



# Financial Star

Shining from  
Inner Value

**Annual Report  
2011**

 **KB Financial Group**

[www.kbfng.com](http://www.kbfng.com)

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# Group Profile

KB Financial Group is Korea's premiere financial institution with a comprehensive line-up of products and services ranging from banking to IT system development. Established in 2008 with the nation's foremost business foundation in assets, customer base, and distribution network, the Group pursues preeminence in the financial services industry through its nine subsidiaries.

By increasing synergies among these subsidiaries, the Group is able to bolster its core competencies in banking, credit card, securities, insurance, and asset management, while continuing to improve upon its comprehensive financial system. In particular, the Group is focused on strengthening the capabilities of its non-bank subsidiaries by leveraging group synergies in line with its vision, "A Global Financial Group, Leading the Asian Financial Industry." By delivering the best customer value, the Group progresses towards becoming a genuine "Global Financial Star" that is leading the Asian financial industry while steadfastly serving its shareholders and customers.

# Group at a Glance

## \*b KB Kookmin Bank

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

### Key Financial Indicators (unit: KRW billion)

Total Assets	256,512.3
Total Shareholders' Equity	19,068.4
Net Income	2,046.5

## \*b KB Investment & Securities

KB Investment & Securities is a comprehensive securities company spearheading KB Financial Group's efforts to bolster its non-banking businesses with industry-leading profitability and highly competitive corporate banking and institutional sales operations. In response to market demands and industry trends, the Company has acquired KB Futures along with its futures and derivatives operations.

### Key Financial Indicators (unit: KRW billion)

Total Assets	3,314.9
Total Shareholders' Equity	552.5
Net Income	22.7

## \*b KB Kookmin Card

KB Kookmin Card is the latest addition to the business network of KB Financial Group. To better cope with changes in the business environment, the Group has spun off KB Kookmin Bank's credit card division in March 2011, as a full-fledged business entity charged with the vision of becoming "Korea's best daily life solution provider."

### Key Financial Indicators (unit: KRW billion)

Total Assets	13,349.4
Total Shareholders' Equity	2,782.2
Net Income	319.8

## \*b KB Life Insurance

KB Life Insurance is a joint venture between KB Financial Group and ING Group. The Company provides an array of insurance products through its own diversified sales channels and the Group's extensive branch network. The Company has ranked No. 1 in call center operations for five consecutive years and been consistently rated excellent in customer satisfaction.

### Key Financial Indicators (unit: KRW billion)

Total Assets	4,515.8
Total Shareholders' Equity	354.7
Net Income	18.6

## \*b KB Asset Management

KB Asset Management is the third largest asset management company in Korea, with the industry's most extensive product line-up. Its main businesses include trading and brokerage of company-operated collective investment schemes, and collective investment, investment advisory, and investment trust of a wide range of collective investment schemes.

### Key Financial Indicators (unit: KRW billion)

Total Assets	177.7
Total Shareholders' Equity	120.1
Net Income	-5.6

## \*b KB Investment

KB Investment supports the growth of a wide range of enterprises through capital investments. The Company's investment targets include non-listed venture firms and SMEs, companies engaging in business restructuring, SMEs in need of working capital, and corporations seeking M&A funds.

### Key Financial Indicators (unit: KRW billion)

Total Assets	498.5
Total Shareholders' Equity	116.1
Net Income	9.3

## \*b KB Data Systems

KB Data Systems serves as the IT hub of KB Financial Group and provides IT products and services to other companies, leveraging the experience and knowhow accumulated from various financial IT projects it has undertaken over many years.

### Key Financial Indicators (unit: KRW million)

Total Assets	30.6
Total Shareholders' Equity	16.2
Net Income	2.1

## \*b KB Real Estate Trust

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

### Key Financial Indicators (unit: KRW billion)

Total Assets	251.2
Total Shareholders' Equity	144.6
Net Income	15.4

## \*b KB Credit Information

KB Credit Information specializes in managing unpaid receivables for the subsidiaries of KB Financial Group as well as for other business institutions. Its other business areas include debt collection, lease verification, credit check, and proxy service for civil service documents.

### Key Financial Indicators (unit: KRW billion)

Total Assets	30.5
Total Shareholders' Equity	22.5
Net Income	-2.4

# CEO's Message



In 2011 all of us at KB Financial Group, having infused competitiveness into all business areas, gained a “can-do” confidence, and maintained our fortitude in the face of challenges at home and abroad.

### Dear Valued Shareholders and Customers:

Last year a financial crisis sparked by Greece's public debt problem triggered a downgrade of U.S. credit ratings and spread into a sovereign debt crisis for major European nations, then continued into the year 2012 and heightened uncertainty throughout the world economy. While this global economic slowdown is threatening Korea's economy, which relies heavily on external factors, KBFG made its best effort to strengthen further its core competencies and bolster its foundation for future growth.

If the year 2010, my first year at the Group's helm, can be characterized as that in which we laid a foundation for growth through changes and innovations, 2011 can be called one in which all of us at the Group gained a "can-do" confidence, having infused competitiveness into all business areas and achieved concrete results.

First of all, "KB ROCKSTAR," a branch channel revamped to suit youth customers who are crucial for KB's future growth, succeeded in opening more than 200,000 deposit accounts within 10 months of its introduction. While continuing our efforts through "Hidden Star 500" to find small and medium-sized enterprises (SMEs) that possess a world-class technological edge, we have made big progress in the Investment Banking area, successfully arranging a number of large-scale power plant project financings. In retail banking, we continued to roll out innovative, customer-oriented products, including "KB Dream Talk Installment Savings," that helped us become the first in the industry to reach

the 200 trillion won mark in total deposits. In the area of customer satisfaction, the Group's flagship KB Kookmin Bank set an industry milestone, ranking first in the nation's most prestigious customer survey, NCSI, for an unprecedented sixth consecutive year.

In addition, the Group also continued to fulfill its social roles and responsibilities as a leading financial group through various proactive community programs, including the establishment of the non-profit KB Financial Foundation and the launching of KB GoodJob, a job promotions program for youth.

Meanwhile, our Group's total assets in 2011 grew by 18.8 trillion won year-on-year to 277.6 trillion won, a result of our steadfast pursuit of profit-focused growth. Total loans extended by the Group rose by 14.5 trillion won to 212.1 trillion won. In the area of funding, our deposits increased by 10.5 trillion won to 190.3 trillion won as a result of the market's general preference for safe assets and the Group's continued efforts to adequately manage its loan-to-deposit ratios ("LDR"). Borrowings and debentures increased by 3.0 trillion won to 43.9 trillion won.

As for asset quality, we worked hard to reduce non-performing loans ("NPL") through preemptive risk management and achieved noteworthy results: the Group's NPL ratio decreased by 0.39% points to 1.44%, while the NPL coverage ratio increased by 45.06% points to 163.40%. In terms of profitability, the Group increased its net interest margins ("NIM") by bolstering its profit structure and capitalizing on rising market interest rates, while reducing provisioning expenses through asset quality-focused efforts. As a

# We will pursue optimum management efficiency through improving productivity

result, operating income before provisions increased by 1.7 trillion won year-on-year to 4.9 trillion won, while total net income increased by 2.2 trillion won to 2.4 trillion won.

We believe that we were able to achieve such improvements because of the encouragement provided by our shareholders and customers in the midst of the ongoing financial crises and challenging business environment. Going into the new year, we will continue to improve the Group's profitability so as to reciprocate the support and confidence you have shown us thus far.

In the year 2012, amid unrelenting global economic uncertainties and low growth concerns, Korea's economy is expected to see mounting household debts, a continuing slump in the real estate market, and growing geopolitical risks.

In response to such unsettling forecasts, KB Financial Group will pursue its 2012 goal of "pursuing maximized management efficiency through improving productivity" under its long-term strategy of "maximizing profitability through value-focused growth." In order to achieve this goal, we will undertake the following four core tasks:

## **First, we will improve the Group's productivity and establish our performance-based corporate culture.**

By continuing to carry out the change and innovation campaign, we will strive to better allocate human and non-human resources, constantly reevaluate the business process, and fine-tune the management

organization for optimized efficiency. Through systemic and fair HR practices, we will augment further our performance-based corporate culture in order to make sure that high achieving employees are properly rewarded. This resolve was reflected in the Group-wide promotions that were announced at the end of last year, which helped our employees better understand the Group's human resources policy.

## **Second, we will further stabilize our growth platform by bringing our preemptive risk management up a notch.**

Last year we made a great deal of effort to strengthen the risk management system at the Group level, newly retaining a Chief Risk Officer to be in charge of Group-wide risk management and elevating KB Kookmin Bank's risk management executive officer to the Senior Executive Vice President level. This year we will continue to strengthen our asset quality control measures and realign the risk management process in preparation for Basel III and other regulatory changes.

## **Third, we will pursue the maximization of the Group's synergy effect and marketing capabilities.**

We will expand further our core customer basis to capitalize on group synergies and improve product and service competitiveness to secure market dominance. We also will continue to expand the core customer base, which forms the platform for our future growth, through customer segment-specific marketing of optimum effectiveness. Specifically, while further attracting youths and career beginners



## under our long-term strategy of “Maximizing profitability through value-focused growth.”

as customers, we will continue to develop products, channels, and services tailored to the needs of seniors and salaried workers in their thirties and forties, and identify sound corporate clients through innovative programs such as Hidden Star 500.

### **Lastly, we will seek to optimize the Group's portfolio.**

KB Kookmin Bank will establish a “total financial solution” platform that targets both large enterprises and SMEs, while maintaining its retail market dominance. Credit cards, securities, life insurance, asset management, and other non-banking operations will focus on strengthening competitiveness in their respective areas of superiority. We will channel the majority of our resources into smart-phone banking and real estate asset management services, areas that many consider to be the most important financial service sectors of the future, and cultivate them into new growth models. In terms of overseas expansion, we will adopt a cautious approach while continuing to view the overseas market as part of our overall market development strategy. Meanwhile, we will use our best efforts in supporting KB Savings Bank, which started its operations in January 2012, to become a role model for Korea's mutual savings bank industry.

By pursuing the core tasks outlined above, all of us at KB Financial Group will do our best to turn 2012 into a year of inspiration for all of our shareholders.

KB Financial Group has been doing its best to constantly change and innovate to improve upon its management competencies and business competitiveness. Such changes and innovations

were part of our all-out efforts to pursue our mission of “Going beyond Customer Satisfaction” and live up to the KB spirit of customer-focus, professionalism, innovation, promptness, and pursuit of performance. These efforts have resulted in, among other accolades, some 160 domestic and international awards and recognitions bestowed upon the Group during the last year, which I believe attest to the full trust our customers have in the Group.

Spurred on by such momentum, the Group's 25,000-strong family will continue its unified effort to revamp the Group through change and innovation. I would like to quote two ancient idioms that describe how we will carry out the revamping effort: “once determined, nothing can be daunting” and “same-mind, same-goal.”

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

Thank you.

### **Yoon-Dae Euh**

Chairman & CEO  
KB Financial Group Inc.

# 2011 Highlights

Despite challenging business environments, we enhanced our brand power by winning over 160 awards and enjoyed improvements in our major business indexes.

## Growing into a Global Financial Group

With the success of “KB ROCKSTAR,” which attracted over 200,000 accounts within just ten months of its introduction, KB Kookmin Bank emerged as a “young and progressive bank” among the younger generations. In addition, the Group has confirmed its growth potential in the corporate banking sector and continues to make efforts to grow, together with its corporate clients as they become world-class businesses, into a global financial institution. Specifically, through its Hidden Star 500 program the Group identified and supported a score of promising SMEs with world-class technology and a viable position in the global markets, while securing a leading position in the domestic IB market by arranging large-scale power-plant project financings.

## Bolstering the Asset Management Business

In 2011, the Group continued to provide unrivalled financial services that meet customers’ various asset management needs. A new asset management system, dubbed “Star Table,” was adopted to provide a new service that thoroughly analyzes customers’ financial assets and designs optimal portfolios accordingly. Starting from 2012, this service will be extended from the VIP corners to all sales counters at the Group. The Group also opened a “Star PB Center” in the more affluent parts of Seoul to expand its PB operations and raise the quality of its superior financial services a notch higher, and launched a “KB Real Estate Service Team” to provide its customized real estate management services more efficiently. In addition, in an effort to lead the smart finance market—which will change the landscape of the financial industry of the future—the Group formed a special task force and took steps to prepare future-oriented, trend-setting smart-phone financial services.

## Solidifying Dominance in Retail Banking

In 2011, KB Kookmin Bank solidified its market position as a leader of the Korean banking industry while vastly improving its net income performance and management efficiencies. It became the first domestic commercial bank to exceed the 200 trillion won mark in total deposits. The Bank also came in first in the National Customer

Satisfaction Index survey for a sixth year in a row—an industry record—and in the Korea Customer Satisfaction Index for a fifth consecutive year.

## Strengthening the Non-Banking Sector

KB Card, which was spun off from the Bank in March 2011, was able to stabilize its operations early on despite the fierce market competition. Furthermore, by successfully rolling out new products and services one after another, this latest addition to the Group’s business portfolio contributed a great deal to enhancing the KB brand value and strengthening the Group’s non-banking sector.

KB Investment & Securities bolstered its leading position in the wholesale business sector while KB Asset Management continued to record the highest long-term return in the industry. Meanwhile, KB Life Insurance successfully moved beyond the image of a “bankassurance-focused insurer” by expanding its face-to-face distribution channels, cementing its platform as a future growth engine and profit center for the Group. Other subsidiaries, including KB Real Estate Trust, KB Investment, KB Data Systems, and KB Credit Information, have continued to improve their market positions, thereby contributing to the enhancement of the Group’s management efficiency.

## Enhancing the Brand Power

2011 was another bumper year for the KB brand power as the Group and its subsidiaries swept up some 160 awards at home and abroad. In particular, the Group raised its corporate value to the next level when it was deemed the most transparent organization among listed companies in Korea and praised for its corporate governance. The Group will continue to change and reform in order to grow tall as Asia’s leading global financial group.

# 2011 Awards & Recognitions

We made it into the DJSI for the second year in a row, became a “Hall-of-Fame” corporate citizen, and was named a financial CDP leader.

## “The Most Transparent Company in Korea”

In 2011 KB Financial Group was recognized as the “most transparent” of all the listed companies in Korea and as a business enterprise with superior governance, which are endorsements boosting the corporate value of the Group. Moreover, the Group was chosen as “Corporate Leader of the Financial Services Industry” at the 2011 Carbon Disclosure Project for a third consecutive year.

## The Most Beloved Brand in Korea

In 2011 KB Financial Group also reaffirmed its position as one of the most trusted businesses in Korea as it came out on top in major customer satisfaction surveys: “Best Bank” in brand power, for a 13th consecutive year (Korea Management Association); “Best Brand” in banking in the 2011 National Brand Competitive Index, for an eighth consecutive year (Korea Productivity Center); an AAA in the “2011 Corporations valuing Customer Voices” survey, for a second year (Korea Management Association).

## Mr. Euh, the CEO Most Liked by College Students

CEO Euh of KB Financial Group ranked first in a survey on college students’ choice of the best CEO. This survey result is the latest addition to a long list of the industry recognitions bestowed upon CEO Euh, including “The 21st Century CEO of the Year,” “Global CEO Award,” “The Most Respected CEO of Korea,” and “Dasan Financial Award,” just to name a few.

## “Best Korean Trade Bank”

KB Kookmin Bank was named “Best Korean Trade Bank” in Trade Finance, a monthly published by the world-class financial journal Euromoney. This coveted endorsement was in recognition of the bank’s remarkable progress in trade finance in general and its vastly improved services towards export businesses in particular: the bank has newly formed an internal “Large Corporate Banking Group” to better serve its corporate clients with active export operations. With such recognition from a respected industry journal, KB Kookmin Bank has further solidified its position as a force to be reckoned with in trade finance.

## Presidential Citation for Money Laundering Prevention

KB Kookmin Bank received a Presidential citation for its excellence in money laundering prevention. This citation, Korea’s highest honor in the area of money laundry prevention, is given by the Financial Services Commission based on its evaluation of financial institutions’ systemic and concerted efforts against money laundering. The Citation was given to the bank in recognition for its advanced computerized system, foolproof processes, and bank-wide awareness programs, all geared towards preempting or detecting any money laundering attempts within and without the bank. The bank will continue to improve its anti-money laundering prevention efforts and thus raise the transparency of its financial transactions to a level on par with the status of global banks that it wants to attain.

## “Best Bank” in NSCI for a Sixth Year

KB Kookmin Bank was ranked first in the National Customer Service Index for a sixth year in a row, another feather in the cap to its leading-bank reputation. This result of Korea’s most respected customer survey reflects that the Bank consistently has been placing “customers first” at the center of all of its thoughts and actions and pinning its survival and progress on the satisfaction of its customers. The bank also came in the first place in other leading customer surveys, including Korea Management Association’s KCSI, further solidifying its undisputed reputation as Korea’s best bank in customer satisfaction.

## “Best Asset Manager of the Year”

The year 2011 was a bountiful year for KB Asset Management. Its “KB Corporate Pension Dividend 40 Fund” recorded the highest rate of return in all categories: one-year, two-year, three-year, and five-year. As a result, the fund was selected “The Best Pension Fund” at the 2011 Herald Biz Funds Awards. In addition, the company was named “The Best Asset Manager of the Year” at the Money Today-Morning Star Funds Awards for its first-place ranking in the long-term (5-year) category as well as top-five in the categories of one-year, two-year, three-year, and five-year.

# Vision & Strategies

KB Financial Group has established “maximizing profitability through stable growth” as its mid-and long-term strategic direction.

## Core Strategies

KB Financial Group has established “maximizing profitability through stable growth” as its mid-and long-term strategic direction. To accomplish this, the Group plans to pursue the following core strategies: bolster its dominance of the retail banking market while expanding its customer base through strengthening FX services to better meet corporate client needs; bring the operating income of the non-banking income sector up to 30% of total income through strengthening group synergies; adopt a prudent overseas expansion approach of securing a beachhead into major strategic markets and then expanding the business base through localization; pursue M&A opportunities within the limits of its capabilities and industry environments as a way to gain an upper hand over its peers and to grow into a global financial group; establish diverse yet stable channels in smart finance and other growth sectors; tailor our various financial services to customer needs through shifting our business focus from product sales to consulting-based universal asset management services; set up an integrated risk management system at the group level and adopt advanced risk management measures; and improve upon its performance-based HR system so as to reward and promote employees based on their performances and attract specialists with proven track records in their respective sectors.

## 2011 Management Strategies & Results

In 2011 the Group achieved encouraging results by focusing on the “Change & Innovation” campaign and strengthened its competencies. Some of the major accomplishments of 2011 are as follows.

First, we established a comprehensive line up of innovative products and services to better meet the demands of our retail customers and corporate clients. Starting with the roll-out of “KB Plustar,” the Group introduced “Hidden Star 500” and various asset management services such as “Star Table” and “KB Star Plan.”

Second, we created a systemic education and training program to nurture talents, a key to success in financial

services businesses. Included in the program are courses tailored for executive and branch manager candidates as well as line-specific courses.

Third, the Group strove to sharpen the competitiveness of its non-banking sector and thus enhance its future value by reshuffling the business line-up, which included spinning-off KB Card and integrating KB Futures into KB Investment & Securities. To cultivate new income sources, the Group established a task force dedicated to exploring ways to lead smart-phone banking and introduced customized real estate asset management services.

Lastly, through continuing to improve our core strengths, we effected marked improvements in growth potential, profitability, soundness, productivity, and efficiency. In addition, the Group strengthened risk management at the group level by appointing a new CRO of the financial group and promoting the Bank’s CRO to the Executive Vice President status.

## 2012 Strategic Business Direction

Under the mid-and long-term strategic direction, we will seek optimal management efficiency through enhancing profitability, and to achieve this, will pursue the following four core strategies.

First, the Group will pursue efficient allocation of human and physical resources, streamline the business processes to boost productivity, and optimize the organizational structure. In addition, the Group will promote a performance-oriented culture within the organization through a systematic and fair HR system.

Second, the Group will significantly enhance asset soundness by bolstering the ERM system and other asset quality-controlling mechanisms. Moreover, to prepare for regulatory changes such as the BASEL III Accord, the Group will establish a comprehensive risk management system that includes various regulatory indexes.

Third, the Group will expand its infrastructure to maximize synergy effects and enhance the competitiveness of its products and services. At the same time, the Group will

# Senior Management

- **Yoon-Dae Euh**  
Chairman & CEO
- **Young-Rok Lim**  
President
- **Dong Chang Park**  
Deputy President & CSO
- **Jong-Kyoo Yoon**  
Deputy President & CFO
- **Wang-Ky Kim**  
Deputy President & CPRO
- **Seok-Heung Ryu**  
Deputy President & CIO
- **Min-Ho Lee**  
Deputy President & CCO
- **Won-Keun Yang**  
Senior Managing Director
- **Yong-Jin Cho**  
Managing Director & CHRO
- **Kyung-Sup Han**  
Managing Director & CRO
- **Dong-Cheol Lee**  
Managing Director
- **Kyu Sul Choi**  
Managing Director

introduce products and services tailored to senior citizens in response to Korea's fast-growing aging population.

Lastly, the Group will optimize its business structure by reinforcing high-performing non-banking businesses and lay the groundwork for the Group to gradually expand its overseas operations and thus emerge as a global bank. Moreover, in order to build a basis for sustainable growth, the Group will focus on creating new profit sources such as smart finance and comprehensive real estate asset management services.

## Strategic Direction by Business

### Banking

KB Kookmin Bank will endeavor to secure the ability to generate profits regardless of business conditions by focusing its resources on improving its management efficiencies and asset portfolios in line with its objective of "sound asset management for continuous growth." The Bank will pursue qualitative growth and earn public trust by actively managing risks, greatly improving its profit structure, nurturing future growth engines, and carrying out win-win community activities.

### Credit Card

Facing weakening profitability and stricter regulations, KB Kookmin Credit Card will execute a "high efficiency, low cost marketing" strategy to maintain its mid- and long-term growth trajectory and continue to improve its internal process. The Company will carry out marketing activities aimed at retaining customers while making its business system more consumer-oriented by strengthening its brand management.

### Securities

With effective action plans for regulatory changes expected in the coming year, KB Investment & Securities will maintain its market competitiveness, including its dominance of the DCM market. The Company will expand its presence in the retail business by taking initiatives in the on-line sector and in the mobile market while bolstering its off-line channel competitiveness to generate greater profits in the wealth management sector.

### Life Insurance

Facing increasing competition, KB Life Insurance will pursue growth by diversifying its marketing channels to include Direct Marketing (DM), Total Consulting (TC), and Agency Marketing (AM) to bolster its profit stream. In response to a rapidly aging society, KB Life Insurance will strengthen its competencies in retirement planning, roll out innovative products, and bolster its product portfolio and thus the profit base by expanding sales of annuities and whole life insurance products.

### Asset Management

In anticipation of increased market competition, KB Asset Management will focus on maintaining its stable rate of return, primarily in the all-important equity funds market, and pursue growth in its market share by rolling out innovative, game-changing products. Furthermore, by introducing hedge funds and exploring various channels to market the product, the Company will play an active role in this new market of great growth potential.

### Overseas Expansion

The Group will establish overseas branches to provide financial services to Korean companies expanding abroad and strengthen strategic ties with foreign banks. By expanding its overseas network and rationalizing its business models in emerging markets, the Group will make gradual inroads into the global market and lay the cornerstones for its globalization.

### Organizational Changes

KB Kookmin Credit Card was newly established in March 2011 to strengthen the competitiveness of the Group's credit card operations, and KB Investment & Securities absorbed KB Futures to better cope with market changes following the implementation of the Financial Investment Services and Capital Markets Act (FSCMA) and to bolster the competitiveness of its IB operations. In July 2011, the Group appointed a new Chief Risk Officer (CRO) to ensure the independence of its risk management unit and thereby enhance its effectiveness. In early 2012 KB Savings Bank newly was established to better serve its low-income customers.

# Synergy Creation

KB Financial Group continues to explore various ways to maximize synergies among its affiliates, including the provision of universal financial services of the highest quality.

## Strategic Direction

In creating synergy, KB Financial Group focuses on building a platform for synergy creation, broadening the scope of synergy creation, and maximizing the combined effect of synergies in the operation of the Group's business activities.

## 2011 Results

In 2011, KB Financial Group's main objective was to maximize synergies among its affiliates through the provision of universal financial services of the highest quality. The objective was supported by three pillars: solidifying the customer base, enhancing product and service competency, and optimizing the operational base.

### Customer Base Solidified

With the goal of solidifying its customer base, KB Financial Group carried out various initiatives. To attract youth customers, the Group opened 41 "ROCKSTAR" branches, a strategic channel designed to appeal to college students and other youth. Some of the better-performing PB centers were expanded in number and scale to provide more comprehensive and competitive financial services.

### Product and Service Competency Enhanced

A recent trend in product development in Korea's finance industry was the emergence of multi-products combining deposit, credit card, insurance, and securities services. Accordingly, the Group rolled out a hybrid product that combines consumption and savings features, and also a hybrid of fund and savings that automatically directs returns into savings upon reaching its target rate of return. The Group continues to enhance its customer-oriented asset management services by bolstering its asset management service infrastructure, including an improved financial planning system.

### Operational Base Maximized

The Group relies on its multi-functional branches as a way to improve the quality of its universal financial

services, running 9 branch-in-branch outlets that provide both banking and securities services. The provision of securities services via bank branches enhances customer convenience and benefits the retail securities business. The Group has formed a task force, a project committee, and other action plans aimed at securing dominance in smart finance.

## 2012 Plans

In 2012, to maximize its synergies and marketing competencies through the provision of the best universal financial services possible, the Group will focus on implementing the following tasks.

### Strengthening the Customer Base

Have marketing goals more customer-oriented, execute marketing activities together with the subsidiaries, and provide competitive products and preferential services by customer segment through segmentation marketing.

### Enhancing Product and Service Competency

Continue developing multi-purposed products that combine credit card, Insurance, asset management, and securities, with an emphasis on traditional banking products, and further sharpen the competitiveness of customer-tailored services by expanding asset management services and improving on the real estate management services.

### Securing Leadership In Smart Finance

Develop innovative smart finance services and open "smart branches," launch various "smartphone-based" products, introduce a trail-blazing mobile payment service, and build a group-wide integrated application.

### Expanding Synergy Creation Infrastructure

Pursue higher sales capacities and more balanced growth between banking and non-banking through promoting referral/joint marketing among KB affiliates, and expand the infrastructure for synergy creation by promoting a stronger sense of unity and encouraging active and closer ties among the affiliates.

# IT System

It laid a foundation for synergy creation among the subsidiaries, enabled the efficient operation of the IT systems, and optimized the quality of the IT services.

Upon its formation, the Group adopted as a strategic IT objective improving Group-wide IT operating systems phase by phase with the goal of maximizing its synergies. For this objective, the Group set up and carried out a progressive execution strategy, forming a basis for creating synergy, improving IT management efficiencies, and upgrading IT services.

## 2011 Results

### Group IT Operation Process Established

The Group has established an IT decision-making process by creating an "IT Strategy Committee" and putting the committee in charge of examining major IT issues facing the Group and formulating effective strategies to address them.

The Group's subsidiaries all play integral roles in the newly established decision process. In addition, by setting up IT project planning and operating guidelines, the Group assists its subsidiaries in planning for their IT projects, reviews such projects, and fine-tunes them, if necessary.

The Group further arranges collaboration for any similar or overlapping steps, and monitors the project progress on a regular basis.

### Basis for Synergy Creation Formed

The Group-level CRM system, which was set up in 2010 to enable a comprehensive view of the information of all KB customers, has been brought up to date following the merger and spin-off of subsidiaries, which required, among other enhancements, customer data integration and system upgrades.

The establishment of this seamless method allowing the subsidiaries to share their customer data with one another has invigorated joint marketing and sales among the subsidiaries. Meanwhile, a mobile portal system is under construction to promote faster decision-making and smoother communication within the Group.

### IT Security Bolstered & Costs Cut

In response to increasing data breaches and IT security threats, the Group has strengthened its IT security system by implementing a number of IT security control and diagnostic programs, including an advanced PC security solution.

To cut costs and enhance efficiencies in IT system operations throughout the Group, a system has been set up to identify redundancies in affiliate IT projects and cooperate on IT projects of similar characteristics.

## 2012 Plans

In compliance with e-banking regulations and others set by government authorities, the Group plans to reorganize its entire IT operating systems by augmenting its IT human resources and revising their functions.

The Group also plans to define Group IT strategy tasks, set up group-wide standard IT policy & architecture standards, and explore various ways to optimize its IT services.

# Risk Management

We are preventing risk transference between subsidiaries, and enhancing our capabilities to proactively respond to financial environment changes.

In the area of risk management, KB Financial Group focuses its management resources, including manpower, on increasing the transparency of group risk, preventing risk transference between subsidiaries, and enhancing its capabilities to proactively respond to rapid changes in the financial environment, thereby facilitating mid-to long-term strategy implementation and efficient management decision-making.

## Risk Governance

For more effective and efficient management of inherent business risks, the Group has a BOD-supervised committee dedicated to group-wide risk management.

The primary duties of the Risk Management Committee are to establish risk management strategies in accordance with decisions made by the Group's Board of Directors (BOD), determine the group's risk appetite, examine the level of risk exposure and the status of risk management operations, and approve the application of risk management systems & methodologies and major improvements.

Composed of the chief risk officers of the Group and its subsidiaries, the Risk Management Council is a consultative body which deliberates and decides on matters entrusted by the Risk Management Committee (RMC), and also consults on detailed risk management related issues of the group.

The Risk Management Department carries out detailed risk management policies, procedure and process, and is responsible for monitoring and managing the Group's risk status and economic capital limits.

## Credit Risk Management

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

### Credit Policy

Based on its management strategies, the Group

formulates appropriate credit policies in consideration of economic outlooks, business environment, asset soundness trends and internal risk management capabilities. In accordance with these policies, loan management policies are executed by loan type—household, corporate or credit card—to ensure consistency in the application of credit policies.

The basic objective of the Group's credit policy is to maximize its value by minimizing the volatility of mid-to long-term credit cost through a stable asset quality management, which ensures steady profit generation regardless of financial conditions.

### Credit Risk Measuring & Monitoring

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

### Managing Total Exposure Limits

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

### Market Risk Management

The Group defines market risk as the threat of potential loss on a trading position caused by market factors including interest rates, foreign exchange rates, equities and derivatives, and operates an advanced system



for identifying, measuring, monitoring, controlling and reporting on these risks to which the group is exposed.

Market VaR quantifies the risks inherent in trading accounts and is a key metric of market risk, representing the maximum loss of a portfolio during a fixed period of time under normal market conditions within a certain confidence level. Moreover, to verify the validity of its VaR model, the Group conducts daily back testing and compares the actual and hypothetical profits & losses against VaR calculations.

#### **Interest Rate Risk Management**

The Group defines interest rate risks as the risks that could reduce its net asset value or net interest income (NII) from fluctuations in interest rates. The Group's principle interest rate risk management objectives are to manage assets and liabilities overall to maximize net interest income within acceptable risk limits, and also to minimize potential losses on net interest margin from adverse interest rate fluctuations.

#### **Liquidity Risk Management**

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

#### **Operational Risk Management**

The Group defines operational risk as all financial and non-financial risks arising in the course of operations which may adversely affect the Group's capital. The objectives of the Group's operational risk management include satisfying regulatory requirements, as well as

cultivating a strong risk management culture through the reinforcement of internal controls and the improvement of work process.

#### **Economic Capital Management**

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

#### **Stress Testing**

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

#### **2012 Plans for Group Risk Management**

In 2012, as Euro budget crises are expected to continue threatening a global economic crisis, the low growth momentum of the Korean economy is more than likely to intensify. As such, risk management for long-term low growth is expected to play a prominent role more than ever. In response to these expectations, the Group will maintain its readiness to proactively respond to changes in the business environment while continuing to upgrade its enterprise risk management through strengthening the Group's ERM system.

# Corporate Governance

The Group pursues a world-leading corporate governance structure and adheres to the principles of corporate governance stipulated by the NYSE.

## Board Structure & Composition

The Board of Directors (BOD) of KB Financial Group comprises 13 members, including nine non-executive directors as of March, 2012, all appointed at the general shareholders' meeting.

All non-executive board members are professionals in their respective fields with extensive experience in areas such as finance, management, law, and accounting. Candidates for non-executive directors are nominated by the Non-Executive Director Nominating Committee that evaluates their qualifications on relevant regulations and the Group's articles of incorporation. The chairman & CEO is elected by the BOD after being nominated by the Chairman Nominating Committee, which consists solely of non-executive directors. The Chairman of the BOD is elected from among the non-executive directors and presides over the Board to ensure its active operation.

## Major Activities in 2011

In 2011, the BOD convened 13 times during which it discussed over 32 business reports and passed 25 resolutions. At the regular quarterly meetings, the BOD reviewed quarterly operation results and discussed diverse issues relating to the operation of the Group. At an interim board meeting held in the second half of the year, the BOD deliberated on the acquisition of a savings bank, and at a December interim meeting, approved the budget and management plans for the 2012 fiscal year. Informal gatherings for discussions also were held to review market environment countermeasures and key management issues.

## BoD Committees

### Audit Committee

The Audit Committee, made up of non-executive directors to safeguard its independence from the top management of the Group, evaluates the appropriateness and effectiveness of Group activities and internal control

systems. It provides insight into vulnerable areas and improvement plans, and takes appropriate post facto action. All of its non-executive directors possess qualifications set forth in the Group's regulations and articles of incorporation, and two of them are financial professionals pursuant to the articles of incorporation and relevant laws.

### Board Steering Committee

The Board Steering Committee consists of the CEO, the BoD chairman, and committee chairmen, and is chaired by the chairman of the Board. It oversees improvement of the corporate governance structure and operational efficiencies of the Board and Committees and monitoring of training programs for directors, and collection of shareholders' opinions.

### Management Strategy Committee

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

### Risk Management Committee

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

### Evaluation & Compensation Committee

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

## Shareholder Relations

KB Financial Group puts first its shareholder rights and values, including voting rights and maximum fairness and transparency in general shareholders' meetings (GSM).

## Board of Directors

<p><b>Kyung-Jae Lee</b></p> <ul style="list-style-type: none"> <li>● Chairman, Board of Directors</li> <li>● Chairman, Board Steering Committee</li> <li>● Member, Risk Management Committee</li> </ul>	<p><b>Jae-Wook Bae</b></p> <ul style="list-style-type: none"> <li>● Lawyer, Baejaewook Legal Office</li> <li>● Chairman, Evaluation &amp; Compensation Committee</li> <li>● Member, Audit Committee</li> <li>● Member, Board Steering Committee</li> </ul>	<p><b>Young-Jin Kim</b></p> <ul style="list-style-type: none"> <li>● Professor, Seoul National University's College of Bus. Administration (CBA)</li> <li>● Chairman, Risk Management Committee</li> <li>● Member, Audit Committee</li> <li>● Member, Board Steering Committee</li> </ul>
<p><b>Kun-Ho Hwang</b></p> <ul style="list-style-type: none"> <li>● Advisor, Korea Financial Investment Association (KOFIA)</li> <li>● Member, Audit Committee</li> <li>● Member, Evaluation &amp; Compensation Committee</li> </ul>	<p><b>Jong-Cheon Lee</b></p> <ul style="list-style-type: none"> <li>● Professor, Soongsil University, Dept. of Bus. Administration</li> <li>● Chairman, Audit Committee</li> <li>● Member, Board Steering Committee</li> <li>● Member, Evaluation &amp; Compensation Committee</li> </ul>	<p><b>Sang-Moon Hahm</b></p> <ul style="list-style-type: none"> <li>● Professor, KDI School of Public Policy</li> <li>● Member, Risk Management Committee</li> <li>● Member, Evaluation &amp; Compensation Committee</li> </ul>
<p><b>Seung-Hee Koh</b></p> <ul style="list-style-type: none"> <li>● Professor, Sookmyung Women's University</li> <li>● Chairman, Management Strategy Committee</li> <li>● Member, Board Steering Committee</li> <li>● Member, Risk Management Committee</li> </ul>	<p><b>Young-Nam Lee</b></p> <ul style="list-style-type: none"> <li>● CEO, EZ Digital Co., Ltd.</li> <li>● Member, Audit Committee</li> <li>● Member, Management Strategy Committee</li> </ul>	<p><b>Jae-Mok Cho</b></p> <ul style="list-style-type: none"> <li>● CEO, ACE Research Center Co., Ltd.</li> <li>● Member, Management Strategy Committee</li> <li>● Member, Evaluation &amp; Compensation Committee</li> </ul>
<p><b>Yoon-Dae Euh</b></p> <ul style="list-style-type: none"> <li>● Chairman &amp; CEO, KB Financial Group Inc.</li> <li>● Member, Board Steering Committee</li> <li>● Member, Management Strategy Committee</li> </ul>	<p><b>Young-Rok Lim</b></p> <ul style="list-style-type: none"> <li>● President, KB Financial Group Inc.</li> <li>● Member, Risk Management Committee</li> </ul>	<p><b>Byong-Deok Min</b></p> <ul style="list-style-type: none"> <li>● President &amp; CEO, KB Kookmin Bank</li> <li>● Member, Management Strategy Committee</li> </ul>
<p><b>Vaughn Richtor</b></p> <ul style="list-style-type: none"> <li>● CEO, ING Banking Asia</li> <li>● Member, Management Strategy Committee</li> </ul>	<p>● Non-Executive Directors   ● Executive Directors   ● Non-Standing Directors</p>	

### Written Absentee Voting System

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

### Providing Information on GSM

Two weeks before the GSM, the Group mails out materials relating to the meeting's agenda to all shareholders. A total of 193,799 shareholders received the information materials for the Group's fourth Annual General Shareholders' Meeting.

### Internal Control over Financial Reporting

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

### Redesigning internal controls

The Group has redesigned internal controls over financial reporting following its 2011 adoption of IFRS. In addition, as a way to confirm the adequacy of its internal controls in preventing distortions of financial data, all managers in charge of financial reporting and internal control officers are required to appraise the reports and the internal control office evaluates the appropriateness of the appraisals.

### Evaluating internal controls

The Group's internal control over financial reporting is practiced in the course of operations by the Board of Directors, the Audit Committee, the management, mid-level managers and employees. Having evaluated the effectiveness of its internal controls over financial reporting in accordance with Korea's Internal Accounting Control System(IACS) standards and U.S. Statement on Auditing Standards(SAS), the Group found them as of December 31, 2011 to be effectively structured in all material respects.

# Corporate Culture

The Group continues to lay a basis for creating manpower synergies by setting up a cooperative system of dealing with HR issues among the subsidiaries.

## 2011 Results

### Mission-oriented Corporate Culture

As part of its plan to achieve its mid-and long-term vision, the Group has defined a mission and five core values based on an analysis of its corporate culture, management feedbacks, and a survey of around 2,000 employees.

The newly delineated mission is to “Touch Customers' Hearts”; it conveys the Group's resolve to more than satisfy customers with the best possible products and services, and thereby, earn customers' trust and respect. The five core values that make up the foundation of the mission are: "customer-oriented," "professional," "innovative," "speedy," and "performance-oriented."

### HR Management

The Group enhanced efficiencies in its HR management by reallocating employees following the spin-off of KB Kookmin Card. The Group's flagship KB Kookmin Bank downsized its HQ personnel and reshuffled its branch workforce. The Bank also filled important positions such as division managers and deputy managers through in-house open invitations.

### Bolstering Employee Competencies

The Group coordinated a range of in-depth job competence programs, all designed to help professionals advance in their own business areas. The Bank conducted over 300 job training, “Sunday College,” and job-rotation programs, including intensive language and area-specific specialist training programs. To cultivate superior leadership the Bank set up a “KB Finance MBA” program for high-potential employees to take MBA courses at domestic and overseas institutions.

### Labor-management Relations

KB Financial Group Inc. and its subsidiaries each operates its own labor-management council. Of the subsidiaries, KB Kookmin Bank, KB Kookmin Card, and KB Real Estate Trust each has a labor-management council as well as a labor union. In particular, labor-management relations at the Bank are of critical importance as it is the Group's

flagship. As such, the following section will highlight the Bank's labor-management relations .

### Major Labor-Management Issues

The three labor unions that remained following the Bank's mergers with other banks converged under a system of three co-union leaders for a period of time, and then merged into one union in January 2008. The Bank's management and employees together played pivotal roles in the smooth creation of the holding company in 2008, and agreed to a salary freeze to help the Bank cope with the financial crisis of 2008.

In 2009, in response to a nationwide “job-share” campaign, they agreed to a 5% across-the-board pay cut and to a mandatory use of annual leave. In 2010, to enhance management efficiencies, the Bank and the union agreed to a voluntary retirement plan involving 3,244 staff and employees, the largest of its kind in the history of Korea's financial industry. In 2011, although there was an initial demand for a wage increase enough to compensate for the 2008 wage freeze, the union, having constructively negotiated with the management side, finally agreed to a level suggested by an executive committee, thus contributing to a model labor-management relationship.

## 2012 Plans

### Main Labor-Management Issues and Tasks

One of the main labor-management issues facing the Bank in 2012 is the union's participation in the Group's management through recommendations of candidates for non-executive directors, a common goal among bank unions in Korea. The Bank will pursue a rational result through an earnest labor-management dialogue sorting through the pros and cons of labor's participation in the management of the Group.

# KB GoodJob

KB GoodJob is a response to Korea's growing unemployment issue, especially among recent college graduates in search of a way to apply their hard-earned knowledge and skills.

## Project Introduction

In January, 2011, as a way to promote employment and alleviate a growing social issue, the Group launched "KB GoodJob," a community service project aimed at matching businesses looking for people to hire and people looking for a place to work.

## How the Project Works

KB GoodJob promotes employment through its portal site ([www.kbgoodjob.co.kr](http://www.kbgoodjob.co.kr)) where potential employers and job seekers can post their needs, search the database for answers to their needs, or both.

KB GoodJob has been well received by both potential employers and employees alike, for the site is programmed in such a way as to emphasize the quality, not the quantity, of the information available: its extensive job-offer database includes sound and promising SME clients who long have been banking with KB Kookmin Bank through its network of 1,200 branches, while the list of job seekers includes genuine academic references made possible because of the Group's close relationships with its institutional clients in education. As of 2011-end, the portal site has about 14,000 job seekers and 7,400 businesses registered.

In addition to providing a matching service, the Group offers a variety of free financial services and support to its business clients who hire employees through the site: business and tax consulting services, management and leadership training for the employees, and a 500,000 won cash offer per employee thus hired.

## Efforts to Improve the Project

To expand the pool of superior job offers and seekers, the Group cultivates its ties with relevant institutions. In addition to Korea Medium Industries Association which joined as the project's first sponsor, the Korea Chamber of Commerce, KOSDAQ Association, and Korea Venture

Business Association have pledged their support. Practicing what it preaches, KB Kookmin Bank hired eight high-school graduates in 2011. The Group's commitment to the promotion of youth employment extends beyond the cyber space to actual job fairs.

The Group held a "2011 KB Good SME Job Fair" in Incheon, a city known for its high concentration of SMEs that in general have trouble attracting qualified workers despite a high unemployment rate nationwide. Over 200 SMEs and 12,000 job seekers participated in the job fair, which offered job seekers a recruiting tour of nearby companies in need of workers.

Another job fair was held in December, using state-of-the-art video communications technology to offer real-time interview opportunities between job seekers and businesses located too far or too busy to participate in the fair.

The Group plans to expand its pool of job seekers to include baby boomers, military officers ready to retire, people in their 40s and 50s, as well as housewives as a way to help create a greater economic opportunity for the generations increasingly falling behind the progress of technology.

# Social Contribution

We continue our role as a model corporate citizen by founding a non-profit foundation to promote a culture of sharing and volunteering.

## Major CSR activities in 2011

### The KB Foundation Established

On May 12th, KB Financial Group created “KB Foundation” to support the people’s economic independence and spread a culture of sharing and volunteering. Founded with a 20 billion won collective fund from the KB affiliates, the Foundation mainly carries out economic and financial education and scholarship programs. The group plans to increase the fund to 100 billion won by investing less than 1 percent of its profits annually.

### CSR Activities at the Group Level

KB Financial Group, together with its subsidiaries, carries out social contribution projects based on four core project themes: “youth,” “the environment,” “the global,” and “wellbeing of the aged.”

The Group provides funding support for constructing welfare centers that help disabled children of low income families, arranges vehicle assistance to welfare facilities for seniors, the disabled, and other socially marginalized persons, and supports the creation of inner-city parks designed to restore the urban ecosystem and provide people with places to relax.

### KB Kookmin Bank

#### “Profit Should Entail Good Deeds”

Celebrating the 10th anniversary of KB Kookmin Bank, President & CEO Min stressed for all employees to think “righteousness” when making profits. His words are a direct testament to the KB spirit of taking the lead in social responsibility, thereby contributing to public wellbeing and progress. In 2011, the bank focused on youth sponsorships, global support programs, and local community projects.

#### Youth Sponsorship

The Bank carried out youth sponsorship projects with a focus on providing needy youths with equal learning opportunities. “KB Small Library” aims at helping to reduce the information gap among the youth living in under-developed areas; “KB Happy Meal” provides school

meals for students of low-income families; and “KB Hope for Child Welfare Center” helps children with their school studies.

### Global Support

The Bank reached out to the needy overseas. It launched “RaonAtti,” similar to the Peace Corps, that helps underprivileged Southeast Asians fight poverty, hunger, and natural disasters. The Bank also helped children of multicultural families in Korea by providing them with university student mentors, Korean language education, and support for multi-cultural activities.

### Local Community Actions

The Bank worked with the Korean chapter of Food for the Hungry to reach out to needy families. The Bank bought daily necessities from a nearby traditional market for some 6,000 families and donated to 33 welfare facilities gift cards purchased from the market. This event was a new form of social contribution, benefitting both traditional markets and needy people nearby.

### Promoting Green Growth

The Bank planted around 20,000 trees as part of its participation in the “Eco-Tree Campaign” promoting low-carbon green growth. In addition, the bank engaged in an energy conservation campaign run by the Korea Energy Management Corporation. The energy saved through the summer campaign was calculated into monetary terms, and the sum was donated to the needy in the winter.

### CSR Products/Services

The Bank launched a series of social contribution products. Installment savings products that pay up to a 7 percent per annum interest rate were created for the socially marginalized, such as basic living assistance recipients, children without providing parents, North Korean defectors, and foreign women who came to Korea to marry.

## KB Kookmin Card

### Helping teenagers become “money” smart

KB Kookmin Card launched education programs to help youngsters improve their understanding of economic and financial mechanisms and acquire rational consumption habits. Company employees gave classes to students from elementary to high schools, with the contents of the classes adjusted to the students' varying levels. The classes covered the basics of finance, types of financial products, and interest rates and exchange rates.

### Multicultural Festival Sponsored

The Company sponsored a multicultural festival for immigrants residing in Korea, who actively took part in the organization and preparation for the event. The festival featured traditional dance shows, a parade of flower-decked objects, and a flea market. The event also acted as a forum for information and cultural exchange among multicultural families and immigrant workers.

### Caring for the Elderly

In 2011 some 460 staff and employees of KB Kookmin Card visited a total of 400 homes of old people living alone as part of a company campaign to help the elderly living without a caring family. In addition to delivering rice and other daily supplies, the volunteers cleaned the living places and did minor home repairs.

### Donating through “KB Pointtree Card”

In 2011 the Company, as it had done for the past five years, donated to Good Neighbors, UNICEF, and the Community Chest of Korea a sum totaling KRW300 million. The donation was raised by setting aside KRW1,000 each time its "Point Card" was issued.

## KB Investment & Securities

KB Investment & Securities collects donations through organization-wide fund raising activities to provide food supplies to its underprivileged neighbors. In addition, the Company builds libraries at branches of elementary schools, revamps classrooms, and donates books to enhance the educational environment of rural children.

## KB Life Insurance

KB Life Insurance supports the activities of an in-house volunteer group to share love and happiness with the socially marginalized and children of low-income families. All employees take part in various volunteer activities for over 10 hours per person annually and together share the social responsibility of the Company.

### KB Asset Management

KB Asset Management's social contribution project, which was temporarily suspended due to facility renovation, resumed its free-meal program at the newly remodeled center. Through various CSR activities, the Company has donated KRW 95.6 million.

### KB Real Estate Trust

KB Real Estate Trust runs various social contribution projects in which all employees each voluntarily spends 10 hours a year. The projects include annual visits to children welfare centers to support the underprivileged children and teenagers as well as visits to senior facilities to help senior citizens.

### KB Investment

To encourage a greater sense of care and commitment to community among employees, KB Investment concentrates its social responsibility efforts on visiting the elderly in senior facilities, housecleaning their dwellings and making kimchi together.

### KB Credit Information

On the second Tuesday of each month, KB Credit Information employees visit community welfare centers in its vicinity to provide free meals to low-income families and the homeless.

### KB Data Systems

KB Data Systems promoted the Save the Children's “Caps for Good Program,” a hat knitting campaign to help protect infants in some of the world's poorest countries. On December 23rd, after a month-long campaign, a total of 157 baby caps knitted and crocheted by the employees were delivered to the Save the Children Korean branch.

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

## Retail Banking

In 2011 KB Kookmin Bank achieved laudable business results in spite of the year's business and market conditions of the year. It strengthened its customer base by adding 120,000 new customers, boosted deposits and loans by KRW 8.9 trillion and KRW 9.7 trillion, respectively, and focused its sales resources on the growing pensions, bancassurance, and foreign exchange markets, thus bolstering its non-interest income base.

### Sales Channels Strengthened

The Bank consolidated and upgraded its branches to cut costs, improve manpower efficiency, and generate synergy through universal financial service. Specifically, the Bank integrated all of its retail and corporate banking branches, except for those serving large corporations, and expanded the corporate banking capacity of its retail branches, and upgraded 46 field offices to "mini" branches.

To strengthen its youth customer base, an important source of future growth, the Bank opened near university campuses 41 "Campus Plazas", a new channel designed to appeal to the tastes of youth, attracting over 200,000 accounts in a short period.

In response to increasingly diverse customer needs, the Bank increased the number of branch-in-branches that provide both banking and securities services and established a comprehensive mid-to-long-term plan based on a quantitative and qualitative analysis of its branches. To implement the plan, the Bank increased the number of mini branches that reflect local and customer characteristics, downsized branches where necessary, and consolidated or relocated low-performing branches.

All these activities led to improved efficiency and

competency in the management of the Bank's sales channels.

### Excellence in Customer Service Maintained

The Bank made its utmost effort to raise the level of customer service another notch higher by channeling more resources into customer-oriented sales activities and investing in human resources. In recognition for such efforts, the Bank placed first in Korea's most prestigious customer survey, known as the NCSI (National Customer Satisfaction Index), for a sixth year in a row, thereby setting an industry record. The Bank ranked first in other prestigious industry surveys, including for a fifth consecutive year in the KCSI (Korean Customer Satisfaction Index), demonstrating the Bank's continued reputation as the financial institution with the highest customer service quality in Korea.

### Customer Value Enhanced

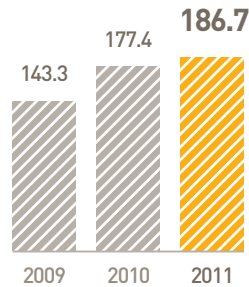
The Bank carried out various measures designed to preempt customer complaints. Posters were put up at all branches outlining the process for filing customer complaints, providing clear reminders to customers and the branch employees that the Bank takes its complaints seriously. In addition, "Help Desks" were set up to deal with any customer service issues on site. The Bank's website and call-center also were employed to hear customer voices.

### New Funds and Insurance Products Launched

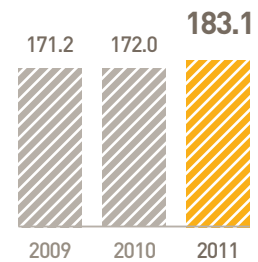
The Bank strengthened its product competitiveness by offering innovative products including hybrid asset management products, medium-risk/return equity-linked funds, and overseas investment funds, all to cater to diverse customer needs. In cooperation with a leading insurance firm, the Bank launched a pension plan that can be customized to suit the demands of individual subscribers. The Bank also bolstered its product line-up



**Deposits in Won**  
(KRW in Trillions)



**Loans in Won**  
(KRW in Trillions)



by introducing variable annuity insurance products and equity-linked savings insurance products.

### Corporate Banking

#### Leading Bank Status Fortified

Despite fierce competition among domestic and foreign underwriters, the Bank successfully played its role as a lead underwriter in various large-scale SOC projects, including the refinancing of a subway project cutting across the heart of Seoul. The Bank also arranged a number of investment finance deals, including four M&As and major real estate PF projects. These mega deals helped put the Bank among the top-tier players in the domestic syndicated loan underwriting market and strengthened its non-interest income base.

#### New Businesses Created

In 2011 the Bank became the first domestic commercial bank to enter the thermal power generation finance market when it was selected as the finance adviser and underwriter of a LNG combined-cycle power plant project. This significant undertaking was followed by a string of similar projects—including the Chuncheon LNG cogeneration plant project, the Daeegu Innocity LNG cogeneration plant project, and the Jeju Offshore Wind Farm project—which helped the Bank become a major contributor to the development of the Korean power plant industry. Furthermore, last November, the Bank successfully held the “KB Power Conference 2011,” a forum that provided information on developing and funding the power plant industry and funding, attracting more than 200 customers of financial and other related institutions.

#### Income Sources Diversified

By expanding its sound asset-based sales, the Bank will continue to augment its role as a market leader in

investment finance and thus further solidify its dominance of the domestic SOC, real estate project, and M&A finance markets. To secure future income sources, the Bank will pursue the diversification of its business base through various avenues, including expansion of direct and indirect investment operations, and synergy creation via cooperation with its affiliates in the IB area.

Having entered the domestic realm of power industry financing, the Bank will redouble its effort to secure a leading position in this fast-growing market. In addition, to acquire future growth engines, the Bank will expand into new business areas including NPL Biz funds and maintain its market dominance in the real estate PF market by working closely with its affiliates and rolling out guaranteed purchase funds and other specialized products.

#### Outstanding SMEs Identified and Supported

In an effort to fulfill its corporate social responsibility as the biggest domestic financial institution, the KB Kookmin Bank introduced the “Hidden Star 500” program to identify and support small- and medium-sized blue chip companies in Korea. Launched in February 2011, the program is designed to first identify promising SMEs with technological competitiveness and large growth potential, and then to help these companies become world-leading companies.

In 2011 alone, 106 SMEs were selected and received both customized financial and non-financial services including a total of KRW 483.6 billion in loans, favorable interest rates, and free consulting services. Additionally, the Bank will select some 400 SMEs by 2013 and provide them with a wide range of customized support. By successfully managing the “Hidden Star 500” program, the Bank seeks to induce a virtuous cycle in which highly performing SMEs lead to an increase in exports, more job

creation in the labor market, and thus overall growth of the Korean economy.

#### **Overseas Operations Expanded**

The Bank has focused on reinvigorating Kazakhstan's Bank Center Credit by transferring its core competencies including technology and know-how. Furthermore, the Bank strengthened its presence in Vietnam by opening two branches, and launched a taskforce to establish a subsidiary in China.

#### **Dominance in DC Pensions Consolidated**

In the DC pension market, the Bank bolstered its pension plan line-up by enhancing profitability and diversifying asset management methods. As a result, the Bank became the sole pension provider to operate in the black, posting KRW1,266 billion in total pension contributions, up 59% from the previous year. The Bank maintained its No.1 position in the domestic DC pension market for five consecutive years and became the industry leaders in terms of the number of pension holders, numbering around 160,000 customers as of 2011.

#### **New Growth Business**

KB Kookmin Bank is a clear leader in private banking, e-banking, and green banking. In 2011, the Bank added real estate services to its list of new growth businesses.

#### **PB Business**

The Bank has the most extensive PB center network in Korea, retains the best and brightest wealth managers in the industry, and tailors its PB products and services to HNW customers. In 2011, the Bank became the first in the industry to open a large-scale PB center reserved for VVIP clients complete with first-class infrastructure and a special team made up of professionals including

top-notch wealth managers, tax accountants, real estate specialists, and corporate finance consultants to better meet customer demands. In addition, the Bank distinguished itself by providing specialized services at large PB centers and offering a wide range of financial services including brokerage services through the Branch-in-Branch (BIB) network at the KB Kookmin Bank PB Centers, as well as special products and services in cooperation with other KB affiliates.

Moreover, the Bank launched "STAR TABLE," a new asset management service brand, to approach customer asset management in a more systematic and scientific way, and expanded the service to all customers seeking asset management services.

By moving away from the product-centered sales approach, the Bank strove to provide comprehensive asset management services to customers through a systematic process.

#### **Green Business**

By introducing "green" loan products, the Bank seeks to lead the development and promotion of green business and discover new business opportunities.

The Bank cemented its image as a Green Bank by forming "KB Carbon Neutral Forests" and sponsoring the "National Green Technology Awards." The Bank also actively carried out activities related to sustainability management such as the publication of a "2010 Sustainability Report" in both Korean and English, setting up a KB GEMS (KB Greenhouse Gases Energy Management System), and conducting "Energy(-) Love (+) campaign" to promote conservation awareness.

In recognition for its environmental efforts, the Group was included in the DJSI Asia Pacific & Korea Index, and

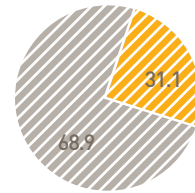
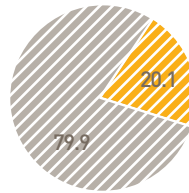
M/S in Internet Banking

(%)

M/S in Mobile Banking

(%)

■ KB Kookmin Bank  
■ Others



for three consecutive years, and was named a “2011 Outstanding Corporation in Governance”. In addition, the Bank won a “Carbon Disclosure Project (CDP)” award, the “Grand Award in Green Business,” the “1st Asia Today Finance Award,” and the “Innovative Management Award at the 6th Grand Awards for Excellencies in Sustainability Management.”

#### Dominance of e-Banking Strengthened

The Bank is an undisputed leader in e-banking. As of 2011 year-end, its e-banking customers number 15.0 million in Internet banking (20.1% of the market), 4.2 million in mobile banking (31.1%), and 2.2 million in smartphone banking (21.2%). By introducing various SNS-based products and multiplatform-based services, the Bank sought to improve customer service. As a result of its market leadership efforts, the Bank was honored at the industry’s most prestigious competitions, including the “Web Award 2011.”

#### Capital Markets

##### Derivatives Sales Bolstered

In 2011, the Bank continued its derivatives marketing efforts to attract new customers despite adverse market conditions caused by the persistent U.S. economic recession and the expanding European financial crisis. Consequently, its institutional client business grew 37% compared to the previous year. In particular, the Bank successfully attracted non-residents such as overseas central banks into its customer base. In the year 2012, the Bank will strive to expand its derivatives business to overseas investors interested in Korea’s capital market. Furthermore, it plans to cement the potential growth base for derivatives as a stable source of income by attracting new customers such as Korean hedge funds. The Bank also desires to become the nation’s best bank in

derivatives by meeting customer needs with new services including online exchange rate reservation services and further strengthening its internal control and risk management.

##### Pre-emptive Risk Management in Trading

In the area of trading, the Bank, facing the European budget crises, a credit downgrade of the U.S., and concerns of a slowing economy, focused on managing risk in a pre-emptive manner and bolstering its trading competencies. In the coming year, the Bank plans to lead the derivatives market and thus enhance profitability by developing customer-oriented products.

#### Trust

##### De-facto Leader in Trust Business

The Bank is Korea’s de-facto leader in the trust business, managing over 2,900 funds for some 200 asset management, pension fund, and insurance companies. In 2011, the Bank ranked first in market share in the areas of investment trust and insurance trust. The Bank’ has dominated the investment trust market for the past nine years.

##### Industry Recognitions at Home and Abroad

Market acclaim for the Bank’s excellent service brought about coveted industry recognitions at home and abroad. In Global Custodian’s 2011 survey, the Bank ranked first among domestic and foreign trust businesses and received the “Top-Rated” mark for six consecutive years. At “2011 Korea Awards” and “Service Provider Awards,” both hosted by Asian Investor, the Bank was awarded the “Best Custodian Bank” and was selected as the “Best Asian Bank for Cross Border Custody,” respectively.

# KB Kookmin Card

KB Kookmin Card was spun off with the vision of becoming “Korea’s best daily life solution provider” to effectively deal with fast-evolving market changes and to strengthen the competitiveness of the Group’s non-banking businesses.

KB Kookmin Card was spun off from Kookmin bank on March 2nd, 2011 to enhance the competitiveness of the Group’s card business and non-banking sector. As of the end of 2011 customers with KB credit cards and check cards numbered 10.4 million and 13.3 million, respectively, while corporate card clients came to 877,000.

Total card sales amounted to 75.2 trillion won. With a full lineup of diverse card products and industry-best customer service, KB Card has been maintaining a cutting edge, steadily solidifying its position as a leading card company in an increasingly competitive market.

## 2011 Results

### Maximizing Customer Value

In 2011, KB Kookmin Card sought to enhance customer value and brand loyalty by developing new products and services that keep up with fast-growing customer needs: 27 products were rolled out, including "KB Kookmin Wise Card," which was introduced to mark the foundation of the Company. Also launched was "DC# Member Store," a service developed exclusively for KB Card merchants. In addition to products and services, the Company continues strengthening its CRM competencies as a way to gain an upper hand in customer management.

### Optimizing Management Competencies

Upon establishing itself as an independent entity, the Company expanded its local network extensively to reinforce its marketing competencies. The 20 card business units of the former sales network, plus five new ones, were elevated to branches, while membership signup offices jumped from four to 11.

In addition, the Company carried out various promotions

throughout the year aimed at helping KB Kookmin Bank branches better market KB cards, such as card membership drives, and advertisements of card discount features as ways to generate synergies at the Group level. Though these efforts, the Company was able to sign up 1.7 million new members, more than its competitors. Such an addition to the customer base will play a crucial role in sustaining the Company’s growth in the future.

### Expanding the Future-Growth Foundation

To secure sustainable growth as well as diversify its revenue base, the Company expanded its “living service” aimed at improving the quality of life of its customers. TM centers were established to run insurance agencies and sell credit guarantee products.

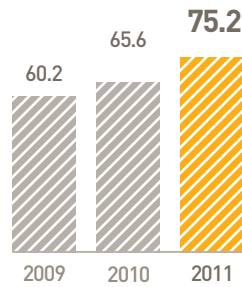
Furthermore, to increase card transactions, the Company launched automatic payment services involving apartment maintenance fees and various utilities bills. In line with a growing smartphone-based convergence of telecommunication and finance, the Company launched a NFC-based mobile card service and continued its efforts to expand gradually its presence in a fast-growing market.

### Maximizing the Efficiency of Management

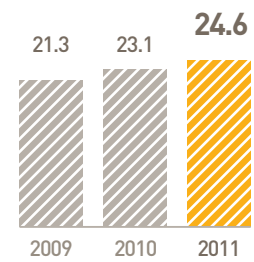
The Company also carried out an internal business diagnosis and launched a management efficiency program at the time of its establishment. Specifically, 54 issues, including subjects of “Change and Innovation” and core strategic tasks, were selected and analyzed to figure out ways to make them more efficient and customer-oriented.

Moreover, a new personnel system was adopted and implemented in a progressive manner, as a way to

**Sales**  
(KRW in Trillions)



**Card Holders**  
(KRW in Millions)



cultivate a performance-based corporate culture by making it clear that the performance of each business unit and individual is directly linked to just rewards and thereby motivate excellence in staff and employees.

## 2012 Plans

### Market Prospects

In 2012 the card market is expected to grow by 10~11% compared to the preceding year, while total credit sales are projected to hover around 560~570 trillion won.

Despite these expectations, however, the card industry as a whole is likely to suffer loss in profitability: increasing marketing and joint-service costs owing to growing industry competition and decreasing merchant fees due to government policies are likely to cut deep into the industry's bottom line.

The card market will continue to be dominated by four major players, with Shinhan Cards in the forefront. With the impending merger of Hana SK and KEB Cards, a possible market entry by the behemoth Nonghyup's, and the growing presence of telecommunication businesses, the market is sure to become more competitive than ever.

### Goals and Plans

In 2012, the Company will focus on expanding its revenue base for sustainable growth. To better deal with all the expected challenges this year and thus maintain its market position, the Company will continue to improve internal processes and fine-tune its low-cost and high-efficiency business strategy.

While further bolstering its competencies towards

improving profitability, the Company will formulate a customer segment-specific marketing scheme aimed at enhancing brand power and thus improve customer retention. Furthermore, through diversifying revenue sources and gradually expanding overseas markets, the Company will maintain its leadership role in new markets. Lastly, the Company will continue to strengthen risk management competencies by optimizing its process for card assets and loans.

### 2011 Awards and Recognitions

- "Customer Inspiration Management Award" (4th year), "Korea's Best Brand Card Award," and "Korea's Best-loved Brand Award" (Korea Economic Daily)
- "Hit Product of 1st Half" (Wise Card)(Munwha Daily, Seoul Daily, Kyunghyang Daily)
- "Proud New Product" (Wise Card), "No. 1 Customer-satisfied Check Card," and "CEO of the Year" (Korea Mgn. Assn.)
- "Consumer Choice Award" (Korea Ad Academy)
- "Financial Innovation Grand Award"(Wise Card) (Joongang Daily)
- "Korea Highest Brand" (Brand Stock)
- "No.1 Corporation in Standard Quality" (Korea Standards Assn.)

# KB Investment & Securities

In 2011 KB Investment & Securities secured a solid foothold for balanced growth through strengthening its core wholesale operations as well as expanding its retail business base.

Since becoming a wholly-owned subsidiary of KB Financial Group in March 2008, KB Investment & Securities has set its sight on becoming the nation's leading comprehensive financial investment company, leveraging the Group's vast business and branch networks as well as its highly competitive IB division.

The Company's wholesale side is comprised of its core units, including: DCM (Debt Capital Market), which came in the first place in underwriting corporate bonds/ABS underwriting in 2011; Corporate Finance, utilizing its specialized workforce and extensive client network to lead the industry in structured securities/stocks and development of diversified structured financial products; Institutional Sales, taking advantage of its outstanding research competitiveness to offer quality security consignment, financial product, investment consulting, and other various financial services to institutional investors and foreign investors; Trading, generating stable returns from bond, equity, derivatives management with advanced financial techniques; and finally, Investment Banking, specializing in M&A advisory, financial consulting services, PEF, and SPAC creation.

