



**ANNUAL REPORT  
2013**

 **KB Financial Group**

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KB Financial Group has grown into a premier financial group encompassing 11 subsidiaries from banking to credit card, securities, asset management and insurance, with total assets worth KRW 368 trillion.

While we have made much progress, we are not close to being done. The financial environment at home and abroad is rapidly changing and competition is intensifying.

We must continue to be proactively responsive to these dynamics by remaining focused on our strengths of customer service, innovations in financial products and services, and pursuing growth and profitability.

# Group at a Glance

As of December 31, 2013

## KB Kookmin Bank

KB Kookmin Bank is a leading bank in Korea and aspires to become a 'global bank leading the Asian financial industry'. The Bank boasts of its competitive edge in customer-centric management as reflected in the Bank's record of becoming the first in the banking sector to rank No.1 for eight consecutive years in National Customer Satisfaction Index (NCSI). By taking advantage of its extensive marketing capabilities through its sophisticated customer relations management (CRM) system, KB Kookmin Bank continues to maintain the highest market share in the banking sector in terms of total assets, total deposits, loans in Korean won, investment trust, and bancassurance sales.

The financial environment remained challenging in Korea and abroad, characterized by increased competition among Korean banks, triggered by the acquisition of Korea Exchange Bank by Hana Financial Group and the establishment of the NongHyup Financial Group. Other factors that contributed to the unrest in the financial industry included economic turbulence in emerging countries due to tapering in the US and the continuation of low interest rates which led to a contraction in net income margin (NIM). Despite this, KB Kookmin Bank maintains a high level of capital adequacy and asset quality. Moreover, the Bank laid the foundation for future sources of income by becoming the first in Korea to attract more than 8 million smart-banking customers.

Key Financial Indicators	Unit: KRW billion
<b>Total Assets</b>	<b>265,258.9</b>
<b>Total Shareholders' Equity</b>	<b>20,617.3</b>
<b>Net Income</b>	<b>819.7</b>

## KB Kookmin Card

KB Kookmin Card, in an effort to regain its premier status as one of Korea's leading credit card companies, has launched a new campaign, 'Again, Korea First Card.' In its third year in the business after a spin-off from the Bank, KB Kookmin Card recorded KRW 87.7 trillion in transactions and net income of KRW 384 billion. KB Kookmin Card ranked No.1 in customer satisfaction in the card category for two consecutive years. It is seeking to become more competitive by rolling out new products such as the 'Hun-Min-Jeong-Eum Card,' which is based on different customer characteristics and a mobile app-card, which is KB Kookmin Card's entry into the future payment market. Through all these efforts, KB Kookmin Card endeavors to retain its leadership in 2014.

Key Financial Indicators	Unit: KRW billion
<b>Total Assets</b>	<b>15,855.0</b>
<b>Total Shareholders' Equity</b>	<b>3,469.9</b>
<b>Net Income</b>	<b>384.4</b>

## KB Investment & Securities

Since becoming a member of KB Financial Group in March 2008, KB Investment & Securities developed competitive advantages in key business areas of wholesale banking, investment banking, institutional sales, bonds, futures trading, and asset management. Effectively leveraging KB Financial Group's strong financial network, KB Investment & Securities is developing new growth drivers in diverse areas including asset management and online distribution channels. KB Investment & Securities continues to be a strong player in wholesale banking, ranking No.1 for three consecutive years from 2011 to 2013 in the debt capital markets (DCM). Based on these achievements, KB Investment & Securities was able to overcome difficulties in the financial market in 2013 and continue its growth as a comprehensive financial investment company.

Key Financial Indicators	Unit: KRW billion
<b>Total Assets</b>	<b>2,524.4</b>
<b>Total Shareholders' Equity</b>	<b>550.7</b>
<b>Net Income</b>	<b>12.0</b>

## KB Life Insurance

KB Life Insurance laid a foundation for growth as a comprehensive insurance company by implementing the five major management philosophies: customer-centric management, field-centric management, pursuit of sustainable growth, dynamic corporate culture, and corporate social responsibility. KB Life Insurance recorded premium income of KRW 1,333.1 billion in 2013. Total assets and net income reached KRW 6,945.6 billion and KRW 9.1 billion, respectively. KB Life Insurance has recorded an annual average growth rate of 23.6% in total assets, the highest in the industry. Since 2009, KB Life Insurance has consistently remained profitable.

Key Financial Indicators	Unit: KRW billion
<b>Total Assets</b>	<b>6,945.6</b>
<b>Total Shareholders' Equity</b>	<b>549.1</b>
<b>Net Income</b>	<b>9.1</b>

## KB Asset Management

The domestic equity funds market contracted substantially as of the end of 2013 compared to the end of 2009. Against this backdrop, KB Asset Management's AUM grew three-fold to KRW 7,146.7 billion from KRW 2,112.3 billion based on its steady short and long-term return rates during the last four years. These were achieved as a result of company-wide efforts to enhance long-term return rates of domestic equity-type funds. KB Asset Management seeks to improve long-term return rates of its diverse set of assets including securities, bonds, derivatives, commodities, overseas assets, real estate, infrastructure, private equity (PE), and non-performing loans (NPLs).

Key Financial Indicators	Unit: KRW billion
<b>Total Assets</b>	<b>237.9</b>
<b>Total Shareholders' Equity</b>	<b>201.6</b>
<b>Net Income</b>	<b>63.4</b>

## KB Capital

KB Capital, which was incorporated into KB Financial Group in March 2014, specializes in financing, such as installment finance, lease finance, auto finance, consumer finance and corporate finance. Since its establishment in 1989, KB Capital has developed a diversity of lease financing products involving vehicles, facilities and medical appliances, leading the growth of the domestic credit specialized finance sector. The Company is currently gaining attention from the market as a financial institution buttressed by an extensive portfolio ranging from auto finance to consumer and corporate finance and by outstanding financial soundness which evolved from the industry's top-tier risk management.

Key Financial Indicators	Unit: KRW billion
<b>Total Assets</b>	<b>3,940</b>
<b>Total Shareholders' Equity</b>	<b>412</b>
<b>Net Income</b>	<b>54</b>

## KB Savings Bank

KB Savings Bank provides deposit and loan services to households and small and medium enterprises (SMEs) that are overlooked by top-tier banks due to their relatively high risk profiles. Its deposit products include term deposits, savings deposits, and free installment deposits. Loan products include 'Sunshine Loans,' 'KB One Stop Loans,' and stock loans. In 2013, KB Savings Bank rolled out the 'KB Kind Loan' as part of its efforts to fulfill its social responsibility objectives.

Key Financial Indicators	Unit: KRW billion
<b>Total Assets</b>	<b>584.0</b>
<b>Total Shareholders' Equity</b>	<b>134.9</b>
<b>Net Income</b>	<b>6.1</b>

## KB Real Estate Trust

KB Real Estate Trust develops and manages trust properties on consignment. Major products offered include land development trust, collateral trust, management trust, disposal trust, agency, and real estate investment trusts (REITs). KB Real Estate Trust maintains stable credit ratings and solid funding. KB Real Estate continues to be regarded as a reliable partner in real estate finance.

Key Financial Indicators	Unit: KRW billion
<b>Total Assets</b>	<b>182.7</b>
<b>Total Shareholders' Equity</b>	<b>169.0</b>
<b>Net Income</b>	<b>2.1</b>

## KB Investment

As a partner supporting the value enhancement of companies in which it invests, KB Investment makes venture investments in unlisted small and medium enterprises (SMEs) and venture companies, growth capital investments in mid-sized companies, and private equity investments. KB Investment focuses its investments on IT industries including mobile, communication, semiconductors, and displays. Next-generation growth industries that will shape the future including alternative energy, new & renewable energy, secondary battery and other clean-tech industries; and industries such as biotechnology, pharmaceuticals and medical equipment are also targeted for investment.

Key Financial Indicators	Unit: KRW billion
<b>Total Assets</b>	<b>241.2</b>
<b>Total Shareholders' Equity</b>	<b>130.6</b>
<b>Net Income</b>	<b>6.1</b>

## KB Credit Information

KB Credit Information specializes in managing unpaid receivables and lease investigations. KB Credit Information manages KRW 3.8 trillion in annual unpaid receivables of KB Financial Group's subsidiaries and KRW 2.6 trillion of receivables in other institutions. KB Credit Information performs a pivotal role in managing the collection process across the Group. KB Credit Information initially entered the lease investigation business in 2000. The primary business activity involves credit and background checks of customers seeking mortgages and other significant real estate and corporate loans. KB Credit Information continues to increase its total sales amount based on a top-tier operating system in the field.

Key Financial Indicators	Unit: KRW billion
<b>Total Assets</b>	<b>30.1</b>
<b>Total Shareholders' Equity</b>	<b>22.5</b>
<b>Net Income</b>	<b>(0.3)</b>

## KB Data Systems

KB Data Systems is a pioneer of Korea's financial IT. Since its founding in 1991, KB Data Systems has played a crucial role in KB Financial Group's growth by facilitating smooth systems integrations in the Group's incorporation of a number of M&As. Leveraging the experience and know-how accumulated from the various financial IT projects it has undertaken over the years, the Company tailors its advanced IT systems to the rapidly evolving needs of financial companies as well as its KBFG's subsidiaries.

Key Financial Indicators	Unit: KRW billion
<b>Total Assets</b>	<b>21.8</b>
<b>Total Shareholders' Equity</b>	<b>14.9</b>
<b>Net Income</b>	<b>0.02</b>

# CEO's Message



## Dear Valued Shareholders and Customers,

Last year KB Financial Group faced a number of challenges as the financial markets were slow to recover. Profitability declined as market interest rates remained low. Asset quality yet remains to be normalized by a series of corporate restructurings, and several unexpected incidents gloomed us. In particular, the theft of customer information earlier this year was an unfortunate incident that we take very seriously. We, at KB Financial Group, take full responsibility and pledge to prevent a similar occurrence by pursuing the highest standards for protecting customer information.

Despite this setback, we have been pleased to achieve several notable results. KB Kookmin Bank was selected as the custodian bank for both National Housing Fund and National Pension Service. The Bank secured new institutional clients including government agencies and public organizations.

The Bank also continued to expand its overseas network by launching a partnership with Mandiri Bank in Indonesia and establishing an office in Rangoon, Myanmar.

KB Financial Group will strictly adhere to 'Business Standards & Principles,' thereby re-building the company as a solid and trusted financial group, worthy of the confidence of customers and the market.

We continue to lead innovation in customer-oriented finance market, offering new products and services such as 'After Banks', which are branches specifically open past regular business hours for office workers. Additional services included customer appointments service for branch visits and providing 'call back' service. These innovations continue to enhance the Bank's reputation as the financial market leader in customer-oriented change.

The Group also continues to fulfill its social responsibilities through various programs including establishment of 'Hope Finance Plaza' at regional headquarters to offer consulting services to customers with high cost debt burdens. Furthermore, we provided loans to small and medium-sized enterprises (SMEs).

In non-banking businesses, KB Kookmin Card launched 'K-Motion', a mobile card service, as part of its plan to become the leader in the future payment market.

KB Investments & Securities continued its unrivalled leadership in underwriting bonds. KB Life Insurance enhanced its profitability by increasing its focus on protection-type insurance.

KB Asset Management achieved steady growth of its market share in asset under management (AUM) despite adverse market environment. Other subsidiaries of the Group have also striven diligently to bolster their core competences and competitive advantages. We further strengthened our non-banking business through the acquisition of KB Capital (former Woori Financial). As a result of these efforts, the Group was able to surpass 30 million customers, an important milestone that indicates our strategies for future growth are promising.

Meanwhile, the Group increased its total assets by KRW 6.9 trillion during 2013 to KRW 291.8 trillion. Loans increased by KRW 5.4 trillion to KRW 219.1 trillion. In funding, deposits increased by KRW 3.5 trillion to KRW 200.9 trillion as a result of affluent liquidity amid monetary easing. Debts and debentures increased by KRW 0.9 trillion to KRW 41.1 trillion.

In asset quality, the Group's non-performing loans (NPL) ratio rose by 0.29%p over the year to 1.69% due to increased number of companies on corporate restructuring, while the NPL coverage ratio declined by 40.25%p to 130.29%.

Operating profit before provisions decreased by KRW 0.6 trillion to KRW 3.5 trillion, primarily due to net interest margin (NIM) contraction. Profit for the year decreased by KRW 0.5 trillion year-on-year to KRW 1.3 trillion.

Despite the concerted effort of the management and staff to achieve better results, the Group's performance in the past year fell short of shareholders and customers' expectations and on behalf of KB Financial Group, I sincerely express regrets in this regard. This year, we will refocus on our core competencies to deliver performance that our shareholders and customers have come to expect from us.

The global economy shows initial signs of recovery primarily led by advanced economies, yet much uncertainty remains. Korean economy is also unlikely to see a rapid recovery in the immediate future.

The business environment in 2014 is expected to be no less difficult than the past several years. Confronted with these challenges, the Group will strictly adhere to 'Business Standards & Principles,' thereby re-building the company as a solid and trusted financial group. For this, we will undertake the following four tasks.

First, we will refocus on the basics by sharpening the competitive edge of our strongest suits and build them into the foundation for growth. We will further strengthen retail banking to maximize business performances. Securing stable margins and increasing quality loans would be a key to our profitability. We will also work towards improving the quality of portfolio in corporate banking and take concerted efforts to heighten competitiveness and increase profitability in each and every business areas.

Second, we will devote our foremost attention to bringing our pre-emptive risk management up a notch. We will pursue more quality loans and proactively manage any potential risk assets of corporate or SOHO loans. Based on this, we will work towards cultivating a healthy credit culture. While maintaining a strict policy on risk assessment of overseas business operations, we will be prudent in our pursuit of business opportunities overseas.

Third, we will seek for a heightened level of productivity and efficiency, setting forth a solid platform for creative initiatives and dynamic growth. We will rationalize and realign business processes and systems, particularly in branch operations to better serve our clients.



All members of KBFG, imbued with a strong ownership spirit, will march forward with 'One Spirit for Common Vision.'

We will overhaul our compensation systems, increase personnel efficiency, seek re-alignment of distribution channels, and change IT cost structures.

Lastly, we aspire to become the financial group trusted by customers, the market and the society. As in 'Si-woo', which means 'Timely rain' in Korean, used to refer to the rain that farmers are grateful to receive in order to live and prosper, we will continue to provide our customers with much desired and appropriate products and services in a timely manner. We also should be at the forefront of promoting 'Creative Finance' by supporting those companies with cutting edge technologies and new ideas, yet in lack of funding. We will also implement reforms to our internal controls and re-emphasize ethical management of our businesses.

By executing these tasks outlined above, all of us at KB Financial Group will do our best to deliver a financial performance worthy of the support and expectations of our shareholders and customers.

We understand that several regrettable incidents last year were a major cause for concern. In 2014, we will spare no effort to restoring the confidence of our shareholders, customers and the public. All members of the Group, imbued with a strong ownership spirit, will march forward with 'One Spirit for Common Vision'.

I would like to express my deepest gratitude to all of our shareholders and customers for their continued support and encouragement. On behalf of everyone at KB Financial Group, I wish you and your loved ones good health and prosperity.

Sincerely,

**Young-Rok Lim**

**Chairman & CEO  
KB Financial Group Inc.**

# 2013 Highlights

KBFG is Korea's financial institution with over 30 million customers, nearly 60% of the country's total population and more than 8 million smart-banking customers.

## KB Financial Group

KB Financial Group is stepping up its efforts to promote a sound financial ecosystem by reinforcing its trust with customers and society. KB Financial Group is a comprehensive financial service group, with KRW 383 trillion in total assets, including securities, life insurance, asset management, capital, savings bank, real estate trust, investment, credit information and data systems. KB Kookmin Bank maintains its dominant position in the retail banking sector and KB Kookmin Card is the unrivalled leader in the check card market. KB Investment & Securities has consolidated its leadership in the bond market.

KB Financial Group boasts the largest customer base of over 30 million and the widest network of service in Korea. KBFG has laid the foundation for another leap forward by establishing key future growth drivers, positioning us at the forefront of change in the financial sector.

### Korea's Leading Financial Group

KBFG continues to be Korea's financial institution with over 30 million customers, nearly 60% of the country's total population and more than 8 million smart-banking customers.

## KB Kookmin Bank

KB Kookmin Bank maintains an extensive network of 1,207 branches, servicing 28.62 million customers, equivalent to more than half of the Korean population. KB Kookmin Bank is Korea's largest retail bank and continues to enjoy a significant competitive advantage.

In 2013, we resumed the National Housing Fund, which is part of an initiative to provide our customers with customized and integrated services. 'STAR TABLE,' a new asset management service was integrated with 'KB Golden Life' service for retirees and 'R-easy' for property management to provide a comprehensive asset management solution for our customers. In addition, KB Kookmin Bank launched a series of popular products including 'KB★Story Deposits' which has become popular with customers.

### Enhancing Retail Banking's Competitive Advantage

KB Kookmin Bank's future channel strategy aims to establish specialized branches to address the growing needs of our customers. Some of the Bank's new-concept branches targeting

office workers who are in their 30s and 40s have adjusted their business hours for the convenience of these customers. The Bank also launched 'Pop-up Branches' which are relocated regularly in pursuit of new banking customers. A 'Rock Star' channel targeting young customers has also been rolled out. These are some examples of how KB Kookmin Bank continues to seek new channels to build long-term relationships with their customers.

### Leading the Financial Market

KB Kookmin Bank, which pioneered mobile banking service globally, started smartphone-based app, 'KB Star Banking.' The Bank's customer base of smart-banking customers surpassed 8 million in November 2013, propelling KB Kookmin Bank to rank at the top of the smart-banking market. 'KB Smart★Phone Installment Savings Deposits' is a special app-based product that customers can enjoy while conducting their banking. This is the first time such an integrative and interactive product has been released in the domestic financial sector. The product continues to appeal to adults in their 30s and 40s as well as youth. KB Kookmin Bank has emerged as the leader of smart banking services as a result of the roll out of its popular smartphone-based financial products.

## KB Kookmin Card

### Maximizing Customer Satisfaction

KB Kookmin Card is leading efforts to reinvigorate the check (debit) market, issuing over 5 million check cards only two years and eight months after the 'KB Kookmin Nori Check Card' was launched. This success came as a result of three main factors: one, the government expanded its rebate program for check card usage, two, consumers have more control over spending and three, incentive discounts for purchases made using our check cards continues to expand.

In December 2013, KB Kookmin Card launched a new 'Hangul' (Korean language) themed series of four credit cards customized to cater to the varied lifestyles and spending habits of the individual cardholders. In keeping with the 'Hangul' theme, these cards, 'KB Kookmin Hun, KB Kookmin Min, KB Kookmin Jeong and KB Kookmin Eum,' are designed using the five Korean traditional basic colors and are instantly familiar to users. These special credit cards play a significant role in enhancing the relevance of KBFG in people's lives.

### Exploring New Markets with New Growth Drivers

KB Kookmin Card released 'KB Wise Wallet,' a mobile-based customized value-added service, and 'K-Motion,' an app-card for mobile payments that is unique from the existing USIM-based mobile payment service. The launch of 'KB Wise Wallet' was the company's first entry into mobile payment marketing, while K-Motion was instrumental to the company's growth of its market share in the mobile card sector.

## \*b KB Investment & Securities

### Strengthening Market Position in Corporate Bonds and Asset-backed Securities

KB Investment & Securities (KBIS) captured first place in six league tables in 2013 as the market leader in underwriting corporate bonds and issuing asset-backed securities.

According to a Bloomberg survey, KBIS ranked No.1 for three consecutive years.

Moreover, the company ranked third in corporate and bond sales and led in the wholesale category. As the first Korean firm to launch a smartphone app for stock trading, KBIS leads in Mobile Trading Service (MTS) applications. To enhance its competitive edge in online trading, KBIS launched an upgraded version of 'KB Smartok S,' a mobile application for stock trading and 'Star Camp,' a premium stock trading consulting service.

## \*b KB Savings Bank

### Dedicated to Improving Lives of Low-Income People

Yehansol Savings Bank was incorporated into KB Financial Group on September 2, 2013 and merged into KB Savings Bank as of January 13, 2014. KB Savings Bank business, which had been focused exclusively around Seoul, was expanded to include Incheon and Gyeonggi Province following the merger.

KB Savings Bank strives to help citizens to stabilize their everyday lives by offering the 'KB Kind Loan' to those unable to access bank loans because of insufficient credit. KB Savings Bank has taken a leadership role to help restore the credibility of savings banks in the communities across the nation. KB Savings Bank received the Financial Product/Service Innovation Prize at the 2013 Korea Financial Service Innovation Awards hosted by the Money Today and the Trust-based Management Prize at the 2013 Financial Service/Securities Award hosted by the Aju Business News.

## \*b KB Asset Management

### Higher Rates of Return in Equity-type Funds

KB Asset Management (KBAM), which invested in diverse portfolios such as stock, real estate and infrastructure recorded an overall return rate in excess of 4%, higher than the industry average. As one of the leading comprehensive asset management firms in Korea, KBAM raised nearly KRW 3.8 trillion worth of funds. The total includes KRW 850 billion in domestic equity funds and KRW 1.43 trillion in alternative investments. The 'KB Value-focus Fund,' KBAM's signature fund, has become the best-performing fund in the domestic fund market with a three-year yield rate of 33.30%. Ranked among the top 1% of domestic active funds, the fund's steady yield rate has made it a market favorite. 'KB Growth Focus Fund' had a positive yield rate in 2013 with a five-year yield rate of 155.55%, alongside a cumulative return rate of 347.46%.

KBAM's alternative investments are favored by pension fund managers and institutional investors because of its steady yield rates. Based on its extensive experience and expertise in the field of alternative investments, the company manages a diverse range of domestic and international infrastructure funds covering capital restructuring, power-plants, and energy development. KBAM's risk management system has been repeatedly benchmarked by other firms dealing with alternative investments, further indication of the great importance assigned to risk management in this area of investments.

## \*b KB Life Insurance

### Growing into a Leading Life Insurer

Supported by its steady growth, KB Life Insurance has emerged as one of Korea's leading life insurers with the business in force reaching KRW 15.3 trillion and total assets of KRW 6.9 trillion as of the end of December 2013. KB Life Insurance has established several priorities for its long-term growth platform such as improving and expanding its sales channels, expanding product portfolios, and strengthening risk management.

KB Life Insurance was recognized as an outstanding institution in the call center category of the Korean Service Quality Index (KSQI) for eight consecutive years, thanks to improved customer service. For five consecutive years, the Company maintained its top rating in the Financial Supervisory Service's annual evaluation of consumers' complaints regarding life insurance. KB Life Insurance was selected as a family-friendly enterprise by the Ministry of Gender Equality & Family in 2013, in recognition for its efforts to cultivate a positive corporate culture.

# 2013 Awards & Recognitions

KB Financial Group stepped up its efforts to create a healthy financial ecosystem in 2013. Its efforts were rewarded with 180 awards.

## KB Kookmin Bank

### First Place in NCSI for Eight Consecutive Years

KB Kookmin Bank endeavors to enhance its customer-centric management by developing relationships with each and every customer to increase the 'bank's value to customers' instead of just the 'customers' value to the bank.' KB Kookmin Bank became the first in the financial industry to rank No.1 for eight consecutive years in the banking category of the National Customer Satisfaction Index (NCSI) produced by Korea Productivity Center.

In addition, the Bank ranked first for seven consecutive years in the banking category of Korean Customer Satisfaction Index (KCSI). Additional awards include first place for seven consecutive years in Korean Net Promoter Service (KNPS) and No.1 in customer interactions of Korean Service Quality Index (KSQI).

### Global Reputation in Trade Finance

KB Kookmin Bank has furthered its international reputation. The Bank was honored with several trade finance bank awards in Korea in 2013 by three major finance magazines. The Bank was chosen as 'Korea's best export and import bank' for three consecutive years by Trade Finance, a U.K.-based finance magazine published by Euromoney. The Bank was also selected as Korea's 'best trade finance bank' by Hong Kong's The Asset. Lastly, the Bank was also chosen as the 'best trade finance bank' in Korea for two consecutive years by the Asian Banker. Moreover, the Bank won its 'Triple A Private Banking, Wealth Management and Investment Award' from The Asset. The Bank has been 'top rated' in the field of domestic markets for eight consecutive years according to the Global Custodian Survey.

### Winning Products in 2013

In 2013, the Bank rolled out a host of popular financial instruments that have contributed to enhancing its brand value. Some of them are 'KB Golden Life Savings,' 'KB Kookmin First Investments Installment Deposits,' 'Kookmin Apartments Time Deposits,' 'KB Family Love Installment Savings Deposits' and 'Salaryman Preference Installment Saving Deposits.' The most popular product in 2013 was the 'KB★Story Savings Deposits,' which is designed to help customers manage their multiple needs in a 'one-stop' manner.

## KB Investment & Securities

### Ranked First in Bond Underwriting for Three Consecutive Years

KB Investment & Securities (KBI&S) ranked first for three consecutive years in underwriting corporate bonds and issuing asset-backed securities in the domestic bond market. According to a Bloomberg survey of 2013 Capital Market League Tables, KBI&S underwritings totaled KRW 9,389.3 billion across 364 issues. The Company took first place for three consecutive years with a 17% market share and ranked No.1 in all six Capital League Tables in 2013. In addition to ranking at the top of the corporate bond underwriting category of major investment banking awards, KBI&S was awarded 'Korea Top Brand Award' for two consecutive years from the Dong-A Ilbo newspaper, in recognition for its corporate social responsibility activities.

## KB Asset Management

### No.1 Asset Management Firm

In 2013, KB Asset Management continued to seek increasing its long-term return rates of assets under management (AUM) and protect investors through pro-active risk management. The Company was recognized for these efforts with the '2013 Herald Business Funds Awards.' For its outstanding long-term rates of return in the domestic equity funds category, KB Asset Management also received the 'Best Equity Funds Award' at the Korea Securities Awards ceremony of the Seoul Economic Daily. KB Asset Management earned the 'Best Pension Fund Award' and 'Best ETF Award' at the 2013 Funds Awards of Money Today. The Company is recognized as a comprehensive asset management firm with the most diverse asset portfolios ranging from equity and bond funds to infrastructure and real estate funds.

# Strategies

KBFG will intensify efforts to deepen customers' trust and confidence through innovative ideas such as 'finance of timely rain' and active support of companies that have creative ideas but need funding.

## Management Strategies and Direction by Business Area

While the global economy, particularly advanced economies, is showing signs of recovery, there is still much uncertainty. The Korean economy is not seen as regaining its footing quickly. In this challenging environment, KB Financial Group will focus on strengthening its core business competencies by implementing the following initiatives:

First, we will redouble our efforts in areas of business where we enjoy a competitive advantage, such as retail banking. We will seek to increase our profitability by pursuing outstanding loan-centered growth and securing appropriate margins. In corporate banking, focus will be placed on optimizing the portfolio quality.

Second, KBFG will proactively enhance its risk management. The Group pursues to foster a sounder credit culture by providing new loans that represent primarily high-quality assets and better management of asset risk, such as corporate and small office and home loans (SOHO). As KBFG expands internationally, its overseas business units will be subjected to more rigorous risk management.

Third, gains in productivity and efficiencies will be sought to prepare for the 'creative challenges' and dynamic growth that lies ahead. Systems and processes will be innovated to make them more customer- and on-site-oriented. The Group will take measures to reform the wage system, increase efficiencies in personnel management, realign channels, and significantly improve the IT cost structures.

Lastly, we will intensify our efforts to deepen our customers' trust and confidence through innovative ideas such as our 'finance of timely rain,' and active support of companies that have creative ideas and technologies but need financing. As KBFG continues to prepare for future growth, we need to strengthen our internal controls and ethical management in order for growth to be sustainable.

## Strategic Direction by Business Area

### Bank

In response to the recent global and domestic banking trends, KB Kookmin Bank is embarking on corporate social responsibility initiatives that are designed to protect consumers and increase financial aid to small and medium business (SMEs) and low-income households. In addition to focus on the retail banking sector, areas targeted for more strategic management include wealth management, small business, smart banking and foreign exchange.

Upgrading the customer-centered operations, increasing marketing capabilities of alternative channels to attract new customers and increasing the outreach to high-growth potential corporate customers are just some of the initiatives the Bank is implementing to reach the goal of sustaining and growing its long-term customer base and increasing customer loyalty. KB Kookmin Bank continues to assess opportunities in overseas markets, particularly in Asia, which is seen to have rapid growth potential.

### Credit Card

The credit card industry is forecast to experience increased challenges in 2014, primarily attributable to the slow growth of the Korean economy and more complicated financial regulations. As a consequence, profitability is expected to decrease and competition is expected to increase. KB Kookmin Card strategic plan to increase profitability and lead the credit card market for 2014 is the 'Small Wins Strategy.' KB Kookmin Card seeks to leverage its 'small success experiences' into greater market share and profitability both in the mid and long term. In order to achieve sustained growth this year and the years to come, KB Kookmin Card will rebrand its products to better serve the needs of the increasingly diverse customer base. Implementing an improved risk management system will allow the company to better balance the growth, profitability and liabilities of the company. In an effort to avoid future incidents of customer data theft, KB Kookmin Card is implementing measures and overhauling the processes related to customer information.

**Securities**

KB Investment & Securities will seek to achieve its mid and long-term strategic goal of ‘building a reputation benefitting a comprehensive financial investment company’ by concentrating on its core competencies in the key areas of corporate and institutional banking during 2014. Its plans call for restructuring organizational management and support functions in order to more aggressively pursue integrated growth in the future.

**Life Insurance**

KB Life Insurance is concentrating its efforts to adding to its foundation for long-term growth by establishing an optimal channel portfolio, balancing the growth of sales channels and maximizing the proportion of highest-profit generating products in the portfolio. To this end, KB Life Insurance is making concerted efforts in five areas.

First, it will reinforce customer-centric business processes and develop new competitive products. Second, it is enhancing its sales competitiveness by strengthening the internal marketing structure and promoting its qualitative growth. Third, the Company is seeking to improve its risk management to ensure financial soundness. Fourth, by improving the rates of return on asset management the Company will enhance its ability to pursue long-term growth. Fifth, it is fulfilling its social responsibilities as a corporate citizen of good standing by safeguarding customer interests and rights and seeking to set industry standards of ethical management.

**Asset Management**

KB Asset Management will promote sales of existing funds by launching active PR activities for equity funds with outstanding long-term return rates, including the Value Focus Fund and Growth Focus Fund. It will also broaden the lineup of products that meet customer needs by supplying diverse products for ‘passive assets’ that pursue middle risks and middle profits, such as the ETF and index funds. It will attract diverse customer groups by strengthening its marketing capabilities in the area of retirement pension and personal annuity savings funds to increase long-term assets. To diversify marketing channels, KB Asset Management will expand its sales network to include large banks and securities companies that are not affiliated with KB Financial Group.

The company will build a broad portfolio by diversifying into such sectors as real estate, infrastructure, PEF and NPL, while laying a strong platform designed to develop into a comprehensive asset management company.

**Organizational Change in KBFG Subsidiaries**

The Group acquired Yehansol Savings Bank with the aim of strengthening its business in the non-banking sector and providing broader financial services for low-income households. Yehansol Savings Bank was incorporated into KB Financial Group in September 2013. (Yehansol Savings Bank was a merger with KB Savings Bank in January 2014. It is therefore no longer a subsidiary of KBFG)

In addition, KBFG acquired Woori Financial in March 2014 and renamed it to KB Capital, the 11th subsidiary of KB Financial Group. The launch of KB Capital enables the Group to offer consumer financing, such as car loans and leases, increasing its retail loan portfolio aimed at customers with less than optimal credit histories.

# Senior Management

■ **Young-Rok Lim**  
Chairman & CEO

■ **Woong-Won Yoon**  
Deputy President & CFO

■ **Jae-Yeol Kim**  
Senior Managing Director & CIO

■ **Jong-Hee Yang**  
Managing Director

■ **Yong-Soo Kim**  
Deputy President & CPRO

■ **Sang-Hwan Kim**  
Managing Director & CHRO

■ **Kyu Sul Choi**  
Managing Director

■ **Ki-Byum Lee**  
Senior Managing Director & CRO

■ **Min-Kyu Chung**  
Managing Director & CCO

■ **Kyung-Yup Cho**  
Managing Director

# Synergy Creation

The Group sought to maximize its synergy gains through accompanied growth of the subsidiaries and profit by expanding the synergy basis through enhanced customer value.

## Strategic Direction

KB Financial Group has formulated 3 synergy strategies: first, building a synergy propulsion platform, second, broadening synergy scope and strengthening synergy capacity and third, creating synergy outcome and optimizing group synergy.

## 2013 Performance

The 2013 basic direction of the Group's synergy creation was 'Maximization of group synergies through accompanied growth with subsidiaries' and profit maximization based on definite synergy business system, generating group CRM-based synergies, expanding the synergy base by enhancing customer value, and strengthening dominance in smart banking.

### Maximizing Synergy-based profits through the definite synergy business system

The Group formulated '2013 Group synergy creation measures' to enhance synergy efficiency. Total 24 initiatives were implemented under five categories (expand the strategic cross-sale infrastructure; maximize synergy-based profits by expanding co-marketing; build a synergy support system among subsidiaries; promote joint sales; and continually expand synergy in relation to cost reduction). The initiatives contributed to maximizing synergy generation and increasing profitability of the Group.

### Generating Group CRM-based Synergies

Identifying customer needs, strengthening subsidiaries analysis capability and corporate marketing project are conducted through customer analysis infrastructure at the group level and provided Event Based Marketing using CRM, Introductory sales among subsidiaries and more as the joint marketing foundation.

### Strengthening Dominance in Smart Banking market

In result of focusing KBFG's competencies and investments on strengthening its future-oriented online distribution channels, KB Kookmin Bank achieved 8 million smart banking users as of the end of December 2013 for the first time in banking industry. KBFG preoccupied the leading position in smart banking by constructing an online marketing platform in accordance with conducting 'Star Banking 3.0,' a mobile banking service, received 'Comprehensive Grand Prize' in the Korea Smart Bank Assessment (KSBA) hosted by a prestigious

electronic newspaper. In September 2013, KB Kookmin Card rolled out 'K-Motion,' a mobile app-card. The number of registered cards reached 2 million as of the end of December 2013. These developments have kept KB Kookmin Bank at the forefront of smart banking.

## 2014 Plans

The basic direction for KB Financial Group's synergy creation strategy 2014 is 'securing a consensus on synergy creation and promoting effective synergy creation.' The Group will stay focused on executing the following initiatives:

### Strengthening Marketing to Enhance Customer Value

In an effort to enhance customer value and group synergy, the direction of synergy creation will be changed to increase the multi transaction activity customers from the subsidiary product sales utilizing KB Financial Group's customer base, which totals 30 million. The Group will improve the competitiveness of subsidiary products and its compound products consistently.

### Strengthening Collaboration of WM and Corporate & Investment Banking (CIB)

The Group will build a mass affluent-centered Group WM growth model based on the divisions' support infrastructure, which includes distinctive products, supporting organizations, Group-level customer portfolio management that is enabled by strong collaborative relations, market research, and investment counseling. Also, deal sourcing will be facilitated by strengthening the connection between banking and securities. As such, the CIB collaboration model among subsidiaries will be strengthened.

### Expanding Synergy Support System

Strengthening the supporting system for customer-centric synergy creation through the monitoring of Group synergy performance and group integrated customer profitability analysis is planned and regular identification of synergy creation, compensation support will be expanded.

# Corporate Governance

The Group remains committed to enhancing its enterprise value by taking advantage of its model corporate governance system and transparent decision-making process.

## Corporate Governance

The Board of Directors of KB Financial Group consisted of nine members, including eight non-executive directors, as of December 31, 2013. Non-executive board members have extensive experience in their respective areas of expertise, including finance, management, law, accounting, and media. Non-executive director candidates are recommended by the Non-Executive Directors Nominating Committee in accordance with qualification criteria set forth in relevant regulations and the Articles of Incorporation. The Chairman and CEO is elected at the general shareholders' meeting after receiving a recommendation from the Chairman Nominating Committee, which consists solely of non-executive directors. The Chairman of the Board is elected from among the non-executive directors. The Chairman presides over the Board and ensures its active operation.

### Board Committees

KBFG Board has five standing committees: -Board Steering Committee, Audit Committee, Management Strategy Committee, Risk Management Committee, and Evaluation & Compensation Committee. The Board also maintains non-standing committees: Non-Executive Directors Nominating Committee and Auditor Nominating Committee.

### Audit Committee

The Audit Committee is comprised of non-executive directors to safeguard its independence from KBFG management. The committee evaluates the internal controls systems of the holding company and the subsidiaries. The committee identifies and provides guidance on areas for improvement and takes appropriate action. Members of the Audit Committee, composed of non-executive directors, are qualified according to the criteria in the Articles of Incorporation and relevant regulations. Audit Committee members include accounting and financial experts.

### Board Steering Committee

The Board Steering Committee consists of the Chairman & CEO, the Chairman of the Board, and chairmen of various committees, and is chaired by the Chairman of the Board. This committee oversees corporate governance, operational efficiency of the Board and committees, and development and monitoring of training programs for directors.

### Management Strategy Committee

The Management Strategy Committee evaluates the Group's mid and long-term management strategies, financial strategies and new strategic initiatives in order to establish the Group's annual business plans and management goals.

### Risk Management Committee

The Risk Management Committee acts as the top decision-making body that formulates risk management strategies and policies on behalf of the Board to identify, measure, monitor, and control risks associated with various business operations of KBFG and its subsidiaries.

### Evaluation & Compensation Committee

The Evaluation & Compensation Committee, consisting of only non-executive directors, establishes compensation policies for the holding company and its subsidiaries. It is in charge of formulation and supervisory of KBFG's compensation structures, and operates successor programmes for senior management.

### Major Activities in 2013 and future plans

In 2013, the Board of Directors held 20 meetings during which 36 resolutions were passed and 35 reports were discussed. At each regular quarterly meeting, the Board was briefed on the business performance and discussed issues relating to the operations of the Group. An interim Board meeting was held to discuss a certain merger and acquisition issue. At an interim meeting held in December, the Board finalized the 2014-2016 management plans and 2014 budget. Informal meetings were also held throughout the year to discuss the volatile market environment and key management issues. In 2014, KBFG will continue to increase the value of the company as well as shareholders through reasonable and transparent decision-making process.

### Shareholder Relations

KB Financial Group puts first its shareholder rights and makes continued efforts to increase shareholder value. Despite the difficult financial environment of 2013, the Group paid out a cash dividend of KRW 500 per share.

### Written Voting System

The Group is one of a few listed corporations to have a written voting system in place for shareholders who cannot attend the general shareholders' meeting. As a way to respect and ensure shareholders' voting right, ballots are sent to all shareholders



in advance. The ballots sent back by shareholders are included in the tally at the general shareholders' meeting.

#### Provision of Transparent, Fair Information

Two weeks before a general shareholders' meeting, the Group sends out to all shareholders information materials regarding issues on the meeting's agenda. In case of electing a director, the director's name, profile, and the recommender's name are provided. Prior to the fifth general shareholders' meeting, an invitation letter and reference information of the meeting's agenda were sent to all 140,965 shareholders. In accordance with relevant laws, including the Commercial Law, public announcement on the convocation of the meeting was made on two occasions in two daily newspapers two weeks before the meeting. Information on the holding of the shareholders' meeting was also provided on the website. Information materials regarding items on the meeting's agenda and the activities of non-executive directors were made available at the headquarters office and posted on the homepage two weeks before the general shareholders' meeting. A video of the meeting was made available on the Group's homepage to ensure transparency in corporate governance and Group management.

#### Internal Control over Financial Reporting

To comply with Section 404 of the US 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.

#### Internal Controls over Financial Reporting

KB Financial Group's internal controls over financial reporting were designed in consideration of the five components of COSO (Committee of Sponsoring Organizations of the Treadway Commission), which are generally accepted criteria on internal controls. The five components are control environment, risk assessment, control activities, information and communication, and monitoring. They enable protection of assets, prevention of irregularities, and prevention and exposure of financial information distortion. Each department's relevant personnel and internal controls manager conduct self-evaluation based on the criteria. A dedicated organization on internal controls over financial reporting examines the appropriateness of the evaluations.

#### Evaluation of Operation of Internal Controls over Financial Reporting

All members of KB Financial Group conduct internal controls over financial reporting in the course of business operations. An evaluation was carried out on the effectiveness of internal controls over financial reporting by using such criteria as the Internal Accounting Control System Standards in Korea and the audit criteria in relation to internal controls over financial reporting in the US. The outcome of the evaluation indicates that KB Financial Group's internal controls over financial reporting are effectively designed and operated from the perspective of significance as of December 31, 2013.

## Board of Directors

#### ■ Kyung-Jae Lee

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

#### ■ Young-Jin Kim

- Professor, Seoul National University's College of Business Administration
- Chairman, Audit Committee
- Member, Board Steering Committee
- Member, Risk Management Committee

#### ■ Kun-Ho Hwang

- Chairman, Risk Management Committee
- Member, Board Steering Committee
- Member, Management Strategy Committee

#### ■ Jong-Cheon Lee

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

#### ■ Jae-Ho Cho

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

#### ■ Seung-Hee Koh

- Professor, College of Business Administration Sookmyung Women's University
- Member, Audit Committee
- Member, Evaluation & Compensation Committee
- Member, Management Strategy Committee

#### ■ Young-Kwa Kim

- Chairman, Management Strategy Committee
- Member, Board Steering Committee
- Member, Evaluation & Compensation Committee

#### ■ Myung-Jig Kim

- Dean, College of Economics and Finance, Hanyang University
- Member, Evaluation & Compensation Committee
- Member, Risk Management Committee

#### ■ Sung-Hwan Shin

- Professor, College of Business Administration, Hong-ik University
- Member, Audit Committee
- Member, Management Strategy Committee

#### ■ Young-Rok Lim

- Chairman & Ceo, KB Financial Group Inc.

- Non-Executive Director
- Executive Director

# Risk Management

KB Financial Group implements rigorous and proactive risk management across its affiliates to ensure sustainable growth and support the Group's long-term business strategy.

## Governance of Risk Management

The Risk Management Committee formulates risk management strategies, determines the levels of risk appetite, examines the Group's risk management status, and determines the implementation of risk management systems, methodologies and major improvements.

The Risk Management Council is comprised of the Chief Risk Officer of the holding company and of the subsidiaries. The Council deliberates on matters designated by the Risk Management Committee and consults on detailed risk management-related issues.

KBFG's Risk Management Department formulates detailed risk management policies, procedures, and processes. It is also responsible for monitoring and managing the Group's risk status and economic capital limits.

## Risk Management

### Credit Risk Management

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

### Credit Policy

Based on its management strategies, KBFG formulates credit policies in response to economic forecasts, business environment, asset quality trends and risk management capabilities. In accordance with this policy, loan management principles are adopted by credit type: household, corporate, and credit card.

The primary objectives of the Group's credit policy are to optimize the Group's value by maintaining an asset quality level that generates profitability and by minimizing the volatility of mid and long-term credit costs.

### Credit Risk Measurement & Monitoring

The Group operates a credit risk assessment system to calculate the credit value at risk (VaR) for on and off-balance sheet assets.

Credit VaR represents the maximum loss that might result from changes in the creditworthiness of borrowers and counterparties within a certain range of confidence levels under normal business operations. Credit VaR is computed using simulated scenarios that reflect changes triggered by credit migration and the correlation of cash flow and borrower default. The Group also identifies, assesses, and monitors credit concentration risks that can result from excessive concentration of the Group's portfolio assets on certain individuals or categories of borrowers.

### Total Exposure Limits Management

KB Financial Group has in place a total exposure limits system to prevent asset concentration on a specific area, and to optimize the Group's credit portfolio through sound asset management. The Risk Management Department regularly monitors this and reports its observations to the Risk Management Committee.

### Market Risk Management

The Group defines market risk as the potential losses on trading positions due to fluctuations in the market, such as interest rates, foreign exchange rates, and stock prices. Risk management officials identify, measure, monitor, control, and report market risks related to bonds, foreign exchange, equity, and derivatives holdings.

Market VaR, which quantifies the risks inherent to trading accounts, is a key metric used to calculate the maximum losses of a specified portfolio within a range of confidence levels over a period of time. The Group compares the actual and hypothetical losses to VaR calculations, on a daily basis, and regularly evaluates the relevance of the VaR model.

**Interest Rate Risk Management**

The Group defines interest rate risk as the risk of a fall in net asset value or net interest income (NII) from unfavorable fluctuations in market interest rates. The Group's interest rate risk management objectives are to comprehensively manage assets and liabilities to maximize net interest income within acceptable risk limits and to minimize potential losses on net interest margins from adverse interest rate fluctuations.

**Liquidity Risk Management**

The Group defines liquidity risk as the risk that arises from being unable to respond to maturity mismatch and unexpected demand or supply of funds.

The Group systematically manages liquidity risk with the goal of satisfying its obligations that arise from customer deposit withdrawals, redemption of matured debentures, and repayments of borrowings and maintaining sufficient liquidity for managing assets including loans and investments in bonds.

**Operational Risk Management**

The Group defines operational risk as all financial and non-financial risks arising in the course of operations that may adversely affect the Group's capital. The Group's operational risk management is satisfied regulations set forth by government authorities, and spreading the risk management culture across the management and all employees through the reinforcement of internal controls and improvement of work process.

**Economic Capital Management**

Economic capital is the capital required to prevent the Group's economic insolvency due to unexpected losses. 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. Each subsidiary, in turn, manages its capital within the prescribed range.

**Stress Testing**

The Group conducts stress testing to assess its portfolio's potential vulnerability to extraordinary but plausible macro-economic scenarios and establish appropriate counter-measures. Group stress testing is undertaken more than once a year to analyze impact from potential sudden changes to economic cycles, outlook or the external environment and formulate preemptive responses. Stress test results are reported to top management and the Risk Management Committee, which uses them to set risk appetite and risk limits as a guide to management decision making.

**2014 Plans**

In 2014, the Korean economy is expected to continue its stable growth and financial uncertainty to increase, amid concerns of the on-going U.S. tapering and current slowing of China's economic growth. This calls for risk management in preparation for asset quality deterioration of credit portfolio and accordingly threats to profitability. Against this backdrop, KB Financial Group will take various measures to build up its risk management structure and boost its capabilities to promptly respond to potential risks. Through these efforts, the group will be committed to building a solid foundation for sustainable growth, along with fully complying with a more stringent regulatory environment.

# IT System

The Group seeks improvements in IT systems and services to better serve customers and sustain growth through enhanced technology.

## Strategic Direction

KB Financial Group has adopted 'Improvement of IT service quality and Synergy maximization' as a strategic IT objective. For this objective, KBFG has set up detailed execution strategies and carries them out step by step, from formation of a basis for generating prompt responses to new information technologies, strengthening of IT security, innovating operating processes, improving cost efficiencies and restructuring IT organizations.

## 2013 Performance

### Evolving Financial Environment and Strengthening of IT Security

In response to changes in financial environment, KBFG secured the flexibility and scalability of IT services based on enhancing IT capabilities to off-line distribution channels such as internet and mobile banking and expansion of infrastructure for various smart mobile devices. KBFG also strengthened its information protection unit and increased personnel, while executing prevention plan to protect customers from electronic financial frauds. In addition, KBFG strives to strengthen the stability and reliability of IT service by operating a security committee comprised of security officers of its subsidiaries that develops and testing mock-hacking programs.

### Upgrading productivity through IT process Innovation

KBFG increased efficiencies in its service support system by improving its existing IT operation process. The Group systematized a collaboration structure with relevant departments through the realignment of IT development process and enhancement of related procedures. KBFG secured the proper timeliness of IT service by effective distribution and use of IT resources. Furthermore, the Group led to address operating direction of the Group's IT and upgrade productivity in its business operations through improvements in its portal system and IT information-sharing arrangement for effective decision-making in a timely manner.

## Cost Efficiency

As part of its mid and long-term IT strategy, KBFG will continue to execute plans to reduce costs and have confrontation ability for future finance service while improving service responses. In addition to enhancing IT communication infrastructures and adopting open-ended system of host computer, IT management efficiencies have been gained through internal process improvements and IT investment efficiencies among its subsidiaries, along with streamlined company-wide purchases of resources.

## Formation of Collaboration Arrangement

KBFG has fully separated its IT management system through avoiding concurrent position of Chief Information Officer (CIO) across KBFG and its bank and appointed a Chief Information Security Officer (CISO), along with the creation of Bank Information Protection Division in order to establish the Group's IT governance and tighten management and supervision system. Various measures have been taken to strengthen the cooperation system and enhance procedures for creating IT synergies with the group and upgrading IT service quality. In particular, the Group decided to have prior consultation within its subsidiaries on a regular basis in order to avoid any similar or overlapping investments and prevent risks proactively. In addition, the Group inspected organizational competitiveness and costs by diagnosing the subsidiaries' IT organizational capabilities, and invigorated mutual exchange of opinions between subsidiaries through the IT strategic consultation council.

## 2014 Plans

The Group will move forward with the adoption of open-ended system of host computer and enhancement of its communication infrastructure to increase its IT management productivity and reduce costs. The Group will also strengthen the role as a control tower to direct the integrated development of new strategies and share opinions for major individual or cooperation projects within the group. KBFG is prepared to adopt new technologies, monitor closely its security status and implement security policies to address the rapid changes and increased security threats in the financial industry.

# Corporate Culture

To enhance its reputation as a premier financial service group, KBFG strives to foster financial experts who are proactive, responsible, open-minded and innovative.

## HR Management

The Group is redoubling efforts to produce professional financial experts with creative mindsets and attitudes to lead the wave of change and improve customer value in order to realize KBFG's vision of becoming the 'Global Financial Group that leads the Asian Financial Industry.' KBFG seeks to promote experts who are proactive, responsible, open-minded and innovative while respectful of different values and ways of thinking.

### HR Principles and Strategies

The Group establishes uniform HR principles and norms to be applied to its affiliates. To help its subsidiaries plan for efficient HR management and effectively address major HR issues, the Group has created an integrated cooperative system to create manpower synergies at the group level. Among the affiliates, the Group has established strategic partnerships and balanced growth in HR management to improve their personnel systems and encourage cooperation among affiliates regarding HR issues.

KB Kookmin Bank, the largest subsidiary of KBFG reached a labor-management agreement which calls for converting temporary clerical workers into regular workers. The agreement enables the Bank to join social responsibility for the welfare of its workers. In order to ensure future growth engine, middle-level employees at the branch level are assigned to bank teller jobs, while older workers are placed in more age-appropriate positions.

Non-banking affiliates will continue their efforts to enhance HR management systems designed to effectively and efficiently recruit skilled personnel in the card, securities, insurance and asset management areas as part of plans to expand their market share in respective core businesses.

### HR Development Programs

KB Financial Group regards the strengthening of HR competencies as one of its top priorities to becoming more competitive. Each affiliate operates its own in-house and off-site training programs and has field-specific job competency development courses. For example, KB Kookmin Bank hired 45 entry-level recruits from around the globe and 190 from Korea. The four objectives of the Bank's HR development policy are – strengthening job competencies, leadership competencies, global competency and fostering core talent.

The Bank offers a host of training programs focused on job competencies and career development, including training by job position and Career Development Program (CDP) and a job competencies certification system. A management issues training program is also available. The 'KB Leaders Program' and 'KB Wise Mentoring Program' are designed to develop leadership competencies. The Bank offers the 'KB Global Language Course' for strengthening global competences, KB financial MBA and MBA courses at home and abroad to develop high-potential employees within the Group. In addition, the Bank continuously offers preparatory courses for future management officers and branch managers.

### Labor-Management Relations

The holding company and its affiliates each operate its own labor-management council to promote a culture of participation and cooperation. KB Kookmin Bank, KB Kookmin Card, and KB Real Estate Trust each have in place a trade union with not only a labor-management council but also collective labor-management relations in place. Labor-management relations continue to be the most important issue for KB Kookmin Bank.

In September 2008, the labor union and the management reached an agreement for successful transformation of KB Kookmin Bank into a financial holding company. In an effort to deal the financial crisis, the labor union and management reached an agreement on pay freezes in 2008, a 5% across-the-board pay cut and mandatory use of annual leave in 2009, along with active participation in the nationwide job-sharing campaign.

To enhance management efficiencies through improvements in the personnel structure, labor and management again agreed to a voluntary retirement plan involving 3,244 employees, the largest of its kind in the history of Korea's financial industry in 2010.

Although there was initial demand for a substantial wage increase to compensate for the wage freeze in 2008, the union agreed to salary level suggested by the executive committee in 2011 and 2012. The union and management continued efforts together to build future-oriented relationships in 2013. Mandatory use of annual leave for all the employees helped to secure necessary funds to convert temporary workers into regular workers.

# Social Contributions

KBFG is actively engaged in a range of social contribution activities to provide neighbors with practical benefits like ‘timely rain.’

KB Financial Group undertakes the following three tasks as its 3 basic directives for social contribution activity to provide underprivileged neighbors with practical benefits like ‘timely rain’ which falls at an appropriate moment.

### Support Focused on Key Project Areas

We launched the KB Foundation with capital contributions from all subsidiaries in 2011. The purpose of the Foundation is to provide economic and financial education as well as scholarship programs for future generations. Key social contribution projects are divided into four areas youth, the elderly, environment, and global community.

### Practical Contributions to the Community

The Group avoids singular events and instead conducts a range of meaningful activities designed to provide sustained and appropriate benefits to members of the local communities.

### Nurturing Philanthropic Activities as Corporate Culture

KBFG strives to encourage all employees to actively participate in social contribution activities in order to build a KBFG social contribution model that is an integral part of the Group’s corporate culture.

### 2013 Performance

Since 2012, KB Financial Group has operated the ‘KB Star Economy & Finance Class’ as its key social contribution program. The Group offers several education programs such as school visits, classes at KBFG facilities, and online education. We offer 8 different types of programs custom-tailored for different educational levels and needs. Former and current employees of KBFG visit elementary, junior and senior high schools throughout the country to teach classes on subjects of their respective expertise. The number of students who took such classes has reached nearly 133,000 as of 2013. Starting in 2013, the Group expanded the program to include additional sectors of society such as military personnel, college students, the elderly and housewives who are not likely to have access to economic and financial education.

### Social Contribution Activity by Key Area

The Group has designated May as ‘KBFG’s social contributions month,’ and November and December as a ‘KBFG winter sharing’ period. Each year during these three months, all Group employees take part in various philanthropic activities with their local communities for youth, the elderly, global community and environment. Beginning 2013, Group-wide philanthropic activities for young people and seniors have been identified as priority age groups.

The leading programs include ‘KB Hope Camp’ which provides disabled youth with practical opportunities to explore their future through expert advice, camps, hands-on working experiences and mentoring. ‘KB Hope Bicycles’ provides bicycles to children of developing countries. Lastly, the Group operates a ‘program that provides summer and winter supplies to isolated seniors.’ In addition, the Group donates cars to 50 social welfare facilities around the nation as part of its a vehicle support program. The ‘KB Youth Music College’ program arranges for socially isolated but talented youth to receive college music education.

### KB Star Dream Volunteer Teams

KB Financial Group supports ‘KB Star Dream Volunteer Teams’ to help neglected members of the community pursue a better life. All 1,200 branches of the Group are members of one of the volunteer teams that represent each of the four key focus areas (youth, the elderly, environment, and global community), and take part in related activities. Some of the volunteer groups include ‘Rapid Dream Volunteers Corps’ who provides immediate assistance in times of emergencies and ‘Talent Dream Service Volunteers Corps’ which donates employees’ talent in the areas of their respective expertise, such as economics, finance, culture and art.

All of the Group’s 25,000 employees have taken part in at least one volunteer activity. In 2013, those who have taken part in the program accumulated volunteer hours exceeding 340,000 which averages 14 volunteered hours per employee.

### KB Kookmin Bank

KB Kookmin Bank continues to maintain a wide variety of social contribution activities as part of its corporate citizenship. The programs include support to underprivileged youth, global volunteering, contributions to local communities and environmental protection.

### Young Adult Sponsorship Program

The Bank is engaged in a wide variety of volunteer activities to provide young adults with opportunities to learn and gain experience. The programs include 'KB Kookmin Small Library,' which aims to reduce the information gap between those living in urban and rural areas. 'KB Kookmin Hope Space Creation' creates places where underprivileged young adults can study to pursue their dreams. 'KB Kookmin Hope Study Room' teams up young adults of underprivileged families with college students for one-on-one tutoring and mentoring. Lastly, 'Culture Frontier Mentoring' provides treatment and counseling for students involved in school violence.

### Global Volunteering

KB Kookmin Bank engages in global volunteering focused on supporting youth in Southeast Asia and spreading of Hangul, the Korean language. 'RaonAtti,' a Bank-sponsored foreign community service team comprised of college students, carries out volunteer activities for underprivileged youth in seven Southeast Asian countries including Cambodia, Thailand and the Philippines. Another program, 'KB Kookmin Bank Hangul Love-Sharing,' provides Korean-language learning materials to students in four countries - Vietnam, Mongol, Indonesia and Kazakhstan. This program contributes to promoting the 'hallyu' culture' of Korea, which has increased global awareness of Korea.

### Support of Underprivileged Neighbors

KB Kookmin Bank, as a member of local communities, conducts philanthropic activities to improve the well-being of underprivileged neighbors. These include 'KB Kookmin Bank's Traditional Market Love-Sharing,' which supports the underprivileged with coupons to purchase daily necessities at traditional markets across the nation. 'KB Kookmin Bank's Bread-Sharing Place' provides bread and noodles to neglected communities on a regular basis. KB Kookmin Bank seeks to leverage its vast network of 1,200 branches across the country to reach as many communities as possible. These activities help to reinforce the Bank's desire to be seen as sharing and growing together with the communities it serves.

### Environmental Protection Activities

Since 2009, in an effort to reduce carbon emissions, the Bank has been taking part in an 'eco-tree planting campaign' joined by private and government sectors as well as the military. The Bank's regional headquarters conducts environmental activities regularly in their respective regions.

### Encouraging Young Adult Employment

The 'KB Good Job' program, launched in January 2011, offers to mid-size businesses and small and medium-size firms job information to encourage their recruitment of young adults. The job information is secured through the Bank's national network of some 1,200 branches or in partnership with the

Association of High-Potential Enterprises and other entities. It is a major job matching service in which some 38,000 individuals and 12,000 firms were involved as of December 31, 2013.

### Financial Service-Linked Social Contribution

As part of fulfilling its social responsibility, the Bank continues to develop a range of financial products to assist the underprivileged. These include the low-interest 'New Hope Seeds Loan,' which is designed to help the financially distressed seek stability in their daily lives and the 'Dream Change Loan,' which helps people with low-incomes or with low credit pay off or reduce their high interest-rate loans. Other offerings include 'Happiness Safeguarding Deposits,' a free withdrawal account that cannot be sequestered and is exclusive to recipients of basic living assistance. 'Happiness Inducing Installment Deposits' is a savings account that offers prime rates to the underprivileged.

### KB Kookmin Card

KB Kookmin Card is involved in several social contribution activities to support the KB Kookmin Card's slogan to become the 'Korea's best daily life solution provider.' Each employee of the 31 branches and regional headquarters across the country visit isolated seniors three times a year with supplies and to comfort them under the program, 'Activity to Comfort Seniors Living Alone.' They arrange for isolated seniors in Cheonan and Seoul Metropolitan areas north of the Han River to have eye exams by doctors for free of charge.

In addition, KB Kookmin Card expanded opportunities for employees to donate their talents in partnership with its staff clubs involved in camping and arts and toy-crafts activities. The 'Dream Day Camp' was launched six times last year to offer children from multicultural families opportunities to experience Korean culture and learn about various professions. KB Kookmin Card also initiated a project aimed at promoting the globalization of Hangul, the Korean language' to coincide with the release of 'Hun, Min, Jeong and Eum' credit. This includes a project to increase the provision of Korean language materials and expand facilities for Korean culture education, King Sejong Institute in 18 underdeveloped and developing countries, including Nepal, Bangladesh, and Kenya. KB Kookmin Card has introduced the 'KB Kookmin Pointree Card' that allows the Company to reserve certain amounts of money based on customers' card purchases and donate these amounts to neighbors in need. Specifically, the Company sets aside KRW 1,000 for every 'KB Kookmin Pointree Card' used to purchase KRW 300,000 worth of goods or services. The accumulated funds are donated to Good Neighbors, UNICEF, and the Community Chest of Korea at year-end.

