A financial premiere

2009 ANNUAL REPORT

KDB Financial Group

An ensemble of financial virtuosi

A newly launched ensemble of corporate and investment banking virtuosi, KDB Financial Group makes its debut in the global financial market.

Profile

Having bankrolled Korea's industrial and economic development over the past half century, KDB took the first step towards privatization and successfully emerged as KDB Financial Group in October 2009 through a holding company structure.

As of the end of 2009, KDB Financial Group's subsidiaries included the following five financial companies: Korea Development Bank(KDB), Daewoo Securities, KDB Capital, KDB Asset Management, and Korea Infrastructure Investments Asset Management(KIAMCO). Through the over 220 combined branches of these subsidiaries, the Group is establishing a one-stop system offering banking, securities, capital, asset management, and other diverse financial services. At 2009 year-end, the Group recorded KRW157.2 trillion in assets and KRW1 trillion in net profit. Its BIS capital ratio reached 16.8%, the highest in the Korean financial industry.

Looking forward, the Group plans to grow into a global top-20 financial services institution by 2020. In order to accomplish this it will focus on corporate banking, investment banking, and asset management as core businesses by fusing KDB's premier customer base with the superior competencies in the capital market of Daewoo Securities. KDB Financial Group looks forward to conducting itself as a true financial maestro in the not-so distant future.

Financial Indicators (based on simple summation of figures)

Total assets [KRW in billions]	Total shareholders' equity [KRW in billions] *minority shares included	Gross operating income [KRW in billions]	Net income [KRW in billions]
157,163	20,150	2,431.6	1,046.8

ROA [%]	ROE [%]	BIS CAR [%]	Tier 1 ratio [%]	NPL ratio [%]	Coverage ratio [%]
0.60	5.30	16.8	15.0	2.5	83.8

Contents

KDB Financial Group
Korea Development Bank

Premiere

Corporate banking specialist leading Korea's PF market, biggest arranger in syndicated loans and bond issuance, M&A advisement pioneer in the banking industry.

Founded in 1954 with the purpose of promoting Korea's industrial development and economic growth, KDB excels in corporate banking, including PF, loan syndication, bond issuance, and M&A advisement, among others. As the flagship of KDB Financial Group, the Bank will strive to establish a sound and sustainable profit base in preparation for the Group's complete privatization, while implementing government policies by pursuing a win-win partnership with Korea Finance Corporation and cultivating its vision of growing into Asia's leading bank offering global financial services.

KDB Financial Group
DAEWOO SECURITIES

Best-performing

Leading financial investment company No. 1 in brokerage, recording best-in-class net income performance in 2009 on its traditional IB strengths.

Founded in 1970 under the name of Tongyang Securities and having changed to its present name in 1983, Daewoo Securities maintains a No.1 position in brokerage and enjoys sustainable profit growth in asset management. Not only is it Korea's leader in the domestic IB market but it is also a dominant force in sales and trading by combining management and sales competitiveness.

KDB Financial Group
KDB Capital Corp.

Well-capitalized

Maintaining 16.5% in adjusted capital adequacy ratio for stable business operation regardless of business environment.

KDB Capital was created in 1999 through a merger between Korea Industrial Lease, Korea's first lease company, and Korea Technology Finance Company, a leader in venture finance. Now KDB Capital extends its operations into the fields of investment and financing. Its main business lineup comprises leases, PEFs, venture investment operations, credit cards, and long-term lending. Particularly the company maintains a leadership position in lease to shipbuilding and medical equipment, and ESCO loans.

KDB Financial Group
KDB Asset ManagementCo., Ltd.

Well-allocated

Raising retail sales from 7.8% to 17.1% in proportion to total revenue and thus securing a stable AUM base.

KDB Asset Management was founded in 1996 and became part of KDB in 2004. Operating in the fields of collective investment asset management, investment advisement, and discretionary investment, KDB Asset Management ranks in the domestic top 10 in AUM. Aiming to break into the top five, the Company focuses on retail sales while collaborating with its affiliates on leveraging group synergies to develop new sales channels.

KDB Financial Group
Korea Infrastructure Investments Asset Management Co., Ltd.

Largest

Korea's first asset manager specializing in SOC funds, overseeing 7 funds and KRW 3.8 trillion in AUM, the largest in Korea.

Launched in 2005 as the nation's first SOC fund specialist, Korea Infrastructure Investments Asset Management had KRW3.8 trillion in assets under management, Korea's largest, as of 2009 year-end. Based on the experience it has accumulated in road, port, and other infrastructure investments, the Company is expanding into energy resources development and other alternative investment areas. In addition, by exploring overseas infrastructure markets, the Company is contributing to the Group's goal of leading Korea's export of financial services.

I would like to take this opportunity to thank all of you for giving KDB Financial Group your unwavering support and encouragement during this past year.

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.

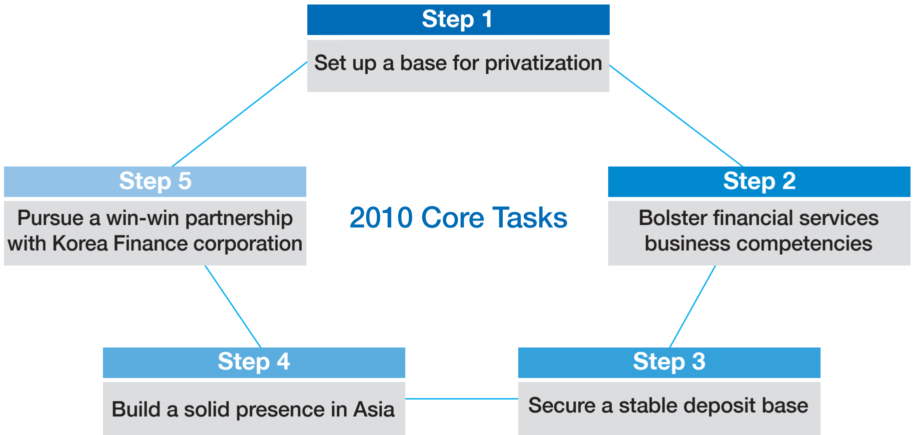
The year 2009 marked the beginning of a new chapter in the Korean financial history. Having played a key role in Korea's triumphs over the financial crises it has weathered and its successful economic development in the past half century, KDB took the first step towards privatization and successfully emerged as KDB Financial Group through a holding company structure. With this transformation, the Group has laid the foundation to grow into Korea's leading global financial services institution, by fusing KDB's premier corporate client base with the superior competencies in capital business of Daewoo Securities and its other subsidiaries.

In retrospect, during 2009 we witnessed global economies struggling to recover from the financial crisis despite market stabilization efforts by many countries. In contrast, the Korean economy displayed signs of a relatively robust recovery on the strengths of the government's timely liquidity supply and the revival of exports.

Facing tumultuous market conditions both at home and abroad, KDB Financial Group pushed forward with efforts to restructure itself towards its management vision and to integrate the IB competencies of its subsidiaries. As a result, the Group marked the year of its founding with laudable business performances: net profit (on a combined basis) reached KRW1,046.8 billion, which represents solid profitability by industry standards, while the BIS and Tier 1 ratios recorded 16.8 percent and 15.0 percent respectively, combining to represent the best capital adequacy among domestic financial groups.

Continuing the list of achievements, the Group led the development of Korean financial markets by securing top-echelon positions in key business areas: the Group ranked No. 1 in Korea and No. 2 in the world in the public private partnership category of project financing arrangement, as well as No.1 in Korea in bond market share. With these results, the Group once again has established itself as the best financial performer, private or public, in the corporate and investment banking industries.

In addition to statistical achievements, the Group focused on hybrid product development and cooperative business operations to lay the foundation for maximum synergy creation. One successful outcome of these efforts is "One kdb CMA," the Group's first multi-financial product created through cooperation among some of its subsidiaries. Another result is Asia's first IPO of a SPAC, the creation of which was made possible by KDB's corporate banking know-how, the best in Korea, and Daewoo Securities' IPO expertise, unchallenged in the industry.



As a newly-launched financial group, we have articulated our long-term vision through the motto “Vision 20-20-20”: to grow into one of the world’s top 20 global financial services institutions by 2020. To realize this vision, we are building up a business portfolio centering on corporate banking, investment banking, and asset management as our core businesses. We are also constructing a first-rate one-stop financial service shop by implementing a group risk management system that can cope with market crises of any magnitude and maximizing synergies by combining diverse competencies.

Looking forward to 2010, which marks the launch of our lofty long-term vision, we will likely witness more changes in the financial market than in any other year as an aftermath of the financial crisis. While expectations for a gradual economy recovery are gaining momentum worldwide based on the policy coordination of many countries, the possibility that financial institutions will face more and tougher regulations for the sake of market stability is also on the rise.

One silver lining is that Asia is playing an increasingly decisive role in the world economy and Korea is surpassing advanced nations in its economic recovery. As such, we view the coming market changes as a definite growth opportunity, and accordingly, have defined 2010 as the “Year of Solidifying the Group Structure Base” and set the following five core tasks for the year:

First, expand the base for privatization.

The Group will expand the base for privatization by adopting a profit-oriented decision-making system and a compatible corporate culture, revising risk management practices, and setting up procedures for creating synergies. In particular, we will actively promote the development of hybrid products and synergy business projects among our subsidiaries.

Second, strengthen sales competencies in earnest.

We will further sharpen the competitiveness of our three core businesses, corporate banking, investment banking, and asset management, which together comprise a business portfolio of global financial services standards, and cultivate business models that will enhance the KDB brand as Korea’s premier financial services institution.


Third, secure a stable deposit base.

We will secure a sustainable deposit base by expanding deposit–taking operations and employing business strategies fully reflecting market trends both at home and abroad. In particular, we will establish KDB as a private asset management specialist by taking full advantage of our financial group structure and create multi-branch channels and other retail infrastructures.

Fourth, expand our presence in the Asian market.

As Asian markets are expected to play a bigger role in the world economy in the post-financial crisis era, we will strive to secure a financial network throughout Asia.To this end, we will restructure the business model of our overseas branches towards strengthening their sales competencies, focusing on project finance as their core businesses. In addition, we will actively seek opportunities to acquire local banks as bases for the export of financial products.

Fifth, pursue a win-win partnership with Korea Finance Corporation.

While offering market mechanism-based tools enhanced with our strengths and thus expanding the common set of the policy finance and private finance markets, we will pursue a win-win partnership with Korea Finance Corporation. Specifically, together with the other spin-off of KDB, we will explore such areas where we can complement each other to our mutual benefits as investment in or funding of corporate facility projects, corporate restructuring, support for new growth engine business, nurturing of SMEs and other financial activities that contribute to the recovery of the national economy.

KDB Financial Group has made its debut in the global financial market, and on behalf of all of us at the Group, I sincerely thank you for your trust and support, which have made the debut all the more successful. We will reciprocate in kind by growing into Korea's leading financial group and, taking it a step further, into a premier global financial services institution.

Thank you.

Euoo Sung Min
Chairman & CEO

A maestro with a vision

As Korea’s leading financial group, KDB FG will establish itself as a new breed of financial “maestro” in the global market by building up a measured presence overseas and benchmarking its operations to those of other world-class institutions.

Group Vision & Strategy

Korea's leading global financial services institution
Global top 20 financial services institution

Step1 | Asia's Regional Financial Services institution	Step2 | Global Financial Services Group institution
Grow into Asia's regional financial services institution by focusing on core competencies • Build a financial group system base through core strength fortification and synergy creation • Set up a overseas sales base including a financial network in Asia • Increase corporate value in preparation for privatization	**Become a global top 20 financial services institution** • Expand investment banking and asset management operations based on the firm profit base of corporate banking • Secure growth engines, diversify income sources by exploring new areas • Expand throughout Pan Asia and to major global financial hubs

Core Businesses	Target Customers	Market Position	Target Markets
Corporate Banking Investment Banking Asset Management	**Domestic:** Local businesses and those with overseas operations **Overseas:** Corporations investing in Korea and subsidiaries of domestic companies	Global top 20 in major financial services for corporate clients Global top 10 in DCM & PF	Focus on Pan Asia (Middle East included) Expand to North America and Europe

"Vision 20-20-20"

By adopting the holding company structure, KDB Financial Group has articulated its long-term vision through the motto "Vision 20-20-20": To grow into one of the world's top 20 global financial services institutions by 2020. To realize this vision, the Group is fusing KDB's premier corporate client base with the superior competencies in capital business of Daewoo Securities and its other subsidiaries.

Specifically, the Group is building up a financial services institution business portfolio comprised of corporate banking, investment banking, and asset management as core businesses, and pursuing cross-business collaboration among the subsidiaries, hybrid product development, and other synergy operations. In addition, by developing growth strategies evolving around overseas market expansion, the Group plans to channel its resources and efforts not to retail banking in the domestic market, but to the promotion of financial export by exploring business opportunities together with those domestic corporations expanding their operations overseas.

Strengthen Group Synergy Competencies

In order to offer diverse financial solutions to customer needs, the Group will focus on establishing an infrastructure for group synergy creationby setting up a system for sharing customer information, human resources, and business know-how, and stimulate cross-business transactions among the subsidiaries by adopting a business unit matrix and hybrid financial product systems.

Secure Stable Funding Base

Since securing a stable funding base is crucial for establishing a financial services institution model, the Group will pursue an organic growth strategy of expanding the deposit base by forming a product sales structure, implementing the branch-in-branch system, and cultivating PB & WM operations as main tools for attracting deposits. In addition, KDB will adopt an inorganic growth strategy of acquiring domestic and/or foreign financial institutions with extensive networks of deposit-taking operations.

Customer-based Financial Services						
Corporate and Investment Banking				Asset Management		Retail Banking
Corporate Banking	Advisory	Investment Banking	Principal Investment	Wealth Management	Asset Management	
KDB KDB Capital	KDB Daewoo Securities	KDB Daewoo Securities	KDB Daewoo Securities KDB Capital	KDB Daewoo Securities	KDB Asset Management KIAMCO	KDB
· Corporate loans · Lease · Treasury services · Project Financing	· M&A · Restructuring	· ECM · DCM · Derivatives	· PE · Venture capital	· Customer asset management · Brokerage · PB	· Fund management · Infrastructure funds	· Savings · Household loans

Advancing into Overseas Markets

The Group will first carry out a growth strategy focusing on growing into a regional financial services institution in Asia based on project financing, PEF, and corporate restructuring advisory–the areas where the Group has gained sustainable competitiveness. Subsequently, it will move on to the next phase of becoming a global financial services institution by establishing a presence in major financial hubs of Europe and America.

Leading Korea’s Export of Financial Services

The Group will strengthen its business competencies through financial support of or participation in domestic corporations’ overseas operations and, taking it a step further, contribute to national wealth as a pioneer of financial service exports by developing new markets through global network formation.

2010 Growth Strategy by Business

Corporate Banking

To maintain relationships with its clients after privatization, the Group will implement a system that distinguishes Relationship Managers, who have a personal contact with clients, from Product Managers, who specialize in product development. Moreover, the Group will veer from the one-way customer relationship found in government policy banking and instead set profit-based customer management goals while continuing to revise the sales structure.

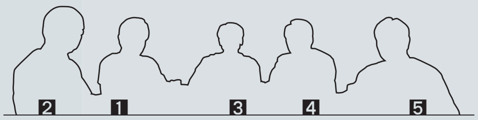
Investment Banking

The Group will help strengthen the IB competencies of each subsidiary and set up a platform for synergy operations by sector as a way to maximize the competencies of the Group’s IB operations. In particular, the Group will manage major IB league tables of KDB and Daewoo Securities and strengthen the deal sourcing abilities of each subsidiary’s IB business.

Asset Management

The Group will enhance its position in the asset management market by expanding the management and sales capabilities of its asset management operations. It will also focus on cultivating new markets through development of specialty products related to infrastructure projects.

Senior Management



Board of Directors

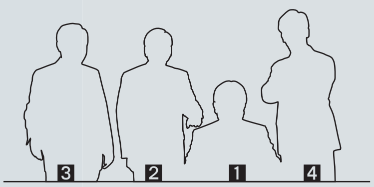
1. Euoo Sung Min
Chairman & CEO,
KDB Financial Group (Executive Director)

2. Man Ho Yoon
Senior Executive Director & COO,
KDB Financial Group (Executive Director)

3. Kwang Soo Kim
Outside Director (Chairman of BOD)
KDB Financial Group

4. Ho Gie Baeck
Outside Director
KDB Financial Group

5. Hak Kil Pyo
Outside Director
KDB Financial Group



Top Management

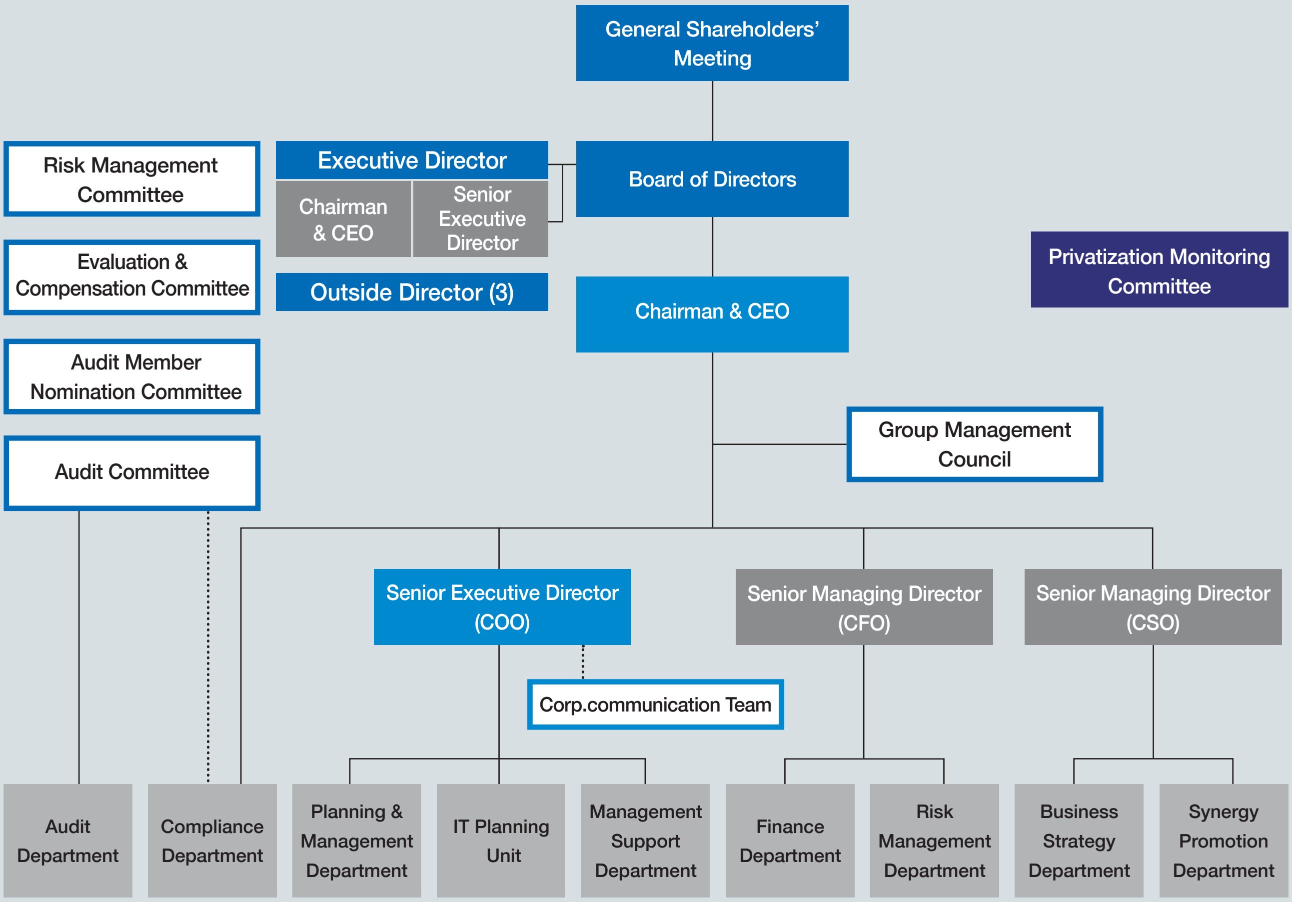
1. Euoo Sung Min
Chairman & CEO
KDB Financial Group

2. Man Ho Yoon
Senior Executive Director & COO
KDB Financial Group

3. Sang Chul Suh
Senior Managing Director & CSO
KDB Financial Group

4. Jinho Kim
Senior Managing Director & CFO
KDB Financial Group

Corporate Governance



Board Structure and Major Activities

By adopting the holding company structure, KDB Financial Group has articulated its long-term vision through the motto "Vision 20-20-20": To grow into one of the world's top 20 global financial services institutions by 2020. To realize this vision, the Group is fusing KDB's premier corporate client base with the superior competencies in capital business of Daewoo Securities and its other subsidiaries.

In 2009, the Board held five sessions during which it discussed one report and passed 25 resolutions authorizing management issues, articles of association, and other major rules normally required for the launch of a financial holding company.

Committees

KDB Financial Group has four independent committees, including a risk management committee operating under the wing of the BOD, through which the Group pursues a system of checks and balances in the management of its business operations. The Audit Committee and the Evaluation & Compensation Committee, in particular, are comprised entirely of non-executive directors in order to maintain the independence of each committee.

Risk Management Committee

The Risk Management Committee acts as the highest decision-making unit, setting risk management strategies and policies for the Group through its quarterly meetings.

Evaluation & Compensation Committee

The Evaluation & Compensation Committee, consisting of three non-executive directors, establishes target goals for the management, evaluates their performances, and assesses the propriety of the Group's compensation policies at its semi-annual meetings.

Audit Member Nomination Committee

The Committee for Selecting Candidates for Audit Member Nomination Committee is formed in the early part of every year for the selection of candidates for the Audit Committee, and remains in operation until the Annual Shareholders' Meeting.

Audit Committee

Consisting of thee non-executive directors who are financial professionals, in compliance with the articles of incorporation and relevant laws, the Audit Committee audits the accounting and business operations of the holding company and evaluates the propriety and efficacy of the subsidiaries' management policies. In a total of five sessions since the October 2009 launch of the holding company, the committee resolved many issues including the selection of the committee chairman, the adoption of audit-related rules, and the formulation of the Group's 2010 business plan.

Internal Control over Financial Reporting

To comply with Section 404 of the U.S. Sarbanes-Oxley Act and Korea's internal accounting standards, the Group is in the process of establishing internal controls over financial reporting with consideration of all five components of COSO (control environment, risk assessment, control activities, information and communication, and monitoring), a well-respected enterprise risk management framework.

In addition, to ensure transparency in accounting at the Group level and thus to secure investor trust for the purpose of listing at home and abroad, the Group pursues the practical implementation of internal controls over financial reporting by setting internal control rules, appointing internal accounting managers, and forming a unit dedicated to managing and operating internal controls.

The Group also plans to set up a system to evaluate the effectiveness of internal controls at both the entity level and the process level, and to have all managers in charge of financial reporting as well as internal control officers make self-appraisal reports, and charge the internal control office with evaluating the propriety of the appraisals. Moreover, in preparation for the adoption of the IFRS, the Group will reinforce the audit of accounting and account settlements and strengthen the competence of internal control officers through various education programs.

Organization Formation Direction

The organization of KDB Financial Group has been formed with an eye towards reaching the Group business vision in general and establishing the followings in particular: an advanced structure that corresponds with global standards, a global financial services business base, and a platform for synergy creation among the subsidiaries. To establish such a platform, group-wide management integration, unification of units similar in function or service, and customer- and performance-oriented culture were given a great deal of consideration in the formation of the Group organization.

Harmony of financial services

To further expand its premiere corporate client base, KDB Financial Group will continue to develop professional financial services that are well-balanced among the areas of corporate banking, investment banking, and asset management.

Harmony of financial services

Korea Development Bank

As Korea's foremost corporate finance specialist, Korea Development Bank (KDB) takes strides towards achieving a status as a global financial services institution by leading in project financing, dominating syndicated loans, and reigning in bond issuance arrangements, as well as excelling in other investment banking operations.

Jong-Won Woo
Manager
Treasury Dept. | KDB

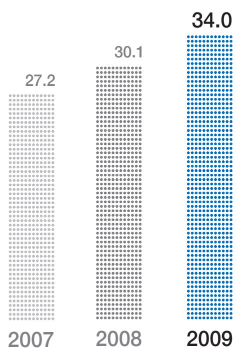
Corporate Banking

KDB is Korea's premiere bank, setting new standards in corporate banking with innovations in new product development and customer-tailored service provisions. As the nation's foremost policy bank, KDB has been contributing to the economic recovery by continuing to expand the pool of new corporate funds, including those for SME facility investment. With the adoption of the RM (Relationship Manager) system of simplified one-stop financial services in 2007, the Bank has not only improved its customer service, but also created a new fee income source.

In 2009, to energize its investment banking business, the Bank cultivated business demands for M&A, syndication, and project financing services. KDB successfully created group synergies by jointly underwriting with its affiliate, Daewoo Securities, IPOs, rights offerings, and bonds with warrants. Meanwhile, by restructuring its asset portfolio to correspond to new global trends, the Bank was able to disperse the credit more evenly and thus improve its asset soundness.

[New funds supplied]

(KRW in trillions)



Supply of New Funds Increased

Despite a weakening corporate appetite for new investments due to the sluggish economy in 2009, KDB rolled out new products and resorted to other funding means to help revive the Korean economy, supplying a total of KRW34 trillion in new funds, up 12.7% from the previous year. In the face of an across-the-board decrease in corporate demand for facility investments, the Bank supplied KRW9.4 trillion in facility loans, playing a large role in the recovery of the domestic economy. Of this figure, KRW4.4 trillion was distributed for strategic initiatives newly set in 2009, including the Green Industry Growth Fund, as well as for existing specially-directed lending programs.

To break down the facility loans by customer type, 59.2% went to large-sized businesses, 33.1% to SMEs, and the remaining 7.7% to public-sector companies. Categorized by currency, won-denominated loans accounted for 87.2% of the total, up 13.7% points from 2008; U.S. dollar loans made up 9.8%, down 13.8% points; and the remaining 3.0% was comprised of yen loans, up 0.2% points, reflecting a clear customer preference for local currency loans in light of volatile FX rates.

Corporations in general, and SMEs in particular, still faced weak consumption by Korean consumers in 2009 and continued to struggle for working capital loans, prompting the Bank to supply a total of KRW10.5 trillion, a level similar to that of the previous year. While 28.8% of the amount was distributed to large-sized corporations, 62.6% was allocated to SMEs, and the remaining 8.6% went to the public sector. As was the case of facility loans, an overwhelming 90.3% of the loans was denominated in won.

Energizing RM System

The Bank has been strengthening customer relationships and expanding its preferred customer base using the RM system, which offers a total solution service from the deal sourcing stage onwards. In 2009, the Bank grafted the system onto its PM (Product Manager) system and achieved outstanding results; the Bank arranged the M&A financing in the sale of OB Brewery, Korea's largest PF arrangement involving POSCO Power's construction of a power plant, and syndication for Taihan Electric Wire's plant construction. The Bank also successfully underwrote two bond issues with warrants, a KRW180 billion issue for STX Shipbuilding and a KRW60 billion for Daewoo Motors Sales, by strategically cooperating with its affiliates.

In addition, by using the RM system, the Bank won over large retirement pension accounts from LG Electronics, Shinhan Card, and Daewoo Shipbuilding & Marine Engineering, thereby expanding its base for asset management operations. To bolster the competencies of the RM system that is increasingly growing in importance, the Bank conducts various employee training programs, including on-the-job programs coordinated with its PM department.

Asset Portfolio Restructuring

KDB has been restructuring its asset portfolio to make its loan management operations more efficient. In 2009, by issuing a KRW2,730 billion secondary CBO, the Bank successfully sold off bonds of entities nearing their credit limits, thus lowering the level of credit concentration in a small number of corporations and expanding the credit limits for others, thereby increasing business opportunities. In addition, policy assets that carry low interest margins and high-risk assets at corporate borrowers going through financial restructuring were selectively reduced.

