

ANNUAL REPORT 2009

# ALL-STAR LINEUP

FOR ALL-AROUND FINANCIAL SERVICES



KB  Financial Group

## C O N T E N T S

|     |                           |
|-----|---------------------------|
| 001 | Financial Indicators      |
| 002 | CEO's Message             |
| 006 | 2009 Highlights           |
| 008 | 2009 Awards & Recognition |

### All-Time Best Corporate Value

|     |                                       |
|-----|---------------------------------------|
| 012 | Vision & Strategy                     |
| 014 | Senior Management                     |
| 016 | KB FGI Organization Chart             |
| 017 | KB Financial Group Organization Chart |
| 018 | Synergy Creation                      |
| 020 | IT Systems                            |
| 022 | Risk Management                       |

### All-Embracing Social Value

|     |                        |
|-----|------------------------|
| 028 | Corporate Governance   |
| 030 | Board of Directors     |
| 032 | Ethical Management     |
| 034 | Shareholders Relations |
| 035 | Corporate Culture      |
| 036 | Green Banking          |
| 038 | Social Contribution    |

### All-Inclusive Customer Value

|     |                            |
|-----|----------------------------|
| 042 | Kookmin Bank               |
| 050 | KB Investment & Securities |
| 052 | KB Life Insurance          |
| 054 | KB Asset Management        |
| 056 | KB Real Estate Trust       |
| 058 | KB Investment              |
| 060 | KB Futures                 |
| 062 | KB Credit Information      |
| 064 | KB Data Systems            |

### All-Weather Financial Value

|     |                                    |
|-----|------------------------------------|
| 068 | Management's Discussion & Analysis |
| 094 | Report of Independent Auditors     |
| 208 | Overseas Network                   |
| 209 | Forward Looking Statements         |

# AN ALL-STAR FINANCIAL LINEUP

Having launched a holding company in 2008 based on Korea's foremost business foundation in assets, clientele, and network, KB Financial Group continues to pursue preeminence in its offering of financial products and services through its nine subsidiaries—Kookmin Bank, KB Investment & Securities, KB Life Insurance, KB Asset Management, KB Real Estate Trust, KB Investment, KB Futures, KB Credit Information, and KB Data Systems. While bolstering its core competencies in banking, securities, insurance, and asset management, the Group strives to improve upon its comprehensive financial system by increasing synergies among its subsidiaries.

In particular, the Group plans to further strengthen the capabilities of its non-bank subsidiaries by leveraging group synergies in line with its management objective, "Maximizing Group value through balanced growth," which was proven very successful in 2009. Some of the Group's achievements include the development of a myriad of hybrid products, provision of joint M&A advisory services, and collaboration on real estate purchases, all based on the best customer service track record in the industry. By delivering the best possible customer and corporate value, the Group will grow into a genuine "Global Financial Star" leading the Asian financial industry while flawlessly serving its customers and shareholders.



KB \* Kookmin Bank

## DOMINANT

**Nation's largest customer base & branch network**

In addition to its largest customer base and most powerful branch network in Korea, Kookmin Bank is dominant in other significant areas including the followings: best customer satisfaction (the National Customer Satisfaction Index), best risk management (Asia Risk), most environmentally-friendly financial management (Chosun Daily), and the most-preferred workplace (Korean Management Asso.).



KB \* Investment & Securities

## OUTSTANDING

**Second in corporate bond issue and fourth in ABS underwriting**

With industry-leading profitability and highly competitive corporate banking & institutional sales operations, KB Investment & Securities is working hard to bolster the Group's non-banking businesses in its pursuit to become a comprehensive financial investment company.



KB \* Life Insurance

## PEERLESS

**No. 1 in Call Center operations for 3 consecutive years**

KB Life Insurance was ranked No.1 in the Korea Service Quality Index in the areas of Call Center operations (for 3 consecutive years) and insurance industry (for 2 consecutive years). The Company was also given a top rating in its resolution of customer complaints by the Financial Supervisory Services.



KB \* Asset Management

## CONSISTENT

**Offering the most diverse range of investment products based on the industry's best performance**

Offering Korea's most diversified range of funds, KB Asset Management is the only asset-management company to rank among the top three in one-, two-, and three-year rates of return.



KB \* Real Estate Trust

## FOREMOST

**Industry-best profitability**

KB Real Estate Trust recorded the highest profitability in the industry by rolling out REITs and by lead-managing the purchase of the ING Tower.



KB \* Investment

## PROFITABLE

**Industry-best performance in IPO**

KB Investment recorded an array of achievements, including conducting the most KOSDAQ IPOs, being selected as the National Pension Service's venture fund investor for 5 years in a row, and being named as the Ministry of Knowledge Economy's New Growth Fund manager



KB \* Futures

## EXCEPTIONAL

**No. 1 in total asset growth rate**

KB Futures continued the momentum in asset growth in stark contrast to an industry-wide declining trend.



KB \* Credit Information

## PHENOMENAL

**Industry-leading performance in debt collection**

KB Credit Information enjoys a commanding lead in sales by making inroads into new business areas based on its competitive edge in debt collection.



KB \* Data Systems

## CUTTING-EDGE

**Builder of the Korean financial industry's largest IT system**

KB Data Systems successfully completed construction of Kookmin Bank's next-generation IT system in 2009, the largest and most advanced IT project in the financial sector.





## KB Kookmin Bank

### Business summary

Korea's largest bank in terms of customers and branches, Kookmin Bank has strengthened its marketing systems, improved its asset soundness, ranked top in customer satisfaction, acquired the highest credit ratings in the industry, and upgraded its risk management systems in line with the highest global standards, rolled out successive "hit" products, and led in creating group synergies.

Under its 2010 objective of "bolstering the leading-bank status through changes and reforms", the Bank pursues profit-based growth through sustainable income models, flexible risk management in case of a continuing financial crisis, a more customer-focused and efficient business base, and a more responsible corporate citizenship as a leading bank.

### Key Financial Indicators (in KRW billion)

|                            |                  |
|----------------------------|------------------|
| Total Assets               | <b>256,519.8</b> |
| Total Shareholders' Equity | <b>19,342.5</b>  |
| Net Income                 | <b>635.8</b>     |

### Main business

- Deposit & Loans
- B2B financial products
- Trust fund
- Foreign exchange products
- Credit cards
- Bancassurance
- Private Banking
- Investment Banking
- Derivatives sales
- e-Banking, internet banking, mobile banking, and phone banking

## KB Investment & Securities

### Business summary

Joining KB Financial Group in March 2008 after acquiring Hannuri Investment & Securities, KB Investment & Securities is a comprehensive securities company. In addition to its leadership in the primary market for corporate bonds and ABS, the company offers brokerage services for institutional and foreign investors, and investment banking services including IPO, ECM, and M&A advisory. It also generates steady earnings from equities, bonds, and derivatives, and has expanded into the retail market with the launch of "KB Plustar" home trading system (HTS). Leveraging KB Financial Group's extensive domestic & overseas networks, it aims to become one of the top three comprehensive financial investment companies in Korea by 2013 and to grow into one of Asia's leading securities companies.

### Key Financial Indicators (in KRW billion)

|                            |                |
|----------------------------|----------------|
| Total Assets               | <b>2,041.2</b> |
| Total Shareholders' Equity | <b>295.6</b>   |
| Net Income                 | <b>-41.5</b>   |

### Main business

- Equities and derivatives brokerage services for retail and wholesale clients
- Domestic and overseas equity & bond underwriting
- Real estate project financing
- IPO, ECM, M&A advisory
- Equity and derivatives trading
- Sales of financial products (including beneficiary certificates)
- Research/analysis on domestic & overseaseconomies and stock markets

## KB Life Insurance

### Business summary

KB Life Insurance was established with capital participation by KB Financial Group Inc. and ING Group, the internationally renowned financial institution. Having initiated bancassurance business in June 2004 through Kookmin Bank's domestic branches, KB Life Insurance provides an array of insurance products via diversified sales channels, including general agency (GA), telemarketing (TM), and Total Consultant (TC), a recently established outbound face-to face sales system. With its goal of joining the industry's "Top 5" by 2013, it focuses on diversifying sales channels and enhancing operation processes, infrastructures and risk management.

### Key Financial Indicators (in KRW billion)

|                            |                |
|----------------------------|----------------|
| Total Assets               | <b>2,521.0</b> |
| Total Shareholders' Equity | <b>151.5</b>   |
| Net Income                 | <b>3.3</b>     |

### Main business

- Nonparticipating KB Platinum Annuity Insurance
- Nonparticipating KB Royal Saving Insurance
- Nonparticipating KB Gold Class Saving Insurance
- Nonparticipating KB Champion Variable Annuity Insurance
- Nonparticipating KB Equity Investment Saving Insurance
- Nonparticipating KB whole life insurance

## KB Asset Management

### Business summary

KB Asset Management has made a vital contribution to the industry's high growth with its comprehensive asset management services. Its main businesses include trading & brokerage of collective investment schemes managed by the company, asset management of a wide range of collective investment schemes, and investment advisory & investment trust.

While pursuing its vision to grow into Korea's leading asset management company armed with world-class fund management processes, the company has its short-term sight on becoming a third in market share in 2010.

### Key Financial Indicators (in KRW billion)

|                            |              |
|----------------------------|--------------|
| Total Assets               | <b>108.6</b> |
| Total Shareholders' Equity | <b>96.3</b>  |
| Net Income                 | <b>28.8</b>  |

### Main business

- Asset management of collective investment schemes including equities, bonds, derivative funds, real estate funds, SOC funds and corporate funds.
- Investment trust management: Special asset funds including public institutional funds and variable insurance
- Trading & brokerage of collective investment schemes managed by the company: Direct sales of the company's funds

## KB Real Estate Trust

### Business summary

KB Real Estate Trust, fully-owned by KB Financial Group Inc., efficiently manages customers' real estate on consignment and returns to customers the revenues thus generated. It has a nation-wide network with branches in Busan, Daejeon, Daegu, and Kwangju. As a KB Financial Group member, the company will continue to contribute to group synergies, develop business models and establish a platform for overseas business through strategic ties with leading real estate institutions at home and abroad.

### Key Financial Indicators (in KRW billion)

|                            |              |
|----------------------------|--------------|
| Total Assets               | <b>257.3</b> |
| Total Shareholders' Equity | <b>121.3</b> |
| Net Income                 | <b>23.8</b>  |

### Main business

- Land development trusts, real estate collateral trusts, real estate management trusts, real estate disposal trusts
- Proxy real estate business affairs, real estate consulting, brokerage, and overseas businesses
- REITs, AMC

## KB Investment

### Business summary

KB Investment assists SMEs in financial and business decision-making through each stage of their growth, from establishment to listing on the Kosdaq. Its corporate support solutions provided in cooperation with Kookmin Bank enable KB Investment to offer its invested companies the services that stand clearly apart from the rest.

As a specialist and long-term investor in non-listed companies in new growth sectors, KB Investment will expand its business scope from venture investment to mid-sized M&A and other corporate investment, while playing a key role in the maximization of group synergies

### Key Financial Indicators (in KRW billion)

|                            |              |
|----------------------------|--------------|
| Total Assets               | <b>126.0</b> |
| Total Shareholders' Equity | <b>104.8</b> |
| Net Income                 | <b>2.2</b>   |

### Main business

- Venture investment
- Corporate investment (management restructuring, M&A, buyout investment, etc.)
- Joint venture investment, corporate restructuring fund, and Private Equity Fund (PEF) management

## KB Futures

### Business summary

KB Futures is a derivatives brokerage firm promoting sound investment practices and providing professional services. Armed with first-rate talent, superior IT infrastructure, insightful research, and advanced risk management, the company aims to rise to the top of Korea's futures industry through a combination of strong financial structure and sophisticated management know-how based on its customer-first, ethics-based, talent-centered management philosophy.

### Key Financial Indicators (in KRW billion)

|                            |              |
|----------------------------|--------------|
| Total Assets               | <b>221.9</b> |
| Total Shareholders' Equity | <b>37.4</b>  |
| Net Income                 | <b>6.2</b>   |

### Main business

- Domestic/international futures & option transaction brokerage including stock price index products, interest rate products, currency futures, and foreign commodities
- Collection and dissemination of domestic/overseas futures market information
- Futures-related investment advisory and education & training

## KB Credit Information

### Business summary

KB Credit Information specializes in debt collection, credit investigation, and proxy service for civil service documents based on a scientific and systematic operating system. Since becoming a member of Kookmin Bank, it has established a stable growth platform.

Pursuing its vision of "Becoming the No. 1 credit information company offering end-to-end service," the company seeks to maintain its lead in debt collection and grow into a comprehensive credit information service provider through complete integration of KB Financial Group subsidiaries' credit information.

### Key Financial Indicators (in KRW billion)

|                            |             |
|----------------------------|-------------|
| Total Assets               | <b>29.4</b> |
| Total Shareholders' Equity | <b>23.6</b> |
| Net Income                 | <b>4.3</b>  |

### Main business

- Debt collection for loans and credit cards
- Credit investigation
- Lease investigation
- Civil affairs document-issuing service, etc.

## KB Data Systems

### Business summary

Established in 1991, KB Data Systems specializes in IT project development, system management, sales of financial IT solution packages and resale of IT hardware equipment, while serving as IT partner to its KB Financial Group affiliates, including Kookmin Bank. Based on its accumulated experience, the company is transferring financial IT know-how to countries overseas, including Indonesia and Japan, and taking steps to improve its global competitiveness.

To keep abreast of changes in the financial industry and grow into the best IT company, KB Data Systems pursues in earnest the management principles of respecting customers, valuing talent, fostering creative innovation and practicing ethical management.

### Key Financial Indicators (in KRW billion)

|                            |             |
|----------------------------|-------------|
| Total Assets               | <b>44.9</b> |
| Total Shareholders' Equity | <b>16.8</b> |
| Net Income                 | <b>5.3</b>  |

### Main business

- IT project development (Integrated business solutions, risk management systems, etc.)
- IT systems operation and resale of IT hardware equipment (computer servers, storage, etc.)



## Financial Indicators

In line with its 2009 management goal of “Building a sustainable growth platform through quality-oriented management,” KB Financial Group maintained its business focus not so much on volume growth as on value management. As a result, the Group’s total assets, including trusts and assets under management, decreased by 1.2% from the previous year to KRW 316 trillion, while total shareholders’ equity rose by 9.6% through rights offering and other means to KRW 20.6 trillion (including treasury shares). The Group’s preemptive and conservative provisioning policy, crafted in response to the overall economic downturn, together with a sharp drop in market interest rates, resulted in a sharp decrease in net income. Judging by the rise in interest income after the fourth quarter, however, profitability is expected to be back on track. Meanwhile, BIS CAR increased by 0.86%p to 14.04% (Kookmin Bank figures), the highest capital adequacy level in the industry, and the NPL ratio improved by 0.15%p to 1.11% (Kookmin Bank figures) on the strengths of the Group’s aggressive risk management and bad loan reduction efforts.

316.0

**Group Total Assets**  
(KRW in trillions)

0.20

**ROA**  
(%)

20.6

**Group Total Shareholders’ Equity**  
(KRW in trillions)

3.20

**ROE**  
(%)

539.8

**Group Net Income**  
(KRW in billions)

14.04

**BIS CAR**  
(based on Kookmin Bank)  
(%)

3,189.3

**Group Operating Income before Provisioning**  
(KRW in billions)

1.11

**NPL Ratio**  
(based on Kookmin Bank)  
(%)

## CEO's Message



Facing a challenging business environment in 2009, KB Financial Group solidified its industry-dominant position in Korea and enhanced its status as Korea's premier financial group abroad, taking solid steps towards its goal of becoming "A Global Financial Group, Leading the Asian Financial Industry."

## Dear Valued Shareholders and Customers:

I would like to take this opportunity to thank all of you for the unwavering support and encouragement you gave us during this past year.

In retrospect, 2009 will be remembered as a time for overcoming the difficulties of slowing economic growth and dwindling business profitability, obstacles imposed by the global financial crisis. The wobbling world economy and imploding financial markets began to stabilize as leading nations collectively implemented bold countermeasures. The Korean economy too was on the path to recovery faster than that of any other nation, on the strengths of effective government stimulus programs and timely monetary policies.

Similarly, in the past year KB Financial Group, with an acute sense of responsibility as a leading financial institution, spared no crisis-directed efforts: we bolstered our profit base by thoroughly reassessing risks at all of our subsidiaries; we contributed to the nation's triumph over the crisis through support activities for small businesses and households; and we began laying a foundation for generating group synergies on top of the nation's largest customer base and most powerful distribution channels.

The Group also gained a number of noteworthy achievements. We ranked No. 1 on the prestigious National Customer Satisfaction Index for the fourth consecutive year, a feat no other Korean financial institution has ever accomplished. Some other achievements include the introduction of KB Plustar Account, the first multi-financial product combining banking and securities services, the M&A advisory role in Lotte Group's takeover of Doosan Liquors, and the participation in the purchase of the ING Tower. These results were made possible due to the synergies generated by our holding company structure, which in turn strengthened the competencies of our non-banking subsidiaries.

To review the Group's 2009 business results, total assets decreased by 5.4 trillion won to 262.2 trillion won, and total net income fell by 1.3 trillion won to 5.4 trillion won. Total loans extended by the Group's subsidiaries decreased by 3.5 trillion won to 198.8 trillion won. The decrease can be attributed to the Group's focus not on volume growth but on value management to ride out the financial crisis. As for funding, deposits grew by 10.2 trillion won to 172.4 trillion won, whereas borrowings including debentures fell by 9.0 trillion won to 54.5 trillion won.

In regard to asset quality, the Group's total NPL ratio improved by 0.07%p to 1.19%, which in part contributed to the rise of its coverage ratio by 12.67%p to 146.85%. These improvements stemmed from the Group's proactive efforts to manage its risks and to reduce its overdue loans.



As for profitability, operating income before provisioning fell by 1.2 trillion won to 3.2 trillion won, as our net interest margin contracted, reflecting the drop in market interest rates. Net income declined sharply due to a crisis-induced 492.9 billion won increase of provisioning expenses to 2.5 trillion won.

Despite the all-out efforts by our management and employees to overcome the financial crisis, it was disappointing that our earnings for the last year fell short of our shareholders' expectations. In the year ahead, we will do our best to deliver satisfactory operating results by leveraging all of our capabilities.

In the coming year, the Korean economy is expected to show actual signs of recovery, along with the reviving global economy and stabilizing financial markets. While we hope to see profitability and growth to improve on these positive changes, we remain cautious about such an optimistic outlook; as was demonstrated in the financial difficulties of Dubai World, there still exist some uncertainties in the global economy, which in turn may negatively affect the Korean economy, possibly leaving us with another year of challenge.

Meanwhile, we expect to see many changes in both regulatory and business environments. While some regulatory measures are expected to be taken to prevent future crises, talks of financial industry consolidation, including privatization of government-owned financial institutions and other mergers and acquisitions, may materialize. On the other hand, competition in the industry may grow more intense with new entrants such as telecommunications companies. There will also be increasing demands for better customer protection and higher standards for financial service providers.

Facing such a confusing mixture of challenges and opportunities, we will devote all of our resources towards solidifying our status and value as the leader of the Korean financial industry. For this we have set "Maximizing Group Value through Balanced Growth" as our guiding management objective in the new year, and to attain this goal, we will pursue the following four core tasks:





First, reinforcing the “One-Firm” structure.

To this end, we will continue expanding our base for synergy creation at the group level by creating more ways to utilize the customer relationship management (CRM) system, improving our product development capabilities, and promoting synergy creation mindset. In the mean time, our subsidiaries will run their business with increased accountability, while personnel policy such as promotion and compensation schemes will be more performance-oriented.

Second, optimizing the Group portfolio.

We will strengthen the competitiveness of our core businesses, optimize the business lines of the subsidiaries, and pursue balanced growth between the banking and non-banking subsidiaries. In addition, we will continue to explore new growth opportunities in other business areas and our overseas operations.

Third, maximizing sales competencies to enhance customer value.

We will endeavor to meet the diverse needs of our customers, delivering the best customer value by leveraging our capabilities in all areas including our distribution channels, products, services and human resources.

Lastly, bolstering preemptive risk management and responsiveness to changes in the business environment.

We will continue to build up a basis for value-driven growth by adopting effective countermeasures to possible changes in the business environment, and by enhancing our decision-making system to better reflect various risk factors based on strengthened risk management systems.

By pursuing the core tasks outlined above, all of us at KB Financial Group will do our best to turn 2010 into a “Year of Challenge and Creation” and create the best value for the Group’s future growth.

Once again, I thank our shareholders and customers for your steadfast support and ask for your continued interest 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 new year.

Thank you.

**Chung-Won Kang**

Vice Chairman & CEO  
KB Financial Group Inc.

# 2009 Highlights



## Establishing a platform for maximizing synergies

In 2009 KB Financial Group leveraged its group synergies based on the best customer base in the industry and channeled its competitive edge into impressive achievements. The Group's first hybrid product, KB Plustar Account, exceeded 290,000 accounts as of the end of 2009, its exclusive advisory role played a crucial part in Lotte Group's successful M&A of Doosan Liquors, and its successful purchase of the ING Tower represented a model case of cooperation among its subsidiaries. To better prepare itself for M&A opportunities that lay ahead, the Group raised about 1 trillion won through a shareholders-only capital increase.

## Rolling out hit products one after another

More than a few of the products rolled out in 2009 were named "hit products of the year" by many main-stream newspapers and industry publications, enhancing the value of the KB brand and reconfirming the Bank's market leadership. These include the Group's first hybrid product, KB Plustar Account, which attracted 290,000 accounts in eight months, the "I-Love-Figure-Queen-Yuna Installment Savings," with 300,000 account holders in seven months, and the "KB I-Love-My-Community" card, which recorded 160,000 members in 12 months.

## Developing a next-generation system "MyStar"

Kookmin Bank has introduced a next-generation computerized system, named "MyStar," in its banking operations. The system, conceived in 2007, is in full operation providing 26 million some customers fast and professional services. As part of this ambitious project, the Bank has applied for and received, for the first time in the financial industry, the coveted "ISO/IEC 27001" certificate, which represents the world's most prestigious recognition of excellence in IT service.

## Reconfirming KB brand power

In 2009 Kookmin Bank once again proved in various prestigious surveys, numbering over 100, that it was the leader in customer service and brand power. The Bank ranked first in each of the National Customer Satisfaction Index, becoming the only bank to do so for four years in a row, the Korea Customer Satisfaction Index, for three consecutive years, and the National Brand Competitiveness Index, for six consecutive years. In addition, the Bank ranked fourth in Korea and 182nd in the world in *Forbes*'s World's Most Reputable Companies survey. Furthermore, the Bank CEO Kang received the "2009 Korea CEO Award."

## Expanding "Green" banking

In 2009 Kookmin Bank emerged as a financial industry leader in the emergent green business movement in Korea. The Bank created a "Green Business Division", a first in the financial industry, and rolled out various financial products exclusively designed for green business-related companies, while at the same time donating proceeds from the "green" financial products to environmental organizations. In addition, by developing its own carbon emissions monitoring system, the Bank was able to accurately monitor and effectively manage the amount of carbon emitted through its business operations. For such environmentally-focused efforts, the Bank received awards and recognitions from mainstream media and industry watchers both at home and abroad, in particular from Dow Jones of the US, which included the Bank in its prestigious sustainability Asia/Pacific index and from the Carbon Disclosure Project for its leadership in the financial sector. In addition, the Bank received awards at the Chosun Daily Environment Awards and at the 2009 Global Green Management Awards by the Korea Management Association.

KB Financial Group leveraged group synergies into hybrid product development, cooperation in M&A advisory services, and IT center consolidation. The Group also came in first in various customer services and brand preference surveys, and expanded its “green banking” operations.



### **Diversifying services through business ties**

Kookmin Bank improved its service competitiveness through various cooperative structures with major private corporations and public institutions. The Bank opened up opportunities to develop new business in non-banking sectors by forming a comprehensive business tie with the telecommunications leader KT, and through establishing a strategic alliance with Korea's largest Internet service provider NHN. It also developed products and services exclusively for or in conjunction with its business partners, including a discount credit card developed in cooperation with the GS group for the latter's subsidiaries, an electronic payment service for Air Force personnel, and a capital management service for Korea Teachers Pension Federation.

### **Setting up face-to-face sales channels**

KB Life Insurance established “Total Consultant” branches, which are face-to-face sales channels, as part of its strategy to grow into a comprehensive insurance company. Ranking 5th among 22 insurers in bancassurance, KB Life plans to develop quality financial services tailored to customer needs through the Group's only outbound sales channel in collaboration with Kookmin Bank branches.

### **Posting industry-best business results**

KB Asset Management ranked first in domestic equity fund ROR (rate of return) in all categories—1-year, 2-year, and 3-year—thanks mainly to its adoption of an industry-first system of grading its fund managers based on their long-term performances. It also strengthened its product lineup by actively developing innovative products, including “KB Korea's Leading Group Fund,” which amassed over 100 billion won in the first

three months after its roll-out, Korea's largest Kosdaq EFT—a new breed of ETF—and Korea's first commodity index fund. Other Korea or industry firsts include a “green” real estate fund, which enabled KB Financial Group's purchase of the ING Tower, and a mezzanine fund launched in cooperation with Korea's National Pension Service.

### **Named trust manager of National Pension Service**

KB Investment, in cooperation with the Korean government, launched Burrill-KB New Growth Private Equity Fund to manage the government's Bio-Medical New Growth Fund. The company was selected by the government to launch the PEF in recognition of its leadership in new growth investments. KB Investment set another industry record in June 2009 when it was selected, for five consecutive years, as a trust manager of National Pension Service.

### **KB ads drawing national attention**

KB Group advertisements received various awards from prestigious domestic media companies, including a gold award at the 2009 Mail Econ Ad Awards. Through its ads, the Group promoted the messages of hope for the general public in the face of economic difficulties. One particular ad campaign championed the role of family as a source of faith and hope in times of hardship. Other campaigns featured popular TV celebrities.

# 2009 Awards and Recognitions



## Dow Jones Sustainability Index

KB Financial Group Inc. made the prestigious Dow Jones Sustainability Asia/Pacific Index for maintaining its strong growth in the economic, environmental, and social areas. Inclusion in the index not only reconfirmed its status as Korea's financial leader but also will serve as a platform for its emergence as a global financial group.

## Named CDP financial leader

KB Financial Group was named by CDP (Carbon Disclosure Project) Korea Chapter as a CDP leader in the financial area. CDP is an organization that works with shareholders and corporations to disclose the carbon emissions of major corporations in the world. The Korean chapter made its

selection from among the top 100 corporations in market value.

## Fair Management Award

KB Financial Group received the grand prize at the 2009 Korea Fair Management Awards held by Korea Economics Daily in recognition of the Group's continued efforts to earn the respect of its customers, the community and society through setting higher standards in ethical management.

## No. 1 in customer service

Kookmin Bank became Korea's only bank to rank No. 1 in the National Customer Satisfaction Index for four years running, made all the more significant considering that the Bank has more customers to

satisfy and bigger operations to conduct than its peers. In addition, the Bank came in first in the Korea Customer Satisfaction Index for three consecutive years, was selected as the most customer-recommended corporation for three consecutive years, and ranked first in the Korea After Service Satisfaction Index for two years.

## Industry-first ISO/IEC 27001

Kookmin Bank became Korea's first financial institution to win the coveted "ISO/IEC 27001" certificate, the world's most prestigious recognition for excellence in IT service. Over the past years the Bank has been upgrading its IT service infrastructure to global standards with numerous system improvements in security management.

## 2009 Awards and Recognitions

### KB Financial Group

- 6. 26 2009 Best award for corporate PR at 2009 Broadcasting Commercials Festival [Money Today]
- 7. 16 2008 League of American Communication Professionals Award in general financial category [LACP]
- 9. 3 Inclusion in Dow Jones Sustainability Asia/Pacific Index [Dow Jones, SAM, Korea Management Asso.]
- 10. 20 Inclusion in Dow Jones Sustainability Korea Index [Dow Jones, SAM, Korea Management Asso.]
- 10. 28 Carbon Disclosure Project Award in financial leadership [CDP Korea Chapter]
- 11. 17 Best award in financial holding sector at 2009 FN Advertising Awards [Financial Times]
- 11. 18 2009 Gold Award in corporate PR at 2009 Hangyoraе Advertising Awards [Hangyoraе Daily]
- 11. 24 2009 Golda award in TV commercials at 2009 Maeil Econ Advertising Awards [Maeil Econ Daily]
- 11. 25 Grand prize in brand category at 2009 Sports Korea Advertising Awards [Sports Korea Daily]
- 11. 26 Grand prize in financial holding company category at 2009 Asia Econ Daily Advertising Awards [Asia Econ Daily]
- 11. 26 Bronze award at 2009 Saegae Daily Advertising Awards [Saegae Daily]
- 12. 8 Fair Management Award in ethical management [Korea Econ Daily]

- 12. 10 Korea Herald Readers' Best Brand Award [Korea Herald]
- 12. 11 Best award in large corporation general category at 2009 Web Awards [Web Award Committee]

### Kookmin Bank

- 1. 4 Ranked 5th among 100 top Korean brands [Brand Stock]
- 1. 16 Grand prize in financial/card category at 2009 Customer Service Management Awards [Korea Econ Daily]
- 1. 19 Best award in credit category at 2009 e-Daily Korea Top Financial Products Awards [Electronic Daily]
- 1. 19 Selected as best fund manager of 2008 [Korea Investors Education Foundation]
- 2. 5 Ranked No. 1 in bank category in 500 large corporate CEO-preferred brand survey [Monthly Modern Management]
- 2. 27 Ranked No. 1 in bank category at Korea Most Trusted Company Awards [Korea Econ Daily Prosumer]
- 2. Ranked No. 1 in Korea in 2008 custody service survey [Global Custodian of GB]
- 3. 3 "1 Trillion Tax Award", financial industry-first [National Tax Service, Korea Customs Service, Ministry of Strategy and Finance]
- 3. 3 Ranked 5th in 100 most-preferred workplace survey [Job Korea]
- 3. 12 Ranked No. 1 in bank category in Korea brand power survey [Korea Management Consulting]
- 3. 23 Named No. 1 workplace [Hewitt Associates, Maeil Econ Daily]
- 3. 25 Selected as one of 100 best CEOs, industry-first 5th year in a row [Mekyeong Economy]

- 3. 27 Award in newspaper category at 17th Outstanding Consumer-preferred Advertising Awards [Korea Advertising Clients Asso.]
- 4. 1 Ranked No. 1 in "Most Watched CEOs" [Careercare]
- 4. 1 Ranked 6th among 100 brands for first half of 2009 [Brand Stock]
- 4. 23 Grand prize at 2009 Korea Leading Brand Awards [IMBC, Dong-A Dotcom, Hankyong Dotcom]
- 5. 8 Ranked 182nd in Forbes most Reputable Global Companies list [Forbes]
- 5. 12 Korea CEO of 2009 award [Korea Management Asso.]
- 5. 13 Award in bank category at 2009 Most Consumer-trusted Brand Awards [Digital Chosun Daily]
- 6. 12 "KB Sweet Card" won GD Mark, for an industry-first 4th year in a row [Ministry of Information and Economy]
- 6. 23 Named best call center in Korea Service Quality Index [Korea Management Consulting]
- 6. 30 KB private banking service GOLD&WISE named "Proud Korean Brand Name of 2009" [Maeil Econ Daily]
- 6. 30 KB private banking service GOLD&WISE named "Best Brand of 2009 1st Half" [Korea Herald]
- 7. 7 Ranked 5th among 100 brands for 2nd half of 2009 [Brand Stock]
- 7. 8 KB private banking service GOLD&WISE awarded at "2009 Korea Brand Name Awards" [Korea Econ Daily]
- 7. 10 Ranked 74th in the world and 19th in Asia among 1000 banks in shareholders equity [The Bank]
- 7. 15 Environment-friendly management award at 17th Chosun Daily Environment Awards [Chosun Daily]



The Group became the first in the industry to rank No. 1 in the NCSI for the four consecutive years, won the coveted ISO certificate in the IT service area—another industry first—and made the prestigious DJ Sustainability Asia/Pacific Index, thereby laying a platform for growing into a global financial group.



### “Korea’s best in risk management”

Kookmin Bank was selected for two successive years by Asia Risk, the leading risk management and derivatives periodical, as Korea's best financial institution in risk management at the 2009 Asia Risk Awards in recognition of the Bank's outstanding risk management performances in the face of the recent financial crisis.

### “Korea’s best workplace”

Kookmin Bank was named “Korea's Best Place-to-Work of the Year” by Hewitt Associates, a global leader in HR consulting and outsourcing, an acknowledgment of the Bank management's leadership in coping with the financial crisis and its dedication towards fostering financial professionals of world standards.

### Four best web awards, again

KB Data System received four grand prizes for a second year in a row at the “2009 Web Awards Korea,” organized by Korea Software Promotion Agency. The KB company garnered top prizes in the financial, UI innovation, large corporation, and credit card sectors for the programming and design capabilities it demonstrated in the development of Kookmin Bank's web site.

### Winning IB & CEO awards

KB Investment & Securities received the best M&A lead manager award at the Money Today's Korea IB Awards, an M&A award at the Asian Economy's Asia Capital Investment Awards, and a special award at the Herald Econ Daily's Capital Market Awards, all in recognition of its advisory

role in Lotte Group's successful M&A of Doosan Liquors. These accolades carry added significance as domestic securities companies are generally perceived to be second-tier players in the M&A market. In addition, the KBI&S's CEO Kim won an Innovative Management Award at the 2009 Korean CEO Awards for his leadership in new business expansion.

### No. 1 in KSQI for 3 years in a row

In recognition for KB Life's continued efforts to improve its customer service through systematic training and education programs, it was ranked No. 1 for a third consecutive year in the call center category in the Korea Service Quality Index.

- 7. 16 Ranked 3rd most preferred workplace [Korea Management Consulting]
- 8. 6 GOLD&WISE external newsletter awarded grand prize at 2009 International Business Awards [IBA]
- 8.11 Ranked No. 1 in financial service among 1000 Korean brands [Joongang Daily's Economist]
- 9. 3 Named best bank in Korea in 2009 [Finance Asia]
- 9. 8 Ranked No. 1 in the National Brand Competitiveness Index for 2009 2nd half [Korea Productivity Center]
- 9. 8 Named most preferred workplace in service industry [Korea Management Consulting]
- 9. 18 Minister Award in institution category at 2009 retirement pension fund evaluation contest [Ministry of Welfare]
- 9. 29 Ranked No. 1 in Korea Customer Service Index, for a third year in a row [Korea Management Consulting]
- 9. 29 Green Marketing Award at 2009 Global Green Management Awards [Korea Management Asso.]
- 10. 9 Awarded in service category at 2009 Korea Customer-trusted Leading Brand Awards [Korea Brand Management Asso.]
- 11. 4 Won ISO/IEC 27001 certificate, an industry-first, for IT service [ISO of Norway]
- 11.12 House of the Year, South Korea Award at 10th Asia Risk Awards [Asia Risk]

- 11.16 Rated A in “Cyber Training Institution Evaluation”, for industry-first 2nd year in row [Ministry of Labor]
- 11.19 Awarded at 2009 Social Contribution Awards for 4th year in a row [Korea Econ Daily]
- 11.19 Ranked No. 1 in bank category in Korea After-Service Satisfaction Index [Hankyong Business, Kookmin Univ. Management Research Center]
- 11.23 Awarded in financial general and U.I. innovation categories at 2009 Web Awards [Web Awards Committee]
- 11.27 Outstanding institution citation at 3rd Money Laundry Prevention Day Ceremony [Financial Service Commission]
- 12. 9 Minister of Welfare Award in internal newsletter category at 2009 Korea Communication Awards [Korea Newsletter Asso.]
- 12. 10 Named outstanding funds seller in “2nd Funds Sales Mystery Shopping” [Financial Supervisory Service]
- 12. 14 Ranked best bank in Korea Net Promoter Score survey, for a 3rd year in a row [Korea Management Consulting]
- 12. Ranked, for a 3rd year in a row, No. 1 in Korea in the Custody Service Survey [Global Custodian of GB]
- 12. 16 Ranked No. 1 in National Customer Satisfaction Index, for 4th year in a row [Korea Productivity Center]
- 12. 22 Best Institution Award in audit category at 2009 Korea Auditors Convention [Korea Audit Asso.]

#### **KB Investment & Securities**

- 3.31 Special Award at 2009 Herald Economy Capital Market Awards [Herald Economy]
- 5.25 Best M&A Lead Manager Award at Korea IB Awards [Money Today]
- 5.26 Awarded in M&A category at Asia Capital Investment Awards [Asia Economy]
- 12.18 CEO Kim awarded in innovative management category at 2009 Korea CEO Awards

#### **KB Life Insurance**

- 3.31 Rated outstanding in call center category in Korea Service Quality Index [Korea Management Consulting]
- 4.23 Rated 1st class in Financial Supervisory Service's civil complaint monitoring [Financial Supervisory Service]

#### **KB Asset Management**

- 12.28 Securities & Finance Man Award [Maeil Econ Daily]

#### **KB Data Systems**

- 12.9 Awarded in web site design category at 2009 Korea Communication Awards
- 12.11 Awarded in financial general and U.I. innovation categories at 2009 Web Awards [Web Awards Committee]
- Best award in large corporation general category [KB Financial Group]
- Best award in credit card category [Web Awards Committee]





# ALL-TIME BEST CORPORATE VALUE

To enhance our corporate value,  
we are making all-out efforts  
to achieve mid- to long-term business strategies,  
create synergies among our subsidiaries,  
adopt market-based risk management,  
and further increase customer satisfaction.  
We are ever closer to our vision of becoming  
“A Global Financial Group, Leading the Asian Financial Industry.”





# Vision & Strategy



## 1. Vision & Strategies

As the nation's premier financial group leading the Korean financial industry, the Group endeavors to fulfill the vision of becoming "A Global Financial Group, Leading the Asian Financial Industry." In order to achieve this goal, the Group is pursuing the following mid- and long-term strategies: fortifying growth engines, strengthening comprehensive financial system capabilities, strategically fostering future growth models, and building group infrastructures.

## 2. 2009 Strategies & Results

In response to global financial shocks and economic downturns, for 2009 the Group set "establishing a sustainable growth platform through quality management" as the management strategy direction, and focused its business resources on the following areas: establishing a foundation for maximizing group synergies, maintaining readiness in the M&A market, solidifying the growth platform through strengthened risk management, and pursuing cost improvements and profit-based growth.

**Maximize group synergies** In 2009 the Group began a series of efforts to establish a platform to create synergies among the subsidiaries, resulting in the successful introductions of hybrid products including KB Plustar Account, concentrated cross-selling through the Kookmin Bank branch network, and joint marketing/referrals among the subsidiaries.

**Stand ready for M&A chances** Seeing M&A opportunities as a way to strengthen its non-banking sector as well as fortify its growth as a whole, the Group raised KRW 1.1 trillion in cash and thus formed a solid base for leading the M&A market.

**Strengthen risk management** The Group integrated and stabilized its risk management systems by adopting the group ERM (enterprise risk management) method and advanced risk monitoring techniques to better respond to global financial crises in the future.

**Pursue value-driven growth** The Group as a whole took a series of steps to cut costs and improve profitability, including the implementation of a group-wide wage reduction.

## 3. 2010 Strategies by Business

### 2010 Business strategy direction

Strong signs of economic recovery at home and abroad and structural changes such as M&As and privatization in the domestic financial industry are expected in the year 2010. In response to these anticipated developments, the Group, under the new strategic direction of "Maximizing Group value through balanced growth," plans to pursue the following core tasks:

**First, reinforce the "One-Firm" structure.** The Group will focus on reinforcing its "One-Firm" structure by employing diverse programs created for the subsidiaries to

interact with one another and develop the sense of unity and by strengthening its synergistic system. For this system, the Group will pursue more active customer information exchanges, bolster product development capabilities at the group level, expand the synergy creation infrastructure, and foster the synergy mindset throughout the subsidiaries.

**Second, optimize the Group portfolio.** The Group will strengthen the competitiveness of its core businesses, optimize the business lines of the subsidiaries, and pursue balanced growth between the banking and non-banking subsidiaries. The Group will continue to explore new growth opportunities in other business areas and its overseas operations.

**Third, maximize sales competencies to enhance customer value.** The Group will strive meet the diverse needs of its customers and increase customer value and by leveraging its capabilities in all areas including distribution channels, products, services and human resources.

**Fourth, bolster preemptive risk management and responsiveness to changes in the business environment.** The Group will adopt effective countermeasures to possible changes in the business environment and enhance its decision-making system to better reflect various risk factors based on strengthened risk management systems.

## 2010 Guiding Management Direction



### Strategies by business

**Banking** The domestic banking industry in 2010 is expected to gradually improve in profitability and asset soundness on the backs of recovering economies at home and abroad. Competition in the industry, meanwhile, is sure to intensify in consideration of the following expectations: the scheduled privatization of government-owned financial institutions and a second wave of industry restructuring will combine to increase M&A opportunities; different industries are collaborating to enter the financial markets; and an expanding sphere of service owing to growing multi-function/converging services among different industries. In response to these expectations, Kookmin Bank will redouble its efforts to enhance customer value by reinforcing its market leadership in household lending, credit card, going-green business, FX, corporate pension, capital market and IB businesses as future growth engines, and develop financial trend-setting products and channels.

**Securities** The securities industry will continue to be affected by the current restructuring process, which consists mainly of the emergence of large companies, and by the competition of income models for market share. KB Investment & Securities, under the mid- and long-term goal of establishing a new business model for broad-based

growth, will maintain its leadership in corporate financing and institutional sales, step up efforts in investment finance, trading, and individual sales, and bolster its internal systems and operation infrastructures.

**Life Insurance** The life insurance market is expected to see far-reaching changes as a major household name is slated to enter the market, and insurance companies are scheduled to perform banking functions, albeit limited in scope and depth, in the second half of 2010. In addition, competition is forecasted to intensify across the market spectrum, including in the corporate pension and health/medical expense insurance areas. In response to these forecasts, KB Life Insurance will veer from its existing bancassurance-based sales approaches and move towards distribution channel diversification as a way to ready itself for a second leap forward. In addition, the Company will seek to improve profitability by revising its product portfolio and reinforcing its asset management competencies.

**Asset management** The asset management market is expected to grow on the strength of an upsurge in product diversification following the adoption of the FSCMA, a growing interest in long-term funds, a slew of new products expected following the adoption of the negative regulatory system in defining financial products, and

a fast emergence of the corporate pension market due to recent changes in related laws. However, the market will be affected, up to a certain extent, by the scheduled repeal of tax benefits heretofore given to investments in overseas funds. Accordingly, KB Asset Management will expand its share in equity-type funds, introduce products investing in the Chinese market, diversify domestic and foreign index fund products, and introduce new-breed EFT products. The company will also improve profitability through a stable fund management base by securing long-term operating assets.

**Overseas business** Korean financial companies are expected to focus their resources in an increasingly competitive manner on newly developing countries with ample growth potential. KB Financial Group, in keeping with its "KB Triangle Network" strategy, will continue to strengthen its overseas network based on its core competencies in banking and credit card. By bolstering business cooperation and support for its existing overseas branches and subsidiaries and fostering local talent, the Group will solidify its position in the Asian financial market.



# Senior Management



**Chung-Won Kang** Vice Chairman & CEO



**Kap Shin** Deputy President & CFO



**Min-Ho Lee** Deputy President & CCO





**In-Gyu Choi** Deputy President & CSO



**Heung-Woon Kim** Deputy President & CIO



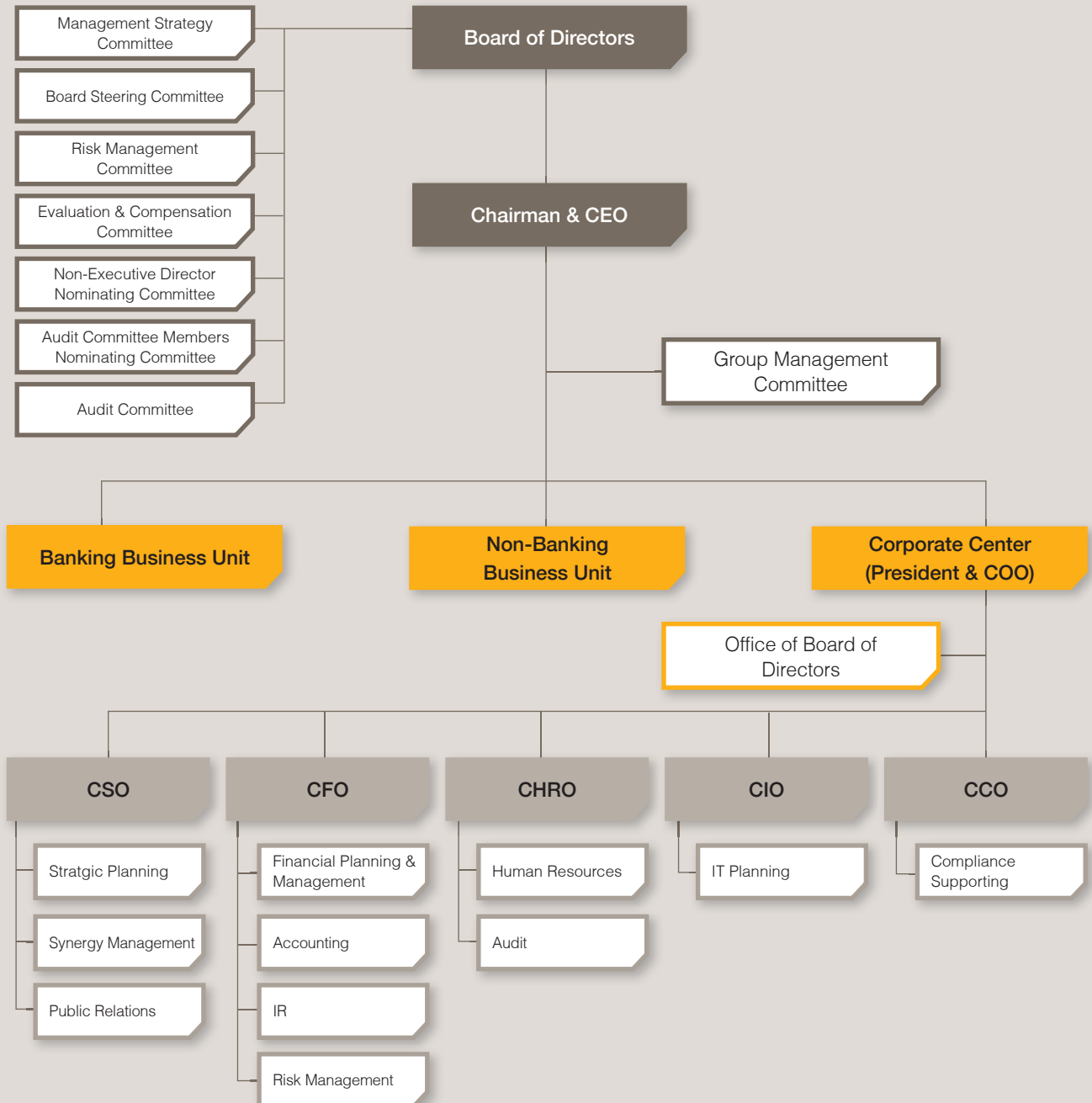
**Jong-Chan Ryu** Managing Director (CHRO)



**Young-Yoon Kim** Managing Director (PR)

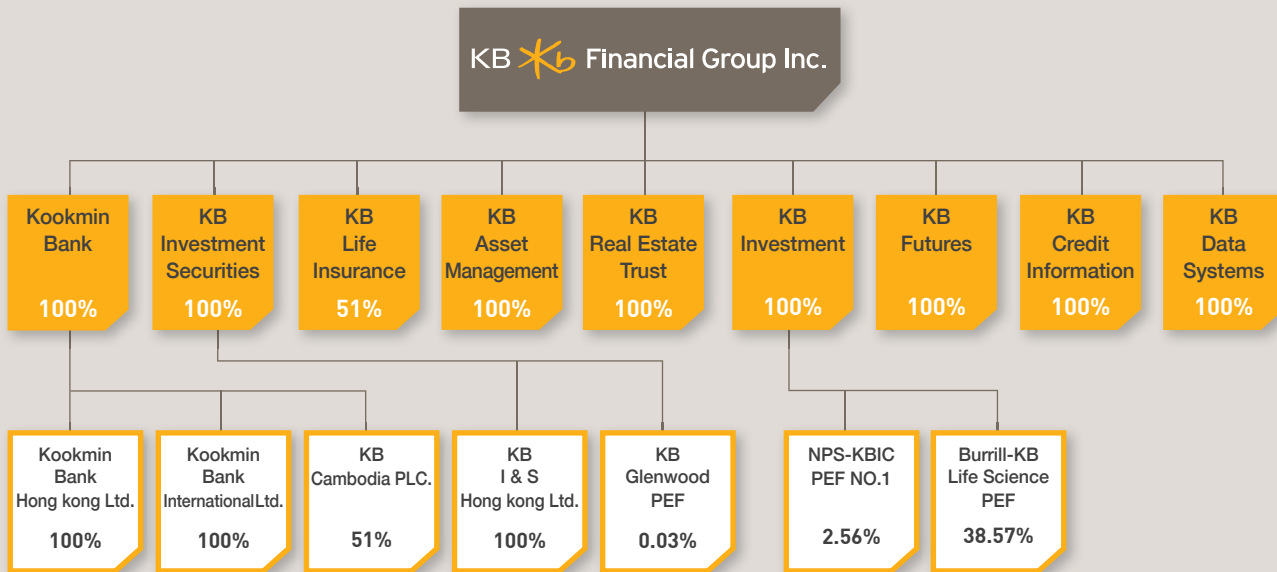


# KB FGI Organization Chart





# KB Financial Group Organization Chart



## KB Financial Group Operation Model

Established as Korea's premier financial group and guided by the management vision of becoming "A Global Financial Group, Leading the Asian Financial Industry," KB Financial Group has its organization divided into two basic areas—Business Unit (banking, non-banking) and Corporate Center—with organic cooperation promoted between and among various business units.

To clarify spheres of authority and responsibility among the business units, the Group's nine subsidiaries are further classified into Banking Business Unit (Kookmin Bank) and Non-Banking Business Unit (KB Investment & Securities, KB Life Insurance, KB Asset Management, KB Real Estate Trust, KB Investment, KB Futures, KB Credit Information, and KB Data Systems). The Corporate Center oversees matters relating to strategy, synergy, PR, finance (business management/accounting), IR, risk management, HR, auditing, IT and compliance.

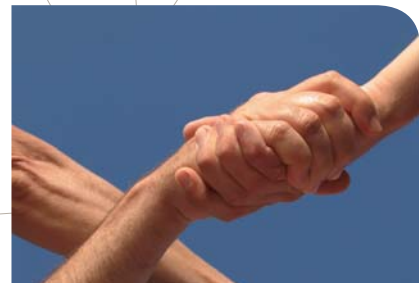
In accordance to the revised financial holding company law, a Compliance Supporting Department headed by Chief Compliance Officer was established in January, 2010.

In 2009, to bolster its insurance business sector, KB Financial Group Inc. acquired Kookmin Bank's share of KB Life Insurance and incorporated the latter as its subsidiary. Through Kookmin Bank's acquisition of Khmer Union Bank in Cambodia, which has subsequently become the holding company's sub-subsidiary, the bank has secured an advantageous beachhead in the resources-rich Southeast Asian market with high growth potential.

In addition, through PEF investment, the holding company incorporated Burrill-KB Life Science Private Equity Fund and KB Glenwood Private Equity Fund into its sub-subsidiaries. Meanwhile, KB Venture Capital Investment has changed its name to "KB Investment" to reflect business diversification.

# Synergy Creation

Group synergies have produced some successful outcomes such as hybrid products, an advisory role in one of the biggest M&A deals in Korea, and the participation in the ING Tower purchase. We will continue to leverage our synergies in cross-sales, joint project creation, customer-tailored product development, combined loyalty program development, and multi-functional branch formation.



## Synergy Creation Strategy

KB Financial Group pursues the objective of its synergy strategy in three stages: building a platform for synergy creation, broadening the scope of synergy creation, and maximizing the combined effect of synergies in the operation of Group business activities. This approach will transform the synergies thus created into engines that will power the growth of the Group on a sustainable basis and increase customer value, thus enhancing Group value as well.

## Synergies Created in 2009

2009 was the first year of its synergy strategy, and, accordingly, the Group and its subsidiaries as a whole concentrated on establishing a platform for launching "synergy-based businesses" such as hybrid product development, cross-selling, and joint marketing/referrals.

### Developing KB Plustar Account

Developed in April 2009, "KB Plustar Account" is the KB Group's first hybrid product, which enables both banking and securities transactions through one account. Thanks to its convenience and novelty, the product exceeded 290,000 accounts as of year-end, causing quite a stir in the financial market and was selected by the media as "Financial Product of the Year."

### Cross-selling at the Group level

Cross-selling was carried out through Kookmin Bank's branch network, the largest of its kind in Korea, involving fund-, insurance-, and securities-related products. As a result, these products each recorded a marked increase in sales, giving momentum to the Group-drive of synergy creation.

### Joint business

Kookmin Bank and KB Investment & Securities jointly performed an exclusive M&A advisory role in Lotte Group's acquisition of Doosan Liquors, while the bank worked as a team with KB Real Estate Trust and KB Asset Management in the purchase of the ING Tower, a major landmark in Seoul. These efforts effectively laid a framework for joint businesses among the affiliates. In addition, business referrals to real estate/collateral trust, venture and corporate investment were actively made through the Bank's branch network.

### Integrated account service

The Group launched an account checking service that allows customers to check the balance and transactions of their bank and securities accounts via either Kookmin Bank's or KB Investment & Securities' website, thus improving customer convenience.

## Synergy Creation Plans

As for its synergy strategy for the future, the Group plans to systemize group synergies through synergy infrastructure expansion. For this goal, the following steps will be taken:

### Form group marketing strategy and CRM system

With the formation of a group-level marketing strategy, the Group will transform the sporadic marketing activities of its subsidiaries into well-coordinated schemes with centralized themes. In addition, the Group will enhance its customer-focused marketing by forming a group-level CRM system and offering comprehensive financial services consistent in quality through the system.

### Develop hybrid products & launch group loyalty system

Having successfully rolled out its first hybrid product in 2009, the Group will offer additional hybrid products that go beyond banking and securities-trading to include insurance and asset-management features, while continuing to develop hybrid products that offer customers comprehensive portfolio management service. In addition, the Group will develop a customer value system that fosters customer loyalty by launching a system that evaluates and classifies customers in terms of their business contribution.

### Expand BIBs & synergy mindset

Through the BIB (branch in branch) system based on Kookmin Bank's branch network, the Group plans to offer comprehensive financial services that include securities, insurance, and other financial services. Meanwhile, to foster the synergy mindset among Group employees and staff members and closer partnerships among the subsidiaries, the Group will hold and sponsor various events and programs through which employees and staff members can share their personal interests and job experiences and understand why and how synergy can benefit everyone involved.

### Cut costs through group purchases

The Group also will harness its synergies to reduce costs by unifying the separate purchase programs of individual subsidiaries into a group purchasing program in the areas of IT hardware, software, office equipment, and supplies. In addition to reducing these expenditures, the Group will devise cost-cutting systems through increased bargaining power and enhanced group purchasing capabilities.



# IT Systems

We have consolidated our subsidiaries' IT systems, launched a group intranet platform, completed Kookmin Bank's next-generation banking system, set up a retail sales system for KB Investment & Securities, expanded the infrastructure for KB Life's sales channels, constructed KB Futures' overseas futures trading system, formed the base for synergy creation, and fortified the IT support system for the affiliates.



## 2009 Accomplishments

### Forming operational procedures to hasten Group IT layout

KB Financial Group has created an "IT Strategy Committee," composed of the Chief Information Officer and IT executives from each subsidiary, to be responsible for overseeing the Group IT strategy, reviewing major pending issues, and making key decisions regarding IT. By enacting IT-related procedural rules, we have defined basic guidelines for carrying out computer-related tasks between the holding company and the subsidiaries. Furthermore, by establishing an intranet for the Group we have established a system to share information as well as provide a unified way for all of the entities to communicate with each other.

In the meantime, IT planning at the group level has allowed us to establish guidelines for the IT business plans of individual subsidiaries, and to review and make adjustments to them. It has also enabled us to identify some of the areas in which the subsidiaries' businesses are similar to or overlap with each other, allowing us to create joint, group-wide IT projects for the purpose of maximizing IT investment efficiency and generating synergies. In addition, by setting up group IT business planning processes and management methods, we provide the subsidiaries with guidelines for their annual IT business planning and review, and to fine-tune their plans, arrange collaboration for any overlapping or similar projects, and monitor the implementation of those plans.

### Creating a platform for channeling synergies

We have moved the data processing hubs of all non-banking subsidiaries to Kookmin Bank's Yoido IT headquarters and consolidated the heretofore separate and disassociated systems, establishing an integrated group data processing platform for the provision of stable and efficient IT service. By creating the group intranet, "KB Wise-net," we have set up an online system for exchanging and sharing information in a one-firm environment among each of the subsidiaries.

As of the end of 2009, a group CRM for centralizing all customer data and information from each subsidiary and processing them for future marketing use was near completion and expected to be in operation by the first half of 2010. In response to a scheduled adoption of the IFRS (International Financial Reporting Standards), we plan to complete developing a fully integrated computerized system by February 2010 for making financial reports in accordance with the global standards.

### Kookmin Bank completing a next-generation system

As of the end of 2009 Kookmin Bank was near completion of a comprehensive next-generation IT structure that was started in 2007, and had put the finishing touches on the management infor-

mation and electronic data warehouse (EDW) systems. As a final phase before the roll-out of the account system, the Bank was conducting a system load test at the branch level.

The bank has constructed and tested systems to deal with cyber terrorism and to prevent unauthorized use of customer information, and secured the first ISO 27001 certificate, the world's foremost standard in information security management, a first in the Korean financial industry. This certificate acknowledges the bank's global-standard IT systems for secured online banking services, including for identification of questionable transactions. The bank also was an industry leader in developing a "KB Carbon Emission Management System" for measuring the amount of CO2 in and around its HQ building and branches.

### KBI&S setting up retail sales base

KB Investment & Securities successfully launched a KB Plustar HTS, a web-based home trading system developed for its retail customers, equipped its Call Center with an advanced tele-response system, and upgraded the integrated risk management system with the latest in risk monitoring techniques.

### KB Life bolstering sales channel infrastructure

KB Life, in response to market changes, expanded its IT infrastructure to facilitate the successful launch of telemarketing (TM) and "total consultant" (TC) sales channels, and made system improvements to better safeguard customer information.

### KB Futures nearing FX margin system set-up

KB Futures has a web-based system up and running that allows for trading around 50 overseas-listed futures around the clock, and is close to completing an FX margin system which will permit individual customers and institutional clients to trade OTC FX derivatives.

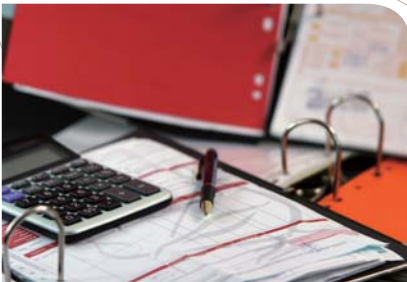
## 2010 Plans

In 2010, KB Financial Group will complete and implement a group CRM system, which is a joint project currently in development, set up a group-level data warehouse, upgrade group risk management systems, and improve upon the operating systems across the IT structure.

In addition, the Group will continue to carry out various small- and large-scale IT projects, including policy and architecture standard formation, which, among many functions, will facilitate synergy creation and thus help each subsidiary to launch more effective marketing campaigns.

# Risk Management

We are concentrating our resources and efforts on increasing the transparency of risk on the group level, preventing risk transference among subsidiaries, and enhancing our ability to respond to changes in the financial environment, facilitating mid- to long-term strategy implementation and efficient management decision-making.



KB Financial Group is concentrating its efforts on increasing the transparency of group risk, preventing risk transference between 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 management decision-making. The Group recognizes as major risk categories the followings: credit risk, market risk, operational risk, interest rate risk, liquidity risk, credit concentration risk, strategic risk, and reputation risk. To better control its capital adequacy, the Group manages risk appetite and risks by type and economic capital limits by subsidiary.

### **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. Composed 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 detailed risk management related issues of the group. The Risk Management Department carries out detailed risk management policies, procedures and processes, and is responsible for monitoring and managing group 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.

#### **Direction of Credit Policies**

Based on management strategies, the Group formulates appropriate credit policies in consideration of economic outlooks, business environment, asset soundness 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 costs through a stable asset quality management, which ensures steady profit generation regardless of financial conditions. Therefore, a conservative credit policy was pursued in 2009, such as exposure limits on high-risk assets to improve asset quality. Hereafter as well, the Group plans to operate loan assets by managing risk within approved limits in order to minimize provisioning.

#### **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 fixed period of time (typically one year) 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 in order to quantify potential losses that may additionally arise due to excessive exposure to certain individual borrowers, certain categories of borrowers, or highly correlated assets.

### **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 allocated in linkage with economic capital limits by subsidiary, which 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 a robust system for effectively 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 our VaR model, the Group conducts daily back testing to compare the actual and hypothetical profits & losses against the VaR calculations, and rigorously analyze the results to ensure optimality.

### **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 interest rates. The Group's principle interest rate risk management objectives are to manage assets and liabilities overall to maximize net interest income within acceptable risk limits, and also to minimize potential losses on net interest margin from adverse interest rate fluctuations. The Group measures and manages interest rate risk for won- and foreign currency-denominated assets & liabilities, derivatives positions and principal-guaranteed trust accounts.