Moreover, with an eye towards becoming the industry's best asset manager, the Company is also investing in the retail securities business to expand its individual customer services using the Group's extensive network. The Company has growned its online trading channels through continuous upgrades of its HTS while launching an online bond sales system and a mobile trading system. In addition, since 2010 the Company has been expanding customer contact points by establishing BIBs (branch-in-branch) at some of KB Kookmin Bank's PB centers or branches, thereby providing securities-related services to its customers. With a 2010 business license for OTC derivatives trading and the 2011 integration of KB Futures, the Company has established a system that allows for a

more diverse range of financial investment products and services such as ELS, domestic and overseas derivatives, F/X margin trading services and others. The Company is also endeavoring to provide innovative products and services best-suited for customer wealth management so as to become a true financial investment partner that can contribute to customer asset building.

## 2011 Results

Through strengthening its core wholesale operations as well as expanding its retail business base, the Company was able to secure a solid foothold for balanced growth. Specifically, it continued to grow based on a stable income structure, performing laudably in its institutional sales/corporate finance/IB/retail operations even in the face of increasing volatility and growing uncertainties in financial markets abroad, which had hurt sales in trading.

### **Bolstering Wholesale Business Competitiveness**

Leveraging its dominance of DCM, in 2010 the Company reaped visible results from its IB business's full line-up that was completed through years of investment. The Company expanded its income sources by successfully completing its first IPO (eMnet), listing the 1st SPCA in the market, and sealing various M&A financial advisory deals.

The Company has been recording sustainable growth in income and M/S by actively utilizing its institutional sales operations through recruiting sales experts and strengthening its research competitiveness.

In addition, by absorbing KB Futures in March and launching a full-scale operation in OTC derivative products starting in February, the Company further expanded its wholesale business sphere into one worthy of a large-scale comprehensive financial investment company.

**M/S in DCM  
(Underwriting CBs/ABS)**  
(%)

■ KBI & S  
■ Others



**Expanding the Retail Business Base**

As for its retail operations launched in February 2009, the Company established a system for providing a more diversified range of financial investment products such as ELS, ELW, domestic and overseas derivatives, FX margin trading and other services, thereby expanding its client base.

Such a diverse product range became available following an addition of BIBs, the launch of OTC derivative products, and the absorption of KB Futures. As a result of these developments, the Company secured 1.72% of the individual stock market (a 30% or 0.40%p year-on-year increase) and reached the 3 trillion won mark in AUM in retail business (a 99% or 1.5 trillion won year-on-year increase). The Company will continue pursuing a channel expansion strategy that includes an addition of five BIBs, bolstering Group-level joint marketing, and augmenting its product line-up, in order to further strengthen its market position and profitability.

**Growth through Management Efficiency**

To achieve balanced growth between its wholesale and retail businesses, the Company endeavored to strengthen its fiscal health and risk management system. In line with these efforts, the Company increased its capital by 100 billion won through a rights offering. In addition, the Company will continue with policies designed to achieve improved profitability and productivity through more efficiently managing the CIR (Cost Income Ratio).

**2012 Plans**

The Company will unceasingly work towards achieving its top four priorities: expanding its retail business base, consolidating its current position in wholesale business, sharpening the competitive edge of its products and services, and improving its IT infrastructure.

With these efforts, the Company will strive to attain its strategic objective of establishing the infrastructure for balanced growth between retail and wholesale businesses and to ultimately grow into a universal financial investment company befitting the prominent status of KB Financial Group.

**2011 Awards and Recognitions**

- "2011 Korea Capital Market thebell League Table Awards" in the Best Strategy Bond Deal category (The Bell of the Korea Economic Daily)
- "Korea CEO Leadership Award" (Joongang Daily)

KB Life Insurance received the “Best Infrastructure and Internal Control” award in the life insurance category at the “2011 The Best Risk Manager Awards.”

## 2011 Results

In 2011, the Company strengthened its sales capacity by establishing new branches and thus expanding the range of its top-notch professional consulting services. The Company added 3 more DM offices and 15 more TC offices, bringing the total to 9 and 20, respectively.

With its dedication to customer satisfaction, the Company has ranked No.1 in the call center category in the Korea Service Quality Index for five consecutive years since 2007. Additionally, the Company’s rigorous risk management system was selected as the best practice case by the Financial Supervisory Service. Moreover, the Company received the “Best Infrastructure and Internal Control” award in the life insurance category at the “2011 The Bell Risk Manager Awards.”

To develop new customer-focused products in line with the advancement of the insurance industry, the Company will lay a platform for developing future growth engines that will lead integrated finance, the Green industry and the Silver industry. Moreover, the Company will continue to pursue higher competencies and improved profitability through optimizing the allocation of its channels and product portfolio.

### **Bancassurance Channels Strengthened**

Bancassurance is KB Life Insurance’s core distribution channel, selling insurance through some 1100 branches of KB Kookmin Bank. Since 2007, bancassurance has maintained its No.1 market share position within the Bank and was ranked fifth among the 23 insurance companies in Korea. The TC system, the only outbound face-to-face channel in the KB Financial Group, employed some 270 financial consultants at 20 branches as of 2011 year-end. In addition, the Agency Marketing channel boasts 18 high-volume General Agencies across the country while the TM channel, the most productive in the industry, has 700 highly efficient telemarketers working the phones out of nine branches. In 2011, with a successful channel diversification and balanced growth in various distributional channels, the Company recorded a 34% yoy increase in monthly premiums from new policies sold in

the year, putting the Company in the 12th place among the 28 insurance companies in Korea. The Company posted 4.5 trillion won in assets and 18.6 billion won in net profit.

### **Customer Value-Based Sales and Risk Management Strengthened**

In recognition of its continued efforts to improve customer satisfaction, the Company has been named the “Outstanding Call-center” in the nation’s most prestigious customer survey for five consecutive years since 2007. Under the motto of “Seeing from the Customer Perspective,” the Company’s call-center provides services that aim to touch customer hearts. Moreover, the Company’s rigorous risk management system was selected as the best practice by the Financial Supervisory Service. The Company also received the “Best Infrastructure and Internal Control” award in the life insurance category at the “The Bell Risk Manager Awards.”

## 2012 Plans

In 2012, the insurance industry is projected to continue its downward momentum as the unfolding Euro zone fiscal crisis is expected to increase market volatility, decline economic growth, fuel inflation fears, and drive interest rates downward. What’s more, longevity risk is certain to grow as the elderly increases in proportion to the total population. Meanwhile, more insurance companies will pursue M&A to survive in an increasingly competitive market. In response to such challenging conditions, the Company mainly will focus on customer-based growth by proactively dealing with various regulatory changes such as the enforcement of the Personal Information Privacy Act and those in cancellation & refund policies. Moreover, to achieve the 2012 management goal of establishing the foundation for joining the Top 10, the Company will redouble its effort to pursue balanced growth among marketing channels, sustainable income sources, and more customer-based management.



# KB Asset Management

KB Asset Management is a universal asset management firm with a well-balanced portfolio, ranking among the top five in all categories of 1-year, 2-year, and 3-year, and first in long-term rate of return (5-year).

## 2011 Results

In 2011, KB Asset Management enjoyed its stellar long-term return performance leading to investor confidence, asset inflows, stability in fund management, that in a full circle led to more enhanced performance. In particular, the Company's domestic stock fund line-up, comprising KB Growth Focus Fund, KB Value-Focus Fund, and hybrid-type KB Korea Star Fund, was recognized as that which was on a par with global standards, earning the Company the title of "Best Asset Manager of the Year" from Money Today and Morning Star.

### KB Value-Focus Fund

KB Value-Focus Fund, launched in Nov. 2009, is the Company's flagship domestic stock fund. In 2010, it achieved the industry's highest one-year return rate of 46.70%, and continued its success well into 2011, achieving 4.32% for the year, and 52.77% for the past two years, another industry record. It was the best performing product in the market of funds with assets greater than KRW 10 billion. As of 2011-end, the fund boasts a cumulative return rate (72.38%) four times that of KOSPI's (16.11%),

By achieving this remarkable performance, the Company won the Korea Economic Review's "Best Fund Award" and the fund rating company KG Zeroin's "Best Domestic Equity Fund Award." The fund manager also was lauded as the best in the industry, winning the grand prize in asset management at the 2011 Mael Economic Securities Man Awards.

### KB Corporate Pension Dividend 40 Fund

KB Corporate Pension Dividend 40 Fund earned the highest rate of 8.98% among 327 pension funds launched in 2011, performing best in the ever-expanding market for corporate pension funds. The fund allocates its assets in a 4:6 ratio between KB Pension Plan Dividend Securities Fund and KB Pension Plan Domestic Bond Fund. By limiting its dividend investments to 40% of total funds, the fund aims to keep return stable through bond investment.

The fund has gained return rates of 26.57% over the past two years, 57.99% over the three years, and 68.92% over the five years, achieving a 14% annual return on average. This steady and reliable performance was praised by the industry and investors alike, winning the Herald Biz's "Best Pension Fund Award."

### KB Dividend Focus Fund

KB Dividend Focus Fund, launched in early August 2010, is an active dividend fund that aims to earn both dividends and capital gains at the same time. The fund invests in blue-chip companies in terms of market capitalization, competitiveness, and brand value. Dividend funds generally focus on high-dividend stocks, but the KB fund not only takes into account the dividend payment record of investment targets but also employs a unique system in its screening of dividend stocks. With this investment method, the fund aims to maximize gains during a bull markets and minimize losses during bear markets.

As a result, KB Dividend Focus Fund posted a 5.52% rate year-to-date in 2011, beating by 17.50%p the negative 12.07% on average registered by the market and emerging as the best investment in a bearish and highly volatile market. Also, the fund outperformed all other dividend funds, which on average showed a negative 11.79% year-to-date, and was given the "Best Performing Fund Award" by Money Today and Morning Star.

## 2012 Plans

In the year 2012 the Company will continue to pursue its long-term return objectives based on its reinforced fund lineup and lead the growth of its non-banking affiliates. The Company also plans to set up sector-specific funds for sophisticated investors who view a protracted rally of the stock market as a sign to divest.

# KB Real Estate Trust

KB Real Estate Trust is increasing its presence in REITs and low-risk non-real estate markets, rolling out various new products including the industry's first "development REITs."

KB Real Estate Trust efficiently manages and operates the real estate entrusted by customers and returns to them the revenues thereby generated. Major services and products include land development trust, management trust, disposal trust, administrative support, and REITs AMC. As of the end of November, 2011, the Company's total entrusted assets amounted to 28,923 billion won, the largest in the Korean real estate trust industry.

## 2011 Results

### Market Conditions

In 2011 the Korean real estate market remained in doldrums owing mainly to growing household debts and the worsening financial circumstances. Although the nation's unsold apartments decreased by 18,900 units, the housing market of the greater Seoul metropolitan area showed no signs of improvement: the portion of unsold apartments increased from 33.2% in 2010 to 39.9% in 2011. Meanwhile, the real estate trust market grew much in size thanks to a huge increase in development projects carried out by real estate trust companies. The trust revenue rate, however, declined owing to the aggressive undercutting practice of small struggling companies.

### Market Dominance Strengthened

Despite the slump in the real estate market and the challenging business environment, as of the end of November, 2011 the Company recorded 31.2 billion won in new trust revenue, a 37.2% yoy increase and 24.3% in market share among the seven major companies. The robust growth is owed mainly to the Company's active marketing and the synergy created with KB Kookmin Bank and other affiliates. In the non-land trust area, which is relatively low in risk, the Company registered 24.3% in market share among the seven major companies as of the end of Nov. 2011, improving net profit and other indexes over the 12-month period.

### Business Diversified

Despite difficulties in the REITs market, the Company was able to bolster its presence in the important sector with

some noteworthy achievements: the "KB Wise Star No.3" CR-REITs were successfully launched and the industry's first "development REITs" was introduced through the establishment of a development-only management trust REITs. In addition, for business diversification, the Company launched a PFV investment intended for multi-purpose facility development projects, industrial complexes, and urban development projects of local governments.

### Group Synergies Increased

The Company sought to increase Group synergies through holding real estate trust seminars for KB Kookmin Bank and other affiliates. The Company also sought to collect loans made by its affiliates by launching a trust aimed at restarting construction projects that had been stopped due to the insolvency of the construction companies.

In addition, the Company endeavored to improve management efficiency through improving a performance-based incentive system and strove to strengthen employee competencies through in-house training and education.

## 2012 Plans

In 2012 the Company will focus on developing new income models, energizing its REITs business, and tightening risk management. To develop new income sources, the Company will increase its participation in relocation projects and project finance deals relating to the construction of small-scale industrial sites.

KB Investment has helped list 105, or 10.3%, of the 1,022 firms listed on the KOSDAQ, the highest in the industry, effectively playing an investment partner role fueling the growth of venture firms and SMEs.

KB Investment specializes in both venture investment and private equity investment. Venture investment is focused on start-up companies and small-and-medium-sized enterprises (SMEs), while private equity investment involves capital investment or buy-out investment in mid-sized enterprises to support the companies' growth or turnaround.

KB Investment covers to a range of industries including IT industry (mobile communications, semiconductor, display, etc), next-generation growth industries known as clean-tech (alternative energy, renewable energy, rechargeable electrochemical cells), and life sciences (biotechnology, pharmaceutical, medical equipment), with the aim of nurturing its investment entities into blue-chip companies.

KB Investment is a leading domestic investment company with KRW 116.1 billion in equity capital, KRW 895 billion in assets under management (AUM), and KRW 9.3 billion in net income as of 2011-end. In particular, the company has helped list 105, or 10.3%, of the 1,022 firms listed on the KOSDAQ, the highest in the industry. As such, the Company has been effectively playing an investment partner role fueling the growth of venture firms and SMEs.

## 2011 Results

### Market Conditions

In 2011, the worsening fiscal crises in the US and the Euro zone led to higher volatility in the KOSDAQ (the Korea Securities Dealers Automated Quotation) market, the main exit market for the Company. However, even in the midst of tough market conditions, the venture capital and PEF markets set new records in terms of amounts invested and new funds formed. This has injected the vitality of investment in the next generation growth industries that could shape the nation's industrial competitiveness for the many decades to come.

### Robust Formations of New Funds

In 2011, the Company focused on increasing its AUM through robust formations of new funds. The Company raised its total AUM to KRW 895 billion by forming two new venture funds (KRW 45 billion total) and a KRW200 billion PEF together with Korea Finance Corporation (KoFC), POSCO, and Hanwha.

### Invested in Next-Generation Growth Industries

The Company actively invested in next-generation growth industries, thereby laying a solid groundwork for market leadership. In particular, the Company invested KRW 85.8 billion in promising SMEs in IT, green technology, and life sciences businesses, thereby consolidating its leadership position in the market.

### 2012 Plans

In 2012, KB Investment aims to expand its AUM to KRW1.5 trillion through forming new venture funds and PEFs totaling KRW600 billion. Of this sum, KRW150 billion will be newly invested into SMEs and medium-sized corporations in the new growth sector.

# KB Credit Information

KB Credit Information provides a top-quality service in debt collection and lease verification, thereby improving the soundness of the asset quality and minimizing the reputation risk of creditors.

The Company provides a top-quality service in debt collection and lease verification, thereby improving the soundness of the asset quality and minimizing the reputation risk of creditors. Owing to its first-rate manpower, quality services, and business infrastructure, the Company maintains a top market position in assets and profitability, recording 54.9 billion won in sales in 2011.

## 2011 Results

### Debt Collection Rates Increased

KB Credit Information strove to improve its performance of debt collection for the Group through a series of innovative measures, including reforming credit card debt collection teams by default length, and assigning a team of specialists to certain types of debt and corporations. Moreover, the Company modified its commission system to attract and retain experienced and talented collectors, reduced the amount of debt for each collector to manage, further rationalized its human resource management, and defined a detailed strategy for market dominance. As a result of these efforts, the Company outpaced two of its competitors, retaining the top position in the collection of debts open to auction.

### Businesses Expanded

In March 2011, the Company was assigned debts worth approximately KRW 921.6 billion by the Korea Asset Management Corporation (KAMCO). The Company also hired three of KAMCO's high-performing, commission-based debt collectors, thereby forming closer ties with the government debt clearing agency. In April 2011, with securitized debts worth approximately KRW 124.4 billion contracted by the United Asset Management Company (UAMCO), a private Korean debt clearing agency, the Company began the business of collecting collateralized debts. With the experience thus gained in managing ABS collection, the Company has laid a solid foothold in the business of collecting bank-owned collateralized debts.

Meanwhile, to better capitalize on referrals from KB Kookmin Bank, the Company continued to rely on PR to

increase its business exposure and provided constant feedback to the customers thus referred, all of which led to increased sales and improved customer satisfaction. As a result of these moves, the non-Group debts the Company's was assigned to collect amounted to around KRW 3.05 trillion, a remarkable 39% increase from the year before.

### Management Efficiency Maximized

The Company cut costs by around KRW 200 million through a "10% Budget Reduction" campaign, improving its cost-income-ratio (CIR). In addition, the Company sought to improve its internal environment through a number of cost-cutting measures including a company-wide energy-saving campaign, wage freezes, and non-essential budget reductions.

## 2012 Plans

The Company will redouble its efforts to increase its debt collection rates to the highest level by exploring various measures. In particular the Company will enhance its collectors' productivity, identify a strategic target of debts and specialize in the management of such debts, rationalize the credit card debt management unit, fortify corporate loan debt management, and launch a collection enhancement campaign.

To augment its overall productivity, the Company will realign the manpower and scale of its branches in line with their performances, formulate a more efficient personnel plan, and expand the performance incentive system.

To create new revenue sources, the Company will expand its operations managing securitized assets. Toward this end, the Company will pursue more business opportunities with UAMCO and take on account s receivable related to the Group's non-performing loans (NPL). Through these measures, the Company will accumulate collateralized debt management knowhow and fortify its competitive edge in the debt collection business.

# KB Data Systems

KB Data Systems develops diverse financial programs for and provides first-rate financial IT services to KB Financial Group, leveraging the extensive expertise and know-how accumulated through its two decade-long history.

Since its founding in 1992, KB Data Systems has focused on only financial IT. The Company develops diverse financial programs for and provides first-rate financial IT services to KB Financial Group, leveraging the extensive expertise and know-how accumulated through its two decade-long history.

Gearing its optimum organizational structure, foremost technology, and strict quality control system towards providing IT support to its Group affiliates, the Company continues its efforts to grow into a universal IT services business.

Armed with an advanced IT know-how and a thorough understanding of finance, the Company strives to develop information systems best-suited for clients whose needs constantly change in the fast-progressing IT world of today.

To accomplish this, the Company runs the SI (system integration) business that ranges from IT consulting, systems analysis design, and development to testing, parallel to the IT outsourcing business that maintains and manages customers' information systems and IT resources in line with customer needs.

The Company seeks to advance customer IT systems by developing a variety of optimal financial IT solutions based on its long-accumulated know-how. The Company so far has developed a total of 36 solutions, all of which are in commercial use, and is going all out to develop new solutions related to "smart finance."

## 2011 Results

In 2011 the Company fulfilled its role as the Group's IT partner by successfully completing a number of IT development projects for the Group. The projects include rebuilding KB Kookmin Bank's corporate pension system and e-HR system, setting up an IT system and a card Internet service IT system in preparation for the spin-off of KB Kookmin Card, integrating KB Futures' IT system with that of KB Investment and Securities prior

to their merger and bringing the latter's HTS up to date; developing an image-based casualty claim processing system and an administrative accounting system for KB Life Insurance; and a REITs system for KB Real Estate Trust.

In IT operations, the Company focused on providing stable IT support service across the Group by redirecting many IT system structures from KB Kookmin Bank to KB Card, KB Investment & Securities, and KB Life Insurance. In addition, the Company strove to cut the cost of IT operating services provided to its affiliates by reducing fixed costs such as office rents and labor costs, thereby contributing to improving the Group's overall cost efficiency.

Furthermore, the Company played a crucial role in the Group's efforts to become a leader in the smart finance market by establishing KB Kookmin Bank's "Dream Talk" and "Star Talk" projects and KB Investment & Securities' "iPlustar", an HTS application. In particular, "Dream Talk" was awarded the grand prize at the Web Award Korea Marketing Innovation in recognition of its unique design and composition.

## 2012 Plans

In 2012 the Company, in pursuit of its core corporate value "Smart IT Companion maximizing the value of KB Financial Group" will continue to leverage its role as the IT hub in maximizing synergy potential within the Group while pursuing high value-added business opportunities outside the Group.

# Report of Independent Auditors



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

[www.samil.com](http://www.samil.com)

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

We have audited the accompanying separate statements of financial position of KB Financial Group Inc. (the "Company") as of December 31, 2011 and 2010, and January 1, 2010, and the related separate statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and 2010, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of KB Financial Group Inc. as of December 31, 2011 and 2010, and January 1, 2010, and their financial performance and cash flows for the years ended December 31, 2011 and 2010, in conformity with International Financial Reporting Standards as adopted by the Republic of Korea ("K-IFRS").

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those who are informed about Korean auditing standards and their application in practice.

*Samil PricewaterhouseCoopers*

Seoul, Korea  
March 12, 2012

This report is effective as of March 12, 2012, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

# Separate Statements of Financial Position

December 31, 2011 and 2010, and January 1, 2010

## KB Financial Group Inc.

(In millions of Korean won)

	Notes	Dec. 31, 2011	Dec. 31, 2010	Jan 1, 2010
<b>Assets</b>				
Cash and due from financial institutions	4,5,6,24	₩ 32,031	₩ 759,998	₩ 845,366
Loans	4,5,7	60,000	160,000	170,000
Investments in subsidiaries	8	17,773,322	17,673,322	17,612,122
Property and equipment	9	759	1,109	1,718
Intangible assets	10	10,531	11,057	9,176
Current income tax assets	22	-	125,423	-
Deferred income tax assets	11,22	2,445	898	-
Other assets	4,5,12	631,602	48,105	25,932
<b>Total assets</b>		<b>18,510,690</b>	<b>18,779,912</b>	<b>18,664,314</b>
<b>Liabilities</b>				
Debts	4,5,13	₩ 130,000	₩ -	₩ -
Debentures	4,5,14	49,988	799,353	798,421
Current income tax liabilities	22	578,729	-	-
Other liabilities	4,5,15	35,693	159,438	7,450
<b>Total liabilities</b>		<b>794,410</b>	<b>958,791</b>	<b>805,871</b>
<b>Equity</b>				
Capital stock	16	₩ 1,931,758	₩ 1,931,758	₩ 1,931,758
Capital surplus	16	13,513,809	13,513,809	13,513,809
Retained earnings	16	2,270,713	2,375,554	2,412,876
<b>Total equity</b>		<b>17,716,280</b>	<b>17,821,121</b>	<b>17,858,443</b>
<b>Total liabilities and equity</b>		<b>18,510,690</b>	<b>18,779,912</b>	<b>18,664,314</b>

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

# Separate Statements of Comprehensive Income

Years ended December 31, 2011 and 2010

## KB Financial Group Inc.

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

	Notes	2011	2010
Interest income		₩ 26,999	₩ 36,150
Interest expense		(41,571)	(53,431)
Net interest expense	4,18	(14,572)	(17,281)
Fee and commission income		-	4
Fee and commission expense		(6,079)	(6,955)
Net fee and commission expense	19	(6,079)	(6,951)
Net gains (losses) on financial assets/liabilities at fair value through profit and loss		-	-
Provision for credit losses		-	-
Employee compensation and benefits	20,26	(26,332)	(19,083)
Depreciation and amortization	9,10	(1,581)	(1,792)
Other general and administrative expenses	21	(13,798)	(10,312)
General and administrative expenses		(41,711)	(31,187)
Net other operating income		-	95,305
<b>Operating profit (loss)</b>		(62,362)	39,886
Non-operating income (expense)		(2,863)	792
<b>Profit(loss) before tax expense</b>		(65,225)	40,678
Tax income (expense)	22	1,547	897
<b>Profit(loss) for the year</b>		(63,678)	41,575
<b>Total comprehensive income (loss) for the year</b>		(63,678)	41,575
Earnings (loss) per share			
Basic and diluted earnings (loss) per share	23	(173)	121

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



# Separate Statements of Changes in Equity

Years ended December 31, 2011 and 2010

KB Financial Group Inc.

(In millions of Korean won)

	Capital Stock	Capital Surplus	Accumulated Other Comprehensive Income(loss)	Retained Earnings	Total Equity
<b>Balance at January 1, 2010</b>	₩ 1,931,758	₩ 13,513,809	₩ -	₩ 2,412,876	₩ 17,858,443
<b>Comprehensive income</b>					
Profit for the year	-	-	-	41,575	41,575
<b>Total comprehensive income</b>	-	-	-	41,575	41,575
<b>Transactions with shareholders</b>					
Dividends	-	-	-	(78,897)	(78,897)
<b>Total transactions with shareholders</b>	-	-	-	(78,897)	(78,897)
<b>Balance at December 31, 2010</b>	₩ 1,931,758	₩ 13,513,809	₩ -	₩ 2,375,554	₩ 17,821,121
<b>Balance at January 1, 2011</b>	₩ 1,931,758	₩ 13,513,809	₩ -	₩ 2,375,554	₩ 17,821,121
<b>Comprehensive loss</b>					
Loss for the year	-	-	-	(63,678)	(63,678)
<b>Total comprehensive loss</b>	-	-	-	(63,678)	(63,678)
<b>Transactions with shareholders</b>					
Dividends	-	-	-	(41,163)	(41,163)
<b>Total transactions with shareholders</b>	-	-	-	(41,163)	(41,163)
<b>Balance at December 31, 2011</b>	₩ 1,931,758	₩ 13,513,809	₩ -	₩ 2,270,713	₩ 17,716,280

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

# Separate Statements of Cash Flows

Years Ended December 31, 2011 and 2010

## KB Financial Group Inc.

(In millions of Korean won)

	Notes	2011	2010
<b>Cash flows from operating activities</b>			
Profit(loss) for the year		₩ (63,678)	₩ 41,575
Adjustment for non-cash items			
Depreciation and amortization		1,581	1,792
Share-based payments		2,534	3,119
Net interest income		(349)	(19)
Other income		6,565	2,479
		10,331	7,371
Changes in Operating assets and Liabilities			
Due from financial institutions		(12,000)	-
Deferred income tax assets		(1,547)	(898)
Other assets		2,599	5,618
Other liabilities		(3,766)	(649)
		(14,714)	4,071
<b>Net cash generated from (used in) operating activities</b>		<b>(68,061)</b>	<b>53,017</b>
<b>Cash flows from investing activities</b>			
Acquisition of investments in subsidiaries		(100,000)	(61,200)
Collection of loans		100,000	10,000
Acquisition of property and equipment		(233)	(314)
Acquisition of intangible assets		(3,850)	(2,750)
Disposal of intangible assets		895	-
Net decrease in guarantee deposits paid		(7,555)	(5,224)
<b>Net cash provided by (used in) investing activities</b>		<b>(10,743)</b>	<b>(59,488)</b>
<b>Cash flows from financing activities</b>			
Increase in debts		130,000	-
Decrease in debentures		(750,000)	-
Dividends		(41,163)	(78,897)
<b>Net cash used in financing activities</b>		<b>(661,163)</b>	<b>(78,897)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(739,967)</b>	<b>(85,368)</b>
Cash and cash equivalents at the beginning of the year	24	759,995	845,363
<b>Cash and cash equivalents at the end of the year</b>	24	₩ 20,028	₩ 759,995

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

# Notes to Separate Financial Statements

December 31, 2011 and 2010, and January 1, 2010

## KB Financial Group Inc.

### 1. The Company

KB Financial Group Inc. (the "Company"), in accordance with Financial Holding Companies Act, was established on September 29, 2008, through stock transfer with the former shareholders of KB Kookmin Bank, KB Investment & Securities Co., Ltd., KB Asset Management Co., Ltd., KB Real Estate Trust Co., Ltd., KB Investment Co., Ltd., KB Futures Co., Ltd., KB Credit Information Co., Ltd., and KB Data Systems Co., Ltd. in order to provide management services and financing to associated companies. The headquarters are located at 9-1 Namdaemunro 2-ga, Jung-gu, Seoul. The Company's paid in capital as of December 31, 2011, is ₩1,931,758 million. In 2011, Kookmin Bank spun off its credit card business segment and established a new separate credit card company, KB Kookmin Card Co., Ltd., and KB investment & Securities Co., Ltd. merged with KB Futures Co., Ltd.

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

### 2. Basis of Preparation

#### 2.1 Application of K-IFRS

The Company's financial statements for the annual period beginning on January 1, 2011, have been prepared in accordance with Korean-IFRS("K-IFRS"). These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

The separate financial statements of the Company were prepared in accordance with K-IFRS, and the application of K-IFRS 1101, First-time Adoption of International Financial Reporting Standards, is required for the separate financial statements.

The transition date, according to K-IFRS 1101, from the previous accounting principles generally accepted in the Republic of Korea ("Previous K-GAAP") to K-IFRS is January 1, 2010.

Reconciliations and descriptions of the effect of the transition from previous K-GAAP to K-IFRS on the Company's equity, total comprehensive income and cash flows are described in Note 29. The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.4.

The separate financial statements were prepared in accordance with K-IFRS 1027, Consolidated and Separate Financial Statements.

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2011, and not early adopted by the Company are as follows:

#### Amendments to K-IFRS 1012, Income Taxes

According to the amendments to K-IFRS 1012, for the investment properties accounted for at fair value, the measurement of deferred tax liability and deferred tax asset should reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless there is evidence to the contrary. This amendment is effective for the Company as of January 1, 2012. The Company expects that the amendment does not affect the separate financial statements of the Company.

### **Amendments to K-IFRS 1019, Employee Benefits**

According to the amendments to K-IFRS 1019, the corridor approach for Actuarial gains and losses is not allowed anymore. Accordingly, the actuarial gains and losses are recognized in other comprehensive income immediately. Past service costs incurred under changes of plans are recognized immediately, and the amendment replaces the interest cost on the defined benefit obligation, and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability. This amendment is effective for the Company as of January 1, 2013. The Company is assessing the impact of application of the amended K-IFRS 1019 on its separate financial statements.

### **Amendments to K-IFRS 1107, Financial Instruments: Disclosures**

According to the amendment, an entity should provide the required disclosures of nature, carrying amount, risk and rewards associated with all transferred financial instruments that are not derecognized from an entity's financial statements. In addition, an entity is required to disclose additional information related to transferred and derecognized financial instruments for any continuing involvement in transferred assets. This amendment is effective for the Company as of January 1, 2012. The Company is assessing the impact of application of the amended KIFRS 1107 on its separate financial statements.

### **Enactment of K-IFRS 1113, Fair value measurement**

K-IFRS 1113 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across K-IFRS. K-IFRS 1113 does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within K-IFRS. This amendment is effective for the Company as of January 1, 2013, and the Company expects that the amendment does not affect the separate financial statements of the Company.

## **2.2 Measurement Basis**

The separate financial statements have been prepared under the historical cost convention unless otherwise specified.

## **2.3 Functional and Presentation Currency**

Items included in the separate financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The separate financial statements are presented in Korean won, which is the Company's presentation currency.

## **2.4 Significant Estimates**

The preparation of the separate financial statements requires the application of accounting policies, certain critical accounting estimates and assumptions that may have a significant impact on assets(liabilities) and income(expenses). The managements' estimate of outcome may differ from an actual outcome if the managements' estimate and assumption based on its best judgment at the reporting date are different from an actual environment.

Estimates and assumptions are continually evaluated and any change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only. Alternatively if the change in accounting estimate affects both the period of change and future periods, that change is recognized in the profit or loss of all those periods.

Uncertainty in estimates and assumptions with significant risk that will result in material adjustment to the separate financial statements are as follows:

### **2.4.1 Deferred income taxes**

The recognition of a deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies.

### **2.4.2 Defined benefit obligation**

The present value of defined benefit obligations is measured by the independent actuaries using the Projected Unit Credit Method. It incorporates actuarial assumptions and variables such as future increases in salaries, rate of retirement, discount rate amongst others.

### 3. Significant accounting policies

The significant accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

#### 3.1 Cash and cash equivalents

Cash and cash equivalents include cash on hand, foreign currency, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### 3.2 Loans and receivables

Non-derivative financial assets which meet the following conditions are classified as loans and receivables:

- Those with fixed or determinable payments.
- Those that are not quoted in an active market.
- Those that the Company does not intend to sell immediately or in the near term.
- Those that the Company, upon initial recognition, does not designate as available for sale or as at fair value through profit or loss.

After initial recognition, these are subsequently measured at amortized cost using the effective interest method.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured and recognized in profit or loss as provision for credit loss.

Impairment loss on loans reduces the carrying amount of the asset through use of an allowances account, and when a loan becomes uncollectable, it is written-off against the related allowances account. If, in a subsequent period, the amount of the impairment loss decreases and is objectively related to the subsequent event after recognition of impairment, the previously recognized impairment loss is reversed by adjusting an allowances account. The amount of the reversal is recognized in profit or loss.

#### 3.3 Investments in Subsidiaries

Investments in subsidiaries are accounted at cost method in accordance with K-IFRS No.1027.

#### 3.4 Property and equipment

##### Recognition and Measurement

All property and equipment that qualifies for recognition as an asset is measured at its cost and subsequently carried at its cost less any accumulated depreciation and any accumulated impairment losses.

The cost of property and equipment includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent expenditures are capitalized only when they prolong the useful life or enhance values of the assets but the costs of the day-to-day servicing of the assets such as repair and maintenance costs are recognized in profit or loss as incurred. When part of an item of an asset has a useful life different from that of the entire asset, it is recognized as a separate asset.

##### Depreciation

Land is not depreciated whereas other property and equipment are depreciated using the method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Company. The depreciable amount of an asset is determined after deducting its residual value.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method and estimated useful lives of the assets are as follows:

Property and equipment	Depreciation method	Estimated useful lives
Leasehold improvement	Declining-balance	4 years
Equipment and vehicles	Declining-balance	4 years

The residual value, the useful life and the depreciation method applied to an asset are reviewed at least at each financial year-end and, if expectations differ from previous estimates or if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the changes are accounted for as a change in an accounting estimate.

### 3.5 Intangible assets

Intangible assets are measured initially at cost and subsequently carried at their cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets, except for membership right, are amortized using the straight-line method with no residual value over their estimated useful economic life since the asset is available for use.

Intangible assets	Amortization method	Estimated useful lives
Software	Straight-line	4 years
Others	Straight-line	4 years

The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at least at each financial year-end. Where an intangible asset is not being amortized because its useful life is considered to be indefinite, the Company carries out a review in each accounting period to confirm whether or not events and circumstances still support the assumption of an indefinite useful life. If they do not, the change from the indefinite to finite useful life is accounted for as a change in an accounting estimate.

### 3.6 Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that a non-financial asset except for (i) deferred income tax assets, (ii) assets arising from employee benefits and (iii) non-current assets (or group of assets to be sold) classified as held for sale, may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset.

The recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit). A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit that are discounted by a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss and recognized immediately in profit or loss.

### 3.7 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and 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 risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of provisions, and where the effect of the time value of money is material, the amount of provisions are the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

### **3.8 Equity instrument issued by the Company**

An equity instrument is any contract or agreement that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are deducted, net of tax, from the equity.

### **3.9 Revenue recognition**

Revenue shall be recognized when all the following conditions have been satisfied:

- a) The amount of revenue can be measured reliably.
- b) It is probable that the economic benefits associated with the transaction will flow to the company.
- c) Specific conditions are satisfied for activities.

#### **3.9.1 Interest income and expense**

Interest income and expense are recognized using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or groups of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

Interest on impaired financial assets is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### **3.9.2 Fee and commission income**

Fee commission income is recognized on an accrual basis in accordance with the substance of transaction.

#### **3.9.3 Dividend income**

Dividend income is recognized when the shareholder's right to receive payment is established.

### **3.10 Employee compensation and benefits**

#### **Post-employment benefit: Defined benefit plans**

All post-employment benefit, other than defined contribution plans, is classified as defined benefit plans. The amount recognized as a defined benefit liability is the present value of the defined benefit obligation less the fair value of plan assets at the end of the reporting period.

The present value of the defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit method. The rate used to discount post-employment benefit obligations is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The currency and term of the corporate bonds are consistent with the currency and estimated term of the post-employment benefit obligations. Actuarial gains and losses including experience adjustments and the effects of changes in actuarial assumptions are recognized in profit or loss.

When the total of the present value of the defined benefit obligation minus the fair value of plan assets results in an asset, it is recognized to the extent of any cumulative unrecognized past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Past service cost arises when the Company introduces a defined benefit plan that attributes to past service or changes the benefits payable for past service under an existing defined benefit plan. Such past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, past service cost is recognized immediately.

#### **Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service. The undiscounted amount of short-term employee benefits expected to be paid in exchange for that service is recognized as a liability (accrued expense), after deducting any amount already paid.

The expected cost of profit-sharing and bonus payments are recognized as liabilities when the Company has a present legal or constructive obligation to make such payments as a result of past events rendered by employees and a reliable estimate of the obligation can be made.

#### **Share-based payment**

The Company operates share-based payment arrangements granting awards to directors and employees of the Company. The Company has a choice of whether to settle the awards in cash or by issuing equity instruments for a share-based payment transaction at the date of settlement.

For a share-based payment transaction in which the terms of the arrangement provide the Company with the choice of whether to settle in cash or by issuing equity instruments, the Company determined that it has a present obligation to settle in cash because the Company has a past practice and a stated policy of settling in cash. Therefore, the Company accounts for the transaction in accordance with the requirements of cash-settled share-based payment transactions.

The Company measures the services acquired and the liability incurred at fair value. Until the liability is settled, the Company remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

#### **Termination benefits**

Termination benefits are employee benefits payable as a result of either the Company's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits. The Company recognizes termination benefits as a liability and an expense when, and only when, the Company is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. The Company is demonstrably committed to a termination when, and only when, the Company has a detailed formal plan for the termination and is without realistic possibility of withdrawal. Where the termination benefits fall due more than 12 months after the end of reporting period, they are discounted using the appropriate discount rate.

### **3.11 Income tax expenses**

Income tax expense (tax income) comprises current tax expense (current tax income) and deferred income tax expense (deferred income tax income). Current and deferred income tax are recognized as income or expense and included in profit or loss for the period, except to the extent that the tax arises from (a) a transaction or event which is recognized, in the same or a different period outside profit or loss, either in other comprehensive income or directly in equity and (b) a business combination.

#### **Current income tax**

Current income tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period. A difference between the taxable profit and accounting profit may arise when income or expense is included in accounting profit in one period but is included in taxable profit in a different period. Differences may also arise if there is revenue that is exempt from taxation or expenses that is not deductible in determining taxable profit (tax loss). Current income tax liabilities



(assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The Company offsets current income tax assets and current income tax liabilities if, and only if, the Company (a) has a legally enforceable right to set off the recognized amounts and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### **Deferred income tax**

Deferred income tax is recognized, using the asset-liability method, on temporary differences arising between the tax based of assets and liabilities and their carrying amount in the financial statements. Deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The carrying amount of a deferred income tax asset is reviewed at the end of each reporting period. The Company reduces the carrying amount of a deferred income tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and deferred income tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Company offsets deferred income tax assets and deferred income tax liabilities when the Company has a legally enforceable right to set off current income tax assets against current income tax liabilities; and the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity; or different taxable entities which intend either to settle current income tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

### **Uncertain tax positions**

Uncertain tax positions arise from tax treatments applied by the Company which may be challenged by the tax authorities due to the complexity of the transaction or different interpretation of the tax laws, a claim for rectification brought by the Company, or an appeal for a refund claimed from the tax authorities related to additional assessments. The Company recognizes its uncertain tax positions in the financial statements based on the guidance in KIFRS 37. A liability related to an uncertain tax position is recognized as the best estimate of expenditure if the uncertain tax position is probable of resulting in additional payment to the tax authorities. Meanwhile assets related to uncertain tax positions, caused by a claim for rectification or an appeal for refund claimed from the tax authorities related to additional assessments, are treated as contingent assets under K-IFRS 37. Therefore, tax expenses are recognized in the financial statements when the uncertain tax position is probable of resulting in additional payment to the tax authorities, while tax benefits are recognized only when the tax refund is virtually certain.

The Company classifies interest and penalties related to uncertain tax positions as a component of income tax expense.

### **3.12 Earnings per share**

The Company calculates basic earnings per share amounts and diluted earnings per share amounts for profit or loss attributable to ordinary equity holders of the parent entity and presents them in the statement of comprehensive income.

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period. For the purpose of calculating diluted earnings per share, the Company adjusts profit or loss attributable to ordinary equity holders of the parent entity and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares including convertible bond and share option.

### **3.13 Operating segments**

The Company is composed of a single operating segment. Therefore, disclosures on other segments are omitted in accordance with K-IFRS No.1108, Operating Segments.

## **4. Financial risk management**

### **4.1 Summary**

#### **4.1.1 Overview of Risk Management Policy**

The financial risks that the Company is exposed to are credit risk, market risk and liquidity risk.

The note regarding financial risk management provides information about the risks that the Company is exposed to, including the objectives, policies and processes for managing the risks, and the methods used to measure the risks and capital adequacy. Additional quantitative information is disclosed throughout the separate financial statements.

The Company's risk management system focuses on increasing transparency, developing the risk management environment, and the preemptive response to risk due to rapid changes in the financial environment to support the Company's long-term strategy and business decisions efficiently. Credit risk, market risk and liquidity risk have been recognized as the Company's key risks. These risks are measured in Economic Capital or VaR (Value at Risk) and are managed using a statistical method.

#### **4.1.2 Risk Management Organization**

##### **Risk Management Committees**

The Risk Management Committee establishes risk management strategies in accordance with the directives of the Board of Directors and determines the Company's target risk appetite, approves significant risk matters and reviews the level of risks that the Company is exposed to and the appropriateness of the Company's risk management operations as an ultimate decisionmaking authority.

##### **Risk Management Council**

The Risk Management Council is a consultative group which is comprised of the chief risk officer of the Company. The Risk Management Council reviews and makes decisions on matters delegated by the Risk Management Committees and discusses the detailed issues relating to the Company's risk management.

##### **Risk Management Department**

The Risk Management Department is responsible for conducting work processes, procedures and detailed policies.

### **4.2 Credit Risk**

#### **4.2.1 Overview of Credit Risk**

Credit risk is the risk of possible losses in an asset portfolio in the events of counterparty's default, breach of contract and deterioration in the credit quality of the counterparty. For risk management reporting purposes, the individual borrower's default risk is considered.

#### **4.2.2 Credit Risk Management**

The Company measures expected losses on assets that are subject to credit risk management and uses it as a management

indicator.

#### 4.2.3 Maximum exposure to credit risk

The Company's maximum exposures of financial instruments to credit risk without consideration of collateral values as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)						
	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
Due from financial institutions	₩	32,031	₩	759,998	₩	845,366
Loans		60,000		160,000		170,000
Other financial assets		28,304		24,472		23,978
	₩	120,335	₩	944,470	₩	1,039,344

#### 4.2.4 Credit risk of loans

The Company maintains an allowance for loan losses associated with credit risk on loans to manage its credit risk.

The Company recognizes an impairment loss on loans carried at amortized cost when there is any objective indication of impairment. Under K-IFRS, an impairment loss is based on losses incurred at the end of the reporting period therefore the Company does not recognize expected losses as a result of future events. The Company measure inherent incurred losses on loans and presents them in the financial statements through the use of an allowance account which is offset against the related loans.

Loans are categorized as follows:

(In millions of Korean won)						
	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
	Corporate loans	%	Corporate loans	%	Corporate loans	%
<b>Loan before allowances</b>						
Neither past due nor impaired	₩ 60,000	100.00	₩ 160,000	100.00	₩ 170,000	100.00
Past due but not impaired	-	-	-	-	-	-
impaired	-	-	-	-	-	-
	60,000	100.00	160,000	100.00	170,000	100.00
<b>Allowances</b>	-	-	-	-	-	-
<b>Carrying amount</b>	₩ 60,000	100.00	₩ 160,000	100.00	₩ 170,000	100.00

Credit quality of loans that are neither past due nor impaired:

(In millions of Korean won)						
	Dec. 31, 2011		Dec. 31, 2010		Jan. 31, 2010	
Outstanding	₩	60,000	₩	160,000	₩	170,000
Good		-		-		-
Below Normal		-		-		-
	₩	60,000	₩	160,000	₩	170,000

Credit quality of loans is classified as follows, according to the probability of default:

	Range of PD(%) (Probability of Default)
Outstanding	0.0 - 1.0
Good	10 - 5.0
Below Normal	5.0 +

#### 4.2.5 Credit risk concentration analysis

The details of the Company's loans by country, as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

		Dec. 31, 2011				
		Corporate loans	%	Allowances	Carrying amount	
Korea	₩	60,000	100.0	₩ -	₩ 60,000	
	₩	60,000	100.0	₩ -	₩ 60,000	

(In millions of Korean won)

		Dec. 31, 2010				
		Corporate loans	%	Allowances	Carrying amount	
Korea	₩	160,000	100.0	₩ -	₩ 160,000	
	₩	160,000	100.0	₩ -	₩ 160,000	

(In millions of Korean won)

		Jan. 1, 2010				
		Corporate loans	%	Allowances	Carrying amount	
Korea	₩	170,000	100.0	₩ -	₩ 170,000	
	₩	170,000	100.0	₩ -	₩ 170,000	

The details of the Company's loans by industry as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

		Dec. 31, 2011				
		Loans	%	Allowances	Carrying amount	
Financial institutions	₩	60,000	100.0	₩ -	₩ 60,000	
	₩	60,000	100.0	₩ -	₩ 60,000	

(In millions of Korean won)

		Dec. 31, 2010				
		Loans	%	Allowances	Carrying amount	
Financial institutions	₩	160,000	100.0	₩ -	₩ 160,000	
	₩	160,000	100.0	₩ -	₩ 160,000	

(In millions of Korean won)

		Jan. 1, 2010				
		Loans	%	Allowances	Carrying amount	
Financial institutions	₩	170,000	100.0	₩ -	₩ 170,000	
	₩	170,000	100.0	₩ -	₩ 170,000	

#### 4.3 Liquidity risk

##### 4.3.1 Overview of liquidity risk

Liquidity risk is the risk of insolvency or loss due to a disparity between the inflow and outflow of funds, unexpected outflow

of funds, and obtaining funds at a high price or disposing of securities at an unfavorable price due to lack of available funds. The Company manages its liquidity risk through analysis of the contractual maturity of all financial assets and liabilities. The Company discloses them by maturity group: On demand, up to one month, between over one month and three months, between over three months and one year, between over one year and five years, and over five years.

Cash flows disclosed for the maturity analysis are undiscounted contractual principal and interest to be received (paid) and, thus, differs from the amount in the financial statements which are based on the present value of expected cash flows in some cases. The amount of interest to be received on assets or paid on liabilities calculated using a floating interest rate, is measured on the assumption that the current interest rate would be the same upon maturity.

#### 4.3.2. Liquidity risk management

The liquidity risk is managed by liquidity management principles and related guideline which are applied to the risk management policies and procedures that address all the possible risks that arise from the overall business of the Company.

#### 4.3.3. Analysis on remaining contractual maturity of financial assets and liabilities

The remaining contractual maturity of financial assets and liabilities as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011							Total
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years		
<b>Financial assets</b>								
Due from financial institutions <sup>1</sup>	₩ 20,107	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 20,107
Loans	-	292	583	12,335	51,460	-	-	64,670
Other financial assets	-	8,608	-	20,208	-	-	-	28,816
	₩ 20,107	₩ 8,900	₩ 583	₩ 32,543	₩ 51,460	₩ -	₩ -	₩ 113,593
<b>Financial liabilities</b>								
Debts	₩ -	₩ -	₩ -	₩ 130,000	₩ -	₩ -	₩ -	₩ 130,000
Debentures	-	-	50,663	-	-	-	-	50,663
Other financial liabilities	-	647	880	5	-	-	-	1,532
	₩ -	₩ 647	₩ 51,543	₩ 130,005	₩ -	₩ -	₩ -	₩ 182,195

(In millions of Korean won)

	Dec. 31, 2010							Total
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years		
<b>Financial assets</b>								
Due from financial institutions <sup>1</sup>	₩ 160,283	₩ 604,357	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 764,640
Loans	-	778	1,555	65,483	115,750	-	-	183,566
Other financial assets	-	-	-	21,229	-	-	-	21,229
	₩ 160,283	₩ 605,135	₩ 1,555	₩ 86,712	₩ 115,750	₩ -	₩ -	₩ 969,435
<b>Financial liabilities</b>								
Debentures	₩ -	₩ -	₩ 263,125	₩ 530,038	₩ 50,662	₩ -	₩ -	₩ 843,825
Other financial liabilities	-	801	-	-	-	-	-	801
	₩ -	₩ 801	₩ 263,125	₩ 530,038	₩ 50,662	₩ -	₩ -	₩ 844,626

(In millions of Korean won)

	Jan. 1, 2010							
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total	
<b>Financial assets</b>								
Due from financial institutions <sup>1</sup>	₩ 15,386	₩ 840,667	₩ -	₩ -	₩ -	₩ -	₩ 856,053	
Loans	-	821	1,643	26,887	173,292	-	202,643	
Other financial assets	-	110	120	110	15,665	-	16,005	
	₩ 15,386	₩ 841,598	₩ 1,763	₩ 26,997	₩ 188,957	₩ -	₩ 1,074,701	
<b>Financial liabilities</b>								
Debentures	₩ -	₩ -	₩ 13,125	₩ 39,375	₩ 843,825	₩ -	₩ 896,325	
Other financial liabilities	-	222	16	-	-	-	238	
	₩ -	₩ 222	₩ 13,141	₩ 39,375	₩ 843,825	₩ -	₩ 896,563	

<sup>1</sup> The amount of ₩12,003 million, ₩3 million, and ₩3 million which are restricted amount due from the financial institutions as of December 31, 2011 and 2010, and January 1, 2010, are excluded, respectively.

## 4.4 Market risk

### 4.4.1 Definition of market risk

Market risk is the risk of possible losses which arise from changes in market factors, such as interest rate, stock price, foreign exchange rate, commodity value and other market factors that affect to the fair value or future cash flows of financial instruments. The most significant risks are interest rate risks.

### 4.4.2 Interest rate risk

#### Definition of interest rate risk

Interest rate risk is the risk that the fair value or future cash flows arising from interest income and interest cost will fluctuate because of changes in interest.

#### Observation method on interest rate risk

The main objective of interest rate risk management is to protect asset values against interest rate fluctuations. The Company manages the risk through interest rate gap analysis on interest rate maturities between interest-bearing assets and interest-bearing liabilities and measurement and management of interest rate VaR.

#### Disclosure of results from each observation method

##### i. Interest rate gap analysis

Interest rate gap analysis is based on interest rates repricing maturities of interest-bearing assets and interest-bearing liabilities. It measures expected changes in net interest income by calculating the difference in the amounts of interest-bearing assets and interest-bearing liabilities at each maturity. The Company conducts interest gap analysis on assets denominated in Korean won and foreign currency on a monthly basis. However, where there is no maturity of a particular instrument, then a maturity date is set according to liquidity risk management guideline.

The results of the interest rate gap analysis as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

Dec. 31, 2011						
	Up to 3 month	3~6 months	6~12 months	1~3 years	Over 3 years	Total
<b>Interest-bearing assets</b>						
Due from financial institutions	₩ 20,028	₩ -	₩ -	₩ -	₩ -	₩ 20,028
Loans	60,000	-	-	-	-	60,000
	₩ 80,028	₩ -	₩ -	₩ -	₩ -	₩ 80,028
<b>Interest-bearing liabilities</b>						
Debts	₩ -	₩ 130,000	₩ -	₩ -	₩ -	₩ 130,000
Debentures	50,000	-	-	-	-	50,000
	₩ 50,000	₩ 130,000	₩ -	₩ -	₩ -	₩ 180,000
<b>Gap</b>	₩ 30,028	₩ (130,000)	₩ -	₩ -	₩ -	₩ (99,972)
<b>Accumulated gap</b>	₩ 30,028	₩ (99,972)	₩ (99,972)	₩ (99,972)	₩ (99,972)	
<b>Percentage (%)</b>	37.52	(124.92)	(124.92)	(124.92)	(124.92)	

(In millions of Korean won)

Dec. 31, 2010						
	Up to 3 month	3~6 months	6~12 months	1~3 years	Over 3 years	Total
<b>Interest-bearing assets</b>						
Due from financial institutions	₩ 759,995	₩ -	₩ -	₩ -	₩ -	₩ 759,995
Loans	160,000	-	-	-	-	160,000
	₩ 919,995	₩ -	₩ -	₩ -	₩ -	₩ 919,995
<b>Interest-bearing liabilities</b>						
Debentures	₩ 250,000	₩ -	₩ 500,000	₩ 50,000	₩ -	₩ 800,000
	₩ 250,000	-	₩ 500,000	₩ 50,000	₩ -	₩ 800,000
<b>Gap</b>	₩ 669,995	₩ -	₩ (500,000)	₩ (50,000)	₩ -	₩ 119,995
<b>Accumulated gap</b>	₩ 669,995	₩ 669,995	₩ 169,995	₩ 119,995	₩ 119,995	
<b>Percentage (%)</b>	72.83	72.83	18.48	13.04	13.04	

(In millions of Korean won)

Jan. 1, 2010						
	Up to 3 month	3~6 months	6~12 months	1~3 years	Over 3 years	Total
<b>Interest-bearing assets</b>						
Due from financial institutions	₩ 845,363	₩ -	₩ -	₩ -	₩ -	₩ 845,363
Loans	170,000	-	-	-	-	170,000
	₩ 1,015,363	₩ -	₩ -	₩ -	₩ -	₩ 1,015,363
<b>Interest-bearing liabilities</b>						
Debentures	₩ -	₩ -	₩ -	₩ 800,000	₩ -	₩ 800,000
	₩ -	-	-	₩ 800,000	₩ -	₩ 800,000
<b>Gap</b>	₩ 1,015,363	₩ -	₩ -	₩ (800,000)	₩ -	₩ 215,363
<b>Accumulated gap</b>	₩ 1,015,363	₩ 1,015,363	₩ 1,015,363	₩ 215,363	₩ 215,363	₩ -
<b>Percentage (%)</b>	100.00	100.00	100.00	21.21	21.21	

## ii. Interest Rate VaR

Interest rate VaR is the maximum possible loss due to interest rate risk under a normal distribution at a 99.94% confidence level. The measurement result of risk as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)			
	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Interest rate VaR	₩ 726	₩ 15,500	₩ 34,974

## 4.5. Capital Adequacy

The Company is a financial holding company under the Financial Holding Companies Act. It must maintain a consolidated BIS ratio above 8% based on Basel I in accordance with the Supervisory Regulations and Detailed Supervisory Regulations on Financial Holding Companies.

The details of the Company's consolidated BIS ratio as of December 31, 2011 and 2010, and January 1, 2010.

(In millions of Korean won)			
	Dec. 31, 2011	Dec. 31, 2010 <sup>1</sup>	Jan. 1, 2010 <sup>1</sup>
Equity Capital:	₩ 25,239,906	₩ 23,948,343	₩ 24,360,262
Tier I Capital	19,544,271	17,714,236	17,500,648
Tier II Capital	5,695,635	6,234,107	6,859,614
Risk-weighted assets:	192,812,547	183,077,983	182,664,075
Credit risk	187,851,397	178,727,946	178,955,500
Market risk	4,961,150	4,350,037	3,708,575
Capital adequacy ratio(%):	13.09	13.08	13.34
Tier I Capital(%)	10.14	9.68	9.58
Tier II Capital(%)	2.95	3.40	3.76

<sup>1</sup> Based on previous K-GAAP in accordance with Korean regulations.

## 5. Financial Assets and Financial Liabilities

Financial assets and liabilities are measured at fair value or amortized cost. The carrying amounts and fair value of financial assets and liabilities by category as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)				
Dec. 31, 2011				
	Carrying amount		Fair value	
<b>Financial assets</b>				
<b>Loans</b>				
Due from financial institutions	₩	32,031	₩	32,031
Loans		60,000		60,000
Other financial assets		28,304		28,304
	₩	<b>120,335</b>	₩	<b>120,335</b>
<b>Financial liabilities</b>				
<b>Financial liabilities at amortized Cost</b>				
Debts	₩	130,000	₩	130,000
Debentures		49,988		42,654
Other financial liabilities		1,970		1,970
	₩	<b>181,958</b>	₩	<b>174,624</b>



(In millions of Korean won)

Dec. 31, 2010				
		Carrying amount		Fair value
<b>Financial assets</b>				
<b>Loans</b>				
Due from financial institutions	₩	759,998	₩	759,998
Loans		160,000		160,000
Other financial assets		24,472		24,472
	₩	944,470	₩	944,470
<b>Financial liabilities</b>				
<b>Financial liabilities at amortized Cost</b>				
Debentures	₩	799,353	₩	696,303
Other financial liabilities		3,398		3,398
	₩	802,751	₩	699,701

(In millions of Korean won)

Jan. 1, 2010				
		Carrying amount		Fair value
<b>Financial assets</b>				
<b>Loans</b>				
Due from financial institutions	₩	845,366	₩	845,366
Loans		170,000		170,000
Other financial assets		23,978		23,978
	₩	1,039,344	₩	1,039,344
<b>Financial liabilities</b>				
<b>Financial liabilities at amortized Cost</b>				
Debentures	₩	798,421	₩	700,252
Other financial liabilities		2,836		2,836
	₩	801,257	₩	703,088

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable, willing parties in an arm's length transaction. For each class of financial assets and financial liabilities, the Company discloses the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount at the end of each reporting period. The best evidence of fair value of financial instruments is quoted price in an active market.

Methods of determining fair value of financial instruments are as follows:

<b>Loans</b>	Discounted Cash Flow Model is used to determine the fair value of loans. Fair value is determined by discounting the expected cash flow, which are contractual cash flows adjusted by prepayment rate, at appropriate discount rate. For those loans with residual maturities of less than three months as of the reporting date and the ones with interest rate reset period of less than three months, carrying amount is regarded as fair value.
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**Debts**

Fair value is determined using a DCF model discounting contractual future cash flows at an appropriate discount rate. However, for those debts with residual maturities of less than three months as of the reporting date and ones with interest rate reset period of less than three months, the carrying amount is regarded as fair value.

**Debentures**

Fair value is determined by using the valuations of independent third-party pricing services, which are calculated using market inputs.

**6. Due from financial institutions**

The details of due from financial institutions of December 31, 2011 and 2010, and January 1, 2010, are as follows:

The maturities of due from financial institutions, excluding restricted due from financial institutions, as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

		Bank	Interest rate(%)	Dec. 31, 2011	Dec. 31, 2010	Jan. 01, 2010
Due from financial institutions in Korean won	Due from banking institution	Kookmin Bank	0.00 ~ 3.05	₩ 32,031	₩ 759,998	₩ 845,366

The maturities of due from financial institutions, excluding restricted due from financial institutions, as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

		Dec. 31, 2011					
		Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years	Over 3 years	Total
Due from financial institutions in Korean won	₩	20,028	₩ -	₩ -	₩ -	₩ -	₩ 20,028
	₩	20,028	₩ -	₩ -	₩ -	₩ -	₩ 20,028

(In millions of Korean won)

		Dec. 31, 2010					
		Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years	Over 3 years	Total
Due from financial institutions in Korean won	₩	759,995	₩ -	₩ -	₩ -	₩ -	₩ 759,995
	₩	759,995	₩ -	₩ -	₩ -	₩ -	₩ 759,995

(In millions of Korean won)

		Jan. 1, 2010					
		Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years	Over 3 years	Total
Due from financial institutions in Korean won	₩	845,363	₩ -	₩ -	₩ -	₩ -	₩ 845,363
	₩	845,363	₩ -	₩ -	₩ -	₩ -	₩ 845,363

Restricted due from financial institutions as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Bank	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010	Reason for restriction
Due from financial institutions in Korean won	Kookmin Bank	₩ 12,000	₩ -	₩ -	Share capital payment of KB Savings Bank Co., Ltd.
		3	3	3	Pledged as collateral for the overdraft facility
	₩ 12,000	3	3		

## 7. Loans

Loans as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Loans	₩ 60,000	₩ 160,000	₩ 170,000
Less: Allowances for loan losses	-	-	-
Carrying amount	₩ 60,000	₩ 160,000	₩ 170,000

## 8. Subsidiaries

The details of subsidiaries as of December 31, 2011, are as follows:

Name of subsidiary	Number of Issued Shares	Location	Industry
Kookmin Bank <sup>1</sup>	404,379,116	Korea	Banking and domestic, foreign exchange transaction
KB Kookmin Card Co., Ltd. <sup>1</sup>	92,000,000	Korea	Credit card and installment finance
KB Investment & Securities Co., Ltd. <sup>2</sup>	31,588,314	Korea	Financial investment
KB Life Insurance Co., Ltd.	28,152,000	Korea	Life insurance
KB Asset Management Co., Ltd.	7,667,550	Korea	Investment advisory and collective investment
KB Real Estate Trust Co., Ltd.	16,000,000	Korea	Real estate trust management
KB Investment Co., Ltd.	8,951,797	Korea	Investment in small company
KB Credit Information Co., Ltd.	1,252,400	Korea	Collection of receivables and credit investigation
KB Data System Co., Ltd.	800,000	Korea	Software advisory, development and supply

<sup>1</sup> KB Kookmin Card Co., Ltd. was spun off from Kookmin Bank and established on March 2, 2011.

<sup>2</sup> On March 12, 2011, KB Investment & Securities Co., Ltd. merged with KB Futures Co., Ltd.

Investments in subsidiaries as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

Name of subsidiary	Ownership(%) (Dec. 31, 2011)	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Kookmin Bank <sup>1</sup>	100.00	₩ 14,821,721	₩ 16,774,896	₩ 16,774,896
KB Kookmin Card Co., Ltd. <sup>1</sup>	100.00	1,953,175	-	-
KB Investment & Securities Co., Ltd. <sup>2,3</sup>	100.00	507,212	369,849	369,849
KB Life Insurance Co., Ltd.	51.00	138,484	138,484	77,284
KB Asset Management Co., Ltd.	100.00	96,312	96,312	96,312
KB Real Estate Trust Co., Ltd.	100.00	121,553	121,553	121,553
KB Investment Co., Ltd.	100.00	104,910	104,910	104,910
KB Futures Co., Ltd.	-	-	37,363	37,363
KB Credit Information Co., Ltd.	100.00	23,621	23,621	23,621
KB Data System Co., Ltd.	100.00	6,334	6,334	6,334
		₩ 17,773,322	₩ 17,673,322	₩ 17,612,122

\*1 Kookmin Bank's carrying amount as of December 31, 2010 was allocated based on each net asset value as of date of spin-off.

\*2 Includes the carrying amount of KB Futures Co., Ltd. as of date of merger.

\*3 On December, 2011, KB Investment & Securities Co., Ltd. issued common shares.

## 9. Property and Equipment

The details of property and equipment as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

Dec. 31, 2011						
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount		
Leasehold improvements	₩ 319	₩ (199)	₩ -	₩		120
Equipment and vehicles	4,024	(3,385)	-	₩		639
	₩ 4,343	₩ (3,584)	₩ -	₩		759

(In millions of Korean won)

Dec. 31, 2010						
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount		
Leasehold improvements	₩ 231	₩ (111)	₩ -	₩		120
Equipment and vehicles	3,880	(2,891)	-	₩		989
	₩ 4,111	₩ (3,002)	₩ -	₩		1,109

(In millions of Korean won)

Jan. 1, 2010						
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount		
Leasehold improvements	₩ 98	₩ (45)	₩ -	₩		53
Equipment and vehicles	3,698	(2,033)	-	₩		1,665
	₩ 3,796	₩ (2,078)	₩ -	₩		1,718

The changes in property and equipment for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

Dec. 31, 2011								
	Beginning		Acquisition		Depreciation		Ending	
Leasehold improvements	₩	120	₩	88	₩	(88)	₩	120
Equipment and vehicles		989		145		(495)	₩	639
Total	₩	1,109	₩	233	₩	(583)	₩	759

(In millions of Korean won)

Dec. 31, 2010								
	Beginning		Acquisition		Depreciation		Ending	
Leasehold improvements	₩	53	₩	133	₩	(66)	₩	120
Equipment and vehicles		1,665		181		(857)	₩	989
Total	₩	1,718	₩	314	₩	(923)	₩	1,109

Property and equipment insured as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

Insurance Coverage					
Type of insurance	Assets insured	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010	Insurance company
General property insurance	Leasehold improvements	₩ 319	₩ 231	₩ 98	Samsung Fire & Marine Insurance Co., Ltd.
	Equipment and vehicles	4,024	3,880	3,698	
		₩ 4,343	₩ 4,111	₩ 3,796	

**10. Intangible Assets**

The details of intangible assets as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

Dec. 31, 2011							
	Acquisition cost		Accumulated depreciation		Accumulated impairment losses		Carrying amount
Software	₩	1,731	₩	(1,270)	₩	-	₩ 461
Membership rights		11,667		-		(2,532)	9,135
Other intangible assets		2,354		(1,419)		-	935
	₩	15,752	₩	(2,689)	₩	(2,532)	₩ 10,531

(In millions of Korean won)

Dec. 31, 2010							
	Acquisition cost		Accumulated amortization		Accumulated impairment losses		Carrying amount
Software	₩	1,647	₩	(842)	₩	-	₩ 805
Membership rights		8,924		-		-	8,924
Other intangible assets		2,177		(849)		-	1,328
	₩	12,748	₩	(1,691)	₩	-	₩ 11,057

(In millions of Korean won)

Jan. 1, 2010							
	Acquisition cost		Accumulated amortization		Accumulated impairment losses		Carrying amount
Software	₩	1,568	₩	(443)	₩	-	₩ 1,125
Membership rights		6,667		-		-	6,667
Other intangible assets		1,763		(379)		-	1,384
	₩	9,998	₩	(822)	₩	-	₩ 9,176

The changes in intangible assets for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

Dec. 31, 2011											
	Beginning		Acquisition		Disposal		Amortization		Impairment		Ending
Software	₩	805	₩	84	₩	-	₩	(428)	₩	-	₩ 461
Membership rights		8,924		3,589		(846)		-		(2,532)	9,135
Other intangible assets		1,328		177		-		(570)		-	935
	₩	11,057	₩	3,850	₩	(846)	₩	(998)	₩	(2,532)	₩ 10,531

(In millions of Korean won)

Dec. 31, 2010											
	Beginning		Acquisition		Disposal		Amortization		Impairment		Ending
Software	₩	1,125	₩	79	₩	-	₩	(399)	₩	-	₩ 805
Membership rights		6,667		2,257		-		-		-	8,924
Other intangible assets		1,384		414		-		(470)		-	1,328
	₩	9,176	₩	2,750	₩	-	₩	(869)	₩	-	₩ 11,057

## 11. Deferred income tax assets and liabilities

The details of deferred income tax assets and liabilities as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		
	Assets	Liabilities	Net amount
Share-based payments	₩ 1,507	₩ -	₩ 1,507
Membership rights	613	-	613
Defined benefit obligation	1,283	-	1,283
Plan assets	-	(1,283)	(1,283)
Investments in subsidiaries	-	(493)	(493)
Short-term employee benefits	216	-	216
Others	602	-	602
	4,221	(1,776)	2,445
Off-setting of deferred tax assets and liabilities	(1,776)	1,776	-
	₩ 2,445	₩ -	₩ 2,445

(In millions of Korean won)

	Dec. 31, 2010		
	Assets	Liabilities	Net amount
Share-based payments	₩ 913	₩ -	₩ 913
Defined benefit obligation	782	-	782
Plan assets	-	(931)	(931)
Investments in subsidiaries	-	(448)	(448)
Short-term employee benefits	224	-	224
Others	358	-	358
	2,277	(1,379)	898
Off-setting of deferred tax assets and liabilities	(1,379)	1,379	-
	₩ 898	₩ -	₩ 898

(In millions of Korean won)

	Jan. 1, 2010		
	Assets	Liabilities	Net amount
Share-based payments	₩ 291	₩ -	₩ 291
Defined benefit obligation	645	-	645
Plan assets	-	(725)	(725)
Investments in subsidiaries	-	(448)	(448)
Short-term employee benefits	157	-	157
Allowance for loan losses	-	(206)	(206)
Others	297	-	297
	1,390	(1,379)	11
Off-setting of deferred tax assets and liabilities	(1,379)	1,379	-
Unrecognized deferred income tax assets:	(11)	-	(11)
	₩ -	₩ -	₩ -

## Unrecognized deferred income tax assets

No deferred income tax assets have been recognized for the deductible temporary difference of ₩ 2,896,164 million, ₩ 77,275 million associated with investments in subsidiaries and tax loss carryforwards respectively as of December 31, 2011, due to the uncertainty that these will be realized in the future.

