries under K-IFRS	Differences
KDB trust accounts	KDB trust accounts	Under K-IFRS, those trust accounts is included that preserve principals of trust and profits from it

25. Preparation plan for adoption of Korea International Financial Reporting Standards (K-IFRS) and implementation status (cont'd)

Consolidated subsidiaries under K-GAAP	Consolidated subsidiaries under K-IFRS	Differences
DSME Co ,Ltd	-	Excluded because the Bank does not have the majority of risks and reward by owning less than 50 percent shares
Korea Marine Finance Corp	-	Excluded because the Bank does not have the majority of risks and reward by owning less than 50 percent shares
KDB Tstone PEF	-	Excluded because KDB Tstone PEF is the joint partner with unlimited liability
-	KDB Value PEF I	Under K-GAAP, excluded because the PEF is in the liquidation
-	KDB 1st SPC and 15 others	Included because the Bank has the majority of risks and rewards by providing credit line facilities
-	KDB Shipping PEF KL-1 and 34 others	Included because the Bank has the majority of risks and reward by owning more than 50 percent shares

25-8. Financial impact

Financial impact by adopting K-IFRS is based on separate financial statement and could be changed due to results of further analysis, revision of K-IFRS, and others

Reconciliation between non-consolidated statements of financial position of the Bank at January 1, 2010 under K-GAAP and K-IFRS is summarized as follows (Korean won in millions):

Description	Assets	Liabilities	Equity
K-GAAP	₩ 122,333,446	₩ 107,222,739	₩ 15,110,707
Reconciliations			
Allowance for possible loan losses (*1)	480,763	(203,189)	683,952
Financial guarantee contracts	72,576	140,942	(68,366)
Allowance for severance and retirement benefits	-	46,091	(46,091)
Tax effects	(27,315)	118,530	(145,845)
Others (*2)	(57,607)	(75,937)	18,330
Total reconciliations	468,417	26,437	441,980
K-IFRS	₩ 122,801,863	₩ 107,249,176	₩ 15,552,687

(*1) The allowance for possible loan losses under K-IFRS is measured on incurred loss basis

(*2) Others consist of separate recognition of embedded derivatives of compound financial instruments, recognition of accrued interest of overdue & non-impaired loans and recognition of non-current assets held-for-sale etc

26 Approval of financial statements

The 2010 non-consolidated financial statements were approved by the Board of Directors on March 11, 2011

Internal control over financial reporting review report

The Chief Executive Officer
KDB

We have reviewed the accompanying management's report on the operations of the internal control over financial reporting ("ICFR") of Korea Development Bank (the "Bank") as of December 31, 2010. The Bank's management is responsible for the design and operations of its ICFR, including the reporting of its operations. Our responsibility is to review management's ICFR report and issue a report based on our review. Management's report on the operations of the ICFR of the Bank states that "Based on the assessment of the operations of the ICFR, the Bank's ICFR has been effectively designed and has operated as of December 31, 2010, in all material respects, in accordance with the ICFR standard."

We conducted our review in accordance with the ICFR review standards established by the Korean Institute of Certified Public Accountants. These standards require that we plan and perform our review to obtain less assurance than an audit as to management's report on the operations of the ICFR. A review includes the procedures of obtaining an understanding of the ICFR, inquiring as to management's report on the operations of the ICFR and performing a review of related documentation within limited scope, if necessary.

The Bank's ICFR consists of an establishment of related policies and organization to ensure that it is designed to provide reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external financial reporting purposes in accordance with accounting principles generally accepted in the Republic of Korea. However, because of its inherent limitations, the ICFR may not prevent or detect material misstatements of the financial statements. Also, projections of any assessment of the ICFR on future periods are subject to the risk that ICFR may become inadequate due to the changes in conditions, or that the degree of compliance with the policies or procedures may be significantly reduced.

Based on our review of management's report on the operations of the ICFR, nothing has come to our attention that causes us to believe that management's report referred to above is not presented fairly, in all material respects, in accordance with the ICFR standards.

We conducted our review of the ICFR in place as of December 31, 2010, and we did not review the ICFR subsequent to December 31, 2010. This report has been prepared for Korean regulatory purposes pursuant to the Act on External Audit for Stock Companies, and may not be appropriate for other purposes or for other users.

Ernst & Young Han Young

March 11, 2011

This report is annexed in relation to the audit of the financial statements as of December 31, 2010 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

Report on the operations of the internal control over financial reporting

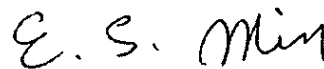
To the Board of Directors and Auditor of KDB Bank

I, as the internal control over financial reporting officer ("ICFR Officer") of KDB Bank ("the Bank"), assessed the status of the design and operations of the Bank's internal control over financial reporting ("ICFR") for the year ended December 31, 2010.

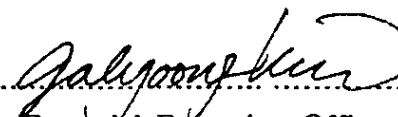
The Bank's management including the ICFR Officer is responsible for the design and operations of its ICFR. I, as the ICFR Officer, assessed whether the ICFR has been effectively designed and has operated to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external financial reporting purposes. I, as the ICFR Officer, applied the ICFR standards for the assessment of design and operations of the ICFR.

Based on the assessment of the operations of the ICFR, the Bank's ICFR has been effectively designed and has operated as of December 31, 2010, in all material respects, in accordance with the ICFR standard.

March. 10, 2011



Chief Executive Officer



Internal Control over Financial Reporting Officer