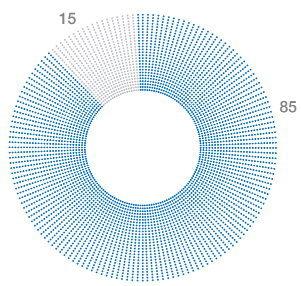
In 2010 the Bank plans to further improve its financial soundness and profitability by continuing to slash underperforming assets and expand high-yield assets, extending credit lines, and reducing the portion of credit allocated to large borrowers. The Bank also intends to strengthen its ongoing monitoring of assets by regularly conducting on-site inspections of all of its loan customers and keeping comprehensive evaluation reports on those classified as below normal.

Investment Banking

As Korea's market leader in project financing (PF) and regional development financing, KDB leads the nation's balanced development and expansion of social infrastructure facilities. Furthermore, as the top venture investment institution of the country, the Bank either directly invests in or extends diverse financing to promising SMEs and knowledge-based service businesses to support their development and commercialization of nascent technologies, thereby fostering Korea's future growth engines. In addition, through proactive management of troubled assets and early normalization of companies under restructuring, the Bank effectively takes on the role of a market stabilizer.

[Domestic PF market share]

(%)



Leading Domestic PF Market & Bolstering Overseas PF Business

Beginning in 1994 with the financing for Incheon International Airport Highway, which marked Korea's first PF transaction up to the end of 2009, KDB has successfully arranged a total of KRW30.5 trillion in financing for 289 projects. In 2009 in particular, the Bank solidified its peerless PF status with an 85% share in the domestic market, prompting a global industrial journal, *Project Finance*, to rank KDB second in the world in the public private partnership category and 5th in the Asia Pacific region in the general category.

The Bank's major PF achievements in 2009 include the Korail Airport Railroad, the West Suwan-Uiwang Expressway, and Posco Powers's construction of a power plant. Also noteworthy are the Bank's financing of the construction of a wind power plant as part of its commitment to promote the renewal energy business through green financing, and financing of Hyundai Group's construction of an industrial gas plant that will serve as a financial model for multi-billion dollar facility investment projects of large corporations.

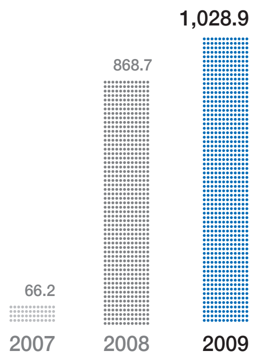
The Bank was similarly active in overseas PF projects, arranging financing for a desalination plant in Australia and a nickel mine in Ambatovy. More significant is the Bank's signing of an MOU with Industrial Development Corporation of South Africa that has created opportunities for KDB to establish a lasting presence in the resources-rich continent of Africa, widely known as the "blue ocean" of PF business. The signing of the MOU enabled the Bank to gain a valuable foothold to grow into a global financial services institution after its privatization.

Regional Development Financing Expanded

Beginning with its part as the financial consultant to Daedeok Techno Valley in 2001, KDB has been involved in various regional development projects, including the Daejeon Conventional Center Complex, for which it raised funds using Korea's PFV (project financing vehicle) in 2004 as part of its mission to promote balanced regional development. As of the end of 2009, the Bank has arranged financing totaling KRW2,476.4 billion for 31 projects, including those for developing industrial production facilities, multi-industrial complexes, and industrial sites intended for the relocation of manufacturing industries from congested metropolitan areas.

Total regional development funds arranged

(KRW in billions)



In 2010, the Bank plans to expand its contribution to the nation's balanced development by taking part in regional city renewal projects and improvement of public areas newly freed from green-belt restrictions. Meanwhile, by supporting green businesses in the new and renewable energy fields, the Bank will step up efforts to fortify the base for future growth.

Korea's Top Venture Investor

Since starting the banking industry's first venture capital business in 1998, as of the end of 2009, KDB has invested a total of KRW1,730.8 billion in 1,142 venture firms. The Bank improved upon its status as the nation's top venture capitalist when 10 of its venture capital recipients became among the 54 firms listed on the KOSDAQ in 2009.

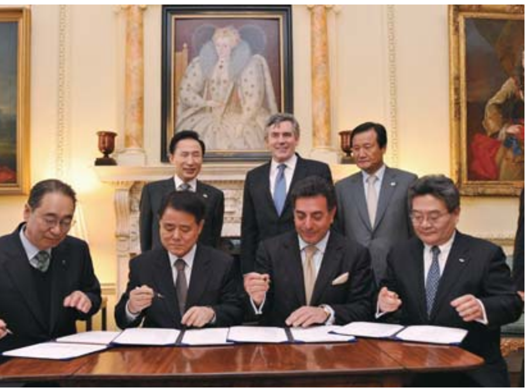
In 2010 KDB plans to substantially expand its investment banking operations. The Bank will expand its venture investment targets from firms still in the infancy stage to those in the growing and mature stages, adopt more diverse investment strategies, including the mezzanine method, and take an active part in the SPAC and M&A markets.

Preemptive Corporate Restructuring

KDB's extensive experience in helping stabilize the financial markets in the 1998 Asian financial crisis proved indispensable in 2009. As corporate loans became increasingly delinquent across the board in the face of the sweeping global financial crisis, KDB bolstered its corporate restructuring operations by relying on various time-tested measures to preempt loan default as well as to manage loans in arrears.

KDB is currently carrying out various preemptive restructuring operations. It is employing a Fast-Track program to provide liquidity to the SME sector and is a signatory to the Creditor Bank Group Agreement to prevent insolvencies and serial bankruptcies in the domestic construction industry. Additionally, the Bank is working hard to proactively provide assistance to liquidity-strapped small- and mid-sized shipbuilders. Moreover, through loan modifications and business reorganizations, the Bank is helping normalize corporations being restructured or under workout programs while conducting post-bankruptcy operations such as bad credit liquidation, asset-backed securities issuance, M&A, and auctions.

Despite such comprehensive loan management efforts, KDB's NPL ratio at the end of 2009 was 2.24%, higher than the banking industry's average of 1.22%, in the aftermath of the workout programs for Kumho Industries and Kumho Tires of Kumho Asiana Group and several shipbuilders. In 2010, the Bank plans to aggressively reduce bad loans through loan liquidation and normalization of corporate borrowers under workout programs.



International Banking

As a leading bank in international banking in Korea, KDB has been carrying out the role of a premiere international banking partner to Korean corporations operating overseas and achieving outstanding results in shipping and aviation finance and derivatives trading. In 2010 and beyond, the Bank plans to bolster the sales base of its overseas branches, pursue diverse collaboration activities with many foreign financial communities, and set up a platform to lead the nation's export of financial services by creating sales synergies with Daewoo Securities and other KDB Financial Group affiliates. In short, KDB will leverage these advancements towards its pursuit of a genuine global financial services institution status.

Active Overseas Funding Activities

KDB is a leading Korean issuer of foreign currency-denominated bonds in international financial markets, performing the vital role of supplying hard currency to Korean firms operating overseas. In 2009, despite the market environment beset by the spreading financial crisis, the Bank raised a total of USD 4.4 billion in mid- to long-term funds, including a USD2 billion global bond issue. Such robust funding operations in the face of challenging market conditions not only reaffirmed KDB's status as a prime issuer of the highest ratings, but also saved the Bank a great deal in funding costs.

Based on its extensive experience in shipping finance, KDB issued the "Let's Ship Together Fund," Korea's first financial restructuring program for the shipping industry and raised KRW 2 trillion, playing a proactive role in restructuring one of the nation's core industries. It also financed Korea Gas Corporation's purchase of three LNG carriers totaling USD 482 million and arranged aviation financing for KLM Royal Dutch Airlines of Netherlands, contributing to the globalization of Korea's aviation financing.

To increase its competencies in arranging financing for non-Korean customers, the Bank is analyzing the characteristics of International Finance Corp.'s loans that have been beset by market disruption and thereby accumulating valuable information. In 2009 it expanded its customer base through cooperation with its overseas network and leading international financing institutions, including the participation in the Pan American Energy IFC B Loan as a mandated lead arranger.

Bolstering Cooperative Ties in Asia

With the vision of becoming Asia's leading financial services institution, KDB took decisive steps in 2009 to bolster its IB competencies within the Asian market. It established a Korean desk at the National Bank of Abu Dhabi as part of its strategy to expand its Middle East network, and its Hong Kong subsidiary secured an IB business license and hired a team of IB specialists. To reinforce its corporate banking operations in China, the Bank gained official approval for its Guangzhou branch to handle the Chinese currency renminbi and plans to do the same for its Beijing branch by 2012.

Furthermore, the Bank undertook various PR-oriented activities as part of its strategy to become a leading financial services institution. It not only attended meetings organized by such international institutions as IDB and ADB, but also conducted training of civil servants and financial institution officials of China, Vietnam, Kazakhstan, and Mongolia on economic development finance. Additionally, the Bank invited working-level managers of financial and government institutions of ten countries to attend the annual Guest Observer Course.

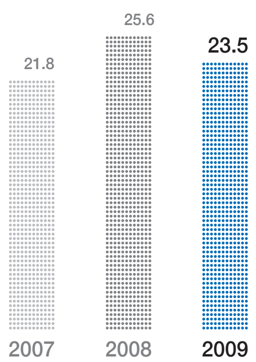
Leading the Retail Derivatives Market

As Korea's leading derivatives trader, KDB recorded USD239 billion in trading volume as of the end of 2009, ranking second among domestic banks in market share. Even though the overall market shrank in the face of the global financial crisis, the Bank increased its inter-bank OTC trading volume by 18% over 2008 to USD158.5 billion on the strengths of its vast customer base, best-in-class FX and derivatives finance know-how, and advanced organization.

Leveraging its experience of being the first in Korea to introduce commodity derivatives and won-based credit derivatives, KDB continues to diversify income sources by developing new areas of business, including new derivatives products and restructuring businesses, in accordance with the market demand. Through co-operation with Quant developers and traders, the Bank is in the process of gaining the know-how to develop its own derivatives pricing models. The Bank is also active in derivatives-related industry activities, including conducting seminars in cooperation with the Korea Options & Derivatives Association and the KAIST. In recognition for its business-promoting efforts and outstanding business performances, the Bank was named by the Seoul Foreign Exchange Market Committee as a "2009 Best Customer Service Institution" and ranked No. 1 by Asia Risk in the 2-year won-based interest rate swap category.

[Import & export finance]

(USD in billions)



Revitalizing Trading Business

At the end of 2009, KDB's total won-dollar FX trading volume stood at USD408.2 billion while the non-dollar volume amounted to USD116.5 billion. Leveraging its global network of branches in Singapore, London, and New York, the Bank maintains a round-the-clock won-dollar trading system while laying the groundwork to establish a 24-hour trading system that will encompass G7 and Asian currencies.

The Bank's trading volume in international money markets totaled USD197.8 billion while the volume of foreign-currency fixed-income securities, including futures, amounted to USD8.5 billion. The Bank compensated for its crisis-affected business results with a couple of achievements in China that are crucial to expanding its investment base in a capital market of great growth potential. It acquired a Qualified Foreign Investment Investor certificate from the China Securities Regulatory Commission and received a USD100 million investment quota from the State Administration of Foreign Exchange.

Expanding Trade Finance

In 2009, KDB recorded a total USD23.5 billion in trade finance, of which export credit amounted to USD10 billion and import credit reached USD13.5 billion. The total figure translates into a 9.8% market share, up 2% over 2008. This improvement in market share was a result of the Bank's all-out efforts in the face of daunting market conditions to meet customer needs with low-cost, long-term trade finance products.

Capital Market

Based on its firm dominance of Korea's debt capital market, KDB is quickly establishing itself as a forerunner in the Private Equity Fund(PEF) market, a leading M&A advisor in the banking sector, a top-notch corporate consultant, and the only bank in Korea providing technology consulting services. Having set up the Capital Market Division in 2009 as part of its strategy to become a global financial services institution, KDB plans to focus on creating synergy services together with its affiliates and providing one-stop multi-financial services to major customers both at home and abroad.

Dominating the ABS Market

Despite the global financial crisis, KDB successfully underwrote KRW9.6 trillion worth of securities in 2009 by cooperating with many domestic institutional investors and developing diverse asset-backed products in response to market conditions. Of the total amount, ABS amounted to KRW5 trillion, which was large enough to make the Bank the biggest underwriter of ABS in Korea.

Moreover, the Bank improved its asset soundness by issuing KRW3.7 trillion worth of CBOs backed by the securities it already owned, while satisfying diverse customer needs by introducing a variety of asset-backed products including real estate PF (KRW1.1 trillion) and securitized NPLs (KRW0.4 trillion). It also successfully arranged the issuance of the Arirang bond intended for the overseas subsidiaries of Korean corporations, built upon its rating advisory business, and underwrote Korea National Oil Corporation's bond issue overseas.

Strengthening PE Market Position

With the 2005 launch of its first fund, KDB PE, the Bank now oversees a total of 10 private equity funds, including six that were introduced in 2009. Of the total sum of KRW2.2 trillion raised through those funds, KRW770 billion was invested as of 2009 year-end. Particularly noteworthy is the KDB Turn-Around PEF launched in 2009. The PEF invested in SunStar Precision, an SME that was successfully restructured to become the world's No. 1 computer-aided embroidery company, thereby setting an example for major PE funds to invest in restructured SMEs possessing world-class technology and growth potential.

In addition to funds specializing in corporate turnaround, the Bank also established special-purpose funds by sector, including Green Future PEF, Troika Resource Investment PEF (for investment in overseas resource development), and Corporate Restructuring Mezzanine PEF. The Bank further employed PEF establishment as a means to make inroads into the Chinese market. In cooperation with the city of Chengdu in Sichuan Province and a public corporation in Heilungjiang Province, the Bank jointly launched a RMB fund and a blind fund, respectively.

Leading M&A Advisory Market

Having achieved a laudable performance in 2007 in M&A financing for Doosan Infracore's acquisition of a subsidiary of Ingersoll Rand of the U.S., the Bank continues to expand into advisory services in M&A planning and proposals, M&A financial arrangement, and cross-border M&A advisement.

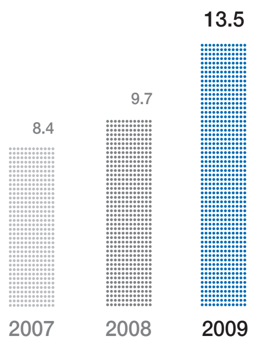
The year 2009 was another bountiful year for the Bank's M&A business. It successfully advised in the sale of Hyundai Corporation, provided Hynix Semiconductors with a multi-financial arrangement service, and performed an advisory service on a merger with a SPAC of the U.S. for the purpose of overseas funding. Moreover, by bolstering the IB business of KDB Asia Ltd. in Hong Kong, the Bank has extended its reach for Korean corporations expanding their overseas operations, particularly in Asia. Through business cooperation with world-class investment finance companies, the Bank has further strengthened its global operations.

Specializing in Corporate Consulting

Since its adoption of the consulting business in 2003, the Bank has been leveraging its extensive corporate banking experience in expanding the base for comprehensive consulting services. Nowadays, it not only carries out consulting services for corporate management but also performs the market stabilizer role through preemptive corporate restructuring consulting.

This wide-ranging consulting business has contributed to increasing KDB's non-interest income, generating KRW13.5 billion in consulting fees in 2009. In addition to fee-generating consulting, the Bank conducted in-house consulting on diverse pre-privatization issues, including how to cope with changes in corporate culture.

[Consulting fees]
(KRW in billions)

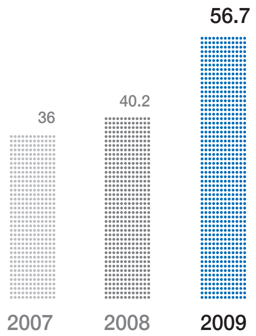


Emerging as the Best in Technology Consulting

KDB is the only bank in Korea with a technology consulting unit dedicated to evaluating technology-related risks. Staffed with specialists in various fields of technology, this unit has proved itself crucial in identifying SMEs with a viable technological edge, thereby creating high-return business opportunities for the Bank. While providing technological consulting to KDB PE, KDB Consulting, and other departments within the Bank, KDB Technology Consulting is swiftly establishing itself as the best in its field by expanding into independent engineering services, technology trade, and other revenue-generating consulting areas.

[Pension & trust income]

(KRW in billions)



Pension & Trust

Since 1989, KDB has been expanding its trust & pension business to increase the portion of total fee income. This fee-generating business has contributed a great deal to the expansion of the Bank's revenue base in response to market changes fueled by the growing interest in long-term asset management in a rapidly aging country.

In 2009, the Bank set to turn the Pension & Trust Division into an asset management specialist as its business objective for the year, in response both to the intensifying competition among financial institutions following the implementation of the sweeping Capital Market Act and to an expectation that asset management would play an increasingly important role in the Bank's pursuit of a global financial services institution status. In order to realize this goal, the Bank cultivated core income models for the pension & trust business, and strengthened the fee income base.

Cultivating Core Income Models

The pension market grew at a slower than expected rate in 2009 as a combined result of the sluggish economy and a growing trend of pre-retirement pension settlement. Despite such a challenging market environment, however, the Bank increased pension & trust assets under management(AUM) by 36.8% over the previous year to KRW1.5 trillion and its market share by 0.8% to 4.2%.

The pension market grew at a slower than expected rate in 2009 as a combined result of the sluggish economy and a growing trend of pre-retirement pension settlement. Despite such a challenging market environment, however, the Bank increased pension & trust AUM by 36.8% over the previous year to KRW1.5 trillion and its market share by 0.8% to 4.2%.

Reinforcing Fee Income Base

In response to the Capital Market Act, the Bank transferred indirect investment products sales and a few other related operations from the Pension & Trust division to the banking business side in 2009, and instead focused the division on developing new products and building on the fee income base.

As a result, testament trust and specified money trust products for margin trading and non-residents were rolled out and a trust-type financial advisory service based on the know-how accumulated in the real estate business and other new services were developed.

Achieving Best-Ever Pension & Trust Profits

In 2009, the Bank achieved a record profit of KRW56.7 billion in the Pension & Trust division business. By year-end, money trusts and property trusts rose by 36.6% and 77.8%, respectively, over the previous year, resulting in an increase of 68.8% in year-end trust contracts to KRW20,652 billion.

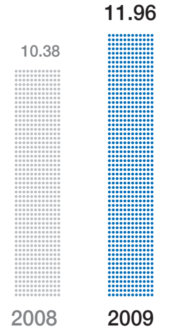
In 2010, the Bank will continue to grow the pension & trust business into a stable source of income by focusing on invigorating trust-type financial advisory and other newly-created services and expanding its market share.

Harmony of financial services

Daewoo Securities

Leading the domestic IB market and dominating the industry in brokerage fees, Daewoo Securities pursues a global IB status through efforts at maximizing synergies with KDB Financial Group affiliates.

Geon-Hui Kim
Assistant Manager
Marketing Dept. | Daewoo Securities



Retail Business

Solid Dominance of the Brokerage Industry

In 2009, the Company increased brokerage fee income by 35% year-on-year to KRW 464.6 billion, reconfirming its market dominance. In particular, in off-line brokerage sales the Company recorded a comfortable 35% lead over the No. 2, exceeding its performance in the prior year. Moreover, by expanding its customer base, the Company increased its online market share by 0.62%p to 3.80%.

Big Jumps in WM sales and profits

The Company also turned in impressive results in the wealth management (WM) business, recording an increase of AUM by 56.2% to KRW15.4 trillion. The increase can be attributed to its unchallenged position in the wrap account market and its robust CMA and trust operations. In addition, WM commission income rose 17% to KRW52.7 billion, thanks mainly to its market-leading ELS business and its thriving securities retail business, which more than doubled in sales from the year before.

Advanced Customer-focused Products & Services

The Company launched a total wealth management brand, "STORY," that simultaneously pursues wealth enhancement as well as asset preservation. By developing innovative products including a derivatives-linked securities product to hedge against unexpected interest burden increases, it also set up a platform for customer-oriented investment consulting. In recognition for its trend-setting products, the Company was given an "Outstanding Award for Outstanding Product Development" by the Financial Supervisory Service and a "Korea Financial Innovation Grand Prize" by a leading industry publication *Money Today*.

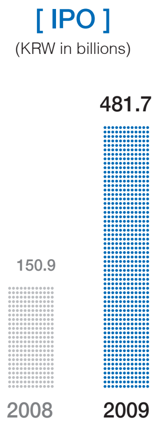
Wholesale Business

Positioning as Best Trading Company for Institutional Clients

The year 2009 was very good for the Company's institutional sales team, which garnered a market share of 5.52% and recorded KRW38,177.3 billion in sales and KRW51.1 billion in operating income. For such outstanding performances, it was named the "Best Institutional Sales Team" by a respected industry journal *Korea Business Weekly*.

Seamless Asset Management through Diverse Products

The Company secured a No. 1 market share in financial product sales in 2009 by an overwhelming margin. Its financial products-related sales reached KRW19,764.2 billion, while operating income amounted to KRW27.9 billion. These results can be attributed to its focus not on the conventional method of relying on beneficiary certificate sales but on high-margin products to improve profitability.



Investment Banking Business

Leading in Traditional IB Sectors

As the domestic stock markets began to show signs of normalcy in the second half of 2009 in anticipation of a sustainable economic recovery, the Company continued its dominant position in a capital market which substantially increased in issue volume.

In the area of IPO, the Company arranged Dongyang Life Insurance's IPO in 2009, which marked the first listing of a Korean insurance company. In March 2010, the Company was also a lead arranger in Korea's largest-ever IPO for Korea Life Insurance. In the field of paid-in capital increases, the Company was the lead arranger for Hynix's public subscription, the Korea's biggest deal in paid-in capital increases, recording KRW724.5 billion, and other major deals of 2009, including STX's rights offering and PSM's public subscription.

ABS was another area in which the Company maintained its dominant hold, securing a No.1 market position for the sixth years in a row. The development of new clients rich in resources such as Korean Air, Asiana Airlines, and Hyundai Industrial Development strengthened the Company's dominance of the domestic ABS market. Moreover, the Company added to its market hold with its membership in the KDB Financial Group by helping to securitize KDB's CBO and NPL, thereby leveraging group synergies. The Company ranked No. 1 in underwriting performance by underwriting a wide variety of corporate securities for POSCO, Daewoo Shipbuilding & Marine Engineering, Shinsegae, Dongkuk Steels, and other major corporations.

Synergy Creation Expected to Speed Up

Daewoo Securities played a leading role in KDB's issuance of a global bond through its proven leadership in the domestic IB market. Based on its IB know-how and competencies, the Company is laying a platform to leap beyond the domestic market towards becoming a global IB powerhouse by focusing on synergy creation with its KDB affiliates.

Global Financial Market Business

Driving the Derivatives Market with Innovative Products

Since gaining a derivatives trading license in 2002, the Company has been leading the market with innovative products, ranking No. 1 for three years in a row in derivatives-linked product sales. Operating income for 2009 stood at an outstanding KRW75.6 billion.

Of the many products it rolled out in 2009, some of its equity-linked securities and derivatives-linked securities products that effectively hedged against rises in interest rates were innovative enough to garner an award from the Financial Investment Association. In addition, in recognition of the superiority of its ELW, the Company was named by the Korea Exchange as Korea's top LP trader and maintained an A rating for six quarters in a row.

Industry's Top Income Performance in Bonds

Since its creation two years ago from a reorganization of bond-related units, the Bond Market Division has grown into a core income generator for the Company, recording KRW158.1 billion in operating income in 2009, a best-in-class performance. The division's bond retail sales jumped 86% over the previous year, earning the second-largest market share.

Improving Profitability of Net Capital Investment

In the area of treasury management, the Company generated KRW25.9 billion in operating profit, which represents a marked improvement over 2008. Its income source diversification efforts and positions management proved effective in the daunting market environment.

International Business

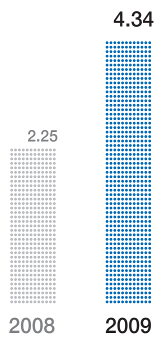
Leading in Serving Foreign Investors

In 2009 foreign investors accounted for over 14% of total Korean stocks traded, and Daewoo Securities garnered more than 4% of the growth market, the largest share among domestic trading companies. The market dominance can be attributed mainly to the Company's first-rate sales force and DMA (Direct Market Access) system.

To further bolster its overseas sale, the Company regularly dispatches teams of analysts and researchers to overseas institutions, conducts non-deal roadshows, and holds Corporate Days for foreign investors both at home and abroad, while keeping its research capabilities up-to-date. In addition, through its Hong Kong, New York, and London subsidiaries, each armed with a top-notch securities sales force, the Company extends its sales reach to local investors interested in the Korean capital markets. Looking forward, the Company plans to expand into China and Japan for institutional investment opportunities and, in particular for the latter, pension business opportunities.

[International Brokerage M/S]

(%)



Forming a Base for Prime Brokerage Services

By forming a unit in March 2009 for prime brokerage services, the Company prepared for the scheduled legislation of laws regarding hedge fund establishment in Korea and for the industry's expansion of the prime brokerage business. Through the newly unit, the Company plans to reinforce prime brokerage service operations including repo, OTC derivatives sales, capital introduction.

Harmony of financial services

KDB Capital

As Korea's first lease company, KDB Capital maintains a prevailing position in leases to shipbuilding, medical equipment, and other major businesses. To further expand its income base, KDB Capital is actively expanding its presence in new growth engine businesses.

Yoon-Na Choi
Assistant Manager
Investment Management Dept. | KDB Capital

Founded as Korea's first lease company, KDB Capital is a credit-specialized financial institution leading Korea's credit and venture finance markets. Its business lineup includes leases, investments, loans, and credit cards. Since becoming a member of KDB Financial Group in 2009, the Company has been fortifying a base for leveraging group synergies, based on which it aims to grow into a global leader of the credit finance market.

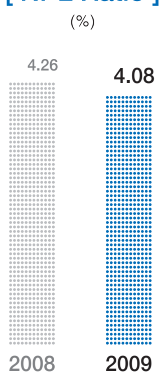
Market Improvement in the Second Half of the Year

Domestic credit-specialized companies were sluggish in business operations across the board in the first half of 2009 due to the extensive global financial crisis. Nonetheless, as funding costs decreased along with a receding liquidity crisis in the second half of the year, operating profit percentage and other business indicators started to improve, signaling business operations' return to normalcy. Nevertheless, the loan-loss provision pressure on the companies continued to grow as construction, real estate, shipbuilding & shipping, and a few other industries went through restructuring.

Improving Market Position in Core Areas

As Korea's first lease company, KDB Capital maintained a top position in ship and medical equipment leases. Through preemptive risk management in response to the contracting ship lease and real estate PF markets, the Company managed to improve its asset soundness, reducing the NPL ratio from 4.26% in 2008 to 4.08% in 2009.

[NPL Ratio]



The investment business, one of the Company's core operations, includes PEF management, M&A, and corporate restructuring investment as well as basic services necessary for corporate growth such as stock market listing and financial base support.

The Company has maintained ties with Woorim Machinery since 2005 by providing management consulting services. After acquiring KRW4.1 billion of the latter's shares in 2007, the Company started providing advisory service on general IPO-related matters. As a result of the KOSDAQ listing, the Company collected KRW3.6 billion from its stock sale and gained KRW1.8 billion in its stock valuation.

Reinforcing Remedial Services

The Company extends funds according to customer needs through diverse loan operations. In 2009, the Company became No. 1 in the entire financial industry, including banks, in lending to energy service companies (ESCO) in accordance to the government's "Rational Energy Use Promotion Program," which is designed to help SMEs use more energy-efficient facilities and thereby save both energy and money.

The Company also offers diverse settlement solutions, including corporate settlement services on purchases and sales, and on corporate cards. The credit card business catering to corporate clients was created in 2002 as a way to expand the profit base in a stable manner as well as to diversify income sources.

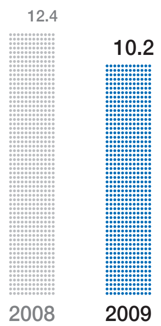
Harmony of financial services

KDB Asset Management

KDB Asset Management succeeded in improving the sustainability of its AUM structure by bolstering retail operations. Energized by the result, KDB Asset Management will continue expanding its retail business while stepping up efforts to exchange information and jointly develop products with other KDB affiliates.