The changes in cumulative temporary differences for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011			
	Beginning	Decrease	Increase	Ending
<b>Deductible temporary differences</b>				
Share-based payments	₩ 4,149	₩ 455	₩ 2,534	₩ 6,228
Membership rights	-	-	2,532	2,532
Investments in subsidiaries	2,896,164	-	-	2,896,164
Defined benefit obligation	3,552	1,488	3,237	5,301
Short-term employee benefits	927	927	891	891
Tax loss carryforwards	77,275	-	-	77,275
Others	1,481	1,481	2,488	2,488
	2,983,548	4,351	11,682	2,990,879
Unrecognized deferred income tax assets:				
Investments in subsidiaries	2,896,164			2,896,164
Tax loss carryforwards	77,275			77,275
	₩ 10,109			₩ 17,440
Tax rate (%) <sup>1</sup>	24.2 , 22.0			24.2
Deferred income tax assets from deductible temporary differences	₩ 2,277			₩ 4,221
<b>Taxable temporary differences</b>				
Investments in subsidiaries	₩ 2,395,805	₩ -	₩ -	₩ 2,395,805
Plan assets	4,232	1,488	2,557	5,301
	₩ 2,400,037	₩ 1,488	₩ 2,557	₩ 2,401,106
Tax rate (%) <sup>1</sup>	24.2 , 22.0			24.2
Deferred income tax liabilities from taxable temporary differences	₩ 1,379			₩ 1,776

<sup>1</sup> The corporate tax rate was changed due to the amendment of corporate tax law in 2011. Accordingly, the rate of 24.2% has been applied for the deferred tax assets and liabilities expected to be utilized in periods after December 31, 2011.



Dec. 31, 2010				
	Beginning	Decrease	Increase	Ending
<b>Deductible temporary differences</b>				
Share-based payments	₩ 1,324	₩ 294	₩ 3,119	₩ 4,149
Investments in subsidiaries	2,896,164	-	-	2,896,164
Defined benefit obligation	2,933	1,239	1,859	3,553
Short-term employee benefits	647	-	280	927
Tax loss carryforwards	77,275	-	-	77,275
Others	1,353	1,353	1,480	1,480
	2,979,696	2,886	6,738	2,983,548
Unrecognized deferred income tax asset:				
Investments in subsidiaries	2,896,164			2,896,164
Tax loss carryforwards	77,275			77,275
Others	54			-
	₩ 6,203			₩ 10,109
Tax rate (%) <sup>1</sup>	24.2 , 22.0			24.2 , 22.0
Deferred income tax assets from deductible temporary differences	₩ 1,379			₩ 2,277
<b>Taxable temporary differences</b>				
Investments in subsidiaries	₩ 2,395,805	₩ -	₩ -	₩ 2,395,805
Plan assets	3,296	1,239	2,176	4,233
Allowances	850	850	-	-
	₩ 2,399,951	₩ 2,089	₩ 2,176	₩ 2,400,038
Tax rate (%) <sup>1</sup>	24.2 , 22.0			24.2 , 22.0
Deferred income tax liabilities from taxable temporary differences	₩ 1,379			₩ 1,379

<sup>1</sup> The 24.2% has been applied for the deferred tax assets and liabilities expected to be utilized in the year ended December 31, 2011. And 22.0% has been applied for the deferred tax assets and liabilities expected to be utilized in the periods after December 31, 2011.

## 12. Other Assets

The details of other assets as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
<b>Other financial assets</b>						
Accrued income	₩	132	₩	3,963	₩	9,547
Guarantee deposits		28,172		20,509		14,431
		28,304		24,472		23,978
<b>Other assets</b>						
Other receivables		601,106		22,568		-
Prepaid expenses		2,192		1,065		1,917
Advance payments		-		-		37
		603,298		23,633		1,954
	₩	631,602	₩	48,105	₩	25,932

**13. Debts**

The details of debts as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Issued date	Expiration date	Annual interest rates(%)	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Commercial paper	2011.12.12	2012.04.02	3.70	₩ 130,000	₩ -	₩ -

The maturity of debts as of December 31, 2011, is as follows:

(In millions of Korean won)

	Dec. 31, 2011					Total
	Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years		
Commercial paper	₩ -	₩ 130,000	₩ -	₩ -	₩ -	₩ 130,000

**14. Debentures**

The details of debentures at amortized cost as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Issued date	Expiration date	Annual interest rates(%)	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Unguaranteed debentures No. 1	2008.12.12	2011.12.12	-	₩ -	₩ 500,000	₩ 500,000
Unguaranteed debentures No. 2-1	2009.03.20	2011.03.20	-	-	250,000	250,000
Unguaranteed debentures No. 2-2	2009.03.20	2012.03.20	5.30	50,000	50,000	50,000
				50,000	800,000	800,000
Bond Discounts				(12)	(647)	(1,579)
				₩ 49,988	₩ 799,353	₩ 798,421

The maturities of debentures as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011					Total
	Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years		
Debentures in Korean won	₩ 50,000	₩ -	₩ -	₩ -	₩ -	₩ 50,000

(In millions of Korean won)

	Dec. 31, 2010					Total
	Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years		
Debentures in Korean won	₩ 250,000	₩ -	₩ 500,000	₩ 50,000	₩ -	₩ 800,000

(In millions of Korean won)

	Jan. 1, 2010					Total
	Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years		
Debentures in Korean won	₩ -	₩ -	₩ -	₩ 800,000	₩ -	₩ 800,000

The changes in debentures based on face value for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011				Ending
	Beginning	Issue	Repayment		
Debentures in Korean won	₩ 800,000	₩ -	₩ (750,000)	₩ -	₩ 50,000

(In millions of Korean won)

	Dec. 31, 2010				Ending
	Beginning	Issue	Repayment		
Debentures in Korean won	₩ 800,000	₩ -	₩ -	₩ -	₩ 800,000

## 15. Other Liabilities

### 15.1 Defined benefit liabilities

#### Defined benefit plan

The Company operates a defined benefit plan which has the following characteristics:

- The Company has the obligation to pay the agreed benefits to all its current and former employees.
- Actuarial risk (that benefits will cost more than expected) and investment risk fall, in substance, on the Company.

The defined benefit obligation recognized in the statements of financial position is calculated annually by independent actuaries in accordance with actuarial valuation method.

The defined benefit obligation is calculated using the Projected Unit Credit method (the 'PUC'). The data used in the PUC such as interest rates, future salary increase rate, mortality rate, consumer price index and expected return on plan asset are based on observable market data and historical data are updated annually.

Actuarial assumptions may differ from actual result due to change in the market, economic trend and mortality trend which may impact defined benefit obligation liabilities and future payments. Actuarial gains and losses arising from changes in actuarial assumptions are recognized in the period it occurs through profit or loss.

The changes in the defined benefit obligation for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	<b>Dec. 31, 2011</b>		<b>Dec. 31, 2010</b>	
Present value of defined benefit obligation (beginning)	₩	5,366	₩	4,345
Current service cost		1,252		770
Interest cost		274		255
Actuarial losses		1,711		642
Benefits paid		(775)		(646)
Present value of defined benefit obligation (ending)	₩	7,828	₩	5,366

The changes in the fair value of plan assets for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	<b>Dec. 31, 2011</b>		<b>Dec. 31, 2010</b>	
Fair value of plan assets (beginning)	₩	4,232	₩	3,296
Expected return on plan assets		183		195
Actuarial losses		(45)		(57)
Contributions		2,889		1,473
Benefits paid		(423)		(675)
Fair value of plan assets (ending)	₩	6,836	₩	4,232

The details of post-employment benefits recognized in profit and loss as employee compensation and benefits for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	<b>Dec. 31, 2011</b>		<b>Dec. 31, 2010</b>	
Current service cost	₩	1,252	₩	770
Interest cost		274		255
Expected return on plan assets		(183)		(195)
Actuarial gains and losses		1,756		699
Post-employment benefits	₩	3,099	₩	1,529

The actual return on plan assets was ₩ 138 million and ₩ 138 million for the years ended December 31, 2011 and 2010, respectively.

The details of plan assets as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	<b>Dec. 31, 2011</b>		<b>Dec. 31, 2010</b>		<b>Jan. 1, 2010</b>	
Time deposits	₩	6,836	₩	4,232	₩	3,296

Key actuarial assumptions used as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

	<b>Dec. 31, 2011</b>	<b>Dec. 31, 2010</b>	<b>Jan. 1, 2010</b>
Discount rate (%)	4.32	5.13	5.91
Expected return on plan assets	4.19	3.91	5.39
Future salary increase rate	4.55	3.97	4.24

Mortality assumptions are based on the 2009 Korea standard mortality rates table.

The present value of defined benefits obligation, fair value of plan assets and actuarial adjustments to each items as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
Present value of defined benefits obligation	₩	7,828	₩	5,366	₩	4,345
Fair value of plan assets		(6,836)		(4,232)		(3,296)
	₩	992	₩	1,134	₩	1,049
Adjustments to defined benefits obligation	₩	1,711	₩	642	₩	-
Adjustments to plan assets		45		57		-

The Company's best estimate of contributions expected to be paid to plan during the annual period beginning after the reporting period amounts to ₩ 582 million.

## 15.2 Other liabilities

The details of other liabilities, excluding defined benefits liabilities, as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
<b>Other financial liabilities</b>						
Other payables	₩	341	₩	244	₩	199
Accrued expenses		1,629		3,154		2,637
		1,970		3,398		2,836
<b>Other non-financial liabilities</b>						
Other payables		4,252		132,455		-
Accrued expenses		27,833		22,185		3,324
Withholding taxes		646		266		241
		32,731		154,906		3,565
	₩	34,701	₩	158,304	₩	6,401

## 16. Equity

### 16.1 Capital Stock

The details of capital stock as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

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

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
Type		Ordinary share		Ordinary share		Ordinary share
Number of authorized shares		1,000,000,000		1,000,000,000		1,000,000,000
Par value per share	₩	5,000	₩	5,000	₩	5,000
Number of issued shares		386,351,693		386,351,693		386,351,693
Capital stock	₩	1,931,758	₩	1,931,758	₩	1,931,758

The changes in shares outstanding for the years ended December 31, 2011 and 2010, are as follows:

	Dec. 31, 2011			
	Beginning <sup>1</sup>	Increase	Decrease	Ending
Number of issued shares	343,028,989	43,322,704	-	386,351,693

	Dec. 31, 2010			
	Beginning <sup>1</sup>	Increase	Decrease	Ending <sup>1</sup>
Number of issued shares	343,028,989	-	-	343,028,989

<sup>1</sup> Excluding 43,322,704 shares owned by Kookmin Bank

## 16.2 Capital Surplus

The details of capital surplus as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010
Paid-in capital in excess of par value	₩	12,226,597	₩	12,226,597	₩ 12,226,597
Other capital surplus		1,287,212		1,287,212	1,287,212
	₩	13,513,809	₩	13,513,809	₩ 13,513,809

## 16.3 Retained Earnings

16.3.1 The details of retained earnings as of December 31, 2011 and 2010, and January 1, 2010, consist of:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010
Legal reserves	₩	124,014	₩	115,182	₩ 61,200
Voluntary reserves		982,000		982,000	568,000
Unappropriated retained earnings		1,164,699		1,278,372	1,783,676
	₩	2,270,713	₩	2,375,554	₩ 2,412,876

With respect to the allocation of net profit earned in a fiscal term, the Company must set aside in its legal reserve an amount equal to at least 10% of its net income after tax as reported in the separate statement of comprehensive income each time it pays dividends on its net profits earned until its legal reserve reaches at least the aggregate amount of its paid-in capital in accordance with Article 53 of the Financial Holding Company Act. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock, or used to reduce accumulated deficit.

### 16.3.2 Statements of Appropriation of Retained Earnings

(Date of appropriation for 2011: March 23, 2012) / (Date of appropriation for 2010: March 25, 2011)

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010	
Unappropriated retained earnings		₩ 1,164,699		₩ 1,278,372
Balance at the beginning of year	₩	1,228,377	₩	1,652
Cumulative effect of transition to K-IFRS		-		1,235,145
Profit for the year		(63,678)		41,575

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010
Appropriation of retained earnings	281,479	49,995
Legal reserve	-	8,832
Regulatory Reserve for Credit Losses	3,306	-
Cash dividends		
(Dividends per common share: ₩ 720 (14.4%) in 2011)	278,173	41,163
(Dividends per common share: ₩ 120 (2.40%) in 2010)		
Unappropriated retained earnings to be carried over to subsequent year	₩ 883,220	₩ 1,228,377

### Regulatory Reserve for Credit Losses

Measurement and Disclosure of Regulatory Reserve for Credit Losses are required in accordance with Articles 26 through 28 of Supervisory Regulations on Financial Holding Companies.

The details of the regulatory reserve for credit losses as of December 31, 2011, and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010
Beginning	₩ -	₩ -
Amounts estimated to be appropriated	3,306	933
Ending	₩ 3,306	₩ 933

The adjustments to the regulatory reserve for credit losses for the year ended December 31, 2011, are as follows:

(In millions of Korean won except per share amounts)

	Dec. 31, 2011
Provision of regulatory reserve for credit losses	₩ (2,373)
Adjusted loss after provision of regulatory reverse for credit losses <sup>1</sup>	(66,051)
Adjusted loss per share after provision of regulatory reverse for credit losses <sup>1</sup>	₩ (180)

<sup>1</sup> Adjusted loss after provision of regulatory reverse for credit losses is not accordance with KIFRS and calculated on the assumption that provision of regulatory reserve for credit losses before income tax is adjusted to the loss for the year.

### 17. Dividends

The dividends paid to the shareholders of the Company in 2011 and 2010 were ₩ 41,163 million (₩ 120 per share) and ₩ 78,897 million (₩ 230 per share), respectively. The dividend to the shareholders of the parent company in respect of the year ended December 31, 2011, of ₩ 720 per share, amounting to total dividends of ₩ 278,173 million, is to be proposed at the annual general meeting on March 23, 2012. The Company's separate financial statements as of December 31, 2011, do not reflect this dividend payable.

### 18. Net Interest Income

Interest income, interest expense and net interest income for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010	
<b>Interest income</b>				
Due from financial institutions	₩	16,075	₩	25,885
Loans		9,916		9,315
Other		1,008		950
		26,999		36,150
<b>Interest expenses</b>				
Debts		275		-
Debentures		41,296		53,431
		41,571		53,431
<b>Net interest expense</b>	₩	(14,572)	₩	(17,281)

### 19. Net Fee and Commission income

Fee and commission income and fee and commission expense for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010	
<b>Fee and commission income</b>				
Fees in Korean won	₩	-	₩	4
<b>Fee and commission expense</b>				
Fees paid in Korean won		5,987		6,844
Fees paid in foreign currency		92		111
		6,079		6,955
<b>Net fee and commission expense</b>	₩	(6,079)	₩	(6,951)

### 20. Employee Benefits

The details of employee benefits for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010	
Salaries and other short-term employee benefits	₩	20,564	₩	14,192
Post employment benefits - defined benefit plans		3,099		1,529
Termination benefits		135		243
Share-based payments(reversal)		2,534		3,119
	₩	26,332	₩	19,083

### Share-Based Payments

Share-based payment plan, where the number of granted shares is determined by the long-term achievement, for executives and employees of the Company and its subsidiaries as of December 30, 2011, is as follows:



(In number of shares)

	Grant date	Number Of granted shares <sup>1</sup>	Vesting conditions
<b>Share grants</b>			
<b>(KB Financial Group Inc.)</b>			
Series 1	2008.09.29	22,557	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2</sup>
Series 2	2009.03.27	3,090	Service fulfillment <sup>3</sup>
Series 3	2010.01.01	32,256	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>4,11</sup>
Series 4	2010.07.13	218,944	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>5,11</sup>
Series 5	2010.12.23	13,260	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>6,11</sup>
Series 6	2011.08.10	8,183	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>6,11</sup>
		298,290	
<b>(Kookmin Bank)</b>			
Series 13	2008.10.18	7,950	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,10,11</sup>
Series 17	2009.10.12	5,300	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11</sup>
Series 19	2010.01.01	9,980	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11,12</sup>
Series 20-1	2010.01.08	24,746	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11,12</sup>
Series 20-2	2010.01.08	105,714	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11,12</sup>
Series 23	2010.07.29	73,650	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>7,11</sup>
Series 24	2010.08.03	57,072	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11,12</sup>
Series 25	2010.08.12	18,472	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>7,11</sup>
Series 27	2010.09.20	8,092	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11</sup>
Series 28	2010.12.21	68,564	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11</sup>
Series 29	2010.12.23	10,764	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11</sup>
Series 30	2010.12.29	58,168	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11</sup>
Series 31	2011.01.03	16,306	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11</sup>

	Grant date	Number Of granted shares <sup>1</sup>	Vesting conditions
Series 32	2011.03.24	7,986	Services fulfillment, Non-market performance <sup>9, 11</sup>
Series 33	2011.07.07	5,736	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8, 11</sup>
Series 34	2011.08.10	10,242	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8, 11</sup>
Series 35	2011.10.12	8,346	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8, 11</sup>
Series 36	2011.10.18	8,106	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>11, 13</sup>
Deferred grant in 2010	-	14,243	Satisfied
Deferred grant in 2011	-	3,589	Satisfied
		523,026	
<b>(Other subsidiaries)</b>			
Year 2010		33,817	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>14</sup>
Year 2011		38,931	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>14</sup>
		72,748	
		894,064	

<sup>1</sup> The corporate tax rate was changed due to the amendment of corporate tax law in 2011. Accordingly, the rate of 24.2% has been applied for the deferred tax assets and liabilities expected to be utilized in periods after December 31, 2011.

<sup>2</sup> The vesting condition is fulfillment of the remaining contracted service period. The number of granted shares to be compensated is determined based on the fulfillment of service requirement. The 30%, 30% and 40% of the number of granted shares to be compensated are determined upon the accomplishment of the targeted KPI, the targeted financial results of the Group and the targeted relative TSR, respectively.

<sup>3</sup> The number of granted shares to be compensated is determined based on fulfillment of service requirement.

<sup>4</sup> The 30%, 30% and 40% of the number of granted shares to be compensated are determined upon the accomplishment of targeted KPI, targeted financial results of the Group and targeted relative TSR, respectively. However, 50% and 50% of certain granted shares will be compensated based on the accomplishment of targeted KPI and the accomplishment of targeted relative TSR.

<sup>5</sup> The 37.5%, 37.5% and 25% of the number of certain granted shares to be compensated are determined based on the accomplishment of targeted relative TSR, targeted relative EPS ratio and qualitative indicators, respectively. The 30%, 40% and 40% of the number of other granted shares to be compensated are determined based on the accomplishment targeted KPI, targeted financial results of the Group and targeted relative TSR, respectively. The 40%, 40% and 20% of the number of the remaining granted shares to be compensated are determined based on the accomplishment of the targeted relative TSR, the targeted EPS ratio and non-measurable indicators, respectively.

<sup>6</sup> The 40%, 30% and 30% of the number of granted shares to be compensated are determined based on the accomplishment of the targeted relative TSR, the targeted KPI and the targeted financial results of the Group, respectively.

<sup>7</sup> The 40%, 40% and 20% of the number of granted shares to be compensated are determined based on the accomplishment of the targeted relative TSR, the targeted relative EPS ratio and qualitative indicators, such as a trend of ROA of the last two years, respectively.

<sup>8</sup> The 30%, 30% and 40% of the number of granted shares to be compensated are determined based on the accomplishment of the targeted KPI, the targeted financial results of the Group and the targeted relative TSR, respectively.

<sup>9</sup> The number of granted shares to be compensated is not linked to performance, but fixed.

<sup>10</sup> The number of granted shares to be compensated was changed based on a new contract made for the year ended December 31, 2010, after cancellation of the previous contract.

<sup>11</sup> Certain portion of the granted shares is compensated over a maximum period of three years.

<sup>12</sup> Fair value of compensation per granted share for certain shares is confirmed.

<sup>13</sup> Half of the number of granted shares to be compensated is determined based on the accomplishment of the targeted relative TSR, while the other half is determined by the targeted KPI.

<sup>14</sup> The 30%, 30% and 40% of the number of granted shares to be compensated are determined based on the accomplishment of the targeted KPI, MOU of the Group and the targeted relative TSR, respectively. The 60% and 40% of the number of certain granted shares to be compensated is determined based on MOU of the Group and the targeted relative TSR, respectively.

The share grant award program is an incentive plan that sets, on grant date, the maximum amount of shares that can be awarded. Actual shares granted at the end of the vesting period is determined in accordance with achievement of pre-specified targets over the vesting period.

The details of share grants linked to short-term performance as of December 31, 2011, are as follows:

		Grant date	Number of vested shares <sup>1</sup>	Vesting conditions
KB Financial Group Inc.	Share granted in 2010	2010.01.01	9,218	Fulfillment of vesting condition
	Share granted in 2011	2011.01.01	21,187	Proportion to service period
Kookmin Bank	Share granted in 2010	2010.01.01	75,216	Fulfillment of vesting condition
	Share granted in 2011	2011.01.01	165,343	Proportion to service period

<sup>1</sup> The number of shares, which are exercisable, is determined by the results of performance. The share grants are settled over three years

Share grants are measured at fair value using the Monte Carlo Simulation Model and assumptions used in determining the fair value as of December 31, 2011, are as follows:

(In Korean won)

	Expected exercise period (Years)	Risk free rate (%)	Fair value (Market performance condition)	Fair value (Non-market performance condition)
<b>(KB Financial Group Inc.) Long-term achievements</b>				
Series 1-2	-	3.40	₩ -	₩ 37,452
Series 1-4	0.23	3.40	-	36,214
Series 2-3	0.24	3.40	-	36,207
Series 3-1	0.00~2.00	3.40	57,407	37,452~41,104
Series 3-2	0.00~3.00	3.40	-	37,452~42,634
Series 3-3	0.00~2.00	3.40	57,407	37,452~41,104
Series 4-1	1.53~5.01	3.38	14,747	42,634~45,738
Series 4-2	1.53~5.01	3.38	15,252	42,634~45,738
Series 4-3	1.00~4.00	3.40	8,349	36,211~44,159
Series 4-4	1.00~4.00	3.40	8,221	36,211~44,159
Series 4-5	1.00~4.00	3.40	4,107	36,211~44,159
Series 5-1	1.00~4.00	3.40	5,286	36,211~44,159
Series 6-1	2.00~5.01	3.37	19,421	36,109~45,738
<b>(Kookmin Bank) Long-term achievements</b>				
Series 13	1.00~3.00	3.40	36,339	36,339~42,634
Series 17	1.00~3.00	3.40	36,343	36,343~42,634
Series 19	-	3.40	-	36,291
Series 20-1	0.02~4.00	3.40	8,718	36,916~44,159
Series 20-2	0.02~4.00	3.40	8,718	36,917~44,159
Series 23	1.53~4.53	3.38	21,644	36,110~42,520
Series 24	0.59~4.00	3.40	9,086	36,222~42,634
Series 25	1.53~4.53	3.38	21,644	36,110~42,520

(In Korean won)

	Expected exercise period (Years)	Risk free rate (%)	Fair value (Market performance condition)	Fair value (Non-market performance condition)
Series 27	0.72~4.00	3.40	5,225	36,169~42,634
Series 28	1.00~4.00	3.40	4,609	36,211~42,634
Series 29	1.00~4.00	3.40	5,286	36,211~42,634
Series 30	1.00~4.00	3.40	5,606	36,211~42,634
Series 31	1.00~4.00	3.40	5,623	36,211~42,634
Series 32	2.23~5.17	3.36	-	36,302~42,729
Series 33	1.50~4.17	3.39	15,878	36,283~42,634
Series 34	1.61~4.17	3.38	18,635	36,280~42,634
Series 35	2.00~4.17	3.37	21,198	36,109~42,634
Series 36	2.00~4.17	3.37	21,649	36,109~42,634
Deferred grant in 2010	0.25~3.25	3.38	-	37,060~42,634
Deferred grant in 2011	0.25~3.25	3.38	-	36,479~42,634
<b>(Other Subsidiaries) Long-term achievements</b>				
Year 2010	1.00~2.17	3.36~3.40	₩ 607~16,958	₩ 36,132~36,240
Year 2011	1.00~2.35	3.36~3.40	607~18,772	36,058~36,240
<b>(KB Financial Group Inc.) Short-term achievements</b>				
Year 2010	0.00~2.00	3.49	₩ -	₩ 40,580~44,631
Year 2011	1.00~3.00	3.49	-	40,580~46,184
<b>(Kookmin Bank) Short-term achievements</b>				
Year 2010	0.59~2.00	3.38	₩ -	₩ 37,060~41,104
Year 2011	0.23~3.00	3.38	-	36,479~42,634

Expected volatility is based on the historical volatility of the share price over the most recent period that is generally commensurate with the expected term of the grant. And the current stock price of December 31, 2011, for the underlying asset price. Additionally, the average three-year historical dividend rate was used as the expected dividend rate.

The Company used the historical data of Kookmin Bank for the period before the Company was incorporated.

Share-based payment arrangement for the employees of subsidiaries was transferred to the Company from the subsidiaries in 2010 and the related compensation cost paid to the employees of subsidiaries is reimbursed from the subsidiaries. The accrued expenses representing sharebased payments as of December 31, 2011 and 2010, and January 1, 2010, are ₩ 24,454 million, ₩ 19,777 million and ₩ 1,324 million, respectively, and the receivables to be reimbursed from the subsidiaries for the compensation costs are ₩ 18,226 million. The compensation costs amounting to ₩ 2,534 million and ₩ 3,119 million were recorded as general and administrative expense for the years ended December 31, 2011 and 2010, respectively.

## 21. Other general and administrative expenses

The details of other general and administrative expenses for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010
Welfare expense	₩ 2,731	₩ 2,067
Travel	364	249
Communications	254	238
Tax and dues	329	207
Publication	254	190

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010
Rental expense	2,173	2,034
Vehicle	400	335
Service fees	1,817	1,330
Advertising	614	501
Training	521	205
Others	4,341	2,956
	₩ 13,798	₩ 10,312

## 22. Tax expense

The details of income tax benefit for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010
<b>Tax payable</b>		
Current tax expense	₩ -	₩ -
<b>Change in deferred tax assets(liabilities)</b>		
Origination and reversal of temporary differences	(1,547)	(886)
Deferred tax expense(benefit) arising from previously unused tax losses, origination or reversal of tax credit	-	(11)
<b>Tax benefit</b>	₩ 1,547	₩ 897

The analysis of profit(loss) before tax and income tax benefit for the years ended December 31, 2011 and 2010, follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010	
	Ratio (%)	Amounts	Ratio (%)	Amounts
<b>Profit (loss) before tax</b>		₩ (65,225)		₩ 40,678
Tax expense at the applicable tax rate <sup>1</sup>	24.16	₩ (15,758)	24.14	₩ 9,817
Non-taxable income	-	-	(56.70)	(23,064)
Non-deductible expense	(0.93)	607	0.54	218
Consolidated tax effect	(20.91)	13,636	29.79	12,121
Others	0.05	(32)	0.02	11
<b>Tax benefit</b>	(2.37)	₩ 1,547	2.21	₩ 897

<sup>1</sup> Effective income tax rate for ₩ 200 million and below is 11%, and over ₩ 200 million is 24.2%, which is composed of corporate tax and local income tax.

The details of current tax liabilities (income tax payable) and current tax assets (income tax refund receivable) before offsetting, as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Income tax refund receivable prior to off-set	₩ -	₩ -	₩ -
Tax payable prior to off-set	-	-	-
Adjustment on consolidated tax payable	578,729	(125,423)	-
Current tax payable(refund receivable)	₩ 578,729	₩ (125,423)	₩ -

### 23. Earnings(loss) per share

Calculations of basic earnings(loss) per share on the profit(loss) attributable to ordinary shares are as follows:

Weighted average number of ordinary shares outstanding :

(In number of shares)			
<b>Dec. 31, 2011</b>			
	Number of shares (a)	Days outstanding (b)	Total outstanding shares (a) x (b)
Beginning (A)	386,351,693	365	141,018,367,945
Treasury shares (B)	43,322,704	13	563,195,152
	40,984,474	28	1,147,565,272
	37,463,510	42	1,573,467,420
	34,966,962	105	3,671,531,010
			6,955,758,854
Total outstanding shares (C = A - B)			134,062,609,091
Weighted average number of ordinary shares outstanding (D = C / 365)			367,294,819

(In number of shares)			
<b>Dec. 31, 2010</b>			
	Number of shares (a)	Days outstanding (b)	Total outstanding shares (a) x (b)
Beginning (A)	386,351,693	365	141,018,367,945
Treasury shares (B)	43,322,704	365	15,812,786,960
Total outstanding shares (C = A - B)			125,205,580,985
Weighted average number of ordinary shares outstanding (D = C / 365)			343,028,989

### Basic earnings(loss) per share

(In Korean won and in number of shares)		
<b>Dec. 31, 2011</b>		
Loss attributable to ordinary shares <sup>1</sup> (E)	₩	(63,678,372,821)
Weighted average number of ordinary shares outstanding (F)		367,294,819
Basic earnings(loss) per share (G = E / F)	₩	(173)

(In Korean won and in number of shares)		
<b>Dec. 31, 2010</b>		
Loss attributable to ordinary shares <sup>1</sup> (E)	₩	41,574,578,811
Weighted average number of ordinary shares outstanding (F)		343,028,989
Basic earnings(loss) per share (G = E / F)	₩	121

<sup>1</sup> Earnings(loss) attributable to ordinary shares is the same as profit(loss) in statements of comprehensive income.

### Diluted earnings(loss) per share

Basic earnings(loss) per share for the years ended December 31, 2011 and 2010, are equal the diluted earnings(loss) per share because there have been no dilution in the weighted average number of ordinary shares outstanding.

The number of potential ordinary shares which is not included in the computation of diluted earnings(loss) per share for the year ended December 31, 2011, due to the antidilutive effect, but may result in the dilution of earnings(loss) per share in the future is as follows:

(In number of shares)

	Dec. 31, 2011 <sup>1</sup>
Share grants	1,173,480

<sup>1</sup> Includes the number of granted shares for employees and executives of Kookmin Bank and other subsidiaries.

## 24. Supplemental Cash Flow Information

Cash and cash equivalents as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
Due from other financial institutions	₩	32,031	₩	759,998	₩	845,366
		32,031		759,998		845,366
Restricted due from financial institutions		(12,003)		(3)		(3)
		(12,003)		(3)		(3)
	₩	20,028	₩	759,995	₩	845,363

Significant non-cash transactions for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010	
Changes in other receivables and accrued expenses from share grants of subsidiaries	₩	2,598	₩	15,628
Changes in other receivables and other payable from consolidated tax		582,880		132,362

Cash inflow and outflow due to interest and dividends for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010	
Interest received	₩	29,846	₩	40,785
Interest paid		45,143		84,657
Dividends received		-		95,305
Dividends paid		41,163		78,897

## 25. Commitments

The commitments made with financial institutions as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

		Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
		Limit for borrowing)	Amounts borrowed	Limit for borrowing)	Amounts borrowed	Limit for borrowing)	Amounts borrowed
General loans	Hana Bank	₩ 50,000	₩ -	₩ 50,000	₩ -	₩ 50,000	₩ -
	Woori Bank	130,000	-	130,000	-	130,000	-
Discounting of bills Non-deductible expense	Korea Exchange Bank	100,000	-	100,000	-	100,000	-
		₩ 280,000	₩ -	₩ 280,000	₩ -	₩ 280,000	₩ -

## 26. Related Party Transactions

Significant related party transactions for the year ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

		<b>Dec. 31, 2011</b>					
		<b>Interest Income and others</b>		<b>Provision (reversal)</b>		<b>Rental expense and others</b>	
Subsidiaries	Kookmin Bank	₩	17,037	₩	-	₩	2,731
	KB Kookmin Card Co., Ltd		-		-		1
	KB Investment & Securities Co., Ltd.		6,559		-		312
	KB Asset Management Co., Ltd.		-		-		3
	KB Real Estate Trust Co., Ltd.		2,802		-		-
	KB Investment Co., Ltd.		555		-		-
	KB Data Systems Co., Ltd.		-		-		670
Key management			-		-		-
		₩	26,953	₩	-	₩	3,717

(In millions of Korean won)

		<b>Dec. 31, 2010</b>					
		<b>Interest Income and others</b>		<b>Provision (reversal)</b>		<b>Rental expense and others</b>	
Subsidiaries	Kookmin Bank	₩	26,803	₩	-	₩	2,375
	KB Kookmin Card Co., Ltd		-		-		-
	KB Investment & Securities Co., Ltd.		6,186		-		98
	KB Asset Management Co., Ltd.		-		-		29
	KB Real Estate Trust Co., Ltd.		2,473		-		-
	KB Investment Co., Ltd.		659		-		-
	KB Data Systems Co., Ltd.		-		-		617
Key management			-		-		-
		₩	36,121	₩	-	₩	3,119

The details of receivables and payables, and related allowance for loans losses arising from the related party transactions as of December 31, 2011, are as follows:

(In millions of Korean won)

		<b>Receivables</b>		<b>Allowances for loan losses</b>		<b>Payables</b>	
Subsidiaries	Kookmin Bank	₩	548,861	₩	-	₩	-
	KB Kookmin Card Co., Ltd		92,867		-		323
	KB Investment & Securities Co., Ltd.		1,182		-		4,365
	KB Life Insurance Co., Ltd.		190		-		-
	KB Asset Management Co., Ltd.		7,695		-		-
	KB Real Estate Trust Co., Ltd.		51,431		-		-
	KB Investment Co., Ltd.		10,092		-		50
	KB Credit Information Co., Ltd.		116		-		36
	KB Data Systems Co., Ltd.		908		-		52
Key management			-		-		-
		₩	713,342	₩	-	₩	4,826



The details of receivables and payables, and related allowance for loans losses arising from the related party transactions as of December 31, 2010, are as follows:

(In millions of Korean won)

		Receivables		Allowances for loan losses		Payables	
Subsidiaries	Kookmin Bank	₩	798,265	₩	-	₩	126,176
	KB Investment & Securities Co., Ltd.		100,717		-		5,920
	KB Life Insurance Co., Ltd.		123		-		-
	KB Asset Management Co., Ltd.		5,236		-		-
	KB Real Estate Trust Co., Ltd.		51,382		-		-
	KB Investment Co., Ltd.		10,059		-		40
	KB Futures Co., Ltd.		519		-		-
	KB Credit Information Co., Ltd.		358		-		-
	KB Data Systems Co., Ltd.		107		-		533
Key management		-		-		-	
		₩	966,766	₩	-	₩	132,669

The details of receivables and payables, and related allowance for loans losses arising from the related party transactions as of January 1, 2010, are as follows:

(In millions of Korean won)

		Receivables		Allowances for loan losses		Payables	
Subsidiaries	Kookmin Bank	₩	869,692	₩	-	₩	179
	KB Investment & Securities Co., Ltd.		100,276		-		-
	KB Real Estate Trust Co., Ltd.		50,021		-		-
	KB Investment Co., Ltd.		20,008		-		-
	KB Data Systems Co., Ltd.		3		-		44
Key management		-		-		-	
		₩	1,040,000	₩	-	₩	223

According to K-IFRS 1024, the Company includes subsidiaries and key management (including family members). Additionally, the Company discloses balances (receivables and payables) and other amounts arising from the related party transactions in the notes to the financial statements. Refer to Note 8 for details on subsidiaries.

Key management includes the directors of the Company and companies where the directors and their close family members have the power to influence the decision-making process.

The details of compensation to key management for the year ended December 31, 2011, are as follows:

(In millions of Korean won)

	Short-term employee benefits		Post-employment benefits		Termination benefits		Share-based payments		Total	
Registered director (executive)	₩	2,775	₩	186	₩	-	₩	1,936	₩	4,897
Registered director (non-executive)		659		-		-		(48)		611
Non-registered director		2,238		307		135		646		3,326
	₩	5,672	₩	493	₩	135	₩	2,534	₩	8,834

The details of compensation to key management for the year ended December 31, 2010, are as follows:

(In millions of Korean won)

	Short-term employee benefits		Post-employment benefits		Termination benefits		Share-based payments		Total	
Registered director (executive)	₩	689	₩	67	₩	-	₩	907	₩	1,663
Registered director (non-executive)		190		-		-		(254)		(64)
Non-registered director		2,472		95		243		2,466		5,276
	₩	3,351	₩	162	₩	243	₩	3,119	₩	6,875

## 27. Approval of Financial Statements

The financial statements as of and for the year ended December 31, 2011, were approved on February 9, 2012, by the Board of Directors.

## 28. Event after the Reporting Period

The Company established KB Savings Bank Co., Ltd. with a capital investment of ₩ 171,526million in January 2012. KB Savings Bank Co., Ltd. signed a purchase & assumption(P&A) deal for selected assets and liabilities of Jeil Savings Bank Co., Ltd. with Korea Deposit Insurance Corporation on January 11, 2012. KB Savings Bank Co., Ltd. obtained an approval for operation from the Financial Services Commission and acquired the assets and liabilities of Jeil Savings Bank Co., Ltd. on January 13, 2012.

## 29. Transition to K-IFRS

The Company's separate financial statements as of and for the year ended December 31, 2011, have been prepared in accordance with K-IFRS which was adopted on January 1, 2011. The Company's separate statements of financial position as of December 31, 2010, and January 1, 2010, and the separate financial statements for the year ended December 31, 2010, had been prepared in accordance with ("K-GAAP"). However, K-IFRS 1101, First time adoption of K-IFRS, was implemented and these financial statements have been restated in accordance with K-IFRS and the Company's transition date to K-IFRS was January 1, 2010.

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

Significant GAAP differences between K-IFRS and K-GAAP in preparing the Company's separate financial statements are as follows:

#### (a) First time adoption of K-IFRS

Exemptions from other K-IFRS which the Company elected in accordance with K-IFRS 1101 are as follows:

Deemed cost for investments in subsidiaries and associates: The Company applies previous KGAAP carrying amount as deemed cost as of the transition date.

#### (b) Significant GAAP differences between previous K-GAAP(K-GAAP) and K-IFRS

GAAP differences	K-GAAP	K-IFRS
<b>Investments in subsidiaries</b>	Investments in subsidiaries are recognized in separate financial statements using the equity method.	Investments in subsidiaries are recognized in separate financial statements using the cost method.
<b>Allowance for loan losses</b>	<p>The calculation of allowance for loan losses is based on the estimates made through reasonable and objective method for receivables of uncertain collectability.</p> <p>The higher amount estimated using the two methods below is used:</p> <p>i) allowances for loan losses based on historical loss data</p> <p>ii) allowances provided in accordance with directed minimum percentage rate in its respective asset quality category as prescribed by the Supervisory Regulations on Financial Holding Companies.</p>	If there is objective evidence that an impairment loss on loans and receivables at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate(Incurred loss basis).
<b>Employee benefits</b>	<p>Retirement benefits: Benefits are measured based on assumption that all eligible employees and directors, with at least one year of service, were to terminate their employment at the end of the reporting period.</p> <p>Short-term employee benefit: Compensation for unused annual leave is recognized as expense during the period when payment is made.</p>	<p>Post-employment benefit obligation: It is measured by an actuarial valuation method using the projected unit credit method.</p> <p>Short-term employee benefit : It is recognized as an expense during the period when services are provided and benefits are earned.</p>

## 29.2. The impact on the financial information of the Company as a result of adoption of K-IFRS

The impact on the Company's assets, liabilities, equity, profit, comprehensive income, and cash flows as a result of adopting K-IFRS are as follows:

The details of adjustments to the assets, liabilities, equity as of January 1, 2010 (transition date), are as follows:

(In millions of Korean won)

	Assets		Liabilities		Equity
Previous K-GAAP	₩	18,663,464	₩	811,834	₩ 17,851,630
Adjustments :					
Allowance for loan losses		850		-	850
Employee benefits		-		283	(283)
Deferred tax effect due to adjustments		-		(6,246)	6,246
Total adjustments		850		(5,963)	6,813
K-IFRS	₩	18,664,314	₩	805,871	₩ 17,858,443

The details of adjustments to the assets, liabilities, equity, profit and comprehensive income as of and for the year ended December 31, 2010, are as follows:

(In millions of Korean won)

	Assets		Liabilities		Equity
Previous K-GAAP	₩	18,912,545	₩	966,744	₩ 17,945,801
Adjustments :					
Investments in subsidiaries		(134,331)		-	(134,331)
Allowance for loan losses		800		-	800
Employee benefits		-		247	(247)
Deferred tax effect due to adjustments		898		(8,200)	9,098
Total adjustments		(132,633)		(7,953)	(124,680)
K-IFRS	₩	18,779,912	₩	958,791	₩ 17,821,121

(In millions of Korean won)

	<b>Profit</b>		<b>Total comprehensive income</b>	
Previous K-GAAP	₩	88,320	₩	168,977
Adjustments :				
Investments in subsidiaries		(44,411)		(130,132)
Allowance for loan losses		(50)		(50)
Employee benefits		36		36
Deferred tax effect due to adjustments		(2,320)		2,744
Total adjustments		(46,745)		(127,402)
K-IFRS	₩	41,575	₩	41,575

#### Adjustment summary of cash flows

There are no significant differences on the statement of cash flows prepared in accordance with K-IFRS and K-GAAP.

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

## To the President of KB Financial Group Inc.

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of KB Financial Group Inc. (the "Company") as of December 31, 2011. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2011, the Company's IACS has been designed and is operating effectively as of December 31, 2011, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

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

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

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

Our review is based on the Company's IACS as of December 31, 2011, and we did not review management's assessment of its IACS subsequent to December 31, 2011. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

*Samil PricewaterhouseCoopers*

Samil PricewaterhouseCoopers  
March 12, 2012

# Report on the Operations of the Internal Accounting Control System

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

I, as the Internal Accounting Control Officer ("IACO") of KB Financial Group Inc. ("the Company"), assessed the status of the design and operations of the Company's internal accounting control system ("IACS") for the year ended December 31, 2011.

The Company's management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external purposes. I, as the IACO, applied the IACS standard for the assessment of design and operations of the IACS.

Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2011, in all material respects, in accordance with the IACS standards.

February 24, 2012

Jong-Kyoo Yoon, Internal Accounting Control Officer



Yoon-Dae Euh, Chief Executive Officer



# Report of Independent



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

[www.samil.com](http://www.samil.com)

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

We have audited the accompanying consolidated statements of financial position of KB Financial Group Inc. and its subsidiaries (collectively the "Group") as of December 31, 2011 and 2010, and January 1, 2010, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and 2010, expressed in Korean won. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements, referred to above, present fairly, in all material respects, the financial position of the Group as of December 31, 2011 and 2010, and January 1, 2010, and their financial performance and cash flows for the years ended December 31, 2011 and 2010, in conformity with International Financial Reporting Standards as adopted by the Republic of Korea ("K-IFRS").

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those who are informed about Korean auditing standards and their application in practice.

Samil PricewaterhouseCoopers

Seoul, Korea  
March 12, 2012

This report is effective as of March 12, 2012, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.



# Consolidated Statements of Financial Position

December 31, 2011 and 2010, and January 1, 2010

## KB Financial Group Inc.

(In millions of Korean won)

	Notes	Dec. 31, 2011	Dec. 31, 2010	Jan 1, 2010
<b>Assets</b>				
Cash and due from financial institutions	4,6,7,38	₩ 9,178,125	₩ 6,829,828	₩ 9,102,630
Financial assets at fair value through profit and loss	4,6,8,12	6,326,104	4,013,313	4,592,491
Derivative financial assets	4,6,9	2,448,455	2,595,121	3,392,391
Loans	4,6,8,10,11,40	212,107,027	197,621,004	196,686,844
Financial investments	4,6,8,12	35,432,182	36,189,650	35,036,710
Investments in associates and joint ventures	13	892,132	723,411	614,717
Property and equipment	14	3,186,020	3,150,260	3,257,911
Investment property	14	51,552	52,921	67,977
Intangible assets	15	468,441	504,920	402,577
Deferred income tax assets	16,32	22,329	4,045	16,504
Assets held for sale	18	9,931	9,353	20,160
Other assets	4,6,17	7,478,519	7,076,796	6,968,059
<b>Total assets</b>		₩ 277,600,817	₩ 258,770,622	₩ 260,158,971
<b>Liabilities</b>				
Financial liabilities at fair value through profit and loss	4,6,19	₩ 1,388,079	₩ 1,294,859	₩ 1,364,223
Deposits	4,6,20	190,337,590	179,862,071	169,065,043
Debts	4,6,21	16,823,838	11,744,389	13,834,104
Derivative financial liabilities	4,6,9	2,059,573	2,236,359	3,138,394
Debentures	4,6,22,40	27,069,879	29,107,316	38,661,962
Provisions	23	797,739	1,020,070	576,154
Current income tax liabilities	32	588,825	29,641	99,752
Deferred income tax liabilities	16,32	220,842	283,575	404,639
Other liabilities	4,6,24	15,214,657	13,526,412	13,584,012
<b>Total liabilities</b>		254,501,022	239,104,692	240,728,283
<b>Equity</b>				
Capital stock		1,931,758	1,931,758	1,931,758
Capital surplus		15,841,824	15,990,278	15,990,618
Accumulated other comprehensive income	34	191,642	430,572	350,941
Retained earnings		4,952,751	2,620,888	2,553,185
Treasury shares		-	(2,476,809)	(2,476,809)
<b>Equity attributable to shareholders of the company</b>	25	22,917,975	18,496,687	18,349,693
<b>Non-controlling interests</b>		181,820	1,169,243	1,080,995
<b>Total equity</b>		23,099,795	19,665,930	19,430,688
<b>Total liabilities and equity</b>		₩ 277,600,817	₩ 258,770,622	₩ 260,158,971

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

# Consolidated Statements of Comprehensive Income

Years ended December 31, 2011 and 2010

## KB Financial Group Inc. and Subsidiaries

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

	Notes	2011	2010
Interest income		₩ 13,956,257	₩ 13,051,936
Interest expense		(6,851,745)	(6,878,132)
Net interest income	5,26	7,104,512	6,173,804
Fee and commission income		2,829,754	2,481,451
Fee and commission expense		(1,035,004)	(776,737)
Net fee and commission income	5,27	1,794,750	1,704,714
Net gains(losses) on financial assets/liabilities at fair value through profit and loss	5,28	1,035,867	814,808
Provision for credit losses	5,11,17,23	(1,512,978)	(2,871,417)
Employee compensation and benefits	24,30	(1,870,864)	(2,406,852)
Depreciation and amortization	5,14,15	(342,493)	(347,692)
Other general and administrative expenses	31	(1,718,451)	(1,612,085)
General and administrative expenses		(3,931,808)	(4,366,629)
Net other operating income(expenses)	5,29	(1,092,009)	(1,067,343)
<b>Operating profit</b>		3,398,334	387,937
Share of profit of associates and joint ventures	5,13	4,963	(210,594)
Net other non-operating income(expenses)		(142,491)	(27,975)
<b>Profit before tax expense</b>	5	3,260,806	149,368
<b>Tax income(expense)</b>	32	(832,234)	70,541
<b>Profit for the year</b>	5	2,428,572	219,909
Exchange differences on translating foreign operations		5,602	(7,127)
Change in value of financial investments		(239,596)	108,461
Shares of other comprehensive income of associates and joint ventures		(433)	(2,005)
Cash flow hedges		(1,321)	-
<b>Other comprehensive income(loss) for the year, net of tax</b>		(235,748)	99,329
<b>Total comprehensive income for the year</b>		₩ 2,192,824	₩ 319,238
<b>Profit attributable to:</b>			
Shareholders of the parent entity		₩ 2,373,026	₩ 146,600
Non-controlling interests		55,546	73,309
		₩ 2,428,572	₩ 219,909
<b>Total comprehensive income attributable to:</b>			
Shareholders of the parent entity		₩ 2,134,096	₩ 226,231
Non-controlling interests		58,728	93,007
		₩ 2,192,824	₩ 319,238
<b>Earnings per share</b>	35		
Basic earnings per share		₩ 6,461	₩ 427
Diluted earnings per share		6,445	427

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

# Consolidated Statements of Changes in Equity

Years ended December 31, 2011 and 2010

## KB Financial Group Inc. and Subsidiaries

(In millions of Korean won)

	Equity attributable to equity holders of the parent company						
	Capital Stock	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Treasury stock	Non-controlling interests	Total Equity
<b>Balance at January 1, 2010</b>	1,931,758	15,990,618	350,941	2,553,185	(2,476,809)	1,080,995	19,430,688
<b>Comprehensive income</b>							
Profit for the year	-	-	-	146,600	-	73,309	219,909
Change in value of financial investments	-	-	88,593	-	-	19,868	108,461
Shares of other comprehensive income of associates and joint ventures and joint ventures	-	-	(2,005)	-	-	-	(2,005)
Exchange differences on translating foreign operations	-	-	(6,957)	-	-	(170)	(7,127)
Others	-	(340)	-	-	-	59,841	59,501
<b>Total comprehensive income(loss)</b>	-	(340)	79,631	146,600	-	152,848	378,739
<b>Transactions with shareholders</b>							
Dividends paid to shareholders of the parent company	-	-	-	(78,897)	-	-	(78,897)
Dividends paid to holders of hybrid capital instruments	-	-	-	-	-	(64,600)	(64,600)
<b>Total transactions with shareholders</b>	-	-	-	(78,897)	-	(64,600)	(143,497)
<b>Balance at December 31, 2010</b>	1,931,758	15,990,278	430,572	2,620,888	(2,476,809)	1,169,243	19,665,930

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

# Consolidated Statements of Changes in Equity

Years ended December 31, 2011 and 2010

## KB Financial Group Inc. and Subsidiaries

(In millions of Korean won)

	Equity attributable to equity holders of the parent company						
	Capital Stock	Capital Surplus	Accumulated Other Comprehensive Income(loss)	Retained Earnings	Treasury stock	Non-controlling interests	Total Equity
<b>Balance at January 1, 2011</b>	1,931,758	15,990,278	430,572	2,620,888	(2,476,809)	1,169,243	19,665,930
<b>Comprehensive income</b>							
Profit for the year	-	-	-	2,373,026	-	55,546	2,428,572
Change in value of financial investments	-	-	(242,668)	-	-	3,072	(239,596)
Shares of other comprehensive income of associates and joint ventures	-	-	(433)	-	-	-	(433)
Cash flow hedges	-	-	(1,321)	-	-	-	(1,321)
Currency translation differences	-	-	5,492	-	-	110	5,602
Others	-	(394)	-	-	-	-	(394)
<b>Total comprehensive income</b>	-	(394)	(238,930)	2,373,026	-	58,728	2,192,430
<b>Transactions with shareholders</b>							
Dividends paid to shareholders of the parent company	-	-	-	(41,163)	-	-	(41,163)
Dividends paid to holders of hybrid capital instruments	-	-	-	-	-	(46,151)	(46,151)
Disposal of hybrid capital instruments	-	-	-	-	-	(1,000,000)	(1,000,000)
Disposal of treasury stock and others	-	(148,060)	-	-	2,476,809	-	2,328,749
<b>Total transactions with shareholders</b>	-	(148,060)	-	(41,163)	2,476,809	(1,046,151)	1,241,435
<b>Balance at December 31, 2011</b>	1,931,758	15,841,824	191,642	4,952,751	-	181,820	23,099,795

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

# Consolidated Statements of Cash Flows

Years ended December 31, 2011 and 2010

## KB Financial Group Inc. and Subsidiaries

(In millions of Korean won)

	Notes	2011	2010
<b>Cash flows from operating activities</b>			
Profit for the year		₩ 2,428,572	₩ 219,909
Adjustment for non-cash items			
Net gains losses(gains) on financial assets/liabilities at fair value through profit and loss		(391,197)	(409,245)
Net losses(gains) on derivative financial instruments for hedging purposes		(107,371)	(102,692)
Adjustment of fair value of derivative financial instruments		207,522	32,466
Provision for credit loss		1,512,978	2,871,417
Net gains on financial investments		(481,459)	(112,551)
Share of profit(loss) of associates and joint ventures		(4,963)	210,594
Depreciation and amortization expense		342,656	347,834
Other net losses on property and equipment		18,533	426
Share-based payments(reversal)		(7,609)	(4,850)
Legal reserve appropriation		673,259	811,483
Changes in provision for accrued severance benefits		204,337	151,343
Net interest income		84,470	17,943
Losses(gains) on foreign currency translation		273,971	666,451
Other income(expenses)		130,206	129,629
		2,455,333	4,610,248
Changes in operating assets and liabilities			
Financial asset at fair value through profit and loss		(2,370,999)	606,154
Derivative financial instruments		481,502	421,458
Loans		(17,023,252)	(3,774,205)
Deferred income tax assets		-	19,145
Other assets		(877,081)	2,706,174
Financial liabilities at fair value through profit and loss		146,638	(126,847)
Deposits		10,716,619	11,075,939
Deferred income tax liabilities		(13,150)	(143,006)
Other liabilities		48,628	(954,691)
		(8,891,095)	9,830,121
<b>Net cash generated from operating activities</b>		<b>(4,007,190)</b>	<b>14,660,278</b>

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

# Consolidated Statements of Cash Flows

Years ended December 31, 2011 and 2010

## KB Financial Group Inc. and Subsidiaries

(In millions of Korean won)

	Notes	2011	2010
<b>Cash flows from investing activities</b>			
Disposal in financial investments		22,875,143	33,678,653
Acquisition in financial investments		(21,918,460)	(34,569,523)
Decrease in investments in associates		12,120	7,885
Acquisition in investments in associates		(176,105)	(329,177)
Disposal of property and equipment		859	2,148
Acquisition of property and equipment		(261,905)	(120,779)
Disposal of intangible assets		10,353	-
Acquisition of intangible assets		(105,341)	(193,123)
Acquisition of subsidiaries, net of cash acquired		-	65,913
Others		251,888	(1,071,933)
<b>Net cash provided by (used in) investing activities</b>		<b>688,552</b>	<b>(2,529,936)</b>
<b>Cash flows from financing activities</b>			
Net cash flows from derivative financial instrument for hedging purposes		20,733	(27,658)
Increase in debts		5,453,721	(1,979,461)
Increase in debentures		9,665,174	8,340,121
Decrease in debentures		(11,607,211)	(18,047,460)
Disposal of treasury stock		2,281,524	-
Redemption of hybrid capital instruments		(1,000,000)	-
Dividends paid to holders of hybrid capital instruments		(46,331)	(64,600)
Dividends paid to shareholders of the parent company		(41,163)	(78,897)
Others		48,434	73,627
<b>Net cash provided by (used in) financing activities</b>		<b>4,774,881</b>	<b>(11,784,328)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>32,982</b>	<b>36,931</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,489,225</b>	<b>382,945</b>
<b>Cash and cash equivalents at the beginning of the year</b>	38	3,251,579	2,868,634
<b>Cash and cash equivalents at the end of the year</b>	38	₩ 4,740,804	₩ 3,251,579

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

# Notes to Consolidated Financial Statements

December 31, 2011 and 2010, and January 1, 2010

## KB Financial Group Inc. and Subsidiaries

### 1. The Parent Company

KB Financial Group Inc. (the "Parent Company") was incorporated on September 29, 2008, under the Financial Holding Companies Act of Korea. KB Financial Group Inc. and its subsidiaries (the "Group") derive substantially all of their revenue and income from providing a broad range of banking and related financial services to consumers and corporations primarily in Korea and in selected international markets. The Parent Company's principal business includes ownership and management of subsidiaries and associated companies that are engaged in financial services or activities. In 2011, Kookmin Bank spun off its credit card business segment and established a new separate credit card company, KB Kookmin Card Co., Ltd., and KB Investment & Securities Co., Ltd. merged with KB Futures Co., Ltd.

The Parent Company's paid in capital as of December 31, 2011 is ₩1,931,758 million. The Parent Company is authorized to issue up to 1,000 million shares. The Parent Company has been listed on the Korea Exchange ("KRX") since October 10, 2008, and listed on the New York Stock Exchange ("NYSE") for its American Depositary Shares ("ADS") since September 29, 2008.

### 2. Basis of Preparation

#### 2.1 Application of K-IFRS

The Group's financial statements for the annual period beginning on January 1, 2011, have been prepared in accordance with Korean-IFRS ("K-IFRS"). These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

The consolidated financial statements of the Group were prepared in accordance with KIFRS, and the application of K-IFRS 1101, First-time Adoption of International Financial Reporting Standards, is required for the consolidated financial statements.

The transition date, according to K-IFRS 1101, from the previous accounting principles generally accepted in the Republic of Korea ("Previous K-GAAP") to K-IFRS is January 1, 2010. Reconciliations and descriptions of the effect of the transition from previous K-GAAP to K-IFRS on the Group's equity, total comprehensive income and cash flows are described in Note 45.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.4.

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2011, and not early adopted by the Group are as follows:

#### Amendments to K-IFRS 1012, Income Taxes

According to the amendments to K-IFRS 1012, for the investment properties accounted for at fair value, the measurement of deferred tax liability and deferred tax asset should reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless there is evidence to the contrary. This amendment is effective for the Group as of January 1, 2012. The Group expects that the amendment does not affect the consolidated financial statements of the Group.

#### Amendments to K-IFRS 1019, Employee Benefits

According to the amendments to K-IFRS 1019, the corridor approach for actuarial gains and losses is not allowed anymore,

Accordingly, the actuarial gains and losses are recognized in other comprehensive income immediately. Past service costs incurred under changes of plans are recognized immediately, and the amendment replaces the interest cost on the defined benefit obligation, and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability. This amendment is effective for the Group as of January 1, 2013. The Group is assessing the impact of application of the amended K-IFRS 1019 on its consolidated financial statements.

#### **Amendments to K-IFRS 1107, Financial Instruments: Disclosures**

According to the amendment, an entity should provide the required disclosures of nature, carrying amount, risk and rewards associated with all transferred financial instruments that are not derecognized from an entity's financial statements. In addition, an entity is required to disclose additional information related to transferred and derecognized financial instruments for any continuing involvement in transferred assets. This amendment is effective for the Group as of January 1, 2012. The Group is assessing the impact of application of the amended K-IFRS 1107 on its consolidated financial statements.

#### **Enactment of K-IFRS 1113, Fair value measurement**

K-IFRS 1113 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across K-IFRS. K-IFRS 1113 does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within K-IFRS. This amendment is effective for the Group as of January 1, 2013, and the Group expects that the amendment does not affect the consolidated financial statements of the Group.

### **2.2 Measurement Basis**

The consolidated financial statements have been prepared under the historical cost convention unless otherwise specified.

### **2.3 Functional and Presentation Currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent Company's functional and presentation currency. Refer to Note 3.2.1 and 3.2.2.

### **2.4 Significant Estimates**

The preparation of consolidated financial statements requires the application of accounting policies, certain critical accounting estimates and assumptions that may have a significant impact on the assets (liabilities) and income (expenses). Management's estimates of outcomes may differ from actual outcomes if management's estimates and assumptions based on management's best judgment at the reporting date are different from the actual environment.

Estimates and assumptions are continually evaluated and any change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only. Alternatively if the change in accounting estimate affects both the period of change and future periods, that change is recognized in the profit or loss of all those periods.

Uncertainty in estimates and assumptions with significant risk that may result in material adjustment to the consolidated financial statements are as follows:

#### **2.4.1 Deferred income taxes**

The recognition of a deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies.

#### **2.4.2 Fair value of financial instruments**

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available is determined by using valuation techniques. Financial instruments, which are not actively traded in the market and those with less transparent market prices, will have less objective fair values and require broad judgment on liquidity, concentration, uncertainty in market factors and assumptions in price determination and other risks.



As described in the significant accounting policies in Note 3.3, 'Recognition and Measurement of Financial Instruments', diverse valuation techniques are used to determine the fair value of financial instruments, from generally accepted market valuation models to internally developed valuation models that incorporate various types of assumptions and variables.

#### **2.4.3 Provisions for credit losses (allowances for loan losses, provisions for acceptances and guarantees, and unused loan commitments)**

The Group determines and recognizes allowances for losses on loans through impairment testing and recognizes provisions for guarantees, and unused loan commitments. The accuracy of provisions for credit losses is determined by the methodology and assumptions used for estimating expected cash flows of the borrower for allowances on individual loans and collectively assessing allowances for groups of loans, guarantees and unused loan commitments.

#### **Amendments to K-IFRS 1107, Financial Instruments: Disclosures**

and unused loan commitments. The accuracy of provisions for credit losses is determined by the methodology and assumptions used for estimating expected cash flows of the borrower for allowances on individual loans and collectively assessing allowances for groups of loans, guarantees and unused loan commitments.

#### **2.4.4 Defined benefit obligation**

The present value of defined benefit obligations is measured by independent actuaries using the Projected Unit Credit Method. It incorporates actuarial assumptions and variables such as future increases in salaries, rate of retirement, and discount rate amongst others.

### **3. Significant Accounting Policies**

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

#### **3.1 Consolidation**

##### **3.1.1 Subsidiaries**

Subsidiaries are companies that are controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effects of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date when control is transferred to the Group and de-consolidated from the date when control is lost.

If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests, if any. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group has established various special purpose entities ("SPE"s). Such SPEs are consolidated when the risks and rewards and substance of the relationship between the Group and the SPE indicates that the SPE is controlled by the Group. These SPEs controlled by the Group are established with predetermined activities, so that the Group has the rights to obtain the majority of the benefits of the activities of the SPEs and may be exposed to risks incident to the activities of the SPEs. The Group retains the majority of the residual or ownership risks related to such SPE or its assets in order to obtain the benefits from its activities.

##### **3.1.2 Associates and joint ventures**

Associates are entities over which the Group has significant influence in the financial and operating policy decisions. If the Group holds 20% or more of the voting power of the investee, it is presumed that the Group has significant influence. A joint venture is a contractual arrangement whereby the Group and other venturers undertake an economic activity that is subject to joint control.

Under the equity method, investments in associates and joint ventures are initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the investee and changes in the investee's equity after the date of acquisition. The Group's share of the profit or loss of the investee is recognized in the Group's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Profit and losses resulting from 'upstream' and 'downstream' transactions between the Group and investee are eliminated to the extent of the Group's interest in investee.

If associates and joint ventures use accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

After the carrying amount of the investment is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. The Group determines at each reporting date whether there is any objective evidence that the investments in the associates and joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and joint ventures and its carrying value and recognizes the amount as 'Share of profit or loss of associates and joint ventures' in the statements of comprehensive income.

### **3.1.3 Trusts and funds**

The Group provides management services for trust assets, collective investment and other funds. These trusts and funds are not consolidated in the Group's consolidated financial statements, except for trusts and funds over which the Group has control.

### **3.1.4 Intra-group transactions**

All intra-group balances and transactions, and any unrealized gains arising on intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

## **3.2 Foreign Currency**

### **3.2.1 Foreign currency transactions and balances**

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting period foreign currency monetary items are translated using the closing rate which is the spot exchange rate at the end of the reporting period. Non-monetary items that are measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined and non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss in the period in which they arise. When gains or losses on a non-monetary item are recognized in other comprehensive income, any exchange component of those gains or losses are also recognized in other comprehensive income. Conversely, when gains or losses on a non-monetary item are recognized in profit or loss, any exchange component of those gains or losses are also recognized in profit or loss.

### **3.2.2 Foreign Operations**

The financial performance and financial position of all foreign operations, whose functional currencies differ from the Group's presentation currency, are translated into the Group presentation currency using the following procedures:

Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position. Income and expenses in the statement of comprehensive income presented are translated at average exchange rates for the period.

Any goodwill arising from the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation. Thus they are expressed in the functional currency of the foreign operation and are translated into the presentation currency at the closing rate.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, are reclassified from equity to profit or loss (as a reclassification adjustment) when the gains or losses on disposal are recognized. On the partial disposal of a subsidiary that includes a foreign operation, the Group reattributes the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation, the Group reclassifies to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income.

### **3.3 Recognition and Measurement of Financial Instruments**

#### **3.3.1 Initial recognition**

The Group recognizes a financial asset or a financial liability in its statement of financial position when, the Group becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets (a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by market regulation or practice) is recognized and derecognized using trade date accounting.

The Group classifies financial assets as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets, or loans and receivables. The Group classifies financial liabilities as financial liabilities at fair value through profit or loss or other financial liabilities. The classification depends on the nature and holding purpose of the financial instrument at initial recognition in the financial statements.

At initial recognition, a financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of a financial instrument on initial recognition is normally the transaction price (that is, the fair value of the consideration given or received).

#### **3.3.2 Subsequent measurement**

After initial recognition, financial instruments are measured at amortized cost or fair value based on classification at initial recognition.

##### **Amortized cost**

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition and adjusted to reflect principal repayments, cumulative amortization using the effective interest method and any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

##### **Fair value**

Fair values, which the Group primarily uses for the measurement of financial instruments, are the published price quotations based on market prices or dealer price quotations of financial instruments traded in an active market where available. These are the best evidence of fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the market for a financial instrument is not active, fair value is determined either by using a valuation technique or independent third-party valuation service. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, referencing to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

The Group uses valuation models that are commonly used by market participants and customized for the Group to determine fair values of common over-the-counter (OTC) derivatives such as options, interest rate swaps and currency swaps which are based on the inputs observable in markets. For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally recognized as standard within the industry, or a value measured by an independent external valuation institution as the fair values if all or some of the inputs to the valuation models are not market observable and therefore it is necessary to estimate fair value based on certain assumptions.

