

# Shining Brighter

**Annual Report  
2010**

 **KB Financial Group**

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## **KB Financial Group**

KB Financial Group is Korea's premiere financial institution with a comprehensive line-up of products and services ranging from banking to IT system development. Established in 2008 with the nation's foremost business foundation in assets, customer base, and distribution network, the Group pursues preeminence in the financial services industry through its nine subsidiaries. By increasing synergies among these subsidiaries, the Group is able to bolster its core competencies in banking, credit card, securities, insurance, and asset management, while continuing to improve upon its comprehensive financial system. In particular, the Group is focused on strengthening the capabilities of its non-bank subsidiaries by leveraging group synergies in line with its vision, "A Global Financial Group, Leading the Asian Financial Industry." By delivering the best customer value, the Group progresses towards becoming a genuine "Global Financial Star" that is leading the Asian financial industry while steadfastly serving its shareholders and customers.



## Group at a Glance

### KB Kookmin Bank

#### Key Financial Indicators

(in KRW billion)

Total Assets **254,861.8**

Total Shareholders' Equity **19,360.7**

Net Income **11.2**

(Including performance of  
KB Kookmin Card)

KB Kookmin Bank, the flag ship of KB Financial Group, is a dominant leader in Korea's banking industry, priding itself on having the largest customer base, the most extensive branch network, the highest credit ratings, and the best customer satisfaction. In order to achieve its 2011 objective of "strengthening the leading bank status through changes and reforms," the Bank continues to seek profit-based growth through sustainable income models, maintain preemptive risk management policies, build up a more customer-focused mindset, and grow into a more responsible corporate citizen.

### KB Kookmin Card

#### Key Financial Indicators

(in KRW billion)

Total Assets **12,381.7**

Total Shareholders' Equity **2,454.0**

(As of March 1, 2011)

Established in March 2011, KB Kookmin Card is the latest addition to the growing business network of KB Financial Group. To better cope with changes in the business environment, the Group has spun off KB Kookmin Bank's credit card division as a full-fledged credit card business charged with the vision of becoming "Korea's best daily life solution provider." Through the establishment of KB Kookmin Card, the Group also aims to enlarge the range of its financial service and strengthen the competitiveness of its non-banking businesses. With a full line-up of diverse credit card products and customer service unparalleled in the industry, KB Kookmin Card has an edge in an increasingly competitive market.

### KB Investment & Securities

#### Key Financial Indicators

(in KRW billion)

Total Assets **2,210.6**

Total Shareholders' Equity **335.2**

Net Income **34.0**

KB Investment & Securities is a comprehensive securities company spearheading KB Financial Group's efforts to bolster its non-banking businesses with industry-leading profitability and highly competitive corporate banking and institutional sales operations. In response to market demands and industry trends, the Company has absorbed KB Futures along with its futures and derivatives operations. By leveraging the Group's extensive domestic and overseas networks, the Company aims to become one of the top three comprehensive financial investment companies in Korea by 2013 and to ultimately grow into one of Asia's leading securities powerhouse.

### KB Life Insurance

#### Key Financial Indicators

(in KRW billion)

Total Assets **3,670.3**

Total Shareholders' Equity **331.0**

Net Income **12.7**

KB Life Insurance is a joint venture between KB Financial Group and ING Group. The Company provides an array of insurance products through its own diversified sales channels and the Group's extensive branch network. The Company has ranked No. 1 in call center operations for four consecutive years and been consistently rated excellent in customer satisfaction. With its goal of joining the industry's "Top 5" by 2013, it focuses on developing more advanced distribution channels, enhancing operation processes, and improving profitability by maximizing group synergies.



## KB Asset Management

### Key Financial Indicators

(in KRW billion)

Total Assets	<b>142.7</b>
Total Shareholders' Equity	<b>126.0</b>
Net Income	<b>29.3</b>

KB Asset Management is the fourth largest asset management company in Korea, with the industry's most extensive product line-up. Its main businesses include trading and brokerage of company-managed collective investment schemes, asset management of a wide range of collective investment plans, and investment advisory & investment trust. With its vision of becoming Korea's best asset manager with world-class fund operation processes, the Company continues to focus on long-term yield and to augment its product line-up in preparation for becoming the 3rd biggest player in the industry.

## KB Real Estate Trust

### Key Financial Indicators

(in KRW billion)

Total Assets	<b>256.1</b>
Total Shareholders' Equity	<b>124.8</b>
Net Income	<b>3.5</b>

KB Real Estate Trust manages customers' real estate on consignment and returns to customers the revenues thus generated. Major services and products offered include real estate trust and management, collateral trust, administration support, REITs, and AMC. Taking full advantage of the Group's extensive business network and thereby leveraging group synergies, the Company continues to develop innovative business models, strengthen sales competencies, and establish a platform for overseas business through strategic ties with leading real estate institutions both at home and abroad.

## KB Investment

### Key Financial Indicators

(in KRW billion)

Total Assets	<b>117.1</b>
Total Shareholders' Equity	<b>106.0</b>
Net Income	<b>-0.8</b>

KB Investment supports the growth of a wide range of enterprises through capital investments. The Company's investment targets include non-listed venture firms and SMEs, companies engaging in business restructuring, SMEs in need of operating capital, and corporations seeking M&A funds. In addition to providing capital investments, the Company offers business support services in key management aspects—personnel management, finance, marketing, and business strategy guidance including advice on listing on the Kosdaq—all with an eye towards enhancing the value of its investments.

## KB Credit Information

### Key Financial Indicators

(in KRW billion)

Total Assets	<b>31.1</b>
Total Shareholders' Equity	<b>25.2</b>
Net Income	<b>1.6</b>

KB Credit Information specializes in managing unpaid receivables for the subsidiaries of KB Financial Group. Its other business areas include bill collection, lease verification, credit check, and proxy service for civil service documents. The Company provides a top-quality service in debt collection and lease verification, thereby improving the quality of the underlying assets and minimizing the reputation risk of the creditors. Pursuing its vision of "becoming the No. 1 credit information company that offers end-to-end service," the Company seeks to maintain its lead in debt collection and grow into a comprehensive credit information service provider.

## KB Data Systems

### Key Financial Indicators

(in KRW billion)

Total Assets	<b>52.2</b>
Total Shareholders' Equity	<b>14.1</b>
Net Income	<b>-2.7</b>

KB Data Systems serves as the IT hub for KB Financial Group, leveraging the experience and know-how accumulated from various financial IT projects it has undertaken over many years. The Company plays a pivotal role in creating a foundation for group synergies by seamlessly consolidating the IT systems of the Group's subsidiaries, and has built many large-scale IT systems for the Group's subsidiaries, including a next-generation banking system for KB Kookmin Bank and a retail sales system for KB Investment & Securities. Furthermore the Company is expanding its IT service operations overseas through projects in Kazakhstan, Cambodia, and other countries.



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## CEO's Message



Facing a challenging business environment in 2010, KB Financial Group solidified its industry-dominant position in Korea.

### Dear Valued Shareholders and Customers :

I would like to take this opportunity to thank all of you for your steadfast support and encouragement for the Group.

In the year 2010, the Korean economy started to recover in earnest on the basis of concerted efforts by all economic entities including the government, households, and corporations to overcome the financial crisis. The Korean financial market gradually stabilized on improving liquidity, while Korean companies increased their exports to a recovering global economy. Nonetheless, many risk factors including the sovereign debt crisis of some European countries known as PIIGS (Portugal, Italy, Ireland, Greece, and Spain) and North Korea's continued provocations placed the Korean economy in a state of constant uncertainty.

For KB Financial Group, the year was marked by hard work and self-discipline as we strove to improve our previously uninspiring levels of efficiency and productivity. We worked hard to cut costs, raise profitability, and optimize the Group's corporate governance structure in order to restore our status as a leading financial group.



We also enhanced its status as Korea's premier financial group taking solid steps towards its goal of becoming "A Global Financial Group, Leading the Asian Financial Industry."

Specifically, we carried out a large-scale early retirement program to downsize our relatively bloated workforce and upgraded our risk management system. We also realigned the Group's management structure to position our financial holding company at the center of the structure. In order to further strengthen our non-banking businesses, we have spun off KB Kookmin Bank's credit card business as a separate subsidiary and merged two of our non-banking subsidiaries, KB Investment & Securities and KB Futures, into one company (KB Investment & Securities). In the mean time, we expanded our deposit base by developing new deposit products and established a new business unit to better focus on large corporations, to list a few examples of our numerous efforts to revitalize the Group.

As for our 2010 operating results, total assets decreased by 160.5 billion won(YoY) to 262.0 trillion won, while total net income fell by 451.5 billion won to 88.3 billion won.

Total loans extended by the Group inched up by 1.8 trillion won(YoY) to 200.6 trillion won, reflecting the Group's strengthened risk management measures on its non-performing loans(NPL). As for funding, our deposits increased by 12.2 trillion won(YoY) to 184.7 trillion won, while borrowings decreased by 11.9 trillion won(YoY) to 42.6 trillion won, both of which are results of our continued efforts to carefully manage our loan-to-deposit ratio(LDR).

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The Group's asset quality deteriorated significantly over the year, a result of rapid asset growth in the past few years. NPL ratio increased by 0.64% points to 1.83%, while NPL coverage ratio decreased by 28.51% points to 118.34% on a year-on-year basis, as delinquency rose in household and SME loans and the asset quality of real estate PF loans deteriorated, mainly due to a sluggish real estate market and corporate restructuring programs.

While widening net interest margins(NIM) contributed to a rise in our interest income, operating income before provisioning(PPOP) reflected the one-time cost of the early retirement program, posting a 150.7 billion won(5%) increase. As asset quality deteriorated, provisioning expenses rose to 3.1 trillion won, showing a year-on-year increase of 609.4 billion won. All of these factors led to a sharp decrease in our net income vis-à-vis the previous year's figure.

I regret that our operating results for the last year are far short of our shareholders' expectations, and express sincere apologies as the Group's Chairman & CEO. In the year ahead, we will redouble our efforts to deliver business results worthy of the support and confidence you have shown us.

In the year 2011, both the world and the Korean economies are expected to remain in recovery mode while maintaining their gradual growth trends. Considering the recent changes in the business environment, however, it is reasonable to assume that the overall business outlook in the coming year may not be all that bright.

While some uncertainties, such as the deterioration of real estate PF loans and the European sovereign debt crisis, continue to pose considerable threats to the Korean economy, we expect to see more stringent regulatory measures to weigh upon financial institutions around the world in terms of asset quality, capital adequacy, and liquidity, as witnessed in the cases of the upcoming BASEL III Accord and the expected adoption by Korean government of a bank levy. Meanwhile, once the ongoing privatization and M&A talks involving major financial corporations are completed, competition among Korean financial companies is sure to intensify more than ever.

Facing such a challenging business environment, KB Financial Group in 2011 will pursue becoming a financial institution that is deep-rooted among and cherished by the Korean people. To achieve this goal we have set as our 2011 management objective the "Pursuit of Value-focused Growth Based on Customer Value" and we will pursue the following four core strategies:



**First, we will redefine our target customer base and maximize customer value.**

In order to provide our customers with the best value possible, we will reestablish our status as a retail-focused financial group that is specialized in the areas of household and SOHO, while expanding our customer base of high-quality SMEs, large corporations, and other institutional customers. To that end, we will focus on developing innovative products and services while strengthening customer relationship management.

**Second, we will bolster core competitiveness to strengthen our market dominance.**

We plan to invest additional resources to enhance the quality of our human resources and our brand value, which are the most important factors of competitiveness in the financial industry. Meanwhile, we will continue our efforts to create additional synergies among our subsidiaries by utilizing the financial group structure.

**Third, we will build a sustainable growth platform to enhance the future value of the Group.**

We will strengthen the competitiveness of our fledgling non-banking businesses, and cultivate new income sources such as consumer finance, smartphone banking service, and Green Banking business. As Korea's leading financial group, we will also explore various strategies to strengthen our overseas operations.

**Lastly, we will optimize management efficiency by better managing our Cost-Income Ratio(CIR) and conducting structural reform of the Group.**

By continuing to emphasize management efficiency in the coming year as we did in 2010, we will bring our Cost-Income Ratio(CIR) to the levels of premier financial groups in developed countries. To that end, we will keep on improving profitability, enhancing productivity, optimizing the organizational structure, and strengthening our risk management system.

By pursuing the core strategies outlined above, all of us at KB Financial Group will make our best efforts to deliver performances that will be meaningful and satisfactory to all of our shareholders in 2011.

Once again, I thank our shareholders and customers for the unwavering support and ask for continued consideration and encouragement during the year ahead. On behalf of everyone at KB Financial Group, I wish you and your loved ones a healthy and prosperous year.

Thank you.

**Yoon-Dae Euh**

Chairman & CEO  
KB Financial Group Inc.



## 2010 Highlights

**In 2010, the Group transformed its synergies into hit products, issued Asia's first Samurai bond since the financial crisis, improved on a stronger brand, produced the highest-rated domestic asset management fund, introduced a smartphone-based securities trading app, and enjoyed the honor of having the best call center for four consecutive years.**

### Rolling out hit products in succession

In 2010, a number of new KB products rapidly gained popularity with their innovative and customer-satisfying features. "KB WISE Plan Installment Savings & Fund" attracted over 100,000 customers within the first four days of its roll-out, as it gives customers the flexibility to invest in both funds and high-yield savings accounts in accordance with market conditions. "KB People UPTime Deposit" drew in an impressive 1,700 billion won within a month and a half on the strength of its compound interest rate feature.

### Reconfirming KB brand power

Once again in 2010, KB Kookmin Bank proved its unchallenged leadership in customer service and brand power. The Bank ranked first in each of the National Customer Satisfaction Index, for an unprecedented five consecutive years, the Korea Customer Satisfaction Index, for four consecutive years, and the National Brand Competitiveness Index, for seven consecutive years.

### Industry-shaping firsts and bests

In 2010, KB Kookmin Bank became the first commercial bank in Asia to successfully issue a Samurai bond since the advent of the financial crisis and the first bank in Korea to reach the 1 trillion won mark in AUM with its ELS specified money trust, further cementing its industry leadership. The Samurai bond issue attracted over 40 institutional investors including banks, asset management institutions, and investment entities, earning a high level of credibility among Japanese investors. Moreover, not once in the seven years of its performance did the ELS specified money trust dip into its principal.

### "MyStar" (KB's next-generation banking system) completed

In 2010, KB Kookmin Bank fully completed establishing "MyStar," a next-generation computerized banking system which had began development in 2007. The state-of-the-art system makes possible the provision of comprehensive financial services to 26 million

some customers. The system received the first "ISO/IEC 27001" certificate in the Korean financial industry, establishing the Bank's excellence in IT as well as in financial services.

### Posting industry-best business results

KB Asset Management ranked first in various performance-related categories, further improving the KB brand value. The Company was chosen as the best fund manager, based on its short- and long-term ROR and risk index; its "KB Growth Focus Fund" was named "best domestic fund" and "KB Value Focus Fund" was selected as the "highest yield fund for 2010" and "best-performing fund" in annual industry journal contests.

### Smartphone trading service launched

Responding to a smartphone rage triggered by the iPhone, KB Investment & Securities introduced "KB iPlustar," an app for securities trading and banking. It is the first of its kind not only in the trading industry but also in the banking industry in Korea. This preemptive introduction of the trading/banking service app is part of the Company's retail business strategy involving online and off-line approaches. The Company had launched in 2009 its home trading system, "KB plustar," while expanding its Branch-in-Branch (BIB) network in cooperation with KB Kookmin Bank.

### Best call center for 4 consecutive years

In recognition of its continued efforts to improve customer service through systematic training and education programs, KB Life was ranked No. 1 for four consecutive years in the call center category in the Korea Service Quality Index. As almost all insurance operations, ranging from product sales to claims processing, are conducted by phone, the importance of customer trust and satisfaction in call centers cannot be overemphasized.



## 2010 Awards & Recognitions

**The Group made it into the DJ Sustainability Index for the second year in a row, became a "Hall-of-Fame" corporate citizen, was named a financial CDP (Carbon Disclosure Project) leader, was selected as Korea's best Foreign Exchange (FX) bank, and ranked 1st in customer satisfaction for the fifth year.**

### **KB Financial Group in DJ Sustainability Index for the second year**

The Group made it into the Dow Jones Sustainability Asia/Pacific Index for two consecutive years. The inclusion in the prestigious index not only reaffirmed its leadership in economic, environmental, and social areas but also will serve as a platform for its emergence as a global financial group.

### **Once again named CDP financial leader**

The Group was named a Carbon Disclosure Project(CDP) leader in the financial area for the second year. CDP is an organization that works with shareholders and businesses to disclose carbon emission levels of major corporations around the world.

### **Chairman Euh named "most powerful business leader"**

KB Group Chairman Euh was named one of the "most powerful business leaders" who shaped the Korean economy in 2011. This recognition was given in appreciation for his contribution, always coupled with his characteristic can-do attitude, to Korea's overcoming of the global financial crisis and achievement of a meaningful recovery.

### **KB Kookmin Bank made into corporate citizenry "hall of fame"**

KB Kookmin Bank was given the highest honor in the youth welfare category at the 2010 Corporate Social Contribution Awards. Because the Bank has won the award for five years in a row, it earned a place at the so-called corporate citizenry "hall of fame." Mindful of the role of youth in the future of Korea, the Bank has been opening and operating libraries, study areas, and English camps in remote countryside.

### **KB named Korea's best FX bank**

KB Kookmin Bank received "Korea's Best FX Bank Award" from Asiamoney, a respected journal covering the financial industries of Asia and the Pacific regions. The journal annually surveys the opin-

ions of financial institutions and corporate FX managers on a wide range of industry topics, and the Bank was voted the top choice of financial institutions in the FX bank category.

### **KB Kookmin Bank won Knowledge Economy Minister's award**

KB Bank received the Minister of Knowledge Economy Award in the Green Productivity sector at the 2010 National Productivity Contest. Hosted by the Ministry of Knowledge Economy and conducted by the Korean Productivity Center, the prestigious contest identifies institutions and corporations that have excelled in productivity improvement through management innovations and reforms.

### **KB Investment & Securities won top management/marketing award**

KB Investment & Securities received a "2010 Executive Leadership" award in the innovative management category. In addition, for its industry-first smartphone trading app, the Company also won a Korean Economy Daily Marketing award in the brand equity category and a Joongang Daily-Thomson Reuters Analyst award.

### **KB Life won top customer value award**

KB Life was ranked No. 1 for four consecutive years in the call center category in the Korea Service Quality Index. The Company also received a top customer value award for its "KB Life Universal Whole Life Insurance" product.

### **KB Kookmin Bank named best bank in NCSI for the 5th year**

2010 was another bumper year for KB Kookmin Bank's customer-first business approach. The Bank ranked first in each of the National Customer Satisfaction Index for the fifth year, the Korea Customer Satisfaction Index for the fourth year, and the National Brand Competitiveness Index for the seventh year.



# Corporate Value

## Vision & Strategy

**Under its vision of “A Global Financial Group, Leading the Asian Financial Industry,” the Group is focusing on maximizing customer value, diversifying businesses, securing global competitiveness, and enhancing management efficiencies.**

### Vision & Strategies

KB Financial Group endeavors to establish itself as Korea’s premier financial group and grow into “A Global Financial Group, Leading the Asian Financial Industry.” For this vision, we are pursuing the following mid- and long-term strategies: maximize customer value through developing outstanding products by customer segment; diversify businesses by fostering market competitiveness of all our subsidiaries; secure global competitiveness by focusing our resources on new markets while cultivating profit generation capabilities of existing ones; and enhance management efficiencies by improving our productivity and profitability, optimizing business operations, and fostering human talent.

### 2010 Management Strategies & Results

The year 2010 marked the time for the Group to pursue change and reform to enhance productivity and strengthen competencies. It set out a strategic direction of “maximizing Group value through balanced growth,” which was carried out through four core strategies as follows:

First, we reinforced the “One-Firm” architecture by realigning the Group’s management structure in accordance with that of our financial holding company, optimizing its manpower/organization configuration, defining its mission and core value, and revising its brand strategy.

Second, we optimized our business portfolio by establishing a new credit card subsidiary through spinning off the Bank’s credit card business, integrating the securities and futures affiliates, and forming strategic alliances for a new global business strategy.

Third, we bolstered our sales competencies by developing products designed to meet evolving customer needs, deleting barriers in branch operations, and revamping the SOD (Segregation of Duties) system.

Fourth, we strengthened our preemptive risk management and responsiveness to changes in the business environment by setting up a risk monitoring system on the Group level, and improving

both the loan approval process at KB Kookmin Bank and the risk management systems at the non-banking subsidiaries.

### 2011 Strategies by Business

#### 2011 Business strategy direction

In anticipation of tougher competition, an increased level of regulations, and other challenging developments in the year ahead, we plan to pursue the following core strategies under the new strategic direction of “maximizing Group value through balanced growth,”:

First, we will redefine target customer base and maximize customer value by reestablishing our status as a retail-focused financial group specialized in the areas of household and SOHO, while expanding our customer base of high-quality SMEs, large corporations, and other institutional customers. To that end, we will focus on developing innovative products and services and bolstering customer relationship management.

Second, we will invest additional resources to enhance our human resources and our brand value, thereby reinforcing our core competitiveness and strengthening our market dominance. Moreover, we will continue our efforts to create additional synergies among our subsidiaries by fully utilizing our financial group structure.

Third, we will build a sustainable growth platform to enhance the future value of the Group by simultaneously strengthening the competitiveness of our non-banking businesses, and cultivating new income sources such as consumer finance, smartphone banking service, and Green Banking businesses.

Lastly, we will optimize management efficiencies both by managing our cost-income ratio (CIR) and by conducting structural reform of the Group, thereby bringing our CIR to the levels of other premier financial groups. To that end, we will continue improving profitability, enhancing productivity, optimizing the organizational structure, and strengthening our risk management system.



Strategies by business

**Banking**

KB Kookmin Bank, under the slogan of “profit & value focused growth,” will concentrate on regaining profitability as soon as possible by increasing deposits based on sustainable net interest margin (NIM), increasing loans with decent asset quality, gaining lead in non-interest income areas such as mutual funds, and increasing sales in corporate finance, wealth management, and FX, and expanding mobile banking services including smartphone app-based services.

**Credit Card**

KB Kookmin Card will concentrate on maximizing its business competencies by completing its spin-off from the Bank at the earliest possible date. In order to avail services that can satisfy customers of high credit and high expectations, the new Company will actively pursue strategic ties with leading corporations of various businesses and take full advantage of the Group’s extensive distribution network.

**Securities**

As of 2010 year-end, KB Investment & Securities was in the process of merging with KB Futures in response to changing trends and regulations in the industry. Among its many advantages, the merger will create powerful synergy effects on many of the Company’s operations. To secure a solid foothold in the retail market, the Company will further sharpen the competitiveness of its online and offline distribution channels for the brokerage and wealth management businesses.

**Life Insurance**

KB Life Insurance will focus on bolstering the sustainability of its income structure by developing various marketing channels, including telemarketing and Total Consulting (TC) as well as creating new products such as guarantee-type insurance products.

**Asset management**

KB Asset Management will concentrate on enlarging its share of the all-important equity-type fund market by developing innovative products, maximizing the Group’s synergy potential, expanding its distribution channels in cooperation with the Group’s non-banking subsidiaries, and increasing its participation in the outsourcing projects of large institutional fund customers.

**Overseas business**

The Group plans to expand its presence in China, India, and other emerging markets, while closely monitoring advanced markets for signs of genuine business opportunities. It will add to its branch network and grow its business foundation through equity participation and M&A. To enhance the efficiency of its overseas operations, the Group will cultivate local talent and transfer its core strengths to select areas of strategic importance.

**Organizational changes**

In August 2010, the Group appointed a new Chief Public Relations Officer (CPRO) in charge of its social contribution, public relations, and advertising operations, and established KB Research, a management supporting department and a special task force for the spin-off of our credit card business from the Bank. Another task force was created in July 2010 to downsize the Bank’s workforce, overhaul the back office, and reform the SOD (Segregation of Duties). A Group strategic commission was created to better align strategies and foster better cooperation among the affiliates. To spur PEF investment, KBIC PEF No. 3 and KoFC KBIC Frontier Champ 2010-5, both subsidiaries of KB Investment, were incorporated into the Group as second-tier subsidiaries in 2010.

## Senior Management

<p><b>Yoon-Dae Euh</b> Chairman &amp; CEO</p>	<p><b>Young Rok Lim</b> President</p>	<p><b>Dong Chang Park</b> Deputy President &amp; CSO</p>	<p><b>Jong Kyoo Yoon</b> Deputy President &amp; CFO</p>	<p><b>Wang-Ky Kim</b> Deputy President &amp; CPRO</p>
<p><b>Seok Heung Ryu</b> Deputy President &amp; CIO</p>	<p><b>Minho Lee</b> Deputy President &amp; CCO</p>	<p><b>Wonkeun Yang</b> Senior Managing Director</p>	<p><b>Yong Hee Kang</b> Managing Director &amp; CHRO</p>	<p><b>Hoon Nam</b> Managing Director</p>

## Synergy Creation

**In 2010, the Group made its best efforts to systemize synergy creation among its subsidiaries by establishing a Group-wide CRM system, launching an integrated customer reward system, and defining a strategy for operating the Group's extensive distribution network.**

### Strategic Direction

KB Financial Group's strategy on synergy creation involves a three-step approach: build a platform for synergy creation, broaden the scope of synergy creation, and maximize the combined effect of synergies in the operation of the Group's business activities. This system will transform the synergies thus created into new drivers to power the growth of the Group on a sustainable basis and increase customer value, thus enhancing the overall value of the Group.

### 2010 Results

In 2010, the Group concentrated on the systemization of synergy creation by expanding its synergy infrastructure on the Group level. Specifically, a CRM system was established, an integrated customer reward system was launched, and the operation strategy of Group distribution channels was outlined.

#### Group CRM system set up

Completed in March 2010, the Group CRM system enables an in-depth analysis of the customer data of all subsidiaries, thereby allowing each of them to identify prospective customers and develop effective customer approaches as well as offer comprehensive financial services that are uniform in quality as well as in format across all entities.

#### Integrated customer reward system introduced

The integrated customer reward system is a Group-wide expansion of what KB Kookmin Bank already was practicing. This new system offers various types of rewards, including lower fee services, to all customers of the Group's subsidiaries based on the frequency and type of their uses of KB's financial services.

#### Defined the Group's distribution channel strategy

In order to provide comprehensive financial services, the Group opened up Branch-in-Branch (BIB) locations, and consolidated bank branches based on a newly-formed distribution channel strategy. BIBs, located within existing KB Kookmin Bank branches, specialize in securities services. The consolidation of corporate finance branches and retail banking branches has created a synergetic base for expanding the Group's corporate finance and retail banking businesses.

### Plans for creating additional synergies in the future

The Group's strategy for synergy creation for the foreseeable future can be summarized as "maximization of synergy creation by providing the highest level of comprehensive financial services." For this grand strategy, the following steps will be taken:

#### Marketing via customer segmentation

The Group will focus on a marketing strategy based on value-based customer segmentation. By identifying the customer needs of each segment and defining marketing objectives derived from such needs, the Group as a whole will develop customer-focused products and provide customized services that clearly stand apart from the rest of the industry. To that end, the Group will set up a Group-level marketing plan and coordinate interactions among its subsidiaries in a systematic and organic way. Marketing based on customer segmentation and coordinated on the Group level will go a long way towards bolstering the customer base of the Group.

#### Sharpening the product edge

One clear industry trend is the shift from unitary products such as deposits, credit cards, and insurance, to hybrid products that combine the diverse benefits of many services. Having successfully introduced its first multi-purpose "KB Plusstar Account" in 2009, the Group followed up its success with "KB WisePlan Savings & Fund," a packaged product that invests in funds and long-term CDs in accordance with market conditions. In order to maintain its product competitiveness on a par with its reputation, the Group will continue to roll out additional hybrid products that go beyond banking and securities trading to include insurance and asset-management features.

#### Expanding joint sales & the synergy mindset

The Group will strengthen its sales competencies and pursue balanced growth among its subsidiaries by spurring KB Kookmin Bank and its non-banking subsidiaries to cooperate with and refer businesses to one another. Meanwhile, by instilling the sense of oneness among Group employees and promoting closer partnerships among the subsidiaries, the Group will expand the platform for synergy creation.



## IT System

**In 2010, the Group defined its IT decision-making process through the creation of an IT strategy committee, established a platform for channeling synergies in IT, and upgraded the IT security systems of its subsidiaries.**

The Group's objective in terms of IT strategy is to maximize its synergy potential via the systematic upgrade of the IT operating systems of the Group and its subsidiaries. In order to achieve this goal, the Group laid a foundation for the creation of synergies among the subsidiaries, enabled the efficient operation of the IT systems, and optimize the quality of the IT services.

### 2010 Accomplishments

#### Group IT decision-making process defined

The Group has created an "IT Strategy Committee" which is responsible for overseeing the Group's IT strategy, reviewing major pending issues, and making key decisions related to IT. The subsidiaries play an integral role in this committee.

By establishing Group IT project planning and operating guidelines, the Group assists its subsidiaries in planning for their IT projects, reviews such projects, and refines them if necessary. The Group also arranges collaboration for any similar or overlapping steps, and monitors the project progress on a regular basis.

#### Creating a platform for channeling synergies

"KB e-synergy System"; a Group-level CRM system, was established in 2010 to enable a "single view" of the data of all KB customers. The establishment of this seamless method for the subsidiaries to share their customer data with one another has invigorated joint marketing and sales among subsidiaries. In response to the adoption of the IFRS (International Financial Reporting Standards), a fully integrated computerized system was completed in May 2010, which meets the new accounting requirements.

#### Affiliate IT security upgraded

In response to increasing IT security threats, a "Didos Response System" has been set up, and the IT security system was upgraded through an IT project for controlling and diagnosing IT security. In addition, the entry authorization systems of common use areas were consolidated to create a coherent entry control system. To better safeguard computer data and information, an advanced PC security solution was implemented on the Group level.

Furthermore, to cut cost and enhance efficiencies in IT system operations, all Internet services for the holding company and the subsidiaries were unified, and all procurement processes involving PCs, business software, and other IT items consolidated into one channel.

### 2011 Plans

In 2011, the Group will upgrade all of its IT operating systems including the "KB e-synergy System," set up an integrated Group DM center, and consolidate its communications infrastructure.

In addition, the Group plans to define Group IT synergy tasks, establish Group IT standard policy and architecture standard formation, and explore various ways to optimize its IT services.

## Social Value

### Corporate Governance

**KB Financial Group employs transparent and efficient corporate governance practices based on a system of checks and balances. The Group also focuses on developing ethical programs and building consensus by educating its staff and employees.**

#### Board of Directors

As of March 2011, the Board of Directors (BOD) of KB Financial Group comprises two executive directors, two non-standing directors, and eight non-executive directors, all appointed at the general shareholders' meeting. The Chairman & CEO is elected by the nomination of the Chairman Nominating Committee, which consists solely of non-executive directors. The Chairman of the BOD is elected from among the non-executive directors and presides over the BOD to ensure its active operation. In 2010, the BOD convened 15 times during which it discussed over 38 business reports and passed 39 resolutions, including the one involving the spin-off of KB Kookmin Bank's credit card business as a separate, wholly-owned subsidiary of the Group.

The BOD maintains a total of seven committees: Audit Committee, Non-Executive Director Nominating Committee, Board Steering Committee, Risk Management Committee, Management Strategy Committee, Evaluation & Compensation Committee, and Audit Director Nominating Committee. All committees are chaired by non-executive directors, and, in accordance with NYSE regulations for listed companies, the Audit Committee and the Evaluation & Compensation Committee are composed of non-executive directors.

#### Audit Committee

As of 2010 year-end, the Audit Committee consists of four non-executive directors, two of whom are accounting/financial experts. As an independent body consisting of non-executive directors, the Audit Committee evaluates the appropriateness and effectiveness of the Group's business activities and internal control systems. It provides insight into vulnerable areas and improvement plans, and takes appropriate ex post facto actions.

In 2010, the Committee carried out a Group-wide audit based on the evaluation results of internal controls and on the underlying business risks of the previous year. Specifically, the Committee

looked into the appropriateness of regulation compliance regarding the operation of Branch in Branch, of the purchase process of Group supplies, and of money laundering prevention operations.

In 2011, the Committee plans to increase the scope and frequency of internal audit and strengthen its management control of the affiliates as the Group continues to diversify its operations and the financial authorities is to step up their scrutiny on the stability of financial institutions.

#### Shareholder Relations

KB Financial Group puts first its shareholder rights and values, including voting rights and maximum fairness and transparency in general shareholders' meetings (GSM). In 2010, despite the challenging market environment, the Group enhanced shareholder value with a dividend payout ratio of 46.6%.

#### Written Absentee Voting System

For shareholders who cannot participate in shareholders' meetings, the Group provides a written absentee voting system.

#### Providing Information on GSM

Two weeks before the GSM, the Group mails out materials relating to the meeting's agenda to all shareholders. A total of 151,059 shareholders received the information materials for the Group's third Annual General Shareholders' Meeting.

#### Internal Control over Financial Reporting

In accordance with Section 404 of the U.S. Sarbanes-Oxley Act and Korea's internal accounting standards, the Group has established internal control rules in financial reporting, created a unit to manage related matters, and designated internal control officers in all departments.

#### Designing internal controls over financial reporting

In designing its internal controls over financial reporting, the



Group has considered all five components of COSO (control environment, risk assessment, control activities, information and communication, and monitoring), a well-respected enterprise risk management framework. These controls include the means to prevent and identify distortions of financial data. Because of this, all managers in charge of financial reporting and all internal control officers are required to appraise the reports and the internal control office evaluates the appropriateness of these appraisals.

### Evaluating internal controls over financial reporting

The Group's internal controls over financial reporting are practiced in the course of operations by the Board of Directors, the Audit Committee, management, mid-level managers, and employees.

Having evaluated the effectiveness of its internal controls over financial reporting in accordance with Korea's Internal Accounting Control System (IACS) standards and U.S. Statement on Auditing Standards (SAS), the Group found them to be effectively structured in all material respects as of December 31, 2010.

### 2011 Plans

As the IFRS is scheduled to be implemented in 2011, the Group plans to adopt the new rules in its internal control evaluation process, set up relevant training programs to strengthen the competence of internal control officers, and institute any other measures necessary for more efficient controls.

## Board of Directors

### Non-Executive Directors

### Executive Directors

### Non-Standing Directors

#### Kyung-Jae Lee

- Chairman, Board of Directors
- Chairman, Board Steering Committee
- Member, Audit Committee
- Member, Evaluation & Compensation Committee

#### Sang-Moon Hahm

- Professor, KDI School of Public Policy
- Chairman, Management Strategy Committee
- Member, Board Steering Committee
- Member, Audit Committee

#### Yoon-Dae Euh

- Chairman & CEO, KB Financial Group Inc.
- Member, Board Steering Committee
- Member, Management Strategy Committee

#### Jae-Wook Bae

- Lawyer, Baejaewook Legal Office
- Member, Audit Committee
- Member, Evaluation & Compensation Committee

#### Seung-Hee Koh

- Professor, Sookmyung Women's University
- Chairman, Audit Committee
- Member, Board Steering Committee
- Member, Risk Management Committee

#### Young-Rok Lim

- President, KB Financial Group Inc.
- Member, Risk Management Committee

#### Young-Jin Kim

- Professor, Seoul National University's College of Business Administration (CBA)
- Member, Risk Management Committee
- Member, Evaluation & Compensation Committee

#### Young-Nam Lee

- CEO, EZ Digital Co., Ltd.
- Chairman, Evaluation & Compensation Committee
- Member, Board Steering Committee
- Member, Management Strategy Committee

#### Byong-Deok Min

- President & CEO, KB Kookmin Bank
- Member, Risk Management Committee

#### Jong-Cheon Lee

- Professor, Soongsil University, Dept. of Business Administration
- Member, Audit Committee
- Member, Evaluation & Compensation Committee

#### Jae-Mok Cho

- CEO, ACE Research Center Co., Ltd.
- Chairman, Risk Management Committee
- Member, Board Steering Committee
- Member, Management Strategy Committee

#### Vaughn Richtor

- CEO, ING Banking Asia
- Member, Management Strategy Committee

## Corporate Culture

**We continue to promote balanced growth and sharing of core competencies among our subsidiaries through strategic allocation of key talents.**

### 2010 Results

#### Mission-oriented corporate culture

As part of its plan to achieve its mid- and long-term vision, the Group has defined a mission and five core values based on an analysis of its corporate culture, management feedbacks, and a survey of around 2,000 employees. The newly delineated mission is to "Touch Customers' Hearts"; it conveys the Group's resolve to more than satisfy customers with the best possible products and services, and thereby, earn customers' trust and respect. The five core values that make up the foundation of the mission are: 'customer-oriented', 'professional', 'innovative', 'speedy', and 'performance-oriented.'

#### Efficient HR management

In 2010, KB Financial Group refined its HR management principles and guidelines for the holding company and the subsidiaries, set up a cooperative system to deal with HR issues among the companies, and revised the subsidiaries' HR systems along the same principles, thus creating a sense of strategic continuity as a "one-firm" organization.

In particular, KB Kookmin Bank, in its pursuit of efficient HR management, launched an early retirement program in November 2010 in which 3,244 staff members and employees participated, and filled division managers, deputy managers, and other important positions through in-house open invitations.

The non-banking subsidiaries also adopted hiring and compensation programs in order to attract talent in the securities, insurance, asset management, and other core business areas.

#### Bolstering employee competencies

To its business operations more competitive, the Group sees the strengthening of HR competencies as its top priority. Accordingly, the Group coordinated and provided a wide range of in-depth job proficiency enhancement programs, all designed to help professionals advance in their own business areas.

KB Kookmin Bank, in particular, conducts HR development based on four themes: strengthening of job competencies, adherence to organizational values, cultivation of global competencies, and development of first-class leadership. To strengthen job competencies the Bank employs job training by CDP (career development programs) and on-site-rotation training; global proficiencies are cultivated through intensive language training and area-specific specialist training programs; and for superior leadership the Bank has set up a "KB Finance MBA" program and helps high-potential employees to take MBA courses at domestic and overseas institutions.

#### Labor relations

The Group and its subsidiaries each operate their own labor-management council. In addition, KB Kookmin Bank and KB Real Estate Trust each has its own active labor union. The Bank's management and employees together played a pivotal role in its smooth conversion into the financial holding company structure in 2008, and agreed to a salary freeze to help the Bank cope with the financial crisis. Moreover, in response to a nationwide "job-share" campaign in 2009, they agreed to a 5% across-the-board pay cut and to a mandatory use of an annual leave, a system that pays a certain amount of money to employees who choose not to use it.

### 2011 Plans

In 2011, the Group will pursue balanced growth in human resources among the subsidiaries, help them maintain their core competencies through active talent exchanges, and improve the productivity of Group business operations as a whole through the strategic allocation of key talent.

The Group will further strengthen labor-management ties by proactively dealing with such hot issues as cessation of wage payment to full-time labor unionists and legalization of multiple unions, thereby creating a new labor management culture conducive to improving productivity, while honoring our responsibilities to society as a world-class financial group.



## KB GoodJob

**The Group has officially launched “KB GoodJob”, a community service project aimed at matching businesses looking for qualified people to hire with job seekers looking for reliable companies to work for.**

### Introduction

The Group, as a model corporate citizen, has set examples of how corporations can return part of their profits to their communities and can benefit from performing such good deeds.

Among the many societal problems of today, high unemployment among people in their 20s is probably the most pressing issue facing not only Korea but the world as well. In response to this growing problem with wide-ranging ramifications, the Group believed it could help lessen the problem of high employment among recent college graduates by using one of its strengths: an ability to share valuable information through its extensive nationwide distribution network.

On January 12, 2011, the Group officially launched “KB GoodJob”, a community service project aimed at matching businesses looking for prospective employees with job seekers looking for decent companies to work for.

By utilizing the Group’s extensive network of businesses, particularly SMEs, the KB GoodJob project provides a cyber space (www.kbgoodjob.com) where potential employers and job seekers can post their needs, or search the database for answers to their needs.

In addition to what may seem like classified ads, KB GoodJob website offers information on industry and business trends, market developments, and technology progress of various fields, as well as tips on resume writing and job interviews.

What sets KB GoodJob apart from other job boards is that the Group utilizes its extensive business and academic networks to maintain the quality of the job database at a high level.

KB GoodJob has a large and detailed customer information database accumulated through KB Kookmin Bank’s nation-wide network of 1,200-plus branches. It has established close ties with various SME business associations, which have proven to be very willing sources of quality job information.

In terms of reliable information on job seekers with desirable traits and qualifications, the Group has been cultivating relationships with and enjoys active cooperation from career centers and advisors at many universities, community colleges, and trade schools throughout the nation.

In addition to creating a database of places to work and prospective employees based on its own networks, the Group actively promotes the GoodJob project via various means including advertising to attract people looking for a better job opportunities.

The Group plans to expand its pool of job seekers to include people in their 40s and 50s as well as housewives in order to help create greater economic opportunities for the generations increasingly falling behind the progress of technology.

### Project footsteps

Sep. 15, 2010	Oct. 2010	Nov. 2010	Jan. 12, 2011	Jan. ~ Feb. 2011
Project task force formed	IT system & Job database established	The project name, “KB GoodJob” selected Job and applicant registration functions of the computer system developed	“KB GoodJob” officially launched	Database of jobs and applicants continued to be expanded.

## Social Contributions

**The Group continued its role as a model corporate citizen by sponsoring youth cultural events, increasing after-school study spaces for students from low-income families, opening mini libraries, and operating English camps for needy students.**

In 2010 KB Financial Group continued its role as a model corporate citizen through various social contribution programs. The Group sponsored a number of cultural events for youth, created more after-school study spaces for students from low-income families, and opened mini libraries in small towns and remote villages totaling 22 as of December 2010.

The Group also supported a meal program that feeds around 1,900 children from low-income families per day, operated English camps for needy students, and held a museum tour program in which around 400 schools participated.

In addition, the Group continued its annual events of delivering Kimchi and other daily necessities to the needy, and overseas social service programs involving university students. The Group's community service events are held twice a year and around 1,800 employees take part in making Kimchi for and delivering daily necessities to family-less seniors. In total, the community service programs in which the Group was involved in 2010 numbered about 1,220, which translate into over 100,000 man-hours.

### Main activities in 2010

#### KB Microfinance Foundation

The Group has been active in supporting needy people with innovative financial programs as a way to return customer trust to the society. A case in point is the "KB Microfinance Foundation," established in 2009 to provide the financially-marginalized with a base for social and financial independence.

Having invested an initial fund of 10 billion won, the Group plans to increase the fund to 50 billion won over the next five years to help low-income/low-credit people start or better run micro businesses. As of Dec 31, 2010, the foundation had six branches, and more branches will be set up in areas that have been marginalized in terms of economic opportunities.

#### KB Kookmin Bank

##### Youth sponsor projects

KB Kookmin Bank, the flag ship of the Group, is at the forefront of the Group's corporate citizenship. Some of the more successful community programs are "KB English Camp," which provides English education to children in the countryside, "KB Hope Study Room" which creates spaces for after-school study for needy children, "KB Happy Table," a free-lunch program feeding 1,850 children from low-income families, "KB Mini Library," providing marginalized youths in major cities with opportunities to be exposed to arts and culture, and "KB Museum Tour," helping youth develop an ability to appreciate art and culture.

Owing to its community contributions, the Bank has received the Best Award in the youth welfare category at the Social Contribution Corporate Awards for five consecutive years.

##### Developing global social activities

KB Kookmin Bank is also active in promoting overseas social service programs. It has created "RaonAtti," a university student volunteer group, which provides a helping hand to people suffering from poverty, hunger, and natural calamity in under-developed Asian countries.

The Bank has also created a "KB Loves Hangul" campaign that promotes the superiority of the Korean language. Through this program, the Bank has been helping develop Korean-language teaching materials for schools and colleges in Vietnam, Mongolia, Indonesia, and Kazakhstan.

##### Ecosystem protection activities

In 2010 the Bank took part in "Eco-Tree Campaign," a tree planting event. Campaign participants planted 13,000 trees consisting of eight varieties as a way to raise awareness about the importance of preserving the eco system.



### KB Investment & Securities

#### “Rainbow Classroom” campaign

KB Investment & Securities’ volunteers opened a “KB Rainbow Classroom” at a one-room school in remote countryside for students bereft of cultural benefits due to their geographical location. With the help of college student volunteers, they converted the one-room school into a bright and colorful classroom by painting it and equipping the room with study and play aids.

#### Donating auction proceeds

The Company donated to disabled children agencies by raising proceeds through a year-end auction of items donated by our executives and employees.

### KB Life Insurance

#### Tree planting campaign

KB Life Insurance participated in a “Plant Trees for Next Generations” campaign as part of its dedication to its social contribution theme of bequeathing a healthy environment to future generations.

#### Regular services for the elderly

In 2010, the Company continued its five-year-old program of helping the socially-marginalized. Its volunteer employees cleaned and worked the meal lines at senior community centers, and delivered free meals to seniors with no families and the homeless.

#### Delivering coal briquettes

In cooperation with a social service organization, the Company’s volunteers delivered around 10,000 coal briquettes to the needy.

### KB Asset Management

KB Asset Management’s volunteers have been visiting elderly care homes and providing free meals to the elderly since 2006, averaging 24 times a year.

### KB Real Estate Trust

KB Real Estate Trust volunteers delivered free meals to the homeless and visited children welfare centers to clean the facilities and hold after-school classes for the children.

### KB Investment

KB Investment concentrated its social responsibility efforts on visiting the elderly in senior facilities, housecleaning their dwellings and preparing basic food necessities.

### KB Credit Information

KB Credit Information raised funds for community service through payroll deductions and provided free meals to welfare centers.

### KB Data Systems

KB Data Systems regularly conducted a free-meal service at welfare centers for the elderly and helped seniors with no families view their past and remaining lives in a more meaningful way by providing a free photo-taking service.



## Customer Value

### KB Kookmin Bank

**KB Kookmin Bank launched an integrated customer loyalty system, held diverse customer promotional events, strengthened branch sector-specific marketing, rolled out customer needs-focused products, and set a record in customer satisfaction.**

#### Retail Banking

KB Kookmin Bank launched an integrated customer loyalty system, held diverse customer promotional events, strengthened branch sector-specific marketing, rolled out customer needs-focused products, and set a record in customer satisfaction.

#### Marketing by customer segment

The Bank launched a "Combined Customer Rating System" as a way to bolster its prime client base. This system covers the customers of the Bank as well as those of KB Investment & Securities and KB Life Insurance. The Bank also held various cultural events, inviting a total of 60,000 long-standing preferred customers in appreciation of their worth and value. Furthermore, through numerous cultural affairs targeting specific customer groups, some in joint promotion with telecommunications or other retail businesses, the Bank sought to attract new clients and to expand the basis of its select customers.

#### Growing into a brand-name bank

In recognition for its steadfast focus on client relationship management and exceptional dedication to high customer service quality, the Bank became the first in the banking industry to be honored with the top place in the prestigious National Customer Satisfac-

tion Index survey for the fifth year in a row. Moreover, the Bank placed first in the Korea Customer Satisfaction Index and was named "the most customer-recommended corporation" by the KNPS—both for the fourth consecutive year. In addition, the Bank was ranked the best in the industry in the Korea Service Quality Index, and was selected as a "Voice of Customer-management System" with the highest rating of AAA.

#### Pursuing customer value

The Bank carried out measures designed to preempt or effectively reduce customer complaints. Posters were put up at branches showing the pictures and contact numbers of the branch managers and the customer complaint officers, reminding customers and branch employees that the Bank takes their complaints seriously. In addition to the posters, "Help Desks" were set up at many branches to deal with any customer service issues on site. The Bank's website and call-center also were utilized to respond to customer input. Beyond the system improvements, the Bank also conducted training programs to educate employees on preventing and handling customer complaints as well as on the proper ways to treat socially-marginalized customers.

#### Banking for the needy

The Bank continued to provide financial solutions to people with low-income or low-credit and to struggling small entrepreneurs. Through "KB Workers Loans" and other income bracket-specific products, the Bank funneled around 500 billion won of loans in 2010 towards this fertile segment of the nation's population, thereby sowing the seeds of financial independence and prosperity.

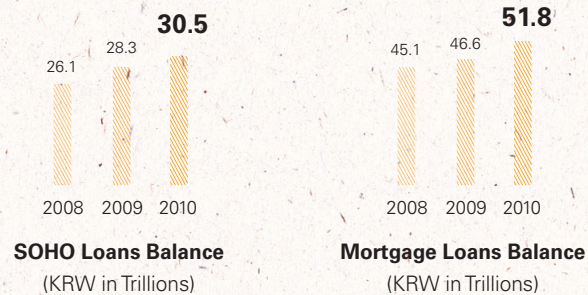
#### Optimizing branch network

The Bank integrated some of its retail and corporate banking branches while expanding the corporate banking capabilities of its retail locations. In addition, 45 field offices were upgraded to branch status. The consolidation and the upgrade were made to cut costs, improve manpower efficiency, and sharpen channel competitiveness. To create stronger sales competencies and higher channel efficiency, the Bank opened branches in large-scale residential and business development areas and relocated branches that were affected by the shifting business conditions in their neighborhoods.

#### Fostering quality loan growth

In 2010, the Bank was able to increase the segments of household loans that are traditionally considered low-risk yet rela-





tively high-yield. In particular, unsecured credit and mortgage loans amounted to 67.1 trillion won as of 2010 year-end, up 9.1% from the year before. This combined figure represents 68.6% of total household loans for 2010, a 5.3% point increase. As for corporate loans, the balance of won-denominated SOHO loans reached the 30 trillion mark in November, setting a new record in Korea's financial history. This milestone can be attributed to the Bank's customer-specific product development in cooperation with private and public credit guarantee institutions.

### Corporate Banking

The Bank played a leading role in the domestic syndicated loan market, diversified its business portfolio and income models through collaboration with its group affiliates, and secured a sustainable foothold in future growth industries.

### Launching an institutional business

The Bank created a division in 2010 exclusively for institutional sales to target clients as a way to bolster its corporate banking operations. This new division is intended for universities, state and municipal governments, general hospitals, and government agencies. By providing services

such as tuition receipt processing, reserve fund management, disbursement, wage transfer, and smart card issuance, the Bank aims to secure stable inflows of large funds, expand the youth customer base, and create other income opportunities.

### Leading in investment finance

The Bank, in the face of growing competition among banks, continued its role as a lead manager of Korea's major SOC projects. In particular, the Bank signed a private fund initiative (PFI) contract involving the construction of a recycle and disposal facility (RDF) for Korea's second largest city, thereby becoming the first financial institution to finance an RDF project. The Bank also arranged three acquisition finance and six real estate project finance deals, with a combined total figure large enough to make the Bank the second biggest lead-manager in syndicated loans.

### Creating new business areas

As a way to create new business areas, the Bank formed a private equity investment trust fund that invests in CBs, BWs, and other mezzanine assets. The Bank also arranged the funding of two private real estate trust funds that aim to take advantage of the downturn in the newly-built apartment market.

### Expanding overseas business

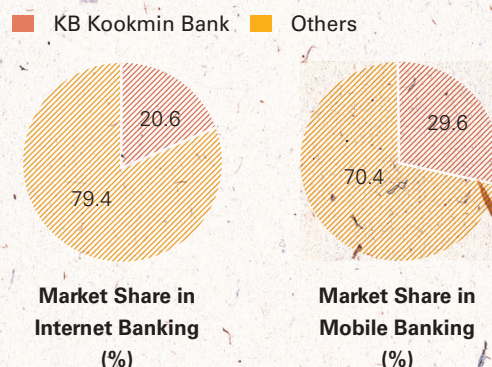
In 2010 the Bank continued to pursue the expansion of its overseas business operations. It increased its share in Bank Center Credit (BCC) in Kazakhstan from 30.5% to 41.9% and, through the transfer of its core competency know-how, provided the foundation for BCC to become a leading bank in that strategic region.

Meanwhile, the Bank expanded its business base in China by opening a branch in Xuzhou and securing a RMB license for its Guangzhou branch. In addition, the Bank continued to explore opportunities for advancing into Indonesia, Vietnam, and India as well as in China, while expanding its global network by increasing its tie with SMBC of Japan.

### Growing M/S in investment banking

The Bank will continue to bolster its position in the investment banking market by expanding its operations in M&A underwriting, SOC and real estate PF. As a way to cultivate future income sources, the Bank will gradually increase its direct/indirect investment operations and diversify its income base through cooperation with its affiliates in the domestic and overseas IB markets. As part of its mid- and long-





term plan, the Bank will seek to become a finance leader in the power generation market by beefing up its operations in the new renewable energy and combined thermoelectric markets.

#### Maximizing Group value

In 2010 the Bank will step up its contribution to value creation at the Group level. Specifically, by exchanging customer information with its affiliates, the Bank will plan and carry out marketing aimed at target business segments in close cooperation with KB Investment & Securities, KB Real Estate Trust, and KB Investment.

#### Excelling in corporate pension

The corporate pension market has been growing fast and the Bank was at the center of this growth sector for the past few years. In 2010 its corporate pension balance jumped 108% yoy to KRW 2,992 billion, enough to secure its market dominance within the banking industry. The Bank also ranked No. 1 with 440,000 customers. This success can be attributed to, among many other reasons, the Bank's dedication to the promotion of a clear understanding of corporate pension systems among its foreign and domestic corporate clients and the general public.

#### New Growth Business

The Bank is a de facto leader in private banking, corporate pension, e-banking, and green banking. Its first-rate private bankers, comprehensive pension products, advanced IT know-how backed by the biggest customer base and proactive eco-focused

practices have positioned the Bank in the forefront of strategic banking sectors.

#### Meeting customer needs in PB

KB Kookmin Bank caters to its high net-worth customers through 24 centers specializing in private banking services under the exclusive brand name of "GOLD&WISE." In order to harness the increasingly sophisticated financial needs of affluent customers, the Bank expanded its investment targets to include IPO and future growth stocks, paintings, and other targets of potential appreciation. In addition, the Bank added two BIBs to its PB network in cooperation with KBS&I and launched a "Total Life Care Service," which includes concerts, golf competitions, investment seminars, and other events that would accommodate the lifestyles of well-to-do customers. The Bank will continue to improve the quality of service and the superiority of investment opportunities offered by its PB operations.

#### Diversifying online channels

Online banking is a fast-growing market with far-reaching ramifications, and the Bank is an undisputed leader domestically: as of 2010 year-end, 13.7 million Internet banking customers (20.6% of the market), 3.7 millions mobile-banking customers (29.6%), and 0.6 million app-using customers (22.9%). The Bank enjoys a comfortable lead over the competition in all three sectors. Owing to its innovative product development and customer-focused service, the Bank garnered the top awards in two categories at the "WebAwards 2010"

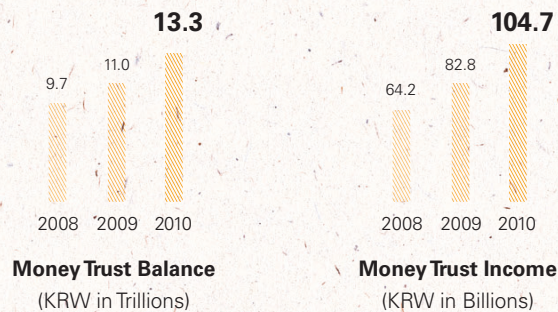
for the third year in a row. To harness the popularity of smartphone- and SNS-based banking, the Bank will continue to explore new ways to provide banking services more effortlessly from the user's standpoint, while preparing a plan to deal with a resulting drop in in-person customer traffic at the branches.

#### Leading Green Business

The Bank has long been a champion of the potential of green business. It became Korea's first financial institution in 2009 to create a "Green Business Division." The new business unit aims to explore new opportunities related to the emergence of the carbon market, develop new financial solutions based on "green thinking," pursue energy efficiencies in Bank-wide business operations, and promote the Bank's green banking leadership. In its effort to create "green" financial solutions, the Bank has rolled out products that lend to green business start-ups, promote public transportation usage, and donate a portion of proceeds to eco-friendly projects.

In addition, the Bank is the only financial institution to introduce its eco-friendly business activities and green financial products at the "Low-Carbon Green Growth Exhibition" and to sponsor the "Korea Green Tech Awards," Korea's most prestigious competition designed to promote green technology. It also is one of the few financial institutions to publish sustainability reports in accordance with international guidelines and standards and to have secured the ISO certificate





of low-carbon green growth system (ISO14001/9001). It monitors the amount of carbon emitted at its headquarters and branch offices through a carbon emissions management system, dubbed KB-CEMS. Furthermore, the Bank signed various environment-related international treaties such as the UN Global Compact and the Carbon Disclosure Project, thereby solidifying its status as a leading green bank.

As acknowledgement for such environmentally-focused efforts, the Bank received awards and recognition from mainstream media and industry watchers both at home and abroad, such as: inclusion in the Dow Jones sustainability Asia/Pacific index, for two years in a row; a Carbon Disclosure Project award for leadership in the Korean financial industry, for the second year; the 2010 Korea Green Management Best Award; and the 2010 Ministry of Information Economics Award.

## Capital Markets

### Derivatives sales strengthened

Although 2010 was not conducive to the derivatives business given the adverse climate abroad and at home, the Bank managed to continue its laudable growth momentum, finishing the year with an 8% growth in sales. The Bank made sure to check the robust growth with proper risk management and stringent compliance measures. Barring any unexpected downturns in business conditions, the growth pace of the Bank's derivatives is expected to accelerate in the coming year. Accord-

ingly, the Bank will leverage its market leadership and build up the business by increasing interest rate options and FX options trading.

### Trading income models diversified

In the area of trading, amid lingering sovereign debt concerns around the world, the Bank focused on reducing market risks and bolstering its trading competencies. A capital market business support (CMBS) system has been set up and the trading room upgraded with the latest technologies. The Bank will continue expanding its trading business sphere.

## Trust

### Maintaining dominance in custody

KB Kookmin Bank is Korea's undisputed leader in the custody business, managing some 2,800 funds totaling 86 trillion won as of 2010 year-end. The Bank's dominance of the fast-growing market has been unbroken in the past eight years. In step with the globalization of the investing trust market, the Bank has been shifting its sales focus to overseas fund institutions in around 70 countries via ties with the Bank of New York Mellon, HSBC, and other global custodian giants. The Bank enjoys a "Top Rating" from the leading industry journal Global Custodian.

### Growing specified money trust balance

The Bank's specified money trust balance grew 16.76% yoy to KRW 7.6 trillion on the strengths of timely roll-outs of specified money trust products. This increase pushed

the total money trust balance to KRW 13.3 trillion and trust income to KRW 104.7 billion, up 35.7%.

### Strengthen follow-up service

By developing various educational content and information dissemination channels, the Bank will help its pension plan customers gain the knowledge and know-how to build their financially-secured retirement. In addition to improving follow-up services, the Bank will continue to diversify corporate pension funds.



## KB Kookmin Card

**KB Kookmin Card was newly established with a vision of becoming "Korea's best daily life solution provider" to effectively deal with fast-evolving market changes and to strengthen the competitiveness of the Group's non-banking businesses.**

KB Kookmin Card was officially established on March 2, 2011 through the spin-off of the card business division of Kookmin Bank. As of the end of 2010, customers with KB credit cards and check cards numbered 10.2 million and 12.25 million respectively, while total assets and credit card sales amounted to 11.5 trillion won and 65.6 trillion won. With a full line-up of diverse card products and an industry-best customer service, KB Kookmin Card has been maintaining a cutting edge in an increasingly competitive market.

To better deal with market changes, the Company was spun off as a full-fledged card business with a vision of becoming "Korea's best daily life solution provider." In addition, through the establishment of a card business, KB Financial Group aims to expand the range of its financial services and strengthen the competitiveness of its non-banking businesses. The newly-created Company plans to secure additional income opportunities through marketing and credit policies based on the detailed analysis of the segmentation of its customers. The Company also plans to offer various value-added services and thereby improve customer value by expanding its DM, insurance agency, and other life-planning services.

### 2010 Results

#### Growing income at measured pace

The year 2010 was a challenging time for the Korean card industry. Due to growing demands from the government, the media, and interest groups for lower merchant fees, certain ones were either reduced or completely abolished, thus undercutting the profitability of card companies.

In the midst of this difficult environment, KB Kookmin Card endeavored to create a stable stream of income by increasing high-yield card loans to prime customers and by expanding low-risk credit sales, thus generating 53.4 trillion won at year-end. While adopting a full performance-based personnel system, the Company strove to cut costs by rigorously vetting all new products and marketing plans.

#### Offering better customer service

In 2010 the Company added 1.3 million new customers to its base through a combination of innovative products, outstanding services, and an active use of all marketing channels available through KB Financial Group. To secure a cutting edge in an increasingly competitive market, the Company relied heavily on a customer management system that is based on cus-

tomers' product/service experience and responses. The Company also worked hard at rewarding and retaining preferred merchants by expanding its merchant marketing and support programs.

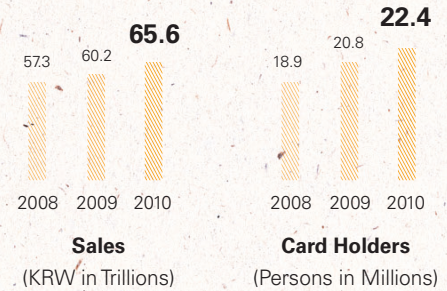
#### Enhancing customer value

The Company continued to roll out new products focused on customer needs that helped it to maintain its market leadership. Among the new products, "KB Good Shopping Card," "KB Good-day Card," and "KB Be\*Twin Check Card" were well received by their intended targets, while "Happy Auto KB Card" and the eBay-partnered "Auction KB Card" were highlighted by industry watchers as a breath of fresh air in a market overrun with run-of-the-mill products.