Sam-Yun Jeong
Assistant Manager
Marketing Team | KDB Asset Management

Assets under management
(KRW in trillions)



KDB Asset Management is a comprehensive asset management company active in collective investment asset management, investment advisement, and discretionary investment. The Company ranks in the top 10 in total AUM in the industry. Determined to move up to the top 5 in Korea, it is currently expanding its business lineup to add securities management, alternative investments, and retail sales to its sales channels. The Company also exchanges human resources and is jointly developing new products with its KDB Financial Group affiliates, taking full advantage of group synergies.

Pursuing Stability in the Face of Market Changes

In 2009 the domestic asset management market saw equity lessen and bonds grow in popularity, as investors in general increasingly preferred safety over profit in response to the raging global financial crisis. KDB Asset Management anticipated such market changes and pursued a stability-oriented business strategy. As a result, it markedly improved the stability factor in fund performances: both its equity-type and bond-type funds were among the top 30% of all funds in their respective categories rated in terms of stability.

Expanding Sales Base

To establish a sustainable sales base, in 2009 the Company sought strategic ties with financial institutions strong in retail sales and formed a partnership with Shinhan Bank, thereby effectively expanding its sales base through that bank's nation-wide branch network. In addition, owing to its focus on institutional sales, the Company was chosen as fund manager for major institutions such as National Agricultural Cooperation Federation, Industrial Bank of Korea, the Ministry of Labor, Daehan Life, and Woori Bank, among others.

Sharpening Product Competitiveness

In 2009, the Company created the Product Development Division with the goals of sharpening product development skills and introducing new strategic products. It also set up diverse structured funds, including derivatives and foreign currency-denominated domestic bond funds, and raised KRW500 billion in AUM. Furthermore, the Company developed alternative investment products such as funds aimed at stabilizing the housing market and helping to restructure shipbuilders reeling from the blow of the global financial crisis.

Bolstering Business Base for Long-term Growth

To reinforce its business infrastructure, the Company developed and instituted a com-prehensive risk management system in cooperation with Shinhan AITAS, Korea's foremost fund administrator. Through the system, the Company now can share risk information with third parties, improve business efficiencies, and maintain systemicity in risk management, thus enhancing customer trust. In addition, by adopting a new corporate identity and renovating its homepage, the Company has reinforced its online marketing base, and by implementing the Global Investment Performance Standards, it has standardized performance evaluation methods and enhanced transparency.

As a result of such efforts for sustainable fund performance, one of the Company's equity-type funds was chosen for a Special Award at the 2008 Korea Funds Awards held by *Maeil Economic Daily*. Moreover, in recognition of its outstanding performance, the Company was given a Grand Award in the productivity innovation category at *Seoul Economic Daily*'s 2008 Korea Management Innovation Awards.

Harmony of financial services

Korea Infrastructure Investments Asset Management

As Korea's first asset manager specializing in SOC funds, Korea Infrastructure Investments Asset Management (KIAMCO) oversees the nation's largest fund in AUM. Leveraging its extensive business experience, KIAMCO is expanding into diverse alternative investment fields and exploring overseas infrastructure markets.

Eun-Ju Kim
Staff
Asset Admin. Team | KIAMCO

Launched as Korea's first infrastructure fund specialist, KIAMCO oversees seven funds with a total of KRW3.8 trillion in AUM. Based on its accumulated experience in road, port, power plant, and other infrastructure investments, KIAMCO is expanding into energy resources development and other alternative investment (AI) areas. In addition, by exploring SOC opportunities overseas, KIAMCO will do its part in a group-wide endeavor to realize the Group's goal of becoming a leader in Korea's export of financial services.

Managing Korea's Largest SOC Funds

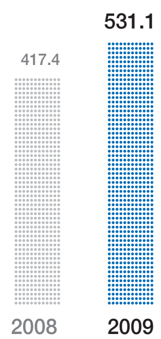
Armed with KRW3.8 trillion in AUM, KIAMCO concluded 54 infrastructure project contracts, including BTO, BTL, and other diverse private-funded projects, totaling KRW2.4 trillion in investment commitment in 2009. Of that sum, KRW1,048 billion was invested as of year-end. KIAMCO offers advanced financial structures and thoroughly-analyzed profit projections to meet the discerning needs of financial investors and project builders.

Forming Large-Scale Funds

Despite the challenging funding environment owing to the global financial crisis, KIAMCO had no difficulty putting together a KRW250 billion growth investment fund and a KRW500 billion BTL fund. These funds are unique in that they are of the mutual fund type, rather than the exchange-traded type commonly found in the industry. As the leader of infrastructure funds, the Company will continue to be innovative and build up its portfolio of funds.

[Private-funded project invested]

(KRW in billions)



Taking Active Part in Private-funded Projects

BTO projects, which have long-term investment targets, had long evaporated with both the discontinuation of the Minimum Return Guarantee program by the government and the increasingly conservative investment approach of institutional investors. In 2009, however, the Company successfully completed a financial contract totaling KRW161.6 billion for building an expressway linking satellite cities on the outskirts of Seoul, as well as investment contracts totaling KRW116.7 billion for building eight BTL projects. The Company also invested KRW532.1 billion of its AUM in private-funded projects in 2009, up KRW114.7 billion from the year before.

Expanding New Operations

In 2009, KIAMCO took part in a KDB-led ship fund (AUM of KRW1 trillion) as a joint fund manager with KDB Asset Management. Ship funds are formed to support the shipping and shipbuilding industries that are struggling due to the financial crisis by offering tax incentives and other benefits. Since the Company recently started in October the fee-based proxy agency business of managing the loans of credit institutions taking part in private-funded projects, it expects its income to increase along with the growing BTL market.

An encore performance

KDB Financial Group is pushing forward with privatization by adopting a market-based decision-making system, fostering a relevant corporate culture, implementing preemptive risk management measures, and laying a base for synergy creation.

Synergy Creation

KDB Financial Group focuses on profit generation at the group level through a three-pronged synergy creation strategy: development of synergy business contents, construction of infrastructures and procurement of tools for synergy businesses, and establishment of a group-integrated marketing base.

Goal and Strategy of Synergy Creation

KDB Financial Group pursues a three-phase synergy strategy as a way to provide financial solutions to diverse customer needs and set up a basis for growing into one of the world's top-20 financial services institutions.

In the initial "Warm Up" phase that was implemented during 2009, the Group focused on surveying the business environment, setting ground rules, and organizing the operations for the development of synergy projects.

In the second "Start Up" phase that will span from 2010 to 2011, the Group will move on to developing synergy business contents, laying infrastructure and securing tools for synergy projects, and forming a basis for integrated customer marketing.

In the "Ramp Up" phase, to be put into practice from 2012 to 2014, the Group will fine-tune the projects, start the integrated customer marketing, and establish a "total financial services institution coverage system." Then, in 2015 and beyond, the Group will concentrate on having the systemic synergies developed into an integral part of its business operations.

Synergy Creation Plans

Laying a Base for Hybrid Financial Services

The Group will spur cross-selling of KDB's and Daewoo Securities' core businesses to corporate clients. Furthermore, the Group will seek opportunities to cross-sell corporate and investment financing services, which together offer advisory and financing services in one package. Through these efforts, the Group plans to fortify its business portfolio.

Moreover, the Group will explore new opportunities to cross-sell to each private banking customer base of KDB and Daewoo Securities through their respective branch-in-branch operations, develop cooperation programs between the two subsidiaries to improve its share of the retirement pension market, and revitalize fund sales through cooperation between Daewoo Securities and KDB Asset Management.

Energizing Synergy Cooperation Projects

By operating a "Synergy Promotion Meeting," the Group will promote operational interactions among synergy managers of the subsidiaries and suggest ways to push synergy ideas forward in connection with major management issues. In addition, through the "Business Sector Meeting", the Group will encourage information exchange and knowledge sharing among the managers of the core businesses, and through the "One kdb Family Club," the Group will foster a sense of unity and promote exchanges of marketing information among the branches and their employees both at the Bank and the Securities Company.

Continuing to Boost Synergies

To further energize the synergy mindset, the Group will launch a quarterly synergy awards program in addition to the annual awards, and thus firmly insti-tutionalize a culture of rewarding and promoting outstanding synergy cases. In addition, the Group will induce synergy operations among the subsidiaries by establishing a "double counting" system which is applied only to profitable business activities resulted through cooperation or cross-selling among the subsidiaries. To help its subsidiaries better cooperate with one another, the Group will prepare an integrated marketing environment by setting up mid- to long-term strategies for the marketing that shares customer information.

Promoting Cooperation through IT Integration

To support its subsidiaries on strategic decision-making, the Group is in the process of setting up a group business management system that includes the establishment of business management standards and management analysis of subsidiaries and other related issues. For speedy decision-making processes through information exchanges and a seamless

cooperation environment at the group level, the Group is pursuing a fully integrated groupware. Also in the pipeline is an integrated customer database necessary for joint sales among the subsidiaries.

Synergy Creation Performance

Joint Advisory & Lead Managing

Since January 2010, KDB and Daewoo Securities together have been carrying out an advisory role in the sale of the Bank's holding of Daewoo Shipbuilding & Marine Engineering shares. Moreover, the two KDB subsidiaries were the joint book runners of the Bank's USD750 million global bond issue in February 2010.

Furthermore, the two participated in the launch and the IPO of Daewoo Securities' SPAC Green Korea, Asia's first Special Purpose Acquisition Company (SPAC), as joint founding shareholders. The joint participation marks an ideal match of a securities company dominant in the domestic IPO market and a bank boasting Korea's most extensive corporate banking database and know-how. The event also served to heighten the status of KDB Financial Group's IB competencies.

Introducing a Synergy-based Product

In October 2009, the Group introduced "One kdb CMA," the first product based on synergies created from the formation of the Group. This product quickly proved successful as it attracted KRW235.8 billion in sales in the first five months after its roll-out. This cash management account (CMA) product, managed as a deposit by the highest-rated bank, is a culmination of Daewoo Securities' proven track record of profitability and KDB's rock-solid safety record. This synergistic product has allowed Daewoo Securities to expand its customer base and KDB to fortify its deposit base.

Laying a Platform for Energizing Synergies

To energize synergetic activities, the Group has formed a synergy consultative body comprising the Group and subsidiaries and implemented seamless communications channels. Also formed are the 'Business Sector Meeting', a forum for discussing the Group's core businesses, and the 'One kdb Family Club', a membership club system designed to promote unity among the employees of subsidiary branches based in the same locality.

Moreover, the Group has launched 'One kdb Synergy Awards' as a way to articulate its resolve towards synergy creation as well as to promote the synergy mindset among its staff members and employees.

IT System Integration

In its first year, the Group activated its own web site, groupware, and an Enterprise Resource Planning system which helps manage its accounting, HR, funding, and other related operations. With participation by its subsidiaries, the Group formulated a mid- to long-term IT master plan for whole group operations and formed consultative bodies, including the IT Strategy Committee.

Risk Management

Due to its exposure to many diverse kinds of financial risk, KDB Financial Group evaluates risks from all possible angles, determines risk tolerance accordingly, and formulates appropriate risk management strategies. The Group classifies as major risk types credit risk, market risk, liquidity risk, and operational risk, with foreign exchange risk, interest rate risk, and other price fluctuation risks included within the market risk.

Risk Governance

Basic policy and strategy directions for KDB Financial Group's risk management are formed by the Group Risk Management Commission. The holding company's chief risk management officer assists the Commission and discusses policies and strategies for the Group and the subsidiaries through the Group Risk Conference comprising executive officers of the subsidiaries in charge of risk management. The subsidiaries in turn each formulate its own detailed risk policies and strategies in line with those of the Group through its risk-related committee and bodies.

KDB Financial Group is in the process of establishing the Enterprise Risk Management to identify high risk factors in advance, analyze their causes, and manage their potential effects.

Credit Risk Management

The Group defines potential losses resulting from counterparty default or refusal to honor credit obligations as credit risk.

The Group regards credit risk as the most important risk area in its business operations, and accordingly, closely monitors its credit risk exposure. Through stress tests, the Group analyzes effects that extreme market developments can have on its credit portfolio. It reduces credit concentration and restructures the portfolio in such a way as to maximize risk-weighted profitability from the credit portfolio's point of view.

KDB manages credit limits by client, group, and industry, and fine-tunes its industry ratings and resets exposure management directives for each industry by conducting an industry credit evaluation twice a year. The Bank employs the Credit Manager Model to evaluate its credit risk. KDB measures its credit VaR at a 99.95% confidence level through simulations reflecting borrower-creditor correlations by applying the mark-to-market methodology to corporate loans and the loan pool methodology to household loans.

Daewoo Securities uses, in addition to VaR-based credit risk management, the risk-weighted exposure management recommended by the Financial Supervisory Service.

Market Risk Management

The Group defines market risk as the possibility of potential loss on a trading position caused by unexpected fluctuations in interest rates, foreign exchange rates, and the values of equities and derivatives. The basic principle in market risk management is to main-tain the maximum possible loss due to market risk within an acceptable level.

KDB and Daewoo Securities, which each operates trading positions of its own, each monitors internal models-based daily VaR through its market risk management system and applies the results to its credit limit management operations. Furthermore, each subsidiary calculates market risk capital requirements using the Standard Approach and applies the figures to the calculation of BIS. In the estimation of VaR, historical simulation and two other supplemental procedures are used: variance-covariance matrix and Monte Carlo simulation.

Liquidity Risk Management

The Group defines liquidity risk as the possibility of incurring losses due to a temporary shortage in funds caused by a maturity mismatch or an unexpected capital outlay. Liquidity risk soars when funding rates rise, assets are sold below a normal price, or a good investment opportunity is missed.

To better manage liquidity risk, the Group and its subsidiaries comply with the liquidity-related supervision ratios required by the respective authorities and calculate measurement indices such as liquidity ratio and liquidity gap.

KDB and Daewoo Securities, in particular, each conducts liquidity stress tests by crisis-type scenario to maintain a liquidity gap structure that is stable in diverse market conditions. Moreover, to prepare for unexpected liquidity problems arising from rapid changes in the market environment or in monetary policy, each subsidiary has set up a wide-ranging contingency plan.

Operational Risk Management

Operational risks are defined as exposure to losses arising from inappropriate or faulty work processes, internal workforce or systems, or certain external factors.

KDB had developed operational risk control structure, management procedures and management systems up to 2007 to prevent financial irregularities, as well as enhance efficiencies in operational risk management. In 2009, the Bank improved upon the management systems and laid a platform for implementing the Advanced Measurement Approach (AMA), including executing business continuity plan projects. KDB currently measures operational risk using the standardized method and applies the results to the calculation of BIS, while using the AMA on a trial basis in consultation with the Financial Supervisory Service.

Meanwhile, Daewoo Securities put into service an operational risk management system in 2009 that enables Risk & Control Self-Assessment, Key Risk Indicator management, loss data management, and internal model-based operational VaR measurement.

Basel II Adoption

Pursuing its goal of having Korea's best capital adequacy level and advanced risk management, KDB has been applying the Basel II Foundation-Internal Ratings-Based Approach (F-IRB) since June 2008. It used the Standardized Approach for market and operational risks. To further enhance its capital soundness and global reputation, the Group will continue to improve the relevant systems and processes while taking all other steps necessary towards adopting the AMA of the New Basel Accord.

Corporate Responsibility

In line with its pursuit of a leading global financial institution status, KDB Financial Group views corporate citizenship as an integral part of its management philosophy and proactively participates in various social contribution activities.

Social Contribution Programs

Caring for Neighbors	Caring for Culture	Caring for Education	Caring for Farmers
• Social welfare facility support • Fund raise • Kimchi making • Blood drive • Visiting of single retiree homes • Support of venture funds • Disaster relief acvitity • Volunteer work by partner companies	• Invitational concerts for customers • Celebrity invitational events • Sports support	• Scholarships for needy youths • 'KDB Economics Camp for Youths' • Birds watching & farm stay event • Invitational events for children of remote areas	• one-company-one-village campaign • Showing farmers around Seoul • Buy-organic-rice campaign • Farm stay event

KDB Financial Group views corporate citizenship as an integral part of its management philosophy and takes part in various community programs with the same degree of enthusiasm that it displays in its pursuit of a global financial services institution status.

In October 2009, the Group took part in a local Habitat program to commemorate the launch of the holding company and, together with its subsidiaries, made an agreement to financially and administratively support KDB Foundation, which was established in 2007 to help create jobs and aid the socially marginalized. The Group plans to expand its social service activities to help the poor and the socially-neglected become financially independent, start businesses, and educate their children, and to run international aid operations through the Foundation.

Starting in 2010, the Group will select from the subsidiaries' community service programs those that are suitable for group-wide participation and carry them out every quarter, and regularly hold meetings among community service managers of the subsidiaries as well as of the Group.

KDB's Diverse Community Service & Support Activities

KDB is a firm believer in the benefits of returning profits to society and of helping the community stay in harmony through community service. Some of its social accomplishments include the Bank-organized employee visits and donations to the poor and lonely at least four times a year, and donation drives for local social service agencies prior to the New Year and other major holidays.

KDB also carries out various social programs designed to help needy youths. Since 2005, the Bank has provided scholarships and living allowances to students, helping around 310 as of 2009 year-end. These students, ranging from elementary to high school, receive the financial support until their graduation from high school. The Bank also facilitates visits to Seoul by children of the countryside to provide them with opportunities to experience culture and art, and supports economics education programs by the Bank volunteers for students in the province. In addition, the Bank takes active part in various corporate mecenat activities, helping promote art and culture among the public.

Daewoo Securities' Community Service

Regarding corporate citizenship as an important factor in sustainable management, Daewoo Securities has been active in providing social service to multi-racial families, financial support to needy students, medical support to the elderly, and emergency aid to victims of natural disasters.

The Company also supports numerous local community service organizations participated by the staff and employees, as well as with money raised through a fund drive every month. In order to promote active participation, the Company requires its staff and employees to get involved in community service at least once a year and encourages them to go beyond making a perfunctory annual donation and take an active role in diverse social programs.

financial Review

Management's Discussion & Analysis

Founded in 1954 with the mission of funding the building of the Korean economy from the ashes of war, KDB had played a key role in the nation's phenomenal economic growth over half a century through its development finance, long-term facility investment, corporate financing, and other public enterprising activities. However, this public policy bank eventually reached a point where it needed to reinvent itself, as corporate demand for public funds diminished and its role increasingly overlapped with those of other public financial institutions. Accordingly, privatization was pursued and, as a result, KDB Financial Group Inc. was born in October 2009. Since then, the holding company has been building up a network of financial businesses centering on KDB and creating synergies based on a consolidated business network. Looking forward, the company, as a financial group, plans to transform itself into a financial services institution in accordance with its planned privatization processes and grow into Asia's leading financial institution.

Net Income and Assets of KDB FG (combined basis)

The net income of KDB Financial Group for the fiscal year of 2009 was 1,047 billion won. Net operating income was 2,703 billion won, consisting of 1,240 billion won in interest income and 1,463 billion won in non-interest income. Expense for loan loss provisions came to 1,384 billion won, while general & administrative expenses totaled 995 billion won. Subtracting these two figures from net operating income, one derives gross operating profits of 324 billion won. Adding non-operating profits, 809 billion won, to and subtracting corporate taxes from gross operating profits, produce net income.

To break down the Group's net income of 1,047 billion won by subsidiary, KDB's 761 billion won accounted for the largest share, followed by Daewoo Securities' 271 billion won. The three other subsidiaries, KDB Capital, KDB Asset Management, and KIAMCO, each played a negligible role in the Group's net income performance, with KDB Capital in the red at 9 billion won, while KDB Asset Management and KIAMCO in the black at 3 billion won and 1 billion won, respectively.

Of net operating income, net interest income stemmed mostly from KDB (898 billion won), followed by Daewoo Securities (299 billion won), while non-interest income presented a similar picture: KDB (713 billion won) surpassing Daewoo Securities (648 billion won). Expense for loan loss provisions also came mostly from KDB, while Daewoo Securities surpassed KDB in general & administrative expense: 543 billion won versus 416 billion won. Daewoo Securities also exceeded KDB in gross operating income, thanks to its relatively low expense for loan loss provisions compared to that of KDB: 335 billion won verse 6 billion won. KDB, however, compensated its low gross operating income with a non-interest income that dwarfs that of Daewoo Securities, resulting in a much higher net income. Meanwhile, KDB Capital recorded net operating loss of 14 billion won which, combined with high expense for loan loss provisions resulted in net loss of 9 billion won.

The Group's total assets as of the end of 2009 stood at 157,163 billion won, comprising 137,013 billion won in total liabilities and 20,150 billion won in total net worth. The lion's share of total assets belongs to KDB at 122,333 billion won, followed by Daewoo Securities at 15,334 billion won and KDB Capital at 3,513 billion won. KDB Asset Management and KIAMCO reported 74 billion won and 13 billion won in assets, respectively. Meanwhile, KDB posted 15,111 billion won in net worth, Daewoo Securities 2,719 billion won, and KDB Capital 468 billion won.

(In billions of KRW)

	KDB FG	KDB FG Inc.	KDB	Daewoo Securities	KDB Capital	KDB Asset Management	KIAMCO
Net Operating Income	**2,703**	**-8**	**1,611**	**948**	**133**	**14**	**6**
Interest Income	1,240	-3	898	299	43	3	0
Non-interest Income	1,463	-5	713	648	91	11	5
Expense for Loan Loss Provisions	1,384		1,190	69	125	0	0
General & Administrative Expense	995	2	416	543	22	10	3
Gross Operating Profit	324	-9	6	335	-14	4	2
Non-operating Income	809		793	18	-1	0	-1
Corporate Taxes	87	-29	38	82	-6	1	1
Net Income	**1,047**	**19**	**761**	**271**	**-9**	**3**	**1**
Total Assets	**157,163**	**16,778**	**122,333**	**15,334**	**3,513**	**74**	**13**
Total Liabilities	**137,013**	**490**	**107,222**	**12,615**	**3,045**	**7**	**1**
Total Shareholders' Equity	**20,150**	**16,288**	**15,111**	**2,719**	**468**	**67**	**11**

Management's Discussion & Analysis

KDB

Business Results

The fiscal year 2009 was a monumental period for KDB as it divested some of its businesses in accordance of its master privatization plan, played a crucial role in the launch of KDB Financial Group, and put Kumho Industrial and Kumho Tire of Kumho Asiana Group under a workout program, to name a few major events. Despite having operated its businesses in such an eventful environment, the Bank nevertheless recorded a 117.3% year-on-year increase in net income to 761 billion won, thanks to its all-out efforts to consolidate its IB competencies and to implement preemptive restructuring measures. Net interest income grew a healthy 11.7% over the year to 898 billion won, while operating income fell to 6 billion won as the Bank increased expense for loan loss provisions in its pursuit of a healthy balance sheet.

Total assets came to 122,333 billion won at the end of 2009, a 22.4% decrease from the year before, reflecting the divesting of the Bank's assets that took place in 2009. Likewise, total liabilities decreased by 24.4% year-on-year to 107,223 billion won. As net income increased despite the reduction in total assets, ROA and ROE rose by 0.25% points and 2.39% points, respectively, to 0.49% and 4.44%. Net interest margin, however, inched down by 0.03% points to 0.71%, mirroring a sizable drop in market interest rate. The Bank's relatively low net interest margin can be credited mainly to its function as a financial institution devoted to funding government policies. The margin, however, is expected to reach the level of commercial banks in the near future as KDB fine-tunes its lending operations in accordance to its privatization plan.

The NPL ratio rose by 1.05% points to 2.24%, and the loan loss coverage ratio decreased by 21.46% points to 82.78%, both reflecting a sharp increase in bad debts in the wake of the global financial crisis. KDB aims to lower the NPL ratio below the 1% mark in the fiscal year of 2010.

Risk-weighted assets dropped substantially over the year due mainly to the privatization-related divesting of assets, which led to an increase in the equity ratio. KDB's equity ratio as of the end of 2009 stood at 16.37%. The ratio, high by industry standards, is expected to serve as a reserve for expanding business operations into growth areas. Accordingly, both Tier I CAR and Tier II CAR rose by 2.58% points and 0.18% points, respectively, to 14.74% and 1.63%.

(In billions of KRW)

	2008	2009
Income Statement		
Interest Income	5,801	5,375
Net Interest Income	804	898
Operating Income	890	6
Net Income	350	761
Profitability		
Return on Assets	0.24%	0.49%
Return on Shareholders' Equity	2.05%	4.44%
Net Interest Margin	0.74%	0.71%
Balance Sheet		
Total Assets	157,613	122,333
Total Liabilities	141,897	107,223
Total Shareholders' Equity	15,716	15,111
Asset Quality		
NPL Ratio	1.19%	2.24%
Coverage Ratio	104.24%	82.78%
Capital Adequacy		
BIS Ratio	13.61%	16.37%
Tier Ⅰ CAR	12.16%	14.74%
Tier Ⅱ CAR	1.45%	1.63%

INCOME STATEMENT SUMMARIZED

KDB's net income in the fiscal year 2009 was 761 billion won, which represents a 411 billion won, or 117.3%, increase compared to that of the previous year. The increase stemmed mostly from a huge jump in non-operating income although operating income was insignificant as a result of the Bank's effort to improve its balance sheet. In the previous year the Bank had recorded a net non-operating loss. Of operating income, which amounted to 6 billion won at 2009 year-end, net interest income came to 898 billion won, up 94 billion won, or 11.7%, from the previous year. Net non-interest income, however, fell to 244 billion won, a sharp contrast to 483 billion won in the previous year. The loss stemmed mostly from drops in derivatives- and FX trading-related income. Meanwhile, net non-operating income reached 793 billion won, due mainly to an increase in equity method-related gains.

(In billions of KRW)

	2008	2009	Change	
			Amount	%
Operating Income	890	6	-884	-99.3%
Net Interest Income	804	898	94	11.7%
Net Non-interest Income	483	244	-239	-49.5%
Total Provisioning(-)	397	1,136	739	186.0%
Net Non-operating Income	-517	793	1,310	Turned black
Income Tax Expense(-)	22	38	15	69.1%
Net Income	350	761	411	117.3%

Interest Income

KDB's net interest income in 2009, as mentioned earlier, represents a 94 billion won, or 11.7%, increase from the previous year, totaling 898 billion won. Interest income and expense, however, both decreased over the year, mirroring the overall reduction in market interest rate. Interest income decreased by 7.4%, or 427 billion won, over the year to 5,375 billion won. Interest on loans inched up by 35 billion won to 3,728 billion won, while interest on securities dropped by 452 billion won, or 23.0%, over the year to 1,513 billion won. Interest on deposits decreased by 11 billion won, or 9.3%, to 107 billion won.

KDB's Interest expense in 2009 totaled 4,477 billion won, equal to a 520 billion won, or 10.4%, decrease from the year before. The decreased amount of interest expense, however, is less than that of interest income, which translates into an increase in net interest income. Interest on bonds payable changed little over the year, a 14 billion won decrease, to be exact, while interest on borrowings dropped by 421 billion won, or 31.8%, to 902 billion won.

(In billions of KRW)

	2008	2009	Change	
			Amount	%
Interest Income	5,801	5,375	-426	-7.4%
Interest on Loans	3,693	3,728	35	0.9%
Interest on Securities	1,965	1,513	-452	-23.0%
Interest on Deposits	118	107	-11	-9.3%
Other Interest Income	24	26	1	5.3%
Interest Expense	4,997	4,477	-520	-10.4%
Interest on Bonds Payable	3,062	3,048	-14	-0.5%
Interest on Borrowings	1,323	902	-421	-31.8%
Interest on Deposits	582	499	-82	-14.2%
Other Interest Expenses	30	28	-2	-6.7%
Net Interest Income	804	898	94	11.7%

Management's Discussion & Analysis

Net Interest Income

KDB's non-interest income in 2009 amounted to 244 billion won, down 239 billion won compared to that of the previous year. The drop stemmed mostly from the derivatives trading business, as the Bank's performance in fee-based and securities operations improved markedly over the year. Net income from fees and commission and net gain from securities rose by 87 billion won, or 30.8%, and 112 billion won, or 18.2%, respectively, over the year to 371 billion won and 726 billion won. Net gain from derivatives fell to 261 billion won in the red, representing an 398 billion won, or 290.5%, fall. Meanwhile, general & administrative expenses decreased by 3.9% to 415 billion won, a result of the Bank's conscious cost-cutting efforts.