### KB Investment & Securities

KB Investment & Securities created a program called the 'Overseas Rainbow Classroom' with voluntary participation of its employees. They supported the reconstruction and remodeling of elementary schools in Laos in 2012 and Zumkiri village in Cambodia last year. Each division conducts the 'Happy Food' program that provides food to unprivileged seniors. In 2013, the employees visited 100 isolated seniors in Seoul's Yeongdeungpo and Yangcheon areas and installed air caps and weather strips for insulation at their homes to enable them enjoy a 'warm winter.' They also hand-knitted and donated 200 wool hats to newly born babies in Africa for two consecutive years.

### KB Life Insurance

KB Life Insurance is engaged in a wide range of social contribution activities focused on seniors and the environment. The leading programs designed for seniors include 'Silver Sports Festival', 80th and 90th Birthday Parties for Seniors' and 'Volunteer Activity for Seniors Without Relatives.' Employees visit nursing homes that accommodate those with severe disabilities. Their voluntary work, including house cleaning, is designed to improve the well-being of these seniors and to help cultivate respect for the elderly.

Programs for environmental preservation include tree planting during Arbor Week, maintenance of Seoul Forest, conservation activities at Mt. Bukhan and cleaning along the Han River.

### KB Asset Management

For over seven years, employees have been volunteering by serving free meals to the underprivileged and homeless. This volunteer activity has become the mainstay of KB Asset Management's social contribution. Since 2012, the program's expenses have been covered by KB Asset Management, allowing better food to be served. Employees participated in a cleaning campaign at Mt. Goryeo in autumn of 2013. At year-end, they hand-knitted and donated wool hats to newly born babies in countries in Africa and Asia.

### KB Real Estate Trust

Employees of KB Real Estate Trust have visited the Dongmyeong Children's Welfare Center for the past seven years to bring care and love to orphaned children and youth accommodated in the facility. In a concerted effort to consolidate relationships with the local communities, the employees also carry out the 'A Packet of Books Program' which involves donating recommended books to children and youth of the Gangnam Welfare Center.

### KB Investment

KB Investment regards its social responsibility activities in the communities in which it operates as one of its most important functions. One of these activities is sweeping streets near the Company as a demonstration of its commitment to a clean natural environment. Its employees also spend time outdoors with seniors at nursing homes to help them enjoy a 'warm winter.'

### KB Credit Information

KB Credit Information runs a program where employees visit the Mannasaem Welfare Center in Seoul, every second Tuesday to serve free meals to the underprivileged. This is part of the effort to actively engage in social contribution activities with the aim of assisting the underprivileged and contributing to the advancement of the local communities.

### KB Data System

Since the launching a 'KDS Volunteer Team' in 2008, KB Data System has taken part in a variety of social contribution activities in its local communities and for the underprivileged. The volunteers visit a welfare center for the elderly in Seoul. Their activities include serving meals, sharing holiday rice cakes, and delivering rice in winter. In addition, employees and their children visit the Seoul National Cemetery twice a year to pay their respects to the soldiers who died defending Korea.

### KB Savings Bank

In an effort to promote the development of the local communities, KB Savings Bank runs a free meal program every week. Employees serve meals and wash dishes at 'Hasangbaoro House' in Seoul. They also collect changes for donations.

### 2014 Plans

The Group intends to further expand the scope of its social contributions to sustain its image as a 'respected corporate citizen' and achieve its corporate social responsibility (CSR) goal. The Group will actively identify and carry out strategic social contribution activities that are focused on the elderly and youth. The Group will develop a social contribution model unique to KB Financial Group, that will strengthen a positive corporate culture of giving at KBFG.





KB Kookmin Bank has reaffirmed its status as a market-leading bank with continuous introduction of development of distinctive financial products and realignment of channels to better satisfy customer needs.

To address changes in financial services, KB Kookmin Bank has restructured its 'customer-centered' strategy to include smart banking and realignment of its branch network. By doing so, the Bank is positioned to effectively respond to the trends of increased diversity in bank access channels and media as well as changes in lifestyles. A range of new financial instruments has been met with favorable responses from the market. They are considered growth drivers for 2014. The growing volatility of the financial environment has raised general public awareness of the importance of wealth management. In response to this change, KB Kookmin Bank offers systematic wealth management systems, professional advisory services, and total life care services, for which it has been recognized as an indisputable wealth management leader among banks in Korea.

## 2013 Performance

### Retail Banking

#### Launch of New Products

In 2013, KB Kookmin Bank unveiled 11 new products (one demand deposit, five installment deposits, and five time deposits), all receiving positive customer responses. The 'KB Story Deposits' is a product that enables the use of one passbook to continue payments that change with different stages in the customer lifecycle. Additional benefits are offered when important events take place in the customer's life, such as entering school, finding a job, and getting married. The 'KB Story Deposits' has won a total of 12 awards including the '2013 Seoul Economic Daily Best Hit Product Awards.'

In addition, the 'KB Golden Life Time Deposit' won an Excellence Award at the '2nd Financial Awards for the 100-Year-Old Era.' The product allows customers to deposit large sums of money and receive interest every month as well as make withdrawals before the commencement date of annuity payments, so that customers can use the fund to cover their daily life expenses; The Bank also was awarded the '2013 JOY+BRAND Award' for 'KB Love Wife Installment Deposits,' a product for married women that features insurance services for a specific cancer that stricken women. These products have been successful in the market.

#### The Realignment of Channels

KB Kookmin Bank will continue its efforts to reorganize its branch network by making a shift from the previous 'profit and sales-centered branches' to 'customer relations-centered branches' that reflect customer and regional values. This significant realignment is the outcome of the Bank's effort to actively responding to changes in customer financial service usage patterns, such as increased use of smart banking, as well as the aging of the population.

A total 55 branches have been merged in early 2014. Branches that were crowded in a single area have been relocated to new land development areas where there is considerable financial demand. This expanded accessibility for customers. Surplus personnel, an outcome of the mergers, were reassigned to branches where the number of customers is rising as a result of reduced customer wait times. Last year, the Bank opened two specialized branches to cater to the financial needs of office workers. It plans to establish a specialized branch (After Bank) that is open until 9pm in each base region where there are many working couples.

KB Kookmin Bank also plans to open a 'comprehensive financial center,' a multi-type specialized channel for corporate financing, in areas where there is high demand for corporate financing. Corporate financing experts with appraisal and risk management competencies will be assigned to the financial center to offer specialized services to corporate finance customers. As a channel specializing in corporate financing, the comprehensive financial center will be set up at 20 locations across the nation. Also, plans have been drawn to steadily increase the number of specialized branches that work closely with companies. At present, there are 14 such branches in industrial complexes and in areas where there is a high concentration of small and medium enterprises (SMEs.) Establishing more branches will strengthen financial support for SMEs and increase clients' convenience in financial transactions.

#### Wealth Management

KB Kookmin Bank released 'Star Table,' a wealth management service targeting all customers in 2011. It now offers systematic wealth management systems, professional advisory services, and total life care services to efficiently manage customer assets. It also released 'KB Golden Life,' a customized retirement planning service to provide guidance

on the different lifecycle stages that stretch from birth to the age of 100. These are all part of the comprehensive one-stop wealth management services that range from portfolio management to retirement planning being offered.

In 2013, KB Kookmin Bank hosted more than 80 wealth management conferences and seminars as well as cultural events with active customer participation. The Bank's comprehensive and convenient wealth management services were made available to nearly 4,000 customers. Also, the 'Self-Financial Status Assessment Program for Citizens (Stethoscope of Happiness)' was offered to make wealth management services available to all citizens.

KB Kookmin Bank launched GOLD&WISE, a Private Banking (PB) brand in 2012. The Bank has assumed leadership in the HNW (high-net wealth) customer wealth management market, thanks to 23 domestic PB channels, competitive PB-exclusive products, advisory services that are provided by top experts in different areas of wealth management, and total life care services. For GOLD&WISE, the Bank reached a business alliance with Lombard Odier, a Swiss bank that specializes in PB. The Bank is fully leveraging this partnership to enhance the expertise of its private bankers and provide extensive overseas investment information in order to offer world-leading PB service. In September 2013, the Bank was chosen as 'Best PB Bank' by The Asset, an Asian/Pacific financial magazine.

### Corporate Banking

The Corporate Financing Division offers a range of distinctive products and services that meet customer needs, alongside building up relations with corporate customers. As a result, KB Kookmin Bank's market share in corporate loans denominated in Korean Won reached 16.2% as of the end of 2013 (based on shared data among commercial banks). The Bank maintains its No.1 position among commercial banks in market share in the SME sector.

The challenging business environment, marked by low growth and low profits, will likely continue into 2014. Uncertainty over economic recovery will continue to affect the Korean banking industry. Because of the economic uncertainty, the Bank will work to strengthen proactive risk management, focusing on bolstering competitiveness from a mid and long-term perspective, rather than on short-term growth. To do this means effectively managing bad account costs and continually making portfolio improvements.

The Bank will also steadily move forward with diversifying its revenue sources by facilitating integrated marketing among the subsidiaries of KB Financial Group through the corporate and investment CIB marketing model and the provision of total solutions through hybrid products.

### Investment Banking

Amid the heightened competition among banks in Korea and abroad in 2013, KB Kookmin Bank reinforced its leadership in the investment banking market by concluding major deals, including refinancing for Geoga Bridge, large-scale power plant/SOC project financing, such as for the Daegu Innovation City cogeneration project, and acquisition financings for NEPA and ING Life Insurance. In October 2013, KB Kookmin Bank was chosen as a lead arranger for two projects (Gangneung Coal-Fired Power Generation Project and the New Samcheonpo Coal-Fired Power Generation Project) of the largest scale in the domestic infrastructure finance PF market, which reaffirmed its position in the market.

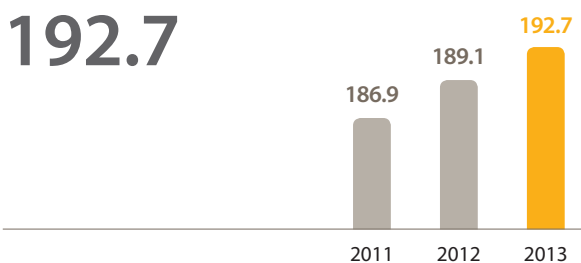
### Small and Medium-sized Enterprise Banking

In an effort to create shared value as Korea's leading financial institution, KB Kookmin Bank introduced a 'KB Hidden Star 500' program to identify and support outstanding small and medium-sized enterprises (SME) in Korea. Launched in February 2011, the program first identifies promising SMEs with technological competencies and significant growth potential, and then helps them grow into world-class businesses. As of the end of 2013, a total of 305 SMEs have been selected and received both customized financial and non-financial services, including credit lines, favorable interest rates, business consultation and business matching services.

The Bank will continue to seek out SMEs with strong potential for growth and provide them with systematic support. The Bank is positioned to achieve sustainable growth by improving the quality of its loan portfolio in the SME market as SME growth continues to create many high-quality jobs that contribute to the growth of the national economy.

### Deposits in Won

(Unit: KRW in trillions)



### Pensions Market

KB Kookmin Bank broadened its retirement pension system lineup in the Defined Contribution (DC) market by enhancing its returns on investment (ROI) and diversifying its asset management strategies. As a result, the Bank posted KRW 2.468 trillion in total pension contributions, representing a 35.6% increase from the previous year. The Bank has maintained its No.1 position in the domestic DC pensions market for seven consecutive years. It has become the leader in the retirement pension industry, with the number of pension holders reaching nearly 290,000 customers as of the end of 2013.

### Expanding Global Network

KB Kookmin Bank continues to expand its overseas network in an effort to bolster its global competitiveness. In June 2013, KB Kookmin Bank acquired additional equity of KB Cambodia Bank (92.44% to 100%) and opened its Toul Kork Branch in Cambodia in November. The Bank also opened a Yangon Representative Office in December. The Bank has also continued its efforts to establish business alliances with renowned overseas banks during the year, including with Indonesia's Bank Mandiri and Thailand's Bangkok Bank PLC in April.

### Custody

KB Kookmin Bank's Custody Business Department provides essential custody services to a number of institutional investors, including asset management companies, insurance firms, and pension funds, upon receiving management instructions for settlement of funds, safekeeping of physical securities, NAV verification, compliance, corporate actions, etc., in respect to their assets entrusted. The Bank also offers a wide array of additional value added services, such as securities lending trades, foreign exchange certification, and tax management.

KB Kookmin Bank is Korea's leading financial institution in terms of trust business, which continues to enjoy its largest market share in the investment trust industry for eleven consecutive years in 2013 and holds remarkable achievement records of visible growth in the insurance and pension funds sectors. This is as a result of the Bank's outstanding performance in the market with the trust balance of nearly KRW 125 trillion as at the end of 2013, by managing over 150 institutions and 4,100 funds.

Particularly in 2013, the Bank won a new mandate from the National Pension Service, the largest pension institution in Korea, as the main custodian for its fixed-income assets. Accordingly, the Bank has established itself as the leader in the custody market.

In 2013 Global Custodian Survey, the Bank also earned the 'Top-Rated' for eight consecutive years. Moreover, the Bank was chosen as the best custodian bank for 3 years in a row by Asian Investor, in further acknowledgement of the excellence of KB's custody services.

KB Custody Business Department will strive to strengthen the Bank's leading position in the trust market by enhancing customer values, laying platform for sustainable growth, and reinforcing internal competencies.

### Trust

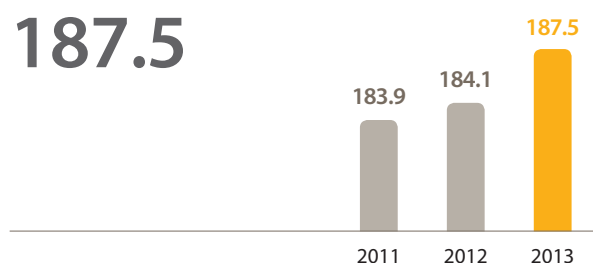
KB Kookmin Bank offers customers a range of trust products to enable them to invest in a variety of capital markets. Offerings include a personal pension trust as well as other products in the money trust category, such as commercial paper (CP,) Money Market Trust (MMT), Wealth Care Trust (WCT), and ELS/ETF products. The Bank also develops and sells new products that reflect changes in the financial environment and that satisfy customer needs. KB Kookmin Bank continues striving to improve its marketing competencies by developing customer-oriented computing programs.

In 2013, KB Kookmin Bank recorded the specified money trust balance of KRW 12.5 trillion, a year-to-year increase of 12.51%, supported by timely releases of various money trust products that reflect the volatility of the financial environment and satisfy customer needs, such as ELS and DLS, as well as the launch of new equity-type products. The Company's unspecified money trust balance stood at KRW 3.1 trillion. In 2013, the total money trust balance reached KRW 15.6 trillion, with KRW 114.3 billion profit generated from trust fees.

### Loans in Won

(Unit: KRW in trillions)

# 187.5



KB Kookmin Bank plans to commit its resources to increasing a money trust balance and trust fees, while seeking to maintain a steady dividend rate for pension-type unspecified money trust products. The Bank also will work to improve the commercial value of the specified money trust products and develop a variety of asset management-type products to manage volatility in the financial markets.

In the area of specified money trusts, the Bank intends to develop CP, ELS, and MMT as leading products, improve the commercial value of equity-type products, and develop a wide range of new financial investment products in response to market conditions and meets customer needs. The Bank will stay focused on developing mid and long-term profit models and expanding its profit basis.

## Capital Markets

### Treasury

In 2013, KB Kookmin Bank successfully issued foreign currency public bonds two times. The first issuance in January was at the lowest interest rate after the global financial crisis among commercial banks in Korea.

1st Foreign-currency Bond	2nd Foreign-currency Bond
USD 300 million	USD 500 million
3-year tenor / Fixed interest bond (USD 3months Libor + 0.92% p.a. after swap)	3-year tenor / Floating rate note(FRN) (USD 3months Libor + 1.25% p.a.)

For the second foreign currency public bond issuance, the Bank changed the issuance program from the previous Reg. S to 114A to attract more investors from the United States and adopted distinctive strategies, such as the 3-year FRN. KB Kookmin Bank won the award of 'Best KP Deal for Financial Institutions in 2013' by the second issuance.

The first half of 2013 witnessed an increase in loan demand, primarily attributable to increased market volatility, triggered by nuclear testing by North Korea and the US Fed's tapering of the quantitative easing. KB Kookmin Bank engaged in preemptive borrowings to succeed in an initial Club Deal of USD 400 million. This served as a case study for successfully introducing borrowings at the lowest interest rate.

Initial Club Deal (USD 400 million)	
1 year: USD 150 million	USD 3months Libor + 0.55% p.a.
2 year: USD 250 million	USD 3months Libor + 0.75% p.a.

KB Kookmin Bank are planning to finance USD 3.2 billion in 2014 and implement preemptive measures in response to the financial environment volatility. It will also seek to secure liquidity by continually engaging with relation banks in borrowing transactions, including bilateral loans, club deals, and promissory notes etc.

### Derivatives

KB Kookmin Bank continued to develop new products and engage in marketing activities even amid sluggishness in the derivatives market caused by the continuation of low-growth trends in global financial markets. As a result, the Bank's size of transactions with large companies and financial institutions grew 18.2% and 15.4%, respectively, in 2013. Efforts are being made to diversify and expand the profit base. The Bank's plan for 2014 is to strengthen the sales organization, assign outstanding employees to posts that are in close contact with customers, and take other measures necessary to satisfy customer needs. KB Kookmin Bank's goal is to become Korea's leading bank in derivatives marketing.

### Trading

In 2013, KB Kookmin Bank's focus for the trading sector was to protect and grow the profit base by forging close ties between the derivatives sales and trading units, thereby expanding Flow Business. Following the strategy of 2013, there will be restraint of speculative trading and more focus to expand stable customer-related business in 2014. The Bank carried out an overhaul of organizational operations, including the integration of the FX Customer Team and FX Dealing Team, to increase organizational efficiencies. The Bank will also seek to broaden internal business cooperation involving the derivatives sales unit.

## New Growth Business

### Smart Banking

KB Kookmin Bank maintains its leadership in the market across all areas of smart banking, including internet banking and smart banking. Smart banking was reorganized into 'KB Star Banking 3.0' to provide customers with better customer-centered services, diverse financial information and asset management. The Bank set the pace in the smart banking market by becoming the first in the Korean financial sector to record more than 8 million smart banking customers as of December 31, 2013. To further its competitive advantage in corporate banking, the Bank unveiled the 'KB Corporate Banking' mobile service. This includes several customized services for corporate customers, such as inquiries and transfers using a smartphone as well as B2B and Approval.

KB Kookmin Bank counted 18.06 million internet banking customers as of the end of December 2013, the largest number of internet banking customers in the domestic financial industry. The Bank will continue its efforts to expand customized services for its internet banking customers. 'KB Golden Life Banking' was created to upgrade online banking services for seniors. 'KB Healing Place,' which features non-financial content, such as e-books and humanities-related articles and stories, has also been upgraded.

The Bank acquired a quality certification for web accessibility to offer a better user experience to the disabled. A regular customer feedback channel was created on the Bank's website to collect customer opinions to further improve services.

These efforts resulted in several awards, including Grand Prize in the financial category of Web Awards Korea, Grand Prize at the Korea Good App Certification Evaluation, and First Prize in the smart banking category of the Asia Today Finance Awards.

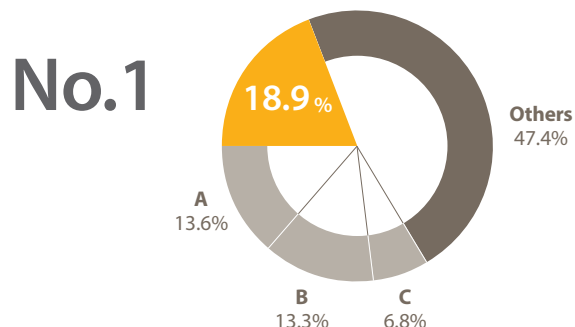
### 2014 Plans

KB Kookmin Bank will continue to improve its business activities to deliver customer-centered management based on 'Finance with a Story,' a new marketing model that is introduced in 2014. 'Finance with a Story' is a marketing approach that requires the Bank to develop a better understanding of customers, observe the rules and procedures, and engage in ethical and legitimate sales in order to offer optimal financial solutions to every single KB customer. It aims to maximize value that is delivered to customers, building a foundation for long-term growth and customer confidence in the competitive market. Furthermore, improvements of products, system, and procedure will be reinforced to achieve top quality customer service at all branches, where employees meet face-to-face with customers. The service provided by the Bank's headquarters will also be improved.

KB Kookmin Bank seeks to reinforce its management of customer relationship by conducting customer satisfaction surveys and introducing the VOC(Voice Of Customer) system, aiming to improve communication between branch managers and customers. A customer panel system, the KB Tribune System, will also be established. Highly trained CMs(Coaching Managers) will play a major role in diffusing a customer-centered marketing paradigm by providing company-wide training programs. CMs will continue coaching employees to focus on growing the lifetime value of their customer relationships. Improved customer service will lead to increased customer satisfaction across all the services branches.

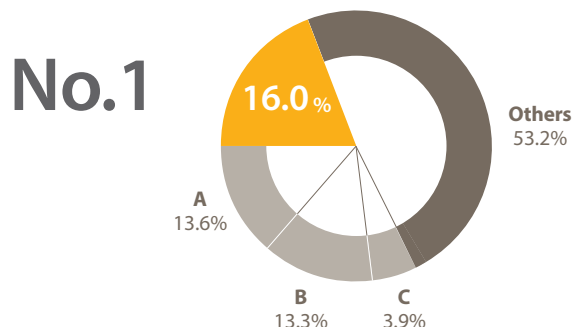
**Market Share in Internet Banking**  
Unit: %, As of December 31, 2013

■ KB Kookmin Bank  
■ Other Financial Institutions



**Market Share in Smart Banking**  
Unit: %, As of December 31, 2013

■ KB Kookmin Bank  
■ Other Financial Institutions



## KB Kookmin Card

KB Kookmin Card strives to become the leader in the market as a trusted financial company, becoming 'Korea's best daily life solution provider'

2013 marked the third year for KB Kookmin Card after its spin-off from KB Kookmin Bank. Under the slogan, 'Again, Korea First Card,' KB Kookmin Card renewed its commitment to surpass the results of the previous year. As a result, the Company registered card transactions worth KRW 87.7 trillion and net income of KRW 384 billion, in addition to ranking first in customer satisfaction in the card category for two consecutive years. In the card market, where competition is becoming fierce, KB Kookmin Card is rising to the challenge in pursuit of improved performance. After realigning its product strategy, the KB Kookmin Card unveiled the 'KB Kookmin Hun-Min-Jeong-Eum Cards,' a market-leading themed product that caters to diverse customer lifestyles. Moreover, focus was placed on developing a competitive advantage in future payment markets with products such as mobile app-cards.

### 2013 Performance

There were many challenges in the card industry in 2013, attributable to the economic downturn, more regulations, reduced merchant fees, and fiercer competition. Despite such obstacles, KB Kookmin Card continued forward with innovation of its products, services, and processes. As a result, it took first place in the credit card category of the National Customer Satisfaction Index (NCSI) for two consecutive years and in the check card category of the Korea Customer Satisfaction Index (KCSI) for three consecutive years.

### Customer-Oriented Products in 2013

KB Kookmin Card rolled out 'KB Kookmin Hyedam II Card' in April 2013 as part of its 'single card strategy,' which involves enhancing consumer benefits using a single card. The 'KB Kookmin Hyedam II Card' is the second one-card product following the success of the KB Kookmin Hyedam Card, which was designed with a simplified product structure that enabled customers to receive discounts at all establishments using this card.

In December 2013, KB Kookmin Card released the 'KB Kookmin Hun-Min-Jeong-Eum Card,' a new category leader product that has been specialized for different lifestyles. The discount benefits offered by the 'Hun' card are for private educational institutes and leisure activities. The 'Min' card benefits are for large supermarkets. The 'Jeong' card benefits are for shopping and beauty services. The 'Eum' card benefits are for traveling and entertainment. The KB Kookmin Hun-Min-Jeong-Eum Cards are convenient for customers as they can choose a card that best fits their lifestyle.

Check card issuance and usage rose steadily as a result of beneficial changes in government policy on exemptions and deductions from income for year-end tax savings and the positive response by consumers to better control over personal spending. More than 5 million 'Nori Check Cards' were issued, while more than 1 million of 'KB Kookmin Office Worker Bonus Check Cards' were issued just one year and two months after its release. KB Kookmin Card completed a complete lineup of check card products for different age groups, including the 'Nori-Rockstar Check Card' for young adults, 'Office Worker Bonus Check Card' for customers in their 30s and 40s, and 'Golden Life Check Card' for customers in their 50s and older.

### Entry into Mobile Payment Market

On September 9, 2013, KB Kookmin Card rolled out 'K-Motion,' a mobile app-card that enables mobile payments. The number of registered cards reached 1 million, 15 days after the release of K-Motion. The mobile app-card involves downloading a mobile card application and registering a plastic card. The user starts the application to purchase an item and payment is made based on a barcode. K-Motion is a mobile app-card brand of KB Kookmin Card that brings together the two aspects of 'mobile' and 'evolution.' With the K-motion release, KB Kookmin Card has begun introducing a wider variety of added-value services with the goal of gaining leadership in the mobile payment market.

**A Real-time Marketing System**

A real-time marketing system was instituted in 2013 as part of the KB Kookmin Card’s big data marketing strategy. Changes in customer behaviors are detected and analyzed so that when there is an airline ticket purchase, information is provided to the customer enable purchase of traveler’s insurance, in addition to a Long Message Service (LMS) on coupons that can be used at affiliated duty-free shops.

**Best Credit Card Company in Customer Satisfaction**

KB Kookmin Card ranked No.1 for two consecutive years in the credit card category of National Customer Satisfaction Index (NCSI). The achievement was considered significant since the Company was spun off from KB Kookmin Bank less than three years ago. Expectations that an improvement in customer service would result have been realized.

KB Kookmin Card took first place for three consecutive years in the check card category of the Korean Customer Satisfaction Index (KCSI), and earned the ‘Customer Satisfaction Management Award’ for six consecutive years from the Korea Economic Daily. These achievements recognized the success of several initiatives such as implementing ‘Support The CS,’ an improved and customized customer service education and training program and the ‘Call Center Operation Enhancement Council,’ which was set up to upgrade the consulting quality service of call center staff. KB Kookmin Card will continue to enhance its customer management activities to retain its No.1 ranking in customer service.

**2014 Plans**

KB Kookmin Card set the ‘Small Wins Strategy’ as its strategic direction for 2014 to address challenges in the business environment and take incremental steps towards capturing the lead in the credit card market. Rather than setting an unobtainable goal, accumulating ‘small wins’ will be pursued to attain No.1 rankings in different categories to build a track record leading to success in becoming the leader in the market in the mid to long-term future. The plan is to focus on the following four major competencies:

First is to build success in core business areas.

KB Kookmin Card commits to further strengthen basic competencies needed to generate profits in the future. It will seek to dominate the mobile payment market by expanding the platform created by the success of the K-Motion mobile-app card which recorded sales of over a million in a short period.

Second is to maximize resource efficiency.

KB Kookmin Card will enhance non-price dimensions of its competitiveness by improving customer contact point management, rebuilding the brand and product system, and developing price competitiveness by building a more efficient cost management system.

Third is to strengthen corporate-wide risk management.

KB Kookmin Card plans to implement optimal asset portfolio management, build a proactive risk management system, and make delinquency management more precise to minimize risks.

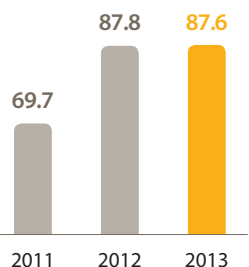
Fourth is to become more relevant in the lives of our customers. To be true to KB Kookmin Card’s brand image, customer convenience will be further enhanced to fulfill the vision of KB Kookmin Card to becoming, ‘Korea’s best daily life solution provider.’

**Transaction Volume**

(Unit: KRW in trillions)

**87.6**

Sum of credit card and check card usage amounts



## KB Investment & Securities

The strategic goal of KB Investment & Securities is to 'elevate its stature as a comprehensive investment company,' developing new growth drivers in diverse areas including asset management and online distribution channels.

Since becoming a member of KB Financial Group in March 2008, KB Investment & Securities has made great progress in elevating its stature in the key business areas of wholesale banking, investment banking, institutional sales, bond business, futures business, and asset management. Effectively leveraging KB Financial Group's strong financial network, KB Investment & Securities is focused on areas of growth such as asset management and online channels. KB Investment & Securities continues to be a strong player in the wholesale business and ranked No.1 for three consecutive years (2011-2013) in the Debt Capital Market (DCM) sector.

### 2013 Performance

Profitability substantially fell in the financial investment sector, primarily due to extreme sluggishness in securities transactions in 2013. In response to the slow market conditions, KB Investment & Securities concentrated its activities around strengthening its core business - wholesale banking; diversifying profit sources, and tightening internal controls.

#### Core Competitiveness in the Wholesale Business

KB Investment & Securities ranked No.1 in 2013 for three consecutive years in market share of underwriting corporate bonds and asset-backed securities (ABS). KB Investment & Securities also increased its market share of securities brokerage for corporations and institutions, rising to an industry-leading market position.

#### Increased Diversity of Profit Sources

The lag in economic recovery and reduced securities trading values fueled a depressed outlook for the securities industry in 2013. In this challenging environment, KB Investment & Securities created the Investment Finance Division, strengthened the Bond Business Team, and applied for Derivatives Linked Securities (DLS) permission to actively respond to changes in the external environment by diversifying its profit sources.

#### Responding to Economic challenges

The lag in economic recovery and reduced securities trading values fueled a depressed outlook for the securities industry in 2013. In order to seek profitability in this weak market, KB Investment & Securities created the Investment Finance Division, strengthened the capabilities of the Bond Business Team, and applied for DLS permission, which would allow KBI&S to actively respond to changes in the external environment by diversifying its profit sources.

#### Customer-oriented Policy and Internal Controls

In March 2013, KB Investment & Securities announced the Financial Consumer Protection Charter which aims to guide efforts to enhance service quality and promote consumer financial interests.

Monitoring was conducted to detect legal and regulatory violations, while compliance training was provided to further promote an ethical mindset. These measures were implemented to reinforce internal controls at the institutional as well as individual level.

### 2014 Plans

The mid and long-term strategic goal of KB Investment & Securities is to 'elevate its stature as a comprehensive investment company'. The 2014 strategy focuses on making additional investments and enhancing competencies in key business areas, including wholesale banking and institutional sales. Expanding the retail customer base will help to improve the profit structure of Branch In Branch (BIB). Product development capabilities that are key to generating profit are also part of the strategy.

#### Performance in DCM (Corporate bonds and ABS)

Source: Bloomberg League Table

	2011	2012	2013
Ranking	1	1	1
M / S	12.9%	13.4%	17.9%



## KB Life Insurance

Since 2010, KB Life Insurance has recorded CAGR of 23.6% in total assets, the highest in the industry.

KB Life Insurance, a subsidiary of KB Financial Group, began to offer more convenient insurance services in 2004. These services were offered through several channels: bancassurance channel, which is based on KB Kookmin Bank's nationwide branch network; telemarketing channel that uses the customer database; insurance agency channel, a nationwide network; and Total Consultant (TC) channel, which serves as KB Financial Group's only in-person channel.

KB Life Insurance laid a foundation for growth as a comprehensive insurance company by implementing the five major management philosophies: customer-centric management, field-centric management, pursuit of sustainable growth, dynamic corporate culture, and corporate social responsibility.

### 2013 Performance

In 2013, KB Life Insurance implemented five major management philosophies: customer-centric management, field-centric management, pursuit of sustainable growth, dynamic organizational culture, and corporate social responsibility. Based on these management philosophies, KB Life Insurance sustained growth and increased its market share. Improvements were also made in the distribution channels and product portfolio, thereby enabling the Company to lay a platform to grow into a comprehensive profitability-oriented insurance firm.

In July 2013, KB Life Insurance implemented a paid-in capital increase of KRW 180 billion to stabilize the Risk Based Capital (RBC) ratio. The Company was ranked No.1 for eight consecutive years in 2013 in the call center category of the Korean Service Quality Index (KSQI). This was in recognition of the Company's consumer-centric activities and improved service quality. In addition, continued channel portfolio improvements were made, resulting in a premium income of KRW 1,333.1 billion and posting KRW 6,945.6 billion in total assets and KRW 9.1 billion in net income (as of December 31, 2013). Since 2010, the Company has recorded an annual average growth rate of 23.6% in total assets, the highest in the industry, and has been consistently profitable for five consecutive years since 2009.

### Best Call Center for Eight Consecutive Years

KB Life Insurance took first place in 2013 Korean Service Quality Index (KSQI) of the Korea Management Association Consulting as the Best Call Center for eight consecutive years. The success reflects the Company's concerted efforts to reinforce its consumer-oriented sales support and improve service quality. For five consecutive years, KB Life Insurance maintained its top rating in the Financial Supervisory Service's annual evaluation of consumers' complaints in life insurance.

### 2014 Plans

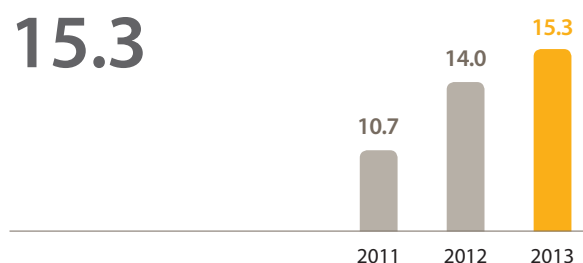
In 2014, the life insurance market is forecast to experience challenges stemming from the ongoing low interest rate trend, various changes in systems, and demands for stronger protection of customer information. With increasing interest in more people preparing for retirement/post-retirement life and the maturation of the insurance industry, insurance companies are expected to compete more aggressively to expand their respective market shares.

To address these challenges and pursue further growth, KB Life Insurance has identified its key areas of focus as, maximizing the value of its exclusive channels, executing a marketing strategy for its most profitable products, strengthening its risk management capabilities, and diversifying asset management.

KB Life Insurance will develop a broader range of products that reflect changing market trends, driven in part by changes in socio demographics. In addition, the Company will push for diversified customer-oriented marketing, such as smart finance, in an effort to earn customer loyalty.

### Business in Force

(Unit: KRW in trillions)



## KB Asset Management

KB Asset Management managed to achieve rapid and steady growth by increasing assets under management despite adverse financial environment in 2013.

KB Asset Management offers customers with top-quality products in various categories, including stocks, bonds, derivatives, commodities, overseas assets, real estate, infrastructure, private equity (PE), and non-performing loans (NPLs). KB Asset Management's top priority is to improve the long-term return rates of assets under management.

The Korean equity fund market totaled KRW 69,399.7 billion as of the end of 2013, a significant reduction in market size from KRW 75,299.6 billion at the end of 2009. Notwithstanding, KB Asset Management increased its balance size by more than three-fold during the last four years, from KRW 2,112.3 billion to KRW 7,146.7 billion, while maintaining steady short-to long-term return rates. This is an result of corporate-wide efforts that were made to enhance long-term return rates through basic style funds (growth-type and value-type funds) that meet global standards in the area of domestic equity funds, a core competency of asset management companies.

### 2013 Performance

KB Asset Management invested in a wide variety of assets throughout 2013, including securities, real estate, and infrastructure, while recording a high return rate that was over 4% higher than average. Despite the widespread trend of selling funds, the KB Asset Management attracted funds totaling KRW 3.8 trillion, of which KRW 850 billion were for domestic equity-type funds and KRW 1.43 trillion were in the area of alternative investments.

In the area of domestic equity-type funds, the Company successfully increased return rates and balances by focusing on raising the long-term return rates of key funds, while engaging in field-centered research and maintaining a consistent management philosophy. The 'KB Value Focus Fund' is a value-type fund that KB Asset Management regards as one of its major funds. It grew into the largest fund in the domestic equity-type fund market, posting KRW 2,292 billion in September last year. With a three-year yield rate of 33.30%, it ranked in the top 1% among domestic active funds. Its size, combined with its high return rate, has given it a positive reputation in the market. The 'KB Growth Focus Fund,' which is a growth-type fund, recorded significant long-term return rates, with a five-year return rate and cumulative return rate of 155.55% and 347.46%, respectively.

The area of alternative investments is garnering great attention from pension funds and institutional investors, primarily due to their stable and steady return rates in this era of low interest rates and low growth. Based on its extensive management experience and know-how, KB Asset Management manages various infrastructure funds in Korea and abroad, such as for capital restructuring, electric power generation, and energy projects. Risk management is especially important for alternative investments. The systematic risk management system of KB Asset Management is benchmarked in the industry, because risk management is crucial for alternative investments.

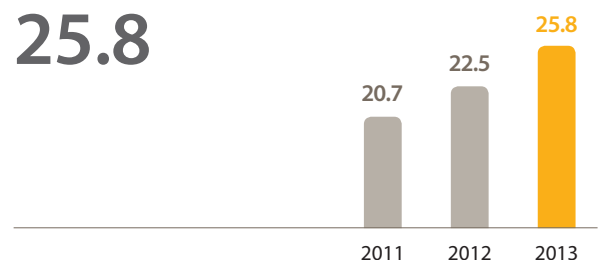
These accomplishments have garnered KB Asset Management market recognition. The Company received the 'Grand Prize at the Herald Fund Awards' from the Herald Business, 'First Prize for Equity-type Funds at the 2013 Seoul Economic Daily Korea Securities Awards,' and 'Best Pension Fund and Best ETF Awards at the Money Today Fund Awards.' These awards enabled KB Asset Management to contribute to enhancing the overall brand value of KB Financial Group.

### 2014 Plans

KB Asset Management's plan for 2014 involves increasing balances through diverse channels, mainly for equity-type funds, increasing alternative investments, expanding the passive asset foundation, and enhancing risk management. By doing so, the Company seeks to develop competitiveness in terms of management performance, substantially increase balances, and actively pioneer new markets. KB Asset Management will seek to reinforce its stature as Korea's leading asset management company, which will also enhance KB Financial Group's reputation.

AUM

(Unit: KRW in trillions)





**KB Capital will continue its efforts to lead the domestic credit specialized finance sector by tapping into its wealth of expertise, customer loyalty and reputation as a new subsidiary of KB Financial Group.**

KB Capital specializes in providing financing and loans to individuals and corporations such as the various auto installment/lease/rent financing options, offered through domestic and imported carmakers and dealers. KB Capital maintains a nationwide network of 20 branches, supported by 133 marketing specialists. For the first time in Korea, KB Capital developed a bank-linked credit model for personal loans. Using an independent credit review system, KB Capital offers competitive interest rates for personal loans through the 1,200-branch network of KB Kookmin Bank. Despite the ever-intensifying competition and slow vehicle sales, KB Capital posted annual asset growth rates averaging 10%. These growth rates have been achieved with an asset portfolio in which automobile-financed assets account for 80% of the portfolio. KB Capital boasts lower finance costs thanks to its credit rating of AA- and the highest soundness of assets in the industry. Ranking fifth in total assets and sixth in profit out of 67 specialized financing firms, KB Capital continues to gain its stature as comprehensive finance company.

## 2013 Performance

### Solid Growth of Assets

KB Capital maintained a market share of 10% in new vehicle installment financing and ranked number one with a market share of 20% among non-captive capital firms. The Company plans to launch commercial vehicle installment financing and enter the car rental business in an effort to diversify its auto finance portfolio. KB Capital will also seek to establish joint ventures with foreign entities to expand its global footprint and increase its share in the domestic auto financing sector.

To diversify its sources of revenue, KB Capital endeavors to develop new financial products and services as well as develop greater marketing expertise using direct channels including tele-marketing and the internet. KB Capital has launched durable goods installment financing for the first time in Korea, while releasing loan products aimed at providing assistance to small merchants.

### Continuous Rises in Net Income

KB Capital recorded continuous growth of net income over the past three years. Net income totaled KRW 51.7 billion in 2011; KRW 53.1 billion in 2012; and KRW 54.1 billion in 2013. This growth was achieved by amassing consumer financed assets and better management of risk. KB Capital increased

auto financing that carries relatively little bad debt risks. It also launched cross-selling of personal loans targeting blue-chip clients. Moreover, the Company was able to curtail its business costs based on its outstanding credit rating and by limiting bad debt expenses (bad debt expense ratio: 1.3%). The ratio of selling and administrative expenses was lowered to 30% thanks to the reduction of fixed expenses. The Company managed to keep the return on assets (ROA) at the level of 1.5%. Buoyed by this notable financial performance, the KB Capital's stock price jumped by 547% in 2013, compared to 2008. This represents a nearly 7-fold increase in comparison to a 79% rise in the KOSPI during the same period.

### Expanding the Shock Absorber Against Volatility

KB Capital boasts outstanding asset quality indexes in the industry, thanks to its proactive and dynamic risk management system. At the end of 2013, the substandard and below loan ratio stood at 2.8% (ranked No.5 in the industry), while the delinquency ratio (more than 30 days in arrears) was lowered to 2.0% (ranked No.2). Despite the industry's worsening trend of asset quality, KB Capital recorded the industry's lowest-level asset quality indexes.

## 2014 Plans

In 2014, KB Capital will strive to continue its sustained growth patterns. In order to prevent profit erosion and unacceptable expense increases, the Company will implement strong belt-tightening measures and beef up the debt collection activity. In this regard, the Company will push '4 P (portfolio, process, profit and people) Reengineering.'

KB Capital will seek to affirm its leadership in the auto financing market. The Company will also increase its capital financing services by expanding the number of its business partnerships using the expertise and experience of our exclusive finance partner of Jaguar Land Rover Korea.

The Company is planning to establish a joint venture with Mahindra Finance, which will serve as an exclusive finance firm for SsangYong Motor Company. KB Capital aspires to be the leading player in second-hand car markets by pursuing exclusive contracts with second-hand dealerships. In personal and corporate financing, the Company is prepared to increase the portion of assets by developing new markets and new products.

## KB Savings Bank

KB Savings Bank aspires to become a leading bank for the underprivileged and small businesses that have poor credit or insufficient collateral.

KB Savings Bank provides a range of loan and deposit services to households and SMEs that are not serviced by other banks due to their relatively high risk profiles or insufficient collateral. Its major deposit products include term deposits, savings deposits, and free installment deposits. Its loan products include 'Sunshine Loan,' which provides loans to low income customers at low interest rates; 'KB One Stop Loan,' a loan offered in connection with KB Kookmin Bank's loan products; stock loan that uses securities as collateral. Last year, the Bank launched the 'KB Kind Loan' program in an effort to fulfill its mission of providing financial aid to the underprivileged.

### 2013 Performance

#### Realigning the Business Model

In 2013, KB Savings Bank concentrated its effort on building up a foundation for sustained growth. The 'KB Kind Loan,' which was rolled out in September 2013, is a good example of this effort. The program calls for lending small amounts of money to low credit holders who are denied access to primary financial institutions including commercial banks. The loans carry an annual interest of approximately 10%. The loans totaled KRW 3.7 billion only three months after it was introduced, leading asset growth based on individual loans. The Bank was honored with the 'Finance for Low-Income Class Award' at the '2013 Korea Financial Innovation Awards' and the 'Trust-based Management Award' at the '2013 Aju Finance & Securities Award' in recognition of its efforts to revitalize the financial services for the underprivileged.

#### Enhancing Asset Quality

KB Savings Bank managed to reduce the delinquency ratio to 28% in 2013 from 31% a year earlier as it has operated a task force to improve the quality of non-performing assets which the Bank inherited from its predecessor and customized collection strategies to the varying types of debtors. By taking advantage of its constant monitoring of market and credit risks and de-marketing, the Bank strives to preempt delinquencies. The Bank put in place a post-loan screening system to enhance asset quality.

#### Integration with Yehansol Savings Bank

KB Financial Group signed a contract to acquire Yehansol Savings Bank in June 2013. In September, the bank was incorporated into KBFG as its 11th subsidiary. One month later, Yehansol Savings Bank was merged into KB Savings Bank. KB Savings Bank is now positioned to increase synergies with the absorption of Yehansol's savings and deposits systems and business processes and strengthened marketing organization.

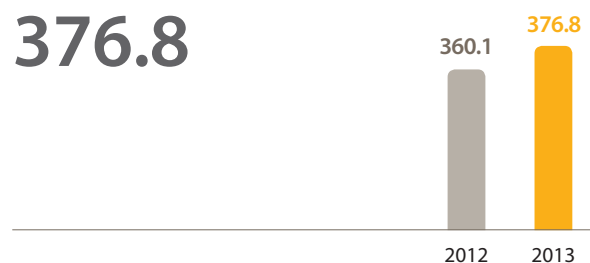
#### Future Plans

Amid the delayed economic recovery, new competitors are expected to emerge, a situation which requires savings bank to create new business models. KB Savings Bank plans to strengthen its direct channels, improve the existing product lineup and develop new products in order to increase its financial aid to the underprivileged. The Bank will also implement a systematic risk management through the establishment of pre/post loan screening entities and systems.

The Bank will also shore up its competitive advantages of the new KB branded bank that includes the assets and business capabilities of what had been Yehansol Savings Bank. The Bank is prepared to develop a range of new finance models for the underprivileged and energize outbound marketing by taking advantage of the seven branches and marketing personnel that have been added as a result of the merger.

#### Loans in Won

(Unit: KRW in billions)



## KB Real Estate Trust

As a reliable partner in real estate finance, KB Real Estate Trust strives to create top value through sound management of customer assets.

KB Real Estate Trust efficiently manages customers' real estate on consignment and returns to them the revenues generated. This specialized real estate trust firm offers a range of products and services, such as land development trust, collateral trust, management trust and disposal trust, REITs AMC. Wholly-owned by KB Financial Group, KB Real Estate Trust enjoys stable credit ratings and strong balance sheet.

### 2013 Performance

#### Consolidating Market Leadership

The Company's entrusted assets totaled KRW 18,852.8 billion (as of the end of December 2013), the most among the eleven real estate trust companies in Korea. Despite continued market sluggishness, KB Real Estate Trust actively engaged in sales activities and maximized synergy with other subsidiaries of KB Financial Group, including KB Kookmin Bank. The Company ranked No.1 in the non-land trust fixed commission market (Among 11 companies, as of the end of December 2013), by recording a share of 16.5%.

#### Diversified Businesses

KB Real Estate Trust moved forward with diversifying its business despite the stagnant market conditions. As part of the diversification effort, the Company successfully rolled out 'KB Wise-Star No.6 REIT,' and won a contract for a residence hotel development project based on a loan-type land trust to break into the niche market. As part of efforts made to participate in apartment house development projects, KB Real Estate Trust was chosen as the successful bidder for the Songdo RC-4 block by the Incheon Development & Tourism Corporation. The Company established and invested in the Songdo Best Town PFV. The Company also invested in PFVs for port redevelopment and industrial complex development.

### Increasing Management Efficiency

KB Real Estate Trust managed to enhance management efficiency as well as the efficiency of internal controls by disseminating a performance-based corporate culture. The Company is focusing its efforts on broadening the expertise of employees and heightening customer satisfaction through systematic HR training.

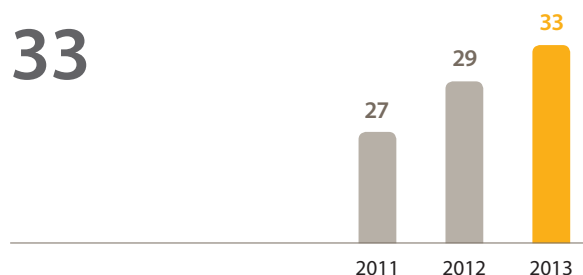
### 2014 Plans

As the market is not likely turn around in the near future, what is deemed most important is proactive risk management. As such, KB Real Estate Trust will seek to strengthen its market dominance and increase REITs profits by preoccupying high quality investment targets through quick decision-making. The Company will also pursue business diversification by participating in housing redevelopment and reconstruction projects. In addition, management-by-principle and trust-based management will be faithfully implemented to enhance the Group's brand value.

### Commission Income

(Unit: KRW in billions)

# 33



## KB Investment

KB Investment has a reputation of being a committed investment partner that helps to foster the growth of venture firms and small and medium enterprises (SMEs).

As an investment partner who is committed to the value enhancement of companies in which it invests, KB Investment specializes in venture investments in unlisted small and medium enterprises (SMEs) and start-up companies, capital investments that support growth of mid-sized companies, and private equity investments. The Company seeks to develop its investments into blue-chip companies. Industries primed for investment are information technology (IT) encompassing mobile communication, semiconductors and displays; next-generation growth industries like alternative energy, which will lead Korea's industrial future; clean-tech industries like new and renewable energy and secondary battery; and biotech industries like pharmaceuticals and medical equipment.

### 2013 Performance

#### Visible Results

Primarily due to macroeconomic and market conditions, such as investor preference for stable assets and reduction of corporate funding, investments in the IPO market of KOSDAQ, the main source of investment returns for the Company, remained stagnant in 2013. The investment environment was faced with many challenges. Despite these market conditions, at the end of 2013 KB Investment recorded KRW 130.6 billion in equity capital, KRW 1,450 billion in assets under management (AUM), and KRW 6.1 billion in net income. As a top-notch investment company, KB Investment is leading the domestic venture capital and private equity fund (PEF) markets. The Company took five venture firms, or 13.5% of the total, to the KOSDAQ market in 2013. This has given the Company a reputation as being a committed investment partner that helps to foster the growth of venture firms and SMEs.

#### Growth of Assets under Management

KB Investment created a venture fund of KRW 25 billion in 2013. The Company's total assets under management (AUM) rose to KRW 1,450 billion.

#### Investment in New Growth Engine Industries

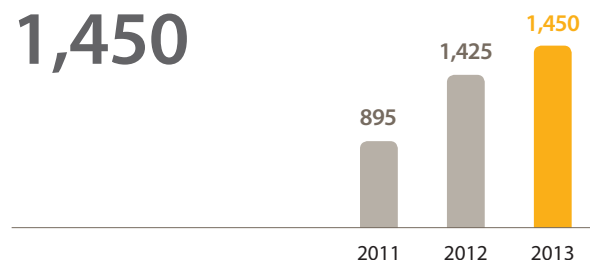
In 2013, KB Investment invested a total of KRW 106.7 billion in SMEs and mid-sized companies in the next-generation IT, clean-tech, and life science industries, growth drivers that will shape the future of the Korean economy. As part of its plan to build its market leadership, the Company is actively leading the growth of relevant industries based on its significant investments in the new growth engine industries.

### 2014 Plans

As part of its diverse efforts to achieve stable and sustained growth, KB Investment is working to increase personnel competencies and organizational efficiencies. To build a solid base for potential profits, KB Investment is expanding its outstanding investments portfolio and maximizing investment returns by continuously strengthening its risk management system. The Company intends to increase the AUM to KRW 2 trillion by 2016 with the aim of becoming Korea's No.1 venture capital firm and competing in Asian investment markets.

AUM

(Unit: KRW in billions)



## KB Credit Information

KB Credit Information is Korea's No.1 credit information firm and continues to be dedicated to enhancing asset value through effective management of debt.

By taking advantage of its pool of first-rate experts in debt collection and lease verification, superior service network and state-of-the-art computing systems, the Company leads its peers. Debt collection within KB Financial Group reached approximately KRW 3,800 billion in 2013 and roughly KRW 2,600 billion for other creditors. Based on its highest level of productivity in the industry, the Company plays a pivotal role in the Group's non-performing loan management. In 2000, the Company entered into the lease identification business which involves the investigation and reporting of loan collateral of financial institutions. The business accounted for over 18% of its total sales revenue last year.

### 2013 Performance

Approximately KRW 970 billion of debts have been disposed of as a result of the launch of the People's Happiness Fund in May 2013. During nearly four months after the fund's establishment, the Company witnessed a significant reduction of debts under management. The strengthening of debt collection business regulations, along with changed NPL management policies of creditors, worsened the business environment. Faced with these challenges, the Company pushed ahead with a management strategy that called for 'building up a solid foundation for stable growth and enhancing value within the Group.' Focus was placed on maximizing the collection of debts owed to the Group, achieving profitability-centered management rationalization, and boosting productivity by strengthening marketing competencies. As a result, the Company produced better results than expected.

The Company's sales in the area of non-Group creditors in 2013 rose 10.7% over the prior year to KRW 6.8 billion, primarily attributable to the management of distress assets entrusted to the Company by Korea Asset Management Company. Sales within the Group decreased, mainly due to the reduction of debts handled by the Company. Regarding Group-wide sales, the Company will work to strengthen the management of customers through periodic publications of debt collection results, while optimizing Group synergies through joint promotions with its banks and card firm. The Company also strove to revamp both the debt management method by the duration of delinquency and the debt management system by region, alongside increased utilization of information of debtors. All these efforts resulted in minimizing operating losses which contributed to laying a solid platform for a new leap forward.

In its lease identification business, sales climbed 9.0% to KRW 85.4 billion as a result of stepped-up marketing and service quality upgrades. New collateralized debts worth approximate KRW 181.1 billion were entrusted to the Company. The Company strengthened its low-cost but higher-income business capabilities by shoring up collateralized debt management regulations.

The Company saved over KRW 4.0 billion in the cost of goods sold and sales and maintenance costs in the second half of 2013 by taking a series of measures, including adoption of proper payment rates in each business area and recruitment of experienced debt collectors. Other reform measures included effective management of operating risk, operation of branches based on the volume of debts under management and stepped up budget controls.

### 2014 Plans

Increased care for the socially marginalized and the need to improve the practices of debt collection will keep growth and profitability in the debt collection business stagnant. Competition in the industry is expected to heat up as the debt collection market contracts. To deal with this challenging business environment, the Company's 2014 management strategy is to 'lay a stable foundation for growth by stepping up its competitive advantage in the rates of return.' Focus will be placed on an increase in the rate of return of debt, laying a solid platform for profitability and increasing efficiencies in personnel management.

With regards to debt collection, the Company will beef up its debt collection management system, standardize debt collection processes, promote wider use of debt collection related information and optimize the rates of return of debts by building close partnerships with the Group's affiliates. Meanwhile, the Company will seek to expand the debts entrusted to the Company by KAMCO by increasing profit margins, working to upgrade the lease identification service and exploring new markets like public debts. The Company will diversify the sources of income and expand the scope of low-cost businesses.

The Company will intensify its efforts to optimize productivity by shoring up the management of NPL and related information security, in addition to boosting the efficiencies of sales organization and personnel management.

## \*b KB Data Systems

KB Data Systems seeks to play a greater role in stable operations of IT systems of the Group's affiliates.

KB Data Systems provides first-rate IT services based on its top-notch technological prowess gained from the wide range of projects undertaken to advance the IT-based services of KB Financial Group. The Company's services include financial IT consulting; integration of the entire process ranging from system analysis and design to development and testing; and IT outsourcing that requires stable maintenance and management of customer information systems and IT resources in accordance with customer needs.

### 2013 Performance

#### Leadership in Financial IT

To provide optimal IT solutions in the ever-changing IT environment, KB Data Systems segmented its business areas into IT systems integration and IT systems management, and established an optimal organizational system accordingly. By focusing on thorough quality management, KB Data Systems builds the most optimal IT systems and identifies the effective operation measures for its affiliates within the Group.

In 2013, the Company developed and commercialized a number of solutions, including the Basel II / III systems of the holding company, Basel II system of KB Kookmin Card and Risk Data Mart (RDM) system of KB Savings Bank. A total effort was made to upgrade the risk management systems of the Group's affiliates, along with the building of regulations compliance-related IT systems. Moreover, the Company integrated the IT systems of KB Savings Bank and Yehansol Savings Bank and expanded IT-based support to the Group's non-banking affiliates.

The HR system and an early warning system, received the 'Best Human Resources Project' award from the Asian Banker, an Asia/Pacific financial magazine. The Company also carried out voluntary activities, including serving free meals to isolated seniors and other Group social contribution activities like 'KB Star Economy and Finance Classroom.'

### 2014 Plans

KB Data Systems will engage in diverse activities to offer top-quality IT services to its affiliates, placing the highest priority on increasing user satisfaction and enhancing its technological competencies. To lead financial IT trends and apply state-of-the-art technologies to the Group's IT-based operations, KB Data Systems will strengthen its internal competencies with a focus on smartbanking.