#### Expanding growth infrastructure

The Company was also proactive in cultivating future growth engines in 2010. It took part in Gangwon Province's public transportation card system, expanded its involvement in the card-based taxi fare payment system to include other major cities, and launched a "KB Kookmin Card Smartphone App" in response to a growing convergence of mobile communication and finance. Taking a further step towards the exciting world of new technology, the Company is in the process of developing





a “mobile card” that combines the basic functions of credit cards, mobile coupons, and social networking.

**2011 Plans**

**Market forecast**

The year 2011 looks brighter than 2010 in terms of market size. As the Korean economy is slated to continue its gradual recovery, bringing along consumer spending, the credit card market is expected to grow 8 to 10 percent, reaching 490 to 500 trillion won in total size. Likewise, competition is sure to intensify further as potential consolidations in the banking sector may

result in a bigger market presence of the combined entity and a telecommunications giant is projected to venture into the already crowded market.

The resulting increase in competition is more than likely to cut into profitability while expenses related to marketing and the provision of joint services will substantially rise. Meanwhile, the government’s shift towards more consumer-oriented policies is certain to translate into lower card fees.

**2011 aims and plans**

In 2011 KB Kookmin Card will maintain its

focus on solidifying its market leadership. In order to achieve this, the Company will continue developing innovative products geared to customer needs and preferences, exploring new marketing approaches, and fine-tuning its risk management system to adapt to fast-changing market conditions.

To further strengthen its future growth base, the Company will keep a sharp eye out for any conversion opportunities while continuing its efforts to improve management efficiencies through organizational reform, talent cultivation, and cost reduction.

**Awards and recognitions**

Jan. 2010	May	Sep.	Oct.	Dec.
<b>Customer Satisfaction Management Top Award</b> in the finance card category, for a 3rd year	<b>KB I-Love-My-Home-town Card</b> named by Seoul Econ Daily as <b>Best Hit Product for 1st Half</b>	<b>KB Kookmin Card brand’s 30th anniversary</b>	<b>Top Ad Award</b> by Korea Daily in the credit card category	<b>Top Award by Web Award Korea</b> in the customer support / service category



## KB Investment & Securities

**KB I&S has merged with KB Futures to bolster its comprehensive product/service line-up and to secure a competitive edge for its corporate finance, brokerage, proprietary trading, and other operations.**

KB Investment & Securities is a comprehensive financial investment company. Most of its income models are IB-based and thus immune to stock market fluctuations. Its main operations can be classified into two sectors: a wholesale business comprised of its core strengths and a retail business composed of future growth engines.

The wholesale side includes: an institutional business offering security consignment, financial product sale, investment consulting, and other financial services; a corporate finance area issuing corporate bonds, ABS, equities, and structured financial products; a trading business dealing in bonds, equities, and derivatives; and an investment banking unit specializing in M&A advisory and financing consulting services, private equity funding, and special purpose acquisition company (SPAC) creation.

In terms of its retail business, the Company continues to invest in the expansion of individual customer service with an eye towards becoming the industry's best comprehensive asset manager taking advantage of the Group's vast network.

### 2010 Results

#### 2010 market summary

The Korean stock market rose 22% in 2010 on the back of a consistent government stimulus policy, a low interest rate-based liquidity supply, and improving overall corporate performances. Meanwhile, the corporate bond and ABS issuance markets shrank 11% to 42.7 trillion won in 2010, down from 48.2 trillion won in 2009 when corporations issued ABS in droves to secure liquidity against the flaring financial crisis. The ABS market, in particular, suffered a 42% drop as the ABS backed by bank NPLs lost their advantage upon the adoption of IFRS, and the downturn of the real estate market led to a steep fall in real estate PF-backed ABS. As of 2010 year-end, the Company ranked 28th out of 50 domestic securities firms in capital. Unlike its peers, however, the Company boasts a wide-ranging business realm that includes corporate bond and ABS issuance, institutional investment, security consignment, and brokerage, in some of which areas it ranks in the top echelon. Specifically, the Company has been among the top five for several years in the debt capital market.

#### Diversifying income models

In 2010 the Company primarily endeavored to strengthen its wholesale-based core operations while expanding its off-line retail channels. These efforts were part of its strategy to secure a sustainable growth base for advancing into a large-scale comprehensive financial investment company.

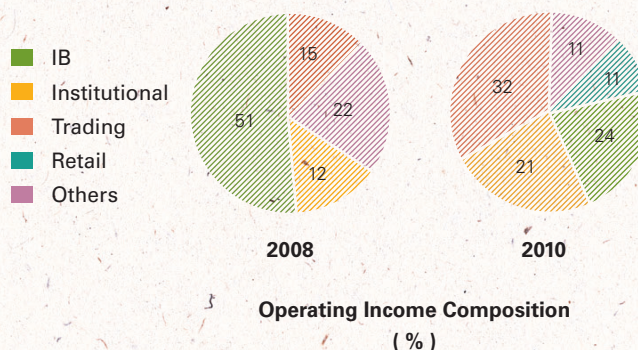
These efforts led to the diversification of income models, which translated into a concrete improvement in financial health with the aid of improved risk management; as of 2010 year-end, the Company turned in a net income of 34 billion won and a 11% ROE.

#### Wholesale business line-up completed

Leveraging its dominance of the DCM market, the Company ventured into ECM, PEF, SPAC, and other related sectors, thereby assembling a full line-up of IB businesses.

The Company also formulated a more sustainable growth base by improving on its institutional business operations and trading performances and diversifying its income model structure. By obtaining business license in December for trading





OTC derivatives, the Company launched its ELS and ELW operations, thereby further expanding its business sphere to one worthy of a large-scale financial investment company. Meanwhile, the Company established four BIBs (branch-in-branch) in 2010, and plans to expand its network to 30 by 2012.

#### Absorbing KB Futures

Since the introduction of a sweeping capital market law in 2009, an increasing number of securities firms have started futures businesses while some futures firms have converted to securities businesses. In response to this new industry trend, the Company has decided to merge with KB Futures to provide a more comprehensive one-stop financial service as well as to further sharpen its competitive edge.

By fusing KB Futures' derivatives know-how with its extensive customer base, the Company aims to play a leading role in the derivatives and FX margin markets, which are expected to sustain their robust growth for the foreseeable future. In addition, the Company plans to leverage the synergy of the union into a competitive edge for its

corporate finance, brokerage, proprietary trading, and other operations.

#### Expanding synergies

The Company's "KB Plusstar Account," introduced in 2009, attracted 320,000 users as of the end of 2010 and owing to the popularity of this multi-purpose financial product, the Company continued to improve its online market share shortly after the launch of its retail business.

On the off-line side of its business, through its four BIBs, the Company began a one-stop asset management service which covers stock and bond purchase, wrap account opening, private equity participation, as well as standard banking transactions. In the wholesale area, the Company, together with KB Kookmin Bank, provided IPO, capital funding, bond underwriting, M&A, and other financial services to some 300 corporate clients and successfully sealed 13 deals.

#### Framework set for growth

Having set aside a great deal of loan loss provisions in 2009, the Company sought to improve its asset quality by reducing its real estate PF loan assets by more than

50% (from 171.9 billion won in 2009 to 87.3 billion won in 2010) through stringent risk management.

In preparation for launching OTC derivatives business, the Company set up a host of automated systems for settling accounts, vetting new products, and calculating risks.

In addition, the Company explored various measures to enhance management efficiency and increase productivity with regards to workforce, organization, budget, IT, internal controls, and other related areas.

#### New hit products and services

In January 2010 the Company launched the industry's first iphone app, "iPlusstar," and by holding various promotional events was able to increase the volume of stocks traded via mobile phones by 139% over the prior year. In addition, owing to its active joint promotions including "KB Plusstar Account" with KB Kookmin Bank, and its own marketing activities, the Company grew its share of the consignment stock trust market despite adverse industry conditions.



## KB Life Insurance

**KB Life continued to win coveted awards and recognitions in 2010 for its dedication to high standards in customer satisfaction, which translated into the highest return rate in the variable insurance product category.**

Established in 2004 as a bancassurance specialist, KB Insurance was joined by world-renowned ING Group in 2005 as an equity partner. In 2009, with the formation of KB Financial Group, the Company reemerged as a joint venture between KBFG (51%) and ING Group (49%). KB Life Insurance has been developing its sales infrastructure based on Kookmin Bank's vast nationwide branch network and ING Group's advanced insurance and financial techniques.

Having laid down AM (Agency Marketing) and DM (Direct Marketing) channels in 2008, the Company continued to diversify its distribution network by launching a TC (Total Consultant) system, an outbound face-to-face sales method, thereby taking a giant step closer to becoming a comprehensive insurance company.

In 2010 the Company added one more DM branch to its distribution network, bringing the total to six. To secure a head start in future growth industries, the Company formed a task force charged with the analysis of green technology, silver business, and multi-finance. Meanwhile, by maximizing group synergies and optimizing channel efficiencies and product portfolios, the Company will keep its focus on improving

profitability and strengthening its business competencies.

### 2010 Results

#### Growing the new channels

The Company's core distribution channel, bancassurance, continued to grow in 2010, maintaining its No.1 position (25% marketshare) within KB Kookmin Bank since its introduction in 2007 and ranking fifth among the 23 insurance businesses in Korea. The Group increased the number of consultants in its only outbound face-to-face TC system to 100 as of 2010 year-end. While the agency marketing channel consisted of 24 high-volume general agencies throughout the country, the industry's most productive TM channel had 530 telemarketers working the phones out of six branches. These diverse distribution channels combined to increase insurance sales by 30% and monthly initial premiums by 35% in 2010.

#### Customer value-based sales

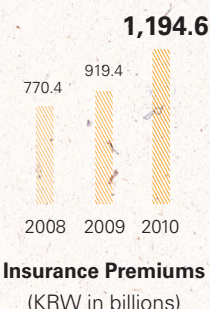
The Company's dedication to customer satisfaction continued to set high standards in 2010. The coveted "Outstanding Call-center" citation stayed with Company for the fourth year in a row while the '2010 Best Customer Value Product' award went

to 'KB Universal Whole Life Insurance.' The Company also proved the importance of having customer-based products by recording the highest return rate in the variable insurance product category.

### 2011 Plans

The domestic insurance market in 2011 is forecasted to keep its pace of growth based on the stabilizing financial markets. In particular, demand for retirement-oriented insurance, variable insurance, and savings-type insurance is expected to rise on the expectation of robust stock markets and interest rate increases. A host of new regulations is expected in the year, most of which will be geared towards protecting consumers, signaling the need for the industry swiftly to adopt apt business plans that are up-to-date.

Expecting positive market conditions and new opportunities, the Company has adopted as its 2011 management policy "Value-focused Sustainable Growth." In particular, we will strive to optimize the channel portfolio, improve on core products, streamline the sales support system, expand the product portfolio, increase customer-focused products, and develop new sources of sustainable income.





## KB Asset Management

**KB Asset Management was ranked on top in all ROR categories of 1-year, 2-year and 3-year as a result of its focus on the consistency and stability of return on its investments.**

### 2010 Results

#### Earning investor trust

KB Asset Management was the first in the industry to institute a fund evaluation system that emphasizes the sustainability of return on investments. As a result, the Company was ranked on as No.1 in all ROR categories of 1-year, 2-year, and 3-year in 2010.

#### Enhancing product lineup

In 2010, shocked by the global financial crisis, investors withdrew their money from funds in droves, reversing a years-long trend of increases in the number of funds, while securities companies' wrap accounts rose in popularity, further shrinking the asset management market. Despite such challenges, the Company made noteworthy progress in yield rate and funds attracted thanks to its solid lineup consisting of growth, value, and hybrid funds.

First, 'KB Value Focus Fund' and 'KB Growth Focus Fund' surpassed the benchmark KOSPI yield rate of 21.88% with 46.68% and 30.74% respectively. In particular, the former ranked second among domestic equity funds in 2010, winning coveted industry awards. Meanwhile, 'KB Korea Leading Group Stock Fund,' which

focuses on Korea's leading large corporations, attracted an average of 5 billion won per day to reach 650 billion won in total funds within a year, at a time when the domestic equity fund market suffered a 18,000 billion won net withdrawal.

As for new funds, the Company rolled out 'KB China A Equity Indirect Fund,' which makes it possible to redeem funds quickly by investing in Chinese ETFs, and 'KB Emerging Treasuries Fund,' investing in the public bonds of Brazil, Mexico, Indonesia, and other emerging nations. Also introduced in 2010 are 'KB Quant Active Fund,' based on the quantitative analysis of independent financial data, and 'KB Pension Savings Umbrella Fund,' which offers tax incentives.

#### New income models created

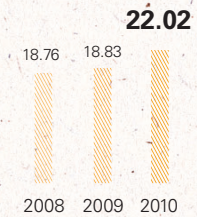
The Company acquired the gold grade of LEED, the Green Building Rating System of the U.S., for the ING Tower it had purchased together with KB Kookmin Bank and KB Real Estate Trust through KB Wisestar PE REIT, thereby making the fund the first green REIT in Korea. In the meantime, the Company launched an industry-first mezzanine fund in partnership with the influential National Pension Service. Furthermore, by participating in various BTL and SOC funds, the Compa-

ny not only contributed to the expansion of the nation's infrastructure facilities but also offered stable and long-term income sources to institutional investors.

### 2011 Plans

In the year 2011 the Company will continue to pursue its long-term ROR objectives based on its reinforced fund lineup, improve its reputation to be worthy of the KB brand name, and lead the growth of its non-banking affiliates. As well as bolstering its traditional domestic equity fund lineup and some of its robust overseas funds, the Company plans to set up a sector-specific fund for investors reluctant to enter the ever-rising stock market and a China fund that invests directly in the world's fastest-growing market by securing a quota from the government.

Moreover, the Company will expand its customer base by developing products tailored to investor needs and to the characteristics of its distribution channels, and attract new long-term investors by leveraging its accumulated know-how from overseeing the operating assets outsourced from large institutions.



**Assets Under Management**  
(KRW in Trillions)



## KB Real Estate Trust

**KB Real Estate Trust strengthened its market position by going beyond the traditional real estate trust business and into REITs and low-risk non-real estate markets.**

KB Real Estate Trust efficiently manages on consignment customers' real estate and returns to them the revenues thereby generated. Major services and products offered include real estate trust and management, collateral trust, administration support, REITs, and AMC.

### 2010 Results

The domestic real estate trust industry as a whole suffered a sizable drop in profit in 2010 due to a huge backlog of new unsold apartments, which continued to weigh down the bottom lines of construction companies and degrade PF loans in the financial industry's portfolios. In addition, increased market competition from new entrants further squeezed the industry's profit margins. Such adverse market conditions pushed the Company's net income figure into the red at the end of September.

### Share increased in trust and REITs

Undaunted by harsh challenges, the Com-

pany stepped up its marketing efforts, went into new areas in cooperation with KB Kookmin Bank, and took advantage of emerging synergy possibilities. As a result, the Company carved out a large share of the relatively low-risk non-real estate trust market. The Company also further solidified its position in the REITs market by successfully launching the 'KB Wise Star No. 2' CR-REITs despite adverse market conditions.

### Pioneering in new business models

The Company became the first in the industry to take part in the business of factory relocation using the trust business format. This innovative approach opens a way for urban factories to relocate to modern manufacturing sites, freeing cities from pollution and promoting the efficient use of land. In 2010 the Company participated in three relocation projects.

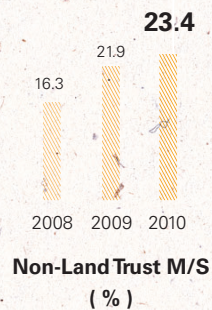
### Fortifying cost management

The Company improved the soundness of

its assets by adopting bold and innovative measures, including closing under-performing branches, retooling the system of winning new real estate trust businesses, and revising asset quality classification guidelines. While enhancing management efficiencies through reorganizations, the Company also made efforts to foster industry-best professionals by instituting intensive education programs.

### 2011 Plans

In 2011 the Company will focus on developing new income models, energizing its REITs business, and tightening risk management. As a means of developing new income sources, the Company will increase its participation in relocation projects and project finance deals relating to the construction of small-scale industrial sites. In addition, the Company will diversify both investment targets for REITs as well as its REIT product line-up by increasing CR-REITs and trust-type REITs.





## KB Investment

**With 106.0 billion won in equity capital and 728.6 billion won in AUM, KB Investment has been investing over 40 billion won per annum over the past five years.**

KB Investment supports the growth of venture and small- and medium-sized enterprises through capital investments. The Company's venture investment targets include non-listed venture firms and SMEs in IT, green technology, life science, and other next generation growth industries. The Company also fuels the growth of SMEs through capital and private equity investments.

With 106.0 billion won in equity capital and 728.6 billion won in AUM, the Company has been investing over 40 billion won per annum over the past five years.

The Company dominates the domestic venture capitalist and PEF markets in terms of AUM and investments, and return. Specifically, the Company has helped list 98 of the 1,030 firms listed on the KOSDAQ, or 9.5%, and its share of firms that have gone public with the help of domestic venture capitalists in the past five years reached 20% at the end of 2010.

### 2010 Results

#### Market conditions

Although the Korean economy slightly recovered somewhat on the back of the stabilizing global financial crisis, the corporate sector was slow to regain vitality and the KOSDAQ, the main market for exiting venture investments, remained sluggish throughout 2010.

The venture capital and PEF markets, however, broke new records in fund inflows, fueling expectations that these growth industries will enjoy vigorous investment activities.

#### AUM rose on robust fund formation

The Company increased its total AUM to 728.6 billion won by forming a PEF (260 billion won) and a venture fund (30 billion won) together with National Pension Fund Service and Korea Finance Corporation.

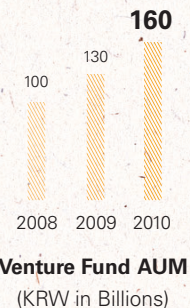
#### Leading new growth markets

The Company strengthened its leadership

position in next-generation growth industries by investing 160 billion won in promising SMEs of IT, green technology, and life science businesses. These businesses are fast emerging as new growth engines that could shape the nation's industrial competitiveness for many decades to come.

### 2011 Plans

To further consolidate its dominance in new growth engine industries, the Company plans to increase its investments in SMEs and venture firms with promising growth potential by investing more than 150 billion won in 2011. In order to accomplish this, the Company plans to form venture investment and private equity funds totaling 200 billion won as part of its strategy to reach a 1 trillion won AUM goal for the year 2012.





## KB Credit Information

**KB Credit Information focused on maximizing collections through a series of innovative measures, including the adoption of a Special Collection Team, more in-depth monitoring of branch performances, and the upgrade of performance incentives.**

### 2010 Results

#### Market overview

The year 2010 presented a host of difficulties for the credit information industry. The debt collection market continued to shrink in size throughout the year due mainly to the concerted efforts of financial businesses to improve their balance sheets on the one hand and a tightening monetary policy on the other, resulting in a decrease from the previous year in business volume for the industry as a whole.

#### Debt collection rates increased

The Company focused on maximizing collections through a series of innovative measures: a system of debt collection classified by the type of credit, adoption of a Special Collection Team, more in-depth monitoring of branch performances, promotion of competition among its collection agents with bigger commissions, as well as a company-wide sales enhancement campaign.

The Company also was able to cut the cost of debt collection by 70 million won by adopting an SMS/MMS text messaging service. As a result of these efforts, the Company's 2010 performance again outpaced other bank-affiliated credit information companies and two of its competitors in recovering KB Kookmin Bank account receivables in arrears.

#### Non-Group business fortified

The Company expanded its non-Group debt collection business by adding one more branch and established a retail sales base by launching a referral/joint service with KB Kookmin Bank. By running ads on Internet sites and in print publications, the Company increased retail sales as well as its business exposure. As a result of these moves, non-Group debt collection amount increased by 50% to 1.7 trillion won as of the end of 2010, while sales amounted to 1.9 billion won, up 115%.

#### Business diversification pursued

By supplying phone-consulting personnel to KB Kookmin Bank's call centers in the second half of 2009, the Company generated additional revenue of 1.3 billion won in 2010. Furthermore, through proactively marketing a civil debt collection service upon the introduction of a relevant law, the Company laid a basis for gaining dominance of an important market.

#### Streamlining business operations

To better cope with the challenging business conditions the Company implemented a number of business rationalization measures: a company-wide cost-cutting campaign, relocation of the headquarters office, wage freeze, reduction of temps, and curtailing of non-essential budget outlays. These efforts

led to a higher net profit and a better cost-income-ratio for the Company.

### 2011 Plans

#### Expand operations

The Company will increase performance incentives as a way to promote sales, bolster its monitoring system of non-performing assets with the help of IT, create a sales support team to increase target marketing, and launch a collection enhancement campaign.

#### Optimize management efficiency

The Company will enhance unit productivity by rearranging its organization based on optimum sales competencies and training employees to sharpen their job skills. By continuing the cost-reduction efforts of 2010, the Company will strive to improve the CIR.

#### Explore new businesses

The Company will explore new business and income opportunities by launching tax debt collection and real estate appraisal services and establishing a unified direct marketing center for the Group's non-banking subsidiaries. By pursuing the creation of an asset management subsidiary and the feasibility of entering the credit checking business, the Company will continue striving to grow into a one-stop credit information business.





## KB Data Systems

**KB Data Systems has completed a number of large-scale IT projects vital to the successful formation of the Group as well as for the smooth day-to-day operations of Group affiliates, including KB Kookmin Bank with Korea's most extensive branch network.**

KB Data Systems serves as the IT partner for KB Financial Group, leveraging the experience and know-how accumulated from various financial IT projects undertaken over the past two decades. In order to maximize the Group's IT synergy potential as its foremost corporate value, the Company makes all-out efforts to lay the best possible IT systems for its affiliates. As a result, the Company has completed a number of large-scale IT projects vital to the successful formation of the Group as well as for the smooth day-to-day operations of Group affiliates, including the bank with the nation's most extensive branch network.

In addition to serving the IT needs of the Group and its affiliates, the Company actively provides IT products, services, and solutions to businesses at home and abroad. The Company's IT business operations range from systems development & operation, consulting, systems integration, outsourcing, and solution development & sales. As of the end of 2010, the Company has developed 36 solutions, including those for the integrated operation of overseas branches, the optimum efficiency in IT project management, and the calculation of the fair value of financial products.

### 2010 Results

In 2010 the domestic IT service market showed signs of a low-growth trend, defying the general industry expectations of the previous year. Corporations of many industries, mindful of the recent financial crisis, kept their IT budgets to a minimum, and KB affiliates were no exception.

Facing this formidable growth environment, the Company, like any other IT firm, braced for a steep drop in sales but nevertheless focused more of its resources on generating business outside the Group, and was rewarded with a heartening result: year-end sales surpassed last year's figure to 130.5 billion won. Included in the sales figure are a 4 billion won project involving the establishment of EDW and DW&Report systems for Bank CenterCredit in Kazakhstan and a next-generation banking system for a local Korean bank, the biggest domestic financial IT project in 2010.

### 2011 Plans

In 2011 the Company, in pursuit of its core corporate value "IT service provision for maximum customer value," will continue to leverage its role as the IT hub in maximizing

synergy potential within the Group while pursuing high value-added business opportunities outside of the Group.

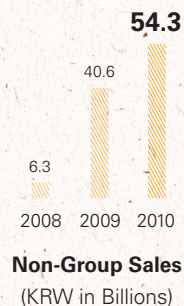
In addition to being the IT heart of the Group, the Company plans to play the role of "cost center" by carrying out the following four core tasks:

First, cut the Group's IT cost and minimize business overlap among the affiliates by consolidating and managing their IT infrastructure operations;

Second, take a bigger role in Group direct marketing and CRM center projects and the affiliates' IT technology-intensive operations, thereby contributing to the maximization of Group synergy creation;

Third, have all employees acquire international IT certifications and expand joint projects with global-IT vendors via strategic ties and sales of the solutions developed by the Company; and

Fourth, secure a better pricing edge through systematic human resource planning and thorough project quality control management.





## Management Discussion & Analysis

Since its emergence in 2008 as a financial holding company that is firmly anchored in the three main financial areas of banking, securities, and insurance, KB Financial Group has been focusing on strengthening the KB brand and creating synergies among its subsidiaries by taking full advantage of its strengths as a comprehensive financial group. These efforts have resulted in concrete achievements in the area of synergy, among many others, bringing about the development of various multi-purpose products, many of which proved to be successful. The Group will continue to leverage its strengths to overcome changes in the financial industry and in the real economy, and taking it a step further, to contribute effectively towards a full recovery of the national economy.

In reviewing the Group's 2010 business results, although at first glance net income appears to be smaller than last year, upon a closer look a different picture emerges - one that brings to light what the Group's potential would have been in a less extreme time. The Group adopted a preemptive and conservative provisioning approach to deal with potential bad assets and thereby improve the overall asset quality. The Group also implemented a large-scale early retirement program in the fourth quarter, incurring a huge one-time cost in the process. Without these measures, net income for 2010 would have been higher than that of the previous year. Moreover, various performance indicators all point towards net income moving back on track. In particular, net interest margins in the fourth quarter rose by 31 basis points from that of third quarter to 2.94%. Net interest income, the Group's main source of income, increased by 12.9% on the widened NIM, and is expected to continue its growth for the foreseeable future. Non-interest income declined compared to the prior year, but again, is likely to improve in the near future as funds, bancassurance, and other fee-based products are expected to perform better. Provisioning expenses climbed over the course of 2010, further contributing to the reduction of net income. This increase in provisioning expenses is a direct result of the Group's preemptive and conservative provisioning approach, which is expected to lead to a higher net income in the coming year and beyond.

The Group's assets, including trusts and assets under management, totaled KRW326 trillion as of the end of 2010, representing a 3.2% YoY increase, most of which came from loan growth at the Bank. Non-banking assets reached KRW7.1 trillion while trusts and assets under management amounted to KRW61.2 trillion, posting an increase of KRW10.2 trillion from the previous year.

KB Kookmin Bank's BIS capital adequacy ratio and Tier 1 ratio recorded 13.44% and 10.89% respectively, representing the highest level of figures in the domestic banking sector. These industry-leading figures are not only the results of the Bank's efforts to improve asset quality and build up the capital base, but also a confirmation of the market's unwavering support of the Bank. In short, the ratios combined to constitute a business foundation that will remain rock-solid under any market conditions.

With regards to the Bank's asset quality, the delinquency and non-performing loan(NPL) ratios rose by 0.37%p and 0.68%p respectively. The increase of the NPL ratio is a result of the Bank's preemptive and conservative asset reclassification in the face of challenging business environment. In view of the Bank's continued efforts to improve its asset quality coupled with a gradual recovery of the economy, asset quality-related ratios are more than likely to improve in the coming year.

By maintaining the industry's highest asset quality while achieving profitability in the midst of the financial turmoil both at home and abroad, KB Financial Group will continue to exceed the expectations of its shareholders and customers.



## Group Business Results

### Condensed Income Statement – Group

(KRW in billions)

	2010	2009	YoY
Interest income (a)	7,238.2	6,413.7	12.9%
Non-interest income (b)	431.8	546.3	-21.0%
General and admin. expenses (c)	4,330.0	3,770.7	14.8%
<b>Operating income before provisioning</b>	<b>3,340.0</b>	<b>3,189.3</b>	<b>4.7%</b>
Provisioning expenses (d)	3,147.3	2,537.9	24.0%
<b>Operating income (a+b-c-d)</b>	<b>192.7</b>	<b>651.4</b>	<b>-70.4%</b>
Non-operating income	-173.5	-99.2	n/a
<b>Income before taxes</b>	<b>19.2</b>	<b>552.2</b>	<b>-96.5%</b>
<b>Net income</b>	<b>88.3</b>	<b>539.8</b>	<b>-83.6%</b>

The Group's net income for 2010 was KRW88.3 billion, posting a YoY decrease of KRW451.5 billion. This sharp decrease can be attributed to the Group's efforts to improve the overall asset quality through a conservative provisioning strategy against potential bad assets and a one-time spike in cost resulting from the large-scale early retirement program executed in the 4th quarter. Had it not been for the retirement program, the Group's 2010 net income would have been higher than that of the previous year. In view of improving business indicators of late, the possibility of the Group's net income moving back on track is very high. Net interest income, the Group's main income source, grew over the course of 2010 by 12.9% to KRW7,238.2 billion, as net interest margins (NIM) improved on higher market interest rates. Given a prevalent industry expectation that the financial authorities will maintain interest rates high to combat inflationary pressures, it is reasonable to assume that the Group's net interest income is likely to top its 2010 performance in the coming year.

The Group's non-interest income for 2010 amounted to KRW431.8 billion, a 21.0% decline from the previous year. This decrease stemmed mainly from the lackadaisical performance of Kookmin Bank's fund management and other fee-based operations and expanded expenses related to the joint promotion of card products. General and administrative expenses increased by 14.8% to KRW4,330.0 billion on the account of the aforementioned one-time cost of the early retirement program. Despite the sizable decrease in non-interest income and the spike in general & administrative expenses, the increase in interest income led operating income before provisioning to increase by 4.7% to KRW 3,340.0 billion.

The Group's provisioning expense for 2010 came to KRW3,147.3 billion, up 24.0% from the previous year, reflecting the conservative provisioning approach. As Korea's economy is widely forecast to continue its recovery momentum through most of the year 2011, the Group's provisioning expense is likely to drop compared to previous years.



## Management Discussion & Analysis

### Group Income

(KRW in billions)

	KB FGI Standalone	Kookmin* Bank	KB Invest. Securities	KB Life Insurance	KB Asset Mgmt.	KB Real Estate	KB Investment	KB Futures	KB Credit Information	KB Data Systems	Adjustment	KBFG Total
Valuation Gain using the Equity Method	139.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-139.7	0.0
Interest Income (a)	-18.2	6,983.1	82.6	119.9	3.8	17.4	0.9	4.0	0.2	0.7	43.8	7,238.2
Non-interest income (b)	-6.9	321.6	47.2	-65.2	65.3	29.0	13.7	13.1	46.4	24.7	-57.1	431.8
General and Admin. Expenses (c)	30.5	4,069.1	90.1	37.6	30.3	18.5	5.2	11.1	44.7	27.9	-35.0	4,330.0
Operating Income before provisioning	84.1	3,235.6	39.7	17.1	38.8	27.9	9.4	6.0	1.9	-2.5	-118.0	3,340.0
Provisioning expenses (d)	-0.1	3,124.0	-1.6	0.5	0.0	22.9	1.8	0.0	-0.2	0.0	0.0	3,147.3
<b>Operating income (a+b-c-d)</b>	<b>84.2</b>	<b>111.6</b>	<b>41.3</b>	<b>16.6</b>	<b>38.8</b>	<b>5.0</b>	<b>7.6</b>	<b>6.0</b>	<b>2.1</b>	<b>-2.5</b>	<b>-118.0</b>	<b>192.7</b>
Non-operating income	0.9	-192.1	-0.9	-0.3	-0.5	0.1	-0.7	-0.1	0.0	-0.1	20.2	-173.5
<b>Income before taxes</b>	<b>85.1</b>	<b>-80.5</b>	<b>40.4</b>	<b>16.3</b>	<b>38.3</b>	<b>5.1</b>	<b>6.9</b>	<b>5.9</b>	<b>2.1</b>	<b>-2.6</b>	<b>-97.8</b>	<b>19.2</b>
Income tax	-3.2	-91.7	11.2	3.6	9.0	1.6	0.2	1.4	0.5	0.1	-13.7	-81.0
<b>Cosolidated Net income</b>	<b>88.3</b>	<b>11.2</b>	<b>29.2</b>	<b>12.7</b>	<b>29.3</b>	<b>3.5</b>	<b>6.7</b>	<b>4.5</b>	<b>1.6</b>	<b>-2.7</b>	<b>-84.1</b>	<b>100.2</b>
Minority Interest Income	0.0	0.0	-4.8	0.0	0.0	0.0	7.5	0.0	0.0	0.0	9.2	11.9
<b>Goup Income**</b>	<b>88.3</b>	<b>11.2</b>	<b>34.0</b>	<b>12.7</b>	<b>29.3</b>	<b>3.5</b>	<b>-0.8</b>	<b>4.5</b>	<b>1.6</b>	<b>-2.7</b>	<b>-93.3</b>	<b>88.3</b>

\*Consolidated \*\*Majority interest income

The Group's net income for 2010 came to KRW88.3 billion, an outcome influenced mostly by Kookmin Bank's profit performance. As mentioned earlier, the cost related to the Bank's early retirement program and preemptive provisioning cut deeply into the Group's net income. In fact, KB Investment & Securities, KB Life Insurance and KB Asset Management outperformed the Bank in net income. While the Bank turned in KRW11.2 billion, KB Asset Management recorded KRW29.3 billion, KB Investment & Securities KRW34.0 billion, a rather laudable turnaround from its net loss of KRW41.5 billion in the year 2009. As for the net income performance of other subsidiaries, KB Life Insurance posted KRW12.7 billion, KB Futures KRW4.5 billion, KB Real Estate Trust KRW3.5 billion, and KB Credit Information KRW1.6 billion. As such, most subsidiaries were profitable despite the adverse business environment.

Taking a closer look at subsidiaries other than Kookmin Bank, KB Investment & Securities recorded net income of KRW34.0 billion owing to increased institutional contracts and interest income, in contrast to a net loss it had posted in 2009 in the face of a mounting loan loss provision due to souring PF financing loans. KB Life Insurance, buoyed by increased insurance premiums, posted net income of KRW12.7 billion. KB Asset Management boosted its net income by KRW0.5 billion to KRW29.3 billion with increased assets under management. KB Real Estate, facing a still-struggling real estate market, managed to turn in KRW3.5 billion, slightly less than that of the previous year. KB Investment posted a small net loss due mainly to the restructuring of troubled assets. KB Futures and KB Credit Information posted net incomes of KRW4.5 billion and KRW1.6 billion, respectively, both being less than the previous year's figure. KB Data Systems, facing rising costs, posted KRW2.7 billion in net loss.



### Non-Interest Income – Group

(KRW in billions)

	2010	2009	YoY
<b>Trust income</b>	<b>191.3</b>	<b>165.4</b>	<b>15.7%</b>
<b>Fee income</b>	<b>500.4</b>	<b>649.8</b>	<b>-23.0%</b>
Credit card income	-329.6	-245.2	n/a
Commissions received on mgnt. of NHF	42.4	52.1	-18.6%
Guarantee fees	41.4	48.0	-13.8%
Other commissions in won	653.5	702.8	-7.0%
Bancassurance	108.7	97.3	11.7%
ITC Products	279.3	312.4	-10.6%
Investment Banking	40.1	74.1	-45.9%
Fees on foreign exchange	92.7	92.1	0.7%
<b>Gain on securities</b>	<b>356.3</b>	<b>320.2</b>	<b>11.3%</b>
<b>Other non-operating income</b>	<b>-616.2</b>	<b>-589.1</b>	<b>n/a</b>
<b>Net non-interest income</b>	<b>431.8</b>	<b>546.3</b>	<b>-21.0%</b>

The Group's non-interest income recorded KRW431.8 billion in 2010, a 21.0% decrease from the previous year's: Although trust income rose (by 15.7% to KRW191.3 billion) and gain on securities continued to improve (by 11.3% to KRW356.3 billion), fee income suffered (by 23.0% to KRW500.4 billion) a combined blow of the low performance of funds and increased card-related expenses, and other operating loss increased by KRW27.1 billion to KRW616.2 billion in the red. As for commission and fees, bancassurance commission rose by 11.7% to KRW108.7 billion, fees on foreign exchange inched up by 0.7%, whereas credit card fees posted a deeper loss following the expansion of card marketing outlays, and fund commission shrank as recovering stock indexes encouraged the resale of funds.

### General and Administrative Expenses – Group

(KRW in billions)

	2010	2009	YoY
Labor expenses	2,305.7	1,721.6	33.9%
Administrative expenses	1,467.5	1,427.5	2.8%
Depreciation & amortization expenses	429.2	494.2	-13.2%
Taxes and dues	127.6	127.4	0.2%
<b>General and administrative expenses</b>	<b>4,330.0</b>	<b>3,770.7</b>	<b>14.8%</b>

The Group's general & administrative expense for 2010 rose by KRW559.3 billion to KRW4,330.0 billion due mainly to the early retirement program cost. Without this cost, a Group-wide cost-cutting effort would have been more noticeable. Reviewing the expense by category, payroll, which include the early retirement cost, jumped by 33.9% to KRW2,305.7 billion. Administrative expense stopped short at a 2.8% increase, thanks to the cost-cutting efforts on the part of staff and employees. Depreciation & amortization expense declined by 13.2% to KRW429.2 billion, while taxes & due remained little changed at KRW127.6 billion. In the coming year, the Group plans to continue its cost-cutting efforts to keep G&A expense within an acceptable range.



## Management Discussion & Analysis

### Group Financial Status

#### Condensed Balance Sheet – Group

(KRW in billions)

	2010	2009	YTD
<b>Total assets</b>	<b>262,008.0</b>	<b>262,168.5</b>	<b>-0.1%</b>
Cash and dues from banks	7,038.9	9,769.1	-27.9%
Securities	43,526.3	42,535.6	2.3%
Loans	196,545.0	195,398.0	0.6%
(Loan loss allowances)	-4,282.2	-3,532.1	21.2%
Tangible assets	3,212.0	3,345.3	-4.0%
Other assets	11,685.8	11,120.5	5.1%
<b>Total liabilities</b>	<b>243,567.6</b>	<b>244,057.2</b>	<b>-0.2%</b>
Deposits	184,666.9	172,439.9	7.1%
Borrowings	13,064.6	15,709.8	-16.8%
Debentures	29,550.4	38,783.5	-23.8%
Other liabilities	16,285.7	17,124.0	-4.9%
<b>Total shareholders' equity</b>	<b>18,440.8</b>	<b>18,111.3</b>	<b>1.8%</b>
Paid-in capital	1,931.8	1,931.8	0.0%
Capital surplus	16,428.9	16,428.9	0.0%
Capital adjustment	-2,919.4	-2,919.0	0.0%
Accumulated other comprehensive income	1,312.9	1,232.2	6.5%
Retained earnings	1,191.6	1,177.7	1.2%
Minority Interest	494.6	259.7	90.5%
<b>Total liabilities and shareholders' equity</b>	<b>262,008.0</b>	<b>262,168.5</b>	<b>-0.1%</b>

The Group's aggregate assets as of the end of 2010 stood at KRW262,008.0 billion, somewhat unchanged over the course of the year. The Group proactively restructured its bad assets through NPL sales & write-offs, while keeping the growth of new loans at a manageable level. Loans inched up by 0.6% to KRW 196,545 billion; cash and dues from banks decreased by KRW2,730.2 billion to KRW7,038.9 billion; and securities rose by 2.3% to KRW43,526.3 billion. Other assets increased by 5.1% to KRW 11,685.8 billion.

The Group's total liabilities as of the end of 2010 stood at KRW243,567.6 billion, down 0.2% from the previous year's figure. Deposits, which comprise the largest portion, expanded by 7.1% to KRW184,666.9 billion, thanks to ample liquidity and customers' flight to safety. Borrowings and debentures fell by 16.8% and 23.8%, respectively, to KRW13,064.6 billion and KRW29,550.4 billion, as they were continually retired upon reaching their maturity. As such, growing deposits and shrinking borrowings and debentures combined to improve the Group's funding portfolio, which will in turn translate into bigger net interest margins and subsequently higher profitability.

The Group's total shareholders' equity improved by 1.8% to KRW18,440.8 billion; while paid-in capital, capital surplus, and capital adjustments hardly changed over the course of 2010.



## Condensed Balance Sheet – Group

(KRW in billions)

	KB FGI Standalone	Kookmin* Bank	KB Invest.* Securities	KB Life Insurance	KB Asset Mgmt.	KB Real Estate	KB* Investment	KB Futures	KB Credit Information	KB Data Systems	Adjustment	KBFG Group Total
<b>Total assets</b>	<b>18,912.5</b>	<b>257,860.4</b>	<b>2,301.0</b>	<b>3,670.3</b>	<b>142.7</b>	<b>256.1</b>	<b>438.8</b>	<b>177.2</b>	<b>31.1</b>	<b>52.2</b>	<b>-21,834.3</b>	<b>262,008.0</b>
Cash and dues from banks	760.0	6,469.5	424.9	109.7	90.8	1.0	30.6	135.6	8.8	11.7	-1,003.7	7,038.9
Securities	17,807.7	41,264.8	1,614.8	2,803.8	30.4	22.3	394.5	36.2	0.0	0.0	-20,448.2	43,526.3
Loans	159.2	196,252.9	178.2	106.5	1.9	0.0	9.2	0.0	0.0	0.2	-163.1	196,545.0
Tangible assets	1.1	3,200.6	6.5	2.4	0.1	0.3	0.1	0.4	0.9	0.2	-0.6	3,212.0
Other assets	184.5	10,672.6	76.6	647.9	19.5	232.5	4.4	5.0	21.4	40.1	-218.7	11,685.8
<b>Total liabilities</b>	<b>966.7</b>	<b>238,411.3</b>	<b>1,935.4</b>	<b>3,339.3</b>	<b>16.7</b>	<b>131.3</b>	<b>32.4</b>	<b>134.3</b>	<b>5.9</b>	<b>38.1</b>	<b>-1,443.8</b>	<b>243,567.6</b>
Deposits	0.0	185,504.2	61.6	0.0	2.8	0.0	0.0	130.9	0.0	0.0	-1,032.6	184,666.9
Borrowings	799.4	40,032.7	1,817.2	0.0	0.0	119.4	10.0	0.0	0.0	0.0	-163.7	42,615.0
Other liabilities	167.3	12,874.4	56.6	3,339.3	13.9	11.9	22.4	3.4	5.9	38.1	-247.5	16,285.7
<b>Total shareholders' equity</b>	<b>17,945.8</b>	<b>19,449.1</b>	<b>365.6</b>	<b>331.0</b>	<b>126.0</b>	<b>124.8</b>	<b>406.4</b>	<b>42.9</b>	<b>25.2</b>	<b>14.1</b>	<b>-20,390.5</b>	<b>18,440.4</b>
Paid-in capital	1,931.8	2,481.9	78.0	276.0	38.3	80.0	44.8	20.0	6.3	8.0	-3,033.3	1,931.8
Capital surplus	16,428.9	6,267.6	111.9	0.0	0.0	0.0	18.9	0.0	1.4	0.0	-6,399.8	16,428.9
Capital adjustment	-2,919.4	0.0	0.0	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.6	-2,919.4
Accumulated other comprehensive income	1,312.9	1,644.9	54.8	42.3	0.5	0.1	-1.7	6.4	0.0	0.0	-1,747.3	1,312.9
Retained earnings	1,191.6	9,046.8	90.6	13.3	87.2	44.7	44.0	16.5	17.5	6.1	-9,366.7	1,191.6
Majority Interest	17,945.8	19,441.2	335.3	331.0	126.0	124.8	106.0	42.9	25.2	14.1	-20,546.5	17,945.8
Minority Interest	0.0	7.9	30.3	0.0	0.0	0.0	300.4	0.0	0.0	0.0	156.0	494.6
<b>Total liabilities and shareholders' equity</b>	<b>18,912.5</b>	<b>257,860.4</b>	<b>2,301.0</b>	<b>3,670.3</b>	<b>142.7</b>	<b>256.1</b>	<b>438.8</b>	<b>177.2</b>	<b>31.1</b>	<b>52.2</b>	<b>-21,834.3</b>	<b>262,008.0</b>

\*Consolidated

The Group's aggregate assets as of the end of 2010 stood at KRW262,008.0 billion, which is a sum of the assets of all of its subsidiaries plus that of the holding company, less the adjustment of overlapping portions. Reviewing the assets of each subsidiary, the holding company's total assets amounted to KRW18,912.5 billion, while Kookmin Bank's reached KRW257,860.4 billion based on its consolidated financial statements, accounting for most of the Group's total assets. Following the Bank in assets are KB Life Insurance and KB Investment & Securities with KRW3,670.3 billion and KRW2,301.0 billion, respectively. KB Asset Management, KB Real Estate Trust, KB Investment, KB Futures each reported total assets ranging from KRW100 billion to KRW400 billion. The Group's shareholders' equity totaled KRW18,440.4 billion, of which KRW17,945.8 billion belonged to the holding company.



## Management Discussion & Analysis

### KB Kookmin Bank

### Operating Results

#### Income Statement Summary

(KRW in billions)

	2010	2009	Change	
			Amount	%
Net-interest income	6,947.6	6,220.6	727.0	11.7
Non-interest income	335.6	457.8	-122.2	-26.7
General & administrative expenses	4,061.4	3,535.6	525.8	14.9
Operating income before provisioning	3,221.8	3,142.8	79.0	2.5
Provision expenses	3,120.3	2,439.7	680.6	27.9
(Provision for loan losses)	2,750.7	1,925.8	824.9	42.8
<b>Operating income</b>	<b>101.5</b>	<b>703.1</b>	<b>-601.6</b>	<b>-85.6</b>
Non-operating income	-184.3	-42.6	n/a	n/a
Net income before taxes	-82.8	660.5	n/a	n/a
Taxes	-94.0	24.7	n/a	n/a
<b>Net income</b>	<b>11.2</b>	<b>635.8</b>	<b>-624.6</b>	<b>-98.2</b>

Kookmin Bank's net income for 2010 was substantially reduced than that of the previous year, recording KRW11.2 billion. Though net interest income improved over the course of 2010 on widening net interest margins, the early retirement-induced spike in general & administrative expenses and the increase in provisioning expenses due to preemptive provisioning efforts were the main factors that caused the drop in net income. Operating income before provisioning, which is a sum of net interest income and non-interest income minus general & administrative expenses, recorded a 2.5% increase compared to the previous year's figure, despite the huge early retirement cost. However, as a result of the 27.9% increase of provisioning expenses to KRW3,120.3 billion, operating income declined to KRW101.5 billion. Moreover, non-operating income slid further into the negative territory, posted a higher net loss of KRW184.3 billion. Meanwhile, in corporate taxes, a tax credit of KRW94.0 billion was reflected.

Net interest margins (NIM) improved, mainly due to the policy rate hikes and the optimization of the Bank's asset/liabilities portfolio. Accordingly, net interest income grew by KRW727.0 billion or 11.7%, to KRW6,947.6 billion. Non-interest income, however, declined by KRW122.2 billion to KRW335.6 billion for the following reasons: the growth of bankassurance sales weakened over the course of 2010, the rise of the KOSPI fueled the redemption of Bank-managed funds, and the cost of joint card promotions increased.

General & administrative expenses rose by KRW525.8 billion to KRW4,061 billion, owing to the aforementioned early retirement program (KRW570.6 billion). Without such program, general & administrative expense would have decreased by 0.3%. Of provisioning expense, loan loss provisions grew by KRW824.9 billion to KRW2,750.7 billion, owing mainly to the conservative provisioning approach adopted in the second and third quarters.



## Net Interest Income

(KRW in billions)

	2010	2009	Change	
			Amount	%
<b>Interest income</b>	<b>13,819.6</b>	<b>14,388.8</b>	<b>-569.2</b>	<b>-4.0</b>
Interest on loans	12,268.0	12,808.9	-540.9	-4.2
Interest on securities	1,496.3	1,538.7	-42.4	-2.8
Interest on due from banks, etc.	55.3	41.2	14.1	34.2
<b>Interest expenses</b>	<b>6,872.0</b>	<b>8,168.2</b>	<b>-1,296.2</b>	<b>-15.9</b>
Interest on deposits	4,740.7	5,467.7	-727.0	-13.3
Interest on debentures	1,856.5	2,183.0	-326.5	-15.0
Interest on borrowings, etc.	274.8	517.5	-242.7	-46.9
<b>Net interest income</b>	<b>6,947.6</b>	<b>6,220.6</b>	<b>727.0</b>	<b>11.7</b>

Net interest income contracted over the course of 2010 by 4.0% to KRW13,819.6 billion. Interest on loans, which comprises the largest portion of total interest income, decreased by KRW540.9 billion to KRW12,268.0 billion. Though NIM improved by 36%p, interest on loans decreased mainly due to the Bank's continued efforts to improve its asset quality, which led to a smaller average asset balance compared to that in the previous year.

As the Bank's funding portfolio in 2010 comprised of more low-cost deposits and less borrowings and debentures, interest expenses fell by 15.9% or KRW1,296.2 billion, to KRW6,872.0 billion. Since interest income exceeded interest expenses in growth, net interest income rose by 11.7% to KRW6,947.6 billion. As the policy rate hikes continue to positively impact the Bank's net interest income and the Bank continues its effort to optimize its asset/liabilities portfolio, NIM is expected to gradually improve further in the coming year. In fact, the Bank continues to retire its high-cost debts upon maturity, thereby improving the bases of its net interest margins and, by extension, interest income.



## Management Discussion & Analysis

### Non-interest income

(KRW in billions)

	2010	2009	Change	
			Amount	%
<b>Commissions &amp; Fees</b>	<b>607.4</b>	<b>714.1</b>	<b>-106.7</b>	<b>-14.9</b>
ITC products	272.1	306.6	-34.5	-11.3
Bancassurance	147.2	131.9	15.3	11.6
NHF Mgmt.	42.4	52.1	-9.7	-18.6
Trust	130.8	98.3	32.5	33.1
Other Won commissions	-71.4	39.3	n/a	n/a
Commissions in F/C	86.3	85.9	0.4	0.5
Gain (Loss) on securities	262.1	284.0	-21.9	-7.7
Others	-533.9	-540.3	n/a	n/a
<b>Non-interest income</b>	<b>335.6</b>	<b>457.8</b>	<b>-122.2</b>	<b>-26.7</b>

The Bank's non-interest income decreased over the course of 2010 by KRW122.2 billion, or 26.7%, to KRW335.6 billion. Commission and fees, which are more sensitive to changes in the economic environment, declined across the board, and other commission in Won fell at a bigger rate than the previous year.

Commission & fees decreased by KRW106.7 billion, or 14.9%, to KRW607.4 billion. ITC product commissions shrank by 11.3% to KRW272.1 billion, as rising equity indexes fanned the redemption of funds. Bancassurance commissions went up by KRW15.3 billion to KRW147.2 billion. NHF management fees contracted by KRW9.7 billion to KRW42.4 billion in line with the expiration of a few contracts. While foreign exchange-related commissions remained virtually unchanged over the year, trust commissions advanced by KRW32.5 billion to KRW130.8 billion. Other commissions in Won, which had been in the black in the previous year, slid into the red, recording KRW71.4 billion in loss, as card fees and expenses related to joint card promotions increased.

Gain on securities continued to be substantial in 2010, amounting to KRW262.1 billion, representing a 7.7% decline on an year-on-year basis. As the nation's capital markets make their way out of the current recession and onto a path of sustainable growth, the Bank's non-interest income is expected to change its downward course and to head up on a gradually ascending course.



**General & Administrative Expenses**

(KRW in billions)

	2010	2009	Change	
			Amount	%
<b>General &amp; administrative expenses</b>	<b>4,061.4</b>	<b>3,535.6</b>	<b>525.8</b>	<b>14.9</b>
Labor expenses	2,161.8	1,594.4	567.4	35.6
Administrative expenses	1,390.6	1,360.0	30.6	2.3
Depreciation and amortization expenses	395.3	460.9	-65.6	-14.2
Taxes and dues	113.7	120.3	-6.6	-5.5
<b>Cost-income ratio</b>	<b>56.9%</b>	<b>52.8%</b>	<b>4.1%p</b>	<b>n/a</b>

General & administrative expenses(GAE) grew over the course of 2010 by KRW525.8 billion to KRW4,061.4 billion, reflecting the one-off early retirement cost (KRW570.6 billion). Otherwise, GAE have stayed around the previous year's level. Of the total sum, labor expenses, inclusive of the early retirement cost, increased by KRW567.4 billion to KRW 2,161.8 billion, while administrative expenses edged up by 2.2% to KRW1,390.6 billion, thanks mainly to the Bank's all-out efforts to cut non-vital expenses such as advertising. Depreciation and amortization expenses declined by KRW65.6 billion to KRW395.3 billion, while taxes and dues abated by 5.5% to KRW113.7 billion. The cost-income ratio increased by 4.1%p to 56.9%. The ratio is expected to move down, as the Bank continues its cost-cutting efforts while its profitability is forecast to improve markedly in the coming year.

**Operating Income before Provisioning**

(KRW in billions)

	2010	2009	Change	
			Amount	%
<b>Operating income before provisioning</b>	<b>3,221.8</b>	<b>3,142.8</b>	<b>79.0</b>	<b>2.5</b>
Provision expenses	3,120.3	2,439.7	680.6	27.9
Provision for loan losses	2,750.7	1,925.8	824.9	42.8
Household	299.6	262.1	37.5	14.3
Corporate	2,291.7	1,381.6	910.1	65.9
Credit card	159.4	282.1	-122.7	-43.5
Others	369.6	513.9	-144.3	-28.1
<b>Operating income</b>	<b>101.5</b>	<b>703.1</b>	<b>-601.6</b>	<b>-85.6</b>

The Bank's operating income before provisioning for 2010 totaled KRW3,221.8 billion, posting a year-on-year increase of a KRW79.0 billion, owing to increases in net interest income and non-interest income. As provisioning expenses grew by KRW680.6 billion to KRW3,120.3 billion as a result of the Bank's preemptive provisioning approach, operating income subsequently fell by KRW601.6 billion to KRW101.5 billion. Of total provisioning expenses, provision for loan losses increased by KRW824.9 billion, while provision for other losses decreased by KRW144.3 billion. Provision for corporate loans, which accounts for more than 50% of provisioning expenses, went up by KRW910.1 billion, or 65.9%, to KRW2,291.7 billion. Provision for household loan losses increased by KRW37.5 billion to KRW299.6 billion, but provision for credit card loan losses stabilized, decreasing by KRW122.7 billion to KRW159.4 billion.



## Management Discussion & Analysis

### Non-operating Income

(KRW in billions)

	2010	2009	Change	
			Amount	%
<b>Non-operating income</b>	<b>-184.3</b>	<b>-42.6</b>	<b>n/a</b>	<b>n/a</b>
Gain or loss on disposal of tangible assets	0.4	0.5	(0.1)	-20.0
Gain or loss on using Equity Method	-202.3	-52.1	n/a	n/a
Gain on valuation using Equity Method of Accounting	-151.9	-19.9	n/a	n/a
Gain or Loss on Sales of Securities using Equity Method of Accounting	-50.4	-32.2	n/a	n/a
<b>Others</b>	<b>17.6</b>	<b>9.0</b>	<b>8.6</b>	<b>95.6</b>

The Bank's 2010 non-operating income continued to be confined in the red, recording KRW184.3 billion in loss. The negative figure is due mainly to the equity method accounting: the loss based on the equity method accounting amounted to KRW202.3 billion in 2010, compared to KRW52.1 billion in the previous year. The loss is due mainly to the increase in loan loss provisions made in regards to Bank CenterCredit(BCC) of Kazakhstan. As for BCC, it also faced a growing provisioning burden due to the nation's sluggish economy; but as the economy started to show signs of a recovery of late, the Kazakhstan bank's bottom line is expected to improve as well.



## Financial Status

### Balance Sheet Summary

(KRW in billions)

	2010	2009	Change	
			Amount	%
<b>Total assets</b>	<b>254,861.8</b>	<b>256,519.8</b>	<b>-1,658.0</b>	<b>-0.6</b>
Cash & due from banks	6,231.9	8,853.6	-2,621.7	-29.6
Securities	38,587.0	38,972.3	-385.3	-1.0
Loans	196,179.0	195,067.0	1,112.0	0.6
Tangible assets	3,199.0	3,329.3	-130.3	-3.9
Other assets	10,664.9	10,297.6	367.3	3.6
<b>Total liabilities</b>	<b>235,501.1</b>	<b>237,177.3</b>	<b>-1,676.2</b>	<b>-0.7</b>
Deposits	182,518.9	170,385.9	12,133.0	7.1
Borrowings	11,408.7	13,973.3	-2,564.6	-18.4
Debentures	28,751.1	37,985.1	-9,234.0	-24.3
Other liabilities	12,822.4	14,833.0	-2,010.6	-13.6
<b>Total shareholders' equity</b>	<b>19,360.7</b>	<b>19,342.5</b>	<b>18.2</b>	<b>0.1</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>254,861.8</b>	<b>256,519.8</b>	<b>-1,658.0</b>	<b>-0.6</b>

The Bank's total assets stood at KRW254,861.8 trillion at the end of 2010, representing a KRW1,658.0 billion decrease over the year, and reflecting the Bank's value-focused lending strategy. Loans, the largest component of the Bank's total assets, inched up, with household loans driving the modest growth, by KRW1,112.0 billion to KRW196,179.0 billion. Cash and due from banks fell by 29.6% to KRW6,231.9 billion, while securities edged down by 1.0% to KRW38,587.0 billion. Other assets increased by KRW367.3 billion to KRW10,664.9 billion. Total deposits climbed up by KRW12,133.0 billion to KRW182,518.9 billion, a result of the Bank's efforts to secure core deposits and other low-cost funding sources in the face of stiff competition among banks and other financial institutions. Owing to a healthy gain in low-cost deposits, the Bank relied less for funding on borrowings and debentures, which fell by 18.4% and 24.3%, respectively, to KRW11,408.7 billion and KRW28,751.1 billion. Accordingly, total liabilities for 2010 decreased by 0.7% to KRW235,501.1 billion. Shareholders' equity went up by KRW18.2 billion to KRW19,360.7 billion, similar to the that of the previous year.



## Management Discussion & Analysis

### Loan Portfolio

(KRW in billions)

	2010	2009	Change	
			Amount	%
<b>Loans in won</b>	<b>174,190.1</b>	<b>174,471.7</b>	<b>-281.6</b>	<b>-0.2</b>
Household loans	97,877.1	97,129.6	747.5	0.8
Mortgage loans	42,647.8	45,140.0	-2,492.2	-5.5
General loans	55,229.3	51,989.6	3,239.7	6.2
Corporate loans	76,313.0	77,342.2	-1,029.2	-1.3
SME loans	61,964.0	62,424.0	-460.0	-0.7
Large loans & others	12,159.2	11,620.2	539.0	4.6
PPB	2,189.9	3,298.0	-1,108.1	-33.6
<b>Credit card receivables</b>	<b>12,417.7</b>	<b>11,384.1</b>	<b>1,033.6</b>	<b>9.1</b>
Credit sales	6,259.6	5,573.5	686.1	12.3
Cash advance	2,225.0	2,259.7	-34.7	-1.5
Card loan	2,927.9	2,565.6	362.3	14.1
Others	56.1	38.4	17.7	46.1
<b>Total loans</b>	<b>186,607.8</b>	<b>185,855.8</b>	<b>752.0</b>	<b>0.4</b>

Total loans in Won, including credit card receivables, amounted to KRW186,607.8 billion at the end of 2010, which represents a slight increase, a result of the Bank's prudent lending policy. Household loans edged up by 0.8% to KRW97,877.1 billion: general loans grew steadily while mortgage loans mirrored the sluggish housing market. Corporate loans decreased by KRW1,029.2 billion to KRW76,313.0 billion due to asset write-offs and write-downs, defying the Bank's active product development effort and value-focused growth strategy of catering towards sound corporations. SME loans edged down to KRW61,964.0 billion, while large loans & others grew by KRW539.0 billion to KRW12,159.2 billion. Meanwhile, private placement bonds dropped to KRW2,189.9 billion, as an improving economy availed more funding sources for the Bank.

Credit card receivables grew by 9.1% to KRW12,417.7 billion. The growth mostly comprised credit sales and card loans, whereas cash advance, which carries a relatively higher risk, decreased as a result of the Bank's conservative lending practices. Accordingly, credit sales and card loans increased, by 12.3% and 14.1%, respectively, to KRW6,259.6 billion and KRW2,927.9 billion, while cash advance decreased by KRW34.7 billion to KRW2,225.0 billion.



## Deposit Composition

(KRW in billions)

	2010	2009	Change	
			Amount	%
<b>Deposits in Won</b>	<b>177,369.0</b>	<b>143,432.8</b>	<b>33,936.2</b>	<b>23.7</b>
Core deposits	58,405.7	51,196.1	7,209.6	14.1
Passbook deposits	19,755.9	17,964.4	1,791.5	10.0
General savings deposits	22,751.9	20,092.1	2,659.8	13.2
Corporate free savings deposits	12,192.2	9,092.1	3,100.1	34.1
Others	3,705.7	4,047.5	-341.8	-8.4
Time & savings deposits	118,963.3	92,236.7	26,726.6	29.0
Time deposits	106,149.0	79,332.9	26,816.1	33.8
Mutual installment deposits	3,427.2	3,690.6	-263.4	-7.1
Others	9,387.1	9,213.2	173.9	1.9
<b>Certificates of deposit</b>	<b>2,346.9</b>	<b>23,957.8</b>	<b>-21,610.9</b>	<b>-90.2</b>
<b>RP, etc</b>	<b>685.1</b>	<b>2,154.6</b>	<b>-1,469.5</b>	<b>-68.2</b>
<b>Total Deposits</b>	<b>180,401.0</b>	<b>169,545.2</b>	<b>10,855.8</b>	<b>6.4</b>

Deposits in Won rose over the course of 2010 to KRW177,369 billion, up KRW33,936.2 billion, or 23.7%, due mainly to ample liquidity in the market and a flight to safety. Of this total, core deposits improved by 14.1% to KRW58,405.7 billion, and time & savings deposits swelled by 29.0% to KRW118,963 billion. Certificates of deposit, however, dropped by KRW21,610.9 billion, or 90.2% to KRW2,346.9 billion, as the Bank converted maturing CDs into time deposits while refraining from issuing new CDs. Total deposits grew over the year by 6.4% to KRW180,401.0 billion: although CDs and other deposits decreased, deposits in Won increased as a result of the CD conversion and the safety flight. deposits in Won improved in quality as well as in quantity: CDs and RP were converted into time deposits, thereby pushing the Bank's loan-to-deposit ratio down by about 23%p to 98.5%. As customer deposits increased while marketable funding decreased, savings-type deposits accounted for 98.3% of total deposits, representing a clear shift in the Bank's funding structure towards low-cost fundings.