(In billions of KRW)

	2008	2009	Change	
			Amount	%
Net Income from Fees & Commissions	284	371	88	30.9%
Net Gain from Securities	614	726	112	18.2%
Net Gain from Derivative Financial Instruments	137	-261	-398	-290.5%
General & Administrative Expenses(-)	432	415	-17	-3.9%
Others	-120	-177	-57	47.5%
Net Non-interest Income	483	244	-239	-49.5%

Net Credit Expenses

KDB's net credit expense in 2009 amounted to 1,154 billion won, up 774 billion won from the previous year. The increase can be attributed mainly to the Bank's focus on a healthy balance sheet through ample provisioning for bad debts and corporate borrowers going through debt restructuring, including Kumho Industrial and Kumho Tire of Kumho Asiana Group and ship builders. Such a conservative provisioning policy will translate into a hefty increase in operating income in the near future. As such, provisioning for loan losses in 2009 was 591 billion won more than that in the previous year, totaling 919 billion won. Provisioning for possible loan losses from guarantees & acceptances from unused loan commitments rose by 93 billion won and 56 billion won, respectively, to 130 billion won and 87 billion won. Meanwhile, net loss from disposal of loans amounted to 18 billion won in contrast to net gain of 17 billion won in the previous year.

(In billions of KRW)

	2008	2009	Change	
			Amount	%
Total Provisioning	397	1,136	739	186.0%
Provision for Loan Losses	328	919	591	180.0%
Provision for Possible Losses from Guarantees & Acceptances	38	130	93	246.3%
Provision for Possible Losses from Unused Loan Commitments	31	87	56	177.3%
Net Gain from Disposal of Loans	17	-18	-35	In the red
Net Credit Expenses	380	1,154	774	203.7%

Non-operating Income

KDB's net non-operating income in 2009 came to 793 billion won, a marked improvement compared to net loss of 518 billion won in the previous year. This dramatic turnaround was made possible mainly because of 620 billion won in gain using the equity method, and this gain in turn can be traced to the robust business performances of KEPCO, Daewoo Securities, Daewoo Shipbuilding & Marine Engineering. As KEPCO and other accounts are scheduled to be transferred over to Korea Finance Corporation soon, KDB's performance in non-operating income operations is expected to be on a more stable platform.

(In billions of KRW)

	2008	2009	Change	
			Amount	%
Net Valuation Gain using Equity Method	-510	620	1,130	In the black
Others	-8	173	181	In the black
Net Non-operating Income	-517	793	1,310	In the black

Assets

KDB's total assets as of the end of 2009 stood at 122,333 billion won, down 35,279 billion won, or 22.4%, from the previous year. The decrease comprises mostly securities and derivatives. Securities amounted to 31,664 billion won, down 21,739 billion won, or 40.7%, from the previous year. The reduction can be attributed to the Bank's sale and write-down of available-for-sale securities and transfer of equity securities in regards to the foundation of KDB Financial Group Inc. and Korea Finance Corporation. Derivatives dropped by 9,063 billion won over the year to 7,676 billion won, while loan receivables edged down by 1,280 billion won to 74,786 billion won.

(In billions of KRW)

	2008	2009	Change	
			Amount	%
Cash & Due from Banks	4,437	2,965	-1,472	-33.2%
Securities	53,403	31,664	-21,739	-40.7%
Loan Receivables	76,066	74,786	-1,280	-1.7%
Derivative Financial Instruments	16,739	7,676	-9,063	-54.1%
Property & Equipment	637	542	-94	-14.8%
Other Assets	6,331	4,700	-1,631	-25.8%
Total Assets	157,613	122,333	-35,279	-22.4%

Loans

KDB's loans outstanding as of the end of 2009 stood at 54,765 billion won, down 1,317 billion won, or 2.3%, from the year before. To break down loans by currency, loans in foreign currency decreased by 3,225 billion won over the year, while loans in local currency rose by 1,908 billion won, or 5.5%, to 36,810 billion won. By industry, the manufacturing sector constitutes the biggest share of the pie, followed by the transportation sector. The biggest drop in the amount of loans occurred in the financial and insurance sector, followed by the public administration sector. Loans to manufacturing remained 32,172 billion won at the end of 2009, up 104 billion won from the previous year.

(In billions of KRW)

	2008	2009	Change	
			Amount	%
By Currency				
In Local Currency	34,901	36,809	1,908	5.5%
In Foreign Currency	21,180	17,955	-3,225	-15.2%
Total	56,081	54,764	-1,317	-2.3%
By Industry				
Manufacturing	32,069	32,172	104	0.3%
Banking & Insurance	4,157	3,332	-825	-19.9%
Transportation & Communications	5,982	5,568	-414	-6.9%
Public Administration	2,051	1,630	-421	-20.5%
Electric, Gas & Water Supply	2,976	2,983	7	0.2%
Others	8,846	9,080	234	2.6%
Total	56,081	54,765	-1,317	-2.3%

Management's Discussion & Analysis

Securities

Securities constitute the asset category that decreased most over the fiscal year 2009. As of the end of 2009, securities totaled 31,664 billion won, down 21,739 billion won, or 40.7%, from the previous year. The decrease stemmed mostly from available-for-sale securities and securities accounted for under the equity method. As a result of the divesting of equity securities, KEPCO, Daewoo Securities, and KDB Capital shares made up the bulk of the securities that decreased.

(In billions of KRW)

	2008	2009	Change	
			Amount	%
Trading Securities	426	615	189	44.6%
Available-for-sale Securities	37,087	26,697	-10,390	-28.0%
Held-to-maturity Securities	3,120	1,776	-1,344	-43.1%
Securities Accounted for Under the Equity Method	12,770	2,576	-10,194	-79.8%
Total	53,403	31,664	-21,739	-40.7%

Liabilities and Shareholders' Equity

KDB's total liabilities as of the end of 2009 stood at 107,223 billion won, down 34,675 billion won from the previous year, while shareholders' equity came to 15,111 billion won, down 604 billion won. Again, the divesting of assets was the main reason for the decreases. Of liabilities, bonds payable, which made up most of liabilities and decreased most over the year, amounted to 51,944 billion won, down 16,917 billion won, or 24.6%, from the previous year. Most of the decrease comprises bonds that were transferred over to Korea Finance Corporation. Derivatives, as mentioned earlier, fell by 9,103 billion won, or 57.8%, over the year to 6,645 billion won. The debt structure of KDB is unique in that deposits account for a relatively small portion compared to that of commercial banks. This difference arises because of KDB's heretofore function as a government policy bank. As it continues on its privatization progress, the share of deposits is expected to grow dramatically. Shareholders' equity inched down over the year due mainly to a decrease in surplus earnings following the asset divesting, although accumulated other comprehensive income substantially increased over the year.

(In billions of KRW)

	2008	2009	Change	
			Amount	%
Deposits	16,769	13,936	-2,833	-16.9%
Borrowings	31,624	28,744	-2,881	-9.1%
Industrial Finance Bonds	68,861	51,944	-16,917	-24.6%
Derivative Financial Instruments	15,748	6,645	-9,104	-57.8%
Other Liabilities	8,896	5,954	-2,941	-33.1%
Total Liabilities	141,897	107,223	-34,675	-24.4%
Total Shareholders' Equity	15,716	15,111	-605	-3.8%
Total Liabilities and Shareholders' Equity	157,613	122,333	-35,279	-22.4%

Asset Quality

KDB's total loans outstanding as of the end of 2009 reached 86,804 billion won, down 3,164 billion won, or 3.5%, from the previous year. Loans classified as normal decreased by 4,922 billion won, while those classified as substandard and below increased by 874 billion won, or 81.8%, over the year to 1,943 billion won. As a result, the NPL ratio increased by 1.05% points to 2.24%. To provide for increased non-performing loans (NPL), provisioning for loan losses also increased. As of the end of 2009, loan loss provisions outstanding amounted to 1,609 billion won, up 495 billion won or 44.4% from the year before. Increased NPLs also affected the delinquency ratio which edged up by 0.21% points to 1.02%. The Bank is currently exploring various means to keep the ratio below 1%. Some of the means being pursued include reduction of policy funding, adoption of tougher loan and investment guidelines, and implementation of more stringent risk management measures.

(In billions of KRW)

	2008	2009	Change	
			Amount	%
Normal	88,108	83,186	-4,922	-5.6%
Precautionary	791	1,675	884	111.8%
Substandard	914	1,864	950	103.9%
Doubtful	10	37	27	270.0%
Estimated Loss	145	42	-103	-71.0%
Total Credit	89,968	86,804	-3,164	-3.5%
Substandard & Below	1,069	1,943	874	81.8%
NPL Ratio	1.19%	2.24%		1.05%P
Loan Loss Reserve	1,114	1,609	495	44.4%
Loan Loss Coverage Ratio	104.24%	82.78%		-21.46%P
Delinquency Ratio	0.81%	1.02%		0.21%P

Capital Adequacy

KDB's risk-weighted assets as of the end of 2009 totaled 94,053 billion won, down 25.5% from the year before, while total risk-based capital came to 15,399 billion won, down 10.3%. As a result of risk-weighted assets surpassed risk-based capital in reduction, the BIS ratio increased by 2.76% points over the year to 16.37%.

The Tier I CAR rose by 2.58% points to 14.74%, while the Tier II CAR increased by 0.18% points to 1.63%. As these figures illustrate, KDB's capital adequacy ratio is high compared to that of its peers, and such a healthy status will serve as a stable growth base as well as a capital reserve strong enough to weather a debt-related crisis of normal proportions.

(In billions of KRW)

	2008	2009	Change	
			Amount	%
Total Risk-weighted Assets	126,181	94,053	-32,128	-25.5%
Total Risk-based Capital	17,173	15,399	-1,774	-10.3%
Tier Ⅰ Capital	15,338	13,867	-1,471	-9.6%
Tier Ⅱ Capital	1,835	1,532	-303	-16.5%
BIS Ratio(%)	13.61%	16.37%		2.76%P
Tier Ⅰ CAR	12.16%	14.74%		2.58%P
Tier Ⅱ CAR	1.45%	1.63%		0.18%P

Management's Discussion & Analysis

Daewoo Securities

Daewoo Securities' net income in 2009 recorded 270.9 billion won, up 85.8 billion won, or 46.5%, from the previous year. Net operating income reached 954.6 billion won, up 246.8 billion won from the year before, due to a substantial increase in brokerage fees. Korea's reviving stock markets boosted brokerage fees across the board.

Securities and interest income rose by 94.4 billion won over the year to 372.7 billion won, thanks in part to the Company's market-savvy fixed income strategy. Of net operating income, fees and commission accounted for 66%, while interest and trading-related income made up 39%, which combine to represent an income structure similar to that of its peers. The ROE increased by 2.79% points over the year to 10.61%, the highest in the industry. The operating efficiency ratio came to 104%, another industry-best figure.

Total assets as of the end of 2009 amounted to 15,333.7 billion won, up 2,261.8 billion won, or 17.3%, from the year before, while total liabilities expanded by 1,931.1 billion won, or 18.1%, over the year to 12,614.6 billion won. Of assets, securities increased most, by 1,477.2 billion won, and of liabilities, borrowings expanded most, by 1,194.8 billion won. The increases of securities and borrowings are owed to the Company's pursuit of sustainable profitability through the expansion of RP and other customer equity products. The ratios of these asset and liability categories, however, were found to be industry averages. Meanwhile, shareholders' equity reflected a healthy net income performance, rising by 330.7 billion won over the year to 2,719.0 billion won.

(In billions of KRW)

	2008(*)	2009(*)	Change	
			Amount	%
Net Operating Income	708	954	246	34.75%
Brokerage Fees	394	521	127	32.23%
WM Fees	34	43	9	26.47%
IB Commission	44	66	22	50.00%
Securities & Interest	278	373	95	34.17%
Other Income	-42	-49	-7	16.67%
G&A Expenses	480	543	63	13.13%
Provisioning	13	76	63	484.62%
Non-operating Income	30	18	-12	-40.00%
Net Income	**185**	**271**	**86**	**46.49%**
Cash and Due	2,315	2,630	315	13.61%
Securities	8,937	10,415	1,478	16.54%
Derivatives	288	166	-122	-42.36%
Loans	606	994	388	64.03%
Tangible Assets	925	1,128	203	21.95%
Total Assets	**13,072**	**15,334**	**2,262**	**17.30%**
Deposits	1,228	1,656	428	34.85%
Borrowings	9,118	10,312	1,194	13.09%
Other Liabilities	338	647	309	91.42%
Total Liabilities	**10,684**	**12,615**	**1,931**	**18.07%**
Total Shareholders' Equity	**2,388**	**2,719**	**331**	**13.86%**
ROE	**7.82%**	**10.61%**		**2.79%P**

(*) Based on calendar year

KDB Capital

In 2009 KDB Capital recorded 132.6 billion won in net operating income, which represents a 46.8 billion won, or 54.5%, increase from the previous year. Such a laudable operating income performance, however, could not spare the Company a net loss, because of a sizable provisioning expense which reached 124.4 billion won. The year 2009 was a particularly challenging period for ship leasing business to which the Company aggressively cut its exposure during the year. The Company instead directed its resources and energy to growing its PF loan operations with care, which, as a result, enjoyed a modest expansion in volume.

Total assets inched down by 188.7 billion won, or 5.1%, over the year to 3,512.9 billion won, which made the Company one of the top three in the domestic leasing industry. The NPL ratio came to 8.5% at 2009 year-end, a relatively high figure compared to that of the Company's peers. Likewise, the delinquency ratio reached 12.4%, reflecting the daunting business environment in the wake of the global financial crisis. To bring down these two statistics to an acceptable level, the Company is making all-out efforts to prevent further lease delinquency.

(In billions of KRW)

	2008(*)	2009(*)	Change	
			Amount	%
Net Operating Income	85.8	132.6	46.8	54.5%
Provisioning	35.4	124.4	89.0	251.4%
G&A Expense	23.3	21.9	-1.4	-6.0%
Operating Profit	27.1	-13.7	-40.8	In the red
Non-operating Income	0.1	-1.0	-1.1	N/A
Corporate Taxes	0.6	-5.7	-6.3	N/A
Net Income	**26.6**	**-9.0**	**-35.6**	**In the red**
Total Assets	**3,701.6**	**3,512.9**	**-188.7**	**-5.1%**
Total Shareholders' Equity	**428.4**	**468.2**	**39.8**	**9.3%**
ROE	**5.6%**	**-2.6%**		**N/A**
ROA	**0.7%**	**-0.4%**		**N/A**
NPL Ratio	**4.3%**	**8.5%**		**4.2%P**
Delinquency Ratio	**4.5%**	**12.4%**		**8.0%P**
Adjusted Capital Adequacy Ratio	**12.0%**	**16.5%**		**4.5%P**
Lease	493.9	280.4	-213.5	-43.2%
Loans	885.3	772.9	-112.4	-12.7%
Investment	401.7	194.4	-207.3	-51.6%
Card	81.3	93.9	12.6	15.5%
Total Revenue	**1,862.2**	**1,341.6**	**-520.6**	**-28.0%**

(*) Based on calendar year

Management's Discussion & Analysis

KDB Asset Management

KDB Asset Management's net income in 2009 came to 2.6 billion won, down 36.6% from the year before. Net operating income rose by 0.5 billion won, or 3.8%, over the year to 13.8 billion won: interest income decreased by 0.3 billion won, while non-interest income rose by 0.9 billion won. G&A expense, however, increased by 1.3 billion won to 8.9 billion won, and, as a result, operating profit came to 4.4 billion won, down 0.7 billion won from the year before. Net non-operating income decreased by 0.5 billion won to 0.1 billion won, further contributing to a smaller net income compared to that of the previous year.

To review business results closer, assets under management as of the end of 2009 stood at 10,199 billion won, down 17.7% from the year before. By product, the mixed-type and MMFs dropped substantially in AUM, while bonds soared. The Company's product portfolio comprised less equity types and more alternative investment types than that of other asset managers.

(In billions of KRW)

	2008(*)	2009(*)	Change	
			Amount	%
Interest Income	3.6	3.3	-0.3	-8.3%
Non-interest Income	9.7	10.6	0.9	9.3%
Net Operating Income	13.3	13.8	0.5	3.8%
G&A Expenses	7.6	8.9	1.3	17.1%
Operating Profit	5.1	4.4	-0.7	-13.7%
Non-operating Income	0.6	0.1	-0.5	-83.3%
Corporate Taxes	1.6	1.2	-0.4	-25.0%
Net Income	**4.1**	**2.6**	**-1.5**	**-36.6%**
Post-tax ROE	**6.6%**	**4.0%**		**-2.6%P**
Equity Types	555.7	459.3	-96.4	-17.3%
Mixed Types	931.4	152.6	-778.8	-83.6%
Fixed Income Types	869.9	1,550.7	680.8	78.3%
MMF	2,908.2	1,386.4	-1,521.8	-52.3%
AI	7,122.2	6,649.7	-472.5	-6.6%
AUM	**12,387.4**	**10,198.7**	**-2,188.7**	**-17.7%**

(*) Based on calendar year

KIAMCO

KIAMCO's net income in 2009 was 1.2 billion won, 2.2 billion won less than the previous year. While interest income remained somewhat unchanged, fee income dropped by 1.1 billion won over the year to 5.0 billion won. Fee income dropped as a result of an early payment by the Incheon Airport Railroad in which the Company invested through its KIF No.2. reflecting such a drop in fee income, net operating income decreased by 1.2 billion won, or 18.2%, over the year to 5.4 billion won. G&A expenses rose by 0.7 billion won to 3.0 billion won, owing mainly to a personnel increase following a new business expansion and to an increase in rents following the office relocation. Net income in 2009 was further decreased by loss on prior period error corrections in accordance to changes in accounting rules. As a result, operating income in 2009 came to 2.4 billion won, down 1.9 billion won from the year before, while net income amounted to 1.2 billion won, down 2.2 billion won.

As 2009 was a sluggish year for SOC business, new SOC investment committed in 2009 was 690.1 billion won less than the year before, even though the Company raised funds totaling 750 billion won.

(In billions of KRW)

	2008(*)	2009(*)	Change	
			Amount	%
Net Operating Income	6.6	5.4	-1.2	-18.2%
Fee Income	6.1	5.0	-1.1	-18.0%
Interest Income	0.5	0.4	-0.1	-20.0%
G&A Expenses	2.3	3.0	0.7	30.4%
Operating Profit	4.3	2.4	-1.9	-44.2%
Non-operating Profit		-0.7	-0.7	N/A
Corporate Taxes	0.9	0.5	-0.4	-44.4%
Net Profit	**3.4**	**1.2**	**-2.2**	**-64.7%**
Total Assets	**14.1**	**12.5**	**-1.6**	**-11.3%**
Total Shareholders' Equity	**13.9**	**11.5**	**-2.4**	**-17.3%**
ROE	**38.7%**	**9.3%**		**-29.4%P**

(*) Based on calendar year

Independent Auditors' Report

Ernst & Young

Taeyong Bldg.,10-2, Yeouido-dong,
Yeongdeungpo-gu, Seoul 150-777 Korea

Tel: +82 2 3787 6600 Fax: +82 2 783 5890
www.ey.com/kr

The Board of Directors and Shareholders
KDB Financial Group Inc.

We have audited the accompanying non-consolidated statement of financial position of KDB Financial Group Inc. (the "Company") as of December 31, 2009 and the related non-consolidated statement of income, appropriations of retained earnings, changes in equity and cash flows for the period from October 28, 2009 to December 31, 2009. These non-consolidated financial statements are the responsibility of the Company'smanagement. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of KDB Financial Group Inc. as of December 31, 2009, and the results of its operations, its changes in retained earnings and equity, and its cash flows for the period from October 28, 2009 to December 31, 2009 in conformity with accounting principles generally accepted in the Republic of Korea.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations, changes in retained earnings and equity, and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying nonconsolidated financial statements are for use by those who are knowledgeable about Korean accounting principles and auditing standards and their application in practice.

Ernst & Young Han Young

March 16, 2010

This audit report is effective as of March 16, 2010, the independent auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' report date to the time this audit report is used. Such events and circumstances could significantly affect the accompanying non-consolidated financial statements and may result in modifications to this report.

Non-Consolidated Statement of Financial Position

As of December 31, 2009

KDB Financial Group Inc.

(Korean won in millions)

		2009
Assets		
Cash and due from banks (Notes 3, 13 and 18)	₩	62,068
Securities (Notes 4, 15 and 18):		
Equity method investments		16,696,734
Property and equipment (Notes 5 and 18)		1,386
Other assets (Notes 6, 13 and 18):		
Accounts receivable		10,845
Intangible assets		863
Accrued income		249
Guarantee deposits		6,192
		18,149
Total assets	₩	**16,778,337**
Liabilities and equity		
Liabilities:		
Debentures, less discount of ₩35 million		
as of December 31, 2009 (Notes 7 ,13, 15 and 18)	₩	449,965
Deferred income tax liabilities (Note 9)		38,610
Accrued expenses		2,005
Other liabilities		89
Total liabilities		490,669
Equity:		
Capital stock - par value ₩5,000 (Notes 8 and 18):		1,812,042
Authorized common stock - 1,000,000,000 shares		
Issued and outstanding - 362,408,421 shares as of December 31, 2009		
Capital surplus (Notes 8 and 18)		13,612,229
Capital adjustments (Note 18)		(185)
Accumulated other comprehensive loss (Note 4)		(6,827)
Retained earnings (Note 18): Legal reserve		870,409
Unappropriated retained earnings		19,220
		889,629
Total equity		16,287,668
Total liabilities and equity	₩	**16,778,337**

See accompanying notes.

Non-Consolidated Statement of Income

For the period from October 28, 2009 to December 31, 2009

KDB Financial Group Inc.

(Korean won in millions, except per share data)

		Oct. 28, 2009 to Dec. 31, 2009
Operating revenue:		
Gain on valuation of equity method investments (Note 4)	₩	6,085
Interest income		283
Total operating revenue		6,368
Operating expenses:		
Loss on valuation of equity method investments (Note 4)		10,768
Interest expense		3,354
Fees and commission expenses		20
General and administrative expenses (Note 17)		
Salaries		929
Employee benefits		45
Rent		62
Depreciation		60
Amortization		33
Taxes and dues		6
Advertising		31
Others		326
		1,492
Total operating expenses		15,634
Operating loss		(9,266)
Non-operating income (expense)		-
Loss before income taxes		(9,266)
Income tax benefit (Note 9)		28,486
Net income	₩	19,220
Basic and diluted earnings per share (Note 10)	₩	81

See accompanying notes.

Non-Consolidated Statement of Appropriations of Retained Earnings

For the period from October 28, 2009 to December 31, 2009
(Date of approproations: Proposed to March 30, 2010)

KDB Financial Group Inc.

(Korean won in millions, except per share data)

	Oct. 28, 2009 to Dec. 31, 2009	
Retained earnings before appropriations:		
Net income	₩	19,220
Appropriations:		
Legal reserve		14,126
Cash dividends (₩14 per share, dividend ratio : 0.28%) (Note 11)		5,094
		19,220
Unappropriated retained earnings to be carried forward to the next year	₩	-

See accompanying notes.

Non-Consolidated Statement of Changes in Equity

For the period from October 28, 2009 to December 31, 2009

KDB Financial Group Inc.

(Korean won in millions)

	Capita stock	Capital surplus	Capital adjustment	Accumulated other comprehensive loss	Retained earnings	Total
As of October 28, 2009	₩ 300,000	₩ 13,564	₩ (185)	₩ (14,568)	₩ 851,189	₩ 1,150,000
Net income	-	-	-	-	19,220	19,220
Changes in unrealized gain on valuation of equity method investments	-	-	-	7,741	-	7,741
Stock swap	1,512,042	13,598,665	-	-	-	15,110,707
As of December 31, 2009	₩ 1,812,042	₩ 13,612,229	₩ (185)	₩ (6,827)	₩ 870,409	₩ 16,287,668

See accompanying notes.

Non-Consolidated Statement of Cash Flows

For the period from October 28, 2009 to December 31, 2009

KDB Financial Group Inc.

(Korean won in millions)

		Oct. 28, 2009 to Dec. 31, 2009
Cash flows from operating activities:		
Net income	₩	19,220
Adjustments to reconcile net income to net cash used in operating activities:		
Amortization of discount on debentures		3
Depreciation		60
Armortization		33
Loss on valuation of equity method investments, net		4,683
Changes in operating assets and liabilities:		
Accrued expenses		(1,337)
Deferred income tax liabilities		(28,486)
Accrued income		(249)
Other liabilities		89
Total adjustments		(25,204)
Net cash used in operating activities		(5,984)
Cash flows from investing activities:		
Decrease in accounts receivable		2,622
Purchase of property and equipment		1,144
Increase in guarantee deposits		6,192
Net cash used in investing activities		(4,714)
Cash flows from financing activities:		
Net cash provided by financing activities		-
Net decrease in cash and cash equivalents		**(10,698)**
Cash and cash equivalents at the beginning of the period		**72,766**
Cash and cash equivalents at the end of the period	**₩**	**62,068**

See accompanying notes.

Notes to Non-Consolidated Financial Statements

December 31, 2009

KDB Financial Group Inc.

1. Company information

KDB Financial Group Inc. (the “Company” or “KDBFG”) was incorporated resulting from the spin-off of Korea Development Bank and by issuing common stock amounting to ₩300,000 million on October 28, 2009. The Company was established to engage in management of its financial subsidiaries operating in the financial services industry. The Company’s head office is located in 16-3 Yeouido-dong, Yeongdeungpo-gu, Seoul. On November 24, 2009, the Company acquired 100% ownership of Korea Development Bank through a stock swap transaction at the exchange ratio of 0.1636 KDBFG share for every 1 share of KDB and the total number of the Company’s issued and outstanding common shares are 362 million shares with the aggregate par value of ₩1,812,042 million as of December 31, 2009.

As of December 31, 2009, the shareholders of the Company and their shareholdings are as follows:

Shareholder	Number of shares	Percentage of ownership (%)
Korea government	20,767,168	5.73
Korea Finance Corporation	341,641,253	94.27
	362,408,421	100.00

General information of subsidiaries controlled by the Company is provided below.

Korea Development Bank

Korea Development Bank (“KDB”) was established in 1954 in accordance with the Korea Development Bank Act of the Republic of Korea to supply and manage major industrial funds for the promotion of the industrial development and advancement of the national economy. KDB’s authorized paid-in capital amounts to ₩15,000 billion as of December 31, 2009. The total paid-in capital of KDB outstanding as of December 31, 2009 is ₩9,241 billion after several cash contributions by the government in the prior years and non-cash capital increase.

KDB has 44 local branches, 7 overseas branches, 5 overseas subsidiaries and 2 overseas branch offices as of December 31, 2009. KDB is engaged in the banking business under the Korea Development Bank Act and other related regulations and in the trust business in accordance with the Capital Market and Financial Investment Business Act.

KDB Capital Corporation

KDB Capital Corporation (“KDB Capital”) was established with ₩10 million of capital to engage in leasing industrial machinery, equipment, aircraft, ships and automobiles, and investing and providing financing services to venture capital companies pursuant to the Credit Financial Service Act. KDB Capital’s head office is located in Seoul. Paid-in capital of KDB Capital is ₩310,877 million as of December 31, 2009.

Daewoo Securities Co., Ltd.

Daewoo Securities Co., Ltd. (“Daewoo Securities”) was originally established on September 23, 1970 under the name of Dong Yang Securities Co., Ltd. and changed its name to Daewoo Securities on October 20, 1983. Daewoo Securities subsequently merged with Sambo Securities Co., Ltd. on December 19, 1983 and has its head office in Seoul. Daewoo Securities’ shares have been listed on the Korea Exchange on September 30, 1975 and its paid-in capital (including preference shares) is ₩1,020,883 million as of December 31, 2009.

KDB Asset Management Co., Ltd.

KDB Asset Management Co., Ltd. ("KDBAM") was established on May 13, 1996 in accordance with the Capital Market and Financial Investment Business Act to engage in the securities trading, brokerage, advisory, underwriting, trust business and other related business activities pursuant to the Capital Market and Financial Investment Business Act and other laws. KDBAM's head office is located in Seoul. Paid-in capital of KDBAM is ₩38,895 million as of December 31, 2009.

Korea Infrastructure Investment Asset Management Co., Ltd.

Korea Infrastructure Investment Asset Management Co., Ltd. ("KIAMCO") was established on October 28, 2003 in accordance with the Private Participation in Infrastructure Act to engage in providing asset management services for Korea Infrastructure Fund. On February 4, 2009, KIAMCO obtained the approval of the Financial Services Commission to conduct securities trading business pursuant to the Capital Market and Financial Investment Business Act. Paid-in capital of KIAMCO is ₩10,000 million as of December 31, 2009.