### **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, 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 maintain necessary liquidity to fund loans and invest in securities.

### **Operational Risk Management**

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, reinforcing internal controls, improving work processes and providing timely feedbacks to the management and employees throughout the Group. In the case of Kookmin Bank, a Business Continuity Plan (BCP) has been established for the bank's continued operation in an emergency situation, an alternative worksite has been constructed, Head Office and IT staff have undergone simulation trainings, and the BCP framework has been reviewed.





To better manage the Group's capital adequacy, we monitor the Group's risk appetite and economic capital by risk type and subsidiary.

### 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 type of risk and subsidiary. Each subsidiary manages its capital within the prescribed range, while the Group Risk Management Department monitors this and reports back to the management and the Risk Management Committee.

### Stress Testing

The Group conducts stress testing to assess 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.

### Preparation for 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 received 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 earned FSS approval.

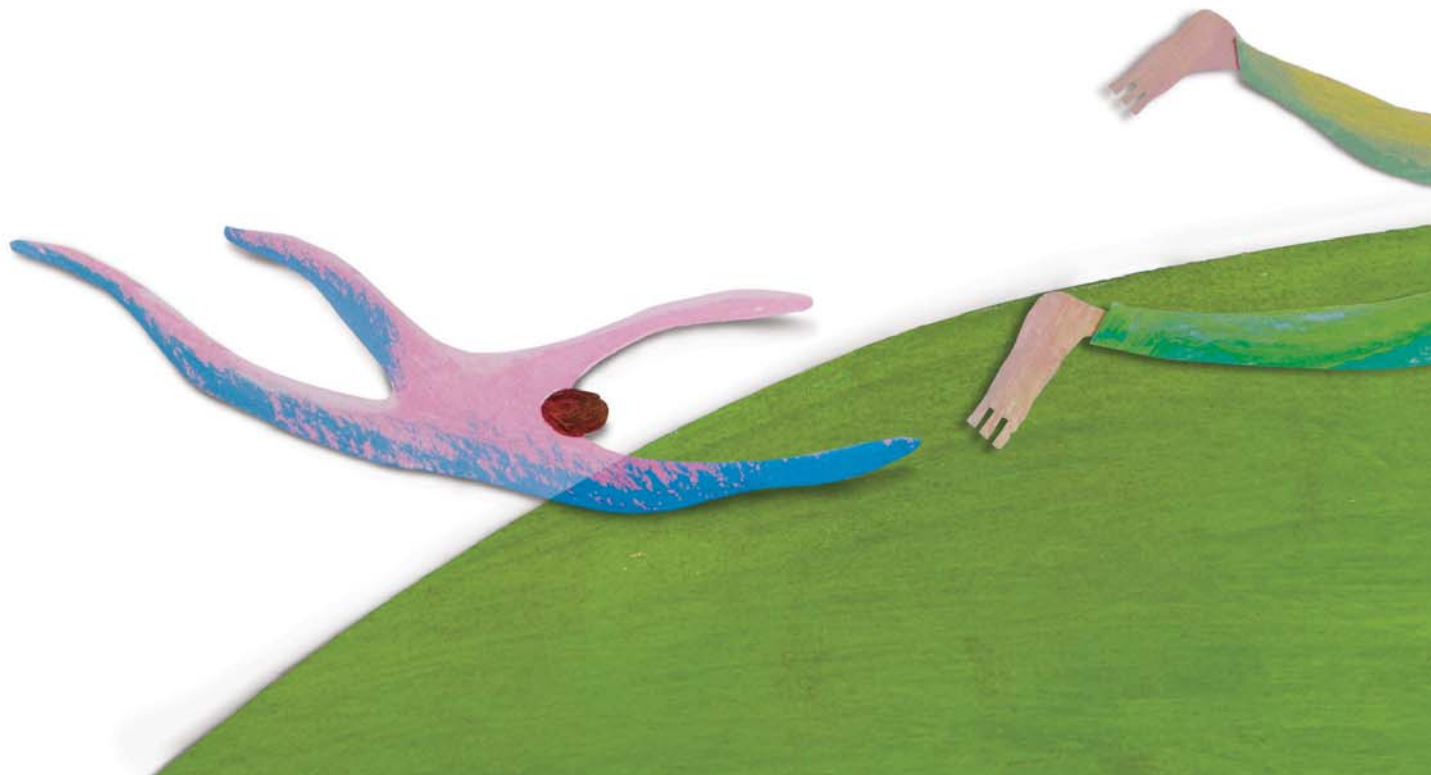
### 2010 Plans for Group Risk Management

In 2010, while signs of economic recovery are expected to increase in size and number, market regulations will also increase in number and severity as an aftermath of the financial crisis, and liquidity will tighten as governments pull back their stimulus programs. In response to these anticipations, 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.



# ALL- EMBRACING SOCIAL VALUE

We strive to maximize value for all stakeholders, including shareholders, customers, management & employees, and society as a whole. In addition to our global standards of corporate governance and internal control systems, we also carry out our corporate responsibilities as a leading financial institution by performing various socially-conscious activities, including becoming a pioneer in green banking.





# Corporate Governance

KB Financial Group pursues a world-class corporate governance structure through the operation of various committees based on the system of checks and balances





## Board Structure & Composition

As of March 2010, the Board of Directors (BOD) of KB Financial Group comprises two executive directors and nine non-executive directors, all appointed at the general shareholders' meeting. All non-executive board members are professionals in their respective fields with extensive experience in areas such as finance, management, law, accounting and journalism. Qualifications of non-executive directors are based on relevant regulations and the Group's articles of incorporation. Non-executive directors are nominated by the Non-executive Director Nominating Committee.

The chairman & CEO is elected by the BOD after being nominated by 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 Board and to ensure its active operation.

## Committee Activities in 2009

At the regular quarterly meetings, the BOD reviewed quarterly business results and discussed diverse issues related to the operation of the Group. At a July interim board meeting, the BOD passed a resolution to increase shares by 30 million, and at a December interim meeting, the BOD approved the budget and management plans for the fiscal year 2010. Informal gatherings for discussions were also held to review market environment countermeasures and key management issues.

## Board Committees

In accordance with relevant regulations, KB Financial Group's BOD maintains an Audit Committee and a Non-Executive Director Nominating Committee. To enhance the effectiveness of the Board, there are five other committees: 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 the NYSE regulations for listed companies, members of the Audit Committee, Evaluation & Compensation Committee, and all nominating committees are composed of non-executive directors.

### Audit Committee

As an independent body consisting of non-executive directors, the Audit Committee evaluates the appropriateness and effective-

ness of Group activities and internal control systems. It provides insight into vulnerable areas and improvement plans, and takes appropriate ex post facto action. The Committee consists of five non-executive directors possessing qualifications set forth in the Group's regulations and articles of incorporation, and includes financial professionals pursuant to the articles of incorporation and relevant laws.

### Board Steering Committee

The Board Steering Committee consists of the CEO, chairman of the Board of Directors and the eight committee chairpersons, and is chaired by the Chairman of the Board. It oversees improvement of the corporate governance structure and operational efficiencies of the Board and Committees. In addition, it is responsible for developing & monitoring training programs for directors, and contacting and collecting the opinions of shareholders.

### Management Strategy Committee

The Management Strategy Committee establishes the Group's vision and mid- to long-term strategies, yearly business plans, new strategic initiatives such as new alliances, and major financial strategies.

### Risk Management Committee

The Risk Management Committee acts as the top-most decision-making unit in setting risk management strategies and policies to identify, measure, monitor and control risks associated with the Group and its subsidiaries' various business transactions.

### Evaluation & Compensation Committee

The Evaluation & Compensation Committee consists of five non-executive directors, establishes the basic principles of evaluation and compensation structures, reviews evaluation and compensation of key management such as directors, and assesses the succession of the chairman & CEO and non-executive directors.

## 2010 Plans

In 2010, the BOD will continue its efforts to establish a world-leading corporate governance structure and to adhere to the principles of corporate governance stipulated in domestic laws and by the New York Stock Exchange (NYSE). In particular, the Group will strive to improve the corporate governance structure such a way as to promote a wider understanding between the Board and the executive management team.



# Board of Directors

Non-Executive Directors

Executive Director

Non-Standing Director

**Kyung-Jae Lee**



- Chairman, Board of Directors
- Chairman, Board Steering Committee
- Member, Audit Committee
- Member, Risk Management Committee

**Jacques P.M. Kemp**



- Member, Audit Committee
- Member, Management Strategy Committee

**Suk-Sig Lim**



- Professor, University of Seoul, Dept. of Bus. Administration
- Chairman, Risk Management Committee
- Member, Board Steering Committee
- Member, Evaluation & Compensation Committee

**Sang-Moon Hahn**



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

**Seung-Hee Koh**



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

**Chee-Joong Kim**



- Presiding Lawyer, Barun Law Firm
- Member, Management Strategy Committee
- Member, Risk Management Committee

**Young-Nam Lee**



- CEO, EZ Digital
- Member, Risk Management Committee
- Member, Evaluation & Compensation Committee

**Jae-Mok Jo**



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

**Chan-Soo Kang**



- Chairman, Kang & Company
- Member, Audit Committee
- Member, Evaluation & Compensation Committee

**Chung-Won Kang**



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

**Jung-Hoe Kim**



- Vice Chairman, KB Asset Management
- Member, Risk Management Committee

# Ethical Management

Mindful of the importance of our social responsibilities, we are focusing on developing ethical programs, building consensus through staff and employee education, and establishing preemptive measures against any unscrupulous behavior.



### **KB Code of Ethics and Ethical management**

KB Financial Group has adopted a charter of ethics which clarifies an ethical value system for its executives and employees to share, and established a code of ethics which defines an ethical decision-making criteria and principles of conduct for all employees and management to follow. To cultivate a group-wide consensus on ethical management, we operate an "Ethical Management Hot-line Center" and various programs to encourage ethical management practices.

### **Internal Control System & Monitoring System**

In 2009, we conducted internal inspections ad hoc to preempt and prevent irregularities at all operational levels and implemented various internal control measures. By conducting comprehensive audits on the subsidiaries as well as the holding company, and inspecting subsidiaries' handling of customer information and their development and sales of financial products in terms of propriety, we improved the effectiveness of internal controls at the group level. We have also established a group-wide ongoing monitoring system consisting of an audit/internal controls conference, cross-audits among the holding company and subsidiaries, and gathering of information on irregularities and other important issues at the subsidiary level.

### **Compliance**

KB Financial Group has established internal control guidelines for all employees and management to follow and created a compliance office to enforce the guidelines. Also, we strive to systematically manage the sources of potential irregularities in all business procedures by examining and deliberating, from a compliance perspective, on the appropriateness of regulatory & policy revisions, major legal suits and mediations, new business developments, executions, and contracts.

### **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 affairs, and designated internal control officers in all departments. We also seek to lead by example, with our management heading efforts to foster keener awareness and practical implementation of internal controls.

#### **Designing internal controls over financial reporting**

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

#### **Evaluating internal controls over financial reporting**

The Group's internal control over financial reporting is practiced in the course of operations by the Board of Directors, the Audit Committee, the 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 as of December 31, 2009 to be effectively structured in all material respects

### **Internal Control Plans for 2010**

In 2010 The Group plans to select audit entities based on the internal control evaluation results of the previous year and to adjust audit intervals depending on the entities' evaluation results. In preparation for adoption of the IFRS, we will reinforce internal control on high-risk business areas and strengthen the competence of internal control officers through education programs.

# Shareholders Relations

Putting shareholders' rights first, we take every possible step to safeguard them and ensure transparency in GSMs.

In 2009, despite the challenging market environment, we strove to maximize shareholder value with a dividend payout ratio of 15%.

## SHAREHOLDERS RELATIONS

### Major Activities for Protecting Shareholders' Rights

#### Written Absentee Voting System

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

#### Providing Information on GSM

Two weeks before the GSM, we mail reference materials related to the meeting's agenda to all shareholders. These materials include appointments to the BOD, as well as the name, career background and recommender of the pertinent director. A total of 111,312 shareholders attended KB Financial Group's 2nd General Shareholders' Meeting, each receiving necessary information for the exercising of their voting rights. In accordance with relevant regulations, shareholders were notified of the upcoming convocation of the meeting two weeks in advance through two public notices placed in two daily newspapers. We also delivered public notices via our website.

#### Providing Management Reference Materials

To guarantee shareholders' right to information, management reference materials related to GSM agendas and non-executive director activities are provided two weeks prior to the meeting at the group's head office and on its website.

#### Ensuring Operational Transparency & Trust

By not specifying exclusion clauses on cumulative voting in its Articles of Incorporation, KB Financial Group serves as a model for ensuring transparency of and trust in GSM operations. Additionally, KB Financial Group maintains required levels of transparency of and trust in GSM operations as stipulated under the Commercial Act and other relevant regulations.





# Corporate Culture

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

## C O R P O R A T E C U L T U R E

### 2009 Results

#### Efficient HR management

In 2009, KB Financial Group established HR management principles for the holding company and the subsidiaries, set up a system of cooperation among the companies, and revised the subsidiaries' personnel systems along the same principles, thus creating a sense of strategic continuity as a "one-firm" organization. In particular, Kookmin Bank, in its pursuit of efficient HR management, adopted various innovative systems including self-development leave, maternity/paternity work schedules, short- & long-term internships, and a special personnel system designed exclusively for high-performance employees. By setting up detailed management guidelines for all job categories - general, special, and specific, the bank's personnel system became based to a greater extent on performance and competency. The non-banking subsidiaries also adopted hiring and compensation programs that would be more attractive to talent in the securities, insurance, asset management, and other core business areas.

#### Bolstering employee competencies

In its pursuit of stronger competitiveness for its business operations, 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 competence enhancement programs, all designed to help professionals advance in their own business areas. These programs include "Foreign/domestic MBA Courses" aimed at securing a talent pool and furthering area specialists, "Global Training" for fostering overseas market specialists, "Rotation Training" for bolstering branch employees' competencies in all branch operations, and "Cyber Training", which offers various online courses to meet diverse job-related employee needs. Meanwhile, in order to define the essence of IBP (International Best Practices) and establish action guidelines, the Group held a series of sessions for educating the management on IBP issues.



#### Labor-management relations

Each of KB Financial Group and its subsidiaries operates its own labor-management council to foster a culture of participation and cooperation between the management and the employees. In addition, both Kookmin Bank and KB Real Estate Trust have active labor unions. Kookmin Bank's management and employees, whose strong unity made possible the smooth creation of the holding company in 2008, agreed to a salary freeze to help the Bank cope with the challenges of the financial crisis. Moreover, in 2009 the management and employees unanimously 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.

### 2010 Plans

In 2010, 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.

In addition, the Group will adopt a group-wide open recruitment system, operate group-level CDP and training programs, attract and retain talent with a competitive incentive system, and pursue growth-oriented human resource strategies. While promoting a competence-based corporate culture, we will spare no efforts, including through the development of various employee value-enhancing programs, to grow into a financial group where talents thrive beyond their capacity.

# Green Banking

As a responsible corporate citizen, we spare no effort in exploring solutions to global climate changes and developing ideas for green growth, and continue to contribute to national economic development by providing financial support to green businesses.



### Launching “Green Business Division”

Kookmin Bank launched a “Green Business Division,” a first in the Korean financial industry, in February 2009. Headed by the CEO, the group is made up of a decision-making council composed of all the board members and an implementation committee comprising the division general managers and the heads of related departments, that together select and execute projects and other measures in order to render the bank’s business and non-business operations more environment-oriented. The major areas of focus will include developing new growth engines, exploring new opportunities related to the scheduled emergence of the carbon market, bank-wide enforcement of management efficiencies including energy conservation, and public promotion of the Bank’s green banking activities.

### Developing carbon emissions management system

Kookmin Bank has developed a carbon emissions management system, KB-CEMS, which allows it to monitor the amount of carbon emitted at its headquarters and branch offices. Through this system, which uses the carbon emission computation of the Intergovernmental Panel of Climate Change (IPCC), a UN agency, the Bank monitors not only carbon emission by branch, month, year, and source, but also the progress of its carbon-neutralizing efforts, and thus enables it to find the most efficient way to manage carbon emission. In addition, based on its knowledge of the amount of carbon emission and how much of it can be reduced, the Bank plans to work towards bringing its carbon emission to zero by setting a realistic reduction goal by the month and the year. The Bank will apply such carbon neutralizing methods as planting trees and plants to further ensure that it will meet its goals.

### Introducing green banking products

The Bank has been pressing forward with environment-friendly activities. By developing financial products designed specifically for companies of green businesses, the Bank endeavors to foster green growth and do its share of corporate responsibility towards a more sustainable tomorrow. It also donates a portion of the proceeds from its green banking to conservation organizations. Major financial products developed include “Green Growth e-cooperative Purchase Fixed Deposit,” which allocates 1% of the payment interest as donation, “KB Green Growth Loan,” which lends start-up and operating funds to green businesses through Korea Technology Finance Corporation and Korea Credit Guarantee Fund, and “KB Green Growth Card,” designed to encourage the use of public transportation through various incentives. Other innovations include an industry-first bicycle insurance product, an installment savings product for green businesses, a corporate card exclusively for riding taxis, and a fund that invests in clean energy industries.

### Conducting green marketing

The Bank pursued a wide-ranging green marketing campaign in 2009 involving a paper-free banking promotion, environment-friendly community services, and green growth awareness developments. To promote such financial transactions, the Bank held a “Eco-banking” campaign designed to steer the public towards the use of electronic bank accounts, online products, electronic card statements, and other banking-related means that conserve resources. To make its community service more socially conscious, the Bank took an active part in the “Eco-Tree Campaign,” which is jointly conducted by the Ministry of Environment, the Army, and private corporations, and planted a total of 11,300 trees in 11 regions throughout the nation.

To foster a social awareness of green growth, the Bank launched a “KB Green Economics Education Volunteer Group” consisting of 300 employees to educate underprivileged youths on finance and the environment, and published comic books on green banking and economic subjects for its customers. In addition, the Bank was the only financial institution to take part at the 2009 Low-Carbon Green Growth Exhibition, and is a sponsor of the “Green Tech Awards,” which will be held in February 2010. 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.

### Sustainable growth through green growth

The Bank has chosen “green management” as a new growth engine for sustainable growth, performs a public role in response to climate changes, and pursues management efficiencies through recycling, green energy use, energy conservation, and the likes. In addition to accurate monitoring and effective management of its carbon emissions, the Bank has built an energy-efficient IT center, selected 20 items as the targets of bank-wide cost cutting efforts, and replaced all light bulbs with LEDs. Moreover, we adopted the use of bicycles for business use at select branches, and held an electricity conservation campaign in the summer, donating an amount equivalent to the energy thus saved to the needy in the winter.

For such environmentally-focused efforts, the Bank received awards and recognitions from mainstream media and industry watchers both at home and abroad, in particular from Dow Jones of the US, which included the Bank in its prestigious sustainability Asia/Pacific index and from the Carbon Disclosure Project for its leadership in the financial sector. In addition, the Bank received awards at the Chosun Daily Environment Awards and at the 2009 Global Green Management Awards by the Korea Management Association.

# Social Contribution

We strive to become a model social contributor by delivering the benefits that matter. In 2009, we received our fourth consecutive Grand Prize in the Youth Welfare category.



KB Financial Group endeavors to maintain its image as a model corporate citizen that earns the public's respect and trust for its proactive contribution to the growth of the communities to which we belong. In particular, we devote our resources and energy to fostering bright and socially conscious youth leaders of tomorrow, while actively taking part in community-oriented social volunteer activities.

## **Main Activities in 2009**

### **Launching the "I-love-my-community" campaign**

KB Financial Group jointly launched the "I-Love-My-Community" campaign with the Korea Daily as a way to promote a win-win cooperation between local governments and corporations. As part of the campaign, we rolled out a "KB I-Love-My-Community" credit card which sets aside a portion of the card proceeds for a fund supporting around 160 local entities. As of the end of 2009, a total of 75 local entities and around 50 corporations have enrolled in the campaign, and card membership exceeded 160,000, including such luminaries as the chairman and vice chairman of the National Assembly, and the chairman of the Federation of Korean Industries, to name a few.



### **Establishing KB Microfinance Foundation**

In December 2009, Kookmin Bank established a "KB Microfinance Foundation" to provide the financially-marginalized with a base for social and financial independence. With an initial fund of 10 billion won, the Bank provides credit support to low-income/low-credit people who are starting or running micro businesses. The Bank plans to increase the fund to 50 billion won in the next five years. The foundation's main office is located in the city of Daejeon, in line with one of its aims to support balanced regional growth, and more branches will be set up in the outskirts of Seoul, which have been marginalized in economic opportunities.



### **Rolling out community service-related products**

The Bank sponsors Korea's world-class figure skater, Yuna Kim, through an installment savings product named after her, and donates 1% of the product's interest payment to social organizations servicing patients with rare diseases and those who are socially marginalized. In addition, the Bank has been donating to UNICEF, Good Neighbors and other community welfare organizations with proceeds from its "KB Pointtree" card, which has been allocating 1,000 won per member for donation since 2006. The total amount exceeded the 1 billion mark as of the end of 2009.

### Kookmin Bank

**Launching youth support projects** In 2009 Kookmin Bank either sponsored or carried out various programs aimed at helping needy children and youths, including “KB English Camp,” which provided an English education to children in the countryside, “KB Hope Classroom,” a nationwide after-school study program for needy children, “KB Happy Table,” a program offering meals to some 1,850 poor children, and “KB Mini Library,” a program that provides youths in major cities a place for cultural education.

**Bringing Cultural Arts to the public** The Bank brought cultural arts closer to the younger generation in 2009. It sponsored and supported the National Theater of Korea’s launch of “2009 Youth Performance Arts Festival” and the opening of the “KB Youth Sky Theater”. The Bank also sponsored the National Arts Association’s “Youth Arts Camp,” organized for young people in provisional areas during the summer vacation. In addition, it carried out a museum-visiting program open to nation-wide youths interested in Korean history and culture, and sponsored a cultural event for the general public.

**Developing Global Social Activities** The Bank was also active in overseas social services through both sponsorships and direct participation. It has created “RaonAtti,” a university student volunteer group, in seven Asian countries including Cambodia and East Timor, and “RaonAtti Juniors,” a middle and high school volunteer group, in five Southeast Asian nations. “Kookmin Bank Social Service Team,” a volunteer group composed of Bank staff and employees, helped build and repair homes and feed the poor in Cambodia.

**Reinforcing community-based social service** On its “Day of KB Volunteer Work” in May, the Bank’s 15,000 staff and employees carried out various community service activities, including coordinating a field trip for 750 elementary students to a theme park, staging cultural events in which youths took part, and cleaning and repairing the homes of old people living alone.

### KB Investment & Securities

**Executive & employee donation** KB Investment & Securities supports social organizations and funds its community service activities with donations raised through a voluntary payroll deduction system. The Company matches by 100% the amount thus raised.

**“Rainbow Classroom” campaign** In 2009 the Company’s community service volunteer group built libraries for small schools in remote areas and conducted an “Economics Class for Children.”

**Delivering auction proceeds** The Company donated to Heart-Heart Foundation, a disabled children agency, by raising the proceeds through a year-end auctioning of items donated by executives and employees.

### KB Life Insurance

**Regular service for the elderly** In 2009 KB Life Insurance launched a program through which Company volunteers cleaned and worked the meal lines at senior community centers and soup kitchens for the elderly, and provided free meals to the homeless in the park five times a month. On “Seniors Day” Company executives and employees visited senior community centers, delivered donations, and took part in cultural events.

**Participation in blood drive** In response to a nationwide decrease in blood donation, the Company organized a company-wide blood drive which brought an enthusiastic employee response.

### 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 on four occasions. They also visited and cleaned children welfare centers and held classes for and played with the children.

### KB Investment

KB Investment concentrates its social responsibility efforts on caring for neglected members of the community, by lending a warm helping hand to the elderly in care homes through housecleaning and kimchi-making activities twice a year.

### KB Futures

KB Futures helps the poor and the abandoned through organized visits and donations. In 2010 the Company plans to raise a donation fund through a voluntary automatic payroll deduction.

### KB Credit Information

KB Credit Information raises funds for community service through automatic payroll deductions and provides basic necessities to people living below the poverty level, families where a child is the sole breadwinner, and elderly people living alone. The Company also delivers free meals to the homeless and to low-income disabled people.

### KB Data Systems

KB Data Systems donates its charity fund, raised through voluntary payroll deductions, to “Save the Children,” a leading international organization championing children’s rights. The Company also donated used notebook computers for a PC collection campaign run by the Institute of Korea Social Welfare Policy. Company volunteers regularly help at senior welfare centers’ meal lines.



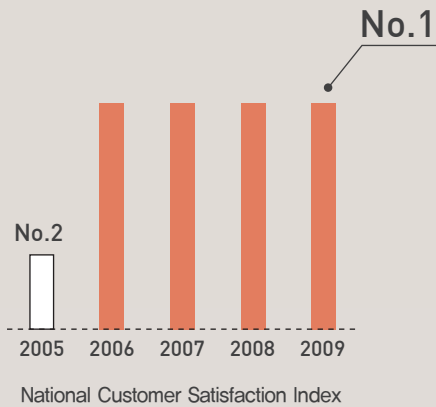
# ALL-INCLUSIVE CUSTOMER VALUE

To offer products and services that maximize customer value, we promote synergy creation strategies among our subsidiaries. We also operate integrated sales channels, such as Branch in Branch (BiB) offices, to create a seamless network of financial services, and develop a customer loyalty program to provide our clients with the same benefits throughout our banking, securities, and insurance businesses.





The undisputed leader in customer satisfaction and Korea's largest bank, Kookmin Bank rolled out KB Plustar Account, the Group's first hybrid product, to enthusiastic responses from the public and the media, setting in motion further synergy creation within the Group.



**Sung-Jin Kim**  
*Manager*  
 Business Administration Team,  
 KB Investment & Securities

**Youn-Ju Song**  
*Asst. Section Chief*  
 UW & Claim  
 KB Life Insurance

**Kevin Lee**  
*Deputy Gen. Manager*  
 Retail Sales Planning Dept.  
 Kookmin Bank

**Se-Hee Choi**  
*Asst. Manager*  
 Institutional Business Div.  
 KB Asset Management



## Retail Banking

Korea's largest bank with 26 million customers, Kookmin Bank launched various new products in 2009 to expand its customer base and to secure a continued growth momentum. The Bank also held diverse promotional events and strengthened the competitiveness of its multi-functional distribution channels, including multi-functional branches. In preparation for the scheduled introduction of the new capital market law, the Bank undertook system improvements and employee training to negate improper sales practices.

The Bank diversified its online channels for its industry-largest online customer base and carried out its social responsibility as a leading bank by extending loan support SMEs and households. As a result, the Bank was ranked top in various reputable customer satisfaction surveys, including the most prestigious NCSI survey where it ranked No. 1 for a fourth year in a row, a first in the Korean banking industry.



## 2009 Results

**Improving asset management service using CRM** To provide a customer-oriented asset management service and further protect customer interest, the Bank developed a "KB Wise Plan", a type of comprehensive financial planning, as an integral part of its customer relationship management (CRM) system. The Bank also performed its social responsibility by providing a financial planning service utilizing the KB Wise Plan to workers' compensation recipients in partnership with Korea Workers' Compensation & Welfare Service. To bolster employees' asset management and sales competencies, the Bank conducted a customer relationship management (CRM) education on an ongoing basis.

**Optimizing branch network & honing channel edge** The Bank opened 14 new branches in strategic areas including large-scale residential development districts. As part of a plan to optimize asset allocation as well as the branch network, 18 under-performing branches were relocated and 62 branches were merged with one another, responding to shifting business conditions of the affected areas. By increasing multi-functional branches, the Bank cut costs, increased customer convenience, and created new income sources, which all led to the sharpening of its channel competitiveness.

**Launching result-based marketing activities** To further expand its prime customer base, the Bank held various cultural events and invited a total of 36,000 long-standing preferred customers. Also, through various customer group-specific promotional events, the Bank strove to attract new customers and to expand the basis of select customers, and improved customer relations via family-oriented special events. Youth-targeted marketing events, such as college campus concerts, were promoted through online and offline channels to augment the Bank's long-term business base.

**Creating group synergies with "hit" products** By harnessing group synergies, the Bank rolled out "hit" products and strengthened the customer asset management portfolio. KB Plustar Account, the Group's first hybrid product with banking, credit card, and securities-related services rolled into one, garnered 290,000 some accounts as of 2009 end. Such new fund products developed in tandem with its affiliates as "KB Korea Leading Group Equity Fund, and "KB MKF Commodity Index Fund", were developed to beef up the asset management portfolios of customers.

Other popular products include: KB Branch Preferred Account, a product designed for location-specific CRM marketing with 170,000 some customers as of 2009 end; Office Workers Preferred Installment Savings; and the all-time popular "I-Love-Figure-Queen Yuna Installment Savings" with year-end accounts at 300,000, a product named after the Winter Olympics Gold Medalist figure skater sponsored by the Bank.

**Reaffirming dominance in customer satisfaction** In recognition for its steadfast focus on customer management and exceptional dedication to high customer service quality, the Bank was honored with the top place in the prestigious National Customer Satisfaction Index survey for a fourth year in a row, a first in the banking industry. Moreover, the Bank also was placed first in the Korea Customer Satisfaction Index and named "the most customer-recommended corporation" by the KNPS—both for three years in a row—and selected as "the bank with the best after-service" by the KASSI for two consecutive years, solidifying its status as Korea's best bank in customer service.

**Improving customer protection** The Bank carried out a series of steps, including expanding branches with a "Help Desk" section and adopting a "3-Step Card" system designed to preempt and reduce customer complaints, for better customer protection. The Bank also conducted training programs to educate employees on customer complaint prevention and handling as well as on how to treat socially-marginalized customers.

As a result of its intensive training of sales personnel conducted in preparation for the enactment of new investment-related laws, the Bank was selected by the Financial Supervisory Service as an outstanding fund marketer.

**Diversifying online channels** To further bolster the largest online customer base in the entire financial industry, the Bank rolled out innovative online services, including a financial data service tailored to executives at first-tier corporations, an industry-first phone banking service that also comes with text instructions, and a website providing a wide variety of articles, essays and book reviews on

humanities—another industry first. As a result of these innovative services, the Bank was named best in two categories at the 2009 Web Awards, in the general category at the 2009 e-Biz Brand Reform Awards—both for a second year in a row—selected “Korea’s Outstanding Call Center” by the Korea Management Association, and renewed the “Call-Center ISO9001” certificate.

**Serving community through low-income banking support** As a financial institution and a leading corporate citizen, the Bank strives to ease the economic hardships of the low-income class and those with low credit ratings, who are forced to rely on high-interest curb market loans for their financial needs. In particular, the Bank introduced a variety of loan products developed in consideration of the unique financial conditions of these financially marginalized people, such as working classes and veterans. For struggling SOHO merchants the Bank introduced a low-interest-no-collateral loan product in cooperation with the Korea Federation of Credit Guarantee Foundations. In addition, “Green growth e-Group Purchase Installment Savings” was developed for green businesses, and a bicycle insurance product was introduced to promote zero-carbon transportation as well as public health.

### 2010 Plans

**Enhance brand value through customer satisfaction** As customer satisfaction is a process that requires an ongoing dedication to customer needs, the Bank will not rest on its laurels bestowed by numerous awards it has won. Specifically, to eliminate sources of present or future customer complaints, the Bank will streamline and improve its customer response monitoring systems and promptly implement measures either at the branch level or in the distribution channels to preempt the sources of any negative opinions.

**Reinforce on-site CRM and synergy base** To better accommodate ever-shifting customer needs, the Bank will continue to reinforce its preferred customer management system by adopting various means or improving upon existing services to narrow the physical and mental distance between the Bank and customers. One of such services is “KB Wise Plan” which centers on KB employees’ visiting and counseling customers at work or home on asset management. Another plan on the drawing board is to provide through the CRM system high-quality market information tailored to each customer’s financial status.

**Bolster customer management for future growth** By developing systems and programs designed to identify and reward long-standing customers, the Bank will retain as many good customers as possible while attracting new ones. By developing new products and adopting marketing approaches aimed at younger generations, the Bank will seek to solidify the future growth platform.

**Develop trend-setting products** The Bank will also focus on creating innovative products to take advantage of changes in financial and social trends. Specifically, the Bank will allocate more resources to developing, (a) Internet payment-on-demand products, thereby beefing up the low-overhead channel product lineup, (b) structured products that combine time deposit and derivatives features, which will appeal better to high net worth customers, and (c) socially conscious products related to green banking, micro financing and falling birth rates.

**Diversify branch types** To secure potential customers and expand the business base, the Bank will open new branches in high-growth areas including large-scale residential and commerce development sites. Also to maximize the efficiency of its sales network as well as synergies between service channels, the Bank will relocate, consolidate, and realign existing branches in line with market changes, while expanding branch-in-branch types that address the characteristics of the locale.

**Solidify online channel leadership** As online business proliferates in volume and in type along with fast-evolving customer needs, the Bank plans to seek more strategic ties with non-financial companies in production development, marketing and other aspects related to online banking. In addition to providing more online products and combining more online and offline marketing approaches, the Bank will push forward with its effort to maximize the brand value of its call center and broaden the scope of its online financial channels.



## Corporate Banking

In addition to such traditional corporate banking services as corporate lending, Kookmin Bank provides foreign exchange, investment banking, derivatives and cash management service, to name some core operations. In particular, the Bank, in an effort to develop non-interest income models, pushed forward its nascent investment banking business with a particular resolution, and as a result, played a leading role in the domestic syndicated loan market by arranging major M&A deals. Moreover, in addition to diversifying the business portfolio and income models through collaboration with its group affiliates, the Bank secured a sustainable hold in future growth industries through active financial support to green technology-based businesses.



## 2009 Results

**Improving loan spreads** In 2009 the Bank greatly increased its net interest income by effectively carrying out a bottom line-focused business strategy, including replacing low-margin loan assets with higher-margin ones and improving spreads on line-of-credit loans. Also improved is the non-interest income base with a substantial increase in retirement pension funds and CMS fee income.

**Taking preemptive risk management steps** As the global financial crisis threatened the business viability of SME and large corporations, the Bank strove to maintain its asset quality by taking preemptive responses to any early sign of financial trouble with its corporate clients. Specifically, by launching a task force of monitoring clients' cash flows, forming a credit watch list, running an asset quality-focused KPI index, and operating similar loan follow-up measures, the Bank was able to minimize the occurrence of bad loans.

**Expanding global growth base** Pursuing a "Triangle Network Formation" strategy to expand its global growth base, the Bank acquired 51% share of "KB Cambodia Bank" in May 2009, gained approval in October for opening a Suzhou branch in China. Also by converting a portion of its share in Bank Center Credit (BCC) in Kazakhstan to a joint investment with the International Finance Corporation (IFC) of Korea, the Bank not only dispersed investment risk but also improved the credibility and transparency of BCC. Moreover, with the transfer of its core competency know-how and knowledge to BCC, the Bank strengthened the competitiveness and profitability of the Kazakh bank. Meanwhile, by providing low-interest funding and active sales support, the Bank helped its overseas branches improve liquidity and profitability in the face of the sweeping financial crisis.

**Attracting financially-healthy corporate clients** To attract corporate clients with sound balance sheets, which is part of its long-term core objectives, the Bank has defined its targets into the following six types of financial needs: loan based on business property as collateral, FX, cash-flow management, employee account service, equity investment, B2B business. Moreover, "KB Wise Consulting", the leading corporate financing service at the Bank, was expanded from simple management support to a comprehensive type that covers business succession by adding accountants, auditors, and other professional to the service.

**Supporting green growth industry** In light of a growing interest in green technology at home and abroad and seeing a growth opportunity, the Bank proactively took steps in providing banking and financial support to green business leaders. With Samsung LED and other major LED companies, the Bank signed "KB Green Growth Loan" agreements, thereby positioning itself as a supporter and business partner in a strategic growth market.

**Creating synergies with Group affiliates** With KB Real Estate Trust, KB Investment and other affiliates, the Bank undertook joint marketing to have their employees sign up for automatic salary accounts, credit cards, private banking and other bank products, putting the synergy effect into practice.

**Leading investment finance** While the nation was gripped by the global financial crisis, the Bank played a major role in fortifying the business base for SOC project by underwriting various public projects of BTO (build-transfer-operate) and BTL (build-transfer-lease), and refinancing infrastructure projects.

Also, despite a sluggish real estate market, the Bank arranged 19 residential development project finance deals and large-scale M&A transactions, thereby playing a major role in the syndicated loan market as well as beefing up the non-interest income base. While unsold apartments were backlogging due to the financial crisis, the Bank created "Plustar Corporate Restructuring REITs and five other unsold apartments-related REITs, and arranged funds designed to support liquidity to struggling construction companies. Moreover, through collaboration with its affiliates, the Bank took part in KB Investment & Securities' takeover of Powernet, a high-tech power supply maker and in KB Asset Management's establishment of a mezzanine fund, thereby diversifying its business portfolio and income models.

**Supporting branch marketing and promotion** The Bank augmented its SOHO customer base and increased loans to quality SOHO merchants by launching a SOHO marketing program, "Success Together", at 150 some branches and successfully holding invitation-only business and cultural seminars for 300 select SOHO merchants.

## 2010 Plans

**Maintain profit-focused sales basis** In 2010 the Bank will continue its efforts to reduce risky assets and improve profitability by adopting the RAROC method and increasing quality loan assets based on advanced credit rating systems. To minimize non-performing loans, the Bank will launch a "preemptive risk management support team", while constantly bringing its pre-approved loan customers list up-to-date.

**Pursue balanced growth** While pursuing growth in loan assets, the Bank will seek balanced growth in non-interest income, deposits, and synergy-based sales. For non-interest income expansion, the Bank will channel its sales efforts towards public corporations and large and medium companies in the provincial areas for their retirement pension business and energize its foreign exchange trade operations. As for enlarging the deposits base, the Bank will focus on attracting the idle funds of corporate or institutional customers and enhancing the loan-deposit ratio.

**Maximize Group value through synergy creation** In 2010 the Bank will step up its contribution to value creation at the group level. Specifically, through customer information exchanges 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.

**Expand valued corporate customer base** To attract core corporate clients and thereby consolidate the sustainable growth base, the Bank plans to direct its marketing resources towards its six target groups (business property-backed credit, cash-flow management, FX, employee accounts, B2B, equity investment), while expanding its research to identify promising SMEs with transparent accounting.

**Expand leadership in investment finance** The Bank will continue its efforts to diversify business operations. By expanding sound asset-based infrastructure funds, the Bank will further solidify its growing market position in SOC and real estate PF sectors. In addition, the Bank will step up efforts to arrange more syndicated loans for financially-healthy corporate customers' large-scale facilities or their day-to-day business, expand direct and indirect investment operations, increase IB operations in cooperation with the affiliates.

**Strengthen global competencies** The Bank will complete its ongoing equity investment in BCC of Kazakhstan and continue the transferring of its core business know-how to strength BCC's leadership in the oil-rich nation's financial market. In addition, by opening the branch in Suzhou, China, and exploring opportunities to acquire banks in Vietnam, Indonesia, other countries, the Bank will broaden its overseas business base.

**Improve SOHO loan products** The Bank will develop special products for green business-based SOHO entrepreneurs, beef up out-bound marketing, introduce loan products for online distribution, revise existing SOHO products to better address changing customer needs.

**Bolster** The Bank will beef up its support for branch loan marketing, in an effort to increase quality loan assets at the branch level, by expanding the SOHO marketing program, a pilot project tested at select branches.

## 2009 Results

**2009 market environment** The domestic credit card market in 2009, despite financial crisis-induced economic downturn and consumption contraction, managed to grow a little in transactions on the back of small-sized late entrants' aggressive marketing and large-sized forerunners' effective countermeasures. However, tightening regulations on fees and a large-scale marketing expansion in response to improving market forecasts for the second half of the year hurt profitability across the industry.

## Credit Card

Backed by 9.7 million credit cardholders and 10.4 trillion won in assets, Kookmin Bank has established its leadership position in the competitive Korean credit card market.

The leadership can be attributed to its card product lineup extensive enough to meet diverse customer needs and to the industry's most advanced customer management system.



**Improving profitability** In 2009 domestic credit card companies saw their income structures weaken as political, media, and civic campaigns combined to lower merchant fees and interest rates on card and cash loans. Facing such profit-undermining pressures, the Bank revised the prices of high-cost products based on the analysis of product profitability, redirected marketing approaches towards preferred customers in response to its competitors' high-priced marketing campaigns, and pursued marketing efficiency based on thorough cost analysis. In addition, by combining various measures aimed at reducing business process expenses, the Bank maintained a sustainable profit level.

**Expanding customer base and transaction volume** Thanks to its competitive product lineup, strong sales platform, and diversified customer channels, Kookmin Bank continued to expand its card customer base in 2009, attracting 1.4 million new cardholders, similar to the number for the year before. Total card transactions broke the 60 trillion won mark on the backs of effective target marketing and increased large-sized merchants. Owing to an assets-focused business model conversion, a project that had continued from 2006, total credit card assets, despite a sizable financial asset loss to the financial crisis, grew, albeit modestly, contributing to sustainable profit growth.

**Developing leading products** The Bank led the market in product development, introducing various products to meet diverse customer needs. Included are woman-exclusive card and a community-themed card that both contribute proceeds to community service, a hybrid card that offers financial services of KB affiliates, an IC chip-based hybrid card, and a green business-themed card designed to improve the Bank's image as a model green corporation as well as to promote the green growth industry.

**Expanding new markets** To develop new markets and thereby new growth models, the Bank rolled out card products for riding taxis, gas purchasing for cargo truck drivers, and paying for rehabilitation treatments of the handicapped as a voucher. In addition, the Bank is expanding a RF (radio frequency) infrastructure-based card payment system to such small-amount cash circulation markets as convenience stores, parking lots, highways, tunnels, and the likes.

**Leading in merchant management** By successively conducting a merchant-based customer management service, dubbed "Ogood!", the Bank strengthened its 4,500 merchant-strong network, including large-scale franchises, and solidified its dominance in the increasingly competitive credit market. The service is based on a merchant loyalty system and allows merchants to manage KB card-using customers by planning promotion events.

## 2010 Plans

In 2010 the credit card market is forecast to grow gradually on the strengths of rising consumption, a growing card usage in the cash-based market, card companies' aggressive marketing in response to stabilizing risks. In addition to growth, noticeable changes in the market composition are expected too, as large corporations with extensive sales networks are preparing to enter the market and M&As are under way in the financial sector.

**Expand customer-based growth platform** The Bank plans to increase card volume to a sustainable level and secure stability in profit growth by expanding marketing and retaining flexibility in pricing. Moreover, the Bank will seek efficiencies in customer and merchant management to their benefits as well as the Bank's by implementing at an earliest date a comprehensive Customer Experience Management (CEM) that integrates its merchant management system into the CRM system. In addition, the Bank will continue to expand income models through strategic ties with non-credit card businesses based on new credit card application technology, aggressive inroads into the corporate cards market, development of new markets, and brand identity buildup.

## Capital Markets & Treasury

Leveraging its strong reputation and reliability as Korea's largest bank, Kookmin Bank continues to expand its market dominance in the areas of treasury, trading, and sales. Armed with solid capabilities accumulated over many years in the capital markets, Kookmin Bank has strengthened liquidity management amid the global credit crunch and worldwide economic downturns, and secured diversified external funding sources to build a foundation for stable growth.



### 2009 Results

**Efficient treasury function** Facing a uncertain market where signs of recovery and stagnation commingled, the Bank stayed focused on liquidity by closely monitoring cash flows, reinforcing liquidity controlling measures, reducing marketable deposits while increasing savings deposits. In particular, in response to market stabilization policies, the Bank pursued stability in its funding structure by shifting emphasis from debentures and CDs to savings types. In the FX area gripped by a spreading credit crisis, the Bank raised US\$2.4 billion in long- and medium-termed funds through various funding channels. In particular, the Bank solidified its credibility in the international market by being the first bank in the Asia Pacific region to issue a senior foreign currency-denominated bond based on its own credit in June 2009.

**Diversifying trading income models** In the trading business, as the rising volatility of the international financial market effectively put a stop to the expansion of operating assets, the Bank focused on reducing market risks and taking steps to preempt counterparty defaults, while expanding FX margin trading and keeping trade positions at a minimum duration in a market of high volatility.

**Reinforcing customer-focused sales** In step with the FSCMA enacted in 2009, the Bank implemented a series of internal controls and systematic measures for customer protection. Such efforts have proved effective and paid off in garnering the Bank the honor of being No. 1 in many industry-leading customer satisfaction surveys.

### 2010 Plans

As 2010 appears to be back on the path to recovery, the Bank plans to pursue a growth strategy in trading and sales.

**Expand derivatives portfolio and trading base** In trading the Bank plans to improve profitability based on the competencies accumulated through the trials and errors of the past few challenging years, including portfolio and risk management techniques and know-how. As for the sluggish derivatives market, the Bank will leverage its market leadership and build up the market by increasing interest rate option and FX option trading. By venturing into new commodity derivatives markets, the Bank will continue expanding its trading business sphere.

In sales the Bank will seek to maximize the synergy effect through collaboration with its affiliates and other investment banks, to expand the business base by bolstering marketing at the branch level and partnerships with existing corporate customers. To further expand the sales base, the Bank plans to develop and roll out derivatives-linked products through its Capital Market Business Support Department and provide training, seminar and other sales support.

**Strengthen funding** The Bank will continue its treasury function in such a way to promptly and effectively deal with any changes at home and abroad, including new regulations related to loan-to-deposit ratios and liquidity risk management and a shift on the part of the government in timing for exit strategy execution in response to a recovering market. Moreover, through preemptive liquidity risk management, marketing reinforcement, funding means diversification, the Bank will strengthen its funding competitiveness and thus effectively cope with market changes. In FX, by actively leveraging the Samurai Shelf program and the GMTN program, both of which established in 2009 during which the uncertainty of the international financial market loomed large, the Bank will improve its funding capabilities in diverse markets, while adding to stability in liquidity by exploring into the non-dollar niche market and other new territories.

### 2009 Results

**Improving specified money trust balance** The Bank's specified money trust balance grew 21.73% over 2008 to KRW 6.5 trillion on the strengths of timely roll-outs of specified money trust products, new installment-type products, and increased sales of WCTs (wealth care trusts). The payout ratio of individual pension funds, the main pension-type money trust product, rose by approximately 0.23% over 2008, thanks to an effective asset reinvestment. The money trust balance in 2009 posted a solid 13.95% advance to KRW 11 trillion, while income from trust fees grew 28.97% to KRW 82.8 billion.

## Trust & Pension

Kookmin Bank offers its customers various capital investment opportunities through its trust product lineup and helps its pension customers plan for their financially-secured retirement by offering a wide selection of corporate pension products.



In addition, the Bank strives to develop its specified money trust business into a core non-interest income model as well as a future growth engine for KB Financial Group. For this the Bank continues its efforts to solidify its market dominating position and growth platform by increasing the retirement pension balance and improving on trust profitability.



**No.1 market share in retirement pension** The retirement pension balance jumped 150% over the previous year to KRW 1.4 trillion, which translated into a No.1 market share within the banking industry. This increase can be attributed to the following efforts on the part of the Bank: innovative product development, efficient operations of retirement pension-exclusive funds, the establishment of English websites to target non-Korean corporate clients and to promote an accurate understanding of retirement pension systems, the publication of books on related subjects, and the opening of intensive training programs to foster retirement pension specialists at the branch level. These efforts were part of a strategy to secure a sustainable growth platform in the market.

### 2010 Plans

**Attract new customers with better products** In 2010 the Bank will strive maintain a stable payout ratio for pension-type unspecified money trust products by diversifying asset portfolios and effectively reinvesting funds at maturity. The Bank plans to expand its trust balance and trust commission income by improving its specified money trust products including equity types, expanding the installment-type product lineup to better accommodate customer needs, and promoting CP, ELS, MMT as the main product lineup. In addition, by developing various asset management-type products such as testamentary and asset trust, the Bank will seek to augment its long-term income platform.

**Beef up corporate marketing** As retirement trust/insurance payments will no longer be exempted from tax deduction in 2010, competition among corporate pension companies is expected to heat up. Accordingly, the Bank will target its renewed marketing effort at large- and medium-sized corporations where an interest in corporate pension is high.

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

### 2009 Results

**Responding to market changes** As customer demand for quality asset management service has intensified since the global financial crisis in 2008 and the implementation of the FSCMA in 2009, the Bank has been harnessing this growing business opportunity through its "GOLD & WISE" service. To effectively meet the diverse and sophisticated financial needs of high net worth customers, the Bank went beyond developing innovative products, which numbered over 40 in 2009 alone, to holding various market forecast seminars and Q&A sessions, including ones for explaining the ramifications of the FSCMA, and publishing investment guides, an industry first.

**Upgrading asset-management service** Through collaboration with KB Investment & Securities and KB Asset Management, the Bank developed pioneering products for PB customers and expanded the platform for leveraging synergies with its affiliates. By sponsoring various "lifestyle" events including concerts, golf tournaments, art exhibitions, and investment strategy seminars, the Bank was able to improve customer satisfaction. In addition, by running various programs designed to entice customers, CPAs, real estate agents and other professionals to recommend prospective customers, the Bank built up the PB customer base. As a result of these innovative moves, PB customers rose by 33% over 2008 to about 4,300 in number, while total assets under management (AUM) grew by 27% to KRW8.8 trillion.

### 2010 Plans

As various customer protection measures are expected to take effect in 2010, the Bank plans to realign its follow-up management systems, including monitoring of product performances, and to improve the quality and variety of financial investment information for customers. In addition, by applying the BIB concept to the PB center in cooperation with KB Investment & Securities, the Bank will expand the scope of its PB service to securities and related services. Also by continuing to improve the quality of its asset management service through various measures including in-house education programs for its private bankers, the Bank will solidify its Korea's best PB brand position.

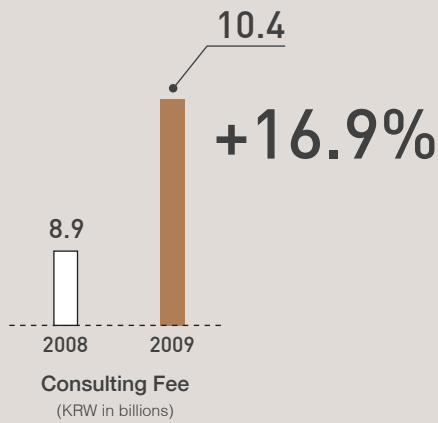
## Private Banking

Kookmin Bank provides private banking (PB) service for high net worth individuals with more than KRW 500 million in financial assets through the "GOLD&WISE" brand. The superior asset management capabilities of its private bankers, advanced customer management systems, and outstanding services have helped to position Kookmin Bank as the leading brand in the wealth management sector.





Leveraging group synergies, KB Investment & Securities, in cooperation with Kookmin Bank, successfully performed an advisory role in one of Korea's largest M&A deals in 2009. It marked the first major M&A deal where a domestic investment bank played an exclusive advisory role.



**Sang-Woo Cho**  
Gen. Manager  
Derivatives Sales Team  
KB Investment & Securities

**Han-Sol Jheon**  
Manager  
M&A/Structured Finance Team, IB Dept.  
Kookmin Bank

KB Investment & Securities began operating as an independent entity in March 2008, shortly after Kookmin Bank's acquisition of Hannuri Investment & Securities. Its main businesses comprise of corporate finance, IB, sales & trading, retail sales, institutional sales, and research.

As a result of an intensive reinforcement of its core competencies and all-out expansion effort, the Company in 2009 secured a leading position in both corporate bonds and ABS underwriting, two of its areas of specialty, thereby establishing itself as a rising M&A advisor in the newly-entered IB business, and successfully rolled out a hybrid product linking banking and securities services in the ever-competitive retail market. In recognition of such feats, the Company received an award in the innovation category at the 2009 Korea CEO Awards.



## 2009 Results

**Reinforcing core business lines** As a result of its focus on its core business, the Company's corporate finance business ranked second in won-denominated corporate underwriting and fourth in ABS underwriting in the Bloomberg Investment Banking League Table, while institutional sales, after an organizational revision, advanced to the top tier in market share. Research was one area where the Company made substantial improvements, including increasing the number of analysts, constructing a matrix management system, adopting an integrated research DB system, promoting use of video reports by analysts, and conducting monthly outstanding report contests. These improvements led to strengthening the brokerage business.

**Cultivating new businesses** The Company also made an impressive headway in IB. It successfully provided an exclusive M&A advisory service to Lotte Group on its acquisition of Doosan Liquors, arranged Gmarket's block deal, and became a joint general partner in KB Glenwood Private Equity Fund, thereby gaining a competitive edge in the potentially lucrative IPO and M&A markets. In sales and trading, the Company was selected by the Bank of Korea as an official Open Market Operator and expanded its share of the bond brokerage market, thereby contributing to a 13% increase in operating income compared to the year before. In institutional sales, the Company installed an FEP (front-end processor), a very effective way to attract market leaders, at the Korea Stock Exchange and launched a Prime Brokerage Team in response to the scheduled opening of the hedge fund market in Korea.

**Maximizing group synergies** The Company rolled out KB Plustar Account, the Group's first synergy product, to a better than expected response from the market as well as from the media. Within three months of introduction, this hybrid product combining banking, credit card, and securities attracted over 150,000 account openings and exceeded the 220,000 mark in securities accounts as of the end of 2009. On the strength of the product's popularity, the Company surpassed 400,000 securities accounts in 10 months of its retail operations.

Moreover, the Company's role in advising and providing funding support to Lotte's acquisition of Doosan Liquors in consortium with Kookmin Bank not only serves as a model case of group synergies, but also marked an industry first where a domestic securities company played an exclusive advisory role in a large M&A deal. In fact, this was the largest (503 billion won) M&A deal in the first quarter of 2009.

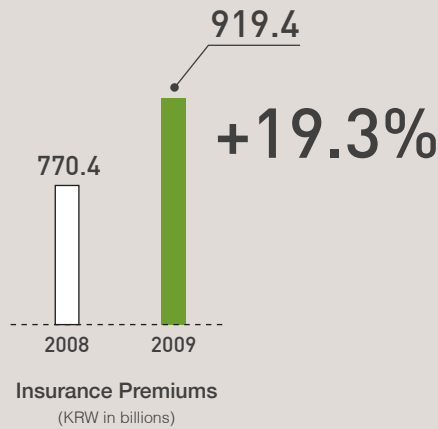
**Developing advanced capabilities and systems** The Company upgraded its risk management system to a fully integrated level by adopting the risk & control self-assessment technique and the KRI monitoring service, in addition to hiring more specialists and beefing up internal controls. In preparation for entering the OTC derivatives business, it reinforced its risk analysis and product vetting systems.

## 2010 Plans

The Company will take the following business steps in 2010.

First of all, the Company will accelerate off-line sales by expanding BIBs (branch-in-branch) within Kookmin Bank's PB centers. Secondly, it will leverage its dominant underwriting position to gain a competitive edge in the IPO, capital increase, M&A, and PEF markets as a way to complete its wholesale business lineup. In addition, it will expand its presence in the brokerage arena by strengthening its overseas network, prime brokerage services, and structured product sales. Thirdly, it will expand its offering of hybrid products and IB and corporate finance services by leveraging group synergies. Finally, it will upgrade the overall business management system to the next level by adopting more stringent compliance measures, advanced IT technologies, and the necessary steps for implementation of the International Financial Reporting Standards (IFRS).

KB Life Insurance established the Group's first face-to-face outbound channel, a base for maximizing the Group's synergies. The company ranked No.1 in call center operations for a third consecutive year and was rated excellent in customer complaints surveys.



**Ji-Youn Kook**  
CS Center  
KB Life Insurance

**Sang-Kyu Sun**  
Section Chief  
Agency Marketing  
KB Life Insurance

Established through equity investments by KB Financial Group Inc. and ING Group, 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 and DM channels in 2008, the Company continued to diversify its distribution network, by launching a TC system, an outbound face-to-face sales method, thereby taking a giant step closer to becoming a comprehensive insurance company.

In the coming year, the Company will continue fortifying its business operations and developing future growth engines in multi-finance, green technology, and silver business, while improving profitability by maximizing group synergies and optimizing channel efficiencies and product portfolios.



## 2009 Results

The domestic insurance market faced many difficulties in the first half of 2009 stemming from falling premiums and rising cancellations, but began to recover in the second half of the year as the financial industry gained back its previously shaken confidence in the nation's economy. In step with changes in insurance systems including strengthened customer protection and risk management measures, KB Life focused on channel diversification, profit enhancement, customer service improvement, and risk management fortification. As a result, the Company was honored with an "Outstanding Call-center" citation in the Korea Quality Service Index for a third year in a row and ranked No. 1 in customer satisfaction by the Financial Supervisory Service, Korea's main financial oversight authorities.

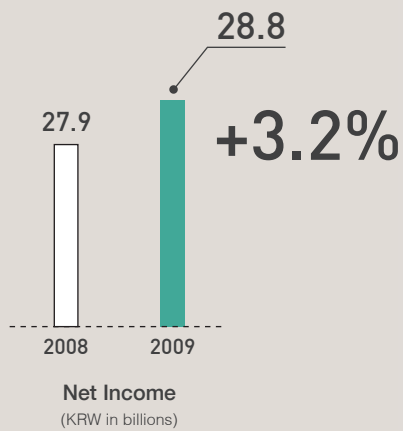
**Maintaining bancassurance share & diversifying sales channels** The Company's bancassurance business continued to grow in 2009, maintaining its No.1 position within KB Bank for three years in a row and ranking sixth among the 22 insurance businesses in Korea. As for sales distribution, the Company launched the Group's only outbound face-to-face TC sales system in June 2009, which was manned by 90 consultants at five branches as of the year-end. In addition to the TC system, the Company operated such growth engines as AM channels, consisting of 23 high-performance corporate agencies, and DM channels employing 370 some telemarketers generating the industry's best productivity. Thanks to such channel diversification efforts, the Company was able to increase its premium income by 19.3% over the previous year despite the global financial crisis.

**Upgrading products and making "hit" products** Thanks to the growing acceptance of bancassurance products, "KB Champion Variable Pension Insurance II", a variable pension insurance product, accounted for 42.4% of Kookmin Bank's total variable pension insurance sales as of the end of 2009. "KB Powerplux/Starplus Saving," a DM-specific product introduced in May 2009, generated 73% of all DM sales, a result of the Company's focus on speedy product development in step with channel diversification. Similarly, "KB Star Variable Universal Insurance," developed for AM, grew to become a main-stay product accounting for 42% of total AM sales.

## 2010 Plans

The domestic insurance market in 2010 is forecasted to recover somewhat along with a reviving economy and stabilizing financial markets. In particular, demand for retirement-oriented insurance is sure to grow although certain sectors, including variable insurance, are expected to languish. As a repercussion of the financial crisis, the industry is expected to see more stringent regulations together with closer scrutiny by the authorities, while insurance IPOs and M&As will be on the rise. Under its management policy for the new year, "Establishing a Profit-Centered Growth Platform," the Company will push ahead with the TC system in earnest, restructure the product portfolio, expand hybrid products, and adopt advanced risk management measures, including 24/7 monitoring and calculation of risks by risk type, in preparation for the adoption of the risk-based capital (RBC) system.

To sustain high rates of return, KB Asset Management adopted an industry-first system to evaluate its fund managers based on their long-term performances. As a result, the Company became the only firm in the industry to be placed in the top three in 1-, 2-, and 3-year ROR.



**Hyo-Sup Shim**  
Senior Manager  
Equity Management Div.  
KB Asset Management

**Kyung-Ok Park**  
Research Head  
Equity Management Div.  
KB Asset Management



KB Asset Management is the fourth largest asset management firm in Korea, with the industry's most extensive product lineup. Its well-balanced portfolio includes equities, bonds, overseas investments, real estate, SOC, commodities, ETFs (exchange-traded funds), and PEF. 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 lineup in preparation for advancing to the third place.



## 2009 Results

**Earning investor trust with industry-best short- & long-term ROR** KB Asset Management was the first in the industry to institute a system for evaluating fund managers' performances based on long-term ROR as part of its emphasis on the sustainability of fund rates of return. As a result, as of the end of 2009 the Company was the only Korean asset manager that ranked on the top in all ROR categories of 1-year, 2-year and 3-year.

**Enhancing product lineup** The Company focused on enriching its product lineup with new developments and reinforcing the growth platform.

First, the equity funds lineup was strengthened with new funds, while renaming six funds with names that are easy to understand and remember. In particular, "KB Korea Leading Group Stock Fund," developed in anticipation of the improvement of the leading conglomerates' income performance, attracted over 100 billion won in three months, while "KB Value Focus Fund" helped the Company expand its share in the value-based equity funds market, which had been dominated by a small number of other firms.

The index fund lineup was diversified to run the gamut from industry-average passive types to enhanced types that generate extra yield depending on the index performance. Other index funds include an Internet-exclusive fund, a tax-reduced fund, an umbrella fund, and "KB MK Commodity Special Asset Fund"--Korea's first fund linked to a raw materials index. The number of overseas index funds increased to include those linked to the Hong Kong H index and American indices. Together all of these index funds make up the industry's most comprehensive index fund lineup. Meanwhile, though a latecomer in the ETF market, the Company introduced in 2009 "KStar KOSDAQ 30 ETF"--Korea's largest KOSDAQ ETF--and "KStar Government Bond ETF"--Korea's first of its kind--effectively setting a new industry trend. As a result, the Company received a Gold Award in the asset manager category at the 2009 MK Securities People Awards.

**Pushing new business through synergy creation** 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 Kookmin Bank and KB Real Estate Trust, through KB Wisestar PE REIT, thereby make the fund the first green REIT in Korea. Meanwhile, the Company launched an industry-first mezzanine fund in partnership with the influential National Pension Service.