## Management Discussion & Analysis

### BIS Capital Adequacy Ratio (CAR)

(KRW in billions)

	2010	2009	Change	
			Amount	%
<b>Tier I capital</b>	<b>16,865.1</b>	<b>16,734.5</b>	<b>130.6</b>	<b>0.8</b>
Paid-in capital	2,481.9	2,481.9	-	-
Capital reserves	6,090.3	6,090.3	-	-
Hybrid	1,100.0	1,100.0	-	-
Retained earnings	9,046.8	9,124.5	-77.7	-0.9
Treasury stock	-1,238.4	-1,238.4	-	-
others	-615.5	-823.8	n/a	n/a
<b>Tier II capital</b>	<b>3,935.5</b>	<b>4,973.1</b>	<b>-1,037.6</b>	<b>-20.9</b>
Revaluation reserves	177.2	177.2	-	-
Provisions	522.1	393.9	128.2	32.6
45% of securities revaluation gain	155.7	169.4	-13.7	-8.1
Subordinated term debt	3,593.3	4,315.8	-722.5	-16.7
Others	-512.8	-83.1	n/a	n/a
<b>Total BIS capital</b>	<b>20,800.6</b>	<b>21,707.7</b>	<b>-907.0</b>	<b>-4.2</b>
<b>Risk weighted assets</b>	<b>154,805.5</b>	<b>154,593.4</b>	<b>212.1</b>	<b>0.1</b>
<b>BIS CAR</b>	<b>13.44%</b>	<b>14.04%</b>		<b>-0.60%p</b>
<b>Tier I</b>	<b>10.89%</b>	<b>10.82%</b>		<b>0.07%p</b>
<b>Tier II</b>	<b>2.55%</b>	<b>3.22%</b>		<b>-0.67%p</b>

The Bank's BIS CAR decreased by 0.60%p in 2010 to 13.44%. Risk-weighted assets amounted to KRW154,593.4, which is similar to the previous year's figure, while Tier I Capital inched up to KRW16,865.1 billion as marketable securities increased over the year in valuation gains. Tier II Capital, however, declined by KRW1,037.6 billion to KRW3,935.5 billion, as subordinated debts decreased. Consequently, total BIS capital declined by KRW907.0 billion to KRW20,800.6 billion. Of BIS CAR, the Tier I ratio edged up by 0.07%p to 10.89% along with the Tier I capital, while the Tier II ratio decreased by 0.67%p to 2.55%.



## Asset Quality

(KRW in billions)

	2010	2009	Change	
			Amount	%
Total loans for NPL management	204,517.0	204,478.8	38.2	-
Normal	195,926.7	198,251.0	-2,324.3	-1.2
Precautionary	4,933.6	3,953.1	980.5	24.8
Substandard	1,949.9	1,291.0	658.9	51.0
Doubtful	1,167.9	584.9	583.0	99.7
Estimated loss	538.9	398.8	140.1	35.1
Substandard & below loans (NPLs)	3,656.7	2,274.7	1,382.0	60.8
Substandard & below loans ratio (NPL ratio)	1.79%	1.11%	n/a	0.68%p
Loan loss reserves (LLR)	4,383.3	3,484.8	898.5	25.8
NPL coverage ratio	119.87%	153.20%	n/a	-33.33%p
Delinquency ratio	1.00%	0.63%	n/a	0.37%p
Write-offs	2,330.4	2,302.6	27.8	1.2
NPL sales	515.8	668.9	-153.1	-22.9

Total loans for NPL management stood at KRW204,517.0 billion as of 2010 year-end, which, compared to the previous year, represents little change. NPLs, however, rose by KRW1,382.0 billion to KRW3,656.7 billion, a result of the Bank's aforementioned conservative asset reclassification. Accordingly, the NPL ratio rose by 0.68%p to 1.79%, another result of the asset reclassification. Likewise, loan loss provision rose by KRW898.5 billion to KRW4,383.3 billion. The increased NPLs pushed the NPL coverage ratio down by 33.33%p to 119.87%, which still represents a stable level. The delinquency ratio rose by 0.37%p to 1.00%; but considering the temporal characteristics of the rise in delinquency, the delinquency ratio still is within a range considered to be stable. The write-offs amounted to KRW2,330.4 billion, while NPLs sold totaled KRW515.8 billion, reflecting the Bank's proactive efforts to pare down its bad assets.



## Management Discussion & Analysis

### KB Investment & Securities

(KRW in billions)

	2010	2009	Change	
			Amount	%
Brokerage commissions	31.9	19.8	12.1	61.1
Underwriting commissions	18.8	24.1	-5.3	-22.0
Commissions on merger & acquisition	4.1	10.4	-6.3	-60.6
Other commissions	11.1	8.9	2.2	24.7
Gain(Loss) on valuation of securities	-63.7	-11.6	-52.1	n/a
Gain(Loss) on derivatives transactions	51.2	10.0	41.2	412.0
Interest income / expenses	84.1	55.3	28.8	52.1
Commission expenses	13.4	7.0	6.4	91.4
General & administrative expenses	83.4	74.9	8.5	11.3
Other operating income / expenses	3.5	-84.1	87.6	n/a
Net income before income tax	44.2	-49.1	93.3	n/a
<b>Net income</b>	<b>34.0</b>	<b>-41.5</b>	<b>75.5</b>	<b>n/a</b>
Cash and deposits	363.7	290.7	73.0	25.1
Securities	1,614.6	1,546.9	67.7	4.4
Derivatives	4.1	3.7	0.4	10.8
Loans	178.0	132.8	45.2	34.0
Tangible assets	3.8	8.2	-4.4	-53.7
Other assets	46.4	58.9	-12.5	-21.2
<b>Total assets</b>	<b>2,210.6</b>	<b>2,041.2</b>	<b>169.4</b>	<b>8.3</b>
Deposits	61.6	55.8	5.8	10.4
Borrowings	1,772.2	1,659.2	113.0	6.8
Other liabilities	41.6	30.6	11.0	35.9
<b>Total liabilities</b>	<b>1,875.4</b>	<b>1,745.6</b>	<b>129.8</b>	<b>7.4</b>
<b>Total shareholders' equity</b>	<b>335.2</b>	<b>295.6</b>	<b>39.6</b>	<b>13.4</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,210.6</b>	<b>2,041.2</b>	<b>169.4</b>	<b>8.3</b>

\* Based on Calendar Year

KB Investment & Securities posted net income of KRW34.0 billion in 2010, in contrast to a net loss it had done a year ago. Although the sluggish underwriting market dampened the Company's fee and commission performance in related areas, it generated substantial increases in bond interest income through its robust bond operations and in trust commission by strengthening its institutional sales. In addition, the Company did not generate any new non-performing PF loans in 2010, as it had done in the previous year, thereby, incurring no further provisioning obligation. As for its fee and commission performance in detail, brokergae commissions soared 61.1% over the course of 2010 to KRW31.9 billion, underwriting commissions fell by KRW5.3 billion to KRW18.8 billion, and commissions on merger and acquisition dropped by KRW6.3 billion to KRW4.1 billion. Other commissions rose by KRW2.2 billion to KRW11.1 billion on increased real estate PF-related fees. Interest income jumped by KRW28.8 billion, or 52.1%, to 84.1 billion, with the growth stemming mostly from bond operations. The increase in brokergae commissions entailed a sizable increase in fee expense: Stock, futures, and bond trading amounted to KRW13.4 billion in expense, up KRW6.4 billion from the previous year. General & administrative expenses increased by KRW8.5 billion to KRW83.4 billion on expanded business operations. Other operating income & expenses, which had been in the red due to PF loans-related provisioning, recorded KRW3.5 billion in income.

As of the end of 2010, total assets stood at KRW2,210.6 billion, up KRW169.4 billion from the year before. Cash & deposits, securities, and loans made up the increase in assets. Year-end cash & deposits stood at KRW363.7 billion, up KRW73.0 billion on stepped-up bond operations. Loans rose by KRW45.2 billion to KRW178.0 billion on increased credit lines following the expansion of the retail business. Borrowings rose by KRW113.0 billion to KRW1,772.2 billion due to the expansion of product operations, which more or less reflected in total liabilities. Deposits in our liabilities grew by KRW5.8 billion to KRW61.6 billion. Total shareholders' equity improved by KRW39.6 billion to KRW335.2 billion, reflecting the turnaround in net income.

## KB Life Insurance

(KRW in billions)

	2010	2009	Change	
			Amount	%
Operating revenue	1,216.1	901.8	314.3	34.9
Operating expenses	1,199.5	898.1	301.4	33.6
Operating income	16.6	3.7	12.9	348.6
Non-operating income	-	-	-	n/a
Non-operating expenses	0.3	0.3	-	-
Net income before income tax	16.3	3.4	12.9	379.4
<b>Net income</b>	<b>12.7</b>	<b>3.3</b>	<b>9.4</b>	<b>284.8</b>
Cash and deposits	109.7	71.7	38.0	53.0
Securities	2,803.8	1,898.6	905.2	47.7
Loans	106.5	88.2	18.3	20.7
Tangible assets	2.4	2.9	-0.5	-17.2
Other assets	225.8	171.9	53.9	31.4
Separate account assets	422.1	287.7	134.4	46.7
<b>Total assets</b>	<b>3,670.3</b>	<b>2,521.0</b>	<b>1,149.3</b>	<b>45.6</b>
Policy reserve	2,855.9	2,044.3	811.6	39.7
Policyholders' equity adjustment	8.7	1.0	7.7	770.0
Other liabilities	48.2	32.6	15.6	47.9
Separate account liabilities	426.5	291.6	134.9	46.3
<b>Total liabilities</b>	<b>3,339.3</b>	<b>2,369.5</b>	<b>969.8</b>	<b>40.9</b>
<b>Total shareholders' equity</b>	<b>331.0</b>	<b>151.5</b>	<b>179.5</b>	<b>118.5</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,670.3</b>	<b>2,521.0</b>	<b>1,149.3</b>	<b>45.6</b>

\* Based on Calendar Year

In 2010, KB Life Insurance recorded operating revenue of KRW1,216.1 billion, up 34.9% from the previous year. The increase comprises KRW275.9 billion in insurance premiums, KRW34.7 billion in interest income, and KRW6.0 billion in gain on the disposal of marketable securities. Operating expense, on the other hand, grew as much, by 33.6% to KRW1,199.5 billion. The increase consists of KRW236.5 billion in provision reserve, KRW50.0 billion in benefit payment, and KRW10.1 billion in business expense. As a result, operating income rose by KRW12.9 billion to KRW16.6 billion, and net income to KRW12.7 billion, nearly four times the amount of the previous year.

Total assets as of year-end 2010 stood at KRW3,670.3 billion, up KRW1,149.3 billion, or 45.6%, from a year earlier: securities, namely special bonds, beneficiary certificates, and government bonds, accounted for mostly the increase. The balance of securities held at year-end 2010 was KRW2,803.8 billion, up KRW905.2 billion. Loans rose to KRW106.5 billion, a KRW18.3 billion increase, which was made mostly of insurance policy loans, while special account assets grew by KRW134.4 billion to KRW422.1 billion, owing to increased variable insurance sales. Total liabilities increased by KRW969.8 billion to KRW3,339.3 billion, with the major contributor being policy reserve, which stood at KRW2,855.9 billion at 2010 year-end, up KRW811.6 billion compared to the year before. Total shareholders' equity also advanced, rising by KRW179.5 billion to KRW331.0 billion, thanks to a valuation gain on marketable securities and a capital increase.



## Management Discussion & Analysis

### KB Asset Management

(KRW in billions)

	2010	2009	Change	
			Amount	%
<b>Operating revenue</b>	<b>69.1</b>	<b>67.1</b>	<b>2.0</b>	<b>3.0</b>
Investment trust fees	59.9	57.2	2.7	4.7
Investment discretionary fees	5.5	5.2	0.3	5.8
<b>Operating expenses</b>	<b>30.3</b>	<b>28.0</b>	<b>2.3</b>	<b>8.2</b>
Commission expenses	7.1	7.4	-0.3	-4.1
General & administrative expenses	23.2	20.5	2.7	13.2
<b>Operating income</b>	<b>38.8</b>	<b>39.1</b>	<b>-0.3</b>	<b>-0.8</b>
Non-operating income (loss)	-0.5	-0.5	n/a	n/a
<b>Net income before income tax</b>	<b>38.3</b>	<b>38.6</b>	<b>-0.3</b>	<b>-0.8</b>
<b>Net income</b>	<b>29.3</b>	<b>28.8</b>	<b>0.5</b>	<b>1.7</b>
<b>Cash and deposits</b>	<b>90.8</b>	<b>70.0</b>	<b>20.8</b>	<b>29.7</b>
Securities	30.4	19.6	10.8	55.2
Loans	1.9	2.0	-0.1	-5.0
Tangible assets	0.1	-	0.1	n/a
Other assets	19.4	16.9	2.5	14.8
<b>Total assets</b>	<b>142.7</b>	<b>108.6</b>	<b>34.1</b>	<b>31.4</b>
Deposits	2.9	1.3	1.6	123.1
Other liabilities	13.8	11.0	2.8	25.5
<b>Total liabilities</b>	<b>16.7</b>	<b>12.3</b>	<b>4.4</b>	<b>35.8</b>
<b>Total shareholders' equity</b>	<b>126.0</b>	<b>96.3</b>	<b>29.7</b>	<b>30.8</b>
<b>Total liabilities and shareholders' equity</b>	<b>142.7</b>	<b>108.6</b>	<b>34.1</b>	<b>31.4</b>

\* Based on Calendar Year

KB Asset Management's business performance somewhat improved over the course of 2010. Operating revenue edged up by KRW2.0 billion, or 3.0%, to KRW69.1 billion, thanks to a modest increase in trust account management fees and a jump in securities trust account. Investment trust fees rose by 4.7% to KRW59.9 billion. Operating expenses rose by KRW2.3 billion to KRW 30.3 billion. Commission expenses decreased by 4.1% to KRW7.1 billion as administrative trust fees decreased. Nonetheless, general & administrative expenses rose by KRW2.7 billion to KRW23.2 billion due to performance bonuses and early retirement payouts. As a result, operating income edged down to KRW38.8 billion; but net income inched up by 1.7% to KRW29.3 billion due to a reduction in corporate taxes.

Total assets as of the end of 2010 stood at KRW142.7 billion, up KRW34.1 billion from the previous year, due mainly to an increase in cash & deposits and securities: MMF balance modestly increased while securities jumped by KRW10.8 billion to KRW 30.4 billion, on increased policy finance bonds. Total liabilities grew by KRW4.4 billion to KRW16.7 billion: customer deposits for direct selling and accrued payables rose, of which the latter being temporary. Total shareholders' equity, buoyed by the net income, increased by KRW29.7 billion to KRW126.0 billion.

## KB Real Estate Trust

(KRW in billions)

	2010	2009	Change	
			Amount	%
Operating revenue	52.3	60.5	-8.2	-13.6
Revenue from trust account	24.4	31.1	-6.7	-21.5
Additional operating revenue	4.5	8.5	-4.0	-47.1
Interest income	22.4	20.4	2.0	9.8
Operating expenses	47.3	29.1	18.2	62.5
Operating income	5.0	31.4	-26.4	-84.1
Non-operating income	0.2	0.3	-0.1	-33.3
Non-operating expenses	0.1	0.2	-0.1	-50.0
Net income before income tax	5.1	31.5	-26.4	-83.8
Net income	3.5	23.8	-20.3	-85.3
Loans	215.2	219.3	-4.1	-1.9
Other assets	40.9	38.0	2.9	7.6
<b>Total assets</b>	<b>256.1</b>	<b>257.3</b>	<b>-1.2</b>	<b>-0.5</b>
Borrowings	119.4	123.0	-3.6	-2.9
Other liabilities	11.9	13.0	-1.1	-8.5
<b>Total liabilities</b>	<b>131.3</b>	<b>136.0</b>	<b>-4.7</b>	<b>-3.5</b>
<b>Total shareholders' equity</b>	<b>124.8</b>	<b>121.3</b>	<b>3.5</b>	<b>2.9</b>
<b>Total liabilities and shareholders' equity</b>	<b>256.1</b>	<b>257.3</b>	<b>-1.2</b>	<b>-0.5</b>

In 2010, KB Real Estate Trust's business results closely reflected the market environment. Influenced by the sluggish domestic real estate market, operating revenue decreased while operating expenses increased on accumulating non-performing loans, resulting in a slight decline in net income. Operating revenue decreased by KRW8.2 billion to KRW52.3 billion: the decline stemmed mostly from fees related to real estate trusts and REITs. Interest income, however, increased by KRW2.0 billion to KRW22.4 billion on growing trust account loans. Operating expenses, on the other hand, rose by KRW18.2 billion to KRW47.3 billion, due mostly to a growing provisioning expense for bad loans and a higher interest expense. Accordingly, operating income and net income amounted to KRW5.0 billion and KRW3.5 billion, respectively.

Total assets as of 2010 year-end stood at KRW256.1 billion, representing a slight decrease from the year before. The decrease can be attributed to additional provisions for increased trust account loans. Other assets, compared to the year before, increased on deferred income tax assets. Total liabilities declined by KRW4.7 billion to KRW131.3 billion. Most of the decrease was in the form of short-term borrowings. Other assets exhibited a decrease in income received in advance. Total shareholders' equity improved by KRW3.5 billion to KRW124.8 billion, reflecting the increase of net income.



## Management Discussion & Analysis

### KB Investment

(KRW in billions)

	2010	2009	Change	
			Amount	%
Operating revenue	15.4	14.7	0.6	4.4
Investment & other revenues	7.5	8.4	-0.9	-11.3
Partnership revenues	7.9	6.3	1.6	25.3
Operating expenses	15.7	12.6	3.1	24.5
Investment & financial expenses	6.8	2.3	4.5	196.4
Partnership expenses	3.5	5.3	-1.7	-33.0
General & administrative expenses	5.4	5.0	0.3	6.2
Operating income (loss)	-0.4	2.1	-2.5	n/a
Non-operating income (loss)*	-0.5	0.1	-0.5	n/a
<b>Net income (loss)</b>	<b>-0.8</b>	<b>2.2</b>	<b>-3.0</b>	<b>n/a</b>
Current assets	27.6	32.5	-4.9	-14.9
Investment assets	86.0	87.9	-1.9	-2.2
Other non-current assets	3.5	5.6	-2.1	-37.0
<b>Total assets</b>	<b>117.1</b>	<b>126.0</b>	<b>-8.8</b>	<b>-7.0</b>
<b>Total liabilities</b>	<b>11.1</b>	<b>21.2</b>	<b>-10.0</b>	<b>-47.4</b>
<b>Total shareholders' equity</b>	<b>106.0</b>	<b>104.8</b>	<b>1.2</b>	<b>1.1</b>
<b>Total liabilities and shareholders' equity</b>	<b>117.1</b>	<b>126.0</b>	<b>-8.8</b>	<b>-7.0</b>

\* Including Income Tax Expenses

In 2010, KB Investment's operating revenue edged up by KRW0.6 billion to KRW15.4 billion: although interest income on investment assets decreased, valuation gain rose upon the sale of investment assets, contributing to a substantial increase in partnership revenue. While investment and other revenue decreased by KRW0.9 billion to KRW7.5 billion, partnership revenues soared by KRW1.6 billion to KRW7.9 billion. Operating expense also grew by KRW3.1 billion to KRW15.7 billion, due mainly to increased asset write-downs and write-offs. Consequently, KB Investment turned in operating loss of KRW0.4 billion and net loss of KRW0.8 billion for the year 2010.

Total assets at the end of 2010 reached KRW117.1 billion, which represents a KRW8.8 billion decrease from the year before. Current assets dwindled by KRW4.9 billion to KRW27.6 billion, as investment assets were sold and borrowings were repaid. Investment assets totaled KRW86.0 billion, reduced by KRW1.9 billion from the previous year's figure, as the Company wrote down its existing investments while avoiding new investment. Total liabilities decreased by KRW10.0 billion to KRW11.1 billion, as borrowings were repaid to the Group. Total shareholders' equity increased by KRW1.2 to KRW106.0 billion.

## KB Futures

(KRW in billions)

	2010	2009	Change	
			Amount	%
Operating revenue	27.6	28.7	-1.1	-4.0
Operating expenses	21.6	19.8	1.8	8.9
Operating income	6.0	8.9	-2.9	-32.5
Non-operating income	-	0.1	-0.1	n/a
Non-operating expenses	0.1	1.0	-0.9	-89.7
Income before income tax	5.9	8.0	-2.1	-26.2
<b>Net income</b>	<b>4.5</b>	<b>6.2</b>	<b>-1.7</b>	<b>-27.5</b>
Cash and bank deposits	135.6	196.9	-61.3	-31.1
Securities	36.2	18.4	17.8	96.5
Tangible assets	0.4	0.8	-0.4	-47.5
Other assets	5.0	5.8	-0.8	-13.6
<b>Total assets</b>	<b>177.2</b>	<b>221.9</b>	<b>-44.7</b>	<b>-20.2</b>
Deposits	130.9	180.2	-49.3	-27.3
Other liabilities	3.4	4.4	-1.0	-23.2
<b>Total liabilities</b>	<b>134.3</b>	<b>184.5</b>	<b>-50.2</b>	<b>-27.2</b>
<b>Total shareholders' equity</b>	<b>42.9</b>	<b>37.4</b>	<b>5.5</b>	<b>14.6</b>
<b>Total liabilities and shareholders' equity</b>	<b>177.2</b>	<b>221.9</b>	<b>-44.7</b>	<b>-20.2</b>

\* Based on Calendar Year

KB Futures' overall business was slightly down in 2010, compared to its previous year's performance. Total operating revenue decreased by 4.0%, or KRW1.1 billion, to KRW27.6 billion, as an increasing market participation of securities firms put downward pressures on fees and commission, and the prevailing low interest rate climate reduced interest income. Operating expenses went up by 8.9% (KRW1.8 billion) to KRW21.6 billion: as market volatility reduced, proprietary derivatives trading losses rose. As a result of a decreased operating revenue and an increase in operating expenses, operating income dwindled by KRW2.9 billion to KRW6.0 billion, and net income declined by KRW1.7 billion to KRW4.5 billion.

Total assets stood at KRW177.2 billion at 2010 year-end, representing a KRW44.7 billion decrease from the year before. The decrease stemmed mostly from cash and bank deposits, which amounted to KRW135.6 billion, representing a year-on-year decrease of KRW61.3 billion: as securities companies expanded their market presence, customer deposits for the Company shrank. Securities increased by KRW17.8 billion to KRW36.2 billion, owing mainly to an increase in bonds coming to maturity. Total liabilities decreased by KRW50.2 billion to KRW134.3 billion. The reduction stemmed mostly from deposits in futures trading accounts, as in the case of cash and bank deposits. Total shareholders' equity was KRW42.9 billion, up KRW5.5 billion, which nearly corresponds to the annual net income.



## Management Discussion & Analysis

### KB Credit Information

(KRW in billions)

	2010	2009	Change	
			Amount	%
Operating revenue	46.3	53.6	-7.3	-13.6
Cost of service	27.6	31.6	-4.0	-12.6
General & administrative expenses	17.1	16.9	0.2	1.2
Operating income	1.6	5.1	-3.5	-68.1
Non-operating income	0.5	0.7	-0.2	-31.7
Income tax	0.5	1.5	-1.0	-67.2
<b>Net income</b>	<b>1.6</b>	<b>4.3</b>	<b>-2.7</b>	<b>-62.7</b>
Current assets	13.3	15.6	-2.2	-14.2
Non-current assets	17.8	13.8	4.0	28.7
<b>Total assets</b>	<b>31.1</b>	<b>29.4</b>	<b>1.8</b>	<b>6.0</b>
Current liabilities	4.4	4.1	0.3	7.5
Long-term liabilities	1.5	1.6	-0.2	-10.5
<b>Total liabilities</b>	<b>5.9</b>	<b>5.8</b>	<b>0.1</b>	<b>2.3</b>
<b>Total shareholders' equity</b>	<b>25.2</b>	<b>23.6</b>	<b>1.6</b>	<b>6.9</b>
<b>Total liabilities and shareholders' equity</b>	<b>31.1</b>	<b>29.4</b>	<b>1.8</b>	<b>6.0</b>

KB Credit Information's operating revenue for 2010 declined by KRW7.3 billion to KRW46.3 billion: in addition to the economic downturn, bill collection decreased as long-term problem bills and institutional bills grew in proportion. Cost of service also decreased by KRW4.0 billion to KRW27.6 billion. General & administrative expenses inched up to KRW17.1 billion on increased performance compensations and higher lease deposits following the conversion of office leases to charter. Consequently, operating income decreased by KRW3.5 billion to KRW1.6 billion. Non-operating income reduced by KRW200 million to KRW500 million, owing to the reduction of interest income in relation to the decrease of deposit balance and provisioning expenses for legal proceeding liabilities. As a result, net income fell by KRW2.7 billion to KRW1.6 billion.

Total assets as the end of 2010 amounted to KRW31.1 billion, up by KRW1.8 billion from the previous year's figure. Current assets contracted by KRW2.2 billion to KRW13.3 billion, due mainly to a decrease in deposit balance. Non-current assets rose by KRW4.0 billion to KRW17.8 billion on the increased lease deposits. Total liabilities edged up to KRW5.9 billion owing to an increase in unpaid expense obligation, though damages provision decreased. Total shareholders' equities came to KRW25.2 billion, up KRW1.6 billion, which is equal to the net income.

## KB Data Systems

(KRW in billions)

	2010	2009	Change	
			Amount	%
Operating revenue	130.5	123.3	7.2	5.8
Cost of sales	127.1	113.3	13.8	12.2
Selling and administrative expenses	6.7	4.4	2.3	53.3
Operating income (loss)	-3.4	5.5	-8.9	n/a
Non-operating income	1.0	1.5	-0.5	-32.6
Non-operating expenses	0.3	0.1	0.2	173.0
Income (loss) before income tax	-2.7	6.9	-9.6	n/a
<b>Net income (loss)</b>	<b>-2.7</b>	<b>5.3</b>	<b>-8.0</b>	<b>n/a</b>
Current assets	49.3	42.0	7.4	17.6
Non-current assets	2.9	3.0	-0.1	-4.3
<b>Total assets</b>	<b>52.2</b>	<b>44.9</b>	<b>7.2</b>	<b>16.1</b>
Current liabilities	36.3	26.6	9.7	36.5
Long-term liabilities	1.8	1.6	0.3	17.3
<b>Total liabilities</b>	<b>38.1</b>	<b>28.1</b>	<b>10.0</b>	<b>35.5</b>
<b>Total shareholders' equity</b>	<b>14.1</b>	<b>16.8</b>	<b>-2.7</b>	<b>-16.3</b>
<b>Total liabilities and shareholders' equity</b>	<b>52.2</b>	<b>44.9</b>	<b>7.2</b>	<b>16.1</b>

KB Data Systems' operating revenue increased over the course of 2010 by 5.8% to KRW130.5 billion; its Group-related sales declined whereas non-Group-related sales rose compared to the previous year's figure. Selling and administrative expenses increased by KRW2.3 billion to KRW6.7 billion, reflecting the Company's share of the cost of the early retirement program and an year-end bonus for staff members and employees following the simplification of accounting standards. The increase subsequently led to an operating loss of KRW3.4 billion and a net loss of KRW2.7 billion.

Total assets as of the end of 2010 amounted to KRW52.2 billion, up by KRW7.2 billion from that of the previous year, due mainly to an increase in account receivables. Non-current assets inched down over the year on a partial redemption of membership deposits and a reduction in the employee housing fund. Total liabilities were up by KRW10.0 billion to KRW38.1 billion owing to an increase in payables linked to the increase in account receivables and unpaid estimated bonuses. Total shareholders' equity stood at KRW14.1 billion, down by KRW2.7 billion due to the annual net loss.



# Management Discussion & Analysis

## Risk Management

KB Financial Group is concentrating its efforts on increasing the transparency of the risk that bears on the Group level, preventing risk transference among its subsidiaries and enhancing its capabilities to proactively respond to rapid changes in the financial environment, thereby facilitating mid- to long-term strategy implementation and efficient decision-making on management of the Group.

### Risk Governance

The primary duties of the Risk Management Committee are to establish risk management strategies in accordance with decisions made by the Group's Board of Directors (BOD), determine the group's risk appetite, examine the level of risk exposure and the status of risk management operations, and approve the application of risk management systems & methodologies and major improvements. Consisted of the chief risk officers of the Group and its subsidiaries, the Risk Management Council is a consultative body which deliberates and decides on matters entrusted by the Risk Management Committee, and also consults on various issues of the Group that are related to risk management. The Risk Management Department establishes detailed risk management policies, procedure and process, and is responsible for monitoring and managing the Group's risk status and economic capital limits.

### Credit risk management

The Group defines expected and unexpected losses that could result from a counterparty's default or credit rating deterioration as credit risk.

### Credit Policy Direction

Based on its management strategies, the Group formulates appropriate credit policies in consideration of economic outlooks, business environment, asset quality trends and internal risk management capabilities. In accordance with these policies, loan management policies are executed by loan type— household, corporate or credit card —to ensure consistency in the application of credit policies. The basic objective of the Group's credit policy is to maximize its value by minimizing the volatility of mid- to long-term credit cost through a stable asset quality management, which ensures steady profit generation regardless of financial conditions.

### Credit Risk Measuring & Monitoring

The Group operates a credit risk measuring system based on credit VaR calculations of on- and off-balance sheet assets. Credit Value at Risk (VaR) represents the maximum loss that may arise from deteriorating creditworthiness of borrowers and counterparties during a certain period of time under normal banking operations. Credit VaR is computed using simulation to reflect changes triggered by credit migration and correlation of cash flow, as well as borrower default. The Group also identifies, measures and monitors credit concentration risk due to excessive exposure to certain individual borrowers or certain categories of borrowers.

### Managing total exposure limits

The Group operates a system that monitors and manages its total exposure limits as a way to prevent undue credit or asset concentration to certain entities or in particular sectors and to optimize the Group's average credit portfolio. The Group's total exposure limits are regularly monitored by the risk management department and reported to the management and the risk management committee.

### Market risk management

The Group defines market risk as the threat of potential loss on a trading position caused by market factors including interest rates, foreign exchange rates, equities and derivatives, and operates an advanced system for identifying, measuring, monitoring, controlling and reporting on these risks to which the group is exposed. Market VaR quantifies the risks inherent in trading accounts and is a key metric of market risk, representing the maximum loss of a portfolio during a fixed period of time under normal market conditions within a certain confidence level. Moreover, to verify the validity of its VaR model, the Group conducts daily back-testing and compares the actual and hypothetical profits & losses against VaR calculations.

### Interest rate risk management

The Group defines interest rate risks as the risks that could reduce its net asset value or net interest income (NII) from fluctuations in inter-

est rates. The Group's principle interest rate risk management objectives are to manage overall assets and liabilities to maximize net interest income within acceptable risk limits, and to minimize potential losses on net interest margins from adverse interest rate fluctuations.

### **Liquidity risk management**

The Group defines liquidity risk as the risk of being unable to meet financial obligations arising from maturity mismatch and unexpected demand or supply of funds. The Group's liquidity risk management goal is to meet all of its liability repayments on time and fund all investment opportunities even under adverse conditions, to satisfy its obligations arising from customer deposit withdrawals, redemption of matured debentures, and repayments of other borrowed funds at maturity, and at the same time to maintain necessary liquidity to fund loans and invest in securities.

### **Operational risk management**

The Group defines operational risk as all financial and non-financial risks arising in the course of operations which may adversely affect the Group's capital. The objectives of the Group's operational risk management include satisfying regulatory requirements, as well as cultivating a strong risk management culture through the reinforcement of internal controls and the improvement of work process.

### **Economic capital management**

Economic capital is the capital required to prevent the Group's economic insolvency due to unexpected losses within the Group's target confidence level. The Group measures, allocates and manages the economic capital in accordance with risk types for all financial subsidiaries, thereby maintaining group-wide capital adequacy. The Risk Management Committee determines the Group's risk appetite and assigns economic capital limits by risk type and subsidiary; and each subsidiary, in return, manages its capital within the prescribed range.

### **Stress testing**

The Group conducts stress-testing to evaluate its capital adequacy and to establish flexible risk management strategies in response to sudden changes in the external environment, gauging its portfolio's potential vulnerability to exceptional but plausible macroeconomic scenarios and establishing appropriate countermeasures. Stress-testing results are reported to top management and the Risk Management Committee, which use them to set risk levels, assess capital adequacy, and guide management decision-making.

### **Adoption of Basel II**

In accordance with the introduction of the Basel II Accord, Kookmin Bank has completed upgrading of all risk management-related operations to the highest global standards, including risk management methodologies, loan processes & systems, data management and control structure, while promoting a bank-wide risk management culture commensurate with a world-class banking institution.

### **Credit risk**

In December 2007, Kookmin Bank obtained official FSS approval, becoming the first Korean bank to comply with Basel II "Foundation-Internal Ratings-Based Approach" (F-IRB),

### **Market risk**

Kookmin Bank's internal model for market risk was granted official FSS approval in July 2005.

### **Operational risk**

In November 2008, the bank's operational risk AMA obtained FSS approval.

### **2011 Plans for Group risk management**

In 2010, risk management for long-term low growth is expected to play a prominent role as financial regulations and a shifting environment are forecast to stunt the growth of a recovering economy. In response to these expectations, the Group will maintain its readiness to proactively respond to changes in the business environment while continuing to upgrade its enterprise risk management with advanced monitoring techniques.



## Report of Independent Auditors



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### To the Shareholders and Board of Directors of KB Financial Group Inc.

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

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of KB Financial Group Inc. as of December 31, 2010 and 2009, and the results of its operations, the changes in its retained earnings, the changes in its shareholders' equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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

*Samil PricewaterhouseCoopers*

Seoul, Korea  
March 14, 2011

This report is effective as of March 14, 2011, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

## Non-Consolidated Statements of Financial Position

December 31, 2009 and 2008

KB Financial Group Inc.

(in millions of Korean won)

	2010	2009
<b>Assets</b>		
Cash and due from bank (Notes 3, 20 and 22)	₩ 759,998	₩ 845,366
Equity method investments (Notes 4 and 22)	17,807,653	17,612,122
Loans receivable, net (Notes 5, 20 and 22)	159,200	169,150
Property and equipment, net (Note 6)	1,108	1,718
Other assets, net (Notes 7, 15 and 20)	184,586	35,108
<b>Total assets</b>	<b>₩ 18,912,545</b>	<b>₩ 18,663,464</b>
<b>Liabilities and shareholders' equity</b>		
<b>Liabilities</b>		
Debentures, net of discount (Notes 8, 22 and 25)	₩ 799,353	₩ 798,421
Other liabilities, net (Notes 9, 10, 15, 16 and 20)	167,391	13,413
<b>Total liabilities</b>	<b>966,744</b>	<b>811,834</b>
<b>Shareholders' equity</b>		
Common stock (Note 11)	1,931,758	1,931,758
Capital surplus (Note 12)	16,428,852	16,428,852
Capital adjustment (Note 4)	(2,919,421)	(2,918,990)
Accumulated other comprehensive income (Note 18)	1,312,936	1,232,279
Retained earnings (Note 13)	1,191,676	1,177,731
<b>Total shareholders' equity</b>	<b>17,945,801</b>	<b>17,851,630</b>
<b>Total liabilities and shareholders' equity</b>	<b>₩ 18,912,545</b>	<b>₩ 18,663,464</b>

The accompanying notes are an integral part of these non-consolidated financial statements.

See Report of Independent Auditors



## Non-Consolidated Statements of Income

For the years ended December 31, 2010 and 2009

KB Financial Group Inc.

(in millions of Korean won, except per share amounts)

	2010	2009
<b>Operating revenues</b>		
Gain on valuation of equity method investments (Notes 4 and 23)	₩ 142,454	₩ 677,107
Interest income (Note 20)	35,200	19,455
Reversal of allowance for loan losses (Note 5)	50	150
Commission income	4	-
	177,708	696,712
<b>Operating expenses</b>		
Loss on valuation of equity method investments (Notes 4 and 23)	2,738	64,482
Interest expense	53,432	55,556
Commission expense	6,955	7,209
Selling and administrative expenses (Notes 6, 7, 10, 15, 20 and 26)	30,412	27,572
	93,537	154,819
Operating income	84,171	541,893
<b>Non-operating income</b>	965	830
<b>Non-operating expense</b>	35	2
Income before income tax expense(benefit)	85,101	542,721
<b>Income tax expense(benefit) (Note 16)</b>	(3,219)	2,903
Net income	₩ 88,320	₩ 539,818
<b>Per share data (Note 17)</b>		
Basic and diluted earnings per share	₩ 257	₩ 1,659

The accompanying notes are an integral part of these non-consolidated financial statements.

See Report of Independent Auditors

## Non-Consolidated Statements of Appropriation of Retained Earnings

For the years ended December 31, 2010 and 2009 (Date of appropriation for 2010: March 25, 2011)  
(Date of appropriation for 2009: March 26, 2010)

KB Financial Group Inc.

(in millions of Korean won)

		2010		2009
<b>Unappropriated retained earnings</b>				
Balance at the beginning of year	₩	1,652	₩	1,741
Changes in retained earnings of equity method investments		4,522		6,972
Net income		94,494		548,531
<b>Appropriation of retained earnings</b>				
Legal reserve (Note 13)		8,832		53,982
Voluntary reserve		-		414,000
Cash dividends (Note 14)				
(Dividends per common share: 120 (2.40%) in 2010)		41,163		78,897
(Dividends per common share: 230 (4.60%) in 2009)				
		49,995		546,879
<b>Unappropriated retained earnings</b>				
<b>to be carried over to subsequent year</b>	₩	44,499	₩	1,652

The accompanying notes are an integral part of these non-consolidated financial statements.

See Report of Independent Auditors



## Non-Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2010 and 2009

KB Financial Group Inc.

(in millions of Korean won)

	Capital stock	Capital surplus	Capital adjustment	Accumulated other comprehensive income and loss	Retained earnings	Total
January 1, 2009	₩ 1,781,758	₩ 15,473,511	₩ (3,145,102)	₩ 1,087,503	₩ 630,941	₩ 15,828,611
Issuance of common shares	150,000	955,341	-	-	-	1,105,341
Net income	-	-	-	-	539,818	539,818
Changes in equity method investments	-	-	226,112	144,776	6,972	377,860
December 31, 2009	₩ 1,931,758	₩ 16,428,852	₩ (2,918,990)	₩ 1,232,279	₩ 1,177,731	₩ 17,851,630
January 1, 2010	₩ 1,931,758	₩ 16,428,852	₩ (2,918,990)	₩ 1,232,279	₩ 1,177,731	₩ 17,851,630
Distribution of dividends	-	-	-	-	(78,897)	(78,897)
Net income	-	-	-	-	88,320	88,320
Changes in equity method investments	-	-	(431)	80,657	4,522	84,748
December 31, 2010	1,931,758	16,428,852	(2,919,421)	1,312,936	1,191,676	17,945,801

The accompanying notes are an integral part of these non-consolidated financial statements.

See Report of Independent Auditors

## Non-Consolidated Statements of Cash Flows

For the years ended December 31, 2010 and 2009

KB Financial Group Inc.

(in millions of Korean won)

	2010	2009
<b>Cash flows from operating activities</b>		
Net income	₩ 88,320	₩ 539,818
Adjustments to reconcile net income to net cash provided by operating activities		
Loss on valuation of equity method investments	2,738	64,482
Provision for severance benefits	1,984	1,780
Share-based compensation	3,070	865
Depreciation	923	1,709
Amortization of intangible assets	869	749
Interest expense	932	784
Gain on valuation of equity method investments	(142,454)	(677,107)
Reversal of allowance for loan losses	(50)	(150)
Gain on valuation of pension plan assets	(138)	(154)
	(132,126)	(607,042)
Changes in operating assets and liabilities		
Decrease in equity method investments due to dividend distribution	95,305	98,200
Decrease (increase) in accounts receivable	(6,940)	2
Decrease (increase) in accrued income	5,584	(8,322)
Decrease (increase) in prepaid expenses	(4)	1,264
Decrease (increase) in other assets	(125,385)	198
Increase (decrease) in accounts payable	132,500	(27)
Increase in accrued expense	401	1,820
Increase (decrease) in deferred tax liabilities	(3,219)	2,903
Payment of severance benefits	(1,944)	(733)
Increase in accrued severance benefits	1,297	316
Increase in pension plan assets	(798)	(957)
Increase in withholding tax payable	23	32
Increase in other liabilities	3	37
	96,823	94,733
Net cash provided by operating activities	53,017	27,509



## Non-Consolidated Statements of Cash Flows

For the years ended December 31, 2010 and 2009

KB Financial Group Inc.

(in millions of Korean won)

	2010	2009
<b>Cash flows from investing activities</b>		
Collection of loans	10,000	100,000
Decrease in guarantee deposits	330	-
Acquisition of equity method investments	(61,200)	(376,091)
Loans granted	-	(70,000)
Acquisition of property and equipment	(313)	(213)
Purchase of intangible assets	(493)	(1,249)
Increase in guarantee deposits	(7,812)	(8,846)
Net cash provided by (used in) investing activities	(59,488)	(356,399)
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	-	495,000
Proceeds from issuing debentures	-	299,066
Issuance of common shares	-	1,105,341
Repayment of borrowings	-	(727,000)
Distribution of dividends	(78,897)	-
Net cash provided by (used in) investing activities	(78,897)	1,172,407
Net increase (decrease) in cash and cash equivalents	(85,368)	843,517
<b>Cash and cash equivalents (Note 19)</b>		
Beginning of year	845,363	1,846
End of year	₩ 759,995	₩ 845,363

The accompanying notes are an integral part of these non-consolidated financial statements.

See Report of Independent Auditors

# Notes to Non-Consolidated Financial Statements

December 31, 2010 and 2009

KB Financial Group Inc.

## 1. The Company

KB Financial Group Inc. (the "Company"), in accordance with Financial Holding Companies Act, was established on September 29, 2008, through stock transfer with former shareholders of KB Kookmin Bank, KB Investment & Securities Co., Ltd., KB Asset Management Co., Ltd., KB Real Estate Trust Co., Ltd., KB Investment Co., Ltd., KB Futures Co., Ltd., KB Credit Information Co., Ltd., and KB Data Systems Co., Ltd. in order to provide management services and financing to associated companies. The headquarters are located at 9-1 Namdaemunro 2-ga, Jung-gu, Seoul. The Company's common stock as of December 31, 2010 is ₩1,931,758 million.

The Company is authorized to issue 1,000 million shares. The Company was listed on the Korea Exchange ("KRX") on October 10, 2008, and was also listed on the New York Stock Exchange ("NYSE") for its American Depositary Shares ("ADS") on September 29, 2008.

The major shareholder as of December 31, 2010, is:

Name of Shareholder	Number of Shares Owned	Percentage of Ownership(%)
ING Bank N.V.	19,401,044	5.02

Details of its subsidiaries are as follows:

### (1) Kookmin Bank

Kookmin Bank (the "Bank") was established in 1963 under the Citizens National Bank Act to provide and administer funds for financing to the general public and small businesses. Pursuant to the repeal of the Citizens National Bank Act, effective January 5, 1995, the Bank has conducted its operations in accordance with the provisions of the General Banking Act. The Bank merged with Korea Long Term Credit Bank on December 31, 1998, and with Daegu, Busan, Jeonnam Kookmin Mutual Savings & Finance Co., Ltd. on August 22, 1999. Also, under the decision of the Financial Services Commission in accordance with the Structural Improvement of the Financial Industry Act, the Bank purchased certain assets, including loans classified either as normal or precautionary, and assumed most of the liabilities of Daedong Bank on June 29, 1998. Also, the Bank completed the legal consolidation with Housing and Commercial Bank ("H&CB") on October 31, 2001, and merged with Kookmin Credit Card Co., Ltd., a majority-owned subsidiary, on September 30, 2003. Kookmin Bank's common stock as of December 31, 2010, is ₩2,481,896 million.

The Bank's shares have been listed on the KRX since September 1994. As a result of the business combination with H&CB, the former shareholders of the Bank and H&CB received new common shares of the Bank on the basis of a pre-determined ratio. The new common shares of the Bank were listed on the KRX on November 9, 2001. In addition, the Bank listed its ADS on the NYSE on November 1, 2001, following the consolidation with H&CB. H&CB listed its ADS on the NYSE on October 3, 2000, prior to the business combination. The Bank became a wholly owned subsidiary of the Company through a comprehensive stock transfer on September 29, 2008. In addition, the Bank's listed shares and depository shares on the KRX and the NYSE were delisted on October 10, 2008 and September 26, 2008, respectively.

The Bank is engaged in the banking, trust, credit card and other relevant businesses according to the provisions of the General Banking Act, Capital Market and Financial Investment Business Act and Specialized Credit Financial Business Act, respectively. The Bank, with headquarters based in Seoul, operates through 1,173 domestic branches and offices, and six overseas branches (excluding three subsidiaries and two offices) as of December 31, 2010.



## Notes to Non-Consolidated Financial Statements

### **(2) KB Investment & Securities Co., Ltd.**

KB Investment & Securities Co., Ltd. (the "KB Investment & Securities") was established on August 16, 1995, to engage in investment trading service, brokerage service, and financial investment business service which is under the provision of the Capital Market and Financial Investment Business Act and other relating services. On March 11, 2008, the former name of Hannuri Investment & Securities changed to KB Investment & Securities. Its headquarters are located in Seoul. KB Investment & Securities common stock as of December 31, 2010, is ₩78,000 million.

### **(3) KB Life Insurance Co., Ltd.**

KB Life Insurance Co., Ltd. (the "KB Life Insurance") was established on April 29, 2004, to engage in financial insurance operations. On May 31, 2004, the company merged with Hanil Life Insurance Co., Ltd., undertaking all the insurance contracts, and related assets and liabilities. The life insurance business, under the Insurance Business Act, is one of the company's major business operations. Its headquarters are located in Seoul. KB Life Insurance's common stock as of December 31, 2010, is ₩276,000 million.

### **(4) KB Asset Management Co., Ltd.**

KB Asset Management Co., Ltd. (the "KB Asset Management") was established on April 1988 to engage in investment advisory services including consulting and providing information on investment in securities and on July 1997, started to engage in collective investment business (previously known as security investment trust operations) under the Capital Market and Financial Investment Business Act (previously called the Security Investment Trust Business Act). Its headquarters are located in Seoul. KB Asset Management's common stock as of December 31, 2010, is ₩38,338 million.

### **(5) KB Real Estate Trust Co., Ltd.**

KB Real Estate Trust Co., Ltd. (the "KB Real Estate Trust") was established on December 3, 1996, to provide real estate trust services including land trust. Under the Capital Market and Financial Investment Business Act (previously called the Trust Business Act), Financial Services Commission authorized the company to engage in real estate trust service. On September 16, 2002, the name of the company changed to KB Real Estate Trust Co., Ltd. from Joeun Real Estate Trust Inc. The 23 land trust operations are in progress, and a number of other trust services such as collateral trusts are already engaged and ready to operate. Its headquarters are located in Seoul. KB Real Estate Trust's common stock as of December 31, 2010, is ₩80,000 million.

### **(6) KB Investment Co., Ltd.**

KB Investment Co., Ltd. (the "KB Investment") was established on March 27, 1990, to provide services to small startup companies. Its main business is to invest in venture companies and small startup companies, and to organize startup investment cooperatives and private equity funds. On April 3, 1990, the company, under Section 7 of the Support for Small and Medium Enterprise Establishment Act, was listed on Small Business Administration as a small startup business investment organization. KB Investment purchases impaired loans, invests in companies under debt restructuring process, and sells reorganized companies after normalization. On March 2001, the company, under the Industrial Development Act, registered as Corporate Restructuring Company in the Ministry of Knowledge Economy. Its headquarters are located in Seoul. KB Investment's common stock as of December 31, 2010, is ₩44,759 million.

### **(7) KB Futures Co., Ltd.**

KB Futures Co., Ltd. (the "KB Futures") was established on March 1997 to engage in futures trading, trust, intermediation, or brokerage services. The company became a member of the KRX on January 8, 1999. Its headquarters are located in Seoul. KB Futures' common stock as of December 31, 2010, is ₩20,000 million.

**(8) KB Credit Information Co., Ltd.**

KB Credit Information Co., Ltd. (the "KB Credit Information") was established on October 9, 1999, under the Credit Information Protection Act to engage in loan collection services and credit research services. On May 2, 2002, the company merged with KM Credit Information Inc. to improve management of subsidiaries. As approved by its shareholders on October 28, 2002, its name was changed from Kookeun Credit Information Co., Ltd. to KB Credit Information Co., Ltd. Its headquarters are located in Seoul. KB Credit Information's common stock as of December 31, 2010, is ₩6,262 million.

**(9) KB Data Systems Co., Ltd.**

KB Data Systems, Co., Ltd. (the "KB Data Systems") was established on September 1991 to engage in computer system development and its sales, system maintenance, and information technology outsourcing services. Its headquarters are located in Seoul. KB Data Systems' common stock as of December 31, 2010, is ₩8,000 million.

The percentage of ownership in subsidiaries as of December 31, 2010, is as follows:

Investors	Investees	Number of Shares	Ownership(%)
KB Financial Group Inc.	Kookmin Bank	496,379,116	100.00
	KB Investment & Securities Co., Ltd.	15,600,000	100.00
	KB Life Insurance Co., Ltd.	28,152,000	51.00
	KB Asset Management Co., Ltd.	7,667,550	100.00
	KB Real Estate Trust Co., Ltd.	16,000,000	100.00
	KB Investment Co., Ltd.	8,951,797	100.00
	KB Futures Co., Ltd.	4,000,000	100.00
	KB Credit Information Co., Ltd.	1,252,400	100.00
	KB Data Systems Co., Ltd.	800,000	100.00
Kookmin Bank	KB Financial Group Inc.	43,322,704	11.21
	Kookmin Bank Cambodia PLC.	170,202	53.19
	Kookmin Bank Int'l Ltd. (London)	20,000,000	100.00
	Kookmin Bank Hong Kong Ltd.	2,000,000	100.00
	KoFC KBIC Frontier Champ 2010-5 PEF <sup>2</sup>	6,300	30.00
KB Investment & Securities Co., Ltd.	KB Investment & Securities Hong Kong Limited	3,000,000	100.00
	KB-Glenwood Private Equity Fund <sup>1</sup>	1	0.03
KB Investment Co., Ltd.	NPS-KBIC Private Equity Fund No.1 <sup>2</sup>	4,378,209,280	2.56
	KBIC Private Equity Fund No. 3 <sup>2</sup>	2,050,000,000	2.00
	KoFC KBIC Frontier Champ 2010-5 PEF <sup>2</sup>	4,200	20.00
	Burrill-KB Life Sciences Fund <sup>2</sup>	372,401,633	35.53
KB-Glenwood Private Equity Fund 1	Chungkang Co., Ltd.	7,000	100.00
Chungkang Co., Ltd.	Powernet Technologies Co., Ltd	36,000,000	92.64



## Notes to Non-Consolidated Financial Statements

The percentage of ownership in subsidiaries as of December 31, 2009, was as follows:

Investors	Investees	Number of Shares	Ownership(%)
KB Financial Group Inc.	Kookmin Bank	496,379,116	100.00
	KB Investment & Securities Co., Ltd.	15,600,000	100.00
	KB Life Insurance Co., Ltd.	15,912,000	51.00
	KB Asset Management Co., Ltd.	7,667,550	100.00
	KB Real Estate Trust Co., Ltd.	16,000,000	100.00
	KB Investment Co., Ltd.	8,951,797	100.00
	KB Futures Co., Ltd.	4,000,000	100.00
	KB Credit Information Co., Ltd.	1,252,400	100.00
	KB Data Systems Co., Ltd.	800,000	100.00
Kookmin Bank	KB Financial Group Inc.	43,322,704	11.21
	Kookmin Bank Cambodia PLC.	132,600	51.00
	Kookmin Bank Int'l Ltd. (London)	20,000,000	100.00
	Kookmin Bank Hong Kong Ltd.	2,000,000	100.00
KB Investment & Securities Co., Ltd.	KB Investment & Securities Hong Kong Limited	2,000,000	100.00
	KB-Glenwood Private Equity Fund <sup>1</sup>	1	0.03
KB Investment Co., Ltd.	NPS-KBIC Private Equity Fund No.1 <sup>2</sup>	4,510,720,000	2.56
	Burrill-KB Life Sciences Fund <sup>2</sup>	-	-

<sup>1</sup> KB Investment & Securities Co., Ltd. is involved in the management as a general partner.

<sup>2</sup> KB Investment Co., Ltd. is involved in the management as a general partner.

### 2. Significant Accounting Policies

The Korea Accounting Institute has published a series of Statements of Korea Accounting Standards ("SKAS"). The Company has adopted SKAS No. 1 through No. 24, except No. 14, and No. 101, in the preparation of its financial statements as of and the year ended December 31, 2010. Significant accounting policies followed in the preparation of these financial statements are as follows:

#### Equity Method Investments

Investments in equity securities of subsidiaries, over which the Company exercises a significant control or influence, are accounted for using the equity method. Under the equity method, the Company accounts for its proportionate ownership in the book value of the subsidiary in current operations as adjustment to income or loss, retained earnings, capital surplus, capital adjustments, or accumulated other comprehensive income depending on the nature of the underlying change in the book value of the subsidiaries. The acquisition cost of the Company stock owned by its subsidiaries is deducted from the Company's equity method investments and accounted for as capital adjustment.

The Company discontinues the equity method in accounting for equity method investments when the Company's share of accumulated losses equals the costs of the investments, and until the subsequent cumulative changes in its proportionate net income of the subsidiaries equals its cumulative proportionate net losses not recognized during the periods when the equity method was suspended.

Any significant difference between expected cash flows from equity method investments and the Company's proportionate ownership in the net book value of the investees is accounted for as impairment loss from equity method investments. When the estimated future expected cash flows from equity method investments exceed the carrying value after impairment, such recovery is recorded in current operations up to the recorded impairment loss amount.

If the equity method investee is one of the Company's subsidiaries and is subject to consolidation, the changes, arising from additional stock purchase or capital increase and from the net difference of net asset value of investee and acquisition cost in net asset from the date of consolidation, are reflected as changes in capital surplus or capital adjustment in the Company's statement of financial position.

The excess of the acquisition cost over the proportionate fair value of the investee's net asset is amortized using the straight-line method up to a maximum of 20 years. The excess of the proportionate fair value of net asset over the acquisition cost ("the excess"), arising from the agreed expected future loss or expense, is recognized as income when expected future loss or expense is incurred. The excess up to the fair value of identifiable non-monetary assets is recognized as income over the years using the weighted average useful lives of non-monetary assets. The excess over fair value of identifiable non-monetary assets is recognized as income and reflected in the equity method investments.

Unrealized gains or losses on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in each equity method investee. Unrealized gains or losses from downstream sales are fully eliminated and reflected in equity method investments

#### **Allowance for Loan Losses**

The Company provides an allowance for loan losses based on reasonable and objective analysis of the borrowers' capacity to repay their obligation.

#### **Property and Equipment**

The cost of property and equipment includes purchase costs, incidental costs directly related to preparing the property and equipment for use, and the discounted estimated costs to remove, dismantle or restore property and equipment at the end of the estimated useful lives of the related assets, when these costs meet the conditions for the recognition of liabilities.

Property and equipment are recorded as net of accumulated depreciation and impairment loss. Depreciation is computed using declining balance method based on the estimated useful lives of the assets as follows:

Items	Depreciation Method	Estimated Useful Life
Property and equipment	Declining balance method	4 years

The Company's land is revalued periodically by an independent appraiser. Any gain on revaluation, net of tax, is credited to accumulated other comprehensive income. On the other hand, loss on revaluation, net of tax, is first netted against accumulated other comprehensive income and the remainder is included in current operations.

Betterments and renewals, enhancing the value of the assets over their recently appraised value, are capitalized. However, routine maintenance and repairs are charged to expense as incurred.

The Company assesses the potential impairment of property and equipment when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value unlikely. The carrying value of the assets is reduced to the estimated realizable value, and an impairment loss is recorded as a reduction in the carrying value of the related asset and charged to current operations. However, the recovery of the impaired assets is recorded in current operations up to the cost of the assets before impairment, net of accumulated depreciation, when the estimated recoverable value of the assets exceeds the carrying value after impairment.



## Notes to Non-Consolidated Financial Statements

### Intangible Assets

Intangible assets included in other assets are recorded at their production costs or purchase costs plus incidental expenses less accumulated amortization. Intangible assets are amortized over the estimated economic useful lives of the related assets as follows:

Items	Amortization Method	Estimated Useful Life
Software	Straight-line	4 years
Others	Straight-line	4 years

The Company assesses the potential impairment of intangible assets when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value unlikely. The carrying value of the intangible assets is reduced to the estimated realizable value, and an impairment loss is recorded as a reduction in the carrying value of the related asset and charged to current operations. However, the recovery of the impaired intangible assets is recorded in current operations up to the cost of the intangible assets before impairment, net of accumulated amortization, when the estimated recoverable value of the assets exceeds the carrying value after impairment.

### Discounts on Debentures

Discounts on debentures are amortized over the term of the debentures using the effective interest rate method. Amortization of the discount is recorded as part of interest expense.

### Accrued Severance Benefits

Employees and officers with at least a year of service are entitled to receive a lump-sum payment upon termination of their employment, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and officers were to terminate their employment at the end of each reporting period.

The Company has adopted a defined benefit pension. Accrued severance benefits and accrued pension benefits are recognized as liabilities for employees and for retired employees, respectively, who are qualified and elect to receive payments from the pension plan.

The accrued severance benefits and accrued pension benefits are presented as net of pension plan assets, and when pension plan assets exceed the accrued severance benefits and accrued pension benefits, the excess amount is presented as an investment asset.

### Share-Based Payments

The fair value of the goods or employee services received in exchange for the grant of the options is recognized as expense and capital adjustment when the settlement term is equity-settled share-based payment. If the fair value of goods or employee services cannot be estimated reliably, the fair value is estimated based on the fair value of the equity granted.

For cash-settled, share-based payments, the fair value of the obligation the Company will assume is determined by the fair value of the goods or employee services received in exchange for the grant of the options. Until the liability is settled, the Company is required to measure the fair value at the end of reporting period and at settlement date. The change in fair value is recognized as expense.

Share-based payment transactions with an option for the parties to choose between cash and equity settlement are accounted for based on the substance of the transaction.

### Income Tax and Deferred Income Tax

Income tax expense includes the current income tax under the relevant income tax law and the changes in deferred tax assets or liabilities. Deferred tax assets and liabilities represent temporary differences between financial reporting and the tax bases of assets and liabilities. Deferred tax assets and liabilities recognized are the amounts which will be credited or charged to income tax expense in the period the related temporary differences reverse in the future.

Deferred tax effects applicable to items in the shareholders' equity are directly reflected in the shareholders' equity.

### Consolidated Taxation

The Company, after adopting the consolidated taxation system, uses the systematic and reasonable method to calculate the consolidated tax for all subsidiaries, and the related refunds and payable of each subsidiary. Accordingly, the Company accounts for the consolidated tax as income tax payable on behalf of its subsidiaries.

### Provision and Contingent Liabilities

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

### 3. Cash and Due from Bank

Cash and due from bank as of December 31, 2010 and 2009, are as follows:

(in millions of Korean won)

	Bank	Interest Rate(%)	2010	2009
		as of 12. 31. 2010		
Due from bank	Kookmin Bank	2.50~2.85	₩ 759,998	₩ 845,366

Restricted cash and due from bank as of December 31, 2010 and 2009, are as follows:

(in millions of Korean won)

	2010	2009	Restriction
Due from Bank in won	₩ 3	₩ 3	Guarantee deposits

### 4. Equity Method Investments

Equity method investments as of December 31, 2010, are as follows:

(in millions of Korean won)

Investees	Number of Shares	Ownership(%)	2010	
			Acquisition Cost	Book Value
Kookmin Bank	496,379,116	100.00	₩ 13,027,020	₩ 16,822,483
KB Investment & Securities Co., Ltd.	15,600,000	100.00	418,331	387,127
KB Life Insurance Co., Ltd.	28,152,000	51.00	137,291	168,804
KB Asset Management Co., Ltd.	7,667,550	100.00	101,961	125,972
KB Real Estate Trust Co., Ltd.	16,000,000	100.00	107,643	125,045
KB Investment Co., Ltd.	8,951,797	100.00	104,741	106,048
KB Futures Co., Ltd.	4,000,000	100.00	35,734	42,877
KB Credit Information Co., Ltd.	1,252,400	100.00	42,721	25,247
KB Data Systems Co., Ltd.	800,000	100.00	16,698	4,050
			₩ 13,992,140	₩ 17,807,653



## Notes to Non-Consolidated Financial Statements

Equity method investments as of December 31, 2009, were as follows:

(in millions of Korean won)

Investees	Number of Shares	Ownership(%)	2009	
			Acquisition Cost	Book Value
Kookmin Bank	496,379,116	100.00	₩ 13,027,020	₩ 16,774,896
KB Investment & Securities Co., Ltd.	15,600,000	100.00	418,331	369,849
KB Life Insurance Co., Ltd.	15,912,000	51.00	76,091	77,284
KB Asset Management Co., Ltd.	7,667,550	100.00	101,961	96,312
KB Real Estate Trust Co., Ltd.	16,000,000	100.00	107,643	121,553
KB Investment Co., Ltd.	8,951,797	100.00	104,741	104,910
KB Futures Co., Ltd.	4,000,000	100.00	35,734	37,363
KB Credit Information Co., Ltd.	1,252,400	100.00	42,721	23,621
KB Data Systems Co., Ltd.	800,000	100.00	16,698	6,334
			₩ 13,930,940	₩ 17,612,122

<sup>1</sup> The Company acquired 51% ownership in KB Life Insurance Co.,Ltd., which was previously owned by Kookmin Bank, during the year ended December 31, 2009.