Ownership percentages of Company in its direct subsidiaries as of December 31, 2009 are summarized as follows:

Subsidiary	2009	
	Number of shares	Ownership(%)
KDB	1,848,372,235	100.00
KDB Capital	62,124,521	99.92
Daewoo Securities	74,309,252	39.09
KDBAM	5,000,000	64.28
KIAMCO	1,683,200	84.16

2. Summary of significant accounting policies

Basis of financial statement preparation

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea ("Korean GAAP"). Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. In the event of any differences in interpreting the non-consolidated financial statements or the independent auditors' report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements.

Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows represent cash and due from banks in the statement of financial position.

Equity method investments

Investments in entities over which the Company has control or significant influence are accounted for using the equity method.

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

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

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

Property and equipment

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

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

	Years
Leasehold improvement	4
Furniture and fixture	4
Equipment	4
Machinery	4

Intangible assets

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

Discount on debentures

Discount on debentures are amortized as interest expense over the redemption term using the effective interest rate method.

Severance and retirement benefits

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

Income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. Deferred income taxes are provided using the liability method for the tax effect of temporary differences between the tax bases of assets and liabilities and their reported amounts in the accompanying financial statements.

Deferred income tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. In addition, current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

Per share amounts

Basic earnings per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding during the year.

3. Cash and due from banks

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

(Korean won in millions)

	2009
Cash and cash equivalents	₩ 3
Due from banks	62,065
	₩ 62,068

The Company has no restricted balances in due from banks as of December 31, 2009.

The maturities of due from banks as of December 31, 2009 are as follows:

(Korean won in millions)

	2009
Within 3 months	₩ 62,065

4. Equity method investments

Details of equity method investments and changes value of equity method investments for the period form October 28, 2009 to December 31, 2009 are summarized as follows:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009						
	Ownership (%)	Beginning balance	Acquisition	Book value before equity method	Equity method valuation		Proportionate net asset value
					Equity in earnings (loss)	Other comprehensive income	
KDB	100.00	₩ -	₩15,110,707	₩15,110,707	₩ -	₩ -	₩15,110,707
KDB Capital	99.92	485,345	-	485,345	(10,768)	(4,047)	470,530
Daewoo Securities	39.09	1,042,987	-	1,042,987	5,551	15,113	1,063,651
KDBAM	64.28	42,402	-	42,402	350	-	42,752
KIAMCO	84.16	8,910	-	8,910	184	-	9,094
		₩ 1,579,644	₩ 5,110,707	₩16,690,351	₩ (4,683)	₩ 11,066	₩16,696,734

(*) The date of deemed acquisition of KDB was December 31, 2009 and that of Daewoo Securities including other subsidiaries was September 30, 2009.

Notes to Non-Consolidated Financial Statements

For the period from October 28, 2009 to December 31, 2009, the unamortized difference between cost of investments and the Company's portion of the investee's net asset value at the acquisition date representing goodwill (negative goodwill) are summarized as follows:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009		
	Beginning balance	Amortization(Reversal)	Ending balance
KIAMCO	₩ 620	₩ (48)	₩ 572

There is no unrealized profit and loss from transactions between the Company and its subsidiaries.

The condensed financial position and the results of operations of the Company's equity method investees subject to equity method of as of December 31, 2009 and for the period from October 28, 2009 to December 31, 2009 are summarized as follows:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009			
	Assets	Liabilities	Operating income(loss)	Net income(loss)
KDB	₩ 22,333,446	₩ 107,222,739	₩ -	₩ -
KDB Capital	3,512,607	3,044,680	(13,496)	(10,777)
Daewoo Securities	15,333,664	12,614,638	18,477	14,202
KDBAM	74,178	7,665	742	544
KIAMCO	12,475	989	808	161
	₩ 41,266,370	₩ 122,890,711	₩ 6,531	₩ 4,130

The market value of investment in a listed investee as of December 31, 2009 is as follows:

(Korean won in millions)

	Market value	Book value
Daewoo Securities	₩ 1,467,608	₩ 1,063,651

5. Property and equipment

Changes in the net book value of property and equipment for the period from October 28, 2009 to December 31, 2009 are summarized as follows:

(Korean won in millions)

	Beginning balance	Increase	Decrease	Ending balance
Acquisition:				
Leasehold improvements	₩ -	₩ 496	₩ -	₩ 496
Furniture and fixture	-	143	-	143
Equipment	-	426	-	426
Machinery	336	79	-	415
	336	1,144	-	1,480
Accumulated depreciation:				
Leasehold improvements	-	(21)	-	(21)
Furniture and fixture	-	(6)	-	(6)
Equipment	-	(17)	-	(17)
Machinery	(34)	(16)	-	(50)
	(34)	(60)	-	(94)
Net book value	₩ 302	₩ 1,084	₩ -	₩ 1,386

Details of insurance coverage maintained by the Company as of December 31, 2009 are as follows:

(Korean won in millions)

	Classification	Insured amount	Insurance period
LIG Insurance Co., Ltd.	Furniture and equipment	₩ 946	11.30.2009 ~11.30.2010
Hyundai Marine & Fire insurance Co., Ltd.	(*1)	10,000	12.31.2009~12.31.2010
Seoul Guarantee Insurance Company	Fidelity insurance	300	11.06.2009~11.05.2010
		₩ 11,246	

(*1) Directors and officers of the Company are insured with professional indemnification insurance for up to ₩10,000 million as of December 31, 2009.

Future minimum lease payments of operating leases as of December 31, 2009 are summarized as follows:

(Korean won in millions)

	2009
Within 1 year	₩ 85
After 1 year but no later than 3 years	155
	₩ 240

6. Other assets

Changes in the net book value of intangible assets for the period from October 28, 2009 to December 31, 2009 are summarized as follows:

(Korean won in millions)

	Beginning balance	Acquisition	Amortization	Ending balance
Development costs	₩ 492	₩ -	₩ (16)	₩ 476
Others	404	-	(17)	387
	₩ 896	₩ -	₩ (33)	₩ 863

Details of guarantee deposits as of December 31, 2009 are as follows:

(Korean won in millions)

	2009
Office rental deposits	₩ 6,192

7. Debentures

Debentures as of December 31, 2009 consist of the following:

(Korean won in millions)

Classification	Interest rate (%)	Redemption date	2009
Industrial finance bonds	3.92	2011.05.12	₩ 150,000
Industrial finance bonds	4.30	2012.05.18	120,000
Industrial finance bonds	4.44	2012.06.03	80,000
Industrial finance bonds	4.14	2011.06.11	50,000
Industrial finance bonds	4.61	2012.06.09	50,000
			450,000
Discount on debentures			(35)
			₩ 449,965

Notes to Non-Consolidated Financial Statements

8. Equity

Capital stock

The Company is authorized to issue ₩1,000 million shares of common stock and has 362 million shares issued and outstanding amounting to ₩1,812,042 million as of December 31, 2009. Changes in number of shares issued and value of common stock for the period from October 28, 2009 to December 31, 2009 are as follows:

(Korean won in millions, except for number of shares)

	Date	Number of shares	Common stock
At incorporation	2009. 10. 28	60,000,000	₩ 300,000
Stock swap(*)	2009. 11. 24	302,408,421	1,512,042
		362,408,421	₩ 1,812,042

(*) The stock swap was executed for the acquisition of KDB as disclosed in Note 1.

Capital surplus

Capital surplus consists of paid-in capital in excess of par value arising from a stock swap transaction and other capital surplus transferred from KDB as a result of the spin-off.

Capital adjustments

Capital adjustments are equity adjustments arising from equity method investments transferred from KDB as a result of the spin-off.

Legal reserve

In accordance with the Financial Holding Company Act, whenever dividends are paid, an amount equal to at least 10% of net income is required to be appropriated as a legal reserve until the reserve amount equals the aggregate par value of common stock. The legal reserve may not be utilized for cash dividends but may only be used to offset a deficit, if any, or be transferred to capital.

9. Income taxes

Details of income taxes benefit for the period from October 28, 2009 to December 31, 2009 are as follows:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009
Current income taxes	₩ -
Change in deferred income tax due to temporary difference(*1)	(25,161)
Deferred income taxes recognized directly to equity(*2)	(3,325)
Income tax benefit	₩ (28,486)

(*1) Change in deferred income tax due to temporary difference:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009
Beginning balance of deferred income taxes liabilities	₩ (63,771)
Ending balance of deferred income taxes liabilities	(38,610)
Net change	₩ (25,161)

(*2) Deferred income taxes recognized directly to equity:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009
Changes in unrealized gain on valuation of equity method investments	₩ (3,325)

Reconciliations of income before income taxes for financial reporting purposes and tax loss for corporate income tax reporting purposes for the period from October 28, 2009 to December 31, 2009 are summarized as follows:

(Korean won in millions)

		Oct. 28, 2009 to Dec. 31, 2009
Loss before income taxes	₩	(9,266)
Non-temporary differences:		
Changes in unrealized gain on valuation of equity method investments		11,066
		11,066
Temporary differences:		
Loss on valuation of equity method investments		4,683
Changes in unrealized gain on valuation of equity method investments		(11,066)
		(6,383)
Tax loss	₩	(4,583)

Significant changes in cumulative temporary differences, tax loss carryforwards and deferred income tax assets and liabilities for the period from October 28, 2009 to December 31, 2009 are as follows:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009			
	Beginning balance	Net changes	Ending balance	Deferred income taxes assets (liabilities)
Temporary differences charged (credited) to income tax expense:				
Loss on valuation of equity method investments	₩ 181,108	₩ (4,683)	₩ 176,425	₩ 38,913
Tax loss carryforwards	-	4,583	4,583	1,008
Temporary differences charged (credited) to equity:				
Changes in investees' capital surplus	(15,610)	-	(15,610)	(3,434)
Changes in unrealized gain on valuation of equity method investments	3,824	(11,066)	(7,242)	(1,593)
Changes in investees' capital adjustments	193	-	193	42
	(11,593)	(11,066)	(22,659)	(4,985)
	₩ (192,701)	₩ (1,800)	₩ (194,501)	₩ 34,936
Deferred tax assets not recognized(*1)				(73,546)
Net deferred income tax liabilities(*2)				(38,610)

(*1) As long as the Company does not intend dispose of or liquidate its subsidiaries in the foreseeable future, it is not probable that the deductible temporary differences attributable to the valuation of equity method investments will be realized. In addition, the Company has a financial structure where its deductible expenses in the tax computation exceed its taxable income. Accordingly, the Company did not record the deferred income tax assets for equity method investments and tax loss carryforwards.

(*2) Deferred income liabilities arising from taxable temporary differences on the valuation of equity method investments are recognized only to the extent of portion that is expected to be realized through the estimated future dividend income, after adjustment to the amount which is non-taxable due to double taxation under the tax law.

No current income taxes were recorded for the period from October 28, 2009 to December 31, 2009 because the Company did not have any taxable income.

Details of income taxes benefit for the period from October 28, 2009 to December 31, 2009 are as follows:

(Korean won in millions)

Incurred year	Expiration year	2009
2009	2019	₩ 4,583

Notes to Non-Consolidated Financial Statements

10. Per share amounts

The Company's basic earnings per share for the period from October 28, 2009 to December 31, 2009 are computed as follows:

	Oct. 28, 2009 to Dec. 31, 2009
Net income	₩ 19,219,648,554
Weighted-average number of shares of common stocks outstanding	236,792,615 shares
Basic earnings per share	₩ 81

Diluted earnings per share for the period from October 28, 2009 to December 31, 2009 are identical to the basic earnings per share since there are no potential dilutive common shares.

11. Dividends

Details of dividends declared for the period from October 28, 2009 to December 31, 2009 are as follows:

(Dividends in millions of Korean won, share data in units)

	Number of shares	Dividend per shares	Dividend per share ratio (%)	Dividends
Cash dividend	362,408,421	₩ 14	0.28	₩ 5,094

The dividend yield ratio for the period from October 28, 2009 to December 31, 2009 is as follows:

(Korean won in millions)

	Calculating formula	Oct. 28, 2009 to Dec. 31, 2009
Cash dividends(A)		₩ 5,094
Net income(B)		19,220
Dividend payout ratio(%)	Cash dividends(A) / Net income(B)	₩ 26.50

12. Comprehensive income

The details of comprehensive income for the year ended are as follows:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009
Net income	₩ 19,220
Other comprehensive income:	
Changes in unrealized gain on valuation of equity method investments	11,066
Income taxes effect	(3,325)
Comprehensive income	₩ 26,961

13. Related party transactions

Information related to ownership percentages of the Company in its direct subsidiaries and equity method investments as of December 31, 2009 is provided in Note 1.

As of December 31, 2009, the Company has significant influence on the following entities through its direct and indirect subsidiaries:

Investor	Investee	Number of shares	Ownership(%)
KDB	KDB Asia (HK) Ltd.	140,000,000	100.00
	KDB Ireland Co., Ltd.	20,000,000	100.00
	UzKDB BANK	97,208	61.11
	KDB Bank (Hungary) Ltd.	1,534,009	100.00
	Banco KDB Do Brasil S.A.	67,530,000	100.00
	Korea Infrastructure Fund	886,229	85.00
	KDB Value Private Equity Fund I(*)	-	77.02
	KDB Value Private Equity Fund II(*)	-	50.63
	KDB Value Private Equity Fund III(*)	-	67.07
	KDB Venture M&A(*)	-	57.56
	KDB Turn Around(*)	-	95.13
	Korea Marine Fund Corp.	240,000	14.12
	Daewoo Shipbuilding & Marine Engineering Co., Ltd.	59,825,596	31.26
Daewoo Securities	Daewoo Securities (Europe) Ltd.	18,364,700	100.00
	Daewoo Securities (America) Inc.	12,000	100.00
	Daewoo Securities (HongKong) Ltd.	10,000,000	100.00
KDB Capital	Vietnam International Leasing Co., Ltd.(*)	-	60.00

(*) Number of shares is not disclosed since these entities were incorporated without shares and ownership interest is represented by the amount of cash contributions.

Significant transactions with related parties for the period from October 28, 2009 to December 31, 2009 are summarized as follows:

(Korean won in millions)

Revenue	Expense	Oct. 28, 2009 to Dec. 31, 2009		
		Transactions		
		Interest expense	Interest income	Total
KDBFG	Daewoo Securities	₩ -	₩ 249	₩ 249
Daewoo Securities	KDBFG	633	-	633
		₩ 633	₩ 249	₩ 882

Outstanding balances with related parties arising from the above transactions as of December 31, 2009 are summarized as follows:

(Korean won in millions)

Receivable	Payable	2009					
		Debentures	Accrued expenses	Deposits	Guarantee deposits	Accrued income	Total
KDBFG	Daewoo Securities	₩ -	₩ -	₩ 60,200	₩ -	₩ 249	₩ 60,449
	KDB	-	-	1,865	6,192	-	8,057
Daewoo Securities	KDBFG	49,995	115	-	-	-	50,110
		₩ 49,995	₩ 115	₩ 62,065	₩ 6,192	₩ 249	₩ 118,616

Notes to Non-Consolidated Financial Statements

14. Supplementary cash flow information

Significant transactions not involving cash flows for the period from October 28, 2009 to December 31, 2009 are as follows:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009
Issuance of capital stock via stock swap transaction	₩ 15,110,707
Changes in unrealized gain on valuation of equity method investments	7,741
Income taxes effect	3,325
	₩ 15,121,773

15. Financing and investment balances of the Company and the subsidiaries

Funding status of the Company and its subsidiaries as of December 31, 2009 are summarized as follows:

(Korean won in millions)

	2009			
	Deposits	Borrowings	Debentures(*)	Total
KDBFG	₩ -	₩ -	₩ 449,965	₩ 449,965
KDB	13,935,926	28,743,670	51,944,118	94,623,714
Daewoo securities	1,655,723	9,773,011	358,906	11,787,640
KDB Capital	-	1,188,489	1,666,654	2,855,143
	₩ 15,591,649	₩ 39,705,170	₩ 54,419,643	₩ 109,716,462

(*) The amounts of debentures are presented net of discount on debentures.

The Company's and its subsidiaries' investments classified by type of financial assets as of December 31, 2009 are summarized as follows:

(Korean won in millions)

	2009			
	Loans(*)	Securities	Cash and due from banks	Total
KDBFG	₩ -	₩ 16,696,734	₩ 62,068	₩ 6,758,802
KDB	74,785,455	31,664,203	2,965,356	109,415,014
Daewoo securities	994,443	10,414,634	2,630,403	14,039,480
KDB Capital	2,463,944	549,439	392,603	3,405,986
KDBAM	729	11,150	54,215	66,094
KIAMCO	-	8	9,999	10,007
	₩ 78,244,571	₩ 59,336,168	₩ 6,114,644	₩ 143,695,383

(*) The amounts of loans are presented net of allowance for possible loan losses, present value discounts and deferred loan fees, net of expenses.

Changes in the Company's and its subsidiaries' allowance for possible loan losses for the period October 28, 2009 to December 31, 2009 are summarized as follows:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009					
	Beginning balance		Increase		Ending balance	
KDBFG	₩	-	₩	-	₩	-
KDB		-		1,393,546		1,393,546
Daewoo securities		155,827		36,420		192,247
KDB Capital Corporation		70,848		56,118		126,966
KDBAM		3		1		4
KIAMCO		-		-		-
	₩	226,678	₩	1,486,085	₩	1,712,763

The ratio of allowance for possible loan losses to total loans (excluding call loans, inter-bank loans and bonds purchased under resale agreements) as of December 31, 2009 are summarized as follows:

(Korean won in millions)

	2009					
	Loans		Allowance for possible loan losses		Ratio (%)	
KDBFG		-		-		-
KDB	₩	69,800,149	₩	1,393,546	₩	2.00
Daewoo securities		1,186,690		192,247		16.20
KDB Capital Corporation		2,590,910		126,966		4.90
KDBAM		733		4		0.55
KIAMCO		-		-		-
	₩	73,578,482	₩	1,712,763	₩	2.33

16. Information of earnings (losses) of the equity method investments

The ratio of share of earnings (losses) of the equity method investments for the period from October, 28 to December 31, 2009 is as follows:

(Korean won in million)

	Share of earnings (loss) of investee		Ratio(%)	
KDB Capital	₩	(10,768)	₩	230
Daewoo securities		5,551		(119)
KDBAM		350		(7)
KIAMCO		184		(4)
	₩	(4,683)	₩	100

Notes to Non-Consolidated Financial Statements

17. Added value information

In accordance with SKAS 21 Preparation and Presentation of Financial Statements, the "value added" items as defined by the standard, which are required to be disclosed by the Company for the period from October 28, 2009 to December 31, 2009 is as follows:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009	
Salaries and wages	₩	929
Employee benefits		45
Rent		62
Depreciation		60
Amortization		33
Taxes and dues		6
Advertising expenses		31
	₩	1,166

18. Spin-off

On October 28, 2009, KDB spun-off its public finance unit and financial subsidiaries business support unit into Korea Finance Corporation ("KoFC") and KDB Financial Group Inc., respectively, according to a resolution made at the Board of Directors meeting held on September 8, 2009 for the proposed spin-off and another resolution made at the special general meeting of shareholder held on September 23, 2009 for the approval of the spin-off. New shares of the two new entities were issued and distributed to KDB's shareholder as of the spin-off date on a pro-rata basis, and KDB continues its remaining operations. KDB and the new entities will be jointly and severally liable for all liabilities existing prior to the spin-off.

The amount of KDB's assets transferred to the new entities was determined by the provisions of the spinoff plan (the "Spin-off Plan") approved at the aforementioned Board of Directors meeting and special general meeting of shareholder. All assets, where possible, were transferred at their book values as of the day immediately preceding the spin-off date; otherwise, the remaining assets were transferred at their book values as of September 30, 2009.

On November 24, 2009, the Korea government who was also the sole equity owner of KDB, exchanged KDB's shares with KDBFG shares at the exchange ratio of 0.163608 KDBFG share for every 1 share of KDB. Immediately after the completion of the share exchange, KDB became a fully-owned subsidiary of KDBFG.

	Before spin-off		After spin-off					
	KDB		KoFC		KDBFG		KDB	
Asset:								
Cash and due from bank	₩	1,778,265	₩	504,935	₩	72,766	₩	1,200,564
Securities		54,556,766		19,185,760		1,579,644		33,791,362
Loans receivable		79,328,041		4,012,350		-		75,315,691
Property and equipment		625,548		77,748		302		547,498
Other assets		15,446,766		33,135		14,362		15,399,269
Total assets	₩	151,735,386	₩	23,813,928	₩	1,667,074	₩	126,254,384
Liabilities:								
Deposits	₩	14,073,795	₩	-	₩	-	₩	14,073,795
Borrowing liabilities		102,380,553		19,640,893		449,961		82,289,699
Other liabilities		16,464,826		1,173,035		67,113		15,224,678
		132,919,174		20,813,928		517,074		111,588,172

	Before spin-off	After spin-off		
	KDB	KoFC	KDBFG	KDB
Equity:				
Paid-in capital	9,641,861	100,000	300,000	9,241,861
Capital surplus	60,665	-	13,564	47,101
Capital adjustments	(38,531)	(3,697)	(185)	(34,649)
Accumulated other comprehensive income (loss)	1,101,285	930,260	(14,568)	185,593
Retained earnings	8,050,932	1,973,437	851,189	5,226,306
	18,816,212	3,000,000	1,150,000	14,666,212
Total liabilities and equity	₩ 151,735,386	₩ 23,813,928	₩ 1,667,074	₩ 126,254,384

19. Preparation plan for adoption of Korea International Financial Reporting Standards and implementation status

The Company will adopt the Korea International Financial Reporting Standards (“K-IFRS”) for the first time for the financial period beginning January 1, 2011. As part of the Company and its consolidated subsidiaries (hereinafter“KDBFG Group”) K-IFRS implementation plan, KDBFG Group appointed an external advisor to identify and report on the differences between the current accounting standards and KIFRS related to KDBFG Group. KDBFG Group also formed a task force team in March 2008.

Following the completion of identification of accounting policy differences described above, KDBFG Group began to conduct the detail analysis of its financial reporting system requirement and accounting policy changes impacted by the adoption of K-IFRS, and the analysis was completed in August 2008. Based on results of the above analysis, KDBFG Group has mapped out changes that are required for its financial reporting system capable of capturing and producing K-IFRS financial data, and modifications to KDBFG Group’s work processes relating to the system changes have been made. KDBFG Group has completed the system and work processes changes by the end of 2009.

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

Starting from 2010, the K-IFRS financial statements will be reported the opening K-IFRS financial statements at the date of transition and any issues or unforeseen implementation errors following the implementation of K-IFRS will be continuously improved and remedied, and the related internal control processes are to be reassessed for a smooth transition to K-IFRS.

Major differences that expected to give rise to a significant impact on KDBFG Group’s financial statements based on the K-IFRSs that are effective as of December 31, 2009. The significant differences are consolidation scope, allowance for possible loan losses, recognition of revenue, financial instruments, employee benefits and others.

20. Approval of financial statements

The 2009 financial statements were approved by the Board of Directors on March 15, 2010.

Independent Auditors' Report

Ernst & Young

Taeyong Bldg.,10-2, Yeouido-dong,
Yeongdeungpo-gu, Seoul 150-777 Korea

Tel: +82 2 3787 6600 Fax: +82 2 783 5890
www.ey.com/kr

The Board of Directors and Shareholders
KDB Financial Group Inc.

We have audited the accompanying consolidated statement of financial position of KDB Financial Group Inc. ("KDBFG") and its subsidiaries (collectively, the "Company") as of December 31, 2009, and the related consolidated statements of income, changes in equity and cash flows for the period from October 28, 2009 to December 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of KDB Financial Group Inc. and its subsidiaries as of December 31, 2009, and the result of their operations, their changes in equity and their cash flows for the period from October 28, 2009 to December 31, 2009 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 consolidated financial statements are not intended to present the consolidated financial position, result of operations, changes in equity, and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such consolidated 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 knowledgeable about Korean accounting principles and auditing standards and their application in practice.

Ernst & Young Han Young

March 25, 2010

This audit report is effective as of March 25, 2010, the independent auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' report date to the time this audit report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

Consolidated Statement of Financial Position

As of December 31, 2009

KDB Financial Group Inc. and Subsidiaries

(Korean won in millions)

		2009
Assets		
Cash and due from banks (Notes 3, 15, 25, 26 and 28)	₩	6,528,069
Securities (Notes 4, 15, 16, 25 and 28):		
Trading securities		8,659,238
Available-for-sale securities		31,492,863
Held-to-maturity securities		1,852,154
Equity method investments		999,023
		43,003,278
Loans receivable, less allowance for possible losses of ₩1,742,342 million and less deferred loan fees of ₩17,622 million at December 31, 2009 (Note 5, 15, 25 and 28)		78,586,110
Property and equipment (Note 6 and 28)		5,806,767
Other assets (Note 6, 7, 15, 17, 22, 25 and 28):		
Allowance for possible losses for other assets		(317,443)
Intangible assets		223,228
Guarantee deposits		270,418
Accounts receivable		788,729
Accrued income		652,944
Advance payments		1,525,274
Prepaid expenses		116,224
Deferred income tax assets		163,147
Operating lease assets		39,534
Derivative assets (Note 16)		9,363,716
Exchange receivables		1,152,906
Accounts receivable of unsettled spot exchange		2,686,967
Miscellaneous assets (Note 7)		390,008
		17,055,652
Other assets of non-financial services (Note 28):		
Allowance for possible losses for other assets		(18,518)
Trade accounts receivable		4,979,106
Inventories		1,222,353
		6,182,941
Total assets	₩	**157,162,817**

(Continued) See accompanying notes.

		2009
Liabilities and equity		
Liabilities:		
Deposits (Notes 8, 15 and 28)	₩	17,038,798
Borrowing liabilities (Notes 6, 9, 15 and 28)		96,061,896
Other liabilities (Notes 10, 11, 12, 13, 14, 15, 17 and 22):		
Severance and retirement benefits, less contribution to national pension plan of ₩1,696 million and less deposits for severance and retirement of ₩118,033 million at December 31, 2009		360,242
Allowance for possible losses on acceptances and guarantees		254,447
Allowance for possible losses on unused loan commitments		189,055
Allowance for other liabilities		39,903
Due to trust accounts		353,277
Accounts payable		653,579
Accrued expenses		1,417,953
Advance received		6,115,997
Unearned revenues		90,760
Deposits for letters of guarantees		199,802
Derivative liabilities		8,912,331
Exchange payable		11,188
Accounts payable of unsettled spot exchange		2,685,304
Deferred income tax liabilities		406,850
Miscellaneous liabilities		1,023,848
		22,714,536
Other liabilities of non-financial services (Note 28):		
Trade accounts payable		1,071,430
Allowance for other liabilities		125,756
		1,197,186
Total liabilities		137,012,416
Equity:		
Equity attributable to equity holder of the parent		
Capital stock (Note 18)		1,812,042
Authorized common stock - 1,000,000,000 shares Issued and outstanding - 362,408,421 shares as of December 31, 2009		
Capital surplus (Note 18)		13,612,229
Capital adjustments		(185)
Accumulated other comprehensive loss, net (Note 4 and 17)		(6,827)
Retained earnings (Note 18)		886,465
		16,303,724
Minority interests		3,846,677
Total equity		20,150,401
Total liabilities and equity	**₩**	**157,162,817**

See accompanying notes.

Consolidated Statement of Income

For the period from October 28, 2009 to December 31, 2009

KDB Financial Group Inc. and Subsidiaries

(Korean won in millions, except per share data)

		Oct. 28, 2009 to Dec. 31, 2009
Operating revenue (Note 25 and 28):		
Interest income:		
Interest on due from banks	₩	14,375
Interest on securities		97,941
Interest on loans receivable		65,284
		177,600
Gain on valuation and disposal of securities:		
Gain on valuation of trading securities		326,855
Gain on disposal of trading securities		277,671
Reversal of impairment loss on available-for-sale securities		886
Gain on disposal of available-for-sale securities		6,135
		611,547
Gain on foreign currency transactions		17,760
Fees and commissions income		143,572
Fees and commissions from trust accounts		3,621
Dividends income		232
Other operating income:		
Gain on derivatives transactions		460,838
Reversal of negative goodwill		48
Others		26,315
		487,201
Total operating revenue		1,441,533
Operating expenses (Note 28):		
Interest expense:		
Interest on deposits		2,010
Interest on borrowings		63,610
Interest on debentures		32,983
		98,603
Loss on valuation or disposal of securities:		
Loss on valuation of trading securities	₩	138,978
Loss on disposal of trading securities		464,583
Impairment loss on available-for-sale securities		4,938
Loss on disposal of available-for-sale securities		2,812
		611,311

(Continued) See accompanying notes.