**Adopting advanced performance standards** In 2009 the Company adopted Global Investment Performance Standards (GIPS), a funds performance evaluation system commonly used in advanced nations. By publishing funds performance results according to international standards, the Company seeks to minimize investor complaints based on inadequately disclosed data and improve its image as a reliable asset manager.

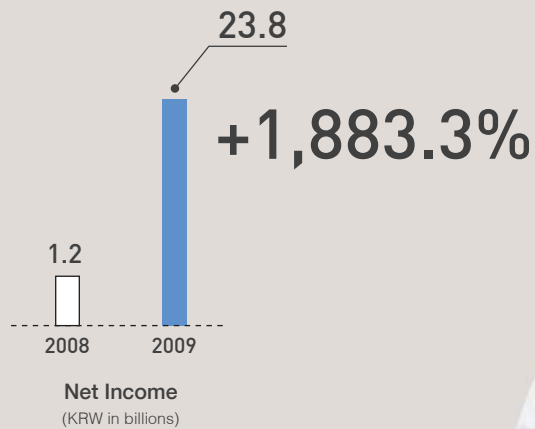
## 2010 Plans

In the year 2010 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.

In addition, the Company will continue to reinforce its product lineup in the new year. A dividend-based stock fund, an SME stock fund, and a quant fund will bolster the domestic lineup, while funds linked to the indices of Brazil, Russia, India, and China (BRIC) will be developed to further enhance the overseas lineup.

Moreover, the Company will expand its customer base by developing products tailored to investor needs and to the characteristics of the distribution channels, such as banks and securities firms, and leveraging its accumulated know-how in overseeing the operating assets outsourced from large institutions.

KB Real Estate Trust strengthened its market position by going beyond traditional real estate trust business and into the REITs market, ranking No.3 in the fast-emerging sector. Its successful lead-manager role in the purchase of the ING Tower was a case in point of its preeminence in the industry.



**Yoon-Joung Seo,**  
Real Estate Inv. Mgt. Dept.  
KB Asset Management

**Dong-Woo Byun**  
*Deputy Gen. Manager*  
Strategic Planning Dept.  
KB Real Estate Trust

**Min-Hwang Lee**  
*Deputy Gen. Manager*  
Trust Department  
Kookmin Bank

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



## 2009 Results

The domestic real estate market remained sluggish throughout 2009 due to the after-effects of the global financial crisis. There was a backlog of new unsold apartments in the provisional areas, dealing a blow to a score of construction companies and subsequently bloating delinquent PF loans in the financial industry's portfolio. Consequently, the performance by the real estate trust industry as a whole in all business categories was noticeably down, which also was attributable in part to increased market competition from new entrants. Despite such adverse market conditions, KB Real Estate Trust laid a platform for growing into Korea's best comprehensive real estate company based on its experience of having leveraged group synergies in the ING Tower deal.

**Ranking No. 1 in net income** While the industry as a whole suffered reduction in business volume and profitability, KB Real Estate Trust surprised industry experts by ranking No.1 in net income. The increase can be attributed to the Company's signing of MOUs with global real estate power houses, to its renewed resolve to strengthen its marketing competencies, and to its successful inroads into the REITs market.

**Diversifying income models** In 2009, the first year of its REITs business, the Company successfully rolled out CR-REITs, including KB Plustar series and KB Wisestar PE (private equity) REIT No.1, ranking third among asset managers in the REIT business. In particular, the Company purchased the ING Tower, the biggest real estate deal since the start of the financial crisis, through KB Wisestar PE-REIT No.1, which was established in cooperation with Kookmin Bank and KB Asset Management. This deal provided the Company with the chance and the justification to diversify into REITs, private equity funds, and other high valued-added businesses. Meanwhile, by constructing an overseas sales network, the Company was able to provide consulting services to Koreans living overseas who were looking for ways to unload their real estate holdings.

**Developing new business models** By introducing innovative products tailored to new market needs, the Company outperformed its competition in the area of collateral trusts. One of the new products, "KB Real Estate Escrow Plus," was particularly popular among financial institutions and construction companies saddled with the problem of a rising number of new unsold apartments.

**Strengthening risk & cost management** While revising asset/liability and risk management policies and bringing them up-to-date, the Company took bold steps to slash operating expenses by closing under-performing branches and launching a comprehensive cost-cutting campaign which resulted in a score of money-saving ideas.

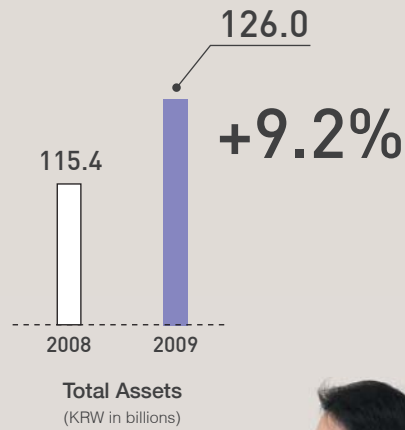
## 2010 Plans

Thanks to aggressive government programs to stabilize the housing market, the domestic real estate market is forecasted to recover somewhat in 2010. Competition in the market also is expected to continue to heat up, as more securities and insurance firms venture into the real estate market. Accordingly, the Company will focus on developing new income models, energizing its REITs business, and tightening risk management.

**Develop new business and invigorate REITs** As a means of developing new income sources, the Company will increase its participation in relocation and project finance deals relating to the construction of small-scale industrial sites. In addition, the Company will diversify investment targets for REITs as well as its REIT product lineup by increasing CR-REITs and trust-type REITs.

**Improve operation & risk management** The Company will continue to maintain its sound asset quality by adopting advanced risk management measures, improve operational efficiency by streamlining the organization, and foster industry-best professionals by instituting intensive education programs.

Selected as a co-manager of the Ministry of Knowledge Economy's biotechnology funds and as a partner in a venture fund with the National Pension Service, KB Investment is building a platform for leading the new growth investment market.



**Jung-Seob Shin**  
*Manager*  
Venture Capital Div. 3  
KB Investment

**Soo-Hee Lee**  
*Director*  
Venture Capital Div. 2  
KB Investment

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 also provides business support services in key management aspects-- personnel management, finance, marketing, and business strategy—all to enhance the value of its investments.



## 2009 Results

In 2009 the world economy as a whole languished under the weight of the global financial crisis. Although the Korean economy began to show signs of recovery in response to active government stimulus programs and robust IT and automobile exports, corporate performances in terms of the bottom line were still sluggish. Despite these dismal conditions, in 2009 the Company continued its 20-year streak of net-profit performances and ranked in the top positions in categories such as assets under management, investment, and investment returns, leading the domestic venture capital market.

**Best profit performance in the industry** Despite a sluggish corporate performance in profitability and a sizable drop in new investments by institutional investors, the Company repeated its industry-best performance in accumulated net income for a third consecutive year in 2009. In addition, the Company was ranked first in KOSDAQ IPO, designated as National Pension Service's in the market.' venture capital investor--for the fifth consecutive year--and nominated by the government as an official "New Growth Engine Fund Manager."

**Leading the new growth investment markets** The Company increased its investments in next-generation growth industries such as green technology and life science business for an aging society. These businesses are fast emerging as new growth engines that could shape the nation's industrial competitiveness for many decades to come.

In particular, the Company managed the 70 billion won raised by the Ministry of Knowledge Economy through Burrill-KB New Growth Private Equity Fund, which had been selected by the Ministry for the purpose of promoting investments in the Korean biotechnology industry and fostering the growth of global biotechnology companies. Furthermore, the Company formed a 30 billion won venture fund with the National Pension Service, thereby laying a foundation to lead the venture capital market.

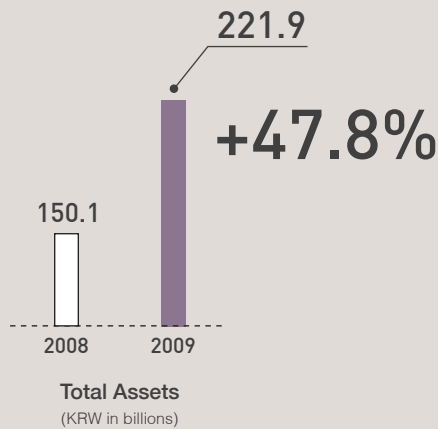
## 2010 Plans

The year 2010 looks brighter than the previous one for the domestic venture capital market, as large corporations are expected to be bullish about investing in such growth industries as alternative and renewable energy, bio-medical, and next-generation IT fields.

Entertaining such a positive outlook, the Company plans to increase investment in future growth engine sectors as well as continue its efforts to locate capital-needing SMEs and venture firms with promising growth potential. Moreover, the Company will strengthen its global investment competencies and redouble its efforts to attract foreign investors by actively exploring investment opportunities in China, a fast-opening market, and India, a market that holds great growth potential.



In response to rapid changes in the market and the business environment, KB Futures pushed ahead with the construction of a state-of-the-art HTS for trading overseas derivatives, which in part led to a record-breaking net income.



Won-Ki Hong  
Overseas Derivatives Dept. 2  
KB Futures

Yun-Hee Song  
Planning & Admin. Team  
KB Futures

As a brokerage firm specializing in derivatives, KB Futures is engaged in domestic futures/options and overseas futures brokerage, proprietary trading, collection and dissemination of domestic and overseas futures market information, futures-related investment advisory activities, and education & training. Armed with experienced industry professionals, a superior IT infrastructure, insightful research, stable product trading, and an advanced risk management system, KB Futures is on its way towards becoming the leader in the domestic futures industry.



## 2009 Results

In 2009 the introduction of the FSCMA effectively dismantled barriers between the securities and the futures markets, opening the latter to a rush of some 20 securities companies in the second half of the year. Despite this market development of unprecedented magnitude, KB Futures maintained its market leadership position on the strengths of its superior manpower and long-accumulated trading know-how, managing to record its best-ever net income performance for the year. Another commendable performance of the Company is its 9% market share of the KOFEX and currency futures brokerage, ranking it No. 1 as of September 2009.

**Domestic sales competencies strengthened** The Company focused on bolstering its domestic sales by securing top talent, creating a division exclusively for contributing to Group synergies, and holding investment seminars for prospective customers. In addition, by opening up new business lines with foreign banks operating in Korea, the Company improved its market share to a dominant 12% range.

**Overseas business strengthened** The Company raised its net KOSPI fee income by 90% to 2.5 billion won by winning over business from overseas institutions trading KOSPI 200 futures and options. Furthermore, by launching "Star Trader Global," a home trading system designed exclusively for trading overseas futures, the Company expanded its individual customers-focused business base.

**Developing Group Synergies** The Company established a foundation for developing synergies with its affiliates through joint marketing, manpower exchanges, and information sharing. It also generated income by conducting a Group-wide CS education program and providing computer system consulting services to its affiliates.

**Organization and management systems revised** A business division consisting of administration and sales departments was established in 2009 and the personnel system was revised to allow the conversion of sales temps into permanent employees. Various in-house education programs were instituted as a way to support employees in their acquisition of job-related certificates. As a result, some 60 employees gained a total of 90 certificates in areas including financial risk management and derivative products investment consulting.

## 2010 Plans

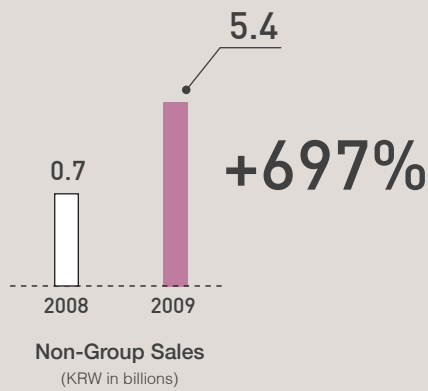
In 2010 the domestic futures market is widely expected to see an intensifying competition as relaxed industry regulations encourage new market entrants. More permissive laws also will lead to a sizable increase in the volume of futures trades, as domestic futures products will become more accessible to overseas financial institutions. Also expected to increase is the volume of hedge trades in response to the rising importance of risk management as an aftermath of the financial crisis. Anticipating these developments, KB Futures will channel its resources towards fostering high-caliber talent, upgrading its IT systems, and strengthening R&D, all with an eye towards raising customer satisfaction standards.

**Make inroads into overseas markets** The Company will continue to expand its outbound sales competencies and develop new business relations with overseas institutional clients, while pursuing new income models by constructing an IT system for FX margin trading.

**Strengthen domestic sales and proprietary trading** While continuing to improve customer service through IT and R&D augmentation, the Company will step up its efforts to develop new business with non-securities financial institutions, and acquire superior derivatives traders.

**Improve organizational structure and operational systems** A task force will be created for overseas special projects and the current performance-based bonus system will be revised. To better protect customers, the internal control and compliance systems will be constantly adjusted and updated to reflect fluctuations in the ever-changing market environment.

Leveraging its top-of-the-industry asset volume and profitability, KB Credit Information strengthened its sales competencies both within and outside the Group, recording noteworthy results.



**Jae-Hoon Jang**  
Senior Manager  
Business Promotion 1  
KB Credit Information

**Sung-Lim Kim**  
Manager  
Finance Dept.  
KB Real Estate Trust

KB Credit Information specializes in managing unpaid receivables for the subsidiaries of KB Financial Group. 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 its asset quality and minimizing the reputation risk of creditors. The Company's nationwide branch network advanced debt management systems are also first-rate. Owing to its quality services and infrastructure, the Company maintained a top market position in assets and profitability in 2009.



## 2009 Results

The year 2009 presented a host of difficulties for the credit information industry, contributing to a decrease in business volume for the industry as a whole as a result of a continued decline in unpaid debts, borrowers' eroding abilities to pay due to a contracting economy, a growing refusal among borrowers to repay debt in response to public bailout policies, and increased bank write-offs of bad debt, among other causes. Despite such daunting developments, KB Credit Information produced positive results by making an all-out effort to increase collection rates, focusing on business rationalization measures, and diversifying the business line.

**All-out sales formation created** The Company focused on maximizing collections through a series of bold measures: a company-wide performance reinforcement campaign, hands-on involvement of executives in the collection process, development of a branch-based quota system organized by department and executive, and the creation of a hot-line to help collection agents overcome difficulties in debt collection. It also improved debt collection rates by revising its debt monitoring system, establishing a system that evaluates debts by the type of credit and borrowers, and enhancing the collection commission payout system. As a result of these efforts, the Company's performance for the year 2009 outpaced other credit information companies, and ranked first in recovering Kookmin Bank account receivables in arrears.

**Non-Group business fortified** In response to decreasing account receivables in arrears within the Group's subsidiaries, the Company opened up collection offices and increased its staff to 140. As a result of these bold moves, a total amount of non-Group debt collection requests as of the end of 2009 jumped 585% to 1.9 trillion won, while sales shot up 697% to 5.4 billion won, as compared to the year before.

**Management rationalization continued** In 2009 the Company effectively coped with worsening market conditions through a series of business rationalization measures: closure of underperforming field offices, reduction of temps, and institution of a company-wide cost-cutting campaign that includes pay reductions, payroll freeze, and curtailing of non-essential budget outlays.

**Business diversification pursued** By supplying phone-consulting personnel to KB Bank's call center in the second half of 2009, the Company brought in additional revenue of 30 million won, and that income is expected to increase as the Company plans to expand the staffing business in phases. As a scheduled revision of credit information business laws allowing for civil debt collections is anticipated, the Company has taken preparatory steps for gaining a head start in the upcoming market.

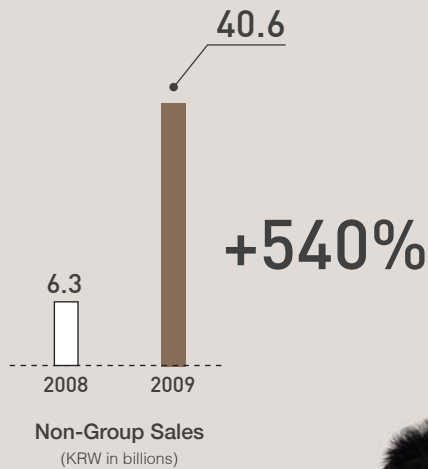
## 2010 Plans

**Escalate collection rates of Group receivables in arrears** The Company plans to significantly improve collection rates of account receivables of the Group's subsidiaries through the following measures: adoption of an incentive system for branches to compete with each other in debt collection, expansion of the unit specializing in managing corporate debts, and revision of the commission system to attract corporate debt collectors with proven track records.

**Expand non-Group business** The Company plans to expand its non-Group business platform by beefing up its corporate debt collection units and creating a unit specializing in civil debt collection. Moreover, by sharing information and cooperating with its affiliates through the Group's synergy business support system, the Company will sharpen its non-Group business edge.

**Explore new businesses** The Company plans to participate in such business opportunities within the Group as construction of unified D/M centers for the non-banking subsidiaries and creation of an on-site real estate appraisal service. Such non-Group businesses as credit checking and AMC will also be actively pursued.

KB Data Systems contributed a great deal to synergy creation by successfully consolidating the IT systems of affiliates, while conducting business activities outside the Group, consequently turning in a record performance in sales.



Suk-Hwan Jang  
Global Business Dept.  
KB Data Systems

Doo-Young Cho  
Team Leader  
IT Information Service Dept.  
KB Data Systems



KB Data Systems serves as the IT hub for KB Financial Group, leveraging the experience and know-how accumulated from various financial IT projects undertaken over many years. The Company has built many large-scale systems for the Group's subsidiaries, including the next-generation banking system for Kookmin Bank, Korea's largest bank, a retail sales system for KB Investment & Securities, and IT outsourcing systems for KB Futures and KB Investment. In addition to various non-Group projects involving various government financial agencies, KB Data Systems is also expanding its IT service operations overseas through projects in Kazakhstan, Cambodia, and other countries.



## 2009 Results

**Contributing to Group IT synergy creation** The Company undertook the massive project of establishing a next-generation banking system for Kookmin Bank while operating the Bank's current IT system within a stable environment. In addition to constructing an IT system and an intranet for KB Financial Group Inc. and a call center system for KB Investment & Securities, the Company strengthened its role as the Group's IT hub by successfully completing financial reporting systems (IFRS) for KB Life Insurance, KB Real Estate Trust, and KB Investment.

**Expanding overseas projects** In 2009 KB Data Systems signed partnership MOUs with IT power houses including Korea IBM, Korea HP, and Korea Sun Micro Systems, thereby laying a foundation not only for technical cooperation for developing financial IT applications but for various joint marketing approaches. In addition, through consortiums with large domestic SI businesses and non-Korean consulting agencies, the Company won big-ticket IT projects including IFRS, a next-generation IT system constructed for Korea Securities Depository, which enabled it to lock in its largest ever sales. Meanwhile, having completed a management information system (MIS) for BII Bank in Indonesia, the Company carried out IT projects for the Vietnam Bank for Agriculture and Rural Development and for the Khmer Union Bank in Cambodia, as well as a consulting project involving the establishment of an EDW for BCC Bank in Kazakhstan.

**Developing professional solutions** The Company expanded sales opportunities by sharpening its technical and product competitive edges through solution R&D. Some of the solutions thus developed include investment propensity classification & consulting, K-Framework (an Internet-exclusive, IT-standard framework), and Web log analysis for collecting information from loggers.

**Strengthening IT service technology** The Company instituted self-paced study programs designed to help its employees systematically develop their professional competencies and boost their career opportunities. It also established education programs aimed at fostering IT leadership among manager-level employees and preparing professional inspectors for the Company's expansion into the IT inspection business.

## 2010 Plans

**Provide stable Group IT service** The Company will continue to contribute to the Group's overall competitiveness by operating Kookmin Bank's IT system in a stable environment and completing the next-generation system project on time, and by continually upgrading the IT systems of the KB holding company and the subsidiaries.

**Diversify the income base** As ways to diversify its income sources, the Company will increase outsourcing in handling next-generation system projects for second-tier financial businesses and pursue strategic ties with global hardware vendors for product marketing. In addition, while identifying promising financial IT solutions from small vendors for resale opportunities, the Company will continue to expand sales avenues for its high value-added solution lineup including 'iMATS.'

**Continue to pursue a technical edge** The Company will further sharpen its technical edge through continued development of talent, promotion of knowledge-based management, encouragement of knowledge sharing, and expansion of R&D.

**Bolster risk management** As the importance of stable business operations increases in tandem with growing overseas projects and sales, the Company will adopt more stringent internal controls while benchmarking the risk management practices of global IT leaders.

**Expand CSR activity** As Korea's leading financial SI business, the Company will gradually increase its community service activities. Furthermore, the Company will launch a "Green Office" campaign aimed at reducing CO2 emission in and around its business premises.

# ALL-WEATHER FINANCIAL VALUE

In line with the management strategy of “Maximizing group value through balanced growth,” we will pursue value-driven management and quality-based growth by strengthening our One-Firm structure and optimizing the group portfolio. Towards this goal, we will focus on completely integrating all of the risk management systems of our subsidiaries.







# Management Discussion & Analysis

In the year 2009 we witnessed the entire world strive towards overcoming the global financial debacle initiated by the U.S. subprime mortgage crisis. Leading countries, by coordinating their strategies with one another, implemented economic stimulus programs and maintained low-interest rate policies. Owing to these efforts, the clouds of uncertainty blanketing international financial markets have dissipated somewhat, letting through rays of hope that are gradually thawing the real economy. The long-awaited warmth has reached the Korean economy as well: the major economic indices improved due mainly to lowering market interest rates, improving foreign currency liquidity situation, the government's proactive financial policies, and reviving export sectors.

Having successfully adopted a holding company structure in 2008 with the enthusiastic support of its shareholders and customers, this past year KB Financial Group focused on bolstering the power of the KB brand and creating synergies among its nine subsidiaries. The Group attempted these endeavors by leveraging, to the utmost degree, its advantages as a comprehensive financial group standing on the three main financial business pillars: banking, securities, and insurance. As a result, the Group rolled out successive multi-functional products, including KB Plustar Account, to rousing consumer responses, providing a further testament to its successful application of group synergies. Accordingly, the Group will continue to employ the competitive edge stemming from its comprehensive financial group structure in coping with changes in the financial market and the real economy. Taking a step further, the Group looks forward to the day when it can play a meaningful role in a Korean economy that will have completely regained its former health.

In 2009 KB Financial Group achieved a number of business results, some of which may appear less than stellar at a cursory glance. Although interest income, the Group's main source of revenue, registered a year-end figure less than that of the previous year, the numbers do not paint a complete picture; its solid rebound in the fourth quarter strongly suggests that the quarterly growth momentum will continue into the new year, possibly reaching in the future the range in which it once hovered. Non-interest income did drop to a level half of what it was in the preceding year, but since the decline was due mainly to a one-time event, we reasonably expect the Group's non-interest income performance to regain the respectability it deserves. Moreover, though a rather large rise in provisioning expenses cut through net income, the increase was a direct consequence of the Group's conservative and preemptive provisioning policy. Since the Korean economy is showing every sign of a strong recovery as of this writing, it is a well-founded expectation that provisioning expenses will most likely diminish.

The Group's assets, including Trust and assets under management, totaled KRW316 trillion as of the end of 2009, representing a 1.2% decline over the year that is related mostly to loans in the banking sector. Non-banking assets reached KRW5.5 trillion. Trust and assets under management totaled KRW51 trillion, similar to the previous year's level.

Kookmin Bank's BIS capital adequacy ratio and Tier 1 ratio as of the end of 2009 were the best in the banking industry, recording 14.04% and 10.82% respectively, which represent 0.86%p and 0.90%p increases over the prior year. Such industry-topping figures are not only the result of the Group's efforts to improve asset quality and to build up the capital base, but also a confirmation of the market's unwavering support of KB Financial Group—a business foundation that will remain rock-solid in any market condition.

The delinquency and nonperforming loan (NPL) ratios posted improvements that may be slight in number but strong in significance, of 0.02%p and 0.15%p respectively, recording 0.63% and 1.11%. These increases are the direct results of the Group's conservative provisioning policy, strong asset quality monitoring measures, and proactive debt management efforts in the face of the economic recession and financial crisis.

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

## Group Business Results

### Condensed Income Statement - Group

(KRW in billions)

|   | 2009           | 2008           | YoY           |
|---|----------------|----------------|---------------|
| Interest income (a)                         | 6,413.7        | 7,405.8        | -13.4%        |
| Non-interest income (b)                     | 560.0          | 1,002.5        | -44.1%        |
| General and admin. expenses (c)             | 3,784.4        | 4,021.2        | -5.9%         |
| <b>Operating Income before provisioning</b> | <b>3,189.3</b> | <b>4,387.1</b> | <b>-27.3%</b> |
| Provisioning expenses (d)                   | 2,537.9        | 2,045.0        | 24.1%         |
| <b>Operating income (a+b-c-d)</b>           | <b>651.4</b>   | <b>2,342.1</b> | <b>-72.2%</b> |
| Non-operating income                        | -99.2          | 374.0          | -126.5%       |
| Income before taxes                         | 552.2          | 2,716.1        | -79.7%        |
| Income tax                                  | 25.0           | 842.1          | -97.0%        |
| <b>Net income</b>                           | <b>539.8</b>   | <b>1,873.3</b> | <b>-71.2%</b> |

The Group's net income for 2009 was KRW539.8 billion, representing a 71.2% decline from the previous year. This steep decrease can be attributed to the following three factors: 1) falling interest rates amid the economic downturn shrank interest income; 2) provisioning expenses rose in line with the Group's conservative and preemptive provision policy; and 3) non-interest income dropped due to a sharp rise in one-time loss. Interest income abated over the year by 13.4% to KRW6,413.7 billion, owing to a drastic drop in interest rates in the first quarter, which cut deeply into net interest margins. But, looking at a growth pattern of net interest margins for the year, net interest margins hit the bottom in the second quarter and started to go up in earnest in the fourth quarter, and barring any drastic market developments, the upward momentum is expected to continue.

Non-interest income for 2009 dropped by 44.1% to KRW560 billion. The drop can be attributed to increased one-time losses and decreased commission & fees, due to the economic downturn. Non-interest income, however, is expected to improve in 2010 during which the economy is forecast to make a strong comeback. Loan loss provisions, on the other hand, rose by 24.1% to KRW2,537.9 billion. As mentioned earlier, the Group's preemptive and conservative provision policy played a main role in the rise of the provisions, which is also expected to dwindle on the uplifting economic forecast for 2010.

General and administrative expenses diminished by 5.9% compared to the previous year, recording KRW3,784.4 billion, thanks to the Group's continued efforts to cut expenses, including branch integration and pay cuts. Non-operating income for 2009 slid into the red, posting net loss of KRW99.2 bill, in sharp contrast to net income of KRW374.0 billion for the previous year. Taxes fell by 97.0% to KRW25.0 billion due to a lower net income before taxes.



# Management Discussion & Analysis

## Group Income

(KRW in billions)

|  | KB FGI<br>Standalone | Kookmin*<br>Bank | KB Invest.<br>Securities | KB Life<br>Insurance | KB Asset<br>Mgmt. | KB Real<br>Estate | KB*<br>Investment | KB<br>Futures | KB Credit<br>Information | KB Data<br>Systems | Adjustment    | KBFG<br>Total |
|--|----------------------|------------------|--------------------------|----------------------|-------------------|-------------------|-------------------|---------------|--------------------------|--------------------|---------------|---------------|
| Valuation Gain using the Equity Method | 612.6                | 0.0              | 0.0                      | 0.0                  | 0.0               | 0.0               | 0.0               | 0.0           | 0.0                      | 0.0                | -612.6        | 0.0           |
| Interest Income (a)                    | -36.1                | 6,262.7          | 55.8                     | 85.3                 | 4.7               | 15.1              | 1.4               | 4.1           | 0.7                      | 1.0                | 19.0          | 6,413.7       |
| Non-interest income (b)                | -7.3                 | 445.4            | 56.3                     | -38.2                | 62.4              | 39.9              | -9.2              | 16.4          | 53.6                     | 26.7               | -86.0         | 560.0         |
| General and Admin. Expenses (c)        | 27.6                 | 3,543.6          | 74.9                     | 43.3                 | 27.7              | 17.2              | 4.8               | 11.5          | 48.5                     | 20.8               | -35.5         | 3,784.4       |
| Operating Income before provisioning   | 541.6                | 3,164.5          | 37.2                     | 3.8                  | 39.4              | 37.8              | -12.6             | 9.0           | 5.8                      | 6.9                | -644.1        | 3,189.3       |
| Provisioning expenses (d)              | -0.2                 | 2,445.9          | 84.8                     | 0.2                  | 0.3               | 6.4               | 0.0               | 0.0           | 0.0                      | 0.0                | 0.5           | 2,537.9       |
| <b>Operating income (a+b-c-d)</b>      | <b>541.8</b>         | <b>718.6</b>     | <b>-47.6</b>             | <b>3.6</b>           | <b>39.1</b>       | <b>31.4</b>       | <b>-12.6</b>      | <b>9.0</b>    | <b>5.8</b>               | <b>6.9</b>         | <b>-644.6</b> | <b>651.4</b>  |
| Non-operating income                   | 0.9                  | -38.4            | -1.4                     | -0.2                 | -0.5              | 0.1               | -2.7              | -0.9          | 0.0                      | 0.0                | -56.1         | -99.2         |
| Income before taxes                    | 542.7                | 680.2            | -49.0                    | 3.4                  | 38.6              | 31.5              | -15.3             | 8.1           | 5.8                      | 6.9                | -700.7        | 552.2         |
| Income tax                             | 2.9                  | 27.8             | -7.5                     | 0.1                  | 9.8               | 7.7               | 0.1               | 1.9           | 1.5                      | 1.6                | -20.9         | 25.0          |
| Net Income of Subsidiary**             | 0.0                  | -0.3             | 0.0                      | 0.0                  | 0.0               | 0.0               | 0.0               | 0.0           | 0.0                      | 0.0                | 0.0           | -0.3          |
| Coslidated Net income                  | 539.8                | 653.1            | -41.5                    | 3.3                  | 28.8              | 23.8              | -15.4             | 6.2           | 4.3                      | 5.3                | -680.2        | 527.5         |
| Minority Interest Income               | 0.0                  | -1.0             | 0.0                      | 0.0                  | 0.0               | 0.0               | -17.6             | 0.0           | 0.0                      | 0.0                | 6.3           | -12.3         |
| <b>Group Income***</b>                 | <b>539.8</b>         | <b>654.1</b>     | <b>-41.5</b>             | <b>3.3</b>           | <b>28.8</b>       | <b>23.8</b>       | <b>2.2</b>        | <b>6.2</b>    | <b>4.3</b>               | <b>5.3</b>         | <b>-686.5</b> | <b>539.8</b>  |

\*Consolidated \*\*Before joining the group \*\*\*Majority interest income

The Group's net income for year 2009 recorded KRW539.8 billion, the majority of which stemming from the earnings of Kookmin Bank. Kookmin Bank's consolidated net income for 2009 recorded KRW654.1 billion, followed by KB Asset Management with net income of KRW28.8 billion. KB Investment & Securities, which had posted net income of KRW34.1 billion in 2008, recorded net loss of KRW41.5 billion, instead, reflecting the daunting market environment. Results of other subsidiaries include KB Real Estate Trust with KRW23.8 billion, KB Investment with KRW2.2 billion, and KB Futures, KB Credit Information, and KB Data Systems, and KB Life Insurance recording KRW6.2 billion, KRW4.3 billion and KRW5.3 billion, and KRW3.3, respectively. As such, all subsidiaries except for KB Investment & Securities, contributed to the growth in net income of the Group. Taking a closer look at the major subsidiaries excluding Kookmin Bank, KB Asset Management's operations of its customers' trust assets showed a market-defying improvement over the previous year, posting net income of KRW28.8 billion, up 3.2% over the previous year. The net income of KB Real Estate Trust, which had declined significantly in 2008 due to a steep downturn in the real estate market, improved a great deal in 2009 to KRW23.8 billion, owing mainly to a steep rise in fee income and a decrease in bad debt expenses. KB Investment's net income contracted slightly despite the economic recession and the sluggish stock markets to KRW2.2 billion. KB Futures and KB Credit Information each recorded 6.9% and 5.0% increases, respectively, in net income, while KB Data Systems saw its net income reduced by 16.1%. KB Life Insurance made a dramatic turnaround in net income, from KRW6.5 in net loss in 2008 to KRW3.3 billion in net income in 2009, due mainly to a healthy gain in operating income and a sizeable reduction in impairment losses. Meanwhile, KB Investment & Securities performed well in its core operations of institutional sales and corporate financing, but suffered a big increase in bad debt expenses related to PF amid the contracting real estate market, recording net loss of KRW41.5 billion at 2009 year-end. In 2010 the company expects to be back in the black as its performance in its core business areas continued to improve into the new year.

## Non-Interest Income - Group

(KRW in billions)

|                                      | 2009          | 2008           | YoY           |
|--------------------------------------|---------------|----------------|---------------|
| <b>Trust income</b>                  | <b>165.4</b>  | <b>144.6</b>   | <b>14.4%</b>  |
| <b>Fee income</b>                    | <b>649.8</b>  | <b>811.8</b>   | <b>-20.0%</b> |
| Credit card income                   | -245.2        | -209.9         | n.a.          |
| Commissions received on mgnt. of NHF | 52.1          | 85.3           | -38.9%        |
| Guarantee fees                       | 48.0          | 37.1           | 29.4%         |
| Other commissions in won             | 702.8         | 811.6          | -13.4%        |
| Bancassurance                        | 97.3          | 122.3          | -20.4%        |
| ITC products                         | 312.4         | 362.8          | -13.9%        |
| Investment banking                   | 74.1          | 100.0          | -25.9%        |
| Fees on foreign exchange             | 92.1          | 87.7           | 5.0%          |
| <b>Gain on securities</b>            | <b>320.2</b>  | <b>171.0</b>   | <b>87.3%</b>  |
| <b>Other non-operating income</b>    | <b>-575.4</b> | <b>-124.9</b>  | <b>n.a.</b>   |
| <b>Net non-interest income</b>       | <b>560.0</b>  | <b>1,002.5</b> | <b>-44.1%</b> |

In 2009, non-interest income recorded KRW560.0 billion, a 44.1% decline from the previous year. This decrease stemmed mainly from drops in other non-operating income and in fee income, both reflecting the severity of the economic downturn as well as contractions in the stock markets. Trust income and gain on securities, on the other hand, show substantial improvements compared to those of the previous year, increasing by 14.4% and 87.3%, respectively, to KRW165.4 billion and KRW320.2 billion. Fee income lowered by 20.2% to KRW649.8 billion, while other non-operating income remained in the red as had in the previous year, registering KRW575.4 billion in loss. Looking at commission and fees by type, guarantee fees and fees on foreign exchange expanded by 29.4% and 5.0%, respectively, to KRW48.0 billion and KRW92.1 billion, whereas commission and fees from other areas contracted due to the economic recession and downturn in the stock markets.

## General and Administrative Expenses - Group

(KRW in billions)

|  | 2009           | 2008           | YoY          |
|--|----------------|----------------|--------------|
| Labor expenses                             | 1,709.9        | 1,861.6        | -8.1%        |
| Administrative expenses                    | 1,452.9        | 1,527.9        | -4.9%        |
| Depreciation & amortization expenses       | 494.2          | 483.7          | 2.2%         |
| Taxes and dues                             | 127.4          | 148.0          | -13.9%       |
| <b>General and administrative expenses</b> | <b>3,784.4</b> | <b>4,021.2</b> | <b>-5.9%</b> |

SG&A expenses subsided by 5.9% from the previous year to KRW3,784.4 billion, thanks to a Group-wide campaign to cut non-vital expenses. Labor expenses, which comprise the largest portion of SG&A expenses, declined by 8.1% to KRW1,709.9 billion. Administrative expenses also shrank, by 4.9% to KRW1,452.9 billion, a result of cutbacks on advertising and other non-essential outlays. Depreciation & amortization expenses remained little changed from the year before, registering KRW494.2 billion, while taxes & dues fell by 13.9% to KRW127.4 billion. In the coming year, the Group plans to continue its cost-cutting efforts to keep SG&A expenses within an acceptable range of growth.

# Management Discussion & Analysis

## Group Financial Status

### Condensed Balance Sheet - Group

(KRW in billions)

|   | 2009             | 2008             | YTD          |
|---|------------------|------------------|--------------|
| <b>Total assets</b>                               | <b>262,168.5</b> | <b>267,548.8</b> | <b>-2.0%</b> |
| Cash and due from banks                           | 9,769.1          | 8,316.2          | 17.5%        |
| Securities  | 42,535.6         | 38,985.3         | 9.1%         |
| Loans   | 195,398.0        | 198,930.2        | -1.8%        |
| (Loan loss allowances)                            | -3,532.1         | -3,477.4         | 1.6%         |
| Tangible assets                                   | 3,345.3          | 3,502.5          | -4.5%        |
| Other assets                                      | 11,120.5         | 17,814.6         | -37.6%       |
| <b>Total liabilities</b>                          | <b>244,057.2</b> | <b>251,486.7</b> | <b>-3.0%</b> |
| Deposits  | 172,439.9        | 162,210.3        | 6.3%         |
| Borrowings  | 15,709.8         | 20,389.2         | -23.0%       |
| Debentures  | 38,783.5         | 43,106.3         | -10.0%       |
| Other liabilities                                 | 17,124.0         | 25,780.9         | -33.6%       |
| <b>Total shareholders' equity</b>                 | <b>18,111.3</b>  | <b>16,062.1</b>  | <b>12.8%</b> |
| Paid-in capital                                   | 1,931.8          | 1,781.8          | 8.4%         |
| Capital surplus                                   | 16,428.9         | 15,473.5         | 6.2%         |
| Capital adjustment                                | -2,919.0         | -3,145.1         | -7.2%        |
| Accumulated other comprehensive income            | 1,232.2          | 1,087.5          | 13.3%        |
| Retained earnings                                 | 1,177.7          | 630.9            | 86.7%        |
| Minority interest                                 | 259.7            | 233.5            | 11.2%        |
| <b>Total liabilities and shareholders' equity</b> | <b>262,168.5</b> | <b>267,548.8</b> | <b>-2.0%</b> |

The Group's aggregate assets as of the end of 2009 stood at KRW262,168.5 billion, a 2.0% decline compared to that of the previous year. Loans, which account for the bulk of the assets, shrank as a result of the Group's strategies to promote the stable growth of profitable assets and the improvement of asset quality. Loans as of 2009 year-end totaled KRW195,398.0 billion, reflecting a KRW3,532.2 billion, or 1.8%, decrease from the previous year. Cash and due from banks rose over the year by 17.5% to KRW9,769.1 billion, while securities rose by 9.1% to KRW42,535.6 billion. Other assets, however, contracted as foreign exchange-linked derivative assets shrank during the year when exchange rates remained very volatile. For the same reason for other assets, other liabilities dwindled.

Total group liabilities as of the end of 2009 stood at KRW244,057.2 billion, down 3% from the previous year. Deposits, which comprise the largest portion, expanded by 6.3% to KRW172,439.9 billion due to the bank's aggressive efforts to attract market funds. Borrowings, on the other hand, fell by 23.0% to KRW15,709.8 billion, while debentures declined by 10.0% to KRW38,783.5. Increased deposits against decreased borrowings and debentures contributed to the improvement of the Group's funding structure, and is expected to grow net interest margins in the year 2010. The Group's total shareholders' equity advanced over the year by KRW2,049.2 billion, or 12.8%, to KRW18,111.3 billion; paid-in capital, capital surplus, and capital adjustments improved over 2008.

## Group Assets

(KRW in billions)

|   | KB FGI<br>Standalone | Kookmin*<br>Bank | KB Invest.<br>Securities | KB Life<br>Insurance | KB Asset<br>Mgmt. | KB Real<br>Estate | KB*<br>Investment | KB<br>Futures | KB Credit<br>Information | KB Data<br>Systems | Adjustment       | KBFG<br>Total    |
|---|----------------------|------------------|--------------------------|----------------------|-------------------|-------------------|-------------------|---------------|--------------------------|--------------------|------------------|------------------|
| <b>Total assets</b>                               | <b>18,663.5</b>      | <b>259,457.5</b> | <b>2,041.2</b>           | <b>2,521.1</b>       | <b>108.6</b>      | <b>257.3</b>      | <b>327.8</b>      | <b>221.9</b>  | <b>29.4</b>              | <b>44.9</b>        | <b>-21,504.7</b> | <b>262,168.5</b> |
| Cash and due from banks                           | 845.4                | 9,306.2          | 290.7                    | 71.7                 | 70.0              | 0.5               | 34.7              | 197.0         | 10.4                     | 12.7               | -1,070.2         | 9,769.1          |
| Securities  | 17,612.1             | 41,345.9         | 1,547.0                  | 1,898.7              | 19.6              | 21.0              | 276.0             | 18.4          | 0.0                      | 0.0                | -20,203.1        | 42,535.6         |
| Loans   | 169.2                | 195,164.9        | 132.8                    | 88.2                 | 2.0               | 0.0               | 10.3              | 0.0           | 0.0                      | 0.3                | -169.7           | 195,398.0        |
| Tangible assets                                   | 1.7                  | 3,331.2          | 8.2                      | 2.9                  | 0.1               | 0.3               | 0.1               | 0.8           | 1.1                      | 0.2                | -1.3             | 3,345.3          |
| Other assets                                      | 35.1                 | 10,309.3         | 62.5                     | 459.6                | 16.9              | 235.5             | 6.7               | 5.7           | 17.9                     | 31.7               | -60.4            | 11,120.5         |
| <b>Total liabilities</b>                          | <b>811.9</b>         | <b>240,033.4</b> | <b>1,745.6</b>           | <b>2,369.5</b>       | <b>12.3</b>       | <b>136.0</b>      | <b>44.3</b>       | <b>184.6</b>  | <b>5.8</b>               | <b>28.1</b>        | <b>-1,314.3</b>  | <b>244,057.2</b> |
| Deposits  | 0.0                  | 173,275.4        | 55.8                     | 0.0                  | 1.3               | 0.1               | 0.0               | 180.2         | 0.0                      | 0.0                | -1,072.9         | 172,439.9        |
| Borrowings  | 798.4                | 52,064.9         | 1,656.7                  | 0.0                  | 0.0               | 123.0             | 20.0              | 0.0           | 0.0                      | 0.0                | -169.7           | 54,493.3         |
| Other liabilities                                 | 13.5                 | 14,693.1         | 33.1                     | 2,369.5              | 11.0              | 12.9              | 24.3              | 4.4           | 5.8                      | 28.1               | -71.7            | 17,124.0         |
| <b>Total shareholders' equity</b>                 | <b>17,851.6</b>      | <b>19,424.1</b>  | <b>295.6</b>             | <b>151.6</b>         | <b>96.3</b>       | <b>121.3</b>      | <b>283.5</b>      | <b>37.3</b>   | <b>23.6</b>              | <b>16.8</b>        | <b>-20,190.4</b> | <b>18,111.3</b>  |
| Paid-in capital                                   | 1,931.8              | 2,481.9          | 78.0                     | 156.0                | 38.3              | 80.0              | 44.8              | 20.0          | 6.3                      | 8.0                | -2,913.3         | 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                                | -2,919.0             | 0.0              | 0.0                      | -1.2                 | 0.0               | 0.0               | 0.0               | 0.0           | 0.0                      | 0.0                | 1.2              | -2,919.0         |
| Accumulated other comprehensive income            | 1,232.2              | 1,543.4          | 47.2                     | -5.0                 | 0.2               | 0.1               | -3.8              | 5.4           | 0.0                      | 0.0                | -1,587.5         | 1,232.2          |
| Retained earnings                                 | 1,177.7              | 9,124.5          | 58.5                     | 1.8                  | 57.8              | 41.2              | 44.9              | 11.9          | 15.9                     | 8.8                | -9,365.3         | 1,177.7          |
| Majority Interest                                 | 17,851.6             | 19,417.4         | 295.6                    | 151.6                | 96.3              | 121.3             | 104.8             | 37.3          | 23.6                     | 16.8               | -20,264.7        | 17,851.6         |
| Minority Interest                                 | 0.0                  | 6.7              | 0.0                      | 0.0                  | 0.0               | 0.0               | 178.7             | 0.0           | 0.0                      | 0.0                | 74.3             | 259.7            |
| <b>Total liabilities and shareholders' equity</b> | <b>18,663.5</b>      | <b>259,457.5</b> | <b>2,041.2</b>           | <b>2,521.1</b>       | <b>108.6</b>      | <b>257.3</b>      | <b>327.8</b>      | <b>221.9</b>  | <b>29.4</b>              | <b>44.9</b>        | <b>-21,504.7</b> | <b>262,168.5</b> |

\*Consolidated

As of 2009 year-end, the group's total assets amounted to KRW262,168.5 billion, which represents the sum of assets of the holding company and those of the subsidiaries after making adjustments to necessary items. KB FGI held assets of KRW18,663.5 billion, and Kookmin Bank had total assets of KRW259,457.5 billion based on the consolidated financial statements. Following Kookmin Bank in asset size is KB Life Insurance and KB Investment & Securities with total assets of KRW2,521.1 billion and KRW2,412 billion, respectively. Others, including KB Asset Management, KB Real Estate Trust, KB Investment and KB Futures, have total assets ranging from KRW100 billion to KRW300 billion. Total shareholders' equity amounts to KRW18,111.3 billion, and KB FGI's share is KRW17,851.6 billion.

# Management Discussion & Analysis

## Asset Quality - Group

(KRW in billions)

| Group Total                           | 2009             | 2008             | YoY          |
|---------------------------------------|------------------|------------------|--------------|
| <b>Total loans for NPL management</b> | <b>204,960.5</b> | <b>209,872.5</b> | <b>-2.3%</b> |
| Normal                                | 198,559.8        | 204,147.5        | -2.7%        |
| Precautionary                         | 3,953.5          | 3,076.3          | 28.5%        |
| Substandard                           | 1,351.1          | 1,605.7          | -15.9%       |
| Doubtful                              | 668.9            | 567.6            | 17.8%        |
| Estimated Loss                        | 427.2            | 475.4            | -10.1%       |
| NPL                                   | 2,447.2          | 2,648.7          | -7.6%        |
| NPL ratio                             | 1.19%            | 1.26%            | -0.07%p      |
| Loan loss reserves                    | 3,593.8          | 3,554.0          | 1.1%         |
| NPL coverage ratio                    | 146.85%          | 134.18%          | 12.67%p      |

KB Financial Group's 2009 total outstanding loans subject to NPL management lowered by 2.3% from the previous year to KRW204,960.5 billion. As of 2009 year-end, non-performing loans (NPLs) stood at KRW2,447.2 billion, representing a 7.6% contraction over the year. Accordingly, the NPL ratio edged down by 0.07%p to 1.19%.

The decrease in NPLs is mainly a result of the Group's preemptive risk management and conservative provision policy in the face of the economic downturn. Even though NPLs actually declined, loan loss reserves, however, increased by 1.1% to KRW3,593.8 billion. The main reason for the increase was the Group's aggressive provision policy to ready itself for any losses that might arise in the future. Consequently, the NPL coverage ratio, compared to that of the previous year, expanded by 12.67%p to 146.85%, thereby maintaining a comfortably high level.



## Operating Results & Financial Status of Subsidiaries

Kookmin Bank

### Operating Results

#### Income Statement Summary

(KRW in billions)

|   | 2009           | 2008           | Change           |               |
|---|----------------|----------------|------------------|---------------|
|   |                |                | Amounts          | %             |
| Net interest income                         | 6,220.6        | 7,230.6        | (1,010.0)        | -14.0%        |
| Non-interest income                         | 457.8          | 368.4          | 89.4             | 24.3%         |
| General & administrative expenses           | 3,535.6        | 3,799.6        | (264.0)          | -6.9%         |
| <b>Operating income before provisioning</b> | <b>3,142.8</b> | <b>3,799.4</b> | <b>(656.6)</b>   | <b>-17.3%</b> |
| Provision expenses                          | 2,439.7        | 1,987.9        | 451.8            | 22.7%         |
| (Provision for loan losses)                 | 1,925.8        | 1,811.3        | 114.5            | 6.3%          |
| <b>Operating income</b>                     | <b>703.1</b>   | <b>1,811.5</b> | <b>(1,108.4)</b> | <b>-61.2%</b> |
| Non-operating income                        | (42.6)         | 346.8          | (389.4)          | -112.3%       |
| Net income before taxes                     | 660.5          | 2,158.3        | (1,497.8)        | -69.4%        |
| Taxes                                       | 24.7           | 647.5          | (622.8)          | -96.2%        |
| <b>Net Income</b>                           | <b>635.8</b>   | <b>1,510.8</b> | <b>(875.0)</b>   | <b>-57.9%</b> |

Kookmin Bank's net income in 2009 fell 57.9% from the previous year to KRW635.8 billion. This drop is the combined result of a sizeable reduction in net interest income and of substantial increases in provisioning expenses and non-operating loss. Net interest income declined by 14.0% to KRW6,220.6 billion, due mainly to the drop in market interest rates in response to the economic downturn. Meanwhile, non-interest income showed a healthy upswing of 24.3% from the previous year when sale of treasury stocks resulted in a loss.

General & administrative expenses dwindled by 6.9% to KRW3,535.6 billion, thanks to bank-wide cost-cutting efforts. Provisioning expenses, consisting mostly of provision for loan losses, increased by 22.7% to KRW2,439.7 billion, while provision for loan losses rose by 6.3% to KRW1,925.8 billion, reflecting the Bank's conservative and preemptive provisioning policy in the face of the global financial crisis. Of the KRW451.8 billion rise in provisioning expenses, a gain of KRW337.3 billion in provision for others accounted 75%, clearly exceeding that in provision for loan loss.

The Bank's non-operating income performance was in the red, recording loss of KRW42.6, in contrast to KRW346.8 billion in the black in the previous year. A decline in net income before taxes led to a sizeable drop in taxes, which came to KRW24.7 billion.

# Management Discussion & Analysis

## Net Interest Income

(KRW in billions)

|                                  | 2009            | 2008            | Change           |               |
|----------------------------------|-----------------|-----------------|------------------|---------------|
|                                  |                 |                 | Amounts          | %             |
| <b>Interest income</b>           | <b>14,388.8</b> | <b>16,564.0</b> | <b>(2,175.2)</b> | <b>(13.1)</b> |
| Interest on loans                | 12,808.9        | 14,785.6        | (1,976.7)        | (13.4)        |
| Interest on securities           | 1,538.7         | 1,643.8         | (105.1)          | (6.4)         |
| Interest on due from banks, etc. | 41.2            | 134.6           | (93.4)           | (69.4)        |
| <b>Interest expenses</b>         | <b>8,168.2</b>  | <b>9,333.4</b>  | <b>(1,165.2)</b> | <b>(12.5)</b> |
| Interest on deposits             | 5,467.7         | 6,333.9         | (866.2)          | (13.7)        |
| Interest on debentures           | 2,183.0         | 2,918.5         | (735.5)          | (25.2)        |
| Interest on borrowings, etc.     | 517.5           | 81.0            | 436.5            | 538.9         |
| <b>Net interest income</b>       | <b>6,220.6</b>  | <b>7,230.6</b>  | <b>(1,010.0)</b> | <b>(14.0)</b> |

Net interest income in 2009 contracted by 13.1% over the previous year to KRW14,388.8 billion, due mainly to lowering interest rates, which narrowed interest margins. Interest on loans, comprising the largest portion of total interest income, also decreased, by KRW1,976.7 billion over 2008 to KRW12,808.9 billion.

From a funding perspective, improvements in the funding portfolio, consisting mainly of low-cost deposits, and decreases in borrowings and debentures drove interest expenses down by 12.5%, or KRW1,165.2 billion, to KRW8,168.2 billion. As interest income exceeded interest expenses in decline, net interest income shrank by 14.0% to KRW6,220.6 billion. In view of a noticeable upswing in net interest margins in the fourth quarter amid growing signs of an economic recovery, it is easy to expect that the Bank's net interest performance will improve gradually.

## Non-interest income

(KRW in billions)

|                            | 2009         | 2008         | Change      |             |
|----------------------------|--------------|--------------|-------------|-------------|
|                            |              |              | Amounts     | %           |
| Commissions & Fees         | 714.1        | 844.2        | (130.1)     | (15.4)      |
| ITC Products               | 306.6        | 356.5        | (49.9)      | (14.0)      |
| Bancassurance              | 131.9        | 170.2        | (38.3)      | (22.5)      |
| NHF Management             | 52.1         | 85.3         | (33.2)      | (38.9)      |
| Trust                      | 98.3         | 84.8         | 13.5        | 15.9        |
| Other Won Commissions      | 39.3         | 66.6         | (27.3)      | (41.0)      |
| Commissions in F/C         | 85.9         | 80.8         | 5.1         | 6.3         |
| Gain or Loss on Securities | 284.0        | (371.4)      | 655.4       | n.a.        |
| Others                     | (540.3)      | (104.4)      | (435.9)     | n.a.        |
| <b>Non-interest income</b> | <b>457.8</b> | <b>368.4</b> | <b>89.4</b> | <b>24.3</b> |

As of the end of 2009, non-interest income recorded an increase of 24.3% from the previous year, totaling KRW457.8 billion. While the economic environment including the sluggish stock market had a limited adverse impact on commission and fee income operations, securities, which had contributed to a sizable loss in 2008 as the result of the sale of treasury stock, made a great comeback, making up the bulk of the healthy rise in non-interest income. Commission & fees, on the other hand, decreased by 15.4% from the year earlier,

to KRW714.1 billion. Reflecting the lackluster stock market, ITC product commissions shrank by 14.0% to record KRW306.6 billion, while bancassurance went down by 22.5% to KRW131.9 billion. NHF management fees showed a large contraction of KRW33.2 billion from 2008 to KRW52.1 billion in line with the expiration of the relevant fund management contract. Trust and foreign exchange-related commissions, on the other hand, advanced by 15.9% and 6.3%, respectively, to KRW98.3 billion and KRW85.9 billion. Gain on securities amounted to KRW284.0 billion, in contrast to loss of KRW 371.4 in the previous year, due, again to the sale of treasure stock. As the domestic economy, including the stock market, is forecast to stay on the path of recovery, the Bank's non-interest income is expected to continue its growth.

## General & Administrative Expenses

(KRW in billions)

|  | 2009           | 2008           | Change         |              |
|--|----------------|----------------|----------------|--------------|
|  |                |                | Amounts        | %            |
| <b>General &amp; administrative expenses</b> | <b>3,535.6</b> | <b>3,799.6</b> | <b>(264.0)</b> | <b>(6.9)</b> |
| Labor expenses                               | 1,594.4        | 1,755.7        | (161.3)        | (9.2)        |
| Administrative expenses                      | 1,360.0        | 1,443.8        | (83.8)         | (5.8)        |
| Depreciation and amortization expenses       | 460.9          | 458.1          | 2.8            | 0.6          |
| Taxes and dues                               | 120.3          | 142.0          | (21.7)         | (15.3)       |
| <b>Cost-income ratio</b>                     | <b>52.8%</b>   | <b>50.5%</b>   |                | <b>2.3%p</b> |

General & administrative expenses posted a 6.9% decrease in 2009, amounting to KRW3,535.6 billion, a result of company-wide cost-cutting efforts. Though constituting the largest portion of this total, labor expenses shrank 9.2% from the previous year to KRW1,594.4 billion, while administrative expenses decreased by 5.8% to KRW1,360.0 billion compared, reflecting the Bank's all-out efforts to cut non-vital expenses such as advertising. Depreciation and amortization expenses remained little changed compared to the previous year's figure, while taxes and dues dropped by 15.3% to KRW120.3 billion. The cost-income ratio increased by 2.3%p to 52.8%, as general & administrative expenses spiked during the holiday seasons in the fourth quarter in the backdrop of decreasing operating income. The ratio is expected to be back on the downward path, as operating income is forecast to mirror recovery signs of the domestic economy and the Bank will continue its cost-cutting efforts.

# Management Discussion & Analysis

## Operating Income before Provisioning

(KRW in billions)

|   | 2009           | 2008           | Change           |               |
|---|----------------|----------------|------------------|---------------|
|   |                |                | Amounts          | %             |
| <b>Operating Income before Provisioning</b> | <b>3,142.8</b> | <b>3,799.4</b> | <b>(656.6)</b>   | <b>(17.3)</b> |
| Provision expenses                          | 2,439.7        | 1,987.9        | 451.8            | 22.7          |
| Provision for loan losses                   | 1,925.8        | 1,811.3        | 114.5            | 6.3           |
| Household                                   | 262.1          | 202.5          | 59.6             | 29.4          |
| Corporate                                   | 1,381.6        | 1,471.4        | (89.8)           | (6.1)         |
| Credit card                                 | 282.1          | 137.4          | 144.7            | 105.3         |
| Others                                      | 513.9          | 176.6          | 337.3            | 191.0         |
| <b>Operating income</b>                     | <b>703.1</b>   | <b>1,811.5</b> | <b>(1,108.4)</b> | <b>(61.2)</b> |

The Bank's operating income in 2009 totaled KRW703.1 billion, a KRW1,108.4 decline from the year before. Of the decline, provision expenses accounted for 40%, amounting to KRW2,439.7 billion, which represents a 22.7% increase over the year. Of provision expenses, provision for loan losses rose by KRW114.5 billion, while provision for others went up by KRW3,373 billion. Provision for corporate loans, which accounts more than 50% of provision expenses, decreased by 6.1% to KRW1,381.6 billion. Provision for household and credit card loan losses increased by KRW59.6 billion and KRW144.7 billion, respectively, to KRW262.1 billion and KRW282.1 billion.

## Non-operating Income

(KRW in billions)

|   | 2009          | 2008         | Change         |                |
|---|---------------|--------------|----------------|----------------|
|   |               |              | Amounts        | %              |
| Gain or loss on disposal of tangible assets                           | 0.5           | 2.6          | (2.1)          | -80.8%         |
| Gain or loss on using Equity Method                                   | (52.1)        | 369.8        | (421.9)        | -114.1%        |
| Gain on valuation using Equity Method of Accounting                   | (19.9)        | (30.3)       | 10.4           | -34.3%         |
| Gain or loss on Sales of Securities using Equity Method of Accounting | (32.2)        | 400.1        | (432.3)        | -108.0%        |
| Others  | 9.0           | (25.6)       | 34.6           | -135.2%        |
| <b>Non-operating income</b>   | <b>(42.6)</b> | <b>346.8</b> | <b>(389.4)</b> | <b>-112.3%</b> |

The Bank's non-operating income performance in 2009 was on the negative side, recording KRW42.6 billion in loss, a sharp contrast to KRW346.8 billion for the previous year. The loss is mainly related to equity method accounting: loss based on equity method accounting amounted to KRW52.1 billion in 2009 compared to KRW369.8 billion in gain in the previous year. In 2008 the Bank gained about KRW400 billion from the sale of its shares in Bank Internasional Indonesia (BII), whereas, in 2009, the Bank's shares of BCC of Kazakhstan led to an impairment loss using equity method accounting of about KRW100 billion.

## Financial Status

### Balance Sheet Summary

(KRW in billions)

|   | 2009             | 2008             | Change           |              |
|---|------------------|------------------|------------------|--------------|
|   |                  |                  | Amounts          | %            |
| <b>Total assets</b>                                 | <b>256,519.8</b> | <b>262,093.2</b> | <b>(5,573.4)</b> | <b>(2.1)</b> |
| Cash & due from banks                               | 8,853.6          | 7,728.2          | 1,125.4          | 14.6         |
| Securities  | 38,972.3         | 34,928.9         | 4,043.4          | 11.6         |
| Loans   | 195,067.0        | 198,694.9        | (3,627.9)        | (1.8)        |
| Tangible assets                                     | 3,329.3          | 3,492.8          | (163.5)          | (4.7)        |
| Other assets  | 10,297.6         | 17,248.4         | (6,950.8)        | (40.3)       |
| <b>Total liabilities</b>                            | <b>237,177.3</b> | <b>244,779.1</b> | <b>(7,601.8)</b> | <b>(3.1)</b> |
| Deposits  | 170,385.9        | 158,867.9        | 11,518.0         | 7.3          |
| Borrowings  | 13,973.3         | 19,149.0         | (5,175.7)        | (27.0)       |
| Debentures  | 37,985.1         | 42,610.6         | (4,625.5)        | (10.9)       |
| Other liabilities                                   | 14,833.0         | 24,151.6         | (9,318.6)        | (38.6)       |
| <b>Total shareholders' equity</b>                   | <b>19,342.5</b>  | <b>17,314.1</b>  | <b>2,028.4</b>   | <b>11.7</b>  |
| <b>Total liabilities &amp; shareholders' equity</b> | <b>256,519.8</b> | <b>262,093.2</b> | <b>(5,573.4)</b> | <b>(2.1)</b> |

The Bank's total assets stood at KRW256.5 trillion as of year-end 2009, representing a 2.1% decrease from the previous year-end, a result of the Bank's asset quality-focused, stability-based business strategy. Loans, the largest component of total assets, inched down, by 1.8% to KRW195.7 trillion. Cash and due from banks rose by 14.6% to record KRW8,853.6 billion, while securities posted a 11.6% gain, amounting KRW38,972.3 billion. Other assets showed a sharp decrease in step with a drop in derivatives in connection with volatile exchange rate fluctuations, while other liabilities also showed a comparable decrease for the same reason.

Even amid stiff competition for deposits among banks and other financial institutions, the Bank managed to secure stable funding sources through efforts to attract core deposits with an emphasis on developing diverse deposit-related new products. As a result, total deposits climbed by 7.3% over 2008 to KRW170.4 trillion. Owing to a healthy increase in low-funding-cost deposits, the Bank relied less on borrowings and debentures, which decreased by 27.0% and 10.9%, respectively, to KRW13,973.3 billion and KRW37,985.1 billion. Accordingly, total liabilities for 2009 decreased by 3.1% over the previous year to KRW237,177.3 billion. Shareholders' equity increased by 11.7% to KRW19,342.5 billion due mainly to valuation gain on available-for-sale securities and net income performance.