# Report of Independent Auditors



## 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, 2013 and 2012, and January 1, 2012, and the related separate statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012, 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, 2013 and 2012, and January 1, 2012, and its financial performance and cash flows for the years ended December 31, 2013 and 2012, in accordance 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, 2014

This report is effective as of March 12, 2014, 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, 2013 and 2012, and January 1, 2012

(In millions of Korean won)

	Notes	December 31, 2013	December 31, 2012	January 1, 2012
<b>Assets</b>				
Cash and due from financial institutions	4,5,6,25	₩ 77,298	₩ 96,234	₩ 32,031
Loans	4,5,7	10,000	25,000	60,000
Investments in subsidiaries	8	18,292,443	17,944,848	17,773,322
Property and equipment	9	642	351	759
Intangible assets	10	10,133	9,122	10,531
Deferred income tax assets	11,23	4,203	3,800	2,445
Other assets	4,5,12	269,823	310,673	631,602
<b>Total assets</b>		₩ 18,664,542	₩ 18,390,028	₩ 18,510,690
<b>Liabilities</b>				
Debts		-	-	130,000
Debentures	4,5,13	₩ 349,157	₩ -	₩ 49,988
Net defined benefit liabilities	14	1,433	1,384	992
Current income tax liabilities	23	209,928	257,535	578,729
Other liabilities	4,5,15	55,602	46,767	34,701
<b>Total liabilities</b>		616,120	305,686	794,410
<b>Equity</b>				
Share capital	16	1,931,758	1,931,758	1,931,758
Capital surplus	16	13,513,809	13,513,809	13,513,809
Accumulated other comprehensive loss	16	(2,715)	(2,780)	(1,918)
Retained earnings	16	2,605,570	2,641,555	2,272,631
<b>Total equity</b>		18,048,422	18,084,342	17,716,280
<b>Total liabilities and equity</b>		₩ 18,664,542	₩ 18,390,028	₩ 18,510,690

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

# Separate Statements of Comprehensive Income

Years Ended December 31, 2013 and 2012

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

	Notes	2013	2012
Interest income		₩ 3,859	₩ 6,018
Interest expense		(5,227)	(3,025)
<b>Net interest income</b>	18	(1,368)	2,993
Fee and commission income		-	-
Fee and commission expense		(6,270)	(4,130)
<b>Net fee and commission income</b>	19	(6,270)	(4,130)
Net other operating income	20	245,044	687,925
General and administrative expenses	21	(40,657)	(40,459)
Operating profit before provision for credit losses		196,749	646,329
Provision for credit losses		-	-
<b>Operating profit</b>		196,749	646,329
Net non-operating income(expense)	22	(1,346)	(312)
<b>Profit before tax</b>		195,403	646,017
Income tax benefit	23	423	1,080
<b>Profit for the year</b>		195,826	647,097
Remeasurements of net defined benefit liabilities		65	(862)
Items that will not be reclassified to profit or loss		65	(862)
<b>Other comprehensive income(loss) for the year, net of tax</b>		65	(862)
<b>Total comprehensive income for the year</b>		₩ 195,891	₩ 646,235
<b>Earnings per share</b>			
Basic earnings per share	24	₩ 507	₩ 1,675
Diluted earnings per share	24	505	1,670

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

# Separate Statements of Changes in Equity

Years Ended December 31, 2013 and 2012

(In millions of Korean won)

	Share Capital	Capital Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
<b>Balance at January 1, 2012</b>	₩ 1,931,758	₩ 13,513,809	₩ -	₩ 2,270,713	₩ 17,716,280
<b>Changes in accounting policy</b>	-	-	(1,918)	1,918	-
<b>Restated balance</b>	1,931,758	13,513,809	(1,918)	2,272,631	17,716,280
<b>Comprehensive income</b>					
Profit for the year	-	-	-	647,097	647,097
Remeasurements of net defined benefit liabilities	-	-	(862)	-	(862)
<b>Total comprehensive income</b>	-	-	(862)	647,097	646,235
<b>Transactions with shareholders</b>					
Dividends	-	-	-	(278,173)	(278,173)
<b>Total transactions with shareholders</b>	-	-	-	(278,173)	(278,173)
<b>Balance at December 31, 2012</b>	₩ 1,931,758	₩ 13,513,809	₩ (2,780)	₩ 2,641,555	₩ 18,084,342
<b>Balance at January 1, 2013</b>	₩ 1,931,758	₩ 13,513,809	₩ (2,780)	₩ 2,641,555	₩ 18,084,342
<b>Comprehensive income</b>					
Profit for the year	-	-	-	195,826	195,826
Remeasurements of net defined benefit liabilities	-	-	65	-	65
<b>Total comprehensive income</b>	-	-	65	195,826	195,891
<b>Transactions with shareholders</b>					
Dividends	-	-	-	(231,811)	(231,811)
<b>Total transactions with shareholders</b>	-	-	-	(231,811)	(231,811)
<b>Balance at December 31, 2013</b>	₩ 1,931,758	₩ 13,513,809	₩ (2,715)	₩ 2,605,570	₩ 18,048,422

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

# Separate Statements of Cash Flows

Years Ended December 31, 2013 and 2012

(In millions of Korean won)

	Note	2013	2012
<b>Cash flows from operating activities</b>			
Profit for the year		₩ 195,826	₩ 647,097
Adjustment for non-cash items			
Depreciation and amortization		816	1,487
Share-based payments		950	3,641
Net interest income		(564)	(765)
Impairment losses on investments in subsidiaries		36,995	-
Net other expense		2,805	3,321
		41,002	7,684
Changes in operating assets and Liabilities			
Due from financial institutions		-	12,000
Deferred income tax assets		(403)	(1,355)
Other assets		9	1,056
Other liabilities		(336)	(3,578)
		(730)	8,123
<b>Net cash generated from operating activities</b>		236,098	662,904
<b>Cash flows from investing activities</b>			
Acquisition of investments in subsidiaries		(384,590)	(171,526)
Collection of loans		15,000	35,000
Acquisition of property and equipment		(627)	(114)
Acquisition of intangible assets		(2,656)	(313)
Disposal of intangible assets		757	-
Net decrease(increase) in guarantee deposits paid		(182)	8,427
Others		(2)	(2)
<b>Net cash used in investing activities</b>		(372,300)	(128,528)
<b>Cash flows from financing activities</b>			
Increase in debts		315,000	170,000
Decrease in debts		(315,000)	(300,000)
Increase in debentures		349,077	-
Decrease in debentures		-	(50,000)
Distribution of dividends		(231,811)	(278,173)
<b>Net cash provided by(used in) financing activities</b>		117,266	(458,173)
<b>Net increase(decrease) in cash and cash equivalents</b>		(18,936)	76,203
<b>Cash and cash equivalents at the beginning of the year</b>	25	96,231	20,028
<b>Cash and cash equivalents at the end of the year</b>	25	₩ 77,295	₩ 96,231

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

# Notes to Separate Financial Statements

December 31, 2013 and 2012

## 1. The Company

KB Financial Group Inc. (the "Company"), in accordance with Financial Holding Companies Act, was established on September 29, 2008, through stock transfers with the former shareholders of Kookmin Bank, KB Investment & Securities Co., Ltd., KB Asset Management Co., Ltd., KB Real Estate Trust Co., Ltd., KB Investment Co., Ltd., KB Futures Co., Ltd., KB Credit Information Co., Ltd., and KB Data Systems Co., Ltd. in order to provide management services and financing to associated companies. The headquarters are located at 84, Namdaemunro, Jung-gu, Seoul. The Company's paid-in capital as of December 31, 2013, 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 established KB Savings Bank Co., Ltd. in January 2012. The Company acquired Yehansoul Savings Bank Co., Ltd. in September 2013.

The Company is authorized to issue up to 1 billion shares. The 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 Depository Shares ("ADS") since September 29, 2008.

## 2. Basis of Preparation

### 2.1 Application of K-IFRS

Korean-IFRS ("K-IFRS") are the standards and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

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 separate financial statements are disclosed in Note 2.4.

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

The separate financial statements have been prepared in accordance with K-IFRS, which is effective as of December 31, 2013.

New standards, amendments and interpretations issued but not effective for the year beginning January 1, 2013, and not early adopted by the Company are as follows:

#### **Amendments to K-IFRS 1032, *Financial Instruments: Presentation***

According to Amendment to K-IFRS 1032, Financial Instruments: Presentation, it provides that the right to offset must not be contingent on a future event and must be legally enforceable in all of circumstances; and if an entity can settle amounts in a manner such that outcome is, in effect, equivalent to net settlement, the entity will meet the net settlement criterion. This amendment is effective for annual periods beginning on or after January 1, 2014, and the Company is assessing the impact of application of this amendment on its separate financial statements.

#### **Amendment to K-IFRS 1039, *Financial Instruments: Recognition and Measurement***

Amendment to K-IFRS 1039, Financial Instruments: Recognition and Measurement, allows the continuation of hedge accounting for a derivative that has been designated as a hedging instrument in a circumstance in which that derivative is novated to a central counterparty (CCP) as a consequence of laws or regulations. This amendment is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Company is assessing the impact of application of this amendment on its separate financial statements.

#### **Enactment of K-IFRS 2121, *Levies***

K-IFRS 2121, Levies, is applied to a liability to pay a levy imposed by a government in accordance with the legislation. The interpretation requires that the liability to pay a levy is recognized when the activity that triggers the payment of the levy occurs, as identified by the legislation (the obligating event). This interpretation is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Company expects that the application of this interpretation would not have an impact on its separate financial statements.

New standards, amendments and interpretations adopted by the Company for the year beginning on January 1, 2013, are as follows:

**Amendment to K-IFRS 1001, Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income**

K-IFRS 1001, Presentation of Financial Statements, was amended to require other comprehensive income items to be classified into items that might be reclassified to profit or loss in subsequent periods and items that would not be reclassified subsequently. The Company applies the presentation of items of other comprehensive income in accordance with the amendment retrospectively, and restated the separate statement of comprehensive income for the year ended December 31, 2012. There is no effect on the Company's total comprehensive income from the retrospective application of change in accounting policy.

**Amendment to K-IFRS 1019, Employee Benefits**

According to the amendment to K-IFRS 1019, Employee Benefits, the use of a 'corridor' approach is no longer permitted, and therefore all actuarial gains and losses incurred are immediately recognized in other comprehensive income. All past service costs incurred from changes in pension plan are immediately recognized, and interest costs and expected returns on plan assets that used to be separately calculated are now calculated as net interest expense(income) by applying discount rate used in measuring defined benefit obligation in net defined benefit liabilities(assets). The Company applies the accounting policy retrospectively in accordance with the amended standards and the comparative separate statements of financial position and separate statement of comprehensive income are restated by reflecting adjustments resulting from the retrospective application.

The effect of these changes in accounting policy on the statements of financial position as of December 31, 2013, December 31, 2012, and January 1, 2012, and on the statements of comprehensive income for the years ended December 31, 2013 and 2012, are as follows:

Effect on Separate Statements of Financial Position	(In millions of Korean won)		
	December 31, 2013	December 31, 2012	January 1, 2012
Decrease in accumulated other comprehensive income	₩ 2,715	₩ 2,780	₩ 1,918
Increase in retained earnings	2,715	2,780	1,918

Effect on Separate Statements of Comprehensive Income	(In millions of Korean won)	
	2013	2012
Increase(decrease) in general and administrative expenses	₩ 86	₩ (1,138)
Increase(decrease) in income tax benefit	21	(276)
Increase(decrease) in other comprehensive income	65	(862)

	(In Korean won)	
	2013	2012
Increase(decrease) in earnings per share	-	2
Increase(decrease) in diluted earnings per share	-	2

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either (a) the Company decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Company recognizes liabilities and expenses for termination benefits at the earlier of the following dates: when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring that is within the scope of K-IFRS 1037 and involves the payment of termination benefits. Termination benefits are measured by considering the number of employees expected to accept the offer in the case of a voluntary early retirement. Termination benefits which are not expressed to be settled wholly before 12 months after the end of the reporting period are discounted to present values. The application of this amendment does not have a material impact on its separate financial statements.

**K-IFRS 1027, Separate Financial Statements**

K-IFRS 1027, that was amended in accordance with the enactment of K-IFRS 1110, applies to investments in subsidiaries, associates and joint ventures on the separate financial statements. There is no impact of the amendment of K-IFRS 1027 on the separate financial statements of the Company.

**Enactment of K-IFRS 1110, Consolidated Financial Statements**

K-IFRS 1110 supersedes K-IFRS 1027, Consolidated and Separate Financial Statements and K-IFRS 2012, Consolidation: Special Purpose Entities.

K-IFRS 1110, Consolidated Financial Statements, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements of the Parent Company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. There is no impact of the enactment of K-IFRS 1110 on the separate financial statements of the Company.

**Enactment of K-IFRS 1111, Joint Arrangements**

K-IFRS 1111, Joint Arrangements, aims to reflect the substance of joint arrangements by focusing on the contractual rights and obligations that each party to the arrangement has rather than its legal form. Joint arrangements are classified as either joint operations or joint ventures. A joint operation is when joint operators have rights to the assets and obligations for the liabilities, and account for the assets, liabilities, revenues and expenses, while parties to the joint venture have rights to the net assets of the arrangement. The adoption of K-IFRS 1111 does not have an impact on the accounting requirements of the Company.

**Enactment of K-IFRS 1112, Disclosures of Interests in Other Entities**

K-IFRS 1112, Disclosures of Interests in Other Entities, provides the disclosure requirements for all forms of interests in other entities, including a subsidiary, a joint arrangement, an associate and an unconsolidated structured entity. Disclosures of interests in other entities on the separate financial statements were still prepared in accordance with K-IFRS 1027, Separate Financial Statements. In the meantime, the disclosures for an unconsolidated structured entity are required under K-IFRS 1112 if an entity has an interest in unconsolidated structured entity and prepares the separate financial statements as its only financial statements. The adoption of K-IFRS 1112 does not have an impact on the separate financial statements of the Company.

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

K-IFRS 1113, Fair Value Measurement, 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 all fair value measurements under 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. K-IFRS 1113 has been effective prospectively for annual periods beginning on or after January 1, 2013. The adoption of K-IFRS 1113 does not have a material impact on 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 incomes(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 Net defined benefit liabilities

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions (Note 14).

## 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 with original maturities of three months or less 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 1027. The Company determines at each reporting date whether there is any objective evidence that the investments in the subsidiaries are impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiaries and its carrying value.

### 3.4 Property and equipment

#### **Recognition and Measurement**

All property and equipment that qualify 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 improvements	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:

- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the company.
- 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 and 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 other comprehensive income.

When the fair value of plan assets deducted from the total of the present value of the defined benefit obligation 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 immediately in profit or loss.

### ***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 sharebased 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 year.

### ***Termination benefits***

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either (a) the Company decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept an offer of

benefits in exchange for the termination of employment. The Company recognizes liabilities and expenses for termination benefits at the earlier of the following dates: when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring that is within the scope of K-IFRS 1037 and involves the payment of termination benefits. Termination benefits are measured by considering the number of employees expected to accept the offer in the case of a voluntary early retirement. Termination benefits which are not expressed to be settled wholly before 12 months after the end of the reporting period are discounted to present values.

### 3.11 Income tax expenses

Income tax expense (tax benefit) comprises current tax expense (current tax benefit) and deferred income tax expense (deferred income tax benefit). Current and deferred income tax are recognized as income or expense and included in profit or loss for the year, except to the extent that the tax arises from (a) a transaction or event which is recognized 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 offset 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 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.

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 be applied 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 offset 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 K-IFRS 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 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 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 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 segments are omitted in accordance with K-IFRS 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 Committee**

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 decision-making authority.

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

The Risk Management Council reviews and makes decisions on matters delegated by the Risk Management Committee 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, 2013 and 2012, are as follows:

	(In millions of Korean won)			
	2013		2012	
Due from financial institutions	₩	77,298	₩	96,234
Loans		10,000		25,000
Other financial assets		20,435		20,226
	₩	107,733	₩	141,460

#### 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 losses expected as a result of future events. The Company measures 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 classified as follows:

(In millions of Korean won)

Loan before allowances	2013		2012	
	Corporate loans	Percentage (%)	Corporate loans	Percentage (%)
Neither past due nor impaired	₩ 10,000	100.00	₩ 25,000	100.00
Past due but not impaired	-	-	-	-
Impaired	-	-	-	-
	10,000	100.00	25,000	100.00
<b>Allowances</b>	-	-	-	-
<b>Carrying amount</b>	₩ 10,000	100.00	₩ 25,000	100.00

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

(In millions of Korean won)

	2013		2012	
	₩		₩	
Grade 1	10,000		25,000	
Grade 2	-		-	
Grade 3	-		-	
Grade 4	-		-	
Grade 5	-		-	
	₩ 10,000		₩ 25,000	

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

	Range of PD(%) (Probability of Default)
Grade 1	0.0 ~ 1.0
Grade 2	1.0 ~ 5.0
Grade 3	5.0 ~ 15.0
Grade 4	15.0 ~ 30.0
Grade 5	30.0 ~

## 4.2.5 Credit Risk Concentration Analysis

The details of the Company's corporate loans by country, as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

2013							
	Corporate loans		%	Allowances		Carrying amount	
Korea	₩	10,000	100.00	₩	-	₩	10,000
	₩	10,000	100.00	₩	-	₩	10,000

(In millions of Korean won)

2012							
	Corporate loans		%	Allowances		Carrying amount	
Korea	₩	25,000	100.00	₩	-	₩	25,000
	₩	25,000	100.00	₩	-	₩	25,000

The details of the Company's loans by industry as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

2013							
	Loans		%	Allowances		Carrying amount	
Financial institutions	₩	10,000	100.00	₩	-	₩	10,000
	₩	10,000	100.00	₩	-	₩	10,000

(In millions of Korean won)

2012							
	Loans		%	Allowances		Carrying amount	
Financial institutions	₩	25,000	100.00	₩	-	₩	25,000
	₩	25,000	100.00	₩	-	₩	25,000

## 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 assets 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 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, 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 of Remaining Contractual Maturity of Financial Assets and Liabilities

The remaining contractual maturity of financial assets and liabilities as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013													
	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>1</sup>	₩	27,332	₩	50,340	₩	-	₩	-	₩	-	₩	-	₩	77,672
Loans		-		34		67		10,101		-		-		10,202
Other financial assets		-		35		-		20,540		-		-		20,575
	₩	27,332	₩	50,409	₩	67	₩	30,641	₩	-	₩	-	₩	108,449
<b>Financial liabilities</b>														
Debentures	₩	-	₩	-	₩	2,941	₩	8,822	₩	315,330	₩	74,471	₩	401,564
Other financial liabilities		-		840		1,579		1,156		-		-		3,575
	₩	-	₩	840	₩	4,520	₩	9,978	₩	315,330	₩	74,471	₩	405,139

(In millions of Korean won)

	2012													
	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>1</sup>	₩	11,251	₩	85,416	₩	-	₩	-	₩	-	₩	-	₩	96,667
Loans		-		100		200		25,300		-		-		25,600
Other financial assets		-		8		-		20,358		-		-		20,366
	₩	11,251	₩	85,524	₩	200	₩	45,658	₩	-	₩	-	₩	142,633
<b>Financial liabilities</b>														
Other financial liabilities	₩	-	₩	874	₩	-	₩	286	₩	-	₩	-	₩	1,160
	₩	-	₩	874	₩	-	₩	286	₩	-	₩	-	₩	1,160

<sup>1</sup> The amount of ₩3 million, representing the restricted amount due from the financial institutions as of December 31, 2013 and 2012, is excluded.



## 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 and other market factors that affect 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 rate 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, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013					Total
	Up to 3 months	3-6 months	6-12 months	1-3 years	Over 3 years	
<b>Interest-bearing assets</b>						
Cash and due from financial institutions	₩ 77,295	₩ -	₩ -	₩ -	₩ -	₩ 77,295
Loans	10,000	-	-	-	-	10,000
	₩ 87,295	₩ -	₩ -	₩ -	₩ -	₩ 87,295
<b>Interest-bearing liabilities</b>						
Debentures	₩ -	₩ -	₩ -	₩ 150,000	₩ 200,000	₩ 350,000
<b>Gap</b>	₩ 87,295	₩ -	₩ -	₩ (150,000)	₩ (200,000)	₩ (262,705)
<b>Accumulated gap</b>	₩ 87,295	₩ 87,295	₩ 87,295	₩ (62,705)	₩ (262,705)	
<b>Percentage (%)</b>	100.00	100.00	100.00	(71.83)	(300.94)	

(In millions of Korean won)

	2012						Total
	Up to 3 months	3-6 months	6-12 months	1-3 years	Over 3 years		
<b>Interest-bearing assets</b>							
Cash and due from financial institutions	₩ 96,231	₩ -	₩ -	₩ -	₩ -	₩ -	96,231
Loans	25,000	-	-	-	-	-	25,000
	₩ 121,231	₩ -	₩ -	₩ -	₩ -	₩ -	121,231
<b>Interest-bearing liabilities</b>							
Debts	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	-
<b>Gap</b>	₩ 121,231	₩ -	₩ -	₩ -	₩ -	₩ -	121,231
<b>Accumulated gap</b>	₩ 121,231	₩ 121,231	₩ 121,231	₩ 121,231	₩ 121,231	₩ 121,231	
<b>Percentage (%)</b>	100.00	100.00	100.00	100.00	100.00	100.00	

**ii. Interest Rate VaR**

Interest rate VaR is the maximum possible loss due to interest rate risk at a 99.94% confidence level. The measurement results of risk as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013	2012
Interest rate VaR	₩ 15,011	₩ 208

**4.5. Capital Adequacy**

The Company complies with the capital adequacy standard established by the Financial Services Commission. The capital adequacy standard is based on Basel III published by Basel Committee on Banking Supervision in Bank of International Settlements in June 2011, and was implemented in Korea in December 2013. The Group is required to maintain a minimum Common Equity Tier 1 ratio of at least 3.5%, a minimum Tier 1 ratio of 4.5% and a minimum Total Regulatory Capital of 8.0% in December 2013.

The Group's equity capital is classified into three categories in accordance with the Supervisory Regulations and Detailed Supervisory Regulations on Financial Holding Companies. :

- Common Equity Tier 1 Capital: Common equity Tier 1 Capital represents the issued capital that takes the first and proportionately greatest share of any losses and represents the most subordinated claim in liquidation of the Group, and not repaid outside of liquidation. It includes common shares issued, capital surplus, retained earnings, non-controlling interests of consolidated subsidiaries, accumulated other comprehensive income, other capital surplus and others.
- Additional Tier 1 Capital: Additional Tier 1 Capital includes (i) perpetual instruments issued by the Group that meet the criteria for inclusion in Additional Tier 1 capital, and (ii) stock surplus resulting from the issue of instruments included in Additional Tier 1 capital and others.
- Tier 2 Capital: Tier 2 Capital represents the capital that takes the proportionate share of losses in the liquidation of the Group. Tier 2 Capital includes a fund raised by issuing subordinated debentures maturing in not less than 5 years that meet the criteria for inclusion in Additional Tier 2 capital, and the allowance for loan losses which are accumulated for assets classified as normal or precautionary as a result of classification of asset soundness in accordance with Regulation on Supervision of Financial Holding Companies and others.

Risk weighted asset means the inherent risks in the total assets held by the Group. The Group calculates risk weighted asset by each risk (credit risk, market risk, and operational risk) based on the Supervisory Regulations and Detailed Supervisory Regulations on Financial Holding Companies and uses it for BIS ratio calculation.

The Group assesses and monitors its adequacy of capital by using the internal assessment and management policy of the capital adequacy. The assessment of the capital adequacy is conducted by comparing available capital (actual amount of available capital) and economic capital (amount of capital enough to cover all significant risks under target credit rate set by the Group). The Group monitors the soundness of finance and provides risk adjusted basis for performance review using the assessment of the capital adequacy.

Economic Capital is the amount of 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 Company determines the Group's risk appetite and allocates economic capital by risk type and subsidiary. Each subsidiary efficiently operates its capital within a range of allocated economic capital. The Risk Management Department of the Company 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 details of the Group's capital adequacy ratios based on Basel III, as of December 31, 2013, are as follows:

(In millions of Korean won)

	<b>2013</b>	
Equity Capital:	₩	27,296,535
Tier 1 Capital		22,693,836
Common Equity Tier 1 Capital		22,693,836
Additional Tier 1 Capital		-
Tier 2 Capital		4,602,699
Risk-weighted assets:		177,514,060
Credit risk <sup>1</sup>		157,040,868
Market risk <sup>2</sup>		5,122,146
Operational risk <sup>3</sup>		15,351,046
Equity Capital (%):		15.38
Tier 1 Capital (%)		12.78
Common Equity Tier 1 Capital (%)		12.78

<sup>1</sup> Credit risk weighted assets are measured using the Internal Rating-Based Approach and Standardized Approach.

<sup>2</sup> Market-risk weighted assets are measured using the Standardized Approach.

<sup>3</sup> Operational risk weighted assets are measured using the Basic Indicator Approach.

The details of the Group's capital adequacy calculation in line with Basel I requirements as of December 31, 2012, are as follows:

(In millions of Korean won)

	<b>2012</b>	
Equity Capital:	₩	26,907,004
Tier 1 Capital		20,595,885
Tier 2 Capital		6,311,119
Risk-weighted assets:		193,510,143
Credit risk		187,465,230
Market risk		6,044,913
Equity Capital (%):		13.90
Tier 1 Capital (%)		10.64
Tier 2 Capital (%)		3.26

## 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, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013			
	Carrying amount		Fair value	
<b>Financial assets</b>				
<b>Loans and receivables</b>				
Cash and due from financial institutions	₩	77,298	₩	77,298
Loans		10,000		10,000
Other financial assets		20,435		20,435
	₩	107,733	₩	107,733
<b>Financial liabilities</b>				
<b>Financial liabilities at amortized cost</b>				
Debentures	₩	349,157	₩	298,080
Other financial liabilities		3,576		3,576
	₩	352,733	₩	301,656

(In millions of Korean won)

	2012			
	Carrying amount		Fair value	
<b>Financial assets</b>				
<b>Loans and receivables</b>				
Cash and due from financial institutions	₩	96,234	₩	96,234
Loans		25,000		25,000
Other financial assets		20,226		20,226
	₩	141,460	₩	141,460
<b>Financial liabilities</b>				
<b>Financial liabilities at amortized cost</b>				
Other financial liabilities	₩	1,160	₩	1,160
	₩	1,160	₩	1,160

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>Cash and due from financial institutions</b>	The carrying amounts of cash and demand due from financial institutions and payment due from financial institutions are a reasonable approximation of fair values. These financial instruments do not have a fixed maturity and are receivable on demand. Fair value of ordinary due from financial institutions is measured using a DCF model.
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<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.
<b>Debentures</b>	Fair value is determined by using the valuations of independent third-party pricing services, which are calculated using market inputs.
<b>Other financial assets and liabilities</b>	The carrying amounts are reasonable approximation of fair values. These financial instruments are temporary accounts used for other various transactions and their maturities are relatively short or not defined.

#### Fair value hierarchy

The Company 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.

The Company classifies and discloses fair value of the financial instruments into the following three-level hierarchy:

Level 1: The fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: The fair values are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: The fair values are based on unobservable inputs for the asset or liability.

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 whose fair value is disclosed

The fair value hierarchy of financial assets and liabilities whose fair value is disclosed as of December 31, 2013, is as follows:

(In millions of Korean won)

	2013			
	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Cash and due from financial institutions <sup>1,2</sup>	₩ -	₩ 27,298	₩ 50,000	₩ 77,298
Loans <sup>3</sup>	-	-	10,000	10,000
Other financial assets	-	-	20,435	20,435
	₩ -	₩ 27,298	₩ 80,435	₩ 107,733
<b>Financial liabilities</b>				
Debentures	₩ -	₩ 298,080	₩ -	₩ 298,080
Other financial liabilities	-	-	3,576	3,576
	₩ -	₩ 298,080	₩ 3,576	₩ 301,656

<sup>1</sup> Because due from financial institutions classified as level 2 are deposits on demand, we regarded the carrying amount as representative of fair value.

<sup>2</sup> Because due from financial institutions classified as level 3 are deposits with residual maturities of less than three months as of the reporting date, we regarded the carrying amount as representative of fair value.

<sup>3</sup> Because loans classified as level 3 are loans with interest rate reset period of less than three months, we regarded the carrying amount as representative of fair value.

## 6. Due From Financial Institution

The details of due from financial institution as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

		Financial Institution	Interest rate (%) (Dec. 31, 2013)		2013		2012
Due from financial institution in Korean won	Due from banking institution	Kookmin Bank	0.00 ~ 2.56	₩	77,298	₩	96,234

The maturities of due from financial institution, excluding restricted due from financial institution, as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013					
	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 institution in Korean won	₩ 77,295	₩ -	₩ -	₩ -	₩ -	₩ 77,295

	2012					
	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 institution in Korean won	₩ 96,231	₩ -	₩ -	₩ -	₩ -	₩ 96,231

Restricted due from financial institution as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	Financial Institution	2013		2012		Reason for restriction
Due from financial institution in Korean won	Kookmin Bank	₩	3	₩	3	Pledged as collateral for the overdraft facility
		₩	3	₩	3	

## 7. Loans

Loans as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
Loans	₩	10,000	₩	25,000
Less: Allowances for loan losses		-		-
Carrying amount	₩	10,000	₩	25,000

## 8. Subsidiaries

The details of subsidiaries as of December 31, 2013, are as follows:

Name of subsidiary	Number of Issued Shares	Location	Industry
Kookmin Bank	404,379,116	Korea	Banking and domestic, foreign exchange transaction
KB Kookmin Card Co., Ltd.	92,000,000	Korea	Credit card
KB Investment & Securities Co., Ltd.	31,588,314	Korea	Financial investment
KB Life Insurance Co., Ltd.	91,200,000	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
KB Savings Bank Co., Ltd.	6,800,000	Korea	Savings Banking
Yehansoul Savings Bank Co., Ltd.	8,748,793	Korea	Savings Banking

Investments in subsidiaries as of December 31, 2013 and 2012, are as follows:

Name of subsidiary	Ownership(%) (Dec. 31, 2013)	2013		2012	
Kookmin Bank	100.00	₩	14,821,721	₩	14,821,721
KB Kookmin Card Co., Ltd.	100.00		1,953,175		1,953,175
KB Investment & Securities Co., Ltd.	100.00		507,212		507,212
KB Life Insurance Co., Ltd. <sup>1</sup>	100.00		485,314		138,484
KB Asset Management Co., Ltd.	100.00		96,312		96,312
KB Real Estate Trust Co., Ltd.	100.00		121,553		121,553
KB Investment Co., Ltd.	100.00		104,910		104,910
KB Credit Information Co., Ltd.	100.00		23,621		23,621
KB Data System Co., Ltd.	100.00		6,334		6,334
KB Savings Bank Co., Ltd.	100.00		134,531		171,526
Yehansoul Savings Bank Co., Ltd. <sup>2</sup>	100.00		37,760		-
		₩	18,292,443	₩	17,944,848

<sup>1</sup> The Company acquired the 49% of total issued shares of KB Life Insurance Co., Ltd. for ₩166,830 million, and increased the paid-in capital of ₩180,000 million in 2013.

<sup>2</sup> The Company acquired Yehansoul Savings Bank Co., Ltd. for ₩37,760 million in 2013.

The changes in accumulated impairment losses on investments in subsidiaries for the years ended December 31, 2013 and 2012, are as follows:  
(In millions of Korean won)

	2013							
	Beginning		Impairment		Others		Ending	
Accumulated impairment losses on investments in subsidiaries <sup>1</sup>	₩	-	₩	36,995	₩	-	₩	36,995

(In millions of Korean won)

	2012							
	Beginning		Impairment		Others		Ending	
Accumulated impairment losses on investments in subsidiaries	₩	-	₩	-	₩	-	₩	-

<sup>1</sup> Industry environment of savings banks has deteriorated continuously and performance fell short of expectations primarily due to a decline of benchmark interest rate. Considering the aforementioned recent downturns, the Company recognized the impairment losses on investments in subsidiaries.

## 9. Property and Equipment

The details of the Company's loans by country, as of December 31, 2012 and 2011, are as follows:  
(In millions of Korean won)

	2013							
	Acquisition cost		Accumulated depreciation		Accumulated impairment losses		Carrying amount	
Leasehold improvements	₩	424	₩	(331)	₩	-	₩	93
Equipment and vehicles		4,660		(4,111)		-		549
	₩	5,084	₩	(4,442)	₩	-	₩	642

(In millions of Korean won)

	2012							
	Acquisition cost		Accumulated depreciation		Accumulated impairment losses		Carrying amount	
Leasehold improvements	₩	346	₩	(278)	₩	-	₩	68
Equipment and vehicles		4,111		(3,828)		-		283
	₩	4,457	₩	(4,106)	₩	-	₩	351

The changes in property and equipment for the years ended December 31, 2013 and 2012, are as follows:  
(In millions of Korean won)

	2013							
	Beginning		Acquisition		Depreciation		Ending	
Leasehold improvements	₩	68	₩	78	₩	(53)	₩	93
Equipment and vehicles		283		549		(283)		549
	₩	351	₩	627	₩	(336)	₩	642



(In millions of Korean won)

	2012			
	Beginning	Acquisition	Depreciation	Ending
Leasehold improvements	₩ 120	₩ 27	₩ (79)	₩ 68
Equipment and vehicles	639	87	(443)	283
	₩ 759	₩ 114	₩ (522)	₩ 351

Property and equipment insured as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

Type of insurance	Asset insured	Insurance Coverage		Insurance company
		2013	2012	
General property insurance	Leasehold improvements	₩ 424	₩ 346	Samsung Fire & Marine Insurance Co., Ltd.
	Equipment and vehicles	4,660	4,111	
		₩ 5,084	₩ 4,457	

## 10. Intangible Assets

The details of intangible assets as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Software	₩ 2,431	₩ (1,802)	₩ -	₩ 629
Membership rights	11,692	-	(3,172)	8,520
Other intangible assets	3,315	(2,331)	-	984
	₩ 17,438	₩ (4,133)	₩ (3,172)	₩ 10,133

(In millions of Korean won)

	2012			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Software	₩ 1,814	₩ (1,650)	₩ -	₩ 164
Membership rights	11,714	-	(3,289)	8,425
Other intangible assets	2,536	(2,003)	-	533
	₩ 16,064	₩ (3,653)	₩ (3,289)	₩ 9,122

The changes in intangible assets for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

2013												
	Beginning		Acquisition		Disposal		Amortization		Impairment		Ending	
Software	₩	164	₩	617	₩	-	₩	(152)	₩	-	₩	629
Membership rights <sup>1</sup>		8,425		1,260		(863)		-		(302)		8,520
Other intangible assets		533		779		-		(328)		-		984
	₩	9,122	₩	2,656	₩	(863)	₩	(480)	₩	(302)	₩	10,133

(In millions of Korean won)

2012												
	Beginning		Acquisition		Disposal		Amortization		Impairment		Ending	
Software	₩	461	₩	83	₩	-	₩	(380)	₩	-	₩	164
Membership rights <sup>1</sup>		9,135		47		-		-		(757)		8,425
Other intangible assets		935		183		-		(585)		-		533
	₩	10,531	₩	313	₩	-	₩	(965)	₩	(757)	₩	9,122

<sup>1</sup> Membership rights with indefinite useful lives recognized impairment losses because their recoverable amount is lower than their carrying amount.

The changes in accumulated impairment losses on intangible assets for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

2013										
	Beginning		Impairment		Disposal				Ending	
Accumulated impairment losses on intangible assets	₩	(3,289)	₩	(302)	₩	419	₩		₩	(3,172)

(In millions of Korean won)

2012										
	Beginning		Impairment		Disposal				Ending	
Accumulated impairment losses on intangible assets	₩	(2,532)	₩	(757)	₩	-	₩		₩	(3,289)

## 11. Deferred income tax assets and liabilities

The details of deferred income tax assets and liabilities as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		
	Assets	Liabilities	Net amount
Share-based payments	₩ 2,352	₩ -	₩ 2,352
Membership rights	742	-	742
Defined benefit obligation	1,393	-	1,393
Plan assets	-	(1,111)	(1,111)
Investments in subsidiaries	-	-	-
Short-term employee benefits	239	-	239
Others	588	-	588
	5,314	(1,111)	4,203
Offsetting of deferred tax assets and liabilities	(1,111)	1,111	-
	₩ 4,203	₩ -	₩ 4,203

(In millions of Korean won)

	2012		
	Assets	Liabilities	Net amount
Share-based payments	₩ 2,320	₩ -	₩ 2,320
Membership rights	796	-	796
Defined benefit obligation	1,602	-	1,602
Plan assets	-	(1,267)	(1,267)
Investments in subsidiaries	-	(493)	(493)
Short-term employee benefits	214	-	214
Others	628	-	628
	5,560	(1,760)	3,800
Offsetting of deferred tax assets and liabilities	(1,760)	1,760	-
	₩ 3,800	₩ -	₩ 3,800

### **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 and ₩36,995 million associated with investments in subsidiaries, tax loss carryforwards and impairment losses on investments in subsidiaries, respectively, as of December 31, 2013, due to the uncertainty that all these will be realized in the future.

### **Unrecognized deferred income tax liabilities**

No deferred income tax liabilities have been recognized for the taxable temporary difference of ₩2,395,805 million associated with investments in subsidiaries as of December 31, 2013, due to the following reasons:

- The Company 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.

The changes in cumulative temporary differences for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013			
	Beginning	Decrease	Increase	Ending
<b>Deductible temporary differences</b>				
Share-based payments	₩ 9,586	₩ 816	₩ 950	₩ 9,720
Membership rights	3,289	526	302	3,065
Investments in subsidiaries	2,896,164	-	-	2,896,164
Defined benefit obligation	6,620	2,799	1,936	5,757
Short-term employee benefits	887	887	986	986
Tax loss carryforwards	77,275	-	-	77,275
Impairment losses on investments in subsidiaries	-	-	36,995	36,995
Others	2,595	2,595	2,432	2,432
	2,996,416	7,623	43,601	3,032,394
Unrecognized deferred income tax assets:				
Investments in subsidiaries	2,896,164			2,896,164
Tax loss carryforwards	77,275			77,275
Impairment losses on investments in subsidiaries	-			36,995
	₩ 22,977			₩ 21,960
Tax rate (%)	24.2			24.2
Deferred income tax assets from deductible temporary differences	₩ 5,560			₩ 5,314
<b>Taxable temporary differences</b>				
Investments in subsidiaries	₩ (2,395,805)	₩ -	₩ -	₩ (2,395,805)
Plan assets	(5,236)	(2,799)	(2,156)	(4,593)
	(2,401,041)	₩ (2,799)	₩ (2,156)	(2,400,398)
Unrecognized deferred income tax liabilities:				
Investments in subsidiaries	(2,385,623)			(2,395,805)
	(15,418)			(4,593)
Tax rate (%)	24.2			24.2
Deferred income tax liabilities from taxable temporary differences	₩ (1,760)			₩ (1,111)

(In millions of Korean won)

	2012			
	Beginning	Decrease	Increase	Ending
<b>Deductible temporary differences</b>				
Share-based payments	₩ 6,228	₩ 283	₩ 3,641	₩ 9,586
Membership rights	2,532	-	757	3,289
Investments in subsidiaries	2,896,164	-	-	2,896,164
Defined benefit obligation	5,301	1,554	2,873	6,620
Short-term employee benefits	890	890	887	887
Tax loss carryforwards	77,275	-	-	77,275
Others	2,489	2,489	2,595	2,595
	2,990,879	₩ 5,216	₩ 10,753	2,996,416
Unrecognized deferred income tax assets:				
Investments in subsidiaries	2,896,164			2,896,164
Tax loss carryforwards	77,275			77,275
	17,440			22,977
Tax rate (%)	24.2			24.2
Deferred income tax assets from deductible temporary differences	₩ 4,221			₩ 5,560
<b>Taxable temporary differences</b>				
Investments in subsidiaries	₩ (2,395,805)	₩ -	₩ -	₩ (2,395,805)
Plan assets	(5,301)	(2,214)	(2,149)	(5,236)
	(2,401,106)	₩ (2,214)	₩ (2,149)	(2,401,041)
Unrecognized deferred income tax liabilities:				
Investments in subsidiaries	(2,385,624)			(2,385,623)
	(15,482)			(15,418)
Tax rate (%)	24.2			24.2
Deferred income tax liabilities from taxable temporary differences	₩ (1,776)			₩ (1,760)



The changes in debentures based on face value for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013			
	Beginning	Issue	Repayment	Ending
Debentures in Korean won	₩ -	₩ 350,000	₩ -	₩ 350,000

(In millions of Korean won)

	2012			
	Beginning	Issue	Repayment	Ending
Debentures in Korean won	₩ 50,000	₩ -	₩ (50,000)	₩ -

## 14. Net 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 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 and consumer price index are based on observable market data and historical data which 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 incurred through other comprehensive income(loss).

The changes in the defined benefit obligation for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Beginning	₩ 10,158	₩ (8,774)	₩ 1,384
Current service cost	1,724	-	1,724
Interest cost(income)	358	(309)	49
Remeasurements			
Actuarial gains and losses by changes in demographic assumptions	12	-	12
Actuarial gains and losses by changes in financial assumptions	(821)	-	(821)
Actuarial gains and losses by experience adjustments	663	-	663
Return on plan assets (excluding amounts included in interest income)	-	60	60
Contributions by the employer	-	(1,800)	(1,800)
Payments from plans	(2,210)	2,210	-
Payments from the Company	(74)	-	(74)
Transfer in	1,118	(882)	236
Transfer out	(1,396)	1,396	-
Ending	₩ 9,532	₩ (8,099)	₩ 1,433

(In millions of Korean won)

	2012		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Beginning	₩ 7,828	₩ (6,836)	₩ 992
Current service cost	1,469	-	1,469
Interest cost(income)	337	(295)	42
Remeasurements			
Actuarial gains and losses by changes in demographic assumptions	(49)	-	(49)
Actuarial gains and losses by changes in financial assumptions	851	-	851
Actuarial gains and losses by experience adjustments	264	-	264
Return on plan assets (excluding amounts included in interest income)	-	72	72
Contributions by the employer	-	(2,342)	(2,342)
Payments from plans	(1,162)	1,162	-
Payments from the Company	(97)	-	(97)
Transfer in	1,140	(927)	213
Transfer out	(423)	392	(31)
Ending	₩ 10,158	₩ (8,774)	₩ 1,384

The details of the net defined benefit liabilities as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
Present value of defined benefit obligation	₩	9,532	₩	10,158
Fair value of plan assets		(8,099)		(8,774)
Net defined benefit liabilities	₩	1,433	₩	1,384

The details of post-employment benefits recognized in profit and loss as employee compensation and benefits for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
Current service cost	₩	1,724	₩	1,469
Interest expenses		49		42
Post-employment benefits	₩	1,773	₩	1,511



Remeasurements of the net defined benefit liabilities recognized as other comprehensive income for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
Remeasurements				
Return on plan assets (excluding amounts included in interest income)	₩	(60)	₩	(72)
Actuarial gains and losses		146		(1,066)
Income tax effects		(21)		276
Remeasurements after income tax	₩	65	₩	(862)

Plan assets as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013				
	Assets quoted in an active market		Assets not quoted in an active market		Total
Cash and due from financial institutions	₩	-	₩	8,099	₩ 8,099

(In millions of Korean won)

	2012				
	Assets quoted in an active market		Assets not quoted in an active market		Total
Cash and due from financial institutions	₩	-	₩	8,774	₩ 8,774

Key actuarial assumptions used as of December 31, 2013 and 2012, are as follows:

	2013	2012
Discount rate (%)	4.00	3.55
Future salary increase rate (%)	2.50(2014), 4.55(2015~)	2.50(2013), 4.55(2014~)
Turnover (%)	0.70	0.70

Mortality assumptions are based on the 7th experience-based mortality table(retirement pension) of Korea Insurance Development Institute of 2012.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions as of December 31, 2013, is as follows:

	Changes in principal assumption	Effect on net defined benefit obligation	
		Increase in principal assumption	Decrease in principal assumption
Discount rate (%)	0.5	6.67 decrease	7.27 increase
Salary increase rate (%)	0.5	7.44 increase	6.88 decrease
Turnover (%)	0.5	0.28 decrease	0.29 increase

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

Expected maturity analysis of undiscounted pension benefits as of December 31, 2013, are as follows:

(In millions of Korean won)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Between 5 and 10 years	Over 10 years	Total
Pension benefits	₩ 70	₩ 303	₩ 428	₩ 5,511	₩ 58,432	₩ 64,744

The weighted average duration of the defined benefit obligation is 14.4 years.

Expected contribution to plan assets for period post-December 31, 2013, is estimated to be approximately ₩1,900 million.

## 15. Other liabilities

The details of other liabilities as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013	2012
<b>Other financial liabilities</b>		
Other payables	₩ 306	₩ 445
Accrued expenses	3,270	715
	3,576	1,160
<b>Other non-financial liabilities</b>		
Other payables	178	3,957
Accrued expenses	51,580	41,328
Withholding taxes	268	322
	52,026	45,607
	₩ 55,602	₩ 46,767

## 16. Equity

### 16.1 Share capital

The details of share capital as of December 31, 2013 and 2012, are as follows:

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

Type	2013		2012	
	Ordinary share		Ordinary share	
Number of authorized shares		1,000,000,000		1,000,000,000
Par value per share	₩	5,000	₩	5,000
Number of issued shares		386,351,693		386,351,693
Share capital	₩	1,931,758	₩	1,931,758

The changes in shares outstanding for the years ended December 31, 2013 and 2012, are as follows:

	2013			
	Beginning	Issue	Decrease	Ending
Number of issued shares	386,351,693	-	-	386,351,693

	2012			
	Beginning	Issue	Decrease	Ending
Number of issued shares	386,351,693	-	-	386,351,693

## 16.2 Capital Surplus

The details of capital surplus as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
	₩		₩	
Share premium	₩	12,226,597	₩	12,226,597
Other capital surplus		1,287,212		1,287,212
	₩	13,513,809	₩	13,513,809

## 16.3 Accumulated other comprehensive income

The details of accumulated other comprehensive income as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
	₩		₩	
Remeasurements of net defined benefit liabilities	₩	(2,715)	₩	(2,780)
	₩	(2,715)	₩	(2,780)

The changes in accumulated other comprehensive income for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013			
	Beginning	Changes	Tax effect	Ending
Remeasurements of net defined benefit liabilities	₩ (2,780)	₩ 86	₩ (21)	₩ (2,715)
	₩ (2,780)	₩ 86	₩ (21)	₩ (2,715)

(In millions of Korean won)

	2012			
	Beginning	Changes	Tax effect	Ending
Remeasurements of net defined benefit liabilities	₩ (1,918)	₩ (1,138)	₩ 276	₩ (2,780)
	₩ (1,918)	₩ (1,138)	₩ 276	₩ (2,780)

## 16.4 Retained Earnings

The details of retained earnings as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
Legal reserves	₩	188,638	₩	124,014
Voluntary reserves		982,000		982,000
Regulatory reserve for credit losses		1,575		3,306
Unappropriated retained earnings		1,433,357		1,532,235
	₩	2,605,570	₩	2,641,555

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 share capital, or used to reduce accumulated deficit.

Statements of appropriation of retained earnings

(Date of appropriation for 2013: March 28, 2014)

(Date of appropriation for 2012: March 22, 2013)

(In millions of Korean won)

	2013		2012	
<b>Unappropriated retained earnings</b>				
Balance at the beginning of year	₩	1,237,531	₩	883,220
Changes in accounting policy		-		1,918
Profit for the year		195,826		647,097
		1,433,357		1,532,235
<b>Transfers such as discretionary reserves</b>				
Regulatory reserve for credit losses		280		1,731
		280		1,731
<b>Appropriation of retained earnings</b>				
Legal reserve		19,583		64,624
Cash dividends				
(Dividends per common share: ₩500 (10.0%) in 2013)				
(Dividends per common share: ₩600 (12.0%) in 2012)		193,176		231,811
		212,759		296,435
Unappropriated retained earnings to be carried over to subsequent year	₩	1,220,878	₩	1,237,531

### **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, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
Beginning	₩	1,575	₩	3,306
Amounts estimated to be appropriated		(280)		(1,731)
Ending	₩	1,295	₩	1,575

The adjustments to the regulatory reserve for credit losses for the years ended December 31, 2013 and 2012, are as follows:

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

	2013	
Provision of regulatory reserve for credit losses	₩	(280)
Adjusted profit after provision of regulatory reserve for credit losses <sup>1</sup>		196,106
Adjusted basic earnings per share after provision of regulatory reserve for credit losses <sup>1</sup>		508
Adjusted diluted earnings per share after provision of regulatory reserve for credit losses <sup>1</sup>	₩	505

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

	2012	
Provision of regulatory reserve for credit losses	₩	(1,731)
Adjusted profit after provision of regulatory reserve for credit losses <sup>1</sup>		648,828
Adjusted basic earnings per share after provision of regulatory reserve for credit losses <sup>1</sup>		1,679
Adjusted diluted earnings per share after provision of regulatory reserve for credit losses <sup>1</sup>	₩	1,674

<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 of regulatory reserve for credit losses before income tax is adjusted to the profit for the year.

## 17. Dividends

The dividends paid to the shareholders of the Company in 2013 and 2012 were ₩231,811 million (₩600 per share) and ₩278,173 million (₩720 per share), respectively. The dividend to the shareholders in respect of the year ended December 31, 2013, of ₩500 per share, amounting to total dividends of ₩193,176 million, is to be proposed at the annual general meeting on March 28, 2014. The Company's separate financial statements as of December 31, 2013, do not reflect this dividend payable.

## 18. Net Interest Income

Interest income and interest expense for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
<b>Interest income</b>				
Due from financial institutions	₩	2,618	₩	2,256
Loans		596		2,978
Other		645		784
		3,859		6,018
<b>Interest expense</b>				
Debts		627		2,447
Debentures		4,600		578
		5,227		3,025
<b>Net interest income(expense)</b>	₩	(1,368)	₩	2,993

## 19. Net Fee and Commission income

Fee and commission income and fee and commission expense for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
<b>Fee and commission income</b>				
Fees in Korean won	₩	-	₩	-
<b>Fee and commission expense</b>				
Fees paid in Korean won		6,189		3,993
Fees paid in foreign currency		81		137
		6,270		4,130
<b>Net fee and commission expense</b>	₩	(6,270)	₩	(4,130)

## 20. Net Other Operating Income and Expenses

Other operating income and other operating expense for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
<b>Other operating income</b>				
Dividend income in subsidiaries	₩	282,039	₩	687,925
<b>Other operating expense</b>				
Impairment losses on investment in subsidiaries		36,995		-
<b>Net other operating income</b>	₩	245,044	₩	687,925

## 21. General and administrative expenses

The details of general and administrative expenses for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
<b>Employee Benefits</b>				
Salaries and other short-term employee benefits - Salaries	₩	20,733	₩	19,875
Salaries and other short-term employee benefits - Others		2,685		2,673
Termination Benefits		445		-
Post-employment benefits - defined benefit plans		1,773		1,511
Share-based payments		950		3,641
		26,586		27,700
<b>Depreciation and amortization</b>				
		816		1,487
<b>Other general and administrative expenses</b>				
Travel		299		354
Communications		265		265
Tax and dues		289		268
Publication		195		217
Rental expense		1,954		2,048
Vehicle		197		189
Service fees		3,207		2,134
Advertising		623		673
Training		232		458
Others		5,994		4,666
		13,255		11,272
	₩	40,657	₩	40,459

### Share-Based Payments

Share-based payment plan, where the number of granted shares is determined by the longterm achievement, for executives and employees of the Company and its subsidiaries as of December 31, 2013, is as follows:

(In number of shares)

Share grants	Grant date	Number of granted shares <sup>1</sup>	Vesting conditions
<b>(KB Financial Group Inc.)</b>			
Series 2	2009.03.27	3,090	Service fulfillment <sup>2</sup>
Series 3	2010.01.01	32,256	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>3,8</sup>
Series 4	2010.07.13	218,944	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>4,8</sup>
Series 5	2010.12.23	13,260	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>5,8</sup>
Series 6	2011.08.10	8,183	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>5,8</sup>
Series 7	2012.01.01	42,568	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>3,8</sup>

Share grants	Grant date	Number of granted shares <sup>1</sup>	Vesting conditions
Series 8	2012.01.01	59,272	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>3,8</sup>
Series 9	2013.07.17	94,185	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>3,8</sup>
		471,758	
<b>(Kookmin Bank)</b>			
Series 32	2011.03.24	7,986	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>6,8</sup>
Series 33	2011.07.07	6,025	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 34	2011.08.10	10,242	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 36	2011.10.18	8,596	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 37	2011.12.23	68,310	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 38	2012.01.01	171,100	Services fulfillment, Non-market performance <sup>7,8</sup>
Series 39	2012.01.08	18,250	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 40	2012.08.01	9,864	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 41	2012.08.02	37,513	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 42	2012.09.20	8,244	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 43	2012.11.26	13,918	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 44	2013.01.01	17,242	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 45	2013.01.01	77,584	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 46	2013.01.01	120,680	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 47	2013.07.01	10,298	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 48	2013.07.23	74,666	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 49	2013.07.24	109,420	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 50	2013.07.24	82,926	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 51	2013.07.25	9,180	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 52	2013.08.01	10,278	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Deferred grant in 2010	-	4,865	Satisfied
Deferred grant in 2011	-	17,670	Satisfied
Deferred grant in 2012	-	47,892	Satisfied
Deferred grant in 2013	-	25,273	Satisfied
		968,022	



Share grants	Grant date	Number of granted shares <sup>1</sup>	Vesting conditions
<b>(Other subsidiaries)</b>			
Year 2010		4,129	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>9</sup>
Year 2011		38,931	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>9</sup>
Year 2012		63,976	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>9</sup>
Year 2013		104,394	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>9</sup>
		211,430	
		1,651,210	

<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 number of granted shares to be compensated is determined based on fulfillment of service requirement.

<sup>3</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 Company and its subsidiaries (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>4</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 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 KPI, targeted financial results of the Company and its subsidiaries (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 and qualitative indicators, respectively.

<sup>5</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 Company and its subsidiaries (Group), respectively.

<sup>6</sup>The number of granted shares to be compensated is not linked to performance, but fixed.

<sup>7</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 Kookmin Bank and the targeted relative TSR, respectively. However, 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 KPIs.

<sup>8</sup>Certain portion of the granted shares is compensated over a maximum period of three years.

<sup>9</sup>The 30%, 30% and 40% of the number of granted shares to be compensated are determined based on the accomplishment of the key performance results, targeted results of subsidiaries and the targeted relative TSR, respectively. The 60% and 40% of the number of certain granted shares to be compensated is determined based on targeted results of subsidiaries 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, 2013, 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	3,082	Satisfied
	Share granted in 2011	2011.01.01	12,856	Satisfied
	Share granted in 2012	2012.01.01	22,349	Satisfied
	Share granted in 2013	2013.01.01	21,835	Proportion to service period
Kookmin Bank	Share granted in 2010	2010.01.01	25,041	Satisfied
	Share granted in 2011	2011.01.01	94,822	Satisfied
	Share granted in 2012	2012.01.01	155,466	Satisfied
	Share granted in 2013	2013.01.01	174,304	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, 2013, 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 2-3	0.24	2.67	-	42,113
Series 3-1	0.25	2.67	-	40,662
Series 3-2	0.25~1.00	2.67	-	40,662~42,844
Series 3-3	0.25	2.67	-	40,662
Series 4-1	0.53~2.53	2.67	-	42,562~43,760
Series 4-2	0.53~2.53	2.67	-	42,562~43,760
Series 4-3	0.25~2.00	2.67	37,117	37,117~43,343
Series 4-4	0.25~2.00	2.67	37,117	40,662~43,343
Series 4-5	0.25~2.00	2.67	37,117	40,662~43,343
Series 5-1	0.25~1.00	2.67	-	40,662~42,844
Series 6-1	0.25~3.00	2.67	-	40,429~44,160
Series 7-1	0.25~3.00	2.67	-	40,429~44,160
Series 8-1	0.25~3.00	2.67	-	40,429~44,160
Series 9-1	2.00~5.00	2.76	20,402	41,154~45,144
<b>(Kookmin Bank) Long-term achievements</b>				
Series 32	0.25~2.97	2.67	-	39,923~44,228
Series 33	0.25~3.00	2.67	-	40,662~44,160
Series 34	0.25~3.00	2.67	-	40,662~44,160
Series 36	0.25~3.00	2.67	-	40,662~44,160
Series 37	0.25~3.00	2.67	-	40,662~44,160
Series 38	0.25~3.00	2.67	-	40,662~44,160
Series 39	0.25~3.00	2.67	-	40,662~44,160
Series 40	0.25~3.00	2.67	-	40,662~44,160
Series 41-1	0.58~4.00	2.67	10,272	42,844~44,477
Series 41-2	0.25~3.00	2.67	-	40,662~44,160
Series 42	0.25~3.00	2.67	-	40,662~44,160
Series 43	0.90~4.00	2.67	3,421	42,844~44,477
Series 44	0.25~3.00	2.67	-	40,662~44,160
Series 45-1	1.00~4.00	2.67	8,988	42,844~44,477
Series 45-2	0.25~3.00	2.67	-	40,662~44,160
Series 46-1	1.00~4.00	2.67	8,988	42,844~44,477
Series 46-2	0.25~3.00	2.67	-	40,662~44,160
Series 47	0.25~3.00	2.67	-	40,662~44,160

	Expected exercise period (Years)	Risk free rate (%)	Fair value (Market performance condition)	Fair value (Non-market performance condition)
Series 48	1.56~5.00	2.72	21,274	43,343~45,144
Series 49-1	1.56~5.00	2.72	21,255	43,343~45,144
Series 49-2	0.25~3.00	2.67	28,655	40,662~44,160
Series 50	1.56~5.00	2.72	21,255	43,343~45,144
Series 51	1.56~5.00	2.72	21,050	43,343~45,144
Series 52	1.58~5.00	2.73	21,307	43,343~45,144
Deferred grant in 2010	0.25~1.00	2.67	-	40,662~42,844
Deferred grant in 2011	0.25~1.00	2.67	-	40,662~42,844
Deferred grant in 2012	0.25~2.00	2.67	-	40,662~43,343
Deferred grant in 2013	0.45~2.45	2.67	-	42,492~43,760
<b>(Other Subsidiaries) Long-term achievements</b>				
Year 2010	0.25	2.67	-	40,429~42,113
Year 2011	0.25~0.35	2.67	0~10	40,429~42,148
Year 2012	1.00~1.54	2.67~2.72	8,732~18,607	41,418~41,747
Year 2013	0.25~2.75	2.67~2.86	8,990~22,079	34,513~41,747
<b>(KB Financial Group Inc.) Short-term achievements</b>				
Year 2011	0.25~1.00	2.67	-	40,662~42,844
Year 2012	0.25~2.00	2.67	-	40,662~43,343
Year 2013	1.00~3.00	2.67	-	42,844~44,160
<b>(Kookmin Bank) Short-term achievements</b>				
Year 2011	0.25~1.00	2.67	-	40,662~42,844
Year 2012	0.25~2.00	2.67	-	40,662~43,343
Year 2013	1.00~3.00	2.67	-	40,662~44,160

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, 2013, for the underlying asset price. Additionally, the average three-year historical dividend rate was used as the expected dividend rate.

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 share-based payments as of December 31, 2013 and 2012, are ₩48,316 million and ₩37,846 million, respectively, and the receivables to be reimbursed from the subsidiaries for the compensation costs are ₩38,596 million and ₩28,260 million, respectively. The compensation costs amounting to ₩950 million and ₩3,641 million were recognized as an expense for the years ended December 31, 2013 and 2012, respectively.

## 22. Non-operating income and expenses

The details of non-operating income and expenses for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
<b>Non-operating income</b>				
Others	₩	561	₩	1,580
<b>Non-operating expenses</b>				
Impairment losses on intangible assets		302		757
Donation		1,488		1,107
Others		117		28
		1,907		1,892
<b>Net non-operating expense</b>	₩	(1,346)	₩	(312)

## 23. Tax benefit

The details of income tax benefit for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
<b>Tax payable</b>				
Current tax expense	₩	-	₩	-
<b>Change in deferred tax assets(liabilities)</b>				
Origination and reversal of temporary differences		402		1,356
<b>Income tax recognized directly in equity</b>				
Remeasurements of net defined benefit liabilities		21		(276)
<b>Tax benefit</b>	₩	423	₩	1,080

The analysis of profit before tax and income tax benefit for the years ended December 31, 2013 and 2012, follows:

(In millions of Korean won)

	2013		2012	
<b>Profit before tax</b>	₩	195,403	₩	646,017
Tax expense at the applicable tax rate <sup>1</sup>	₩	46,826	₩	155,875
Non-taxable income		(66,428)		(165,287)
Non-deductible expense		9,534		584
Consolidated tax effect		9,645		7,748
<b>Tax benefit</b>	₩	423	₩	1,080
Average effective tax rate (Income tax benefit / Profit before tax) (%)		(0.22)		(0.17)

<sup>1</sup> Applicable income tax rate for ₩200 million and below is 11%, for ₩200 million to ₩20 billion is 22%, and for over ₩20 billion is 24.2%.