The Group's Fair Value Evaluation Committee, which consists of the risk management department, trading department and accounting department, reviews the appropriateness of internally developed valuation models, and approves the selection and changing of the external valuation institution and other considerations related to fair value measurement. The review results on the fair valuation models are reported to the Market Risk Management subcommittee by the Fair Value Evaluation Committee on a regular basis.

If the valuation technique does not reflect all factors which market participants would consider in setting a price, the fair value is adjusted to reflect those factors. These factors include counterparty credit risk, bid-ask spread, liquidity risk and others.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the Group calibrates the valuation technique and tests it for validity using prices from observable current market transactions of the same instrument or based on other relevant observable market data.

### **3.3.3 Derecognition**

Derecognition is the removal of a previously recognized financial asset or financial liability from the statement of financial position. The Group derecognizes a financial asset or a financial liability when, and only when:

#### **Derecognition of financial assets**

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or the financial assets have been transferred and substantially all the risks and rewards of ownership of the financial assets are also transferred. If the Group neither transfers nor disposes of substantially all the risks and rewards of ownership of the financial assets, the Group continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognized from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expires.

### **3.3.4 Offsetting**

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### **3.4 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, foreign currency, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 3.5 Non-derivative financial assets

#### 3.5.1 Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Group as at fair value through profit or loss upon initial recognition.

A non-derivative financial asset is classified as held for trading if either:

- It is acquired for the purpose of selling in the near term, or
- It is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

The Group may designate certain financial assets, other than held for trading, upon initial recognition as at fair value through profit or loss when one of the following conditions is met:

- It eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.
- A group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel.
- A contract contains one or more embedded derivatives; the Group may designate the entire hybrid (combined) contract as a financial asset at fair value through profit or loss if allowed by K-IFRS 1039, Financial Instruments: Recognition and measurement.

After initial recognition, a financial asset at fair value through profit or loss is measured at fair value and gains or losses arising from a change in the fair value are recognized in profit or loss. Interest income, dividend income, and gains or losses from sale and repayment from financial assets at fair value through profit or loss are recognized in the statement of comprehensive income as net gains on financial instruments at fair value through profit or loss.

#### 3.5.2 Financial Investments

Available-for-sale and held-to-maturity financial assets are presented as financial investments.

##### Available-for-sale financial assets

Profit or loss of financial assets classified as available for sale, except for impairment loss and foreign exchange gains and losses resulting from changes in amortized cost of debt securities, is recognized as other comprehensive income, and cumulative profit or loss is reclassified from equity to current profit or loss at the derecognition of the financial asset, and it is recognized as part of other operating profit or loss in the statement of comprehensive income.

However, interest revenue measured using the effective interest method is recognized in current profit or loss, and dividends of financial assets classified as available-for-sale are recognized when the right to receive payment is established.

Available-for-sale financial assets denominated in foreign currencies are translated at the closing rate. For available-for-sale debt securities denominated in foreign currency, exchange differences resulting from changes in amortized cost are recognized in profit or loss as part of other operating income and expenses. For available-for-sale equity securities denominated in foreign currency, the entire change in fair value including any exchange component is recognized in other comprehensive income.

##### Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are subsequently measured at amortized cost using the effective interest method after initial recognition and interest income is recognized using the effective interest method.

### 3.5.3 Loans and receivables

Non-derivative financial assets which meet the following conditions are classified as loans and receivables:

- Those with fixed or determinable payments.
- Those that are not quoted in an active market.
- Those that the Group does not intend to sell immediately or in the near term.
- Those that the Group, upon initial recognition, does not designate as available-for-sale or as at fair value through profit or loss.

After initial recognition, these are subsequently measured at amortized cost using the effective interest method.

If the financial asset is purchased under an agreement to resale the asset at a fixed price or at a price that provides a lender's return on the purchase price, the consideration paid is recognized as loans and receivables.

### 3.6 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets except for financial assets at fair value through profit or loss is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred, if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. (However, losses expected as a result of future events, no matter how likely, are not recognized.)

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- Significant financial difficulty of the issuer or obligor.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for that financial asset because of financial difficulties.
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio.

In addition to the types of events in the preceding paragraphs, objective evidence of impairment for an investment in an equity instrument classified as available-for-sale financial assets includes a significant or prolonged decline in the fair value below its cost.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured and recognized in profit or loss as either provisions for credit loss or other operating income and expenses.

#### 3.6.1 Loans and receivables

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant (individual assessment of impairment), and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment (collective assessment of impairment).

### **Individual assessment of impairment**

Individual assessment of impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan's current carrying amount. This process normally encompasses management's best estimate, such as operating cash flow of the borrower and net realizable value of any collateral held.

### **Collective assessment of impairment**

A methodology based on historical loss experience is used to estimate inherent incurred loss on groups of assets for collective assessment of impairment. Such methodology incorporates factors such as type of collateral, product and borrowers, credit rating, loss emergence period, recovery period and applies probability of default on a group of assets and loss given default by type of recovery method. Also, consistent assumptions are applied to form a formula-based model in estimating inherent loss and to determine factors on the basis of historical loss experience and current condition. The methodology and assumptions used for collective assessment of impairment are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment loss on loans reduces the carrying amount of the asset through use of an allowance account, and when a loan becomes uncollectable, it is written off against the related allowance account. If, in a subsequent period, the amount of the impairment loss decreases and is objectively related to the subsequent event after recognition of impairment, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

#### **3.6.2 Available-for-sale financial assets**

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss (the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) that had been recognized in other comprehensive income is reclassified from equity to profit or loss as part of other operating income and expenses.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, a portion of the impairment loss is reversed up to but not exceeding the previously recorded impairment loss, with the amount of the reversal recognized in profit or loss as part of other operating income and expenses in the statement of comprehensive income. However, impairment losses recognized in profit or loss for an available-for-sale equity instrument classified as available for sale are not reversed through profit or loss.

#### **3.6.3 Held-to-maturity financial assets**

If there is objective evidence that an impairment loss on held-to-maturity financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss on held-to-maturity financial assets is directly deducted from the carrying amount. The amount of the loss is recognized in profit or loss as part of other operating income and expenses.

In the case of a financial asset classified as held to maturity, if, in a subsequent period, the amount of the impairment loss decreases and it is objectively related to an event occurring after the impairment is recognized, a portion of the previously recognized impairment loss is reversed up to but not exceeding the amortized cost at the date of recovery. The amount of reversal is recognized in profit or loss as part of other operating income and expenses in the statement of comprehensive income.

### **3.7 Derivative Financial Instruments**

The Group enters into numerous derivative financial instrument contracts such as currency forwards, interest rate swaps, currency swaps and others for trading purposes or to manage its exposures to fluctuations in interest rates, currency

exchange, amongst others. These derivative financial instruments are presented as derivative financial instruments within the financial statements irrespective of transaction purpose and subsequent measurement requirement.

The Group designates certain derivatives as hedging instruments to hedge the risk of changes in fair value of a recognized asset or liability or an unrecognized firm commitments (fair value hedge) and the risk of changes in cash flow (cash flow hedge).

At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk.

### **3.7.1 Derivative financial instruments held for trading**

All derivative financial instruments, except for derivatives that are designated and qualify for hedge accounting, are classified as financial instruments held for trading and are measured at fair value. Gains or losses arising from a change in fair value are recognized in profit or loss as part of net gains or losses on financial instruments at fair value through profit or loss.

### **3.7.2 Fair value hedges**

If derivatives qualify for a fair value hedge, the change in fair value of the hedging instrument and the change in fair value of the hedged item attributable to the hedged risk are recognized in profit or loss as part of other operating income and expenses. Fair value hedge accounting is discontinued prospectively if the hedging instrument expires or sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Once fair value hedge accounting is discontinued, the adjustment to the carrying amount of a hedged item is fully amortized to profit or loss by the maturity of the financial instrument using effective interest method.

### **3.7.3 Cash flow hedges**

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss.

The associated gains or losses that were previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affects profit or loss.

Cash flow hedge accounting is discontinued prospectively if the hedging instrument expires or sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

When the cash flow hedge accounting is discontinued, the cumulative gains or losses on the hedging instrument that have been recognized in other comprehensive income are reclassified to profit or loss over the period in which the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the cumulative gains or losses that had been recognized in other comprehensive income are immediately reclassified to profit or loss.

### **3.7.4 Embedded derivatives**

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss. Gains or losses arising from a change in the fair value of an embedded derivative separated from the host contract are recognized in profit or loss as part of net gains or losses on financial instruments at fair value through profit or loss.

### **3.7.5 Day one gain and loss**

If the Group uses a valuation technique that incorporates data not obtained from observable markets for the fair value



at initial recognition of the financial instrument, there may be a difference between the transaction price and the amount determined using that valuation technique. In these circumstances, the fair value of the financial instrument is recognized as the transaction price and the difference is amortized by using the straight-line method over the life of the financial instrument. If the fair value of the financial instrument is subsequently determined using observable market inputs, the remaining deferred amount is recognized in profit or loss.

### 3.8 Property and equipment

#### 3.8.1 Recognition and Measurement

All property and equipment that qualify for recognition as an asset are measured at its cost and subsequently carried at its cost less any accumulated depreciation and any accumulated impairment losses.

The cost of property and equipment includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent expenditures are capitalized only when they prolong the useful life or enhance values of the assets but the costs of the day-to-day servicing of the assets such as repair and maintenance costs are recognized in profit or loss as incurred. When part of an item of an asset has a useful life different from that of the entire asset, it is recognized as a separate asset.

#### 3.8.2 Depreciation

Land is not depreciated, whereas other property and equipment are depreciated using the method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group. The depreciable amount of an asset is determined after deducting its residual value. As for leased assets, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method and estimated useful lives of the assets are as follows:

Property and equipment	Depreciation method	Estimated useful lives
Buildings and structures	Straight-line	40 years
Leasehold improvements	Declining-balance	4 years
Equipment and vehicles	Declining-balance	3~5 years

The residual value, the useful life and the depreciation method applied to an asset are reviewed at least at each financial year end and, if expectations differ from previous estimates or if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the changes are accounted for as a change in an accounting estimate.

### 3.9 Investment properties

Properties held to earn rentals or for capital appreciation or both are classified as investment properties. Investment properties are measured initially at their cost and subsequently the cost model is used.

### 3.10 Intangible assets

Intangible assets are measured initially at cost and subsequently carried at their cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets, except for goodwill and membership rights, are amortized using the straight-line method with no residual value over their estimated useful economic life since the asset is available for use.

Intangible assets	Amortization method	Estimated useful lives
Industrial property rights	Straight-line	3~10 years
Software	Straight-line	4~5 years
Others	Straight-line	4~30 years

The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at least at each financial year end. Where an intangible asset is not being amortized because its useful life is considered to be indefinite, the Group carries out a review in each accounting period to confirm whether or not events and circumstances still support the assumption of an indefinite useful life. If they do not, the change from the indefinite to finite useful life is accounted for as a change in an accounting estimate.

### 3.10.1 Goodwill

#### Recognition and measurement

Goodwill in the Group's opening K-IFRS statement of financial position is stated at its carrying amount prior to the date of transition under the previous K-GAAP. Goodwill acquired in business combinations after the transition date is initially measured as the excess of the aggregate of the consideration transferred, fair value of non-controlling interest and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the business acquired, the difference is recognized in profit or loss.

For each business combination, the Group decides whether the non-controlling interest in the acquiree is initially measured at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets at the acquisition date.

Acquisition-related costs incurred to effect a business combination are charged to expenses in the periods in which the costs are incurred and the services are received, except for the costs to issue debt or equity securities.

#### Additional acquisitions of non-controlling interest

Additional acquisitions of non-controlling interests are accounted for as equity transactions. Therefore, no additional goodwill is recognized.

#### Subsequent measurement

Goodwill is not depreciated and is stated at cost less accumulated impairment losses. However, goodwill that forms part of the carrying amount of an investment in associates and joint ventures is not separately recognized and an impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment in the associates and joint ventures.

### 3.10.2 Subsequent expenditure

Subsequent expenditure is capitalized only when it enhances values of the assets. Internally generated intangible asset, such as goodwill and trade name, is not recognized as an asset but expensed as incurred.

### 3.11 Leases (as lessee)

#### 3.11.1 Finance lease

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. At the

commencement of the lease term, the Group recognizes finance leases as assets and liabilities in its statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs of the lessee are added to the amount recognized as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the Group adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is fully depreciated over the shorter of the lease term and its useful life.

### **3.11.2 Operating lease**

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under an operating lease (net of any incentives received from the lessor) are recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the asset's benefit.

### **3.12 Impairment of non-financial assets**

The Group assesses at the end of each reporting period whether there is any indication that a non-financial asset, except for (i) deferred income tax assets, (ii) assets arising from employee benefits and (iii) non-current assets (or group of assets to be sold) classified as held for sale, may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. However, irrespective of whether there is any indication of impairment, the Group tests (i) goodwill acquired in a business combination, (ii) intangible assets with an indefinite useful life and (iii) intangible assets not yet available for use for impairment annually by comparing their carrying amount with their recoverable amount.

The recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit). A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit that are discounted by a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss and recognized immediately in profit or loss. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognized for goodwill is not reversed in a subsequent period. The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset, other than goodwill, may no longer exist or may have decreased, and an impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss cannot exceed the carrying amount that would have been

determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

### 3.13 Non-current assets held for sale

A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. A non-current asset (or disposal group) classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell which is measured in accordance with the applicable K-IFRS, immediately before the initial classification of the asset (or disposal group) as held for sale.

A non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale is not depreciated (or amortized).

Impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. Gains are recognized for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognized.

### 3.14 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities held for trading. After initial recognition, financial liabilities at fair value through profit or loss are measured at fair value and gains or losses arising from changes in the fair value, and gains or losses from sale and repayment of financial liabilities at fair value through profit or loss are recognized as net gains on financial instruments at fair value through profit or loss in the statement of comprehensive income.

### 3.15 Insurance Contracts

KB Life Insurance Co., Ltd., one of the subsidiaries of the Group, issues insurance contracts.

Insurance contracts are defined as “a contract under which one party (the insurer) accepts significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder”. A contract that qualifies as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Such a contract that does not contain significant insurance risk is classified as an investment contract and is within the scope of K-IFRS 1039, Financial Instruments: Recognition and measurement to the extent that it gives rise to a financial asset or financial liability, except if the investment contract contains a Discretionary Participation Features (DPF). If the contract has a DPF, the contract is subject to K-IFRS 1104, Insurance Contracts. The Group recognizes assets (liabilities) and gains (losses) relating to insurance contracts as other assets (liabilities) in the statements of financial position, and as other operating income (expenses) in the statements of comprehensive income, respectively.

The following table lists numbers of currently available and discontinued insurance products as of December 31, 2011:

Type	Available	Discontinued	Total
Individual annuity	1	8	9
General annuity	7	20	27
Other pure endowment	-	3	3
Pure protection insurance	12	23	35
Other protection insurance	-	28	28
Joint insurance	6	33	39
Group protection insurance	1	5	6
Group savings insurance	-	1	1
	27	121	148

### 3.15.1 Insurance liabilities

The Group recognizes a liability for future claims, refunds, policyholders' dividends and related expenses as follows:

#### Premium reserve

A premium reserve refers to an amount based on the net premium method for payment of future claims with respect to events covered by insurance policies which have not yet occurred as of the reporting date.

#### Reserve for outstanding claims

A reserve for outstanding claims refers to the amount not yet paid, out of an amount to be paid or expected to be paid with respect to the insured events which have arisen as of the end of each fiscal year.

#### Unearned premium reserve

Unearned premium refers to the portion of the premium that has been paid in advance for insurance that has not yet been provided. An unearned premium reserve refers to the amount maintained by the insurer to refund in the event of either party cancelling the contract.

#### Policyholders' dividends reserve

Policyholders' dividends reserve including an interest rate guarantee reserve, a mortality dividend reserve and an interest rate difference dividend reserve is recognized for the purpose of provisioning for policyholders' dividends in the future in accordance with statutes or insurance terms and conditions.

### 3.15.2 Liability adequacy test

The Group assesses at each reporting date whether its insurance liabilities are adequate, using current estimates of all future contractual cash flows and related cash flow such as claims handling cost, as well as cash flows resulting from embedded options and guarantees under its insurance contracts in accordance with K-IFRS 1104. If the assessment shows that the carrying amount of its insurance liabilities is inadequate in light of the estimated future cash flows, the entire deficiency is recognized in profit or loss and reserved as insurance liabilities. Future cash flows from long-term insurance are discounted at a future rate of return on operating assets, whereas future cash flows from general insurance are not discounted to present value. For liability adequacy tests of premium and unearned premium reserves, the Group considers all cash flow factors such as future insurance premium, deferred acquisition costs, operating expenses and operating premiums.

In relation to the reserve for outstanding claims, the Group elects a model that best reflects the trend of paid claims among several statistical methods to perform the adequacy test.

### 3.15.3 Deferred acquisition costs

Acquisition cost is deferred in an amount actually spent for an insurance contract and equally amortized over the premium payment period or the period in which acquisition costs are charged for the relevant insurance contract. The amortization of acquisition costs shall be carried out over a period of seven years, if the premium payment period or the period are charged acquisition costs exceeds seven years; if there is any unamortized acquisition costs remaining as of the date of surrender or lapse, such remainder shall be amortized in the period in which the contract is surrendered or lapsed.

### 3.16 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and 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 risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of provisions, and where the effect of the time value of money is material, the amount of provisions are the present value of the expenditures expected to be required to settle the obligation.

Provisions on confirmed and unconfirmed acceptances and guarantees, unfunded commitments of credit cards and unused

credit lines of consumer and corporate loans are recognized using a valuation model that applies the credit conversion factor, probability of default, and loss given default.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as provisions. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the minimum net cost to exit from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it.

### **3.17 Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer (the Group) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognized at fair value. After initial recognition, financial guarantee contracts are measured at the higher of:

- The amount determined in accordance with K-IFRS 1037, Provisions, Contingent Liabilities and Contingent Assets and
- The initial amount recognized, less, when appropriate, cumulative amortization recognized in accordance with K-IFRS 1018, Revenue

### **3.18 Equity instrument issued by the Group**

An equity instrument is any contract or agreement that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

#### **3.18.1 Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are deducted, net of tax, from the equity.

#### **3.18.2 Hybrid capital instruments**

The Group classifies issued financial instrument, or its component parts, on initial recognition as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. Hybrid capital instruments where the Group has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation are classified as equity instruments and presented in equity.

#### **3.18.3 Treasury shares**

If entities of the Group reacquire the Parent Company's equity instruments, those instruments ('treasury shares') are deducted from equity. No gains or losses are recognized in profit or loss on the purchase, sale, issue or cancellation of own equity instruments.

### **3.19 Revenue recognition**

#### **3.19.1 Interest income and expense**

Interest income and expense are recognized using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or groups of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or

financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the Group uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Interest on impaired financial assets is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

### **3.19.2 Fee and commission income**

The Group recognizes financial service fees in accordance with the accounting standard of the financial instrument related to the fees earned.

#### **Fees that are an integral part of the effective interest of a financial instrument**

Such fees are generally treated as adjustments of effective interest. Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents and closing the transaction and origination fees received on issuing financial liabilities measured at amortized cost. However, fees relating to the creation or acquisition of a financial instrument at fair value through profit or loss are recognized as revenue immediately.

#### **Fees earned as services are provided**

Such fees are recognized as revenue as the services are provided. The fees include fees charged for servicing a financial instrument and charged for managing investments.

#### **Fees that are earned on the execution of a significant act**

Such fees are recognized as revenue when the significant act has been completed.

Commission on the allotment of shares to a client is recognized as revenue when the shares have been allotted and placement fees for arranging a loan between a borrower and an investor is recognized as revenue when the loan has been arranged.

A syndication fee received by the Group that arranges a loan and retains no part of the loan package for itself (or retains a part at the same effective interest rate for comparable risk as other participants) is compensation for the service of syndication. Such a fee is recognized as revenue when the syndication has been completed.

### **3.19.3 Dividend income**

Dividend income is recognized in profit or loss when the right to receive payment is established. Dividend income from financial assets at fair value through profit or loss and financial investment is recognized in profit or loss as part of net gains on financial assets at fair value through profit or loss and other operating income and expenses, respectively.

## **3.20 Employee compensation and benefits**

### **3.20.1 Post-employment benefits:**

#### **Defined benefit plans**

All post-employment benefits, other than defined contribution plans, are classified as defined benefit plans. The amount recognized as a defined benefit liability is the present value of the defined benefit obligation less the fair value of plan assets at the end of the reporting period.

The present value of the defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit method. The rate used to discount postemployment benefit obligations is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The currency and term of the corporate bonds are consistent with the currency and estimated term of the post-employment benefit obligations. Actuarial gains and losses including experience adjustments and the effects of changes in actuarial assumptions are recognized in profit or loss. When the total of the present value of the defined benefit obligation minus the fair value of plan assets results in an asset, it is recognized to the extent of any cumulative unrecognized past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Past service cost arises when the Group introduces a defined benefit plan that attributes to past service or changes the benefits payable for past service under an existing defined benefit plan. Such past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, past service cost is recognized immediately.

### **Defined contribution plans**

The contributions are recognized as employee benefit expense when they are due.

#### **3.20.2 Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service. The undiscounted amount of short-term employee benefits expected to be paid in exchange for that service is recognized as a liability (accrued expense), after deducting any amount already paid.

The expected cost of profit-sharing and bonus payments are recognized as liabilities when the Group has a present legal or constructive obligation to make such payments as a result of past events rendered by employees and a reliable estimate of the obligation can be made.

#### **3.20.3 Share-based payment**

The Group operates share-based payment arrangements granting awards to directors and employees of the Group. The Group has a choice of whether to settle the awards in cash or by issuing equity instruments for a share-based payment transaction at the date of settlement.

For a share-based payment transaction in which the terms of the arrangement provide the Group with the choice of whether to settle in cash or by issuing equity instruments, the Group determined that it has a present obligation to settle in cash because the Group has a past practice and a stated policy of settling in cash. Therefore, the Group accounts for the transaction in accordance with the requirements of cash-settled share-based payment transactions.

The Group measures the services acquired and the liability incurred at fair value. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

#### **3.20.4 Termination benefits**

Termination benefits are employee benefits payable as a result of either the Group's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits. The Group recognizes termination benefits as a liability and an expense when, and only when, the Group is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. The Group is demonstrably committed to a termination when, and only when, the Group has a detailed formal plan for the termination and is without realistic possibility of withdrawal. Where termination benefits fall due more than 12 months after the end of the reporting period, they are discounted using the appropriate discount rate.



### 3.21 Income tax expenses

Income tax expense (tax income) comprises current tax expense (current tax income) and deferred income tax expense (deferred income tax income). Current and deferred income tax are recognized as income or expense and included in profit or loss for the period, except to the extent that the tax arises from (a) a transaction or an event which is recognized, in the same or a different period outside profit or loss, either in other comprehensive income or directly in equity and (b) a business combination.

#### 3.21.1 Current income tax

Current income tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period. A difference between the taxable profit and accounting profit may arise when income or expense is included in accounting profit in one period, but is included in taxable profit in a different period. Differences may also arise if there is revenue that is exempt from taxation, or expense that is not deductible in determining taxable profit (tax loss). Current income tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The Group offsets current income tax assets and current income tax liabilities if, and only if, the Group (a) has a legally enforceable right to set off the recognized amounts and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### 3.21.2 Deferred income tax

Deferred income tax is recognized, using the asset-liability method, on temporary differences arising between the tax based amount of assets and liabilities and their carrying amount in the financial statements. Deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred income tax liabilities for which the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of a deferred income tax asset is reviewed at the end of each reporting period. The Group reduces the carrying amount of a deferred income tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and deferred income tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Group offsets deferred income tax assets and deferred income tax liabilities when the Group has a legally enforceable right to set off current income tax assets against current income tax liabilities; and the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity; or different taxable entities which intend either to settle current income tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

#### 3.21.3 Uncertain tax positions

Uncertain tax positions arise from tax treatments applied by the Group which may be challenged by the tax authorities due to the complexity of the transaction or different interpretation of the tax laws, a claim for rectification brought by the Group, or an appeal for a refund claimed from the tax authorities related to additional assessments. The Group recognizes its uncertain tax positions in the financial statements based on the guidance in KIFRS 1037. A liability related to an uncertain tax position is recognized as the best estimate of expenditure if the uncertain tax position is probable of resulting in additional payment to the tax authorities. Meanwhile assets related to uncertain tax positions, caused by a claim for rectification or an appeal for refund claimed from the tax authorities related to additional assessments, are treated as contingent assets under K-IFRS 1037. Therefore, tax expenses are recognized in the financial statements when the uncertain tax position is probable of resulting in additional payment to the tax authorities, while tax benefits are recognized only when the tax refund is virtually certain.

The Group classifies interest and penalties related to uncertain tax positions as a component of income tax expense.

### **3.22 Earnings per share**

The Group calculates basic earnings per share amounts and diluted earnings per share amounts for profit or loss attributable to ordinary equity holders of the parent entity and presents them in the statement of comprehensive income. Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the Group adjusts profit or loss attributable to ordinary equity holders of the Parent Company and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares including convertible bonds and share options.

### **3.23 Operating Segments**

Operating segments are components of the Group about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Each segment is a strategic business unit that offers different products and services and is managed separately because each business has different risks and opportunities requiring different technology and marketing strategies.

Segment information includes the items which are directly attributable and reasonably allocated to the segment.

## **4. Financial risk management**

### **4.1 Summary**

#### **4.1.1 Overview of Financial Risk Management Policy**

The financial risks that the Group is exposed to are credit risk, market risk, liquidity risk, operational risk and others.

The note regarding financial risk management provides information about the risks that the Group is exposed to, including the objectives, policies and processes for managing the risks, the methods used to measure the risks, and capital adequacy. Additional quantitative information is disclosed throughout the consolidated financial statements.

The Group's risk management system focuses on increasing transparency, developing the risk management environment, preventing transmission of risk to other related subsidiaries, and the preemptive response to risk due to rapid changes in the financial environment to support the Group's long-term strategy and business decisions efficiently. Credit risk, market risk, liquidity risk, and operational risk have been recognized as the Group's key risks. These risks are measured in Economic Capital or VaR (Value at Risk) and are managed using a statistical method.

#### **4.1.2 Risk Management Organization**

##### **Risk Management Committee**

The Risk Management Committee establishes risk management strategies in accordance with the directives of the Board of Directors and determines the Group's target risk appetite, approves significant risk matters and reviews the level of risks that

the Group is exposed to and the appropriateness of the Group's risk management operations as an ultimate decision-making authority.

### Risk Management Council

The Risk Management Council is a consultative group which reviews and makes decisions on matters delegated by the Risk Management Committee and discusses the detailed issues relating to the Group's risk management.

### Risk Management Group

The Risk Management Group is responsible for monitoring and managing the Group's economic capital limit and managing specific policies, procedures and work processes relating to the Group's risk management.

## 4.2 Credit Risk

### 4.2.1 Overview of Credit Risk

Credit risk is the risk of possible losses in an asset portfolio in the event of a counterparty's default, breach of contract and deterioration in the credit quality of the counterparty. For risk management reporting purposes, the individual borrower's default risk, country risk, specific risks and other credit risk exposure components are considered as a whole.

### 4.2.2 Credit Risk Management

The Group measures expected losses and economic capital on assets that are subject to credit risk management whether on- or off- balance sheet and uses expected losses and economic capital as a management indicator. The Group manages credit risk by allocating credit risk economic capital limit. In addition, the Group controls the credit concentration risk exposure by applying and managing total exposure limits to prevent an excessive risk concentration to industry and borrowers.

The Group has organized a credit risk management team that focuses on credit risk management in accordance with the Group's credit risk management policy.

For Kookmin Bank which is the main subsidiary, its loan analysis department which is independent from the sales department is responsible for all of loan policy, loan limit, loan review, credit evaluation, restructuring and subsequent events. Kookmin Bank's riskmanagement group is also responsible for planning risk management policy, applying limits of credit line, measuring the credit risk economic capital, adjusting credit limit, reviewing credit and verifying credit evaluation models.

### 4.2.3 Maximum exposure to credit risk

The Group's maximum exposures of financial instruments, excluding equity securities, to credit risk without consideration of collateral values as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

	(In millions of Korean won)		
	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Due from financial institutions	₩ 6,556,027	₩ 4,592,052	₩ 6,743,951
Financial assets held for trading	5,176,524	3,536,699	4,285,650
Financial assets designated at fair value through profit or loss	574,687	139	529
Available-for-sale financial assets	19,734,531	19,125,724	18,869,560
Held-to-maturity financial assets	13,055,158	13,908,102	13,215,287
Loans	212,107,027	197,621,004	196,686,844
Derivatives	2,448,455	2,595,121	3,392,391
Other financial assets	6,409,905	6,186,227	6,281,664
Acceptances and guarantees contracts	11,542,684	12,476,592	14,718,560
Financial guarantee contracts	945,167	1,153,687	1,415,358
Commitments	91,743,942	87,738,358	85,385,888
	₩ 370,294,107	₩ 348,933,705	₩ 350,995,682

#### 4.2.4 Credit risk of loans

The Group maintains an allowance for loan losses associated with credit risk on loans to manage its credit risk.

The Group recognizes an impairment loss on loans carried at amortized cost when there is any objective indication of impairment. Under K-IFRS, an impairment loss is based on losses incurred at the end of the reporting period therefore the Group does not recognize expected losses as a result of future events. The Group measure inherent incurred losses on loans and presents them in the financial statements through the use of an allowance account which is offset against the related loans.

Loans are categorized as follows:

(In millions of Korean won)

Dec. 31, 2011								
Loans	Retail		Corporate		Credit card		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
Neither past due nor impaired	₩ 101,217,550	48.26	₩ 96,553,423	46.04	₩ 11,945,631	5.70	₩ 209,716,604	100.00
Past due but not impaired	1,646,070	69.33	359,554	15.14	368,791	15.53	2,374,415	100.00
Impaired	1,061,585	30.65	2,295,483	66.27	106,845	3.08	3,463,913	100.00
	103,925,205	48.22	99,208,460	46.02	12,421,267	5.76	215,554,932	100.00
<b>Allowances<sup>1</sup></b>	(635,476)	18.43	(2,462,047)	71.41	(350,382)	10.16	(3,447,905)	100.00
<b>Carrying amount</b>	₩ 103,289,729	48.70	₩ 96,746,413	45.61	₩ 12,070,885	5.69	₩ 212,107,027	100.00

(In millions of Korean won)

Dec. 31, 2010								
Loans	Retail		Corporate		Credit card		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
Neither past due nor impaired	₩ 96,773,875	49.43	₩ 86,917,292	44.40	₩ 12,089,127	6.17	₩ 195,780,294	100.00
Past due but not impaired	1,274,435	71.53	261,493	14.68	245,600	13.79	1,781,528	100.00
Impaired	1,014,110	26.58	2,722,930	71.37	78,318	2.05	3,815,358	100.00
	99,062,420	49.19	89,901,715	44.64	12,413,045	6.17	201,377,180	100.00
<b>Allowances<sup>1</sup></b>	(520,842)	13.87	(2,907,747)	77.41	(327,587)	8.72	(3,756,176)	100.00
<b>Carrying amount</b>	₩ 98,541,578	49.86	₩ 86,993,968	44.02	₩ 12,085,458	6.12	₩ 197,621,004	100.00

(In millions of Korean won)

Jan. 1, 2010								
Loans	Retail		Corporate		Credit card		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
Neither past due nor impaired	₩ 96,924,679	49.55	₩ 87,689,932	44.82	₩ 11,015,022	5.63	₩ 195,629,633	100.00
Past due but not impaired	744,733	64.17	150,304	12.95	265,574	22.88	1,160,611	100.00
Impaired	700,777	22.14	2,379,561	75.17	85,016	2.69	3,165,354	100.00
	98,370,189	49.20	90,219,797	45.12	11,365,612	5.68	199,955,598	100.00
<b>Allowances<sup>1</sup></b>	(415,340)	12.71	(2,516,459)	76.98	(336,955)	10.31	(3,268,754)	100.00
<b>Carrying amount</b>	₩ 97,954,849	49.80	₩ 87,703,338	44.59	₩ 11,028,657	5.61	₩ 196,686,844	100.00

<sup>1</sup> Allowance for non-impaired loan losses is included.

Credit quality of loans that are neither past due nor impaired are as follows:

(In millions of Korean won)

<b>Dec. 31, 2011</b>							
<b>Loans</b>	<b>Retail</b>		<b>Corporate</b>		<b>Credit card</b>		<b>Total</b>
Outstanding	₩	83,790,049	₩	35,746,858	₩	5,403,273	₩ 124,940,180
Good		14,532,234		39,312,628		4,378,523	58,223,385
Below Normal		2,895,267		21,493,937		2,163,835	26,553,039
	₩	101,217,550	₩	96,553,423	₩	11,945,631	₩ 209,716,604

(In millions of Korean won)

<b>Dec. 31, 2010</b>							
<b>Loans</b>	<b>Retail</b>		<b>Corporate</b>		<b>Credit card</b>		<b>Total</b>
Outstanding	₩	73,679,761	₩	27,798,531	₩	4,045,467	₩ 105,523,759
Good		19,176,181		35,244,465		4,627,103	59,047,749
Below Normal		3,917,933		23,874,296		3,416,557	31,208,786
	₩	96,773,875	₩	86,917,292	₩	12,089,127	₩ 195,780,294

(In millions of Korean won)

<b>Jan. 1, 2010</b>							
<b>Loans</b>	<b>Retail</b>		<b>Corporate</b>		<b>Credit card</b>		<b>Total</b>
Outstanding	₩	71,827,375	₩	27,674,401	₩	3,055,303	₩ 102,557,079
Good		21,290,100		33,965,256		4,261,980	59,517,336
Below Normal		3,807,204		26,050,275		3,697,739	33,555,218
	₩	96,924,679	₩	87,689,932	₩	11,015,022	₩ 195,629,633

Credit quality of loans is classified as follows, according to the internal credit rating:

<b>Loans</b>	<b>Range of PD (%) (Probability of Default)</b>	<b>Retail</b>	<b>Corporate</b>
Outstanding	0.0 ~ 1.0	1 ~ 5 grade	AAA ~ BBB+
Good	1.0 ~ 5.0	6 ~ 8 grade	BBB ~ BB
Below Normal	5.0 ~	9 ~ 15 grade	BB- ~ D

Loans that are past due but not impaired are as follows:

(In millions of Korean won)

<b>Dec. 31, 2011</b>									
<b>Loans</b>	<b>1 ~ 29 days</b>		<b>30 ~ 59 days</b>		<b>60 ~ 89 days</b>		<b>over 90 days</b>		<b>Total</b>
Retail	₩	1,361,218	₩	181,343	₩	103,340	₩	169	₩ 1,646,070
Corporate		196,591		138,817		24,146		-	359,554
Credit card		242,975		71,518		53,667		631	368,791
	₩	1,800,784	₩	391,678	₩	181,153	₩	800	₩ 2,374,415

(In millions of Korean won)

							<b>Dec. 31, 2010</b>		
	<b>1 ~ 29 days</b>		<b>30 ~ 59 days</b>		<b>60 ~ 89 days</b>		<b>over 90 days</b>		<b>Total</b>
Retail	₩	988,574	₩	188,504	₩	97,019	₩	338	₩ 1,274,435
Corporate		171,467		58,641		31,385		-	261,493
Credit card		154,638		54,127		36,218		617	245,600
	₩	1,314,679	₩	301,272	₩	164,622	₩	955	₩ 1,781,528

(In millions of Korean won)

							<b>Jan. 1, 2010</b>		
	<b>1 ~ 29 days</b>		<b>30 ~ 59 days</b>		<b>60 ~ 89 days</b>		<b>over 90 days</b>		<b>Total</b>
Retail	₩	614,003	₩	81,673	₩	49,057	₩	-	₩ 744,733
Corporate		90,609		46,830		12,865		-	150,304
Credit card		175,655		53,149		31,030		5,740	265,574
	₩	880,267	₩	181,652	₩	92,952	₩	5,740	₩ 1,160,611

Impaired loans are as follows:

(In millions of Korean won)

						<b>Dec. 31, 2011</b>	
<b>Loans</b>	<b>Retail</b>		<b>Corporate</b>		<b>Credit card</b>		<b>Total</b>
Loans	₩	1,061,585	₩	2,295,483	₩	106,845	₩ 3,463,913
Allowances		(397,623)		(1,251,577)		(68,513)	(1,717,713)
	₩	663,962	₩	1,043,906	₩	38,332	₩ 1,746,200

(In millions of Korean won)

						<b>Dec. 31, 2010</b>	
<b>Loans</b>	<b>Retail</b>		<b>Corporate</b>		<b>Credit card</b>		<b>Total</b>
Loans	₩	1,014,110	₩	2,722,930	₩	78,318	₩ 3,815,358
Allowances		(256,049)		(1,361,484)		(50,725)	(1,668,258)
	₩	758,061	₩	1,361,446	₩	27,593	₩ 2,147,100

(In millions of Korean won)

						<b>Jan. 1, 2010</b>	
<b>Loans</b>	<b>Retail</b>		<b>Corporate</b>		<b>Credit card</b>		<b>Total</b>
Loans	₩	700,777	₩	2,379,561	₩	85,016	₩ 3,165,354
Allowances		(187,656)		(1,124,846)		(54,945)	(1,367,447)
	₩	513,121	₩	1,254,715	₩	30,071	₩ 1,797,907

A quantification of the extent to which collateral and other credit enhancements mitigate credit risk as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011					
	Impaired Loans		Non-impaired Loans		Total	
	Individual	Collective	Past due	Not past due		
Guarantee	₩ 21,210	₩ 124,641	₩ 173,708	₩ 18,345,603	₩ 18,665,162	
Deposits and savings	-	31,037	69,880	2,654,151	2,755,068	
Property and equipment	12,648	4,717	1,671	1,067,929	1,086,965	
Real estate	176,022	398,292	1,158,298	105,470,158	107,202,770	
	₩ 209,880	₩ 558,687	₩ 1,403,557	₩ 127,537,841	₩ 129,709,965	

(In millions of Korean won)

	Dec. 31, 2010					
	Impaired Loans		Non-impaired Loans		Total	
	Individual	Collective	Past due	Not past due		
Guarantee	₩ 46,019	₩ 140,955	₩ 159,609	₩ 13,667,393	₩ 14,013,976	
Deposits and savings	-	76,951	78,217	2,648,529	2,803,697	
Property and equipment	27,431	4,806	5,129	1,006,446	1,043,812	
Real estate	225,720	598,989	708,914	98,593,556	100,127,179	
	₩ 299,170	₩ 821,701	₩ 951,869	₩ 115,915,924	₩ 117,988,664	

(In millions of Korean won)

	Jan. 1, 2010					
	Impaired Loans		Non-impaired Loans		Total	
	Individual	Collective	Past due	Not past due		
Guarantee	₩ 12,340	₩ 153,074	₩ 97,988	₩ 12,484,706	₩ 12,748,108	
Deposits and savings	-	8,250	1,029	2,993,531	3,002,810	
Property and equipment	24,853	2,470	336	702,028	729,687	
Real estate	279,443	718,383	428,917	89,607,659	91,034,402	
	₩ 316,636	₩ 882,177	₩ 528,270	₩ 105,787,924	₩ 107,515,007	

#### 4.2.5 Credit quality of securities

The financial assets at fair value through profit or loss and financial investments excluding equity securities that are exposed to credit risk are as follows:

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Securities that are neither past due nor impaired	₩ 38,531,825	₩ 36,557,475	₩ 36,360,478
Impaired securities	9,075	13,189	10,548
	₩ 38,540,900	₩ 36,570,664	₩ 36,371,026

The credit quality of securities (debt securities) that are neither past due nor impaired as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

Dec. 31, 2011						
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Total
Financial assets held for trading	₩ 5,079,469	₩ 88,144	₩ 8,911	₩ -	₩ -	₩ 5,176,524
Financial assets designated at fair value through profit or loss	238,085	336,602	-	-	-	574,687
Available-for-sale financial assets	18,458,778	1,224,835	41,911	90	-	19,725,614
Held-to-maturity financial assets	13,055,000	-	-	-	-	13,055,000
	₩ 36,831,332	₩ 1,649,581	₩ 50,822	₩ 90	₩ -	₩ 38,531,825

(In millions of Korean won)

Dec. 31, 2010						
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Total
Financial assets held for trading	₩ 3,481,884	₩ 45,182	₩ 9,633	₩ -	₩ -	₩ 3,536,699
Financial assets designated at fair value through profit or loss	-	-	-	-	139	139
Available-for-sale financial assets	18,103,675	934,250	65,589	210	9,108	19,112,832
Held-to-maturity financial assets	13,907,805	-	-	-	-	13,907,805
	₩ 35,493,364	₩ 979,432	₩ 75,222	₩ 210	₩ 9,247	₩ 36,557,475

(In millions of Korean won)

Jan. 1, 2010						
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Total
Financial assets held for trading	₩ 4,191,917	₩ 93,732	₩ -	₩ -	₩ 1	₩ 4,285,650
Available-for-sale financial assets	18,101,961	735,526	13,276	424	9,187	18,860,374
Held-to-maturity financial assets	13,214,454	-	-	-	-	13,214,454
	₩ 35,508,332	₩ 829,258	₩ 13,276	₩ 424	₩ 9,188	₩ 36,360,478

The credit qualities of securities (debt securities) according to the credit ratings by external rating agencies are as follows:

Credit quality	Domestic			Foreign		
	KIS	KAP	NICE	S&P	Fitch-IBCA	Moody's
Grade 1	AA0 to AAA	AA0 to AAA	AA0 to AAA	A- to AAA	A- to AAA	A3 to Aaa
Grade 2	A- to AA-	A- to AA-	A- to AA-	BBB- to BBB+	BBB- to BBB+	Baa3 to Baa1
Grade 3	BBB0 to BBB+	BBB0 to BBB+	BBB0 to BBB+	BB to BB+	BB to BB+	Ba2 to Ba1
Grade 4	BB0 to BBB-	BB0 to BBB-	BB0 to BBB-	B+ to BB-	B+ to BB-	B1 to Ba3
Grade 5	Lower than BB-	Lower than BB-	Lower than BB-	Lower than B	Lower than B	Lower than B2



#### 4.2.6 Credit risk concentration analysis

The details of the Group's loans by the country as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

Dec. 31, 2011							
	Retail	Corporate	Credit card	Total	%	Allowances	Carrying amount
Korea	₩ 103,855,183	₩ 97,298,342	₩ 12,420,318	₩ 213,573,843	99.08	₩ (3,428,520)	₩ 210,145,323
Europe	11	69,004	110	69,125	0.03	(555)	68,570
China	434	315,375	37	315,846	0.15	(1,961)	313,885
Japan	11,914	1,014,607	301	1,026,822	0.48	(14,976)	1,011,846
U.S.	–	412,669	272	412,941	0.19	(432)	412,509
Others	57,663	98,463	229	156,355	0.07	(1,461)	154,894
Total	₩ 103,925,205	₩ 99,208,460	₩ 12,421,267	₩ 215,554,932	100.00	₩ (3,447,905)	₩ 212,107,027

(In millions of Korean won)

Dec. 31, 2010							
	Retail	Corporate	Credit card	Total	%	Allowances	Carrying amount
Korea	₩ 98,996,738	₩ 88,282,185	₩ 12,412,143	₩ 199,691,066	99.16	₩ (3,738,848)	₩ 195,952,218
Europe	9	46,297	135	46,441	0.02	(1,132)	45,309
China	728	247,776	54	248,558	0.12	(2,448)	246,110
Japan	12,299	868,930	283	881,512	0.44	(10,832)	870,680
U.S.	–	368,748	241	368,989	0.18	(1,532)	367,457
Others	52,646	87,779	189	140,614	0.08	(1,384)	139,230
Total	₩ 99,062,420	₩ 89,901,715	₩ 12,413,045	₩ 201,377,180	100.00	₩ (3,756,176)	₩ 197,621,004

(In millions of Korean won)

Jan. 1, 2010							
	Retail	Corporate	Credit card	Total	%	Allowances	Carrying amount
Korea	₩ 98,315,503	₩ 88,752,916	₩ 11,364,815	₩ 198,433,234	99.24	₩ (3,241,199)	₩ 195,192,035
Europe	9	99,205	108	99,322	0.05	(962)	98,360
China	1,713	300,509	22	302,244	0.15	(1,749)	300,495
Japan	10,212	637,958	316	648,486	0.32	(23,114)	625,372
U.S.	–	310,913	170	311,083	0.16	(464)	310,619
Others	42,752	118,296	181	161,229	0.08	(1,266)	159,963
Total	₩ 98,370,189	₩ 90,219,797	₩ 11,365,612	₩ 199,955,598	100.00	₩ (3,268,754)	₩ 196,686,844

The details of the Group's corporate loans by industry as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

<b>Dec. 31, 2011</b>						
	<b>Loans</b>		<b>%</b>	<b>Allowances</b>		<b>Carrying amount</b>
Financial institutions	₩	5,839,148	5.89	₩	(57,335)	₩ 5,781,813
Manufacturing		31,762,908	32.01		(852,707)	30,910,201
Service		36,305,778	36.60		(547,148)	35,758,630
Public sector		310,978	0.31		(5,190)	305,788
Others		24,989,648	25.19		(999,667)	23,989,981
	₩	99,208,460	100.00	₩	(2,462,047)	₩ 96,746,413

(In millions of Korean won)

<b>Dec. 31, 2010</b>						
	<b>Loans</b>		<b>%</b>	<b>Allowances</b>		<b>Carrying amount</b>
Financial institutions	₩	4,374,231	4.87	₩	(122,011)	₩ 4,252,220
Manufacturing		28,216,439	31.39		(848,039)	27,368,400
Service		34,040,219	37.86		(799,782)	33,240,437
Public sector		337,670	0.38		(6,611)	331,059
Others		22,933,156	25.50		(1,131,304)	21,801,852
	₩	89,901,715	100.00	₩	(2,907,747)	₩ 86,993,968

(In millions of Korean won)

<b>Jan. 1, 2010</b>						
	<b>Loans</b>		<b>%</b>	<b>Allowances</b>		<b>Carrying amount</b>
Financial institutions	₩	4,122,234	4.57	₩	(35,365)	₩ 4,086,869
Manufacturing		27,082,160	30.02		(634,651)	26,447,509
Service		35,591,939	39.44		(987,245)	34,604,694
Public sector		258,620	0.29		(2,847)	255,773
Others		23,164,844	25.68		(856,351)	22,308,493
	₩	90,219,797	100.00	₩	(2,516,459)	₩ 87,703,338

The details of the Group's retail and credit card loans by type as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

<b>Dec. 31, 2011</b>						
	<b>Loans</b>		<b>%</b>	<b>Allowances</b>		<b>Carrying amount</b>
Housing purpose	₩	45,519,956	39.12	₩	(96,963)	₩ 45,422,993
General purpose		58,405,249	50.20		(538,513)	57,866,736
Credit card		12,421,267	10.68		(350,382)	12,070,885
	₩	116,346,472	100.00	₩	(985,858)	₩ 115,360,614

(In millions of Korean won)

<b>Dec. 31, 2010</b>						
	<b>Loans</b>		<b>%</b>	<b>Allowances</b>		<b>Carrying amount</b>
Housing purpose	₩	43,323,149	38.86	₩	(64,281)	₩ 43,258,868
General purpose		55,739,271	50.00		(456,561)	55,282,710
Credit card		12,413,045	11.14		(327,587)	12,085,458
	₩	111,475,465	100.00	₩	(848,429)	₩ 110,627,036

(In millions of Korean won)

	Jan. 1, 2010			
	Loans	%	Allowances	Carrying amount
Housing purpose	₩ 45,895,475	41.82	₩ (50,254)	₩ 45,845,221
General purpose	52,474,714	47.82	(365,086)	52,109,628
Credit card	11,365,612	10.36	(336,955)	11,028,657
	₩ 109,735,801	100.00	₩ (752,295)	₩ 108,983,506

The details of the Group's securities (debt securities) by industry as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011	
	Amount	%
<b>Financial assets held for trading</b>		
Government and government funded institutions	₩ 1,785,624	34.49
Banking and Insurance	2,972,087	57.41
Others	418,813	8.10
	5,176,524	100.00
<b>Financial assets designated at fair value through profit or loss</b>		
Banking and Insurance	574,687	100.00
	574,687	100.00
<b>Available-for-sale financial assets</b>		
Government and government funded institutions	8,483,273	42.99
Banking and Insurance	8,189,563	41.50
Others	3,061,695	15.51
	19,734,531	100.00
<b>Held-to-maturity financial assets</b>		
Government and government funded institutions	10,732,519	82.21
Banking and Insurance	1,463,937	11.21
Others	858,702	6.58
	13,055,158	100.00
	₩ 38,540,900	

(In millions of Korean won)

	Dec. 31, 2011	
	Amount	%
<b>Financial assets held for trading</b>		
Government and government funded institutions	₩ 929,254	26.27
Banking and Insurance	2,278,691	64.43
Others	328,754	9.30
	3,536,699	100.00
<b>Financial assets designated at fair value through profit or loss</b>		
Banking and Insurance	139	100.00
	139	100.00

(In millions of Korean won)

	<b>Dec. 31, 2010</b>	
	<b>Amount</b>	<b>%</b>
<b>Available-for-sale financial assets</b>		
Government and government funded institutions	9,433,184	49.32
Banking and Insurance	7,589,597	39.68
Others	2,102,943	11.00
	19,125,724	100.00
<b>Held-to-maturity financial assets</b>		
Government and government funded institutions	11,775,616	84.67
Banking and Insurance	1,608,046	11.56
Others	524,440	3.77
	13,908,102	100.00
	₩ 36,570,664	

(In millions of Korean won)

	<b>Jan. 1, 2010</b>	
	<b>Amount</b>	<b>%</b>
<b>Financial assets held for trading</b>		
Government and government funded institutions	₩ 1,409,894	32.90
Banking and Insurance	2,597,359	60.60
Others	278,397	6.50
	4,285,650	100.00
<b>Financial assets designated at fair value through profit or loss</b>		
Banking and Insurance	529	100.00
	529	100.00
<b>Available-for-sale financial assets</b>		
Government and government funded institutions	8,939,823	47.38
Banking and Insurance	7,930,954	42.03
Others	1,998,783	10.59
	18,869,560	100.00
<b>Held-to-maturity financial assets</b>		
Government and government funded institutions	9,877,457	74.74
Banking and Insurance	2,964,768	22.43
Others	373,062	2.83
	13,215,287	100.00
	₩ 36,371,026	

The details of the Group's securities (debt securities) by country, as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011	
	Amount	%
<b>Financial assets held for trading</b>		
Korea	₩ 5,176,524	100.00
	5,176,524	100.00
<b>Financial assets designated at fair value through profit or loss</b>		
Korea	574,687	100.00
	574,687	100.00
<b>Available-for-sale financial assets</b>		
Korea	19,552,797	99.08
United States	180,832	0.92
Others	902	0.00
	19,734,531	100.00
<b>Held-to-maturity financial assets</b>		
Korea	13,055,000	100.00
United States	158	0.00
	13,055,158	100.00
	₩ 38,540,900	

(In millions of Korean won)

	Dec. 31, 2010	
	Amount	%
<b>Financial assets held for trading</b>		
Korea	₩ 3,536,699	100.00
	3,536,699	100.00
<b>Financial assets designated at fair value through profit or loss</b>		
United States	139	100.00
	139	100.00
<b>Available-for-sale financial assets</b>		
Korea	18,894,529	98.79
United States	208,756	1.09
Others	22,439	0.12
	19,125,724	100.00
<b>Held-to-maturity financial assets</b>		
Korea	13,907,805	100.00
United States	297	0.00
	13,908,102	100.00
	₩ 36,570,664	

(In millions of Korean won)

	Jan. 1, 2010	
	Amount	%
<b>Financial assets held for trading</b>		
Korea	₩ 4,285,650	100.00
	4,285,650	100.00
<b>Financial assets designated at fair value through profit or loss</b>		
United States	529	100.00
	529	100.00
<b>Available-for-sale financial assets</b>		
Korea	18,645,402	98.81
United States	204,141	1.08
Others	20,017	0.11
	18,869,560	100.00
<b>Held-to-maturity financial assets</b>		
Korea	13,214,454	99.99
United States	833	0.00
	13,215,287	100.00
	₩ 36,371,026	

OTC derivatives business our largest concentrations are related in the financial and insurance companies with high credit rating.

### 4.3 Liquidity risk

#### 4.3.1 Overview of liquidity risk

Liquidity risk is the risk of insolvency or loss due to a disparity between the inflow and out flow of funds, unexpected outflow of funds, and obtaining funds at a high price or disposing of securities at an unfavorable price due to lack of available funds. The Group manages its liquidity risk through analysis of the contractual maturity of all financial assets, liabilities and off-balance sheet items such as commitments and financial guarantee contracts. The Group discloses them by maturity groups: On demand, up to one month, between over one month and three months, between over three months and 12 months, between over one year and five years, and over five years.

Cash flows disclosed for the maturity analysis are undiscounted contractual principal and interest to be received (paid) and, thus, differ from the amount in the financial statements which are based on the present value of expected cash flows in some cases. The amount of interest to be received or paid on floating rate assets and liabilities, is measured on the assumption that the current interest rate would be the same upon maturity.

#### 4.3.2. Liquidity risk management and indicator

The liquidity risk is managed by ALM('Assets-Liabilities Management') and related guidelines which are applied to the risk management policies and procedures that address all the possible risks that arise from the overall business of the Group.

For the purpose of liquidity management, the liquidity ratio and accumulated liquidity gap ratio on all transactions affecting the in and outflows of funds and transactions of off balance sheet are measured, managed and reported to the Risk Management Council and Risk Management Committee on a regular basis.

As the main subsidiary, Kookmin Bank regularly reports the liquidity gap ratio, liquidity ratio, maturity gap ratio and the results

of the stress testing related to liquidity risk to the Asset- Liability Management Committee ('ALCO') which establishes and monitors the liquidity risk management strategy.

#### 4.3.3. Analysis on remaining contractual maturity of financial assets and liabilities

The remaining contractual maturity of financial assets and liabilities, excluding derivatives held for cash flow hedging as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011						
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Financial assets</b>							
Cash and due from financial institutions <sup>3</sup>	₩ 4,453,019	₩ 303,624	₩ 76,508	₩ 89,831	₩ 4	₩ 119,097	₩ 5,042,083
Financial assets held for trading <sup>1</sup>	5,617,257	-	-	-	-	-	5,617,257
Financial assets designated at fair value through profit or loss	134,160	-	1,989	89,395	483,303	-	708,847
Derivatives held for trading <sup>1</sup>	2,220,314	-	-	-	-	-	2,220,314
Derivatives held for fair value hedging <sup>5</sup>	-	9,502	(4,709)	28,399	148,990	346,779	528,961
Loans	97,595	22,337,365	27,042,768	76,893,033	56,899,525	79,060,029	262,330,315
Available-for-sale financial assets <sup>2</sup>	2,240,727	1,408,252	2,604,981	4,785,474	10,153,262	4,012,911	25,205,607
Held-to-maturity financial assets	-	198,914	611,115	2,227,089	9,397,778	2,854,547	15,289,443
Other financial assets	16,079	3,933,496	2,253	1,569,281	14,548	11,487	5,547,144
	₩ 14,779,151	₩ 28,191,153	₩ 30,334,905	₩ 85,682,502	₩ 77,097,410	₩ 86,404,850	₩ 322,489,971
<b>Financial liabilities</b>							
Financial liabilities held for trading <sup>1</sup>	₩ 550,873	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 550,873
Financial liabilities designated at fair value through profit or loss	-	-	99,894	148,688	588,624	-	837,206
Derivatives held for trading <sup>1</sup>	1,905,343	-	-	-	-	-	1,905,343
Derivatives held for fair value hedging <sup>5</sup>	-	(378)	28,613	(1,427)	129,600	6,744	163,152
Deposits <sup>4</sup>	62,496,734	19,301,815	27,509,188	77,736,839	8,954,242	509,831	196,508,649
Debts	365,944	2,433,558	3,377,097	7,222,927	3,278,067	605,826	17,283,419
Debentures	24,260	4,098,529	1,516,938	6,220,672	15,047,649	4,737,050	31,645,098
Other financial liabilities	-	5,488,548	20,474	24,245	187,882	122,718	5,843,867
	₩ 65,343,154	₩ 31,322,072	₩ 32,552,204	₩ 91,351,944	₩ 28,186,064	₩ 5,982,169	₩ 254,737,607

(In millions of Korean won)

	Dec. 31, 2011						
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Off-balance sheet items</b>							
Commitments <sup>6</sup>	₩ 91,196,792	₩ -	₩ 75,000	₩ 267,000	₩ 205,150	₩ -	₩ 91,743,942
Financial guarantee contracts <sup>7</sup>	794,167	-	151,000	-	-	-	945,167
	₩ 91,990,959	₩ -	₩ 226,000	₩ 267,000	₩ 205,150	₩ -	₩ 92,689,109

(In millions of Korean won)

	Dec. 31, 2010						
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Financial assets</b>							
Cash and due from financial institutions <sup>3</sup>	₩ 2,998,097	₩ 240,656	₩ 82,606	₩ 73,760	₩ -	₩ 78,532	₩ 3,473,651
Financial assets held for trading <sup>1</sup>	3,967,762	-	-	-	-	-	3,967,762
Financial assets designated at fair value through profit or loss	45,551	-	-	-	-	-	45,551
Derivatives held for trading <sup>1</sup>	2,389,891	-	-	-	-	-	2,389,891
Derivatives held for fair value hedging <sup>5</sup>	-	9,165	4,301	66,925	224,174	337,262	641,827
Loans	11,423	16,797,877	27,686,564	76,657,226	50,411,935	66,620,433	238,185,458
Available-for-sale financial assets <sup>2</sup>	2,927,213	623,348	1,188,703	4,601,559	11,454,171	4,351,690	25,146,684
Held-to-maturity financial assets	-	316,676	619,535	1,416,788	10,592,067	3,667,992	16,613,058
Other financial assets	111,976	3,681,036	32,524	1,570,164	20,175	15,576	5,431,451
	₩ 12,451,913	₩ 21,668,758	₩ 29,614,233	₩ 84,386,422	₩ 72,702,522	₩ 75,071,485	₩ 295,895,333

**Financial liabilities**

Financial liabilities held for trading <sup>1</sup>	₩ 1,294,859	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 1,294,859
Derivatives held for trading <sup>1</sup>	1,996,621	-	-	-	-	-	1,996,621
Derivatives held for fair value hedging <sup>5</sup>	-	25,955	279	(35,506)	49,263	(107,610)	(67,619)
Deposits <sup>4</sup>	60,939,002	17,017,659	25,225,497	73,482,450	8,175,752	858,262	185,698,622
Debts	176,300	2,667,302	2,500,817	4,220,247	2,489,003	69,265	12,122,934
Debentures	51,524	1,484,274	1,227,886	9,539,022	16,477,876	5,405,493	34,186,075
Other financial liabilities	-	4,868,301	41,005	35,365	245,210	119,416	5,309,297
	₩ 64,458,306	₩ 26,063,491	₩ 28,995,484	₩ 87,241,578	₩ 27,437,104	₩ 6,344,826	₩ 240,540,789



(In millions of Korean won)

Dec. 31, 2010							
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Off-balance sheet items</b>							
Commitments <sup>6</sup>	₩ 87,178,408	₩ -	₩ 112,000	₩ 267,000	₩ 180,950	₩ -	₩ 87,738,358
Financial guarantee contracts <sup>7</sup>	757,637	-	396,050	-	-	-	1,153,687
	₩ 87,936,045	₩ -	₩ 508,050	₩ 267,000	₩ 180,950	₩ -	₩ 88,892,045

(In millions of Korean won)

Jan. 1, 2010							
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Financial assets</b>							
Cash and due from financial institutions <sup>3</sup>	₩ 2,546,135	₩ 242,203	₩ 133,496	₩ 20,576	₩ 21,072	₩ 26,609	₩ 2,990,091
Financial assets held for trading <sup>1</sup>	4,591,962	-	-	-	-	-	4,591,962
Financial assets designated at fair value through profit or loss	529	-	-	-	-	-	529
Derivatives held for trading <sup>1</sup>	3,276,856	-	-	-	-	-	3,276,856
Derivatives held for fair value hedging <sup>5</sup>	-	6,473	11,270	49,044	161,221	308,786	536,794
Loans	-	15,707,376	27,727,088	73,653,725	57,049,366	59,220,790	233,358,345
Available-for-sale financial assets <sup>2</sup>	2,563,446	1,449,530	1,951,579	4,463,298	10,878,429	4,385,169	25,691,451
Held-to-maturity financial assets	-	71,544	272,627	3,217,797	8,848,430	3,183,318	15,593,716
Other financial assets	118,175	3,823,242	29,652	1,569,283	11,275	16,061	5,567,688
	₩ 13,097,103	₩ 21,300,368	₩ 30,125,712	₩ 82,973,723	₩ 76,969,793	₩ 67,140,733	₩ 291,607,432

**Financial liabilities**

Financial liabilities held for trading <sup>1</sup>	₩ 1,364,223	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 1,364,223
Derivatives held for trading <sup>1</sup>	2,858,001	-	-	-	-	-	2,858,001
Derivatives held for fair value hedging <sup>5</sup>	-	(1,876)	27,455	21,989	183,428	171,522	402,518
Deposits <sup>4</sup>	56,652,648	20,025,512	24,562,210	65,538,782	8,513,583	1,255,647	176,548,382
Debts	148,763	4,291,469	2,352,882	4,089,531	2,948,840	489,709	14,321,194
Debentures	30,340	1,821,973	1,161,168	14,312,768	22,888,880	5,398,983	45,614,112
Other financial liabilities	(493)	6,119,637	27,853	37,576	272,697	4,445	6,461,715
	₩ 61,053,482	₩ 32,256,715	₩ 28,131,568	₩ 84,000,646	₩ 34,807,428	₩ 7,320,306	₩ 247,570,145

(In millions of Korean won)

	Jan. 1, 2010						
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Off-balance sheet items</b>							
Commitments <sup>6</sup>	₩ 84,589,688	₩ -	₩ -	₩ 199,000	₩ 597,200	₩ -	₩ 85,385,888
Financial guarantee contracts <sup>7</sup>	893,858	-	521,500	-	-	-	1,415,358
	₩ 85,483,546	₩ -	₩ 521,500	₩ 199,000	₩ 597,200	₩ -	₩ 86,801,246

<sup>1</sup> Financial instruments held for trading, and derivatives held for trading are not managed by contractual maturity because they are held for trading or redemption before maturity. Therefore they are included in the 'On demand' category.

<sup>2</sup> Equity investments in financial assets classified as available-for-sale are generally included in the 'On demand' category because most of them are available for sale at anytime. However, in the case of equity investments restricted for sale, they are classified in the maturity section to which the end of restriction period belongs.

<sup>3</sup> The amounts of ₩ 4,177,347 million, ₩ 3,361,294 million and ₩ 6,113,735 million which are restricted amounts due from the financial institutions as of December 31, 2011 and 2010, and January 1, 2010, are excluded.

<sup>4</sup> Deposits that are contractually repayable on demand or on short notice are classified as 'On demand' category.

<sup>5</sup> Cash flows of derivative instruments held for fair value hedging are measured by net amount of cash inflows and outflows.

<sup>6</sup> Unused lines of credit within commitments are included in the 'On demand' category because it can be required to pay upon request.

<sup>7</sup> The financial guarantee contracts are included in the maturity section containing the earliest date when the contracts are excisable.

The contractual cash flows of derivatives held for cash flow hedging as of December 31, 2011, are as follows:

(In millions of Korean won)

	Dec. 31, 2011					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
To be received	₩ 1,139	₩ 2,864	₩ 11,690	₩ 371,807	₩ -	₩ 387,500
To be paid	1,446	3,380	14,160	354,042	-	373,028

Meanwhile, there were no derivatives designated as cash flow hedging instruments as of December 31, 2010, or January 1, 2010.

## 4.4 Market risk

### 4.4.1 Overview of market risk

#### Definition of market risk

Market risk is the risk of possible losses which arise from changes in market factors, such as interest rate, stock price, foreign exchange rate, commodity value and other market factors that affect the fair value or future cash flows of financial instruments, such as securities, derivatives, amongst others. The most significant risks associated with trading positions are interest rate risks, and other risks are stock price risks and currency risks. In addition, the Group is exposed to interest rate risks associated with non-trading positions. The Group classifies exposures to market risk into either trading or non-trading positions. The Group measures and manages market risk separately for each subsidiary in the Group.

#### Market risk management group

The Group sets economic capital limits for market risk and interest rate risk and monitors the risks to manage the risk of trading and non-trading positions. The Group maintains risk management systems and procedures, such as trading policies and procedures, and market risk management guidelines for trading positions, and interest rate risk management guidelines for non-trading positions in order to manage market risk efficiently. The procedures mentioned are implemented with approval from the Risk Management Committee and Risk Management Council.

As the main subsidiary, Kookmin Bank establishes market risk management policy, sets position limits, loss limit and VAR limits of each business group and approves newly developed derivative instruments, by its Risk Management Council. The Risk Management Council has delegated the responsibility for market risk management of individual business department to the Market Risk Management Committee which is chaired by a CRO (Chief Risk Officer). The Market Risk Management Committee sets VaR limits, position limits, loss limits, scenario loss limits and sensitivity limits for each department of divisions, at the level of individual business department.

The ALCO of Kookmin Bank determines operational standards of interest and commission, revises ALM (Asset Liability Management) risk management guidelines, interest rate and commission guidelines and monitors establishment and enforcement of ALM risk management policies. The interest rate risk limit is set based on the future assets/liabilities position and interest rate volatility estimated reflecting the annual work plan. The financial management department and risk management department measure and monitor the interest risk status and limits on a regular basis. The status and limits of interest rate risks such as interest rate gap, duration gap and sensitivity are reported to the ALCO on a monthly basis and to the Risk Management Council on a quarterly basis. The responsibility of ALM control is delegated to the Risk Management Department to ensure adequacy on interest rate and liquidity risk management. The Risk Management Department monitors and reviews risk management procedures and tasks conducted by the Financial Management Department, and reports related information to management independently.

#### 4.4.2 Trading Position

##### Definition of trading position

Trading positions subject to market risk management are defined under the Trading Policy and Guideline, and basic requirements are as follows:

- The trading position is not restricted for sale, is measured daily at fair value, and its significant inherent risks is able to be hedged in the market.
- The criteria for classification as a trading position are clearly defined in the Trading Policy and Guideline, and separately managed by the trading department.
- The trading position is operated in accordance with the documented trading strategy and managed through position limits.
- The operating department or professional dealers have an authority to enforce a deal on the trading position within predetermined limits without pre-approval.
- The trading position is reported periodically to management for the purpose of the Group's risk management.