	Oct. 28, 2009 to Dec. 31, 2009	
Provision of allowance for possible loan losses		35,573
Loss on disposal of loans receivable		813
Loss on foreign currency transactions		19,559
Fees and commissions expense		14,806
General and administrative expenses (Note 21 and 28)		147,565
Other operating expenses:		
Loss from derivatives transactions		206,714
Provision for other losses		34,120
Others		271,685
		512,519
Total operating expenses		1,440,749
Operating income (Note 28)		784
Non-operating income (expenses) (Note 28):		
Loss on disposal of property and equipment		(150)
Rental income		2,674
Gain on valuation of equity method investments, net		965
Donations		(481)
Others, net		(1,429)
		1,579
Income before income taxes (Note 28)		2,363
Income tax benefit (Note 22 and 28)		25,320
Net income (Note 23 and 28)	₩	27,683
Attributable to:		
Equity holders of the parent	₩	19,220
Minority interests		8,463
	₩	27,683
Basic and diluted earnings per share (Note 24)	₩	81

See accompanying notes.

Consolidated Statement of Changes in Equity

For the period from October 28, 2009 to December 31, 2009

KDB Financial Group Inc. and Subsidiaries

(Korean won in millions)

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Minority interests	Total
As of October 28, 2009	₩ 300,000	₩ 13,564	₩ (185)	₩ (14,568)	₩ 851,189	₩1,641,618	₩ 2,791,618
Net income	-	-	-	-	19,220	8,463	27,683
Changes in equity interests of consolidated subsidiaries	-	-	-	-	-	2,172,994	2,172,994
Changes in unrealized gain on available-for-sale securities, net	-	-	-	14,501	-	22,995	37,496
Changes in unrealized gain on valuation of equity method investments	-	-	-	(5,548)	-	26	(5,522)
Foreign currency translation adjustments for overseas operations	-	-	-	1,155	-	586	1,741
Changes in unrealized loss on valuation of equity method investments	-	-	-	(934)	-	(4)	(938)
Loss on valuation for cash flow hedge	-	-	-	(1,433)	-	(1)	(1,434)
Stock swap	1,512,042	13,598,665	-	-	-	-	15,110,707
Increase in allowance for trust accounts	-	-	-	-	16,056	-	16,056
As of December 31, 2009	₩ 1,812,042	₩13,612,229	₩ (185)	₩ (6,827)	₩ 886,465	₩ 3,846,677	₩ 20,150,401

See accompanying notes.

Consolidated Statement of Cash Flows

For the period from October 28, 2009 to December 31, 2009

KDB Financial Group Inc. and Subsidiaries

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009
Cash flows from operating activities:	
Net income	₩ 27,683
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	3,072
Amortization of intangible assets	3,071
Provision of allowance for possible loan losses, net	35,573
Provision for other losses	34,120
Loss on valuation of trading securities, net	(187,877)
Impairment loss on available-for-sale securities, net	4,052
Gain on valuation of equity method investments, net	(965)
Loss on disposal of property and equipment, net	150
Provision for severance and retirement benefits	4,552
Gain on valuation of derivative instruments, net	113,372
Loss on valuation of hedged items	148
Reversal of negative goodwill	(48)
Changes in operating assets and liabilities:	
Trading securities	255,967
Available-for-sale securities	322,903
Loans receivable	268,436
Accounts receivable	163,967
Accrued income	6,714
Advance payments	887
Prepaid expenses	(539)
Deferred income tax liabilities, net	(8,316)
Derivative assets and liabilities, net	54,719
Miscellaneous assets	19,369
Trade accounts receivable	157
Payment of severance and retirement benefits	(2,384)
Allowance for other liabilities	35,622
Accounts payable	(386,277)
Accrued expenses	106,490
Advance received	13,946
Unearned revenues	2,877
Deposits for letters of guarantees	(43,699)
Miscellaneous liabilities	(196,295)
Trade accounts payable	(24)
Total adjustments	623,740
Net cash provided by operating activities	651,423

(Continued) See accompanying notes.

	Oct. 28, 2009 to Dec. 31, 2009
Cash flows from investing activities:	
Proceeds from disposal of equity method investments	₩ 3,211
Net changes in due from bank	896,892
Purchase of property and equipment	(7,149)
Purchase of intangible assets	(2,723)
Increase in operating lease assets	(267)
Net cash provided by investing activities	889,964
Cash flows from financing activities:	
Repayment of borrowings, net	(194,208)
Increase in bonds sold under repurchase agreements, net	416,576
Decrease in call money, net	(232,700)
Decrease in bills sold	(1)
Repayment of debentures, net	(571,361)
Decrease in other borrowings	(374,985)
Decrease in deposits, net	(1,082,143)
Net cash used in financing activities	(2,038,822)
Effect of changes in the scope of consolidation	**153,704**
Net decrease in cash and cash equivalents	**(343,731)**
Cash and cash equivalents at the beginning of the period	**499,698**
Cash and cash equivalents at the end of the period	**₩ 155,967**

See accompanying notes.

Notes to Consolidated Financial Statements

December 31, 2009

KDB Financial Group Inc. and Subsidiaries

1. Company information

The accompanying consolidated financial statements include KDB Financial Group Inc. ("KDBFG") and its subsidiaries (collectively, the "Company"). The general information describing the Company is provided below.

KDB Financial Group Inc

KDB Financial Group Inc. was incorporated as a result of the spin-off of Korea Development Bank and by issuing the common stock in the amount of ₩300,000 million on October 28, 2009. The Company engages in management of its financial subsidiaries, which operate in the financial services industry, and is located in 16-3 Yeouido-dong, Yeongdeungpo-gu, Seoul. On November 24, 2009, the Company acquired 100% ownership of Korea Development Bank through stock swap transactions at the exchange ratio of 0.1636 KDBFG share for every 1 share of KDB, and the total number of the Company's common shares issued and outstanding as of December 31, 2009 is 362 million shares with an aggregate par value of ₩1,812,042 million.

As of December 31, 2009, the shareholders of the Company and their ownership interests are as follows:

Shareholder	Number of common shares	Percentage of ownership (%)
Korea government	20,767,168	5.73
Korea Finance Corporation	341,641,253	94.27
	362,408,421	100.00

Ownership percentages of KDBFG in its consolidated direct and indirect subsidiaries at December 31, 2009 are summarized as follows:

Investor	Investee	2009	
		Number of shares	Ownership(%)
KDBFG	Korea Development Company	1,848,372,235	100.00
	KDB Capital Corporation	62,124,521	99.92
	Daewoo Securities Co.,Ltd.	74,309,252	39.09
	KDB Asset Management Co.,Ltd.	5,000,000	64.28
	Korea Infrastructure Investment Asset Management Co.,Ltd.	1,683,200	84.16
KDB	KDB Asia (HK) Ltd.	140,000,000	100.00
	KDB Ireland Co., Ltd.	20,000,000	100.00
	KDB Uzbekistan, Ltd.	97,208	61.11
	KDB Company (Hungary) Ltd.	1,534,009	100.00
	Banco KDB Do Brasil S.A	67,530,000	100.00
	Korea Infrastructure Fund	886,229	85.00
	KDB Value Private Equity Fund 1(*1)	-	77.02
	KDB Value Private Equity Fund 2(*1)	-	50.63
	KDB Value Private Equity Fund 3(*1)	-	67.07
	KDB Venture M&A(*1)	-	57.56
	KDB Turn Around(*1)	-	95.13

Investor	Investee	2009	
		Number of shares	Ownership(%)
	Korea Marine Fund Corporation(*2)	240,000	14.12
	Daewoo Shipbuilding & Marine Engineering Co., Ltd.	59,825,596	31.26
Daewoo Securities	Daewoo Securities(Europe).,Ltd.	18,364,700	100.00
	Daewoo Securities(America).,Inc.	12,000	100.00
	Daewoo Securities(HongKong).,Ltd.	10,000,000	100.00
KDB Capital	Vietnam Int'l LeasingCo.,Ltd.(*1)	-	60.00

(*1) Numbers of shares are not disclosed since these entities were incorporated without shares and ownership interest is represented by cash contributions

(*2) Korea Marine Fund Corporation is a subsidiary of KDB and Daewoo Shipbuilding & Marine Engineering Co., Ltd.

General information of the Company's principal subsidiaries is provided below.

Korea Development Bank

Korea Development Bank ("KDB") was established in 1954 in accordance with the Korea Development Bank Act of the Republic of Korea to supply and manage major industrial funds for the promotion of the industrial development and advancement of the national economy. KDB's authorized paid-in capital amounts to ₩15,000 billion as of December 31, 2009. The total paid-in capital of KDB outstanding as of December 31, 2009 is ₩9,241 billion after several cash contributions by the government in the prior years and non-cash capital increase.

KDB has 44 local branches, 7 overseas branches, 5 overseas subsidiaries and 2 overseas branch offices at December 31, 2009. KDB is engaged in the banking business under the Korea Development Bank Act and other related regulations and in the trust business in accordance with the Capital Market and Financial Investment Business Act.

Certain trust accounts of KDB (the "Trust Accounts"), which are subject to a guaranteed principal repayment or a fixed rate of return, are included in the accompanying consolidated financial statements in accordance with the accounting and reporting guidelines as prescribed by the banking regulatory authorities.

KDB Capital Corporation

KDB Capital Corporation ("KDB Capital") was established with ₩10 million of capital to engage in leasing industrial machinery, equipment, aircraft, ships and automobiles, and investing and providing financing services to venture capital companies pursuant to the Credit Financial Service Act. KDB Capital's head office is located in Seoul. Paid-in capital of KDB Capital is ₩310,877 million as of December 31, 2009.

Daewoo Securities Co., Ltd.

Daewoo Securities Co., Ltd. ("Daewoo Securities") was originally established on September 23, 1970 under the name of Dong Yang Securities Co., Ltd. and changed its name to Daewoo Securities on October 20, 1983. Daewoo Securities subsequently merged with Sambo Securities Co., Ltd. on December 19, 1983, and its head office is located in Seoul. Daewoo Securities' shares have been listed on the Korea Exchange on September 30, 1975 and its paid-in capital (including preference shares) is ₩1,020,883 million as of December 31, 2009

KDB Asset Management Co., Ltd.

KDB Asset Management Co., Ltd. ("KDBAM") was established on May 13, 1996 in accordance with the Capital Market and Financial Investment Business Act to engage in the securities trading, brokerage, advisory, underwriting, trust business and other related business activities pursuant to the Capital Market and Financial Investment Business Act and other laws. The head office is located in Seoul. Paid-in capital of KDBAM is ₩38,895 million as of December 31, 2009.

Notes to Consolidated Financial Statements

Korea Infrastructure Investment Asset Management Co., Ltd.

Korea Infrastructure Investment Asset Management Co., Ltd. (“KIAMCO”) was established on October 28, 2003 in accordance with the Private Participation in Infrastructure Act to engage in providing asset management services for Korea Infrastructure Fund. On February 4, 2009, KIAMCO obtained the approval of the Financial Services Commission to conduct securities trading business pursuant to the Capital Market and Financial Investment Business Act. Paid-in capital of KIAMCO is ₩10,000 million as of December 31, 2009.

2. Summary of significant accounting policies

Basis of financial statement preparation

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea (“Korean GAAP”) with the exception of overseas branches and subsidiaries, where the Company used the financial statements prepared in accordance with the financial accounting standards generally accepted in their jurisdictions, with adjustments to align with Korean GAAP if the adjustments materially effects the Company’s consolidated financial statements. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. In the event of any differences in interpreting the consolidated financial statements or the independent auditors’ report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail. The accompanying consolidated financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language consolidated financial statements.

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

Recognition of interest income, fee income and other revenue

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

The Company recognizes fees and commissions as well as realized gains and losses from the sale of securities on a trade date basis.

Securities

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

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

After initial measurement, available-for-sale securities are measured at fair value with unrealized holding gains or losses being reported as a separate component of other comprehensive income until realized. Likewise, trading securities are also measured at fair value after initial measurement, but their unrealized holding gains or losses are reported as part of net income.

Held-to-maturity securities are measured at amortized cost after initial measurement. The cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount.

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

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

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

Equity method investments

Investments in entities over which the Company has significant influence are accounted for using the equity method.

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

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

Further, the Company's share of any difference between the net fair value of the investee's identifiable assets and liabilities, and net book value of such assets and liabilities is amortized based on the investee's accounting treatments on the related assets and liabilities and charged or credited to valuation gain or loss on equity method investments in the statement of income.

The Company's share in the investee's unrealized profits and losses resulting from transactions between the Company and its investee is eliminated to the extent of the interest in the investee.

Allowance for possible loan losses

The Company provides allowance for possible loan losses based on the borrowers' future debt servicing ability (forward looking criteria) as determined by a credit rating model developed by the Company. This credit rating model evaluates both financial and non-financial factors of the borrowers and determines the borrowers' credit risk ratings (10 levels). Allowance is calculated by applying the following minimum percentages to the corresponding credit risk ratings:

Classifications	Minimum provision percentages(%)
Normal (Level 1 – 6)	0.85
Precautionary (Level 7)	7
Substandard (Level 8)	20
Doubtful (Level 9)	50
Expected Loss (Level 10)	100

KDB Capital and Daewoo Securities provide allowance for possible loan losses under the regulations and supervision of Credit Card Business and Securities Business. However, the allowance for possible loan losses on the accompanying consolidated financial statements is determined using the same credit risk rating model developed by the Company.

Troubled debt restructuring

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

Deferred loan fees and expenses

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

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

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

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Property and equipment include any costs directly attributable to bringing the assets to the location and condition which are capable of being operated in a manner intended by management. Property and equipment also include the present value of estimated costs of dismantling, removing and restoring a site.

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

	Year
Buildings	20 ~ 50
Structure	3 ~ 50
Machinery	3 ~ 12
Others	3 ~ 10

Intangible assets

Intangible assets of the Company consist of goodwill, trademarks, development costs, and software which are stated at cost less accumulated amortization. Intangible assets are amortized using the straight-line method over 4 to 40 years.

Impairment of assets

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

Bonds purchased under resale agreements and bonds sold under repurchase agreements

Bonds purchased under resale agreements and bonds sold under repurchase agreements are included in loans and borrowings, respectively, in the accompanying statement of financial position.

Any difference between the selling and repurchase price is recognized as interests which are accrued evenly over the period covered by the agreements.

Debenture issuance costs

Debenture issuance costs are deducted from the amount of the proceeds from the debenture issued, and are amortized as interest expense over the redemption term using the effective interest rate method.

Accrued severance and retirement benefits

In accordance with the Employee Retirement Benefit Security Act and the Company's regulations, employees and directors terminating their employment after at least one year of service are entitled to severance and retirement benefits, based on the rates of pay in effect at the time of termination, years of service, and certain other factors. The provision at December 31, 2009 is sufficient to state the liability at the estimated obligation arising from services performed to, and at rates of pay in effect as of the reporting dates. Funding of this liability is not required by Korean law.

The Company has deposited a portion of its severance and retirement benefits obligation with insurance companies. Since the Company's employees are individually nominated as the vested beneficiaries of the deposits in respect of what is due to them as of December 31, 2009, those amounts have been offset against the Company's liability for severance and retirement benefits as of such dates.

Provisions and contingent liabilities

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

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

Income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the tax authorities. Deferred income taxes are provided using the liability method for the tax effect of temporary differences between the tax bases of assets and liabilities and their reported amounts in the accompanying financial statements.

Deferred income tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. In addition, current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

Translation of foreign currency and financial statements of overseas branches

Transactions involving foreign currencies are recorded at the exchange rates prevailing at the time the transactions are made. Assets and liabilities denominated in foreign currencies are translated into Korean won using the exchange rate in effect as of December 31, 2009. Resulting translation gains and losses are credited (charged) to current operations.

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

Derivative financial instruments

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

Accounting for the trust accounts

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

Significant judgments and accounting estimates

The preparation of financial statements in accordance with Korean GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. It contains valuation of property and equipments’ book value, loan receivables, securities, deferred income tax assets and liabilities and derivative instruments. Actual results could differ from those estimates.

Principles of consolidation

The investment accounts of the parent company and the corresponding equity accounts of the subsidiaries are eliminated in consolidation.

At the date of acquisition of a subsidiary which is included in consolidation, any difference between the cost of the investment and the Company’s share of the net fair value of the investee’s identifiable assets and liabilities is accounted for as goodwill or negative goodwill which is amortized over the period of five years using the straight-line method.

When the Company acquires an additional interest in a subsidiary after control is obtained, the difference between the additional cost of investment and the share of additional interest of the subsidiary’s net fair value of assets and liabilities is accounted for as a capital surplus.

All significant inter-company transactions and account balances among consolidated companies are eliminated on consolidation. Unrealized gains or losses included in loans and borrowings arising from transactions between consolidated companies are eliminated on consolidation. The related accounts receivable and payable are also eliminated on consolidation.

Accounting records of foreign subsidiaries are maintained in the currency of the country in which they conduct operations. In translating the foreign currency financial statements, the Company applies the appropriate rate of exchange at the reporting date.

Trust Accounts under the arrangement of guaranteed fixed rate of return and/or repayment of the principal each year are included in the consolidated financial statements.

Minority interests are presented as a separate component of equity in the consolidated statement of financial position. Losses in excess of minority interests are treated as a reduction to equity. If there is a subsequent recovery from the losses in excess of the minority interests, a reversal of the previous charge to equity is made up to the extent of the original amount charged to equity.

3. Cash and due from Banks

Cash and due from banks at December 31, 2009 consist of the following:

(Korea won in millions)

	2009
Cash and cash equivalents:	
Korean won	₩ 69,697
Foreign currency	86,270
	155,967
Due from banks:	
Korean won	5,578,805
Foreign currency	793,297
	6,372,102
	₩ 6,528,069

The following table summarizes the details of due from banks in Korean won at December 31, 2009:

(Korea won in millions)

	Account	Annual interest rate(%)	2009
Bank of Korea (“BOK”)	Reserve deposits with BOK	-	₩ 646,172
Korea Exchange Bank	Other deposits	0.0 ~ 3.8	57,635
Kookmin Bank	Other deposits	0.0 ~ 6.6	115,304
Others		0.0 ~ 6.6	4,759,694
			₩ 5,578,805

The following table summarizes the details of due from banks in foreign currency at December 31, 2009:

(Korea won in millions)

	Account	Annual interest rate(%)	2009
BOK	Reserve deposits with BOK	-	₩ 59,704
Shinhan Bank	Time deposits	0.0 ~ 1.5	28,377
Hana Bank	Time deposits	-	3,381
Korea Exchange Bank	Time deposits	0.5 ~ 1.0	78,001
Woori Bank	Time deposits	0.8 ~ 2.4	132,838
Others	Time deposits	0.0 ~ 11.0	490,996
			₩ 793,297

The following table summarizes the details of restricted due from banks at December 31, 2009:

(Korea won in millions)

	2009	Restriction
BOK	₩ 705,876	Reserve for payment of deposit
Kookmin Bank	106,585	Reserve for payment of principal on behalf of special purpose entities
Shinhan Bank	65,592	(*1)
ICBC Shanghai and others	46,689	Reserve for payment of deposit by the local law
Others	1,577,334	(*2)
	₩ 2,502,076	

(*1) Reserve for payment of principal on behalf of special purpose entities, maintaining checking account and others.
(*2) Customers' deposits, maintaining checking account, collateral and others.

The maturities of due from banks at December 31, 2009 are as follows:

(Korean won in millions)

	2009		
	Korean won	Foreign currencies	Total
Within 3 months	₩ 3,956,923	₩ 465,890	₩ 4,422,813
Over 3 months through 6 months	382,015	45,551	427,566
Over 6 months through 1 year	281,526	190,523	472,049
Over 1 year through 3 years	4,000	54,004	58,004
Over 3 years through 5 years	33	-	33
Over 5 years	954,308	37,329	991,637
	₩ 5,578,805	₩ 793,297	₩ 6,372,102

Due from banks by financial institution at December 31, 2009 is as follows:

(Korean won in millions)

	2009		
	Korean won	Foreign currencies	Total
BOK	₩ 646,172	₩ 59,704	₩ 705,876
Other Banks	364,707	678,360	1,043,067
Others	4,567,926	55,233	4,623,159
	₩ 5,578,805	₩ 793,297	₩ 6,372,102

4. Securities

Trading securities at December 31, 2009 consist of the following:

(Korean won in millions)

	Annual interest rate (%)	2009
		Fair value(Book value)
Equity securities	-	₩ 348,106
Debt securities:		
Government and public bonds	0.0 ~ 7.1	1,854,088
Finance bonds	2.4 ~ 8.6	2,136,714
Others	0.0 ~ 12.8	2,806,250
		6,797,052

	Annual interest rate (%)	2009	
		Fair value(Book value)	
Commercial papers	-		447,143
Beneficiary certificates:			
Bond type			107,052
Mixed type with securities	-		36,366
			143,418
Others	-		721,218
Securities dominated in foreign currency:			
Equity securities	-		24,047
Debt securities	0.4 ~ 5.9		178,254
			202,301
Total		₩	8,659,238

The following table summarizes the details of debt securities classified as trading securities at December 31, 2009:

(Korean won in millions)

	2009					
	Par value		Acquisition cost		Fair value(Book value)	
Government and public bonds	₩	1,873,265	₩	1,829,969	₩	1,854,088
Finance bonds		2,138,126		2,119,494		2,136,714
Corporate bonds		2,807,412		2,792,826		2,806,250
Securities dominated in foreign currency		183,631		182,734		178,254
	₩	7,002,434	₩	6,925,023	₩	6,975,306

The fair value for trading debt securities in Korean won are determined based on the lower of the valuation provided by KIS Pricing Inc. or the Korea Bond Pricing Co., and the fair value for trading debt securities in foreign currency are determined based on the lower of the valuation provided by NICE Pricing Services Inc. or the Korea Bond Pricing Co..

Available-for-sale securities at December 31, 2009 consist of the following:

(Korean won in millions)

	Annual interest rate (%)	2009	
		Fair value(Book value)	
Equity securities:			
Marketable equity securities	-	₩	1,551,833
Non-marketable equity securities	-		2,521,841
			4,073,674
Debt securities:			
Government and public bonds	2.1 ~ 5.8		1,134,726
Finance bonds	1.7 ~ 7.6		4,893,602
Corporate bonds	3.0 ~ 20.0		13,287,334
			19,315,662
Beneficiary certificates	-		2,831,543
Other securities	-		10,705
Securities denominated in foreign currencies:			
Equity securities	-		164,294
Debt securities	2.6 ~ 11.0		5,054,652
Beneficiary certificates	-		42,333
			5,261,279
		₩	31,492,863

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The following table summarizes the details of marketable equity securities classified as available-for-sale securities at December 31, 2009:

(number of shares in thousands and Korean won in millions)

	2009				
	Number of shares	Ownership (%)	Book value before valuation	Gain (loss) on valuation	Fair value (Book value)
Doosan Heavy Industries and construction Co., Ltd.	7,533	7.1	₩ 685,001	₩ (74,112)	₩ 610,889
STX Pan Ocean Co., Ltd.	30,860	14.9	302,497	46,221	348,718
Ssangyong Cement Industry Co., Ltd.	11,091	13.8	94,738	-	94,738
Hyundai Corporation	2,191	9.8	41,338	4,900	46,238
Asiana Airlines Inc.	12,200	7.0	54,840	(10,371)	44,469
STX Corporation	2,403	4.8	40,302	73	40,375
S&T Daewoo Co., Ltd.	1,224	8.4	32,187	4,283	36,470
Sajo Darim Co., Ltd.	1,186	19.9	25,383	(3,558)	21,825
Neosemitech Corporation	1,060	2.3	14,581	(689)	13,892
Taesan LCD Co., Ltd.	4,975	6.0	8,164	1,831	9,995
Dongbu HiTek Co., Ltd.	1,199	3.2	8,477	-	8,477
Ace Dightech Co., Ltd.	391	1.7	5,713	2,407	8,120
Sungjin Giotec Co., Ltd.	960	3.1	10,187	(2,699)	7,488
Moreens Co., Ltd.	230	3.2	999	4,396	5,395
Crown Confectionery Co., Ltd.	67	4.3	5,462	(819)	4,643
Others	-	-	209,486	40,615	250,101
			₩ 1,539,355	₩ 12,478	₩ 1,551,833

The following table summarizes the details of non-marketable equity securities classified as available-forsale securities at December 31, 2009:

(number of shares in thousands and Korean won in millions)

	2009					
	Number of shares	Ownership (%)	Book value before valuation	Impairment loss	Gain(loss) on valuation	Fair value (Book value)
GM Daewoo Auto and Technology Corp.	122	17.0	₩ 265,259	₩ -	₩ (58,685)	₩ 206,574
Samsung Life Insurance Co., Ltd	378	1.9	132,248	-	-	132,248
Korea Exchange	646	3.2	2,344	-	77,573	79,917
Korea Securities Finance Corporation	6,284	9.2	38,635	-	18,445	57,080
Daewoo Capital CRV	2,863	24.0	28,628	-	26,713	55,341
Hyundai Merchant Marine Co., Ltd.	3,069	2.0	45,334	-	-	45,334
Samsung Total Petrochemicals Co.,Ltd.	1,590	3.2	39,230	-	(839)	38,391
Hwan Young Steel Ind. Co.,Ltd.	1,095	13.7	29,364	-	3,619	32,983
Shinhan Financial Group Co.,Ltd (preferred stock)	300	2.0	31,589	-	(1,013)	30,576
CJ GLS Corporation	834	14.5	30,024	-	-	30,024
Korea Integrated Freight Terminal Co.,Ltd.	1,000	8.4	16,335	-	(1,812)	14,523
Korea Securities Depository	145	2.3	1,217	-	12,820	14,037
Kangnam Beltway	2,250	12.1	15,300	-	(1,328)	13,972

	2009					
	Number of shares	Ownership (%)	Book value before valuation	Impairment loss	Gain(loss) on valuation	Fair value (Book value)
Alpha dome City Co.,Ltd.	2,360	4.0	11,800	-	-	11,800
Koscom Corporation.	218	4.1	1,097	-	9,532	10,629
Others	-	-	1,714,523	(4,051)	37,940	1,748,412
			₩ 2,402,927	₩ (4,051)	₩ 122,965	₩2,521,841

Available-for-sale securities that are restricted for sales at December 31, 2009 are summarized as follows:

(number of shares in thousands and Korean won in millions)

	Number of shares	Book value
Ssangyong Cement Industry Co., Ltd.	₩ 11,091	₩ 94,738
Hynix Semiconductor Inc.	3,652	84,544
Hanchang Paper Co., Ltd.	9,156	4,779
Daehan Eunpakgy Co., Ltd.	2,815	2,846
Daewoo Electronics Corporation	2,413	1,884
		₩ 188,791

The following table summarizes the details of debt securities classified as available-for-sale securities at December 31, 2009:

(Korean won in millions)

	2009		
	Par value	Acquisition cost	Fair value(Book value)
Government and public bonds	₩ 1,126,718	₩ 1,184,477	₩ 1,134,726
Finance bonds	4,913,505	4,924,715	4,893,602
Corporate bonds	13,486,435	13,352,366	13,287,334
Bonds denominated in foreign currencies	5,244,860	5,243,299	5,054,652
	₩ 24,771,518	₩ 24,704,857	₩ 24,370,314

The following table summarizes the details of beneficiary certificates classified as available-for-sale securities at December 31, 2009:

(Korean won in millions)

	2009			
	Acquisition cost	Book value before valuation	Gain (loss) on valuation	Book value
Bond type	₩ 1,664,453	₩ 1,664,453	₩ 25,604	₩ 1,690,057
Equity type	82,383	79,340	(1,259)	78,081
Other	1,034,057	1,022,297	41,108	1,063,405
Beneficiary certificates in foreign currency	41,883	41,883	450	42,333
	₩ 2,822,776	₩ 2,807,973	₩ 65,903	₩ 2,873,876