The changes in the difference between the acquisition cost of investment and the amount of the underlying equity in investee's net assets for the year ended December 31, 2010, are as follows:

(in millions of Korean won)

	Beginning Balance	Increase	Amortization	Ending Balance
KB Investment & Securities Co., Ltd	₩ 70,265	₩ -	₩ 22,789	₩ 47,476

The changes in the difference between the acquisition cost of investment and the amount of the underlying equity in investee's net assets for the year ended December 31, 2009, were as follows:

(in millions of Korean won)

	Beginning Balance	Increase	Amortization	Ending Balance
KB Investment & Securities Co., Ltd	₩ 93,054	₩ -	₩ 22,789	₩ 70,265

The changes in equity method investments resulting from equity method valuation for the year ended December 31, 2010, are as follows:

(in millions of Korean won)

Investees	Beginning Balance	Acquisition	Dividends	Valuation under Equity Method				Ending Balance
				Retained Earnings	Gain on Valuation of Equity Method Investments	Capital Adjustment	Accumulated Other Comprehensive Income	
Kookmin Bank	₩16,774,896	₩ -	₩ (95,305)	₩ 6,406	₩ 80,948	₩ (29)	₩ 55,567	₩16,822,483
KB Investment & Securities Co., Ltd.	369,849	-	-	(1,884)	11,643	-	7,519	387,127
KB Life Insurance Co.,Ltd.	77,284	61,200	-	-	10,946	(294)	19,668	168,804

(in millions of Korean won)

Investees	Beginning Balance	Acquisition	Dividends	Valuation under Equity Method				Ending Balance
				Retained Earnings	Gain on Valuation of Equity Method Investments	Capital Adjustment	Accumulated Other Comprehensive Income	
KB Asset Management Co., Ltd.	₩ 96,312	₩ -	₩ -	₩ -	₩ 29,321	₩ -	₩ 339	₩ 125,972
KB Real Estate Trust Co., Ltd.	121,553	-	-	-	3,476	-	16	125,045
KB Investment Co., Ltd.	104,910	-	-	-	(454)	-	1,592	106,048
KB Futures Co., Ltd.	37,363	-	-	-	4,494	-	1,020	42,877
KB Credit Information Co., Ltd.	23,621	-	-	-	1,626	-	-	25,247
KB Data Systems Co., Ltd.	6,334	-	-	-	(2,284)	-	-	4,050
	₩17,612,122	₩ 61,200	₩ (95,305)	₩ 4,522	₩ 139,716	₩ (323)	₩ 85,721	₩17,807,653

<sup>1</sup>The beginning and ending balances of the investments in Kookmin Bank are net of ₩2,476,809 million. This amount represents the Company's issued shares owned by Kookmin Bank, and is accounted for as capital adjustment in the Company's statement of financial position.

The changes in equity method investments resulting from equity method valuation for the year ended December 31, 2009, were as follows:

(in millions of Korean won)

Investees	Beginning Balance	Acquisition	Dividends	Valuation under Equity Method				Ending Balance
				Retained Earnings	Gain on Valuation of Equity Method Investments	Capital Adjustment	Accumulated Other Comprehensive Income	
Kookmin Bank	₩15,506,919	₩ 300,000	₩ -	₩ 6,972	₩ 598,319	₩ 232,052	₩ 130,634	₩ 16,774,896
KB Investment & Securities Co., Ltd.	419,267	-	-	-	(64,482)	-	15,064	369,849
KB Life Insurance Co., Ltd.	-	76,091	-	-	10,182	(7,836)	(1,153)	77,284
KB Asset Management Co., Ltd.	116,458	-	(49,000)	-	28,783	-	71	96,312
KB Real Estate Trust Co., Ltd.	97,469	-	-	-	24,044	-	40	121,553
KB Investment Co., Ltd.	103,788	-	-	-	2,391	-	(1,269)	104,910



## Notes to Non-Consolidated Financial Statements

(in millions of Korean won)

Investees	Beginning Balance	Acquisition	Dividends	Valuation under Equity Method				Ending Balance
				Retained Earnings	Gain on Valuation of Equity Method Investments	Capital Adjustment	Accumulated Other Comprehensive Income	
KB Futures Co., Ltd.	38,206	-	(9,000)	-	6,178	-	1,979	37,363
KB Credit Information Co., Ltd.	44,488	-	(25,200)	-	4,333	-	-	23,621
KB Data Systems Co., Ltd.	18,457	-	(15,000)	-	2,877	-	-	6,334
	₩16,345,052	₩ 376,091	₩ (98,200)	₩ 6,972	₩ 612,625	₩ 224,216	₩ 145,366	₩17,612,122

<sup>1</sup> The beginning and ending balances of the investments in Kookmin Bank are net of ₩2,710,349 million and ₩2,476,809 million, respectively. These amounts represent the Company's issued shares owned by Kookmin Bank, and were accounted for as capital adjustment in the Company's statement of financial position.

<sup>2</sup> The changes in equity method investment due to net income and changes in accumulated other comprehensive income of KB Life Insurance Co., Ltd. represented amounts for the nine-month period ended December 31, 2009.

The subsidiaries' audited or reviewed financial statements as of December 31, 2010, are used in the application of the equity method. Financial information of above subsidiaries is disclosed in Notes 21 and 22.

Unrealized gain and loss as of December 31, 2010 and 2009, are listed below:

(in millions of Korean won)

	2010		2009	
	Unrealized Loss	Unrealized Gain	Unrealized Loss	Unrealized Gain
Kookmin Bank	₩ 117	₩ (49,071)	₩ -	₩ (82,600)
KB Investment & Securities Co., Ltd.	500	-	502	(432)
KB Asset Management Co., Ltd.	1	-	-	-
KB Real Estate Trust Co., Ltd.	250	(52)	250	-
KB Investment Co., Ltd.	50	-	100	-
KB Credit Information Co., Ltd.	22	-	15	-
KB Data Systems Co., Ltd.	47	(10,068)	36	(10,508)
	₩ 987	₩ (59,191)	₩ 903	₩ (93,540)

### 5. Loans Receivable

Loans receivable as of December 31, 2010 and 2009, are as follows:

(in millions of Korean won)

	Debtors	Interest Rate (%)	2010	2009
		as of 12. 31. 2010		
General loans in won	KB Real Estate Trust Co., Ltd.	5.06	₩ 50,000	₩ 50,000
	KB Investment Co., Ltd.	5.01	10,000	20,000
Subordinated loans in won	KB Investment & Securities Co., Ltd.	6.30	100,000	100,000
			₩ 160,000	₩ 170,000

The maturities of loans receivable as of December 31, 2010, are as follows: (in millions of Korean won)

	3 Months	4 to 6 Months	7 to 12 Months	1 to 3 Years	Over 3 Years	Total
Loans in won	₩ -	₩ 60,000	₩ -	₩ -	₩ 100,000	₩ 160,000

The maturities of loans as of December 31, 2009, were as follows: (in millions of Korean won)

	3 Months	4 to 6 Months	7 to 12 Months	1 to 3 Years	Over 3 Years	Total
Loans in won	₩ -	₩ 20,000	₩ -	₩ 50,000	₩ 100,000	₩ 170,000

The provision ratios for possible loan losses as of December 31, 2010 and 2009, are as follows: (in millions of Korean won)

	2010	2009
Loans subjected to provision	₩ 160,000	₩ 170,000
Allowance for loan losses	800	850
Provision ratio (%)	0.50	0.50

The changes in allowance for loan losses for the years ended December 31, 2010, and 2009, are as follows: (in millions of Korean won)

	2010	2009
Beginning balance	₩ 850	₩ 1,000
Reversal of allowance for loans losses	50	150
Ending balance	800	850

## 6. Property and Equipment

The book values of property and equipment as of December 31, 2010 and 2009, are computed as follows: (in millions of Korean won)

	2010			2009		
	Acquisition Cost	Accumulated Depreciation	Net Book Value	Acquisition Cost	Accumulated Depreciation	Net Book Value
Property and equipment	₩ 4,110	₩ 3,002	₩ 1,108	₩ 3,796	₩ 2,078	₩ 1,718

The changes in property and equipment for the years ended December 31, 2010 and 2009, are as follows: (in millions of Korean won)

	Year	Beginning Balance	Acquisition	Depreciation	Ending Balance
Loans in won	2010	₩ 1,718	₩ 313	₩ 923	₩ 1,108
Loans in won	2009	3,214	213	1,709	1,718

The changes in property and equipment for the years ended December 31, 2010 and 2009, are as follows: (in millions of Korean won)

	Asset Insured	Insurance Coverage	Insurance Company
Package insurance	Property and equipment	₩ 4,110	Samsung Fire & Marine Insurance Co., Ltd.



## Notes to Non-Consolidated Financial Statements

### 7. Other Assets

Other assets as of December 31, 2010 and 2009, consist of

(in millions of Korean won)

	2010	2009
Guarantee deposits paid (Note 20)	₩ 10,000	₩ 100,000
Accounts receivable (Notes 15 and 20)	22,568	-
Accrued income	3,962	9,547
Prepaid expenses	347	343
Intangible assets, net	2,133	2,509
Miscellaneous assets	125,423	38
	₩ 184,586	₩ 35,108

The book values of intangible assets as of December 31, 2010 and 2009, are computed as follows:

(in millions of Korean won)

	2010			2009		
	Acquisition Cost	Accumulated Amortization	Net Book Value	Acquisition Cost	Accumulated Amortization	Net Book Value
Software	₩ 1,647	₩ 842	₩ 805	₩ 1,568	₩ 443	₩ 1,125
Other intangible assets	2,177	849	1,328	1,763	379	1,384
	₩ 3,824	₩ 1,691	₩ 2,133	₩ 3,331	₩ 822	₩ 2,509

The changes in intangible assets for the year ended December 31, 2010, are as follows:

(in millions of Korean won)

	Beginning Balance	Acquisition	Amortization	Ending Balance
Software	₩ 1,125	₩ 79	₩ 399	₩ 805
Other intangible assets	1,384	414	470	1,328
	₩ 2,509	₩ 493	₩ 869	₩ 2,133

The changes in intangible assets for the year ended December 31, 2009, were as follows:

(in millions of Korean won)

	Beginning Balance	Acquisition	Amortization	Ending Balance
Software	₩ 1,388	₩ 120	₩ 383	₩ 1,125
Other intangible assets	621	1,129	366	1,384
	₩ 2,009	₩ 1,249	₩ 749	₩ 2,509

### 8. Debts

Debentures issued by the Company as of December 31, 2010 and 2009, are as follows:

(in millions of Korean won)

	Issued Date	Maturity Date	Interest Rate (%)	2010	2009
			as of 12. 31. 2010		
Unguaranteed debentures No. 1	2008-12-12	2011-12-12	7.48	₩ 500,000	₩ 1,108
Unguaranteed debentures No. 2-1	2009-03-20	2011-03-20	4.98	250,000	1,108
Unguaranteed debentures No. 2-2	2009-03-20	2012-03-20	5.30	50,000	1,108
Less: Discounts on debentures				800,000 (647)	800,000 (1,579)
				₩ 799,353	₩ 798,421

The maturities of debentures as of December 31, 2010 and 2009, are as follows:

(in millions of Korean won)

	Year	3 Months	4 to 6 Months	7 to 12 Months	1 to 3 Years	Total
Debentures	2010	₩ 250,000	₩ -	₩ 500,000	₩ 50,000	₩ 800,000
Debentures	2009	-	-	-	800,000	800,000

### 9. Other Liabilities

Other liabilities as of December 31, 2010 and 2009, are as follows:

(in millions of Korean won)

	2010	2009
Accounts payable (Note 20)	₩ 132,699	₩ 199
Accrued expense (Notes 15, 19 and 20)	24,412	5,314
Deferred income tax liabilities (Note 16)	8,200	6,247
Withholding taxes	226	203
Accrued severance benefits, net (Note 10)	1,814	1,413
Miscellaneous liabilities	40	37
	₩ 167,391	₩ 13,413

### 10. Accrued Severance Benefits

The changes in accrued severance benefits for the years ended December 31, 2010 and 2009, are summarized as follows:

(in millions of Korean won)

	2010	2009
Beginning balances	₩ 4,709	₩ 3,346
Transferred from subsidiaries <sup>1</sup>	1,297	316
Provision	1,984	1,780
Payment	1,944	733
Accrued severance benefits	6,046	4,709
Less: Pension plan assets	(4,232)	(3,296)
Ending balances	₩ 1,814	₩ 1,413

<sup>1</sup> Under the regulation on retirement benefits, accrued severance benefits of ₩ 1,297 million and ₩ 316 million for the years ended December 31, 2010 and 2009, respectively, were transferred from subsidiaries where the employees have been previously employed. Accordingly, pension plan assets, amounting to ₩ 786 million and ₩ 154 million, were also transferred from subsidiaries along with accrued severance benefits.

Details of pension plan assets as of December 31, 2010 and 2009, are as follows:

(in millions of Korean won)

	2010	2009
Cash and cash equivalents	₩ 1,276	₩ 1,046
Time deposits	2,956	2,250
	₩ 4,232	₩ 3,296

As of December 31, 2010, none of the retired employees has elected to receive the retirement pension benefit. Therefore, the Company is not under any retirement pension benefit obligation, and there is no expected payment of retirement pension benefit within a year.



## Notes to Non-Consolidated Financial Statements

### 11. Capital Stock

Details of capital stock as of December 31, 2010 and 2009, are as follows:

(in Korean won, except per share amounts)

	2010	2009
Number of shares authorized	1,000,000,000	1,000,000,000
Par value per share	₩ 5,000	₩ 5,000
Number of shares issued	386,351,693	386,351,693

### 12. Capital Surplus

The excess value, which is greater than capital reserve, of transferred shares of subsidiaries including treasury shares of Kookmin Bank over the Company's issued capital stock is recorded as changes from valuation of equity method investments under the capital surplus of shareholders' equity.

### 13. Retained Earnings

As required by Article 53 of the Financial Holding Company Act, the Company, each time it declares dividends, is required to appropriate, as a legal reserve, an amount equal to a minimum of 10% of annual net income, until such reserve equals its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock, or used to reduce accumulated deficit.

### 14. Dividends

The details of distribution of dividends for the year ended December 31, 2010, are as follows:

(in millions of Korean won)

	2010	2009
Number of issued common shares	386,351,693 shares	386,351,693 shares
Number of shares excluded for dividend: common share <sup>1</sup>	43,322,704 shares	43,322,704 shares
Number of shares eligible for dividends: common share	343,028,989 shares	343,028,989 shares
Dividend rate	2.40%	4.60%
Dividend amount	₩ 41,163,478,680	₩ 78,896,667,470
Dividend payout ratio (Dividends/Net income)	46.61%	14.62%
Dividend yield ratio (Dividend per share/Market price)	0.20%	0.39%

### 15. Share-Based Payments

Share-based payment plan, where the number of granted shares is determined by the long-term achievement, for executives and employees of the Company and its subsidiaries as of December 31, 2010, is as follows:

(in millions of Korean won)

	Grant Date	Granted Shares <sup>10</sup>	Grant Condition
KB Financial Group Inc.	1st Series 2008-09-29	29,164	Services fulfillment Achievements of targets on the basis of market and non-market performance <sup>1</sup>
	2nd Series 2009-03-27	3,090	Service fulfillment <sup>2</sup>
	3rd Series 2010-01-01	32,256	Services fulfillment Achievements of targets on the basis of market and non-market performance <sup>3</sup>
	4th Series 2010-07-13	218,944	Services fulfillment Achievements of targets on the basis of market and non-market performance <sup>4</sup>
		283,454	

		Grant Date	Granted Shares <sup>10</sup>	Grant Condition
	7th Series	2008-03-20	7,980	Services fulfillment Achievements of targets on the basis of market and non-market performance <sup>6</sup>
	13th Series	2008-10-18	7,950	Services fulfillment Achievements of targets on the basis of market and non-market performance <sup>7,8</sup>
Kookmin Bank	14-1 Series	2008-12-29	6,604	Services fulfillment Achievements of targets on the basis of market and non-market performance <sup>7</sup>
	14-2 Series	2008-12-29	74,200	Services fulfillment Achievements of targets on the basis of market and non-market performance <sup>7</sup>
	15th Series	2009-03-25	5,300	Services fulfillment Achievements of targets on the basis of market and non-market performance <sup>7</sup>
	17th Series	2009-10-12	5,300	Services fulfillment Achievements of targets on the basis of market and non-market performance <sup>7</sup>
	19th Series	2010-01-01	44,910	Services fulfillment Achievements of targets on the basis of market and non-market performance <sup>7</sup>
	20-1 Series	2010-01-08	33,138	Services fulfillment Achievements of targets on the basis of market and non-market performance <sup>7</sup>
	20-2 Series	2010-01-08	130,884	Services fulfillment Achievements of targets on the basis of market and non-market performance <sup>7</sup>
	21st Series	2010-01-15	5,078	Services fulfillment Achievements of targets on the basis of market and non-market performance <sup>7</sup>
	23rd Series	2010-07-29	73,650	Services fulfillment Achievements of targets on the basis of market and non-market performance <sup>5</sup>
	24th Series	2010-08-03	66,912	Services fulfillment Achievements of targets on the basis of market and non-market performance <sup>7</sup>
	25th Series	2010-08-12	18,472	Services fulfillment Achievements of targets on the basis of market and non-market performance <sup>5</sup>
	26th Series	2010-09-11	12,248	Services fulfillment Achievements of targets on the basis of market and non-market performance <sup>7</sup>
	27th Series	2010-09-20	8,092	Services fulfillment Achievements of targets on the basis of market and non-market performance <sup>7</sup>
			500,718	
Other Subsidiaries	-	Year 2010	33,817	Services fulfillment Achievements of targets on the basis of market and non-market performance <sup>9</sup>
			817,989	

<sup>1</sup> In order to exercise stock grants, services for the remaining contract period need to be performed. Certain portion of granted shares will be compensated based on the fulfillment of service requirement. Other portion of granted shares will be compensated based on the following achievements: 30% of granted shares will depend on targeted KPI, another 30% of granted shares will depend on targeted financial results of the Company, and the remaining 40% of granted shares will depend on targeted relative TSR.

<sup>2</sup> The number of granted shares will be exercised upon the fulfillment of service requirement.



## Notes to Non-Consolidated Financial Statements

<sup>3</sup> The 30% of shares to be granted will depend on targeted KPI, another 30% of shares to be granted will depend on targeted financial results of the Company, and the remaining 40% of shares to be granted will depend on targeted relative TSR. However, certain granted shares will be compensated based on the achievement of the targeted KPI (50%) and relative TSR (50%).

<sup>4</sup> The 37.5% of the shares to be granted will be based on the achievement of the targeted relative TSR, while another 37.5% will be based on the achievement of EPS ratio. The remaining 25% will depend on the targeted qualitative index. A certain portion of granted shares will be compensated according to the following achievements: 30% of granted shares will depend on targeted KPI, another 30% of granted shares will depend on targeted financial results of the Company, and the remaining 40% of granted shares will depend on targeted relative TSR. Other portion of granted shares will be compensated according to the following achievements: 40% of granted shares will depend on EPS, 40% of granted shares will depend on relative TSR, and 20% of granted shares will depend on targeted qualitative index.

<sup>5</sup> The 40% of the shares to be granted will be based on the achievement of the targeted relative TSR, while another 40% will be based on the achievement of relative EPS. The remaining 20% will depend on the targeted qualitative index such as 2-year trends of ROA and others.

<sup>6</sup> The number of shares to be compensated is fixed regardless of performance.

<sup>7</sup> The 30% of shares to be granted will depend on targeted KPI, another 30% of shares to be granted will depend on targeted financial results of the Company, and the remaining 40% of shares to be granted will depend on targeted relative TSR.

<sup>8</sup> Kookmin Bank canceled the existing contracts and entered into new contracts in 2009. Accordingly, the number of shares to be compensated has changed.

<sup>9</sup> The 30% of shares to be granted will depend on targeted KPI, another 30% of shares to be granted will depend on targeted MOU, and the remaining 40% of shares to be granted will depend on targeted relative TSR. However, certain granted shares will be compensated based on the achievement of the targeted MOU (60%) and relative TSR (40%).

<sup>10</sup> Initially granted number of shares to the directors and employees who still have the remaining granted number of shares as of December 31, 2010. Certain granted shares of KB Financial Group Inc. and Kookmin Bank will be compensated over three years from the exercise date.

Stock grants based on the long-term achievement will have the maximum number of granted shares determined on the date of contract and will be exercised in accordance with the achievement of the targeted performance. The Company may settle the payment by either cash or equity for both long-term and short-term, achievement-based stock grants.

Meanwhile, the estimated number of granted shares which will be compensated after the contract period of service is 731,316 shares.

Share-based payment plan, where the number of granted shares is determined by the short-term achievement, for executives and employees of the Company and a subsidiary as of December 31, 2010, is as follows: (in number of shares)

		Grant Date	Estimated Granted Shares <sup>11</sup>	Grant Condition
KB Financial Group Inc.	Stock grant	2010.1.1	14,674	On the basis of service fulfillment period
Kookmin Bank	Stock grant	2010.1.1	96,801	On the basis of service fulfillment period
			111,475	

<sup>11</sup> The number of granted shares will be determined based on the achievements of the targets, and certain granted shares will be compensated over a three-year period.

Stock grants based on the long-term achievement will have the maximum number of granted shares determined on the date of contract and will be exercised in accordance with the achievement of the targeted performance. The Company may settle the payment by either cash or equity for both long-term and short-term, achievement-based stock grants.

Meanwhile, the estimated number of granted shares which will be compensated after the contract period of service is 731,316 shares.

Share-based payment plan, where the number of granted shares is determined by the short-term achievement, for executives and employees of the Company and a subsidiary as of December 31, 2010, is as follows:

(in Korean won)

	Expected Exercise Period (Years)	Risk Free Rate (%)	Fair Value (Market Performance Condition)	Fair Value (Non-Market Performance Condition)
<b>KB Financial Group Inc.- Long-term achievements</b>				
1-2 Series	1.00	2.89	22,764	59,606
1-4 Series	0.21	2.89	16,815	59,790
2-3 Series	1.24	2.95	20,807	59,150
3-1 Series	1.00	2.89	21,605	59,606
3-2 Series	1.00	2.91	22,487	59,606
3-3 Series	1.00	2.89	22,488	59,606
4-1 Series	2.53	3.38	22,793	59,139
4-2 Series	2.53	3.14	23,071	59,137
4-3 Series	2.00	3.14	29,939	59,077
4-4 Series	2.00	3.14	29,381	59,077
4-5 Series	2.00	3.14	24,057	59,077
<b>Kookmin Bank- Long-term achievements</b>				
7th Series	0.22 ~ 3.22	2.89	-	60,028 ~ 63,606
13th Series	0.80 ~ 4.00	2.89	17,969	60,041 ~ 64,036
14-1 Series	-	2.89	-	57,407
14-2 Series	1.00 ~ 3.00	2.89	59,998	57,407 ~ 63,153
15th Series	0.23	2.89	-	60,026
17th Series	0.78 ~ 4.00	2.89	23,412	59,961 ~ 64,036
19th Series	1.00 ~ 4.00	2.89	19,187	59,988 ~ 64,036
20-1 Series	1.02 ~ 5.00	2.89	19,407	60,061 ~ 64,948
20-2 Series	1.02 ~ 5.00	2.89	19,825	60,371 ~ 64,948
21st Series	1.04 ~ 5.00	2.90	20,856	60,157 ~ 64,948
23rd Series	2.53 ~ 5.53	3.38	22,985	59,143 ~ 66,628
24th Series	1.59 ~ 5.00	3.03	35,596	58,725 ~ 64,948
25th Series	2.53 ~ 6.00	3.38	22,816	59,143 ~ 66,628
26th Series	1.70 ~ 5.00	3.06	30,068	58,499 ~ 64,948
27th Series	1.72 ~ 5.00	3.07	28,451	58,815 ~ 64,948
<b>Other Subsidiaries- Long-term achievements</b>				
Year 2010	-	3.14~3.38	13,266 ~ 25,335	57,340 ~ 59,077



## Notes to Non-Consolidated Financial Statements

(in Korean won)

	Expected Exercise Period (Years)	Risk Free Rate (%)	Fair Value (Market Performance Condition)	Fair Value (Non-Market Performance Condition)
<b>KB Financial Group Inc.- Short-term achievements</b>				
Year 2010	-	2.89	-	61,010 ~ 63,153
<b>Kookmin Bank- Short-term achievements</b>				
Year 2010	0.59 ~ 3.00	2.89	1	61,010 ~ 63,153

Meanwhile, the Company determined the fair value by using historical stock price volatility with the same period as the exercisable period for expected volatility and the current stock price as of December 31, 2010, for the underlying asset price. Additionally, the average three-year historical dividend rate was used as expected dividend rate. Financial information from Kookmin Bank is used for the period prior to the establishment of the Company.

As the obligation for the share-based payments to the employees and directors of the subsidiaries are transferred to the Company, the corresponding cost is recognized as accounts receivable due from the subsidiaries.

Accrued expenses of ₩19,777 million and ₩1,324 million are accounted for as share-based compensation as of December 31, 2010 and 2009, respectively. The share-based payments due from the subsidiaries amount to ₩15,628 million, and accordingly, this amount is accounted for as accounts receivable as of December 31, 2010. In a meantime, share-based compensation of ₩3,119 million and ₩885 million for the years ended December 31, 2010 and 2009, respectively, were accounted for as salaries expense under selling and administrative expense.

### 16. Income Tax

Income tax expense (benefit) for the years ended December 31, 2010 and 2009, consists of:

(in millions of Korean won)

	2010	2009
Current income taxes	₩ -	₩ -
Changes in deferred income taxes due to temporary differences	1,953	1,598
Income tax liabilities directly charged to the shareholders' equity <sup>1</sup>	(5,172)	1,305
Income tax expense (benefit)	₩ (3,219)	₩ 2,903

<sup>1</sup> Income tax liabilities directly charged to the shareholders' equity as of December 31, 2010 and 2009, are as follows:

(in millions of Korean won)

	2010	2009
Changes in equity method investments-capital adjustment	₩ (108)	₩ 1,896
Gain on valuation of equity method investments-accumulated other comprehensive income	(4,638)	(1,657)
Loss on valuation of equity method investments-accumulated other comprehensive loss	(426)	1,066
	₩ (5,172)	₩ 1,305

The reconciliation between income tax expense (benefit) and income before income tax for the years ended December 31, 2010 and 2009, follows:  
(in millions of Korean won)

	2010	2009
Income before income tax	₩ 85,101	₩ 542,721
Income tax imposed at the statutory rate Adjustments	₩ 20,595	₩ 131,339
Non-deductible expense	218	241
Tax effects related to equity method investments	(23,758)	(145,443)
Tax effects related to equity method investments	(23,758)	(145,443)
Exclusion of deferred income tax from net operating loss carryforwards	497	16,346
Others	(771)	420
Income tax expense (benefit)	(3,219)	2,903
Effective tax rate (%)	₩ (3.78)	₩ 0.53

(in millions of Korean won)

	Temporary Difference				Deferred Income Tax Assets (Liabilities)
	Beginning	Increase	Decrease	Ending	2010 <sup>1</sup>
Equity method investments	₩ 500,359	₩ 95,628	₩ 229,959	₩ 366,028	₩ 80,526
Accrued severance benefits	3,296	2,176	1,239	4,233	931
Severance insurance deposits	(3,296)	(2,176)	(1,239)	(4,233)	(931)
Share-based compensation	1,324	3,119	294	4,149	913
Estimated future compensation	1,353	1,481	1,353	1,481	358
Net operating loss carryforwards	77,629	-	354	77,275	17,001
	₩ 580,665	₩ 100,228	₩ 231,960	₩ 448,933	₩ 98,798
Unrealizable deferred income tax assets (liabilities) <sup>1,2</sup>					106,998
Net deferred income tax liabilities					₩ (8,200)

<sup>1</sup> Tax effects from the valuation of equity method investments are reasonably estimated based on each subsidiary's taxable amount subject to deferred tax and its realization. The temporary differences of ₩9,471 million arising from the valuation of equity method investments are recognized as deferred tax liabilities as of December 31, 2010.

<sup>2</sup> As of December 31, 2010, net operating loss carryforwards are not expected to be realized in the future; therefore, they are not recognized as deferred income tax assets.

Stock grants based on the long-term achievement will have the maximum number of granted shares determined on the date of contract and will be exercised in accordance with the achievement of the targeted performance. The Company may settle the payment by either cash or equity for both long-term and short-term, achievement-based stock grants.



## Notes to Non-Consolidated Financial Statements

The changes in accumulated temporary differences for the year ended December 31, 2009, and deferred income tax assets (liabilities) as of December 31 2009, were as follows:

(in millions of Korean won)

	Temporary Difference				Deferred Income Tax Assets (Liabilities)
	Beginning	Increase	Decrease	Ending	2009 <sup>1</sup>
Equity method investments	₩ 1,391,338	₩ 98,200	₩ 989,179	₩ 500,359	₩ 110,079
Accrued severance benefits	2,180	1,364	248	3,296	725
Severance insurance deposits	(2,180)	(1,364)	(248)	(3,296)	(725)
Share-based compensation	463	885	24	1,324	291
Estimated future compensation	-	1,353	-	1,353	298
Net operating loss carryforwards	11,466	66,163	-	77,629	17,078
	₩ 1,403,267	₩ 166,601	₩ 989,203	₩ 580,665	₩ 127,746
Unrealizable deferred income tax assets (liabilities) <sup>1,2</sup>					133,993
Net deferred income tax liabilities					₩ (6,247)

<sup>1</sup> Tax effects from equity method valuation were estimated based on each subsidiary's taxable amount subject to deferred tax and its realization. The temporary differences of ₩6,247 million arising from the equity method valuation were recognized as deferred tax liabilities as of December 31, 2009.

<sup>2</sup> As of December 31, 2009, net operating loss carryforwards and other temporary differences were not expected to be realized in the future; therefore, they were not recognized as deferred income tax assets.

### 17. Earnings Per Share

Basic earnings per share for the years ended December 31, 2010 and 2009, is calculated as follows:

(in Korean won and in number of shares)

	2010	2009
Net income <sup>1</sup>	₩ 88,319,877,008	₩ 539,818,164,108
Weighted-average number of common shares outstanding	343,028,989	325,406,414
Basic earnings per share	₩ 257	₩ 1,659

<sup>1</sup> Earnings available for common shareholders is the same as net income.

The weighted average number of common shares outstanding for the year ended December 31, 2010, is computed as follows:

(in number of shares)

	Number of Shares	Days Outstanding	Outstanding Shares
Beginning	386,351,693	365	141,018,367,945
Treasury shares <sup>1</sup>	(43,322,704)	365	(15,812,786,960)
Total outstanding shares (①)			125,205,580,985
In number of days(②)			365
Weighted average number of shares outstanding(①/②)			343,028,989

The weighted average number of common shares outstanding for the year ended December 31, 2009, was computed as follows:

(in number of shares)

	Number of Shares	Days Outstanding	Outstanding Shares
Beginning	356,351,693	365	130,068,367,945
Treasury shares <sup>1</sup>	(47,407,671)	365	(17,303,799,915)
Retirement of treasury shares	4,084,967	74	302,287,558
Issuance of common shares (2009.9.1)	30,000,000	122	3,660,000,000
Common shares deemed to have been issued free to existing shareholders <sup>2</sup>	8,421,751	243	2,046,485,599
Total outstanding shares (①)			118,773,341,187
In number of days(②)			365
Weighted average number of shares outstanding(①/②)			325,406,414

<sup>1</sup> Weighted average number of common shares outstanding is calculated by accounting for the shares owned by subsidiaries as treasury stock.

<sup>2</sup> The common shares deemed to have been issued free to existing shareholders in 2009, were considered in the computation of weighted average number of common shares outstanding.

Basic earnings per share for the years ended December 31, 2010 and 2009, is equal to diluted earnings per share because there is no dilution in the weighted average number of common stock outstanding.

The number of potential common stock, which is not included in the computation of diluted earnings per share for the year ended December 31, 2010, due to the antidilutive effect, but may result in the dilution of earnings per share in the future, follows:

(in number of shares)

	2010
Stock grants	936,970

<sup>1</sup> The number of granted shares for employees and executives of Kookmin Bank and other subsidiaries, is included in the total number of stock grants.

## 18. Comprehensive Income

Comprehensive income for the years ended December 31, 2010 and 2009, consists of:

(in millions of Korean won)

	2010	2009
Net income	₩ 88,320	₩ 539,818
Accumulated other comprehensive income Gain on valuation of equity method investments, net of tax effect ₩(-) 4,638 million (2009: ₩(-) 1,657 million)	243	2,046,485,599
Loss on valuation of equity method investments, net of tax effect ₩(-) 426 million (2009: ₩1,066 million)	243	2,046,485,599
Comprehensive income	₩ 168,977	₩ 684,594

## Notes to Non-Consolidated Financial Statements

### 19. Supplemental Cash Flows Information

Restricted due from banks is not accounted for in the statements of cash flows.

Significant transactions not involving cash inflows or outflows for the years ended December 31, 2010 and 2009, are as follows:  
(in millions of Korean won)

	2010	2009
Changes in capital adjustment due to valuation of equity method investments	₩ (431)	₩ 226,112
Changes in comprehensive income due to valuation of equity method investments	80,657	144,776
Changes in retained earnings due to equity method investments	4,522	6,972
Changes in accounts receivable and accrued expenses due to the transfer of share-based payments obligation	15,628	-
Comprehensive income	₩ 168,977	₩ 684,594

### 20. Related Party Transactions

The details of the Company's ownership in its subsidiaries, second-tier subsidiaries and equity method valuation of its subsidiaries are summarized in Notes 1 and 4.

As of December 31, 2010 and 2009, the ownerships in associates over which the Company has significant influence through its subsidiaries are as follows:  
(in millions of Korean won)

Investors	Investees	2010		2009	
		Number of Shares	Ownership (%)	Number of Shares	Ownership (%)
Kookmin Bank	KLB Securities Co., Ltd. <sup>1</sup>	4,854,713	36.41	4,854,713	36.41
	Joeeun Industrial Co., Ltd. <sup>2</sup>	-	-	1,999,910	99.99
	Balhae Infrastructure Fund	11,386,188	12.61	10,853,607	12.61
	Korea Credit Bureau Co., Ltd.	180,000	9.00	180,000	9.00
	UAMCO., Ltd.	85,050	17.50	12,250	17.50
	JSC Bank CenterCredit -Common shares	48,023,250	29.56	44,136,676	30.52
		36,561,465	93.15	-	-
KB Investment & Securities Co., Ltd	KB06-1 Venture Partnership Fund	200	50.00	200	50.00
	KB08-1 Venture Partnership Fund	400	66.67	400	66.67
KB Investment & Securities Co., Ltd	KB Global Star Game & Apps Special Purpose Acquisition Company	414,562	4.81	-	-
	ILSAN Electronics (Simyang) Public Corporation	1	100.00	-	-
KB Investment Co., Ltd.	KB06-1 Venture Partnership Fund	100	25.00	100	25.00
	KB08-1 Venture Partnership Fund	200	33.33	200	33.33
	Kookmin Investment Partnership No.16 <sup>3</sup>	1772	20.00	1772	20.00
	NPC 05-6 KB Venture Fund	500	20.00	500	20.00
	NPC 07-5 KB Venture Fund	500	20.00	500	20.00
	09-5 KB Venture Fund	80	33.33	20	33.33



Investors	Investees	2010		2009	
		Number of Shares	Ownership (%)	Number of Shares	Ownership (%)
KB Investment Co., Ltd.	KB 06-1 Corporate Restructuring Fund <sup>4</sup>	-	-	12	5.38
	NPS 06-5 KB Corporate Restructuring Fund	617,500,000	13.57	2,280,000,000	13.57
	KB Global Star Game & Apps Special Purpose Acquisition Company	10,000	0.12	-	-
	KoFC-KB Pioneer Champ No. 2010-8 Investment Partnership	30	50.00	-	-
	Wibro Infrastructure	1,000,000	40.34	-	-
	Nexolon Company Limited	363,636	5.36	-	-
KB Real Estate Trust Co., Ltd.	Joam Joint Residential Development	1,500	15.00	-	-

<sup>1</sup> In the process of filing bankruptcy as of December 31, 2010 and 2009.

<sup>2</sup> Bankruptcy process is completed for the year ended December 31, 2010.

<sup>3</sup> In the process of liquidation as of December 31, 2010 and 2009.

<sup>4</sup> Liquidation process is completed for the year ended December 31, 2010.

Revenues earned and expenses incurred from the significant transactions between the Company and its subsidiaries for the year ended December 31, 2010, are as follows: (in millions of Korean won)

Revenues	Expenses	Accounts			
		Interest on Loans	Interest on Due from Banks	Rent	Total
KB Financial Group Inc.	Kookmin Bank	₩ -	₩ 25,885	₩ -	₩ 25,885
	KB Investment & Securities Co., Ltd.	6,182	-	-	6,182
	KB Real Estate Trust Co., Ltd.	2,473	-	-	2,473
	KB Investment Co., Ltd.	660	-	-	660
Kookmin Bank	KB Financial Group Inc.	-	-	633	633
		₩ 9,315	₩ 25,885	₩ 633	₩ 35,833

Revenues earned and expenses incurred from the significant transactions between the Company and its subsidiaries for the year ended December 31, 2009, were as follows: (in millions of Korean won)

Revenues	Expenses	Accounts			
		Interest on Loans	Interest on Due from Banks	Rent	Total
KB Financial Group Inc.	Kookmin Bank	₩ -	₩ 9,668	₩ -	₩ 9,668
	KB Investment & Securities Co., Ltd.	7,857	-	-	7,857
	KB Real Estate Trust Co., Ltd.	1,232	-	-	1,232
	KB Investment Co., Ltd.	487	-	-	487
Kookmin Bank	KB Financial Group Inc.	-	-	601	601
		₩ 9,576	₩ 9,668	₩ 601	₩ 19,845

## Notes to Non-Consolidated Financial Statements

Balances resulting from significant lending and borrowing transactions between the Company and its subsidiaries as of December 31, 2010, are as follows: (in millions of Korean won)

Creditor	Debtor	Accounts					Total
		Loans	Due from Bank	Guarantee Deposits	Accounts Receivable	Accounts Payable	
KB Financial Group Inc.	Kookmin Bank	₩ -	₩ 759,998	₩ 20,169	₩ 14,436	₩ -	₩ 794,603
	KB Investment & Securities Co., Ltd.	100,000	-	-	441	-	100,441
	KB Life Insurance Co., Ltd.In	-	-	-	123	-	123
	KB Asset Management Co., Ltd.	-	-	-	5,235	-	5,235
	KB Real Estate Trust Co., Ltd.	50,000	-	-	1,293	-	51,293
	KB Investment Co., Ltd.	10,000	-	-	55	-	10,055
	KB Futures Co., Ltd.	-	-	-	519	-	519
	KB Credit Information Co., Ltd.	-	-	-	358	-	358
	KB Data Systems Co., Ltd.	-	-	-	107	-	107
Kookmin Bank	KB Financial Group Inc.	-	-	-	-	125,933	125,933
KB Investment & Securities Co., Ltd.	KB Financial Group Inc.	-	-	-	-	5,920	5,920
KB Investment Co., Ltd.	KB Financial Group Inc.	-	-	-	-	40	40
KB Data Systems Co., Ltd.	KB Financial Group Inc.	-	-	-	-	470	470
		₩ 160,000	₩ 759,998	₩ 20,169	₩ 22,567	₩ 132,363	₩1,095,097

Balances resulting from significant lending and borrowing transactions between the Company and its subsidiaries as of December 31, 2009, were as follows: (in millions of Korean won)

Creditor	Debtor	Accounts			Total
		Loans	Due from Bank	Guarantee Deposits	
KB Financial Group Inc.	Kookmin Bank	₩ -	₩ 845,366	₩ 15,085	₩ 860,451
	KB Investment & Securities Co., Ltd.	100,000	-	-	100,000
	KB Real Estate Trust Co., Ltd.	50,000	-	-	50,000
	KB Investment Co., Ltd.	20,000	-	-	20,000
		₩ 170,000	₩ 845,366	₩ 15,085	₩ 1,030,451

Balances resulting from significant lending and borrowing transactions between the Company and its subsidiaries as of December 31, 2009, were as follows:

(in millions of Korean won)

Creditor	Debtor	Accounts			Total
		Loans	Due from Bank	Guarantee Deposits	
KB Financial Group Inc.	Kookmin Bank	₩ -	₩ 845,366	₩ 15,085	₩ 860,451
	KB Investment & Securities Co., Ltd.	100,000	-	-	100,000
	KB Real Estate Trust Co., Ltd.	50,000	-	-	50,000
	KB Investment Co., Ltd.	20,000	-	-	20,000
		₩ 170,000	₩ 845,366	₩ 15,085	₩ 1,030,451

Compensation for key management for the years ended December 31, 2010 and 2009, consists of:

(in millions of Korean won)

	2010	2009
Salaries	₩ 3,594	₩ 5,154
Provision for severance benefits	165	145
Share-based compensation <sup>1</sup>	3,119	885
	₩ 6,878	₩ 6,184

<sup>1</sup> Details of share-based compensation are described in Note 15

Key management includes non-executive directors, registered directors, and non-registered directors who have the authority for making decisions in the Company's financial planning and management.

## 21. Condensed Financial Information of Subsidiaries

The condensed statements of financial position of subsidiaries as of December 31, 2010, are as follows:

(in millions of Korean won)

	Total Assets	Total Liabilities	Shareholders' Equity
Kookmin Bank	₩ 257,860,370	₩ 238,411,287	₩ 19,449,083
KB Investment & Securities Co., Ltd. <sup>1</sup>	2,300,961	1,935,398	365,563
KB Life Insurance Co., Ltd.	3,670,317	3,339,328	330,989
KB Asset Management Co., Ltd.	142,658	16,687	125,971
KB Real Estate Trust Co., Ltd.	256,113	131,266	124,847
KB Investment Co., Ltd. <sup>1</sup>	438,810	32,387	406,423
KB Futures Co., Ltd.	177,174	134,298	42,876
KB Credit Information Co., Ltd.	31,134	5,908	25,226
KB Data Systems Co., Ltd.	52,181	38,110	14,071
	₩ 264,929,718	₩ 244,044,669	₩ 20,885,049

<sup>1</sup> Financial information of Kookmin Bank, KB Investment & Securities Co., Ltd. and KB Investment Co., Ltd. is based on their consolidated financial statements.



## Notes to Non-Consolidated Financial Statements

The condensed statements of financial position of subsidiaries as of December 31, 2009, were as follows: (in millions of Korean won)

	Total Assets	Total Liabilities	Shareholders' Equity
Kookmin Bank	₩ 259,457,534	₩ 240,033,425	₩ 19,424,109
KB Investment & Securities Co., Ltd. <sup>1</sup>	2,041,219	1,745,615	295,604
KB Life Insurance Co., Ltd.	2,521,079	2,369,542	151,537
KB Asset Management Co., Ltd.	108,583	12,271	96,312
KB Real Estate Trust Co., Ltd.	257,286	135,983	121,303
KB Investment Co., Ltd. <sup>1</sup>	327,823	44,310	283,513
KB Futures Co., Ltd.	221,942	184,579	37,363
KB Credit Information Co., Ltd.	29,379	5,773	23,606
KB Data Systems Co., Ltd.	44,938	28,132	16,806
	₩ 265,009,783	₩ 244,559,630	₩ 20,450,153

<sup>1</sup> Financial information of Kookmin Bank and KB Investment Co., Ltd. was based on their consolidated financial statements.

The condensed statements of operations of subsidiaries for the year ended December 31, 2010, are as follows: (in millions of Korean won)

	Operating Revenues	Operating Expenses	Operating Income (Loss) <sup>1</sup>	Net Income(Loss) Before Income Tax	Net Income (Loss) Expenses
Kookmin Bank <sup>1</sup>	₩ 23,571,939	₩ 23,460,255	₩ 111,684	₩ (80,455)	₩ 11,241
KB Investment & Securities Co., Ltd. <sup>1</sup>	524,060	482,733	41,327	40,456	29,219
KB Life Insurance Co., Ltd.	1,216,096	1,199,513	16,583	16,298	12,725
KB Asset Management Co., Ltd.	69,095	30,266	38,829	38,291	29,320
KB Real Estate Trust Co., Ltd.	52,264	47,223	5,041	5,139	3,528
KB Investment Co., Ltd. <sup>1</sup>	21,486	13,869	7,617	6,904	6,689
KB Futures Co., Ltd.	27,564	21,557	6,007	5,903	4,494
KB Credit Information Co., Ltd.	48,028	45,922	2,106	2,104	1,619
KB Data Systems Co., Ltd.	131,344	133,938	(2,594)	(2,682)	(2,735)
	₩ 25,661,876	₩ 25,435,276	₩ 226,600	₩ 31,958	₩ 96,100

<sup>1</sup> Financial information of Kookmin Bank, KB Investment & Securities Co., Ltd. and KB Investment Co., Ltd. is based on their consolidated financial statements.

The condensed statements of operations of subsidiaries for the year ended December 31, 2009, were as follows: (in millions of Korean won)

	Operating Revenues	Operating Expenses	Operating Income (Loss) <sup>1</sup>	Net Income(Loss) Before Income Tax	Net Income (Loss) Expenses
Kookmin Bank <sup>1</sup>	₩ 28,895,581	₩ 28,176,926	₩ 718,655	₩ 680,220	₩ 653,084
KB Investment & Securities Co., Ltd. <sup>1</sup>	376,868	424,541	(47,673)	(49,085)	(41,550)
KB Life Insurance Co., Ltd.	901,801	898,104	3,697	3,456	3,308
KB Asset Management Co., Ltd.	67,073	27,985	39,088	38,556	28,783
KB Real Estate Trust Co., Ltd.	60,504	29,101	31,403	31,458	23,794
KB Investment Co., Ltd. <sup>1</sup>	19,582	32,146	(12,564)	(15,280)	(15,394)
KB Futures Co., Ltd.	28,685	19,788	8,897	8,031	6,178
KB Credit Information Co., Ltd.	54,592	48,785	5,807	5,815	4,338
KB Data Systems Co., Ltd.	124,746	117,846	6,900	6,900	5,267
	₩ 30,529,432	₩ 29,775,222	₩ 754,210	₩ 710,071	₩ 667,808

<sup>1</sup> Financial information of Kookmin Bank and KB Investment Co., Ltd. was based on their consolidated financial statements.

## 22. Financing and Operating Status of Subsidiaries

Financing status of the Company and its subsidiaries as of December 31, 2010, is as follows:

(in millions of Korean won)

	Deposits	Borrowings	Debentures <sup>1</sup>	Total
KB Financial Group Inc.	₩ -	₩ -	₩ 799,353	₩ 799,353
Kookmin Bank <sup>2</sup>	185,504,184	11,281,662	28,751,037	225,536,883
KB Investment & Securities Co., Ltd. <sup>2</sup>	61,629	1,817,163	-	1,878,792
KB Life Insurance Co., Ltd.	-	-	-	-
KB Asset Management Co., Ltd.	2,816	-	-	2,816
KB Real Estate Trust Co., Ltd.	-	119,417	-	119,417
KB Investment Co., Ltd. <sup>2</sup>	-	10,000	-	10,000
KB Futures Co., Ltd.	130,917	-	-	130,917
KB Credit Information Co., Ltd.	-	-	-	-
KB Data Systems Co., Ltd.	-	-	-	-
	₩ 185,699,546	₩ 13,228,242	₩ 29,550,390	₩ 228,478,178

<sup>1</sup> Net of discounts

<sup>2</sup> Financial information of Kookmin Bank, KB Investment & Securities Co., Ltd. and KB Investment Co., Ltd. is based on their consolidated financial statements.

Financing status of the Company and its subsidiaries as of December 31, 2009, was as follows:

(in millions of Korean won)

	Deposits	Borrowings	Debentures <sup>1</sup>	Total
KB Financial Group Inc.	₩ -	₩ -	₩ 798,421	₩ 798,421
Kookmin Bank <sup>2</sup>	173,275,392	14,079,796	37,985,060	225,340,248
KB Investment & Securities Co., Ltd. <sup>2</sup>	55,825	1,656,700	-	1,712,525
KB Life Insurance Co., Ltd.	-	-	-	-
KB Asset Management Co., Ltd.	1,262	-	-	1,262
KB Real Estate Trust Co., Ltd.	72	123,007	-	123,079
KB Investment Co., Ltd. <sup>2</sup>	-	20,000	-	20,000
KB Futures Co., Ltd.	130,917	-	-	130,917
KB Credit Information Co., Ltd.	180,233	-	-	180,233
KB Data Systems Co., Ltd.	-	-	-	-
	₩ 173,512,784	₩ 15,879,503	₩ 38,783,481	₩ 228,175,768

<sup>1</sup> Net of discounts

<sup>2</sup> Financial information of Kookmin Bank and KB Investment Co., Ltd. was based on their consolidated financial statements.

Operating status of the Company and its subsidiaries as of December 31, 2010, is as follows:

(in millions of Korean won)

	Loans <sup>1</sup>	Securities	Cash and Due from Banks	Total
KB Financial Group Inc.	₩ 159,200	₩ 17,807,653	₩ 759,998	₩ 18,726,851
Kookmin Bank <sup>2</sup>	196,252,920	41,264,815	6,469,512	243,987,247
KB Investment & Securities Co., Ltd. <sup>2</sup>	178,220	1,614,803	424,929	2,217,952
KB Life Insurance Co., Ltd.	106,478	2,803,818	109,680	3,019,976
KB Asset Management Co., Ltd.	1,902	30,427	90,799	123,128

## Notes to Non-Consolidated Financial Statements

(in millions of Korean won)

	Loans <sup>1</sup>	Securities	Cash and Due from Banks	Total
KB Real Estate Trust Co., Ltd.	₩ 13	₩ 22,299	₩ 1,040	₩ 23,352
KB Investment Co., Ltd. <sup>2</sup>	9,180	394,504	30,563	434,247
KB Futures Co., Ltd.	-	36,165	135,578	171,743
KB Credit Information Co., Ltd.	-	-	8,847	8,847
KB Data Systems Co., Ltd.	214	-	11,718	11,932
	₩ 196,708,127	₩ 63,974,484	₩ 8,042,664	₩ 268,725,275

<sup>1</sup> Net of allowance for loan losses and deferred loan gains (losses).<sup>2</sup> Financial information of Kookmin Bank, KB Investment & Securities Co., Ltd. and KB Investment Co., Ltd. is based on their consolidated financial statements.

Operating status of the Company and its subsidiaries as of December 31, 2009, was as follows:

(in millions of Korean won)

	Loans <sup>1</sup>	Securities	Cash and Due from Banks	Total
KB Financial Group Inc.	₩ 159,200	₩ 17,807,653	₩ 759,998	₩ 18,726,851
Kookmin Bank <sup>2</sup>	196,252,920	41,264,815	9,306,230	245,817,034
KB Investment & Securities Co., Ltd. <sup>2</sup>	132,787	1,546,967	290,666	1,970,420
KB Life Insurance Co., Ltd.	88,167	1,898,654	71,732	2,058,553
KB Asset Management Co., Ltd.	2,007	19,568	70,013	91,588
KB Real Estate Trust Co., Ltd.	14	20,996	476	21,486
KB Investment Co., Ltd. <sup>2</sup>	10,349	276,018	34,691	321,058
KB Futures Co., Ltd.	-	18,436	196,977	215,413
KB Credit Information Co., Ltd.	-	-	10,441	10,441
KB Data Systems Co., Ltd.	299	-	12,734	13,033
	₩ 195,567,704	₩ 62,738,634	₩ 10,839,326	₩ 269,145,664

<sup>1</sup> Net of allowance for loan losses and deferred loan gains (losses).<sup>2</sup> Financial information of Kookmin Bank and KB Investment Co., Ltd. was based on their consolidated financial statements.

The changes in allowance for loan losses and other assets for the year ended December 31, 2010, are as follows:

(in millions of Korean won)

	Beginning	Increase(Decrease)	Ending
KB Financial Group Inc	₩ 850	₩ (50)	₩ 800
Kookmin Bank <sup>1</sup>	3,849,605	793,306	4,642,911
KB Investment & Securities Co., Ltd. <sup>1</sup>	107,497	(54,232)	53,265
KB Life Insurance Co., Ltd.	690	458	1,148
KB Asset Management Co., Ltd.	377	12	389
KB Real Estate Trust Co., Ltd.	54,115	21,513	75,628
KB Investment Co., Ltd. <sup>1</sup>	522	1,463	1,985
KB Futures Co., Ltd.	-	-	-
KB Credit Information Co., Ltd.	33	6	39
KB Data Systems Co., Ltd.	143	39	182
	₩ 4,013,832	₩ 762,515	₩ 4,776,347

<sup>1</sup> Financial information of Kookmin Bank, KB Investment & Securities Co., Ltd. and KB Investment Co., Ltd. is based on their consolidated financial statements.



The changes in allowance for loan losses and other assets for the year ended December 31, 2009, were as follows:

(in millions of Korean won)

	Beginning	Increase(Decrease)	Ending
KB Financial Group Inc	₩ 1,000	₩ (150)	₩ 850
Kookmin Bank <sup>1</sup>	3,676,519	173,086	3,849,605
KB Investment & Securities Co., Ltd. <sup>1</sup>	22,978	84,519	107,497
KB Life Insurance Co., Ltd.	521	169	690
KB Asset Management Co., Ltd.	84	293	377
KB Real Estate Trust Co., Ltd.	65,808	(11,693)	54,115
KB Investment Co., Ltd. <sup>1</sup>	632	(110)	522
KB Futures Co., Ltd.	-	-	-
KB Credit Information Co., Ltd.	37	(4)	33
KB Data Systems Co., Ltd.	106	37	143
	₩ 3,767,685	₩ 246,147	₩ 4,013,832

<sup>1</sup> Financial information of Kookmin Bank and KB Investment Co., Ltd. was based on their consolidated financial statements.

### 23. Subsidiaries' Contribution to Gain and Loss

Subsidiaries' contributions to the Company's gain and loss on the valuation of equity method investments for the year ended December 31, 2010, are as follows:

(in millions of Korean won)

	Amount	ContributionRatio(%)
Kookmin Bank	₩ 80,948	₩ 57.94
KB Investment & Securities Co., Ltd.	11,643	8.33
KB Life Insurance Co., Ltd.	10,946	7.83
KB Asset Management Co., Ltd.	29,321	20.99
KB Real Estate Trust Co., Ltd.	3,476	2.49
KB Investment Co., Ltd.	(454)	(0.33)
KB Futures Co., Ltd.	4,494	3.22
KB Credit Information Co., Ltd.	1,626	1.16
KB Data Systems Co., Ltd.	(2,284)	(1.63)
	₩ 139,716	₩ 100.00

Subsidiaries' contributions to the Company's gain and loss on the valuation of equity method investments for the year ended December 31, 2009, were as follows:

(in millions of Korean won)

	Amount	ContributionRatio(%)
Kookmin Bank	₩ 598,319	₩ 97.66
KB Investment & Securities Co., Ltd.	(64,482)	(10.52)
KB Life Insurance Co., Ltd.	10,182	1.66
KB Asset Management Co., Ltd.	28,783	4.70
KB Real Estate Trust Co., Ltd.	24,044	3.92
KB Investment Co., Ltd.	2,391	0.39
KB Futures Co., Ltd.	6,178	1.01
KB Credit Information Co., Ltd.	4,333	0.71
KB Data Systems Co., Ltd.	2,877	0.47
	₩ 612,625	₩ 100.00

## Notes to Non-Consolidated Financial Statements

### 24. Insurance

As of December 31, 2010, the Company and its subsidiaries jointly have financial package insurance policies which include Banker's Blanket Bond, Directors Reparation Liability Insurance, Professionals Reparation Liability Insurance and Employment Practices Liability Insurance with Samsung Fire & Marine Insurance Co., Ltd. The total insurance coverage is ₩100,000 million.

### 25. Commitments

The commitments made with financial institutions on the limit of corporate borrowings and the related amounts already borrowed as of December 31, 2010 and 2009, are as follows: (in millions of Korean won)

		2010		2009	
		Limit for Borrowing	Amounts Borrowed	Limit for Borrowing	Amounts Borrowed
General loans	Hana Bank	₩ 50,000	₩ -	₩ 50,000	₩ -
	Woori Bank	130,000	-	130,000	-
Bills discounted	Korea Exchange Bank	100,000	-	100,000	-
		₩ 280,000	₩ -	₩ 280,000	₩ -

### 26. Selling and Administrative Expenses

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

	2010	2009
Salaries (Notes 15 and 20)	₩ 17,274	₩ 15,136
Provision for severance benefits (Notes 10 and 20)	1,984	1,780
Welfare expense	2,067	2,067
Rental expense (Note 20)	1,085	1,006
Depreciation (Note 6)	923	1,709
Amortization of intangible assets (Note 7)	869	749
Tax and dues	207	148
Advertising	501	402
Development expenses	828	490
Others	4,674	4,085
	₩ 30,412	₩ 27,572

Information for calculating value added for the years ended December 31, 2010 and 2009, is as follows:

(in millions of Korean won)

	2010	2009
Salaries	₩ 17,274	₩ 15,136
Provision for severance benefits	1,984	1,780
Welfare expense	2,067	2,067
Rental expenses	1,085	1,006
Depreciation	923	1,709
Amortization of intangible assets	869	749
Tax and dues	207	148
	₩ 30,412	₩ 27,572

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

	2010	2009
Communication	₩ 237	₩ 158
Publication	190	179
Repairs and maintenance	21	20
Vehicle	335	117
Training	205	278
Office supplies	163	145
Travel	249	331
Commission expense	1,330	947
Others	1,944	1,910
	₩ 4,674	₩ 4,085

## 27. Financial Performance of the Final Interim Period

Financial performance for the three-month periods ended December 31, 2010 and 2009, is as follows:

(in millions of Korean won, except earnings per share)

	Quarter Ended December 31, 2010	Quarter Ended December 31, 2009
Operating revenue	₩ 8,083	₩ 63,390
Operating expense	231,663	43,294
Operating income(loss)	(223,580)	20,096
Net income(loss)	(230,728)	17,837
Earnings(loss) per share	₩ (673)	₩ 52

## 28. Subsequent Events

Kookmin Bank sold 5,859,194 shares of KB Financial Group Inc. in 2011, and accordingly, the remaining KB Financial Group Inc.'s shares which are now owned by Kookmin Bank is 37,463,510 shares.

On February 28, 2011, Kookmin Bank spun off its credit card business segment and established a new separate credit card company, KB Kookmin Card Co., Ltd., on March 2, 2011.

KB investment & Securities Co., Ltd. merged with KB Future., Ltd. on March 12, 2011.

## 29. Approval of Financial Statements

The financial statements as of and for the year ended December 31, 2010, were approved on February 10, 2011, by the Board of Directors.

## 30. Disclosure on Expected Impact upon Adoption of K-IFRS

### A. Preparation for K-IFRS adoption

Pursuant to the Act on External Audit of Stock Companies, Article 13, KB Financial Group Inc. is required to adopt K-IFRS from 2011. Thus, in June 2007, KB Financial Group Inc. formed a task force to prepare for the adoption of K-IFRS ("K-IFRS TFT") and was in the transition process that consisted of three phases, as follows: Phase 1 (adoption assessment stage), Phase 2 (policy setting, system design and development stage) and Phase 3 (implementation stage). And KB Financial Group Inc. adopted K-IFRS successfully on January 1, 2011.



## Notes to Non-Consolidated Financial Statements

### B. K-IFRS adoption plan and work force

#### 1) K-IFRS adoption plan

Phase	Period	Procedures
Phase I ("adoption assessment stage")	June 2007 ~ February 2008	<p>Activities which were performed by KB Financial Group Inc. to analyze potential effect of adoption of K-IFRS and establish implementation plans were as follows:</p> <ul style="list-style-type: none"> <li>• Analyzing GAAP differences               <ul style="list-style-type: none"> <li>- Analyzing K-IFRS</li> <li>- Analyzing GAAP differences between K-IFRS and Statements of Korea Accounting Standards ("SKAS")</li> </ul> </li> <li>• Analyzing the impacts               <ul style="list-style-type: none"> <li>- Analyzing the financial impacts</li> <li>- Analyzing the impacts of specific accounts, disclosure and IT</li> </ul> </li> <li>• Detailed planning for Phase II</li> <li>• Research and benchmarking on success cases, others .</li> </ul>
Phase II ("policy setting, system design and development stage")	March 2008 ~ December 2009	<p>Based on the outputs of Phase I, KB Financial Group Inc. performed the following activities for adoption of K-IFRS, and KB Financial Group Inc. completed the establishment of accounting policies, business process, and IT infrastructure.</p> <ul style="list-style-type: none"> <li>• Framing accounting policies</li> <li>• Framing specific accounting methodology</li> <li>• Set-up united account structure "Chart of Accounts"</li> <li>• Build Infrastructures for K-IFRS adoption               <ul style="list-style-type: none"> <li>- Establish accounting policies, accounting guidelines and accounting manuals</li> <li>- Restructuring of financial reporting system</li> </ul> </li> <li>• Developing K-IFRS system (define system requirement, analysis, designing, developing, and others)</li> <li>• Knowledge transfer and technical trainings, others.</li> </ul>
Phase III ("implementation stage")	January 2010	<p>KB Financial Group Inc. prepared the IFRS financial information (including disclosure items), for comparative purpose, using the established IFRS system, and performed analysis on differences between financial information under SKAS and K-IFRS.</p> <ul style="list-style-type: none"> <li>• Preparing financial data in accordance with K-IFRS               <ul style="list-style-type: none"> <li>- Prepare financial data as of January 1, 2010</li> <li>- Prepare quarterly and half-year financial and disclosure data for fiscal year 2010</li> <li>- Prepare year end financial and disclosure data for fiscal year 2010. Additionally, during the fiscal year 2010, KB Financial Group Inc. completed the K-IFRS stabilization of the work process and system.</li> </ul> </li> </ul>

#### 2) Work force

In June 2007, KB Financial Group Inc. assembled an IFRS task-force team which consists of accounting specialists, accounting-consulting firms and others in order to effectively and efficiently adopt K-IFRS. The team was divided into operations within its specialized areas such as closing, disclosure, allowance for loan losses, revenue recognition, investments, derivative instruments, fair valuation, overseas branches, SPC, and others, based on its significance and efficiency of project management. In addition, the IT IFRS team consisting of IT specialists in each area was organized for K-IFRS IT system development.