The details of current tax assets (income tax refund receivable) and current tax liabilities (income tax payable), as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
Income tax refund receivable prior to offsetting	₩	-	₩	-
Tax payable prior to offsetting		-		-
Adjustment on consolidated tax payable		209,928		257,535
Current tax payable	₩	209,928	₩	257,535

## 24. Earnings per Share

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

Weighted average number of ordinary shares outstanding:

(In number of shares)

	2013		
	Number of shares (a)	Days outstanding (b)	Total outstanding shares (a) x (b)
Beginning (A)	386,351,693	365	141,018,367,945
Weighted average number of ordinary shares outstanding (B = A / 365)			386,351,693

(In number of shares)

	2012		
	Number of shares (a)	Days outstanding (b)	Total outstanding shares (a) x (b)
Beginning (A)	386,351,693	366	141,404,719,638
Weighted average number of ordinary shares outstanding (B = A / 366)			386,351,693

### Basic earnings per share

(in Korean won and in number of shares)

	2013	
Profit attributable to ordinary shares <sup>1</sup> (C)	₩	195,826,206,652
Weighted average number of ordinary shares outstanding (D)		386,351,693
Basic earnings per share (E = C / D)	₩	507

(in Korean won and in number of shares)

	2012	
Profit attributable to ordinary shares <sup>1</sup> (C)	₩	647,097,541,068
Weighted average number of ordinary shares outstanding (D)		386,351,693
Basic earnings per share (E = C / D)	₩	1,675

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

**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 Company'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 Company'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 and in number of shares)

		<b>2013</b>
Profit attributable to ordinary shares	₩	195,826,206,652
Adjustment		-
Adjusted profit for diluted earnings per share	₩	195,826,206,652

(In Korean won and in number of shares)

		<b>2012</b>
Profit attributable to ordinary shares	₩	647,097,541,068
Adjustment		-
Adjusted profit for diluted earnings per share	₩	647,097,541,068

Adjusted weighted average number of ordinary shares outstanding to calculate diluted earnings per share:

(In number of shares)

		<b>2013</b>
Weighted average number of ordinary shares outstanding		386,351,693
Adjustment		-
Share grants		1,639,306
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share		387,990,999

(In number of shares)

		<b>2012</b>
Weighted average number of ordinary shares outstanding		386,351,693
Adjustment		-
Share grants		1,193,606
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share		387,545,299

Diluted earnings per share:

(In Korean won)

	<b>2013</b>	
Adjusted profit for diluted earnings per share	₩	195,826,206,652
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share		387,990,999
Diluted earnings per share		505

(In Korean won)

	<b>2012</b>	
Adjusted profit for diluted earnings per share	₩	647,097,541,068
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share		387,545,299
Diluted earnings per share		1,670

## 25. Supplemental Cash Flow Information

Cash and cash equivalents as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	<b>2013</b>		<b>2012</b>	
Due from financial institutions	₩	77,298	₩	96,234
Restricted due from financial institutions		(3)		(3)
	₩	77,295	₩	96,231

Significant non-cash transactions for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	<b>2013</b>		<b>2012</b>	
Changes in receivables and payables from consolidated tax	₩	(51,393)	₩	(321,484)
Changes in other receivables and other payables		10,336		10,034

Cash inflow and outflow due to interest and dividends for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	<b>Activity</b>	<b>2013</b>		<b>2012</b>	
Interest received	Operating	₩	3,293	₩	5,012
Interest paid	Operating		3,568		3,121
Dividends received	Operating		282,039		687,925
Dividends paid	Financing		231,811		278,173

## 26. Contingent liabilities and Commitments

The commitments made with financial institutions as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

		2013		2012	
		Amount of commitment	Amounts borrowed	Amount of commitment	Amounts borrowed
General loans	Hana Bank	₩ 50,000	₩ -	₩ 50,000	₩ -
	Woori Bank	130,000	-	130,000	-
	Korea Development Bank	300,000	-	-	-
Discounting of bills	Korea Exchange Bank	100,000	-	100,000	-
		₩ 580,000	₩ -	₩ 280,000	₩ -

Other Matters(including litigation)

- a) During the year ended December 31, 2013, Kookmin Bank underwent a tax investigation for the fiscal years 2008 to 2012 by the Seoul Regional Tax Office. As a result, Kookmin Bank was fined a total of ₩124,357 million for income taxes (including local income taxes), paid ₩113,699 million, excluding local income taxes, and recognized local income taxes amounting to ₩10,658 million as other payables. The Company filed a claim for rectification on October 2013 of consolidated taxes paid for the fiscal years 2010 to 2012, totaling ₩89,576 million (including local income taxes paid). Including the ₩26,681 million for the fiscal years 2008 to 2009 claimed by Kookmin Bank, the total claim for rectification amounts to ₩116,257 million.
- b) The Company filed a claim for rectification of foreign income tax paid by Kookmin Bank for the fiscal years 2010 to 2011. The claim was ruled in favor of the Company in January 2014 and a refund of ₩15,772 million was received from the Seoul Regional Tax Office. The refund will belong to Kookmin Bank.
- c) The Company was chosen as the preferred bidder in the sale of Woori Financial Co., Ltd. on December 6, 2013.

## 27. Related Party Transactions

Significant related party transactions for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

			2013
Subsidiaries	Kookmin Bank	Interest income	₩ 3,251
		Net other operating income	282,039
	KB Kookmin Card Co., Ltd.	General and administrative expenses	2,775
		General and administrative expenses	122
		Net non-operating income	1
	KB Investment & Securities Co., Ltd.	Fee and commission expense	365
		General and administrative expenses	174
	KB Life Insurance Co., Ltd.	General and administrative expenses	29
	KB Asset Management Co., Ltd.	General and administrative expenses	34
	KB Real Estate Trust Co., Ltd.	Interest Income	182
	KB Investment Co., Ltd.	Interest Income	414
	KB Data Systems Co., Ltd.	General and administrative expenses	858
	KB Savings Bank Co., Ltd.	General and administrative expenses	182
	Key management	Interest income	-
Interest expense		-	



(In millions of Korean won)

		<b>2012</b>	
Subsidiaries	Kookmin Bank	Interest income	₩ 3,028
		Net other operating income	657,925
		General and administrative expenses	2,703
	KB Kookmin Card Co., Ltd.	Net non-operating income	6
	KB Investment & Securities Co., Ltd.	Fee and commission expense	160
	KB Life Insurance Co., Ltd.	General and administrative expenses	167
	KB Asset Management Co., Ltd.	Net other operating income	30,000
	KB Real Estate Trust Co., Ltd.	Interest Income	2,455
	KB Investment Co., Ltd.	Interest Income	523
	KB Data Systems Co., Ltd.	General and administrative expenses	652
Key management		Interest income	-
		Interest expense	-

Significant of receivables and payables, and related allowance for loans losses arising from the related party transactions as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

		<b>2013</b>	
Subsidiaries	Kookmin Bank	Cash and due from financial institutions	₩ 77,298
		Other assets	180,329
		Other liabilities	2
	KB Kookmin Card Co., Ltd.	Other assets	75,455
		Other liabilities	260
	KB Investment & Securities Co., Ltd.	Other assets	1,807
		Other liabilities	72
	KB Life Insurance Co., Ltd.	Other assets	469
	KB Asset Management Co., Ltd.	Other assets	9,793
	KB Real Estate Trust Co., Ltd.	Other assets	474
		Loans	10,000
	KB Investment Co., Ltd.	Other assets	217
		Other liabilities	18
	KB Credit Information Co., Ltd.	Other assets	236
		Other liabilities	108
	KB Data Systems Co., Ltd.	Other assets	206
		Other liabilities	108
	KB Savings Bank Co., Ltd.	Other assets	30
		Other liabilities	28
	Key management		Other assets
		Other liabilities	-

(In millions of Korean won)

			<b>2012</b>	
Subsidiaries	Kookmin Bank	Cash and due from financial institutions	₩	96,234
		Other assets		239,476
	KB Kookmin Card Co., Ltd.	Other assets		55,435
		Other liabilities		251
	KB Investment & Securities Co., Ltd.	Other assets		1,141
		Other liabilities		3,301
	KB Life Insurance Co., Ltd.	Other assets		363
		Other liabilities		167
	KB Asset Management Co., Ltd.	Other assets		8,130
	KB Real Estate Trust Co., Ltd.	Loans		15,000
		Other assets		4,882
	KB Investment Co., Ltd.	Loans		10,000
		Other assets		284
	KB Credit Information Co., Ltd.	Other assets		216
		Other liabilities		155
	KB Data Systems Co., Ltd.	Other assets		196
		Other liabilities		63
	KB Savings Bank Co., Ltd.	Other liabilities		406
Key management		Other assets		-
		Other liabilities		-

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

Key management includes the directors of the Company, their close family members, and the companies where the directors and/or their close family members have control or joint control.

Unused commitments by related parties as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

			<b>2013</b>		<b>2012</b>	
Subsidiaries	KB Kookmin Card Co., Ltd.	Commitments in Korean won	₩	940	₩	756

Compensation to key management for the years ended December 31, 2013 and 2012, consists of:

(In millions of Korean won)

	2013					Total
	Short-term employee benefits	Post-employment benefits	Termination Benefits	Share-based payments		
Registered director (executive)	₩ 1,783	₩ 41	₩ -	₩ (1,027)	₩ 797	
Registered director (non-executive)	835	-	-	13	848	
Non-registered director	2,981	41	445	1,964	5,431	
	₩ 5,599	₩ 82	₩ 445	₩ 950	₩ 7,076	

(In millions of Korean won)

	2012					Total
	Short-term employee benefits	Post-employment benefits	Termination Benefits	Share-based payments		
Registered director (executive)	₩ 2,439	₩ 139	₩ -	₩ 1,856	₩ 4,434	
Registered director (non-executive)	774	-	-	18	792	
Non-registered director	2,945	190	-	1,767	4,902	
	₩ 6,158	₩ 329	₩ -	₩ 3,641	₩ 10,128	

## 28. Event after the Reporting Period

KB Savings Bank Co., Ltd. completed its merger with Yehansoul Savings Bank on January 13, 2014.

## 29. Approval of the Financial Statements

The separate financial statements as of and for the year ended December 31, 2013, were approved on February 21, 2014, by the Board of Directors.

# 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, 2013. 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, 2013, the Company's IACS has been designed and is operating effectively as of December 31, 2013, 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 International Financial Reporting Standards as adopted by the Republic of Korea ("K-IFRS"). 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, 2013, and we did not review management's assessment of its IACS subsequent to December 31, 2013. 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  
March 12, 2014

# Report on the Operations of 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, 2013.

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, 2013, in all material respects, in accordance with the IACS standards.

March 6, 2014

Woong-Won Yoon,  
Internal Accounting Control Officer

Young-Rok Lim,  
Chief Executive Officer

# Report of Independent Auditors



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

RESPECTED  
TRUSTED  
PROFESSIONAL **SAMIL**

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, 2013 and 2012, and January 1, 2012 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012, 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, 2013 and 2012, and January 1, 2012, and their financial performance and cash flows for the years ended December 31, 2013 and 2012, in accordance 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, 2014

This report is effective as of March 12, 2014, 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, 2013 and 2012, and January 1, 2012

(In millions of Korean won)

	Notes	December 31, 2013	December 31, 2012	January 1, 2012
<b>Assets</b>				
Cash and due from financial institutions	4,6,7,8,39	₩ 14,792,654	₩ 10,592,605	₩ 9,186,557
Financial assets at fair value through profit or loss	4,6,8,12	9,328,742	9,559,719	9,169,102
Derivative financial assets	4,6,9	1,819,409	2,091,285	2,499,445
Loans	4,6,8,10,11	219,001,356	213,644,791	213,027,696
Financial investments	4,6,8,12	34,849,095	36,467,352	34,992,681
Investments in associates	13	755,390	934,641	793,602
Property and equipment	14	3,060,843	3,100,393	3,182,746
Investment property	14	166,259	52,974	51,552
Intangible assets	15	443,204	493,131	461,986
Deferred income tax assets	16,33	15,422	18,432	18,944
Assets held for sale	17	37,718	35,412	9,931
Other assets	4,6,18	7,568,063	8,760,319	7,475,865
<b>Total assets</b>		₩ 291,838,155	₩ 285,751,054	₩ 280,870,107
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	4,6,19	₩ 1,115,202	₩ 1,851,135	₩ 1,388,079
Derivative financial liabilities	4,6,9	1,795,339	2,054,742	2,037,793
Deposits	4,6,20	200,882,064	197,346,205	193,258,556
Debts	4,6,21	14,101,331	15,965,458	16,821,233
Debentures	4,6,22	27,039,534	24,270,212	27,170,879
Provisions	23	678,073	669,729	789,780
Net defined benefit liabilities	24	64,473	83,723	127,437
Current income tax liabilities	33	211,263	264,666	588,825
Deferred income tax liabilities	16,33	61,816	154,303	242,308
Other liabilities	4,6,25	20,236,229	18,327,740	15,280,218
<b>Total liabilities</b>		266,185,324	260,987,913	257,705,108
<b>Equity</b>				
Share capital		1,931,758	1,931,758	1,931,758
Capital surplus		15,854,605	15,840,300	15,841,824
Accumulated other comprehensive income	35	336,312	295,142	161,039
Retained earnings		7,530,156	6,501,419	5,048,558
<b>Equity attributable to shareholders of the parent company</b>	26	25,652,831	24,568,619	22,983,179
<b>Non-controlling interests</b>		-	194,522	181,820
<b>Total equity</b>		25,652,831	24,763,141	23,164,999
<b>Total liabilities and equity</b>		₩ 291,838,155	₩ 285,751,054	₩ 280,870,107

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

# Consolidated Statements of Comprehensive Income

Years Ended December 31, 2013 and 2012

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

	Notes	2013	2012
Interest income		₩ 12,356,930	₩ 14,210,106
Interest expense		(5,834,098)	(7,172,323)
<b>Net interest income</b>	5,27	6,522,832	7,037,783
Fee and commission income		2,657,365	2,753,876
Fee and commission expense		(1,178,126)	(1,187,170)
<b>Net fee and commission income</b>	5,28	1,479,239	1,566,706
<b>Net gains(losses) on financial assets/ liabilities at fair value through profit or loss</b>	5,29	756,822	811,964
<b>Net other operating income(expense)</b>	5,30	(1,304,765)	(1,531,942)
General and administrative expenses	5,14,15,24,31	(3,983,564)	(3,845,610)
<b>Operating profit before provision for credit losses</b>	5	3,470,564	4,038,901
Provision for credit losses	5,11,18,23	(1,443,572)	(1,606,703)
<b>Net operating profit</b>	5	2,026,992	2,432,198
Share of profit(loss) of associates	5,13	(199,392)	(15,282)
Net other non-operating income(expense)	5,32	(12,309)	(118,272)
<b>Net non-operating profit (loss)</b>		(211,701)	(133,554)
<b>Profit before income tax</b>	5	1,815,291	2,298,644
Income tax expense	5,33	(551,586)	(558,511)
<b>Profit for the year</b>	5	1,263,705	1,740,133
Remeasurements of net defined benefit liabilities	24	40,984	(30,272)
Items that will not be reclassified to profit or loss		40,984	(30,272)
Exchange differences on translating foreign operations		(2,298)	(25,690)
Change in value of financial investments		(3,591)	245,757
Shares of other comprehensive income of associates		(9,811)	(44,263)
Cash flow hedges		1,618	(813)
Items that may be reclassified subsequently to profit or loss		(14,082)	174,991
<b>Other comprehensive income for the year, net of tax</b>		26,902	144,719
<b>Total comprehensive income for the year</b>		₩ 1,290,607	₩ 1,884,852
<b>Profit attributable to:</b>			
Shareholders of the parent company	5	₩ 1,260,509	₩ 1,731,034
Non-controlling interests	5	3,196	9,099
	5	₩ 1,263,705	₩ 1,740,133
<b>Total comprehensive income for the year attributable to:</b>			
Shareholders of the parent company		₩ 1,301,679	₩ 1,865,137
Non-controlling interests		(11,072)	19,715
		₩ 1,290,607	₩ 1,884,852
<b>Earnings per share</b>	36		
Basic earnings per share		₩ 3,263	₩ 4,480
Diluted earnings per share		3,249	4,467

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



# Consolidated Statements of Changes in Equity

Years Ended December 31, 2013 and 2012

(In millions of Korean won)

	Equity attributable to shareholders of the parent company					
	Share Capital	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Non-controlling Interests	Total Equity
<b>Balance at January 1, 2012</b>	₩ 1,931,758	₩ 15,841,824	₩ 191,642	₩ 4,952,751	₩ 181,820	₩ 23,099,795
<b>Changes in accounting policy</b>	-	-	(30,603)	95,807	-	65,204
<b>Restated balance</b>	1,931,758	15,841,824	161,039	5,048,558	181,820	23,164,999
<b>Comprehensive income</b>						
Profit for the year	-	-	-	1,731,034	9,099	1,740,133
Remeasurements of net defined benefit liabilities	-	-	(30,253)	-	(19)	(30,272)
Exchange differences on translating foreign operations	-	-	(25,597)	-	(93)	(25,690)
Change in value of financial investments	-	-	235,029	-	10,728	245,757
Shares of other comprehensive income of associates	-	-	(44,263)	-	-	(44,263)
Cash flow hedges	-	-	(813)	-	-	(813)
<b>Total comprehensive income</b>	-	-	134,103	1,731,034	19,715	1,884,852
<b>Transactions with shareholders</b>						
Dividends paid to shareholders of the parent company	-	-	-	(278,173)	-	(278,173)
Changes in interest in subsidiaries	-	(1,524)	-	-	(7,013)	(8,537)
<b>Total transactions with shareholders</b>	-	(1,524)	-	(278,173)	(7,013)	(286,710)
<b>Balance at December 31, 2012</b>	₩ 1,931,758	₩ 15,840,300	₩ 295,142	₩ 6,501,419	₩ 194,522	₩ 24,763,141
<b>Balance at January 1, 2013</b>	₩ 1,931,758	₩ 15,840,300	₩ 295,142	₩ 6,501,419	₩ 194,522	₩ 24,763,141
<b>Comprehensive income</b>						
Profit for the year	-	-	-	1,260,509	3,196	1,263,705
Remeasurements of net defined benefit liabilities	-	-	40,984	-	-	40,984
Exchange differences on translating foreign operations	-	-	(2,372)	-	74	(2,298)
Change in value of financial investments	-	-	10,751	-	(14,342)	(3,591)
Shares of other comprehensive income of associates	-	-	(9,811)	-	-	(9,811)
Cash flow hedges	-	-	1,618	-	-	1,618
<b>Total comprehensive income</b>	-	-	41,170	1,260,509	(11,072)	1,290,607
<b>Transactions with shareholders</b>						
Dividends paid to shareholders of the parent company	-	-	-	(231,811)	-	(231,811)
Changes in interest in subsidiaries	-	14,305	-	39	(183,450)	(169,106)
<b>Total transactions with shareholders</b>	-	14,305	-	(231,772)	(183,450)	(400,917)
<b>Balance at December 31, 2013</b>	₩ 1,931,758	₩ 15,854,605	₩ 336,312	₩ 7,530,156	₩ -	₩ 25,652,831

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

# Consolidated Statements of Cash Flows

Years Ended December 31, 2013 and 2012

(In millions of Korean won)

	Notes	2013	2012
<b>Cash flows from operating activities</b>			
Profit for the year		₩ 1,263,705	₩ 1,740,133
Adjustment for non-cash items			
Net loss(gain) on financial assets/liabilities at fair value through profit or loss		(110,425)	(247,854)
Net loss(gain) on derivative financial instruments for hedging purposes		48,787	15,165
Adjustment of fair value of derivative financial instruments		699	42
Provision for credit loss		1,443,572	1,606,703
Net loss(gain) on financial investments		(1,191)	148,211
Share of loss(profit) of associates		199,392	15,282
Depreciation and amortization expense		286,858	328,320
Other net losses on property and equipment/intangible assets		39,777	40,881
Share-based payments		17,289	13,871
Policy reserve appropriation		761,877	1,305,730
Post-employment benefits		172,579	172,391
Net interest expense		314,866	229,691
Loss(gains) on foreign currency translation		17,082	(148,877)
Net other expense(income)		(24,981)	2,783
		3,166,181	3,482,339
Changes in operating assets and liabilities			
Financial asset at fair value through profit or loss		214,181	(3,102,488)
Derivative financial instruments		116,660	193,373
Loans		(7,335,434)	(2,964,229)
Deferred income tax assets		1,349	3,211
Other assets		(5,078,285)	2,201,280
Financial liabilities at fair value through profit or loss		(773,558)	357,825
Deposits		2,584,993	4,495,876
Deferred income tax liabilities		(74,463)	(138,374)
Other liabilities		(430,856)	1,375,612
		(10,775,413)	2,422,086
<b>Net cash generated from (used in) operating activities</b>		<b>(6,345,527)</b>	<b>7,644,558</b>

(In millions of Korean won)

	Notes	2013	2012
<b>Cash flows from investing activities</b>			
Disposal of financial investments		25,655,149	24,805,560
Acquisition of financial investments		(23,020,912)	(26,141,095)
Decrease in investments in associates		20,554	16,573
Acquisition of investments in associates		(23,340)	(217,081)
Disposal of property and equipment		1,070	16,912
Acquisition of property and equipment		(153,469)	(143,139)
Acquisition of investment property		(114,609)	-
Disposal of intangible assets		5,072	10,176
Acquisition of intangible assets		(68,091)	(81,899)
Business combination, net of cash acquired		322,641	40,575
Others		1,554,752	(838,816)
<b>Net cash provided by (used in) investing activities</b>		<b>4,178,817</b>	<b>(2,532,234)</b>
<b>Cash flows from financing activities</b>			
Net cash flows from derivative financial instruments for hedging purposes		10,977	75,761
Net decrease in debts		(1,990,258)	(796,842)
Increase in debentures		10,758,948	10,282,920
Decrease in debentures		(7,924,609)	(12,945,650)
Increase in other payables from trust accounts		414,279	456,449
Dividends paid to shareholders of the parent company		(231,811)	(278,173)
Changes in interest in subsidiaries		(168,293)	(8,048)
Others		837,906	(38,680)
<b>Net cash provided by (used in) financing activities</b>		<b>1,707,139</b>	<b>(3,252,263)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>41,452</b>	<b>(13,560)</b>
<b>Net increase(decrease) in cash and cash equivalents</b>		<b>(418,119)</b>	<b>1,846,501</b>
<b>Cash and cash equivalents at the beginning of the year</b>	39	<b>6,587,305</b>	<b>4,740,804</b>
<b>Cash and cash equivalents at the end of the year</b>	39	₩ <b>6,169,186</b>	₩ <b>6,587,305</b>

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

# Notes to Consolidated Financial Statements

December 31, 2013 and 2012

## 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 Group established KB Savings Bank Co., Ltd. in January 2012. The Group acquired Yehansoul Savings Bank Co., Ltd. in September 2013.

The Parent Company's share capital as of December 31, 2013, is ₩1,931,758 million. The Parent Company is authorized to issue up to 1 billion 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 consolidated financial statements have been prepared in accordance with Korean-IFRS("K-IFRS"). K-IFRS are the standards and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

The preparation of consolidated 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 year beginning on January 1, 2013, and not early adopted by the Group are as follows:

#### **Amendment to K-IFRS 1032, *Financial Instruments: Presentation***

According to Amendment to K-IFRS 1032, *Financial Instruments: Presentation*, provides that the right to offset must not be contingent on a future event and must be legally enforceable in all of circumstances; and if an entity can settle amounts in a manner such that outcome is, in effect, equivalent to net settlement, the entity will meet the net settlement criterion. This amendment is effective for annual periods beginning on or after January 1, 2014, and the Group is assessing the impact of application of this amendment on its consolidated financial statements.

#### **Amendment to K-IFRS 1039, *Financial Instruments: Recognition and Measurement***

Amendment to K-IFRS 1039, *Financial Instruments: Recognition and Measurement*, allows the continuation of hedge accounting for a derivative that has been designated as a hedging instrument in a circumstance in which that derivative is novated to a central counterparty (CCP) as a consequence of laws or regulations. This amendment is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Group is assessing the impact of application of this amendment on its consolidated financial statements.

#### **Amendment to K-IFRS 1110, *Consolidated Financial Statements***

Amendment to K-IFRS 1110, *Consolidated Financial Statements*, provides that, if a parent company qualifies as an investment entity, it is required to measure its investments in subsidiaries at fair value through profit or loss instead of consolidating these subsidiaries in its consolidated financial statements. The amendment does not apply for a parent of an investment entity if the parent itself is not an investment entity. This amendment is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The application of this amendment does not have an impact on its consolidated financial statements of the Group.

#### **Enactment of K-IFRS 2121, *Levies***

K-IFRS 2121, *Levies*, is applied to a liability to pay a levy imposed by a government in accordance with the legislation. The interpretation requires that the liability to pay a levy is recognized when the activity that triggers the payment of the levy occurs, as identified by the legislation (the obligating event). This interpretation is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Group is assessing the impact of application of this interpretation on its consolidated financial statements.

New standards, amendments and interpretations adopted by the Group for the financial year beginning on January 1, 2013, are as follows:

**Amendment to K-IFRS 1001, Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income**

K-IFRS 1001, Presentation of Financial Statements, was amended to require other comprehensive income items to be classified into items that might be reclassified to profit or loss in subsequent periods and items that would not be reclassified subsequently. The Group applies the presentation of items of other comprehensive income in accordance with the enactment retrospectively, and restated consolidated statement of comprehensive income for the year ended December 31, 2012. There is no effect on the Group's total comprehensive income for the retrospective application of change in accounting policy.

**Amendment to K-IFRS 1019, Employee Benefits**

According to the amendment to K-IFRS 1019, Employee Benefits, the use of a 'corridor' approach is no longer permitted, and therefore all actuarial gains and losses incurred are immediately recognized in other comprehensive income. All past service costs incurred from changes in pension plan are immediately recognized, and interest costs and expected returns on plan assets that used to be separately calculated are now changed to calculating net interest expense(income) by applying discount rate used in measuring defined benefit obligation in net defined benefit liabilities(assets). The Group applies the accounting policy retrospectively in accordance with the amended standards. The comparative consolidated statements of financial position and statements of comprehensive income are restated by reflecting adjustments resulting from the retrospective application.

The effect of these changes in accounting policy to financial position as of December 31, 2013 and 2012, and January 1, 2012, and to comprehensive income for the years ended December 31, 2013 and 2012, are as follows:

Effect on Consolidated Statements of Financial Position

(In millions of Korean won)

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Increase(decrease) in net defined benefit liabilities	₩ 9,103	₩ 9,820	₩ -
Increase(decrease) in deferred income tax liabilities	(2,203)	(2,377)	-
Increase(decrease) in accumulated other comprehensive income	(12,523)	(53,507)	(23,254)
Increase(decrease) in retained earnings	5,623	46,064	23,254

Effect on Consolidated Statements of Comprehensive Income

(In millions of Korean won)

	2013	2012
Decrease(increase) in general and administrative expenses	₩ (53,389)	₩ 30,121
Decrease(increase) in income tax	12,920	(7,292)
Increase(decrease) in other comprehensive income	41,012	(30,271)

(In Korean won)

	2013	2012
Increase(decrease) in earnings per share	(105)	59
Increase(decrease) in diluted earnings per share	(104)	59

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. An entity shall recognize a liability and expense for termination benefits at the earlier of the following dates: when the entity can no longer withdraw the offer of those benefits and when the entity recognizes costs for a restructuring that is within the scope of K-IFRS 1037 and involves the payment of termination benefits. Termination benefits are measured by considering the number of employees expected to accept the offer in the case of a voluntary early retirement. Termination benefits over 12 months after the reporting period are discounted to present value. The Group expects that the application of this amendment would not have a material impact on its consolidated financial statements.

**Enactment of K-IFRS 1110, Consolidated Financial Statements**

K-IFRS 1110 supersedes K-IFRS 1027, Consolidated and Separate Financial Statements and K-IFRS 2012, Consolidation: Special Purpose Entities.

K-IFRS 1110, Consolidated Financial Statements, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements of the Parent Company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

In accordance with transitional provision of K-IFRS 1110, the financial statements for earlier comparative periods are restated, to ensure conformity with the conclusion of K-IFRS 1110, unless it is impracticable to do so. At the date of initial application, a reporting entity that has no change in consolidation is not required to make adjustments to the previous accounting policy.

As a result of reviewing the impact of the enactment of K-IFRS 1110, the Group decided to consolidate nine trusts including personal pension trusts, twelve structured entities including KH First Co., Ltd., and deconsolidate five companies including KB-Glenwood Private Equity Fund 1.

In accordance with K-IFRS 1110, the Group consolidated nine trusts, including personal pension trusts because it has power as a trustee, exposure to variable returns because the Group guarantees repayment of principal, if the trust property is less than the principal, and the ability to use power to affect its amount of variable returns. In addition, the Group consolidated twelve structured entities, including KH First Co., Ltd., because it has power over their activities, exposure to variable returns and the ability to use power to affect its amount of variable returns. And, the Group decided to deconsolidate five companies, including KB-Glenwood Private Equity Fund 1, because it is not exposed to variable returns, although it has power over the relevant activities.

Changes in subsidiaries by the adoption of K-IFRS 1110 are as follows:

	Investor	Investee	Ownership(%)	Location	Industry
Included	Kookmin Bank	Personal pension trusts and 8 other trusts	-	Korea	Trust
Included	Kookmin Bank	KH First Co., Ltd.	-	Korea	Asset-backed securitization and others
Included	Kookmin Bank	Samho Kyungwon Co., Ltd.	-	Korea	Asset-backed securitization and others
Included	Kookmin Bank	Taejon Samho The First Co., Ltd.	-	Korea	Asset-backed securitization and others
Included	Kookmin Bank	Prince DCM Co., Ltd.	-	Korea	Asset-backed securitization and others
Included	Kookmin Bank, KB Life Insurance Co., Ltd.	KB Hope Sharing BTL Private Special Asset	40.00	Korea	Capital investment
Included	Kookmin Bank	Hanbando BTL Private Special Asset Fund 1	39.74	Korea	Capital investment
Included	Kookmin Bank	Global Logistics Infra Private Fund 1	57.14	Korea	Capital investment
Included	Kookmin Bank	Global Logistics Infra Private Fund 2	-	Korea	Capital investment
Included	Kookmin Bank	KB Mezzanine Private Securities Fund 1	46.51	Korea	Capital investment
Included	Kookmin Bank	KB Private Real Estate Securities Fund 1(NPL)	45.00	Korea	Capital investment
Included	Kookmin Bank	K Star KTB ETF(Bond)	48.78	Korea	Capital investment
Included	KB Private Real Estate Securities Fund 1(NPL)	Woori KA First Asset Securitization	55.00	Korea	Asset-backed securitization and others
Excluded	KB Investment & Securities Co., Ltd.	KB-Glenwood Private Equity Fund 1	0.03	Korea	Capital investment
Excluded	KB-Glenwood Private Equity Fund 1	Chungkang Co., Ltd.	100.00	Korea	Capital investment
Excluded	Chungkang Co., Ltd.	Powernet Technologies Co., Ltd.	92.64	Korea	Electronic product manufacturing
Excluded	KB Investment Co., Ltd.	NPS KBIC Private Equity Fund No. 1	2.56	Korea	Capital investment
Excluded	KB Investment Co., Ltd.	KBIC Private Equity Fund No. 3	2.00	Korea	Capital investment

Effect on the consolidated financial statements by the adoption of K-IFRS 1110:

**Consolidated Statements of Financial Position**

(In millions of Korean won)

	Dec. 31, 2012		
	Before	Adjustment	After
<b>Assets</b>			
Cash and due from financial institutions	₩ 10,568,350	₩ 24,255	₩ 10,592,605
Financial assets at fair value through profit or loss	6,299,194	3,260,525	9,559,719
Derivative financial assets	2,024,784	66,501	2,091,285
Loans	212,716,251	928,540	213,644,791
Financial investments	36,897,139	(429,787)	36,467,352
Investments in associates	1,035,205	(100,564)	934,641
Property and equipment	3,103,597	(3,204)	3,100,393
Investment property	52,974	-	52,974
Intangible assets	500,023	(6,892)	493,131
Deferred income tax assets	18,432	-	18,432
Assets held for sale	35,412	-	35,412
Other assets	8,755,217	5,102	8,760,319
<b>Total assets</b>	₩ 282,006,578	₩ 3,744,476	₩ 285,751,054
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss	₩ 1,851,135	₩ -	₩ 1,851,135
Derivative financial liabilities	2,068,813	(14,071)	2,054,742
Deposits	194,403,279	2,942,926	197,346,205
Debts	15,969,522	(4,064)	15,965,458
Debentures	24,131,770	138,442	24,270,212
Provisions	669,729	-	669,729
Net defined benefit liabilities	84,977	(1,254)	83,723
Current income tax liabilities	264,666	-	264,666
Deferred income tax liabilities	127,592	26,711	154,303
Other liabilities	17,738,498	589,242	18,327,740
<b>Total liabilities</b>	257,309,981	3,677,932	260,987,913
<b>Equity</b>			
Equity attributable to shareholders of the parent company	24,502,075	66,544	24,568,619
Non-controlling interests	194,522	-	194,522
<b>Total equity</b>	24,696,597	66,544	24,763,141
<b>Total liabilities and equity</b>	₩ 282,006,578	₩ 3,744,476	₩ 285,751,054

(In millions of Korean won)

	Jan. 1, 2012		
	Before	Adjustment	After
<b>Assets</b>			
Cash and due from financial institutions	₩ 9,178,125	₩ 8,432	₩ 9,186,557
Financial assets at fair value through profit or loss	6,326,104	2,842,998	9,169,102
Derivative financial assets	2,448,455	50,990	2,499,445
Loans	212,107,027	920,669	213,027,696
Financial investments	35,432,182	(439,501)	34,992,681
Investments in associates	892,132	(98,530)	793,602
Property and equipment	3,186,020	(3,274)	3,182,746
Investment property	51,552	-	51,552
Intangible assets	468,441	(6,455)	461,986
Deferred income tax assets	22,329	(3,385)	18,944
Assets held for sale	9,931	-	9,931
Other assets	7,478,519	(2,654)	7,475,865
<b>Total assets</b>	₩ 277,600,817	₩ 3,269,290	₩ 280,870,107
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss	₩ 1,388,079	₩ -	₩ 1,388,079
Derivative financial liabilities	2,059,573	(21,780)	2,037,793
Deposits	190,337,590	2,920,966	193,258,556
Debts	16,823,838	(2,605)	16,821,233
Debentures	27,069,879	101,000	27,170,879
Provisions	797,739	(7,959)	789,780
Net defined benefit liabilities	128,488	(1,051)	127,437
Current income tax liabilities	588,825	-	588,825
Deferred income tax liabilities	220,842	21,466	242,308
Other liabilities	15,086,169	194,049	15,280,218
<b>Total liabilities</b>	254,501,022	3,204,086	257,705,108
<b>Equity</b>			
Equity attributable to shareholders of the parent company	22,917,975	65,204	22,983,179
Non-controlling interests	181,820	-	181,820
<b>Total equity</b>	23,099,795	65,204	23,164,999
<b>Total liabilities and equity</b>	₩ 277,600,817	₩ 3,269,290	₩ 280,870,107



## Consolidated Statements of Comprehensive Income

(In millions of Korean won)

	2012		
	Before	Adjustment	After
Interest income	₩ 14,155,825	₩ 54,281	₩ 14,210,106
Interest expense	(7,039,912)	(132,411)	(7,172,323)
<b>Net interest income</b>	<b>7,115,913</b>	<b>(78,130)</b>	<b>7,037,783</b>
Fee and commission income	2,778,668	(24,792)	2,753,876
Fee and commission expense	(1,186,027)	(1,143)	(1,187,170)
<b>Net fee and commission income</b>	<b>1,592,641</b>	<b>(25,935)</b>	<b>1,566,706</b>
<b>Net gains(losses) on financial assets/liabilities at fair value through profit or loss</b>	<b>651,203</b>	<b>160,761</b>	<b>811,964</b>
<b>Net other operating income(loss)</b>	<b>(1,455,270)</b>	<b>(76,672)</b>	<b>(1,531,942)</b>
General and administrative expenses	(3,855,164)	9,554	(3,845,610)
<b>Operating profit before provision for credit losses</b>	<b>4,049,323</b>	<b>(10,422)</b>	<b>4,038,901</b>
Provision for credit losses	(1,607,804)	1,101	(1,606,703)
<b>Net operating profit(loss)</b>	<b>2,441,519</b>	<b>(9,321)</b>	<b>2,432,198</b>
Share of profit of associates	(13,536)	(1,746)	(15,282)
Net other non-operating income(expense)	(136,534)	18,262	(118,272)
<b>Net non-operating profit(loss)</b>	<b>(150,070)</b>	<b>16,516</b>	<b>(133,554)</b>
<b>Profit before income tax</b>	<b>2,291,449</b>	<b>7,195</b>	<b>2,298,644</b>
Income tax expense	(556,632)	(1,879)	(558,511)
<b>Profit for the year</b>	<b>1,734,817</b>	<b>5,316</b>	<b>1,740,133</b>
<b>Other comprehensive income(loss) for the year, net of tax</b>	<b>148,696</b>	<b>(3,977)</b>	<b>144,719</b>
<b>Total comprehensive income for the year</b>	<b>₩ 1,883,513</b>	<b>₩ 1,339</b>	<b>₩ 1,884,852</b>
<b>Profit for the year attributable to:</b>			
Shareholders of the parent company	₩ 1,725,742	₩ 5,292	₩ 1,731,034
Non-controlling interests	9,075	24	9,099
	₩ 1,734,817	₩ 5,316	₩ 1,740,133
<b>Total comprehensive income for the year attributable to:</b>			
Shareholders of the parent company	₩ 1,871,240	₩ (6,103)	₩ 1,865,137
Non-controlling interests	19,715	-	19,715
	₩ 1,890,955	₩ (6,103)	₩ 1,884,852

## Consolidated Statements of Cash Flows

(In millions of Korean won)

	2012		
	Before	Adjustment	After
<b>Cash flows from operating activities</b>			
Profit for the year	₩ 1,734,817	₩ 5,316	₩ 1,740,133
Adjustment for non-cash items			
Net loss(gain) on financial assets/liabilities at fair value through profit or loss	(222,022)	(25,832)	(247,854)
Net loss(gain) on derivative financial instruments for hedging purposes	15,165	-	15,165
Adjustment of fair value of derivative financial instruments	42	-	42
Provision for credit loss	1,607,804	(1,101)	1,606,703
Net loss(gain) on financial investments	148,211	-	148,211
Share of loss(profit) of associates	13,536	1,746	15,282
Depreciation and amortization expense	328,642	(322)	328,320
Other net losses on property and equipment/intangible assets	40,881	-	40,881
Share-based payments	13,871	-	13,871
Policy reserve appropriation	1,305,730	-	1,305,730
Post-employment benefits	172,743	(352)	172,391
Net interest expense	229,691	-	229,691
Loss(gains) on foreign currency translation	(148,877)	-	(148,877)
Net other expense	10,075	(7,292)	2,783
	3,515,492	(33,153)	3,482,339
Changes in operating assets and liabilities			
Financial assets at fair value through profit or loss	132,205	(3,234,693)	(3,102,488)
Derivative financial instruments	252,166	(58,793)	193,373
Loans	(2,226,547)	(737,682)	(2,964,229)
Deferred income tax assets	3,211	-	3,211
Other assets	2,202,544	(1,264)	2,201,280
Financial liabilities at fair value through profit or loss	357,825	-	357,825
Deposits	1,552,950	2,942,926	4,495,876
Deferred income tax liabilities	(166,772)	28,398	(138,374)
Other liabilities	630,144	745,468	1,375,612
	2,737,726	(315,640)	2,422,086
<b>Net cash generated from operating activities</b>	7,988,035	(343,477)	7,644,558

	2012		
	Before	Adjustment	After
<b>Cash flows from investing activities</b>			
Disposal of financial investments	24,848,249	(42,689)	24,805,560
Acquisition of financial investments	(26,141,095)	-	(26,141,095)
Decrease in investments in associates	11,543	5,030	16,573
Acquisition of investments in associates	(212,556)	(4,525)	(217,081)
Disposal of property and equipment	8,740	8,172	16,912
Acquisition of property and equipment	(143,327)	188	(143,139)
Disposal of intangible assets	3,785	6,391	10,176
Acquisition of intangible assets	(82,400)	501	(81,899)
Business combination, net of cash acquired	40,575	-	40,575
Others	(838,816)	-	(838,816)
<b>Net cash used in investing activities</b>	<b>(2,505,302)</b>	<b>(26,932)</b>	<b>(2,532,234)</b>
<b>Cash flows from financing activities</b>			
Net cash flows from derivative financial instruments for hedging purposes	75,761	-	75,761
Net increase in debts	(792,778)	(4,064)	(796,842)
Increase in debentures	10,282,920	-	10,282,920
Decrease in debentures	(13,084,093)	138,443	(12,945,650)
Decrease in other payables from trust accounts	-	456,449	456,449
Dividends paid to shareholders of the parent company	(278,173)	-	(278,173)
Changes in interest in subsidiaries	-	(8,048)	(8,048)
Others	150,109	(188,789)	(38,680)
<b>Net cash used in financing activities</b>	<b>(3,646,254)</b>	<b>393,991</b>	<b>(3,252,263)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(13,560)</b>	<b>-</b>	<b>(13,560)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,822,919</b>	<b>23,582</b>	<b>1,846,501</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>4,740,804</b>	<b>-</b>	<b>4,740,804</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>6,563,723</b>	<b>23,582</b>	<b>6,587,305</b>

**Enactment of K-IFRS 1111, Joint Arrangements**

K-IFRS 1111, Joint Arrangements, aims to reflect the substance of joint arrangements by focusing on the contractual rights and obligations that each party to the arrangement has rather than its legal form. Joint arrangements are classified as either joint operations or joint ventures. A joint operation is when joint operators have rights to the assets and obligations for the liabilities, and account for the assets, liabilities, revenues and expenses, while parties to the joint venture have rights to the net assets of the arrangement. The adoption of K-IFRS 1111 does not have a material impact on the consolidated financial statements of the Group.

**Enactment of K-IFRS 1112, Disclosures of Interests in Other Entities**

K-IFRS 1112, Disclosures of Interests in Other Entities, provides the disclosure requirements for all forms of interests in other entities, including a subsidiary, an associate, a joint arrangement and an unconsolidated structured entity.

**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 all fair value measurements under 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. K-IFRS 1113 has been effective prospectively for annual periods beginning on or after January 1, 2013. The adoption of K-IFRS 1113 does not have a material impact on 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 entity of the Group 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 Notes 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 individually assessed allowances of loans, collectively assessed allowances for groups of loans, guarantees and unused loan commitments.

### 2.4.4 Net defined benefit liabilities

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions (Note 24).

### 2.4.5 Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations (Note 15).

## 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 years presented, unless otherwise stated.

### 3.1 Consolidation

#### 3.1.1 Subsidiaries

Subsidiaries are companies that are controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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 deconsolidated 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 make the subsidiary's accounting policies conform to those of the Group when the subsidiary's financial statements are used by the Group 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.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions; that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

#### 3.1.2 Associates

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.

Under the equity method, investments in associates 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 associates are eliminated to the extent of the Group's interest in associates.

If associates 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 make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying equity method.

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 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 its carrying value and recognizes the amount as 'share of profit or loss of associates' in the statements of comprehensive income.

### 3.1.3 Structured entity

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. When the Group decides whether it has power to the structured entities in which the Group has interests, it considers factors such as the purpose, the form, the practical ability to direct the relevant activities of a structured entity, the nature of its relationship with a structured entity and the amount of exposure to variable returns.

### 3.1.4 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.

### 3.1.5 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 year 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 nonmonetary 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's presentation currency using the following procedures:

Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period. Income and expenses in the statement of comprehensive income presented are translated at average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

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 financial instruments 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 financial assets, 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 defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. 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) in an arm's length transaction.

#### 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, an entity in the same industry, 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, or all the risks and rewards of ownership of the financial assets are neither substantially transferred nor retained and the Group has not retained control. 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.

If the Group transfers the contractual rights to receive the cash flows of the financial asset, but retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognize the transferred asset in its entirety and recognize a financial liability for the consideration received.

#### ***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 offset 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 with original maturities of three months or less 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 declare bankruptcy or undergo 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 an available-for-sale financial asset includes a significant or prolonged decline in the fair value below its cost. Accordingly, the Group considers the decline in the fair value of over 30% against the original cost as a "significant decline" and a six-month decline in the fair value below its cost for an equity instrument as a "prolonged decline".

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 amount of the loss is recognized in profit or loss as part of other operating income and expenses. The impairment loss on held-to-maturity financial assets is directly deducted from the carrying amount.

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 and 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 of an unrecognized firm commitment (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 is 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 the 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 is 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 year 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 difference is deferred and not recognized in profit or loss, and 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 as part of net gains or losses on financial instruments at fair value through profit or loss or other operating income and expenses.

### 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 cost and subsequently carried at 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	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.

### 3.9 Investment properties

#### 3.9.1 Recognition and Measurement

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.

#### 3.9.2 Depreciation

Land is not depreciated, whereas other investment properties 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.

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

Property and equipment	Depreciation method	Estimated useful lives
Buildings	Straight-line	40 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.

### 3.10 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	3~5 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 acquired from business combinations before January 1, 2010 is stated at its carrying amount which was recognized under the Group's previous accounting policy, prior to the transition to K-IFRS.

Goodwill acquired from business combinations 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 amortized and is stated at cost less accumulated impairment losses. However, goodwill that forms part of the carrying amount of an investment in associates 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.

#### 3.10.2 Subsequent expenditure

Subsequent expenditure is capitalized only when it enhances values of the assets. Internally generated intangible assets, such as goodwill and trade name, are not recognized as assets but expensed as incurred.

### 3.11 Leases

#### 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.

Leases in the financial statements of lessors

Lease income from operating leases are recognized in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred by lessors in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

Leases in the financial statements of lessees

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 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, 2013:

Type	Available	Discontinued	Total
Individual annuity	-	9	9
General annuity	8	23	31
Other pure endowment	-	3	3
Pure protection insurance	17	25	42
Other protection insurance	-	28	28
Joint insurance	9	36	45
Group protection insurance	2	5	7
Group savings insurance	-	1	1
	36	130	166

#### 3.15.1 Insurance premiums

The Group recognizes collected premiums as revenue when a due date of collection of premiums from insurance contracts comes and the collected premium which is unmatured at the end of the reporting period is recognized as unearned premium.

#### 3.15.2 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.

### 3.15.3 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.

### 3.15.4 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. Acquisition costs are amortized over the shorter of seven years or premium payment period; 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 instruments 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 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 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 other comprehensive income (loss).

When the fair value of plan assets deducted from the total of the present value of the defined benefit obligation 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 is the change in the present value of the defined benefit obligation, which arises when the Group introduces a defined benefit plan or changes the benefits of an existing defined benefit plan. Such past service cost is immediately recognized as an expense for the year.

#### **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 of the parent company 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 year.

### 3.20.4 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. An entity shall recognize a liability and expense for termination benefits at the earlier of the following dates: when the entity can no longer withdraw the offer of those benefits and when the entity recognizes costs for a restructuring that is within the scope of K-IFRS 1037 and involves the payment of termination benefits. Termination benefits are measured by considering the number of employees expected to accept the offer in the case of a voluntary early retirement. Termination benefits over 12 months after the reporting period are discounted to present value.

## 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 year, 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 offset 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 and associates, 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 offset 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 where separate financial information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

Segment information includes 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 Department***

The Risk Management Department 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 items and uses expected losses and economic capital as a management indicator. The Group manages credit risk by allocating credit risk economic capital limits.

In addition, the Group controls the credit concentration risk exposure by applying and managing total exposure limits to prevent an excessive risk concentration to each industry and borrower.

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 loan policy, loan limit, loan review, credit evaluation, restructuring and subsequent events. Kookmin Bank's risk management group is also responsible for planning risk management policy, applying limits of credit lines, measuring the credit risk economic capital, adjusting credit limits, 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, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013		2012	
<b>Financial assets</b>				
Due from financial institutions	₩	12,094,103	₩	7,742,497
Financial assets at fair value through profit or loss				
Financial assets held for trading <sup>1</sup>		7,866,037		8,331,454
Financial assets designated at fair value through profit or loss		210,805		192,607
Derivatives		1,819,409		2,091,285
Loans		219,001,356		213,644,791
Financial investments				
Available-for-sale financial assets		18,933,288		21,737,240
Held-to-maturity financial assets		13,016,991		12,255,806
Other financial assets		6,251,679		7,569,596
		279,193,668		273,565,276
<b>Off-balance sheet items</b>				
Acceptances and guarantees contracts		9,804,692		9,418,281
Financial guarantee contracts		3,097,372		1,509,269
Commitments		95,422,032		93,193,481
		108,324,096		104,121,031
	₩	387,517,764	₩	377,686,307

<sup>1</sup> Financial instruments indexed to the price of gold amounting to ₩40,252 million and ₩39,839 million as of December 31, 2013 and 2012, respectively, are included.

### 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 year. Therefore, the Group does not recognize losses expected as a result of future events. The Group measures 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 classified as follows:

(in millions of Korean won)

Loans	2013							
	Retail		Corporate		Credit card		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
Neither past due nor impaired	₩ 104,751,607	97.22	₩ 98,939,364	96.68	₩ 11,253,836	95.50	₩ 214,944,807	96.88
Past due but not impaired	1,967,127	1.83	538,571	0.53	321,978	2.73	2,827,676	1.27
Impaired	1,024,480	0.95	2,856,933	2.79	208,644	1.77	4,090,057	1.85
	107,743,214	100.00	102,334,868	100.00	11,784,458	100.00	221,862,540	100.00
<b>Allowances<sup>1</sup></b>	(580,510)	0.54	(1,870,874)	1.83	(409,800)	3.48	(2,861,184)	1.29
<b>Carrying amount</b>	₩ 107,162,704		₩ 100,463,994		₩ 11,374,658		₩ 219,001,356	

(in millions of Korean won)

2012								
Loans	Retail		Corporate		Credit card		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
Neither past due nor impaired	₩ 100,663,733	97.26	₩ 98,673,368	97.18	₩ 11,353,316	95.61	₩ 210,690,417	97.13
Past due but not impaired	1,656,088	1.60	478,035	0.47	399,778	3.37	2,533,901	1.17
Impaired	1,184,820	1.14	2,383,555	2.35	120,757	1.02	3,689,132	1.70
	103,504,641	100.00	101,534,958	100.00	11,873,851	100.00	216,913,450	100.00
<b>Allowances<sup>1</sup></b>	(687,851)	0.66	(2,251,318)	2.22	(329,490)	2.77	(3,268,659)	1.51
<b>Carrying amount</b>	₩ 102,816,790		₩ 99,283,640		₩ 11,544,361		₩ 213,644,791	

<sup>1</sup> Collectively assessed allowances for loans are included as they are not impaired individually.

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

(In millions of Korean won)

2013							
	Retail		Corporate		Credit card		Total
Grade 1	₩	88,331,532	₩	40,950,125	₩	5,670,689	₩ 134,952,346
Grade 2		12,320,960		43,497,358		3,806,194	59,624,512
Grade 3		3,195,119		11,993,854		1,438,491	16,627,464
Grade 4		637,556		2,237,288		184,110	3,058,954
Grade 5		266,440		260,739		154,352	681,531
	₩	104,751,607	₩	98,939,364	₩	11,253,836	₩ 214,944,807

(In millions of Korean won)

2012							
	Retail		Corporate		Credit card		Total
Grade 1	₩	83,028,229	₩	38,723,278	₩	5,674,508	₩ 127,426,015
Grade 2		13,894,242		40,862,205		3,871,593	58,628,040
Grade 3		2,574,463		15,395,220		1,568,939	19,538,622
Grade 4		766,998		3,429,806		153,906	4,350,710
Grade 5		399,801		262,859		84,370	747,030
	₩	100,663,733	₩	98,673,368	₩	11,353,316	₩ 210,690,417

Credit quality of loans graded according to internal credit ratings are as follows:

	Range of PD (%) (Probability of Default)	Retail	Corporate
Grade 1	0.0 ~ 1.0	1 ~ 5 grade	AAA ~ BBB+
Grade 2	1.0 ~ 5.0	6 ~ 8 grade	BBB ~ BB
Grade 3	5.0 ~ 15.0	9 ~ 10 grade	BB- ~ B
Grade 4	15.0 ~ 30.0	11 grade	B- ~ CCC
Grade 5	30.0 ~	12 grade or under	CC or under

Loans that are past due but not impaired are as follows:

(In millions of Korean won)

		2013				
		1 ~ 29 days	30 ~ 59 days	60 ~ 89 days	Over 90 days	Total
Retail	₩	1,729,091	₩ 169,341	₩ 68,629	₩ 66	₩ 1,967,127
Corporate		435,700	54,900	47,971	-	538,571
Credit card		234,003	51,416	36,259	300	321,978
	₩	2,398,794	₩ 275,657	₩ 152,859	₩ 366	₩ 2,827,676

(In millions of Korean won)

		2012				
		1 ~ 29 days	30 ~ 59 days	60 ~ 89 days	Over 90 days	Total
Retail	₩	1,344,412	₩ 223,858	₩ 87,736	₩ 82	₩ 1,656,088
Corporate		322,516	125,503	28,153	1,863	478,035
Credit card		293,863	57,325	47,698	892	399,778
	₩	1,960,791	₩ 406,686	₩ 163,587	₩ 2,837	₩ 2,533,901

Impaired loans are as follows:

(in millions of Korean won)

		2013			
		Retail	Corporate	Credit card	Total
Loans		₩ 1,024,480	₩ 2,856,933	₩ 208,644	₩ 4,090,057
Allowances					
Individual assessment		(2)	(1,126,249)	-	(1,126,251)
Collective assessment		(381,739)	(229,058)	(133,616)	(744,413)
		(381,741)	(1,355,307)	(133,616)	(1,870,664)
	₩	642,739	₩ 1,501,626	₩ 75,028	₩ 2,219,393

(in millions of Korean won)

	2012			
	Retail	Corporate	Credit card	Total
Loans	₩ 1,184,820	₩ 2,383,555	₩ 120,757	₩ 3,689,132
Allowances				
Individual assessment	-	(761,563)	-	(761,563)
Collective assessment	(451,891)	(236,062)	(72,373)	(760,326)
	(451,891)	(997,625)	(72,373)	(1,521,889)
	₩ 732,929	₩ 1,385,930	₩ 48,384	₩ 2,167,243

A quantification of the extent to which collateral and other credit enhancements mitigate credit risk as of December 31, 2013 and 2012, are as follows:  
(in millions of Korean won)

	2013					
	Impaired Loans			Non-impaired Loans		
	Individual	Collective	Past due	Not past due	Total	
Guarantees	₩ 29,929	₩ 226,721	₩ 382,997	₩ 32,102,952	₩ 32,742,599	
Deposits and savings	5,099	27,060	56,066	2,324,625	2,412,850	
Property and equipment	11,843	1,959	1,281	1,676,443	1,691,526	
Real estate	425,748	537,904	1,506,854	114,659,274	117,129,780	
	₩ 472,619	₩ 793,644	₩ 1,947,198	₩ 150,763,294	₩ 153,976,755	

(in millions of Korean won)

	2012					
	Impaired Loans			Non-impaired Loans		
	Individual	Collective	Past due	Not past due	Total	
Guarantees	₩ 18,512	₩ 181,979	₩ 326,676	₩ 25,175,205	₩ 25,702,372	
Deposits and savings	200	19,867	62,484	2,690,164	2,772,715	
Property and equipment	18,776	4,816	883	1,427,940	1,452,415	
Real estate	329,743	478,800	1,201,141	109,197,591	111,207,275	
	₩ 367,231	₩ 685,462	₩ 1,591,184	₩ 138,490,900	₩ 141,134,777	



#### 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)

	2013		2012	
Securities that are neither past due nor impaired	₩	39,977,309	₩	42,464,823
Impaired securities		9,560		12,445
	₩	39,986,869	₩	42,477,268

The credit quality of securities (excluding equity securities) that are neither past due nor impaired as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013					
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Total
Financial assets held for trading	₩ 6,634,168	₩ 1,172,476	₩ 19,141	₩ -	₩ -	₩ 7,825,785
Financial assets designated at fair value through profit or loss	89,527	119,489	-	1,789	-	210,805
Available-for-sale financial assets	18,078,177	785,216	60,335	-	-	18,923,728
Held-to-maturity financial assets	13,016,991	-	-	-	-	13,016,991
	₩ 37,818,863	₩ 2,077,181	₩ 79,476	₩ 1,789	₩ -	₩ 39,977,309

(In millions of Korean won)

	2012					
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Total
Financial assets held for trading	₩ 7,590,634	₩ 671,544	₩ 29,437	₩ -	₩ -	₩ 8,291,615
Financial assets designated at fair value through profit or loss	84,428	108,179	-	-	-	192,607
Available-for-sale financial assets	20,616,413	1,027,165	81,162	56	-	21,724,796
Held-to-maturity financial assets	12,255,805	-	-	-	-	12,255,805
	₩ 40,547,280	₩ 1,806,888	₩ 110,599	₩ 56	₩ -	₩ 42,464,823

The credit qualities of securities (excluding equity 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	BB- or under	BB- or under	BB- or under	B or under	B or under	B2 or under

Debt securities' credit qualities denominated in Korean won are based on the lowest credit rating by the three domestic credit rating agencies above, and those denominated in foreign currencies are based on the lowest credit rating by the three foreign credit rating agencies above.

#### 4.2.6 Credit risk mitigation of derivative financial instruments

A quantification of the extent to which collateral and other credit enhancements mitigate credit risk of derivative financial instruments as of December 31, 2013 and 2012, is as follows:

(In millions of Korean won)

	2013		2012	
Deposits and savings, Securities and others	₩	271,380	₩	216,906
	₩	271,380	₩	216,906

#### 4.2.7 Credit risk concentration analysis

The details of the Group's loans by country as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013				%	Allowances	Carrying amount
	Retail	Corporate	Credit card	Total			
Korea	₩ 107,644,600	₩ 100,533,577	₩ 11,782,169	₩ 219,960,346	99.14	₩ (2,797,651)	₩ 217,162,695
Europe	9	98,752	406	99,167	0.04	(288)	98,879
China	227	583,176	315	583,718	0.26	(16,075)	567,643
Japan	5,708	475,242	350	481,300	0.22	(44,248)	437,052
U.S.	-	448,868	578	449,446	0.20	(654)	448,792
Others	92,670	195,253	640	288,563	0.14	(2,268)	286,295
Total	₩ 107,743,214	₩ 102,334,868	₩ 11,784,458	₩ 221,862,540	100.00	₩ (2,861,184)	₩ 219,001,356

(In millions of Korean won)

	2012				%	Allowances	Carrying amount
	Retail	Corporate	Credit card	Total			
Korea	₩ 103,432,668	₩ 99,682,434	₩ 11,871,321	₩ 214,986,423	99.11	₩ (3,249,850)	₩ 211,736,573
Europe	3	80,454	378	80,835	0.04	(288)	80,547
China	319	429,781	287	430,387	0.20	(2,372)	428,015
Japan	7,944	885,607	437	893,988	0.41	(14,273)	879,715
U.S.	-	308,846	454	309,300	0.14	(478)	308,822
Others	63,707	147,836	974	212,517	0.10	(1,398)	211,119
Total	₩ 103,504,641	₩ 101,534,958	₩ 11,873,851	₩ 216,913,450	100.00	₩ (3,268,659)	₩ 213,644,791

The details of the Group's corporate loans by industry as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

2013						
	Loans		%	Allowances		Carrying amount
Financial institutions	₩	10,524,203	10.28	₩	(87,471)	₩ 10,436,732
Manufacturing		31,160,890	30.45		(611,257)	30,549,633
Service		38,375,826	37.50		(448,114)	37,927,712
Wholesale & Retail		13,873,681	13.56		(194,840)	13,678,841
Construction		4,427,615	4.33		(502,223)	3,925,392
Public sector		654,998	0.64		(8,469)	646,529
Others		3,317,655	3.24		(18,500)	3,299,155
	₩	102,334,868	100.00	₩	(1,870,874)	₩ 100,463,994

(in millions of Korean won)

2012						
	Loans		%	Allowances		Carrying amount
Financial institutions	₩	7,291,052	7.18	₩	(11,139)	₩ 7,279,913
Manufacturing		31,319,746	30.85		(931,442)	30,388,304
Service		38,649,492	38.07		(477,560)	38,171,932
Wholesale & Retail		15,124,459	14.90		(230,865)	14,893,594
Construction		4,688,691	4.62		(528,284)	4,160,407
Public sector		520,422	0.51		(7,076)	513,346
Others		3,941,096	3.87		(64,952)	3,876,144
	₩	101,534,958	100.00	₩	(2,251,318)	₩ 99,283,640

The details of the Group's retail and credit card loans by type as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

2013						
	Loans		%	Allowances		Carrying amount
Housing purpose	₩	46,485,300	38.89	₩	(77,985)	₩ 46,407,315
General purpose		61,257,914	51.25		(502,525)	60,755,389
Credit card		11,784,458	9.86		(409,800)	11,374,658
	₩	119,527,672	100.00	₩	(990,310)	₩ 118,537,362

(in millions of Korean won)

	2012			
	Loans	%	Allowances	Carrying amount
Housing purpose	₩ 44,876,955	38.90	₩ (109,490)	₩ 44,767,465
General purpose	58,627,686	50.81	(578,361)	58,049,325
Credit card	11,873,851	10.29	(329,490)	11,544,361
	₩ 115,378,492	100.00	₩ (1,017,341)	₩ 114,361,151

The details of the Group's securities (excluding equity securities) and derivative financial instruments by industry as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013	
	Amount	%
<b>Financial assets held for trading</b>		
Government and government funded institutions	₩ 3,057,633	39.07
Banking and Insurance	3,776,119	48.25
Others	992,033	12.68
	7,825,785	100.00
<b>Financial assets designated at fair value through profit or loss</b>		
Banking and Insurance	210,805	100.00
	210,805	100.00
<b>Derivative financial assets</b>		
Government and government funded institutions	18,248	1.00
Banking and Insurance	1,606,285	88.29
Others	194,876	10.71
	1,819,409	100.00
<b>Available-for-sale financial assets</b>		
Government and government funded institutions	9,966,361	52.64
Banking and Insurance	6,986,895	36.90
Others	1,980,032	10.46
	18,933,288	100.00
<b>Held-to-maturity financial assets</b>		
Government and government funded institutions	10,923,807	83.92
Banking and Insurance	1,259,282	9.67
Others	833,902	6.41
	13,016,991	100.00
	₩ 41,806,278	

(In millions of Korean won)

	2012	
	Amount	%
<b>Financial assets held for trading</b>		
Government and government funded institutions	₩ 3,225,970	38.91
Banking and Insurance	4,038,097	48.70
Others	1,027,548	12.39
	8,291,615	100.00
<b>Financial assets designated at fair value through profit or loss</b>		
Banking and Insurance	192,607	100.00
	192,607	100.00
<b>Derivative financial assets</b>		
Government and government funded institutions	29,236	1.40
Banking and Insurance	1,857,366	88.81
Others	204,683	9.79
	2,091,285	100.00
<b>Available-for-sale financial assets</b>		
Government and government funded institutions	10,355,155	47.64
Banking and Insurance	8,879,741	40.85
Others	2,502,344	11.51
	21,737,240	100.00
<b>Held-to-maturity financial assets</b>		
Government and government funded institutions	9,854,991	80.41
Banking and Insurance	1,593,713	13.00
Others	807,102	6.59
	12,255,806	100.00
	₩ 44,568,553	

The details of the Group's securities (excluding equity securities) and derivative financial instruments by country, as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013	
	Amount	%
<b>Financial assets held for trading</b>		
Korea	₩ 7,809,495	99.79
India	3,194	0.04
Others	13,096	0.17
	7,825,785	100.00
<b>Financial assets designated at fair value through profit or loss</b>		
Korea	205,512	97.49
Others	5,293	2.51
	210,805	100.00
<b>Derivative financial assets</b>		
Korea	617,804	33.96
United States	284,795	15.65
Others	916,810	50.39
	1,819,409	100.00
<b>Available-for-sale financial assets</b>		
Korea	18,908,743	99.87
Others	24,545	0.13
	18,933,288	100.00
<b>Held-to-maturity financial assets</b>		
Korea	13,016,991	100.00
	13,016,991	100.00
	₩ 41,806,278	

(In millions of Korean won)

	2012	
	Amount	%
<b>Financial assets held for trading</b>		
Korea	₩ 8,291,615	100.00
	8,291,615	100.00
<b>Financial assets designated at fair value through profit or loss</b>		
Korea	192,607	100.00
	192,607	100.00

	2012	
<b>Derivative financial assets</b>		
Korea	705,318	33.73
United States	366,827	17.54
Others	1,019,140	48.73
	2,091,285	100.00
<b>Available-for-sale financial assets</b>		
Korea	21,560,009	99.18
United States	176,394	0.81
Others	837	0.01
	21,737,240	100.00
<b>Held-to-maturity financial assets</b>		
Korea	12,255,805	100.00
United States	1	0.00
	12,255,806	100.00
	₩ 44,568,553	

The counterparties to the financial assets under due from financial institutions and financial instruments indexed to the price of gold within financial assets held for trading are in the banking and insurance industries and have high credit ratings.