# Management Discussion & Analysis

## Loan Portfolio

(KRW in billions)

|                                  | 2009             | 2008             | Change         |              |
|----------------------------------|------------------|------------------|----------------|--------------|
|                                  |                  |                  | Amounts        | %            |
| <b>Loans in won</b>              | <b>174,471.7</b> | <b>174,355.5</b> | <b>116.2</b>   | <b>0.1%</b>  |
| Household loans                  | 97,129.6         | 97,178.0         | (48.4)         | 0.0%         |
| Mortgage loans                   | 45,140.0         | 45,329.2         | (189.2)        | -0.4%        |
| General loans                    | 51,989.6         | 51,848.8         | 140.8          | 0.3%         |
| Corporate loans                  | 77,342.1         | 77,177.5         | 164.6          | 0.2%         |
| SME loans                        | 62,424.0         | 60,236.4         | 2,187.6        | 3.6%         |
| Large corporate loans and others | 11,620.2         | 12,269.6         | (649.4)        | -5.3%        |
| PPB                              | 3,298.0          | 4,671.6          | (1,373.6)      | -29.4%       |
| <b>Credit card receivables</b>   | <b>11,384.1</b>  | <b>11,527.5</b>  | <b>(143.4)</b> | <b>-1.2%</b> |
| Credit sales                     | 6,520.4          | 6,068.2          | 452.2          | 7.5%         |
| Cash advances                    | 2,259.7          | 2,530.7          | (271.0)        | -10.7%       |
| Card loans                       | 2,565.6          | 2,889.5          | (323.9)        | -11.2%       |
| Others                           | 38.4             | 39.1             | (0.7)          | -1.8%        |
| <b>Total loans</b>               | <b>185,855.8</b> | <b>185,883.0</b> | <b>(27.2)</b>  | <b>0.0%</b>  |

The Bank's profit-focused and conservative loan policy resulted in a KRW27.2 billion decrease in total loans, which stood at KRW185,855.8 billion at 2009 year-end. Household loans remained virtually unchanged from the year before, amounting to KRW97,129.6 billion. Mortgage loans edged down, by KRW189.2 billion, or 0.4%, to KRW45,140.0 billion, reflecting the sluggish real estate market; but, considering mortgage-backed securities issues, the figure would represent a slight increase. General loans, managed to record a 0.3% increase over the previous year to KRW51,989.6 billion. Corporate loans, despite the overall economic downturn, edged up by 0.2% to KRW77,342.1 billion due mainly to active product development and cohesive marketing efforts targeting prime customers. SME loans advanced by 3.6% to KRW60,424.0 billion owing to quality client-focused marketing executed in coordination with a thorough corporate customer management, while large corporate loans & others decreased by 5.3% to KRW11,620.2 billion.

Credit card receivables posted a 1.2% decrease over the previous year to KRW11,384.1 billion. This reduction was a result of the Bank's efforts to cut back on cash service and cards loans and to increase relatively less risky credit sales. Accordingly, credit sales expanded by 7.5% over the previous year to KRW6,520.4 billion, while cash advance and card loans dropped by 10.7% and 11.2%, respectively, to KRW2,259.7 billion and KRW2,565.6 billion.

## Deposit and Debenture Composition

(KRW in billions)

|                                 | 2009             | 2008             | Change           |               |
|---------------------------------|------------------|------------------|------------------|---------------|
|                                 |                  |                  | Amounts          | %             |
| <b>Deposits in Won</b>          | <b>143,432.8</b> | <b>130,960.8</b> | <b>12,472.0</b>  | <b>9.5%</b>   |
| Core deposits                   | 51,196.1         | 46,522.0         | 4,674.1          | 10.0%         |
| Passbook deposits               | 17,964.4         | 15,039.0         | 2,925.4          | 19.5%         |
| General savings deposits        | 20,092.1         | 16,837.4         | 3,254.7          | 19.3%         |
| Corporate free savings deposits | 9,092.1          | 10,736.1         | (1,644.0)        | -15.3%        |
| Others                          | 4,047.5          | 3,909.5          | 138.0            | 3.5%          |
| Time & savings deposits         | 92,236.7         | 84,438.8         | 7,797.9          | 9.2%          |
| Time deposits                   | 79,332.9         | 73,685.4         | 5,647.5          | 7.7%          |
| Mutual installment deposits     | 3,690.6          | 4,199.1          | (508.5)          | -12.1%        |
| Others                          | 9,213.2          | 6,554.3          | 2,658.9          | 40.6%         |
| <b>Certificates of deposit</b>  | <b>23,957.8</b>  | <b>25,078.8</b>  | <b>(1,121.0)</b> | <b>-4.5%</b>  |
| <b>RP, etc.</b>                 | <b>2,154.6</b>   | <b>3,839.8</b>   | <b>(1,685.2)</b> | <b>-43.9%</b> |
| <b>Total Deposits</b>           | <b>169,545.2</b> | <b>159,879.4</b> | <b>9,665.8</b>   | <b>6.0%</b>   |
| <b>Total Debentures</b>         | <b>37,985.1</b>  | <b>42,610.6</b>  | <b>(4,625.5)</b> | <b>-10.9%</b> |

Deposits in Won rose over the year to KRW143,432.8 billion, up KRW12,472.0 billion, or 9.5%, from the year before. Of this total, core deposits improved by 10.0% to KRW51,196.1 billion, followed by time & savings deposits rising by 9.2% to KRW92,236.7 billion. Certificates of deposit, however, abated by KRW1,121.0 billion to KRW23,957.8 billion, reflecting falling interest rates in CDs. Also, other deposits reduced by 43.9% to KRW2,154.6 billion. As the gain in deposits in Won exceeded the combined decreases in CDs and other deposits, total deposits showed a 6% rise compared to the previous year's figure, amounting to KRW169,545.2 billion. Owing to a healthy increase in low-cost deposits, total debentures decreased by KRW4,625.5 billion over the year to KRW37,985.1 billion.

# Management Discussion & Analysis

## BIS Capital Adequacy Ratio (CAR)

(KRW in billions)

|                                    | 2009             | 2008             | Change         |                |
|------------------------------------|------------------|------------------|----------------|----------------|
|                                    |                  |                  | Amounts        | %              |
| <b>Tier I Capital</b>              | <b>16,734.5</b>  | <b>15,302.6</b>  | <b>1,428.9</b> | <b>9.3%</b>    |
| Paid-in capital                    | 2,481.9          | 2,181.9          | 300.0          | 13.7%          |
| Hybrid                             | 1,100.0          | 898.5            | 201.5          | 22.4%          |
| Capital reserves                   | 6,090.3          | 6,091.8          | (1.5)          | 0.0%           |
| Retained earnings                  | 9,124.5          | 8,485.9          | 638.6          | 7.5%           |
| Treasury stock                     | (1,238.4)        | (1,355.2)        | 116.8          | n.a.           |
| Others                             | (823.8)          | (1,000.4)        | 176.6          | n.a.           |
| <b>Tier II capital</b>             | <b>4,973.1</b>   | <b>5,023.8</b>   | <b>(50.7)</b>  | <b>-1.0%</b>   |
| Revaluation reserves               | 177.2            | 177.2            | 0.0            | 0.0%           |
| Provisions                         | 393.9            | 485.6            | (91.7)         | -18.9%         |
| 45% of securities revaluation gain | 169.4            | 160.8            | 8.6            | 5.3%           |
| Subordinated term debt             | 4,315.8          | 4,745.4          | (429.6)        | -9.1%          |
| Others                             | (115.6)          | (545.3)          | 429.7          | -78.8%         |
| <b>Total BIS capital</b>           | <b>21,707.7</b>  | <b>20,326.3</b>  | <b>1,381.4</b> | <b>6.8%</b>    |
| <b>Risk-weighted assets</b>        | <b>154,593.4</b> | <b>154,261.3</b> | <b>332.1</b>   | <b>0.2%</b>    |
| <b>BIS CAR</b>                     | <b>14.04%</b>    | <b>13.18%</b>    |                | <b>0.86%p</b>  |
| <b>Tier I</b>                      | <b>10.82%</b>    | <b>9.92%</b>     |                | <b>0.90%p</b>  |
| <b>Tier II</b>                     | <b>3.22%</b>     | <b>3.26%</b>     |                | <b>-0.04%p</b> |

The Bank's BIS CAR improved by 0.86%p in 2009 to 14.04%. Risk-weighted assets stood at KRW154,593.4, not much changed from the year before, while Tier I Capital increased by KRW1,428.9 billion, or 9.3%, to KRW16,734.5 billion on the backs of capital gain, hybrid capital stock issuance, and net income performance. Tier II Capital, however, declined by KRW50.7 billion to KRW4,973.1 billion, as provisions and subordinated debts decreased. Consequently, total BIS capital expanded by KRW1,381.4 billion over 2008 to KRW21,707.7 billion. Of BIS CAR, the Tier I ratio rose by 0.90%p to 10.82% along with the increase of Tier I capital, while the Tier II ratio inched down by 0.04%p to 3.22% over the year earlier.

## Asset Quality

(KRW in billions)

|                                       | 2009             | 2008             | Change           |              |
|---------------------------------------|------------------|------------------|------------------|--------------|
|                                       |                  |                  | Amounts          | %            |
| <b>Total loans for NPL management</b> | <b>204,478.8</b> | <b>209,401.2</b> | <b>(4,922.4)</b> | <b>(2.4)</b> |
| Normal                                | 198,251.0        | 203,852.2        | (5,601.2)        | (2.7)        |
| Precautionary                         | 3,953.1          | 2,900.8          | 1,052.3          | 36.3         |
| Substandard                           | 1,291.0          | 1,605.6          | (314.6)          | (19.6)       |
| Doubtful                              | 584.9            | 567.8            | 17.1             | 3.0          |
| Estimated loss                        | 398.8            | 474.8            | (76.0)           | (16.0)       |
| Substandard & below (NPLs)            | 2,274.7          | 2,648.2          | (373.5)          | (14.1)       |
| Substandard & below ratio (NPL ratio) | 1.11%            | 1.26%            |                  | -0.15%p      |
| Loan loss reserves (LLR)              | 3,484.8          | 3,529.0          | (44.2)           | (1.3)        |
| NPL Coverage Ratio                    | 153.20%          | 133.26%          |                  | 19.94%p      |
| Delinquency ratio                     | 0.63%            | 0.65%            |                  | -0.02%p      |
| Write-offs                            | 2,302.6          | 1,199.4          | 1,103.2          | 92.0         |
| NPL Sales                             | 668.9            | 302.7            | 366.2            | 121.0        |

Total loans stood at KRW204,478.8 billion as of year-end 2009, down KRW4,922.4 billion from the year before, reflecting the Bank's efforts on asset quality. As a result of the Bank's all-out efforts to keep its bad loans under control, NPLs shrank by KRW373.5 billion over the previous year to KRW2,274.7 billion. Accordingly, the NPL ratio stood at 1.11%, down 0.15%p, and the NPL coverage ratio was tallied at a comfortable 153.20%, up 19.94%p from the year before. The delinquency ratio decreased, albeit slightly, over the year, to a manageable 0.63%. The write-offs jumped by 92% to KRW2,302.6 billion, while NPLs sold during the year more than doubled the previous year's amount to KRW668.9 billion, speaking volumes about the Bank's NPL policy.

## NPL by Segment

(KRW in billions)

|                    | 2009           |              | 2008           |              | Change          |                |
|--------------------|----------------|--------------|----------------|--------------|-----------------|----------------|
|                    | NPL Ratio(a)   |              | NPL Ratio(b)   |              | Amounts         | a-b            |
| <b>Household</b>   | <b>577.8</b>   | <b>0.59%</b> | <b>579.8</b>   | <b>0.59%</b> | <b>(2.00)</b>   | <b>-</b>       |
| General            | 275.4          | 0.53%        | 304.5          | 0.58%        | (29.10)         | -0.05%p        |
| Mortgage           | 302.4          | 0.67%        | 275.3          | 0.61%        | 27.10           | 0.06%p         |
| <b>Corporate</b>   | <b>1,605.0</b> | <b>1.69%</b> | <b>1,963.5</b> | <b>1.98%</b> | <b>(358.50)</b> | <b>-0.29%p</b> |
| SME                | 1,210.2        | 1.75%        | 1,709.0        | 2.49%        | (498.80)        | -0.74%p        |
| Large              | 394.8          | 1.54%        | 254.5          | 0.83%        | 140.30          | 0.71%p         |
| <b>Credit card</b> | <b>91.9</b>    | <b>0.76%</b> | <b>104.9</b>   | <b>0.85%</b> | <b>(13.00)</b>  | <b>-0.09%p</b> |
| <b>Total</b>       | <b>2,274.7</b> | <b>1.11%</b> | <b>2,648.2</b> | <b>1.26%</b> | <b>(373.50)</b> | <b>-0.15%p</b> |

As a result of the Bank's strict loan evaluation policy pertaining to income level, repayment capability and collateral value, the NPL ratio for household loans remained unchanged from 2008, at 0.59%, reflecting the Bank's steady hand in asset quality management. Corporate loans in the NPL category subsided by KRW358.5 billion to KRW1,605.0 billion, registering 1.69% in NPL ratio, down 0.29%p from the year before. The decrease in the NPL reflected the improving corporate business environment and the Bank's proactive loan liquidation/write-off policy. The NPL ratio for credit cards edged down by 0.09%p to 0.76%, owing to the Bank's focus on strengthening credit risk management and on attracting quality card customers.

# Management Discussion & Analysis

## Loan Loss Provisions

(KRW in billions)

|                    | 2009           |                   | 2008           |                   | Change       |                |
|--------------------|----------------|-------------------|----------------|-------------------|--------------|----------------|
|                    |                | Coverage Ratio(a) |                | Coverage Ratio(b) | %            | a-b            |
| <b>Household</b>   | <b>1,343.7</b> | <b>232.55%</b>    | <b>1,352.6</b> | <b>233.29%</b>    | <b>-0.7%</b> | <b>-0.73%P</b> |
| General            | 701.5          | 254.72%           | 706.3          | 231.96%           | -0.7%        | 22.76%P        |
| Mortgage           | 642.2          | 212.37%           | 646.3          | 234.76%           | -0.6%        | -22.39%P       |
| <b>Corporate</b>   | <b>1,873.5</b> | <b>116.73%</b>    | <b>1,891.5</b> | <b>96.33%</b>     | <b>-1.0%</b> | <b>20.40%P</b> |
| SME                | 1,496.1        | 123.62%           | 1,545.0        | 90.40%            | -3.2%        | 33.22%P        |
| Large              | 377.4          | 95.59%            | 346.5          | 136.15%           | 8.9%         | -40.56%P       |
| <b>Credit card</b> | <b>267.6</b>   | <b>291.19%</b>    | <b>284.9</b>   | <b>271.59%</b>    | <b>-6.1%</b> | <b>19.59%P</b> |
| <b>Total</b>       | <b>3,484.8</b> | <b>153.20%</b>    | <b>3,529.0</b> | <b>133.26%</b>    | <b>-1.3%</b> | <b>19.94%P</b> |

As of the end of 2009 loan loss reserves stood at KRW3,484.8 billion, down 1.3% from the previous year. As the Bank's aforementioned preemptive and conservative asset quality management policy led to a reduction in substandard & below loans, the NPL coverage ratio improved by 19.94%p over the year to 153.30% at 2009 year-end. The NPL coverage ratio for household stood at 232.5%, very similar to the previous year's figure, but owing to a decline in substandard & below for corporate loans, the NPL coverage ratio for that loan segment rose by 20.40%p to 116.73%. The NPL coverage ratio for credit cards increased by 19.59%p to 291.19%, as non-performing card loans shrank although year-end loan loss reserves shrank over the year.

## Delinquency

(KRW in billions)

|                    | 2009           |                   | 2008           |                   | Change        |                |
|--------------------|----------------|-------------------|----------------|-------------------|---------------|----------------|
|                    |                | Delinquency Ratio |                | Delinquency Ratio | %             | a-b            |
| <b>Household</b>   | <b>616.5</b>   | <b>0.77%</b>      | <b>598.1</b>   | <b>0.61%</b>      | <b>3.1%</b>   | <b>0.16%P</b>  |
| General            | 399.5          | 0.76%             | 295.2          | 0.56%             | 35.3%         | 0.20%P         |
| Mortgage           | 217.0          | 0.48%             | 302.9          | 0.67%             | -28.4%        | -0.19%P        |
| <b>Corporate</b>   | <b>489.8</b>   | <b>0.56%</b>      | <b>531.6</b>   | <b>0.58%</b>      | <b>-7.9%</b>  | <b>-0.02%P</b> |
| SME                | 459.4          | 0.68%             | 512.7          | 0.78%             | -10.4%        | -0.10%P        |
| Large              | 30.4           | 0.15%             | 18.9           | 0.07%             | 60.8%         | 0.08%P         |
| <b>Credit card</b> | <b>123.3</b>   | <b>1.08%</b>      | <b>167.8</b>   | <b>1.45%</b>      | <b>-26.5%</b> | <b>-0.37%P</b> |
| <b>Total</b>       | <b>1,229.6</b> | <b>0.63%</b>      | <b>1,297.4</b> | <b>0.65%</b>      | <b>-5.2%</b>  | <b>-0.02%P</b> |

In spite of the much higher potential for increased delinquencies due to the general economic slowdown in 2009, the Bank's delinquency ratio in 2009 improved 0.02%p from 2008 to a comparatively low 0.63%, reflecting strengthened risk management and continuing efforts for early collection of delinquent loans. By loan sector, the household delinquency ratio edged up by 0.16%p from 0.61% to 0.77%, while the delinquency ratio for corporate loans shrank by 0.02%p to 0.56%. Credit card loans in arrears dropped by 26.5% from the year before to KRW123.3 billion due to strengthened risk management. Accordingly, the credit card delinquency ratio stood at 1.08% at 2009 year-end, down 0.37%p from the year before.



**KB Investment & Securities**

(KRW in billions)

|   | 2009*          | 2008*          | Change       |               |
|---|----------------|----------------|--------------|---------------|
|   |                |                | Amounts      | %             |
| Brokerage commissions                             | 19.8           | 15.5           | 4.3          | 27.7          |
| Underwriting commissions                          | 24.1           | 30.2           | -6.1         | -20.2         |
| Consulting fee                                    | 10.4           | 8.9            | 1.5          | 16.9          |
| Other commissions                                 | 8.9            | 25.7           | -16.8        | -65.4         |
| Gain on valuation of securities                   | -11.6          | 6.6            | -18.2        | -275.8        |
| Gain on derivatives transactions                  | 10.0           | -6.2           | 16.2         | 261.3         |
| Interest income & expenses                        | 55.3           | 45.0           | 10.3         | 22.9          |
| Commission expenses                               | 7.0            | 2.8            | 4.2          | 150.0         |
| General & administrative expenses                 | 74.9           | 51.3           | 23.6         | 46.0          |
| Other operating income & expenses                 | -84.1          | -21.3          | -62.8        | n.a           |
| Net income before income tax                      | -49.1          | 50.3           | -99.4        | -197.6        |
| <b>Net income</b>                                 | <b>-41.5</b>   | <b>34.8</b>    | <b>-76.3</b> | <b>-219.3</b> |
| Cash and deposits                                 | 290.7          | 75.3           | 215.4        | 286.1         |
| Securities  | 1,546.9        | 1,624.3        | -77.4        | -4.8          |
| Derivatives                                       | 3.7            | 0.0            | 3.7          | n.a.          |
| Loans   | 132.8          | 237.8          | -105.0       | -44.2         |
| Tangible assets                                   | 8.2            | 2.4            | 5.8          | 241.7         |
| Other assets                                      | 58.9           | 112.5          | -53.6        | -47.6         |
| <b>Total assets</b>                               | <b>2,041.2</b> | <b>2,052.3</b> | <b>-11.1</b> | <b>-0.5</b>   |
| Deposits  | 55.8           | 30.7           | 25.1         | 81.8          |
| Borrowings  | 1,659.2        | 1,569.5        | 89.7         | 5.7           |
| Other liabilities                                 | 30.6           | 129.9          | -99.3        | -76.4         |
| <b>Total liabilities</b>                          | <b>1,745.6</b> | <b>1,730.2</b> | <b>15.4</b>  | <b>0.9</b>    |
| <b>Total shareholders' equity</b>                 | <b>295.6</b>   | <b>322.1</b>   | <b>-26.5</b> | <b>-8.2</b>   |
| <b>Total liabilities and shareholders' equity</b> | <b>2,041.2</b> | <b>2,052.3</b> | <b>-11.1</b> | <b>-0.5</b>   |

\* Based on Calendar Year

KB Investment & Securities posted a net loss performance at the end of 2009. The Company performed well in its core areas such as equities, futures, and bonds, but it had to substantially expand loan loss provisions for its PF loans hit by the blunt of the recession in the real estate market. Brokerage commissions rose by 27.7% to KRW19.8 billion, as the increase of the Company's institutional sales force and the research manpower led to increased institutional contracts, and retail sales was launched. Underwriting commissions decreased by KRW6.1 billion to KRW24.1 billion, due mainly to a drop in real estate-related ABCP underwriting. Advisory commissions grew by 16.9% to KRW10.4 billion, mostly related to M&As. Meanwhile, other commissions reduced to KRW8.9 billion, caused mainly by a reduction in PF-related loans, which had been robust in the year before. Despite all these, interest income augmented by 22.9% to KRW55.3 billion on the back of growing bond operations. Commission expenses and general & administrative expenses increased by KRW4.2 billion and KRW23.6 billion, respectively, to KRW7 billion and KRW74.9 billion. The former was contributed by robust securities trading, while the latter by business expansion. Other operating income & expenses recorded a loss of KRW84.1 billion as PF loans-related loan provisions bloated. As a result, net loss of KRW49.1 was recorded at 2009 year-end.

As of the end of 2009, total assets stood at KRW2,412 billion, down slightly from the year before. Cash & deposits improved as the product lineup expanded. Year-end cash and deposits stood at KRW290.7 billion, up KRW215.4 billion from the year before. Following decreased PF sales, loans shrank to KRW132.8 billion, a sizeable drop from the year before. Of liabilities, on the other hand, customer deposits and borrowings increased over the year. Particularly, borrowings rose by KRW89.7 billion to KRW1,659.2, while deposit liabilities grew by KRW25.1 billion to KRW55.8 billion. Total shareholders' equity contracted by 8.2% to KRW295.6 billion due to the net loss performance.

# Management Discussion & Analysis

KB Life Insurance

(KRW in billions)

|   | 2009*          | 2008*          | Change       |              |
|---|----------------|----------------|--------------|--------------|
|   |                |                | Amounts      | %            |
| Operating revenue                                 | 901.8          | 715.9          | 185.9        | 26.0         |
| Operating expenses                                | 898.1          | 723.7          | 174.4        | 24.1         |
| Operating income                                  | 3.7            | -7.8           | 11.5         | 147.4        |
| Non-operating income                              | 0.0            | 0.0            | 0.0          | n.a.         |
| Non-operating expenses                            | 0.3            | 0.9            | -0.6         | -66.7        |
| Net income before income tax                      | 3.4            | -8.7           | 12.1         | 139.1        |
| <b>Net income</b>                                 | <b>3.3</b>     | <b>-6.5</b>    | <b>9.8</b>   | <b>150.8</b> |
| Cash and deposits                                 | 71.7           | 99.8           | -28.1        | -28.2        |
| Securities  | 1,898.6        | 1,293.1        | 605.5        | 46.8         |
| Loans   | 88.2           | 66.8           | 21.4         | 32.0         |
| Tangible assets                                   | 2.9            | 3.6            | -0.7         | -19.4        |
| Other assets                                      | 171.9          | 153.0          | 18.9         | 12.4         |
| Separate account assets                           | 287.7          | 153.0          | 134.7        | 88.0         |
| <b>Total assets</b>                               | <b>2,521.0</b> | <b>1,769.3</b> | <b>751.7</b> | <b>42.5</b>  |
| Policy reserve                                    | 2,044.3        | 1,470.0        | 574.3        | 39.1         |
| Policyholders' equity adjustment                  | 1.0            | -2.0           | 3.0          | 150.0        |
| Other liabilities                                 | 32.6           | 19.3           | 13.3         | 68.9         |
| Separate account liabilities                      | 291.6          | 155.5          | 136.1        | 87.5         |
| <b>Total liabilities</b>                          | <b>2,369.5</b> | <b>1,642.8</b> | <b>726.7</b> | <b>44.2</b>  |
| <b>Total shareholders' equity</b>                 | <b>151.5</b>   | <b>126.5</b>   | <b>25.0</b>  | <b>19.8</b>  |
| <b>Total liabilities and shareholders' equity</b> | <b>2,521.0</b> | <b>1,769.3</b> | <b>751.7</b> | <b>42.5</b>  |

\* Based on Calendar Year

KB Life Insurance managed to achieve operating revenue of KRW901.8 billion, up 26% compared to the previous year. The growth consists of KRW149.2 billion in insurance premiums, KRW18.6 billion in interest income, and KRW6.0 billion in gain on disposal of marketable securities. Operating expenses, on the other hand, rose likewise, to KRW898.1 billion, representing a 24.1% gain, which comprised KRW151.5 billion in provision reserve, KRW8.9 billion in benefit payments, and KRW4.9 billion in sales expense. Operating revenue exceeding operating expenses by KRW3.7 billion resulted in a net income of KRW3.4 billion, an impressive performance compared to a KRW7.8 billion net loss in the previous year.

Total assets as of year-end 2009 stood at KRW2,521.0 billion, reflecting a surge of KRW751.7 billion, or 42.5%, from a year earlier. The main factor behind the augment in assets was a rise in securities held. The balance of securities held at year-end 2009 was KRW1,898.6 billion, up KRW605.5 billion from 2008. Special bonds, beneficiary certificates, and government bonds were the main contributors to this increase. Loans rose to KRW88.2 billion, up KRW21.4 billion, which was mostly made of insurance policy loans, while separate account assets grew by 88.0% to KRW287.7 billion on the account of fund valuation gain. In contrast, cash and deposits decreased by KRW28.1 billion to KRW71.7 billion at 2009 year-end, stemming mostly from time deposits. Total liabilities increased by KRW726.7 billion to KRW2,369.5 billion year on year, with the major contributor being policy reserve, which stood at KRW2,443 billion at 2009 year-end, up KRW574.3 billion compared to the year before. Total shareholders' equity also advanced, rising by KRW25.0 billion to KRW151.5 billion due to a valuation gain on available-for-sale securities and the net income.

(KRW in billions)

|   | 2009*        | 2008*        | Change       |               |
|---|--------------|--------------|--------------|---------------|
|   |              |              | Amounts      | %             |
| Operating revenue                                 | 67.1         | 70.3         | -3.2         | -4.6%         |
| Investment trust fees                             | 57.2         | 59.7         | -2.5         | -4.2%         |
| Investment discretionary fees                     | 5.2          | 4.7          | 0.5          | 10.6%         |
| Operating expenses                                | 28.0         | 31.5         | -3.5         | -11.1%        |
| Commission expenses                               | 7.4          | 9.6          | -2.2         | -22.9%        |
| General & admin. expenses                         | 20.5         | 21.4         | -0.9         | -4.2%         |
| Operating income                                  | 39.1         | 38.8         | 0.3          | 0.8%          |
| Non-operating income (loss)                       | -0.5         | -0.2         | -0.3         | n.a.          |
| Net income before income tax                      | 38.6         | 38.6         | 0.0          | 0.0%          |
| <b>Net income</b>                                 | <b>28.8</b>  | <b>27.9</b>  | <b>0.9</b>   | <b>3.2%</b>   |
| Cash and deposits                                 | 70.0         | 106.8        | -36.8        | -34.5%        |
| Securities  | 19.6         | 3.8          | 15.8         | 415.8%        |
| Loans   | 2.0          | 1.7          | 0.3          | 17.6%         |
| Tangible assets                                   | 0.0          | 0.1          | -0.1         | -100.0%       |
| Other assets                                      | 16.9         | 14.3         | 2.6          | 18.2%         |
| <b>Total assets</b>                               | <b>108.6</b> | <b>126.8</b> | <b>-18.2</b> | <b>-14.4%</b> |
| Deposits  | 1.3          | 0.6          | 0.7          | 116.7%        |
| Other liabilities                                 | 11.0         | 9.7          | 1.3          | 13.4%         |
| <b>Total liabilities</b>                          | <b>12.3</b>  | <b>10.3</b>  | <b>2.0</b>   | <b>19.4%</b>  |
| <b>Total shareholders' equity</b>                 | <b>96.3</b>  | <b>116.5</b> | <b>-20.2</b> | <b>-17.3%</b> |
| <b>Total liabilities and shareholders' equity</b> | <b>108.6</b> | <b>126.8</b> | <b>-18.2</b> | <b>-14.4%</b> |

\* Based on Calendar Year

KB Asset Management's 2009 business performance remained pretty much comparable to that for the previous year. Operating revenue reduced by KRW3.2 billion, or 4.6%, to KRW67.1 billion. Operating expenses also declined, by 11.1%, or KRW3.5 billion, to KRW28.0 billion. The reduction came mostly from expenses related to overseas fund fees and general & administration, the former by KRW2.2 billion thanks to falling FX rates and the latter by KRW0.9 billion due to a fall in advertising expenses. As a result, operating income inched up by KRW0.3 billion, or 0.8%, to KRW39.1 billion and net income rose by 3.2% to KRW28.8 billion.

Total assets as of the end of 2009 stood at KRW108.6 billion, reflecting a downswing of 14.4%. The contraction was mostly made of certificates of deposit. Securities posted a significant rise on rising investments in bonds, standing at KRW19.6 billion at year-end 2009. Total liabilities grew by 19.4% to KRW12.3 billion, slightly exceeding the previous year's rate. Total shareholders' equity subsided by KRW20.2 billion to KRW96.3 billion.

# Management Discussion & Analysis

KB Real Estate Trust

(KRW in billions)

|   | 2009         | 2008         | Change      |                |
|---|--------------|--------------|-------------|----------------|
|   |              |              | Amounts     | %              |
| Operating revenue                                 | 60.5         | 56.5         | 4.0         | 7.1            |
| Revenue from trust account                        | 31.1         | 30.1         | 1.0         | 3.3            |
| Additional operating revenue                      | 8.5          | 6.7          | 1.8         | 26.9           |
| Interest income                                   | 20.4         | 19.6         | 0.8         | 4.1            |
| Operating expenses                                | 29.1         | 51.8         | -22.7       | -43.8          |
| Operating income                                  | 31.4         | 4.7          | 26.7        | 568.1          |
| Non-operating income                              | 0.3          | 0.1          | 0.2         | 200.0          |
| Non-operating expenses                            | 0.2          | 1.6          | -1.4        | -87.5          |
| Net income before income tax                      | 31.5         | 3.3          | 28.2        | 854.5          |
| <b>Net income</b>                                 | <b>23.8</b>  | <b>1.2</b>   | <b>22.6</b> | <b>1,883.3</b> |
| Loans   | 219.3        | 189.7        | 29.6        | 15.6           |
| Other assets                                      | 38.0         | 31.7         | 6.3         | 19.9           |
| <b>Total assets</b>                               | <b>257.3</b> | <b>221.4</b> | <b>35.9</b> | <b>16.2</b>    |
| Borrowings  | 123.0        | 108.1        | 14.9        | 13.8           |
| Other liabilities                                 | 13.0         | 15.8         | -2.8        | -17.7          |
| <b>Total liabilities</b>                          | <b>136.0</b> | <b>123.9</b> | <b>12.1</b> | <b>9.8</b>     |
| <b>Total shareholders' equity</b>                 | <b>121.3</b> | <b>97.5</b>  | <b>23.8</b> | <b>24.4</b>    |
| <b>Total liabilities and shareholders' equity</b> | <b>257.3</b> | <b>221.4</b> | <b>35.9</b> | <b>16.2</b>    |

While 2008 operating revenue reflected a recession in the real estate market, the figure for 2009 shows a healthy improvement although the recession more or less continued. In addition to improved revenue, operating expenses, on the other hand, dropped significantly, which, combined, resulted in a huge jump in net income. A KRW4 billion, or 7.1%, gain in operating revenue, which amounted to KRW 60.5 billion, stemmed mostly from the REITs business, which was launched in 2009. A KRW22.7 billion decrease in operating expenses, which amounted to KRW29.1 billion, originated mostly from loan loss provisions, which, reduced from the previous year, from a company-wide cost-cutting campaign. Accordingly, operating income and net income jumped to KRW31.4 billion and KRW23.8 billion, respectively.

Total assets recorded at the end of 2009 stood at KRW257.3 billion, representing an increase of KRW35.9 billion from 2008. The rise in assets stemmed mainly from loans to trust account. Of other assets, securities grew on the back of investment securities purchased, while deposits shrank as trust dues were returned. Total liabilities increased by KRW12.1 billion to KRW136.0 billion. Most of the expansion was in the form of long-term borrowings. Total shareholders' equity improved by KRW23.8 billion to KRW136.0 billion, reflecting the net income improvement.

(KRW in billions)

|   | 2009         | 2008         | Change      |               |
|---|--------------|--------------|-------------|---------------|
|   |              |              | Amounts     | %             |
| Operating revenue                                 | 14.7         | 11.8         | 2.9         | 24.6%         |
| Investment & other revenues                       | 9.4          | 7.3          | 2.1         | 28.8%         |
| Partnership revenues                              | 5.3          | 4.5          | 0.8         | 17.8%         |
| Operating expense                                 | 12.6         | 8.6          | 4.0         | 46.5%         |
| Investment & financing expenses                   | 2.8          | 3.2          | -0.4        | -12.5%        |
| Partnership expenses                              | 4.8          | 0.1          | 4.7         | n.a.          |
| General & administrative expenses                 | 5.0          | 5.3          | -0.3        | -5.7%         |
| Operating income                                  | 2.1          | 3.2          | -1.1        | -34.4%        |
| Non-operating income (loss)*                      | 0.1          | 0.0          | 0.1         | n.a.          |
| <b>Net income</b>                                 | <b>2.2</b>   | <b>3.2</b>   | <b>-1.0</b> | <b>-31.3%</b> |
| Current assets                                    | 32.5         | 0.9          | 31.6        | n.a.          |
| Investment assets                                 | 87.9         | 107.4        | -19.5       | -18.2%        |
| Other non-current assets                          | 5.6          | 7.1          | -1.5        | -21.1%        |
| <b>Total assets</b>                               | <b>126.0</b> | <b>115.4</b> | <b>10.6</b> | <b>9.2%</b>   |
| <b>Total liabilities</b>                          | <b>21.2</b>  | <b>11.6</b>  | <b>9.6</b>  | <b>82.8%</b>  |
| <b>Total shareholders' equity</b>                 | <b>104.8</b> | <b>103.8</b> | <b>1.0</b>  | <b>1.0%</b>   |
| <b>Total liabilities and shareholders' equity</b> | <b>126.0</b> | <b>115.4</b> | <b>10.6</b> | <b>9.2%</b>   |

\* Including Income Tax Expenses

In 2009, KB Investment's operating revenues rose by KRW2.9 billion over the year to KRW14.7 billion, due mainly to gain in investment assets sold and a resulting valuation gain using equity method. Investment & other revenues advanced by KRW2.1 billion to KRW9.4 billion, while partnership revenues recorded KRW5.3 billion, up KRW0.8 billion. During the same period, operating expenses also grew by KRW4.0 billion to KRW12.6 billion, due mainly to increased partnership revenues stemming from an expansion in valuation loss using equity method on the investments. As a result, operating income and net income, compared to the previous year's, decreased by KRW1.1 billion and KRW1.0 billion, respectively, to KRW2.1 billion and KRW2.2 billion.

Total assets at the end of 2009 reached KRW126.0 billion, improving KRW10.6 billion compared to a year earlier. Investment assets totaled KRW87.9 billion, down KRW19.5 billion from the end of the prior year, reflecting the Company's conservative investment policy in the face of the sluggish economy. Current assets expanded by KRW31.6 billion to KRW32.5 billion, owing to an gain in investment assets sold. Total liabilities grew by KRW9.6 billion to KRW21.2 billion on increased borrowings for new investment. Total shareholders' equity improved by KRW1.0 billion to KRW104.8 billion, reflecting to the change in net income compared to the previous year's.



# Management Discussion & Analysis

## KB Futures

(KRW in billions)

|   | 2009*        | 2008*        | Change      |             |
|---|--------------|--------------|-------------|-------------|
|   |              |              | Amounts     | %           |
| Operating revenue                                 | 28.7         | 24.8         | 3.9         | 15.7        |
| Operating expenses                                | 19.8         | 16.1         | 3.7         | 23.0        |
| Operating income                                  | 8.9          | 8.7          | 0.2         | 2.3         |
| Non-operating income                              | 0.1          | 0            | 0.1         | 586.6       |
| Non-operating expenses                            | 1            | 0.4          | 0.6         | 150.0       |
| Income before income tax                          | 8            | 8.3          | -0.3        | -3.6        |
| <b>Net income</b>                                 | <b>6.2</b>   | <b>5.8</b>   | <b>0.4</b>  | <b>6.9</b>  |
| Cash and bank deposits                            | 196.9        | 119.1        | 77.8        | 65.3        |
| Securities  | 18.4         | 25.5         | -7.1        | -27.8       |
| Tangible assets                                   | 0.8          | 0.7          | 0.1         | 14.3        |
| Other assets                                      | 5.8          | 4.8          | 1           | 20.8        |
| <b>Total assets</b>                               | <b>221.9</b> | <b>150.1</b> | <b>71.8</b> | <b>47.8</b> |
| Deposits  | 180.2        | 107          | 73.2        | 68.4        |
| Other liabilities                                 | 4.4          | 4.9          | -0.5        | -10.2       |
| <b>Total liabilities</b>                          | <b>184.5</b> | <b>111.9</b> | <b>72.6</b> | <b>64.9</b> |
| <b>Total shareholders' equity</b>                 | <b>37.4</b>  | <b>38.2</b>  | <b>-0.8</b> | <b>-2.1</b> |
| <b>Total liabilities and shareholders' equity</b> | <b>221.9</b> | <b>150.1</b> | <b>71.8</b> | <b>47.8</b> |

\* Based on Calendar Year

KB Futures remained somewhat consistent in business results over the past two years. Total operating revenue rose by 15.7%, or KRW3.9 billion, to KRW28.7 billion, owing to increasing inbound trades from overseas. Operating expenses kept pace with operating revenue in growth, up KRW3.7 billion to W19.8 billion. Consequently, operating income, compared to the previous year's, changed little, recording KRW8.9 billion, while net income grew by KRW400 million to KRW6.2 billion in step with a decrease in corporate taxes.

Total assets at year-end 2009 stood at KRW221.9 billion, expanding KRW71.8 billion compared to the end of 2008. The gain stemmed mostly from cash and bank deposits, which recorded a KRW77.8 billion improvement to KRW196.9 billion due to increases in customer deposits in futures trading and in CD accounts. Securities dropped by KRW7.1 billion to KRW18.4 billion, owing mainly to a significant portion of bonds coming to maturity. Total liabilities recorded KRW184.5 billion at the year end, up KRW72.6 billion. The growth consists mostly of customer deposits, reflecting expanded futures trades. Total shareholders' equity was KRW37.4 billion, down KRW0.8 billion, reflecting the dividend payout, while net income improved by KRW400 million to KRW6.2 billion.

## KB Credit Information

(KRW in billions)

|   | 2009        | 2008        | Change       |               |
|---|-------------|-------------|--------------|---------------|
|   |             |             | Amounts      | %             |
| Operating revenue                                 | 53.6        | 54.3        | -0.7         | -1.21%        |
| Cost of sales                                     | 31.6        | 32.0        | -0.4         | -1.3%         |
| Selling, general & administrative expenses        | 16.9        | 17.9        | -1.0         | -5.9%         |
| Operating income                                  | 5.1         | 4.4         | 0.8          | 17.4%         |
| Non-operating income                              | 0.7         | 1.4         | -0.7         | -50.2%        |
| Income tax  | 1.5         | 1.6         | -0.1         | -8.7%         |
| <b>Net income</b>                                 | <b>4.3</b>  | <b>4.1</b>  | <b>0.2</b>   | <b>5.0%</b>   |
| Current assets                                    | 15.6        | 37.3        | -21.8        | -58.3%        |
| Non-current assets                                | 13.8        | 13.3        | 0.6          | 4.3%          |
| <b>Total assets</b>                               | <b>29.4</b> | <b>50.6</b> | <b>-21.2</b> | <b>-41.9%</b> |
| Current liabilities                               | 4.1         | 4.1         | 0.1          | 1.7%          |
| Non-current liabilities                           | 1.6         | 2.0         | -0.4         | -19.6%        |
| <b>Total liabilities</b>                          | <b>5.8</b>  | <b>6.1</b>  | <b>-0.3</b>  | <b>-5.4%</b>  |
| <b>Total shareholders' equity</b>                 | <b>23.6</b> | <b>44.5</b> | <b>-20.9</b> | <b>-47.0%</b> |
| <b>Total liabilities and shareholders' equity</b> | <b>29.4</b> | <b>50.6</b> | <b>-21.2</b> | <b>-42.0%</b> |

Sales in 2009 declined by KRW700 million to KRW53.6 billion, owing to the economic downturn and a decrease in debt collection requests. Cost of sales and selling, general & administrative expenses fell 1.3% and 5.9%, respectively, to KRW31.6 billion and KRW16.9 billion due to lower communications expenses following a company-wide cost-cutting campaign, and to reduced numbers of sales offices and temps. Consequently, operating income improved by KRW800 million to KRW5.1 billion. Non-operating income reduced by KRW700 million to KRW0.7 billion, due to a fall in deposit interest income following a dividend payout. As a result, net income rose by KRW200 million to KRW4.3 billion.

Total assets at the end of 2009 amounted to KRW29.4 billion, down KRW21.2 billion from the previous year-end. Current assets contracted by KRW21.8 billion to KRW15.6 billion, due mainly to decreased time deposits. Non-current assets showed a modest increase of KRW600 million as lease deposits increased upon the conversion of office leases to charter. Total liabilities inched down by KRW0.3 billion. Provisions for retirement pension liabilities decreased as DC-type pension policy holders increased. Total shareholders' equities declined by KRW20.9 billion to KRW23.6 billion, reflecting the dividend payout.

# Management Discussion & Analysis

KB Data Systems

(KRW in billions)

|   | 2009        | 2008        | Change      |               |
|---|-------------|-------------|-------------|---------------|
|   |             |             | Amounts     | %             |
| Operating revenue                                 | 123.3       | 133.3       | -10.0       | -7.5%         |
| Cost of sales                                     | 113.3       | 120.9       | -7.6        | -6.3%         |
| Selling, general & administrative expenses        | 4.4         | 4.6         | -0.2        | -3.7%         |
| Operating income                                  | 5.5         | 7.8         | -2.2        | -28.9%        |
| Non-operating income                              | 1.5         | 1.6         | -0.1        | -6.7%         |
| Non-operating expenses                            | 0.1         | 0.6         | -0.5        | -85.4%        |
| Income before income tax                          | 6.9         | 8.7         | -1.8        | -20.7%        |
| <b>Net income</b>                                 | <b>5.3</b>  | <b>6.3</b>  | <b>-1.0</b> | <b>-16.1%</b> |
| Current assets                                    | 42.0        | 43.9        | -2.0        | -4.5%         |
| Non-current assets                                | 3.0         | 2.6         | 0.4         | 13.9%         |
| <b>Total assets</b>                               | <b>44.9</b> | <b>46.5</b> | <b>-1.6</b> | <b>-3.4%</b>  |
| Current liabilities                               | 26.6        | 18.3        | 8.3         | 45.2%         |
| Non-current liabilities                           | 1.6         | 1.7         | -0.1        | -7.4%         |
| <b>Total liabilities</b>                          | <b>28.1</b> | <b>20.0</b> | <b>8.1</b>  | <b>40.7%</b>  |
| <b>Total shareholders' equity</b>                 | <b>16.8</b> | <b>26.5</b> | <b>-9.7</b> | <b>-36.7%</b> |
| <b>Total liabilities and shareholders' equity</b> | <b>44.9</b> | <b>46.5</b> | <b>-1.6</b> | <b>-3.4%</b>  |

2009 sales contracted by 7.5% from a year earlier to KRW123.3 billion, as Group subsidiaries' IT expenditures slowed upon completion of major systems. Cost of sales also decreased, by 6.3% to KRW113.3 billion, resulting in KRW5.5 billion in operating income, down KRW2.2 billion over 2008. In response to a slowdown in Group-related sales, non-Group operations were expanded at a relatively high cost of operating income. As a result, KRW5.3 billion in net income was recorded, reflecting a loss of KRW1.0 billion from the previous year.

Total assets in 2009 slipped KRW1.6 billion from the previous year to KRW44.9 billion. This reduction can be attributed to a reduction in short-term financial products following a dividend payout. Non-current assets grew by KRW400 million to KRW3 billion thanks to a reversal of impaired membership. Total liabilities were up by KRW8.1 billion to KRW28.1 billion owing to an increase in payables linked with an expansion in account receivables. Total shareholders' equity stood at KRW16.8 billion, down KRW9.7 billion from the previous year due to the dividend payout.

## 2010 Outlook

While bolstering its one-firm system under its management strategy of “Maximizing Group value through balanced growth”, KB Financial Group will pursue strengthening business competencies through group portfolio optimization and customer value enhancement. For this the Group will solidify the future growth base by adopting preemptive risk management measures and strengthening responsiveness to changes in the business environment.

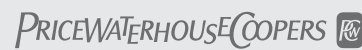
To effectively address the diminished profitability of late due to the economic downturn and growing cost pressures, the Group will seek value-driven quality growth through operation efficiency. In addition, for efficient risk management, the Group will pursue preemptive risk management by assessing financial and non-financial risks through a comprehensive risk management system. And through efficient risk monitoring, the Group will improve asset soundness and build up the profit-focused growth base.

In the area of sales, KB Financial Group will maintain its leadership position in the domestic market by developing new financial products as tools to generate solid income models and to maximize customer satisfaction. Income portfolio diversification will also be pursued as a way to solidify the position. For interest income growth and non-interest income expansion, the Group will focus on developing employee abilities creating a customer service that stands apart through intensive education programs.

Moreover, KB Financial Group will maintain its interest keen in overseas markets in order to satisfy customers' global financial needs and to keep abreast of global financial trends; and through the development of IT systems, it will heighten its business capabilities to global standards.

KB Financial Group will also step up its social contribution activities through community service and various regional programs in order to make a more meaningful contribution to society as a responsible corporate citizen. Through the above tasks, KB Financial Group will continue to meet the needs and expectations of shareholders, customers and employees as Korea's leading financial group.

# Report of Independent Auditors



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

Samil PricewaterhouseCoopers  
LS Yongsan Tower, 191, Hangangno 2-ga,  
Yongsan-gu, Seoul 140-702, Korea  
(Yongsan P.O Box 266, 140-600)  
www.samil.com

We have audited the accompanying non-consolidated statements of financial position of KB Financial Group Inc. (the "Company") as of December 31, 2009 and 2008, and the related non-consolidated statements of income, appropriations of retained earnings, changes in shareholders' equity and cash flows for the year ended December 31, 2009 and for the period from September 29, 2008 to December 31, 2008, 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 did not audit the financial statements of certain subsidiaries as of December 31, 2008 and for the period from September 29, 2008 to December 31, 2008, the investments in which are reflected in the accompanying financial statements using the equity method of accounting. These statements were audited by other auditors whose reports have been furnished us and our opinion, insofar as it relates to the amounts included for the subsidiaries, is based solely on the reports of other auditors.

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, based on our audits and the reports of other auditors, 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, 2009 and 2008, and the results of its operations, the changes in its retained earnings, the changes in its shareholders' equity and its cash flows for the year ended December 31, 2009 and for the period from September 29, 2008 to December 31, 2008, 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 10, 2010

This report is effective as of March 10, 2010, 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)

|   | 2009                | 2008                |
|---|---------------------|---------------------|
| <b>Assets</b>                                       |                     |                     |
| Cash and due from bank (Notes 3, 19 and 21)         | ₩ 845,366           | ₩ 1,849             |
| Equity method investments (Notes 4 and 21)          | 17,612,122          | 16,345,052          |
| Loans receivable, net (Notes 5, 19 and 21)          | 169,150             | 199,000             |
| Property and equipment, net (Note 6)                | 1,718               | 3,214               |
| Other assets, net (Notes 7 and 19)                  | 35,108              | 18,904              |
| <b>Total assets</b>                                 | <b>18,663,464</b>   | <b>16,568,019</b>   |
| <b>Liabilities and shareholders' equity</b>         |                     |                     |
| Liabilities   |                     |                     |
| Borrowings (Notes 8, 21 and 24)                     | ₩ -                 | ₩ -                 |
| Debentures, net of discount<br>(Notes 8, 21 and 24) | 798,421             | 730,572             |
| Other liabilities, net (Notes 9, 14 and 15)         | 13,413              | 8,836               |
| <b>Total liabilities</b>                            | <b>811,834</b>      | <b>739,408</b>      |
| <b>Shareholders' equity</b>                         |                     |                     |
| Common stock (Note 10)                              | 1,931,758           | 1,781,758           |
| Capital surplus (Note 11)                           | 16,428,852          | 15,473,511          |
| Capital adjustment (Note 4)                         | (2,918,990)         | (3,145,102)         |
| Accumulated other comprehensive income<br>(Note 17) | 1,232,279           | 1,087,503           |
| Retained earnings (Note 12)                         | 1,177,731           | 630,941             |
| <b>Total shareholders' equity</b>                   | <b>17,851,630</b>   | <b>15,828,611</b>   |
| <b>Total liabilities and shareholders' equity</b>   | <b>₩ 18,663,464</b> | <b>₩ 16,568,019</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 year ended December 31, 2009,  
and for the period from September 29, 2008 to December 31, 2008

KB Financial Group Inc.

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

|  | 2009      | 2008      |
|--|-----------|-----------|
| <b>Operating revenues</b>  |           |           |
| Gain on valuation of equity method investments (Notes 4 and 22)    | ₩ 677,107 | ₩ 633,981 |
| Interest income (Note 19)  | 19,455    | 1,287     |
| Reversal of allowance for loan losses (Note 5)                     | 150       | -         |
|  | 696,712   | 635,268   |
| <b>Operating expenses</b>  |           |           |
| Loss on valuation of equity method investments (Notes 4 and 22)    | 64,482    | 10,096    |
| Interest expense   | 55,556    | 3,063     |
| Loss on valuation and disposal of loans receivable (Note 5)        | -         | 1,000     |
| Commission expense   | 7,209     | 2,270     |
| Selling and administrative expenses (Notes 6, 7, 9, 14, 19 and 25) | 27,572    | 6,768     |
|  | 154,819   | 23,197    |
| Operating income   | 541,893   | 612,071   |
| <b>Non-operating income</b>  | 830       | 23        |
| <b>Non-operating expense</b>                                       | 2         | -         |
| Income before income tax   | 542,721   | 612,094   |
| <b>Income tax expense (Note 15)</b>                                | 2,903     | 167       |
| Net income   | ₩ 539,818 | ₩ 611,927 |
| <b>Per share data (Note 16)</b>                                    |           |           |
| Basic and diluted earnings per share                               | ₩ 1,659   | ₩ 2,078   |

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 year ended December 31, 2009, (Date of appropriation for 2009: March 26, 2010)  
and for the period from September 29, 2008 to December 31, 2008 (Date of appropriation for 2008: March 27, 2009)

KB Financial Group Inc.

(in millions of Korean won)

|  | 2009 |         | 2008 |         |
|--|------|---------|------|---------|
| Unappropriated retained earnings   |      |         |      |         |
| Balance at the beginning of year   | ₩    | 1,741   | ₩    | -       |
| Changes in retained earnings of equity method investments                          |      | 6,972   |      | 19,014  |
| Net income   |      | 539,818 |      | 611,927 |
|  |      | 548,531 |      | 630,941 |
| Appropriation of retained earnings   |      |         |      |         |
| Legal reserve (Note 12)  |      | 53,982  |      | 61,200  |
| Voluntary reserve  |      | 414,000 |      | 568,000 |
| Cash dividends (Note 13)<br>(Dividends per common share:<br>₩ 230 (4.60%) in 2009) |      | 78,897  |      | -       |
|  |      | 546,879 |      | 629,200 |
| Unappropriated retained earnings to be carried over to subsequent year             | ₩    | 1,652   | ₩    | 1,741   |

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 year ended December 31, 2009,  
and for the period from September 29, 2008 to December 31, 2008

KB Financial Group Inc.

(in millions of Korean won)

|                                      | Capital<br>stock | Capital<br>surplus | Capital<br>adjustment | Accumulated<br>other comprehensive<br>income and loss | Retained<br>earnings | Total        |
|--------------------------------------|------------------|--------------------|-----------------------|---|----------------------|--------------|
| September 29, 2008                   | ₩ 1,781,758      | ₩ 15,481,189       | ₩ (4,208,098)         | ₩ -   | ₩ -                  | ₩ 13,054,849 |
| Net income                           | -                | -                  | -                     | -   | 611,927              | 611,927      |
| Changes in equity method investments | -                | (7,678)            | 1,062,996             | 1,087,503   | 19,014               | 2,161,835    |
| December 31, 2008                    | ₩ 1,781,758      | ₩ 15,473,511       | ₩ (3,145,102)         | ₩ 1,087,503   | ₩ 630,941            | ₩ 15,828,611 |
| January 1, 2009                      | ₩ 1,781,758      | ₩ 15,473,511       | ₩ (3,145,102)         | ₩ 1,087,503   | ₩ 630,941            | ₩ 15,828,611 |
| Issuance of common stock             | 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 |

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 year ended December 31, 2009,  
and for the period from September 29, 2008 to December 31, 2008

KB Financial Group Inc.

(in millions of Korean won)

|  | 2009      | 2008      |
|--|-----------|-----------|
| Cash flows from operating activities   |           |           |
| Net income   | ₩ 539,818 | ₩ 611,927 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities |           |           |
| Loss on valuation of equity method investments   | 64,482    | 10,096    |
| Provision for severance benefits   | 1,780     | 347       |
| Share-based compensation   | 865       | 463       |
| Provision for possible loan losses   | -         | 1,000     |
| Depreciation and amortization  | 2,458     | 442       |
| Interest expense   | 784       | 24        |
| Gain on valuation of equity method investments   | (677,107) | (633,981) |
| Reversal of allowance for possible loan losses   | (150)     | -         |
| Gain on valuation of pension plan assets   | (154)     | (21)      |
|  | (607,042) | (621,630) |
| Changes in operating assets and liabilities  |           |           |
| Decrease in equity method investments due to dividend distribution                         | 98,200    | -         |
| Decrease (increase) in accounts receivable   | 2         | (2)       |
| Increase in accrued income   | (8,322)   | (1,225)   |
| Decrease (increase) in prepaid expenses  | 1,264     | (1,607)   |
| Decrease (increase) in other assets  | 198       | (236)     |
| Increase (decrease) in accounts payable  | (27)      | 226       |
| Increase in accrued expense  | 1,820     | 2,166     |
| Increase in deferred tax liabilities   | 2,903     | 167       |
| Payment of severance benefits  | (733)     | -         |
| Increase in accrued severance benefits   | 316       | 2,999     |
| Increase in pension plan asset   | (957)     | (2,165)   |
| Increase in withholding tax payables   | 32        | 171       |
| Increase in other liabilities  | 37        | -         |
|  | 94,733    | 494       |
| Net cash provided by (used in) operating activities  | 27,509    | (9,209)   |

# Non-Consolidated Statements of Cash Flows

For the year ended December 31, 2009,  
and for the period from September 29, 2008 to December 31, 2008

KB Financial Group Inc.

(in millions of Korean won)

|   | 2009      | 2008      |
|---|-----------|-----------|
| Cash flows from investing activities                            |           |           |
| Collection of loans   | 100,000   | -         |
| Acquisition of equity method investments                        | (376,091) | (500,000) |
| Loans granted   | (70,000)  | (200,000) |
| Acquisition of property and equipment                           | (213)     | (3,583)   |
| Acquisition of intangible assets                                | (1,249)   | (2,082)   |
| Increase in guarantee deposits                                  | (8,846)   | (13,825)  |
| Increase in restricted due from bank                            | -         | (3)       |
| Net cash used in investing activities                           | (356,399) | (719,493) |
| Cash flows from financing activities                            |           |           |
| Proceeds from borrowings  | 495,000   | 232,000   |
| Proceeds from debentures issued                                 | 299,066   | 498,548   |
| Proceeds from issuance of common stock,<br>net of issuance cost | 1,105,341 | -         |
| Repayment of borrowings   | (727,000) | -         |
| Net cash provided by financing activities                       | 1,172,407 | 730,548   |
| Net increase in cash and cash equivalents                       | 843,517   | 1,846     |
| Cash and cash equivalents (Note 18)                             |           |           |
| Beginning of period   | 1,846     | -         |
| End of period   | ₩ 845,363 | ₩ 1,846   |

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, 2009 and 2008

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 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, 2009, 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 shareholders as of December 31, 2009, are:

| Name of Shareholder      | Number of Shares Owned | Percentage of Ownership(%) |
|--------------------------|------------------------|----------------------------|
| National Pension Service | 20,046,217             | 5.19                       |
| ING Bank N.V., Amsterdam | 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, 2009, 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 depositary 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 1,197 domestic branches and offices and five overseas branches (excluding three subsidiaries and three offices) as of December 31, 2009.

# 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 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, 2009, 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. 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, 2009, is ₩ 156,000 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, 2009, 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 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 Joeeun Real Estate Trust Inc. The 25 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, 2009, 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, 2009, 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, 2009, 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, 2009, 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, 2009, is ₩ 8,000 million.

The percentage of ownership in subsidiaries as of December 31, 2009, 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.                  | 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       |
| Kookmin Bank                         | KB Data Systems Co., Ltd.                    | 800,000          | 100.00       |
|                                      | 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       |
| KB Investment & Securities Co., Ltd. | Kookmin Bank Hong Kong Ltd.                  | 2,000,000        | 100.00       |
|                                      | KB Investment & Securities Hong Kong Limited | 2,000,000        | 100.00       |
| KB Investment Co., Ltd.              | KB-Glenwood Private Equity Fund 1 *1)        | 1                | 0.03         |
|                                      | NPS-KBIC Private Equity Fund No.1            | 4,510,720,000    | 2.56         |
|                                      | Burrill-KB Life Sciences Fund *2)            | -                | -            |

\*1) KB-Glenwood Private Equity Fund 1 was established on October 23, 2009, and KB Investment & Securities Co., Ltd., is involved in the management as a general partner.

\*2) KB Investment Co., Ltd. participates in the management of Burrill-KB Life Sciences Fund as a general partner and has committed to invest up to 38.57% of the total interest. KB Investment Co., Ltd. has not yet made any investment as of December 31, 2009, since Burrill-KB Life Sciences Fund was just established on August 31, 2009.

The percentage of ownership in subsidiaries as of December 31, 2008, 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 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.                      | 47,407,671       | 13.30        |
|                                      | KB Life Insurance Co., Ltd.                  | 15,912,000       | 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 | 999,999          | 99.99        |
| KB Investment Co., Ltd.              | NPS-KBIC Private Equity Fund No.1            | 4,510,720,000    | 2.56         |

# Notes to Non-Consolidated Financial Statements

## 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 for the year ended December 31, 2009. 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 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 is 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.

### 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 equitysettled 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.

# Notes to Non-Consolidated Financial Statements

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.

## 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, 2009 and 2008, are as follows: (in millions of Korean won)

|               | Bank         | Interest Rate(%)        |   | 2009    | 2008    |
|---------------|--------------|-------------------------|---|---------|---------|
|               |              | as of December 31, 2009 |   |         |         |
| Due from bank | Kookmin Bank | 2.10~3.35               | ₩ | 845,366 | ₩ 1,849 |

Restricted cash and due from bank as of December 31, 2009 and 2008, are as follows: (in millions of Korean won)

|                      | 2009 | 2008 | Restriction        |
|----------------------|------|------|--------------------|
| Due from Bank in won | ₩ 3  | ₩ 3  | Guarantee deposits |

## 4. Equity Method Investments

Equity method investments as of December 31, 2009, are as follows: (in millions of Korean won)

| Investees                            | Number of Shares | Ownership(%) | 2009             |              |
|--------------------------------------|------------------|--------------|------------------|--------------|
|                                      |                  |              | Acquisition Cost | Book Value   |
| Kookmin Bank*1)                      | 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.*2)       | 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 |

\*1) The acquisition cost of Kookmin Bank includes the additional investment of ₩ 300,000 million during the year ended December 31, 2009.

\*2) 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.



Equity method investments as of December 31, 2008, were as follows:

(in millions of Korean won)

| Investees                            | Number of Shares | Ownership(%) | 2008             |              |
|--------------------------------------|------------------|--------------|------------------|--------------|
|                                      |                  |              | Acquisition Cost | Book Value   |
| Kookmin Bank*1)                      | 496,379,116      | 100.00       | ₩ 12,727,020     | ₩ 15,506,919 |
| KB Investment & Securities Co., Ltd. | 15,600,000       | 100.00       | 418,331          | 419,267      |
| KB Asset Management Co., Ltd.        | 7,667,550        | 100.00       | 101,961          | 116,458      |
| KB Real Estate Trust Co., Ltd.       | 16,000,000       | 100.00       | 107,643          | 97,469       |
| KB Investment Co., Ltd.              | 8,951,797        | 100.00       | 104,741          | 103,788      |
| KB Futures Co., Ltd.                 | 4,000,000        | 100.00       | 35,734           | 38,206       |
| KB Credit Information Co., Ltd.      | 1,252,400        | 100.00       | 42,721           | 44,488       |
| KB Data Systems Co., Ltd.            | 800,000          | 100.00       | 16,698           | 18,457       |
|                                      |                  |              | ₩ 13,554,849     | ₩ 16,345,052 |

\*1) The acquisition cost of Kookmin Bank includes the additional investment of ₩ 500,000 million during the period from September 29, 2008 to December 31, 2008.