KB Financial Group Inc. reports the progress of the K-IFRS adoption and significant issues to the audit committee, the Board of Directors, and others.

### Significant GAAP differences between K-IFRS and SKAS

In case KB Financial Group Inc. prepares the financial statements for the year ended December 31, 2010, based on K-IFRS, the following differences are expected with the financial statements prepared in accordance with K-GAAP(SKAS). It does not include all the possible expected differences and may change based on the results of the additional analysis in the future.

GAAP differences	K-GAAP	K-IFRS
Investment under the equity method	Equity method is applied to investment in associates in the non-consolidated financial statements.	Cost method is applied to investment in associates in the separate financial statements.
Allowance for loan losses	The calculation of allowance for loan losses is based on the estimates made through reasonable and objective method for receivables of uncertain collectability. Higher amount of historical data of impairment and minimum funding rate by asset quality shall be reserved.	If there is objective evidence that an impairment loss on loans and receivables at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate(Incurred loss basis).
Employee Benefits	a.→ Post-employment benefit obligation: Benefits are measured based on assumption that all eligible employees and directors have rendered service for at least one year if they were to terminate their employment as of the date of statement of financial position. b.→ Short-term employee benefit: recognized as expense in the reporting period during which it is provided in cash	a.→ Post-employment benefit obligation: It is measured using an actuarial valuation method based on the projected unit credit method. b.→ Short-term employee benefit : It is recognized as expense when services are provided

The exemptions from other K-IFRS, which KB Financial Group Inc. optionally elected in accordance with K-IFRS No. 1101, are as follows:

- ① Business combination: For business combination transactions, which occurred prior to the transition date, K-IFRS No. 1103, "Business Combination" is not applied retrospectively.
- ② Deemed cost for investments in subsidiaries and associates: Carrying amounts reported under previous GAAP as of the transition date have been applied as deemed costs.

### Changes in consolidation entities

According to K-IFRS, KB Financial Group Inc is responsible in preparing the consolidated financial statements. As of December 31, 2010, the increase and decrease of subsidiaries to be consolidated are as follows:

Changes	Details	Company Name
Increase	Entities with total assets less than ₩10 billion at the previous year end are excluded from the scope of consolidation according to the Act on External Audit of Stock companies.	KB Investment & Securities Hong Kong Ltd.

## Notes to Non-Consolidated Financial Statements

Changes	Details	Company Name
Increase	Special Purpose Entities were excluded from subsidiaries for consolidation under Practice Opinion of Financial Supervisory Service, while they were included in under K-IFRS.	KB 9th Securitization Specialty Co. Ltd. KB 10th Securitization Specialty Co. Ltd. KB 11h Securitization Specialty Co. Ltd. KB 12th Securitization Specialty Co. Ltd. KB 13th Securitization Specialty Co. Ltd. KB 14th Securitization Specialty Co. Ltd. KB Mortgage Loan 1st Securitization Specialty Co. Ltd. KB Mortgage Loan No. 1 Limited KAMCO Value Recreation 3rd Securitization Specialty Co, Ltd. KB Covered Bond 1st Trust KB Covered Bond 1st Securitization Specialty Co., Ltd. KB Covered Bond First International Limited DKH Co., Ltd. NEWSTAR 1st Co., Ltd. KB06-1 Venture Investment Partnership KB08-1 Venture Investment Partnership Kookmin investment Partnership No. 16. NPS 05-6 KB Venture Fund NPS 07-5 KB Venture Fund 09-5KB Venture Fund NPS 06-5 KB Corporate Restructuring Fund KoFC-KB Pioneer Champ No. 2010-8 Investment Partnership
Increase	Beneficiary certificate issued by private equity funds, not involved in fund management, are accounted for as equity instruments under Practice Opinion of Financial Supervisory Service, while they are included in the scope of consolidation under K-IFRS	ING Rion 1st Private Security Equity trust PCA Income Private Securities A-5 KDB Private Securities Investment Trust No.6(Bond) Allianz Star 1st Private Security Equity trust TongYang HighPlus Securities Investment Trust N-15(Bond) Prudential Private Placement Securities Bond Fund 16(Bond) HI Private Securities Investment Trust 3-16(Bond) Kyoboaxa Private Tomorrow Securities Investment Trust 4(Bond) KTB Safe Private Fund 49(Bond) Korea Investment Private Basic35 Hana UBS Private Securities36 HYUNDAI Trust Private bond Fund 3 (Bond) Truston Index Alpha Securities Investment Trust 1



	Details	Company Name
Decrease	Beneficiary certificate issued by private equity funds, not involved in fund management, are accounted for as equity instruments under Practice Opinion of Financial Supervisory Service, while they are included in the scope of consolidation under K-IFRS.	KoFC KBIC Frontier Champ 2010-5 PEF
Decrease	It was included under the original by laws relating to Banking Supervision, while it was excluded under K-IFRS.	Principal Reserve Trust

#### The impact on the financial information of KB Financial Group Inc. as a result of adoption of K-IFRS

The effects on the financial position and business performance of KB Financial Group Inc. are recorded based on the individual financial statements. In accordance with K-IFRS No. 1101, KB Financial Group Inc. is forced to apply same accounting policy on every accounting period, as presented in the financial statements of the first adoption of K-IFRS. Therefore, the effect on the following financial position and business performance of KB Financial Group Inc. may change upon additional revision of standards.

(1) Details of adjustment to the financial position as of January 1, 2010 (transition date), are as follows:

(in millions of Korean won)

	Assets	Liabilities	Net assets
Current GAAP	₩ 18,663,464	₩ 811,834	₩ 17,851,630
Adjustments : Allowance for loan losses	850	-	850
Employee benefits	-	283	(283)
Deferred tax	-	(6,247)	6,247
Total adjustment	850	(5,964)	6,814
K-IFRS	₩ 18,664,314	₩ 805,870	₩ 17,858,444

(2) Details of adjustment to the financial position and operating results as of and for the year ended December 31, 2010, are as follows:

(in millions of Korean won)

	Assets	Liabilities	Net assets	Net income	Comprehensive income
Current GAAP	₩ 18,912,545	₩ 966,744	₩ 17,945,801	₩ 88,320	₩ 168,977
Adjustments : Change from equity method to cost method	(134,331)	-	(134,331)	(44,411)	(130,132)
Allowance for loan losses	800	-	800	(50)	(50)
Employee benefits	-	247	(247)	36	36
Deferred tax	898	(8,200)	9,098	(2,320)	2,744
KB Investment Co., Ltd. <sup>1</sup>	21,486	13,869	7,617	6,904	6,689
KB Futures Co., Ltd.	27,564	21,557	6,007	5,903	4,494
Total adjustment	(132,633)	(7,953)	(124,680)	(46,745)	(127,402)
K-IFRS	₩ 18,779,912	₩ 958,791	₩ 17,821,121	₩ 41,575	₩ 41,575

## Report of Independent Accountants' Review of Internal Accounting Control System

### To the President of KB Financial Group Inc.

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of KB Financial Group Inc. (the "Company") as of December 31, 2010. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2010, the Company's IACS has been designed and is operating effectively as of December 31, 2010, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

Our review was conducted in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the operations of the IACS to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's IACS and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the Republic of Korea. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

Our review is based on the Company's IACS as of December 31, 2010, and we did not review management's assessment of its IACS subsequent to December 31, 2010. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

*Samil PricewaterhouseCoopers*

Samil PricewaterhouseCoopers

March 14, 2011

## Report on the Operations of the Internal Accounting Control System

### To the Board of Directors and Auditor (Audit Committee) of KB Financial Group Inc.

I, as the Internal Accounting Control Officer ("IACO") of KB Financial Group Inc. ("the Company"), assessed the status of the design and operations of the Company's internal accounting control system ("IACS") for the year ended December 31, 2010.

The Company's management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been effectively designed and is operating 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 purposes. I, as the IACO, applied the IACS standard for the assessment of design and operations of the IACS.

Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2010, in all material respects, in accordance with the IACS standards.

February 17, 2011

Jong-Kyoo Yoon, Internal Accounting Control Officer



Yoon-Dae Euh, Chief Executive Officer





## Report of Independent Auditors

### To the Shareholders and Board of Directors of KB Financial Group Inc.

We have audited the accompanying consolidated statements of financial position of KB Financial Group Inc. and its subsidiaries (collectively the "Consolidated Company") as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our audits.

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

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Consolidated Company as of December 31, 2010 and 2009, and the results of its operations, the changes in its shareholders' equity and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

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

*Samil PricewaterhouseCoopers*

Seoul, Korea  
March 17, 2011

This report is effective as of March 17, 2011, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

## Consolidated Statements of Financial Position

December 31, 2009 and 2008

KB Financial Group Inc.

(in millions of Korean won)

	2010	2009
<b>Assets</b>		
Cash and due from banks (Notes 4, 21 and 29)	₩ 7,038,932	₩ 9,769,133
Securities (Notes 5 and 21)	43,526,279	42,535,648
Loans receivable, net (Notes 6, 7, 8 and 21)	196,545,001	195,397,893
Property and equipment, net (Note 9)	3,211,956	3,345,323
Other assets, net (Notes 3, 8, 10, 20 and 23)	11,685,800	11,120,453
<b>Total assets</b>	<b>₩ 262,007,968</b>	<b>₩ 262,168,450</b>
<b>Liabilities and shareholders' equity</b>		
<b>Liabilities</b>		
Deposits (Notes 11 and 21)	₩ 184,666,883	₩ 172,439,883
Debts, net (Notes 12 and 21)	42,615,006	54,493,283
Other liabilities, net (Notes 9, 13, 14, 15, 16, 19, 20, 21 and 23)	16,285,726	17,123,958
<b>Total liabilities</b>	<b>243,567,615</b>	<b>244,057,124</b>
<b>Shareholders' equity (Note 17)</b>		
Common stock	1,931,758	1,931,758
Capital surplus	16,428,852	16,428,852
Capital adjustments	(2,919,421)	(2,918,990)
Accumulated other comprehensive income	1,312,936	1,232,279
Retained earnings	1,191,676	1,177,731
Minority interest	494,552	259,696
<b>Total shareholders' equity</b>	<b>18,440,353</b>	<b>18,111,326</b>
<b>Total liabilities and shareholders' equity</b>	<b>₩ 262,007,968</b>	<b>₩ 262,168,450</b>

The accompanying notes are an integral part of these consolidated financial statements.

See Report of Independent Auditors

## Consolidated Statements of Income

For the years ended December 31, 2010 and 2009

KB Financial Group Inc.

(in millions of Korean won, except per share amounts)

	2010	2009
<b>Operating revenues</b>		
Interest revenue		
Interest on due from banks	₩ 53,934	₩ 52,003
Interest on securities	1,845,966	1,804,206
Interest on loans	12,321,353	12,858,434
Other interest revenue (Note 7)	61,779	50,704
	14,283,032	14,765,347
Gain on valuation and disposal of securities		
Gain on valuation of trading securities	34,650	20,972
Gain on disposal of trading securities	233,485	227,559
Gain on disposal of available-for-sale securities	210,880	371,342
Gain on disposal of held-to-maturity securities	-	3,962
Reversal of impairment loss on available-for-sale securities (Note 5)	8,970	1,065
Reversal of impairment loss on held-to-maturity securities (Note 5)	4	-
	487,989	624,900
Gain on valuation and disposal of loans (Note 6)	37,028	97,130
Gain on foreign currency transactions	1,936,634	1,148,189
Commission income	1,449,082	1,454,616
Fees and commissions from trust accounts	191,050	165,279
Dividend income	91,866	81,017
Insurance revenue	1,064,042	788,855
Other operating revenue		
Gain on derivatives trading	4,154,407	8,290,995
Gain on valuation of derivatives (Note 20)	1,684,749	2,536,308
Gain on valuation of fair value hedged items (Notes 5, 11, 12 and 20)	88,753	426,366
Recovery of losses from acceptance and guarantee	1,158	520
Recovery of losses from other doubtful accounts	20,093	16,000
Others	92,224	50,577
	6,041,384	11,320,766
	25,582,107	30,446,099
<b>Operating expenses</b>		
Interest expenses		
Interest on deposits	4,836,479	5,561,567
Interest on borrowings	2,169,292	2,725,798
Other interest expenses	39,047	64,256
	7,044,818	8,351,621
Loss on valuation and disposal of securities		
Loss on valuation of trading securities	2,649	35,222
Loss on disposal of trading securities	128,397	172,098
Loss on disposal of available-for-sale securities	22,598	126,284
Impairment loss on available-for-sale securities (Note 5)	69,003	43,852
Impairment loss on held-to-maturity securities (Note 5)	901	8,208
	223,548	385,664



KB Financial Group Inc.

(in millions of Korean won, except per share amounts)

	2010	2009
Loss on valuation and disposal of loans		
Provision for loan losses (Note 8)	2,747,333	2,298,985
Loss on disposal of loans (Note 6)	106,992	54,490
	2,854,325	2,353,475
Loss on foreign currency transactions	2,406,886	1,158,917
Commission expenses	948,737	804,846
Selling and administrative expenses (Notes 9, 10, 14, 19 and 22)	4,329,973	3,770,649
Insurance expense	1,093,482	817,923
Other operating expenses		
Loss on derivatives trading	3,908,026	8,879,079
Loss on valuation of derivatives (Note 20)	1,216,629	2,137,939
Loss on valuation of fair value hedged items (Notes 5, 11, 12 and 20)	171,536	221,528
Provision for acceptance and guarantee losses	97,117	23,476
Provision for other allowance	318,466	225,277
Contribution to the funds	328,228	335,049
Others	447,592	329,371
	6,487,594	12,151,719
	25,389,363	29,794,814
<b>Operating income</b>	<b>192,744</b>	<b>651,285</b>
<b>Non-operating revenue</b>		
Gain on valuation of equity method investments (Note 5)	13,531	10,472
Gain on disposal of equity method investments	-	911
Gain on sale of property and equipment	1,759	3,827
Reversal of impairment loss on property and equipment (Note 9)	274	154
Rent income	3,114	3,102
Others	117,273	128,427
	135,951	146,893
<b>Non-operating expenses</b>		
Loss on valuation of equity method investments (Note 5)	178,131	45,969
Loss on disposal of equity method investments	-	305
Loss on sale of property and equipment	1,459	3,467
Impairment loss on property and equipment (Note 9)	263	3,991
Impairment loss on equity method investments (Note 5)	50,370	100,352
Others	79,280	91,936
	309,503	246,020
<b>Income before income tax</b>	<b>19,192</b>	<b>552,158</b>
Income tax expense(benefit) (Note 23)	(80,991)	24,914
<b>Income after income tax</b>	<b>100,183</b>	<b>527,244</b>
Net loss of subsidiaries before acquisition	-	250
<b>Net income</b>	<b>₩ 100,183</b>	<b>₩ 527,494</b>
Parent Company interest in net income	₩ 88,320	₩ 539,818
Minority interest in net income(loss)	11,863	(12,324)
<b>Per share data (Note 24)</b>		
Basic and diluted earnings per share	₩ 257	₩ 1,659

The accompanying notes are an integral part of these consolidated financial statements. See Report of Independent Auditors

## Consolidated Statements of Changes in Shareholders' Equity

(In millions of Korean won)

	Capital stock	Capital surplus	Capital adjustment	Accumulated other comprehensive income and expense	Retained earnings	Minority interest	Total
Balances as of January 1, 2009	₩ 1,781,758	₩15,473,511	₩(3,145,102)	₩ 1,087,503	₩ 630,941	₩ 233,436	₩ 16,062,047
Net income	-	-	-	-	539,818	(12,324)	527,494
Disposal of treasury shares owned by consolidated subsidiaries	-	-	245,391	-	-	-	245,391
Valuation of available-for-sale securities	-	-	-	152,755	-	33,781	186,536
Valuation of held-to-maturity securities	-	-	-	(2,641)	-	527	(2,114)
Changes in equity method investments	-	-	-	(2,281)	-	-	(2,281)
Valuation of derivative instruments	-	-	-	(442)	-	-	(442)
Revaluation of land	-	-	-	(2,615)	-	-	(2,615)
Changes in retained earnings of trust accounts	-	-	-	-	6,790	-	6,790
Changes in scope of consolidation	-	-	-	-	-	-	7,308 7,308
Issuance of common shares	150,000	955,341	-	-	-	-	1,105,341
Others	-	-	(19,279)	-	182	(3,032)	(22,129)
Balances as of December 31, 2009	₩ 1,931,758	₩ 16,428,852	₩ (2,918,990)	₩ 1,232,279	₩ 1,177,731	₩ 259,696	₩ 18,111,326
Balances as of January 1, 2010	₩ 1,931,758	₩ 16,428,852	₩ (2,918,990)	₩ 1,232,279	₩ 1,177,731	₩ 259,696	₩ 18,111,326
Net income	-	-	-	-	-88,320	11,863	100,183
Distribution of dividends	-	-	-	-	(78,897)	-	(78,897)
Valuation of available-for-sale securities	-	-	-	77,942	-	30,906	108,848
Valuation of held-to-maturity securities	-	-	-	523	-	499	1,022
Changes in equity method investments	-	-	-	2,713	-	-	2,713
Revaluation of land	-	-	-	(521)	-	-	(521)
Changes in retained earnings of trust accounts	-	-	-	-	5,612	-	5,612
Changes in scope of consolidation	-	-	-	-	-	147,600	147,600
Paid-in capital increase of subsidiaries	-	-	-	-	-	59,822	59,822
Others	-	-	(431)	-	(1,090)	(15,834)	(17,355)
Balances as of December 31, 2010	₩ 1,931,758	₩ 16,428,852	₩ (2,919,421)	₩ 1,312,936	₩ 1,191,676	₩ 494,552	₩ 18,440,353

The accompanying notes are an integral part of these consolidated financial statements.

See Report of Independent Auditors

## Consolidated Statements of Cash Flows

For the years ended December 31, 2010 and 2009

KB Financial Group Inc.

(in millions of Korean won, except per share amounts)

	2010	2009
<b>Cash flows from operating activities</b>		
Net income	₩ 100,183	₩ 527,494
Adjustments to reconcile net income to net cash used in operating activities		
Loss on valuation of trading securities	2,649	35,222
Impairment loss on available-for-sale securities	69,003	43,852
Impairment loss on held-to-maturity securities	901	8,208
Loss on valuation of equity method investments	178,131	45,969
Impairment loss on equity method investments	50,370	100,352
Loss on disposal of equity method investments	-	305
Provision for loan losses	2,747,333	2,298,985
Amortization of deferred loan origination fees and costs	44,532	76,276
Depreciation	242,446	320,154
Loss on disposal of property and equipment	1,459	3,467
Impairment loss on property and equipment	263	3,991
Amortization of intangible assets	186,657	173,986
Loss on valuation of derivatives	1,216,629	2,137,939
Loss on valuation of fair value hedged items	171,536	221,528
Interest expenses- amortization of discounts on debenture	89,472	139,967
Share-based compensation	7,998	30,413
Provision for severance benefits	169,422	165,204
Provision for acceptance and guarantee losses	97,117	23,476
Provision for other doubtful accounts	318,466	225,277
Provision for responsibilities reserve	810,844	574,336
Loss on foreign currency translation	34,047	84,799
Gain on valuation of trading securities	(34,650)	(20,972)
Reversal of impairment loss on available-for-sale securities	(8,970)	(1,065)
Reversal of impairment loss on held-to-maturity securities	(4)	-
Gain on valuation of equity method investments	(13,531)	(10,472)
Gain on disposal of equity method investments	-	(911)
Gain on foreign currency translation	(154,737)	(371,063)
Gain on disposal of property and equipment	(1,759)	(3,827)
Reversal of impairment loss on property and equipment	(274)	(154)
Gain on valuation of derivatives	(1,684,749)	(2,536,308)
Gain on valuation of fair value hedged items	(88,753)	(426,366)
Recovery of losses from acceptance and guarantee	(1,158)	(520)
Recovery of losses from other doubtful accounts	(20,093)	(16,000)
Interest revenue	(16,911)	(37,112)
	4,413,686	3,288,936
Changes in operating assets and liabilities		
Decrease in trading securities	1,526,223	861,768
Increase in available-for-sale securities	(1,441,829)	(4,281,862)
Increase in held-to-maturity securities	(660,124)	(272,053)
Decrease (Increase) in loans receivable	(3,916,601)	1,447,045



## Consolidated Statements of Cash Flows

KB Financial Group Inc.

(in millions of Korean won, except per share amounts)

	2010	2009
Decrease (Increase) in accounts receivable	(260,959)	1,602,570
Decrease (Increase) in accrued income	(31,179)	117,190
Increase in prepaid expenses	(17,558)	(66,571)
Decrease (Increase) in deferred income tax assets	17,937	(54,514)
Decrease in derivative assets	1,243,550	483,379
Increase in miscellaneous assets	(188,050)	(219,091)
Decrease in accounts payable	(992,565)	(2,361,988)
Decrease in accrued expenses	(248,022)	(1,237,607)
Decrease in unearned revenues	(38,331)	(39,902)
Increase (Decrease) in withholding taxes	3,120	(18,200)
Increase (Decrease) in agencies business payables	50,888	(52,919)
Increase (Decrease) in liability due to agency relationship	37,228	(136,891)
Payment of severance benefits	(263,150)	(421,404)
Increase in pension plan assets	(355,816)	(1,598)
Decrease in severance insurance deposits	406,383	153,733
Decrease in contribution to national pension fund	24	5
Increase (Decrease) in deferred income tax liabilities	(147,446)	88,495
Decrease in provision for acceptance and guarantees	(2,461)	(5,987)
Decrease in other provisions for doubtful accounts	(147,367)	(134,693)
Increase (Decrease) in derivative liabilities	(911,874)	19,773
Decrease in insurance reserve	(2,650)	-
Increase in miscellaneous liabilities	210,784	168,164
	(6,129,845)	(4,363,158)
Net cash used in operating activities	(1,615,976)	(546,728)
<b>Cash flows from investing activities</b>		
Net decrease (increase) in restricted due from banks	₩ 2,749,053	₩ (1,216,579)
Decrease in equity method investments	9,478	18,319
Disposal of property and equipment	12,493	18,008
Decrease in guarantee deposits paid	145,150	132,533
Increase in equity method investments	(346,718)	(43,670)
Acquisition of property and equipment	(120,116)	(187,083)
Acquisition of intangible assets	(189,365)	(78,271)
Increase in guarantee deposits paid	(128,123)	(192,729)
Net increase in national domestic exchange settlement debits	(1,069,450)	(91,900)
Net increase in loan to trust account	(17,997)	(21,962)
Net cash provided by (used in) investing activities	1,044,405	(1,663,334)
<b>Cash flows from financing activities</b>		
Net increase in demand deposits	7,040,442	4,689,740
Net increase in time deposits	25,911,632	7,420,525
Net increase (decrease) in bills sold	10,747	(126,596)
Increase in paid-in capital of subsidiaries	59,822	-
Issuance of common shares	-	1,105,341

KB Financial Group Inc.

(in millions of Korean won, except per share amounts)

	2010	2009
Net increase (decrease) in securities sold	(118,181)	1,021,684
Increase in debentures	9,036,747	9,802,930
Net increase in deposits for letter of guarantees and others	1,124	34,890
Net increase (decrease) in domestic exchange remittances pending	(202,530)	187,926
Net increase in foreign exchange remittances pending	15,853	1,374
Net increase (decrease) in borrowings from trust accounts	319,334	(973,256)
Disposal of treasury stock	-	249,150
Net decrease in negotiable certificates of deposit	(20,734,328)	(1,893,579)
Net decrease in call money	(733,121)	(2,080,223)
Net decrease in bond sold under repurchase agreement	(1,627,604)	(2,372,458)
Net decrease in borrowings	(181,288)	(1,078,276)
Decrease in debentures	(18,292,210)	(13,542,868)
Payment of stock issuance costs	-	(1,459)
Dividend distribution to minority interest shareholders	(14,124)	(3,032)
Dividend distribution	(78,897)	-
Net cash provided by financing activities	413,418	2,441,813
<b>Increase in cash and due from banks due to change in scope of consolidation</b>	<b>177,005</b>	<b>4,606</b>
Net increase in cash and cash equivalents	18,852	236,357
<b>Cash and cash equivalents (Note 29)</b>		
Beginning of year	3,616,950	3,380,593
End of year	₩ 3,635,802	₩ 3,616,950

The accompanying notes are an integral part of these consolidated financial statements.

See Report of Independent Auditors

# Notes to Consolidated Financial Statements

December 31, 2010 and 2009

KB Financial Group Inc. and Subsidiaries

## 1. The Parent Company

KB Financial Group Inc. (the "Parent Company"), in accordance with Financial Holding Companies Act, was established on September 29, 2008, through stock transfer with former shareholders of Kookmin Bank, KB Investment & Securities Co., Ltd., KB Asset Management Co., Ltd., KB Real Estate Trust Co., Ltd., KB Investment Co., Ltd., KB Futures Co., Ltd., KB Credit Information Co., Ltd., and KB Data Systems Co., Ltd. in order to provide management services and financing to associated companies. The headquarters are located at 9-1 Namdaemunro 2-ga, Jung-gu, Seoul. The Parent Company's common stock as of December 31, 2010, is ₩ 1,931,758 million.

The Parent Company is authorized to issue 1,000 million shares. The Parent Company was listed on the Korea Exchange ("KRX") on October 10, 2008, and was also listed on the New York Stock Exchange ("NYSE") for its American Depositary Shares ("ADS") on September 29, 2008.

The major shareholder as of December 31, 2010, is as follows:

Name of Shareholder	Number of Shares Owned	Percentage of Ownership (%)
ING Bank N.V.	19,401,044	5.02

## 2. Scope of Consolidation and Equity Method Accounting

Details of subsidiaries are as follows:

### (1) Kookmin Bank

Kookmin Bank (the "Bank") was established in 1963 under the Citizens National Bank Act to provide and administer funds for financing to the general public and small businesses. Pursuant to the repeal of the Citizens National Bank Act, effective January 5, 1995, the Bank has conducted its operations in accordance with the provisions of the Banking Act and Commercial Act.

The Bank merged with Korea Long Term Credit Bank on December 31, 1998, and with Daegu, Busan, Jeonnam Kookmin Mutual Savings & Finance Co., Ltd. on August 22, 1999. Also, under the decision of the Financial Services Commission in accordance with the Structural Improvement of the Financial Industry Act, the Bank purchased certain assets, including loans classified either as normal or precautionary, and assumed most of the liabilities of Daedong Bank on June 29, 1998. Also, the Bank completed the legal consolidation with Housing and Commercial Bank ("H&CB") on October 31, 2001, and merged with Kookmin Credit Card Co., Ltd., a majority-owned subsidiary, on September 30, 2003. Kookmin Bank's common stock as of December 31, 2010, is ₩ 2,481,896 million.

The Bank's shares have been listed on the KRX since September 1994. As a result of the business combination with H&CB, the former shareholders of the Bank and H&CB received new common shares of the Bank on the basis of a pre-determined ratio. The new common shares of the Bank were listed on the KRX on November 9, 2001. In addition, the Bank listed its ADS on the NYSE on November 1, 2001, following the consolidation with H&CB. H&CB listed its ADS on the NYSE on October 3, 2000, prior to the business combination. The Bank became a wholly owned subsidiary of the Parent Company through a comprehensive stock transfer on September 29, 2008. In addition, the Bank's listed shares and depository shares on the KRX and the NYSE were delisted on October 10, 2008 and September 26, 2008, respectively.

The Bank engages in the banking business in accordance with Banking Act, trust business in accordance with Capital Market and Financial Investment Business Act, credit card business in accordance with Specialized Credit Financial Business Act and other relevant businesses. As of December 31, 2010, the Bank has 1,173 domestic branches and offices and six overseas branches (excluding three subsidiaries and two offices).



**(2) KB Investment & Securities Co., Ltd.**

KB Investment & Securities Co., Ltd. (the "KB Investment & Securities") was established on August 16, 1995, to engage in financial investment business service including investment trading service and brokerage service and in other related services in accordance with Capital Market and Financial Investment Business Act. On March 11, 2008, the former Hannuri Investment & Securities changed its name to KB Investment & Securities. Its headquarters are located in Seoul. KB Investment & Securities common stock as of December 31, 2010, is ₩ 78,000 million.

**(3) KB Life Insurance Co., Ltd.**

KB Life Insurance Co., Ltd. (the "KB Life Insurance") was established on April 29, 2004, to engage in financial insurance operations. On May 31, 2004, the company merged with Hanil Life Insurance Co., Ltd., undertaking all the insurance contracts and related assets and liabilities. The life insurance business under the Insurance Business Act is one of the company's major business operations. Its headquarters are located in Seoul. KB Life Insurance's common stock as of December 31, 2010, is ₩ 276,000 million.

**(4) KB Asset Management Co., Ltd.**

KB Asset Management Co., Ltd. (the "KB Asset Management") was established on April 1988 to engage in investment advisory services including consulting and providing information on investment in securities and on July 1997, started to engage in collective investment business (previously known as security investment trust operations) under Capital Market and Financial Investment Business Act (previously called the Security Investment Trust Business Act). Its headquarters are located in Seoul. KB Asset Management's common stock as of December 31, 2010, is ₩ 38,338 million.

**(5) KB Real Estate Trust Co., Ltd.**

KB Real Estate Trust Co., Ltd. (the "KB Real Estate Trust") was established on December 3, 1996, to provide real estate trust services including land trust. Under the Capital Market and Financial Investment Business Act (previously called the Trust Business Act), Financial Services Commission authorized the company to engage in real estate trust service. On September 16, 2002, the name of the company changed to KB Real Estate Trust Co., Ltd. from Jooeun Real Estate Trust Inc. The 23 land trust operations are in progress, and a number of other trust services such as collateral trusts are already engaged and ready to operate. Its headquarters are located in Seoul. KB Real Estate Trust's common stock as of December 31, 2010, is ₩ 80,000 million.

**(6) KB Investment Co., Ltd.**

KB Investment Co., Ltd. (the "KB Investment") was established on March 27, 1990, to provide services to small startup companies. Its main business is to invest in venture companies and small startup companies, and to organize startup investment cooperatives and private equity funds. On April 3, 1990, the company, under Section 7 of the Support for Small and Medium Enterprise Establishment Act, was listed on Small Business Administration as a small startup business investment organization. KB Investment purchases impaired loans, invests in companies under debt restructuring process, and sells reorganized companies after normalization. On March 2001, the company, under the Industrial Development Act, registered as Corporate Restructuring Company in the Ministry of Knowledge Economy. Its headquarters are located in Seoul. KB Investment's common stock as of December 31, 2010, is ₩ 44,759 million.

**(7) KB Futures Co., Ltd.**

KB Futures Co., Ltd. (the "KB Futures") was established on March 1997 to engage in futures trading, trust, intermediation, or brokerage services. The company became a member of the KRX on January 8, 1999. Its headquarters are located in Seoul. KB Futures' common stock as of December 31, 2010, is ₩ 20,000 million.

**(8) KB Credit Information Co., Ltd.**

KB Credit Information Co., Ltd. (the "KB Credit Information") was established on October 9, 1999, under the Credit Information Protection Act to engage in loan collection services and credit research services. On May 2, 2002, the company merged with KM Credit Information Inc. to improve management of subsidiaries. As approved by its shareholders on October 28, 2002, its name was changed from Kookeun Credit Information Co., Ltd. to KB Credit Information Co., Ltd. Its headquarters are located in Seoul. KB Credit Information's common stock as of December 31, 2010, is ₩ 6,262 million.

## Notes to Consolidated Financial Statements

### (9) KB Data Systems Co., Ltd.

KB Data Systems, Co., Ltd. (the "KB Data Systems") was established on September 1991 to engage in computer system development and its sales, system maintenance, and information technology outsourcing services. Its headquarters are located in Seoul. KB Data Systems' common stock as of December 31, 2010, is ₩ 8,000 million.

### (10) Kookmin Bank Int'l Ltd.(London)

Kookmin Bank Int'l Ltd.(London) was established in November 1991 and operates its businesses mainly in general banking, trading finance, foreign currency exchange, and derivatives. Its name was changed from Korea Long Term Credit Bank Int'l Ltd. to Kookmin Bank Int'l Ltd. (London) when the Bank merged with Korea Long Term Credit Bank in January 1999. The headquarters are located in London, England. Kookmin Bank Int'l Ltd.(London)'s paid-in capital as of December 31, 2010, is USD 30,392,000.

### (11) Kookmin Bank Hong Kong Ltd.

Kookmin Bank Hong Kong Ltd. was established in July 1995 and operates its businesses in general banking and trading finance. The headquarters are located in Hong Kong. Kookmin Bank Hong Kong Ltd.'s paid-in capital as of December 31, 2010, is USD 20,000,000.

### (12) Kookmin Bank Cambodia PLC.

Kookmin Bank acquired 51% of ownership of Kookmin Bank Cambodia PLC. In May 2009. As of December 31, 2010, Kookmin Bank owns 53.19% through participation in paid-in capital increase in December 2010. In particular, Kookmin Bank Cambodia PLC. mainly operates lending, borrowing, foreign currency exchange services, and other ordinary banking business. The headquarters are located in Phnom Penh, Cambodia. Kookmin Bank Cambodia PLC.'s paid-in capital as of December 31, 2010, is USD 16,000,000.

### (13) National Pension Service KBIC Private Equity Fund No. 1

National Pension Service KBIC Private Equity Fund No. 1 (the "NPS-KBIC-PEF No. 1"), under Capital Market and Financial Investment Business Act, was established in July 1, 2008. NPS-KBIC-PEF No. 1 invests its capital to improve business structure and ultimately to maximize the value of its investees. Subsequently, the increased value will be distributed back to its investors. Its headquarters are located in Seoul. NPS-KBIC-PEF No. 1's paid-in capital as of December 31, 2010, is ₩ 171,024 million.

### (14) KB-Glenwood Private Equity Fund 1

KB-Glenwood Private Equity Fund 1 was established on October 23, 2009, under the Capital Market and Financial Investment Business Act. KB-Glenwood Private Equity Fund 1, in order to increase the value of its investees, and accordingly, to distribute benefits to limited partners, participates in the management of investees by involving itself in business activities, remodeling business structure, improving corporate governance and others. The headquarters are located in Seoul. KB-Glenwood Private Equity Fund 1's paid-in capital as of December 31, 2010, is ₩ 31,100 million.

### (15) KBIC Private Equity Fund No. 3

KBIC Private Equity Fund No. 3 (the "KBIC-PEF No. 3"), under Capital Market and Financial Investment Business Act, was established in June 8, 2010. KBIC-PEF No. 3 invests its capital to improve the business structure and ultimately to maximize the value of its investees. Subsequently, the increased value will be distributed back to its investors. Its headquarters are located in Seoul. KBIC-PEF No. 3's paid-in capital as of December 31, 2010, is ₩ 102,500 million.

### (16) KoFC KBIC Frontier Champ 2010-5 PEF

KoFC KBIC Frontier Champ 2010-5 PEF was established on November 10, 2010, under the Capital Market and Financial Investment Business Act. KoFC KBIC Frontier Champ 2010-5 PEF operates its assets in accordance with Capital Market Act and other related laws to distribute profits back to its investors. Its headquarters are located in Seoul, and the paid-in capital as of December 31, 2010, is ₩ 21,000 million.

### (17) Chungkang Co., Ltd.

Chungkang Co., Ltd. under the commercial law and Capital Market and Financial Investment Business Act was established on December 4, 2009, to engage in investment business (unlisted stocks and equity related securities). The headquarters are located in Seoul, and Chungkang Co., Ltd.'s paid-in capital as of December 31, 2010, is ₩ 35 million.

**(18) Powernet Technologies Co., Ltd.**

Powernet Technologies Co., Ltd. was established on February, 1994, to engage in manufacturing and sales of electrical equipment such as power generating equipment. Powernet Technologies Co., Ltd.'s paid-in capital as of December 31, 2010, is ₩ 38,862 million.

The Parent Company's percentage of ownership in its subsidiaries as of December 31, 2010, is as follows:

Investors	Investees	Closing Date	Number of Shares	Ownership (%)
KB Financial Group Inc.	Kookmin Bank	December 31	496,379,116	100.00
	KB Investment & Securities Co., Ltd.	March 31	15,600,000	100.00
	KB Life Insurance Co., Ltd.	March 31	28,152,000	51.00
	KB Asset Management Co., Ltd.	March 31	7,667,550	100.00
	KB Real Estate Trust Co., Ltd.	December 31	16,000,000	100.00
	KB Investment Co., Ltd.	December 31	8,951,797	100.00
	KB Futures Co., Ltd.	March 31	4,000,000	100.00
	KB Credit Information Co., Ltd.	December 31	1,252,400	100.00
	KB Data Systems Co., Ltd.	December 31	800,000	100.00
Kookmin Bank	KB Financial Group Inc.	December 31	43,322,704	11.21
	Kookmin Bank Cambodia PLC.	December 31	170,202	53.19
	Kookmin Bank Int'l Ltd.(London)	December 31	20,000,000	100.00
	Kookmin Bank Hong Kong Ltd.	December 31	2,000,000	100.00
	KoFC KBIC Frontier Champ 2010-5 PEF <sup>2</sup>	December 31	6,300	30.00
KB Investment & Securities Co., Ltd.	KB-Glenwood Private Equity Fund 1 <sup>1</sup>	December 31	1	0.03
KB Investment Co., Ltd.	NPS-KBIC Private Equity Fund No. 12	December 31	4,378,209,280	2.56
	KBIC Private Equity Fund No. 3 <sup>2</sup>	December 31	2,050,000,000	2.00
	KoFC KBIC Frontier Champ2010-5 PEF <sup>2</sup>	December 31	4,200	20.00
KB-Glenwood Private Equity Fund 1	Chungkang Co., Ltd.	December 31	7,000	100.00
Chungkang Co., Ltd.	Powernet Technologies Co., Ltd.	December 31	36,000,000	92.64

The Parent Company's ownerships in its subsidiaries as of December 31, 2009, were as follows:

Investors	Investees	Closing Date	Number of Shares	Ownership (%)
KB Financial Group Inc.	Kookmin Bank	December 31	496,379,116	100.00
	KB Investment & Securities Co., Ltd.	March 31	15,600,000	100.00
	KB Life Insurance Co., Ltd.	March 31	15,912,000	51.00
	KB Asset Management Co., Ltd.	March 31	7,667,550	100.00
	KB Real Estate Trust Co., Ltd.	December 31	16,000,000	100.00
	KB Investment Co., Ltd.	December 31	8,951,797	100.00
	KB Futures Co., Ltd.	March 31	4,000,000	100.00
	KB Credit Information Co., Ltd.	December 31	1,252,400	100.00
	KB Data Systems Co., Ltd.	December 31	800,000	100.00



## Notes to Consolidated Financial Statements

Investors	Investees	Closing Date	Number of Shares	Ownership (%)
Kookmin Bank	KB Financial Group Inc.	December 31	43,322,704	11.21
	Kookmin Bank Cambodia PLC.	December 31	132,600	51.00
	Kookmin Bank Int'l Ltd. (London)	December 31	20,000,000	100.00
	Kookmin Bank Hong Kong Ltd.	December 31	2,000,000	100.00
KB Investment Co., Ltd.	NPS-KBIC Private Equity Fund No. 1 <sup>2</sup>	December 31	4,510,720,000	2.56

<sup>1</sup> KB Investment & Securities Co., Ltd. is involved in the management of KB-Glenwood Private Equity Fund 1 as a general partner.

<sup>2</sup> KB Investment Co., Ltd. is involved in the management as a general partner.

Certain trust accounts whose principal or fixed rate of return is guaranteed by Kookmin Bank are included in the consolidated financial statements in accordance with the Detailed Enforcement Rules on Supervision of Banking Business.

The consolidated and non-consolidated trust accounts as of December 31, 2010, and December 31 2009, are as follows:

(In millions of Korean won)

	2010		2009	
	Total Asset	Operating Revenues	Total Asset	Operating Revenues
Consolidated	₩ 3,194,975	₩ 173,936	₩ 3,066,176	₩ 161,916
Non-consolidated	13,612,848	657,196	10,702,576	444,900
	₩ 16,807,823	₩ 831,132	₩ 13,768,752	₩ 606,816

The condensed financial information of subsidiaries as of and for the year ended December 31, 2010, follows:

(In millions of Korean won)

	Total Asset	Common Stock	Shareholders' Equity	Operating Revenues <sup>1</sup>	Net Income (Loss) <sup>1</sup>
Kookmin Bank	₩ 254,861,755	₩ 2,481,896	₩ 19,360,739	₩ 23,401,669	₩ 11,200
KB Investment & Securities Co., Ltd.	2,210,631	78,000	335,240	486,205	34,001
KB Life Insurance Co., Ltd.	3,670,317	276,000	330,989	1,216,096	12,725
KB Asset Management Co., Ltd.	142,658	38,338	125,971	69,095	29,320
KB Real Estate Trust Co., Ltd.	256,113	80,000	124,847	52,264	3,528
KB Investment Co., Ltd.	117,129	44,759	105,998	12,309	(801)
KB Futures Co., Ltd.	177,174	20,000	42,876	27,564	4,494
KB Credit Information Co., Ltd.	31,134	6,262	25,226	48,028	1,619
KB Data Systems Co., Ltd.	52,181	8,000	14,071	131,344	(2,735)
Kookmin Bank Int'l Ltd. (London)	364,305	34,613	65,380	16,444	2,977
Kookmin Bank Hong Kong Ltd.	539,755	22,778	116,268	22,335	8,159

(In millions of Korean won)

	Total Asset	Common Stock	Shareholders' Equity	Operating Revenues <sup>1</sup>	Net Income (Loss) <sup>1</sup>
Kookmin Bank Cambodia PLC.	39,929	18,222	16,889	2,472	64
KB-Glenwood Private Equity Fund 1	29,516	31,100	29,196	-	(1,904)
Chungkang Co., Ltd.	76,420	35	25,656	-	(3,919)
Powernet Technologies Co., Ltd.	84,664	38,862	75,702	37,890	761
NPS-KBIC Private Equity Fund No. 1	209,650	171,024	188,022	9,912	7,722
KBIC Private Equity Fund No. 3	102,545	102,500	102,466	34	(34)
KoFC KBIC Frontier Champ 2010-5 PEF	20,991	21,000	20,937	-	(63)

The condensed financial information of subsidiaries as of December 31, 2009, follows

(In millions of Korean won)

	Total Asset	Common Stock	Shareholders' Equity	Operating Revenues <sup>1</sup>	Net Income (Loss) <sup>1</sup>
Kookmin Bank	₩ 256,519,760	₩ 2,481,896	₩ 19,342,558	₩ 28,734,838	₩ 635,803
KB Investment & Securities Co., Ltd.	2,041,219	78,000	295,604	376,868	(41,550)
KB Life Insurance Co., Ltd.	2,521,079	156,000	151,537	901,801	3,308
KB Asset Management Co., Ltd.	108,583	38,338	96,312	67,073	28,783
KB Real Estate Trust Co., Ltd.	257,286	80,000	121,303	60,504	23,794
KB Investment Co., Ltd.	125,961	44,759	104,810	12,786	2,159
KB Futures Co., Ltd.	221,942	20,000	37,363	28,685	6,178
KB Credit Information Co., Ltd.	29,379	6,262	23,606	54,592	4,338
KB Data Systems Co., Ltd.	44,938	8,000	16,806	124,746	5,267
Kookmin Bank Int'l Ltd. (London)	466,098	37,555	67,396	26,383	1,713
Kookmin Bank Hong Kong Ltd.	709,980	23,352	105,642	33,406	10,285
Kookmin Bank Cambodia PLC.	27,451	15,179	13,746	891	(1,419)
NPS-KBIC Private Equity Fund No. 1	207,008	176,200	183,386	7,403	(18,037)

<sup>1</sup> Includes operating results of credit card business segment of Kookmin Bank before spin-off.

## Notes to Consolidated Financial Statements

The details of equity method investees as of December 31, 2010, are as follows:

(In number of shares)

Investors	Investees	Year End	Number of Shares	Ownership (%)
Kookmin Bank	KLB Securities Co., Ltd. <sup>2</sup>	December 31	4,854,713	36.41
	Balhae Infrastructure Fund <sup>3</sup>	December 31 June 30	11,386,188	12.61
	Korea Credit Bureau Co., Ltd. <sup>4</sup>	December 31	180,000	9.00
	UAMCO., Ltd.	December 31	85,050	17.50
	JSC Bank CenterCredit -common stocks	December 31	48,023,250	29.56
	JSC Bank CenterCredit -convertible preferred stocks	December 31	36,561,465	93.15
	KB06-1 Venture Investment Partnership	December 31	200	50.00
	KB08-1 Venture Investment Partnership	December 31	400	66.67
KB Investment & Securities Co., Ltd.	KB Investment & Securities Hong Kong Limited	March 31	3,000,000	100.00
	KB Global Star Game & Apps Special Purpose Acquisition Company <sup>3</sup>	December 31	414,562	4.81
	ILSAN Electronics (Simyang) Public Corporation	December 31	1	100.00
KB Investment Co., Ltd.	KB06-1 Venture Investment Partnership	December 31	100	25.00
	KB08-1 Venture Investment Partnership	December 31	200	33.33
	Kookmin Investment Partnership No. 16 <sup>1</sup>	December 31	177.2	20.00
	NPC 05-6 KB Venture Fund	December 31	500	20.00
	NPC 07-5 KB Venture Fund	December 31	500	20.00
	09-5KB Venture Fund	December 31	80	33.33
	NPS 06-5 KB Corporate Restructuring Fund 6	December 31	617,500,000	13.57
	Burrill-KB Life Science Fund	December 31	372,401,633	35.53
	KoFC-KB Pioneer Champ No. 2010-8 Investment Partnership	December 31	30	50.00
	KB Global Star Game & Apps Special Purpose Acquisition Company	December 31	10,000	0.12
	KT Wibro Infrastructure Co., Ltd	December 31	1,000,000	40.34
Nexolon Co., Ltd. <sup>4</sup>	December 31	363,636	5.36	
KB Investment Co., Ltd.	Joam Joint Residential Development <sup>3</sup>	December 31	1,500	15.00



The details of equity method investees as of December 31, 2009, were as follows:

(In number of shares)

Investors	Investees	Year End	Number of Shares	Ownership (%)
Kookmin Bank	KLB Securities Co., Ltd. <sup>2</sup>	December 31	4,854,713	36.41
	Joeun Industrial Co., Ltd. <sup>7</sup>	December 31	1,999,910	99.99
	Balhae Infrastructure Fund <sup>3</sup>	December 31 June 30	10,853,607	12.61
	Korea Credit Bureau Co., Ltd. <sup>4</sup>	December 31	180,000	9.00
	UAMCO., Ltd.	December 31	12,250	17.50
	JSC Bank CenterCredit	December 31	44,136,676	30.52
	KB06-1 Venture Investment Partnership	December 31	200	50.00
	KB08-1 Venture Investment Partnership	December 31	400	66.67
KB Investment & Securities Co., Ltd.	KB Investment & Securities Hong Kong Limited	March 31	2,000,000	100.00
	KB-Glenwood Private Equity Fund 1 <sup>5</sup>	December 31	1	0.03
KB Investment Co., Ltd.	KB06-1 Venture Investment Partnership	December 31	100	25.00
	KB08-1 Venture Investment Partnership	December 31	200	33.33
	Kookmin Investment Partnership No. 16 <sup>1</sup>	December 31	177.2	20.00
	NPC 05-6 KB Venture Fund	December 31	500	20.00
	NPC 07-5 KB Venture Fund	December 31	500	20.00
	09-5KB Venture Fund	December 31	20	33.33
	KB06-1 Corporate Restructuring Fund <sup>7</sup>	December 31	12	5.38
	NPS 06-5 KB Corporate Restructuring Fund <sup>6</sup>	December 31	2,280,000,000	13.57

<sup>1</sup> Under liquidation as of December 31, 2010 and 2009.

<sup>2</sup> In the process of filing bankruptcy as of December 31, 2010 and 2009.

<sup>3</sup> The voting rights may be exercised through the board of directors of the investee or its equivalent decision-making body.

<sup>4</sup> Kookmin Bank has significant influence in electing a board member who may participate in the decision-making process relating to the financial and business policies of the investee.

<sup>5</sup> KB Investment & Securities Co., Ltd. participates in the management of KB-Glenwood Private Equity Fund 1 as a general partner.

<sup>6</sup> KB Investment Co., Ltd. as a general partner has significant influence over the decision-making process relating to the financial and business policies.

<sup>7</sup> Bankruptcy filing and liquidation processes were completed in 2010.

### 3. Significant Accounting Policies

The Korean Accounting Institute has published a series of Statements of Korea Accounting Standards ("SKAS"). The consolidated financial statements are prepared in accordance with Statement of Korea Accounting Standards ("SKAS") No. 25.

The significant accounting policies used in the preparation of consolidated financial statements are as follows:

#### Elimination of Investments and Equity Accounts of Subsidiaries

Investments in subsidiaries and equity accounts of subsidiaries were eliminated at the date when the Parent Company obtained control over the subsidiaries.

# Notes to Consolidated Financial Statements

## **Amortization of Goodwill or Negative Goodwill**

The differences between the amounts of investment and the equity accounts of subsidiaries are recorded as goodwill or negative goodwill, which is amortized or reversed using the straight-line method over 20 years, the expected period of future benefit. If additional shares are purchased after acquiring control, the difference between the additional acquisition cost and the portion of net assets acquired is credited or charged to capital surplus. Differences between the carrying amount of investments for subsidiaries and the acquisition cost due to the subsidiaries' paid-in capital increase, stock dividends and issue of new shares without consideration are recorded as increase(decrease) in consolidated capital surplus or consolidated capital adjustment.

## **Intercompany Transactions**

All intercompany transactions are eliminated in the consolidated financial statements.

## **End of the reporting period for Consolidated Financial Statements**

The end of the reporting period for the consolidated financial statements is the closing date of the Parent Company. The accounts of consolidated subsidiaries whose fiscal year end is different from that of the Parent Company have been adjusted to reflect balances as of the closing date.

## **Special Reserve in Trust Accounts**

A special reserve provided for possible future losses on certain trust accounts under the arrangement of guaranteed fixed rate of return and/or annual repayment of the principal is included under retained earnings in the consolidated financial statements.

## **Minority Interest**

Non-controlling, outside ownership interests in a subsidiary's shareholders' equity are presented as minority interest.

## **Accounting Policies of the Parent Company and Its Subsidiaries (collectively the "Consolidated Company")**

The Consolidated Company adopted SKAS No. 1 through No. 24, except No. 14, in the preparation of its consolidated financial statements.

The significant accounting policies of the Consolidated Company are as follows:

### **Interest Income Recognition**

The Consolidated Company applies the accrual basis in recognizing interest income related to due from banks, loans receivable and securities, except for non-secured uncollectible receivables. Interest on loans, whose principal or interest is past due at the end of the reporting period, is generally not accrued, with the exception of interest on certain loans receivable secured by financial institutions or collateralized by bank deposits. When a loan is placed on non-accrual status, previously accrued interest is generally reversed and deducted from current interest income; and future interest income is recognized on cash basis in accordance with the banking industry accounting standards. As of December 31, 2010 and 2009, the principal amount of loans and securities for which the accrued interest income was not recorded in the accompanying consolidated financial statements based on the above criteria amounted to ₩ 6,705,417 million and ₩ 4,525,670 million, respectively, and the related accrued interest income not recognized amounted to ₩ 373,896 million and ₩ 380,137 million, respectively.

### **Classification of Securities**

At acquisition, the Consolidated Company classifies securities into the following categories: trading, available-for-sale, held-to-maturity and equity method investments, depending on marketability, the intention at the date of purchase and ability to hold. Securities that are bought and held for the purpose of resale in the near term and are actively traded are classified as trading securities. Debt securities with fixed maturity and with either fixed or determinable payments which the Consolidated Company has the positive intent and ability to hold to maturity are classified as held-to-maturity securities. Securities that enable the Consolidated Company to exert significant influence over the investees are classified as equity method investments. All other securities not classified above are categorized as available-for-sale securities.

If there are changes in the Consolidated Company's intent and ability to hold securities, available-for-sale securities can be reclassified to held-to-maturity securities and held-to-maturity securities can be reclassified to available-for-sale securities. Whereas, if the Consolidated Company has either sold held-to-maturity securities before maturity or exercised early redemption right to issuer within the current year or the preceding two fiscal years, or if it reclassified held-to-maturity securities to available-for-sale securities in the past, all debt securities that are owned or purchased cannot be classified as held-to-maturity securities with the exception of held-to-maturity securities sold when the fluctuation in the market interest has immaterial effect to the fair value as the remaining term of the securities is short. As for trading securities, in rare cases, it can be reclassified to available-for-sale securities or held-to-maturity securities when trading securities are

no longer held for resale in the near term and can be reclassified to available-for-sale securities when they lose marketability. In any other case, trading securities cannot be reclassified to other categories and no category can be reclassified to trading securities.

#### **Valuation of Trading Securities**

Trading securities are initially recognized at acquisition cost, which includes the market value of the consideration given and any other transaction costs involved in the acquisition, which is determined by the individual moving average method (the specified identification method for debt securities). The difference between the acquisition costs and face values of debt securities are amortized over the remaining terms of the debt securities by applying effective interest rate method and added to or subtracted from the acquisition costs and interest income. After initial recognition, trading securities are stated at fair value at the statements of financial position date and any difference between acquisition value and fair value, unrealized holding gain or loss, is recognized in current earnings.

#### **Valuation of Available-for-Sale Securities**

Available-for-sale securities are initially recognized at acquisition cost, which includes the market value of the consideration given and any other transaction costs involved in the acquisition, which is determined by the individual moving average method (the specified identification method for debt securities). The difference between the acquisition costs and face values of debt securities are amortized over the remaining terms of the debt securities by applying effective interest method and added to or subtracted from the acquisition costs and interest income. After initial recognition, available-for-sale securities are stated at fair value at the statements of financial position date and any difference between acquisition value and fair value, unrealized holding gain or loss, is presented as gain or loss on valuation of available-for-sale securities in accumulated other comprehensive income. Accumulated other comprehensive income of securities is charged to current earnings in a lump sum at the time of disposal or impairment recognition. Non-marketable securities where the fair value can not be determined due to lack of objective and reliable back up data, are stated at acquisition cost on the financial statements if the fair value cannot be reliably estimated.

If the fair value of equity securities (net asset fair value in case of non-marketable equity securities stated at acquisition cost) is below the acquisition cost and the objective evidence of impairment exists, the carrying value is adjusted to fair value and the resulting valuation loss is charged to current earnings. If the estimated recoverable amount of debt securities is less than the amortized cost and the objective evidence of impairment exists, the carrying value is adjusted to recoverable amount and the resulting valuation loss is charged to current earnings. With respect to impaired securities, if the amount of impairment loss that must be recognized in the current period exceeds the remaining amount of unrealized valuation loss, the unrealized valuation loss shall first be derecognized from the accumulated other comprehensive income, and then, the amount of excess shall be subtracted from the carrying amount of the securities. In addition, if there are any remaining amount of unrealized valuation gain related to the securities in the accumulated other comprehensive income, the entire amount of unrealized valuation gain shall be derecognized from the accumulated other comprehensive income and subtracted from the carrying amount of the securities.

#### **Valuation of Held-to-Maturity Securities**

Held-to-maturity securities are initially recognized at acquisition cost, which includes the market value of the consideration given and any other transaction costs involved in the acquisition, which is determined by the specific identification method. The difference between the acquisition costs and face values of held-to-maturity securities are amortized over the remaining terms of the securities by applying effective interest method and added to or subtracted from the acquisition costs and interest income. If the estimated recoverable amount of debt securities is less than the amortized cost and the objective evidence of impairment exists, the carrying value is adjusted to recoverable amount and the resulting valuation loss is charged to current earnings.

#### **Valuation of Equity Method Investments**

Equity securities held for investment in companies in which the Consolidated Company is able to exert significant influence over the investees are accounted for using the equity method. Under the equity method, the Consolidated Company accounts for its proportionate ownership in the book value of the subsidiary in current operations as adjustment to income or loss, retained earnings, capital surplus, capital adjustments, or accumulated other comprehensive income depending on the nature of the underlying change in the book value of the subsidiaries.

The excess of the acquisition cost over the proportionate fair value of the investee's net asset is amortized using the straight-line method up to a maximum of 20 years. The excess of the proportionate fair value of net asset over the acquisition cost ("the excess"), arising from the agreed expected future loss or expense, is recognized as income when expected future loss or expense is incurred. The excess of



## Notes to Consolidated Financial Statements

up to the fair value of identifiable non-monetary assets is recognized as income over the years using the weighted average useful lives of non-monetary assets. The excess over fair value of identifiable non-monetary assets is recognized as income and reflected in the equity method investment.

The unrealized profit arising from the transactions between the equity method investees and the Consolidated Company or between equity method investees is eliminated.

When the book value of equity method investments is less than zero due to the cumulative losses of the investees, the Consolidated Company discontinues the application of the equity method and does not provide for any additional losses. If the investee subsequently reports net income, the Consolidated Company resumes applying the equity method only after its share of that net income equals the share of net losses not recognized during the period when the equity method was suspended. In addition, if the investees' capital is increased through issuance of common stock, the share of net losses not recognized during the period when the equity method was suspended is recorded as a decrease in retained earnings.

Any significant difference between expected cash flow from equity method investments and the Consolidated Company's proportionate ownership in the net book value of the investees is accounted for as impairment loss from equity method investments. When the estimated future expected cash flow from equity method investments exceeds the carrying value after impairment, such recovery is recorded in current operations up to the recorded impairment loss amount.

### **Reversal of Impairment Loss on Available-for-Sale Securities and Held-to-Maturity Securities**

If the reasons for impairment losses of available-for-sale securities no longer exist, the recovery is recorded in current operations up to the amount of the previously recognized impairment loss as reversal of impairment loss on available-for-sale securities and any excess is included in accumulated other comprehensive income as gain on valuation of available-for-sale securities.

However, if the increases in the fair value of the impaired securities are not considered as recovery from impairment, the increases in the fair value are recorded as gain on valuation of available-for-sale securities in accumulated other comprehensive income. For non-marketable equity securities, which were impaired based on the net asset fair value, the recovery is recorded up to their acquisition cost.

The reversal of impairment loss of held-to-maturity securities, when it is objectively related to an event occurring after the recognition of impairment loss, is recognized as current earnings to the extent that the new carrying amount after the reversal of impairment loss shall not exceed the amortized cost that would have been measured at the date of reversal had no impairment loss been recognized.

### **Reclassification of Securities**

When held-to-maturity securities are reclassified to available-for-sale securities, those securities are accounted for at fair value on the reclassification date, and the difference between the fair value and book value is reported in accumulated other comprehensive income (loss) as gain or loss on valuation of available-for-sale securities. When available-for-sale securities are reclassified to held-to-maturity securities, gain or loss on valuation of available-for-sale securities, which had been recorded until the reclassification date, continues to be included in accumulated other comprehensive income (loss) and is amortized using the effective interest rate method. The amortized amount is charged to interest income or expense until maturity. The difference between the fair value at the reclassification date and face value of the reclassified securities to held-to-maturity securities is amortized using effective interest rate method and the amortized amount is charged to interest income. In addition, when certain trading securities lose their marketability, such securities are reclassified as available-for-sale securities at fair market value as of reclassification date.

### **Transfer of Securities**

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

### Allowance for Possible Losses on Credits

In accordance with SKAS and supervisory regulations for specific industries, the Consolidated Company provides an allowance for possible losses on credit. Allowances are calculated based on the estimates made through a reasonable and objective method.

The Regulation on Supervision of Banking Business (the "Supervisory Regulation"), legislated by the Financial Services Commission ("FSC"), requires all loans to be classified into five categories, namely, normal, precautionary, substandard, doubtful, or estimated loss, based on borrowers' repayment capability and historical financial transaction records. Also, the Supervisory Regulation requires all loans to have allowance for loan losses no less than the directed minimum percentage rate in its respective category.

As required by the Supervisory Regulation, allowance for loan losses is provided in accordance with loan loss rate by category for corporate credits (loans, confirmed acceptances and guarantees) over certain size which is determined by Forward Looking Criteria (the "FLC") that considers the borrower's capability of repayment. The FLC evaluates the asset by considering the types of loan, collaterals and guarantees, if any, in addition to measuring the borrowers rating based on industry risk, individual risk and financial risk factors. Kookmin Bank generally classifies all credits provided to a single borrower in the same category of classification but credits guaranteed or collateralized by bank deposits, real estate or other assets may be classified under a different category based on the guarantor's capability to fulfill its obligation upon default or based on the value of collateralized assets. Also, factors such as borrowers' credit rating, past due period, bankruptcy are reflected. In cases where more than two factors are presented, it is classified under the highest risk category. Based on aforementioned corporate credit evaluation model, borrowers' rating are divided into 17 grades from AAA to D (AAA, AA+, AA, A, BBB+, BBB, BBB-, BB+, BB, BB-, B+, B, B-, CCC, CC, C and D). From credit grade AAA to B are classified as normal, from credit grade B- to CCC are classified as precautionary, credit grade CC is classified as substandard, credit grade C is classified as doubtful and credits grade D is classified as estimated loss.

Kookmin Bank provides allowance for loss in accordance with loan loss rate by category as prescribed in the Supervisory Regulation. The loan loss rates for corporate loans range from 0.85(0.9 % for loans to economy-sensitive industries) ~ 6.9 % for normal, 7.0 ~ 19.9 % for precautionary, 20 ~ 49.9 % for substandard, 50 ~ 99.9 % for doubtful and 100 % for estimated loss. However, Kookmin Bank does not provide allowance for call loans, bonds purchased under resale agreements and inter-bank loans that are classified as normal pursuant to the Supervisory Regulation.