## 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 Group manages its liquidity risk through analysis of the contractual maturity of all financial assets, liabilities and off-balance 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 through maturity.

### 4.3.2. Liquidity risk management and indicator

The liquidity risk is managed by ALM ('Asset Liability 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 items are measured, managed and reported to the Risk Planning 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.





(In millions of Korean won)

	2012							Total
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years		
<b>Financial assets</b>								
Cash and due from financial institutions <sup>1</sup>	₩ 5,953,114	₩ 586,856	₩ 75,523	₩ 187,260	₩ -	₩ 136,584	₩ 6,939,337	
Financial assets held for trading <sup>2</sup>	9,207,629	-	-	-	-	-	9,207,629	
Financial assets designated at fair value through profit or loss <sup>2</sup>	352,090	-	-	-	-	-	352,090	
Derivatives held for trading <sup>2</sup>	1,907,774	-	-	-	-	-	1,907,774	
Derivatives held for fair value hedging <sup>3</sup>	-	6,645	929	18,600	125,511	163,808	315,493	
Loans	270,630	22,283,867	24,831,094	76,258,158	57,820,640	78,541,113	260,005,502	
Available-for-sale financial assets <sup>4</sup>	1,614,088	1,144,862	1,657,669	4,867,428	13,426,354	3,246,902	25,957,303	
Held-to-maturity financial assets	-	142,902	362,905	2,525,112	8,753,186	2,192,044	13,976,149	
Other financial assets	22,856	5,522,950	14,040	1,560,953	5,843	1,853	7,128,495	
	₩ 19,328,181	₩ 29,688,082	₩ 26,942,160	₩ 85,417,511	₩ 80,131,534	₩ 84,282,304	₩ 325,789,772	
<b>Financial liabilities</b>								
Financial liabilities held for trading <sup>2</sup>	₩ 1,381,997	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 1,381,997	
Financial liabilities designated at fair value through profit or loss <sup>2</sup>	469,138	-	-	-	-	-	469,138	
Derivatives held for trading <sup>2</sup>	1,854,216	-	-	-	-	-	1,854,216	
Derivatives held for fair value hedging <sup>3</sup>	-	26,041	3	(1,456)	189,613	2,396	216,597	
Deposits <sup>5</sup>	67,380,045	16,409,143	29,419,363	79,230,974	8,388,915	2,233,375	203,061,815	
Debts	273,586	3,854,683	2,934,083	5,671,408	2,879,533	662,557	16,275,850	
Debentures	24,659	1,384,530	1,028,779	3,577,851	18,220,238	4,020,164	28,256,221	
Other financial liabilities	14,374	7,056,273	8,624	75,325	8,831	22,041	7,185,468	
	₩ 71,398,015	₩ 28,730,670	₩ 33,390,852	₩ 88,554,102	₩ 29,687,130	₩ 6,940,533	₩ 258,701,302	
<b>Off- balance sheet items</b>								
Commitments <sup>6</sup>	₩ 93,193,481	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 93,193,481	
Financial guarantee contract <sup>7</sup>	1,509,269	-	-	-	-	-	1,509,269	
	₩ 94,702,750	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 94,702,750	

<sup>1</sup> The amounts of ₩7,671,914 million and ₩3,647,285 million which are restricted amounts due from the financial institutions as of December 31, 2013 and 2012, respectively, are excluded.

<sup>2</sup> Financial instruments held for trading, financial instruments designated at fair value through profit or loss and derivatives held for trading are not managed by contractual maturity because they are expected to be traded or redeemed before maturity. Therefore, the carrying amounts of those financial instruments are classified as 'On demand' category. However, hybrid capital instruments classified as financial instruments designated at fair value through profit or loss are included in the 'Over 5 years' category which they can be redeemed, owing to uncertain point of sale.

<sup>3</sup> Cash flows of derivative instruments held for fair value hedging are shown at net amounts of cash inflows and outflows by remaining contractual maturity.

<sup>4</sup> In the case of equity investments restricted for sale, they are shown in the period in which the restriction is expected to be expired.

<sup>5</sup> Deposits that are contractually repayable on demand or on short notice are classified under the 'On demand' category.

<sup>6</sup> Commitments are included under the 'On demand' category because payments can be required upon request.

<sup>7</sup> The financial guarantee contracts are included under the 'On demand' category as payments can be required upon request.

The contractual cash flows of derivatives held for cash flow hedging as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

		2013					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total	
To be received	₩ 4,099	₩ 5,962	₩ 344,838	₩ 56,186	₩ -	₩ 411,085	
To be paid	(4,996)	(7,872)	(357,099)	(54,974)	-	(424,941)	

(In millions of Korean won)

		2012					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total	
To be received	₩ 3,321	₩ 4,931	₩ 23,486	₩ 357,927	₩ -	₩ 389,665	
To be paid	(3,864)	(6,277)	(29,702)	(366,291)	-	(406,134)	

## 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 and other market factors that affect the fair value or future cash flows of financial instruments, such as securities and derivatives amongst others. The most significant risks associated with trading positions are interest rate risks, and other risks include 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 limits and VaR limits of each business group and approves newly developed derivative instruments, through its Risk Management Council. The Risk Management Council has delegated the responsibility for market risk management of individual business departments to the Market Risk Management Committee which is chaired by a Chief Risk Officer (CRO). The Market Risk Management Committee sets position limits, loss limits, VaR limits, sensitivity limits and scenario loss limits for each division, at the level of each individual business department.

The ALCO of Kookmin Bank determines operational standards of interest and commission, revises Asset Liability Management (ALM) risk management guidelines, interest rate and commission guidelines and monitors the 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 estimation reflects the annual work plan. The financial planning department and risk management department measures and monitors 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 for ALM control is delegated to the Risk Management Department to ensure adequacy of interest rate and liquidity risk management. The Risk Management Department monitors and reviews risk management procedures and tasks conducted by the Financial Planning Department, and reports related information to management independently.

## 4.4.2 Trading Position

### **Definition of a trading position**

Trading positions subject to market risk management are defined under the Trading Policy and Guideline, and the basic requirements are as follows:

- The trading position is not restricted for sale, is measured daily at fair value, and its significant inherent risks are 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)**

The Group uses the value-at-risk methodology to measure the market risk of trading positions. There have been changes in market risk measurement technique during the year ended December 31, 2012, and the detailed descriptions are below.

**Previous method:** The Group used a daily VaR measure, which is a statistically estimated maximum amount of loss that could occur in one day under normal distribution of financial variables. The Group calculated VaR using the equal-weighted average method based on historical changes in market rates, prices and volatilities over the previous 550 business days and measured VaR at a 99% single tail confidence level.

**Current method:** The Group now uses the 10-day VaR, which estimates the maximum amount of loss that could occur in ten days under an historical simulation model which is considered to be a full valuation method. The distributions of portfolio's value changes are estimated based on the data over the previous 250 business days, and ten-day VaR is calculated by subtracting net present market value from the value measured at a 99% confident level of portfolio's value distribution results. However, the KB Investment & Securities Co., Ltd. calculates ten-day VaR using the equal-weighted average method based on historical changes in market rates, prices and volatilities over the previous 250 business days and measures VaR at a 99% single tail confidence level.

These changes in market risk measurement technique are intended to reflect the volatilities of the market more accurately. The current method immediately reflects the scenario of a day when the financial market shows dramatic moves, and the market risk of financial instruments with complex risk attributes can be measured more appropriately than under the previous methodology.

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 movements are, however, 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 may vary depending on the assumptions made at the time of the 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 risk and some specific 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**

Stress testing is carried out to analyze the impact of abnormal market situations on the trading and available-for-sale portfolio. It reflects changes in interest rates, stock prices, foreign exchange rates, implied volatilities 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 ten-day holding period by a subsidiary as of December 31, 2013 and 2012, are as follows:

**Kookmin Bank**

(in millions of Korean won)

	2013			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 16,270	₩ 7,428	₩ 24,979	₩ 16,967
Stock price risk	3,480	932	7,114	1,049
Foreign exchange rate risk	9,264	5,287	13,589	5,287
Deduction of diversification effect	-	-	-	(6,928)
Total VaR	₩ 17,316	₩ 10,868	₩ 22,249	₩ 16,375

(in millions of Korean won)

	2012			
	Average <sup>1</sup>	Minimum <sup>1</sup>	Maximum <sup>1</sup>	Ending
Interest rate risk	₩ 20,173	₩ 8,379	₩ 29,329	₩ 8,379
Stock price risk	4,215	467	8,745	4,865
Foreign exchange rate risk	26,565	9,590	39,185	11,201
Deduction of diversification effect	-	-	-	(12,710)
Total VaR	₩ 20,685	₩ 10,637	₩ 28,717	₩ 11,735

<sup>1</sup>Measurement technique was changed during the year ended December 31, 2012, and the average, minimum and maximum amounts are based on the data from the beginning of May to the end of the year.

**KB Investment & Securities Co., Ltd.**

(in millions of Korean won)

	2013			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 2,503	₩ 160	₩ 6,825	₩ 1,825
Stock price risk	1,920	507	6,244	1,139
Foreign exchange rate risk	527	24	1,311	53
Deduction of diversification effect	-	-	-	(698)
Total VaR	₩ 3,319	₩ 589	₩ 8,908	₩ 2,318

(in millions of Korean won)

	2012			
	Average <sup>1</sup>	Minimum <sup>1</sup>	Maximum <sup>1</sup>	Ending
Interest rate risk	₩ 1,805	₩ 572	₩ 5,054	₩ 3,532
Stock price risk	2,350	486	8,683	658
Foreign exchange rate risk	309	18	1,329	224
Deduction of diversification effect	-	-	-	(763)
Total VaR	₩ 3,119	₩ 724	₩ 8,752	₩ 3,651

<sup>1</sup>Measurement technique was changed during the year ended December 31, 2012, and the average, minimum and maximum amounts are based on the data from the beginning of April to the end of the year.

**KB Life Insurance Co., Ltd.**

(in millions of Korean won)

	2013			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 279	₩ 157	₩ 441	₩ 329
Deduction of diversification effect	-	-	-	-
Total VaR	₩ 279	₩ 157	₩ 441	₩ 329

(in millions of Korean won)

	2012			
	Average <sup>1</sup>	Minimum <sup>1</sup>	Maximum <sup>1</sup>	Ending
Interest rate risk	₩ 111	₩ 58	₩ 152	₩ 127
Deduction of diversification effect	-	-	-	-
Total VaR	₩ 111	₩ 58	₩ 152	₩ 127

<sup>1</sup>Measurement technique was changed during the year ended December 31, 2012, and the average, minimum and maximum amounts are based on the data from the beginning of April to the end of the year.

**KB Investment Co., Ltd.**

(in millions of Korean won)

	2013			
	Average	Minimum	Maximum	Ending
Foreign exchange rate risk	₩ 40	₩ 29	₩ 53	₩ 30
Deduction of diversification effect	-	-	-	-
Total VaR	₩ 40	₩ 29	₩ 53	₩ 30

**KB Investment Co., Ltd.**

(in millions of Korean won)

	2012			
	Average <sup>1</sup>	Minimum <sup>1</sup>	Maximum <sup>1</sup>	Ending
Foreign exchange rate risk	₩ 63	₩ 39	₩ 92	₩ 41
Deduction of diversification effect	-	-	-	-
Total VaR	₩ 63	₩ 39	₩ 92	₩ 41

<sup>1</sup>Measurement technique was changed during the year ended December 31, 2012, and the average, minimum and maximum amounts are based on the data from the beginning of April to the end of the year.

Meanwhile, the required equity capital using the standardized method related to the positions which are not measured by VaR as of December 31, 2013 and 2012, is as follows:

**Kookmin Bank**

(In millions of Korean won)

	2013		2012	
	Interest rate risk	₩	921	₩
Stock price risk		2		4,567
Foreign exchange rate risk		9,214		9,081
	₩	10,137	₩	15,321

**KB Investment & Securities Co., Ltd.**

(In millions of Korean won)

	2013		2012	
	Interest rate risk	₩	5,081	₩
Stock price risk		3,602		3,224
	₩	8,683	₩	7,831

**KB Life Insurance Co., Ltd.**

(In millions of Korean won)

	2013		2012	
	Stock price risk	₩	106	₩
	₩	106	₩	13

**KB Investment Co., Ltd.**

(In millions of Korean won)

	2013		2012	
	Stock price risk	₩	1,424	₩
	₩	1,424	₩	1,385

### **Details of risk factors**

#### **i. Interest rate risk**

Trading position interest rate risk usually arises from debt securities 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 are 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.

### **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 the interest rates repricing dates for 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 in each maturity bucket. The Group conducts interest gap analysis on assets denominated in Korean won and foreign currencies on a monthly basis. However, where there is no contractual maturity for a particular instrument, then a maturity date is set according to internal liquidity risk management guidelines, determined by ALM.

The results of the interest rate gap analysis by subsidiary as of December 31, 2013 and 2012, are as follows:

**Kookmin Bank**

(In millions of Korean won)

2013						
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Interest-bearing assets in Korean won	₩ 83,935,439	₩ 54,589,446	₩ 46,832,862	₩ 21,608,336	₩ 14,297,239	₩ 221,263,322
Interest-bearing liabilities in Korean won	91,505,923	37,966,586	50,647,954	20,948,789	18,244,867	219,314,119
Gap	₩ (7,570,484)	₩ 16,622,860	₩ (3,815,092)	₩ 659,547	₩ (3,947,628)	₩ 1,949,203
Accumulated gap	(7,570,484)	9,052,376	5,237,284	5,896,831	1,949,203	
Percentage (%)	(3.42)	4.09	2.37	2.67	0.88	
Interest-bearing assets in foreign currencies	₩ 10,112,905	₩ 1,888,724	₩ 607,499	₩ 396,714	₩ 257,419	₩ 13,263,261
Interest-bearing liabilities in foreign currencies	9,500,565	2,631,393	1,527,154	225,300	124,357	14,008,769
Gap	₩ 612,340	₩ (742,669)	₩ (919,655)	₩ 171,414	₩ 133,062	₩ (745,508)
Accumulated gap	612,340	(130,329)	(1,049,984)	(878,570)	(745,508)	
Percentage (%)	4.62	(0.98)	(7.92)	(6.62)	(5.62)	

(In millions of Korean won)

2012						
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Interest-bearing assets in Korean won	₩ 92,032,100	₩ 50,782,044	₩ 36,993,573	₩ 23,435,855	₩ 16,535,527	₩ 219,779,099
Interest-bearing liabilities in Korean won	92,375,407	35,360,716	49,686,942	22,184,737	15,961,186	215,568,988
Gap	₩ (343,307)	₩ 15,421,328	₩ (12,693,369)	₩ 1,251,118	₩ 574,341	₩ 4,210,111
Accumulated gap	(343,307)	15,078,021	2,384,652	3,635,770	4,210,111	
Percentage (%)	(0.16)	6.86	1.09	1.65	1.92	
Interest-bearing assets in foreign currencies	₩ 10,105,090	₩ 2,090,551	₩ 718,802	₩ 641,281	₩ 121,700	₩ 13,677,424
Interest-bearing liabilities in foreign currencies	8,218,370	3,533,356	1,964,078	513,647	117,821	14,347,272
Gap	₩ 1,886,720	₩ (1,442,805)	₩ (1,245,276)	₩ 127,634	₩ 3,879	₩ (669,848)
Accumulated gap	1,886,720	443,915	(801,361)	(673,727)	(669,848)	
Percentage (%)	13.79	3.25	(5.86)	(4.93)	(4.90)	



## KB Kookmin Card Co., Ltd.

(In millions of Korean won)

	2013					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Interest-bearing assets in Korean won	₩ 3,951,261	₩ 1,212,736	₩ 1,600,360	₩ 5,010,999	₩ 3,108,753	₩ 14,884,109
Interest-bearing liabilities in Korean won	940,000	782,765	1,868,825	4,704,000	2,190,000	10,485,590
Gap	₩ 3,011,261	₩ 429,971	₩ (268,465)	₩ 306,999	₩ 918,753	₩ 4,398,519
Accumulated gap	3,011,261	3,441,232	3,172,767	3,479,766	4,398,519	
Percentage (%)	20.23	23.12	21.32	23.38	29.55	

(In millions of Korean won)

	2012					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Interest-bearing assets in Korean won	₩ 2,743,651	₩ 802,981	₩ 1,100,429	₩ 8,453,580	₩ 9,765	₩ 13,110,406
Interest-bearing liabilities in Korean won	1,370,000	260,000	1,310,000	3,921,800	2,221,000	9,082,800
Gap	₩ 1,373,651	₩ 542,981	₩ (209,571)	₩ 4,531,780	₩ (2,211,235)	₩ 4,027,606
Accumulated gap	1,373,651	1,916,632	1,707,061	6,238,841	4,027,606	
Percentage (%)	10.48	14.62	13.02	47.59	30.72	

## KB Investment &amp; Securities Co., Ltd.

(In millions of Korean won)

	2013					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Interest-bearing assets in Korean won	₩ 491,652	₩ 14,000	₩ 227,542	₩ 169,990	₩ 1,823	₩ 905,007
Interest-bearing liabilities in Korean won	516,734	160,000	10,000	32,000	-	718,734
Gap	₩ (25,082)	₩ (146,000)	₩ 217,542	₩ 137,990	₩ 1,823	₩ 186,273
Accumulated gap	(25,082)	(171,082)	46,460	184,450	186,273	
Percentage (%)	(2.77)	(18.90)	5.13	20.38	20.58	
Interest-bearing assets in foreign currencies	₩ 66,576	₩ 6,162	₩ 56,558	₩ -	₩ -	₩ 129,296
Interest-bearing liabilities in foreign currencies	-	-	-	-	-	-
Gap	₩ 66,576	₩ 6,162	₩ 56,558	₩ -	₩ -	₩ 129,296
Accumulated gap	66,576	72,738	129,296	129,296	129,296	
Percentage (%)	51.49	56.26	100.00	100.00	100.00	

(In millions of Korean won)

		2012					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total	
Interest-bearing assets in Korean won	₩ 342,543	₩ 75,000	₩ 66,032	₩ 100,000	₩ 2,291	₩ 585,866	
Interest-bearing liabilities in Korean won	339,444	30,000	100,000	-	-	469,444	
Gap	₩ 3,099	₩ 45,000	₩ (33,968)	₩ 100,000	₩ 2,291	₩ 116,422	
Accumulated gap	3,099	48,099	14,131	114,131	116,422		
Percentage (%)	0.53	8.21	2.41	19.48	19.87		
Interest-bearing assets in foreign currencies	₩ 2,263	₩ -	₩ -	₩ -	₩ -	₩ 2,263	
Interest-bearing liabilities in foreign currencies	-	-	-	-	-	-	
Gap	₩ 2,263	₩ -	₩ -	₩ -	₩ -	₩ 2,263	
Accumulated gap	2,263	2,263	2,263	2,263	2,263		
Percentage (%)	100.00	100.00	100.00	100.00	100.00		

## KB Life Insurance Co., Ltd.

(In millions of Korean won)

		2013					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total	
Interest-bearing assets in Korean won	₩ 249,863	₩ 187,377	₩ 630,846	₩ 1,314,773	₩ 2,502,573	₩ 4,885,432	
Interest-bearing liabilities in Korean won	27,836	72,309	4,862,687	36,488	528,861	5,528,181	
Gap	₩ 222,027	₩ 115,068	₩ (4,231,841)	₩ 1,278,285	₩ 1,973,712	₩ (642,749)	
Accumulated gap	222,027	337,095	(3,894,746)	(2,616,461)	(642,749)		
Percentage (%)	4.54	6.90	(79.72)	(53.56)	(13.16)		

(In millions of Korean won)

		2012					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total	
Interest-bearing assets in Korean won	₩ 133,084	₩ 100,088	₩ 640,829	₩ 1,106,126	₩ 2,482,444	₩ 4,462,571	
Interest-bearing liabilities in Korean won	24,616	67,092	4,131,620	20,525	531,472	4,775,325	
Gap	₩ 108,468	₩ 32,996	₩ (3,490,791)	₩ 1,085,601	₩ 1,950,972	₩ (312,754)	
Accumulated gap	108,468	141,464	(3,349,327)	(2,263,726)	(312,754)		
Percentage (%)	2.43	3.17	(75.05)	(50.73)	(7.01)		

## KB Savings Bank Co., Ltd.

(In millions of Korean won)

	2013					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Interest-bearing assets in Korean won	₩ 160,377	₩ 64,008	₩ 90,405	₩ 71,477	₩ 43,765	₩ 430,032
Interest-bearing liabilities in Korean won	88,608	108,965	212,012	26,693	1,271	437,549
Gap	₩ 71,769	₩ (44,957)	₩ (121,607)	₩ 44,784	₩ 42,494	₩ (7,517)
Accumulated gap	71,769	26,812	(94,795)	(50,011)	(7,517)	
Percentage (%)	16.69	6.23	(22.04)	(11.63)	(1.75)	

(In millions of Korean won)

	2012					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Interest-bearing assets in Korean won	₩ 251,570	₩ 81,607	₩ 90,543	₩ 42,725	₩ 180,729	₩ 647,174
Interest-bearing liabilities in Korean won	90,061	96,665	280,717	26,750	2,788	496,981
Gap	₩ 161,509	₩ (15,058)	₩ (190,174)	₩ 15,975	₩ 177,941	₩ 150,193
Accumulated gap	161,509	146,451	(43,723)	(27,748)	150,193	
Percentage (%)	24.96	22.63	(6.76)	(4.29)	23.21	

## Yehansoul Savings Bank Co., Ltd.

(In millions of Korean won)

	2013					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Interest-bearing assets in Korean won	₩ 109,603	₩ 11,149	₩ 1,881	₩ 4,515	₩ 23,659	₩ 150,807
Interest-bearing liabilities in Korean won	60,126	48,336	42,739	6,008	111	157,320
Gap	₩ 49,477	₩ (37,187)	₩ (40,858)	₩ (1,493)	₩ 23,548	₩ (6,513)
Accumulated gap	49,477	12,290	(28,568)	(30,061)	(6,513)	
Percentage (%)	32.81	8.15	(18.94)	(19.93)	(4.32)	

## ii. Interest Rate VaR

Interest rate VaR is the maximum possible loss due to interest rate risk at a 99.94% confidence level. The measurement results of risk as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013	2012
Kookmin Bank	₩ 203,503	₩ 177,418
KB Kookmin Card Co., Ltd.	73,135	41,867
KB Investment & Securities Co., Ltd.	7,503	5,525
KB Life Insurance Co., Ltd.	168,542	156,474
KB Savings Bank Co., Ltd.	3,870	2,224
Yehansoul Savings Bank Co., Ltd.	1,604	-

#### 4.4.4 Financial instruments in foreign currencies

Financial instruments in foreign currencies as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013						Total
	USD	JPY	EUR	GBP	CNY	Others	
<b>Financial Assets</b>							
Cash and due from financial institutions	₩1,324,563	₩ 123,527	₩ 87,765	₩ 5,495	₩ 130,290	₩ 216,250	₩1,887,890
Financial assets held for trading	16,290	-	-	-	-	-	16,290
Financial assets designated at fair value through profit or loss	5,293	-	-	-	-	-	5,293
Derivatives held for trading	94,664	-	946	-	-	-	95,610
Derivatives held for hedging	16,094	-	-	-	-	-	16,094
Loans	10,061,929	1,235,187	381,415	51,677	456	190,827	11,921,491
Available-for-sale financial assets	777,081	10,052	-	-	-	3,747	790,880
Other financial assets	512,717	314,632	76,016	1,332	-	91,405	996,102
	₩12,808,631	₩1,683,398	₩ 546,142	₩ 58,504	₩ 130,746	₩ 502,229	₩15,729,650
<b>Financial liabilities</b>							
Financial liabilities designated at fair value through profit or loss	₩ 5,287	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 5,287
Derivatives held for trading	127,308	-	1,333	-	15	-	128,656
Deposits	3,914,192	515,595	150,713	15,816	10,905	280,863	4,888,084
Debts	5,830,466	574,307	318,748	4,382	100,464	174,898	7,003,265
Debentures	2,717,876	236,020	193,062	-	-	148,687	3,295,645
Other financial liabilities	1,475,826	59,820	150,815	51,678	913	42,241	1,781,293
	₩14,070,955	₩ 1,385,742	₩ 814,671	₩ 71,876	₩ 112,297	₩ 646,689	₩17,102,230
<b>Off-balance sheet items</b>	₩16,574,161	₩ 3,486	₩ 4,878	₩ 4,787	₩ 9,958	₩ 60,221	₩16,657,491

(In millions of Korean won)

	2012						
	USD	JPY	EUR	GBP	CNY	Others	Total
<b>Financial Assets</b>							
Cash and due from financial institutions	₩ 867,448	₩ 162,793	₩ 89,429	₩ 13,544	₩ 20,625	₩ 82,967	₩1,236,806
Derivatives held for trading	106,215	150	1,267	-	-	-	107,632
Derivatives held for hedging	21,794	-	-	-	-	-	21,794
Loans	9,185,177	2,185,242	528,812	139,134	883	169,483	12,208,731
Available-for-sale financial assets	628,941	21,313	17,315	1,109	-	1,504	670,182
Held-to-maturity financial assets	1	-	-	-	-	-	1
Other financial assets	528,529	51,020	100,883	1,388	-	109,452	791,272
	₩11,338,105	₩2,420,518	₩ 737,706	₩ 155,175	₩ 21,508	₩ 363,406	₩15,036,418
<b>Financial liabilities</b>							
Derivatives held for trading	₩ 180,324	₩ 177	₩ 1,753	₩ -	₩ -	₩ -	₩ 182,254
Deposits	3,767,148	611,386	210,837	17,243	2,793	290,124	4,899,531
Debts	5,033,696	1,765,338	513,294	32,745	48	189,897	7,535,018
Debentures	2,006,660	550,037	249,668	-	-	355,381	3,161,746
Other financial liabilities	1,187,766	59,927	26,234	109,670	39	30,135	1,413,771
	₩12,175,594	₩ 2,986,865	₩1,001,786	₩ 159,658	₩ 2,880	₩ 865,537	₩17,192,320
<b>Off-balance sheet items</b>	₩15,818,548	₩ 4,537	₩ 5,566	₩ 4,760	₩ -	₩ 7,980	₩15,841,391

## 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 complies with the capital adequacy standard established by the Financial Services Commission. The capital adequacy standard is based on Basel III published by Basel Committee on Banking Supervision in Bank of International Settlements in June 2011, and was implemented in Korea in December 2013. The Group is required to maintain a minimum Common Equity Tier 1 ratio of at least 3.5%, a minimum Tier 1 ratio of 4.5% and a minimum Total Regulatory Capital of 8.0% in December 2013.

The Group's equity capital is classified into three categories in accordance with the Supervisory Regulations and Detailed Supervisory Regulations on Financial Holding Companies. :

- Common Equity Tier 1 Capital: Common equity Tier 1 Capital represents the issued capital that takes the first and proportionately greatest share of any losses and represents the most subordinated claim in liquidation of the Group, and not repaid outside of liquidation. It includes common shares

issued, capital surplus, retained earnings, non-controlling interests of consolidated subsidiaries, accumulated other comprehensive income, other capital surplus and others.

- Additional Tier 1 Capital: Additional Tier 1 Capital includes (i) perpetual instruments issued by the Group that meet the criteria for inclusion in Additional Tier 1 capital, and (ii) stock surplus resulting from the issue of instruments included in Additional Tier 1 capital and others.

- Tier 2 Capital: Tier 2 Capital represents the capital that takes the proportionate share of losses in the liquidation of the Group. Tier 2 Capital includes a fund raised by issuing subordinated debentures maturing in not less than 5 years that meet the criteria for inclusion in Additional Tier 2 capital, and the allowance for loan losses which are accumulated for assets classified as normal or precautionary as a result of classification of asset soundness in accordance with Regulation on Supervision of Financial Holding Companies and others.

Risk weighted asset means the inherent risks in the total assets held by the Group. The Group calculates risk weighted asset by each risk (credit risk, market risk, and operational risk) based on the Supervisory Regulations and Detailed Supervisory Regulations on Financial Holding Companies and uses it for BIS ratio calculation.

The Group assesses and monitors its adequacy of capital by using the internal assessment and management policy of the capital adequacy. The assessment of the capital adequacy is conducted by comparing available capital (actual amount of available capital) and economic capital (amount of capital enough to cover all significant risks under target credit rate set by the Group). The Group monitors the soundness of finance and provides risk adjusted basis for performance review using the assessment of the capital adequacy.

Economic Capital is the amount of 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 subsidiary. 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 details of the Group's capital adequacy calculation in line with Basel III requirements as of December 31, 2013, are as follows:

(In millions of Korean won)

		<b>2013</b>
Equity Capital:	₩	27,296,535
Tier 1 Capital		22,693,836
Common Equity Tier 1 Capital		22,693,836
Additional Tier 1 Capital		-
Tier 2 Capital		4,602,699
Risk-weighted assets:		177,514,060
Credit risk <sup>1</sup>		157,040,868
Market risk <sup>2</sup>		5,122,146
Operational risk <sup>3</sup>		15,351,046
Equity Capital (%):		15.38
Tier 1 Capital (%)		12.78
Common Equity Tier 1 Capital (%)		12.78

<sup>1</sup> Credit risk weighted assets are measured using the Internal Rating-Based Approach and Standardized Approach.

<sup>2</sup> Market-risk weighted assets are measured using Standardized Approach.

<sup>3</sup> Operational risk weighted assets are measured using the Basic Indicator Approach.

The details of the Group's capital adequacy calculation in line with Basel I requirements as of December 31, 2012, are as follows:

(In millions of Korean won)

	<b>2012</b>
Equity Capital:	₩ 26,907,004
Tier 1 Capital	20,595,885
Tier 2 Capital	6,311,119
Risk-weighted assets:	193,510,143
Credit risk	187,465,230
Market risk	6,044,913
Equity Capital (%):	13.90
Tier 1 Capital (%)	10.64
Tier 2 Capital (%)	3.26

## 5. Segment Information

### 5.1 Overall Segment Information and Business Segments

The Group is organized into the following business segments. 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.

<b>Banking business</b>	Corporate Banking	The activities within this segment include providing credit, deposit products and other related financial services to large, small-and medium-sized enterprises and SOHOs.
	Retail Banking	The activities within this segment include providing credit, deposit products and other related financial services to individuals and households.
	Other Banking services	The activities within this segment include trading activities in securities and derivatives, funding and other supporting activities.
<b>Credit Card business</b>		The activities within this segment include credit sale, cash service, card loan and other supporting activities.
<b>Investment &amp; Securities business</b>		The activities within this segment include investment banking and brokerage services and other supporting activities.
<b>Life Insurance business</b>		The activities within this segment include life insurance and other supporting activities.

Financial information by business segment for the year ended December 31, 2013, is as follows:

(In millions of Korean won)

	Banking business				Credit Card	Investment & Securities	Life Insurance	Others	Intra-group Adjustments	Total
	Corporate Banking	Retail Banking	Other Banking Services	Sub-total						
Operating revenues from external customers	₩ 1,731,770	₩ 2,453,683	₩ 1,486,647	₩ 5,672,100	₩ 1,420,937	₩ 115,054	₩ 102,226	₩ 143,811	₩ -	₩ 7,454,128
Segment operating revenues(expenses)	4,945	(91,800)	314,854	227,999	(218,231)	5,180	(38,327)	124,281	(100,902)	-
	₩ 1,736,715	₩ 2,361,883	₩ 1,801,501	₩ 5,900,099	₩ 1,202,706	₩ 120,234	₩ 63,899	₩ 268,092	₩ (100,902)	₩ 7,454,128
Net interest income	2,550,728	2,012,661	596,851	5,160,240	1,057,046	23,985	200,422	80,694	445	6,522,832
Interest income	4,390,623	4,785,526	1,419,231	10,595,380	1,435,952	40,567	200,422	106,336	(21,727)	12,356,930
Interest expense	(1,839,895)	(2,772,865)	(822,380)	(5,435,140)	(378,906)	(16,582)	-	(25,642)	22,172	(5,834,098)
Net fee and commission income	240,698	612,165	251,881	1,104,744	184,679	75,796	109	118,136	(4,225)	1,479,239
Fee and commission income	282,403	674,250	324,997	1,281,650	1,406,239	84,168	109	137,796	(252,597)	2,657,365
Fee and commission expense	(41,705)	(62,085)	(73,116)	(176,906)	(1,221,560)	(8,372)	-	(19,660)	248,372	(1,178,126)
Net gains(losses) on financial assets / liabilities at fair value through profit or loss	184	(1,804)	692,121	690,501	-	19,422	18,051	28,898	(50)	756,822
Net other operating income(loss)	(1,054,895)	(261,139)	260,648	(1,055,386)	(39,019)	1,031	(154,683)	40,364	(97,072)	(1,304,765)
General and administrative expenses	(821,503)	(1,739,768)	(835,517)	(3,396,788)	(354,392)	(96,345)	(50,692)	(141,668)	56,321	(3,983,564)
Operating profit before provision for credit losses	915,212	622,115	965,984	2,503,311	848,314	23,889	13,207	126,424	(44,581)	3,470,564
Provision(reversal) for credit losses	(706,464)	(358,150)	(575)	(1,065,189)	(344,555)	(5,425)	(526)	(28,235)	358	(1,443,572)
Net operating profit	208,748	263,965	965,409	1,438,122	503,759	18,464	12,681	98,189	(44,223)	2,026,992
Share of profit of associates	-	-	(202,880)	(202,880)	-	7	-	(38,134)	41,615	(199,392)
Net other nonoperating revenue (expense)	1,662	-	(25,293)	(23,631)	(1,652)	(1,728)	(791)	31,256	(15,763)	(12,309)
Segment profits before income tax	210,410	263,965	737,236	1,211,611	502,107	16,743	11,890	91,311	(18,371)	1,815,291
Income tax expense	(53,195)	(86,283)	(252,414)	(391,892)	(117,696)	(4,887)	(2,792)	(30,021)	(4,298)	(551,586)
Profit for the year	157,215	177,682	484,822	819,719	384,411	11,856	9,098	61,290	(22,669)	1,263,705
Profit attributable to Shareholders of the parent company	157,215	177,682	484,738	819,635	384,411	11,856	9,098	61,290	(25,781)	1,260,509
Profit attributable to Non-controlling interests	-	-	84	84	-	-	-	-	3,112	3,196
Total assets <sup>1</sup>	92,498,513	103,202,391	69,558,038	265,258,942	15,854,992	2,525,070	6,945,605	21,504,989	(20,251,443)	291,838,155
Total liabilities <sup>1</sup>	81,008,201	122,206,712	41,426,715	244,641,628	12,385,131	1,973,888	6,396,477	1,414,111	(625,911)	266,185,324

<sup>1</sup> Amounts before intra-group transaction adjustment.



Financial information by business segment for the year ended December 31, 2012<sup>1</sup>, is as follows:

(In millions of Korean won)

	Banking business				Credit Card	Investment & Securities	Life Insurance	Others	Intra-group Adjustments	Total
	Corporate Banking	Retail Banking	Other Banking Services	Sub-total						
Operating revenues from external customers	₩ 1,952,464	₩ 3,041,135	₩ 1,297,400	₩ 6,290,999	₩ 1,286,719	₩ 142,617	₩ 131,188	₩ 32,988	₩ -	₩ 7,884,511
Segment operating revenues(expenses)	2,289	(70,422)	300,356	232,223	(238,094)	5,971	(62,774)	201,566	(138,892)	-
	₩ 1,954,753	₩ 2,970,713	₩ 1,597,756	₩ 6,523,222	₩ 1,048,625	₩ 148,588	₩ 68,414	₩ 234,554	₩ (138,892)	₩ 7,884,511
Net interest income	2,593,646	2,524,163	661,666	5,779,475	974,419	19,059	192,011	75,971	(3,152)	7,037,783
Interest income	5,190,403	5,681,723	1,622,918	12,495,044	1,387,987	38,206	191,907	123,096	(26,134)	14,210,106
Interest expense	(2,596,757)	(3,157,560)	(961,252)	(6,715,569)	(413,568)	(19,147)	104	(47,125)	22,982	(7,172,323)
Net fee and commission income	232,981	696,311	324,120	1,253,412	157,788	85,610	211	96,899	(27,214)	1,566,706
Fee and commission income	274,794	760,802	401,892	1,437,488	1,427,271	96,247	211	117,008	(324,349)	2,753,876
Fee and commission expense	(41,813)	(64,491)	(77,772)	(184,076)	(1,269,483)	(10,637)	-	(20,109)	297,135	(1,187,170)
Net gains(losses) on financial assets/ liabilities at fair value through profit or loss	(501)	(15,102)	756,103	740,500	-	39,137	7,703	24,617	7	811,964
Net other operating income(loss)	(871,373)	(234,659)	(144,133)	(1,250,165)	(83,582)	4,782	(131,511)	37,067	(108,533)	(1,531,942)
General and administrative expenses	(792,533)	(1,672,741)	(811,714)	(3,276,988)	(348,243)	(117,861)	(45,166)	(133,069)	75,717	(3,845,610)
Operating profit before provision for credit losses	1,162,220	1,297,972	786,042	3,246,234	700,382	30,727	23,248	101,485	(63,175)	4,038,901
Provision(reversal) for credit losses	(852,964)	(392,354)	(48,712)	(1,294,030)	(314,843)	(3,244)	(479)	5,842	51	(1,606,703)
Net operating profit	309,256	905,618	737,330	1,952,204	385,539	27,483	22,769	107,327	(63,124)	2,432,198
Share of profit of associates	-	-	(5,712)	(5,712)	-	-	-	(185)	(9,385)	(15,282)
Net other nonoperating revenue (expense)	5,522	-	(69,537)	(64,015)	(4,334)	(2,987)	(856)	(44,177)	(1,903)	(118,272)
Segment profits before income tax	314,778	905,618	662,081	1,882,477	381,205	24,496	21,913	62,965	(74,412)	2,298,644
Income tax expense	(76,854)	(219,173)	(146,327)	(442,354)	(90,464)	(6,604)	(5,268)	(14,894)	1,073	(558,511)
Profit for the year	237,924	686,445	515,754	1,440,123	290,741	17,892	16,645	48,071	(73,339)	1,740,133
Profit attributable to Shareholders of the parent company	237,924	686,445	515,385	1,439,754	290,741	17,892	16,645	48,071	(82,069)	1,731,034
Profit attributable to Non-controlling interests	-	-	369	369	-	-	-	-	8,730	9,099
Total assets <sup>2</sup>	93,143,686	100,591,642	67,311,525	261,046,853	14,046,174	3,314,907	5,987,928	21,072,698	(19,717,506)	285,751,054
Total liabilities <sup>2</sup>	84,489,904	115,521,270	41,018,121	241,029,295	10,966,541	2,769,160	5,594,727	1,097,595	(469,405)	260,987,913

<sup>1</sup> Operating revenues by business segment for the year ended December 31, 2012, have been restated due to a retrospective application of the accounting policy.<sup>2</sup> Amounts before intra-group transaction adjustment.

## 5.2 Services and Geographical Segments

### 5.2.1 Services information

Operating revenues from external customers by services for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
Banking service	₩	5,672,100	₩	6,290,999
Credit card service		1,420,937		1,286,719
Investment & securities service		115,054		142,617
Life insurance service		102,226		131,188
Other service		143,811		32,988
	₩	7,454,128	₩	7,884,511

### 5.2.2 Geographical information

Geographical operating revenues from external customers for the years ended December 31, 2013 and 2012, and major non-current assets as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
	Revenues from external customers	Major non-current assets	Revenues from external customers	Major non-current assets
Domestic	₩ 7,399,906	₩ 3,600,424	₩ 7,785,586	₩ 3,574,205
United States	12,730	21	11,438	35
New Zealand	8,581	20	8,268	35
China	32,190	10,488	30,800	11,349
Japan	(17,182)	1,722	30,810	2,653
Argentina	6	-	10	-
Vietnam	3,268	316	1,172	429
Cambodia	5,741	898	4,151	546
England	8,888	9	12,276	16
Intra-group adjustment	-	56,408	-	57,230
	₩ 7,454,128	₩ 3,670,306	₩ 7,884,511	₩ 3,646,498

## 6. Financial Assets and Financial Liabilities

### 6.1 Classification and Fair value of financial instruments

Carrying amount and fair value of financial assets and liabilities as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and due from financial institutions	₩ 14,792,654	₩ 14,793,603	₩ 10,592,605	₩ 10,545,944
Financial assets held for trading	8,967,006	8,967,006	9,207,629	9,207,629
Debt securities	7,825,785	7,825,785	8,291,615	8,291,615
Equity securities	1,100,969	1,100,969	876,175	876,175
Others	40,252	40,252	39,839	39,839
Financial assets designated at fair value through profit or loss	361,736	361,736	352,090	352,090
Equity securities	115,778	115,778	159,483	159,483
Derivative linked securities	245,958	245,958	192,607	192,607
Derivatives held for trading	1,680,880	1,680,880	1,907,774	1,907,774
Derivatives held for hedging	138,529	138,529	183,511	183,511
Loans	219,001,356	219,319,406	213,644,791	214,665,080
Available-for-sale financial assets	21,832,104	21,832,104	24,211,546	24,211,546
Debt securities	18,933,288	18,933,288	21,737,240	21,737,240
Equity securities	2,898,816	2,898,816	2,474,306	2,474,306
Held-to-maturity financial assets	13,016,991	13,386,962	12,255,806	12,837,009
Other financial assets	6,251,679	6,251,679	7,569,596	7,569,596
	₩ 286,042,935	₩ 286,731,905	₩ 279,925,348	₩ 281,480,179
<b>Financial liabilities</b>				
Financial liabilities held for trading	₩ 236,637	₩ 236,637	₩ 1,381,997	₩ 1,381,997
Financial liabilities designated at fair value through profit or loss	878,565	878,565	469,138	469,138
Derivatives held for trading	1,580,029	1,580,029	1,854,216	1,854,216
Derivatives held for hedging	215,310	215,310	200,526	200,526
Deposits	200,882,064	201,128,271	197,346,205	197,793,204
Debts	14,101,331	14,098,569	15,965,458	15,984,126
Debentures	27,039,534	28,221,196	24,270,212	25,762,049
Other financial liabilities	13,262,914	13,262,946	12,185,938	12,186,032
	₩ 258,196,384	₩ 259,621,523	₩ 253,673,690	₩ 255,631,288

The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. 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:

<b>Cash and due from financial institutions</b>	The carrying amounts of cash and demand due from financial institutions and payment due from financial institutions are a reasonable approximation of fair values. These financial instruments do not have a fixed maturity and are receivable on demand. Fair value of ordinary due from financial institutions is measured using a DCF model.
<b>Investment securities</b>	The fair value of financial instruments that are quoted in active markets is determined using the quoted prices. Fair value is determined through the use of independent third-party pricing services where quoted prices are not available. Pricing services use one or more of the following valuation techniques including Discounted Cash Flow (DCF) Model, Imputed Market Value Model, Free Cash Flow to Equity Model, Dividend Discount Model, Risk Adjusted Discount Rate Method, and Net Asset Value Method.
<b>Loans</b>	DCF model is used to determine the fair value of loans. Fair value is determined by discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at appropriate discount rate.
<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 representative of 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 flows, which are contractual cash flows adjusted by the expected prepayment rate, at an appropriate discount rate.
<b>Debts</b>	Carrying amount of overdraft in foreign currency is regarded as representative of fair value because they do not have a fixed maturity and are payable on demand. Fair value of other debts is determined using a DCF model discounting contractual future cash flows at an appropriate discount rate.
<b>Debentures</b>	Fair value is determined by using the valuations of independent third-party pricing services, which are calculated using market inputs.
<b>Other financial assets and liabilities</b>	The carrying amounts are reasonable approximation of fair values. These financial instruments are temporary accounts used for other various transactions and their maturities are relatively short or not defined. However, fair value of finance lease liabilities is measured using a DCF model.

#### Fair value hierarchy

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.

The Group classifies and discloses fair value of the financial instruments into the following three-level hierarchy:

Level 1: The fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: The fair values are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: The fair values are based on unobservable inputs for the asset or liability.

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**

The fair value hierarchy of financial assets and liabilities measured at fair value in the statements of financial position as of December 31, 2013 and 2012, is as follows:

(In millions of Korean won)

	2013			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
Financial assets held for trading				
Debt securities	₩ 3,160,592	₩ 4,665,193	₩ -	₩ 7,825,785
Equity securities	327,260	773,709	-	1,100,969
Others	40,252	-	-	40,252
Financial assets designated at fair value through profit or loss				
Equity securities	-	115,778	-	115,778
Derivative linked securities	-	12,030	233,928	245,958
Derivatives held for trading	744	1,630,940	49,196	1,680,880
Derivatives held for hedging	-	138,077	452	138,529
Available-for-sale financial assets <sup>1</sup>				
Debt securities	9,754,737	9,175,742	2,809	18,933,288
Equity securities	985,108	254,464	1,659,244	2,898,816
	₩ 14,268,693	₩ 16,765,933	₩ 1,945,629	₩ 32,980,255
<b>Financial liabilities</b>				
Financial liabilities held for trading				
Financial liabilities designated at fair value through profit or loss	-	-	878,565	878,565
Derivatives held for trading	261	1,538,374	41,394	1,580,029
Derivatives held for hedging	-	206,468	8,842	215,310
	₩ 236,898	₩ 1,744,842	₩ 928,801	₩ 2,910,541

(In millions of Korean won)

	2012					
	Fair value hierarchy			Level 3	Total	
	Level 1	Level 2				
<b>Financial assets</b>						
Financial assets held for trading						
Debt securities	₩ 3,945,101	₩ 4,346,514	₩ -	₩ 8,291,615		
Equity securities	449,268	426,907	-	876,175		
Others	39,839	-	-	39,839		
Financial assets designated at fair value through profit or loss						
Equity securities	-	159,483	-	159,483		
Derivative linked securities	-	14,983	177,624	192,607		
Derivatives held for trading	2,839	1,858,150	46,785	1,907,774		
Derivatives held for hedging	-	180,746	2,765	183,511		
Available-for-sale financial assets <sup>1</sup>						
Debt securities	10,351,980	11,379,670	5,590	21,737,240		
Equity securities	793,362	208,195	1,472,749	2,474,306		
	₩ 15,582,389	₩ 18,574,648	₩ 1,705,513	₩ 35,862,550		
<b>Financial liabilities</b>						
Financial liabilities held for trading	₩ 1,381,997	₩ -	₩ -	₩ 1,381,997		
Financial liabilities designated at fair value through profit or loss	-	-	469,138	469,138		
Derivatives held for trading	2,560	1,803,713	47,943	1,854,216		
Derivatives held for hedging	-	191,226	9,300	200,526		
	₩ 1,384,557	₩ 1,994,939	₩ 526,381	₩ 3,905,877		

<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 ₩117,750 million and ₩232,596 million as of December 31, 2013 and 2012, 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 the near future.

**Valuation techniques and the inputs used in the fair value measurement classified as Level 2**

The financial assets and liabilities measured at fair value classified as Level 2 in the statements of financial position as of December 31, 2013 is as follows:

(In millions of Korean won)

	Fair value	Valuation techniques	Inputs
<b>Financial assets</b>			
Financial assets held for trading			
Debt securities	₩ 4,665,193	DCF Model	Discount rate
Equity securities	773,709	DCF Model, Net Asset Value	Discount rate, Fair value of underlying asset
	5,438,902		
Financial assets designated at fair value through profit or loss			
Equity securities	115,778	DCF Model	Discount rate
Derivative linked securities	12,030	Monte Carlo Simulation	Price of the underlying asset, Interest rates, Volatility of the underlying asset, Correlation of the underlying assets
	127,808		
Derivatives held for trading	1,630,940	DCF Model, Closed Form, FDM	Discount rate, Volatility, Foreign exchange rate, Stock price and others
Derivatives held for hedging	138,077	DCF Model, Closed Form, FDM	Discount rate, Volatility, Foreign exchange rate and others
Available-for-sale financial assets			
Debt securities	9,175,742	DCF Model	Discount rate
Equity securities	254,464	DCF Model, Net Asset Value	Discount rate, Fair value of underlying asset
	9,430,206		
	₩ 16,765,933		
<b>Financial liabilities</b>			
Derivatives held for trading	₩ 1,538,374	DCF Model, Closed Form, FDM	Discount rate, Volatility, Foreign exchange rate, Stock price and others
Derivatives held for hedging	206,468	DCF Model, Closed Form, FDM	Discount rate, Volatility, Foreign exchange rate and others
	₩ 1,744,842		

**Fair value hierarchy of financial assets and liabilities whose the fair values are disclosed**

The fair value hierarchy of financial assets and liabilities which the fair value is disclosed as of December 31, 2013 is as follows:

(in millions of Korean won)

	2013				
	Fair value hierarchy				Total
	Level 1	Level 2	Level 3		
<b>Financial assets</b>					
Cash and due from financial institutions <sup>1</sup>	₩ 2,698,018	₩ 10,555,993	₩ 1,539,592	₩ 14,793,603	
Loans	-	-	219,319,406	219,319,406	
Held-to-maturity financial assets	3,535,217	9,851,745	-	13,386,962	
Other financial assets <sup>2</sup>	-	-	6,251,679	6,251,679	
	₩ 6,233,235	₩ 20,407,738	₩ 227,110,677	₩ 253,751,650	
<b>Financial liabilities</b>					
Deposits <sup>1</sup>	₩ -	₩ 72,839,365	₩ 128,288,906	₩ 201,128,271	
Debts <sup>1</sup>	-	156,349	13,942,220	14,098,569	
Debentures	-	27,752,493	468,703	28,221,196	
Other financial liabilities <sup>2</sup>	-	-	13,262,946	13,262,946	
	₩ -	₩ 100,748,207	₩ 155,962,775	₩ 256,710,982	

<sup>1</sup> The amounts included in Level 2 are the carrying amounts which are reasonable approximation of the fair values.

<sup>2</sup> The ₩6,251,679 million of other financial assets and ₩13,261,041 million of other financial liabilities included in Level 3 are the carrying amounts which are reasonable approximation of fair values.

**Valuation techniques and the inputs used in the fair value measurement**

The valuation techniques and the inputs of financial assets and liabilities which are disclosed by the carrying amounts because it is a reasonable approximation of fair value are not subject to be disclosed.

The valuation techniques and the inputs of financial assets and liabilities whose the fair values are disclosed and classified as Level 2 as of December 31, 2013, are as follows:

(In millions of Korean won)

	Fair value	Valuation techniques	Inputs
<b>Financial assets</b>			
Held-to-maturity financial assets	₩ 9,851,745	DCF Model	Discount rate
<b>Financial liabilities</b>			
Debentures	₩ 27,752,493	DCF Model	Discount rate



The valuation techniques and the inputs of financial assets and liabilities whose the fair values are disclosed and classified as Level 3 as of December 31, 2013, are as follows:

(In millions of Korean won)

	Fair value		Valuation techniques	Inputs
<b>Financial assets</b>				
Cash and due from financial institutions	₩	1,539,592	DCF Model	Credit spread, Other spread
Loans		219,319,406	DCF Model	Credit spread, Other spread, Prepayment rate
	₩	220,858,998		
<b>Financial liabilities</b>				
Deposits	₩	128,288,906	DCF Model	Other spread, Prepayment rate
Debts		13,942,220	DCF Model	Other spread
Debentures		468,703	DCF Model	Other spread, Implied default probability
Other financial liabilities		1,905	DCF Model	Other spread
	₩	142,701,734		

## 6.2 Level 3 of the fair value hierarchy disclosure

### 6.2.1 Valuation policy and process of Level 3 Fair value

The Group uses the value of external, independent and qualified valuers or the value of internal valuation models to determine the fair value of the Group's assets at the end of every financial year.

Where a reclassification between the levels of the fair value hierarchy occurs for a financial asset or liability, the Group's policy is to recognize such transfers as having occurred at the beginning of the reporting period.

### 6.2.2 Changes in Level 3 of the fair value hierarchy used in the valuation techniques based on unobservable assumption in the market

Changes in Level 3 of the fair value hierarchy for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013						
	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	₩ -	₩ 177,624	₩ 1,478,339	₩ (469,138)		₩ (1,158)	₩ (6,535)
Total gains or losses							
- Profit or loss	-	7,138	(10,180)	(31,379)		(2,007)	(1,229)
- Other comprehensive income	-	-	41,204	-		-	-
Purchases	-	415,876	519,140	-		96	-
Sales	-	(366,710)	(85,191)	-		(2,058)	-
Issues	-	-	-	(1,076,965)		(4,080)	-
Settlements	-	-	-	698,917		17,009	(626)
Transfers into Level 3	-	-	26,979	-		-	-
Transfers out of Level 3	-	-	(308,238)	-		-	-
Ending balance	₩ -	₩ 233,928	₩ 1,662,053	₩ (878,565)		₩ 7,802	₩ (8,390)

(In millions of Korean won)

	2012							
	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	₩ 10,826	₩ 574,687	₩ 1,150,633	₩	(837,206)	₩ (10,805)	₩ (9,610)	
Total gains or losses								
- Profit or loss	-	120,779	(96,194)		(159,685)	(8,246)	15,935	
- Other comprehensive income	-	-	152,368		-	-	-	
Purchases	-	129,612	49,700		-	28,163	-	
Sales	(10,826)	(647,454)	(59,165)		-	(10,211)	-	
Issues	-	-	-		(673,006)	(6,903)	-	
Settlements	-	-	-		1,200,759	6,844	(12,860)	
Transfers into Level 3	-	-	282,498		-	-	-	
Transfers out of Level 3	-	-	(1,501)		-	-	-	
Ending balance	₩ -	₩ 177,624	₩ 1,478,339	₩	(469,138)	₩ (1,158)	₩ (6,535)	

In relation to changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the year, and total gains or losses for the year included in profit or loss for financial instruments held at the end of the reporting period in the statements of comprehensive income for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013	
	Net income from financial investments at fair value through profit or loss	Other operating income
Total gains or losses included in profit or loss for the year	₩ (26,248)	₩ (11,409)
Total gains or losses for the year included in profit or loss for financial instruments held at the end of the reporting period	(3,285)	(23,948)

(In millions of Korean won)

	2012	
	Net income from financial investments at fair value through profit or loss	Other operating income
Total gains or losses included in profit or loss for the year	₩ (47,152)	₩ (80,259)
Total gains or losses for the year included in profit or loss for financial instruments held at the end of the reporting period	(18,063)	(83,533)

### 6.2.3 Sensitivity analysis of changes in unobservable inputs

Information about fair value measurements using unobservable inputs

(In millions of Korean won)

	Fair value	Valuation technique	Inputs	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
<b>Financial assets</b>						
Financial assets designated at fair value through profit or loss						
Derivative linked securities	₩ 233,928	Monte Carlo Simulation, Closed Form, Hull and White	Price of the underlying asset, Interest rates, Dividend yield, Volatility of the underlying asset, Correlation between underlying asset, Volatility of interest rate, Discount rate	Volatility of the underlying asset	10.99 ~ 40.28	The higher the volatility, the higher the fair value
				Correlation between underlying asset	-3.28 ~ 57.89	The higher the correlation between underlying asset, the higher the fair value
				Volatility of interest rate	0.48	The higher the volatility, the higher the fair value fluctuation
				Discount rate	2.54 ~ 5.32	The lower the discount rate, the higher the fair value
Derivatives held for trading						
Stock and index	42,706	DCF Model, Closed Form, FDM, Monte Carlo Simulation	Price of the underlying asset, Interest rates, Volatility of the underlying asset, Correlation of the underlying assets(index of stock prices), Dividend yield, Discount rate	Correlation of the indexes of stock prices	11.43 ~ 79.26	The higher the correlation, the higher the fair value fluctuation
				Volatility of the underlying asset	7.1 ~ 45.64	The higher the volatility, the higher the fair value fluctuation
				Discount rate	3.46	The lower the discount rate, the higher the fair value
Currency	6,490	DCF Model	Interest rates, Foreign exchange rate, Loss given default	Loss given default	88.24 ~ 94.12	The higher the loss given default, the lower the fair value
Derivatives held for hedging						
Interest rate	452	DCF Model, Closed Form, FDM, Monte Carlo Simulation	Interest rates, Correlation of the underlying assets(Interest rates), Foreign exchange rate	Correlation between interest rates	0.03	The higher the correlation, the higher the fair value fluctuation

	Fair value	Valuation technique	Inputs	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
Available-for-sale financial assets						
Debt securities	2,809	DCF Model	Discount rate	Discount rate	8.85	The lower the discount rate, the higher the fair value
Equity securities	1,659,244	DCF Model, Comparable Company Analysis, Adjusted discount rate method	Growth rate, Discount rate, Volatility of interest rate, Volatilities of real estate selling price, Liquidation value, Discount rate of cash flows from rent, Net asset value, Stock price index of the comparative company	Growth rate	0.00 ~ 1.00	The higher the growth rate, the higher the fair value
				Discount rate	2.86 ~ 58.69	The lower the discount rate, the higher the fair value
				Volatility of interest rate	12.37 ~ 16.26	The higher the volatility, the higher the fair value fluctuation
				Volatilities of real estate selling price	0.74 ~ 0.96	The higher the real estate selling price, the higher the fair value
				Liquidation value	0.00	The higher the liquidation value, the higher the fair value
			Discount rate of cash flows from rent	6.43 ~ 12.83	The lower the discount rate of cash flows, the higher the fair value	
	₩ 1,945,629					

	Fair value	Valuation technique	Inputs	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
<b>Financial liabilities</b>						
Financial liabilities designated at fair value through profit or loss						
Derivative linked securities	₩ 878,565	Closed Form, Monte Carlo Simulation	Price of the underlying asset, Interest rates, Volatility, Correlation, Dividend yield	Correlation of the indexes of stock prices	-3.28 ~ 58.28	The higher the correlation between underlying asset, the higher the fair value
				Volatility of the underlying asset	10.99 ~ 44.71	The higher the volatility, the higher the fair value fluctuation
Stock and index	41,394	DCF Model, Closed Form, FDM, Monte Carlo Simulation	Price of the underlying asset, Interest rates, Volatility of the underlying asset, Correlation of the underlying assets(index of stock prices), Dividend yield, Volatility of interest rate	Correlation of the indexes of stock prices	16.20 ~ 79.26	The higher the correlation, the higher the fair value fluctuation
				Volatility of the underlying asset	10.99 ~ 45.64	The higher the volatility, the higher the fair value fluctuation
				Volatility of interest rate	12.37 ~ 16.26	The higher the volatility, the higher the fair value fluctuation
Derivatives held for hedging						
Interest rate	8,842	DCF Model, Closed Form, FDM, Monte Carlo Simulation	Price of the underlying asset, Interest rates, Volatility of the underlying asset	Volatility of the underlying asset	3.00~5.28	The higher the volatility, the higher the fair value fluctuation
	₩ 928,801					

**Sensitivity analysis of changes in unobservable inputs**

Sensitivity analysis of financial instruments is performed, to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the amounts represent the most favorable or most unfavorable. Amongst Level 3 financial instruments subject to sensitivity analysis are equity-related derivatives, currency-related derivatives and interest rate-related derivatives whose fair value changes are recognized in profit and loss as well as debt securities and unlisted equity securities (including private equity funds) whose fair value changes are recognized in profit and loss or other comprehensive income and loss.