The Company reclassified certain trading securities which lost marketability to available-for-sale securities for the year ended December 31, 2009, which are summarized as follows:

(Korean won in millions)

	Book value on reclassification date	Valuation gain (loss)	Unrealized gain (loss)	Book value
Akerys Holdings S.A.	₩ 2,277	₩ -	₩ -	₩ 2,277

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Held-to-maturity securities at December 31, 2009 consist of the following:

(Korean won in millions)

	2009					
	Par value		Acquisition cost		Book value	
Government and public bonds	₩	1,728,616	₩	1,722,034	₩	1,728,332
Finance bonds		5,211		5,211		5,211
Corporate bonds		74,878		75,672		75,804
Bonds denominated in foreign currencies		43,419		42,807		42,807
	₩	1,852,124	₩	1,845,724	₩	1,852,154

The following table summarizes the details of structured securities classified as available-for-sale securities at December 31, 2009:

(U.S. dollar ($) in thousands, JPY (¥) in millions, GBP (£) in thousands)

	2009							
	Issuer	Par value		Issued date	Maturity	Book value		Risk
<Available-for-sale securities>								
Foreign currencies:								
Convertible bonds(JPY)	Today Industries Inc.	¥	200	2007.03.06	2014.03.12	¥	190	Stock index
	Heiwa Real Estate Co., Ltd.		50	2007.06.15	2012.06.22		48	Stock index
	Sharp Co., Ltd.		200	2007.09.07	2013.09.30		190	Stock index
	LG Display Co., Ltd		921	2007.10.01	2012.04.18		1,002	Stock index
	Mitsubishi Chemical Holidings Co., Ltd.		100	2007.10.09	2013.10.22		90	Stock index
	Hynix Semiconductor Inc.		184	2007.12.12	2012.12.14		183	Stock index
	Yamada Denki Co., Ltd.		100	2008.06.24	2015.03.31		91	Stock index
	Yamada Denki Co., Ltd.		100	2008.06.26	2015.03.31		91	Stock index
	KCC Corporation		461	2008.07.03	2012.10.30		480	Stock index
	KCC Corporation		184	2008.07.03	2012.10.30		186	Stock index
	KCC Corporation		92	2008.07.04	2012.10.30		93	Stock index
	KCC Corporation		92	2008.07.16	2012.10.30		93	Stock index
	KCC Corporation		92	2008.07.17	2012.10.30		93	Stock index
	LG Display Co., Ltd		276	2008.09.05	2012.04.18		301	Stock index
	LG Display Co., Ltd		184	2008.09.05	2012.04.18		200	Stock index
Exchangeable bonds (JPY)	Dong-A Pharmaceutical Co., Ltd		442	2007.08.03	2012.07.05		468	Stock index
	Dong-A Pharmaceutical Co., Ltd		479	2007.08.03	2012.07.05		507	Stock index
Convertible bonds(JPY)	STX Pan Ocean Co.,Ltd.		184	2009.11.17	2014.11.20		179	Stock index
		¥	4,341			¥	4,485	
Convertible bonds(USD)	KCC Corporation.	$	1,500	2008.07.02	2012.10.30	$	1,563	Stock index
	Hynix Semiconductor Inc.		1,000	2009.03.17	2012.12.14		994	Stock index
	Hynix Semiconductor Inc.		1,000	2009.04.03	2012.12.14		994	Stock index
	Hynix Semiconductor Inc.		1,000	2009.04.03	2012.12.14		994	Stock index
	Hynix Semiconductor Inc.		1,000	2009.04.17	2012.12.14		994	Stock index
	LG Display Co., Ltd		2,000	2009.06.10	2012.04.18		2,176	Stock index
	Hynix Semiconductor Inc.		1,000	2009.07.21	2012.12.14		994	Stock index

	2009					
	Issuer	Par value	Issued date	Maturity	Book value	Risk
	Hynix Semiconductor Inc.	2,000	2009.07.21	2012.12.14	1,987	Stock index
	Hynix Semiconductor Inc.	1,000	2009.07.23	2012.12.14	994	Stock index
	Hynix Semiconductor Inc.	1,000	2009.07.23	2012.12.14	994	Stock index
	Hynix Semiconductor Inc.	1,000	2009.07.23	2012.12.14	994	Stock index
		$ 13,500			$ 13,678	
Exchangeable bonds(GBP)	Daechang Industrial Co., Ltd	£ -	2009.04.09	2012.08.09	£ 110	Stock index
	Zeus (Cayman) Pohang	2,015	2009.05.21	2011.08.19	1,966	Stock index
Convertible bonds(GBP)	Hynix Semiconductor Inc.	1,241	2007.12.10	2010.06.14	1,233	Stock index
		£ 3,256			£ 3,309	

The following table sets forth the Company's available-for-sale and held-to-maturity debt securities at December 31, 2009 by contractual maturity:

(Korean won in millions)

	2009				
	Government and public bonds	Finance bonds	Corporate bonds	Bonds denominated in foreign currencies	Total
Available-for-sale securities:					
Within 1 year	₩ 225,567	₩ 1,176,282	₩ 4,004,747	₩ 1,480,039	₩ 6,886,635
Over 1 year through 5 years	519,416	3,717,320	8,974,643	1,911,282	15,122,661
Over 5 years through 10 years	304,839	-	293,768	1,506,182	2,104,789
Over 10 years	84,904	-	14,176	157,149	256,229
	₩ 1,134,726	₩ 4,893,602	₩ 13,287,334	₩ 5,054,652	₩ 24,370,314
Held-to-maturity securities:					
Within 1 year	₩ 883,574	₩ 5,211	₩ 1,592	₩ 37,160	₩ 927,537
Over 1 year through 5 years	752,016	-	61,150	5,647	818,813
Over 5 years through 10 years	92,742	-	9,785	-	102,527
Over 10 years	-	-	3,277	-	3,277
	₩ 1,728,332	₩ 5,211	₩ 75,804	₩ 42,807	₩ 1,852,154

Information of securities (except for equity method investments) by country of issuance or origination at December 31, 2009 is summarized as follows:

(Korean won in millions)

	2009		
	Country	Amount	Ratio (%)
Trading securities	Korea	₩ 8,456,937	97.66
	Poland	7,604	0.09
	U.K	2,148	0.02
	Indonesia	1,752	0.02
	Hungary	822	0.01
	Singapore	444	0.01
	Others	189,531	2.19
		₩ 8,659,238	100.00
Available-for-sale securities	Korea	₩ 26,231,584	83.29
	US	559,289	1.78
	India	191,440	0.61

Notes to Consolidated Financial Statements

	2009			
	Country		Amount	Ratio (%)
	Russia		147,279	0.47
	U.K		113,567	0.36
	UAE		95,457	0.30
	Japan		73,878	0.23
	Vietnam		7,029	0.02
	Others		4,073,340	12.94
		₩	31,492,863	100.00
Held-to-maturity securities	Korea	₩	1,809,347	97.69
	Hungary		42,807	2.31
		₩	1,852,154	100.00

Information of securities (except for equity method investments) by industry at December 31, 2009 is summarized as follows:

(Korean won in millions)

	2009			
	Industry		Amount	Ratio (%)
Trading securities	Korea Government	₩	1,639,941	18.94
	Financial services		3,943,276	45.54
	Others		3,076,021	35.52
		₩	8,659,238	100.00
Available-for-sale securities	Korea Government	₩	2,176,488	6.91
	Financial services		16,582,257	52.65
	Others		12,734,118	40.44
		₩	31,492,863	100.00
Held-to-maturity securities	Korea Government	₩	119,177	6.44
	Financial services		88,029	4.75
	Others		1,644,948	88.81
		₩	1,852,154	100.00

Information of securities (except for equity method investments) by type of instrument at December 31, 2009 is summarized as follows:

(Korean won in millions)

	2009			
	Type		Amount	Ratio (%)
Trading securities	Equity securities	₩	372,153	4.30
	Fixed rate bonds		6,808,777	78.63
	Floating rate bonds		202,830	2.34
	Beneficiary certificates		143,418	1.66
	Others		1,132,060	13.07
		₩	8,659,238	100.00
Available-for-sale securities	Equity securities	₩	3,913,875	12.43
	Investments in partnerships		324,093	1.03
	Fixed rate bonds		23,176,021	73.59
	Floating rate bonds		1,194,293	3.79
	Beneficiary certificates		2,873,876	9.13

	2009		
	Type	Amount	Ratio (%)
	Others	10,705	0.03
		₩ 31,492,863	100.00
Held-to-maturity securities	Fixed rate bonds	₩ 1,852,154	100.00

The following table summarizes the details of equity method investments and their changes in carrying value for the period from October 28, 2009 to December 31, 2009:

(Korean won in millions)

	2009								
	Ownerships (%)	Beginning balance	Acquisition	Dividend	Book value before equity method	Equity method valuation		Book value	Proportionate net asset value
						Equity in earnings (loss)	Other comprehensive adjustment		
Korea BTL Fund I	41.7	₩172,377	₩ -	₩ -	₩172,377	₩ -	₩ -	₩172,377	₩173,994
KDB electronic power PEF	50.0	126,150	-	-	126,150	-	-	126,150	125,388
Korea Infrastructure Fund II	26.7	96,795	-	-	96,795	-	-	96,795	96,795
Korea education Fund	50.0	73,312	-	-	73,312	-	-	73,312	70,037
Korea Railroad Fund I	50.0	73,176	-	-	73,176	-	-	73,176	73,479
DKMaritimeS.A.	50.0	69,795	-	-	69,795	-	-	69,795	69,795
Pung an-KDBC Restructuring Investment	68.5	46,172	-	-	46,172	(243)	-	45,929	45,929
Donghae Pulp Co.,Ltd.	18.3	29,628	-	-	29,628	-	-	29,628	64,016
KLDSMaritimeS.A.	50.0	27,361	-	-	27,361	-	-	27,361	27,361
Renaissance(12)	16.6	18,346	-	-	18,346	773	-	19,119	19,119
National Pension 06-7 KDBC restructuring Investment	37.6	14,351	286	-	14,637	(74)	-	14,563	14,563
Readers PEF	6.5	13,747	200	-	13,947	(57)	(722)	13,168	13,168
Sewon Co., Ltd	16.6	12,011	-	-	12,011	-	-	12,011	12,011
Hanmi Fine Chemical Co., Ltd	25.0	11,357	-	-	11,357	-	-	11,357	11,357
KDB JKL PEF	22.2	-	8,844	-	8,844	(22)	-	8,822	8,822
Others		197,047	7,522	-	204,569	588	303	205,460	
		₩981,625	₩ 16,852	₩ -	₩998,477	₩ 965	₩ (419)	₩999,023	

For the period from October 28, 2009 to December 31, 2009, the unamortized difference between cost of investments and the Company's portion of the investee's net asset value at the acquisition date representing goodwill (negative goodwill) are summarized as follows:

(Korean won in millions)

	2009			
	Beginning balance	Increase (decrease)	Amortization	Ending balance
Korea BTL Fund I	₩ 1,617	₩ -	₩ -	₩ 1,617
KDB electronic power PEF	(762)	-	-	(762)

Notes to Consolidated Financial Statements

	2009							
	Beginning balance		Increase (decrease)		Amortization		Ending balance	
Korea education Fund		(3,275)		-		-		(3,275)
Korea Railroad Fund I		303		-		-		303
Donghae Pulp Co.,Ltd.		34,388		-		-		34,388
	₩	32,271	₩	-	₩	-	₩	32,271

The market values of the investments in listed investees at December 31, 2009 are as follows:

(Korean won in millions)

	2009			
	Market value		Book value	
Sewon Co., Ltd.	₩	8,050	₩	12,011
Donghae Pulp Co.,Ltd.		31,462		29,628
	₩	39,512	₩	41,639

Restricted securities at December 31, 2009 are summarized as follows:

(Korea won in millions)

	2009		Restriction
BOK	₩	1,974,873	Collateral for overdrafts, etc
Korea Securities Depository		10,312,766	Collateral relating to repurchase transactions
Korea Exchange		246,993	Collateral relating to future-option trading
Others		3,314,007	Collateral relating to futures
	₩	15,848,639	

5. Loans receivable

Loans receivable at December 31, 2009 consist of the following (Korean won in millions):

(Korean won in millions)

	2009	
Loans in Korean won:		
Loans for working capital	₩	12,338,695
Loans for facility developments		26,302,081
		38,640,776
Loans in foreign currencies:		
Loans for working capital		3,930,312
Loans for facility developments		15,293,396
		19,223,708
	₩	57,864,484

Concentrations of the loans in Korean won and foreign currencies by country at December 31, 2009 are summarized as follows:

(Korean won in millions)

	2009	
	Amount	Ratio (%)
Korea	₩ 49,805,862	86.07
China	1,676,750	2.90
Ireland	869,487	1.50
US	449,672	0.78
Indonesia	209,101	0.36
Other	4,853,612	8.39
	₩ 57,864,484	100.00

Concentrations of the loans in Korean won and foreign currencies by customer at December 31, 2009 are summarized as follows:

(Korean won in millions)

	2009	
	Amount	Ratio (%)
Large enterprise	₩ 35,111,134	60.68
Small and medium enterprise	15,116,397	26.12
Public and others	7,636,953	13.20
	₩ 57,864,484	100.00

Concentrations of the loans in Korean won and foreign currencies by industry at December 31, 2009 are summarized as follows:

(Korean won in millions)

	2009	
	Amount	Ratio (%)
Manufacturing	₩ 34,012,015	58.78
Financial services	3,572,622	6.17
Transportation business	5,673,191	9.80
Electricity, gas and water supply	3,029,352	5.24
Wholesale and retail	1,668,268	2.88
Public and others	1,647,950	2.85
Others	8,261,086	14.28
	₩ 57,864,484	100.00

The following table summarizes the details of the loans in Korean won and foreign currencies at December 31, 2009 by contractual maturity:

(Korean won in millions)

	2009		
	Korean won	Foreign currencies	Total
Within 3 months	₩ 5,119,068	₩ 1,299,951	₩ 6,419,019
Over 3 months through 6 months	3,567,738	2,103,809	5,671,547
Over 6 months through 1 year	5,956,209	2,901,928	8,858,137
Over 1 year through 3 years	12,679,996	7,417,155	20,097,151
Over 3 years through 5 years	5,810,781	3,442,489	9,253,270
Over 5 years	5,506,984	2,058,376	7,565,360
	₩ 38,640,776	₩ 19,223,708	₩ 57,864,484

Notes to Consolidated Financial Statements

The following table sets forth the movements in the allowance for possible loan losses for the period from October 28, 2009 to December 31, 2009:

(Korean won in millions)

	Loans(*1)	Others(*2)	Total
Beginning balance	₩ 306,430	₩ 13,832	₩ 320,262
Disposal of non-performing loans	(1,651)	(7,306)	(8,957)
Effect of changes in the scope of the consolidation	1,402,381	262,638	1,665,019
Write-offs	(24,792)	(437)	(25,229)
Provision of allowance for possible loan losses	35,573	34,530	70,103
Ending balance	₩ 1,717,941	₩ 303,257	₩ 2,021,198

(*1) The difference between the above allowance for possible loan losses of ₩1,717,941 million and the amount per the statement of financial position of ₩1,742,342 million represents present value discount of loans under restructuring agreements.

(*2) The difference between the above allowance for possible others losses of ₩303,257 million and the amount per the statement of financial position of ₩317,443 million represents present value discount of loans under restructuring agreements.

Details of the allocation of allowance for possible loan losses at December 31, 2009 are as follows:

(Korean won in millions)

	2009
Loans receivable:	
Loans receivable	₩ 1,262,692
Bills bought in foreign currencies	49,692
Advance payments on acceptances and guarantees	127,404
Credit card loans	67,459
Privately-placed corporate bonds	164,917
Others	46,007
	1,717,941
Other assets	303,257
	₩ 2,021,198

Details on the classification of total loans receivable and the related allowance for possible loan losses at December 31, 2009 are as follows:

(Korean won in millions)

	2009		
	Loans receivable	Allowance for possible loan losses	Ratio(%)
Normal	₩ 70,400,460	₩ 720,075	1.02
Precautionary	1,800,361	236,247	13.12
Substandard	1,788,728	486,471	27.20
Doubtful	102,766	66,032	64.25
Estimated Loss	209,116	209,116	100.00
	₩ 74,301,431	₩ 1,717,941	2.31

Details of the adjustments to loans receivable for purpose of determining allowance for possible losses at December 31, 2009 are as follows:

(Korean won in millions)

	2009
Loans receivable	₩ 80,346,074
Present value discount	(24,401)
Prepayments regarded as loans	1,908
Call loans	(1,150,240)
Inter-Bank loans	(1,166,797)
Bonds purchased under resale agreement	(1,039,831)
Others(*)	(2,665,282)
	₩ 74,301,431

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

Details of restructured loans for the period from October 28, 2009 to December 31, 2009 are as follows:

(Korea won in millions)

	2009
Conversion of investment	₩ 83,654

The following table summarizes the details of restructured loans at December 31, 2009 that are present valued due to changes in their contractual terms:

(Korean won in millions)

	2009		
	Original amount before restructuring	Present value discount	Present value
Loans receivable restructured	₩ 97,918	₩ 19,854	₩ 78,064
Financial lease assets	1,619	124	1,495
Loans receivable in Korean won	9,000	4,423	4,577
	₩ 108,537	₩ 24,401	₩ 84,136

Changes in present value discounts originated from troubled debt restructuring for the period from October 28, 2009 to December 31, 2009 are as follows:

(Korean won in millions)

Classifications	Oct. 28, 2009 to Dec. 31, 2009
Beginning balance	₩ 22,408
Increase	7,258
Amortization (Interest income and others)	(5,265)
Ending balance	₩ 24,401

Changes in deferred loan fees, net of expense, for the period from October 28, 2009 to December 31, 2009 are summarized as follows:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009			
	Beginning balance	Increase	Decrease	Ending balance
Deferred loan fees, net of expense	₩ 5,271	₩ 14,224	₩ 1,873	₩ 17,622

Notes to Consolidated Financial Statements

6. Property and equipment

The following table sets forth the movements in property and equipment for the period from October 28, 2009 to December 31, 2009:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009					
	Acquisition cost		Accumulated Depreciation		Book Value	
	Beginning balance	Ending balance	Beginning balance	Ending balance	Beginning balance	Ending balance
Property and equipment:						
Acquisition cost:						
Land	₩ 269,394	₩ 2,250,639	₩ -	₩ -	₩ 269,394	₩ 2,250,639
Buildings	164,185	1,482,978	42,254	328,603	121,931	1,154,375
Leasehold improvements	-	1,116,610	-	196,393	-	920,217
Vehicles	442	194,256	227	110,278	215	83,978
Construction in-progress	370	539,382	-	-	370	539,382
Others	175,231	1,770,800	137,633	912,624	37,598	858,176
	₩ 609,622	₩ 7,354,665	₩ 180,114	₩ 1,547,898	₩ 429,508	₩ 5,806,767

The value of the Company's land, as determined by the government of the Republic of Korea for tax administration purposes, amounted to ₩2,233,485 as of December 31, 2009.

Insured property and equipment at December 31, 2009 are summarized as follows:

(Korean won in millions)

	Insured amount
Buildings & structures	₩ 666,195
Computer equipment	15,492
Ship and others	13,883,147
	₩ 14,564,834

Directors and officers of the Company are insured for security or other claim loss and business indemnity.

Future minimum rentals payable under operating lease at December 31, 2009 are summarized as follows:

(Korean won in millions)

	2009
Within 1 year	₩ 12,478
Over 1 year through 5 years	7,863
	₩ 20,341

Operating lease assets at December 31, 2009 are summarized as follows:

(Korean won in millions)

	2009
Transportation equipment	₩ 44,298
Other equipment	4,505
Initial direct costs	218
	49,021
Accumulated depreciation	(9,847)
	₩ 39,534

Future minimum lease payments together with the present value of the minimum lease payments of capital leases at December 31, 2009 are summarized as follows:

(Korean won in millions)

	2009
Within 1 year	₩ 963
Over 1 year through 5 years	176
	1,139
Less finance changes	(40)
Present value of minimum lease payments	₩ 1,099

7. Other assets

The following table sets forth the movements in goodwill and negative goodwill (included in intangible assets) for the period from October 28, 2009 to December 31, 2009:

(Korean won in millions)

	2009			
	Beginning balance	Increase	Amortization (reversal)	Ending balance
KIAMCO	₩ (620)	₩ -	₩ (48)	₩ (572)
KDB turnaround PEF	-	10,069	-	10,069
Daewoo Shipbuilding & Marine Engineering Co.,Ltd.	-	61,224	-	61,224
	₩ (620)	₩ 71,293	₩ (48)	₩ 70,721

The following table sets forth the movements in intangible assets (excluding goodwill and negative goodwill) for the period from October 28, 2009 to December 31, 2009:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009				
	Beginning balance	Increase	Amortization (reversal)	Other(*)	Ending balance
Development costs	₩ 24,289	₩ 48,747	₩ 1,239	₩ -	₩ 71,797
Others	21,228	61,335	1,832	(21)	80,710
	₩ 45,517	₩ 110,082	₩ 3,071	₩ (21)	₩ 152,507

(*) Other includes the effect of change in the scope of consolidation.

Details of miscellaneous assets at December 31, 2009 are as follows:

(Korean won in millions)

	2009
Other lease assets	₩ 177,977
Others	212,031
	₩ 390,008

Notes to Consolidated Financial Statements

8. Deposits

Deposits at December 31, 2009 consist of the following:

(Korean won in millions)

	2009
Demand deposits:	
Deposits in Korean won	₩ 179,909
Deposits in foreign currencies	533,799
	713,708
Time and savings deposits:	
Deposits in Korean won	9,557,090
Deposits in foreign currencies	1,681,600
	11,238,690
Certificates of deposits	3,586,126
Others	1,500,274
	₩ 17,038,798

The following table summarizes the details of deposits by contractual maturity at December 31, 2009:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009				
	Demand Deposits(*)	Time and saving deposits	Certificates of deposits	Other	Total
Within 3 months	₩ 713,708	₩ 6,882,496	₩ 2,063,495	₩ -	₩ 9,659,699
Over 3 months through 6 months	-	1,441,879	1,470,305	1,500,274	4,412,458
Over 6 months through 1 year	-	1,064,993	25,034	-	1,090,027
Over 1 year through 3 years	-	590,636	27,228	-	617,864
Over 3 years through 5 years	-	18,573	64	-	18,637
Over 5 years	-	1,240,113	-	-	1,240,113
	₩ 713,708	₩ 11,238,690	₩ 3,586,126	₩ 1,500,274	₩ 17,038,798

(*) The Company classifies ordinary deposits and current deposits into demand deposits, which are paid unconditionally at customers' requests.

9. Borrowing liabilities

Borrowing liabilities in Korean won at December 31, 2009 consist of the following:

(Korean won in millions)

	Annual interest rate(%)	2009
Borrowings from government	1.4 ~ 6.0	₩ 1,999,149
Others	0.0 ~ 15.6	4,651,797
		₩ 6,650,946

Borrowing liabilities in foreign currencies at December 31, 2009 consist of the following:

(Korean won in millions)

	Annual interest rate(%)	2009
Borrowings from government	3M Libor + 0.1 ~ 5.5	₩ 3,811,649
Off-shore borrowings in foreign currency	2.2 ~ 5.5	1,178,762
Others	1.0 ~ 15.3	9,776,546
		₩ 14,766,957

Debentures in Korean won at December 31, 2009 are as follows:

(Korean won in millions)

	Annual interest rate(%)	2009
Industrial Finance Bond	2.3 ~ 12.0	₩ 34,977,435
Others	4.87 ~ 9.44	2,229,180
		37,206,615
Premium on debentures		856
Discount on debentures		(80,794)
		₩ 37,126,677

Debentures in foreign currencies at December 31, 2009 are as follows:

(Korean won in millions)

	Annual interest rate(%)	2009
Debentures in foreign currencies:		
Industrial Finance Bond	0.1 ~ 8.0	₩ 13,449,363
Premium on debentures		2,318
Discount on debentures		(28,608)
		13,423,073
Off-shore debentures:		
Off-shore Bond	0.1 ~ 8.8	3,706,869
Premium on debentures		525
Discount on debentures		(5,646)
		₩ 3,701,748

The following table summarizes the details of borrowing liabilities at December 31, 2009 by contractual maturity:

(Korean won in millions)

	2009			
	Borrowings	Debentures	Other borrowings	Total
Within 3 months	₩ 5,542,374	₩ 4,434,104	₩ 16,726,687	₩ 26,703,165
Over 3 months through 6 months	3,688,281	6,161,654	2,454,477	12,304,412
Over 6 months through 1 year	4,067,460	9,315,689	1,165,083	14,548,232
Over 1 year through 3 years	5,189,721	20,778,247	41,246	26,009,214
Over 3 years through 5 years	1,385,256	9,692,716	-	11,077,972
Over 5 years	1,544,811	3,869,088	9,298	5,423,197
	₩ 21,417,903	₩ 54,251,498	₩ 20,396,791	₩ 96,066,192

Notes to Consolidated Financial Statements

10. Severance and retirement benefits

The following table sets forth the movements in severance and retirement benefits for the period from October 31, 2009 to December 31, 2009:

(Korean won in millions)

	2009
Beginning balance	₩ 112,686
Change in the scope of consolidation	365,302
Payments during the year	(2,569)
Provision for severance and retirement benefits	4,552
Ending balance	₩ 479,971

11. Acceptances and guarantees

Acceptances and guarantees at December 31, 2009 are as follows:

(Korean won in millions)

	Acceptances and guarantees	Allowance for possible losses
Settled guarantees and commitments:		
Acceptance on letters of credit	₩ 1,228,163	₩ 8,471
Collateral for loans	261,027	13,434
Debt guarantee	154,772	1,513
Corporate debentures	1,210	10
Foreign Banks borrowing	6,704	57
Other acceptances and guarantees in foreign currencies(*)	12,810,053	203,517
Acceptances for letters of guarantees for importers	40,332	319
	14,502,261	227,321
Unsettled guarantees and commitment:		
Local letters of credit	340,420	596
Import letters of credit	2,573,324	5,076
Others	7,266,415	21,454
	10,180,159	27,126
	₩ 24,682,420	₩ 254,447

(*) Other acceptances and guarantees in foreign currencies consist of acceptances and guarantees for the return of advances related to export, overseas bidding and contractual obligations.