In addition, as required by the Supervisory Regulation, based on the classification of household loans and credit card receivables by past due period and status of bankruptcy proceedings, allowance for household loans and credit card receivables are calculated on the category balances using the prescribed percentages of 1.0 ~ 9.9 % and 1.5 ~ 14.9 % for normal, 10 ~ 19.9 % and 15 ~ 19.9 % for precautionary, 20 ~ 54.9 % and 20 ~ 59.9 % for substandard, 55 ~ 99.9 % and 60 ~ 99.9 % for doubtful, and 100 % for estimated loss.

Pursuant to the Supervisory Regulation, Kookmin Bank provides allowance for losses on confirmed acceptances and guarantees, unconfirmed acceptances and guarantees, and bills endorsed based on the credit classification, minimum rate of loss provision prescribed by the Supervisory Regulation and the cash conversion factor. In addition, Kookmin Bank provides allowance for unfunded commitments of credit card and unused credit line of consumer and corporate loans based on the cash conversion factor and minimum rate of loss provision prescribed by the Supervisory Regulation.

In addition, when an allowance for loan losses required by the Supervisory Regulation is less than the amount calculated based on the historical loss rate, which is estimated through objective and reasonable method in accordance with the accounting principles generally accepted in the Republic of Korea, historical loss rate is reflected in the allowance for loan losses.

The method and data used for determining the allowance for loan losses based on historical loss rate by Kookmin Bank's lending portfolios are as follows:

Lending Portfolios	Methodology	Period of Historical Loss Rate	Period of Recovery Ratio
Impaired corporate loans	DCF & Migration	N/A	N/A
Non-impaired corporate loans	Migration analysis	1 year	5 years
Household loans	Migration analysis	1 year	5 years
Credit card loans	Roll-rate analysis	1 year	5 years

## Notes to Consolidated Financial Statements

Based on the loan portfolios' nature, lending period, recovery period, historical trend, and other economic factors, Kookmin Bank determines the appropriate data period to be used in assessing its historical loss rate and recovery ratio.

### Restructuring of Loans

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

### Deferred Loan Origination Fees and Costs

The Consolidated Company defers loan origination fees associated with originating loans and loan origination costs that have future economic benefits. Loan balances are reported net of these loan origination fees and costs. The deferred loan origination fees and costs are amortized using the effective interest method and added to or subtracted from interest income.

### Valuation of Receivables and Payables at Present Value

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

### Bonds under Resale or Repurchase Agreements

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

### Property and Equipment

Property and equipment are recorded at acquisition cost, production cost including incidental expenses or revalued amount. Routine maintenance and repairs are expensed as incurred. Expenditures that result in the enhancement of the value or the extension of the useful lives of the facilities involved are capitalized as additions to assets. If the asset was purchased at discount, the historical value of the asset will be recorded at net of discount amount.

Property and equipment are recorded as net of accumulated depreciation and impairment loss. Depreciation is computed based on the estimated useful lives of the assets and the depreciation methods as follows:

Items	Depreciation Method	Estimated Useful Life
Buildings and structures	Straight-line	34 ~ 40 years
Leasehold improvements	Declining balance	3 ~ 4 years
Equipment and vehicles	Straight-line, Declining balance	3 ~ 5 years

The Consolidated Company's land is revalued periodically by an independent appraiser. Any gain on revaluation, net of tax, is credited to accumulated other comprehensive income. On the other hand, loss on revaluation, net of tax, is first netted against accumulated other comprehensive income and the remainder is included in current operations.

The Consolidated Company accounts for lease transactions as either operating lease or capital lease, depending on the terms of the lease agreement. The Consolidated Company accounts for the lease contracts as capital lease when the risks and rewards of the leased assets are mostly transferred to itself. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incident to ownership. Generally, the financial leases are the leases that (1) on or before the expiration date, the ownership of leased asset



will be transferred to the Consolidated Company, (2) the Consolidated Company has the bargain purchase option at the inception and it is certain that the Consolidated Company will exercise its bargain purchase option, (3) the lease period is more than 75% of the economic life of the leased assets, (4) at the inception, the present value of minimum lease payments discounted at the imputed interest rate is more than 90% of the fair value of the leased assets, or (5) the leased assets are not commonly usable.

### Intangible Assets

Intangible assets included in other assets are recorded at the production costs or purchase costs plus incidental expenses less accumulated amortization. Intangible assets are amortized over the estimated economic useful lives of the related assets as follows:

Items	Amortization Method	Estimated Useful Life
Goodwill	Straight-line	5 ~ 9 years
Trademarks	Straight-line	3 ~ 20 years
Others	Straight-line	3 ~ 30 years

The Consolidated Company recorded goodwill, which was fully amortized as of December 31, 2010, as a result of the merger between Kookmin Bank and H&CB, and the acquisition of the shares of KB Investment & Securities Co., Ltd. as the cost of the merger and acquisition exceeded the fair value of the net assets acquired. The Consolidated Company estimates the useful lives of endowment assets that are beneficial upon usage based on the term of the contract and are classified under other intangible assets.

### Impairment of Assets

When the book value of an asset is significantly greater than its recoverable value due to obsolescence, physical damage or an abrupt decline in the market value of the asset, the said decline in value is deducted from the book value to agree with recoverable amount and is recognized as an asset impairment loss for the period. When the recoverable value subsequently exceeds the book value, the impairment amount is recognized as gain for the period to the extent that the revised book value does not exceed the book value that would have been recorded without the impairment. However, reversal of impairment of goodwill is not allowed.

### Securities Sold

In relation to the lending and borrowing of securities, borrowed securities are recognized only in the Consolidated Company's memorandum accounts. When those securities are sold, the Consolidated Company recognizes corresponding securities as securities sold. The changes in fair value of securities sold are recorded as gain or loss on valuation of securities sold. The differences between book value and repurchase price of securities sold are accounted for as gain or loss from disposal of securities sold.

### Amortization of Discounts (Premiums) on Debentures

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

### Contingent Liabilities

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements. However, when such outflow or inflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability in case of an outflow is made in the notes to the financial statements.

### Accrued Severance Benefits

Employees and directors with at least one year of service as of December 31, 2010, are entitled to receive a lump-sum payment upon termination of their employment with the Consolidated Company, based on their length of service and rate of pay at the time of termination. The accrued severance benefits that would be payable assuming all eligible employees and directors were to terminate their employment are included in other liabilities.

The severance benefits are funded through a severance insurance deposit for payment of severance benefits, and the account is deducted from accrued severance benefits. However, if the deposit exceeds accrued severance benefits, the Consolidated Company classify the excess deposit over accrued severance benefits as other investments.

## Notes to Consolidated Financial Statements

### Accounting for Derivative Instruments

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

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

### Accounting for Share-based Payments

The terms of the arrangement for share-based payment transactions provide the Consolidated Company with a choice of whether the transaction is settled in cash or by issuing equity instruments. In accordance with the resolution of the Kookmin Bank's Board of Directors on August 23, 2005, to settle the transaction in cash, the compensation cost is recorded under other liabilities as accrued expense. The compensation cost of stock options granted before and after the effective date of the Statement of Korea Accounting Standards No. 22, Share-based Payments, was measured using the intrinsic value method in accordance with the Interpretations on Financial Accounting Standards 39-35, Accounting for Stock Options, and the fair value method, respectively.

### National Housing Fund

Kookmin Bank, as designated by the Korean government under the Housing Law (formerly Housing Construction Promotion Law), manages the sources and uses of funds of the National Housing Fund (the "NHF") and records the related NHF account in other liabilities. In addition, the Bank pays interest to the NHF, which is computed by multiplying the average balance of the NHF account by the passbook deposit interest rate. With the termination of the NHF designation as of March 31, 2008, the Bank does not manage the new operations related to the NHF except for the operations of the existing funds.

### Transactions with the Trust Accounts

Under the Financial Investment Services and Capital Markets Act, Kookmin Bank recognizes trust accounts ("the Trust Accounts") as separate. The borrowings from trust accounts represent transfer of funds in trust accounts into banking accounts. Such borrowings from trust accounts are recorded as receivables from the banking accounts in the trust accounts and as borrowings from trust accounts in the banking accounts. The Bank's banking accounts earn trust fees from the trust accounts for its management of trust assets and operations.

The reserves for future losses are set up in the trust accounts for losses related to those trust funds with a guarantee of the principal or of a certain minimum rate of return in accordance with the relevant laws and regulations applicable to trust operations. The reserves are used to provide for the losses on such trust funds and, if the losses incurred are in excess of the reserves for future losses, the excess losses are compensated by the Bank. Accordingly, the banking accounts recognize the compensation paid as a loss on trust management in other operating expenses and the trust accounts recognize the corresponding compensation as compensation from banking accounts.

### Income Tax Expense

Income tax expense includes the tax currently payable under the relevant income tax law and the changes in deferred tax assets or liabilities. Deferred tax assets and liabilities represent temporary differences between financial reporting and the tax bases of assets and liabilities.

Deferred tax liabilities, as long as there is no exception, are recognized for temporary differences, which will increase future taxable income, to the extent that it is probable that such deferred tax liabilities will be realized. Deferred tax assets are recognized for temporary differences which will decrease future taxable income and net operating loss carryforwards to the extent that it is probable that such deferred tax assets will be realized. Deferred tax effects applicable to items in the shareholders' equity are directly reflected in the shareholders' equity account.

### Consolidated Taxation

The Company, after adopting the consolidated taxation system, uses the systematic and reasonable method to calculate the consolidated tax all subsidiaries and the related refunds and payable of each subsidiary. Accordingly, the Parent Company accounts for the consolidated tax as income tax payable on behalf of its subsidiaries.

### Accounting for Foreign Currency Transactions and Translation

The Consolidated Company maintains its accounts in Korean won. Transactions in foreign currencies are recorded in Korean won based on the basic rate of exchange on the transaction date. The Korean won equivalent of assets and liabilities denominated in foreign currencies are translated in these consolidated financial statements based on the basic rate of ₩ 1,138.90 and ₩ 1,167.60 to USD 1.00 on December 31, 2010 and 2009, respectively, as announced by Seoul Money Brokerage Service, Ltd. or cross rates for other currencies other than U.S. dollars at the end of the reporting period. Translation gains and losses are credited or charged to operations. Financial statements of overseas branches are translated based on the foreign exchange rate at the end of the reporting period as those branches independently keep accounting records denominated in local currencies.

### Summary of Accounting Policies for the Consolidated Company's Trust Accounts

The significant accounting policies on the trust account which guarantee principal amount are as follows:

#### Valuation of Debt Securities

Debt securities included in performance-based Trust Accounts are generally recorded at acquisition costs, which include additional costs and deduct accrued interest income for the period before acquisition, and are classified into five categories to provide allowance for possible credit losses in accordance with the credit rates of bonds issued by each company. Debt securities included in base price-based Trust Accounts are estimated by applying the average of base prices per bond closing on recent trading day announced by Korea Asset Pricing Co., Ltd. and KIS Pricing, Inc.

#### Allowance for Credit Losses

The trust accounts provide allowance for possible credit losses based on the minimum reserve level provided by Financial Supervisory Service Guidelines if the amounts are larger than allowances for possible credit losses based on historical loss rate of the trust accounts' lending portfolios.

As required by Financial Supervisory Service Guidelines, the trust accounts determines the credit risk classification of corporate loans using a certain scale based on the Trust Accounts' internal credit rating system, the Forward Looking Criteria (FLC), and other factors such as days in arrears, insolvency and result of financial transactions. Allowances are determined by applying the rates of each credit risk classification. The FLC credit rating criteria are divided into 17 categories (AAA, AA+, AA, A, BBB+, BBB, BBB-, BB+, BB, BB-, B+, B, B-, CCC, CC, C and D) and credit risk classification are as follows.

	Credit Ratings
Normal	B (greater or equal)
Precautionary	B- or CCC
Substandard	CC
Doubtful	C
Estimated loss	D

However, the trust accounts classify corporate loans and consumer loans by considering the recoverable amounts of loans including delinquencies and bankruptcies. The rates used for determining the allowances for losses from corporate loans and consumer loans are as follows:



## Notes to Consolidated Financial Statements

	Consumer Loans (%)	Corporate Loans (%)
Normal	1.00	0.85 <sup>1</sup>
Precautionary	10.00	7.00
Substandard	20.00	20.00
Doubtful	55.00	50.00
Estimated loss	100.00	100.00

<sup>1</sup> 0.90% for loans to economy-sensitive industries.

Also, the trust accounts provide additional allowance for relatively high-risk borrowings based on estimated recovery amount, liquidation amount, within the maximum allowance rate for each classification.

### Special Reserve

Special reserve refers to the reserve accumulated upon acquisition of trust fee at 25% or more until the balance of special reserve reaches 5% of the trust accounts for the purpose of reserving unspecific trust accounts whose principle or income should be guaranteed. In cases where the principle of trust accounts needs to recover or the special reserve exceeds the limit, reversal of special reserve is recognized as income. When the purpose of special reserve no longer exists, it is recorded as trust fee.

### Insurance Reserve of KB Life Insurance

KB Life Insurance provides various insurance reserves for payments, refunds, participating policyholders' dividends and related cost in the future as follows:

Premium reserve refers to an amount calculated for the possible refund payment due to the cancellation of insurance policy from eligible policyholders. Premium reserve is calculated for each different insurance products.

Reserve for outstanding claims represents refunds, dividends and claims reported and unpaid as of the end of the reporting period.

Unearned premium reserve represents the unearned portion of quarterly, semi-annual and annual premiums as of the end of the reporting period.

Dividends held on deposit for policyholders represent amounts payable to policyholders due to interest rate difference guarantee, mortality gains, excess interest, expense gains and long-term contracts in accordance with the regulations or agreements.

## 4. Cash and Due from Banks

Cash and due from banks as of December 31, 2010 and 2009, consist of:

(In millions of Korean won)

	2010	2009
Cash and checks (Note 29)	₩ 1,945,457	₩ 2,543,538
Foreign currencies (Notes 21 and 29)	292,319	265,114
Due from banks (Notes 21 and 29)	4,801,156	6,960,481
	₩ 7,038,932	₩ 9,769,133

Due from banks as of December 31, 2010 and 2009, are as follows:

(In millions of Korean won)

	Interest (%)	2010	2009	
Due from banks in won	Bank of Korea (Reserve Deposits)	-	₩ 2,675,109	₩ 5,597,119
	Bank of Korea	2.55 ~ 2.57	150,000	-
	Nonghyup and others	0.00 ~ 5.00	477,648	335,395
	Korea Exchange and others	0.00 ~ 3.20	901,726	366,925
			4,204,483	6,299,439

(In millions of Korean won)

	Interest (%)	2010	2009
<b>Due from banks in foreign currencies</b>	Bank of Korea	-	147,439
	Agricultural Bank of China Suzhou and others	0.00 ~ 5.20	434,399
		581,838	644,261
<b>Due from banks in gold</b>	UBS AG London and others	-	14,835
			₩ 4,801,156
		₩ 4,801,156	₩ 6,960,481

Restricted due from banks as of December 31, 2010 and 2009, are as follows:

(In millions of Korean won)

	2010	2009	Remarks
<b>Due from banks in won</b>			
Bank of Korea (Reserve Deposits)	₩ 2,675,109	₩ 5,597,119	Required by Bank of Korea Act
Bank of Korea	150,000	-	Required by Bank of Korea Act
SC First Bank and others	4,183	39,754	Pledged as collateral for the Borrowings
Korea Securities Finance Corp. and others	49,525	156,124	Required by Capital Market and Financial Investment Business Act and others
Korea Securities Finance Corp. and others	118,320	178,482	Derivatives margin accounts
Korea Exchange and others	209,150	414	Market entry deposit
	3,206,287	5,971,893	
<b>Due from banks in foreign currencies</b>			
Bank of Korea	147,439	137,558	Required by Bank of Korea Act
Korea Exchange Bank and others	16,537	20,890	Derivatives margin accounts and others
Agricultural Bank of China Suzhou and others	28,903	19,273	China's Foreign Bank Regulations
The National Bank of Cambodia	3,964	2,569	Cambodia's local Law and others
	196,843	180,290	
	₩ 3,403,130	₩ 3,403,130	

Due from banks, classified by financial institutions as of December 31, 2010, are as follows:

(In millions of Korean won)

	Due from Banks in Won	Due from Bank in Foreign Currencies	Due from Bank in Gold	Total
Bank of Korea	₩ 2,825,109	₩ 147,439	₩ -	₩ 2,972,548
Other banks	477,648	421,483	14,835	913,966
Other financial institutions	901,726	12,916	-	914,642
	₩ 4,204,483	₩ 581,838	₩ 14,835	₩ 4,801,156

Due from banks, classified by financial institutions as of December 31, 2009, were as follows:

(In millions of Korean won)

	Due from Banks in Won	Due from Bank in Foreign Currencies	Due from Bank in Gold	Total
Bank of Korea	₩ 5,597,119	₩ 137,558	₩ -	₩ 5,734,677
Other banks	335,395	485,893	16,781	838,069
Other financial institutions	366,925	20,810	-	387,735
	₩ 6,299,439	₩ 644,261	₩ 16,781	₩ 6,960,481

## Notes to Consolidated Financial Statements

The maturities of due from banks as of December 31, 2010, are as follows:

(In millions of Korean won)

	3 Months or Less	3 Months to 6 Months	6 Months to 1 Year	-	More than 3 Years	Total
Due from banks in won	₩ 4,093,283	₩ 8,700	₩ 22,300	₩ 170	₩ 80,030	₩ 4,204,483
Due from banks in foreign currencies	501,999	26,265	51,752	-	1,822	581,838
Due from banks in gold	14,835	-	-	-	-	14,835
	₩ 4,610,117	₩ 34,965	₩ 74,052	₩ 170	₩ 81,852	₩ 4,801,156

The maturities of due from banks as of December 31, 2009, were as follows:

(In millions of Korean won)

	3 Months or Less	3 Months to 6 Months	6 Months to 1 Year	1 year to 3 Years	More than 3 Years	Total
Due from banks in won	₩ 6,171,199	₩ 2,800	₩ 75,440	₩ 20,000	₩ 30,000	₩ 6,299,439
Due from banks in foreign currencies	629,424	13,319	-	-	1,518	644,261
Due from banks in gold	16,781	-	-	-	-	16,781
	₩ 6,817,404	₩ 16,119	₩ 75,440	₩ 20,000	₩ 31,518	₩ 6,960,481

### 5. Securities

Securities as of December 31, 2010 and 2009, consist of:

(In millions of Korean won)

	2010	2009
Trading securities	₩ 5,270,110	₩ 6,763,635
Available-for-sale securities	23,570,234	21,893,966
Held-to-maturity securities	13,908,241	13,215,816
Equity method investments	777,694	662,231
	₩ 43,526,279	₩ 42,535,648

The details of securities, excluding equity method investments, as of December 31, 2010 and 2009, are as follows:

(In millions of Korean won)

	2010	2009
<b>Trading Securities</b>		
Equity securities	₩ 76,979	₩ 162,387
Beneficiary certificates	356,784	121,792
Government and public bonds	1,044,324	1,979,776
Bank debentures	2,422,138	3,074,802
Corporate bonds	1,072,565	1,226,223
Asset-backed securities	186,712	150,900
Other securities	110,608	47,755
	₩ 5,270,110	₩ 6,763,635
<b>Available-for-sale Securities</b>		
Equity securities	₩ 2,041,343	₩ 2,013,481
Equity investments	91,900	80,666
Beneficiary certificates	1,547,106	771,526
Government and public bonds	6,909,651	6,768,564



(In millions of Korean won)

	2010	2009
Bank debentures	5,900,844	5,913,474
Corporate bonds	4,727,133	3,916,076
Asset-backed securities	1,965,291	2,206,190
Other securities	386,966	223,989
	₩ 23,570,234	₩ 21,893,966
<b>Held-to-maturity Securities</b>		
Government and public bonds	₩ 6,339,677	₩ 5,753,518
Bank debentures	1,215,449	2,717,461
Corporate bonds	5,960,380	4,502,840
Asset-backed securities	392,735	241,997
	₩ 13,908,241	₩ 13,215,816

The fair values of trading and available-for-sale debt securities were determined by applying the average of base prices as of the end of the reporting period, provided by independent pricing services.

The fair values of the non-marketable available-for-sale equity securities, such as Korea Housing Guarantee Co., Ltd. and 52 others, and the restricted available-for-sale marketable equity securities, such as Hyundai Engineering & Construction Co., Ltd. and seven others, were determined by the values provided by independent pricing services which measure fair value using appropriate valuation models based on professional judgment with verifiable inputs. The independent pricing services measure the fair values using more than one valuation models, such as Discounted Cash Flow (DCF) Model, Imputed Market Value (IMV) Model, Discounted Free Cash Flow to Equity (FCFE) Model, Dividend Discount (DD) Model and Risk Adjusted Discounted Cash Flow (RADCF) Model, depending on the characteristics the equity securities.

Non-marketable available-for-sale securities, which are not measured at fair value as of December 31, 2010 and 2009, are as follows:

(In millions of Korean won)

	2010	2009
Consumer Credit Assistant Fund Co., Ltd.	₩ 55,059	₩ 55,059
Korea Asset Management Corp.	15,667	15,667
TStone 2nd Private Equity Fund	9,318	6,610
Alphas PFV Co., Ltd. (Formerly Eunpyeong New Town PFV Co., Ltd.)	9,060	5,285
Non-performing Asset Management Fund	7,968	17,654
Megaball City	7,620	7,620
G.I.T Co., Ltd.	1,639	1,639
Bichae-Nuri Development	1,333	1,333
CLS Group Holdings A.G	1,275	1,179
Chungjin 23 Project Co., Ltd.	1,000	-
Hankook AMC	1,000	1,000
Gyeonggi-KT GreenGrowth	1,000	1,000
Chase Securities Int'l( London )	916	939
KB Wise Star CR REIT Co. Ltd. No.1	900	-
Future Book	800	2,000
Others	24,119	45,726
	₩ 138,674	₩ 162,711

## Notes to Consolidated Financial Statements

The details of impairment loss and reversal of impairment loss on available-for-sale securities and held-to-maturity securities for the years ended December 31, 2010 and 2009, are as follows:

(In millions of Korean won)

	2010		2009	
	Impairment Loss	Reversal of Impairment Loss	Impairment Loss	Reversal of Impairment Loss
<b>Available for sales securities</b>				
Equity securities	₩ 27,683	₩ -	₩ 1,614	₩ 642
Debt securities	41,320	8,970	42,238	423
	69,003	8,970	43,852	1,065
<b>Held-to-maturity securities</b>				
Debt securities	901	4	8,208	-
	₩ 69,904	₩ 8,974	₩ 52,060	₩ 1,065

Structured notes relating to stock, interest rate, and credit risk as of December 31, 2010 and 2009, are as follows:

(In millions of Korean won)

	2010	2009
<b>Structured notes relating to stock</b>		
Exchangeable bonds	₩ -	₩ 5,948
	-	5,948
<b>Structured notes relating to interest rate</b>		
Dual index FRN	38,000	30,000

Structured notes relating to stock, interest rate, and credit risk as of December 31, 2010 and 2009, are as follows:

(In millions of Korean won)

	2010	2009
<b>Others</b>		
	-	60,000
	38,000	90,000
<b>Structured notes relating to credit risk</b>		
Synthetic CDO	139	529
	₩ 38,139	₩ 96,477

Private beneficiary certificates as of December 31, 2010 and 2009, consist of:

(In millions of Korean won)

	2010	2009
Stocks	₩ 12,961	₩ 37,241
Government and public bonds	46,733	14,318
Financial bonds	98,986	-
Corporate bonds	365,794	34,587
Asset-backed securities	1,820	-
Call loans	11,800	68
Others	275,786	7,176
Total assets	813,880	93,390
Less: total liabilities	51,460	1,431
	₩ 762,420	₩ 91,959

The portfolio of securities, excluding equity method investments, by industry, as of December 31, 2010 and 2009, is as follows:

(In millions of Korean won)

	2010		2009	
	Amount	Percentage (%)	Amount	Percentage (%)
<b>Trading securities</b>				
Government and government-invested public companies	₩ 1,739,206	33.00	₩ 2,707,445	40.03
Financial institutions	3,191,442	60.56	3,649,949	53.96
Others	339,462	6.44	406,241	6.01
	₩ 5,270,110	100.00	₩ 6,763,635	100.00
<b>Available-for-sale securities</b>				
Government and government-invested public companies	8,317,195	35.29	₩ 8,454,066	38.61
Financial institutions	11,131,658	47.23	10,191,625	46.55
Others	4,121,381	17.48	3,248,275	14.84
	₩ 23,570,234	100.00	₩ 21,893,966	100.00
<b>Held-to-maturity securities</b>				
Government and government-invested public companies	₩ 9,380,878	67.45	₩ 9,518,368	72.02
Financial institutions	3,262,852	23.46	3,228,245	24.43
Others	1,264,511	9.09	469,203	3.55
	₩ 13,908,241	100.00	₩ 13,215,816	100.00

The portfolio of securities, excluding equity method investments, by security type, as of December 31, 2010 and 2009, is as follows:

(In millions of Korean won)

	2010		2009	
	Amount	Percentage (%)	Amount	Percentage (%)
<b>Trading securities</b>				
Korea	₩ 5,270,110	100.00	₩ 6,763,635	100.00
<b>Available-for-sale securities</b>				
Korea	₩ 23,334,650	99.00	₩ 21,664,766	98.95
USA	210,784	0.89	206,066	0.94
UK	21,549	0.09	19,996	0.09
China	1,195	0.01	1,225	0.01
Switzerland	1,275	0.01	1,179	0.01
Others	781	0.00	734	0.00
	₩ 23,570,234	100.00	₩ 21,893,966	100.00
<b>Held-to-maturity securities</b>				
Korea	₩ 13,907,806	99.99	₩ 13,214,454	99.99
USA	435	0.01	1,362	0.01
	₩ 13,908,241	100.00	₩ 13,215,816	100.00



## Notes to Consolidated Financial Statements

The maturities of available-for-sale and held-to-maturity debt securities as of December 31, 2010, are as follows:

(In millions of Korean won)

	Due in 1 Year or Less	Due After 1 Year Through 5 Years	Due After 5 Years Through 10 Years	More Than 10 Years	Total
<b>Available-for-sale securities</b>					
Fair value	₩ 7,639,836	₩ 10,772,896	₩ 1,254,509	₩ 1,769,750	₩ 21,436,991
<b>Held-to-maturity securities</b>					
Book value	1,760,352	8,959,551	3,077,259	111,079	13,908,241
Fair value	1,779,894	9,250,770	3,193,211	116,348	14,340,223

The maturities of available-for-sale and held-to-maturity debt securities as of December 31, 2009, were as follows:

(In millions of Korean won)

	Due in 1 Year or Less	Due After 1 Year Through 5 Years	Due After 5 Years Through 10 Years	More Than 10 Years	Total
<b>Available-for-sale securities</b>					
Fair value	₩ 7,408,625	₩ 9,673,759	₩ 774,604	₩ 1,942,831	₩ 19,799,819
<b>Held-to-maturity securities</b>					
Book value	3,092,122	7,339,814	2,733,147	50,733	13,215,816
Fair value	3,108,095	7,072,298	2,471,757	40,5098	12,692,659

The valuation of equity method investments for the year ended December 31, 2010, follows:

(In millions of Korean won)

	Beginning Balance	Acqui-sition (Disposal)	Dividends	Foreign Exchange Trading Income (Loss)	Gain(Loss) on Valuation of Equity Method Investments	Other Compre- hensive Income (Loss)	Impairment Loss	Others	Ending Balance
<b>Domestic stocks</b>									
KLB Securities Co., Ltd. 1, 4	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
Balhae Infrastructure Fund	114,624	5,571	(7,305)	-	7,384	-	-	-	120,274
Korea Credit Bureau Co., Ltd.	2,769	-	-	-	424	-	-	-	3,193
UAMCO., Ltd.	11,992	72,800	-	-	830	-	-	-	85,622
KT Wibro Infrastructure Co., Ltd.	-	100,000	-	-	139	-	-	-	100,139
Nexolon Co., Ltd.	-	20,000	-	-	-	-	-	-	20,000
KB Global Star Game & Apps Special Purpose Acquisition Company	-	1,031	-	-	-	-	-	-	1,031
	129,385	199,402	(7,305)	-	8,777	-	-	-	330,259
<b>Foreign stocks</b>									
ILSAN Electronics(Simyang) Public Corporation	-	240	-	-	-	-	-	-	240
JSC Bank CenterCredit 6,7	472,867	136,565	(3)	(8,721)	(173,372)	1,849	(50,370)	-	378,815
KB Investment & Securities Hong Kong Limited	1,024	1,131	-	-	(1,285)	(1)	-	-	869
	473,891	137,936	(3)	(8,721)	(174,657)	1,848	(50,370)	-	379,924

(In millions of Korean won)

	Beginning Balance	Acqui-sition (Disposal)	Dividends	Foreign Exchange Trading Income (Loss)	Gain(Loss) on Valuation of Equity Method Investments	Other Compre-hensive Income (Loss)	Impairment Loss	Others	Ending Balance
<b>Equity Investments</b>									
KB06-1 Venture Investment Partnership	15,275	-	(270)	-	621	(252)	-	-	15,374
KB08-1 Venture Investment Partnership	31,088	-	-	-	2,236	-	-	-	33,324
Kookmin Investment Partnership No.16 <sup>2</sup>	40	-	-	-	(40)	-	-	-	-
NPS 05-6 KB Venture Fund	2,272	-	-	-	1,595	495	-	-	4,362
NPS 07-5 KB Venture Investment Partnership	5,403	-	-	-	(1,801)	(67)	-	-	3,535
09-5KB Venture Fund	1,798	6,000	-	-	(492)	-	-	-	7,306
KB06-1 Corporate Restructuring Fund <sup>3</sup>	495	-	-	-	(495)	-	-	-	-
NPS 06-5KB Corporate Restructuring Fund	2,574	-	(1,900)	-	302	(100)	-	-	876
KB-Glenwood Private Equity Fund 1 <sup>8</sup>	10	-	-	-	-	-	-	(10)	-
KoFC-KB Pioneer Champ No. 2010-8 Investment Partnership	-	3,000	-	-	(266)	-	-	-	2,734
Burrill-KB Life Sciences Fund	-	372	-	-	(372)	-	-	-	-
Joam Joint Residential Development	-	8	-	-	(8)	-	-	-	-
	58,955	9,380	(2,170)	-	1,280	76	-	(10)	67,511
	₩ 662,231	₩ 346,718	₩ (9,478)	₩ ( 8,721)	₩ (164,600)	₩ 1,924	₩ (50,370)	₩ (10)	₩ 777,694

The valuation of equity method investments for the year ended December 31, 2010, follows:

(In millions of Korean won)

	Beginning Balance	Acqui-sition (Disposal)	Dividends	Foreign Exchange Trading Income (Loss)	Gain(Loss) on Valuation of Equity Method Investments	Other Compre-hensive Income (Loss)	Impairment Loss	Others	Ending Balance
<b>Domestic stocks</b>									
KLB Securities Co., Ltd. <sup>1,4</sup>	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
Joeeun Industrial Co., Ltd. <sup>4,5</sup>	-	-	-	-	-	-	-	-	-
Balhae Infrastructure Fund	108,194	5,670	(6,420)	-	7,180	-	-	-	114,624
Korea Credit Bureau Co., Ltd.	2,710	-	-	-	59	-	-	-	2,769
UAMCO., Ltd.	-	12,250	-	-	(258)	-	-	-	11,992
	110,904	17,920	(6,420)	-	6,981	-	-	-	129,385
<b>Foreign stocks</b>									
Kookmin Bank Singapore Ltd. <sup>3</sup>	2,184	(2,184)	-	-	-	-	-	-	-
Kookmin Finance Asia Ltd. (HK) <sup>3</sup>	305	(305)	-	-	-	-	-	-	-
JSC Bank CenterCredit <sup>7</sup>	790,956	-	-	(177,605)	(39,458)	(369)	(100,352)	(305)	472,867

## Notes to Consolidated Financial Statements

(In millions of Korean won)

	Beginning Balance	Acqui-sition (Disposal)	Dividends	Foreign Exchange Trading Income (Loss)	Gain(Loss) on Valuation of Equity Method Investments	Other Compre-hensive Income (Loss)	Impairment Loss	Others	Ending Balance
KB Investment & Securities Hong Kong Limited	1,335	1,240	-	-	(1,470)	(81)	-	-	1,024
	794,780	(1,249)	-	(177,605)	(40,928)	(450)	(100,352)	(305)	473,891
<b>Equity Investments</b>									
KB06-1 Venture Investment Partnership	14,429	-	-	-	739	107	-	-	15,275
KB08-1 Venture Investment Partnership	7,378	22,500	-	-	1,210	-	-	-	31,088
Kookmin Investment Partnership No.16 <sup>2</sup>	46	(6)	-	-	-	-	-	-	40
Kookmin China Fund No.1 <sup>3</sup>	303	(134)	(216)	-	47	-	-	-	-
KTTC Kookmin Venture Partnership No.1 <sup>3</sup>	1,000	(1,000)	-	-	-	-	-	-	-
KB03-1 Venture Investment Fund <sup>3</sup>	1,315	(747)	-	-	(594)	26	-	-	-
NPS 05-6 KB Venture Fund	4,578	-	-	-	(2,179)	(127)	-	-	2,272
NPS 07-5 KB Venture Investment Partnership	5,079	-	-	-	261	63	-	-	5,403
09-5KB Venture Fund	-	2,000	-	-	(202)	-	-	-	1,798
KB03-1 Corporate Restructuring Fund <sup>3</sup>	4,505	(3,352)	-	-	(1,153)	-	-	-	-
KB06-1 Corporate Restructuring Fund <sup>3</sup>	1,150	-	-	-	(655)	-	-	-	495
NPS 06-5KB Corporate Restructuring Fund	4,827	(2,470)	(879)	-	976	120	-	-	2,574
KB-Glenwood Private Equity Fund <sup>1</sup>	-	10	-	-	-	-	-	-	10
	44,610	16,801	(1,095)	-	(1,550)	189	-	-	58,955
	₩ 950,294	₩ 33,472	₩ (7,515)	₩ (177,605)	₩ (35,497)	₩ (261)	₩ (100,352)	₩ (305)	₩ 662,231

<sup>1</sup> In the process of filing for bankruptcy as of December 31, 2010 and 2009.

<sup>2</sup> Under liquidation as of December 31, 2010 and 2009.

<sup>3</sup> Liquidation process was completed during the year ended December 31, 2010 and 2009.

<sup>4</sup> The equity method is no longer applied to KLB Securities Co., Ltd. and Joeeun Industrial Co., Ltd. due to their below zero book values resulting from their accumulated deficit.

<sup>5</sup> The filing for bankruptcy was completed as of December 31, 2010.

<sup>6</sup> Kookmin Bank acquired the convertible preferred stock of JSC Bank CenterCredit, amounting to ₩ 86,900 million, through its participation in the capital increase of JSC Bank CenterCredit. The common shares amounting to ₩ 49,665 million were acquired from existing shareholders.

<sup>7</sup> Kookmin Bank applied the equity method of accounting based on the 41.93% interest in JSC Bank CenterCredit by treating the convertible preferred shares and common shares of JSC Bank CenterCredit as if they are of the same kind. The difference between the initial cost

of the investment and the proportionate ownership in the net book value of the investment is amortized over five years using the straight-line method. The excess of initial cost over the proportionate ownership in net book value of the investments, amounting to ₩ 58,603 million, is amortized and charged to earnings for the year ended December 31, 2010, while the impairment loss of ₩ 50,370 million is also charged to current earnings during the same period. The remaining difference after amortization and impairment loss, amounting ₩ 113,606 million, is accounted for as equity method investments as of December 31, 2010. In the meantime, the excess of the proportionate ownership in the net book value of the investments over the initial cost, amounting to ₩ 8,932 million, is also recognized due to the additional purchase of equity method investments for JSC Bank CenterCredit. However, the remaining difference, net of reversal of ₩ 7,625 million, representing the proportion of disposal and amortization of non-monetary assets owned by JSC Bank CenterCredit as of December 31, 2009, the deemed acquisition date, is ₩ 1,307 million as of December 31, 2010. The proportionate ownership in the difference between the net fair value and net book value of JSC Bank CenterCredit amounts to ₩ 25,777 million as of December 31, 2010. In addition, gain on fair value hedge amounting to ₩ 4,509 million is included in foreign exchange trading expenses.

<sup>8</sup> Included as consolidated subsidiaries as of December 31, 2010.

Except for Korea Credit Bureau Co., Ltd., KB06-1 Venture Investment Partnership, and others, audited or reviewed financial statements of equity method investees were used for the valuation of equity method investments as of December 31, 2010. The Consolidated Company performed analytical reviews, such as fluctuation analysis, to assess the reliability of those financial statements. In addition, the financial statements of JSC Bank CenterCredit, which were prepared in accordance with the generally accepted accounting principles of Kazakhstan, were adjusted under the equity method in conformity with the Korean generally accepted accounting principles. The adjustments resulted in a ₩ 33,193 million decrease in the Consolidated Company's net assets.

Securities provided as collateral as of December 31, 2010 and 2009, are as follows: (In millions of Korean won)

	2010		2009		Provided for
	Book Value	Collateral Amount	Book Value	Collateral Amount	
Korea Securities Depository & others	₩ 3,142,376	₩ 3,142,000	₩ 4,328,908	₩ 4,341,031	Bonds sold under repurchase agreements
Bank of Korea	1,100,351	1,120,000	1,385,931	1,420,000	Borrowings
Bank of Korea	597,303	604,800	575,164	586,800	Settlement risk
Samsung Futures & others	821,013	822,786	990,921	954,716	Derivative settlement
Korea Securities Depository & others	139,810	145,000	131,743	140,000	Securities lending and borrowing transactions
Others	2,128,197	1,993,128	2,120,648	2,085,023	Others
	₩ 7,929,050	₩ 7,827,714	₩ 9,533,315	₩ 9,527,570	

Loaned securities as of December 31, 2010 and 2009, are as follows: (In millions of Korean won)

	2010	2009	Provided to
Government and public bonds	₩ 880,448	₩ 239,362	Korea Securities Finance Corp. and others
Stocks	2,448	30,285	Korea Securities Depository
	₩ 882,896	₩ 269,647	

## 6. Loans Receivable

Loans receivable as of December 31, 2010 and 2009, consist of: (In millions of Korean won)

	2010	2009
Call loans	₩ 908,518	₩ 446,589
Domestic import usance bill	2,619,295	2,354,936
Credit card receivables	12,416,234	11,382,545



## Notes to Consolidated Financial Statements

(In millions of Korean won)

	2010	2009
Bills bought in foreign currencies	2,219,110	2,059,807
Bills bought in won	21,731	19,179
Bonds purchased under resale agreements	1,930,700	1,590,000
Loans	178,117,149	177,562,979
Factoring receivables	-	18
Advances for customers	184,903	44,581
Privately placed bonds	2,201,171	3,308,717
	200,618,811	198,769,351
Add: Deferred loan origination fees and costs	208,405	160,688
Less: Allowance for possible loan losses (Notes 7 and 8)	(4,282,215)	(3,532,146)
	₩ 196,545,001	₩ 195,397,893

Loans receivable as of December 31, 2010 and 2009, are as follows:

(In millions of Korean won)

	2010	2009	
<b>Loans in Won</b>			
Commercial	Working capital loans		
	General purpose loans	₩ 40,118,932	₩ 40,704,835
	Notes discounted	501,816	604,481
	Overdraft accounts	302,860	283,190
	Trading notes	912,900	957,654
	Others	7,421,062	8,519,544
		49,257,570	51,069,704
	Facilities loans		
	General facilities loans	20,708,698	18,428,467
	Others	1,627,460	1,684,730
	22,336,158	20,113,197	
	71,593,728	71,182,901	
Households	General purpose loans	54,675,330	51,585,539
	Housing loans	42,632,804	45,112,757
	Remunerations on mutual installment savings	23,794	28,900
	Others	549,170	471,568
	97,881,098	97,198,764	
Public sector	Public operation loans	2,548,970	2,872,236
	Public facilities loans	69,759	161,439
		2,618,729	3,033,675
Other	Property formation loans	300	382
	Others	471,655	347,676
		471,955	348,058
	172,565,510	171,763,398	

(In millions of Korean won)

		2010	2009
Loans in Foreign Currencies	Domestic funding loans	4,417,031	4,511,760
	Off-shore funding loans	926,510	1,113,816
	Inter-bank loans	208,098	108,150
	Government funding loans	-	65,855
		5,551,639	5,799,581
	₩ 178,117,149	₩ 177,562,979	

Loans, classified by borrower type, as of December 31, 2010, are as follows:

(In millions of Korean won)

	Loans in Won	Loans in Foreign Currencies	Total	Percentage (%)
Large corporations	9,443,922	2,323,846	11,767,768	6.60
Small and medium-sized corporations	62,111,388	3,095,747	65,207,135	36.61
Households	98,301,890	67,195	98,369,085	55.23
Others	2,708,310	64,851	2,773,161	1.56
	172,565,510	5,551,639	178,117,149	100.00

Loans, classified by borrower type, as of December 31, 2009, were as follows:

(In millions of Korean won)

	Loans in Won	Loans in Foreign Currencies	Total	Percentage (%)
Large corporations	₩ 8,586,104	₩ 2,785,242	₩ 11,371,346	6.41
Small and medium-sized corporations	62,475,041	2,804,551	65,279,592	36.76
Households	97,496,582	51,840	97,548,422	54.94
Others	3,205,671	157,948	3,363,619	1.89
	₩ 171,763,398	₩ 5,799,581	₩ 177,562,979	100.00

Loans receivable, classified by borrower's country or region, as of December 31, 2010, are as follows:

(In millions of Korean won)

	Loans Receivable in Won	Loans Receivable in Foreign Currencies	Others	Total	Percentage (%)
Korea	₩ 172,565,510	₩ 4,528,034	₩ 22,312,528	₩ 199,406,072	99.40
Southeast Asia	-	85,557	56,954	142,511	0.07
China	-	11,376	79,936	91,312	0.04
Japan	-	840,062	53	840,115	0.42
Central and South America	-	1,453	384	1,837	0.00
USA	-	-	902	902	0.00
Others	-	85,157	50,905	136,062	0.07
	₩ 172,565,510	₩ 5,551,639	₩ 22,501,662	₩ 200,618,811	100.00

## Notes to Consolidated Financial Statements

Loans receivable, classified by industry, as of December 31, 2010, are as follows:

(In millions of Korean won)

	Loans Receivable in Won	Loans Receivable in Foreign Currencies	Others	Total	Percentage (%)
<b>Corporations</b>					
Financial institutions	₩ 1,848,505	₩ 339,036	₩ 3,042,167	₩ 5,229,708	2.61
Manufacturing	22,065,101	2,095,034	4,714,554	28,874,689	14.39
Services	30,400,930	2,257,183	982,238	33,640,351	16.77
Others	19,667,784	783,327	2,768,350	23,219,461	11.57
<b>Households</b>	98,301,890	67,195	10,938,665	109,307,750	54.49
<b>Public sector</b>	281,300	9,864	55,688	346,852	0.17
	₩ 172,565,510	₩ 5,551,639	₩ 22,501,662	₩ 200,618,811	100.00

Loans receivable, classified by industry, as of December 31, 2009, were as follows:

(In millions of Korean won)

	Loans Receivable in Won	Loans Receivable in Foreign Currencies	Others	Total	Percentage (%)
<b>Corporations</b>					
Financial institutions	₩ 1,486,311	₩ 224,736	₩ 2,327,105	₩ 4,038,152	2.03
Manufacturing	20,840,868	2,427,616	4,530,029	27,798,513	13.99
Services	31,805,366	2,326,980	1,327,266	35,459,612	17.84
Others	19,892,814	761,544	3,024,306	23,678,664	11.91
<b>Households</b>	97,496,582	51,840	9,975,008	107,523,430	54.09
<b>Public sector</b>	241,457	6,865	22,658	270,980	0.14
	₩ 171,763,398	₩ 5,799,581	₩ 21,206,372	₩ 198,769,351	100.00

Loans to financial institutions as of December 31, 2010, are as follows:

(In millions of Korean won)

	Bank	Other financial institutions	Total
Loans in won	₩ -	₩ 1,848,505	₩ 1,848,505
Loans in foreign currencies	208,098	130,938	339,036
Others	2,904,718	137,449	3,042,167
	₩ 3,112,816	₩ 2,116,892	₩ 5,229,708

Loans to financial institutions as of December 31, 2009, were as follows:

(In millions of Korean won)

	Bank	Other financial institutions	Total
Loans in won	₩ -	₩ 1,486,311	₩ 1,486,311
Loans in foreign currencies	108,150	116,586	224,736
Others	2,057,741	269,364	2,327,105
	₩ 2,165,891	₩ 1,872,261	₩ 4,038,152

The credit rating on loans receivable as of December 31, 2010, is as follows:

(In millions of Korean won)

	Normal	Precautionary	Substandard	Doubtful	Estimated Loss	Total
Call loans	₩ 908,518	₩ -	₩ -	₩ -	₩ -	₩ 908,518
Domestic import usance bill	2,539,059	50,559	19,787	5,088	4,802	2,619,295

(In millions of Korean won)

	Normal	Precautionary	Substandard	Doubtful	Estimated Loss	Total
Credit card receivables	12,154,175	178,155	3,531	38,876	41,497	12,416,234
Bills bought in foreign currency <sup>1</sup>	2,192,260	47,949	506	82	44	2,240,841
Bond purchased under resale agreements	1,930,700	-	-	-	-	1,930,700
Loans	170,619,637	4,111,646	1,958,685	1,106,883	320,298	178,117,149
Advances for customers	53,255	31,087	3,302	916	96,343	184,903
Privately placed bonds	2,149,565	38,619	10,433	-	2,554	2,201,171
	₩ 192,547,169	₩ 4,458,015	₩ 1,996,244	₩ 1,151,845	₩ 465,538	₩ 200,618,811

<sup>1</sup> Bills bought in won included.

The credit rating on loans receivable as of December 31, 2009, was as follows:

(In millions of Korean won)

	Normal	Precautionary	Substandard	Doubtful	Estimated Loss	Total
Call loans	₩ 446,589	₩ -	₩ -	₩ -	₩ -	₩ 446,589
Domestic import usance bill	2,274,804	56,488	13,572	379	9,693	2,354,936
Credit card receivables	11,146,955	144,398	2,782	42,477	45,933	11,382,545
Bills bought in foreign currency <sup>1</sup>	2,046,649	2,804	28,351	768	414	2,078,986
Bond purchased under resale agreements	1,590,000	-	-	-	-	1,590,000
Loans	172,097,023	3,261,715	1,228,105	625,508	350,628	177,562,979
Factoring receivables	18	-	-	-	-	18
Advances for customers	1,267	31,121	5,782	463	5,948	44,581
Privately placed bonds	3,258,316	31,570	18,529	-	302	3,308,717
	₩ 192,861,621	₩ 3,528,096	₩ 1,297,121	₩ 669,595	₩ 412,918	₩ 198,769,351

<sup>1</sup> Bills bought in won included.

The maturities of loans receivables as of December 31, 2010, are as follows:

(In millions of Korean won)

	Loans Receivable in Won	Loans Receivable in Foreign Currencies	Others	Total
Due in 3 months or less	₩ 23,950,198	₩ 902,575	₩ 15,176,123	₩ 40,028,896
Due after 3 months through 6 months	25,851,887	1,292,401	2,711,416	29,855,704
Due after 6 months through 1 year	37,564,447	1,479,039	1,994,819	41,038,305
Due after 1 year through 2 years	11,525,528	293,925	1,380,916	13,200,369
Due after 2 years through 3 years	9,022,567	418,421	965,640	10,406,628
Due after 3 years through 4 years	2,764,013	214,920	83,676	3,062,609
Due after 4 years through 5 years	4,419,051	173,530	12,970	4,605,551
Over 5 years	57,467,819	776,828	176,102	58,420,749
	₩ 172,565,510	₩ 5,551,639	₩ 22,501,662	₩ 200,618,811



## Notes to Consolidated Financial Statements

The maturities of loans receivables as of December 31, 2009, were as follows:

(In millions of Korean won)

	Loans Receivable in Won	Loans Receivable in Foreign Currencies	Others	Total
Due in 3 months or less	₩ 24,015,864	₩ 883,738	₩ 13,664,311	₩ 38,563,913
Due after 3 months through 6 months	24,019,786	1,011,320	2,044,264	27,075,370
Due after 6 months through 1 year	37,894,257	985,066	1,905,628	40,784,951
Due after 1 year through 2 years	16,864,891	1,243,394	2,427,663	20,535,948
Due after 2 years through 3 years	11,415,298	272,738	657,667	12,345,703
Due after 3 years through 4 years	2,645,172	136,447	240,843	3,022,462
Due after 4 years through 5 years	2,664,892	241,264	36,354	2,942,510
Over 5 years	52,243,238	1,025,614	229,642	53,498,494
	₩ 171,763,398	₩ 5,799,581	₩ 21,206,372	₩ 198,769,351

The disposal of loans receivable for the year ended December 31, 2010, is as follows:

(In millions of Korean won)

	Loans Receivable	Gain on Disposal of Loans	Loss on Disposal of Loans
Korea Housing Finance Corporation	₩ 527,775	₩ 8,090	₩ 27
KT Capital Corporation	28,390	987	-
K&P Consortium	26,238	2	295
Korea Exchange Bank	23,400	4	-
Consumer Credit Assistant Fund Co., Ltd.	58	-	44
DBAF 1st Securitization Specialty Co., Ltd.	49,823	-	4,680
Woori F&I sixteenth Asset Securitization Specialty Co., Ltd.	58,632	1,045	-
United 1st Securitization Specialty Co., Ltd.	77,394	22,979	6
UNK 1st Securitization Specialty Co., Ltd.	115,107	3,809	-
UHK 1st Securitization Specialty Co., Ltd.	211,704	-	36,978
UPF First Asset Securitization Specialty Co., Ltd.	150,000	-	60,215
Prime NPL 1st Securitization Specialty Co., Ltd.	88,034	-	4,747
Others	316	112	-
	₩ 1,356,871	₩ 37,028	₩ 106,992

The disposal of loans receivable for the year ended December 31, 2009, was as follows:

(In millions of Korean won)

	Loans Receivable	Gain on Disposal of Loans	Loss on Disposal of Loans
Korea Housing Finance Corporation	₩ 2,758,489	₩ 24,575	₩ 88
Hanyang Securities Co., Ltd.	676,800	18,776	-
Consumer Credit Assistant Fund Co., Ltd.	1,206,745	42,948	50
Golden Bridge Capital Co., Ltd.	4,480	659	-
KB 13th Securitization Specialty Co. Ltd.	353,199	10,141	-
KB 14th Securitization Specialty Co. Ltd.	243,971	-	34,571
Gyeonggi Mutual Savings Bank	81,512	-	14,301
Hyundai Swiss 4 Savings & Bank Co., Ltd.	50,484	-	3,970
Korea Asset Management Corporation	19,000	-	1,508
Others	20,129	31	2
	₩ 5,414,809	₩ 97,130	₩ 54,490

Kookmin Bank pledged mortgage loans and accounts receivable amounting to ₩ 1,565,649 million and ₩ 1,698,465 million (before deducting the related allowance), respectively, as collaterals for issuing covered bonds.

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

	Beginning	Increase	Decrease	Ending
Deferred loan origination fees and costs	₩ 160,688	₩ 92,249	₩ 44,532	₩ 208,405

## 7. Restructured Loans

The loans that were restructured through principal reduction, debt-equity swap and interest rate reduction due to workout plans or other similar restructuring programs as of December 31, 2010, are as follows: (In millions of Korean won)

	Amount Before Restructuring	Principal Reduction	Debt-Equity Swap <sup>1</sup>	Interest Rate Reduction	Extension of Maturity
Workout	₩ 580,154	₩ -	₩ 72,021	₩ 12,450	₩ 495,683
Others	532,841	369	-	61,705	470,767
	₩ 1,112,995	₩ 369	₩ 72,021	₩ 74,155	₩ 966,450

<sup>1</sup> Includes loans to be swapped for newly-issued shares whose quantity has not been determined.

The loans that were restructured through principal reduction, debt-equity swap and interest rate reduction due to workout plans or other similar restructuring programs as of December 31, 2009, were as follows: (In millions of Korean won)

	Amount Before Restructuring	Principal Reduction	Debt-Equity Swap <sup>1</sup>	Interest Rate Reduction	Extension of Maturity
Workout	₩ 1,097,448	₩ -	₩ 25,524	₩ 58,920	₩ 1,013,004
Others	29,347	6,888	2,178	-	20,281
	₩ 1,126,795	₩ 6,888	₩ 27,702	₩ 58,920	₩ 1,033,285

<sup>1</sup> Includes loans to be swapped for newly-issued shares whose quantity has not been determined.

Changes in present value discounts of the restructured loans for the year ended December 31, 2010, are as follows:

(In millions of Korean won)

	Remaining Principal	Present value discount			
		Beginning	Increase	Decrease	Ending
Court mediation	₩ -	₩ 292	₩ -	₩ 292	₩ -
Workout	914,083	25,264	85,958	60,393	50,829
Others	23,359	2,846	2,778	3,692	1,932
	₩ 937,442	₩ 28,402	₩ 88,736	₩ 64,377	₩ 52,761

Changes in present value discounts of the restructured loans for the year ended December 31, 2009, were as follows:

(In millions of Korean won)

	Remaining Principal	Present value discount			
		Beginning	Increase	Decrease	Ending
Court mediation	₩ 2,581	₩ 491	₩ -	₩ 199	₩ 292
Workout	597,690	3,870	49,267	27,873	25,264
Others	20,658	1,229	3,827	2,210	2,846
	₩ 620,929	₩ 5,590	₩ 53,094	₩ 30,282	₩ 28,402

For loans that were restructured through interest rate reduction, the discount rate used to estimate the present value of the future cash flows for fixed rate loans is the effective interest rate at inception, and for floating rate loans, it is the interest rate that was applicable to the borrower at the loan origination date plus the credit spread at the date of the loan restructuring assuming the credit risk of the borrower is still valid at the date of restructuring. The difference between the book value and the present value is adjusted in the related allowances for loan losses.

## Notes to Consolidated Financial Statements

### 8. Allowance for Credit Losses

The allowances for loan losses as of December 31, 2010, are as follows:

(In millions of Korean won)

	Normal	Precautionary	Substandard	Doubtful	Estimated Loss	Total
Domestic import usance bill						
Provision amount	₩ 21,876	₩ 7,339	₩ 4,204	₩ 3,083	₩ 4,802	₩ 41,304
Provision ratio (%)	0.86	14.52	21.25	60.59	100.00	1.58
Credit card receivables						
Provision amount	182,309	26,915	706	23,280	41,497	274,707
Provision ratio (%)	1.50	15.11	20.00	59.88	100.00	2.21
Bills bought <sup>1</sup>						
Provision amount	18,959	7,817	223	41	44	27,084
Provision ratio (%)	0.86	16.30	44.01	50.00	100.00	1.21
Loans						
Provision amount	1,608,849	590,761	596,641	692,077	320,298	3,808,626
Provision ratio (%)	0.94	14.37	30.46	62.52	100.00	2.14
Advances for customers						
Provision amount	453	2,282	660	481	96,343	100,219
Provision ratio (%)	0.85	7.34	20.00	52.45	100.00	54.20
Privately placed bonds						
Provision amount	18,556	7,028	2,137	-	2,554	30,275
Provision ratio (%)	0.86	18.20	20.48	-	100.00	1.38
Total						
Provision amount	1,851,002	642,142	604,571	718,962	465,538	4,282,215
Provision ratio (%)	0.96	14.40	30.29	62.42	100.00	2.13

<sup>1</sup>Bills bought in won included.

The allowances for loan losses as of December 31, 2009, were as follows:

(In millions of Korean won)

	Normal	Precautionary	Substandard	Doubtful	Estimated Loss	Total
Domestic import usance bill						
Provision amount	₩ 19,628	₩ 8,692	₩ 2,715	₩ 208	₩ 9,693	₩ 40,936
Provision ratio (%)	0.86	15.39	20.00	54.73	100.00	1.74
Credit card receivables						
Provision amount	167,215	21,660	556	25,486	45,933	260,850
Provision ratio (%)	1.50	15.00	20.00	60.00	100.00	2.29
Bills bought <sup>1</sup>						
Provision amount	17,687	383	13,804	475	414	32,763
Provision ratio (%)	0.86	13.66	48.69	61.87	100.00	1.57
Loans						
Provision amount	1,623,419	453,767	294,968	430,541	350,629	3,153,324
Provision ratio (%)	0.94	13.91	24.02	68.83	100.00	1.78

(In millions of Korean won)

	Normal	Precautionary	Substandard	Doubtful	Estimated Loss	Total
Advances for customers						
Provision amount	11	2,274	1,156	248	5,948	9,637
Provision ratio (%)	0.88	7.31	20.00	53.50	100.00	21.62
Privately placed bonds						
Provision amount	28,307	2,210	3,818	-	301	34,636
Provision ratio (%)	0.87	7.00	20.61	-	100.00	1.05
Total						
Provision amount	1,856,267	488,986	317,017	456,958	412,918	3,532,146
Provision ratio (%)	0.96	13.86	24.44	68.24	100.00	1.78

<sup>1</sup>Bills bought in won included

The changes in allowance for losses on loans and other assets for the years ended December 31, 2010 and 2009, are as follows:

(In millions of Korean won)

	2010	2009
Beginning	₩ 4,012,912	₩ 3,766,179
Provision for loan losses	2,747,333	2,298,985
Collection of written-off loans	499,397	453,063
Repurchase of loans sold	22,370	7,015
Sales of loans	(82,451)	(129,946)
Written-off loans	(2,326,865)	(2,351,845)
Debt-equity swap	(76,996)	(798)
Exemption of loans	(495)	(2,114)
Changes in exchange rates and others	(19,750)	(27,627)
Ending <sup>1</sup>	₩ 4,775,455	₩ 4,012,912

<sup>1</sup> Includes present value discounts amounting to ₩ 52,761 million and ₩ 28,402 million as of December 31, 2010 and 2009, respectively, and allowance for other assets amounting to ₩ 493,240 million and ₩ 480,766 million, respectively.

The allowances for losses on other assets as of December 31, 2010 and 2009, are as follows:

(In millions of Korean won)

	2010	2009
Suspense receivables	₩ 7,702	₩ 6,608
Uncollected guarantee deposits for rent	2,613	2,696
Settlement costs for financial accidents and others	24,052	30,352
Derivative instruments	376,301	384,476
Accounts receivable and others	82,572	56,634
	₩ 493,240	₩ 480,766

The allowance for possible loan losses compared to total loans receivable as of December 31, 2010, 2009 and 2008, are as follows:

(In millions of Korean won)

	2010	2009	2008
Loans	₩ 200,618,811	₩ 198,769,351	₩ 202,220,258
Allowance for loan losses	4,282,215	3,532,146	3,477,442
Percentage (%)	2.13	1.78	1.72



## Notes to Consolidated Financial Statements

### 9. Property and Equipment

Property and equipment as of December 31, 2010 and 2009, consist of:

(In millions of Korean won)

	2010	2009
Property and equipment	₩ 5,339,995	₩ 5,440,760
Less: Accumulated depreciation	(2,121,135)	(2,084,818)
Accumulated impairment loss	(6,904)	(10,619)
	₩ 3,211,956	₩ 3,345,323

Property and equipment as of December 31, 2010, consist of:

(In millions of Korean won)

	Acquisition Cost	Accumulated Depreciation	Accumulated Impairment Losses	Book Value
Land <sup>1</sup>	₩ 2,069,433	₩ -	₩ 1,985	₩ 2,067,448
Buildings	1,193,797	279,987	4,919	908,891
Leasehold improvements	402,268	353,892	-	48,376
Equipment and vehicles	1,674,378	1,487,256	-	187,122
Construction in-progress	119	-	-	119
	₩ 5,339,995	₩ 2,121,135	₩ 6,904	₩ 3,211,956

Property and equipment as of December 31, 2009, consisted of:

(In millions of Korean won)

	Acquisition Cost	Accumulated Depreciation	Accumulated Impairment Losses	Book Value
Land 1	₩ 2,076,974	₩ -	₩ 2,903	₩ 2,074,071
Buildings	1,173,815	252,736	7,716	913,363
Leasehold improvements	373,686	315,023	-	58,663
Equipment and vehicles	1,815,935	1,517,059	-	298,876
Construction in-progress	350	-	-	350
	₩ 5,440,760	₩ 2,084,818	₩ 10,619	₩ 3,345,323

<sup>1</sup> The acquisition cost of land includes the net revaluation gain of ₩ 1,090,252 million and ₩ 1,090,922 million as of December 31, 2010 and 2009, respectively.

The changes in book value of property and equipment for the year ended December 31, 2010, are as follows:

(In millions of Korean won)

	Beginning	Acquisition	Replace-ment	Disposal	Deprecia-tion	Impair-ment 1	Others	Ending
Land	₩ 2,074,071	₩ -	₩ -	₩ 8,447	₩ -	₩ 288	₩ 2,112	₩ 2,067,448
Buildings	913,363	40	25,192	3,316	27,863	(81)	1,394	908,891
Leasehold improvements	58,663	1,116	27,346	10	38,744	-	5	48,376
Equipment and vehicles	298,876	66,653	-	420	175,839	-	(2,148)	187,122
Construction in-progress	350	52,307	(52,538)	-	-	-	-	119
	₩ 3,345,323	₩ 120,116	₩ -	₩ 12,193	₩ 242,446	₩ 207	₩ 1,363	₩ 3,211,956

<sup>1</sup> Impairment loss on land ₩ 218 million was offset against gain on revaluation.