##### Observation method on market risk arising from trading positions

The Group calculates VaR to measure the market risk by using market risk management systems on the entire trading portfolio. Generally, the Group manages market risk on the trading portfolio. In addition, the Group controls and manages the risk of derivative trading based on the regulations and guidelines formulated by the Financial Supervisory Service.

#### VaR (Value at Risk)

##### i. VaR (Value at Risk)

A key measure of market risk is the daily Value at Risk (VaR). The daily VaR is a statistically estimated maximum amount of loss that could occur in one day under normal distribution of financial variables. The Group calculates VaR using the equal-weighted average method based on historical changes in market rates, prices and volatilities over the previous 550 business days and measures VaR at a 99% single tail confidence level. This means the actual amount of loss may exceed the VaR, on average, once out of 100 business days.

VaR is a commonly used market risk measurement technique. However, the method has some shortcomings. VaR estimates possible losses over a certain period at a particular confidence level using past market movement data. Past market movement, however, is not necessarily a good indicator of future events, as there may be conditions and

circumstances in the future that the model does not anticipate. As a result, the timing and magnitude of the actual losses can be different depending on the assumptions made at the time of calculation. In addition, the time periods used for the model, generally one or ten days, are assumed to be a sufficient holding period before liquidating the relevant underlying positions. If these holding periods are not sufficient, or too long, the VaR results may understate or overstate the potential loss.

The Group uses an internal model (VaR) to measure general risk, and a standard method to measure each individual risk. Also, general and individual risks in some positions included in the consolidated financial statements in adoption of K-IFRS, are measured using a standard method. Therefore, the market risk VaR may not reflect the market risk of each individual risks and some positions.

## ii. Back-Testing

Back-testing is conducted on a daily basis to validate the adequacy of the market risk model.

In back-testing, the Group compares both the actual and hypothetical profit and loss with the VaR calculations.

## iii. Stress Testing

The stress testing is carried out to analyze the abnormal market situations relating to the trading and available-for-sale portfolio. It reflects interest rate, stock price, foreign exchange rate, implied volatility of derivatives and other risk factors that have significant influence on the value of the portfolio. The Group mainly uses an historical scenario tool and also uses a hypothetical scenario tool for the analysis of abnormal market situations. Stress testing is performed at least once every quarter.

VaR at a 99% confidence level of interest rate, stock price and foreign exchange rate risk for trading positions with a one-day holding period by subsidiary as of and for the years ended December 31, 2011 and 2010, and as of January 1, 2010, are as follows:

### Kookmin Bank

(In millions of Korean won)

	Dec. 31, 2011				
	Average	Minimum	Maximum	Ending	
Interest rate risk	₩ 2,537	₩ 1,430	₩ 4,019	₩ 1,866	
Stock price risk	725	86	2,569	1,161	
Foreign exchange rate risk	6,464	4,187	12,610	4,882	
Deduction of diversification effect	-	-	-	(3,141)	
Total VaR	₩ 6,206	₩ 4,000	₩ 11,992	₩ 4,768	

(In millions of Korean won)

	Dec. 31, 2010				Jan. 1, 2010	
	Average	Minimum	Maximum	Ending	Beginning	
Interest rate risk	₩ 4,249	₩ 2,076	₩ 6,317	₩ 3,598	₩ 6,135	
Stock price risk	1,591	103	4,246	125	2,760	
Foreign exchange rate risk	5,276	441	13,391	5,200	5,835	
Deduction of diversification effect	-	-	-	(3,348)	(7,555)	
Total VaR	₩ 6,411	₩ 3,230	₩ 12,480	₩ 5,575	₩ 7,175	

**KB Investment & Securities Co., Ltd.**

(In millions of Korean won)

	Dec. 31, 2011					
	Average	Minimum	Maximum	Ending		
Interest rate risk	₩ 410	₩ 131	₩ 1,046	₩	₩	413
Stock price risk	659	350	1,643			444
Foreign exchange rate risk	161	15	586			57
Deduction of diversification effect	-	-	-			(329)
Total VaR	₩ 819	₩ 381	₩ 1,885	₩	₩	585

(In millions of Korean won)

	Dec. 31, 2010					Jan. 1, 2010	
	Average	Minimum	Maximum	Ending	Beginning		
Interest rate risk	₩ 980	₩ 307	₩ 2,152	₩ 491	₩	₩	1,048
Stock price risk	608	281	1,817	794			653
Foreign exchange rate risk	64	2	208	2			80
Deduction of diversification effect	-	-	-	(297)			(511)
Total VaR	₩ 1,174	₩ 488	₩ 2,172	₩ 990	₩	₩	1,270

**KB Life Insurance Co., Ltd.**

(In millions of Korean won)

	Dec. 31, 2011					
	Average	Minimum	Maximum	Ending		
Interest rate risk	₩ 23	₩ 10	₩ 53	₩	₩	12
Deduction of diversification effect	-	-	-			-
Total VaR	₩ 23	₩ 10	₩ 53	₩	₩	12

(In millions of Korean won)

	Dec. 31, 2010					Jan. 1, 2010	
	Average	Minimum	Maximum	Ending	Beginning		
Interest rate risk	₩ 21	₩ 6	₩ 77	₩ 32	₩	₩	75
Deduction of diversification effect	-	-	-	-			(5)
Total VaR	₩ 21	₩ 6	₩ 72	₩ 32	₩	₩	70

**KB Investment Co., Ltd.**

(In millions of Korean won)

	Dec. 31, 2011					
	Average	Minimum	Maximum	Ending		
Foreign exchange rate risk	₩ 31	₩ 26	₩ 52	₩	₩	28
Deduction of diversification effect	-	-	-			-
Total VaR	₩ 31	₩ 26	₩ 52	₩	₩	28

(In millions of Korean won)

	Dec. 31, 2010						Jan. 1, 2010			
	Average		Minimum		Maximum		Ending	Beginning		
Foreign exchange rate risk	₩	49	₩	-	₩	71	₩	29	₩	65
Deduction of diversification effect		-		-		-		-		-
Total VaR	₩	49	₩	-	₩	71	₩	29	₩	65

Meanwhile, the required equity capital using the standardized method related to the positions which are not measured by VaR as of December 31, 2011 and 2010, and January 1, 2010, is as follows:

### Kookmin Bank

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
	Interest rate risk	₩	23,602	₩	26,928	₩
Stock price risk		21,220		-		163
Foreign exchange rate risk		9,561		9,266		6,839
Commodity value risk		-		-		697
	₩	54,383	₩	36,194	₩	9,488

### KB Investment & Securities Co., Ltd.

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
	Interest rate risk	₩	3,911	₩	3,528	₩
Stock price risk		10,212		9,353		4,533
	₩	14,123	₩	12,881	₩	10,308

## Details of risk factors

### i. Interest rate risk

Trading position interest rate risk usually arises from debt securities denominated in Korean won. The Group's trading strategy is to benefit from short-term movements in the prices of debt securities arising from changes in interest rates. The Group manages interest rate risk on trading positions using market value-based tools such as VaR and sensitivity analysis (Price Value of a Basis Point: PVBP).

### ii. Stock price risk

Stock price risk only arises from trading securities denominated in Korean won as the Group does not have any trading exposure to shares denominated in foreign currencies. The trading securities portfolio in Korean won are composed of exchange-traded stocks and derivative instruments linked to stock with strict limits on diversification.

### iii. Foreign exchange rate risk

Foreign exchange rate risk arises from holding assets and liabilities denominated in foreign currency. Net foreign currency exposure mostly occurs from the foreign assets and liabilities which denominated in US dollars and Kazakhstan Tenge, and the remainder in Japanese Yen or Euro. The Group sets both loss limits and net foreign currency exposure limits and manages comprehensive net foreign exchange exposures which consider both trading and non-trading portfolios.

### iv. Commodity risk

The Group is exposed to other price risk (other than those arising from interest rate, stock price or currency risk) while

holding commodity derivatives. Those underlying assets are metal and precious metal, and the Group makes back-to-back hedge contracts in order to mitigate changes in the price risks.

#### 4.4.3 Non-trading position

##### Definition of non-trading position

The most critical market risk that arises in non-trading portfolios is interest rate risk.

Interest rate risk occurs due to mismatches on maturities and interest rate change periods between interest sensitive assets and liabilities. The Group measures interest rate risk arising from assets and liabilities denominated in Korean won and foreign currencies including derivative financial instruments held for hedging. Most interest-bearing assets and interest-bearing liabilities are denominated in Korean won. Most foreign currency assets and liabilities are denominated in US Dollars and the remainder in Japanese Yen or Euro.

##### Observation method on market risk arising from non-trading position

The main objective of interest rate risk management is to generate stable net interest income and to protect asset values against interest rate fluctuations. The Group manages the risk through interest rate gap analysis on interest rate maturities between interestbearing assets and interest-bearing liabilities and measuring interest rate VaR.

#### Disclosure of results from each observation method

##### i. Interest rate gap analysis

Interest rate gap analysis is based on interest rates repricing maturities of interest-bearing assets and interest-bearing liabilities. It measures expected changes in net interest income by calculating the difference in the amounts of interest-bearing assets and interest-bearing liabilities at each maturity. The Group conducts interest gap analysis on assets denominated in Korean won and foreign currencies on a monthly basis. However, where there is no maturity of a particular instrument, then a maturity date is set according to liquidity risk management guidelines.

The results of the interest rate gap analysis by subsidiary as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

##### Kookmin Bank

(In millions of Korean won)

	Dec. 31, 2011					
	Up to 3 month	3-6 months	6-12 months	1-3 years	Over 3 years	Total
Interest-bearing assets in Korean won	₩109,769,309	₩ 53,264,820	₩ 26,293,288	₩ 16,619,523	₩ 9,309,082	₩215,256,022
Interest-bearing liabilities in Korean won	91,469,293	30,487,095	54,100,542	20,867,820	13,169,891	210,094,641
Gap	₩ 18,300,016	₩ 22,777,725	₩(27,807,254)	₩ (4,248,297)	₩ (3,860,809)	₩ 5,161,381
Accumulated gap	18,300,016	41,077,741	13,270,487	9,022,190	5,161,381	
Percentage (%)	8.50	19.08	6.16	4.19	2.40	
Interest-bearing assets in foreign currencies	₩ 13,009,331	₩ 2,081,836	₩ 1,015,797	₩ 899,201	₩ 139,646	₩ 17,145,811
Interest-bearing liabilities in foreign currencies	11,246,216	3,871,630	2,151,126	205,522	46,132	17,520,626
Gap	₩ 1,763,115	₩ (1,789,794)	₩ (1,135,329)	₩ 693,679	₩ 93,514	₩ (374,815)
Accumulated gap	1,763,115	(26,679)	(1,162,008)	(468,329)	(374,815)	
Percentage (%)	10.28	(0.16)	(6.78)	(2.73)	(2.19)	

(In millions of Korean won)

	Dec. 31, 2010					
	Up to 3 month	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Interest-bearing assets in Korean won	₩126,798,255	₩ 47,423,485	₩ 16,872,833	₩ 16,985,016	₩ 10,142,869	₩218,222,458
Interest-bearing liabilities in Korean won	87,674,549	19,796,003	49,701,076	34,481,647	18,327,894	209,981,169
Gap	₩ 39,123,706	₩ 27,627,482	₩(32,828,243)	₩(17,496,631)	₩ (8,185,025)	₩ 8,241,289
Accumulated gap	39,123,706	66,751,188	33,922,945	16,426,314	8,241,289	
Percentage (%)	17.93	30.59	15.55	7.53	3.78	
Interest-bearing assets in foreign currencies	₩ 9,667,247	₩ 1,846,761	₩ 696,691	₩ 662,499	₩ 395,968	₩ 13,269,166
Interest-bearing liabilities in foreign currencies	8,077,254	2,985,220	934,304	1,099,965	-	13,096,743
Gap	₩ 1,589,993	₩ (1,138,459)	₩ (237,613)	₩ (437,466)	₩ 395,968	₩ 172,423
Accumulated gap	1,589,993	451,534	213,921	(223,545)	172,423	
Percentage (%)	11.98	3.40	1.61	(1.68)	1.30	

(In millions of Korean won)

	Jan. 1, 2010					
	Up to 3 month	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Interest-bearing assets in Korean won	₩145,771,663	₩ 34,801,525	₩ 13,966,699	₩ 13,185,559	₩ 8,646,144	₩216,371,590
Interest-bearing liabilities in Korean won	88,681,486	21,841,990	49,296,794	33,427,544	17,339,782	210,587,596
Gap	₩ 57,090,177	₩ 12,959,535	₩(35,330,095)	₩(20,241,985)	₩ (8,693,638)	₩ 5,783,994
Accumulated gap	57,090,177	70,049,712	34,719,617	14,477,632	5,783,994	
Percentage (%)	26.39	32.37	16.05	6.69	2.67	
Interest-bearing assets in foreign currencies	₩ 9,992,036	₩ 1,834,697	₩ 429,739	₩ 546,220	₩ 295,567	₩ 13,098,259
Interest-bearing liabilities in foreign currencies	10,537,990	3,397,664	778,358	146,509	11,485	14,872,006
Gap	₩ (545,954)	₩ (1,562,967)	₩ (348,619)	₩ 399,711	₩ 284,082	₩ (1,773,747)
Accumulated gap	(545,954)	(2,108,921)	(2,457,540)	(2,057,829)	(1,773,747)	
Percentage (%)	(4.17)	(16.10)	(18.76)	(15.71)	(13.54)	

**KB Kookmin Card Co., Ltd.**

(In millions of Korean won)

	Dec. 31, 2011					
	Up to 3 month	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Interest-bearing assets in Korean won	₩ 3,057,388	₩ 683,327	₩ 884,063	₩ 8,288,959	₩ 7,125	₩ 12,920,862
Interest-bearing liabilities in Korean won	1,811,500	860,000	2,530,000	3,052,800	1,170,000	9,424,300
Gap	₩ 1,245,888	₩ (176,673)	₩ (1,645,937)	₩ 5,236,159	₩ (1,162,875)	₩ 3,496,562
Accumulated gap	1,245,888	1,069,215	(576,722)	4,659,437	3,496,562	
Percentage (%)	9.64	8.28	(4.46)	36.06	27.06	



(In millions of Korean won)

<b>Dec. 31, 2011</b>						
	<b>Up to 3 month</b>	<b>3~6 months</b>	<b>6~12 months</b>	<b>1~3 years</b>	<b>Over 3 years</b>	<b>Total</b>
Interest-bearing assets in Korean won	₩ 599,877	₩ 103,522	₩ 108,031	₩ 10,002	₩ 2,517	₩ 823,949
Interest-bearing liabilities in Korean won	482,001	70,000	-	49,470	-	601,471
Gap	₩ 117,876	₩ 33,522	₩ 108,031	₩ (39,468)	₩ 2,517	₩ 222,478
Accumulated gap	117,876	151,398	259,429	219,961	222,478	
Percentage (%)	14.31	18.37	31.49	26.70	27.00	
Interest-bearing assets in foreign currencies	₩ 2,068	₩ -	₩ -	₩ -	₩ -	₩ 2,068
Interest-bearing liabilities in foreign currencies	-	-	-	-	-	-
Gap	₩ 2,068	₩ -	₩ -	₩ -	₩ -	₩ 2,068
Accumulated gap	2,068	2,068	2,068	2,068	2,068	
Percentage (%)	100.00	100.00	100.00	100.00	100.00	

(In millions of Korean won)

<b>Dec. 31, 2010</b>						
	<b>Up to 3 month</b>	<b>3~6 months</b>	<b>6~12 months</b>	<b>1~3 years</b>	<b>Over 3 years</b>	<b>Total</b>
Interest-bearing assets in Korean won	₩ 477,433	₩ 5,000	₩ 20,000	₩ -	₩ 1,234	₩ 503,667
Interest-bearing liabilities in Korean won	400,069	-	-	99,276	100,000	599,345
Gap	₩ 77,364	₩ 5,000	₩ 20,000	₩ (99,276)	₩ (98,766)	₩ (95,678)
Accumulated gap	77,364	82,364	102,364	3,088	(95,678)	
Percentage (%)	15.36	16.35	20.32	0.61	(19.00)	

(In millions of Korean won)

<b>Jan. 1, 2010</b>						
	<b>Up to 3 month</b>	<b>3~6 months</b>	<b>6~12 months</b>	<b>1~3 years</b>	<b>Over 3 years</b>	<b>Total</b>
Interest-bearing assets in Korean won	₩ 304,088	₩ 20,000	₩ 33,016	₩ 5,200	₩ 987	₩ 363,291
Interest-bearing liabilities in Korean won	276,598	-	20,000	99,276	100,000	495,874
Gap	₩ 27,490	₩ 20,000	₩ 13,016	₩ (94,076)	₩ (99,013)	₩ (132,583)
Accumulated gap	27,490	47,490	60,506	(33,570)	(132,583)	
Percentage (%)	7.57	13.07	16.65	(9.24)	(36.49)	
Interest-bearing assets in foreign currencies	₩ 245	₩ -	₩ -	₩ -	₩ -	₩ 245
Interest-bearing liabilities in foreign currencies	-	-	-	-	-	-
Gap	₩ 245	₩ -	₩ -	₩ -	₩ -	₩ 245
Accumulated gap	245	245	245	245	245	
Percentage (%)	100.00	100.00	100.00	100.00	100.00	

**KB Life Insurance Co., Ltd.**

(In millions of Korean won)

	Dec. 31, 2011					
	Up to 3 month	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Interest-bearing assets in Korean won	₩ 228,597	₩ 137,620	₩ 386,143	₩ 820,641	₩ 1,917,627	₩ 3,490,628
Interest-bearing liabilities in Korean won	60,048	45,817	2,853,620	29,087	541,782	3,530,354
Gap	₩ 168,549	₩ 91,803	₩ (2,467,477)	₩ 791,554	₩ 1,375,845	₩ (39,726)
Accumulated gap	168,549	260,352	(2,207,125)	(1,415,571)	(39,726)	
Percentage (%)	4.83	7.46	(63.23)	(40.55)	(1.14)	

(In millions of Korean won)

	Dec. 31, 2010					
	Up to 3 month	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Interest-bearing assets in Korean won	₩ 10,320	₩ 195,855	₩ 267,798	₩ 615,120	₩ 1,702,990	₩ 2,792,083
Interest-bearing liabilities in Korean won	39,000	542,800	1,663,500	39,700	571,500	2,856,500
Gap	₩ (28,680)	₩ (346,945)	₩ (1,395,702)	₩ 575,420	₩ 1,131,490	₩ (64,417)
Accumulated gap	(28,680)	(375,625)	(1,771,327)	(1,195,907)	(64,417)	
Percentage (%)	(1.03)	(13.45)	(63.44)	(42.83)	(2.31)	

(In millions of Korean won)

	Jan. 1, 2010					
	Up to 3 month	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Interest-bearing assets in Korean won	₩ 72,732	₩ 155,226	₩ 152,597	₩ 398,147	₩ 1,234,801	₩ 2,013,503
Interest-bearing liabilities in Korean won	39,080	1,418,690	29,671	41,572	518,502	2,047,515
Gap	₩ 33,652	₩ (1,263,464)	₩ 122,926	₩ 356,575	₩ 716,299	₩ (34,012)
Accumulated gap	33,652	(1,229,812)	(1,106,886)	(750,311)	(34,012)	
Percentage (%)	1.67	(61.08)	(54.97)	(37.26)	(1.69)	

**KB Futures Co., Ltd.**

(In millions of Korean won)

	Dec. 31, 2010					
	Up to 3 month	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Interest-bearing assets in Korean won	₩ 136,511	₩ 9,944	₩ -	₩ -	₩ 2,738	₩ 149,193
Interest-bearing liabilities in Korean won	118,013	-	-	-	-	118,013
Gap	₩ 18,498	₩ 9,944	₩ -	₩ -	₩ 2,738	₩ 31,180
Accumulated gap	18,498	28,442	28,442	28,442	31,180	
Percentage (%)	12.40	19.06	19.06	19.06	20.90	

(In millions of Korean won)

	Dec. 31, 2010					
	Up to 3 month	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Interest-bearing assets in foreign currencies	₩ 14,025	₩ -	₩ -	₩ -	₩ -	₩ 14,025
Interest-bearing liabilities in foreign currencies	12,904	-	-	-	-	12,904
Gap	₩ 1,121	₩ -	₩ -	₩ -	₩ -	₩ 1,121
Accumulated gap	1,121	1,121	1,121	1,121	1,121	
Percentage (%)	7.99	7.99	7.99	7.99	7.99	

(In millions of Korean won)

	Jan. 1, 2010					
	Up to 3 month	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Interest-bearing assets in Korean won	₩ 171,903	₩ 9,016	₩ -	₩ 4,964	₩ 2,878	₩ 188,761
Interest-bearing liabilities in Korean won	161,634	-	-	-	-	161,634
Gap	₩ 10,269	₩ 9,016	₩ -	₩ 4,964	₩ 2,878	₩ 27,127
Accumulated gap	10,269	19,285	19,285	24,249	27,127	
Percentage (%)	5.44	10.22	10.22	12.85	14.37	
Interest-bearing assets in foreign currencies	₩ 19,574	₩ -	₩ -	₩ -	₩ -	₩ 19,574
Interest-bearing liabilities in foreign currencies	18,599	-	-	-	-	18,599
Gap	₩ 975	₩ -	₩ -	₩ -	₩ -	₩ 975
Accumulated gap	975	975	975	975	975	
Percentage (%)	4.98	4.98	4.98	4.98	4.98	

## ii. Interest Rate VaR

Interest rate VaR is the maximum possible loss due to interest rate risk under a normal distribution at a 99.94% confidence level. The measurement results of risk as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Kookmin Bank	₩ 847,865	₩ 1,867,038	₩ 2,126,748
KB Kookmin Card Co., Ltd.	124,681	-	-
KB Investment & Securities Co., Ltd.	8,213	2,555	3,461
KB Life Insurance Co., Ltd.	127,328	107,350	68,779
KB Futures Co., Ltd.	-	425	570

### 4.4.4 Financial instruments in foreign currencies

Financial instruments in foreign currencies as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011						
	USD	JPY	EUR	GBP	CNY	Others	Total
<b>Financial assets</b>							
Cash and due from financial institutions	₩ 600,886	₩ 112,395	₩ 73,159	₩ 12,571	₩ 25,088	₩ 72,379	₩ 896,478
Derivatives held for trading	89,851	-	1,027	-	-	-	90,878
Derivatives held for hedging	37,669	-	-	-	-	-	37,669
Loans	11,129,173	2,589,314	753,075	46,149	215	220,212	14,738,138
Available-for-sale financial assets	1,101,434	59,900	18,546	782	-	1,595	1,182,257
Held-to-maturity financial assets	158	-	-	-	-	-	158
Other financial assets	1,178,711	227,508	147,019	3,732	-	105,358	1,662,328
	₩ 14,137,882	₩ 2,989,117	₩ 992,826	₩ 63,234	₩ 25,303	₩ 399,544	₩ 18,607,906
<b>Financial liabilities</b>							
Derivatives held for trading	₩ 221,135	₩ -	₩ 1,695	₩ -	₩ -	₩ -	₩ 222,830
Derivatives held for fair value hedging	34	-	-	-	-	-	34
Deposits	3,318,285	598,055	164,087	11,959	231	256,987	4,349,604
Debts	6,554,932	1,987,560	839,649	4,261	217	236,713	9,623,332
Debentures	2,728,700	816,320	335,169	-	-	68,843	3,949,032
Other financial liabilities	866,202	132,752	22,765	50,604	18	27,360	1,099,701
	₩ 13,689,288	₩ 3,534,687	₩ 1,363,365	₩ 66,824	₩ 466	₩ 589,903	₩ 19,244,533
<b>Off-balance sheet items</b>	₩125,595,251	₩2,715,680	₩ 3,082,112	₩ 41,120	₩ 10,772	₩ 225,063	₩131,669,998

(In millions of Korean won)

	Dec. 31, 2010						
	USD	JPY	EUR	GBP	CNY	Others	Total
<b>Financial assets</b>							
Cash and due from financial institutions	₩ 615,441	₩ 112,474	₩ 63,029	₩ 9,210	₩ 13,647	₩ 59,996	₩ 873,797
Financial assets designated at fair value through profit or loss	139	-	-	-	-	-	139
Derivatives held for hedging	74,064	-	631	-	-	-	74,695
Loans	7,509,125	2,549,529	630,402	17,595	-	270,953	10,977,604
Available-for-sale financial assets	1,310,058	48,343	19,273	1,359	-	1,694	1,380,727
Held-to-maturity financial assets	297	-	-	-	-	-	297
Other financial assets	688,988	49,642	182,249	53,083	-	47,258	1,021,220
	₩ 10,198,112	₩ 2,759,988	₩ 895,584	₩ 81,247	₩ 13,647	₩ 379,901	₩ 14,328,479

(In millions of Korean won)

Dec. 31, 2010							
	USD	JPY	EUR	GBP	CNY	Others	Total
<b>Financial liabilities</b>							
Derivatives held for trading	₩ 255,631	₩ -	₩ 2,522	₩ -	₩ -	₩ -	₩ 258,153
Deposits	1,924,129	569,837	172,955	12,236	2	168,916	2,848,075
Debts	4,027,395	1,331,826	1,066,213	67,447	-	147,947	6,640,828
Debentures	2,583,656	766,464	423,379	-	-	114,765	3,888,264
Other financial liabilities	879,186	113,992	38,907	2,203	28	130,954	1,165,270
	₩ 9,669,997	₩ 2,782,119	₩ 1,703,976	₩ 81,886	30	₩ 562,582	₩ 14,800,590
<b>Off-balance sheet items</b>	₩120,271,523	₩ 2,290,339	₩ 6,870,863	₩ 441,330	₩ 13,770	₩ 1,231,799	₩131,119,624

(In millions of Korean won)

Jan. 1, 2010							
	USD	JPY	EUR	GBP	CNY	Others	Total
<b>Financial assets</b>							
Cash and due from financial institutions	₩ 681,449	₩ 83,973	₩ 69,585	₩ 7,794	₩ 11,697	₩ 52,932	₩ 907,430
Financial assets designated at fair value through profit or loss	529	-	-	-	-	-	529
Derivatives held for trading	67,428	294	664	-	-	-	68,386
Derivatives held for hedging	976	-	-	-	-	-	976
Loans	7,356,674	2,230,296	605,111	23,553	-	204,174	10,419,808
Available-for-sale financial assets	1,405,998	106,489	99,310	1,470	-	1,630	1,614,897
Held-to-maturity financial assets	6,672	-	-	-	-	-	6,672
Other financial assets	1,440,547	296,447	151,593	3,004	-	47,082	1,938,673
	₩ 10,960,273	₩ 2,717,499	₩ 926,263	₩ 35,821	₩ 11,697	₩ 305,818	₩ 14,957,371
<b>Financial liabilities</b>							
Derivatives held for trading	₩ 358,766	₩ 259	₩ 3,492	₩ -	₩ -	₩ 43,085	₩ 405,602
Deposits	2,897,094	320,938	199,345	15,062	-	192,763	3,625,202
Debts	3,233,778	1,288,261	2,053,269	73,832	-	344,988	6,994,128
Debentures	3,098,025	901,185	599,116	-	-	109,347	4,707,673
Other financial liabilities	1,210,332	129,000	183,954	56,395	-	35,252	1,614,933
	₩ 10,797,995	₩ 2,639,643	₩ 3,039,176	₩ 145,289	₩ -	₩ 725,435	₩ 17,347,538
<b>Off-balance sheet items</b>	₩129,077,140	₩ 2,973,309	₩ 8,968,186	₩ 503,821	₩ 9,314	₩ 2,259,499	₩143,791,269

## 4.5 Operational Risk

### 4.5.1 Concept

The Group defines operational risk broadly to include all financial and non financial risks that may arise from operating activities and could cause a negative effect on capital.

### 4.5.2 Risk management

The purpose of operational risk management is not only to comply with supervisory and regulatory requirements but also to promote a risk management culture, strengthen internal controls, innovate processes and provide timely feedback to management and employees. In addition, Kookmin Bank established Business Continuity Plans (BCP) to ensure critical business functions can be maintained, or restored, in the event of material disruptions arising from internal or external events. It has constructed replacement facilities as well as has carried out exercise drills for head office and IT departments to test its BCPs.

## 4.6. Capital Adequacy

The Group assesses its adequacy of capital by using the Internal Rating Based Approach (the 'IRBA'). The assessment is conducted by comparing available capital (actual amount of available capital) and economic capital (amount of capital enough to cover all significant risks under the target credit rate set by the Group). The Group monitors the soundness of finance and provides a risk adjusted basis for performance review.

Economic Capital is the necessary capital to prevent the inability of payment due to unexpected loss in the future. The Group measures, allocates and monitors economic capital by risk type and subsidiaries.

The Risk Management Council of the Group determines the Group's risk appetite and allocates economic capital by risk type and subsidiaries. Each subsidiary efficiently operates its capital within a range of allocated economic capital. The Risk Management Department of the Group monitors the limit on economic capital and reports the results to management and the Risk Management Council. The Group maintains the adequacy of capital through proactive review and approval of the Risk Management Committee when the economic capital is expected to exceed the limits due to new business or business expansion.

The Group is a financial holding company under the Financial Holding Companies Act. It must maintain a consolidated BIS ratio above 8% based on Basel I in accordance with the Supervisory Regulations and Detailed Supervisory Regulations on Financial Holding Companies.

The details of the Group's consolidated BIS ratio as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

	(In millions of Korean won)		
	Dec. 31, 2011	Dec. 31, 2010 <sup>1</sup>	Jan. 1, 2010 <sup>1</sup>
Equity Capital:	₩ 25,239,906	₩ 23,948,343	₩ 24,360,262
Tier I Capital	19,544,271	17,714,236	17,500,648
Tier II Capital	5,695,635	6,234,107	6,859,614
Risk-weighted assets:	192,812,547	183,077,983	182,664,075
Credit risk	187,851,397	178,727,946	178,955,500
Market risk	4,961,150	4,350,037	3,708,575
Capital adequacy ratio (%):	13.09	13.08	13.34
Tier I Capital (%)	10.14	9.68	9.58
Tier II Capital (%)	2.95	3.40	3.76

<sup>1</sup> Based on previous K-GAAP in accordance with Korean regulations.

## 5. Segment Information

### 5.1 Overall Segment Information and Business Segments

Operating segments are presented on both business basis and geographical basis. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

As of December 31, 2011, the Group is organized into four major business segments: Corporate Banking, Retail Banking, Credit Card Operations and Capital Markets Activities. In addition, these business divisions are based on the nature of the products and services provided, the type or class of customer, and the Group's management organization.

- Corporate banking: The corporate banking segment's assets and liabilities are mainly with private and public enterprises. The activities within this segment include loans, overdrafts, deposits, other credit facilities and other foreign currency activities.
- Retail banking: The retail banking segment's assets and liabilities are mainly with individuals and households. This segment handles private customer current accounts, savings, deposits, consumer loans and mortgage loans.
- Credit card business: The credit card segment's assets and liabilities are mainly with individuals or corporate cardholders and card merchants, and it handles domestic as well as overseas credit and debit card operations.
- Capital markets activities: Activities within this segment include trading activities in securities and derivatives, and funding through debentures and borrowings.

Financial information by business segment for the year ended December 31, 2011, follows:

(In millions of Korean won)

	Domestic Entities					Foreign Entities	Intra-group Adjustments	Total
	Corporate Banking	Retail Banking	Credit Card Business	Capital Markets Activities	Others			
Segment profits (losses) before income tax	₩ 611,290	₩ 1,184,815	₩ 411,384	₩ (71,855)	₩ 1,145,822	₩ 11,636	₩ (32,286)	₩ 3,260,806
The following are included in the segment profits(losses):								
Operating revenues from external customers	₩ 2,027,095	₩ 3,266,610	₩ 1,187,709	₩ (11,576)	₩ 2,346,910	₩ 26,372	₩ -	₩ 8,843,120
Inter-segment operating revenues	194,900	(54,409)	(277,024)	(36,578)	134,004	(4,061)	43,168	-
	₩ 2,221,995	₩ 3,212,201	₩ 910,685	₩ (48,154)	₩ 2,480,914	₩ 22,311	₩ 43,168	₩ 8,843,120
Net interest income	2,541,542	2,779,467	764,611	558,577	394,906	17,718	47,691	7,104,512
Net fee and commission income	235,894	634,916	147,339	(15,087)	795,846	6,687	(10,845)	1,794,750
Gains (losses) from financial assets at fair value through profit or loss	(260)	(1,832)	-	988,783	47,581	(1,945)	3,540	1,035,867
Net other operating income	(555,181)	(200,350)	(1,265)	(1,580,427)	1,242,581	(149)	2,782	(1,092,009)
Provisions for credit loss	(1,004,085)	(302,261)	(195,115)	235	(10,240)	(2,571)	1,059	(1,512,978)

(In millions of Korean won)

	<b>(Domestic Entities)</b>					<b>Foreign Entities</b>	<b>Intra-group Adjustments</b>	<b>Total</b>
	<b>Corporate Banking</b>	<b>Retail Banking</b>	<b>Credit Card Business</b>	<b>Capital Markets Activities</b>	<b>Others</b>			
Depreciation and amortization	(37,396)	(112,277)	(35,873)	(1,665)	(157,514)	(621)	2,853	(342,493)
Share of profit of associates and joint ventures	-	-	-	-	(18,681)	-	23,644	4,963

Financial information by business segment for the year ended December 31, 2010, follows:

(In millions of Korean won)

	<b>Domestic Entities</b>					<b>Foreign Entities</b>	<b>Intra-group Adjustments</b>	<b>Total</b>
	<b>Corporate Banking</b>	<b>Retail Banking</b>	<b>Credit Card Business</b>	<b>Capital Markets Activities</b>	<b>Others</b>			
Segment profits (losses) before income tax	₩ (901,639)	₩ 582,190	₩ 647,216	₩ 941,432	₩ (827,414)	₩ 13,516	₩ (305,933)	₩ 149,368
The following are included in the segment profits(losses):								
Operating revenues from external customers	₩ 2,336,722	₩ 2,994,303	₩ 1,515,484	₩ 1,153,770	₩ (400,487)	₩ 26,191	₩ -	₩ 7,625,983
Inter-segment operating revenues	(3,085)	-	-	(12,215)	10,538	(5,454)	10,216	-
	₩ 2,333,637	₩ 2,994,303	₩ 1,515,484	₩ 1,141,555	₩ (389,949)	₩ 20,737	₩ 10,216	₩ 7,625,983
Net interest income	2,531,407	2,353,548	2,182,738	2,003,116	(2,948,507)	20,156	31,346	6,173,804
Net fee and commission income	273,299	646,906	(283,798)	(1)	1,179,708	6,290	(117,690)	1,704,714
Gains (losses) from financial assets at fair value through profit or loss	-	(104,017)	-	714,257	208,605	(3,678)	(359)	814,808
Net other operating income	(471,069)	97,866	(383,456)	(1,575,817)	1,170,245	(2,031)	96,919	(1,067,343)
Provisions for credit loss	(2,393,338)	(263,592)	(126,146)	(216,119)	127,450	246	82	(2,871,417)
Depreciation and amortization	(50,039)	(146,939)	(41,090)	(1,109)	(93,460)	(1,773)	(13,282)	(347,692)
Share of profit of associates and joint ventures	-	-	-	-	342,272	-	(552,866)	(210,594)



## 5.2 Product & Services and Geographical Segments

### 5.2.1 Product and Services information

Operating revenues by product and services for the years ended December 31, 2011 and 2010 are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010	
Corporate banking service	₩	2,053,467	₩	2,362,913
Retail banking service		3,266,610		2,994,303
Credit card business service		1,187,709		1,515,484
Capital markets activities service		(11,576)		1,153,770
Other service		2,346,910		(400,487)
	₩	8,843,120	₩	7,625,983

### 5.2.2 Geographical information

Operating revenues from external customers for the years ended December 31, 2011 and 2010, and major non-current assets as of December 31, 2011 and 2010, and January 1, 2010 are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010
	Revenues from external customers	Major non-current assets	Revenues from external customers	Major non-current assets	Major non-current assets
Domestic	₩ 8,751,005	₩ 3,734,661	₩ 7,540,673	₩ 3,660,755	₩ 3,659,473
United States	12,849	145	15,648	358	937
New Zealand	7,591	60	9,072	130	382
China	25,528	861	26,525	1,453	2,417
Japan	31,499	2,103	22,600	2,000	2,214
Argentina	7	-	(2)	-	-
Vietnam	65	481	-	-	-
Cambodia	2,929	557	2,082	952	2,078
England	11,647	42	9,385	83	109
Intra-group adjustment	-	(32,897)	-	42,370	60,855
	₩ 8,843,120	₩ 3,706,013	₩ 7,625,983	₩ 3,708,101	₩ 3,728,465

## 6. Financial Assets and Financial Liabilities

### 6.1 Carrying amounts of financial instruments

Financial assets and liabilities are measured at fair value or amortized cost. Measurement policies for each class of financial assets and financial liabilities are disclosed in Note 3, 'Significant accounting policies'.

The carrying amounts of financial assets and liabilities by category as of December 31, 2011, are as follows:

(In millions of Korean won)

	Financial assets at fair value through profit or loss		Loans and receivables	Available-for-sale financial assets	Held-to-Maturity financial assets	Derivatives held for hedging	Total
	Held for trading	Designated at fair value through profit or loss					
<b>Financial assets</b>							
Cash and due from financial institutions	₩	-	₩	-	₩	-	₩ 9,178,125
Financial assets at fair value through profit or loss	5,617,257	708,847	-	-	-	-	6,326,104
Derivatives	2,220,314	-	-	-	-	228,141	2,448,455
Loans	-	-	212,107,027	-	-	-	212,107,027
Financial investments	-	-	-	22,377,024	13,055,158	-	35,432,182
Other financial assets	-	-	6,409,905	-	-	-	6,409,905
	₩ 7,837,571	₩ 708,847	₩ 227,695,057	₩ 22,377,024	₩ 13,055,158	₩ 228,141	₩ 271,901,798

(In millions of Korean won)

	Financial assets at fair value through profit or loss		Financial liability at amortized cost	Derivatives held for hedging	Total					
	Held for trading	Designated at fair value through profit or loss								
<b>Financial assets</b>										
Financial liabilities at fair value through profit or loss	₩	550,873	₩	837,206	₩	-	₩	-	₩	1,388,079
Derivatives		1,905,343				-		154,230		2,059,573
Deposits					190,337,590					190,337,590
Debts					16,823,838					16,823,838
Debentures					27,069,879					27,069,879
Other financial liabilities					9,962,105					9,962,105
	₩	2,456,216	₩	837,206	₩	244,193,412	₩	154,230	₩	247,641,064

The carrying amounts of financial assets and liabilities by category as of December 31, 2010, are as follows:

(In millions of Korean won)

	Financial assets at fair value through profit or loss		Loans and receivables	Available-for-sale financial assets	Held-to-Maturity financial assets	Derivatives held for hedging	Total
	Held for trading	Designated at fair value through profit or loss					
<b>Financial assets</b>							
Cash and due from financial institutions	₩	-	₩	-	₩	-	₩ 6,829,828

(In millions of Korean won)

	Financial assets at fair value through profit or loss		Loans and receivables	Available-for-sale financial assets	Held-to-Maturity financial assets	Derivatives held for hedging	Total
	Held for trading	Designated at fair value through profit or loss					
Financial assets at fair value through profit or loss	3,967,762	45,551	-	-	-	-	4,013,313
Derivatives	2,389,891	-	-	-	-	205,230	2,595,121
Loans	-	-	197,621,004	-	-	-	197,621,004
Financial investments	-	-	-	22,281,548	13,908,102	-	36,189,650
Other financial assets	-	-	6,186,227	-	-	-	6,186,227
	₩ 6,357,653	₩ 45,551	₩ 210,637,059	₩ 22,281,548	₩ 13,908,102	₩ 205,230	₩ 253,435,143

(In millions of Korean won)

	Financial assets at fair value through profit or loss		Financial liability at amortized cost	Derivatives held for hedging	Total		
	Held for trading						
<b>Financial liabilities</b>							
Financial assets at fair value through profit or loss	₩	1,294,859	₩	-	₩	1,279,869	
Derivatives		1,996,621		-	₩	239,738	2,236,359
Deposits		-		179,862,071		-	179,862,071
Debts		-		11,744,389		-	11,744,389
Debentures		-		29,107,316		-	29,107,316
Other financial liabilities		-		9,274,727		-	9,274,727
	₩	3,291,480	₩	229,988,503	₩	239,738	₩ 233,519,721

The carrying amounts of financial assets and liabilities by category as of January 1, 2010, are as follows:

(In millions of Korean won)

	Financial assets at fair value through profit or loss		Loans and receivables	Available-for-sale financial assets	Held-to-Maturity financial assets	Derivatives held for hedging	Total
	Held for trading	Designated at fair value through profit or loss					
<b>Financial assets</b>							
Cash and due from financial institutions	₩	-	₩	-	₩	-	₩ 9,102,630
Financial assets at fair value through profit or loss	4,591,962	529	-	-	-	-	4,592,491
Derivatives	3,276,856	-	-	-	-	115,535	3,392,391

(In millions of Korean won)

	Financial assets at fair value through profit or loss		Loans and receivables	Available-for-sale financial assets	Held-to-Maturity financial assets	Derivatives held for hedging	Total
	Held for trading	Designated at fair value through profit or loss					
Loans	-	-	196,686,844	-	-	-	196,686,844
Financial investments	-	-	-	21,821,423	13,215,287	-	35,036,710
Other financial assets	-	-	6,281,664	-	-	-	6,281,664
	₩ 7,868,818	₩ 529	₩ 212,071,138	₩ 21,821,423	₩ 13,215,287	₩ 115,535	₩ 255,092,730

(In millions of Korean won)

	Financial assets at fair value through profit or loss		Financial liability at amortized cost	Derivatives held for hedging	Total		
	Held for trading						
<b>Financial assets</b>							
Financial liabilities at fair value through profit or loss	₩	1,364,223	₩	-	₩	1,364,223	
Derivatives		2,858,001		-	₩	280,393	3,138,394
Deposits		-		169,065,043	-		169,065,043
Debts		-		13,834,104	-		13,834,104
Debentures		-		38,661,962	-		38,661,962
Other financial liabilities		-		10,403,875	-		10,403,875
	₩	4,222,224	₩	231,964,984	₩	280,393	₩ 236,467,601

## 6.2 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable, willing parties in an arm's length transaction. For each class of financial assets and financial liabilities, the Group discloses the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount at the end of each reporting period. The best evidence of fair value of financial instruments is a quoted price in an active market.

Methods of determining fair value for financial instruments are as follows:

### Investment securities

The fair value of financial instruments that are quoted in active markets is determined using the quoted prices. Fair value is determined by independent third-party pricing services where quoted prices are not available. Pricing services use one or more of the valuation techniques including Discounted Cash Flow Model, Imputed Market Value Model, Free Cash Flow to Equity Model, Dividend Discount Model, Risk Adjusted Discount Rate Method, and Net Asset Value Method.

### Loans

Discounted Cash Flow Model is used to determine the fair value of loans. Fair value is determined by discounting the expected cash flow, which are contractual cash flows adjusted by prepayment rate, at appropriate discount rate. For those loans with residual maturities of less than three months as of the reporting date and the ones with interest rate reset period of less than three months, carrying amount is regarded as fair value

<b>Derivatives</b>	For exchange traded derivatives, quoted price in an active market is used to determine fair value and for OTC derivatives, fair value is determined using valuation techniques. The Group uses internally developed valuation models that are widely used by market participants to determine fair values of plain vanilla OTC derivatives including options, interest rate swaps, and currency swaps, based on observable market parameters. However, some complex financial instruments are valued using appropriate models developed from generally accepted market valuation models including the Finite Difference Method and the Monte Carlo Simulation or independent third-party valuation service.
<b>Deposits</b>	Carrying amount of demand deposits is regarded as fair value because they do not have a fixed maturity and are payable on demand. Fair value of time deposits is determined using a DCF model. Fair value is determined by discounting the expected cash flow, which are contractual cash flows adjusted by prepayment rate, at appropriate discount rate. For those deposits with residual maturities of less than three months as of the reporting date and ones with interest rate reset period of less than three months, carrying amount is regarded as fair value.
<b>Debts</b>	Fair value is determined using a DCF model discounting contractual future cash flows at an appropriate discount rate. However, for those debts with residual maturities of less than three months as of the reporting date and ones with interest rate reset period of less than three months, the carrying amount is regarded as fair value.
<b>Debentures</b>	Fair value is determined by using the valuations of independent third-party pricing services, which are calculated using market inputs.

The Group believes that valuation methods used for measuring the fair values of financial instruments are reasonable and that the fair values recognized in the statements of financial position are appropriate. However, the fair values of the financial instruments recognized in the statements of financial position may be different if other valuation methods or assumptions are used. Additionally, as there is a variety of valuation techniques and assumptions used in measuring fair value, it may be difficult to reasonably compare the fair value with that of other financial institutions.

Fair values of financial assets and liabilities measured at amortized cost as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>						
Cash and due from financial institutions	₩ 9,178,125	₩ 9,185,763	₩ 6,829,828	₩ 6,819,272	₩ 9,102,630	₩ 9,101,744
Loans	212,107,027	212,858,247	197,621,004	198,627,998	196,686,844	197,499,223
Held-to-maturity financial assets	13,055,158	13,562,430	13,908,102	14,339,936	13,215,287	13,596,207
Other financial assets	6,409,905	6,409,905	6,186,227	6,186,227	6,281,664	6,281,664
	₩240,750,215	₩242,016,345	₩224,545,161	₩225,973,433	₩225,286,425	₩226,478,838
<b>Financial liabilities</b>						
Deposits	₩ 190,337,590	₩190,560,759	₩179,862,071	₩180,177,676	₩169,065,043	₩169,183,026
Debts	16,823,838	16,826,152	11,744,389	11,776,282	13,834,104	13,826,825
Debentures	27,069,879	28,636,722	29,107,316	30,764,365	38,661,962	40,171,652
Other financial liabilities	9,962,105	9,983,449	9,274,727	9,274,762	10,403,875	10,404,170
	₩244,193,412	₩246,007,082	₩229,988,503	₩231,993,085	₩231,964,984	₩233,585,673

## Fair value hierarchy

The Group classifies and discloses fair value of the financial instruments into the following three-level hierarchy:

**Level 1:** Financial instruments measured at quoted prices from active markets are classified as level 1. This level includes listed equity securities, exchange traded derivatives, government bonds and financial instruments indexed to the price of gold.

**Level 2:** Financial instruments measured using valuation techniques where all significant inputs are observable market data are classified as level 2. This level includes the majority of debt securities and general over-the-counter derivatives such as swaps, futures and options.

**Level 3:** Financial instruments measured using valuation techniques where one or more significant inputs are not based on observable market data are classified as level 3. This level includes unlisted equity securities, complex structured bonds, and complex over-the-counter derivatives.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Fair value hierarchy of financial assets and liabilities measured at fair value as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011							
	Fair value hierarchy							
	Level 1		Level 2		Level 3		Total	
<b>Financial assets</b>								
Financial assets held for trading	₩	3,123,787	₩	2,482,644	₩	10,826	₩	5,617,257
Financial assets designated at fair value through profit or loss		-		134,160		574,687		708,847
Derivatives held for trading		158,649		2,020,623		41,042		2,220,314
Derivatives held for hedging		-		215,656		12,485		228,141
Available-for-sale financial assets <sup>1</sup>		10,254,897		10,790,661		1,331,466		22,377,024
	₩	13,537,333	₩	15,643,744	₩	1,970,506	₩	31,151,583
<b>Financial liabilities</b>								
Financial liabilities held for trading	₩	550,873	₩	-	₩	-	₩	550,873
Financial liabilities designated at fair value through profit or loss		-		-		837,206		837,206
Derivatives held for trading		158,261		1,695,235		51,847		1,905,343
Derivatives held for hedging		-		132,135		22,095		154,230
	₩	709,134	₩	1,827,370	₩	911,148	₩	3,447,652

(In millions of Korean won)

Dec. 31, 2010								
	Fair value hierarchy				Total			
	Level 1	Level 2	Level 3					
<b>Financial assets</b>								
Financial assets held for trading	₩	1,780,652	₩	2,177,303	₩	9,807	₩	3,967,762
Financial assets designated at fair value through profit or loss		-		45,412		139		45,551
Derivatives held for trading		809		2,369,659		19,423		2,389,891
Derivatives held for hedging		-		198,924		6,306		205,230
Available-for-sale financial assets <sup>1</sup>		9,642,649		11,115,157		1,523,742		22,281,548
	₩	11,424,110	₩	15,906,455	₩	1,559,417	₩	28,889,982
<b>Financial liabilities</b>								
Financial liabilities held for trading	₩	1,294,859	₩	-	₩	-	₩	1,294,859
Derivatives held for trading		7,576		1,898,169		90,876		1,996,621
Derivatives held for hedging		-		204,022		35,716		239,738
	₩	1,302,435	₩	2,102,191	₩	126,592	₩	3,531,218

(In millions of Korean won)

Jan. 1, 2010								
	Fair value hierarchy				Total			
	Level 1	Level 2	Level 3					
<b>Financial assets</b>								
Financial assets held for trading	₩	2,300,519	₩	2,281,658	₩	9,785	₩	4,591,962
Financial assets designated at fair value through profit or loss		-		-		529		529
Derivatives held for trading		886		3,203,866		72,104		3,276,856
Derivatives held for hedging		-		115,250		285		115,535
Available-for-sale financial assets <sup>1</sup>		9,984,409		10,409,801		1,427,213		21,821,423
	₩	12,285,814	₩	16,010,575	₩	1,509,916	₩	29,806,305
<b>Financial liabilities</b>								
Financial liabilities held for trading	₩	1,364,223	₩	-	₩	-	₩	1,364,223
Derivatives held for trading		398		2,580,933		276,670		2,858,001
Derivatives held for hedging		-		211,933		68,460		280,393
	₩	1,364,621	₩	2,792,866	₩	345,130	₩	4,502,617

<sup>1</sup> The amounts of equity securities carried at cost in "level 3" which do not have a quoted market price in an active market and cannot be measured reliably at fair value are ₩ 186,564 million, ₩ 178,894 million and ₩ 194,007 million as of December 31, 2011 and 2010, and January 1, 2010, respectively. These equity securities are carried at cost because it is practically difficult to quantify the intrinsic values of the equity securities issued by unlisted public and non-profit entities. In addition, probabilities and range of estimated cash flows of the unlisted equity securities which are issued by project financing companies cannot be reasonably assessed. Therefore, these equity securities are carried at cost. The Group has no plan to sell these instruments in a short period of time.

### 6.3 Level 3 of the fair value hierarchy disclosure

#### 6.3.1 Changes in Level 3 of the fair value hierarchy

Changes in level 3 of the fair value hierarchy for the year ended December 31, 2011, are as follows:

(In millions of Korean won)

	Financial assets at fair value through profit or loss		Financial investments	Financial liabilities at fair value through profit or loss		Net derivatives	
	Financial assets held for trading	Designated at fair value through profit or loss	Available-for-sale financial assets	Designated at fair value through profit or loss	Derivatives held for trading	Derivatives held for hedging	
Beginning balance	₩ 9,807	₩ 139	₩ 1,523,742	₩ -	₩ (71,453)	₩ (29,410)	
Total gains or losses							
- Profit or loss	1,019	(51,229)	373,980	57,963	52,463	32,420	
- Other comprehensive income	-	-	(140,112)	-	5,749	-	
Purchases	-	636,126	136,582	-	14,733	-	
Sales	-	(10,349)	(554,022)	-	(46)	-	
Issues	-	-	-	(919,411)	(36,214)	-	
Settlements	-	-	-	24,242	23,963	(12,620)	
Transfers into level 3	-	-	-	-	-	-	
Transfers out of level 3	-	-	(8,704)	-	-	-	
Ending balance	₩ 10,826	₩ 574,687	₩ 1,331,466	₩ (837,206)	₩ (10,805)	₩ (9,610)	

Changes in level 3 of the fair value hierarchy for the year ended December 31, 2010, are as follows:

(In millions of Korean won)

	Financial assets at fair value through profit or loss		Financial investments	Net derivatives	
	Financial assets held for trading	Designated at fair value through profit or loss	Available-for-sale financial assets	Derivatives held for trading	Derivatives held for hedging
Beginning balance	₩ 9,785	₩ 529	₩ 1,427,213	₩ (204,566)	₩ (68,175)
Total gains or losses					
- Profit or loss	22	(390)	5,336	(29,781)	41,899
- Other comprehensive income	-	-	99,626	-	-
Purchases	-	-	180,737	2,040	-
Sales	-	-	(154,478)	(317)	-
Issues	-	-	-	(141,248)	-
Settlements	-	-	-	302,419	(3,134)
Transfers into level 3	-	-	-	-	-
Transfers out of level 3	-	-	(34,692)	-	-
Ending balance	₩ 9,807	₩ 139	₩ 1,523,742	₩ (71,453)	₩ (29,410)



In relation to changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the period, and total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period in the statement of comprehensive income for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	<b>Dec. 31, 2011</b>			
	<b>Net income from financial investments at fair value through profit or loss</b>		<b>Other operating income</b>	
Total gains or losses included in profit or loss for the period	₩	60,227	₩	406,389
Total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period		18,295		(30,100)

(In millions of Korean won)

	<b>Dec. 31, 2010</b>			
	<b>Net income from financial investments at fair value through profit or loss</b>		<b>Other operating income</b>	
Total gains or losses included in profit or loss for the period	₩	(30,135)	₩	47,221
Total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period		(5,066)		(3,464)

### 6.3.2 Day one gain or loss

If the Group uses a valuation technique that incorporates data not obtained from observable markets for the fair value at initial recognition of financial instruments, there could be a difference between the transaction price and the amount determined using that valuation technique. In these circumstances, the fair value of financial instruments is recognized as the transaction price and the difference is amortized by using the straight line method over the life of the financial instruments. If the fair value of the financial instruments is subsequently determined using observable market inputs, the remaining deferred amount is recognized in profit or loss.

The aggregate difference yet to be recognized in profit or loss at the beginning and end of the period and a reconciliation of changes in the balance of this difference, are as follows:

(In millions of Korean won)

	<b>Dec. 31, 2011</b>		<b>Dec. 31, 2010</b>	
Balance at the beginning of the period (A)	₩	2,168	₩	-
New transactions (B)		5,878		6,634
Amounts recognized in profit or loss during the period (C= a+b+c)		(3,964)		(4,466)
a. Amortisation		(1,314)		(962)
b. Transaction matured		-		3
c. Settlement		(2,650)		(3,507)
Balance at the end of period (A+B+C)	₩	4,082	₩	2,168

## 7. Due from financial institutions

The details of due from financial institutions as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

		Financial Institutions	Interest rate(%)	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
<b>Due from financial institutions in Korean won</b>	Due from Bank of Korea	Bank of Korea	0.00~3.35	₩ 3,757,108	₩ 2,825,109	₩ 5,597,119
	Due from banking institutions	The Korea Exchange Bank and others	0.01~7.15	371,225	296,732	136,728
	Due from others	The Korea Exchange and others	0.00~3.37	1,888,260	888,733	367,815
				6,016,593	4,010,574	6,101,662
<b>Due from financial institutions in foreign currencies</b>	Due from banks in foreign currencies	Bank of Korea and others	0.00~0.17	321,689	269,498	233,700
	Time deposits in foreign currencies	Agricultural Bank of China TIANJIN and others	0.17~6.05	187,294	286,242	383,518
	Due from others	Sumitomo Mitsui Banking Corporation and others	0.00~0.10	30,451	25,738	25,071
				539,434	581,478	642,289
				₩ 6,556,027	₩ 4,592,052	₩ 6,743,951

Due from financial institutions, classified by type of financial institution as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

		Dec. 31, 2011		
		In Korean won	In foreign currencies	Total
Bank of Korea	₩	3,757,108	₩ 185,050	₩ 3,942,158
Other banking institutions		371,225	337,784	709,009
Other financial institutions		1,888,260	16,600	1,904,860
		₩ 6,016,593	₩ 539,434	₩ 6,556,027

(In millions of Korean won)

		Dec. 31, 2010		
		In Korean won	In foreign currencies	Total
Bank of Korea	₩	2,825,109	₩ 147,439	₩ 2,972,548
Other banking institutions		296,732	421,576	718,308
Other financial institutions		888,733	12,463	901,196
		₩ 4,010,574	₩ 581,478	₩ 4,592,052

(In millions of Korean won)

		Jan. 1, 2010		
		In Korean won	In foreign currencies	Total
Bank of Korea	₩	5,597,119	₩ 137,558	₩ 5,734,677
Other banking institutions		136,728	490,643	627,371
Other financial institutions		367,815	14,088	381,903
		₩ 6,101,662	₩ 642,289	₩ 6,743,951

Restricted due from financial institutions as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

		Financial Institutions	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010	Reason for restriction
<b>Due from financial institutions in Korean won</b>	Due from Bank of Korea	Bank of Korea	₩ 3,757,108	₩ 2,825,109	₩ 5,597,119	Bank of Korea Act
	Due from banking institutions	Woori Bank and others	88,827	4,188	161	Pledged as collateral for the overdraft facility and others
	Due from others	The Korea Exchange and others	69,437	334,002	336,064	Market entry deposit and others
			3,915,372	3,163,299	5,933,344	
<b>Due from financial institutions in foreign currencies</b>	Due from banks in foreign currencies	Bank of Korea and others	189,859	151,403	140,127	Bank of Korea Act and others
	Due from Banks in foreign currencies	China Merchants Bank Guangzhou and others	48,810	28,814	19,266	China's New Foreign Bank Regulations and others
	Due from others	Eugene Investment & Futures Co., Ltd. and others	17,172	16,537	20,890	Derivatives margin account and others
			255,841	196,754	180,283	
			₩ 4,171,213	₩ 3,360,053	₩ 6,113,627	

## 8. Assets pledged as collaterals

The details of assets pledged as collaterals as of December 31, 2011 and 2010, and January 1, 2010 are as follows:

(In millions of Korean won)

Assets pledged	Pledgee	Dec. 31, 2011		
		Carrying amount	Collateralized amount	Reason of pledge
Financial assets held for trading	Korea Securities Depository and others	₩ 183,280	₩ 178,171	Bonds sold under repurchase agreements
	Korea Securities Depository and others	647,363	602,299	Securities lending transactions
	Samsung Futures Inc. and others	105,457	95,956	Derivatives transitions
	Others	8,803	8,395	Other
		944,903	884,821	
Available-for-sale financial assets	Korea Securities Depository and others	29,393	29,986	Bonds sold under repurchase agreements
	Samsung Futures Inc. and others	5,976	5,766	Derivatives transitions
			35,369	35,752
Held-to-maturity financial assets	Korea Securities Depository and others	1,678,218	1,678,000	Bonds sold under repurchase agreements
	Bank of Korea	1,063,228	1,070,000	Borrowings from Bank of Korea
	Bank of Korea	938,200	934,800	Settlement risk of Bank of Korea
	Samsung Futures Inc. and others	661,666	666,807	Derivatives transitions
	Others	1,224,998	1,200,300	Other
		5,566,310	5,549,907	
Mortgage loans <sup>1</sup>	Others	1,282,791	1,282,791	Covered Bond
		₩ 7,829,373	₩ 7,753,271	

(In millions of Korean won)

Assets pledged	Pledgee	Dec. 31, 2010		
		Carrying amount	Collateralized amount	Reason of pledge
Due from financial institutions	Others	₩ 1,800	₩ 1,800	Bonds sold under repurchase agreements
		1,800	1,800	
Financial assets held for trading	Korea Securities Depository and others	72,693	69,669	Bonds sold under repurchase agreements
	Korea Securities Depository and others	1,199,627	1,144,320	Securities lending transactions
	Samsung Futures Inc. and others	24,583	21,771	Derivatives transitions
		1,296,903	1,235,760	
Available-for-sale financial assets	Korea Securities Depository and others	228,609	220,000	Bonds sold under repurchase agreements
	Korea Securities Depository and others	5,425	5,000	Securities lending transactions
	Bank of Korea	19,392	20,000	Borrowings from Bank of Korea
	Bank of Korea	706	700	Settlement risk of Bank of Korea
	Samsung Futures Inc. and others	21,316	20,869	Derivatives transitions
	Others	619,975	600,000	Other
		895,423	866,569	
Held-to-maturity financial assets	Korea Securities Depository and others	2,802,875	2,814,000	Bonds sold under repurchase agreements
	Korea Securities Depository and others	134,384	140,000	Securities lending transactions
	Bank of Korea	1,080,959	1,100,000	Borrowings from Bank of Korea
	Bank of Korea	597,303	604,800	Settlement risk of Bank of Korea
	Samsung Futures Inc. and others	590,579	596,729	Derivatives transitions
	Others	350,417	350,000	Other
		5,556,517	5,605,529	
Mortgage loans <sup>1</sup>	Others	1,565,649	1,565,649	Covered Bond
		₩ 9,316,292	₩ 9,275,307	

(In millions of Korean won)

Assets pledged	Pledgee	Jan. 1, 2010		
		Carrying amount	Collateralized amount	Reason of pledge
Financial assets held for trading	Korea Securities Depository and others	₩ 117,883	₩ 112,195	Bonds sold under repurchase agreements
	Korea Securities Depository and others	1,179,515	1,133,917	Securities lending transactions
	Samsung Futures Inc. and others	41,940	38,145	Derivatives transitions
		1,339,338	1,284,257	
Available-for-sale financial assets	Korea Securities Depository and others	325,747	318,531	Bonds sold under repurchase agreements

(In millions of Korean won)

Assets pledged	Pledgee	Jan. 1, 2010		
		Carrying amount	Collateralized amount	Reason of pledge
	Korea Securities Depository and others	5,123	5,000	Securities lending transactions
	Bank of Korea	18,197	20,000	Borrowings from Bank of Korea
	Samsung Futures Inc. and others	255,044	234,328	Derivatives transactions
	Others	631,668	623,123	Other
		1,235,779	1,200,982	
Held-to-maturity financial assets	Korea Securities Depository and others	3,885,049	3,904,000	Bonds sold under repurchase agreements
	Korea Securities Depository and others	126,621	135,000	Securities lending transactions
	Bank of Korea	1,367,734	1,400,000	Borrowings from Bank of Korea
	Bank of Korea	575,164	586,800	Settlement risk of Bank of Korea
	Samsung Futures Inc. and others	575,900	577,070	Derivatives transactions
	Others	350,474	350,000	Other
		6,880,942	6,952,870	
Credit card receivables	Others	2,383,407	2,383,407	Covered Bond
Mortgage loans <sup>1</sup>	Others	1,790,596	1,790,596	Covered Bond
		₩ 13,630,062	₩ 13,612,112	

<sup>1</sup> Carrying amounts of mortgage loans are the amounts before deducting the related allowance for loan losses.

The fair value of collateral available to sell or repledge as of December 31, 2011 and 2010, and January 1, 2010, is as follows:

(In millions of Korean won)

	Dec. 31, 2011	
	Fair value of collateral	Fair value of collateral sold or repledged
Securities	₩ 1,881,523	₩ -
	₩ 1,881,523	₩ -

(In millions of Korean won)

	Dec. 31, 2010	
	Fair value of collateral	Fair value of collateral sold or repledged
Securities	₩ 1,969,883	₩ -
	₩ 1,969,883	₩ -

(In millions of Korean won)

	Jan. 1, 2010	
	Fair value of collateral	Fair value of collateral sold or repledged
Securities	₩ 1,590,188	₩ -
	₩ 1,590,188	₩ -

Loaned securities as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010		Borrower
Government and public bonds	₩	170,279	₩	880,448	₩	239,362	Korea Securities Finance Corp., Korea Securities Depository and others
Stocks		26,766		23,645		30,300	Korea Securities Depository and others
	₩	197,045	₩	904,093	₩	269,662	

Securities borrowed as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010		Borrower
Government and public bonds	₩	18,422	₩	656,243	₩	543,076	Korea Securities Finance Corp., Korea Securities Depository
Stocks		52,075		33,622		8,101	Korea Securities Depository and others
	₩	70,497	₩	689,865	₩	551,177	

## 9. Derivative financial instruments and hedge accounting

The Group's derivative operations focus on addressing the needs of the Group's corporate clients to hedge their risk exposure and to hedge the Group's risk exposure that results from such client contracts. The Group also engages in derivative trading activities to hedge the interest rate and foreign currency risk exposures that arise from the Group's own assets and liabilities. In addition, the Group engages in proprietary trading of derivatives within the Group's regulated open position limits.

The Group provides and trades a range of derivatives products, including:

- Interest rate swaps, relating to interest rate risks in Korean won;
- Cross-currency swaps, forwards and options relating to foreign exchange rate risks,
- Stock price index options linked with the KOSPI index.

In particular, the Group uses cross currency swaps, interest rate swaps and others to hedge the risk of changes in fair values and in cash flows due to changes in interest rates and foreign exchange rates of subordinated debts in Korean won, structured debts and financial debentures in foreign currencies.