Sensitivity analyses by type of instrument as a result of varying input parameters are as follows:

(In millions of Korean won)

	<b>2013</b>			
	<b>Recognition in profit and loss</b>			
	<b>Favorable changes</b>		<b>Unfavorable changes</b>	
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss				
Derivative linked securities <sup>1</sup>	₩	6,188	₩	(8,834)
Derivatives held for trading <sup>2</sup>		6,653		(6,299)
Derivatives held for hedging <sup>2</sup>		0		0
Available-for-sale financial assets				
Debt securities <sup>3</sup>		61		(58)
Equity securities <sup>4</sup>		322,444		(121,192)
	₩	335,346	₩	(136,383)
<b>Financial liabilities</b>				
Financial liabilities designated at fair value through profit or loss <sup>1</sup>	₩	15,467	₩	(10,330)
Derivatives held for trading <sup>2</sup>		4,596		(4,968)
Derivatives held for hedging <sup>2</sup>		345		(333)
	₩	20,408	₩	(15,631)

(In millions of Korean won)

	<b>2012</b>			
	<b>Recognition in profit and loss</b>			
	<b>Favorable changes</b>		<b>Unfavorable changes</b>	
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss				
Derivative linked securities <sup>1</sup>	₩	953	₩	(1,888)
Derivatives held for trading <sup>2</sup>		8,047		(9,451)
Derivatives held for hedging <sup>2</sup>		197		(202)
Available-for-sale financial assets				
Debt securities <sup>3</sup>		2,773		(2,731)
Equity securities <sup>4</sup>		402,284		(173,054)
	₩	414,254	₩	(187,326)
<b>Financial liabilities</b>				
Financial liabilities designated at fair value through profit or loss <sup>1</sup>	₩	13,843	₩	(7,752)
Derivatives held for trading <sup>2</sup>		3,934		(4,321)
Derivatives held for hedging <sup>2</sup>		176		(169)
	₩	17,953	₩	(12,242)

<sup>1</sup> For financial assets designated at fair value through profit or loss, the changes in fair value are calculated by shifting principal unobservable input parameters such as stock price fluctuation range of underlying assets by +/- 10%.

<sup>2</sup> For equity-related derivatives, the changes in fair value are calculated by shifting principal unobservable input parameters such as correlation between the stock price and volatility by +/- 10%. For currency-related derivatives, the changes in fair value are calculated by shifting principal unobservable input parameters such as loss given default by  $\pm 1\%$ . For interest raterelated derivatives, coefficient of correlation between long-term and short-term interest rates or the volatilities of the underlying assets are shifted by +/- 10% to calculate the fair value changes.

<sup>3</sup> For debt securities, the changes in fair value are calculated by shifting principal unobservable input parameters such as discount rate by +/- 1%.

<sup>4</sup> For equity securities, the changes in fair value are calculated by shifting principal unobservable input parameters such as correlation between growth rate (0~0.5%) and discount rate, or liquidation value (-1~1%) and discount rate. Sensitivity of fair values to unobservable parameters of private equity fund is practically impossible, but in the case of equity fund composed of real estate, the changes in fair value are calculated by shifting correlation between discount rate of cash flows from rent(-1~1%) and volatilities of real estate price(-1~1%).

## 6.2.4 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 deferred and not recognized in profit or loss, and is amortized by using the straight-line method over the life of the financial instrument. 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>2013</b>		<b>2012</b>	
Balance at the beginning of the year	₩	8,652	₩	4,082
New transactions		3,449		23,677
Amounts recognized in profit or loss during the year				
a. Amortization		(3,484)		(7,091)
b. Settlement		(4,427)		(12,016)
Balance at the end of the year	₩	4,190	₩	8,652

### 6.3 Carrying amounts of financial instruments by category

Financial assets and liabilities are measured at fair value or amortized cost. Measurement policies for each class of financial assets and liabilities are disclosed in Note 3, 'Significant accounting policies'.

The carrying amounts of financial assets and liabilities by category as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013									
	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	₩	-	₩	-	₩ 14,792,654	₩	-	₩	-	₩ 14,792,654
Financial assets at fair value through profit or loss		8,967,006		361,736	-		-		-	9,328,742
Derivatives		1,680,880		-	-		-		138,529	1,819,409
Loans		-		-	219,001,356		-		-	219,001,356
Financial investments		-		-	-	21,832,104	13,016,991		-	34,849,095
Other financial assets		-		-	6,251,679		-		-	6,251,679
	₩	10,647,886	₩	361,736	₩ 240,045,689	₩ 21,832,104	₩ 13,016,991	₩	138,529	₩ 286,042,935

(In millions of Korean won)

	2013									
	Financial liabilities at fair value through profit or loss		Financial liabilities at amortized cost	Derivatives held for hedging	Total					
	Held for trading	Designated at fair value through profit or loss								
<b>Financial liabilities</b>										
Financial liabilities at fair value through profit or loss	₩	236,637	₩	878,565	₩	-	₩	-	₩	1,115,202
Derivatives		1,580,029		-		-		215,310		1,795,339
Deposits		-		-	200,882,064		-		-	200,882,064
Debts		-		-	14,101,331		-		-	14,101,331
Debentures		-		-	27,039,534		-		-	27,039,534
Other financial liabilities		-		-	13,262,914		-		-	13,262,914
	₩	1,816,666	₩	878,565	₩ 255,285,843	₩	215,310	₩	258,196,384	



(In millions of Korean won)

	2012						
	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	₩ -	₩ -	₩ 10,592,605	₩ -	₩ -	₩ -	₩ 10,592,605
Financial assets at fair value through profit or loss	9,207,629	352,090	-	-	-	-	9,559,719
Derivatives	1,907,774	-	-	-	-	183,511	2,091,285
Loans	-	-	213,644,791	-	-	-	213,644,791
Financial investments	-	-	-	24,211,546	12,255,806	-	36,467,352
Other financial assets	-	-	7,569,596	-	-	-	7,569,596
	₩ 11,115,403	₩ 352,090	₩ 231,806,992	₩ 24,211,546	₩ 12,255,806	₩ 183,511	₩ 279,925,348

(In millions of Korean won)

	2012				
	Financial liabilities at fair value through profit or loss		Financial liabilities at amortized cost	Derivatives held for hedging	Total
	Held for trading	Designated at fair value through profit or loss			
<b>Financial liabilities</b>					
Financial liabilities at fair value through profit or loss	₩ 1,381,997	₩ 469,138	₩ -	₩ -	₩ 1,851,135
Derivatives	1,854,216	-	-	200,526	2,054,742
Deposits	-	-	197,346,205	-	197,346,205
Debts	-	-	15,965,458	-	15,965,458
Debentures	-	-	24,270,212	-	24,270,212
Other financial liabilities	-	-	12,185,938	-	12,185,938
	₩ 3,236,213	₩ 469,138	₩ 249,767,813	₩ 200,526	₩ 253,673,690

## 6.4 Transfer of financial assets

Transferred financial assets that are derecognized in their entirety

The Group transferred loans and other financial assets that are derecognized in their entirety to SPEs, while the maximum exposure to loss (carrying amount) from its continuing involvement in the derecognized financial assets as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

2013						
	Type of continuing involvement	Classification of financial instruments		Carrying amount of continuing involvement in statement of financial position		Fair value of continuing involvement
KR ABS Co., Ltd.	Mezzanine/sub ordinate debt	Available-for-sale financial assets	₩	11,434	₩	11,434
KR ABS Second Co., Ltd. <sup>1</sup>	Senior debt	Loans and receivables		26,065		26,227
	Subordinate debt	Available-for-sale financial assets		33,017		33,017
EAK ABS Co., Ltd. <sup>2</sup>	Subordinate debt	Available-for-sale financial assets		35,020		35,020
AP ABS First Co., Ltd. <sup>3</sup>	Senior debt	Loans and receivables		67,326		67,353
	Subordinate debt	Available-for-sale financial assets		16,669		16,669
Discovery ABS First Co., Ltd. <sup>4</sup>	Senior debt	Loans and receivables		23,494		23,547
	Subordinate debt	Available-for-sale financial assets		21,454		21,454
			₩	234,479	₩	234,721

<sup>1</sup> Recognized net loss from transferring loans to the SPEs amounts to ₩24,589 million.

<sup>2</sup> Recognized net loss from transferring loans to the SPEs amounts to ₩2,480 million.

<sup>3</sup> Recognized net loss from transferring loans to the SPEs amounts to ₩18,556 million.

<sup>4</sup> Recognized net loss from transferring loans to the SPEs amounts to ₩37,975 million.

<sup>5</sup> In addition to the above, there were gains from the transfer of non-performing loans to the National Happiness Fund ('the Fund') amounting to ₩57,826 million as of December 31, 2013. According to the agreement with the Fund, where the recovered amounts exceed the consideration paid by the Fund for the non-performing loans, the excess amount is to be reimbursed to the Group.

(In millions of Korean won)

2012			
	Type of continuing involvement	Classification of financial instruments	Carrying amount of continuing involvement
KR ABS Co., Ltd. <sup>1</sup>	Senior debt	Loans and receivables	₩ 21,288
	Mezzanine/subordinate debt	Available-for-sale financial assets	₩ 43,143
			₩ 64,431

<sup>1</sup> Recognized net loss from transferring loans to the SPEs amounts to ₩22,734 million.

Transferred financial assets that are not derecognized in their entirety

The Group securitized the loans and received the subordinated debts as part of consideration related to the securitization to provide credit enhancements to other senior debtors, and this transaction was recognized by the Group as collateralized debts. The liabilities and related securitized assets as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013									
	Carrying amount of assets (Underlying assets)		Carrying amount of the associated liabilities(Senior debentures)		Liabilities arising from asset-backed securities					
					Fair value of assets (Underlying assets)		Fair value of the associated liabilities (Senior debentures)		Net Position	
KB Mortgage Loan First Securitization Specialty Co., Ltd.	₩	295,679	₩	193,062	₩	295,679	₩	192,972	₩	102,707
KAMCO Value Recreation Third Securitization Specialty Co., Ltd.		8,291		1,958		8,291		1,958		6,333
KH First Co., Ltd. <sup>1</sup>		99,763		100,900		-		-		-
KB Kookmin Card First Securitization Co., Ltd. <sup>1</sup>		568,916		315,845		-		-		-
Wise Mobile First Securitization Specialty <sup>1</sup>		289,873		329,785		-		-		-
Wise Mobile Second Securitization Specialty <sup>1</sup>		318,814		374,733		-		-		-
Wise Mobile Third Securitization Specialty <sup>1</sup>		292,321		343,736		-		-		-
Wise Mobile Fourth Securitization Specialty <sup>1</sup>		186,268		199,802		-		-		-
Wise Mobile Fifth Securitization Specialty <sup>1</sup>		320,538		339,631		-		-		-
Wise Mobile Sixth Securitization Specialty <sup>1</sup>		342,478		359,534		-		-		-
Wise Mobile Seventh Securitization Specialty <sup>1</sup>		328,685		349,485		-		-		-

(In millions of Korean won)

	2012									
	Carrying amount of assets (Underlying assets)		Carrying amount of the associated liabilities(Senior debentures)		Liabilities arising from asset-backed securities					
					Fair value of assets (Underlying assets)		Fair value of the associated liabilities (Senior debentures)		Net Position	
KB Mortgage Loan First Securitization Specialty Co., Ltd.	₩	361,668	₩	249,668	₩	361,668	₩	250,835	₩	110,833
KAMCO Value Recreation Third Securitization Specialty Co., Ltd.		9,247		3,258		9,247		3,258		5,989
KH First Co., Ltd. <sup>1</sup>		99,762		101,000		-		-		-
KB Kookmin Card First Securitization Co., Ltd. <sup>1</sup>		601,924		319,664		-		-		-
Wise Mobile First Securitization Specialty <sup>1</sup>		533,936		569,170		-		-		-

<sup>1</sup> According to purchase agreements with third-party investors, the Group provides purchase commitments to third-party investors over the associated liabilities. Furthermore, as the third-party investors also have right of recourse to the asset-backed security, the Group did not disclose the fair value of the above liabilities.

### Securities under repurchase agreements and loaned securities

In contracts such as repurchase agreements and securities lending transactions, the Group continues to recognize the financial assets on the statements of financial position since it transfers the financial assets but those transactions are not qualified for derecognition. A financial asset is sold under a reverse repurchase agreement to repurchase the same asset at a fixed price, or loaned under a securities lending agreement to be returned the same asset. Thus, the Group retains substantially all the risks and rewards of ownership of the financial asset.

The transferred assets amount and related amount of liabilities as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013			
	Carrying amount of transferred assets		Carrying amount of related liabilities	
Reverse repurchase, securities lending and similar agreements	₩	649,309	₩	608,156
Loaned securities Government bond		527,427		-
Stock		14,296		-
	₩	1,191,032	₩	608,156

(In millions of Korean won)

	2012			
	Carrying amount of transferred assets		Carrying amount of related liabilities	
Reverse repurchase, securities lending and similar agreements	₩	1,068,690	₩	1,003,348
Loaned securities Government bond		228,912		-
Stock		43,543		-
	₩	1,341,145	₩	1,003,348

### 6.5 Offsetting financial assets and financial liabilities

The Group enters into International Derivatives Swaps and Dealers Association ("ISDA") master netting agreements and other arrangements with the Group's derivative and spot exchange counterparties. Similar netting agreements are also entered into with the Group's reverse repurchase, securities and others. Pursuant to these agreements, in the event of default by one party, contracts are to be terminated and receivables and payables are to be offset. Further, as the law allows for the right to offset, domestic uncollected receivables balances and domestic accrued liabilities balances are shown in its net settlement balance in the statement of consolidated financial position.

The details of the Group's recognized financial assets subject to enforceable master netting arrangement or similar agreement by type as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013											
	Gross amounts of recognized financial assets		Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Non-offsetting amount		Net amount					
					Financial instruments	Cash collateral received						
Derivatives held for trading	₩	1,593,909	₩	-	₩	1,593,909	₩	(1,190,301)	₩	(1,850)	₩	401,758
Derivatives held for hedging		138,028		-		138,028		(36,133)		-		101,895
Receivable spot exchange		2,256,532		-		2,256,532		(2,255,085)		-		1,447
Reverse repurchase, securities borrowing and similar agreements <sup>1</sup>		4,173,200		-		4,173,200		(4,173,200)		-		-
Other financial instruments		16,475,869		(15,637,526)		838,343		-		-		838,343
	₩	24,637,538	₩	(15,637,526)	₩	9,000,012	₩	(7,654,719)	₩	(1,850)	₩	1,343,443

(In millions of Korean won)

	2012						
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Non-offsetting amount		Net amount	
				Financial instruments	Cash collateral received		
Derivatives held for trading	₩ 1,811,797	₩ -	₩ 1,811,797	₩ (1,364,967)	₩ (28,624)	₩ 418,206	
Derivatives held for hedging	183,511	-	183,511	(32,716)	-	150,795	
Receivable spot exchange	1,929,721	-	1,929,721	(1,929,438)	-	283	
Reverse repurchase, securities borrowing and similar agreements <sup>1</sup>	3,635,071	-	3,635,071	(3,531,000)	(104,071)	-	
Other financial instruments	18,078,061	(15,757,167)	2,320,894	-	-	2,320,894	
	₩ 25,638,161	₩ (15,757,167)	₩ 9,880,994	₩ (6,858,121)	₩ (132,695)	₩ 2,890,178	

<sup>1</sup> Includes a portion of the securities loaned.

The details of the Group's recognized financial liabilities subject to enforceable master netting arrangement or similar agreement by type as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013						
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Non-offsetting amount		Net amount	
				Financial instruments	Cash collateral received		
Derivatives held for trading	₩ 1,579,878	₩ -	₩ 1,579,878	₩ (992,164)	₩ -	₩ 587,714	
Derivatives held for hedging	204,642	-	204,642	(16,320)	-	188,322	
Payable spot exchange	2,256,147	-	2,256,147	(2,255,085)	-	1,062	
Reverse repurchase securities lending and similar agreements <sup>1,2</sup>	804,726	-	804,726	(804,726)	-	-	
Other financial instruments	16,754,401	(15,637,526)	1,116,875	(946,800)	-	170,075	
	₩ 21,599,794	₩ (15,637,526)	₩ 5,962,268	₩ (5,015,095)	₩ -	₩ 947,173	

(In millions of Korean won)

	2012					
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Non-offsetting amount		Net amount
				Financial instruments	Cash collateral received	
Derivatives held for trading	₩ 1,849,256	₩ -	₩ 1,849,256	₩ (1,278,931)	₩ -	₩ 570,325
Derivatives held for hedging	200,526	-	200,526	(18,161)	-	182,365
Payable spot exchange	1,929,931	-	1,929,931	(1,929,438)	-	493
Reverse repurchase securities lending and similar agreements <sup>1,2</sup>	2,345,166	-	2,345,166	(2,345,166)	-	-
Other financial instruments	16,029,986	(15,757,167)	272,819	(151,090)	-	121,729
	₩ 22,354,865	₩ (15,757,167)	₩ 6,597,698	₩ (5,722,786)	₩ -	₩ 874,912

<sup>1</sup> Includes repurchase agreements sold to customers<sup>2</sup> Includes a portion of securities sold

## 7. Due from financial institutions

The details of due from financial institutions as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

		Financial Institutions	Interest rate(%)	2013	2012
				₩	₩
Due from financial institutions in Korean won	Due from Bank of Korea	Bank of Korea	0.00~2.77	₩ 6,717,697	₩ 3,095,038
	Due from banking institutions	Hana Bank and others	0.00~7.15	636,837	577,045
	Due from others	Samsung Securities Co., Ltd. and others	0.10~2.93	3,203,452	3,177,727
				10,557,986	6,849,810
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	Bank of Korea and others	0.00~0.15	855,388	385,798
	Time deposits in foreign currencies	China Citi Bank and others	0.15~3.87	657,408	448,349
	Due from others	Bank of Japan and others	-	23,321	58,540
				1,536,117	892,687
				₩ 12,094,103	₩ 7,742,497

Due from financial institutions, classified by type of financial institution as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

2013					
	In Korean won		In foreign currencies		Total
Bank of Korea	₩	6,717,697	₩	410,328	₩ 7,128,025
Other banking institutions		636,837		1,105,842	1,742,679
Other financial institutions		3,203,452		19,947	3,223,399
	₩	10,557,986	₩	1,536,117	₩ 12,094,103

(In millions of Korean won)

2012					
	In Korean won		In foreign currencies		Total
Bank of Korea	₩	3,095,038	₩	120,143	₩ 3,215,181
Other banking institutions		577,045		738,310	1,315,355
Other financial institutions		3,177,727		34,234	3,211,961
	₩	6,849,810	₩	892,687	₩ 7,742,497

Restricted due from financial institutions as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

		Financial Institutions	2013	2012	Reason for restriction
Due from financial institutions in Korean won	Due from Bank of Korea	Bank of Korea	₩ 6,717,697	₩ 3,095,038	Bank of Korea Act
	Due from Banking institution	Hana Bank and others	342,469	248,603	Agreement for allocation of deposit
	Due from others	The Korea Exchange and others	102,460	152,908	Market entry deposit and others
			7,162,626	3,496,549	
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	Bank of Korea and others	482,296	128,811	Bank of Korea Act and others
	Time deposit in foreign currencies	Itau Unibanco S.A NY Branch	10,553	6,962	Bank Act of the State of New York
	Due from others	Ong First Tradition Pte. and others	10,428	11,065	Derivatives margin account and others
			503,277	146,838	
			₩ 7,665,903	₩ 3,643,387	

## 8. Assets pledged as collaterals

The details of assets pledged as collaterals as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

		2013		
Assets pledged	Pledgee	Carrying amount	Collateralized amount	Reason of pledge
Due from financial institutions	Korea Federation of Savings Banks and others	₩ 238,901	₩ 238,901	Borrowings from Bank and others
	Korea Securities Depository and others	336,154	329,391	Reverse repurchase securities lending and similar agreements
Financial assets held for trading	Korea Securities Depository and others	446,126	393,981	Securities lending transactions
	Samsung Futures Inc. and others	15,570	14,589	Derivatives transactions
		797,850	737,961	
Available-for-sale financial assets	Korea Securities Depository and others	45,771	45,145	Securities lending transactions
	Samsung Futures Inc. and others	33,317	31,746	Derivatives transactions
	Others	15,100	14,370	Others
		94,188	91,261	
Held-to-maturity financial assets	Korea Securities Depository and others	3,577,052	3,572,000	Reverse repurchase securities lending and similar agreements
	Bank of Korea	617,250	610,000	Borrowings from Bank of Korea
	Bank of Korea	956,284	946,800	Settlement risk of Bank of Korea
	Samsung Futures Inc. and others	325,616	325,521	Derivatives transactions
		258,615	258,500	Others
		5,734,817	5,712,821	
Mortgage loans	Others	846,000	843,127	Covered Bond
		₩ 7,711,756	₩ 7,624,071	



(In millions of Korean won)

		2012		
Assets pledged	Pledgee	Carrying amount	Collateralized amount	Reason of pledge
Due from financial institutions	Korea Federation of Savings Banks and others	₩ 89,000	₩ 89,000	Borrowings from Bank and others
Financial assets held for trading	Korea Securities Depository and others	321,454	306,194	Reverse repurchase securities lending and similar agreements
	Korea Securities Depository and others	1,440,316	1,338,186	Securities lending transactions
	Samsung Futures Inc. and others	80,583	72,801	Derivatives transactions
	Others	18,917	17,945	Others
		1,861,270	1,735,126	
Available-for-sale financial assets	Samsung Futures Inc. and others	3,447	3,213	Derivatives transactions
	Others	400	400	Others
		3,847	3,613	
Held-to-maturity financial assets	Korea Securities Depository and others	3,602,681	3,602,000	Reverse repurchase securities lending and similar agreements
	Bank of Korea	965,072	960,000	Borrowings from Bank of Korea
	Bank of Korea	781,389	776,800	Settlement risk of Bank of Korea
	Samsung Futures Inc. and others	266,113	266,000	Derivatives transactions
	Others	1,249,441	1,220,500	Others
		6,864,696	6,825,300	
Mortgage loans	Others	1,058,470	1,054,834	Covered Bond
		₩ 9,877,283	₩ 9,707,873	

The fair value of collateral available to sell or repledge, and collateral sold or repledged, regardless of debtor's default, as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

		2013		
	Fair value of collateral held	Fair value of collateral sold or repledged	Total	
Securities	₩ 4,258,909	₩ -	₩ 4,258,909	
	₩ 4,258,909	₩ -	₩ 4,258,909	

(In millions of Korean won)

		2012		
	Fair value of collateral held	Fair value of collateral sold or repledged	Total	
Securities	₩ 3,609,354	₩ -	₩ 3,609,354	
	₩ 3,609,354	₩ -	₩ 3,609,354	

## 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, 2013 and 2012, are as follows:

(In millions of Korean won)					
2013					
	Notional amount		Assets		Liabilities
<b>Interest rate</b>					
Futures <sup>1</sup>	₩	928,684	₩	-	₩ -
Swaps		141,275,150		582,544	639,695
Options		8,285,091		45,063	85,906
		150,488,925		627,607	725,601
<b>Currency</b>					
Forwards		23,055,704		241,804	289,629
Futures <sup>1</sup>		415,560		219	15
Swaps		17,414,405		693,116	503,663
Options		273,745		2,428	1,492
		41,159,414		937,567	794,799
<b>Stock and index</b>					
Futures <sup>1</sup>		136,624		-	95
Swaps		477,143		17,565	15,168
Options		1,982,455		30,006	35,118
		2,596,222		47,571	50,381
<b>Commodity</b>					
Futures <sup>1</sup>		2,024		121	-
		2,024		121	-
Other		60,000		68,014	9,248
	₩	194,306,585	₩	1,680,880	₩ 1,580,029

(In millions of Korean won)

		2012					
		Notional amount		Assets		Liabilities	
<b>Interest rate</b>							
Futures <sup>1</sup>	₩	1,609,679	₩	-	₩	-	
Swaps		147,924,098		838,454		948,697	
Options		10,715,347		79,942		78,149	
		160,249,124		918,396		1,026,846	
<b>Currency</b>							
Forwards		17,280,288		264,578		328,505	
Futures <sup>1</sup>		602,051		974		7	
Swaps		14,879,808		576,857		427,227	
Options		334,912		3,215		2,638	
		33,097,059		845,624		758,377	
<b>Stock and index</b>							
Futures <sup>1</sup>		174,997		-		-	
Swaps		355,995		18,056		6,879	
Options		1,938,069		56,376		60,952	
		2,469,061		74,432		67,831	
<b>Commodity</b>							
Futures <sup>1</sup>		3,856		88		2	
		3,856		88		2	
<b>Other</b>		60,000		69,234		1,160	
	₩	195,879,100	₩	1,907,774	₩	1,854,216	

<sup>1</sup> A gain or loss from daily mark-to-market futures is reflected in the margin accounts. Fair value hedge

#### Fair value hedge

The details of derivatives designated as fair value hedging instruments as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

		2013					
		Notional amount		Assets		Liabilities	
<b>Interest rate</b>							
Swaps	₩	1,951,013	₩	137,445	₩	-	
<b>Currency</b>							
Futures		42,048		502		-	
Swaps		1,055,300		-		195,800	
<b>Other</b>		140,000		-		8,842	
	₩	3,188,361	₩	137,947	₩	204,642	

(In millions of Korean won)

		2012					
		Notional amount		Assets		Liabilities	
<b>Interest rate</b>							
Swaps	₩	1,921,251	₩	180,719	₩	6,642	
<b>Currency</b>							
Swaps		1,071,100		-		183,929	
<b>Other</b>							
		140,000		2,348		2,658	
	₩	3,132,351	₩	183,067	₩	193,229	

Gains and losses from fair value hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

		2013		2012	
Gains(losses) on hedging instruments	₩	(48,545)	₩	(14,654)	
Gains(losses) on the hedged item attributable to the hedged risk		81,428		37,641	
	₩	32,883	₩	22,987	

**Cash flow hedge**

The details of derivatives designated as cash flow hedging instruments as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

		2013					
		Notional amount		Assets		Liabilities	
<b>Interest rate</b>							
Swaps	₩	1,403,000	₩	582	₩	4,902	
<b>Currency</b>							
Swaps		316,590		-		5,766	
	₩	1,719,590	₩	582	₩	10,668	

(In millions of Korean won)

		2012					
		Notional amount		Assets		Liabilities	
<b>Interest rate</b>							
Swaps	₩	1,065,000	₩	444	₩	7,013	
<b>Currency</b>							
Swaps		321,330		-		284	
	₩	1,386,330	₩	444	₩	7,297	

Gains and losses from cash flow hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)				
	<b>2013</b>		<b>2012</b>	
Gains(losses) on hedging instruments	₩	(3,068)	₩	(27,006)
Gains(losses) on the hedged item attributable to the hedged risk		(2,990)		(26,838)
Ineffectiveness recognized in profit or loss	₩	(78)	₩	(168)

Amounts recognized in other comprehensive income and reclassified from equity to profit or loss for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)				
	<b>2013</b>		<b>2012</b>	
Amount recognized in other comprehensive income	₩	(2,990)	₩	(26,838)
Amount reclassified from equity to profit or loss		5,227		25,000
Tax effect		(619)		1,025
	₩	1,618	₩	(813)

## 10. Loans

Loans as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)				
	<b>2013</b>		<b>2012</b>	
Loans	₩	221,439,295	₩	216,487,114
Deferred loan origination fees and costs		423,245		426,336
Less: Allowances for loan losses		(2,861,184)		(3,268,659)
Carrying amount	₩	219,001,356	₩	213,644,791

Loans to banks as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)				
	<b>2013</b>		<b>2012</b>	
Loans	₩	6,335,056	₩	4,397,742
Less: Allowances for loan losses		(25)		(9)
Carrying amount	₩	6,335,031	₩	4,397,733

Loans to customers other than banks as of December 31, 2013 and 2012, consist of:

(In millions of Korean won)

	2013			
	Retail	Corporate	Credit card	Total
Loans in Korean won	₩ 104,920,187	₩ 84,596,181	₩ -	₩ 189,516,368
Loans in foreign currencies	98,614	2,956,418	-	3,055,032
Domestic import usance bills	-	2,978,478	-	2,978,478
Off-shore funding loans	-	669,603	-	669,603
Call loans	-	696,929	-	696,929
Bills bought in Korean won	-	14,243	-	14,243
Bills bought in foreign currencies	-	1,588,066	-	1,588,066
Guarantee payments under payment guarantee	-	38,318	-	38,318
Credit card receivables in Korean won	-	-	11,782,005	11,782,005
Credit card receivables in foreign currencies	-	-	2,453	2,453
Reverse repurchase agreements	-	1,683,200	-	1,683,200
Privately placed bonds	-	731,706	-	731,706
Factored receivables	2,724,413	46,670	-	2,771,083
	107,743,214	95,999,812	11,784,458	215,527,484
Proportion (%)	49.99	44.54	5.47	100.00
Allowances	(580,510)	(1,870,849)	(409,800)	(2,861,159)
	₩ 107,162,704	₩ 94,128,963	₩ 11,374,658	₩ 212,666,325

(In millions of Korean won)

	2013			
	Retail	Corporate	Credit card	Total
Loans in Korean won	₩ 102,234,562	₩ 83,653,562	₩ -	₩ 185,888,124
Loans in foreign currencies	71,974	3,466,302	-	3,538,276
Domestic import usance bills	-	3,595,143	-	3,595,143
Off-shore funding loans	-	753,885	-	753,885
Call loans	-	1,193,334	-	1,193,334
Bills bought in Korean won	-	30,343	-	30,343
Bills bought in foreign currencies	-	2,522,110	-	2,522,110
Guarantee payments under payment guarantee	-	45,154	-	45,154
Credit card receivables in Korean won	-	-	11,871,313	11,871,313
Credit card receivables in foreign currencies	-	-	2,538	2,538
Reverse repurchase agreements	-	1,251,000	-	1,251,000
Privately placed bonds	-	603,667	-	603,667
Factored receivables	1,198,105	22,716	-	1,220,821
	103,504,641	97,137,216	11,873,851	212,515,708
Proportion (%)	48.70	45.71	5.59	100.00
Allowances	(687,851)	(2,251,309)	(329,490)	(3,268,650)
	₩ 102,816,790	₩ 94,885,907	₩ 11,544,361	₩ 209,247,058

The changes in deferred loan origination fees and costs for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013				
	Beginning	Increase	Decrease	Others	Ending
<b>Deferred loan origination costs</b>					
Loans in Korean won	₩ 502,512	₩ 330,202	₩ 288,683	₩ (33,130)	₩ 510,901
Other origination costs	344	635	602	-	377
	502,856	330,837	289,285	(33,130)	511,278
<b>Deferred loan origination fees</b>					
Loans in Korean won	69,994	72,822	62,383	(70)	80,363
Other origination fees	6,526	3,872	2,709	(19)	7,670
	76,520	76,694	65,092	(89)	88,033
	₩ 426,336	₩ 254,143	₩ 224,193	₩ (33,041)	₩ 423,245

(In millions of Korean won)

	2012				
	Beginning	Increase	Decrease	Others	Ending
<b>Deferred loan origination costs</b>					
Loans in Korean won	₩ 448,122	₩ 321,090	₩ 266,700	₩ -	₩ 502,512
Other origination costs	201	430	287	-	344
	448,323	321,520	266,987	-	502,856
<b>Deferred loan origination fees</b>					
Loans in Korean won	43,242	53,166	26,414	-	69,994
Credit card	106	-	106	-	-
Other origination fees	5,104	3,245	1,803	(20)	6,526
	48,452	56,411	28,323	(20)	76,520
	₩ 399,871	₩ 265,109	₩ 238,664	₩ 20	₩ 426,336

## 11. Allowances for Loan Losses

The changes in the allowances for loan losses for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013			
	Retail	Corporate	Credit card	Total
Beginning	₩ 687,851	₩ 2,251,318	₩ 329,490	₩ 3,268,659
Written-off	(581,100)	(1,146,767)	(404,199)	(2,132,066)
Recoveries from writtenuff loans	126,651	147,110	141,452	415,213
Sale	(8,483)	(76,413)	435	(84,461)
Provision <sup>1</sup>	361,253	720,136	346,064	1,427,453
Other changes	(5,662)	(24,510)	(3,442)	(33,614)
Ending	₩ 580,510	₩ 1,870,874	₩ 409,800	₩ 2,861,184

(In millions of Korean won)

	2012			
	Retail	Corporate	Credit card	Total
Beginning	₩ 635,512	₩ 2,462,285	₩ 350,382	₩ 3,448,179
Written-off	(452,639)	(1,203,832)	(540,664)	(2,197,135)
Recoveries from writtenuff loans	103,363	161,334	185,027	449,724
Sale	(6,082)	(98,865)	-	(104,947)
Provision <sup>1</sup>	401,690	914,516	336,356	1,652,562
Other changes	6,007	15,880	(1,611)	20,276
Ending	₩ 687,851	₩ 2,251,318	₩ 329,490	₩ 3,268,659

<sup>1</sup> Provision for credit losses in statements of comprehensive income also include provision(reversal) for unused commitments and guarantees(Note 23), reversal for financial guarantees contracts(Note 23), and provision for other financial assets(Note 18).

The amounts of written-off loans, over which the Group still has a right to claim against the borrowers and guarantors, are ₩15,061,182 million and ₩15,105,173 million, as of December 31, 2013 and 2012, respectively.

The coverage ratio of allowances for loan losses as of December 31, 2013 and 2012, is as follows:

(In millions of Korean won)

	2013	2012
	Loans	₩ 221,862,540
Allowances for loan losses	2,861,184	3,268,659
Ratio (%)	1.29	1.51



## 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, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
<b>Financial assets held for trading</b>				
Debt securities:				
Government and public bonds	₩	2,085,450	₩	2,376,174
Financial bonds		3,265,960		4,018,092
Corporate bonds		1,759,993		1,678,842
Asset-backed securities		510,159		105,492
Others		204,223		113,015
Equity securities:				
Stocks		145,163		218,227
Beneficiary certificates		955,806		657,948
Others		40,252		39,839
		8,967,006		9,207,629
<b>Financial assets designated at fair value through profit or loss</b>				
Equity securities:				
Beneficiary certificates		115,778		159,483
Derivative linked securities		245,958		192,607
		361,736		352,090
<b>Total financial assets at fair value through profit or loss</b>	₩	9,328,742	₩	9,559,719
<b>Available-for-sale financial assets</b>				
Debt securities:				
Government and public bonds	₩	6,925,617	₩	6,256,380
Financial bonds		5,782,234		7,476,233
Corporate bonds		4,997,788		6,605,556
Asset-backed securities		1,208,241		1,399,015
Others		19,408		56
Equity securities:				
Stocks		2,366,887		2,142,442
Equity investments and others		97,937		109,832
Beneficiary certificates		433,992		222,032
		21,832,104		24,211,546
<b>Held-to-maturity financial assets</b>				
Debt securities:				
Government and public bonds		4,357,623		4,449,243
Financial bonds		892,509		1,315,417
Corporate bonds		7,400,085		6,212,850
Asset-backed securities		366,774		278,296
		13,016,991		12,255,806
<b>Total financial investments</b>	₩	34,849,095	₩	36,467,352

The impairment losses and the reversal of impairment losses in financial investments for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

2013						
	Impairment		Reversal		Net	
Available-for-sale financial assets	₩	163,464	-	₩	163,464	
Held-to-maturity financial assets		5	-		5	
	₩	163,469	-	₩	163,469	

(In millions of Korean won)

2012						
	Impairment		Reversal		Net	
Available-for-sale financial assets	₩	280,610	₩	-	₩	280,610
Held-to-maturity financial assets		154		-		154
	₩	280,764	₩	-	₩	280,764

### 13. Investments in associates

Investments in associates as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
<b>Associates</b>						
Balhae Infrastructure Fund <sup>1</sup>	12.61	₩ 121,817	₩ 124,968	₩ 124,968	Investment finance	Korea
Korea Credit Bureau Co.,Ltd. <sup>1</sup>	9.00	4,500	4,185	4,185	Credit Information	Korea
UAMCO., Ltd. <sup>1</sup>	17.50	85,050	139,286	150,826	Other finance	Korea
JSC Bank CenterCredit						
Ordinary share <sup>2,4</sup>	29.56	954,104	51,989	68,110	Banking	Kazakhstan
Preference share <sup>2</sup>	93.15					
KoFC KBIC Frontier Champ 2010-5(PEF)	50.00	47,580	46,496	45,393	Investment finance	Korea
Semiland Co., Ltd.	21.32	1,470	2,639	2,639	Manufacture	Korea
United PF 1st Recovery Private Equity Fund <sup>1</sup>	17.72	191,617	203,618	197,941	Other finance	Korea
CH Engineering Co., Ltd.	41.73	-	64	-	Specialty construction	Korea
Shinla Construction Co., Ltd.	20.24	-	-	-	Specialty construction	Korea
Kores Co., Ltd. <sup>5</sup>	10.39	634	1,925	1,505	Manufacture of automobile parts	Korea
KB GwS Private Securities Investment Trust	26.74	113,880	126,556	123,085	Investment finance	Korea
Incheon Bridge Co., Ltd. <sup>1</sup>	14.99	24,677	(429)	-	Operation of Highways and Related facilities	Korea
Ssangyong Engineering & Construction Co., Ltd. <sup>5</sup>	15.64	28,779	2,490	-	Office and Commercial Building Construction	Korea
KB Star office Private real estate Investment Trust No.1	21.05	20,000	20,347	19,934	Investment finance	Korea
KoFC POSCO HANHWA KB shared growth Private Equity Fund	25.00	14,025	11,620	10,329	Investment finance	Korea
NPS KBIC Private Equity Fund No. 1 <sup>1</sup>	2.56	3,393	4,238	4,238	Investment finance	Korea
KBIC Private Equity Fund No. 3 <sup>1</sup>	2.00	2,050	2,223	2,223	Investment finance	Korea
KB-Glenwood Private Equity Fund 1 <sup>1</sup>	0.03	10	10	10	Investment finance	Korea
Terra Co., Ltd.	24.06	-	20	4	Manufacture of Hand-Operated Kitchen Appliances and Metal Ware	Korea
		₩ 1,613,586	₩ 742,245	₩ 755,390		

(In millions of Korean won)

	2012					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
<b>Associates</b>						
Balhae Infrastructure Fund <sup>1</sup>	12.61	₩ 121,817	₩ 125,004	₩ 125,004	Investment finance	Korea
Korea Credit Bureau Co., Ltd. <sup>1</sup>	9.00	4,500	3,790	3,790	Credit Information	Korea
UAMCO, Ltd. <sup>1</sup>	17.50	85,050	120,916	139,760	Other finance	Korea
JSC Bank CenterCredit						
Ordinary share <sup>2,4</sup>	29.56	954,104	257,996	281,889	Banking	Kazakhstan
Preference share <sup>2</sup>	93.15					
KoFC KBIC Frontier Champ 2010-5(PEF)	50.00	32,150	28,761	25,539	Investment finance	Korea
KB Global Star Game & Apps SPAC <sup>1,4</sup>	0.23	20	48	48	SPAC	Korea
Semiland Co., Ltd.	21.32	1,470	2,513	2,513	Manufacture	Korea
Serit Platform Co., Ltd.	21.72	1,500	1,517	1,517	Manufacture of communication equipment	Korea
Sehwa Electronics Co., Ltd.	20.95	3,508	2,955	2,955	Manufacture of electronic components	Korea
Testian Co., Ltd.	47.09	1,018	1,041	1,041	Manufacture of semiconductor equipment	Korea
DS Plant Co., Ltd. <sup>3</sup>	-	-	-	-	Manufacture of machine	Korea
Joam Housing Development Co., Ltd. <sup>1</sup>	15.00	8	(371)	-	Housing	Korea
United PF 1st Recovery Private Equity Fund <sup>1</sup>	17.72	191,617	201,182	195,425	Other finance	Korea
CH Engineering Co., Ltd.	41.73	-	107	-	Architectural design and Service	Korea
Evalley Co., Ltd.	46.24	-	-	-	Software advisory, development, and supply	Korea
Shinla Construction Co., Ltd.	20.24	-	-	-	Specialty construction	Korea
PyungJeon Industries Co., LTD. <sup>5</sup>	15.65	-	-	-	Specialty construction	Korea
Kores Co., Ltd. <sup>5</sup>	16.01	634	1,384	1,384	Manufacture of automobile parts	Korea
KB GwS Private Securities Investment Trust	26.74	113,880	124,410	120,939	Investment finance	Korea
Incheon Bridge Co., Ltd. <sup>1</sup>	14.99	24,677	1,630	1,630	Operation of Highways and Related facilities	Korea
KB Star office Private real estate Investment Trust No.1	21.05	20,000	20,311	19,898	Investment finance	Korea

KoFC POSCO HANHWA KB shared growth Private Equity Fund	25.00	6,250	5,606	4,983	Investment finance	Korea
NPS KBIC Private Equity Fund No. 1 <sup>1</sup>	2.56	3,393	4,160	4,160	Investment finance	Korea
KBIC Private Equity Fund No. 3 <sup>1</sup>	2.00	2,050	2,156	2,156	Investment finance	Korea
KB-Glenwood Private Equity Fund 1 <sup>1</sup>	0.03	10	10	10	Investment finance	Korea
		₩ 1,567,656	₩ 905,126	₩ 934,641		

<sup>1</sup>As of December 31, 2013 and 2012, the Group is represented in the governing bodies of its 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. is 21.05% as of December 31, 2012, when the potential voting rights from convertible bond held by the Group are taken into account.

<sup>4</sup>Fair value of ordinary shares of JSC Bank CenterCredit, reflecting the published market price, as of December 31, 2013 and 2012, are ₩57,476 million and ₩65,821 million, respectively, and fair value of shares of KB Global Star Game & Apps SPAC, reflecting the published market price, as of December 31, 2012, is ₩49 million.

<sup>5</sup>Where the Group has acquired shares of entities through debt-for-equity swaps, the Group is represented in the creditor council. Therefore, the Group has significant influence over the decision-making process relating to their financial and business policies.

#### Summarized financial information on associates:

(In millions of Korean won)

	2013 <sup>1</sup>							
	Total assets	Total liabilities	Share capital	Equity	Share of net asset amount	Unrealized gains	Consolidated carrying amount	
<b>Associates</b>								
Balhae Infrastructure Fund	₩ 993,571	₩ 2,157	₩ 993,030	₩ 991,414	₩ 124,968	₩ -	₩ 124,968	
Korea Credit Bureau Co., Ltd.	63,043	16,542	10,000	46,501	4,185	-	4,185	
UAMCO., Ltd.	4,365,097	3,567,972	2,430	797,125	139,286	11,540	150,826	
JSC Bank CenterCredit	7,083,662	6,903,416	546,794	180,246	51,989	16,121	68,110	
KoFC KBIC Frontier Champ 2010-5(PEF)	93,367	375	95,160	92,992	46,496	(1,103)	45,393	
Semiland Co., Ltd.	20,753	14,608	1,970	6,145	2,639	-	2,639	
United PF 1st Recovery Private Equity Fund	1,159,220	10,092	1,081,400	1,149,128	203,618	(5,677)	197,941	
CH Engineering Co., Ltd. <sup>2</sup>	917	763	158	154	64	(64)	-	
Kores Co., Ltd. <sup>3</sup>	92,937	80,914	11,099	12,023	1,925	(420)	1,505	
Terra Co., Ltd. <sup>3</sup>	1,659	1,576	254	83	20	(16)	4	
KB GwS Private Securities Investment Trust	473,946	738	425,814	473,208	126,556	(3,471)	123,085	
Incheon Bridge Co., Ltd.	740,321	743,182	164,621	(2,861)	(429)	429	-	
Ssangyong Engineering & Construction Co., Ltd. <sup>3</sup>	1,359,658	1,343,734	73,045	15,924	2,490	(2,490)	-	

KB Star office Private real estate Investment Trust No.1	217,557	120,910	95,000	96,647	20,347	(413)	19,934
KoFC POSCO HANHWA KB shared growth Private Equity Fund	48,192	1,712	56,100	46,480	11,620	(1,291)	10,329
NPS KBIC Private Equity Fund No.1	174,469	8,911	132,541	165,558	4,238	-	4,238
KBIC Private Equity Fund No.3	111,270	79	102,500	111,191	2,223	-	2,223
KB-Glenwood Private Equity Fund 1	30,558	1,794	31,100	28,764	10	-	10
					₩ 742,245	₩ 13,145	₩ 755,390

(In millions of Korean won)

	2013					
	Operating income	Profit (Loss)	Other comprehensive income(loss)	Total comprehensive income(loss)	Dividends	
<b>Associates</b>						
Balhae Infrastructure Fund	₩ 57,754	₩ 49,685	₩ -	₩ 49,685	₩ 6,299	
Korea Credit Bureau Co., Ltd.	51,571	4,909	-	4,909	-	
UAMCO., Ltd.	708,035	105,085	-	105,085	-	
JSC Bank CenterCredit	532,768	(497,885)	(5,732)	(503,617)	3	
KoFC KBIC Frontier Champ 2010-5(PEF)	3,368	(2,454)	7,064	4,610	-	
Semiland Co., Ltd.	11,513	649	-	649	11	
United PF 1st Recovery Private Equity Fund	152,315	13,769	-	13,769	-	
CH Engineering Co., Ltd. <sup>2</sup>	681	(102)	-	(102)	-	
Kores Co., Ltd. <sup>3</sup>	100,769	565	2,472	3,037	-	
Terra Co., Ltd. <sup>3</sup>	1,422	17	-	17	-	
KB GwS Private Securities Investment Trust	76,201	41,247	-	41,247	8,894	
Incheon Bridge Co., Ltd.	77,311	(13,533)	-	(13,533)	-	
Ssangyong Engineering & Construction Co., Ltd. <sup>3</sup>	1,724,742	(314,105)	(8,615)	(322,720)	-	
KB Star office Private real estate Investment Trust No.1	16,672	8,490	-	8,490	1,751	
KoFC POSCO HANHWA KB shared growth Private Equity Fund	1,685	(8,803)	1,759	(7,044)	-	
NPS KBIC Private Equity Fund No. 1	10,206	9,301	(2,113)	7,188	106	
KBIC Private Equity Fund No. 3	3,702	3,385	-	3,385	-	
KB-Glenwood Private Equity Fund 1	-	(627)	-	(627)	-	

<sup>1</sup> The amounts included in the financial statements of the associates are adjusted to reflect adjustments made by the entity, such as fair value adjustments made at the time of acquisition and adjustments for differences in accounting policies.

<sup>2</sup> As the financial statements as of December 31, 2013 are not available, the Group applied the equity method by using the financial statements as of November 30, 2013 and adjusted for the effects of significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements.

<sup>3</sup> As the financial statements as of December 31, 2013 are not available, the Group applied the equity method by using the financial statements as of September 30, 2013 and adjusted for the effects of significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements.

(In millions of Korean won)

	2012 <sup>1</sup>							
	Total assets	Total liabilities	Share capital	Equity	Share of net asset amount	Unrealized gains	Consolidated carrying amount	
<b>Associates</b>								
Balhae Infrastructure Fund	₩ 993,838	₩ 2,138	₩ 993,030	₩ 991,700	₩ 125,004	₩ -	₩ 125,004	
Korea Credit Bureau Co., Ltd.	55,944	13,834	10,000	42,110	3,790	-	3,790	
UAMCO., Ltd.	4,906,010	4,215,061	2,430	690,949	120,916	18,844	139,760	
JSC Bank CenterCredit	7,824,619	7,142,759	546,794	681,860	257,996	23,893	281,889	
KoFC KBIC Frontier Champ 2010-5(PEF)	57,779	257	64,300	57,522	28,761	(3,222)	25,539	
KB Global Star Game & Apps SPAC	22,108	1,310	862	20,798	48	-	48	
Semiland Co., Ltd.	12,472	6,901	985	5,571	2,513	-	2,513	
Serit Platform Co., Ltd.	8,134	5,585	1,000	2,549	1,517	-	1,517	
Sehwa Electronics Co., Ltd.	23,255	9,744	1,050	13,511	2,955	-	2,955	
Testian Co., Ltd.	2,771	1,899	1,030	872	1,041	-	1,041	
DS Plant Co., Ltd.	10,253	7,530	600	2,723	-	-	-	
Joam Housing Development Co., Ltd.	117,159	119,632	50	(2,473)	(371)	371	-	
United PF 1st Recovery Private Equity Fund	1,153,268	17,886	1,081,400	1,135,382	201,182	(5,757)	195,425	
CH Engineering Co., Ltd. <sup>2</sup>	1,088	833	158	255	107	(107)	-	
Kores Co., Ltd. <sup>3</sup>	75,750	67,105	11,099	8,645	1,384	-	1,384	
KB GwS Private Securities Investment Trust	465,690	503	425,814	465,187	124,410	(3,471)	120,939	
Incheon Bridge Co., Ltd.	765,522	754,646	164,621	10,876	1,630	-	1,630	
KB Star office Private real estate Investment Trust No.1	217,732	121,256	95,000	96,476	20,311	(413)	19,898	
KoFC POSCO HANHWA KB shared growth Private Equity Fund	23,337	913	25,000	22,424	5,606	(623)	4,983	
NPS KBIC Private Equity Fund No. 1	176,650	14,140	132,541	162,510	4,160	-	4,160	
KBIC Private Equity Fund No. 3	101,931	79	102,500	101,852	2,156	-	2,156	
KB-Glenwood Private Equity Fund 1	30,632	1,238	31,100	29,394	10	-	10	
					₩ 905,126	₩ 29,515	₩ 934,641	

(In millions of Korean won)

	2012				
	Operating income	Profit (Loss)	Other comprehensive income(loss)	Total comprehensive income(loss)	Dividends
<b>Associates</b>					
Balhae Infrastructure Fund	₩ 67,825	₩ 61,514	₩ -	₩ 61,514	₩ 7,747
Korea Credit Bureau Co., Ltd.	47,660	5,019	-	5,019	-
UAMCO., Ltd.	599,570	95,828	-	95,828	-
JSC Bank CenterCredit	269,586	(30,343)	(62,892)	(93,235)	3
KoFC KBIC Frontier Champ 2010-5(PEF)	1,870	(6,635)	(124)	(6,759)	-
KB Global Star Game & Apps SPAC	-	280	-	280	-
Semiland Co., Ltd.	10,552	774	-	774	10
Serit Platform Co., Ltd.	9,998	304	-	304	-
Sehwa Electronics Co., Ltd.	14,059	(2,640)	-	(2,640)	-
Testian Co., Ltd.	707	80	-	80	-
DS Plant Co., Ltd.	10,190	(194)	-	(194)	-
Joam Housing Development Co., Ltd.	953	(2,461)	-	(2,461)	-
United PF 1st Recovery Private Equity Fund	98,873	48,040	-	48,040	-
CH Engineering Co., Ltd. <sup>1</sup>	714	(42)	-	(42)	-
Kores Co., Ltd. <sup>3</sup>	72,622	190	-	190	-
KB GwS Private Securities Investment Trust	39,881	39,373	-	39,373	-
Incheon Bridge Co., Ltd.	68,711	(29,451)	-	(29,451)	-
KoFC POSCO HANHWA KB shared growth Private Equity Fund	106	(1,900)	(676)	(2,576)	-
KB Star office Private real estate Investment Trust No.1	2,865	1,476	-	1,476	-
NPS KBIC Private Equity Fund No. 1	12,772	11,780	(4,438)	7,342	106
KBIC Private Equity Fund No. 3	1,982	1,665	-	1,665	-
KB-Glenwood Private Equity Fund 1	(173)	(647)	-	(647)	-

<sup>1</sup> The amounts included in the financial statements of the associates are adjusted to reflect adjustments made by the entity, such as fair value adjustments made at the time of acquisition and adjustments for differences in accounting policies.

<sup>2</sup> As the financial statements as of December 31, 2012 are not available, the Group applied the equity method by using the financial statements as of November 30, 2012 and adjusted for the effects of significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements.

<sup>3</sup> As the financial statements as of December 31, 2012 are not available, the Group applied the equity method by using the financial statements as of September 30, 2012 and adjusted for the effects of significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements.

As Shinla Construction Co., Ltd. is impaired capital situation as of December 31, 2013, reliable financial information is not available. Therefore, financial information of these associates is not included in the summarized financial information.



(In millions of Korean won)

	2013								
	Beginning	Acquisition	Disposal	Dividends	Gains (losses)	Other comprehensive income	Impairment	Others	Ending
<b>Associates</b>									
Balhae Infrastructure Fund	₩ 125,004	₩ -	₩ -	₩ (6,299)	₩ 6,263	₩ -	₩ -	₩ -	₩ 124,968
Korea Credit Bureau Co., Ltd.	3,790	-	-	-	395	-	-	-	4,185
UAMCO., Ltd.	139,760	-	-	-	11,066	-	-	-	150,826
JSC Bank CenterCredit	281,889	-	-	(3)	(204,312)	(9,464)	-	-	68,110
KoFC KBIC Frontier Champ 2010-5(PEF)	25,539	15,565	(135)	-	4,227	197	-	-	45,393
KB Global Star Game & Apps SPAC	48	-	-	-	1	-	-	(49)	-
Semiland Co., Ltd.	2,513	-	-	(11)	137	-	-	-	2,639
Serit Platform Co., Ltd.	1,517	-	(1,518)	-	1	-	-	-	-
Sehwa Electronics Co., Ltd.	2,955	-	(1,577)	-	(360)	(71)	-	(947)	-
Testian Co., Ltd.	1,041	-	(260)	-	(587)	-	-	(194)	-
Joam Housing Development Co., Ltd.	-	-	-	-	-	-	-	-	-
United PF 1st Recovery Private Equity Fund	195,425	-	-	-	2,516	-	-	-	197,941
Kores Co., Ltd.	1,384	-	-	-	91	450	(420)	-	1,505
KB GwS Private Securities Investment Trust	120,939	-	-	(8,894)	11,040	-	-	-	123,085
Incheon Bridge Co., Ltd.	1,630	-	-	-	(1,630)	-	-	-	-
Ssangyong Engineering & Construction Co., Ltd. <sup>1</sup>	-	28,779	-	-	(8,200)	(1,176)	(19,403)	-	-
KB Star office Private real estate Investment Trust No.1	19,898	-	-	(1,751)	1,787	-	-	-	19,934
KoFC POSCO HANHWA KB shared growth Private Equity Fund	4,983	7,775	-	-	(2,703)	274	-	-	10,329
NPS KBIC Private Equity Fund No. 1	4,160	-	-	(106)	238	(54)	-	-	4,238
KBIC Private Equity Fund No. 3	2,156	-	-	-	67	-	-	-	2,223
KB-Glenwood Private Equity Fund 1	10	-	-	-	-	-	-	-	10
Terra Co., Ltd.	-	-	-	-	4	-	-	-	4
	₩ 934,641	₩ 52,119	₩ (3,490)	₩ (17,064)	₩ (179,959)	₩ (9,844)	₩ (19,823)	₩ (1,190)	₩ 755,390

(In millions of Korean won)

	2012							
	Beginning	Acquisition and others	Disposal	Dividends	Gains (losses)	Other comprehensive income	Impairment	Ending
<b>Associates</b>								
Balhae Infrastructure Fund	₩ 128,778	₩ 2,660	₩ (6,440)	₩ (7,747)	₩ 7,753	₩ -	₩ -	₩ 125,004
Korea Credit Bureau Co., Ltd.	3,766	-	-	-	354	(330)	-	3,790
UAMCO., Ltd.	109,531	-	-	-	30,229	-	-	139,760
JSC Bank CenterCredit <sup>2</sup>	365,059	-	-	(3)	(6,257)	(43,097)	(33,813)	281,889
KoFC KBIC Frontier Champ 2010-5(PEF)	28,831	3,300	-	-	(5,477)	(1,115)	-	25,539
KB Global Star Game & Apps SPAC	48	-	-	-	-	-	-	48
Semiland Co., Ltd.	2,247	-	-	(10)	276	-	-	2,513
Serit Platform Co., Ltd.	1,451	-	-	-	66	-	-	1,517
Sehwa Electronics Co., Ltd.	3,454	-	-	-	(553)	54	-	2,955
Testian Co., Ltd.	789	198	-	-	54	-	-	1,041
Joam Housing Development Co., Ltd.	-	-	-	-	-	-	-	-
United PF 1st Recovery Private Equity Fund	143,437	43,617	(402)	-	8,773	-	-	195,425
Kores Co., Ltd.	-	634	-	-	273	477	-	1,384
KB GwS Private Securities Investment Trust	-	115,745	(1,865)	-	7,059	-	-	120,939
Incheon Bridge Co., Ltd.	-	24,677	-	-	(22,916)	(131)	-	1,630
KB Star office Private real estate Investment Trust No.1	-	20,000	-	-	(102)	-	-	19,898
KoFC POSCO HANHWA KB shared growth Private Equity Fund	-	6,250	-	-	(934)	(333)	-	4,983
NPS KBIC Private Equity Fund No. 1	4,079	-	-	(106)	302	(114)	-	4,161
KBIC Private Equity Fund No. 3	2,122	-	-	-	33	-	-	2,155
KB-Glenwood Private Equity Fund 1	10	-	-	-	-	-	-	10
	₩ 793,602	₩ 217,081	₩ (8,707)	₩ (7,866)	₩ 18,933	₩ (44,589)	₩ (33,813)	₩ 934,641

<sup>1</sup> Impairment recognized on reorganization proceedings filed on December 30, 2013.