The changes in book value of property and equipment for the year ended December 31, 2009, were as follows:

(In millions of Korean won)

	Beginning	Acquisition	Replace-ment	Disposal	Deprecia-tion	Impair-ment 1	Others	Ending
Land	₩ 2,087,619	₩ 233	₩ 384	₩ 11,846	₩ -	₩ 2,279	₩ (40)	₩ 2,074,071
Buildings	928,573	715	20,379	6,267	27,174	2,709	(154)	913,363
Leasehold improvements	74,083	981	31,284	434	47,152	-	(99)	58,663
Equipment and vehicles	410,252	134,779	-	600	245,828	1	274	298,876
Construction in-progress	2,022	50,375	(52,047)	-	-	-	-	350
	₩ 3,502,549	₩ 187,083	₩ -	₩ 19,147	₩ 320,154	₩ 4,989	₩ (19)	₩ 3,345,323

<sup>1</sup> Impairment loss on land includes valuation loss of ₩ 1,152 million from asset revaluation.

The value, published by the Ministry of Land, Transport and Maritime Affairs or local government, of the land is ₩ 1,450,334 million and ₩1,457,436 million as of December 31, 2010 and 2009, respectively.

Property and equipment insured as of December 31, 2010 and 2009, are as follows:

(In millions of Korean won)

	2010	2009	Insurance Company
Buildings	₩ 874,848	₩ 730,878	Samsung Fire & Marine Insurance Co., Ltd. and others
Leasehold improvements	175,281	49,377	Samsung Fire & Marine Insurance Co., Ltd. and others
Equipment and vehicles and others	235,908	194,045	Samsung Fire & Marine Insurance Co., Ltd. and others
	₩ 1,286,037	₩ 974,300	

Kookmin Bank acquired the main frames and related equipment from IBM Korea, Inc. under a financial lease agreement and recorded them as property and equipment. The property and equipment under financial lease assets and financial lease obligations as of December 31, 2010, are as follows:

Property and equipment under financial lease:

(In millions of Korean won)

	2010
Acquisition cost	₩ 33,045
Accumulated depreciation	22,440
Book value	₩ 10,605
Depreciation	₩ 11,864

Financial lease obligations<sup>1</sup>:

(In millions of Korean won)

	Annual Lease Payment	Principal	Interest
2011	₩ 183	₩ 145	₩ 38
2012	154	124	30
2013	210	189	21
2014	277	269	8
	₩ 824	₩ 727	₩ 97

<sup>1</sup> Financial lease obligations include the amounts of property and equipment, and intangible assets used under financial lease.

## Notes to Consolidated Financial Statements

As of December 31, 2010, Kookmin Bank plans to obtain additional financial lease amounting to ₩ 63,441 million according to the above financial lease agreement.

As of December 31, 2008, Kookmin Bank revalued its land, the book value of which was recorded at the revalued amount. The revalued amount of land was determined from market-based evidence which was obtained from independent appraisal institutes. As a result of the revaluation, gain on revaluation of ₩ 1,145,969 million was credited to accumulated other comprehensive income, net of tax amounting to ₩ 252,113 million, and loss on revaluation of ₩ 51,723 million was charged to current earnings.

As of December 31, 2010 and 2009, the book value of Kookmin Bank's land that would have been carried under the cost model, is ₩ 973,148 million and ₩ 980,697 million, respectively.

### 10. Other Assets

Other assets as of December 31, 2010 and 2009, consist of:

(In millions of Korean won)

Guarantee deposits paid	₩	1,481,616	₩ 1,498,639
Accounts receivable (Note 20)		3,618,332	3,609,975
Accrued income		1,184,726	1,153,810
Prepaid expenses		196,044	178,506
Deferred income tax assets (Note 23)		17,856	22,671
Derivatives assets (Note 20)		2,592,252	3,367,682
Domestic exchange settlement debits		1,709,096	639,646
Due from trust accounts		281,915	263,918
Intangible assets, net		327,605	318,597
Miscellaneous assets		769,598	547,775
		12,179,040	11,601,219
Less : Allowances for losses (Note 8)		(493,240)	(480,766)
	₩	11,685,800	₩ 11,120,453

Intangible assets as of December 31, 2010 and 2009, consist of:

(In millions of Korean won)

	2010			2009		
	Acquisition Cost	Accumulated Amortization	Book Value	Acquisition Cost	Accumulated Amortization	Book Value
Goodwill	₩ 817,424	₩ 763,888	₩ 53,536	₩ 810,971	₩ 674,215	₩ 136,756
Others	578,280	304,211	274,069	389,193	207,352	181,841
	₩ 1,395,704	₩ 1,068,099	₩ 327,605	₩ 1,200,164	₩ 881,567	₩ 318,597

Intangible assets as of December 31, 2010 and 2009, consist of:

(In millions of Korean won)

	Beginning	Increase	Decrease	Ending
Goodwill	₩ 136,756	₩ 6,454	₩ 89,674	₩ 53,536
Other intangible assets	181,841	189,365	97,137	274,069
	₩ 318,597	₩ 195,819	₩ 186,811	₩ 327,605

The changes in intangible assets for the year ended December 31, 2009, were as follows:

(In millions of Korean won)

	Beginning	Increase	Decrease	Ending
Goodwill	₩ 236,687	₩ 1,415	₩ 101,346	₩ 136,756
Other intangible assets	176,210	78,271	72,640	181,841
	₩ 412,897	₩ 79,686	₩ 173,986	₩ 318,597

Kookmin Bank acquired the main frames and related intangible assets from IBM Korea, Inc. under a financial lease agreement and recorded them as other intangible assets.

The other intangible assets under financial lease as of December 31, 2010, are as follows:

(In millions of Korean won)

	2010
Acquisition cost	₩ 13,656
Accumulated amortization	5,879
Book value	₩ 7,777
Amortization	₩ 3,414

Details of related financial lease obligations for other intangible assets under financial lease are described in Note 9.

Miscellaneous assets as of December 31, 2010 and 2009, are as follows:

(In millions of Korean won)

	2010	2009
Supplies	₩ 20,551	₩ 24,419
Required court deposits	5,552	3,087
Unsettled foreign currency	25,833	16,586
Suspense receivables	44,494	168,228
Others	673,168	335,455
	₩ 769,598	₩ 547,775

## 11. Deposits

Deposits as of December 31, 2010 and 2009, consist of:

(In millions of Korean won)

	2010	2009
Demand deposits	₩ 59,778,164	₩ 52,738,778
Time deposits	122,541,791	96,619,849
Negotiable certificates of deposits	2,346,928	23,081,256
	₩ 184,666,883	₩ 172,439,883

Deposits as of December 31, 2010 and 2009, consist of:

(In millions of Korean won)

	2010	2009
Demand deposits		
Demand deposits in won		
Checking deposits	₩ 113,852	₩ 586,464



## Notes to Consolidated Financial Statements

(In millions of Korean won)

	2010	2009
Household checking deposits	460,228	403,602
Temporary deposits	2,862,693	2,855,258
Passbook deposits	19,744,039	17,909,720
Public fund deposits	125,094	158,275
National Treasury deposits	5,869	4,187
General savings deposits	22,716,444	19,993,982
Corporate savings deposits	11,991,631	9,015,528
Nonresident's deposit in won	59,481	69,082
Nonresident's 'free-won' account	25,709	39,777
Others	182,288	207,016
	58,287,328	51,242,891
Demand deposits in foreign currencies		
Checking deposits	83,650	79,459
Passbook deposits	1,379,026	1,364,828
Temporary deposits	1,073	16,466
Others	12,097	18,579
	1,475,846	1,479,332
Gold deposits	14,990	16,555
	59,778,164	52,738,778
<b>Time deposits</b>		
Time deposits in won		
Time deposits	105,086,915	78,842,862
Installment savings deposit	5,625,204	5,418,023
Property formation savings	367	396
Workers' savings for housing	2	2
Nonresident's deposits in won	214,383	263,915
Nonresident's 'free-won' account	119,578	101,002
Long-term savings deposits for workers	2,035	2,304
Long-term housing savings deposits	3,758,140	3,789,455
Long-term savings for households	371	523
Workers' preferential savings deposits	998	2,535
Mutual installment deposits	1,941,768	1,789,963
Mutual installment for housing	1,485,335	1,900,618
Others	2,933,124	2,845,699
	121,168,220	94,957,297
Loss(Gain) on valuation of fair value hedged item (current period portion)	-	(1,725)
Loss(Gain) on valuation of fair value hedged item (prior year portion) <sup>1</sup>	-	(9,964)
	121,168,220	94,945,608
Time deposits in foreign currencies		
Time deposits	1,373,157	1,668,685
Installment savings deposits	391	480
Others	23	5,076
	1,373,571	1,674,241
	122,541,791	96,619,849
<b>Negotiable certificates of deposits</b>	2,346,928	23,081,256
	₩ 184,666,883	₩ 172,439,883

<sup>1</sup>The Consolidated Company recognized loss on redemption of fair value hedged items of ₩ 11,689 million for the year ended December 31, 2010.

Deposits made by financial institutions as of December 31, 2010 and 2009, are as follows: (in millions of Korean won)

	Financial Institutions	2010	2009
Demand deposits & time deposits	Banks	₩ 10,802,368	₩ 5,294,382
	Others	21,705,621	16,086,571
		32,507,989	21,380,953
Negotiable certificates of deposit	Banks	19,010	852,910
	Others	811,700	3,466,074
		830,710	4,318,984
		₩ 33,338,699	₩ 25,699,937

The maturities of deposits as of December 31, 2010, are as follows: (in millions of Korean won)

	Due in 3 Months or Less	Due after 3 Months Through 6 Months	Due After 6 Months Through 1 Year	Due After 1 Year Through 3 Years	More Than 3 Years	Total
Demand deposits	₩ 59,778,164	₩ -	₩ -	₩ -	₩ -	₩ 59,778,164
Time deposits	47,386,878	16,391,319	49,157,502	6,109,093	3,496,999	122,541,791
Negotiable certificate of deposits	2,036,253	67,728	242,478	469	-	2,346,928
	₩ 109,201,295	₩ 16,459,047	₩ 49,399,980	₩ 6,109,562	₩ 3,496,999	₩ 184,666,883

The maturities of deposits as of December 31, 2009, were as follows: (in millions of Korean won)

	Due in 3 Months or Less	Due after 3 Months Through 6 Months	Due After 6 Months Through 1 Year	Due After 1 Year Through 3 Years	More Than 3 Years	Total
Demand deposits	₩ 52,738,778	₩ -	₩ -	₩ -	₩ -	₩ 52,738,778
Time deposits	36,812,815	12,355,846	37,407,932	4,803,330	5,239,926	96,619,849
Negotiable certificate of deposits	15,455,997	3,336,047	4,103,361	185,851	-	23,081,256
	₩ 105,007,590	₩ 15,691,893	₩ 41,511,293	₩ 4,989,181	₩ 5,239,926	₩ 172,439,883

## 12. Debts

Debts as of December 31, 2010 and 2009, consist of: (In millions of Korean won)

	2010	2009
Call money	₩ 605,398	₩ 1,364,516
Bills sold	75,586	64,839
Bonds sold under repurchase agreements	977,958	2,605,562
Securities sold	1,228,821	1,346,911
Borrowings	10,176,853	10,327,974
Debentures, net of discount of ₩ 41,568 (2009: ₩ 59,117)	29,550,390	38,783,481
	₩ 42,615,006	₩ 54,493,283

## Notes to Consolidated Financial Statements

Call money as of December 31, 2010 and 2009, consists of:

(in millions of Korean won)

	Lender	Annual Interest Rates (%)	2010	2009
Call money in won	Samsung Life Insurance Co., Ltd. and others	2.07 ~ 2.58	₩ 130,500	₩ 217,100
Call money in foreign currencies	Citibank Korea Inc. and others	0.40 ~ 3.20	474,898	1,147,416
			₩ 605,398	₩ 1,364,516

Bills sold, bonds sold under repurchase agreements, and securities sold as of December 31, 2010 and 2009, consist of:

(in millions of Korean won)

	Lender	Annual Interest Rates (%)	2010	2009
Bills sold	Teller's Sales	1.69 ~ 3.85	₩ 75,586	₩ 64,839
Bonds sold under repurchase agreements	Individuals, group & corporations	1.50 ~ 4.90	977,958	2,605,562
Securities sold	Korea Securities Depository and others	-	1,228,821	1,346,911
			₩ 2,282,365	₩ 4,017,312

Borrowings as of December 31, 2010 and 2009, consist of:

(in millions of Korean won)

	Lender	Annual Interest Rate (%)	2010	2009
<b>Borrowings in won</b>				
Borrowings from the Bank of Korea	Bank of Korea	1.25	₩ 930,653	₩ 1,343,725
Borrowings from the Korean Government	Ministry of Strategy and Finance and others	0.00 ~ 5.00	676,223	674,272
Borrowings from banking institutions	Industrial Bank of Korea and others	2.72 ~ 7.55	67,520	71,327
Borrowings from National Housing Fund	National Housing Fund	-	-	2,429
Borrowings from non-banking financial institutions	Korea Development Bank	2.00 ~ 3.29	56,252	47,406
Other borrowings	Small & Medium Business Corporation and others	0.00 ~ 7.55	2,288,321	2,012,615
			4,018,969	4,151,774
<b>Borrowings in foreign currencies</b>				
Due to banks	Wachovia Bank N.A. and others	0.00 ~ 1.39	347,205	235,046
Borrowings from banking institutions	Sumitomo Mitsui Banking Corp. and others	0.45 ~ 5.45	2,821,517	3,175,578
Off-shore borrowings in foreign currencies	Sumitomo Mitsui Banking Corp. and others	0.00 ~ 3.36	1,447,651	1,313,154
Other borrowings	ING Bank Singapore and others	-	1,541,511	1,452,422
			6,157,884	6,176,200
			₩ 10,176,853	₩ 10,327,974

Debentures as of December 31, 2010 and 2009, consist of:

(in millions of Korean won)

	Annual Interest Rate (%)	2010	2009
<b>Debentures in won</b>			
Hybrid debentures	6.46 ~ 8.50	₩ 1,100,000	₩ 1,100,000
Structured debentures	4.29 ~ 12.00	3,684,341	3,903,238
Subordinated fixed rate debentures in won	4.38 ~ 7.70	7,323,268	7,972,273
Fixed rate debentures	2.73 ~ 7.95	13,143,628	21,472,646
Floating rate debentures	2.85 ~ 3.30	830,000	280,000
		26,081,237	34,728,157
Loss(gain) on valuation of fair value hedged items (current period portion)		57,045	(249,505)
Loss(gain) on valuation of fair value hedged items (prior year portion) <sup>1</sup>		(35,515)	167,195
		26,102,767	34,645,847
Less: Discounts on debentures		(17,261)	(29,519)
		26,085,506	34,616,328
<b>Debentures in foreign currencies</b>			
Fixed rates debentures	1.17 ~ 7.25	2,337,759	1,840,344
Floating rates debentures	0.49 ~ 5.45	1,263,080	2,462,677
		3,600,839	4,303,021
Loss(gain) on valuation of fair value hedged items (current period portion)		(27,816)	(107,189)
Loss(gain) on valuation of fair value hedged items (prior year portion) <sup>2</sup>		(83,832)	919
		3,489,191	4,196,751
Less: Discounts on debentures		(24,307)	(29,598)
		3,464,884	4,167,153
		₩ 29,550,390	₩ 38,783,481

<sup>1</sup> The Consolidated Company amortized ₩ 36 million as interest expense due to the discontinuance of interest rate hedge accounting for the year ended December 31, 2010. In addition, the Consolidated Company recognized a loss of ₩ 46,759 million as a result of the redemption of fair value hedged items for the year ended December 31, 2010.

<sup>2</sup> Due to the discontinuance of hedge accounting, the Consolidated Company recognized ₩ 2,622 million as loss on foreign currency translation and amortized ₩ 20,202 million as interest expense for the year ended December 31, 2010. In addition, the Consolidated Company recognized a gain of ₩ 386 million on the redemption of fair value hedged items for the year ended December 31, 2010.

Hybrid debentures and subordinated debentures as of December 31, 2010 and 2009, are as follows:

(in millions of Korean won)

	Issued Date	Expiration Date	Annual Interest Rate (%)	2010	2009
Subordinated fixed rate debentures in won	00.03.27 ~ 04.12.27	05.03.27 ~ 10.11.28	-	₩ 35,674	₩ 1,184,679
	02.09.27	13.03.27	6.66 ~ 6.70	92,637	92,637
	02.11.27	13.05.27	6.51 ~ 6.55	100,256	100,256
	02.12.27	13.06.27 ~ 14.12.27	6.55 ~ 6.65	80,370	80,370
	03.10.27	11.01.27 ~ 14.01.27	5.33 ~ 5.60	92,490	92,490
	04.02.27	11.08.27 ~ 14.08.27	5.84 ~ 6.16	63,202	63,202
	04.09.30	18.12.30	5.12	57,784	57,784
	06.03.31	12.01.31	5.67 ~ 5.70	1,900,855	1,900,855



## Notes to Consolidated Financial Statements

(in millions of Korean won)

	Issued Date	Expiration Date	Annual Interest Rate (%)	2010	2009
Subordinated fixed rate debentures in won	08.08.13	14.02.13 ~ 16.02.13	7.38 ~ 7.51	500,000	500,000
	08.09.25	14.03.25	7.45	23,747	23,747
	08.09.26	14.03.26	7.45	182,215	182,215
	08.09.29	14.03.29	7.45	221,186	221,186
	08.10.20	14.04.20	7.45	43,787	43,787
	08.10.21	14.04.21	7.45	17,923	17,923
	08.10.22	14.04.22	7.45	10,784	10,784
	08.10.23	14.04.23	7.45	358	358
	08.11.10	14.05.10	7.70	111,317	111,317
	08.11.11	14.05.11	7.70	185,376	185,376
	08.11.12	14.05.12	7.70	211,978	211,978
	08.11.13	14.05.13	7.70	229,730	229,730
	08.11.18	14.05.18	7.70	191,839	191,839
	08.11.19	14.05.19	7.70	102,784	102,784
	08.11.20	14.05.20	7.70	177,383	177,383
	08.11.21	14.05.21	7.70	167,721	167,721
	08.11.24	14.05.24	7.70	83,939	83,939
	08.11.25	14.05.25	7.70	37,933	37,933
	08.12.22	14.06.22	7.30	287,769	287,769
	08.12.23	14.03.23 ~ 14.06.23	7.30 ~ 7.70	381,212	381,212
	08.12.24	14.06.24	7.30	104,079	104,079
	08.12.26	14.06.26	7.30	73,100	73,100
	08.12.29	14.03.29 ~ 14.06.29	7.30 ~ 7.70	53,840	53,840
	09.04.14	14.10.14	5.70	293,923	293,923
	09.04.15	14.10.15	5.70	144,481	144,481
	09.04.16	14.10.16	5.70	118,241	118,241
	09.04.17	14.10.17	5.70	126,369	126,369
	09.04.20	14.10.20	5.70	77,155	77,155
	09.04.21	14.10.21	5.70	113,470	113,470
	09.04.22	14.10.22	5.70	64,559	64,559
	09.04.23	14.10.23	5.70	61,802	61,802
	10.10.25	16.07.25	4.38	500,000	-
				7,323,268	7,972,273
Hybrid debentures	08.12.30	38.12.30	8.50	100,000	100,000
	09.03.31	39.03.31	6.46	1,000,000	1,000,000
				1,100,000	1,100,000
				₩ 8,423,268	₩ 9,072,273

Call money and borrowings from financial institutions as of December 31, 2010, are as follows:

(In millions of Korean won)

	Bank of Korea	Other Banks	Others	Total
Call money	₩ -	₩ 442,985	₩ 162,413	₩ 605,398
Borrowings	930,653	6,113,051	369,534	7,413,238
	₩ 930,653	₩ 6,556,036	₩ 531,947	₩ 8,018,636

Call money and borrowings from financial institutions as of December 31, 2009, were as follows:

(In millions of Korean won)

	Bank of Korea	Other Banks	Others	Total
Call money	₩ -	₩ 1,224,416	₩ 140,100	₩ 1,364,516
Borrowings	1,343,725	6,244,465	182,420	7,770,610
	₩ 1,343,725	₩ 7,468,881	₩ 322,520	₩ 9,135,126

The maturities of debts as of December 31, 2010, are as follows:

(In millions of Korean won)

	Due in 3 Months or Less	Due after 3 Months through 6 Months	Due after 6 Months through 1 Year	Due after 1 Year through 3 Years	Over 3 Years	Total
Call money	₩ 605,398	₩ -	₩ -	₩ -	₩ -	₩ 605,398
Bills sold	58,706	16,199	681	-	-	75,586
Bonds sold under repurchase agreements	886,402	69,556	22,000	-	-	977,958
Securities sold	-	-	1,228,821	-	-	1,228,821
Borrowings	3,823,298	1,376,330	2,214,677	1,587,252	1,175,296	10,176,853
Debentures	2,337,641	2,024,909	6,633,943	8,038,554	10,556,911	29,591,958
	₩ 7,711,445	₩ 3,486,994	₩ 10,100,122	₩ 9,625,806	₩ 11,732,207	₩ 42,656,574

The maturities of debts as of December 31, 2009, were as follows:

(In millions of Korean won)

	Due in 3 Months or Less	Due after 3 Months through 6 Months	Due after 6 Months through 1 Year	Due after 1 Year through 3 Years	Over 3 Years	Total
Call money	₩ 1,341,225	₩ 23,291	₩ -	₩ -	₩ -	₩ 1,364,516
Bills sold	60,404	4,268	167	-	-	64,839
Bonds sold under repurchase agreements	1,677,882	582,347	345,333	-	-	2,605,562
Securities sold	3,161	127,100	1,216,650	-	-	1,346,911
Borrowings	4,150,475	1,523,816	1,384,064	1,990,076	1,279,543	10,327,974
Debentures	2,445,429	4,247,086	8,550,296	12,210,997	11,388,790	38,842,598
	₩ 9,678,576	₩ 6,507,908	₩ 11,496,510	₩ 14,201,073	₩ 12,668,333	₩ 54,552,400

### 13. Other Liabilities

Other liabilities as of December 31, 2010 and 2009, are as follows:

(In millions of Korean won)

	2010	2009
Accounts payable (Notes 9 and 20)	₩ 2,091,135	₩ 3,080,984
Accrued expense (Note 19)	3,889,327	4,134,960
Unearned revenue	99,448	137,859

## Notes to Consolidated Financial Statements

(In millions of Korean won)

	2010	2009
Deferred income tax liabilities (Note 23)	147,294	261,655
Withholding taxes	101,053	97,850
Deposits for letter of guarantees and others	143,969	142,847
Accounts for agency businesses	271,568	220,680
Domestic exchange settlement credits	189,041	391,571
Foreign exchanges settlement credits (Note 21)	84,283	68,430
Liabilities incurred from agency relationship	381,896	344,668
Derivative liabilities (Note 20)	2,217,234	3,129,533
Borrowings from trust accounts	1,697,171	1,377,837
Accrued severance benefits, net (Note 14)	137,460	174,929
Allowance for acceptances and guarantees losses (Note 15)	232,926	139,429
Other allowances (Notes 16 and 20)	933,649	782,550
Insurance reserve	2,852,549	2,044,355
Miscellaneous liabilities	815,723	593,821
	₩ 16,285,726	₩ 17,123,958

Miscellaneous liabilities as of December 31, 2010 and 2009, are as follows:

(In millions of Korean won)

	2010	2009
Suspense payable	₩ 224,416	₩ 71,725
Borrowings for others' business	3,011	46,809
Prepaid card and debit card liabilities	18,263	17,580
Security subscription deposits	37,497	20,367
Income tax payable	29,627	99,753
Others	502,909	337,587
	₩ 815,723	₩ 593,821

### 14. Accrued Severance Benefits

The changes in accrued severance benefits for the year ended December 31, 2010, are as follows:

(in millions of Korean won)

	Beginning	Provision	Payment	Other Changes <sup>1</sup>	Ending
Accrued severance benefits	₩ 591,996	₩ 169,422	₩ 263,150	₩ 5,744	₩ 504,012
Pension plan assets	(9,573)	(118,174)	(34,728)	(272,370)	(365,389)
Severance insurance deposits	(407,444)	(5,062)	(143,199)	268,170	(1,137)
Deposits to the National Pension Fund	(50)	-	(24)	-	(26)
	₩ 174,929	₩ 46,186	₩ 85,199	₩ 1,544	₩ 137,460

<sup>1</sup> Other changes consist of replacement of severance insurance deposits to pension plan assets and loss (gain) from foreign currency translation of the Tokyo branch and overseas subsidiaries.

The changes in accrued severance benefits for the year ended December 31, 2009, were as follows: (in millions of Korean won)

	Beginning	Provision	Payment	Other Changes <sup>1</sup>	Ending
Accrued severance benefits	₩ 848,459	₩ 165,204	₩ 421,404	₩ (263)	₩ 591,996
Pension plan assets	(7,975)	(2,927)	(1,237)	92	(9,573)
Severance insurance deposits	(561,177)	(157,559)	(311,161)	131	(407,444)
Deposits to the National Pension Fund	(55)	-	(5)	-	(50)
	₩ 279,252	₩ 4,718	₩ 109,001	₩ (40)	₩ 174,929

<sup>1</sup> Other changes consist of loss (gain) from foreign currency translation of accrued severance benefits of the Tokyo branch and overseas subsidiaries.

As of December 31, 2010, none of the retired employees has elected to receive the retirement pension benefits. Therefore, the Consolidated Company is not subjected to any retirement pension liability, and accordingly, no pension benefit is expected to be paid within a year. As of December 31, 2010, retirement pension assets consist of time deposits and guaranteed interest contracts. Pre-existing retirement insurance policies are with Korea Life Insurance Co., Ltd. and others. In addition, for the years ended December 31, 2010 and 2009, the provision on severance benefits for employees and directors under the defined contribution pension plan amounts to ₩ 2,906 million and ₩ 2,212 million, respectively.

## 15. Acceptances and Guarantees, and Allowances for Losses

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

	2010	2009
<b>Confirmed acceptances and guarantees in won</b>		
Payment guarantee for issuance of debentures	₩ 397	₩ 890
Payment guarantee for loans	69,901	82,373
Others	2,049,689	2,022,326
	2,119,987	2,105,589
<b>Confirmed acceptances and guarantees in foreign currencies</b>		
Acceptances on letters of credit	294,191	395,410
Acceptances for letters of guarantee for importers	65,966	71,322
Guarantees for performance of contracts	647,318	530,366
Guarantees for bids	64,461	47,406
Guarantees for borrowings	239,708	216,424
Guarantees for repayment of advances	2,945,179	3,844,148
Others	965,151	1,125,974
	5,221,974	6,231,050
	7,341,961	8,336,639
<b>Unconfirmed acceptances and guarantees</b>		
Letters of credit	4,362,985	5,181,392
Others	2,089,411	2,678,712
	6,452,396	7,860,104
<b>Bills endorsed</b>	7,869	23,902
	₩ 13,802,226	₩ 16,220,645



## Notes to Consolidated Financial Statements

Acceptances and guarantees, by customer, as of December 31, 2010, are as follows:

(in millions of Korean won)

	Confirmed	Unconfirmed	Bills Endorsed	Total	Percentage (%)
Large corporations	₩ 5,418,811	₩ 5,115,036	₩ 2,512	₩ 10,536,359	76.34
Small and medium corporations	1,922,998	1,337,360	5,357	3,265,715	23.66
Public sector and others	152	-	-	152	0.00
	₩ 7,341,961	₩ 6,452,396	₩ 7,869	₩ 13,802,226	100.00

Acceptances and guarantees, by customer, as of December 31, 2010, are as follows:

(in millions of Korean won)

	Confirmed	Unconfirmed	Bills Endorsed	Total	Percentage (%)
Large corporations	₩ 6,250,557	₩ 6,460,340	₩ 19,276	₩ 12,730,173	78.48
Small and medium corporations	2,072,881	1,366,651	4,605	3,444,137	21.23
Public sector and others	13,201	33,113	21	46,335	0.29
	₩ 8,336,639	₩ 7,860,104	₩ 23,902	₩ 16,220,645	100.00

Acceptances and guarantees, by industry, as of December 31, 2010, are as follows:

(in millions of Korean won)

	Confirmed	Unconfirmed	Bills Endorsed	Total	Percentage (%)
Public sector	₩ 38,641	₩ 2,207,654	₩ -	₩ 2,246,295	16.27
Finance	742,805	2,067	-	744,872	5.40
Service	301,610	28,456	-	330,066	2.39
Manufacturing	4,489,622	3,272,115	3,319	7,765,056	56.26
Others	1,769,283	942,104	4,550	2,715,937	19.68
	₩ 7,341,961	₩ 6,452,396	₩ 7,869	₩ 13,802,226	100.00

Acceptances and guarantees, by industry, as of December 31, 2009, were as follows:

(in millions of Korean won)

	Confirmed	Unconfirmed	Bills Endorsed	Total	Percentage (%)
Public sector	₩ 363	₩ 2,948,404	₩ -	₩ 2,948,767	18.18
Finance	926,299	72,819	-	999,118	6.16
Service	336,953	37,644	-	374,597	2.31
Manufacturing	5,370,410	3,853,683	15,398	9,239,491	56.96
Others	1,702,614	947,554	8,504	2,658,672	16.39
	₩ 8,336,639	₩ 7,860,104	₩ 23,902	₩ 16,220,645	100.00

Acceptances and guarantees, by country, as of December 31, 2010, are as follows:

(in millions of Korean won)

	Confirmed	Unconfirmed	Bills Endorsed	Total	Percentage (%)
Korea	₩ 6,764,372	₩ 6,451,726	₩ 7,869	₩ 13,223,967	95.81
Others	577,589	670	-	578,259	4.19
	₩ 7,341,961	₩ 6,452,396	₩ 7,869	₩ 13,802,226	100.00

Acceptances and guarantees, by country, as of December 31, 2009, were as follows:

(in millions of Korean won)

	Confirmed	Unconfirmed	Bills Endorsed	Total	Percentage (%)
Korea	₩ 7,637,022	₩ 7,852,931	₩ 23,902	₩ 15,513,855	95.64
Others	699,617	7,173	-	706,790	4.36
	₩ 8,336,639	₩ 7,860,104	₩ 23,902	₩ 16,220,645	100.00

Allowances for losses on acceptances and guarantees as of December 31, 2010, are as follows:

(in millions of Korean won)

	Normal	Pre-cautionary	Sub-standard	Doubtful	Estimated Loss	Total
<b>Confirmed acceptances and guarantees in won</b>						
Guarantees	₩ 2,063,931	₩ 10,360	₩ 27,268	₩ 1,902	₩ 16,526	₩ 2,119,987
Allowance for possible losses	13,148	627	4,685	929	16,426	35,815
Ratio (%)	0.64	6.05	17.18	48.83	99.39	1.69
<b>Confirmed acceptances and guarantees in foreign currencies</b>						
Guarantees	₩ 4,620,438	₩ 476,376	₩ 17,211	₩ 18,004	₩ 89,945	₩ 5,221,974
Allowance for possible losses	22,260	40,963	3,302	8,788	89,599	164,912
Ratio (%)	0.48	8.60	19.19	48.82	99.62	3.16
<b>Unconfirmed acceptances and guarantees</b>						
Guarantees	₩ 5,888,385	₩ 281,073	₩ 11,538	₩ 26,591	₩ 244,809	₩ 6,452,396
Allowance for possible losses	9,734	21,076	469	125	726	32,130
Ratio (%)	0.17	7.50	4.07	0.47	0.30	0.50
<b>Bills endorsed</b>						
Guarantees	₩ 7,869	₩ -	₩ -	₩ -	₩ -	₩ 7,869
Allowance for possible losses	69	-	-	-	-	69
Ratio (%)	0.88	-	-	-	-	0.88
<b>Total</b>						
Guarantees	₩ 12,580,623	₩ 767,809	₩ 56,017	₩ 46,497	₩ 351,280	₩ 13,802,226
Allowance for possible losses	45,211	62,666	8,456	9,842	106,751	232,926
Ratio (%)	0.36	8.16	15.09	21.17	30.39	1.69

Allowances for losses on acceptances and guarantees as of December 31, 2009, were as follows:

(in millions of Korean won)

	Normal	Pre-cautionary	Sub-standard	Doubtful	Estimated Loss	Total
<b>Confirmed acceptances and guarantees in won</b>						
Guarantees	₩ 2,087,453	₩ 16,770	₩ 798	₩ 368	₩ 200	₩ 2,105,589
Allowance for possible losses	12,821	794	156	225	100	14,096
Ratio (%)	0.61	4.73	19.62	61.01	50.00	0.67
<b>Confirmed acceptances and guarantees in foreign currencies</b>						
Guarantees	₩ 5,735,707	₩ 415,578	₩ 70,142	₩ 28	₩ 9,595	₩ 6,231,050
Allowance for possible losses	26,338	29,907	7,085	7	5,481	68,818
Ratio (%)	0.46	7.20	10.10	25.00	57.13	1.10
<b>Unconfirmed acceptances and guarantees</b>						
Guarantees	₩ 7,344,869	₩ 469,700	₩ 39,602	₩ 2	₩ 5,931	₩ 7,860,104

## Notes to Consolidated Financial Statements

(in millions of Korean won)

	Normal	Pre-cautionary	Sub-standard	Doubtful	Estimated Loss	Total
Allowance for possible losses	13,210	38,367	3,538	-	1,186	56,301
Ratio (%)	0.18	8.17	8.93	10.05	20.00	0.72
<b>Bills endorsed</b>						
Guarantees	₩ 23,830	₩ 72	₩ -	₩ -	₩ -	₩ 23,902
Allowance for possible losses	207	7	-	-	-	214
Ratio (%)	0.87	10.00	-	-	-	0.90
<b>Total</b>						
Guarantees	₩ 15,191,859	₩ 902,120	₩ 110,542	₩ 398	₩ 15,726	₩ 16,220,645
Allowance for possible losses	52,576	69,075	10,779	232	6,767	139,429
Ratio (%)	0.35	7.66	9.75	58.20	43.03	0.86

The ratios of allowance for losses on acceptances and guarantees as of December 31, 2010, 2009 and 2008, are as follows:

(in millions of Korean won)

	Guarantees and Acceptances and Others	Allowance	Percentage (%)
December 31, 2010	₩ 13,802,226	₩ 232,926	1.69
December 31, 2009	16,220,645	139,429	0.86
December 31, 2008	19,055,996	122,462	0.64

### 16. Other Allowances

Other allowances as of December 31, 2010 and 2009, are as follows:

(In millions of Korean won)

	2010	2009
Mileage rewards	₩ 111,336	₩ 114,785
Line of credit to SPCs	565	351
Dormant accounts	9,773	10,155
Unfunded commitment	578,559	544,236
Reserve for default loss	168	1,629
Trust risk	2,787	2,452
Litigations and others	230,461	108,942
	₩ 933,649	₩ 782,550

The unfunded commitments for other allowance amount to ₩ 84,463,599 million and ₩ 82,128,587 million as of December 31, 2010 and 2009, respectively.

### 17. Shareholders' Equity

#### Capital Stock

Details of capital stock as of December 31, 2010 and 2009, are as follows:

(In millions of Korean won, except per share amounts)

	2010	2009
Number of authorized shares	1,000,000,000	1,000,000,000
Par value per share	₩ 5,000	₩ 5,000
Number of issued shares	386,351,693	386,351,693
Capital stock	₩ 1,931,758	₩ 1,931,758

**Capital Surplus**

The changes in capital surplus for the year ended December 31, 2010, are as follows: (in millions of Korean won)

	Beginning	Changes	Ending
Paid-in capital in excess of par value	₩ 12,220,754	₩ -	₩ 12,220,754
Other	4,208,098	-	4,208,098
	₩ 16,428,852	₩ -	₩ 16,428,852

The changes in capital surplus for the year ended December 31, 2010, are as follows: (in millions of Korean won)

	Beginning	Changes	Ending
Paid-in capital in excess of par value	₩ 11,265,413	₩ 955,341	₩ 12,220,754
Other	4,208,098	-	4,208,098
	₩ 15,473,511	₩ 955,341	₩ 16,428,852

The excess value, which was greater than the capital reserve under the commercial law, of transferred shares of subsidiaries including the treasury shares of Kookmin Bank over the Parent Company's issued capital stock, was recorded as other capital surplus, a part of paid-in capital in excess of par value.

**Capital Adjustments**

The changes in capital adjustments for the year ended December 31, 2010, are as follows: (in millions of Korean won)

	Beginning	Changes	Ending
Treasury stock purchased <sup>1</sup>	₩ (2,476,809)	₩ -	₩ (2,476,809)
Loss on sale of treasury stock	(420,484)	-	(420,484)
Others	(21,697)	(431)	(22,128)
	₩ (2,918,990)	₩ (431)	₩ (2,919,421)

The changes in capital adjustments for the year ended December 31, 2009, were as follows: (in millions of Korean won)

	Beginning	Changes	Ending
Treasury stock purchased <sup>1</sup>	₩ (2,710,349)	₩ 233,540	₩ (2,476,809)
Loss on sale of treasury stock	(432,335)	11,851	(420,484)
Others	(2,418)	(19,279)	(21,697)
	₩ (3,145,102)	₩ 226,112	₩ (2,918,990)

<sup>1</sup> The treasury stock consisting 43,322,704 common shares, which were issued by the Consolidated Company and have no voting rights under the Article 48 of the Financial Holding Company Act.

Through the stock transfer, Kookmin Bank acquired 73,607,601 shares of the Parent Company's equity capital, and after disposing of 30,284,897 shares by the end of 2009, Kookmin Bank has 43,322,704 shares as of December 31, 2010. Kookmin Bank is planning to dispose of those remaining shares within three years after the acquisition date.

**Accumulated Other Comprehensive Income**

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

	Beginning Balance	Changes	Ending Balance
Gain(loss) on valuation of available-for-sale securities	₩ 345,986	₩ 77,941	₩ 423,927
Gain(loss) on valuation of held-to-maturity securities	(2,614)	523	(2,091)
Gain on valuation of equity method investments	622	(46)	576
Loss on valuation of equity method investments	(2,956)	2,759	(197)
Gain on revaluation of property and equipment	891,241	(520)	890,721
	₩ 1,232,279	₩ 80,657	₩ 1,312,936



## Notes to Consolidated Financial Statements

The changes in accumulated other comprehensive income for the year ended December 31, 2009, were as follows:

(in millions of Korean won)

	Beginning Balance	Changes	Ending Balance
Gain(loss) on valuation of available-for-sale securities	₩ 193,231	₩ 152,755	₩ 345,986
Gain(loss) on valuation of held-to-maturity securities	27	(2,641)	(2,614)
Gain on valuation of equity method investments	9,581	(8,959)	622
Loss on valuation of equity method investments	(9,634)	6,678	(2,956)
Gain(loss) on valuation of derivatives	442	(442)	-
Gain on revaluation of property and equipment	893,856	(2,615)	891,241
	₩ 1,087,503	₩ 144,776	₩ 1,232,279

### Retained Earnings

#### Legal Reserve

As required by Article 53 of the Financial Holding Company Act, the Parent Company, each time it declares dividends, is required to appropriate, as a legal reserve, an amount equal to a minimum of 10% of annual net income, until such reserve equals its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock, or used to reduce accumulated deficit.

### 18. Dividends

The details of the Parent Company's distribution of dividends for the year ended December 31, 2010 and 2009, are as follows:

(In Korean won)

	2010	2009
Number of issued common shares	386,351,693 shares	386,351,693 shares
Number of shares excluded for dividend: common share <sup>1</sup>	43,322,704 shares	43,322,704 shares
Number of shares eligible for dividends: common share	343,028,989 shares	343,028,989 shares
Dividend rate	2.40%	4.60%
Dividend amount	₩ 41,163,478,680	₩ 78,896,667,470
Dividend payout ratio (Dividends/Net income)	46.61%	14.62%
Dividend yield ratio (Dividend per share/Market price)	0.20%	0.39%

<sup>1</sup> The Parent Company's treasury shares owned by subsidiaries are excluded from dividend distribution.

### 19. Share-Based Payments

The Consolidated Company granted several share-based payments to employees and executives. When the stock options are exercised, the Consolidated Company has the option to settle either through issuance of new shares or treasury stock, or through payment of cash equivalent to the difference between the market price and the exercise price. In accordance with the resolution of its Board of Directors on August 23, 2005, Kookmin Bank changed the settlement method from issuance of treasury stock to the payment of cash equivalents on the difference between the market price and the exercise price only after the remaining treasury stock is issued. The exercisable shares arising from the establishment of the Parent Company on September 29, 2008, are exchanged with the common stock of the Parent Company. Accordingly, the compensation cost of stock options granted before and after the effective date of SKAS No. 22, Share-based Payments, was measured using the intrinsic value method in accordance with the Interpretations on Financial Accounting Standards 39-35, Accounting for Stock Options, and the fair value method, respectively.

Share-based payment plan, where the number of granted shares is determined by the long-term achievement, for executives and employees of the Consolidated Company as of December 31, 2010, is as follows:

(in number of shares)

	Grant Date	Exercise Period (Years)	Granted Shares <sup>1</sup>	Grant Conditions
<b>Stock Options</b>				
(Kookmin Bank)				
Series 10-1	03.03.21	8	60,000	Service period: 3 years <sup>2</sup>
Series 10-2	03.03.21	8	105,000	Service period: 3 years <sup>3</sup>
Series 11	03.08.27	8	30,000	Service period: 3 years <sup>3</sup>
Series 12	04.02.09	8	60,000	Service period: 1 year <sup>3</sup>
Series 13-1	04.03.23	8	20,000	Service period: 1 year <sup>2</sup>
Series 15-1	05.03.18	8	165,000	Service period: 3 years <sup>2</sup>
Series 15-2	05.03.18	8	690,000	Service period: 3 years <sup>3</sup>
Series 16	05.04.27	8	15,000	Service period: 3 years <sup>3</sup>
Series 17	05.07.22	8	30,000	Service period: 3 years <sup>3</sup>
Series 18	05.08.23	8	15,000	Service period: 3 years <sup>3</sup>
Series 19	06.03.24	8	930,000	Service period: 1, 2, 3 years <sup>4</sup>
Series 20	06.04.28	8	30,000	Service period: 3 years <sup>4</sup>
Series 21	06.10.27	8	20,000	Service period: 2 years <sup>4</sup>
Series 22	07.02.08	8	855,000	Service period: 1, 3 years <sup>4</sup>
Series 23	07.03.23	8	30,000	Service period: 3 years <sup>4</sup>
Series Kookmin Credit Card -1	01.03.22	10	22,146	Service period: 1 year <sup>5</sup>
Series Kookmin Credit Card -2	02.03.29	9	9,990	Service period: 2 years <sup>2,5</sup>
			3,087,136	
<b>Stock Grants 6</b>				
(KB Financial Group Inc.)				
Series 1	08.09.29	-	29,164	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>7</sup>
Series 2	09.03.27	-	3,090	Service fulfillment <sup>8</sup>
Series 3	10.01.01	-	32,256	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>9</sup>
Series 4	10.07.13	-	218,944	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>10</sup>
			283,454	
(Kookmin Bank)				
Series 7	08.03.20	-	7,980	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>11</sup>
Series 13	08.10.18	-	7,950	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>12,13</sup>
Series 14-1	08.12.29	-	6,604	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>12</sup>
Series 14-2	08.12.29	-	74,200	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>12</sup>
Series 15	09.03.25	-	5,300	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>12</sup>

## Notes to Consolidated Financial Statements

(in number of shares)

	Grant Date	Exercise Period (Years)	Granted Shares <sup>1</sup>	Grant Conditions
Series 17	09.10.12	-	5,300	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>12</sup>
Series 19	10.01.01	-	44,910	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>12</sup>
Series 20-1	10.01.08	-	33,138	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>12</sup>
Series 20-2	10.01.08	-	130,884	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>12</sup>
Series 21	10.01.15	-	5,078	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>12</sup>
Series 23	10.07.29	-	73,650	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>14</sup>
Series 24	10.08.03	-	66,912	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>12</sup>
Series 25	10.08.12	-	18,472	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>14</sup>
Series 26	10.09.11	-	12,248	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>12</sup>
Series 27	10.09.20	-	8,092	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>12</sup>
			500,718	
(Other subsidiaries)				
Stock granted in 2010	-	-	33,817	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>15</sup>
			817,989	
			3,905,125	

<sup>1</sup> Granted shares not only represent the number of shares initially granted to employees and executives but also represent the maximum number of shares granted to employees and executives as of December 31, 2010. Certain granted shares of KB Financial Group Inc. and Kookmin Bank will be compensated over three years from the exercise date or after three years from the exercise date.

<sup>2</sup> The exercise price is based on the rate of increase in the average stock price index of the banking industry at the end of the reporting period. For the Series Kookmin Credit Card -2, the exercise price is based on the rate of increase in the average stock price index of the banking industry and Korea Composite Stock Price Index (KOSPI) at the end of the reporting period.

<sup>3</sup> The actual number of exercisable granted shares is determined in accordance with the management performance for the contract period of service.

<sup>4</sup> The exercise price is based on the rate of increase in the aggregate market value of major competitors at the end of the reporting period.

<sup>5</sup> Kookmin Bank took over the stock options granted by Kookmin Credit Card Co., Ltd. whose exercise price and number of shares were adjusted in proportion to the merger ratio.

<sup>6</sup> Stock grants will have the maximum number of granted shares determined on the date of contract and will be exercised in accordance with the achievement of the targeted performance. Meanwhile, the estimated number of granted shares which will be compensated after the contract period of service is 731,316 shares.

<sup>7</sup> In order to exercise stock grants, service for the remaining contract period need to be performed. Certain portion of granted shares will be compensated based on the fulfillment of service requirement. Other portion of granted shares will be compensated based on the following achievements: 30 % of granted shares will depend on targeted KPI, another 30% of granted shares will depend on targeted financial results of the Company, and the remaining 40% of granted shares will depend on targeted relative TSR.

<sup>8</sup> Certain portion of granted shares will be compensated based on the fulfillment of service requirement.

<sup>9</sup> The 30% upon the accomplishment of targeted KPI; another 30% upon the accomplishment of targeted financial results of the Consolidated Company, and the remaining 40% upon the accomplishment of targeted relative TSR are vested. However, certain granted shares will be compensated based on the achievement of targeted KPI (50%) and relative TSR (50%).

<sup>10</sup> The 37.5% of the shares to be granted will be based on the achievement of the targeted relative TSR, while another 37.5% will be based on the achievement of the targeted relative EPS. The remaining 25% will depend on the targeted qualitative index. A certain portion of granted shares will be compensated according to the following achievements: 30 % of granted shares will depend on targeted KPI, another 30% of granted shares will depend on targeted financial results of the Consolidated Company, and the remaining 40% of granted shares will depend on targeted relative TSR. Other portion of granted shares will be compensated according to the following achievements: 40% of granted shares will depend on relative EPS, 40% of granted shares will depend on relative TSR, and 20% of granted shares will depend on targeted qualitative index.

<sup>11</sup> The number of shares to be compensated is fixed regardless of performance.

<sup>12</sup> The 30% of granted shares are vested when targeted KPI is accomplished; 30% of granted shares vested when targeted financial results of the Kookmin Bank are achieved; and 40% of granted shares vested when targeted relative TSR is met.

<sup>13</sup> Kookmin Bank canceled the existing contracts and entered into new contracts in 2009. Accordingly, the number of shares to be compensated has changed.

<sup>14</sup> The number of shares to be compensated is based on the following: 40 % of granted shares have relative TSR, another 40 % of granted shares have relative EPS, and remaining 20 % of granted shares have targeted qualitative index considering such as ROA trend for two years.

<sup>15</sup> The 30% of granted shares are vested when targeted KPI is accomplished; 30% of granted shares vested when targeted MOU is achieved; and 40% of granted shares vested when targeted relative TSR is met. However, certain granted shares will be compensated based on the achievement of targeted MOU (60%) and relative TSR (40%).

Share-based payment plan (stock grant), where the number of granted shares is determined by the short-term achievement, for executives and employees of the Consolidated Company as of December 31, 2010, is as follows: (in number of shares)

		Grant Date	Estimated Granted Shares <sup>1</sup>	Grant Condition
KB Financial Group Inc.	Year 2010	2010-01-01	14,674	On the basis of service fulfillment period
Kookmin Bank	Year 2010	2010-01-01	104,307	On the basis of service fulfillment period
			118,981	

<sup>1</sup> The number of granted shares will be determined based on the achievements of the targets, and certain granted shares will be compensated over a three-year period.

Changes in the number of granted shares and the weighted average exercise price of shares, except for stock grants for the year ended December 31, 2010, are as follows: (In Korean won, except share amounts)

	Granted Shares				Exercise Price per Share	Remaining Period to Maturity (Years)
	Beginning	Exercised	Expired	Ending		
Series 8-1	24,942	-	24,942	-	₩ -	-
Series 8-2	191,831	5,000	186,831	-	-	-
Series 9	23,899	-	23,899	-	-	-



## Notes to Consolidated Financial Statements

(In Korean won, except share amounts)

	Granted Shares				Exercise Price per Share	Remaining Period to Maturity (Years)
	Beginning	Exercised	Expired	Ending		
Series 10-1	40,063	-	-	40,063	47,360	0.22
Series 10-2	67,993	16,690	-	51,303	35,500	0.22
Series 11	5,091	-	-	5,091	40,500	0.65
Series 12	54,250	-	-	54,250	46,100	1.11
Series 13-1	20,000	-	-	20,000	48,650	1.23
Series 14	610,000	-	610,000	-	50,600	1.84
Series 15-1	125,362	-	-	125,362	54,656	2.21
Series 15-2	480,714	-	29,786	450,928	46,800	2.21
Series 16	8,827	-	-	8,827	45,700	2.32
Series 17	29,441	-	-	29,441	49,200	2.56
Series 18	7,212	-	-	7,212	53,000	2.65
Series 19	751,651	-	-	751,651	77,063	3.23
Series 20	25,613	-	-	25,613	81,900	3.33
Series 21	18,987	-	-	18,987	76,600	3.82
Series 22	696,674	-	39,176	657,498	77,100	4.11
Series 23	15,246	-	-	15,246	84,500	4.23
Series Kookmin Credit Card -1	22,146	-	-	22,146	71,538	0.22
Series Kookmin Credit Card -2	9,990	-	-	9,990	129,100	0.24
	3,229,932	21,690	914,634	2,293,608	67,108	2.99

The weighted average stock price per share of the exercised shares for the year ended December 31, 2010, is ₩ 53,878 per share.

Changes in the number of granted shares and the weighted average exercise price of shares, except for stock grants, for the year ended December 31, 2009, were as follows: (In Korean won, except share amounts)

	Granted Shares				Exercise Price per Share	Remaining Period to Maturity (Years)
	Beginning	Exercised	Expired	Ending		
Series 2	46,494	43,523	2,971	-	₩ -	-
Series 7	75,000	75,000	-	-	-	-
Series 8-1	24,942	-	-	24,942	57,100	0.22
Series 8-2	196,831	5,000	-	191,831	57,100	0.22
Series 9	23,899	-	-	23,899	58,800	0.57
Series 10-1	40,063	-	-	40,063	47,360	1.22
Series 10-2	67,993	-	-	67,993	35,500	1.22
Series 11	5,091	-	-	5,091	40,500	1.65
Series 12	54,250	-	-	54,250	46,100	2.11
Series 13-1	20,000	-	-	20,000	48,650	2.23
Series 14	610,000	-	-	610,000	50,600	2.84
Series 15-1	125,362	-	-	125,362	54,656	3.21
Series 15-2	509,044	28,330	-	480,714	46,800	3.21
Series 16	8,827	-	-	8,827	45,700	3.32
Series 17	29,441	-	-	29,441	49,200	3.56

(In Korean won, except share amounts)

	Granted Shares				Exercise Price per Share	Remaining Period to Maturity (Years)
	Beginning	Exercised	Expired	Ending		
Series 18	7,212	-	-	7,212	53,000	3.65
Series 19	753,695	-	2,044	751,651	77,063	4.23
Series 20	25,613	-	-	25,613	81,900	4.33
Series 21	18,987	-	-	18,987	76,600	4.82
Series 22	766,115	-	69,441	696,674	77,100	5.11
Series 23	15,246	-	-	15,246	84,500	5.23
Series Kookmin Credit Card -1	22,146	-	-	22,146	71,538	1.22
Series Kookmin Credit Card -2	9,990	-	-	9,990	129,100	1.24
	3,456,241	151,853	74,456	3,229,932	63,028	3.49

The weighted average stock price per share of the exercised shares for the year ended December 31, 2009, was ₩ 51,979 per share.

Series 22 and Series 23 are measured at fair value based on the Black-Scholes Model, and the factors used in determining the fair value are as follows: (In Korean won)

	Stock Price per Share	Expected Stock Price Volatility (%)	Exercise Price per Share	Maturity (Years)	Expected Dividend per Share	Risk Free Rate (%)	Fair Value
Series 22-1 (Director)	₩ 57,500	₩ 77,100	30.24	1.35	₩ 973	2.98	₩ 2,870
Series 22-2 (Employee)	57,500	77,100	49.01	2.28	1,613	3.20	11,512
Series 23	57,500	84,500	30.42	1.47	1,055	3.01	2,163

The expected weighted average exercise period was separately estimated for directors and employees in order to reflect the possibility of an early exercise. The historical stock price volatility during the respective expected exercise period was applied in the calculation of the expected stock price volatility and estimated based on the cross volatility of the stock price between the Parent Company (Kookmin Bank before October 10, 2008) and its competitors in order to adjust the exercise price in proportion to the change in the market value of the competitors.

Stock grants vested to employees and executives are measured on the basis of fair value using Monte Carlo Simulation Model. Assumptions used under the Monte Carlo Simulation Model are summarized as follows: (In Korean won)

	Expected Exercise Period (Years)	Risk Free Rate (%)	Fair Value (Market Performance Condition)	Fair Value (Non-Market Performance Condition)
<b>Stock grant linked to Long-term performance</b>				
<b>(KB Financial Group Inc.)</b>				
Series 1-2	1.00	2.89	₩ 22,764	₩ 59,606
Series 1-4	0.21	2.89	16,815	59,790
Series 2-3	1.24	2.95	20,807	59,150
Series 3-1	1.00	2.89	21,605	59,606
Series 3-2	1.00	2.91	22,487	59,606
Series 3-3	1.00	2.89	22,488	59,606
Series 4-1	2.53	3.38	22,793	59,139
Series 4-2	2.53	3.14	23,071	59,137
Series 4-3	2.00	3.14	29,939	59,077
Series 4-4	2.00	3.14	29,381	59,077

## Notes to Consolidated Financial Statements

(In Korean won)

	Expected Exercise Period (Years)	Risk Free Rate (%)	Fair Value (Market Performance Condition)	Fair Value (Non-Market Performance Condition)
Series 4-5	2.00	3.14	24,057	59,077
<b>(Kookmin Bank)</b>				
Series 7	0.22 ~ 3.22	2.89	-	60,028 ~ 63,606
Series 13	0.80 ~ 4.00	2.89	17,969	60,041 ~ 64,036
Series 14-1	-	2.89	-	57,407
Series 14-2	1.00 ~ 3.00	2.89	59,998	57,407 ~ 63,153
Series 15	0.23	2.89	-	60,026
Series 17	0.78 ~ 4.00	2.89	23,412	59,961 ~ 64,036
Series 19	1.00 ~ 4.00	2.89	19,187	59,988 ~ 64,036
Series 20-1	1.02 ~ 5.00	2.89	19,407	60,061 ~ 64,948
Series 20-2	1.02 ~ 5.00	2.89	19,825	60,371 ~ 64,948
Series 21	1.04 ~ 5.00	2.90	20,856	60,157 ~ 64,948
Series 23	2.53 ~ 5.53	3.38	22,985	59,143 ~ 66,628
Series 24	1.59 ~ 5.00	3.03	35,596	58,725 ~ 64,948
Series 25	2.53 ~ 6.00	3.38	22,816	59,143 ~ 66,628
Series 26	1.70 ~ 5.00	3.06	30,068	58,499 ~ 64,948
Series 27	1.72 ~ 5.00	3.07	28,451	58,815 ~ 64,948
<b>(Other subsidiaries)</b>				
Stock granted in 2010	-	3.14~3.38	13,266 ~25,335	57,340 ~ 59,077
<b>Stock grant linked to short-term performance</b>				
<b>(KB Financial Group Inc.)</b>				
Stock granted in 2010	-	2.89	-	61,010 ~ 63,153
<b>(Kookmin Bank)</b>				
Stock granted in 2010	0.59 ~ 3.00	2.89	-	61,010 ~ 63,153

Meanwhile, the Consolidated Company determined the fair value by using historical stock price volatility with the same period as the exercisable period for expected volatility and the current stock price as of December 31, 2010, for the underlying asset price. Additionally, the average three-year historical dividend rate was used as expected dividend rate.

As of December 31, 2010 and 2009, the accrued expenses representing share-based payments amounted to ₩ 35,611 million and ₩ 31,903 million, respectively, and the intrinsic value of the vested share options amounted to ₩ 8,165 million and ₩ 17,571 million, respectively. The compensation costs amounting to ₩ 7,998 million and ₩ 30,433 million for the year ended December 31, 2010 and 2009, respectively, are recorded as general and administrative expense.

### 20. Contingencies and Commitments

(1) The Consolidated Company holds written-off loans, over which the Consolidated Company still has claims on the borrowers and guarantors, amounting to ₩ 13,081,093 million and ₩ 11,628,397 million as of December 31, 2010 and 2009, respectively.

(2) As of December 31, 2010 and 2009, the Consolidated Company recorded receivables amounting to ₩ 1,312,271 million and ₩ 2,475,424 million, respectively, and payables amounting to ₩ 1,312,999 million and ₩ 2,475,147 million, respectively, for unsettled foreign currency spot transactions.

(3) As of December 31, 2010 and 2009, the Consolidated Company has commitments to provide lines of credit of up to ₩ 155,500 million and ₩ 300,243 million, respectively, and to purchase commercial papers of up to ₩ 1,056,400 million and ₩ 1,418,100 million, respectively,

with several special purpose companies("SPC"). As of December 31, 2010 and 2009, under these commitments, the Consolidated Company extended loans amounting to ₩ 338 million and ₩ 2,573 million, respectively, and there is no remaining balance from purchasing commercial paper. The Consolidated Company has credit preservation procedures, such as special agreements for repurchase, trust guarantees, cash and securities reservation and others, in cases when the Consolidated Company becomes obligated to make payments in accordance with these commitments. The expected loss of ₩ 565 million and ₩ 351 million from the commitments is recorded as other allowances as of December 31, 2010 and 2009, respectively. In relation to real estate project financing, the Consolidated Company has provided ₩ 70,000 million as of December 31, 2009, and there are no lines of credit provided by the Consolidated Company as of December 31, 2010. Additionally, the Consolidated Company has committed to purchase commercial papers of up to ₩ 851,400 million and ₩ 1,303,100 million as of December 31, 2010 and 2009, respectively, in relation to real estate project financing.

The unused credit in foreign currencies amounts to ₩ 9,703,411 million and ₩ 9,510,968 million, and the unused credit, excluding the unused line of credit subject to other allowance for possible losses, amounts to ₩ 1,298,824 million and ₩ 1,762,038 million as of December 31, 2010 and 2009, respectively.

(4) On December 17, 2008, the Consolidated Company agreed to subscribe ₩ 1,050,836 million in private indirect reinvestment trusts for stabilization of bond markets. The Consolidated Company subscribed ₩ 525,418 million during 2008, and the remaining amount to be subscribed is ₩ 525,418 million as of December 31, 2010 .

(5) Lines of credit the Consolidated Company provided by the financial institutions are as follows: (in millions of Korean won)

	Creditor	Debtor	Credit Limit	Current Balance
Half-day call loan	Korea Securities Finance Corp.	KB Investment & Securities Co., Ltd.	₩ 80,000	₩ -
Operating loan	Korea Securities Finance Corp.	KB Investment & Securities Co., Ltd.	150,000	-
Call loan	Korea Securities Finance Corp.	KB Asset Management Co., Ltd.	30,000	-
Discounted commercial papers	Korea Exchange Bank	KB Financial Group Inc.	100,000	-
	Korea Securities Finance Corp.	KB Investment & Securities Co., Ltd.	100,000	-
	Korea Exchange Bank	KB Real Estate Trust Co., Ltd.	15,000	-
	Tong Yang Securities Inc.	KB Real Estate Trust Co., Ltd.	40,000	-
	Meritz Investment Bank	KB Real Estate Trust Co., Ltd.	10,000	-
			265,000	-
Secured loans	SC First Bank	KB Investment & Securities Co., Ltd.	2,000	-
	Citibank Korea	KB Investment & Securities Co., Ltd.	1,000	-
	Citibank Korea	KB Investment & Securities Co., Ltd.	1,000	-
			4,000	-
General purpose loans	Hana Bank	KB Financial Group Inc.	50,000	-
		KB Real Estate Trust Co., Ltd.	40,000	26,000
	Woori Bank	KB Financial Group Inc.	130,000	-
		KB Real Estate Trust Co., Ltd.	30,000	5,866
	Nonghyup	KB Real Estate Trust Co., Ltd.	10,000	10,000
			260,000	41,866



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(in millions of Korean won)

	Creditor	Debtor	Credit Limit	Current Balance
Facility restructuring loan	Industrial Bank of Korea	KB Real Estate Trust Co., Ltd.	29,500	26,520
Syndicated loan	Korea Scientists & Engineers Mutual-aid Association and others	Chungkang Co., Ltd.	47,000	47,000
			₩ 865,500	₩ 115,386

(5) As of December 31, 2010, Korea Housing Guarantee Co., Ltd., and Seoul Guarantee Insurance Company provided guarantees of ₩ 1,023,073 million and ₩ 47,331 million, respectively, to KB Real Estate Trust Co., Ltd. for land trust business. Meanwhile, KB Data Systems Co., Ltd. is responsible for providing the additional service for repair which may occur within one year for certain service contracts. Accordingly, KB Data Systems Co., Ltd. has been provided with the guarantee of ₩ 7,072 million by Seoul Guarantee Insurance Company.

(6) Kookmin Bank entered into credit card business cooperation agreements with Citibank Korea and Nonghyup. Accordingly, the revenue from credit card business operation is proportionally recognized for each company.