The details of derivative financial instruments for trading as of December 31, 2011, are as follows:

(In millions of Korean won)

	Notional amount	Assets	Liabilities
<b>Interest rate</b>			
Futures <sup>1</sup>	₩ 1,924,542	₩ -	₩ -
Swaps	110,920,785	519,217	653,983
Options	11,997,483	69,952	69,979
	124,842,810	589,169	723,962
<b>Currency</b>			
Forwards	31,316,223	916,479	405,570
Futures <sup>1</sup>	212,052	-	125

(In millions of Korean won)

	Notional amount	Assets	Liabilities
Swaps	16,341,586	509,085	551,918
Options	348,643	3,151	1,401
	48,218,504	1,428,715	959,014
<b>Stock and index</b>			
Futures <sup>1</sup>	85,419	-	-
Swaps	97,942	1,416	6,385
Options	1,049,752	198,295	213,668
	1,233,113	199,711	220,053
<b>Product</b>			
Forwards	3,351	279	-
	3,351	279	-
<b>Other</b>	60,000	2,440	2,314
	₩ 174,357,778	₩ 2,220,314	₩ 1,905,343

The details of derivative financial instruments for trading as of December 31, 2010, are as follows:

(In millions of Korean won)

	Notional amount	Assets	Liabilities
<b>Interest rate</b>			
Futures <sup>1</sup>	₩ 1,067,923	₩ -	₩ -
Swaps	94,605,711	472,076	666,254
Options	10,401,894	48,480	47,202
	106,075,528	520,556	713,456
<b>Currency</b>			
Forwards	36,849,872	874,400	308,487
Futures <sup>1</sup>	609,989	-	-
Swaps	16,870,518	932,319	813,419
Options	1,017,904	14,139	14,332
	55,348,283	1,820,858	1,136,238
<b>Stock and index</b>			
Futures <sup>1</sup>	168,621	-	-
Swaps	7,638	2,114	-
Options	2,099,162	40,663	143,359
	2,275,421	42,777	143,359
<b>Credit</b>			
Swaps	200,000	1,958	-
	200,000	1,958	-
<b>Other</b>	60,000	3,742	3,568
	₩ 163,959,232	₩ 2,389,891	₩ 1,996,621

The details of derivative financial instruments for trading as of January 1, 2010, are as follows:

(In millions of Korean won)

	Notional amount		Assets		Liabilities	
<b>Interest rate</b>						
Futures <sup>1</sup>	₩	3,770,071	₩	-	₩	-
Swaps		87,443,588		501,649		725,419
Options		7,053,481		23,222		21,390
		98,267,140		524,871		746,809
<b>Currency</b>						
Forwards		35,780,010		1,422,589		464,595
Futures <sup>1</sup>		1,674,176		39		24
Swaps		18,755,961		1,040,675		1,227,231
Options		3,264,266		187,884		88,832
		59,474,413		2,651,187		1,780,682
<b>Stock and index</b>						
Futures <sup>1</sup>		75,044		-		-
Swaps		171,400		11,330		45,438
Options		2,871,493		79,320		277,294
		3,117,937		90,650		322,732
<b>Credit</b>						
Swaps		200,000		2,128		-
		200,000		2,128		-
<b>Product</b>						
Forwards		41,727		2,412		2,388
		41,727		2,412		2,388
<b>Other</b>						
	₩	60,000		5,608		5,390
	₩	161,161,217	₩	3,276,856	₩	2,858,001

<sup>1</sup> A gain or loss from daily marking to market futures is reflected in the margin accounts.

### Fair value hedge

The details of derivatives designated as fair value hedging instruments as of December 31, 2011, are as follows:

(In millions of Korean won)

	Notional amount		Assets		Liabilities	
<b>Interest rate</b>						
Swaps	₩	4,343,294	₩	206,560	₩	12,564
<b>Currency</b>						
Swap		1,153,300		-		127,780
<b>Other</b>						
		190,000		-		12,800
	₩	5,686,594	₩	206,560	₩	153,144



The details of derivatives designated as fair value hedging instruments as of December 31, 2010, are as follows:

(In millions of Korean won)

	Notional amount	Assets	Liabilities
<b>Interest rate</b>			
Swaps	₩ 4,440,700	₩ 205,230	₩ 21,205
<b>Currency</b>			
Swap	1,138,900	-	193,376
<b>Other</b>	190,000	-	25,157
	₩ 5,769,600	₩ 205,230	₩ 239,738

The details of derivatives designated as fair value hedging instruments as of January 1, 2010, are as follows:

(In millions of Korean won)

	Notional amount	Assets	Liabilities
<b>Interest rate</b>			
Swaps	₩ 4,988,590	₩ 115,535	₩ 78,740
<b>Currency</b>			
Swap	1,167,600	-	167,130
<b>Other</b>	190,000	-	34,523
	₩ 6,346,190	₩ 115,535	₩ 280,393

Gains and losses from fair value hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010
Gains (losses) on hedging instruments	₩ 108,507	₩ 102,691
Gains (losses) on the hedged item attributable to the hedged risk	(84,914)	(87,292)
	₩ 23,593	₩ 15,399

### Cash flow hedge

The details of derivatives designated as cash flow hedging instruments as of December 31, 2011, are as follows:

(In millions of Korean won)

	Notional amount	Assets	Liabilities
<b>Interest rate</b>			
Swaps	₩ 350,000	₩ -	₩ 1,086
<b>Currency</b>			
Swap	345,990	21,581	-
	₩ 695,990	₩ 21,581	₩ 1,086

Meanwhile, there were no derivatives designated as cash flow hedging instruments as of December 31, 2010, or January 1, 2010.

Gains and losses from cash flow hedging instruments and hedged items attributable to the hedged risk for the year ended December 31, 2011, are as follows:

	(In millions of Korean won)	
	<b>Dec. 31, 2011</b>	
Gains(losses) on hedging instruments	₩	21,631
Gains(losses) on the hedged item attributable to the hedged risk		21,631
Ineffectiveness recognized in profit or loss		-

Amounts recognized in other comprehensive income and reclassified from equity to profit or loss for the year ended December 31, 2011, are as follows:

	(In millions of Korean won)	
	<b>Dec. 31, 2011</b>	
Amount recognized in other comprehensive income	₩	21,631
Amount reclassified from equity to profit or loss		(23,193)
Tax effect		241
	₩	(1,321)

## 10. Loans

Loans as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

	(In millions of Korean won)		
	<b>Dec. 31, 2011</b>	<b>Dec. 31, 2010</b>	<b>Jan. 1, 2010</b>
Loans	₩ 215,155,061	₩ 201,065,468	₩ 199,709,250
Deferred loan origination fees and costs	399,871	311,712	246,348
Less: Allowances for loan losses	(3,447,905)	(3,756,176)	(3,268,754)
Carrying amount	₩ 212,107,027	₩ 197,621,004	₩ 196,686,844

Loans to banks as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

	(In millions of Korean won)		
	<b>Dec. 31, 2011</b>	<b>Dec. 31, 2010</b>	<b>Jan. 1, 2010</b>
Loans	₩ 3,987,658	₩ 2,819,202	₩ 2,158,108
Less: Allowances for loan losses	(334)	(1,158)	(1,665)
Carrying amount	₩ 3,987,324	₩ 2,818,044	₩ 2,156,443

Loans to customers other than banks as of December 31, 2011 and 2010, and January 1, 2010, consist of:

(In millions of Korean won)

<b>Dec. 31, 2011</b>				
	<b>Retail</b>	<b>Corporate</b>	<b>Credit card</b>	<b>Total</b>
Loans in Korean won	₩ 103,855,183	₩ 80,355,474	₩ -	₩ 184,210,657
Loans in foreign currencies	70,022	4,071,464	-	4,141,486
Domestic import usance bills	-	4,277,672	-	4,277,672
Off-shore funding loans	-	893,289	-	893,289
Call loans	-	1,092,895	-	1,092,895
Bills bought in Korean won	-	104,487	-	104,487
Bills bought in foreign currencies	-	2,723,066	-	2,723,066
Guarantee payments under payment guarantee	-	56,511	-	56,511
Credit card receivables in won	-	-	12,420,308	12,420,308
Credit card receivables in foreign currencies	-	-	959	959
Bonds purchased under repurchase agreements	-	829,500	-	829,500
Privately placed bonds	-	816,444	-	816,444
	103,925,205	95,220,802	12,421,267	211,567,274
Allowances	(635,476)	(2,461,713)	(350,382)	(3,447,571)
	₩ 103,289,729	₩ 92,759,089	₩ 12,070,885	₩ 208,119,703
Proportion (%)	49.12	45.01	5.87	100.00

(In millions of Korean won)

<b>Dec. 31, 2010</b>				
	<b>Retail</b>	<b>Corporate</b>	<b>Credit card</b>	<b>Total</b>
Loans in Korean won	₩ 98,996,739	₩ 74,248,496	₩ -	₩ 173,245,235
Loans in foreign currencies	65,681	4,314,827	-	4,380,508
Domestic import usance bills	-	2,611,208	-	2,611,208
Off-shore funding loans	-	962,305	-	962,305
Call loans	-	143,213	-	143,213
Bills bought in Korean won	-	21,731	-	21,731
Bills bought in foreign currencies	-	2,226,960	-	2,226,960
Guarantee payments under payment guarantee	-	191,050	-	191,050
Credit card receivables in won	-	-	12,409,606	12,409,606
Credit card receivables in foreign currencies	-	-	924	924
Bonds purchased under repurchase agreements	-	230,000	-	230,000
Privately placed bonds	-	2,135,238	-	2,135,238
	99,062,420	87,085,028	12,410,530	198,557,978
Allowances	(520,843)	(2,906,610)	(327,565)	(3,755,018)
	₩ 98,541,577	₩ 84,178,418	₩ 12,082,965	₩ 194,802,960
Proportion (%)	49.89	43.86	6.25	100.00

(In millions of Korean won)

<b>Jan. 1, 2010</b>								
	<b>Retail</b>		<b>Corporate</b>		<b>Credit card</b>	<b>Total</b>		
Loans in Korean won	₩	98,315,503	₩	74,534,415	₩	-	₩	172,849,918
Loans in foreign currencies		54,686		4,534,360		-		4,589,046
Domestic import usance bills		-		2,354,936		-		2,354,936
Off-shore funding loans		-		1,134,125		-		1,134,125
Call loans		-		119,627		-		119,627
Bills bought in Korean won		-		19,179		-		19,179
Bills bought in foreign currencies		-		2,059,861		-		2,059,861
Guarantee payments under payment guarantee		-		59,090		-		59,090
Credit card receivables in Korean won		-		-		11,364,023		11,364,023
Credit card receivables in foreign currencies		-		-		830		830
Privately placed bonds		-		3,246,837		-		3,246,837
Due from factor		-		18		-		18
		98,370,189		88,062,448		11,364,853		197,797,490
Allowances		(415,340)		(2,514,803)		(336,946)		(3,267,089)
	₩	97,954,849	₩	85,547,645	₩	11,027,907	₩	194,530,401
Proportion (%)		49.73		44.52		5.75		100.00

The changes in deferred loan origination fees and costs for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

<b>Dec. 31, 2011</b>										
	<b>Beginning</b>		<b>Increase</b>		<b>Decrease</b>		<b>Other</b>		<b>Ending</b>	
<b>Deferred loan origination costs</b>										
Loans in Korean won	₩	365,774	₩	254,099	₩	171,751	₩	-	₩	448,122
Other origination costs		-		263		62		-		201
		365,774		254,362		171,813		-		448,323
<b>Deferred loan origination fees</b>										
Loans in Korean won		46,245		17,723		20,726		-		43,242
Credit card		2,438		-		2,332		-		106
Other origination fees		5,379		2,211		2,487		1		5,104
		54,062		19,934		25,545		1		48,452
	₩	311,712	₩	234,428	₩	146,268	₩	(1)	₩	399,871

(In millions of Korean won)

Dec. 31, 2010										
	Beginning		Increase		Decrease		Other		Ending	
<b>Deferred loan</b>										
<b>origination costs</b>										
Loans in Korean won	₩	326,475	₩	152,591	₩	113,292	₩	-	₩	365,774
		326,475		152,591		113,292		-		365,774
<b>Deferred loan</b>										
<b>origination fees</b>										
Loans in Korean won		55,334		17,052		26,141		-		46,245
Credit card		17,249		5,661		20,472		-		2,438
Other origination fees		7,544		1,749		3,912		(2)		5,379
		80,127		24,462		50,525		(2)		54,062
	₩	246,348	₩	128,129	₩	62,767	₩	2	₩	311,712

## 11. Allowances for Loan Losses

The changes in the allowances for loan losses for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

Dec. 31, 2011								
	Retail		Corporate		Credit card		Total	
Beginning	₩	520,842	₩	2,907,747	₩	327,587	₩	3,756,176
Written-off		(286,895)		(1,481,877)		(412,642)		(2,181,414)
Recoveries from written-off loans		119,925		166,696		203,658		490,279
Sale		(17,947)		(221,809)		(94)		(239,850)
Provision(Reversal) <sup>1</sup>		295,871		1,115,831		232,932		1,644,634
Other changes		3,680		(24,541)		(1,059)		(21,920)
Ending	₩	635,476	₩	2,462,047	₩	350,382	₩	3,447,905

(In millions of Korean won)

Dec. 31, 2010								
	Retail		Corporate		Credit card		Total	
Beginning	₩	415,340	₩	2,516,459	₩	336,955	₩	3,268,754
Written-off		(274,179)		(1,615,992)		(388,759)		(2,278,930)
Recoveries from written-off loans		129,864		136,447		246,138		512,449
Sale		(16,217)		(176,044)		(1,103)		(193,364)
Provision(Reversal) <sup>1</sup>		264,966		2,065,676		133,224		2,463,866
Other changes		1,068		(18,799)		1,132		(16,599)
Ending	₩	520,842	₩	2,907,747	₩	327,587	₩	3,756,176

<sup>1</sup> Provision for credit losses in statements of comprehensive income also include provision for unused commitments and guarantees(Note 23), provision for financial guarantee contracts(Note 23), and provision for other financial asset(Note 17).

The amounts of written-off loans, over which the Group still has a right to claim against the borrowers and guarantors, are ₩ 14,118,853 million, ₩ 13,105,365 million and ₩ 11,725,914 million, as of December 31, 2011 and 2010, and January 1, 2010, respectively.

The coverage ratio of allowances for loan losses as of December 31, 2011 and 2010, and January 1, 2010, is as follows:

	(In millions of Korean won)		
	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Loans	₩ 215,554,932	₩ 201,377,180	₩ 199,955,598
Allowances for loan losses	3,447,905	3,756,176	3,268,754
Ratio (%)	1.60	1.87	1.63

## 12. Financial assets at fair value through profit or loss and Financial investments

The details of financial assets at fair value through profit or loss and financial investments as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

	(In millions of Korean won)		
	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
<b>Financial assets held for trading</b>			
Debt securities:			
Government and public bonds	₩ 1,507,503	₩ 742,484	₩ 1,167,056
Financial bonds	2,837,144	2,106,979	2,480,909
Corporate bonds	586,416	459,481	461,517
Asset-backed securities	134,943	171,712	116,450
Others	110,518	56,043	59,718
Equity securities:			
Stocks	187,181	57,933	143,400
Beneficiary certificates	224,927	358,295	146,131
Others	28,625	14,835	16,781
	5,617,257	3,967,762	4,591,962
<b>Financial assets designated at fair value through profit or loss</b>			
Debt securities:			
Financial bond	-	139	529
Equity securities:			
Beneficiary certificates	134,160	45,412	-
Derivative linked securities	574,687	-	-
	708,847	45,551	529
<b>Total financial assets at fair value through profit or loss</b>	₩ 6,326,104	₩ 4,013,313	₩ 4,592,491

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
<b>Available-for-sale financial assets</b>			
Debt securities:			
Government and public bonds	₩ 5,988,659	₩ 6,741,084	₩ 6,782,883
Financial bonds	6,432,081	5,758,716	5,913,528
Corporate bonds	5,375,387	4,586,077	3,951,988
Asset-backed securities	1,757,482	1,830,881	2,017,426
Others	180,922	208,966	203,735
Equity securities:			
Stocks	1,911,108	1,910,970	1,982,409
Equity investments	87,917	85,131	64,210
Beneficiary certificates	643,468	1,159,723	905,244
	22,377,024	22,281,548	21,821,423
<b>Held-to-maturity financial assets</b>			
Debt securities:			
Government and public bonds	5,435,754	6,339,677	5,753,518
Financial bonds	1,125,326	1,215,746	2,722,770
Corporate bonds	6,155,467	5,960,379	4,497,002
Asset-backed securities	338,611	392,300	241,997
	13,055,158	13,908,102	13,215,287
<b>Total financial investments</b>	₩ 35,432,182	₩ 36,189,650	₩ 35,036,710

The impairment losses and the reversal of impairment losses in financial investments for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		
	Impairment	Reversal	Net
Available-for-sale financial assets	₩ (51,072)	₩ -	₩ (51,072)
Held-to-maturity financial assets	(150)	117	(33)
	₩ (51,222)	₩ 117	₩ (51,105)

(In millions of Korean won)

	Dec. 31, 2010		
	Impairment	Reversal	Net
Available-for-sale financial assets	₩ (48,184)	₩ -	₩ (48,184)
Held-to-maturity financial assets	(523)	4	(519)
	₩ (48,707)	₩ 4	₩ (48,703)

### 13. Investments in associates and joint ventures

Investments in associates and joint ventures as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

Dec. 31, 2011						
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
<b>Associates</b>						
Balhae Infrastructure Fund <sup>1</sup>	12.61	₩ 125,597	₩ 128,778	₩ 128,778	Investment finance	Korea
Korea Credit Bureau Co., Ltd. <sup>1</sup>	9.00	4,500	3,766	3,766	Credit Information	Korea
UAMCO., Ltd. <sup>1</sup>	17.50	85,050	103,617	109,531	Other finance	Korea
JSC Bank CenterCredit						
Ordinary share <sup>2,5</sup>	29.56	954,104	271,941	365,059	Banking	Kazakhstan
Preference share <sup>2</sup>	93.15					
KoFC KBIC Frontier Champ 2010-5(PEF)	50.00	28,850	28,840	28,831	Investment finance	Korea
KB Global Star Game & Apps SPAC <sup>1,5</sup>	0.23	20	48	48	SPAC	Korea
Semiland Co., Ltd.	21.32	1,470	2,247	2,247	Manufacture	Korea
Serit Platform Co., Ltd.	21.72	1,500	1,451	1,451	Manufacture of communication equipment	Korea
Sehwa Electronics Co., Ltd.	20.95	3,508	3,454	3,454	Manufacture of electronic components	Korea
Testian Co., Ltd. <sup>3</sup>	19.90	820	789	789	Manufacture of semiconductor equipment	Korea
DS Plant Co., Ltd. <sup>3</sup>	-	-	-	-	Manufacture of machine	Korea
KT Wibro infrastructure	40.34	100,000	104,049	104,049	Manufacture of electronic components	Korea
Joam Housing Development Co., Ltd. <sup>1</sup>	15.00	8	-	-	Housing	Korea
United PF 1st Recovery Private Equity Fund <sup>1</sup>	18.50	148,000	149,099	143,437	Other finance	Korea
Ilssan Elecom(Shenyang) Co., Ltd.	100.00	2,140	(1,270)	-	Manufacture of electronic components	China
Qingdao Danam Electronics Co., Ltd. <sup>5</sup>	100.00	692	692	692	Manufacture of electronic components	China
		₩ 1,456,259	₩ 797,501	₩ 892,132		

(In millions of Korean won)

Dec. 31, 2010						
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
<b>Associates</b>						
Balhae Infrastructure Fund <sup>1</sup>	12.61	₩ 116,534	₩ 120,274	₩ 120,274	Investment finance	Korea
Korea Credit Bureau Co., Ltd. <sup>1</sup>	9.00	4,500	3,194	3,194	Credit Information	Korea
UAMCO., Ltd. <sup>1</sup>	17.50	85,050	85,622	85,622	Other finance	Korea
JSC Bank CenterCredit						
Ordinary share <sup>2,5</sup>	29.56	954,104	268,387	390,157	Banking	Kazakhstan



(In millions of Korean won)

Dec. 31, 2010						
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
Preference share <sup>2</sup>	93.15					
KoFC KBIC Frontier Champ 2010-5(PEF)	50.00	10,500	10,469	10,438	Investment finance	Korea
KB Global Star Game & Apps SPAC <sup>1,5</sup>	3.23	1,031	1,034	1,034	SPAC	Korea
Powerrex Corporation Co., Ltd. <sup>4</sup>	18.75	1,500	1,951	1,951	Manufacture of machine	Korea
Semiland Co., Ltd.	21.32	1,470	2,095	2,095	Manufacture	Korea
Seho Robo Ind. Co., Ltd.	22.73	223	820	820	Manufacture of machine	Korea
Serit Platform Co., Ltd.	21.72	1,500	1,438	1,438	Manufacture of communication equipment	Korea
Sehwa Electronics Co., Ltd.	20.95	3,508	3,385	3,385	Manufacture of electronic components	Korea
Testian Co., Ltd. <sup>3</sup>	20.40	820	857	857	Manufacture of semiconductor equipment	Korea
Solice Co., Ltd.	20.30	2,007	2,007	2,007	Manufacture of semiconductor equipment	Korea
KT Wibro infrastructure	40.34	100,000	100,139	100,139	Manufacture of electronic components	Korea
Joam Housing Development Co., Ltd. <sup>1</sup>	15.00	8	-	-	Housing	Korea
Ilssan Elecom(Shenyang) Co., Ltd.	100.00	2,140	(960)	-	Manufacture of electronic components	
		1,284,895	600,712	723,411		
<b>Joint venture</b>						
Burrill-KB Life Science Fund	35.53	372	-	-	New growth power biotech corporation investment	Korea
		₩ 1,285,267	₩ 600,712	₩ 723,411		

(In millions of Korean won)

Jan. 1, 2010						
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
<b>Associates</b>						
Balhae Infrastructure Fund <sup>1</sup>	12.61	₩ 110,962	₩ 114,623	₩ 114,623	Investment finance	Korea
Korea Credit Bureau Co., Ltd. <sup>1</sup>	9.00	4,500	2,769	2,769	Credit Information	Korea
UAMCO., Ltd. <sup>1</sup>	17.50	12,250	11,992	11,992	Other finance	Korea
JSC Bank CenterCredit	30.52	817,539	226,940	474,502	Banking	Kazakhstan
Powerrex Corporation Co., Ltd. <sup>4</sup>	18.75	1,500	1,782	1,782	Manufacture of machine	Korea
Semiland Co., Ltd.	24.42	1,470	1,886	1,886	Manufacture	Korea

(In millions of Korean won)

Jan. 1, 2010						
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
Seho Robo Ind. Co., Ltd.	22.73	223	605	605	Manufacture of machine	Korea
Serit Platform Co., Ltd.	21.72	1,500	1,500	1,500	Manufacture of communication equipment	Korea
Sehwa Electronics Co., Ltd.	20.95	3,508	3,508	3,508	Manufacture of electronic components	Korea
Testian Co., Ltd. <sup>3</sup>	14.29	500	500	500	Manufacture of semiconductor equipment	Korea
Ray Co., Ltd. <sup>1</sup>	10.88	1,050	1,050	1,050	Manufacture of radiation equipment	Korea
		955,002	367,155	614,717		
<b>Joint venture</b>						
Burrill-KB Life Science Fund	-	-	-	-	New growth power biotech corporation investment	Korea
		₩ 955,002	₩ 367,155	₩ 614,717		

<sup>1</sup> As of December 31, 2011 and 2010, and January 1, 2010, the Group represents on governing body of Balhae Infrastructure Fund, Korea Credit Bureau Co., Ltd., UAMCO., Ltd., KB Global Star Game & Apps SPAC, Joam Housing Development Co., Ltd., United PF 1st Recovery Private Equity Fund and Ray Co., Ltd. and business relationships with those associates. Therefore, the Group has significant influence over the decision-making process relating to their financial and business policies.

<sup>2</sup> The Group determined that ordinary shares and convertible preference shares issued by JSC Bank CenterCredit are the same in economic substance except for the voting rights, and therefore, the equity method of accounting is applied on the basis of single ownership ratio of 41.93%, calculated based on ordinary and convertible preference shares held by the Group against the total outstanding ordinary and convertible preference shares issued by JSC Bank CenterCredit.

<sup>3</sup> The Group's ownership in DS Plant Co., Ltd. and Testian Co., Ltd. are 21.05%, 27.39%(December 31, 2010 : 27.39%, January 1, 2010 : 23.81%), respectively, when the potential voting rights from redeemable convertible preference shares and convertible bond held by the Group are taken into account as of December 31, 2011.

<sup>4</sup> The Group's ownership in Powerrex Corporation Co., Ltd. are 33.54%, 33.54% respectively, when the potential voting rights from redeemable convertible preference shares held by the Group are taken into account as of December 31, 2010 and January 1, 2010.

<sup>5</sup> Fair value of ordinary shares of JSC Bank CenterCredit, reflecting the published market price, as of December 31, 2011 and 2010, and January 1, 2010, are ₩ 89,669 million, ₩ 217,164 million and ₩ 262,601 million, respectively and fair value of shares of KB Global Star Game & Apps SPAC, reflecting the published market price, as of December 31, 2011 is ₩ 47 million.

## Summarized financial information on associates and joint ventures:

(In millions of Korean won)

Dec. 31, 2011						
	Total assets	Total liabilities	Paid-in capital	Equity	Revenues	Profit (loss)
<b>Associates</b>						
Balhae Infrastructure Fund	₩ 1,023,825	₩ 2,187	₩ 971,835	₩ 1,021,638	₩ 63,530	₩ 55,069
Korea Credit Bureau Co., Ltd.	51,484	9,651	10,000	41,833	40,535	6,357
UAMCO., Ltd.	3,738,326	3,146,227	2,430	592,099	468,220	106,274
JSC Bank CenterCredit	8,392,599	7,744,111	546,794	648,488	352,383	10,627
KoFC KBIC Frontier Champ 2010-5(PEF)	58,015	334	57,700	57,681	2,210	1,065
KB Global Star Game & Apps SPAC	21,755	1,260	862	20,495	-	173
Semiland Co., Ltd.	11,074	6,080	985	4,994	5,996	387
Serit Platform Co., Ltd.	5,985	3,590	1,000	2,395	4,617	(203)
Sehwa Electronics Co., Ltd.	27,378	11,487	1,050	15,891	13,812	43

(In millions of Korean won)

Dec. 31, 2011						
	Total assets	Total liabilities	Paid-in capital	Equity	Revenues	Profit (loss)
Testian Co., Ltd.	2,442	1,651	1,030	791	426	62
DS Plant Co., Ltd.	10,431	7,166	600	3,265	12,518	601
KT Wibro infrastructure	277,933	25,963	24,792	251,970	1,719	2,310
Joam Housing Development Co., Ltd.	85,714	89,485	50	(3,771)	18,451	(828)
United PF 1st Recovery Private Equity Fund	836,104	30,162	800,000	805,942	58,529	5,942
Ilssan Elecom(Shenyang) Co., Ltd.	1,094	2,364	2,140	(1,270)	4,360	(205)
Qingdao Danam Electronics Co., Ltd.	1,394	702	4,733	692	-	-

(In millions of Korean won)

Dec. 31, 2010						
	Total assets	Total liabilities	Paid-in capital	Equity	Revenues	Profit (loss)
<b>Associates</b>						
Balhae Infrastructure Fund	₩ 956,234	₩ 2,061	₩ 903,305	₩ 954,173	₩ 66,474	₩ 58,580
Korea Credit Bureau Co., Ltd.	44,983	9,507	10,000	35,476	33,055	4,709
UAMCO., Ltd.	1,782,180	1,292,911	2,430	489,269	27,204	4,745
JSC Bank CenterCredit	9,451,778	8,811,764	546,794	640,014	240,362	(232,669)
KoFC KBIC Frontier Champ 2010-5(PEF)	20,991	53	21,000	20,938	-	(63)
KB Global Star Game & Apps SPAC	21,124	1,206	862	19,918	-	(898)
Powerrex Corporation Co., Ltd.	16,020	13,218	800	2,802	7,675	(500)
Semiland Co., Ltd.	9,660	5,072	985	4,588	5,902	550
Seho Robo Ind. Co., Ltd.	8,696	5,087	966	3,609	6,147	949
Serit Platform Co., Ltd.	6,646	4,460	1,000	2,186	3,185	(284)
Sehwa Electronics Co., Ltd.	31,511	15,955	1,050	15,556	21,903	(532)
Testian Co., Ltd.	2,442	1,549	1,005	893	274	54
Solice Co., Ltd.	15,231	9,823	2,291	5,408	13,673	286
KT Wibro infrastructure	255,680	7,619	24,792	248,061	-	139
Joam Housing Development Co., Ltd.	68,763	71,707	50	(2,944)	595	(2,994)
IlssanElecom (Shenyang) Co., Ltd.	1,895	2,855	2,140	(960)	3,620	17
<b>Joint venture</b>						
Burrill-KB Life Science Fund	-	1,612	1,048	(1,612)	1	(2,048)

(In millions of Korean won)

	Jan. 1, 2010			
	Total assets	Total liabilities	Paid-in capital	Equity
<b>Associates</b>				
Balhae Infrastructure Fund	₩ 911,332	₩ 1,985	₩ 880,301	₩ 909,347
Korea Credit Bureau Co., Ltd.	36,807	6,040	10,000	30,767
UAMCO., Ltd.	68,710	185	350	68,525
JSC Bank CenterCredit	9,114,674	8,371,096	414,001	743,578
Powerrex Corporation Co., Ltd.	21,547	18,244	800	3,303
Semiland Co., Ltd.	8,771	4,716	985	4,055
Seho Robo Ind. Co., Ltd.	6,344	3,684	966	2,660
Serit Platform Co., Ltd.	6,213	3,742	1,000	2,471
Sehwa Electronics Co., Ltd.	29,891	13,750	1,050	16,141
Testian Co., Ltd.	1,793	1,474	875	319
Ray Co., Ltd.	1,795	2,021	965	(226)
<b>Joint venture</b>				
Burrill-KB Life Science Fund	-	612	-	(612)

The changes in investments in associates and joint ventures for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011							
	Beginning	Acquisition (disposal)	Dividends	Gains (losses)	Other comprehensive income	Impairment loss	Others	Ending
<b>Associates</b>								
Balhae Infrastructure Fund	₩ 120,274	₩ 9,063	₩ (7,501)	₩ 6,942	₩ -	₩ -	₩ -	₩ 128,778
Korea Credit Bureau Co., Ltd.	3,194	-	-	572	-	-	-	3,766
UAMCO., Ltd.	85,622	-	-	23,909	-	-	-	109,531
JSC Bank CenterCredit <sup>1</sup>	390,157	-	(3)	(4,652)	45	(20,488)	-	365,059
KoFC KBIC Frontier Champ 2010-5(PEF)	10,438	18,350	-	554	(511)	-	-	28,831
KB Global Star Game & Apps SPAC	1,034	(1,011)	-	17	(6)	-	14	48
Powerrex Corporation Co., Ltd.	1,951	-	-	(1,951)	-	-	-	-
Semiland Co., Ltd.	2,095	-	(11)	163	-	-	-	2,247
Seho Robo Ind. Co., Ltd.	820	(1,358)	-	538	-	-	-	-
Serit Platform Co., Ltd.	1,438	-	-	13	-	-	-	1,451
Sehwa Electronics Co., Ltd.	3,385	-	-	53	16	-	-	3,454

(In millions of Korean won)

Dec. 31, 2011								
	Beginning	Acquisition (disposal)	Dividends	Gains (losses)	Other compre- hensive income	Impairment loss	Others	Ending
Testian Co., Ltd.	857	-	-	(68)	-	-	-	789
Solice Co., Ltd.	2,007	(2,007)	-	-	-	-	-	-
KT Wibro infrastructure	100,139	-	-	3,910	-	-	-	104,049
Joam Housing Development Co., Ltd.	-	-	-	-	-	-	-	-
United PF 1st Recovery Private Equity Fund	-	148,000	-	(4,563)	-	-	-	143,437
IlssanElecom (Shenyang) Co., Ltd.	-	-	-	-	-	-	-	-
Qingdao Danam Electronics Co., Ltd.	-	692	-	-	-	-	-	692
	723,411	171,729	(7,515)	25,437	(456)	(20,488)	14	892,132
<b>Joint venture</b>								
Burrill-KB Life Science Fund	-	-	-	-	-	-	-	-
	₩ 723,411	₩ 171,729	₩ (7,515)	₩ 25,437	₩ (456)	₩ (20,488)	₩ 14	₩ 892,132

(In millions of Korean won)

Dec. 31, 2010							
	Beginning	Acquisition (disposal)	Dividends	Gains (losses)	Other compre- hensive income	Impairment loss	Ending
<b>Associates</b>							
Balhae Infrastructure Fund	₩ 114,623	₩ 5,572	₩ (7,305)	₩ 7,384	₩ -	₩ -	₩ 120,274
Korea Credit Bureau Co., Ltd.	2,769	-	-	425	-	-	3,194
UAMCO., Ltd.	11,992	72,800	-	830	-	-	85,622
JSC Bank CenterCredit <sup>1</sup>	474,502	136,565	(3)	(92,136)	(2,009)	(126,762)	390,157
KoFC KBIC Frontier Champ 2010-5(PEF)	-	10,500	-	(62)	-	-	10,438
KB Global Star Game & Apps SPAC	-	1,033	-	(4)	5	-	1,034
Powerrex Corporation Co., Ltd.	1,782	-	-	169	-	-	1,951
Semiland Co., Ltd.	1,886	-	(11)	220	-	-	2,095
Seho Robo Ind. Co., Ltd.	605	-	-	215	-	-	820
Serit Platform Co., Ltd.	1,500	-	-	(62)	-	-	1,438
Sehwa Electronics Co., Ltd.	3,508	-	(11)	(112)	-	-	3,385

(In millions of Korean won)

Dec. 31, 2010							
	Beginning	Acquisition (disposal)	Dividends	Gains (losses)	Other compre- hensive income	Impairment loss	Ending
Testian Co., Ltd.	500	320	-	37	-	-	857
Solice Co., Ltd.	-	2,007	-	-	-	-	2,007
Ray Co., Ltd.	1,050	(1,050)	-	-	-	-	-
KT Wibro infrastructure	-	100,000	-	139	-	-	100,139
Joam Housing Development Co., Ltd.	-	8	-	(8)	-	-	-
IlssanElecom(Shenyang) Co., Ltd.	-	-	-	-	-	-	-
	614,717	327,755	(7,330)	(82,965)	(2,004)	(126,762)	723,411
<b>Joint ventures</b>							
Burrill-KB Life Science Fund	-	372	-	(372)	-	-	-
	₩ 614,717	₩ 328,127	₩ (7,330)	₩ (83,337)	₩ (2,004)	₩ (126,762)	₩ 723,411

<sup>1</sup> Kazakhstan has been experiencing liquidity problems and roll-over of borrowings in the financial sector due to depression of its domestic economy mainly driven by delays of recovery in the local real estate market and global credit crunch. The Group determined that the decrease in the investment value of its BCC shares were not expected to recover in the near future due to an adverse economic condition in Kazakhstan, particularly the real estate market and the fact that loan portfolio of BCC consisted mainly of loans collateralized by real estates. The recoverable amount of shares of JSC Bank CenterCredit, obtained from an independent third-party valuation service as of December 31, 2011 and 2010, amounts to ₩ 365,059 million and ₩ 390,157 million, respectively. Carrying value of shares of JSC Bank CenterCredit before recognizing impairment losses, amounts to ₩ 385,547 million and ₩ 516,919 million, respectively.

Accumulated unrecognized share of losses of an associate and joint venture due to discontinued recognition of Group's share of losses as of December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

Dec. 31, 2011		
	Unrecognized loss	Unrecognized change in equity
Joam Housing Development Co., Ltd.	₩ (566)	₩ -
IlssanElecom(Shenyang) Co., Ltd.	(1,165)	(105)

(In millions of Korean won)

Dec. 31, 2010		
	Unrecognized loss	Unrecognized change in equity
Joam Housing Development Co., Ltd.	₩ (442)	₩ -
IlssanElecom(Shenyang) Co., Ltd.	(960)	-
Burrill-KB Life Science Fund	(200)	-

## 14. Property and Equipment, and Investment Property

The details of property and equipment as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011				
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount	
Land	₩ 2,022,943	₩ -	₩ (581)	₩ 2,022,362	
Buildings	1,200,813	(301,947)	(2,661)	896,205	
Leasehold improvements	484,328	(424,742)	-	59,586	
Equipment and vehicles	1,710,477	(1,513,746)	-	196,731	
Construction in-progress	1,075	-	-	1,075	
Financial lease assets	43,756	(33,695)	-	10,061	
	₩ 5,463,392	₩ (2,274,130)	₩ (3,242)	₩ 3,186,020	

(In millions of Korean won)

	Dec. 31, 2010				
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount	
Land	₩ 2,023,447	₩ -	₩ (583)	₩ 2,022,864	
Buildings	1,168,155	(274,267)	(2,668)	891,220	
Leasehold improvements	429,790	(379,156)	-	50,634	
Equipment and vehicles	1,640,867	(1,466,049)	-	174,818	
Construction in-progress	119	-	-	119	
Financial lease assets	33,045	(22,440)	-	10,605	
	₩ 5,295,423	₩ (2,141,912)	₩ (3,251)	₩ 3,150,260	

(In millions of Korean won)

	Jan. 1, 2010				
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount	
Land	₩ 2,010,300	₩ -	₩ (586)	₩ 2,009,714	
Buildings	1,138,390	(245,309)	(3,498)	889,583	
Leasehold improvements	397,499	(335,781)	-	61,718	
Equipment and vehicles	1,781,709	(1,507,631)	-	274,078	
Construction in-progress	350	-	-	350	
Financial lease assets	33,045	(10,577)	-	22,468	
	₩ 5,361,293	₩ (2,099,298)	₩ (4,084)	₩ 3,257,911	

The changes in property and equipment for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

<b>Dec. 31, 2011</b>							
	<b>Beginning</b>	<b>Acquisition</b>	<b>Transfers<sup>1</sup></b>	<b>Disposal</b>	<b>Depreciation<sup>2</sup></b>	<b>Others</b>	<b>Ending</b>
Land	₩ 2,022,864	₩ 195	₩ (706)	₩ (18)	₩ -	₩ 27	₩ 2,022,362
Buildings	891,220	3,019	30,207	(26)	(28,307)	92	896,205
Leasehold improvements	50,634	11,414	39,195	(423)	(47,447)	6,213	59,586
Equipment and vehicles	174,818	160,319	-	(847)	(137,559)	-	196,731
Construction in-progress	119	76,258	(75,302)	-	-	-	1,075
Financial lease assets	10,605	10,700	-	-	(11,244)	-	10,061
	₩3,150,260	₩ 261,905	₩ (6,606)	₩ (1,314)	₩ (224,557)	₩ 6,332	₩ 3,186,020

<sup>1</sup> Including transfers with investment property and assets held for sale.

<sup>2</sup> Including ₩ 122 million recorded in other operating expenses in the statement of comprehensive income.

(In millions of Korean won)

<b>Dec. 31, 2010</b>							
	<b>Beginning</b>	<b>Acquisition</b>	<b>Transfers<sup>1</sup></b>	<b>Disposal</b>	<b>Depreciation<sup>2</sup></b>	<b>Others</b>	<b>Ending</b>
Land	₩ 2,009,714	₩ -	₩ 12,475	₩ (1,437)	₩ -	₩ 2,112	₩2,022,864
Buildings	889,583	40	28,622	(1,022)	(27,395)	1,392	891,220
Leasehold improvements	61,718	1,366	27,346	(169)	(44,887)	5,260	50,634
Equipment and vehicles	274,078	67,066	-	(379)	(166,011)	64	174,818
Construction in-progress	350	52,307	(52,538)	-	-	-	119
Financial lease assets	22,468	-	-	-	(11,863)	-	10,605
	₩3,257,911	₩ 120,779	₩ 15,905	₩ (3,007)	₩ (250,156)	₩ 8,828	₩3,150,260

<sup>1</sup> Including transfers with investment property and assets held for sale.

<sup>2</sup> Including ₩ 96 million recorded in other operating expenses in the statement of comprehensive income.

The changes in accumulated impairment losses of property and equipment for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

<b>Dec. 31, 2011</b>					
	<b>Beginning</b>	<b>Impairment</b>	<b>Reversal</b>	<b>Others</b>	<b>Ending</b>
	₩ (3,251)	₩ -	₩ -	₩ 9	₩ (3,242)

(In millions of Korean won)

<b>Dec. 31, 2010</b>					
	<b>Beginning</b>	<b>Impairment</b>	<b>Reversal</b>	<b>Others</b>	<b>Ending</b>
	₩ (4,084)	₩ -	₩ -	₩ 833	₩ (3,251)



The details of investment property as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

<b>Dec. 31, 2011</b>						
	<b>Acquisition cost</b>		<b>Accumulated depreciation</b>		<b>Carrying amount</b>	
Land	₩	37,451	₩	-	₩	37,451
Buildings		18,961		(4,860)		14,101
	₩	56,412	₩	(4,860)	₩	51,552

(In millions of Korean won)

<b>Dec. 31, 2010</b>						
	<b>Acquisition cost</b>		<b>Accumulated depreciation</b>		<b>Carrying amount</b>	
Land	₩	38,633	₩	-	₩	38,633
Buildings		18,941		(4,653)		14,288
	₩	57,574	₩	(4,653)	₩	52,921

(In millions of Korean won)

<b>Jan. 1, 2010</b>						
	<b>Acquisition cost</b>		<b>Accumulated depreciation</b>		<b>Carrying amount</b>	
Land	₩	50,037	₩	-	₩	50,037
Buildings		23,524		(5,584)		17,940
	₩	73,561	₩	(5,584)	₩	67,977

As of December 31, 2011 and 2010, and January 1, 2010, fair values of the investment properties amount to ₩ 48,996 million, ₩ 52,740 million and, ₩ 67,471 million, respectively. The investment properties were valued by qualified independent appraisers with experience in valuing similar properties in the same location.

Rental income from the above investment properties for the years ended December 31, 2011 and 2010, amounts to ₩ 683 million and ₩ 1,122 million, respectively.

The changes in investment property for the year ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

<b>Dec. 31, 2011</b>								
	<b>Beginning</b>		<b>Transfers</b>		<b>Depreciation</b>		<b>Ending</b>	
Land	₩	38,633	₩	(1,182)	₩	-	₩	37,451
Buildings		14,288		264		(451)		14,101
	₩	52,921	₩	(918)	₩	(451)	₩	51,552

(In millions of Korean won)

<b>Dec. 31, 2010</b>								
	<b>Beginning</b>		<b>Transfers</b>		<b>Depreciation</b>		<b>Ending</b>	
Land	₩	50,037	₩	(11,404)	₩	-	₩	38,633
Buildings		17,940		(3,205)		(447)		14,288
	₩	67,977	₩	(14,609)	₩	(447)	₩	52,921

Property and equipment insured as of December 31, 2011 and 2010, and January 1, 2010 are as follows:

(In millions of Korean won)

Type	Assets insured	Insurance coverage				Carrying amount	Carrying amount
		Accumulated depreciation	Accumulated impairment losses	Carrying amount	Carrying amount		
General property insurance	Buildings <sup>1</sup>	₩ 1,061,097	₩ 986,576	₩ 965,269	Samsung Fire & Marine Insurance Co., Ltd. and others		
	Leasehold improvements	134,595	144,267	172,467			
	Equipment and vehicles and others	179,804	168,920	342,144			
		₩ 1,375,496	₩ 1,299,763	₩ 1,479,880			

<sup>1</sup> Buildings include office buildings, investment properties and assets held for sale.

## 15. Intangible Assets

The details of property and equipment as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Goodwill	₩ 143,209	₩ -	₩ -	₩ 143,209
Other intangible assets	760,538	(421,380)	(13,926)	325,232
	₩ 903,747	₩ (421,380)	₩ (13,926)	₩ 468,441

(In millions of Korean won)

	Dec. 31, 2010		
	Acquisition cost	Accumulated amortization	Carrying amount
Goodwill	₩ 143,209	₩ -	₩ 143,209
Other intangible assets	670,899	(309,188)	361,711
	₩ 814,108	₩ (309,188)	₩ 504,920

(In millions of Korean won)

	Jan. 1, 2010		
	Acquisition cost	Accumulated amortization	Carrying amount
Goodwill	₩ 136,755	₩ -	₩ 136,755
Other intangible assets	471,955	(206,133)	265,822
	₩ 608,710	₩ (206,133)	₩ 402,577

The details of goodwill as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition Cost	Carrying amount
Housing & Commercial Bank	₩ 65,288	₩ 65,288	₩ 65,288	₩ 65,288	₩ 65,288	₩ 65,288
KB Cambodia Bank	1,202	1,202	1,202	1,202	1,202	1,202
KB Investment Securities	70,265	70,265	70,265	70,265	70,265	70,265
Powernet Technologies Co., Ltd.	6,454	6,454	6,454	6,454	-	-
	₩ 143,209	₩ 143,209	₩ 143,209	₩ 143,209	₩ 136,755	₩ 136,755

The goodwill related to Housing & Commercial Bank ("H&CB"), KB Cambodia Bank and KB Investment Securities arose prior to the K-IFRS transition date, and the carrying amount of goodwill as of the K-IFRS transition date was its carrying amount in accordance with previous Korean GAAP.

The details of allocating goodwill to cash-generating units and related information for impairment testing as of December 31, 2011, are as follows:

(In millions of Korean won)

	Housing & Commercial Bank		KB Cambodia Bank <sup>1</sup>	KB Investment Securities <sup>1</sup>	Powernet Technologies Co., Ltd. <sup>1</sup>	Total
	Retail Banking	Corporate Banking				
Carrying amounts	₩ 49,315	₩ 15,973	₩ 1,202	₩ 70,265	₩ 6,454	₩ 143,209
Recoverable amount exceeded carrying amount	114,763	96,851	893	48,176	1,157	261,840
Discount rate (%)	16.0	15.0	18.9	16.4	15.5	
Permanent growth rate(%)	2.3	2.3	4.7	2.3	2.3	

<sup>1</sup> KB Cambodia Co., Ltd. is categorized as "Foreign Entities" and KB Investment & Securities Co., Ltd. and Powernet Technologies Co., Ltd. are categorized as "Others" for the purpose of segment information (Note 5).

Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the combination for impairment testing, and cash-generating units consist of an operating segment or units which are not larger than an operating segment. The Group recognized the amount of ₩ 65,288 million related to goodwill acquired in merger of Housing & Commercial Bank. Of those respective amounts, the amounts of ₩ 49,315 million and ₩ 15,973 million were allocated to the Retail Banking and Corporate Banking, respectively. Cash-generating units to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit.

The recoverable amount of a cash-generating unit is measured at the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. If it is difficult to measure the amount obtainable from the sale, the Group measures the fair value less costs to sell by adjusting the amount obtained from the sale of similar cash-generating

units, reflecting the characteristics of the measured cash-generating unit. If it is not possible to obtain the reliable information to measure the fair value less costs to sell, the Group uses the asset's value in use as its recoverable amount. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. The projections of the future cash flows are based on the most recent financial budget approved by management and cover a maximum period of five years. The future cash flows after a maximum period of five years are estimated on the assumption that the future cash flows will increase by 2.3% for Retail Banking, Corporate Banking, KB Investment Securities, and Powernet Technologies Co., Ltd. and 4.7% for KB Cambodia Bank every year. The key assumptions used for the estimation of the future cash flows are the market size and the Group's market share. The discount rate is a pre-tax rate that reflects assumptions regarding risk-free interest rate, market risk premium and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

The details of intangible assets, excluding goodwill, as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Industrial property rights	₩ 1,025	₩ (919)	₩ -	₩ 106
Software	556,739	(340,421)	-	216,318
Other intangible assets	183,714	(69,396)	(13,926)	100,392
Finance leases assets	19,060	(10,644)	-	8,416
	₩ 760,538	₩ (421,380)	₩ (13,926)	₩ 325,232

(In millions of Korean won)

	Dec. 31, 2010		
	Acquisition cost	Accumulated amortization	Carrying amount
Industrial property rights	₩ 955	₩ (870)	₩ 85
Software	495,715	(238,178)	257,537
Other intangible assets	160,573	(64,261)	96,312
Finance leases assets	13,656	(5,879)	7,777
	₩ 670,899	₩ (309,188)	₩ 361,711

(In millions of Korean won)

	Jan. 1, 2010		
	Acquisition cost	Accumulated amortization	Carrying amount
Industrial property rights	₩ 946	₩ (832)	₩ 114
Software	305,963	(145,082)	160,881
Other intangible assets	151,390	(57,753)	93,637
Finance leases assets	13,656	(2,466)	11,190
	₩ 471,955	₩ (206,133)	₩ 265,822

The changes in intangible assets, excluding goodwill, for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

<b>Dec. 31, 2011</b>														
	<b>Beginning</b>		<b>Acquisition</b>		<b>Disposal</b>		<b>Transfer</b>		<b>Amortization<sup>1</sup></b>		<b>Others</b>		<b>Ending</b>	
Industrial property rights	₩	85	₩	28	₩	-	₩	-	₩	(42)	₩	35	₩	106
Software		257,537		64,826		-		435		(106,480)		-		216,318
Other intangible assets		96,312		34,142		(9,310)		(435)		(6,361)		(13,956)		100,392
Finance leases assets		7,777		5,404		-		-		(4,765)		-		8,416
	₩	361,711	₩	104,400	₩	(9,310)	₩	-	₩	(117,648)	₩	(13,921)	₩	325,232

<sup>1</sup> Including ₩ 41 million recorded in other operating expenses in the statement of comprehensive income.

(In millions of Korean won)

<b>Dec. 31, 2010</b>													
	<b>Beginning</b>		<b>Acquisition</b>		<b>Amortization<sup>1</sup></b>		<b>Others</b>		<b>Ending</b>				
Industrial property rights	₩	114	₩	9	₩	(38)	₩	-	₩	85			
Software		160,881		184,293		(87,637)		-		257,537			
Other intangible assets		93,637		8,821		(6,143)		(3)		96,312			
Finance leases assets		11,190		-		(3,413)		-		7,777			
	₩	265,822	₩	193,123	₩	(97,231)	₩	(3)	₩	361,711			

<sup>1</sup> Including ₩ 46 million recorded in other operating expenses in the statement of comprehensive income.

The changes in accumulated impairment losses on intangible assets for the year ended December 31, 2011, are as follows:

(In millions of Korean won)

	<b>Beginning<sup>1</sup></b>		<b>Impairment</b>		<b>Reversal</b>		<b>Others</b>		<b>Ending</b>	
Accumulated impairment losses on intangible assets	₩	-	₩	(13,926)	₩	-	₩	-	₩	(13,926)

<sup>1</sup> As of December 31, 2010, there are no accumulated impairment losses on intangible assets.

## 16. Deferred income tax assets and liabilities

The details of deferred income tax assets and liabilities as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		
	Assets	Liabilities	Net amount
Other provisions	₩ 113,752	₩ (115)	₩ 113,637
Allowances for loan losses	200	(2,574)	(2,374)
Impairment losses on property and equipment	3,065	-	3,065
Interest on equity index-linked deposits	1,785	-	1,785
Share-based payments	4,069	-	4,069
Provisions for guarantees	75,326	-	75,326
Losses(gains) from valuation on derivatives	1,584	(109,427)	(107,843)
Present value discount	3,770	(12,603)	(8,833)
Losses(gains) from fair value hedged item	26,522	-	26,522
Accrued interest	-	(91,147)	(91,147)
Deferred loan origination fees and costs	49	(96,848)	(96,799)
Gains from revaluation	-	(276,505)	(276,505)
Investments in subsidiaries and others	24,943	(41,541)	(16,598)
Derivative linked securities	444,766	(446,837)	(2,071)
Others	433,962	(254,709)	179,253
	1,133,793	(1,332,306)	(198,513)
Off-setting of deferred income tax assets and liabilities	(1,111,464)	1,111,464	-
	₩ 22,329	₩ (220,842)	₩ (198,513)

(In millions of Korean won)

	Dec. 31, 2010		
	Assets	Liabilities	Net amount
Other provisions	₩ 130,669	₩ (32)	₩ 130,637
Allowances for loan losses	4,642	(13,916)	(9,274)
Impairment losses on property and equipment	1,537	-	1,537
Interest on equity index-linked deposits	2,514	-	2,514
Share-based payments	3,176	-	3,176
Provisions for guarantees	99,484	-	99,484
Losses(gains) from valuation on derivatives	989	(122,808)	(121,819)
Present value discount	-	(16,147)	(16,147)
Losses(gains) from fair value hedged item	28,517	-	28,517
Accrued interest	-	(92,135)	(92,135)
Deferred loan origination fees and costs	41	(69,773)	(69,732)
Advanced depreciation provisions	-	(111,542)	(111,542)
Losses(gains) from revaluation	-	(251,418)	(251,418)
Dividends from SPEs	564	-	564
Investments in subsidiaries and others	46,354	(27,662)	18,692
Others	323,185	(215,769)	107,416
	641,672	(921,202)	(279,530)
Off-setting of deferred income tax assets and liabilities	(637,627)	637,627	-
	₩ 4,045	₩ (283,575)	₩ (279,530)

(In millions of Korean won)

	Jan. 1, 2010		
	Assets	Liabilities	Net amount
Other provisions	₩ 186,852	₩ (81,774)	₩ 105,078
Allowances for loan losses	2,926	(128,378)	(125,452)
Impairment losses on property and equipment	2,097	-	2,097
Interest on equity index-linked deposits	2,010	-	2,010
Provisions for guarantees	32,546	(10,978)	21,568
Losses(gains) from valuation on derivatives	4,197	(109,220)	(105,023)
Present value discount	-	(6,642)	(6,642)
Losses(gains) from fair value hedged item	-	(26,328)	(26,328)
Accrued interest	181	(21,343)	(21,162)
Deferred loan origination fees and costs	53	(55,261)	(55,208)
Advanced depreciation provisions	-	(111,542)	(111,542)
Losses(gains) from revaluation	-	(251,629)	(251,629)
Investments in subsidiaries and others	46,701	(2,583)	44,118
Others	361,614	(221,634)	139,980
	639,177	(1,027,312)	(388,135)
Off-setting of deferred income tax assets and liabilities	(622,673)	622,673	-
	₩ 16,504	₩ (404,639)	₩ (388,135)

### Unrecognized deferred income tax liabilities

No deferred income tax liabilities have been recognized for the taxable temporary difference of ₩ 47,625 million associated with investment in subsidiaries and associates as of December 31, 2011, due to the following reasons:

- The Group is able to control the timing of the reversal of the temporary difference.
- It is probable that the temporary difference will not reverse in the foreseeable future.

No deferred income tax liabilities have been recognized for the taxable temporary difference of ₩ 65,288 million arising from the initial recognition of goodwill as of December 31, 2011.

Unrecognized deferred income tax assets

No deferred income tax assets have been recognized for the deductible temporary difference of ₩ 3,279,925 million associated with investments in subsidiaries and others as of December 31, 2011, because it is not probable that the temporary differences will reverse in the foreseeable future.

No deferred income tax assets have been recognized for deductible temporary differences of ₩ 2,546 million, ₩ 365 million, ₩ 80,204 million and ₩ 88,939 million associated with share-based payments, other provisions, loss on SPE repurchase and others, respectively, as of December 31, 2011, due to the uncertainty that these will be realized in the future.

The changes in cumulative temporary differences for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	<b>Dec. 31, 2011</b>			
	<b>Beginning</b>	<b>Decrease</b>	<b>Increase</b>	<b>Ending</b>
<b>Deductible temporary differences</b>				
Losses(gains) from fair value hedged item	₩ 129,178	₩ 129,178	₩ 109,596	₩ 109,596
Other provisions	584,999	894,311	779,819	470,507
Allowances for loan losses	20,269	35,642	16,200	827
Impairment losses on property and equipment	6,904	6,904	12,666	12,666
Deferred loan origination fees and costs	171	486	519	204
Interest on equity index-linked deposits	10,388	10,388	7,378	7,378
Share-based payments	30,271	30,271	19,359	19,359
Provisions for guarantees	414,048	428,288	325,503	311,263
Gains (losses) from valuation on derivatives	4,468	4,451	6,531	6,548
Present value discount	-	-	15,579	15,579
Dividends from SPEs	2,563	2,563	-	-
Loss on SPE repurchase	80,204	-	-	80,204
Investments in subsidiaries and others	3,483,276	85,278	(336)	3,397,662
Derivative linked securities	-	-	1,837,877	1,837,877
Others	1,394,001	1,352,107	1,805,161	1,847,055
	6,160,740	2,979,867	4,935,852	8,116,725
Unrecognized deferred income tax assets:				
Share-based payments	15,834			2,546
Other provisions	1,477			365
Loss on SPE repurchase	80,204			80,204
Investments in subsidiaries and others	3,271,732			3,279,925
Others	92,307			88,939
	₩ 2,699,186			₩ 4,664,746
Tax rate (%) <sup>1</sup>	24.2, 22.0			24.2
Total deferred income tax assets from deductible temporary differences	₩ 641,672			₩ 1,133,793
<b>Taxable temporary differences</b>				
Accrued interest	₩ (405,417)	₩ (309,036)	₩ (284,895)	₩ (381,276)
Allowances for loans losses	(57,578)	(40,796)	6,146	(10,636)
Deferred loan origination fees and costs	(312,168)	(311,853)	(399,884)	(400,199)
Advanced depreciation provisions	(460,918)	(460,918)	-	-
Gains (losses) from valuation on derivatives	(502,897)	(502,836)	(452,139)	(452,200)
Present value discount	(70,994)	(52,423)	(38,716)	(57,287)
Goodwill	(65,288)	-	-	(65,288)
Gains on revaluation	(1,142,809)	(9,529)	(9,301)	(1,142,581)
Investments in subsidiaries and others	(3,250,486)	(158)	(2,084,081)	(5,334,409)



(In millions of Korean won)

<b>Dec. 31, 2011</b>				
	<b>Beginning</b>	<b>Decrease</b>	<b>Increase</b>	<b>Ending</b>
Derivative linked securities	-	-	(1,846,433)	(1,846,433)
Others	(882,777)	(217,222)	(414,493)	(1,080,048)
	(7,151,332)	(1,904,771)	(5,523,796)	(10,770,357)
Unrecognized deferred income tax liabilities:				
Goodwill	(65,288)			(65,288)
Investments in subsidiaries and others	(15,196)			(47,625)
	₩ (7,070,848)			₩ (10,657,444)
Tax rate (%) <sup>1</sup>	24.2, 22.0			24.2
Total deferred income tax liabilities from taxable temporary differences	₩ (921,202)			₩ (1,332,306)

<sup>1</sup> The corporate tax rate was changed due to the amendment of corporate tax law in 2011. Accordingly, the rate of 24.2% has been applied for the deferred tax assets and liabilities expected to be utilized in periods after December 31, 2011.

(In millions of Korean won)

<b>Dec. 31, 2010</b>				
	<b>Beginning</b>	<b>Decrease</b>	<b>Increase</b>	<b>Ending</b>
<b>Deductible temporary differences</b>				
Gains (losses) from fair value hedged item	₩ -	₩ -	₩ 129,178	₩ 129,178
Other provisions	477,776	479,693	586,916	584,999
Accrued interest	746	746	-	-
Allowances for loan losses	13,570	18,037	24,736	20,269
Impairment losses on property and equipment	9,468	9,468	6,904	6,904
Deferred loan origination fees and costs	217	217	171	171
Interest on equity index-linked deposits	8,306	8,306	10,388	10,388
Share-based payments	46,572	46,572	30,271	30,271
Provisions for guarantees	91,988	91,988	414,048	414,048
Gains (losses) from valuation on derivatives	4,312	4,312	4,468	4,468
Dividends from SPEs	185,602	183,039	-	2,563
Loss on SPE repurchase	80,204	-	-	80,204
Investments in subsidiaries and others	3,361,305	109,029	231,000	3,483,276
Others	1,309,930	313,391	397,462	1,394,001
	5,589,996	1,264,798	1,835,542	6,160,740
Unrecognized deferred income tax assets:				
Share based payments	46,572			15,834
Other provisions	344			1,477
Dividends from SPEs	185,602			-
Loss on SPE repurchase	80,204			80,204
Investments in subsidiaries and others	3,148,284			3,271,732
Others	90,928			92,307
	₩ 2,038,062			₩ 2,699,186
Tax rate (%) <sup>1</sup>	24.2, 22.0			24.2, 22.0
Deferred income tax assets from deductible temporary differences	₩ 639,177			₩ 641,672

(In millions of Korean won)

	Dec. 31, 2010			
	Beginning	Decrease	Increase	Ending
<b>Taxable temporary differences</b>				
Gains (losses) from fair value hedged item	₩ (120,437)	₩ (120,437)	₩ -	₩ -
Accrued interest	(89,928)	(25,776)	(341,265)	(405,417)
Allowances for loans losses	(529,573)	(528,693)	(56,698)	(57,578)
Deferred loan origination fees and costs	(246,565)	(246,565)	(312,168)	(312,168)
Advanced depreciation provisions	(460,918)	-	-	(460,918)
Gains (losses) from valuation on derivatives	(476,513)	(476,513)	(502,897)	(502,897)
Present value discount	(40,058)	-	(30,936)	(70,994)
Goodwill	(65,288)	-	-	(65,288)
Gains on revaluation	(1,143,769)	(960)	-	(1,142,809)
Investments in subsidiaries and others	(3,068,353)	(3,484)	(185,617)	(3,250,486)
Others	(615,125)	(124,787)	(392,439)	(882,777)
	(6,856,527)	(1,527,215)	(1,822,020)	(7,151,332)
Unrecognized deferred income tax liabilities:				
Goodwill	(65,288)			(65,288)
Investments in subsidiaries and others	(14,110)			(15,196)
	₩ (6,777,129)			₩ (7,070,848)
Tax rate (%) <sup>1</sup>	24.2, 22.0			24.2, 22.0
Deferred income tax liabilities from taxable temporary differences	₩ (1,027,312)			₩ (921,202)

<sup>1</sup> The 24.2% has been applied for the deferred tax assets and liabilities expected to be utilized in the year ended December 31, 2011. And 22.0% has been applied for the deferred tax assets and liabilities expected to be utilized for periods after December 31, 2011.

## 17. Other Assets

The details of other assets as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
<b>Other financial assets</b>			
Other receivables	₩ 2,470,405	₩ 2,021,249	₩ 3,238,762
Receivables from disposal of assets	-	200	200
Receivables in gold	107	-	637
Accrued income	1,253,034	1,155,197	1,135,696
Guarantee deposits	1,333,370	1,318,003	1,328,859
Domestic exchange settlement debits	1,403,284	1,709,096	639,646
Others	304,694	347,467	323,266

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Allowances for loan losses	(353,905)	(364,530)	(384,624)
Present value discount	(1,084)	(455)	(778)
	6,409,905	6,186,227	6,281,664
<b>Other non-financial assets</b>			
Other receivables	7,300	1,935	434
Prepaid expenses	307,742	333,360	196,262
Guarantee deposits	3,149	3,236	3,424
Insurance assets	127,368	72,097	39,386
Separate account assets	538,179	422,088	287,765
Others	93,215	82,063	189,511
Allowances on other asset	(8,339)	(24,210)	(30,387)
	1,068,614	890,569	686,395
	₩ 7,478,519	₩ 7,076,796	₩ 6,968,059

The changes in allowances for loan losses on other assets for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		
	Other financial assets	Other non-financial assets	Total
Beginning	₩ 364,530	₩ 24,210	₩ 388,740
Written-off	(19,859)	(19,800)	(39,659)
Provision (reversal)	9,505	3,678	13,183
Others	(271)	251	(20)
Ending	₩ 353,905	₩ 8,339	₩ 362,244

(In millions of Korean won)

	Dec. 31, 2010		
	Other financial assets	Other non-financial assets	Total
Beginning	₩ 384,624	₩ 30,387	₩ 415,011
Written-off	(124,956)	(2,525)	(127,481)
Provision (reversal)	103,407	(3,652)	99,755
Others	1,455	-	1,455
Ending	₩ 364,530	₩ 24,210	₩ 388,740

## 18. Assets held for sale

The details of assets held for sale as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

Dec. 31, 2011							
	Acquisition cost <sup>1</sup>		Accumulated impairment		Carrying amount		Fair value less costs to sell
Buildings	₩	8,371	₩	(3,746)	₩	4,625	₩ 4,625
Land		7,807		(2,501)		5,306	5,306
	₩	16,178	₩	(6,247)	₩	9,931	₩ 9,931

(In millions of Korean won)

Dec. 31, 2010							
	Acquisition cost <sup>1</sup>		Accumulated impairment		Carrying amount		Fair value less costs to sell
Buildings	₩	5,653	₩	(2,251)	₩	3,402	₩ 3,402
Land		7,353		(1,402)		5,951	5,951
	₩	13,006	₩	(3,653)	₩	9,353	₩ 9,353

(In millions of Korean won)

Jan. 1, 2010							
	Acquisition cost <sup>1</sup>		Accumulated impairment		Carrying amount		Fair value less costs to sell
Buildings	₩	10,058	₩	(4,219)	₩	5,839	₩ 5,878
Land		16,637		(2,316)		14,321	14,850
	₩	26,695	₩	(6,535)	₩	20,160	₩ 20,728

<sup>1</sup> Acquisition cost of buildings held for sale is net of accumulated depreciation.

The changes in accumulated impairment losses of assets held for sale for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

Dec. 31, 2011								
Beginning		Provision		Reversal		Others		Ending
₩	(3,653)	₩	(3,931)	₩	312	₩	1,025	₩ (6,247)

(In millions of Korean won)

Dec. 31, 2010								
Beginning		Provision		Reversal		Others		Ending
₩	(6,535)	₩	(482)	₩	274	₩	3,090	₩ (3,653)

As of December 31, 2011, assets held for sale consist of ten real estate of closed offices and one real estate acquired through execution of security right, which the management of the Group was committed to a plan to sell, but not yet sold by December 31, 2011. As of reporting date, two assets out of above assets held for sale are under negotiation for sale and the remaining nine assets are also actively marketed.

## 19. Financial liabilities at fair value through profit or loss

The details of financial liabilities at fair value through profit or loss as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
<b>Financial liabilities held for trading</b>			
Securities sold			
Other	₩ 522,112	₩ 1,279,869	₩ 1,347,668
	28,761	14,990	16,555
	550,873	1,294,859	1,364,223
<b>Financial liabilities designated at fair value through profit or loss</b>			
Derivative linked securities	837,206	-	-
	837,206	-	-
<b>Total financial liabilities at fair value through profit or loss</b>	₩ 1,388,079	1,294,859	₩ 1,364,223

The details of credit risk of financial liabilities designated at fair value through profit or loss as of December 31, 2011, are as follows:

(In millions of Korean won)

	Dec. 31, 2011
Derivative linked securities	
Equity-linked securities	₩ 846,648
Adjustments attributable to the credit risk	(9,442)
	₩ 837,206

Meanwhile, there were no financial liabilities designated at fair value through profit or loss as of December 31, 2010, or January 1, 2010.