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

(in millions of Korean won)

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

The changes in the difference between the acquisition cost of investment and the amount of the underlying equity in investee's net assets as of December 31, 2008, were as follows:

(in millions of Korean won)

|                                      | Beginning Balance | Increase(Decrease) | Amortization | Ending Balance |
|--------------------------------------|-------------------|--------------------|--------------|----------------|
| KB Investment & Securities Co., Ltd. | ₩ 104,448         | ₩ -                | ₩ 11,394     | ₩ 93,054       |

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

(in millions of Korean won)

| Investees                            | Beginning Balance | Acquisition Cost | Dividends | Valuation under Equity Method |  |                    |  | Ending Balance |
|--------------------------------------|-------------------|------------------|-----------|-------------------------------|--|--------------------|--|----------------|
|                                      |                   |                  |           | Retained Earnings             | Gain(Loss) on Valuation of Equity Method Investments | Capital Adjustment | Accumulated Other Comprehensive Income(loss) |                |
| Kookmin Bank*1)                      | ₩ 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.*2)       | -                 | 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 Cost | Dividends  | Valuation under Equity Method |  |                    |  | Ending Balance |
|---------------------------------|-------------------|------------------|------------|-------------------------------|--|--------------------|--|----------------|
|                                 |                   |                  |            | Retained Earnings             | Gain(Loss) on Valuation of Equity Method Investments | Capital Adjustment | Accumulated Other Comprehensive Income(loss) |                |
| 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    |

\*1) 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 accounted for as capital adjustment in the Company's statement of financial position.

\*2) The changes in equity method investment due to net income and changes in accumulated other comprehensive income of KB Life Insurance Co., Ltd. represent amounts for the nine-month period ended December 31, 2009.

Changes in equity method investments resulting from equity method valuation for the period from July 1, 2008 to December 31, 2008, were as follows:

(in millions of Korean won)

| Investees                            | Beginning Balance | Acquisition Cost | Dividends | Valuation under Equity Method |  |                    |  | Ending Balance |
|--------------------------------------|-------------------|------------------|-----------|-------------------------------|--|--------------------|--|----------------|
|                                      |                   |                  |           | Retained Earnings             | Gain(Loss) on Valuation of Equity Method Investments | Capital Adjustment | Accumulated Other Comprehensive Income(loss) |                |
| Kookmin Bank*1), *2)                 | ₩ 12,227,020      | ₩ 500,000        | ₩ 18,880  | ₩ 605,507                     | ₩ (1,835)  | ₩ 1,062,996        | ₩ 1,094,351                                  | ₩ 15,506,919   |
| KB Investment & Securities Co., Ltd. | 418,331           | -                | -         | 6,361                         | -  | -                  | (5,425)                                      | 419,267        |
| KB Asset Management Co., Ltd.        | 101,961           | -                | -         | 14,504                        | -  | -                  | (7)  | 116,458        |
| KB Real Estate Trust Co., Ltd.       | 107,643           | -                | -         | (10,096)                      | -  | -                  | (78)   | 97,469         |
| KB Investment Co., Ltd.              | 104,741           | -                | 134       | 859                           | -  | -                  | (1,946)                                      | 103,788        |
| KB Futures Co., Ltd.                 | 35,734            | -                | -         | 3,224                         | -  | -                  | (752)  | 38,206         |
| KB Credit Information Co., Ltd.      | 42,721            | -                | -         | 1,767                         | -  | -                  | -  | 44,488         |
| KB Data Systems Co., Ltd.            | 16,698            | -                | -         | 1,759                         | -  | -                  | -  | 18,457         |
|                                      | ₩ 13,054,849      | ₩ 500,000        | ₩ 19,014  | ₩ 623,885                     | ₩ (1,835)  | ₩ 1,062,996        | ₩ 1,086,143                                  | ₩16,345,052    |

\*1) The beginning and ending balances of the investment in Kookmin Bank were net of ₩ 4,208,098 million and ₩ 2,710,349 million, respectively. These amounts represent the Company's issued shares owned by Kookmin Bank and are accounted for as capital adjustment in the Company's statement of financial position.

\*2) As Kookmin Bank elected to revalue its land, it recorded the land's revalued amount as of December 31, 2008. Due to this accounting change, a gain on revaluation of ₩ 893,856 million, net of tax, was credited to accumulated other comprehensive income, while a loss on revaluation of ₩ 40,344 million, net of tax, was included in gain (loss) on valuation of equity method investments.

The subsidiaries' audited or reviewed financial statements as of December 31, 2009, were used in the application of the equity method. Financial information of above subsidiaries is disclosed in Notes 20 and 21.

Unrealized gain and loss as of December 31, 2009 and 2008, are listed below:

(in millions of Korean won)

|                                      | 2009            |                 | 2008            |                 |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                      | Unrealized Loss | Unrealized Gain | Unrealized Loss | Unrealized Gain |
|                                      | ₩               | ₩               | ₩               | ₩               |
|                                      | -               | (82,600)        | 281             | (88,356)        |
| Kookmin Bank                         | 502             | (432)           | 1,000           | (592)           |
| KB Investment & Securities Co., Ltd. | 250             | -               | -               | -               |
| KB Real Estate Trust Co., Ltd.       | 100             | -               | -               | -               |
| KB Investment Co., Ltd.              | 15              | -               | 20              | -               |
| KB Credit Information Co., Ltd.      | 36              | (10,508)        | 66              | (8,148)         |
| KB Data Systems Co., Ltd.            | ₩ 903           | ₩ (93,540)      | ₩ 1,367         | ₩ (97,096)      |

## 5. Loans Receivable

Loans receivable as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

|                           | Debtors                                 | Interest Rate (%)  | 2009      | 2008      |
|---------------------------|---|--------------------|-----------|-----------|
|                           |   | as of 12. 31. 2009 |           |           |
| General loans in won      | KB Real Estate Trust Co., Ltd.          | 5.11               | ₩ 50,000  | ₩ -       |
|                           | KB Investment Co., Ltd.                 | 5.06               | 20,000    | -         |
|                           | KB KB Investment & Securities Co., Ltd. | -                  | -         | 100,000   |
| Subordinated loans in won | KB KB Investment & Securities Co., Ltd. | 6.29               | 100,000   | 100,000   |
|                           |   |                    | ₩ 170,000 | ₩ 200,000 |

The maturities of loans receivable as of December 31, 2009, are as follows:

(in millions of Korean won)

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

The maturities of loans as of December 31, 2008, were as follows:

(in millions of Korean won)

|              | 3 Months  | 4~6 Months | 7~12 Months | 1~3 Years | 3 Years   | Total     |
|--------------|-----------|------------|-------------|-----------|-----------|-----------|
| Loans in won | ₩ 100,000 | ₩ -        | ₩ -         | ₩ -       | ₩ 100,000 | ₩ 200,000 |

The provision ratios for possible loan losses as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

|                              | 2009      | 2008      |
|------------------------------|-----------|-----------|
| Loans subjected to provision | ₩ 170,000 | ₩ 200,000 |
| Allowance for loan losses    | 850       | 1,000     |
| Provision ratio (%)          | 0.5       | 0.5       |

The changes in loans receivable subjected to provision for possible losses for the year ended December 31, 2009, and for the period from September 29, 2008 to December 31, 2008, are as follows:

(in millions of Korean won)

|  | 2009    | 2008    |
|--|---------|---------|
| Beginning balance                      | ₩ 1,000 | ₩ -     |
| Provision for possible loan losses     | -       | 1,000   |
| Reversal of allowance for loans losses | 150     | -       |
| Ending balance                         | ₩ 850   | ₩ 1,000 |

# Notes to Non-Consolidated Financial Statements

## 6. Property and Equipment

The book values of property and equipment as of December 31, 2009 and 2008, are computed as follows: (in millions of Korean won)

|                        | 2009             |                          |                | 2008             |                          |                |
|------------------------|------------------|--------------------------|----------------|------------------|--------------------------|----------------|
|                        | Acquisition Cost | Accumulated Depreciation | Net Book Value | Acquisition Cost | Accumulated Depreciation | Net Book Value |
| Property and equipment | ₩ 3,796          | ₩ 2,078                  | ₩ 1,718        | ₩ 3,583          | ₩ 369                    | ₩ 3,214        |

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

|                        | Beginning Balance | Acquisition | Disposal | Depreciation | Ending Balance |
|------------------------|-------------------|-------------|----------|--------------|----------------|
| Property and equipment | ₩ 3,214           | ₩ 213       | ₩ -      | ₩ 1,709      | ₩ 1,718        |

The changes in property and equipment for the period from September 29, 2008 to December 31, 2008, were as follows:

(in millions of Korean won)

|                        | Beginning Balance | Acquisition | Disposal | Depreciation | Ending Balance |
|------------------------|-------------------|-------------|----------|--------------|----------------|
| Property and equipment | ₩ -               | ₩ 3,583     | ₩ -      | ₩ 369        | ₩ 3,214        |

Property and equipment insured as of December 31, 2009, are as follows:

(in millions of Korean won)

|                   | Asset Insured          | Insurance Coverage | Insurance Company                         |
|-------------------|------------------------|--------------------|---|
| Package insurance | Property and equipment | ₩ 3,796            | Samsung Fire & Marine Insurance Co., Ltd. |

## 7. Intangible Assets

The book values of intangible assets as of December 31, 2009 and 2008, are computed as follows:

(in millions of Korean won)

|                        | 2009             |                          |                | 2008             |                          |                |
|------------------------|------------------|--------------------------|----------------|------------------|--------------------------|----------------|
|                        | Acquisition Cost | Accumulated Amortization | Net Book Value | Acquisition Cost | Accumulated Amortization | Net Book Value |
| Software               | ₩ 1,568          | ₩ 443                    | ₩ 1,125        | ₩ 1,448          | ₩ 60                     | ₩ 1,388        |
| Other intangible asset | 1,763            | 379                      | 1,384          | 634              | 13                       | 621            |
|                        | ₩ 3,331          | ₩ 822                    | ₩ 2,509        | ₩ 2,082          | ₩ 73                     | ₩ 2,009        |

The changes in intangible assets for the year ended December 31, 2009, are 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        |

The changes in intangible assets for the period from September 29, 2008 to December 31, 2008, were as follows:

(in millions of Korean won)

|                         | Beginning Balance | Acquisition | Amortization | Ending Balance |
|-------------------------|-------------------|-------------|--------------|----------------|
| Software                | ₩ -               | ₩ 1,448     | ₩ 60         | ₩ 1,388        |
| Other intangible assets | -                 | 634         | 13           | 621            |
|                         | ₩ -               | ₩ 2,082     | ₩ 73         | ₩ 2,009        |

## 8. Borrowings

Borrowings as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

|                   | Lender     | Date of Borrowing | Maturity Date | Interest Rate (%) |   | 2009 | 2008      |
|-------------------|------------|-------------------|---------------|-------------------|---|------|-----------|
|                   |            |                   |               | as of 2009.12.31  |   |      |           |
| Borrowings in won | Hana Bank  | 2008.09.29        | 2009.06.09    | -                 | ₩ | -    | ₩ 10,000  |
|                   | Woori Bank | 2008.12.16        | 2009.06.09    | -                 |   | -    | 100,000   |
|                   | Woori Bank | 2008.11.26        | 2009.03.31    | -                 |   | -    | 20,000    |
|                   |            |                   |               |                   |   | -    | 130,000   |
| Other borrowings  | -          | 2008.12.19        | 2009.03.19    | -                 |   | -    | 102,000   |
| Total             |            |                   |               |                   | ₩ | -    | ₩ 232,000 |

Debentures issued by the Company as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

|                                 | Date of Borrowing | Maturity Date | Interest Rate (%) |   | 2009    | 2008      |
|---------------------------------|-------------------|---------------|-------------------|---|---------|-----------|
|                                 |                   |               | as of 2009.12.31  |   |         |           |
| Unguaranteed debentures No. 1   | 2008.12.12        | 2011.12.12    | 7.48              | ₩ | 500,000 | ₩ 500,000 |
| Unguaranteed debentures No. 2-1 | 2009.03.20        | 2011.03.20    | 4.98              |   | 250,000 | -         |
| Unguaranteed debentures No. 2-2 | 2009.03.20        | 2012.03.20    | 5.30              |   | 50,000  | -         |
|                                 |                   |               |                   |   | 800,000 | 500,000   |
| Less: Discounts on debentures   |                   |               |                   |   | (1,579) | (1,428)   |
|                                 |                   |               |                   | ₩ | 798,421 | ₩ 498,572 |

The maturities of borrowings as of December 31, 2009, are as follows:

(in millions of Korean won)

|            | 3 Months | 4~6 Months | 7~12 Months | 1~3 Years | Total     |
|------------|----------|------------|-------------|-----------|-----------|
| Debentures | -        | -          | -           | ₩ 800,000 | ₩ 800,000 |

The maturities of the borrowings as of December 31, 2008, were as follows:

(in millions of Korean won)

|                   | 3 Months  | 4~6 Months | 7~12 Months | 1~3 Years | Total     |
|-------------------|-----------|------------|-------------|-----------|-----------|
| Borrowings in won | ₩ -       | ₩ -        | ₩ 130,000   | ₩ -       | ₩ 130,000 |
| Other borrowings  | 102,000   | -          | -           | -         | 102,000   |
| Debentures        | -         | -          | -           | 500,000   | 500,000   |
|                   | ₩ 102,000 | ₩ -        | ₩ 130,000   | ₩ 500,000 | ₩ 732,000 |

## 9. Accrued Severance Benefits

The changes in accrued severance benefits for the year ended December 31, 2009, and the period from September 29, 2008 to December 31, 2008, are summarized as follows:

# Notes to Non-Consolidated Financial Statements

(in millions of Korean won)

|                                   |   | 2009    |   | 2008    |
|-----------------------------------|---|---------|---|---------|
| Beginning balances                | ₩ | 3,346   | ₩ | -       |
| Transferred from subsidiaries *1) |   | 316     |   | 2,999   |
| Provision                         |   | 1,780   |   | 347     |
| Payment                           |   | (733)   |   | -       |
| Accrued severance benefits        |   | 4,709   |   | 3,346   |
| Less: Pension plan assets         |   | (3,296) |   | (2,185) |
|                                   | ₩ | 1,413   | ₩ | 1,161   |

\*1) For the year ended December 31, 2009, and for the period from September 29, 2008 to December 31, 2008, accrued severance benefits of ₩ 316 million and ₩ 2,999 million, respectively, under the regulation on retirement benefits were transferred from subsidiaries where the employees have been previously employed. Accordingly, pension plan assets amounting ₩ 154 million and ₩ 1,727 million were also transferred from subsidiaries along with accrued severance benefits.

Details of pension plan assets as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

|                           |   | 2009  |   | 2008  |
|---------------------------|---|-------|---|-------|
| Cash and cash equivalents | ₩ | 1,046 | ₩ | 438   |
| Time deposits             |   | 2,250 |   | 1,747 |
| Total                     | ₩ | 3,296 | ₩ | 2,185 |

## 10. Capital Stock

Details of capital stock as of December 31, 2009 and 2008, are as follows:

|                             |   | 2009          |   | 2008          |
|-----------------------------|---|---------------|---|---------------|
| Number of shares authorized |   | 1,000,000,000 |   | 1,000,000,000 |
| Par value per share         | ₩ | 5,00          | ₩ | 5,000         |
| Number of shares issued *1) |   | 386,351,693   |   | 356,351,693   |

\*1) The Company, as approved by the Board of Directors on July 10, 2009, issued 30 million common shares at ₩ 37,250 per share to raise capital. Accordingly, the issued capital was received on September 1, 2009.

## 11. 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.

## 12. 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.



### 13. Dividend

The details of distribution of dividend for the year ended December 31, 2009, are as follows:

|  | 2009              |
|--|-------------------|
| Number of issued common shares                           | 386,351,693shares |
| Number of shares excluded for dividend: common share *1) | 43,322,704shares  |
| Number of shares eligible for dividends: common share    | 343,028,989shares |
| Dividend rate  | 4.60%             |
| Dividend amount  | ₩ 78,896,667,470  |
| Dividend payout ratio (Dividends/Net income)             | 14.62%            |
| Dividend yield ratio (Dividend per share/Market price)   | 0.39%             |

\*1) Treasury shares owned by subsidiaries are excluded from dividend distribution.

### 14. Share-Based Payments

Share-based payment plan for executives and employees of the Company for the year ended December 31, 2009, is as follows:

|             |                |            |                 | (in number of shares)   |
|-------------|----------------|------------|-----------------|---|
|             | Grant Date     | Maximum    | Grant Condition |   |
| Stock Grant | 1st Series *2) | 2008.09.29 | 60,102          | Services fulfillment  |
|             |                |            |                 | Achievements of targets on the basis of market and non-market performance *1) |
|             | 2nd Series *3) | 2009.03.27 | 4,630           | Service fulfillment   |
|             |                |            | 64,732          |   |

\*1) In order to exercise their stock grants, at least three years of service as vesting period are required for executive directors, while the fulfillment of their remaining contracted service period is required for non-executive directors. The 40% of the shares to be granted will be based on the achievement of the targeted relative TSR ratio, while another 40% will be based on the achievement of the targeted relative EPS ratio. The remaining 20% will depend on the Company's growth and on the evaluation of three-year trend on return on asset ratios. However, some of total granted shares will be compensated regardless of the above achievements as long as service requirement is fulfilled.

\*2) The number of shares to be compensated is 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.

\*3) The number shares to be exercised among granted shares will be decided depending on the service fulfillment.

The maximum number of total granted shares is determined on the contract date, and the number of shares to be compensated is determined by the achievements of the targets. The Company may settle the payment by either cash or equity.

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) |
|------------|----------------------------------|--------------------|--|--|
| Series 1-1 | 1.74                             | 3.83%              | ₩ 39,914                                 | ₩ 60,945                                     |
| Series 1-2 | 2.00                             | 3.95%              | 36,009                                   | 60,015                                       |
| Series 1-3 | 0.22                             | 3.48%              | -  | 59,688                                       |
| Series 1-4 | 1.21                             | 3.58%              | -  | 60,757                                       |
| Series 1-5 | 0.83                             | 3.48%              | -  | 59,932                                       |
| Series 2-1 | 1.21                             | 3.58%              | -  | 60,044                                       |
| Series 2-2 | 0.23                             | 3.48%              | -  | 59,772                                       |
| Series 2-3 | 2.24                             | 4.05%              | -  | 61,187                                       |

# Notes to Non-Consolidated Financial Statements

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 of December 31, 2009, 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.

The changes in number of granted shares for the year ended December 31, 2009, are as follows: (in number of shares)

|             | Beginning | Granted | Exercise | Expired *1) | Ending | Remaining Period to Maturity |
|-------------|-----------|---------|----------|-------------|--------|------------------------------|
| Stock grant | 180,020   | 5,347   | 733      | 119,902     | 64,732 | 1.46 years                   |

\*1) Stock grant decreased by 63,122 shares as executives and employees voluntarily returned their existing shares, while a decrease of 53,118 shares as due to the retirement of certain executives and employees. It also decreased by 3,662 shares due to the pre-conversion adjustment to the holding company.

Accrued expense of ₩ 1,324 million is recorded as share-based compensation during the year ended December 31, 2009. Accordingly, ₩ 885 million of the compensated amount is accounted for as salaries under selling and administrative expense.

## 15. Income Tax

Income tax expense for the year ended December 31, 2009, and for the period from September 29, 2008 to December 31, 2008, consists of: (in millions of Korean won)

|  | 2009    | 2008    |
|--|---------|---------|
| Current income taxes   | ₩ -     | ₩ -     |
| Changes in deferred income taxes due to temporary differences          | 1,598   | 4,649   |
| Income tax liabilities directly charged to the shareholders' equity *) | 1,305   | (4,482) |
| Income tax expense   | ₩ 2,903 | ₩ 167   |

\*) Income tax liabilities directly charged to the shareholders' equity as of December 31, 2009, and 2008, are as follows: (in millions of Korean won)

|  | 2009    | 2008      |
|--|---------|-----------|
| Additionally paid-in capital   | ₩ -     | ₩ (5,842) |
| Changes in equity method investments- capital adjustment                             | 1,896   | -         |
| Loss on valuation of equity method investmentsaccumulated other comprehensive income | (1,657) | -         |
| Gain on valuation of equity method investmentsaccumulated other comprehensive income | 1,066   | 1,360     |
| Total  | ₩ 1,305 | ₩ (4,482) |

The reconciliation between income tax expense and income before income tax for the year ended December 31, 2009, and the period from September 29, 2008 to December 31, 2008, follows: (in millions of Korean won)

|  | 2009      | 2008      |
|--|-----------|-----------|
| Income before income tax   | ₩ 542,721 | ₩ 612,094 |
| Income tax imposed at the statutory rate                               | ₩ 131,339 | ₩ 168,326 |
| Adjustments  |           |           |
| Non-deductible expense   | 241       | 90        |
| Exclusion of deferred income tax from equity method investments        | (145,443) | (171,360) |
| Exclusion of deferred income tax from net operating loss carryforwards | 16,346    | 3,153     |
| Others   | 420       | (42)      |
| Income tax expense   | ₩ 2,903   | ₩ 167     |
| Effective tax rate (%)   | 0.53      | 0.03      |

The changes in accumulated temporary differences for the year ended December 31, 2009, and deferred income tax assets (liabilities) as of December 31, 2009 and 2008, are as follows: (in millions of Korean won)

|   | Temporary Difference |            |             |             | Deferred Income Tax Assets (Liabilities) |           |
|---|----------------------|------------|-------------|-------------|--|-----------|
|   | Beginning            | Increase   | Decrease    | Ending      | 2009 *1)                                 | 2008      |
| Equity method investments                                     | (1,391,338)          | (98,200)   | (989,179)   | (500,359)   | (110,079)                                | (306,094) |
| Accrued severance benefits                                    | 2,180                | 1,363      | 248         | 3,295       | 725                                      | 480       |
| Severance insurance deposits                                  | (2,180)              | (1,363)    | (248)       | (3,295)     | (725)                                    | (480)     |
| Share-based compensation                                      | 463                  | 885        | 24          | 1,324       | 291                                      | -         |
| Net operating loss carryforwards                              | 11,466               | 67,548     | -           | 79,014      | 17,383                                   | 2,523     |
|   | ₩ (1,379,409)        | ₩ (29,767) | ₩ (989,155) | ₩ (420,021) | (92,405)                                 | (303,571) |
| Unrealizable deferred income tax assets (liabilities) *1),*2) |                      |            |             |             | (98,652)                                 | (308,220) |
| Net deferred income tax liabilities                           |                      |            |             |             | ₩ (6,247)                                | ₩ (4,649) |

\*1) Tax effects from equity method valuation are 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 are recognized as deferred tax liabilities as of December 31, 2009.

\*2) As of December 31, 2009, net operating loss carryforwards and other deductible temporary differences are not expected to be realized in the future; therefore, they are not recognized as deferred income tax assets.

The changes in accumulated temporary differences for the period from September 29, 2008 to December 31, 2008, and deferred income tax assets (liabilities) as of December 31, 2008, are as follows: (in millions of Korean won)

|   | Temporary Difference |               |          |               | Deferred Income Tax Assets (Liabilities) |      |
|---|----------------------|---------------|----------|---------------|--|------|
|   | Beginning            | Increase      | Decrease | Ending        | 2009 *1)                                 | 2008 |
| Equity method investments                                     | ₩ -                  | ₩ (1,391,338) | ₩ -      | ₩ (1,391,338) | ₩ (306,094)                              | ₩ -  |
| Accrued severance benefits                                    | -                    | 2,180         | -        | 2,180         | 480                                      | -    |
| Severance insurance deposits                                  | -                    | (2,180)       | -        | (2,180)       | (480)                                    | -    |
| Share-based compensation                                      | -                    | 463           | -        | 463           | -  | -    |
| Net operating loss carryforwards                              | -                    | 11,466        | -        | 11,466        | 2,523                                    | -    |
|   | ₩ -                  | ₩ (1,379,409) | ₩ -      | ₩ (1,379,409) | (303,571)                                | -    |
| Unrealizable deferred income tax assets (liabilities) *1),*2) |                      |               |          |               | (308,220)                                | -    |
| Net deferred income tax liabilities                           |                      |               |          |               | ₩ (4,649)                                | ₩ -  |

\*1) Tax effects from equity method valuation are estimated based on each subsidiary's taxable amount subject to deferred tax and its realization. The temporary differences of ₩ 4,649 million arising from the equity method valuation are recognized as deferred tax liabilities as of December 31, 2008.

\*2) As of December 31, 2008, net operating loss carryforwards and other deductible temporary differences were not expected to be realized in the future; therefore, they were not recognized as deferred income tax assets.

The tax effect of cumulative temporary difference was calculated based on future tax rate of the fiscal year when temporary differences are expected to reverse. For the year ended December 31, 2009, the 24.2% and 22% tax rates are used for temporary difference expected to reverse from year 2010 to year 2011 and thereafter, respectively. As a result, deferred tax liabilities increased by ₩ 37 million compared to the amount calculated using the previous tax rate of 22%.

## 16. Earnings Per Share

Basic earnings per shares for the year ended December 31, 2009 and for the period from September 29, 2008 to December 31, 2008, are calculated as follows:

# Notes to Non-Consolidated Financial Statements

(in Korean won and in number of shares)

|  | 2009              | 2008 *2)          |
|--|-------------------|-------------------|
| Net income *1)                                       | ₩ 539,818,164,108 | ₩ 611,926,551,438 |
| Weighted-average number of common shares outstanding | 325,406,414       | 294,531,780       |
| Basic earnings per share                             | ₩ 1,659           | ₩ 2,078           |

\*1) Earnings available for common shareholders is the same as net income.

\*2) The effect from common shares deemed to have been issued free to existing shareholders retroactively adjusted the prior period's weighted average number of common shares outstanding.

The weighted average number of common shares outstanding as of December 31, 2009, is 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 *1)  | (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 *2) | 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        |

The weighted average number of common shares outstanding for the period from September 29, 2008 to December 31, 2008, is computed as follows: (in number of shares)

|  | Number of Shares | Days Outstanding | Outstanding Shares |
|--|------------------|------------------|--------------------|
| Beginning  | 356,351,693      | 94               | 33,497,059,142     |
| Treasury shares *1)  | (73,607,601)     | 94               | (6,919,114,494)    |
| Retirement of treasury shares  | 11,848,340       | 20               | 236,966,800        |
| Retirement of treasury shares  | 12,569,832       | 10               | 125,698,320        |
| Retirement of treasury shares  | 1,781,758        | 6                | 10,690,548         |
| Common shares deemed to have been issued free to existing shareholders *2) | 7,815,819        | 94               | 734,686,986        |
| Total outstanding shares (1)   |                  |                  | 27,685,987,302     |
| In number of days(2)   |                  | 94               |                    |
| Weighted average number of shares outstanding (1/2)                        |                  |                  | 294,531,780        |

\*1) Weighted average number of common shares outstanding is calculated accounting for the shares owned by subsidiaries as treasury stock.

\*2) The common shares deemed to have been issued free to existing shareholders were considered in the computation of weighted average number of common shares outstanding.

The amounts of basic and diluted earnings per share for the prior period were retroactively adjusted from ₩ 2,134 per share to ₩ 2,078 per share, because the weighted average number of common shares increased as a result of common shares, which are deemed to have been issued free to existing shareholders, increased.

Basic earnings per share for the year ended December 31, 2009 and for the period from September 29, 2008 to December 31, 2008, 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, 2009, due to the antidilutive effect, but may result in the dilution of earnings per share in the future, follows:

(in number of shares)

|             | 2009 *) |
|-------------|---------|
| Stock Grant | 389,246 |

\*) The number of granted shares for employees and executives of Kookmin Bank, one of the subsidiaries of the Company, is included in the total number of stock grants.

## 17. Comprehensive Income

Comprehensive income for the year ended December 31, 2009, and for the period from September 29, 2008 to December 31, 2008, consists of:

(in millions of Korean won)

|   | 2009      | 2008        |
|---|-----------|-------------|
| Net income  | ₩ 539,818 | ₩ 611,927   |
| Accumulated other comprehensive income  |           |             |
| Gain on valuation of equity method investment,<br>net of tax effect ₩ (-) 1,657 million (2008: Nil)         | 141,268   | 1,094,351   |
| Loss on valuation of equity method investment,<br>net of tax effect ₩ 1,066 million (2008: ₩ 1,360 million) | 3,508     | (6,848)     |
| Comprehensive income  | ₩ 684,594 | ₩ 1,699,430 |

## 18. Supplemental Cash Flows Information

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

Significant transactions not involving cash inflows or outflows for the year ended December 31, 2009, and for the period from September 29, 2008 to December 31, 2008, are as follows:

(in millions of Korean won)

|   | 2009    | 2008         |
|---|---------|--------------|
| Increase in investment securities due to share transfer                       | ₩ -     | ₩ 13,054,849 |
| Changes in capital adjustment due to valuation of equity method investments   | 226,112 | 1,062,996    |
| Changes in comprehensive income due to valuation of equity method investments | 144,776 | 1,087,503    |
| Changes in retained earnings due to equity method investments                 | 6,972   | 19,014       |

## 19. Related Party Transactions

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

As of December 31, 2009 and 2008, the ownerships in associates over which the Company has significant influence through its subsidiaries are as follows:

| Investors    | Investees                      | 2009             |               | 2008             |               |
|--------------|--------------------------------|------------------|---------------|------------------|---------------|
|              |                                | Number of Shares | Ownership (%) | Number of Shares | Ownership (%) |
| Kookmin Bank | KLB Securities Co., Ltd. *1)   | 4,854,713        | 36.41         | 4,854,713        | 36.41         |
|              | Joeeun Industrial Co., Ltd.*1) | 1,999,910        | 99.99         | 1,999,910        | 99.99         |
|              | Balhae Infrastructure Fund     | 10,853,607       | 12.61         | 10,310,869       | 12.61         |

# Notes to Non-Consolidated Financial Statements

| Investors                                | Investees                                | 2009             |               | 2008             |               |
|--|--|------------------|---------------|------------------|---------------|
|  |  | Number of Shares | Ownership (%) | Number of Shares | Ownership (%) |
| Kookmin Bank                             | Korea Credit Bureau Co., Ltd.            | 180,000          | 9.00          | 180,000          | 9.00          |
|  | UAMCO., Ltd.                             | 12,250           | 17.50         | -                | -             |
|  | KookminBank Singapore Ltd.*3)            | -                | -             | 30,000,000       | 100.00        |
|  | Kookmin Finance Asia Ltd.(HK)*3)         | -                | -             | 700,000          | 100.00        |
|  | JSC Bank CenterCredit                    | 44,136,676       | 30.52         | 44,136,676       | 30.55         |
|  | KB06-1 Venture Partnership Fund          | 200              | 50.00         | 200              | 50.00         |
|  | KB08-1 Venture Partnership Fund          | 400              | 66.67         | 100              | 66.67         |
| KB Investment                            | KB06-1 Venture Partnership Fund          | 100              | 25.00         | 100              | 25.00         |
|  | KB08-1 Venture Partnership Fund          | 200              | 33.33         | 50               | 33.33         |
|  | Kookmin Investment Partnership No.16 *2) | 177.2            | 20.00         | 184              | 20.00         |
|  | Kookmin China Fund No.1 *3)              | -                | -             | 13               | 50.00         |
|  | KTTC-Kookmin Venture Fund No.1 *3)       | -                | -             | 200              | 20.00         |
|  | KB 03-1 Venture Fund *3)                 | -                | -             | 125              | 16.67         |
|  | 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                     | 20               | 33.33         | -                | -             |
|  | KB 03-1 Corporate Restructuring Fund*3)  | -                | -             | 41               | 29.00         |
| KB 06-1 Corporate Restructuring Fund*2)  | 12                                       | 5.38             | 12            | 5.38             |               |
| NPS 06-5 KB Corporate Restructuring Fund | 2,280,000,000                            | 13.57            | 4,750,000,000 | 13.57            |               |

\*1) Under the process of filing bankruptcy as of December 31, 2009.

\*2) Under liquidation as of December 31, 2009.

\*3) Liquidation was completed as of December 31, 2009.

Revenues earned and expenses incurred from the significant transactions between the Company and its subsidiaries for the year ended December 31, 2009, are as follows:

(in millions of Korean won)

| Revenues                | Expenses                            | Accounts         |                            |       | Total    |
|-------------------------|-------------------------------------|------------------|----------------------------|-------|----------|
|                         |                                     | Interest on Loan | Interest on Due from Banks | Rent  |          |
| 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 |

Revenues earned and expenses incurred from the significant transactions between the Company and its subsidiaries for the period from September 29, 2008 to December 31, 2008, were as follows:

(in millions of Korean won)

| Revenues                | Expenses                            | Accounts         |                            |       | Total   |
|-------------------------|-------------------------------------|------------------|----------------------------|-------|---------|
|                         |                                     | Interest on Loan | Interest on Due from Banks | Rent  |         |
| KB Financial Group Inc. | Kookmin Bank                        | ₩ -              | ₩ 689                      | ₩ -   | ₩ 689   |
|                         | KB Investment & Securities Co.,Ltd. | 598              | -                          | -     | 598     |
| Kookmin Bank            | KB Financial Group Inc.             | -                | -                          | 137   | 137     |
|                         |                                     | ₩ 598            | ₩ 689                      | ₩ 137 | ₩ 1,424 |



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

| Creditor                | Debtor                               | Accounts  |               |                   | Total       |
|-------------------------|--------------------------------------|-----------|---------------|-------------------|-------------|
|                         |                                      | Loans     | Due from Bank | Guarantee Deposit |             |
| 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, 2008, were as follows: (in million of Korean won)

| Creditor                | Debtor                               | Accounts  |               |                   | Total     |
|-------------------------|--------------------------------------|-----------|---------------|-------------------|-----------|
|                         |                                      | Loans     | Due from Bank | Guarantee Deposit |           |
| KB Financial Group Inc. | Kookmin Bank                         | ₩ -       | ₩ 1,849       | ₩ 13,129          | ₩ 14,978  |
|                         | KB Investment & Securities Co., Ltd. | 200,000   | -             | -                 | 200,000   |
|                         |                                      | ₩ 200,000 | ₩ 1,849       | ₩ 13,129          | ₩ 214,978 |

Compensation for key management for the year ended December 31, 2009, and for the period from September 29, 2008 to December 31, 2008, consists of: (in million of Korean won)

|                                  | 2009    | 2008    |
|----------------------------------|---------|---------|
| Salaries                         | ₩ 5,154 | ₩ 725   |
| Provision for severance benefits | 145     | 50      |
| Share-based compensation *)      | 885     | 463     |
| Total                            | ₩ 6,184 | ₩ 1,238 |

\*) Details of share-based compensation are described in Note 14.

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.

## 20. Condensed Financial Information of Subsidiaries

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

|                                      | Total Assets  | Total Liabilities | Shareholders' Equity |
|--------------------------------------|---------------|-------------------|----------------------|
| Kookmin Bank *1)                     | ₩ 259,457,534 | ₩ 240,033,425     | ₩ 19,424,109         |
| KB Investment & Securities Co., Ltd. | 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. *1)          | 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         |

\*1) Financial information of Kookmin Bank 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, 2008, were as follows: (in millions of Korean won)

|                                      | Total Assets  | Total Liabilities | Shareholders' Equity |
|--------------------------------------|---------------|-------------------|----------------------|
| Kookmin Bank *1)                     | ₩ 266,460,040 | ₩ 249,039,742     | ₩ 17,420,298         |
| KB Investment & Securities Co., Ltd. | 2,052,261     | 1,730,165         | 322,096              |
| KB Asset Management Co., Ltd.        | 126,772       | 10,299            | 116,473              |
| KB Real Estate Trust Co., Ltd.       | 221,353       | 123,884           | 97,469               |
| KB Investment Co., Ltd. *1)          | 286,366       | 11,146            | 275,220              |
| KB Futures Co., Ltd.                 | 150,142       | 111,936           | 38,206               |
| KB Credit Information Co., Ltd.      | 50,573        | 6,105             | 44,468               |
| KB Data Systems Co., Ltd.            | 46,532        | 19,993            | 26,539               |
|                                      | ₩ 269,394,039 | ₩ 251,053,270     | ₩ 18,340,769         |

\*1) Financial information of Kookmin Bank and KB Investment Co., Ltd. was based on their consolidated financial statements.

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

|                                      | Operating Revenues | Operating Expenses | Operating Income(Loss) | Net Income (Loss) Before Income Tax | Net Income (Loss) |
|--------------------------------------|--------------------|--------------------|------------------------|-------------------------------------|-------------------|
| Kookmin Bank *1)                     | ₩ 28,895,581       | ₩ 28,176,926       | ₩ 718,655              | ₩ 680,220                           | ₩ 653,084         |
| KB Investment & Securities Co., Ltd. | 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. *1)          | 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         |

\*1) Financial information of Kookmin Bank and KB Investment Co., Ltd. is based on their consolidated financial statements.

The condensed statements of income of subsidiaries for the period from July 1, 2008 to December 31, 2008, were as follows:

(in millions of Korean won)

|                                      | Operating Revenues | Operating Expenses | Operating Income(Loss) | Net Income (Loss) Before Income Tax | Net Income (Loss) |
|--------------------------------------|--------------------|--------------------|------------------------|-------------------------------------|-------------------|
| Kookmin Bank *1)                     | ₩ 29,500,591       | ₩ 29,388,121       | ₩ 112,470              | ₩ 376,676                           | ₩ 225,226         |
| KB Investment & Securities Co., Ltd. | 167,575            | 145,320            | 22,255                 | 22,138                              | 17,336            |
| KB Asset Management Co., Ltd.        | 34,660             | 14,358             | 20,302                 | 20,133                              | 14,504            |
| KB Real Estate Trust Co., Ltd.       | 27,991             | 39,633             | (11,642)               | (12,356)                            | (10,096)          |
| KB Investment Co., Ltd. *1)          | 5,909              | 5,176              | 733                    | 912                                 | 884               |
| KB Futures Co., Ltd.                 | 14,181             | 9,483              | 4,698                  | 4,691                               | 3,224             |
| KB Credit Information Co., Ltd.      | 26,947             | 24,263             | 2,684                  | 2,528                               | 1,783             |
| KB Data Systems Co., Ltd.            | 101,744            | 94,194             | 7,550                  | 6,955                               | 5,078             |
|                                      | ₩ 29,879,598       | ₩ 29,720,548       | ₩ 159,050              | ₩ 421,677                           | ₩ 257,939         |

\*1) Financial information of Kookmin Bank and KB Investment Co., Ltd. was based on their consolidated financial statements.

## 21. Financing and Operating Status of Subsidiaries

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

(in millions of Korean won)

|                                      | Deposits      | Borrowings   | Debentures *1) | Total         |
|--------------------------------------|---------------|--------------|----------------|---------------|
| KB Financial Group Inc.              | ₩ -           | ₩ -          | ₩ 798,421      | ₩ 798,421     |
| Kookmin Bank *2)                     | 173,275,392   | 14,079,796   | 37,985,060     | 225,340,248   |
| KB Investment & Securities Co., Ltd. | 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. *2)          | -             | 20,000       | -              | 20,000        |
| KB Futures Co., Ltd.                 | 180,233       | -            | -              | 180,233       |
| KB Credit Information Co., Ltd.      | -             | -            | -              | -             |
| KB Data Systems Co., Ltd.            | -             | -            | -              | -             |
|                                      | ₩ 173,512,784 | ₩ 15,879,503 | ₩ 38,783,481   | ₩ 228,175,768 |

\*1) Net of discounts.

\*2) Financial information of Kookmin Bank and KB Investment Co., Ltd. is based on their consolidated financial statements.

Financing status of the Company and its subsidiary as of December 31, 2008, was as follows:

(in millions of Korean won)

|                                      | Deposits      | Borrowings   | Debentures *1) | Total         |
|--------------------------------------|---------------|--------------|----------------|---------------|
| KB Financial Group Inc.              | ₩ -           | ₩ 232,000    | ₩ 498,572      | ₩ 730,572     |
| Kookmin Bank *2)                     | 162,248,761   | 18,695,883   | 42,610,595     | 223,555,239   |
| KB Investment & Securities Co., Ltd. | 30,743        | 1,566,372    | -              | 1,597,115     |
| KB Asset Management Co., Ltd.        | -             | -            | -              | -             |
| KB Real Estate Trust Co., Ltd.       | 72            | 108,071      | -              | 108,143       |
| KB Investment Co., Ltd. *2)          | -             | 10,300       | -              | 10,300        |
| KB Futures Co., Ltd.                 | 106,808       | -            | -              | 106,808       |
| KB Credit Information Co., Ltd.      | -             | -            | -              | -             |
| KB Data Systems Co., Ltd.            | -             | -            | -              | -             |
|                                      | ₩ 162,386,384 | ₩ 20,612,626 | ₩ 43,109,167   | ₩ 226,108,177 |

\*1) Net of discounts.

\*2) 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, 2009, is as follows:

(in millions of Korean won)

|                                      | Loans *1)     | Securities   | Cash and Due from Banks | Total         |
|--------------------------------------|---------------|--------------|-------------------------|---------------|
| KB Financial Group Inc.              | ₩ 169,150     | ₩ 17,612,122 | ₩ 845,366               | ₩ 18,626,638  |
| Kookmin Bank *2)                     | 195,164,931   | 41,345,873   | 9,306,230               | 245,817,034   |
| KB Investment & Securities Co., Ltd. | 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. *2)          | 10,349        | 276,018      | 34,691                  | 321,058       |
| KB Futures Co., Ltd.                 | -             | 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 |

\*1) Net of allowance for loan losses and deferred loan gains (losses).

\*2) Financial information of Kookmin Bank and KB Investment Co., Ltd. is based on their consolidated financial statements.

# Notes to Non-Consolidated Financial Statements

Operating status of the Company and its subsidiaries as of December 31, 2008, was as follows:

(in millions of Korean won)

|                                      | Loans *1)     | Securities   | Cash and Due from Banks | Total         |
|--------------------------------------|---------------|--------------|-------------------------|---------------|
| KB Financial Group Inc.              | ₩ 199,000     | ₩ 16,345,052 | ₩ 1,849                 | ₩ 16,545,901  |
| Kookmin Bank *2)                     | 198,708,628   | 38,658,004   | 8,132,181               | 245,498,813   |
| KB Investment & Securities Co., Ltd. | 237,799       | 1,624,264    | 75,259                  | 1,937,322     |
| KB Asset Management Co., Ltd.        | 1,719         | 3,801        | 106,836                 | 112,356       |
| KB Real Estate Trust Co., Ltd.       | 1,498         | 3,741        | 378                     | 5,617         |
| KB Investment Co., Ltd. *2)          | 22,504        | 84,712       | 19                      | 107,235       |
| KB Futures Co., Ltd.                 | -             | 25,556       | 119,128                 | 144,684       |
| KB Credit Information Co., Ltd.      | -             | -            | 31,973                  | 31,973        |
| KB Data Systems Co., Ltd.            | 798           | -            | 21,970                  | 22,768        |
|                                      | ₩ 199,171,946 | ₩ 56,745,130 | ₩ 8,489,593             | ₩ 264,406,669 |

\*1) Net of allowance for loan losses and deferred loan gains (losses).

\*2) Financial information of Kookmin Bank 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, are as follows:

(in millions of Korean won)

|                                      | Beginning   | Increase (Decrease) | Ending      |
|--------------------------------------|-------------|---------------------|-------------|
| KB Financial Group Inc.              | ₩ 1,000     | ₩ (150)             | ₩ 850       |
| Kookmin Bank *1)                     | 3,676,519   | 173,086             | 3,849,605   |
| KB Investment & Securities Co., Ltd. | 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. *1)          | 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 |

\*1) Financial information of Kookmin Bank 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, are as follows:

(in millions of Korean won)

|                                      | Beginning   | Increase (Decrease) | Ending      |
|--------------------------------------|-------------|---------------------|-------------|
| KB Financial Group Inc.              | ₩ -         | ₩ 1,000             | ₩ 1,000     |
| Kookmin Bank *1)                     | 2,805,991   | 871,049             | 3,677,040   |
| KB Investment & Securities Co., Ltd. | 2,281       | 20,697              | 22,978      |
| KB Asset Management Co., Ltd.        | 54          | 30                  | 84          |
| KB Real Estate Trust Co., Ltd.       | 38,700      | 27,108              | 65,808      |
| KB Investment Co., Ltd. *1)          | 767         | (135)               | 632         |
| KB Futures Co., Ltd.                 | -           | -                   | -           |
| KB Credit Information Co., Ltd.      | 51          | (14)                | 37          |
| KB Credit Information Co., Ltd.      | 120         | (14)                | 106         |
|                                      | ₩ 2,847,964 | ₩ 919,721           | ₩ 3,767,685 |

\*1) Financial information of Kookmin Bank and KB Investment Co., Ltd. is based on their consolidated financial statements.

## 22. Subsidiaries' Contribution to Gain and Loss

Subsidiaries' contributions to the Company's gain and loss from equity method valuation for the year ended December 31, 2009, were as follows: (in millions of Korean won)

|                                      |   | Amount   | Contribution Ratio(%) |
|--------------------------------------|---|----------|-----------------------|
| 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                |

Subsidiaries' contributions to the Company's gain and loss from equity method valuation for the year ended December 31, 2009, were as follows: (in millions of Korean won)

|                                      |   | Amount   | Contribution Ratio(%) |
|--------------------------------------|---|----------|-----------------------|
| Kookmin Bank *1)                     | ₩ | 605,507  | 97.06                 |
| KB Investment & Securities Co., Ltd. |   | 6,361    | 1.02                  |
| KB Asset Management Co., Ltd.        |   | 14,504   | 2.32                  |
| KB Real Estate Trust Co., Ltd.       |   | (10,096) | (1.62)                |
| KB Investment Co., Ltd.              |   | 859      | 0.14                  |
| KB Futures Co., Ltd.                 |   | 3,224    | 0.52                  |
| KB Credit Information Co., Ltd.      |   | 1,767    | 0.28                  |
| KB Data Systems Co., Ltd.            |   | 1,759    | 0.28                  |
|                                      | ₩ | 623,885  | 100.00                |

\*1) Financial information of Kookmin Bank and KB Investment Co., Ltd. is based on their consolidated financial statements.

## 23. Insurance

As of December 31, 2009, 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.

# Notes to Non-Consolidated Financial Statements

## 24. Commitments

The commitments made with financial institutions on the limit of corporate borrowings and the related amounts already borrowed as of December 31, 2009 and 2008, are as follows: (in millions of Korean won)

|                  |                     | 2009                |                            | 2008                |                   |
|------------------|---------------------|---------------------|----------------------------|---------------------|-------------------|
|                  |                     | Limit for Borrowing | Amounts Limit for Borrowed | Limit for Borrowing | Amounts Borrowing |
| General loans    | Hana Bank           | ₩ 50,000            | ₩ -                        | ₩ 50,000            | ₩ 10,000          |
|                  | Woori Bank          | 130,000             | -                          | 130,000             | 120,000           |
| Bills discounted | Korea Exchange Bank | 100,000             | -                          | -                   | -                 |
|                  |                     | ₩ 280,000           | ₩ -                        | ₩ 180,000           | ₩ 130,000         |

## 25. Value Added Information

Information for calculating value added for the year ended December 31, 2009, and for the period from September 29, 2008 to December 31, 2008, is as follows: (in millions of Korean won)

|                                  | 2009     | 2008    |
|----------------------------------|----------|---------|
| Salaries                         | ₩ 15,136 | ₩ 3,093 |
| Provision for severance benefits | 1,780    | 347     |
| Welfare expenses                 | 2,067    | 446     |
| Rental expenses                  | 1,006    | 234     |
| Depreciation                     | 1,709    | 369     |
| Amortization                     | 749      | 73      |
| Tax and dues                     | 148      | 28      |
|                                  | ₩ 22,595 | ₩ 4,590 |

## 26. Financial Performance of the Final Interim Period

Financial performance for the three-month period ended December 31, 2009 and 2008, is as follows:

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

|                        | Quarter Ended December 31, 2009 | Quarter Ended December 31, 2008 |
|------------------------|---------------------------------|---------------------------------|
| Operating revenue      | ₩ 63,390                        | ₩ 66,415                        |
| Operating expense      | 43,294                          | 22,493                          |
| Operating income       | 20,096                          | 43,922                          |
| Net income             | 17,837                          | 43,878                          |
| Earnings per share *1) | 52                              | 149                             |

\*1) Common shares deemed to have been issued free to existing shareholders for the year ended December 31, 2009, retroactively adjusted earnings per share for the three-month period ended December 31, 2008.



## 27. Approval of Financial Statements

The December 31, 2009 financial statements were approved on February 10, 2010, by the Board of Directors.

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

### A. Preparation of 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 ("K-IFRS TFT") to prepare for the adoption of K-IFRS and is currently in the transition process that consists of three phases as follows: Phase I (adoption assessment stage), Phase II (policy setting, system design and development stage) and Phase III (implementation stage).

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

#### 1) K-IFRS adoption plan

| Phase   | Period                     | Procedures  |
|---|----------------------------|---|
| Phase I<br>("Adoption assessment stage")                            | June 2007 ~ February 2008  | <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> <li>• Detailed planning for Phase II</li> <li>• Research and benchmarking on success cases, others</li> </ul> </li> </ul>                                  |
| Phase II<br>("Policy setting, system design and development stage") | March 2008 ~ December 2009 | <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, others)</li> <li>- Knowledge transfer and technical trainings, others</li> </ul> |
| Phase III<br>("Implement action stage")                             | January 2010               | <ul style="list-style-type: none"> <li>- Preparing financial data in accordance with K-IFRS               <ul style="list-style-type: none"> <li>• Preparing financial data as of January 1, 2010</li> <li>• Preparing quarterly financial and disclosure data for 2010</li> </ul> </li> </ul>  |

#### 2) Work force

In June 2007, KB Financial Group Inc. assembled an IFRS task force which consists of accounting specialists, accounting-consulting firms and others in order to effectively and efficiently adopt K-IFRS. The team is divided into 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, an IT IFRS team consisting of IT specialist in each area, was organized for K-IFRS IT systems development.

# Notes to Non-Consolidated Financial Statements

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

## **C. Status of each phase**

### 1) Phase I (“Adoption assessment stage”)

Between June 2007 and February 2008, KB Financial Group Inc. assessed the potential impacts of K-IFRS adoption and planned detailed procedures.

#### a. Analyzing GAAP differences and the financial impacts KB

Financial Group Inc. performed the detailed analysis of the requirements under K-IFRS and identified GAAP differences between SKAS (current accounting standards) and K-IFRS in order to analyze the impacts on the financial information, business operations, financial reporting system, and financial performance indicators, and others. Consequently, KB Financial Group Inc. identified the impacts on financial information, major accounts, disclosures and IT.

#### b. Research on success case and benchmarking

Due to the distinctiveness of KB Financial Group Inc., research and benchmarking of the success cases of preceding IFRS adopters among European financial institutions was performed, where necessary, in order to form possible alternatives.

### 2) Phase II (“policy setting, system design and development stage”)

KB Financial Group Inc. started the Phase II in March 2008, and completed it by the end of 2009. The purpose of the phase is to frame accounting policies, structure infrastructures and develop the system.

#### a. Accounting policy setting

Considering the K-IFRS requirements and KB Financial Group Inc.'s status, KB Financial Group Inc. selected the accounting policies that are deemed to better represent KB Financial Group Inc.'s substance after detailed analysis of accounting treatment options and has outlined specific accounting methodology.

#### b. Set-up of a united account structure “Chart of Accounts”

To produce timely and proper financial data on a consolidated basis in accordance with KIFRS, KB Financial Group Inc. has set up a united account structure.

#### c. Building Infrastructures for K-IFRS adoption

For timely and proper financial reporting, KB Financial Group Inc. analyzed and restructured the current financial report process by reflecting expected financial impacts discovered. Consequently, KB Financial Group Inc. revised the accounting policies, guidelines and manuals during the course of restructuring financial report process.

#### d. Building infrastructure for IFRS IT system

KB Financial Group Inc. completed the design and development of K-IFRS IT system.

Accordingly, the system will allow the Company to implement accounting policies set by KIFRS. The system was tested for the eligibility.

#### e. IFRS assessment Training

KB Financial Group Inc. provided education necessary for the adoption of K-IFRS to its management and employees, and provided additional focus training to each management level, unit level, and IFRS in-charge level to enhance their ability and capacity for the implementation of K-IFRS.

## **D. Plan going forward**

KB Financial Group Inc. will prepare its first financial statements in accordance with K-IFRS starting January 1, 2010, and will also perform quarterly closing using the developed system thereafter.

#### **E. Significant GAAP differences between K-IFRS and SKAS**

KB Financial Group Inc. is expected to face significant GAAP differences between K-IFRS and SKAS (current accounting standards) upon preparing its financial statements in accordance with K-IFRS are, but not limited to, as follows: scope of consolidation, allowance for loan losses, revenue recognition, derecognition of financial instruments, measurement of financial instruments and employee benefits.

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



## To the President of KB Financial Group Inc.

Samil PricewaterhouseCoopers  
LS Yongsan Tower, 191, Hangangno 2-ga,  
Yongsan-gu, Seoul 140-702, Korea  
(Yongsan P.O Box 266, 140-600)  
www.samil.com

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, 2009. 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, 2009, the Company's IACS has been designed and is operating effectively as of December 31, 2009, 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, 2009, and we did not review management's assessment of its IACS subsequent to December 31, 2009. 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 10, 2010

# 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, 2009.

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, 2009, in all material respects, in accordance with the IACS standards.

February 22, 2010

Shin Kap, Internal Accounting Control Officer



Kang Chung-Won , Chief Executive Officer



# Report of Independent Auditors



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

Samil PricewaterhouseCoopers  
LS Yongsan Tower, 191, Hangangno 2-ga,  
Yongsan-gu, Seoul 140-702, Korea  
(Yongsan P.O Box 266, 140-600)  
www.samil.com

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, 2009 and 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year ended December 31, 2009, and for the period from September 29, 2008 to December 31, 2008, 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 did not audit the financial statements of Kookmin Bank and certain other consolidated subsidiaries as of December 31, 2008, and for the period from September 29, 2008 to December 31, 2008. These statements were audited by other auditors whose reports have been furnished us and our opinion, insofar as it relates to the amounts included for Kookmin Bank and certain other consolidated subsidiaries, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Consolidated Company as of December 31, 2009 and 2008, and the results of its operations, the changes in its shareholders' equity and its cash flows for the year ended December 31, 2009, and the period from September 29, 2008 to December 31, 2008, 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 11, 2010

This report is effective as of March 11, 2010, 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. and Subsidiaries

(in millions of Korean won)

|  | 2009                  | 2008                 |
|--|-----------------------|----------------------|
| <b>Assets</b>  |                       |                      |
| Cash and due from banks (Notes 4, 21 and 29)                           | ₩ 9,769,133           | ₩ 8,316,197          |
| Securities (Notes 5 and 21)  | 42,535,648            | 38,985,268           |
| Loans receivable, net (Notes 6,7,8 and 21)                             | 195,397,893           | 198,930,186          |
| Property and equipment, net (Note 9)                                   | 3,345,323             | 3,502,549            |
| Other assets, net (Notes 3, 8, 10, 20 and 23)                          | 11,120,453            | 17,814,591           |
| <b>Total assets</b>  | <b>₩ 262,168,450</b>  | <b>₩ 267,548,791</b> |
| <b>Liabilities and shareholders' equity</b>                            |                       |                      |
| Liabilities  |                       |                      |
| Deposits (Notes 11 and 21)   | ₩ 172,439,883         | ₩ 162,210,372        |
| Debts, net (Notes 12 and 21)   | 54,493,283            | 63,495,480           |
| Other liabilities, net<br>(Notes 9, 13, 14, 15, 16, 19, 20, 21 and 23) | 17,123,958            | 25,780,892           |
| <b>Total liabilities</b>   | <b>244,057,124 25</b> | <b>1,486,744</b>     |
| <b>Shareholders' equity (Notes 9 and 17)</b>                           |                       |                      |
| Common stock   | 1,931,758             | 1,781,758            |
| Capital surplus  | 16,428,852            | 15,473,511           |
| Capital adjustments  | (2,918,990)           | (3,145,102)          |
| Accumulated other comprehensive income                                 | 1,232,279             | 1,087,503            |
| Retained earnings  | 1,177,731             | 630,941              |
| Minority interest  | 259,696               | 233,436              |
| <b>Total shareholders' equity</b>                                      | <b>18,111,326</b>     | <b>16,062,047</b>    |
| <b>Total liabilities and shareholders' equity</b>                      | <b>₩ 262,168,450</b>  | <b>₩ 267,548,791</b> |

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

# Consolidated Statements of Income

For the year ended December 31, 2009, and  
for the period from September 29, 2008 to December 31, 2008

KB Financial Group Inc.