<sup>2</sup> Soundness in the assets of Kazakhstan banks has been deteriorating due to depression of its domestic economy mainly driven by the global credit crunch. The Group recognized impairment loss in investment of JSC Bank CenterCredit because the Group judged the recovery of JSC Bank CenterCredit's financial soundness to have been delayed and assessed the economic condition in Kazakhstan as not recovering in the near future.

Accumulated unrecognized share of losses in investments in associates due to discontinuation of applying the equity method as of December 31, 2013 and 2012, follows:

(In millions of Korean won)

	2013	
	Unrecognized loss	Unrecognized change in equity
Incheon Bridge Co., Ltd.	₩ 429	₩ 429
CH Engineering Co., Ltd.	43	94
Shinla Construction Co., Ltd.	41	101

(In millions of Korean won)

	2012	
	Unrecognized loss	Unrecognized change in equity
CH Engineering Co., Ltd.	₩ 51	₩ 51
Shinla Construction Co., Ltd.	60	60
Joam Housing Development Co., Ltd.	-	363

## 14. Property and Equipment, and Investment Property

The details of property and equipment as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Land	₩ 1,991,831	₩ -	₩ -	₩ 1,991,831
Buildings	1,219,806	(353,140)	(2,117)	864,549
Leasehold improvements	567,231	(511,207)	-	56,024
Equipment and vehicles	1,642,796	(1,503,257)	-	139,539
Financial lease assets	66,641	(57,741)	-	8,900
	₩ 5,488,305	₩ (2,425,345)	₩ (2,117)	₩ 3,060,843

(In millions of Korean won)

	2012			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Land	₩ 2,012,846	₩ -	₩ (581)	₩ 2,012,265
Buildings	1,209,909	(327,370)	(2,661)	879,878
Leasehold improvements	523,039	(467,381)	-	55,658
Equipment and vehicles	1,630,116	(1,488,184)	-	141,932
Construction in-progress	893	-	-	893
Financial lease assets	55,908	(46,141)	-	9,767
	₩ 5,432,711	₩ (2,329,076)	₩ (3,242)	₩ 3,100,393

The changes in property and equipment for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013						
	Beginning	Acquisition	Transfers <sup>1</sup>	Disposal	Depreciation <sup>2</sup>	Others	Ending
Land	₩ 2,012,265	₩ 1,405	₩ (21,551)	₩ (214)	₩ -	₩ (74)	₩ 1,991,831
Buildings	879,878	3,234	11,056	(281)	(29,094)	(244)	864,549
Leasehold improvement	55,658	2,687	33,001	(332)	(46,057)	11,067	56,024
Equipment and vehicles	141,932	94,875	247	(434)	(97,119)	38	139,539
Construction inprogress	893	51,268	(52,161)	-	-	-	-
Financial lease assets	9,767	10,734	-	-	(11,601)	-	8,900
	₩ 3,100,393	₩ 164,203	₩ (29,408)	₩ (1,261)	₩ (183,871)	₩ 10,787	₩ 3,060,843

(In millions of Korean won)

	2012						
	Beginning	Acquisition	Transfers <sup>1</sup>	Disposal	Depreciation <sup>2</sup>	Others	Ending
Land	₩ 2,020,681	₩ 40	₩ (6,505)	₩ (1,878)	₩ -	₩ (73)	₩ 2,012,265
Buildings	895,460	1,806	14,344	(2,667)	(28,820)	(245)	879,878
Leasehold improvement	59,586	4,574	32,591	(272)	(44,007)	3,186	55,658
Equipment and vehicles	195,883	74,921	-	(365)	(128,411)	(96)	141,932
Construction inprogress	1,075	49,646	(49,828)	-	-	-	893
Financial lease assets	10,061	12,152	-	-	(12,446)	-	9,767
	₩ 3,182,746	₩ 143,139	₩ (9,398)	₩ (5,182)	₩ (213,684)	₩ 2,772	₩ 3,100,393

<sup>1</sup> Including transfers with investment property and assets held for sale.

<sup>2</sup> Including ₩71 million and ₩123 million recorded in other operating expenses in the statements of comprehensive income for the years ended December 31, 2013 and 2012, respectively.

The changes in accumulated impairment losses of property and equipment for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013				
	Beginning	Impairment	Reversal	Others	Ending
₩	(3,242)	₩ -	₩ -	₩ 1,125	₩ (2,117)

(In millions of Korean won)

	2012				
	Beginning	Impairment	Reversal	Others	Ending
₩	(3,242)	₩ -	₩ -	₩ -	₩ (3,242)

The details of investment property as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		
	Acquisition cost	Accumulated depreciation	Carrying amount
Land	₩ 94,708	₩ -	₩ 94,708
Buildings	78,526	(6,975)	71,551
	₩ 173,234	₩ (6,975)	₩ 166,259

(In millions of Korean won)

2012						
	Acquisition cost		Accumulated depreciation		Carrying amount	
Land	₩	38,653	₩	-	₩	38,653
Buildings		19,723		(5,402)		14,321
	₩	58,376	₩	(5,402)	₩	52,974

The valuation technique and input variables that are used to measure the fair value of investment property as of December 31, 2013, are as follows:

(In millions of Korean won)

2013				
	Fair value	Valuation technique	Inputs	
Land and buildings	₩	189,534	Cost Approach Method	- Price per square meter - Replacement cost

As of December 31, 2013 and 2012, fair values of the investment properties amount to ₩189,534 million and ₩51,142 million, respectively. The investment properties were measured by qualified independent appraisers with experience in valuing similar properties in the same area. In addition, per the fair value hierarchy on Note 6.1, the fair value hierarchy of all investment properties has been categorized and classified as Level 3.

Rental income from the above investment properties for the years ended December 31, 2013 and 2012, amounts to ₩4,889 million and ₩675 million, respectively.

The changes in investment property for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

2013										
	Beginning		Acquisition		Transfers		Depreciation		Ending	
Land	₩	38,653	₩	56,055	₩	-	₩	-	₩	94,708
Buildings		14,321		58,554		257		(1,581)		71,551
	₩	52,974	₩	114,609	₩	257	₩	(1,581)	₩	166,259

(In millions of Korean won)

2012										
	Beginning		Acquisition		Transfers		Ending			
Land	₩	37,451	₩	1,202	₩	-	₩	38,653		
Buildings		14,101		685		(465)		14,321		
	₩	51,552	₩	1,887	₩	(465)	₩	52,974		

Property and equipment insured as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

Type	Assets insured	Insurance coverage				Insurance company
		2013		2012		
General property insurance	Buildings <sup>1</sup>	₩	1,027,420	₩	1,138,216	Samsung Fire & Marine Insurance Co., Ltd. and others
	Leasehold improvements		121,188		117,600	
	Equipment and vehicles and others		139,544		142,828	
		₩	1,288,152	₩	1,398,644	

<sup>1</sup> Buildings include office buildings, investment properties and assets held for sale.

## 15. Intangible Assets

The details of intangible assets as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

2013							
	Acquisition cost		Accumulated amortization		Accumulated impairment losses		Carrying Amount
Goodwill	₩	252,098	₩	-	₩	(46,533)	₩ 205,565
Other intangible assets		851,406		(590,550)		(23,217)	237,639
	₩	1,103,504	₩	(590,550)	₩	(69,750)	₩ 443,204

(In millions of Korean won)

2012							
	Acquisition cost		Accumulated amortization		Accumulated impairment losses		Carrying Amount
Goodwill	₩	244,755	₩	-	₩	(35,157)	₩ 209,598
Other intangible assets		786,063		(484,685)		(17,845)	283,533
	₩	1,030,818	₩	(484,685)	₩	(53,002)	₩ 493,131

The details of goodwill as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013				2012			
	Acquisition cost		Carrying amount		Acquisition cost		Carrying amount	
Housing & Commercial Bank	₩	65,288	₩	65,288	₩	65,288	₩	65,288
KB Cambodia Bank		1,202		1,202		1,202		1,202
KB Investment Securities		70,265		58,889		70,265		70,265
KB Savings Bank Co., Ltd.		108,000		72,843		108,000		72,843
Yehansoul Savings Bank Co., Ltd.		7,343		7,343		-		-
	₩	252,098	₩	205,565	₩	244,755	₩	209,598

The changes in accumulated impairment losses of goodwill for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

2013							
Beginning		Impairment		Others		Ending	
₩	35,157	₩	11,376	₩	-	₩	46,533

(In millions of Korean won)

2012							
Beginning		Impairment		Others		Ending	
₩	-	₩	35,157	₩	-	₩	35,157

The details of allocating goodwill to cash-generating units and related information for impairment testing as of December 31, 2013, are as follows:

(In millions of Korean won)

	Housing & Commercial Bank					Total
	Retail Banking	Corporate Banking	KB Cambodia Bank	KB Investment Securities	KB Savings Bank Co., Ltd. and Yehansoul Savings	
Carrying amounts	₩ 49,315	₩ 15,973	₩ 1,202	₩ 58,889	₩ 80,186	₩ 205,565
Recoverable amount exceeded carrying amount	40,254	2,814,955	21,506	-	730	2,877,445
Discount rate (%)	13.27	13.04	26.25	14.65	13.94	
Permanent growth rate (%)	3.00	3.00	3.40	3.00	2.00	

Goodwill is allocated to cash-generating units, based on management's analysis, 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 the 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 reflecting the characteristics of the measured cash-generating unit. If it is not possible to obtain 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 generally cover a period of five years. The future cash flows after projection period are estimated on the assumption that the future cash flows will increase by 3% for Retail Banking, Corporate Banking, KB Investment Securities, and 3.4% for KB Cambodia Bank and 2.0% for KB Savings Bank Co., Ltd. and Yehansoul Savings Bank Co., Ltd. for 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, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Industrial property rights	₩ 1,405	₩ (936)	₩ -	₩ 469
Software	614,124	(500,327)	-	113,797
Other intangible assets	206,427	(67,892)	(23,217)	115,318
Finance leases assets	29,450	(21,395)	-	8,055
	₩ 851,406	₩ (590,550)	₩ (23,217)	₩ 237,639

(In millions of Korean won)

	2012			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Industrial property rights	₩ 1,436	₩ (1,018)	₩ -	₩ 418
Software	576,056	(408,024)	-	168,032
Other intangible assets	185,158	(59,319)	(17,845)	107,994
Finance leases assets	23,413	(16,324)	-	7,089
	₩ 786,063	₩ (484,685)	₩ (17,845)	₩ 283,533

The changes in intangible assets, excluding goodwill, for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013						
	Beginning	Acquisition	Disposal	Transfer	Amortization <sup>1</sup>	Others	Ending
Industrial property rights	₩ 418	₩ 190	₩ -	₩ -	₩ (137)	₩ (2)	₩ 469
Software	168,032	33,649	-	-	(87,078)	(806)	113,797
Other intangible assets <sup>2</sup>	107,994	34,252	(5,177)	38	(9,122)	(12,667)	115,318
Finance leases assets	7,089	6,036	-	-	(5,070)	-	8,055
	₩ 283,533	₩ 74,127	₩ (5,177)	₩ 38	₩ (101,407)	₩ (13,475)	₩ 237,639

(In millions of Korean won)

	2012						
	Beginning	Acquisition	Disposal	Transfer	Amortization <sup>1</sup>	Others	Ending
Industrial property rights	₩ 106	₩ 429	₩ -	₩ -	₩ (102)	₩ (15)	₩ 418
Software	216,318	52,576	(280)	-	(100,578)	(4)	168,032
Other intangible assets <sup>2</sup>	100,392	24,541	(3,946)	-	(7,811)	(5,182)	107,994
Finance leases assets	8,416	4,353	-	-	(5,680)	-	7,089
	₩ 325,232	₩ 81,899	₩ (4,226)	₩ -	₩ (114,171)	₩ (5,201)	₩ 283,533

<sup>1</sup> Including ₩31 million and ₩45 million recorded in other operating expenses in the statements of comprehensive income for the years ended December 31, 2013 and 2012.

<sup>2</sup> Membership rights of other intangible assets with indefinite useful lives recognized impairment losses because their recoverable amount is lower than their carrying amount.

The changes in accumulated impairment losses on intangible assets, excluding goodwill, for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013				
	Beginning	Impairment	Reversal	Disposal and others	Ending
Accumulated impairment losses on intangible assets	₩ (17,845)	₩ (5,763)	₩ 24	₩ 367	₩ (23,217)

(In millions of Korean won)

	2012				
	Beginning	Impairment	Reversal	Disposal and others	Ending
Accumulated impairment losses on intangible assets	₩ (13,926)	₩ (5,166)	₩ 72	₩ 1,175	₩ (17,845)



## 16. Deferred income tax assets and liabilities

The details of deferred income tax assets and liabilities as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		
	Assets	Liabilities	Net amount
Other provisions	₩ 113,685	₩ -	₩ 113,685
Allowances for loan losses	171	(2,118)	(1,947)
Impairment losses on property and equipment	2,873	-	2,873
Interest on equity index-linked deposits	340	-	340
Share-based payments	8,512	-	8,512
Provisions for guarantees	50,463	-	50,463
Losses(gains) from valuation on derivative financial instruments	1,045	(15,119)	(14,074)
Present value discount	2,554	(6,812)	(4,258)
Losses(gains) from fair value hedged item	16,670	(111)	16,559
Accrued interest	-	(79,656)	(79,656)
Deferred loan origination fees and costs	13,263	(97,532)	(84,269)
Gains from revaluation	-	(276,057)	(276,057)
Investments in subsidiaries and others	74,324	(63,407)	10,917
Derivative linked securities	265,477	(264,024)	1,453
Others	546,499	(337,434)	209,065
	1,095,876	(1,142,270)	(46,394)
Offsetting of deferred income tax assets and liabilities	(1,080,454)	1,080,454	-
	₩ 15,422	₩ (61,816)	₩ (46,394)

(In millions of Korean won)

	2012					
	Assets		Liabilities		Net amount	
Other provisions	₩	139,412	₩	(57)	₩	139,355
Allowances for loan losses		1,144		(2,578)		(1,434)
Impairment losses on property and equipment		2,111		-		2,111
Interest on equity index-linked deposits		722		-		722
Share-based payments		6,191		-		6,191
Provisions for guarantees		50,398		-		50,398
Losses(gains) from valuation on derivative financial instruments		1,593		(39,501)		(37,908)
Present value discount		2,337		(7,081)		(4,744)
Losses(gains) from fair value hedged item		30,802		-		30,802
Accrued interest		-		(80,459)		(80,459)
Deferred loan origination fees and costs		8,745		(94,142)		(85,397)
Gains from revaluation		-		(276,421)		(276,421)
Investments in subsidiaries and others		49,128		(57,388)		(8,260)
Derivative linked securities		161,642		(160,131)		1,511
Others		464,989		(337,327)		127,662
		919,214		(1,055,085)		(135,871)
Offsetting of deferred income tax assets and liabilities		(900,782)		900,782		-
	₩	18,432	₩	(154,303)	₩	(135,871)

**Unrecognized deferred income tax assets**

No deferred income tax assets have been recognized for the deductible temporary difference of ₩603,097 million associated with investments in subsidiaries and others as of December 31, 2013, because it is not probable that the temporary differences will be reversed in the foreseeable future.

No deferred income tax assets have been recognized for deductible temporary differences of ₩250 million, ₩80,204 million and ₩94,786 million associated with loss on other provisions, SPE repurchase and others, respectively, as of December 31, 2013, due to the uncertainty that these will be realized in the future.

**Unrecognized deferred income tax liabilities**

No deferred income tax liabilities have been recognized for the taxable temporary difference of ₩118,749 million associated with investment in subsidiaries and associates as of December 31, 2013, 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 be reversed in the foreseeable future.

No deferred income tax liabilities have been recognized as of December 31, 2013, for the taxable temporary difference of ₩65,288 million arising from the initial recognition of goodwill from the merger of Housing and Commercial Bank.

The changes in cumulative temporary differences for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013			
	Beginning	Decrease	Increase	Ending
<b>Deductible temporary differences</b>				
Losses(gains) from fair value hedged item	₩ 127,281	₩ 127,281	₩ 68,884	₩ 68,884
Other provisions	576,999	553,376	446,706	470,329
Allowances for loan losses	4,727	4,221	199	705
Impairment losses on property and equipment	8,723	8,723	11,873	11,873
Deferred loan origination fees and costs	36,136	35,720	54,200	54,616
Interest on equity index-linked deposits	2,985	2,985	1,407	1,407
Share-based payments	25,591	25,591	35,174	35,174
Provisions for guarantees	208,255	208,255	208,524	208,524
Gains(losses) from valuation on derivative financial instruments	6,581	6,581	4,319	4,319
Present value discount	9,655	9,658	10,558	10,555
Loss on SPE repurchase	80,204	-	-	80,204
Investments in subsidiaries and others	2,687,622	2,099,827	302,836	890,631
Derivative linked securities	667,942	667,942	1,097,012	1,097,012
Others	2,004,536	947,787	1,300,751	2,357,500
	6,447,237	4,697,947	3,542,443	5,291,733
Unrecognized deferred income tax assets:				
Share-based payments	10			-
Other provisions	817			250
Loss on SPE repurchase	80,204			80,204
Investments in subsidiaries and others	2,492,775			603,097
Others	87,342			94,786
	3,786,089			4,513,396
Tax rate (%)	24.2			24.2
Total deferred income tax assets from deductible temporary differences	₩ 919,214			₩ 1,095,876

(In millions of Korean won)

	2013			
	Beginning	Decrease	Increase	Ending
<b>Taxable temporary differences</b>				
Losses(gains) from fair value hedged item	₩ -	₩ -	₩ (502)	₩ (502)
Accrued interest	(339,126)	(220,320)	(217,970)	(336,776)
Allowances for loans losses	(10,654)	(1,902)	-	(8,752)
Deferred loan origination fees and costs	(389,017)	(389,017)	(403,026)	(403,026)
Gains(losses) from valuation on derivative financial instruments	(163,225)	(162,935)	(62,287)	(62,577)
Present value discount	(32,185)	(1,221)	-	(30,964)
Goodwill	(65,288)	-	-	(65,288)
Gains on revaluation	(1,142,234)	(1,504)	-	(1,140,730)
Investments in subsidiaries and others	(5,959,490)	(5,644,900)	(53,127)	(367,717)
Derivative linked securities	(661,700)	(661,700)	(1,091,009)	(1,091,009)
Others	(1,307,717)	(581,961)	(660,956)	(1,386,712)
	(10,070,636)	(7,665,460)	(2,488,877)	(4,894,053)
Unrecognized deferred income tax assets:				
Goodwill	(65,288)			(65,288)
Investments in subsidiaries and others	(83,745)			(118,749)
	(9,921,603)			(4,710,016)
Tax rate (%)	24.2			24.2
Total deferred income tax assets from deductible temporary differences	₩ (1,055,085)			₩ (1,142,270)

(In millions of Korean won)

	2012			
	Beginning	Decrease	Increase	Ending
<b>Deductible temporary differences</b>				
Losses(gains) from fair value hedged item	₩ 109,596	₩ 109,596	₩ 127,281	₩ 127,281
Other provisions	470,507	430,917	537,409	576,999
Allowances for loan losses	827	149	4,049	4,727
Impairment losses on property and equipment	12,666	12,666	8,723	8,723
Deferred loan origination fees and costs	204	204	36,136	36,136
Interest on equity index-linked deposits	7,378	7,378	2,985	2,985
Share-based payments	19,359	19,359	25,591	25,591
Provisions for guarantees	311,263	311,263	208,255	208,255
Gains(losses) from valuation on derivative financial instruments	6,548	6,548	6,581	6,581
Present value discount	15,579	15,579	9,655	9,655
Loss on SPE repurchase	80,204	-	-	80,204

Investments in subsidiaries and others	3,401,419	917,955	204,158	2,687,622
Derivative securities	1,837,877	1,837,877	667,942	667,942
Others	1,826,081	1,120,250	1,298,705	2,004,536
	8,099,508	4,789,741	3,137,470	6,447,237
Unrecognized deferred income tax assets:				
Share-based payments	2,546			10
Other provisions	365			817
Loss on SPE repurchase	80,204			80,204
Investments in subsidiaries and others	3,299,083			2,492,775
Others	88,939			87,342
	4,628,371			3,786,089
Tax rate (%)	24.2			24.2
Total deferred income tax assets from deductible temporary differences	₩ 1,128,914			₩ 919,214

(In millions of Korean won)

	2012			
	Beginning	Decrease	Increase	Ending
<b>Taxable temporary differences</b>				
Accrued interest	₩ (381,276)	₩ (287,013)	₩ (244,863)	₩ (339,126)
Allowances for loans losses	(10,636)	-	(18)	(10,654)
Deferred loan origination fees and costs	(400,199)	(400,199)	(389,017)	(389,017)
Gains(losses) from valuation on derivative financial instruments	(452,200)	(452,200)	(163,225)	(163,225)
Present value discount	(57,287)	(25,102)	-	(32,185)
Goodwill	(65,288)	-	-	(65,288)
Gains on revaluation	(1,142,581)	(347)	-	(1,142,234)
Investments in subsidiaries and others	(5,345,703)	(562)	(614,349)	(5,959,490)
Derivative securities	(1,846,433)	(1,846,433)	(661,700)	(661,700)
Others	(1,144,976)	(187,505)	(350,246)	(1,307,717)
	(10,846,579)	(3,199,361)	(2,423,418)	(10,070,636)
Unrecognized deferred income tax assets:				
Goodwill	(65,288)			(65,288)
Investments in subsidiaries and others	(53,293)			(83,745)
	(10,727,998)			(9,921,603)
Tax rate (%)	24.2			24.2
Total deferred income tax assets from deductible temporary differences	₩ (1,352,279)			₩ (1,055,085)

## 17. Assets held for sale

The details of assets held for sale as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013			
	Acquisition cost <sup>1</sup>	Accumulated impairment	Carrying amount	Fair value less costs to sell
<b>Buildings</b>	₩ 39,777	₩ (18,330)	₩ 21,447	₩ 21,447
<b>Land</b>	21,380	(5,109)	16,271	16,271
	₩ 61,157	₩ (23,439)	₩ 37,718	₩ 37,718

(In millions of Korean won)

	2012			
	Acquisition cost <sup>1</sup>	Accumulated impairment	Carrying amount	Fair value less costs to sell
<b>Buildings</b>	₩ 5,288	₩ (2,613)	₩ 2,675	₩ 2,675
<b>Land</b>	35,883	(3,146)	32,737	32,737
	₩ 41,171	₩ (5,759)	₩ 35,412	₩ 35,412

<sup>1</sup>Acquisition cost of buildings held for sale is net of accumulated depreciation.

The valuation technique and input variables that are used to measure the fair value of assets held for sale as of December 31, 2013, are as follows:

(In millions of Korean won)

	2013				
	Fair value	Valuation technique <sup>1</sup>	Unobservable input <sup>2</sup>	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
	₩ 20,927	Market comparison approach model	Adjustment index	-2.98~2.72	Fair value increases as the adjustment index rises.
			Adjustment ratio	-20~0	Fair value decreases as the absolute value of adjustment index rises.
Land and buildings	16,791	Market comparison approach model	Unit price per area of exclusive possession, Time point adjustment, Individual factor and others	Unit price per area of exclusive possession: About ₩6.9 million Time point adjustment: 0.98862 Individual factor: 0.594	Fair value increases as the unit price per area of exclusive possession and others rise.
	₩ 37,718				

<sup>1</sup>The Group adjusted the appraisal value by the adjustment ratio in the event the public sale is unsuccessful.

<sup>2</sup>Adjustment index is calculated using the real estate index or the producer price index, or land price volatility.

The fair values of assets held for sale were measured by qualified independent appraisers with experience in valuing similar properties in the same area. In addition, per the fair value hierarchy on Note 6.1, the fair value hierarchy of all investment properties has been categorized and classified as Level 3.

The changes in accumulated impairment losses of assets held for sale for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

2013				
Beginning	Provision	Reversal	Others	Ending
₩ (5,759)	₩ (22,365)	₩ -	₩ 4,685	₩ (23,439)

(In millions of Korean won)

2012				
Beginning	Provision	Reversal	Others	Ending
₩ (6,247)	₩ (5,708)	₩ -	₩ 6,196	₩ (5,759)

As of December 31, 2013, assets held for sale consist of eleven real estates 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 sold by December 31, 2013. As of December 31, 2013, three assets out of above assets held for sale are under negotiation for sale and the remaining nine assets are also being actively marketed.

## 18. Other Assets

The details of other assets as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013	2012
<b>Other financial assets</b>		
Other receivables	₩ 3,494,745	₩ 3,234,195
Accrued income	1,018,907	1,084,570
Guarantee deposits	1,395,359	1,369,647
Domestic exchange settlement debits	735,807	2,239,607
Others	188,540	232,524
Allowances for loan losses	(580,651)	(590,110)
Present value discount	(1,028)	(837)
	6,251,679	7,569,596
<b>Other non-financial assets</b>		
Other receivables	663	32,396
Prepaid expenses	397,321	266,727
Guarantee deposits	3,941	4,189
Insurance assets	157,154	155,676
Separate account assets	696,909	655,040
Others	76,798	84,683
Allowances on other asset	(16,402)	(7,988)
	1,316,384	1,190,723
	₩ 7,568,063	₩ 8,760,319

The changes in allowances for loan losses on other assets for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

2013					
	Other financial assets		Other nonfinancial assets		Total
Beginning	₩	590,110	₩	7,988	₩ 598,098
Written-off		(37,382)		(6,715)	(44,097)
Provision		29,229		15,129	44,358
Others		(1,306)		-	(1,306)
Ending	₩	580,651	₩	16,402	₩ 597,053

(In millions of Korean won)

2012					
	Other financial assets		Other nonfinancial assets		Total
Beginning	₩	353,422	₩	8,339	₩ 361,761
Written-off		(30,604)		(4,439)	(35,043)
Provision		46,125		4,088	50,213
Others		221,167		-	221,167
Ending	₩	590,110	₩	7,988	₩ 598,098

## 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, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
<b>Financial liabilities held for trading</b>				
Securities sold	₩	196,570	₩	1,342,119
Other		40,067		39,878
		236,637		1,381,997
<b>Financial liabilities designated at fair value through profit or loss</b>				
Derivative linked securities		878,565		469,138
		878,565		469,138
<b>Total financial liabilities at fair value through profit or loss</b>	₩	1,115,202	₩	1,851,135

The details of credit risk of financial liabilities designated at fair value through profit or loss as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
<b>Financial liabilities designated at fair value through profit or loss</b>	₩	878,565	₩	469,138
Changes in fair value resulting from changes in the credit risk		(4,032)		3,812
Accumulated changes in fair value resulting from changes in the credit risk		(9,662)		(5,630)



## 20. Deposits

Deposits as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
Deposits	₩	200,882,064	₩	197,346,208
Deferred financing costs		-		(3)
	₩	200,882,064	₩	197,346,205

The details of deposits as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
<b>Demand deposits</b>				
<b>Demand deposits in Korean won</b>				
Checking deposits	₩	122,296	₩	116,417
Household checking deposits		467,229		434,814
Special deposits		2,706,609		3,093,865
Ordinary deposits		24,533,701		21,468,422
Public fund deposits		75,127		68,600
Treasury deposits		5,148		5,256
General savings deposits		28,077,274		24,668,545
Corporate savings deposits		10,715,746		10,504,790
Nonresident's deposit in Korean won		32,355		31,614
Nonresident's free deposit in Korean won		15,001		2,818
Others		163,262		186,193
		66,913,748		60,581,334
<b>Demand deposits in foreign currencies</b>				
Checking deposits		251,072		98,478
Ordinary deposits		2,461,685		1,809,712
Special deposits		5,325		1,316
Others		14,142		9,851
		2,732,224		1,919,357
		69,645,972		62,500,691
<b>Time deposits</b>				
<b>Time deposits in Korean won</b>				
Time deposits		108,216,861		114,496,449
Installment savings deposits		11,097,205		7,088,988
Good-sum formation savings		425,090		33,586
Nonresident's deposit in Korean won		186,966		222,586
Workers' savings for housing		1,543		1,692

Nonresident's free deposit in Korean won		41,085		92,011
Long-term housing savings deposits		2,061,129		3,083,602
Long-term savings for households		190		206
Preferential savings deposits for workers		245		323
Mutual installment deposits		1,478,299		1,143,414
Mutual installment for housing		853,392		1,005,752
Trust deposits		3,093,949		2,944,666
		127,455,954		130,113,275
<b>Time deposits in foreign currencies</b>				
Time deposits		2,082,865		2,954,348
Installment savings deposits		4,035		2,131
Others		68,960		23,693
		2,155,860		2,980,172
		129,611,814		133,093,447
<b>Certificates of deposits</b>		1,624,278		1,752,067
<b>Total deposits</b>	₩	200,882,064	₩	197,346,205

## 21. Debts

The details of debts as of December 31, 2013 and 2012, consist of:

(In millions of Korean won)

		2013		2012	
Borrowings	₩	10,767,737	₩	12,274,501	
Bonds sold under repurchase agreements and others		685,626		1,094,031	
Call money		2,647,968		2,596,926	
	₩	14,101,331	₩	15,965,458	

The details of borrowings as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

		Lender	Annual interest rate (%)	2013		2012	
<b>Borrowings in Korean won</b>	Borrowings from the Bank of Korea	Bank of Korea	0.50~1.00	₩	557,998	₩	781,787
	Borrowings from the government	KEMCO and others	0.00~5.00		626,593		626,059
	Borrowings from banking institutions	Industrial Bank of Korea and others	2.12~3.50		61,877		103,398
	Borrowings from non-banking financial institutions	The Korea Development Bank and others	1.17~2.70		142,511		268,491

	Other borrowings	The Korea Finance Corporation and others	0.00~5.30	3,527,292	3,716,879
				4,916,271	5,496,614
<b>Borrowings in foreign currencies</b>	Due to banks	Deutsche Bank Trust Company America and others	0.00~0.55	158,180	52,186
	Borrowings from banking institutions	Sumitomo Mitsui Banking Corp. and others	0.27~4.45	3,831,929	4,312,614
	Other borrowings	The Korea Finance Corporation	1.01~1.38	3,166	5,195
	Other borrowings	JP Morgan Chase Bank N.A. and others	-	1,858,191	2,407,892
				5,851,466	6,777,887
				₩ 10,767,737	₩ 12,274,501

The details of bonds sold under repurchase agreements and others as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	Lenders	Annual interest rate (%)		2013		2012
Bonds sold under repurchase agreements	Individuals, Groups, Corporations	0.74~3.69	₩	608,156	₩	1,003,348
Bills sold	Counter sale	1.60~2.70		77,470		90,683
			₩	685,626	₩	1,094,031

The details of call money as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	Lenders	Annual interest rate (%)		2013		2012
Call money in Korean won	The Korea Development Bank and others	2.32~2.62	₩	1,649,400	₩	2,018,100
Call money in foreign currencies	Central bank Uzbekistan and others	0.17~5.23		998,568		578,826
			₩	2,647,968	₩	2,596,926

Call money and borrowings from financial institutions as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013						
	Bank of Korea		Other Banks		Others		Total
Call money	₩	1,001	₩	1,970,567	₩	676,400	₩ 2,647,968
Borrowings		557,998		5,901,018		630,733	7,089,749
	₩	558,999	₩	7,871,585	₩	1,307,133	₩ 9,737,717

(In millions of Korean won)

	2012							
	Bank of Korea		Other Banks		Others		Total	
Call money	₩	-	₩	1,431,826	₩	1,165,100	₩	2,596,926
Borrowings		781,787		6,546,839		1,438,969		8,767,595
	₩	781,787	₩	7,978,665	₩	2,604,069	₩	11,364,521

## 22. Debentures

The details of debentures as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	Annual interest rate (%)	2013	2012
<b>Debentures in Korean won</b>			
Hybrid capital instrument	-	₩ -	₩ 100,000
Structured debentures	0.40 ~ 8.62	1,499,238	1,699,238
Subordinated fixed rate debentures in Korean won	3.08 ~ 7.70	8,648,474	7,921,510
Fixed rate debentures in Korean won	2.62 ~ 5.04	12,057,142	10,145,218
Floating rate debentures in Korean won	2.82 ~ 10.39	1,505,858	1,169,158
		23,710,712	21,035,124
<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)		(31,577)	36,417
Fair value adjustments on valuation of fair value hedged items (prior year portion)		81,369	52,572
		49,792	88,989
<b>Discount or premium on debentures in Korean won</b>			
Discount on debentures		(16,615)	(15,647)
		23,743,889	21,108,466
<b>Debentures in foreign currencies</b>			
Floating rate debentures	1.11 ~ 1.64	1,143,360	759,783
Fixed rate debentures	0.40 ~ 7.25	2,335,059	2,553,814
		3,478,419	3,313,597
<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)		(42,195)	(68,212)
Fair value adjustments on valuation of fair value hedged items (prior year portion)		(130,011)	(69,060)
		(172,206)	(137,272)
<b>Discount or premium on debentures in foreign currencies</b>			
Discount on debentures		(10,568)	(14,579)
		3,295,645	3,161,746
		₩ 27,039,534	₩ 24,270,212

The changes in debentures based on face value for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013				
	Beginning	Issues	Repayments	Others	Ending
<b>Debentures in Korean won</b>					
Hybrid capital instrument	₩ 100,000	₩ -	₩ (100,000)	₩ -	₩ -
Structured debentures	1,699,238	100,000	(300,000)	-	1,499,238
Subordinated fixed rate debentures in Korean won	7,921,510	1,000,000	(248,286)	(24,750)	8,648,474
Fixed rate debentures in Korean won	10,145,218	7,716,400	(5,791,683)	(12,793)	12,057,142
Floating rate debentures in Korean won	1,169,158	760,600	(423,900)	-	1,505,858
	21,035,124	9,577,000	(6,863,869)	(37,543)	23,710,712
<b>Debentures in foreign currencies</b>					
Floating rate debentures	759,783	537,850	(176,050)	21,777	1,143,360
Fixed rate debentures	2,553,814	657,465	(772,364)	(103,856)	2,335,059
	3,313,597	1,195,315	(948,414)	(82,079)	3,478,419
	₩ 24,348,721	₩ 10,772,315	₩ (7,812,283)	₩ (119,622)	₩ 27,189,131

(In millions of Korean won)

	2012				
	Beginning	Issues	Repayments	Others	Ending
<b>Debentures in Korean won</b>					
Hybrid capital instrument	₩ 100,000	₩ -	₩ -	₩ -	₩ 100,000
Structured debentures	3,424,238	310,000	(2,035,000)	-	1,699,238
Subordinated fixed rate debentures in Korean won	7,995,571	1,824,730	(1,898,791)	-	7,921,510
Fixed rate debentures in Korean won	10,791,612	6,188,093	(6,834,487)	-	10,145,218
Floating rate debentures in Korean won	904,258	865,900	(601,000)	-	1,169,158
	23,215,679	9,188,723	(11,369,278)	-	21,035,124
<b>Debentures in foreign currencies</b>					
Floating rate debentures	1,309,606	198,478	(682,622)	(65,679)	759,783
Fixed rate debentures	2,705,167	1,034,162	(1,042,992)	(142,523)	2,553,814
	4,014,773	1,232,640	(1,725,614)	(208,202)	3,313,597
	₩ 27,230,452	₩ 10,421,363	₩ (13,094,892)	₩ (208,202)	₩ 24,348,721

## 23. Provisions

The details of provisions as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
Provisions for unused loan commitments	₩	226,110	₩	236,026
Provisions for acceptances and guarantees		209,118		208,753
Provisions for financial guarantee contracts		2,699		7,383
Provisions for asset retirement obligation		76,608		65,226
Other		163,538		152,341
	₩	678,073	₩	669,729

Provisions for unused loan commitments as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013				
	Commitments outstanding		Provision		Ratio (%)
Corporate loan commitments	₩	42,446,365	₩	101,455	0.24
Retail loan commitments		13,976,426		38,385	0.27
Credit line on credit cards		37,112,333		86,270	0.23
	₩	93,535,124	₩	226,110	0.24

(In millions of Korean won)

	2012				
	Commitments outstanding		Provision		Ratio (%)
Corporate loan commitments	₩	40,770,994	₩	106,025	0.26
Retail loan commitments		14,348,821		41,273	0.29
Credit line on credit cards		36,214,899		88,728	0.25
	₩	91,334,714	₩	236,026	0.26

Provisions for acceptances and guarantees as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013				
	Acceptances and guarantees		Provision		Ratio (%)
Confirmed acceptances and guarantees in Korean won	₩	1,231,569	₩	42,604	3.46
Confirmed acceptances and guarantees in foreign currencies		4,532,036		96,077	2.12
Unconfirmed acceptances and guarantees		4,041,087		70,437	1.74
	₩	9,804,692	₩	209,118	2.13

Provisions for acceptances and guarantees as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2012				
	Acceptances and guarantees		Provision		Ratio (%)
Confirmed acceptances and guarantees in Korean won	₩	1,564,128	₩	33,554	2.15
Confirmed acceptances and guarantees in foreign currencies		3,609,636		75,859	2.10
Unconfirmed acceptances and guarantees		4,244,517		99,340	2.34
	₩	9,418,281	₩	208,753	2.22

The changes in provisions for unused loan commitments, acceptances and guarantees for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013				
	Provisions for unused loan commitments		Provisions for acceptances and guarantees		Total
Beginning	₩	236,026	₩	208,753	₩ 444,779
Effects of changes in foreign exchange rate		(164)		(961)	(1,125)
Provision(reversal)		(9,752)		1,326	(8,426)
Ending	₩	226,110	₩	209,118	₩ 435,228

(In millions of Korean won)

	2012				
	Provisions for unused loan commitments		Provisions for acceptances and guarantees		Total
Beginning	₩	259,427	₩	311,502	₩ 570,929
Effects of changes in foreign exchange rate		(770)		(10,219)	(10,989)
Provision(reversal)		(22,631)		(68,777)	(91,408)
Others		-		(23,753)	(23,753)
Ending	₩	236,026	₩	208,753	₩ 444,779

The changes in provisions for financial guarantee contracts for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
		₩		₩
Beginning		7,383		7,959
Provision(reversal)		(4,684)		(576)
Ending	₩	2,699	₩	7,383

The changes in provisions for asset retirement obligation for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
Beginning	₩	65,226	₩	60,059
Provision		3,972		4,115
Reversal		(226)		-
Used		(2,475)		(1,296)
Unwinding of discount		2,203		2,483
Effects of changes in discount rate		7,908		(135)
Ending	₩	76,608	₩	65,226

Provisions for asset retirement obligations are the present value of estimated costs to be incurred for the 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.

The details of other provisions as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
Membership rewards program	₩	5,402	₩	11,108
Dormant accounts		16,839		16,028
Litigations		23,455		21,215
Others		117,842		103,990
	₩	163,538	₩	152,341

The changes in other provisions for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013									
	Membership rewards program		Dormant accounts		Litigations		Others		Total	
Beginning	₩	11,108	₩	16,028	₩	21,215	₩	103,990	₩	152,341
Increase		13,473		10,596		4,800		18,026		46,895
Decrease		(19,179)		(9,785)		(2,560)		(4,174)		(35,698)
Ending	₩	5,402	₩	16,839	₩	23,455	₩	117,842	₩	163,538

(In millions of Korean won)

	2012									
	Membership rewards program		Dormant accounts		Litigations		Others		Total	
Beginning	₩	13,495	₩	11,292	₩	49,286	₩	84,719	₩	158,792
Increase		15,958		13,998		18,073		51,799		99,828
Decrease		(18,345)		(9,262)		(46,144)		(32,528)		(106,279)
Ending	₩	11,108	₩	16,028	₩	21,215	₩	103,990	₩	152,341



## 24. Net 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 and consumer price index are based on observable market data and historical data which 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 other comprehensive income (loss).

The changes in the net defined benefit liabilities for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Beginning	₩ 942,333	₩ (858,610)	₩ 83,723
Current service cost	172,857	-	172,857
Interest cost(income)	33,282	(30,321)	2,961
Past service cost	1,005	-	1,005
Gain or loss on settlement	(4,244)	-	(4,244)
Remeasurements			
Actuarial gains and losses by changes in demographic assumptions	563	-	563
Actuarial gains and losses by changes in financial assumptions	(62,793)	-	(62,793)
Actuarial gains and losses by experience adjustments	7,066	-	7,066
Return on plan assets (excluding amounts included in interest income)	-	1,096	1,096
Contributions	-	(132,870)	(132,870)
Payments from plans (settlement)	(65,493)	65,212	(281)
Payments from plans (benefit payments)	(34,814)	34,772	(42)
Payments from the Group	(4,590)	-	(4,590)
Transfer in	2,551	(2,315)	236
Transfers out	(2,551)	2,314	(237)
Effect of exchange rate changes	(94)	-	(94)
Business combination	117	-	117
Ending	₩ 985,195	₩ (920,722)	₩ 64,473

(In millions of Korean won)

	2012		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Beginning	₩ 727,760	₩ (600,323)	₩ 127,437
Current service cost	154,552	-	154,552
Interest cost(income)	31,158	(25,785)	5,373
Past service cost	12,855	-	12,855
Gain or loss on settlement	(389)	-	(389)
Remeasurements			
Actuarial gains and losses by changes in demographic assumptions	(30,879)	-	(30,879)
Actuarial gains and losses by changes in financial assumptions	51,321	-	51,321
Actuarial gains and losses by experience adjustments	20,741	-	20,741
Return on plan assets (excluding amounts included in interest income)	-	(1,243)	(1,243)
Contributions	-	(248,656)	(248,656)
Payments from plans (settlement)	(541)	221	(320)
Payments from plans (benefit payments)	(17,253)	17,253	-
Payments from the Group	(6,907)	-	(6,907)
Transfer in	2,198	(1,944)	254
Transfers out	(2,198)	1,867	(331)
Effect of exchange rate changes	(85)	-	(85)
Ending	₩ 942,333	₩ (858,610)	₩ 83,723

The details of the net defined benefit liabilities as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013	2012
Present value of defined benefit obligation	₩ 985,195	₩ 942,333
Fair value of plan assets	(920,722)	(858,610)
Net Defined benefit liabilities	64,473	83,723

The details of post-employment benefits recognized in profit or loss as employee compensation and benefits for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013	2012
Current service cost	₩ 172,857	₩ 154,552
Past service cost	1,005	12,855
Gain or loss on settlement	(4,244)	(389)
Net interest expenses of net defined benefit liabilities	2,961	5,373
Post-employment benefits <sup>1</sup>	₩ 172,579	₩ 172,391

<sup>1</sup> Post-employment benefits amounting to ₩1,471 million and ₩883 million for the years ended December 31, 2013 and 2012, respectively, are recognized as other operating expense in the statements of comprehensive income.

Remeasurements of the net defined benefit liabilities recognized as other comprehensive income for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
Remeasurements				
Return on plan assets (excluding amounts included in interest income)	₩	(1,096)	₩	1,243
Actuarial gains and losses		55,165		(41,184)
Income tax effects		(13,085)		9,669
Remeasurements after income tax	₩	40,984	₩	(30,272)

Plan assets as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013					
	Assets quoted in an active market		Assets not quoted in an active market		Total	
Cash and due from financial institutions	₩	-	₩	915,584	₩	915,584
Repurchase agreements		-		5,138		5,138
	₩	-	₩	920,722	₩	920,722

(In millions of Korean won)

	2012					
	Assets quoted in an active market		Assets not quoted in an active market		Total	
Cash and due from financial institutions	₩	-	₩	858,610	₩	858,610

Key actuarial assumptions used as of December 31, 2013 and 2012, are as follows:

	2013	2012
Discount rate (%)	2.90 ~ 4.00	3.00 ~ 3.64
Salary increase rate (%)	0.00 ~ 8.90	0.00 ~ 8.90
Turnover (%)	0.00 ~ 32.00	0.00 ~ 32.00

Mortality assumptions are based on the 7th experience-based mortality table (retirement pension) of Korea Insurance Development Institute of 2012.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions as of December 31, 2013, is as follows:

	Changes in principal assumption	Effect on net defined benefit obligation	
		Increase in principal assumption	Decrease in principal assumption
Discount rate (%)	0.5	5.02 decrease	5.41 increase
Salary increase rate (%)	0.5	5.05 increase	4.81 decrease
Turnover (%)	0.5	0.24 decrease	0.18 increase

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

Expected maturity analysis of undiscounted pension benefits as of December 31, 2013, is as follows:

(In millions of Korean won)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Between 5 and 10 years	Over 10 years	Total
Pension benefits	₩ 21,096	₩ 58,558	₩ 248,744	₩ 782,831	₩ 3,532,620	₩ 4,643,849

The weighted average duration of the defined benefit obligation is 1 ~ 14.4 years.

The Group's best estimate of contributions to plan expected to be paid in 2014 amounts to ₩180,618 million.

## 25. Other liabilities

The details of other liabilities as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013	2012
<b>Other financial liabilities</b>		
Other payables	₩ 4,582,344	₩ 4,327,788
Prepaid card and debit card	18,527	18,165
Accrued expenses	4,053,809	4,444,807
Financial guarantee liabilities	11,797	7,153
Deposits for letter of guarantees and others	108,786	114,171
Domestic exchange settlement credits	998,928	167,842
Foreign exchanges settlement credits	83,237	52,456
Borrowings from other business account	7,911	34,367
Other payables from trust accounts	2,423,675	2,009,396
Liability Incurred by agency relationship	532,157	499,249
Account for agency businesses	384,921	402,290
Dividend payables	485	489
Other payables from factored receivables	42,924	78,025
Others	13,413	29,740
	13,262,914	12,185,938
<b>Other non-financial liabilities</b>		
Other payables	44,982	28,712
Unearned revenue	123,033	117,135
Accrued expenses	191,513	222,920
Deferred revenue on credit card points	117,659	111,838
Withholding taxes	111,975	121,688
Insurance liabilities	5,599,043	4,837,166
Separate account liabilities	702,757	661,782
Others	82,353	40,561
	6,973,315	6,141,802
	₩ 20,236,229	₩ 18,327,740

## 26. Equity

### 26.1 Share capital

The details of outstanding shares of the Parent Company as of December 31, 2013 and 2012, are as follows:

	Ordinary shares	
	2013	2012
Number of shares authorized	1,000,000,000	1,000,000,000
Number of shares	386,351,693	386,351,693
Par value per share	₩ 5,000	₩ 5,000
Share capital stock <sup>1</sup>	₩ 1,931,758	₩ 1,931,758

<sup>1</sup> In millions of Korean won.

### 26.2 Capital surplus

The details of capital surplus as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013	2012
Share premium	₩ 12,226,596	₩ 12,226,596
Loss on sale of treasury shares	(568,544)	(568,544)
Other capital surplus	4,196,553	4,182,248
	₩ 15,854,605	₩ 15,840,300

### 26.3 Accumulated other comprehensive income

The details of accumulated other comprehensive income as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013	2012
Remeasurements of net defined benefit liabilities	₩ (12,523)	₩ (53,507)
Exchange differences on translating foreign operations	(29,433)	(27,061)
Change in value of available-for-sale financial assets	430,976	426,354
Change in value of held-to-maturity financial assets	4,904	(1,225)
Shares of other comprehensive income of associates	(57,097)	(47,286)
Cash flow hedges	(515)	(2,133)
	₩ 336,312	₩ 295,142

## 26.4 Retained earnings

The details of retained earnings as of December 31, 2013 and 2012, consist of:

(In millions of Korean won)

	2013		2012	
Legal reserves <sup>1</sup>	₩	188,638	₩	124,014
Voluntary reserves		982,000		982,000
Unappropriated retained earnings		6,359,518		5,395,405
	₩	7,530,156	₩	6,501,419

<sup>1</sup>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 share 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 share capital, 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, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
<b>Regulatory reserve for credit losses attributable to:</b>				
Shareholders of the Parent Company	₩	2,279,905	₩	2,146,150
Non-controlling interests		-		1,184
	₩	2,279,905	₩	2,147,334

The adjustments to the regulatory reserve for credit losses as of December 31, 2013 and 2012, are as follows:

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

	2013		2012	
Provision(reversal) of regulatory reserve for credit losses	₩	133,755	₩	326,192
Adjusted profit after provision(reversal) of regulatory reserve for credit losses <sup>1</sup>		1,126,754		1,404,842
Adjusted basic earnings per share after provision (reversal) of regulatory reserve for credit losses <sup>1</sup>		2,916		3,636
Adjusted diluted earnings per share after provision (reversal) of regulatory reserve for credit losses <sup>1</sup>		2,904		3,625

<sup>1</sup>Adjusted profit after provision(reversal) of regulatory reserve for credit losses is not in accordance with K-IFRS and calculated on the assumption that provision(reversal) of regulatory reserve for credit losses before income tax is adjusted to the profit.

## 27. Net Interest Income

The details of interest income and interest expense for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013	2012
<b>Interest income</b>		
Due from financial institutions	₩ 146,105	₩ 160,400
Loans	10,778,258	12,310,713
Financial investments		
Available-for-sale financial assets	694,218	799,020
Held-to-maturity financial assets	574,586	626,763
Other	163,763	313,210
	12,356,930	14,210,106
<b>Interest expenses</b>		
Deposits	4,279,153	5,450,781
Debts	289,652	394,812
Debentures	1,190,446	1,261,542
Other	74,847	65,188
	5,834,098	7,172,323
<b>Net interest income</b>	₩ 6,522,832	₩ 7,037,783

Interest income recognized on impaired loans and financial investments amounts to ₩127,120 million (2012: ₩124,183 million) and ₩569 million (2012: ₩200 million), respectively, for the year ended December 31, 2013.

## 28. Net Fee and Commission income

The details of fee and commission income, and fee and commission expense for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
<b>Fee and commission income</b>				
Banking activity fees	₩	167,507	₩	169,244
Lending activity fees		90,413		89,964
Credit card related fees and commissions		1,126,944		1,179,618
Debit card related fees and commissions		255,742		217,870
Agent activity fees		207,036		285,183
Trust and other fiduciary fees		160,521		148,672
Fund management related fees		93,494		81,477
Guarantee fees		34,173		33,594
Foreign currency related fees		102,047		108,611
Commissions from transfer agent services		177,793		174,829
Other business account commission on consignment		29,799		30,354
Securities brokerage fees		68,158		67,858
Other		143,738		166,602
		2,657,365		2,753,876
<b>Fee and commission expense</b>				
Trading activity related fees <sup>1</sup>		9,358		14,963
Lending activity fees		18,791		20,466
Credit card related fees and commissions		934,114		997,368
Outsourcing related fees		74,516		62,546
Foreign currency related fees		12,561		11,638
Management fees of written-off loans		4,065		3,284
Other		124,721		76,905
		1,178,126		1,187,170
<b>Net fee and commission income</b>	₩	1,479,239	₩	1,566,706

<sup>1</sup> The fees from financial assets/liabilities at fair value through profit or loss.



## 29. Net gains or losses on financial assets/liabilities at fair value through profit or loss

### 29.1 Net gains or losses on 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, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013	2012
<b>Gains related to financial instruments held for trading</b>		
Financial assets held for trading		
Debt securities	₩ 340,601	₩ 462,456
Equity securities	109,698	117,103
	450,299	579,559
<b>Derivatives held for trading</b>		
Interest rate	1,090,262	948,426
Currency	2,524,173	2,718,568
Stock or stock index	218,509	685,454
Commodity	1,336	486
Other	20,825	20,668
	3,855,105	4,373,602
<b>Financial liabilities held for trading</b>	95,382	69,866
<b>Other financial instruments</b>	70	48
	₩ 4,400,856	₩ 5,023,075
<b>Losses related to financial instruments held for trading</b>		
Financial assets held for trading		
Debt securities	₩ 118,362	₩ 72,078
Equity securities	81,733	70,852
	200,095	142,930
<b>Derivatives held for trading</b>		
Interest rate	1,076,647	962,738
Currency	2,007,454	2,274,799
Stock or stock index	224,019	665,037
Commodity	182	506
Other	2,343	14,651
	3,310,645	3,917,731
<b>Financial liabilities held for trading</b>	110,114	113,929
<b>Other financial instruments</b>	29	35
	₩ 3,620,883	₩ 4,174,625
<b>Net gains or losses on financial instruments held for trading</b>	₩ 779,973	₩ 848,450

## 29.2 Net gains or losses on 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, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
<b>Gains related to financial instruments designated at fair value through profit or loss</b>				
Financial assets designated at fair value through profit or loss	₩	23,760	₩	117,213
Financial liabilities designated at fair value through profit or loss		20,846		5,230
		44,606		122,443
<b>Losses related to financial instruments designated at fair value through profit or loss</b>				
Financial assets designated at fair value through profit or loss		14,754		6,753
Financial liabilities designated at fair value through profit or loss		53,003		152,176
		67,757		158,929
<b>Net gains or losses on financial instruments designated at fair value through profit or loss</b>	₩	(23,151)	₩	(36,486)

## 30. Other operating income and expenses

The details of other operating income and expenses for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
<b>Other operating income</b>				
Revenue related to available-for-sale financial assets				
Gains on redemption of available-for-sale financial assets	₩	867	₩	480
Gains on sale of available-for-sale financial assets		189,011		149,925
		189,878		150,405
Gains on foreign exchange transactions		1,387,450		1,093,904
Income related to insurance		1,233,773		1,730,466
Dividend income		64,441		69,023
Others		261,886		242,169
		3,137,428		3,285,967
<b>Other operating expenses</b>				
Expense related to available-for-sale financial assets				
Loss on redemption of available-for-sale financial assets		65		11
Loss on sale of available-for-sale financial assets		25,157		16,884
Impairment on available-for-sale financial assets		163,464		280,610
		188,686		297,505
Expense related to held-to-maturity financial assets				
Impairment on held-to-maturity financial assets		5		154
		5		154
Loss on foreign exchanges transactions		1,667,335		1,410,525
Expense related to insurance		1,358,830		1,822,178
Others		1,227,337		1,287,547
		4,442,193		4,817,909
<b>Net other operating income (expenses)</b>	₩	(1,304,765)	₩	(1,531,942)

## 31. General and administrative expenses

### 31.1 General and administrative expenses

The details of general and administrative expenses for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013	2012
<b>Employee Benefits</b>		
Salaries and short-term employee benefits - salaries	₩ 1,641,326	₩ 1,598,045
Salaries and short-term employee benefits - others	677,107	657,473
Post-employment benefits - defined benefit plans	171,108	171,508
Post-employment benefits - defined contribution plans	7,094	5,463
Termination benefits	19,714	(3,960)
Share-based payments	17,289	13,871
	2,533,638	2,442,400
<b>Depreciation and amortization</b>		
<b>Other general and administrative expenses</b>	286,756	328,152
Rental expense	290,886	276,769
Tax and dues	141,274	72,111
Communication	55,549	53,549
Electricity and utilities	26,315	24,898
Publication	19,259	20,764
Repairs and maintenance	14,615	13,426
Vehicle	11,816	12,114
Travel	5,722	5,526
Training	19,498	22,443
Service fees	104,210	105,972
Others	474,026	467,486
	1,163,170	1,075,058
	₩ 3,983,564	₩ 3,845,610

## 31.2 Share-based payments

### 31.2.1 Share options

The details of the share options as of December 31, 2013, are as follows:

(In number of shares)

	Grant date	Exercise period (Years)	Granted shares <sup>1</sup>	Vesting conditions
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>
			1,865,000	

<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.

The changes in the number of granted share options and the weighted average exercise price for the years ended December 31, 2013 and 2012, are as follows:

(In Korean won, except shares)

	2013					
	Number of granted shares			Number of exercisable shares	Exercise price per share	Remaining contractual life(Years)
	Beginning	Expired	Ending			
Series 15-1	125,362	125,362	-	-	-	-
Series 15-2	440,928	440,928	-	-	-	-
Series 17	29,441	29,441	-	-	-	-
Series 18	7,212	7,212	-	-	-	-
Series 19	751,651	-	751,651	751,651	77,063	0.23
Series 20	25,613	-	25,613	25,613	81,900	0.32
Series 21	18,987	-	18,987	18,987	76,600	0.82
Series 22	657,498	-	657,498	657,498	77,100	1.11
Series 23	15,246	-	15,246	15,246	84,500	1.22
	2,071,938	602,943	1,468,995	1,468,995		
Weighted average exercise price	₩ 68,909	₩ 48,625	₩ 77,235	₩ 77,235		

(In Korean won, except shares)

	2012					
	Number of granted shares			Number of exercisable shares	Exercise price per share	Remaining contractual life(Years)
	Beginning	Expired	Ending			
Series 12	54,250	54,250	-	-	-	-
Series 13-1	20,000	20,000	-	-	-	-
Series 15-1	125,362	-	125,362	125,362	54,656	0.21
Series 15-2	440,928	-	440,928	440,928	46,800	0.21
Series 17	29,441	-	29,441	29,441	49,200	0.56
Series 18	7,212	-	7,212	7,212	53,000	0.64
Series 19	751,651	-	751,651	751,651	77,063	1.23
Series 20	25,613	-	25,613	25,613	81,900	1.32
Series 21	18,987	-	18,987	18,987	76,600	1.82
Series 22	657,498	-	657,498	657,498	77,100	2.11
Series 23	15,246	-	15,246	15,246	84,500	2.22
	2,146,188	74,250	2,071,938	2,071,938		
Weighted average exercise price	₩ 68,144	₩ 46,787	₩ 68,909	₩ 68,909		

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 19 (Directors)	40,700	76,726	10.99	0.11	57	2.67	-
Series 19 (Employees)	40,700	77,390	10.99	0.11	57	2.67	-
Series 20 (Employees)	40,700	81,900	15.65	0.16	81	2.67	-
Series 21 (Employees)	40,700	76,600	22.52	0.41	205	2.67	-
Series 22 (Directors)	40,700	77,100	23.67	0.55	275	2.67	-
Series 22 (Employees)	40,700	77,100	27.42	0.23	116	2.67	-
Series 23 (Non-executive directors)	40,700	84,500	22.76	0.61	304	2.67	-

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.

### 31.2.2 Share Grants

The Group changed the scheme of share-based payment from share options to share grants 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 grants as of December 31, 2013, are as follows:

(In number of shares)

Share grants	Grant date	Number of granted shares <sup>1</sup>	Vesting conditions
<b>(KB Financial Group Inc.)</b>			
Series 2	2009.03.27	3,090	Service fulfillment <sup>2</sup>
Series 3	2010.01.01	32,256	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>3,8</sup>
Series 4	2010.07.13	218,944	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>4,8</sup>
Series 5	2010.12.23	13,260	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>5,8</sup>
Series 6	2011.08.10	8,183	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>5,8</sup>
Series 7	2012.01.01	42,568	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>3,8</sup>
Series 8	2012.01.01	59,272	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>3,8</sup>
Series 9	2013.07.17	94,185	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>3,8</sup>
		471,758	
<b>(Kookmin Bank)</b>			
Series 32	2011.03.24	7,986	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>6,8</sup>
Series 33	2011.07.07	6,025	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 34	2011.08.10	10,242	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 36	2011.10.18	8,596	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 37	2011.12.23	68,310	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 38	2012.01.01	171,100	Services fulfillment, Non-market performance <sup>7,8</sup>
Series 39	2012.01.08	18,250	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 40	2012.08.01	9,864	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 41	2012.08.02	37,513	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 42	2012.09.20	8,244	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 43	2012.11.26	13,918	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 44	2013.01.01	17,242	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 45	2013.01.01	77,584	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 46	2013.01.01	120,680	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>

Share grants	Grant date	Number of granted shares <sup>1</sup>	Vesting conditions
Series 47	2013.07.01	10,298	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 48	2013.07.23	74,666	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 49	2013.07.24	109,420	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 50	2013.07.24	82,926	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 51	2013.07.25	9,180	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Series 52	2013.08.01	10,278	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>7,8</sup>
Grant deferred in 2010	-	5,240	Satisfied
Grant deferred in 2011	-	17,670	Satisfied
Grant deferred in 2012	-	47,892	Satisfied
Grant deferred in 2013	-	25,273	Satisfied
		968,397	
(Other subsidiaries)			
Share granted in 2010		4,129	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>9</sup>
Share granted in 2011		38,931	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>9</sup>
Share granted in 2012		63,976	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>9</sup>
Share granted in 2013		104,394	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>9</sup>
		211,430	
		1,651,585	

<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 number of granted shares to be compensated is determined based on fulfillment of service requirements.