(7) The face value of the securities sold to general customers through tellers' sale amounts to ₩ 199,425 million and ₩ 191,151 million as of December 31, 2010 and 2009, respectively.

(8) The Consolidated Company has filed 125 lawsuits (excluding minor lawsuits in relation to the collection or management of loans), as the plaintiff, involving aggregate claims of ₩ 763,919 million and faces 274 lawsuits as the defendant (excluding minor lawsuits in relation to the collection or management of loans) involving aggregate damages of ₩ 1,428,504 million, which arose in the normal course of the business and are still pending as of December 31, 2010.

The Korea Lottery Service Inc. ("KLS") filed lawsuits against Kookmin Bank in relation to the commitment fees (3 cases with the total damages of ₩ 599,713 million). However, in substance, the government (lottery fund) is responsible for the commitment fees. Kookmin Bank expects that the lawsuits would not affect its financial position even if the court rules in favor of the plaintiff. In the first case seeking damages of ₩ 19,557 million, the Seoul High Court ordered Kookmin Bank to pay the commitment fee of ₩ 4,495 million and the related late payment interest to KLS in the second trial. The third trial is currently pending at the Supreme Court as of December 31, 2010. In the second case seeking damages of ₩ 445,877 million, the court ordered Kookmin Bank to pay the commitment fee of ₩ 122,740 million and the related late payment interest to KLS in the first trial; the second trial is pending as of December 31, 2010. The third case seeking damages of ₩ 134,279 million is currently pending in the first trial as of December 31, 2010.

The government filed a civil lawsuit against KLS, an accounting firm and Kookmin Bank (responsible party) seeking the total damages of ₩ 320,800 million. The plaintiff contends that the excessive payment of lottery service commission fees were due to the illegal act of Kookmin Bank's employees and others. The court decided in favor of Kookmin Bank in the first trial on April 23, 2009. The government made an intermediate appeal, but the Seoul High Court dismissed the said intermediate appeal on October 29, 2010. The government has filed an appeal which is currently pending. Also, on June 25, 2009, the Supreme Court declared Kookmin Bank's employees as not guilty in its third trial of the criminal lawsuit filed by the Korea Prosecutory Authorities against Kookmin Bank's employees. It is uncertain as to whether Kookmin Bank will be ultimately liable for the damages in the aforementioned lawsuit, and no estimate can be made of the amount of the potential liabilities as of December 31, 2010.

The government also filed four civil lawsuits against Kookmin Bank, Nonghyup and Woori Bank seeking the total damages of ₩119,842 million. The plaintiff contends that the loss was due to the defendants' breach of trust and mismanagement of the Housing Fund. The case is currently ongoing in its first trial and no estimate of any loss can be made as of December 31, 2010.

In addition, Kookmin Bank filed lawsuits against the government in relation to the commitment fees seeking the total damages of ₩116,482 million. The plaintiff contends that the government paid the lower commitment fees for the Housing Fund. The court decided in favor of Bank in its second trial on December 1, 2010, and the third trial is currently pending at the Supreme Court as of December 31, 2010. The Bank received ₩146,069 million (including related reparations of ₩32,272 million) and recognized it as suspense payable.

(9) According to shareholders' agreement among Kookmin Bank, International Finance Corporation ("IFC") and remaining shareholders, the Kookmin Bank granted a put option to IFC with a right to sell the shares of JSC Bank CenterCredit to itself or its designee. The exercise price will be determined through a mutual agreement between the Bank and IFC. If they are not able to agree within the predetermined period of

time, the exercise price will be determined by the fair value provided by an independent pricing service. The put option may be exercised by IFC at any time from February 24, 2013 to February 24, 2017. However, if the put trigger event defined in shareholders' agreement occurs, and consequently, if a put notice is delivered to Kookmin Bank within 60 days from the date when IFC recognizes such event, IFC may also exercise its put option at any time after February 24, 2010.

(10) In 2007, Kookmin Bank was subject to regular tax audit by the Seoul Regional Tax Office. Consequently, income taxes and others of ₩ 438,975 million were imposed and paid. However, Kookmin Bank filed a request for adjustment to the Tax Tribunal against certain imposed items amounting to ₩ 438,863 million in August 2007. Among the requested items for adjustment, a total educational tax assessment of ₩ 797 million was refunded in June 2009 and a portion of income tax assessment of ₩ 28,742 million was refunded in March 2010. Further, in June 2009, the court ruled in favor of Kookmin Bank and consequently, an additional tax of ₩ 58,721 million was refunded. Kookmin Bank filed an administrative case regarding items not accepted by the Tax Tribunal in June 2010. Also, the Bank filed a request for depopulation refund and an additional tax of ₩ 9,805 million was refunded in September 2010.

(11) The balances of securities borrowed, held by the Consolidated Company and will be sold for financing purpose, are ₩ 689,865 million and ₩ 551,192 million as of December 31, 2010 and 2009, respectively.

(12) The Consolidated Company agreed to make a ₩ 175,000 million investment in United Asset Management Corporation which was established on October 1, 2009. The Consolidated Company has invested ₩ 85,050 million as of December 31, 2010, and therefore, the remaining investment to be made is ₩ 89,950 million.

(13) On November 23, 2009, Kookmin Bank entered into microcredit business support agreement with Smile Microcredit Bank established to help low-income people. In accordance with the agreement, Kookmin Bank will donate ₩ 50 billion over the next five years. As of December 31, 2010, the Kookmin Bank has donated ₩ 20 billion in total.

(14) Pursuant to the regulations of National Bank of Cambodia, Kookmin Bank with the controlling interest over Kookmin Bank Cambodia PLC., submitted the certificate of guarantee to the National Bank of Cambodia assuring that Kookmin Bank Cambodia PLC. will keep at least USD 39,000,000 of capital stock issued and be paid by Kookmin Bank if one or more of following conditions occur:

- A. If the controlling entity's credit rating by international credit rating agency is downgraded below the investment level.
- B. If National Bank of Cambodia requires Kookmin Bank Cambodia PLC. to issue new shares after the supervisory and risk assessments.

(15) The details of derivative instrument transactions as of December 31, 2010 and 2009, are as follows:

(in millions of Korean won)

	2010 <sup>1</sup>			2009 <sup>1</sup>		
	Trading	Hedge	Total	Trading	Hedge	Total
<b>Interest rate</b>						
Futures	₩ 1,067,924	₩ -	₩ 1,067,924	₩ 3,783,105	₩ -	₩ 3,783,105
Swaps	94,605,711	4,440,700	99,046,411	87,497,158	4,988,590	92,485,748
Purchased options	4,870,000	-	4,870,000	3,600,000	-	3,600,000
Written options	5,531,894	-	5,531,894	3,453,481	-	3,453,481
	106,075,529	4,440,700	110,516,229	98,333,744	4,988,590	103,322,334
<b>Currency</b>						
Forwards	36,333,189	516,598	36,849,787	35,213,251	566,759	35,780,010
Futures	609,989	-	609,989	1,674,175	-	1,674,175
Swaps	16,545,023	1,138,900	17,683,923	18,287,206	1,167,600	19,454,806
Purchased options <sup>2</sup>	481,461	-	481,461	1,479,661	-	1,479,661
Written options <sup>2</sup>	536,443	-	536,443	1,784,605	-	1,784,605
	54,506,105	1,655,498	56,161,603	58,438,898	1,734,359	60,173,257
<b>Stock</b>						
Index futures	168,621	-	168,621	75,044	-	75,044
Purchased options	579,134	-	579,134	832,887	-	832,887

## Notes to Consolidated Financial Statements

(in millions of Korean won)

	2010 <sup>1</sup>			2009 <sup>1</sup>		
	Trading	Hedge	Total	Trading	Hedge	Total
Written options	1,321,708	-	1,321,708	1,914,260	-	1,914,260
Swaps	7,638	-	7,638	171,400	-	171,400
	2,077,101	-	2,077,101	2,993,591	-	2,993,591
<b>Others</b>						
Commodity forwards	-	-	-	41,727	-	41,727
Other derivatives	60,000	190,000	250,000	60,000	190,000	250,000
	60,000	190,000	250,000	101,727	190,000	291,727
	₩ 162,718,735	₩ 6,286,198	₩ 169,004,933	₩ 159,867,960	₩ 6,912,949	₩ 166,780,909

<sup>1</sup> For transactions (excluding currency option transactions) between won and foreign currencies, unsettled amount of transaction is presented using the basic foreign exchange rate at statement of financial position date based on the contract amount in foreign currencies. For transactions (excluding currency option transactions) between foreign currencies, the unsettled amount of transaction is presented using the basic foreign exchange rate at the end of the reporting period based on foreign currencies purchased.

<sup>2</sup> For currency option transactions, the unsettled amount of transaction is classified into either purchased currency options or written currency options based on trading of the right pursuant to the Accounting Guidelines' Appendix 5 of the Financial Supervisory Service in the Republic of Korea. For transactions between won and foreign currencies, the unsettled amount of transaction is presented using the basic foreign exchange rate at the end of the reporting period based on the contract amount in foreign currencies. For transactions between foreign currencies, the unsettled amount of transaction is presented using the basic foreign exchange rate at statement of financial position dates based on the currencies expected to be collected at maturity.

The details of fair value measurement of derivative instruments as of December 31, 2010, and gain or loss on the valuation of derivative instruments for the year ended December 31, 2010, are as follows:

(in millions of Korean won)

	Gain(Loss) on Valuation (P/L)			Gain(Loss) on Valuation (B/S)	
	Trading	Hedge	Total	Assets	Liabilities
<b>Interest rate</b>					
Purchased options	₩ 746	₩ -	₩ 746	₩ 48,478	₩ -
Written options	2,654	-	2,654	2	47,202
Swaps	(32,302)	61,645	29,343	677,321	687,474
	(28,902)	61,645	32,743	725,801	734,676
<b>Currency</b>					
Forwards	341,465	6,052	347,517	874,397	308,484
Swaps	111,403	(25,894)	85,509	933,001	987,658
Purchased options	(8,717)	-	(8,717)	14,138	-
Written options	3,867	-	3,867	-	14,332
	448,018	(19,842)	428,176	1,821,536	1,310,474
<b>Stock</b>					
Purchased options	17,329	-	17,329	39,058	-
Written options	(20,619)	-	(20,619)	-	143,359
Swaps	2,526	-	2,526	2,114	45,438
	(764)	-	(764)	41,172	143,359
<b>Others</b>					
Other derivatives	(27)	7,992	7,965	3,743	28,725
	₩ 418,325	₩ 49,795	₩ 468,120	₩ 2,592,252	₩ 2,217,234

The details of fair value measurement of derivative instruments as of December 31, 2009, and gain or loss on the valuation of derivative instruments for the year ended December 31, 2009, were as follows: (in millions of Korean won)

	Gain(Loss) on Valuation (P/L)			Gain(Loss) on Valuation (B/S)	
	Trading	Hedge	Total	Assets	Liabilities
<b>Interest rate</b>					
Purchased options	₩ (12,162)	₩ -	₩ (12,162)	₩ 23,219	₩ -
Written options	7,855	-	7,855	3	21,390
Swaps	168,014	(212,690)	(44,676)	617,158	804,134
	163,707	(212,690)	(48,983)	640,380	825,524
<b>Currency</b>					
Forwards	164,712	(17,488)	147,224	1,422,589	464,595
Swaps	469,369	(165,584)	303,785	1,019,818	1,385,525
Purchased options	(90,438)	-	(90,438)	187,885	-
Written options	61,101	-	61,101	-	88,833
	604,744	(183,072)	421,672	2,630,292	1,938,953
<b>Stock</b>					
Purchased options	17,040	-	17,040	77,621	-
Written options	6,926	-	6,926	-	277,294
Swaps	37,322	-	37,322	11,330	45,438
	61,288	-	61,288	88,951	322,732
<b>Others</b>					
Commodity forwards	24	-	24	2,412	2,388
Other derivatives	(2,326)	(33,306)	(35,632)	5,647	39,936
	(2,302)	(33,306)	(35,608)	8,059	42,324
	₩ 82,7437	₩ (429,068)	₩ 398,369	₩ 3,367,682	₩ 3,129,533

The Consolidated Company uses various derivative instruments for trading activities and hedging activities, such as hedging foreign exchange risks and interest risks. The unsettled notional amount and the valuation gain or loss for hedging transactions is accounted for pursuant to the Interpretations on Financial Accounting Standards 53-70, Accounting for Derivative Instruments.

Hedged items for fair value hedge accounting purpose are subordinated bonds in won, structured bonds, finance debentures issued in foreign currency and equity method investments in foreign currency. For the years ended December 31, 2010 and 2009, Kookmin Bank recognized a loss of ₩ 24,720 million and a gain of ₩ 204,838 million, respectively, under the valuation of fair value hedge items. In addition, the interest rate swap, the currency swap, the currency forwards, and others offset changes in the fair value of the hedged items resulting from the fluctuation in interest and exchange rate. The difference between the net amount of the valuation gain(loss) on the interest rate swap and the currency forwards designated as the fair value hedging instrument, and structured bonds and equity method investments in foreign currency as the hedged items, and the differences between the spot and forward exchange rates, excluded while assessing hedge effectiveness, and others, amounting to ₩ 25,075 million, is an ineffective portion of hedging.

The details of the credit default swap as of December 31, 2010, are as follows: (in millions of Korean won)

	Face Value	Reference Entity	Credit Grades
Credit default swap	₩ 100,000	Large Korean corporations	AAA
Credit default swap	100,000	Large Korean corporations	AAA

Loss can be incurred in relation to the sale of the credit default swap in case of credit events such as default of the reference entity.



## Notes to Consolidated Financial Statements

### 21. Assets and Liabilities Denominated in Foreign Currencies

Significant assets and liabilities denominated in foreign currencies as of December 31, 2010, are as follows:

	Currency	Foreign Currencies (In Thousands)	USD Equivalent 1 (In Thousands)	KRW Equivalent (In Millions)
<b>Assets</b>				
Foreign currencies	USD	85,925	85,925	97,860
	JPY	5,263,022	64,561	73,529
	EUR	36,074	47,943	54,602
	GBP	2,280	3,518	4,007
	Others	-	54,721	62,321
			256,668	292,319
Due from banks in foreign currencies	USD	210,806	210,806	240,087
	JPY	2,833,372	34,757	39,584
	EUR	5,946	7,902	8,999
	GBP	3,076	4,748	5,407
	Others	-	252,664	287,761
			510,877	581,838
Securities in foreign currencies	USD	1,193,211	1,193,211	1,358,948
	EUR	12,733	16,922	19,273
	Others	-	336,017	382,690
			1,546,150	1,760,911
Loans in foreign currencies	USD	2,507,622	2,507,622	2,855,931
	JPY	172,737,272	2,118,955	2,413,278
	EUR	35,202	46,783	53,281
	GBP	5	8	9
	Others	-	201,194	229,140
			4,874,562	5,551,639
Domestic usance import bill	USD	2,000,568	2,000,568	2,278,447
	JPY	10,683,138	131,049	149,252
	EUR	120,043	159,537	181,697
	GBP	1,105	1,706	1,942
	Others	-	6,986	7,957
			2,299,846	2,619,295
Bills bought in foreign currencies	USD	1,491,869	1,491,869	1,699,089
	JPY	4,634,329	56,849	64,745
	EUR	198,303	263,545	300,151
	GBP	8,905	13,744	15,653
	Others	-	122,461	139,472
			1,948,468	2,219,110
Call loans in foreign currencies	USD	545,623	545,623	621,410
	EUR	65,262	86,733	98,781
	GBP	452	697	794

	Currency	Foreign Currencies (In Thousands)	USD Equivalent 1 (In Thousands)	KRW Equivalent (In Millions)
	Others	-	50,155	57,121
			683,208	778,106
<b>Liabilities</b>				
Deposits in foreign currencies	USD	1,685,674	1,685,674	1,919,814
	JPY	40,787,725	500,340	569,837
	EUR	114,268	151,862	172,955
	GBP	6,961	10,743	12,236
	Others	-	153,283	174,575
			2,501,902	2,849,417
Borrowings in foreign currencies	USD	3,082,991	3,082,991	3,511,218
	JPY	92,329,258	1,132,596	1,289,914
	EUR	704,422	936,178	1,066,213
	GBP	38,372	59,221	67,447
	Others	-	195,883	223,092
			5,406,869	6,157,884
Call money in foreign currencies	USD	232,000	232,000	264,225
	JPY	3,000,000	36,801	41,912
	Others	-	148,178	168,761
			416,979	474,898
Debentures in foreign currencies	USD	2,288,202	2,288,202	2,606,033
	JPY	55,000,000	674,681	768,394
	Others	-	100,767	114,764
			3,063,650	3,489,191
Foreign currencies bills payable	USD	67,553	67,553	76,936
	JPY	145,441	1,784	2,032
	EUR	1,880	2,499	2,846
	GBP	507	783	892
	Others	-	1,385	1,577
			74,004	84,283

<sup>1</sup> Foreign currencies other than U.S. dollars were translated into U.S. dollars at the basic exchange rates at the end of the reporting period.

Significant assets and liabilities denominated in foreign currencies as of December 31, 2009, were as follows:

	Currency	Foreign Currencies (In Thousands)	USD Equivalent 1 (In Thousands)	KRW Equivalent (In Millions)
<b>Assets</b>				
Foreign currencies	USD	80,968	80,968	94,539
	JPY	4,909,333	53,097	61,996

## Notes to Consolidated Financial Statements

	Currency	Foreign Currencies (In Thousands)	USD Equivalent 1 (In Thousands)	KRW Equivalent (In Millions)
	EUR	31,303	44,888	52,411
	GBP	2,199	3,535	4,128
	Others	-	44,571	52,040
			227,059	265,114
Due from banks in foreign currencies	USD	351,522	351,522	410,439
	JPY	2,057,994	22,258	25,989
	EUR	8,299	11,901	13,896
	GBP	642	1,033	1,206
	Others	-	165,067	192,731
			551,781	644,261
Securities in foreign currencies	USD	1,279,326	1,279,326	1,493,741
	JPY	1,600,380	17,309	20,210
	EUR	62,294	89,326	104,297
	Others	-	408,182	476,593
			1,794,143	2,094,841
Loans in foreign currencies	USD	2,886,513	2,886,513	3,370,292
	JPY	170,348,181	1,842,404	2,151,191
	EUR	35,846	51,402	60,017
	GBP	91	147	172
	Others	-	186,630	217,909
			4,967,096	5,799,581
Domestic usance import bill	USD	1,817,474	1,817,474	2,122,083
	JPY	9,664,093	104,522	122,040
	EUR	62,613	89,783	104,831
	GBP	1,055	1,697	1,980
	Others	-	3,427	4,002
			2,016,903	2,354,936
Bills bought in foreign currencies	USD	1,341,031	1,341,031	1,565,788
	JPY	2,436,172	26,348	30,765
	EUR	234,903	336,840	393,294
	GBP	11,537	18,553	21,663
	Others	-	41,365	48,297
			1,764,137	2,059,807
Call loans in foreign currencies	USD	165,785	165,785	193,570
	EUR	5,659	8,115	9,475
	GBP	12,150	19,539	22,814
	Others	-	120,087	140,214
			313,526	366,073
<b>Liabilities</b>				
Deposits in foreign currencies	USD	1,831,912	1,831,912	2,138,940
	JPY	25,404,415	274,762	320,812

	Currency	Foreign Currencies (In Thousands)	USD Equivalent 1 (In Thousands)	KRW Equivalent (In Millions)
	EUR	121,271	173,897	203,042
	GBP	8,027	12,908	15,072
	Others	-	407,422	475,707
			2,700,901	3,153,573
Borrowings in foreign currencies	USD	2,801,953	2,801,953	3,271,560
	JPY	97,014,610	1,049,264	1,225,120
	EUR	853,685	1,224,141	1,429,308
	GBP	8,899	14,312	16,710
	Others	-	199,984	233,502
			5,289,654	6,176,200
Call money in foreign currencies	USD	276,302	276,302	322,610
	JPY	5,000,000	54,077	63,141
	EUR	347,057	497,662	581,070
	GBP	5,727	9,210	10,753
	Others	-	145,462	169,842
			982,713	1,147,416
Debentures in foreign currencies	USD	2,678,272	2,678,272	3,127,150
	JPY	71,400,000	772,228	901,654
	EUR	35,000	50,188	58,600
	Others	-	93,652	109,347
			3,594,340	4,196,751
Foreign currencies bills payable	USD	42,667	42,667	49,818
	JPY	327,938	3,547	4,141
	EUR	7,106	10,189	11,898
	GBP	365	588	686
	Others	-	1,616	1,887
			58,607	68,430

<sup>1</sup> Foreign currencies other than U.S. dollars were translated into U.S. dollars at the basic exchange rates at the end of the reporting period.

## 22. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2010 and 2009, are as follows:

(In millions of Korean won)

	2010	2009
Salaries (Note 19)	₩ 1,557,210	₩ 1,554,157
Provision for severance benefits (Note 14)	172,328	167,416
Honorary retirement	576,162	-
Welfare expense	572,829	559,125
Rental expense	190,174	182,720
Depreciation (Note 9)	242,446	320,154
Amortization of intangible assets (Note 10)	186,657	173,986



## Notes to Consolidated Financial Statements

### 22. Selling and Administrative Expenses

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

	2010	2009
Tax and dues	141,132	145,786
Advertising	92,797	76,952
Development expenses	132,604	138,037
Others	465,634	452,316
	₩ 4,329,973	₩ 3,770,649

Information for calculating value added for the years ended December 31, 2010 and 2009, is as follows: (In millions of Korean won)

	2010	2009
Salaries	₩ 1,557,210	₩ 1,554,157
Provision for severance benefits	172,328	167,416
Severance benefits for voluntary resignation	576,162	-
Welfare expense	572,829	559,125
Rental expense	190,174	182,720
Depreciation	242,446	320,154
Amortization of intangible asset	186,657	173,986
Tax and dues	141,132	145,786
	₩ 3,638,938	₩ 3,103,344

Other selling and administrative expenses for the years ended December 31, 2010 and 2009, are as follows: (In millions of Korean won)

	2010	2009
Communication	₩ 51,502	₩ 55,376
Electricity and utilities	23,165	23,073
Publication	23,058	22,864
Repairs and maintenance	17,699	18,224
Vehicle	40,715	39,457
Training	20,486	21,771
Office supplies	45,971	41,201
Travel	5,061	4,692
Commission expense	149,398	147,930
Others	88,579	77,728
	₩ 465,634	₩ 452,316

### 23. Income Tax

Income tax expense (benefit) for the years ended December 31, 2010 and 2009, consists of: (In millions of Korean won)

	2010	2009
<b>Parent Company</b>		
Income tax payable	₩ -	₩ -
Changes in deferred income tax assets due to temporary differences	1,953	1,598

(In millions of Korean won)

	2010	2009
Total income tax effect	1,953	1,598
Income tax expense or benefit allocated directly to shareholders' equity	(5,172)	1,305
Income tax expense (benefit)	(3,219)	2,903
<b>Subsidiaries</b>		
Income tax payable	45,496	(4,682)
Changes in deferred income tax assets due to temporary differences	(98,503)	91,918
Income tax expense of overseas branch	13,918	6,160
Total income tax effect	(39,089)	93,396
Income tax expense or benefit allocated directly to shareholders' equity	(38,683)	(71,385)
Income tax expense (benefit)	(77,772)	22,011
	₩ (80,991)	₩ 24,914

Deferred income tax assets and liabilities in the consolidated financial statements as of December 31, 2010 and 2009, are as follows:

(in millions of Korean won)

	2010		2009	
	Assets	Liabilities	Assets	Liabilities
KB Financial Group Inc.	₩ -	₩ 8,315	₩ -	₩ 6,363
Kookmin Bank <sup>1</sup>	-	112,415	-	253,916
KB Investment & Securities Co., Ltd. <sup>2</sup>	-	378	6,369	-
KB Life Insurance Co., Ltd.	-	24,483	1,933	-
KB Asset Management Co., Ltd.	1,351	-	1,075	-
KB Real Estate Trust Co., Ltd.	6,366	-	3,846	-
KB Investment Co., Ltd. <sup>3</sup>	2,205	-	3,057	-
KB Futures Co., Ltd.	-	1,703	-	1,376
KB Credit Information Co., Ltd.	501	-	344	-
KB Data Systems Co., Ltd.	7,433	-	6,047	-
	₩ 17,856	₩ 147,294	₩ 22,671	₩ 261,655

<sup>1</sup> Financial information is based on its consolidated financial statements which include Kookmin Bank Int'l Ltd.(London), Kookmin Bank Hong Kong Ltd. and Kookmin Bank Cambodia PLC. as subsidiaries for the years ended December 31, 2010 and 2009.

<sup>2</sup> Based on its consolidated financial statements which include KB-Glenwood Private Equity Fund 1, Chungkang Co., Ltd. and Powernet Technologies Co., Ltd. as subsidiaries for the year ended December 31, 2010.

<sup>3</sup> Based on its consolidated financial statements which include NPS-KBIC Private Equity Fund No. 1, KBIC Private Equity Fund No.3 and KoFC KBIC Frontier Champ 2010-5 PEF as subsidiaries for the year ended December 31, 2010, and NPS-KBIC Private Equity Fund No. 1 as subsidiary for the year ended December 31, 2009.

## 24. Earnings Per Share

Basic earnings (loss) per share for the years ended December 31, 2010 and 2009, is calculated as follows:

(in Korean won and in number of shares)

	2010	2009
Net income <sup>1</sup>	₩ 88,319,877,008	₩ 539,818,164,108
Weighted-average number of common shares outstanding	343,028,989	325,406,414
Basic earnings per share	₩ 257	₩ 1,659

<sup>1</sup> Earnings available for common shareholders are the same as net income of the Parent Company.

## Notes to Consolidated Financial Statements

The weighted average number of common shares outstanding for the year ended December 31, 2010, is computed as follows:

(in number of shares)

	Number of Shares	Days Outstanding	Outstanding Shares
Beginning	386,351,693	365	141,018,367,945
Treasury shares <sup>1</sup>	(43,322,704)	365	(15,812,786,960)
Total outstanding shares (①)			125,205,580,985
In number of days(②)			365
Weighted average number of shares outstanding(①/②)			343,028,989

The weighted average number of common shares outstanding for the year ended December 31, 2009, was computed as follows:

(in number of shares)

	Number of Shares	Days Outstanding	Outstanding Shares
Beginning	356,351,693	365	130,068,367,945
Treasury shares <sup>1</sup>	(47,407,671)	365	(17,303,799,915)
Retirement of treasury shares	4,084,967	74	302,287,558
Issuance of common shares (2009.9.1)	30,000,000	122	3,660,000,000
Common shares deemed to have been issued free to existing shareholders <sup>2</sup>	8,421,751	243	2,046,485,599
Total outstanding shares (①)			118,773,341,187
In number of days(②)			365
Weighted average number of shares outstanding(①/②)			325,406,414

<sup>1</sup> Weighted average number of common shares outstanding is calculated by accounting for the shares owned by subsidiaries as treasury stock.

<sup>2</sup> The common shares deemed to have been issued free to existing shareholders in 2009, were considered in the computation of weighted average number of common shares outstanding.

Basic earnings (loss) per share for the year ended December 31, 2010, is equal the diluted earnings per share because there has been no dilution in the weighted average number of common stock outstanding.

The number of potential common stock which is not included for the computation of diluted earnings per share for the year ended December 31, 2010, due to the antidilutive effect, but may result in the dilution of earnings per share in the future is as follows:

(in number of shares)

	2010 <sup>1</sup>
Stock grants	936,970

<sup>1</sup> Includes the number of granted shares for employees and executives of Kookmin bank and other subsidiaries.

## 25. Comprehensive Income

Comprehensive income for the year ended December 31, 2010 and 2009, consists of: (in millions of Korean won)

	2010	2009
<b>Net income</b>	₩ 100,183	₩ 527,494
Other comprehensive income		
Gain(Loss) on valuation of available-for-sale securities	108,848	186,536
Gain(Loss) on valuation of held-to-maturity securities	1,022	(2,114)
Gain on the valuation of equity method investments	(46)	(8,959)
Loss on the valuation of equity method investments	2,759	6,678
Loss on valuation of derivatives	-	(442)
Gain(Loss) on revaluation of property and equipment	(521)	(2,615)
Comprehensive income	₩ 212,245	₩ 706,578
Parent Company interest in comprehensive income	₩ 168,977	₩ 684,594
Minority interest in comprehensive income	43,268	21,984

## 26. Segment Financial Information

Statements of financial position per business segment as of December 31, 2010, are as follows: (in millions of Korean won)

	Financial & Insurance Business	Non-Financial Business	Consolidation Adjustment	Total
Cash and due from banks	₩ 7,973,813	₩ 72,862	₩ (1,007,743)	₩ 7,038,932
Securities	64,282,671	641	(20,757,033)	43,526,279
Loans receivable	197,478,987	416	(934,402)	196,545,001
Property and equipment	3,209,829	1,852	275	3,211,956
Other assets	12,012,243	61,074	(387,517)	11,685,800
	₩ 284,957,543	₩ 136,845	₩ (23,086,420)	₩ 262,007,968
Deposits	₩ 185,774,990	₩ -	₩ (1,108,107)	₩ 184,666,883
Borrowings	43,498,402	-	(883,396)	42,615,006
Other liabilities	16,641,228	47,072	(402,574)	16,285,726
	245,914,620	47,072	(2,394,077)	243,567,615
Common stock	5,358,285	46,862	(3,473,389)	1,931,758
Capital surplus	22,859,561	39,189	(6,469,898)	16,428,852
Capital adjustments	(2,920,026)	(2,992)	3,597	(2,919,421)
Accumulated other comprehensive income	3,101,450	-	(1,788,514)	1,312,936
Retained earnings	10,643,653	6,714	(9,458,691)	1,191,676
Minority interest	-	-	494,552	494,552
	39,042,923	89,773	(20,692,343)	18,440,353
	₩ 284,957,543	₩ 136,845	₩ (23,086,420)	₩ 262,007,968



## Notes to Consolidated Financial Statements

Statements of financial position per business segment as of December 31, 2009, were as follows:

(in millions of Korean won)

	Financial & Insurance Business	Non-Financial Business	Consolidation Adjustment	Total
Cash and due from banks	₩ 10,840,450	₩ 12,734	₩ (1,084,051)	₩ 9,769,133
Securities	62,924,572	-	(20,388,924)	42,535,648
Loans receivable	196,387,125	299	(989,531)	195,397,893
Property and equipment	3,346,451	241	(1,369)	3,345,323
Other assets	11,466,787	31,664	(377,998)	11,120,453
	₩ 284,965,385	₩ 44,938	₩ (22,841,873)	₩ 262,168,450
Deposits	₩ 173,525,894	₩ -	₩ (1,086,011)	₩ 172,439,883
Borrowings	55,489,132	-	(995,849)	54,493,283
Other liabilities	17,480,655	28,132	(384,829)	17,123,958
	246,495,681	28,132	(2,466,689)	244,057,124
Common stock	5,089,298	8,000	(3,165,540)	1,931,758
Capital surplus	22,828,596	-	(6,399,744)	16,428,852
Capital adjustments	(2,920,231)	-	1,241	(2,918,990)
Accumulated other comprehensive income	2,844,154	-	(1,611,875)	1,232,279
Retained earnings	10,627,887	8,806	(9,458,962)	1,177,731
Minority interest	-	-	259,696	259,696
	38,469,704	16,806	(20,375,184)	18,111,326
	₩ 284,965,385	₩ 44,938	₩ (22,841,873)	₩ 262,168,450

Statements of operations per business segment for the year ended December 31, 2010, are as follows:

(in millions of Korean won)

	Financial & Insurance Business	Non-Financial Business	Consolidation Adjustment	Total
Operating revenue	₩ 25,709,955	₩ 169,234	₩ (297,082)	₩ 25,582,107
Operating expenses	25,400,968	170,295	(181,900)	25,389,363
Operating income(loss)	308,987	(1,061)	(115,182)	192,744
Non-operating income (loss)	(184,310)	203	10,555	(173,552)
Income(loss) before income tax	124,677	(858)	(104,627)	19,192
Income tax expense (benefit)	(68,492)	1,117	(13,616)	(80,991)
Net income (loss)	₩ 193,169	₩ (1,975)	₩ (91,011)	₩ 100,183
Parent Company interest in net income (loss)	₩ 193,169	₩ (1,975)	₩ (102,874)	₩ 88,320
Minority interest in net income	-	-	11,863	11,863

Statements of operations per business segment for the year ended December 31, 2009, were as follows:

(in millions of Korean won)

	Financial & Insurance Business	Non-Financial Business	Consolidation Adjustment	Total
Operating revenue	₩ 31,164,315	₩ 124,746	₩ (842,962)	₩ 30,446,099
Operating expenses	29,848,790	117,846	(171,822)	29,794,814
Operating income	1,315,525	6,900	(671,140)	651,285
Non-operating income (loss)	(47,350)	-	(51,777)	(99,127)
Income before income tax	1,268,175	6,900	(722,917)	552,158
Income tax expense	44,199	1,633	(20,918)	24,914
Net loss before acquiring subsidiaries	-	-	250	250
Net income	₩ 1,223,976	₩ 5,267	₩ (701,749)	₩ 527,494
Parent Company interest in net income	₩ 1,223,976	₩ 5,267	₩ (689,425)	₩ 539,818
Minority interest in net income(loss)	-	-	(12,324)	(12,324)

Statements of financial position and of operations per industry segment as of and for the year ended December 31, 2010, are as follows:

(in millions of Korean won)

	Banking	Trust Accounts	Others	Consolidation Adjustment	Total
Operating revenue	₩ 23,442,922	₩ 173,936	₩ 2,262,331	₩ (297,082)	₩ 25,582,107
Less: Intercompany transactions	(39,185)	(5,734)	(252,163)	297,082	-
Net operating revenue	₩ 23,403,737	₩ 168,202	₩ 2,010,168	₩ -	₩ 25,582,107
Operating income(loss)	₩ 115,035	₩ (3,236)	₩ 196,127	₩ (115,182)	₩ 192,744
Cash and due from banks	₩ 6,254,824	₩ 218,700	₩ 1,573,151	₩ (1,007,743)	₩ 7,038,932
Securities	38,884,505	2,571,851	22,826,956	(20,757,033)	43,526,279
Loans receivable	196,793,853	230,343	455,207	(934,402)	196,545,001
Property and equipment	3,200,639	-	11,042	275	3,211,956
Other assets	10,671,923	174,081	1,227,313	(387,517)	11,685,800
	₩ 255,805,744	₩ 3,194,975	₩ 26,093,669	₩ (23,086,420)	₩ 262,007,968

Statements of financial position and of operations per industry segment as of and for the year ended December 31, 2009, were as follows:

(in millions of Korean won)

	Banking	Trust Accounts	Others	Consolidation Adjustment	Total
Operating revenue	₩ 28,795,190	₩ 161,916	₩ 2,331,955	₩ (842,962)	₩ 30,446,099
Less: Intercompany transactions	(58,398)	(3,127)	(781,437)	842,962	-
Net operating revenue	₩ 28,736,792	₩ 158,789	₩ 1,550,518	₩ -	₩ 30,446,099
Operating income(loss)	₩ 719,461	₩ (604)	₩ 603,568	₩ (671,140)	₩ 651,285
Cash and due from banks	₩ 9,091,891	₩ 228,198	₩ 1,533,095	₩ (1,084,051)	₩ 9,769,133
Securities	39,269,239	2,257,890	21,397,443	(20,388,924)	42,535,648

## Notes to Consolidated Financial Statements

(in millions of Korean won)

	Banking	Trust Accounts	Others	Consolidation Adjustment	Total
Loans receivable	195,725,307	259,343	402,774	(989,531)	195,397,893
Property and equipment	3,331,249	-	15,443	(1,369)	3,345,323
Other assets	10,305,602	320,745	872,104	(377,998)	11,120,453
	₩ 257,723,288	₩ 3,066,176	₩ 24,220,859	₩ (22,841,873)	₩262,168,450

Statements of financial position and of operations per geographical segment as of and for the year ended December 31, 2010, are as follows:

(in millions of Korean won)

	Domestic	Overseas	Consolidation Adjustment	Total
Operating revenue	₩ 25,837,939	₩ 41,250	₩ (297,082)	₩ 25,582,107
Less: Intercompany transactions	(292,995)	(4,087)	297,082	-
Net operating revenue	₩ 25,544,944	₩ 37,163	-	₩ 25,582,107
Operating income	₩ 294,412	₩ 13,514	₩ (115,182)	₩ 192,744
Cash and due from banks	₩ 8,023,752	₩ 22,923	₩ (1,007,743)	₩ 7,038,932
Securities	63,985,846	297,466	(20,757,033)	43,526,279
Loans receivable	196,864,491	614,912	(934,402)	196,545,001
Property and equipment	3,210,047	1,634	275	3,211,956
Other assets	12,066,263	7,054	(387,517)	11,685,800
	₩ 284,150,399	₩ 943,989	₩ (23,086,420)	₩ 262,007,968

Statements of financial position and of operations per geographical segment as of and for the year ended December 31, 2009, were as follows:

(in millions of Korean won)

	Domestic	Overseas	Consolidation Adjustment	Total
Operating revenue	₩ 31,228,709	₩ 60,352	₩ (842,962)	₩ 30,446,099
Less: Intercompany transactions	(833,286)	(9,676)	842,962	-
Net operating revenue	₩ 30,395,423	₩ 50,676	-	₩ 30,446,099
Operating income	₩ 1,305,991	₩ 16,434	₩ (671,140)	₩ 651,285
Cash and due from banks	₩ 10,614,838	₩ 238,346	₩ (1,084,051)	₩ 9,769,133
Securities	62,627,624	296,948	(20,388,924)	42,535,648
Loans receivable	195,729,094	658,330	(989,531)	195,397,893
Property and equipment	3,344,793	1,899	(1,369)	3,345,323
Other assets	11,490,446	8,005	(377,998)	11,120,453
	₩ 283,806,795	₩ 1,203,528	₩ (22,841,873)	₩ 262,168,450

## 27. Related Party Transactions

The balances arising from the significant transactions among related parties as of December 31, 2010 and 2009, are as follows:

(in millions of Korean won)

	2010		2009	
	Assets	Liabilities	Assets	Liabilities
<b>Parent Company</b>				
KB Financial Group Inc.	₩ 966,396	₩ 132,607	₩ 1,039,692	₩ 183
<b>Subsidiaries</b>				
Kookmin Bank	495,389	1,574,397	429,030	1,843,723
KB Investment & Securities., Ltd.	33,795	102,352	54,839	101,188
KB Life Insurance Co., Ltd.	9,406	2,193	11,400	2,194
KB Asset Management Co., Ltd.	58,668	5,436	69,365	131
KB Real Estate Trust Co., Ltd.	1,238	51,424	840	50,064
KB Investment Co., Ltd.	26,722	10,055	31,683	20,000
KB Futures Co., Ltd.	1,410	2,395	19,849	9,617
KB Credit Information Co., Ltd.	17,574	497	18,627	136
KB Data Systems Co., Ltd.	15,668	154	20,458	58
Trust accounts <sup>1</sup>	138,187	29,516	280,781	30,741
Kookmin Bank International Ltd.(London)	229,417	244,315	244,649	288,359
Kookmin Bank Hong Kong Ltd.	220,184	85,373	217,412	96,358
Kookmin Bank Cambodia PLC	2,868	-	936	-
NPS-KBIC Private Equity Fund No. 1	559	-	3,192	1
KBIC Private Equity Fund No. 3	2,404	-	-	-
Powernet Technologies Co., Ltd	24,395	-	-	-
Chungkang Co., Ltd.	28	3,633	-	-
KB-Glenwood Private Equity Fund 1	39	-	-	-
	1,277,951	2,111,740	1,403,061	2,442,570
	₩ 2,244,347	₩ 2,244,347	₩ 2,442,753	₩ 2,442,753

<sup>1</sup> Trust accounts whose principal or fixed rate of return are guaranteed.

The revenues and expenses arising from the significant transactions among related parties for the year ended December 31, 2010 and 2009, are as follows:

(in millions of Korean won)

	2010		2009	
	Revenues	Expenses	Revenues	Expenses
<b>Parent Company</b>				
KB Financial Group Inc.	₩ 35,200	₩ 1,337	₩ 19,244	₩ 801
<b>Subsidiaries</b>				
Kookmin Bank	83,397	123,226	96,007	127,415
KB Investment & Securities., Ltd.	4,926	12,776	8,021	16,402



## Notes to Consolidated Financial Statements

Statements of financial position per business segment as of December 31, 2009, were as follows:

(in millions of Korean won)

	2010		2009	
	Revenues	Expenses	Revenues	Expenses
KB Life Insurance Co., Ltd.	3	38,899	3	35,018
KB Asset Management Co., Ltd.	2,792	512	4,381	710
KB Real Estate Trust Co., Ltd.	-	2,517	-	2,248
KB Investment Co., Ltd.	704	660	339	675
KB Futures Co., Ltd.	2,722	177	3,136	244
KB Credit Information Co., Ltd.	38,296	386	48,742	637
KB Data Systems Co., Ltd.	41,605	70	41,116	114
Trust accounts <sup>1</sup>	4,240	28,587	3,128	26,120
Kookmin Bank International Ltd.(London)	166	2,971	2,785	11,461
Kookmin Bank Hong Kong Ltd.	893	3,682	6,051	11,140
NPS-KBIC Private Equity Fund No. 1	55	13	45	13
KBIC Private Equity Fund No. 3	35	4	-	-
Powernet Technologies Co., Ltd.	904	-	-	-
Chungkang Co., Ltd.	-	121	-	-
	180,738	214,601	213,754	232,197
	₩ 215,938	₩ 215,938	₩ 232,998	₩ 232,998

<sup>1</sup> Trust accounts whose principal or fixed rate of return are guaranteed.

<sup>2</sup> Bad debts expense is not included in the amount.

In addition, fixed assets which were acquired from KB Data Systems Co., Ltd. during the years ended December 31, 2010 and 2009, amount to ₩ 34,988 million and ₩ 27,078 million, respectively.

### 28. Subsequent Events

Kookmin Bank sold 5,859,194 shares of KB Financial Group Inc. in 2011, and accordingly, the remaining KB Financial Group Inc.'s shares which are now owned by Kookmin Bank is 37,463,510 shares.

On February 28, 2011, Kookmin Bank spun off its credit card business segment and established a new separate credit card company, KB Kookmin Card Co., Ltd., on March 2, 2011.

KB investment & Securities Co., Ltd. merged with KB Future., Ltd. on March 12, 2011.

### 29. Supplemental Cash Flows Information

Cash and cash equivalents included in the consolidated statements of cash flows are the amount of cash and due from banks excluding the restricted due from banks included in the consolidated statements of financial position. Cash flows from operating activities in the consolidated statement of cash flows are presented using the indirect method.

The cash and due from banks in the statement of cash flows for the years ended December 31, 2010 and 2009, are as follows:

(in millions of Korean won)

	2010	2009
Cash and checks	₩ 1,945,457	₩ 2,543,538
Foreign currencies	292,319	265,114
Due from banks	4,801,156	6,960,481
	7,038,932	9,769,133
Restricted due from banks	(3,403,130)	(6,152,183)
	₩ 3,635,802	₩ 3,616,950

Significant transactions not involving cash flows for the years ended December 31, 2010 and 2009, are as follows:

(in millions of Korean won)

	2010	2009
Decrease in loans receivable due to the write-offs and restructuring	₩ 2,327,360	₩ 2,353,959
Increase in accumulated other comprehensive income due to the valuation of securities	112,583	182,141
Decrease in accumulated other comprehensive income due to the revaluation of property and equipment	520	2,615
Transferred from construction in-progress	52,538	52,047

<sup>1</sup> Trust accounts whose principal or fixed rate of return are guaranteed.

### 30. Disclosure on Expected Impact upon Adoption of K-IFRS

#### A. Preparation for K-IFRS adoption

Pursuant to the Act on External Audit of Stock Companies, Article 13, KB Financial Group Inc. is required to adopt K-IFRS from 2011. Thus, in June 2007, KB Financial Group Inc. formed a task force to prepare for the adoption of K-IFRS ("K-IFRS TFT") that consisted of three phases, as follows: Phase 1 (adoption assessment stage), Phase 2 (policy setting, system design and development stage) and Phase 3 (implementation stage). And KB Financial Group Inc. adopted K-IFRS successfully on January 1, 2011.

#### B. K-IFRS adoption plan and work force

1) K-IFRS adoption plan

Phase	Period	Procedures
Phase I ("adoption assessment stage")	June 2007 ~ February 2008	<p>Activities which were performed by KB Financial Group Inc. to analyze potential effect of adoption of K-IFRS and establish implementation plans were as follows:</p> <ul style="list-style-type: none"> <li>• Analyzing GAAP differences               <ul style="list-style-type: none"> <li>- Analyzing K-IFRS</li> <li>- Analyzing GAAP differences between K-IFRS and Statements of Korea Accounting Standards ("SKAS")</li> </ul> </li> <li>• Analyzing the impacts               <ul style="list-style-type: none"> <li>- Analyzing the financial impacts</li> <li>- Analyzing the impacts of specific accounts, disclosure and IT</li> </ul> </li> <li>• Detailed planning for Phase II</li> <li>• Research and benchmarking on success cases, others.</li> </ul>

## Notes to Consolidated Financial Statements

Phase	Period	Procedures
Phase II ("policy setting, system design and develop- ment stage")	March 2008 ~ December 2009	Based on the outputs of Phase I, KB Financial Group Inc. performed the following activities for adoption of K-IFRS, and KB Financial Group Inc. completed the establishment of accounting policies, business process, and IT infrastructure. <ul style="list-style-type: none"> <li>• Framing accounting policies</li> <li>• Framing specific accounting methodology</li> <li>• Set-up united account structure "Chart of Accounts"</li> <li>• Build Infrastructures for K-IFRS adoption <ul style="list-style-type: none"> <li>- Establish accounting policies, accounting guidelines and accounting manuals</li> <li>- Restructuring of financial reporting system</li> </ul> </li> <li>• Developing K-IFRS system (define system requirement, analysis, designing, developing, and others)</li> <li>• Knowledge transfer and technical trainings, others.</li> </ul>
Phase III ("imple- mentation stage")	January 2010	KB Financial Group Inc. prepared the IFRS financial information (including disclosure items), for comparative purpose, using the established IFRS system, and performed analysis on differences between financial information under SKAS and K-IFRS. <ul style="list-style-type: none"> <li>• Preparing financial data in accordance with K-IFRS <ul style="list-style-type: none"> <li>- Prepare financial data as of January 1, 2010</li> <li>- Prepare quarterly and half-year financial and disclosure data for fiscal year 2010</li> <li>- Prepare year end financial and disclosure data for fiscal year 2010. Additionally, during the fiscal year 2010, KB Financial Group Inc. completed the K-IFRS stabilization of the work process and system.</li> </ul> </li> </ul>

### 2) Work force

In June 2007, KB Financial Group Inc. assembled an IFRS task-force team which consists of accounting specialists, accounting-consulting firms and others in order to effectively and efficiently adopt K-IFRS. The team was divided into operations within its specialized areas such as closing, disclosure, allowance for loan losses, revenue recognition, investments, derivative instruments, fair valuation, overseas branches, SPC, and others, based on its significance and efficiency of project management. In addition, the IT IFRS team consisting of IT specialists in each area was organized for K-IFRS IT system development.

KB Financial Group Inc. reports the progress of the K-IFRS adoption and significant issues to the audit committee, the Board of Directors, and others.

### Significant GAAP differences between K-IFRS and SKAS

In case KB Financial Group Inc. prepares the financial statements for the year ended December 31, 2010, based on K-IFRS, the following differences are expected with the financial statements prepared in accordance with K-GAAP(SKAS). It does not include all the possible expected differences and may change based on the results of the additional analysis in the future.

GAAP differences	K-GAAP	K-IFRS
Consolidation Scope	Entities with total assets of less than ₩10 billion at the previous year end are excluded from the scope of consolidation according to the Act on External Audit of Stock companies. There are no regulatory standard related to consolidation scope for Special Purpose Entities.	Regardless of subsidiaries' size, include entities that are exposed to actual controlling influence of KB Financial Group Inc. Include in consolidation scope if the Bank has controlling influence over Special Purpose Entities.

GAAP differences	K-GAAP	K-IFRS
Allowance for loan losses	The calculation of allowance for loan losses is based on the estimates made through reasonable and objective method for receivables of uncertain collectability. Higher amount of historical data of impairment and minimum funding rate by asset quality shall be reserved.	If there is objective evidence that an impairment loss on loans and receivables at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate(Incurring loss basis).
Unused commitments/ guarantees	Reserve more than minimum funding rate of asset quality in accordance with rules reflecting a result of asset quality classification and credit conversion factor.	Expected loss is recognized on the basis of historical data of impairment, credit conversion factor(CCF), bankruptcy rate, rate of loss in bankruptcy and others.
Interest income recognition	Interest income shall be recognized using effective interest rate method and accrual basis However, according to the "Supervisory Regulation," it shall be recognized on cash basis when circumstances as past due or others of payments occur.	Interest income shall be recognized using effective interest rate method and accrual basis.
Impairment recognition	Recognize impairment when there is any objective evidence that a financial asset is impaired. If, in a subsequent period, the amount of the impairment loss in available security at fair value is related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss can be reversed.	For an equity security available for sale, besides any objective evidence that a financial asset is impaired, a significant or prolonged decline in the fair value of an investment in an equity security below its cost is also objective evidence of impairment. Impairment loss recognized in profit or loss in an equity instrument classified as equity security available for sale shall not be reversed through profit or loss.
Change of categories of financial instruments	A derivative is a financial instrument or other contract having all the following characteristics: a. Needs underlying variables and units specified in contract (or payment rules) b. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would have an effect to have a similar response to changes in market prices; and c. Able to be settled net in cash	Derivative is a financial instrument or other contract having all three of the following characteristics: a. Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying'); b. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and c. It is settled at a future date.



## Notes to Consolidated Financial Statements

GAAP differences	K-GAAP	K-IFRS
Adjustments of financial assets fair value	<p>a. Measure credit risk by minimum funding rate of asset quality when derivatives are exposed to counterparty credit risk</p> <p>b. Adjustment of bid or asking price: apply mid-market price</p>	<p>a. When derivatives are exposed to credit risk, credit risk of itself or of counterparty is evaluated according to risk position.</p> <p>b. Adjustment of bid or asking price: apply bid or asking price by risk position in valuation of financial instrument</p>
Credit card points (Customer Loyalty Programs)	Credits to the customer should be recognized as provisions for estimated future costs of supplying the awards.	If an entity grants to its customers as part of a sales transaction, the recognition of revenue is deferred at its fair value and recognized as revenue or expense upon being redeemed by customers
Employee Benefits	<p>a. Post-employment benefit obligation: Benefits are measured based on assumption that all eligible employees and directors have rendered service for at least one year if they were to terminate their employment as of the date of statement of financial position.</p> <p>b. Short-term employee benefit: recognized as expense in the reporting period during which it is provided in cash</p>	<p>a. Post-employment benefit obligation: It is measured using an actuarial valuation method based on the projected unit credit method.</p> <p>b. Short-term employee benefit : It is recognized as expense when services are provided</p>
Asset Retirement Obligation Liabilities	Restoration cost for structures in leased office used for business purpose is recognized as expenses.	The expected restoration cost for structures in leased office used for business purpose is recognized as liability. After that, the amount is included in acquisition cost, which shall be depreciated and re-evaluated annually.
Hybrid bond	Hybrid bond is classified as equity or liability by its legal form	Hybrid bond is classified as equity or liability by the substance of contracts.
Goodwill	Goodwill or gain on a bargain purchase arising from the business combination is amortized over the reasonable period from the beginning of the first annual period in which it occurs using straight-line method, or reversed.	Goodwill or gain on a bargain purchase acquired in a business combination shall not be amortized, for goodwill, an entity shall test goodwill for impairment annually and for gain on a bargain purchase, an entity shall recognize it in profit or loss.

The exemptions from other K-IFRS, which KB Financial Group Inc. optionally elected in accordance with K-IFRS No. 1101, are as follows:

- ① Business combination: For business combination transactions, which occurred prior to the transition date, K-IFRS No. 1103, "Business Combination" is not applied retrospectively.
- ② Deemed cost as fair value or revalued amount: KB Financial Group Inc. applies revalued amount reported under previous GAAP as deemed cost for certain tangible assets (land and building).
- ③ Recovery and reserved liabilities included in cost of tangible assets: Change in allowances associated with expected recovery or changes for tangible assets are not retroactively estimated from the time of initial acquisition. Change in the amount of allowance is only estimated once as at the transition date.
- ④ Derecognition of Financial instruments: KB applies K-IFRS No. 1101 which is expected to be applied on July 1, 2011. KB applied previous GAAP on the results of transactions that occurred before the date of transition for the derecognition of financial instruments and unrecognized its asset and liability in accordance with K-IFRS.
- ⑤ Accumulated exchange difference: accumulated exchange differences remaining in foreign business operations on transition dates are assumed as "zero"

**Changes in consolidation entities**

According to K-IFRS, KB Financial Group Inc is responsible in preparing the consolidated financial statements. As of December 31, 2010, the increase and decrease of subsidiaries to be consolidated are as follows:

Changes	Details	Company Name
Increase	Entities with total assets less than ₩10 billion at the previous year end are excluded from the scope of consolidation according to the Act on External Audit of Stock companies, while they are included under K-IFRS	KB Investment & Securities Hong Kong Ltd.
Increase	Special Purpose Entities were excluded from subsidiaries for consolidation under Practice Opinion of Financial Supervisory Service, while they were included in under K-IFRS.	KB 9th Securitization Specialty Co. Ltd. KB 10th Securitization Specialty Co. Ltd. KB 11th Securitization Specialty Co. Ltd. KB 12th Securitization Specialty Co. Ltd. KB 13th Securitization Specialty Co. Ltd. KB 14th Securitization Specialty Co. Ltd. KB Mortgage Loan 1st Securitization Specialty Co. Ltd. KB Mortgage Loan No. 1 Limited KAMCO Value Recreation 3rd Securitization Specialty Co. Ltd. KB Covered Bond 1st Trust KB Covered Bond 1st Securitization Specialty Co., Ltd. KB Covered Bond First International Limited DKH Co., Ltd. NEWSTAR 1st Co., Ltd. KB06-1 Venture Investment Partnership KB08-1 Venture Investment Partnership Kookmin investment Partnership No. 16. NPS 05-6 KB Venture Fund NPS 07-5 KB Venture Fund 09-5KB Venture Fund NPS 06-5 KB Corporate Restructuring Fund KoFC-KB Pioneer Champ No. 2010-8 Investment Partnership
Increase	Beneficiary certificates issued by private equity funds, not involved in fund management, are accounted for as equity instruments under the Practice Opinion of Financial Supervisory Service, while they are included in the scope of consolidation under K-IFRS.	ING Lion 1st Private Security Equity Trust PCA Income Private Securities A-5 KDB Private Securities Investment Trust No.6(Bond) Allianz Star 15th Private Security Equity Trust TongYang HighPlus Securities Investment Trust N-15(Bond) Prudential Private Placement Securities Bond Fund 16(Bond) HI Private Securities Investment Trust 3-16(Bond) Kyoboaxa Private Tomorrow Securities Investment Trust 4(Bond) KTB Safe Private Fund 49(Bond) Korea Investment Private Basic35 Hana UBS Private Securities36 HYUNDAI Trust Private bond Fund 3 (Bond) Truston Index Alpha Securities Investment Trust 1

## Notes to Consolidated Financial Statements

Changes	Details	Company Name
Decrease	According to the Act on External Audit of Stock companies, in case the parent company and its subsidiaries own more than 30% of an investee's stocks with voting rights, they are considered to be the largest shareholder and the investee is included in the scope of consolidation, while excluded in the scope of consolidation under K-IFRS.	KoFC KBIC Frontier Champ 2010-5 PEF
Decrease	It was included under the original by-laws relating to Banking Supervision, while it was excluded under K-IFRS.	Principal Reserve Trust

### The impact on the financial information of KB Financial Group Inc. as a result of adoption of K-IFRS

The effects on the financial position and business performance of KB Financial Group Inc. are recorded based on the consolidated financial statements. In accordance with K-IFRS No. 1101, KB Financial Group Inc. is forced to apply the same accounting policy on every accounting period, as presented in the financial statements of the first adoption of K-IFRS. Therefore, the effect on the following financial position and business performance of KB Financial Group Inc. may change upon additional revision of standards.

(1) Details of adjustments to the financial position as of January 1, 2010 (transition date), are as follows:

(in millions of Korean won)

	Assets	Liabilities	Net Assets
Current GAAP	₩ 262,168,450	₩ 244,057,124	₩ 18,111,326
Adjustments :			
Change in scope of consolidation Allowance for loan losses	(2,365,486)	(2,290,995)	(74,491)
Allowance for loan losses	475,148	-	475,148
Unused commitment/provisions on guarantees	-	(302,195)	302,195
Recognition of Interest income	43,124	(24,811)	67,935
Recognition of impairment on securities investment	(15,641)	-	(15,641)
Changes in scope of derivatives	(2,061)	8,836	(10,897)
Adjustment on fair values of financial investments	-	(7,938)	7,938
Credit card points	-	22,305	(22,305)
Employee benefits	-	81,812	(81,812)
Asset retirement obligation liabilities	2,295	43,070	(40,775)
Classification of equity/liability	-	(821,297)	821,297
Others	(356,293)	(298,331)	(57,962)
Deferred tax effect due to adjustments	(4,253)	121,572	(125,825)
Total adjustment	(2,223,167)	(3,467,972)	1,244,805
K-IFRS	₩ 259,945,283	₩ 240,589,152	₩ 19,356,131

(2) Details of adjustments to the financial position and operating results as of and for the year ended December 31, 2010, are as follows:

(in millions of Korean won)

	Assets	Liabilities	Net Assets	Net Income
Current GAAP	₩ 262,007,968	₩ 243,567,615	₩ 18,440,353	₩ 100,183
Adjustments:				
Change in scope of consolidation	(4,255,827)	(4,198,470)	(57,357)	47,074
Allowance for loan losses	578,587	-	578,587	103,421
Unused commitment / provisions on guarantees	-	(113,612)	113,612	(188,583)
Recognition of Interest income	50,093	(6,061)	56,154	(11,781)
Recognition of impairment on securities investment	(5,931)	-	(5,931)	(3,426)
Changes in scope of derivatives	462	(1,545)	2,007	12,913
Adjustment on fair values of financial investments	-	(7,628)	7,628	(310)
Credit card points	-	21,357	(21,357)	948
Employee benefits	-	71,006	(71,006)	10,806
Asset retirement obligation liabilities	3,148	49,460	(46,312)	(5,537)
Classification of equity/liability	-	(684,769)	684,769	61,835
Goodwill	89,673	-	89,673	89,673
Equity method investment securities	11,314	137	11,177	12,251
Other	103,820	155,924	(52,104)	13,495
Deferred tax effect due to adjustments	(12,396)	116,952	(129,348)	(13,882)
Total adjustment	(3,437,057)	(4,597,249)	1,160,192	128,897
K-IFRS	₩ 258,570,911	₩ 238,970,366	₩ 19,600,545	₩ 229,080



# Overseas Network

## Company Directory

### KB FGI Head Office

9-1, 2-ga, Namdaemun-ro,  
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Tel: (82-2) 2073-7114  
Swift Code: CZNBRSE  
Telex: K23481, K26109  
Call Center: (82) 1588-9999

### IR(Investor Relations)

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E-mail: kbir@kbfng.com

### Global Business (Kookmin Bank)

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9-1, 2-ga, Namdaemun-ro,  
Jung-gu, Seoul 100-703, Korea  
Tel: (82-2) 2073-3251  
Fax: (82-2) 2073-8140

## Transfer Agent and Register

### Common Share

Korea Exchange: 105560  
Kookmin Bank Securities Agency  
Business Dept.  
34, Yoido-dong, Youngdeungpo-gu,  
Seoul 150-758, Korea  
Tel: (82-2) 2073-8120  
Fax: (82-2) 2073-8111

### American Depository Receipts (ADRs)

New York Stock Exchange: KB  
Citibank, N.A. Depository  
Receipts Department  
388 Greenwich Street,  
New York, New York 10013  
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## Overseas Network

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### Kiev, Ukraine

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4th Floor, Kyiev, Ukraine  
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### Branch JSC KB Data Systems

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panfilova 98, in Almaty city, Kazakhstan  
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# Forward Looking Statements

This document contains forward-looking statements. Words and phrases such as “will,” “aim,” “will likely result,” “will continue,” “contemplate,” “seek to,” “future,” “objective,” “goal,” “should,” “will pursue,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and words and terms of similar substance used in connection with any discussion of future operating or financial performance identify with forward-looking statements. All forward-looking statements are management’s present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward looking statements.

The factors that could cause actual results to differ include, but are not limited to, the following:

- KB Financial Group’s ability to successfully implement its strategy;
- future levels of non-performing loans;
- KB Financial Group’s growth and expansion;
- adequacy of allowance for credit and investment losses;
- technological changes;
- investment income;
- availability of funding and liquidity;
- cash flow projections;
- KB Financial Group’s exposure to market risks; and
- adverse market and regulatory conditions.

By their nature, certain disclosures relating to these and other risks are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on KB Financial Group’s income or results of operations could materially differ from those that have been estimated.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document could include, but are not limited to.

- general economic and political conditions in Korea or other countries that have an impact on KB Financial Group’s business activities or investments;
- Korea’s monetary and interest rate policies;
- inflation or deflation;
- foreign exchange rates;
- prices and yields of equity and debt securities;
- performance of the financial markets in Korea and internationally;
- changes in domestic and foreign laws, regulations and taxes;
- changes in competition and the pricing environments in Korea; and
- regional or general changes in asset valuations.

KB Financial Group cautions the reader not to place undue reliance on the forward-looking statements, which speak only as of the date of this document. Except as required by law, we are not under any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements attributable to KB Financial Group or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this document.





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