## 20. Deposits

Deposits as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Deposits	₩ 190,337,890	₩ 179,862,500	₩ 169,065,579
Deferred financing costs	(300)	(429)	(536)
	₩ 190,337,590	₩ 179,862,071	₩ 169,065,043

The details of deposits as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
<b>Demand deposits in Korean won</b>			
Checking deposits	₩ 146,658	₩ 113,852	₩ 134,770
Household checking deposits	434,134	460,228	403,602
Special deposits	2,691,674	2,862,693	2,855,247
Ordinary deposits	20,581,481	19,740,236	17,906,264
Public fund deposits	85,895	125,094	158,275
Treasury deposits	7,539	5,869	4,187
General savings deposits	23,471,543	22,716,444	19,993,981
Corporate savings deposits	10,209,575	10,197,986	8,646,379
Nonresident's deposit in Korean won	128,630	59,481	69,082
Nonresident's free deposit in Korean won	15,672	25,709	39,777
Others	308,181	182,245	205,927
	58,080,982	56,489,837	50,417,491
<b>Demand deposits in foreign currencies</b>			
Checking deposits	71,838	83,650	79,445
Ordinary deposits	1,661,358	1,379,023	1,360,546
Special deposits	1,145	1,073	16,466
Others	9,436	11,226	21,056
	1,743,777	1,474,972	1,477,513
	59,824,759	57,964,809	51,895,004
<b>Time deposits in Korean won</b>			
Time deposits	114,868,739	105,029,253	78,690,444
Installment savings deposits	5,454,573	5,625,204	5,411,923
Good-sum formation savings	338	367	396
Workers' savings for housing	2	2	2
Nonresident's deposit in Korean won	193,765	214,383	263,915
Long-term savings deposits for workers	1,862	2,035	2,304
Nonresident's free deposit in Korean won	85,875	119,578	101,002
Long-term housing savings deposits	3,309,833	3,758,140	3,789,456
Long-term savings for households	247	371	523
Preferential savings deposits for workers	489	998	2,535
Mutual installment deposits	1,273,806	1,941,767	1,789,963
Mutual installment for housing	1,173,404	1,485,336	1,900,618
Others	196	226	238
	126,363,129	118,177,660	91,953,319
Losses (gains) on valuation of fair value hedged items (prior year portion)	-	-	(11,689)
	126,363,129	118,177,660	91,941,630
<b>Time deposits in foreign currencies</b>			
Time deposits	2,604,603	1,372,689	2,142,133
Installment savings deposits	1,201	391	480
Others	23	23	5,076
	2,605,827	1,373,103	2,147,689
	128,968,956	119,550,763	94,089,319
<b>Certificates of deposits</b>			
	1,544,175	2,346,928	23,081,256
<b>Total deposits</b>	₩ 190,337,890	₩ 179,862,500	₩ 169,065,579

## 21. Debts

The details of debts as of December 31, 2011 and 2010, and January 1, 2010, consist of:

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Borrowings	₩ 14,091,973	₩ 10,086,081	₩ 9,800,638
Bonds sold under repurchase agreements and others	1,590,400	1,053,543	2,670,401
Call money	1,141,465	604,941	1,364,010
Deferred financing costs	-	(176)	(945)
	₩ 16,823,838	₩ 11,744,389	₩ 13,834,104

The details of borrowings as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Lender	Annual interest rate (%)	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010	
<b>Borrowings in Korean won</b>	Borrowings from the Bank of Korea	Bank of Korea	1.50	₩ 650,616	₩ 930,653	₩ 1,343,725
	Borrowings from the government	KEMCO and others	0.00 ~ 5.00	690,750	676,223	674,272
	Borrowings from national housing fund	National Housing Fund	3.00	-	-	2,430
	Borrowings from banking institutions	Industrial Bank of Korea and others	2.64 ~ 3.00	405,033	67,520	86,327
	Borrowings from non-banking financial institutions	The Korea Development Bank	1.69 ~ 2.80	91,254	56,252	47,406
	Other borrowings	Small & Medium Business Corporation and others	0.50 ~ 6.09	3,538,983	2,189,046	1,945,338
			5,376,636	3,919,694	4,099,498	
<b>Borrowings in foreign currencies</b>	Due to banks	JP Morgan Chase Bank N.A. and others	-	28,194	347,206	234,006
	Borrowings from banking institutions	Sumitomo Mitsui Banking Corp. and others	0.50~5.73	4,694,199	2,821,223	2,701,557
	Off-shore borrowings in foreign currencies	Centralbank Uzbekistan and others	0.62~3.43	1,019,279	1,447,651	1,313,154
	Other borrowings	JP Morgan Chase Bank N.A. and others	-	2,973,665	1,550,307	1,452,423
			8,715,337	6,166,387	5,701,140	
			₩ 14,091,973	₩ 10,086,081	₩ 9,800,638	

The details of bonds sold under repurchase agreements and others as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Lender	Annual interest rate (%)	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Bonds sold under repurchase agreements	Individuals, Groups, Corporations	2.40 ~ 4.64	₩ 1,511,875	₩ 977,957	₩ 2,605,563
Bills sold	Counter sale	1.97 ~ 3.78	78,525	75,586	64,838
			₩ 1,590,400	₩ 1,053,543	₩ 2,670,401

The details of call money as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Lender	Annual interest rate (%)	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Call money in Korean won	Woori Asset Management Co., Ltd. and others	2.76 ~ 3.35	₩ 314,200	₩ 130,500	₩ 217,100
Call money in foreign currencies	Centralbank Uzbekistan and others	0.15 ~ 4.48	827,265	474,441	1,146,910
			₩ 1,141,465	₩ 604,941	₩ 1,364,010

Call money and borrowings from financial institutions as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

	Dec. 31, 2011			
	Bank of Korea	Other Banks	Others	Total
Call money	₩ -	₩ 932,410	₩ 209,055	₩ 1,141,465
Borrowings	650,616	9,064,282	1,216,359	10,931,257
	₩ 650,616	₩ 9,996,692	₩ 1,425,414	₩ 12,072,722

(In millions of Korean won)

	Dec. 31, 2010			
	Bank of Korea	Other Banks	Others	Total
Call money	₩ -	₩ 442,528	₩ 162,413	₩ 604,941
Borrowings	930,653	6,180,605	239,105	7,350,363
	₩ 930,653	₩ 6,623,133	₩ 401,518	₩ 7,955,304

(In millions of Korean won)

	Jan. 1, 2010			
	Bank of Korea	Other Banks	Others	Total
Call money	₩ -	₩ 1,203,910	₩ 160,100	₩ 1,364,010
Borrowings	1,343,725	5,716,713	282,112	7,342,550
	₩ 1,343,725	₩ 6,920,623	₩ 442,212	₩ 8,706,560

## 22. Debentures

The details of debentures as of December 31, 2011 and 2010, and January 1, 2010, are as follows:



(In millions of Korean won)

	Annual interest rate (%)	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
<b>Debentures in Korean won</b>				
Hybrid capital instrument	8.50	₩ 100,000	₩ 100,000	₩ 100,000
Structured debentures	2.00~8.62	3,424,238	3,684,341	3,903,238
Subordinated fixed rate debentures in Korean won	4.27~7.70	7,995,571	7,323,268	7,972,273
Fixed rate debentures in Korean won	3.20~7.95	10,791,612	13,273,928	21,807,646
Floating rate debentures in Korean won	3.57~5.16	803,258	833,258	283,258
		23,114,679	25,214,795	34,066,415
<b>Fair value adjustments on fair value hedged financial debentures in Korean won</b>				
Fair value adjustments on valuation of fair value hedged items (current period portion)		15,964	57,045	-
Fair value adjustments on valuation of fair value hedged items (prior year portion)		42,494	(35,515)	(82,310)
		58,458	21,530	(82,310)
<b>Discount or premium on debentures in Korean won</b>				
Discount on debentures		(52,290)	(17,273)	(29,816)
		23,120,847	25,219,052	33,954,289
<b>Debentures in foreign currencies</b>				
Floating rate debentures	0.64 ~ 2.57	1,309,606	1,686,459	3,003,197
Fixed rate debentures	1.50 ~ 7.25	2,705,167	2,337,759	1,840,344
		4,014,773	4,024,218	4,843,541
<b>Fair value adjustments on fair value hedged debentures in foreign currencies</b>				
Fair value adjustments on valuation of fair value hedged items (current period portion)		47,986	(27,816)	-
Fair value adjustments on valuation of fair value hedged items (prior year portion)		(90,778)	(83,832)	(106,270)
		(42,792)	(111,648)	(106,270)
<b>Discount or premium on debentures in foreign currencies</b>				
Discount on debentures		(22,949)	(24,306)	(29,598)
		3,949,032	3,888,264	4,707,673
		₩ 27,069,879	₩ 29,107,316	₩ 38,661,962

The changes in debentures based on face value for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011				
	Beginning	Issues	Repayments	Others	Ending
<b>Debentures in Korean won</b>					
Hybrid capital instrument	₩ 100,000	₩ -	₩ -	₩ -	₩ 100,000
Structured debentures	3,684,341	500,000	(760,103)	-	3,424,238
Subordinated fixed rate debentures in Korean won	7,323,268	800,000	(127,697)	-	7,995,571
Fixed rate debentures in Korean won	13,273,928	6,940,000	(9,422,316)	-	10,791,612
Floating rate debentures in Korean won	833,258	690,000	(720,000)	-	803,258
	25,214,795	8,930,000	(11,030,116)	-	23,114,679
<b>Debentures in foreign currencies</b>					
Floating rate debentures	1,686,459	322,800	(789,143)	89,490	1,309,606
Fixed rate debentures	2,337,759	412,374	(33,217)	(11,749)	2,705,167
	4,024,218	735,174	(822,360)	77,741	4,014,773
	₩ 29,239,013	₩ 9,665,174	₩ (11,852,476)	₩ 77,741	₩ 27,129,452

(In millions of Korean won)

	Dec. 31, 2010				
	Beginning	Issues	Repayments	Others	Ending
<b>Debentures in Korean won</b>					
Hybrid capital instrument	₩ 100,000	₩ -	₩ -	₩ -	₩ 100,000
Structured debentures	3,903,238	1,030,103	(1,249,000)	-	3,684,341
Subordinated fixed rate debentures in Korean won	7,972,273	500,000	(1,149,005)	-	7,323,268
Fixed rate debentures in Korean won	21,807,646	5,238,300	(13,772,018)	-	13,273,928
Floating rate debentures in Korean won	283,258	830,000	(280,000)	-	833,258
	34,066,415	7,598,403	(16,450,023)	-	25,214,795
<b>Debentures in foreign currencies</b>					
Floating rate debentures	3,003,197	83,475	(1,350,042)	(50,171)	1,686,459
Fixed rate debentures	1,840,344	658,243	(181,933)	21,105	2,337,759
	4,843,541	741,718	(1,531,975)	(29,066)	4,024,218
	₩ 38,909,956	₩ 8,340,121	₩ (17,981,998)	₩ (29,066)	₩ 29,239,013

## 23. Provisions

The details of provisions as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Provisions for unused loan commitments	₩ 259,427	₩ 284,667	₩ 289,037
Provisions for acceptances and guarantees	311,502	414,254	92,508
Provisions for financial guarantee contracts	7,959	18,866	32,578
Provisions for asset retirement obligation	60,059	49,461	43,070
Other	158,792	252,822	118,961
	₩ 797,739	₩ 1,020,070	₩ 576,154

Provisions for unused loan commitments as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

<b>Dec. 31, 2011</b>					
	<b>Commitments outstanding</b>		<b>Provision</b>		<b>Ratio (%)</b>
Corporate loan commitments	₩	36,365,468	₩	102,301	0.28
Retail loan commitments		14,632,998		44,499	0.30
Credit line on credit cards		39,070,550		112,627	0.29
	₩	90,069,016	₩	259,427	0.29

(In millions of Korean won)

<b>Dec. 31, 2010</b>					
	<b>Commitments outstanding</b>		<b>Provision</b>		<b>Ratio (%)</b>
Corporate loan commitments	₩	27,644,011	₩	110,119	0.40
Retail loan commitments		14,149,393		41,399	0.29
Credit line on credit cards		44,776,141		133,149	0.30
	₩	86,569,545	₩	284,667	0.33

(In millions of Korean won)

<b>Jan. 1, 2010</b>					
	<b>Commitments outstanding</b>		<b>Provision</b>		<b>Ratio (%)</b>
Corporate loan commitments	₩	27,029,379	₩	114,296	0.42
Retail loan commitments		13,268,454		37,175	0.28
Credit line on credit cards		43,610,192		137,566	0.32
	₩	83,908,025	₩	289,037	0.34

Provisions for acceptances and guarantees as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

<b>Dec. 31, 2011</b>					
	<b>Acceptances and guarantees</b>		<b>Provision</b>		<b>Ratio (%)</b>
Confirmed acceptances and guarantees in Korean won	₩	1,605,167	₩	39,318	2.45
Confirmed acceptances and guarantees in foreign currencies		4,242,061		119,548	2.82
Unconfirmed acceptances and guarantees		5,695,456		152,636	2.68
	₩	11,542,684	₩	311,502	2.70

(In millions of Korean won)

<b>Dec. 31, 2010</b>					
	<b>Acceptances and guarantees</b>		<b>Provision</b>		<b>Ratio (%)</b>
Confirmed acceptances and guarantees in Korean won	₩	1,709,266	₩	48,069	2.81
Confirmed acceptances and guarantees in foreign currencies		4,314,929		150,934	3.50
Unconfirmed acceptances and guarantees		6,452,397		215,251	3.34
	₩	12,476,592	₩	414,254	3.32

(In millions of Korean won)

	Jan. 1, 2010				
	Acceptances and guarantees		Provision		Ratio (%)
Confirmed acceptances and guarantees in Korean won	₩	1,636,561	₩	19,892	1.22
Confirmed acceptances and guarantees in foreign currencies		5,221,895		38,943	0.75
Unconfirmed acceptances and guarantees		7,860,104		33,673	0.43
	₩	14,718,560	₩	92,508	0.63

The changes in provisions for unused loan commitments, acceptances and guarantees for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011				
	Provisions for acceptances and guarantees		Provisions for unused loan commitments		Total
Beginning	₩	414,254	₩	284,667	₩ 698,921
Effects of changes in foreign exchange rate		2,130		132	2,262
Provision(reversal)		(104,882)		(25,372)	(130,254)
Ending	₩	311,502	₩	259,427	₩ 570,929

(In millions of Korean won)

	Dec. 31, 2010				
	Provisions for acceptances and guarantees		Provisions for unused loan commitments		Total
Beginning	₩	92,508	₩	289,037	₩ 381,545
Effects of changes in foreign exchange rate		(270)		(210)	(480)
Provision(reversal)		322,016		(4,160)	317,856
Ending	₩	414,254	₩	284,667	₩ 698,921

The changes in provisions for financial guarantee contracts for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010	
Beginning	₩	18,866	₩	32,578
Provision (reversal)		(10,907)		(13,712)
Ending	₩	7,959	₩	18,866

The changes in provisions for asset retirement obligation for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010	
Beginning	₩	49,461	₩	43,070
Provision		5,893		1,381
Reversal		(94)		(47)
Used		(1,845)		(1,505)
Unwinding of discount	₩	2,719	₩	2,616
Effects of changes in discount rate		3,925		3,946
Ending	₩	60,059	₩	49,461

Provisions for asset retirement obligation are present value of estimated costs to be incurred for restoration of the leased properties. Actual expenses are expected to be incurred at the end of each lease contract. Three-year historical data of expired leases were used to estimate the average lease period. Also, the average restoration expense based on actual three-year historical data and the three-year historical average inflation rate were used to estimate the present value of estimated costs.

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
Provisions for membership rewards program	₩	13,495	₩	12,437	₩	1,225
Dormant accounts		11,292		9,773		10,155
Provisions for litigations		49,286		6,200		2,389
Others		84,719		224,412		105,192
	₩	158,792	₩	252,822	₩	118,961

The changes in other provisions for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011									
	Provisions for membership rewards program		Dormant accounts		Provisions for litigations		Others		Total	
Beginning	₩	12,437	₩	9,773	₩	6,200	₩	224,412	₩	252,822
Increase		16,759		10,377		69,479		5,081		101,696
Decrease		(15,701)		(8,858)		(26,393)		(144,774)		(195,726)
Ending	₩	13,495	₩	11,292	₩	49,286	₩	84,719	₩	158,792

(In millions of Korean won)

	Dec. 31, 2010									
	Provisions for membership rewards program		Dormant accounts		Provisions for litigations		Others		Total	
Beginning	₩	1,225	₩	10,155	₩	2,389	₩	105,192	₩	118,961
Increase		22,621		6,838		3,857		19,621		52,937
Decrease		(11,409)		(7,220)		(46)		99,599		80,924
Ending	₩	12,437	₩	9,773	₩	6,200	₩	224,412	₩	252,822

## 24. Other Liabilities

### 24.1 Defined benefit liabilities

#### Defined benefit plan

The Group operates defined benefit plans which have the following characteristics:

- The Group has the obligation to pay the agreed benefits to all its current and former employees.
- Actuarial risk (that benefits will cost more than expected) and investment risk fall, in substance, on the Group.

The defined benefit liability recognized in the statements of financial position is calculated annually by independent actuaries in accordance with actuarial valuation methods.

The defined benefit obligation is calculated using the Projected Unit Credit method (the 'PUC'). Data used in the PUC such as interest rates, future salary increase rate, mortality rate, consumer price index and expected return on plan asset are based on observable market data and historical data are updated annually.

Actuarial assumptions may differ from actual results, due to changes in the market, economic trends and mortality trends which may impact defined benefit liabilities and future payments. Actuarial gains and losses arising from changes in actuarial assumptions are recognized in the period incurred through profit or loss.

The changes in the defined benefit obligation for the years ended December 31, 2011 and 2010, are as follows:

	(In millions of Korean won)			
	<b>Dec. 31, 2011</b>		<b>Dec. 31, 2010</b>	
Present value of defined benefit obligation (beginning)	₩	491,989	₩	584,404
Current service cost		145,397		142,930
Interest cost		24,883		28,383
Actuarial gains(losses)		40,685		(24,906)
Exchange difference on foreign plans		29		35
Benefits paid		(17,885)		(255,795)
Past service cost <sup>1</sup>		45,538		-
Effect of business combination		-		915
Effects of curtailments		(827)		18,362
Effects of settlements		(925)		(2,339)
Present value of defined benefit obligation (ending)	₩	728,884	₩	491,989

<sup>1</sup> Other provisions amounting to ₩ 34,427 million as of December 31, 2010 are reclassified as defined benefit obligation.

The changes in the fair value of plan assets for the years ended December 31, 2011 and 2010, are as follows:

	(In millions of Korean won)			
	<b>Dec. 31, 2011</b>		<b>Dec. 31, 2010</b>	
Fair value of plan assets (beginning)	₩	366,526	₩	417,017
Expected return on plan assets		15,382		19,181
Actuarial gains (losses)		982		(6,966)
Contributions		235,736		195,781
Benefits paid		(17,658)		(256,224)
Effect of business combination		-		76
Effects of settlements		(572)		(2,339)
Fair value of plan assets (ending)	₩	600,396	₩	366,526

The details of defined benefit liabilities as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
Present value of defined benefit obligation	₩	728,884	₩	491,989	₩	584,404
Fair value of plan assets		(600,396)		(366,526)		(417,017)
Defined benefit liability	₩	128,488	₩	125,463	₩	167,387

The details of post-employment benefits recognized in profit and loss as employee compensation and benefits for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010	
Current service cost	₩	145,397	₩	142,930
Interest cost		24,883		28,383
Expected return on plan assets		(15,382)		(19,181)
Actuarial losses (gains)		39,703		(17,940)
Past service cost		11,111		-
Effects of curtailments		(827)		18,362
Post-employment benefits <sup>1</sup>	₩	204,885	₩	152,554

<sup>1</sup> Post-employment benefits amounting to ₩ 548 million and ₩ 1,211 million for the years ended December 31, 2011 and 2010, respectively, are recognized as other operating expense in the statements of comprehensive income.

The actual return on plan assets is ₩ 16,634 million and ₩ 12,215 million for the years ended December 31, 2011 and 2010, respectively.

The details of plan assets as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
Time deposits	₩	600,396	₩	366,526	₩	417,017

Key actuarial assumptions used as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Ratio (%)		
	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Discount rate	3.76 ~ 4.40	3.56 ~ 5.13	5.24 ~ 5.96
Expected return on plan assets	3.20 ~ 4.19	3.71 ~ 3.91	4.67 ~ 5.39
Future salary increase rate	0.00 ~ 8.25	0.00 ~ 10.00	0.00 ~ 10.00

Mortality assumptions are based on the 2009 Korea standard mortality rates table.

The present value of defined benefits obligation, fair value of plan assets and actuarial adjustments to each item as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
Present value of defined benefits obligation	₩	728,884	₩	491,989	₩	584,404
Fair value of plan assets		(600,396)		(366,526)		(417,017)
		128,488		125,463		167,387
Adjustments to defined benefits obligation		40,685		(24,906)		-
Adjustments to plan assets		(982)		6,966		-

The Group's best estimate of contributions expected to be paid to plan during the annual period beginning after the reporting period amounts to ₩ 103,958 million.

## 24.2 Other liabilities

The details of other liabilities, excluding defined benefits liabilities, as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
<b>Other financial liabilities</b>						
Other payables	₩	3,000,703	₩	2,383,209	₩	3,437,238
Prepaid card and debit card		20,151		18,263		17,580
Accrued expenses		4,219,075		3,874,272		3,968,641
Financial guarantee liabilities		7,217		5,267		10,030
Deposits for letter of guarantees and others		154,542		143,632		142,265
Domestic exchange settlement credits		133,568		189,041		391,571
Foreign exchanges settlement credits		88,480		84,296		68,430
Borrowings from other business account		11,827		3,011		46,809
Borrowings from Trust Accounts		1,918,766		1,834,715		1,658,208
Liability Incurred by Agency Relationship		197,537		381,896		344,668
Account for Agency Businesses		134,256		268,675		218,415
Others		75,983		88,450		100,020
		9,962,105		9,274,727		10,403,875
<b>Other non-financial liabilities</b>						
Other payables		126,666		20,138		22,718
Unearned revenue		125,190		113,370		134,049
Accrued expenses		184,412		137,329		156,777
Deferred revenue on credit card points		106,132		124,949		140,219
Withholding Taxes		154,478		101,053		99,069
Insurance liabilities		3,530,354		2,858,176		2,046,694
Separate account liabilities		543,819		426,548		291,611
Others		353,013		344,659		121,613
		5,124,064		4,126,222		3,012,750
	₩	15,086,169	₩	13,400,949	₩	13,416,625

## 25. Equity

### 25.1 Capital Stock

The details of outstanding shares of the Parent Company as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

	Ordinary shares		
	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Number of shares authorized	1,000,000,000	1,000,000,000	1,000,000,000
Number of shares	386,351,693	386,351,693	386,351,693
Par Value per share	₩ 5,000	₩ 5,000	₩ 5,000
Capital <sup>1</sup>	₩ 1,931,758	₩ 1,931,758	₩ 1,931,758

<sup>1</sup> In millions of Korean won.



## 25.2 Capital surplus

The details of capital surplus as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
Paid-in capital in excess of par value	₩	12,226,596	₩	12,226,596	₩	12,226,596
Loss on sales of treasury shares		(568,544)		(420,484)		(420,484)
Other capital surplus		4,183,772		4,184,166		4,184,506
	₩	15,841,824	₩	15,990,278	₩	15,990,618

The changes in the loss on sales of treasury shares for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

Dec. 31, 2011					
Beginning	Changes		Tax effect		Ending
₩ (420,484)	₩	(195,285)	₩	47,225	₩ (568,544)

(In millions of Korean won)

Dec. 31, 2010					
Beginning	Changes		Tax effect		Ending
₩ (420,484)	₩	-	₩	-	₩ (420,484)

## 25.3 Treasury shares

The changes in treasury shares for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011				
	Beginning	Purchase	Cancellation	Sales	Ending
Number of shares	43,322,704	-	-	(43,322,704)	-
Carrying amount	₩ (2,476,809)	₩ -	₩ -	₩ 2,476,809	₩ -

(In millions of Korean won)

	Dec. 31, 2010				
	Beginning	Purchase	Cancellation	Sales	Ending
Number of shares	43,322,704	-	-	-	43,322,704
Carrying amount	₩ (2,476,809)	₩ -	₩ -	₩ -	₩ (2,476,809)

## 25.4 Accumulated other comprehensive income

The details of accumulated other comprehensive income as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
Change in value of available-for-sale financial assets	₩	200,275	₩	443,389	₩	355,312
Change in value of held-to-maturity financial assets		(1,652)		(2,098)		(2,614)
Shares of other comprehensive income of associates and joint ventures		(4,195)		(3,762)		(1,757)
Cash flow hedges		(1,321)		-		-
Currency translation differences		(1,465)		(6,957)		-
	₩	191,642	₩	430,572	₩	350,941

## 25.5 Retained earnings

The details of retained earnings as of December 31, 2011 and 2010, and January 1, 2010, consist of:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
Legal reserves	₩	124,014	₩	115,182	₩	61,200
Voluntary reserves		982,000		982,000		568,000
Unappropriated retained earnings		3,846,737		1,523,706		1,923,985
	₩	4,952,751	₩	2,620,888	₩	2,553,185

With respect to the allocation of net profit earned in a fiscal term, the Parent Company must set aside in its legal reserve an amount equal to at least 10% of its net income after tax as reported in the separate statement of comprehensive income each time it pays dividends on its net profits earned until its legal reserve reaches at least the aggregate amount of its paid-in capital in accordance with Article 53 of the Financial Holding Company Act. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock, or used to reduce accumulated deficit.

## Regulatory Reserve for Credit Losses

Measurement and Disclosure of Regulatory Reserve for Credit Losses are required in accordance with Articles 26 through 28 of Supervisory Regulations on Financial Holding Companies.

The details of the regulatory reserve for credit losses as of December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010	
Beginning	₩	-	₩	-
Amounts estimated to be appropriated <sup>1</sup>		1,816,074		1,303,099
Ending	₩	1,816,074	₩	1,303,099

<sup>1</sup> The amounts related to intercompany transactions are excluded.

The adjustments to the regulatory reserve for credit losses as of December 31, 2011, are as follows:

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

	Dec. 31, 2011	
Provision of regulatory reserve for credit losses	₩	512,975
Adjusted profit after provision of regulatory reserve for credit losses <sup>1</sup>		1,860,051
Adjusted basic earnings per share after provision of regulatory reserve for credit losses <sup>1</sup>		5,064
Adjusted diluted earnings per share after provision of regulatory reserve for credit losses <sup>1</sup>		5,052

<sup>1</sup> Adjusted profit after provision of regulatory reserve for credit losses is not accordance with K-IFRS and calculated on the assumption that provision or reversal of regulatory reserve for credit losses before income tax is adjusted to the profit.

## 26. Net Interest Income

The details of interest income and interest expense for the years ended December 31, 2011 and 2010, are as follows:

	(In millions of Korean won)	
	Dec. 31, 2011	Dec. 31, 2010
<b>Interest income</b>		
Due from financial institutions	₩ 74,663	₩ 38,029
Loans	12,226,763	11,373,099
Financial investments		
Available-for-sale financial assets	775,783	766,252
Held-to-maturity financial assets	693,605	735,448
Other	185,443	139,108
	13,956,257	13,051,936
<b>Interest expenses</b>		
Deposits	4,944,615	4,708,531
Debts	324,076	263,581
Debentures	1,508,328	1,863,111
Other	74,726	42,909
	6,851,745	6,878,132
<b>Net interest income</b>	₩ 7,104,512	₩ 6,173,804

Interest income recognized on impaired loans and financial investments amounts to ₩ 121,221 million (2010: ₩ 100,942 million) and ₩ 200 million (2010: ₩ 200 million), respectively, for the years ended December 31, 2011 and 2010.

Interest income received in cash from written-off loans amounting to ₩ 32,765 million and ₩ 64,488 million, respectively, for the years ended December 31, 2011 and 2010, which were classified as non-operating income under previous K-GAAP, are reclassified as operating income under K-IFRS.

## 27. Net Fee and Commission income

The details of fee and commission income, and fee and commission expense for the years ended December 31, 2011 and 2010, are as follows:

	(In millions of Korean won)	
	Dec. 31, 2011	Dec. 31, 2010
<b>Fee and commission income</b>		
Banking activity fees	₩ 188,652	₩ 183,862
Lending activity fees	88,521	79,734
Credit card related fees and commissions	1,142,306	1,043,768
Debit card related fees and commissions	192,686	166,680
Agent activity fees	238,216	136,034
Trust and other fiduciary fees	165,772	149,450

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010
Fund management related fees	75,699	64,116
Guarantee fees	34,181	38,752
Foreign currency related fees	114,722	109,646
Commissions from transfer agent services	211,776	279,081
Other business account commission on consignment	173,893	43,979
Securities brokerage fees	57,435	42,964
Other	145,895	143,385
	2,829,754	2,481,451
<b>Fee and commission expense</b>		
Trading activity related fees	3,498	6,310
Lending activity fees	2,743	4,110
Credit card related fees and commissions	838,843	541,125
Outsourcing related fees	61,551	56,027
Foreign currency related fees	18,003	17,670
Management fees of written-off loans	9,775	8,680
Other	100,591	142,815
	1,035,004	776,737
<b>Net fee and commission income</b>	₩ 1,794,750	₩ 1,704,714

The above amounts include fee and commission income of ₩ 2,829,754 million and ₩ 2,481,451 million from financial assets, and fee and commission expense of ₩ 1,031,506 million and ₩ 770,427 million from financial liabilities for the years ended December 31, 2011 and 2010, respectively, that are not at fair value through profit or loss.

Management fees of written-off loans which were classified as non-operating expense in previous K-GAAP, are reclassified as operating expense under K-IFRS.

## 28. Net gain or loss from financial assets/liabilities at fair value through profit or loss

### 28.1 Net gain or loss from financial instruments held for trading

Net gain or loss from financial instruments held for trading includes interest income, dividend income and gains or losses arising from changes in the fair values, sales and redemptions. The details for the years ended December 31, 2011 and 2010, are as follows:

	(In millions of Korean won)	
	Dec. 31, 2011	Dec. 31, 2010
<b>Financial assets held for trading</b>		
Debt securities	₩ 207,564	₩ 319,648
Equity securities	(26,226)	41,504
	181,338	361,152
<b>Derivatives held for trading</b>		
Interest rate	(40,243)	(116,208)
Currency	886,265	707,860
Stock or stock index	59,512	(24,249)
Credit	259	2,044

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010
Commodity	183	(61)
Other	515	978
	906,491	570,364
<b>Financial liabilities held for trading</b>	(59,303)	(117,120)
<b>Other financial instruments</b>	231	(75)
	₩ 1,028,757	₩ 814,321

## 28.2 Net gain or loss from financial instruments designated at fair value through profit or loss

Net gain or loss from financial instruments designated at fair value through profit or loss includes interest income, dividend income and gains or losses arising from changes in the fair values, sales and redemptions. The details for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010
Financial assets designated at fair value through profit or loss	₩ (50,853)	₩ 487
Financial liabilities designated at fair value through profit or loss	57,963	-
	₩ 7,110	₩ 487

## 29. Other operating income and expenses

The details of other operating income and expenses for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010
<b>Other operating income</b>		
Revenue related to available-for-sale financial assets		
Gains on redemption of available-for-sale financial assets	₩ 118	₩ 592
Gains on sale of available-for-sale financial assets	551,506	178,941
	551,624	179,533
Revenue related to held-to-maturity financial assets		
Reversal of impairment on held-to-maturity financial assets	117	4
	117	4
Gains on foreign exchange transactions	1,562,633	1,980,593
Income related to insurance	1,001,628	1,064,042
Dividend income	94,391	101,795
Others	473,801	446,937
	3,684,194	3,772,904
<b>Other operating expenses</b>		
Expense related to available-for-sale financial assets		
Loss on redemption of available-for-sale financial assets	22	46
Loss on sale of available-for-sale financial assets	19,038	18,233
Impairment on available-for-sale financial assets	51,072	48,184
	70,132	66,463

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010
Expense related to held-to-maturity financial assets		
Impairment on held-to-maturity financial assets	150	523
	150	523
Loss on foreign exchanges transactions	2,208,390	2,381,297
Expense related to insurance	1,078,808	1,091,665
Others	1,418,723	1,300,299
	4,776,203	4,840,247
<b>Net other operating income (expenses)</b>	₩ (1,092,009)	₩ (1,067,343)

### 30. Employee Benefits

#### 30.1 The details of employee benefits

The details of employee benefits for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010
Salaries and other short-term employee benefits	₩ 1,657,823	₩ 1,603,553
Post-employment benefits-defined benefit plans	204,337	151,343
Post-employment benefits-defined contribution plans	4,005	2,767
Termination benefits	12,308	654,039
Share-based payments <sup>1</sup>	(7,609)	(4,850)
	₩ 1,870,864	₩ 2,406,852

<sup>1</sup> Reversal of share-based payments was due to the decrease in share price.

#### 30.2 Share-based payments

##### 30.2.1 Share options

The details of the share options as of December 31, 2011, are as follows:

(In number of shares)

	Grant date	Exercise period (Years)	Granted shares <sup>1</sup>	Vesting conditions
Series 12	2004.02.09	8	60,000	Service period: 1 year <sup>4</sup>
Series 13-1	2004.03.23	8	20,000	Service period: 1 year <sup>3</sup>
Series 15-1	2005.03.18	8	165,000	Service period: 3 years <sup>3</sup>
Series 15-2	2005.03.18	8	690,000	Service period: 3 years <sup>4</sup>
Series 17	2005.07.22	8	30,000	Service period: 3 years <sup>4</sup>
Series 18	2005.08.23	8	15,000	Service period: 3 years <sup>4</sup>
Series 19	2006.03.24	8	930,000	Service period: 1, 2, 3 years <sup>2</sup>
Series 20	2006.04.28	8	30,000	Service period: 3 years <sup>2</sup>
Series 21	2006.10.27	8	20,000	Service period: 2 years <sup>2</sup>
Series 22	2007.02.08	8	855,000	Service period: 1, 3 years <sup>2</sup>
Series 23	2007.03.23	8	30,000	Service period: 3 years <sup>2</sup>
			2,845,000	

<sup>1</sup> Granted shares represent the total number of shares initially granted to directors and employees whose options have not been exercised at the end of the reporting period.

<sup>2</sup> The exercise price is indexed to the sum of the major competitors' total market capitalization.

<sup>3</sup> The exercise price is indexed to the banking industry index.

<sup>4</sup> The exercisability and number of shares are linked to certain performance conditions for the service period.

The changes in the number of granted share options and the weighted average exercise price for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won, except shares)

	Dec. 31, 2011						
	Beginning	Number of granted shares			Number of exercisable share	Exercise price per share	Remaining contractual life (Years)
		Exercised	Expired	Ending			
Series 10-1	40,063	23,385	16,678	-	-	₩	-
Series 10-2	51,303	51,303	-	-	-	-	-
Series 11	5,091	5,091	-	-	-	-	-
Series 12	54,250	-	-	54,250	54,250	46,100	0.11
Series 13-1	20,000	-	-	20,000	20,000	48,650	0.23
Series 15-1	125,362	-	-	125,362	125,362	54,656	1.21
Series 15-2	450,928	10,000	-	440,928	440,928	46,800	1.21
Series 16	8,827	8,827	-	-	-	-	-
Series 17	29,441	-	-	29,441	29,441	49,200	1.56
Series 18	7,212	-	-	7,212	7,212	53,000	1.65
Series 19	751,651	-	-	751,651	751,651	77,063	2.23
Series 20	25,613	-	-	25,613	25,613	81,900	2.33
Series 21	18,987	-	-	18,987	18,987	76,600	2.82
Series 22	657,498	-	-	657,498	657,498	77,100	3.11
Series 23	15,246	-	-	15,246	15,246	84,500	3.23
Series Kookmin Credit Card -1	22,146	-	22,146	-	-	-	-
Series Kookmin Credit Card -2	9,990	-	9,990	-	-	-	-
	2,293,608	98,606	48,814	2,146,188	2,146,188		
Weighted average exercise price	₩ 67,108	₩ 40,630	₩ 75,058	₩ 68,144	₩ 68,144		

The weighted-average share price at the date of exercise for share options exercised during the year ended December 31, 2011, is ₩ 57,960.

(In millions of Korean won, except shares)

	Dec. 31, 2010				Number of exercisable share	Exercise price per share	Remaining contractual life (Years)
	Number of granted shares						
	Beginning	Exercised	Expired	Ending			
Series 8-1	24,942	-	24,942	-	-	₩ -	-
Series 8-2	191,831	5,000	186,831	-	-	-	-
Series 9	23,899	-	23,899	-	-	-	-
Series 10-1	40,063	-	-	40,063	40,063	47,360	0.22
Series 10-2	67,993	16,690	-	51,303	51,303	35,500	0.22
Series 11	5,091	-	-	5,091	5,091	40,500	0.65
Series 12	54,250	-	-	54,250	54,250	46,100	1.11
Series 13-1	20,000	-	-	20,000	20,000	48,650	1.23
Series 14	610,000	-	610,000	-	-	-	-
Series 15-1	125,362	-	-	125,362	125,362	54,656	2.21
Series 15-2	480,714	-	29,786	450,928	450,928	46,800	2.21
Series 16	8,827	-	-	8,827	8,827	45,700	2.32
Series 17	29,441	-	-	29,441	29,441	49,200	2.56
Series 18	7,212	-	-	7,212	7,212	53,000	2.65
Series 19	751,651	-	-	751,651	751,651	77,063	3.23
Series 20	25,613	-	-	25,613	25,613	81,900	3.33
Series 21	18,987	-	-	18,987	18,987	76,600	3.82
Series 22	696,674	-	39,176	657,498	657,498	77,100	4.11
Series 23	15,246	-	-	15,246	15,246	84,500	4.23
Series Kookmin Credit Card -1	22,146	-	-	22,146	22,146	71,538	0.22
Series Kookmin Credit Card -2	9,990	-	-	9,990	9,990	129,100	0.24
	3,229,932	21,690	914,634	2,293,608	2,293,608		
Weighted average exercise price	₩ 63,028	₩ 13,163	₩ 18,060	₩ 67,108	₩ 67,108		

The weighted-average share price for share options exercised during the year ended December 31, 2010, was ₩ 53,878.



The fair value of each option granted is estimated using a Black-Scholes option pricing model based on the assumptions in the table below:

(In Korean won)

	Share price	Weighted average exercise price	Expected volatility (%)	Option's expected life (Years)	Expected dividends	Risk free interest rate (%)	Fair value
Series 12 (Directors)	₩ 37,500	₩ 46,100	20.22	0.05	₩ 4	3.40	₩ 1
Series 12 (Employees)	37,500	46,100	20.22	0.05	4	3.40	1
Series 13-1 (Directors)	37,500	48,650	38.54	0.11	8	3.40	51
Series 15-1 (Directors)	37,500	54,656	47.50	0.61	44	3.40	1,564
Series 15-2 (Directors)	37,500	46,800	47.50	0.61	44	3.40	2,794
Series 15-2 (Employees)	37,500	46,800	47.50	0.61	44	3.40	2,794
Series 17 (Directors)	37,500	49,200	42.94	0.78	57	3.40	2,467
Series 18 (Employees)	37,500	53,000	42.92	0.21	16	3.40	151
Series 19 (Directors)	37,500	76,726	38.64	1.12	81	3.40	424
Series 19 (Employees)	37,500	77,390	42.46	0.79	58	3.40	256
Series 20 (Employees)	37,500	81,900	40.71	0.89	65	3.40	194
Series 21 (Employees)	37,500	76,600	35.85	1.39	100	3.39	523
Series 22 (Directors)	37,500	77,100	52.02	0.44	33	3.40	135
Series 22 (Employees)	37,500	77,100	35.01	1.67	120	3.38	719
Series 23 (Non-executive directors)	37,500	84,500	48.62	0.56	41	3.40	107

The option's expected life is separately estimated for employees and directors using actual historical behavior and projected future behavior to reflect the effects of expected early exercise. Expected volatility is based on the historical volatility of the share price over the most recent period that is generally commensurate with the expected term of the option. To reflect the changes in exercise price which is indexed to the sum of the major competitors' total market capitalization, cross volatility is used in calculating the expected volatility.

### 30.2.2 Share Grants

The Group changed the scheme of share based payment from share option to share grant in November 2007. The share grant award program is an incentive plan that sets, on grant date, the maximum amount of shares that can be awarded. Actual shares granted at the end of the vesting period is determined in accordance with achievement of pre-specified targets over the vesting period.

The details of the share grant as of December 31, 2011, are as follows:

Share grants	Grant date	Number of granted shares <sup>1</sup>	Vesting conditions
(KB Financial Group Inc.)			
Series 1	2008.09.29	22,557	Services fulfillment , Achievements of targets on the basis of market and non-market performance <sup>2</sup>
Series 2	2009.03.27	3,090	Service fulfillment <sup>3</sup>
Series 3	2010.01.01	32,256	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>4,11</sup>
Series 4	2010.07.13	218,944	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>5,11</sup>
Series 5	2010.12.23	13,260	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>6,11</sup>
Series 6	2011.08.10	8,183	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>6,11</sup>
		298,290	
(Kookmin Bank)			
Series 13	2008.10.18	7,950	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,10,11</sup>
Series 17	2009.10.12	5,300	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11</sup>
Series 19	2010.01.01	9,980	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11,12</sup>
Series 20-1	2010.01.08	24,746	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11,12</sup>
Series 20-2	2010.01.08	105,714	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11,12</sup>
Series 23	2010.07.29	73,650	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>7,11</sup>
Series 24	2010.08.03	57,072	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11,12</sup>
Series 25	2010.08.12	18,472	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>7,11</sup>
Series 27	2010.09.20	8,092	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11</sup>
Series 28	2010.12.21	68,564	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11</sup>
Series 29	2010.12.23	10,764	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11</sup>
Series 30	2010.12.29	58,168	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11</sup>
Series 31	2011.01.03	16,306	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11</sup>
Series 32	2011.03.24	7,986	Services fulfillment, Achievements of targets on the basis of non-market performance <sup>9,11</sup>

Share grants	Grant date	Number of granted shares <sup>1</sup>	Vesting conditions
Series 33	2011.07.07	5,736	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11</sup>
Series 34	2011.08.10	10,242	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11</sup>
Series 35	2011.10.12	8,346	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>8,11</sup>
Series 36	2011.10.18	8,106	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>11,13</sup>
Grant deferred in 2010	-	15,496	Satisfied
Grant deferred in 2011	-	3,589	Satisfied
		524,279	
(Other subsidiaries)			
Share granted in 2010		33,817	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>14</sup>
Share granted in 2011		38,931	Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>14</sup>
		72,748	
		895,317	

<sup>1</sup> Granted shares represent the total number of shares initially granted to directors and employees at the end of reporting period.

<sup>2</sup> The vesting condition is to fulfill of the remaining contracted service period. The number of granted shares to be compensated is determined based on the fulfillment of service requirements. The 30%, 30% and 40% of the number of granted shares to be compensated are determined upon the accomplishment of the targeted KPIs, the targeted financial results of the Group and the targeted relative TSR, respectively.

<sup>3</sup> The number of granted shares to be compensated is determined based on fulfillment of service requirements.

<sup>4</sup> The 30%, 30% and 40% of the number of granted shares to be compensated are determined upon the accomplishment of targeted KPIs, targeted financial results of the Group and targeted relative TSR, respectively. However, 50% of certain granted shares will be compensated based on the accomplishment of targeted KPIs and the remaining 50% of those shares will be compensated based on the accomplishment of targeted relative TSR.

<sup>5</sup> The 37.5%, 37.5% and 25% of the number of certain granted shares to be compensated are determined based on the accomplishment of targeted relative TSR, targeted relative EPS ratio and qualitative indicators, respectively. The 30%, 30% and 40% of the number of other granted shares to be compensated are determined based on the accomplishment of targeted KPIs, targeted financial results of the Group and targeted relative TSR, respectively. The 40%, 40% and 20% of the number of the remaining granted shares to be compensated are determined based on the accomplishment of the targeted relative EPS ratio, the targeted relative TSR and qualitative indicators, respectively.

<sup>6</sup> The 40%, 30% and 30% of the number of granted shares to be compensated are determined based on the accomplishment of the targeted relative TSR, the targeted KPIs and the targeted financial results of the Group, respectively.

<sup>7</sup> The 40%, 40% and 20% of the number of granted shares to be compensated are determined based on the accomplishment of the targeted relative TSR, the targeted relative EPS ratio and qualitative indicators, such as a trend of ROA of last two years, respectively.

<sup>8</sup> The 30%, 30% and 40% of the number of granted shares to be compensated are determined based on the accomplishment of the targeted KPIs, the targeted financial results of the Group and the targeted relative TSR, respectively.

<sup>9</sup> The number of granted shares to be compensated is not linked to performance, but fixed.

<sup>10</sup> The number of granted shares to be compensated was changed based on a new contract made for the year ended December 31, 2010, after cancellation of the previous contract.

<sup>11</sup> Certain portion of the granted shares is compensated over a maximum period of three years.

<sup>12</sup> Fair value of compensation per granted share is confirmed.

<sup>13</sup> Half of the number of granted shares to be compensated is determined based on the accomplishment of the targeted relative TSR, while the other is determined by the targeted KPIs.

<sup>14</sup> The 30%, 30% and 40% of the number of granted shares to be compensated are determined based on the accomplishment of the targeted KPIs, MOU of the Group and the targeted relative TSR, respectively. The 60% and 40% of the number of certain granted shares to be compensated are determined based on MOU of the Group and the targeted relative TSR, respectively.

The details of share grants linked to short-term performance as of December 31, 2011, are as follows:

Share grants	Grant date	Number of granted shares <sup>1</sup>	Vesting conditions
(KB Financial Group Inc.)			
Share granted in 2010	2010.01.01	9,218	Satisfied
Share granted in 2011	2011.01.01	21,187	Proportion to service period
(Kookmin Bank)			
Share granted in 2010	2010.01.01	82,415	Satisfied
Share granted in 2011	2011.01.01	165,343	Proportion to service period

<sup>1</sup>The number of shares, which are exercisable, is determined by the results of performance. The share grants are settled over three years.

Share grants are measured at fair value using the Monte Carlo Simulation Model and assumptions used in determining the fair value are as follows:

(In Korean won)

	Expected exercise period (Years)	Risk free rate (%)	Fair value (Market performance condition)	Fair value (Non-market performance condition)
<b>Linked to long term performance</b>				
(KB Financial Group Inc.)				
Series 1-2	-	3.40	₩ -	37,452
Series 1-4	0.23	3.40	-	36,214
Series 2-3	0.24	3.40	-	36,207
Series 3-1	0.00~2.00	3.40	57,407	37,452~41,104
Series 3-2	0.00~3.00	3.40	-	37,452~42,634
Series 3-3	0.00~2.00	3.40	57,407	37,452~41,104
Series 4-1	1.53~5.01	3.38	14,747	42,634~45,738
Series 4-2	1.53~5.01	3.38	15,252	42,634~45,738
Series 4-3	1.00~4.00	3.40	8,349	36,211~44,159
Series 4-4	1.00~4.00	3.40	8,221	36,211~44,159
Series 4-5	1.00~4.00	3.40	4,107	36,211~44,159
Series 5-1	1.00~4.00	3.40	5,286	36,211~44,159
Series 6-1	2.00~5.01	3.37	19,421	36,109~45,738
(Kookmin Bank)				
Series 13	1.00~3.00	3.40	36,339	36,339~42,634
Series 17	1.00~3.00	3.40	36,343	36,343~42,634
Series 19	-	3.40	-	36,291
Series 20-1	0.02~4.00	3.40	8,718	36,916~44,159
Series 20-2	0.02~4.00	3.40	8,718	36,917~44,159
Series 23	1.53~4.53	3.38	21,644	36,110~42,520
Series 24	0.59~4.00	3.40	9,086	36,222~42,634
Series 25	1.53~4.53	3.38	21,644	36,110~42,520
Series 27	0.72~4.00	3.40	5,225	36,169~42,634
Series 28	1.00~4.00	3.40	4,609	36,211~42,634

	Expected exercise period (Years)	Risk free rate (%)	Fair value (Market performance condition)	Fair value (Non-market performance condition)
Series 29	1.00~4.00	3.40	5,286	36,211~42,634
Series 30	1.00~4.00	3.40	5,606	36,211~42,634
Series 31	1.00~4.00	3.40	5,623	36,211~42,634
Series 32	2.23~5.17	3.36	-	36,302~42,729
Series 33	1.50~4.17	3.39	15,878	36,283~42,634
Series 34	1.61~4.17	3.38	18,635	36,280~42,634
Series 35	2.00~4.17	3.37	21,198	36,109~42,634
Series 36	2.00~4.17	3.37	21,649	36,109~42,634
Grant deferred in 2010	0.25~3.25	3.38	-	37,060~42,634
Grant deferred in 2011	0.25~3.25	3.38	-	36,479~42,634
(Other subsidiaries)				
Share granted in 2010	1.00~2.17	3.36~3.40	607~16,958	36,132~36,240
Share granted in 2011	1.00~2.35	3.36~3.40	607~18,772	36,058~36,240
<b>Linked to short-term performance</b>				
(KB Financial Group Inc.)				
Share granted in 2010	0.00~2.00	3.49	-	40,580~44,631
Share granted in 2011	1.00~3.00	3.49	-	40,580~46,184
(Kookmin Bank)				
Share granted in 2010	0.59~2.00	3.38	-	37,060~41,104
Share granted in 2011	0.23~3.00	3.38	-	36,479~42,634

Expected volatility is based on the historical volatility of the share price over the most recent period that is generally commensurate with the expected term of the grant. And the current stock price of December 31, 2011, was used for the underlying asset price. Additionally, the average three-year historical dividend rate was used as the expected dividend rate. The Group used the historical data of Kookmin Bank for the period before the Parent Company was incorporated.

As of December 31, 2011 and 2010, and January 1, 2010, the accrued expenses related to share-based payments including share options and share grants amounted to ₩ 27,236 million, ₩ 38,757 million and ₩ 47,896 million, respectively, and the compensation costs from share options and share grants amounting to ₩ 7,609 million were reversed for the year ended December 31, 2011, and compensation costs amounting to ₩ 4,850 million were reversed for the year ended December 31, 2010. There is no intrinsic value of the vested share options (December 31, 2010: ₩ 8,615 million, January 1, 2010: ₩ 17,571 million).

### 31. Other general and administrative expenses

The details of other general and administrative expenses for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010	
Welfare expense	₩	558,965	₩	569,264
Rental expense		255,867		248,715
Tax and dues		145,556		141,164
Communication		73,555		49,462
Electricity and utilities		23,535		23,169
Publication		23,308		22,326
Repairs and maintenance		15,576		16,070
Vehicle		40,882		40,710
Travel		5,405		5,000
Training		25,506		20,475
Service fees		110,814		117,002
Others		439,482		358,728
	₩	1,718,451	₩	1,612,085

### 32. Tax expense

Income tax expense for the years ended December 31, 2011 and 2010, consists of:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010	
Tax payable				
Current tax expense	₩	816,051	₩	233,867
Adjustments recognized in the period for current tax of prior years		23,479		(172,291)
		839,530		61,576
<b>Changes in deferred income tax assets (liabilities)</b>		(100,836)		(97,827)
<b>Income tax recognized directly in equity</b>				
Exchange differences on translating foreign operations		(11)		(384)
Change in value of available-for-sale financial assets		46,303		(33,618)
Change in value of held-to-maturity financial assets		(249)		(287)
Share of other comprehensive income of associates and joint ventures		31		(1)
Cash flow hedges		241		-
Loss on sales of treasury shares		47,225		-
		93,540		(34,290)
<b>Tax expense(income)</b>	₩	832,234	₩	(70,541)

An analysis of the net profit before income tax and income tax expense for the years ended December 31, 2011 and 2010, follows:

(In millions of Korean won)

	Proportion (%)	Dec. 31, 2011	Dec. 31, 2010
<b>Net profit before income tax</b>		₩ 3,260,806	₩ 149,368
Tax at the applicable tax rate <sup>1</sup>	24.20	₩ 789,089	₩ 36,121
Non-taxable income	(0.44)	(14,325)	(3,681)
Non-deductible expense	0.50	16,220	9,371

(In millions of Korean won)

	Proportion (%)	Dec. 31, 2011	Dec. 31, 2010
Tax credit and tax exemption	(0.07)	(2,198)	(5,959)
Temporary difference for which no deferred tax is recognized	(0.08)	(2,567)	61,417
Deferred tax relating to changes in recognition and measurement	(0.26)	(8,459)	(9,703)
Adjustments recognized in the period for the current tax of prior years	0.72	23,479	(172,291)
Income tax expense of overseas branch	0.56	18,308	13,888
Effects from change in tax rate	0.50	16,436	(1,235)
Others	(0.11)	(3,749)	1,531
<b>Tax expense(income)</b>	25.52	₩ 832,234	₩ (70,541)

<sup>1</sup>Applicable income tax rate for ₩ 200 million and below is 11%, and for over ₩ 200 million is 24.2%, which is composed of corporate tax and local income tax.

The details of current tax liabilities (income tax payables) and current tax assets (income tax refund receivables) before offsetting, as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011				
	Tax payables (receivables) before offsetting		Offsetting	Tax payables (receivables) after offsetting	
Income tax refund receivables	₩	(228,579)	₩	216,981	₩ (11,598)
Income tax payables		805,806		(216,981)	588,825

(In millions of Korean won)

	Dec. 31, 2010				
	Tax payables (receivables) before offsetting		Offsetting	Tax payables (receivables) after offsetting	
Income tax refund receivables	₩	(320,417)	₩	186,016	₩ (134,401)
Income tax payables		215,657		(186,016)	29,641

(In millions of Korean won)

	Jan. 1, 2010				
	Tax payables (receivables) before offsetting		Offsetting	Tax payables (receivables) after offsetting	
Income tax refund receivables	₩	(169,469)	₩	169,166	₩ (303)
Income tax payables		268,918		(169,166)	99,752

### 33. Dividends

The dividends paid to the shareholders of the Parent Company in 2011 and 2010 were ₩ 41,163 million (₩ 120 per share) and ₩ 78,897 million (₩ 230 per share), respectively. The dividend to the shareholders of the Parent Company in respect of the year ended December 31, 2011, of ₩ 720 per share, amounting to total dividends of ₩ 278,173 million, is to be proposed at the annual general meeting on March 23, 2012. The Group's consolidated financial statements as of December 31, 2011, do not reflect this dividend payable.

### 34. Accumulated other comprehensive income

The details of accumulated other comprehensive income for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011				
	Beginning	Changes except for reclassification	Reclassification to profit or loss	Tax effect	Ending
Exchange differences on translating foreign operations	₩ (6,957)	₩ 5,503	₩ -	₩ (11)	₩ (1,465)
Change in value of available-for-sale financial assets	443,389	(37,308)	(252,109)	46,303	200,275
Change in value of held-to-maturity financial assets	(2,098)	699	(4)	(249)	(1,652)
Shares of other comprehensive income of associates and joint ventures	(3,762)	(464)	-	31	(4,195)
Cash flow hedges	-	21,631	(23,193)	241	(1,321)
	₩ 430,572	₩ (9,939)	₩ (275,306)	₩ 46,315	₩ 191,642

(In millions of Korean won)

	Dec. 31, 2010				
	Beginning	Changes except for reclassification	Reclassification to profit or loss	Tax effect	Ending
Exchange differences on translating foreign operations	₩ -	₩ (6,573)	₩ -	₩ (384)	₩ (6,957)
Change in value of available-for-sale financial assets	355,312	85,292	36,403	(33,618)	443,389
Change in value of held-to-maturity financial assets	(2,614)	807	(4)	(287)	(2,098)
Shares of other comprehensive income of associates and joint ventures	(1,757)	(2,004)	-	(1)	(3,762)
	₩ 350,941	₩ 77,522	₩ 36,399	₩ (34,290)	₩ 430,572

## 35. Earnings per share

### 35.1 Basic earnings per share

Basic earnings per share is calculated by dividing profit and loss attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, excluding the treasury shares (Note 25), during the years ended December 31, 2011 and 2010.

Weighted average number of ordinary shares outstanding:



(In number of shares)

<b>Dec. 31, 2011</b>			
	<b>Number of shares (a)</b>	<b>Days outstanding (b)</b>	<b>Total outstanding shares [(a) x (b)]</b>
Beginning (A)	386,351,693	365	141,018,367,945
Treasury shares (B)	43,322,704	13	563,195,152
	40,984,474	28	1,147,565,272
	37,463,510	42	1,573,467,420
	34,966,962	105	3,671,531,010
			6,955,758,854
Total outstanding shares [(C)=(A)-(B)]			134,062,609,091
Weighted average number of ordinary shares outstanding [(D) =(C)/365]			367,294,819

(In number of shares)

<b>Dec. 31, 2010</b>			
	<b>Number of shares (a)</b>	<b>Days outstanding (b)</b>	<b>Total outstanding shares [(a) x (b)]</b>
Beginning (A)	386,351,693	365	141,018,367,945
Treasury shares (B)	43,322,704	365	15,812,786,960
Total outstanding shares [(C)=(A)-(B)]			125,205,580,985
Weighted average number of ordinary shares outstanding [(D) =(C)/365]			343,028,989

Basic earnings per share:

(In Korean won and in number of shares)

	<b>Dec. 31, 2011</b>		<b>Dec. 31, 2010</b>	
Profit attributable to ordinary shares (E)	₩	2,373,026,068,477	₩	146,600,053,919
Weighted average number of ordinary shares outstanding (F)		367,294,819		343,028,989
Basic earnings per share [(G)=(E)/(F)]	₩	6,461	₩	427

### 35.2 Diluted earnings per share

Diluted earnings per share is calculated using the weighted average number of ordinary shares outstanding which is adjusted by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. The Group's dilutive potential ordinary shares include share grants.

A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Group's outstanding shares for the period) based on the monetary value of the subscription rights attached to the share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of share grants.

Adjusted profit for diluted earnings per share:

(In Korean won)

	Dec. 31, 2011	Dec. 31, 2010
Profit attributable to ordinary shares	₩ 2,373,026,068,477	₩ 146,600,053,919
Adjustment	-	-
Adjusted profit for diluted earnings per share	₩ 2,373,026,068,477	₩ 146,600,053,919

Adjusted weighted average number of ordinary shares outstanding to calculate diluted earnings per share:

(In number of shares)

	Dec. 31, 2011	Dec. 31, 2010
Weighted average number of ordinary shares outstanding	367,294,819	343,028,989
Adjustment		
Share grants	884,974	415,726
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share	368,179,793	343,444,715

Diluted earnings per share:

(In Korean won)

	Dec. 31, 2011	Dec. 31, 2010
Adjusted profit for diluted earnings per share	₩ 2,373,026,068,477	₩ 146,600,053,919
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share	368,179,793	343,444,715
Diluted earnings per share	₩ 6,445	₩ 427

## 36. Insurance Contracts

### 36.1 Insurance liabilities

The details of insurance liabilities presented within other liabilities as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Pure Endowment insurance	₩ 2,159,534	₩ 1,640,681	₩ 1,053,225
Death insurance	54,008	51,166	51,646
Joint insurance	1,301,139	1,152,599	932,532
Group insurance	266	234	676
Other	15,407	13,496	8,615
	₩ 3,530,354	₩ 2,858,176	₩ 2,046,694

The changes in insurance liabilities for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011						Total
	Individual insurance			Group insurance	Other <sup>1</sup>		
	Pure Endowment insurance	Death insurance	Joint insurance				
Beginning	₩ 1,640,681	₩ 51,166	₩ 1,152,599	₩ 234	₩ 13,496	₩ 2,858,176	
Provision	518,853	2,842	148,540	32	1,911	672,178	
Ending	₩ 2,159,534	₩ 54,008	₩ 1,301,139	₩ 266	₩ 15,407	₩ 3,530,354	

(In millions of Korean won)

Dec. 31, 2010									
	Individual insurance					Group insurance	Other <sup>1</sup>	Total	
	Pure Endowment insurance	Death insurance	Joint insurance						
Beginning	₩ 1,053,225	₩ 51,646	₩ 932,532	₩ 676	₩ 8,615	₩ 2,046,694			
Provision (Reversal)	587,456	(480)	220,067	(442)	4,881	811,482			
Ending	₩ 1,640,681	₩ 51,166	₩ 1,152,599	₩ 234	₩ 13,496	₩ 2,858,176			

<sup>1</sup> Consisted of policyholders' profit dividend reserve, reserve for compensation for losses on dividend-paying insurance contracts.

### 36.2 Insurance-related assets

The details of insurance-related assets presented within other assets as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)			
	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Reinsurance assets	₩ 1,064	₩ 690	₩ 806
Deferred acquisition costs	126,304	71,407	38,580
	₩ 127,368	₩ 72,097	₩ 39,386

The changes in reinsurance assets for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)			
	Dec. 31, 2011	Dec. 31, 2010	
Beginning	₩ 690	₩ 806	
Increase (decrease)	374	(116)	
Ending	₩ 1,064	₩ 690	

The changes in deferred acquisition costs for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)			
	Dec. 31, 2011	Dec. 31, 2010	
Beginning	₩ 71,407	₩ 38,580	
Increase	102,476	59,026	
Amortization	(47,579)	(26,199)	
Ending	₩ 126,304	₩ 71,407	

### 36.3 Insurance premiums and reinsurance

The details of insurance premiums for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011				
	Pure Endowment insurance	Death insurance	Joint insurance	Group insurance	Total
Insurance premiums earned	₩ 651,281	₩ 7,073	₩ 339,204	₩ 1,640	₩ 999,198
Reinsurance premiums paid	(333)	(773)	(161)	(1,373)	(2,640)
Net premiums earned	₩ 650,948	₩ 6,300	₩ 339,043	₩ 267	₩ 996,558

(In millions of Korean won)

	Dec. 31, 2010				
	Pure Endowment insurance	Death insurance	Joint insurance	Group insurance	Total
Insurance premiums earned	₩ 691,158	₩ 4,100	₩ 365,980	₩ 1,489	₩ 1,062,727
Reinsurance premiums paid	(328)	(738)	(144)	(322)	(1,532)
Net premiums earned	₩ 690,830	₩ 3,362	₩ 365,836	₩ 1,167	₩ 1,061,195

The details of reinsurance transactions for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011			
	Reinsurance expense		Reinsurance revenue	
	Reinsurance premium paid	Reinsurance claims	Reinsurance commission	Total
Individual	₩ 1,268	₩ 623	₩ 674	₩ 1,297
Group	1,372	1,133	-	1,133
	₩ 2,640	₩ 1,756	₩ 674	₩ 2,430

(In millions of Korean won)

	Dec. 31, 2010			
	Reinsurance expense		Reinsurance revenue	
	Reinsurance premium paid	Reinsurance claims	Reinsurance commission	Total
Individual	₩ 1,210	₩ 661	₩ 294	₩ 955
Group	322	360	-	360
	₩ 1,532	₩ 1,021	₩ 294	₩ 1,315

Insurance expenses for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011				
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Total
Insurance expense	₩ 2,010	₩ 670	₩ 25,201	₩ 1,663	₩ 29,544
Dividend expense	73	11	1	-	85
Refund expense	150,627	3,565	171,090	276	325,558
Provision	521,055	2,557	148,533	32	672,177
	673,765	6,803	344,825	1,971	1,027,364
Reinsurance claims	106	433	84	1,133	1,756
Net insurance expense	₩ 673,659	₩ 6,370	₩ 344,741	₩ 838	₩ 1,025,608

	Dec. 31, 2010					
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Total	
Insurance expense	₩ 1,440	₩ 883	₩ 36,807	₩ 990	₩ 40,120	
Dividend expense	21	10	-	-	31	
Refund expense	107,470	4,105	116,767	182	228,524	
Provision (Reversal)	594,632	(2,714)	220,008	(443)	811,483	
	703,563	2,284	373,582	729	1,080,158	
Reinsurance claims	157	443	61	360	1,021	
Net insurance expense	₩ 703,406	₩ 1,841	₩ 373,521	₩ 369	₩ 1,079,137	

### 36.4 Insurance risk

#### Summary of insurance risk

Insurance risk is the risk of loss arising from the actual risk at the time of claims exceeding the estimated risk at the time of underwriting. Insurance risk is classified by insurance price risk and policy reserve risk.

Insurance price risk is the risk of loss arising from differences between premiums from policyholders and actual claims paid.

Policy reserve risk is the risk of loss arising from differences between policy reserves the Group holds and actual claims to be paid.

#### Concentration of insurance risk and reinsurance policy

The Group uses reinsurance with the intent to expand the ability of underwriting insurance contracts through mitigating the exposure to insurance risk, and generates synergy by joint development of products, management discipline and collecting information on foreign markets.

The Group cedes reinsurance for mortality, illness and other risks arising from insurance contracts where the Group has little experience for a necessary period of time required to accumulate experience.

The Group's Reinsurance is ceded through the following process:

- i. In the decision-making process of launching a new product, the Group makes a decision on ceding reinsurance. Subsequently, a reinsurer is selected through bidding, agreements with the relevant departments and final approval by of the executive management.
- ii. The reinsurance department analyses the object of reinsurance, the maximum limit of reinsurance and the loss ratio with the relevant departments.

#### The characteristic and exposure of insurance price risk

The insurance risk of a life insurance company is measured by insurance price risk. As the life insurance coverage is in form of a fixed payment, the fluctuation of policy reserve is small and the period from insured event to claims payment is not long, the policy reserve risk is managed by assessments of adequacy of the policy reserve.

The Group measures the exposure of insurance price risk as the shortfall of the risk premiums received compared to the claims paid on all insurance contracts for the last one year from the end of the reporting period.

The exposure of premium risk before mitigating risk by reinsurance as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

<b>Dec. 31, 2011</b>				
	<b>Risk premium</b>		<b>Claims paid</b>	
Protection insurance	₩	1,612	₩	2,666
Sickness insurance		3,121		1,288
Other life insurance		2,973		966
	₩	7,706	₩	4,920

(In millions of Korean won)

<b>Dec. 31, 2010</b>				
	<b>Risk premium</b>		<b>Claims paid</b>	
Protection insurance	₩	2,200	₩	1,995
Sickness insurance		2,029		1,429
Other life insurance		2,318		898
	₩	6,547	₩	4,322

(In millions of Korean won)

<b>Jan. 1, 2010</b>				
	<b>Risk premium</b>		<b>Claims paid</b>	
Protection insurance	₩	1,610	₩	2,296
Sickness insurance		3,052		1,872
Other life insurance		1,899		760
	₩	6,561	₩	4,928

The exposure of premium risk after mitigating risk by reinsurance as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

<b>Dec. 31, 2011</b>				
	<b>Risk premium</b>		<b>Claims paid</b>	
Protection insurance	₩	1,077	₩	2,100
Sickness insurance		1,538		300
Other life insurance		2,452		764
	₩	5,067	₩	3,164

(In millions of Korean won)

<b>Dec. 31, 2010</b>				
	<b>Risk premium</b>		<b>Claims paid</b>	
Protection insurance	₩	1,968	₩	1,787
Sickness insurance		1,298		889
Other life insurance		1,749		624
	₩	5,015	₩	3,300

(In millions of Korean won)

	Jan. 1, 2010	
	Risk premium	Claims paid
Protection insurance	₩ 908	₩ 2,178
Sickness insurance	2,055	582
Other life insurance	1,430	221
	₩ 4,393	₩ 2,981

The exposure of market risk arising from embedded derivatives included in host insurance contracts as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Variable annuity policyholders reserve	₩ 459,174	₩ 370,763	₩ 250,689
Variable universal policyholders reserve	70,533	39,189	22,404
Variable annuity guarantee reserve	3,444	2,980	1,385
Variable universal guarantee reserve	35	324	148

Premium reserves and unearned premium reserves classified based on each residual maturity as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011						Total
	Lower than 3 years	3-5 years	5-10 years	10-15 years	15-20 years	Over 20 Years	
Premium reserves	₩ 67,027	₩ 213,330	₩ 1,198,711	₩ 294,585	₩ 319,018	₩ 1,389,754	₩ 3,482,425
Unearned premium reserves	35	-	2	-	2	4	43

	Dec. 31, 2010						Total
	Lower than 3 years	3-5 years	5-10 years	10-15 years	15-20 years	Over 20 Years	
Premium reserves	₩ 79,161	₩ 107,265	₩ 1,088,495	₩ 275,794	₩ 255,179	₩ 1,011,942	₩ 2,817,836
Unearned premium reserves	28	-	2	-	1	6	37

(In millions of Korean won)

	Jan. 1, 2010						Total
	Lower than 3 years	3-5 years	5-10 years	10-15 years	15-20 years	Over 20 Years	
Premium reserves	₩ 104,758	₩ 40,938	₩ 756,286	₩ 213,529	₩ 140,117	₩ 763,415	₩ 2,019,043
Unearned premium reserves	29	-	2	3	1	6	41

### 37. Trust Accounts

Financial information of the trust accounts the Group manages as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010
	Total assets	Operating revenues	Total assets	Operating revenues	Total assets
Consolidated	₩ 28,505	₩ 4,139	₩ 29,905	₩ 6,037	₩ 31,124
Non-consolidated	46,181,817	2,402,180	38,909,844	2,842,608	35,507,492
	₩ 46,210,322	₩ 2,406,319	₩ 38,939,749	₩ 2,848,645	₩ 35,538,616

<sup>1</sup>Financial information of the trust accounts has been prepared in accordance with the Statement of Korea Accounting Standard 5004, Trust Accounts, and enforcement regulations of Financial Investment Services under the Financial Investment Services and Capital Markets Act.