<sup>3</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>4</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>5</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>6</sup> The number of granted shares to be compensated is not linked to performance, but fixed.

<sup>7</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 Kookmin Bank and the targeted relative TSR, respectively. However, 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 KPIs.

<sup>8</sup> Certain portion of the granted shares is compensated over a maximum period of three years.

<sup>9</sup> The 30%, 30% and 40% of the number of granted shares to be compensated are determined based on the accomplishment of the key performance results, targeted results with 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 targeted results with the Group and the targeted relative TSR, respectively.

The details of share grants linked to short-term performance as of December 31, 2013, are as follows:

Share grants	Grant date	Number of vested shares <sup>1</sup>	Vesting conditions
<b>(KB Financial Group Inc.)</b>			
Share granted in 2010	2010.01.01	3,082	Satisfied
Share granted in 2011	2011.01.01	12,856	Satisfied
Share granted in 2012	2012.01.01	22,349	Satisfied
Share granted in 2013	2013.01.01	21,835	Proportion to service period
<b>(Kookmin Bank)</b>			
Share granted in 2010	2010.01.01	27,548	Satisfied
Share granted in 2011	2011.01.01	94,822	Satisfied
Share granted in 2012	2012.01.01	155,466	Satisfied
Share granted in 2013	2013.01.01	174,304	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>				
<b>(KB Financial Group Inc.)</b>				
Series 2-3	0.24	2.67	-	42,113
Series 3-1	0.25	2.67	-	40,662
Series 3-2	0.25~1.00	2.67	-	40,662~42,844
Series 3-3	0.25	2.67	-	40,662
Series 4-1	0.53~2.53	2.67	-	42,562~43,760
Series 4-2	0.53~2.53	2.67	-	42,562~43,760
Series 4-3	0.25~2.00	2.67	37,117	37,117~43,343
Series 4-4	0.25~2.00	2.67	37,117	40,662~43,343
Series 4-5	0.25~2.00	2.67	37,117	40,662~43,343
Series 5-1	0.25~1.00	2.67	-	40,662~42,844
Series 6-1	0.25~3.00	2.67	-	40,429~44,160
Series 7-1	0.25~3.00	2.67	-	40,429~44,160
Series 8-1	0.25~3.00	2.67	-	40,429~44,160
Series 9-1	2.00~5.00	2.76	20,402	41,154~45,144
<b>(Kookmin Bank)</b>				
Series 32	0.25~2.97	2.67	-	39,923~44,228
Series 33	0.25~3.00	2.67	-	40,662~44,160
Series 34	0.25~3.00	2.67	-	40,662~44,160
Series 36	0.25~3.00	2.67	-	40,662~44,160
Series 37	0.25~3.00	2.67	-	40,662~44,160
Series 38	0.25~3.00	2.67	-	40,662~44,160



Series 39	0.25~3.00	2.67	-	40,662~44,160
Series 40	0.25~3.00	2.67	-	40,662~44,160
Series 41-1	0.58~4.00	2.67	10,272	42,844~44,477
Series 41-2	0.25~3.00	2.67	-	40,662~44,160
Series 42	0.25~3.00	2.67	-	40,662~44,160
Series 43	0.90~4.00	2.67	3,421	42,844~44,477
Series 44	0.25~3.00	2.67	-	40,662~44,160
Series 45-1	1.00~4.00	2.67	8,988	42,844~44,477
Series 45-2	0.25~3.00	2.67	-	40,662~44,160
Series 46-1	1.00~4.00	2.67	8,988	42,844~44,477
Series 46-2	0.25~3.00	2.67	-	40,662~44,160
Series 47	0.25~3.00	2.67	-	40,662~44,160
Series 48	1.56~5.00	2.72	21,274	43,343~45,144
Series 49-1	1.56~5.00	2.72	21,255	43,343~45,144
Series 49-2	0.25~3.00	2.67	28,655	40,662~44,160
Series 50	1.56~5.00	2.72	21,255	43,343~45,144
Series 51	1.56~5.00	2.72	21,050	43,343~45,144
Series 52	1.58~5.00	2.73	21,307	43,343~45,144
Grant deferred in 2010	0.25~1.00	2.67	-	40,662~42,844
Grant deferred in 2011	0.25~1.00	2.67	-	40,662~42,844
Grant deferred in 2012	0.25~2.00	2.67	-	40,662~43,343
Grant deferred in 2013	0.45~2.45	2.67	-	42,492~43,760
(Other subsidiaries)				
Share granted in 2010	0.25	2.67	-	40,429~42,113
Share granted in 2011	0.25~0.35	2.67	0~10	40,429~42,148
Share granted in 2012	1.00~1.54	2.67~2.72	8,732~18,607	41,418~41,747
Share granted in 2013	0.25~2.75	2.67~2.86	8,990~22,079	34,513~41,747
<b>Linked to short term performance</b>				
<b>(KB Financial Group Inc.)</b>				
Share granted in 2011	0.25~1.00	2.67	-	40,662~42,844
Share granted in 2012	0.25~2.00	2.67	-	40,662~43,343
Share granted in 2013	1.00~3.00	2.67	-	42,844~44,160
(Kookmin Bank)				
Share granted in 2011	0.25~1.00	2.67	-	40,662~42,844
Share granted in 2012	0.25~2.00	2.67	-	40,662~43,343
Share granted in 2013	1.00~3.00	2.67	-	40,662~44,160

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 as of December 31, 2013, was used for the underlying asset price. Additionally, the average three-year historical dividend rate was used as the expected dividend rate.

As of December 31, 2013 and 2012, the accrued expenses related to share-based payments including share options and share grants amounted to ₩48,423 million and ₩37,858 million, respectively, and the compensation costs amounting to ₩17,289 million and ₩13,871 million were recognized as an expense for the years ended December 31, 2013 and 2012, respectively. There is no intrinsic value of the vested share options.

### 32. Other non-operating income and expenses

The details of other non-operating income and expenses for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
<b>Other non-operating income</b>				
Gains of disposal in property and equipment	₩	819	₩	5,840
Rent received		8,615		4,349
Others		101,848		50,666
		111,282		60,855
<b>Other non-operating expenses</b>				
Losses of disposal in property and equipment		928		426
Donation		59,760		80,446
Restoration cost		909		945
Others		61,994		97,310
		123,591		179,127
<b>Net other non-operating income(expense)</b>	₩	(12,309)	₩	(118,272)

### 33. Income tax expenses

Income tax expense for the years ended December 31, 2013 and 2012, consist of:

(In millions of Korean won)

	2013		2012	
<b>Tax payable</b>				
Current tax expense	₩	569,449	₩	695,135
Adjustments recognized in the period for current tax of prior years		86,931		18,017
		656,380		713,152
<b>Changes in deferred income tax assets (liabilities)</b>		(89,477)		(87,494)
<b>Income tax recognized directly in equity</b>		(7,539)		(67,147)
Remeasurements of net defined benefit liabilities		(13,085)		9,663
Change in value of available-for-sale financial assets		7,942		(77,956)
Change in value of held-to-maturity financial assets		(1,787)		(240)
Share of other comprehensive income of associates		9		390
Cash flow hedges		(618)		1,025
Others		-		(29)
<b>Others</b>		(7,778)		-
<b>Tax expense</b>	₩	551,586	₩	558,511

An analysis of the net profit before income tax and income tax expense for the years ended December 31, 2013 and 2012, follows:

(In millions of Korean won)

	2013		2012	
<b>Net profit before income tax</b>	₩	1,815,291	₩	2,298,644
Tax at the applicable tax rate <sup>1</sup>	₩	438,838	₩	555,810
Non-taxable income		(17,716)		(6,291)
Non-deductible expense		33,489		13,263
Tax credit and tax exemption		(1,417)		(187)
Temporary difference for which no deferred tax is recognized		47,138		1,633
Deferred tax relating to changes in recognition and measurement		2,828		(7,289)
Income tax refund for tax of prior years		41,322		(19,870)
Income tax expense of overseas branch		4,796		16,929
Effects from change in tax rate		(871)		941
Others		3,179		3,572
<b>Tax expense</b>	₩	551,586	₩	558,511
Average effective tax rate (Income tax expense / Profit before tax) (%)		30.39		24.30

<sup>1</sup> Applicable income tax rate for ₩200 million and below is 11%, for ₩200 million to ₩20 billion is 22% and for over ₩20 billion is 24.2% as of December 31, 2013 and 2012.

The details of current tax assets (income tax refund receivables) and current tax liabilities (income tax payables), as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		
	Tax payables (receivables) before offsetting	Offsetting	Tax payables (receivables) after offsetting
Income tax refund receivables	₩ (99,524)	₩ 82,057	₩ (17,467)
Income tax payables	293,320	(82,057)	211,263

(In millions of Korean won)

	2012		
	Tax payables (receivables) before offsetting	Offsetting	Tax payables (receivables) after offsetting
Income tax refund receivables	₩ (429,676)	₩ 415,156	₩ (14,520)
Income tax payables	679,822	(415,156)	264,666

## 34. Dividends

The dividends paid to the shareholders of the Parent Company in 2013 and 2012 were ₩231,811 million (₩600 per share) and ₩278,173 million (₩720 per share), respectively. The dividends to the shareholders of the Parent Company in respect of the year ended December 31, 2013, of ₩500 per share, amounting to total dividends of ₩193,176 million, is to be proposed at the annual general shareholder's meeting on March 28, 2014. The Group's consolidated financial statements as of December 31, 2013, do not reflect this dividend payable.

## 35. Accumulated other comprehensive income

The details of accumulated other comprehensive income for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013				
	Beginning	Changes except for reclassification	Reclassification to profit or loss	Tax effect	Ending
Remeasurements of net defined benefit liabilities	₩ (53,507)	₩ 54,069	₩ -	₩ (13,085)	₩ (12,523)
Exchange differences on translating foreign operations	(27,061)	(2,372)	-	-	(29,433)
Change in value of available-for-sale financial assets	426,354	198,798	(202,118)	7,942	430,976
Change in value of held-to-maturity financial assets	(1,225)	1,005	6,911	(1,787)	4,904
Shares of other comprehensive income of associates	(47,286)	(9,765)	(55)	9	(57,097)
Cash flow hedges	(2,133)	(2,991)	5,227	(618)	(515)
	₩ 295,142	₩ 238,744	₩ (190,035)	₩ (7,539)	₩ 336,312

(In millions of Korean won)

	2012				
	Beginning	Changes except for reclassification	Reclassification to profit or loss	Tax effect	Ending
Remeasurements of net defined benefit liabilities	₩ (23,254)	₩ (39,916)	₩ -	₩ 9,663	₩ (53,507)
Exchange differences on translating foreign operations	(1,464)	(25,597)	-	-	(27,061)
Change in value of available-for-sale financial assets	191,752	383,043	(70,485)	(77,956)	426,354
Change in value of held-to-maturity financial assets	(1,652)	671	(4)	(240)	(1,225)
Shares of other comprehensive income of associates	(3,023)	(44,605)	(48)	390	(47,286)
Cash flow hedges	(1,320)	(26,838)	25,000	1,025	(2,133)
	₩ 161,039	₩ 246,758	₩ (45,537)	₩ (67,118)	₩ 295,142

## 36. Earnings per share

### 36.1 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, during the years ended December 31, 2013 and 2012.

Weighted average number of ordinary shares outstanding:

(In number of shares)

	2013		
	Number of shares (a)	Days outstanding (b)	Total outstanding shares [(a) x (b)]
Beginning (A)	386,351,693	365	141,018,367,945
Weighted average number of ordinary shares outstanding [(B)=(A)/365]			386,351,693

(In number of shares)

2012		
Number of shares (a)	Days outstanding (b)	Total outstanding shares [(a) x (b)]
Beginning (A)	386,351,693	366
Weighted average number of ordinary shares outstanding [(B)=(A)/366]		141,404,719,638
		386,351,693

Basic earnings per share:

(in Korean won and in number of shares)

2013		
Profit attributable to ordinary shares (C)	₩	1,260,509,261,925
Weighted average number of ordinary shares outstanding (D)		386,351,693
Basic earnings per share [(E)=(C)/(D)]	₩	3,263

(In Korean won and in number of shares)

2012		
Profit attributable to ordinary shares (C)	₩	1,731,033,767,411
Weighted average number of ordinary shares outstanding (D)		386,351,693
Basic earnings per share [(E)=(C)/(D)]	₩	4,480

### 36.2 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)

2013		
Profit attributable to ordinary shares	₩	1,260,509,261,925
Adjustment		-
Adjusted profit for diluted earnings per share	₩	1,260,509,261,925

(In Korean won)

2012		
Profit attributable to ordinary shares	₩	1,731,033,767,411
Adjustment		-
Adjusted profit for diluted earnings per share	₩	1,731,033,767,411

Adjusted weighted average number of ordinary shares outstanding to calculate diluted earnings per share:

(In number of shares)

	2013	2012
Weighted average number of ordinary shares outstanding	386,351,693	386,351,693
Adjustment Share grants	1,639,306	1,193,606
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share	387,990,999	387,545,299

Diluted earnings per share:

(in Korean won and in number of shares)

	2013	
Adjusted profit for diluted earnings per share	₩	1,260,509,261,925
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share		387,990,999
Diluted earnings per share	₩	3,249

(in Korean won and in number of shares)

	2012	
Adjusted profit for diluted earnings per share	₩	1,731,033,767,411
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share		387,545,299
Diluted earnings per share	₩	4,467

## 37. Insurance Contracts

### 37.1 Insurance liabilities

The details of insurance liabilities presented within other liabilities as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
Individual insurance				
Pure Endowment insurance	₩	3,861,364	₩	3,281,701
Death insurance		85,123		63,821
Joint insurance		1,634,590		1,470,755
Group insurance		1,339		1,285
Other		16,627		19,604
	₩	5,599,043	₩	4,837,166

The changes in insurance liabilities for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

2013												
	Individual insurance						Total					
	Pure Endowment insurance	Death insurance	Joint insurance	Group insurance	Others <sup>1</sup>							
Beginning	₩	3,281,701	₩	63,821	₩	1,470,755	₩	1,285	₩	19,604	₩	4,837,166
Provision		579,663		21,302		163,835		54		(2,977)		761,877
Ending	₩	3,861,364	₩	85,123	₩	1,634,590	₩	1,339	₩	16,627	₩	5,599,043

(In millions of Korean won)

2012												
	Individual insurance						Total					
	Pure Endowment insurance	Death insurance	Joint insurance	Group insurance	Others <sup>1</sup>							
Beginning	₩	2,159,534	₩	54,008	₩	1,301,139	₩	266	₩	16,489	₩	3,531,436
Provision		1,122,167		9,813		169,616		1,019		3,115		1,305,730
Ending	₩	3,281,701	₩	63,821	₩	1,470,755	₩	1,285	₩	19,604	₩	4,837,166

<sup>1</sup> Consists of policyholders' profit dividend reserve, reserve for compensation for losses on dividend-paying insurance contracts and others.

## 37.2 Insurance assets

The details of insurance assets presented within other assets as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
Reinsurance assets	₩	5,245	₩	3,751
Deferred acquisition costs		151,909		151,925
	₩	157,154	₩	155,676

The changes in reinsurance assets for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
Beginning	₩	3,751	₩	2,146
Increase (decrease)		1,494		1,605
Ending	₩	5,245	₩	3,751

The changes in deferred acquisition costs for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
Beginning	₩	151,925	₩	126,304
Increase		102,702		106,959
Amortization		(102,718)		(81,338)
Ending	₩	151,909	₩	151,925

### 37.3 Insurance premiums and reinsurance

The details of insurance premiums for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013						
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Others	Total	
Insurance premiums earned	₩ 795,031	₩ 41,389	₩ 336,540	₩ 5,019	₩ 42,474	₩ 1,220,453	
Reinsurance premiums paid	(480)	(3,854)	(278)	(2,177)	(7,302)	(14,091)	
Net premiums earned	₩ 794,551	₩ 37,535	₩ 336,262	₩ 2,842	₩ 35,172	₩ 1,206,362	

(In millions of Korean won)

	2012						
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Others	Total	
Insurance premiums earned	₩ 1,307,974	₩ 19,547	₩ 352,482	₩ 3,967	₩ 39,081	₩ 1,723,051	
Reinsurance premiums paid	(196)	(2,637)	(133)	(892)	(8,354)	(12,212)	
Net premiums earned	₩ 1,307,778	₩ 16,910	₩ 352,349	₩ 3,075	₩ 30,727	₩ 1,710,839	

The details of reinsurance transactions for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013						
	Reinsurance expense			Reinsurance revenue			Total
	Reinsurance premium paid	Reinsurance claims	Reinsurance commission				
Individual	₩ 4,612	₩ 3,850	₩ 466	₩ 4,316			
Group	2,177	2,124	220	2,344			
Others	7,302	6,660	-	6,660			
	₩ 14,091	₩ 12,634	₩ 686	₩ 13,320			

(In millions of Korean won)

	2012						
	Reinsurance expense			Reinsurance revenue			Total
	Reinsurance premium paid	Reinsurance claims	Reinsurance commission				
Individual	₩ 2,966	₩ 1,150	₩ 1,000	₩ 2,150			
Group	892	1,138	-	1,138			
Others	8,354	4,127	-	4,127			
	₩ 12,212	₩ 6,415	₩ 1,000	₩ 7,415			



Insurance expenses for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013					
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Others	Total
Insurance expense	₩ 6,557	₩ 2,287	₩ 1,085	₩ 4,922	₩ 5,645	₩ 20,496
Dividend expense	295	13	-	-	-	308
Refund expense	259,710	5,257	185,286	351	-	450,604
Provision	579,663	21,302	163,835	54	(2,977)	761,877
	846,225	28,859	350,206	5,327	2,668	1,233,285
Reinsurance claims	(204)	(3,592)	(54)	(2,124)	(6,660)	(12,634)
Net insurance expense	₩ 846,021	₩ 25,267	₩ 350,152	₩ 3,203	₩ (3,992)	₩ 1,220,651

(In millions of Korean won)

	2012					
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Others	Total
Insurance expense	₩ 2,659	₩ 1,637	₩ 6,232	₩ 2,775	₩ 2,423	₩ 15,726
Dividend expense	154	12	-	-	-	166
Refund expense	202,965	4,043	183,061	215	-	390,284
Provision	1,122,167	9,813	169,616	1,019	3,115	1,305,730
	1,327,945	15,505	358,909	4,009	5,538	1,711,906
Reinsurance claims	(184)	(898)	(68)	(1,138)	(4,127)	(6,415)
Net insurance expense	₩ 1,327,761	₩ 14,607	₩ 358,841	₩ 2,871	₩ 1,411	₩ 1,705,491

### 37.4 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 the executive management.
- ii. The reinsurance department analyzes 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 the 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 12 months preceding the reporting date.

The maximum exposure of premium risk as of December 31, 2013 and 2012, follows:

(In millions of Korean won)

	2013			
	Before reinsurance mitigation		After reinsurance mitigation	
Mortality	₩	10,969	₩	5,431
Disability		660		370
Hospitalization		861		600
Operation and diagnosis		1,731		1,164
Actual losses for medical expense		243		132
Other		89		68
	₩	14,553	₩	7,765

(In millions of Korean won)

	2012			
	Before reinsurance mitigation		After reinsurance mitigation	
Mortality	₩	8,016	₩	5,905
Disability		509		176
Hospitalization		821		507
Operation and diagnosis		1,914		911
Actual losses for medical expense		121		43
Other		86		66
	₩	11,467	₩	7,608

Average ratios of claims paid per risk premium received on the basis of exposure before mitigation for the past three years as of December 31, 2013 and 2012, were 69% and 68%, respectively.

The exposure of market risk arising from embedded derivatives included in host insurance contracts as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013				2012			
	Policyholders reserve		Guarantee reserve		Policyholders reserve		Guarantee reserve	
Variable annuity	₩	540,797	₩	4,058	₩	524,903	₩	3,937
Variable universal		132,413		135		117,397		59
Others		1,443		-		-		-
	₩	674,653	₩	4,193	₩	642,300	₩	3,996

Premium reserves and unearned premium reserves classified based on each residual maturity as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013							Total
	Lower than 3 years	3-5 years	5-10 years	10-15 years	15-20 years	Over 20 Year		
Premium reserves	₩ 259,324	₩ 324,305	₩ 1,570,009	₩ 294,058	₩ 426,287	₩ 2,653,510	₩ 5,527,493	
Unearned premium reserves	642	1	3	-	2	3	651	

(In millions of Korean won)

	2012							Total
	Lower than 3 years	3-5 years	5-10 years	10-15 years	15-20 years	Over 20 Year		
Premium reserves	₩ 156,070	₩ 276,101	₩ 1,615,643	₩ 270,973	₩ 345,853	₩ 2,109,936	₩ 4,774,576	
Unearned premium reserves	741	-	2	-	2	4	749	

### 38. Trust Accounts

Financial information of the trust accounts that Kookmin Bank manages as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
	Total assets	Operating revenues	Total assets	Operating revenues <sup>1</sup>
Consolidated	₩ 3,462,823	₩ 138,479	₩ 3,280,238	₩ 154,604
Unconsolidated	22,541,883	1,073,136	19,532,521	1,053,690
	₩ 26,004,706	₩ 1,211,615	₩ 22,812,759	₩ 1,208,294

<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 years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013	2012
<b>Revenues</b>		
Fees and commissions from trust accounts	₩ 160,521	₩ 148,673
Interest income from loans on trust accounts	10,999	16,071
Commissions from early termination in trust accounts	69	161
	171,589	164,905
<b>Expenses</b>		
Interest expenses due to trust accounts	62,543	51,166
<b>Assets</b>		
Accrued trust fees	42,795	33,878
Due from trust accounts	165,709	206,138
	208,504	240,016
<b>Liabilities</b>		
Due to trust accounts	2,423,675	2,009,396
Accrued interest on due to trust accounts	4,576	4,074
	₩ 2,428,251	₩ 2,013,470

### 39. Supplemental Cash Flow Information

Cash and cash equivalents as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
Cash	₩	1,963,977	₩	2,041,647
Checks with other banks		734,574		808,461
Due from Bank of Korea		7,128,025		3,215,181
Due from other financial institutions		4,966,078		4,527,316
		14,792,654		10,592,605
Restricted due from financial institutions		(7,665,903)		(3,643,387)
Due from financial institutions with original maturities over three-months		(957,565)		(361,913)
		(8,623,468)		(4,005,300)
	₩	6,169,186	₩	6,587,305

Significant non-cash transactions for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
Decrease in loans due to the write-offs	₩	2,132,066	₩	2,197,135
Changes in accumulated other comprehensive income due to valuation of financial investments		(3,591)		245,757
Changes in investment in associates due to debt-forequity swap with Ssangyong Engineering & Construction Co., Ltd.		28,779		-
Changes in financial investments due to debt-for-equity swap with Taihan Electric Wire Co., Ltd.		115,716		-
Decrease in Accumulated other comprehensive income from measurement of investment securities in associates		(9,811)		(44,263)

Cash inflow and outflow from income tax, interests and dividends for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	Activity	2013		2012	
Income tax paid	Operating	₩	504,900	₩	838,073
Interest received	Operating		12,749,214		14,494,389
Interest paid	Operating		6,407,081		7,247,429
Dividends received	Operating		98,579		96,587
Dividends paid	Financing		231,811		278,173

## 40. Contingent liabilities and commitments

Acceptances and guarantees as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
<b>Confirmed acceptances and guarantees</b>				
Confirmed acceptances and guarantees in Korean won				
Acceptances and guarantees for corporate purchasing card	₩	17	₩	17
Acceptances and guarantees for KB purchasing loan		448,906		546,480
Other acceptances and guarantees		782,646		1,017,631
		1,231,569		1,564,128
Confirmed acceptances and guarantees in foreign currency				
Acceptances of letter of credit		281,049		204,764
Letter of guarantees		57,596		66,535
Bid bond		24,212		85,228
Performance bond		999,872		529,088
Refund guarantees		2,263,202		2,172,006
Other acceptances and guarantees		906,105		552,015
		4,532,036		3,609,636
Financial guarantees				
Guarantees for Debenture-Issuing		20,200		-
Acceptances and guarantees for mortgage		43,272		45,123
Overseas debt guarantees		319,080		238,670
International financing guarantees in foreign currencies		41,896		21,422
		424,448		305,215
		6,188,053		5,478,979
<b>Unconfirmed acceptances and guarantees</b>				
Guarantees of letter of credit		3,265,906		3,326,326
Refund guarantees		775,181		918,191
		4,041,087		4,244,517
	₩	10,229,140	₩	9,723,496

Acceptances and guarantees by counter party as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013						
	Confirmed guarantees		Unconfirmed guarantees		Total	Proportion (%)	
Corporations	₩	4,998,062	₩	2,723,162	₩	7,721,224	75.48
Small companies		1,029,039		623,803		1,652,842	16.16
Public and others		160,952		694,122		855,074	8.36
	₩	6,188,053	₩	4,041,087	₩	10,229,140	100.00

(In millions of Korean won)

2012							
	Confirmed guarantees		Unconfirmed guarantees		Total	Proportion (%)	
Corporations	₩	4,237,305	₩	2,450,719	₩	6,688,024	68.78
Small companies		1,185,994		763,254		1,949,248	20.05
Public and others		55,680		1,030,544		1,086,224	11.17
	₩	5,478,979	₩	4,244,517	₩	9,723,496	100.00

Acceptances and guarantees by industry as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

2013							
	Confirmed guarantees		Unconfirmed guarantees		Total	Proportion (%)	
Financial institutions	₩	145,197	₩	3,924	₩	149,121	1.46
Manufacturing		3,867,870		2,270,254		6,138,124	60.01
Service		523,698		115,710		639,408	6.25
Whole sale & Retail		1,083,264		745,658		1,828,922	17.88
Construction		484,764		244,727		729,491	7.13
Public sector		72,583		635,326		707,909	6.92
Others		10,677		25,488		36,165	0.35
	₩	6,188,053	₩	4,041,087	₩	10,229,140	100.00

(In millions of Korean won)

2012							
	Confirmed guarantees		Unconfirmed guarantees		Total	Proportion (%)	
Financial institutions	₩	92,037	₩	8,610	₩	100,647	1.04
Manufacturing		3,262,542		2,198,617		5,461,159	56.16
Service		389,831		33,815		423,646	4.36
Whole sale & Retail		924,602		725,224		1,649,826	16.97
Construction		754,876		284,448		1,039,324	10.69
Public sector		20,650		972,777		993,427	10.22
Others		34,441		21,026		55,467	0.56
	₩	5,478,979	₩	4,244,517	₩	9,723,496	100.00

Commitments as of December 31, 2013 and 2012, are as follows:

	(In millions of Korean won)			
	2013		2012	
<b>Commitments</b>				
Corporate loan commitments	₩	42,446,365	₩	40,770,994
Retail loan commitments		13,976,426		14,348,821
Credit line on credit cards		37,112,333		36,214,899
Private placement commitments		80,000		80,000
Purchase of other security investment		1,806,908		1,778,767
		95,422,032		93,193,481
<b>Financial Guarantees</b>				
Credit line		2,572,424		1,141,554
Purchase of security investment		100,500		62,500
		2,672,924		1,204,054
	₩	98,094,956	₩	94,397,535

#### Other Matters (including litigation)

a) The Group has filed 164 lawsuits (excluding minor lawsuits in relation to the collection or management of loans), involving aggregate claims of ₩797,816 million, and faces 288 lawsuits (as the defendant) (excluding minor lawsuits in relation to the collection or management of loans) involving aggregate damages of ₩532,098 million, which arose in the normal course of the business and are still pending as of December 31, 2013.

Meanwhile, certain customers of Kookmin Bank have filed lawsuits against Kookmin Bank in connection with fees paid for the registration of fixed collateral. Of the cases currently on trial, the Court has ruled in favor of Kookmin Bank, and where the case has been appealed, these appeals were subsequently dismissed. Based on these rulings, there is a low probability of potential losses related to the aforementioned lawsuits.

b) According to the shareholders' agreement on September 25, 2009, between 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 Center Credit 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.

c) The face value of the securities sold to general customers through tellers' sale amounts to ₩57,159 million and ₩116,633 million as of December 31, 2013 and 2012, respectively.

d) Kookmin Bank underwent a tax investigation by the Seoul Regional Tax Office and in early 2007 was assessed 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 in 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 as of December 31, 2013.

e) During the year ended December 31, 2013, Kookmin Bank underwent a tax investigation for the fiscal years 2008 to 2012 by the Seoul Regional Tax Office. As a result, Kookmin Bank was fined a total of ₩124,357 million for income taxes (including local income taxes), paid ₩113,699 million, excluding local income taxes, and recognized local income taxes amounting to ₩10,658 million as other payables. In October 2013, the Group appealed to the tax tribunal the ₩116,257 million in fines.

f) The Group filed a claim for rectification of foreign income tax paid of Kookmin Bank for the fiscal years 2010 to 2011. The claim was ruled in favor of the Group in January 2014 and a refund of ₩15,772 million was received from the Seoul Regional Tax Office. The refund will belong to Kookmin Bank.

g) KB Kookmin Card suffered massive leakage of customer personal information in June 2013. This leakage was caused by an employee of outsourced subcontractor who was setting up a fraud detection system for KB Kookmin Card. Consequently, as at the date on which the Board of Directors approved the financial statements, KB Kookmin Card is subject to claims from five plaintiffs, with an aggregated claim of ₩34 million. Additional

lawsuits may be filed against the Group with respect to the leakage of customer personal information, and the final outcomes of such litigations remain uncertain.

h) The Group was chosen as the preferred bidder in the sale of Woori Financial Co., Ltd. on December 6, 2013.

## 41. Subsidiaries

The details of subsidiaries as of December 31, 2013, are as follows:

Investor	Investee	Ownership interests(%)	Location	Date of financial information	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
	KB Investment & Securities Co., Ltd.	100.00	Korea	Dec. 31	Financial investment
	KB Life Insurance Co., Ltd.	100.00	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
	KB Data System Co., Ltd.	100.00	Korea	Dec. 31	Software advisory, development, and supply
	KB Savings Bank Co., Ltd.	100.00	Korea	Dec. 31	Savings banking
Yehansoul Savings Bank Co., Ltd.	100.00	Korea	Dec. 31	Savings banking	
<b>Kookmin Bank</b>	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.	100.00	Cambodia	Dec. 31	Banking and foreign exchange transaction
	Kookmin Bank (China) Ltd.	100.00	China	Dec. 31	Banking and foreign exchange transaction
	Personal pension trusts and 10 other trusts <sup>1</sup>	-	Korea	Dec. 31	Trust
	KB Mortgage Loan First Securitization Specialty Co., Ltd. and 10 others <sup>2</sup>	-	Korea	Dec. 31	Asset-backed securitization and others
	KB Evergreen Private Securities 82 and 28 others	100.00	Korea	Dec. 31	Private equity fund
<b>Kookmin Bank, KB Investment Co., Ltd.</b>	KB06-1 Venture Investment	75.00	Korea	Dec. 31	Capital investment
	KB08-1 Venture Investment	100.00	Korea	Dec. 31	Capital investment
	KB12-1 Venture Investment	100.00	Korea	Dec. 31	Capital investment
	KB Start-up Creation Fund	100.00	Korea	Dec. 31	Capital investment
<b>KB Asset Management Co., Ltd.</b>	KB Wellyan Private Equity Real Estate Fund No. 6	95.67	Korea	Dec. 31	Capital investment



	KB Wellyan Private Equity Real Estate Fund No. 7 <sup>2</sup>	47.97	Korea	Dec. 31	Capital investment
<b>KB Wellyan Private Equity Real Estate Fund No. 6, 7</b>	Boyoung construction <sup>2</sup>	-	Korea	Dec. 31	Construction
<b>KB Investment Co., Ltd.</b>	NPS 07-5 KB Venture Fund <sup>2</sup>	20.00	Korea	Dec. 31	Capital investment
	09-5 KB Venture Fund <sup>2</sup>	33.33	Korea	Dec. 31	Capital investment
	KoFC-KB Pioneer Champ No.2010-8 Investment Partnership <sup>2</sup>	50.00	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>2</sup>	33.33	Korea	Dec. 31	Capital investment
<b>KB Kookmin Card Co., Ltd.</b>	KB Kookmin Card First Securitization Co., Ltd. <sup>2</sup>	0.90	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile First Securitization Specialty <sup>2</sup>	-	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile Second Securitization Specialty <sup>2</sup>	-	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile third Securitization Specialty <sup>2</sup>	-	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile fourth Securitization Specialty <sup>2</sup>	-	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile fifth Securitization Specialty <sup>2</sup>	-	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile sixth Securitization Specialty <sup>2</sup>	-	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile seventh Securitization Specialty <sup>2</sup>	-	Korea	Dec. 31	Asset-backed securitization
<b>KB Life Insurance Co., Ltd.</b>	Dream Smart Turn Private Securities 3 and five others	100.00	Korea	Dec. 31	Private equity fund
<b>Kookmin Bank, KB Investment &amp; Securities, KB life Insurance, KB Real Estate Trust Co., Ltd.</b>	KB Wise Star Private Real Estate Feeder Fund 1st.	100.00	Korea	Dec. 31	Investment trust
<b>Kookmin Bank</b>	Hanbando BTL Private Special Asset Fund <sup>2</sup>	39.74	Korea	Dec. 31	Capital investment
<b>Kookmin Bank, KB life Insurance</b>	KB Hope Sharing BTL Private Special Asset <sup>2</sup>	40.00	Korea	Dec. 31	Capital investment
<b>Kookmin Bank</b>	KB Mezzanine Private Securities Fund <sup>2</sup>	46.51	Korea	Dec. 31	Capital investment
	K Star KTB ETF(Bond) <sup>2</sup>	48.20	Korea	Dec. 31	Capital investment
	Global Logistics Infra Private Fund 1	57.14	Korea	Dec. 31	Capital investment
	Global Logistics Infra Private Fund 2	-	Korea	Dec. 31	Capital investment
<b>KB Wise Star Private Real Estate Feeder Fund 1st.</b>	KB Star Retail Real Estate Feeder Fund 1st. <sup>2</sup>	48.98	Korea	Dec. 31	Capital investment

<sup>1</sup>The Group controls the trust because it has power that determines the management performance over the trust and is exposed to variable returns to absorb losses through the guarantees of payment of principal or payment of principal and fixed rate of return.

<sup>2</sup>The Group controls these investees because it is exposed to variable returns from its involvement with the investees and has ability to affect those returns through its power, even though it holds less than a majority of the voting rights of the investees.

The condensed financial information of major subsidiaries as of December 31, 2013 and 2012, and for the years ended December 31, 2013 and 2012, is as follows:

(In millions of Korean won)

	2013					
	Assets	Liabilities	Equity	Operating income (revenue)	Profit (loss) for the year	Total comprehensive income(loss) for the year
Kookmin Bank <sup>1</sup>	₩265,258,942	₩244,641,628	₩ 20,617,314	₩ 17,461,406	₩ 819,719	₩ 883,258
KB Kookmin Card Co., Ltd. <sup>1</sup>	15,854,992	12,385,131	3,469,861	2,990,037	384,411	390,228
KB Investment & Securities Co., Ltd.	2,525,070	1,973,888	551,182	577,649	11,856	5,436
KB Life Insurance Co., Ltd. <sup>1</sup>	6,945,605	6,396,477	549,128	1,457,365	9,098	(23,209)
KB Asset Management Co., Ltd. <sup>1</sup>	237,907	36,335	201,572	103,401	74,685	74,560
KB Real Estate Trust Co., Ltd.	182,657	13,612	169,045	46,524	2,110	2,835
KB Investment Co., Ltd. <sup>1</sup>	241,227	110,640	130,587	34,497	6,078	7,145
KB Credit Information Co., Ltd.	30,142	7,687	22,455	43,627	(336)	(336)
KB Data System Co., Ltd.	21,753	6,880	14,873	50,440	19	115
KB Savings Bank Co., Ltd.	584,025	449,087	134,938	47,865	(301)	(1,482)
Yehansoul Savings Bank Co., Ltd.	189,243	164,084	25,159	4,791	(5,331)	(5,259)

(In millions of Korean won)

	2012					
	Assets	Liabilities	Equity	Operating income (revenue)	Profit (loss) for the year	Total comprehensive income(loss) for the year
Kookmin Bank <sup>1</sup>	₩261,046,853	₩241,029,295	₩ 20,017,558	₩ 19,421,893	₩ 1,440,123	₩ 1,549,881
KB Kookmin Card Co., Ltd. <sup>1</sup>	14,046,174	10,966,541	3,079,633	2,921,167	290,741	297,423
KB Investment & Securities Co., Ltd. <sup>1</sup>	3,314,907	2,769,160	545,747	1,003,421	17,892	21,760
KB Life Insurance Co., Ltd. <sup>1</sup>	5,987,928	5,594,727	393,201	1,944,103	16,645	38,498
KB Asset Management Co., Ltd. <sup>1</sup>	164,595	37,555	127,040	89,541	35,885	36,882
KB Real Estate Trust Co., Ltd.	201,572	35,363	166,209	52,021	21,751	21,565
KB Investment Co., Ltd. <sup>1</sup>	226,528	103,086	123,442	26,233	5,501	7,380
KB Credit Information Co., Ltd.	30,422	7,631	22,791	58,584	331	331
KB Data System Co., Ltd.	25,519	10,761	14,758	78,021	(1,198)	(1,461)
KB Savings Bank Co., Ltd.	646,674	510,254	136,420	67,280	(32,546)	(32,404)

<sup>1</sup> Financial information is based on its consolidated financial statements.

#### Nature of the risks associated with interests in consolidated structured entities

##### *The terms of contractual arrangements require to provide financial support to a consolidated structured entity*

-The Group has provided ABCP purchase commitment of ₩101,000 million to KH First Co., Ltd., the Group's subsidiary, that had issued ABCP. This purchase commitment would require the Group to purchase unsold ABCP if there is a shortage of the investors for the ABCP issued by the structured entity.

- The Group provides capital commitment to KB Wise Star Private Real Estate Feeder Fund 1st. and 8 other subsidiaries. The unexecuted amount of the investment agreement is ₩408,887 million. Based on the capital commitment, the Group is subject to increase its investment by the request from the asset management company or the additional agreement among investors.
- The Group provides the guarantees of payment of principal or principal and fixed rate of return in case the operating results of the trusts are less than the guaranteed principal or principal and fixed rate of return.

### Changes in subsidiaries

Yehansoul Savings Bank Co., Ltd., KB Startup Investment, KB Evergreen Private Securities 63 and 46 other private equity funds, and Wise Mobile Second, Third, Fourth, Fifth, Sixth, Seventh Securitization and KB Star Retail Private Real Estate Feeder Fund First were newly consolidated during the year ended December 31, 2013. Yurie Select Private Securities Investment Trust 32 and 44 other private equity funds, KB K-Alpha private equity trust and New Star First Ltd. have been excluded from consolidation due to their liquidation. Also, KB Private Real Estate Securities Fund1 (NPL) and Woori KA First Asset Securitization Specialty Co., Ltd. have been excluded from consolidation due to the loss of control.

For the year ended December 31, 2012, the following table summarizes the information relating to the Group's subsidiaries that have material non-controlling interests, before any intra-group eliminations, are as follows:

KB Life Insurance Co., Ltd.<sup>1</sup>

		(In millions of Korean won)
		<b>2012</b>
<b>Non-controlling interests percentage (%)</b>		49.00
<b>Non-controlling interests</b>		
Assets of subsidiaries	₩	5,987,928
Liabilities of subsidiaries		5,594,727
Equity of subsidiaries		393,201
Non-controlling interests		192,668
<b>Profit attributable to non-controlling interests</b>		
Operating profit of subsidiaries		22,769
Profit of subsidiaries		16,645
Total comprehensive income of subsidiaries		38,498
Profit attributable to non-controlling interests		8,156
<b>Cash flows of subsidiaries</b>		
Cash flows from operating activities		833,231
Cash flows from investing activities		(826,956)
Cash flows from financing activities		300
Net increase in cash and cash equivalents	₩	6,575

<sup>1</sup> The Group further acquired an additional 49% equity interest, resulting in the entity becoming a wholly owned subsidiary of the Group in June 2013.

### Changes in non-controlling interest

The Group acquired an additional equity interest in Kookmin Bank Cambodia PLC in July 2012 for ₩8,048 million, with the carrying amount of the non-controlling interest being ₩8,364 million. The Group derecognized non-controlling interests of ₩7,013 million and recorded a decrease in equity attributable to shareholders of the parent entity of ₩1,035 million. In June 2013, the parent entity acquired an additional equity interest in Kookmin Bank Cambodia PLC for ₩1,463 million, with the carrying amount of the non-controlling interest being ₩1,495 million. This resulted in the elimination of non-controlling interest equity for Kookmin Bank Cambodia PLC and the remaining ₩32 million was recognized as an increase in the Group's equity attributable to shareholders of the parent company. As of December 31, 2012, the Group owned 92.44%, which has increased to 100% as of December 31, 2013.

In addition, the Group acquired an additional equity interest in KB Life Insurance Co., Ltd. for ₩166,830 million, with the carrying amount of the non-controlling interest being ₩181,955 million. This resulted in the elimination of non-controlling interest equity for KB Life Insurance Co., Ltd. and the remaining ₩15,125 million was recognized as an increase in the Group's equity attributable to shareholders of the parent company. As of December 31, 2012, the Group owned 51%, which has increased to 100% as of December 31, 2013.

## 42. Unconsolidated Structured Entity

As of December 31, 2013, the nature, purpose and activities of the unconsolidated structured entities and how the structured entities are financed, are as follows:

Nature	Purpose	Activities	Methods of Financing
Asset-backed securitization	Early cash generation through transfer of securitization assets	Fulfillment of Assetbacked securitization plan	Issuance of ABS and ABCP based on securitization assets
	Fees earned as services to SPC, such as providing lines of credit and ABCP purchase commitments	Purchase and transfer of securitization assets Issuance and repayment of ABS and ABCP	
Project Financing	Granting PF loans to SOC and real estate	Construction of SOC and real estate	Loan commitments through Credit Line, providing lines of credit and investment agreements
	Granting loans to ships/aircrafts SPC	Building ships/ construction and purchase of aircrafts	
Trusts	Management of trusts with no guarantee of the principal	Management of trust assets	Sales of trust financial instruments
		Payment of trust fees and allocation of trust profits	
Investment funds	Investment in beneficiary certificates	Management of fund assets	Sales of beneficiary certificate instruments
	Investment in PEF and partnerships	Payment of fund fees and allocation of fund profits	Investment of managing partners and limited partners

As of December 31, 2013, the size of the unconsolidated structured entities and the risks associated with its interests in unconsolidated structured entities, are as follows:

(In millions of Korean won)

	Asset-backed securitization	Project Financing	Trusts	Investment funds	Others	Total
Total assets of unconsolidated Structured Entity	₩ 12,631,056	₩ 24,605,331	₩ 2,261,415	₩ 12,618,790	₩ 3,502,834	₩ 55,619,426
Carrying amount on financial statements						
Assets						
Loans	382,478	3,155,621	-	-	291,599	3,829,698
Financial investments	1,121,676	97,754	-	525,680	-	1,745,110
Investment in associates	-	-	-	403,153	-	403,153
Other assets	-	-	165,709	1,909	-	167,618
	₩ 1,504,154	₩ 3,253,375	₩ 165,709	₩ 930,742	₩ 291,599	₩ 6,145,579
Liabilities						
Deposits	306,931	487,818	-	8,142	5,473	808,364
Other liabilities	-	14	-	144	-	158
	₩ 306,931	₩ 487,832	₩ -	₩ 8,286	₩ 5,473	₩ 808,522
Maximum exposure to loss <sup>1</sup>	₩ 4,672,378	₩ 5,714,293	₩ 294,043	₩ 2,476,902	₩ 386,000	₩ 13,543,616
Methods of determining the maximum exposure to loss	Providing lines of credit and purchase commitments	Investments / loans, loan commitments / investment agreements / purchase commitments and acceptances and guarantees	Principal / principal and interest trust: Total amount of trust asset	Investments / loans and capital commitments	Loan commitments	

<sup>1</sup>Maximum exposure to loss includes the asset amounts, after deducting loss(provision for assets, impairment losses and others), recognized in the financial statements of the Group.

## 43. Finance / Operating Lease

### 43.1 Finance lease

The future minimum lease payments arising as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
<b>Net carrying amount of finance lease assets</b>	₩	16,955	₩	16,856
<b>Minimum lease payment</b>				
Within 1 year	₩	1,927	₩	2,310
1-5 years		-		1,427
	₩	1,927	₩	3,737
<b>Present value of minimum lease payment</b>				
Within 1 year	₩	1,873	₩	2,163
1-5 years		-		1,386
	₩	1,873	₩	3,549

### 43.2 Operating lease

#### 43.2.1 The Group as operating lessee

The future minimum lease payments arising from the non-cancellable lease contracts as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
<b>Minimum lease payment</b>				
Within 1 year	₩	121,446	₩	118,305
1-5 years		108,962		102,855
Over 5 years		67		643
	₩	230,475	₩	221,803
<b>Minimum sublease payment</b>		(367)		(154)

The lease payment reflected in profit or loss for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
<b>Lease payment reflected in profit or loss</b>				
Minimum lease payment	₩	204,164	₩	201,450
Sublease payment		(118)		(165)
	₩	204,046	₩	201,285

### 43.2.2 The Group as operating lessor

The future minimum lease receipts arising from the non-cancellable lease contracts as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
<b>Minimum lease receipts</b>				
Within 1 year	₩	8,327	₩	2,028
1-5 years		22,280		443
	₩	30,607	₩	2,471

## 44. Related Party Transactions

Profit and loss arising from transactions with related parties for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
<b>Associates</b>				
Korea Credit Bureau Co., Ltd.	Fee and commission income	₩ 3	₩	3
	Interest expense	139		143
UAMCO., Ltd.	Interest income	31		297
	Reversal for credit loss	-		68
	Other operating expense	7,626		93,266
CH Engineering Co., Ltd.	Reversal for credit loss	-		106
Kores Co., Ltd.	Interest income	386		317
	Fee and commission income	-		9
	Reversal for credit loss	36		-
	Provision for credit loss	-		325
Semiland Co., Ltd.	Interest income	14		17
	Reversal for credit loss	-		4
Incheon Bridge Co., Ltd.	Interest income	14,592		-
	Reversal for credit loss	2		-
	Interest expense	909		-
Ssangyong Engineering & Construction Co., Ltd.	Interest income	2,007		-
	Reversal for credit loss	7,550		-
United PF 1st Recovery Private Equity Fund1	Interest income	91		500
	Other operating income	-		1,900
	Reversal for credit loss	83		7
	Interest expense	-		28
KBIC Private Equity Fund No. 3	Other operating income	300		300
	Interest expense	91		-
NPS KBIC Private Equity Fund No. 1	Other operating income	474		474

KoFC KBIC Frontier Champ 2010-5(PEF)	Other operating income	1,014	1,000
KoFC POSCO HANHWA KB shared growth Private Equity Fund	Other operating income	569	303
KB GwS Private Securities Investment Trust	Fee and commission income	-	12,978
KB Star office Private real estate Investment Trust No.1	Interest expense	75	9
Evalley Co., Ltd. <sup>1</sup>	Reversal for credit loss	-	77
PyungJeon Industries Co.,Ltd. <sup>1</sup>	Reversal for credit loss	1,055	-
	Provision for credit loss	-	343
Testian Co., Ltd.	Interest income	10	104
	Other operating income	-	15
Serit Platform Co., Ltd. <sup>1</sup>	Interest income	58	78
	Fee and commission income	17	27
	Provision for credit loss	74	4
Sehwa Electronics Co., Ltd. <sup>1</sup>	Fee and commission income	-	33
	Gains on financial assets/liabilities at fair value through profit or loss	35	2
	Interest expense	-	10
	Fee and commission expense	7	-
	Losses on financial assets/liabilities at fair value through profit or loss	-	143
DS Plant Co., Ltd. <sup>1</sup>	Interest income	211	315
	Fee and commission income	4	-
	Reversal for credit loss	2	3
	Other operating income	8	8
	Interest expense	2	1
	Fee and commission expense	-	2
	Losses on financial assets/liabilities at fair value through profit or loss	26	-
KB Global Star Game & Apps SPAC <sup>1</sup>	Interest income	60	77
	Gains on financial assets/liabilities at fair value through profit or loss	273	158
	Other operating income	-	3
	Other non-operating income	7	-
	Interest expense	10	430
	Other operating expense	4	-
Joam Housing Development Co., Ltd. <sup>1</sup>	Interest expense	-	1
Sunoo Co., Ltd. <sup>1</sup>	Interest expense	1	-
<b>Key management</b>	Interest income and others	460	276
	Reversal for credit loss	9	1
	Interest expense and others	332	167
Other			
Retirement pension	Fee and commission income	386	415
	Interest expense	1,971	1,699

<sup>1</sup>Not considered to be the Group's related party as at December 31, 2013.

The details of receivables and payables, and related allowances for loans losses arising from the related party transactions as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

		2013	2012
<b>Associates</b>			
JSC Bank CenterCredit	Cash and due from financial institutions	₩ 353	₩ 161
Korea Credit Bureau Co., Ltd.	Deposits	20,200	18,017
	Other liabilities	64	32
UAMCO., Ltd.	Deposits	5	6
	Provisions	192	191
	Other liabilities	-	1
Kores Co., Ltd.	Loans and receivables (Gross amount)	7,854	7,854
	Allowances for loan losses	3,836	3,872
	Other liabilities	2	3
Semiland Co., Ltd.	Loans and receivables (Gross amount)	19	-
	Deposits	1	1
	Provisions	3	3
Incheon Bridge Co., Ltd.	Loans and receivables (Gross amount)	249,362	263,080
	Allowances for loan losses	300	302
	Other assets	1,343	-
	Deposits	30,991	33,569
	Other liabilities	240	305
Ssangyong Engineering & Construction Co., Ltd.	Loans and receivables (Gross amount)	47,104	-
	Allowances for loan losses	38,784	-
	Deposits	61	-
	Other liabilities	14	-
Terra Co., Ltd.	Deposits	1	-
United PF 1st Recovery Private Equity Fund 1	Loans and receivables (Gross amount)	-	2,805
	Allowances for loan losses	-	5
	Other assets	-	4
	Provisions	82	160
	Other liabilities	-	1
KB-Glenwood Private Equity Fund 1	Deposits	1	-
KBIC Private Equity Fund No. 3	Other assets	76	75
	Deposits	1,400	-
	Other liabilities	25	-
NPS KBIC Private Equity Fund No. 1	Other assets	65	65
	Other liabilities	42	125
KoFC KBIC Frontier Champ 2010-5(PEF)	Other assets	266	251
KoFC POSCO HANHWA KB shared growth Private Equity Fund	Other assets	569	303



		2013	2012
KB Star office Private real estate Investment Trust No.1	Deposits	8,142	4,850
	Other liabilities	31	9
PyungJeon Industries Co.,Ltd. <sup>1</sup>	Loans and receivables (Gross amount)	-	2,125
	Allowances for loan losses	-	1,055
	Other liabilities	-	1
Testian Co., Ltd.	Investments in associates	-	413
Serit Platform Co., Ltd. <sup>1</sup>	Loans and receivables (Gross amount)	-	767
	Allowances for loan losses	-	80
	Other assets	-	2
Sehwa Electronics Co., Ltd. <sup>1</sup>	Deposits	-	48
	Derivative financial liabilities	-	75
	Deposits	-	72
	Provisions	-	11
DS Plant Co., Ltd. <sup>1</sup>	Other liabilities	-	7
	Loans and receivables (Gross amount)	-	3,254
	Allowances for loan losses	-	12
	Investments in associates	-	964
	Other assets	-	14
	Deposits	-	45
KB Global Star Game & Apps SPAC <sup>1</sup>	Provisions	-	3
	Other liabilities	-	2
	Derivative financial assets	-	1,776
	Loans and receivables (Gross amount)	-	1,001
	Investments in associates	-	262
Joam Housing Development Co., Ltd. <sup>1</sup>	Deposits	-	897
	Other liabilities	-	2
<b>Key management</b>	Deposits	-	236
	Loans and receivables (Gross amount)	4,765	5,741
	Allowances for loan losses	1	21
	Other assets	6	6
	Deposits	5,798	8,585
	Insurance contract liability	770	313
	Other liabilities	62	71
<b>Other</b>	Provisions	2	44
	Retirement pension		
	Other assets	166	195
	Deposits	48,840	50,317
	Other liabilities	908	1,099

<sup>1</sup>Not considered to be the Group's related party as at December 31, 2013.

According to K-IFRS 1024, the Group includes subsidiaries, associates, 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 consolidated financial statements. Refer to Note 13 for details on investments in associates.

Key management includes the directors of the Parent Company and the directors of Kookmin Bank and companies where the directors and/or their close family members have control or joint control.

Unused commitments to related parties as of December 31, 2013 and 2012, are as follows:

		(In millions of Korean won)			
		2013		2012	
Balhae Infrastructure Fund	Purchase of security investment	₩	21,744	₩	21,744
UAMCO., Ltd.	Loan commitments in Korean won		127,800		127,800
	Purchase of security investment		89,950		89,950
United PF 1st Recovery Private Equity Fund	Loan commitments in Korean won		54,600		106,395
	Purchase of security investment		49,383		49,383
KoFC KBIC Frontier Champ 2010-(PEF)	Purchase of security investment		2,200		17,850
KoFC POSCO HANHWA KB shared growth Private Equity Fund	Purchase of security investment		35,975		43,750
Incheon Bridge Co., Ltd.	Purchase of security investment		42,088		37,587
KB GwS Private Securities Investment Trust	Loan commitments		757		2,899
	Purchase of security investment		1,119		1,119
	Other commitments		-		88,151

Unused commitments to related parties as of December 31, 2013 and 2012, are as follows:

		(In millions of Korean won)			
		2013		2012	
Associates					
Ssangyong Engineering & Construction Co., Ltd.	Acceptances and Guarantees Outstanding in Won	₩	293,500	₩	-

Compensation to key management for the years ended December 31, 2013 and 2012, are as follows:

		(In millions of Korean won)					
		2013					
	Short-term employee benefits	Post-employment benefits	Termination benefits	Share-based payments	Total		
Registered directors (executive)	₩ 3,270	₩ 144	₩ -	₩ (578)	₩	2,836	
Registered directors (non-executive)	1,199	-	-	13		1,212	
Non-registered directors	7,305	380	1,024	5,686		14,395	
	₩ 11,774	₩ 524	₩ 1,024	₩ 5,121	₩	18,443	

(In millions of Korean won)

	2012				
	Short-term employee benefits	Post-employment benefits	Termination benefits	Share-based payments	Total
Registered directors (executive)	₩ 4,075	₩ 230	₩ -	₩ 3,480	₩ 7,785
Registered directors (non-executive)	1,107	-	-	18	1,125
Non-registered directors	6,067	436	-	3,751	10,254
	₩ 11,249	₩ 666	₩ -	₩ 7,249	₩ 19,164

Collateral received from related party entities as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013	2012
<b>Associates</b>		
Kores Co., Ltd.		
Row house	₩ 24	₩ 24
Apartment	24	24
Factory/Forest land	15,000	15,000

## 45. Business combination

The Group acquired Yehansoul Savings Bank Co., Ltd. for ₩37,760 million in September 2013.

The consideration transferred and the assets and liabilities arising from the M&amp;A deal are as follows:

(In millions of Korean won)

	Amounts
<b>Total consideration</b>	₩ 37,760
<b>Recognized amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and due from financial institutions	360,401
Financial assets at fair value through profit or loss	4,395
Loans	81,179
Financial investments	6,926
Other assets	16,502
<b>Total assets</b>	469,403
Deposits	423,020
Other liabilities	15,966
<b>Total liabilities</b>	438,986
<b>Total identifiable net assets</b>	₩ 30,417
Goodwill	₩ 7,343
Acquisition-related costs <sup>1</sup>	771

<sup>1</sup> Recorded in fee and commission expense in the statement of comprehensive income.

The receivables including loans from the M&A deal at the acquisition date are as follows:

(In millions of Korean won)

Fair value	Amounts	
Loans	₩	81,179
Others		11,202
	₩	92,381
<b>Contractual cash flow</b>		
Loans	₩	94,914
Others		11,459
	₩	106,373
<b>Estimate of the contractual cash flows not expected to be collected</b>		
Loans	₩	13,721
Others		28
	₩	13,749

Due to the business combination, the net operating loss and loss for the period from September 2, 2013 to December 31, 2013, included in the consolidated statement of comprehensive income were ₩6,678 million and ₩5,331 million, respectively.

Assuming the date of acquisition is beginning of the reporting period, income from operations and net profit for the year would have decreased by ₩23,793 million and ₩18,341 million, respectively. In calculating the pro forma information, the results of the acquired companies for the period before acquisition have been adjusted to reflect the Group's accounting policies and the fair value adjustments made on acquisition.

## 46. Event after the Reporting Period

KB Savings Bank Co., Ltd. completed its merger with Yehansoul Savings Bank on January 13, 2014.

As a result of the leakage of customer personal information discussed in Note 40, KB Kookmin Card received notification from the Financial Service Commission on February 16, 2014, that KB Kookmin Card is subject to a temporary three-month suspension on the following operational activities:

Suspension of operations	<p>The following credit-card operations are subject to the temporary suspension :</p> <ul style="list-style-type: none"> <li>* Issuance of KB Kookmin Card products including credit cards, debit card and checking cards to new clients (except in circumstances where the Financial Services Commission's Chairman approves it for the benefit of the public interest)</li> <li>* Offering new products to existing KB Kookmin Card clients.</li> <li>* Offering new products via telemarketers, travel agents and insurance agents.</li> </ul>
Suspension period	February 17, 2014 ~ May 16, 2014 (3 months)

The three-month suspension is likely to adversely affect the Group's operational base in the short term. However, considering the Group's asset quality, strong underlying financial performance and its credibility in the market, the long-term effect of the suspension has been determined as being low.

## 47. Approval of the Financial Statements

The issuance of the Group's financial statements as of and for the year ended December 31, 2013, was approved on February 21, 2014, by the Board of Directors.

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## Forward Looking Statements

This document contains forward-looking statements. Words and phrases such as “will,” “aim,” “will likely result,” “will continue,” “contemplate,” “seek to,” “future,” “objective,” “goal,” “should,” “will pursue,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and words and terms of similar substance used in connection with any discussion of future operating or financial performance identify with forward-looking statements. All forward-looking statements are management’s present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward looking statements.

The factors that could cause actual results to differ include, but are not limited to, the following:

- KB Financial Group’s ability to successfully implement its strategy;
- future levels of non-performing loans;
- KB Financial Group’s growth and expansion;
- adequacy of allowance for credit and investment losses;
- technological changes;
- investment income;
- availability of funding and liquidity;
- cash flow projections;
- KB Financial Group’s exposure to market risks; and
- adverse market and regulatory conditions.

By their nature, certain disclosures relating to these and other risks are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on KB Financial Group’s income or results of operations could materially differ from those that have been estimated.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document could include, but are not limited to:

- general economic and political conditions in Korea or other countries that have an impact on KB Financial Group’s business activities or investments; Korea’s monetary and interest rate policies;
- inflation or deflation;
- foreign exchange rates;
- prices and yields of equity and debt securities;
- performance of the financial markets in Korea and internationally;
- changes in domestic and foreign laws, regulations and taxes;
- changes in competition and the pricing environments in Korea; and
- regional or general changes in asset valuations.

KB Financial Group cautions the reader not to place undue reliance on the forward-looking statements, which speak only as of the date of this document. Except as required by law, we are not under any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements attributable to KB Financial Group or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this document.

## **CONTACT INFORMATION**

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