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

|   | 2009       | 2008       |
|---|------------|------------|
| <b>Operating revenues</b>   |            |            |
| Interest revenue  |            |            |
| Interest on due from banks  | ₩ 52,003   | ₩ 111,344  |
| Interest on securities  | 1,804,206  | 963,220    |
| Interest on loans   | 12,858,434 | 7,876,491  |
| Other interest revenue (Note 7)                                       | 50,704     | 27,331     |
|   | 14,765,347 | 8,978,386  |
| Gain on valuation and disposal of securities                          |            |            |
| Gain on valuation of trading securities                               | 20,972     | 113,913    |
| Gain on disposal of trading securities                                | 227,559    | 106,737    |
| Gain on disposal of available-for-sale securities                     | 371,342    | 60,380     |
| Gain on disposal of held-to-maturity securities                       | 3,962      | 209        |
| Reversal of impairment loss on available-for-sale securities (Note 5) | 1,065      | -          |
|   | 624,900    | 281,239    |
| Gain on valuation and disposal of loans (Note 6)                      | 97,130     | 16,717     |
| Gain on foreign currency transactions                                 | 1,148,189  | 1,468,930  |
| Commission income   | 1,454,616  | 751,830    |
| Fees and commissions from trust accounts                              | 165,279    | 70,792     |
| Dividend income   | 81,017     | 58,905     |
| Insurance revenue   | 788,855    | 306,838    |
| Other operating revenue   |            |            |
| Gain on derivatives trading   | 8,290,995  | 11,998,947 |
| Gain on valuation of derivatives (Note 20)                            | 2,536,308  | 5,757,919  |
| Gain on valuation of fair value hedged items (Notes 5, 11, 12 and 20) | 426,366    | -          |
| Recovery of losses from acceptance and guarantee                      | 520        | 121        |
| Recovery of losses from other doubtful accounts                       | 16,000     | 21,596     |
| Others  | 50,577     | 17,063     |
|   | 11,320,766 | 17,795,646 |
|   | 30,446,099 | 29,729,283 |
| <b>Operating expenses</b>   |            |            |
| Interest expenses   |            |            |
| Interest on deposits  | 5,561,567  | 3,483,450  |
| Interest on borrowings  | 2,725,798  | 1,582,833  |
| Other interest expenses   | 64,256     | 34,525     |
|   | 8,351,621  | 5,100,808  |
| Loss on valuation and disposal of securities                          |            |            |
| Loss on valuation of trading securities                               | 35,222     | -          |
| Loss on disposal of trading securities                                | 172,098    | 157,738    |
| Loss on disposal of available-for-sale securities                     | 126,284    | 46,472     |
| Loss on disposal of held-to-maturity securities                       | -          | 43         |
| Impairment loss on available-for-sale securities (Note 5)             | 43,852     | 67,282     |
| Impairment loss on held-to-maturity securities (Note 5)               | 8,208      | 27,344     |
|   | 385,664    | 298,879    |

|   | 2009       | 2008       |
|---|------------|------------|
| Loss on valuation and disposal of loans                               |            |            |
| Provision for loan losses (Note 8)                                    | 2,298,985  | 1,415,107  |
| Loss on disposal of loans (Note 6)                                    | 54,490     | 33,876     |
|   | 2,353,475  | 1,448,983  |
| Loss on foreign currency transactions                                 | 1,158,917  | 1,214,401  |
| Commission expenses   | 804,846    | 421,844    |
| Selling and administrative expenses (Note 22)                         | 3,784,377  | 2,064,397  |
| Insurance expense   | 804,195    | 308,530    |
| Other operating expenses  |            |            |
| Loss on derivatives trading   | 8,879,079  | 12,593,167 |
| Loss on valuation of derivatives (Note 20)                            | 2,137,939  | 4,720,481  |
| Loss on valuation of fair value hedged items (Notes 5, 11, 12 and 20) | 221,528    | 495,194    |
| Provision for acceptance and guarantee losses                         | 23,476     | 64,523     |
| Provision for other allowance   | 225,277    | 71,449     |
| Contribution to the funds   | 335,049    | 176,512    |
| Others  | 329,371    | 122,814    |
|   | 12,151,719 | 18,244,140 |
|   | 29,794,814 | 29,101,982 |
| Operating income  | 651,285    | 627,301    |
| Non-operating revenue   |            |            |
| Gain on valuation of equity method investments (Note 5)               | 10,472     | 4,159      |
| Gain on disposal of equity method investments                         | 911        | 430,717    |
| Gain on sale of property and equipment                                | 3,827      | 295        |
| Reversal of impairment loss on property and equipment (Note 9)        | 154        | 500        |
| Rent income   | 3,102      | 1,504      |
| Others  | 128,427    | 61,581     |
|   | 146,893    | 498,756    |
| Non-operating expenses  |            |            |
| Loss on valuation of equity method investments (Note 5)               | 45,969     | 86,110     |
| Loss on disposal of equity method investments                         | 305        | -          |
| Loss on sale of property and equipment                                | 3,467      | 487        |
| Impairment loss on property and equipment (Note 9)                    | 3,991      | 56,062     |
| Impairment loss on equity method investments                          | 100,352    | -          |
| Others  | 91,936     | 43,990     |
|   | 246,020    | 186,649    |
| Income before income tax  | 552,158    | 939,408    |
| Income tax expense (Note 23)  | 24,914     | 329,580    |
| Income after income tax   | 527,244    | 609,828    |
| Net loss of subsidiaries before acquisition                           | 250        | -          |
| Net income  | ₩ 527,494  | ₩ 609,828  |
| Parent Company interest in net income                                 | ₩ 539,818  | ₩ 611,927  |
| Minority interest in net income                                       | (12,324)   | (2,099)    |
| Per share data (Note 24)  |            |            |
| Basic and diluted earnings per share                                  | ₩ 1,659    | ₩ 2,078    |

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

# Consolidated Statements of Changes in Shareholders' Equity

For the year ended December 31, 2009,  
and for the period from September 29, 2008 to December 31, 2008

KB Financial Group Inc. and Subsidiaries

(in millions of Korean won)

|  | Capital stock | Capital surplus | Capital adjustment | Accumulated other comprehensive income and loss | Retained earnings | Minority interest | Total        |
|--|---------------|-----------------|--------------------|---|-------------------|-------------------|--------------|
| Balances as of September 29, 2008                                  | ₩ 1,781,758   | ₩ 15,481,189    | ₩ (4,208,098)      | ₩ -   | ₩ -               | ₩ 50,805          | ₩ 13,105,654 |
| Net income   | -             | -               | -                  | -   | 611,927           | (2,099)           | 609,828      |
| Disposal of treasury shares owned by consolidated subsidiaries     | -             | -               | 1,065,414          | -   | -                 | -                 | 1,065,414    |
| Acquisition of common shares issued by subsidiaries                | -             | -               | -                  | -   | -                 | 184,245           | 184,245      |
| Valuation of available-for-sale securities                         | -             | -               | -                  | 193,231   | -                 | 29                | 193,260      |
| Valuation of held-to-maturity securities                           | -             | -               | -                  | 27  | -                 | 32                | 59           |
| Changes in equity method investments                               | -             | -               | -                  | (53)  | -                 | -                 | (53)         |
| Valuation of derivative instruments                                | -             | -               | -                  | 442   | -                 | 424               | 866          |
| Revaluation of land Changes in retained earnings of trust accounts | -             | -               | -                  | 893,856   | -                 | -                 | 893,856      |
| Changes in retained earnings of consolidated subsidiaries          | -             | -               | -                  | -   | 3,168             | -                 | 3,168        |
| Others   | -             | -               | -                  | -   | 15,846            | -                 | 15,846       |
| Balances as of December 31, 2008                                   | -             | (7,678)         | (2,418)            | -   | -                 | -                 | (10,096)     |
| 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   | -             | -               | -                  | -   | 630,941           | 233,436           | 16,062,047   |
| Disposal of treasury shares owned by consolidated subsidiaries     | -             | -               | -                  | -   | 539,818           | (12,324)          | 527,494      |
| Valuation of available-for-sale securities                         | -             | -               | 245,391            | -   | -                 | -                 | 245,391      |
| Valuation of held-to-maturity securities                           | -             | -               | -                  | 152,755   | -                 | 33,781            | 186,536      |
| Changes in equity method investments                               | -             | -               | -                  | (2,641)   | -                 | 527               | (2,114)      |
| Valuation of derivative instruments                                | -             | -               | -                  | (2,281)   | -                 | -                 | (2,281)      |
| Revaluation of land  | -             | -               | -                  | (442)   | -                 | -                 | (442)        |
| Changes in retained earnings of trust accounts                     | -             | -               | -                  | (2,615)   | -                 | -                 | (2,615)      |
| Changes in scope of consolidation                                  | -             | -               | -                  | -   | 6,790             | -                 | 6,790        |
| Paid-in capital increase   | -             | -               | -                  | -   | -                 | 7,308             | 7,308        |
| Others   | 150,000       | 955,341         | -                  | -   | -                 | -                 | 1,105,341    |
| Balances as of December 31, 2009                                   | -             | -               | (19,279)           | -   | 182               | (3,032)           | (22,129)     |
|  | ₩ 1,931,758   | ₩ 16,428,852    | ₩ (2,918,990)      | ₩ 1,232,279                                     | ₩ 1,177,731       | ₩ 259,696         | ₩ 18,111,326 |

# Consolidated Statements of Cash Flows

For the year ended December 31, 2009, and  
for the period from September 29, 2008 to December 31, 2008

KB Financial Group Inc. and Subsidiaries

(in millions of Korean won)

|  | 2009        | 2008        |
|--|-------------|-------------|
| Cash flows from operating activities   |             |             |
| Net income   | ₩ 527,494   | ₩ 609,828   |
| Adjustments to reconcile net income to net cash used in operating activities |             |             |
| Loss on valuation of trading securities                                      | 35,222      | -           |
| Impairment loss on available-for-sale securities                             | 43,852      | 67,282      |
| Impairment loss on held-to-maturity securities                               | 8,208       | 27,344      |
| Loss on valuation of equity method investments                               | 45,969      | 86,110      |
| Impairment loss on equity method investments                                 | 100,352     | -           |
| Loss on disposal of equity method investments                                | 305         | -           |
| Provision for loan losses  | 2,298,985   | 1,415,107   |
| Amortization of deferred loan origination fees and costs                     | 76,276      | 19,131      |
| Depreciation   | 320,154     | 190,177     |
| Loss on disposal of property and equipment                                   | 3,467       | 487         |
| Impairment loss on property and equipment                                    | 3,991       | 56,062      |
| Amortization of intangible assets  | 173,986     | 76,899      |
| Loss on valuation of derivatives   | 2,137,939   | 4,720,481   |
| Loss on valuation of fair value hedged items                                 | 221,528     | 495,194     |
| Interest expenses- amortization of discounts on debenture                    | 139,967     | 80,884      |
| Share-based compensation   | 30,413      | -           |
| Provision for severance benefits   | 165,204     | 95,757      |
| Provision for acceptance and guarantee losses                                | 23,476      | 64,523      |
| Provision for other doubtful accounts  | 225,277     | 71,449      |
| Provision for responsibilities reserve                                       | 574,336     | 175,519     |
| Loss on foreign currency translation   | 84,799      | 9,492       |
| Gain on valuation of trading securities                                      | (20,972)    | (113,913)   |
| Reversal of impairment loss on available-for-sale securities                 | (1,065)     | -           |
| Gain on valuation of equity method investments                               | (10,472)    | (4,159)     |
| Gain on disposal of equity method investments                                | (911)       | (430,717)   |
| Gain on foreign currency translation   | (371,063)   | (349,487)   |
| Gain on disposal of property and equipment                                   | (3,827)     | (295)       |
| Reversal of impairment loss on property and equipment                        | (154)       | (500)       |
| Gain on valuation of derivatives   | (2,536,308) | (5,757,919) |
| Gain on valuation of fair value hedged items                                 | (426,366)   | -           |
| Recovery of share-based compensation   | -           | (27,291)    |
| Recovery of losses from acceptance and guarantee                             | (520)       | (121)       |
| Recovery of losses from other doubtful accounts                              | (16,000)    | (21,596)    |
| Interest revenue   | (37,112)    | (36,209)    |

# Consolidated Statements of Cash Flows

KB Financial Group Inc. and Subsidiaries

(in millions of Korean won)

|  | 2009        | 2008        |
|--|-------------|-------------|
|  | 3,288,936   | 909,691     |
| Changes in operating assets and liabilities                  |             |             |
| Decrease in trading securities                               | 861,768     | 37,980      |
| Decrease (Increase) in available-for-sale securities         | (4,281,862) | 19,895      |
| Increase in held-to-maturity securities                      | (272,053)   | (519,923)   |
| Decrease (Increase) in loans receivable                      | 1,447,045   | (8,821,859) |
| Decrease (Increase) in accounts receivable                   | 1,602,570   | (1,002,934) |
| Decrease (Increase) in accrued income                        | 117,190     | (90,375)    |
| Decrease (Increase) in prepaid expenses                      | (66,571)    | 20,162      |
| Decrease (Increase) in deferred income tax assets            | (54,514)    | 175,623     |
| Decrease in derivative assets                                | 483,379     | 833,516     |
| Decrease (Increase) in miscellaneous assets                  | (219,091)   | 130,938     |
| Increase (Decrease) in accounts payable                      | (2,361,988) | 929,089     |
| Increase (Decrease) in accrued expenses                      | (1,237,607) | 327,777     |
| Increase (Decrease) in unearned revenues                     | (39,902)    | 34,966      |
| Increase (Decrease) in withholding taxes                     | (18,200)    | 51,230      |
| Increase (Decrease) in agencies business payables            | (52,919)    | 53,203      |
| Increase (Decrease) in liability due to agency relationship  | (136,891)   | 7,064       |
| Payment of severance benefits                                | (421,404)   | (36,860)    |
| Decrease (Increase) in severance insurance deposits          | 152,135     | (86,604)    |
| Decrease in contribution to national pension fund            | 5           | -           |
| Increase (Decrease) in deferred income tax liabilities       | 88,495      | (169,358)   |
| Decrease in provision for acceptance and guarantees          | (5,987)     | -           |
| Decrease in other provisions for doubtful accounts           | (134,693)   | (79,070)    |
| Increase (Decrease) in derivative liabilities                | 19,773      | (681,041)   |
| Increase (Decrease) in miscellaneous liabilities             | 168,164     | (618,541)   |
|  | (4,363,158) | (9,485,122) |
| Net cash used in operating activities                        | (546,728)   | (7,965,603) |
| Cash flows from investing activities                         |             |             |
| Decrease in equity method investments                        | ₩ 18,319    | ₩ 726,985   |
| Disposal of property and equipment                           | 18,008      | 2,914       |
| Decrease in guarantee deposits made                          | 132,533     | 42,721      |
| Net decrease in national domestic exchange settlement debits | -           | 164,444     |
| Net increase in restricted due from banks                    | (1,216,579) | (1,138,426) |
| Increase in equity method investments                        | (43,670)    | (835,783)   |
| Acquisition of property and equipment                        | (187,083)   | (357,430)   |
| Acquisition of intangible assets                             | (78,271)    | (75,276)    |
| Increase in guarantee deposits made                          | (192,729)   | (92,226)    |



# Consolidated Statements of Cash Flows

KB Financial Group Inc. and Subsidiaries

(in millions of Korean won)

|   | 2009         | 2008        |
|---|--------------|-------------|
| Net increase in national domestic exchange settlement debits                | (91,900)     | -           |
| Net increase in loan to trust account                                       | (21,962)     | (33,864)    |
| Net cash used in investing activities                                       | (1,663,334)  | (1,595,941) |
| Cash flows from financing activities  |              |             |
| Net increase in demand deposits   | 4,689,740    | 11,388      |
| Net increase in time deposits   | 7,420,525    | 3,984,484   |
| Net increase in call money  | -            | 151,481     |
| Net increase in borrowings  | -            | 1,406,909   |
| Increase in paid-in capital   | 1,105,341    | -           |
| Net increase in securities sold   | 1,021,684    | 326,675     |
| Increase in debentures  | 9,802,930    | 10,042,833  |
| Net increase in deposits for letter of guarantees and others                | 34,890       | -           |
| Net increase in domestic exchange remittances pending                       | 187,926      | -           |
| Net increase in foreign exchange remittances pending                        | 1,374        | -           |
| Net increase in borrowings from trust accounts                              | -            | 1,306,463   |
| Disposal of treasury stock  | 249,150      | 901,344     |
| Increase in minority interest   | -            | 12,553      |
| Net decrease in negotiable certificates of deposit                          | (1,893,579)  | (1,554,937) |
| Net decrease in call money  | (2,080,223)  | -           |
| Net decrease in bills sold  | (126,596)    | (319,679)   |
| Net decrease in bond sold under repurchase agreement                        | (2,372,458)  | (898,824)   |
| Net decrease in borrowings  | (1,078,276)  | -           |
| Decrease in debentures  | (13,542,868) | (2,391,102) |
| Payment of stock issuance costs   | (1,459)      | (2,418)     |
| Net decrease in deposits for letter of guarantees and others                | -            | (999)       |
| Net decrease in domestic exchange remittances pending                       | -            | (2,266)     |
| Net decrease in foreign exchange remittances pending                        | -            | (8,931)     |
| Net decrease in borrowings from trust accounts                              | (973,256)    | -           |
| Dividend distribution   | (3,032)      | -           |
| Acquisition of treasury stock   | -            | (3,410,033) |
| Net cash provided by financing activities                                   | 2,441,813    | 9,554,941   |
| Increase in cash and due from banks due to change in scope of consolidation | 4,606        | 171,689     |
| Net increase in cash and cash equivalents                                   | 236,357      | 165,086     |
| Cash and cash equivalents (Note 29)   |              |             |
| Beginning of period   | 3,380,593    | 3,215,507   |
| End of period   | ₩ 3,616,950  | ₩ 3,380,593 |

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

# Notes to Consolidated Financial Statements

December 31, 2009 and 2008

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, 2009, 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 shareholders as of December 31, 2009, are as follows:

| Name of Shareholder      | Number of Shares Owned | Percentage of Ownership(%) |
|--------------------------|------------------------|----------------------------|
| National Pension Service | 20,046,217             | 5.19                       |
| ING Bank N.V., Amsterdam | 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, 2009, 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 depositary 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, 2009, the Bank has 1,197 domestic branches and offices (excluding 306 automated teller machine stations) and five overseas branches (excluding three subsidiaries and three 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, 2009, 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, 2009, is ₩ 156,000 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, 2009, 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 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 Joeeun Real Estate Trust Inc. The 25 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, 2009, 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, 2009, 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, 2009, 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, 2009, 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, 2009, 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, 2009, is GBP 20 million.

## (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, 2009, is USD 20 million.

## (12) Kookmin Bank Cambodia PLC.

Kookmin Bank acquired 51% of ownership of Kookmin Bank Cambodia PLC. 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, 2009, is USD 13 million.

## (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 (previously Article (2)4-2 of Indirect Investment Asset Management Business Act), was established in July 1, 2008. NPS-KBICPEF 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, 2009, is ₩ 176,200 million.

The Parent Company's percentage of ownership in its subsidiaries as of December 31, 2009, 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     | 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        |
| 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    | December 31  | 4,510,720,000    | 2.56          |
|                         | Burrill-KB Life Science Fund *)      | -            | -                | -             |

\*) KB Investment Co., Ltd. participates in the management of Burrill-KB Life Sciences Fund as a general partner and has committed to invest up to 38.57% of the total interest. KB Investment Co., Ltd. has not yet made any investment as of December 31, 2009, since Burrill-KB Life Sciences Fund was just established on August 31, 2009.

The Parent Company's ownerships in its subsidiaries as of December 31, 2008, were as follows:

| Investors               | Investees                            | Closing Date | Number of Shares | Ownership (%) |
|-------------------------|--------------------------------------|--------------|------------------|---------------|
| KB Financial Group Inc. | Kookmin Bank                         | December 31  | 436,379,116      | 100.00        |
|                         | KB Investment & Securities Co., Ltd. | March 31     | 15,600,000       | 100.00        |
|                         | 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  | 47,407,671       | 13.30         |
|                         | KB Life Insurance Co., Ltd.          | March 31     | 15,912,000       | 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    | December 31  | 4,510,720,000    | 2.56          |

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, 2009 and 2008, are as follows: (in millions of Korean won)

|                  | 2009         |                    | 2008         |                       |
|------------------|--------------|--------------------|--------------|-----------------------|
|                  | Total Assets | Operating Revenues | Total Assets | Operating Revenues *) |
| Consolidated     | ₩ 3,066,176  | ₩ 161,916          | ₩ 3,514,984  | ₩ 112,910             |
| Non-consolidated | 10,702,576   | 444,900            | 9,870,414    | 244,513               |
|                  | ₩ 13,768,752 | ₩ 606,816          | ₩ 13,385,398 | ₩ 357,423             |

\*) Operating results are for the six-month period ended December 31, 2008.

The condensed financial information of subsidiaries as of and for the year ended December 31, 2009, follows:

(in millions of Korean won)

|                                      | Total Assets  | Common Stock | Shareholders' Equity | Operating Revenues | Net Income (Loss) |
|--------------------------------------|---------------|--------------|----------------------|--------------------|-------------------|
| 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)          |
| Burrill-KB Life Science Fund*)       | -             | -            | -                    | -                  | -                 |

\*) 1Burrill-KB Life Science Fund was incorporated on August 31, 2009. No investment has been made as of December 31, 2009.

# Notes to Consolidated Financial Statements

The condensed financial information of subsidiaries as of December 31, 2008, and for the sixmonth period ended December 31, 2008, follows: (in millions of Korean won)

|                                      | Total Assets  | Common Stock | Shareholders' Equity | Operating Revenues | Net Income (Loss) |
|--------------------------------------|---------------|--------------|----------------------|--------------------|-------------------|
| Kookmin Bank                         | ₩ 262,093,177 | ₩ 2,181,896  | ₩ 17,314,094         | ₩ 29,067,498       | 234,931           |
| KB Investment & Securities Co., Ltd. | 2,052,261     | 78,000       | 322,096              | 167,575            | 17,336            |
| KB Life Insurance Co., Ltd.          | 1,769,349     | 156,000      | 126,539              | 349,925            | (3,759)           |
| KB Asset Management Co., Ltd.        | 126,772       | 38,338       | 116,473              | 34,660             | 14,504            |
| KB Real Estate Trust Co., Ltd.       | 221,353       | 80,000       | 97,469               | 27,991             | (10,096)          |
| KB Investment Co., Ltd.              | 115,385       | 44,759       | 103,788              | 5,909              | 884               |
| KB Futures Co., Ltd.                 | 150,142       | 20,000       | 38,206               | 14,181             | 3,224             |
| KB Credit Information Co., Ltd.      | 50,573        | 6,262        | 44,468               | 26,947             | 1,783             |
| KB Data Systems Co., Ltd.            | 46,532        | 8,000        | 26,539               | 101,744            | 5,078             |
| Kookmin Bank Int'l Ltd.(London)      | 582,111       | 36,353       | 53,809               | 14,930             | 1,768             |
| Kookmin Bank Hong Kong Ltd.          | 548,032       | 25,150       | 92,206               | 24,500             | (691)             |
|                                      | 176,030       | 176,200      | 175,936              | 39                 | (264)             |

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

(In number of shares)

|  | Investees                                    | Year End               | Number of Shares | Ownership (%) |
|--|--|------------------------|------------------|---------------|
| Kookmin Bank                                 | KLB Securities Co., Ltd. *2)                 | December 31            | 4,854,713        | 36.41         |
|  | Joeeun Industrial Co., Ltd. *2)              | December 31            | 1,999,910        | 99.99         |
|  | Balhae Infrastructure Fund *4)               | December 31<br>June 30 | 10,853,607       | 12.61         |
|  | Korea Credit Bureau Co., Ltd. *5)            | 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 *6)          | 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            | 140              | 33.33         |
|  | Kookmin Investment Partnership No.16 *6)     | 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 *1)      | December 31            | 12               | 5.38          |
| NPS 06-5 KB Corporate Restructuring Fund *7) | December 31                                  | 3,800,000,000          | 13.57            |               |

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

(In number of shares)

|  | Investees                                    | Year End               | Number of Shares | Ownership (%) |
|--|--|------------------------|------------------|---------------|
| Kookmin Bank                               | KLB Securities Co., Ltd. *2)                 | December 31            | 4,854,713        | 36.41         |
|  | Joeeun Industrial Co., Ltd. *2)              | December 31            | 1,999,910        | 99.99         |
|  | Balhae Infrastructure Fund *4)               | December 31<br>June 30 | 10,310,869       | 12.61         |
|  | Korea Credit Bureau Co., Ltd. *5)            | December 31            | 180,000          | 9.00          |
|  | Kookmin Bank Singapore Ltd.*3)               | December 31            | 30,000,000       | 100.00        |
|  | Kookmin Finance Asia Ltd.(HK) *3)            | December 31            | 700,000          | 100.00        |
|  | JSC Bank CenterCredit                        | December 31            | 44,136,676       | 30.55         |
|  | KB06-1 Venture Investment Partnership        | December 31            | 200              | 50.00         |
|  | KB08-1 Venture Investment Partnership        | December 31            | 100              | 66.67         |
| KB Investment & Securities Co., Ltd        | KB Investment & Securities Hong Kong Limited | March 31               | 999,999          | 99.99         |
| KB Investment Co., Ltd.                    | KB06-1 Venture Investment Partnership        | December 31            | 100              | 25.00         |
|  | KB08-1 Venture Investment Partnership        | December 31            | 50               | 33.33         |
|  | Kookmin Investment Partnership No.16 *1)     | December 31            | 184              | 20.00         |
|  | Kookmin China Fund No.1 *3)                  | December 31            | 13               | 50.00         |
|  | KTTC Kookmin Venture Fund No.1 *3)           | December 31            | 200              | 20.00         |
|  | KB03-1 Venture Investment Fund *3)           | December 31            | 125              | 16.67         |
|  | NPC05-6 KB Venture Fund                      | December 31            | 500              | 20.00         |
|  | NPC07-5 KB Venture Fund                      | December 31            | 500              | 20.00         |
|  | KB03-1 Corporate Restructuring Fund *3)      | December 31            | 41               | 29.00         |
|  | KB06-1 Corporate Restructuring Fund *1)      | December 31            | 12               | 5.38          |
| NPS06-5KB Corporate Restructuring Fund *7) | December 31                                  | 4,750,000,000          | 13.57            |               |

\*1) 1Under liquidation as of December 31, 2009

\*2) Under the process of filing bankruptcy as of December 31, 2009

\*3) Liquidation was completed as of December 31, 2009.

\*4) Kookmin Bank may exercise its voting rights through its seat in the board or at an equivalent decision-making body of the investee.

\*5) 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.

\*6) KB Investment & Securities Co., Ltd. participates in the management KB-Glenwood Private Equity Fund 1 as a general partner.

\*7) KB Investment Co., Ltd. has significant influence over the decision-making process relating to the financial and business policies of the NPS06-5KB Corporate Restructuring Fund.

### 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.

#### 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



# Notes to Consolidated Financial Statements

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, 2009 and 2008, 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 ₩ 4,525,670 million and ₩ 6,706,328 million, respectively, and the related accrued interest income not recognized amounted to ₩ 380,137 million and ₩ 547,269 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 up to the fair value of identifiable non-monetary assets is recognized as income over the years using the weighted average useful lives of

# Notes to Consolidated Financial Statements

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                  |

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.

# Notes to Consolidated Financial Statements

## 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 ~ 5 years           |
| Equipment and vehicles   | Straight-line, Declining balance | 3 ~ 20 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      | Depreciation 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 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, 2009, 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, Sharebased 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 receive 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.

#### 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 ₩ 1,167.60 and ₩ 1,257.50 to USD 1.00 on December 31, 2009 and 2008, 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 Bond 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:

|                | Consumer Loans (%) | Corporate Loans (%) |
|----------------|--------------------|---------------------|
| Normal         | 1.00               | 0.85*)              |
| Precautionary  | 10.00              | 7.00                |
| Substandard    | 20.00              | 20.00               |
| Doubtful       | 55.00              | 50.00               |
| Estimated loss | 100.00             | 100.00              |

\*) 0.90% for loans to economy-sensitive industries.

# Notes to Consolidated Financial Statements

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, 2009 and 2008, consist of:

(in millions of Korean won)

|                                      |   | 2009      |   | 2008      |
|--------------------------------------|---|-----------|---|-----------|
| Cash and checks (Note 29)            | ₩ | 2,543,538 | ₩ | 2,190,748 |
| Foreign currencies (Notes 21 and 29) |   | 265,114   |   | 272,521   |
| Due from banks (Notes 21 and 29)     |   | 6,960,481 |   | 5,852,928 |
|                                      | ₩ | 9,769,133 | ₩ | 8,316,197 |

Due from banks as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

|                                      |  | Interest (%) | 2009        | 2008        |
|--------------------------------------|--|--------------|-------------|-------------|
| Due from banks in won                | Bank of Korea                                    | -            | ₩ 5,597,119 | ₩ 3,906,568 |
|                                      | SC First Bank and others                         | 0.00 ~ 8.05  | 335,395     | 527,186     |
|                                      | Korea Securities Finance Corp. and others        | 0.00 ~ 4.01  | 366,925     | 128,083     |
|                                      |  |              | 6,299,439   | 4,561,837   |
| Due from banks in foreign currencies | Bank of Korea                                    | -            | 137,558     | 740,197     |
|                                      | Korea Development Bank-Beijing branch and others | 0.00 ~ 4.60  | 506,703     | 545,352     |
|                                      |  |              | 644,261     | 1,285,549   |
| Due from banks in gold               | UBS AG London and others                         | -            | 16,781      | 5,542       |
|                                      |  |              | ₩ 6,960,481 | ₩ 5,852,928 |

Restricted due from banks as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

|                              |   | 2009        | 2008        | Remarks   |
|------------------------------|---|-------------|-------------|---|
| <b>Due from banks</b>        | Bank of Korea                             | ₩ 5,597,119 | ₩ 3,906,568 | Required by Bank of Korea Act   |
| <b>in won</b>                | SC First Bank and others                  | 39,754      | 231         | Pledged as collateral for the Borrowings                                    |
|                              | Korea Securities Finance Corp. and others | 156,124     | 20,391      | Required by Capital Market and Financial Investment Business Act and others |
|                              | Korea Securities Finance Corp. and others | 178,482     | 105,746     | Derivatives margin accounts   |
|                              | Korea Securities Finance Corp. and others | 414         | 258         | Market entry deposit  |
|                              |   | 5,971,893   | 4,033,194   |   |
| <b>Due from banks</b>        | Bank of Korea                             | 137,558     | 740,197     | Required by Bank of Korea Act   |
| <b>in foreign currencies</b> | RBS Futures and others                    | 20,890      | 101,150     | Derivatives margin accounts and others                                      |
|                              | China Everbright Bank Hongai and others   | 19,273      | 20,760      | China's Foreign Bank Regulations  |
|                              | The National Bank of Cambodia             | 2,569       | 40,303      | Cambodia's local Law and others   |
|                              |   | 180,290     | 902,410     |   |
|                              |   | ₩ 6,152,183 | ₩ 4,935,604 |   |

Due from banks, classified by financial institutions as of December 31, 2009, 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                | ₩ 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 |

Due from banks, classified by financial institutions as of December 31, 2008, 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                | ₩ 3,906,568           | ₩ 740,197                           | ₩ -                   | ₩ 4,646,765 |
| Other banks                  | 527,186               | 535,712                             | 5,542                 | 1,068,440   |
| Other financial institutions | 128,083               | 9,640                               | -                     | 137,723     |
|                              | ₩ 4,561,837           | ₩ 1,285,549                         | ₩ 5,542               | ₩ 5,852,928 |

The maturities of due from banks as of December 31, 2009, are as follows:

(in millions of Korean won)

|                                      | 3Months or Less | 3Months to 6Months | 6Months to 1Year | 1Year to 3Years | More than 3Years | 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 |

# Notes to Consolidated Financial Statements

(in millions of Korean won)

|                                      | 3Months<br>or Less | 3Months<br>to 6Months | 6Months<br>to 1Year | 1Year<br>to 3Years | More than<br>3Years | Total       |
|--------------------------------------|--------------------|-----------------------|---------------------|--------------------|---------------------|-------------|
| Due from banks in won                | ₩ 4,297,601        | ₩ 35,600              | ₩ 127,056           | ₩ 70,160           | ₩ 31,420            | ₩ 4,561,837 |
| Due from banks in foreign currencies | 1,274,602          | 10,947                | -                   | -                  | -                   | 1,285,549   |
| Due from banks in gold               | 5,542              | -                     | -                   | -                  | -                   | 5,542       |
|                                      | ₩ 5,577,745        | ₩ 46,547              | ₩ 127,056           | ₩ 70,160           | ₩ 31,420            | ₩ 5,852,928 |

## 5. Securities

Securities as of December 31, 2009 and 2008, consist of:

(in millions of Korean won)

|                               | 2009         | 2008         |
|-------------------------------|--------------|--------------|
| Trading securities            | ₩ 6,763,635  | ₩ 7,643,501  |
| Available-for-sale securities | 21,893,966   | 17,475,496   |
| Held-to-maturity securities   | 13,215,816   | 12,915,977   |
| Equity method investments     | 662,231      | 950,294      |
|                               | ₩ 42,535,648 | ₩ 38,985,268 |

The details of securities, excluding equity method investments, as of December 31, 2009 and 2008, are as follows: (in millions of Korean won)

|                                      | 2009         | 2008         |
|--------------------------------------|--------------|--------------|
| <b>Trading securities</b>            |              |              |
| Equity securities                    | ₩ 162,387    | ₩ 126,818    |
| Beneficiary certificates             | 121,792      | 222,161      |
| Government and public bonds          | 1,979,776    | 2,059,779    |
| Finance bonds                        | 3,074,802    | 3,367,987    |
| Corporate bonds                      | 1,226,223    | 1,294,207    |
| Asset-backed securities              | 150,900      | 502,444      |
| Other securities                     | 47,755       | 70,105       |
|                                      | ₩ 6,763,635  | ₩ 7,643,501  |
| <b>Available-for-sale Securities</b> |              |              |
| Equity securities                    | ₩ 2,013,481  | ₩ 1,457,174  |
| Equity investments                   | 80,666       | 28,656       |
| Beneficiary certificates             | 771,526      | 551,139      |
| Government and public bonds          | 6,768,564    | 5,886,400    |
| Finance bonds                        | 5,913,474    | 5,698,588    |
| Corporate bonds                      | 3,916,076    | 3,438,338    |
| Asset-backed securities              | 2,206,190    | 285,024      |
| Other securities                     | 223,989      | 130,177      |
|                                      | ₩ 21,893,966 | ₩ 17,475,496 |
| <b>Held-to-maturity Securities</b>   |              |              |
| Government and public bonds          | ₩ 5,753,518  | ₩ 6,018,101  |
| Finance bonds                        | 2,717,461    | 2,761,625    |
| Corporate bonds                      | 4,502,840    | 3,904,258    |
| Asset-backed securities              | 241,997      | 221,993      |
| Other securities                     | -            | 10,000       |
|                                      | ₩ 13,215,816 | ₩ 12,915,977 |

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 available-for-sale non-marketable equity securities, such as Korea Housing Guarantee Co., Ltd. and 47 others, and the restricted available-for-sale marketable equity securities, such as Hyundai Merchant Marine Co., Ltd. and five 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, 2009 and 2008, are as follows:

(in millions of Korean won)

|  |   | 2009    |   | 2008    |
|--|---|---------|---|---------|
| Consumer Credit Assistant Fund Co., Ltd. | ₩ | 55,059  | ₩ | -       |
| Non-performing Asset Management Fund     |   | 17,654  |   | 23,650  |
| Korea Asset Management Corp.             |   | 15,667  |   | 15,667  |
| Samsung Life Insurance Co., Ltd.         |   | 7,479   |   | 7,479   |
| Megaball City                            |   | 7,620   |   | 4,920   |
| TStone 2nd Private Equity Fund           |   | 6,610   |   | 4,600   |
| Eunpyeong New Town PFV Co., Ltd.         |   | 5,285   |   | 5,285   |
| SK Incheon Oil Refinery Co., Ltd.        |   | 4,163   |   | 4,163   |
| Future Book                              |   | 2,000   |   | -       |
| G.I.T Co., Ltd.                          |   | 1,639   |   | 1,639   |
| HYSONIC Co., Ltd.                        |   | 1,392   |   | 1,392   |
| Bichae-Nuri Development                  |   | 1,333   |   | 233     |
| DACC Ltd.                                |   | 1,272   |   | 1,272   |
| CLS Group Holdings A.G                   |   | 1,179   |   | 1,246   |
| Tianjin Samsung Opto_Electronics         |   | 1,141   |   | 1,228   |
| T&X Heavy Industries                     |   | 1,067   |   | -       |
| Reyon Pharm. Co., Ltd.                   |   | 1,060   |   | 1,060   |
| Hankook AMC                              |   | 1,000   |   | -       |
| Gyeonggi-KT GreenGrowth                  |   | 1,000   |   | -       |
| Chase Securities Int'l( London )         |   | 939     |   | 1,012   |
| Others                                   |   | 28,152  |   | 68,195  |
|  | ₩ | 162,711 | ₩ | 143,041 |

The details of impairment loss and reversal of impairment loss on available-for-sale securities and held-to-maturity securities for the year ended December 31, 2009 and for the period from September 29, 2008 to December 31, 2008, are as follows: (in millions of Korean won)

|                                | 2009            |                             | 2008            |                         |
|--------------------------------|-----------------|-----------------------------|-----------------|-------------------------|
|                                | Impairment Loss | Reversal of Impairment Loss | Impairment Loss | Reversa Impairment Loss |
| Available for sales securities |                 |                             |                 |                         |
| Equity securities              | ₩ 1,614         | ₩ 642                       | ₩ 2,864         | ₩ -                     |
| Debt securities                | 42,238          | 423                         | 64,418          | -                       |
|                                | 43,852          | 1,065                       | 67,282          | -                       |

# Notes to Consolidated Financial Statements

(in millions of Korean won)

|                             | 2009            |                             | 2008            |                             |
|-----------------------------|-----------------|-----------------------------|-----------------|-----------------------------|
|                             | Impairment Loss | Reversal of Impairment Loss | Impairment Loss | Reversal of Impairment Loss |
| Held-to-maturity securities |                 |                             |                 |                             |
| Debt securities             | 8,208           | -                           | 27,344          | -                           |
|                             | ₩ 52,060        | ₩ 1,065                     | ₩ 94,626        | ₩ -                         |

Structured notes relating to stock, interest rate, and credit risk as of December 31, 2009 and 2008, are as follows: (in millions of Korean won)

|  | 2009     | 2008      |
|--|----------|-----------|
| Structured notes relating to stock         |          |           |
| Convertible bonds                          | ₩ -      | ₩ 892     |
| Exchangeable bonds                         | 5,948    | 5,392     |
|  | 5,948    | 6,284     |
| Structured notes relating to interest rate |          |           |
| Dual index FRN                             | 30,000   | 30,000    |
| Inverse FRN                                | -        | 20,000    |
| Others                                     | 60,000   | 60,000    |
|  | 90,000   | 110,000   |
| Structured notes relating to credit risk   |          |           |
| Synthetic CDO                              | 529      | 2,797     |
|  | ₩ 96,477 | ₩ 119,081 |

Private beneficiary certificates as of December 31, 2009 and 2008, consist of:

(in millions of Korean won)

|                             | 2009     | 2008     |
|-----------------------------|----------|----------|
| Stocks                      | ₩ 37,241 | ₩ 46,287 |
| Government and public bonds | 14,318   | -        |
| Corporate bonds             | 34,587   | 69       |
| Call loans                  | 68       | 19,491   |
| Others                      | 7,176    | 4,001    |
| Total assets                | 93,390   | 69,848   |
| Less: total liabilities     | 1,431    | 203      |
|                             | ₩ 91,959 | ₩ 69,645 |

The portfolio of securities, excluding equity method investments, by industry, as of December 31, 2009 and 2008, is as follows:

(in millions of Korean won)

|   | 2009        |                | 2008        |                |
|---|-------------|----------------|-------------|----------------|
|   | Amount      | Percentage (%) | Amount      | Percentage (%) |
| <b>Trading securities</b>                           |             |                |             |                |
| Government and government-invested public companies | ₩ 2,707,445 | 40.03          | ₩ 2,597,750 | 33.99          |
| Financial institutions                              | 3,649,949   | 53.96          | 4,428,759   | 57.94          |
| Others  | 406,241     | 6.01           | 616,992     | 8.07           |
|   | ₩ 6,763,635 | 100.00         | ₩ 7,643,501 | 100.00         |

(in millions of Korean won)

|   | 2009         |                | 2008         |                |
|---|--------------|----------------|--------------|----------------|
|   | Amount       | Percentage (%) | Amount       | Percentage (%) |
| <b>Available-for-sale securities</b>                |              |                |              |                |
| Government and government-invested public companies | ₩ 8,454,066  | 38.61          | ₩ 7,449,476  | 42.63          |
| Financial institutions                              | 10,191,625   | 46.55          | 7,624,559    | 43.63          |
| Others  | 3,248,275    | 14.84          | 2,401,461    | 13.74          |
|   | ₩ 21,893,966 | 100.00         | ₩ 17,475,496 | 100.00         |
| <b>Held-to-maturity securities</b>                  |              |                |              |                |
| Government and government-invested public companies | ₩ 9,518,368  | 72.02          | ₩ 9,381,409  | 72.63          |
| Financial institutions                              | 3,228,245    | 24.43          | 3,251,765    | 25.18          |
| Others  | 469,203      | 3.55           | 282,803      | 2.19           |
|   | ₩ 13,215,816 | 100.00         | ₩ 12,915,977 | 100.00         |

The portfolio of securities, excluding equity method investments, by security type, as of December 31, 2009 and 2008, is as follows:

(in millions of Korean won)

|                                      | 2009         |                | 2008         |                |
|--------------------------------------|--------------|----------------|--------------|----------------|
|                                      | Amount       | Percentage (%) | Amount       | Percentage (%) |
| <b>Trading securities</b>            |              |                |              |                |
| Stocks                               | ₩ 162,387    | 2.40           | ₩ 126,818    | 1.66           |
| Fixed rate bonds                     | 6,422,978    | 94.97          | 7,238,385    | 94.70          |
| Floating rate bonds                  | 30,000       | 0.44           | 50,000       | 0.65           |
| Beneficiary certificates             | 121,792      | 1.80           | 222,161      | 2.91           |
| Others                               | 26,478       | 0.39           | 6,137        | 0.08           |
|                                      | ₩ 6,763,635  | 100.00         | ₩ 7,643,501  | 100.00         |
| <b>Available-for-sale securities</b> |              |                |              |                |
| Stocks                               | ₩ 2,013,481  | 9.20           | ₩ 1,457,174  | 8.34           |
| Fixed rate bonds                     | 15,780,574   | 72.08          | 14,137,204   | 80.90          |
| Floating rate bonds                  | 2,721,566    | 12.43          | 948,027      | 5.42           |
| Subordinated bonds                   | 302,588      | 1.38           | 223,119      | 1.28           |
| Beneficiary certificates             | 771,526      | 3.52           | 551,139      | 3.15           |
| Others                               | 304,231      | 1.39           | 158,833      | 0.91           |
|                                      | ₩ 21,893,966 | 100.00         | ₩ 17,475,496 | 100.00         |
| <b>Held-to-maturity securities</b>   |              |                |              |                |
| Fixed rate bonds                     | ₩ 12,888,563 | 97.52          | ₩ 12,828,497 | 99.32          |
| Floating rate bonds                  | 67,200       | 0.51           | 76,588       | 0.59           |
| Subordinated bonds                   | 260,053      | 1.97           | -            | -              |
| Convertible bonds                    | -            | -              | 892          | 0.01           |
| Others                               | -            | -              | 10,000       | 0.08           |
|                                      | ₩ 13,215,816 | 100.00         | ₩ 12,915,977 | 100.00         |

The portfolio of securities, excluding equity method investments, by country, as of December 31, 2009 and 2008, is as follows:





(in millions of Korean won)

|  | Beginning Balance | Acquisition (disposal) | Dividends | Foreign Exchange Trading Income (loss) | Retained Earnings | Gain (Loss) on Valuation of Equity Method Investments | Other Comprehensive Income (loss) | Impairment Loss | Others | Ending Balance |
|--|-------------------|------------------------|-----------|--|-------------------|---|-----------------------------------|-----------------|--------|----------------|
| 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        |
| Foreign stocks                             |                   |                        |           |  |                   |   |                                   |                 |        |                |
| Kookmin Bank Singapore Ltd.*3)             | 2,184             | (2,184)                | -         | -                                      | -                 | -   | -                                 | -               | -      | -              |
| Kookmin Finance Asia Ltd.(HK)*3)           | 305               | (305)                  | -         | -                                      | -                 | -   | -                                 | -               | -      | -              |
| JSC Bank CenterCredit*5)                   | 790,956           | -                      | -         | (177,605)                              | -                 | (39,458)  | (369)                             | (100,352)       | (305)  | 472,867        |
| 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        |
| Equity Investments                         |                   |                        |           |  |                   |   |                                   |                 |        |                |
| 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*2)    | 46                | (6)                    | -         | -                                      | -                 | -   | -                                 | -               | -      | 40             |
| Kookmin China1 Fund No.1*3)                | 303               | (134)                  | (216)     | -                                      | -                 | 47  | -                                 | -               | -      | -              |
| KTTC-Kookmin Venture Partnership No.1*3)   | 1,000             | (1,000)                | -         | -                                      | -                 | -   | -                                 | -               | -      | -              |
| KB03-1 Venture Investment Fund*3)          | 1,315             | (747)                  | -         | -                                      | -                 | (594)   | 26                                | -               | -      | -              |
| NPS 05-6KB Venture Fund                    | 4,578             | -                      | -         | -                                      | -                 | (2,179)   | (127)                             | -               | -      | 2,272          |
| NPS07-5KB Venture Investment Partnership   | 5,079             | -                      | -         | -                                      | -                 | 261   | 63                                | -               | -      | 5,403          |
| 09-5KB Venture Fund                        | -                 | 2,000                  | -         | -                                      | -                 | (202)   | -                                 | -               | -      | 1,798          |
| KB03-1 Corporate Restructuring Fund*3)     | 4,505             | (3,352)                | -         | -                                      | -                 | (1,153)   | -                                 | -               | -      | -              |
| KB06-1 Corporate Restructuring Fund*2)     | 1,150             | -                      | -         | -                                      | -                 | (655)   | -                                 | -               | -      | 495            |
| NPS06-5KB Corporate Restructuring Fund     | 4,827             | (2,470)                | (879)     | -                                      | -                 | 976   | 120                               | -               | -      | 2,574          |
| KB-Glenwood Private Equity Fund 1          | -                 | 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       |

# Notes to Consolidated Financial Statements

The valuation of equity method investments for the period from September 29, 2008 to December 31, 2008, follows: (in millions of Korean won)

|   | Beginning Balance | Acquisition (disposal) | Dividends | Foreign Exchange Trading Income (loss) | Retained Earnings | Gain (Loss) on Valuation of Equity Method Investments | Other Comprehensive Income (loss) | Impairment Loss | Others | Ending Balance |
|---|-------------------|------------------------|-----------|--|-------------------|---|-----------------------------------|-----------------|--------|----------------|
| Domestic stocks                           |                   |                        |           |  |                   |   |                                   |                 |        |                |
| INGLife Insurance Korea Co., Ltd.         | ₩148,545          | ₩(155,861)             | ₩ -       | ₩ -                                    | ₩ -               | ₩ (632)   | ₩ 7,948                           | ₩ -             | ₩ -    | ₩ -            |
| KLB Securities Co., Ltd.*1,*4)            | -                 | -                      | -         | -                                      | -                 | -   | -                                 | -               | -      | -              |
| Joeun Industrial Co., Ltd. *1,*4)         | -                 | -                      | -         | -                                      | -                 | -   | -                                 | -               | -      | -              |
| Balhae Infrastructure Fund                | 97,872            | 9,744                  | (2,325)   | -                                      | -                 | 2,903   | -                                 | -               | -      | 108,194        |
| Korea Credit Bureau Co., Ltd.             | 2,530             | -                      | -         | -                                      | -                 | 180   | -                                 | -               | -      | 2,710          |
|   | 248,947           | (146,117)              | (2,325)   | -                                      | -                 | 2,451   | 7,948                             | -               | -      | 110,904        |
| Foreign stocks                            |                   |                        |           |  |                   |   |                                   |                 |        |                |
| Kookmin Bank Singapore Ltd.*3)            | 1,812             | -                      | -         | 372                                    | -                 | -   | -                                 | -               | -      | 2,184          |
| Kookmin Finance Asia Ltd.(HK)*3)          | 253               | -                      | -         | 52                                     | -                 | -   | -                                 | -               | -      | 305            |
| Sorak Financial Holdings PTE Ltd.         | 92,720            | (137,332)              | -         | 13,442                                 | -                 | 464   | 30,706                            | -               | -      | -              |
| JSC Bank CenterCredit*5)                  | -                 | 817,539                | -         | 60,380                                 | (208)             | (84,919)  | (1,836)                           | -               | -      | 790,956        |
| KB Investment&Securities                  | 1,220             | -                      | -         | -                                      | -                 | (147)   | 262                               | -               | -      | 1,335          |
| Hong Kong Limited                         |                   |                        |           |  |                   |   |                                   |                 |        |                |
|   | 96,005            | 680,207                | -         | 74,246                                 | (208)             | (84,602)  | 29,132                            | -               | -      | 794,780        |
| Equity Investments                        |                   |                        |           |  |                   |   |                                   |                 |        |                |
| KB06-1 Venture Investment Partnership     | -                 | 14,668                 | -         | -                                      | -                 | (132)   | (107)                             | -               | -      | 14,429         |
| KB08-1 Venture Investment Partnership     | -                 | 7,500                  | -         | -                                      | -                 | (122)   | -                                 | -               | -      | 7,378          |
| Kookmin Investment Partnership No.16 *2)  | 46                | -                      | -         | -                                      | -                 | -   | -                                 | -               | -      | 46             |
| Kookmin China Fund No.1*3)                | 303               | -                      | -         | -                                      | -                 | -   | -                                 | -               | -      | 303            |
| KTTC Kookmin Venture Partnership No.1 *3) | 1,000             | -                      | -         | -                                      | -                 | -   | -                                 | -               | -      | 1,000          |
| KB03-1Investment Partnership *3)          | 2,200             | (500)                  | (250)     | -                                      | -                 | (114)   | (21)                              | -               | -      | 1,315          |
| NPS 05-6 KB Venture Partnership           | 4,500             | -                      | -         | -                                      | -                 | 125   | (47)                              | -               | -      | 4,578          |
| NPS 07-5 KB Venture Partnership           | 3,757             | 1,000                  | -         | -                                      | -                 | 322   | -                                 | -               | -      | 5,079          |
| KB03-1 Corporate Restructuring Fund *3)   | 4,340             | -                      | -         | -                                      | -                 | 165   | -                                 | -               | -      | 4,505          |
| KB06-1Corporate Restructuring Fund *2)    | 1,160             | -                      | -         | -                                      | -                 | (10)  | -                                 | -               | -      | 1,150          |
| NPS 06-5KB Corporate Restructuring Fund   | 4,861             | -                      | -         | -                                      | -                 | (34)  | -                                 | -               | -      | 4,827          |
|   | 22,167            | 22,668                 | (250)     | -                                      | -                 | 200   | (175)                             | -               | -      | 44,610         |
|   | ₩367,119          | ₩556,758               | ₩ (2,575) | ₩ 74,246                               | ₩ (208)           | ₩(81,951)   | ₩ 36,905                          | ₩ -             | ₩ -    | ₩950,294       |

\*1) Under the process of filing bankruptcy as of December 31, 2009.

\*2) Under liquidation as of December 31, 2009.

\*3) Liquidation process was completed during the year ended December 31, 2009.

\*4) The equity method is no longer applied to KLB Securities Co., Ltd. and Joeun Industrial Co., Ltd. due to their below zero book values resulting from their accumulated deficit. Their unrecognized accumulated deficit as of December 31, 2009, follows:

(in millions of Korean won)

|                             | 2009     | 2008     |
|-----------------------------|----------|----------|
| KLB Securities Co., Ltd.    | ₩ 4,148  | ₩ 4,148  |
| Jooeun Industrial Co., Ltd. | 66,219   | 65,355   |
|                             | ₩ 70,367 | ₩ 69,503 |

\*5) The difference of ₩ 460,212 million between the acquisition cost of the investment and the initial proportionate ownership in the net book value of the investment is amortized over five years using the straight-line method of which ₩ 69,522 million was charged against earnings for the year ended December 31, 2009. Also, the impairment loss of ₩ 100,352 million was recognized for the year ended December 31, 2009, which reduced the remaining balance to ₩ 226,545 million as of December 31, 2009. In addition, loss on fair value hedge amounting to ₩ 176,599 million is included in gain (loss) on foreign currency transactions.

Unaudited financial statements of equity method investees were used for the valuation of equity method investments as of December 31, 2009. 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 ₩ 10,452 million decrease in net assets.

Securities provided as collateral as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

|                                      | 2009        |                   | 2008         |                   | Provided for                                  |
|--------------------------------------|-------------|-------------------|--------------|-------------------|---|
|                                      | Book Value  | Collateral Amount | Book Value   | Collateral Amount |   |
| Korea Securities Depository & others | ₩ 4,328,908 | ₩ 4,341,031       | ₩ 6,004,677  | ₩ 6,018,800       | Bonds sold under repurchase agreements        |
| Bank of Korea                        | 1,385,931   | 1,420,000         | 2,460,173    | 2,510,000         | Borrowings                                    |
| Bank of Korea                        | 575,164     | 586,800           | 321,361      | 331,500           | Settlement risk                               |
| Samsung Futures & others             | 990,921     | 954,716           | 2,235,592    | 2,224,902         | Derivative settlement                         |
| Korea Securities Depository & others | 131,743     | 140,000           | 78,784       | 85,000            | Securities lending and borrowing transactions |
| Others                               | 2,120,648   | 2,085,023         | 1,387,907    | 1,352,461         | Others  |
|                                      | ₩ 9,533,315 | ₩ 9,527,570       | ₩ 12,488,494 | ₩ 12,522,663      |   |

Loaned securities as of December 31, 2009 and 2008, are as follows:

(In millions of Korean won)

|                             | 2009      | 2008      | Provided to                               |
|-----------------------------|-----------|-----------|---|
| Government and public bonds | ₩ 239,362 | ₩ 314,155 | Korea Securities Finance Corp. and others |
| Stocks                      | 30,285    | 23,077    | Korea Securities Depository               |
|                             | ₩ 269,647 | ₩ 337,232 |   |

## 6. Loans Receivable

Loans receivable as of December 31, 2009 and 2008, consist of:

(in millions of Korean won)

|                                    | 2009       | 2008       |
|------------------------------------|------------|------------|
| Call loans                         | ₩ 446,589  | ₩ 157,983  |
| Domestic import usance bill        | 2,354,936  | 2,444,897  |
| Credit card receivables            | 11,382,545 | 11,526,024 |
| Bills bought in foreign currencies | 2,059,807  | 2,754,415  |

# Notes to Consolidated Financial Statements

(in millions of Korean won)

|  | 2009          | 2008          |
|--|---------------|---------------|
| Bills bought in won                                      | 19,179        | 486,555       |
| Bonds purchased under resale agreements                  | 1,590,000     | 1,230,000     |
| Loans  | 177,562,979   | 178,850,090   |
| Factoring receivables                                    | 18            | 10,328        |
| Advances for customers                                   | 44,581        | 73,140        |
| Privately placed bonds                                   | 3,308,717     | 4,685,622     |
| Loans for debt-equity swap                               | -             | 1,204         |
|  | 198,769,351   | 202,220,258   |
| Add: Deferred loan origination fees and costs            | 160,688       | 187,370       |
| Less: Allowance for possible loan losses (Notes 7 and 8) | (3,532,146)   | (3,477,442)   |
|  | ₩ 195,397,893 | ₩ 198,930,186 |

Loans receivable as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

|   | 2009          | 2008          |
|---|---------------|---------------|
| Loans in Won                                |               |               |
| Commercial                                  |               |               |
| Working capital loans                       |               |               |
| General purpose loans                       | ₩ 40,704,835  | ₩ 40,994,684  |
| Notes discounted                            | 604,481       | 792,529       |
| Overdraft accounts                          | 283,190       | 486,254       |
| Trading notes                               | 957,654       | 1,141,173     |
| Others                                      | 8,519,544     | 8,936,341     |
|   | 51,069,704    | 52,350,981    |
| Facilities loans                            |               |               |
| General facilities loans                    | 18,428,467    | 15,857,250    |
| Others                                      | 1,684,730     | 1,666,511     |
|   | 20,113,197    | 17,523,761    |
|   | 71,182,901    | 69,874,742    |
| Households                                  |               |               |
| General purpose loans                       | 51,585,539    | 51,411,328    |
| Housing loans                               | 45,112,757    | 45,291,675    |
| Remunerations on mutual installment savings | 28,900        | 48,431        |
| Others                                      | 471,568       | 430,716       |
|   | 97,198,764    | 97,182,150    |
| Public sector                               |               |               |
| Public operation loans                      | 2,872,236     | 2,807,749     |
| Public facilities loans                     | 161,439       | 50,090        |
|   | 3,033,675     | 2,857,839     |
| Other                                       |               |               |
| Property formation loans                    | 382           | 512           |
| Others                                      | 347,676       | 575,473       |
|   | 348,058       | 575,985       |
|   | 171,763,398   | 170,490,716   |
| Loans in Foreign Currencies                 |               |               |
| Domestic funding loans                      | 4,511,760     | 7,007,131     |
| Off-shore funding loans                     | 1,113,816     | 1,159,111     |
| Inter-bank loans                            | 108,150       | 113,842       |
| Government funding loans                    | 65,855        | 79,290        |
|   | 5,799,581     | 8,359,374     |
|   | ₩ 177,562,979 | ₩ 178,850,090 |

Loans, classified by borrower type, as of December 31, 2009, are 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, classified by borrower type, as of December 31, 2008, were as follows:

(in millions of Korean won)

|                                      | Loans in Won  | Loans in Foreign Currencies | Total         | Percentage (%) |
|--------------------------------------|---------------|-----------------------------|---------------|----------------|
| Large corporations                   | ₩ 9,420,741   | ₩ 5,051,609                 | ₩ 14,472,350  | 8.09           |
| Small and medium -sized corporations | 60,238,261    | 3,062,270                   | 63,300,531    | 35.39          |
| Households                           | 97,716,663    | 45,379                      | 97,762,042    | 54.66          |
| Others                               | 3,115,051     | 200,116                     | 3,315,167     | 1.86           |
|                                      | ₩ 170,490,716 | ₩ 8,359,374                 | ₩ 178,850,090 | 100.00         |

Loans receivable, classified by borrower's country or region, as of December 31, 2009, are as follows:

(in millions of Korean won)

|                           | Loans Receivable in Won | Loans Receivable in Foreign Currencies | Others       | Total         | Percentage (%) |
|---------------------------|-------------------------|--|--------------|---------------|----------------|
| Korea                     | ₩ 171,763,398           | ₩ 5,000,510                            | ₩ 21,020,204 | ₩ 197,784,112 | 99.50          |
| Southeast Asia            | -                       | 9,530                                  | 57           | 9,587         | 0.00           |
| China                     | -                       | 23,111                                 | -            | 23,111        | 0.01           |
| Japan                     | -                       | 611,978                                | 90           | 612,068       | 0.31           |
| Central and South America | -                       | 27,890                                 | 1            | 27,891        | 0.02           |
| USA                       | -                       | -                                      | 785          | 785           | 0.00           |
| Others                    | -                       | 126,562                                | 185,235      | 311,797       | 0.16           |
|                           | ₩ 171,763,398           | ₩ 5,799,581                            | ₩ 21,206,372 | ₩ 198,769,351 | 100.00         |

Loans receivable, classified by borrower's country or region, as of December 31, 2008, were as follows:

(in millions of Korean won)

|                           | Loans Receivable in Won | Loans Receivable in Foreign Currencies | Others       | Total         | Percentage (%) |
|---------------------------|-------------------------|--|--------------|---------------|----------------|
| Korea                     | ₩ 170,490,716           | ₩ 7,526,656                            | ₩ 23,280,186 | ₩ 201,297,558 | 99.54          |
| Southeast Asia            | -                       | 15,255                                 | 76           | 15,331        | 0.01           |
| China                     | -                       | 21,652                                 | 1            | 21,653        | 0.01           |
| Japan                     | -                       | 627,476                                | 140          | 627,616       | 0.31           |
| Central and South America | -                       | 26,905                                 | 1            | 26,906        | 0.01           |
| USA                       | -                       | 13,423                                 | 915          | 14,338        | 0.01           |
| Others                    | -                       | 128,007                                | 88,849       | 216,856       | 0.11           |
|                           | ₩ 170,490,716           | ₩ 8,359,374                            | ₩ 23,370,168 | ₩ 202,220,258 | 100.00         |

Loans receivable, classified by borrower's country or region, as of December 31, 2008, were as follows:

(in millions of Korean won)

|                        | Loans Receivable in Won | Loans Receivable in Foreign Currencies | Others      | Total       | Percentage (%) |
|------------------------|-------------------------|--|-------------|-------------|----------------|
| Corporations           |                         |  |             |             |                |
| 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          |

# Notes to Consolidated Financial Statements

(in millions of Korean won)

|               | Loans Receivable<br>in Won | Loans Receivable in<br>Foreign Currencies | Others       | Total         | Percentage (%) |
|---------------|----------------------------|---|--------------|---------------|----------------|
| Others        | 19,892,814                 | 761,544                                   | 3,024,306    | 23,678,664    | 11.91          |
| Households    | 97,496,582                 | 51,840                                    | 9,975,008    | 107,523,430   | 54.09          |
| Public sector | 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 receivable, classified by industry, as of December 31, 2008, were as follows:

(in millions of Korean won)

|                        | Loans Receivable<br>in Won | Loans Receivable in<br>Foreign Currencies | Others       | Total         | Percentage (%) |
|------------------------|----------------------------|---|--------------|---------------|----------------|
| Corporations           |                            |   |              |               |                |
| Financial institutions | ₩ 1,740,830                | ₩ 340,945                                 | ₩ 2,486,412  | ₩ 4,568,187   | 2.26           |
| Manufacturing          | 19,494,811                 | 3,459,033                                 | 6,155,235    | 29,109,079    | 14.39          |
| Services               | 30,910,843                 | 2,887,834                                 | 2,045,603    | 35,844,280    | 17.73          |
| Others                 | 20,407,530                 | 1,618,039                                 | 2,659,636    | 24,685,205    | 12.21          |
| Households             | 97,716,663                 | 45,379                                    | 10,003,074   | 107,765,116   | 53.29          |
| Public sector          | 220,039                    | 8,144                                     | 20,208       | 248,391       | 0.12           |
|                        | ₩ 170,490,716              | ₩ 8,359,374                               | ₩ 23,370,168 | ₩ 202,220,258 | 100.00         |

Loans to financial institutions as of December 31, 2009, are 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 |

Loans to financial institutions as of December 31, 2009, are as follows:

(in millions of Korean won)

|                             | Bank        | Other financial institutions | Total       |
|-----------------------------|-------------|------------------------------|-------------|
| Loans in won                | ₩ -         | ₩ 1,740,830                  | ₩ 1,740,830 |
| Loans in foreign currencies | 113,842     | 227,103                      | 340,945     |
| Others                      | 1,416,784   | 1,069,628                    | 2,486,412   |
|                             | ₩ 1,530,626 | ₩ 3,037,561                  | ₩ 4,568,187 |

The credit rating on loans receivable as of December 31, 2009, is summarized 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<br>currency*)     | 2,046,649     | 2,804         | 28,351      | 768       | 414            | 2,078,986     |
| Bond purchased<br>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 |

\*) Bills bought in won included.



The credit rating on loans receivable as of December 31, 2008, was summarized as follows:

(in millions of Korean won)

|  | Normal        | Precautionary | Substandard | Doubtful  | Estimated Loss | Total         |
|--|---------------|---------------|-------------|-----------|----------------|---------------|
| Call loans                             | ₩ 157,983     | ₩ -           | ₩ -         | ₩ -       | ₩ -            | ₩ 157,983     |
| Domestic import usance bill            | 2,370,176     | 41,554        | 17,280      | 6,382     | 9,505          | 2,444,897     |
| Credit card receivables                | 11,245,960    | 175,432       | 3,336       | 48,647    | 52,649         | 11,526,024    |
| Bills bought in foreign currency*)     | 3,147,976     | 82,364        | 3,397       | 1,046     | 6,187          | 3,240,970     |
| Bond purchased under resale agreements | 1,230,000     | -             | -           | -         | -              | 1,230,000     |
| Loans                                  | 173,932,831   | 2,613,385     | 1,503,569   | 429,786   | 370,519        | 178,850,090   |
| Factoring receivables                  | 10,328        | -             | -           | -         | -              | 10,328        |
| Advances for customers                 | 3,061         | 3,347         | 32,544      | 11,042    | 23,146         | 73,140        |
| Privately placed bonds                 | 4,637,277     | 9,900         | 35,797      | -         | 2,648          | 4,685,622     |
|  | ₩ 196,735,592 | ₩ 2,925,982   | ₩ 1,595,923 | ₩ 496,903 | ₩ 465,858      | ₩ 202,220,258 |

\*) Bills bought in won included.