Significant transactions between the Group and the trust accounts for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010
<b>Revenues</b>		
Fees and commissions from trust accounts	₩ 165,772	₩ 149,450
Interest incomes from loans on trust accounts	9,327	15,106
Commissions from early termination in trust accounts	226	181
	₩ 175,325	₩ 164,737
<b>Expenses</b>		
Interest expenses due to trust accounts	₩ 59,891	₩ 32,242
<b>Assets</b>		
Accrued trust fees	₩ 37,418	₩ 29,368
Due from trust accounts	264,211	281,915
	₩ 301,629	₩ 311,283
<b>Liabilities</b>		
Due to trust accounts	₩ 1,918,766	₩ 1,834,715
Accrued interest on due to trust accounts	6,204	3,603
	₩ 1,924,970	₩ 1,838,318

As of December 31, 2011 and 2010, and January 1, 2010, the carrying amounts of the trust accounts for which the Group guarantees payment of principal are as follows:

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Old age pension	₩ 5,267	₩ 6,050	₩ 7,271
Personal pension	1,715,696	1,701,990	1,689,203
Pension trust	1,183,155	1,032,277	829,359
Retirement trust	132,823	325,077	408,128
New personal pension	82,493	82,229	78,572
New old age pension	12,963	17,445	22,519
	₩ 3,132,397	₩ 3,165,068	₩ 3,035,052

<sup>1</sup>The carrying amount of the trust accounts has been prepared in accordance with the Statement of Korea Accounting Standard 5004, Trust Accounts, and enforcement regulations of Financial Investment Services under the Financial Investment Services and Capital Markets Act.



As of December 31, 2011 and 2010, and January 1, 2010, there is no amount the Group has to pay in relation to the management results of the trust accounts in accordance with the guarantees of payment of principal.

### 38. Supplemental Cash Flow Information

Cash and cash equivalents as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
Cash	₩	1,840,829	₩	1,594,505	₩	1,567,197
Checks with other banks		781,269		643,270		791,481
Due from Bank of Korea		3,942,158		2,972,548		5,734,677
Due from other financial institutions		2,613,869		1,619,505		1,009,275
		9,178,125		6,829,828		9,102,630
Restricted due from financial institutions		(4,171,213)		(3,360,053)		(6,113,627)
Due from financial institutions with original maturities over three months		(266,108)		(218,196)		(120,369)
		(4,437,321)		(3,578,249)		(6,233,996)
	₩	4,740,804	₩	3,251,579	₩	2,868,634

Significant non-cash transactions for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010	
Decrease in loans due to the write-offs	₩	2,181,414	₩	2,278,930
Changes in accumulated other comprehensive income due to valuation of investment securities		(242,668)		88,593
Increase in available-for-sale financial assets from debt-equity swap		1,914		132,938

Cash inflow and outflow due to paid from income tax, received (paid) from interest and dividends for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010	
Income tax refunded	₩	121,533	₩	130,096
Interest received		14,384,913		14,046,425
Interest paid		6,830,541		6,945,482
Dividends received		98,212		103,055
Dividends paid		41,163		78,897
Dividends paid on hybrid capital instrument		46,331		64,600

### 39. Contingent liabilities and commitments

Acceptances and guarantees as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
<b>Confirmed acceptances and guarantees</b>			
Confirmed acceptances and guarantees in Korean won			
Acceptances and guarantees for corporate purchasing card	₩ 70,134	₩ 801,657	₩ 762,199
Acceptances and guarantees for KB purchasing loan	684,445	19,724	-
Bid bond	402	-	-
Performance bond	649	-	-
Other acceptances and guarantees	849,537	887,885	874,362
	1,605,167	1,709,266	1,636,561
Confirmed acceptances and guarantees in foreign currency			
Acceptances of letter of credit	411,145	294,191	395,410
Letter of guarantees	57,903	65,966	71,323
Bid bond	41,721	64,462	47,406
Performance bond	437,046	647,318	530,191
Refund guarantees	3,025,855	2,945,179	3,844,148
Other acceptances and guarantees	268,391	297,813	333,417
	4,242,061	4,314,929	5,221,895
Financial guarantees			
Acceptances and guarantees for debentures	208	397	890
Acceptances and guarantees for mortgage	57,079	69,901	82,372
Overseas debt guarantees	244,929	239,707	216,424
International financing guarantees in foreign currencies	-	292,470	296,502
Financial guarantees	20,000	-	-
	322,216	602,475	596,188
	6,169,444	6,626,670	7,454,644
<b>Unconfirmed acceptances and guarantees</b>			
Guarantees of letter of credit	4,023,393	4,362,986	5,181,392
Refund guarantees	1,672,063	2,089,411	2,678,712
	5,695,456	6,452,397	7,860,104
	₩ 11,864,900	₩ 13,079,067	₩ 15,314,748

Acceptances and guarantees by counter party as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

Dec. 31, 2011							
	Confirmed guarantees		Unconfirmed guarantees		Total	Proportion (%)	
Corporations	₩	4,571,010	₩	2,954,567	₩	7,525,577	63.43
Small companies		1,505,137		1,005,318		2,510,455	21.16
Public and others		93,297		1,735,571		1,828,868	15.41
	₩	6,169,444	₩	5,695,456	₩	11,864,900	100.00

(In millions of Korean won)

Dec. 31, 2010							
	Confirmed guarantees		Unconfirmed guarantees		Total	Proportion (%)	
Corporations	₩	4,619,783	₩	2,901,615	₩	7,521,398	57.51
Small companies		1,893,387		1,277,378		3,170,765	24.24
Public and others		113,500		2,273,404		2,386,904	18.25
	₩	6,626,670	₩	6,452,397	₩	13,079,067	100.00

(In millions of Korean won)

Jan. 1, 2010							
	Confirmed guarantees		Unconfirmed guarantees		Total	Proportion (%)	
Corporations	₩	5,279,776	₩	3,511,025	₩	8,790,801	57.40
Small companies		2,062,959		1,346,199		3,409,158	22.26
Public and others		111,909		3,002,880		3,114,789	20.34
	₩	7,454,644	₩	7,860,104	₩	15,314,748	100.00

Acceptances and guarantees by industry as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

Dec. 31, 2011							
	Confirmed guarantees		Unconfirmed guarantees		Total	Proportion (%)	
Public sector	₩	58,129	₩	1,663,052	₩	1,721,181	14.51
Financial institutions		75,048		5,176		80,224	0.68
Service		162,960		49,197		212,157	1.79
Manufacturing		4,196,612		2,884,922		7,081,534	59.68
Others		1,676,695		1,093,109		2,769,804	23.34
	₩	6,169,444	₩	5,695,456	₩	11,864,900	100.00

(In millions of Korean won)

Dec. 31, 2010							
	Confirmed guarantees		Unconfirmed guarantees		Total	Proportion (%)	
Public sector	₩	38,641	₩	2,207,654	₩	2,246,295	17.18
Financial institutions		28,059		2,067		30,126	0.23
Service		300,826		31,747		332,573	2.54
Manufacturing		4,489,697		3,263,259		7,752,956	59.28
Others		1,769,447		947,670		2,717,117	20.77
	₩	6,626,670	₩	6,452,397	₩	13,079,067	100.00

(In millions of Korean won)

Jan. 1, 2010							
	Confirmed guarantees		Unconfirmed guarantees		Total	Proportion (%)	
Public sector	₩	329	₩	2,948,404	₩	2,948,733	19.25
Financial institutions		44,304		72,819		117,123	0.76
Service		271,437		43,144		314,581	2.05
Manufacturing		4,981,682		3,859,891		8,841,573	57.73
Others		2,156,892		935,846		3,092,738	20.19
	₩	7,454,644	₩	7,860,104	₩	15,314,748	100.00

Commitments as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011		Dec. 31, 2010		Jan. 1, 2010	
<b>Commitments</b>						
Corporate loan commitments	₩	36,365,468	₩	27,644,011	₩	27,029,379
Retail loan commitments		14,632,998		14,149,393		13,268,454
Credit line on credit cards		39,070,550		44,776,141		43,610,192
Private indirect reinvestment trusts for the stabilization of bond markets		1,037,826		518,913		518,913
UAMCO., Ltd.		89,950		89,950		162,750
Purchase of security investment		547,150		559,950		796,200
		91,743,942		87,738,358		85,385,888
<b>Financial Guarantees</b>						
Credit line		471,951		155,162		297,670
Purchase of security investment		151,000		396,050		521,500
		622,951		551,212		819,170
	₩	92,366,893	₩	88,289,570	₩	86,205,058

## Other Matters (including litigation)

i) The Group has filed 130 lawsuits (excluding minor lawsuits in relation to the collection or management of loans), involving aggregate claims of ₩ 713,551 million, and faces 266 lawsuits (as the defendant) (excluding minor lawsuits in relation to the collection or management of loans) involving aggregate damages of ₩ 837,293 million, which arose in the normal course of the business and are still pending as of December 31, 2011.

The government filed a civil lawsuit against the Korea Lottery Service Inc., an accounting firm and the Bank seeking total damages of ₩ 320,800 million. The plaintiff contends that the excessive payment of lottery service commission fees were due to an illegal act of the Bank's employees and other parties. In April 2009, the Seoul Central District Court dismissed the government's claim. In May 2009, the government appealed the case to the Seoul High Court, which dismissed the appeal in September 2010. In October 2010, the government appealed the case to the Supreme Court of Korea, where it is currently pending. It is uncertain as to whether the Group will be ultimately liable for the damages in the aforementioned lawsuit. The amount of potential liabilities cannot be estimated as of December 31, 2011.

ii) According to shareholders' agreement on September 25, 2009, among Kookmin Bank, the International Finance Corporation ("IFC") and the remaining shareholders, Kookmin Bank granted a put option to IFC with the right to sell shares of JSC Bank CenterCredit to itself or its designee. The exercise price is determined at its fair value by mutual agreement between Kookmin Bank and IFC. If the price is not agreed by the designated date, it is determined by the value measured by the selected independent external valuation institution. The put option may be exercised by IFC at any time from February 24, 2013 to February 24, 2017. However, if the put trigger event defined in the shareholders' agreement occurs, and consequently, if a put notice is delivered to Kookmin Bank within 60 days from the date when IFC recognizes such event, IFC may also exercise its put option at any time after February 24, 2010.

iii) Kookmin Bank underwent a tax investigation by the Seoul Regional Tax Office and in early 2007 was assessed to owe additional corporate tax including local income tax of ₩ 482,755 million. Kookmin Bank paid this amount to the tax authorities. Subsequently, Kookmin Bank filed a claim for adjudication on August 2007 for repayment of the amount of ₩482,643 million. Of this amount, ₩117,135 million has been refunded to Kookmin Bank following a successful appeal to the National Tax Tribunal and administrative litigations. Further a portion of the claim amounting to ₩ 970 million has been extinguished following litigation. Meanwhile, the claim for a refund of ₩ 364,538 million, specifically related to the merger of Kookmin Card Co., Ltd. was ruled in favor of Kookmin Bank in an original case on April 1, 2011, and in a second trial at the Seoul High Court on January 12, 2012. The ruling has been appealed by the Tax authorities to the Supreme Court, where it is currently pending third trial.

## 40. Asset-backed securitization

The Group transferred loans and other financial assets to SPEs, and issued debentures secured by those transferred assets.

The details of borrowings which are secured by loans and other financial assets as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

<b>Dec. 31, 2011</b>						
	Interest rates (%)	Expiration date	Senior debentures	Underlying assets		
				Loans	Securities	
KB Mortgage Loan 1st Securitization Specialty Co., Ltd. <sup>1</sup>	2.57	2039-12-08	₩ 335,169	₩ 434,376	₩ -	
KAMCO Value Recreation 3th Securitization Specialty Co., Ltd. <sup>2</sup>	5.16	2012-10-09	3,258	19,000	-	
New Star 1st Co., Ltd. <sup>3</sup>	5.05	2012-01-18	50,000	-	50,218	
KB Kookmin Card First Securitization Co., Ltd. <sup>1</sup>	LIBOR+0.48	2014-11-26	345,990	616,089	-	
Total			734,417	1,069,465	50,218	
Premiums(discounts) on debentures			(2,566)	-	-	
Net Senior debentures			₩ 731,851	₩ 1,069,465	₩ 50,218	

(In millions of Korean won)

<b>Dec. 31, 2010</b>						
	Interest rates (%)	Expiration date	Senior debentures	Underlying assets		
				Loans	Securities	
KB 14th Securitization Specialty Co., Ltd. <sup>3</sup>	6.03~6.57	2011-10-04~ 2012-01-04	₩ 30,000	₩ 85,564	₩ -	
KB Mortgage Loan First Securitization Specialty Co., Ltd. <sup>1</sup>	1.98	2039-12-08	423,379	522,059	-	
KAMCO Value Recreation 3th Securitization Specialty Co., Ltd. <sup>2</sup>	5.08	2012-10-09	3,258	19,000	-	
New Star 1st Co., Ltd. <sup>3</sup>	4.65~5.05	2011-01-18	100,300	-	100,985	
Total			556,937	626,623	100,985	
Premiums(discounts) on debentures			(12)	-	-	
Net Senior debentures			₩ 556,925	₩ 626,623	₩ 100,985	

(In millions of Korean won)

<b>Jan. 1, 2010</b>						
	Interest rates (%)	Expiration date	Senior debentures	Underlying assets		
				Loans	Securities	
KB 12th Securitization Specialty Co., Ltd. <sup>3</sup>	7.00~8.50	2011-01-21	₩ 70,000	₩ 72,882	₩ -	
KB 13th Securitization Specialty Co., Ltd. <sup>3</sup>	3.82~6.41	2011-07-02	165,000	218,980	-	
KB Mortgage Loan First Securitization Specialty Co., Ltd. <sup>1</sup>	2.63	2039-12-08	540,520	592,054	-	
KAMCO Value Recreation 3th Securitization Specialty Co., Ltd. <sup>2</sup>	6.27	2012-10-09	3,258	19,000	-	
New Star 1st Co., Ltd. <sup>3</sup>	4.65~5.05	2010-01-18	100,000	-	99,285	
Total			878,778	902,916	99,285	
Premiums(discounts) on debentures			(297)	-	-	
Net Senior debentures			₩ 878,481	₩ 902,916	₩ 99,285	

<sup>1</sup> Included in the floating rate debentures in foreign currencies (Note 22).<sup>2</sup> Included in the floating rate debentures in Korean won (Note 22).<sup>3</sup> Included in the fixed rate debentures in Korean won (Note 22).

## 41. The Subsidiaries

The details of subsidiaries as of December 31, 2011, are as follows:

Investor	Investee	Ownership interests(%)	Location	Reporting date	Industry
<b>KB Financial Group Inc.</b>	Kookmin Bank	100.00	Korea	Dec. 31	Banking and domestic, foreign exchange transaction
	KB Kookmin Card Co., Ltd.	100.00	Korea	Dec. 31	Credit card & Installment finance
	KB Investment & Securities Co., Ltd.	100.00	Korea	Dec. 31	Financial investment
	KB Life Insurance Co., Ltd.	51.00	Korea	Dec. 31	Life insurance
	KB Asset Management Co., Ltd.	100.00	Korea	Dec. 31	Security investment trust management and advisory
	KB Real Estate Trust Co., Ltd.	100.00	Korea	Dec. 31	Real estate trust management
	KB Investment Co., Ltd.	100.00	Korea	Dec. 31	Investment in small company
	KB Credit Information Co., Ltd.	100.00	Korea	Dec. 31	Collection of receivables or credit investigation
<b>Kookmin Bank</b>	KB Data System Co., Ltd.	100.00	Korea	Dec. 31	Software advisory, development, and supply
	Kookmin Bank Int'l Ltd. (London)	100.00	United Kingdom	Dec. 31	Banking and foreign exchange transaction
	Kookmin Bank Hong Kong Ltd.	100.00	Hong Kong	Dec. 31	Banking and foreign exchange transaction
	Kookmin Bank Cambodia PLC.	53.19	Cambodia	Dec. 31	Banking and foreign exchange transaction
	Principal & interest guaranteed trust <sup>1</sup>	-	Korea	Dec. 31	Trust
	KB Mortgage Loan First Securitization Specialty Co., Ltd. and 6 others <sup>1</sup>	-	Korea and others	Dec. 31	Asset-backed securitization
<b>Kookmin Bank, KB Investment Co., Ltd.</b>	KB Evergreen Private Securities <sup>26</sup> and 21 others	100.00	Korea	Dec. 31	Private equity fund
	KB06-1 Venture Investment	75.00	Korea	Dec. 31	Capital investment
<b>KB Investment Co., Ltd.</b>	KB08-1 Venture Investment	100.00	Korea	Dec. 31	Capital investment
	NPC 05-6 KB Venture Fund <sup>2</sup>	20.00	Korea	Dec. 31	Capital investment
	NPC 07-5 KB Venture Fund <sup>2</sup>	20.00	Korea	Dec. 31	Capital investment
<b>KB Investment Co., Ltd.</b>	09-5 KB Venture Fund <sup>2</sup>	33.33	Korea	Dec. 31	Capital investment

Investor	Investee	Ownership interests(%)	Location	Reporting date	Industry
<b>KB Investment Co., Ltd.</b>	NPS 06-5 KB Corporate Restructuring Fund <sup>2</sup>	13.57	Korea	Dec. 31	Capital investment
	NPS KBIC Private Equity Fund No. 1 <sup>3</sup>	2.56	Korea	Dec. 31	Capital investment
	KoFC-KB Pioneer Champ No.2010-8 Investment Partnership <sup>2</sup>	50.00	Korea	Dec. 31	Capital investment
	KBIC Private Equity Fund No. 3 <sup>3</sup>	2.00	Korea	Dec. 31	Capital investment
	2011 KIF-KB IT Venture Fund <sup>2</sup>	43.33	Korea	Dec. 31	Capital investment
	KoFC-KB Young Pioneer 1st Fund <sup>3</sup>	33.33	Korea	Dec. 31	Capital investment
	<b>KB Investment &amp; Securities</b>	KB-Glenwood Private Equity Fund 1 <sup>3</sup>	0.03	Korea	Dec. 31
New Star 1st. Ltd <sup>1</sup>		-	Korea	Dec. 31	Asset-backed securitization
<b>KB-Glenwood Private Equity Fund 1</b>	Chungkang Co., Ltd.	100.00	Korea	Dec. 31	Capital investment
<b>Chungkang Co., Ltd.</b>	Powernet Technologies Co., Ltd.	92.64	Korea	Dec. 31	Electronic product manufacturing
<b>KB Kookmin Card Co., Ltd</b>	KB Kookmin Card First Securitization Co., Ltd. <sup>1</sup>	-	Korea	Dec. 31	Asset-backed securitization
<b>KB Life Insurance Co., Ltd.</b>	KB Evergreen Private securities 49 (Bond) and 7 others	100.00	Korea	Dec. 31	Private equity fund

<sup>1</sup> The activities of entities, decision-making powers and benefits and risks are considered when special purpose entities are consolidated.

<sup>2</sup> Consolidated because the Group controls the entity as a general partner.

<sup>3</sup> Consolidated because the Group controls the entity as a managing member.

The condensed financial information of major subsidiaries as of December 31, 2011 and 2010, and January 1, 2010, and for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011					
	Assets	Liabilities	Equity	Operating revenue	Profit for the period	Total comprehensive income for the period
Kookmin Bank <sup>1</sup>	₩256,512,260	₩237,443,855	₩19,068,405	₩22,274,350	₩2,047,881	₩1,601,009
KB Kookmin Card Co., Ltd. <sup>1</sup>	13,349,351	10,567,141	2,782,210	2,426,030	319,794	328,188
KB Investment & Securities Co., Ltd. <sup>1</sup>	3,314,875	2,792,356	522,519	787,354	28,169	37,732
KB Life Insurance Co., Ltd. <sup>1</sup>	4,515,809	4,161,121	354,688	1,220,799	18,572	24,842
KB Asset Management Co., Ltd.	177,691	57,612	120,079	83,855	(5,655)	(5,603)
KB Real Estate Trust Co., Ltd.	251,228	106,584	144,644	51,564	15,405	15,512
KB Investment Co., Ltd. <sup>1</sup>	498,506	382,444	116,062	61,574	9,322	10,360
KB Credit Information Co., Ltd.	30,529	8,069	22,460	54,874	(2,391)	(2,391)
KB Data System Co., Ltd.	30,590	14,370	16,220	117,467	2,148	2,148



(In millions of Korean won)

Dec. 31, 2010						
	Assets	Liabilities	Equity	Operating revenue	Profit for the period	Total comprehensive income for the period
Kookmin Bank <sup>1</sup>	₩254,529,047	₩233,572,778	₩20,956,269	₩23,632,024	₩ 151,062	₩ 234,738
KB Investment & Securities Co., Ltd. <sup>1</sup>	2,420,085	2,071,770	348,315	536,198	39,535	47,073
KB Life Insurance Co., Ltd. <sup>1</sup>	3,673,209	3,343,362	329,847	1,241,274	18,362	58,903
KB Asset Management Co., Ltd.	142,826	17,145	125,681	69,151	29,306	29,645
KB Real Estate Trust Co., Ltd.	259,189	130,057	129,132	51,038	6,020	6,037
KB Investment Co., Ltd. <sup>1</sup>	524,755	419,053	105,702	35,973	212	1,428
KB Futures Co., Ltd.	192,863	150,076	42,787	27,564	4,528	5,548
KB Credit Information Co., Ltd.	31,263	6,412	24,851	46,325	1,552	1,552
KB Data System Co., Ltd.	52,374	38,302	14,072	130,527	(3,077)	(3,077)

(In millions of Korean won)

Jan. 1, 2010					
	Assets		Liabilities		Equity
Kookmin Bank <sup>1</sup>	₩	257,644,139	₩	236,763,981	₩ 20,880,158
KB Investment & Securities Co., Ltd. <sup>1</sup>		2,231,260		1,930,018	301,242
KB Life Insurance Co., Ltd. <sup>1</sup>		2,524,059		2,372,540	151,519
KB Asset Management Co., Ltd.		108,735		12,699	96,036
KB Real Estate Trust Co., Ltd.		257,767		134,672	123,095
KB Investment Co., Ltd. <sup>1</sup>		425,136		320,862	104,274
KB Futures Co., Ltd.		236,949		199,710	37,239
KB Credit Information Co., Ltd.		29,488		6,189	23,299
KB Data System Co., Ltd.		45,698		28,549	17,149

<sup>1</sup> Financial information is based on its consolidated financial statements.

## Kookmin Bank

Kookmin Bank engages in the banking business in accordance with Banking Act, trust business in accordance with Capital Market and Financial Investment Business Act and other relevant businesses. As of December 31, 2011, Kookmin Bank has 1,165 domestic branches and offices and 7 overseas branches (excluding 3 subsidiaries and 2 offices). Kookmin Bank's paid-in capital as of December 31, 2011, is ₩ 2,021,896 million.

## KB Kookmin Card Co., Ltd.

KB Kookmin Card Co., Ltd. (the "KB Kookmin Card") was established upon spin off of Kookmin Bank's credit card business segment in March 2011, to engage in the credit card business under the Act on Registration of Credit Business and Protection of Finance Users and other related business. Its headquarters are located in Seoul. KB Kookmin Card's paid-in capital as of December 31, 2011, is ₩ 460,000 million.

## KB Investment & Securities Co., Ltd.

KB Investment & Securities Co., Ltd. (the "KB Investment & Securities") was established on August 16, 1995, to engage

in financial investment business services including investment trading services and brokerage services and in other related services in accordance with the Capital Market and Financial Investment Business Act. On March 11, 2008, the former Hannuri Investment & Securities changed its name to KB Investment & Securities. KB Investment & Securities Co., Ltd. merged with KB Futures Co., Ltd. on March 12, 2011. Its headquarters are located in Seoul. KB Investment & Securities' paid-in capital as of December 31, 2011, is ₩ 157,942 million.

#### **KB Life Insurance Co., Ltd.**

KB Life Insurance Co., Ltd. (the "KB Life Insurance") was established on April 29, 2004, to engage in financial insurance operations. On May 31, 2004, the company merged with Hanil Life Insurance Co., Ltd., undertaking all the insurance contracts and related assets and liabilities. The life insurance business under the Insurance Business Act is one of the company's major business operations. Its headquarters are located in Seoul. KB Life Insurance's paid-in capital as of December 31, 2011, is ₩ 276,000 million.

#### **KB Asset Management Co., Ltd.**

KB Asset Management Co., Ltd. (the "KB Asset Management") was established on April 1988 to engage in investment advisory services including consulting and providing information on investments in securities. On July 1997, it started to engage in collective investment businesses (previously known as security investment trust operations) under the Capital Market and Financial Investment Business Act (previously called the Security Investment Trust Business Act). Its headquarters are located in Seoul. KB Asset Management's paid-in capital as of December 31, 2011, is ₩ 38,338 million.

#### **Real Estate Trust Co., Ltd.**

KB Real Estate Trust Co., Ltd. (the "KB Real Estate Trust") was established on December 3, 1996, to provide real estate trust services including land trust. Under the Capital Market and Financial Investment Business Act (previously called the Trust Business Act), the Financial Services Commission authorized the company to engage in real estate trust service. On September 16, 2002, the name of the company changed to KB Real Estate Trust Co., Ltd. from Jooeun Real Estate Trust Inc. Its headquarters are located in Seoul. KB Real Estate Trust's paid-in capital as of December 31, 2011, is ₩ 80,000 million.

#### **KB Investment Co., Ltd.**

KB Investment Co., Ltd. (the "KB Investment") was established on March 27, 1990, to provide services to small startup companies. Its main business is to invest in venture companies and small startup companies, and to organize startup investment cooperatives and private equity funds. On April 3, 1990, the company, under Section 7 of the Support for Small and Medium Enterprise Establishment Act, was listed on the Small Business Administration as a small startup business investment organization. KB Investment purchases impaired loans, invests in companies under debt restructuring process, and sells reorganized companies after normalization. In March 2001, the company, under the Industrial Development Act, registered as a Corporate Restructuring Company in the Ministry of Knowledge Economy. As approved by its shareholders on June 25, 2009, its name was changed to KB Investment Co., Ltd. Its headquarters are located in Seoul. KB Investment's paid-in capital as of December 31, 2011, is ₩ 44,759 million.

#### **KB Credit Information Co., Ltd.**

KB Credit Information Co., Ltd. (the "KB Credit Information") was established on October 9, 1999, under the Credit Information Protection Act to engage in loan collection services and credit research services. On May 2, 2002, the company merged with KM Credit Information Inc. to improve management of subsidiaries. As approved by its shareholders on October 28, 2002, its name was changed from Kookeun Credit Information Co., Ltd. to KB Credit Information Co., Ltd. Its headquarters are located in Seoul. KB Credit Information's paid-in capital as of December 31, 2011, is ₩ 6,262 million.

## **KB Data Systems Co., Ltd.**

KB Data Systems, Co., Ltd. (the "KB Data Systems") was established on September 1991 to engage in computer system development and its sales, system maintenance, and information technology outsourcing services. Its headquarters are located in Seoul. KB Data Systems' paid-in capital as of December 31, 2011, is ₩ 8,000 million.

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

Kookmin Bank Int'l Ltd.(London) was established in November 1991 and operates its businesses mainly in general banking, trading finance, foreign currency exchange, and derivatives. Its name was changed from Korea Long Term Credit Bank Int'l Ltd. to Kookmin Bank Int'l Ltd.(London) when the Bank merged with Korea Long Term Credit Bank in January 1999. The headquarters are located in London, England. Kookmin Bank Int'l Ltd.(London)'s paid-in capital as of December 31, 2011, is USD 30,392,000.

## **Kookmin Bank Hong Kong Ltd.**

Kookmin Bank Hong Kong Ltd. was established in July 1995 and operates its businesses in general banking and trading finance. The headquarters are located in Hong Kong. Kookmin Bank Hong Kong Ltd.'s paid-in capital as of December 31, 2011, is USD 20,000,000.

## **Kookmin Bank Cambodia PLC.**

Kookmin Bank acquired 51% of ownership of Kookmin Bank Cambodia PLC. in May 2009. As of December 31, 2011, Kookmin Bank owns 53.19% through participation in paid-in capital increase in December 2010. In particular, Kookmin Bank Cambodia PLC. mainly operates lending, borrowing, foreign currency exchange services, and other ordinary banking businesses. The headquarters are located in Phnom Penh, Cambodia. Kookmin Bank Cambodia PLC.'s paid-in capital as of December 31, 2011, is USD 16,000,000.

## **Special Purpose Entities(SPEs)**

Subsidiaries are all entities (including SPEs) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. However, there are some cases where the Group may still control some entities, mostly SPEs, with less than one half of the voting rights for a single, well-defined, and narrow purpose. SPEs may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their governing board, trustee or management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor.

The Group consolidates an SPE when, in substance, the Group controls the SPE as follows:

- In substance, the activities of the SPE are being conducted on behalf of the entity according to its specific business needs so that the Group obtains benefits from the SPE's operations;
- In substance, the Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism, the Group has delegated these decision-making powers;
- In substance, the Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or
- In substance, the Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

The types of SPEs include asset-backed securitization specialty companies, project financing companies, private equity funds, and partnerships. The purpose of business activities of SPEs are the asset-backed securitization, providing lines of credit and loans, investing in equity shares and managing assets.

## Changes in subsidiaries

KB Kookmin Card First Securitization Co., Ltd., 2011 KIF-KB IT Venture Fund, KoFC-KB Young Pioneer 1st Fund and KB Evergreen Private Securities 35(Bond) and other 47 private equity funds are newly included in consolidation. KB Investment & Securities Hong Kong Ltd., Kookmin No.16 Investment Partnership, KB 9th Securitization Specialty Co., Ltd. and five asset-backed securitization SPEs and PCA Income Private Securities A-5(Bond) and other 31 private equity funds have been excluded from consolidation because those were liquidated. In March, 2011, Kookmin Bank spun off its credit card business segment and established a new subsidiary, KB Kookmin Card Co., Ltd., and KB investment & Securities Co., Ltd. merged with KB Futures Co., Ltd.

## 42. Finance/Operating Lease

### 42.1 Finance lease

The future minimum lease payments arising as of December 31, 2011, are as follows:

	(In millions of Korean won)	
	<b>Dec. 31, 2011</b>	
<b>Net Carrying amount of finance lease assets</b>	₩	18,477
<b>Minimum lease payment</b>		
Within 1 year		754
1-5 years		637
		1,391
<b>Present value of minimum lease payment</b>		
No later than 1 year		697
1-5 years		601
		1,298
<b>Contingent rent</b>		-
<b>Minimum sublease</b>		-

### 42.2 Operating lease

The future minimum lease payments arising from the non-cancellable lease contracts as of December 31, 2011, are as follows:

	(In millions of Korean won)	
	<b>Dec. 31, 2011</b>	
<b>Minimum lease payment</b>		
Within 1 year	₩	104,327
1-5 years		79,970
Over 5 years		1,287
		185,584
<b>Minimum sublease payment</b>		(15)
<b>Lease payment reflected in profit or loss</b>		
Minimum lease payment		188,854
Contingent rent		4
Sublease payment		(53)
		188,805

### 43. Related Party Transactions

Significant transactions with related parties for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

		Dec. 31, 2011				
		Gain on sale of loans	Interest income and others	Provision (reversal)	Loss on sale of loans	Interest expense and others
Associates	Korea Credit Bureau Co., Ltd.	₩ -	₩ -	₩ -	₩ -	₩ 168
	UAMCO., Ltd.	13,455	1,196	(3)	40,879	3
	KB Global Star Game & Apps SPAC	-	1,443	-	-	36
	Testian Co., Ltd.	-	24	8	-	-
	United PF 1st Recovery Private Equity Fund	30,722	-	-	-	-
	JSC Bank CenterCredit	-	-	-	-	218
	Semiland Co., Ltd.	-	17	(3)	-	1
	Powerrex Corporation Co., Ltd.	-	74	(104)	-	1
	Sehwa Electronics Co., Ltd.	-	21	-	-	19
	Serit Platform Co., Ltd.	-	85	26	-	-
	DS Plant Co., Ltd.	-	376	39	-	-
Joint venture	Burrill-KB Life Science Fund	-	-	-	-	17
Key management		-	397	(1)	-	297
Other	Retirement pension	-	199	-	-	898
		₩ 44,177	₩ 3,832	₩ (38)	₩ 40,879	₩ 1,658

(In millions of Korean won)

		Dec. 31, 2010		
		Interest income and others	Provision (reversal)	Interest expense and others
Associates	Korea Credit Bureau Co., Ltd.	₩ 3	₩ -	₩ 186
	UAMCO., Ltd.	1,950	71	95
	KB Global Star Game & Apps SPAC	321	-	76
	Testian Co., Ltd.	46	21	-
	Semiland Co., Ltd.	25	7	-
	Powerrex Corporation Co., Ltd.	32	(5)	1
	Sehwa Electronics Co., Ltd.	37	(3)	17
	Serit Platform Co., Ltd.	60	(24)	5
	KT Wibro infrastructure Co., Ltd.	3	-	55
Joint venture	Burrill-KB Life Science Fund	1,205	-	785
Key management		10,403	30	534
Other	Retirement pension	107	-	453
		₩ 14,192	₩ 97	₩ 2,207

The details of receivables and payables, and related allowances for loans losses arising from the related party transactions as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

		<b>Dec. 31, 2011</b>			
		<b>Receivables</b>	<b>Allowances for loan losses</b>	<b>Payables</b>	
Associates	Korea Credit Bureau Co., Ltd.	₩ -	₩ -	₩	12,575
	UAMCO., Ltd.	38,745	68		146
	JSC Bank CenterCredit	-	-		23,066
	KB Global Star Game & Apps SPAC	2,488	-		21,766
	Testian Co., Ltd.	632	29		-
	Semiland Co., Ltd.	151	4		114
	Joam Housing Development Co., Ltd.	-	-		58
	Powerrex Corporation Co., Ltd.	-	-		10
	Sehwa Electronics Co., Ltd.	38	-		649
	Serit Platform Co., Ltd.	768	76		17
	DS Plant Co., Ltd.	3,167	39		97
Joint venture	Burrill-KB Life Science Fund	-	-		-
Key management		22,433	33		8,814
Other	Retirement pension	-	-		36,516
		₩ 68,422	₩ 249	₩	103,828

(In millions of Korean won)

		<b>Dec. 31, 2010</b>			
		<b>Receivables</b>	<b>Allowances for loan losses</b>	<b>Payables</b>	
Associates	Korea Credit Bureau Co., Ltd.	-	₩ -	₩	9,725
	UAMCO., Ltd.	40,330	71		15
	KB Global Star Game & Apps SPAC	1,083	-		1,472
	Testian Co., Ltd.	610	21		-
	Semiland Co., Ltd.	229	7		-
	Joam Housing Development Co., Ltd.	-	-		75
	Powerrex Corporation Co., Ltd.	3,288	104		10
	Sehwa Electronics Co., Ltd.	350	-		25
	Serit Platform Co., Ltd.	786	50		9
Joint venture	Burrill-KB Life Science Fund	-	-		-
Key management		154,763	72		14,559
Other	Retirement pension	-	-		7,919
		₩ 201,439	₩ 325	₩	33,809

(In millions of Korean won)

		Jan. 1, 2010					
		Receivables		Allowances for loan losses		Payables	
Associates	Korea Credit Bureau Co., Ltd.	₩	-	₩	-	₩	4,997
	UAMCO., Ltd.		-		-		11,178
	Semiland Co., Ltd.		1		-		10
	Powerrex Corporation Co., Ltd.		150		109		86
	Sehwa Electronics Co., Ltd.		1		3		903
	Serit Platform Co., Ltd.		368		74		593
Joint venture	Burrill-KB Life Science Fund		-		-		-
Key management			194,249		633		111,505
Other	Retirement pension		-		-		8,351
		₩	194,769	₩	819	₩	137,623

According to K-IFRS 1024, the Group includes subsidiaries, associates, joint ventures, key management (including family members), and post-employment benefit plans of the Group in the scope of related parties. Additionally, the Group discloses balances (receivables and payables) and other amounts arising from the related party transactions in the notes to the financial statements. Refer to Note 13 for details on investments in associates and joint ventures.

Key management includes the directors of the Parent Company and the directors of Kookmin Bank and subsidiaries where the directors and their close family members have the power to influence the decision-making process. The Group recognized receivables amounting to ₩ 22,433 million, ₩154,763 million and ₩ 194,249 million as of December 31, 2011 and 2010, and January 1, 2010, respectively, and related allowances for loan losses amounting to ₩ 33 million, ₩ 72 million and ₩ 633 million as of December 31, 2011 and 2010, and January 1, 2010, from the sale to key management. Of those respective amounts, receivables amounting to ₩ 16,497 million, ₩ 152,023 million and ₩ 190,760 million, and related allowance for loan loss amounting to ₩ 21 million, ₩ 68 million and ₩ 628 million, are from companies where key management has a power to influence the decision-making process.

Accrued severance benefit plan is based on the retirement benefit pension plan with the Group and related parties enrolled in. The Group discloses receivable and payable balances arising from transactions between the Group and the retirement benefit pension plan assets in the notes to the financial statements. Kookmin Bank, one of the subsidiaries of the Group, has received deposits of ₩ 36,516 million, ₩ 7,919 million and ₩ 8,351 million as of December 31, 2011 and 2010, and January 1, 2010, respectively, from the retirement benefit pension plan and accounted for the amounts received as deposits under liabilities.

Guarantees to related parties as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(In millions of Korean won)

		Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
UAMCO., Ltd.	Loan commitments in Korean won	₩ 89,077	₩ 87,548	₩ -
	Purchase of security investment	89,950	89,950	162,750
Sehwa Electronics Co., Ltd. and others	Loan commitments in Korean won	2,891	3,940	-
	Others	2,171	2,790	2,566

The details of compensation to key management for the years ended December 31, 2011 and 2010, are as follows:

(In millions of Korean won)

	Dec. 31, 2011				
	Short-term employee benefits	Post- employment benefit	Termination benefits	Share-based payments	Total
Registered directors (executive)	₩ 4,614	₩ 284	₩ -	₩ 2,654	₩ 7,552
Registered directors (non-executive)	1,011	-	-	(48)	963
Non-registered directors	5,769	505	135	840	7,249
	₩ 11,394	₩ 789	₩ 135	₩ 3,446	₩ 15,764

(In millions of Korean won)

	Dec. 31, 2010				
	Short-term employee benefits	Post- employment benefit	Termination benefits	Share-based payments	Total
Registered directors (executive)	₩ 2,996	₩ 205	₩ -	₩ (5,695)	₩ (2,494)
Registered directors (non-executive)	559	-	-	(254)	305
Non-registered directors	8,212	301	243	4,632	13,388
	₩ 11,767	₩ 506	₩ 243	₩ (1,317)	₩ 11,199

#### 44. Event after the Reporting Period

The Group established KB Savings Bank Co., Ltd. with a capital investment of ₩ 171,526 million in January 2012. KB Savings Bank Co., Ltd. signed a purchase & assumption(P&A) deal for selected assets and liabilities of Jeil Savings Bank Co., Ltd. with Korea Deposit Insurance Corporation on January 11, 2012. KB Savings Bank Co., Ltd. obtained an approval for operation from the Financial Services Commission and acquired the assets and liabilities of Jeil Savings Bank Co., Ltd. on January 13, 2012. The Group expects synergies from diversification of customers through the P&A deal and has recognized the goodwill attributable to the synergies in 2012.

The consideration transferred and the assets and liabilities arising from the P&A deal are as follows. As the final due diligence is in progress, according to the agreement with Korea Deposit Insurance Corporation, the amounts of assets acquired and the liabilities assumed are provisional and are subject to change per the final due diligence and valuation results.

(In millions of Korean won)

	Amounts
<b>Total consideration</b>	₩ -
<b>Recognized amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and due from financial institutions	40,575
Financial assets at fair value through profit and loss	467
Loans	275,940
Financial investments	17,204
Other assets	2,212,155
<b>Total assets</b>	₩ 2,546,341
Deposits	2,557,858
Other liabilities	96,483
<b>Total liabilities</b>	₩ 2,654,341
<b>Total identifiable net assets</b>	₩ (108,000)
Goodwill	₩ 108,000
Acquisition-related costs <sup>1</sup>	1,527

<sup>1</sup> Recorded in fee and commission expense in the statement of comprehensive income.



The receivables including loans from the P&A deal at the acquisition date are as follows:

(In millions of Korean won)

	<b>Amounts</b>	
<b>Fair value</b>		
Loans	₩	275,940
Other receivables	₩	2,212,155
	₩	2,488,095
<b>Contractual cash flow</b>		
Loans	₩	400,514
Other receivables	₩	2,212,155
	₩	2,612,669
<b>Estimate of the contractual cash flows not expected to be collected</b>		
Loans	₩	124,574
Other receivables		-
	₩	124,574

## 45. Transition to K-IFRS

The Group's consolidated financial statements as of and for the year ended December 31, 2011, has been prepared in accordance with K-IFRS which was adopted on January 1, 2011. The Group's consolidated statements of financial position as of January 1, 2010 and December 31, 2010, and its consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2010, had been prepared in accordance with K-GAAP. However, K-IFRS 1101, First time adoption of K-IFRS, was implemented and these financial statements have been restated in accordance with K-IFRS and the Group's transition date to K-IFRS was January 1, 2010.

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

Significant GAAP differences between K-IFRS and K-GAAP in preparing the Group's consolidated financial statements are as follows:

#### 45.1.1 First time adoption of K-IFRS

Exemptions from other K-IFRS which the Group elected in accordance with K-IFRS 1101 are as follows:

- Business combinations: For business combination transactions, which occurred prior to the transition date, K-IFRS 1103, Business Combinations, is not applied retrospectively.
- Deemed cost as fair value or revalued amount: The Group applies the revalued amount reported under K-GAAP as deemed cost for certain tangible assets (land and building). Accordingly, gains on revaluation of tangible assets calculated under K-GAAP are reclassified as retained earnings and there is no effect on the financial statements except for the reclassification.
- Recovery and reserved liabilities included in cost of tangible assets: Changes in provisions associated with expected recovery or changes for tangible assets are not retroactively estimated from the time of initial acquisition. Changes in the amount of provisions are estimated only once at the transition date.
- The Group applied the derecognition requirements in K-IFRS 1039, Financial Instruments: Recognition and Measurement, prospectively for transfers of financial assets occurring on or after the transition date. Where the Group had derecognized financial assets before the transition date in accordance with previous K-GAAP, the Group did not recognize these assets even when the transfers did not meet the derecognition criteria under K-IFRS.

- Cumulative translation difference: Cumulative translation differences for all foreign operations existing on the transition date are deemed to be zero.

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

GAAP differences	K-GAAP	K-IFRS
<b>Scope of Consolidation</b>	<p>Determined by Article 1-3 (1) and (2) of External Audit of Stock Companies before amendment</p> <ul style="list-style-type: none"> <li>- Largest shareholder with 30 % or more of voting power in subsidiary</li> <li>- Where it can exercise rights in determining significant financial or operational decisions of other companies and the companies are determined to be consolidated by the Korean Financial Services Commission</li> </ul>	<p>The entity classifies the entities with which it is involved as either a general purpose company or a special purpose entity. It then applies the models below to determine if it controls the entity and consolidates it if it does.</p> <ul style="list-style-type: none"> <li>- General purpose company: Parent Company model</li> <li>- Special purpose entities: Risks and rewards model</li> </ul>
<b>Allowances for loan losses</b>	<p>The calculation of allowances for loan losses is based on the estimates made through reasonable and objective method for receivables of uncertain collectability</p> <p>The higher amount estimated using the two methods below is used:</p> <ul style="list-style-type: none"> <li>i) allowances for loan losses based on historical loss data</li> <li>ii) allowances provided in accordance with directed minimum percentage rate in its respective asset quality category as prescribed by the Regulation on Supervision of Banking Business</li> </ul>	<p>If there is objective evidence that an impairment loss on loans at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate</p> <p>An entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant</p> <p>If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment</p> <p>Such collective assessment is determined by applying a probability of default of a group of assets and a loss given default by type of recovery method with regard to various factors such as type of collateral, product and borrowers, credit rating, loss emergence period, collecting period amongst others.</p>
<b>Unused commitments/ guarantees</b>	<p>Reserve more than minimum funding rate of asset quality in accordance with rules reflecting a result of asset quality classification and credit conversion factor</p>	<p>The amount recognized as provisions shall be the best estimate of the expenditure required to settle the present obligation at the reporting date. The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of provisions. Where the</p>

effect of the time value of money is material, the amount of provisions shall be the present value of the expenditures expected to be required to settle the obligation. Evaluation models using various risk factors such as CCF(Credit Convert Factor), PD(Probability of Default) and LGD(Loss Given Default) are employed

<p><b>Interest income recognized by effective interest method</b></p>	<p>Interest income is recognized using the effective interest method except for the following which is recognized when cash is received:</p> <ul style="list-style-type: none"> <li>i) Interest on loan whose principal or interest is past due at the end of the reporting period, or,</li> <li>ii) loans with entity at default that have no guarantee from financial institutions and have deposits as collateral which are less than the outstanding amount at the end of the reporting period</li> </ul> <p>Loan origination costs that have future economic benefits and identifiable by transactions are deferred and amortized using effective interest method</p>	<p>Interest income is recognized using the effective interest method</p> <p>All direct loan origination fees and costs are deferred and recognized through the effective interest method</p>
<p><b>Impairment recognition of securities</b></p>	<p>When there is an objective evidence of impairment, impairment loss shall be recognized.</p> <p>If, in a subsequent period, the amount of the impairment loss in available-for-sale security at fair value is related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss can be reversed</p>	<p>A significant or prolonged decline in the fair value of an equity security below acquisition cost is also objective evidence of impairment</p> <p>Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale shall not be reversed through profit or loss</p>
<p><b>Definition of derivative</b></p>	<p>A derivative is a financial instrument or other contract having all the following characteristics:</p> <ul style="list-style-type: none"> <li>a. Needs underlying variables and units specified in contract (or payment rules)</li> <li>b. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would have an effect to have a similar response to changes in market prices; and</li> <li>c. Able to be settled net in cash</li> </ul>	<p>A derivative is a financial instrument or other contract having all three of the following characteristics:</p> <ul style="list-style-type: none"> <li>a. Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');</li> <li>b. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and</li> <li>c. It is settled at a future date</li> </ul>

<b>Fair Value Adjustments of Financial Instruments</b>	<p>When derivatives are exposed to counterparty credit risk, credit value adjustments are measured in accordance with minimum percentage rate by asset category as prescribed in the Regulation on Supervision of Banking Business</p> <p>Adjustment of bid or asking price: apply mid-market price</p>	<p>When derivatives are exposed to credit risk, the credit risk of the company and of the counterparty are evaluated according to risk position</p> <p>Apply bid or ask price by risk position in the valuation of a financial instrument</p>
<b>Provisions for membership rewards program</b>	<p>The estimated future costs of supplying the awards are recognized as provisions for credit card points</p>	<p>Credit card points granted to customers as part of a sales transaction are measured at fair value and the recognition of revenue is deferred when they are granted. And they are recognized as revenue when redeemed by customers or expired</p>
<b>Employee Benefits</b>	<p>Retirement benefits: Benefits are measured based on assumption that all eligible employees and directors, with at least one year of service, were to terminate their employment at the end of the reporting period</p> <p>Short-term employee benefit: Compensation for unused annual leave is recognized as expense during the period when payment is made</p>	<p>Post-employment benefit obligation: It is measured by an actuarial valuation method using the projected unit credit method</p> <p>Short-term employee benefit : It is recognized as an expense during the period when services are provided and benefits are earned</p>
<b>Asset Retirement Obligation</b>	<p>No provisions are recognized for restoration cost of leased property</p>	<p>The expected restoration costs for structures in leased office that are used for a business purpose are recognized as a liability. This amount is included as an acquisition cost, which shall be depreciated and management's estimate of the obligation is re-evaluated annually</p>
<b>Hybrid capital instrument</b>	<p>Hybrid capital instrument is classified as liability by its legal form</p>	<p>Hybrid capital instrument is classified as equity or liability by the substance of the contract. Therefore, if it has an unconditional right to avoid delivering financial asset such as cash to settle the contractual obligation, it is classified as an equity instrument and presented as a part of equity</p>
<b>Offsetting financial assets and liabilities</b>	<p>A financial asset and a financial liability from standardized brokerage transaction, can be offset and presented as the net amount in the statement of financial position</p>	<p>A financial asset and a financial liability shall be offset and presented as the net amount in the statement of financial position when, and only when, an entity currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously</p>
<b>Goodwill</b>	<p>Goodwill is amortized over a reasonable period from the beginning of the first annual period in which it arose using straight-line method</p>	<p>Goodwill acquired in a business combination shall not be amortized. An entity shall test goodwill for impairment at least annually</p>

<b>Gains on a bargain purchase</b>	Gains on a bargain purchase are reversed over the reasonable period from the beginning of the first annual period in which it was earned using straight-line method	Gains on a bargain purchase are recognized in the period it occurs through profit or loss
<b>Deferred income tax</b>	<p>Recognition of deferred income tax asset: deferred income tax asset shall be recognized if it is probable that the tax benefit is utilized</p> <p>Determine whether deferred income tax asset or deferred income tax liability shall be recognized by temporary difference between the carrying amount of an investment asset in the statement of financial position of subsidiary and its tax base</p>	<p>Recognition of deferred income tax asset: deferred income tax asset shall be recognized if it is probable that the tax benefit will be utilized</p> <p>Recognize deferred income tax asset or deferred income tax liability in a way that temporary differences are realized</p>
<b>Foreign currency translation</b>	<p>- Foreign currency transaction: Assets or liabilities denominated in foreign currency for each statement of financial position presented shall be translated at the closing rate at the end of the reporting period, gains or losses arising from this recorded as loss on foreign currency exchange or gains on foreign currency exchange in profit or loss</p> <p>- Foreign branches: Translation of financial statements in a foreign currency to Korean won for a branch of a reporting entity shall be translated at the closing rate at the end of the reporting period</p>	<p>- Foreign currency transaction: At each reporting date:</p> <ol style="list-style-type: none"> <li>a. Foreign currency monetary items shall be translated using the closing rate</li> <li>b. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction</li> <li>c. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined</li> </ol> <p>- Foreign branches: If the presentation currency differs from the entity's functional currency, it shall be translated into a different presentation currency using the following procedures:</p> <ol style="list-style-type: none"> <li>a. Assets and liabilities for each statement of financial position presented shall be translated at the closing rate at the end of the reporting period</li> <li>b. Equity : historical rate</li> <li>c. Income and expenses for each income statement shall be translated at average exchange rates</li> <li>d. All resulting exchange differences shall be recognized as other comprehensive income and on disposal of the foreign operation, the amount of the exchange differences shall be recognized in profit or loss as a reclassification adjustment when the gains or losses on disposal are recognized</li> </ol>
<b>Derecognition of a financial asset</b>	No applicable priority of requirements to derecognize a financial asset but an entity uses controls, risks and rewards altogether	When an entity retains substantially all the risks, rewards and controls of ownership of transferred assets, financial assets shall not be derecognized

## 45.2 Changes in consolidation entities

According to K-IFRS, KB Financial Group Inc. is responsible for preparing the consolidated financial statements. As of December 31, 2010, the inclusions and exclusions from the list of subsidiaries to be consolidated are as follows:

Changes	Details	Company Name
Included	Entities with total assets less than ₩10 billion at the previous year end are excluded from the scope of consolidation according to the Act on External Audit of Stock companies, while they are included under K-IFRS	KB Investment & Securities Hong Kong Ltd.
Included	Special Purpose Entities were excluded from subsidiaries for consolidation under Practice Opinion of Financial Supervisory Service, while they were included under K-IFRS	KB 9th Securitization Specialty Co., Ltd. KB 10th Securitization Specialty Co., Ltd. KB 11th Securitization Specialty Co., Ltd. KB 12th Securitization Specialty Co., Ltd. KB 13th Securitization Specialty Co., Ltd. KB 14th Securitization Specialty Co., Ltd. KB Mortgage Loan 1st Securitization Specialty Co., Ltd. KB Mortgage Loan No. 1 Limited KAMCO Value Recreation 3rd Securitization Specialty Co., Ltd. KB Covered Bond 1st Trust KB Covered Bond 1st Securitization Specialty Co., Ltd. KB Covered Bond First International Limited DKH Co., Ltd. NEWSTAR 1st Co., Ltd. KB06-1 Venture Investment Partnership KB08-1 Venture Investment Partnership Kookmin investment Partnership No. 16. NPS 05-6 KB Venture Fund NPS 07-5 KB Venture Fund 09-5KB Venture Fund NPS 06-5 KB Corporate Restructuring Fund KoFC-KB Pioneer Champ No. 2010-8 Investment Partnership
Included	Beneficiary certificates issued by private equity funds, not involved in fund management, are accounted for as equity instruments under the Practice Opinion of Financial Supervisory Service, while they are included in the scope of consolidation under K-IFRS	ING Lion 1st Private Security Equity Trust PCA Income Private Securities A-5 KDB Private Securities Investment Trust No.6(Bond) Allianz Star 15th Private Security Equity Trust TongYang HighPlus Securities Investment Trust N-15(Bond) Prudential Private Placement Securities Bond Fund 16(Bond) HI Private Securities Investment Trust 3-16(Bond) Kyoboaxa Private Tomorrow Securities Investment Trust 4(Bond) KTB Safe Private Fund 49(Bond)

Korea Investment Private Basic35  
Hana UBS Private Securities36  
HYUNDAI Trust Private bond Fund 3 (Bond)  
Truston Index Alpha Securities Investment Trust 1

Excluded	According to the Act on External Audit of Stock companies, in case the Parent Company and its subsidiaries own more than 30% of an investee's stocks with voting rights, they are considered to be the largest shareholder and the investee is included in the scope of consolidation, while excluded in the scope of consolidation under K-IFRS	KoFC KBIC Frontier Champ 2010-5 PEF
Excluded	It was included under the original by-laws relating to Banking Supervision, while it was excluded under K-IFRS	Principal guaranteed trust

### 45.3 The impact on the financial information of the Group as a result of adoption of K-IFRS

The impact on the Group's assets, liabilities, equity, profit, comprehensive income and cash flows as a result of adopting K-IFRS is as follows:

The details of adjustments to the assets, liabilities, and equity as of January 1, 2010 (transition date), are as follows:

(In millions of Korean won)

	Assets		Liabilities		Equity
	₩		₩		₩
K-GAAP		262,168,450		244,057,124	18,111,326
Adjustments :					
Changes in subsidiaries		(2,365,486)		(2,290,995)	(74,491)
Allowances for loan losses		569,598		-	569,598
Unused commitments/provisions on guarantees		-		(304,647)	304,647
Recognition of interest income using effective interest method		43,124		(24,810)	67,934
Recognition of impairment on securities investment		(15,641)		-	(15,641)
Changes in scope of derivatives		(2,061)		8,837	(10,898)
Adjustment on fair values of financial investments		-		(7,938)	7,938
Credit card points (Customer loyalty programs)		-		22,305	(22,305)
Employee benefits		-		81,812	(81,812)
Asset retirement obligation liabilities		2,295		43,070	(40,775)
Classification of equity/liability		-		(821,297)	821,297
Offsetting of financial assets and financial liabilities		118,672		118,672	-
Others		(354,870)		(298,332)	(56,538)
Deferred income tax effect due to adjustments		(5,110)		144,482	(149,592)
Total adjustments		(2,009,479)		(3,328,841)	1,319,362
K-IFRS	₩	260,158,971	₩	240,728,283	₩ 19,430,688

The details of adjustments to the assets, liabilities, equity, profit and comprehensive income as of and for the year ended December 31, 2010, are as follows:

(In millions of Korean won)

	Assets		Liabilities		Equity	
K-GAAP	₩	262,007,968	₩	243,567,615	₩	18,440,353
Adjustments :						
Changes in subsidiaries		(4,255,827)		(4,198,470)		(57,357)
Allowances for loan losses		663,522		-		663,522
Unused commitments/provisions on guarantees		-		(113,612)		113,612
Recognition of interest income using effective interest method		50,093		(6,061)		56,154
Recognition of impairment on securities investment		(5,931)		-		(5,931)
Changes in scope of derivatives		462		(1,545)		2,007
Adjustment on fair values of financial investments		-		(7,628)		7,628
Credit card points (Customer loyalty programs)		-		21,357		(21,357)
Employee benefits		-		71,006		(71,006)
Asset retirement obligation liabilities		3,148		49,460		(46,312)
Classification of equity/liability		-		(684,769)		684,769
Goodwill		89,673		-		89,673
Equity method investment securities		11,314		137		11,177
Offsetting of financial assets and financial liabilities		113,507		113,507		-
Other		105,020		155,924		(50,904)
Deferred income tax effect due to adjustments		(12,327)		137,771		(150,098)
Total adjustments		(3,237,346)		(4,462,923)		1,225,577
K-IFRS	₩	258,770,622	₩	239,104,692	₩	19,665,930

(In millions of Korean won)

	Profit		Total comprehensive income	
K-GAAP	₩	100,183	₩	212,245
Adjustments :				
Changes in subsidiaries		47,074		47,074
Allowances for loan losses		93,683		93,683
Unused commitments/provisions on guarantees		(191,034)		(191,034)
Recognition of interest income using effective interest method		(11,780)		(11,780)
Recognition of impairment on securities investment		(3,426)		(3,426)
Changes in scope of derivatives		12,913		12,913
Adjustment on fair values of financial investments		(311)		(311)
Credit card points (Customer loyalty programs)		948		948
Employee benefits		10,805		10,805
Asset retirement obligation liabilities		(5,537)		(5,537)
Classification of equity/liability		61,835		61,835
Goodwill		89,673		89,673
Equity method investment securities		12,251		7,533
Other		13,496		5,481
Deferred income tax effect due to adjustments		(10,864)		(10,864)
Total adjustments		119,726		106,993
K-IFRS	₩	219,909	₩	319,238



## Adjustment summary

The cash flows have been reclassified in accordance with K-IFRS as follows:

- The cash flows related to deposits, which are the major income sources for financial companies and which cash flows were classified as financial activities under K-GAAP, were reclassified as operating activities under K-IFRS.
- The cash flows of restricted due from financial institutions, which were classified as investing activities under K-GAAP, were reclassified as operating activities under K-IFRS.
- The cash flows of derivatives applied with hedge accounting, which were classified as operating activities under K-GAAP, are reclassified in the same manner as the cash flows of the position being hedged.
- Additionally, the cash flows from acquisition and disposal of equity or debt instruments of other corporations for the purpose other than trading purpose, which were classified as operating activities under K-GAAP, are reclassified as investing activities under K-IFRS.

Except for items mentioned above, there are no other significant differences on the cash flow statements prepared in accordance with K-IFRS and K-GAAP.

# Overseas Network

## Company Directory

### KB FGI Head Office

9-1, 2-ga, Namdaemun-ro,  
Jung-gu, Seoul 100-703, Korea  
Tel: (82-2) 2073-7114  
Swift Code: CZNBKRSE  
Telex: K23481, K26109  
Call Center: (82) 1588-9999

### IR(Investor Relations)

9-1, 2-ga, Namdaemun-ro,  
Jung-gu, Seoul 100-703, Korea  
Tel: (82-2) 2073-2869  
Fax: (82-2) 2073-2848  
E-mail: kbir@kbfng.coma

### Global Business (Kookmin Bank)

13th Fl. Kookmin Bank Building  
9-1, 2-ga, Namdaemun-ro,  
Jung-gu, Seoul 100-703, Korea  
Tel: (82-2) 2073-3251  
Fax: (82-2) 2073-8140

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## Transfer Agent and Register

### Common Share

Korea Exchange: 105560  
Kookmin Bank Securities Agency  
Business Dept.  
34, Yoido-dong, Youngdeungpo-gu,  
Seoul 150-758, Korea  
Tel: (82-2) 2073-8120  
Fax: (82-2) 2073-8111

### American Depository Receipts (ADRs)

9-1, 2-ga, Namdaemun-ro,  
Jung-gu, Seoul 100-703, Korea  
Tel: (82-2) 2073-2869  
Fax: (82-2) 2073-2848  
E-mail: kbir@kbfng.com

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## Overseas Network

### Guangzhou, China

Guangzho Room 4602~3, Office building,  
CITIC PLAZA 233 Tianhe N. Road  
Guangzhou, China  
Tel: (86-20) 3877-0566  
Fax: (86-20) 3877-0569  
Swift Code: CZNBCN22

### Harbin, China

Room 1605~1612, Development Zone  
Mansion No.368, Changjiang Road,  
Nangang Dist, Harbin 150090, China  
Fax: (86-451) 8722-1004, 2801~3  
Tel: (86-451) 8722-2806

### Suzhou, China

Room 201-1, No.1 Huachi Road,  
Suzhou Industrial Park 215028, China  
Tel: (86-512) 6292-7227  
Fax: (86-512) 6292-7117  
Swift Code: CZNBCN22SUZ

### Tokyo, Japan

Yurakucho Denki Bldg. -N, 14F, 1-7-1  
Yurakucho, Chiyoda-ku Tokyo 100 Japan  
Tel: (81-3) 3201-3411  
Fax: (81-3) 3201-3410  
Swift Code: CZNBJPJT  
E-mail: tokyo@kbstar.co.kr

### Auckland, New Zealand

Level 19, 135 Albert Street PO BOX 7506  
Wellesley, Auckland, New Zealand  
Tel: (64-9) 366-1000  
Fax: (64-9) 366-6608  
Swift Code: CZNBZN2A  
E-mail: auckland@kbstar.co.kr

### New York, U.S.A.

565 Fifth Ave. 46th street, 24th Floor,  
New York, NY 10017 USA  
Tel: (1-212) 697-6100  
Fax: (1-212) 697-1456  
Swift Code: CZNBUS33  
E-mail: kbstar@kmbny.com

### Hong Kong, China

19/F., Gloucester Tower 15 Queen's Road C  
Central, Hong Kong, China  
Tel: (85-2) 2530-3633  
Fax: (85-2) 2869-6650  
Swift Code: KHBAAKHH  
E-mail: kookmin@hkstar.com

### London, United Kingdom

6th floor, Princes Court, 7 Princes Street,  
London EC2R 8AQ, U.K.  
Tel: (44-207) 710-8300  
Fax: (44-207) 726-2808  
Swift Code: CZNBGB2L  
E-mail: kbil@kookmin.co.uk

### KB Cambodia PLC.

No.55, Street 214, Sangkat Boeung Raing,  
Khan Daun Penh,  
Phnom Penh, Cambodia  
Tel: (855-23) 999-300~2  
Fax: (855-23) 999-310

### Hochiminh City, Vietnam

Kumho Asiana Plaza Saigon Co., Ltd  
39 Le Duan Street, District 1,  
Ho Chi Minh City, Vietnam.  
Tel: (84-8) 3827-9000  
Fax: (84-8) 3910-7059

### Kiev, Ukraine

9-21A, Bogdana Khmelnytskogo Street,  
4th Floor, Kyiev, Ukraine  
Tel: (38-044) 201-4755  
Fax: (38-044) 201-4764

### Branch JSC KB Data Systems

050000, Branch JSC KB Data Systems  
panfilova 98, in Almaty city, Kazakhstan  
Tel: 070 - 7500 - 0896

### Hanoi, Vietnam

#812, Daeha Business Center  
360 Kim Ma Street  
Ba Dinh District, Hanoi, Vietnam  
Tel: (84-4) 3771-4952  
Tel: (84-4) 3771-4953

# Forward Looking Statements

This document contains forward-looking statements. Words and phrases such as “will,” “aim,” “will likely result,” “will continue,” “contemplate,” “seek to,” “future,” “objective,” “goal,” “should,” “will pursue,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and words and terms of similar substance used in connection with any discussion of future operating or financial performance identify with forward-looking statements. All forward-looking statements are management’s present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward looking statements.

The factors that could cause actual results to differ include, but are not limited to, the following:

- KB Financial Group’s ability to successfully implement its strategy;
- future levels of non-performing loans;
- KB Financial Group’s growth and expansion;
- adequacy of allowance for credit and investment losses;
- technological changes;
- investment income;
- availability of funding and liquidity;
- cash flow projections;
- KB Financial Group’s exposure to market risks; and
- adverse market and regulatory conditions.

By their nature, certain disclosures relating to these and other risks are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on KB Financial Group’s income or results of operations could materially differ from those that have been estimated.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document could include, but are not limited to.

- general economic and political conditions in Korea or other countries that have an impact on KB Financial Group’s business activities or investments;
- Korea’s monetary and interest rate policies;
- inflation or deflation;
- foreign exchange rates;
- prices and yields of equity and debt securities;
- performance of the financial markets in Korea and internationally;
- changes in domestic and foreign laws, regulations and taxes;
- changes in competition and the pricing environments in Korea; and
- regional or general changes in asset valuations.

KB Financial Group cautions the reader not to place undue reliance on the forward-looking statements, which speak only as of the date of this document. Except as required by law, we are not under any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements attributable to KB Financial Group or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this document.



 **KB Financial Group**

9-1, 2-Ga, Namdaemun-ro,  
Jung-Gu, Seoul,  
100-703, Korea  
Tel : +82-2-2073-7114

[www.kbfng.com](http://www.kbfng.com)