The following table summarizes the details of the classification of acceptances and guarantees at December 31, 2009:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009						
	Korean won		Foreign currencies		Total		
	Outstanding amount	Allowance	Outstanding amount	Allowance	Outstanding amount	Allowance	Ratio(%)
Normal	₩ 283,054	₩ 1,110	₩ 23,397,545	₩ 78,071	₩23,680,599	₩ 79,181	0.33
Precautionary	-	-	565,709	33,081	565,709	33,081	5.85
Substandard	8,300	12,545	427,779	129,633	436,079	142,178	32.60
Doubtful	-	-	-	-	-	-	-
Estimated loss	-	-	33	7	33	7	21.21
	₩ 291,354	₩ 13,655	₩ 24,391,066	₩ 240,792	₩24,682,420	₩ 254,447	1.03

12. Allowances for unused commitments

Unused loan commitments and the related allowances for possible losses at December 31, 2009 are as follows:

(Korean won in millions)

	2009			
	Unused loan commitment		Allowance for possible loan losses	
Commitments on loans receivable	₩	4,192,444	₩	22,586
Commitments on guarantees and acceptances		16,560,056		63,977
Commitments on loan		12,316,052		102,492
	₩	33,068,552	₩	189,055

13. Allowance for other liabilities

The following table sets forth the movements in allowance for other liabilities for the period from October 28, 2009 to December 31, 2009:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009					
	Beginning balance		Increase		Ending balance	
Legal contingencies	₩	23,461	₩	3,249	₩	26,710
Others		12,572		621		13,193
	₩	36,033	₩	3,870	₩	39,903

14. Miscellaneous liabilities

Miscellaneous liabilities at December 31, 2009 consist of the following:

(Korean won in millions)

	2009	
Accounts payable on unpaid exchange	₩	641,067
Other guarantees		92,076
Others		290,705
	₩	1,023,848

Notes to Consolidated Financial Statements

15. Assets and liabilities denominated in foreign currencies

The following table summarizes the details of assets and liabilities denominated in foreign currencies at December 31, 2009:

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

	2009	
	US$ equivalent(*)	Korean won equivalent
Assets:		
Cash on hand	$ 73,887	₩ 86,270
Due from Banks	679,426	793,297
Trading securities	173,261	202,301
Available-for-sale securities	4,506,063	5,261,279
Held-to-maturity securities	36,662	42,807
Bills purchased	1,983,886	2,316,385
Call loans	654,947	764,716
Loan receivables	16,464,293	19,223,708
Domestic import usance	2,961,727	3,458,112
Others	4,788,882	5,591,498
	$ 32,323,034	₩ 37,740,373
Liabilities:		
Deposits	$ 1,897,396	₩ 2,215,399
Borrowings	12,647,274	14,766,957
Bonds sold under repurchase agreements	968,826	1,131,201
Call money	498,493	582,040
Debentures	11,496,295	13,423,073
Off-shore debentures	3,170,390	3,701,748
Others	3,909,803	4,565,086
	$ 34,588,477	₩ 40,385,504

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

16. Commitments and contingencies

Unsettled commitments provided by the Company at December 31, 2009 are as follows:

(Korean won in millions)

		2009
Commitments:		
Commitments on loans in Korean won	₩	11,690,299
Commitments on loans in foreign currencies		622,036
Commitments on purchase of securities		1,000,000
Others		3,717
		13,316,052
Bonds sold under repurchase agreements		750,570
	₩	14,066,622

The Company has entered into agreements to provide certain syndicated loans with foreign banks. The aggregate credit limit and unused amount at December 31, 2009 are as follows:

(Foreign currency in thousands, Korea won in millions):

	2009					
	Aggregate credit limit	Korean won equivalent		Unused borrowings	Korean won equivalent	
USD	2,505,384	₩	2,925,286	475,271	₩	554,926
JPY	2,181,225		27,545	365,251		4,612
EUR	63,000		105,480	-		-
CNY	6,360		1,088	636		109
CHF	7,733		8,710	582		655
KRW	2,896,730		2,896,730	33,893		331,893
Total		₩	5,964,839		₩	892,195

Loans sold as of December 31, 2009 are as follows:

(Korean won in millions)

	2009								
	Disposal date	Book value		Selling price		Subordinated debt securities held by the Company		Collateral amount(*)	
KDB First SPC	2000.06.08	₩	950,627	₩	600,000	₩	201,800	₩	120,000
KDB Second SPC	2000.11.08		914,764		423,600		93,600		80,000
KDB Third SPC	2000.09.20		1,793,546		949,900		-		-
KDB Fifth SPC	2000.12.13		765,358		528,400		98,400		100,000
KDB Sixth SPC	2009.09.30		420,631		330,000		160,000		-
KDB Capital Third SPC	2001.03.17		54,252		53,604		1,200		-
KDB Capital Fourth SPC	2009.03.29		78,998		81,965		43,900		-
		₩	4,978,176	₩	2,967,469	₩	598,900	₩	300,000

(*) Investment securities are pledged as collateral.

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

The Company's loans and receivables written-off, for which the claim rights have not expired, amount to ₩1,931,415 million as of December 31, 2009.

The Company has outstanding loans receivable amounting to ₩3,232,237 million and securities amounting to ₩191,164 million as of December 31, 2009 from companies under workout, court receivership, court mediation or other restructuring process. The Company provided ₩575,338 million of allowances for possible loan losses for such loans. Actual losses from these loans may differ from the allowances provided.

In the ordinary course of business, the Company is involved in tax and legal proceedings, claims and litigation. As of December 31, 2009, the Company has 23 lawsuits as a plaintiff and 73 lawsuits as a defendant. The aggregate amount of claims as a plaintiff or a defendant is approximately ₩3,732,975 million and ₩406,604 million, respectively. The Company's material lawsuits in progress as a defendant are as follows:

(Korean won in millions)

Plaintiff	Amount	Court ruling		Description
		First and second trial	Final trial	
Kobo Life insurance, Co., Ltd. and 7 others	₩ 149,541	In favor of plaintiff	In-progress In-progress	Redemption beneficiary certificates

(*) The Company recognized the allowance for lawsuit at its best estimate as of December 31, 2009. (Note 13)

17. Derivative instruments

The Company's derivative instruments consist of trading derivatives and hedge derivatives, depending on the nature of each transaction. The Company enters into hedge derivative transactions mainly for purposes of hedging fair value risk related to changes in fair value of the underlying assets and liabilities.

The notional amounts outstanding for derivatives contracts and the related valuation gains (losses) for the period from October 28, 2009 to December 31, 2009 are summarized as follows:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009						
	Notional amounts			Valuation gain (loss)			Derivative asset (liability)
	Trading purpose	Hedging purpose	Total	Trading purpose	Hedging purpose	Total	
Interest:							
Forward	₩ 3,708,545	₩ 408,085	₩ 4,116,630	₩ 1,785	₩ -	₩ 1,785	₩ -
Swap	294,668,493	16,273,133	310,941,626	-	3,182	3,182	(253,498)
Option bought	1,355,816	-	1,355,816	-	-	-	26,350
Option sold	3,161,816	270,000	3,431,816	-	-	-	(44,307)
	302,894,670	16,951,218 3	19,845,888	1,785	3,182	4,967	(271,455)
Currency:							
Forward	61,572,968	801,075	62,374,043	-	(4,455)	(4,455)	1,337,808
Futures	481,086	7,806	488,892	-	(126)	(126)	-
Swap	104,350,060	10,716,933	115,066,993	10,996	(26,514)	(15,518)	(756,388)
Option bought	3,292,918	7,446	3,300,364	-	(36)	(36)	256,875
Option sold	2,042,024	-	2,042,024	-	-	-	(102,182)
	171,739,056	11,533,260	183,272,316	10,996	(31,131)	(20,135)	736,113

	Oct. 28, 2009 to Dec. 31, 2009						
	Notional amounts			Valuation gain (loss)			Derivative asset (liability)
	Trading purpose	Hedging purpose	Total	Trading purpose	Hedging purpose	Total	
Stock:							
Index forward bought	164,886	21,657	186,543	(1,737)	1,001	(736)	-
Index forward sold	-	10,479	10,479	-	(668)	(668)	-
Futures bought	841	-	841	-	-	-	-
Futures sold	8,699	-	8,699	(324)	-	(324)	-
Swap bought	-	15,356	15,356	-	(810)	(810)	
Index option bought	288,213	-	288,213	84	-	84	633
Index option sold	808,023	-	808,023	(1,542)	-	(1,542)	(14,267)
Option bought	102,630	413,561	516,191	-	32,689	32,689	32,129
Option sold	114,261	-	114,261	-	-	-	(24,108)
	1,487,553	461,053	1,948,606	(3,519)	32,292	28,873	(5,613)
Commodity:							
Forward	33,003	-	33,003	-	-	-	33
Swap	508,101	-	508,101	-	-	-	2,447
Other swap	-	773,963	773,963	-	(121,324)	(121,324)	(12,458)
Option bought	130,951	159	131,110	(594)	(1)	(595)	31,794
Option sold	119,329	-	119,329	-	-	-	(31,109)
	791,384	774,122	1,565,506	(594)	(121,325)	(121,919)	(9,293)
Credit:							
Default swap bought	66,838	-	66,838	2,431	-	2,431	(663)
Default swap Sold	66,692	70,797	137,489	(2,038)	(327)	(2,365)	2,296
	133,530	70,797	204,327	393	(327)	66	1,633
	₩477,046,193	₩ 29,790,450	₩ 506,836,643	₩ 9,061	₩ (117,209)	₩ (108,148)	₩ 451,385

Unrealized gains and losses from fair value hedge items by type of the underlying assets or liabilities for the period from October 28, 2009 to December 31, 2009 are as follows:

(Korean won in millions)

	2009	
	Gains	Losses
Available-for-sale securities	₩ -	₩ 148

Notes to Consolidated Financial Statements

Unrealized gains and losses recorded in accumulated other comprehensive income resulting from applying cash flow hedge accounting for the period from October 28, 2009 to December 31, 2009 are follows:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009		
	Beginning balance	Increase (decrease)	Ending balance
Borrowings in foreign currency	₩ 1,797	₩ (3,688)	₩ (1,891)
Tax effect	(494)	952	458
	₩ 1,303	₩ (2,736)	₩ (1,433)

Outstanding credit derivatives issued by the Company as of December 31, 2009 are as follows:

(Korean won in millions)

Type	Counterparty	Notional amount	Transaction type	Reference entity
Credit default swap buy	Hana IB Securities Co., Ltd.	₩ (663)	CDS	137th CB of Taiha electric Wire Co., Ltd., Exchangeable bonds of KCC and Hyundai Motor Company
Credit default swap sell	BNP Paribas and others	₩ 2,295	CDS	137th CB of Taihan electric Wire Co., Ltd., Exchangeable bonds of KCC and Hyundai Motor Company, Debentures of Hyundai Heavy Industries Co., Ltd.

Upon certain credit events of the reference entity before the maturity of the credit derivatives, the Company is required to pay (receive) to (from) the counterparty amount of losses (gains) incurred (generated) related to the credit events according to the nature of the transaction.

18. Capital stock and capital surplus

Capital stock

The Company is authorized to issue 1,000 million shares of common stock and has 362 million shares issued and outstanding in the amount of ₩1,812,042 million as of December 31, 2009.

The following table sets forth the movements in number of shares issued and valuation of common stock for the period from October 28, 2009 to December 31, 2009:

(Korean won in millions)

	Date	Number of shares	Common stock
At incorporation	2009.10.28	60,000,000	300,000
Stock swap(*)	2009.11.24	302,408,421	1,512,042
		362,408,421	1,812,042

(*) The Stock swap was executed for the acquisition of KDB as disclosed in Note 1.

Capital surplus

Capital surplus consists of paid-in capital in excess of par value arising from the stock swap transactions and other capital surplus transferred from KDB through spin-off.

Legal reserve

In accordance with the Financial Holding Company Act, whenever dividends are paid, an amount equal to at least 10% of net income is required to be appropriated as a legal reserve until the reserve amount equals the aggregate par value of common stock. The legal reserve may not be utilized for cash dividends but may only be used to offset a deficit, if any, or be transferred to capital.

19. Comprehensive income

Comprehensive income for the period from October 28, 2009 to December 31, 2009 consists of the following:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009	
Net income	₩	27,683
Other comprehensive income (loss):		
Gain on valuation of available-for-sale securities, net		37,496
Changes in unrealized gain on valuation of the equity method investments		(5,522)
Changes in unrealized loss on valuation of the equity method investments		(938)
Others		(307)
Comprehensive income	₩	59,026
Attributable to:		
Parent's ownership interests		26,961
Minority interests		32,065
	₩	59,026

Notes to Consolidated Financial Statements

20. Dividends

The following table summarizes the details of dividend declared for the period from October 28, 2009 to December 31, 2009:

(Korean won in millions only for total dividends, otherwise Korean won and share data in units)

	Oct. 28, 2009 to Dec. 31, 2009			
	Number of Shares	Dividend per share	Dividend per share ratio (%)	Dividends
Cash dividend	362,408,421	₩ 14	0.28	₩ 5,094

The dividend yield ratio for the period from October 28, 2009 to December 31, 2009 is as follows:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009
Dividends(A)	₩ 5,094
Net income(B)	19,220
Dividend payout ratio(%): (A) / (B)	26.5%

21. Added value information

In accordance with Statements of Korea Accounting Standards No. 21 Preparation and Presentation of Financial Statements, the “value added” items as defined by the standard, which are required to be disclosed by the Company for the period from October 28, 2009 to December 31, 2009, are as follows:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009
Salaries	₩ 43,022
Provision for severance and retirement benefits	4,552
Employee benefits	27,131
Rental expenses	4,612
Depreciation	3,072
Amortization	3,071
Tax and dues	7,110
Advertisement expenses	17,913
	₩ 110,483

22. Income taxes

The major components of income tax benefit for the period from October 28, 2009 to December 31, 2009 are as follows:

(Korean won in millions)

		Oct. 28, 2009 to Dec. 31, 2009
Income taxes of KDBFG:		
Current income taxes	₩	-
Change in deferred income taxes due to temporary differences		(25,161)
Deferred income taxes recognized directly to equity		(3,325)
Income tax benefit		(28,486)
Income taxes of the subsidiaries:		
Current income taxes		(4,064)
Change in deferred income taxes due to temporary differences		16,899
Tax effect of tax loss carryforwards, etc		(103)
Deferred income taxes recognized directly to equity		(9,566)
		3,166
	₩	(25,320)

Deferred income tax assets and liabilities at December 31, 2009 are as follows:

(Korean won in millions)

	2009			
	Deferred income tax assets		Deferred income tax liabilities	
KDBFG	₩	-	₩	38,610
KDB		139,201		341,575
Daewoo Securities		1,872		26,660
KDB Capital		20,593		5
KDBAM		1,329		-
KIAMCO		152		-
	₩	163,147	₩	406,850

Notes to Consolidated Financial Statements

23. Net income (loss) attributable to equity holders of the parent and minority interests

The net income (loss) attributable to equity holders of the parent and minority interests for the period from October 28, 2009 to December 31, 2009 is as follows:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009			
	Ownership(%)	Net income (loss)	Attributable to	
			Parent	Minority interests
KDBFG	-	₩ 19,220	₩ 19,220	₩ -
KDB	100.00	-	-	-
Daewoo Securities	39.09	14,202	5,551	8,651
KDB Capital	99.92	(10,777)	(10,768)	(9)
KDBAM	64.28	544	350	194
KIAMCO	84.16	161	135	26
		23,350	14,488	8,862
Inter-company transaction		385	385	-
Consolidation adjustments		3,948	4,347	(399)
		₩ 27,683	₩ 19,220	₩ 8,463

24. Earnings per share

The Company's consolidated basic earnings per share for the period from October 28, 2009 to December 31, 2009 are computed as follows:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009
Net income	₩ 19,219,648,554
Weighted-average number of share of common stocks outstanding	236,792,615 shares
Basic earnings per share	₩ 81

Diluted and basic earnings per share for the period from October 28, 2009 to December 31, 2009 are the same because there were no potential dilutive common shares.

25. Related party transactions

Transactions with related parties for the period from October 28, 2009 to December 31, 2009 are summarized as follows:

(Korean won in millions)

Revenue	Expense	Oct. 28, 2009 to Dec. 31, 2009				
		Transactions				
		Interest (deposit)	Gain from Securities	Interest (loan)	Other Income	Total
KDBFG	Daewoo Securities	₩ 249	₩ -	₩ -	₩ -	₩ 249
Daewoo Securities	KDBFG	-	633	-	-	633
	KDB Capital	-	-	219	-	219
	KDBAM	-	-	-	151	151
KDB Capital	Daewoo Securities	428	-	-	148	576
	KDBAM	-	-	-	14	14
Daewoo Securities (Europe) Ltd.	Daewoo Securities	-	-	-	318	318
Daewoo Securities (America) Inc.	Daewoo Securities	-	-	-	759	759
Daewoo Securities (HongKong) Ltd.	Daewoo Securities	-	-	-	504	504
		₩ 677	₩ 633	₩ 219	₩ 1,894	₩ 3,423

Outstanding balances with the related parties resulting from the above transactions as of December 31, 2009 are summarized as follows:

(Korean won in millions)

Revenue	Payable	2009				
		Deposits	Securities	Loans	Other	Total
KDBFG	KDB	₩ 1,865	₩ -	₩ -	₩ 6,192	₩ 8,057
	Daewoo Securities	60,200	-	-	249	60,449
KDB	Daewoo Securities	-	1,302	-	38,602	39,904
	KDB Capital	-	20,043	165,990	24,735	210,768
	KIAMCO	-	-	-	3	3
	Daewoo Shipbuilding & Marine Engineering	99,846	50,820	353,285	516,220	1,020,171
	KDB Asia (HK) Ltd.	180,978	11,686	103,415	-	296,079
	KDB Ireland Co., Ltd.	54,227	-	311,986	8,157	374,370
	KDB Bank (Hungary) Ltd.	175,140	-	86,799	16,937	278,876
	Banco KDB Do Brasil S.A.	144,808	-	368,305	1,656	514,769
	KDB Uzbekistan, Ltd.	-	-	9,107	103	9,210
Daewoo Securities	KDBFG	-	49,995	-	28,645	78,640
	KDB	5,393	273,178	-	3,538	282,109
	KDB Capital	-	-	10,000	-	10,000
KDB Capital	KDB	28,153	-	-	485	28,638
	Daewoo Securities	95,000	-	-	95	95,095
	KIAMCO	-	-	-	28	28

Notes to Consolidated Financial Statements

Revenue	Payable	2009				
		Deposits	Securities	Loans	Other	Total
KDBAM	KDBFG	-	-	-	2	2
	Daewoo Securities	-	-	-	731	731
KIAMCO	KDB	8,999	-	-	8	9,007
	KDB Capital	-	-	-	13	13
Trust Account	KDB	-	-	-	102,146	102,146
KDB Asia Ltd.	KDB	171	1,248	1,797	32,128	35,344
KDB Ireland	KDB	-	28,461	-	1,010	29,471
KDB Bank (Hungary) Ltd.	KDB	-	-	-	1,012	1,102
KDB Uzbekistan, Ltd.	KDB	-	-	5,291	-	5,291
Daewoo Shipbuilding & Marine Engineering	KDB	136,474	-	-	142,509	278,983
Korea Infrastructure Fund	KDB	278	-	-	34,713	34,991
KDB Value Private Equity Fund 1	KDB	1,595	-	-	-	1,595
KDB Value Private Equity Fund 2	KDB	1,109	-	-	-	1,109
KDB Value Private Equity Fund 3	KDB	3,254	3,903	-	130	7,287
KDB Venture M&A PEF	KDB	318	-	-	-	318
KDB Turn Around PEF	KDB	288	500	-	-	788
Daewoo Securities (Europe) Ltd.	Daewoo Securities	-	-	-	84	84
Daewoo Securities (America) Inc.	Daewoo Securities	-	-	-	566	566
Daewoo Securities (HongKong) Ltd.	Daewoo Securities	-	-	-	171	171
		₩ 998,096	₩ 441,136	₩ 1,415,975	₩ 960,958	₩ 3,816,165

Guarantees or collateral provided among the Company's related parties at December 31, 2009 are summarized as follows:

(Korean won in millions)

Benefactor	Beneficiary	Guarantee/collateral	2009
KDB	Daewoo Shipbuilding & Marine Engineering Co, Ltd.	Guarantee for F/X	₩ 2,690,143
	KDB Asia (HK) Ltd	Guarantee for F/X	58,380
KDB Capital	KDB	Loans to shipbuilding	103,991
			₩ 2,852,514

26. Supplementary cash flow information

Cash and cash equivalents are included in cash and due from banks, and the cash flows from operating activities are presented using the indirect method.

Cash and cash equivalents at December 31, 2009 consist of the following:

(Korean won in millions)

		2009
Korean won	₩	69,697
Foreign currency		86,270
	₩	155,967

27. Financial information of the consolidated subsidiaries

Condensed statement of financial position of the Company's principal subsidiaries at December 31, 2009 is summarized as follows:

(Korean won in millions)

		Assets		Liabilities		Equity
KDB	₩	122,333,446	₩	107,222,739	₩	15,110,707
Daewoo Securities		15,333,664		12,614,638		2,719,026
KDB Capital		3,512,607		3,044,680		467,927
KDBAM		74,178		7,665		66,513
KIAMCO		12,475		989		11,486
	₩	141,266,370	₩	122,890,711	₩	18,375,659

Condensed statement of operations of the Company's principal subsidiaries for the period from October 28, 2009 to December 31, 2009 is summarized as follows:

(Korean won in millions)

	Oct. 28, 2009 to Dec. 31, 2009							
		Operating revenue		Operating expenses		Operating income(loss)		Net income (loss)
KDB	₩	-	₩	-	₩	-	₩	-
Daewoo Securities		1,361,276		1,342,799		18,477		14,202
KDB Capital		78,896		92,392		(13,496)		(10,777)
KDBAM		3,103		2,361		742		544
KIAMCO		1,444		636		808		161
	₩	1,444,719	₩	1,438,188	₩	6,531	₩	4,130

Notes to Consolidated Financial Statements

28. Segment financial information

The following table sets forth segment financial information at December 31, 2009:

(Korean won in millions)

	December 31, 2009			
	Financial services	non-financial services	Consolidation adjustments	Total
Assets:				
Cash and due from Banks	₩ 6,404,681	₩ 1,070,887	₩ (947,499)	₩ 6,528,069
Securities	62,056,129	714,511	(19,767,362)	43,003,278
Loans receivable	79,810,921	261,328	(1,486,139)	78,586,110
Derivative assets	7,862,617	2,128,977	(627,878)	9,363,716
Property and equipment	981,136	4,945,955	(120,324)	5,806,767
Other assets	5,677,438	8,689,336	(491,897)	13,874,877
Total assets	₩ 162,792,922	₩ 17,810,994	₩ (23,441,099)	₩ 157,162,817
Liabilities and equity:				
Liabilities:				
Deposits	₩ 17,533,310	₩ 364	₩ (494,876)	₩ 17,038,798
Borrowings liabilities	95,678,376	2,998,810	(2,615,290)	96,061,896
Derivative liabilities	6,882,014	2,658,195	(627,878)	8,912,331
Other liabilities	6,907,979	8,743,959	(652,547)	14,999,391
Total liabilities	127,001,679	14,401,328	(4,390,591)	137,012,416
Equity:				
Capital stock	13,357,156	1,325,992	(12,871,106)	1,812,042
Capital surplus	13,903,339	164,338	(455,448)	13,612,229
Capital adjustments	(34,579)	(48,730)	83,124	(185)
Accumulated other comprehensive income	907,676	917,091	(1,831,594)	(6,827)
Retained earnings	7,657,651	1,050,975	(7,822,161)	886,465
Minority interests	-	-	3,846,677	3,846,677
Total equity	35,791,243	3,409,666	(19,050,508)	20,150,401
Total liabilities and equity	₩ 162,792,922	₩ 17,810,994	₩ (23,441,099)	₩ 157,162,817

The following table set forth segment financial information for the period from October 28, 2009 to December 31, 2009:

(Korean won in millions)

	December 31, 2009			
	Financial services	non-financial services	Consolidation adjustments	Total
Operating revenue	₩ 1,444,419	₩ 540	₩ (3,426)	₩ 1,441,533
Operating expenses	1,443,765	412	(3,428)	1,440,749
Operating income	654	128	2	784
Non-operating income	9,386	-	(4,855)	4,531
Non-operating expense	13,357	766	(11,171)	2,952
Income (loss) before income tax expenses	(3,317)	(638)	6,318	2,363
Income tax expense (benefit)	(25,354)	34	-	(25,320)
Net income (loss)	₩ 22,037	₩ (672)	₩ 6,318	₩ 27,683

29. Preparation plan for adoption of Korea International Financial Reporting Standards and implementation status

The Company will adopt the Korea International Financial Reporting Standards ("K-IFRS") for the first time for the financial period beginning January 1, 2011. As part of the K-IFRS implementation plan, the Company appointed an external advisor to identify and report on the differences between the current accounting standards and K-IFRS related to the Company. The Company also formed a task force team in March 2008.

Following the completion of identification of accounting policy differences described above, the Company began to conduct the detail analysis of its financial reporting system requirement and accounting policy changes impacted by the adoption of K-IFRS, and the analysis was completed in August 2008. Based on results of the above analysis, the Company has mapped out changes that are required for its financial reporting system capable of capturing and producing K-IFRS financial data, and modifications to the Company's work processes relating to the system changes have been made. The Company has completed the system and work processes changes by the end of 2009.

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

Starting from 2010, the K-IFRS financial statements will be reported the opening K-IFRS financial statements at the date of transition and any issues or unforeseen implementation errors following the implementation of K-IFRS will be continuously improved and remedied, and the related internal control processes are to be reassessed for a smooth transition to K-IFRS.

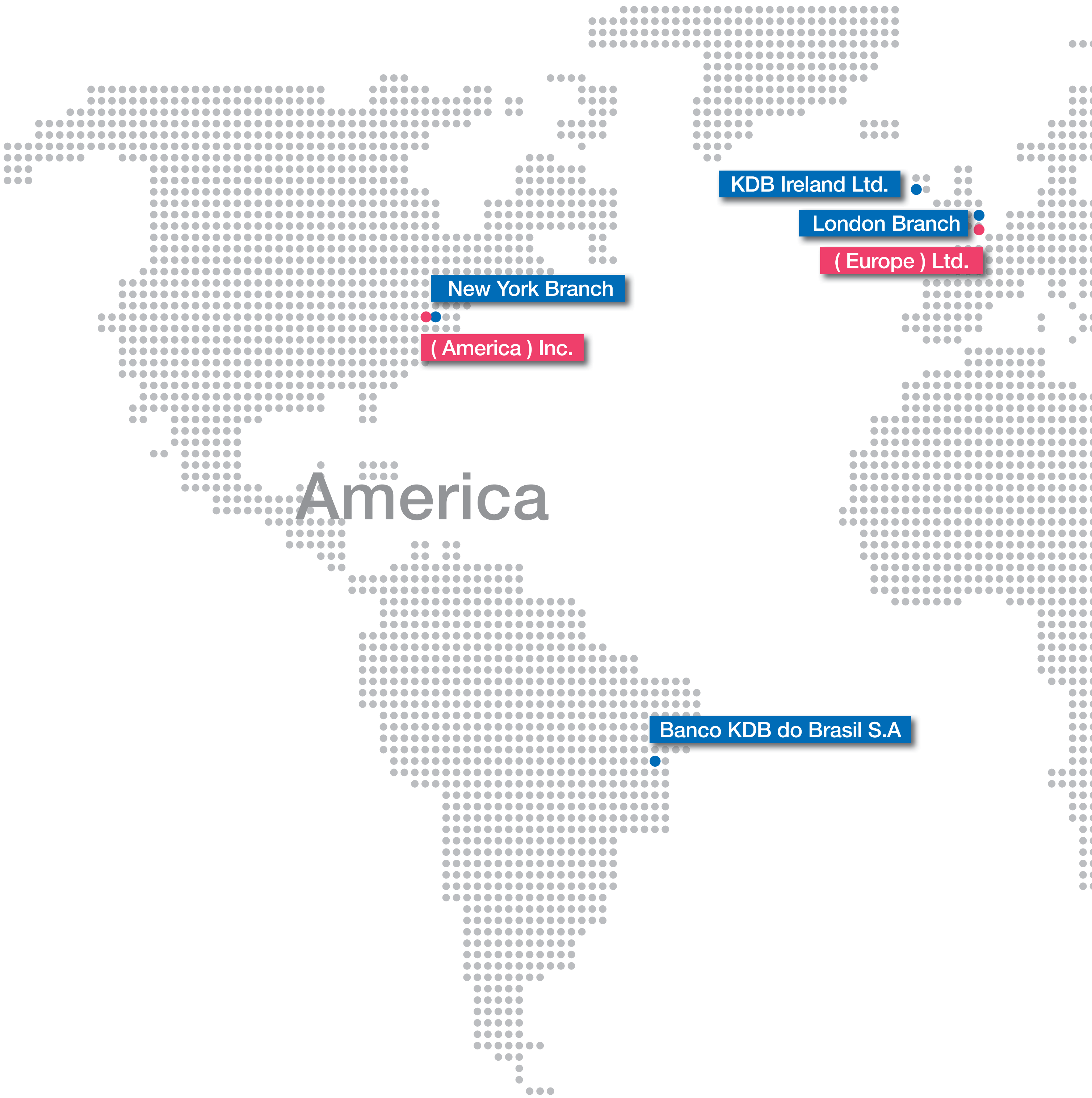
Major differences that expected to give rise to a significant impact on the Company's financial statements based on the K-IFRSs that are effective as of December 31, 2009. The significant differences are consolidation scope, allowance for possible loan losses, recognition of revenue, financial instruments, employee benefits and others.

30. Approval of financial statements

The 2009 consolidated financial statements were approved by the Board of Directors on March 15, 2010.

Overseas Network

KDB   Daewoo Securities   KDB Capital

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KDB Financial Group

16-3 Yeouido-dong, Yeongdeungpo-gu
Seoul 150-973, Korea
Tel +82-2-369-2100
www.kdbgroup.com