The maturities of loans receivables as of December 31, 2009, 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             | ₩ 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      | 3,498,494     |
|                                     | ₩ 171,763,398           | ₩ 5,799,581                            | ₩ 21,206,372 | ₩ 198,769,351 |

The maturities of loans receivables as of December 31, 2009, 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             | ₩ 21,920,495            | ₩ 888,031                              | ₩ 14,321,945 | ₩ 37,130,471  |
| Due after 3 months through 6 months | 21,708,340              | 1,594,493                              | 3,073,283    | 26,376,116    |
| Due after 6 months through 1 year   | 34,999,298              | 2,047,345                              | 2,750,769    | 39,797,412    |
| Due after 1 year through 2 years    | 20,386,110              | 1,023,578                              | 1,565,711    | 22,975,399    |
| Due after 2 years through 3 years   | 14,813,362              | 1,240,798                              | 1,108,368    | 17,162,528    |
| Due after 3 years through 4 years   | 3,298,804               | 231,628                                | 63,247       | 3,593,679     |
| Due after 4 years through 5 years   | 2,722,891               | 186,192                                | 310,476      | 3,219,559     |
| Over 5 years                        | 50,641,416              | 1,147,309                              | 176,369      | 51,965,094    |
|                                     | ₩ 170,490,716           | ₩ 8,359,374                            | ₩ 23,370,168 | ₩ 202,220,258 |

# Notes to Consolidated Financial Statements

The disposal of loans receivable for the year ended December 31, 2009, is 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 Mutual 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                  |

The disposal of loans receivable for the period from September 29, 2008 to December 31, 2008, was as follows:

(in millions of Korean won)

|   | Loans Receivable | Gain on Disposal of Loans | Loss on Disposal of Loans |
|---|------------------|---------------------------|---------------------------|
| Korea Housing Finance Corporation                       | ₩ 214,096        | ₩ 4,488                   | ₩ 43                      |
| KB Mortgage Loan 1st Securitization Specialty Co., Ltd. | -                | 39                        | -                         |
| Woori Bank and others                                   | 260,300          | 92                        | -                         |
| KB 12th Securitization Specialty Co., Ltd.              | 172,601          | -                         | 33,833                    |
| Confidence Rehabilitation Fund Corp.                    | 147,149          | 8,728                     | -                         |
| Deutsche Bank   | 10,797           | 3,238                     | -                         |
| NAU IB Capital  | 422              | 132                       | -                         |
|   | ₩ 805,365        | ₩ 16,717                  | ₩ 33,876                  |

Kookmin Bank pledged mortgage loans, credit card receivables and accounts receivable amounting to ₩ 1,790,596 million, ₩ 2,383,407 million (before deducting the related allowance) and ₩ 296,712 million, respectively, as collaterals for issuing covered bonds.

The changes in deferred loan origination fees and costs for the year ended December 31, 2009, are as follows:

(in millions of Korean won)

|  | Beginning | Increase | Decrease | Ending    |
|--|-----------|----------|----------|-----------|
| Deferred loan origination fees and costs | ₩ 187,370 | ₩ 49,594 | ₩ 76,276 | ₩ 160,688 |

## 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, 2009, are as follows:

(in millions of Korean won)

|         | Amount Before Restructuring | Principal Reduction | Debt-Equity Swap *) | 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           |

\*) Number of shares to be issued as a result of debt-equity swap is not yet 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, 2008, were as follows: (in millions of Korean won)

|         | Amount Before Restructuring | Principal Reduction | Debt-Equity Swap *) | Interest Rate Reduction | Extension of Maturity |
|---------|-----------------------------|---------------------|---------------------|-------------------------|-----------------------|
| Workout | ₩ 61,304                    | ₩ -                 | ₩ -                 | ₩ 4,515                 | ₩ 56,789              |
| Others  | 10,326                      | 51                  | 2,410               | -                       | 7,865                 |
|         | ₩ 71,630                    | ₩ 51                | ₩ 2,410             | ₩ 4,515                 | ₩ 64,654              |

\*) Number of shares to be issued as a result of debt-equity swap is not yet determined.

Changes in present value discounts of the restructured loans for the year ended December 31, 2009, are as follows: (in millions of Korean won)

|                 | Remaining Principal | 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 |

\*) Number of shares to be issued as a result of debt-equity swap is not yet determined.

Changes in the present value discounts of the restructured loans for the period from September 29, 2008 to December 31, 2008, were as follows: (in millions of Korean won)

|                 | Remaining Principal | Beginning | Increase | Decrease | Ending  |
|-----------------|---------------------|-----------|----------|----------|---------|
| Court mediation | ₩ 3,173             | ₩ 624     | ₩ -      | ₩ 133    | ₩ 491   |
| Workout         | 62,876              | 3,867     | 1,927    | 1,924    | 3,870   |
| Others          | 25,626              | 1,573     | 592      | 936      | 1,229   |
|                 | ₩ 91,675            | ₩ 6,064   | ₩ 2,519  | ₩ 2,993  | ₩ 5,590 |

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.

## 8. Allowance for Credit Losses

The allowances for loan losses as of December 31, 2009, are 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 *)             |          |               |             |          |                |          |
| Provision amount            | 17,687   | 383           | 13,804      | 475      | 414            | 32,763   |

# Notes to Consolidated Financial Statements

(in millions of Korean won)

|                        | Normal    | Precautionary | Substandard | Doubtful | Estimated Loss | Total     |
|------------------------|-----------|---------------|-------------|----------|----------------|-----------|
| 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      |
| 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      |

\*) Bills bought in won included.

The allowances for loan losses as of December 31, 2008, were as follows:

(in millions of Korean won)

|                             | Normal    | Precautionary | Substandard | Doubtful | Estimated Loss | Total     |
|-----------------------------|-----------|---------------|-------------|----------|----------------|-----------|
| Domestic import usance bill |           |               |             |          |                |           |
| Provision amount            | ₩ 20,406  | ₩ 3,264       | ₩ 3,534     | ₩ 3,328  | ₩ 9,505        | ₩ 40,037  |
| Provision ratio (%)         | 0.86      | 7.86          | 20.45       | 52.15    | 100.00         | 1.64      |
| Credit card receivables     |           |               |             |          |                |           |
| Provision amount            | 168,672   | 26,315        | 667         | 29,188   | 52,649         | 277,491   |
| Provision ratio (%)         | 1.50      | 15.00         | 20.00       | 60.00    | 100.00         | 2.41      |
| Bills bought *)             |           |               |             |          |                |           |
| Provision amount            | 27,062    | 15,409        | 679         | 582      | 6,187          | 49,919    |
| Provision ratio (%)         | 0.86      | 18.71         | 20.00       | 55.57    | 100.00         | 1.54      |
| Loans                       |           |               |             |          |                |           |
| Provision amount            | 1,637,934 | 379,118       | 375,024     | 257,340  | 370,519        | 3,019,935 |
| Provision ratio (%)         | 0.94      | 14.51         | 24.94       | 59.88    | 100.00         | 1.69      |
| Factoring receivables       |           |               |             |          |                |           |
| Provision amount            | 480       | -             | -           | -        | -              | 480       |
| Provision ratio (%)         | 4.64      | -             | -           | -        | -              | 4.64      |
| Advances for customers      |           |               |             |          |                |           |
| Provision amount            | 27        | 303           | 6,509       | 6,105    | 23,146         | 36,090    |
| Provision ratio (%)         | 0.89      | 9.05          | 20.00       | 55.29    | 100.00         | 49.34     |
| Privately placed bonds      |           |               |             |          |                |           |
| Provision amount            | 41,553    | 813           | 7,272       | -        | 2,648          | 52,286    |
| Provision ratio (%)         | 0.90      | 8.21          | 20.31       | -        | 100.00         | 1.12      |
| Loans for debt-equity swap  |           |               |             |          |                |           |
| Provision amount            | -         | -             | -           | -        | 1,204          | 1,204     |
| Provision ratio (%)         | -         | -             | -           | -        | 100.00         | 100.00    |
| Total                       |           |               |             |          |                |           |
| Provision amount            | 1,896,134 | 425,222       | 393,685     | 296,543  | 465,858        | 3,477,442 |
| Provision ratio (%)         | 0.96      | 14.53         | 24.67       | 59.68    | 100.00         | 1.72      |

\*) Bills bought in won included

The changes in allowance for losses on loans and other assets for the years ended December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

|                                      | 2009        | 2008        |
|--------------------------------------|-------------|-------------|
| Beginning                            | ₩ 3,766,179 | ₩ 2,847,867 |
| Provision for loan losses            | 2,298,985   | 1,415,107   |
| Transfer of other provisions         | -           | 46          |
| Collection of written-off loans      | 453,063     | 248,402     |
| Repurchase of loans sold             | 7,015       | 1,151       |
| Sales of loans                       | (129,946)   | (18,394)    |
| Written-off of loans                 | (2,351,845) | (753,259)   |
| Debt-equity swap                     | (798)       | -           |
| Exemption of loans                   | (2,114)     | (2,038)     |
| Changes in exchange rates and others | (27,627)    | 27,297      |
| Ending *)                            | ₩ 4,012,912 | ₩ 3,766,179 |

\*) Includes present value discounts amounting to ₩ 28,402 million and ₩ 5,590 million as of December 31, 2009 and 2008, respectively, and allowance for other assets amounting to ₩ 480,766 million and ₩ 288,737 million, respectively.

The allowances for losses on other assets as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

|   | 2009      | 2008      |
|---|-----------|-----------|
| Suspense receivables                                | ₩ 6,608   | ₩ 8,916   |
| Uncollected guarantee deposits for rent             | 2,696     | 1,266     |
| Settlement costs for financial accidents and others | 30,352    | 83,312    |
| Derivative instruments                              | 384,476   | 74,489    |
| Account receivables and others                      | 56,634    | 120,754   |
|   | ₩ 480,766 | ₩ 288,737 |

The allowance for possible loan losses compared to total loans receivable is summarized as follows:

(in millions of Korean won)

|                           | 2009          | 2008          |
|---------------------------|---------------|---------------|
| Loans                     | ₩ 198,769,351 | ₩ 202,220,258 |
| Allowance for loan losses | 3,532,146     | 3,477,442     |
| Percentage (%)            | 1.78          | 1.72          |

## 9. Property and Equipment

Property and equipment as of December 31, 2009 and 2008, consist of:

(in millions of Korean won)

|                                | 2009        | 2008        |
|--------------------------------|-------------|-------------|
| Property and equipment         | ₩ 5,440,760 | ₩ 5,390,949 |
| Less: Accumulated depreciation | (2,084,818) | (1,867,892) |
| Accumulated impairment loss    | (10,619)    | (20,508)    |
|                                | ₩ 3,345,323 | ₩ 3,502,549 |

# Notes to Consolidated Financial Statements

Property and equipment as of December 31, 2009, consist of:

(in millions of Korean won)

|                          | Acquisition Cost | Accumulated Depreciation | Accumulated Impairment Losses | Book Value  |
|--------------------------|------------------|--------------------------|-------------------------------|-------------|
| Land *)                  | ₩ 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 |

Property and equipment as of December 31, 2008, consisted of:

(in millions of Korean won)

|                          | Acquisition Cost | Accumulated Depreciation | Accumulated Impairment Losses | Book Value  |
|--------------------------|------------------|--------------------------|-------------------------------|-------------|
| Land*)                   | ₩ 2,096,724      | ₩ -                      | ₩ 9,105                       | ₩ 2,087,619 |
| Buildings                | 1,169,536        | 229,560                  | 11,403                        | 928,573     |
| Leasehold improvements   | 344,799          | 270,716                  | -                             | 74,083      |
| Equipment and vehicles   | 1,777,868        | 1,367,616                | -                             | 410,252     |
| Construction in-progress | 2,022            | -                        | -                             | 2,022       |
|                          | ₩ 5,390,949      | ₩ 1,867,892              | ₩ 20,508                      | ₩ 3,502,549 |

\*) The acquisition cost of land includes the net revaluation gain of ₩ 1,090,922 million and ₩ 1,094,246 million as of December 31, 2009 and 2008, respectively.

The changes in book value of property and equipment for the year ended December 31, 2009, are as follows:

(in millions of Korean won)

|                          | Beginning   | Acquisition | Replacement | Disposal | Depreciation | Impairment *) | 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 |

\*) Impairment loss on land ₩ 1,152 million was offset against gain on revaluation.

The changes in book value of property and equipment for the period from September 29, 2008 to December 31, 2008, were as follows:

(in millions of Korean won)

|                          | Beginning   | Acquisition | Replacement | Disposal | Depreciation | Impairment*) | Gain on revaluation | Others  | Ending      |
|--------------------------|-------------|-------------|-------------|----------|--------------|--------------|---------------------|---------|-------------|
| Land                     | ₩ 988,540   | ₩ 4,240     | ₩ 2,266     | ₩ 242    | ₩ -          | ₩ 53,365     | ₩ 1,145,969         | ₩ 211   | ₩ 2,087,619 |
| Buildings                | 838,474     | 7,313       | 97,989      | 262      | 12,143       | 2,197        | -                   | (601)   | 928,573     |
| Leasehold improvements   | 69,009      | 1,100       | 33,664      | 23       | 29,826       | -            | -                   | 159     | 74,083      |
| Equipment and vehicles   | 327,168     | 234,215     | 124         | 2,559    | 148,208      | -            | -                   | (488)   | 410,252     |
| Construction in-progress | 25,503      | 110,562     | (134,043)   | -        | -            | -            | -                   | -       | 2,022       |
|                          | ₩ 2,248,694 | ₩ 357,430   | ₩ -         | ₩ 3,086  | ₩ 190,177    | ₩ 55,562     | ₩ 1,145,969         | ₩ (719) | ₩ 3,502,549 |

\*) Impairment loss on land includes valuation loss of ₩ 51,723 million from asset revaluation.

The value, published by the Ministry of Land, Transport and Maritime Affairs or local government, of the land held by Kookmin Bank was ₩ 1,457,436 million and ₩ 1,481,856 million as of December 31, 2009 and 2008, respectively.

Property and equipment insured as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

|                                   | 2009      | 2008        | Insurance Company                                    |
|-----------------------------------|-----------|-------------|--|
| Buildings                         | ₩ 730,878 | ₩ 1,113,569 | Samsung Fire & Marine Insurance Co., Ltd. and others |
| Leasehold improvements            | 49,377    | 164,772     | Samsung Fire & Marine Insurance Co., Ltd. and others |
| Equipment and vehicles and others | 194,045   | 388,920     | Samsung Fire & Marine Insurance Co., Ltd. and others |
|                                   | ₩ 974,300 | ₩ 1,667,261 |  |

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 and financial lease obligations as of December 31, 2009, are as follows:

Property and equipment under financial lease:

(in millions of Korean won)

|                          | 2009     |
|--------------------------|----------|
| Acquisition cost         | ₩ 33,045 |
| Accumulated depreciation | 10,577   |
| Book value               | ₩ 22,468 |
| Depreciation             | ₩ 9,912  |

Financial lease obligations:

(in millions of Korean won)

|      | Annual Lease Payment | Interest | Principal |
|------|----------------------|----------|-----------|
| 2010 | ₩ 26,470             | ₩ 25,502 | ₩ 968     |
| 2011 | 183                  | 145      | 38        |
| 2012 | 154                  | 124      | 30        |
| 2013 | 210                  | 189      | 21        |
| 2014 | 277                  | 269      | 8         |
|      | ₩ 27,294             | ₩ 26,229 | ₩ 1,065   |

As of December 31, 2009, 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 marketbased 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, 2009 and 2008, the book value of Kookmin Bank's land that would have been carried under the cost model, is ₩ 980,697 million and ₩ 992,826 million, respectively.

## 10. Other Assets

Other assets as of December 31, 2009 and 2008, consist of:

(in millions of Korean won)

|                               | 2009        | 2008        |
|-------------------------------|-------------|-------------|
| Guarantee deposits paid       | ₩ 1,498,639 | ₩ 1,438,480 |
| Accounts receivable (Note 20) | 3,609,975   | 5,241,945   |
| Accrued income (Note 3)       | 1,153,810   | 1,271,329   |



# Notes to Consolidated Financial Statements

|                                       | 2009         | 2008         |
|---------------------------------------|--------------|--------------|
| Prepaid expenses                      | 178,506      | 111,940      |
| Deferred tax assets (Note 23)         | 22,671       | 14,633       |
| Derivatives assets (Note 20)          | 3,367,682    | 8,385,602    |
| Domestic exchange settlement debits   | 639,646      | 547,746      |
| Due from trust accounts               | 263,918      | 241,956      |
| Intangible assets, net (Note 10)      | 318,597      | 412,897      |
| Miscellaneous assets (Note 10)        | 547,775      | 436,800      |
|                                       | 11,601,219   | 18,103,328   |
| Less : Allowances for losses (Note 8) | (480,766)    | (288,737)    |
|                                       | ₩ 11,120,453 | ₩ 17,814,591 |

\*) Includes present value discounts amounting to ₩ 28,402 million and ₩ 5,590 million as of December 31, 2009 and 2008, respectively, and allowance for other assets amounting to ₩480,766 million and ₩ 288,737 million, respectively.

Intangible assets as of December 31, 2009 and 2008, consist of: (in millions of Korean won)

|          | 2009             |                          |            | 2008             |                          |                          |
|----------|------------------|--------------------------|------------|------------------|--------------------------|--------------------------|
|          | Acquisition Cost | Accumulated Amortization | Book Value | Acquisition Cost | Accumulated Amortization | Accumulated Amortization |
| Goodwill | ₩ 810,971        | ₩ 674,215                | ₩ 136,756  | ₩ 809,556        | ₩ 572,869                | ₩ 236,687                |
| Others   | 389,193          | 207,352                  | 181,841    | 311,117          | 134,907                  | 176,210                  |
|          | ₩ 1,200,164      | ₩ 881,567                | ₩ 318,597  | ₩ 1,120,673      | ₩ 707,776                | ₩ 412,897                |

The changes in intangible assets for the year ended December 31, 2009, are 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 |

The changes in intangible assets for the period from September 29, 2008 to December 31, 2008, were as follows: (in millions of Korean won)

|                         | Beginning | Increase | Decrease | Ending    |
|-------------------------|-----------|----------|----------|-----------|
| Goodwill                | ₩ 287,254 | ₩ -      | ₩ 50,567 | ₩ 236,687 |
| Other intangible assets | 127,266   | 75,276   | 26,332   | 176,210   |
|                         | ₩ 414,520 | ₩ 75,276 | ₩ 76,899 | ₩ 412,897 |

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, 2009, are as follows: (in millions of Korean won)

|                          | 2009     |
|--------------------------|----------|
| Acquisition cost         | ₩ 13,656 |
| Accumulated amortization | 2,465    |
| Book value               | ₩ 11,191 |
| Amortization             | ₩ 2,292  |

Details of related financial lease obligations for other intangible assets under financial lease are described in Note 9.

Miscellaneous assets as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

|   | 2009      | 2008      |
|---|-----------|-----------|
| Receivables on cash sent to other banks | ₩ -       | ₩ 200     |
| Supplies                                | 24,419    | 21,394    |
| Deposit money to court                  | 3,087     | 25,169    |
| Unsettled foreign currency              | 16,586    | 12,005    |
| Suspense receivable                     | 168,228   | 206,416   |
| Others                                  | 335,455   | 171,616   |
|   | ₩ 547,775 | ₩ 436,800 |

## 11. Deposits

Deposits as of December 31, 2009 and 2008, consist of:

(in millions of Korean won)

|                                     | 2009          | 2008          |
|-------------------------------------|---------------|---------------|
| Demand deposits                     | ₩ 52,738,778  | ₩ 48,048,810  |
| Time deposits                       | 96,619,849    | 89,186,727    |
| Negotiable certificates of deposits | 23,081,256    | 24,974,835    |
|                                     | ₩ 172,439,883 | ₩ 162,210,372 |

Deposits as of December 31, 2009 and 2008, consist of:

(in millions of Korean won)

|                                       | 2009       | 2008       |
|---------------------------------------|------------|------------|
| Demand deposits                       |            |            |
| Demand deposits in won                | ₩ 586,464  | ₩ 338,567  |
| Checking deposits                     | 403,602    | 357,108    |
| Household checking deposits           | 2,855,258  | 3,006,480  |
| Temporary deposits                    | 17,909,720 | 15,027,094 |
| Passbook deposits                     | 158,275    | 168,583    |
| Public fund deposits                  | 4,187      | 4,796      |
| National Treasury deposits            | 19,993,982 | 16,799,177 |
| General savings deposits              | 9,015,528  | 10,513,576 |
| Corporate savings deposits            | 69,082     | 76,341     |
| Nonresident's deposit in won          | 39,777     | 209,633    |
| Nonresident's 'free-won' account      | 207,016    | 134,448    |
| Others                                | 51,242,891 | 46,635,803 |
| Demand deposits in foreign currencies |            |            |
| Checking deposits                     | 79,459     | 73,441     |
| Passbook deposits                     | 1,364,828  | 1,318,822  |
| Temporary deposits                    | 16,466     | 12,481     |
| Others                                | 18,579     | 1,999      |
|                                       | 1,479,332  | 1,406,743  |
| Gold deposits                         | 16,555     | 6,264      |
|                                       | 52,738,778 | 48,048,810 |
| Time deposits                         |            |            |
| Time deposits in won                  |            |            |
| Time deposits                         | 78,842,862 | 73,265,491 |

# Notes to Consolidated Financial Statements

|  | 2009          | 2008          |
|--|---------------|---------------|
| Installment savings deposit  | 5,418,023     | 2,904,780     |
| Property formation savings   | 396           | 423           |
| Workers' savings for housing                                       | 2             | 2             |
| Nonresident's deposits in won                                      | 263,915       | 261,429       |
| Nonresident's 'free-won' account                                   | 101,002       | 105,351       |
| Long-term savings deposits for workers                             | 2,304         | 2,658         |
| Long-term housing savings deposits                                 | 3,789,455     | 3,640,452     |
| Long-term savings for households                                   | 523           | 1,495         |
| Workers' preferential savings deposits                             | 2,535         | 4,465         |
| Mutual installment deposits  | 1,789,963     | 1,865,480     |
| Mutual installment for housing                                     | 1,900,618     | 2,333,389     |
| Others   | 2,845,699     | 3,315,111     |
|  | 94,957,297    | 87,700,526    |
| Gain on valuation of fair value hedged item (current year portion) | (1,724)       | (9,965)       |
| Gain on valuation of fair value hedged item (current year portion) | (9,965)       | -             |
|  | 94,945,608    | 87,690,561    |
| Time deposits in foreign currencies                                |               |               |
| Time deposits  | 1,668,685     | 1,467,778     |
| Installment savings deposits                                       | 480           | 423           |
| Others   | 5,076         | 27,965        |
|  | 1,674,241     | 1,496,166     |
|  | 96,619,849    | 89,186,727    |
| Negotiable certificates of deposits                                | 23,081,256    | 24,974,835    |
|  | ₩ 172,439,883 | ₩ 162,210,372 |

Deposits made by financial institutions as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

|                                    | Financial Institutions |              | 2009         | 2008        |
|------------------------------------|------------------------|--------------|--------------|-------------|
| Demand deposits & time deposits    | Banks                  | ₩            | 5,294,382    | ₩ 7,677,089 |
|                                    | Others                 |              | 16,086,57    | 19,339,655  |
|                                    |                        |              | 21,380,953   | 17,016,744  |
| Negotiable certificates of deposit | Banks                  |              | 852,910      | 224,455     |
|                                    | Others                 |              | 3,466,074    | 6,946,791   |
|                                    |                        |              | 4,318,984    | 7,171,246   |
|                                    |                        | ₩ 25,699,937 | ₩ 24,187,990 |             |

The maturities of deposits as of December 31, 2009, are as follows:

(in millions of Korean won)

|                                       | Due in 3Months<br>or Less | Due after 3 Months<br>Through 6 Months | Due After 6 Months<br>Through 1 Year | Due After 1year<br>Through 3years | More Than 3<br>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<br>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 |

The maturities of deposits as of December 31, 2008, were as follows:

(in millions of Korean won)

|                                       | Due in 3Months<br>or Less | Due after 3 Months<br>Through 6 Months | Due After 6 Months<br>Through 1 Year | Due After 1year<br>Through 3years | More Than 3<br>Years | Total         |
|---------------------------------------|---------------------------|--|--------------------------------------|-----------------------------------|----------------------|---------------|
| Demand deposits                       | ₩ 48,048,810              | ₩ -                                    | ₩ -                                  | ₩ -                               | ₩ -                  | ₩ 48,048,810  |
| Time deposits                         | 34,058,284                | 11,761,258                             | 32,168,571                           | 5,357,579                         | 5,841,035            | 89,186,727    |
| Negotiable certificate<br>of deposits | 11,026,333                | 6,707,094                              | 6,982,786                            | 258,622                           | -                    | 24,974,835    |
|                                       | ₩ 93,133,427              | ₩ 18,468,352                           | ₩ 39,151,357                         | ₩ 5,616,201                       | ₩ 5,841,035          | ₩ 162,210,372 |

## 12. Debts

Debts as of December 31, 2009 and 2008, consist of:

(in millions of Korean won)

|   | 2009         | 2008         |
|---|--------------|--------------|
| Call money  | ₩ 1,364,516  | ₩ 3,443,811  |
| Bills sold  | 64,839       | 191,435      |
| Bonds sold under repurchase agreements                      | 2,605,562    | 4,978,020    |
| Securities sold   | 1,346,911    | 326,675      |
| Borrowings  | 10,327,974   | 11,449,296   |
| Debentures, net of discount of ₩ 59,117<br>(2008: ₩ 84,698) | 38,783,481   | 43,106,243   |
|   | ₩ 54,493,283 | ₩ 63,495,480 |

Call money as of December 31, 2009 and 2008, consist of:

(in millions of Korean won)

|                                  | Lender                                      | Annual Interest<br>Rates (%) | 2009        | 2008        |
|----------------------------------|---|------------------------------|-------------|-------------|
| Call money in won                | Samsung Life Insurance Co., Ltd. and others | 1.60 ~ 2.10                  | ₩ 217,100   | ₩ 1,306,000 |
| Call money in foreign currencies | Centralbank Uzbekistan and others           | 0.20 ~ 2.95                  | 1,147,416   | 2,137,811   |
|                                  |   |                              | ₩ 1,364,516 | ₩ 3,443,811 |

Bills sold, bonds sold under repurchase agreements, and securities sold as of December 31, 2009 and 2008, consist of the following:

(in millions of Korean won)

|   | Lender                                 | Annual Interest<br>Rates (%) | 2009        | 2008        |
|---|--|------------------------------|-------------|-------------|
| Bills sold                                | Teller's Sales                         | 1.20 ~ 5.30                  | ₩ 64,839    | ₩ 191,435   |
| Bonds sold under<br>repurchase agreements | Individuals, group & corporations      | 1.29 ~ 7.40                  | 2,605,562   | 4,978,020   |
| Securities sold                           | Korea Securities Depository and others | -                            | 1,346,911   | 326,675     |
|   |  |                              | ₩ 4,017,312 | ₩ 5,496,130 |

Borrowings as of December 31, 2009 and 2008, consist of:

(in millions of Korean won)

|  | Lender                                      | Annual Interest<br>Rates (%) | 2009        | 2008      |
|--|---|------------------------------|-------------|-----------|
| Borrowings in won                        | Bank of Korea                               | 1.25                         | ₩ 1,343,725 | ₩ 796,205 |
| Borrowings from the Korean<br>Government | Ministry of Strategy and Finance and others | 0.00 ~ 5.00                  | 674,272     | 697,860   |
| Borrowings from banking                  | Industrial Bank of Korea and others         | 3.44 ~ 6.33                  | 71,327      | 201,368   |

# Notes to Consolidated Financial Statements

(in millions of Korean won)

|   | Lender   | Annual Interest Rates (%) | 2009         | 2008         |
|---|--|---------------------------|--------------|--------------|
| Borrowings from National Housing Fund             | National Housing Fund                          | 3.00                      | 2,429        | 30,429       |
| Borrowings from nonbanking financial institutions | Korea Development Bank                         | 2.00 ~ 3.77               | 47,406       | 45,471       |
| Other borrowings                                  | Small & Medium Business Corporation and others | 0.00 ~ 7.49               | 2,012,615    | 1,692,013    |
|   |  |                           | 4,151,774    | 3,463,346    |
| Borrowings in foreign currencies                  |  |                           |              |              |
| Due to banks                                      | ING Bank N.V Amsterdam and others              | 0.00 ~ 5.36               | 235,046      | 137,985      |
| Borrowings from banking institutions              | Sumitomo Mitsui Banking Corp. and others       | 0.22 ~ 4.20               | 3,175,578    | 3,746,959    |
| Off-shore borrowings in foreign currencies        | Centralbank Uzbekistan and others              | 0.45 ~ 6.33               | 1,313,154    | 1,428,997    |
| Borrowings from other financial institutions      | -  | -                         | -            | 957,492      |
| Other borrowings                                  | JP Morgan Chase Bank N.A and others            | -                         | 1,452,422    | 1,714,517    |
|   |  |                           | 6,176,200    | 7,985,950    |
|   |  |                           | ₩ 10,327,974 | ₩ 11,449,296 |

Debentures as of December 31, 2009 and 2008, consist of:

(in millions of Korean won)

|  | Annual Interest Rates (%) | 2009         | 2008         |
|--|---------------------------|--------------|--------------|
| Debentures in won  |                           |              |              |
| Hybrid debentures  | 6.46 ~ 8.50               | ₩ 1,100,000  | ₩ 898,563    |
| Structured debentures  | 4.29 ~ 12.00              | 3,903,238    | 4,199,849    |
| Subordinated fixed rate debentures in won                                    | 4.19 ~ 9.65               | 7,972,273    | 8,195,754    |
| Fixed rate debentures  | 2.73 ~ 7.95               | 21,472,646   | 25,726,626   |
| Floating rate debentures   | 3.21 ~ 3.36               | 280,000      | 260,000      |
|  |                           | 34,728,157   | 39,280,792   |
| Loss(gain) on valuation of fair value hedged items (current year portion)*1) |                           | (249,505)    | 190,176      |
| Loss(gain) on valuation of fair value hedged items (prior year portion)*1)   |                           | 167,195      | -            |
|  |                           | 34,645,847   | 39,470,968   |
| Less: Discounts on debentures  |                           | (29,519)     | (58,578)     |
|  |                           | 34,616,328   | 39,412,390   |
| Debentures in foreign currencies   |                           |              |              |
| Fixed rates debentures   | 2.05 ~ 7.25               | 1,840,344    | 141,209      |
| Floating rates debentures  | 0.44 ~ 5.57               | 2,462,677    | 3,577,845    |
|  |                           | 4,303,021    | 3,719,054    |
| Loss(gain) on valuation of fair value hedged items (current year portion)    |                           | (107,189)    | 919          |
| Loss(gain) on valuation of fair value hedged items (prior year portion)      |                           | 919          | -            |
|  |                           | 4,196,751    | 3,719,973    |
| Less: Discounts on debentures  |                           | (29,598)     | (26,120)     |
|  |                           | 4,167,153    | 3,693,853    |
|  |                           | ₩ 38,783,481 | ₩ 43,106,243 |

\*1) The Consolidated Company amortized ₩ 36 million as interest expense due to the discontinuance of interest rate hedge accounting for the year ended December 31, 2009. In addition, the Consolidated Company recognized a gain of ₩ 22,981 million on the early redemption of fair value hedged items for the year ended December 31, 2009.

Hybrid debentures and subordinated debentures as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

|   | Issued Date                | Expiration Date               | Annual Interest Rates (%) | 2009        | 2008        |
|---|----------------------------|-------------------------------|---------------------------|-------------|-------------|
| Subordinated fixed rate debentures in won | March 2000 ~ February 2004 | March 2005 ~ August 2009      | -                         | ₩ 24,782    | ₩ 1,227,363 |
|   | November 1998              | November 2009                 | -                         | 20,900      |             |
|   | November 2000              | November 2010                 | 9.57 ~ 9.65               | 162,051     | 162,051     |
|   | September 2002             | March 2010 ~ March 2013       | 6.51 ~ 6.70               | 242,637     | 242,637     |
|   | November 2002              | May 2010 ~ May 2013           | 6.27 ~ 6.55               | 158,102     | 158,102     |
|   | December 2002              | June 2010 ~ December 2014     | 6.40 ~ 6.65               | 170,370     | 170,370     |
|   | October 2003               | January 2011 ~ January 2014   | 5.33 ~ 5.60               | 92,490      | 92,490      |
|   | February 2004              | August 2011 ~ August 2014     | 5.84 ~ 6.16               | 63,202      | 63,202      |
|   | September 2004             | December 2018                 | 5.12                      | 57,784      | 57,784      |
|   | December 2004              | June 2010                     | 4.19 ~ 4.20               | 700,000     | 700,000     |
|   | March 2006                 | January 2012                  | 5.67 ~ 5.70               | 1,900,855   | 1,900,855   |
|   | August 2008                | February 2014 ~ February 2016 | 7.38 ~ 7.51               | 500,000     | 500,000     |
|   | September 2008             | March 2014                    | 7.45                      | 23,747      | 23,747      |
|   | September 2008             | March 2014                    | 7.45                      | 182,215     | 182,215     |
|   | September 2008             | March 2014                    | 7.45                      | 221,186     | 221,186     |
|   | October 2008               | April 2014                    | 7.45                      | 43,787      | 43,787      |
|   | October 2008               | April 2014                    | 7.45                      | 17,923      | 17,923      |
|   | October 2008               | April 2014                    | 7.45                      | 10,784      | 10,784      |
|   | October 2008               | April 2014                    | 7.45                      | 358         | 358         |
|   | November 2008              | May 2014                      | 7.70                      | 111,317     | 111,317     |
|   | November 2008              | May 2014                      | 7.70                      | 185,376     | 185,376     |
|   | November 2008              | May 2014                      | 7.70                      | 211,978     | 211,978     |
|   | November 2008              | May 2014                      | 7.70                      | 229,730     | 229,730     |
|   | November 2008              | May 2014                      | 7.70                      | 191,839     | 191,839     |
|   | November 2008              | May 2014                      | 7.70                      | 102,784     | 102,784     |
|   | November 2008              | May 2014                      | 7.70                      | 177,383     | 177,383     |
|   | November 2008              | May 2014                      | 7.70                      | 167,721     | 167,721     |
|   | November 2008              | May 2014                      | 7.70                      | 83,939      | 83,939      |
|   | November 2008              | May 2014                      | 7.70                      | 37,933      | 37,933      |
|   | December 2008              | December 2008                 | 7.30                      | 287,769     | 287,769     |
|   | December 2008              | March 2014 ~ June 2014        | 7.30 ~ 7.70               | 381,212     | 381,212     |
|   | December 2008              | June 2014                     | 7.30                      | 104,079     | 104,079     |
|   | December 2008              | June 2014                     | 7.30                      | 73,100      | 73,100      |
|   | December 2008              | March 2014 ~ June 2014        | 7.30 ~ 7.70               | 53,840      | 53,840      |
|   | April 2009                 | October 2014                  | 5.70                      | 293,923     | -           |
|   | April 2009                 | October 2014                  | 5.70                      | 144,481     | -           |
|   | April 2009                 | October 2014                  | 5.70                      | 118,241     | -           |
|   | April 2009                 | October 2014                  | 5.70                      | 126,369     | -           |
|   | April 2009                 | October 2014                  | 5.70                      | 77,155      | -           |
|   | April 2009                 | October 2014                  | 5.70                      | 113,470     | -           |
|   | April 2009                 | October 2014                  | 5.70                      | 64,559      | -           |
|   | April 2009                 | October 2014                  | 5.70                      | 61,802      | -           |
|   |                            |                               |                           | ₩ 7,972,273 | ₩ 8,195,754 |
| Hybrid debentures                         | June 2003 ~ October 2014   | December 2008 ~ April 2009    |                           | ₩ -         | ₩ 798,563   |
|   | December 2008              | December 2008                 | 8.50                      | 100,000     | 100,000     |
|   | March 2009                 | March 2039                    | 6.46                      | 1,000,000   | -           |
|   |                            |                               |                           | ₩ 1,100,000 | ₩ 898,563   |

# Notes to Consolidated Financial Statements

Call money and borrowings from financial institutions as of December 31, 2009, are 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 |

Call money and borrowings from financial institutions as of December 31, 2008, were as follows:

(in millions of Korean won)

|            | Bank of Korea | Other Banks | Others      | Total        |
|------------|---------------|-------------|-------------|--------------|
| Call money | ₩ 1,509,000   | ₩ 468,808   | ₩ 1,466,003 | ₩ 3,443,811  |
| Borrowings | 796,205       | 6,272,786   | 2,097,384   | 9,166,375    |
|            | ₩ 2,305,205   | ₩ 6,741,594 | ₩ 3,563,387 | ₩ 12,610,186 |

The maturities of debts as of December 31, 2009, 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 Year | 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 |

The maturities of debts as of December 31, 2008, 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 Year | Over 3 Years | Total        |
|--|-------------------------|-------------------------------------|-----------------------------------|---------------------------------|--------------|--------------|
| Call money                             | ₩ 3,443,811             | ₩ -                                 | ₩ -                               | ₩ -                             | ₩ -          | ₩ 3,443,811  |
| Bills sold                             | 182,442                 | 7,198                               | 1,795                             | -                               | -            | 191,435      |
| Bonds sold under repurchase agreements | 3,395,563               | 1,054,642                           | 527,650                           | 165                             | -            | 4,978,020    |
| Securities sold                        | -                       | -                                   | 326,675                           | -                               | -            | 326,675      |
| Borrowings                             | 6,067,117               | 1,080,097                           | 1,417,091                         | 1,468,649                       | 1,416,342    | 11,449,296   |
| Debentures                             | 4,293,980               | 2,389,447                           | 4,319,344                         | 18,609,211                      | 13,578,959   | 43,190,941   |
|  | ₩ 17,382,913            | ₩ 4,531,384                         | ₩ 6,592,555                       | ₩ 20,078,025                    | ₩ 14,995,301 | ₩ 63,580,178 |

## 13. Accrued Severance Benefits

The changes in accrued severance benefits for the year ended December 31, 2009, are as follows:

(in millions of Korean won)

|                                       | Beginning | Provision | Payment   | Other Changes*1) | Ending    |
|---------------------------------------|-----------|-----------|-----------|------------------|-----------|
| Accrued severance benefits            | ₩ 848,459 | ₩ 165,204 | ₩ 421,404 | ₩ (263)          | ₩ 591,996 |
| Severance insurance deposits *2)      | (569,152) | (160,486) | (312,398) | 223              | (417,017) |
| Deposits to the National Pension Fund | (55)      | -         | (5)       | -                | (50)      |
|                                       | ₩ 279,252 | ₩ 4,718   | ₩ 109,001 | ₩ (40)           | ₩ 174,929 |



The changes in accrued severance benefits for the period from September 29, 2008 to December 31, 2008, were as follows:

(in millions of Korean won)

|                                       | Beginning | Provision | Payment  | Other Changes*1) | Ending    |
|---------------------------------------|-----------|-----------|----------|------------------|-----------|
| Accrued severance benefits            | ₩ 786,330 | ₩ 95,757  | ₩ 36,860 | ₩ 3,232          | ₩ 848,459 |
| Severance insurance deposits *2)      | (482,548) | (93,493)  | (8,889)  | (2,000)          | (569,152) |
| Deposits to the National Pension Fund | (89)      | -         | (34)     | -                | (55)      |
|                                       | ₩ 303,693 | ₩ 2,264   | ₩ 27,937 | ₩ 1,232          | ₩ 279,252 |

\*1) Other changes consist of loss (gain) from foreign currency translation of accrued severance benefits in Tokyo branch and overseas subsidiaries and of the effect from the changes in the scope of consolidation.

\*2) The beginning and ending balances for the year ended December 31, 2009, include ₩ 9,573 million and ₩ 7,975 million, respectively, of pension plan assets.

Pension plan assets consist of:

(in millions of Korean won)

|                          | 2009    | 2008    |
|--------------------------|---------|---------|
| Cash and cash equivalent | ₩ 1,098 | ₩ 439   |
| Time deposits            | 8,475   | 7,536   |
|                          | ₩ 9,573 | ₩ 7,975 |

As of December 31, 2009, some parts of severance benefits were contributed to the pension fund at the election of defined benefit pension plan, while some other parts were deposited to the retirement insurance covered by Kyobo Life Insurance Co., Ltd. In addition, for the year ended December 31, 2009 and for the period from September 29, 2008 to December 31, 2008, the provision on severance benefits for employees and directors under the defined contribution pension plan amounts to ₩ 2,212 million and ₩ 990 million, respectively.

## 14. Acceptances and Guarantees, and Allowances for Losses

Acceptances and guarantees as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

|  | 2009         | 2008         |
|--|--------------|--------------|
| Confirmed acceptances and guarantees in won                |              |              |
| Payment guarantee for issuance of debentures               | ₩ 890        | ₩ 1,364      |
| Payment guarantee for loans                                | 82,373       | 159,800      |
| Others   | 2,022,326    | 2,328,337    |
|  | 2,105,589    | 2,489,501    |
| Confirmed acceptances and guarantees in foreign currencies |              |              |
| Acceptances on letters of credit                           | 395,410      | 329,813      |
| Acceptances for letters of guarantee for importers         | 71,322       | 70,235       |
| Guarantees for performance of contracts                    | 530,366      | 631,697      |
| Guarantees for bids  | 47,406       | 32,146       |
| Guarantees for borrowings                                  | 216,424      | 269,468      |
| Guarantees for repayment of advances                       | 3,844,148    | 3,465,058    |
| Others   | 1,125,974    | 1,819,008    |
|  | 6,231,050    | 6,617,425    |
|  | 8,336,639    | 9,106,926    |
| Unconfirmed acceptances and guarantees                     |              |              |
| Letters of credit  | 5,181,392    | 6,821,736    |
| Others   | 2,678,712    | 3,127,334    |
|  | 7,860,104    | 9,949,070    |
| Bills endorsed   | 23,902       | -            |
|  | ₩ 16,220,645 | ₩ 19,055,996 |

# Notes to Consolidated Financial Statements

Acceptances and guarantees, by customer, as of December 31, 2009, 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 customer, as of December 31, 2008, were as follows:

(in millions of Korean won)

|                               | Confirmed   | Unconfirmed | Bills Endorsed | Total        | Percentage (%) |
|-------------------------------|-------------|-------------|----------------|--------------|----------------|
| Large corporations            | ₩ 6,278,303 | ₩ 7,718,398 | ₩ -            | ₩ 13,996,701 | 73.45          |
| Small and medium corporations | 2,808,011   | 2,200,403   | -              | 5,008,414    | 26.28          |
| Public sector and others      | 20,612      | 30,269      | -              | 50,881       | 0.27           |
|                               | ₩ 9,106,926 | ₩ 9,949,070 | ₩ -            | ₩ 19,055,996 | 100.00         |

Acceptances and guarantees, by industry, as of December 31, 2009, are 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 industry, as of December 31, 2008, were as follows:

(in millions of Korean won)

|               | Confirmed   | Unconfirmed | Bills Endorsed | Total        | Percentage (%) |
|---------------|-------------|-------------|----------------|--------------|----------------|
| Public sector | ₩ 29,678    | ₩ 3,270,823 | ₩ -            | ₩ 3,300,501  | 17.32          |
| Finance       | 1,360,012   | 106,720     | -              | 1,466,732    | 7.70           |
| Service       | 669,798     | 54,132      | -              | 723,930      | 3.80           |
| Manufacturing | 5,212,696   | 5,870,621   | -              | 11,083,317   | 58.16          |
| Others        | 1,834,742   | 646,774     | -              | 2,481,516    | 13.02          |
|               | ₩ 9,106,926 | ₩ 9,949,070 | ₩ -            | ₩ 19,055,996 | 100.00         |

Acceptances and guarantees, by country, as of December 31, 2009, are 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         |

Acceptances and guarantees, by country, as of December 31, 2009, are as follows:

(in millions of Korean won)

|        | Confirmed   | Unconfirmed | Bills Endorsed | Total        | Percentage (%) |
|--------|-------------|-------------|----------------|--------------|----------------|
| Korea  | ₩ 7,980,784 | ₩ 9,945,428 | ₩ -            | ₩ 17,926,212 | 94.07          |
| Others | 1,126,142   | 3,642       | -              | 1,129,784    | 5.93           |
|        | ₩ 9,106,926 | ₩ 9,949,070 | ₩ -            | ₩ 19,055,996 | 100.00         |

Allowances for losses on acceptances and guarantees as of December 31, 2009, are as follows:

(in millions of Korean won)

|  | Normal       | Precautionary | Substandard | Doubtful | Estimated Loss | Total       |
|--|--------------|---------------|-------------|----------|----------------|-------------|
| Confirmed acceptances and guarantees in won                |              |               |             |          |                |             |
| 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        |
| Confirmed acceptances and guarantees in foreign currencies |              |               |             |          |                |             |
| 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        |
| Unconfirmed acceptances and guarantees                     |              |               |             |          |                |             |
| Guarantees   | ₩ 7,344,869  | ₩ 469,700     | ₩ 39,602    | ₩ 2      | ₩ 5,931        | ₩ 7,860,104 |
| 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        |
| Bills endorsed   |              |               |             |          |                |             |
| Guarantees   | ₩ 23,830     | ₩ 72          | ₩ -         | ₩ -      | ₩ -            | ₩ 23,902    |
| Allowance for possible losses                              | 207          | 7             | -           | -        | -              | 214         |
| Ratio (%)  | 0.87         | 10.00         | -           | -        | -              | 0.90        |
| Total  |              |               |             |          |                |             |
| 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        |

Allowances for losses on acceptances and guarantees as of December 31, 2008, were as follows:

(in millions of Korean won)

|  | Normal       | Precautionary | Substandard | Doubtful  | Estimated Loss | Total       |
|--|--------------|---------------|-------------|-----------|----------------|-------------|
| Confirmed acceptances and guarantees in won                |              |               |             |           |                |             |
| Guarantees   | ₩ 2,486,630  | ₩ 1,022       | ₩ 1,291     | ₩ 114     | ₩ 444          | ₩ 2,489,501 |
| Allowance for possible losses                              | 15,210       | 50            | 161         | 32        | 229            | 15,682      |
| Ratio (%)  | 0.61         | 4.88          | 12.44       | 28.24     | 51.54          | 0.63        |
| Confirmed acceptances and guarantees in foreign currencies |              |               |             |           |                |             |
| Guarantees   | ₩ 6,384,982  | ₩ 150,550     | ₩ 9,258     | ₩ 70,998  | ₩ 1,637        | ₩ 6,617,425 |
| Allowance for possible losses                              | 30,193       | 5,685         | 1,294       | 19,024    | 818            | 57,014      |
| Ratio (%)  | 0.47         | 3.78          | 13.98       | 26.80     | 50.00          | 0.86        |
| Unconfirmed acceptances and guarantees                     |              |               |             |           |                |             |
| Guarantees   | ₩ 9,647,695  | ₩ 196,372     | ₩ 4,702     | ₩ 96,942  | ₩ 3,359        | ₩ 9,949,070 |
| Allowance for possible losses                              | 18,535       | 6,728         | 188         | 23,643    | 672            | 49,766      |
| Ratio (%)  | 0.19         | 3.43          | 4.00        | 24.39     | 20.00          | 0.50        |
| Total  |              |               |             |           |                |             |
| Guarantees   | ₩ 18,519,307 | ₩ 347,944     | ₩ 15,251    | ₩ 168,054 | ₩ 5,440        | ₩19,055,996 |
| Allowance for possible losses                              | 63,938       | 12,463        | 1,643       | 42,699    | 1,719          | 122,462     |
| Ratio (%)  | 0.35         | 3.58          | 10.77       | 25.41     | 31.60          | 0.64        |

# Notes to Consolidated Financial Statements

The provision ratios for possible losses on acceptances and guarantees, and others as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

|                                       | 2009 |            | 2008 |            |
|---------------------------------------|------|------------|------|------------|
| Guarantees and acceptances and others | ₩    | 16,220,645 | ₩    | 19,055,996 |
| Allowance                             |      | 139,429    |      | 122,462    |
| Percentage (%)                        |      | 0.86       |      | 0.64       |

## 15. Other Allowances

Other allowances as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

|                          | 2009 |         | 2008 |         |
|--------------------------|------|---------|------|---------|
| Mileage rewards          | ₩    | 114,785 | ₩    | 111,011 |
| Line of credit to SPC    |      | 351     |      | 2,367   |
| Dormant accounts         |      | 10,155  |      | 10,346  |
| Unfunded commitment      |      | 544,236 |      | 537,889 |
| Reserve for default loss |      | 1,629   |      | 1,621   |
| Trust risk               |      | 2,452   |      | 2,086   |
| Lawsuits and others      |      | 108,942 |      | 42,648  |
|                          | ₩    | 782,550 | ₩    | 707,968 |

The unused line of credit, required to accrue for possible losses, amounts to ₩ 82,128,587 million and ₩ 79,671,657 million as of December 31, 2009 and 2008, respectively.

## 16. Other Liabilities

Other liabilities as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

|   | 2009 |           | 2008 |           |
|---|------|-----------|------|-----------|
| Accounts payable (Notes 9 and 20)                         | ₩    | 3,080,984 | ₩    | 5,442,972 |
| Accrued expense payable (Note 19)                         |      | 4,134,960 |      | 5,348,699 |
| Unearned revenue  |      | 137,859   |      | 177,877   |
| Deferred tax liabilities (Note 23)                        |      | 261,655   |      | 160,101   |
| Withholding taxes   |      | 97,850    |      | 116,050   |
| Deposits for letter of guarantees and others              |      | 142,847   |      | 107,965   |
| Accounts for agency businesses                            |      | 220,680   |      | 273,599   |
| Domestic exchange settlement credits                      |      | 391,571   |      | 203,645   |
| Foreign exchanges settlement credits (Note 21)            |      | 68,430    |      | 67,056    |
| Liabilities incurred from agency relationship             |      | 344,668   |      | 481,559   |
| Derivative instruments liabilities (Note 20)              |      | 3,129,533 |      | 8,042,975 |
| Borrowings from trust accounts                            |      | 1,377,837 |      | 2,351,093 |
| Accrued severance benefits (Note 13)                      |      | 591,996   |      | 848,459   |
| Due from insurance retirement benefits                    |      | (417,017) |      | (569,152) |
| Deposits to the National Pension Fund                     |      | (50)      |      | (55)      |
| Allowance for acceptances and guarantees losses (Note 14) |      | 139,429   |      | 122,462   |

(in millions of Korean won)

|                                    | 2009         | 2008         |
|------------------------------------|--------------|--------------|
| Other allowances (Notes 15 and 20) | 782,550      | 707,968      |
| Insurance reserve                  | 2,044,355    | 1,470,019    |
| Miscellaneous liabilities          | 593,821      | 427,600      |
|                                    | ₩ 17,123,958 | ₩ 25,780,892 |

Miscellaneous liabilities as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

|   | 2009      | 2008      |
|---|-----------|-----------|
| Suspense payable                        | ₩ 71,725  | ₩ 31,260  |
| Borrowings for others' business         | 46,809    | 10,404    |
| Prepaid card and debit card liabilities | 17,580    | 19,635    |
| Security subscription deposits          | 20,367    | 39,353    |
| Income tax payable                      | 99,753    | 144,393   |
| Others                                  | 337,587   | 182,555   |
|   | ₩ 593,821 | ₩ 427,600 |

## 17. Shareholders' Equity

### Capital Stock

Details of capital stock as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

|                             | 2009          | 2008          |
|-----------------------------|---------------|---------------|
| 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   | 356,351,693   |
| Capital stock               | ₩ 1,931,758   | ₩ 1,781,758   |

\*) The Parent Company, as approved by Board of Directors on July 10, 2009, issued 30 million common shares at ₩ 37,250 per share to raise capital. Accordingly, the issued capital was received on September 1, 2009.

### Capital Surplus

The changes in capital surplus for the year ended December 31, 2009, 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 changes in capital surplus for the period from September 29, 2008 to December 31, 2008, were as follows:

(in millions of Korean won)

|  | Beginning    | Changes   | Ending       |
|--|--------------|-----------|--------------|
| Paid-in capital in excess of par value | ₩ 11,273,091 | ₩ (7,678) | ₩ 11,265,413 |
| Other                                  | 4,208,098    | -         | 4,208,098    |
|  | ₩ 15,481,189 | ₩ (7,678) | ₩ 15,473,511 |

# Notes to Consolidated Financial Statements

The excess value, which is 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, is 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, 2009, are as follows:

(in millions of Korean won)

|                                | Beginning     | Changes   | Ending        |
|--------------------------------|---------------|-----------|---------------|
| Treasury stock purchased *)    | ₩ (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) |

\*) As of December 31, 2009, 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.

The changes in capital adjustments as of December 31, 2008, were as follows:

(in millions of Korean won)

|                                | Beginning     | Changes     | Ending        |
|--------------------------------|---------------|-------------|---------------|
| Treasury stock purchased*)     | ₩ (4,208,098) | ₩ 1,497,749 | ₩ (2,710,349) |
| Loss on sale of treasury stock | -             | (432,335)   | (432,335)     |
| Others                         | -             | (2,418)     | (2,418)       |
|                                | ₩ (4,208,098) | ₩ 1,062,996 | ₩ (3,145,102) |

\*) As of December 31, 2008, treasury stock consisting 47,407,671 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 in 2008, and has 43,322,704 shares as of December 31, 2009, after disposing 4,084,967 shares and 26,199,930 shares for year ended December 31, 2009, and for the period from September 29, 2008 to December 31, 2008, respectively. 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, 2009, are as follows:

(in millions of Korean won)

|   | Beginning   | Changes   | Ending      |
|---|-------------|-----------|-------------|
| 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 |

The changes in accumulated other comprehensive income for the period from September 29, 2008 to December 31, 2008, were as follows:

(in millions of Korean won)

|   | Beginning | Changes   | Ending    |
|---|-----------|-----------|-----------|
| Gain (loss) on valuation of available-for-sale securities | ₩ -       | ₩ 193,231 | ₩ 193,231 |
| Gain (loss) on valuation of held-to-maturity securities   | -         | 27        | 27        |
| Gain on valuation of equity method investments            | -         | 9,581     | 9,581     |
| Loss on valuation of equity method investments            | -         | (9,634)   | (9,634)   |

(in millions of Korean won)

|   | Beginning | Changes     | Ending      |
|---|-----------|-------------|-------------|
| Gain (loss) on valuation of derivatives       | -         | 442         | 442         |
| Gain on revaluation of property and equipment | -         | 893,856     | 893,856     |
|   | ₩ -       | ₩ 1,087,503 | ₩ 1,087,503 |

## 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, 2009, are as follows:

(in millions of Korean won)

|   | 2009                    |
|---|-------------------------|
| Number of issued common shares                          | 386,351,693 shares      |
| Number of shares excluded for dividend: common share *) | 43,322,704 shares       |
| Number of shares eligible for dividends: common share   | 343,028,989 shares      |
| Dividend rate   | 4.60%                   |
| Dividend amount   | ₩ 78,896,667,470 shares |
| Dividend payout ratio (Dividends/Net income)            | 14.62%                  |
| Dividend yield ratio (Dividend per share/Market price)  | 0.39%                   |

\*) 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 including the president. 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.

The details of the share-based payments as of December 31, 2009, are as follows:

(In number of shares)

|                | Grant Date | Exercise Period (Years) | Granted Shares <sup>1</sup> *1) | Grant Conditions           |
|----------------|------------|-------------------------|---------------------------------|----------------------------|
| Stock Option   |            |                         |                                 |                            |
| (Kookmin Bank) |            |                         |                                 |                            |
| Series 8-1 *3) | 02.03.22   | 8                       | 46,000                          | Service period: 1, 3 years |



# Notes to Consolidated Financial Statements

(In number of shares)

|  | Grant Date          | Exercise Period (Years) | Granted Shares <sup>1</sup> (*) | Grant Conditions  |
|--|---------------------|-------------------------|---------------------------------|---|
| Series 8-2 *4)                         | 02.03.22            | 8                       | 330,000                         | Service period: 1, 3 years  |
| Series 9 *4)                           | 02.07.26            | 8                       | 30,000                          | Service period: 3 years   |
| Series 10-1 *3)                        | 03.03.21            | 8                       | 60,000                          | Service period: 3 years   |
| Series 10-2 *4)                        | 03.03.21            | 8                       | 120,000                         | Service period: 3 years   |
| Series 11 *4)                          | 03.08.27            | 8                       | 30,000                          | Service period: 3 years   |
| Series 12 *4)                          | 04.02.09            | 8                       | 60,000                          | Service period: 1 year  |
| Series 13-1 *3)                        | 04.03.23            | 8                       | 20,000                          | Service period: 1 year  |
| Series 14 *3),*4)                      | 04.11.01            | 8                       | 700,000                         | Service period: 3 years*6)  |
| Series 15-1 *3)                        | 05.03.18            | 8                       | 165,000                         | Service period: 3 years   |
| Series 15-2 *4)                        | 05.03.18            | 8                       | 720,000                         | Service period: 3 years   |
| Series 16 *4)                          | 05.04.27            | 8                       | 15,000                          | Service period: 3 years   |
| Series 17 *4)                          | 05.07.22            | 8                       | 30,000                          | Service period: 3 years   |
| Series 18 *4)                          | 05.08.23            | 8                       | 15,000                          | Service period: 3 years   |
| Series 19 *2)                          | 06.03.24            | 8                       | 930,000                         | Service period: 1, 2, 3 years   |
| Series 20 *2)                          | 06.04.28            | 8                       | 30,000                          | Service period: 3 years   |
| Series 21 *2)                          | 06.10.27            | 8                       | 20,000                          | Service period: 2 years   |
| Series 22 *2)                          | 07.02.08            | 8                       | 885,000                         | Service period: 1, 3 years  |
| Series 23 *2)                          | 07.03.23            | 8                       | 30,000                          | Service period: 3 years   |
| Series Kookmin Credit Card -1 *5)      | 01.03.22            | 10                      | 22,146                          | Service period: 1 year  |
| Series Kookmin Credit Card -2 *3), *5) | 02.03.29            | 9                       | 9,990                           | Service period: 2 years   |
|  |                     |                         | 4,268,136                       |   |
| Stock Grant*12)                        |                     |                         |                                 |   |
| (KBFinancial Group Inc.)               |                     |                         |                                 |   |
| Series 1 *14)                          | 2008.09.29          | -                       | 60,102                          | Services fulfillment Achievements of targets on the basis of market and non-market performance *13) |
| Series 2 *15)                          | 2009.03.27          | -                       | 4,630                           | Service fulfillment   |
|  |                     |                         | 64,732                          |   |
| (Kookmin Bank)                         |                     |                         |                                 |   |
| Series 1-1                             | 07.11.01            | -                       | 19,278                          | Service period: 3 years *10)  |
| Series 1-2                             | 08.09.29            | -                       | 44,172                          | Service period: 3 years *8)   |
| Series 2 ~ 6                           | 08.01.01 ~ 08.03.19 | -                       | 87,459                          | Service period: 2 years *9)   |
| Series 7                               | 08.03.20            | -                       | 17,584                          | Service period: 3 years *7), *10)   |
| Series 9                               | 08.06.23            | -                       | 3,840                           | Service period: 2 years *9)   |
| Series 10 ~ 11                         | 08.09.11 ~ 08.09.20 | -                       | 16,515                          | Service period: 2 years *9)   |
| Series 13                              | 08.10.18            | -                       | 7,950                           | Service period: 3 years *9), *12)   |
| Series 14-1                            | 08.12.29            | -                       | 33,816                          | Service period: 2 years *9)   |
| Series 14-2                            | 08.12.29            | -                       | 74,200                          | Service period: 2 years *9)   |
| Series 15                              | 09.03.25            | -                       | 10,600                          | Service period: 2 years *9)   |
| Series 16                              | 09.09.29            | -                       | 1,900                           | Service period: 1 years *10)  |
| Series 17                              | 09.10.12            | -                       | 5,300                           | Service period: 2 years *9)   |
| Series 18                              | 09.10.16            | -                       | 1,900                           | Service period: 1 years *10)  |
|  |                     |                         | 324,514                         |   |
|  |                     |                         | 389,246                         |   |
|  |                     |                         | 4,657,382                       |   |

- \*1) Granted shares represent the total number of shares initially granted to each employee and executive whose options have not been exercised as of December 31, 2009.
- \*2) 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.
- \*3) 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.
- \*4) The actual number of exercisable granted shares is determined in accordance with the management performance for the contract period of service.
- \*5) 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.
- \*6) The 300,000 shares are vested when the targeted ROE is accomplished; 200,000 shares vested when targeted BIS ratio is achieved; and 200,000 shares vested when targeted return on shareholders' equity is met.
- \*7) The 25% of granted shares are vested when targeted assets growth rate is accomplished; 25% of granted shares vested when targeted ROA is achieved, and 50% of granted shares vested when targeted relative TSR is met.
- \*8) According to the new contract, 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.
- \*9) The 30% of granted shares are vested when targeted KPI is accomplished; 30% of granted shares vested when targeted financial results of Kookmin Bank are achieved; and 40% of granted shares vested when targeted relative TSR is met.
- \*10) The number of shares to be compensated is fixed regardless of performance.
- \*11) Under the stock grants, the maximum number of shares to be compensated is predetermined on grant date, where the actual number of shares to be compensated is based on the achievement of the targeted performance.
- \*12) The Consolidated Company canceled the existing contracts and entered into new contracts as of December 31, 2009. Accordingly, the number of shares to be compensated has changed.
- \*13) In order to exercise their stock grants, at least three years of service as vesting period are required for executive directors, while the fulfillment of their remaining contracted service period is required for non-executive directors. The 40% of the shares to be granted will be based on the achievement of the targeted relative TSR ratio, while another 40% will be based on the achievement of the targeted relative EPS ratio. The remaining 20% will depend on the Company's growth and on the evaluation of three-year trend on return on asset ratios. However, some of total granted shares will be compensated regardless of the above achievements as long as service requirement is fulfilled.
- \*14) Based on each vesting condition, the number of shares to be compensated is based on the following: 30 % of granted shares have targeted KPI, 30 % of granted shares have targeted financial result, and 40 % of granted shares have targeted relative TSR.
- \*15) The granted shares will be compensated regardless of the achievements of target as long as service requirement is fulfilled.

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, are as follows: (In Korean won, except share amounts)

|             | Granted Shares |           |         | Ending  | Exercise Price per Share | Remaining Period to Maturity(Years) |
|-------------|----------------|-----------|---------|---------|--------------------------|-------------------------------------|
|             | Beginning      | Exercised | Expired |         |                          |                                     |
| 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                                |
| 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                                |

# Notes to Consolidated Financial Statements

(In Korean won, except share amounts)

|                              | Granted Shares |           |         | Ending    | Exercise Price per Share | Remaining Period to Maturity(Years) |
|------------------------------|----------------|-----------|---------|-----------|--------------------------|-------------------------------------|
|                              | Beginning      | Exercised | Expired |           |                          |                                     |
| 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, is ₩ 51,979.

Changes in the number of granted shares and the weighted average exercise price of shares, except for stock grants, for the period from September 29, 2008 to December 31, 2008, were as follows:

(In Korean won, except share amounts)

|                              | Granted Shares |           |         | Ending    | Exercise Price per Share | Remaining Period to Maturity(Years) |
|------------------------------|----------------|-----------|---------|-----------|--------------------------|-------------------------------------|
|                              | Beginning      | Exercised | Expired |           |                          |                                     |
| Series 2                     | 68,761         | 22,267    | -       | 46,494    | 28,027                   | 0.20                                |
| Series 7                     | 75,000         | -         | -       | 75,000    | 51,200                   | 0.88                                |
| Series 8-1                   | 28,263         | 3,321     | -       | 24,942    | 57,100                   | 1.22                                |
| Series 8-2                   | 196,831        | -         | -       | 196,831   | 57,100                   | 1.22                                |
| Series 9                     | 23,899         | -         | -       | 23,899    | 58,800                   | 1.57                                |
| Series 10-1                  | 40,063         | -         | -       | 40,063    | 47,360                   | 2.22                                |
| Series 10-2                  | 67,993         | -         | -       | 67,993    | 35,500                   | 2.22                                |
| Series 11                    | 5,091          | -         | -       | 5,091     | 40,500                   | 2.65                                |
| Series 12                    | 54,250         | -         | -       | 54,250    | 46,100                   | 3.11                                |
| Series 13-1                  | 20,000         | -         | -       | 20,000    | 48,800                   | 3.23                                |
| Series 14                    | 610,000        | -         | -       | 610,000   | 50,600                   | 3.84                                |
| Series 15-1                  | 125,362        | -         | -       | 125,362   | 54,656                   | 4.21                                |
| Series 15-2                  | 510,007        | -         | 963     | 509,044   | 46,800                   | 4.21                                |
| Series 16                    | 8,827          | -         | -       | 8,827     | 45,700                   | 4.32                                |
| Series 17                    | 30,000         | -         | 559     | 29,441    | 49,200                   | 4.56                                |
| Series 18                    | 7,212          | -         | -       | 7,212     | 53,000                   | 4.65                                |
| Series 19                    | 817,644        | -         | 63,949  | 753,695   | 77,056                   | 5.23                                |
| Series 20                    | 30,000         | -         | 4,387   | 25,613    | 81,900                   | 5.33                                |
| Series 21                    | 20,000         | -         | 1,013   | 18,987    | 76,600                   | 5.82                                |
| Series 22                    | 883,026        | -         | 116,911 | 766,115   | 77,100                   | 6.11                                |
| Series 23                    | 30,000         | -         | 14,754  | 15,246    | 84,500                   | 6.23                                |
| Series Kookmin Credit Card-1 | 22,146         | -         | -       | 22,146    | 71,538                   | 2.22                                |
| Series Kookmin Credit Card-2 | 9,990          | -         | -       | 9,990     | 129,100                  | 2.24                                |
|                              | 3,456,241      | 25,588    | 202,536 | 3,456,241 | 61,837                   | 4.38                                |

The weighted average stock price per share of the exercised shares for the period from September 29, 2008 to December 31, 2008, was ₩ 57,016 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, except share amounts)

|             |                        | Stock Price per Share | Exercise Price per Share | Expected Stock Price Volatility (%) | Maturity (Years) | Expected Dividend per Share | Risk Free Rate (%) | Fair Value |
|-------------|------------------------|-----------------------|--------------------------|-------------------------------------|------------------|-----------------------------|--------------------|------------|
| Unconfirmed | Series 22-1 (Director) | 60,200                | 77,100                   | 28.23                               | 2.54             | 4,045                       | 3.22               | 5,366      |
|             | Series 22-2 (Employee) | 60,200                | 77,100                   | 26.09                               | 3.25             | 5,113                       | 3.26               | 5,771      |
| Confirmed   | Series 22-1 (Director) | 60,200                | 77,100                   | 52.07                               | 2.54             | 3,965                       | 4.41               | 14,376     |
|             | Series 22-2 (Employee) | 60,200                | 77,100                   | 47.36                               | 3.25             | 4,989                       | 4.47               | 14,894     |
|             | Series 23              | 60,200                | 84,500                   | 51.04                               | 2.66             | 4,138                       | 4.41               | 12,856     |

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) |
|---------------------------|----------------------------------|--------------------|---|---|
| (KB Financial Group Inc.) |                                  |                    |   |   |
| Series 1-1                | 1.74                             | 3.83%              | 39,914                                    | 60,945  |
| Series 1-2                | 2.00                             | 3.95%              | 36,009                                    | 60,015  |
| Series 1-3                | 0.22                             | 3.48%              | -   | 59,688  |
| Series 1-4                | 1.21                             | 3.58%              | -   | 60,757  |
| Series 1-5                | 0.83                             | 3.48%              | -   | 59,932  |
| Series 2-1                | 1.21                             | 3.58%              | -   | 60,044  |
| Series 2-2                | 0.23                             | 3.48%              | -   | 59,772  |
| Series 2-3                | 2.24                             | 4.05%              | -   | 61,187  |
| (Kookmin Bank)            |                                  |                    |   |   |
| Series 1-1                | 0.84                             | 3.48               | -   | 59,346  |
| Series 1-2                | 0.84                             | 3.48               | 42,258                                    | 59,921  |
| Series 2                  | 0.00                             | 3.48               | -   | 59,683  |
| Series 3                  | 0.00                             | 3.48               | 59,683                                    | 59,683  |
| Series 4                  | 0.04                             | 3.48               | 37,339                                    | 59,918  |
| Series 5                  | 0.21                             | 3.48               | 41,085                                    | 59,740  |
| Series 6 (unconfirmed)    | 0.21                             | 3.48               | 41,784                                    | 59,701  |
| Series 6 (unconfirmed)    | 0.21                             | 3.48               | -   | 59,599  |
| Series 7-1                | 1.22                             | 3.58               | -   | 60,770  |
| Series 7-2                | 1.22                             | 3.58               | 41,927                                    | 60,043  |
| Series 9                  | 0.48                             | 3.48               | 37,601                                    | 59,954  |
| Series 10                 | 0.70                             | 3.48               | 37,071                                    | 60,277  |
| Series 11                 | 0.72                             | 3.48               | 35,819                                    | 59,699  |
| Series 13                 | 1.80                             | 3.85               | 24,398                                    | 60,898  |
| Series 14-1               | 0.99                             | 3.48               | 36,076                                    | 60,127  |

# 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) |
|------------|----------------------------------|--------------------|---|---|
| Series14-2 | 0.99                             | 3.48               | 36,071                                    | 60,119  |
| Series 15  | 1.23                             | 3.59               | 36,064                                    | 60,181  |
| Series 16  | 0.75                             | 3.48               | -   | 60,178  |
| Series 17  | 1.78                             | 3.84               | 36,772                                    | 61,475  |
| Series 18  | 0.79                             | 3.48               | -   | 60,015  |

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 of December 31, 2009, for the underlying asset price. Additionally, the average three-year historical dividend rate was used as expected dividend rate.

As of December 31, 2009 and 2008, the accrued expenses representing share-based payments amounted to ₩ 31,903 million and ₩ 3,119 million, respectively, and the intrinsic value of the vested share options amounted to ₩ 19,780 million and ₩ 364 million, respectively. The compensation cost amounting to ₩ 30,433 million for the year ended December 31, 2009, is recorded as general and administrative expenses.

## 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 ₩ 11,628,397 million and ₩ 11,705,037 million as of December 31, 2009 and 2008, respectively.

(2) As of December 31, 2009 and 2008, the Consolidated Company recorded receivables amounting to ₩ 2,475,424 million and ₩ 4,560,352 million, respectively, and payables amounting to ₩ 2,475,147 million and ₩ 4,561,021 million, respectively, for unsettled foreign currency spot transactions.

(3) As of December 31, 2009 and 2008, the Consolidated Company has commitments to provide lines of credit of up to ₩ 300,243 million and ₩ 210,282 million, respectively, and to purchase commercial papers of up to ₩ 1,418,100 million and ₩ 1,555,300 million, respectively, with several special purpose companies("SPC"). As of December 31, 2009 and 2008, under these commitments, extended loans amounted to ₩ 2,573 million and ₩ 2,210 million, respectively, and purchased commercial papers amounted to ₩ 471,800 million as of December 31, 2008. The Consolidated Company has credit preservation procedures, such as special agreements for repurchase, trust guarantees, cash and securities reservation and so on, in cases when the Consolidated Company becomes obligated to make payments in accordance with these commitments. The expected loss of ₩ 351 million and ₩ 2,367 million from the commitments is recorded as other allowances as of December 31, 2009 and 2008, respectively. In addition, unused credit in foreign currency amounts to ₩ 9,510,968 million and ₩ 10,065,249 million, and the unused credit, excluding the unused line of credit subject for other allowances, amounts to ₩ 1,762,038 million and ₩ 1,361,458 million as of December 31, 2009 and 2008, 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, 2009.

(5) Commitments the Consolidated Company made with financial institutions are as follows:

(In Korean won)

|                             | Creditor                       | Debtor                               | Credit Limit | Current Balance |
|-----------------------------|--------------------------------|--------------------------------------|--------------|-----------------|
| Overdraft accounts          | Korea Securities Finance Corp. | KB Asset Management Co., Ltd.        | ₩ 30,000     | ₩ -             |
| Discounted commercial paper | 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       | -               |

(In Korean won)

|                             | Creditor                       | Debtor                               | Credit Limit | Current Balance |
|-----------------------------|--------------------------------|--------------------------------------|--------------|-----------------|
|                             | 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      | -               |
| Half-day call loan          | Korea Securities Finance Corp. | KB Investment & Securities Co., Ltd. | 50,000       | -               |
| Operating loan              | Korea Securities Finance Corp. | KB Investment & Securities Co., Ltd. | 50,000       | -               |
| General purpose loan        | Hana Bank                      | KB Financial Group Inc.              | 50,000       | -               |
|                             |                                | KB Real Estate Trust Co., Ltd.       | 40,000       | 30,000          |
|                             | Woori Bank                     | KB Financial Group Inc.              | 130,000      | -               |
|                             |                                | KB Real Estate Trust Co., Ltd.       | 30,000       | 21,854          |
|                             |                                |                                      | 250,000      | 51,854          |
| Facility restructuring loan | Industrial Bank of Korea       | KB Real Estate Trust Co., Ltd.       | 20,000       | 17,692          |
|                             |                                |                                      | ₩ 665,000    | ₩ 69,546        |

(6) As of December 31, 2009, Korea Housing Guarantee Co., Ltd. has issued five promissory notes to KB Real Estate Trust Co., Ltd. with a total face value of ₩ 1,215,080 million as a guarantee for land trust business. Additionally, the guarantee of ₩ 93,700 million by Seoul Guarantee Insurance Company for land trust business has been provided.

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 ₩ 4,658 million by Seoul Guarantee Insurance Company.

(7) 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.

(8) The face value of the securities sold to general customers through tellers' sale amounts to ₩ 191,151 million and ₩ 257,340 million as of December 31, 2009 and 2008, respectively.

(9) The Consolidated Company has filed 117 lawsuits (excluding minor lawsuits in relation to the collection or management of loans), as the plaintiff, involving aggregate claims of ₩ 316,609 million and faces 270 lawsuits as the defendant (excluding minor lawsuits in relation to the collection or management of loans) involving aggregate damages of ₩ 1,214,469 million, which arose in the normal course of the business and are still pending as of December 31, 2009.

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, related interest to KLS in the second trial. The third trial is currently pending at the Supreme Court as of December 31, 2009. The second case seeking damages of ₩ 445,877 million, the court ordered Kookmin Bank to pay the commitment fee of ₩ 122,740 million and related interest incurred to KLS in the first trial; the second trial is pending as of December 31, 2009. The third case seeking damages of ₩ 134,279 million is currently pending in the first trial as of December 31, 2009.

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 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. However, the Korea Prosecutory Authorities appealed to the court on the above decision on May 13, 2009. 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, 2009.

# Notes to Consolidated Financial Statements

The government also filed a civil lawsuit against National Agricultural Cooperative Federation ("Nonghyup" or "NACF") and Kookmin Bank for the return of ₩ 116,646 million of commission fee, claiming that the commission fee related to the management of the National Housing Fund was unduly assessed. On December 24, 2009, the Supreme Court decided in favor of Kookmin Bank.

(10) On August 27, 2008, Kookmin Bank purchased 29,972,840 outstanding shares of Joint Stock Company Bank CenterCredit (Kazakhstan) from the existing shareholder, and additional new shares of 14,163,836 (including forfeited shares of 10,298,558). As a result, Kookmin Bank currently holds 30.52 % (44,136,676 shares) of the total issued shares, and the additional 11.41% of ownership will be obtained through the acquisition of existing shares and convertible preferred shares.

(11) 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 charged and paid. However, Kookmin Bank has filed a legal appeal against this and received tax refund of ₩ 65,347 million as of December 31, 2009.

(12) The balances of securities borrowed, held by KB Investment & Securities Co., Ltd. and will be sold for financing purpose, are ₩ 551,192 million and ₩ 283,835 million as of December 31, 2009 and 2008, respectively.

(13) The Consolidated Company agreed to make ₩ 175,000 million investment in United Asset Management Corporation which was established on October 1, 2009. The Consolidated Company has invested ₩ 12,250 million for the year ended December 31, 2009, and therefore, the remaining investment to be made as of December 31, 2009, is ₩ 162,750 million.

(14) The details of derivative instrument transactions as of December 31, 2009 and 2008, are as follows: (In Korean won)

|                             | 2009*1)     |           |             | 2008*1)     |           |             |
|-----------------------------|-------------|-----------|-------------|-------------|-----------|-------------|
|                             | Trading     | Hedge     | Total       | Trading     | Hedge     | Total       |
| <b>Interest rate</b>        |             |           |             |             |           |             |
| Futures                     | ₩ 3,783,105 | ₩ -       | ₩ 3,783,105 | ₩ 4,312,651 | ₩ -       | ₩ 4,312,651 |
| Swaps                       | 87,497,158  | 4,988,590 | 92,485,748  | 78,629,856  | 5,359,799 | 83,989,655  |
| Purchased options           | 3,600,000   | -         | 3,600,000   | 3,250,000   | -         | 3,250,000   |
| Written options             | 3,453,481   | -         | 3,453,481   | 3,585,475   | -         | 3,585,475   |
|                             | 98,333,744  | 4,988,590 | 103,322,334 | 89,777,982  | 5,359,799 | 95,137,781  |
| <b>Currency</b>             |             |           |             |             |           |             |
| Forwards                    | 35,213,251  | 566,759   | 35,780,010  | 60,978,331  | 793,597   | 61,771,928  |
| Futures                     | 1,674,175   | -         | 1,674,175   | 1,434,797   | -         | 1,434,797   |
| Swaps                       | 18,287,206  | 1,167,600 | 19,454,806  | 21,371,552  | -         | 21,371,552  |
| Purchased options *2)       | 1,479,661   | -         | 1,479,661   | 7,173,716   | -         | 7,173,716   |
| Written options *2)         | 1,784,605   | -         | 1,784,605   | 7,143,368   | -         | 7,143,368   |
|                             | 58,438,898  | 1,734,359 | 60,173,257  | 98,101,764  | 793,597   | 98,895,361  |
| <b>Stock</b>                |             |           |             |             |           |             |
| Index futures               | 75,044      | -         | 75,044      | 6,173       | -         | 6,173       |
| Purchased options           | 832,887     | -         | 832,887     | 848,728     | -         | 848,728     |
| Written put options         | 1,914,260   | -         | 1,914,260   | 1,780,375   | -         | 1,780,375   |
| Swaps                       | 171,400     | -         | 171,400     | 495,523     | -         | 495,523     |
|                             | 2,993,591   | -         | 2,993,591   | 3,130,799   | -         | 3,130,799   |
| <b>Others</b>               |             |           |             |             |           |             |
| Purchased commodity options | -           | -         | -           | 44,497      | -         | 44,497      |
| Written commodity options   | -           | -         | -           | 43,389      | -         | 43,389      |
| Commodity forwards          | 41,727      | -         | 41,727      | 120,397     | -         | 120,397     |
| Commodity swaps             | -           | -         | -           | 957         | -         | 957         |



(In Korean won)

|                   | 2009*1)      |             |               | 2008*1)      |             |               |
|-------------------|--------------|-------------|---------------|--------------|-------------|---------------|
|                   | Trading      | Hedge       | Total         | Trading      | Hedge       | Total         |
| Other derivatives | 60,000       | 190,000     | 250,000       | 60,000       | 190,000     | 250,000       |
|                   | 101,727      | 190,000     | 291,727       | 269,240      | 190,000     | 459,240       |
|                   | ₩159,867,960 | ₩ 6,912,949 | ₩ 166,780,909 | ₩191,279,785 | ₩ 6,343,396 | ₩ 197,623,181 |

\*1) For transactions (excluding currency option transactions) between won and foreign currencies, unsettled amount of transaction is presented using the basic foreign exchange rate at statements of financial position date based on the contract amount in foreign currencies. For transactions (excluding currency option transactions) between foreign currencies and foreign currencies, unsettled amount of transaction is presented using the basic foreign exchange rate at the end of the reporting period based on foreign currencies purchased.

\*2) For currency option transactions, 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 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 and 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 and related gain or loss on valuation for the year ended December 31, 2009, 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 |
| Interest rate      |                               |             |            |                                |             |
| 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     |
| Currency           |                               |             |            |                                |             |
| 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   |
| Stock              |                               |             |            |                                |             |
| 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     |
| Others             |                               |             |            |                                |             |
| 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      |
|                    | ₩ 827,437                     | ₩ (429,068) | ₩ 398,369  | ₩ 3,367,682                    | ₩ 3,129,533 |

The details of fair valuation of derivative instruments and related gain or loss on valuation for the period from September 29, 2008 to December 31, 2008, were as follows:

(In millions of Korean won)

|                   | Gain(Loss) on Valuation (P/L)*2) |       |          | Gain (Loss) on Valuation (B/S)*1), *2) |             |
|-------------------|----------------------------------|-------|----------|--|-------------|
|                   | Trading                          | Hedge | Total    | Assets                                 | Liabilities |
| Interest rate     |                                  |       |          |  |             |
| Purchased options | ₩ 19,683                         | ₩ -   | ₩ 19,683 | ₩ 48,415                               | ₩ -         |
| Written options   | (14,271)                         | -     | (14,271) | 14                                     | 37,409      |

# Notes to Consolidated Financial Statements

(In millions of Korean won)

|                             | Gain(Loss) on Valuation (P/L)*2 |           |             | Gain (Loss) on Valuation (B/S)*1,*2 |             |
|-----------------------------|---------------------------------|-----------|-------------|-------------------------------------|-------------|
|                             | Trading                         | Hedge     | Total       | Assets                              | Liabilities |
| Swaps                       | (311,936)                       | 503,898   | 191,962     | 1,228,306                           | 1,410,650   |
|                             | (306,524)                       | 503,898   | 197,374     | 1,276,735                           | 1,448,059   |
| Currency                    |                                 |           |             |                                     |             |
| Forwards                    | 1,303,234                       | (68,741)  | 1,234,493   | 4,424,925                           | 2,718,543   |
| Swaps                       | (790,345)                       | -         | (790,345)   | 1,303,579                           | 2,588,290   |
| Purchased options           | 592,405                         | -         | 592,405     | 1,046,702                           | -           |
| Written options             | (294,901)                       | -         | (294,901)   | -                                   | 597,169     |
|                             | 810,393                         | (68,741)  | 741,652     | 6,775,206                           | 5,904,002   |
| Stock                       |                                 |           |             |                                     |             |
| Purchased options           | 55,191                          | -         | 55,191      | 290,622                             | -           |
| Written options             | 158,389                         | -         | 158,389     | -                                   | 481,938     |
| Swaps                       | (131,088)                       | -         | (131,088)   | 16,963                              | 181,682     |
|                             | 82,492                          | -         | 82,492      | 307,585                             | 663,620     |
| Others                      |                                 |           |             |                                     |             |
| Purchased commodity options | (449)                           | -         | (449)       | 590                                 | -           |
| Written commodity options   | 439                             | -         | 439         | -                                   | 573         |
| Commodity forwards          | (274)                           | -         | (274)       | 16,381                              | 15,846      |
| Commodity swaps             | (21)                            | -         | (21)        | 1,295                               | 1,281       |
| Other derivatives           | (3,178)                         | 19,403    | 16,225      | 7,810                               | 9,594       |
|                             | (3,483)                         | 19,403    | 15,920      | 26,076                              | 27,294      |
|                             | ₩ 582,878                       | ₩ 454,560 | ₩ 1,037,438 | ₩ 8,385,602                         | ₩ 8,042,975 |

\*1) The valuation and related gain (loss) from cash flow hedge accounting is not included.

\*2) Operating results are for the six-month period ended December 31, 2008

The Consolidated Company uses various derivative instruments for trading activities and hedging activities, such as foreign exchange risks, interest rate risks in relation to securities and debentures and risks in interest rate changes of customers. 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, structured deposits, finance debentures issued in foreign currency, off-shore finance debentures issued and equity method investments in foreign currency. For the year ended December 31, 2009 and for the period from September 29, 2008 to December 31, 2008, Kookmin Bank recognized a gain of ₩ 204,838 million and a loss of ₩ 495,194 million, respectively, under the valuation of fair value hedge items. In addition, the interest rate swap, the currency swap and the currency forwards offset changes in the fair value changes 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 ₩ (-) 168,604 million, is an ineffective portion of hedging.

The details of the credit default swap as of December 31, 2009, 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.

## 21. Assets and Liabilities Denominated in Foreign Currencies

Significant assets and liabilities denominated in foreign currencies as of December 31, 2009, are as follows:

|                                      | Currency | Foreign Currencies<br>(In Thousands) | USD Equivalent *1)<br>(In Thousands) | KRW Equivalent<br>(In Millions) |
|--------------------------------------|----------|--------------------------------------|--------------------------------------|---------------------------------|
| <b>Assets</b>                        |          |                                      |                                      |                                 |
| Foreign currencies                   | USD      | 80,968                               | 80,968                               | 94,539                          |
|                                      | JPY      | 4,909,333                            | 53,097                               | 61,996                          |
|                                      | 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                         |
|                                      | 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                       |

# Notes to Consolidated Financial Statements

|                                  | Currency | Foreign Currencies<br>(In Thousands) | USD Equivalent *1)<br>(In Thousands) | KRW Equivalent<br>(In Millions) |
|----------------------------------|----------|--------------------------------------|--------------------------------------|---------------------------------|
| 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                          |

\*) 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, 2008, were as follows:

|                                      | Currency | Foreign Currencies<br>(In Thousands) | USD Equivalent *1)<br>(In Thousands) | KRW Equivalent<br>(In Millions) |
|--------------------------------------|----------|--------------------------------------|--------------------------------------|---------------------------------|
| Assets                               |          |                                      |                                      |                                 |
| Foreign currencies                   | USD      | 71,429                               | 71,429                               | 89,822                          |
|                                      | JPY      | 5,789,537                            | 64,175                               | 80,700                          |
|                                      | EUR      | 29,533                               | 41,716                               | 52,458                          |
|                                      | GBP      | 1,851                                | 2,676                                | 3,364                           |
|                                      | Others   | -                                    | 36,721                               | 46,177                          |
|                                      |          |                                      | 216,717                              | 272,521                         |
| Due from banks in foreign currencies | USD      | 931,275                              | 931,275                              | 1,171,078                       |
|                                      | JPY      | 553,218                              | 6,132                                | 7,711                           |
|                                      | EUR      | 8,229                                | 11,623                               | 14,616                          |
|                                      | GBP      | 759                                  | 1,098                                | 1,380                           |
|                                      | Others   | -                                    | 72,178                               | 90,764                          |
|                                      |          |                                      | 1,022,306                            | 1,285,549                       |
| Securities in foreign currencies     | USD      | 1,070,377                            | 1,070,377                            | 1,345,998                       |
|                                      | JPY      | 1,527,556                            | 16,932                               | 21,292                          |
|                                      | EUR      | 60,192                               | 85,021                               | 106,914                         |
|                                      | Others   | -                                    | 639,096                              | 803,665                         |
|                                      |          |                                      | 1,811,426                            | 2,277,869                       |
| Loans in foreign currencies          | USD      | 4,519,678                            | 4,519,678                            | 5,683,495                       |
|                                      | JPY      | 169,324,007                          | 1,876,891                            | 2,360,190                       |

|                                    | Currency | Foreign Currencies<br>(In Thousands) | USD Equivalent *1)<br>(In Thousands) | KRW Equivalent<br>(In Millions) |
|------------------------------------|----------|--------------------------------------|--------------------------------------|---------------------------------|
|                                    | EUR      | 42,143                               | 59,528                               | 74,856                          |
|                                    | Others   | -                                    | 191,517                              | 240,833                         |
|                                    |          |                                      | 6,647,614                            | 8,359,374                       |
| Domestic usance import bill        | USD      | 1,700,233                            | 1,700,233                            | 2,138,042                       |
|                                    | JPY      | 14,523,965                           | 160,993                              | 202,448                         |
|                                    | EUR      | 51,285                               | 72,440                               | 91,093                          |
|                                    | GBP      | 742                                  | 1,073                                | 1,350                           |
|                                    | Others   | -                                    | 9,513                                | 11,964                          |
|                                    |          |                                      | 1,944,252                            | 2,444,897                       |
| Bills bought in foreign currencies | USD      | 1,869,641                            | 1,869,641                            | 2,351,074                       |
|                                    | JPY      | 4,600,070                            | 50,990                               | 64,120                          |
|                                    | EUR      | 144,013                              | 203,419                              | 255,799                         |
|                                    | GBP      | 5,019                                | 7,255                                | 9,123                           |
|                                    | Others   | -                                    | 59,085                               | 74,299                          |
|                                    |          |                                      | 2,190,390                            | 2,754,415                       |
| Call loans in foreign currencies   | USD      | 20,573                               | 20,573                               | 25,871                          |
|                                    | JPY      | 930,000                              | 10,309                               | 12,963                          |
|                                    | EUR      | 4,578                                | 6,467                                | 8,132                           |
|                                    | GBP      | 2,600                                | 3,758                                | 4,726                           |
|                                    | Others   | -                                    | 5,003                                | 6,291                           |
|                                    |          |                                      | 46,110                               | 57,983                          |
| <b>Liabilities</b>                 |          |                                      |                                      |                                 |
| Deposits in foreign currencies     | USD      | 1,857,472                            | 1,857,472                            | 2,335,771                       |
|                                    | JPY      | 20,080,448                           | 222,584                              | 279,899                         |
|                                    | EUR      | 50,442                               | 71,250                               | 89,597                          |
|                                    | GBP      | 6,962                                | 10,064                               | 12,655                          |
|                                    | Others   | -                                    | 147,107                              | 184,987                         |
|                                    |          |                                      | 2,308,477                            | 2,902,909                       |
| Borrowings in foreign currencies   | USD      | 4,112,167                            | 4,112,167                            | 5,171,049                       |
|                                    | JPY      | 81,171,966                           | 899,760                              | 1,131,448                       |
|                                    | EUR      | 720,179                              | 1,017,253                            | 1,279,196                       |
|                                    | GBP      | 215,045                              | 310,836                              | 390,876                         |
|                                    | Others   | -                                    | 10,640                               | 13,381                          |
|                                    |          |                                      | 6,350,656                            | 7,985,950                       |
| Call money in foreign currencies   | USD      | 1,480,000                            | 1,480,000                            | 1,861,100                       |
|                                    | EUR      | 140,500                              | 198,456                              | 249,559                         |
|                                    | Others   | -                                    | 21,592                               | 27,152                          |
|                                    |          |                                      | 1,700,048                            | 2,137,811                       |
| Debentures in foreign currencies   | USD      | 1,456,731                            | 1,456,731                            | 1,831,839                       |
|                                    | JPY      | 126,400,000                          | 1,401,095                            | 1,761,877                       |
|                                    | EUR      | 35,000                               | 49,438                               | 62,168                          |
|                                    | Others   | -                                    | 50,965                               | 64,089                          |
|                                    |          |                                      | 2,958,229                            | 3,719,973                       |
| Foreign currencies bills payable   | USD      | 44,162                               | 44,162                               | 55,534                          |
|                                    | JPY      | 446,474                              | 4,949                                | 6,223                           |
|                                    | EUR      | 2,656                                | 3,751                                | 4,717                           |
|                                    | GBP      | 84                                   | 121                                  | 152                             |
|                                    | Others   | -                                    | 342                                  | 430                             |
|                                    |          |                                      | 53,325                               | 67,056                          |

\*) 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.

# Notes to Consolidated Financial Statements

## 22. Selling and Administrative Expenses

Selling and administrative expenses for the year ended December 31, 2009, and for the period from September 29, 2008 to December 31, 2008, are as follows: (In millions of Korean won)

|  | 2009        | 2008        |
|--|-------------|-------------|
| Salaries (Note 19)                           | ₩ 1,542,544 | ₩ 698,990   |
| Provision for severance benefits (Note 13)   | 167,416     | 96,747      |
| Severance benefits for voluntary resignation | -           | 89,785      |
| Welfare expense                              | 557,927     | 338,736     |
| Rental expense                               | 181,743     | 90,886      |
| Depreciation (Note 9)                        | 320,154     | 190,177     |
| Amortization of intangible asset (Note 10)   | 173,986     | 76,899      |
| Tax and dues                                 | 145,786     | 87,731      |
| Advertising                                  | 76,785      | 57,578      |
| Development expenses                         | 135,875     | 71,004      |
| Others                                       | 482,161     | 265,864     |
|  | ₩ 3,784,377 | ₩ 2,064,397 |

Information for calculating value added for the year ended December 31, 2009, and for the period from September 29, 2008 to December 31, 2008, is as follows: (In millions of Korean won)

|  | 2009        | 2008        |
|--|-------------|-------------|
| Salaries                                     | ₩ 1,542,544 | ₩ 698,990   |
| Provision for severance benefits             | 167,416     | 96,747      |
| Severance benefits for voluntary resignation | -           | 89,785      |
| Welfare expense                              | 557,927     | 338,736     |
| Rental expense                               | 181,743     | 90,886      |
| Depreciation                                 | 320,154     | 190,177     |
| Amortization of intangible asset             | 173,986     | 76,899      |
| Tax and dues                                 | 145,786     | 87,731      |
| Others                                       | 482,161     | 265,864     |
|  | ₩ 3,089,556 | ₩ 1,669,951 |

Other selling and administrative expenses for the year ended December 31, 2009, and for the period from September 29, 2008 to December 31, 2008, are as follows: (In millions of Korean won)

|                           | 2009      | 2008      |
|---------------------------|-----------|-----------|
| Communication             | ₩ 55,250  | ₩ 29,500  |
| Electricity and utilities | 22,448    | 10,608    |
| Publication               | 22,853    | 13,219    |
| Repairs and maintenance   | 18,110    | 8,989     |
| Vehicle                   | 39,398    | 16,736    |
| Training                  | 21,623    | 18,274    |
| Office supplies           | 41,041    | 21,864    |
| Travel                    | 4,543     | 3,243     |
| Commission expense        | 146,555   | 81,009    |
| Others                    | 110,340   | 62,422    |
|                           | ₩ 482,161 | ₩ 265,864 |

## 23. Income Tax

Income tax expense for the year ended December 31, 2009, and for the period from September 29, 2008 to December 31, 2008, consists of:

(In millions of Korean won)

|  | 2009     | 2008      |
|--|----------|-----------|
| <b>Parent Company</b>  |          |           |
| Income tax payable   | ₩ -      | ₩ -       |
| Changes in deferred tax assets   | 1,598    | 4,649     |
| Total income tax effect  | 1,598    | 4,649     |
| Income tax expense or benefit allocated directly to shareholders' equity | 1,305    | (4,482)   |
| Income tax expense   | 2,903    | 167       |
| <b>Subsidiaries</b>  |          |           |
| Income tax payable   | (4,682)  | 107,086   |
| Changes in deferred tax assets   | 91,918   | (213,622) |
| Income tax expense of overseas branch                                    | 6,160    | 3,616     |
| Total income tax effect  | 93,396   | (102,920) |
| Income tax expense or benefit allocated directly to shareholders' equity | (71,385) | 432,333   |
| Income tax expense   | 22,011   | 329,413   |
|  | ₩ 24,914 | ₩ 329,580 |

Deferred tax assets and liabilities in the consolidated financial statements as of December 31, 2009 and 2008, are as follows:

(In millions of Korean won)

|                                      | 2009     |             | 2008     |             |
|--------------------------------------|----------|-------------|----------|-------------|
|                                      | Assets   | Liabilities | Assets   | Liabilities |
| KB Financial Group Inc.              | ₩ -      | ₩ 6,363     | ₩ -      | ₩ 4,655     |
| Kookmin Bank *1)                     | -        | 253,916     | -        | 143,021     |
| KB Investment & Securities Co., Ltd. | 6,369    | -           | -        | 11,211      |
| KB Life Insurance Co., Ltd.          | 1,933    | -           | -        | -           |
| KB Asset Management Co., Ltd.        | 1,075    | -           | 37       | -           |
| KB Asset Management Co., Ltd.        | 3,846    | -           | 6,669    | -           |
| KB Investment Co., Ltd. *2)          | 3,057    | -           | 2,809    | -           |
| KB Futures Co., Ltd.                 | -        | 1,376       | -        | 1,214       |
| KB Credit Information Co., Ltd.      | 344      | -           | 64       | -           |
| KB Data Systems Co., Ltd.            | 6,047    | -           | 5,054    | -           |
|                                      | ₩ 22,671 | ₩ 261,655   | ₩ 14,633 | ₩ 160,101   |

\*1) Financial information, as of December 31, 2009, is based on its consolidated financial statements including Kookmin Bank Int'l Ltd.(London), Kookmin Bank Hong Kong Ltd., and Kookmin Bank Cambodia PLC. as subsidiaries, and financial information, as of December 31, 2008, is based on its consolidated financial statements including Kookmin Bank Int'l Ltd.(London), Kookmin Bank Hong Kong Ltd., and KB Life Insurance Co., Ltd. as subsidiaries.

\*2) Based on its consolidated financial statements including NPS-KBIC Private Equity Fund No.1 as a subsidiary.

The Consolidated Company's statutory tax rate is 24.2%. However, due to tax adjustments, the effective tax rate is 4.51% for the year ended December 31, 2009.



# Notes to Consolidated Financial Statements

## 24. Earnings Per Share

Basic earnings per share for the year ended December 31, 2009, and for the period from September 29, 2008 to December 31, 2008, is calculated as follows: (In Korean won)

|  | 2009              | 2008 *2)          |
|--|-------------------|-------------------|
| Net income *1)                                       | ₩ 539,818,164,108 | ₩ 611,926,551,438 |
| Weighted-average number of common shares outstanding | 325,406,414       | 294,531,780       |
| Basic earnings per share                             | ₩ 1,659           | ₩ 2,078           |

\*1) Earnings available for common shareholders is the same as net income of the Parent Company.

\*2) The effect from common shares deemed to have been issued free to existing shareholders retroactively adjusted the prior period's weighted average number of common shares outstanding.

The weighted average number of common shares outstanding for the year ended December 31, 2009, is 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 *1)   | (47,407,671)     | 365              | (17,303,799,915)   |
| Disposal 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 be issued free to existing shareholders *2) | 8,421,751        | 243              | 2,046,485,599      |
| Total outstanding shares (1)  |                  |                  | 118,773,341,187    |
| Number of days(2)   |                  |                  | 365                |
| Weighted average number of shares outstanding(1/2)                  |                  |                  | 325,406,414        |

The weighted average number of common shares outstanding for the period ended from September 29, 2008 to December 31, 2008, is computed as follows: (In millions of Korean won)

|   | Number of Shares | Days Outstanding | Outstanding Shares |
|---|------------------|------------------|--------------------|
| Beginning   | 356,351,693      | 94               | 33,497,059,142     |
| Treasury shares *1)   | (73,607,601)     | 94               | (6,919,114,494)    |
| Disposal of treasury shares   | 11,848,340       | 20               | 236,966,800        |
| Disposal of treasury shares   | 12,569,832       | 10               | 125,698,320        |
| Disposal of treasury shares   | 1,781,758        | 6                | 10,690,548         |
| Common shares deemed to be issued free to existing shareholders *2) | 7,815,819        | 94               | 734,686,986        |
| Total outstanding shares (1)  |                  |                  | 27,685,987,302     |
| Number of days (2)  |                  |                  | 94                 |
| Weighted average number of shares outstanding (1/2)                 |                  |                  | 294,531,780        |

\*1) Weighted average number of common shares outstanding is calculated considering the Parent Company's issued shares owned by subsidiaries as treasury stock.

\*2) The common shares deemed to be issued free to existing shareholders were considered in the computation of weighted average number of common shares outstanding.

The amounts of basic and diluted earnings per share for the prior period were retroactively adjusted from ₩ 2,134 per share to ₩ 2,078 per share, because the weighted average number of common shares increased as a result of common shares, which are deemed to have been issued free to existing shareholders, increased.

Basic earnings per share for the year ended December 31, 2009, and for the period from September 29, 2008 to December 31, 2008, 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, 2009, due to the antidilutive effect, but may result in the dilution of earnings per share in the future is as follows:

(In millions of Korean won)

|             | 2009 *1) |
|-------------|----------|
| Stock Grant | 389,246  |

\*1) The number of granted shares for employees and executives of Kookmin Bank, one of the subsidiaries of the Company, is included in the total number of stock grants.

## 25. Comprehensive Income

Comprehensive income for the year ended December 31, 2009, and for the period from September 29, 2008 to December 31, 2008, consists of:

(In millions of Korean won)

|   | 2009 |         | 2008 |           |
|---|------|---------|------|-----------|
| Net income  | ₩    | 527,494 | ₩    | 609,828   |
| Other comprehensive income                                |      |         |      |           |
| Gain (loss) on valuation of available-for-sale securities |      | 186,536 |      | 193,260   |
| Gain (loss) on valuation of held-to-maturity securities   |      | (2,114) |      | 59        |
| Gain on valuation of equity method investments            |      | (8,959) |      | 9,581     |
| Loss on valuation of equity method investments            |      | 6,678   |      | (9,634)   |
| Gain (loss) on valuation of derivatives                   |      | (442)   |      | 866       |
| Gain (loss) from revaluation of property and equipment    |      | (2,615) |      | 893,856   |
| Comprehensive income                                      | ₩    | 706,578 | ₩    | 1,697,816 |
| Parent Company interest in comprehensive income           | ₩    | 684,594 | ₩    | 1,699,430 |
| Minority interests in comprehensive income                |      | 21,984  |      | (1,614)   |

## 26. Segment Financial Information

Statements of financial position per business segment as of December 31, 2009, are 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 interests                     |                                | -           |                        | -      |                          | 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 |

# Notes to Consolidated Financial Statements

Statements of financial position per business segment as of December 31, 2008, were as follows:

(In millions of Korean won)

|  | Financial & Insurance Business | Non-Financial Business | Consolidation Adjustment | Total         |
|--|--------------------------------|------------------------|--------------------------|---------------|
| Cash and due from banks                | ₩ 8,484,952                    | ₩ 21,970               | ₩ (190,725)              | ₩ 8,316,197   |
| Securities                             | 57,065,999                     | -                      | (18,080,731)             | 38,985,268    |
| Loans receivable                       | 200,488,233                    | 798                    | (1,558,845)              | 198,930,186   |
| Property and equipment                 | 3,504,735                      | 311                    | (2,497)                  | 3,502,549     |
| Other assets                           | 18,424,268                     | 23,453                 | (633,130)                | 17,814,591    |
|  | ₩ 287,968,187                  | ₩ 46,532               | ₩ (20,465,928)           | ₩ 267,548,791 |
| Deposits                               | ₩ 162,843,928                  | ₩ -                    | ₩ (633,556)              | ₩ 162,210,372 |
| Borrowings                             | 64,606,053                     | -                      | (1,110,573)              | 63,495,480    |
| Other liabilities                      | 26,136,490                     | 19,993                 | (375,591)                | 25,780,892    |
|  | 253,586,471                    | 19,993                 | (2,119,720)              | 251,486,744   |
| Common stock                           | 4,624,716                      | 8,000                  | (2,850,958)              | 1,781,758     |
| Capital surplus                        | 21,874,713                     | -                      | (6,401,202)              | 15,473,511    |
| Capital adjustments                    | (3,146,344)                    | -                      | 1,242                    | (3,145,102)   |
| Accumulated other comprehensive income | 1,514,342                      | -                      | (426,839)                | 1,087,503     |
| Retained earnings                      | 9,514,289                      | 18,539                 | (8,901,887)              | 630,941       |
| Minority interests                     | -                              | -                      | 233,436                  | 233,436       |
|  | 34,381,716                     | 26,539                 | (18,346,208)             | 16,062,047    |
|  | ₩ 287,968,187                  | ₩ 46,532               | ₩ (20,465,928)           | ₩ 267,548,791 |

Statements of income per business segment for the year ended December 31, 2009, are 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                | ₩ 1,223,976                    | ₩ 5,267                | ₩ (689,425)              | ₩ 539,818    |
| Minority interests                     | -                              | -                      | (12,324)                 | (12,324)     |

Statements of income per business segment for the period from September 29, 2008 to December 31, 2008, were as follows:

(In millions of Korean won)

|                          | Financial & Insurance Business | Non-Financial Business | Consolidation Adjustment | Total        |
|--------------------------|--------------------------------|------------------------|--------------------------|--------------|
| Operating revenue        | ₩ 29,777,854                   | ₩ 101,744              | ₩ (150,315)              | ₩ 29,729,283 |
| Operating expenses       | 29,626,354                     | 94,194                 | (618,566)                | 29,101,982   |
| Operating income         | 151,500                        | 7,550                  | 468,251                  | 627,301      |
| Non-operating income     | 521,461                        | (595)                  | (208,759)                | 312,107      |
| Income before income tax | 672,961                        | 6,955                  | 259,492                  | 939,408      |
| Income tax expense       | 420,100                        | 1,877                  | (92,397)                 | 329,580      |
| Net income *1)           | 252,861                        | 5,078                  | 351,889                  | 609,828      |
| Parent Company interest  | ₩ 252,861                      | ₩ 5,078                | ₩ 353,988                | ₩ 611,927    |
| Minority interests       | -                              | -                      | (2,099)                  | (2,099)      |

\*1) Operating results are for the six-month period ended December 31, 2008

Financial information per industry segment as of and for the year ended December 31, 2009, is 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                | ₩ 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    |
| 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 |

Financial information per industry segment as of December 31, 2008, and for the period from September 29, 2008 to December 31, 2008, was as follows: (In millions of Korean won)

|                                 | Banking       | Trust Accounts | Others       | Consolidation Adjustment | Total         |
|---------------------------------|---------------|----------------|--------------|--------------------------|---------------|
| Operating revenue *2)           | ₩ 29,034,718  | ₩ 112,533      | ₩ 732,347    | ₩ (150,315)              | ₩ 29,729,283  |
| Less: Intercompany transactions | (61,922)      | (4,960)        | (83,433)     | 150,315                  | -             |
| Net operating revenue *2)       | 28,972,796    | 107,573        | 648,914      | -                        | 29,729,283    |
| Operating income *2)            | ₩ 128,429     | ₩ (110)        | ₩ 30,731     | ₩ 468,251                | ₩ 627,301     |
| Cash and due from banks         | ₩ 7,752,537   | ₩ 296,440      | ₩ 457,945    | ₩ (190,725)              | ₩ 8,316,197   |
| Securities                      | 35,264,653    | 2,246,279      | 19,555,067   | (18,080,731)             | 38,985,268    |
| Loans receivable                | 199,450,270   | 508,651        | 530,110      | (1,558,845)              | 198,930,186   |
| Property and equipment          | 3,493,078     | -              | 11,968       | (2,497)                  | 3,502,549     |
| Other assets                    | 17,262,783    | 463,614        | 721,324      | (633,130)                | 17,814,591    |
|                                 | ₩ 263,223,321 | ₩ 3,514,984    | ₩ 21,276,414 | ₩ (20,465,928)           | ₩ 267,548,791 |

\*1) Operating results are for the six-month period ended December 31, 2008

Financial information per geographical segment as of and for the year ended December 31, 2009, is 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 |

# Notes to Consolidated Financial Statements

Financial information per geographical segment as of December 31, 2008, and for the period from September 29, 2008 to December 31, 2008, was as follows:

(In millions of Korean won)

|                                 | Domestic |             | Overseas |           | Consolidation Adjustment |              | Total         |
|---------------------------------|----------|-------------|----------|-----------|--------------------------|--------------|---------------|
| Operating revenue *2)           | ₩        | 29,840,606  | ₩        | 38,992    | ₩                        | (150,315)    | ₩ 29,729,283  |
| Less: Intercompany transactions |          | (151,185)   |          | 870       |                          | 150,315      | -             |
| Net operating revenue *2)       |          | 29,689,421  |          | 39,862    |                          | -            | 29,729,283    |
| Operating income *2)            | ₩        | 159,812     | ₩        | (762)     | ₩                        | 468,251      | ₩ 627,301     |
| Cash and due from banks         | ₩        | 8,482,681   | ₩        | 24,241    | ₩                        | (190,725)    | ₩ 8,316,197   |
| Securities                      |          | 56,730,263  |          | 335,736   |                          | (18,080,731) | 38,985,268    |
| Loans receivable                |          | 199,733,586 |          | 755,445   |                          | (1,558,845)  | 198,930,186   |
| Property and equipment          |          | 3,504,735   |          | 311       |                          | (2,497)      | 3,502,549     |
| Other assets                    |          | 18,433,311  |          | 14,410    |                          | (633,130)    | 17,814,591    |
|                                 | ₩        | 286,884,576 | ₩        | 1,130,143 | ₩                        | (20,465,928) | ₩ 267,548,791 |

\*1) Operating results are for the six-month period ended December 31, 2008

## 27. Related Party Transactions

Significant balances with related parties as of December 31, 2009 and 2008, are as follows:

(In millions of Korean won)

|   | 2009        |             | 2008        |             |
|---|-------------|-------------|-------------|-------------|
|   | Assets      | Liabilities | Assets      | Liabilities |
| Parent Company                          |             |             |             |             |
| KB Financial Group Inc.                 | ₩ 1,039,692 | ₩ 183       | ₩ 216,203   | ₩ 362       |
| Subsidiaries                            |             |             |             |             |
| Kookmin Bank                            | 429,030     | 1,843,723   | 974,040     | 1,109,543   |
| KB Investment & Securities., Ltd.       | 54,839      | 101,188     | 6,914       | 202,365     |
| KB Life Insurance Co., Ltd.             | 11,400      | 2,194       | 8,776       | 3,335       |
| KB Asset Management Co., Ltd.           | 69,365      | 131         | 107,444     | 110         |
| KB Real Estate Trust Co., Ltd.          | 840         | 50,064      | 742         | 31,767      |
| KB Investment Co., Ltd.                 | 31,683      | 20,000      | 19          | 10,345      |
| KB Futures Co., Ltd.                    | 19,849      | 9,617       | 11,470      | 1,949       |
| KB Credit Information Co., Ltd.         | 18,627      | 136         | 40,970      | 95          |
| KB Data Systems Co., Ltd.               | 20,458      | 58          | 41,340      | 175         |
| NPS-KBIC Private Equity Fund No.1       | 3,192       | 1           | -           | -           |
| Trust accounts *)                       | 280,781     | 30,741      | 427,277     | 32,922      |
| Kookmin Bank International Ltd.(London) | 244,649     | 288,359     | 288,548     | 491,392     |
| Kookmin Bank Hong Kong Ltd.             | 217,412     | 96,358      | 164,029     | 403,412     |
| Kookmin Bank Cambodia PLC.              | 936         | -           | -           | -           |
|   | 1,403,061   | 2,442,570   | 2,071,569   | 2,287,410   |
|   | ₩ 2,442,753 | ₩ 2,442,753 | ₩ 2,287,772 | ₩ 2,287,772 |

\*) Trust accounts whose principal or fixed rate of return are guaranteed.

Significant transactions with related parties for the year ended December 31, 2009, and for the period from September 29, 2008 to December 31, 2008, are as follows: (In millions of Korean won)

|   | 2009   |         |                 |         | 2008   |         |                 |         |
|---|--------|---------|-----------------|---------|--------|---------|-----------------|---------|
|   | Assets |         | Liabilities *2) |         | Assets |         | Liabilities *2) |         |
| Parent Company                          |        |         |                 |         |        |         |                 |         |
| KB Financial Group Inc.                 | ₩      | 19,244  | ₩               | 801     | ₩      | 1,287   | ₩               | 138     |
| Subsidiaries                            |        |         |                 |         |        |         |                 |         |
| Kookmin Bank                            |        | 96,007  |                 | 127,415 |        | 68,239  |                 | 62,843  |
| KB Investment & Securities., Ltd.       |        | 8,021   |                 | 16,402  |        | 1,249   |                 | 909     |
| KB Life Insurance Co., Ltd.             |        | 3       |                 | 35,018  |        | 2       |                 | 23,377  |
| KB Asset Management Co., Ltd.           |        | 4,381   |                 | 710     |        | 2,983   |                 | 341     |
| KB Real Estate Trust Co., Ltd.          |        | -       |                 | 2,248   |        | 18      |                 | 834     |
| KB Investment Co., Ltd.                 |        | 339     |                 | 675     |        | 16      |                 | 442     |
| KB Futures Co., Ltd.                    |        | 3,136   |                 | 244     |        | 974     |                 | 16      |
| KB Credit Information Co., Ltd.         |        | 48,742  |                 | 637     |        | 26,281  |                 | 143     |
| KB Data Systems Co., Ltd.               |        | 41,116  |                 | 114     |        | 24,080  |                 | -       |
| NPS-KBIC Private Equity Fund No.1       |        | 45      |                 | 13      |        | -       |                 | -       |
| Trust accounts*1)                       |        | 3,128   |                 | 26,120  |        | 4,960   |                 | 11,335  |
| Kookmin Bank International Ltd.(London) |        | 2,785   |                 | 11,461  |        | 1,591   |                 | 11,366  |
| Kookmin Bank Hong Kong Ltd.             |        | 6,051   |                 | 11,140  |        | -       |                 | 19,936  |
| Kookmin Bank Cambodia PLC.              |        | -       |                 | -       |        | -       |                 | -       |
|   |        | 213,754 |                 | 232,197 |        | 130,393 |                 | 131,542 |
|   | ₩      | 232,998 | ₩               | 232,998 | ₩      | 131,680 | ₩               | 131,680 |

\*1) Trust accounts whose principal or fixed rate of return are guaranteed.

\*2) Bad debts expense is not included in the amount.

In addition, fixed assets which were acquired from KB Data Systems Co., Ltd. during the year ended December 31, 2009 and for the period from September 29, 2008 to December 31, 2008, amount to ₩ 27,078 million and ₩ 61,502 million, respectively.

## 28. Subsequent Event

Kookmin Bank acquired 11,990,069 convertible preferred shares of Joint Stock Company Bank CenterCredit at KZT 3,597,020,700 through the participation of capital increase in January, 2010. Additionally, in February, 2010, Kookmin Bank acquired 24,571,396 forfeited shares (convertible preferred shares) and 3,886,574 outstanding common shares at KZT 7,371,418,800 and KZT 6,218,518,400, respectively. Kookmin Bank has 41.93% of interest in Joint Stock Company Bank CenterCredit including common shares and preferred convertible shares as a result of additional acquisition.

## 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 year ended December 31, 2009, and for the period from September 29, 2008 to December 31, 2008, are as follows:

(In millions of Korean won)

|                    | 2009 |           | 2008 |           |
|--------------------|------|-----------|------|-----------|
| Cash and checks    | ₩    | 2,543,538 | ₩    | 2,190,748 |
| Foreign currencies |      | 265,114   |      | 272,521   |
| Due from banks     |      | 6,960,481 |      | 5,852,928 |

# Notes to Consolidated Financial Statements

(In millions of Korean won)

|                           | 2009        | 2008        |
|---------------------------|-------------|-------------|
|                           | 9,769,133   | 8,316,197   |
| Restricted due from banks | (6,152,183) | (4,935,604) |
|                           | ₩ 3,616,950 | ₩ 3,380,593 |

Significant transactions not involving cash flows for the year ended December 31, 2009, and for the period from September 29, 2008 to December 31, 2008, are as follows:

(In millions of Korean won)

|   | 2009        | 2008      |
|---|-------------|-----------|
| Decrease in loans receivable due to write-off and debt restructuring                          | ₩ 2,353,959 | ₩ 755,297 |
| Increase in accumulated other comprehensive income from valuation of securities               | 182,141     | 193,266   |
| Increase in accumulated other comprehensive income from revaluation of property and equipment | 2,615       | 893,856   |
| Transferred from construction in-progress   | 52,047      | 134,043   |

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

### A. Preparation of 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 ("K-IFRS TFT") to prepare for the adoption of K-IFRS and is currently in the transition process that consists of three phases as follows: Phase I (adoption assessment stage), Phase II (policy setting, system design and development stage) and Phase III (implementation stage).

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

#### 1) K-IFRS adoption plan

| Phase   | Period                        | Procedures  |
|---|-------------------------------|---|
| Phase I<br>("Adoption assessment stage")                            | June 2007<br>~ February 2008  | <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<br>("Policy setting, system design and development stage") | March 2008<br>~ December 2009 | <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, others)</li> <li>- Knowledge transfer and technical trainings, others</li> </ul> |
| Phase III<br>("Implement action stage")                             | Starting January 2010         | <ul style="list-style-type: none"> <li>- Preparing financial data in accordance with K-IFRS                             <ul style="list-style-type: none"> <li>• Preparing financial data as of January 1, 2010</li> <li>• Preparing quarterly financial and disclosure data for 2010</li> </ul> </li> </ul>  |

#### 2) Work force

In June 2007, KB Financial Group Inc. assembled an IFRS task force which consists of accounting specialists, accounting-consulting



firms and others in order to effectively and efficiently adopt K-IFRS. The team is divided into 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, an IT IFRS team consisting of IT specialist in each area, was organized for K-IFRS IT systems development.

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

### **C. Status of each phase**

#### 1) Phase I (“Adoption assessment stage”)

Between June 2007 and February 2008, KB Financial Group Inc. assessed the potential impacts of K-IFRS adoption and planned detailed procedures.

##### a. Analyzing GAAP differences and the financial impacts

KB Financial Group Inc. performed the detailed analysis of the requirements under K-IFRS and identified GAAP differences between SKAS (current accounting standards) and KIFRS in order to analyze the impacts on the financial information, business operations, financial reporting system, and financial performance indicators, and others. Consequently, KB Financial Group Inc. identified the impacts on financial information, major accounts, disclosures and IT.

##### b. Research on success case and benchmarking

Due to the distinctiveness of KB Financial Group Inc., research and benchmarking of the success cases of preceding IFRS adopters among European financial institutions was performed, where necessary, in order to form possible alternatives.

#### 2) Phase II (“policy setting, system design and development stage”)

KB Financial Group Inc. started the Phase II in March 2008, and completed it by the end of 2009. The purpose of the phase is to frame accounting policies, structure infrastructures and develop the system.

##### a. Accounting policy setting

Considering the K-IFRS requirements and KB Financial Group Inc.’s status, KB Financial Group Inc. selected the accounting policies that are deemed to better represent KB Financial Group Inc.’s substance after detailed analysis of accounting treatment options and has outlined specific accounting methodology.

##### b. Set-up of a united account structure “Chart of Accounts”

To produce timely and proper financial data on a consolidated basis in accordance with KIFRS, KB Financial Group Inc. has set up a united account structure.

##### c. Building Infrastructures for K-IFRS adoption

For timely and proper financial reporting, KB Financial Group Inc. analyzed and restructured the current financial report process by reflecting expected financial impacts discovered. Consequently, KB Financial Group Inc. revised the accounting policies, guidelines and manuals during the course of restructuring financial report process.

##### d. Building infrastructure for IFRS IT system

KB Financial Group Inc. completed the design and development of K-IFRS IT system. Accordingly, the system will allow the Company to implement accounting policies set by KIFRS. The system was tested for the eligibility.

##### e. IFRS assessment Training

KB Financial Group Inc. provided education necessary for the adoption of K-IFRS to its management and employees, and provided additional focus training to each management level, unit level, and IFRS in-charge level to enhance their ability and capacity for the implementation of K-IFRS.

### **D. Plan going forward**

KB Financial Group Inc. will prepare its first financial statements in accordance with K-IFRS starting January 1, 2010, and will also perform quarterly closing using the developed system thereafter.

### **E. Significant GAAP differences between K-IFRS and SKAS**

KB Financial Group Inc. is expected to face significant GAAP differences between K-IFRS and SKAS (current accounting standards) upon preparing its financial statements in accordance with K-IFRS are, but not limited to, as follows: scope of consolidation, allowance for loan losses, revenue recognition, derecognition of financial instruments, measurement of financial instruments and employee benefits.

# Overseas Network

## Company Directory

### KB FGI Head Office

9-1, 2-ga, Namdaemun-ro,  
Jung-gu, Seoul 100-703, Korea  
Tel: (82-2) 2073-7114  
Swift Code: CZNBKRSSE  
Telex: K23481, K26109  
Call Center: (82) 1588-9999

### IR(Investor Relations)

9-1, 2-ga, Namdaemun-ro,  
Jung-gu, Seoul 100-703, Korea  
Tel: (82-2) 2073-2869  
Fax: (82-2) 2073-2848  
E-mail: kbir@kbfng.com

### Global Business (Kookmin Bank)

13th Fl. Kookmin Bank Building  
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. Depositary  
Receipts Department  
388 Greenwich Street,  
New York, New York 10013  
Tel: (1-212) 816-6859  
Fax: (1-212) 816-6865

---

## Overseas Network

### Guangzhou, China

Guangzho Room 4602~3, Office building,  
CITIC PLAZA 233 Tianhe N. Road  
Guangzhou, China  
Tel: (86-20) 3877-0566  
Fax: (86-20) 3877-0569  
Swift Code: CZNBCN22

### Harbin, China

Room 1605~1612, Development Zone  
Mansion No.368, Changjiang Road,  
Nangang Dist, Harbin 150090, China  
Fax: (86-451) 8722-1004, 2801~3  
Tel: (86-451) 8722-2806

### Tokyo, Japan

Yurakucho Denki Bldg. -N, 14F, 1-7-1  
Yurakucho, Chiyoda-ku Tokyo 100 Japan  
Tel: (81-3) 3201-3411  
Fax: (81-3) 3201-3410  
Swift Code: CZNBJPJT  
E-mail: tokyo@kbstar.co.kr

### Auckland, New Zealand

Level 19, 135 Albert Streets PO BOX 506  
Wellesley, Auckland, New Zealand  
Tel: (64-9) 366-1000  
Fax: (64-9) 366-6608  
Swift Code: CZNBNZ2A  
E-mail: auckland@kbstar.co.kr

### New York, U.S.A.

565 Fifth Ave. 46th street, 24th Floor,  
New York, NY 10017 USA  
Tel: (1-212) 697-6100  
Fax: (1-212) 697-1456  
Swift Code: CZNBUS33  
E-mail: kbstarny@kmbny.com

### Hong Kong, China

19/F., Gloucester Tower 11 Pedder Street  
Central, Hong Kong, China  
Tel: (85-2) 2530-3633  
Fax: (85-2) 2869-6650  
Swift Code: KHBAAKHH  
E-mail: kookmin@hkstar.com

### London, United Kingdom

6th floor, Princes Court, 7 Princes Street,  
London EC2R 8AQ, U.K.  
Tel: (44-207) 710-8300  
Fax: (44-207) 726-2808  
Swift Code: CZNGBG2L  
E-mail: kbil@kookmin.co.uk

### KB Cambodia PLC.

No.55, Street 214, Sangkat Boeung Raing,  
Khan Daun Penh,  
Phnom Penh, Cambodia  
Tel: (855-23) 999-300~2

### Hochiminh City, Vietnam

1709A, 17th Floor Saigon Trade Center,  
Ton Duc Thang 37, Ben Nghe Ward,  
Hochiminh, Vietnam  
Tel: (84-8) 3910-7058  
Fax: (84-8) 3910-7059

### Kiev, Ukraine

9-21A, Bogdana Khmelnytskogo Street,  
4th Floor, Kyiev, Ukraine  
Tel: (38-044) 201-4755  
Fax: (38-044) 201-4764

### KB Investment & Securities HongKong Ltd.

Suite 2907-2908, Two Exchange Square,  
8 Connaught Place, Central, Hong Kong  
Tel: (85-2) 2805-0690

# 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.



9-1, 2-ga, Namdaemun-ro, Jung-gu, Seoul 100-703, Korea  
Tel: [822] 2073-7114  
[www.kbfng.com](http://www.kbfng.com)